

NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, MONDAY 15 MAY 2017

BANK OF SCOTLAND PMI[®]: SCOTTISH PRIVATE SECTOR SEES SLIGHT OUTPUT GROWTH IN APRIL

- Headline PMI edges higher to 50.6, from 50.1 in March
- Price pressures accelerate and remain sharp
- Business confidence at six-month low

April's Bank of Scotland Regional Purchasing Managers' Index (PMI[®]) showed that the Scottish private sector made a positive start to the second quarter, seeing growth pick up slightly from the relative stagnation experienced in the preceding survey.

The slight upturn was driven by the manufacturing sector, which offset shrinking services output. On the price front, input cost inflation accelerated and was steep overall, leading to a marked rise in charges. Job creation was at an eight-month high despite business confidence easing to its lowest in six months.

The seasonally adjusted headline Bank of Scotland PMI[®] rose to 50.6, from March's four-month low of 50.1. The rate of growth signalled remained below the historical series average since January 1998.

Price pressures remained sharp in April. Furthermore, input price inflation was higher than the UK average for the first time in four months. Panellists noted rising raw material cost and wage pressures as key factors. According to anecdotal evidence, companies then passed on part of the burden of increased costs to customers, as corroborated by a marked rise in output charges in April.

Finally, confidence towards future growth prospects remained strongly positive in April. That said, expectations eased since March, which firms attributed to political and economic uncertainty in Scotland.

Fraser Sime, Regional Director, Bank of Scotland Commercial Banking said:

"April's PMI signalled a tentative upturn in Scottish private sector growth, with both output and employment increasing at faster rates. The latest survey's results were driven by a strong manufacturing sector, which moved up a gear in April. There was good news all round from steep production growth, to solid job creation and a further easing of cost pressures.

"Meanwhile, the service sector marred April's PMI score as business activity in the sector shrunk for the second month running. A faster rise in new orders bodes well, though continued growth in the second quarter remains heavily dependent on the relatively stronger manufacturing sector."

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Press Release



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The Bank of Scotland PMI® (*Purchasing Managers' Index*®) is produced by IHS Markit. The report features original survey data collected from a panel of around 500 companies based in Scotland and operating in both manufacturing and service sectors. The panel has been carefully selected in order to accurately reflect the true structure of the Scottish economy and therefore provide an accurate picture of business conditions in the region. The Scotland survey forms part of a series of regional surveys and is derived from the highly regarded national PMI survey produced by IHS Markit.

Bank of Scotland PMI: Notes and Methodology

PMI surveys

Purchasing Managers' Index® (*PMI*®) surveys are monthly surveys of carefully selected companies which provide an advance indication of what is really happening in the private sector economy by tracking variables such as output, new orders, employment and prices across both manufacturing and service sectors. The PMI surveys are based on fact, not opinion, and are the first indicators of economic conditions each month. The data are collected using identical methods in all countries and regions so that accurate comparisons may be made. Questionnaires are completed in the latter half of each month and are collected and processed by economists at IHS Markit. Respondents are asked to state whether business conditions for a number of variables have improved, deteriorated or stayed the same compared with the previous month.

Index numbers

Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration. Reasons given by survey respondents for any changes are analysed to provide insight into the causes of movements in the indices and are also used to adjust for expected seasonal variations. The indexes are seasonally adjusted to take into consideration expected variations for the time of year, such as summer holiday shutdowns and national holidays such as Christmas. IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. *Purchasing Managers' Index*® (*PMI*®) surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/product/pmi.

About IHS Markit

IHS Markit (NASDAQ: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

About Bank of Scotland

Bank of Scotland is part of Lloyds Banking Group, the UK's largest retail bank and Scotland's largest financial services employer. Established in 1695, Bank of Scotland is the UK's oldest surviving clearing bank. Our goal is to be the best financial services provider in Scotland. We believe this means we must build a leadership position not on the basis of scale but on the foundations of reputation and recommendation.

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