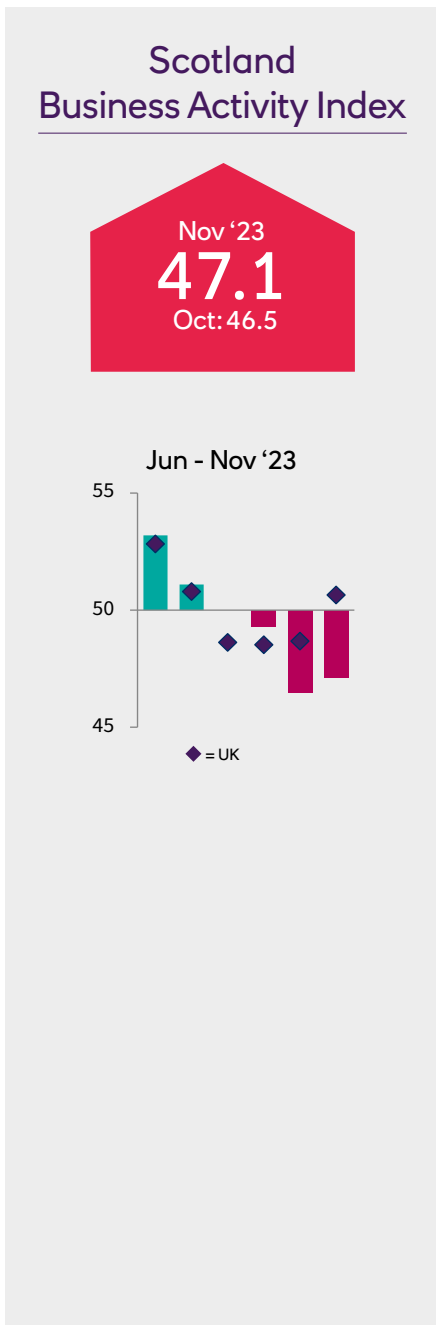


Royal Bank of Scotland PMI[®]

Scottish business activity continues to fall in November



Key findings

Private sector activity declines solidly in November

Stronger reduction in new orders

Growth in employment quickens

The latest Royal Bank of Scotland PMI[®] signalled a solid reduction in Scottish private sector activity in November. At 47.1, up from 46.5 in October, the Scotland Business Activity Index posted below the crucial 50.0 mark for the third month running. The decline in private sector activity reflected a sharp and accelerated fall in manufacturing output and a weaker reduction in services activity. The downturn in output was propelled by a stronger reduction in new orders, as underlying demand conditions worsened.

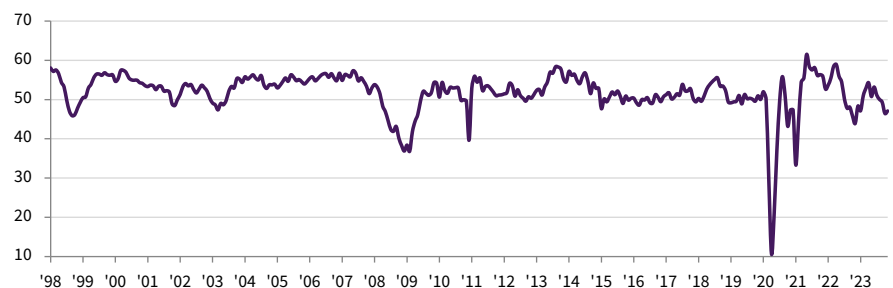
Nonetheless, firms continued to increase their workforce numbers in November and at the strongest pace in six months. This in turn led firms to further reduce their backlogs.

Judith Cruickshank, Chair, Scotland Board, Royal Bank of Scotland, commented:

"Businesses across Scotland struggled to raise their activity as waning demand and growing market uncertainty hampered sales in November. Moreover, with expectations remaining historically muted, the downturn could continue into the new year."

