

▶ A NEW ECONOMY  
**PUBLICATION**

A red watering can is positioned in the upper left quadrant, tilted as if pouring. Below it, four small, round, terracotta pots containing various types of green succulents are arranged on a grey surface. A vertical red bar runs down the center of the page, with a diagonal cutout at the top and bottom.

# BDO MONTHLY BUSINESS TRENDS INDICES

April 2022

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# INTRODUCTION

The BDO Monthly Trends Indices are ‘polls of polls’ that pull together the results of all the main UK business surveys. This edition of the BDO Business Trends Report gives the Index numbers at the beginning of May 2022, using the results from business surveys that were released during the previous month.

## Summary and key findings

Index	Current reading	Movement in month	Index level
BDO Output Index	✓	▽	103.66 in April, down from 110.96 in March
BDO Optimism Index	✓	▽	106.75 in April, down from 107.49 in March
BDO Inflation Index	✓✓	△	115.26 in April, up from 110.97 in March
BDO Employment Index	✓✓	△	113.00 in April, up from 112.74 in March

KEY:            ✓ = above 100; ✓✓ = above 100 and (joint) highest in 12 months  
                  X = below 100; XX = below 100 and (joint) lowest in 12 months

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## KEY FINDINGS

Two of the four BDO Business Trends indices increased in April.

All four indices stood in positive territory and above their long-term trend levels. This has now been the case for a full year.

The Output Index fell for a third consecutive month in April, reaching 103.66. The Output Index was last lower in March 2021, when the reading was 100.49.

The BDO Optimism Index fell for the first time since December 2021. This amounted to a drop of 0.74 points, taking the Index to 106.75.

The BDO Inflation Index increased further in April, reaching a series high of 115.26. This was driven by stark increases across both the Consumer Inflation and Input Inflation subindices.

The BDO Employment Index also increased in April, marking a sixth consecutive month of improvement. The Index now stands at 113.00, surpassing pre-pandemic levels for the first time.

# OUTPUT INDEX REACHES LOWEST LEVEL IN OVER A YEAR AS GROWTH SLOWS

- The BDO Output Index dropped by 7.30 points in April, reaching 103.66. This fall took the Index to its lowest level since March 2021, when the reading was 100.49.
- As has been a common theme for much of the past year, April's fall was partly driven by the unravelling of base effects. April 2021 brought the first stages of the Government's roadmap, including the reopening of non-essential retail spaces and allowing for hospitality services to return outdoors. This put upward pressure on economic output this time a year ago, leaving less scope for annual growth in April 2022.
- Nevertheless, there are also short-term factors driving the decline in the Output Index. Growth has slowed recently amidst emerging economic headwinds. These include continued supply chain disruption, cost pressures for businesses, and the decline in consumer spending power due to mounting inflation.
- These factors are impacting businesses across a variety of industries. This is reflected in the fact that both the Manufacturing Output and Services Output subindices slipped in April.
- The former dropped by 1.93 points, falling beneath its long-term trend level of 98.14. Manufacturing businesses have been particularly impacted by the supply chain and cost pressures, given the input-output nature of their production.
- Meanwhile, the latter fell by 7.97 points. Though this was a larger fall than that seen for Manufacturing, the Services Output Index remains above its long-term trend, at 104.36.

