



# PRESS RELEASE

## UK BUSINESS CONFIDENCE AT A NINE-MONTH HIGH FOLLOWING VACCINE BREAKTHROUGH, BUT REMAINS NEGATIVE

### The latest Lloyds Bank Business Barometer shows:

- Overall business confidence climbed by seventeen percentage points to -4% in December, the sharpest rise for more than four years.
- Economic optimism increased by twenty-three points to -5%, with trading prospects rising by eleven points to -3% and employment prospects by ten points to -10%.
- Confidence increased across all industry sectors to its highest levels seen since the pandemic began in March.
- Business confidence rose in all 12 regions, with the most significant jumps in Scotland, the South West and the West Midlands.

Overall business confidence<sup>1</sup> saw its largest monthly increase for more than four years in December, following vaccine progress announcements. Confidence climbed by seventeen points to -4% according to the Lloyds Bank Business Barometer, although it continues to sit in negative sentiment and remains well below the long-term average<sup>2</sup> of 28%. The survey captures responses between 25<sup>th</sup> November and 10<sup>th</sup> December, during which the national lockdown in England was replaced by a tiering system, while high-level restrictions were also in place in other parts of the UK.

This month's jump in confidence was mainly driven by a sharp rise in optimism about the wider economy, with the net balance rising by twenty-three points to -5%. Firms' views of their trading prospects for the year ahead also increased significantly by eleven points to -3% (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.

The recent vaccine announcements improved employment prospects, with confidence levels in this area moving to their least negative since March (chart 2). The net balance of businesses expecting higher staffing levels in the year ahead increased by ten points to -10%, reflecting that 22% of companies (up from 18%) are predicting a higher headcount and 32% (down from 38%) anticipating overall job losses. The share of firms expecting to make no pay increase in the coming year fell marginally by one point to 32%. However, there were more notable dips in larger businesses reporting pay freezes, reflecting their relatively stronger trading and hiring prospects.

**Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said:** "The news of the vaccine progress has bolstered this month's confidence figures, more than offsetting uncertainties around the UK's new trading relationship with the EU. While confidence remains below average and significant challenges lie ahead, it is

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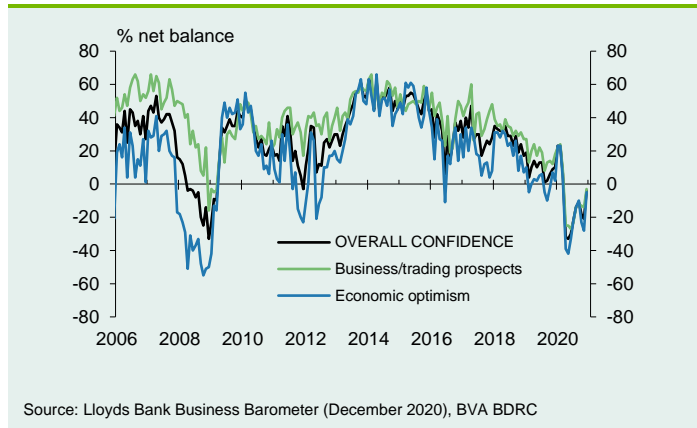


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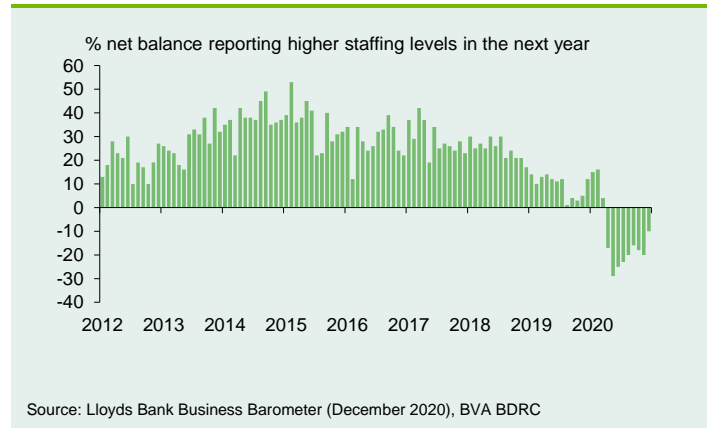


heartening to conclude a challenging year with a notable improvement in business sentiment and with the positive momentum hopefully continuing into 2021.”

