



# PRESS RELEASE

## BUSINESS CONFIDENCE HOLDS FIRM AS FURLOUGHED WORKERS RETURN

### The latest Lloyds Bank Business Barometer shows:

- Business confidence in October was at its second highest level since March 2020 (43%)
- 48% of businesses say it has become easier to hire people with the right skills or experience
- 90% of businesses plan to bring back more than half of furloughed workers
- Supply-chain disruptions and rising energy costs had a relatively limited impact on business optimism (down five points to 43%)
- Five of the twelve regions and nations saw confidence improve, with London remaining the most confident (up 3 points to 65%)

Overall business confidence<sup>1</sup> in October was at its second highest level (43%) since the start of pandemic according to the latest Lloyds Bank Business Barometer.

While confidence took a slight dip from September (46%) primarily due to a fall in optimism about the wider economy (down five points to 43%), it remains well above the long-term average (28%).. Sentiment held strong and the net balance for firms' own trading prospects in the year ahead was down by just one point to 42%, despite rising costs associated with energy and the on-going supply chain issues.

This month's Business Barometer, which was conducted before the Autumn Budget, includes some positive findings on employment which may point towards the easing of staff shortages suffered in some sectors. 60% of firms that have furloughed staff plan on bringing them all back, while a further 30% expect more than half of their furloughed workers to return (Chart 2).

In addition, the Coronavirus Job Retention Scheme has highlighted businesses' ingenuity in identifying their skills gaps and filling recruitment holes with those now returning to work. 48% of employers said that it has become easier to hire since the end of the scheme indicating the adaptability of both businesses and workers.

In a further sign of continued strength in the UK's employment, the net balance of businesses expecting to increase staffing levels in the coming twelve months was at 37% (down one from 38%) having jumped by 20 points in September. In addition, firms expecting at least a 2% or 3% increase in average wage growth over the next 12 months remained unchanged at 43% and 25% respectively, having increased from 25% and 12% three months ago.

### Media contacts

**David Thomas**

07912 098 781

[David.Thomas3@lloydsbanking.com](mailto:David.Thomas3@lloydsbanking.com)

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Businesses' pricing expectations continued their steady rise in 2021 in response to increasing input costs including raw materials and staffing. 45% of businesses expect to increase their prices (up eight points from 37%), surpassing the previous high of 44% seen in March and April 2018, indicating firms continue to consider passing these costs onto customers.

**Hann-Ju Ho, Senior Economist Lloyds Bank Commercial Banking, said:** "While economic optimism saw a slight dent in October due to rising costs and the on-going supply chain issues, it is clear that firms are still feeling relatively buoyant as overall business confidence remains high and above the long term average.

"With sixty percent of firms saying that they expect to bring all their furloughed staff back to work, and a further thirty percent intending to bring back more than half, it should bode well for the labour market as we head into the winter."

### REGIONAL AND SECTOR INSIGHTS

Five out of the twelve UK regions and nations registered an increase in business confidence this month, while it also fell in five. London (up three points to 65%) and the North East (unchanged at 61%) remain the most positive regions, with employment expectations particularly high in the capital.

The other regions that saw an increase were the East Midlands (up seven points to 55%), West Midlands (up four points to 50%), the South West (up one point to 48%) and the East of England (up three points to 33%).

Confidence in the North West (down five points to 42%) and Yorkshire and the Humber (down eight points to 40%) fell back, but were still close to the national average. While Scotland (down eight points to 31%), Wales (down 23 points to 23%), Northern Ireland (unchanged at 21%) and the South East (down 11 points to 21%), were all below the UK-wide average. Positively, confidence was higher than three months ago across all UK regions and nations with the exception of the South East.

From a sector perspective confidence remained strongest in manufacturing, rising to a five-month high of 51% (up two points from 49%) with trading prospects being particularly positive (60% expecting stronger activity in the year ahead). Additionally, 68% of manufacturing firms are planning on bringing all furloughed staff back which is more than any other sector. However, these firms are also less likely to say it is easier to find people with the right skills and experience.

Business confidence in retail and services fell slightly to 37% (down five points from 42%) and 43% (down four points from 47%) respectively, although they remain higher than three months ago. 59% of firms in both retail and services expect all their furloughed staff to return, less than in manufacturing. Additionally, higher proportions of firms said that it is becoming easier to hire people with appropriate skills and experience proportions (46% in retail and 53% in services, compared with 41% in manufacturing).

