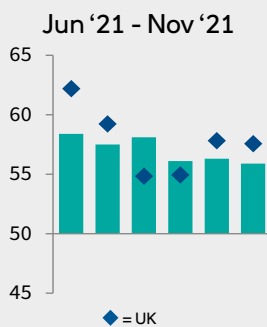


Royal Bank of Scotland PMI®

Private sector growth slows to seven-month low in November

Scotland Business Activity Index



Key findings

Business activity rises solidly, but growth momentum wanes

Inflows of new work expand at sharp pace

Input prices increase at fastest rate on record

Scotland's private sector remained firmly in expansion territory in November, according to the latest Royal Bank of Scotland PMI®. The seasonally adjusted headline Royal Bank of Scotland Business Activity Index - a measure of combined manufacturing and service sector output - posted 55.9 in November to signal a ninth successive monthly uplift in output and one that was solid. Falling from 56.3 in October, the latest reading pointed to a slight loss of growth momentum, however, with the rate of increase the slowest since April. Meanwhile, new business rose again, amid reports of strong client demand, in part due to looser COVID-19 restrictions, with the latest uplift sharp despite slowing on the month.

Surging energy costs, supply delays and rising wage bills placed further pressure on costs during November, however, as input prices rose at the fastest rate on record, while companies raised their own charges to the greatest extent in the series history in response.

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

"The Scottish private sector recorded another strong performance during November, with business activity and new work increasing further. There were some signs that momentum has waned slightly, however, as growth of activity eased to the slowest since April."

"At the same time, supply issues, combined with rising energy, fuel and wage bills added further to firms' inflationary woes. Input prices rose at a record pace, with firms increasing their charges to the greatest degree on record as a result."

"Price pressures and supply delays remain a key cause for concern, but are still yet to weigh significantly on the performance of the private sector"

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 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.

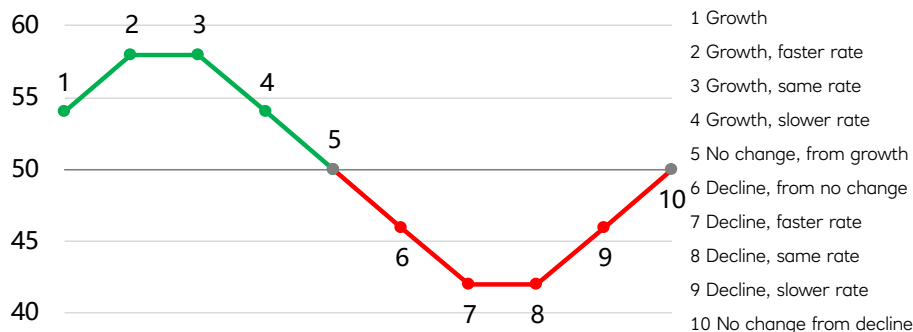
The headline figure is the Business Activity Index. This is a composite index calculated by weighting together the Manufacturing Output Index and the Services Business Activity Index. The Scotland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month

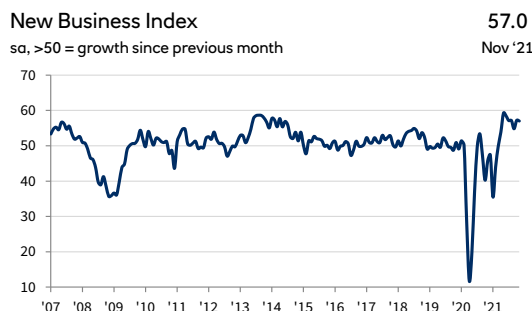


Demand and outlook

New business

An eighth straight monthly increase in new business at Scottish private sector firms was recorded in November, amid reports of strong demand conditions. The rate of expansion eased slightly on the month, but was nonetheless among the quickest on record and sharp.

At the sector level, services firms reported a much steeper upturn in new work than manufacturers.



Business expectations

Scottish private sector firms remained optimistic towards activity over the next 12 months in November, with the level of sentiment ticking up to a four-month high. Anecdotal evidence attributed confidence to strong client demand and hopes of a continued rebound following the loosening of pandemic-related restrictions.



