



UK BUSINESS CONFIDENCE FALLS BACK IN AUGUST

Lloyds Bank's Business Barometer for August 2016 shows:

- Overall UK business confidence decreased by 13 points to 16% in August.
- Net balance of companies reporting an improvement in trading prospects decreased by 22 points to 19%, the lowest level since December 2011.
- Positively, sentiment in the industrial sector increased by 5 points and number of firms expecting to raise staffing levels in the next year reached a five-month high of 33%.

Chart 1: Weaker business confidence signals weaker economic growth

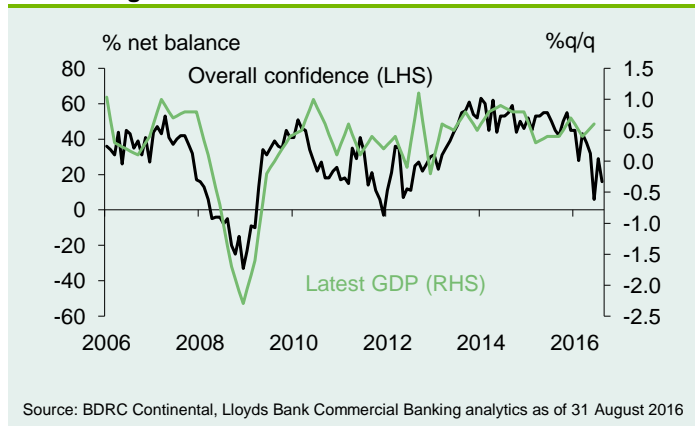
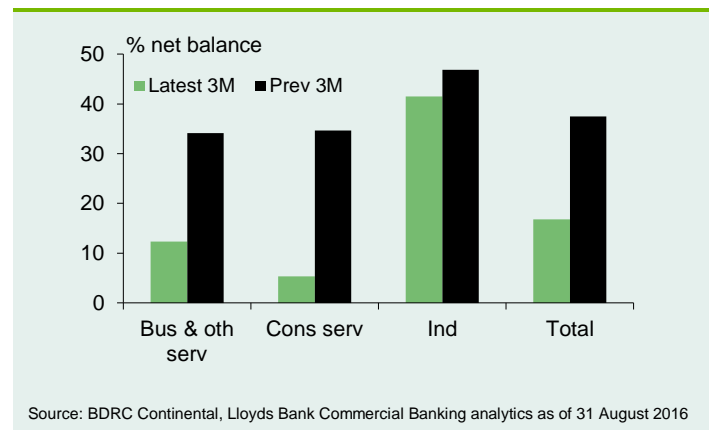


Chart 2: Sentiment stronger among industrial sector firms



UK business confidence levels decreased by 13 points to 16% in August, according to the latest Business Barometer from Lloyds Bank Commercial Banking.

However, confidence remains higher than in June when the survey was conducted in the immediate aftermath of the EU vote.

The net balance for business activity prospects dropped to 19% from 41%, the lowest level since December 2011. The decrease reflected a fall in more positive prospects to 41% from 46% and a rise in less positive prospects to 22% from 5%.

A decrease was also evident in economic optimism. The net balance for economic optimism decreased to 12% from 17%. This reflected an increase in the proportion of responses that were negative about economic prospects to 27% from 20%. However, the share of firms expecting an improvement in wider economic prospects increased for a second consecutive month to 39% from 37%.

The decrease in overall confidence was reflected in a fall in sentiment to 8% from 21% in the consumer services sector. This fall may partly relate to downward pressure on profit margins due to the impact of the weaker pound on import costs. Sentiment in the business & other services sector also fell to 9% from 30%.

More positively, overall confidence in the industrial sector increased to 43% from 38%.

Hiring plans also remain resilient despite recent volatility in overall business confidence. The net balance of firms expecting to raise their staffing levels in the coming year increased to 33% from 32%, a five-month high.

Hann-Ju Ho, senior economist for Lloyds Bank Commercial Banking, commented:

“Our August survey shows a fall in overall confidence, although it remains above the low in June. It is consistent with a slowdown in UK growth prospects in the second half of the year and may reflect a growing expectation for some that a more challenging economic outlook will have a negative impact on their own company prospects. Despite this, hiring plans continue to indicate resilience”.

ENDS

Notes to Editors:

Business Barometer measure of overall business confidence is the average of responses about how businesses regard the economic outlook and their own trading prospects.

- The overall “balance” of opinion weighs up the percentage of firms that are positive in outlook against those that are negative. Responses are weighted to reflect the composition of the economy.
- The industrial sector in this report represents mainly manufacturing and construction; the consumer services sector comprises distribution and transport & communications; business & other services consists of financial & business services and the public sector.
- The Business Barometer results provide early signals about UK economic trends and other business surveys such as the PMI survey. The survey started in January 2002 and research is carried out monthly on behalf of Lloyds Bank by BDRC Continental.
- This survey was conducted with around 200 companies with turnover above £1 million between 17-23 August 2016 from all sectors and regions of Great Britain.