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PRESS RELEASE

BUSINESS CONFIDENCE RISES FOR THE FOURTH CONSECUTIVE MONTH, BUT REMAINS WELL BELOW LONG-TERM AVERAGE

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence remained in negative territory but improved for a fourth consecutive month, up three percentage points to -11% prior to the most recent preventative measures announced by the Government.
- Trading prospects and economic confidence improved by two points and four points respectively.
- Employment prospects remained negative but improved for a fourth month.
- Firms anticipating pay freezes fell by three percentage points to 30%.
- Regionally, confidence was up in eight of the twelve UK regions, with East of England, Scotland and London showing the largest increases.
- As a result of coronavirus, 62% of firms reported a negative impact on demand, unchanged from August.

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Overall business confidence³ improved for the fourth consecutive month in September, increasing three percentage points to -11%, according to the Lloyds Bank Commercial Banking Business Barometer². The increase takes the balance to the highest level seen since lockdown was introduced in March (chart 1), though the level continues to remain well below the long-term average of 29.

The results, which surveyed businesses between September 1 and September 15, showed the smallest increase in confidence since June, as local lockdown measures were introduced in some regions.

The Barometer showed improvements in both trading prospects and economic optimism, although the net balances remain negative at -12 and -10% respectively. Overall business confidence is calculated by averaging the views of 1,200 companies on their business prospects and optimism about the UK economy.

The impact of the coronavirus and local lockdown restrictions remained significant, with nearly two-thirds (62%) of businesses reporting there has been a negative impact on demand.

Firms' evaluation of their own hiring intentions saw a modest improvement by four percentage points to -16%. (chart 2). One fifth (21%) of the businesses expected to increase employment over the coming year, a two-point increase on August, while 37% of businesses are anticipating a reduction, down two points on last month.



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Of the businesses surveyed, 38% reported having no furloughed employees, an increase of five percentage points, indicating that more companies have been bringing staff back from the furlough scheme. However, one-third (30%) of businesses anticipate a pay freeze. Although this is down three percentage points from July, it remains above the 14% recorded at the start of the year.

Chart 1: Overall confidence rises for a fourth straight month

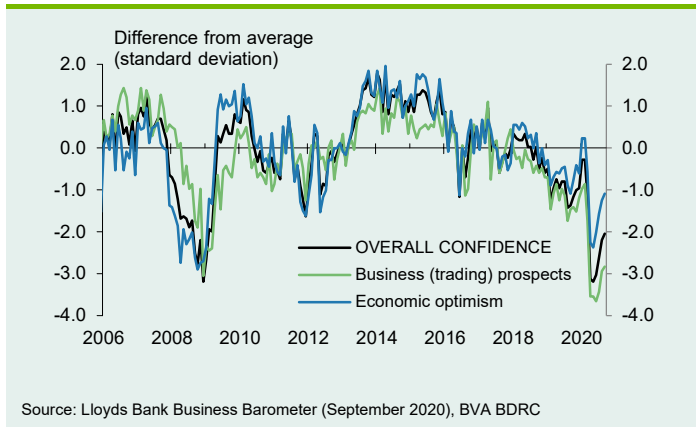
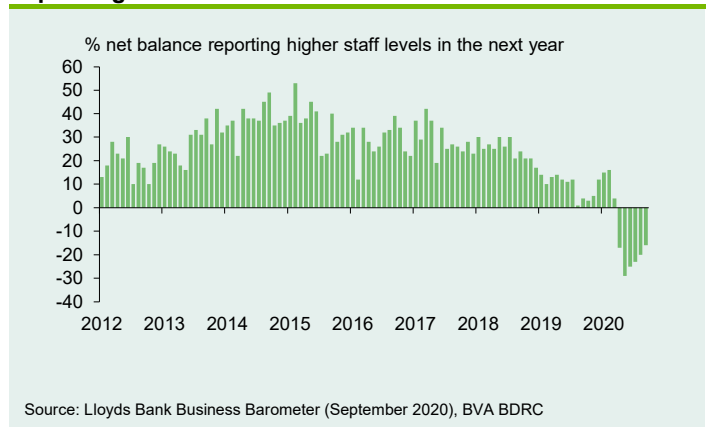


Chart 2: Employment outlook still negative, but gradually improving



Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: "It is encouraging to see a fourth consecutive lift in confidence, reflecting improvements in trading prospects and economic optimism. However, with new lockdown restrictions being announced, the UK's path to economic recovery is uncertain and it remains to be seen how the new measures will impact on business confidence."

CONFIDENCE ACROSS THE REGIONS AND SECTORS

From a regional perspective, confidence increased in eight out of twelve UK regions. London, East Midlands and Wales are the least negative regions at -4% and the most negative region was the South West at -34%. (Chart 3).

Of the four major industry sectors, the Services sector recorded the highest increase of eight points to -10%, driven in particular by the hospitality and finance & business services. Manufacturing was the only major sector to experience a decline in confidence, falling by eleven points to -18% (chart 4).

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: "Businesses appear to be navigating the uncertain economic environment with resilience and I hope the trend continues following the recent announcement of new government guidelines. September sees the conclusion of The Eat Out to Help Out scheme and it is promising that the Services sector showed a spike in confidence, hopefully pre-empting continued consumer support for the sector."

"From a regional perspective, the impact of local lockdowns is starting to take its toll, but it is encouraging that the average confidence across all the regions has continued to improve over the last three months. While it is difficult to predict the months ahead, we continue to remain by the side of businesses to help Britain recover."



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Chart 3: Confidence increased in most regions

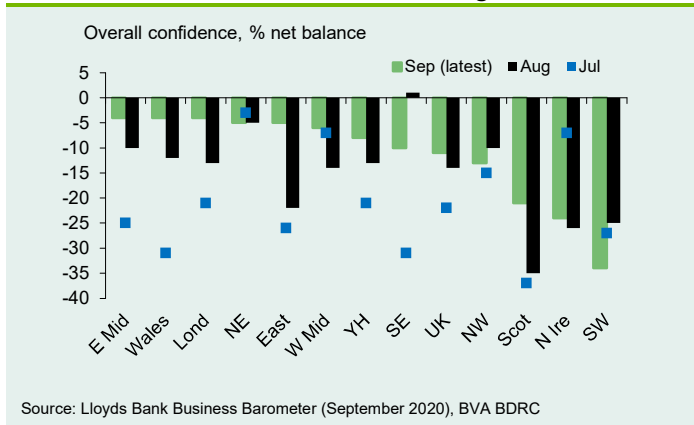
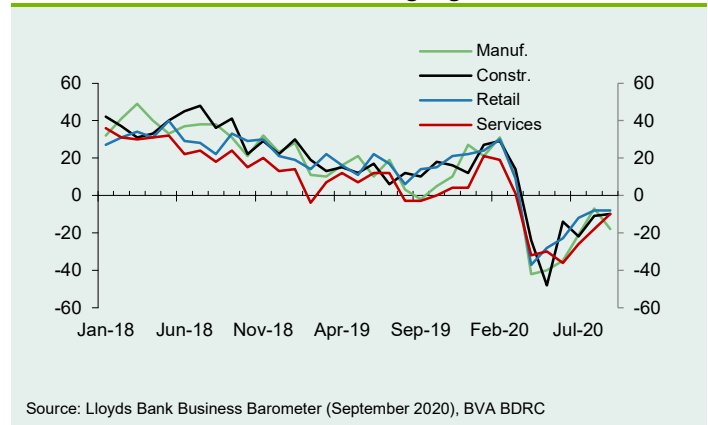


Chart 4: Sector confidence trending higher



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 from 3-17 August covering 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.