

**NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, WEDNESDAY 2 JULY 2014**

## SCOTTISH ECONOMY PERFORMING AT PRE-RECESSION LEVELS

The latest Business Monitor from Bank of Scotland shows the Scottish economy performing at pre-recession levels. Turnover trends are showing the best results in almost seven years and expectations for the rest of the year remain elevated at levels last seen in 2007.

In the three months ending May 2014, 46% of firms surveyed increased turnover, 36% experienced static turnover, and 18% experienced a decrease. This gave a net balance of +28%; a robust rise from the +18% of the previous quarter and a substantial improvement on the -8% of the same quarter one year ago. This is the best result in almost seven years and returns the net balance figure to pre-recession levels of quarter three 2007.

The overall net balance of turnover for firms in the production sector in the three months to end May 2014 was +25%. This is up on the +16% of the previous quarter and well up on the -5% of the same quarter one year ago.

Service businesses are showing a similar pattern of improvement in performance. The overall net balance for turnover for the three months ending May was +29%, up on the +20% of the previous quarter and much improved on the -10% of the same quarter one year ago. Growth momentum has been maintained since the start of the year.

Volumes of repeat business remained at high levels in this latest quarter, with a net balance of +12% - up on the +10% of the previous quarter and much higher than the -7% of the same quarter one year ago. Trends in the volume of new business have improved with an overall net balance of +25% compared to +22% of the previous quarter and the +6% of the same quarter one year ago.

A recovery in export activity was evident in the previous Business Monitor. This has been maintained in the latest quarter with the overall net balance for export activity at +14% - a slight rise from the +12% of both the previous quarter and of the same quarter one year ago. This is welcome news for Scotland's exporters.

Firms' assessment of their immediate prospects in the next six months was on a rising trend throughout 2013 and reached a recent high in spring this year. This high level has been

maintained in the latest Business Monitor. This is the sixth successive Business Monitor to show a positive net balance for turnover expectations – the most optimistic sequence of results since 2007.

Expectations for turnover in the next six months are showing an overall net balance of +36%. This is similar to the +37% of the previous quarter and up on the +13% of the same quarter one year ago. Whilst 44% expect turnover to be static in the next six months, 46% expect turnover to increase against 10% who expect a decrease. Service firms are slightly more optimistic than production firms, with service firms showing an overall net balance for turnover for the next six months at +38% compared to +32% for production firms.

In the previous Business Monitor, expectations for future export activity reached a survey record high over the sixteen and a half years of the Business Monitor. The latest net balance for export activity for the next six months has slipped but still remains high at +23% - lower than the +42% of the previous quarter but higher than the +19% of the same quarter one year ago.

Expectations for the volume of repeat business were down on the high levels of the last quarter with an overall net balance of +17% for this quarter compared to +27% for the previous quarter but well up on the +4% of the same quarter one year ago. Expectations for the volume of new business in the next six months were again optimistic with the latest net balance at +32% - similar to the +34% of the previous quarter and significantly up on the +14% of the same quarter one year ago.

These expectation levels suggest the private sector of the Scottish economy will show vigorous growth in spring and summer of 2014.

Donald MacRae, chief economist, Bank of Scotland said: "The surge in economic activity identified in summer 2013 has been maintained into summer this year. Expectations are at their highest level since mid 2007, suggesting the recovery will continue throughout 2014. Further increases in investment by firms would enhance the recovery."

**-Ends-**

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