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## **OIL PRICES SEND BUSINESSES' ECONOMIC OPTIMISM SLIDING**

*Firms still upbeat about own trading prospects*

*Business Barometer 'monthly snapshot' for June shows:*

- *Business confidence in wider economy falls again*
- *Firms' actual performance fuels confidence in trading prospects*
- *Service sector most optimistic, while retail and distribution are least hopeful*

British business confidence in the economy fell again last month, as the impact of surging oil prices over recent months worsened firms' already gloomy views of the wider economy. However, companies remain upbeat about their own prospects, according to the latest **Lloyds TSB Corporate Markets Business Barometer**, for June.

Concerns amongst businesses about the outlook for the UK and global economy show no signs of receding, with the balance of companies feeling 'more optimistic' rather than 'more pessimistic' about the next twelve months dipping to -40, from -31 in May. In total, 22 per cent of companies were more optimistic, while 62 per cent were more pessimistic.

Despite the growing uncertainty about the economic picture in the UK and abroad, businesses remain upbeat about their own trading prospects for the year ahead. The balance of firms who believe their business activity will rise over the next year rose by 8 per cent in June, to 32 per cent.

Across the sectors, retail and distribution businesses hold the most pessimistic views about the wider economy. A balance of -50% of firms were more pessimistic than optimistic than three months ago, compared to a balance of -38 in May. Services and industrial are the most positive (balances of -36 and -34 respectively), while regionally, it is firms in the North which have the bleakest view of economic prospects (a balance of -43, compared to -38 in the south and -37 in the Midlands).

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## **OIL PRICES SEND BUSINESSES' ECONOMIC OPTIMISM SLIDING.../2**

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: "Month on month business confidence in the economy is waning, but so far these worries have not shaken the faith most firms have in their own trading prospects.

"Although we've seen some signs in recent days that oil prices may be falling, with such huge increases in the past few months and with such volatility in the housing and stock markets, the pressure on consumer spending and company performance continues to build.

"So far retail figures have held up rather better than most surveys have predicted, but as the pressure builds on consumer spending, sales may well start to slow. And our survey hints that this might be starting to happen already.

"But for now at least, most firms remain in good health and are upbeat about the future."

### **Barometer questions**

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

	<b>Dec 07</b>	<b>Jan 08</b>	<b>Feb 08</b>	<b>Mar 08</b>	<b>Apr 08</b>	<b>May 08</b>	<b>Jun 08</b>
<b>Optimistic</b>	34	35	28	23%	19	28	22
<b>Same</b>	11	11	21	23%	10	9	16
<b>Pessimistic</b>	51	53	51	52%	70	59	62
<b>Balance</b>	<b>-17</b>	<b>-18</b>	<b>-23</b>	<b>-29</b>	<b>-51</b>	<b>-31</b>	<b>-40</b>

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

	<b>Dec 07</b>	<b>Jan 08</b>	<b>Feb 08</b>	<b>Mar 08</b>	<b>Apr 08</b>	<b>May 08</b>	<b>Jun 08</b>
<b>Increase</b>	58	59	58	51%	54	37	49
<b>Stay same</b>	30	31	31	37%	34	43	33
<b>Decrease</b>	8	10	10	11%	12	13	17
<b>Balance</b>	<b>+50</b>	<b>+49</b>	<b>+48</b>	<b>+40</b>	<b>+42</b>	<b>+24</b>	<b>+8</b>

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## **OIL PRICES SEND BUSINESSES' ECONOMIC OPTIMISM SLIDING.../3**

### **Notes to editors:**

- 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>

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