## BDO OUTPUT INDEX

100 = average trend growth. Greater than 95 = positive



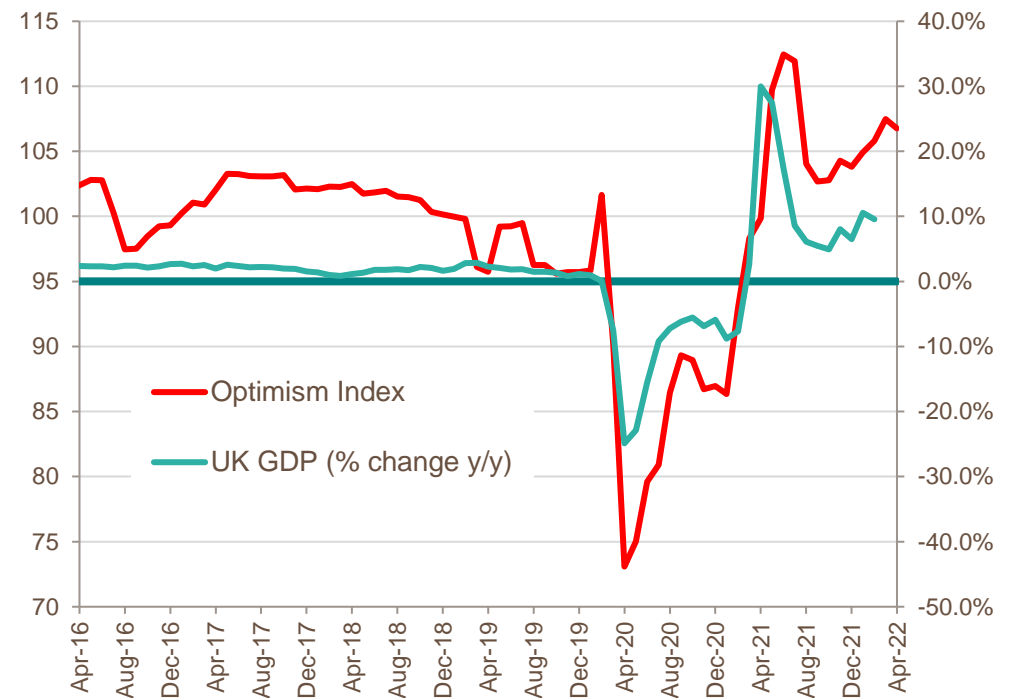
Source: IHS Markit / CIPS PMI, Bank of England, CBI, Eurostat, Office for National Statistics and Cebr analysis

# OPTIMISM INDEX FALLS FOR FIRST TIME SINCE DECEMBER

- The BDO Optimism Index slipped by 0.74 points in April, reaching a reading of 106.75. This put an end to three consecutive months of improvement across Q1. Nevertheless, it should be noted that businesses are generally more positive than not, as indicated by the score being in excess of 100.
- The fall in business confidence largely reflects the economic headwinds described in the Output section. In particular, this fall reflects the fact that these trends are set to continue over the coming months, making for an even less favourable economic landscape.
- For instance, business pressures are expected to worsen as a result of the continued lockdown measures in major cities in China, which are key hubs for global supply chains.
- The fall in the Optimism Index aligns with other metrics. For example, the composite UK PMI fell between March and April, reaching 57.6. That this indicator stands above 50 indicates that while businesses are still more positive than not, their relative level of improvement is weakening month-on-month.
- There was a fall in optimism across both Manufacturing and Services. The former was more pronounced than the latter, amounting to a fall of 2.12 points. The latter dropped by 0.56 points.

## BDO OPTIMISM INDEX

100 = average trend growth. Greater than 95 = positive



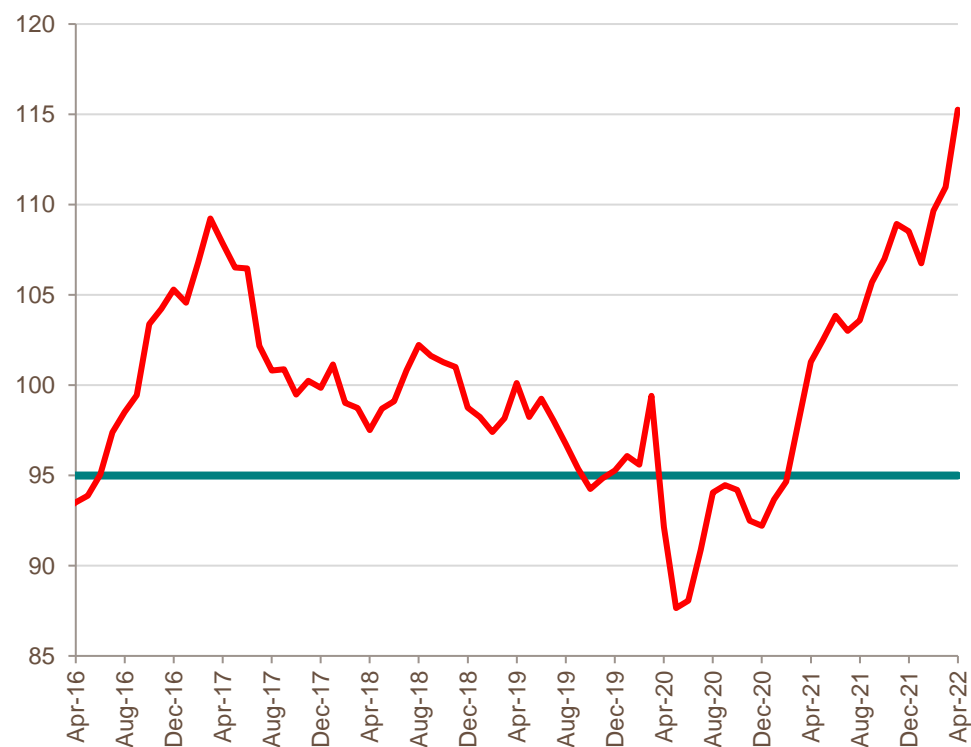
Source: IHS Markit / CIPS PMI, Bank of England, CBI, Eurostat, Office for National Statistics and Cebr analysis

