



UK BUSINESS CONFIDENCE FALLS TO FOUR-YEAR LOW YET INDUSTRIAL SECTOR REMAINS RESILIENT

Lloyds Bank's Business Barometer for June 2016 shows:

- Overall UK business confidence fell by 26 points to 6% in June
- Confidence and margins hold up better in the industrial sector than other sectors
- Hiring plans however, improved with four out of ten firms expected to add to headcount

Chart 1: Business activity prospects and economic optimism fell in June

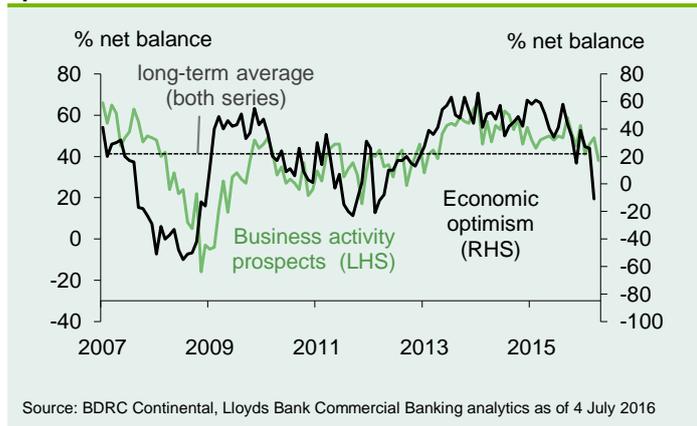
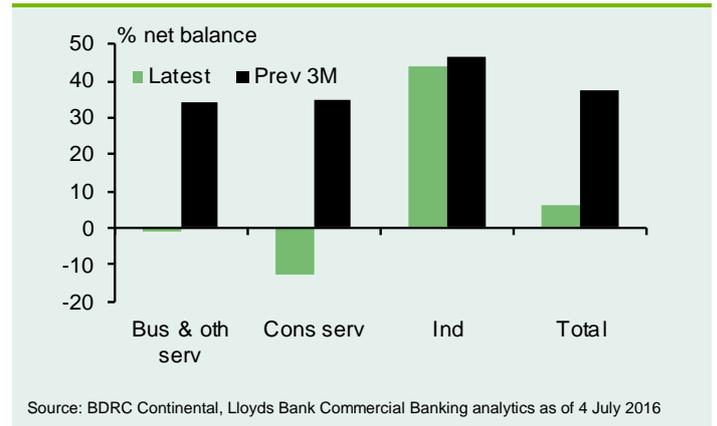


Chart 2: Industrial sector firms show relative resilience in overall confidence



UK business confidence levels fell by 26 points to 6% in the past month according to the latest Business Barometer, from Lloyds Bank Commercial Banking, the survey was conducted in the week after the EU referendum.

Overall confidence fell to the lowest level for over four years, the lowest level since the Euro sovereign debt crisis, but remaining above the lows seen during the global financial crisis.

Amid heightened uncertainty in the immediate aftermath of the EU referendum, the net balance for business activity prospects fell to 23% from 38% the lowest level since December 2011. The decline reflected a fall in more positive prospects to 36% from 42% and a rise in less positive prospects to 13% from 4%. A bigger fall was evident in economic optimism, which tends to react more firmly to events than business activity prospects. The

net balance for economic optimism fell to -11% from 26%, the first negative outturn since July 2012.

Despite this general shift downwards there are some positive signs. Although confidence and margins declined overall, they held up relatively well in the industrial sector, likely affected by the recent fall in the value of the pound.

The results suggest that the opposite was true in consumer services, as the weaker pound is expected to raise import prices, while the business and other services sector were somewhere in the middle. Overall confidence in the industrial sector moved down to 44% from 61%, but it outperformed the business and other services sector (down to -1% from 25%) and consumer services (drop to -13% from 19%).

Hiring plans have remained surprisingly resilient in the face of the falling confidence. The net balance of firms expecting to raise their staffing levels in the coming year increased to 26% from 24%. The proportion of companies looking to raise their headcount rose to 38%.

Hann-Ju Ho, senior economist for Lloyds Bank Commercial Banking, commented:

“Our June survey shows an unsurprising downward shift in confidence however there are positive signs in certain sectors. Furthermore, hiring plans have remained stable which is a good indication of longer term resilience.”

ENDS

Notes to Editors:

Business Barometer measure of overall business confidence is the average of responses about how businesses regard the economic outlook and their own trading prospects.

- The overall “balance” of opinion weighs up the percentage of firms that are positive in outlook against those that are negative. Responses are re-weighted to reflect the composition of the economy.
- The industrial sector in this report represents mainly manufacturing and construction; the consumer services sector comprises distribution and transport & communications; business & other services consists of financial & business services and the public sector.
- The Business Barometer results provide early signals about UK economic trends and other business surveys such as the PMI survey. The survey started in January 2002 and research is carried out monthly on behalf of Lloyds Bank by BDRC Continental.
- This survey was conducted with around 200 companies with turnover above £1 million between 24 – 29 June 2016 from all sectors and regions of Great Britain.