

10 December 2024

Royal Bank of Scotland Growth Tracker

Ongoing growth in Scotland as service sector remains strong heading into year-end



Royal Bank of Scotland

PMI[®]

by **S&P Global**

10 December 2024

Royal Bank of Scotland Growth Tracker

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Key findings

November 2024

Royal Bank of Scotland
Growth Tracker indicates
sustained growth

Downturn in new orders
petering out

Business confidence slides
to 23-month low

The Royal Bank of Scotland Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's Scotland manufacturing and services PMI surveys.

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Ongoing growth in Scotland as service sector remains strong heading into year-end

Scottish private sector expands in penultimate month of 2024

The Scotland Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – remained broadly unchanged in November, with a reading of 51.1, only slightly below October’s reading of 51.3. The headline index signalled an increase in private sector activity in each month since the start of the year, with the rate of growth exceeding

that seen at the UK level. Underlying data again revealing that the uptick was dependent on the solid performance of service sector firms. Manufacturers, meanwhile, again struggled to report growth and slumped further into contraction.

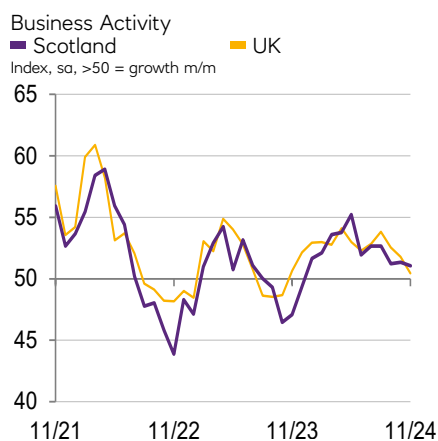
Nevertheless, sentiment regarding the year-ahead outlook, although still positive, eased to a near two-year low.

Royal Bank of Scotland Business Activity Index November 2024

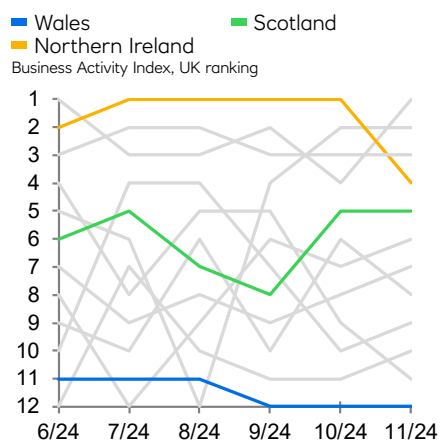
51.1

The Business Activity Index is a diffusion index calculated from companies’ responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 12-27 November



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

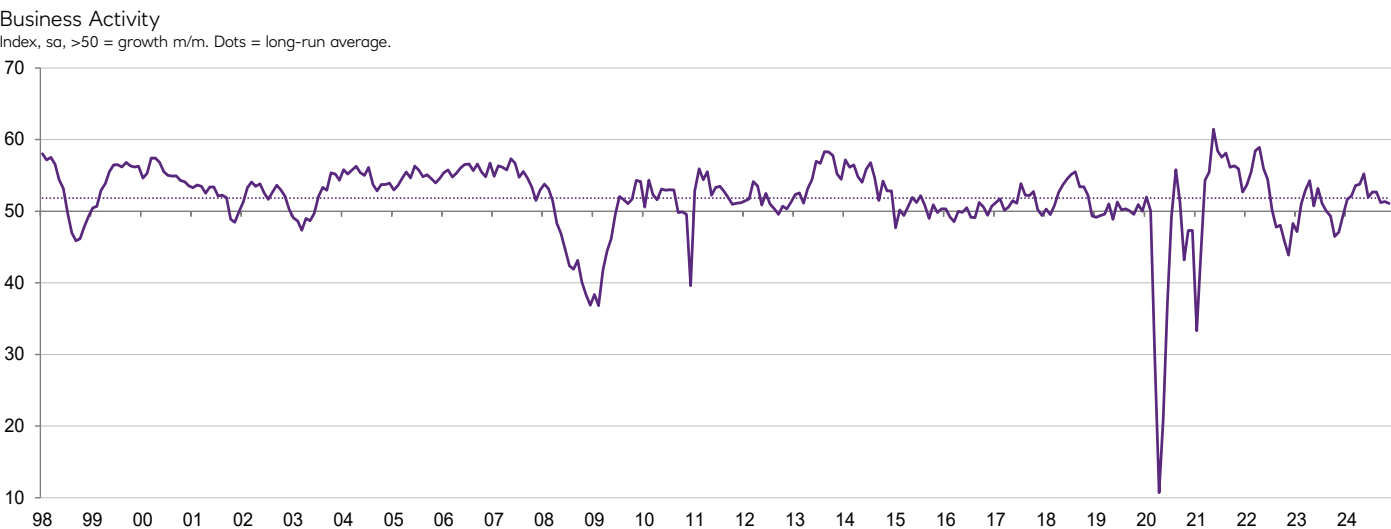


Comment

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

"The Scottish private sector remained on a growth path towards the end of 2024, buoyed by the robust performance of the service sector. Activity growth remained commendable, and the recent downturn in new orders showed signs of stabilisation. Additionally, the latest survey period recorded job gains, predominantly concentrated within service firms.

