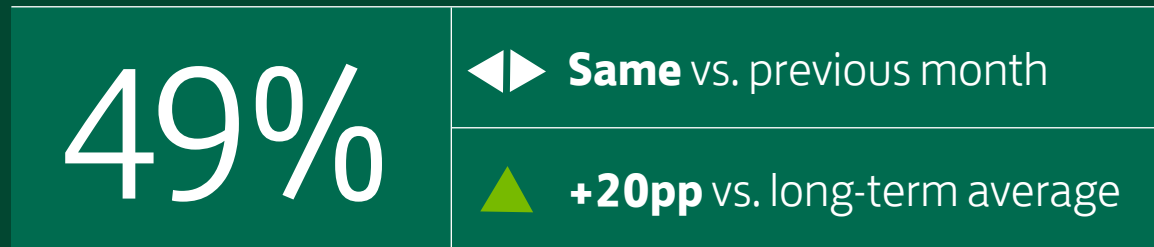


Business Barometer

March 2025



Overall business confidence



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Summary

Confidence sustains highest level since August

Key highlights

- Business confidence remained at its highest level since August following a sharp rise last month
- Trading prospects for the year ahead held steady at post-pandemic highs but there was a small dip in economic optimism
- Weaker manufacturing sentiment and a slight fall in services were balanced by rises in retail and construction confidence
- A minor decline in otherwise strong staffing level expectations was driven by the industrial sector
- West Midlands, London, North West and Scotland showed highest optimism among nations and regions

In March, businesses reported no change in overall confidence following a sharp rise last month, holding at the highest level since August. The headline index remained steady at 49%, with weaker sentiment in the manufacturing sector and a slight fall in services being offset by rises among retail and construction firms. Trading prospects for the year ahead held steady at post-pandemic highs, while optimism regarding the economy dipped slightly but remained above levels seen in late 2024 and in January this year.

Expectations for staffing levels over the next 12 months fell marginally, led by a decline among manufacturing firms, slightly reversing last month's revival but still the second strongest reading since the pandemic. Pay expectations eased in line with the dip in staffing expectations, yet remain firmer than at the start of the year. Own price expectations also fell back, though only partially reversing the increase seen in February.

Regionally, the picture was mixed, with the West Midlands, London, the North West and Scotland showing the highest optimism. There were significant improvements in Wales, the South East and Yorkshire and the Humber, but marked declines in the North East and the East of England. The survey responses were collected between March 3rd and 17th.



Business confidence remained steady this month, suggesting that UK companies may have been waiting to see the impact of government decisions at home and globally. Despite this, today's data continues to reflect a positive growth trend in the UK economy. With confidence maintaining last month's high, business leaders are optimistic, noting that investing in their development and workforce will position them well to seize future growth opportunities.

