

STATE OF THE NATION

SCDI's Economic Data Briefing

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for Development
and Industry

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

The Bank of England continues to hold **interest rates at 0.1%, a record low**, while signalling that it could go even lower if the UK's economic recovery from the pandemic is weaker than anticipated this summer.

The Monetary Policy Committee, which sets UK interest rates, is **considering unprecedented negative interest rates**. It has instructed lenders to 'commence preparations in order to be ready to implement a negative Bank Rate at any point after six months', depending on the macroeconomic circumstances at the time. It is seen as a possible although unlikely scenario.

The Monetary Policy Committee will next meet on 6 May.

Source: [Bank of England](#)

INFLATION

UK Consumer Prices Index (CPI) Annual Rate	Mar	Feb	Jan	Dec	Nov
	0.7%	0.4%	0.7%	0.6%	0.3%

Inflation surged to 0.7% in March due to higher fuel and clothes prices after an unexpected drop in February.

The Bank of England's outgoing Chief Economist, Andy Haldane, has warned that inflationary pressures are a 'tiger' which policymakers may need to 'tame' in the months ahead.

£180bn in additional savings have been built up by UK households during the pandemic, which could be released in a surge of consumer spending as restrictions ease and the economy reopens.

Coupled with higher levels of government spending and borrowing, this could trigger a large increase in inflation. Some analysts suggest inflation could rise beyond the official 2% target by the end of 2021, although Threadneedle Street forecasts 1.9%.

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

PRODUCTIVITY

A new analysis by Deutsche Bank suggests that **'WFH' has had a mixed and uncertain impact on productivity in Germany**. It compares the rise of remote working during the pandemic with the digitisation of the global economy from the 1980s onwards, when new technologies were expected to boost productivity but largely failed to do so. It suggests that there is a 'paradox' explained by four factors:

- *Measurement errors* – Employees or HR managers may misjudge productivity gains or losses in the context of other issues such as commuting time
- *Increased complexity of business processes* – Creative or collaborative tasks which require intensive communication between employees are less effective remotely
- *Delay* – Positive effects may only occur after some delay, often years or decades later, as individuals and organisations adapt, invest and reskill
- *Discrepancies* – There may be significant differences between productivity impacts on individuals and that of the overall economy.

The Scottish Government has confirmed that it will extend funding for SCDI's pilot peer-to-peer network, Productivity Club Scotland, in Edinburgh and Glasgow for a further twelve months to help more businesses learn from each other and boost their productivity.

Productivity Club Scotland is free and open to all. Sign up [here](#).



Our [@scotgov](#) Productivity Clubs support peer-to-peer learning between businesses to help them share skills, technology and innovation.

Building on their early success [@Ivan_McKee](#) has confirmed clubs in Edinburgh and Glasgow will now be extended for a further 12 months.



Sources: [Deutsche Bank](#), [Productivity Club Scotland](#), [Scottish Government](#)

INCLUSIVE GROWTH

Onshore GDP

Q3 2020

Q2

Q1

Scotland

+15.8%

-3.3%

-19.1%

In January, UK goods exports to the EU fell by £5.6bn or 40.7%. UK goods imports from the EU also fell by £6.6bn or 28.8%. Questions were asked as to whether this represented temporary 'teething problems' in the immediate aftermath of the end of the Brexit transition period or permanent damage to UK trade. The latest data suggests it could be the latter, causing concern in some of Scotland's key sectors. **UK trade levels rebounded in February, improving on the historic lows of the previous month, but remain significantly below 2020 levels** (see below). Exports of food and live animals, for example, are now a third lower in 2021 compared to 2020.



Sources: [Office for National Statistics](#), [Scottish Government](#)

BUSINESS ACTIVITY AND CONFIDENCE

RBS Seasonally-Adjusted Purchasing Managers' Index	Mar	Feb	Jan	Dec	Nov	Oct	Sep
	54.3	44.1	33.3	47.3	47.3	43.2	51.2

Scotland's private sector has returned to growth for the first time in six months. Business confidence hit its highest levels since the middle of 2012 fuelled by an uptick in new orders and the loosening of public health restrictions on some sectors.

Sources: [IHS Markit](#), [RBS](#)

CONSUMER ACTIVITY AND CONFIDENCE

SRC-KPMG Retail Sales Monitor	Mar	Feb	Jan
Total Sales Growth	-13.8%	-24.3%	-27.9%
Food Sales Growth	+19.7%	+3.1%	+4.3%
Non-Food Sales Growth	-49.2%	-47.4%	-54.8%

Sales of non-food items in Scotland were almost half of 2019's levels ahead of the re-opening of non-essential retail outlets on 26 April, although food retail continued to perform strongly.

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

EMPLOYMENT

SCOTLAND	Dec 20-Feb 21	Sep 20-Nov 20	Jun 20-Aug 20	Mar 20-May 20
Economically Active	78.1%	77.9%	77.4%	77.0%
In Employment	74.6%	74.4%	73.9%	73.5%
Unemployed	4.4%	4.4%	4.5%	4.5%
Economically Inactive	21.9%	22.1%	22.6%	23.0%

Scotland's job market remains 'broadly stable', according to the Office for National Statistics. Nearly 2.6 million people (74.6%) are in work in Scotland. 120,000 people (4.4%) are jobless.

New experimental analysis suggests that levels of home working varied significantly by rurality and deprivation across the UK in 2020. The Office for National Statistics has produced a map indicating patterns across the UK (see opposite), with darker blues indicating higher levels of home working and lighter greens or yellows showing lower levels.

In Scotland, home working was most common in Edinburgh, where 43.1% of people worked from home. Levels were much lower in Falkirk (33.6%), Glasgow (23.4%) and lowest in South Ayrshire (10.8%). No data was available for Orkney or Shetland.



Sources: [Deutsche Bank](#), [Office for National Statistics](#), [Office for National Statistics](#)

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Our mission is to help our members grow and to help build a better Scotland

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