

Scotland Food & Drink PMI[®]

An export success story manufactured
in the Land of Food and Drink

Introduction

Collaborating to help realise Scotland's food and drink potential



Scotland's food and drink sector has been a huge success story over the last 20 years and its contribution to the Scottish and UK economies is very significant.

It is in fact Scotland's largest sector. Whilst Scotch Whisky is a major component of the industry it is a sector that offers a rich diversity of world class products firmly rooted in great quality and provenance of homegrown raw materials.

As we look into the immediate uncertainties that we face as a consequence of Brexit, the Royal Bank of Scotland remains committed to supporting our customers through whatever changes and adjustments need to be made over the longer term. We have been working with the food and drink industry almost since the Bank was established in 1727 and we will support the sector's growth long into the future.

Uncertainty is not only about challenges. There will likely be great opportunities ahead too. Food and Drink Scotland has a vision to double the contribution of the sector by 2030 and that should be within our grasp given the quality of what Scotland has to offer is excellent. The heritage of many of our great food and drink brands, the new brands being built, the quality of our products and the skill of our world leading farmers and manufacturers means that Scotland's food and drink will be attractive in many new markets.

Royal Bank of Scotland wants to collaborate with food and drink producers, farmers and the fishing industry to help take advantage of these opportunities and deliver a thriving sector for many years to come. Continuing the traditions of our almost 300 year relationship with the sector to unlock the potential of the future.

Malcolm Buchanan

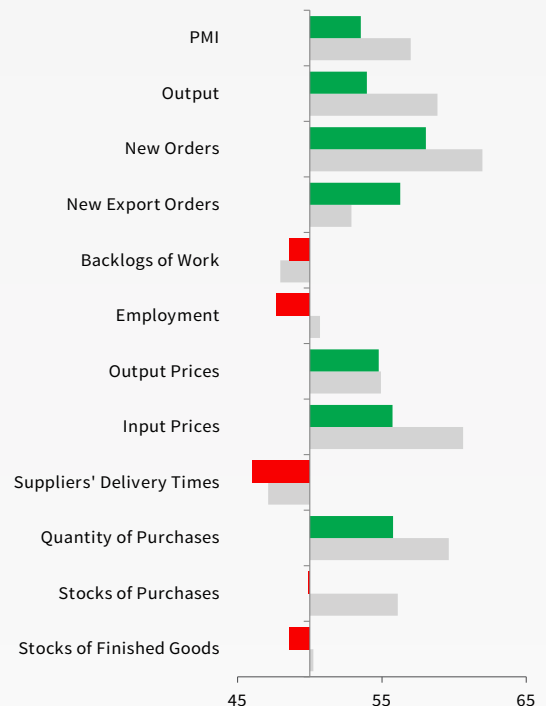
Managing Director, Corporate & Commercial Banking Scotland
Chair of the Scotland Board, Royal Bank of Scotland

Contents

- 2 Introduction
- 4 Food & Drink Manufacturing PMI
- 6 Scotland Food & Drink exports
- 8 UK regional Food & Drink exports
- 10 Scotland Food & Drink employment

Data summary

Scotland Food & Drink Manufacturing PMI®
sa, >50 = growth since previous month, Aug-19 (Jul-19 ■)





The Food & Drink sector accounts for nearly one-in-four manufacturing jobs and underpins Scotland's position as the dominant force behind UK international trade in agrifood products.

With a footprint of successful exporters spanning the length and breadth of Scotland, it is clear that food and drink manufacturers remain a critical engine of economic growth.

It is against this backdrop that we have compiled new PMI[®] data to examine the production trends, export sales and business expectations signalled by Food & Drink manufacturers in Scotland.

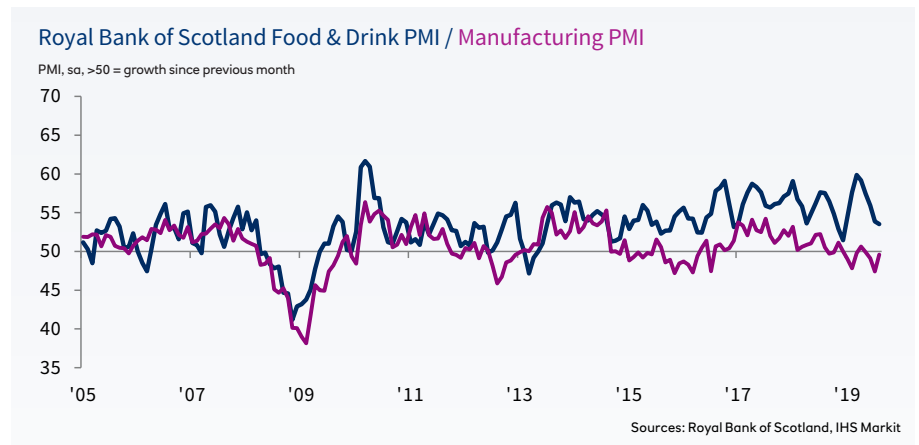
We begin this report by looking at the recent performance of the Food & Drink manufacturing sector, according to indices derived from a panel of respondents to IHS Markit's Purchasing Managers' Index[®] (PMI[®]) surveys.

The headline seasonally adjusted Scotland Food & Drink PMI[®] - a single figure measure of developments in manufacturing conditions - registered 53.5 in August, down from 53.9 in July. However, the index has remained above the 50.0 'no-change' value that separates growth from contraction in each month since June 2013.

