



PRESS RELEASE

BUSINESS CONFIDENCE AT 15-MONTH LOW AS COST OF LIVING SQUEEZE INTENSIFIES

The Lloyds Bank Business Barometer for June shows:

- Business confidence fell (10 points) to a fifteen-month low of 28%
- Confidence level now equivalent to long-term average
- Over half (56%) of businesses plan to increase their prices as they anticipate higher prices for their products or services in the year to come
- Close to half of all firms reported stronger trading prospects
- Hiring intentions moderated despite pay and pricing expectations remaining strong
- East of England bucks the national and regional trends with an increase in confidence from 14% to 31%

Businesses reported a fall in confidence this month, declining 10 points to 28% according to the latest Lloyds Bank Business Barometer. This is the lowest level since March 2021 when the economy emerged from the second Covid-19 wave.

This fall in business confidence comes as inflation reaches its highest level for 40 years as the cost of living pressures on households continue to grow.

However, the level of confidence for June is equivalent to the barometer's long-term average of 28% and consistent with some historic GDP growth and the continued relative stability of business confidence around the long-term average.

Firms adjusted their optimism with increased caution on trading prospects as 49% of businesses (down from 56% in April) were more optimistic about the economy, while 27% (up from 23%) were less optimistic about the economy. This resulted in a fall in the net balance by 11 points to 22%, the third decline in the past four months.

However, close to one in two firms (49% down from 55%) reported stronger trading prospects, while 15% (up from 13%) were less positive, leading to an 8-point fall to 34%, back to its March level.

The proportion of businesses planning to increase their prices was marginally lower than last month with 56% of firms anticipating higher prices for their products or services in the coming year, decreasing one point. An unchanged 5% of businesses expect to cut prices.

The net balance of 51% was slightly down from May (at 52%), but higher than 36% a year ago and 35% at the start of 2020, suggesting that firms are passing on at least some of their higher costs. As a result, businesses are likely to

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continue to look towards building financial and operational resilience, while working closely with their suppliers and customers.

Hann-Ju Ho, Senior Economist Lloyds Bank Commercial Banking, said: “Business confidence declined this month, suggesting that the momentum for growth is moderating. Firms remain broadly positive but face several challenges ahead, including concerns around higher costs and slowing demand. If these trends continue, businesses may have less scope to pass on higher costs to support their margins.”

REGIONAL AND SECTOR INSIGHTS

The East of England was the only region to see an increase in business confidence this month, up 17 points to 31%. The rise in confidence reaffirms the recent trend in the East of England to be above the national average. The strongest region was the North West at 42% (down 2 points) with a modest fall in confidence. The biggest regional falls in business confidence were in London (down 28 points, to 35%) and the West Midlands (down 23 points to 30%).

In Scotland, there was a decrease of 15 points (to 27%), with the North East and Yorkshire & Humber falling eight and seven points respectively, settling around the UK average of 28%. The remainder of the UK regions - East Midlands, Wales, Northern Ireland, the South East and the South West - saw decreases, each falling below the national average.

Confidence among businesses in the manufacturing and construction sectors fell, bringing them close to the UK all-sector average, at 32% and 30% respectively, reflecting lower optimism in the economy. Service sector confidence declined to its lowest in a year, at 25%, showing weaknesses in hospitality, though offset by stronger confidence in business services. Confidence in retail businesses edged up this month four points from 27% to 31%.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “This is a challenging time for businesses and we know that there is caution about what lies ahead in the coming months.

“With concerns about a potential economic slowdown, it is important that businesses continue to keep a tight rein on input costs where they can and a close watch on profit margins.

“Seeking advice at a time like this, sooner rather than later, can make all the difference and I would encourage business owners to be proactive and use their support networks, including their bank, to plan ahead. At Lloyds we remain by the side of businesses to help them navigate the challenges they face.”

