



Overall business confidence

37%



Monthly change

-2 points



Trading Prospects

51%



Economic Optimism

24%

Business confidence falls back in January, but trading prospects rebound

- Business confidence dips but remains above long-term trends
- Trading prospects showed resilience, but economic optimism decreases
- Fewer companies planning to increase prices in the coming year

Businesses are less confident in the first month of 2025, the latest Lloyds Business Barometer has found.

Overall confidence slipped two points to 37%, falling for the fifth consecutive month to reach the lowest level for more than a year. Despite the dip, confidence is still above the long-term average of 29%.

In previous years, sentiment had been influenced by wider macroeconomic factors such as the Covid-19 pandemic and the energy crisis. The recent dips, however, have been more gradual, reflecting varied performance both across, and within, sectors.

The Business Barometer, which surveys 1,200 businesses monthly and which has been running since 2002, provides early signals about UK economic trends both regionally and nationwide.

Economic Optimism

Economic optimism decreased in January. For the fourth time in five months, firms taking part in the survey said they felt less positive about the economy, resulting in the score moving down seven points from December to 24%. Currently, 52% of companies feel more optimistic about the economy, while 28% feel more pessimistic.

Trading Prospects

The results for trading prospects, however, suggest respondents felt more confident about the future of their own businesses. The net balance rose by four points to 51%, to almost fully rebound from December's six-month low. 60% of companies are more optimistic about their output over the next 12 months, whereas only 9% were less positive and anticipated less activity.

Employment Insights

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The Barometer also found that the proportion of businesses planning to hire new staff fell marginally. Almost half of the companies that took part (49%) said they expect to increase their staff numbers in the next 12 months, whereas 17% were planning to reduce their headcount. The result means that the net balance fell one point to 32% – the lowest level since June 2024.

In recent months, the most significant changes were found in the retail and services sectors, although both showed modest improvements this month. Demand for labour in some parts of the services sector, including business services and health-related services, remains relatively upbeat.

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

“Changes in confidence can sometimes be sudden and sharp, but what we have seen recently has been a more gradual and measured decrease over time.

“The figures for trading prospects show promise with businesses signalling more resilience and assurance in their ability to weather perceived economic headwinds. The regional picture is similarly a cause for optimism, with seven regions reporting higher confidence meaning it is the first time since July there has been more confidence rises than falls regionally.”

“Elsewhere, the results for hiring prospects are in line with other trends from this month’s survey – dipping slightly by 1 point to 32%. Price expectations have fallen too, for the third month out of four”.

Pricing Insights

Fewer companies plan to increase their prices next year. Almost two-thirds of businesses (61%) said they expect to charge more for goods and services (a decrease from 64% in December), while an unchanged 2% plan to lower their prices.

The result means the overall balance dropped by three points to 59%, marking a five-month low. Recently, the most significant declines in price expectations have been observed in manufacturing and construction, with smaller decreases in retail and services. Price expectations, however, remain elevated relative to pre-pandemic levels.

Sector Insights

There were similar falls in manufacturing, construction and retail this month, with a slight increase in services. Confidence fell to 38% in manufacturing (down four points), 36% in construction (down five points), and 40 in retail (down three points). However, confidence in services increased by three points to 38%. These results come within a general trend of larger confidence declines in retail and services in recent months. Within the services sector, confidence has notably fallen in hospitality but has remained more stable in business services and health-related services.

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Paul Kempster, Managing Director for Commercial Banking Coverage, Lloyds Business & Commercial said:

“As we begin 2025, the results of our survey show that, whilst business-owners have mixed views about the economy, they have a strong determination to ensure their businesses can stand up to any challenges they might face. That resilience could prove to be a real benefit for the UK economy.

“With confidence dipping in some sectors this month – particularly in retail and manufacturing – it’s more important than ever that we show our commitment to businesses, providing the right guidance needed to help them grow and thrive.

“It’s clear the UK has what it takes to deliver growth, and we’ll continue Helping Britain Prosper to realise our collective potential”.

Regional Insights

For the first time since July, more UK regions and nations reported higher confidence rather than lower confidence. The South West and the North East saw the biggest improvements among the seven regions with an increased confidence score, while the South East and Northern Ireland saw the biggest falls among five regions with lower sentiment.

Firms in London, the West Midlands and the North East were the most confident, followed by the North West, Scotland and the South West.