A sustained improvement in Food & Drink business conditions for over six years stands in contrast to the trends seen across the Scotland manufacturing sector as a whole. The equivalent Royal Bank of Scotland Manufacturing PMI[®] reading was 49.6 during August. In fact, on our measure of business performance, the Food & Drink category has consistently outperformed the rest of the manufacturing sector since late-2014.

The Food & Drink PMI data reveal that new business volumes have expanded strongly throughout the year so far. Demand conditions appear to have remained resilient in both domestic and export markets.

However, some firms have started to cast a more cautious eye towards the near-term outlook and there are also clear signs that



risk aversion has increased among food and drink manufacturers. Reflecting this, the latest survey data points to a slight decline in staffing numbers and tighter inventory management.

Before the original Brexit deadline of 31st March, stocks of raw materials were accumulated at the fastest pace since the start of the index in 1998. This trend has turned to stagnation over the summer amid ongoing political uncertainty and an absence of clarity regarding the outlook for international trade relationships.

Stocks of finished products meanwhile dropped in the three months to August, with manufacturers commenting on a desire to improve working capital efficiency and meet incoming orders from existing stocks.

The deep tentacles of Brexit uncertainty and an intensification of global trade tensions have taken their toll on business optimism across the Food & Drink sector. While still expecting growth in the coming 12 months, the latest survey data reveals that business confidence among food and drink producers is the lowest since this index began in 2012.

While near-term expectations have become less upbeat, we find that new export sales across the Food & Drink sector continued to pick up in the three months to August. Resilient export sales have been achieved against a less favourable global economic backdrop. Our Food & Drink Export Climate

Index for Scotland signals the slowest pace of economic growth in overseas markets since May 2013.

A key reason to be optimistic that Scotland's food and drink producers can decouple from the recent global economic slowdown is the sector's exceptional record for gaining a foothold in new overseas markets, especially the opportunities provided by fast-growing consumer demand in emerging markets.

The export success of the whisky, bakeries and aquaculture industries means that Scotland accounts for 29% of all UK Food & Drink sales to overseas markets. In fact, Scotland exports more beverages by value than the rest of the UK combined.

We find that the value of whisky exports to India and Japan has doubled since 2013, while sales to China and the United Arab Emirates have risen by around 50% over the same period.

Finally, the contribution of Scottish food and drink exports to rural economies is impossible to underestimate. With this in mind, our final section looks at the sector's employment footprint. Of particular note, Food & Drink is responsible for 41% of manufacturing jobs in the Highlands and Islands and this figure reaches over half of all manufacturing jobs along the Speyside Malt Whisky Trail.

Food & Drink Manufacturing PMI®

Bright prospects for Scotland's strongest sector

Sebastian Burnside



“ Output today is a third higher than it was a decade ago, compared to a 10% expansion of Scottish GDP. ”

In a world where growth has become harder to find the Food & Drink sector makes a refreshing change and stands out as Scotland's strongest.

The outperformance of the Scotland Food & Drink PMI for the last four years is striking. Its durability through the varying economic and political backdrop is tremendously valuable.

Focusing on the last 12 months, the Food & Drink industry has grown by 6.7%, five times faster than the 1.3% managed by the broader Scottish economy. This is no flash in the pan.

The value of output today is a third higher than it was a decade ago, compared to a 10% expansion of Scottish GDP. As such, Food & Drink manufacturing is making an increasing contribution to Scotland's prosperity, reversing the trend seen across many other parts of manufacturing.

There are many drivers of the sector's high performance, from inspiring individual stories of success, to market-wide trends that play to Scotland's strengths. Particularly notable amongst these is the power

of selling produce with a strong sense of place.

As consumers pay more attention to the provenance of what they buy, particularly towards the luxury end of the market, the connection with where the product has come from needs to keep up. Scotland's brand, at home and abroad, is a vital asset and the food & drink sector has both harnessed and helped build its value.

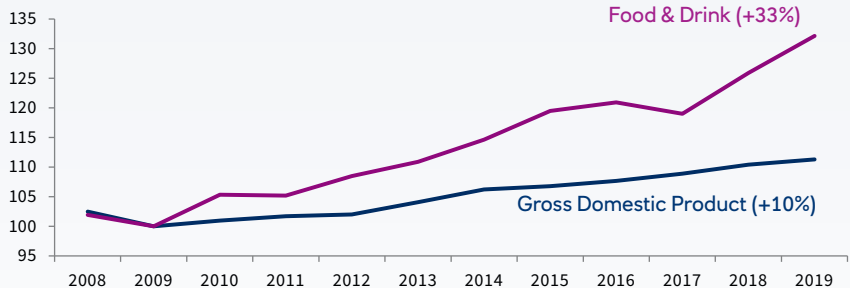
These are great foundations for further growth as we look to the future. With climate change becoming an issue increasingly at the forefront of consumers' minds there is the opportunity to drive home the difference.

Scotland's natural assets open up possibilities for sustainable production that producers in other parts of the world lack. And whilst reducing the carbon intensity of production is a massive challenge for all firms, Scotland's food & drink producers are well placed to lead the way.

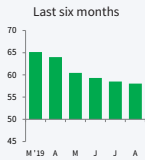
Sebastian Burnside,
Chief Economist
Royal Bank of Scotland

Scotland GDP / Food & Drink Manufacturing Production

Annual data rebased to 2009 = 100. Latest figures to H1 2019.



