

SCOTTISH BUSINESS CONFIDENCE CONTINUES TO CLIMB AS RESTRICTIONS EASE

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

- **Scottish business confidence rose by six points in May to 15% - the highest level since February 2020**
- **Firms' optimism in the economy grew by six points to 19%**
- **Overall UK business confidence increased for fourth month in a row as hiring intentions reach highest level since February 2020**

Business confidence in Scotland rose six points during May to 15%, the highest reading since February 2020, 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 five points at 10%. When taken alongside their optimism in the economy, up six points to 19%, this gives a headline confidence reading of 15%.

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 8% of businesses in Scotland expect to increase staff levels over the next year, up 17 points on last month and the first net-positive reading in fifteen months.

Overall UK business confidence rose four points in May to 33%, a fourth consecutive month of growth. The reading comes after non-essential retail and hospitality firms reopened their doors to customers. Businesses reported an increase in optimism about their own trading prospects, up two points month-on-month to 28% and their confidence in the economy grew by six points to 38%.

Bank of Scotland press office:

Shreya Singh, shreya.singh@lloydsbanking.com, 077 7474 2535

Phillippa-Jane Vermoter, phillippa-jane.vermoter@lloydsbanking.com, 078 2511 5178

Press Release

28th May 2021



Firms' hiring intentions also rebounded to pre-pandemic levels with 14% of UK businesses expecting to make new hires in the next 12 months, the highest reading since February 2020.

All UK regions reported a net positive confidence reading in May, with almost all areas recording an increase in confidence. Yorkshire and the Humber was the most positive region (up 12 points to 44%) followed by the South West (up 12 points to 42%) and the West Midlands (up 10 points to 41%). Wales reported the biggest month-on-month increase (up 18 points to 27%). Three regions reported small dips in confidence but remained in positive territory: London (down eight points to 24%), the North East (down 11 points to 26%) and North West (down five points to 38%).

Fraser Sime, regional director at Bank of Scotland Commercial Banking, said: "With lockdown restrictions easing further in May, Scotland's hospitality and tourism sectors were able to join non-essential retail in reopening their doors, a move which has helped to boost confidence across the country.

"Encouragingly, for the first time this year, businesses are looking to hire staff. This is a clear indicator that we are moving in the right direction with firms more optimistic about the coming months.

"We'll continue to stand by Scottish businesses as they work towards what we all hope will be a busy summer."

From a sector perspective, manufacturing reported the sharpest increase in business confidence (up thirteen points to 53%). Construction confidence was up seven points to 35%, and retail gained five points to a four-year high of 44% with the easing of lockdown measures leading to hopes of stronger business conditions. Wider services confidence posted a more modest rise of one point to 26%.

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Paul Gordon, Managing Director for SME and Mid Corporates, Lloyds Bank

Commercial Banking, said: “The UK’s regions and nations continue to report positive business confidence in recent months, which is a welcome change from where we were at this time last year. Wales, in particular, has shown a significant improvement in outlook, reporting the sharpest increase in confidence this month. In the sectors, manufacturing continues to outperform, reflecting strong domestic demand, while retail once again reported stronger confidence as restrictions ease across the UK. We have reason to be optimistic that this upbeat outlook will continue in the months ahead and we’ll remain by the side of businesses on their road to recovery.”

Hann-Ju Ho, Senior Economist, Lloyds Bank Commercial Banking, said: “A fourth consecutive monthly increase in business confidence, and the highest in three years, leaves us hopeful for the UK’s economic recovery. The increase in confidence was buoyed by a further easing of lockdown restrictions and a rise in optimism about the wider economy. While we need to wait and see how the months ahead will unfold, the recent rise in positive outlook is an encouraging sign that firms are emerging from the COVID-19 crisis with renewed resilience and vigour.”

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 BVA BDRG.
- This survey was conducted with 1,200 companies – including 95 businesses in Scotland – between 4th and 18th May 2021

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- 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.
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- 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.
- In 2020, we extended more than £18 billion in gross new lending to start-ups, SMEs and Mid-Market UK businesses.
- 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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