



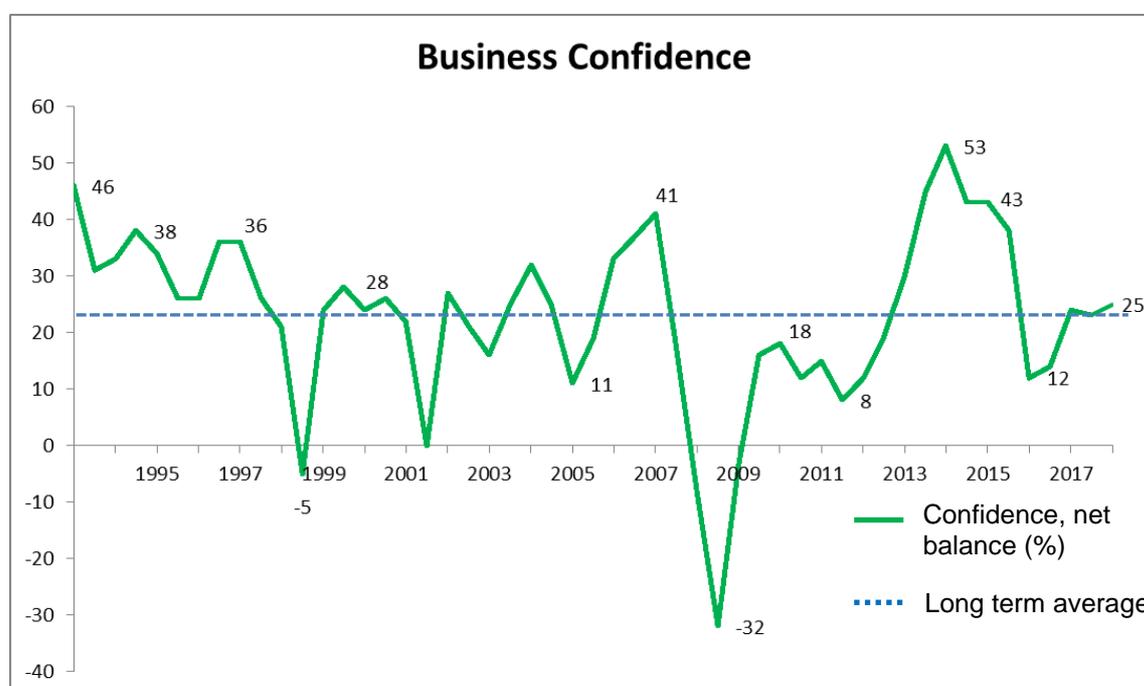
EMBARGOED: MONDAY 16 JULY 2018

## Confidence edges to two-year high since Brexit vote but fails to lift business investment plans

- **Business confidence nudges to a two-year high since Brexit vote as investment and hiring intentions remain broadly steady**
- **Brexit uncertainty and weaker UK demand remain greatest risks in the short term**
- **More companies report difficulties in recruiting skilled labour since January**
- **UK exporters expect to increase their overseas sales for the rest of 2018**

UK businesses are not increasing their recruitment and investment plans since the start of the year, despite confidence reaching a two-year high since the EU Referendum vote, according to the latest Business in Britain report from Lloyds Bank.

The confidence index – an average of respondents' expected sales, orders and profits over the next six months – edged slightly higher to 25 per cent compared with 23 per cent in January 2018. It remains above the long term average as businesses are more confident than at any point since the EU Referendum vote in June 2016.



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The Business in Britain report, now in its 26th year, gathers the views of over 1,500 UK companies, predominantly small to medium sized businesses, and tracks a range of performance and confidence measures, weighing up the percentage of firms that are positive in outlook against those that are negative.

## **Investment and recruitment muted but difficulty remains in finding the right skills**

The net balance of firms looking to grow investment in the next six months fell marginally by one point to 12 per cent, while a net 8 per cent of firms anticipate an increase in their headcount, compared with 9 per cent in January.

