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Business Barometer



Overall business confidence

42%



Monthly change

0 points



Trading Prospects

49%



Economic Optimism

35%

Business confidence maintained as firms continue to look forward to promising year ahead

- Business confidence unchanged at 42%, continuing the positive trend since the start of 2024
- Retail confidence rises to a 2-year high, offsetting less positive service sector outlook
- Firms' staffing expectations remain relatively strong but edge back from last month's high
- Yorkshire & the Humber most confident region, but significant falls seen in the Midlands

Lloyds Bank's latest Business Barometer has found that business confidence remains high, with March's figures unchanged month-on-month at 42%. In a promising sign of a return to economic growth, this month's survey data reflects the continued confidence firms have demonstrated so far in 2024 and means the overall business confidence level remains well above the survey's long-term average of 28%.

The Barometer – which measures businesses' overall confidence by assessing their trading prospects and optimism for the economy – also found that results for these metrics remained at historically strong levels. The net balance for firms' trading prospects was unchanged at 49%, the second-highest level since 2017. A further 59% of firms (up from 57% last month) signalled stronger activity for the year ahead, while 10% predicted lower output (up from 8%).

Results for economic optimism improved, increasing by 1 point to 35%. This accounted for 56% of businesses who felt more positive about the economy (up from 54%) compared to 21% of businesses who felt less positive. It should be noted that most of this month's survey results were collected before official GDP data revealed monthly GDP growth of 0.2% in January.

One factor driving the sustained confidence overall is businesses' reduced concern about supply chain disruption. Following disruption to international shipping routes, businesses had previously expressed concern regarding the cost of and ability to do business. However, these concerns have eased in recent months meaning overall business confidence now matches the highest level seen in 2023 (42%).

Employment Insights



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Elsewhere, firms' staff growth expectations remained positive albeit slightly down from last month's high. Overall, 46% of businesses said they expect to increase their workforce (down from 49%), while 19% plan to reduce their headcount (up from 13%). The smallest firms – those with fewer than 10 employees and a turnover above £250,000 but below £1m – were the least likely, on balance, to plan to hire new staff. The resulting net balance fell to 27% from 36% last month, which is still above the long-term average of 22%. Businesses of all sizes also reported labour shortages this month.

The survey's figures for average wage growth could potentially indicate a gradual decrease in pay growth in the months ahead. The share of firms saying they expect to award 3% or more pay increases in the next 12 months fell slightly to 33% from 35%. In terms of pay in the past 12 months, there is further evidence of a downwards trend with the proportion of firms reporting 3% or more increases falling for the third month in a row (32%).

Hann-Ju Ho

Senior Economist, Lloyds Bank Commercial Banking said:

“With businesses reporting 42% confidence in March, this month's figures maintain the recent improvement bringing a positive end to the first quarter of the year. Firms are showing increasing resilience which is reflected in their easing concern about supply chain disruption and energy prices.

“Businesses also continue to signal optimistic hiring intentions, although slightly down on previous months. It's possible the impending minimum wage rises in April are beginning to come into sharper focus for businesses – especially smaller firms.

“Among the regions there was a mixed picture. Following unusually low confidence in February, London bounced back with a 14-point increase to bring the capital back in line with typical figures reported for the area, although the greatest confidence was shown by businesses in Yorkshire & the Humber who reported a 29-point rise, making it the most confident region overall. However, businesses in the Midlands saw a significant fall which seems to be an outlier compared to recent results.

“Overall, the Barometer across the quarter suggests that we could begin to see more optimistic economic growth in 2024 than seen in recent years, although medium-term challenges remain.”

Pricing Insights

For the third month out of a possible four, businesses reported a fall in how much they expect to charge for goods and services – however, there could still be signs that inflationary pressures have not fully dissipated. Although only 60% of businesses expect to raise their prices in the next 12 months this is down from 61% in February. The net balance remains high from a longer-term perspective as firms indicate that maintaining or increasing their profit margins remains a key strategic priority.

