



LLOYDS BANK

# Business Barometer



Overall business confidence

**42%**



Monthly change

**-2 points**



Trading Prospects

**49%**



Economic Optimism

**34%**

## Business confidence dips marginally but renewed confidence reflected in stronger hiring intentions

- Overall business confidence falls marginally, but remains strong against historical figures
- Expected staffing levels increase to a two-year high amid signs that labour shortages are easing
- UK regions split with six reporting increase in confidence and six reporting decrease

Businesses continued their positive start to the new year, Lloyds Bank's latest Business Barometer has found. The Barometer – which measures businesses' overall confidence by assessing their trading prospects and optimism for the economy – found that while overall confidence dipped slightly to 42%, businesses are looking to hire new staff members and retain their existing employees.

These findings broadly echo the renewed optimism reported by businesses in recent weeks, highlighting an increased level of confidence in their prospective outputs over the next 12 months.

### Business Confidence

Overall business confidence dipped marginally in February to 42% – down from 44% in January – but remains strong in relation to previous figures. Contextually, the long-term average for business confidence currently sits at 28% and with this month's figures standing significantly above that, there are still strong signs of positive sentiment from businesses.

Similar results were reported in relation to trading prospects and the broader economy. Although confidence in trading prospects slipped two points to 49%, falling from January's 51%, this is still the second-highest level since April 2017.

Meanwhile, more than half (54%) of businesses reported higher levels of optimism compared to the proportion of businesses who felt pessimistic about the economy which was unchanged at 20%. These results leave the net balance down three points at 34% – still in positive territory.

Some businesses continued to express concerns about inflation and interest rates, although these concerns have eased significantly in recent months. February's survey data was collected in the aftermath of the attacks on Red Sea shipping lanes, resulting in some businesses also expressing concern about supply-chain disruption.



### Contact

Adam Charles | [adam.charles@lloydsbanking.com](mailto:adam.charles@lloydsbanking.com) | 07387745658



LLOYDS BANK

## Employment Insights

Almost half (49%) of businesses surveyed said they expect to take on more employees in the year ahead. Conversely, only 13% expected to reduce headcount over the same period – the lowest reported figure since 2017. Respondents also tentatively signalled that labour shortages may have reduced in recent months, suggesting increased capacity to accommodate stronger demand. As a result, the net balance has increased by 3 points to 36%, which means expected staffing levels have risen to the highest level since May 2022.

The Barometer also found that pay growth is falling gradually, although the pace of this fall appears to be gradual rather than swift. Indicators of pay growth within the Business Barometer survey have been elevated since the end of the furlough scheme in 2021. However, there are now signs of stabilisation at the higher thresholds.

### Hann-Ju Ho

#### Senior Economist, Lloyds Bank Commercial Banking said:

“This month’s data still reflects a positive mood among businesses despite a marginal fall in overall confidence. Firms appear to be upbeat about their prospects and the economy, supporting their positive staffing expectations.

Looking at the sectors, there is a mixed picture. There was a slight fall in confidence reported in the manufacturing and construction sectors, while retail and services stood their ground – remaining unchanged compared to January’s figures. But despite the manufacturing and construction fall, businesses are still showing high levels of confidence.

“The split across the regions also provides reason to view the dip in confidence at the broader UK level cautiously. Six regions have reported an increase in confidence while the other six have reported a decrease. So, scratching the surface, we see a story that continues to show a more positive outlook for the year ahead.”

## Pricing Insights

In a sign that inflationary pressures have not entirely diminished, businesses pricing expectations increased after falling in the previous two months. This comes despite businesses’ concerns about inflation easing. 61% (up from 60%) plan to increase their prices over the coming year, while only 3% (down from 4%) expect to charge less.

## Sector Insights

There was a mixed picture for sectors this month. Confidence fell in manufacturing (nine points to 40%) and construction (seven points to 38%) respectively, although results remain higher than the same time last year. In contrast, the dominant services sector was unchanged compared to January at 45%, exceeding all months of 2023 except for November. Retail confidence was broadly steady, dipping one point to 41%.



### Contact

Adam Charles | [adam.charles@lloydsbanking.com](mailto:adam.charles@lloydsbanking.com) | 07387745658



LLOYDS BANK

## Paul Gordon

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

“For the second consecutive month we’ve seen businesses display a level of confidence that sets a positive outlook for the year ahead – the 42% reported this month aligns with the highest level we saw in 2023.

