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## **Scottish business confidence fell in May**

**Bank of Scotland's Business Barometer for May 2018 shows:**

- **Scottish firms' confidence in their own business prospects sits at 26 per cent**
- **Economic optimism stood at three per cent, 15 points below last month**

Overall businesses confidence in Scotland fell during May, according to the latest Business Barometer from Bank of Scotland Commercial Banking.

A net balance of 26 per cent of firms now expect activity to increase in 2018, 15 points lower than a month ago, while optimism in the UK economy as a whole fell to three per cent.

As a result, businesses' overall confidence also fell 15 points to 15 per cent.

**Hann-Ju Ho, senior economist at Bank of Scotland, said:** "While it's disappointing that overall confidence has fallen, firms in Scotland still expect their businesses to grow in 2018.

"The challenge for businesses now is that they make sure they are ready to boost investment again once growth opportunities become clearer over the next year. One way to do this is to ensure less of their annual revenues are tied up in working capital.

"Our recent working capital index showed Scottish firms currently have around 11 per cent of revenues tied up in things like unpaid invoices and stock. This is better than in some other regions south of the border but reducing this further would give firms more flexibility to respond to change."

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

A net balance of 25 per cent of businesses in Scotland said they felt that the UK's exit from the European Union was having a negative impact on their expectations for business activity, up 12 points on a month ago.

Across the UK, meanwhile, the report found that overall confidence climbed three points to 35 per cent, as firms' confidence in their own business outlook rose even though their optimism about the economy slipped.

### **Regional picture**

Overall confidence was highest among businesses in the West Midlands, at 58 per cent, followed by London (52 per cent) and the South West (41 per cent).

Businesses in the East of England were least confident, with an overall confidence of 13 per cent, 22 points below the national average.

### **Sectors**

Overall confidence was strongest in the communications sector, at 50 per cent. Transport and business and finance were the next most confident, at 43 per cent, although that level represented a fall in both sectors.

Retail confidence bounced back strongly as the weather improved in May, rising 23 points to 38 per cent, although manufacturing fell seven points to 33 per cent.

Weakest confidence was in the mainly public sector at 21%.

**Hann-Ju Ho, added:** “Business confidence is rising across the UK and most firms appear to be brushing off the economic slowdown in the first quarter, with national levels hitting a four-month peak in May.

“As EU negotiations enter a critical stage, it’s interesting to see that more than a third of firms across the UK anticipate Brexit will have a positive impact on their business activity.”

## **ENDS**

### **Notes to editors**

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 Bank by BDRG Continental.
- This survey was conducted with around 1,200 companies – including 100 businesses in Scotland - with turnover above £1 million between 1st and 16th May 2018.

### **Lloyds Bank Commercial Banking**

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