LLOYDS

Overall business confidence	Monthly change	Trading Outlook	Economic Optimism
49%	**+5 points**	**56%**	**42%**

Business confidence reached four-month high during July as external environment calmed

- Business confidence rose five points in July.
- Business confidence for firms with <£1 million turnover up 11 points to 48%.
- Economic optimism rose 11 points.
- Economic optimism for domestic firms up 22 points to 25%.

Business confidence in the UK hit a four-month high, rising five points to 49% in July, two points higher than the 12-month average of 47%, according to the Lloyds Business Barometer. This was driven by an increase in economic optimism, reflecting the decline in global energy prices, the Bank of England holding interest rates and the announcement of an interim peace agreement in the Middle East at the time of the fieldwork for the survey.

The overall business confidence figure is an average of economic optimism and trading outlook.

Economic optimism

Optimism in the wider economy rose 11 points to 42%, compared to a 12-month average of 37%. Of those surveyed, 59% said they were optimistic (up four points from June) in the wider economy, while those who felt pessimistic decreased by seven points to 17%. The main factors cited by firms who felt more positive this month were, stronger customer demand, improving interest rates or financial conditions and better economic news.

Trading outlook

Businesses' own trading outlook remained unchanged at 56% in July, compared to a 12-month average of 57%. Sixty-five percent of firms (up one point from June) expect stronger output over the year ahead, while those expecting-weaker activity increased one point to 9%. Among firms expecting stronger activity, the main factors were stronger customer demand, increased investment in capacity or tech and improved supply chain conditions.

Domestic vs International

Domestic firms reported a 22-point increase in economic optimism to 25%. While International firms saw a more

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modest rise from 47% to 51%. Both increases were driven by stronger customer demand, improving financial conditions and better economic news.

Trading outlook also increased for domestic firms, up six points to 43%, driven by stronger customer demand, increase investment in technology and improved supply chain conditions. However international firms saw a decline of three points to 62%, driven by higher cost pressures, economic uncertainty and staffing shortages.

Turnover size

Smaller firms with turnover below £1 million reported a strong increase in business confidence, up 11 points to 48%, driven by stronger market demand, improving financial conditions and better economic news.

Amanda Murphy, CEO for Lloyds Business and Commercial Banking, said:

"It's encouraging to see business confidence reached its highest level in four months, driven by a significant improvement in economic optimism. While challenges remain, these results suggest many businesses are feeling more optimistic about the opportunities ahead.

"Businesses have remained remarkably resilient in recent months, with many focusing on investing in their future, improving productivity and making sure they're well placed to respond as market conditions change. The stronger confidence we're seeing among smaller businesses and firms focused on the domestic market is particularly encouraging, suggesting more businesses are starting to see opportunities for growth and investment."

Sector insight

Business confidence among manufacturing firms rose 14 points to 47%, compared to a 12-month average of 45%. This was driven by stronger customer demand, improving cost pressures and better economic news. Business confidence amongst construction firms increased 10 points to 56%, compared to a 12-month average of 47%. This was driven also by stronger customer demand, improving financial conditions and industry-specific improvements.

Service sector firms saw an increase of four points to 49%, against a 12-month average of 46%. This was driven by, similarly to those in other sectors, stronger customer demand, improving financial conditions and better economic news.

Retail firms remained broadly stable, down two points to 43%, compared to a 12-month average of 46% driven by higher cost pressures, economic uncertainty and capacity constraints.

Hann-Ju Ho, Senior Economist, Lloyds Commercial:

"July's rise in confidence appears to reflect a more stable global backdrop, with lower energy prices and reduced uncertainty helping to lift firms' view of the wider economy.

“The improvement was driven primarily by stronger economic optimism, with confidence increasing across a number of sectors, particularly Manufacturing and Construction. This points to firms responding positively to a calmer external environment, while remaining sensitive to geopolitical risks. If global conditions become more uncertain again, sentiment could react, particularly where firms are still managing cost pressures and competitive conditions.”

Regional insights

Confidence rose in seven of the UK’s 12 regions and nations, with the North East, Yorkshire & Humber, and the West Midlands all reporting strong increases and leading the rankings. However, sentiment fell in the South West, Scotland, Northern Ireland, and London.

The East of England saw the biggest increase, up 30 points to 53%. Wales and the South East also saw notable improvements.

Rank	Region/Nation	July-26	Change vs June	Rank change vs July
1	North East	75%	+21pp	▲ 2
2	Yorkshire & Humber	61%	+14pp	▲ 4
3	West Midlands	57%	+19pp	▲ 6
4	East of England	53%	+30pp	▲ 8
5	London	51%	-4pp	▼ 3
6	South East	50%	+15pp	▲ 4
7	North West	49%	+6pp	▲ 1
8	East Midlands	49%	-7pp	▼ 6
9	Wales	44%	+12pp	▲ 2
10	Scotland	42%	-6pp	▼ 5

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11	South West	30%	-14pp	▼ 4
12	Northern Ireland	26%	-23pp	▼ 8

Ends

Notes to Editors

- The fieldwork for the Lloyds Bank Business Barometer was conducted during **1 – 16 July** by Ipsos. The full report for July can be found here.
- To understand more about how the Business Barometer compares to other confidence surveys, read our report here.
- International firms are defined in the survey data as UK businesses that export, or import or do both. Domestic firms only trade within the UK.
- The survey has been running since 2002 and 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 and Trade 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.
- We provide in depth regional press releases for eleven of the UK's regions and nations.

