



News release: Royal Bank of Scotland Growth Tracker

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

- The Royal Bank of Scotland Growth Tracker indicates sustained growth
 - Downturn in new orders petering out
 - Business confidence slides to 23-month low

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. Firms expressed optimism about future output in November, particularly service providers who expected increased demand and enhanced marketing efforts.

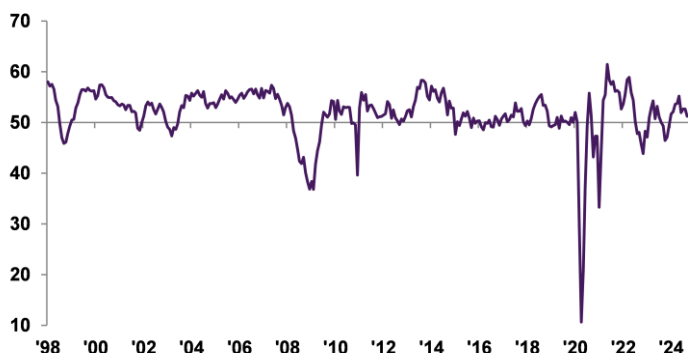
Judith Cruickshank, Chair, Scotland Board, Royal Bank of Scotland, commented:

"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."

Scotland Business Activity Index

sa, >50 = growth since previous month



The headline figure is the Business Activity Index, calculated from a single question that asks for changes in the volume of business activity compared with one month previously. It is a diffusion index, which is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. It varies between 0 and 100, with a reading above 50 indicating an overall increase in compared to the previous month, and below 50 an overall decrease. The higher above 50, the faster the rate of growth signalled.



Regional profile: Scotland

Location quotients (see pg 6) can be used to identify different types of services and manufacturing businesses that are clustered together – providing unique insight into life and work in that local area.

Scotland manufacturers are concentrated in:

- ✓ Food & Drink
- ✓ Mechanical Engineering
- ✓ Textiles & Clothing

Services businesses are concentrated in:

- ✓ Personal & Community Services
- ✓ Hotels, Restaurants & Catering
- ✓ Transport & Communication

Performance in relation to UK

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.

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. Only firms

in Northern Ireland displayed weaker optimism compared to those in Scotland.

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.

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.

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Notes to editors

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