



LLOYDS BANK

# PRESS RELEASE

## BUSINESS CONFIDENCE ON THE RISE, BUT REMAINS NEGATIVE OVERALL

### The latest Lloyds Bank Business Barometer shows:

- Overall business confidence improved for third consecutive month, up eight percentage points to -14%, but remained well below long-term historical average.
- Trading prospects for the next 12 months rose nine percentage points to -14%, the largest monthly increase for three years. Economic optimism also improved to -14%.
- Regionally, confidence in the South East increased significantly, recording the first net positive result across all regions since March. While other regions remain negative, nine of the 12 regions saw confidence edge up in August.
- As a result of coronavirus, 62% of firms reported a negative impact on demand, down from 66% in July.
- Overall, 33% of businesses reported having no employees currently on furlough while 18% of firms using the Coronavirus Job Retention Scheme expect to retain all staff.

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Despite the Lloyds Bank Commercial Banking Business Barometer continuing to languish well below the long-term average<sup>1</sup> and in negative territory, overall business confidence<sup>2</sup> improved by eight percentage points against a backdrop of further easing of lockdown measures (chart 1).

The Barometer, which surveyed businesses between August 3<sup>rd</sup> and 17<sup>th</sup>, showed improvements in both economic optimism and trading prospects with both reaching -14%. While still in negative territory, the 9 point increase in trading prospects is the largest monthly rise in more than 3 years. Economic optimism increased by 8 points.

The effect of coronavirus continues to be keenly felt with nearly two thirds (62%) of businesses reporting it has negatively impacted them. This is a modest decrease on last month (66%), and is another indicator that businesses are slowly recovering following the easing of lockdown. The manufacturing and retail sectors had higher percentages of firms reporting a negative impact on demand at 71% and 64% respectively.

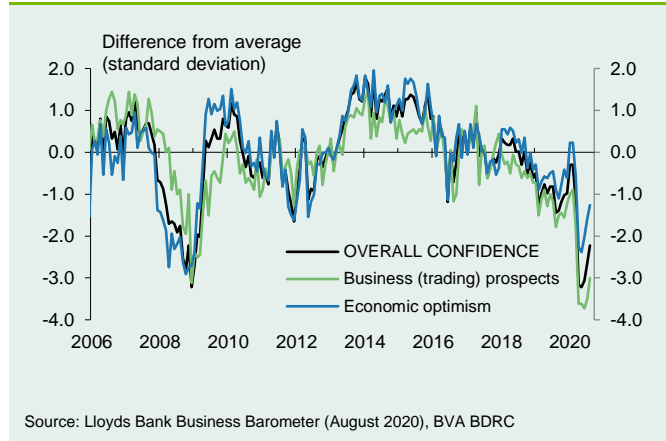
Firms' assessment of their own hiring intentions improved slightly this month. The three percentage point rise took the reading to -20% (chart 2). A fifth (19%) of businesses expected to increase employment over the next 12 months, a two-point increase on July. 39% of businesses anticipate they'll be reducing their headcount, down 1% on last month.

Of those businesses with staff still on furlough, only 18% expect to be able to retain all of them. In addition, a third (33%) of businesses anticipate a pay freeze. Although this is down three percentage points on July, it remains well above the 14% recorded at the start of the year.

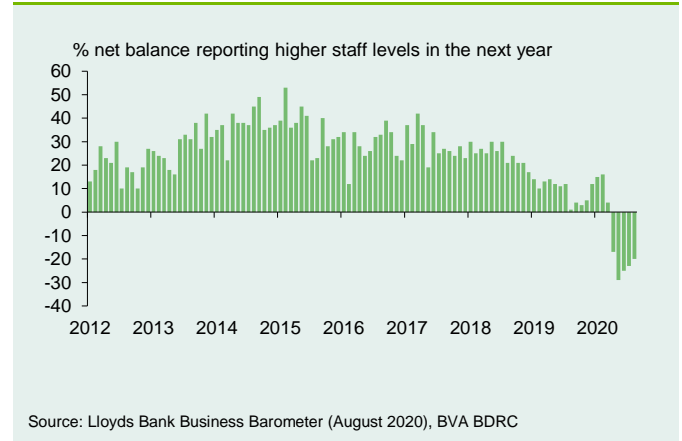


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**Chart 1: Overall confidence continues to recover, but remains below the long-term average**



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



**Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said:** “With business confidence sitting well below the long-term average, and official data for Q2 confirming the UK re-entered recession, the shape of any economic recovery remains highly uncertain. Nevertheless, it is encouraging to see gradual improvements in trading prospects and economic optimism, albeit from a low base, which will hopefully continue over the coming months.”