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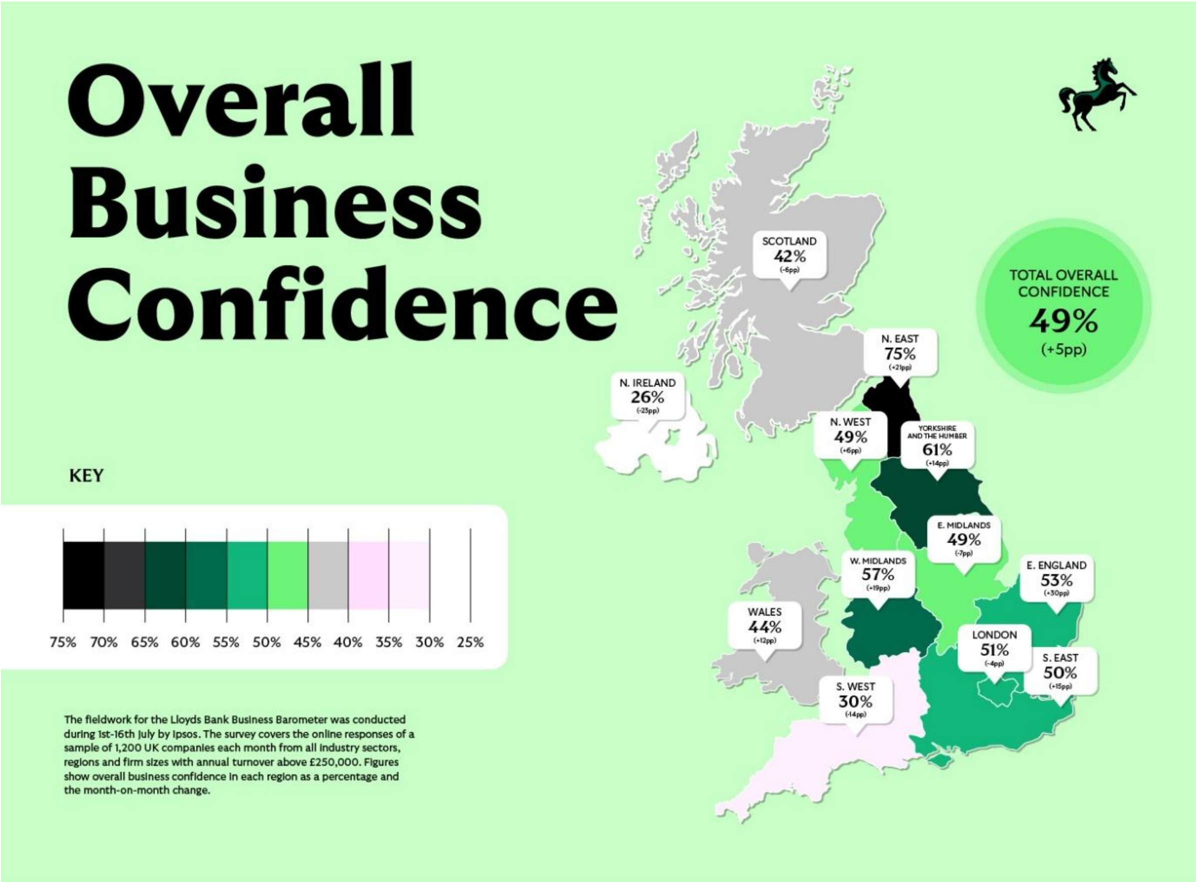
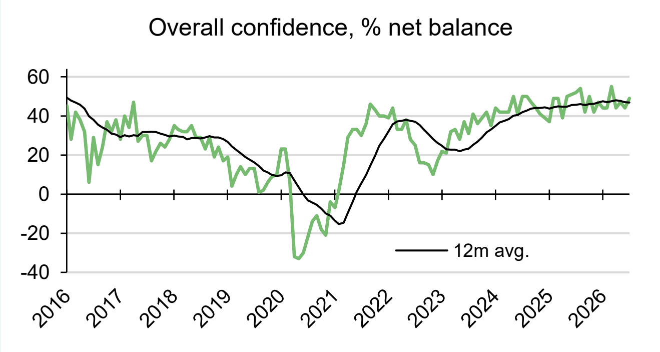
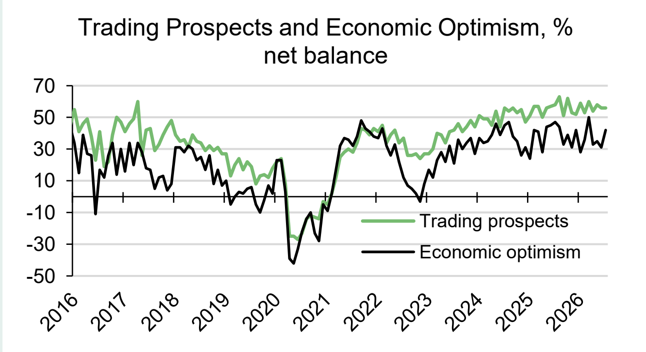


Chart 1: Confidence climbs above recent average



Source: Lloyds Business Barometer (July 2026), Ipsos

Chart 2: Firms remain positive on future activity



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