



LLOYDS BANK

Business Barometer



Overall business confidence

50%



Monthly change

0 points



Trading Prospects

54%



Economic Optimism

47%

Embargoed until 00:01 Friday 30 August 2024

Strong business confidence reflected in rising economic optimism

- **Business confidence remained at eight year high, alongside increasing economic optimism**
- **Sharp increase in Construction trading prospects (58%), while manufacturing and services remained resilient, despite dip**
- **The Northeast and Scotland reported highest confidence levels with an 8- and 13-point increase respectively**
- **Wage expectations rose as a third of firms (34%) anticipated at least 3% pay increases**

The latest Lloyds Bank Business Barometer showed that business confidence remained at 50% in August. Although there was no increase to the overall confidence figure, the result highlighted the continued positivity amongst businesses, with confidence still at the highest level reported since November 2015.

This continued confidence was displayed in the economic optimism metric, which showed an increase from 45% in July to 47% in August, continuing the upward trajectory of confidence readings throughout 2024. Meanwhile, trading prospects remained positive, albeit with a minor decline, to 54% in August – down from of 56% in July. However, this result is still the second highest recorded in 2024.



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Employment Insights

One third (34%) of firms surveyed in August said they expected pay increases of 3% or more for their employees, including 18% of businesses expecting at least a 4% increase (up from 30% and 16% respectively). Although the increase in August could be viewed as a sign that the UK labour market is becoming more restrictive, it is important to note that the broader trend for 2024 has shown that pay expectations have been following a downward trend.

53% of firms said they expect to increase their workforce, in an unchanged result from July, but 16% of businesses anticipated a reduction in their headcount. This meant that the net balance for staffing levels dropped by 2 points to 37%. However, this continues to be an increase from averages outlined in Q1 (32%) and Q2 (35%).

Hann-Ju Ho

Senior Economist, Lloyds Bank Commercial Banking said:

“As in July we’ve seen a particularly strong outcome for business confidence. It remains at an elevated level of 50%, which is well above the long-term average of 29% - and it has been above the average for the past 15 months. Official GDP data for the first half of this year was encouraging and the survey results indicate that solid economic performance will likely continue as we move into the second half of the year.

“On a more cautious note, we have seen wage growth expectations pick up this month, although not enough to negate the downward trend so far in 2024.

“Overall, the economy looks to be stable and from the positive results recorded, businesses are echoing this sentiment”.

Pricing Insights

Price expectations among firms decreased once again for the second time in three months. In August, 58% of firms planned to raise prices in the next year (down from 60%), whereas 4% intended to lower them (up from 3%). The net balance dropped three points to 54% making it the second lowest in 2024, with a three-month average of 55% - the lowest since September 2023. Despite this decline, the net balance remained high in contrast to pre-Covid levels.



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Sector Insights

Output expectations for the various sectors remained at or near their three-year highs. Construction had a steep increase to 58%, up by 14 points, whereas other sectors experienced slight declines. Trading prospects for manufacturing dropped by 2 points to 58%, at the same level as construction, while Retail and Services fell to 53% down 7 and 3 points respectively.

Paul Gordon

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

“With business confidence levels remaining at an eight year high, it is reassuring to know that UK firms are making strides in this space. It is great to see economic optimism rising steadily throughout the year and we hope to see this continue.

“Our priority is to provide ongoing support for all businesses regardless of their confidence or trading prospects, to ensure that we can continue to help Britain recover and prosper.”

Regional insights

Six of the UK's 12 regions reported higher business confidence in August with the Northeast and Scotland being the most upbeat followed by London and the Northwest. Although the East Midlands and East of England displayed lower confidence this month, they remained above the national average.

Wales, the Southwest and Yorkshire & the Humber were in the lowest quartile. However, the latter two regions still showed higher confidence in August compared to July.



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Notes to editors

- The fieldwork for the Lloyds Bank Business Barometer was conducted during 1 to 15 August 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.



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Chart 1: Confidence above average for a fifteenth month

