BUSINESS & COMMERCIAL

Business Barometer

March 2026

55%	▲ **+11pp** vs. previous month
	▲ **+25pp** vs. long-term average

Overall business confidence

LLOYDS

Contents

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Summary

Confidence strengthens ahead of geopolitical impacts

Key highlights

- Strong early-March demand reported ahead of full impact from Middle East tensions
- Confidence rose to 55%, with staffing expectations also improving
- Own-price expectations eased, though many firms still reported rising cost pressures
- Sentiment increased in 10 UK regions and nations, highest in the Midlands and Yorkshire & the Humber
- Confidence strengthened across manufacturing, retail and services

Firms reported strong demand in early March – when most survey responses were collected – before the potential impact of tensions in the Middle East started to filter through to business sentiment. Overall business confidence rose by 11 points to 55%, supported by improvements in both trading prospects and economic optimism. The increase was driven mostly by smaller and more domestically focused firms. Staffing expectations also strengthened as businesses sought to meet demand, while price expectations eased as firms adopted more strategic pricing to retain or win customers. However, many firms continued to face upward pressure on prices due to rising costs, and others cited economic uncertainty as a significant downside risk to activity.

Confidence improved across manufacturing, retail and services, but softened in construction. Sentiment rose in 10 UK regions and nations, and is currently highest in the West Midlands, Yorkshire & the Humber and the East Midlands. On a less volatile three-month basis, London, Northern Ireland and the West Midlands lead the regional rankings.

This month's survey was conducted between 2 and 16 March, with more than 90% of responses gathered in the first week of the fieldwork period.

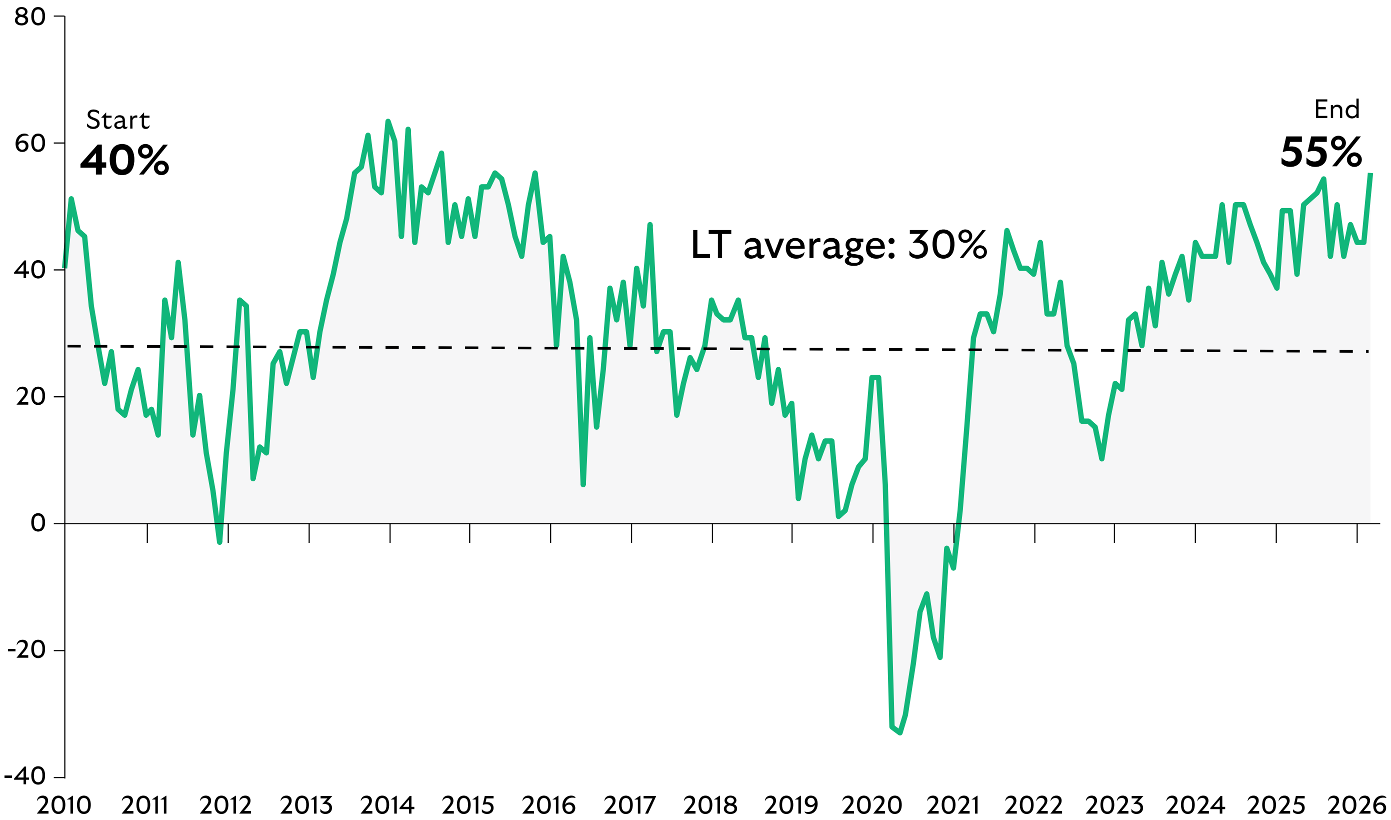
> "Firms continue to report cost pressures and economic uncertainty, with some mindful of potential disruption linked to global events. Despite this backdrop, confidence edged higher in March, helped by firmer demand and a more positive trading outlook by smaller businesses."

