



Agents' summary of business conditions

November 2015 Update

- Activity had continued to grow solidly on a year ago, but at a slower rate than earlier in the year. That slowing had been most notable in manufacturing, where investment intentions had also weakened. Growth in services had remained buoyant, supported in part by robust consumer confidence.
- Weaker overseas demand growth and the strength of sterling had continued to weigh down on exports, and had also increased competition in domestic markets from businesses abroad. That was negatively affecting confidence among some businesses, particularly within manufacturing.
- Total labour cost growth had remained modest overall. Pay pressures were reported to be building in some areas where recruitment difficulties were greatest, such as professional services and construction. However, hiring intentions had eased alongside slower demand growth and an increasing focus on raising productivity.

Annual growth in **consumer spending** had edged higher, with the pace of turnover growth remaining stronger for consumer services companies than for retailers (**Chart 1**).

Business services turnover growth had remained robust, particularly in professional and financial services (**Chart 2**). Growth in other business services had continued at a more modest rate.

The slowdown in **manufacturing** output growth had continued (**Chart 3**). Subdued world demand and sterling's appreciation over the past 18 months had led to slowing demand in export supply chains, and had increased competition in domestic markets from businesses abroad.

Construction output had continued to rise solidly on a year earlier, although there were some reports of an easing in the pace of expansion of housebuilding and infrastructure activity.

Investment intentions had weakened in manufacturing, reflecting the more subdued demand outlook, but pointed to modest growth overall (**Chart 4**).

Credit availability had remained good for most businesses, with high levels of competition between lenders to provide finance to companies with strong balance sheets.

Non-bank finance had continued to flow into the **commercial real estate market**, and occupier demand had risen further.

Housing activity had increased modestly, supported by strong competition among mortgage lenders.

Capacity utilisation had remained below normal for manufacturing but had increased further above normal in services, where constraints were said to be binding in some parts of professional and IT services.

Employment intentions had weakened markedly in manufacturing and had eased in consumer services (**Chart 5**), reflecting a combination of a slowing in demand growth, a greater focus on productivity gains and some concerns over the National Living Wage. **Recruitment difficulties** had remained above normal and had broadened out across sectors.

Labour cost growth had remained moderate overall, although upward pressure was reported in sectors where recruitment difficulties were most acute, including professional services.

Materials costs and **imported finished goods prices** had remained lower than a year earlier. Weak global demand had contributed to further price falls for materials such as steel.

Manufacturing **output prices** were lower than a year ago. Business services price inflation had remained modest.

Consumer prices for goods had continued to fall on a year earlier, but the pace of decline had eased a little (**Chart 6**). Consumer services prices had continued to increase modestly.

This Update covers intelligence gathered from business contacts between late September 2015 and late October 2015. A fuller report for 2015 Q4 will be published on 16 December. This report generally makes comparisons with activity and prices over the past three months on a year earlier. It represents the aggregate view offered from business contacts across the whole of the United Kingdom. More information on the Bank's Agencies can be found at www.bankofengland.co.uk/publications/Pages/agentssummary/default.aspx.

Selected charts of the Agents' national scores

Chart 1 Retail sales values and consumer services values

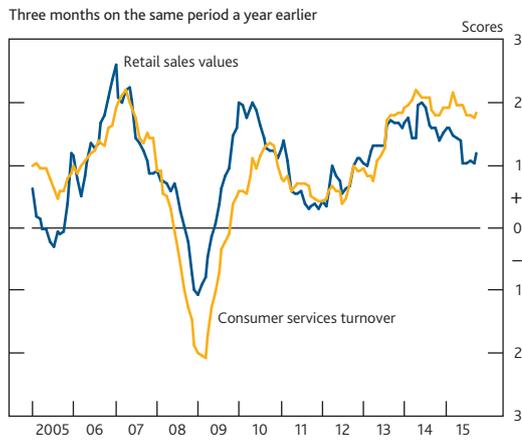


Chart 2 Services turnover

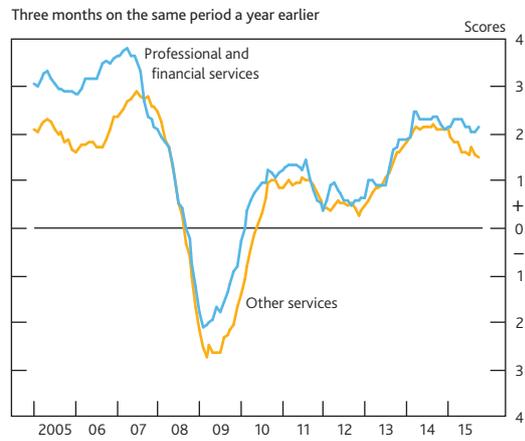


Chart 3 Manufacturing output



Chart 4 Investment intentions



Chart 5 Employment intentions

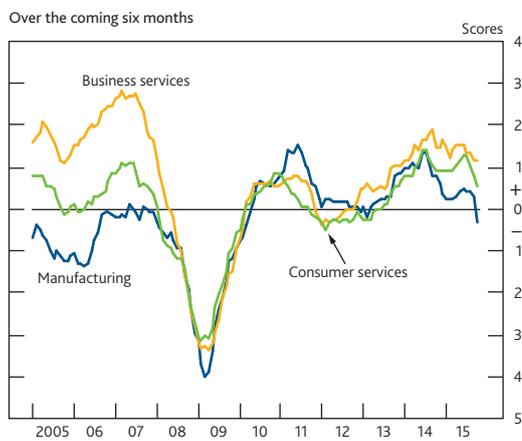


Chart 6 Retail goods and consumer services prices

