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PRESS RELEASE

BUSINESS CONFIDENCE HITS TEN-MONTH HIGH

The Lloyds Bank Business Barometer for March shows:

- Business confidence increased by 11 points to 32%, the highest seen since May 2022
- Overall economic optimism also increased by 11 points to 23%
- Trading prospects saw a four-point increase to 52%, with the net balance up 10 points to 40% the largest increase in two years
- Anticipated staffing levels increased for a fourth consecutive month, while the percentage of businesses planning to raise prices fell to a six-month low
- Three-quarters of UK regions and nations report higher confidence, with confidence rising across all of four sectors.

Business confidence received a boost this month, increasing 11 points to 32%, the highest level since May 2022. This puts the level of business confidence above the long-term average of 28% for the first time since May last year.

The rise was buoyed by increases in firms' assessment of their trading prospects, which posted the biggest rise in nearly two years with 52% expecting a stronger performance in the next 12 months, and in optimism about the broader economy, which also increased 11 points to 23%.

Both trading prospects and economic optimism are their highest since May 2022.

EMPLOYMENT INSIGHTS

Hiring intentions continued to improve for the fourth month in row, with the net balance up four points at 24%, the highest level since June 2022. An unchanged 43% anticipating an increase in their workforce in the next 12 months while 19% (down four points) plan to reduce headcount.

Wage expectations rose in March with 26% (up three points) of firms expecting to increase pay by three percent or higher. The share of businesses expecting a 2% or more pay growth also increased for the second month (up one point, 45%). Nevertheless, there are tentative signs that wage pressures may have eased from last year's highs.

PRICING INSIGHTS

The number of businesses expecting to increase their prices in the coming year fell to a six-month low of 59% in March, while 4% (down one point) plan to lower prices, signs that pricing expectations may have started to moderate from historically elevated levels.

Hann-Ju Ho, Senior Economist Lloyds Bank Commercial Banking, said:

"Business confidence has seen a surge this month with economic optimism and trading prospects bolstering firms. With hiring intentions improving, we may see employment growth picking up in the coming months. Tentative signs of easing wage pressures suggest that businesses' difficulties in finding staff may have started to ease.

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“Although the measures in the Budget were widely trailed, it is yet to be seen what the full impact of the Chancellor's announcement, along with the surprise rise in inflation and recent increase in interest rates, will have had on business confidence.”

REGIONAL AND SECTOR INSIGHTS

Confidence increased in three quarters of the UK's regions and nations, with the biggest increase seen in Wales, which rose to 26%, up 25 points. Other regions also saw strong growth, including in Scotland (38%, up 24 points) and London (38%, up 20 points) to a five-month high.

There was a broad rise in business confidence across the sectors, particularly in construction (47% up 28 points) and manufacturing (37% up ten points) both at a ten-month high and retail (32% up 11 points) the highest since February 2022.

Paul Gordon, Managing Director for Relationship Management, Lloyds Bank Business & Commercial Banking, said:

“It's great to see economic optimism as well as trading prospects at a ten-month high. We can see from the data that this could well be down to a combination of a less obstructive hiring environment and the longer-term wage pressures trending downwards.

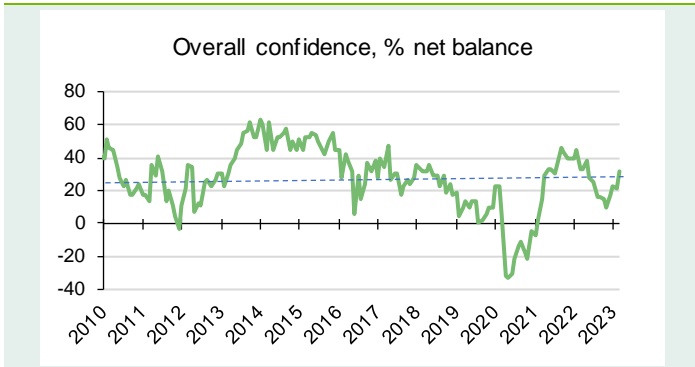
“As we look ahead, growth and investment must be the watch words for businesses across all sectors. This will help build future resilience against an uncertain economic landscape.”

