



LLOYDS BANK

PRESS RELEASE

BUSINESS CONFIDENCE EDGES UP, BUT REMAINS NEAR HISTORIC LOW WITH OVER HALF OF BUSINESSES NOW FULLY OPERATIONAL

Media contact

Laura Brodtkin

07939 566 017

Laura.Brodtkin@lloydsbanking.com

See it on social media



@LloydsBankNews
#BusinessBarometer

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence¹ rose eight percentage points to -22% in July, the highest levels since March.
- Economic optimism increased 11 points to -22%, while business prospects increased four points from June's all-time low.
- Responding to the impact of the coronavirus, 66% of businesses stated a negative impact, a two point decrease from June.
- Over half of businesses state they can now operate fully, with the additional easing of social distancing in place.
- Among firms with furloughed staff, 16% of businesses are planning to retain all of their furloughed employees.
- Confidence improved in all but two regions in July with the North East being the least negative region and Scotland the most negative.
- The manufacturing, retail and services sector all saw increases in confidence, though construction fell after last month's sharp increase.

Overall business confidence improved for the second consecutive month in July, rising eight percentage points according to the Lloyds Bank Commercial Banking Business Barometer. The increase, helped by the further easing of lockdown restrictions, takes the balance to the highest level seen since March, but remains well below the long term average (See chart 1).

The results, which surveyed businesses between July 1 and July 15 also showed economic sentiment improved for a third consecutive month by 11 points to -22%. In addition, business trading prospects for the year ahead increased four points from June's all-time low to -23%. Overall business confidence is calculated by averaging the views of 1,200 companies on their business prospects and optimism about the UK economy.

Responding specifically to the impact of the coronavirus, 66% of businesses stated a negative impact, a decrease from 68% in June. However, the slight relaxation of social distancing measures saw most businesses reporting an



LLOYDS BANK

improvement in demand with 55% of firms stating they were able to operate fully. Yet, when asked about job retention among firms with furloughed staff, only 16% of all businesses plan to retain all of their furloughed employees, with 24% expected to retain more than 90% of their staff.

Firms' assessment of their own hiring intentions improved slightly by two percentage points to -23%. Only 17% of businesses expect to increase employment over the next 12 months, up one point from June, while 40% are anticipating a reduction, down from 41%. In addition, businesses that are anticipating a pay freeze fell a percentage point to 36%. (See chart 2).

Chart 1: Overall confidence recovering from a low point

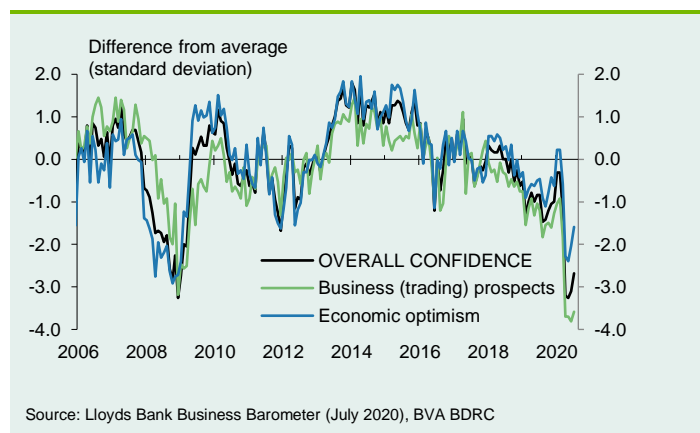
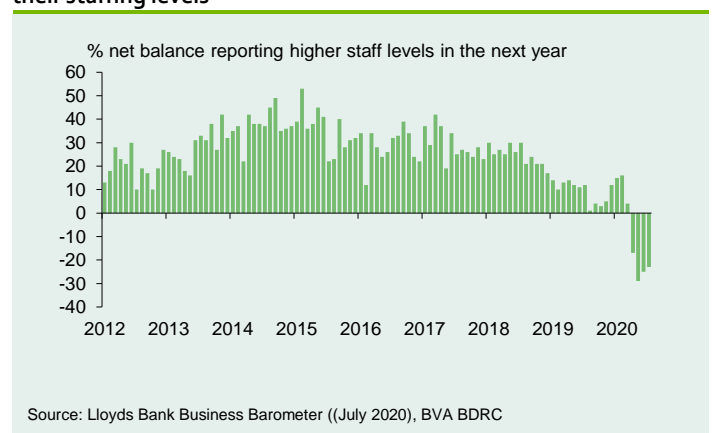