"However, despite the setbacks private sector companies are facing, the labour market remains resilient. Employment levels expanded for the tenth month running in November. Moreover, growth in payroll numbers was noted across both the manufacturing and services sectors."

Scotland Business Activity Index
sa, >50 = growth since previous month



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About the Scotland PMI® report

The Royal Bank of Scotland PMI® is compiled by S&P Global 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.

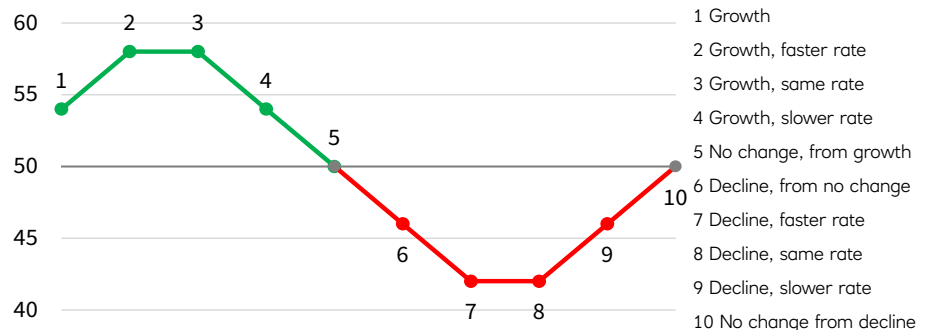
The headline figure is the Business Activity Index. This is a composite index calculated by weighting together the Manufacturing Output Index and the Services Business Activity Index. The Scotland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the '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@spglobal.com.

Index interpretation

50.0 = no change since previous month



Demand and outlook

New business

Inflows of new business fell solidly across Scotland in November, thereby extending the current run of decrease to five months. The rate of contraction quickened from October to the strongest in the aforementioned sequence. Panellists reported that waning demand and an uncertain economic environment weighed down on sales, especially across the manufacturing sector.

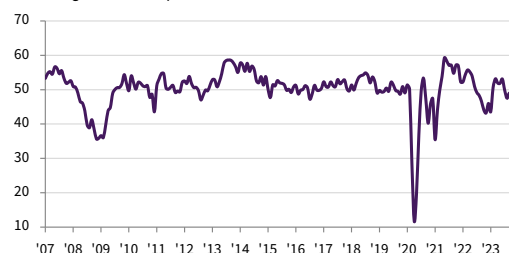
Meanwhile, only a fractional downturn was recorded in new business at the UK level.

New Business Index

sa, >50 = growth since previous month

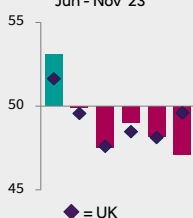
47.1

Nov '23



New Business Index

Jun - Nov '23



Business expectations

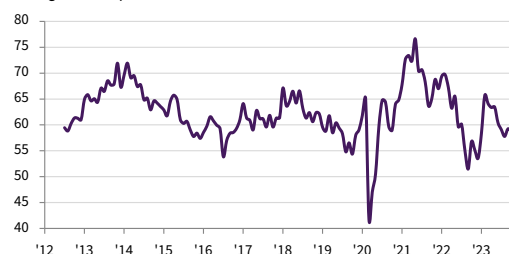
Scottish private sector firms generally anticipated growth in business activity over the coming 12 months in November. Moreover, sentiment improved to a five-month high. Firms cited increased marketing plans and hopes of stronger demand, as well as stable interest rates and lower inflation. That said, confidence remained historically muted and much weaker than the UK-wide average.

Future Activity Index

>50 = growth expected over next 12 months

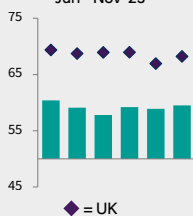
59.5

Nov '23



Future Activity Index

Jun - Nov '23



Exports

Downturn in export markets slows, but remains strong

The Scotland Export Climate Index (ECI) is calculated by weighing together national PMI output data according to their importance to manufacturing exports of Scotland. This produces an indicator for the economic health of Scotland's export markets.

