



30 November 2018

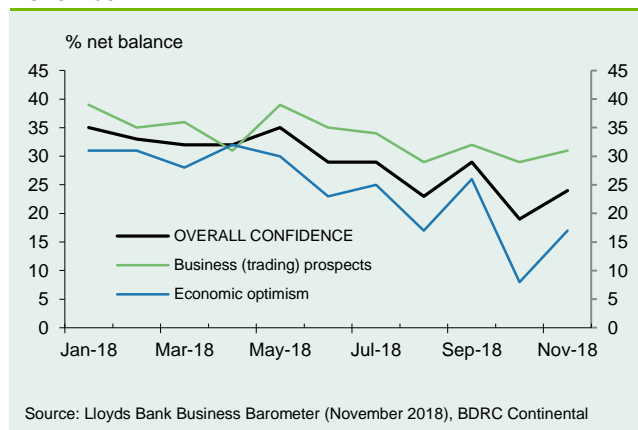
**EMBARGOED UNTIL 00:01 Friday 30 November 2018**

## BUSINESS CONFIDENCE BUOYED BY ECONOMIC OPTIMISM IN NOVEMBER

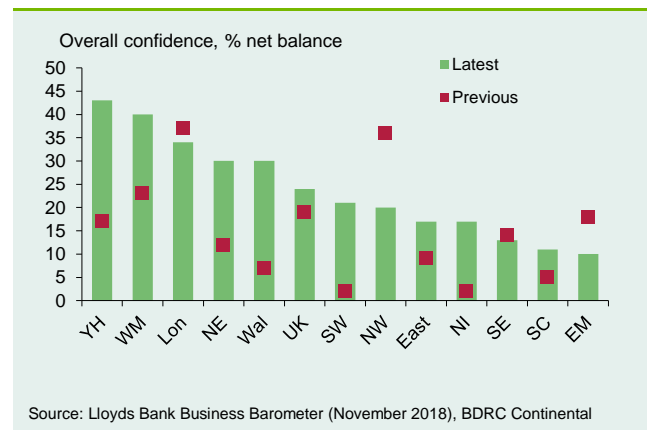
### Lloyds Bank's Business Barometer for November 2018 shows:

- Business confidence increased by five points to 24%, reversing part of last month's 10-point drop
- Manufacturing and construction sectors registered the largest rises in business confidence
- Firms in Yorkshire and the Humber and the West Midlands were the most confident (43% and 40%)
- Firms in Scotland and the East Midlands the least confident (11% and 10%)
- Expectations for staffing levels were steady, although concerns about the potential business impact of the UK's decision to leave the EU remained high.

**Chart 1: Business confidence partially recovers in November**



**Chart 2: Sentiment improves in most regions**



**The overall increase in business confidence (up by five points to 24%) helped reverse half of the 10-point drop in October, and was led by stronger economic optimism this month, according to the latest Business Barometer from Lloyds Bank Commercial Banking.**

The net balance of firms reporting higher economic optimism increased by nine points to 17%, and businesses expecting stronger trading prospects also rose by two points to 31%, resulting in an overall increase in business confidence.

Nevertheless, it's still not clear if this month's improvement will be sustained. There has still been a continued gradual decline in business sentiment levels (**See Chart 1**) and these findings support our forecast for UK GDP growth to ease back in quarter four.

## MEDIA CONTACTS

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LLOYDS BANK

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## Business response to Brexit negotiations

Uncertainty about the outcome of Brexit negotiations and the details of a deal continue to impact business confidence.

Although almost a third (30%) of firms said that Brexit is expected to have a positive impact on their business (up from 27% last month), 36% of businesses said they think Brexit would have a negative impact, resulting in a net balance of -6%, compared with -7% in October and +9% in September. Concerns about the impact of leaving the EU were the highest in manufacturing (-15%) and other services such as business/financial services and health/education (-16%).

Firms in Scotland, Northern Ireland and the South East reported the highest net concerns about the impact of the UK leaving the EU, while those in Yorkshire and the Humber, the North West and the West Midlands were the most positive.

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

*“Following last month’s dip, with business confidence reaching its lowest level since August 2017, it is reassuring to see that business confidence has picked up, helped by stronger economic optimism and hopes of a Brexit deal.”*

## Sector and regional variations

Overall business confidence (economic optimism and confidence in trading prospects) increased the most in manufacturing, rising by 11 points to 32%, with the construction industry also registering a significant improvement (up 7 points to 29%). Retail confidence moved up 1 point to 30%.

There was a noticeable increase in overall confidence in firms across all regions, with the exception of the North West, London, the East Midlands and the South East. Firms in Yorkshire and the Humber and the West Midlands displayed the best overall business confidence, the former up 26 points to 43%, and the latter up 17 points to 40%, with firms in Scotland and the East Midlands displaying the lowest confidence. **(See Chart 2)**

In contrast, the two previously strongest regions from last month saw a fall in confidence with the North West down 16 points to 20%, and London down 3 points to 34%.

Despite drops in business confidence across the capital, London still remained amongst the top three regions for business confidence.

## MEDIA CONTACTS

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## Recruitment intentions

Expected staffing levels for the coming year remained steady this month, with the net balance expecting a rise in employment unchanged at 21%. Nearly four in ten (39%) firms expect to add to their staffing levels, while 18% anticipate a reduction. Recruitment intentions have eased since the start of the year, partly reflecting lower overall business confidence.

**Paul Gordon, Managing Director, SME and Mid Corporates, Lloyds Bank Commercial Banking, said:**

*“The tide seems to have turned this month with overall business confidence up by five points from last month, painting a more positive picture.*

*“This is particularly true for businesses in Yorkshire and the Humber and Wales, seeing the biggest increase, with confidence rising by 26 points to 43% and 23 points to 30% respectively.*

*“Businesses in the manufacturing and the construction sector have responded the most positively to the increase in economic confidence, with the retail sector making marginal gains too.*

*“Whilst it remains to be seen whether this positivity will be sustained, it’s nevertheless promising to see a more optimistic picture for this month.”*

**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 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 BDRC Continental.
- This survey was conducted with 1,200 companies from 1st to 16th November 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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