9 June 2025

Royal Bank of Scotland Growth Tracker

Scottish private sector returns to growth in May

Royal Bank of Scotland

PMI® by S&P Global

9 June 2025

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Key findings

May 2025

Private sector activity rises for first time since last November

New business falls at weakest rate in six months

Price pressures ease but remain marked

The Royal Bank of Scotland Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's Scotland manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit www.natwest.com/business/insights/economics

Scottish private sector returns to growth in May

The Royal Bank of Scotland Growth Tracker – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – rose from 47.4 in April to 50.5 in May, indicating a renewed rise in business activity. This marked the first increase in output for six months, though the rate of expansion was marginal and similar to that seen across the UK as a whole.

The growth in activity was primarily driven by a stronger service sector performance, where a fresh increase in activity was supported by a renewed upturn in new business. This helped to offset a further downturn in manufacturing output.

At the same time, Scottish private sector companies recorded a renewed increase in employment, making Scotland the only area among the 12 monitored UK regions and nations to register job creation.

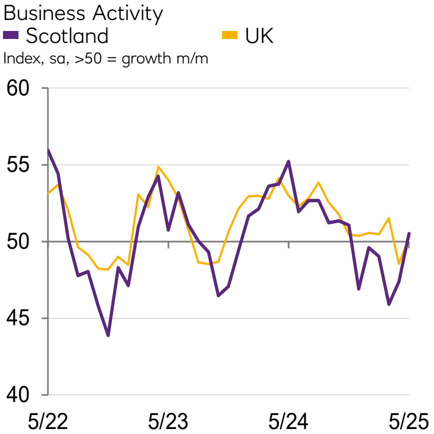
Royal Bank of Scotland Business Activity Index May 2025

50.5

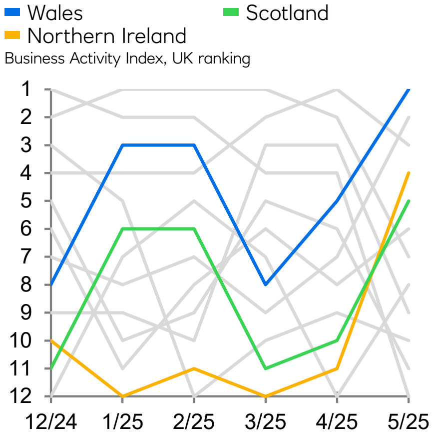
The Business Activity Index is a diffusion index calculated from companies' responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 12-28 May

Business Activity



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Comment

Commenting on the Tracker's findings, Sebastian Burnside, Royal Bank of Scotland Chief Economist, said:

"Following a near-universal decline in output across the 12 monitored UK regions and nations in April, Scotland was one of six areas to experience an upturn in business activity during May. This uptick in activity was primarily driven by the service sector, where a strong expansion helped to offset a further decline in manufacturing output.

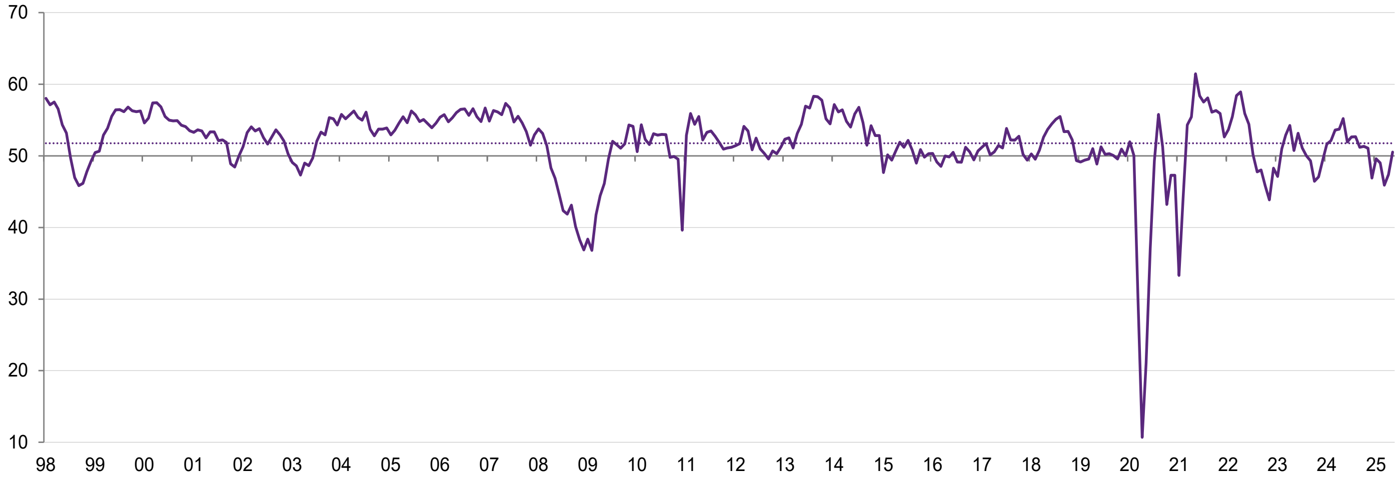
Demand conditions meanwhile moved closer to stabilising, as the decline in new business was only marginal and the softest in six months. Additionally, firms exhibited greater confidence in their projections for business activity over the year ahead.

