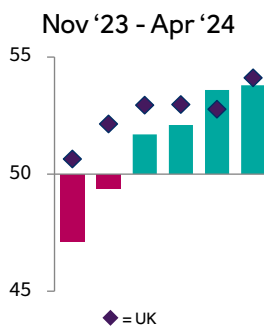




Royal Bank of Scotland PMI[®]

Business activity rises further in April

Scotland Business Activity Index



Key findings

Service providers drive private sector expansion

Sustained rise in new business

Price pressures intensify

The headline Royal Bank of Scotland Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – ticked up slightly from 53.6 in March to 53.8 in April, thereby signalling the sharpest rise in Scottish private sector output since April 2023. Again, the upturn was heavily reliant on the service sector, where a strong expansion in activity helped offset a steeper decline at manufacturers. In fact, the divergence between the two sectors was among the largest recorded in over 26 years of data collection.

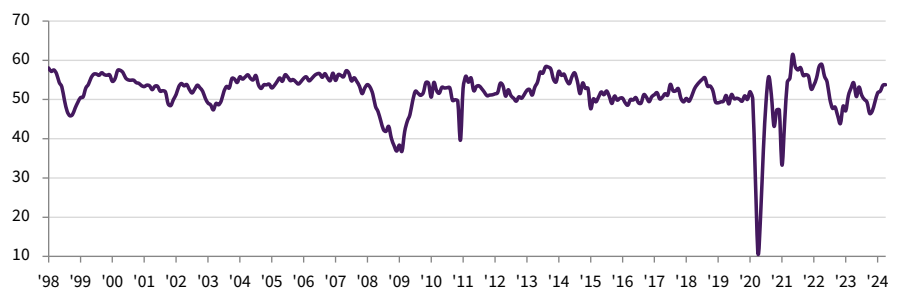
The trend in output reflected underlying demand conditions. Manufacturers posted another drop in new orders, while services firms reported a further rise in inflows of new work.

Judith Cruickshank, Chair, Scotland Board, Royal Bank of Scotland, commented:

"Scottish private sector companies signalled a solid start to the second quarter, with expansions now noted in each month of 2024. Activity rose at a quicker pace as growth in new business was sustained. However, as has been the case since the current expansion in activity began, growth was limited to service providers, while the manufacturing sector remained in contraction territory. Moreover, inflationary pressures also quickened notably, with service firms being the main reason behind the stickiness in prices and charges."

Scotland Business Activity Index

sa, >50 = growth since previous month



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About the Scotland PMI® report

The Royal Bank of Scotland PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 500 manufacturers and service providers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

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, for the manufacturing and services sectors. 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. Comparable manufacturing and services indices

are then weighted together to form a composite index, with the weights based on official value added data.

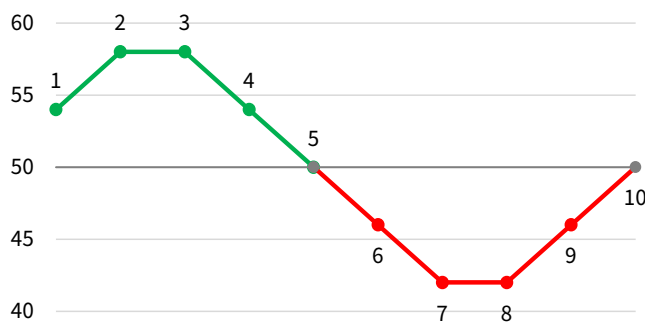
The headline figure is the Business Activity Index. This is a composite index calculated by weighting together the Manufacturing Output Index and the Services Business Activity Index. The Scotland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Scotland PMI', but is not comparable with the headline UK Manufacturing PMI figure.

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@spglobal.com.

Index interpretation

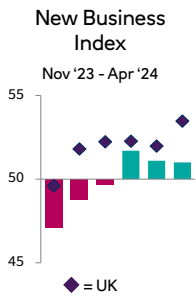
50.0 = no change since previous month



- 1 Growth
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change from decline



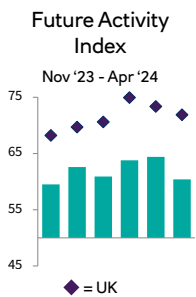
Demand and outlook



New business

A third consecutive monthly rise in new business was recorded across Scottish private sector firms in April. The rate of growth was broadly unchanged from that seen in the previous month and modest overall. The upturn again was centred at service firms, which helped mask the sharp and deepening downturn observed at manufacturers. New contract wins and increased investment were said to have driven sales.

