

NOT FOR BROADCAST OR PUBLICATION BEFORE 01:01 (UK), MONDAY 11 DECEMBER 2017

BANK OF SCOTLAND PMI[®]: PRIVATE SECTOR ACTIVITY GROWTH EASES TO EIGHT-MONTH LOW

- Output growth softens to marginal pace
- Cost pressures remain elevated
- Business confidence picks up

Output in the Scottish private sector increased in November, albeit at the softest pace since March. Weak activity growth coincided with a softer rise in new business. Nevertheless, businesses increased employment in line with a stronger degree of confidence regarding future output.

The seasonally adjusted headline Bank of Scotland PMI[®] - a single-figure measure of the month-on-month change in combined manufacturing and services output - declined in November to 50.2, from 52.7 in October. The pace of expansion was marginal and the weakest since March.

In line with the trend for output, new orders placed with Scottish private sector firms increased at a weaker pace. Growth of new business was mild and eased to the slowest across the current 12-month period of expansion.

Businesses remained upbeat towards future growth prospects despite sluggish growth in output and demand. In fact, the degree of optimism edged higher across the private sector. Amid greater business confidence, firms added to their payrolls for a sixth consecutive month in November. However, the rate of job creation across the Scottish private sector was modest and eased slightly.

Price inflation in private sector input as a whole softened to the weakest since September 2016. As a result of receding cost pressures, selling prices increased in November to the weakest extent seen in the current 16-month run of inflation.

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

“Output growth momentum appeared to wane across the Scottish private sector in November, as signalled by the headline PMI figure falling to an eight-month low. The service sector was a key contributor to this, with business activity declining for the first time since April.”

“Weaker output growth coincided with broadly flat new business. That said, firms added to their payrolls for a sixth consecutive month in preparation of a further expansion in order-book volume. Concurrently, business confidence over future activity increased in November.”

“With milder demand corresponding with a 14-month low in input cost inflation, private sector companies increased selling prices only modestly.”

ENDS

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.

For further information, please contact:

Sheila Fitzgerald
Communications Business Partner, Commercial Banking
07760 649 649
mairi.gordon@lloydsbanking.com

Joe Hayes
Economist, IHS Markit
01491 461 006
joseph.hayes@ihsmarkit.com

The intellectual property rights to the Bank of Scotland PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*® and *PMI*® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Bank of Scotland uses the above marks under license. IHS Markit is a registered trade mark of IHS Markit Limited.