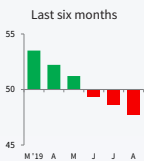
New Orders Index



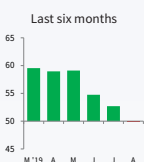
Output Index



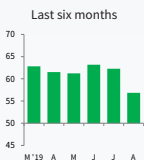
Employment Index



Stocks of Purchases Index



Future Activity Index



Additional charts for the Scotland Food & Drink PMI are included in the appendix.

Strong new order growth maintained in 2019...

Scottish food and drink manufacturers experienced resilient customer demand this summer, the latest PMI data showed. The seasonally adjusted New Orders Index registered 58.0 in August, which is well above the 50 no-change level and exceeds the long-run average of 55.6.

That said, the index showed the rate of new business growth easing further from the nine-year high seen earlier in 2019. Manufacturers recorded a surge in order volumes at the start of the year amid widespread stockpiling ahead of the original Brexit deadline on March 31st.

...but production expands at a subdued pace

Rising demand saw food and drink producers scale up production over the summer. Output growth in the Food & Drink category contrasted with declining production across the manufacturing sector as a whole. However, the rate of expansion was below that of new orders, as has been the case throughout 2019 so far. Meanwhile, stocks of finished goods were depleted in the three months to August as firms looked to utilise inventories to meet current demand and improve working capital efficiency.

Job numbers cut to greatest extent since 2017

Some food and drink producers looked to streamline operations by reducing their staffing levels in the three months to August. Latest data showed employment in the sector falling at the fastest rate since early-2017, with job numbers declining more quickly than across the Scottish private sector as a whole.

Inventory building retreats from record high

Stocks of raw materials fell fractionally during the three months to August. This contrasted with a survey-record build up of inventories during the first quarter of 2019 when manufacturers sought to boost inventories ahead of the expected Brexit deadline. Lower inventories reflected a combination of higher production and weaker growth in input buying during the summer, according to survey respondents.

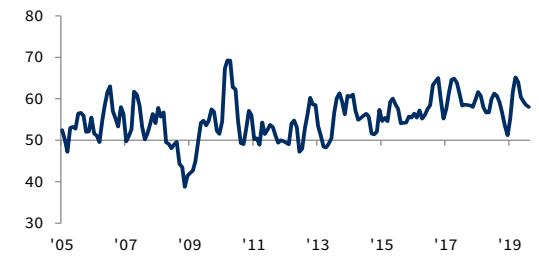
Business optimism hits seven-year low

Latest data revealed heightened concern among food and drink manufacturers about growth prospects over the next 12 months. Business sentiment towards future output deteriorated sharply in the three months to August and was the lowest since this index began in 2012. Survey respondents mainly cited uncertainty in relation to Brexit and the outlook for international trade.

There was at least some respite for food and drink producers in the form of a moderation in cost pressures. Latest data showed input prices rising at the slowest rate for over three years, despite continued reports of greater staff costs.

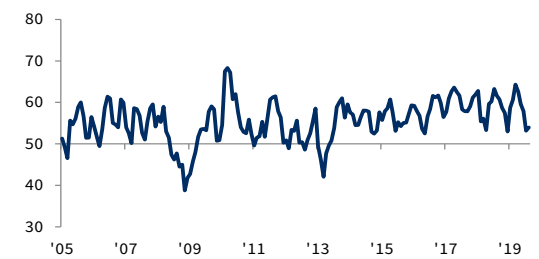
New Orders Index

sa, >50 = growth since previous month



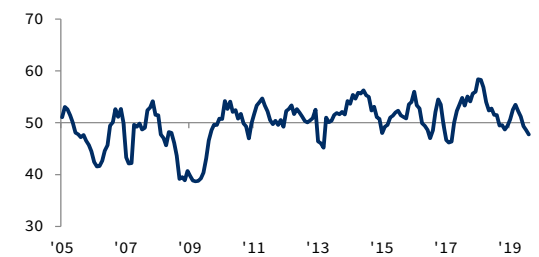
Output Index

sa, >50 = growth since previous month



Employment Index

sa, >50 = growth since previous month



Stocks of Purchases Index

sa, >50 = growth since previous month



Future Activity Index

sa, >50 = growth in next 12 months

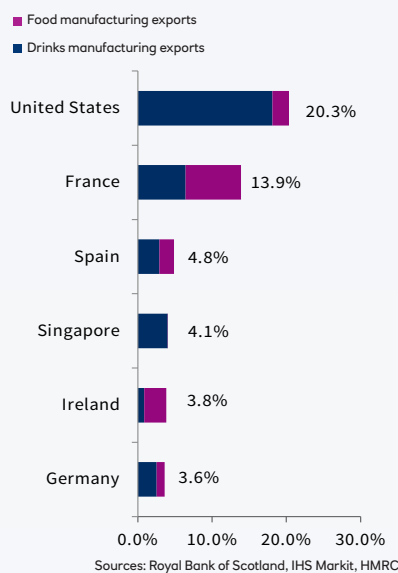


Scotland Food & Drink Exports

Export order books improve, despite global economic headwinds in 2019

Scotland Food & Drink Exports

Top export destinations (2018)



Food & Drink PMI® Export Climate Index

Trade-weighted economic growth



The latest Food & Drink PMI® data reveals a strong rise in new export orders during the summer, with the rate of growth among the fastest seen over the past three years.

