

# Business Barometer

August 2024



Overall business confidence



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# Summary

## Business optimism persists

### Key highlights

- Business confidence held steady in August, signalling ongoing robust economic performance
- Economic optimism rose to a near three-year high, while trading prospects and hiring intentions dipped slightly
- Own price expectations fell, while pay expectations ticked up
- Sharp rise in construction trading prospects offset by slight falls in manufacturing, retail and services
- North East, Scotland and London are the most confident regions and nations this month

### Confidence remains resilient

Business confidence was unchanged at 50% in August, matching the highest level recorded since late 2015. Optimism about the economy increased to a near three-year high, while trading prospects for the coming twelve months remained strong despite a small dip. Recruitment outlook also remained robust even with a slight fall in the latest reading. Price and wage signals were mixed this month, but the broad trend for both this year is moderation despite rises in trading prospects and the hiring outlook.

### Extension of robust recovery signalled

The latest results provide an encouraging indication that the UK economy's recent strong performance will likely continue in the second half of the year. At the sector level, construction signalled a sharp increase in output expectations, while trading prospects remained resilient in manufacturing, retail and services despite this month's slightly lower outturns. From a UK regional perspective, the North East, Scotland and London are the most upbeat. This month's survey responses were taken between 1-15 August.



**As in July we've seen a particularly strong outcome for business confidence. It remains at an elevated level of 50%, which is well above the long-term average of 29% - and it has been above the average for the past 15 months. Official GDP data for the first half of this year was encouraging and the survey results indicate that solid economic performance will likely continue as we move into the second half of the year.**

