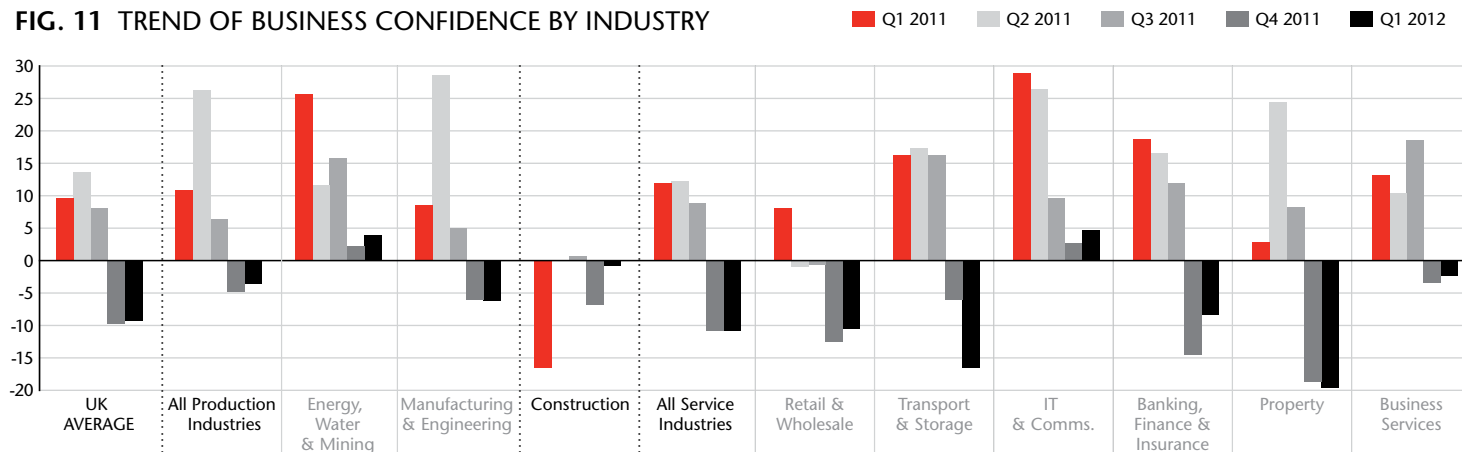


TRENDS IN BUSINESS CONFIDENCE INDUSTRY

FIG. 11 TREND OF BUSINESS CONFIDENCE BY INDUSTRY



Confidence remains weak across most sectors of the economy, although the situation generally has not deteriorated further. Firms in the Energy, Water & Mining and IT & Communications sectors record positive Confidence Index scores.

The Retail & Wholesale sector has recorded a negative Confidence Index for four successive quarters, with confidence remaining below the UK average. Firms in the Property sector are the least confident for the second consecutive quarter.

IT AND ENERGY ARE RELATIVE BRIGHT SPOTS

While confidence across most sectors remains in negative territory, there is a mixed picture, with the IT & Communications and Energy, Water & Mining sectors consistently recording positive Confidence Index scores over the last four quarters and, indeed, since Q3 2009. Yet, like all other sectors, confidence remains much lower than levels recorded a year earlier.

In the Production Industries, confidence remains broadly flat compared to last quarter. In a sector in which exports are particularly important, the likely recession in the eurozone presents a challenging economic environment. Output fell

by 1.2% in the final quarter of 2011 and could indicate further weak performance in Q1 2012, despite Energy, Water & Mining remaining relatively buoyant.

Confidence in the Property sector has reached its lowest level since Q1 2009. The volume of housing transactions remains at a very low level, with HMRC data showing transactions fell by 1.3% in 2011. The Retail & Wholesale sector remains beset by a challenging economic environment, as consumers face an ongoing real income squeeze and unemployment began to rise again through the second half of 2011.

CONFIDENCE NEGATIVE IN ALL BUT TWO SECTORS • IT AND ENERGY MORE POSITIVE THAN OTHER INDUSTRIES