



LLOYDS BANK

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PRESS RELEASE

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BUSINESS CONFIDENCE FALLS TO NEAR RECORD LOW AS FULL IMPACT OF ECONOMIC SHUTDOWN HITS

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence¹ plunged 38 percentage points to -32% in April, the lowest level since December 2008 at the start of the global financial crisis.
- Economic optimism dropped from 3% to -39%, while trading prospects fell to a record low from 8% to -25%.
- Hiring intentions fell to a nine-year low, with 37% of firms expect to reduce employment over the next 12 months, however, 20% expect to see an increase.
- Overall confidence fell in all twelve regions and across all sectors, with trading prospects weakest in manufacturing, retail and transport services.
- Ten percent of firms report a positive impact on demand from the pandemic, but three quarters say demand has fallen, including 36% reporting a drop by more than half.

Overall business confidence plunged 38 percentage points to -32% in April, sitting near the all-time lowest level recorded of -33% since December 2008 at the start of the global financial crisis, according to the Lloyds Bank Commercial Banking Business Barometer. The steep decline illustrates the impact the measures to contain the pandemic is having on UK businesses. (See chart 1).

The results, which surveyed businesses between 31 March – 16 April 2020, reflect a significant drop in both trading prospects and economic optimism. The survey showed that current trading prospects fell to a record low of -25%, while economic optimism also dropped from 3% to -39% but remains above the levels seen in late 2008, despite sitting at a very low level.

The outlook is reflected in firms' assessment of their own hiring intentions, which fell into negative territory for the first time since 2011 from 4% to -17%. While a fifth of businesses expect to increase employment, those anticipating a reduction in the next twelve months stood at a record 37%. In addition, businesses that are anticipating a pay freeze increased to 30% from 11% in March. (See chart 2).

Responding specifically to the impact of the coronavirus, 74% of businesses stated a negative impact with 10% of firms say they are benefiting from it. In terms of the ability to supply their product or service, 22% of manufacturers expect

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their supply chain to return to levels seen prior to the outbreak within three months. The retail sector reported 28%, while within the construction sector 45% expect to see levels return within three months. (See chart 3).

Chart 1: Sentiment sours as lockdown measures are introduced to stem the health crisis

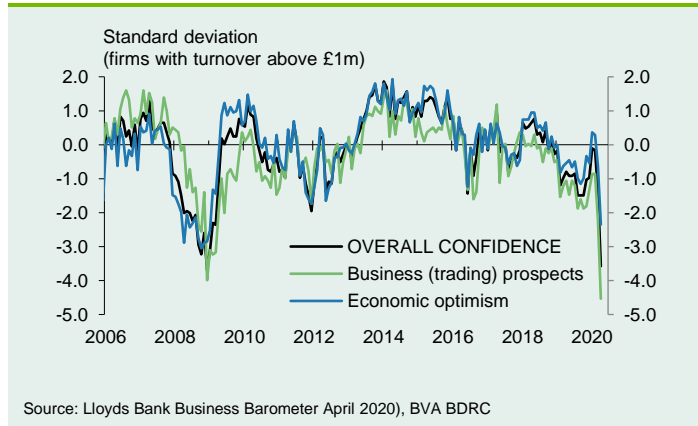
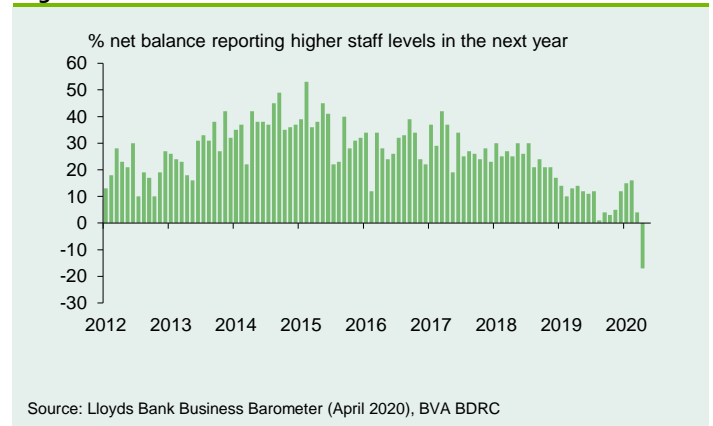


