



NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, MONDAY 10 APRIL 2017

BANK OF SCOTLAND PMI[®]: SCOTTISH PRIVATE SECTOR ECONOMY STAGNATES DURING MARCH

- Downturn in services activity offsets manufacturing production growth
- New orders up only marginally as economic uncertainty weighs on activity
- Fractional rise in employment signalled

March's Bank of Scotland Regional Purchasing Managers' Index (PMI[®]) showed Scotland's private sector economy broadly stagnating during March, with activity rising only marginally since the previous month and new business continuing to show only minimal growth.

Although companies retained a degree of optimism regarding future activity, continuing levels of spare capacity meant that employment levels were barely changed.

The seasonally adjusted headline Bank of Scotland PMI[®] slipped to a reading of 50.1 in March. That was down from February's 19 month high of 51.7. Whereas manufacturing output continued to rise considerably, this was broadly offset by a modest reduction in service sector activity.

March data signalled continued steep inflation of input prices, albeit the lowest in six months. Firms, particularly those in the manufacturing sector, commonly reported that unfavourable exchange rates had led to an increase in input costs. Higher wages were also reported to have pushed up operating expenses.

Firms continued to respond to higher operating costs by increasing their own charges. Although the degree of inflation was the lowest of the year so far, it remained notable.

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

"The economic upturn of Scotland's private sector economy lost momentum at the end of the first quarter. A muted demand for goods and services resulted in only a marginal increase in new business inflows, which in turn caused activity levels to broadly stagnate.

"The overall message is more balanced, however, as businesses created jobs over the month and sentiment remained broadly positive. These developments suggest that the Scottish economy will likely return to growth as we head into the second quarter.

"Looking at the detailed sector numbers, we can see that Manufacturers performed better than their Services counterparts, with factory production still rising at a pronounced rate, but Services activity dipped for the first time in four months."



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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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