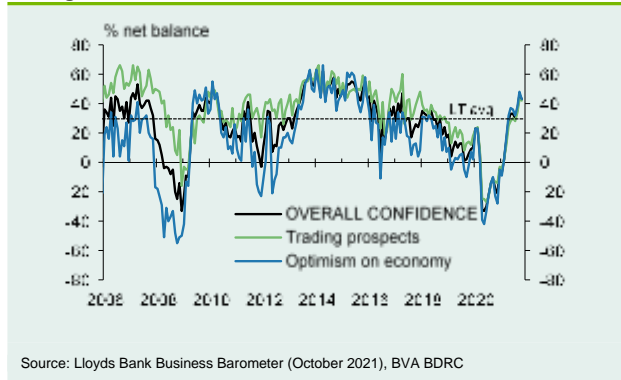
**Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said:** "There has been some fluctuation in confidence recently due in part to the supply-chain pressures facing firms. However, it is promising to see the majority of regions and nations have seen an uptick in confidence over the last three months.

"Manufacturing confidence continues to rise through positive trading and employment prospects, and we hope that this cadence follows into other sectors.



"We remain by the side of businesses as they continue to adapt their plans and respond well to the ongoing challenges."

**Chart 1: Business confidence remains above the long-term average**



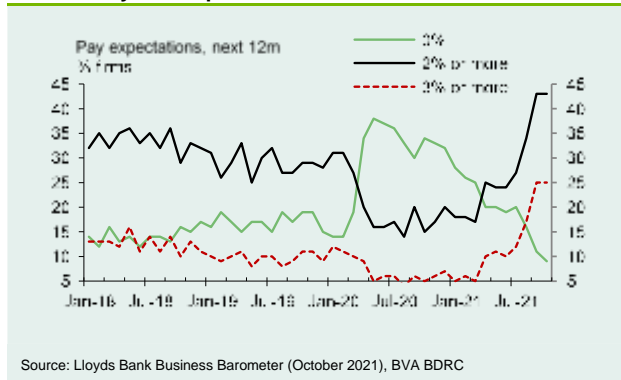
Source: Lloyds Bank Business Barometer (October 2021), BVA BDRC

**Chart 2: Majority of firms will bring back all of their furloughed staff**



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

**Chart 3: Pay rise expectations have broadened**



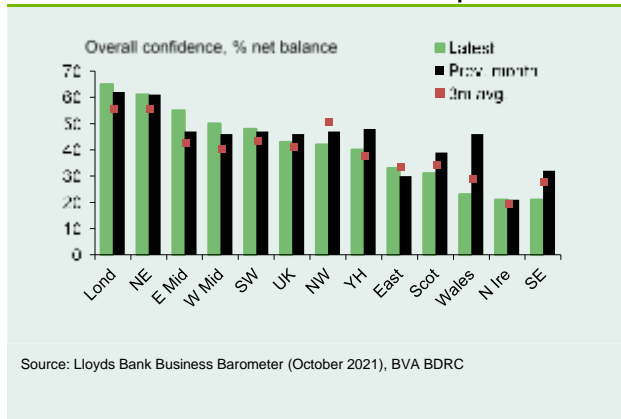
Source: Lloyds Bank Business Barometer (October 2021), BVA BDRC

**Chart 4: Pricing expectations pick up**



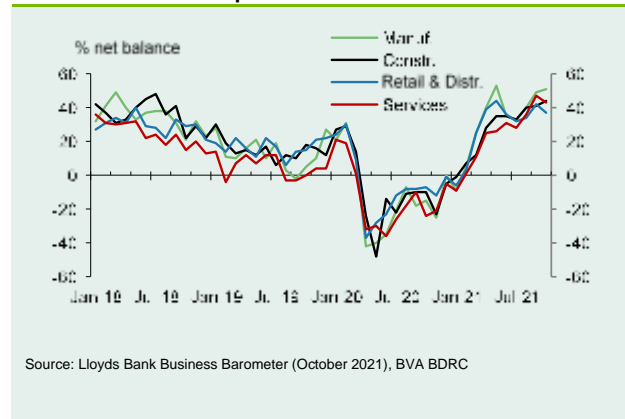
Source: Lloyds Bank Business Barometer (October 2021), BVA BDRC

**Chart 5: London and the North East at the top**



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

**Chart 6: Mixed sector performance this month**



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



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## 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> October – 15<sup>th</sup> October 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.