



LLOYDS BANK

# Business Barometer



Overall business confidence

**50%**



Monthly change

**8 points**



Trading Prospects

**54%**



Economic Optimism

**46%**

## Business confidence rises in May

- **Latest survey data shows overall business confidence increases to eight-year high**
- **Firms planning to hire more employees as staffing expectations increase for second month in a row to the highest level since 2017**
- **Confidence in construction and services sectors particularly strong, increasing to 1- and 6-year highs, respectively**
- **South East, Scotland and the West Midlands regions reported highest confidence levels in May**

The latest Lloyds Bank Business Barometer has found that overall business confidence reached its highest level for over eight years. Confidence increased by 8 points – up to 50% – a level last exceeded in November 2015. Survey data suggests the monthly increase is largely attributed to businesses' improved assessment of their own trading prospects and the broader economy.

Firms' expectations about their own activity had begun to settle at an elevated, but steady, level since January 2024. This month however, the Barometer's findings showed that 62% of businesses expected stronger trading prospects (up from 57%), while 8% predicted weaker output (down from 10%). The resulting net balance increased 9 points to a seven-year high of 54%.

Businesses also showed increased positivity in relation to the wider economy. 62% of respondents said they were more optimistic compared to three months ago (up from 57%), while 16% were more pessimistic (down from 18%). The resulting net balance for economic optimism reached 46%, its highest point since September 2021.



### Contact

Adam Charles | [adam.charles@lloydsbanking.com](mailto:adam.charles@lloydsbanking.com) | 07387745658



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This month's survey was conducted during 1 to 16 May and coincided with the release of Q1 GDP data, which confirmed a rebound in growth, and may have influenced findings. However, the result means current figures sit firmly above the survey's long-term average of 28%.

## Employment Insights

Over half (54%) of all businesses surveyed said they expected their workforce to increase in the next twelve months, while 15% (down from 16%) expected a lower headcount. The resulting net balance increased for a second month in a row, rising 6 points to 39%, and is the strongest expectation for staffing levels since March 2017. Wage expectations remained elevated relative to pre-Covid levels, with a higher proportion of businesses anticipating wage growth between 3-4% and 4-5%, although the proportion expecting above 5% growth remained steady.

### Hann-Ju Ho

#### Senior Economist, Lloyds Bank Commercial Banking said:

"These results highlight a notable improvement in business confidence. Optimism about the economy increased to 46% this month – the highest result since September 2021, when the country was emerging from the Covid-19 pandemic, but before the energy crisis after the invasion of Ukraine.

"The regional picture has also improved – we've now seen increases in seven of the UK's 12 regions, where there was previously a more mixed picture. Results in the South East, Scotland and the West Midlands were particularly strong. Across the sectors, there were strong, broad-based improvements in services and construction."

## Pricing Insights

For the second month in a row, more businesses said they expect to increase their prices in the coming months. 63% said they intend to raise their prices, while 2% (down from 3%) expect to lower their prices as businesses look to rebuild their profit margins against the backdrop of falling energy prices and inflation. The net balance increased 1 point to 61%, matching last November's result.



### Contact

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## Sector Insights

Similarly, there were particularly strong results reported in the construction and services sectors this month. Prospects in the construction sector jumped to 58% (up 20 points), the highest for 14 months, while in services, expected output increased to 57% (up 12 points). On the latter, it is the highest level since the survey was expanded in 2018. Expected business activity in the retail sector also improved to 49% (up 3 points).

Although trading prospects in manufacturing eased slightly to 49% (down 3 points), the underlying trend over the last three months remains positive.

### **Paul Gordon**

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

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“The last three months saw confidence unchanged at 42% as businesses adjusted to the economic environment. That consistency has been followed up by a marked increase in confidence in May with improved scores for trading prospects, economic outlook and hiring intentions.

“Following on from last month, there also continue to be positive signs for the labour market as businesses show increased hiring intentions.

“We remain committed to supporting our clients, providing the resources, expertise and solutions necessary to help businesses thrive in this evolving landscape”.