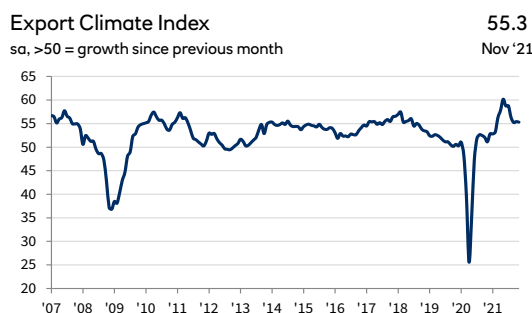
Exports

Further solid improvement in export conditions

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

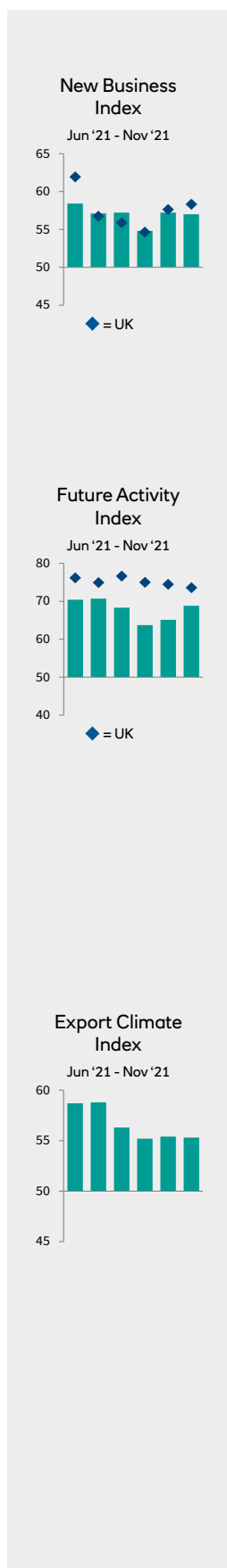
The Scotland Export Climate Index registered 55.3 in November, down slightly from 55.4 in November, to signal a seventeenth consecutive monthly improvement in export conditions and one that was solid overall.

Across Scotland's top five export markets, growth was led by the USA, with France and the Netherlands also recording sharp expansions. Elsewhere growth in Germany remained subdued and China also remained a weak spot, with the rate of expansion in output the slowest for three months and modest.



Top export markets, Scotland

Rank	Market	Weight	Output Index, Nov '21
1	Netherlands	18.3%	56.0
2	USA	10.8%	57.2
3	Germany	9.2%	52.2
4	China	6.6%	51.2
5	France	5.6%	56.1



Business capacity

Employment

November data highlighted a further uplift in workforce numbers at Scottish firms during November, extending the current sequence of increases to eight months. Companies were taking on additional staff amid greater activity requirements and a strong pipeline of new work, according to respondents. Although the slowest since April, the rate of job creation was amongst the fastest on record and sharp.

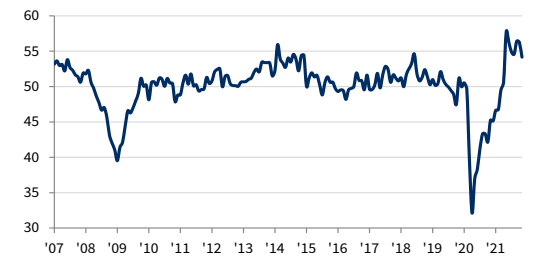
Service providers and manufacturers registered broadly similar rates of growth in the latest period.

Outstanding business

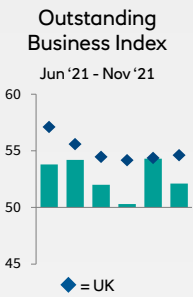
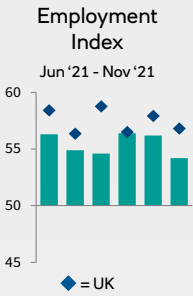
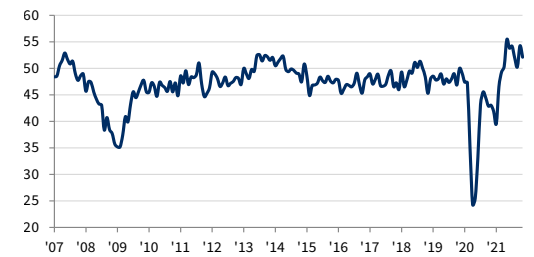
Scottish private sector firms registered another rise in outstanding business during November, extending the current sequence of greater capacity pressures which began in April. Anecdotal evidence attributed the latest upturn to stronger activity requirements, as well as supply issues. The rate of backlog accumulation slowed on the month and was moderate overall, however.

Notably, Scotland recorded the slowest increase in outstanding business across the 12 monitored UK areas in November.