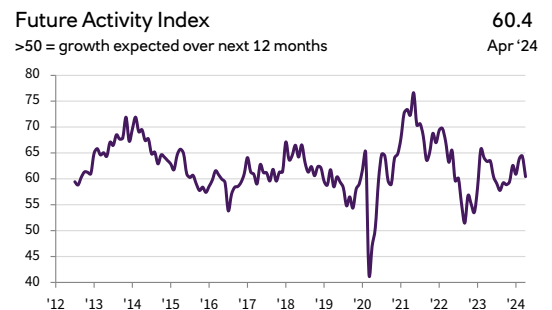
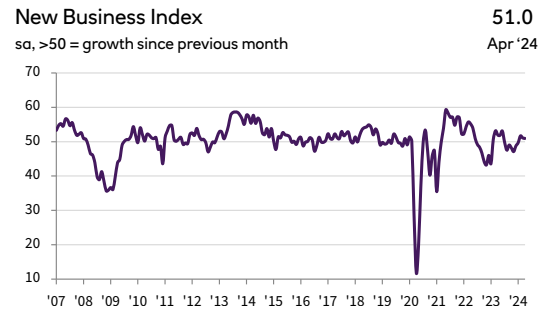
However, the rate at which new work rose across Scotland continued to lag the UK-wide average.



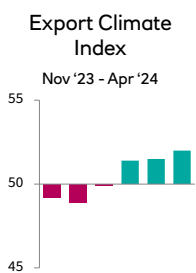
Business expectations

Sentiment surrounding the outlook for private sector activity remained positive across Scotland in April. Firms were hopeful that increased demand conditions would support future expansions in activity.

That said, the degree of confidence slipped to a five-month low and was historically muted. Moreover, Scotland was the least optimistic of all 12 monitored nations and regions.



Exports

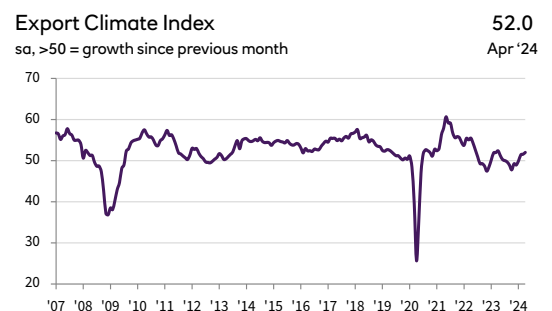


Export conditions strengthens to 12-month high

The Scotland Export Climate Index (ECI) is calculated by weighing together national PMI output data according to their importance to manufacturing exports of Scotland. This produces an indicator for the economic health of Scotland's export markets.

Up from 51.5 in March to 52.0 in April, the latest ECI reading indicated the strongest improvement in export market conditions since April last year.

All of Scotland's top five export markets saw output rise, with Netherlands – the biggest market for Scotland – signalling the fastest expansion.



Top export markets, Scotland

Rank	Market	Weight	Output Index, Apr '24
1	Netherlands	19.4%	52.8
2	Ireland	13.5%	50.4
3	USA	13.2%	51.3
4	France	9.0%	50.5
5	Germany	8.9%	50.6

