



LLOYDS BANK

# Business Barometer



Overall business confidence

**39%**



Monthly change

**+3 points**



Trading Prospects

**44%**



Economic Optimism

**34%**

## Business confidence rebounds following September slump

- **Business confidence rose to second highest level in 2023**
- **Pricing expectations reach a high for this year**
- **Retail and service sectors lead way with greatest increases in business confidence, after significant falls in September**
- **Eight out of 13 regions reported significant gains in business confidence with the largest increases in the South West, Wales and Yorkshire & the Humber**

Business confidence rose to 39% in October, a three-point increase, to reach the second highest level in 2023—surpassed only in August (41%).

The confidence level this month is significantly above the long-term average of 28% and contrasts sharply with the Barometer reading of just 15% in October 2022, in the weeks after the mini-budget.

Businesses also reported increased trading prospects for the year ahead alongside greater optimism in the economy.

Firms' trading prospects were up this month with 54% (up two points) of businesses anticipating stronger activity in the next 12 months, compared with 10% (down one point) expecting weaker outcomes. This resulted in the net balance rising three points to 44% versus 41% in September.

Optimism about the wider economy also increased, with 55% (up four points) of firms reporting greater optimism, while 21% (unchanged) were less upbeat. The net balance therefore rose four points to 34% compared to 30% in September.



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## Pricing insights

The pricing expectations of companies reached a new high for 2023 in October with a third consecutive monthly increase. Sixty-two percent (up two points) of firms plan to raise their prices with an unchanged 3% planning to reduce them. This results in a net balance increase of two points to 59%.

## Employment insights

Companies' hiring intentions increased this month, with the net balance expecting to raise their staffing level up seven points to 32%. This reversed the seven point fall in September, with the 32% level equalling the previous high in August 2023.

The proportion of firms planning to increase their headcount rose to 48% (up three points), while 16% (down four points) expect to reduce the number of employees. Hiring intentions continue to remain stronger than at the start of the year and firms are clear in their desire to prioritise retaining and attracting staff.

The October Barometer saw predictions for average wage growth remain elevated, with 31% of firms expecting a pay growth of 3% or higher, while 19% (up one point) anticipate pay to increase by 4% or higher.

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

“Business confidence this month reflects a more positive outlook as we head into the important festive period, with trading prospects and economic optimism both at their second highest levels this year. The level also underlines the wider upward trend of steadily rising confidence in 2023. If you look at the year in quarterly time periods, confidence has steadily risen from 20% in the first quarter, 26% in the second and in September an average of 27% in the third.

“However, our data shows that firms are still safeguarding their profit margins in response to the possibility of interest rates remaining high, wage increase pressures, and the prospect of higher energy prices again this winter.

“Therefore, businesses will be keeping a keen eye on the forthcoming Autumn Statement and Bank of England policy announcements as they navigate through a challenging economic period ahead.”

## Sector insights

Following a fall in confidence in September, the retail and service industries both saw an increase in business confidence, with retail business confidence increasing by five points to 37% and services rising seven points to 43%. Levels are still lower than seen in August, however, when retail business confidence was at 44% and services at 42%.



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Manufacturing confidence was 36%, unchanged from last month when confidence rose to a three-month high. Construction fell for a second month in a row to 31% (down five points).

## **Paul Gordon**

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

“Retail and service sectors have clearly felt reassured this month, after confidence fell in September. While others have commented that consumers may be feeling the strain, our data shows that in terms of their future appetite, it certainly isn’t ‘doom and gloom’ for retailers.

“However, higher energy costs and rising oil prices will undoubtedly have an impact on consumers and businesses alike. If businesses can look to their future financial stability now and ensure cash-flow remains a priority, that should put them in good stead for the months ahead.”

## **Regional Insights**

Eight of the UK’s regions and nations reported higher business confidence. The biggest gains were in the South West (47%, up 26 points), Wales (45%, up 11 points) and Yorkshire & the Humber (52%, up ten points). This is the second month in a row Yorkshire & the Humber has shown a significant gain in business confidence. In contrast, the lowest confidence levels were in Scotland (26%, down 7 points) and the South East (30%, down three points). Other regions which recorded a monthly fall in sentiment included the North West (34%, down four points) and the West Midlands (34%, down two points).



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## Notes to editors

- The fieldwork for the Lloyds Bank Business Barometer was conducted during 2-16 October 2023 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.
- For further summaries and infographics, see #BusinessBarometer or follow @Lloydsplc on Twitter.

