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PROMISING SIGNS AS BUSINESS CONFIDENCE RISES AGAIN

Lloyds TSB Business Barometer 'monthly snapshot' for May shows:

- *Business confidence improved for the third consecutive month*
- *Surge in number of firms expecting better business conditions this year*
- *Firms regain faith in UK economic prospects*
- *Trend in increasing confidence should continue through next few months*

Britain's businesses are regaining faith in their own prospects and in the UK economy, according to the latest **Lloyds TSB Corporate Markets Business Barometer**.

The survey shows that, in May, confidence levels amongst businesses across the UK improved for the third consecutive month, hitting their highest levels in almost a year.

The number of firms expecting business activity to rise rose to 44 per cent last month, compared to 35 per cent in April, while the number expecting activity to worsen, fell from 21 per cent, in April to 16 per cent last month. This shift in expectations means that the balance for May (the positives minus the negatives) shot up to 28 per cent – a 14 per cent increase on the previous month.

Businesses' views on prospects for the wider economy also surged in May. The balance of firms expecting economic conditions to improve hit 40 per cent (with 61 per cent feeling more optimistic and 21 per cent feeling more pessimistic). This represents a dramatic rise on April's balance of 11 per cent.

Firms in the industrial and services sector saw a particular boost in confidence. The balance of services firms expecting better trading conditions in the coming 12 months rose 16 per cent, to 30 per cent, while for industrials the balance surged by 29 per cent to 15 per cent - perhaps fuelled by the brighter picture emerging from European data.

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Across the regions, there was universal increase in optimism about business prospects for the next twelve months. Firms in the Midlands now have the strongest confidence balance (53 per cent), followed by those in the North (24 per cent) and South (13 per cent). Surprisingly, although firms in the South are the least confident in their own prospects, they are by far the most positive about the outlook for the wider economy.

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: “While it would be premature to talk of an end to the recession, we should be careful not to overlook the significance of the growing confidence we are witnessing amongst businesses.

“Confidence is always the foundation on which any recovery is built. We’ve now seen three consecutive months of growing optimism amongst UK businesses, if this persists over coming months the recovery should not be too far behind.”

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Barometer questions

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

	<i>Nov 08</i>	<i>Dec 08</i>	<i>Jan 09</i>	<i>Feb 09</i>	<i>Mar 09</i>	<i>Apr 09</i>	<i>May 09</i>
<i>Optimistic</i>	17	16	16	34	33	45	61
<i>Same</i>	15	17	25	18	17	20	17
<i>Pessimistic</i>	68	66	58	47	49	34	21
<i>Balance</i>	-51	-50	-42	-13	-16	+11	+40

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

	<i>Nov 08</i>	<i>Dec 08</i>	<i>Jan 09</i>	<i>Feb 09</i>	<i>Mar 09</i>	<i>Apr 09</i>	<i>May 09</i>
<i>Increase</i>	42	20	28	32	22	35	44
<i>Same</i>	37	43	36	28	46	42	36
<i>Decrease</i>	20	36	31	37	26	21	16
<i>Balance</i>	+22	-16	-3	-5	-4	+14	+28

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Notes to editors:

¹ 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>

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