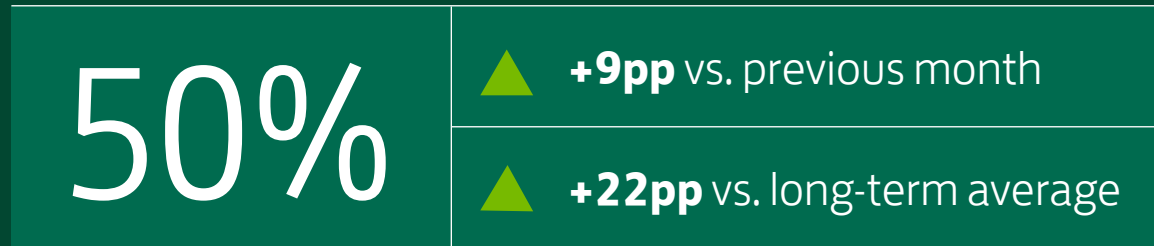


# Business Barometer

July 2024



Overall business confidence



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# Summary

## Post-election bounce

### Key highlights

- Business confidence rebounded strongly in July, led by a seven-year high in trading prospects
- Most responses to this month's survey were taken after the General Election
- Hiring intentions rallied, while pay and price expectations edged up but remained lower than in May
- Retail trading prospects at post-Covid high, with gains also in manufacturing and services
- Three-quarters of UK regions/nations reported stronger confidence, with the East Midlands and Wales the most upbeat

### Confidence and hiring intentions rebound

Business confidence rallied by 9 points to 50% in July, reversing June's drop and matching May's eight-year high. Most of the responses to this month's survey were taken after the 4 July General Election. Trading prospects signalled the strongest output expectations since 2017, while optimism regarding the

wider economy also picked up. In tandem, staffing expectations improved to the joint highest level for seven years. Wage growth and own price expectations rose compared with June, but remained lower than in May.

### Rises across sectors and most regions

Trading prospects improved across all the broad sector categories, most notably in retail which rose to a post-pandemic high, with gains also seen in manufacturing, services and to a lesser extent in construction. Regionally, nine of the 12 UK regions and nations reported stronger business confidence, with the most upbeat responses in the East Midlands, Wales and the East of England. This month's poll was conducted between 1-15 July, with 75% of responses received after the election.



**This month shows that businesses are feeling more confident, buoyed by their positive trading prospects and economic outlook. Retail-focused businesses were the main driving force behind the positive rise in trading prospects and these results tally with the improvement we have seen in consumer confidence.**

**With the data suggesting that businesses may have taken a more cautious approach in June, next month will be one to watch to see if the renewed sense of optimism continues.**