Resilient sales volumes have been achieved against a backdrop of slower global economic conditions. Our trade-weighted Food & Drink export climate index signals the weakest business activity growth in external markets since May 2013.

At 56.3 in August, up from 53.0 in July, the seasonally adjusted Scotland Food & Drink New Export Orders Index remained well above the 50.0 no-change value in the latest survey period.

Moreover, the index points to the second-fastest rate of export sales growth since autumn 2016, when sterling exchange rate depreciation helped to provide a short-term boost to order books. Similarly, the less timely official export data indicates double-digit annual sales growth for Scottish food and drink products in the first quarter of 2019.

Manufacturing companies on the PMI survey panel generally cited strong underlying demand for food and drink products in overseas markets during the three months to August, with rising sales reported from clients in the US, euro area and emerging markets.

Top export destinations

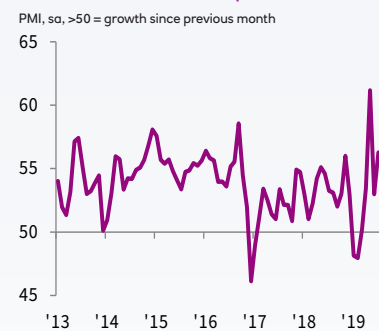
The single largest export destination for Scottish food and drink exports is the US, which accounts for around one-fifth (20.3%) of all sales by value. This overwhelmingly reflects the strength of drinks exports, primarily Scotch Whisky. Annual export sales to the US in the beverages category are around eight times those of food products.

France is the second-largest destination for Scottish agrifood exports by value,

with a slight majority of exports being food products. This is the case for some other European nations, particularly Ireland and Italy.

A sizeable proportion of Scottish food and drink products are also exported to Spain, Germany, China and Singapore.

Scotland PMI® New Export Orders Index



Food & Drink export climate

A robust increase in food and drink sales to overseas markets contrasts with the sharp slowdown in economic growth experienced by some major trading partners so far this year.

The seasonally adjusted Food & Drink Export Climate Index dropped to 51.0 in August, down from 51.6 in July and the lowest since May 2013. This signals that economic growth on a trade-weighted basis has weakened considerably in recent months and has the potential to act as a headwind for exporters.

On a more positive note, Scottish food and drink producers have been quick to gain a foothold in new export markets in recent years and look well set to maintain an upward trajectory in Asia and key emerging markets. The value of Scottish food and drink exports to India has increased by 96% since 2013, while sales to China and Japan have risen by more than 60% over the same period.



James Withers



“ We can point to a team of trade specialists in 15 cities around the world, driving new opportunities for food and drink producers. ”

Just over a decade ago, Scotland’s decision-makers were debating whether food and drink should be a priority sector in the nation’s economic strategy. That is a reminder of how far Scotland’s food and drink industry has come; from economic after-thought, to star player.

Now driving Scotland’s export performance – indeed seen as a model to follow by the rest of the UK – there is much for our farming, fishing, food and drink industry to be optimistic about.

This report confirms again that the food and drink manufacturing sector is outperforming other industries. We also know that in the past 10 years, the rate of food manufacturing growth in Scotland has been double that of the sector in England.

However, the current outlook is something of a paradox. For sure, the long-term vision for our sector to 2030 is marked by opportunity. In a world where provenance matters, where increasing wealth has consumers on a search for premium products and where a climate emergency is turning attention to sustainable forms of food production, there can be few countries now better positioned to take advantage than Scotland.

Yet, this long-term reason to be cheerful is contrasted by enormous short-term uncertainty. The political circus that is Brexit has huge implications for our sector. Our industry is resilient and talented enough to navigate any Brexit deal. But the prospect of No Deal hangs over us, with the potential for it to set our export progress back years.

With £2 billion of annual food and drink trade with our EU partners, alongside

a 40,000 strong workforce of talented non-UK, EU nationals, the stakes are high.

The stark reality is that despite all the work of the last three years to prepare for a possible No Deal, the end outcome is out with our control. So, across the Scotland Food & Drink Partnership, our focus is on the factors we can control. We can control how we develop Scotland’s brand overseas – perhaps our most important asset. And, alongside exploiting untapped opportunities in the home market, we can control how we develop many of our most promising export markets.

This report is right to highlight collaboration as being a key feature of our industry’s success. In fact it has been transformational. Scottish Government and its agencies have stood squarely alongside the industry to drive growth. That means we can now point to a global team of trade specialists in 15 cities around the world, driving new opportunities for food and drink producers.

That kind of resource, twinned with innovations in technology such as the development of a national ecommerce platform for our products, mean further growth is well within our sights.

I can’t predict the short-term future for our sector, but we should be as confident in the long-term as we have ever been.