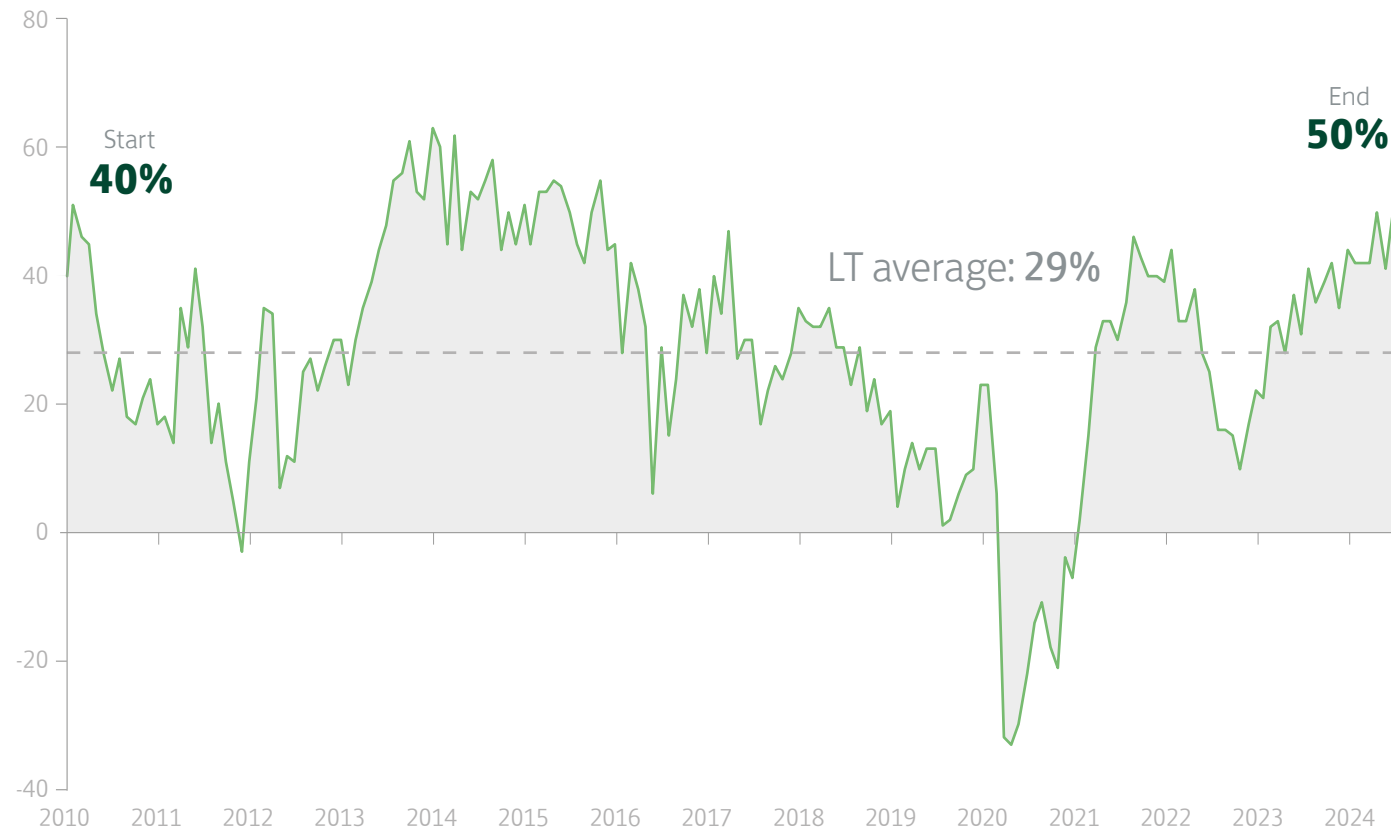


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# Business confidence

## Chart 1: Confidence above average for a fifteenth month

% net balance



## Staying at eight-year high

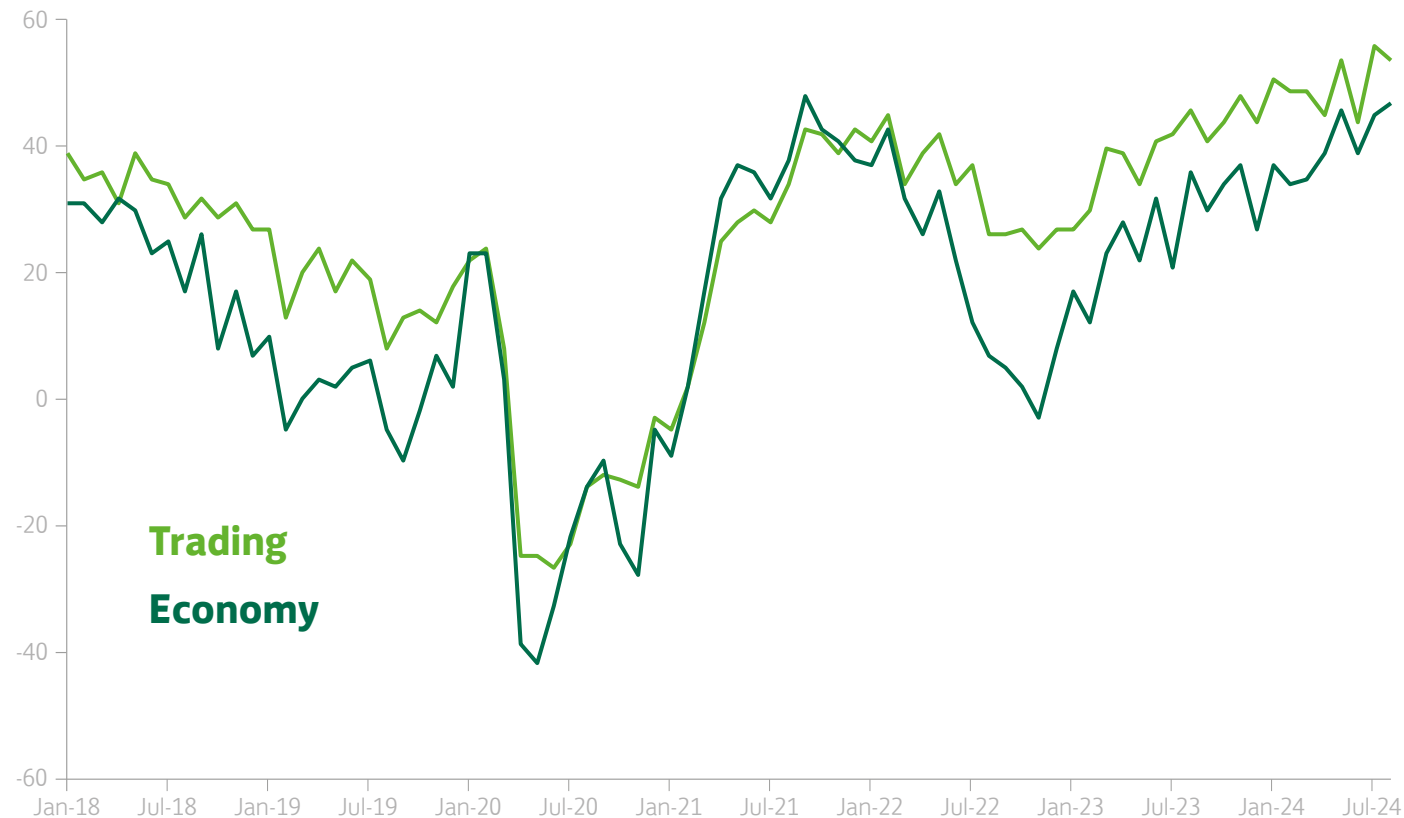
Businesses continued to report robust trading prospects and optimism regarding the wider economy. The overall confidence index was steady at 50% in August, the joint highest level since November 2015, and above the benchmark long-term average level of 29% for a fifteenth consecutive month. The latest results signal that UK economy's recent strong recovery is set to continue in the second half of the year.