At 48.4, up from 47.7 in October, the ECI pointed to a fourth successive monthly deterioration in export conditions. The rate of contraction did soften from the preceding survey period, however.

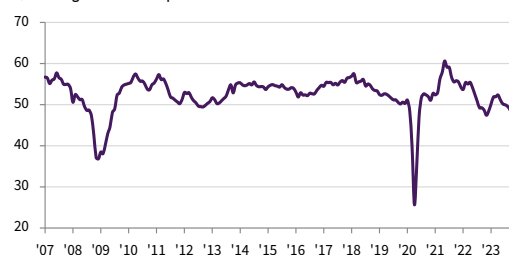
Declines in output across the Netherlands, France and Germany was partially offset by growth recorded in Ireland and the US.

Export Climate Index

sa, >50 = growth since previous month

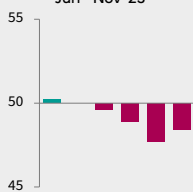
48.4

Nov '23



Export Climate Index

Jun - Nov '23



Top export markets, Scotland

Rank	Market	Weight	Output Index, Nov '23
1	Netherlands	19.4%	45.5
2	Ireland	13.5%	52.3
3	USA	13.2%	50.7
4	France	9.0%	44.6
5	Germany	8.9%	47.8

Business capacity

Employment

Despite shortfalls in demand, Scottish firms remained keen to raise their workforce numbers in November, with expansions noted in each of the past ten months. In fact, the rate of job creation quickened to a six-month high and was robust by historical standards. Successful replacement of leavers, expansion plans and expectations of growth in new orders were said to have underpinned the latest uptick.

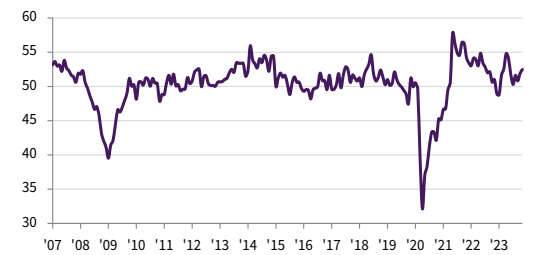
Moreover, Scotland recorded the strongest rise in employment of all the 12 monitored UK regions and nations.

Outstanding business

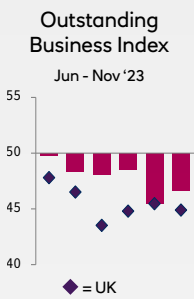
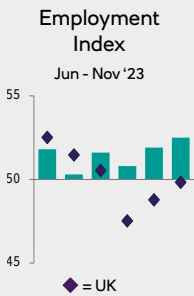
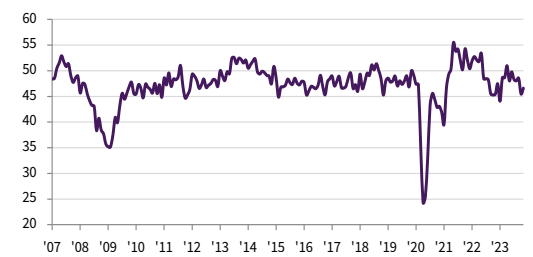
The sustained decline in new orders led to a further fall in backlogs across Scotland in November. The rate of depletion remained strong, despite easing since October. Firms also noted that improved availability of raw materials and the intake of additional staff drove the reduction in the amount of work outstanding. Work-in-hand has now fallen in 17 of the past 18 survey periods.

A universal decline in backlogs was recorded for all 12 monitored UK regions and nations in November. Though sharp overall, Scotland recorded the second-weakest reduction, behind London.

