



PRESS RELEASE

BUSINESS CONFIDENCE REMAINS STEADY AMID RISING PRICES

The Lloyds Bank Business Barometer for April shows:

- Business confidence held steady at 33% in April following a decline in March
- A new high of 58% of firms anticipate increasing prices over the next 12 months in response to ongoing inflationary pressures
- Over half of firms (52%, up from 49%) envisage stronger trading conditions in the year ahead
- Employment hiring expectations eased for a second month with 44% (down from 49%) expecting to increase their workforce
- At a regional level there were improvements in seven out of the twelve UK regions after widespread declines in March
- Manufacturing confidence increased by eight points to 43%, erasing part of the 19-point decline in March, helped by somewhat stronger trading prospects

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#BusinessBarometer

Business confidence¹ remained steady at 33% in April following a significant drop of 11 points in March, according to the latest Lloyds Bank Business Barometer.

Confidence is still above the long-term historical average of 28% and it remains significantly above levels recorded during the first wave of the Covid pandemic. However, current confidence is also at the lowest since last summer.

The proportion of businesses planning to increase their prices continues to rise with nearly six out of 10 businesses (58%) anticipating higher prices for their products or services. The three point increase from last month (55%) highlighted that increasing price expectations were evident across industry sectors, despite softening trading prospects since the start of the year.

According to the Barometer, firms reported an improvement in their trading prospects (52%, up three points from 49%). However, net optimism about the wider economy fell for a second successive month, to 26% (down six points from 32%).

Employment intentions eased for a second month, hitting the lowest levels since August 2021 with the proportion of firms expecting to increase their workforce falling to 44% (down five points from 49%). There are indications that hiring intentions have moderated particularly in retail and services.

Despite lower employment expectations, there is little indication in the data that firms expect pay pressures to moderate. Twenty-seven percent of firms expect average wage growth of 3% or more in the next twelve months, up from 25% last month and 10% a year ago. The proportion of firms expecting at least 3% pay growth is particularly high among larger companies compared with smaller firms, including 42% of firms with turnover of £5m-£25m.



Hann-Ju Ho, Senior Economist Lloyds Bank Commercial Banking, said: “April’s data is mixed and follows the significant decline in business confidence in March after Russia’s invasion of Ukraine. Although firms reported a partial recovery in their trading prospects, optimism for the wider economy declined for a second successive month.

“Positives remain as overall confidence is above the long-term average, but it is still expected that growth will moderate over the coming months and many businesses will remain cautious as they face into these headwinds.”

REGIONAL AND SECTOR INSIGHTS

Recent volatility in regional business confidence continued in April. Despite improvements in seven out of the twelve UK regions, confidence remains lower than two months ago due to ongoing inflationary pressures and the war in Ukraine.

April saw particularly strong rebounds in Wales (up 25 points to 20%), the South East (up 19 points to 30%), the South West (up 16 points to 24%) and Northern Ireland (up 15 points to 33%). There were also rises in Scotland (up 11 points to 28%), the West Midlands (up 10 points to 42%) and the North East (up three points to 39%).

In contrast, the largest falls were in London (down 20 points to 40%), Yorkshire and the Humber (down 16 points to 41%) and the North West (down 13 points to 32%), with smaller declines in the East Midlands (down six points to 16%) and the East of England (down five points to 34%).

Overall, confidence is highest in the West Midlands, Yorkshire and the Humber and London despite declines in the latter two. The lowest confidence is in the East Midlands, Wales and the South West despite sizeable improvements in the latter two this month.

From a sector perspective, manufacturing confidence increased by eight points to 43%, erasing part of the 19-point decline in March, helped by somewhat stronger trading prospects.