Business capacity

Employment

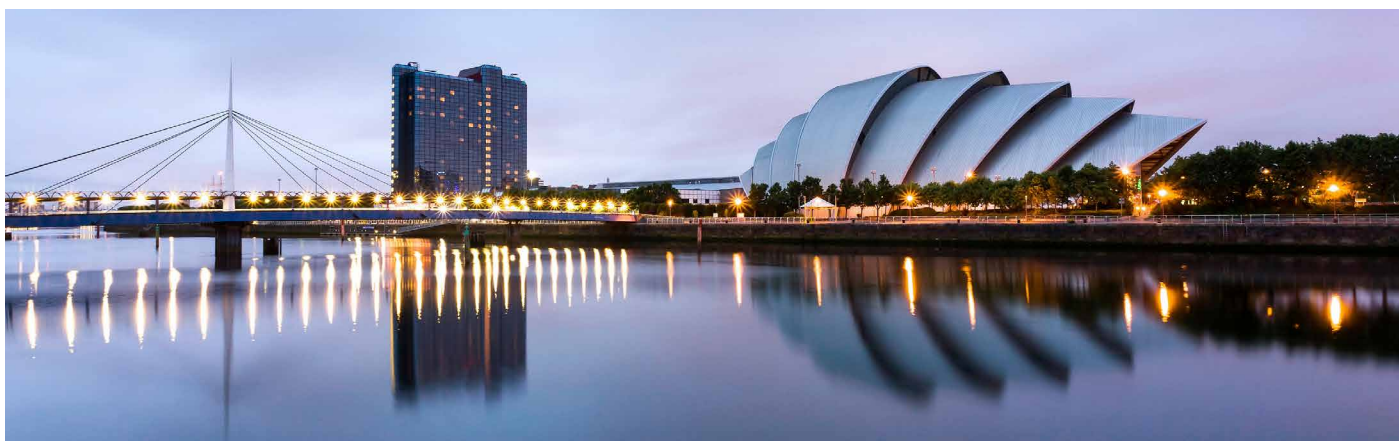
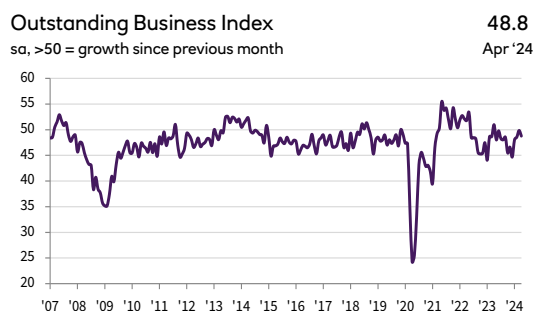
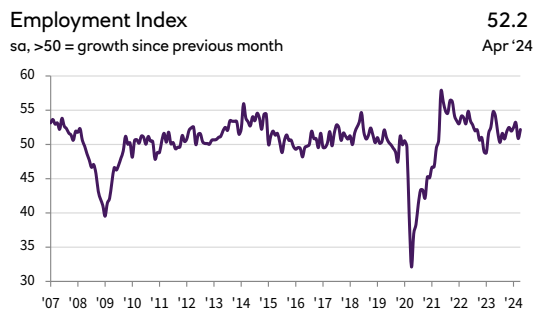
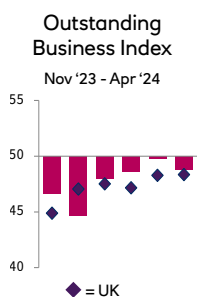
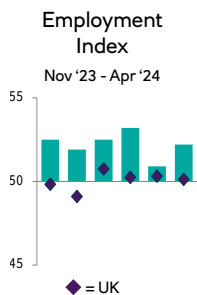
Private sector companies across Scotland continued to raise their staffing levels in April, with expansions now noted for the fifteenth straight month. Moreover, the rate of job creation quickened from March's six-month low and was solid overall. Again, job creation was centred at service firms, although the downturn across manufacturers moved closer to stabilisation.

Of the 12 monitored regions, Scotland recorded the second-strongest rise in workforce numbers, only slightly behind Northern Ireland.

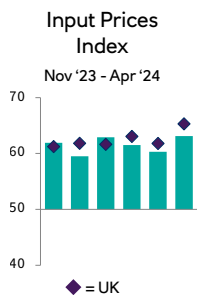
Outstanding business

Scottish firms recorded a twelfth successive monthly decline in incomplete business at the start of the second quarter. The rate of backlog depletion quickened from March's nine-month low, amid a steeper decline at goods producers. Manufacturers commonly blamed the downtick to falling inflows of new orders.

That said, of the 12 monitored regions and nations, Scotland recorded the softest drop in backlogs of work. London and Northern Ireland were the only two areas to record expansions.



