

# STATE OF THE NATION

## SCDI's Economic Data Briefing

### November 2020



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

The Monetary Policy Committee voted unanimously on 16 September to maintain UK interest rates at **0.1%**, a **record low**, due to the ongoing public health and economic crisis.

The Committee highlighted that the course of the pandemic and the resolution of Brexit could severely impact on the UK economy in the months ahead. It will next meet on 5 November.

Source: Bank of England

## INFLATION

UK Consumer Prices Index (CPI) Annual Rate	Sep	Aug	Jul	Jun	May
	<b>0.5%</b>	0.2%	1.0%	0.6%	0.5%

**Inflation rose to 0.5% in September** from 0.2% in August as the UK Government's Eat Out to Help Out subsidy scheme came to an end. Higher prices for transport, cultural activities, cafes and restaurants exerted upward pressure on the Consumer Prices Index. However, inflation remains **well below the Bank of England's 2% target** and is likely to do so for some time as the UK economy stalls and growth remains negative or weak.

Source: Office for National Statistics

## PRODUCTIVITY

**Productivity Club Scotland** – a peer-to-peer network from SCDI supporting SMEs to learn from each other, boost productivity and recover from the COVID-19 crisis – is expanding nationwide. After the success of two pilot projects in Edinburgh and Glasgow, we are launching three new initiatives for businesses across the North East, the South and the Highlands & Islands.

The programme is free, open to all and backed by the Scottish Government. Sign up for **FREE** at [www.productivity.scot](http://www.productivity.scot).

Source: Productivity Club Scotland

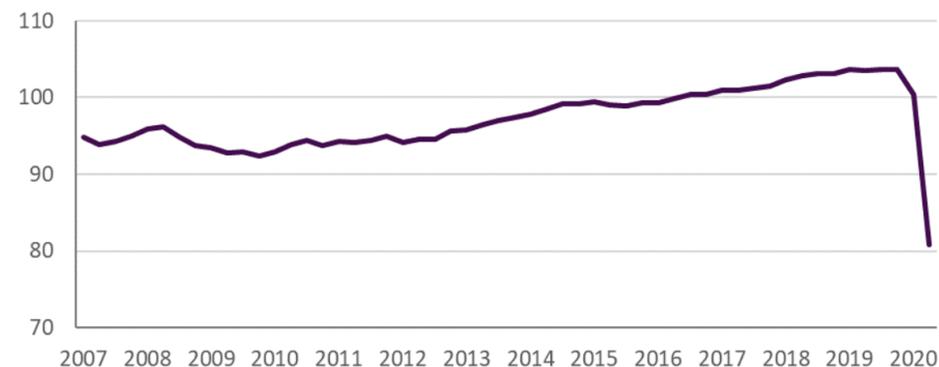
## ECONOMIC GROWTH

Onshore GDP	Scotland
<b>Q2 2020</b>	<b>-19.4%</b>
Q1 2020	-3.2%

The latest official data confirms that the **Scottish economy shrank by nearly 20% in the second quarter** of the year between April and June. The UK economy as a whole fared slightly worse in both Q1 and Q2 2020.

Output fell most severely in March and April, beginning to recover somewhat from May, tipping Scotland out of recession into a weak recovery. It is estimated **that Scottish GDP has recovered at least 60% of the activity originally lost**.

GDP volume measure, Scotland onshore (2016=100)



**Scottish GDP increased by 2.6% in August after growing by 6.4% in July.** Autumn and winter will be a critical and difficult period for the Scottish economy as the new tier system raises restrictions on some sectors and some regions, while Brexit looms on the horizon threatening further disruption.

Around 95% of businesses were open and trading in September as restrictions remained relatively low compared to spring in many parts of Scotland and employers found new ways to adapt, innovate and operate.

However, the proportion of businesses experiencing a drop in turnover in September compared to the same month last year was high in key sectors with lower levels of trading and sustained use of furlough – Accommodation & Food Services (75.6%), Arts, Entertainment & Recreation (72.4%), Transport & Storage (55.5%) and Manufacturing (51.1%).

