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## Royal Bank of Scotland PMI<sup>®</sup>

### Scottish private sector output rises for first time since August

- Quicker services growth outweighs manufacturing downturn
- First rise in new business since July
- Business confidence hits four-month high

According to the latest Royal Bank of Scotland PMI<sup>®</sup>, business activity across Scotland's private sector increased for the first time since August in November. Key to the renewed growth was a marginal uptick in order book volumes, the first for five months, alongside the fastest rise in workforce numbers since April.

The seasonally adjusted headline Royal Bank of Scotland Business Activity Index - a measure of combined manufacturing and service sector output - posted 50.9 in November, up from 49.6 in October, to signal the first increase in private sector output since August. Anecdotal evidence linked the rise, which was mild overall, to stronger demand conditions. By sector, services reported the fastest expansion in the current six-month sequence of growth. Meanwhile, manufactures noted a sharp, albeit softer, fall in output in November.

Overall demand conditions rebounded in November<sup>®</sup>, with incoming new business rising following three successive monthly falls. The overall rise in Scotland was the second-fastest of the 12 monitored UK areas, behind only London. That said, the increase was subdued in the context of the series history, with some respondents noting that continued uncertainty had weighed on growth.

By sector, service-providing firms reported a moderate uptick in new business, while order book volumes fell for the fifteenth consecutive month at Scottish manufacturers.

Scottish private sector firms reported an increase in staffing levels in November, thereby ending a four-month sequence of decline. The rate of job creation was modest overall, albeit slightly elevated in the context of the series historical data.

# News Release

Concurrently, the level of outstanding business at Scottish private sector firms was unchanged during November, following 13 months of consecutive decline.

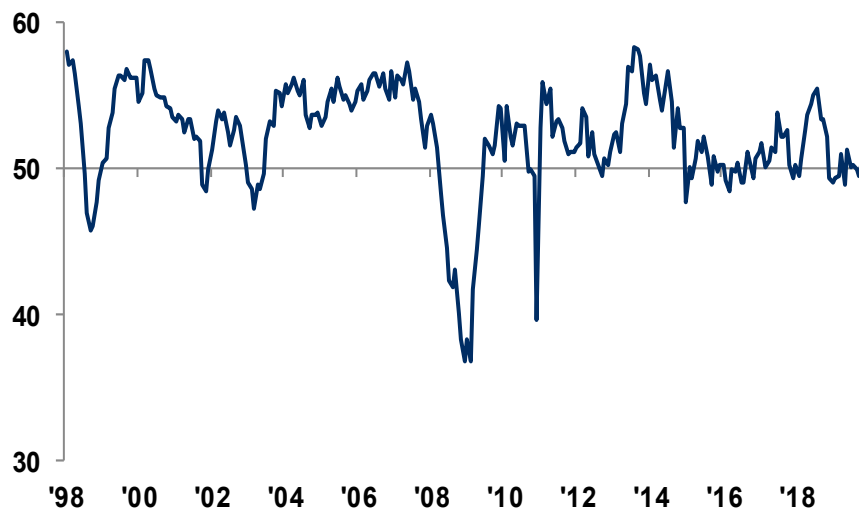
As has been the case in every month since February 2016, cost burdens faced by Scottish private sector firms rose in November. Panellists linked the increase, which was sharp overall, to higher prices at suppliers and unfavourable exchange rates. That said, the rate of input price inflation softened and was the slowest for over three years.

In line with the trend for input costs, average prices charged by private sector firms across Scotland rose in November. The rate of charge inflation eased and was broadly in line with the series historical average.

Finally, November data indicated improved business confidence towards activity over the next 12 months. The level of positive sentiment strengthened from October to the highest since July, although 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:

*“November survey data highlighted some positive signs for the Scottish private sector. Output rose for the first time since August with quicker services growth outweighing the manufacturing downturn. Meanwhile, new business increased for the first time in four months, with the rate of expansion in Scotland the second-quickest of the 12 monitored UK areas, behind only London. Firms’ output expectations also improved from October’s recent low in November, with sentiment the strongest since July.*

*“Nevertheless, uncertainty continued to subdue demand, with client hesitancy reportedly weighing heavily on both output and activity. A clearer outlook is required to boost demand and for the Scottish private sector to gain further momentum in the closing stages of the year.”*

**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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