James Withers
Chief Executive
Scotland Food & Drink

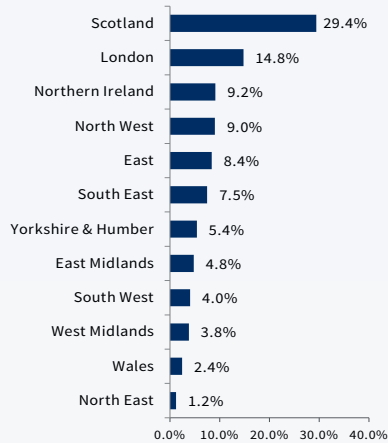
UK Regional Food & Drink Exports

Scotland leads the way for Food & Drink exports, with more beverages sold than the rest of the UK combined

Regional Trade Statistics

UK Agrifood Exports (includes Beverages)

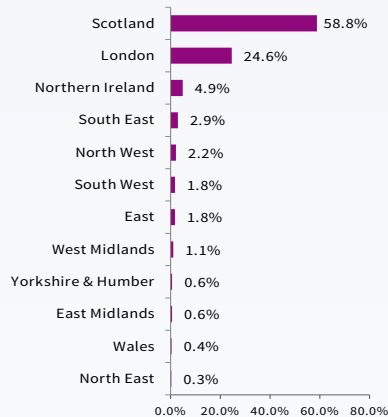
Regional percentage share, annual average to Q1 2019



Sources: Royal Bank of Scotland, IHS Markit, HMRC

UK Beverages Exports

Regional percentage share, annual average to Q1 2019



Sources: Royal Bank of Scotland, IHS Markit, HMRC

Looking at UK agrifood exports, it's clear that the dominant regions for overseas sales are those with a deep footprint of internationally recognised products and brands.

Famous around the world for its salmon farming and whisky distilleries, Scotland takes the top spot for UK agrifood exports by a considerable distance.

The total value of UK agrifood exports in the past 12 months was just over £20 billion, according to HMRC regional trade statistics in Q1 2019. Of these overseas sales, Scotland accounted for the largest proportion of exports by value (29%).

London is the next closest part of the UK for agrifood exports (15%), which almost exclusively reflects its strength in the beverages category. Elsewhere in England and Wales, there is a heavy concentration of export sales in the meat, cereal and coffee & tea categories.

Northern Ireland takes a prominent place for agrifood exports, including over one-third (35%) of the all UK dairy exports and nearly one-fifth of meat products (19%).

Meat and meat preparations

Northern Ireland is the top regional exporter of meat products, with a total export value of £340 million in the year to Q1 2019.

Other UK regions with a large degree of exports in the meat and meat preparations category are the West Midlands and the East of England, both with a 13% share.

Fish and shellfish products

Reflecting its strength in marine fisheries and aquaculture, Scotland accounts for around 57% of UK exports in the fish and shellfish category. This represents annual Scottish export sales of around £920 million, according to HMRC data in

Q1 2019.

Another region with a prominent fisheries industry is the South West of England. This region accounts for around one-in-ten UK exports in the fish products category, with annual sales of £156 million in Q1 2019.

Dairy products

Renowned for high quality milk products and a world class dairy supply chain, it's of little surprise that Northern Ireland has the greatest proportion of exports in the dairy category (35%).

Within the Northern Ireland agrifood sector, dairy products are by far the single largest category by value of exports, equating to £603million of sales in the year to Q1 2019.

This is more than double the North West of England, the region with the second-highest exports by value in this sector (£261 million), followed by the South West of England (£161 million).

The top three regions export more dairy products than the rest of the UK combined.

Beverages

Scotland is the top exporter of beverages, with around 59% of the UK total in the 12 months to Q1 2019. Drinks manufactured in Scotland represent around one-fifth of all UK agrifood exports, according to the latest HMRC data.

London also has a relatively large share of beverages exports. As a result, the capital accounts for almost 15% of all UK agrifood exports.

Within the beverages category, Scotland and London dominate international sales, with a combined 83% of exports by value in the year to Q1 2019.

Northern Ireland is the only other part of the UK with a sizable share of beverages exports (5%).



IHS Markit Global Trade Atlas

IHS Markit Global Trade Atlas (GTA) is the world's most comprehensive trade database.

The GTA provides official monthly bilateral trade data for more than 95 countries and annual data for more than 180 countries. It covers every commodity at the most specific harmonized code level.

By looking at UK trade statistics for goods at the six-digit Harmonized System (HS) code we can build up a detailed picture of export sales performance for key products.

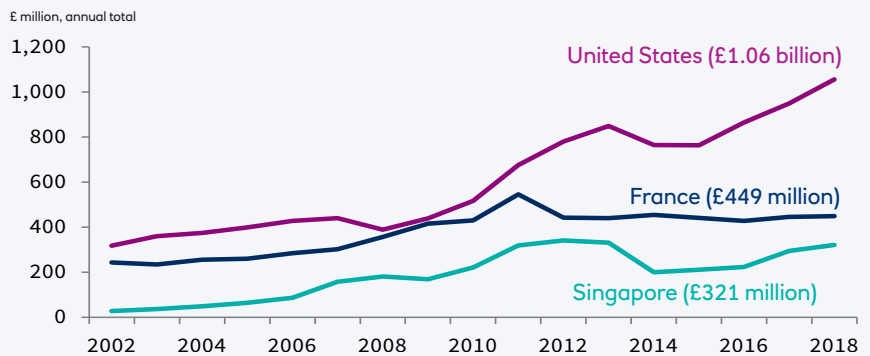
Exports of HS code 220830 (Whiskies) overwhelmingly reflect overseas sales of Scotch Whisky and reached a fraction shy of £5 billion in 2018, having risen 6.6% from just over £4.5 billion in the prior 12 months.

