

35/07

**Monday 5 March 2007**

## **BRITISH BUSINESSES CONFIDENT OF BUOYANT 2007**

*Business Barometer for February shows:*

- *Firms confident of an upturn in business activity in 2007*
- *Optimism in economy has fallen slightly but remains high*
- *Services sector continues to outperform rest of the economy*

British businesses are upbeat about their prospects for growth in 2007 and are gaining confidence, despite a slight dip in optimism about the economy as a whole, according to this month's Business Barometer from **Lloyds TSB Corporate Markets**.

The survey for February showed that strong European growth and robust domestic demand conditions are improving businesses' outlook for the coming year. Almost three quarters of firms (69 per cent) believe their business activity will rise during the next twelve months, compared to 62 per cent last month. Just three per cent of businesses are predicting a decrease, meaning that the net balance (the number of firms more rather than less optimistic) is +66 per cent, up 10 per cent on the previous month.

Although optimism about the UK's economic prospects remains high and above the survey average, it showed a slight dip this month. The figures reveal that 54 per cent of firms remain more optimistic about the economy than three months ago, while 26 per cent are more pessimistic. This represents a net balance of +28 per cent.

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: "UK businesses have good reason to be optimistic. Over the coming twelve months we can expect to see the UK economy gaining strength with the possibility that GDP could rise by around three per cent after posting an increase of 2.7 per cent in 2006."

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Trevor Williams continued: “This growth is being driven by strong demand in Europe, our key export market, which accounts for 55 per cent of our overseas sales. Demand has also been strong in the UK, which has, in turn, allowed firms to pass on price increases. As well as this, we’re witnessing a boom in business investment and accelerating consumers spending, providing a solid foundation for rising business confidence.”

The services sector is the real success story, as it continues to outperform the rest of the economy. Services firms reported a 33 per cent increase in confidence in February, with four fifths of companies anticipating improved business activity over the next twelve months.

Trevor Williams added: “Despite the strong pound, we should see manufacturing output growth remain positive in 2007, which would make it the best performance since 2004. However it’s the services side of the economy that will be the runaway success story of the next few months.”

### **Barometer Questions**

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

	<b>Sept 06</b>	<b>Oct 06</b>	<b>Nov 06</b>	<b>Dec 06</b>	<b>Jan 07</b>	<b>Feb 07</b>
<b>Optimistic</b>	43	36	54	35	54	54
<b>Same</b>	24	38	18	30	23	18
<b>Pessimistic</b>	28	25	27	34	22	26
<b>Balance</b>	<b>+15</b>	<b>+11</b>	<b>+27</b>	<b>+1</b>	<b>+32</b>	<b>+28</b>

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

	<b>Sept 06</b>	<b>Oct 06</b>	<b>Nov 06</b>	<b>Dec 06</b>	<b>Jan 07</b>	<b>Feb 07</b>
<b>Increase</b>	67	56	59	58	62	69
<b>Stay same</b>	25	35	36	37	31	27
<b>Decrease</b>	5	6	5	6	6	3
<b>Balance</b>	<b>+62</b>	<b>+50</b>	<b>+54</b>	<b>+52</b>	<b>+56</b>	<b>+66</b>

**-ends-**

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### **Notes to editors:**

- The survey starts from 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>

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