"The Scottish labour market demonstrated resilience, with firms adding to their workforce numbers for the first time in six months. Notably, it was the only tracked area to report an increase in employment.

"As was the case across all 12 UK regions and nations, cost pressures eased across Scotland in May. In fact, Scotland recorded the weakest rate of cost inflation of all monitored areas, albeit one that remained sharp overall. Charges levied for Scottish goods and services were also raised at a slower pace than in April."

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average.



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Demand and outlook

New work falls at softest pace in six months, while business confidence strengthens

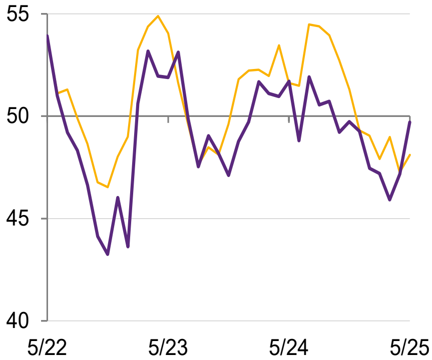
May survey data signalled a further decline in total new work received by Scottish private sector firms. Those reporting lower new business generally linked this to global uncertainty, decreased consumer spending and increased market competition. That said, the rate of decrease was the slowest seen in six months and only marginal. The pace of contraction was also weaker than the UK-wide trend.

The level of positive sentiment towards the 12-month outlook for output improved across Scotland in May. The respective index picked up further from March to reach a seven-month high. Increased confidence was largely linked to new products, new project pipelines, operational enhancements, and general optimism about future market conditions.

However, Scottish firms were less optimistic than the average UK firm when assessing the year ahead.

> "Demand conditions meanwhile moved closer to stabilising, as the decline in new business was only marginal and the softest in six months."

New Business
Scotland UK
Index, sa, >50 = growth m/m



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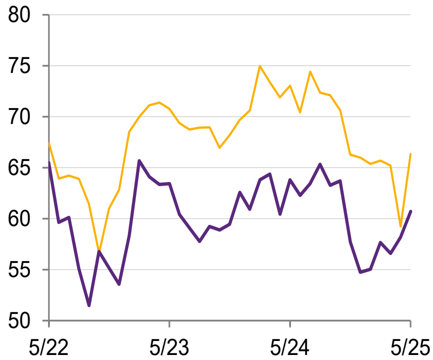
Future Activity
Scotland UK
Index, >50 = growth expected