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

# Trading prospects and the economy

## Chart 2: Strong trading prospects despite a slight dip

% net balance



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

## Economic optimism rises again

The latest official GDP data pointed to a strong first-half performance with quarter-on-quarter growth of 0.6% in Q2, following a 0.7% rise in Q1. In our survey, optimism about the economy increased in August to the highest level for almost three years. Sixty-two percent of firms, unchanged from last month, were more positive about the economy, while 15% (down from 17%) were less upbeat. The resulting net balance rose 2 points to 47%, a level last surpassed in September 2021.

Trading prospects for the coming year remained strong despite this month's slight fall. Sixty-two percent, unchanged from last month, reported expectations of stronger output, while 8% (up from 6%) anticipated weaker activity. The net balance dipped 2 points to 54% which nevertheless is the joint second highest this year.

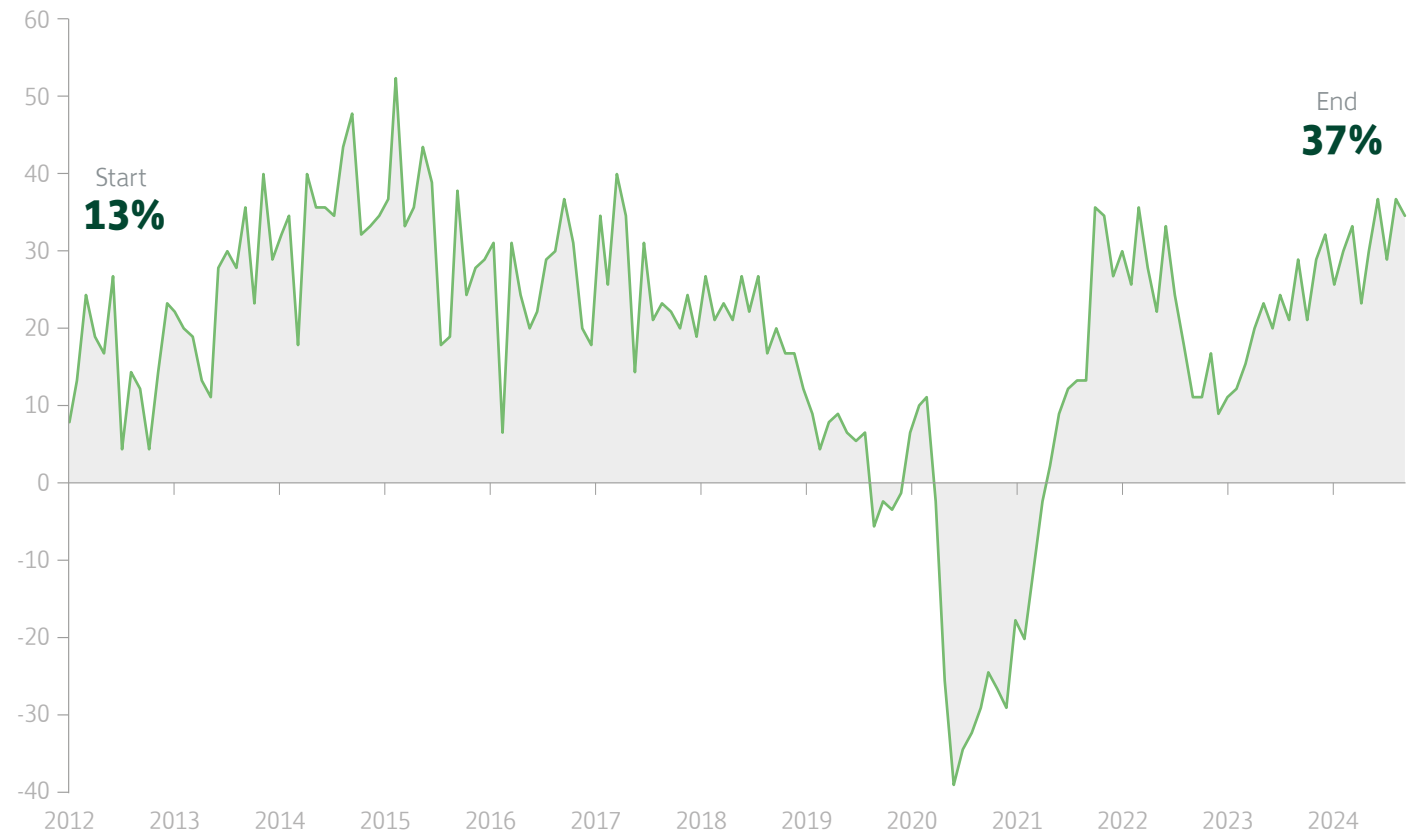
# Employment insights

## Hiring intentions dip

Firms' appetite to hire remained resilient despite this month's slight fall. Fifty-three percent, the same as last month, expect to increase their headcount in the next twelve months, while 16% (up from 14%) anticipate a reduction. The net balance edged down 2 points to 37%. This month's result is still higher than the average for Q1 (32%) and Q2 (35%).