The top export destinations by value were developed markets, with the US, France, Singapore, Spain and Germany the five largest. Among the markets with more than £100 million in export sales, India recorded the fastest growth with a year-on-year increase of 32.8% in 2018.

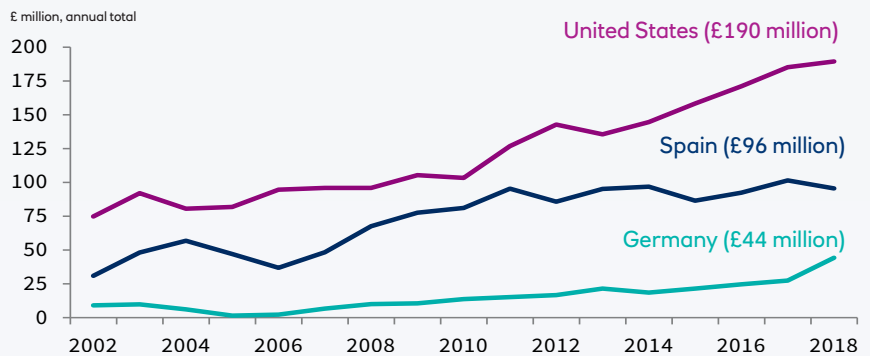
Exports of HS code 220850 (Gin and Geneva) hit a record high of £609 million in 2018, after expanding by 13.8% from the prior year. The US was the largest source of foreign demand with 31% by value. Spain, Germany and Italy combined accounted for 28% of total gin exports in 2018. Although from a low base, emerging markets saw the fastest growing sales, with gin exports to South Africa up by 219% in 2018.

Exports of HS code 190531 (Cookies and Sweet Biscuits) includes items such as Scottish shortbread. Ireland accounted for the largest source of exports with around 15% of annual sales during 2018. Total sales to the top five export destinations are £378 million (56% of the total) and expanded at double-digit rates in both 2017 and 2018.

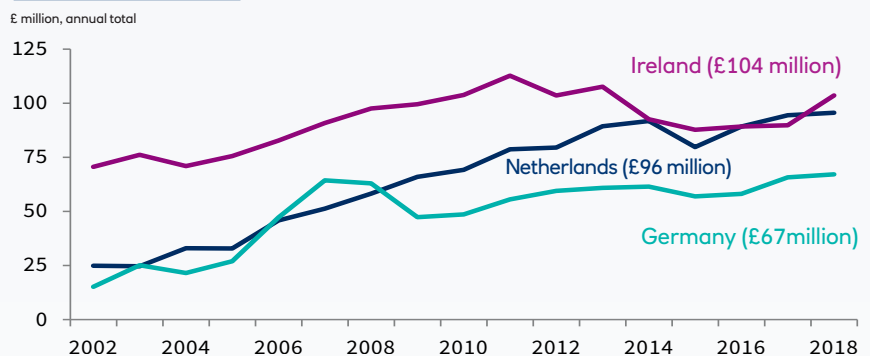
United Kingdom, Whiskies Exports (Top 3 destinations)



United Kingdom, Gin Exports (Top 3 destinations)



United Kingdom, Sweet Biscuits Exports (Top 3 destinations)



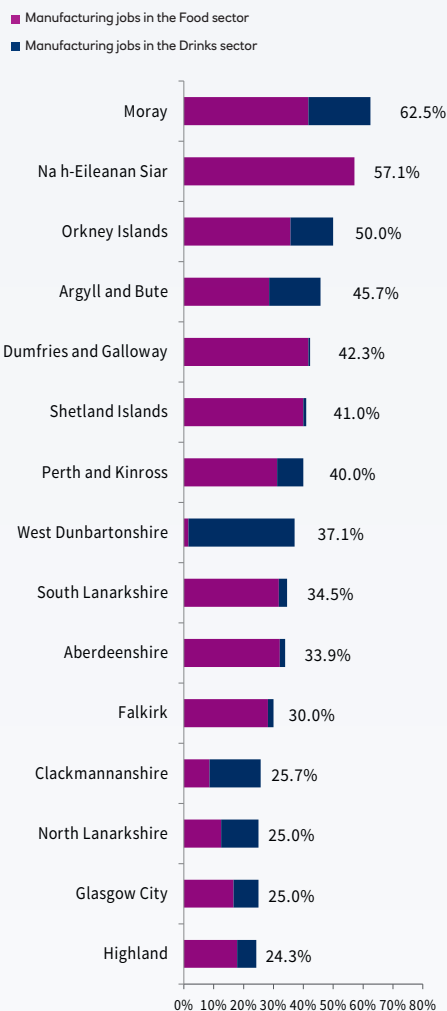
Source: IHS Markit

Scotland Food & Drink Employment

Food & Drink accounts for almost one-in-four manufacturing jobs in Scotland

Food & Drink sector share of manufacturing employment

Top 15 Scottish council areas



Sources: Royal Bank of Scotland, IHS Markit, ONS

* Food & Drink sector manufacturing employment based on Business Register and Employment Survey 2017 employee counts in SIC 11 (food) and SIC 12 (beverages).

An estimated 43,000 people are directly employed in Food & Drink production. This represents around 23.5% of all jobs in Scotland's manufacturing sector.

The deepest concentration of Food & Drink employment is in the Highlands and Islands, which highlights the importance of the agrifood sector as an engine of economic growth in rural areas. In some council areas, at least half of all manufacturing jobs are in Food & Drink, such as Moray (63%), the Western Isles (57%) and Orkney (50%).

