

MARKET REPORT - November 2020



Cattle Update

- After reaching a year-to-date peak of just over 389p/kg in late August and early September, the average prime cattle price at reporting Scottish abattoirs softened by around 1.8% over three weeks. Following five weeks ranging from 381-383p/kg, prices then began to climb again, trading at 387-388p/kg in mid-November.
- Prices have shown a slightly different seasonal pattern this autumn compared to the three and five year averages. As a result, premia over these averages dipped from around 5% between mid-August and mid-September to around 4% for a month, before widening again, reaching 5-6% in November. Meanwhile, prices have spent much of the autumn around 13% higher than 2019.
- Since mid-October, prime cattle prices have been at their second highest recorded level for the time of year, moving slightly ahead of 2017 and 2018 levels. After spending October around 7% below their 2013 peak, the gap closed to 5-6% in the second and third weeks of November.
- R4L steers made 392.6p/kg in the week ending November 21, which was 2.8p (0.7%) below their late August peak, but 15% above their late-April low (341.5p/kg) and 12.6% above year earlier levels (348.6p/kg). They were up 1.4% over four weeks and by 1.1% over eight weeks. Nevertheless, prices trailed their all-time peak of 423.2p/kg in July 2013 by 7.2%.
- In England & Wales (E&W), the average prime cattle price spent six weeks at 362-3p/kg, before a 7.5p lift over three weeks took it to a new year-to-date high of 369.7p/kg. This was up 15.8% on last year and 1.5p above the August peak. R4L steers traded at 382.6p/kg in the week to November 21, 1.5p above the summer peak and 13.9% above last year.
- For two months from mid-September, Scottish prime cattle prices averaged 5.6% above the E&W average. In the first half of this period, this was around a percentage point smaller than at the same point in 2019, and it closed further in the second half of the period. The third week of November then saw the gap decline to an unusually low level for the time of year (4.7%), due to disruption in the processing sector. For R4L steers, the Scottish premium has also narrowed, averaging 3% in the six weeks to November 21, down from 3.8% in Q3 and a peak of around 5% in June.
- UK slaughter statistics point to a significant tightening of prime cattle supplies in September and October, with the weekly average kill falling behind year earlier levels by 2.6% and then 7.3%; the latter reflecting a decline between September and October against the seasonal trend. This followed summer growth, which had peaked above 11% in July. However, the cumulative kill over the first ten months of 2020 was still up 2.1% on 2019, underpinned by a near 5% lift in heifers as males were flat.
- At Scottish abattoirs, weekly prime cattle slaughter unusually dipped between August and September, sliding by more than 5%. With slaughter reaching an early peak in September 2019, this saw numbers fall sharply behind year earlier levels (-16%); though they also trailed the 2015-19 average by around 11%. After steadying relative to a year earlier in the first three weeks of October, the final week saw a 6% decline, resulting in an overall monthly decline of around 2% on 2019.