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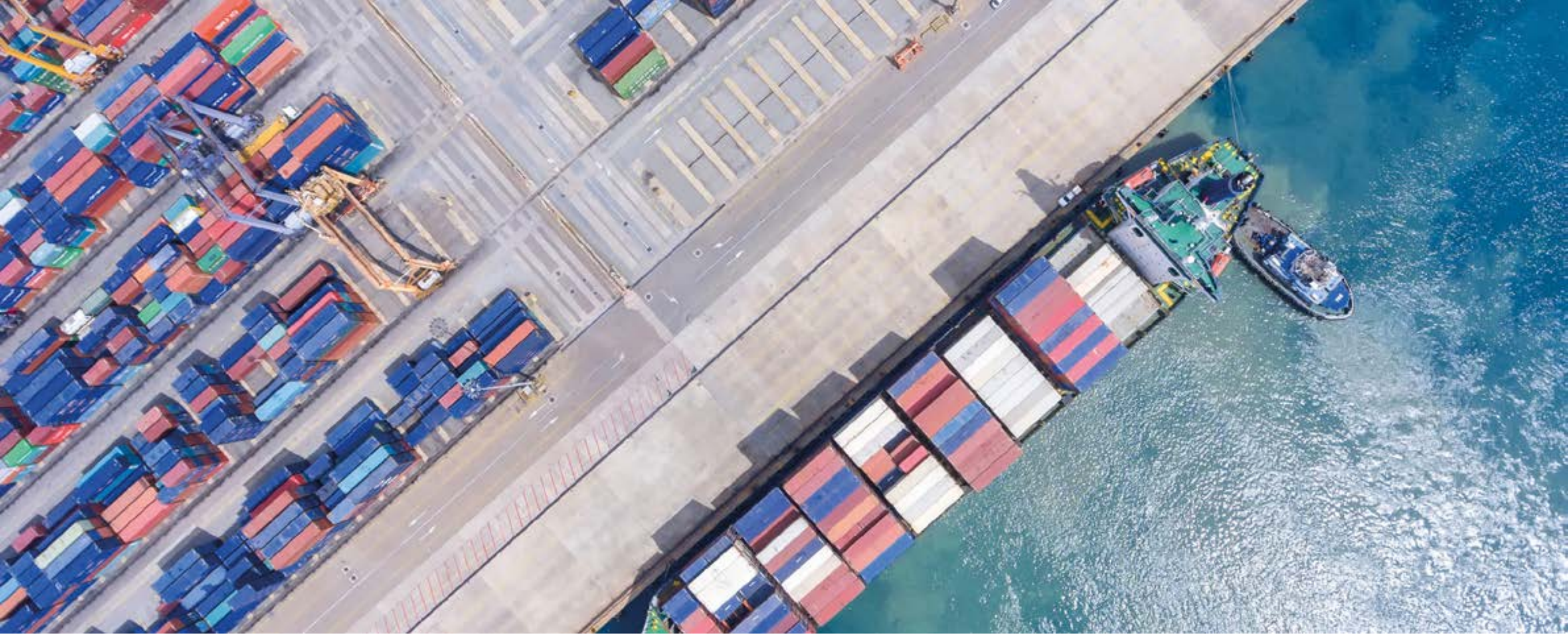


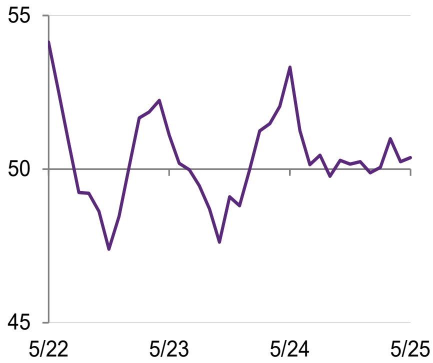
Export markets

Slight improvement in export market conditions

The ECI rose from 50.2 in April to 50.4 in May and remained above the crucial mark of 50.0, indicating growth among Scotland's key export markets for the fourth consecutive month. The index signalled a slightly stronger albeit still marginal rate of improvement overall.

Among the top five export markets, business activity expanded across Ireland, the US, and the Netherlands, but fell in Germany and France.

Export Conditions
Index, sa, >50 = growth m/m



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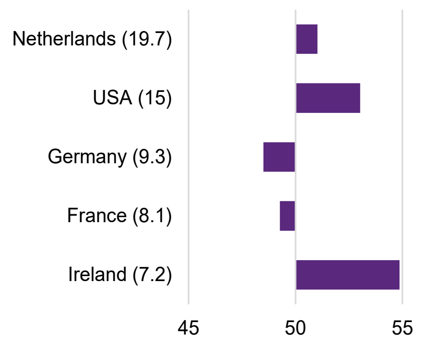
The Scotland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Scotland. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

Top export markets, Scotland
% share of exports shown in brackets
Output Index, sa, >50 = growth m/m May '25



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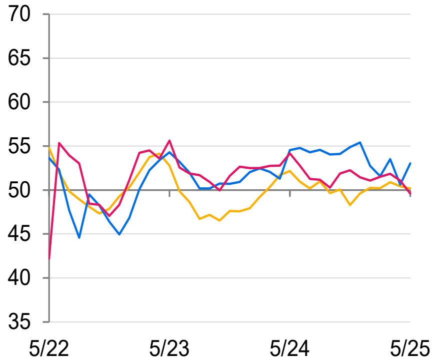
Output
Eurozone US China
Index, sa, >50 = growth m/m



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Jobs and capacity

Scottish private sector defies broader UK trend and records renewed employment growth

Scottish private sector firms expanded their workforce numbers for the first time in six months during May, albeit only slightly. Moreover, Scotland was the only area of the 12 monitored UK regions and nations to register a rise.

