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Business Barometer



Overall business confidence

42%



Monthly change

+3 points



Trading Prospects

48%



Economic Optimism

37%

Business confidence rises to highest level since early 2022

- Trading prospects reach a near six-year high
- Hiring intentions at highest level for 18 months
- Over half of firms expecting to increase headcount in the next 12 months
- Services sector business confidence increased to highest level since September 2021
- Both the North West and Scotland saw double-digit gains in business confidence

Business confidence rose to 42% in November, a three-point increase, to reach the highest level since February 2022, before the energy crisis which followed the outbreak of the war in Ukraine.

The rise in business confidence is significantly above the long-term average of 28%, and has been driven by increased trading prospects for the year ahead, greater optimism in the economy and more companies expecting to hire staff. The increase in November followed a three point rise in October, a sharp contrast to the 15% business confidence figure we saw in October 2022.

The Barometer survey, which was conducted before the Chancellor's Autumn Statement on 22 November, shows firms' trading prospects were up this month with 56% (up two points) of businesses anticipating stronger activity in the next 12 months, compared with eight percent (down two points) expecting weaker outcomes. This resulted in the net balance rising to a near six-year high, four points to 48% versus 44% in October. The last time the trading prospects net balance reached 48% was in December 2017.

Optimism about the wider economy also increased, with 57% (up one point) of firms reporting greater optimism, while 19% (down two points) were less upbeat. The net balance therefore rose three points to 37% compared to 34% in October.

Employment insights

Companies' hiring intentions reached the highest levels for 18 months, with the net balance of companies expecting to raise their staffing level up three points to 35%. This further builds on the gains seen in October (32%, up seven points)



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which followed a seven-point fall in September.

The proportion of firms planning to increase their headcount rose to 51% (up three points), while an unchanged 16% expect to reduce the number of employees. Hiring intentions continue to remain stronger than at the start of the year which saw a net balance figure of 17%, against 35% this month, as firms prioritise retaining and attracting staff.

Expectations for average wage growth took a slight fall with 30% of companies (down one point) expecting pay growth of three percent or more, and 18% (also down one point) expecting at least a four percent growth.

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

“Business confidence rising to a 21-month high shows the resilience of UK companies, as both trading prospects and economic optimism continue to rise.

“It’s encouraging to see signs that wage expectations may be stabilising, even against the backdrop of hiring intentions increasing to an 18-month high. Price indicators in the survey are similarly up, with our data continuing to show that firms are still safeguarding their profit margins in response to past rises in interest rates, wage increase pressures, and the prospect of higher energy prices again this winter.

“Our next survey in December will reveal how firms are digesting the measures announced in the Chancellor’s Autumn Statement last week as they navigate the busy festive season and make plans for 2024.”

Pricing insights

The pricing expectations of companies reached a new high for 2023 in November with a fourth consecutive monthly increase. Sixty-four 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 61%.

Sector insights

Firms in the services industry reported an increase in confidence to 46% (up three points), the highest level for over two years (since September 2021), reflecting broad-based optimism in the sector. Retail confidence also rose for a second month to 42% (up five points), while sentiment among manufacturing firms reached a five-month high of 45% (up nine points) in contrast with recent shortfalls. Construction firms’ confidence improved for the first time in three months to 35% (up four points), but this still lags other sectors.



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Paul Gordon

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

“Last month showed strong performance across a number of sectors, with the services industry showing material gains as confidence reached the highest level since September 2021. We’ve also seen a real turnaround in sentiment for manufacturers, with business confidence at a five-month high, reflecting the expectation among many firms that interest rates have now peaked and may begin to fall next year.

“Retail confidence continued to climb, up five points to 42% and with consumer confidence showing a sharp rise in a recent key tracker, businesses are certainly hopeful for the future.

“However, recent increases in 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

There was an even split between confidence risers and fallers this month. The biggest increases with double-digit gains were in the North West (54%, up 20 points) and Scotland (41%, up 15 points). The North West is now in second place (behind London) in terms of the level of confidence, while business confidence in Scotland is now almost on a par with the UK average. Along with London (56%, up nine points) and the North West, confidence levels were above the national average in Yorkshire & the Humber (50%, down two points), the North East (48%, up eight points) and the East of England (46%, up six points).



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Notes to editors

- The fieldwork for the Lloyds Bank Business Barometer was conducted during 1-15 November 2023 (before the Autumn Statement on 22 November) 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. Prio 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 @Lloydspic on Twitter.

