



LLOYDS BANK

PRESS RELEASE

BUSINESS CONFIDENCE INCHES INTO POSITIVE TERRITORY, DRIVEN BY HOPES FOR ECONOMIC REVIVAL

The latest Lloyds Bank Business Barometer shows:

- Overall business confidence increased by nine percentage points to 2%, the first positive net balance since the start of the pandemic and the highest level recorded since March 2020.
- Although confidence remains below pre-COVID levels, the improvement in sentiment was led by a rise in firms' own trading prospects for the year ahead and their optimism about the economy.
- Confidence increased across all UK regions and nations, with North West, East Midlands and London businesses the most positive.
- In the four broad industry sectors, confidence is in positive territory for the first time since March 2020, with manufacturing and construction up fourteen and eight percentage points respectively.

Overall business confidence¹ increased by nine percentage points to 2% in February, according to the Lloyds Bank Business Barometer (chart 1), the first return to positive territory since March 2020 when the very first national lockdown began.

Survey responses were captured between 1st February and 15th February 2021, which preceded the Government announcement (22 February) on its roadmap out of lockdown and during which time the UK remained under national lockdown restrictions. Although confidence remains below pre-COVID-levels (chart 2), the improvement in sentiment reflects the anticipation of a gradual reopening of the economy and continued successful vaccine rollout as well as improvements in firms' trading prospects and their optimism about the wider economy.

A close reading indicates that the net balance for trading prospects for the year ahead rose by seven points to 2%, with 29% (up five points) of businesses planning for a pickup in activity and 27% (down two points) anticipating less business. Optimism about the economy increased month-on-month by eleven points to 2%. Overall business confidence is calculated by averaging the views of 1,200 companies on their business prospects and optimism about the UK economy.

While firms' hiring intentions remained in negative territory this month, it was the least negative since last March (Chart 3). The net balance for employment in the coming year increased eight points to -4%, with 24% (up three points) expecting to increase headcount and 28% (down five points) anticipating net reductions.

There were some indications that wage freezes may be thawing (Chart 4), with just over a quarter (26%) of firms expecting no pay increase in the coming year, down two points since January. In parallel, there appears to be little indication of significant wage rises, with the proportion of firms expecting pay increases of 2% or more at 18%, close to the average since the start of the pandemic.

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Chart 1: Business confidence recovering from last spring's lows

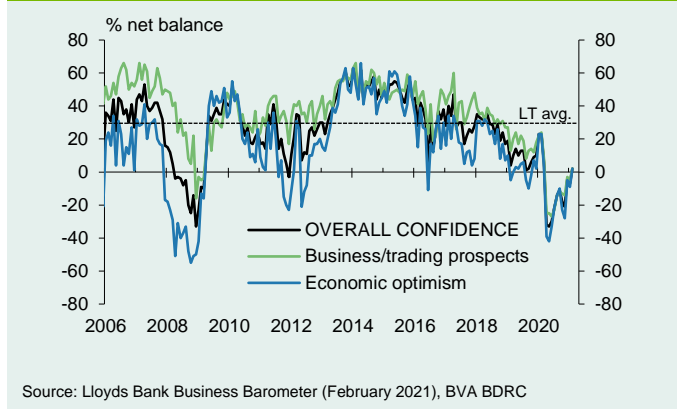
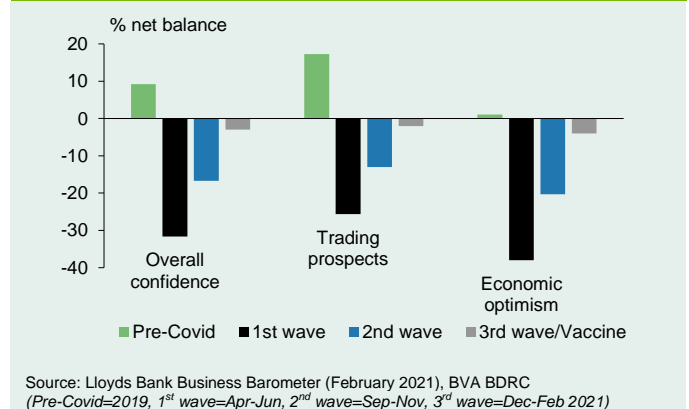


Chart 2: Firms adapt to restrictions and react to the vaccine news and rollout



Firms' intentions to increase prices for their goods and services in the next year are the highest for nearly a year. The net balance increased by three points to 28%, with 36% (up one point), expecting to raise their prices and 8% (down two points) anticipating price reductions.

Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: "The uplift in business confidence and its entry into positive territory after nearly a year suggests that firms are cautiously pinning their hopes on economic revival in the future and the continued success of the vaccine rollout. In the coming weeks, announcements in the Budget and prospects of an easing of lockdown restrictions will hopefully help to bolster the recovery in business confidence as the economy starts to reopen."