## Chart 3: Employment still positive

% net balance reporting higher staffing levels, next 12m

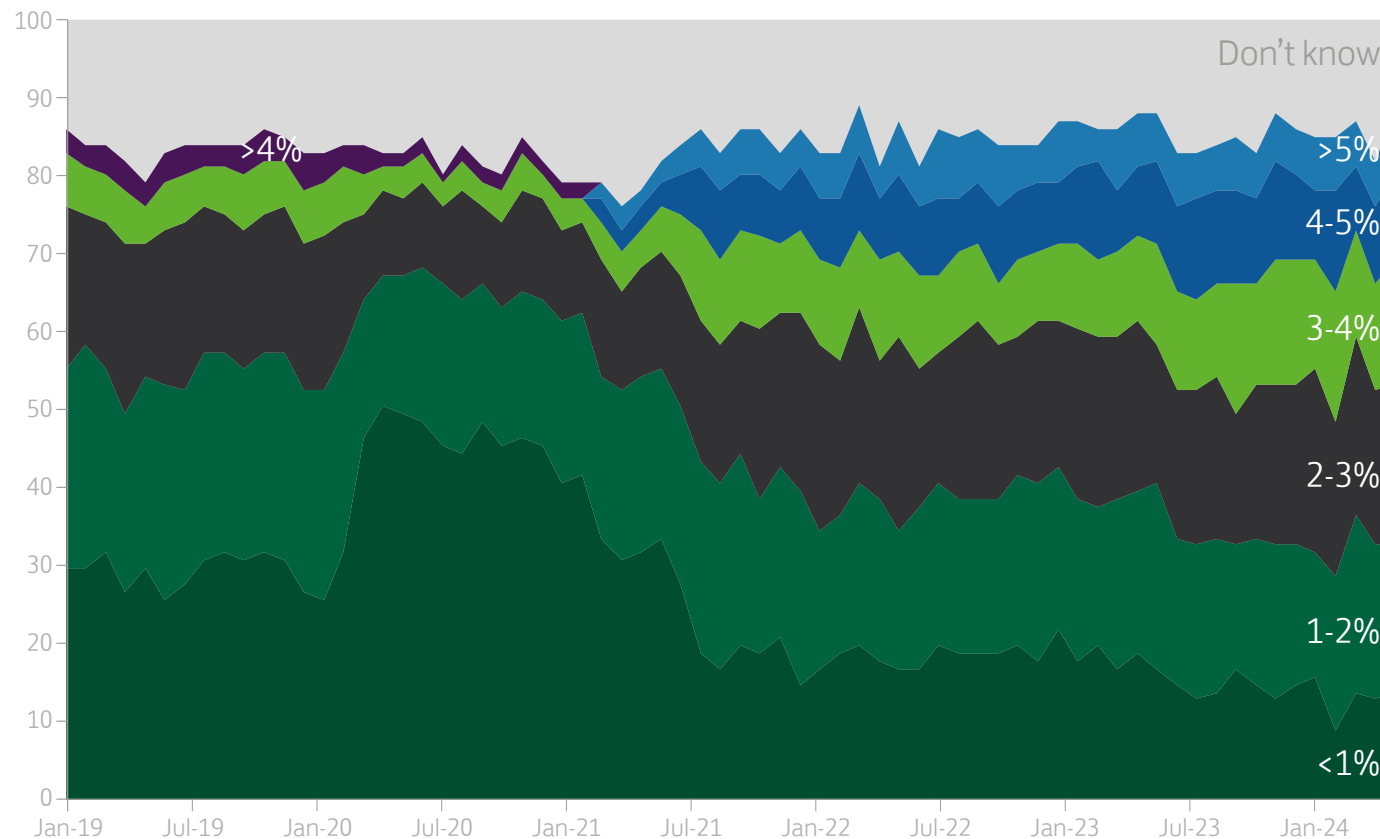


Source: Lloyds Bank Business Barometer (August 2024), BVA BDRC

# Employment insights

## Chart 4: Underlying pressures ease

Pay growth expectations, next 12m % firms



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

## Wage expectations edge up this month

Pay expectations edged up compared with last month, with the proportion of firms expecting average wage growth of at least 3% rising to 34% (up from 30%), including 18% (up from 16%) anticipating at least 4% wage growth. Despite that, the broader trend still