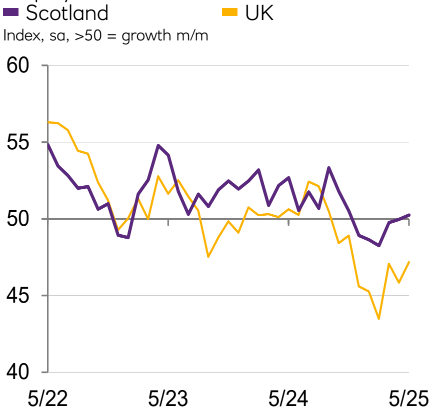
The uptick in employment was focussed on services companies, where firms mentioned hiring new employees to manage additional workloads.

The amount of unfinished work at Scottish private sector firms fell in May. The reduction was more marked among manufacturers, where firms cited fewer overall orders and the completion of previous contracts, which allowed them to catch up on outstanding tasks. Although solid, the overall rate of depletion was the least pronounced for seven months.

Furthermore, of the 12 monitored UK regions and nations, Scotland recorded the weakest decline in backlogs of work.

"The Scottish labour market demonstrated resilience, with firms adding to their workforce numbers for the first time in six months."

Employment



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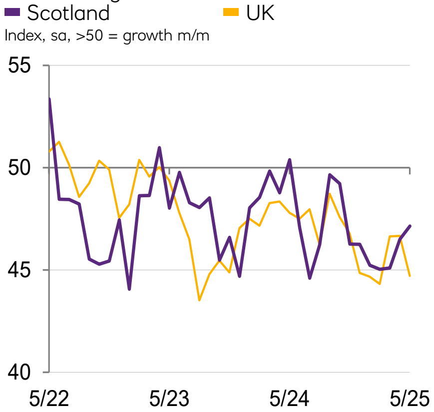
Outstanding Business



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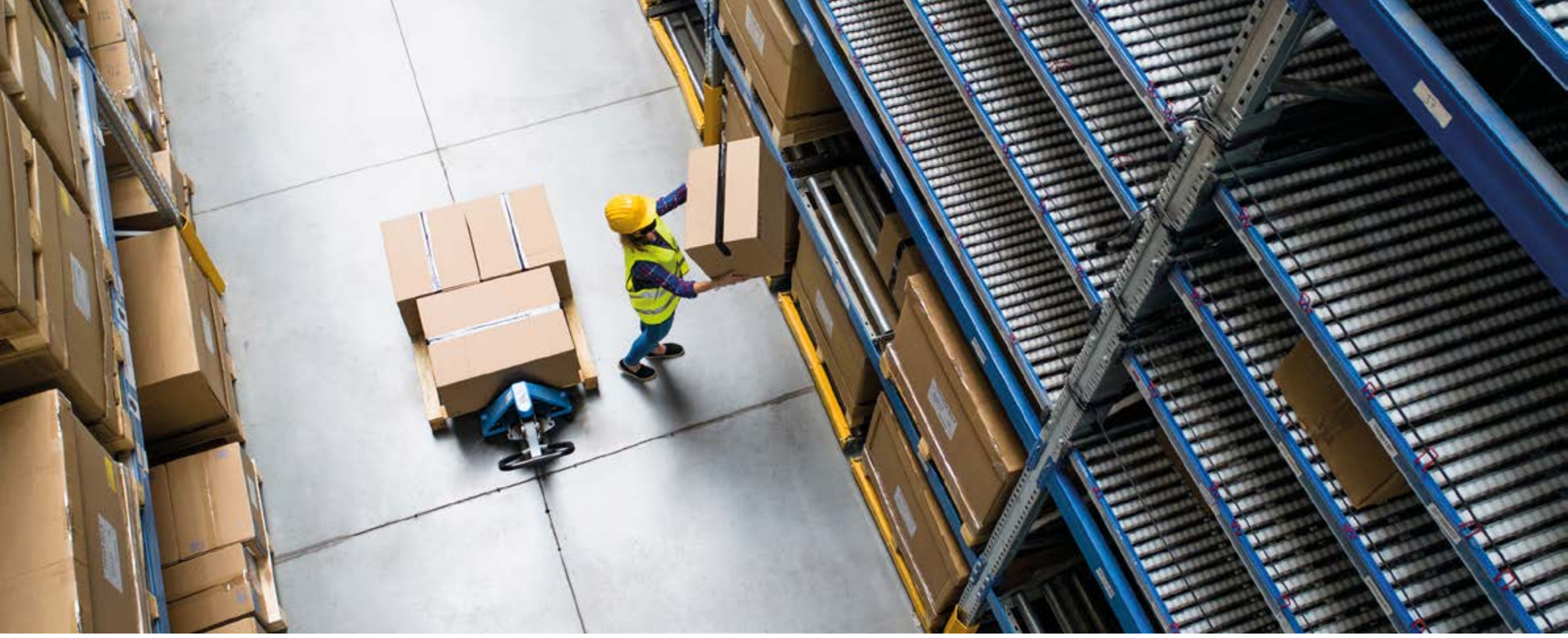


