

Private sector activity stabilises after ten successive rolling quarters of decline

June 2023

Private sector activity stabilised in the three months to June, according to the CBI's latest Growth Indicator (a composite of activity across our business surveys), ending a streak of ten successive rolling quarters in which output had fallen. The ending of the negative growth streak can be attributed to a mild expansion in services volumes, while the pace of decline in both manufacturing output and distribution sales eased.

Activity is expected to pick up slightly over the next three months, according to our forward-looking Growth Indicator measure, with services' momentum set to build and manufacturers once again anticipating a return to growth in output – it is worth noting that expectations have not been met for the last 6 months. Meanwhile, distribution sales look set to fall again, at an even faster pace, though within that, the pace of decline in retail is relatively modest. Meanwhile, hiring intentions across the private sector remain firm, and expectations for selling price growth in the next three months are at their softest since April 2021.

In June, we recently upgraded our forecast for UK GDP growth in 2023 to 0.4%, as household spending in particular has been better-than-expected so far this year. For more information, see our latest [economic forecast](#).

- **Within the detail of our latest Growth Indicator:**
 - **Service business volumes returned to growth in the quarter to June** (weighted balance¹ of +4% from -8% in May), reflecting marginal growth in business & professional service volumes (+4%), while consumer service volumes were broadly unchanged after having fallen for a year (+3%).
 - **Distribution sales contracted in the three months to June** (-7% from -17% in May), falling at a slower pace than last month. At the sub-sector level, only motor trades saw sales volumes pick up over this period, with the headline fall being driven by retail and wholesaling.
 - **Manufacturing output also continued to fall, albeit marginally, and at a slower pace than last month** (-6% from -10% in May). The decrease was largely driven by the mechanical engineering and food, drink & tobacco sub-sectors.
- Looking ahead, **private sector activity is expected to pick up slightly over the next three months (+4%):**
 - The services sector looks set to lead the recovery as both consumer services (+11%) and business & professional services volumes (+9%) grow moderately. Manufacturers expect output to grow slightly (+4%) – if realised,

¹ A balance is the percentage of companies reporting an increase minus those reporting a decrease

this would mark the first growth in a year, but distribution sales are expected to fall again (-13%).

UK Private Sector Activity

