

Press Release

21st December 2020



SCOTTISH BUSINESS CONFIDENCE SEES SHARP RISE AFTER VACCINE ROLLOUT, BUT REMAINS NEGATIVE

Bank of Scotland's Business Barometer for December 2020 shows:

- Overall confidence of firms in Scotland rose 29 points in the past month to -9%
- Companies in three of 12 UK nations and regions return to net optimistic position for the first time since March
- Report shows biggest month-on-month improvement in UK business confidence in four years after vaccine rollout begins

Business confidence in Scotland increased to its highest point since the pandemic began in March, rising 29 points month-on-month to -9% during December, according to the latest Business Barometer from Bank of Scotland Commercial Banking.

Scottish firms' optimism towards the economy increased by 38 points month-on-month to -12%, while confidence in their own business prospects rose 20 points to -7%. Together, this gives a headline confidence reading of -9%.

Businesses' hiring intentions showed that a net balance of 33% of businesses in Scotland expect to reduce staff levels over the next year, down 10 points on last month.

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

Across the UK, overall confidence saw its largest monthly increase for more than four years in December, following vaccine progression announcements. Confidence climbed by seventeen points to -4% in November to -4%. Economic optimism jumped 23 points to -5%, while firms' confidence about their trading prospects increased 11 points to -3%.

All 12 UK nations and regions saw a rise in overall confidence during December. The most marked improvements were reported in Scotland (up twenty-nine points to -9%); the South West (up twenty-two points to 5%) and the West Midlands (up twenty-two points to 4%). The North East, South West and West Midlands all moved into net positive territory for the first time since March this year.

The South West recorded highest confidence at 5%, followed by the West Midlands and South West, each at 4%. The North West had the lowest confidence during December at -13%, despite confidence increasing month-on-month by 15 points.

Fraser Sime, regional director for Scotland at Bank of Scotland Commercial Banking, said: "To see an increase in the confidence of Scottish businesses is a step in the right direction as we come to the end of what has been a very difficult year. The roll-out of the vaccine should buoy spirits further as it helps to bring light to a Covid-19 exit strategy, but this optimism could falter in coming months with continued uncertainty over lockdown restrictions.

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“Whatever the new year brings, we’ll continue to be by the side of businesses across Scotland, as we all work together to support the country’s recovery from the pandemic.”

National overview

In the industry sectors, confidence reached the highest levels seen since the start of the pandemic. Manufacturing reported a strong rebound this month despite looming uncertainty during the survey period about the UK’s new trading arrangements with the EU, surging by twenty-five points, from -25% to 0%.

This was followed by a growth in confidence for construction, which rose by eighteen points to -5%; services, which jumped by sixteen points to -5% and the retail sector which reported an eleven point lift in confidence to -1%. Nevertheless, entering the holiday trading period, confidence in retail, as in other sectors, remains below the long-term average.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “It has been encouraging to see a clean sweep of regional confidence increases this month. Despite the regional restrictions across the UK, it is promising to see regions beginning to report above-average confidence figures. While we can primarily attribute this uptick to the news of the vaccine progress, it has also injected a boost in confidence for the sectors, with manufacturing rebounding strongly and other sectors following suit. We know that confidence has been volatile in 2021, it is positive to see this sharp rise in confidence and we hope this continues through to the New Year.”

Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: “The news of the vaccine progress has bolstered this month’s confidence figures, more than offsetting uncertainties around the UK’s new trading relationship with the EU. While confidence remains below average and significant challenges lie ahead, it is heartening to conclude a challenging year with a notable improvement in business sentiment and with the positive momentum hopefully continuing into 2021.”

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 BVA BDRC.

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- This survey was conducted with 1,200 companies – including 98 businesses in Scotland - between 25th November and 10th December 2020

About Lloyds Bank

- Lloyds Bank Commercial Banking provides comprehensive expert financial services for small businesses, mid-sized businesses and multinational corporations.
- Maintaining a network of relationship teams across the UK, as well as internationally, Lloyds Bank Commercial Banking delivers the mix of local understanding and global expertise necessary to provide long-term support to its clients.
- Lloyds Bank Commercial Banking offers a broad range of finance beyond term lending and this spans import and export trade finance, structured and asset finance, securitisation facilities and capital market funding. Its product specialists provide bespoke financial services and solutions, including tailored cash management, international trade, treasury and risk management services.

Support for SMEs

- Lloyds Banking Group is committed to helping businesses of all types and sizes, giving them the funding and support they need to grow at home and abroad. We have set out our pledges in our Helping Britain Prosper Plan.
- Since the start of 2011, we have grown our net lending to SMEs by 36% whilst the market has contracted by 12%.
- To see the latest supporting businesses factsheet please visit: <https://www.lloydsbankinggroup.com/globalassets/documents/media/media-kit/cb-factsheet/190220-cb-factsheet.pdf>
- For more information on the Lloyds Bank Working Capital Index please visit: www.lloydsbank.com/workingcapitalindex

Financing businesses through the crisis

- Businesses can borrow from Lloyds Bank Commercial Banking using the normal process and we remain committed to helping our customers with their lending needs.
- Lloyds Bank Commercial Banking has committed a £2bn fund to support businesses impacted by COVID-19. This provides for additional fee-free lending to SMEs (up to £25m turnover) and capital repayment holidays.
- Businesses that are experiencing lost or deferred income as a result of coronavirus may be eligible for the government's Coronavirus Business Interruption Loan Scheme (CBIL), Coronavirus Large Business Interruption Loan Scheme (CLBIL) or the Bounce Back Loan Scheme.
- For SMEs with a turnover above £3m, we have set up a fast track process to get fast credit approval.

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