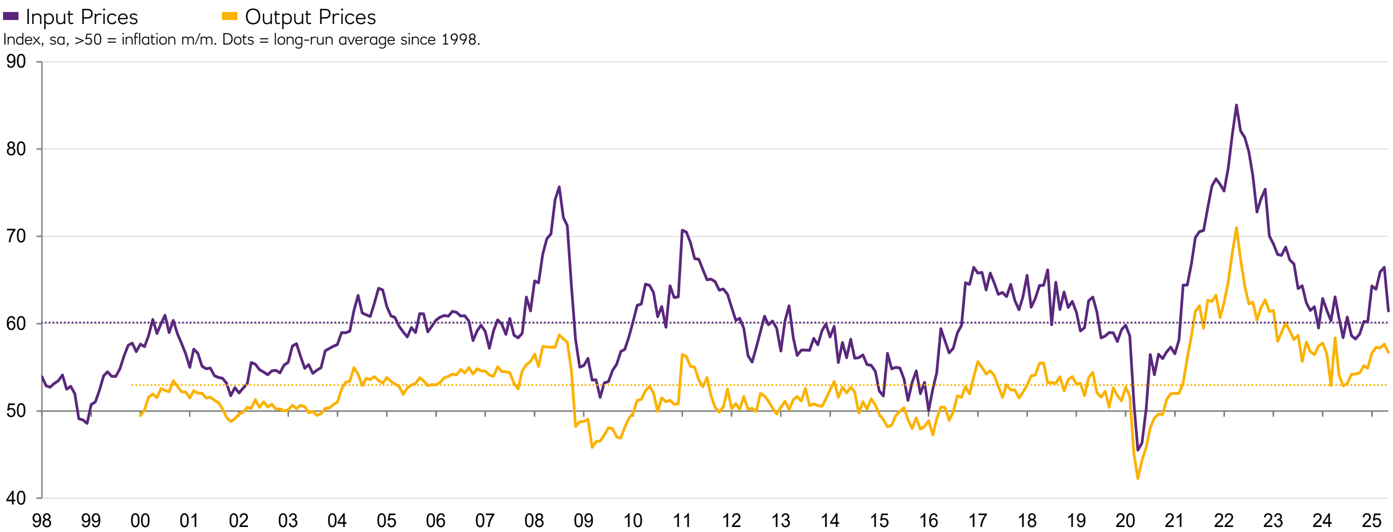
Inflation

Price pressure ease in May

As has been the case since June 2020, average cost burdens faced by companies based in Scotland increased in May. The uptick was often attributed to increases in National Insurance contributions and Minimum Wage rates, as well as rising prices for food. While the rate of input price inflation eased to a five-month low and was the weakest among the 12 monitored UK regions and nations, it remained sharp and exceeded the long-run average.

As part of efforts to help protect their margins, private sector companies in Scotland raised their output charges again during May. Although the rate of increase was the slowest since January, it remained sharp overall and outpaced the UK-wide average.

"...Scotland recorded the weakest rate of cost inflation of all monitored areas, albeit one that remained sharp overall."



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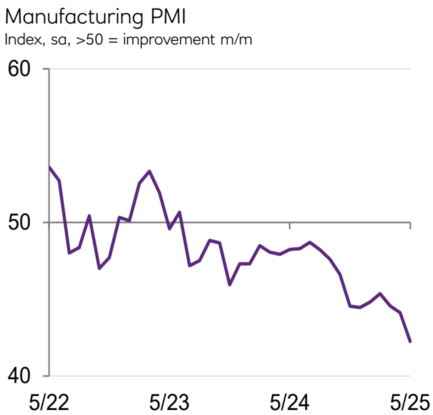
Scotland Manufacturing PMI

Strongest deterioration in manufacturing conditions for five years

The seasonally adjusted Scotland Manufacturing PMI, a composite indicator of manufacturing performance, retreated further into contraction territory, with the index posting 42.3 in May, down from 44.1 in April. The index has now recorded below the neutral 50.0 mark for nearly two years. Furthermore, the rate at which operating conditions deteriorated was the most pronounced since May 2020.

