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PRESS RELEASE

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BUSINESS CONFIDENCE STILL NEAR RECORD LOW DESPITE SLIGHT IMPROVEMENT IN OVERALL SENTIMENT

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence¹ rose three percentage points to -30% in June, the highest levels since March.
- Economic optimism increased 9 points to -33%, despite business prospects falling slightly for the next 12 months.
- Over three quarters of businesses expected to reopen by the end of June, with easing of social distancing likely to be welcomed.
- 23% of businesses said they would not be able to operate at full capacity with two metre distancing in place.
- Responding to the impact of the coronavirus, 68% of businesses stated a negative impact, which remains unchanged from May.
- Confidence was significantly above the national average in the West Midlands, North East and Yorkshire and Humber, with half of the regions reporting an increase in confidence from May.
- The construction, manufacturing and retail sector all saw increases in confidence, though services fell sharply.

Overall business confidence improved by three percentage points in June, the first increase recorded since January, according to the Lloyds Bank Commercial Banking Business Barometer. Despite still sitting in negative sentiment, the increase is the highest level seen since the start of the pandemic in March, however, confidence remains well below levels seen before the outbreak (See chart 1).

The results, which surveyed businesses between June 1 and June 15 also showed economic optimism increased by nine points to -33%. However, business prospects for the year ahead fell two points to -27%. Overall business confidence is calculated by averaging the views of 1,200 companies on their business prospects and optimism about the UK economy.

Firms' assessment of their own hiring intentions improved slightly by four percentage points to -25%. Only 16% of businesses expect to increase employment over the next 12 months, up from 15% in May while 41% are anticipating a reduction, down from 44%. In addition, businesses that are anticipating a pay freeze fell a percentage point to 37%.

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Responding specifically to the impact of the coronavirus, 68% of businesses stated a negative impact, which remains unchanged from last month, while 63% are still seeing disruption to their supply chain (see chart 2). However, 78% expected to reopen their business by the end of June, as easing of restrictions lifts. In addition, the recent Government announcement to relax social distancing restrictions will be of benefit to businesses as 23% of all firms said they would not be able to operate at full capacity with two metre social distancing measures in place. (See chart 3).

Chart 1: Overall confidence rose for the first time since January

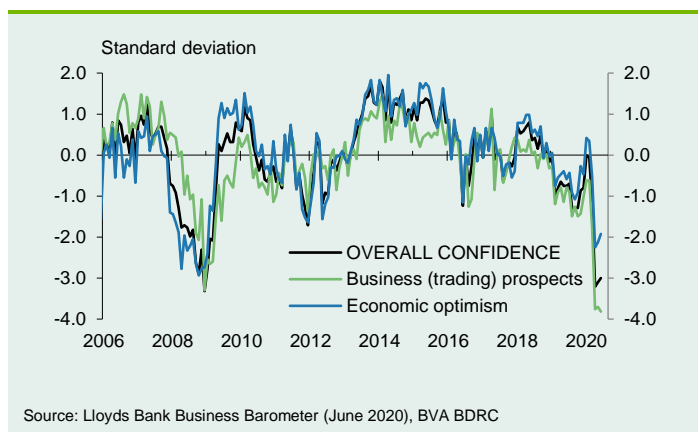
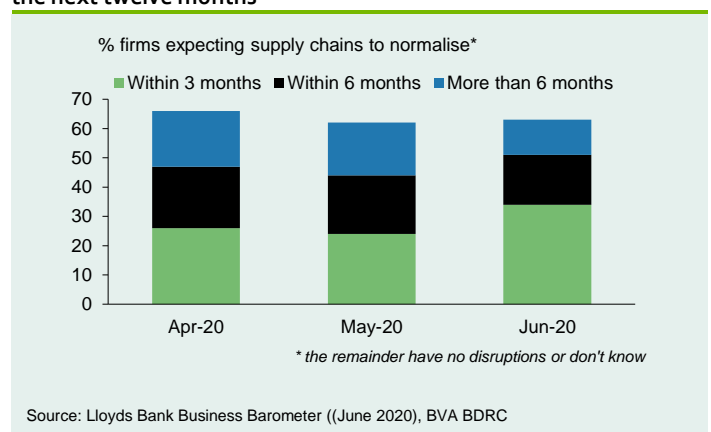