Sector Insights



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Services confidence fell 5 points to 40%, the first decline since December. That drop, however, was offset by rises in confidence in the manufacturing, retail and construction sectors. The gains in manufacturing (up 1 point to 41%) and construction (up 2 points to 40%) were relatively modest and confidence remained below levels seen at the start of 2024. Firms in the retail sector reported improved confidence (up 5 points to 45%), which was the strongest result for over two years.

Paul Gordon

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

“Businesses have shown remarkable confidence in the first three months of 2024. For the third consecutive month our Business Barometer has shown that confidence among firms remains positive and that they are feeling confident about their prospects in 2024.

“It’s similarly pleasing to see a strong set of results across the sectors – particularly in retail which has faced significant challenges over the last couple of years.

“The results so far this year suggest that businesses are ready to invest in themselves and feeling optimistic about the economy, and we’re here to support them in any way they need.”

Regional insights

While the overall UK business confidence level remained steady, there were significant changes at a regional level. Yorkshire & the Humber became the most confident region (60%) with a 29-point rise, while London confidence rose 14 points (52%), after falling in February.

The Midlands, however, saw significant negative shifts. Specifically, the West Midlands confidence fell 33 points to register the lowest confidence of any UK nation or region in March (17%), while notable falls were also reported in the East Midlands, Scotland and South West.



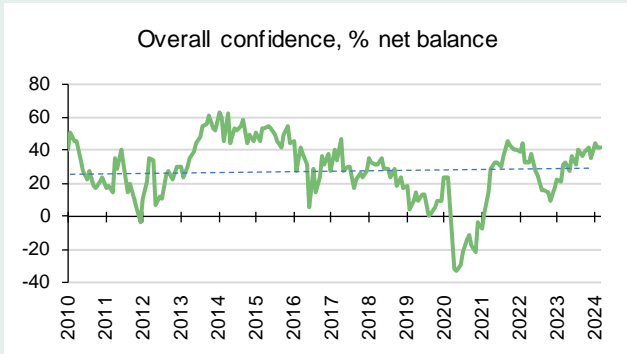
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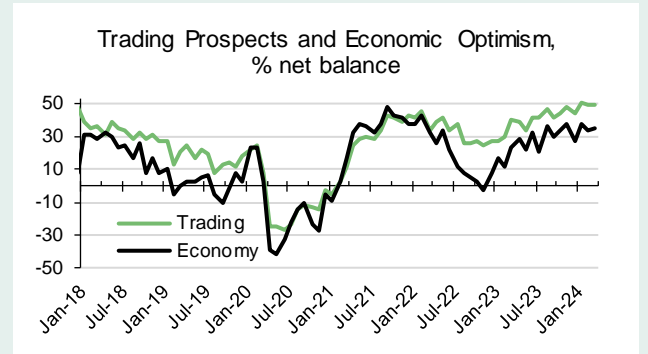
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Chart 1: Confidence anchored near recent highs



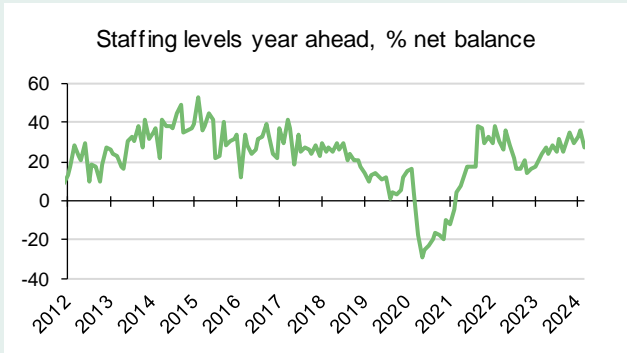
Source: Lloyds Bank Business Barometer (March 2024), BVA BDRC

