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## SCOTTISH ECONOMY CONTINUES ITS TENTATIVE RECOVERY FROM RECESSION

The Scottish economy is continuing to recover, maintaining a steady emergence from recession according to the latest Lloyds TSB Scotland Business Monitor.

Latest results, for the three months ending August 2010, showed that 30% of firms reported an increase in turnover, a third (33%) experienced static turnover while 37% experienced a decrease. This gave a net balance of -7%; unchanged from the previous quarter but an improvement on the -13% reported in the same quarter last year. This is the best result in the last two and a quarter years.

Data from the last Business Monitor showed the Scottish economy had resumed a tentative exit from recession with five of the last six quarters showing an improvement in firms' turnover. This steady emergence from recession has been maintained this quarter.

The improvement in the volume of new business is particularly encouraging, showing a marked improvement to -4% net balance compared to the -12% of the previous quarter and the -11% of the same quarter one year ago. These improvements are more evident in the service sector than in the production sector.

Export activity fell but remains positive with marginally more firms reporting an increase (26%). Almost a quarter (24%) experienced a decrease in export activity, giving an overall net balance of +2%. This compares poorly to the +13% of the previous quarter, but is similar to the same quarter last year when it sat at +3%.

Expectations for export activity continue to be significantly positive, with 38% of production firms expecting activity to increase in the next six months, compared to 17% who expect a fall.

Cost pressures remain unabated with the net balance of firms experiencing cost increases in the last quarter positioned at 44%. This is only marginally down from the 46% of the previous quarter and significantly up on the 28% of the same quarter last year.

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Donald MacRae, chief economist, Lloyds TSB Scotland said: "After five quarters of declining output with the most severe decline in quarter one of 2009, the Scottish economy returned to growth at the end of last year with output growing at 0.3% in quarter four 2009. The recovery appeared to stall in mid winter resulting in unchanged output growth in quarter one of this year.

"These Business Monitor results indicate that although growth may have been restored, it remains weak and muted. Both consumer and business confidence remain at low levels. Growth in the Scottish economy of between 0.5% to 1.0% is expected for 2010."

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**Notes to Editors:**

A copy of the Business Monitor is available on request by calling Wendy Evans on 0131 243 5448 or by sending an e-mail to [wendy.evans@lloydtsb.co.uk](mailto:wendy.evans@lloydtsb.co.uk)

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