

PESSIMISTIC FIRMS REIN IN GROWTH EXPECTATIONS

Business Barometer for March shows:

- *Firms' optimism about economy falls for seventh consecutive month*
- *Confidence about business performance drops sharply but sentiment varies across sectors*

Firms' confidence about their future performance dropped sharply in March, as pessimism about prospects for the UK economy hit a six-year low, according to the latest **Lloyds TSB Corporate Markets Business Barometer**.

The survey of UK businesses with a turnover of £1 million plus, found that optimism about the UK economy fell for the seventh consecutive month. The balance of firms reporting that they were more, rather than less, optimistic compared to three months ago dropped to -29 per cent in March. This figure has fallen rapidly since August, when the balance was +32 per cent.

In light of falling economic optimism, firms reassessed their expectations of future business activity. In March, the balance of firms expecting business activity to increase over the next twelve months dropped to 40 per cent, from 48 per cent in February - the largest single fall in four months.

But performance expectations varied between sectors. Although distribution and industrial sectors were negative about their outlook, confidence in the service sector improved with 66 per cent of services firms predicting that output will increase over the next 12 months.

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: "As firms become more concerned about the future of the UK economy, it is no surprise that they are starting to revise their expectations for future performance. The double whammy of a potential slowdown and the cost of raw materials getting ever higher, means firms are increasingly expecting activity to fall.

“But this pessimism is yet to touch all business sectors. The services sector remains positive so far, perhaps surprisingly given the current financial market dislocation.”

Barometer Questions

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

	Sept 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08
Optimistic	49%	46%	44%	34%	35%	28%	23%
Same	20%	22%	23%	11%	11%	21%	23%
Pessimistic	29%	29%	28%	51%	53%	51%	52%
Balance	+20	+17	+16	-17	-18	-23	-29

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

	Sept 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08
Increase	70%	64%	57%	58%	59%	58%	51%
Stay same	21%	26%	31%	30%	31%	31%	37%
Decrease	7%	7%	10%	8%	10%	10%	11%
Balance	+63	+57	+47	+50	+49	+48	+40

-ends-

Notes to editors:

- The survey started in January 2002 and research is 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:

Eleanor Ross

Group Media Relations

Lloyds TSB

Tel 020 7356 1714

<http://www.lloydstsbcorporatemarkets.com/>

Trevor Williams

Chief Economist

Lloyds TSB Corporate Markets

Tel : 020 7696 4597

Mobile: 07710 986691