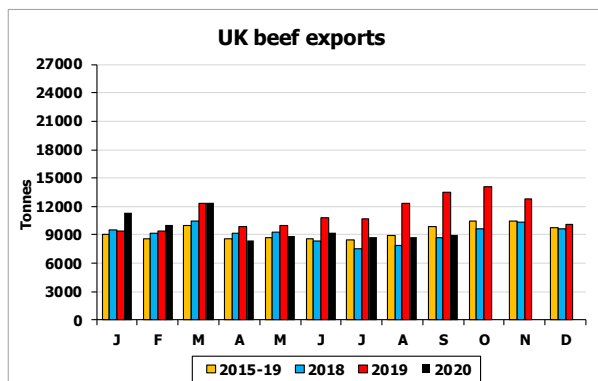
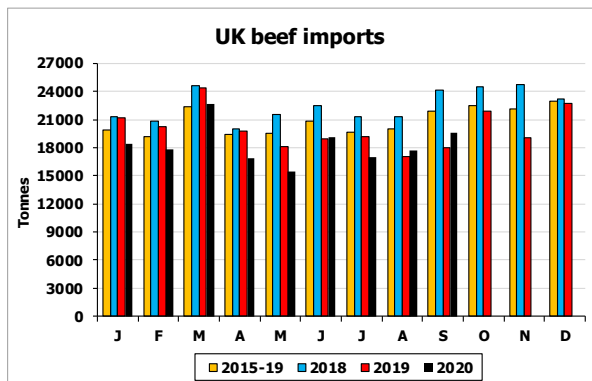
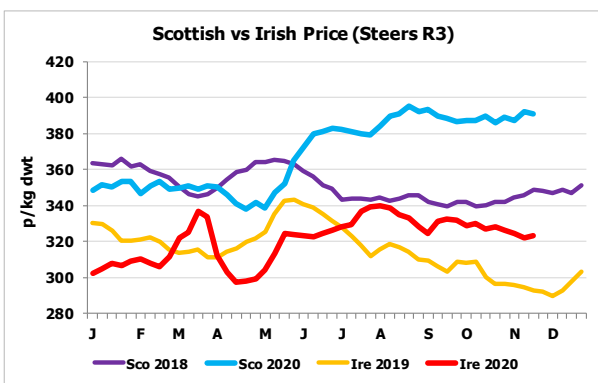
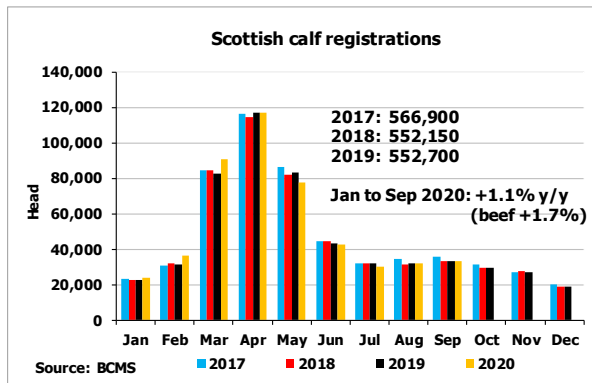
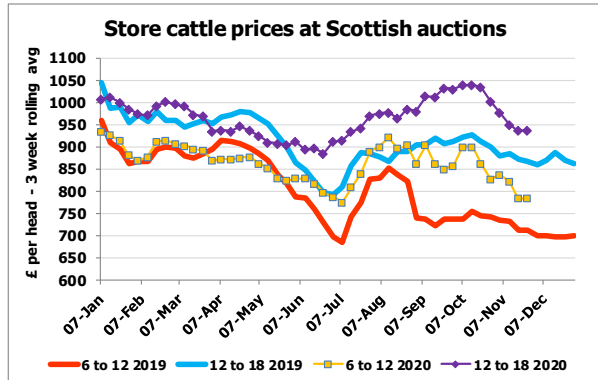
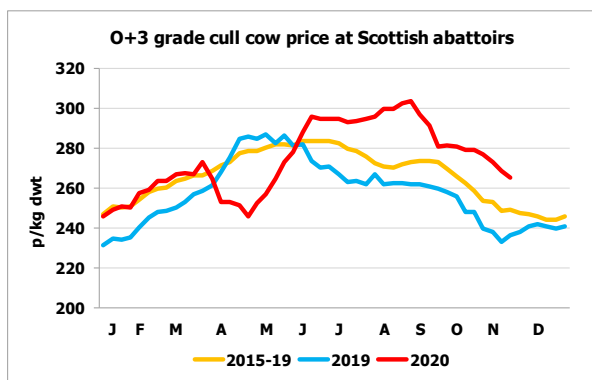
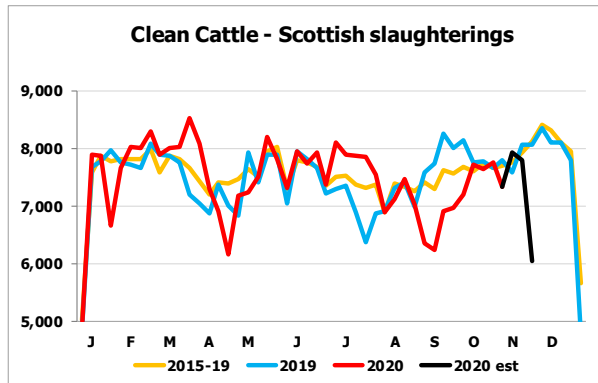
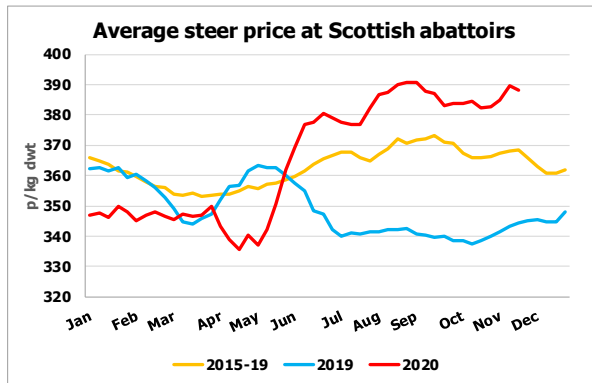
- In the first ten months, Scotland's cumulative prime kill was unchanged on twelve months before, with a 1.8% lift in heifers offset by a 1.2% reduction in males (steers -0.8%; young bulls -3.3%).
- Carcase weights have been significantly lighter at Scottish abattoirs in 2020, averaging nearly 1% lighter through the first third of the year and then around 2% lighter between May and mid-September. The rate of decline then eased back to around 1% in the six weeks to the end of October. As a result, prime beef production has fallen.
- Data from price reporting abattoirs signals a recovery in kill in the first week of November from the sharp decline at the end of October. However, there was then a dip back against the seasonal trend in the second week of the month, before a sharp decline in the third week of November. Covid-19 has begun to have some impact on slaughter, leading to volatility from week-to-week.
- At E&W price reporting abattoirs, the first half of November saw prime cattle numbers rise to their highest level since July but remain behind year earlier levels. Numbers then pushed above year earlier levels for the first time since August in the third week of the month; though numbers still trailed 2019 at GB level.
- At Scottish abattoirs, -U4L steer prices have continued to average around 2p less than R4L steers over a four-week period despite lighter carcase weights (seasonally and annually) suggesting that fewer carcasses will be facing penalties for exceeding target weights. For heifers, there was a 2.6p lead for -U4L grades over R4L.
- After falling in 2019, cow processing continued to slide at Scottish abattoirs until mid-May before sharply reversing. Year-on-year growth averaged above one-quarter between mid-May and October, though the pace did slow to just under a fifth in the six weeks to the end of October.
- Weekly cow slaughter took a step-change higher in October after only edging up through the third quarter, exceeding the Q3 average by 13%. This may have been a factor behind the renewed seasonal downturn in cow prices between mid-October and mid-November, with a reduction of around 5% following near-stability in the previous month. Prior to that there had been a reduction of around 7% from the mid-August peak. In the third week of November, O+3 grades averaged 259.1p/kg; around 9% higher than the same week of 2019 and 4% above the 2015-19 average.
- HMRC data indicates that UK beef import volumes returned to year-on-year growth in August and September after declining in six of the first seven months. However, some of this reflects the low level of imports in these months in 2019 when Irish processing had been disrupted by producer protests; volumes were still around 11% below the five-year average. Non-EU suppliers accounted for only 3.8% of September imports, up from under 2% in Q2, but still well below last year's levels (8.6% in September) due to reduced requirements in the foodservice sector.
- After continuing to rise in Q1 2020, UK beef exports contracted by more than 13% year-on-year in Q2. The declines accelerated through Q3, reaching one-third in September. This partly reflected strong growth in autumn 2019, and volumes almost matched September 2015-18 levels. However, year-on-year declines in exports to Ireland were below average. Exports to non-EU countries fell by 24% in Q3 having risen by nearly 50% in the first half of 2020. They accounted for 19.2% of shipments.

