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Uncertainty weighs on Scottish business confidence, according to regional Business Barometer report

The Bank of Scotland's Business Barometer for March 2018 shows:

- **Overall confidence for firms in Scotland fell 23 points last month to 12 per cent**
- **Firms' confidence in their own business prospects was 18 per cent**
- **Economic optimism remains positive but now stands at just five per cent**
- **A net balance of 10 per cent of Scottish firms now expect to hire more staff this year**

Business confidence in Scotland fell 23 points to 12 per cent in March, according to the latest Business Barometer from Bank of Scotland Commercial Banking.

Companies in Scotland report lower confidence in their business prospects, with a net balance of 18 per cent of firms expecting business activity to increase.

Similarly, economic optimism also fell, with a net balance of just five per cent now saying they are more optimistic about the economy than they were three months ago.

Together, this gives an overall confidence of 12 per cent, compared with last month's figure of 35 per cent. The figure means Scotland's overall confidence across the first three months of 2018 stands at 21 per cent.

While companies' hiring intentions also fell, a net balance of 10 per cent of businesses still expect to hire more staff during the next year, demonstrating that they remain prepared to invest in growth, despite ongoing uncertainty.

Nationally, overall confidence fell one point to 32 per cent, driven by a dip in firms' economic optimism.

The Business Barometer questions 1,200 businesses monthly and provides early signals about UK economic trends both regionally and nationwide.

Jane Clark-Hutchison, regional director at Bank of Scotland Commercial Banking said: "While Scottish businesses are feeling the effects of both economic and political uncertainty, confidence is still in positive territory.

"As a result, we are still seeing businesses looking to hire and planning for growth with a sense of cautious optimism, which is encouraging considering the unsettled landscape."

Across Scotland, a net balance of 13 per cent of businesses said they felt that the UK's exit from the European Union was having a negative impact on their expectations for business activity.

Regional picture

Overall confidence was highest among businesses in London, at 55 per cent, followed by the West Midlands at 42 per cent and the North West at 39 per cent.

Businesses in the South East and Wales were least confident, both with an overall confidence of 13 per cent, 19 points below the national average of 32 per cent.

Growing confidence in transport and manufacturing

Overall confidence in March was strongest in the transport and manufacturing sectors, at 55 per cent and 49 per cent respectively.

In contrast, it was weakest in wholesale (11 per cent) and hospitality and leisure (18 per cent).

Hann-Ju Ho, senior economist for Bank of Scotland Commercial Banking, said: “While firms’ confidence in their business prospects improved slightly in March, overall business confidence was held back by a fall in economic optimism.

“Recent progress on the Brexit negotiations has reduced uncertainty, which could continue to support business confidence going forward. The risk of rising global protectionism, however, is a growing concern.”

ENDS

The Business Barometer’s measure of overall business confidence is the average of responses about how businesses regard the economic outlook and their own trading prospects.

- The overall ‘balance’ of opinion weighs up the percentage of firms that are positive in outlook against those that are negative. Responses are weighted to reflect the composition of the economy.
- The industrial sector in this report represents mainly manufacturing and construction; the consumer services sector comprises distribution and transport & communications; business & other services consists of financial & business services and the public sector.
- The Business Barometer results provide early signals about UK economic trends. The survey started in January 2002 and research is carried out monthly on behalf of Lloyds Banking Group by BDRC Continental.
- This survey was conducted with around 1,200 companies – including 100 businesses in Scotland - with turnover above £1 million between 1st and 15th March 2018.