

55/07

30 April 2007

## SHARP RISE IN ECONOMIC CONFIDENCE SUGGESTS SUSTAINED UK GROWTH

*Business Barometer for April shows:*

- *Firms' optimism in UK economy displays sharp rise despite threat of future rate rises and strong currency*
- *Confidence translates to increased expectation of trading activity in 2007*
- *Survey data indicates economic growth likely to outstrip current consensus*

Optimism among UK companies about the state of the general economy rebounded sharply in April which indicates that above-average growth economic is likely to be sustained throughout the second quarter of the year, according to the **Lloyds TSB Corporate Markets Business Barometer** out today.

The balance of firms feeling optimistic rather than pessimistic about the UK economy rose by 12 percentage points during April, up to +41 from +29 in March. This represents a level of confidence more than double the survey's five-year average of +18.

In addition, when asked about their own business activity, 67 per cent of firms expect to experience a rise in trade, 30 per cent expect activity levels to remain constant and just two per cent expect a decline. Overall, this represents an increase in balance from +56 in March to +65 in April.

Trevor Williams, chief economist at Lloyds TSB Corporate Markets, said: "This leap in confidence suggests a robust April and the numbers imply that this rate of healthy economic growth will persist."

**.../more**

## SHARP RISE IN ECONOMIC CONFIDENCE SUGGESTS SUSTAINED UK GROWTH/...2

Williams continued: “Stronger demand growth has allowed firms to increase prices and investment spend is now outstripping consumer spending. The sentiment of firms reported in this month’s survey indicates that economic expansion will be sustained at near three per cent pace. With official estimates of annual GDP growth in Q1 2007 currently at 2.8 per cent, this survey indicates that this pace is on course to be replicated in Q2 as well.”

The balance of optimism about their own business activity among industrial firms has rocketed from 44 per cent in March to 71 per cent in April. With official data showing that net rates of return for manufacturers rising 10 per cent in Q4 2006, compared with 6.9 per cent in Q3, this should also have a positive impact on confidence levels.

Trevor Williams continued: “Confidence among industrial companies also soared. It seems that despite weakness in industrial output levels, firms have been able to raise prices leading to the strongest level of profits in 18 months. With the stock market flourishing, corporate profitability is vigorous and confidence has surged. Encouragingly, this picture looks set to continue.”

### Barometer Questions

Are you presently more optimistic about the economy than you were three months ago?

	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07
<b>Optimistic</b>	54%	35%	54%	54%	50%	55%
<b>Same</b>	18%	30%	23%	18%	28%	31%
<b>Pessimistic</b>	27%	34%	22%	26%	21%	14%
<b>Balance</b>	<b>+27</b>	<b>+1</b>	<b>+32</b>	<b>+28</b>	<b>+29</b>	<b>+41</b>

During the next 12 months, do you expect your level of business activity to increase?

	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07
<b>Increase</b>	59%	58%	62%	69%	63%	67%
<b>Stay same</b>	36%	37%	31%	27%	30%	30%
<b>Decrease</b>	5%	6%	6%	3%	7%	2%
<b>Balance</b>	<b>+54</b>	<b>+52</b>	<b>+56</b>	<b>+66</b>	<b>+56</b>	<b>+65</b>

-ends-

.../more

## **SHARP RISE IN ECONOMIC CONFIDENCE SUGGESTS SUSTAINED UK GROWTH/...2**

### **Notes to editors:**

- The survey started in January 2002.
- Trevor Williams is available for interview.
- Research carried out monthly on behalf of Lloyds TSB Corporate Markets by Continental Research. Data represents over 200 companies with turnover above £1million.
- The Business Barometer complements the Consumer Barometer which is also released monthly by Lloyds TSB Corporate Markets.
- <http://www.lloydstsbcorporatemarkets.com/economicresearch.asp>

### **For more information:**

Kirsty Clay  
Lloyds TSB Press Office  
Tel 020 7356 1517

Trevor Williams  
Chief Economist  
Tel: 020 7696 4597  
Mobile: 07710 986691