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PRESS RELEASE

BUSINESS CONFIDENCE DOWNWARD TREND INTENSIFIES BUT RETAIL SECTOR SHOWS GAINS

The Lloyds Bank Business Barometer for November shows:

- Overall business confidence fell by 5 points to 10%, the weakest level since February 2021
- Firms' trading prospects fell by 3 points to 43%, continuing the downward trend seen earlier this year
- However, confidence in the retail sector rose by 6 points to 15%
- Firms' hiring intentions also declined to an 18-month low, reversing the 5-point improvement seen in October
- Confidence in Scotland surged to 24% (up 19 points), to become the most confident among the UK's regions and nations since mid-2021.

Business confidence fell by 5 points to 10% in November, the weakest since February 2021, according to the latest Lloyds Bank Business Barometer.

While business confidence sits below the long-term average of 28%, it remains above the lowest level seen in 2020 during the first Covid wave (-33% in May 2020). The survey was conducted between 1 and 15 November, ahead of the Autumn Statement by the Chancellor.

For the sixth month in a row, overall economic optimism declined, with the net balance falling into negative figures for the first time since January 2021. Of businesses surveyed, 37% (down from 41%) said they were more optimistic about the economy with 40% (up from 39%) stating a more pessimistic view, resulting in a net balance of -3% (down from 2% in October).

The number of firms expecting stronger trading prospects also fell, from 46% in October to 43% in November, while an unchanged 19% anticipate weaker prospects.

Businesses' hiring intentions decreased to an 18-month low with over a third (38%, down 4 points) reporting higher expected staffing levels and just under a quarter (24%, up 3 points) anticipating a lower headcount. These changes show a net decline of 7 points to 14%, signalling potential slower employment growth ahead for the economy.

Wage expectations eased marginally this month, with businesses planning to increase salaries by 3% or more dipping by 1 point to 25%. However, the fall in business confidence has yet to impact pricing expectations. In November, 60% (unchanged from October) said they would be targeting higher prices for their goods and services, reflecting the pressures to pass on the higher costs.

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Hann-Ju Ho, Senior Economist Lloyds Bank Commercial Banking, said: “Given the recent political and economic landscape, it comes as little surprise that economic optimism and business confidence have fallen this month. Pay growth expectations remain high by historical standards, which could signal ongoing difficulties ahead for businesses to fill vacancies. Looking ahead, it will be interesting to see if the clearer policy picture provided by the Autumn Statement will lead to business confidence moving in a more positive direction as we go into 2023.”

REGIONAL AND SECTOR INSIGHTS

Confidence in Scotland surged this month to 24% (up 19 points), to become the most confident among the UK’s regions and nations for the first time since mid-2021. There were also significant increases in confidence in Northern Ireland (19%, up 30 points), Wales (17%, up 11 points) and the East of England (16%, up 7 points).

Business confidence fell significantly in London (22%, down 27 points) and the North West (9%, down 19 points) this month. London last month was the most upbeat part of the UK although this month it remains above the national average.

Business confidence in retail increased to 15% (up from 9%), perhaps reflecting a renewed confidence in trading prospects ahead of the festive season. However, business confidence in the manufacturing sector fell for the sixth month in a row, to 4%, down 9 points, the lowest confidence level since early 2021.

The construction sector held gains made in October, remaining unchanged at 20%, although this level still remains weaker than in the first half of the year.

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

“The fall in confidence shows just how tough it is for businesses right now. Pressures from rising costs continue and businesses are starting to feel the burden of higher energy bills. However, the tentative easing of wage expectations should provide some solace although we know the labour market is still tight.

“We would encourage businesses to keep a keen eye on their costs and cash flow as we head into the festive period. If any businesses are struggling, we would encourage them to reach out for support. At Lloyds Bank we remain by the side of businesses to help navigate these challenging times.”