However, the manufacturing sector, which remains firmly entrenched in contraction, continues to present challenges for Scotland. Furthermore, the latest data revealed a notable intensification of price pressures, which have risen at rates exceeding their historical averages. These escalating inflationary pressures could pose headwinds to growth, particularly as confidence levels retreated further in November, hinting at a potentially more subdued outlook on the horizon."



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



Demand and outlook

Downturn in new business broadly stabilised in November

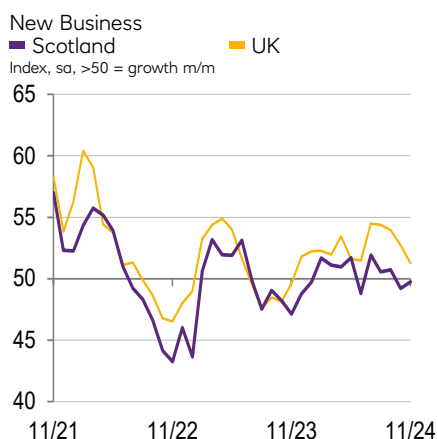
Scottish private sector firms experienced a second straight monthly fall in new business in November. However, the rate of contraction eased, as increased new business at service firms nearly offset a sharp fall in manufacturing. Service providers benefited from successful marketing campaigns and new contract wins, while manufacturers cited client cost constraints and the Autumn budget as challenges.

Scotland was one of eight UK

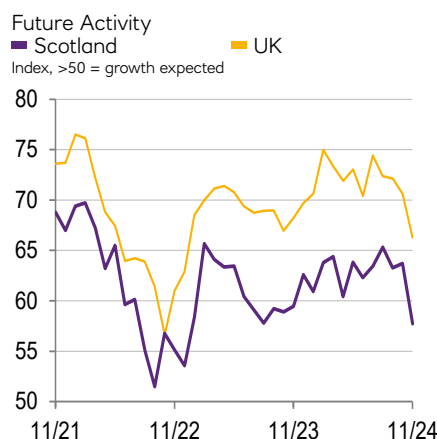
nations and regions to experience a decline in new business, in contrast to the UK-wide average, which indicated growth.

Firms expressed optimism about future output in November, particularly service providers who expected increased demand and enhanced marketing efforts. However, overall confidence dropped to a 23-month low, driven by decreased optimism among service providers and record pessimism at manufacturers, who were concerned by the Autumn budget, geopolitical tensions and a general market slowdown.

"Activity growth remained commendable, and the recent downturn in new orders showed signs of stabilisation."



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



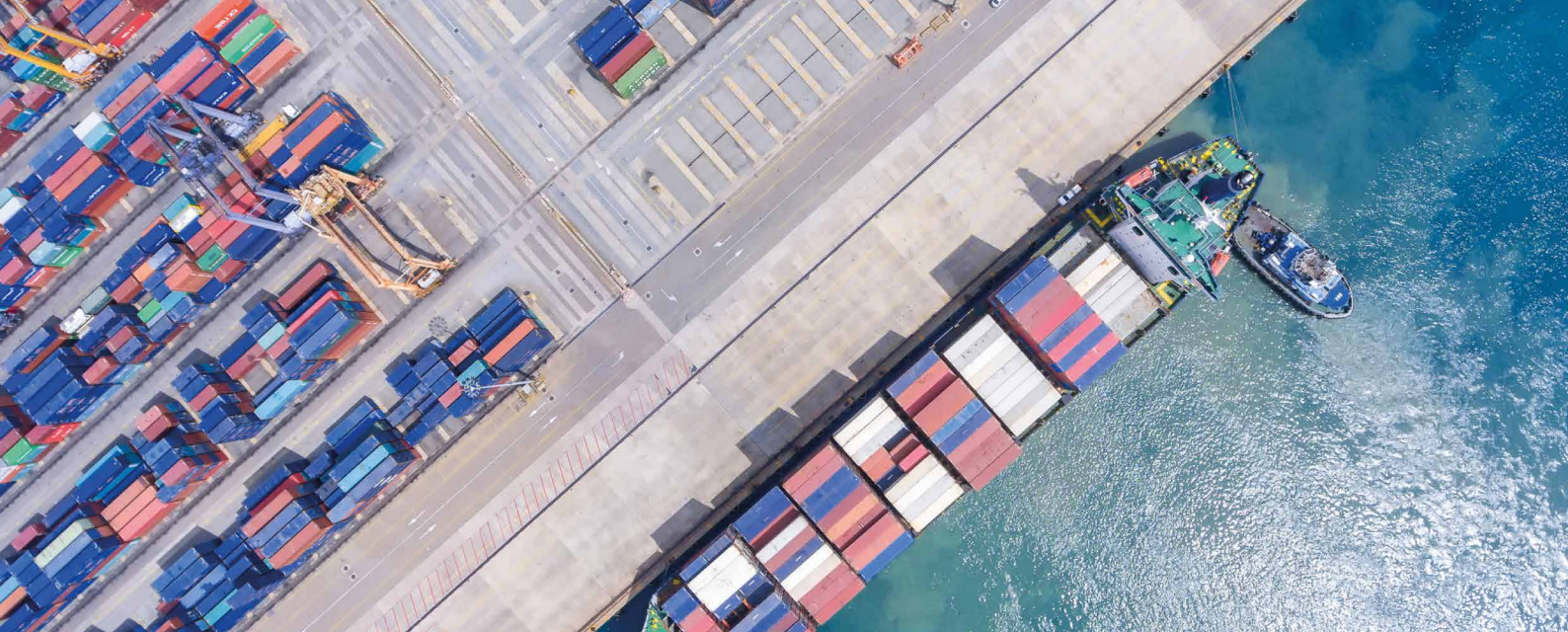
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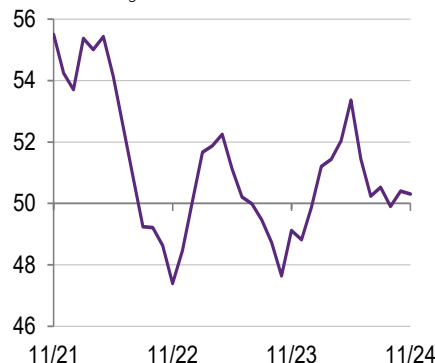
Export markets

