



PRESS RELEASE

BUSINESS CONFIDENCE HITS TWO-AND-A-HALF YEAR HIGH

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence increased by fourteen percentage points to 29%, above the long-term average (28%) for the first time since September 2018 and at a two-and-a-half year high.
- Confidence increased across eleven of the UK’s twelve regions and nations and remained steady in Wales; sentiment is the highest in the East Midlands and northern English regions.
- Confidence increased across all sectors, and is the highest in manufacturing (40%) and retail (39%), followed by construction (28%) and services (25%).

Overall business confidence¹ amongst UK companies increased by fourteen percentage points to 29% in April, according to the Lloyds Bank Business Barometer – rising above the long-term average (28%) for the first time since September 2018 and reaching a two-and-a-half year high (chart 1). The surge in confidence is driven primarily by the further easing of COVID-19 restrictions during the month, including the reopening of non-essential retail and outdoor catering in England, and the success to date of the vaccination roll-out.

Survey responses were captured between 1st April and 19th April 2021, with the latest increase in confidence reflecting further significant improvements in trading prospects (up thirteen percentage points to 25%) – the biggest monthly rise for nearly four years – and improved optimism about the economy (up fifteen percentage points to 32%).

Of the firms surveyed, less than half (46%) indicated that their current demand is being negatively impacted by the pandemic. This is a notable improvement compared to a year ago at the start of lockdown, when three-quarters (74%) reported a negative COVID-19 impact in April 2020. In addition, 56% of firms say that they are currently operating above 50% capacity, up from 33% a year ago.

Chart 1: Business confidence rises back above its long-term average

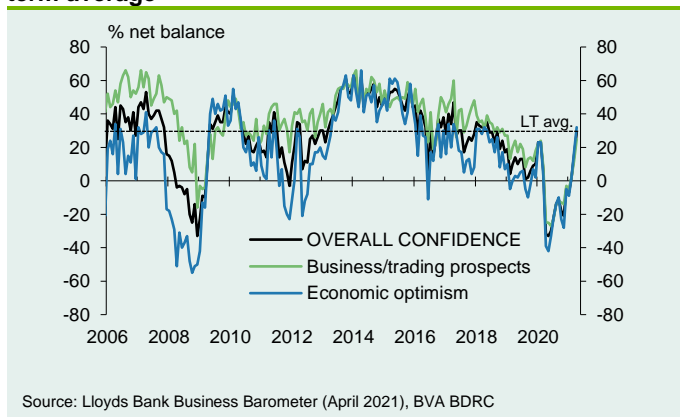
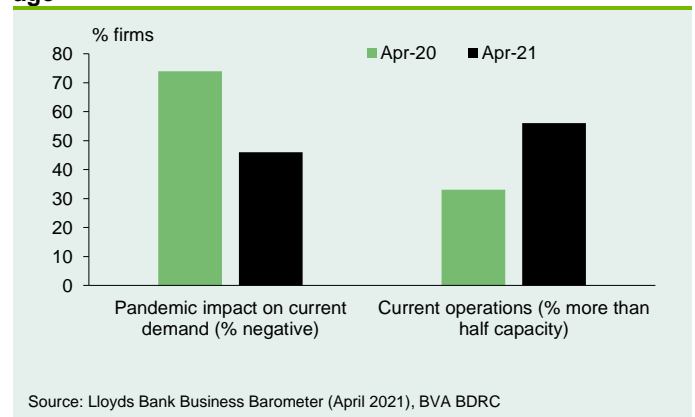


Chart 2: Improved circumstances compared with a year ago



Media contacts

Shreya Singh
07774742535
Shreya.Singh@lloydsbanking.com

Phillippa-Jane Vermoter
07825115178
Phillippa-Jane.Vermoter@lloydsbanking.com

See it on social media

[@LloydsBankNews](https://twitter.com/LloydsBankNews)
[#BusinessBarometer](https://twitter.com/LloydsBankNews)



As the economic and trading outlook advances, net hiring intentions improved further in April, having returned to positive territory last month (Chart 3). The net balance for staffing levels registered an uptick of four percentage points to 8%, reflecting 28% (up from 26%) of firms expecting to grow their workforce and 20% (down from 22%) anticipating a lower headcount.

