

# STATE OF THE NATION

## SCDI's Economic Data Briefing

### February 2021



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**INTEREST RATE** **0.1%** Official Bank of England Rate

Interest rates have remain unchanged at 0.1%. Restoring demand in the UK economy remains the priority of the Bank of England and HM Treasury. The Monetary Policy Committee will next meet on 4 February.

Source: [Bank of England](#)

## INFLATION

UK Consumer Prices Index (CPI) Annual Rate	Dec	Nov	Oct	Sep	Aug
	0.6%	0.3%	0.7%	0.5%	0.2%

Inflation bounced back in December to 0.6% driven by rising prices in transport, clothing and cultural activities in the festive period. Economists had widely expected a slower increase of 0.5%.

Rising energy prices are likely to indicate a further growth in inflation in the first quarter of 2021, although weak consumer demand for non-essential retail spending will have a dampening effect as the economy looks to recover from the pandemic. Household finances will remain constrained for the foreseeable future.

Sources: [Bank of England](#), [Financial Times](#), [Office for National Statistics](#)

## PRODUCTIVITY

Pharmaceuticals is one of the most productive sectors of the Scottish economy, according to new research by the Fraser of Allander Institute. GVA per head is almost £158,550 and around £65,000 higher than in 2008. GVA per head in the manufacturing of pharmaceuticals is double that of the Scottish manufacturing sector as a whole.

Productivity Club Scotland's annual expo will take place digitally throughout February. Participation is free and open to all. Register now: [www.productivity.scot/productivity-matters](http://www.productivity.scot/productivity-matters)

Sources: [ABPI](#), [Fraser of Allander Institute](#), [Productivity Club Scotland](#)

## ECONOMIC GROWTH

Onshore GDP	Scotland
November	-1.4%
October	+0.6%
September	+1.6%
August	+2.6%
July	+6.9%
June	+6.3%
May	+2.4%
April	-19.3%
March	-5.6%

Scotland's GDP is estimated to have decreased by 1.4% in November, as restrictions on activity and mobility were extended or reintroduced across most of the country. It was the first month of decline after six months of growth following first lockdown and raised the prospect of a second recession alongside a second lockdown.

The Scottish Fiscal Commission's official forecasts suggest GDP could fall by 5.2% in Q1 2021. The Scottish economy remains 7.1% smaller than in February before COVID-19.

In November, output grew in the Production (0.8%) and Construction (1.8%) sectors, but fell by 2.2% in the Services sector. Accommodation and food services, retail and wholesale, other personal services, and arts, culture and recreation fared especially badly.

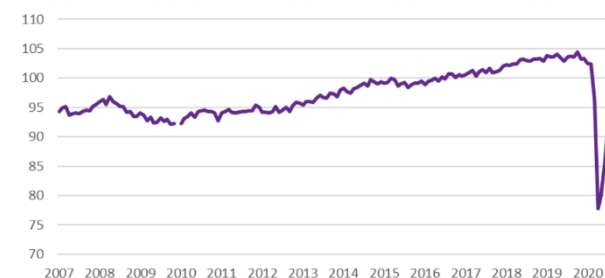
The UK suffered the worst recession of any major economy in 2020, before inching back to growth as some restrictions eased.

Andrew Bailey, Governor of the Bank of England, however, has said that he expects the UK to fall back into recession this winter.

The return of national lockdowns is expected to weaken the prospects for growth and delay the prospects of recovery.

Analysis by PwC suggests Edinburgh's economy has resisted the impact of the pandemic better than any other city in the UK. Closed and restricted business activity is forecast to result in the capital's economy shrinking by 9.1% in 2020, lower than other cities because of its sectoral mix and relatively low rate of infections. Glasgow's GDP is likely to fall by an estimated 10.4%, making Glasgow the hardest hit Scottish city. The Scottish average is a contraction of 9.7%, compared to a UK average of 11%.