Sustained, albeit slight, improvement in export markets

Export market conditions improved for the second straight month in November. However, the ECI figure of 50.3 held close to the neutral 50.0 point, indicating only a slight improvement.

The Netherlands, Scotland's top export destination, experienced a sustained and solid decline in output, while France and Germany reported deeper downturns in production. In contrast, stronger increases were observed in the US and Ireland.

Export Conditions
Index, sa, >50 = growth m/m



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

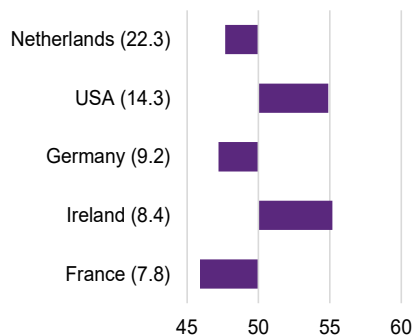
The Scotland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Scotland. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

Top export markets, Scotland

% share of exports shown in brackets

Output Index, sa, >50 = growth m/m

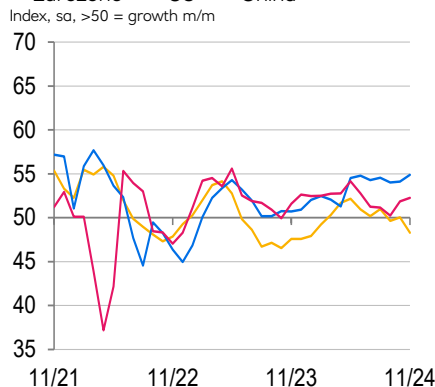
Nov '24



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

Output

Index, sa, >50 = growth m/m



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Jobs and capacity

Jobs growth moderates to 16-month low

Job creation was registered for a twenty-second consecutive month in November, once again relying heavily on the service sector, where rising business demands spurred hiring. However, the overall growth rate was minimal and the weakest since July 2023, influenced by a deepening downturn in manufacturing and a cooling uptick at service providers.

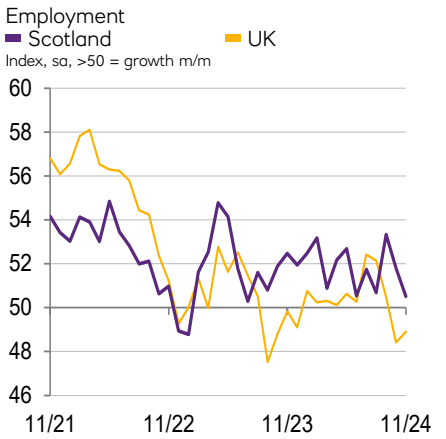
At the UK level, employment was reduced for the second consecutive

month.

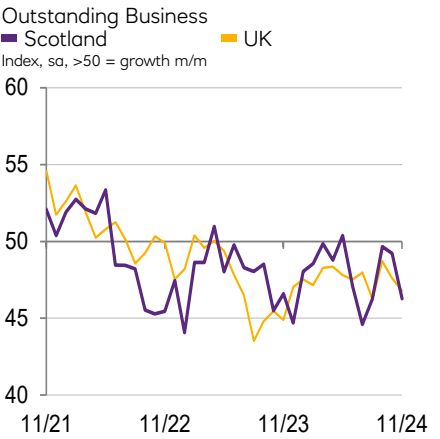
Continued hiring and a further drop in new business trends allowed firms in Scotland to manage their workloads effectively in November. Backlogs were cleared for the sixth straight month, and at the fastest rate since August.

Additionally, signs of increasing spare capacity were also apparent at the UK level, with the rate of decrease being slightly less pronounced than that observed in Scotland.

"Additionally, the latest survey period recorded job gains, predominantly concentrated within service firms."



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



Inflation

Price pressures intensify in November

Private sector firms based in Scotland signalled a rapid increase in input prices in November. The rate of inflation quickened to a four-month high and surpassed the UK-wide average. Higher salaries was the main contributor to higher prices, with utilities and greater prices from suppliers also being cited.