points to some moderation in pay growth expectations since the start of the year, an indication that the labour market may have become less tight. From a longer-term perspective, however, wage growth expectations remain high, for example, relative to pre-Covid levels.



**On a more cautious note, we have seen wage growth expectations pick up this month, although not enough to negate the downward trend so far in 2024.**

**Overall, the economy looks to be stable and, from the positive results recorded, businesses are echoing this sentiment.**



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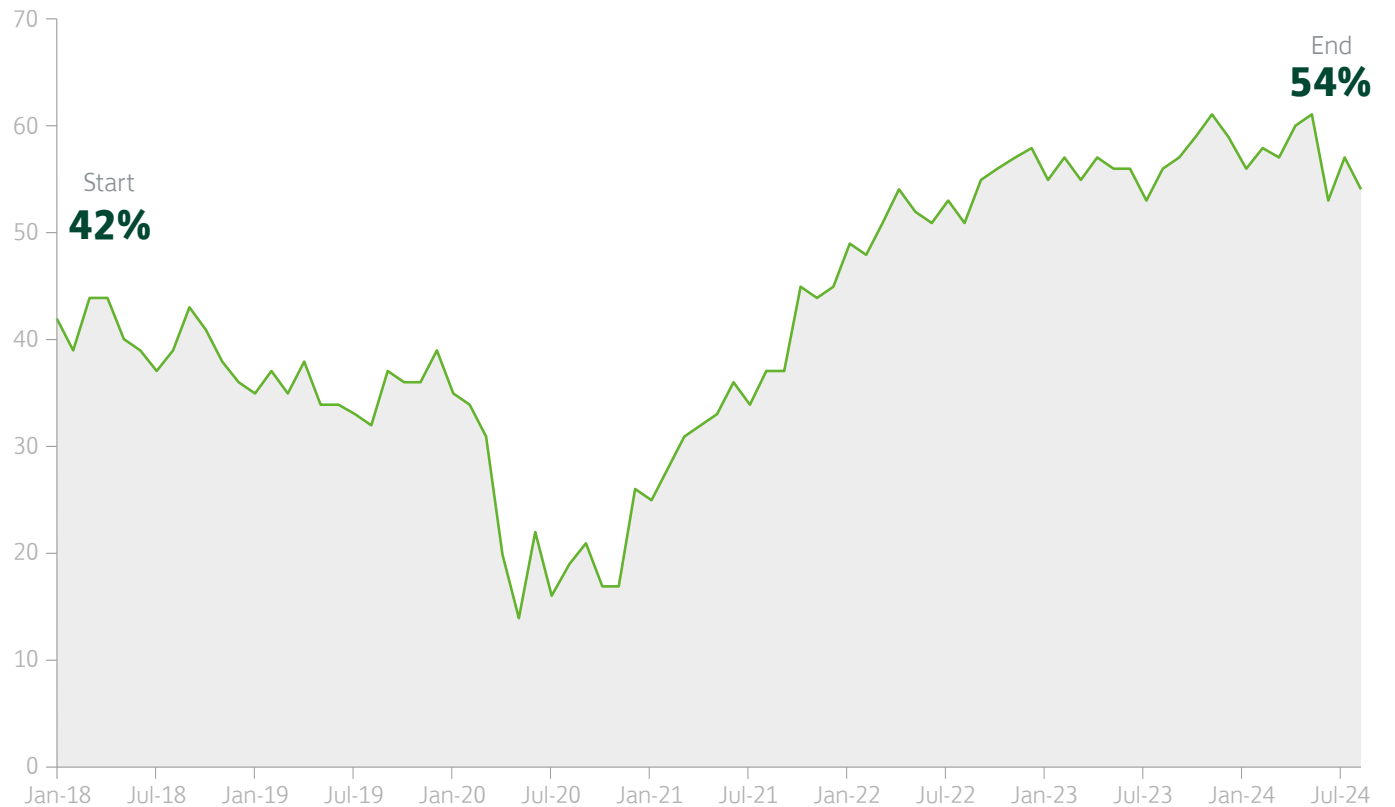
# Pricing insights

