

Sector spotlight: Consumer, business and professional services

Growth in business volumes stalled across the services sector in the three months to January compared with the three months to December, reflecting a mixed performance across the two services sub-sectors. Business & professional services volumes continued to grow, albeit at a slower rate compared to the quarter to December, while consumer services volumes fell at the fastest pace since June 2021. Employment growth followed the same path, with continued growth in business & professional services headcount and a steep decline in consumer services.

The outlook for the next three months is mixed, as growth in business & professional services volumes and employment is set to accelerate, while consumer services volumes and employment are tipped to decline, with expectations the weakest in over a year for the former. Reflecting on-going cost pressures, average selling price growth is set to pick up pace in the next three months for consumer services, the strongest expectations since survey records began in July 2003. Business & professional services prices are expected to grow at a similarly strong pace to the previous quarter.

All figures are weighted balances

Total services – business
volumes, past 3 months

+2%

Business & professional
services – business
volumes, past 3 months

+9%

Consumer services –
business volumes, past
3 months

-23%

Total services – business
volumes, next 3 months

-1%

Business & professional
services – business
volumes, next 3 months

+15%

Consumer services –
business volumes, next
3 months

-53%

Sector spotlight: Manufacturing

Manufacturing output growth remained firm in the quarter to January, despite slowing somewhat on December. Manufacturers expect output growth to pick up next quarter. Positively, the share of firms mentioning orders or sales as a factor likely to limit output next quarter fell to its lowest since January 1974. Total new orders in the quarter to January grew at a faster pace than in October and is expected to slow in the next quarter. In a sign that supply chain disruption remains widespread, the share of firms citing delivery dates as a factor likely to limit export orders next quarter rose to its highest since October 1974.

Numbers employed in the quarter to January increased at a slower pace compared to October, but growth remained strong by historical standards. Manufacturers expect headcount growth to pick up again next quarter. The share of firms citing skilled labour as a factor likely to limit output next quarter edged higher – to its highest since October 1973 – while concerns regarding “other” labour remained near last quarter’s record high.

Stocks of raw materials in the quarter to January grew at their quickest pace since April 2019 (when inventories rose at a record pace, just ahead of the original Brexit date), while stocks of work in progress increased at their fastest rate on record (since July 1977). By comparison, stocks of finished goods remained broadly flat.

Average cost growth quarter to January accelerated to its quickest since April 1980 and is expected to grow at a similarly fast pace next quarter. Average domestic prices in the quarter to January grew at a similarly quick rate as in October (which saw the fastest growth since April 1980), while export prices grew at their fastest pace since April 1980. Next quarter, both domestic and export price inflation is expected to pick up further.

All figures are weighted balances

Volume of output – past
three months

+14%

Total order books

+24%

Finished goods stock
adequacy

-17%

Volume of output – next
three months

+23%

Export order books

-10%

Domestic prices – next
three months

+66%

Sector spotlight: Retail, wholesale and motor trades

Retail sales were seen as poor for the time of year in January, for the first time since September 2021 and to the greatest extent since March 2021. Sales are expected to remain below seasonal norms in February, albeit to a slightly lesser extent than this month.

Retail sales grew at an above average pace in the year to January, however this compares sales to January last year, when lockdowns were in force for most/all of the month (with slight variation in timings between the four UK nations). Sales are expected to grow at a slightly slower pace in the year to February. Growth in orders placed upon suppliers eased sharply in the year to January, despite being similarly impacted by base effects, but is expected to pick up next month.

Internet sales were broadly flat in the year to January for the second straight month, with expectations for flat volumes again next month.

Meanwhile, wholesalers reported sales as good for the time of year for the tenth straight month, although to a lesser extent than in December, with sales expected to be similarly above seasonal norms in February. Motor traders saw sales as good for the time of year, reversing fortunes from last month, with sales expected to be further above seasonal norms in February.

Across the distribution sector, stock volumes in relation to expected sales were seen as too low, after being broadly adequate last month, with relative stock levels seen as too low in each of the three main sectors. Stock adequacy across the distribution as a whole is expected to remain too low in February, but is expected to be broadly adequate in the wholesale sector.

All figures are weighted balances

Retail sales for time of
year in Jan

-23%

Wholesale sales for time
of year in Jan

+30%

Motor trades sales for
time of year in Jan

+10%

Retail expected sales for
time of year in Feb

-17%

Wholesale expected
sales for time of year in
Feb

+30%

Motor trades expected
sales for time of year in
Feb

+33%