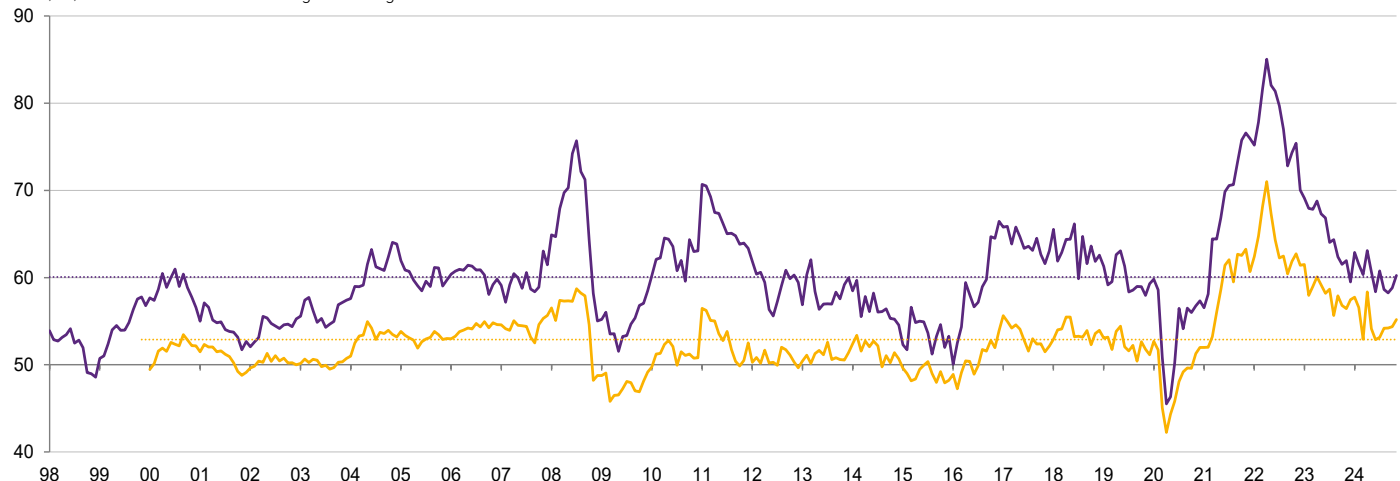
In response to rising cost pressures,

charges for the provision of Scottish goods and services also rose at an accelerated pace in November. The respective seasonally adjusted index ticked up to a seven-month high.

For the first time in seven months, the rate of charge inflation across Scotland exceeded that seen for the UK as a whole.

"Latest data revealed a notable intensification of price pressures, which have risen at rates exceeding their historical averages"

■ Input Prices ■ Output Prices
Index, sa, >50 = inflation m/m. Dots = long-run average since 1998.



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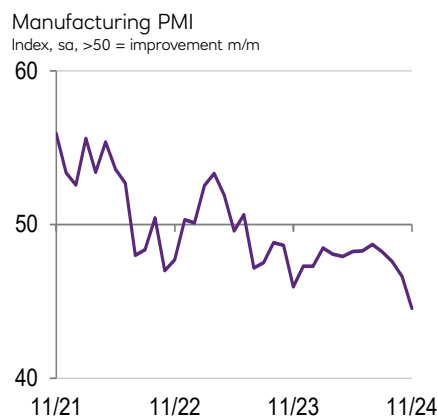
Scotland Manufacturing PMI

Confidence turns sour as manufacturers report record pessimism in November

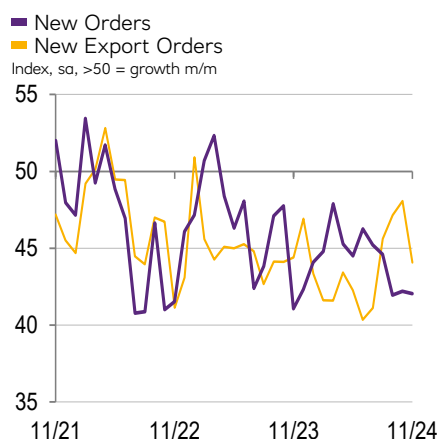
The seasonally adjusted Scotland Manufacturing PMI – a composite single-figure indicator of manufacturing performance – plummeted to a 54-month low of 44.5 in November, down from 46.6 in October, signalling a sharp downturn. Additionally, the latest reading extended the current run of contraction to nearly one-and-a-half years and signalled a rapid decline in the health of the Scottish manufacturing sector.

Central to the downtick was a sustained and marked fallback in new orders. Production levels were also curtailed markedly and at a pace which was the most pronounced since May 2020.

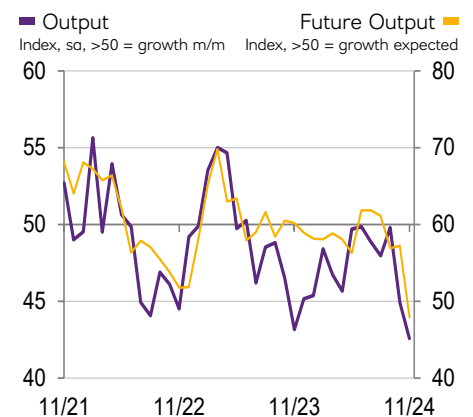
Additionally, the latest data revealed unprecedented pessimism among manufacturers, with firms anticipating a decrease in output for only the second time in the series' history. Pessimism was previously observed at the onset of the pandemic in March 2020.



