



LLOYDS BANK

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PRESS RELEASE

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OVERALL BUSINESS CONFIDENCE FALLS TO LOWEST LEVELS SINCE OCTOBER 2019

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence¹ fell 17 percentage points to 6% in March, the lowest level since last October
- Businesses were surveyed between 2-16 March; results for the second week of survey showed a sharper fall in overall confidence to -3%, matching the December 2011 low and otherwise the lowest since March 2009 during the global financial crisis
- Economic optimism dropped from 23%, its highest level for seventeen months, to 3%, while trading prospects declined from 24% to 8%
- Hiring intentions fell twelve percentage points to 4% after an improvement in the past four months
- Overall confidence fell in nine out of 12 regions while trading prospects weakened across all industry sectors

Overall business confidence fell by 17 percentage points to 6% in March, the lowest level since October 2019, reflecting a drop in both trading prospects and economic optimism, according to the Lloyds Bank Commercial Banking Business Barometer. This decline illustrates the impact that the COVID-19 outbreak was having on business confidence before many initiatives launched by the Government to help combat the virus were announced.

The results, which surveyed businesses between 2-16 March 2020, showed a much sharper fall in overall confidence in the second week of the survey to -3%, matching the low since December 2011, and is otherwise the lowest dip since March 2009 during the global financial crisis. (See chart 1).

The survey showed that economic optimism also fell sharply from 23%, its highest level for seventeen months, to 3%. Similarly, the results for the second week of the survey saw levels at -10%. In addition, trading prospects fell in March to 8% from 24%, after three consecutive monthly increases and firms reported a fall in hiring intentions after seeing an improvement in the previous four months from 16% to 4%.

Media contact

Emily Rushgrove

07384535388

Emily.Rushgrove@lloydsbanking.com

Siobhan McCluskey

07795611179

Siobhan.McCluskey@lloydsbanking.com

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Responding specifically to the impact of the coronavirus, over 70% of businesses stated that they are or will be affected. Results for the second week of the survey saw a marked change, with 61% of businesses reporting an impact due to the coronavirus in the first week, rising to 88% reporting an impact in the second week. (See chart 2).

Chart 1: Overall business confidence falls sharply in the latest month

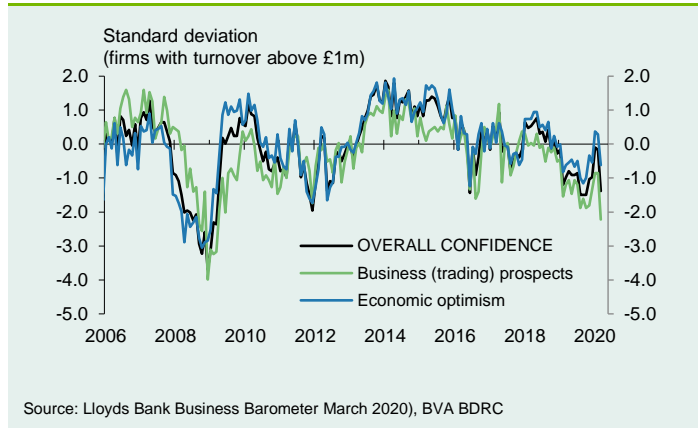
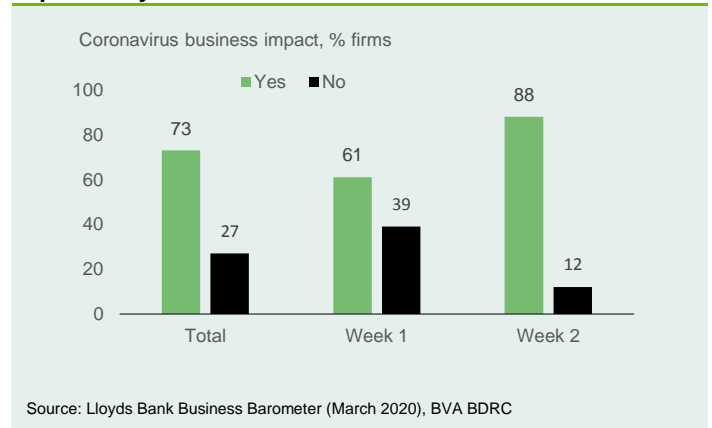


