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## **SCOTTISH ECONOMY CONTINUES SLUGGISH PERFORMANCE**

The latest Lloyds TSB Scotland Business Monitor shows the Scottish economy continuing to stagnate.

In the three months ending August 2012, a third (33%) of firms surveyed increased turnover, 31% experienced static turnover, and over a third (36%) experienced a decrease. This gave a net balance of -3%; a slight deterioration from the -1% of the previous quarter and the 0% of the same quarter one year ago. While a return to deep recession is not indicated, there are no signs of a resurgence in growth.

The overall net balance for turnover for firms in the production sector in the three months to end August this year was -2%. This is slightly down on the +4% of the previous quarter and the 0% of the same quarter one year ago.

Service businesses did not experience such benign conditions with the overall net balance for turnover for the three months ending August at -5% - identical to the previous quarter and down from the 0% of the same quarter one year ago.

Volumes of repeat business were similar to the previous Monitor with a net balance of -8% this quarter compared to -7% in the previous quarter, but were worse than the -1% of the same quarter one year ago. Trends in the volume of new business showed a slight deterioration with a net balance of -5% compared to the +4% of the previous quarter but showed a slight improvement from the -7% of the same quarter one year ago.

The overall net balance for export activity in the latest three months was 0% - significantly worse than the +9% of the previous quarter and the +10% of the same quarter one year ago.

Firms' assessment of their immediate prospects in the next six months improved dramatically in the previous two Business Monitors. That improvement has not been maintained in the latest report. Expectations for turnover in the next six months have fallen to an overall net balance of -7% - a deterioration from the +3% of the previous quarter and is similar to the -5% of the same quarter one year ago. Almost half (49%) expect their turnover to be static in the next six months to end February 2013. While 29% expect a decrease, slightly less (22%) expect turnover to rise. Business confidence remains depressed. Production firms are slightly more optimistic with an overall net balance of -2% for turnover for the next six months compared to a lower -10% for services firms.

Expectations for future export activity have also dropped. The latest net balance for export activity for the next three months in this Business Monitor is -3% - a fall from the +5 of the previous quarter and a significant drop from the +21% of the same quarter one year ago. Exporters are struggling to cope with the global slowdown.

Expectations for the volume of repeat business were largely unchanged at an overall net balance of -5% for this quarter compared to -3% for the previous quarter and an identical -5% for the same quarter one year ago. Expectations for the volume of new business have worsened. The latest net balance at -5% compares to a higher +5% for the previous quarter, but is similar to the -6% of the same quarter one year ago. Production firms are more positive at 0% net balance compared to -8% for services.

Donald MacRae, chief economist, Lloyds TSB Scotland said: "While the Scottish economy has continued to deliver a sluggish performance over the summer, there are no signs of a relapse into deep recession. Business confidence remains depressed and a return to more vigorous growth in the Scottish economy awaits an increase in confidence in both consumers and businesses. This in turn depends upon convincing evidence of policy initiatives to contain the Eurozone sovereign debt crisis and foster growth in the Eurozone and UK economies."

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**For further information:**

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