# INFLATION INDEX REACHES ALL-TIME HIGH AMIDST RECORD INPUT PRICE RISES

- The BDO Inflation Index increased by 4.29 points in April. This took the Index to a further record high of 115.26. Indeed, this was also the largest month-on-month increase to the Inflation Index in the history of the series.
- April's increase was driven by both the Input Inflation and Consumer Inflation components, highlighting the broad nature of inflationary pressures at present.
- The Consumer Inflation Index increased by 3.58 points, reaching a record high of 114.14. This increase was predominantly driven by energy prices. The Ofgem price cap increased by 54% in April, putting significant upward pressure on households' utility bills. As a result of the increase to the price cap, Cebr nowcasts the annual CPI inflation rate at 8.6%. CPI inflation is then expected to peak in May, before beginning a brief period of deceleration.
- The Input Inflation Index increased by 4.99 points, reaching 116.37. This marked the second-highest ever reading for this component, falling short only of the 118.00 seen in March 2017. Input inflation was once again driven by commodity prices. As key inputs for wider materials and finished goods, this has brought considerable cost pressure to producers across the board.
- The extent of producer price pressure is evident in official data sources. The ONS showed that annual input price inflation reached a record high of 19.2% in March. Meanwhile, prices picked up by more than 5.0% between February and March alone.

## BDO INFLATION INDEX

100 = average trend growth. Greater than 95 = positive



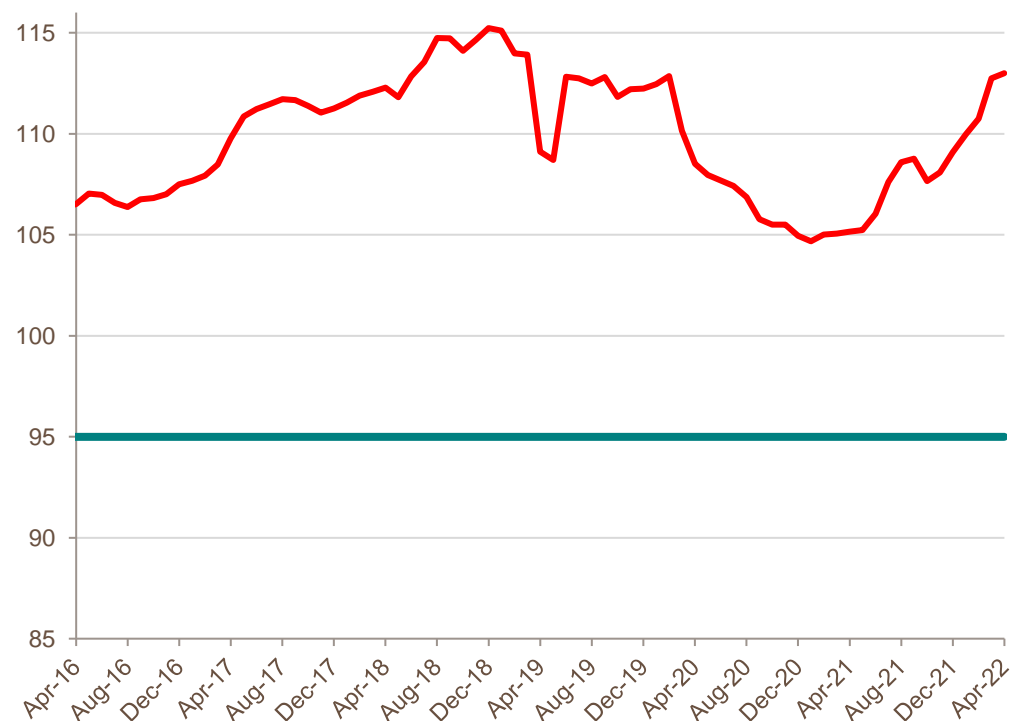
Source: Bank of England, CBI, Eurostat, Office for National Statistics and Cebr analysis