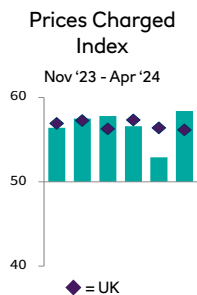
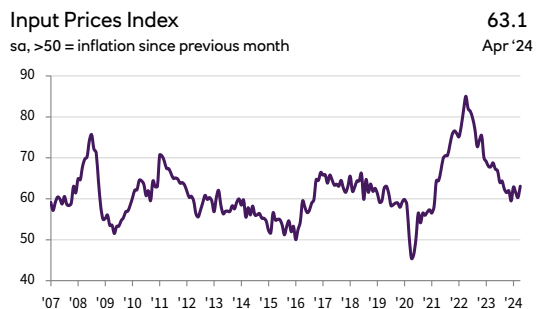
Prices



Input prices

Scottish private sector firms recorded a sharper rise in input prices during April. The rate of cost inflation was the fastest for eight months and rapid overall. The uptick in costs was again led by the service sector, while manufacturers saw input price inflation ease to a four-month low. Anecdotal evidence linked higher costs to growing salaries, utilities and raw material prices.

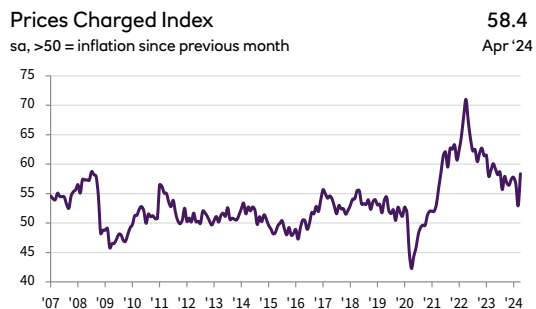
However, of all the tracked regions and nations, Scotland's private sector registered the weakest uptick in cost burdens.



Prices Charged

After registering the weakest rise in over three years in March, the rate of output charge inflation strengthened notably in April. In fact, charges were raised at the strongest pace in nine months with firms linking this to higher cost burdens.

When compared to the other monitored tracked regions and nations, only the North East registered a the stronger rise in output prices.



Scotland Manufacturing PMI

Downturn in manufacturing continues

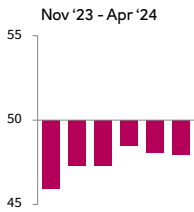
The seasonally adjusted Scotland Manufacturing PMI - a composite single-figure indicator of manufacturing performance – fell to a three-month low of 47.9 in April from 48.1 in March, and thereby signalled a stronger deterioration in operating conditions.

Sharper and accelerated contractions were noted for both new orders and output during the latest survey period. That said, the downturn in manufacturing employment broadly stabilised, as only a fractional fall in workforce numbers was observed.

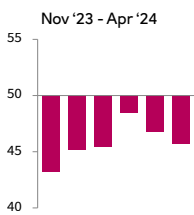
Turning to prices, inflationary pressures continued to abate, with input prices and output charges rising at the weakest rates in four and six months respectively.

While manufacturers continued to anticipate expansions in output in the year ahead, the degree of sentiment softened from that seen in March and remained historically subdued.