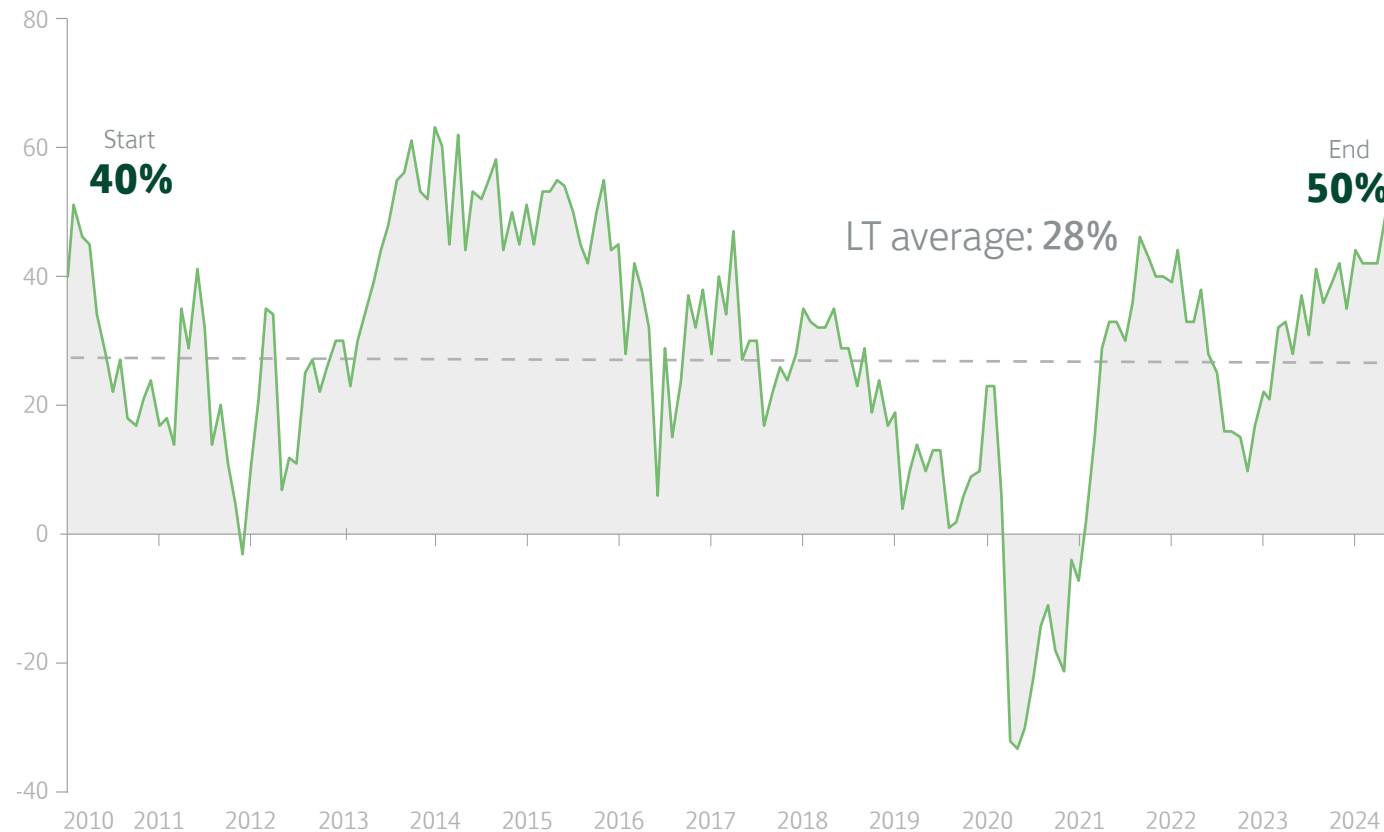


**Hann-Ju Ho**  
Senior Economist  
Lloyds Bank Corporate & Institutional Banking

# Business confidence

## Chart 1: Confidence bounces back

% net balance



## Joint strongest since late 2015

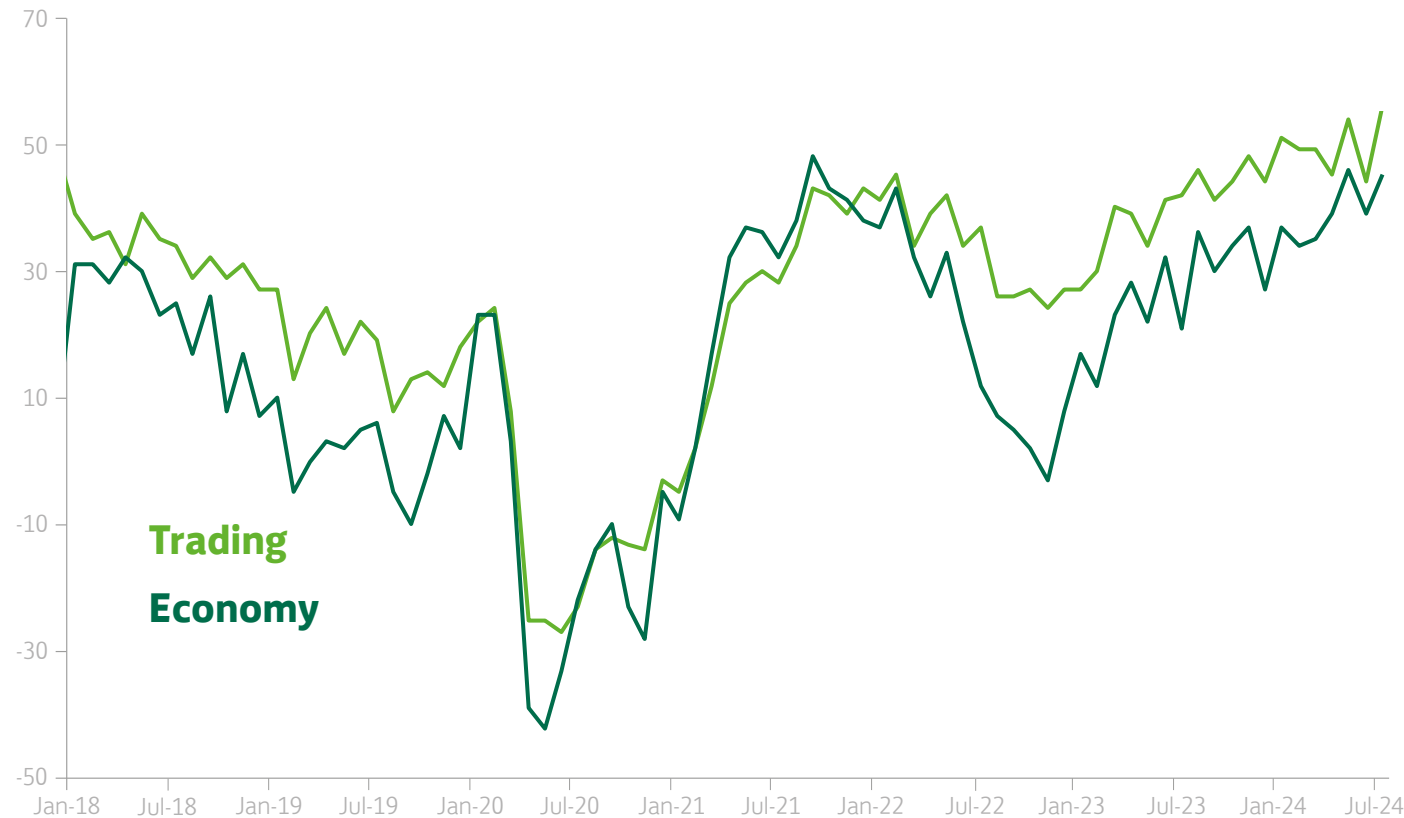
Overall business confidence bounced back in July by 9 points to 50%, reversing June's decline and matching May. The net balance stood at the joint highest level since November 2015 before several shocks that later affected businesses and the economy, including changes to UK-EU trading arrangements, the pandemic and the energy crisis. Buoyed by strong outturns for both trading prospects and economic optimism, sentiment remained above the survey's long-term average (28%) for a fourteenth month in a row.

