



**NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, 4 JANUARY 2012**

## SCOTLAND'S ECONOMIC RECOVERY SLOWS

There has been a slowdown in the rate of recovery in the Scottish economy, according to the latest Lloyds TSB Scotland Business Monitor.

For the three months ending November 2011, results showed that just under a third (30%) of firms surveyed increased turnover, 37% experienced static turnover, while a third (33%) experienced a decrease. This gave a net balance of -3%; a very slight deterioration from the 0% of the previous quarter and the 0% of the same quarter one year ago.

This latest Business Monitor shows a slight deterioration and a slowdown in the rate of recovery. A return to recession is not indicated but expectations for the next six months have dropped.

The overall net balance for turnover for firms in the production sector in the three months to end November this year was +9%. This is better than the 0% of the previous quarter and significantly improved on the -1% of the same quarter one year ago.

Service businesses have not experienced such benign conditions with the overall net balance for turnover for the three months ending November at -8% - well down on the 0% of the previous quarter and the +2% of the same quarter one year ago.

Volumes of repeat business showed a deterioration from the previous quarter with the net balance on volume of repeat business at -6% this quarter compared to -1% in the previous quarter and similar to the -7% of the same quarter one year ago. The trend in the volume of new business is similar. An overall net balance of -7% was recorded compared to the -3% of the previous quarter and the -1% of the same quarter one year ago.

Export activity has plunged. In the latest three months the net balance of export activity was -17% - a significant fall from the +10% of the previous quarter and a much worse level than the +2% of the same quarter one year ago. Export activity appears to have been severely affected by the global slowdown and the sovereign debt crisis in the Eurozone economies.

Firms' assessment of their immediate prospects in the next six months have deteriorated. Expectations for turnover in the next six months have fallen from the -5% net balance of both the previous quarter and one year ago to -14% in the latest quarter. While 20% expect their turnover to increase in the next six months to end May 2012, 34% expect their turnover to fall while 46% expect a static position. Business confidence is being knocked by the global slowdown and concerns over sovereign debt in the Eurozone economies.

Production firms are marginally less pessimistic than services with a net balance of -12% compared to services with a net balance of -14%. Expectations for the volume of repeat business fell to an overall net balance of -11% compared to -5% of the previous quarter and the -4% of the same quarter one year ago. Expectations for the volume of new business are slightly better at -7%. This is only marginally worse than the -6% of the previous quarter and the -5% of the same quarter one year ago.

Donald MacRae, chief economist, Lloyds TSB Scotland said: "This latest Business Monitor suggests the already muted recovery in the Scottish economy has stalled. Subdued domestic demand coupled with the global slowdown has hit both services and manufacturing sectors. There is no definite sign of a lapse into a "double dip" but every indication of an already slow recovery slowing further to the point where growth is negligible or non-existent. In the face of slowing global demand, falling business and consumer confidence in the UK and cuts in government spending, the Scottish economy is struggling to maintain growth and momentum. A more vigorous recovery awaits an uplift in both consumer and business confidence."

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**For further information:**

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