Chart 2: Signalling stronger business activity



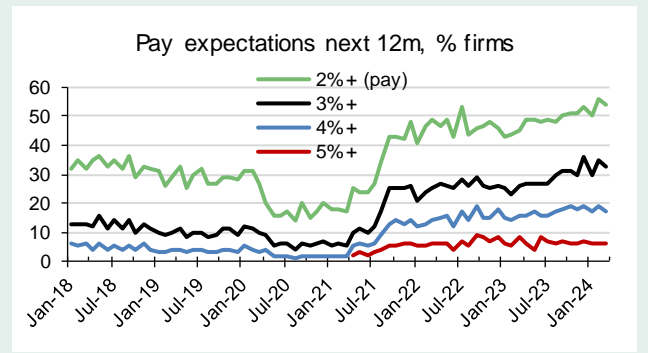
Source: Lloyds Bank Business Barometer (March 2024), BVA BDRC

Chart 3: Job prospects moderate from a 2-year high



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

Chart 4: Still relatively elevated



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



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Chart 5: Moderating gradually

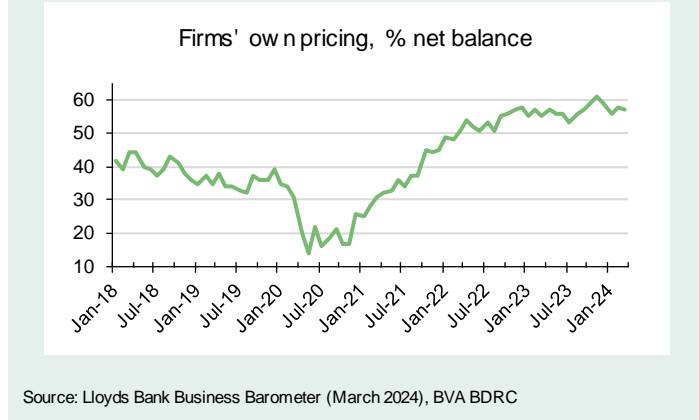


Chart 6: Yorkshire moves atop

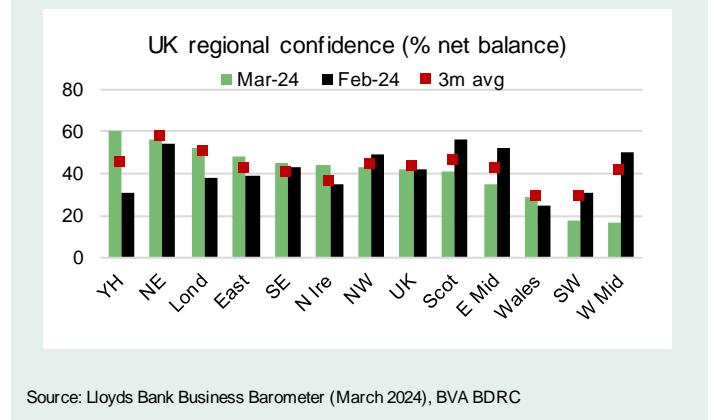
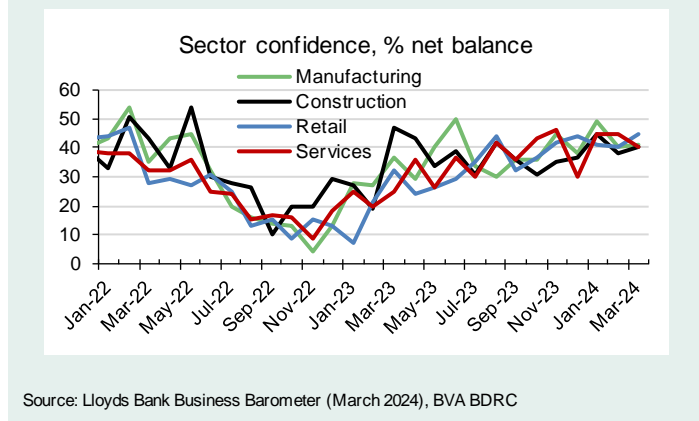


Chart 7: Services fall offset by rises elsewhere



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Notes to editors

- The fieldwork for the Lloyds Bank Business Barometer was conducted during **1-15 March 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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