Source: Lloyds Bank Business Barometer (July 2024), BVA BDRC

# Trading prospects and the economy

## Chart 2: Stronger trading prospects and optimism

% net balance



Source: Lloyds Bank Business Barometer (July 2024), BVA BDRC

## Output expectations at fresh multi-year highs

Expectations for output in the next twelve months bounced back to the highest level for seven years. Sixty-two percent (up from 53%) reported stronger activity, while 6% (down from 9%) predicted weaker trading prospects. The resulting net balance gained 12 points to 56%, a level last exceeded in April 2017.

Wider economic optimism also rebounded strongly. Sixty-two percent (up from 55%) were more upbeat, while 17% (up from 16%) were more negative. The net balance was up 6 points to 45%, the second highest level this year. This seems consistent with more positive readings for official economic activity indicators as Q1 GDP growth was revised up to 0.7% (from 0.6%) and latest monthly figures point to another strong outturn in Q2.

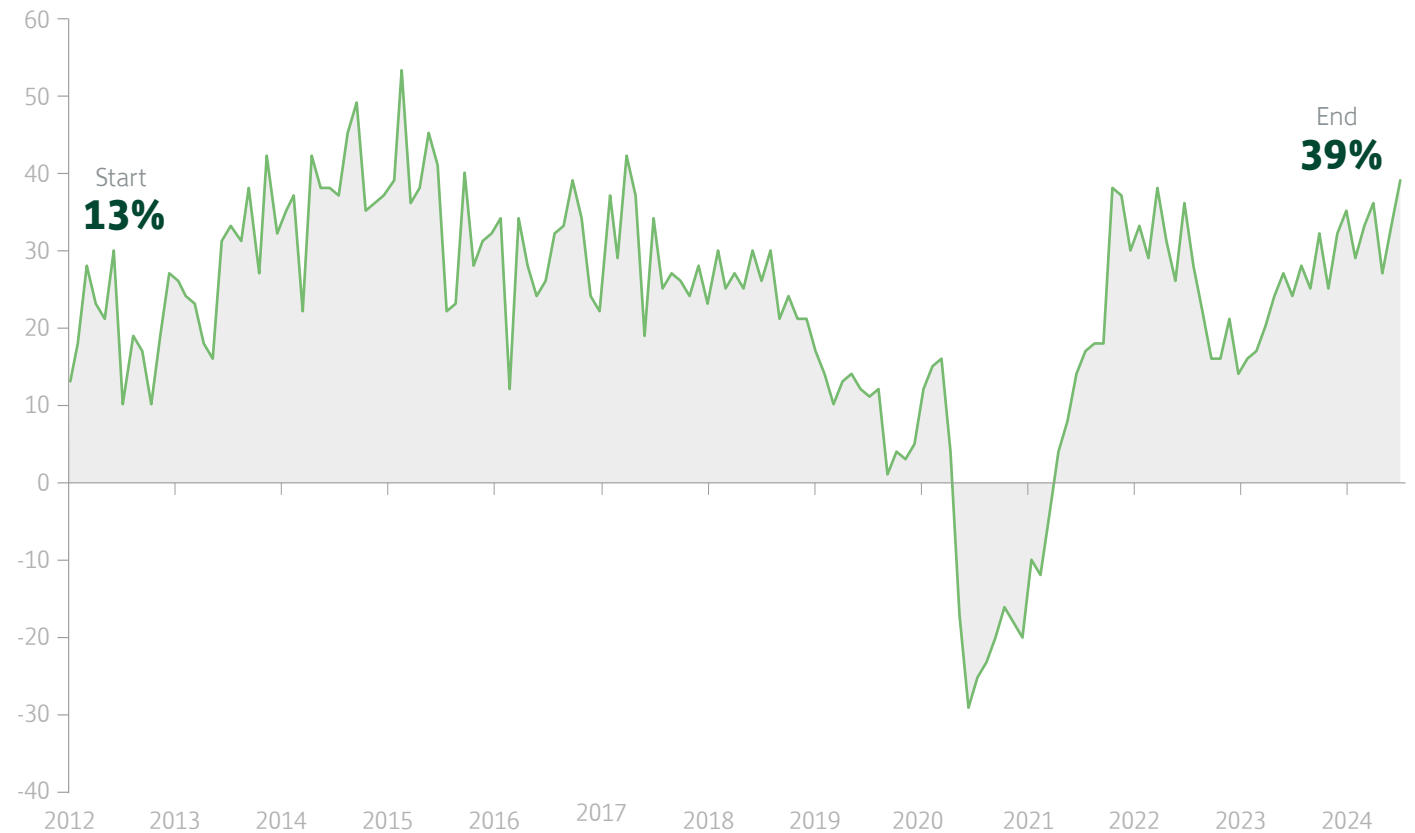
# Employment insights

## Employment appetite picks up

Net hiring intentions bounced back to reverse June's fall. Over half of firms (53%, up from 48%) plan to expand their workforce, while 14% (down from 16%) anticipate a lower headcount. The resulting net balance rose 7 points to 39%, matching the May outcome which was the highest since March 2017.

