

FIRMS' OPTIMISM ABOUT UK ECONOMY FALLS FOR SIXTH CONSECUTIVE MONTH

Business Barometer for February shows:

- *Optimism about economy hits new low among businesses*
- *Confidence about business performance shows marginal decline but sentiment differs across sectors*

Firms' confidence in state of the UK economy has fallen for the sixth consecutive month and has now reached a six-year low, according to the latest **Lloyds TSB Corporate Markets Business Barometer**.

When asked about their optimism about the general economy, 51 per cent of firms said they were more pessimistic than three months ago, compared with just 28 per cent who felt more optimistic. The net balance of firms feeling more, rather than less, optimistic was minus 23 per cent – the lowest recorded in the life of the six-year survey.

However, when asked about their own business prospects, 58 per cent of firms are expecting business activity to increase over the next year and just 10 per cent anticipating a decline. Although this represents a slight month-on-month decline (the net balance fell by one per cent to +48 per cent), there are encouraging signs within the sectors. Sentiment among some firms improved in February, with the net balance of firms feeling more rather than less confident rising by 9 per cent for distribution firms and by 8 per cent for industrials. Service sector firms, however, were less confident, with the net balance of firms expressing optimism about their own activity falling by 21 per cent.

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: "Firms' concern over the wider economy has not been helped by the spate of weakening economic news coming from the housing market and falling consumer confidence."

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Trevor continued: "There's likely to be little comfort on interest rates either, as elevated inflation expectations are becoming a noose around the Bank of England's neck, preventing the MPC from making large cuts in official interest rates at a time when there is no fiscal slack to significantly boost the economy.

"Although this year is likely to be a challenging one for many businesses, we expect confidence to improve in the second half and economic growth to accelerate in 2009."

Barometer Questions

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

	Aug 07	Sept 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08
Optimistic	56%	49%	46%	44	34	35	28
Same	16%	20%	22%	23	11	11	21
Pessimistic	24%	29%	29%	28	51	53	51
Balance	+32	+20	+17	+16	-17	-18	-23

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

	Aug 07	Sept 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08
Increase	59%	70%	64%	57	58	59	58
Stay same	30%	21%	26%	31	30	31	31
Decrease	7%	7%	7%	10	8	10	10
Balance	+52	+63	+57	+47	+50	+49	+48

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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>

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