## Price expectations fall

Firms' own price expectations fell for the second time in three months. Fifty-eight percent of firms (down from 60%) said that they expect to increase their prices in the next twelve months, while 4% (up from 3%) plan to reduce them. The resulting net balance fell 3 points to 54%, the second lowest this year. The underlying three-month average net balance of 55% is the lowest since last September. All said, the net balance remains high relative to pre-Covid levels.

## Chart 5: Trending lower

% net balance reporting higher prices charged in the next year



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



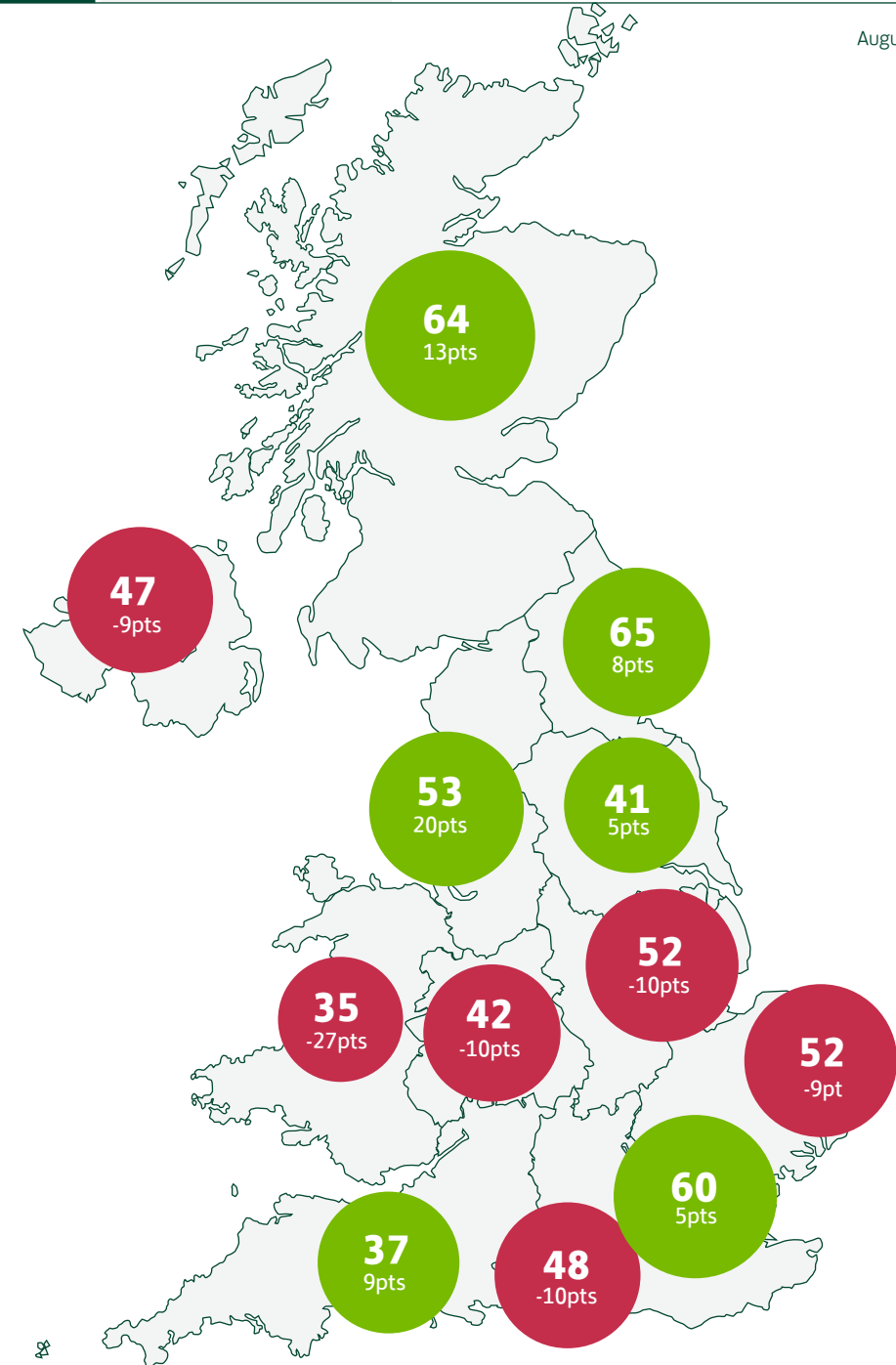
# Region insights

## North East and Scotland in top spots

Solid increases in confidence propelled the North East and Scotland into the top two positions, followed by London and the North West in third and fourth spots, respectively. The East Midlands and East of England were also above the national average despite lower confidence this month. On the other hand, Wales dropped from pole position to the rear, underscoring volatile sentiment although that masks an underlying improvement this year. The South West and Yorkshire & the Humber were also in the lowest quartile although confidence improved from last month in these regions.

### Chart 6: Even split between risers and fallers

UK



# Sector insights

## Chart 7: Trading outlook at or near three-year highs

% net balance



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

## Construction's lofty outcome

Output expectations across the broad sectors remain at or near their respective three-year highs. Construction signalled a sharp increase to 58% (up 14 points), while there were slight falls in other sectors. Trading prospects edged down 2 points in manufacturing with the net balance at 58% to match construction's result. Net balances in retail and services both fell to 53%, down by 7 and 3 points, respectively.



With business confidence levels remaining at an eight year high, it is reassuring to know that UK firms are making strides in this space. It is great to see economic optimism rising steadily throughout the year and we hope to see this continue.

Our priority is to provide ongoing support for all businesses regardless of their confidence or trading prospects, to ensure that we can continue to help Britain recover and prosper.



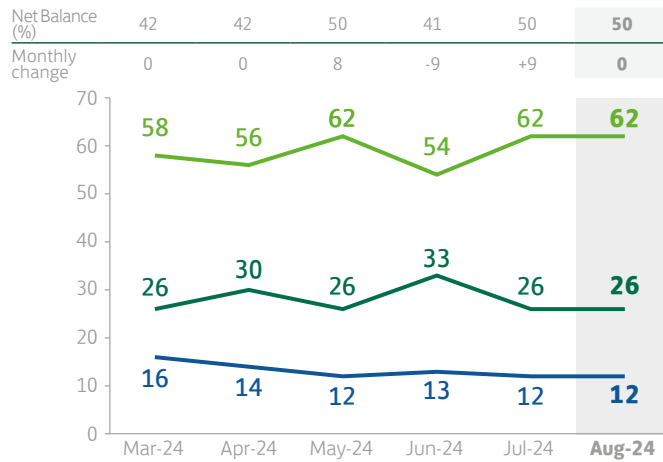
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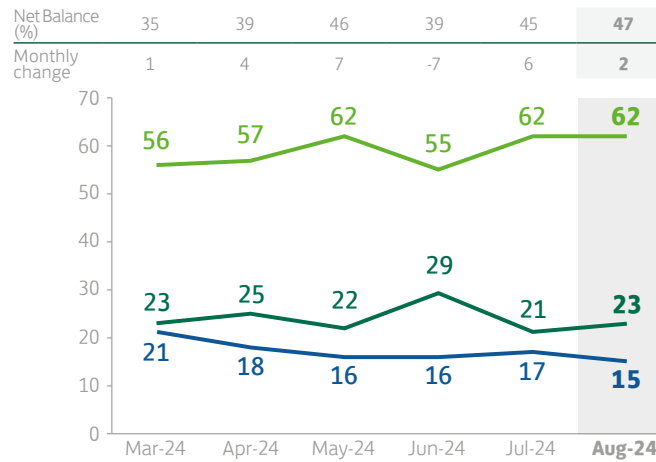
# Month-on-month trends

