

Welsh business confidence remains stable despite slump in June

Confidence among businesses in Wales remains stable despite a slump in June, a new report has found.

According to the latest Business Barometer from Lloyds Bank Commercial Banking, business confidence fell three points in June to 23%, with Welsh firms reporting lower confidence in their own business prospects month-on-month down three points at 28%.

This gave a headline confidence reading of 23% when taken alongside businesses' optimism in the economy, down three points to 17%.

Despite the drop, Welsh businesses identified a range of possible growth opportunities for the next six months, including evolving their offering with a new product or service (33%), investing in the growth and development of their team (32%), and introducing new technologies to advance their operations (28%).

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Dave Atkinson, regional director for Wales at Lloyds Bank

Commercial Banking, said: “It’s encouraging that businesses across Wales remain confident in the face of ongoing economic uncertainty. To increase resilience in the face of these challenges, it is important that companies carefully manage cashflow and explore opportunities for sustainable investment.

He added: “Firms must be mindful of the amount of working capital they have available to invest in new stock or equipment to meet fluctuating prices and demand, especially during peak seasons like summer. We’ll continue to provide Welsh business with the guidance and support it needs to thrive and grow in future.”

The Business Barometer, which questions 1,200 business each month including 92 firms in Wales, provides early signals about UK economic trends both regionally and nationwide.

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It measure of overall business confidence is the average of responses about how businesses regard the economic outlook and their own trading prospects.

Overall UK business confidence also dropped 10 points in June to 28%, with every nation and region, except the East of England (up 17 points to 31%), recording a lower reading than May.

Nationwide, firms' outlook on their future trading prospects fell eight points to 34%, and their optimism in the economy dropped 12 points to 21%.

The net balance of businesses planning to create new jobs also fell by nine points to 28%.

London (down 28 points to 35%), the West Midlands (down 23 points to 30%) and Scotland (down 15 points to 27%) reported the largest decreases month-on-month, with the North West (down two points to 42%) the most optimistic region overall.

From a sector perspective, manufacturing fell to 32% and construction to 30%, bringing them close to the UK all-sector average reflecting lower optimism in the economy.

In the service sector, confidence fell to its lowest in a year at 25% showing weaknesses in hospitality, although this was offset by stronger confidence in business services. Confidence in retail businesses edged up this month four points from 27% to 31%.

Hann-Ju Ho, senior economist for Lloyds Bank Commercial Banking, said: "Business confidence declined this month, suggesting that the momentum for growth is moderating. Firms remain broadly positive but face several challenges ahead, including concerns around higher costs and slowing demand. If these trends continue, businesses may have less scope to pass on higher costs to support their margins."

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