Employment Index
sa, >50 = growth since previous month
52.5
Nov '23



Outstanding Business Index
sa, >50 = growth since previous month
46.6
Nov '23



Prices

Input prices

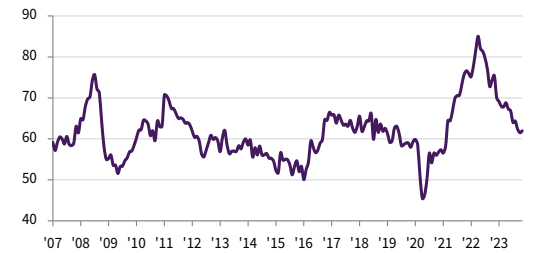
Cost pressures edged up slightly in November, thereby stretching the current run of inflation to three-and-a-half years. The pace of inflation was rapid and historically elevated, albeit much softer than the record rates observed last year. Higher prices from suppliers and the war in Ukraine was said to have fed through to greater costs for input.

Of the 12 monitored UK regions and nations, only London recorded a faster rate of input cost inflation than Scotland.

Input Prices Index

sa, >50 = inflation since previous month

61.9
Nov '23



Prices Charged

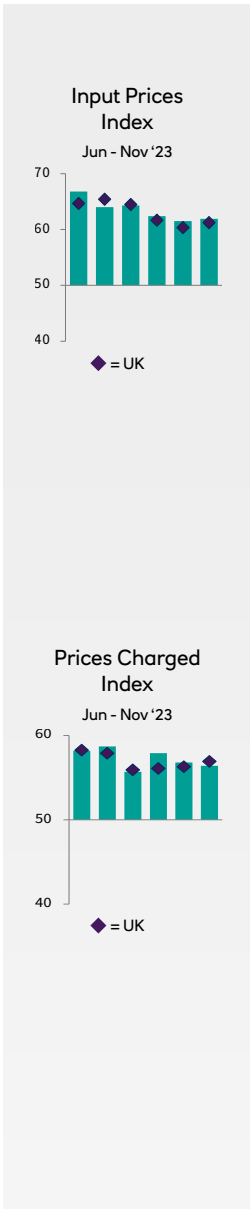
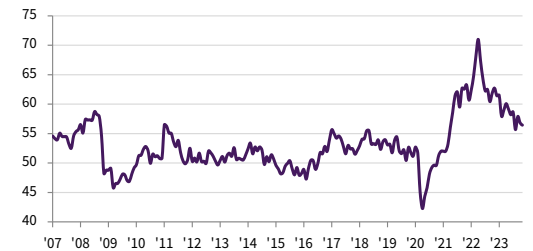
Scottish private sector companies recorded a sharp rise in selling prices during November. While the rate of output charge inflation was the softest in three months, it remained historically strong. Firms raised their charges to cover the effects of inflation on their cost burdens.

A steep increase in charges was also reported across the UK, with the rate of growth slightly stronger than that seen in Scotland.

Prices Charged Index

sa, >50 = inflation since previous month

56.4
Nov '23



UK Sector PMI

Sector specialisation: Scotland

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for Scotland, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

Scotland specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Nov'23 ⁺
1	Food & Drink	1.91	55
2	Mechanical Engineering	1.17	48
3	Electrical & Optical	1.08	45
4	Textiles & Clothing	1.06	52
5	Timber & Paper	1.05	42
6	Chemicals & Plastics	0.86	46
7	Basic Metals	0.81	47
8	Other Manufacturing	0.63	43
9	Transport	0.31	50

Scotland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov'23 ⁺
1	Hotels, Restaurants & Catering	1.27	52
2	Financial Intermediation	1.10	51
3	Transport & Communication	1.04	46
4	Personal & Community Services	1.03	49
5	Business-to-business Services	0.94	48
6	Computing & IT Services	0.71	53

UK sector focus

Computing & IT Services

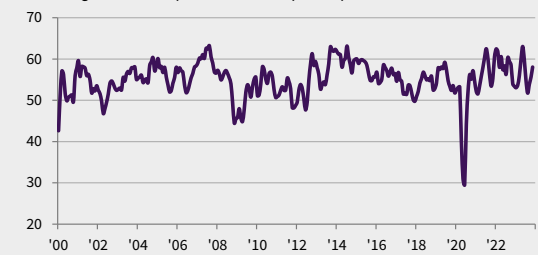
Computing & IT Services was one of the UK economy's brightest spots in the three months to November. The sector, which has generally seen robust growth in the post-pandemic years, recorded a sharp and accelerated rise in output that was second only to that recorded by Food & Drink manufacturers.