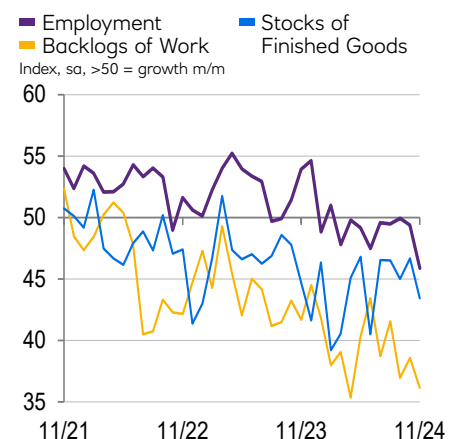
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



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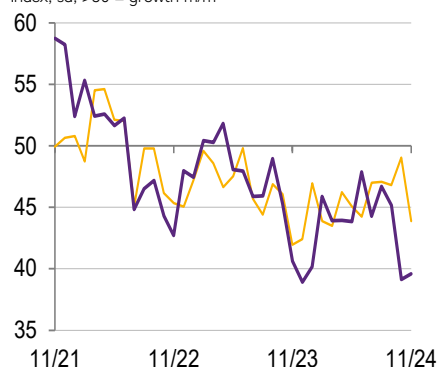


Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



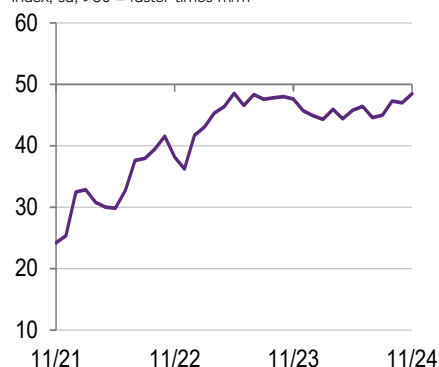


■ Quantity of Purchases ■ Stocks of Purchases
Index, sa, >50 = growth m/m



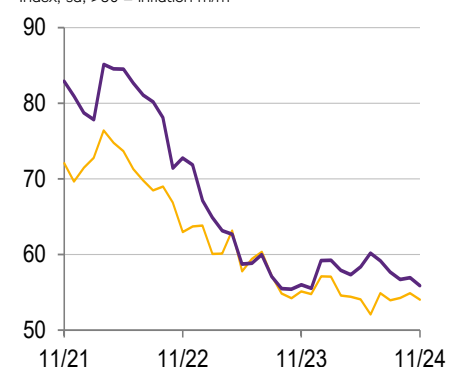
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

Suppliers' Delivery Times
Index, sa, >50 = faster times m/m



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

■ Input Prices ■ Output Prices
Index, sa, >50 = inflation m/m



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

Scotland manufacturing

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

	PMI	Output	New Orders	New Export Orders	Future Output*	Employment	Backlogs Of Work	Stocks Of Finished Goods	Quantity Of Purchases	Stocks Of Purchases	Suppliers' Delivery Times	Input Prices	Output Prices
6/24	48.3	49.9	46.2	40.3	61.8	47.5	43.4	40.5	47.9	44.2	46.4	60.2	52.1
7/24	48.7	48.9	45.2	41.1	61.9	49.6	38.7	46.5	44.3	47.0	44.6	59.2	54.9
8/24	48.2	48.0	44.6	45.6	61.1	49.5	41.6	46.5	46.7	47.1	45.0	57.7	54.0
9/24	47.6	49.8	41.9	47.1	56.9	49.9	37.0	45.0	45.2	46.8	47.3	56.7	54.3
10/24	46.6	44.9	42.2	48.1	57.2	49.4	38.6	46.7	39.1	49.0	47.0	56.9	54.9
11/24	44.5	42.6	42.0	44.1	47.9	45.9	36.2	43.5	39.6	43.9	48.5	55.9	54.0





