Sector spotlight: Consumer, business and professional services

Business volumes across the services sector grew at a much slower, albeit still solid, pace in the three months to December compared with the same period one month previously. Both business & professional services and consumer services saw a slower rate of growth compared to last month, although the decline was much more pronounced in the former. Employment growth amongst business & professional services firms also slowed, though headcounts nevertheless increased. Consumer services employment remained unchanged in the quarter to December, after growing last month.

The outlook for the next three months is mixed, as growth in business & professional services volumes is set to accelerate, while consumer services volumes are tipped to decline at pace. It is worth noting that around a third of survey responses came in before the announcement of plan B measures on the 8th December (our December field period ran to 14th December). Employment is expected to see strong growth in the quarter ahead. Average selling price growth is set to pick up pace in the next three months, the strongest expectations since survey records began in July 2003 .

All figures are weighted balances

Total services – business volumes, past 3 months	Business & professional services – business volumes, past 3 months	Consumer services – business volumes, past 3 months
+18%	+16%	+23%
Total services – business volumes, next 3 months	**Business & professional services – business volumes, next 3 months**	**Consumer services – business volumes, next 3 months**
+18%	+29%	-16%

Sector spotlight: Manufacturing

Manufacturing activity strengthened in December, despite ongoing supply challenges. Output volumes in the quarter to December grew at their fastest pace since July 2021, reflecting broad-based growth across sub-sectors.

Manufacturers expect output growth to slow moderately (but remain quick by historical standards) next quarter. Total order books in December were judged to be "above normal" to a similar extent to last month's record-high, while export orders were reported as broadly "normal".

Manufacturers' inventory positions deteriorated further in December, with stock adequacy of finished goods worsening to a new record-low position for the second month in a row. Price pressures are anticipated to remain acute in the next three months.

All figures are weighted balances

Volume of output – past three months	Total order books	Finished goods stock adequacy
+29%	+24%	-24%
Volume of output – next three months	**Export order books**	**Domestic prices – next three months**
+23%	-1%	+62%

Sector spotlight: Retail, wholesale and motor trades

Retail sales grew in the year to December at a much slower rate than last month, disappointing expectations for an acceleration in growth. Both reported and expected sales growth deteriorated throughout the survey field period for both retail and distribution as a whole as concerns about Omicron increased (our December survey field period ran to 14th December, with plan B announced on the 8th).

Sales are expected to grow at a similarly below-average pace next month. Internet sales were broadly flat in the year to December but are expected to fall next month, although this will partly be impacted by base effects around last year's winter lockdown and the timing of black Friday sales, and the bringing forward of sales this year to November due to concerns around stock shortages. Sales were seen as broadly average for the time of year in December and are expected to be poor for the time of year next month.

