

EMBARGOED UNTIL 01:01 UK (00:01 UTC) 15 April 2020

Royal Bank of Scotland PMI®

Private sector activity contracts at record rate in March

- **Business Activity Index drops by more than 20 points**
- **New business declines at quickest rate on record**
- **Firms expect activity to fall further in coming 12 months**

According to the latest Royal Bank of Scotland PMI®, business activity across Scotland's private sector declined at the quickest rate since the survey began in January 1998 during March, as impacts stemming from the Coronavirus disease 2019 (COVID-19) pandemic hit the Scottish private sector economy. At the sector level, services reported the steepest reduction on record, while the fall in manufacturing production was the sharpest since early-2009.

Driving the fall was a renewed reduction in new business, with the decline in order books also the quickest on record. With client demand tumbling, firms' expectations with regards to activity were the weakest since this series began in 2012.

The seasonally adjusted headline Royal Bank of Scotland Business Activity Index - a measure of combined manufacturing and service sector output - posted 29.7 in March, dropping from 50.1 in February, to signal a substantial reduction in private sector output. Moreover, the decline was the most marked since data collection began more than 22 years ago.

March survey data signalled a renewed decline in overall new business, with panellists linking the fall to weak client demand amid the COVID-19 pandemic. The contraction was the steepest on record.

Furthermore, of the 12 monitored UK areas, only Northern Ireland reported a sharper decline.

Amid weak demand conditions, Scottish private sector firms reduced workforce numbers during March. The rate of job shedding was the sharpest in the series 22-year history and outpaced that seen at the UK level.

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Nonetheless, the level of outstanding business at Scottish private sector companies continued to decline, as has been the case in the all but one of the past 18 months. According to panellists, weak demand as a result of the COVID-19 pandemic allowed them to direct remaining resources to unfinished work.

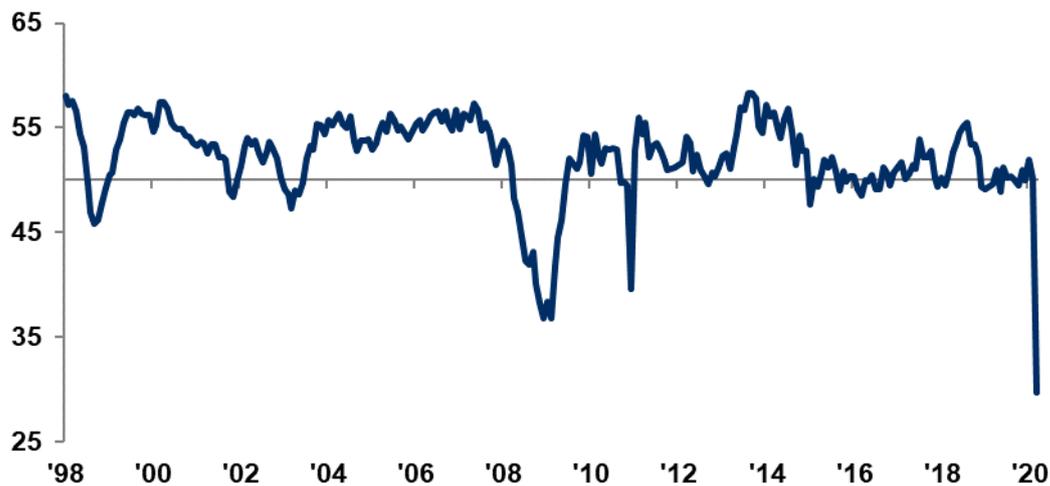
On the price front, cost burdens continued to rise during March, as has been the case in each month since the series began over 22 years ago. That said, the rate of input price inflation was one of the softest on record.

Average prices charged for goods and services in Scotland declined for the first time since July 2016, however. The fall was the quickest since the series began in November 1999 and sharp.

Amid substantial uncertainty relating to the coronavirus pandemic, confidence among Scottish firms with regards to activity in March collapsed. For the first time in the series near eight-year history, private sector firms expect activity to decline in the coming year.

Scotland Business Activity Index

sa, >50 = growth since previous month



Source: Royal Bank of Scotland, IHS Markit.

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COMMENT

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

“Business activity in the Scottish private sector declined at the quickest rate in the series more than 22-year history in March, as shockwaves from the COVID-19 pandemic hit the economy. Services was more heavily impacted, reporting the most marked reduction on record, although the rate of decline in manufacturing production was the sharpest since early-2009.

“Incoming new business also contracted at a record pace, amid reports that the coronavirus outbreak had led client demand to collapse. Moreover, firms’ expectations with regards to output were the weakest since this series began in 2012, with companies anticipating activity to fall further in the coming year from present levels.

“With emergency measures still in place, and demand unlikely to recover in the near future, March data paint a worrying picture for the Scottish private sector. The impact of the COVID-19 pandemic is likely to be felt for a while.”

ENDS

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Notes to Editors

Methodology

The Royal Bank of Scotland PMI® 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.

The survey data for March data were collected 12 – 27 March 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

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