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Monday 15 January 2007

LONDON FIRMS BOOST INVESTMENT AFTER SALES AND PROFITS BOOM

London firms plan to boost their investment and recruitment in 2007 after a bumper year which saw soaring sales and profits, according to the latest Business in Britain survey from **Lloyds TSB Corporate Markets**.

In the second half of 2006 sales rocketed for London firms, with a whopping 62 per cent enjoying an increase in sales, compared to 48 per cent 12 months ago. On top of this, 46 per cent grew their profits over the last six months compared to 34 per cent 12 months ago. London firms continue to perform ahead of the national averages of 55 per cent for sales and 38 per cent for profits.

To maximise future revenue from the sharp increases in sales and profits, London firms are set to increase capital expenditure in the next six months. The balance* of firms planning to increase rather than decrease their investment has more than doubled to 24 per cent from 10 per cent 12 months ago.

Similarly, the balance of firms planning to increase rather than decrease recruitment during the next six months has almost trebled to 33 per cent from 11 per cent last year.

Despite fierce competition, London firms capitalised on the buoyant market by raising prices during the second half of 2006 and this looks sent to continue into 2007. The balance of firms that increased rather than decreased their prices shot from -2 per cent (more firms put prices down rather than up) a year ago to 17 per cent at the end of 2006. While the price balance for the next six months was 24 per cent.

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On the back of the sales boom, business confidence for London firms has rocketed. The survey's unique confidence index – which shows London firms' plans for sales, orders and profitability over the next 6 months - has shot to 45 per cent from 25 per cent 12 months ago.

Malcolm McLean, London director for Lloyds TSB Corporate Markets said: "Big profits and big investment usually go hand in hand and London firms are certainly living this trend. The London market has been highly competitive but the sales boom has allowed firms to raise prices and increase expenditure to aid future growth.

"Skills shortages may slightly dampen firms' hiring plans. Over the last year London has enjoyed a boom in the niche financial services markets such as private equity and M&A and finding the people with the right skills and experience is a challenge."

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Notes to Editors:

- * The balance demonstrates the percentage of companies reporting an increase minus those reporting a decreasing figure
- The Business in Britain survey has been carried out twice a year since 1992. Responses from 2,541 firms with turnover over £1 million were collated in December 2006.
- 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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