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BUSINESS CONFIDENCE SEES SECOND MONTHLY RISE

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence¹ rose for a second month, up four points to 14%, but levels remain below the long term average.²
- Firms in manufacturing and construction posted their first rise in confidence in three months, while retail confidence fell by six points.
- Confidence improved in nine of the twelve regions, with the largest rise in Scotland and the highest overall levels in the West Midlands, the North West and London.

Chart 1: Business confidence rose for a second consecutive month this year...

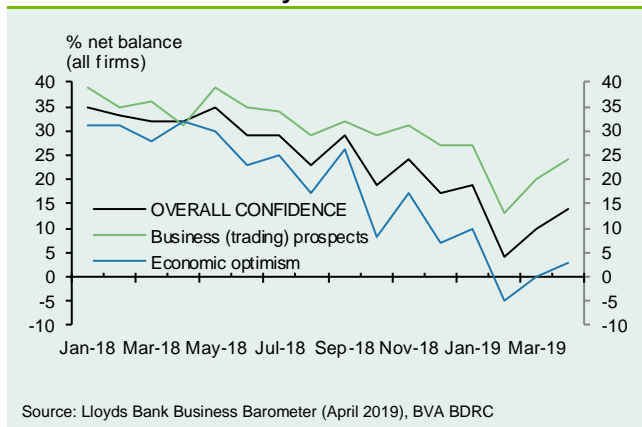
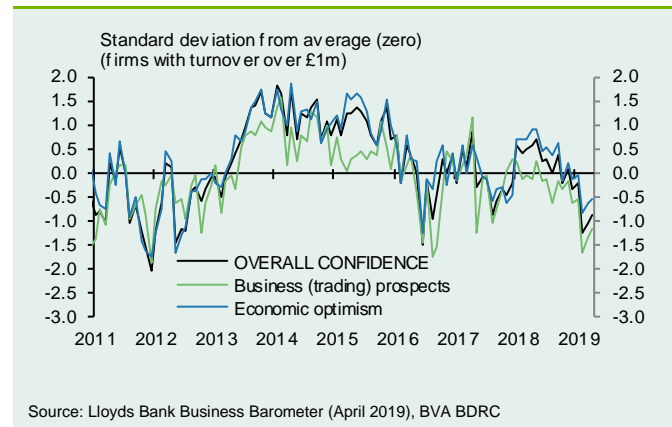


Chart 2: ...but remains below the long-term average



Business confidence in April rose for the second consecutive month, increasing by four points to 14% and building on March's six point rise (see chart 1). Broken down, the net balance of firms reporting stronger trading prospects was up four points to 24%, while economic optimism increased by three points to 3%, indicating firms are more optimistic about both their own trading prospects and the broader economy. Business confidence is calculated by averaging companies' views on business prospects and their optimism towards the UK economy.

Confidence has yet to fully recover from the sharp drop seen in February and remains below the long-term average since the survey began in 2002, of 24% (see chart 2). Current levels are similar to that in the aftermath of the EU referendum, when confidence was at 15%.³

The net balance of firms expecting to increase staff levels in the coming year, against those expecting to decrease, improved for a second month by one point, to 14% – however, overall hiring intentions remain below the long-term average of 22%. Like last month, 33% of firms said they were intending to increase their staffing levels, while 19% (down from 20% last month) forecast a reduction in headcount.

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

"While business confidence remains low when viewed against the historic average, it is certainly encouraging to see an increase in overall optimism for the second month in a row."

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“Firms appear more positive about both their own trading prospects and the broader economy, although their assessment of the potential impact of the UK leaving the EU remains unchanged. We will have to wait and see whether this partial rise converts into a sustained recovery.”

SERVICES CONFIDENCE CLOSES GAP

The overall confidence of firms in manufacturing, construction and services all improved – but retail sector confidence fell.

Manufacturing and construction confidence rose for the first time in three months, increasing six points to 16% and two points to 15% respectively. Services confidence increased by five points to 12%.

Meanwhile, the retail sector – which posted the highest confidence in March – fell this month by six points, placing it on a par with the manufacturing sector at 16%.

CONFIDENCE UP IN NINE OF TWELVE REGIONS

Nine out of twelve UK regions recorded a rise in overall confidence this month. The largest improvements were in Scotland (up 12 points to 9%), the West Midlands (up 11 points to 28%) and the North West (up eight points to 20%), making the West Midlands and North West the regions with the strongest confidence levels alongside London (up two points to 19%).

In contrast, confidence fell in the East Midlands (down 12 points to 6%), Wales (down 11 points to 1%) and Yorkshire and the Humber (down three points to 18%).

ANTICIPATED IMPACT OF LEAVING THE EU

Firms’ assessment of the potential impact of leaving the EU was relatively unchanged in April.

22% of firms (up from 21% in March) expect leaving the EU to have a positive impact on their business activity, while 39% (up from 38% last month) indicated that it would have a negative impact – giving a net balance of 17%.

Firms in manufacturing and services remained the most pessimistic about the impact of the UK’s withdrawal from the EU on their business activity: net balances were -26% and -21% respectively, followed by retail and construction at -13% and -3%.

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

“In another busy month at home and abroad, business confidence gave a mixed picture. While firms’ outlook on the potential impacts of the UK’s departure from the EU on their trading prospects remained unchanged, overall confidence saw a second monthly rise. This increase was driven by firms in the manufacturing and construction sectors, who reported higher overall confidence for the first time in three months.”

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Chart 3: Brexit impact expectations remained near the lowest point

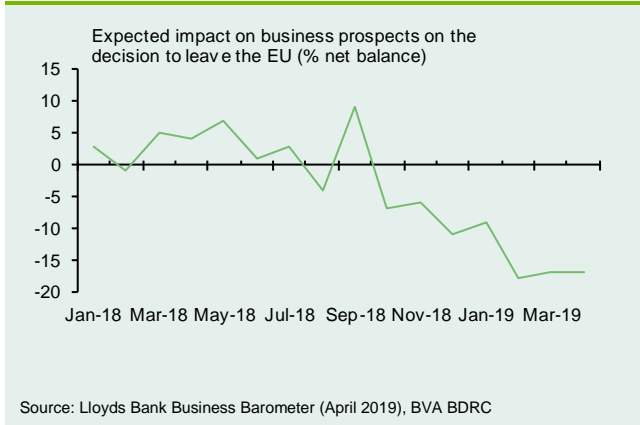
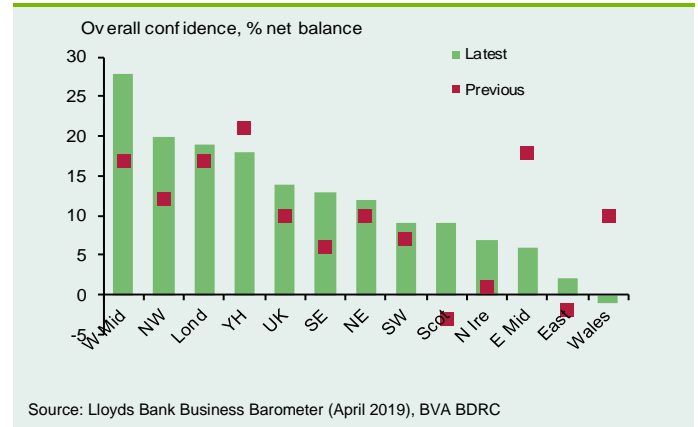


Chart 4: Confidence improved in most regions



ENDS

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.

³ August 2016, when sample size only included firms with turnover above £1m.

- 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 1st and the 16th April 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.

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