- Kantar data shows that while growth in fresh beef sales at GB retailers slowed from annual growth rates of 20-25% in spring and early summer as people began to eat out more often in late summer and early autumn, it remained in double-digits in the twelve weeks to November 1, rising 10.6%. Spending on frozen beef continued to grow strongly, up nearly a third, and only slightly down on the average growth rate since the spring. For burgers, growth slowed slightly from late summer levels to 15%, but it had peaked at 40-50% in the spring and early summer.
- In the Irish Republic, prime cattle slaughter reached its highest levels in October since before the pandemic hit. However, a public holiday week to end the month meant that the weekly average was only 2% higher than in September and 2.7% above the average since slaughter returned to normality in June after the disruption of the spring. Numbers trailed year earlier levels by around 6%, although last year processors had a backlog of cattle to deal with following producer protests in August and September. Cow processing continued to pick up seasonally and was around 13% higher than last year, but it did remain well below the July peak.
- Since reaching a year-to-date high in early August, Irish R3 steer prices have fallen in 13 of 15 weeks. However after falling by more than 3% in a month, they then eased by only 1% over the next ten weeks, and then showed a 0.4% recovery in the third week of November, to trade at €3.61/kg. At this level, prices were 6.1% above the April low and 5.6% higher than last year but still 1.9% below their level in the third week of March.
- Irish R3 steers were equivalent to 325p/kg in the week to November 22; 9.4% higher than last year, when sterling had firmed in the run up to the UK General Election.
- Scotland's R3 steer price premium over Ireland has held firm since Irish prices dipped below their August peak, averaging above 18% and ranging from 16-21%. This compares with a year-to-date average of 14.2%.
- EU average prices for R3 male prime cattle have been relatively stable since late May. However, their year-on-year deficit widened from 1-2% in August and September to 3-4% between mid-October and mid-November. From 14-15% below UK levels in September and October, the gap widened to 17% in November.
- EU cow prices have cooled seasonally; however, the gap to last year has widened from 1% in mid-October to above 5% in mid-November, reflecting an unusual late-year recovery in 2019. In mid-November, they were 7.5% below the UK average. Irish cows were 5.8% dearer than the EU average compared to a 2.9% lead for R3 males.
- In the USA, slaughter numbers have held close to 2019 levels into November despite spiking covid-19 infection rates and high absenteeism amongst processing plant staff. With year-to-date kill still down nearly 4%, supplies are likely to be weighing on the market, helping explain year-on-year declines of 4-7% for farmgate and wholesale prices. However, weights have returned to a more normal level and prices have taken a seasonal upturn, with retailers stocking up as people become less likely to eat out.
- After sliding during October, a rally in the first half of November took US prime steers to their highest since early June. Steers were equivalent to 287.3p/kg – more than a quarter below Scottish levels and 11% below Irish levels.
- US by-product values have continued to recover through the autumn, with the value of the fifth quarter closing its year-on-year deficit to 5% in mid-November from 15%

in late August and 20-25% in Q2. While prices have risen by a quarter from their low, continuing weakness reflects soft global leather and energy markets.

- Over the main autumn selling period between September and the end of October, store cattle values returned back to similar levels to the spring, after two years of much stronger spring seasons. Values peaked around the beginning of October, with 6-12-month steers making around £900 and 12-18-month steers £1,040. However, prices did drop off significantly in the second half of October, before continuing to slide into November, with the younger group making £785 and yearlings £938 in the first three weeks of the month.
- Over the main selling period, 6-12-month steers averaged around 15% dearer than last year while 12-18-month steer prices were up by about 12%. However, moving into November and year-on-year increases have averaged a smaller 8-10%.
- At £825 in October the average 6-12-month store steer was 57.8% of the finished steer carcase price at Scottish abattoirs (£1,427), while 12-18 month steers averaged 70.5% of this, clearing at £1,007.