Highlands and Islands

The importance of aquaculture, whisky and bakeries means that around two in every five manufacturing jobs (41%) in the Highlands and Islands are directly related to Food & Drink production.

In terms of food production, the single largest sub-sector is manufacturing of bakery products. This accounts for an estimated 13% of manufacturing jobs in the region, followed by processing and preserving of fish and shellfish (10% of all manufacturing employment).

Looking at drinks manufacturing, firms engaged in distilling and blending of spirits represent almost nine-in-ten beverages jobs in the region.

In terms of council areas, the largest concentration of Food & Drink jobs is in Moray, home to Scotland's Malt Whisky Trail and renowned Speyside distilleries, including employers such as Glenfiddich, Glenlivet and Macallan whisky, James Bond's brand of choice.

The bakery sector accounts for around 70% of all food manufacturing jobs in Moray, with household names such as Walkers Shortbread based in Aberlour.

Similarly, production of Food & Drink accounts for almost half of all manufacturing employment (46%) in Argyll and Bute, home to prestigious whisky brands from the Jura distillery.

South Western Scotland

Direct employment in Food & Drink production represents almost one-quarter (24%) of the manufacturing workforce in South Western Scotland. This is helped by the presence of large firms such as AG Barr in North Lanarkshire, makers of Irn Bru and Scott's Porage Oats. South Western Scotland accounts for almost three-quarters of all Scottish manufacturing jobs in the soft drinks sub-category.

As the home to a string of household names such as Tunnock's and McGhee's, the region also scores highly for employment in the production of bakery products (45% of Scotland's total in this category). Manufacturing of dairy products is another specialism. The region accounts for two-thirds of all Scottish jobs in this category, with large employers such as Lactalis Mclelland based in Stranraer.

There are jobs hotspots in the beverages category across the region, with large employers including Diageo's Shieldhall bottling plant.

North Eastern Scotland

Just under one-in-four manufacturing jobs in North Eastern Scotland are in Food & Drink (22%). More than half are employed in the processing and preserving of fish and shellfish category, reflecting the enduring importance of fisheries and its supply chain to coastal areas in Scotland.

Eastern Scotland

The agrifood sector plays a prominent economic role in Eastern Scotland, with Food & Drink accounting for nearly one-in-five manufacturing jobs (19%).

Perth and Kinross has the largest degree of Food & Drink employment in Eastern Scotland. Meat processing and soft drinks are specialisms, with ABP Food Group and Highland Spring among the employers based in the area.



Royal Bank of Scotland Report on Jobs

In this section we look at the latest results from the Royal Bank of Scotland Report on Jobs, which can provide an advance signal of labour market conditions faced by manufacturers in the Food and Drink sector.

Our monthly survey of around 100 recruitment and employment consultants is compiled by IHS Markit and supported by the Recruitment & Employment Confederation (REC).

Difficulties recruiting staff is a key theme in the latest Scotland Report on Jobs and this will be an issue that resonates for many employers in the Food & Drink sector.

Candidate supply worsens

Recruitment consultants recorded steep declines in both permanent and temporary candidate availability during August.

Worsening permanent candidate availability has now been reported for seven-and-a-half years, and the rate of decline remains sharper than the equivalent index for the UK as a whole.

The supply of temporary staff also dropped at a much faster pace than the UK-wide trend in August.

Pay pressures remain elevated

Tight labour market conditions continued to feed through to higher pay pressures in August, particularly for hourly wages paid to temporary staff.

Temporary pay rates in Scotland increased at an accelerated pace in August and the index signalled a slightly stronger rise than that seen across the UK as a whole.

Temp billings increase in August

Stronger demand for temporary staff was a key reason for higher hourly wages in August, alongside reports of sustained

pressure on pay from the National Living Wage.

Additionally, there were signs that firms were turning to short-term staff to fulfil jobs, as temporary billings rose at the fastest rate since March. Latest data also showed that temporary vacancies increased at the sharpest pace for ten months. In contrast, permanent staff appointments in Scotland fell for the second consecutive month.

Food & Drink sector

Access to suitably skilled employees is likely to remain a long-term challenge for Scotland's Food & Drink manufacturing sector. Moreover, the wider supply chain is reliant on the availability of EU nationals to fill skills gaps and provide a seasonal workforce in the agricultural sector.

The latest Report on Jobs highlights that Scotland already faces greater shortages of available candidates than the rest of the UK, especially for temporary staff. This is a clear signal that the Food & Drink supply chain requires policy support to help ensure access to staff to fill seasonal vacancies, boost production and ensure competitiveness in international markets.

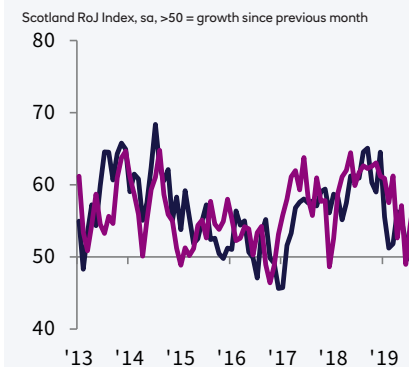
"National prosperity relies on businesses creating jobs and growing careers. It's a key part of our economic success, with recruiters at the forefront of it.

"But all this rests on business confidence – the confidence to invest, to hire someone, to try something new – and it's clear that things are getting harder.