The International Monetary Fund now estimates that the total cost of the COVID-19 pandemic in lost global economic output could reach £21.5 trillion.

Sources: Office for National Statistics, Scottish Government

## BUSINESS ACTIVITY AND CONFIDENCE

RBS Seasonally-Adjusted Purchasing Managers' Index	Sep	Aug	Jul	Jun	May	Apr	Mar
	51.2	55.8	49.3	37.1	21.1	10.7	29.7

The private sector's recovery slowed in Scotland in September, as the RBS PMI registered marginal growth of 51.2, falling back from a score of 55.8 in August.

**Business activity in Scotland during September was the weakest in all the UK's nations and regions.** The North East of England and Yorkshire & Humber registered the strongest growth. However, both regions are likely to face a particularly difficult Autumn and Winter with transmission of the virus relatively high compared to much of the rest of the country. Tackling the spread of the virus and building an economic recovery are inextricably linked.

Business confidence has fallen dramatically in key sectors of the Scottish economy. More than half of retail and wholesale firms reported a fall in total and domestic sales in Q3 2020. 46% of tourism firms also reported a fall in sales, while 70% reported reduced confidence.

Sources: IHS Markit, RBS, Scottish Chambers of Commerce, Scottish Government



## CONSUMER ACTIVITY AND CONFIDENCE

SRC-KPMG Retail Sales Monitor	Sep	Aug	Jul
Total Sales Growth	-6.0%	-7.5%	-8.3%
Food Sales Growth	+3.7%	+1.5%	+3.5%
Non-Food Sales Growth	-14.2%	-1.7%	-5.2%

**Scotland's retail sector faces a long Winter with total sales and consumer activity continuing to fall.** Sales of white goods, household essentials and electronics were relatively strong in September. Food sales performed strongly for another month.

But sales of non-essential items in fashion, footwear and beauty products were weak. **Consumers are stripping back non-essential spending** in the face of continued uncertainty over COVID-19, the economy and the labour market.

Source: Scottish Retail Consortium

## EMPLOYMENT

SCOTLAND	Jun 20-Aug 20	Mar 20-May 20	Dec 19-Feb 20	Sep 19-Nov 19
Economically Active	77.4%	77.0%	78.4%	77.3%
In Employment	73.9%	73.5%	75.4%	74.3%
Unemployed	4.5%	4.5%	3.7%	3.8%
Economically Inactive	22.0%	22.1%	22.3%	22.6%

**The UK faces a looming unemployment crisis.** The Scottish jobless rate is now 4.5%. It has not been higher in Scotland since the middle of 2016 in the immediate aftermath of the Brexit referendum. A catastrophic **20% of young people are now out of work**, returning to levels last seen for 16 to 24-year olds after the 2008/2009 Great Recession.

The number of employees on UK payrolls is now over 730,000 fewer than at the start of the pandemic, representing a decline of 2.5%. The fall appears to be largely caused by employers freezing new hiring efforts. Millions more currently in work may be at risk of falling into joblessness over the coming months through a long winter.

The Coronavirus Job Retention Scheme has been replaced by 'less generous' schemes which increase the costs for employers and do not match support offered to businesses and workers in France, Germany and across Scandinavia.

**Young people and ethnic minorities will be among the worst hit** without action. 19% of 18 to 24-year olds who were furloughed during lockdown were unemployed by September. For Black, Asian and other minority ethnic workers it was 22%. For the rest of the workforce, it was just 9%. Of those who have been made redundant or unemployed since the start of the pandemic, 57% of individuals have so far been unable to find new work – for young people, it is 67%. **COVID-19 is a social and economic crisis exacerbating existing inequalities.**

**26.4% of Scotland's workforce is currently working remotely** and not at their normal place of work, increasing the average workday by nearly 50 minutes. The pandemic will continue to deepen existing issues for many workers around unpaid work and overwork.

Sources: BT, HMRC, Office for National Statistics, Resolution Foundation, Scottish Government

SCDI is an inclusive and independent network of businesses and organisations from all sectors and all geographies of the Scottish economy.

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

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