



LLOYDS BANK

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PRESS RELEASE

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BUSINESS CONFIDENCE INCREASES FOR THIRD MONTH IN A ROW

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence¹ increased three points to 9%.
- Economic optimism increased by nine points to 7% in November, the highest level of optimism seen since January.
- Firms' concerns about the expected impact of the UK leaving the EU eased back further to -16%.
- The West Midlands remained the most confident region, with London now the second most confident region in the UK.
- Overall business confidence improved across three of the four main sectors.

Overall business confidence rose for the third consecutive month in November, as optimism regarding the economy increased to its highest levels since January, according to the latest findings from the Lloyds Bank Commercial Banking Business Barometer. The three point increase took business confidence to 9% (see chart 1). Economic optimism increased a further nine points to 7%, which followed a rise of eight points last month.

Firms' assessment of their own trading prospects for the year ahead remained broadly stable over the past three months, with this month's net balance slightly lower, down two points to 12%.

Overall business confidence is calculated by averaging the views of 1,200 companies on their business prospects and optimism about the UK economy.

Companies' concerns about the UK leaving the EU continued to ease this month as the Barometer showed a two point increase to -16%, the least negative since January (see chart 2). Businesses views on the impact of leaving the EU continues to be quite polarised, with 22% of businesses, the highest since April, believing that leaving the EU will have a positive impact (up from 19%), while 38% (up from 37%) continue to expect a negative impact from leaving the EU.

The number of firms expecting to increase their employee numbers in the coming year also improved slightly in November, rising two points to 5%. Overall, more than a quarter of businesses (28%) expect to increase employment, while those anticipating a reduction decreased by one point to 23%.

Media contact

Laura Brodkin
07939 566 017
Laura.brodkin@lloydsbanking.com

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Chart 1: Economic optimism increased

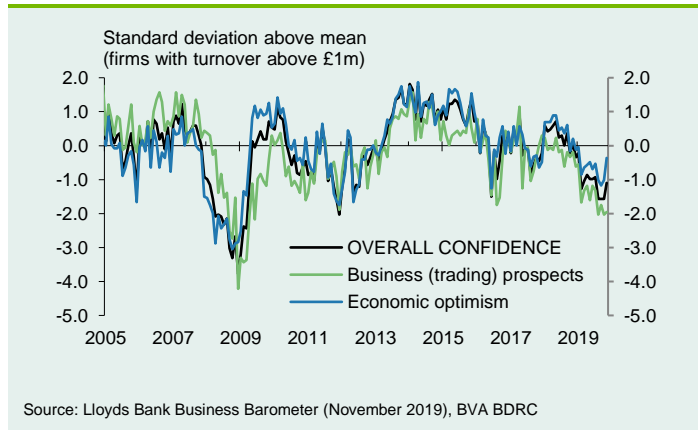
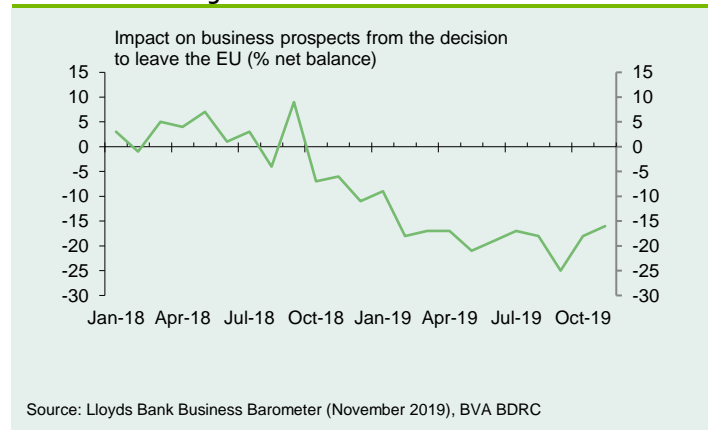


Chart 2: Firms' concerns of impact of the UK leaving the EU eases but still remains negative



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

"The third consecutive increase in overall business confidence is positive for the UK as economic optimism reaches the highest level since January. Moreover, concerns about the impact of the UK leaving the EU continued to ease slightly and hiring intentions have stabilised as we move towards the end of the year and look ahead to 2020."

