



PRESS RELEASE

JOB PROSPECTS AT HIGHEST LEVEL SINCE 2018 AS BUSINESS CONFIDENCE REMAINS ROBUST

The latest Lloyds Bank Business Barometer shows:

- Employment expectations climbed for the fifth consecutive month – by three points to 17% – the highest level for two-and-a-half years.
- Business confidence remained steady at 33% while economic optimism fell marginally after rising to a five-year high in May.
- Nearly a fifth (18%) of businesses reported significant difficulties in finding staff with the right skills and experience.
- Confidence increased across four of the UK's twelve regions and nations, with Scotland (42%) reporting the biggest increase.
- Confidence in the services sector (31%) rose to its highest level in three years, while retail (36%) and manufacturing (35%) both fell back somewhat from recent strong levels.

Firms anticipating higher employment in the year ahead reached its highest level since December 2018, with the net balance climbing 3 points to 17% (chart 2), according to the Lloyds Bank Business Barometer. This is the fifth consecutive increase, rising strongly from the -12% level in January and reflecting the fact that more than a third of businesses (34%) now expect to increase their workforce. However, nearly a fifth (18%) of businesses reported either significant difficulties in finding staff, or were unable to find staff with the right levels of skills and experience.

Business confidence¹ remained at 33% in June, continuing above the long-term average (28%)² for the third consecutive month while companies were increasingly upbeat about their trading prospects as sentiment improved to its highest level since November 2018 (up 2 points to 30%). Despite a marginal 1-point fall in economic optimism to 36% from last month's five-year high, more than half of companies (51%, down from 53%) of businesses were still more optimistic about economic conditions.

In line with improving employment prospects, firms' pricing expectations for their goods and services increased for a fifth straight month (chart 4) back to pre-pandemic levels. The net balance of firms expecting to increase their prices moved up three points to 36%, with 40% (up from 38%) anticipating higher prices and 4% (down from 5%) predicting lower prices.

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Chart 1: Business confidence holds above the long-term average

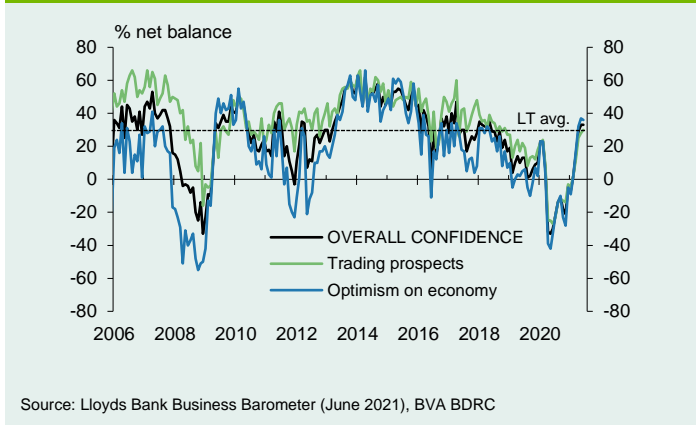
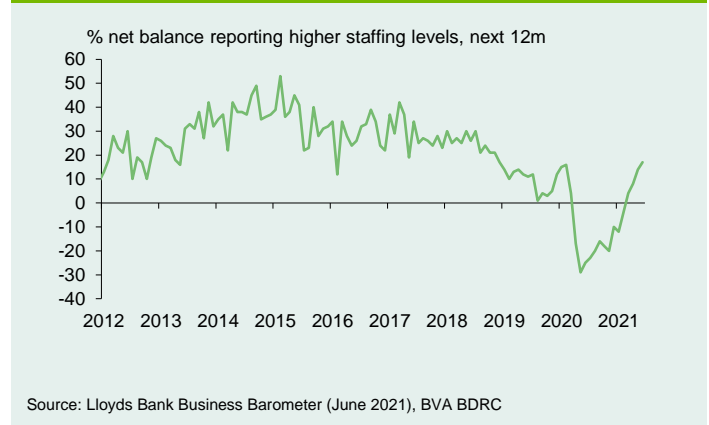


Chart 2: Net hiring intentions continue to pick up



Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: “A fifth consecutive monthly increase in trading prospects and employment expectations highlights the resilience of UK businesses as they continue to recover from the challenges presented by the pandemic. Although we must now wait slightly longer for the last remaining COVID-19 restrictions to ease, it’s an encouraging sign that firms continue to have strong overall confidence in the outlook for the UK economy, as well as their expectations for their own growth prospects.”