Chart 2: Net hiring intentions for the next twelve months turn negative



Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: “The results in April demonstrate the full impact of the measures taken by the Government to shut down large parts of the economy to help contain the pandemic, with sentiment now matching the all-time low of December 2008. There are tentative signs that China’s economy is stabilising as it starts to ease lockdown measures, and that may serve as a template for the rest of the world.”

CONFIDENCE ACROSS THE REGIONS AND SECTORS

From a regional perspective, all 12 regions reported lower overall confidence in March. Yorkshire and Humber were the least negative region at -19%. Wales was the most negative region at -52% followed by Scotland at -50% (See chart 4).

In April, overall business confidence fell across all four sectors. Confidence in the manufacturing sector saw the sharpest decline, falling 46 percentage points to -35%, with the retail sector falling to -33%. The construction sector fell by 34 percentage points to -20%, while services fell 23 points to -22%.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “April has shown the unprecedented impact of the shutdown for businesses across the UK with trading prospects and overall confidence free-falling across the regions. During this time it is important that businesses take steps to access the government schemes such as tax deferral, rates reductions, small business grants and the job retention scheme and the various finance options available to them so that they can survive through this crisis and be best placed to open their doors again in the months ahead.”



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Chart 3: Confidence falls in all twelve regions

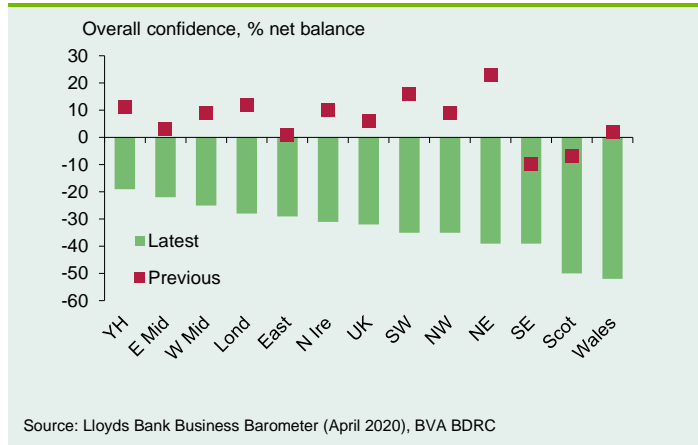
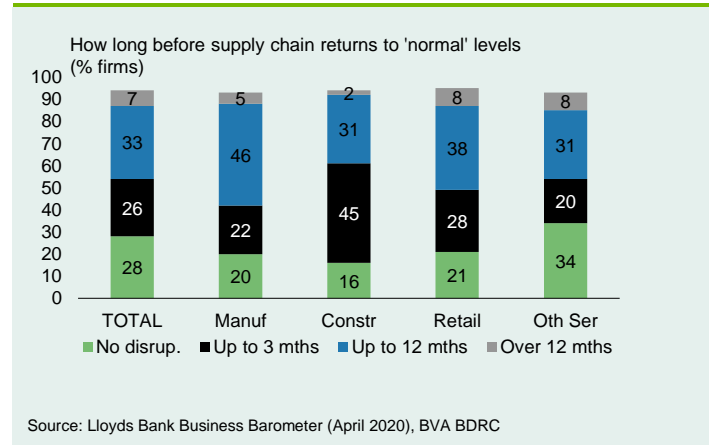


Chart 4: How long do firms expect their supply chain to return to 'normal' levels?



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.

- 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 between 31 March – 16 April 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.