



LLOYDS BANK

Friday 20<sup>th</sup> December 2019

# PRESS RELEASE

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## OVERALL BUSINESS CONFIDENCE HITS FIVE MONTH HIGH

### The latest Lloyds Bank Business Barometer shows:

- Overall business confidence<sup>1</sup> increased for a fourth consecutive month, rising one point to 10%.
- Meanwhile, economic optimism, fell five points to 2%.
- This month's survey was taken before the General Election result was known
- Firms' concerns about the expected impact of the UK leaving the EU eased back further to -15%, the least negative sentiment since January.
- The West Midlands remained the most confident region, while Scotland and Northern Ireland saw the biggest improvements.
- Overall business confidence also saw a strong improvement in the manufacturing sector.

Overall business confidence rose for the fourth consecutive month in December, according to the latest findings from the Lloyds Bank Commercial Banking Business Barometer. The survey, taken before the General Election result was known, shows the one point increase took business confidence to 10%, driven by an improvement in businesses optimism about their own trading prospects (up six points to 18%). Despite this, confidence remains below the long-term average (see chart 1) as economic optimism fell back five points to 2% - after rising nine points in November.

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

December's buoyed outlook was reflected in firms' assessment of their own hiring intentions for the year ahead, which rose seven points to 12%. The number of firms expecting higher staffing levels in the coming year was up, with a third of businesses (34%) expecting to increase employment, up from 28% last month. Those anticipating a reduction decreased by one point to 22%.

Concerns about the UK leaving the EU continued to ease this month as the Business Barometer showed a one point increase to -15%, the least negative since January (see chart 2). Businesses' views on the impact of leaving the EU

### Media contact

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

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remains divided, with 24% of businesses believing the UK's exit will have a positive impact (up from 22%), while 39% (up 1%) continue to expect a negative impact.

Chart 1: Business prospects shows signs of recovering

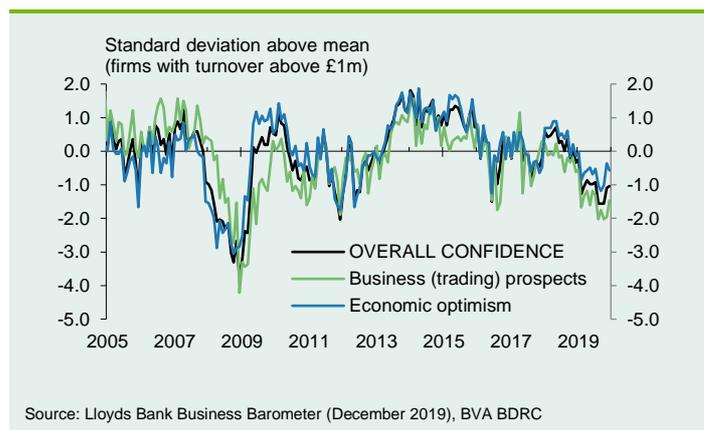
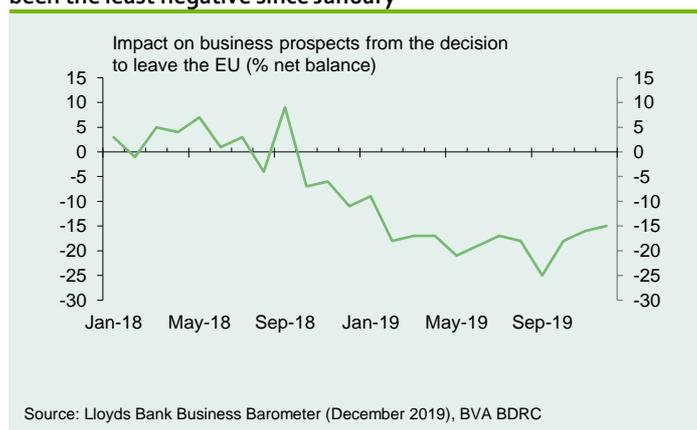


Chart 2: Firms' concerns of impact of the UK leaving the EU has been the least negative since January



**Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said:** "As we come to the end of what has undoubtedly been a turbulent year, it is encouraging to see sustained increases in overall business confidence and the sharp improvement in manufacturing confidence. There is now clarity over the UK's departure from the EU, but the focus will turn to whether a new trade agreement can be negotiated during the transition period which currently runs until the end of next year."

