

Number of Scots in work falls for first time in almost two years, says RBS

Scotland's private sector recorded a "grim" performance in December with the number of people in employment falling for the first time in almost two years, the Royal Bank of Scotland has said.

The ongoing drop in business and challenging demand conditions have resulted in the number of people in employment falling for the first time in 21 months, according to the bank's monthly purchasing manager's index (PMI) for December.

A fall in the number of people in work has disrupted a period of uninterrupted growth that began in April 2021, driven by lower staffing levels reported at service providers.

However, the overall decline is "marginal" with goods producers noting a slight rise in headcounts.

Where a fall was noted, businesses were making cuts to numbers or delayed recruitment for vacancies.

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The pace of job shedding across Scotland was slightly faster than the UK average, which similarly reported a fall in payroll numbers for the first time in 22 months.

Business activity overall fell “solidly” during December, following a five-month trend of reduction.

Companies also reported a substantial rise in costs during December due to rising wages, inflation, the ongoing energy crisis, and Brexit.

Amid a high inflation and interest rate environment, it will be difficult to revive demand and that will be the primary concern for businesses

A fall in demand led to a decrease in new work received across Scotland’s private sector in December.

The cost-of-living crisis, higher interest rates and growing economic uncertainty were all linked to the loss in client appetite.

[Activity](#) fell solidly during December, in line with a five-month sequence of reduction.

The bank’s latest [PMI](#) showed the business activity index, which is a measure of combined manufacturing and service sector output, did improve slightly from a recent low of 43.9 in November to 48.3 in December.

It signals the softest downturn in activity over the last five months.

The downturn in incoming new business across Scotland was stronger than that recorded at the UK level.

[Confidence](#) across the sector decreased for the second month

running in December.

The war in [Ukraine](#), a slowdown in the housing market and inflation weighed heavily on confidence.

Judith Cruickshank, chair of RBS's Scotland board, said: "The [Scottish](#) private sector recorded another grim performance during December.

"Client appetite suffered as various economic headwinds continued to dominate the business environment. That said, the downturn across Scotland visibly eased from November, as both private sector output and new work received fell at softer paces.

"Moreover, the loss in demand helped to relieve price pressures, with slower rates of inflation seen for both input costs and output charges. Nonetheless, these remain well above their respective historical averages.

"As we move into 2023, it will be important as to how firms adjust to demand shortfalls.

"We have already noticed the first reduction in employment since March 2021.

"Moreover, amid a high inflation and interest rate environment, it will be difficult to revive demand and (that) will be the primary concern for businesses."