

107/07

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BUSINESS CONFIDENCE DEFIES CREDIT MARKET TURMOIL

Business Barometer for August shows:

- *Business confidence rises for second consecutive month*
- *Confidence in general economy hits 4-month high*
- *Service sector optimism unaffected by credit market crisis*

Business and economic confidence rose in August, suggesting that the UK corporate sector is largely insulated from the ongoing crisis in credit markets, according to today's **Lloyds TSB Corporate Markets Business Barometer**.

Business confidence rose in August, with 59 per cent of firms forecasting a rise in their business activity, compared with 54 per cent in July. This represents a second consecutive monthly increase in optimism and implies that continued strong economic growth during the third quarter looks realistic, despite the continuing turmoil in credit markets.

In addition, the balance of companies feeling more rather than less optimistic about the UK economy in general rose by two per cent from 30 per cent in July to 32 per cent – a third consecutive monthly rise.

Trevor Williams, chief economist at Lloyds TSB Corporate Markets, said: “These bullish results, along with recent robust housing market data, would indicate that the potential for UK economic growth this year is strong and the expected slowdown though underway will not show up until 2008.

In the service sector, 72 per cent of firms expect their level of business activity to rise over the next 12 months, up from 51 per cent in July. This indicates that financial and business service companies will avoid fall out from the market crunch. However, the fall in price inflation to below the 2% target and in wage inflation to only just above 3% will prevent a rise in interest rates by the Bank of England.

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BUSINESS CONFIDENCE RISES BUT GROWTH SET TO WEAKEN/...2

Barometer Questions

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

	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07	Aug 07
Optimistic	54%	50%	55%	46%	53%	58%	56%
Same	18%	28%	31%	27%	17%	13%	16%
Pessimistic	26%	21%	14%	26%	24%	28%	24%
Balance	+28	+29	+41	+20	+29	+30	+32

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

	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07	Aug 07
Increase	69%	63%	67%	64%	53%	54%	59%
Stay same	27%	30%	30%	32%	34%	36%	30%
Decrease	3%	7%	2%	3%	8%	5%	7%
Balance	+66	+56	+65	+61	+45	+49	+52

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Notes to editors:

- The survey started in January 2002.
- Trevor Williams is available for interview.
- Research 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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