## Chart 3: Jobs prospects at joint 7-year high

% net balance reporting higher staffing levels, next 12m

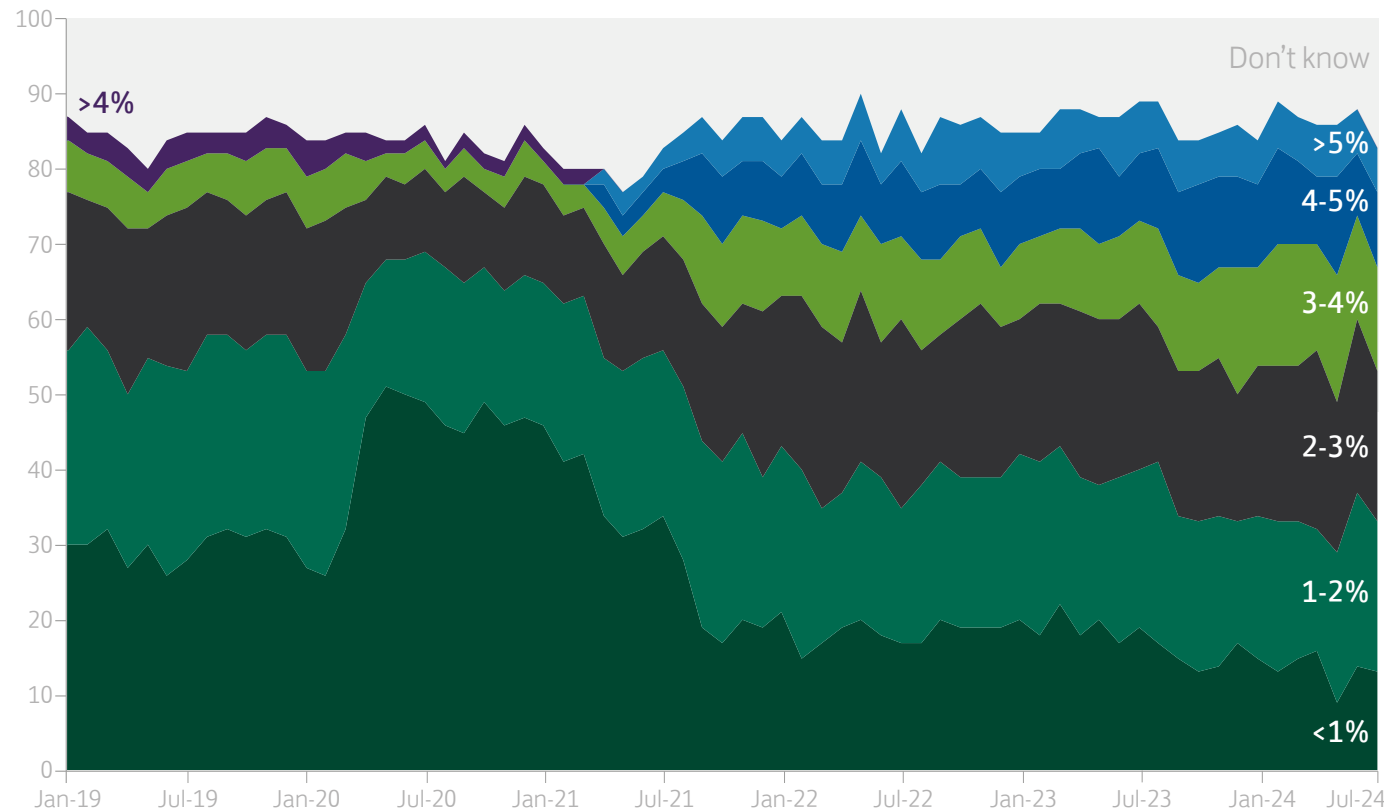


Source: Lloyds Bank Business Barometer (July 2024), BVA BDRC

# Employment insights

## Chart 4: Wage pressures fluctuate

Pay growth expectations, next 12m % firms



Source: Lloyds Bank Business Barometer (July 2024), BVA BDRC

## Wage growth mixed in recent months

Despite strong hiring intentions in recent months, expectations for wage growth have been mixed. The proportion of firms anticipating pay growth of above 3% edged up 30% from 28% in June, but nevertheless still lower than 37% in May. That may be a tentative sign that factors other than demand are affecting wage expectations. That said, wage expectations remain elevated relative to pre-Covid and pre-furlough levels.



**We've seen business confidence rebound in July, returning to the level we saw in May. Businesses may be feeling more resilient about their prospects which in the long term can help drive innovation and create jobs across the sectors.**