In addition, there seems to be promising signs of wage freezes thawing further, with a quarter (25%) of businesses, up from 17% in March, expecting to make average pay increases of at least 2%, while the share anticipating at least 3% pay rises doubled to 10%. A fifth (20%) of firms still plan pay freezes, a drop down from 25% in March. However, the share of firms expecting at least 2% average pay increases now exceeds those expecting a pay freeze (chart 4).

Chart 3: Net hiring intentions are the strongest for 14 months

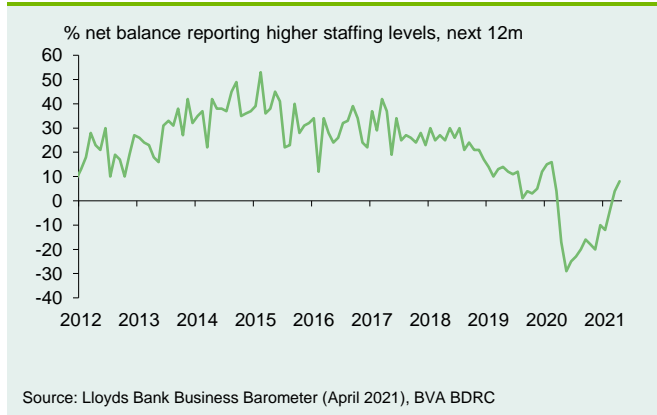
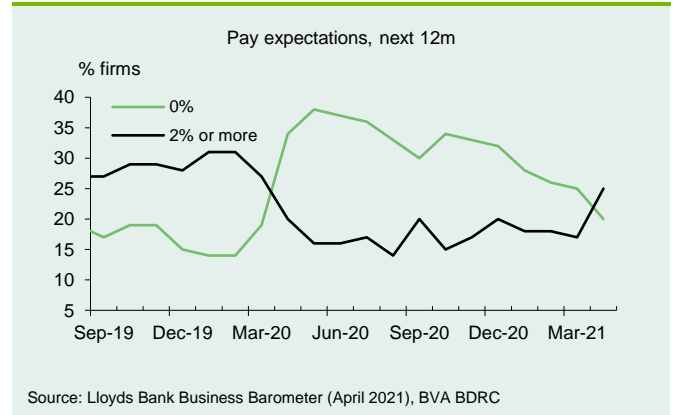


Chart 4: More firms expect pay increases in the year ahead



Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: “A third consecutive monthly rise in business confidence alongside the highest level of confidence for two-and-a-half years] tells us a positive story about the UK’s continued economic recovery and leaves us optimistic about the road ahead. While uncertainties remain regarding the evolution of the pandemic, this month’s improvement in sentiment reflects a further easing of COVID-19 restrictions, while progress in vaccine deployment is raising hopes that the negative impact of the health crisis will continue to fall in the months ahead as the economy reopens.”

Chart 5: Positive momentum in prices charged

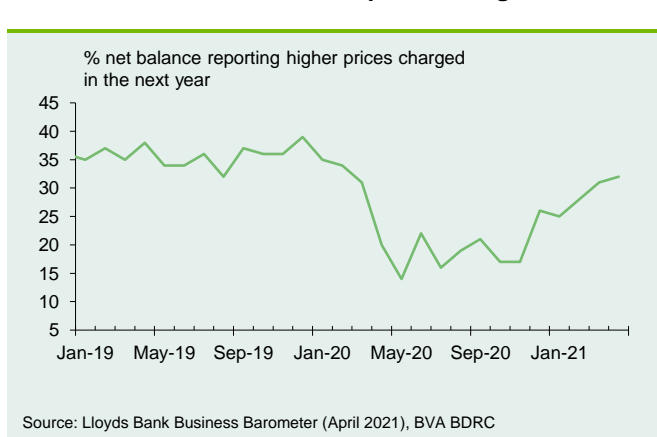
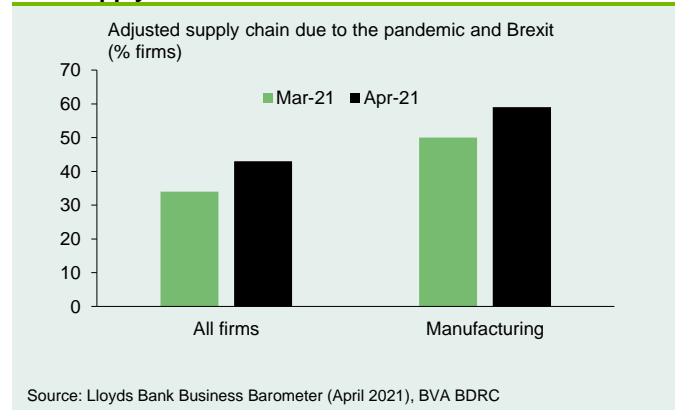


