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PRESS RELEASE

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BUSINESS CONFIDENCE REMAINS LOW BUT NEWS OF COVID-19 VACCINE INJECTS BOOST

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence fell by three percentage points to -21%, the lowest levels seen since July.
- Responses in the second week of the survey saw confidence increase by three percentage points, suggesting confidence improved following announcement on vaccine progression.
- Confidence fell in manufacturing, construction and retail, while the services sector saw an increase after its sharp decline in October.
- Regionally, confidence fell in all but four regions, with the North East, Yorkshire & the Humber, the South West and London reporting improvements. The North West and Northern Ireland recorded the largest declines in confidence.

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Overall business confidence declined for a second consecutive month in November, falling by three percentage points to -21% according to the Lloyds Bank Commercial Banking Business Barometer. The survey captures responses between the 2nd and 16th November, during which a national lockdown was reintroduced in England and high-level restrictions were also in place in other parts of the UK (chart 1).

However, responses from 9th November were more positive and showed confidence increasing by seven points to -15%, following the announcement of positive progress with Coronavirus vaccines. While confidence remains above the lowest levels recorded since the pandemic began in March, it continues to sit well below the long-term average of 28%.

This month's decline in business confidence was mainly driven by weaker optimism about the wider economy, with the net balance falling by five points to a five-month low of -28%. 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 coronavirus lockdown restrictions continue to impact sentiment, with firms' assessment of their own business prospects falling marginally by one point to -14%. In addition, businesses' evaluation of their hiring intentions also decreased by two percentage points to -20%, with 38% anticipating a lower headcount. A pay freeze is also planned by 33% of firms, which is significantly higher than the start of the year at 14% (Chart 2).

Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: "The sustained number of coronavirus cases and more restrictive lockdown measures saw overall business confidence fall again this month. Firms across the sectors also continue to remain cautious as they prepare for a new trading relationship with the EU. However,



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confidence increased following the news of a potential vaccine to help combat the virus. The months ahead will be key for businesses as they navigate the winter months and adapt to the evolving landscape.”

INDUSTRY SECTORS DECLINE WITH A VOLITILE REGIONAL LANDSCAPE

In the industry sectors, confidence declined in manufacturing, construction and retail as stricter lockdown measures were imposed across the UK. Manufacturing confidence fell by 10 points to -25%, driven by a sharp fall in optimism about the economy and a smaller decline in trading prospects (chart 3). Construction confidence dropped by 13 points to -23%, while retail confidence fell by five points to -12%. Services confidence, meanwhile, increased slightly by three points to -21%, having already fallen significantly in October.

From a regional perspective, despite recording a higher than UK average over the past three months, the North West recorded the sharpest decline in confidence, down 26 points to -28%. This was closely followed by Northern Ireland and the East of England falling by 14 points to -25% and eight points to -21% respectively (chart 4). Scottish business confidence fell for a second successive month to -38%. Of the remaining regions, sentiment improved in Yorkshire & Humber (up 18 percentage points to -11%), with the highest levels of confidence recorded in the North East at -8%.