Hann-Ju Ho
Senior Economist
Lloyds Corporate & Institutional

Business confidence

Chart 1: Firms reported higher confidence in early March

% net balance



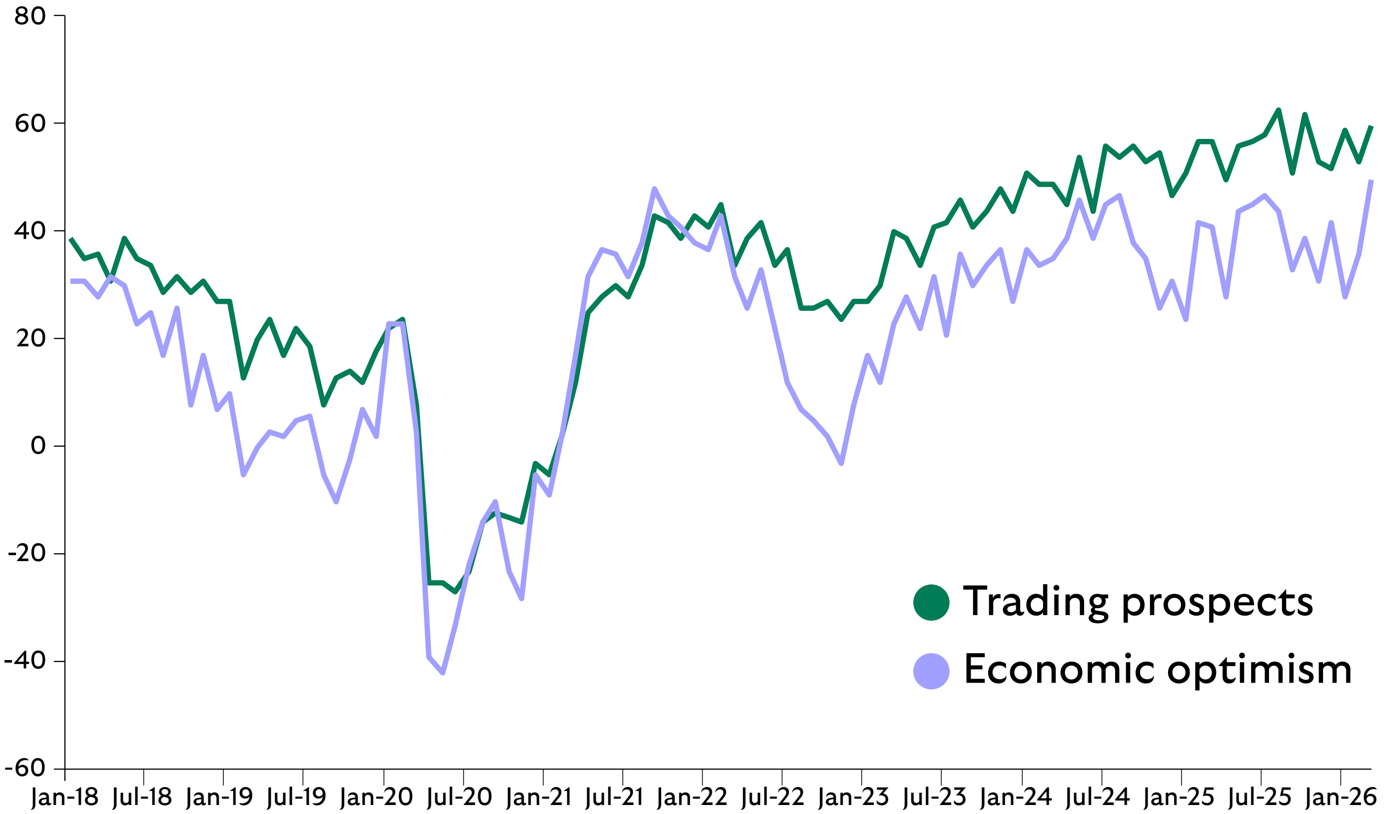
Sentiment improves but cost pressures and uncertainty persist

Overall business confidence increased by 11 points to 55% in March, supported by stronger demand and improved investment intentions. The rise was led by smaller and more domestically focused firms, while larger firms reported lower confidence. The results point to a broadly resilient business outlook, though most responses to this month's survey were collected in the early stages of the current Middle East conflict, with any potential economic impact still unfolding. As seen during the Russia-Ukraine war, the latest conflict may weigh on sentiment in the months ahead, depending on its intensity and duration.

