

Business confidence falls in North East as economic challenges take their toll

Business confidence across the North has tumbled 20 points as the challenging economic environment took its toll on companies and their fears for future trade prospects, a new survey shows.

The latest Business Barometer from Lloyds Bank Commercial Banking – carried out between October 3 to 17 – showed confidence fell to 10%, with companies reporting lower confidence in their own business prospects month-on-month, down 14 points at 27%. Their optimism in the economy was also down 28 points to -9%, leading to the headline confidence reading of 10%.

The Business Barometer questions 1,200 businesses each month and provides early signals about UK economic trends both regionally and nationwide. It comes a week after a survey of SMEs by North East software giant Sage also revealed waning confidence across the region, with only half of firms are confident in their own success.

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Companies who took part in the research in the North East said their top target areas for growth in the next six months would be evolving their offering (42%), investing in sustainability (34%) and investing in their teams (33%). A quarter also expect to increase staff levels over the next year, but that score was down 11% points on last month.

Overall UK business confidence fell one point during October to 15%, in line with the average over the last three months.

Business confidence in the manufacturing sector fell for the fifth month in a row, to 13%, down 1 percentage point, the lowest confidence level since February 2021. Confidence in the retail sector also fell, by six percentage points to 9%, while confidence in the services sector fell to 16%, both the lowest levels since early 2021.

But the construction sector saw a 10 percentage point rise to 20%, although this level still remains weaker than in the first half of the year.

Steve Harris, regional director for the North East at Lloyds Bank commercial banking, said: “The challenging economic environment is clearly taking its toll on businesses of all shapes and sizes, and firms here in the North East are no different. However, what’s encouraging and hopefully signals more positive months ahead is business’ continued push for growth, by routes such as developing the products or services and investing in sustainability.”

Last week Tyneside-based Sage Plc published its research which showed that 56% are confident in their own success, a drop in North East sentiment since March but ahead of the UK picture as a whole.

The company surveyed 2,005 SMEs in the UK, including 251 in the North East, as part of its research, which represent a 4% decline regionally since March. However, 41% of regional respondents said they expect to see growth, compared with just 35% nationally.

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