

## ECONOMIC OPTIMISM FALLS TO LOWEST LEVEL FOR 5 MONTHS BUT FIRMS CONFIDENCE IMPROVES

Lloyds Bank's Business Barometer for June 2017 shows:

- Economic optimism fell by ten points to 18%, the lowest level for 5 months
- Overall business confidence increased by three points to 30%\*
- Confidence in business prospects increased by 16 points to 42%
- Firms' intention to hire rose significantly by 15 points to 34%

Chart 1: Overall confidence edged higher in June

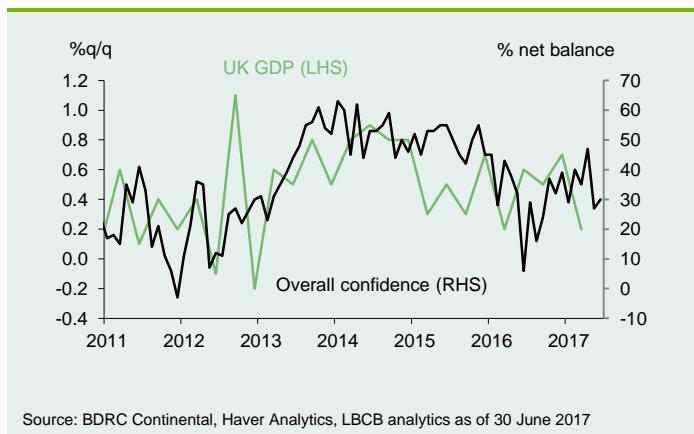
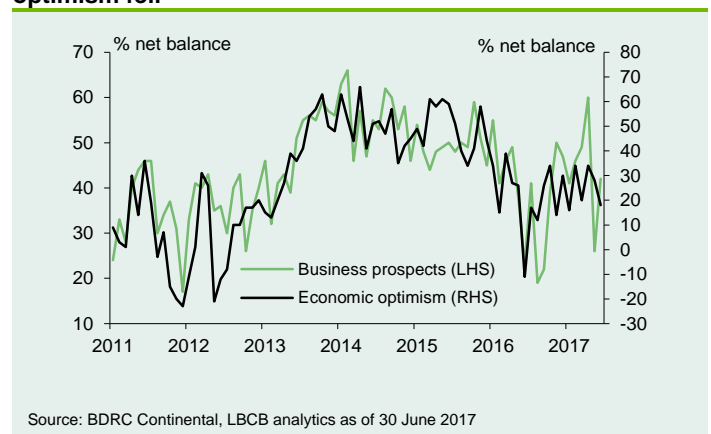


Chart 2: Business prospects rebounded, but economic optimism fell



Overall business confidence increased by 3 points to 30% in June, according to the latest Business Barometer from Lloyds Bank Commercial Banking.

\*Just over half (57%) of this month's survey responses were gathered after the result of the election with the remaining 43% captured before the election. Confidence based purely on post-election responses was 21% - the lowest level since August 2016. Confidence based solely on responses captured before the election was 40%. Overall, this resulted in an average for the month of 30%.

Economic optimism fell by 10 points from 28% to 18%, the lowest level since January. The share of firms citing greater economic optimism fell by 4 points to 45% from 49%, while the share reporting lower economic optimism rose by 6 points to 27% from 21%.

The net balance of firms indicating an improvement in their own business prospects increased by 16 points to 42%, in June. Fifty percent reported stronger business prospects, up 11 points from 39%, while 8% reported weaker prospects, down by 5 points from 13% in May.

Consumer services confidence fell significantly by 31 points to 14%, while business services confidence rose by 10 points to 38%. Sentiment in the industrial sector increased by 27 points to 33%.

The net balance of firms expecting to raise their headcount over the coming year remained positive, increasing by 15 points to 34%. The share of firms expecting to increase their headcount increased by 13 points to 36%, while 2% expect to reduce staffing levels, down by 2 points from last month.

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

*“Business confidence was mixed in June, given the uncertainty following the election result.*

*Nevertheless, our survey results for Q2 overall suggest that the economy continued to expand, albeit at a pace slightly below that in the second half of last year.”*

**- Ends -**

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 300 companies with turnover above £1 million between 5 and 19 June 2017 from all sectors and regions of Great Britain.