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

### Output growth remains resilient amid wider UK slowdown

- **Business activity continues to grow solidly...**
- **...predominantly driven by services**
- **Confidence hampered by growing uncertainty**

According to the latest Royal Bank of Scotland PMI<sup>®</sup>, output in Scotland's private sector economy expanded solidly at the start of the fourth quarter. New orders increased at a stronger pace, while extra recruitment facilitated a reduction in backlogs of work. Sharper cost pressures were reported, although output prices were increased to the softest extent in ten months. Meanwhile, confidence towards future output volumes dipped to a one-year low amid uncertainty surrounding future UK-EU relations.

The seasonally adjusted headline Royal Bank of Scotland PMI was unchanged from the previous month in October, posting 53.4. This signalled a solid expansion in private sector output and one that was sharper than that for the UK as a whole. Sector data indicated that the expansion was broad-based, although service companies observed a noticeably stronger rise in business activity than their manufacturing counterparts.

Greater inflows of new work were recorded during October, with new orders increasing at a broadly similar pace to business activity. Furthermore, the latest increase was the strongest of all 12 monitored UK regions. New contract wins, promotional efforts and new product offerings supported the sales growth. That said, the upturn was driven by the service sector, with goods producers noting a second successive deterioration in demand conditions.

To accommodate for demand pressures, service providers raised staffing levels moderately in October. With manufacturers scaling back on employment only slightly, the net result was a modest increase in overall private sector workforce numbers during October. The overall rate of job creation was, however, the fastest in four months and outpaced the UK average.

Lower order book volumes at manufacturers and stronger recruitment at service providers contributed to a slight reduction in outstanding business in Scotland during

# News Release

October. Survey data signalled that Scottish private sector companies were able to cope with current business demands. Overall, outstanding workloads were unchanged since August.

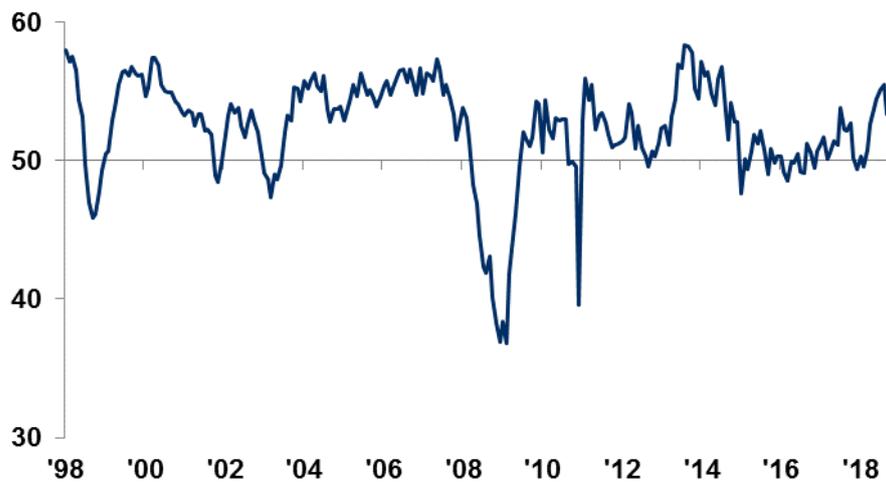
Pressures on margins were sustained during the latest survey period, with input costs rising to a sharp degree. Sterling weakness, rising raw material prices and greater labour costs were all cited as sources of inflation.

Companies reacted to higher cost burdens by raising their charges. Despite observing lower sales, manufacturers increased their prices at a sharper rate than service providers. Nonetheless, the overall rate of charge inflation was the slowest in ten months.

Looking ahead, business confidence was maintained, however the level of optimism dipped to a one-year low as ongoing Brexit uncertainty reportedly hampered sentiment.

## 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:

*“Amid a broader slowdown in growth momentum across the UK as a whole in October, private sector output in Scotland showed resilience, expanding at a solid pace that was unchanged from September, while demand improved at the strongest rate of all 12 monitored UK regions.*

*“That said, sector data revealed the upturn was driven by the service sector. Production rose only fractionally in the manufacturing sector as new sales dropped for a second month running. There were also signs that the continued Brexit uncertainty was impacting business confidence, as optimism dipped to a one-year low.”*

ENDS

## For more information

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## 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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