

# STATE OF THE NATION

## SCDI's Economic Data Briefing

### December 2021

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for Development  
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## INTEREST RATE **0.1%** Official Bank of England Rate

The majority of the Monetary Policy Committee of the Bank of England voted to maintain interest rates at 0.1% on 4 November. It will next meet on 16 December.

The bank has previously indicated that if economic pressures and rising prices continue then a rise in interest rates may be required and expectations of a rise in December have increased.

Source: Bank of England

## INFLATION

UK Consumer Prices Index (CPI) Annual Rate	Oct	Sept	Aug	Jul	Jun
	<b>3.8%</b>	2.9%	3.0%	2.1%	2.4%

**Inflation reached a new ten-year high at 3.8% in October on the previous 12 months.** Housing costs and household services, transport and restaurants and hotels were the areas seeing the biggest increase in the September to October period.

The upwards pressure on housing costs came from increased energy costs which contributed 0.59% of the rise in October, following the increase in the cap on energy prices in that month. Transport costs, which account for a smaller share of household costs rose even more quickly, by 1.08%, thanks to rising fuel prices and second-hand car costs. As reported in November the Bank of England forecast prices could rise by 5% by Spring 2022.

**Oil prices have fallen in early December to \$68 a barrel,** from an all-time high in November, due to market uncertainty relating to the new Covid19 variant.

New analysis from the Institute for Fiscal Studies suggests that if inflation does rise to 5% a 7.1% pay rise would be required by April 2022 to allow someone on an average wage to maintain the same standard of living.

Sources: Office for National Statistics, BBC, IFS

## PRODUCTIVITY

**Productivity rose in the period July to September** but at much reduced rates relative to the earlier two quarters which saw a re-opening bounce in the figures.

Official data suggests that **output per hour for UK workers rose by 0.5% in Q3 2021, closer to pre-pandemic levels.** The data reflects a period when the numbers on furlough were falling, increasing hours worked. As many of those workers were in more labour-intensive sectors, including accommodation and catering, so productivity measured per hour is estimated to have fallen.

**All sectors saw an increase in productivity on this measure.** Manufacturing saw the sharpest rise as output fell by 2.3% but hours worked fell even faster by 8.1%.

Source: Office for National Statistics

## ECONOMIC GROWTH

GDP Growth	UK
<b>Q3 2021</b>	<b>1.3%</b>
Services	1.6%
Production	0.8%
Construction	-1.5%

**UK GDP grew by 1.3% in the third quarter of the year, following a 5.5% expansion in the previous quarter.** It remains 2.1% below where it was at pre-pandemic levels.

**Services output continued to expand by a more moderate 1.6%** (following a 6.5% rise in the previous quarter with levels almost returning to pre-pandemic levels). A 30% expansion in accommodation, food & drink was one driver along with a rapid expansion in arts, entertainment and recreational services (up by 19.6%). Human health activities also rose reflecting an increase in face-to-face health appointments. **However, output from the wholesale and retail trade fell by 2.5% due to weak consumer spending.** There was a spike in fuel sales but a slowdown in car sales as supply chain disruptions started to feed through to the motor trade.

**Production output rose by a modest 0.8%.** This figure masks a drop in manufacturing output and is underpinned by a rapid rise in mining & quarrying sites reopening following planned maintenance.

**The rapid expansion in construction in Q2 was not sustained into Q3.** The sector saw a 1.5% drop in output, reflecting rising input prices and delays in the availability of materials.

**Scotland's onshore GDP rose 0.4% in September and 0.8% in the quarter overall** but remains 1.1% below pre-pandemic levels of February 2020 (in these experimental Scottish Government statistics). An expansion in the services sector offset falls in both the construction (-1.5% on Q2) and the production sectors (-3.7%).

Sources: ONS, Scottish Government

## BUSINESS ACTIVITY AND CONFIDENCE

NatWest regional PMI	Oct	Sep	Aug	Jul	Jun	May	Apr
	56.3	56.1	58.1	57.5	58.4	61.5	55.4

The NatWest Purchasing Managers' Index for Scotland continued to expand in October 2021. The expansion in activity in Scotland was mid-table in terms of UK regions. Although there was an increase in new business activity, business confidence for the coming year was the second lowest of all UK regions.