Higher Same Lower

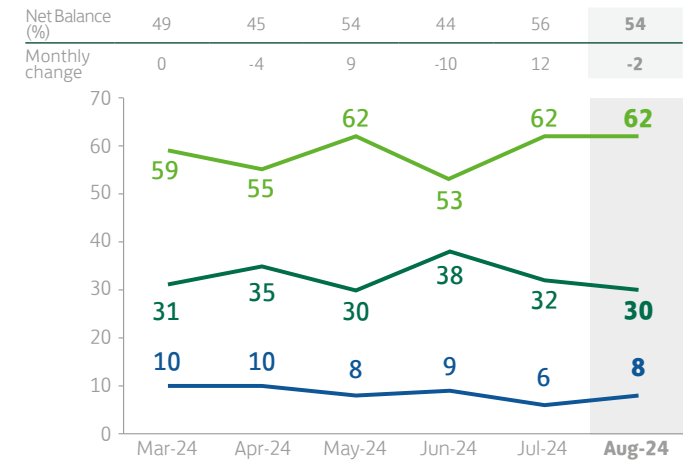
## Overall business confidence



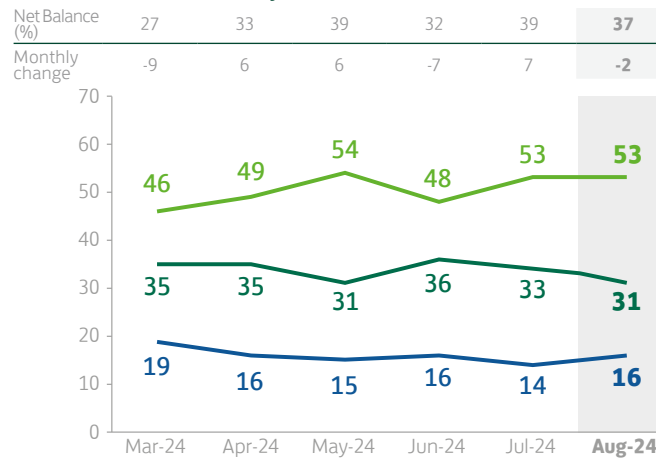
## Economic optimism compared with three months ago



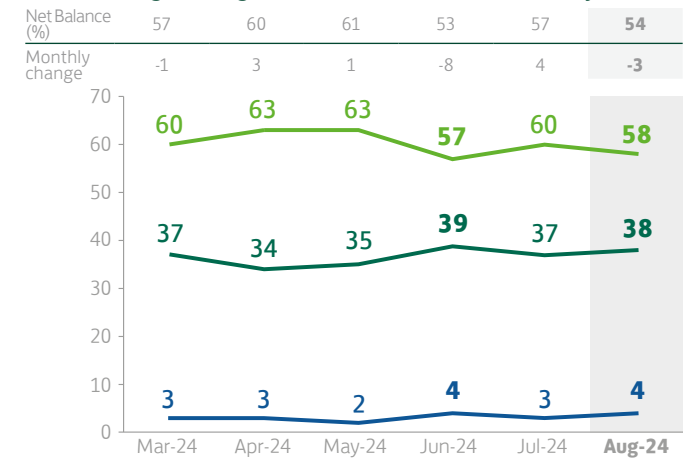
## Trading prospects in the next year



## Staff levels in the next year



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



6 out of 12  
 of the UK's regions saw a month-on-month increase in confidence in August

# Methodology

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



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Document owner: CIB  
August 2024 – 0207