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## Regional insights

Confidence increased in 7 of the UK's 12 regions in May. The largest rises were in the South East, Scotland and the West Midlands, pushing them into the top three.

The East of England was placed joint-fourth, despite a marginal fall, while a sizeable gain was also seen in London. Big increases in the North West and Yorkshire & the Humber increased the confidence of businesses in these regions to close to the UK average.



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Chart 1: Confidence at 8-year high

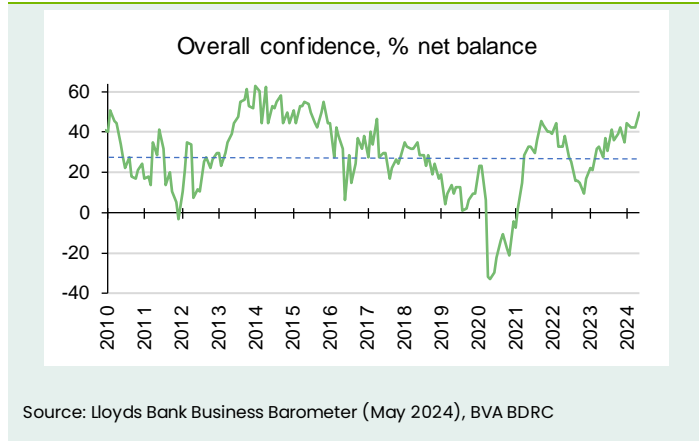


Chart 2: Prospects and optimism rally

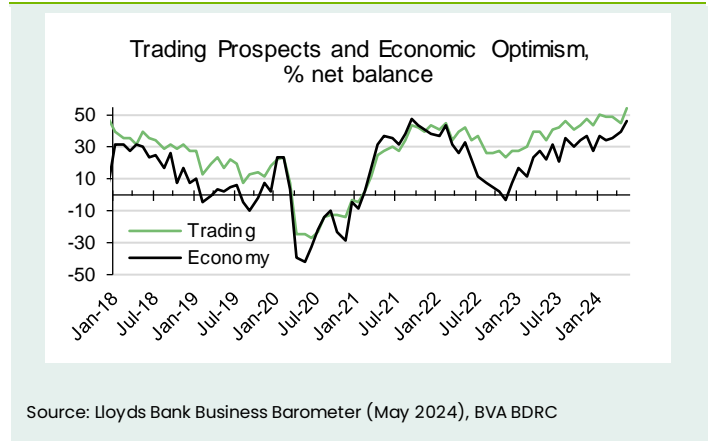