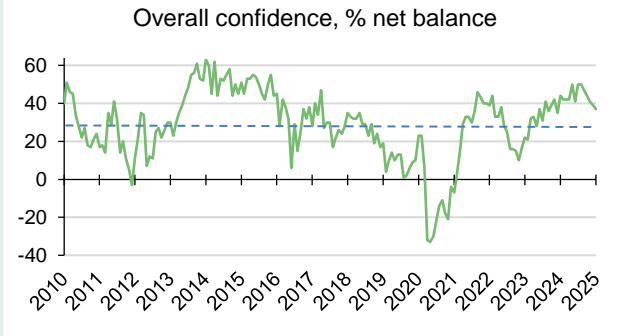
Ends

Notes to Editors

- The fieldwork for the Lloyds Bank Business Barometer was conducted during **January 3rd-17th** 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.

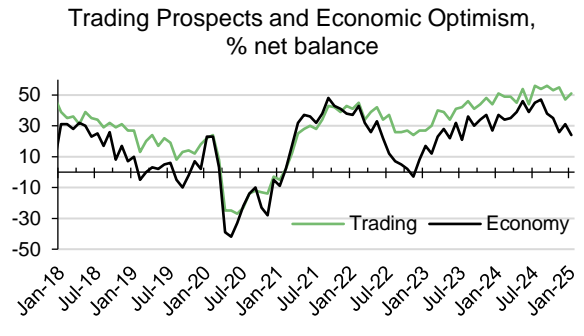
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Chart 1: Confidence hits a 13-month low



Source: Lloyds Bank Business Barometer (January 2025), BVA BDRC

Chart 2: Trading prospects improve slightly



Source: Lloyds Bank Business Barometer (January 2025), BVA BDRC

Chart 3: Hiring outlook weakens

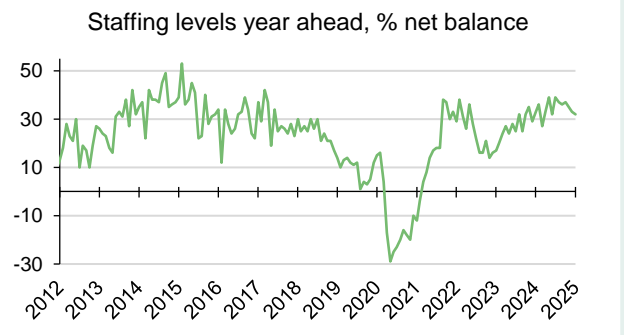
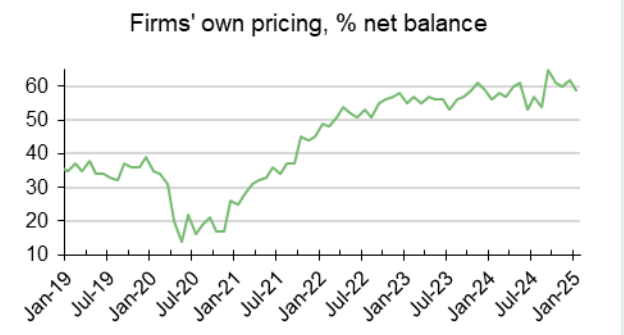


Chart 5: Price expectations decline from highs



Source: Lloyds Bank Business Barometer (January 2025), BVA BDRC

Chart 4: Wage outlook still above pre-pandemic norms

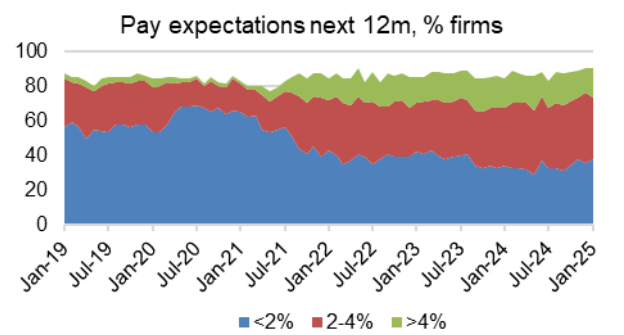
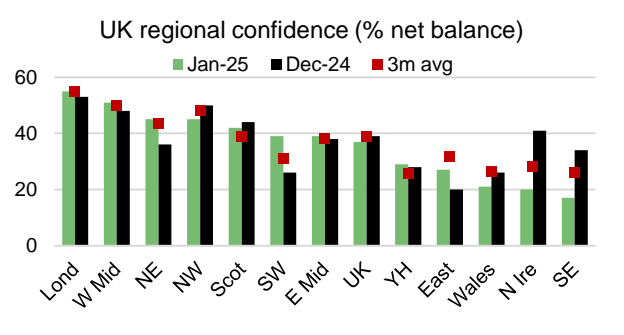


Chart 6: London and West Midlands lead confidence



Source: Lloyds Bank Business Barometer (January 2025), BVA BDRC

Chart 7: Manufacturing and construction confidence down