Cattle Charts



Sheep Update

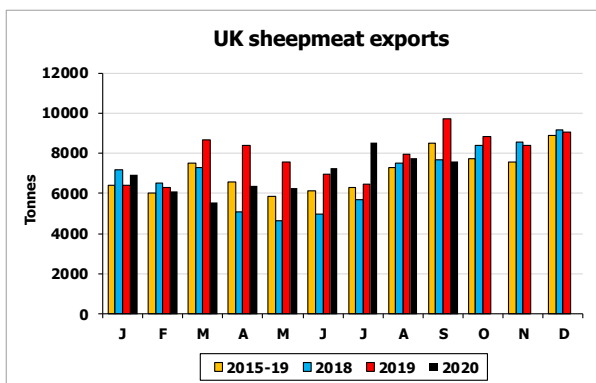
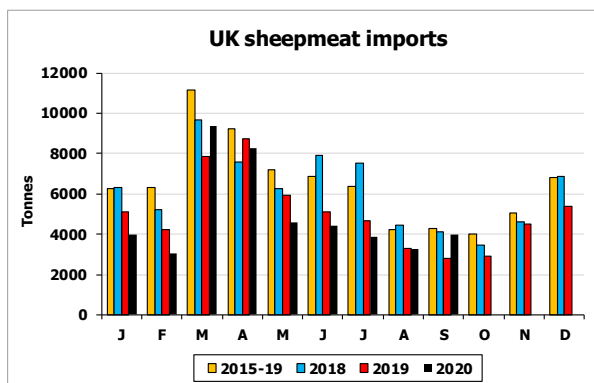
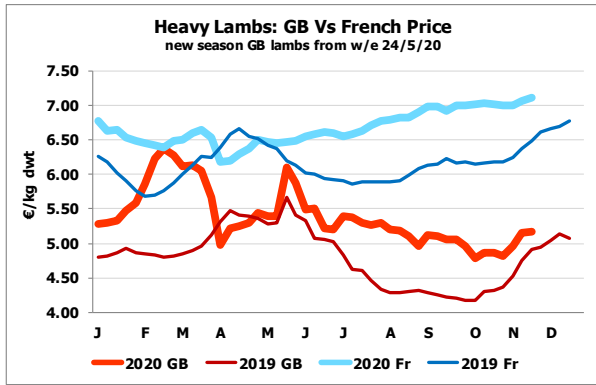
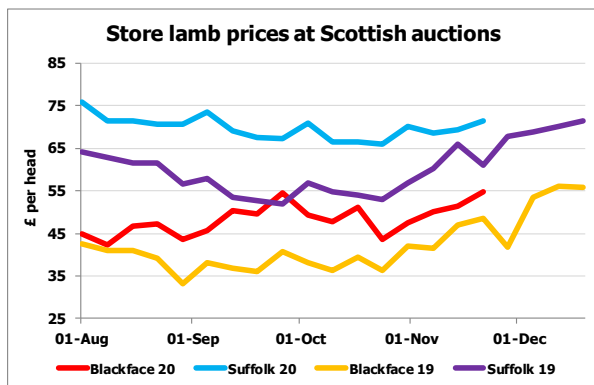
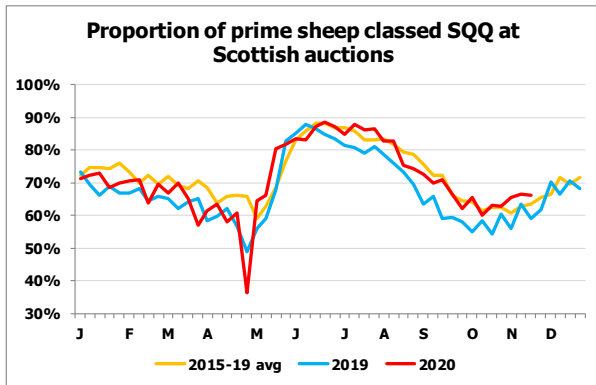
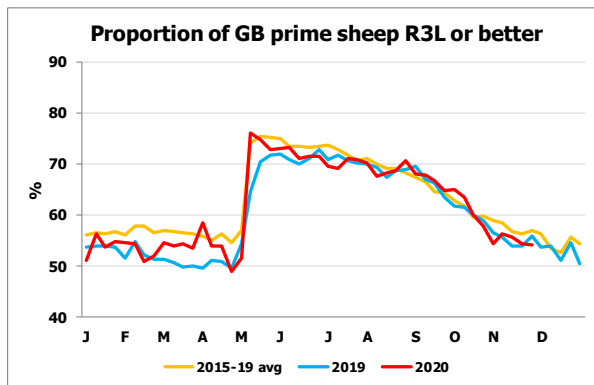
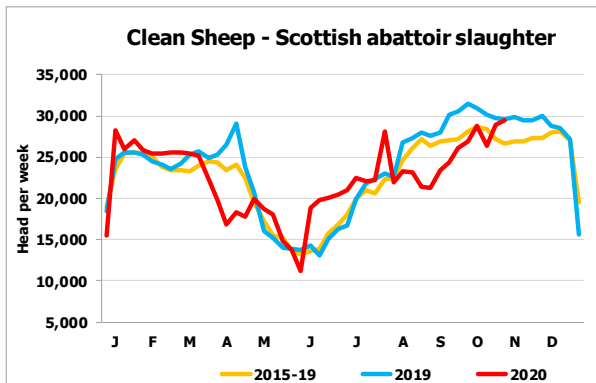
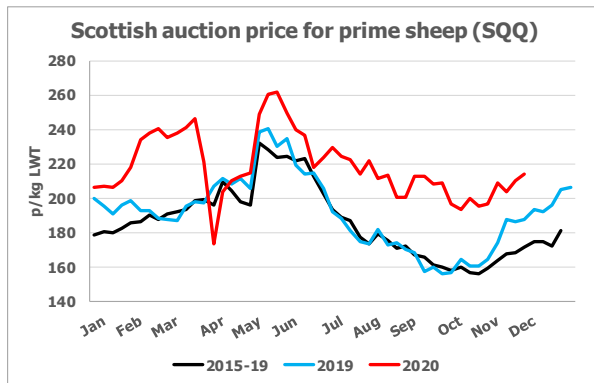
- This autumn, the prime lamb market low was between late-September and the end of October, with prices averaging 195-200p/kg at Scottish auctions over this period. With this low coming slightly later than in 2019, year-on-year price increases slowed from 25-35% in September back towards the 20% mark in October. However, increases against the five-year average slowed by less; from an average of 28% to 24%.
- Moving into November and the market has taken a traditional seasonal upswing, lifting to average 210-15p/kg in the second half of the month. However, last year's upturn was particularly sharp in the first half of November, so year-on-year increases have slowed towards 13% whereas the lead over the five-year average has continued to average around 25%.
- Auction volumes at Scottish marts reached an autumn peak in September, averaging nearly 26,200 head. This was 19% higher than August and 48% above year earlier levels. However, the October average volume fell back slightly below August levels; though it was still up 12% on 2019. In the four weeks to November 25 there was a 10% recovery from October's weekly average, but numbers remained well below the previous peak and were only 1.5% higher than 2019, when marketings had peaked in November. In the season-to-date, numbers have risen by 22.5%.
- Across GB, the autumn peak was also in September. However, numbers averaged less than they had in July, when the second half of the month had seen a surge in marketings ahead of Eid al-Adha. In October, there was a 10% reduction from September, but then a lift of more than 7% in the four weeks to November 25th.
- Compared to a year earlier, GB prime sheep auction volumes were 25% higher in September, slowing to 8.6% growth in October and 4.7% in the three weeks to November 25th. In the season-to-date, new season lamb numbers were up 14.7%.
- Relatively stronger supply at Scottish sales may have been a contributing factor behind lower prices at Scottish sales than in England & Wales in most weeks. Between August and November, Scottish prices averaged 0.8% lower.
- At abattoirs in England & Wales, slaughter numbers declined year-on-year for the first time in the season-to-date in October, falling by 5.3%. However, over the June to October period, numbers were 4.4% higher.
- In Scotland, 15,000 fewer prime sheep were processed in the June to October period than in 2019, a decrease of 2.8% to 520,700 head. After a quick start to the season, slaughter was then sharply lower in August and September, down 16.1% on 2019, with the gap slowing to -5.7% in October, and almost catching up by the final week of the month.
- While still lower than last year in October, weekly prime lamb slaughter at Scottish abattoirs did climb by 16.2% from September to reach 28,400 head.
- Although up slightly from September, carcase weights at Scottish abattoirs continued to trail 2019 levels in October, averaging around 20.2kg compared to 20.3kg in October 2019. This continues to fit with auction market data showing a higher proportion of lambs weighing within the 25.5-45.5kg SQQ weight range this season.
- Cull ewe auction volumes have fallen back significantly from their autumn peak. In the five weeks to November 25, numbers averaged 28.5% lower than in the ten weeks

