



PRESS RELEASE

BUSINESS CONFIDENCE SURGES TO ONE-YEAR HIGH

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence increased by thirteen percentage points to 15% – the highest level since the start of the pandemic last year. This reflects firms' optimism towards the wider economy, increasing fifteen points to 17%.
- The net balance for staffing levels is positive for the first time since March 2020, rising by eight points to 4%, reflecting a higher share of companies expecting to hire and a lower share anticipating staff reductions.
- Confidence increased across eleven of the twelve UK regions and nations with firms most upbeat in the North East (up twenty-five points to 26%), the West Midlands (up twenty-four points to 27%) and the North West (up thirteen points to 26%).
- Manufacturing and retail sectors recorded the biggest increase in overall confidence.

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Overall business confidence¹ increased by thirteen percentage points to 15% in March, according to the Lloyds Bank Business Barometer (chart 1) – the highest level recorded since March 2020 and the start of the pandemic last year. The jump in confidence reflects both progress in the successful deployment of vaccines, a degree of clarity provided by the roadmap out of lockdown for England and plans to ease restrictions in other parts of the UK.

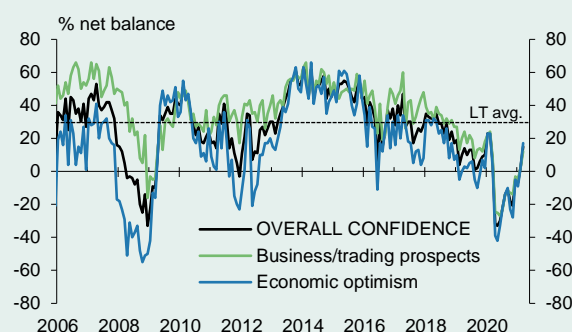
Survey responses were captured between 1st March and 15th March 2021, with the latest increase in confidence being driven by gains in firms' trading prospects and their optimism about the wider economy. The net balance of firms reporting stronger optimism about the economy increased by fifteen points to 17%.

Firms' trading prospects for the year ahead also climbed by ten points to 12%, with 34% (up five points) anticipating a pick-up in activity and 22% (down five points) preparing for less activity. Overall business confidence is calculated by averaging the views of 1,200 companies on their business prospects and optimism about the UK economy.

Of the businesses surveyed, there appears to be solid support for the speed at which lockdown restrictions are being eased. The majority of firms (57%) agree with the pace of reopening their sector, although there is a significant minority (34%) that prefer a quicker lifting of restrictions. However, 9% of firms said they would benefit from a slower pace (Chart 2).

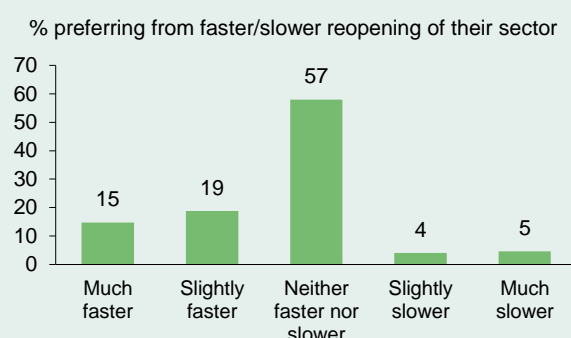


Chart 1: Business confidence improves further and moves closer to the long-term average



Source: Lloyds Bank Business Barometer (March 2021), BVA BDRC

Chart 2: Most firms agree with the pace in which restrictions are being lifted



Source: Lloyds Bank Business Barometer (March 2021), BVA BDRC

Firms' hiring intentions returned to positive territory for the first time since March 2020 (Chart 3), reflecting the improvement in business confidence and aided by the extension of the furlough scheme to the end of September 2021. The net balance for staffing levels in the coming twelve months climbed a further eight points to 4%. Over a quarter of companies (26%) expect to add to their workforce, up two percentage points on last month, while 22% (down six points) are anticipating reductions.

Within the sectors, the net balance for staffing levels remained slightly negative in manufacturing (-3%), but services edged into positive territory (3%) for the first time since February 2020. Hiring intentions are the highest in construction at 12%, while retail reported a minor uplift to sit at 3%.

In addition, there are further indications that wage freezes may be thawing (Chart 4), but there also seems to be little sign of significant pay rises. A quarter (25%) of firms anticipate a pay freeze in the coming year, down one point from February and two points from January. However, the proportion anticipating pay rises of two percent or more fell marginally to 17% from 18%, and remains around the average level since the start of the pandemic.

Chart 3: Hiring intentions return to positive territory



Source: Lloyds Bank Business Barometer (March 2021), BVA BDRC

Chart 4: Signs of pay freeze thawing, but little indication of large wage increases



Source: Lloyds Bank Business Barometer (March 2021), BVA BDRC

Firms' pricing intentions for the year ahead continue to rise. The net balance of firms expecting to raise prices for their goods and services increased three points to 31%, matching the level a year ago (Chart 5). Some 37% (up one point) of businesses plan to increase their prices, while 6% (down two points) intend to lower them. A quarter of the firms in



manufacturing and a fifth in retail (Chart 6) have paid higher costs than pre-pandemic levels to secure their supply chain.

Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: “It’s been a year since the first lockdown and the surge in confidence this month tells us firms are increasingly confident about economic recovery. The broadly positive outlook is driven by steady vaccine deployment, the roadmap out of lockdown and the extension of government support measures. It will be interesting to see whether the momentum for stronger business optimism is sustained in the months ahead.”

Chart 5: Price pressures are building

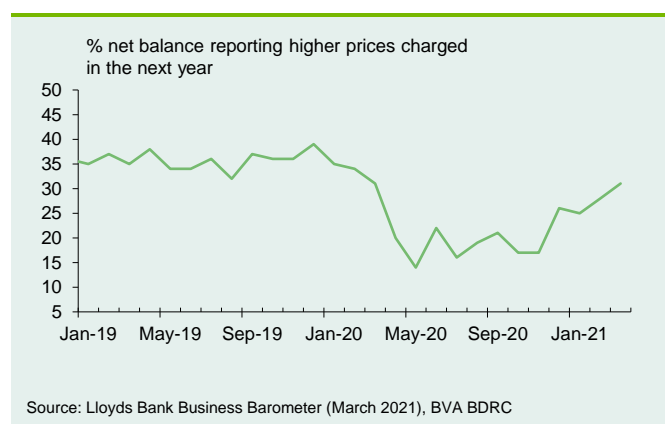


Chart 6: A significant proportion of firms have paid higher costs to guarantee their supply chain



REGIONAL AND SECTOR INSIGHTS

Business confidence increased in eleven of the twelve UK regions and nations (Chart 7). In England, confidence is in positive territory across all regions and strongest in the West Midlands at 27%, the North East at 26%, the North West at 26% and the East Midlands at 20%. Confidence is near the UK average in the South East (16%), Yorkshire & the Humber (12%), the East (12%) and London (12%), and slightly lower in the South West (8%).

Confidence in Wales turned positive (9%) for the first time in a year, with Scotland also reporting an increase, (up fifteen points to -2%), which is the highest level since December 2019. Northern Ireland reported the only dip in confidence, falling by nine points to -6%.

In the sectors, manufacturing and retail recorded the highest confidence levels, both at 25%, while services and construction rose to 11% and 12% respectively (Chart 8).

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “We have completed a full circle since lockdown began in March 2020 and it is uplifting to see businesses portraying confidence for the months ahead. The regions have reported a tremendous result in confidence, especially England which is positive across the board. In the sectors, the uptick in confidence for manufacturing is driven by strong trading prospects, while in retail, there is an anticipation that pent-up demand will drive consumption when restrictions are lifted. The months ahead will play a pivotal role in charting the course for the UK’s recovery and we remain by the side of businesses as they go along on this journey.”



Chart 7: Confidence highest among firms in the Midlands, the North East and the North West

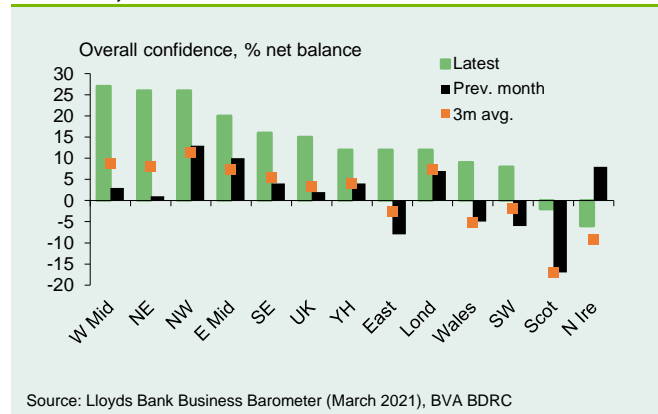
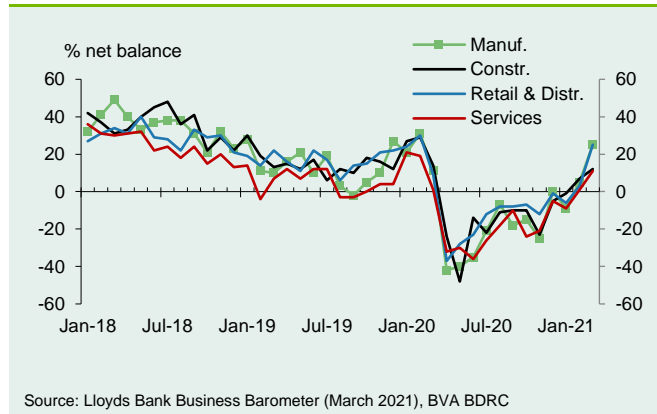


Chart 8: Confidence particularly strong in manufacturing and retail & distribution



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 BDRC Continental.
- This survey was conducted with 1,200 companies from 1 March - 15 March 2021 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.