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BANK OF SCOTLAND PMI[®]: SCOTTISH PRIVATE SECTOR GROWTH PICKS UP IN MAY

- Headline PMI rises to 51.5, from 50.6 in April
- Price pressures ease, but remain high overall
- Services business activity returns to growth and expansion in manufacturing production remains strong

May's survey data suggested that growth momentum picked up in the Scottish private sector, with output increasing by the greatest degree since February, according to the latest Bank of Scotland Regional Purchasing Managers' Index (PMI[®]).

Services business activity returned to growth and the expansion in manufacturing production remained strong in May, both contributing to the overall upturn. In terms of inflation, price pressures eased from recent peaks, although only marginally. Meanwhile, business confidence towards the next 12 months hit a four-month high.

The seasonally adjusted headline Bank of Scotland PMI[®] - a single-figure measure of the month-on-month change in combined manufacturing and services output - rose to 51.5 in May, from 50.6 in April. The rate of growth signalled remained below the historical series average since January 1998, however.

Prices pressures eased marginally in May, but remained steep overall. The rates of inflation for both input and output prices signalled in Scotland were above those seen across the UK as a whole. Input price inflation remained strong, despite easing slightly since April. Anecdotal evidence suggested that rising salaries and high raw material prices added to cost pressures for firms.

Finally, sentiment towards future growth prospects remained strongly positive in the latest survey. Optimism was broad-based across both the service and manufacturing sectors, albeit slightly higher in the latter. Panellists attributed confidence to an expected economic upturn.

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

"Latest PMI data signalled the Scottish private sector moving up a gear, as growth reached a three-month high. May's upturn was driven by the service sector returning to expansion for the first time since February. In addition, the manufacturing sector remained strong, in line with predictions that the goods-producing sector will drive second quarter growth.

"The positive news was driven by rises in combined output and new orders, fuelled by solid underlying demand. Also, easing price pressures added to the overall improvement in business conditions. That said, Scottish private sector growth remains below that of the UK as a whole."

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Press Release



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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.

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