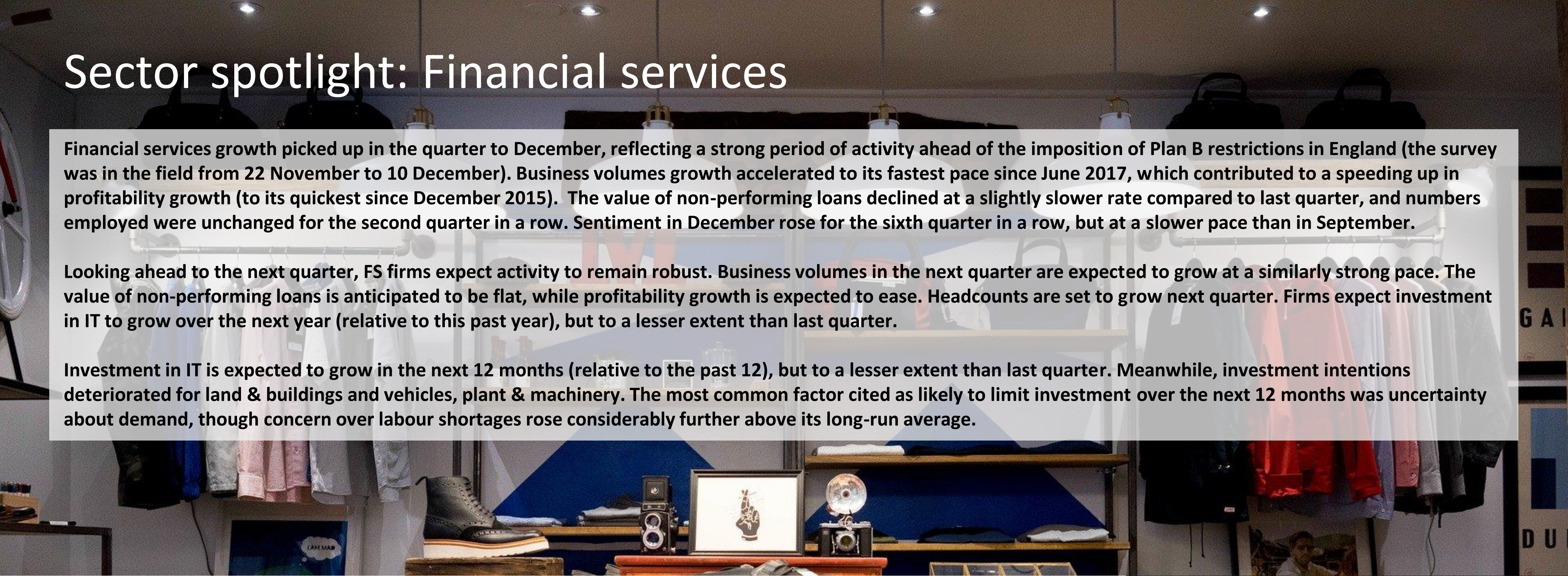
Orders placed upon suppliers grew at a faster pace than November, while stock levels in relation to expected sales recorded a positive balance for the first time since February. Anecdotes from respondents indicate that many distribution firms are looking to hold higher than usual stock levels in order to combat ongoing supply chain disruptions, including ordering larger quantities and ordering further in advance. Orders growth is expected to slow next month, with relative stocks expected to be broadly adequate.

Elsewhere, wholesalers reported slowing sales growth in the year to December and expect a similar rate of growth next month. Motor traders reported sales as falling in the year to December and expect sales to decline next month also.

All figures are weighted balances

Retail sales volumes growth in year to Dec	Wholesale sales volumes growth in year to Dec	Motor trades sales volumes growth in year to Dec
+8%	+27%	-18%
Retail expected sales growth in year to Jan	**Wholesale expected sales growth in year to Jan**	**Motor trades expected sales growth in year to Jan**
+5%	+27%	-12%

Sector spotlight: Financial services



Financial services growth picked up in the quarter to December, reflecting a strong period of activity ahead of the imposition of Plan B restrictions in England (the survey was in the field from 22 November to 10 December). Business volumes growth accelerated to its fastest pace since June 2017, which contributed to a speeding up in profitability growth (to its quickest since December 2015). The value of non-performing loans declined at a slightly slower rate compared to last quarter, and numbers employed were unchanged for the second quarter in a row. Sentiment in December rose for the sixth quarter in a row, but at a slower pace than in September.

Looking ahead to the next quarter, FS firms expect activity to remain robust. Business volumes in the next quarter are expected to grow at a similarly strong pace. The value of non-performing loans is anticipated to be flat, while profitability growth is expected to ease. Headcounts are set to grow next quarter. Firms expect investment in IT to grow over the next year (relative to this past year), but to a lesser extent than last quarter.

Investment in IT is expected to grow in the next 12 months (relative to the past 12), but to a lesser extent than last quarter. Meanwhile, investment intentions deteriorated for land & buildings and vehicles, plant & machinery. The most common factor cited as likely to limit investment over the next 12 months was uncertainty about demand, though concern over labour shortages rose considerably further above its long-run average.

All figures are weighted balances

Volume of business – past three months	Overall profitability– past three months	Numbers employed – past three months
+42%	+42%	0%
Volume of business – next three months	**Overall profitability– next three months**	**Numbers employed – past three months**
+45%	+30%	+21%