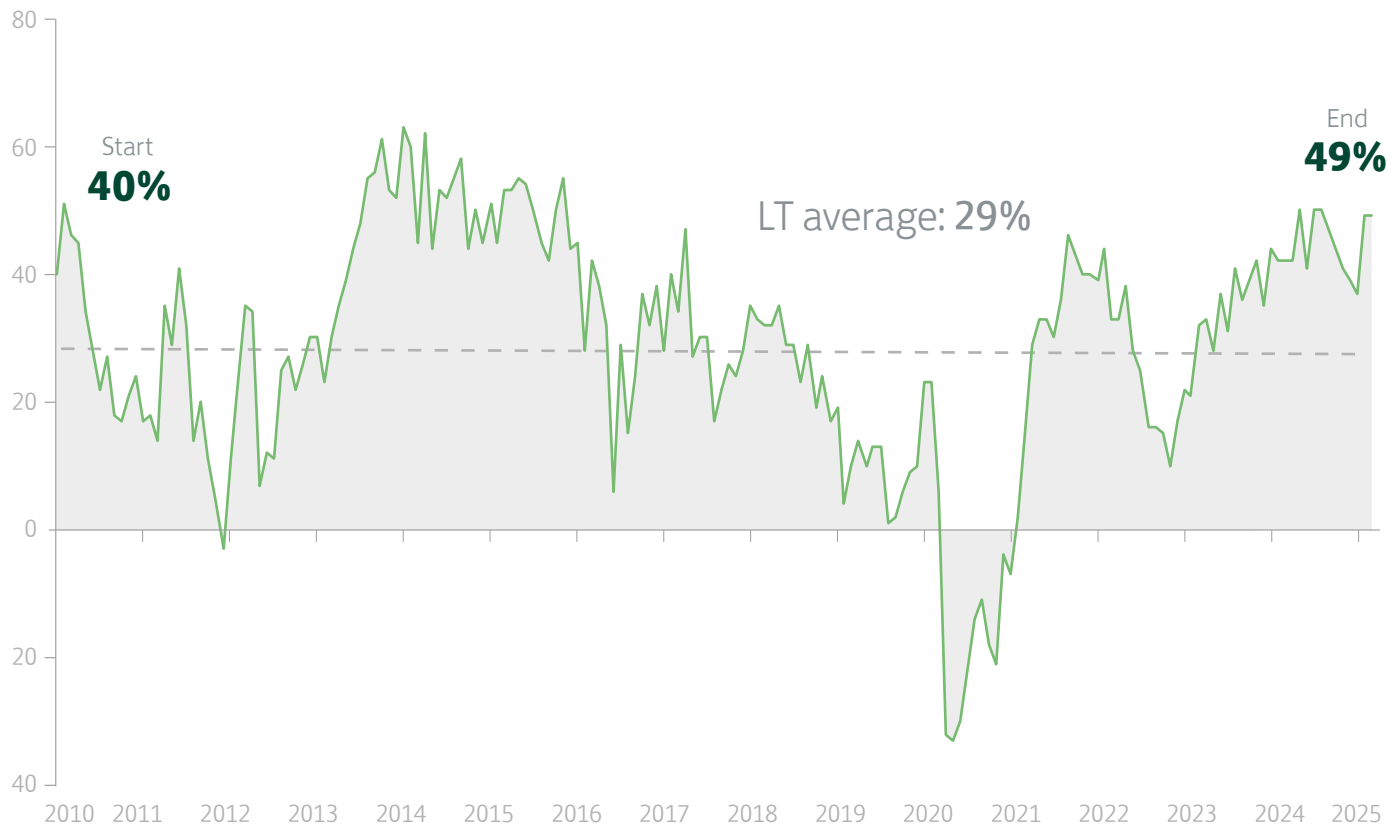


Hann-Ju Ho
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Business confidence

Chart 1: Business confidence remains robust

% net balance



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

Economy poised for growth despite manufacturing uncertainties

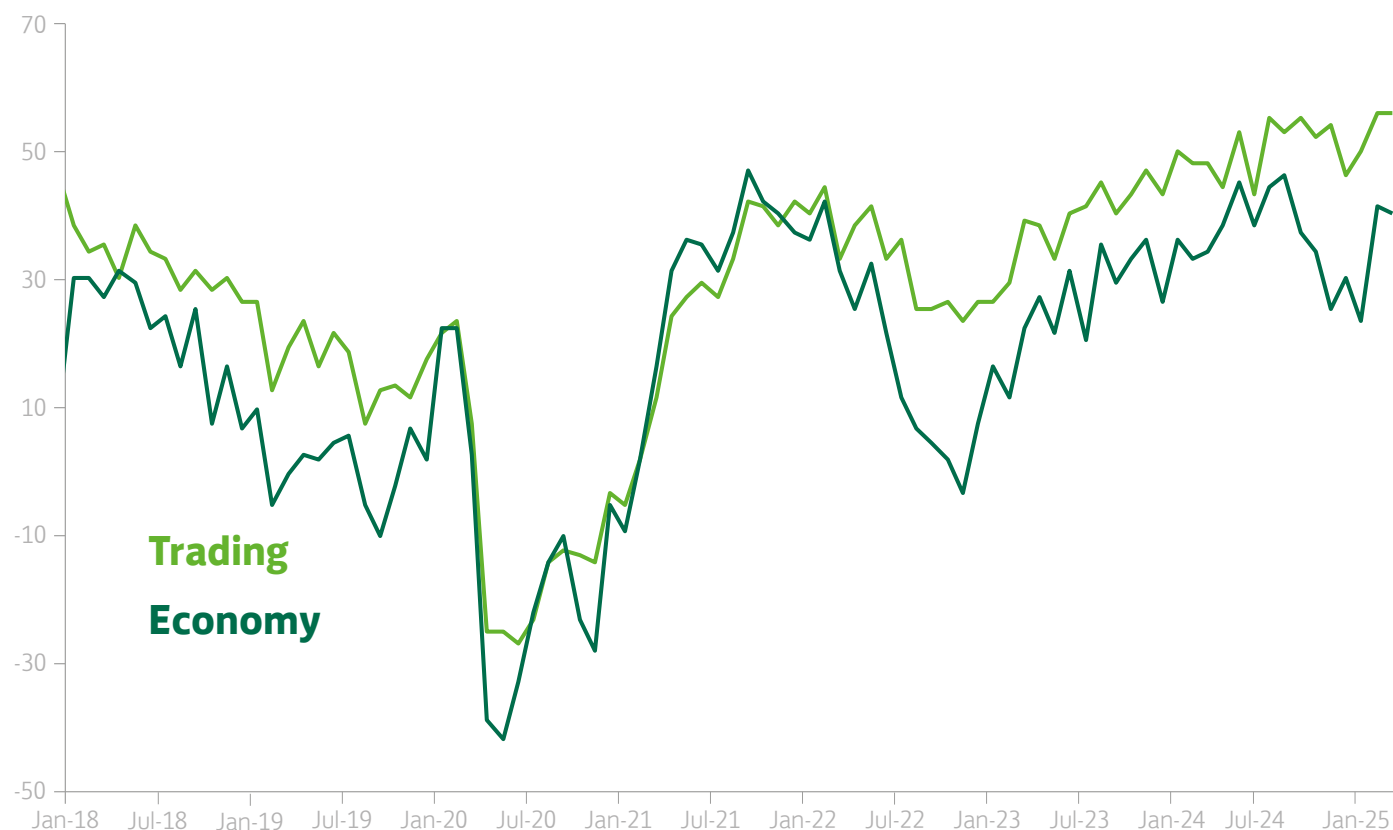
Businesses reported no change in overall confidence in March, maintaining its highest level since last August after a sharp rise last month. The headline index remained steady at 49%, with weaker sentiment in manufacturing and a slight decline in services balanced by a significant rise among retail firms and a small increase in construction. Trading prospects for the year ahead held steady at last month's post-pandemic highs, while optimism regarding the economy dipped slightly but stayed above levels seen in late 2024 and at the start of 2025.