**Paul Gordon**  
MD for Relationship Management  
Lloyds Bank Business & Commercial Banking

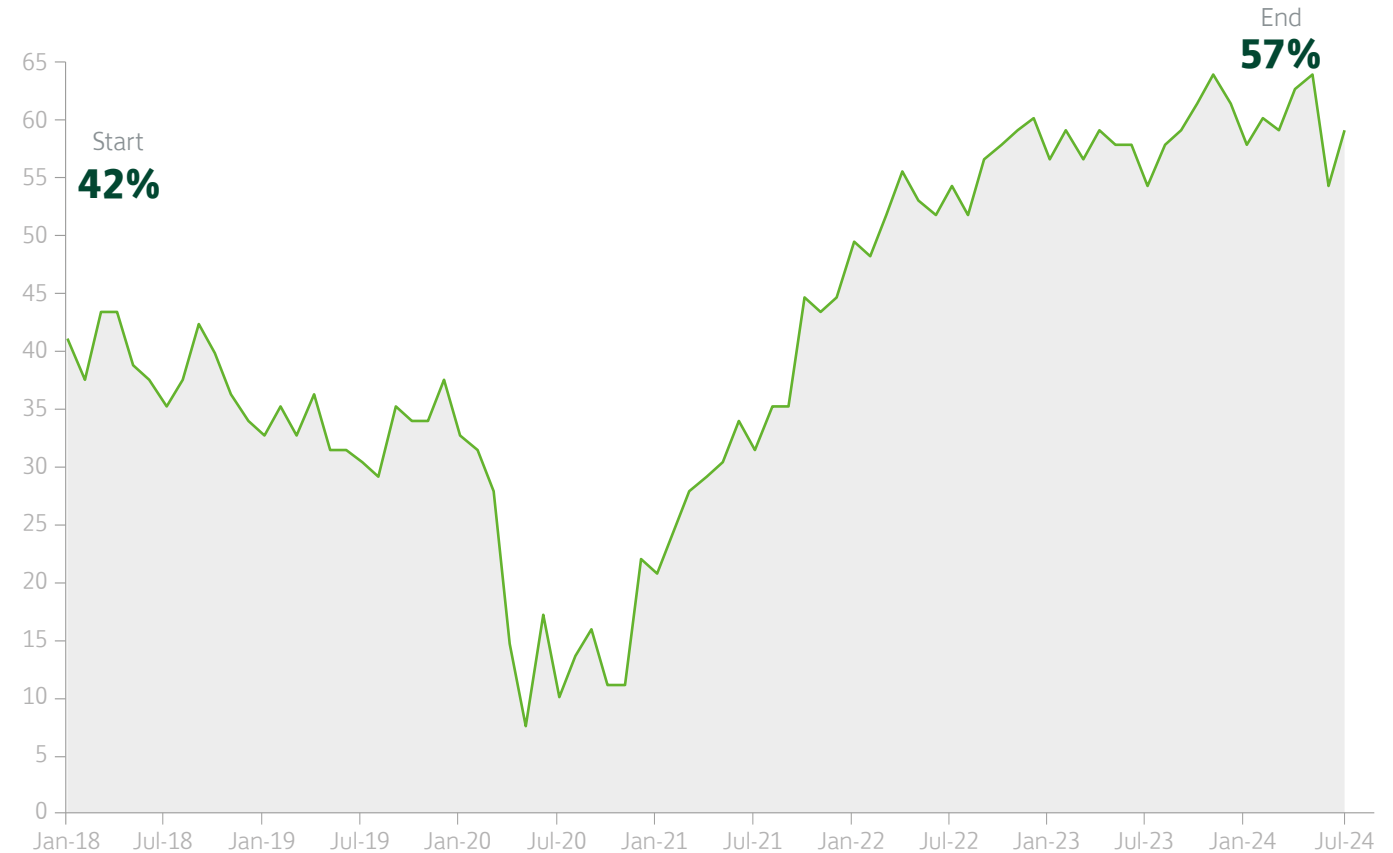
# Pricing insights

## Price expectations edge up slightly

Firms' own price expectations rose by 4 points to 57%, but remained below May's 61% reading. Sixty percent (up from 57%) plan to increase their prices, while 3% (down from 4%) intend to lower them. Lower official inflation may be having an impact on firms' responses, although the evidence on this is still tentative. The last two CPI reports has seen inflation back down to the 2% target for the first time in nearly three years.

## Chart 5: Pricing expectations still below April and May

% net balance reporting higher prices charged in the next year



Source: Lloyds Bank Business Barometer (July 2024), BVA BDRC



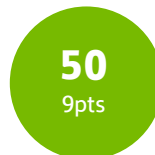
# Region insights

## East Midlands and Wales secure top spots

Nine out of the UK's 12 regions and nations reported stronger business confidence in July. Strong monthly increases helped secure top spots for the East Midlands and Wales, as well as third and fourth places for the East of England and the South East. Confidence levels in these areas are at post-Covid highs. Confidence, on the other hand, fell in the South West, Yorkshire & the Humber and the North West.