Chart 1: Confidence well above levels of a year ago

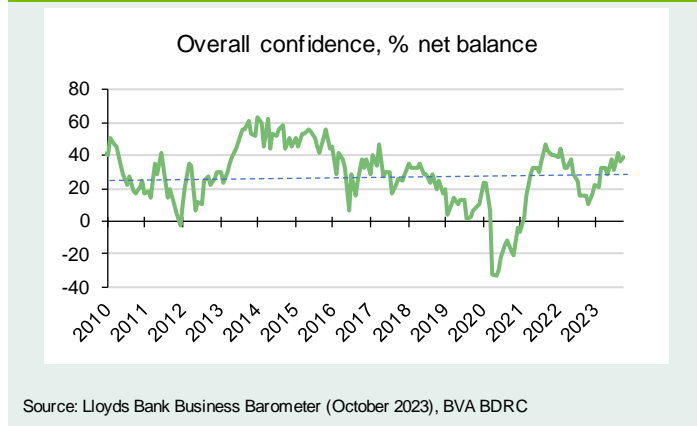


Chart 2: Upward trend remains intact

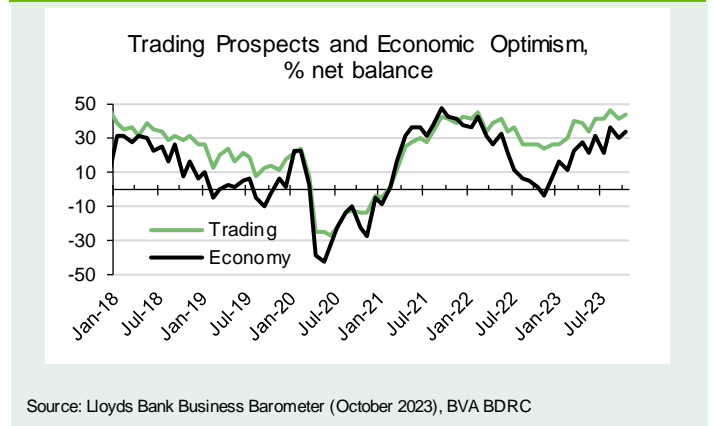


Chart 3: Staffing expectations bounce back

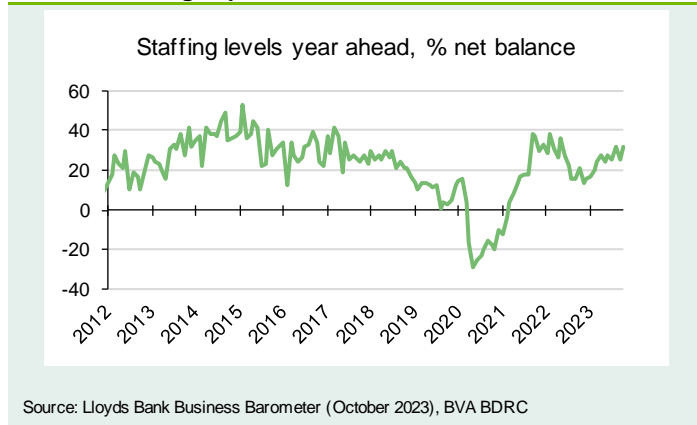


Chart 4: Historically high pay growth

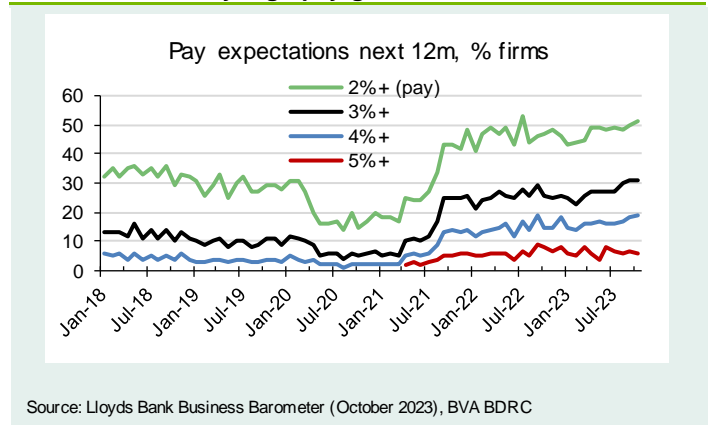


Chart 5: A new high for the pricing net balance

Chart 6: Yorkshire on top



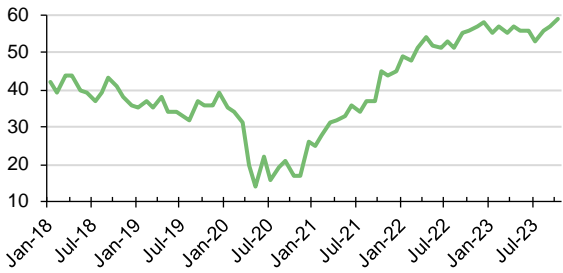
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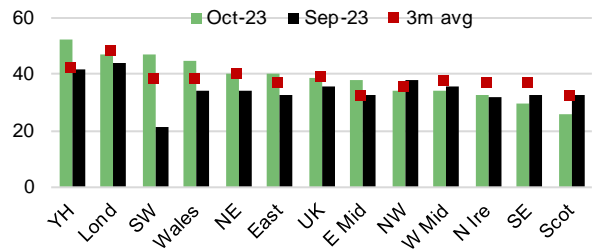
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Firms' own pricing, % net balance



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

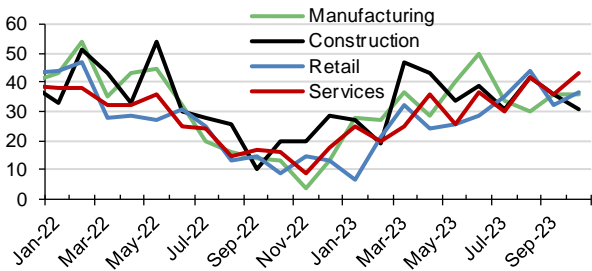
UK regional confidence (% net balance)



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

Chart 7: Manufacturing confidence remains steady

Sector confidence, % net balance



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



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