Employment Index 54.2
sa, >50 = growth since previous month Nov '21



Outstanding Business Index 52.1
sa, >50 = growth since previous month Nov '21



Prices

Input prices

November data pointed to sustained cost pressures facing Scottish private sector firms, as input prices rose for the eighteenth month in a row. Supply shortages, transport issues, Brexit and COVID-19 were all cited in anecdotal evidence as drivers of the latest increase. Moreover, the rate of inflation hit a series record for the second month running.

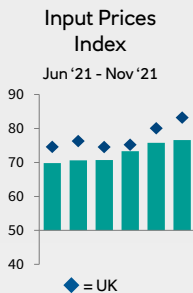
That said, the rate of increase in cost burdens in Scotland was the weakest across the 12 monitored UK areas in November.

Input Prices Index

sa, >50 = inflation since previous month

76.6

Nov '21



Prices Charged

Firms continued to pass greater costs through to clients in November. Average charges increased for the thirteenth time in as many months, with the latest rise the quickest on record and rapid overall.

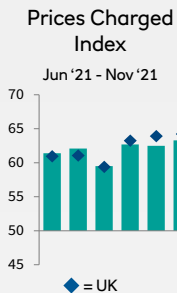
Manufacturers continued to increase their charges at a much faster pace than services firms, although both sectors saw the rate of inflation accelerate on the month.

Prices Charged Index

sa, >50 = inflation since previous month

63.3

Nov '21



Scotland Manufacturing PMI

PMI remains among highest on record in November

The seasonally adjusted Scotland Manufacturing PMI - a composite single-figure indicator of manufacturing performance - indicated a tenth straight monthly improvement in conditions during November, with the headline figure posting 55.9, down slightly from 56.3 in October.

Both factory production and new orders increased for the second month in a row, amid reports of strong client demand, although the rates of growth remained moderate. Nonetheless, firms continued to expand their workforces in November, with the rate of job creation the fastest since June and sharp overall.

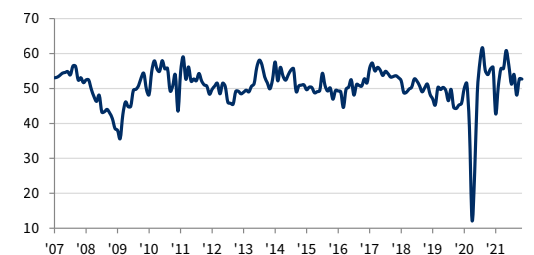
November data also pointed to severe supply constraints, as lead times for inputs lengthened to a near-record degree. Material shortages, logistical issues, COVID-19 and Brexit were all cited as reasons for delays. Delivery delays led firms to accelerate their stock building efforts, with purchasing activity rising at the second-fastest pace on record.

Supply issues were also reflected in a further increase in cost burdens in November, with the rate of inflation easing from October's peak but remaining rapid. Subsequently, factory gate charges rose at a fresh series-record pace.

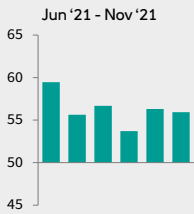
Manufacturing PMI
sa, >50 = improvement since previous month
55.9
Nov '21



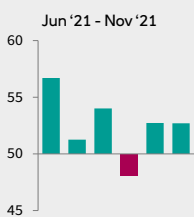
Output Index
>50 = growth expected over next 12 months
52.7
Nov '21



Manufacturing PMI

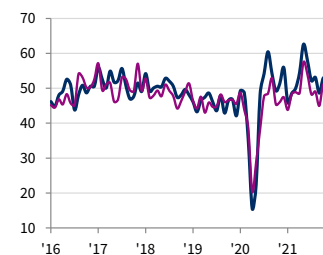


Output Index



New Orders Index
New Export Orders Index

sa, >50 = growth since previous month



Future Output Index

>50 = growth expected over next 12 months

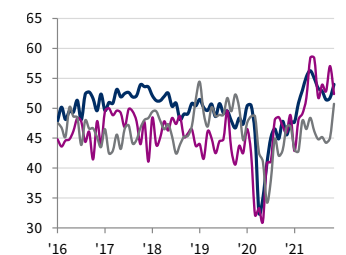


Employment Index

Backlogs of Work Index

Stocks of Finished Goods Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

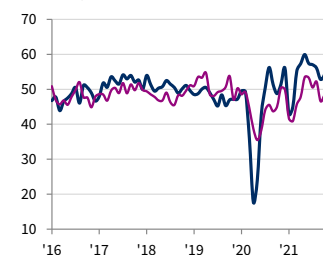
sa, >50 = faster times since previous month