between mid-August and the third week of October. They were also 6.7% below year earlier levels, having been 23% higher in the previous ten weeks.

- At UK abattoirs, Defra data indicates that cull ewe slaughter has contracted heavily in 2020, down 15% in the first ten months. September and October were no exception, down 11% in the former and then by 24% in the latter. Weekly slaughter fell by around 9% between September and October.
- Cull ewe prices were relatively stable at Scottish auctions between mid-August and mid-November, averaging just over £61 a head and ranging between £58 (mid-October) and £65 (late August). Year-on-year price increases peaked at 20-35% through September, eased to around 15% in October, and then slipped below 5% in mid-November. However, prices rallied by 9% in the week to November 25th, reaching a 16-week high of £67; though the year-on-year increase dipped below 4%.
- While fresh lamb sales growth in the GB retail sector has slowed from its peak of around 25% year-on-year over a 12-week period in the summer, according to Kantar data it has held firm into the autumn, growing at the same 15% year-on-year rate in the 12 weeks to October 4th and then November 1st. Spend on lamb mince has been underpinning overall growth, with smaller increases for chops, steaks and leg roasts.
- Narrowing down to four-week periods, retail spending on lamb had slowed from a peak of 38% in the four weeks to mid-July, to 23% in the four weeks to August 9th and then dropped below 12% in the four weeks to September 6th as people reacted to increased opportunities and incentives to dine out. After a slight recovery in the four weeks to early October, spending growth then climbed to 22.5% in the four weeks to November 1st.
- UK sheepmeat imports rebounded above 2019 levels by a fraction in August and moved more than 40% higher in September. Nevertheless, imports were still below the five-year average; by more than a fifth in August and by 6.2% in September.
- Beef + Lamb New Zealand have forecast a 4.2% decline in the NZ lamb crop this year, and October export volumes fit this pattern of tighter supply with total overseas shipments 15% lower than last year, led by a 22% decrease in sales to the largest market, China. Meanwhile, trade with the UK, France and Germany also contracted, but more product was diverted into the USA. China still took half of the total export volume, and the UK 11%.
- Late lamb marketing at the end of NZ's October 2019 to September 2020 season had seen the volume of lamb arriving in the EU in October surge above 2019 levels, but the October export data suggests that this has reversed again in November.
- UK sheepmeat exports had recovered back above 2019 levels in June before surging in July due to the earlier Eid al-Adha. While they dipped back behind 2019 by 2% in August, over the two months they were still 13% higher. In an unusual development for the time of year, provisional data for September suggests that monthly shipments were slightly lower than in August, resulting in a year-on-year decrease of 22% and an 11% fall relative to the five-year average.
- Sales to France declined at an above-average rate in both August (-13%) and September (-24%) but were only 3% lower in Q3 as a whole due to a 44% pre-Eid surge in July. In Q2 exports had been 17% behind 2019 levels; and by 15% in Q1.

