Rate of Welsh business confidence has declined shows new Lloyds research

Business confidence in Wales fell five points in January to 21% according to new research from Lloyds Bank.

Its business barometer data shows Welsh companies reporting lower confidence in their own business prospects month-on-month, down three points at 34%.

When taken alongside their optimism in the economy, down seven points to 8%, this gives a headline confidence reading of 21%. compared 26% in December. Anything below zero denotes an overall negative position.

Looking ahead to the next six months, Welsh businesses identified their top target areas for growth as investing in their team, for example through training (38%), introducing new technology, such as AI and automation (34%), and entering new markets (26%).

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Overall, UK business confidence fell two points in January to 37%. While firms' optimism in their own trading prospects strengthened four points to 51%, their confidence in the wider economy dropped seven points to 24%.

For the third month in a row, London was the most confident UK nation or region in January (55%), with the West Midlands following behind (51%).

There were similar falls in manufacturing, construction and retail this month, with a slight increase in services. Confidence fell to 38% in manufacturing (down 4 points), 36% in construction (down 5 points), and 40% in retail (down 3 points). However, confidence in services increased by 3 points to 38%.

These results come within a general trend of larger confidence declines in retail and services in recent months. Within the services sector, confidence has notably fallen in hospitality but has remained more stable in business services and health-related services.

Sam Noble, director for Wales at Lloyds, said: "While confidence has fallen, it's encouraging to see businesses setting out clear plans to drive future growth – from investing in their teams to new technology.

"As Welsh businesses press ahead with this year's plans, we'll continue to by their side with our tailored support to help them achieve their ambitions."

Hann-Ju Ho, senior economist, Lloyds Commercial Banking, said: “Changes in confidence can sometimes be sudden and sharp, but what we have seen recently has been a more gradual and measured decrease over time.

“The figures for trading prospects show promise with businesses signalling more resilience and assurance in their ability to weather perceived economic headwinds. The regional picture is similarly a cause for optimism, with seven regions reporting higher confidence, meaning it is the first time since July there has been more confidence rises than falls regionally.

“Elsewhere, the results for hiring prospects are in line with other trends from this month’s survey – dipping slightly by one point to 32%. Price expectations have fallen too, for the third month out of four.”