Trading prospects and the economy

Chart 2: Optimism and activity expectations improved

% net balance



Outlook improves with risks still in view

Firms in early March signalled a second consecutive month of strengthening economic optimism. Sixty-five per cent of respondents, up from 58%, reported being more optimistic about the economy, while 15% (down from 22%) expressed greater pessimism. As a result, the net balance rose by 14 points to 50%.

Expectations for business activity also improved. Sixty-six per cent of firms (up from 62%) anticipated stronger business trading prospects, compared with 6% (down from 9%) expecting weaker output. This pushed the net balance up by 7 points to 60%. More positive firms reported stronger demand, while less upbeat firms cited ongoing cost pressures and economic uncertainty.

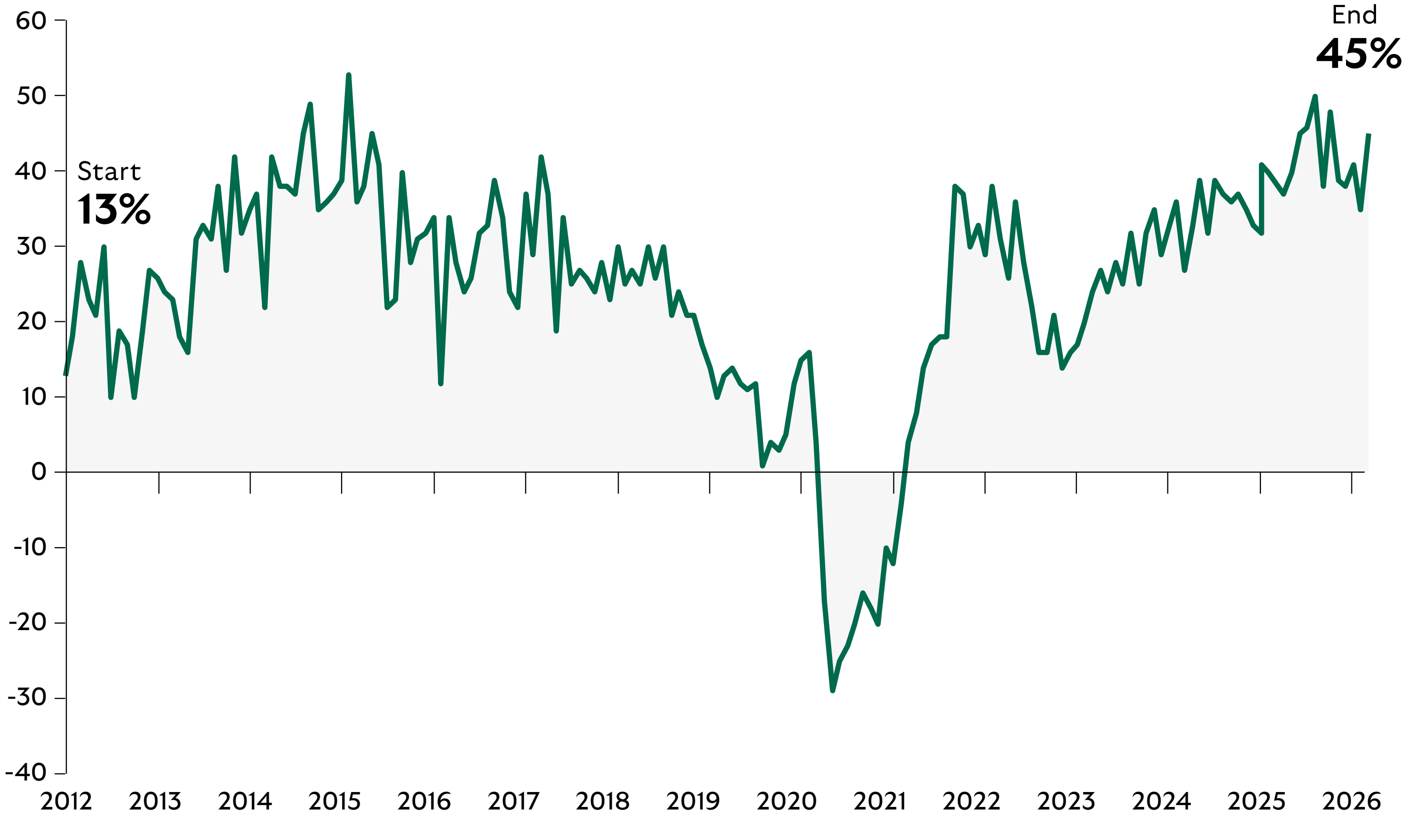
Employment insights

Hiring sentiment strengthens in early March

