



LLOYDS BANK

# Business Barometer



Overall business confidence

**37%**



Monthly change

**+9 points**



Economic Optimism

**32%**



Firms looking to hire more staff

**46%**

## Business confidence rebounds to 13-month high

- **Business confidence up nine points**
- **Stronger trading prospects and economic optimism seen across all sectors**
- **Wage expectations stabilise, but remain higher than start of the year**
- **Service sector rebounds by 11 points with manufacturing at 16-month high**

Business confidence bounced back in the first half of June, increasing by nine points to 37%, the biggest monthly rise since March 2023. The increase was driven largely by rises in firms view of their trading prospects and optimism in the wider economy, despite last month's interest rate rise.

Business confidence gains were also seen across all four main industry sectors (manufacturing, construction, retail and services). The survey took place before the Bank of England increased the base rate by 50 basis points in June.

For firms' trading prospects, 55% of firms (up six points) anticipate stronger business activity in the next twelve months, compared with 14% (down one point) expecting weaker outcomes. This results in the net balance increasing seven points to 41%, the first improvement in three months.

Fifty-four percent (up six points) expressed greater optimism about the economy, while 22% (down four points) are more pessimistic. That means the net balance increased by 10 points to 32%, a significant climb from negative three percent seen in November 2022.

## Regional insights

Confidence rose in ten of the UK's twelve regions and nations. The East Midlands (up 35 points to 52%) and Scotland (up 28 points to 50%) jumped up into first and second places, respectively. Confidence in the North East, Yorkshire & the Humber, the East of England and Northern Ireland are also above the UK average of 28%. London (down 10 points to 33%) and the South West (down one point to 29%) are the only regions to record falls this month.



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

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“It’s encouraging to see business confidence rebounding following last month’s five-point dip to 28%. Trading prospects and optimism have seen a resurgence this month with overall confidence up in all but two of the twelve regions of the UK, which shows positive prospects across the wider economy.

“However, interest rate rises and cost pressures are still felt by many and we await to see the impact of the latest 50 basis point rise in base rate. Meanwhile, expectations for average pay growth, although down slightly this month, appear to have picked up compared with the start of the year and remain elevated relative to pre-pandemic levels.”

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## Sectors bounce back

Business confidence for firms in the service sector rose to 37% (up 11 points), the highest seen since February 2022. With the recent spell of good weather and a reduction in food and energy prices, businesses in leisure and hospitality may be able reap the rewards in the months to come.

Manufacturing firms’ confidence also increased to its highest since early 2022, rising to 50% (up 10 points) to outperform other sectors.

**Paul Gordon**

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

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“The boost in confidence and hiring intentions is a welcome sign that businesses are managing well in what continues to be a challenging environment.

“It’s particularly pleasing to see that for both services and manufacturing, two sectors which have been hardest hit in recent years, there is real optimism for trading prospects and growth. However, wage pressures continue to be above pre-pandemic levels and firms need to be mindful of this and ensure that costs are evenly distributed and managed closely.”



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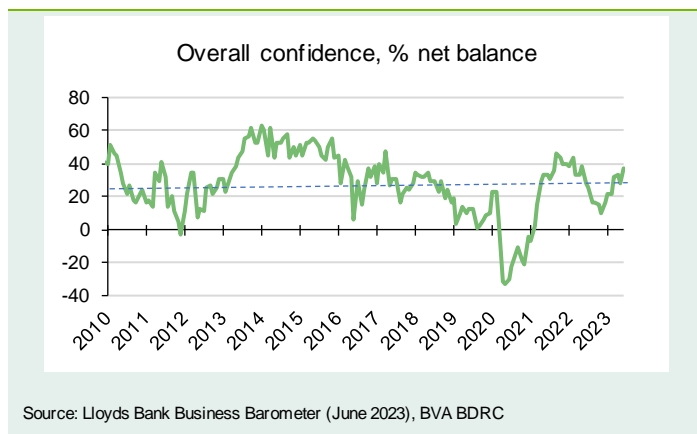


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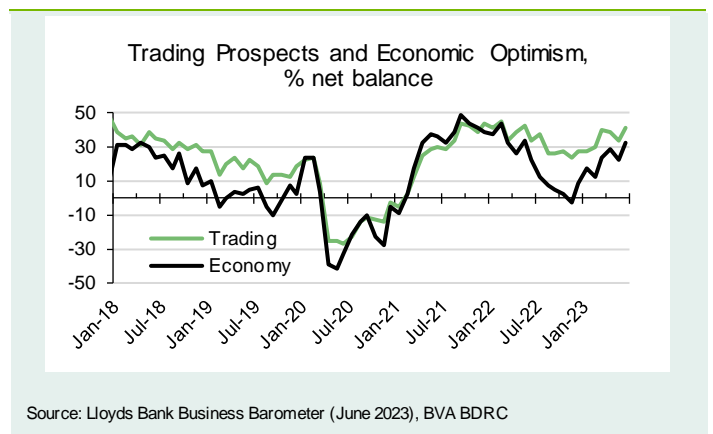
## Notes to editors

- The fieldwork for the Lloyds Bank Business Barometer was conducted during 1-15 June 2023 by BVA BDRC before the 0.5% rise in interest rates by Bank of England on 22 June 2023.
- The survey 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.
- For further summaries and infographics, see #BusinessBarometer or follow @Lloydsplc on Twitter.