Monthly GDP Index, January 2007 to November 2020  
Chained volume measure, 2016=100



Sources: [BBC](#), [PwC](#), [Scottish Fiscal Commission](#), [Scottish Government](#)

## BUSINESS ACTIVITY AND CONFIDENCE

RBS Seasonally-Adjusted Purchasing Managers' Index	Dec	Nov	Oct	Sep	Aug	Jul	Jun
	47.3	47.3	43.2	51.2	55.8	49.3	37.1

The RBS PMI was unchanged in December at 47.3, signalling a **significant contraction of Scottish private sector output**.

1 in 3 Scottish firms report an increase in late payments during the pandemic. 1 in 10 report significantly more problems than usual.

### Investment in Scotland's commercial property fell by nearly half in 2020.

Transactions worth £1.2bn were completed compared to £2.1bn in 2019. Scotland remained the most popular UK destination for overseas investment outside London and the South East with 21% of the market outside this area. International investors accounted for £654m of investment in Scotland's commercial property last year, over half the total. A lack of international travel and macroeconomic uncertainty deterred investors.

Sources: [IHS Markit](#), [IoD](#), [Knight Frank](#), [RBS](#)

## CONSUMER ACTIVITY AND CONFIDENCE

SRC-KPMG Retail Sales Monitor	Dec	Nov	Oct
Total Sales Growth	-14.8%	-10.2%	-8.5%
Food Sales Growth	+3.3%	+4.8%	+4.4%
Non-Food Sales Growth	-33.4%	-22.8%	-19.3%

**Scottish retailers suffered their worst December on record.** Food sales were 3.3% higher than in December 2019, but non-food sales were lower than more than a third as many non-essential stores closed, travel restrictions remained in place and household finances were squeezed.

Only 3% of households plan to spend savings built up during the pandemic. 20% have run down their savings over the course of the COVID crisis. 2 in 3 people expect the recovery to get worse over the coming year.

Sources: [Bank of England](#), [KPMG](#), [Scottish Retail Consortium](#)

## EMPLOYMENT

SCOTLAND	Sep 20- Nov 20	Jun 20- Aug 20	Mar 20- May 20	Dec 19- Feb 20
Economically Active	77.9%	77.4%	77.0%	78.4%
In Employment	74.4%	73.9%	73.5%	75.4%
Unemployed	4.4%	4.5%	4.5%	3.7%
Economically Inactive	22.1%	22.6%	23.0%	21.6%

Unemployment in Scotland is now 4.4%. Unemployment dropped by about 1,000 to 123,000 between September and November, as some restrictions eased. The number of people in work rose by around 26,000 in the same period.

The UK jobless rate is 5%. Andrew Bailey, Governor of the Bank of England, has suggested that the **true rate of unemployment across the UK is likely to be closer to 6.5%** than the official rate. Furlough, payments to self-employed people and caring responsibilities are believed to be masking the real number. Nearly 9 million fewer hours were being worked each week in Scotland in November compared to the previous year.

By the end of October, **over 200,000 workers were still furloughed in Scotland, 7% of all jobs**. The Coronavirus Job Retention Scheme is due to close at the end of April. If it is not extended, and substantial public health restrictions remain in place, it is likely to precipitate a significant surge in the official jobless numbers. 1 in 5 UK workers are worried they will lose their job in 2021. **The Scottish Fiscal Commission forecasts an increase to 7.6% unemployment by Q2 2021.**

**Concerns are growing about the immediate and long-term impact of the pandemic on health, wellbeing and Fair Work.** Research by CIPD conducted before the COVID-19 crisis found many Scottish workers reporting negative impacts:

- Work has negative impact on my mental health – 30%
- Work has negative impact on my physical health – 25%
- I go to work despite not feeling well enough – 55%
- My workload is too high in a normal week – 34%
- I experience some overwork – 64%
- I often or always feel exhausted at work – 24%
- I feel under excessive pressure at work – 24%
- I feel bored or miserable at work – 13%
- I have no voice to engage with my employer – 19%
- I find it hard to relax in my personal life because of my job – 26%
- My job offers good prospects for career progression – 29%
- Of those who experienced anxiety in the last year, 66% said their job contributed
- Of those who experienced depression, 58% said their job contributed

Sources: [BBC](#), [Bank of England](#), [CIPD](#), [Office for National Statistics](#), [Scottish Fiscal Commission](#), [Scottish Government](#)

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