

BUSINESS CONFIDENCE DROPS BUT ECONOMIC CONFIDENCE REMAINS STABLE

Lloyds Bank's Business Barometer for May 2017 shows:

- Confidence in business prospects dropped 34 points to 26%, possibly a temporary fall
- Economic optimism fell more moderately by six points to 28%, remaining above long-term average
- Overall business confidence fell by 20 points to 27%, following a seventeen-month high in April
- Firms' intention to hire reduced by 18 points to 19%

Chart 1: A temporary fall in confidence?

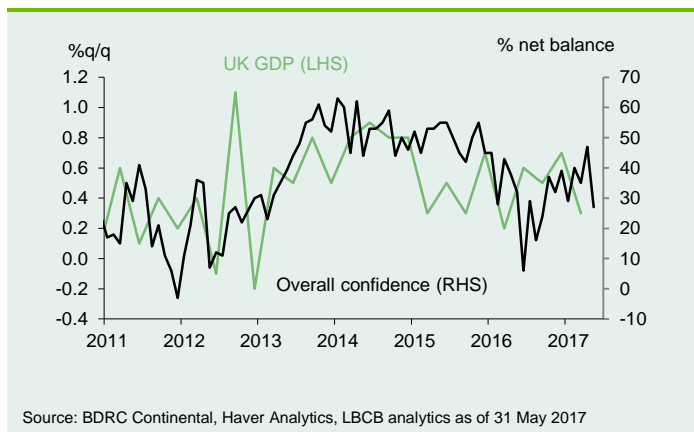
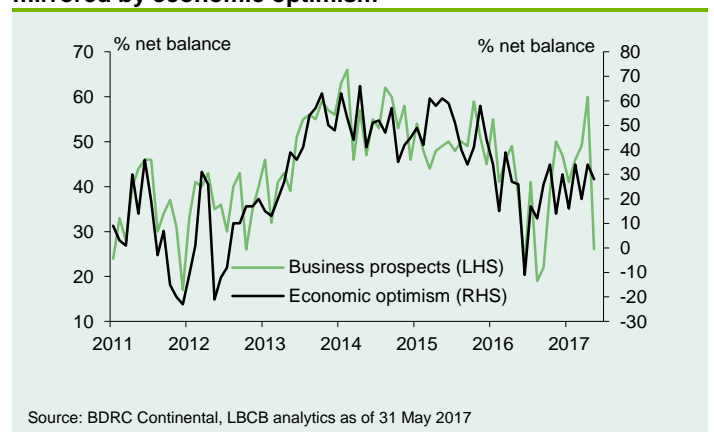


Chart 2: Business prospects fell sharply, but this was not mirrored by economic optimism



Overall business confidence fell by 20 points to 27% in May, after a seventeen-month high of 47% last month, according to the latest Business Barometer from Lloyds Bank Commercial Banking.

The decline was led by a drop in the net balance of firms indicating an improvement in their own business prospects, which fell by 34 points to 26% from 60% in May. Despite this, current business prospects are only slightly below the 32% long-term average.

Thirty-nine percent reported stronger business prospects, down 22 points from 61%, while 13% reported weaker prospects, up from 1%.

Economic optimism fell more moderately, by six points to 28% from 34% last month. It remains above the long-term average of 20% and in line with the average of recent months. Just under half of firms (49%, down from 51%) were more optimistic about the economy, while 21% (up from 17%) were more pessimistic.

Consumer services confidence fell six points to 45%, while business services confidence declined 12 points to 28%. Sentiment in the industrial sector dropped by 50 points to 6% despite US and Eurozone business confidence remaining strong.

The net balance of firms expecting to raise their headcount over the coming year remained positive, but fell by 18 points to 19%. The share of firms expecting to increase their headcount decreased by 16 points to 23%, while 4% expect to reduce staffing levels, up by 2 points from last month.

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

“Although we have seen a drop in overall business confidence from last month’s elevated level, it is only slightly below the long-term average. The June survey will provide a more complete picture for the quarter, but the results from our survey so far this quarter still point to a pickup in growth after the 0.2% outturn in Q1.”

- Ends -

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 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 BDRG Continental.
- This survey was conducted with around 200 companies with turnover above £1 million between 15 and 19 May 2017 from all sectors and regions of Great Britain.