Quantity of Purchases Index

Stocks of Purchases Index

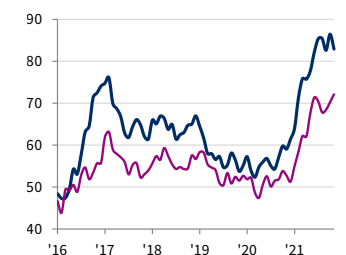
sa, >50 = growth since previous month



Input Prices Index

Output Prices Index

sa, >50 = inflation since previous month



Scotland Services PMI

Further sharp uplift in Scottish services activity

The seasonally adjusted Business Activity Index posted 56.6 in November, to signal a ninth straight monthly increase in services activity. Falling from 57.1 in October, the latest reading was indicative of the slowest rate of growth since April, albeit still sharp overall.

Meanwhile, new business at Scottish services firms rose for the eighth month in a row. According to panellists, looser COVID-19 restrictions drove the latest upturn. The rate of increase was marked overall.

Subsequently, service providers raised their staffing levels further in November, with the rate of job creation solid, albeit the weakest in the current seven-month sequence. Nonetheless, backlogs rose marginally, with a strong pipeline of new work, staffing issues and supply constraints driving capacity pressures, according to panellists. Indeed, new data showed supplier performance deteriorating markedly in November.

Turning to prices, input costs rose at a series-record pace in November, amid reports of greater fuel, material, wage and utility bills. Firms raised their average charges at a near-record pace as a result.

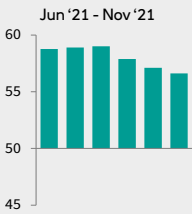
Business Activity Index 56.6
sa, >50 = growth since previous month Nov '21



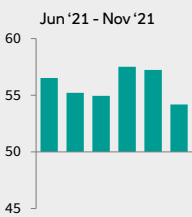
Employment Index 54.2
sa, >50 = growth since previous month Nov '21



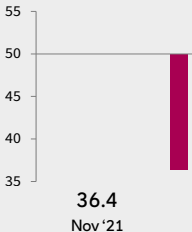
Business Activity Index



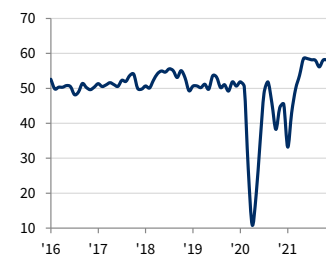
Employment Index



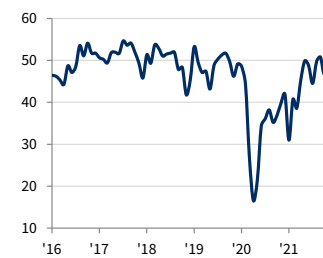
Supplier Performance Index



New Business Index
sa, >50 = growth since previous month



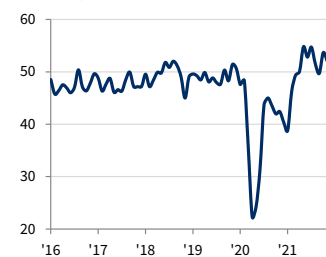
New Export Business Index
sa, >50 = growth since previous month



Future Activity Index
>50 = growth expected over next 12 months



Outstanding Business Index
sa, >50 = growth since previous month



Input Prices Index
sa, >50 = inflation since previous month



Prices Charged Index
sa, >50 = inflation since previous month



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 '21*
1	Food & Drink	1.90	55
2	Textiles & Clothing	1.21	48
3	Wood & Paper	1.19	48
4	Electrical & Electronic	1.10	50
5	Chemicals, Rubber & Plastics	0.90	52
6	Metals & Metal Products	0.87	50
7	Machinery & Equipment	0.85	52
8	Other Manufacturing	0.68	55
9	Transport Equipment	0.32	48

Scotland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '21*
1	Hotels, Restaurants & Catering	1.29	55
2	Financial Intermediation	1.08	55
3	Transport & Communication	1.05	55
4	Other Services	1.03	55
5	Business-to-business Services	0.94	55
6	Computing & IT Services	0.73	55

UK sector focus

IT & Computing Services

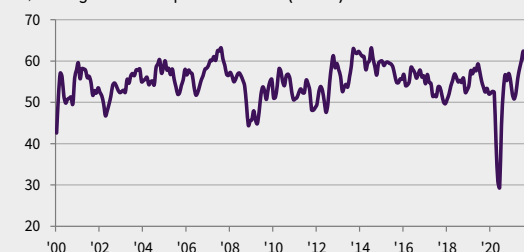
IT & Computing Services saw a notable rise in activity in the three months to November. That said, the pace of expansion was the weakest among the monitored services sub-sectors and softer than those recorded in the second and third quarters.