Chart 1: Confidence makes further gains

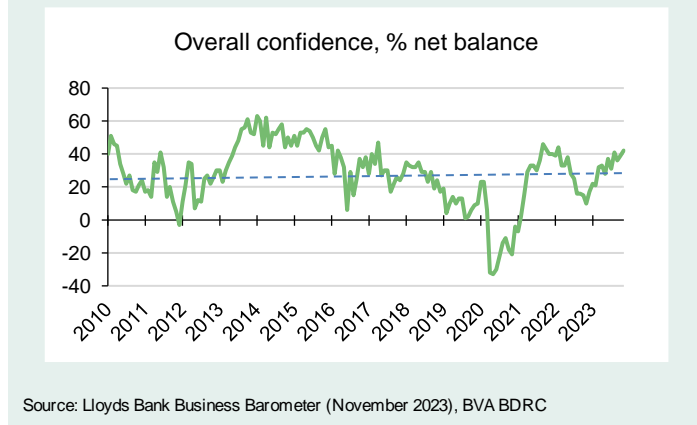


Chart 2: Trading and economic prospects improve

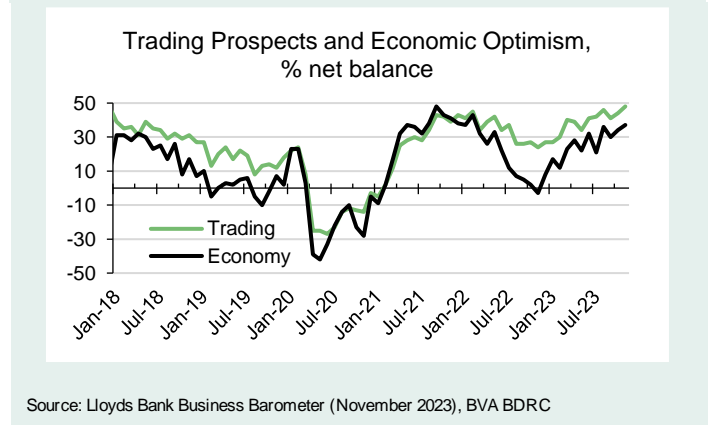


Chart 3: Hiring intentions at an 18-month high

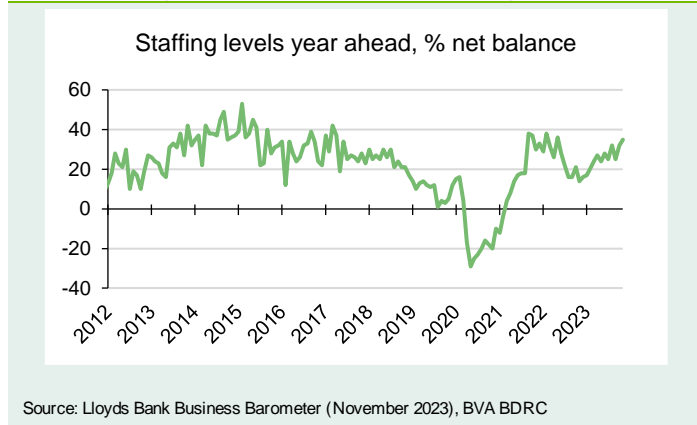
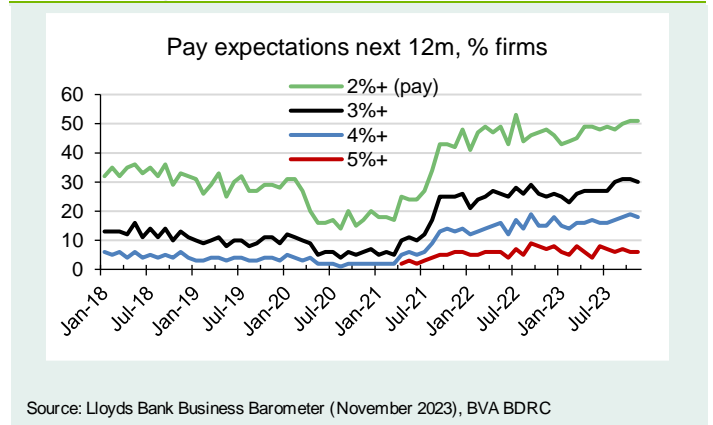


Chart 4: Pay growth trends remain elevated



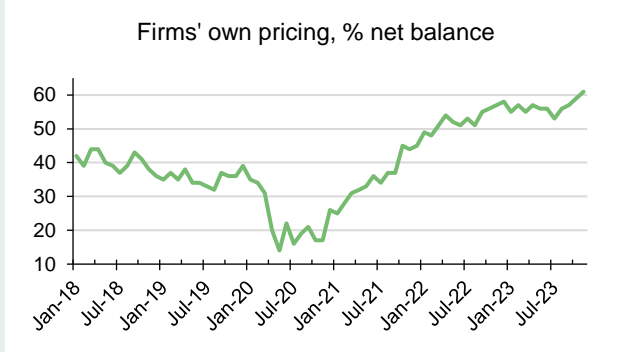
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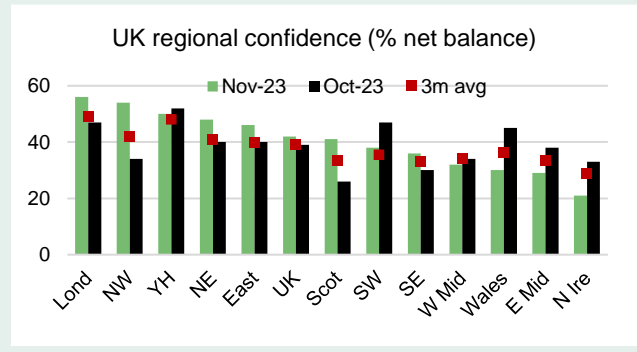
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Chart 5: Firms' own pricing hits another new high



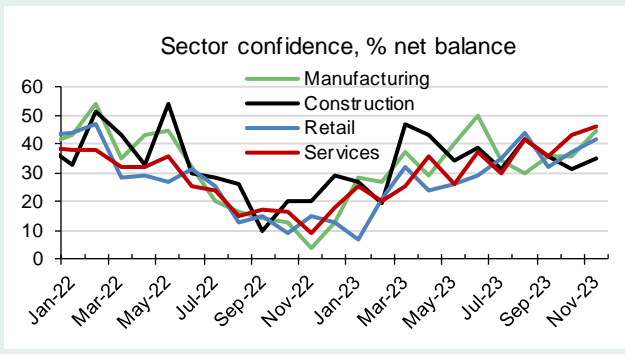
Source: Lloyds Bank Business Barometer (November 2023), BVA BDRC

Chart 6: London and Northern England at the summit



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

Chart 7: Manufacturing confidence at a 5-month high



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



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