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# PRESS RELEASE

## BUSINESS CONFIDENCE STABILISES AFTER THREE MONTH DECLINE

### The Lloyds Bank Business Barometer for September shows:

- Overall business confidence stabilises at 16% after falling for the previous three months
- Businesses were surveyed between 1-15 September 2022
- Businesses expecting to raise prices in the coming year increases to new high of 55%
- 9% of businesses expect to increase salaries by 5% in the coming year
- Economic optimism fell two points to a 19-month low of 5%
- However, retail and service sector firms see an increase in business confidence

Business confidence stabilised in September after falling for three consecutive months between June and August. The index remains at 16%, its joint lowest level since March 2021, according to the latest Lloyds Bank Business Barometer.

While business confidence remained below the long-term average of 28%, it is above the lowest levels seen in 2020 during the first Covid wave (-33% in May 2020). Since companies were surveyed before the UK government's Fiscal Statement on September 23 the effect of the announcement on business confidence will be seen in next month's data.

A tight labour market saw wage expectations increase, with 9% (up 4 points) of businesses now expecting to award a pay increase of at least 5% in the coming year. In addition, almost a third (29%) of businesses anticipate a 3% wage growth in the next twelve months - a new high up from 26% in August and nearly triple the 10% level in 2019 seen prior to the pandemic. Staffing expectations for the year ahead were stable this month, with a one-point rise to 39% for companies anticipating an expansion of their workforce. However, this was countered by 23% (up one point) expecting to reduce their headcount.

Businesses' trading prospects remained broadly unchanged at 26%, with a one-point rise in businesses expressing prospects of stronger activity, which was offset by the same one-point rise in companies reporting a weaker outlook. Regarding the wider economy, an unchanged 41% of businesses indicated greater economic optimism. However, 36% (up two points) were more pessimistic, resulting in a two point decrease to a 19-month low of 5% for overall economic optimism.

Inflationary pressures meant the net balance of businesses intending to raise prices in the coming year reached a new high of 55% (up four points from August). This overall level reflected that 59% (up three points) of firms anticipate price rises for their product or service and 4% (down one point) expect a reduction.

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**Hann-Ju Ho, Senior Economist Lloyds Bank Commercial Banking, said:** “It is encouraging to see business confidence stabilising after a three-month decline. Firms’ assessment of their own trading prospects also remained steady and continues to show some resilience during turbulent times. Yet, cost pressures remain, as more businesses look to raise prices to help protect their margins while wage pressures show little sign of abating at this stage. With the recent volatility in financial markets as well as the Government’s Growth Plan and energy cap announcements, it will be interesting to see how these measures affect business confidence.”

## **REGIONAL AND SECTOR INSIGHTS**

In line with recent monthly trends, business confidence was strongest and remained above the UK average in London (33%), the North East (30%) and the West Midlands (19%). The survey revealed some short term volatility in some parts of the country, including rises in the South East (15%) and Scotland (15%) from previous weak levels while, in contrast, in the North West (14%) and Yorkshire & the Humber (11%) confidence decreased.

Elsewhere, confidence levels stayed below the national average. There was a fall in the South West (0%), but modest changes in other areas including the East Midlands (9%), Northern Ireland (7%), the East of England (1%) and Wales (-4%). However, when looking at the average figures over the past three months, these regions confidence levels are more in line with the national average, for example the East of England three month average is 16% while Wales is 9%.

Business confidence rose by two points in both the retail and service sectors (15% and 17% respectively), however both these figures are close to 12-month lows. Manufacturing and construction firms saw their lowest levels of business confidence this year, down two points in manufacturing to 14% and down 16 points to 10% in construction. This was driven by overall falling optimism in the economy.

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

“Firms should take heart that nationally, business confidence has stabilised, while recognising that wage pressures may continue for some time. However, it is important to note that this data was collected ahead of the recent Fiscal Statement and the current market volatility, where the effect on confidence will be seen in next month’s data. Keeping a watchful eye on out-goings, especially energy bills as we head into the winter months, will ensure businesses are in the best possible position and right now businesses will be taking on board what the currency position means for their business models.

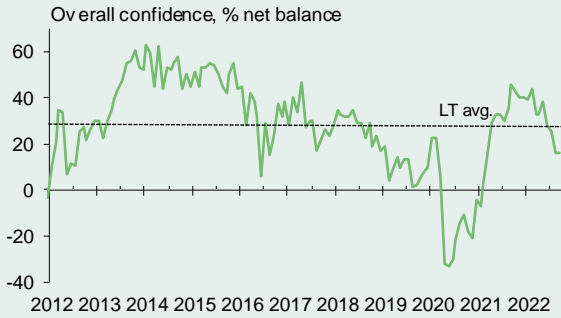
“While capital and cash flow management are undoubtedly vital during this time, we would encourage businesses to reach out to their networks for support if they find themselves struggling. At Lloyds we remain by the side of businesses to help deliver the support firms needs to navigate these challenging times.”

