



Agents' summary of business conditions

April 2016 Update

- Annual output growth had been unchanged on the month. Investment growth intentions had weakened a little, mostly reflecting increased uncertainty.
- After a prolonged period of gentle increases, corporate credit availability had tightened slightly for medium and large companies, reflecting less favourable capital market conditions. Access to credit for smaller companies had continued to increase gradually.
- Housing market activity had risen due to increased purchases of properties by buy-to-let investors ahead of April's stamp duty changes. In contrast, investor demand for commercial real estate had slowed, particularly in London.

Annual growth in **consumer spending** had remained resilient (**Chart 1**). Retailers reported reasonably solid consumer confidence, but modest growth in sales values. Some contacts reported a shift towards spending on consumer services, where turnover growth had edged higher.

Business services turnover growth had eased a little (**Chart 2**), partly reflecting some easing in output price inflation. Uncertainty about the outlook among business service companies had increased.

Manufacturing output for the domestic market was the same as a year earlier (**Chart 3**). Manufacturing export volumes were lower than a year earlier, but the annual pace of decline had stabilised.

Construction output had grown steadily overall, albeit with considerable variation in growth between different subsectors. For example, private housing construction growth was stronger than for social housebuilding.

Investment intentions were consistent with unchanged capital spending in manufacturing. In the service sector, intentions for investment growth were positive, although had eased a little as uncertainty had increased (**Chart 4**).

Credit had remained readily available for most companies. Conditions had tightened marginally for larger companies, reflecting less favourable conditions in capital markets, but had eased slightly further for small companies.

Investment demand for **commercial real estate** had slowed overall. Investor demand was reported to have fallen in

London, but had held up better in other regional centres. Occupier demand had risen, and was particularly strong for warehousing and distribution facilities.

Activity in the **housing market** had increased, reflecting a significant pickup in purchases by buy-to-let investors ahead of changes in stamp duty introduced in April.

Capacity utilisation was slightly below normal in manufacturing and slightly above normal in services.

Employment intentions were little changed and consistent with muted employment growth (**Chart 5**). **Recruitment difficulties** had eased a little further, but remained above normal.

Labour cost growth had remained moderate overall and had eased a little in manufacturing reflecting the recent weakness in demand growth.

The annual rate of decline in **material costs** had started to wane alongside an increase in oil prices. The rate of decline of **imported finished goods prices** had also eased as sterling's recent depreciation had started to feed through.

Manufacturing **output prices** were lower than a year ago. Business services price inflation had eased, remaining modest (**Chart 6**).

Consumer price inflation had fallen slightly for services, but had become less negative for goods.

