

EMBARGOED UNTIL 01:01 UK (01:01 UTC) 13 January 2020

## Royal Bank of Scotland PMI®

### Scottish private sector activity stagnates at end of 2019

- **Manufacturing downturn continues, whilst services growth softens**
- **Renewed contraction in order book volumes**
- **Expectations remain historically subdued**

According to the latest Royal Bank of Scotland PMI®, business activity across Scotland's private sector was unchanged during December following growth in November. Manufacturers recorded a seventh consecutive contraction in output, whilst services activity rose only marginally. Weighing on operating conditions was a renewed decline in incoming new business, which fell mildly overall amid reports of weak demand conditions and continued uncertainty. Meanwhile, firms' expectations remained historically subdued, despite sentiment reaching a six-month high.

The seasonally adjusted headline Royal Bank of Scotland Business Activity Index - a measure of combined manufacturing and service sector output - fell from 50.9 in November to 50.0 in December, to signal no change in Scottish private sector activity at the end of 2019. Sector data highlighted further divergence, with a sharp fall in output in the manufacturing sector outweighing marginal services growth.

December data signalled a reduction in order book volumes, as has been the case in four of the past five months. Panellists associated the fall with weak client demand. The rate of decline was only mild, however.

By sector, manufacturing drove the overall decline, with order book volumes falling at the sharpest rate since March 2009. Meanwhile, service providers registered a back-to-back uptick in new business, albeit with the rate of growth easing from November.

With demand subdued, businesses were able to focus on clearing backlogs in December. Outstanding business declined following a stable trend in November, although the rate of backlog depletion was only marginal overall. Of the 12 monitored UK areas, Scotland reported the softest rate of backlog depletion.

Meanwhile, private sector firms in Scotland reported no change in workforce numbers during the latest survey period. Sector data highlighted divergence, as manufacturers recorded a sixth consecutive reduction in employment, whilst services firms registered a slight increase in staffing levels.

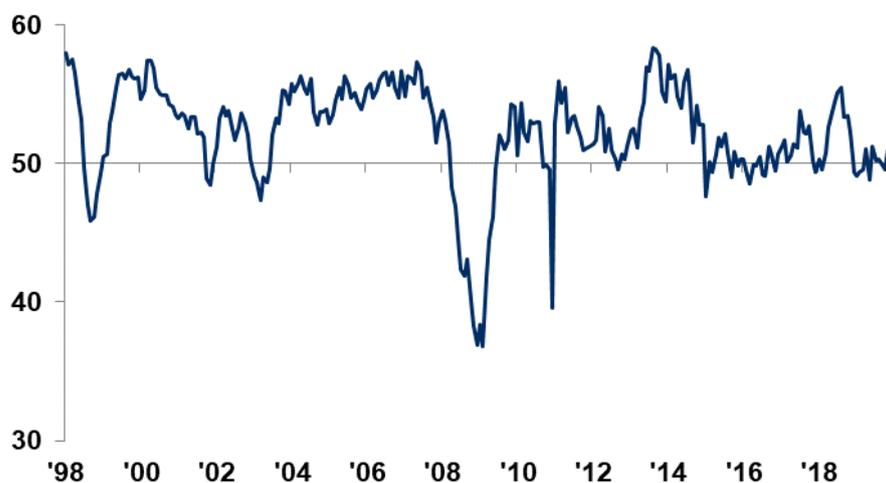
As has been the case in each month since early-2016, firms recorded a rise in input prices in December, amid higher utility costs and unfavourable exchange rates. The increase was the fastest since June and sharp overall.

At the same time, average selling prices rose during December, with firms linking the uptick to the pass-through of higher input prices to clients. The rate of charge inflation was the softest since September and only mild, however.

Firms remained confident output will rise over the coming year, with sentiment reaching a six-month high. That said, expectations remained subdued in the context of historical data.

## Scotland Business Activity Index

sa, >50 = growth since previous month



Source: Royal Bank of Scotland, IHS Markit.

# News Release

## COMMENT

**Malcolm Buchanan**, Chair, Scotland Board, Royal Bank of Scotland, commented:

*“Private sector activity in Scotland stagnated at the end of 2019, with the manufacturing downturn continuing for the seventh month running to cancel out marginal services growth. Weighing on activity was a renewed contraction in order book volumes, which fell mildly amid reports of weak demand conditions. Moreover, the reduction contrasted negatively with the trend across the UK as a whole, where overall new business rose slightly.*

*“Meanwhile, sentiment regarding activity over the next 12 months reached a six-month high, but expectations remained historically subdued with some firms noting persistent uncertainty is still clouding the outlook.”*

**ENDS**

## For more information

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# News Release

## Notes to Editors

### Methodology

The Royal Bank of Scotland PMI<sup>®</sup> is compiled by IHS Markit from responses to questionnaires sent to a panel of around 500 manufacturers and service providers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable, for the manufacturing and services sectors. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted. Comparable manufacturing and services indices are then weighted together to form a composite index, with the weights based on official value added data.

The headline figure is the Business Activity Index. This is a composite index calculated by weighting together the Manufacturing Output Index and the Services Business Activity Index. The Scotland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Scotland PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### About PMI

Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

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