Manufacturing PMI



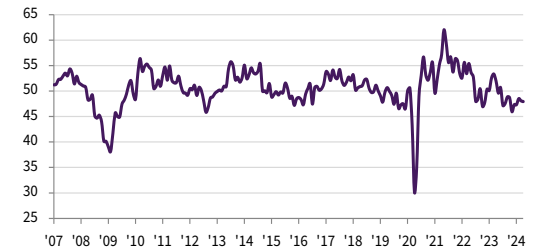
Output Index



Manufacturing PMI

sa, >50 = improvement since previous month

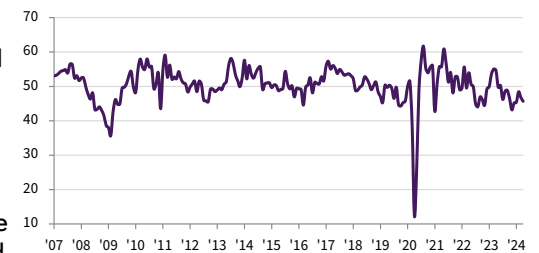
47.9
Apr '24



Output Index

>50 = growth expected over next 12 months

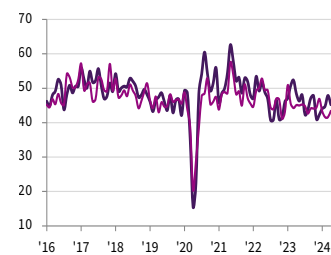
45.7
Apr '24



New Orders Index

New Export Orders Index

sa, >50 = growth since previous month



Future Output Index

>50 = growth expected over next 12 months

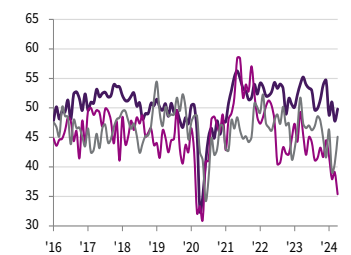


Employment Index

Backlogs of Work Index

Stocks of Finished Goods Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

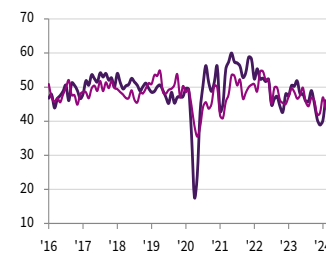
sa, >50 = faster times since previous month



Quantity of Purchases Index

Stocks of Purchases Index

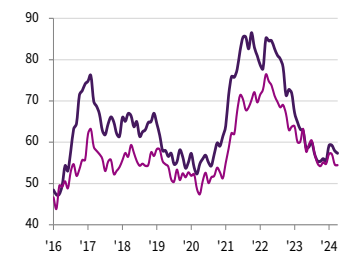
sa, >50 = growth since previous month



Input Prices Index

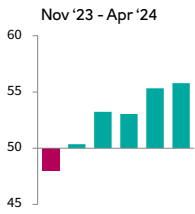
Output Prices Index

sa, >50 = inflation since previous month



Scotland Services PMI

Business Activity Index



Service sector growth ticks up to a near two-year high

The seasonally adjusted Scotland Services Business Activity Index ticked up for the second straight month to 55.8 in April, from 55.3 in March. The latest reading indicated a sharp rise in activity, which was the strongest in nearly two years.

Supporting growth in activity was a solid and accelerated rise in inflows of new work, with service providers now recording a fifth consecutive rise in new business. Additionally, with growing business requirements, firms continued to build their workforces for the ninth straight month in April. Moreover, the rate of job creation quickened on the month. Less positively, sentiment regarding the outlook for activity weakened to a five-month low and remained subdued by historical standards.

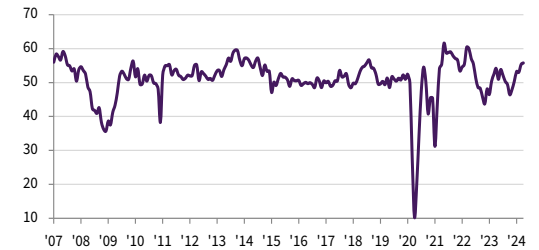
There were signs of stronger inflationary pressures. The rates of input price and output charge inflation both jumped from those seen in March to eight and 11-month highs respectively.

