



## BUSINESS OPTIMISM IN ECONOMY POSITIVE AHEAD OF RISING SUPPLY CHAIN DISRUPTION

**The Lloyds Bank Business Barometer survey was conducted from 1<sup>st</sup> September – 15<sup>th</sup> September 2021 shows:**

- Business confidence in September increased by 10 points to 46%, the highest since April 2017
- Employment prospects rose to a four-and-a-half-year high, while expectations of higher wage growth broadened
- Sentiment improved in nine of the twelve UK regions and across the broad sectors, including manufacturing and services
- Recruitment difficulties were most prevalent in services, affecting the ability of a third of firms in the sector to meet demand
- Supply chain disruptions were the biggest constraint on activity overall, especially in manufacturing

Overall business confidence<sup>1</sup> continued to rise in early September, reaching its highest level since April 2017, increasing by 10 points to 46%, according to the latest Lloyds Bank Business Barometer. The increase, the biggest single monthly gain since April 2021 (an increase of 14 points), was driven by greater optimism about the wider economy which increased by 10 points to 48%, its highest level since 2015, and stronger trading prospects (up nine to 43%).

The continued rise in business confidence was reflected by companies' employment expectations which picked up strongly, rising to its highest level in four-and-a-half years (up 20 points to 38%) with more than half (54%) of businesses expecting to add to their workforce in the next year. Stronger wage growth also became more prevalent in September, broadening across firms and sectors, and increasing by 11 points to 43%, its highest since the question began in 2018.

The latest Business Barometer was conducted between September 1<sup>st</sup> and September 15<sup>th</sup> ahead of the growing pressures on the UK's fuel pricing and supplies and asked a number of additional questions on demand and recruitment challenges being faced by UK businesses. Businesses identified the biggest impediments in meeting demand as supply chain disruptions (46%) and shortages of raw materials or goods (39%), followed by staffing issues (28%). Supply chain disruptions were more widely reported in manufacturing, construction and retail.

In addition, twenty eight percent of businesses reported staffing issues, including a lack of candidates with the right skills (39%), businesses citing a lack of applicants (30%) or it being too expensive to hire or too difficult to compete on pay (15%). Staffing issues were more extensive in services, affecting a third of companies.

**Hann-Ju Ho, Senior Economist Lloyds Bank Commercial Banking, said:** "It remains encouraging to see a further improvement in business confidence reaching its highest level since April 2017.

"Employment expectations have risen significantly, with more than half of businesses expecting to recruit in the next 12 months. The hope is that the availability of labour will increase to alleviate current staff shortages for many firms, which will help to underpin UK economic growth over the medium term."



## REGIONAL AND SECTOR INSIGHTS

Nine out of the twelve UK regions and nations registered an increase in business confidence this month. Wales (up 27 points to 46%), Yorkshire and the Humber (up 22 points to 48%) and London (up 21 points to 62%) all saw significant rises in confidence. The North West remained one of the areas with the highest levels of business confidence at 47%, even after a significant fall of 17 points from a very robust August.

The East Midlands and West Midlands (up 19 points to 47% and 46% respectively) increased to near the national average while the North East (up 15 points to 61%), the South West (up 10 points to 47%), Scotland (up five points to 39%) and Northern Ireland (up three points to 21%) were the other regions to see increases. The South East remained unchanged at 32% and the East of England was down nine points to 30%.

Confidence increased across the four broad sectors, notably in manufacturing and services. Manufacturing (up nine points to 49%) reached a four-month high, while services gained 11 points to 47%, the highest since early 2017, with particularly strong trading prospects in hospitality and financial & business services. Retail confidence improved by 8 points to a four-month high of 42%, while construction only edged up by 1 point to 41% which was nevertheless a three-year high.

**Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said:** “The economic growth outlook strengthened in the first part of September following rises in business confidence across nine of the 12 regions and nations.

“There are obvious challenges ahead in terms of labour availability, and the impact this has on the post pandemic recovery. It also remains to be seen how the recent events in the fuel market might impact businesses’ outlook. However we can seek comfort in recent progress across the sectors and of the levels of confidence recorded in manufacturing, hospitality and financial & business services.”

