



BUSINESS CONFIDENCE RECOVERS AFTER AUGUST BLIP AS ECONOMIC OPTIMISM RISES

Lloyds Bank’s Business Barometer for September 2018 shows:

- Overall business confidence* rebounded in September, climbing six points to 29 per cent and reversing August’s six point fall
- Optimism regarding the wider economy increased by nine points to 26 per cent in September, while the net balance of firms expecting stronger trading prospects in the coming year rose three points to 32 per cent
- Construction (41 per cent) and consumer services (33 per cent) were the most confident sectors.
- London (42 per cent) and the North West (39 per cent) were once again the most confident regions, while Yorkshire (11 per cent) and Scotland (seven per cent) were the least confident

Business confidence – an average of business prospects and economic optimism – bounced back from August’s nine-month low, rising six points in September to 29 per cent, according to the latest Business Barometer from Lloyds Bank Commercial Banking.

Chart 1: Confidence recovered in September from the previous month’s declines

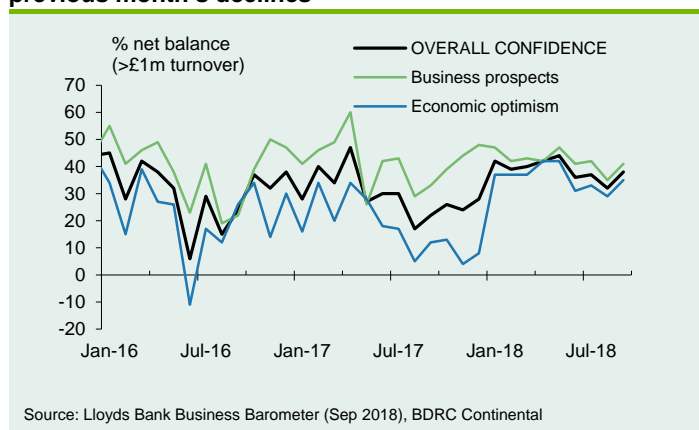
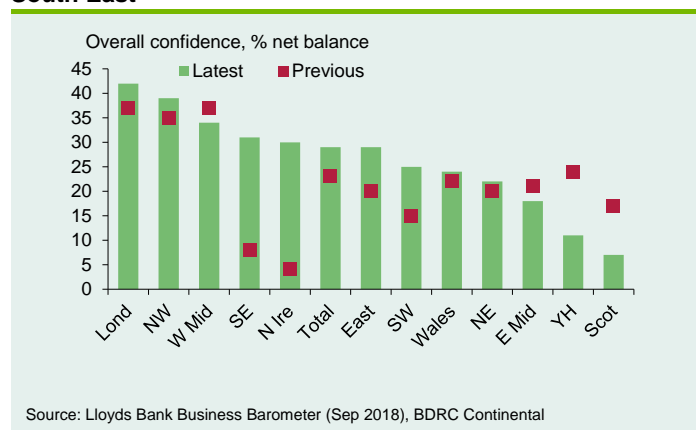


Chart 2: Sentiment rebounded in Northern Ireland and the South East



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This was led by a rise in firms' optimism about the economy, which rose nine points to a four-month high of 26 per cent. The net balance for companies' own business prospects for the year ahead improved, rising three points to 32 per cent, while the net balance of firms expecting to increase their staff levels in the coming year climbed a similar amount from 21 per cent in August to 24 per cent in September.

Meanwhile, September's survey – which was carried out between 3-17 September– showed a net balance of eight per cent that thought the UK's departure from the EU was having a positive impact on business prospects, compared with a net balance of seven per cent that thought it was having a negative impact in August.

Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: “August's dip in economic confidence, and consequently in overall business confidence, appears to have been just that – a dip – and has been reversed in September.

“A brighter outlook, while potentially linked to what many firms saw as increasing signs of progress in Brexit negotiations earlier in the month, illustrates a more positive view on the balance of risks facing businesses as we enter the fourth quarter of the year.”

Businesses in Northern Ireland and the South East saw the biggest increases in confidence during September, rising 26 points to 30 per cent and 23 points to 31 per cent respectively. London and the North West remained the most confident regions, at 42 per cent and 39 per cent respectively, while Scotland and Yorkshire & the Humber were least confident at seven per cent and 11 per cent.

Firms in the construction sector were the most confident in September, up five points to 41 per cent, followed by consumer services (33 per cent).

As the USA and China continued their trade war throughout the month, manufacturing businesses in the UK, many of which rely on exports, saw confidence fall seven points to 31 per cent.

Paul Gordon, Managing Director for SME and Mid Corporates said: “Businesses are facing on-going uncertainty on a number of fronts, which can make planning and decision making more difficult. This could explain the drop in confidence in August.

“However, there are some positives emerging, in September businesses in Northern Ireland and the South East saw the biggest increases in confidence, rising 26 points to 30 per cent and 23 points to 31 per cent respectively. Over the longer term, businesses in London and those in the construction sector remain the most confident, and are the most likely to create new jobs in the coming year.”

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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 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 3rd and 17th September 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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