- Farmgate prices across much of the EU have held firm into the autumn. However, Spanish prices have steadied since falling back in September and this has taken them back below 2019 levels. This means that the EU light lamb average is flat year-on-year, while the heavy lamb average slowed to a 10% year-on-year increase in the third week of November.
- In France, lamb prices have begun to increase again in November after a stable October, with tight supply reportedly more than offsetting weak demand. Prices have firmed by 1.6% since the beginning of November to reach €7.11/kg (£6.36/kg). However, a slower seasonal upturn than in 2019 has seen the year-on-year increase slow to 10% from 14% in October. Prices were 38% above the GB average in late November, down from 45% in October.
- Wholesale lamb prices at the Rungis market in Paris have held relatively stable this autumn. In late November, R grade 16-22kg carcasses with medium fat cover traded at €7.60/kg (£6.77/kg) for French origin and €5.90/kg (£5.26/kg) for imports.
- If importers had to pay an EU tariff of 12.8% + €171.30 per 100kg, a €5.90/kg price for a 20kg carcase would have to fall to around €3.71/kg to still cost the importer €118. This is a reduction of 37.1%.
- In October, the number of store lambs traded at Scottish marts was around half the weekly averages of August and September, with a further fall of around 40% in the weekly average in the first three weeks of November. An early marketing schedule resulted in considerable year-on-year increases of 18.3% in August and 8.7% in September, but then declines of 7.6% in October and 1.7% in November.
- Cumulative store lamb marketings have risen by 35,400 head (8%) between the final week of July and third week of November, accounting for just over half of the increase in lamb crop reported in the June census. This fits with large increases in lamb numbers reported in Highland and Tayside regions.
- With volumes falling back, store lamb values have taken a seasonal lift in November. Blackface lambs have risen to average around £52 in November compared to £47 in October and £50 in September, while Suffolk lambs have returned to around the £70 mark after falling back towards £67 in October. At these levels, prices have been around 14% higher than last year for Blackface and 12% higher for Suffolk stores.

Sheep Charts



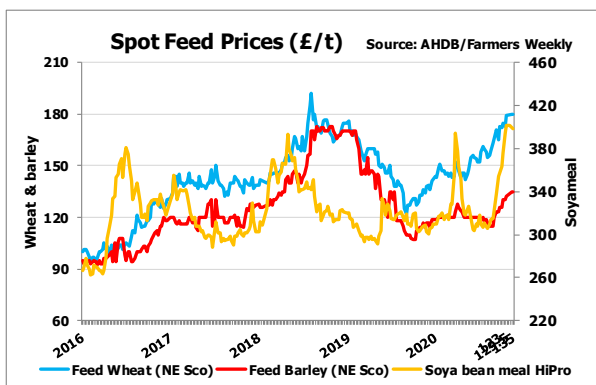
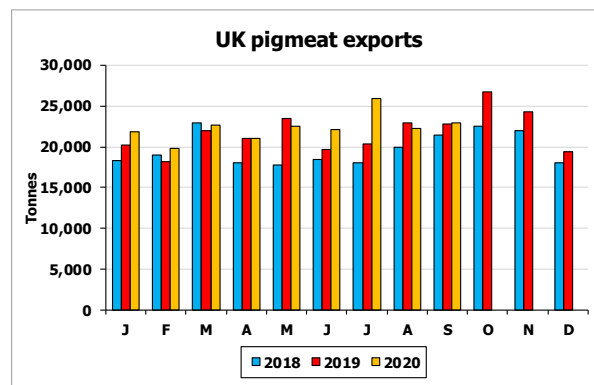
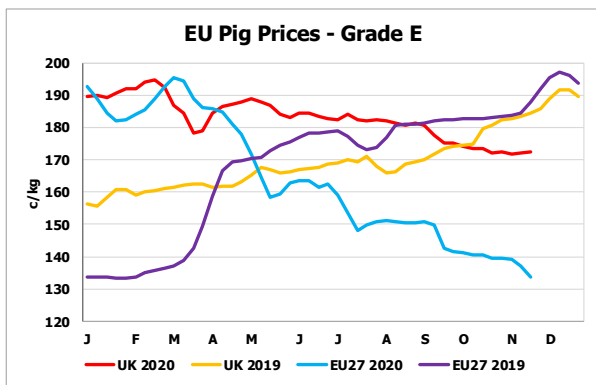
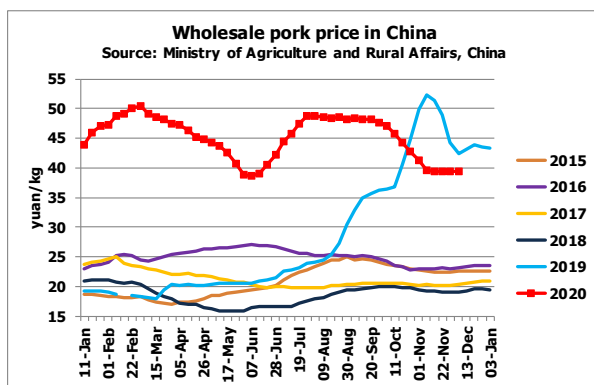
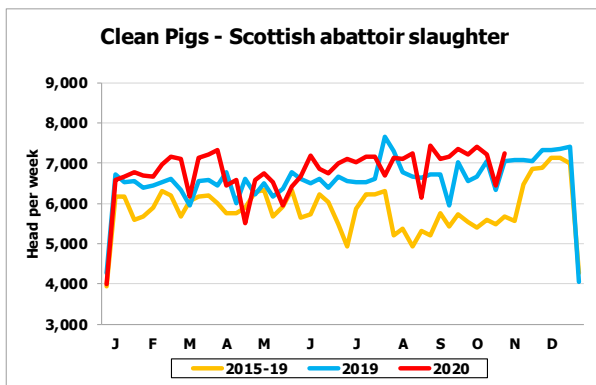
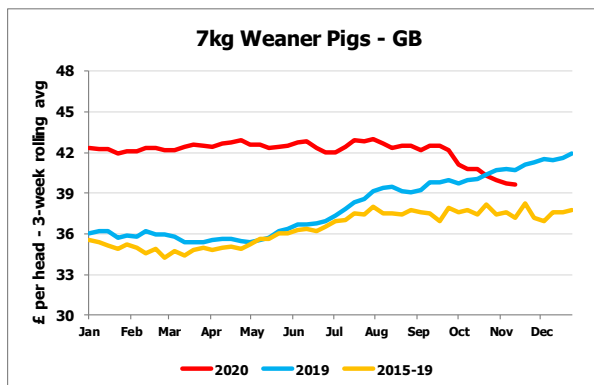
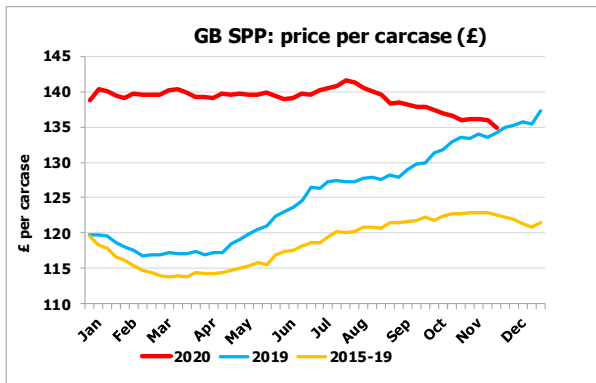
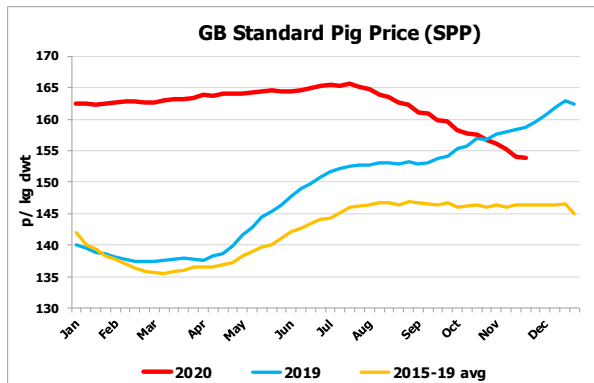
Pigs Update

