

EMBARGOED UNTIL 01:01 UK (00:01 UTC) 11 May 2020

Royal Bank of Scotland PMI®

Unparalleled reduction in private sector activity as COVID-19 pandemic worsens

- **Business Activity Index falls to fresh record low**
- **Steepest contraction in new business on record**
- **Output expectations negative for second month**

According to the latest Royal Bank of Scotland PMI®, private sector activity in Scotland fell at an unparalleled rate during April. Inflows of new business declined the most on record, as the COVID-19 pandemic continued to clatter the private sector economy. As was the case in March, services recorded a quicker decline than manufacturing, although both sectors saw the most marked reductions in activity on record.

Meanwhile, with substantial uncertainty surrounding the coronavirus outbreak, the 12-month outlook for activity remained negative for the second month running.

The seasonally adjusted headline Royal Bank of Scotland Business Activity Index - a measure of combined manufacturing and service sector output - fell from 29.7 in March to a fresh series low of 10.7 in April, and signalled the most substantial contraction in private sector activity in the 22-year survey history. The combined drop in the index from February was a considerable 39.4 points.

Private sector firms recorded a back-to-back reduction in total new business during April, with the rate of contraction accelerating further to a fresh series low. According to respondents, the COVID-19 pandemic and subsequent emergency measures had led client demand to plunge.

The fall in Scotland was part of a wider UK trend in April. New business dropped at the quickest pace on record at the UK level, although the fall was softer than that seen in Scotland.

Amid the considerable contraction in client demand, firms reduced workforce numbers further in April. The rate of job shedding was the quickest recorded in the series more than 22-year history.

News Release

The level of outstanding business declined further, however. The rate of backlog depletion was the fastest on record.

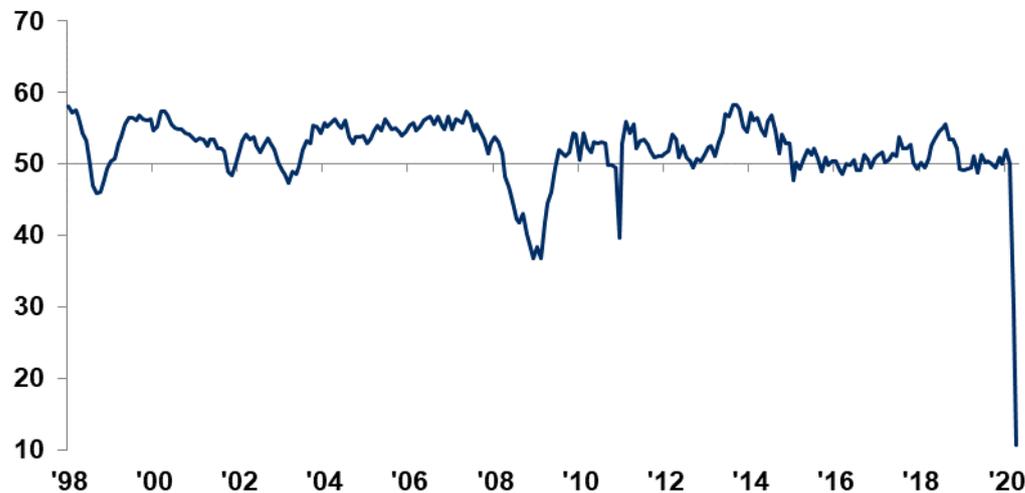
For the first time since January 1999, private sector firms in Scotland highlighted a reduction in input prices during April. Panellists linked the decline to lower fuel, oil and staff costs.

At the same time, average selling prices fell for the second month running, with the rate of reduction the quickest on record and marked. According to panellists, the fall was due to a combination of lower costs and discounting as a result of efforts to attract clients.

Private sector firms in Scotland remained pessimistic regarding activity over the coming 12 months during April. Anecdotal evidence frequently mentioned huge uncertainty surrounding the COVID-19 pandemic and its economic implications. Sentiment did pick up slightly from March's low, however.

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:

“The COVID-19 pandemic continued to cause severe repercussions for the Scottish economy in April, with latest data pointing to an unprecedented reduction in private sector activity. Services bore the brunt of the downturn for a second month, although both service providers and manufacturers recorded record contractions in business activity.

“Incoming new business declined at the most marked rate in over 22 years of data collection, with firms mentioning that demand both domestically and from abroad had collapsed. Unsurprisingly, the 12-month outlook for activity remained negative for the second month in a row, amid substantial uncertainty surrounding the economic fallout of the pandemic, although firm’s expectations did pick up slightly from March’s recent low.

“The COVID-19 induced downturn formed part of a wider UK trend in April, but Scotland fared worse than the UK as a whole, with the decline quicker than at the national level. Although there is some discussion of an exit plan from the current quarantine restrictions, it is unlikely that the economy will recover quickly from such a severe downturn.”

ENDS

For more information

Royal Bank of Scotland

Jonathan Rennie
Regional PR Manager
07769 932 102
jonathan.rennie@rbs.co.uk

IHS Markit

Lewis Cooper
Economist
+44 1491 461 019
lewis.cooper@ihsmarkit.com

Katherine Smith
Public Relations
+1 781 301 9311
katherine.smith@ihsmarkit.com

News Release

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 April data were collected 07 – 28 April 2020.

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

About PMI

Purchasing Managers' Index® (PMI®) 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.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

Disclaimer

The intellectual property rights to the Royal Bank of Scotland PMI® provided herein are owned by or licensed to IHS Markit and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Royal Bank of Scotland uses the above marks under licence. IHS Markit is a registered trademark of IHS Markit Limited. and/or its affiliates.