



LLOYDS BANK

Business Barometer



Overall business confidence

42%



Monthly change

0 points



Trading Prospects

45%



Economic Optimism

39%

Business confidence holds steady highlighting optimistic outlook from UK businesses

- Overall confidence unchanged at 42% for third month in a row, signalling continued positivity
- Businesses' economic optimism reaches the highest level for over two years at 39%
- Firms' wage growth expectations pulled back for second month, although still above long-term average
- Firms most upbeat in the East of England, Wales and the North East

Lloyds Bank's latest Business Barometer has found that overall business confidence is unchanged in April – staying at 42%. The result means the overall confidence figure remains at an elevated level compared to the Barometer's long-term average (28%), with only January 2024 seeing businesses report higher levels of confidence (44%) in the last 12 months.

Although April is now the third month in a row where business confidence has not changed, firms did show more positivity than previous months in relation to the wider economy. In this respect, businesses reported the highest level of confidence in the economy since February 2022. Almost two-thirds (57%) of firms expressed greater optimism about their economic prospects, while 18% were less optimistic (down from 21% in March), meaning the net balance increased by 4 points to 39%.

Official monthly GDP data appears to corroborate these findings, as the data for January and February suggests the economy began to grow again early this year.

When asked about their own trading prospects, businesses continue to be positive, although slightly less than in previous months. Over half (55%) of the companies surveyed said they expected a stronger output over the next 12 months, while an unchanged 10% anticipated weaker activity. As a result, the net balance for trading prospects fell 4 points to 45%.

Concerns about supply chain disruption have reduced, compared to previous months. It is no longer the factor most concerning businesses, with interest rates, inflation, and energy prices the most prominent issues. Tellingly, even concern about these issues has continued to trend downward, coinciding with increased confidence reported by businesses.



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Employment Insights

Businesses' overall staffing expectations regained momentum in April to negate most of March's decline. Nearly half of all firms (49%) reported that they intended to increase their workforce and hire more employees over the coming months. Meanwhile, businesses expecting to reduce their staff numbers fell to 16% (down from 19% in March). As a result, the net balance increased by 6 points to 33%, in a positive sign for the labour market.

Further analysis, however, shows that the smallest companies surveyed – those with the lowest headcount (fewer than 10 employees) – were still somewhat cautious, showing less readiness to hire new employees. This could partly be due to the increase in National Living Wage which came into force this month, with smaller firms potentially more disproportionately affected.

The increase to salaries delivered by the new National Living Wage may also have been a factor behind wage growth expectations pulling back in April. The number of firms expecting a 3% increase (or more) fell to 30%, the second consecutive monthly fall. Similarly, the number of firms expecting to issue pay rises of at least 4% declined for a second month. It is important to note that these figures remain above the levels seen before the pandemic.

Hann-Ju Ho

Senior Economist, Lloyds Bank Commercial Banking said:

"We are beginning to see a consistent trend emerge from our Barometer results in recent months. Businesses are feeling increasingly confident about the economy, coinciding with falling inflation and hopes that interest rates will start to fall this year.

"There continues to be a mixed picture among the regions, with the biggest rises seen in Wales and the South West. The strongest confidence was reported in the East of England, with confidence rising for the third consecutive month. Confidence in the North East eased slightly but remained strong in April.

"The second quarter of 2024 has started brightly for businesses, and we are seeing firms expressing greater confidence in an enduring economic recovery."

Pricing Insights

Elsewhere, this month's survey also found that businesses expect to increase their prices in the coming months, highlighting increased pressures faced by UK firms. 63% of respondents (up from 60%) plan to increase their prices within the next year, while an unchanged 3% expect to reduce prices. The resulting net balance moved up 3 points to 63%.

Sector Insights

Businesses in the manufacturing sector reported increased confidence this month, recording an increased score of 45% (up 4 points) which is the highest level for 3 months. Similarly, confidence among firms in the services sector (42%) and construction (41%) also improved, largely driven by greater economic optimism.



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In retail, confidence pulled back slightly from last month's strong showing to 40%, illustrating that confidence in this sector remains fragile. Retail is also more liable to be impacted by external factors sectors other sectors do not face into, such as the poor weather.

Paul Gordon

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

"It's encouraging to see businesses are showing continued confidence in their own prospects and the wider economy. For the second consecutive month, confidence is unchanged which supports the growing sense that businesses are beginning to consistently feel more confident as we progress through the year.

"There are positive signs for the labour market with more businesses this month signalling they are open to hiring staff. However, the impact of minimum wage of companies' hiring intentions will be closely watched, and we are yet to see this materialise among the largest firms. Businesses with smaller headcounts however, have been a bit more cautious, although they remain broadly positive.

"Overall, businesses appear to be continuing the positive trend established at the start of the year, and we're here to support them with their ambitions going forward".

Regional insights

There was a mixed picture at a regional level in this month's results. The most notable positive increases in confidence could be seen in the South West and Wales, taking them above the UK average. Similarly, the East of England was also above the national average, recording a second rise in confidence.

Results for London, Scotland and the West Midlands however, kept fairly close to the wider UK average, with the latter increasing by quite a significant margin for confidence.