Staffing expectations strengthened as firms anticipated additional hiring to meet higher demand, although some reported pressure to reduce costs or incentives to automate. Sixty per cent of businesses (up from 51%) reported plans to increase headcount, while 15% (down from 16%) expected to reduce employment. The resulting net balance rose by 10 points to 45%, marking the most positive hiring sentiment in five months.

Chart 3: Net hiring intentions rose to five-month high

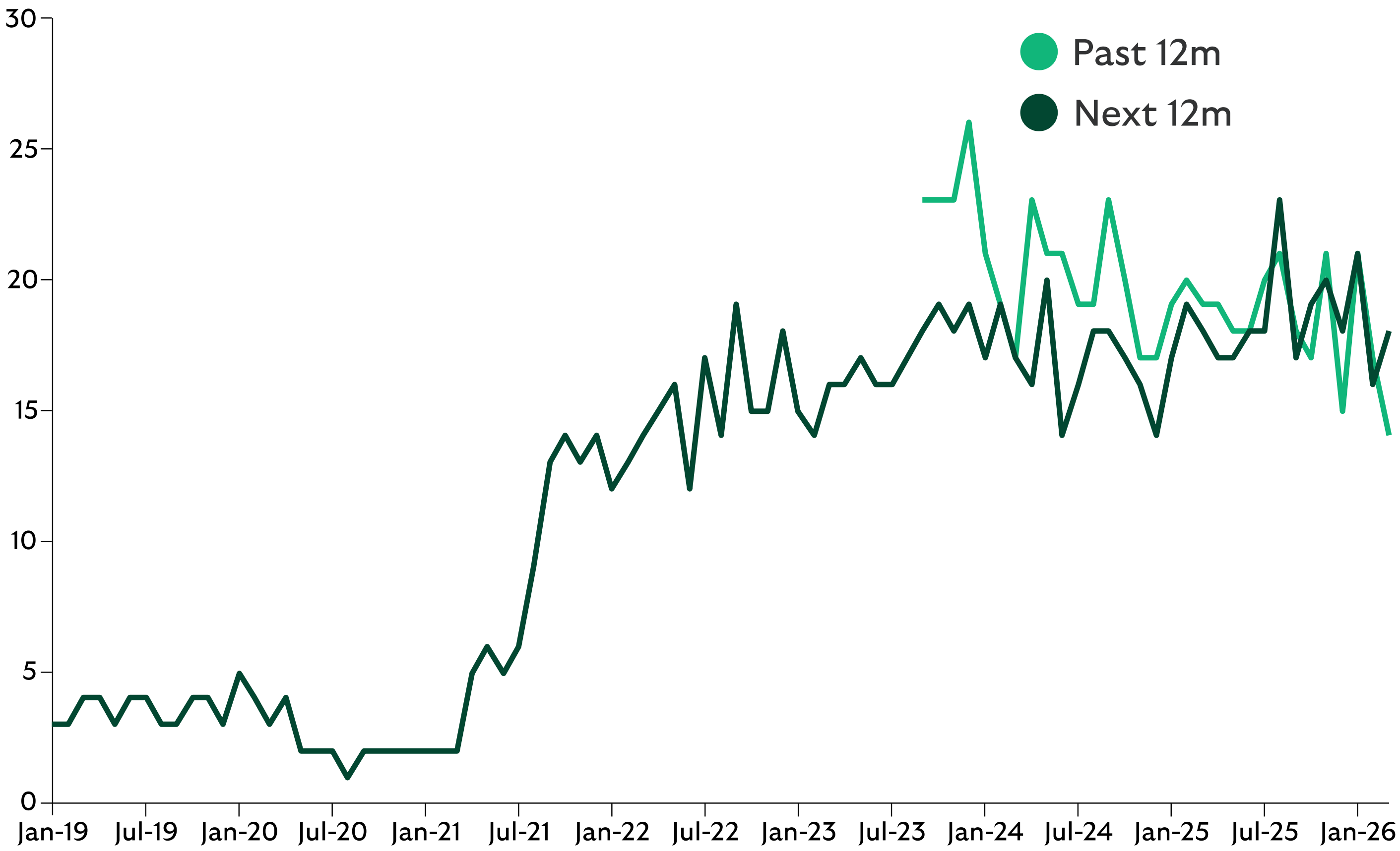
% net balance reporting higher staffing levels, next 12m



Employment insights

Chart 4: Future pay expectations held steady

Pay growth more than 4%, % firms



Recent wage growth softens

Firms reported a further easing in recent wage growth, while expectations for future pay were broadly steady. The share of businesses reporting wage growth of more than 4% over the past 12 months fell to 14%. However, this was more than offset by the proportion anticipating pay growth of more than 4% over the next year, which increased to 18%.

