



Royal Bank
of Scotland

Embargoed until 0001, Monday 15th January 2024

Royal Bank of Scotland PMI[®]

Downturn in private sector output eases in December

- **Softest fall in private sector output in four months**
- **Fresh expansion in service sector output**
- **Strongest rise in employment in UK**

The latest Royal Bank of Scotland PMI[®] indicated a further deterioration across the Scottish private sector at the end of 2023. That said, at 49.4 in December, up from 47.1 in November, the Output Index signalled that private sector activity fell at the slowest pace in the current four-month downturn. The latest decline was centred on the manufacturing sector, while services firms reported a fresh, albeit marginal, rise in activity.

Moreover, companies raised their staff intakes, with employment rising for the eleventh consecutive month in December. Successful replacement of leavers and expectations of growth allowed firms to increase their hiring activity. Moreover, the rate of job creation across Scotland was the strongest of all the 12 monitored UK regions and nations.

The year ended with another monthly contraction in new business across Scotland, with new orders falling continuously since July. However, the downturn eased and was centred on the manufacturing sector, with respondents citing deteriorating market conditions and higher prices deterring customers. In contrast, a fresh rise in new work was noted at services providers.

In contrast to Scotland, new business rose across the UK as a whole for the first time in six months.

Expectations strengthened in December, with private sector companies across Scotland anticipating a rise in output in 2024. The degree of confidence was the strongest in seven months and broadly in line with the historical average since 2012. Optimism largely stemmed from hopes that improvements in markets, as well as increased advertising, new contracts and products would bolster growth in activity.

That said, the level of positive sentiment across Scotland was again weaker than the UK-wide average.

PMI[®]

by **S&P Global**

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.



**Royal Bank
of Scotland**

December data revealed a rise in employment across Scotland, thereby stretching the current run of growth to 11 months. Scottish businesses were keen to fill vacant positions and replace leavers. Moreover, hopes of improved demand conditions encouraged some firms to raise their current staffing levels.

Though the rate of increase eased slightly from November and was modest overall, it was the strongest of all 12 UK nations and regions. London and Northern Ireland were the only other UK areas to record higher employment in December.

Reduced levels of work and sustained growth in employment meant that outstanding business declined for an eighth consecutive month across Scotland's private sector in December. The downturn was the most marked since January 2023 and sharp overall. Some firms also noted that improved availability of materials helped companies to work through backlogs.

The rate of depletion across Scotland outpaced the UK-wide average.

Average cost burdens faced by private sector companies in Scotland rose sharply in December. Surveyed businesses often attributed this to higher labour, shipping and fuel costs. That said, the rate of input price inflation eased to the slowest since February 2021, with both monitored sectors recording softer rates of inflation than in November.

Cost burdens also rose at the UK level, and at a quicker pace than in Scotland.

Adjusted for seasonal variance, the Output Prices Index registered above the neutral 50.0 threshold in December to indicate an increase in selling prices. The rate of growth ticked up to a three-month high and was historically strong. Firms attributed higher charges to rising cost burdens, with some firms also looking to increase their margins.

Charges levied by firms across Scotland rose at a broadly similar rate to that seen for the UK as a whole.

Continued...

PMI[®]

by **S&P Global**

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.

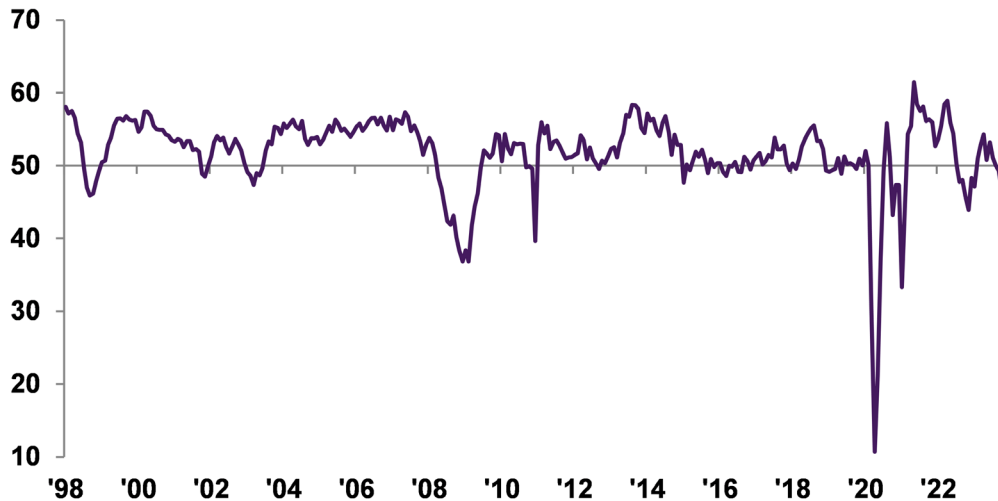
The bank has commitment to retain its close connections with the Scottish communities it serves.



Royal Bank
of Scotland

Scotland Business Activity Index

sa, >50 = growth since previous month



Source: Royal Bank of Scotland, S&P Global PMI.

COMMENT

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

"Firms in Scotland recorded a contraction in private sector output during December, with the manufacturing sector weighing heavily on overall performance. However, the latest downturn was modest overall and the weakest in four months, in part reflecting a fresh, albeit marginal, expansion in business activity across services firms."

"Employment levels continued to rise, indicating that companies anticipate higher business volumes in the coming months. Job creation was also the strongest in the UK. In terms of inflation, input prices rose at the slowest rate in nearly three years and one below the long-run average, although charge inflation remained historically high."

ENDS

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. Across Scotland, the Royal Bank of Scotland has teams offering customers the support and the skills to make the most of online and mobile banking.

PMI®

by S&P Global

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.



**Royal Bank
of Scotland**

For more information

Royal Bank of Scotland

Jonathan Rennie
Regional Media & Campaigns Manager
+44 7769 932 102
jonathan.rennie@natwest.com

S&P Global

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

PMI[®]

by **S&P Global**

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.



Royal Bank
of Scotland

Notes to Editors

Methodology

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.

The survey data for December were collected 06-20 December 2023.

For further information on the PMI survey methodology, please contact economics@spglobal.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 spglobal.com/marketintelligence/en/mi/products/pmi.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global 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 S&P Global's prior consent. S&P Global 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 S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index[™] and PMI[®] are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

PMI[®]

by **S&P Global**

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.