The latest survey signalled steeper declines in output and new orders during May, with both contracting at the quickest rate in five years. In response to lower business requirements, manufacturers reduced their staffing numbers at a faster pace in May.

When assessing the year ahead, panellists maintained downbeat forecasts and generally anticipate output to decline.



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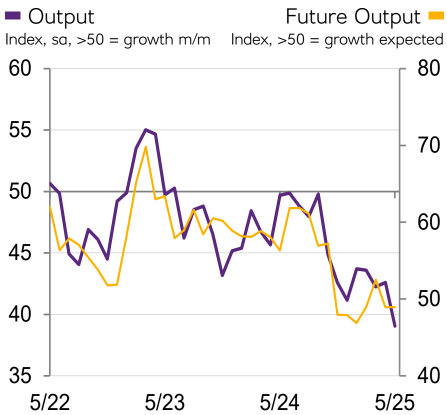

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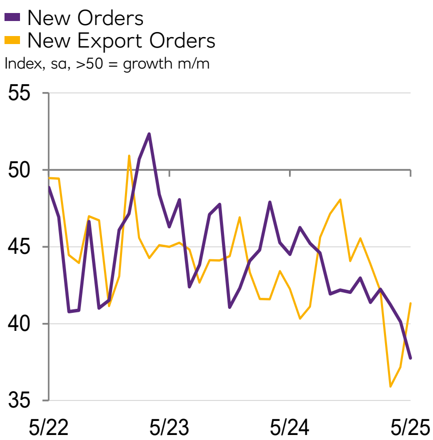

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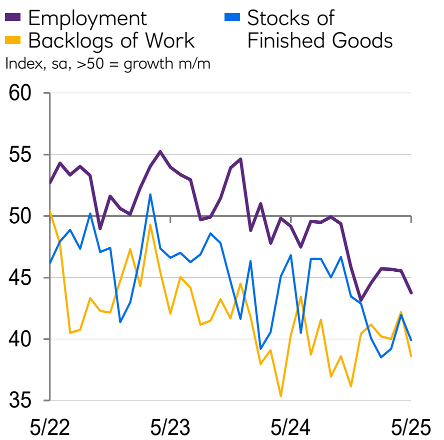

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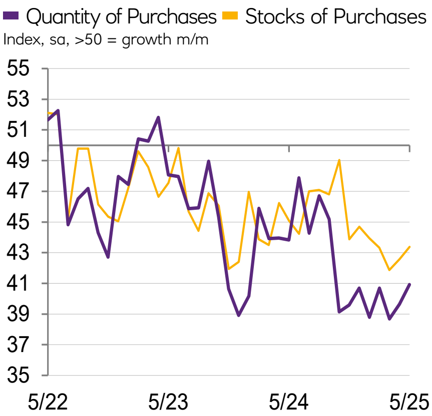

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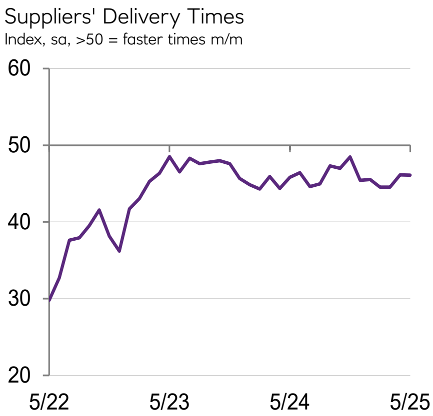

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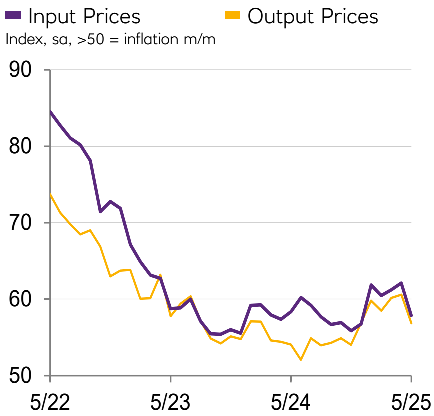

