

BUSINESS CONFIDENCE AT HIGHEST LEVEL SINCE MARCH

Lloyds Bank's Business Barometer for December 2016 shows:

- Overall UK business confidence increased by 7 points to 39% in December, the highest level since March
- The net balance for economic optimism increased by 16 points to 30%
- However, confidence in business prospects decreased by 3 points to 47%
- Firms intentions to hire fell by 2 points to 22%, the lowest level since February

Chart 1: Business confidence has rebounded since the low after the EU referendum outcome

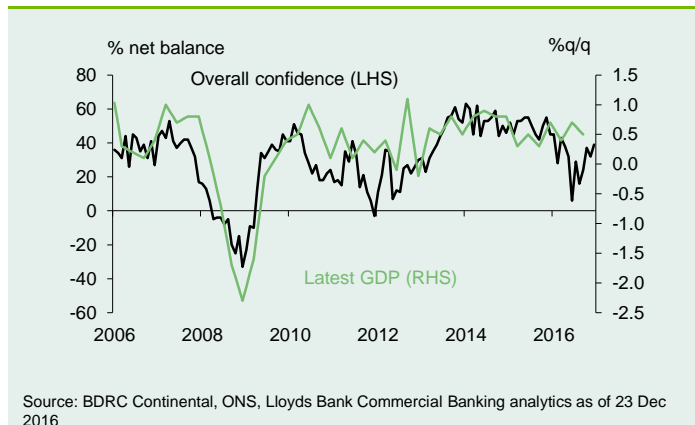
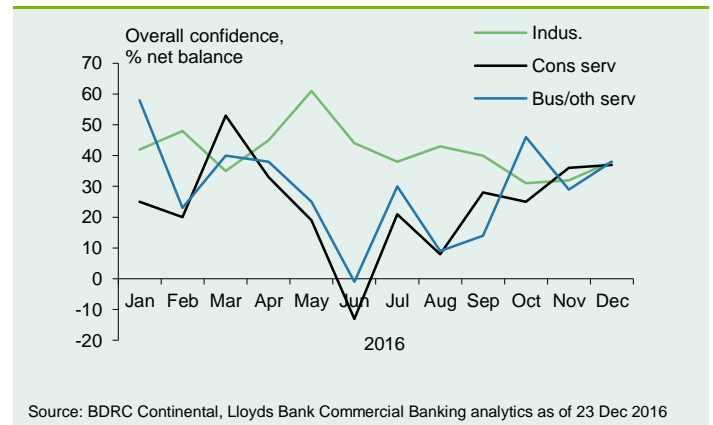


Chart 2: Services confidence has caught up with the industrial sector



UK business confidence increased by 7 points to 39% in December, according to the latest Business Barometer from Lloyds Bank Commercial Banking. This is the highest level since March, which suggests the economy has continued to hold up well since the sharp drop in the June survey, taken in the aftermath of the EU Referendum.

The increase was the result of a significant rise in economic optimism which increased by 16 points, to 30%, suggesting that last month's 20-point fall may have been related to short term uncertainties, perhaps the US election. Nearly half of companies (47%), were more optimistic about the economy, up by 12 points from last month, while 17% were less optimistic, down by 4 points.

Firm's business prospects fell by 3 points, but remain at a robust level of 47%. More than half (51%) of firm's were more positive about their prospects, down 4 points from last month, while only 4%, of firms, were more negative. Overall, for the quarter, the net balance of firms seeing better business prospects averaged 45%, significantly higher than 27% in Q3.

During the important festive trading period, overall confidence in consumer services, including retail, rose by 1 point, to 37%, the highest level since March. Business and other services, also improved by 9 points to 38% and the industrial sector rose by 6 points to 38%. Service sector confidence levels have now caught up with the industrial sector.

Despite improving business confidence, firms hiring intentions have fallen to the lowest level since February. The net balance of firms expecting to increase staff fell by 2 points to 22%. The results showed that 29% of firms expect to increase their staffing levels, up by 1 point, while 7% expect to reduce their headcount, up by 3 points. This slight decrease potentially suggests a slowdown in labour market activity.

The net balance of firms increasing their domestic prices rose by 3 points to 17%, remaining higher than the average in the first half of the year. This could be partly related to the fall in the pound, which has raised costs and reduced margins.

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

“Although significant uncertainties lie ahead, for now, economic optimism in our December survey has recovered near to levels seen at the start of the year. In addition, confidence this year had held up much better than it did during the global financial crisis.”

ENDS

Notes to Editors:

Business Barometer measure of overall business confidence refers to an average of the net balances of firms reporting stronger/better/a rise in economic optimism and their own business 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 300 companies with turnover above £1 million between 28 November and 13 December 2016 from all sectors and regions of Great Britain.