Demand for Computing & IT Services remained strong, leading to a sustained build-up of backlogs of work. This in turn fuelled continued hiring across the sector. Although having slowed from the highs over the past three years, the rate of job creation remained robust.

Driven in part by rising salaries, input prices in the sector continued to grow at an above-trend rate in the three months to November. Cost inflation was, however, at its lowest in around two-and-a-half years, with the rate of increase in prices charged by firms also well down from last year's peak (although still elevated by historical standards).

Output Index

sa, >50 = growth since previous month (3mma)



sa, >50 = growth since previous month (3-month moving average)



UK Regional PMI overview

Business Activity

London continued to outperform the rest of the UK regions in November, recording a sharp and accelerated rise in business activity. The only other area to see growth was the West Midlands. The North East once again recorded the steepest fall in output. However, like in most places, the rate of contraction eased from the month before.

Employment

Just over half of the 12 monitored regions and nations recorded a fall in employment in November, the same result as seen in October. Firms in Wales registered the most marked drop in workforce numbers, followed by those in the North East and East Midlands, respectively. Scotland once again topped the rankings for job creation, ahead of the West Midlands.

Future Activity

A small majority of areas saw an improvement in business expectations in November. This included the West Midlands, which continued to record the highest overall degree of optimism. The greatest upswing in confidence was in Yorkshire & Humber. Sentiment was weakest in the North East, where it slipped to an 11-month low.

Business Activity Index

sa, >50 = growth since previous month, Nov '23



Employment Index

sa, >50 = growth since previous month, Nov '23



Future Activity Index

>50 = growth expected over next 12 months, Nov '23



* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



Index summary

Composite

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Jul '23	51.1	49.9	50.0	59.1	50.3	48.3	64.0	58.7
Aug '23	50.0	47.5	49.6	57.8	51.6	48.1	64.3	55.7
Sep '23	49.3	49.0	48.9	59.2	50.8	48.5	62.4	57.9
Oct '23	46.5	48.2	47.7	58.9	51.9	45.5	61.5	56.8
Nov '23	47.1	47.1	48.4	59.5	52.5	46.6	61.9	56.4

Manufacturing

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Output	New Orders	Future Output*	Employment	Backlogs of Work	Input Prices	Output Prices
Sep '23	48.8	47.1	58.4	49.9	41.5	55.5	54.9
Oct '23	46.5	47.8	60.5	51.5	43.2	55.4	54.2
Nov '23	43.2	41.1	60.2	53.9	41.7	56.0	55.1

Services

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Sep '23	49.4	49.5	59.4	51.0	50.1	63.9	58.6
Oct '23	46.4	48.3	58.5	52.0	46.0	62.9	57.4
Nov '23	48.0	48.5	59.3	52.1	47.7	63.3	56.7

Contact

Jonathan Rennie
Regional Media & Campaigns Manager
Royal Bank of Scotland
+44 7769 932 102
jonathan.ennie@natwest.com

Maryam Baluch
Economist
S&P Global Market Intelligence
+44 134 432 7213
maryam.baluch@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 796 744 7030
sabrina.mayeen@spglobal.com

About Royal Bank of Scotland

Royal Bank of Scotland has paved the way in banking ever since it was established in 1727. From the world's first overdraft, and the first house purchase loan by a UK bank, to the first fully-fledged internet banking service and mobile banking app the bank has a history of making life easier for its customers.

The bank has commitment to retain its close connections with the Scottish communities it serves.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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