

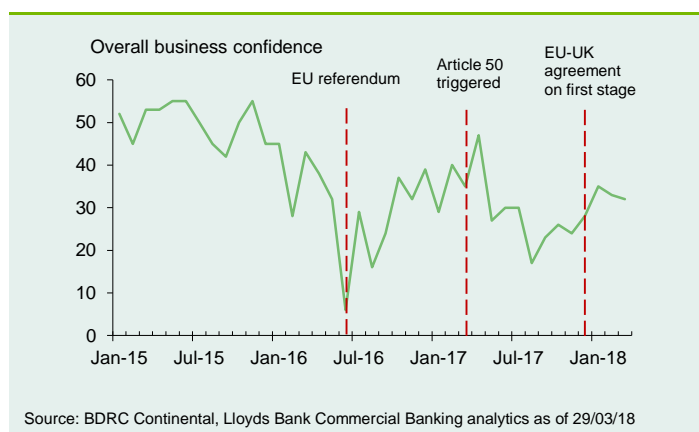


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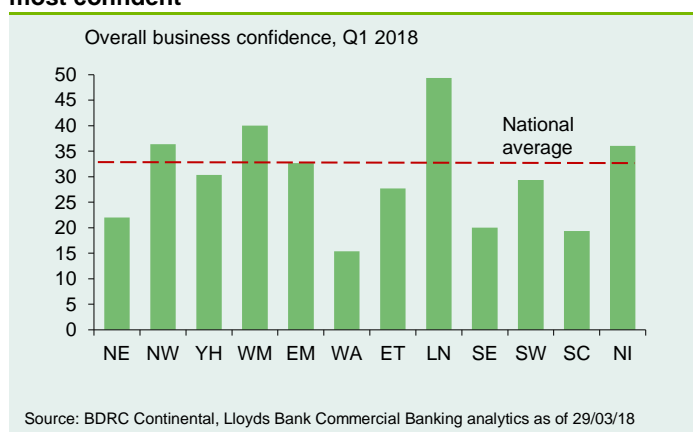
## BUSINESS CONFIDENCE STABLE WHILST UNCERTAINTY WEIGHS ON ECONOMIC OPTIMISM

- Overall business confidence slips by 1 point to 32% in March falling in line with long term average
- Economic optimism dropped 3 points to 28%, however overall Q1 confidence at 33% up from 26% in Q4 2017
- London and the West Midlands recorded the strongest levels of overall confidence in Q1 at 49% and 40% respectively
- The manufacturing sector registered the highest overall confidence in March (49%), with retail (27%) and wholesale (11%) sectors among the least confident

**Chart 1: Overall business confidence rebounded in Q1**



**Chart 2: Firms in London and the West Midlands are the most confident**



Overall business confidence – an average of firms’ own business prospects and their optimism regarding the economy fell by 1 point in March to 32%. Business prospects increased by 1 point to 36%, while economic optimism fell by 3 points to 28%.

The March Lloyds Bank Business Barometer shows that confidence in the first quarter of 2018 averaged 33%, 7 points higher than the Q4 2017 average of 27%. The improvement over the quarter was led by the increase in economic optimism, which jumped to 30% in Q1 from 8% in the prior quarter. Business prospects, meanwhile, moved down to 37% in Q1 from 44% in Q4.

The sharp rise in economic optimism during the quarter coincided with evidence from the survey that companies were more positive about the impact of Brexit for their business activity following the

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December agreement on the first round of negotiations. March did however see economic optimism dip slightly to 28% from 31% in February.

Regionally, overall confidence in March – which was 32% at the national level – was highest in London (51%), followed by Northern Ireland (47%) and the West Midlands (45%). The lowest levels of overall confidence were in Scotland (5%), the North East (6%), Wales (8%) and the South East (9%). These regions were also weakest over the quarter. Over the quarter as a whole, the highest confidence levels were in London (49%), the West Midlands (40%), the North West (36%) and Northern Ireland (36%).

**Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking commented:**

*“While business prospects improved slightly in March, overall business confidence was held back by a fall in economic optimism. Recent progress on the Brexit negotiations has reduced uncertainty, which could continue to support business confidence going forward. The risk of rising global protectionism, however, is a growing concern.”*

The net balance of companies anticipating an increase in their staffing levels increased in March to 27% from 25% in February. Overall, 44% of companies said that they expect to add to headcount, while 17% plan a reduction.

Overall confidence in March was the strongest in the transport (55%) and manufacturing sectors (49%), with sentiment in the latter likely to have been supported by strong global demand conditions and the earlier fall in the pound. In contrast, overall confidence was the among weakest in the wholesale (11%) and hospitality leisure (18%) sectors. For Q1 as a whole, the highest level of confidence was in manufacturing (49%), while the weakest were in the wholesale (16%) and retail (27%) sectors.

**Scott Barton, Managing Director, Mid Markets said:**

*“The manufacturing sector leads the way in business confidence in Q1. In contrast, the wholesale and retail sectors are still feeling the pressure of increasing competition and ongoing challenging conditions on the high street.*

*“Businesses in the capital and in the West Midlands remain most optimistic about their future prospects whilst those in Scotland and Wales continue to remain cautious about what lays ahead.”*

**Ends**

**Notes to editors:**

\* Overall business confidence is a measure of responses from surveyed companies, which is calculated as an average based on their views on business prospects and optimism on the UK economy.

\*\* ‘Other’ services include financial, property and business services, education and health, and arts and

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entertainment.

- The Business Barometer results provide early signals about UK economic trends. 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 1,200 companies between 1st March 2018 and 15th March 2018 from all sectors and regions of the UK. Prior to January 2018, the fieldwork was based on 200-300 companies.
- The results are reweighted to match proportions by size, sector and region of the total business population, as published by the Department for Business, Energy and Industrial Strategy and the Office for National Statistics.

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