Chart 3: Pay pressures trend higher, but remain below pre-pandemic levels

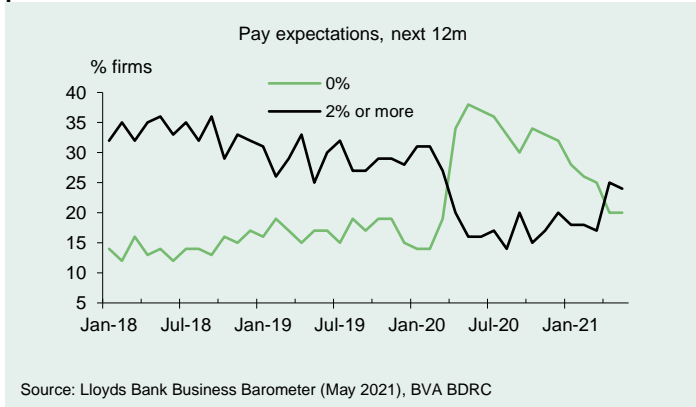
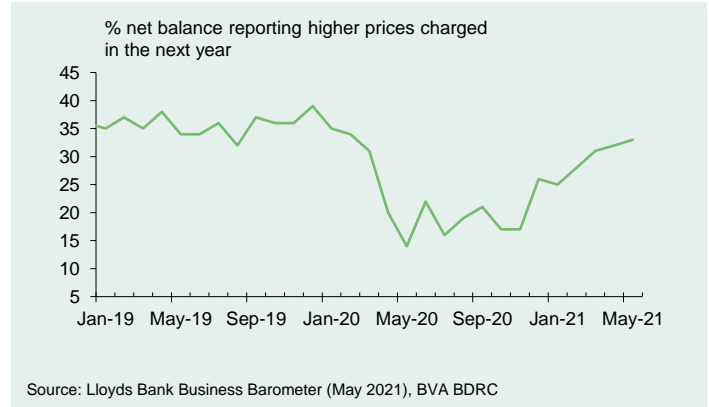


Chart 4: Firms’ price expectations increase in recent months



REGIONAL AND SECTOR INSIGHTS

Differences in confidence between the UK’s regions and nations narrowed this month (chart 5). There were sizeable increases in Scotland (up 27 points to 42%), London (up 17 points to 41%) and the East of England (up 10 points to 36%). Along with the South West (36%), these were the most confident parts of the country. The largest falls, albeit from previously elevated levels, happened in Yorkshire and the Humber (down 14 points to 30%) and the East Midlands (down 9 points to 31%). There were smaller declines in the South East (down 6 points to 31%), Wales (down 6 points to 31%) and Northern Ireland (down 6 points to 11%).

The majority of responses were given before the various UK governments formally announced the delay to the removal of all limits on social contact, which was originally expected to happen on 21st June in England and close to that date in other parts of the UK. However, it is likely that anticipation of the delay may have had a small negative impact in



confidence particularly in the retail sector (down eight points to 36%) while manufacturing also fell (down 18 points to 35%). Despite this, confidence remains at historically high levels across the broad industry sectors – in part due to services increasing by five points (31%) to its highest level in more than three years and construction remaining steady at 35%.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “Despite a fall in business confidence in eight of the UK’s nations and regions from the highs of last month, the differences are narrowing. It’s pleasing to see such significant improvements in a number of regions, in particular Scotland and London, with both reporting strong increases in confidence. We can be optimistic that the increase in confidence in the services sector, as well as the overall historically high levels across the broad industry sectors, bodes well for businesses as we remain by their side on their road to recovery.”

Chart 5: Confidence increases strongly in Scotland, London and the East of England

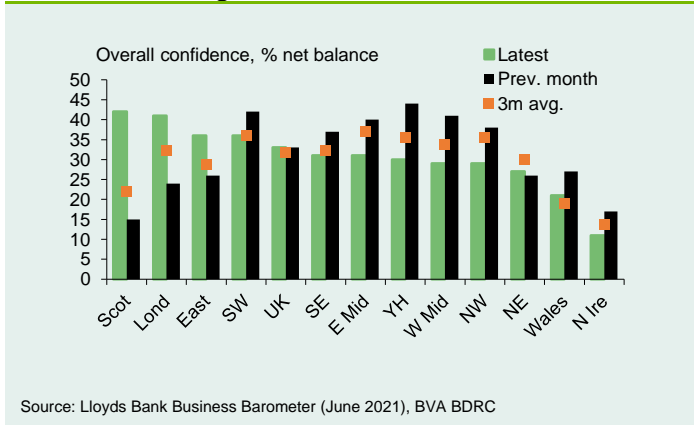
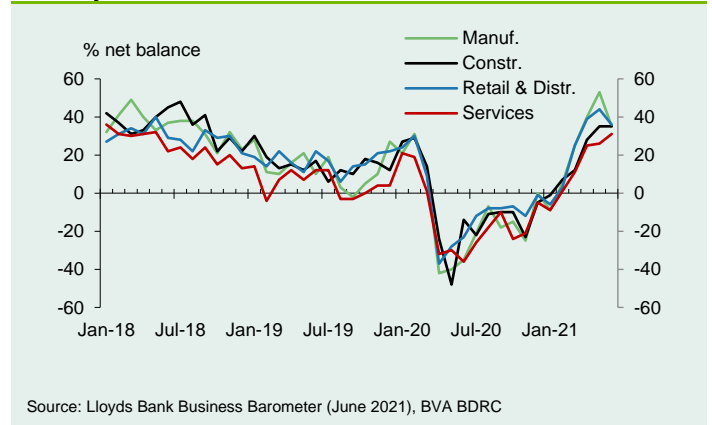


Chart 6: Services confidence closes the gap with other industry sectors



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 1st June – 15th June 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.