Chart 6: A significant proportion of firms have adjusted their supply chain





REGIONAL AND SECTOR INSIGHTS

Business confidence increased in eleven of the UK’s nations and regions (Chart 7), while remaining steady in Wales (9%). In England, confidence is the highest in the East Midlands (40%), followed by the North West (39%), the North East (37%) and Yorkshire & Humber (32%). Confidence is also above the UK average (28%) in London (32%), the West Midlands (31%) and the South West (30%), and at or slightly below average in the South East (29%) and the East of England (24%). Confidence in both Northern Ireland (13%) and Scotland (9%) also edged into positive territory.

Confidence increased in all sectors (Chart 8), with manufacturing and retail confidence levels at three-year highs. Manufacturing stood out as the most positive sector (40%), likely reflecting strong global demand and notwithstanding ongoing supply chain issues (Chart 6). Retail confidence jumped to 39%, while construction confidence also increased to 28%. Services confidence rose to 25%, which was also the highest it has been since 2018.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “It’s very encouraging to report a continued improvement in sentiment for the UK’s regions and nations, particularly the Northern English regions that are leading the upward trend. In the sectors, the story is broadly positive – especially manufacturing and retail, which stood out and reported confidence levels at three-year highs. The retail sector, specifically, experienced some much-needed relief this month with the easing of lockdown restrictions. We hope that pent-up consumer demand will drive growth as the economy reopens further.”

Chart 7: Confidence highest in the East Midlands and northern English regions

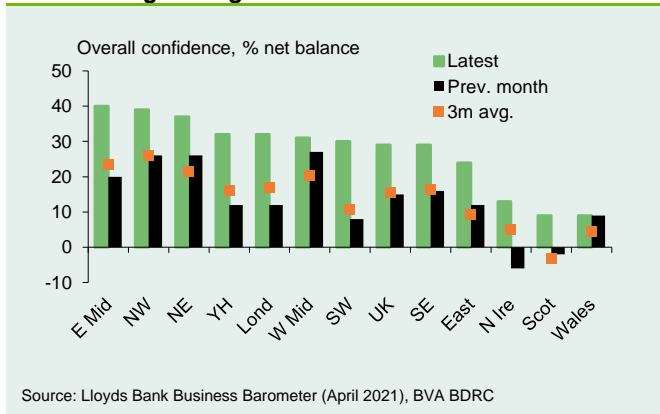
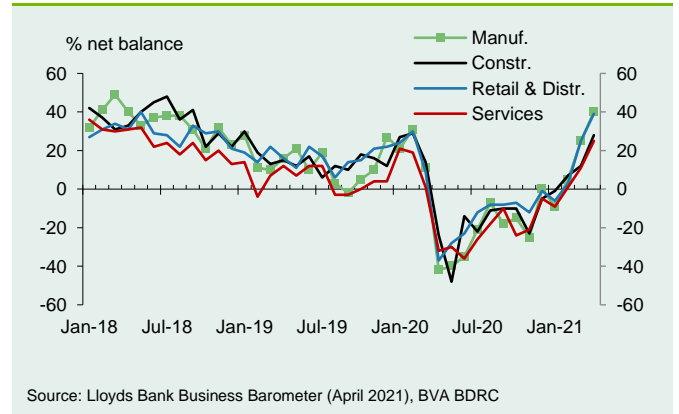


Chart 8: Confidence the highest in manufacturing and retail & distribution





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 April – 19 April 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.