Chart 2: More businesses expect to reduce, rather than increase, their staffing levels



Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: "While the results suggest the economy is starting to see some improvement, economic confidence still remains in deep negative territory. The Government announcement of the slight easing of social distancing measures has now enabled over half of businesses to reach their capacity and resume their usual activities. However, how businesses will continue to respond to the Job Retention Scheme will be key in the coming months."

CONFIDENCE ACROSS THE REGIONS AND SECTORS

From a regional perspective, confidence increased in ten out of the twelve UK regions in July. The North East was the least negative region at -3% and the most negative region was Scotland sitting at -31% (See chart 3).

In July, the retail sector increased 11 points to -12%, manufacturing increased 14 points to -21% and services rose 10 points to -26%. However, construction fell eight points to -22% after last month's strong increase of 30 percentage points.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: "With only one region reporting a fall in sentiment, we are starting to see sentiment lift for the vast majority of regions across the UK. The easing of lockdown restrictions, including the reopening of the economy and the relaxation of social distancing rules, has resulted in most businesses reporting improvements in demand, from a record-low base. This is key for the summer season, which will allow businesses to continue to open their doors and trade in the weeks and months ahead."



LLOYDS BANK

Chart 3: Confidence in July increased in most regions

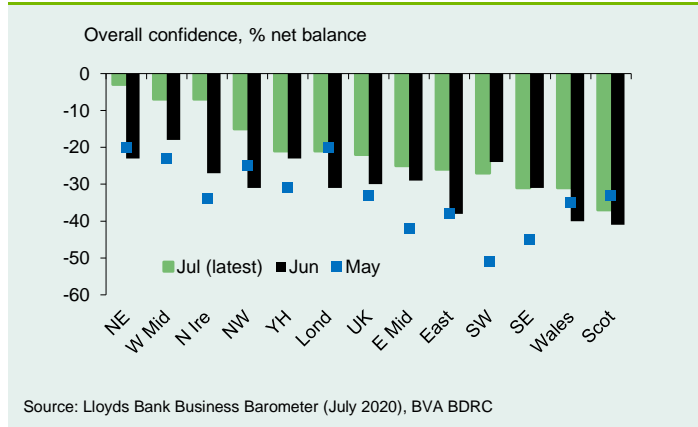
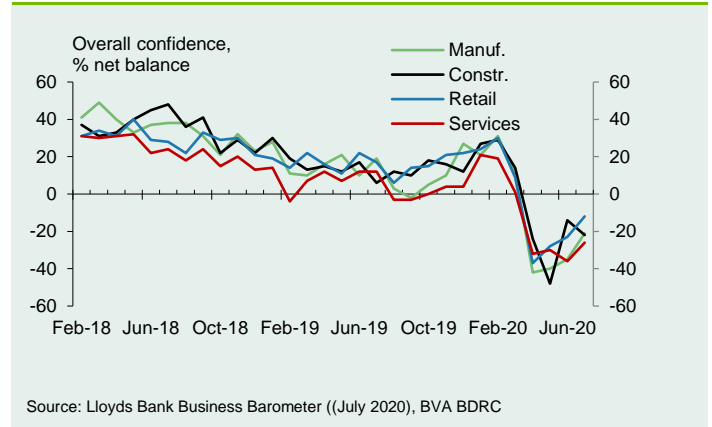


Chart 4: Sector sentiment improving from a low base



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 1 – 15 July 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.