Business Activity Index

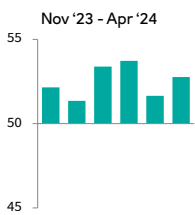
sa, >50 = growth since previous month

55.8

Apr '24



Employment Index

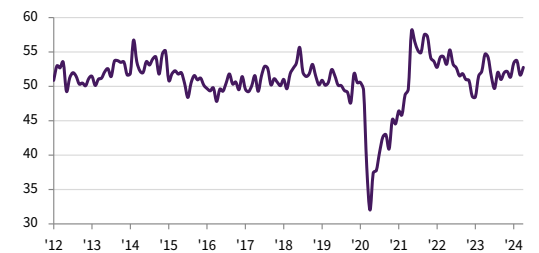


Employment Index

sa, >50 = growth since previous month

52.8

Apr '24



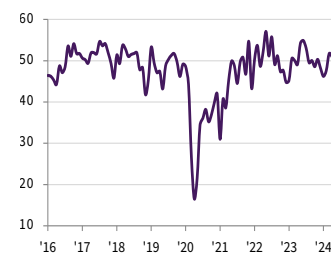
New Business Index

sa, >50 = growth since previous month



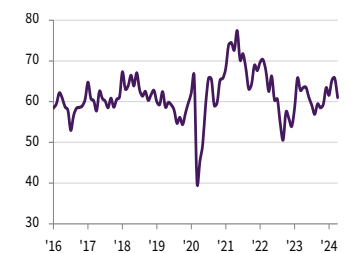
New Export Business Index

sa, >50 = growth since previous month



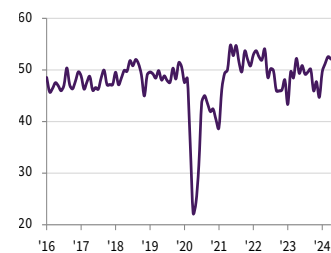
Future Activity Index

>50 = growth expected over next 12 months



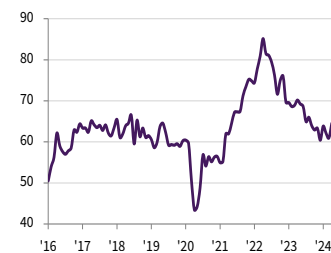
Outstanding Business Index

sa, >50 = growth since previous month



Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

sa, >50 = inflation since previous month



UK Sector PMI

Sector specialisation: Scotland

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for Scotland, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

Scotland specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Apr'24*
1	Food & Drink	1.89	
2	Mechanical Engineering	1.15	
3	Textiles & Clothing	1.13	
4	Electrical & Optical	1.04	
5	Timber & Paper	1.04	
6	Chemicals & Plastics	0.97	
7	Basic Metals	0.71	
8	Other Manufacturing	0.58	
9	Transport	0.33	

Scotland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr'24*
1	Personal & Community Services	1.24	
2	Hotels, Restaurants & Catering	1.22	
3	Transport & Communication	1.02	
4	Financial Intermediation	0.93	
5	Business-to-business Services	0.90	
6	Computing & IT Services	0.69	

UK sector focus

Timber & Paper

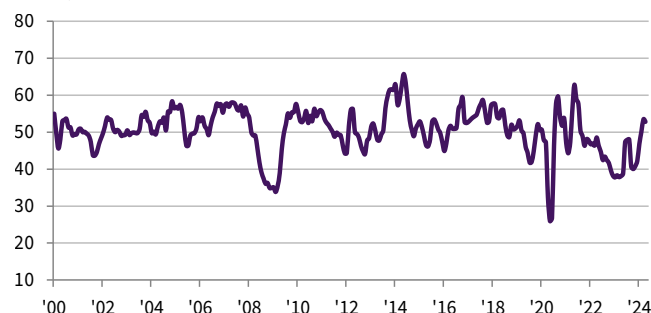
Latest data showed signs of a sustained recovery in production levels across the UK's Timber & Paper manufacturing sector, following a protracted downturn that had lasted almost two-and-a-half years. Output rose at a solid rate in the three months to April, after having returned to growth earlier in the year. Supporting the rebound was a pick-up in underlying demand, which was evidenced by a renewed rise in new orders.

Firms were increasingly optimistic about the outlook for output, with expectations reaching a two-year high. Nevertheless, falling backlogs of work pointed to a lack of pressure on business capacity and, as such, employment continued to be scaled back.

On the price front, Timber & Paper manufacturers reported the first rise in average factory gate charges for over a year. This reflected a combination of stronger customer demand and rising input cost inflation, which reached the fastest since late 2022.

Output Index

sa, >50 = growth since previous month (3mma)



UK Regional PMI overview

Business Activity

For the second month running, nearly all nations and regions recorded a rise in business activity. London continued to lead growth, recording its steepest rise in output for three months, ahead of the West Midlands and Northern Ireland*. As was the case in March, only Yorkshire & Humber saw activity decline, albeit with the rate of contraction easing from the month before.