### CONFIDENCE ACROSS THE REGIONS AND SECTORS

The South East became the first region to report a net positive result since March, with confidence jumping 32 points to 1% in August. That compares to -31% in July.

Businesses in the South East weren't alone in reporting higher confidence, with nine of the UK's 12 regions edging up (chart 3). The North East (-5%) and North West (-10%) followed on from the South East. At the other end of the scale, firms in Scotland – despite registering an improvement – were the most negative at -35%, followed by Northern Ireland (-27%) and the South West (-26%).

All four major industry sectors reported confidence at the highest levels since March. Manufacturing saw the sharpest increase of 14 percentage points to -7%, while construction rose 11 percentage points to -11%. The retail sector rose to -8% and services increased to -18% (chart 4).

**Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said:** “Tentative signs of improving sentiment continue and it's encouraging to see businesses responding to the coronavirus disruption with continued resilience. The Eat Out to Help Out scheme, finishing on Monday, might be behind the notable improvement of 16 points in hospitality and leisure. While that only takes the subsector reading to -22%, any improvement should be welcomed at this stage and the sector will be hoping the consumer confidence boosts carries on long after the incentive ends.

“If we look regionally, the reinstatement of lockdown measures in the North West and East Midlands doesn't appear to have dampened spirits and we hope possible future localised lockdowns won't either. Time will tell how even the return to growth is but we stand by ready to help local employers build back better.”



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Chart 3: Confidence rose in most regions

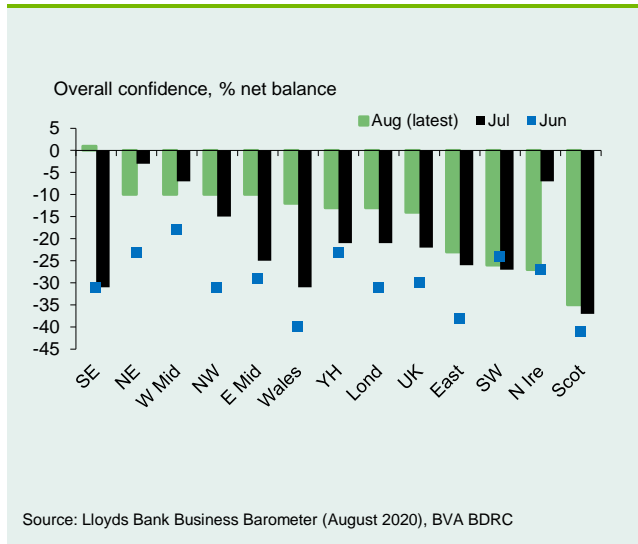
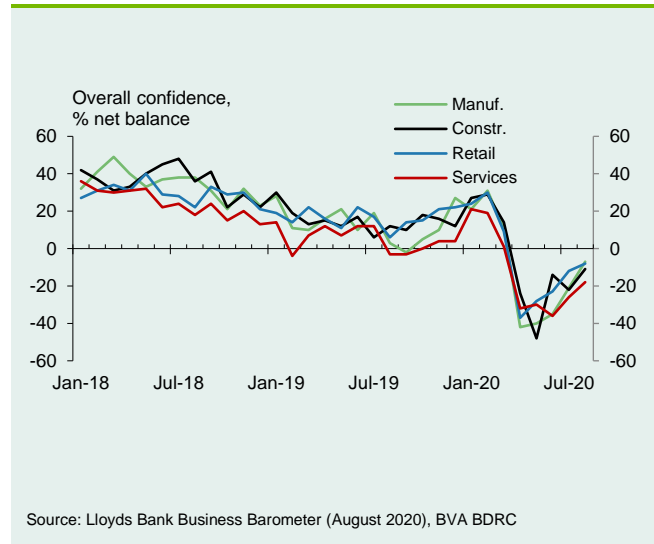


Chart 4: Sentiment improved across all broad sectors



Notes to editors

<sup>1</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>2</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.

- 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 3-17 August 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.