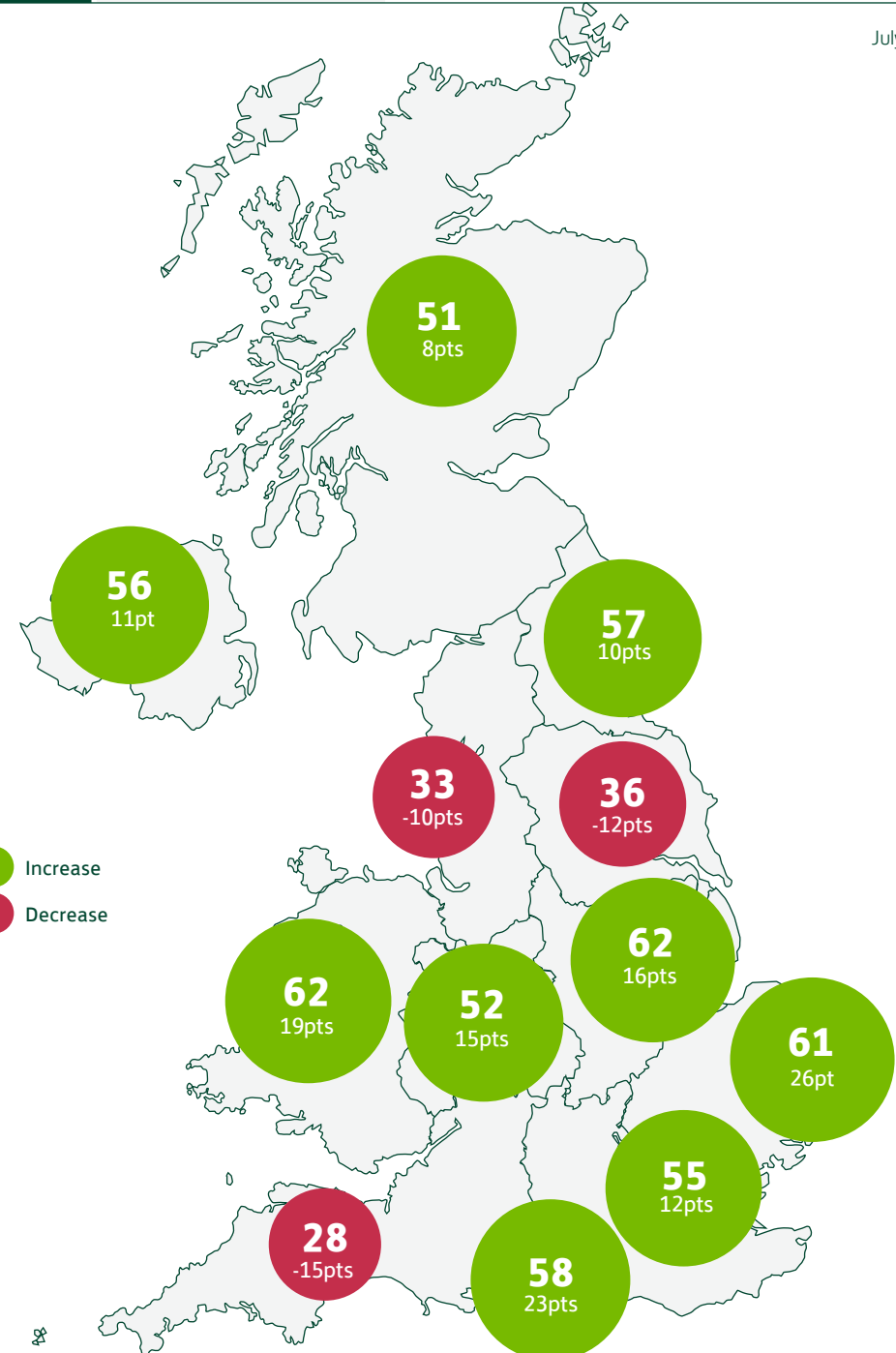
### Chart 6: Confidence up in most regions /nations

## UK



Latest  
+ / – prior month

● Increase  
● Decrease



# Sector insights

## Chart 7: Prospects improve across sectors

Trading prospects, % net balance



Source: Lloyds Bank Business Barometer (July 2024), BVA BDRC

## Retail at post-pandemic high

Output expectations in the retail sector leapt to 60% (up 25 points), the highest level since the pandemic. That matched manufacturing trading prospects with the net balance gaining 9 points to a two-year high. The services index was up 10 points to 56%, erasing almost all of June's pullback, while construction rose more modestly by 2 points to 44%.



**In retail, we've seen the highest level of confidence since the pandemic, which is a positive sign for a sector that has faced several challenges in recent years.**



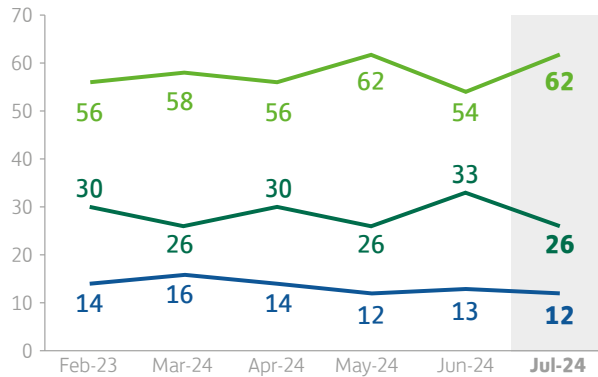
**Paul Gordon**  
MD for Relationship Management  
Lloyds Bank Business & Commercial Banking

