



LLOYDS BANK

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PRESS RELEASE

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OVERALL BUSINESS CONFIDENCE HITS 14-MONTH HIGH AS ECONOMIC OPTIMISM SURGES

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence¹ increased for a fifth consecutive month, rising 13 points to 23%.
- Economic optimism surged to 23% from 2%, an 18-month high.
- Firms' concerns about the expected impact of the UK leaving the EU was the least negative since November 2018.
- Confidence increased in ten out of twelve regions, with London being the most confident and Scotland the least confident region.
- Overall business confidence rebounded in construction and services but saw a slight decrease in the manufacturing sector.

Overall business confidence surged in January, according to the first Lloyds Bank Commercial Banking Business Barometer in 2020. The survey, the first to be taken after the December General Election, shows the 13 point increase took business confidence to 23% in January, a 14-month high and rising back towards the long-term average of 25%. This was largely driven by firms reporting an improvement in economic optimism, which leapt to 23% from 2%, the highest for a year and a half (see 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.

January saw a rise in trading prospects, increasing four points to a seven-month high of 22%. The buoyed outlook continued to be reflected in firms' assessment of their own hiring intentions, which rose a further three points to 15%, the highest since December 2018. The number proportion of firms expecting higher staffing levels remained unchanged, with a third of businesses (34%) expecting to increase employment. Those anticipating a reduction decreased by three points to 19%.

Concerns about the UK leaving the EU eased significantly this month as the Business Barometer showed an eight point increase to -7%, the least negative since November 2018 (see chart 2). Businesses' views on the impact of leaving the

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EU remain divided, with 27% of businesses believing the UK's exit will have a positive impact (up from 24%), while 34% (down from 39%) continue to expect a negative impact.

Chart 1: Overall business confidence rises back towards the long-term average

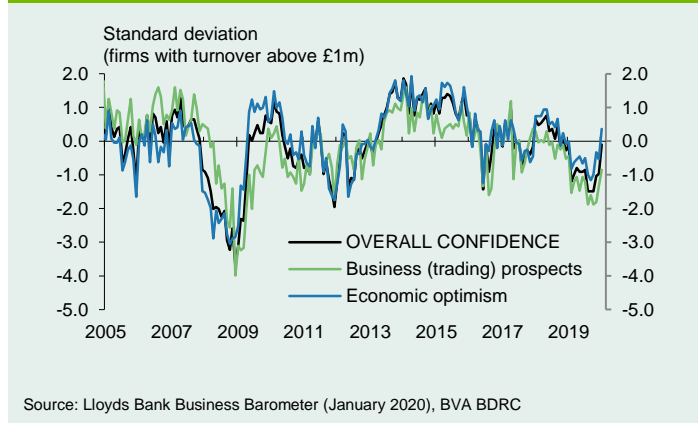
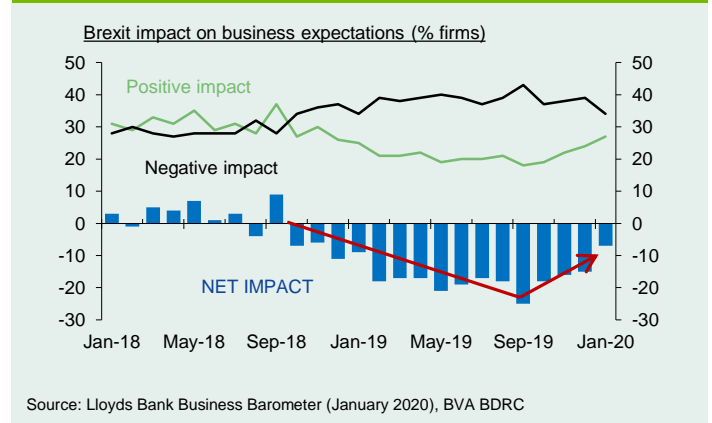


Chart 2: Firms' concerns of impact of the UK leaving the EU has been the least negative since November 2018



Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: "After a turbulent 2019, it is encouraging to see a solid rise in overall business confidence to start the new decade. These results, if sustained, could signal a stronger economic growth at the start of 2020, although risks to the central outlook remain.

CONFIDENCE ACROSS THE REGIONS AND SECTORS

Ten out of twelve regions recorded a rise in overall confidence this month. London was the most confident region (38%), rising 22 points, followed by the South West (34%).

The East Midlands (31%), the North West (26%) and Northern Ireland (25%) were also above the UK average of 23%. Scotland was the least confident region with a decrease of 15 points to -4%, moving it into negative sentiment. (See chart 3).

In January, overall business confidence saw a marked improvement in the construction and services sector with construction increasing 15 points to 27%, while services increased 17 points to 21%. Confidence in the retail sector increased by two point to 24%, while the manufacturing sector saw a decrease of six points to 21% (see chart 4).

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: "It is hugely encouraging to see a significant increase in business confidence for firms up and down the UK. London had a particularly strong start to the year, which could be businesses' positive reaction to greater political and economic certainty. It is also encouraging to see both the South West and East of England posting significant strides. However, Scotland saw a sharp decline, moving the region into negative sentiment. The overall buoyed results are also reflected by improvements in three of the four sectors and we hope that more businesses plan for growth as we continue into 2020."



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

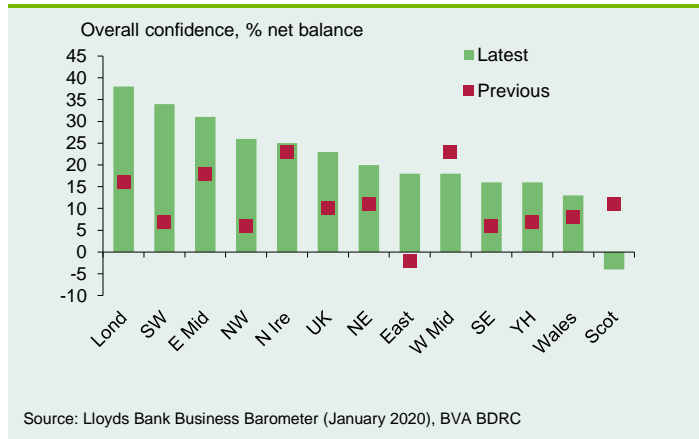
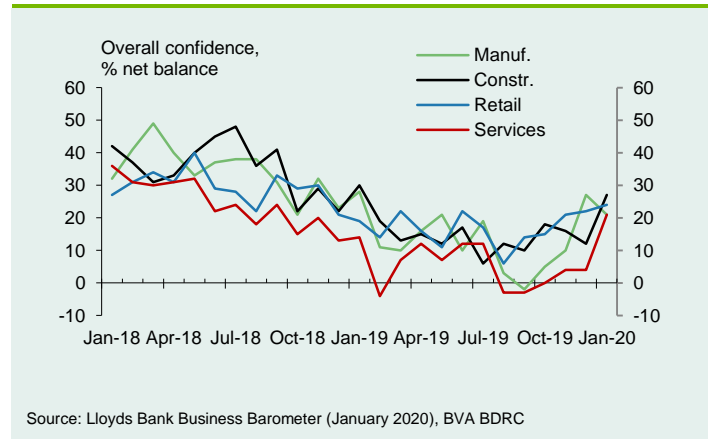


Chart 4: Services and construction bounce back



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 2-16 January 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.