According to the latest CBI SME Trends Survey, manufacturing output from small and medium-sized enterprises in September 2021 grew, but at a slower rate for the second month in a row. 11 of 17 sectors expanded with growth being driven in the main by food, drink and tobacco. Expectations for the coming quarter remain strong.

Research from the Federation of Small Businesses, based on official Scottish Government data, suggest that 20,000 small businesses went under during the year to March 2021, a drop of 5.4%, lowering the business base to its smallest level since 2014. The bulk of the drop was in the smallest businesses – those not registered for PAYE or VAT although some registered businesses also closed their doors. There were some increases in the number of private registered businesses, in particular in the wholesale/retail trade and transport and storage.

Sources: NatWest, CBI, FSB, Scottish Government

## CONSUMER ACTIVITY AND CONFIDENCE

SRC-KPMG Retail Sales Monitor (LFL YoY)	Oct	Sept	Aug
Total Sales Growth	-0.3%	+1.1%	+3.4%
Food Sales Growth	-5.5%	-0.8%	-0.2%
Non-Food Sales Growth	4.1%	+2.6%	+6.3%

Retail sales in Scotland declined by 0.3% in October on a like for like basis relative to the same period in 2020. Food sales remained down on the same period last year, whilst non-food sales increased by 4.1%, boosted by clothing & footwear.

Scottish footfall decreased by 19.8% in November (Yo2Y), a 2.8 percentage point decrease from October, below the UK average decline of 15.7% (Yo2Y). For the fourth consecutive month, Scotland saw the deepest decline in footfall of all UK nations.

The BRC also found that UK shop prices increased 0.3% in November, the first price rise since May 2019, with rising food prices a key factor.

According to the IFS additional household savings made during the pandemic (at 23% in 2020Q2 far higher than previous recessions) are not going to be spent quickly. One reason is that much of this was amongst higher income households who are less likely to change their spending behaviour.

Sources: Scottish Retail Consortium, BRC, IFS/Nuffield Foundation, SensormaticIQ

## EMPLOYMENT

	Jul-Sept 21	Jun-Aug 21	May-Jul 21	Apr- Jun 21
Economically Active	78.0%	77.8%	77.5%	77.6%
In Employment	74.8%	74.3%	74.1%	74.2%
Unemployed	4.1%	4.4%	4.4%	4.4%
Economically Inactive	22.0%	22.2%	22.5	22.4%

The unemployment rate fell very slightly in the July-September period to 4.1%, slightly below the UK rate of 4.3%. The employment and economically active rates rose slightly. This was despite fears that the end of the furlough scheme would see unemployment start to rise.

Unemployment amongst both men and women has continued to fall and a rise in both returning to the workforce has driven the increase in the employment rate. The 16-24 year old group continue to see the highest levels of unemployment (9.2%) although this fell by 5% in the quarter, continuing its downward trend.

The number of new vacancies in the UK has continued to rise, reaching a new record of 1.17m in the August to October period, although the rate of growth moderated. 15 of the 18 sectors tracked showed record highs with the wholesale and retail trade: repair of motor vehicles and motorcycles seeing the largest quarterly increase.

New analysis of the number of 'Green' jobs shows Scotland at the top of the table. The analysis from PWC in its *Green Jobs Barometer* defines green jobs as jobs that seek to either produce/provide environmentally friendly products/services or adapt work processes to become more environmentally friendly/use fewer natural resources. Scotland tops the league thanks to the creation of jobs in energy and utilities, particularly renewables. However, it also cautions that more work is needed by employers to investing in training, education and communications to support the transition to a greener economy and labour force.

Sources: Scottish Government, PWC

This briefing presents and analyses the most authoritative and up-to-date statistics about the Scottish economy to give an at-a-glance view of the *State of the Nation*. It is produced to inspire and inform an evidence-based conversation about how we grow all sectors and all geographies of the Scottish economy.

To discuss this briefing, or for further views on the data, contact SCDI's Director of Policy & Public Affairs, Clare Reid: [clare.reid@scdi.org.uk](mailto:clare.reid@scdi.org.uk).