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PRESS RELEASE

BUSINESS CONFIDENCE NEARS ONE YEAR HIGH

The Lloyds Bank Business Barometer for April shows:

- Business confidence reached 33%, the highest since May 2022
- Overall economic optimism also increased to 28% - a near one year high
- Anticipated staffing levels rose for a fifth consecutive month, with 47% of businesses looking to increase their workforce
- Pay growth hit a seven-month high, with 27% of businesses anticipating a wage increase of at least three percent
- However, three-fifths (61%) of businesses intend to raise their prices in the coming year

Business confidence edged up in April following last month's boost, increasing by one point to 33%, the highest level since May 2022. The increase maintains business confidence levels above the long-term average of 28%.

Business confidence was supported by increases in firms' optimism in the wider economy, which also hit a near one year hit, rising five points to 28%. The rise in confidence followed an 11-point increase in March.

Trading prospects remained robust, as just over half of businesses (55%, up three points) reported stronger trading prospects. This was offset by 16% of companies (up four points) expecting a poorer performance in 2023. Overall, the net balance decreased slightly by one point to 39%.

EMPLOYMENT INSIGHTS

Hiring intentions continued to improve for the fifth month in row, with the net balance up three points at 27%, the highest level since June 2022. Forty-seven percent (up from 43%) are anticipating an increase in their workforce in the next 12 months while 20% (up one point) plan to reduce staffing levels.

The number of businesses anticipating average pay to increase by at least three percent rose to 27%, the highest since September 2022. This remains slightly below last year's peak of 29%, but is significantly higher than pre-lockdown levels where, in 2019, an average of 10% of companies expected growth of at least three percent in pay.

PRICING INSIGHTS

However, three-fifths of businesses reported they intend to raise prices in the coming year (61%, up two points) while an unchanged four percent predict that prices will decrease. This leaves the net balance up two points at 57%, close to the all time high of 58% in December 2022 and above the average pre-pandemic level of 36% (in 2019).

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

"The recent increases in business confidence indicate that the economy entered the second quarter of 2023 with positive momentum.

"The revival in the demand for labour, which improved for the fifth consecutive month, may account for the modest uptick in wage expectations for the next twelve months.

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“While firms’ concerns on overall cost pressures have eased, there is little evidence that pricing expectations have declined which may impact wider pricing decisions for the remainder of 2023.”

REGIONAL AND SECTOR INSIGHTS

Confidence increased in seven out of the 13 regions and nations, with both the East of England and the East Midlands seeing the largest increases, rising 18 points (to 35% and 41% respectively). Other regions also saw strong growth, including in Northern Ireland (42%, up 16 points) and the South West (35% up 16 points) raising their business confidence levels above the UK average.

Business confidence in the service sector rose to 36% this month, the highest since May 2022, with sentiment particularly upbeat in hospitality and financial services. While the other sectors saw slight decreases, construction remained strong at 43% while manufacturing and retail remain above last year’s lowest levels.

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

“It is great to see business confidence continuing to increase, hitting a near one year high. Hiring intentions have also shown improvement since the start of the year, now sitting significantly higher than pre-lockdown levels. This is an encouraging sign of investment intent but that could be tempered by wage inflation pressures and a hot employment market.

Improving confidence levels will help give businesses a boost ahead of the King’s Coronation and as we head towards summer but, with majority of businesses also intending to raise their prices, this may add to existing inflationary pressures. Businesses may need to keep an eye on margins to help meet consumer expectations and we remain by their side to support them.”

Ends



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Chart 1: Confidence above the long-term average