Scotland Services PMI

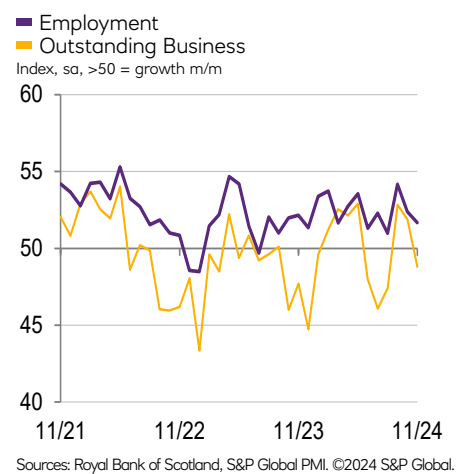
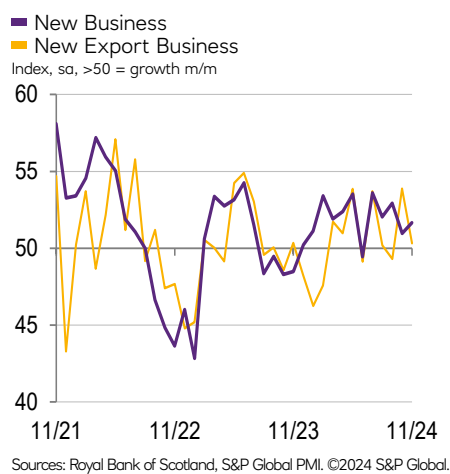
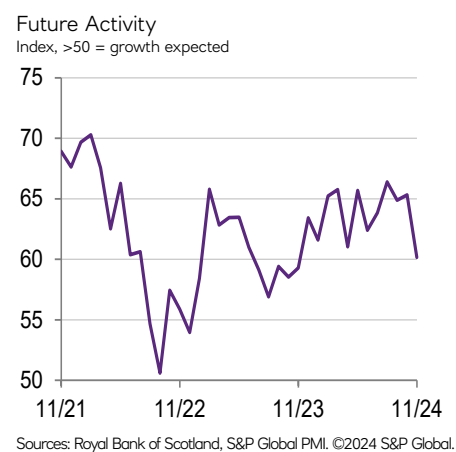
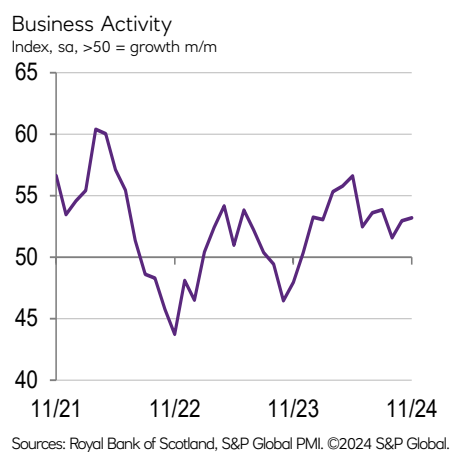
Service sector activity noted a solid increase

The seasonally adjusted Scotland Services Business Activity Index stayed above the neutral 50.0 mark for the twelfth consecutive month in November, reaching 53.2, up from 52.9 in October, signalling the fastest expansion since August.

Demand trends improved, with service providers reporting an increase in new business for the fifth straight month. Employment also rose during the month, with the rate of job creation easing from September's recent high, yet still indicating a relatively strong intake of new staff.

However, the improvement in the service sector was accompanied by significant and historically high price pressures. Both cost burdens and output charges increased at the strongest rates seen in seven months.

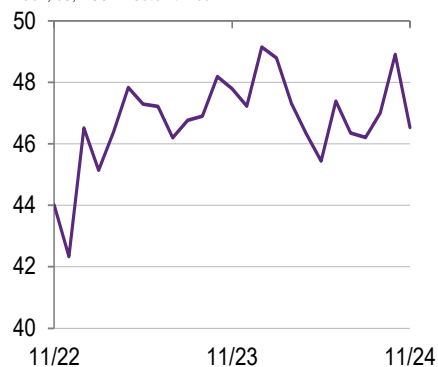
Finally, while the outlook remained favourable and strongly positive, confidence eased to a 12-month low.





Supplier Performance

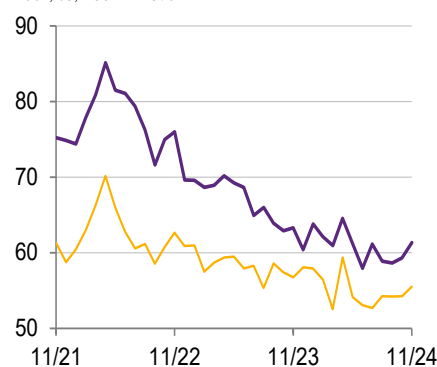
Index, sa, >50 = faster times m/m



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

Input Prices

Index, sa, >50 = inflation m/m



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

Scotland services

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

	Business Activity	New Business	New Export Business	Future Activity*	Employment	Outstanding Business	Supplier Performance	Input Prices	Prices Charged
6/24	52.5	49.4	49.1	62.4	51.3	48.0	47.4	57.9	53.1
7/24	53.6	53.6	53.7	63.8	52.3	46.1	46.4	61.2	52.7
8/24	53.8	52.0	50.2	66.4	51.0	47.4	46.2	58.9	54.2
9/24	51.6	52.9	49.3	64.9	54.2	52.8	47.0	58.6	54.2
10/24	52.9	51.0	53.9	65.3	52.4	51.9	48.9	59.3	54.2
11/24	53.2	51.7	50.3	60.2	51.7	48.8	46.5	61.3	55.5



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UK Regional Growth Tracker

Business Activity

Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.

Employment

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

Future Activity

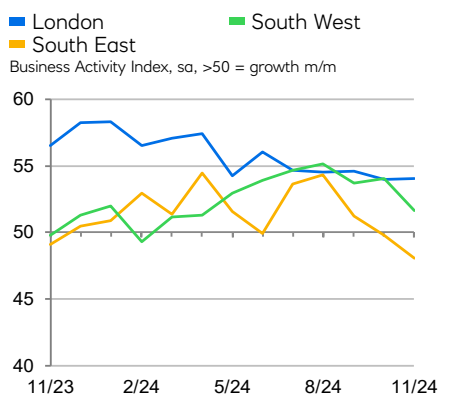
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.