## CONFIDENCE ACROSS THE REGIONS AND SECTORS

The West Midlands remains the most confident region (23%), for the sixth time this year, despite posting a small decline this month.

Overall business confidence saw the biggest improvement in Scotland (up 17 points to 11%) and Northern Ireland (up 12 points to 23%). There was a notable improvements in Yorkshire & the Humber (up nine points to 7%) and the South East (up eight points to 6%) too.

The East of England was the least confident region with a decrease of 14 points to -2%, moving it into negative sentiment. (See chart 3).

In December, overall business confidence saw a marked improvement in the manufacturing sector, increasing 17 points to 27%. Confidence in the retail sector increased by one point to 22%, while confidence in the service sector stayed broadly steady at 4%. The construction sector saw a slight decrease of four points to 16%. (see chart 4).

**Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said:** "UK SMEs are carrying pent-up demand. The West Midlands has had a particularly strong end to the year in terms of confidence and it is encouraging to see both Scotland and Northern Ireland posting the biggest overall confidence rises as 2019 rounds out. As with any monthly measure, there is a degree of fluctuation to be expected but what we



know from the conversations we have with businesses up and down the UK is that their ambition remains strong and they crave economic and political conditions that reduce uncertainty. As we move into 2020 we will continue support them to grow and trade at home and overseas.”

Chart 3: Confidence sees big rises in Scotland and Northern Ireland

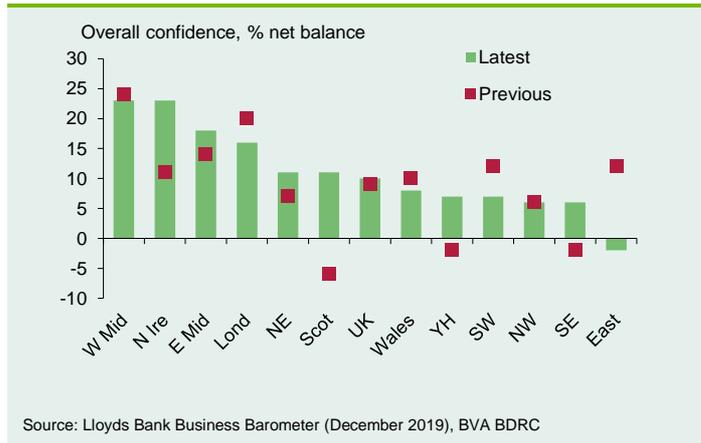
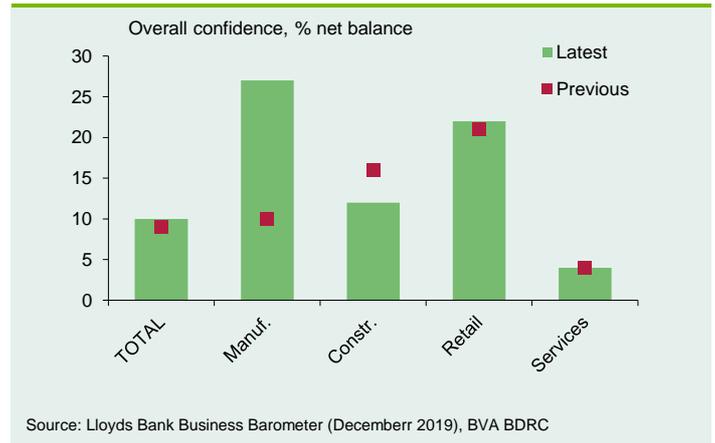


Chart 4: Manufacturing is now the most confident sector



### 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 28 November-12 December 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.