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Scotland manufacturing

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

	PMI	Output	New Orders	New Export Orders	Future Output*	Employ-ment	Backlogs Of Work	Stocks Of Finished Goods	Quantity Of Purchases	Stocks Of Purchases	Suppliers' Delivery Times	Input Prices	Output Prices
12/24	44.5	41.1	47.9	43.0	45.6	43.2	40.5	42.9	40.7	44.7	45.4	56.8	56.9
1/25	44.8	43.7	46.9	41.4	43.9	44.5	41.2	40.1	38.8	43.9	45.5	61.9	59.8
2/25	45.4	43.6	49.0	42.2	42.1	45.7	40.2	38.5	40.7	43.3	44.6	60.5	58.5
3/25	44.6	42.2	52.5	41.3	35.9	45.7	40.0	39.2	38.7	41.9	44.6	61.2	60.1
4/25	44.1	42.6	48.9	40.1	37.2	45.5	42.2	42.0	39.6	42.6	46.1	62.1	60.6
5/25	42.3	39.0	48.9	37.8	41.3	43.8	38.6	39.9	40.9	43.4	46.1	57.8	56.8

Scotland Services PMI

Fresh and solid rise in service sector activity

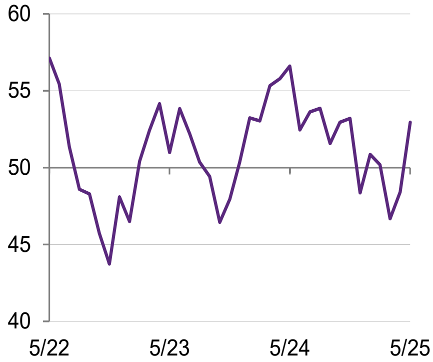
The seasonally adjusted Scotland The seasonally adjusted Scotland Services Business Activity Index breached the neutral 50.0 threshold for the first time in three months in May, rising from 48.4 in April to 53.0. The reading therefore indicated a renewed and solid rise in business activity that was the strongest since November 2024.

The uptick in activity was supported by a fresh rise in new business, which grew for the first time in five months. Moreover, the rate of expansion was solid and the fastest since last September.

The renewed rise in business activity encouraged service providers to increase their hiring activity. Job creation has now been recorded across the sector for three consecutive months, with the latest round of payroll growth the strongest since last November.

Businesses also expressed greater confidence towards future activity, with the level of optimism improving for a second month in a row to the highest in seven months. At the same time, the sector experienced cooling price pressures.

Business Activity
Index, sa, >50 = growth m/m



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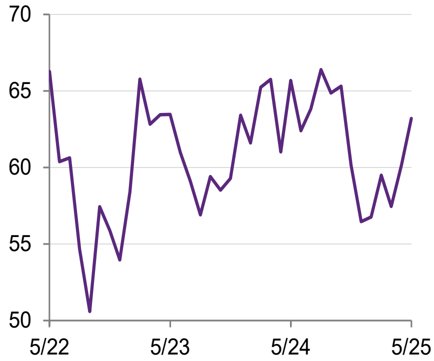
Future Activity
Index, sa, >50 = growth expected



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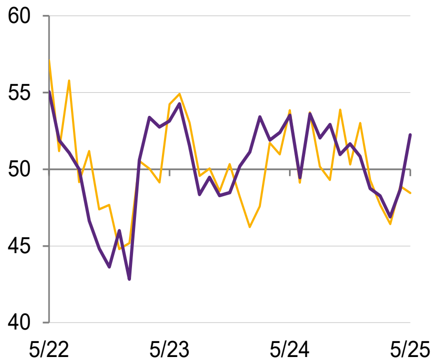
New Business
New Export Business
Index, sa, >50 = growth m/m



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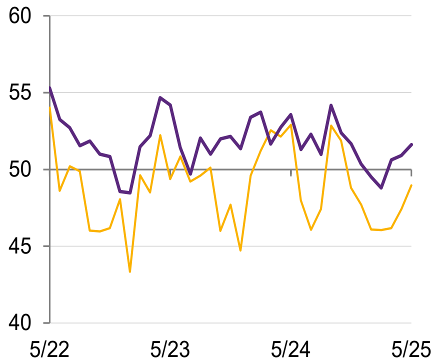
Employment
Outstanding Business
Index, sa, >50 = growth m/m



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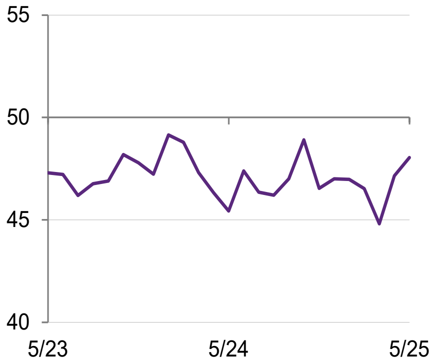
Supplier Performance
Index, sa, >50 = faster times m/m