Chart 2: More firms anticipate a reduction in their staffing levels in the next twelve months



Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: “While the results suggest the economy may be starting to see some improvement, trading conditions remain difficult for most firms as the majority are still experiencing disruption to supply chains. Hopefully the recent Government announcement of further relaxation of restrictions and the slight easing of social distancing measures will enable more businesses to reach their capacity and resume their usual activities, which we would expect to be reflected in further improvements to optimism next month.”

CONFIDENCE ACROSS THE REGIONS AND SECTORS

From a regional perspective, despite all sitting in negative sentiment, half of the 12 regions reported a higher confidence in June. The West Midlands was the least negative region at -18% and the most negative was Scotland at -41% (See chart 4).

In June, the construction sector rebounded strongly, increasing 30 percentage points to -14%. The retail sector increased two points to -23% and manufacturing saw an improvement at -35%. These were the highest levels seen since March, however, other services fell to -36% largely reflecting the impact on the hospitality and education sectors.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “For the first time since the start of the pandemic, we are starting to see optimism lift for a number of regions. Confidence levels continue to improve and as Britain sees further easing of measures and more businesses across the UK re-opening for the summer season, it is hoped that this will further improve businesses’ confidence. We remain committed to being by the side of businesses at this time so that they can continue to open their doors in the weeks ahead to the best of their ability.”



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Chart 3: Social distancing guidelines affect businesses' ability to operate at full capacity

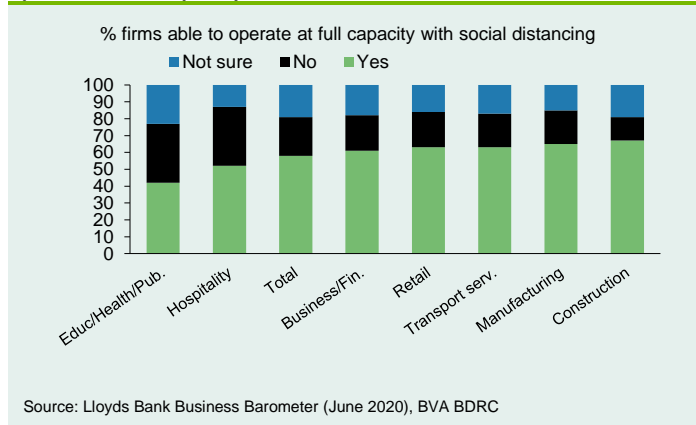
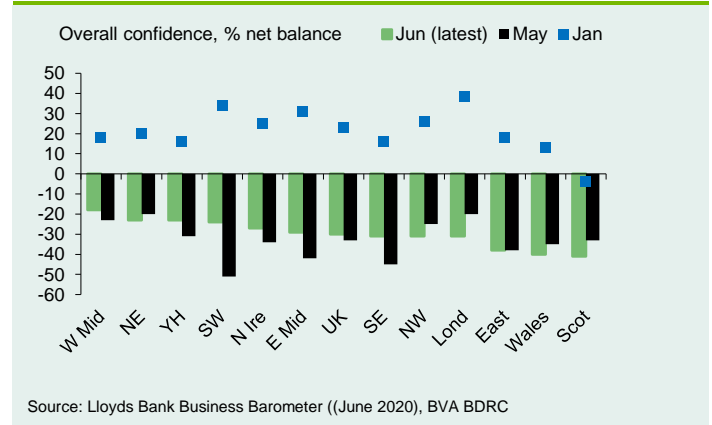


Chart 4: Regional confidence levels have mostly improved



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 from 1 – 15 June 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.