End



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Chart 1: Business confidence falls further below the long-term average

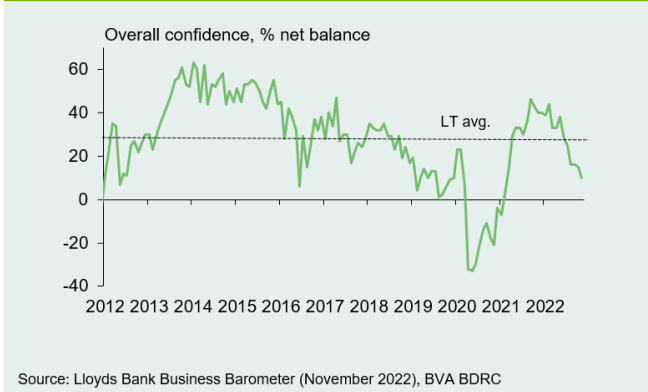


Chart 2: Expectations for staffing levels moderate

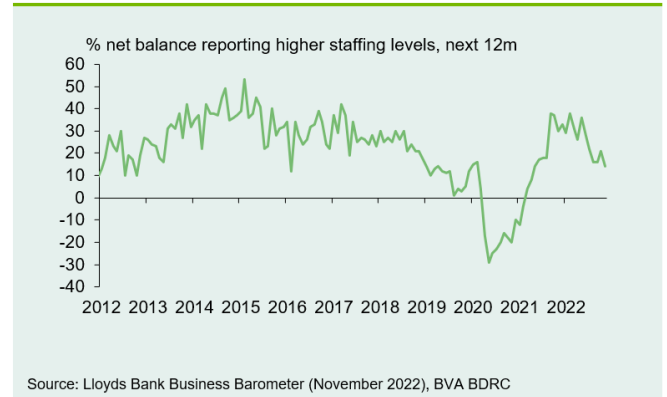


Chart 3: Pay expectations remain elevated but starting to ease off?



Chart 4: Firms' own pricing targets reach a new high



Chart 5: Confidence improved in most regions

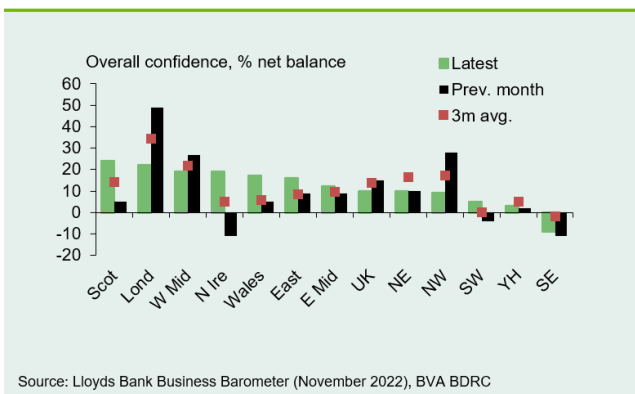
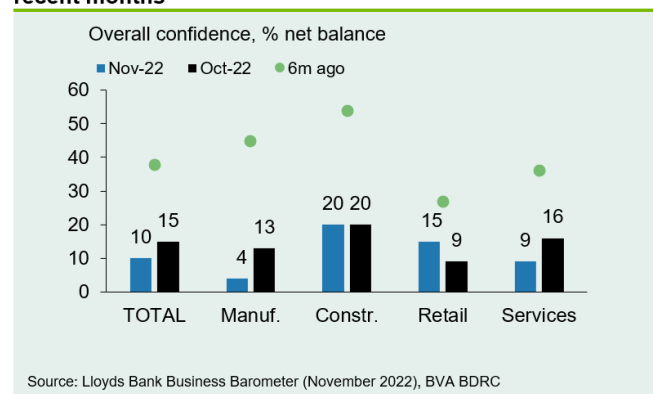


Chart 6: Confidence has fallen most outside of retail in recent months





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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 BDRC Continental.
- The fieldwork for the Lloyds Bank Business Barometer was conducted during 1-15 November 2022 by BVA BDRC. 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.