Ends



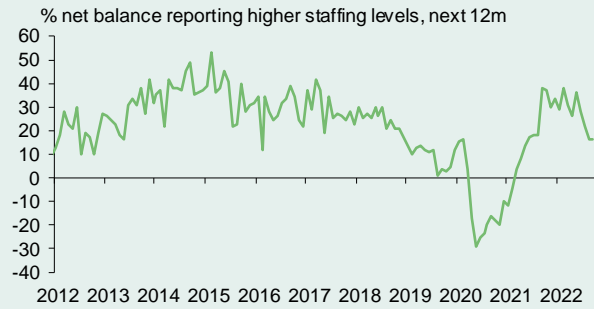
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**Chart 1: Confidence remains below the long-term average**



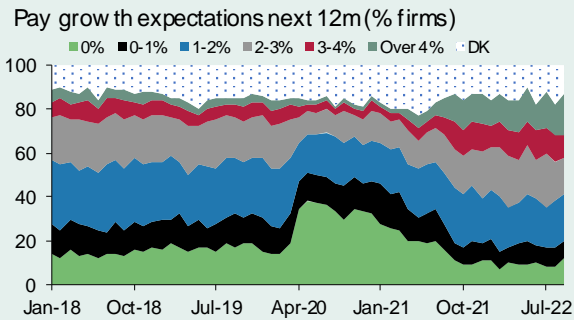
Source: Lloyds Bank Business Barometer (September 2022), BVA BDRC

**Chart 2: Hiring intentions has softened in recent months**



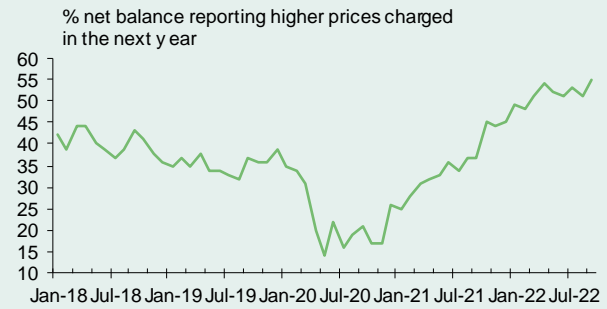
Source: Lloyds Bank Business Barometer (September 2022), BVA BDRC

**Chart 3: Increasing shares for higher pay awards**



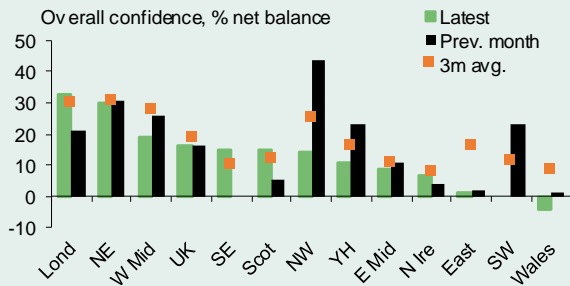
Source: Lloyds Bank Business Barometer (September 2022), BVA BDRC

**Chart 4: New high reached**



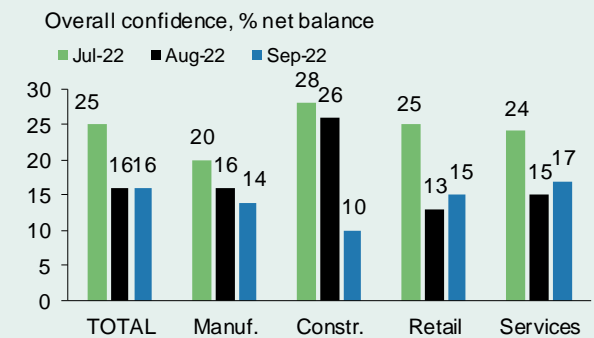
Source: Lloyds Bank Business Barometer (September 2022), BVA BDRC

**Chart 5: Confidence up in four regions**



Source: Lloyds Bank Business Barometer (September 2022), BVA BDRC

**Chart 6: Confidence at or near 12-month lows**



Source: Lloyds Bank Business Barometer (September 2022), BVA BDRC



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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 BDRG Continental.
- The fieldwork for the Lloyds Bank Business Barometer was conducted during 1-15 September 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.
- The overall 'balance' of business confidence opinion weighs up the percentage of firms that are positive in outlook against those that are negative and gives a net balance on a scale of -100% to 100%, where a score of 0 would mean there was an even balance of positive and negative sentiment.
- For further summaries and infographics, see #BusinessBarometer or follow @Lloydsplc on Twitter.