

Press Release

29th January 2021



CONFIDENCE DROPS IN SCOTLAND AS LOCKDOWN RESTRICTIONS CONTINUE

Bank of Scotland's Business Barometer for January 2021 shows:

- Overall confidence of firms in Scotland fell 23 points in the past month to -32%
- 52% of firms are confident the Covid-19 vaccination roll-out will boost trading prospects in 2021
- Optimism falls in seven of 11 UK regions and nations as firms deal with latest lockdown restrictions

Business confidence in Scotland fell 23 points during January to -32%, according to the latest Business Barometer from Bank of Scotland Commercial Banking.

Companies in Scotland reported lower confidence in their own business prospects month-on-month, down 20 points to -27%. when taken alongside their views of the economy, down 25 points to -37%, this gives a headline confidence reading of -32%.

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

The majority (65%) of firms said current Covid-19 restrictions had caused a fall in turnover but they expected the effects of the vaccine programme to boost trading prospects for 2021, with 52% saying the rollout had made them feel more confident about the year ahead. However, only 11% expect trading levels to return to pre-pandemic levels in the next twelve months.

When it comes to jobs, a net balance of 28% of businesses in Scotland expect to reduce staff levels over the next year, down five points on last month.

At UK level, overall business confidence dipped in January as the latest lockdown restrictions came into force, falling by three points to -7%. Firms' economic optimism dropped dramatically month-on-month, decreasing by 34 points to -10%.

Almost all UK nations and regions saw a month-on-month dip in confidence during January, with the biggest falls after Scotland (-32% vs -9% in December) being reported in Wales (-20% vs -1% in December) and the South West (-8% vs 5% in December). However, firms reported a month-on-month increase in confidence in London (up five percentage points to 3%), the South East (up seven percentage points to -4%) and North West (up eight percentage points to -5%). Yorkshire business confidence remained steady month-on-month at -4%.

Bank of Scotland press office:

Shreya Singh, Shreya.Singh@lloydsbanking.com, 07774742535
Laura Brodtkin, Laura.Brodtkin@lloydsbanking.com, 07939 566 017

Press Release

29th January 2021



Fraser Sime, regional director for Scotland at Bank of Scotland Commercial Banking, said: “This latest drop in confidence has appeared against a backdrop of tighter restrictions being reintroduced in Scotland. However, despite this dip, fewer firms report they are planning on making redundancies in the year ahead, the second consecutive month this has fallen.

“We know Scottish businesses have been resilient since the pandemic began and the vaccination roll-out is boosting firms’ optimism about the coming months. We’ll be by the side of businesses to help them navigate both the short-term challenges and long-term opportunities ahead.”

In the industry sectors confidence remained above pre-vaccine levels. While some sectors reported declines – manufacturing slipped by nine points to 9%, services fell by four points to -9% and retail by five points to 6% – confidence levels in the construction sector improved for a second month, rising four points to -1%.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “It has not been an easy start to 2021, but nonetheless businesses continue to persevere and remain resilient in the face of uncertainty and change – the construction sector’s confidence improving for a second month and more broadly, industry and the majority of the regional confidence sitting above pre-vaccine levels. While the road ahead will be challenging, we hope the news of the vaccine rollout progress will positively impact regional and sector confidence in the coming months.”

Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: “It has been a challenging start to the New Year for UK businesses adapting to a third national lockdown alongside the new EU trade arrangement taking effect. Nevertheless, while confidence remains below average, it is encouraging that business sentiment is still the second highest since the low of May 2020. Overall, the vaccine rollout programme has lifted confidence and that will hopefully buoy business optimism in the coming months.”

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. This survey was conducted with 1,200 companies – including 100 businesses in Scotland - between 4th – 18th January 2021.

About Lloyds Bank

- Lloyds Bank Commercial Banking provides comprehensive expert financial services for small businesses, mid-sized businesses and multinational corporations.

Bank of Scotland press office:

Shreya Singh, Shreya.Singh@lloydsbanking.com, 07774742535
Laura Brodtkin, Laura.Brodtkin@lloydsbanking.com, 07939 566 017

Press Release

29th January 2021



- 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.

Bank of Scotland press office:

Shreya Singh, Shreya.Singh@lloydsbanking.com, 07774742535
Laura Brodtkin, Laura.Brodtkin@lloydsbanking.com, 07939 566 017