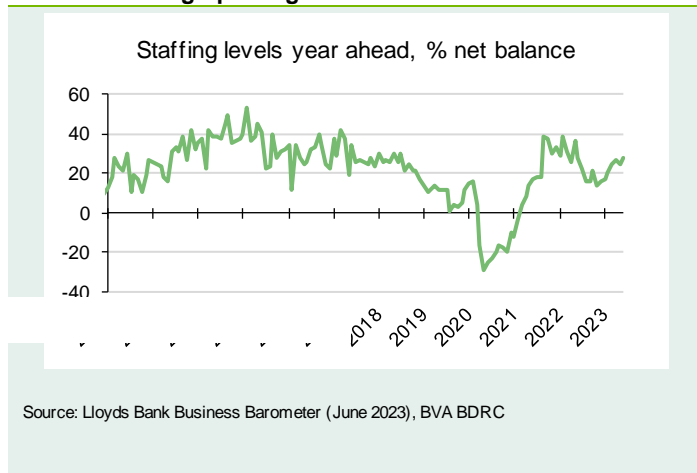
**Chart 1: Confidence rising again after last month's dip**



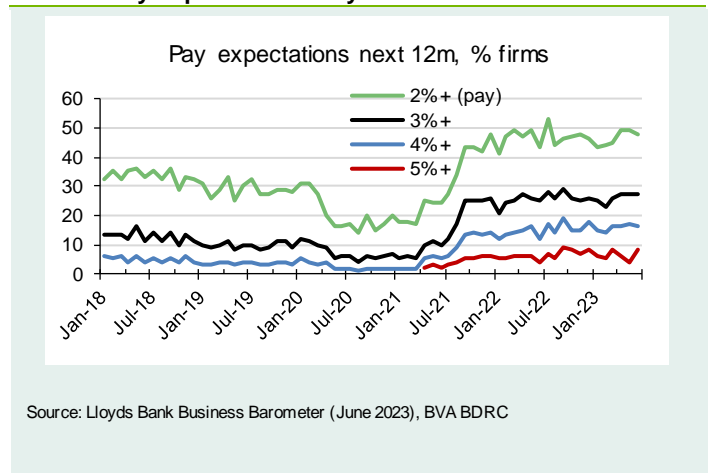
**Chart 2: Trading prospects and economic optimism pick up**



**Chart 3: Staffing upswing recommences**



**Chart 4: Pay expectations stay elevated**



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Chart 5: Hovering near highs

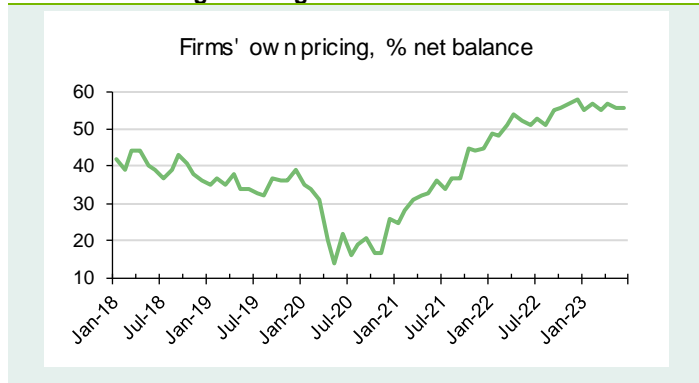


Chart 6: Confidence up in ten areas

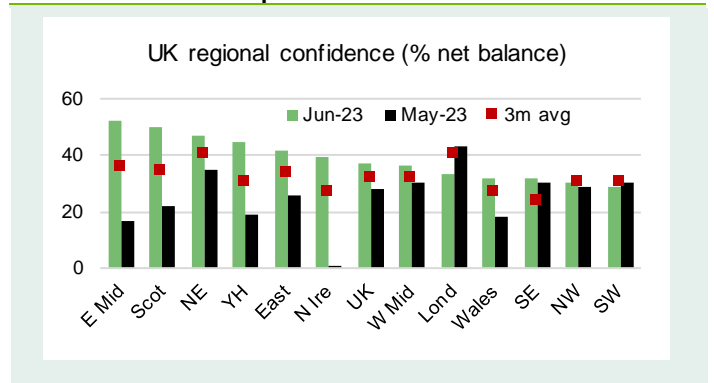
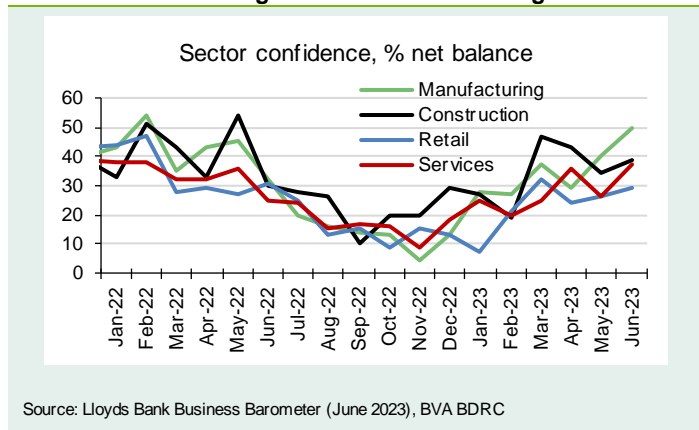


Chart 7: Manufacturing reaches a 16-month high



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



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