Retail and services confidence, however, were little changed on the month and is weaker than at the start of the year, with businesses increasingly concerned about the outlook for the wider economy. Retail confidence edged up one point to 29%, while services confidence was unchanged at 32%. Construction confidence fell for a second month to 33%, but is still on a par with the all-sector average.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “The challenges that businesses are facing continue to grow with no clarity on when inflationary or supply-chain pressures will ease alongside the ongoing war in Ukraine. To respond to this, businesses should ensure they keep a tight rein on input costs to ease pressure on margins wherever possible and keep in close contact with suppliers so disruption to any raw materials is kept to a minimum.

“However, we can already draw positives from some of the changes at a regional and sector level in April, which demonstrates that businesses are not being universally impacted by the challenges faced.

“While the prospects for the months ahead remain uncertain, we remain by the side of businesses as they continue to navigate any challenges they face.”



Chart 1: Business confidence steady after the March drop

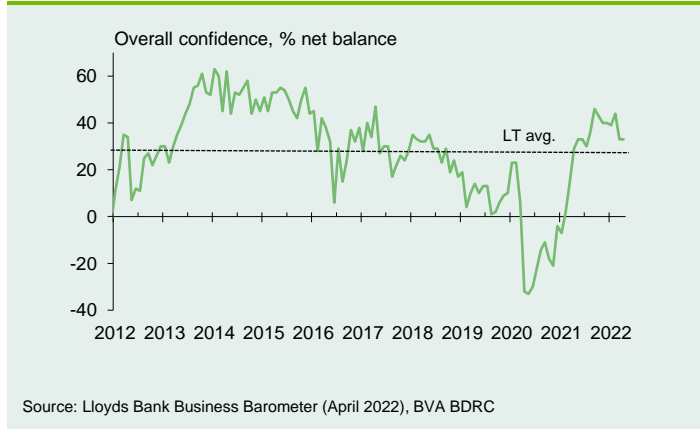


Chart 2: Hiring intentions ease for a second month

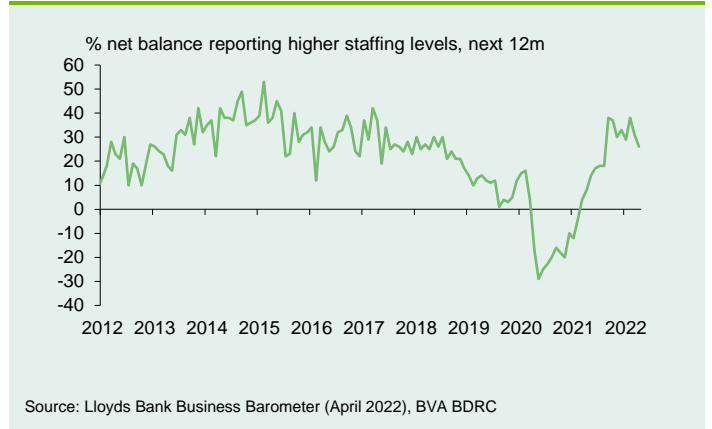


