

43/07

**Tuesday 27 March**

## **STOCK MARKET VOLATILITY KNOCKS BUSINESS CONFIDENCE**

*Business Barometer for March shows:*

- *Firms rein in expectations for business activity*
- *Business and financial services firms most shaken by fall in markets*
- *Overall confidence in UK economy remains strong*

The volatile stock markets of recent weeks have knocked British business confidence in their own performance, according to this month's Business Barometer from **Lloyds TSB Corporate Markets**.

The survey for March showed that businesses reined in their expectations for the coming year in light of uncertainty over the long term performance of the stock market and slower manufacturing growth. The balance – the percentage of firms expecting higher activity in the next 12 months minus the percentage of firms with lower expectations – fell by 10 points from 66 per cent in February to 56 per cent in March.

Business and financial services firms were most shaken by the stock market performance, predicting this was a precursor for slower global economic growth and demand for their services. This was reflected in the balance of services firms expecting higher rather than lower activity which dropped 27 points to 52 per cent in March.

Despite the drop in confidence in their own activity, predictions for the UK economy as a whole remained strong. The balance of firms more rather than less optimistic rose by 1 point in March to 29 per cent, well above the survey average of 17 per cent.

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Trevor Williams, chief economist at Lloyds TSB Corporate Markets, said: “The unpredictable stock market performance this month has forced UK firms to take a sense check on their activity expectations for the coming year. This looks like it will be just a blip rather than a sustained trough in confidence because underlying UK economic conditions remain strong.

“However, firms’ confidence in their own performance could be further damaged by the Chancellor’s Budget last week. While the 2 per cent cut in corporate tax is welcome, it was offset by cuts in capital allowances leaving firms to foot an additional bill of £1.2 billion by 2009-10. It remains to be seen whether this will inhibit any recovery in expectations next month.”

### Barometer Questions

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

	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07
<b>Optimistic</b>	36	54	35	54	54	50
<b>Same</b>	38	18	30	23	18	28
<b>Pessimistic</b>	25	27	34	22	26	21
<b>Balance</b>	<b>+11</b>	<b>+27</b>	<b>+1</b>	<b>+32</b>	<b>+28</b>	<b>+29</b>

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

	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07
<b>Increase</b>	56	59	58	62	69	50
<b>Stay same</b>	35	36	37	31	27	28
<b>Decrease</b>	6	5	6	6	3	21
<b>Balance</b>	<b>+50</b>	<b>+54</b>	<b>+52</b>	<b>+56</b>	<b>+66</b>	<b>+56</b>

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### Notes to editors:

- The survey starts from January 2002.
- 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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