

Press Release

26th February 2021



CONFIDENCE INCREASES AMONGST SCOTTISH FIRMS

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

- Overall confidence of firms in Scotland rose 15 points in February to -17%
- Optimism grows in all UK regions as firms expect lockdown restrictions to ease in the coming weeks
- Overall UK business confidence back in positive territory for the first time since March 2020

Business confidence in Scotland rose 15 points during February to -17%, according to the latest Business Barometer from Bank of Scotland Commercial Banking.

Companies in Scotland reported higher confidence in their own business prospects month-on-month, up 16 points at -11%. When taken alongside their views of the economy, up 15 points to -22%, this gives a headline confidence reading of -17%.

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

When it comes to jobs, a net balance of 4% of businesses in Scotland expect to reduce staff levels over the next year, down 24 points on last month.

Across the UK, overall business confidence rose in February as the government announced it would be creating a 'roadmap' out of lockdown. Confidence increased by nine points to 2%, the first net positive reading since March 2020. Firms' economic optimism also jumped 12 points month-on-month to 2%.

All UK nations and regions saw a month-on-month increase in confidence in February, with the biggest increases in the North West (13% vs -5% in January), the East Midlands (10% vs -8% in January), Wales (-5% vs -20% in January) and Scotland (-17% vs -32% in January). Despite this, four remained in net negative territory with Wales (-5%), the South West (-6%), the East of England (-8%), and Scotland (-17%) all in the red.

Fraser Sime, regional director for Scotland at Bank of Scotland Commercial Banking, said: "The rise in confidence of Scottish businesses is a real positive and we hope to see this continue as the vaccination rollout accelerates, and we work towards the easing of lockdown restrictions and the reopening of the economy.

"Scottish businesses have shown real resilience since the start of the pandemic and we remain by their side, helping them navigate the road ahead."

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Confidence increased across all four broad industry sectors to the highest levels since March 2020. After a soft start to the year, manufacturing jumped by fourteen points to 5%, while construction rose eight points to 7%. Confidence in retail extended nine points to 3%, while services advanced by ten points to 1%, led by broad-based improvements in the subsectors.

Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank Commercial Banking, said: “It has been very promising to see an increase in optimism across all regions and nations in February, led by London, the North West and East Midlands. In the sectors, the story has been positive too, with the four broad industries recording the highest levels of confidence since March 2020. What this shows us is that the majority of the UK is gearing up for an economic revival, with the steady vaccine rollout fuelling optimism.”

Hann-Ju Ho, senior economist for Lloyds Bank Commercial Banking, said: “The uplift in business confidence and its entry into positive territory after nearly a year suggests that firms are cautiously pinning their hopes on economic revival in the future and the continued success of the vaccine rollout. In the coming weeks, announcements in the Budget and prospects of an easing of lockdown restrictions will hopefully help to bolster the recovery in business confidence as the economy starts to reopen.”

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 73 businesses in Scotland - between 1st – 15th February 2021

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>
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- 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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