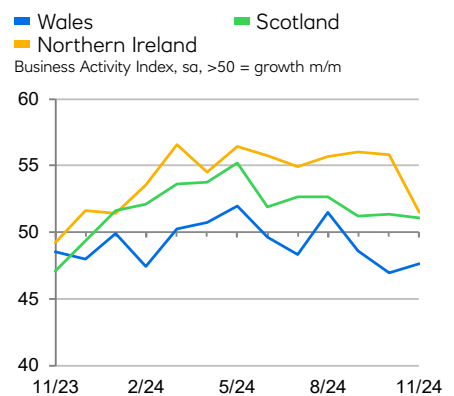
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



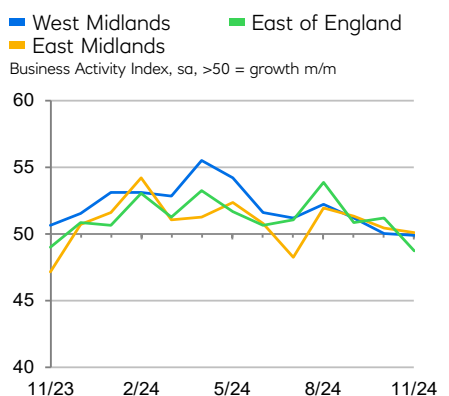
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



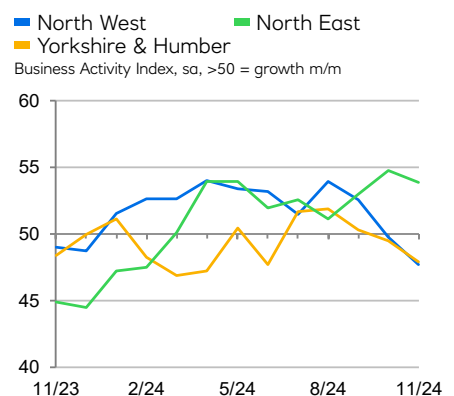
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Growth Tracker heat map