Employment

Once again, there were mixed trends on the employment front in April. Northern Ireland topped the rankings for job creation for the second successive month, with Scotland also seeing a solid rise in workforce numbers. However, declines were seen in half of the monitored areas, the steepest of which was recorded in the West Midlands.

Future Activity

Business confidence towards growth prospects in the coming year eased in the majority of nations and regions in April, although expectations were still stronger than their respective long-run averages in most cases. Optimism was highest in the South East, followed closely by the West Midlands, and lowest in Scotland.

Business Activity Index
sa, >50 = growth since previous month, Apr '24



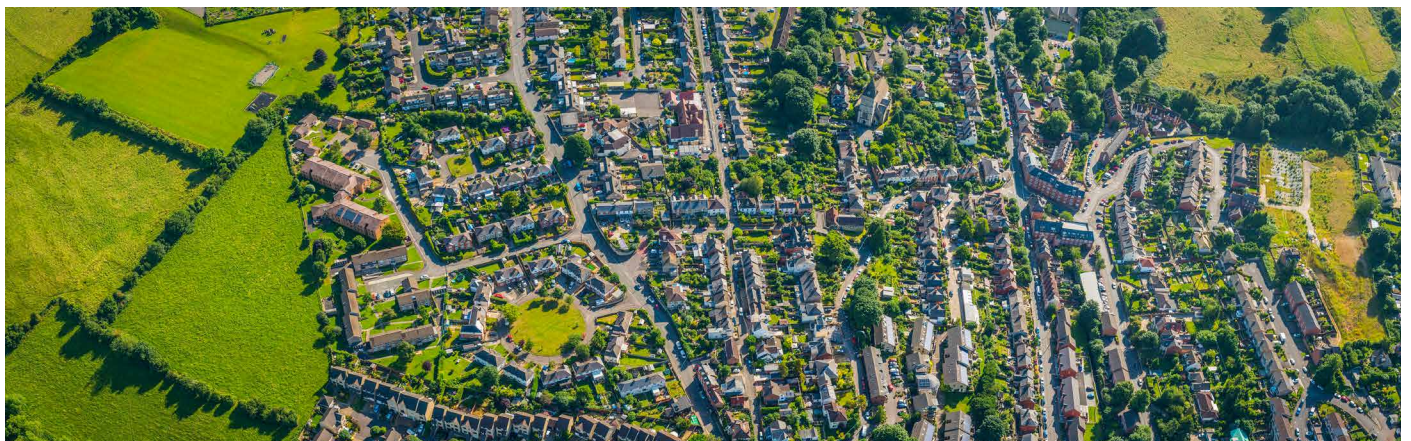
Employment Index
sa, >50 = growth since previous month, Apr '24



Future Activity Index
>50 = growth expected over next 12 months, Apr '24



* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



Index summary

Composite

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Nov '23	47.1	47.1	49.2	59.5	52.5	46.6	61.9	56.4
Dec '23	49.4	48.8	48.9	62.6	51.9	44.7	59.5	57.5
Jan '24	51.7	49.7	49.9	60.9	52.5	48.0	62.9	57.8
Feb '24	52.1	51.7	51.4	63.8	53.2	48.6	61.5	56.6
Mar '24	53.6	51.1	51.5	64.4	50.9	49.8	60.3	52.9
Apr '24	53.8	51.0	52.0	60.4	52.2	48.8	63.1	58.4

Manufacturing

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Future Output*	Employment	Backlogs of Work	Stocks of Finished Goods	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Input Prices	Output Prices
Feb '24	48.5	48.4	44.8	41.6	58.1	51.0	38.0	39.2	45.9	44.3	43.9	59.2	57.1
Mar '24	48.1	46.7	47.9	41.6	58.9	47.8	39.1	40.6	43.9	45.9	43.5	57.9	54.6
Apr '24	47.9	45.7	45.3	43.4	58.1	49.8	35.4	45.1	43.9	44.4	46.2	57.3	54.4

Services

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	New Export Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Feb '24	53.0	53.4	47.6	65.2	53.7	51.2	62.1	56.4
Mar '24	55.3	51.9	51.7	65.8	51.7	52.5	60.9	52.5
Apr '24	55.8	52.4	51.0	61.0	52.8	52.1	64.5	59.3

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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.

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