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RECORD SALES FIGURES POINT TO FURTHER GROWTH

The number of UK businesses reporting rising rather than falling sales hit a record high in the first half of 2007, providing hope for further economic growth and boosting business confidence to its highest level in almost 15 years, according to the **Business in Britain** survey from **Lloyds TSB Corporate Markets**, out today.

The report, based on the responses of more than 1,800 UK firms, shows that during the first half of 2007, the number of companies reporting higher rather than lower sales reached the highest level since the survey began. A balance¹ of 41 per cent of companies reported higher sales growth during the six months from January, up from a balance of 37 per cent at the start of the year.

Despite the looming prospect of higher interest rates, business confidence² remained buoyant, rising from a balance of 37 per cent in January to 41 per cent in the past six months. A total of 87 per cent of businesses expect further rate increases over the next six months, however this did not dent their expectations for profits, which reached their highest level in a decade, mirroring other data published by the ONS. As well as this, hopes for sales and order book growth also continued to rise.

The balance of companies expecting higher rather than lower profits over the next six months hit 30 per cent, rising from 25 per cent in January, while the balance of firms expecting order books to rise over the next six months increased to 42 per cent from 39 per cent in the previous survey. For sales, the balance rose from 47 per cent to 51 per cent.

Despite this growing confidence, businesses are less certain they will be able to increase prices during the next six months. The balance of firms expecting to raise rather than lower prices by the end of the year has decreased from 26 per cent to 23 per cent. There are some signs, however, that even though intentions of price increases have lessened, inflationary pressures on suppliers for raw materials may force up prices further down the line.

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One area that is showing signs of weakening is the export market. The survey provides some evidence that the strength of the pound is starting to bite, with the balance of firms reporting higher exports to non-European countries falling to 12 per cent, from 19 per cent in the last survey.

Diana Brightmore-Armour, CEO of Corporate Banking and Co-Head of Corporate Markets at Lloyds TSB said: “2007 is shaping up to be a great year for businesses.

Sales hit such a high in the first half that the prospects for further growth by the end of the year are very strong - and the effect this has had on business confidence is clear for all to see. Firms may harbour fears about the future of interest rates and the chances of price increases may be reduced but even so, their outlook for continued growth in the second half of the year is positive.

“Signs of a decline in exports are not to be dismissed, but nevertheless, the overall effect on order books is bound to be limited, propelled by strong UK demand and a stable European economy.”

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Notes to Editors:

¹ The balance demonstrates the percentage of companies reporting an increase minus those reporting a decrease.

²The Business Confidence Index, which this figure reflects, takes into account order book levels, sales and profit expectations over the next six months.

- The Business in Britain survey has been carried out twice a year since 1992. Responses from 1,881 firms with turnover over £1 million were collated in June 2007.
- Data available by region, sector and company size from the Lloyds TSB Press Office.
- Lloyds TSB Corporate Markets provides comprehensive expert financial services to businesses ranging from privately-owned firms to multinational corporations and financial institutions. The wide range of services and innovative solutions includes: dedicated relationship banking, capital market funding, debt and equity finance, treasury and risk management services, structured finance solutions, import and export trade finance and structured credit investments and securitisation facilities.

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