Ends



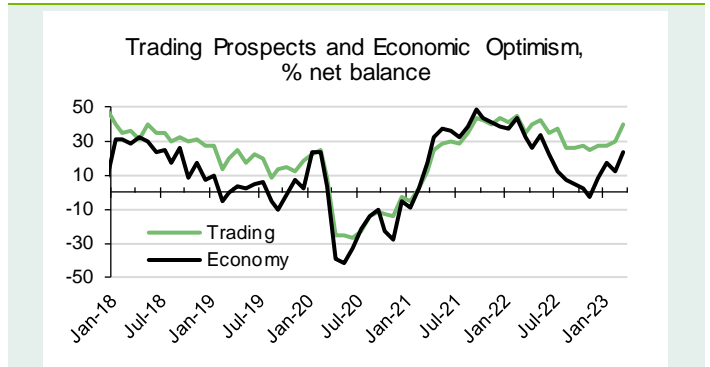
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Chart 1: Confidence at 10-month high



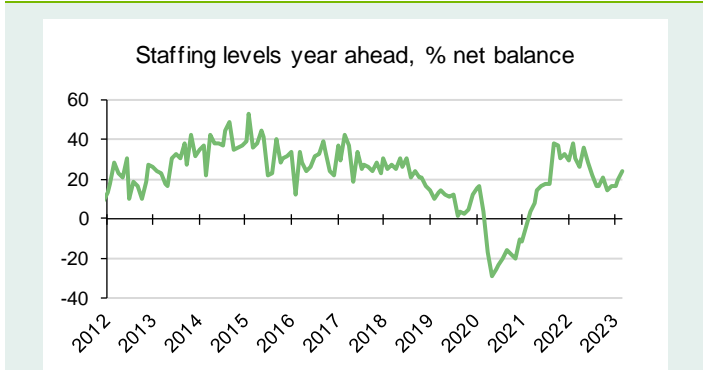
Source: Lloyds Bank Business Barometer (March 2023), BVA BDRC

Chart 2: Trading prospects and economic optimism rise



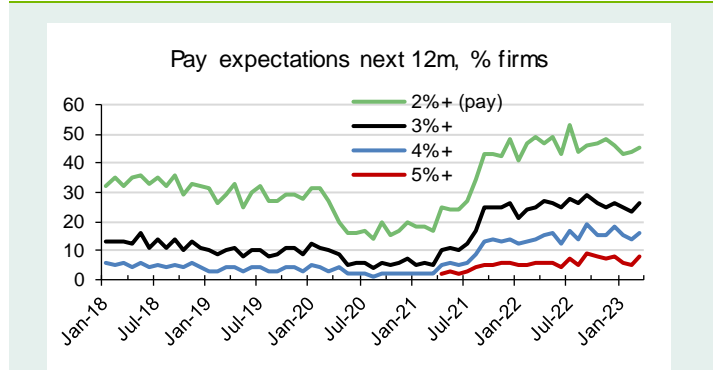
Source: Lloyds Bank Business Barometer (March 2023), BVA BDRC

Chart 3: Staffing levels up for a fourth month



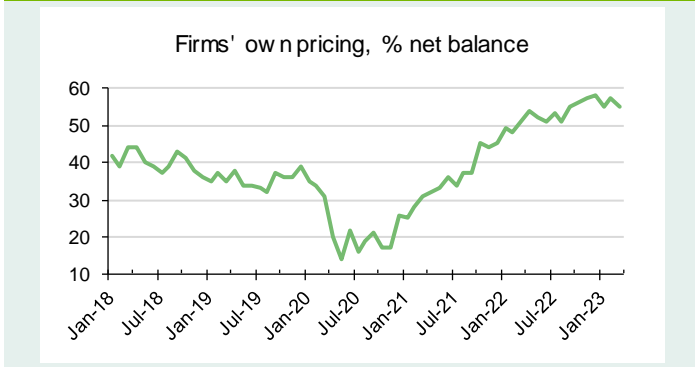
Source: Lloyds Bank Business Barometer (March 2023), BVA BDRC

Chart 4: Pay expectations edging up again?



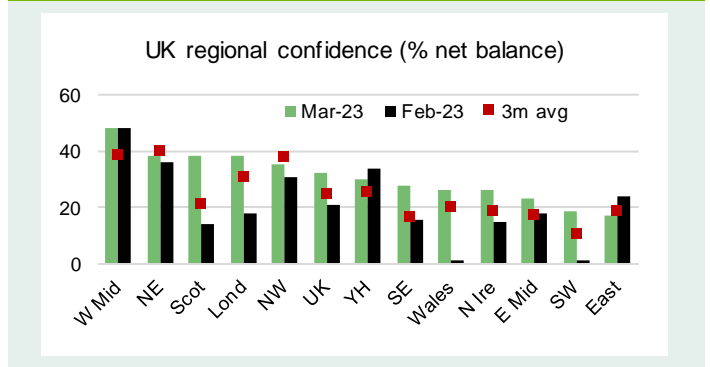
Source: Lloyds Bank Business Barometer (March 2023), BVA BDRC

Chart 5: Price expectations historically high



Source: Lloyds Bank Business Barometer (March 2023), BVA BDRC

Chart 6: Confidence up in nine UK regions



Source: Lloyds Bank Business Barometer (March 2023), BVA BDRC



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Notes to editors

Most of this month's responses were collected before the rise in financial market tensions following concerns about the global banking sector.

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 March 2023 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.