Chart 1: Business confidence falls for a second month

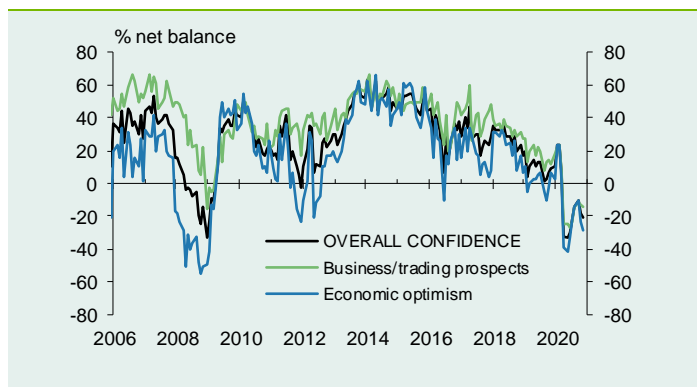
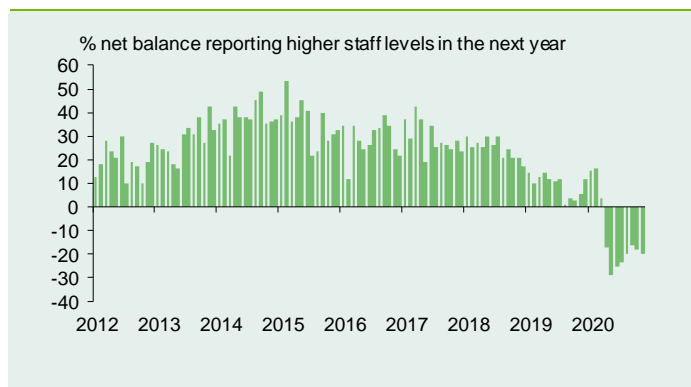


Chart 2: Employment prospects remain negative



Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “Regional confidence remains unsteady as each region grapples with the new lockdown or increased level of restrictions in their area. The tightening of measures had a negative impact on the Services sector last month, especially the leisure and arts that bore the brunt of preventive measures to help contain the pandemic. However, as we approach the festive season, and with restrictions set to ease once England-wide lockdown ends, we have seen an increase in confidence. We hope this continues in the months ahead as it brings a much-needed boost for the sector and wider industries.”



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Chart 3: Sector confidence remains below historic levels

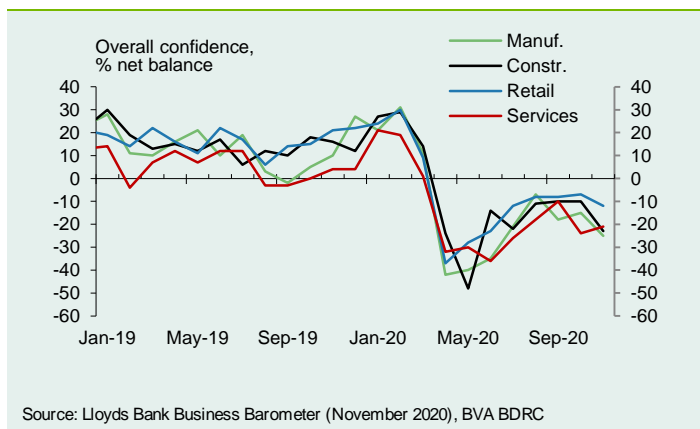
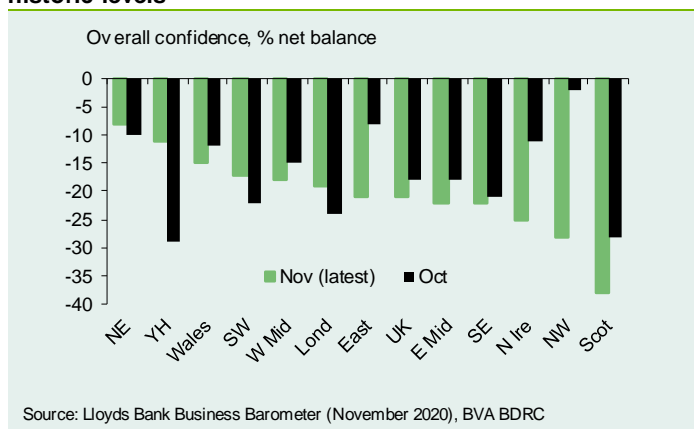


Chart 4: Regional confidence continues to remain below historic levels



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.

³ The uptick in business confidence for North West was mainly driven by the manufacturing and professional services sectors operating at close to full capacity despite local lockdowns, alongside other areas in the region where Tier 3 restrictions had not taken effect while this survey was conducted.

- 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 2-16 November 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.