

24/07

CONFIDENCE IN UK ECONOMY BOOMING AMONG BRITISH FIRMS

Business Barometer for January shows:

- *Firms' confidence in UK economy rebounded sharply during January*
- *Firms also more optimistic about their own business activity*
- *Industrial sector confidence outstrips service sector*

Firm's confidence in the UK economy has surged during January, despite the rise in base rate, according to January's **Business Barometer from Lloyds TSB Corporate Markets**.

The number of firms expressing increased optimism about the wider economy rose by 19 per cent in the month, from just 35 per cent in December to 54 per cent in January. This upturn in sentiment becomes even more apparent when comparing balance trends. The net balance (the percentage of firms feeling optimistic minus those feeling pessimistic) has rocketed from +1 in December to +32 in January – well above the survey average.

Encouragingly, firms have also reported a rise in confidence about their own future trading performance. In total, 62 per cent of businesses expect to increase business activity in the next 12 months, while just 6 per cent anticipate a decline.

Trevor Williams, chief economist at Lloyds TSB Capital Markets, said: “Thankfully the December blip in confidence was short lived. The continued recovery in manufacturing, strong retail sales growth and robust earnings and employment conditions have knitted together to provide a bedrock of optimism for UK firms' 2007 expectations.

“Strong growth in the global economy and in the UK's main markets in Europe is boosting companies' orders and sales, even though the pound is firm.”

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Within the sectors, the balance of services firms anticipating an upturn in business remains unchanged from last month. The distribution trade has seen a fall in confidence but the industrials sector has reported a massive leap in optimism about its own performance – with the balance increasing by 22 per cent. Firms in all sectors think the economic outlook for the UK has improved but again, the industrial sector shows the biggest improvement.

Barometer Questions

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

	Aug 06	Sept 06	Oct 06	Nov 06	Dec 06	Jan 07
Optimistic	39	43	36	54	35	54
Same	25	24	38	18	30	23
Pessimistic	35	28	25	27	34	22
Balance	+4	+15	+11	+27	+1	+32

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

	Aug 06	Sept 06	Oct 06	Nov 06	Dec 06	Jan 07
Increase	68	67	56	59	58	62
Stay same	29	25	35	36	37	31
Decrease	2	5	6	5	6	6
Balance	+66	+62	+50	+54	+52	+56

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Notes to editors:

- The survey started in 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>

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