Ends



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Chart 1: Business confidence at a 15-month low

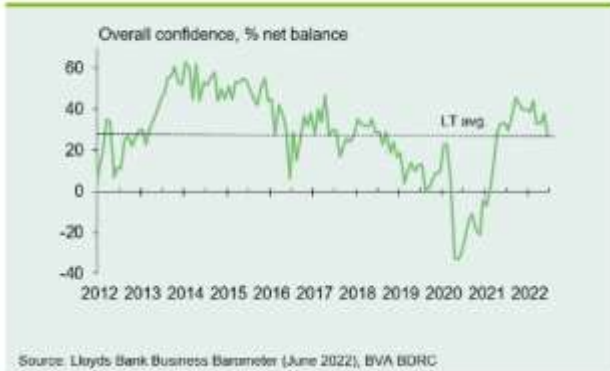


Chart 2: Hiring intentions moderated slightly this month

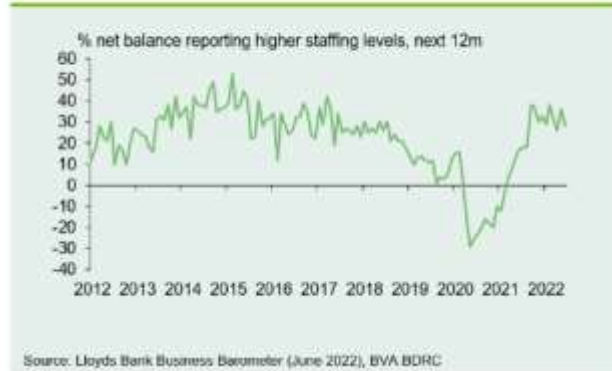


Chart 3: Expected wage rises remain high

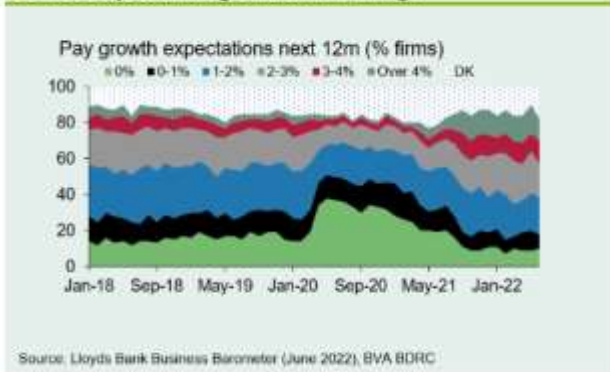


Chart 4: Pricing expectations remain above pre-Covid levels

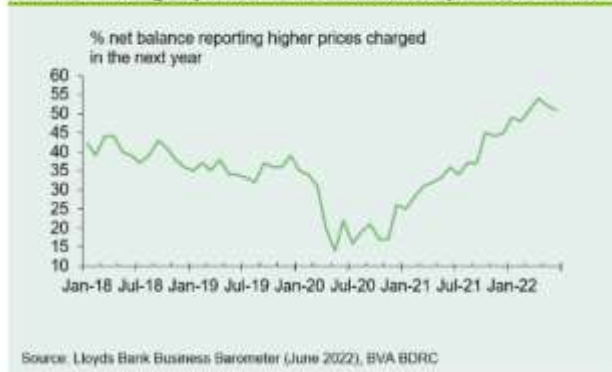


Chart 5: Confidence falls in eleven UK regions

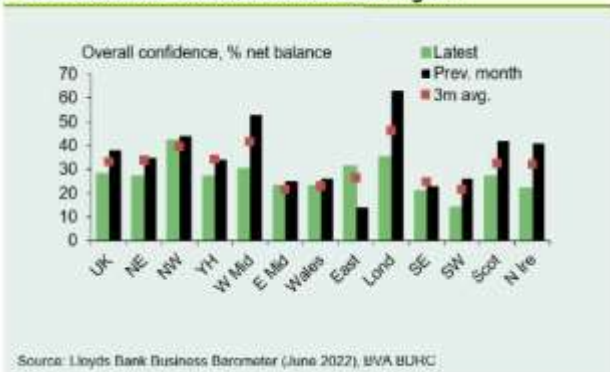
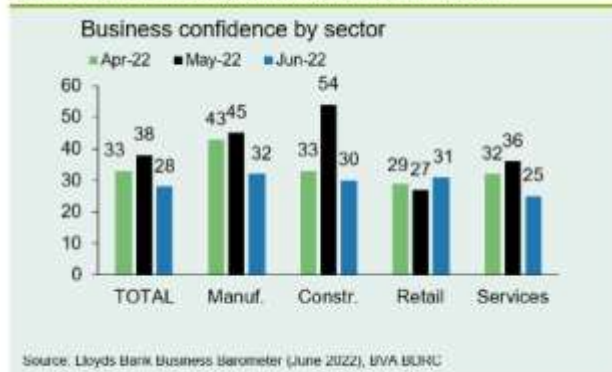


Chart 6: Lower industrial and services confidence





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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 31 May-16 June 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.