Chart 2: Vast majority of firms say they are (or expect to be) impacted by the coronavirus outbreak



Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: “The results in March demonstrate the impact of the shutdown of large swathes of the economy to combat the pandemic even in advance of the Government’s stringent measures announced in recent days. Sentiment has returned to historic low levels after improving in recent months. We will continue to monitor what businesses are telling us, and hope that they can take steps to minimise the impact of current economic downturn.”

CONFIDENCE ACROSS THE REGIONS AND SECTORS

From a regional perspective, nine out of 12 regions reported lower overall confidence in March. The North East of England reported a slight increase in confidence to 23%. The South East (-10%) and Scotland (-7%) were the least confident regions. (See chart 3).

In March, overall business confidence fell across all four sectors. Confidence in retail sector saw the sharpest decline, falling 21 percentage points to 9%. The manufacturing sector also saw a big decline from 31% to 11%, services was down 18 points to 1%, while the construction sector fell by 15 points to 14% (See chart 4).

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “There is now little doubt that businesses across the board are feeling the impact of COVID-19. Many businesses have already had to pause their work and others are trying to adapt to new ways of working. While all sectors have displayed a real dip in confidence, it is important that businesses take the support that is available to them to help them through this unprecedented and uncertain time. We remain committed to supporting our customers in the weeks and months ahead in any way we can.”



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Chart 3: Confidence falls in most regions

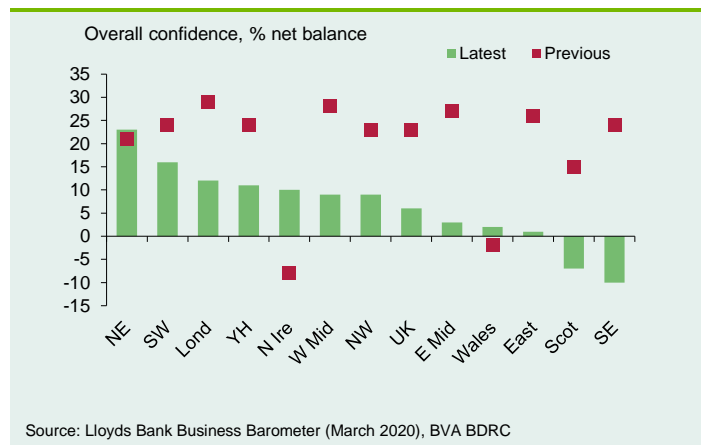
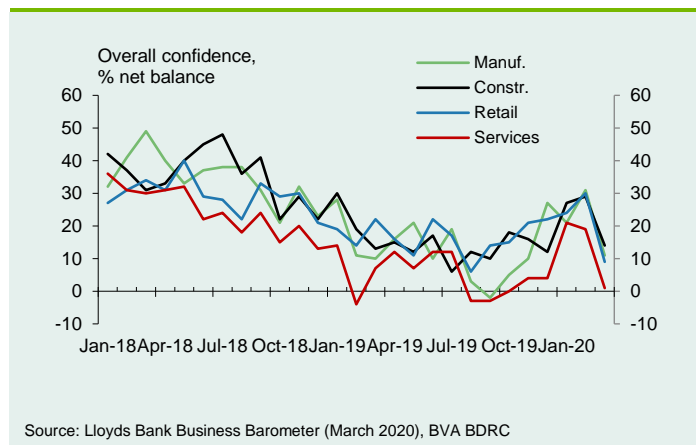


Chart 4: Broad-based industry sector declines



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 32 – 16 March 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.