



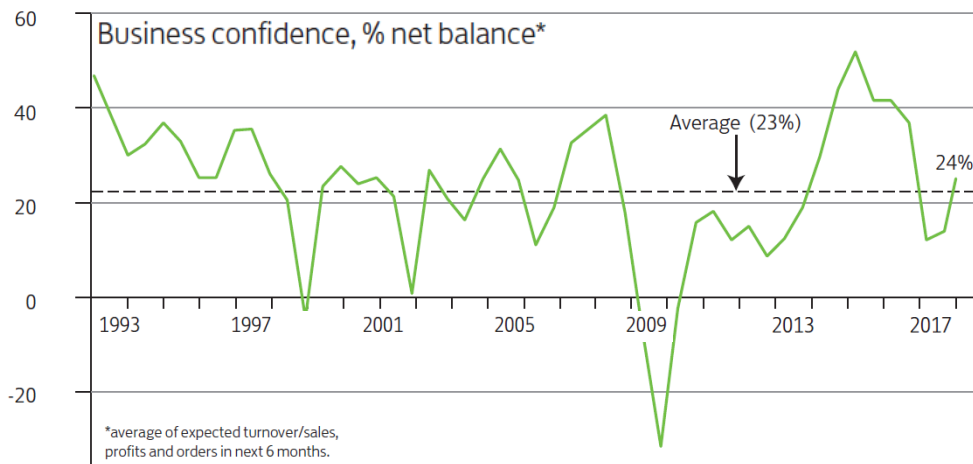
**\*\*\*EMBARGOED – Not for publication or broadcast before Monday 26 June 2017 00:01 GMT\*\*\***

## BUSINESS CONFIDENCE REBOUNDS SINCE BREXIT VOTE

- Business confidence rises to an 18-month high
- Challenges in hiring labour at 10-year high
- Strong confidence gains in construction, retail, and 'other services' sectors
- Firms' capital-spending plans improved since January's report, but remain cautious for most sectors.

Overall business confidence has risen significantly since the start of the year, according to the latest *Business in Britain report from Lloyds Bank*, based on data gathered after the snap election was called.

The confidence index – an average of respondents' expected sales, orders and profits over the next six months – increased to 24 per cent, from 12 per cent immediately following the EU referendum vote last year. This is an 18-month high and is in line with the indices' long-term average of 23 per cent.



The Business in Britain report, now in its 25th year, gathers the views of over 1,500 UK companies, predominantly small to medium sized businesses, and tracks the overall "balance" of opinion on a range of important performance and confidence measures, weighing up the percentage of firms that are positive in outlook against those that are negative.

### Threats relatively unchanged but difficulties in recruiting skilled labour

The share of firms that named political uncertainty and weaker UK demand as potential threats edged higher to 11% and 18% respectively, but are little changed from a year ago.

However the net balance of companies who said that they had experienced difficulty in recruiting skilled labour in the last six months increased to a ten-year high of 52 per cent, compared with 31 per cent in January. The share of firms reporting challenges in recruiting unskilled labour also rose to 26 per cent from

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14 per cent.

Despite recruiting challenges, the net balance of firms expecting to raise their staffing levels in the next six months increased since January by six points to 8 per cent while expectations of higher average pay in the next six months rose only slightly to 16 per cent from 12 per cent. This suggests that companies are taking a cautious approach to hiring and pay.

**Tim Hinton, Managing Director, Mid Markets and SME Banking, Lloyds Banking Group said:** "Our latest survey, which was conducted during the election campaign, shows an increase in business confidence since our last report at the start of the year.

"Although challenges remain in recruiting both skilled and unskilled labour, businesses are anticipating higher sales, increased profits and staffing levels to rise, which is all very positive for the economy.

"With details of the terms of Britain's exit from the EU still to come, inflation on the rise and general volatility and uncertainty in the economy, the outlook remains mixed at best. However businesses have been operating in this environment for some time now and they are taking it in their stride, staying focused on what they can control and on their business."

## **Improved outlook for export prospects**

Companies were more positive about export prospects compared with January's report. The number of firms that expect higher total exports in the next six months rose to 29 per cent from 26 per cent, the highest level since January 2016. They were most upbeat about export prospects to North America in the next six months.

## **Confidence rise is broad-based among sectors**

Four out of six business sectors have noted higher confidence since January, with the biggest rise seen in sectors primarily driven by UK demand – suggesting that the lift in sentiment is due to more than the competitiveness boost of the weak pound.

Construction now has the highest confidence, with the net balance of firms indicating that they are more positive rising to 31 per cent from 20 per cent. Transport and communications and business and other services also made strong gains.

The two areas which reported a fall in confidence still showed levels well above the lows of last July: manufacturing fell marginally by one point to 27 per cent; while hospitality and leisure declined by seven points to 21 per cent.

## **Capital spending forecasts higher, but cautious**

Firms' capital-spending plans improved for a second consecutive survey since January, but remain cautious for most sectors. This is despite stronger profit expectations as firms anticipating higher profits in the next six months rose by ten points to 18 per cent -- an eighteen-month high.

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**Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said:** “Firms reported an increase in their ability to compete internationally compared with January, but warnings about the possibility of weaker demand also rose.

“Although the pound’s value is seen as nearer ‘fair value’, currency volatility remains a big concern for some UK businesses that trade internationally. We have already seen some significant currency moves since the general election.”

**-Ends-**

## Notes to editors

- For more information please and for a copy of the full report please contact [Ed.smith1@lloydsbanking.com](mailto:Ed.smith1@lloydsbanking.com) 0207 661 4936 / 07917 520464
- From Monday 26 June you can download the full report from <https://resources.lloydsbank.com/insight/business-in-britain-july-2017/> and can search on Twitter for #Bizinbritain
- The Business in Britain report, now in its 25th year, gathers the views of 1,500 UK companies, predominantly small to medium-sized businesses, and tracks the overall “balance” of opinion on a range of important performance and confidence measures, weighing up the percentage of firms that are positive in outlook against those that are negative.
- Responses from 1552 firms were collated May 2017 by BDRC Continental.
  - 20% came from businesses with an annual turnover below £1 million
  - 38% came from businesses with an annual turnover between £1m and under £10million
  - 33% came from businesses with an annual turnover between £10m and under £100million
  - 9% came from businesses with an annual turnover of over £100million

## About Lloyds Banking Group

- Lloyds Banking Group is committed to helping businesses of all types and sizes, giving them the funding and support they need to grow at home and abroad. We have set out our pledges in our [Helping Britain Prosper Plan](#).
- In 2016 we supported more than 10,000 first time exporters, grew our lending to small businesses and helped 120,000 start-up businesses in their next phase of growth.
- Since the start of 2011, we have grown our net lending to SMEs by 30% whilst the market has contracted by 12%.
- To see the latest supporting businesses factsheet please visit: <http://www.lloydsbankinggroup.com/media/media-kit/supporting-businesses-fact-sheet/>

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