The results suggest that the economy will continue to expand this year, increasing the likelihood of growth exceeding that of 2024. However, firms, particularly in the manufacturing sector, reported growing uncertainties around supply-chain disruptions due to the risk of higher tariffs and global trade fragmentation. For now, most firms continue to prioritise managing their profit margins and cost base in the next 12 months.

Trading prospects and the economy

Chart 2: Economic optimism sustains last month's gains

% net balance



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

Trading prospects steady at post-pandemic highs

Trading prospects remained steady at post-pandemic highs, with the net balance unchanged at 57%. This reflects 64% (down from 65%) of businesses expecting stronger activity and 7% (down from 8%) anticipating lower output. Optimism regarding the broader economy dipped slightly by 1 point to 41%, but this was not enough to affect overall confidence, which remains higher than levels seen in January and in late 2024. Overall, 60% (down from 63%) of businesses reported greater optimism, while 19% (down from 21%) were less optimistic.

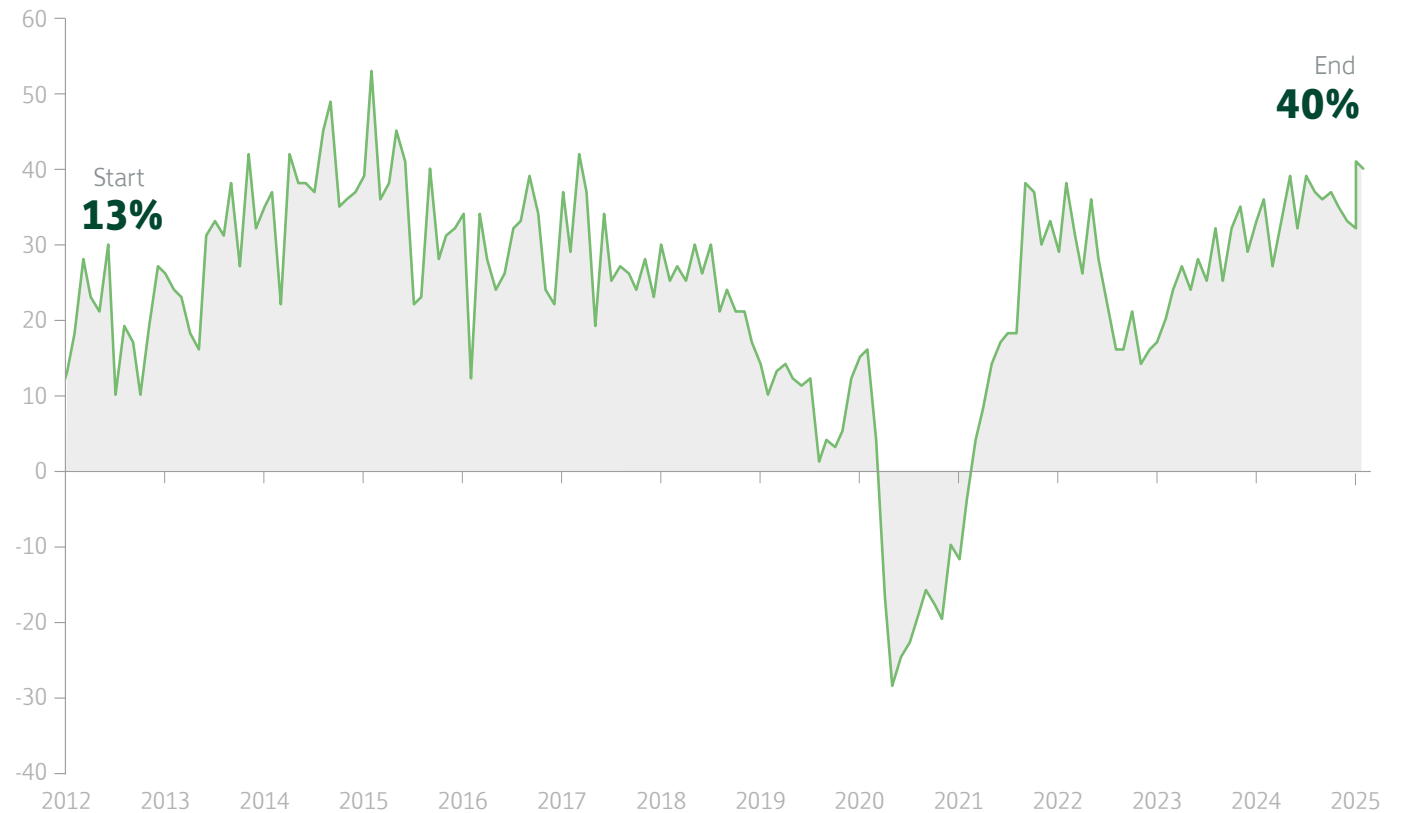
Employment insights

Hiring remains robust despite slight decline

Firms reported a slight decline in hiring intentions for the next 12 months, primarily due to the manufacturing and construction sectors. The dip only slightly reversed last month's revival and so the overall reading was still the second strongest since the pandemic. Overall, 55% of firms (down from 56%) plan to increase their workforce, while an unchanged 15% expect to reduce staff numbers. Consequently, the net balance fell by 1 point to 40%.