**Chart 1: Business confidence at its highest since March**



**Chart 2: Employment prospects less negative**



**MANUFACTURING CONFIDENCE BOUNCES BACK STRONGLY**

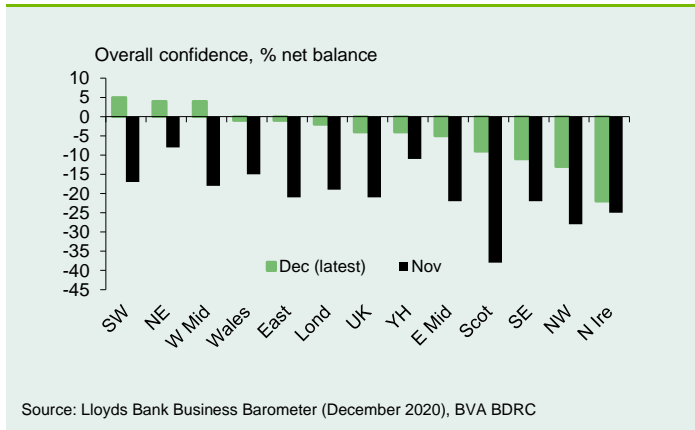
In the industry sectors, confidence reached the highest levels seen since the start of the pandemic (chart 4). Manufacturing reported a strong rebound this month despite looming uncertainty during the survey period about the UK’s new trading arrangements with the EU, surging by twenty-five points, from -25% to 0%. This was followed by a growth in confidence for construction, which rose by eighteen points to -5%; services, which jumped by sixteen points to -5% and the retail sector which reported an eleven point lift in confidence to -1%. Nevertheless, entering the holiday trading period, confidence in retail, as in other sectors, remains below the long-term average.

From a regional perspective, for the first time since 2018, there was an increase in regional confidence across the board (chart 3). The most marked improvements were reported in Scotland (up twenty-nine points to -9%); the South West (up twenty-two points to 5%) and the West Midlands (up twenty-two points to 4%). The latter two, along with the North East (4%) recorded the highest levels of confidence having moved into positive territory for the first time since March this year. Other regions with above-average confidence were the East of England (-1%) and London (-2%), while Wales (-1%) remained above the UK average for a fifth consecutive month despite additional measures announced to tackle rising Covid-19 infections<sup>3</sup>.

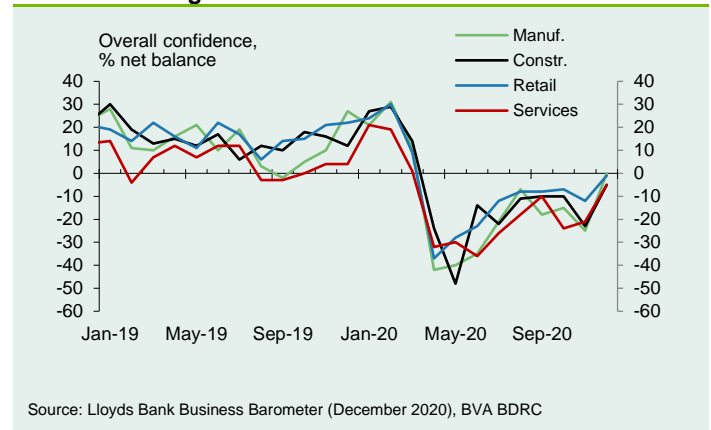
**Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said:** “It has been encouraging to see a clean sweep of regional confidence increases this month. Despite the regional restrictions across the UK, it is promising to see regions beginning to report above-average confidence figures. While we can primarily attribute this uptick to the news of the vaccine progress, it has also injected a boost in confidence for the sectors, with manufacturing rebounding strongly and other sectors following suit. We know that confidence has been volatile in 2021, it is positive to see this sharp rise in confidence and we hope this continues through to the New Year.”



**Chart 3: Across-the-board rises in regional confidence**



**Chart 4: Sector confidence reaches highest levels since the health crisis began**



**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.

<sup>3</sup> With the survey concluding on 10 December, the regional confidence figures do not take into account any reaction to London and parts of South England moving to Tier 3.

- 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 from 25 November-10 December 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.