- Farmgate pig prices have been on a traditional seasonal downturn since mid-July. Meanwhile, the autumn of 2019 had seen an unusual upturn, linked to the strength of the global market due to the shortage of pork in China. As a result, per kilo prices dropped slightly behind year earlier levels in late October.
- At 153.9p/kg in the week ending November 21, the GB Standard Pig Price (SPP) was 11.7p (7.1%) below its mid-July peak, having fallen for 18 straight weeks, and 4.7p (3%) below the same week in 2019. Meanwhile, the average price for 70-104.9kg carcasses was down 11p (6.6%) from its summer peak, averaging 155.4p/kg.
- However, rising carcase weights have offset some of the reduction in per kilo prices of late, underpinning overall carcase value, which remained higher than in mid-November 2019. At £134.93, the average carcase was valued £6.65 (4.7%) less than in mid-July but still 71p (0.5%) higher than in the same week of 2019.
- Carcase weights at reporting abattoirs fell to a year-to-date low of around 84.5kg in June. After increasing in Q3 they settled at around 86.8kg for much of October, taking them around 2-2.5% above 2019. However, weights have climbed further since, reaching a new record high of 88.2kg in the second week of November and averaging 87.7kg over four weeks, placing them around 3.1kg (3.7%) heavier than a year earlier.
- While some of this year's increase in weights is thought to have been linked to export requirements, the further uplift since late October reflects a backlog of pigs on farms. This backlog has been caused by the combination of production outages due to covid-19 outbreaks at processing plants in England and an increase in pig availability, which had been forecast by AHDB for Q4 2020.
- Data from GB price reporting abattoirs highlights the significant challenges since late October. Slaughter numbers had been rising seasonally, lifting 5.7% above their summer average in the four weeks to September 26, and then by another 2.6% in the next four weeks. However, they then averaged 3.7% lower between the final week of October and third week of November, with three of the weeks seeing a reduced kill.
- Defra slaughter figures showed a year-on-year reduction of 2.1% in UK prime pig slaughter in October, with reduced output in the final week of the month likely to have played a part. In September, numbers had been 1.1% higher and the year-to-date cumulative increase stood at 0.8% at the end of October, with AHDB forecasting a full year increase of 2.4%.
- At Scottish abattoirs, weekly prime pig slaughter slipped back in October by 2.4% from September to nearly 7,100 head. However, it remained above the year-to-date weekly average and same month last year by similar margins of 4.1% and 4.5% respectively. Meanwhile, cumulative slaughter exceeded 2019 by 4% in the first ten months. Weekly sow slaughter fell by more than 15% on the month, to just under 300, placing it more than a third behind year earlier levels. Nevertheless, the year-to-date total was still up more than 10% at the end of October.
- After lacking direction at £41-43 per head for the first three quarters of the year, 7kg weaners have taken a notable downturn in prices, averaging just under £39.50 in the first half of November. This has seen prices slip towards 29% of the average carcase value, down from an average of around 30.5% in the first three quarters.