Chart 3: Firms expect to increase headcount

% net balance reporting higher staffing levels, next 12m

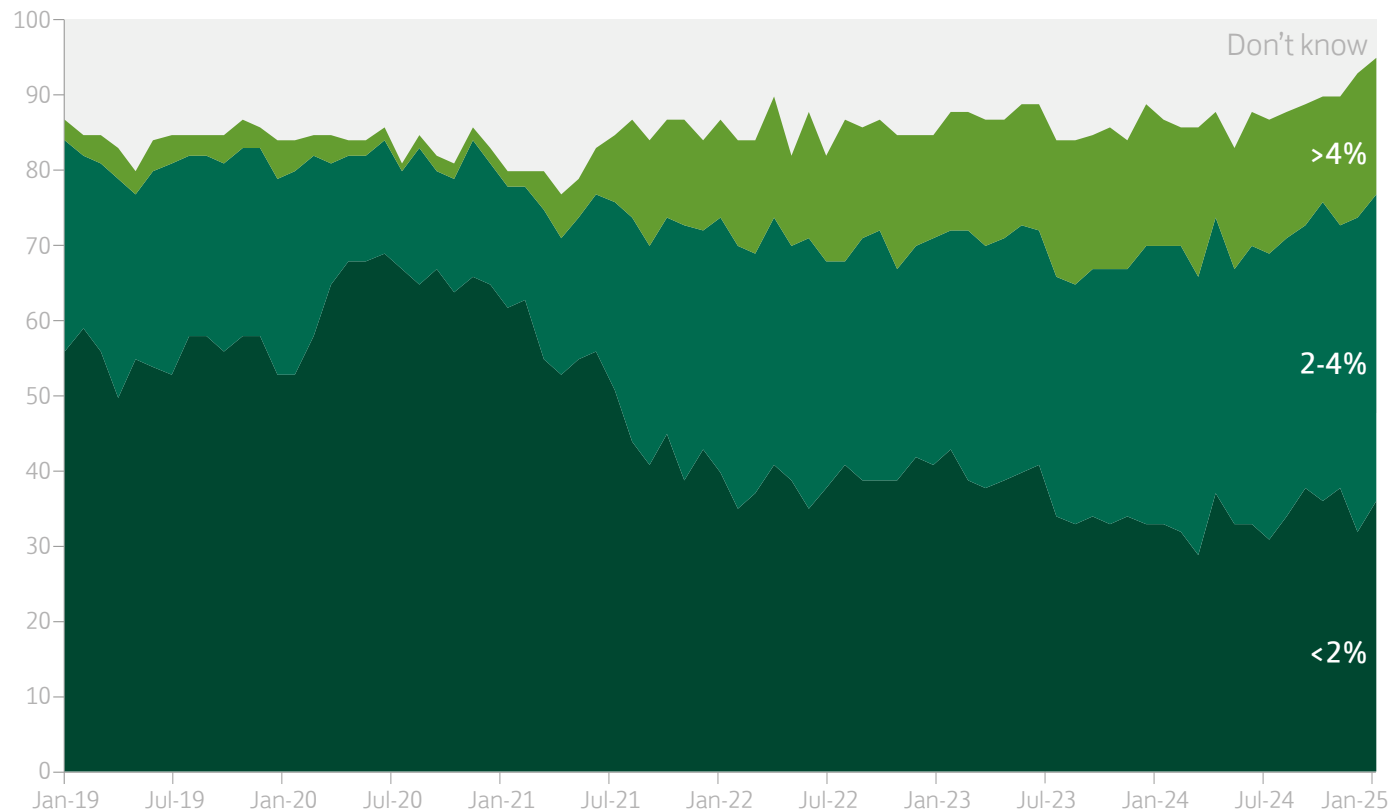


Source: Lloyds Bank Business Barometer (March 2025), BVA BDRC

Employment insights

Chart 4: Wage growth remains strong post-pandemic

Pay growth expectations, next 12m % firms



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

Wage growth expectations ease

Pay expectations eased slightly this month, aligning with the dip in hiring intentions. However, they remain stronger than at the start of the year and from a longer-term perspective remain elevated compared to pre-pandemic levels. The proportion of firms expecting average wage growth above 4% decreased in March, as did the share anticipating 2-4% increases. Conversely, there was an increase in the share expecting pay growth below 2%.



The findings of the latest Business Barometer are encouraging, maintaining the previous month's uplifted business confidence and economic optimism across the UK.



