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## **BRIEF RESPITE FOR BUSINESS CONFIDENCE**

*Lloyds TSB Business Barometer 'monthly snapshot' for November shows:*

- *Recent interest rate cuts may have provided a short-lived boost to confidence*
- *Hopes raised for an increase in business activity but this has not been reflected in recent data*
- *Firms remain extremely pessimistic about the general economic outlook*

British business confidence enjoyed a boost last month, on the back of hopes that November's surprise rate cut would fuel business activity, according to the latest **Lloyds TSB Corporate Markets Business Barometer**.

The survey, taken shortly after the Bank of England's decision to slash interest rates by 1.5 per cent in November, shows that the number of firms expecting their own business activity to rise over the next twelve months, rose sharply to 42 per cent, from 31 per cent in October. At the same time, the number of businesses expecting activity to decline fell by six per cent, to 20 per cent. This means that the total balance of firms expecting higher, rather than lower activity rose 17 per cent to 22 per cent, the largest leap in five years.

Despite this apparent rally in business confidence, firms remained overwhelmingly pessimistic about the overall economic outlook. The number of firms saying they remain optimistic about the wider economy rose just three per cent, in November, to 17 per cent, while the number claiming they are more pessimistic fell by one per cent, to 68 per cent. One reason for the negativity is that economic data since the rate cut have been almost uniformly poor.

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## **BRIEF RESPITE FOR BUSINESS CONFIDENCE.../2**

Across the sectors, services firms showed the strongest overall confidence and optimism levels. A balance of 38 per cent of services businesses expect an increase, rather than a decrease, in activity, while the balance of services firms that are optimistic about the economy in the coming year, jumped 32 per cent to -28 per cent.

Regionally, firms in the South showed the highest confidence in prospects for business activity (a balance of 34 per cent), while they were also the least pessimistic about the economy as a whole (a balance of -39 per cent).

Interestingly, the smallest businesses surveyed – those with a turnover of £1-5million – showed by far the sharpest rise in confidence and economic optimism. The balance of those firms expecting activity to increase over the coming year rose 22 per cent in November, while the balance of those holding optimistic views about the wider economy increased nine per cent.

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: “Recent interest rate cuts seem to have boosted business confidence and if rates fall further in 2009, as expected, this could do more to fuel optimism amongst firms. However, pessimism about the general economy remains widespread and suggests that the bounce in firms’ confidence about their own trading conditions is unlikely to last.

“The most recent data shows that the economic climate continues to weaken and we’re now witnessing the bleakest economic outlook since the early 1990s, the full impact of which is possibly not yet fully reflected in company activity.”

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## BRIEF RESPITE FOR BUSINESS CONFIDENCE.../3

### Barometer questions

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

	May 08	Jun 08	Jul 08	Aug 08	Sept 08	Oct 08	Nov 08
<b>Optimistic</b>	28	22	23	20	20	14	17
<b>Same</b>	9	16	15	25	11	18	15
<b>Pessimistic</b>	59	62	60	53	68	69	68
<b>Balance</b>	<b>-31</b>	<b>-40</b>	<b>-37</b>	<b>-33</b>	<b>-48</b>	<b>-55</b>	<b>-51</b>

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

	May 08	Jun 08	Jul 08	Aug 08	Sept 08	Oct 08	Nov 08
<b>Increase</b>	37	49	41	42	31	31	42
<b>Same</b>	43	33	38	38	43	43	37
<b>Decrease</b>	13	17	19	18	23	26	20
<b>Balance</b>	<b>+24</b>	<b>+32</b>	<b>+22</b>	<b>+24</b>	<b>+8</b>	<b>+5</b>	<b>+22</b>

**-ends-**

### Notes to editors:

<sup>1</sup> The 'balance' is calculated by subtracting all negative responses to a question from all positive responses.

- The survey started in January 2002 and research is 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>

### For more information:

Emile Abu-Shakra  
Manager, Media Relations  
Lloyds TSB Group Media Relations  
Tel 020 7356 1878  
<http://www.lloydstsbcorporatemarkets.com/>  
[www.mediacentre.lloydstsb.co.uk](http://www.mediacentre.lloydstsb.co.uk)