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# PRESS RELEASE

## BUSINESS CONFIDENCE REBOUNDS FOR CHRISTMAS

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

- Overall business confidence increased by seven points to 17%, the first rise since May this year.
- Confidence in manufacturing increased, ending a six-month decline, construction rose to a six-month high.
- Firms' hiring intentions improved, recovering from an 18-month low.
- Eight of the 12 UK regions and nations saw a rise in business confidence, with the most confidence seen in the North West and North East.

Business confidence bounced back to rise by seven points to 17% in December, the highest level since July and the first increase in sentiment seen since May of this year. However, confidence levels remain lower than December 2021 (40%) and the long-term average (28%).

The rebound in business confidence was driven by the largest monthly rise in economic optimism since April 2021, with 43% (up from 37%) of businesses more optimistic towards the economy and 35% (down from 40%) less optimistic. This resulted in a net balance of 8%, a rise of 11 points from November.

The majority of firms were more positive about the prospects of better festive trading as well as their own trading prospects for the year ahead, with 45% (up from 43% last month) forecasting a stronger trading environment and 18% (down from 19%) expecting weaker activity.

Firms hiring intentions improved slightly in line with business confidence, recovering from an 18-month low last month. Of businesses surveyed, 41% (up from 38%) expect to increase staffing levels over the coming year, while 25% (up from 24%) expect to reduce their headcount, resulting in a net balance of 16% (up two points).

Wage expectations for next year remain high, with the proportion of firms anticipating pay growth of 3% or more, up one point to 26%. However, this is lower than the recent three-monthly average of 26%, which may point to less vigorous wage growth next year.

Rising costs are still impacting businesses, with firms' expectations for prices of their own goods or services reaching a new high in December. Sixty two percent of businesses (up from 60%) expect to charge more for their goods or services next year, with only four percent (up from 3%) planning to lower prices.

**Hann-Ju Ho, Senior Economist Lloyds Bank Commercial Banking, said:** "Business confidence has received a boost in the run up to Christmas as firms anticipate a better festive trading period than last year. While firms report being

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hopeful for a more successful 2023, inflation and the risk of an economic downturn remain the biggest concerns for businesses, with rising costs evidenced by the number of firms expecting to raise prices.

“Wage growth is expected to remain high for now as retaining existing staff and attracting new talent will continue to be priorities for many businesses going into next year.”

## **REGIONAL AND SECTOR INSIGHTS**

Confidence increased across two-thirds of the UK’s regions and nations, with strong rebounds seen in the North West (40%, up 31 points), North East (34%, up 24 points) and Yorkshire & the Humber (22%, up 19 points) as well as in the East Midlands (28%, up 16 points).

In contrast, confidence fell in the West Midlands (nine percent, down 10 points), London (eight percent, down 14 points), Northern Ireland (4%, down 15 points) and Scotland (15%, down nine points).

The manufacturing sector reversed a six-month trend of falling confidence, with a nine-point rise to 13%. Confidence in construction and services also increased by nine points to 29% and 18% respectively. However, retail confidence fell slightly, by two points to 13%.

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

“It’s encouraging to see the confidence of most regions and nations rallying as we end the year. This has been a tough time for businesses with rising costs and much uncertainty, but some firms are becoming more confident as we head in to 2023.

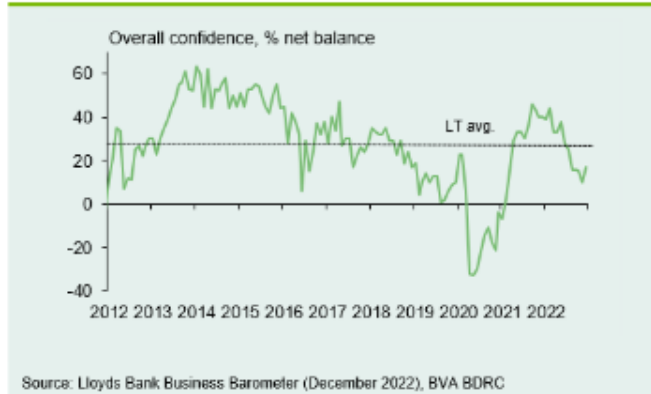
“While wage expectations start to temper, prices continue to rise and keeping a close watch on cash flow remains a priority for businesses, no matter what industry you operate in. For those who are in need of support or are looking for advice, especially into the festive season and new year, at Lloyds Bank we are by your side in times of uncertainty.”

Ends

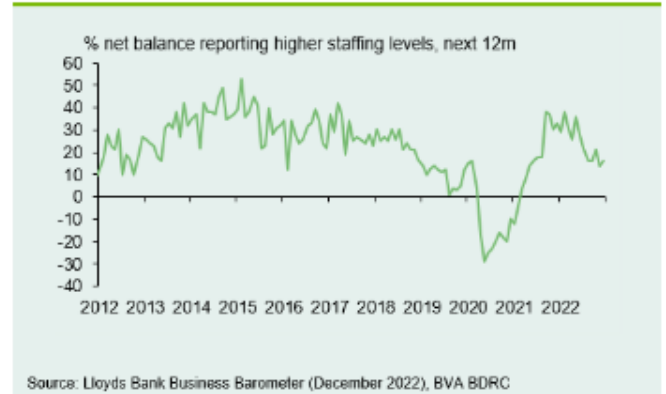


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**Chart 1: Business confidence rises in December**



**Chart 2: Hiring intentions moderate over the past year**



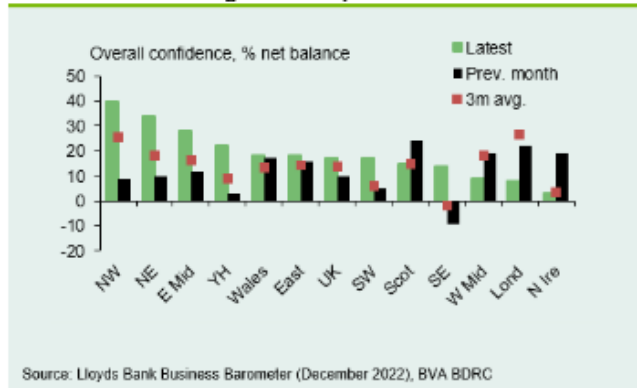
**Chart 3: Wage growth expectations rise in the past two years**



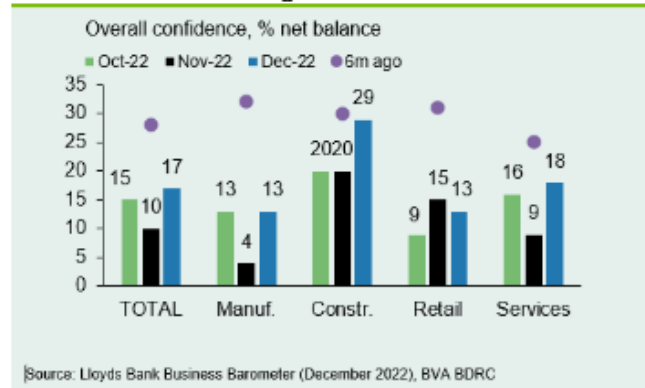
**Chart 4: The net balance continues to trend higher**



**Chart 5: Northern England on top**



**Chart 6: Confidence strongest in construction and services**





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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.
- The fieldwork for the Lloyds Bank Business Barometer was conducted during 28 November – 12 December 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.