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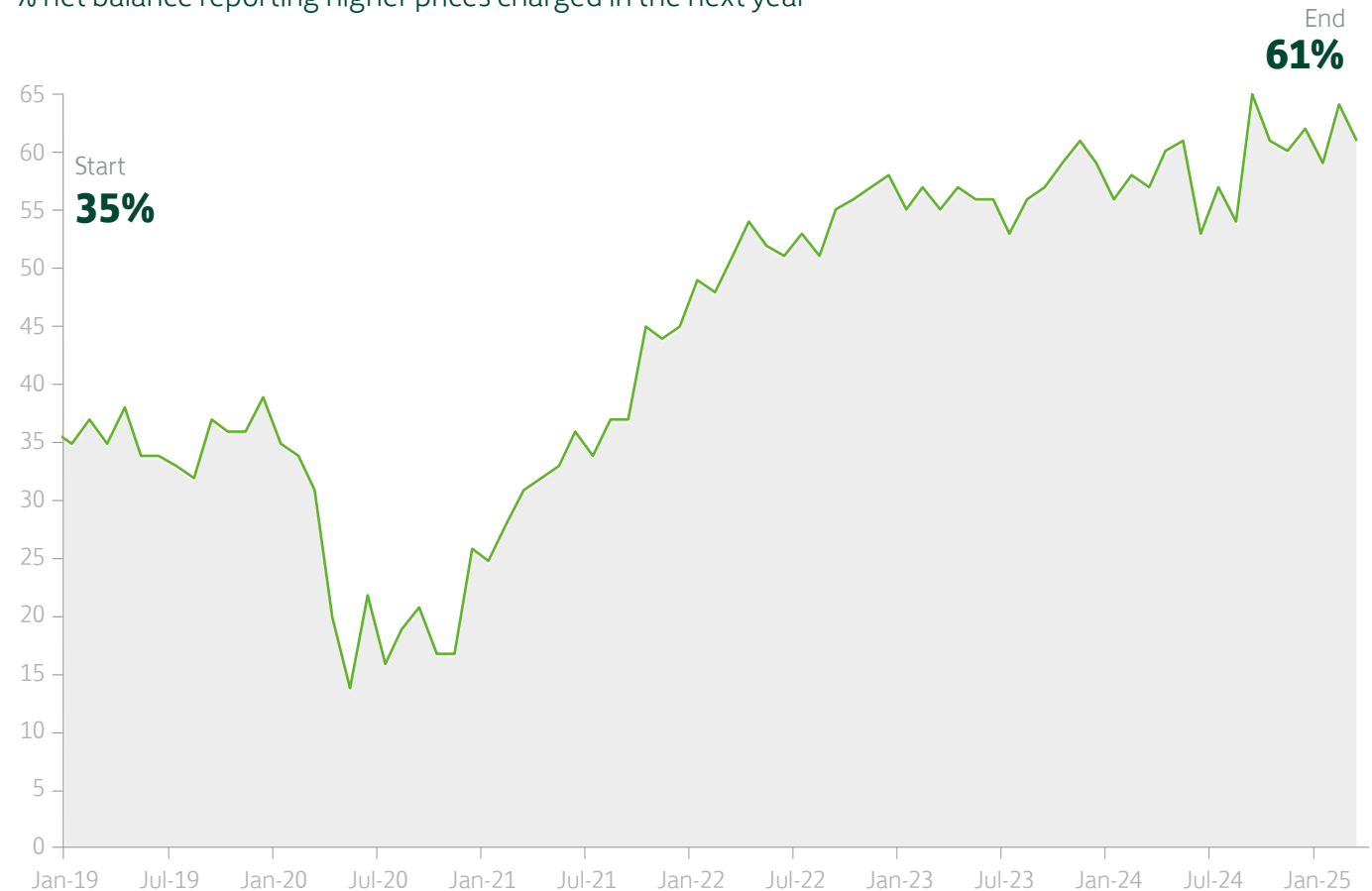
Pricing insights

Price expectations fall but still higher than January

Firms' expectations of price increases decreased from February's five-month high but remain above January. Sixty-three percent of firms (down from 66%) expect to raise their prices in the next 12 months, while only 2% (unchanged) plan to reduce them. Consequently, the net balance fell by 3 points to 61%.

