

## BUSINESS CONFIDENCE FALLS TO ONE-YEAR LOW

Lloyds Bank's Business Barometer for August 2017 shows:

- Overall business confidence fell 13 points to a one-year low of 17%
- Economic optimism fell by 12 points to 5%, the lowest level since June 2016
- Confidence in business prospects decreased by 14 points to 29%, lowest level for 3 months
- Firms' intentions to hire stayed positive, edging up by 2 points to 27%

Chart 1: Economic momentum has softened this year

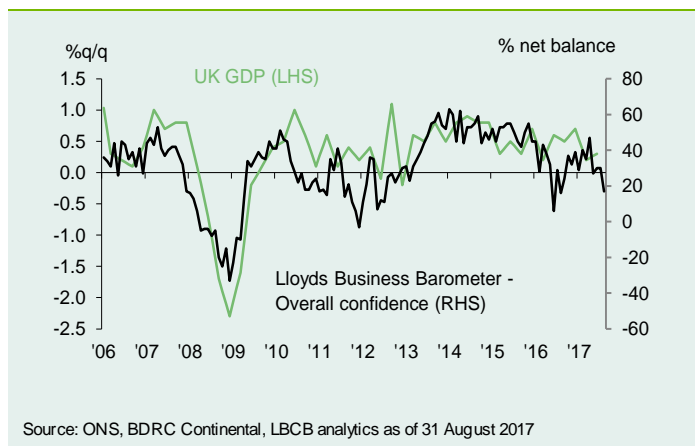
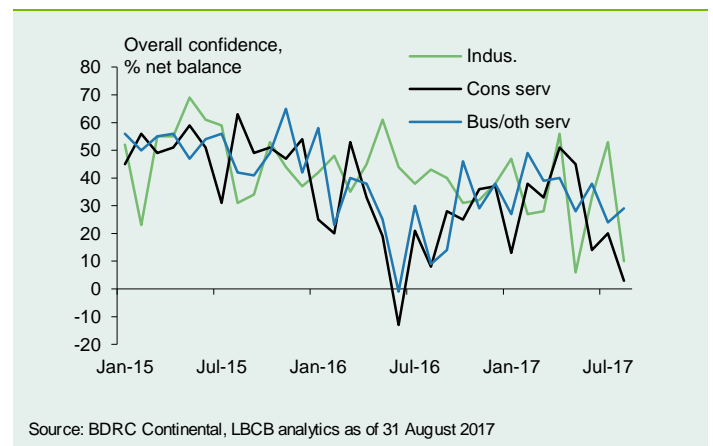


Chart 2: Sentiment weaker in consumer services



Overall business confidence fell 13 points to 17% in August, according to the latest Business Barometer from Lloyds Bank Commercial Banking. This is the lowest level since August 2016.

The share of firms reporting higher business confidence decreased by 7 points to 38% and those reporting lower confidence increased by 6 points to 21%.

Economic optimism fell by 12 points from 17% to 5%, the lowest level since June 2016 and the second lowest level since 2012. The share of firms citing greater economic optimism fell by 5 points to 33%, while the share reporting lower economic optimism rose by 7 points from 21% to 28%.

The net balance of firms indicating an improvement in their own business prospects decreased by 14 points to 29% in August. Forty-three percent reported stronger business prospects, down 8 points from July, while those reporting weaker prospects rose by 6 points to 14%.

Sentiment in the industrial sector, covering manufacturing and construction, fell to a 3-month low of 10%. Consumer services confidence also dropped to a 14-month low of 3%. In contrast, overall confidence in business and other services rose by 5 points to 29%.

The net balance of firms expecting to raise their headcount over the coming year remained positive, increasing by 2 points to 27%. The share of firms expecting to increase their headcount remained the same at 33%, while 6% expect to reduce staffing levels, down by 2 points from last month.

Profit margins remain under pressure, with the net balance unchanged at -8%. The proportion of companies reporting higher margins compared with three months ago rose 5 points to 15%, but this was offset by a 5 point rise in the share citing lower margins to 23%.

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

*“The August report shows that overall business confidence has fallen to the lowest level for 12 months, with sentiment weakest among consumer-facing firms. While confidence overall is now just under the long term average, firms’ hiring plans remain robust.”*

**- 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 BDRC Continental.
- This survey was conducted with around 300 companies with turnover above £1 million between 14 and 18 August 2017 from all sectors and regions of Great Britain.