ENDS

Chart 1: Business confidence at new pandemic high

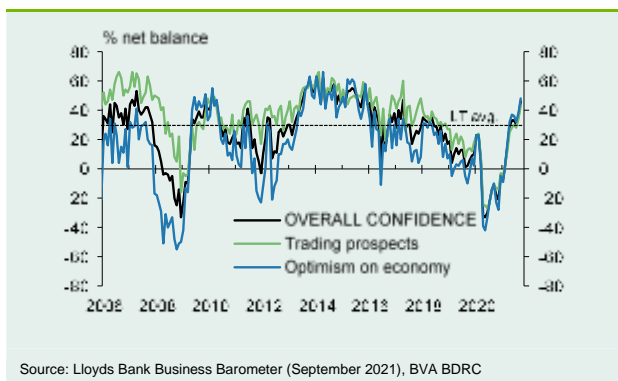
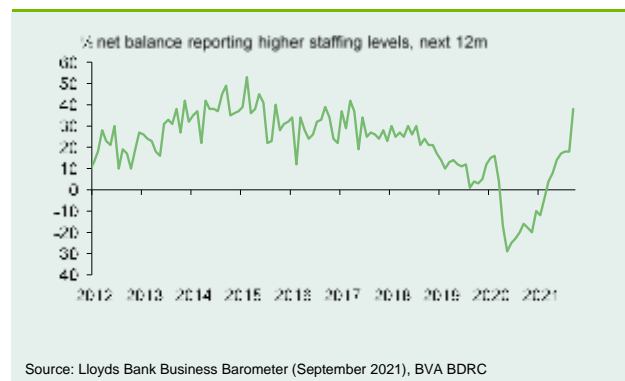


Chart 2: Hiring intentions gains momentum



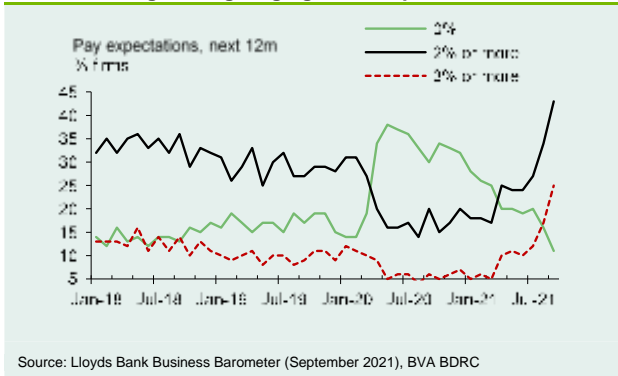
## Notes to editors

<sup>1</sup> 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.

<sup>2</sup> 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<sup>st</sup> September – 15<sup>th</sup> September 2021. This was ahead of the growing pressures on the UK's fuel pricing and supplies and covered 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.

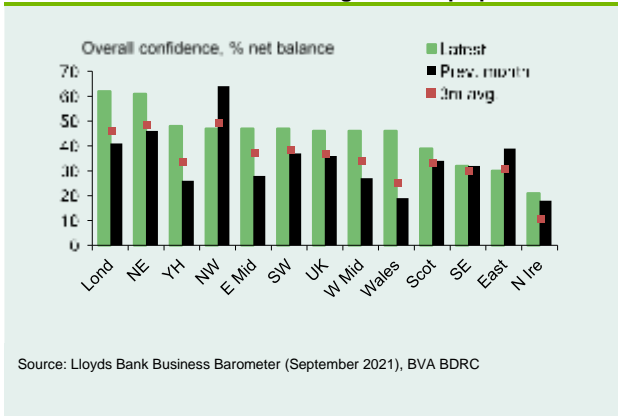
**Chart 3: Strengthening wage growth expectations**



**Chart 4: Output price expectations steady this month**



**Chart 5: London and northern England in top spots**



**Chart 6: Stronger confidence across sectors**