# Month-on-month trends

Higher Same Lower

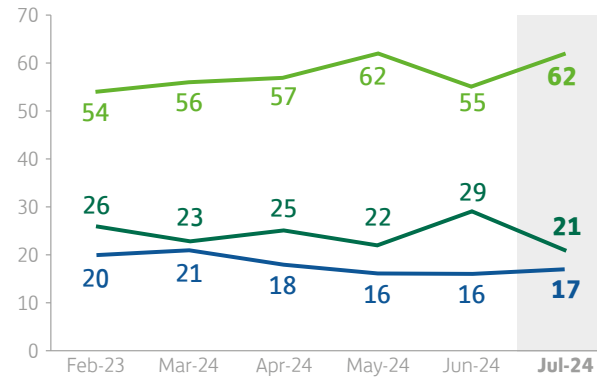
## Overall business confidence

Net Balance (%)	42	42	42	50	41	<b>50</b>
Monthly change	-2	0	0	8	-9	<b>9</b>



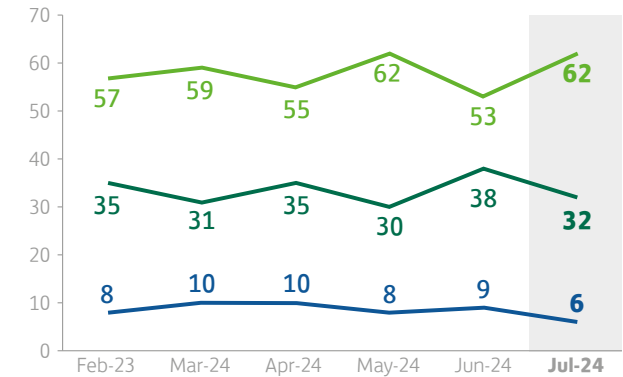
## Economic optimism compared with three months ago

Net Balance (%)	34	35	39	46	39	<b>45</b>
Monthly change	-3	1	4	7	-7	<b>6</b>



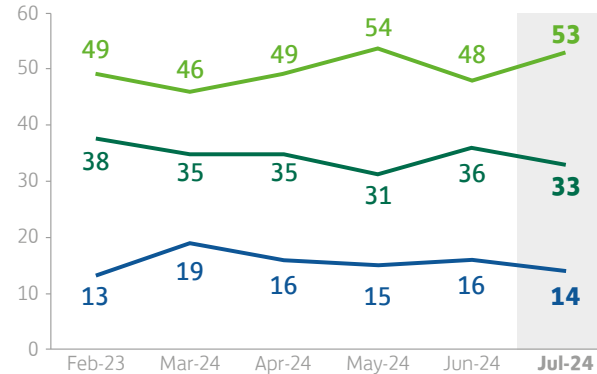
## Trading prospects in the next year

Net Balance (%)	49	49	45	54	44	<b>56</b>
Monthly change	-2	0	-4	9	-10	<b>12</b>



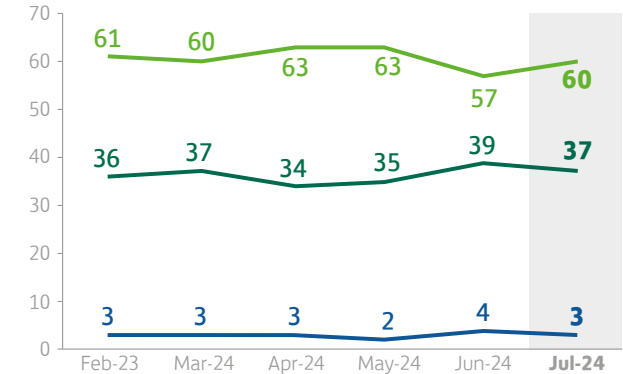
## Staff levels in the next year

Net Balance (%)	36	27	33	39	32	<b>39</b>
Monthly change	3	-9	6	6	-7	<b>7</b>



## Prices charged for goods and services in the next year

Net Balance (%)	58	57	60	61	53	<b>57</b>
Monthly change	2	-1	3	1	-8	<b>4</b>



**9 out of 12** of the UK's regions saw a month-on-month increase in confidence in May

# Methodology

The fieldwork for the Lloyds Bank Business Barometer was conducted during **1 – 15 July 2024** 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



**Hann-Ju Ho**  
Lloyds Bank Market Insights  
Corporate & Institutional Banking

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