Chart 3: Strongest job prospects since 2017

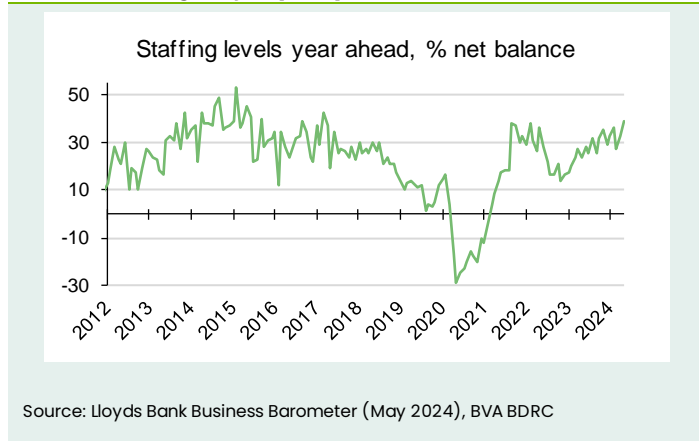


Chart 4: Pay expectations rise for 3-4% and 4-5%

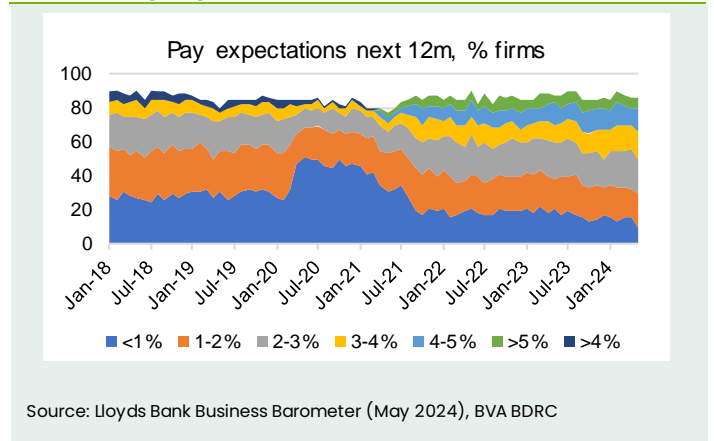


Chart 5: Firms look to rebuild margins

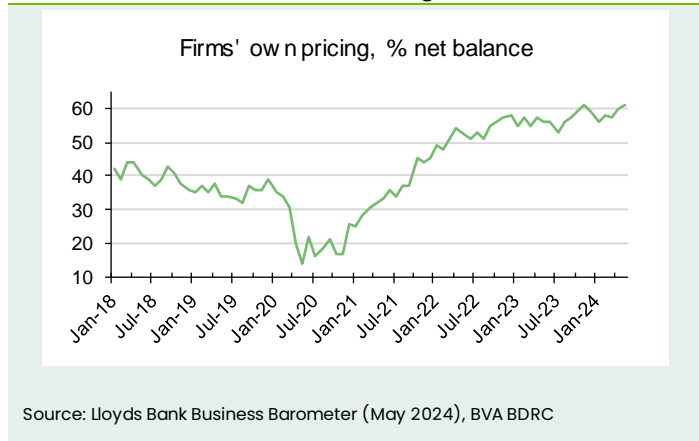
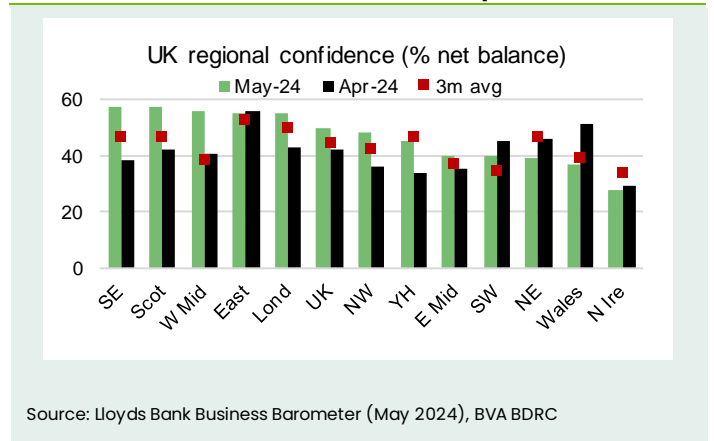


Chart 6: South East and Scotland on top



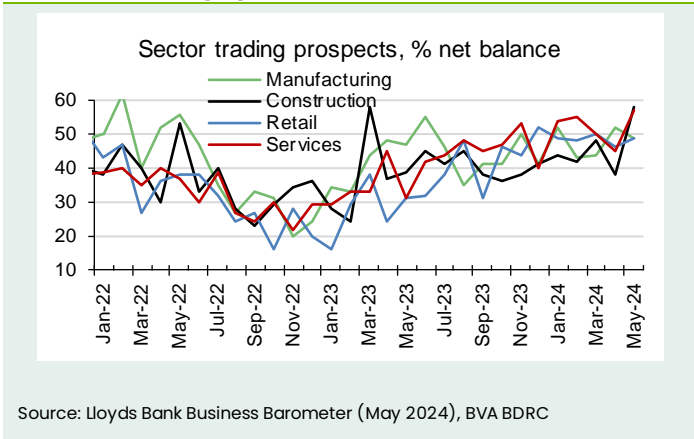
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**Chart 7: Recovery spans the sectors**



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## Notes to editors

- The fieldwork for the Lloyds Bank Business Barometer was conducted during 1 to 16 May 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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