The share of firms who continue to report difficulties in hiring skilled labour increased three points to 49 per cent and remains historically high with London (65 per cent) and the West Midlands (57 per cent) finding it the hardest to recruit.

## **Brexit uncertainty and weaker UK demand top firms' concerns**

Brexit uncertainty remains the single greatest risk to firms in the next six months, cited by 21 per cent of firms, closely followed by weaker UK demand at 16 per cent.

Over a third (36 per cent) of businesses expect a negative impact on their business if no trade agreement is reached with the EU. A fifth (20 per cent) expect a positive impact while almost half (44 per cent) do not expect any impact or didn't know.

**Sharon Geoghegan, Managing Director, SME Banking, Lloyds Banking Group said:** "Despite concerns on the wider economy, businesses are still relatively upbeat as our latest report shows business confidence hitting a two-year high since the Brexit vote. England's better than expected performance in the World Cup will also boost the nation's feel-good factor.

"As we look ahead, the external environment remains mixed as Brexit uncertainty and weaker UK demand are businesses' biggest concerns for the next six months. Despite those risks and rising global trade tensions, business investment and hiring intentions remain at similar levels to the start of the year."

## **Export expectations remain positive**

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The outlook for exports improved. A net 27 per cent of exporters anticipate stronger exports in the next six months, up from 24 per cent in January. Companies expect the strongest demand to come from the US, Europe and the Middle East, while prospects are expected to be the weakest in Russia and South America.

## **Construction sector sees big rise in confidence**

Business confidence was the highest in the transport & communications and construction sectors with the construction sector registering a significant rise compared with January's survey, rising 12 points to 26 per cent. In contrast, confidence was the lowest in retail & wholesale and hospitality & leisure and fell from January's report.

## **Confidence rises in most regions but strongest in the South**

Most regions saw a rise in business confidence and was the strongest in London (31 per cent) and the South East (30 per cent). There were significant falls in the East Midlands and the North West, dropping ten and 12 points respectively to 14 and 19 per cent where sentiment levels were the lowest in the UK. Confidence also fell in the North East from the last survey's highs but remained the same as the UK average.

Business sentiment also improved slightly, but remained below the UK average, in Wales, Northern Ireland and Scotland.

**Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking said:** "Encouragingly, UK exporters expect to increase their overseas activity in the next six months, with the strongest demand anticipated to be from the US, Europe and the Middle East. External demand is being supported by the past depreciation of the pound and robust global demand, notwithstanding increased trade tensions.

"The share of firms finding it difficult to hire the right skills continues with London and the West Midlands finding it the hardest to recruit. This, along with strong global demand, is encouraging firms to maintain their investment levels. Overall, the resilient survey readings provide reassurance around the case for a further rise in interest rates, potentially as soon as the next meeting in August."

**ENDS**

**Notes to editors**

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For more information and for a copy of the full report please contact [Ed.smith1@lloydsbanking.com](mailto:Ed.smith1@lloydsbanking.com)  
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From Monday 16 July you can download the full report from <https://resources.lloydsbank.com/insight/business-in-britain-july-2018/> and can search on Twitter for #Bizinbritain

The Business in Britain report, now in its 26th year, gathers the views of 1,500 UK companies, predominantly small to medium-sized businesses, and tracks the overall “balance” of opinion on a range of important performance and confidence measures, weighing up the percentage of firms that are positive in outlook against those that are negative.

Responses from 1516 firms were collated in May 2018 by BDRC Continental.

- 27% came from businesses with an annual turnover below £1 million
- 32% came from businesses with an annual turnover between £1m and under £10million
- 25% came from businesses with an annual turnover between £10m and under £100million
- 16% came from businesses with an annual turnover of over £100million

## About Lloyds Banking Group

Lloyds Banking Group is committed to helping businesses of all types and sizes, giving them the funding and support they need to grow at home and abroad. We have set out our pledges in our Helping Britain Prosper Plan.

To see the latest supporting businesses factsheet please visit:

<http://www.lloydsbankinggroup.com/media/media-kit/supporting-businesses-fact-sheet/>

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