

**NOT FOR BROADCAST OR PUBLICATION UNTIL 00.01HRS - FRIDAY 21ST JUNE 2013**

## **SCOTTISH ECONOMY VIRTUALLY UNCHANGED BUT RISING EXPECTATIONS FOR NEXT SIX MONTHS**

Scottish economic performance is broadly unchanged, however expectations for the next six months are rising strongly, according to the latest Business Monitor from Bank of Scotland .

In the three months ending May 2013, 28% of firms surveyed increased turnover, 36% experienced static turnover, and over a third (36%) experienced a decrease. This gave a net balance of -8%; a slight fall from the -5% of the previous quarter and the -1% of the same quarter one year ago.

The overall net balance of turnover for firms in the production sector in the three months to end May this year was -5%. This is a deterioration on the +2% of the previous quarter and the +4% of the same quarter one year ago.

Service businesses are showing a similar fall in performance. The overall net balance for turnover for the three months ending May was -10%, similar to the -9% of the previous quarter and down on the -5% of the same quarter one year ago.

Volumes of repeat business were down slightly with a net balance of -7% this quarter compared to -4% in the previous quarter but identical to the -7% of the same quarter one year ago. Trends in the volume of new business were much better with an overall net balance of +6% compared to -2% of the previous quarter and the +4% of the same quarter one year ago – an encouraging sign of future growth.

Export activity had plunged at the end of 2011 but a recovery set in at the beginning of 2012. The recovery halted during summer 2012 and then deteriorated in autumn. The overall net balance for export activity in the latest three months was +12% - much better than the -5% of the previous quarter and the +9% of the same quarter one year ago.

Firms' assessment of their immediate prospects in the next six months swung upwards and downwards in 2012. The deterioration evident in summer of last year was slightly reversed in autumn 2012. These latest results show a significant improvement in expectations for the future.

Expectations for turnover in the next six months are showing an overall net balance of +13%. This is a large and welcome improvement on the +1% of the previous quarter and the +3% of the same quarter one year ago. Whilst almost half (49%) expect turnover to be static in the next six months, 32% expect turnover to increase against 19% who expect a decrease. Production

firms are more optimistic than service firms, with production firms showing an overall net balance for turnover for the next six months at +18% compared to +10% for services firms.

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Expectations for future export activity have risen significantly. The latest net balance for export activity for the next six months is +19% - a move upwards from the +7% of the previous quarter and the +5% of the same quarter one year ago.

Expectations for the volume of repeat business were up with an overall net balance of +4% for this quarter compared to -5% for the previous quarter and the -3% of the same quarter one year ago. Expectations for the volume of new business are showing a welcome improvement with the latest net balance at +14%, significantly up on the +1% of the previous quarter and the +5% of the same quarter one year ago.

These expectation levels suggest the private sector of the Scottish economy will grow in the second half of this year.

Donald MacRae, chief economist, Bank of Scotland said: "Despite the apparent moderate performance in spring, business expectations for the second half of 2013 have improved significantly to the highest level for five and a quarter years. A return to more vigorous growth in the Scottish economy is dependent on an increase in confidence in both consumers and businesses. Some of this confidence building appears to have begun in the first six months of 2013. If it continues throughout the year the Scottish economy should record a year of growth in 2013."

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