CONFIDENCE ACROSS THE REGIONS AND SECTORS

Overall business confidence rose in over half of the 12 regions, with the West Midlands remaining the most confident region, rising eight points to 24%. London saw the biggest step change in sentiment, rising 19 points to 20%, while the East Midlands (14%) and the South West (12%) continued to perform well (see chart 3).

The least confident regions were Scotland (-6%, a fall of 3 points), while the South East and Yorkshire and Humber both dipped into negative sentiment to -2%.

In November, overall business confidence improved in manufacturing, retail and services and stayed broadly steady in construction. The largest increase was in the retail sector, rising six points to 21%, while the construction sector remained high at 16% despite a slight decline of two points. Sentiment also improved in the manufacturing sector to a four month high of 10%, while services confidence also increased for a second month, by four points to 4% (see chart 4).

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

Overall, the national outlook continues to pick up with London seeing a step change from last month as business sentiment rose in the capital. It is also reassuring that overall confidence improved again in three out of the four sectors. While the services sector's confidence remains low, it's important to note it did increase for a second month and hopefully those businesses may consider some investment for growth. Businesses will hope the political and economic environment supports a further increase in confidence as we move towards the end of the year."



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Chart 3: Confidence remains strongest in the Midlands as London leaps higher

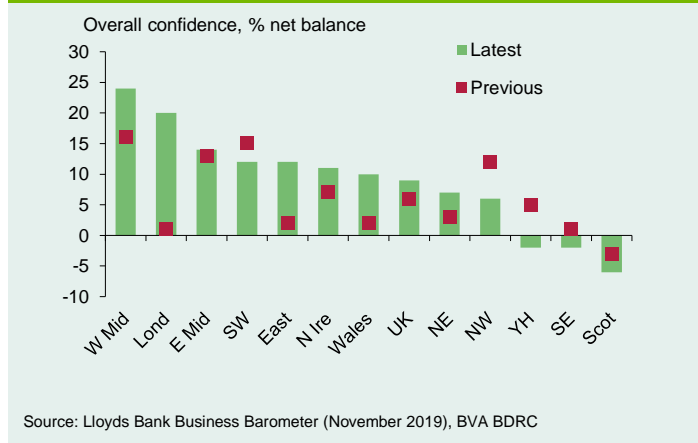
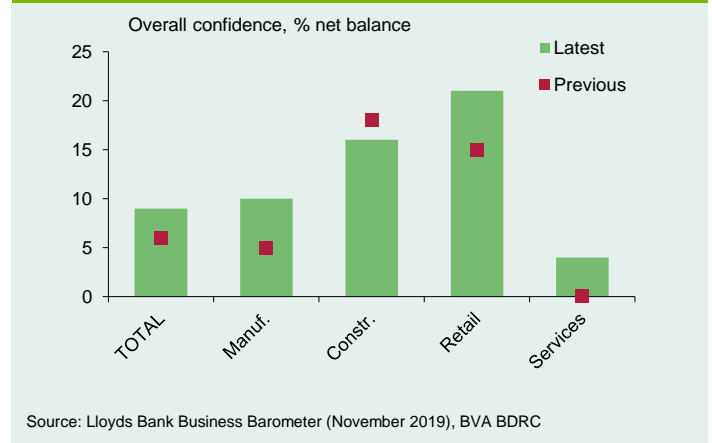


Chart 4: Retail is now the most confident sector



Notes to editors

¹ 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.

² The long-term average for business confidence is calculated as the average since the survey began in 2002, taking into account the expansion of the survey's sample size at the start of 2018 when firms with turnover below £1m were included for the first time.

- 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 between 1-18 November 2019 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.
- For further summaries and infographics, see #BusinessBarometer or follow @LloydsBankNews on Twitter.