



LLOYDS BANK

Thursday 27 June 2019

PRESS RELEASE

Embargoed until 00:01 Friday 28th June 2019

BUSINESS CONFIDENCE RISES FOR THIRD TIME IN FOUR MONTHS

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence¹ rose by 3 points to 13% in June, although remaining below the long-term average² and continuing to fluctuate month to month
- Confidence in retail, construction and services was up, with the retail sector seeing the highest increase of 11 points to 22%.
- In contrast, confidence in the manufacturing sector fell by 11 points to 10%.
- Confidence grew in eight of the UK's 12 regions, with the largest improvements seen in Scotland and the North East.

Overall business confidence in June rose for the third time in four months, increasing by 3 points to 13%, according to the latest Lloyds Bank Commercial Banking Business Barometer. This rise follows a 4 point decline in May (chart 1).

The net balance of firms reporting stronger trading prospects increased by 5 points to 22%, while economic optimism edged up 3 points to 5%. Business confidence levels continue to remain below the long-term average² of 24% (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.

Business confidence increased in the retail sector, up by 11 points to 22%. Gains were also seen in construction, up 5 points to 17%, and in the services sector, up 5 points to 12%. In contrast, confidence in the manufacturing sector fell by 11% bringing June's figures back in line with the low seen earlier this year. Increases in global trade tensions before this week's G20 Osaka summit likely weighed on the industry's confidence.

In June, 32% of firms said they expect to increase their headcount in the year ahead (down 1 point from 33%), while an unchanged 21% predicted it would shrink. Firms in the manufacturing and construction sectors both signalled a slower pace of expected hiring at 9%, mirroring the overall business confidence in manufacturing, while upward pay pressures were reported in the construction sector.

Firms' assessment of the expected impact of the UK leaving the EU will have on their trading prospects improved slightly, although the net balance remained negative at -19% compared with -21% in May. A fifth of businesses (20% up from 19%) believe leaving the EU will have a positive impact while well over a third (39% down from 40%) say it will have a negative impact.

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Chart 1: Business confidence stabilised in recent months

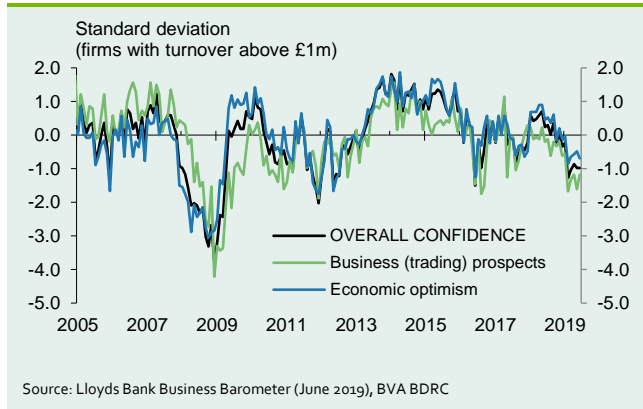
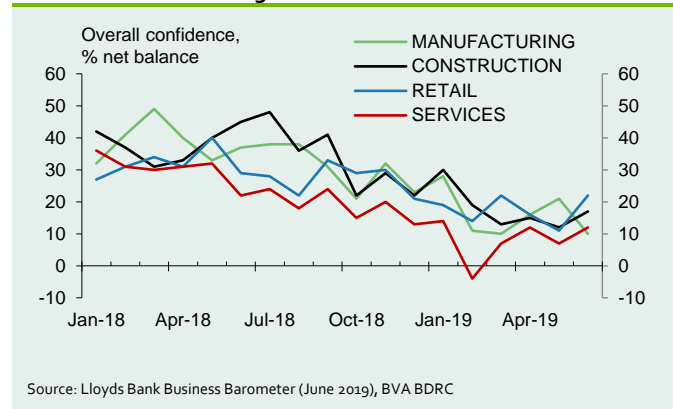


Chart 2: Confidence rose in retail, construction and services, but fell in manufacturing



Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: "While overall business confidence is still below the long-term average, it is encouraging to see a rise for the third time in four months since the low in February.

"Firms are showing more optimism both in their trading prospects and the overall economy, with levels rising in the retail, construction and services sectors this month. Ongoing global trade tensions, however, appear to have weighed on manufacturing confidence."

Confidence up in eight of twelve regions

Overall business confidence rose in eight out of the 12 regions in June (chart 4), although there were also some notable falls.

Confidence fell the most in Yorkshire and the Humber, which had been the most confident region in May, with a dip of 18 points to 5%. Confidence also fell in the East Midlands, which was down 11 points to 8%, and in Wales, down 7 points to 9%.

The West Midlands was the most confident region in June, rising four points to 25% to move up a place from second position in May. The North West was up 4 points to 20%, while London rounded off the top three, rising 8 points to 18%.

The most notable increases in June were for Scotland, up 17 points to 17% and the North East, up 19 points to 14%, taking fourth and fifth places respectively. Confidence also grew by 19 points to 13% in the East of England, by 5 points to 14% in the South East and by 8 points to 8% in the South West.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: "Ongoing political uncertainty unsurprisingly leaves firms' assessment of the expected impact of the UK leaving the EU largely negative. In the face of this, it's perhaps even more encouraging to see improvements in business confidence in a number of business sectors this month and across the majority of regions. We know SMEs and mid-sized companies are continuing to do their best to withstand this turbulence, but we anticipate confidence will continue to fluctuate in the months ahead."



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Chart 3: The net balance for firms' expected Brexit impact edged higher, but remained near the low in May

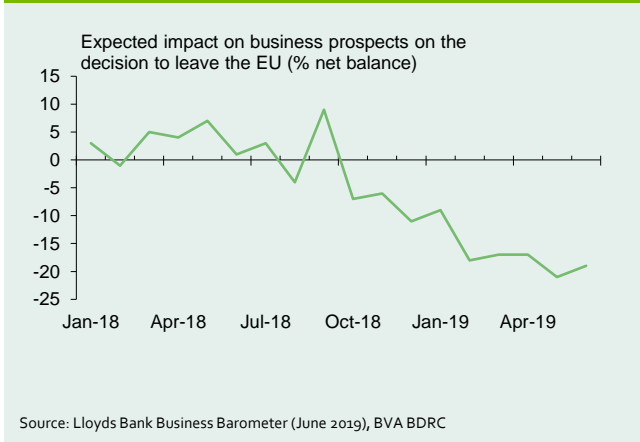
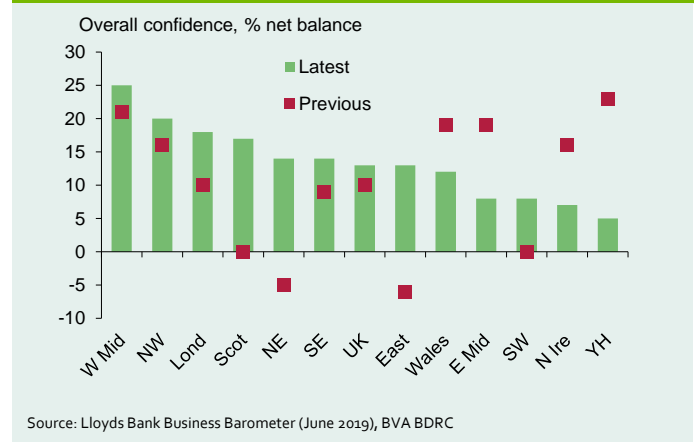


Chart 4: Confidence increased in most regions, but there were also notable falls



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 between 3rd and the 18th June 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.