# EMPLOYMENT INDEX EXCEEDS PRE-PANDEMIC LEVELS FOR FIRST TIME

- The BDO Employment Index increased by a further 0.26 points in March, reaching 113.00. This takes the Index above the value seen in the final month before the pandemic. Indeed, the Index reached its highest level since March 2019, when the unemployment rate was at a near-term low of 3.8%.
- Though the Employment Index improved further in April, this was the weakest increase since September 2021, when a month-on-month uptick of 0.18 points was witnessed.
- This reflects the slowdown in jobs growth in April. After record month-on-month payroll growth was witnessed in February, just 35,200 payrolls were added to the economy in March. This is only just above the long-term trend rate of growth for this indicator.
- Nevertheless, the fact that the Index stands at a multi-year high illustrates the strength of the jobs market at present. The raw number of payrolls stands at 29.6 million, a record high. Meanwhile, the number of vacancies reached 1.3 million in Q1, another record high on this indicator.
- Cebr remains cautious in its labour market outlook despite the strength of these indicators at present. The unemployment rate is expected to tick up for the remainder of 2022, reaching 4.5% by the end of the year, reflecting the pressures faced by employers.

## BDO EMPLOYMENT INDEX

100 = average value. Greater than 95 = positive



Source: IHS Markit / CIPS PMI, Bank of England, CBI, Eurostat, Office for National Statistics and Cebr analysis