Inflows of new business showed a loss of momentum compared to the strong growth rates earlier in the year. Alongside an easing of the post-lockdown boom in demand, higher prices charged were also a factor, having risen at a near-record rate in the three months to November as firms came under pressure from an unprecedented surge in costs.

Computer & IT Services firms nevertheless recorded an above-average rate of employment growth. This partly reflected strong business expectations, which were the highest of all the monitored services sub-sectors.

Output Index

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



UK Regional PMI overview

Business Activity

Almost all regions of the UK recorded further increases in business activity in November. The fastest growth by far was registered in London, which was one of four areas (out of the 12 monitored) to see a quicker rate of expansion than in October. The North East saw the only fall in output, its first since February.

Employment

November saw another broad-based rise in regional private sector employment. London was the best performing area for job creation, overtaking the North West which ranked second overall. The slowest rise in workforce numbers was seen in the North East, though even here the pace of hiring was historically strong.

Future Activity

Regional business expectations data showed varying degrees of optimism towards future activity. Firms in Yorkshire & Humber were the most upbeat, as was the case in October. Wales ranked second overall and saw the greatest uptick in confidence. The biggest fall in optimism was in the North East, which moved to the bottom of the rankings.

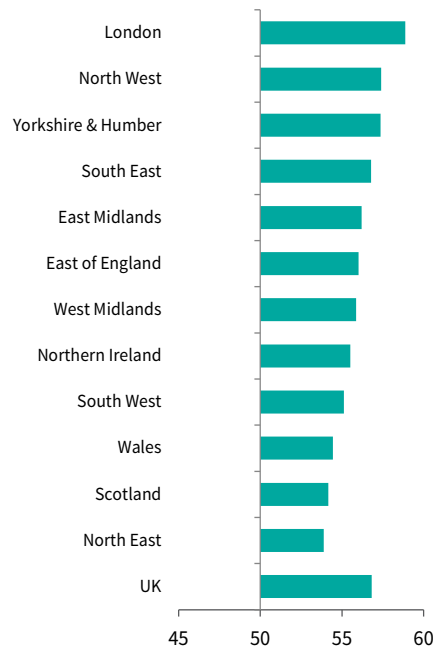
Business Activity Index

sa, >50 = growth since previous month, Nov '21



Employment Index

sa, >50 = growth since previous month, Nov '21



Future Activity Index

>50 = growth expected over next 12 months, Nov '21



* 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
Jun '21	58.4	58.4	58.7	70.4	56.3	53.8	69.8	61.4
Jul '21	57.5	57.1	58.8	70.7	54.9	54.2	70.6	62.1
Aug '21	58.1	57.2	56.3	68.3	54.6	52.0	70.7	59.5
Sep '21	56.1	54.8	55.2	63.7	56.4	50.3	73.3	62.7
Oct '21	56.3	57.2	55.4	65.1	56.2	54.3	75.8	62.5
Nov '21	55.9	57.0	55.3	68.8	54.2	52.1	76.6	63.3

Manufacturing

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	Suppliers' Delivery Times	Stocks of Purchases	Input Prices	Output Prices
Sep '21	53.7	48.1	48.6	45.0	66.0	51.4	52.8	44.2	52.9	18.9	46.6	82.6	68.4
Oct '21	56.3	52.7	52.9	51.1	68.9	51.7	57.0	45.1	54.2	19.6	48.3	86.5	70.2
Nov '21	55.9	52.7	52.0	47.2	68.1	54.0	52.4	50.7	58.7	24.2	49.9	82.9	72.1

Services

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	Input Prices	Prices Charged
Sep '21	57.9	56.2	50.8	63.2	57.5	49.7	71.2	61.4
Oct '21	57.1	58.1	46.8	64.3	57.2	53.7	73.4	60.9
Nov '21	56.6	58.1	54.7	68.9	54.2	52.0	75.2	61.3

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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.

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.

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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.

ihsmarkit.com/products/pmi.html

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