

## BUSINESS CONFIDENCE CONTINUES TO RISE IN APRIL

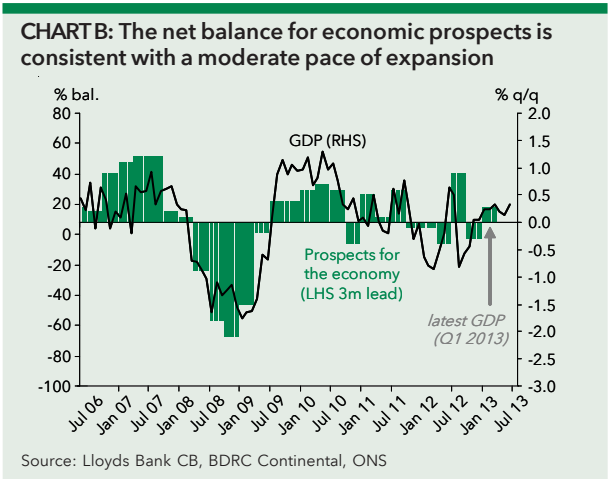
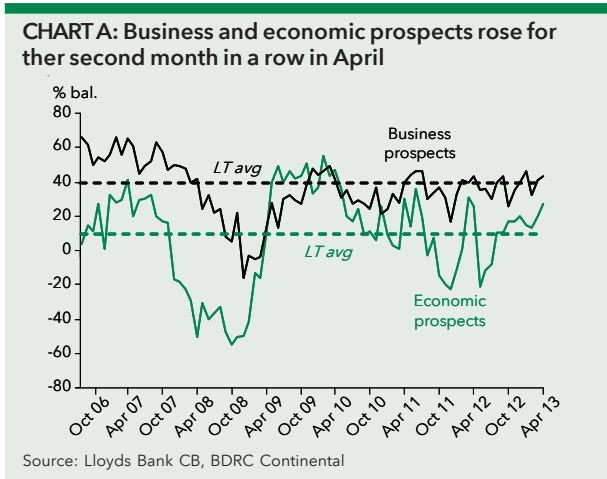
- Sentiment about the outlook for both the UK economy and companies' own business prospects improved for the second month in a row during April. Consequently both net balances have moved further above their previous 3- and 6-month averages which suggests that underlying economic activity has continued to firm following the 0.3% q/q rise in GDP during Q1.
- Business prospects in the industrial and distribution sectors have also continued last month's revivals. However, optimism among firms in the other services sector fell to its lowest net level for over a year.
- The index of expected staff levels over the next year eased for the fourth consecutive month to its lowest score for six months. This lines up with the softening in headline employment growth since the start of the year and may be symptomatic of firms' plans to rely on the existing workforce to meet any expected pickup in demand. Meanwhile, higher input costs during April may have squeezed corporate profitability which fell back on the month after rising in March.

### BUSINESS PROSPECTS STRENGTHENED AGAIN DURING APRIL

The Lloyds Business Barometer indicated further improvements in economic and business sentiment in April. The net balance for prospects across the whole economy rose by 7 points for the second month in a row to 27% - its highest reading since March 2012. This month's improvement in the net balance was driven by a fall in the share of companies who were pessimistic about the outlook from 26% to 17%, which more than offset a 2-point decline in positive responses to 44%.

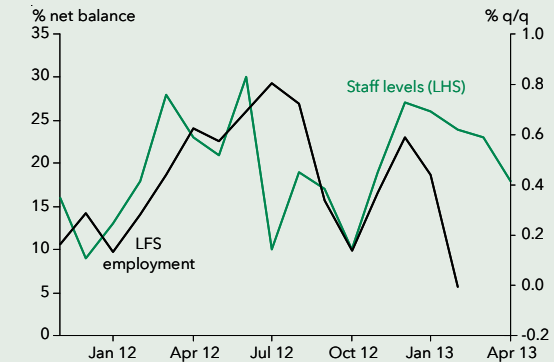
Companies' views on the prospects for their own businesses saw a more muted 2-point rise to 43% in April following a 9 point jump in March. The proportion of firms that were positive about their trading prospects over the next year was unchanged at 46% while the percentage of those who foresaw a poorer outlook fell by 2 points to 3%. Both net balances have moved further above their 3- and 6-month averages which suggests that underlying economic activity continues to strengthen following the 0.3% q/q rise in GDP during Q1. Business prospects continue to be strongest in the industrial sector where the net balance rose by 13 points for the second consecutive month to 64%, followed by distribution, which includes retail, which saw a 4 point rise on the month to 43%. However, the net balance for other services weakened by 8 points to 27%, its lowest level since November 2011.

Firms are also asked about their expectations of a change in staff levels over the next year compared to the previous twelve months. The net balance fell by 5 points on the month to 18%, continuing a steady decline since December last year. The latest official labour market data show that quarterly employment growth has slowed from 0.6% in December to 0.0% in February. This slowdown in the pace of staffing may reflect a desire by firms to boost productivity by relying on the existing workforce to meet any pickup in economic activity. The net balance for domestic prices over the last three months increased from 10% in March to 17% in April while the corresponding index for profit margins fell to -12% from -8% in March. Both the rise in prices and the softening of margins may reflect a jump in input costs (energy prices rose by 2% in February and 0.7% in March), some of which may have been absorbed by companies.



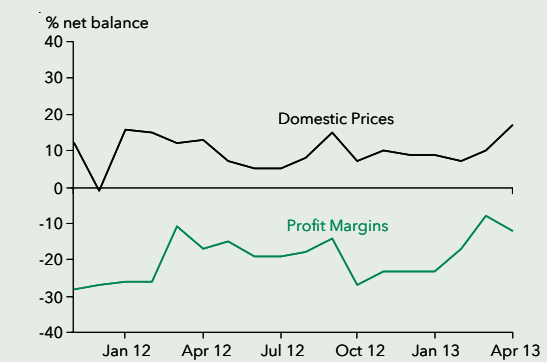
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**CHART C: The net balance for staff levels has fallen for the fourth month in a row**



Source: Lloyds Bank CB, BDRC Continental, ONS

**CHART D: Domestic prices picked up in April while profit margins eased**



Source: Lloyds Bank CB, BDRC Continental

**TABLE 1: Are you presently more optimistic about the economy than you were three months ago?**

	OPTIMISTIC	SAME	PESSIMISTIC	NET BALANCE (%)	MONTHLY CHANGE
Apr-13	44	39	17	27	7
Mar-13	46	28	26	20	7
Feb-13	44	25	31	13	-2
Jan-13	40	35	25	15	-5
Dec-12	47	26	27	20	3
Nov-12	42	33	25	17	0

**TABLE 2: Do you expect trading prospects for your company to increase in the next year?**

	OPTIMISTIC	SAME	PESSIMISTIC	NET BALANCE (%)	MONTHLY CHANGE
Apr-13	46	51	3	43	2
Mar-13	46	49	5	41	9
Feb-13	41	50	9	32	-14
Jan-13	50	46	4	46	6
Dec-12	44	52	4	40	5
Nov-12	43	49	8	35	9

## METHODOLOGICAL NOTE

This month's Lloyds Bank Business Barometer was conducted during 2-16 April 2013. The sample size was 301 companies with turnover above £1 million from all sectors and regions of Great Britain. Firms are asked about their trading prospects/business activity in the next year (increase, decrease or stay the same) and about their optimism regarding the economy generally compared with three months ago (more optimistic/pessimistic or neither). Net balances are calculated by taking the percentage of positive responses minus the percentage of negative responses, ignoring the middle ground. Responses are re-weighted to reflect the composition of the economy.

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