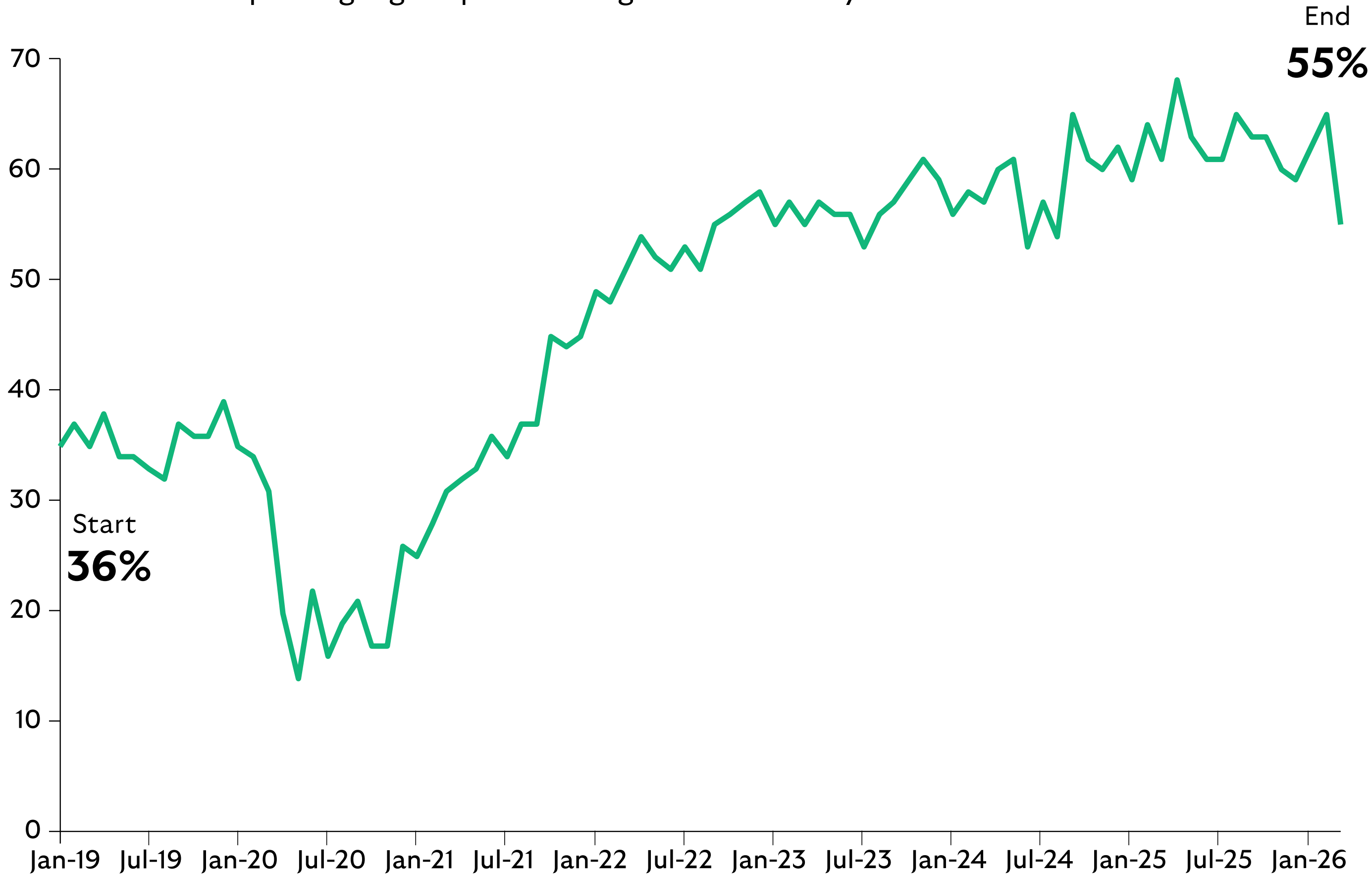
Pricing insights

Strategic pricing drives softer price expectations

Own-price expectations fell as some firms reported using strategic pricing to retain or win customers, and others highlighted competitive pressures, although many continued to face upward cost pressures. Fifty-nine per cent of firms, down from 67%, expect to increase their prices, while 4% (up from 2%) plan reductions. As a result, the net balance fell by 10 points to 55%.