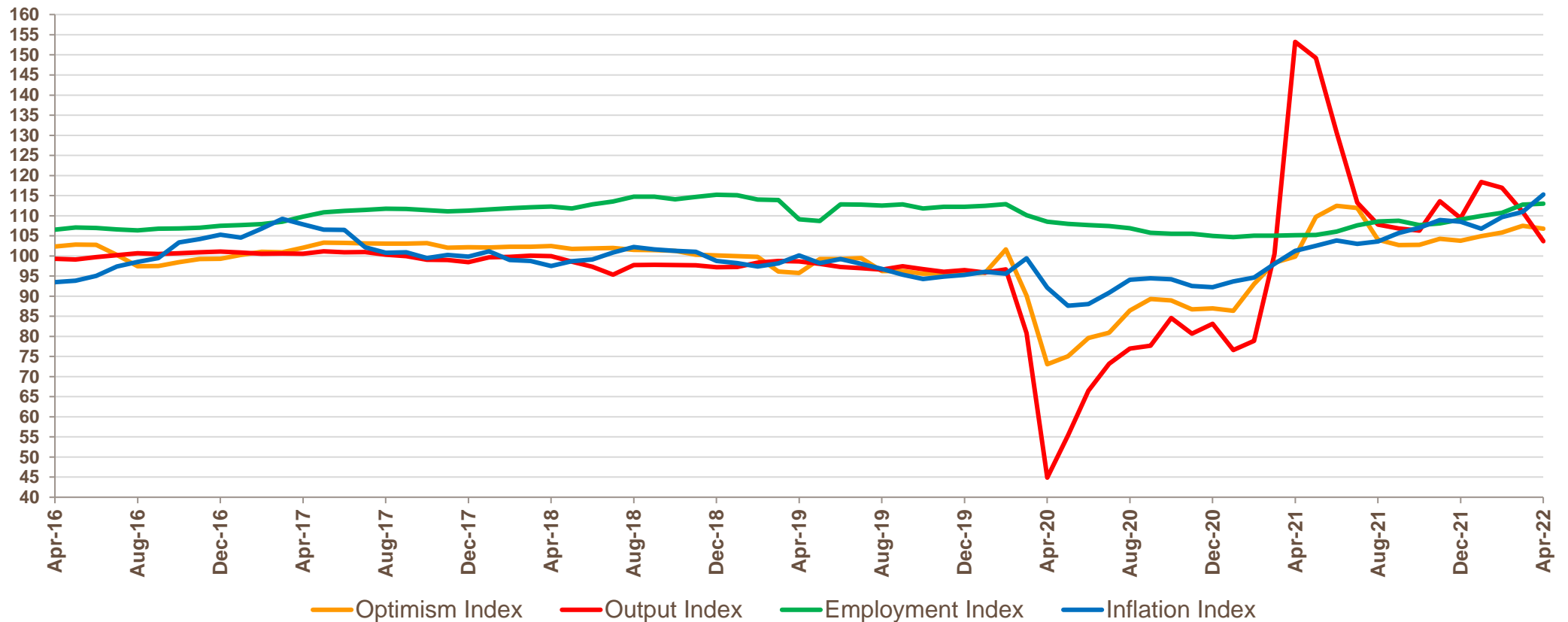
## BDO INDICES TO LATEST MONTH

		Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
The BDO Optimism Index	<b>Total</b>	102.68	102.78	104.27	103.81	104.91	105.81	107.49	106.75
	Manuf.	109.69	108.89	109.92	106.80	109.76	110.30	112.43	110.31
	Service	101.79	102.01	104.03	103.43	104.30	105.24	106.86	106.30
The BDO Output Index	<b>Total</b>	106.81	106.28	113.60	109.41	118.39	116.94	110.96	103.66
	Manuf.	98.96	96.74	95.43	98.45	102.33	101.89	100.07	98.14
	Service	107.81	107.49	115.91	110.79	120.43	118.84	112.33	104.36
The BDO Inflation Index	<b>Total</b>	105.70	107.00	108.93	108.52	106.75	109.66	110.97	115.26
	Input	108.70	108.23	111.68	111.39	106.48	110.93	111.38	116.37
	Consumer	102.70	105.76	106.18	105.65	107.81	108.38	110.56	114.14
The BDO Employment Index	<b>Total</b>	108.78	107.65	108.09	109.08	109.98	110.75	112.74	113.00

# APPENDIX: ALL CORE INDICES REMAIN ABOVE TREND DESPITE MONTHLY DOWNTICK FOR OUTPUT AND OPTIMISM

## BDO INDICES

100 = average trend growth. Greater than 95 = positive



Source: Markit / CIPS PMI, Bank of England, CBI, Eurostat, Office for National Statistics and Cebr analysis

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## FOR FURTHER DETAILS

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## METHOD NOTES

The BDO Monthly Business Trends Indices are prepared on behalf of BDO LLP by the Centre for Economics and Business Research, a leading independent economics consultancy. Cebr has particular strengths in all forms of macroeconomic and market forecasting for the UK and European economies and in the use of business survey techniques.

The indices are calculated by taking a weighted average of the results of the UK's main publicly available business surveys. It incorporates the results of the quarterly CBI Industrial Trends Survey (and the CBI Monthly Trends Enquiry which is carried out in the intervening months); the Bank of England Agents' summary of business conditions; the Markit / the Chartered Institute of Purchasing and Supply's Surveys of Manufacturing and of Services; the DG ECFIN industrial and services confidence indices; the RICS construction market survey; the Manpower Employment Outlook Survey; and Eurostat's monthly business surveys.

Taken together the surveys cover over 4,000 different respondent companies, covering a range of different industries and of different business functions. Together they make up the most representative measure of business trends available.

The surveys are weighted together by a three-stage process. First, the results of each individual survey are correlated against the relevant economic cycles for manufacturing and services. This determines the extent of the correlations between each set of survey results and the relevant timing relationships. Then the surveys are weighted together based on their scaling, on the extent of these correlations and the timing of their relationships with the relevant reference cycles. Finally, the weighted total is scaled into an index with 100 as the mean and 95 as the level dividing expansion from contraction.

The results can not only be used as indicators of turning points in the economy but also, because of their method of construction, be seen as leading indicators of the rates of inflation and growth.