Chart 3: Hiring intentions gradually improving

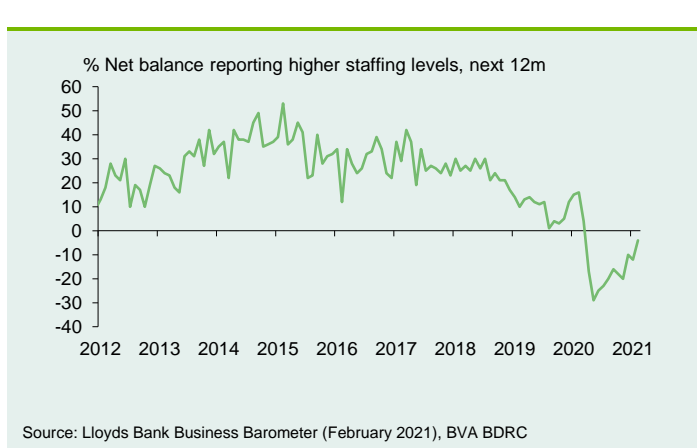
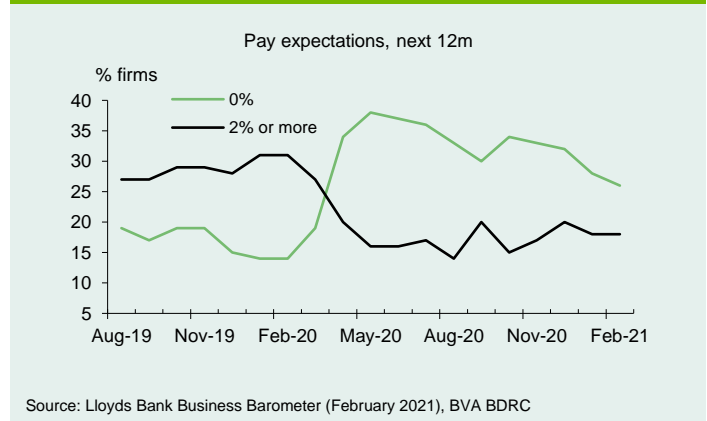


Chart 4: Pay freeze thawing, but little sign of significant wage increases



REGIONAL AND SECTOR INSIGHTS

Business confidence increased in all twelve UK regions and nations (Chart 5). In England, firms in the North West (13%), the East Midlands (10%) and London (7%) were the most confident this month. Yorkshire & the Humber (4%), the South East (4%) and the West Midlands (3%) were also above the UK average of 2%. Confidence also improved in the North East (1%), the South West (-6%) and the East of England (-8%).



Northern Ireland saw a big rise to 8% (from -30%), while confidence in Wales rose significantly to -5% (from -20%) after a weak start to the year. Scotland increased to -17% (from -32%) which, despite being lower than the UK average, is the second highest since the start of the pandemic.

Confidence increased across all four broad industry sectors to the highest levels since March 2020 (chart 6). After a soft start to the year, manufacturing jumped by fourteen points to 5%, while construction rose eight points to 7%. Confidence in retail extended nine points to 3%, while services advanced by ten points to 1%, led by broad-based improvements in the subsectors.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “It has been very promising to see an increase in optimism across all regions and nations in February, led by London, the North West and East Midlands. In the sectors, the story has been positive too, with the four broad industries recording the highest levels of confidence since March 2020. What this shows us is that the majority of the UK is gearing up for an economic revival, with the steady vaccine rollout fuelling optimism.”

Chart 5: Confidence climbed in all UK regions and nations

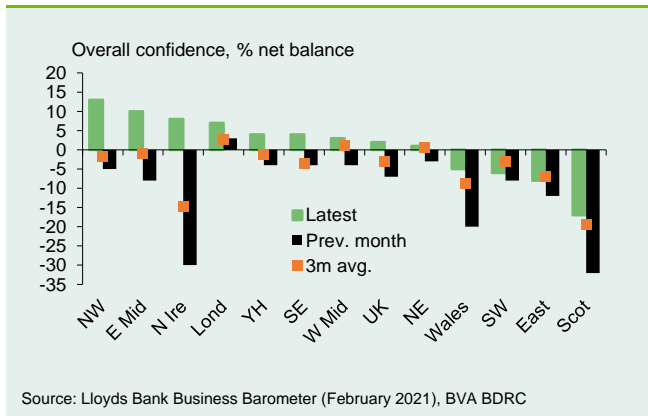
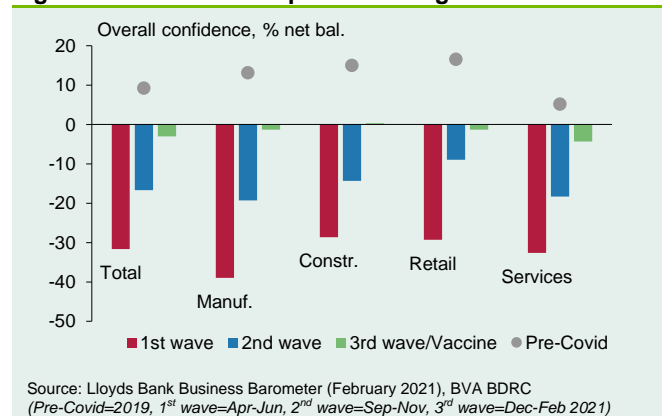


Chart 6: Confidence across sectors has risen to the highest levels since the pandemic began



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 February - 15 February 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.