

# Economy in brief

For CEOs, FDs, and business leaders

Your monthly overview of the major trends impacting the UK's main business sectors

May 2023



## Employment

(Dec '22 – Feb '23)

75.8%



## Unemployment

(Dec '22 – Feb '23)

3.8%



## Productivity growth

(Output per hour, Q4 2022 on a year ago)

0%



## Real wage growth

(Dec '22 – Feb '23 on a year ago, excl. bonuses)

-2.3%

## The CBI's economic service

The CBI took the difficult decision to pause member and policy activity on the 21st April. We at the CBI are determined to reform and refocus the CBI in order to drive forward the changes that matter for our people, our business, your businesses and society and rebuild trust in our organisation.

In the current context, we are redeploying the staff of our economics directorate to the delivery of economic intelligence products for members. The economics directorate employs macroeconomists, survey specialists, tax professionals, economic policy experts and those with economic consulting experience. They provide analytical support to the CBI's policy work, run the CBI's economic surveys (going more than 60 years), produce the CBI macroeconomic forecast, deliver the CBI's Budget submissions to HM Treasury, undertake tax policy analysis in support of the CBI's tax lobbying work and have been part of the CBI Economics consulting business.

Over the coming weeks, the team will deliver a variety of economic pieces to support our members (e.g. next week we'll do pieces around the GDP data and the MPC's interest rate decision and their latest forecast updates). We hope that you find our work useful and welcome your feedback.

## Recent economic news, the outlook and risks

The UK economy has been supported by some positive tailwinds so far this year: China's reopening has proceeded in a more orderly fashion than feared; gas prices have been lower than expected; consumer confidence has improved; spending impetus has been greater than expected; and the impact from pandemic-related supply chain disruption has continued to diminish.

Over the rest of this year, activity in the UK is expected to gradually improve as inflation falls back following the decline in gas prices, and the squeeze on incomes ease. This will support ongoing improvements in economic conditions, but there remains the risk that broader inflationary pressures become entrenched, which would necessitate further interest rate rises from the Bank of England. Business investment should be supported by improving activity, but finance costs are now higher following the rise in interest rates, and weakness in the housing market undermines the overall investment outlook. Meanwhile, government spending is set to soften after successive periods of government support during the pandemic and to help with energy bills.

Circling the main drivers of the growth outlook are risks from global financial market disruption as markets adjust to higher interest rates amidst high global inflation, tight labour markets, pressure on health systems, and the impact of ChatGPT. These are some of the themes we'll be covering in more detail in the coming weeks.

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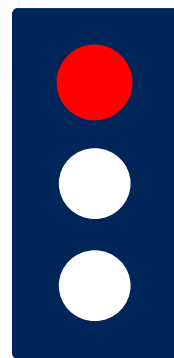


# Round-up of CBI April surveys\*

## CBI growth indicator: red

Private sector activity fell modestly in the three months to April, meaning that activity has contracted for nine rolling quarters in a row. Services volumes fell at a modest pace, reflecting declines in business & professional and consumer services volumes. Manufacturing output contracted at a steeper pace compared to March, while distribution sales were broadly flat. Private sector activity is expected to pick up over the next three months (balance of +7%).

# -7%



### Past three months\*\*



## +1%

Retail, wholesale and motor trades\*\*\*



## -7%

Business and professional services



## +12%

Financial Services\*\*\*\*



## -7%

Consumer services



## -15%

Manufacturing

### Next three months\*\*



## +1%

Retail, wholesale and motor trades\*\*\*



## +8%

Business and professional services



## +53%

Financial Services\*\*\*\*



## +6%

Consumer services



## +8%

Manufacturing

### Growth indicator: sector detail

**Manufacturing output volumes** fell in the three months to April, and at one of the fastest rates since the height of the COVID-19 pandemic in 2020. Output fell in 13 out of 17 sub-sectors, with the decline primarily driven by motor vehicles & transport equipment and mechanical engineering. Firms expect volumes to grow in the three months to July.

**Distribution sales volumes** flatlined in the three months to April as growth in wholesaling offset declines in retail and motor trades activity. Distribution sales are expected to remain broadly unchanged over the next three months. Wholesale and retail growth is expected to be flat, while motor trades growth is expected to return to positive territory.

**Services business volumes** continued to fall slightly in the three months to April, reflecting mild contractions in both business & professional and consumer services activity. Looking ahead to the next quarter, the outlook for both sub-sectors is brighter, with volumes in consumer and business & professional services expected to return to growth.

\* April surveys were in field between 24 March and 13 April.

\*\*Figures are percentage balances — i.e. the difference between the % replying 'up' and the % replying 'down'.

\*\*\* CBI Growth Indicator uses three-month-on-three-month growth, rather than year-on-year as used in the Distributive Trades Survey.

\*\*\*\* Financial services are not included in the growth indicator composite; the latest FSS was March 2023.