



LLOYDS BANK

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# PRESS RELEASE

## ECONOMIC OPTIMISM HITS 3-YEAR LOW, AS BUSINESS CONFIDENCE REMAINS STEADY

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#BusinessBarometer

### The latest Lloyds Bank Business Barometer shows:

- Economic optimism fell 5 points to -10%, its lowest since June 2016, while overall business confidence<sup>1</sup> was steady in September, edging up 1 point to 2%.
- Firms' assessment of their trading prospects for the year ahead rose by 5 points to 13%, but remained at its second lowest this year.
- Firms' concerns about the expected impact of the UK leaving the EU intensified, falling 7 points to a new low of -25.
- The East Midlands was the most confident region, followed by the West Midlands and Yorkshire & the Humber.
- The least confident regions were Scotland and Northern Ireland, followed by the South West and London.
- Firms in the manufacturing and service sectors reported the weakest overall business confidence and the highest concerns about the impact of the UK leaving the EU.

Optimism in the economy fell 5 points to -10% in September, and to its lowest level since June 2016 when it was -11%, according to the latest findings from Lloyds Bank Commercial Banking Business Barometer.

However, firms' assessment of their trading prospects for the coming year improved by 5 points to 13% and overall business confidence was steady, edging up 1 point to 2%, following the sharp 12 point drop in August. However, between July and September business confidence averaged 5%, well below 27% for the same period in 2018 and significantly below the long-term average of 24%<sup>2</sup> (chart 1). Overall business confidence is calculated by averaging the views of 1,200 companies on their business prospects and optimism about the UK economy.

In September, the number of firms expecting to increase their employee numbers in the coming year was up 3 points to 4%, with more than a quarter of businesses (28%) expecting to increase employment levels (up from 26% in August), compared to fewer (24%, down from 25%) anticipating a reduction.

Companies' concerns about the UK leaving the EU have intensified. The Barometer showed a fall of seven points to -25% this month, bringing it to the lowest since January 2018 when the question was first introduced. However, while 43% of businesses (up from 39%) continue to expect a negative impact from leaving the EU, 18% (down from 21%) believe leaving the EU will have a positive impact (see chart 2).

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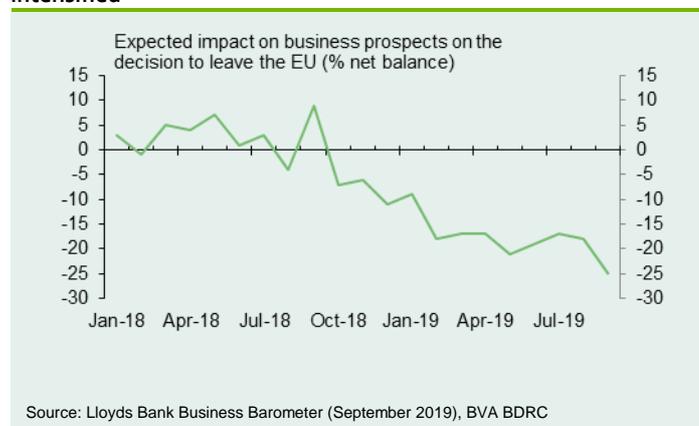


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Chart 1: Business confidence remained near June 2016 lows



Chart 2: Firms' concerns of impact of the UK leaving the EU have intensified



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

*"While overall business confidence this month has remained broadly steady, optimism in the economy has fallen, and both remain significantly below the same period last year, and the historic average. This month we are also seeing firms' concerns about leaving the EU intensify against the backdrop of ongoing economic uncertainty."*

### CONFIDENCE ACROSS THE REGIONS AND SECTORS

The most confident regions in September were the East Midlands (15%), the West Midlands (7%) and Yorkshire & the Humber (7%). The East Midlands and Yorkshire & the Humber were two of only three regions (along with the South East) to report stronger overall confidence compared with the previous three-month average (see chart 3).

The least confident regions were Scotland (-18%) and Northern Ireland (-11%), followed by the South West (-1%) and London (-1%).

While overall more firms reported a negative expected impact of the UK leaving the EU, those in Scotland, Northern Ireland and the South West were significantly more negative.

In September, overall business confidence in the retail sector rose by 8 points to 14%, while it fell 2 points in the construction sector to 10%. Meanwhile, overall confidence remained the weakest in the manufacturing sector, falling by 5 points to -2%, and the services sector, which remained unchanged at -3%. Firms in the manufacturing and services sectors also reported the highest concerns about leaving the EU, with net balances on the impact of -39% and -29% respectively (chart 4).

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

*"The national outlook continues to appear less positive again this month, although the improvements in the retail sector provides some reassurance of the continued resilience of the economy. Fluctuations in the regions are also continuing, and while overall confidence has weakened in most regions, it is worth noting that confidence has improved in the Midlands and Yorkshire & the Humber."*



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Chart 3: Confidence has weakened in most regions

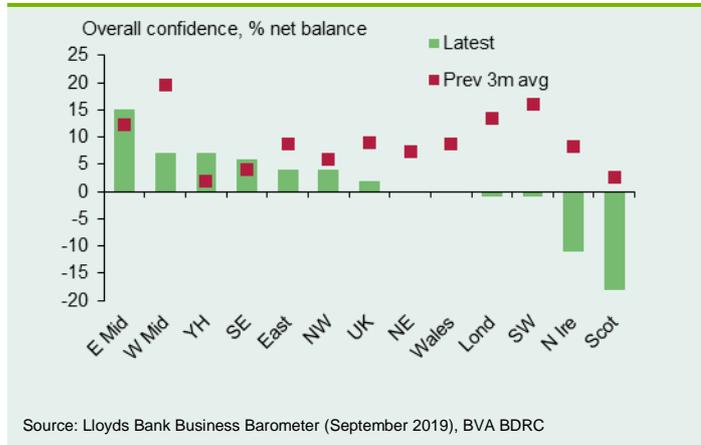
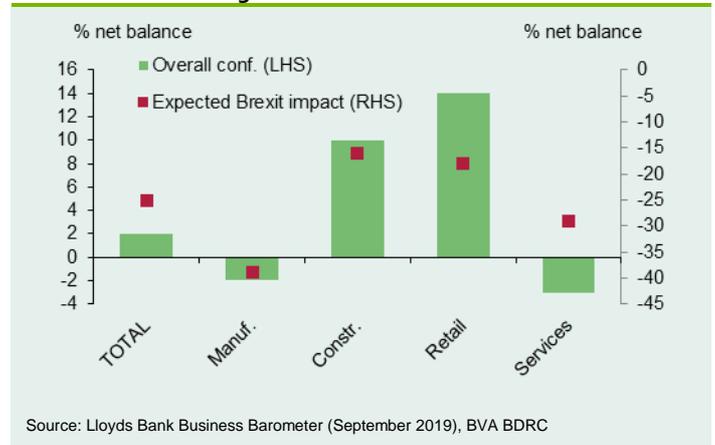


Chart 4: Lower confidence in manufacturing services mirror their concerns about leaving the EU



### Notes to editors

<sup>1</sup> 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.

<sup>2</sup> 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 BDRG Continental.
- This survey was conducted with 1,200 companies between 2-17 September 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.