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BANK OF SCOTLAND PMI[®]: SCOTTISH PRIVATE SECTOR GROWTH REMAINS SUBDUED AT END OF SECOND QUARTER

- Headline PMI eases to 51.1 in June
- Growth in manufacturing output softens
- Input price pressures remain strong

June's survey data signalled a further gentle increase in Scottish private sector output. Activity growth in the service sector remained unchanged since May, whereas the manufacturing sector expanded at a slower rate. On the price front, both input and output price inflation eased slightly in June, though the former remained high overall.

The seasonally adjusted headline Bank of Scotland PMI[®] - a single-figure measure of the month-on-month change in combined manufacturing and services output - fell to 51.1 in June, from 51.5 in May. This signalled modest output growth that was below the survey's historical average.

At the sector level, manufacturers increased their output at a steady pace overall. Although the rate of expansion eased since May, production growth remained higher than that of business activity in the service sector.

There was a return to growth of employment in June. Job creation was consistent across both sectors, and faster among manufacturing companies. Scottish employment growth remained weaker than that seen across the whole of the UK, however.

Despite reducing slightly, input price inflation remained strong in the latest survey. Furthermore, the rate of increase in cost burdens was above the long-run average. There was some evidence linking rising input costs to pay pressures and the weak pound.

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

"Scotland's private sector output growth reduced slightly at the end of the second quarter. Manufacturing, which was previously a key driver behind private sector growth, softened in June. The services sector remained subdued overall and with an unchanged rate of expansion since May.

"However, it was not all bad news. Employment returned to growth and input price inflation further decreased in the latest survey. In addition, June's data extended the current sequence of expansion to seven months, the longest recorded for almost two-and-a-half years.

"Finally, business confidence fell in June, although to a lesser extent than seen across the UK as a whole."

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Press Release



**BANK OF
SCOTLAND**

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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