Chart 5: Scope of price increases remains high

% net balance reporting higher prices charged in the next year



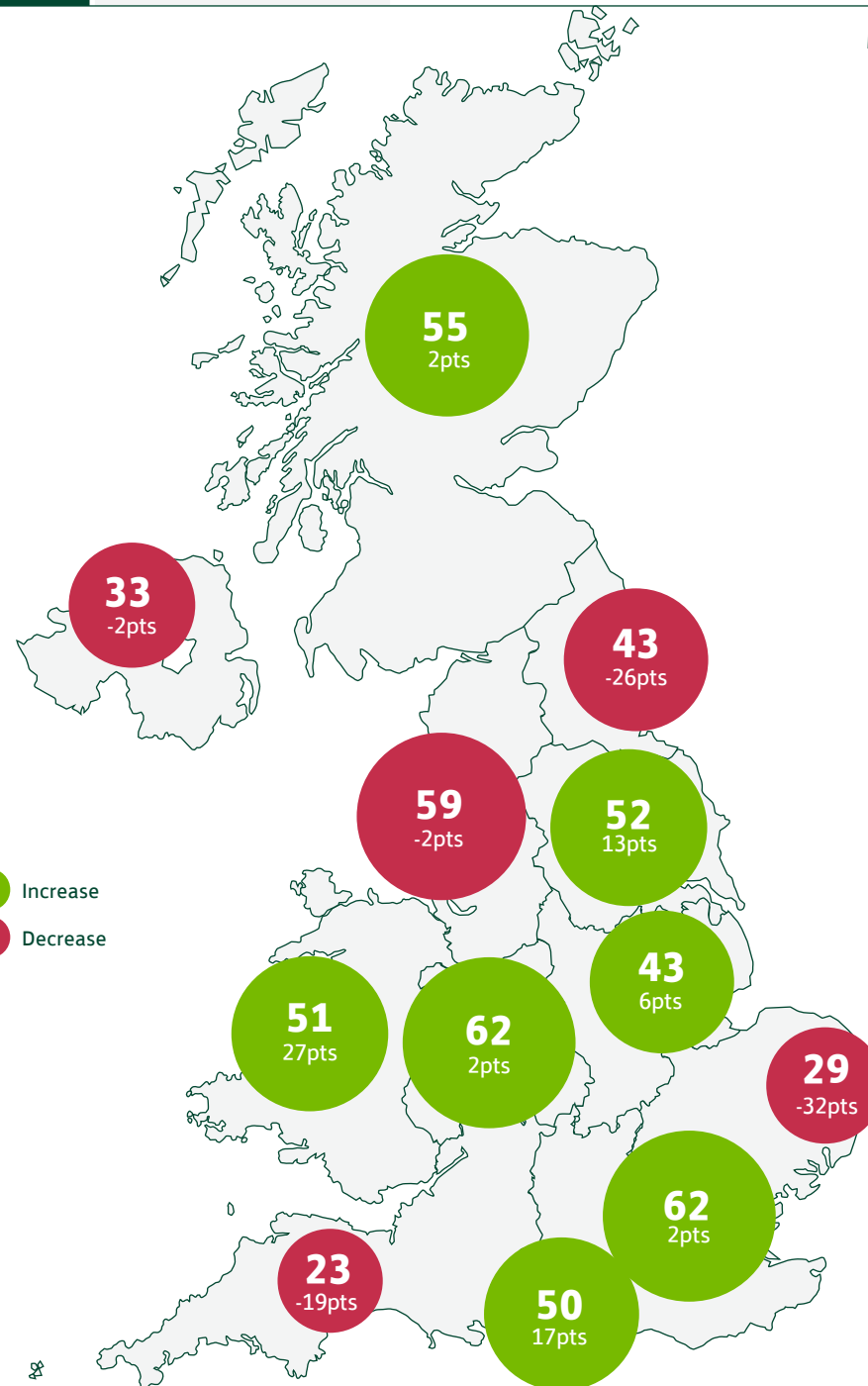
Source: Lloyds Bank Business Barometer (March 2025), BVA BDRC

Region insights

West Midlands and London the most positive

Firms in the West Midlands and London were the most positive, with confidence reaching post-pandemic highs. Following closely were firms in the North West and Scotland, which also reported high levels of confidence despite small monthly changes. Wales, the South East and Yorkshire and the Humber saw significant monthly increases in confidence, placing them above the national average. However, there were substantial declines in confidence in the North East and the East of England. Additionally, confidence in the East Midlands, Northern Ireland and the South West were also below the UK average.

**Chart 6:
Confidence rises
in most regions**



Sector insights

Chart 7: Increasing concerns in manufacturing

Sector confidence, % net balance



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

Manufacturing confidence declines, retail sector sees gains

Manufacturing confidence fell significantly by 12 points to 39%, primarily due to lower trading prospects. Firms in this sector reported growing concerns about supply chain disruptions, likely reflecting uncertainties surrounding global trade and potential US tariff increases. In contrast, retail confidence surged by 7 points to 58%, reaching a post-pandemic high. This increase reflects positive trading prospects within the sector. Confidence in construction experienced a slight decline to 48%, while the services sector also saw a minor drop to 47%.



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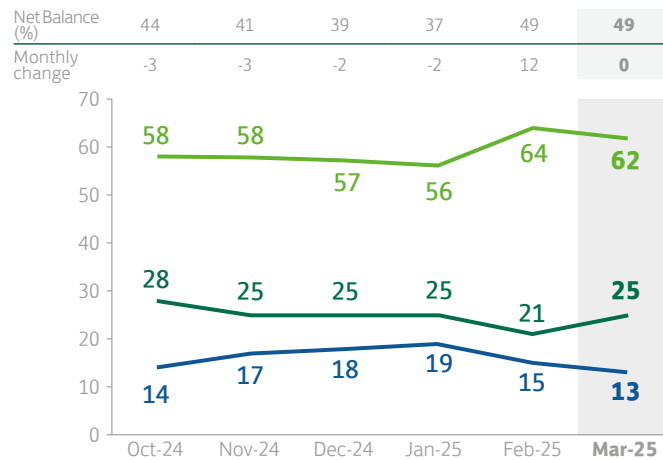
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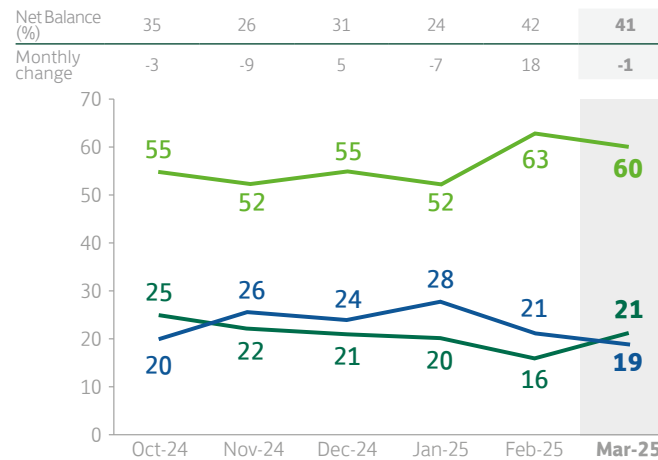
Month-on-month trends