Chart 5: Price expectations eased, though cost pressures persist

% net balance reporting higher prices charged in the next year



Region insights

Stronger sentiment reported across most UK regions and nations

Ten of the UK's regions and nations reported stronger sentiment this month, with the highest readings in the West Midlands, Yorkshire & the Humber and the East Midlands. London, Northern Ireland and the East of England were also above the national average. On a less volatile three-month basis, London, Northern Ireland and the West Midlands lead the regional rankings, while firms in Wales, the South West and the South East were less upbeat than those in other parts of the UK.

> While businesses are adept at reacting to uncertain, fast-moving conditions, this month's results show an interesting divergence in sentiment. Smaller businesses may have remained confident because they had not yet seen an immediate change in customer demand or supply chain disruption. Larger firms, however, read global events more cautiously because of their closer exposure to global markets. With most responses coming in the very early stages of the Middle East conflict, we'll be watching closely to see how confidence evolves.

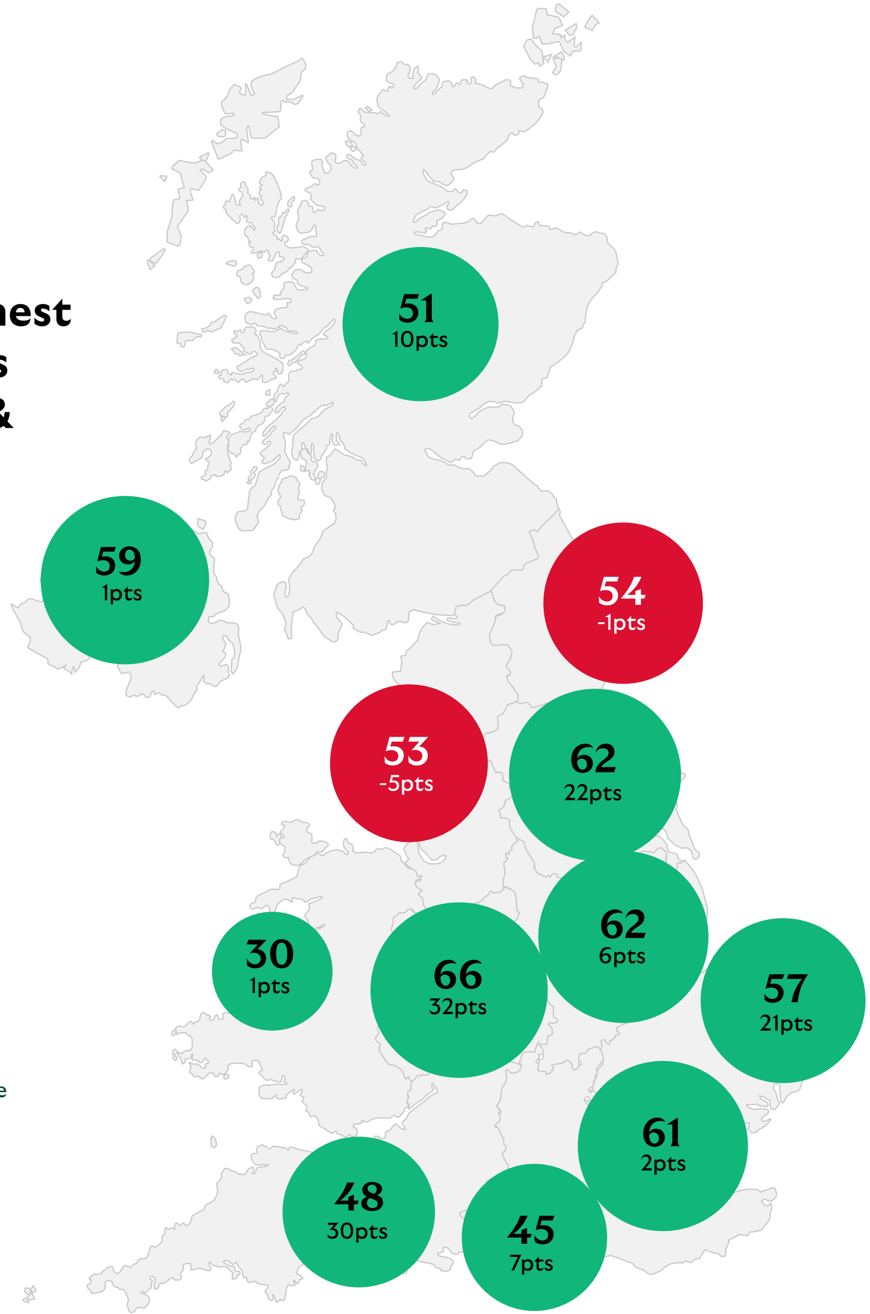
Amanda Murphy
CEO for Lloyds Business & Commercial Banking