“It’s also very encouraging to see that businesses are keen to hire more staff – great news for the UK overall. With more businesses open to hiring, more people can get into work, providing a boost to the UK economy.

“This level of confidence is encouraging and suggests businesses are open to investing in their future, and we have a team of experts on hand to offer support and guidance so we can help them, and Britain, prosper”.

---

## Regional insights

This month the most upbeat businesses can be found in Scotland, the North-East, the North West and Midlands, pointing to a North-South split. Sentiment in Yorkshire & the Humber however, along with the South West and Wales lagged farthest behind the UK average. The biggest gains were in Scotland and the East Midlands, with the sharpest decline in London. Although, it remains to be seen whether this result for the capital will be temporary.



## Contact

Adam Charles | [adam.charles@lloydsbanking.com](mailto:adam.charles@lloydsbanking.com) | 07387745658



LLOYDS BANK

Chart 1: Confidence stays above long-term average

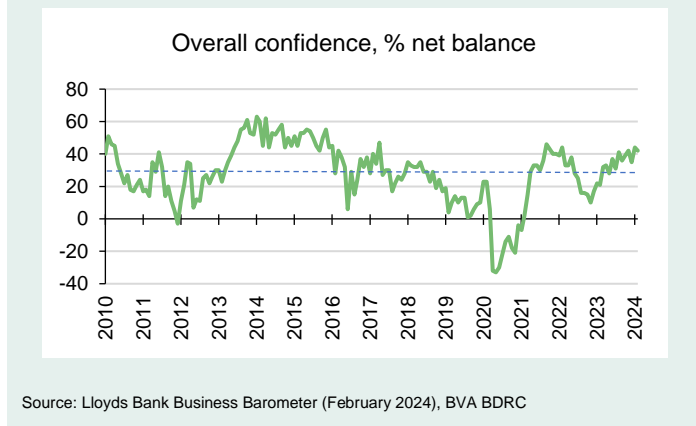


Chart 2: Still strong despite latest dip

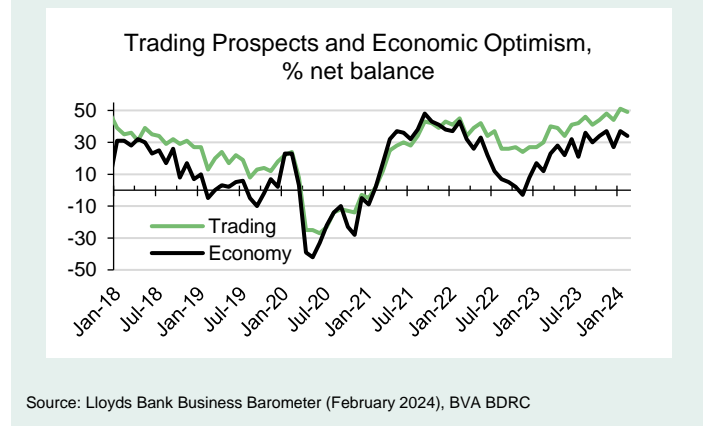


Chart 3: Job prospects near 2-year high

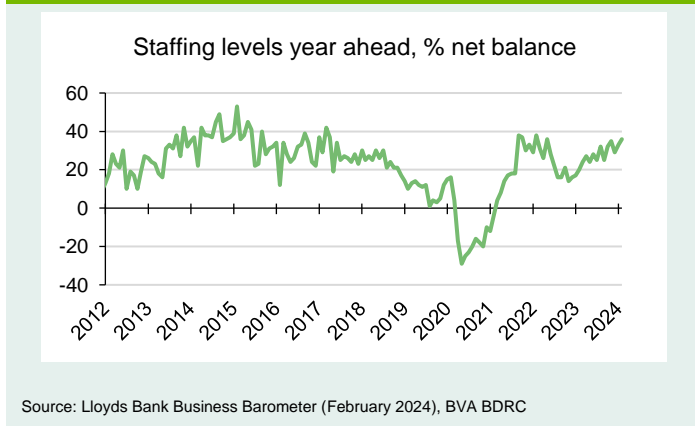


Chart 4: Less upward pressure for higher pay growth rates

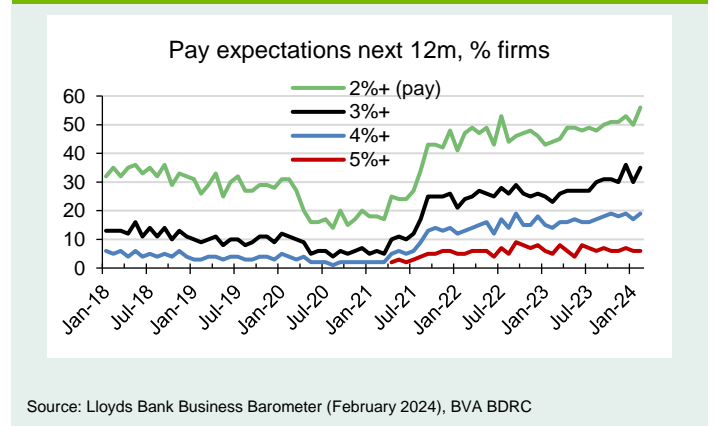


Chart 5: Tick higher after recent falls

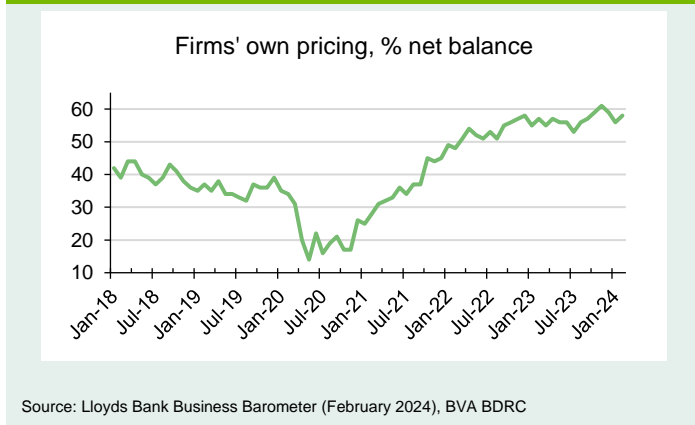
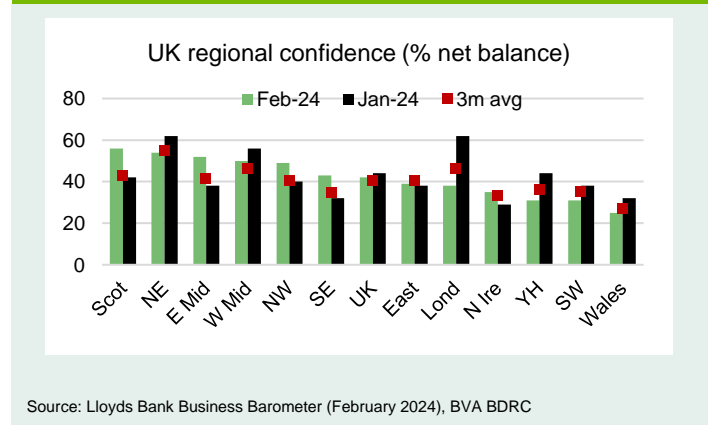


Chart 6: Six up, six down



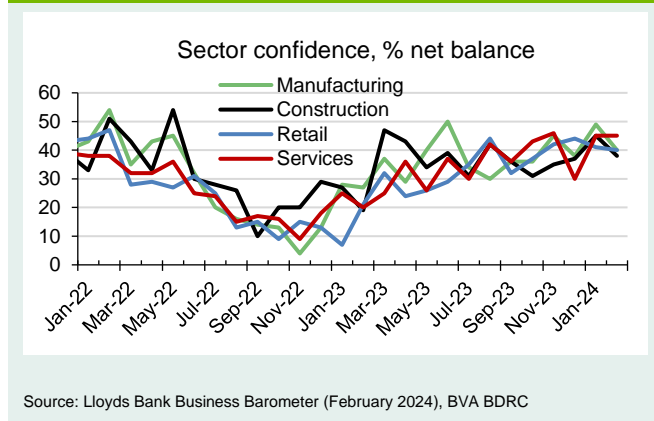
Contact

Adam Charles | adam.charles@lloydsbanking.com | 07387745658



LLOYDS BANK

Chart 7: Services resilience



## Notes to editors

- The fieldwork for the Lloyds Bank Business Barometer was conducted during **1-15 February 2024** by BVA BDRC.
- 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.



## Contact

Adam Charles | [adam.charles@lloydsbanking.com](mailto:adam.charles@lloydsbanking.com) | 07387745658