



PRESS RELEASE

BUSINESS CONFIDENCE COOLS BUT REMAINS STRONG

The latest Lloyds Bank Business Barometer shows:

- Business confidence dipped by three points to 40% but remains above the long-term average.
- Post-furlough hiring intentions eased for a second month, but nearly half expect to increase employment
- A quarter of firms anticipate pay rises of 3% or more in the next 12 months
- Nine of the twelve regions and nations saw confidence decline, with Wales, the South East and East of England registering upticks in confidence
- Anticipation of the festive period meant retail was the only sector to see a rise in confidence

Small declines in firms' own trading prospects and economic optimism aggregated to see overall business confidence¹ slip for the second consecutive month in November. The latest Lloyds Bank Business Barometer shows that despite business confidence dropping by three points to 40% it remains above the long-term average of 28%.

The net balance for firms' own trading prospects in the year ahead was down three points to 39%. Fifty-two percent of firms expect stronger trading prospects in the next 12 months, while 13% (up one from 12%) are anticipating weaker business activity. Economic optimism also dropped marginally to 41% (down two from 43%)

While confidence took a slight dip, 50% of businesses (up one from 49% and a record high) expect to raise the price of their goods. However, 6% (up two from 4%) of businesses are planning to lower prices resulting in a net balance of 44% (down one from 45%). This remains higher than the 37% in August and September) and significantly higher than 17% a year ago as businesses look to effectively manage the continued increase of input costs including raw materials and staffing.

Hiring intentions tempered in November, falling seven points to 30%, the lowest since the end of the furlough scheme. However, overall recruitment activity remains positive with nearly half of firms (down three to 48%) planning to increase staffing levels over the next 12 months.

Pay growth expectations showed continued strength in November as businesses look at ways of retaining or attracting staff. A quarter of firms expecting 3% or more average wage growth and 9% of businesses anticipating a pay freeze were both unchanged from October.

Hann-Ju Ho, Senior Economist Lloyds Bank Commercial Banking, said: "Business confidence remains robust above the long-term average, but it dipped this month as economic optimism and trading prospects were affected by the persistence of rising costs and supply chain issues.

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“Pay expectations remain elevated with a quarter of businesses anticipating rises of 3% or more in the next 12 months which will add to business costs, but it bodes well for staff facing into economic challenges.”

REGIONAL AND SECTOR INSIGHTS

Nine of the twelve UK regions and nations registered a decrease in business confidence in November. However, both Wales (up 14 points to 37%) and the South East (up 13 points to 34%) saw significant increases in confidence while the East of England also registered an improvement (up five points to 38%).

The solid performance of financial & business services, the broader economic reopening and gradual return to offices meant that London (down two points to 63%) remained the strongest region.

Northern Ireland (down 26 points to -5%), the North East (down 16 points to 45%), the South West (down 14 points to 34%) and the East Midlands (down 13 points to 42%) all saw double digit declines in confidence.

Yorkshire and the Humber (down nine points to 31%), the West Midlands (down eight points to 42%), the North West (down eight points to 34%) and Scotland (down four points to 27%) were the other regions that also saw dips.

At a sector level, confidence slipped in manufacturing (42%), to its lowest since August, linked to the persistence of supply-chain disruptions, while it fell to a seven-month low of 28% in construction.

In contrast, the retail sector (45%) bucked the trend with a pickup in confidence, reflecting hopes for higher spending ahead as the festive period approaches. Services confidence (41%) fell slightly, with strong growth for financial & business services and communications offset by more downbeat responses from education, health and public administration.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said:

“November has been a challenging month for businesses’ confidence in many of the regions, however, it is pleasing to see such significant rises for Wales and the South East.

“Retail confidence bucked the trend in November in preparation for the festive period – our hope is that this is repeated across other sectors.

“We remain by the side of businesses as they continue to grapple with supply chain issues and rising costs.”

Chart 1: Business confidence down slightly from recent highs

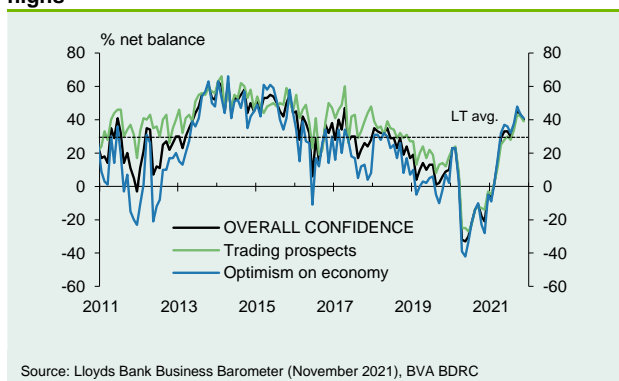
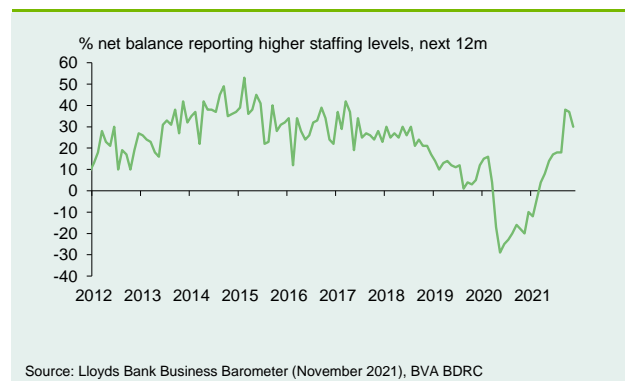


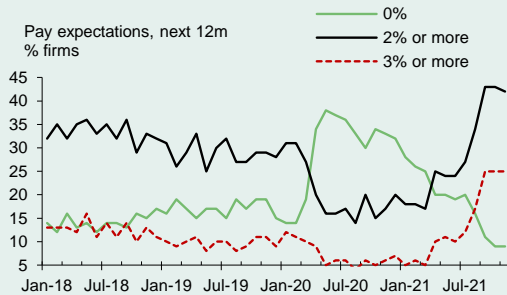
Chart 2: Hiring intentions cool but still strong





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Chart 3: Wage growth expectations remain elevated



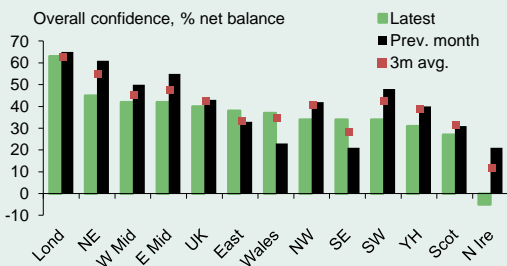
Source: Lloyds Bank Business Barometer (November 2021), BVA BDRC

Chart 4: Pricing expectations have trended higher



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

Chart 5: Confidence fell in most regions and nations



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

Chart 6: Retail confidence rises ahead of the festive period



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

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 BDRG Continental.
- This survey was conducted with 1,200 companies from 1st November – 15th November 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.