Higher Same Lower

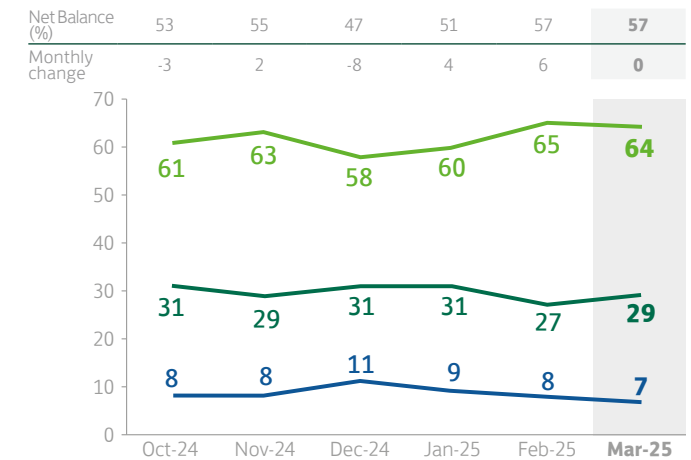
Overall business confidence



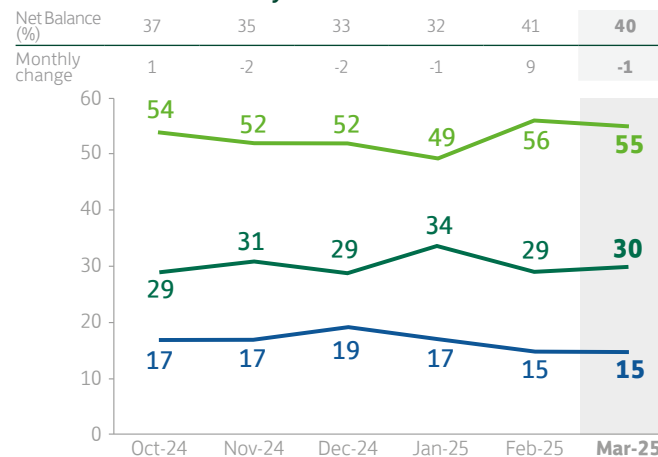
Economic optimism compared with three months ago



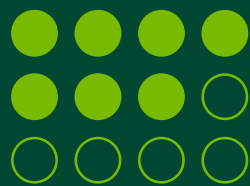
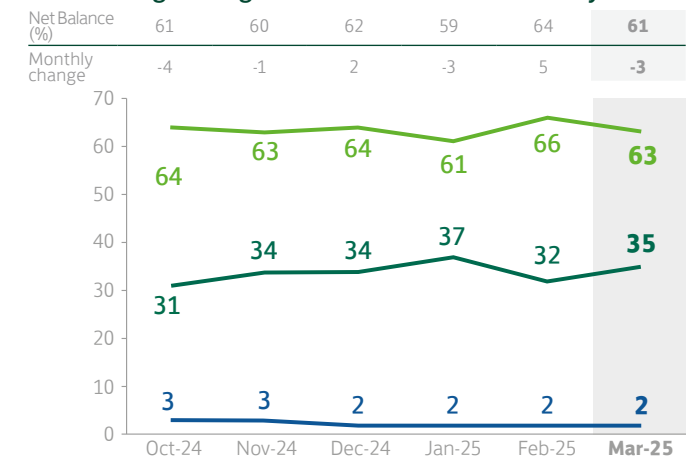
Trading prospects in the next year



Staff levels in the next year



Prices charged for goods and services in the next year



7 out of 12

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

Methodology

The fieldwork for the Lloyds Bank Business Barometer was conducted during **3 – 17 March 2025** by BVA BDRC. 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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March 2025 – 0093