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BANK OF SCOTLAND PMI[®]: OUTPUT RISES AT FASTEST PACE FOR 19 MONTHS

- Business activity in Scotland increases at fastest pace since July 2015...
- ...despite new orders rising at slower pace
- Inflationary pressures remain substantial

February's Bank of Scotland Regional Purchasing Managers' Index (PMI[®]) pointed to the fastest increase in output levels in Scotland's private sector for 19 months. Growth was centred on Scottish manufacturers, as firms raised production at the fastest level since January 2014.

New business continued to increase, albeit at a weaker pace than at the start of the year, while firms worked through their backlogs of work. Meanwhile, there were jobs cuts for a second month.

The seasonally adjusted headline Bank of Scotland PMI[®] rose to 51.7 in February, up from 51.2 in January, and the strongest for 19 months. The index shows the month-on-month change in combined manufacturing and services output.

Inflationary pressures continued during February. Rising wages, unfavourable exchange rates and higher raw material prices contributed to a substantial increase in input prices that was marked in comparison to historical standards.

Higher input costs faced by firms lead to the second-quickest rate of output charge increase since April 2011.

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

"Scotland's private sector businesses built on the solid start shown in the opening month of the year to record the fastest rate of output growth for 19 months. The upturn was driven by a strong performance in the manufacturing sector, where production increased at the fastest pace since January 2014. That said, the overall rise in activity was still only modest.

"Despite the region growing at a stronger pace, the growth is weak in the context of historical data. Businesses continue to record ongoing spare capacity, reflected in a further reduction in staffing levels, while inflationary pressures remain substantial. With new business also growing at a weaker rate, firms will be wary that the upturn may soften if client's appetite for Scottish goods and services decreases further."

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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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