Selected charts of the Agents' national scores

Chart 1 Retail sales values and consumer services turnover

Three months on the same period a year earlier

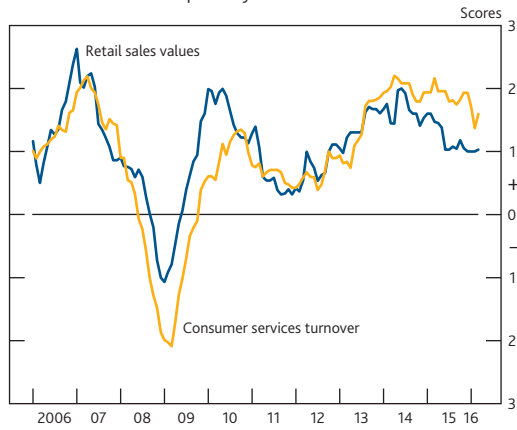


Chart 2 Business services turnover

Three months on the same period a year earlier

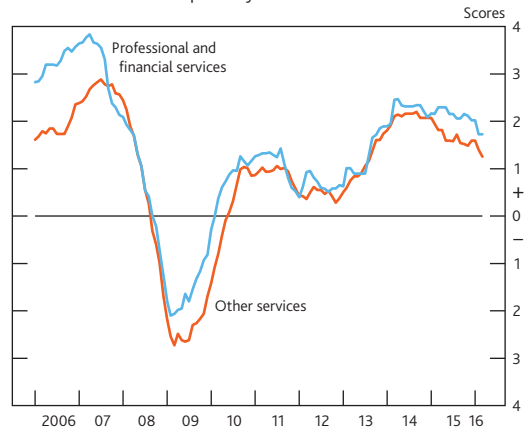


Chart 3 Manufacturing output

Three months on the same period a year earlier

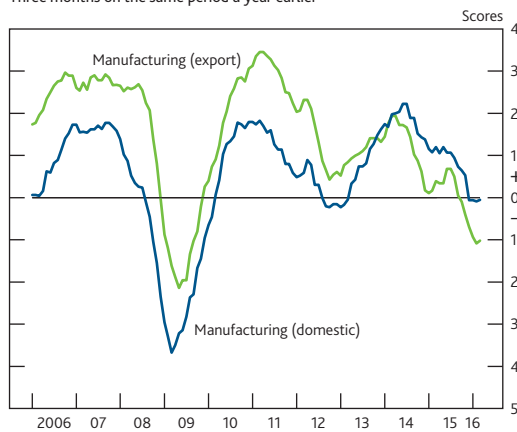


Chart 4 Investment intentions

Over the coming twelve months

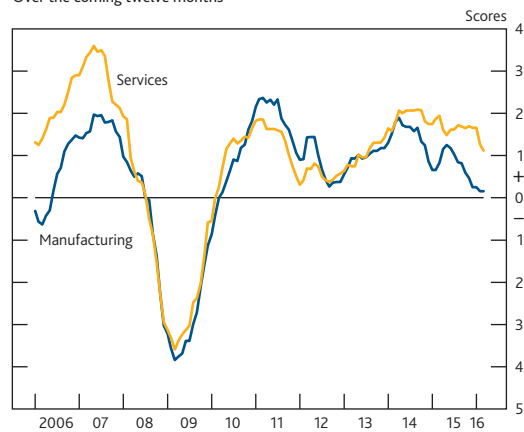


Chart 5 Employment intentions

Over the coming six months

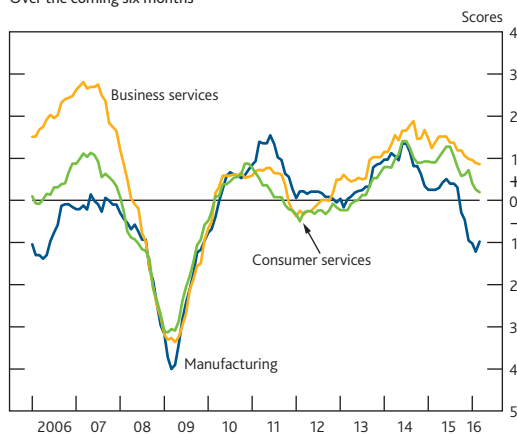
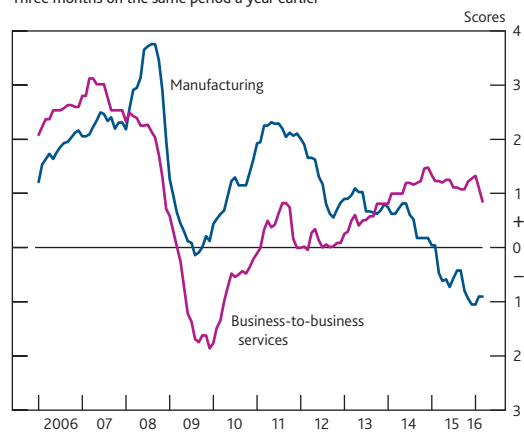


Chart 6 Output prices

Three months on the same period a year earlier



For data on the full set of Agents' scores see www.bankofengland.co.uk/publications/Documents/agentssummary/agentsscores.xlsx.