



# PRESS RELEASE

## BUSINESSES CONFIDENCE REACHES FIVE MONTH HIGH

### The latest Lloyds Bank Business Barometer shows:

- Business confidence reached a five-month high, up five points to 44%
- Trading prospects (45%) reached its highest level and economic optimism (43%) also increased
- Over one-third of businesses (38%) are concerned about an increase in interest rates to 1%
- Ten of the UK's 12 regions recorded increases in confidence with the North East being the most confident at 57% (up 17 points)
- Sector confidence was positive with manufacturing, construction and retail reaching levels not seen since pre-Covid

Business confidence<sup>1</sup> bounced back to its highest level in five months (up five points to 44%), moving further ahead of the long-term average (28%), according to the latest Lloyds Bank Business Barometer. The survey captured responses between 1<sup>st</sup> and 15<sup>th</sup> February, notably before the removal of various Covid restrictions across the UK's nations.

The rise in confidence was driven by improvements for both trading prospects and economic optimism. The net balance for trading prospects reached its highest level since the start of the pandemic (up four points to 45%). Optimism for the wider economy rose six points to 43% from 37%.

The survey, which straddled the announcement by the Bank of England to further increase interest rates to 0.5%, showed that over one-third of firms (38%) said they would be concerned about interest rates rising to 1%, increasing to 57% if interest rates reached 2%.

Hiring intentions were also positive, rising to their highest level since September when the furlough scheme ended, and matching the highest level since the start of the pandemic. Over half of firms (up six points to 52%) said they expect to increase their staffing levels in the next 12 months, while 14% (down three points from 17%) anticipate a lower headcount. The net balance increased to 38%.

Furthermore, pay pressures increased in February. Twenty-five percent of businesses (up three points from 22%) expect pay growth in the next 12 months of between 1% and 2%, while 23% (up three points from 20%) expect pay growth of between 2% and 3%. However, there was a drop of four points and two points respectively for those firms anticipating a pay freeze (7%) or pay rise of between 0% and 1% (8%).

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As firms face inflationary challenges, nearly half (down one point to 48%) say the pressure to pass on higher costs, including wage expectations, will see them increase their prices in the coming year. The survey also found that more firms are expecting supply bottlenecks to ease during 2022.

**Hann-Ju Ho, Senior Economist Lloyds Bank Commercial Banking, said:** “It’s extremely encouraging to see a such an improvement in business confidence reaching its highest level since September, fuelled by trading prospects reaching their highest level since the start of pandemic.

“With hiring intentions also reaching their highest level since the end of the furlough scheme there is hope that the easing of supply bottlenecks will alleviate a number of challenges that businesses have been facing and help underpin the UK’s growth in 2022.”

### REGIONAL AND SECTOR INSIGHTS

At a regional level confidence increase in ten of the 12 regions. The North East reversed January’s drop of 18 points by rising back to 57% (up 17 points) and is now the UK’s most confident region. Northern Ireland continued its notable rise in confidence over recent months, increasing a further 26 points to 54% making it the UK’s second most confident region.

The East of England (up five points to 52%) and Yorkshire and the Humber (up three points to 51%) are the other two regions above 50%. There were also rises in six other regions, the West Midlands (up eight points to 47%), London (up nine points to 47%), the South West (up nine points to 46%), the South East (up seven points to 36%), the East Midlands (up one point to 34%) and Wales (up three points to 29%)

The remaining two regions are the North West (unchanged at 44%) and Scotland (down two points to 35%).

The further easing of Covid restrictions in January had a positive impact across the sectors with strong increases in manufacturing (up 11 points to 54%) and construction (up 18 points to 51%) with both reaching their highest level since the start of the pandemic. Retail confidence rose three points to 47%, another high since the start of Covid. Services remained unchanged at 38%.

**Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said:** “The UK’s expected future growth is in positive territory following February’s rise in business confidence, trading prospects and economic optimism.

“Ten out of the 12 regions reported a growth in confidence, with a particularly pleasing rise in the North East which reversed its decline in January, indicating that businesses are looking forward with renewed optimism.