Chart 6: Sentiment highest in the Midlands and Yorkshire & the Humber

UK
55
11pts

Latest
+ / – prior month

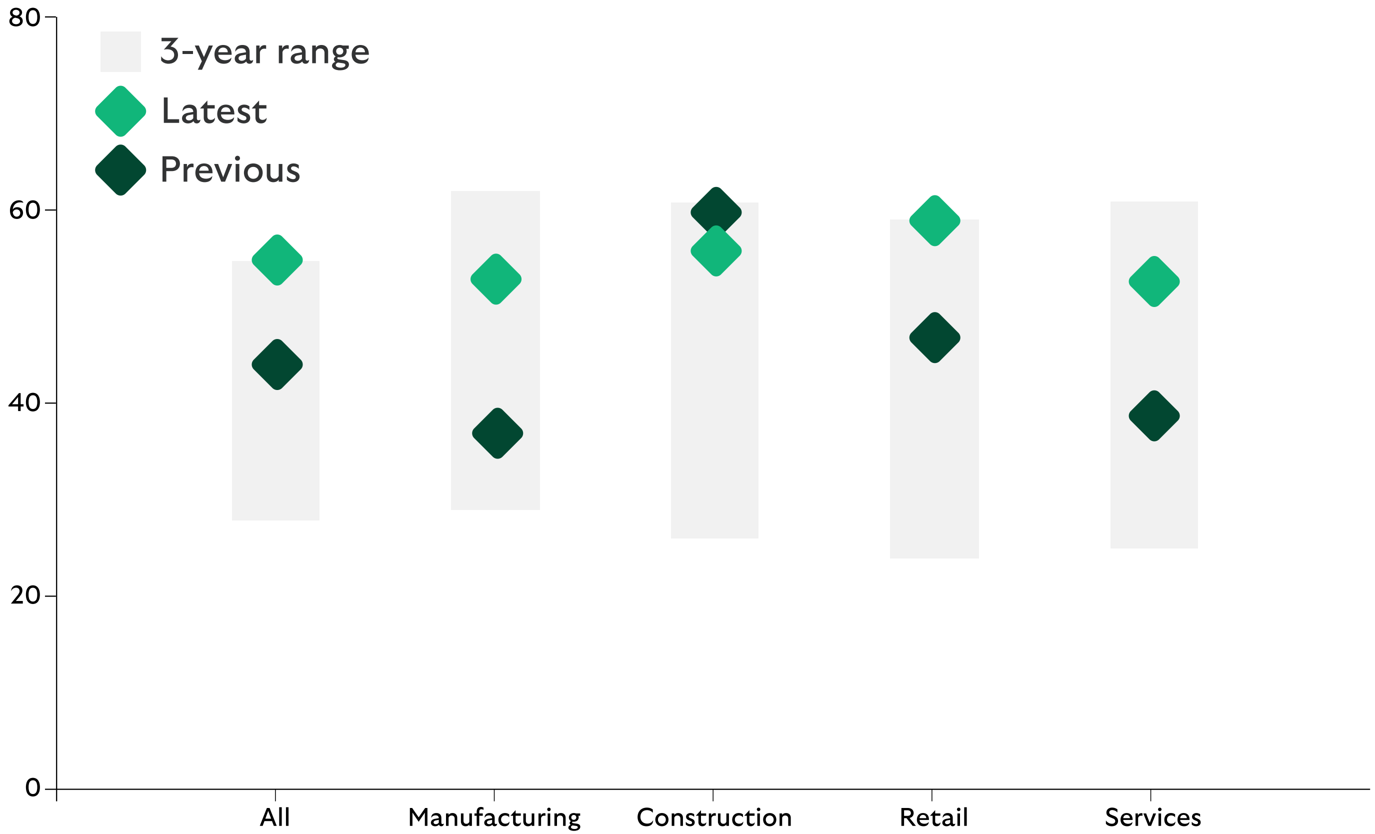
Increase
Decrease



Sector insights

Chart 7: Confidence near three-year highs across sectors

% net balance



Most sectors saw increases in confidence

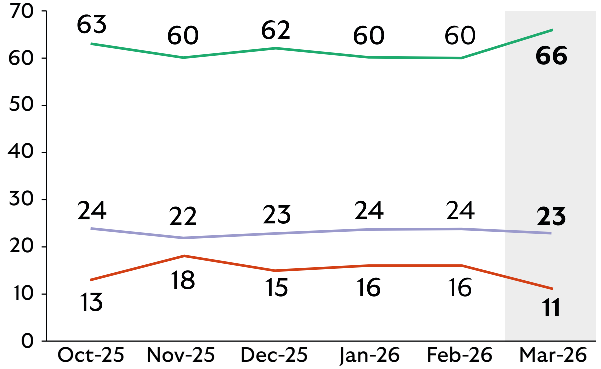
Business confidence rose in the manufacturing, retail and service sectors, while sentiment in construction dipped slightly. Across sectors, confidence levels were close to their respective three-year highs, pointing to a more positive outlook in early March before the escalation of tensions in the Middle East or concerns about a more prolonged conflict. The dominant service sector recorded its strongest outturn in seven months.

