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BANK OF SCOTLAND PMI[®]: OUTPUT SLIPS BACK INTO CONTRACTION TERRITORY

- Firms report the first contraction of output for three months
- New order levels lowered
- First reduction in workforce numbers since June

The health of Scotland's private sector worsened slightly during November, as firms reported the first contraction of output for three months. In addition, new order levels lowered, and survey data pointed to the first reduction in workforce numbers since June. The rate of job cutting was only slight. Sector data nevertheless signalled a broad-based reduction in staffing levels at goods producers and service providers, with job cutting being marginal in both. On the price front, cost pressures remained marked, and stronger than the series average, yet firms continued to increase their output charges only modestly.

The seasonally adjusted headline Bank of Scotland PMI - a single-figure measure of the month-on-month change in combined manufacturing and services output - slipped from 50.6 in October to 49.4 in November. Although the latest contraction was the first reported since August, it was only marginal overall. Service providers recorded a moderate decline in business activity during the month, while production growth was registered in Scotland's manufacturing sector.

In line with the trend for output, Scotland's private sector experienced declining new order intakes, although the rate of contraction was fractional. Companies continued to work through their outstanding business, extending a trend which has been evident in each month for almost two years. Firms also reported a further sharp increase in input prices. In addition, the rate of inflation was strong in the context of historical standards. Meanwhile, companies raised their output charges for the fourth month in a row. However, the rise weakened since October and was only moderate.

Nick Laird, Regional Managing Director, Bank of Scotland Commercial Banking said:
"Business activity across the Scottish private sector weakened marginally in November, as reduced demand impacted the services sector in particular. November also saw new order intakes and backlogs of work deteriorate for the 23rd successive month. With job cuts evident for the first time since June and input costs such as fuel prices, higher wages and foreign exchange rates increasing, companies will be looking for a pick-up in new business in the new year to help rejuvenate the sector."

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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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