Chart 3: Little indication wage growth is moderating

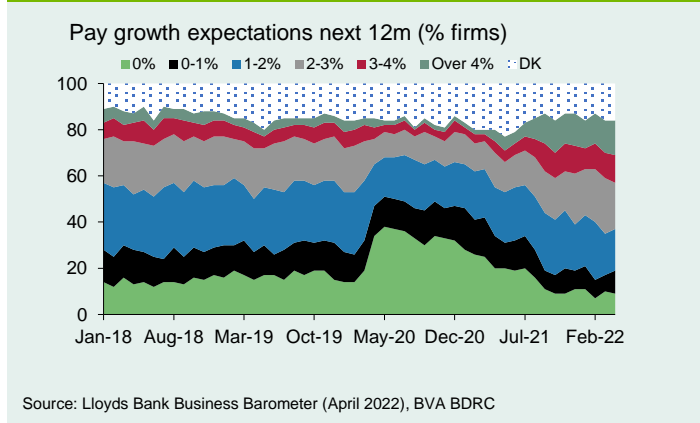


Chart 4: Net balance for prices reach a new high

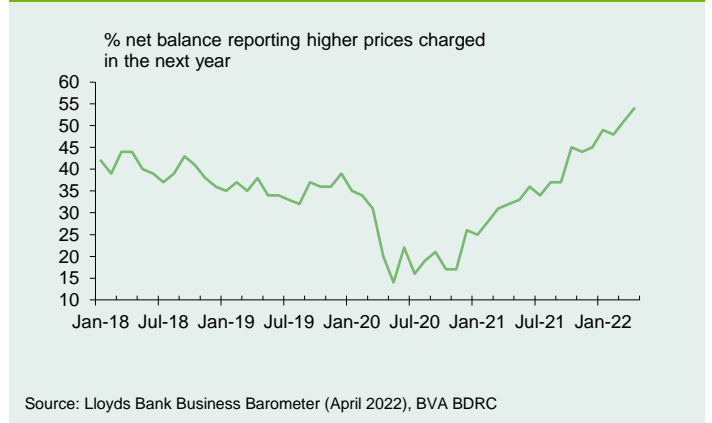


Chart 5: Confidence rises in over half of the UK's regions this month

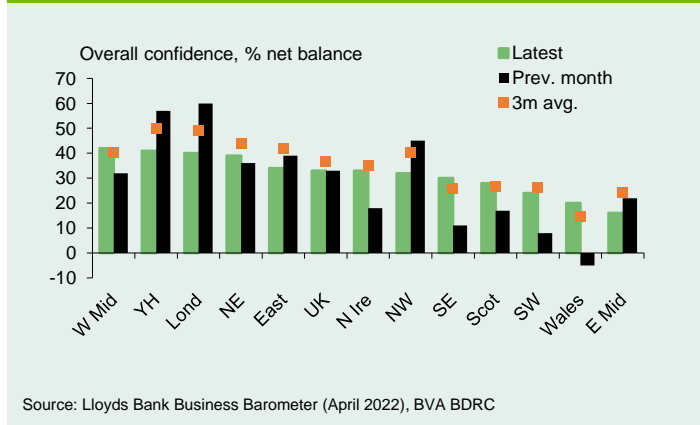
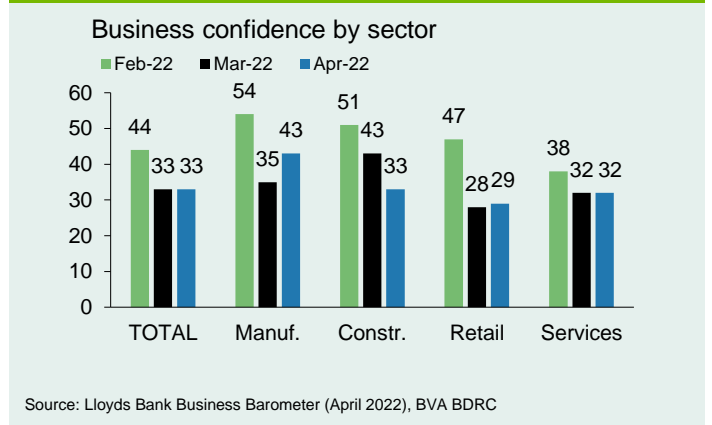


Chart 6: Retail and services underperform





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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.
- The fieldwork for the Lloyds Bank Business Barometer was conducted during 1-19 April 2022 by BVA BDRG. The sample size was expanded in January 2018 and now covers the online responses of a sample of 1,200 UK companies each month from all industry sectors, regions and firm sizes with annual turnover above £250,000.
- The results are re-weighted to match proportions by sector, region and size of the total business population, as published by the Department for Business, Energy and Industrial Strategy and the Office for National Statistics. Net balances are calculated by deducting the percentage of negative responses from the percentage of positive responses. Prior to January 2018, the fieldwork was based on telephone responses of 200-300 companies with annual turnover above £1 million.
- For further summaries and infographics, see #BusinessBarometer or follow @LloydsBankNews on Twitter.