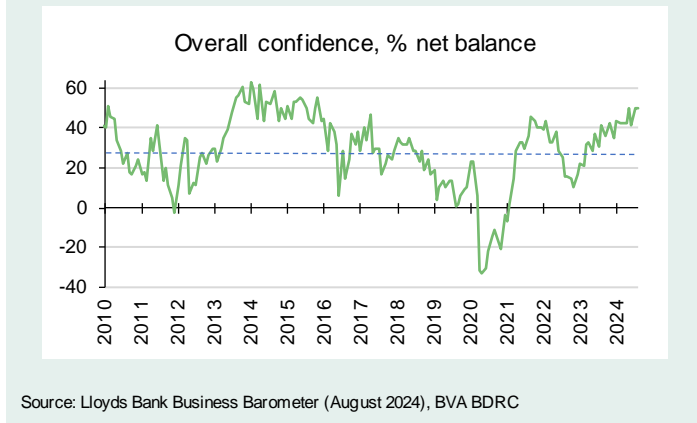


Chart 2: Strong trading prospects despite a slight dip

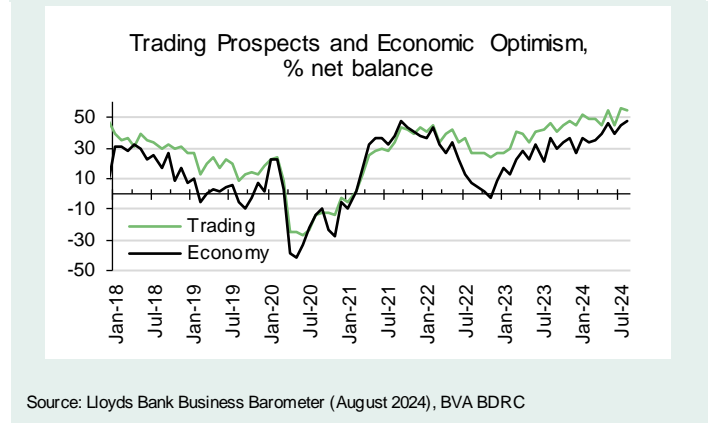


Chart 3: Employment still trending higher

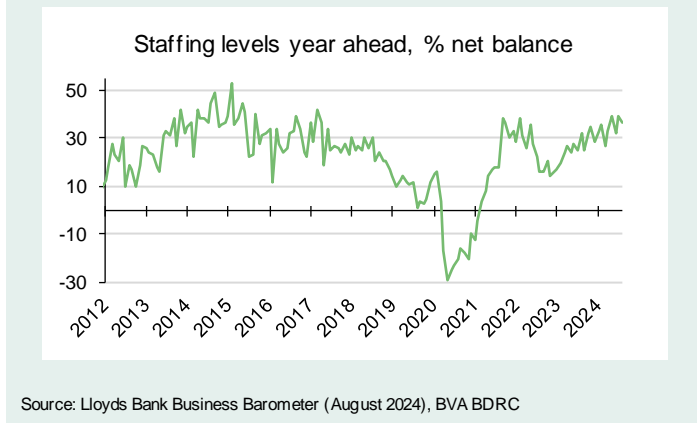


Chart 4: Underlying pressures ease

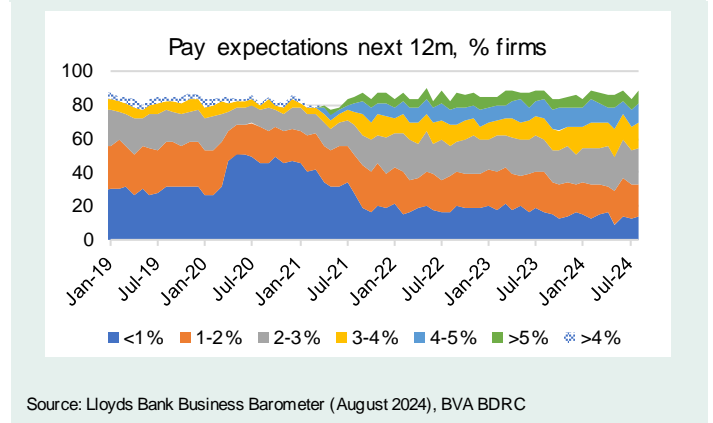


Chart 5: Trending lower

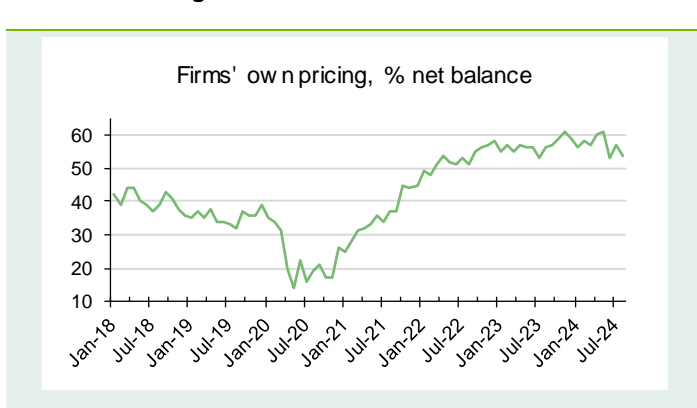
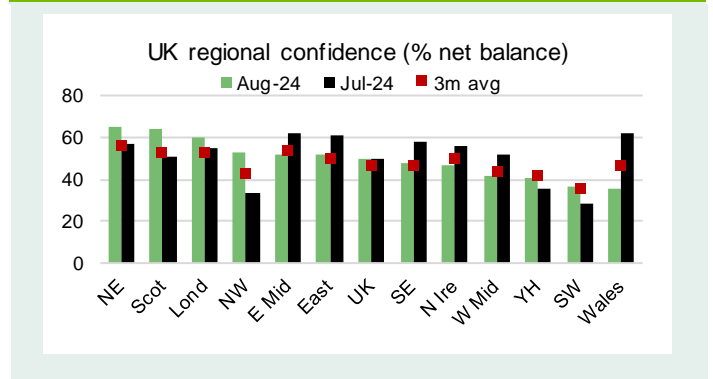


Chart 6: Even split between risers and fallers



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Source: Lloyds Bank Business Barometer (August 2024), BVA BDRC

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