Month-on-month trends

Higher | Same | Lower

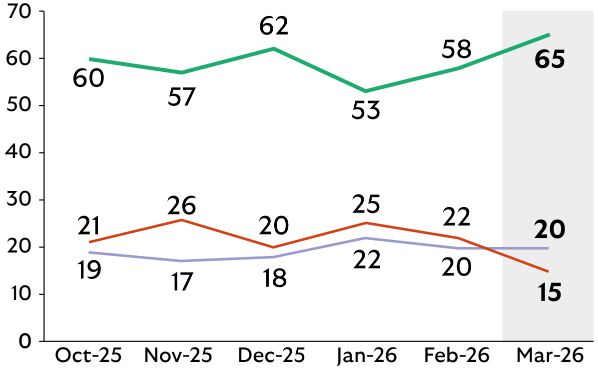
Overall business confidence

	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Net Balance (%)	50	42	47	44	44	**55**
Monthly change	8	-8	5	-3	0	**11**



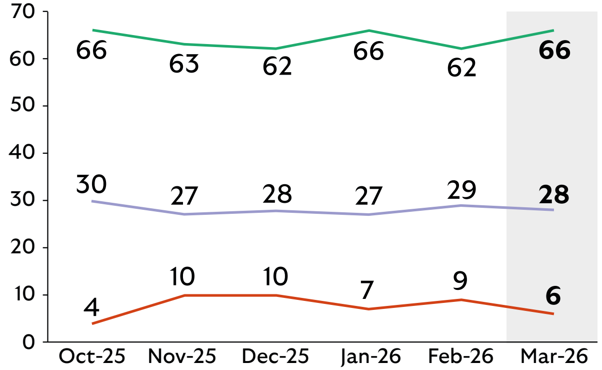
Economic optimism compared with three months ago

	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Net Balance (%)	39	31	42	28	36	**50**
Monthly change	6	-8	11	-14	8	**14**



Trading prospects in the next year

	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Net Balance (%)	62	53	52	59	53	**60**
Monthly change	11	-9	-1	7	-6	**7**

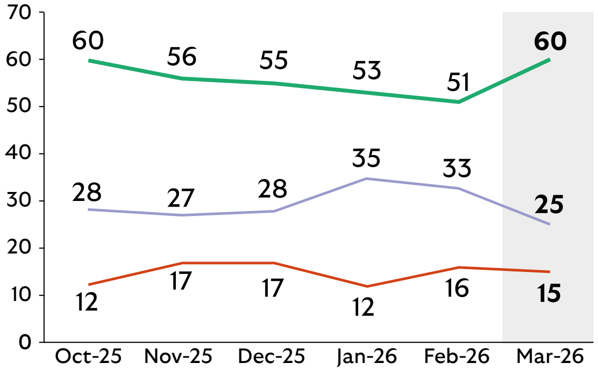


10 out of 12

of the UK's regions saw a month-on-month increase in confidence in February

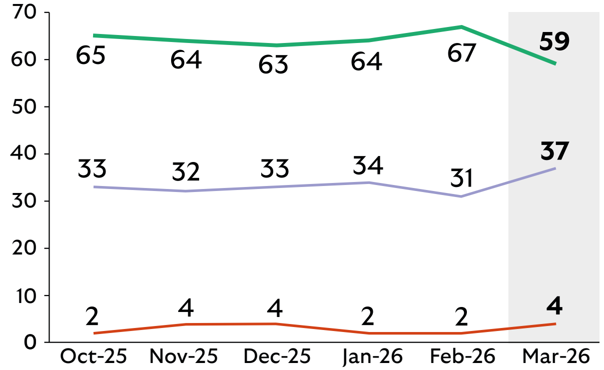
Staff levels in the next year

	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Net Balance (%)	48	39	38	41	35	**45**
Monthly change	10	-9	-1	3	-6	**10**



Prices charged for goods and services in the next year

	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Net Balance (%)	63	60	59	62	65	**55**
Monthly change	0	-3	-1	3	3	**-10**



Methodology

The fieldwork for the Lloyds Business Barometer was conducted during 2 – 16 March 2026 by Ipsos. The sample size was expanded in January 2018 and now covers the online responses of a sample of 1,200 UK companies each month from all industry sectors, regions and firm sizes, including those with annual turnover below £1 million.

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.

The editor

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