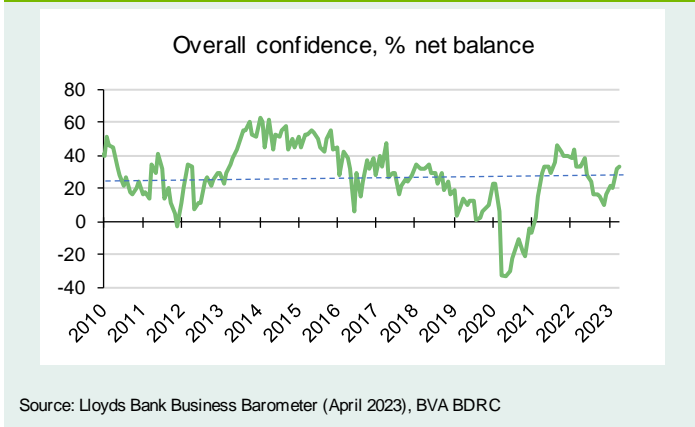


Chart 2: Positive momentum

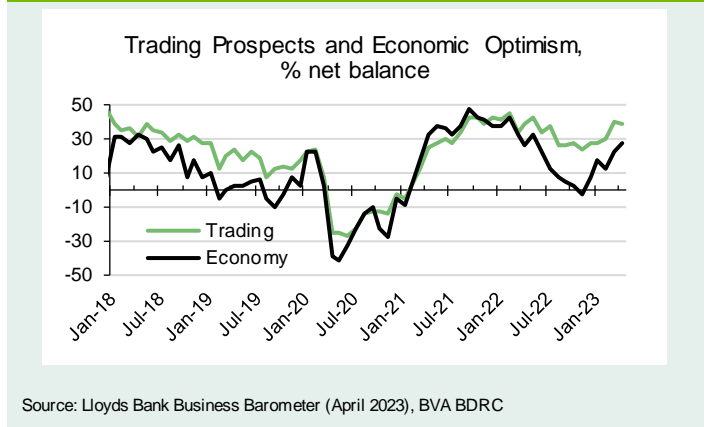


Chart 3: Rising in the past five months

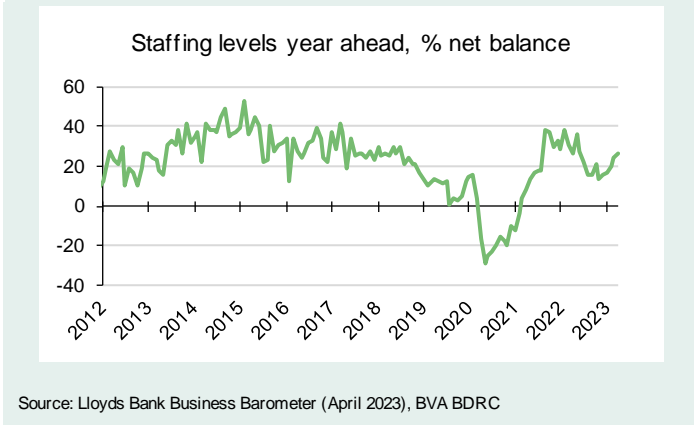


Chart 4: Pay expectations starting to tick higher

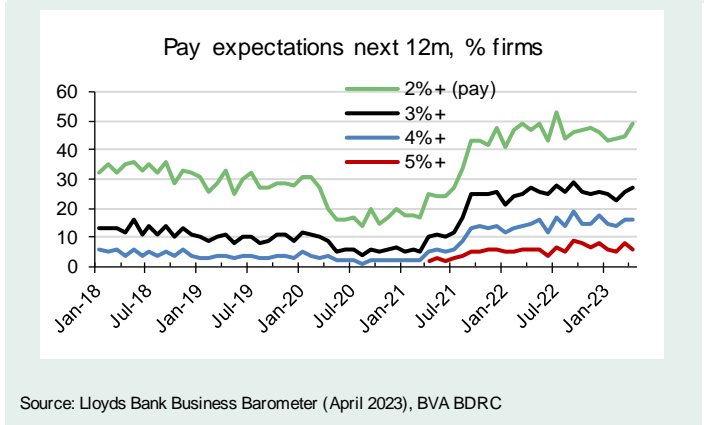


Chart 5: Pricing fluctuating near highs

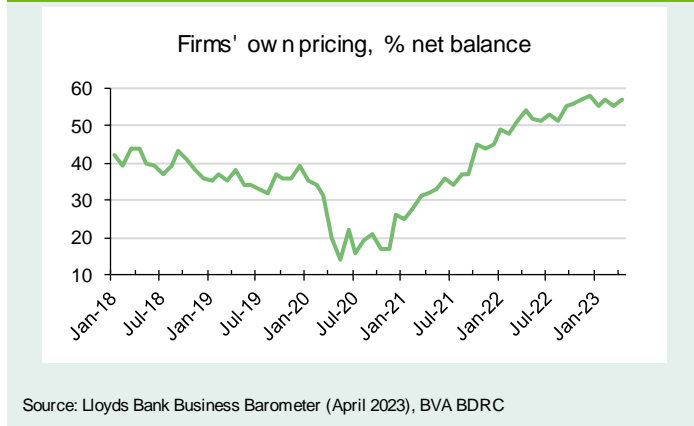
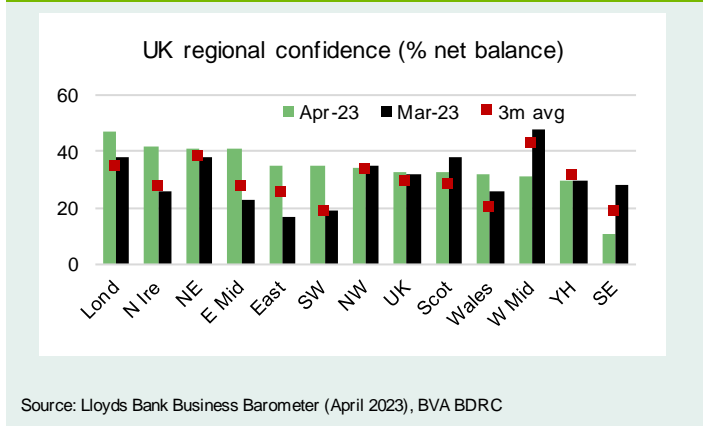


Chart 6: Confidence rose in seven UK regions





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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 3 – 16 April 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.