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BUSINESS CONFIDENCE BLIGHTED BY FEAR OF FURTHER ECONOMIC SLOWDOWN

Lloyds TSB Business Barometer 'monthly snapshot' for August shows:

- *Confidence in overall economic prospects still close to all time low*
- *Firms expect weaker business activity*
- *Economic optimism still in doldrums*

Confidence amongst British businesses is faltering in the face of continued economic uncertainty - and remains close to an all time low - according to the latest **Lloyds TSB Corporate Markets Business Barometer**.

The survey for August shows that economic optimism amongst UK businesses – the factor which weighs most heavily on overall confidence – remains firmly in the doldrums. In total, 20 per cent of firms are more optimistic about prospects for the economy, while 53 per cent are more pessimistic – resulting in a balance of 33 per cent saying they are more pessimistic over all.

In light of these concerns about economic prospects for the coming year, the survey reveals that many companies are expecting weaker levels of business activity. A balance of just +24 per cent expect an increase, rather than decrease in activity – still far below the survey average of +50 per cent.

Across the sectors, distribution firms report the weakest confidence levels, in terms of their own business activity. A balance of just +12 per cent say they expect an increase, rather than a decrease in business activity, while firms in the service sector have slightly better hopes (a balance of +32 per cent). Perhaps helped by a weaker currency, the industrial sector appears to be in the strongest position, with a balance of +42 per cent saying they intend to boost activity.

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: “The cocktail of a weakening in economic conditions and tighter credit means that firms are very likely to trim investment spending even further than they already have. And it’s unlikely we’ll see a quick turnaround in this trend any time soon, given the worries businesses have about a potential recession.”

“However, the recent fall in oil prices and declining input costs in other areas, do give reason for hope that pressure on operating margins may soon start to ease – so there are some signs of respite appearing.”

Barometer questions

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

	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08
Optimistic	28	23%	19	28	22	23	20
Same	21	23%	10	9	16	15	25
Pessimistic	51	52%	70	59	62	60	53
Balance	-23	-29	-51	-31	-40	-37	-33

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

	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08
Increase	58	51%	54	37	49	41	42
Stay same	31	37%	34	43	33	38	38
Decrease	10	11%	12	13	17	19	18
Balance	+48	+40	+42	+24	+32	+22	24

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Notes to editors:

¹ The ‘balance’ is calculated by subtracting all negative responses to a question from all positive responses.

- 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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