"The first priority should be avoiding a damaging no-deal Brexit and giving some stability back to businesses, so they can drive the prosperity of the country."

Neil Carberry,
Recruitment & Employment Confederation
Chief Executive

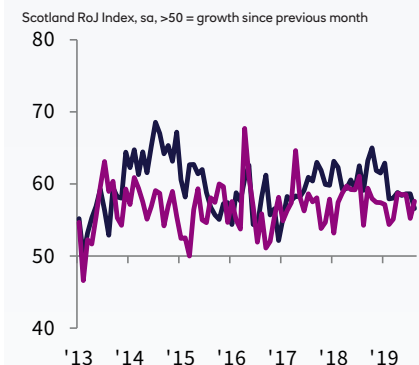
Permanent Placements / Temp Billings



Permanent / Temp Candidate Availability

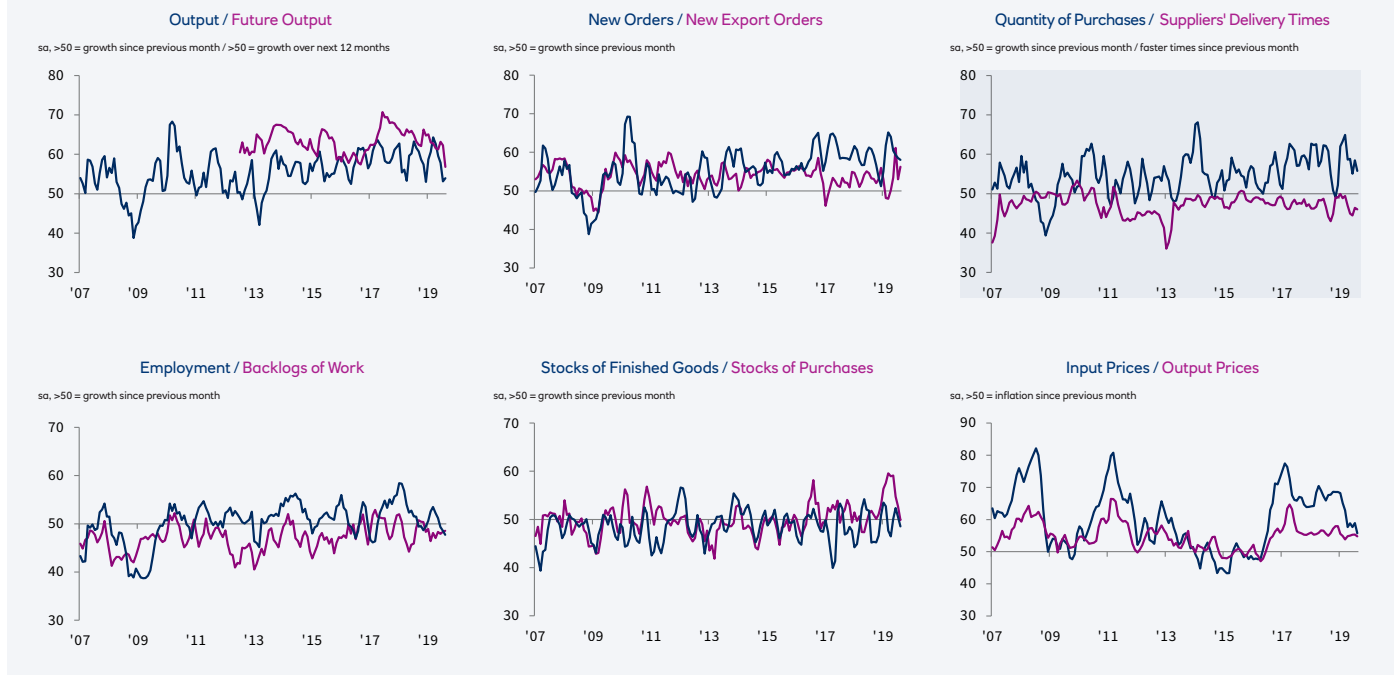


Permanent Salaries / Temp Wages



Source: Royal Bank of Scotland, IHS Markit, REC

Appendix: Scotland Food & Drink PMI® indicators



Contact

Royal Bank of Scotland

Jonathan Rennie
Regional PR Manager
07769 932 102
jonathan.rennie@rbs.co.uk

IHS Markit

Amritpal Virdee
Economist
+44 207 064 6460
amritpal.virdee@ihsmarkit.com

Tim Moore
Associate Director
+44 1491 461067
tim.moore@ihsmarkit.com

Methodology

IHS Markit's Scotland Food & Drink PMI® data is derived from survey responses provided by a representative sub-set of Manufacturing PMI® survey respondents within the food and beverages sector. The panel includes manufacturers of food products (SIC 11) and manufacturers of beverages (SIC 11). All figures are seasonally adjusted and presented as a three-month moving average.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About Royal Bank of Scotland

Royal Bank of Scotland has paved the way in banking ever since it was established in 1727. From the world's first overdraft, and the first house purchase loan by a UK bank, to the first fully-fledged internet banking service and mobile banking app the bank has a history of making life easier for its customers.

The bank has commitment to retain its close connections with the Scottish communities it serves.

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to ihsmarkit.com/products/pmi.html.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

Disclaimer

The intellectual property rights to the Royal Bank of Scotland PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. NatWest uses the above marks under licence. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.