“The UK’s construction and manufacturing sectors have seen the biggest benefit as Covid restrictions and supply challenges ease, while the retail sector has also seen a boost in confidence.”

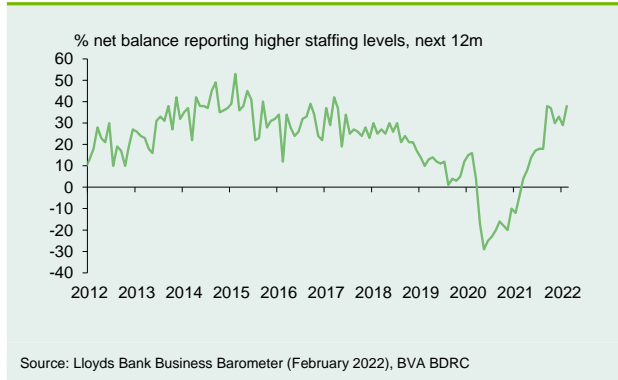
“What is clear is that business confidence is on an upward trajectory and we remain by the side of businesses as they look to grow.”



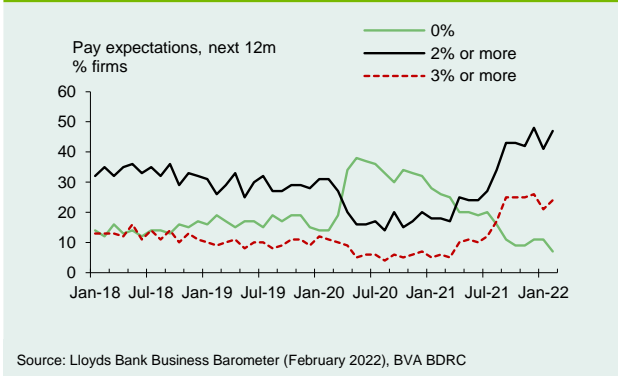
**Chart 1: Business confidence rises to a five-month high**



**Chart 2: Majority of firms expect to hire**



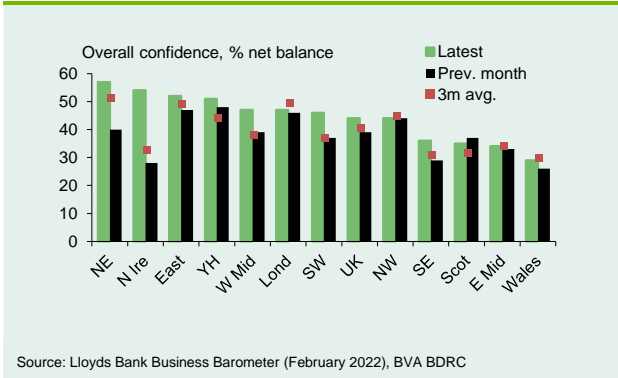
**Chart 3: Pay pressures pick up**



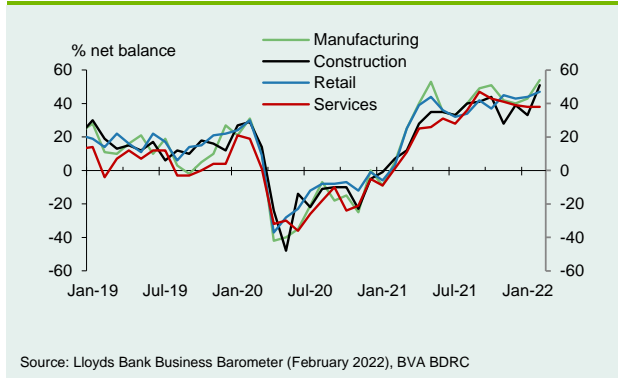
**Chart 4: Prices remain near all-time highs**



**Chart 5: The North East takes regains first place**



**Chart 6: Manufacturing leads this month's rise**





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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 BDRC Continental.
- This survey was conducted with 1,200 companies from 1<sup>st</sup> and 15<sup>th</sup> February 2022 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.