- In the 12 weeks to November 1st, Kantar data points to a continuing slowdown in spending growth on pigmeat products. Spend on fresh pork slowed to 12.5% year-on-year growth, down from 23% in the 12 weeks to early August, while spend on frozen pork cooled from more than triple year earlier levels to double. On the more processed products, spend on bacon rashers was up less than 12% on last year from close to 30% in the 12 weeks to early August, and there was almost the same degree of slowdown for sausages. However, cooked meats showed the same 11% growth rate and the rate of increase has been much more stable 8-14% throughout.
- HMRC trade data points to a surge in UK pork exports in July, with the volume exported 19% above the average across the other eight months of 2020. A reversion of volumes to around the levels seen throughout the first half of the year then resulted in a small year-on-year decline in August and marginal increase in September. However, at these levels, volumes were still 15-20% above the five-year average.
- China/Hong Kong continued to drive UK pork export growth in September. However, the growth rate did slow to just under half of the year-to-date level of 59%. This market accounted for 47.4% of the total volume exported in September, which was a fraction below the year-to-date level but up from 36.9% a year earlier.
- While July's export surge may have been boosted by the temporary closure of Germany's largest pig abattoir in late June, this does not appear to have been repeated in September after German exports were banned by many countries due to the discovery of ASF.
- Chinese wholesale pork prices have stabilised in November at around 39.40 yuan/kg (£4.50/kg). This followed a 5% decline in September and a 14% fall in October. Given that the market had surged in October 2019 and reached a record high at the end of the month, pork has been cheaper than a year earlier since mid-October. However, prices had cooled in November 2019, so the year-on-year decline has slowed from just under a quarter at the turn of the month to -7% in the final week of November.
- In China, high profits and the shift towards large-scale industrialised operations have supported a recovery in pig production. By August, the number of sows and live pigs were 30-40% higher than last year and, by the end of September, Chinese production is estimated to have recovered to more than 80% of its previous level. Meanwhile, high levels of imports and the release of pork from the national reserve around the China Day celebrations and mid-autumn festival on October 1 weighed on the market through September and October, before the market found a new balance in November. On the demand side, domestic consumption is reportedly still weak as the cost of pork is still more than double the levels of spring 2019.
- The EU slaughter pig market in 2020 has been characterised by a number of downwards price shocks, with a fourth now appearing to be underway in mid-to-late November. Back in the spring there was a fall of around 18%, as the pandemic hit foodservice sector demand; then in July, the temporary closure of Germany's largest pork abattoir, resulted in reduced competition for pigs in North West Europe, and prices fell by around 6%. The discovery of ASF in wild boar in Germany in mid-September then resulted in a further downwards market rebalancing by around 7% as German pork was effectively limited to the EU internal market. In the second half of November, prices have fallen further, with covid-19 outbreaks in processing plants leading to pigs backing up on farms and plants being blocked from exporting to China.

- By the third week of November, the average EU price for grade E carcasses was 29% below 2019 levels and 22.5% below the UK average, at the equivalent of £1.20/kg.
- UK pigmeat imports showed a seasonal uplift in September, reaching a six-month high. However, they remained well behind 2019 levels (-18%) and the five-year average (-16%), reflecting weak import demand for use in the catering sector. Pork imports were down by 16% on the year and by 6% on their 2015-19 average while bacon & ham volumes were lower by 21% on the year and 33% on 2015-19.
- London wheat futures for have continued to trend higher, reaching £191/t in late November, passing £190/t for the first time in 27 months. This has been despite some upwards revisions to global grain production forecasts, as demand remains strong. In North East Scotland, ex farm prices for feed wheat have followed the general wheat market higher, with prices climbing from around £165-70/t in September to an average of around £175/t in October and then £180/t in November. Feed barley has been rising by 4-5% per month this autumn, reaching £135/t in November. Wheat has been trading around 30-40% dearer than 2019, and barley by 15-20% dearer.
- Soyameal costs have surged in autumn 2020, with prices hitting the £400/t mark in November, up from £300-310/t during the summer. Ex store prices reported by Straights Direct point to a much smaller premium at Rosyth of around £1/t over Northern English levels in late November, well above an average of £8/t since June.

Pig Charts



Business Environment

Economic Activity:

Purchasing Managers Index (PMI) scores showed a decline in the autumn as the public health response to the second wave of covid-19 hit activity in the services sector. The composite output index slowed to 56.5 in September and then 52.1 in October from an August high of 59.1. Provisional results from November indicate the first contraction in economic activity below the 50 score of no change since June, slipping to 47.4; however this compares favourably with the spring lockdown when it had dropped to 13.8 in April and 30 in May. Redundancies increased, though some use of the furlough scheme was reported. Unsurprisingly, the manufacturing sector had a better month than services, returning to match its August peak, driven by stockbuilding at home and overseas ahead of the introduction of customs procedures in January.

Scotland's composite PMI indicator saw its deficit to the UK score widen again in the autumn as restrictions were tightened harder and earlier. At 43.2, activity was 8.9 points below the UK level in October, compared to a low of 3.3 in August but less than June's peak of 10.6.

Consumer Confidence and Spending

GfK NOP reported a sharp decline in consumer confidence between September and October, as the second wave of covid-19 took hold. The index score decreased by 6 points to -31, and then declined a further two points in November. For a prolonged period of time, sentiment around personal finances had remained in balance, but it has deteriorated this autumn, with both backward (-16) and forward-looking measures (-5) in negative territory in November.

UK retail sales excluding fuel exceeded year earlier levels for a fifth month in October, and the growth rate continued to trend higher, reaching 7.8%. Food store spending growth lagged overall sales for a fourth month, with the growth rate holding at around 3% for a fourth month, down from the 5-9% seen between March and June. Online spending growth jumped to 44% after three months averaging 35%.

Exchange Rates:

	w/e 29/11/20	November 2020			w/e 01/12/19	November 2019		
		Low	High	Avg		Low	High	Avg
€:£	89.1p	88.9p	90.5p	89.6p	85.4p	85.2p	86.4p	85.8p
\$:£	75.0p	74.7p	77.5p	75.7p	77.6p	77.1p	78.2p	77.6p
NZD:£	52.3p	51.3p	52.7p	52.0p	49.8p	49.3p	50.0p	49.6p

After a sharp downwards adjustment in the first half of September, sterling has trended higher against the euro. One factor has been greater optimism amongst financial market participants that there will be a free trade agreement in place between the UK and EU at the beginning of 2021. A second factor was the Bank of England's decision to hold interest rates in November, when there had been some expectation of negative interest rates. An historically weak sterling underpins the competitiveness of domestic product at home and overseas.

The NZ dollar has firmed in value against sterling since the NZ election in mid-October, supported by the lack of restrictions on economic activity within the country. Spiking case numbers in the US have seen the US dollar come under pressure despite its 'safe-haven' status, with electoral uncertainty also playing a part.

Iain Macdonald, November 2020