

## **Scottish business confidence is on the rise**

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

- **Overall confidence for firms in Scotland rose nine points in the past month to 24 per cent**
- **Economic optimism in the region stands at 18 per cent, 15 points above last month**
- **Firms' confidence in their own business prospects is 29 per cent, compared with 26 per cent in May**

Overall business confidence in Scotland has risen nine points since May to 24 per cent, according to the latest Business Barometer from Bank of Scotland Commercial Banking.

Companies in Scotland report confidence in their business prospects at 29 per cent and economic optimism at 18 per cent.

Together, this gives an overall confidence of 24 per cent, which is nine points above last month's figure of 15 per cent.

Companies' hiring intentions show a net balance of 16 per cent of businesses in the region expect to hire more staff during the next year, up 10 points on last month.

Longer term, the underlying trend in Scotland during 2018 shows businesses' confidence growing slowly despite the fact that they are becoming less optimistic about the state of the UK economy overall.

Overall confidence in the second quarter of 2018 stands at 23 per cent, two points higher than during the first quarter, while economic optimism has fallen four points to 13 per cent.

Across the UK, overall confidence has fallen six points to 29 per cent since May, as firms' optimism about the economy dipped, weighing down confidence in their own business prospects.

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

Fraser Sime, regional director for Scotland at Bank of Scotland Commercial Banking, said: "It's encouraging to see the gradual rise in confidence across the country leading to a boost to recruitment plans throughout Scotland.

"Given the economic uncertainty the country's businesses are facing, rising confidence in one month does not mean it's plain sailing for anyone.

"But the fact that the underlying trend is positive suggests firms are slowly becoming more comfortable with uncertainty as the new normal.

"The challenge we face now is to keep these levels steady and support the rise in economic optimism to ensure businesses reach their full growth potential."

Across Scotland, a net balance of 16 per cent of businesses say they feel that the UK's exit from the European Union is having a negative impact on their expectations for business activity, down nine points on a month ago.

Meanwhile, a net balance of 46 per cent of Scottish companies expect the Bank of England to increase interest rates this year, with the average\* firm indicating that raising rates to one per cent would have a significant negative impact on their business.

## **Regional picture**

Outside London, which is the most confident region at 40 per cent, confidence is highest in the North of England, where overall confidence is at 35 per cent in each of the North East, North West, and Yorkshire.

Businesses in the South East are least confident, with an overall confidence of 15 per cent, 14 points below the national average.

## **Sectors**

Confidence is strongest among transport and communications services businesses, at 50 per cent and 48 per cent respectively, while construction rose five points to 45 per cent.

Elsewhere, manufacturing firms report increased confidence at 35 per cent, compared with 31 per cent last month, but confidence among consumer firms fell 11 points to 29 per cent. Confidence in business and finance stands at 25 per cent, and at 22 per cent in retail.

Commenting on the drop in confidence levels across the UK, Hann-Ju Ho, senior economist at Lloyds Bank Commercial Banking, said: "Increased global trade tensions and Brexit uncertainties are likely to have weighed on confidence, but it's still near the long-term average and so there's no need to hit the panic buttons."

## **ENDS**

\* median

## **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 BDRC Continental.
- This survey was conducted with around 1,200 companies – including 100 businesses in Scotland - with turnover above £1 million between 1st and 15<sup>th</sup> June 2018.