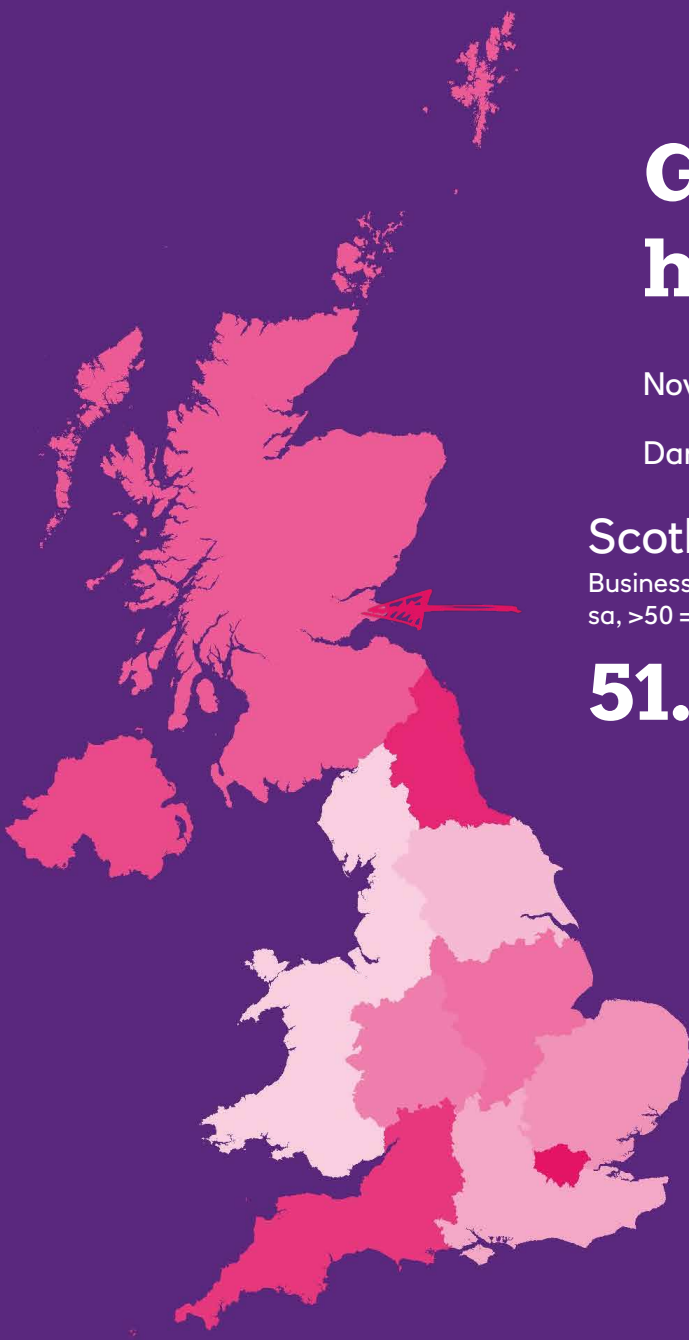
November 2024

Darker colour = higher business growth

Scotland

Business Activity Index
sa, >50 = growth m/m

51.1



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

UK sectors

Sector specialisation: Scotland

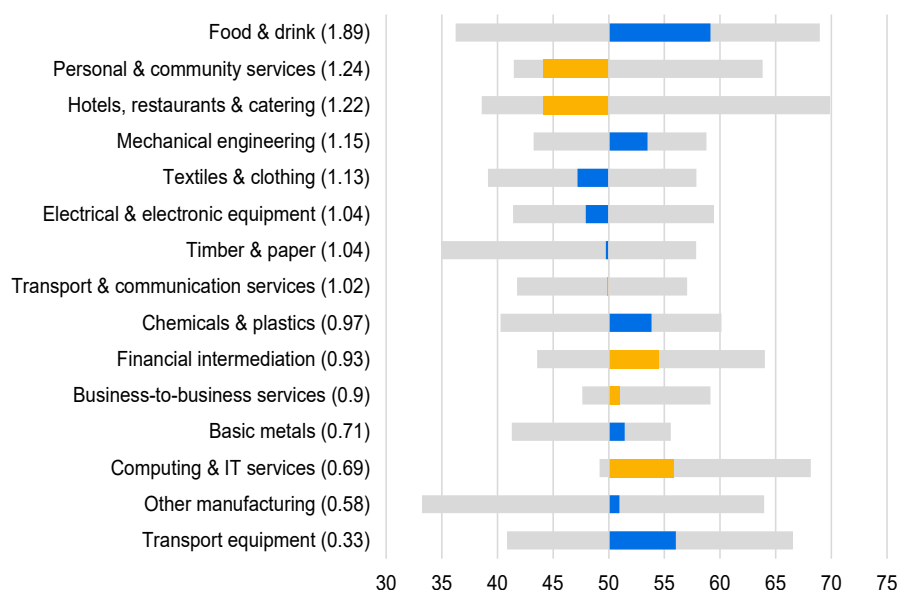
The chart shows UK output indices by sector, ranked by location quotients for Scotland. Location quotients (LQs) are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

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.

UK sectors ranked by importance to the Scottish economy

■ Manufacturing ■ Services ■ 3-year range

UK Output Index, sa, >50 = growth m/m Nov '24



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

Location quotients for Scotland are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

Sector in focus: Computing & IT services

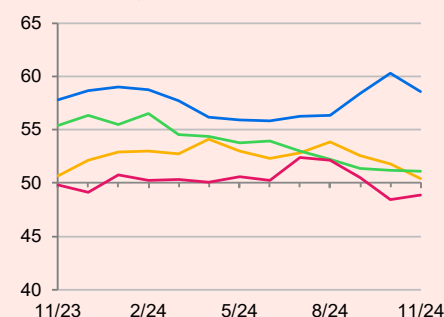
Computing & IT services was one of the UK's fastest-growing sectors in the three months to November, according to latest PMI data. Its steep rise in output was second only to that recorded in the food & drink category.

Employment in Computing & IT services has risen continuously since Q3 2020. However, the pace of job creation has slowed in recent months to its lowest in around four years. This has in turn led to growing backlogs of work as firms have struggled to keep up with

sustained sharp growth in new business, which has continued to run at one of the quickest rates seen in over 28 years of data collection.

Alongside the slowdown in the pace of hiring, there has been a softening of cost pressures in the sector. Input price inflation in the three months to November was well below the average since the pandemic and by far the weakest among the six broad services categories monitored by the PMI data.

Output / Employment
■ / ■ Computing & IT services*
■ / ■ Manufacturing & services
Index, sa, >50 = growth m/m



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024

*Data are smoothed as three-month moving average



Methodology

The Royal Bank of Scotland Growth Tracker is compiled by S&P Global from responses to questionnaires sent to Scottish companies that participate in S&P Global's Scotland manufacturing and services PMI surveys.

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. 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.

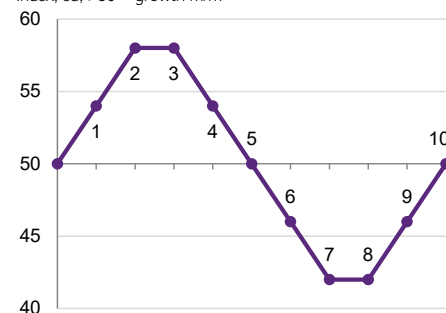
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Scotland Business Activity Index is comparable to the UK Composite Output Index.

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 survey methodology, please contact economics@spglobal.com.

Index interpretation

Index, sa, >50 = growth m/m



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

Key

- 1 Growth, from no change
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change, from decline

Data

Scotland manufacturing and services

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

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
6/24	51.9	48.8	51.4	50.5	47.1	62.3	58.4	52.9
7/24	52.7	51.9	50.2	51.8	44.6	63.4	60.8	53.1
8/24	52.7	50.6	50.5	50.7	46.2	65.3	58.6	54.2
9/24	51.2	50.7	49.9	53.3	49.7	63.3	58.2	54.2
10/24	51.3	49.2	50.4	51.8	49.2	63.7	58.8	54.4
11/24	51.1	49.7	50.3	50.5	46.3	57.7	60.2	55.2



Further information

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