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SOARING EXPORTS BOLSTER WEAK ECONOMY

UK exports shot up in the second half of 2005, offsetting the impact of the weaker domestic economy, according to the latest Business in Britain survey from Lloyds TSB Corporate.

Assisted by the weaker pound and strong growth in overseas markets, UK firms enjoyed a bumper six months, with 45 per cent of companies reporting higher exports compared to 18 per cent reporting a fall¹.

So strong has performance been that the UK's export balance – the percentage of firms reporting rises minus those reporting falls – has reached a level (27 per cent) seen only one other time since 1996².

The boom has been driven by strong exports to both European and non-European destinations. Thirty-three per cent of firms in December reported higher exports to countries outside Europe – particularly India and China - while only 14 per cent reported falls. The 19 per cent export balance – more than double June's 7 per cent balance³ - was the highest it had been for five years.

Exports to Europe, particularly Eurozone countries, were equally buoyant in the second half of the year. Thirty-five per cent of companies exported more in the last six months while 19 per cent exported less: the 16 per cent balance – twice June's 8 per cent gap⁴ - was an 18-month high.

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¹ In June, these figures stood at 40 per cent and 24 per cent respectively (a 16 per cent balance)

² The first occasion came in June 2004

³ Derived from 29 per cent of firms exporting more and 22 per cent exporting less

⁴ Derived from 32 per cent of firms exporting more and 24 per cent exporting less

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While export performance was extremely strong in the second half of the year, import performance remained steady, with no change in the balance of firms – 32 per cent - reporting increases. However, there was a marked discrepancy between the level of imports from Europe and those from the rest of the world.

Twenty-eight per cent of firms increased imports from Europe between June and December but a large number - 22 per cent – did the opposite. The 6 per cent balance represents a fall from June, when it stood at 10 per cent⁵.

However, although they scaled back their imports from Europe, companies significantly increased them from the rest of the world. Thirty-five per cent bought more goods from non-European countries while just 9 per cent bought less. The balance - 26 per cent – was considerably higher than June's figure 18 per cent⁶.

With optimism high after such strong performance, many UK firms expect to boost both exports and imports over the next six months. Forty-seven per cent of firms plan to export more over the period with 10 per cent expecting to export less: the 37 per cent balance – a two-year high - is considerably above June's figure of 27 per cent⁷.

Likewise, more firms plan to increase rather than decrease imports. Forty-six per cent expect to buy more goods from abroad while just 8 per cent plan to buy less. At 38 per cent, the balance is considerably higher than June, when it stood at 30 per cent⁸.

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⁵ Thirty per cent of firms increased imports in June while 20 per cent lowered them

⁶ Thirty-three per cent of firms raised imports while 15 per cent lowered them

⁷ Forty-three per cent of firms planned an increase while 16 per cent expected a decrease

⁸ Derived from 43 per cent of firms planning an increase and 13 per cent expecting a decrease

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Peter Sargent, head of sales, Lloyds TSB Cash and Trade Sales, said: “Despite suffering weak sales and orders during the second half of the year, UK companies’ export performance has been remarkably good.

“It is therefore not too surprising to see that they are very confident about the months ahead, and their export intentions certainly do suggest that forecasts predicting a strengthening of the UK economy are spot-on.”

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Notes to Editors:

- Data available by region, sector and company size from the Lloyds TSB Press Office.
- The Business in Britain survey has been carried out twice a year since 1992. Responses from 1,500 firms with turnover over £1 million were collated in December 2005.
- Lloyds TSB Corporate provides financial, banking and advisory services to businesses with a turnover greater than £2 million per year. Its services include acquisition finance, capital markets, treasury, structured finance and registrar services.
- Lloyds TSB Corporate was named ‘Bank of the Year’ at the inaugural Finance Directors’ Excellence Awards in April 2005.

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