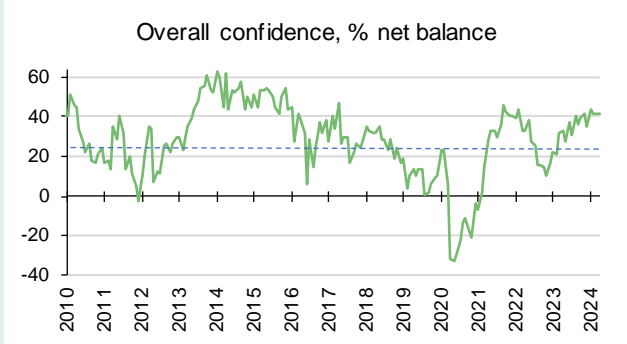
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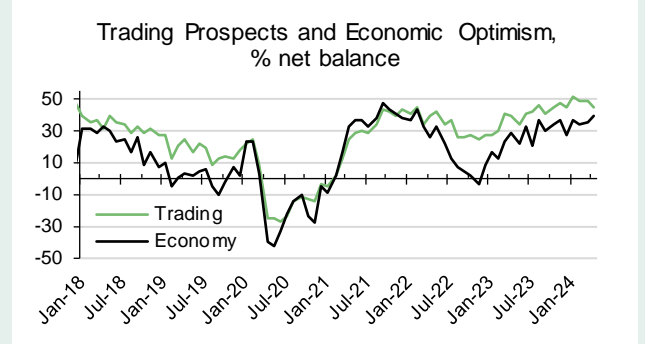
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Chart 1: Confidence staying near recent highs



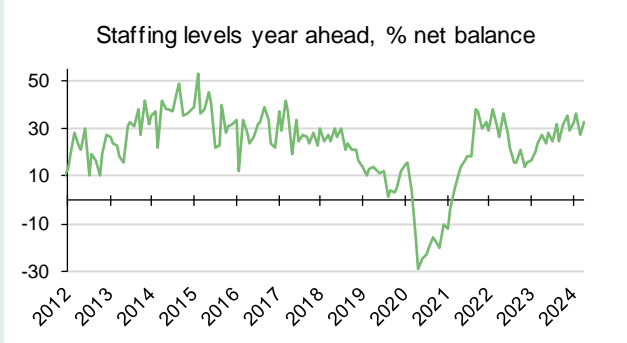
Source: Lloyds Bank Business Barometer (April 2024), BVA BDRC

Chart 2: Economic optimism at a 2-year high



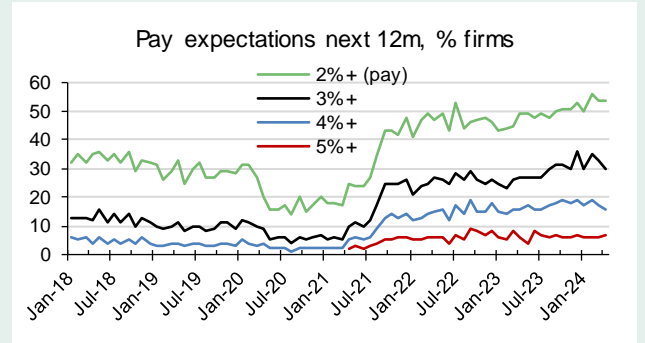
Source: Lloyds Bank Business Barometer (April 2024), BVA BDRC

Chart 3: Job prospects remain positive



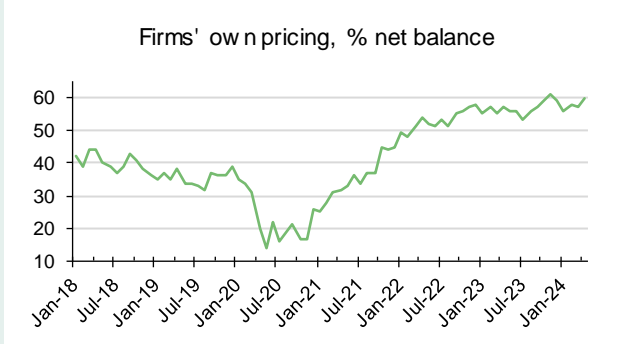
Source: Lloyds Bank Business Barometer (April 2024), BVA BDRC

Chart 4: Still elevated versus pre-Covid



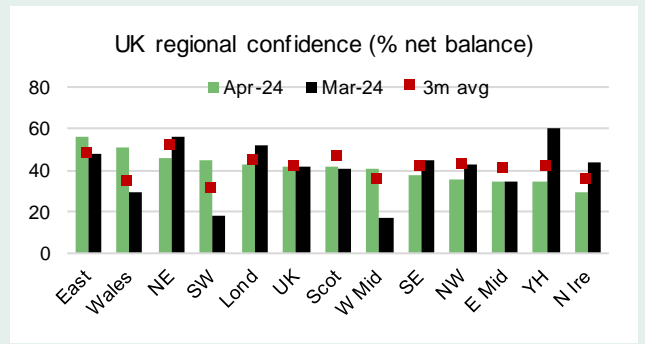
Source: Lloyds Bank Business Barometer (April 2024), BVA BDRC

Chart 5: Broad upward pressures remain



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

Chart 6: Most upbeat in the East of England



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



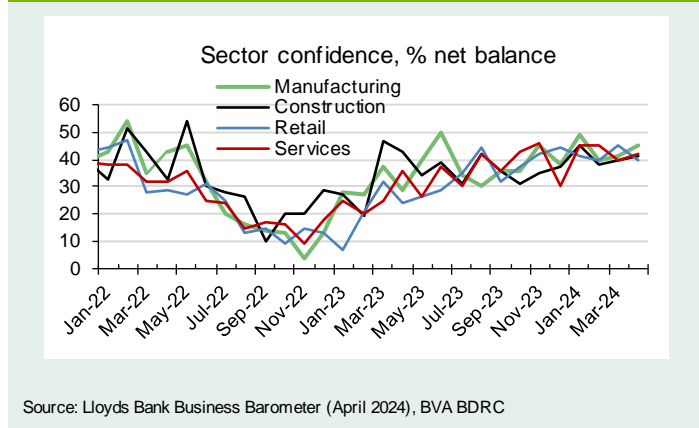
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Chart 7: Broad-based uptrend



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Notes to editors

- The fieldwork for the Lloyds Bank Business Barometer was conducted during **2-16 April 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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