Lloyds TSB | Corporate Markets

Financial Markets Economic Research

Business Barometer

The Lloyds TSB Corporate Markets Business Barometer is a monthly survey of UK business opinion. The survey is completed around the middle of each month and should help to provide an early indicator of expectations and economic trends at the business level. Participants are asked questions, the answers to which are either an increase/improvement, no change or a decrease/worsening compared with the previous month. The balance between increase/improvement and decrease/worsening responses is used to provide the summary headline indicator for each question. The survey typically has a sample size of 200 companies with turnover of £1m upwards. Historic responses to the barometer correlate well with movements in the general economy and can be used to highlight changing business conditions in the UK.

Business confidence fell in September, led by weaker manufacturing

- UK business confidence fell back in September, driven by weaker sentiment in the manufacturing sector, according to our latest LTSB Corporate Markets Business Barometer survey. Services (excluding distribution) confidence rose to the highest level since June 2008, while distribution confidence was little changed, but remained higher than the first part of the year.
- For the economy as a whole, the balance of firms expecting higher rather than lower levels of business activity fell by 3 percentage points to 29% from 32%. The percentage of firms that expected business activity to rise rose to 45% from 42% last month, but this was more than offset by a greater proportion expecting activity to fall (16% in September versus 10%).
- The survey's question on economic sentiment for the broader economy also fell in September. The balance decreased to 42% from 46%, with 61% of firms more optimistic (unchanged from August) and 19% more pessimistic (versus 15%).
- Business confidence in the industrial sector fell to a 5-month low of 19%, down 22 points. Services confidence rose 8 points to 40%, while distribution confidence remained in line with the recent monthly average, edging marginally lower by 1 point to 22%.
- From a geographical perspective, business confidence fell in all three broad regional areas. Confidence fell 8 points to 29% in the North and declined by 1 point in both the Midlands and the South to 31% and 27%, respectively.
- Business confidence among larger firms with turnover over £25m fell 17 points to 23%, but confidence among smaller firms with a turnover of £1-5m was up slightly by 2 points to 30%. Sentiment among companies with a turnover of £16-25m was the strongest, rising 3 points to 63%.
- The Business Barometer survey has confirmed that the extraordinary policy measures currently in place have helped the economy to stabilise and possibly to return to growth in Q3. But weaker confidence in September is a reminder that a strong and sustainable economic upturn is not yet assured.

Table 1: Headline survey responses - survey conducted 14-18 Sep

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

			Balance (%)	
			Sep	Change*
Increase	Same	Decrease		
45	38	16	29	-3

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

			Balance (%)	
			Sep	Change*
Optimistic	Same	Pessimistic		
61	20	19	42	-4

* Represents the difference in balance from the previous month's survey

Charts of historical responses

Chart 1: Business confidence has rebounded from lows at the turn of the year, but edged lower in September

Own company prospects

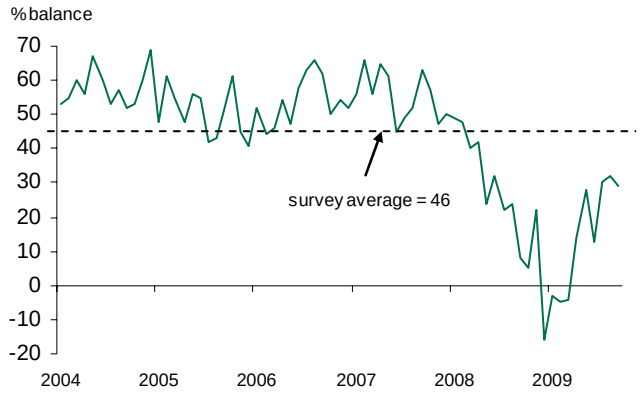


Chart 2: Firms remained significantly more optimistic about general economic prospects than earlier this year

General economic conditions

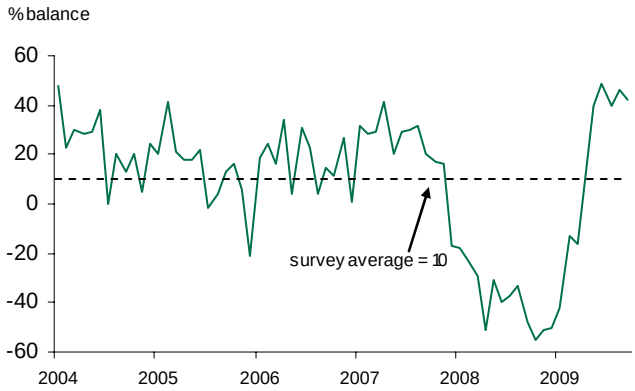
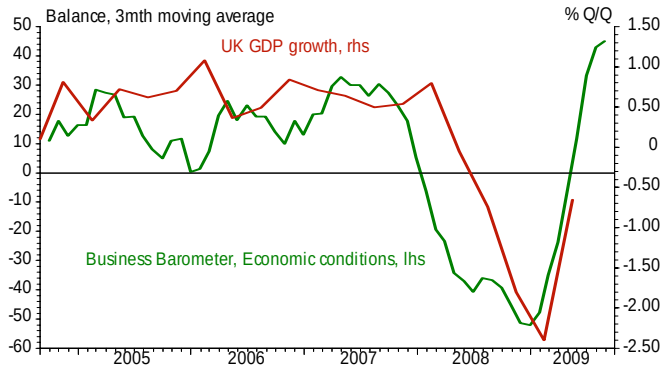


Chart 3: The Business Barometer's general economic conditions index provides an early indication that growth could return in Q3

Economic conditions index compared with quarterly UK GDP



Detailed responses, by corporate sector, region and company size

Table 2

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

Sep - 09	Increase	Same	Decrease	Balance % (increase minus decrease)	Change in balance Sep/Aug
Total	45	38	16	29	-3
Sector					
Services	53	32	13	40	+8
Distribution	37	44	15	22	-1
Industrials	40	39	21	19	-22
Region					
North	49	31	20	29	-8
South	46	33	19	27	-1
Midlands	38	52	7	31	-1
Scotland	59	19	21	38	+49
Size					
£1-5m	44	41	14	30	-2
£5-20m	41	31	21	20	-21
£20m+	62	22	15	47	+4

Table 3

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

Sep - 09	Optimistic	Same	Pessimistic	Balance % (optimism minus pessimism)	Change in balance Sep/Aug
Total	61	20	19	42	-4
Sector					
Services	56	22	21	35	-5
Distribution	67	20	13	54	+21
Industrials	63	15	22	41	-27
Region					
North	37	34	28	9	-34
South	68	12	21	47	+4
Midlands	75	18	8	67	+14
Scotland	61	25	19	42	+25
Size					
£1-5m	59	22	19	40	-3
£5-20m	66	13	20	46	-16
£20m+	72	12	14	58	+19

About us

Lloyds TSB Corporate Markets' Economics team works in tandem with relationship and financial markets teams to provide analysis of the issues impacting the economy and business areas its customers operate in. The mission of the team is to add value to customers, through superior economic analysis and insightful research into financial markets and industrial sectors.

Our Financial Markets team provides solutions to businesses of varying size – from commercial through to global corporations and financial institutions. The complexities of today's volatile financial markets mean that businesses have an even greater need for a risk management partner. Our Financial Markets experts take a consultative approach and can provide you with a risk strategy that includes FX, Inflation, Interest Rates and Commodity solutions.

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