

EMBARGOED UNTIL 01:01 UK (00:01 UTC) 10 December 2018

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

### Business activity rises at weakest rate since March

- Demand conditions improve only modestly in November
- Output growth moderates...
- ...but activity expectations strengthen

According to the latest Royal Bank of Scotland PMI<sup>®</sup>, Scottish output growth momentum faded in November. New order growth eased amid a combination of contraction at manufacturers and slower growth in the service sector. Nonetheless, firms continued to expand workforces, with improved operating capacities enabling a backlog reduction. Input costs continued to inflate, resulting in further output price increases. Looking ahead, confidence improved slightly, but remained weak relative to earlier in the year.

The seasonally adjusted headline Royal Bank of Scotland PMI decreased to 52.2 in November. This was down from 53.4 in October and signalled the slowest expansion in private sector output since March. That said, growth was stronger than that for the UK as a whole. Those companies reporting higher activity indicated that demand pressures were sufficiently strong warrant higher output.

As has been observed since March, total new orders received by Scottish private sector firms increased in November. The increase was reflective of an upturn in the service sector, as manufacturers registered a reduction in sales. New contract wins supported growth in the former, while weak underlying demand conditions impacted workloads at the latter. That said, the overall expansion was only moderate and weaker than in October.

Latest survey data pointed to a further decline in outstanding business at privately-run firms in Scotland. The rate of depletion was marked and the sharpest in just over two years. Panellists mentioned that weaker growth in sales enabled them to clear unfinished orders. Relative to other monitored UK regions, only firms in the North East observed a stronger alleviation of capacity pressures.

Nonetheless, job creation was maintained in November. Despite employment growth weakening since October and being just slight overall, it was stronger than the long-run average.

# News Release

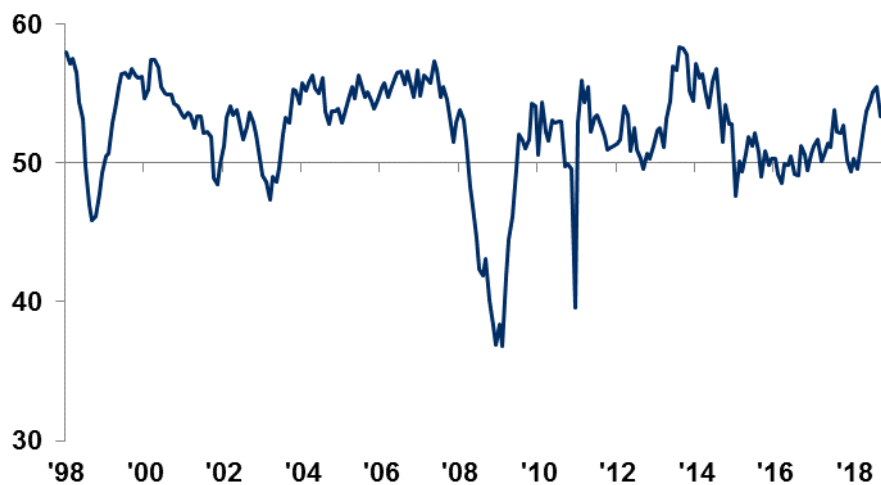
Pressures on margins were sustained during the latest survey period, with input costs rising to a sharp degree. Sterling weakness, rising raw material prices and greater labour costs were all cited as sources of inflation.

Pressures on profit margins were evidenced by further sharp monthly increases in cost burdens in November. A weak pound, raw material prices and greater labour and utility costs were mentioned as sources of inflation. In turn, charges were lifted to offset the rise in costs. The rate of increase was solid and faster than seen in October.

Despite the loss in momentum, firms were more confident towards future growth prospects than in October. Planned company growth, new marketing strategies and stronger international competitiveness were all cited as reasons underpinning confidence.

## 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:

*“In line with the slowdown seen for the UK as a whole in November, Scotland’s growth momentum also eased. Dragging the Scottish economy was broad-based weakness across both manufacturing and service sectors.*

*“Indeed, short-term growth prospects seem meagre. Order books expanded at a weaker pace, firms hired extra staff less aggressively, and capacities remain underutilised, as evidenced by a stronger fall in backlogs.*

*“Nonetheless, confidence towards future activity levels improved. Despite the current Brexit upheaval, some companies are anticipating expansions and international competitiveness improvements over the coming 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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