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## **UK BUSINESS CONFIDENCE HITS A THREE-MONTH LOW**

*Business Barometer for November shows:*

- *Business confidence about company sales fell sharply last month to a three-month low*
- *Despite economic growth, business confidence in the general UK economy also fell*
- *The Pre-Budget report failed to raise confidence due to high inflation fears*

The number of UK companies expecting their business levels to grow over the coming 12 months has fallen sharply, according to the latest Business Barometer from **Lloyds TSB Financial Markets**.

Just 57 per cent of companies expect their business activity to improve over the next 12 months, with 12 per cent believing it will deteriorate. This marks a significant drop from October, when 64 per cent of companies expected activity to rise and only 3 per cent believed it would slow.

November's surge in pessimism appears to be driven by growing fears about the state of the UK economy in general and about their own their own sales. Only 40 per cent of companies in November were optimistic about the economy, compared to 46 per cent in October. Thirty-four per cent of companies - up four per cent from October – were pessimistic about the economy.

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Overall, confidence in the economy in November was at its lowest level since August and it was significantly below the average for 2005 so far.

Trevor Williams, chief economist at Lloyds TSB Financial Markets, said: “Official statistics show that manufacturing output has declined in each of the last three months and total industrial output, including mining, utilities and oil and gas production, fell sharply, by 1 per cent on the month in October – the biggest drop in seven months. The main reason appears to be domestic UK economic conditions, exports prospects are holding up rather better.

“Business sentiment will not have been helped by the Chancellor’s Pre-Budget report for 2005, which offered no significant concessions to UK business. In fact, by raising North Sea oil companies’ taxation, it could curtail future capital spending and, therefore, damage the prospects of UK companies that supply the offshore sector.”

### Barometer Questions

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

	May 05	June 05	July 05	Aug 05	Sep 05	Oct 05	Nov 05
<b>Increase</b>	60%	62%	51%	48%	56%	64%	57%
<b>Stay same</b>	33%	31%	37%	44%	36%	32%	31%
<b>Decrease</b>	4%	7%	9%	5%	4%	3%	12%
<b>Balance</b>	<b>+56</b>	<b>+55</b>	<b>+42</b>	<b>+43</b>	<b>+52</b>	<b>+61</b>	<b>+45</b>

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

	May 05	June 05	July 05	Aug 05	Sep 05	Oct 05	Nov 05
<b>Optimism</b>	51%	48%	40%	43%	48%	46%	40%
<b>Stay same</b>	14%	20%	18%	17%	15%	24%	22%
<b>Pessimism</b>	33%	26%	42%	39%	35%	30%	34%
<b>Balance</b>	<b>+18</b>	<b>+22</b>	<b>-2</b>	<b>+4</b>	<b>+13</b>	<b>+16</b>	<b>+6</b>

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**Notes to editors:**

- Trevor Williams is available for interview.
- Research carried out on behalf of Lloyds TSB Financial 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 Financial Markets.  
[www.lloydstsbfinancialmarkets.com](http://www.lloydstsbfinancialmarkets.com)

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