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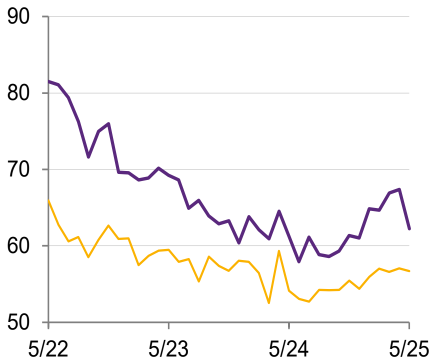
Input Prices Output Prices
Index, sa, >50 = inflation m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Scotland services
Index, 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	Supplier Performance	Input Prices	Prices Charged
12/24	48.4	56.5	50.8	53.0	50.4	47.7	47.0	61.0	54.4
1/25	50.9	56.8	48.7	49.3	49.5	46.1	47.0	64.8	56.0
2/25	50.2	59.5	48.3	47.7	48.8	46.0	46.5	64.7	57.0
3/25	46.7	57.5	46.9	46.4	50.6	46.2	44.8	66.9	56.6
4/25	48.4	60.1	48.7	48.9	50.9	47.4	47.1	67.4	57.0
5/25	53.0	63.2	52.2	48.4	51.6	49.0	48.0	62.2	56.7

UK Regional Growth Tracker

Business Activity

Half of the 12 UK nations and regions covered by the report saw a rise in business activity in May. Rates of expansion were generally only modest, however, including in the month's fastest-growing area, Wales. Where output of goods and services declined, it fell only slightly and more slowly than in April in most cases.

Employment

The majority of areas saw a decrease in employment in May. The steepest decline was seen in the North West, where workforces have now fallen for eight months in a row, although the pace of job shedding there slowed compared to April. Scotland went against the trend and recorded a fractional uptick in staffing levels, its first for six months.

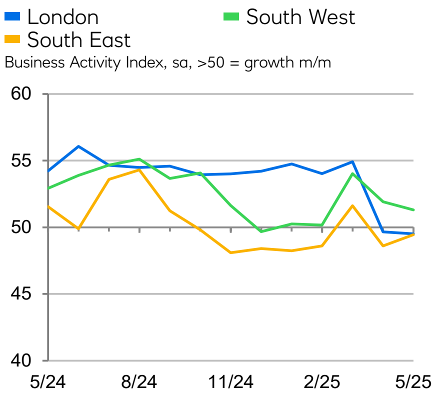
Future Activity

Business confidence towards future activity improved across the board in May. The North West saw the greatest increase in expectations since April, followed closely by London. The highest overall degree of optimism was recorded in the West Midlands, while the lowest was in Northern Ireland*.

*As well as manufacturing and services, coverage in Northern Ireland also includes construction and wholesale & retail.

Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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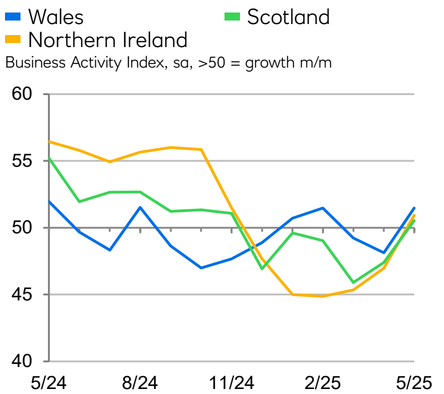

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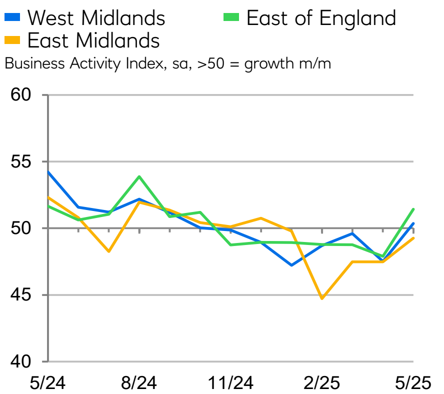

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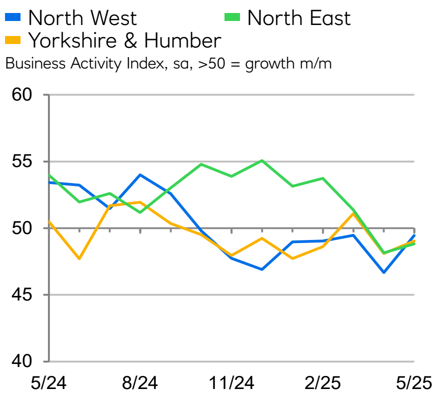

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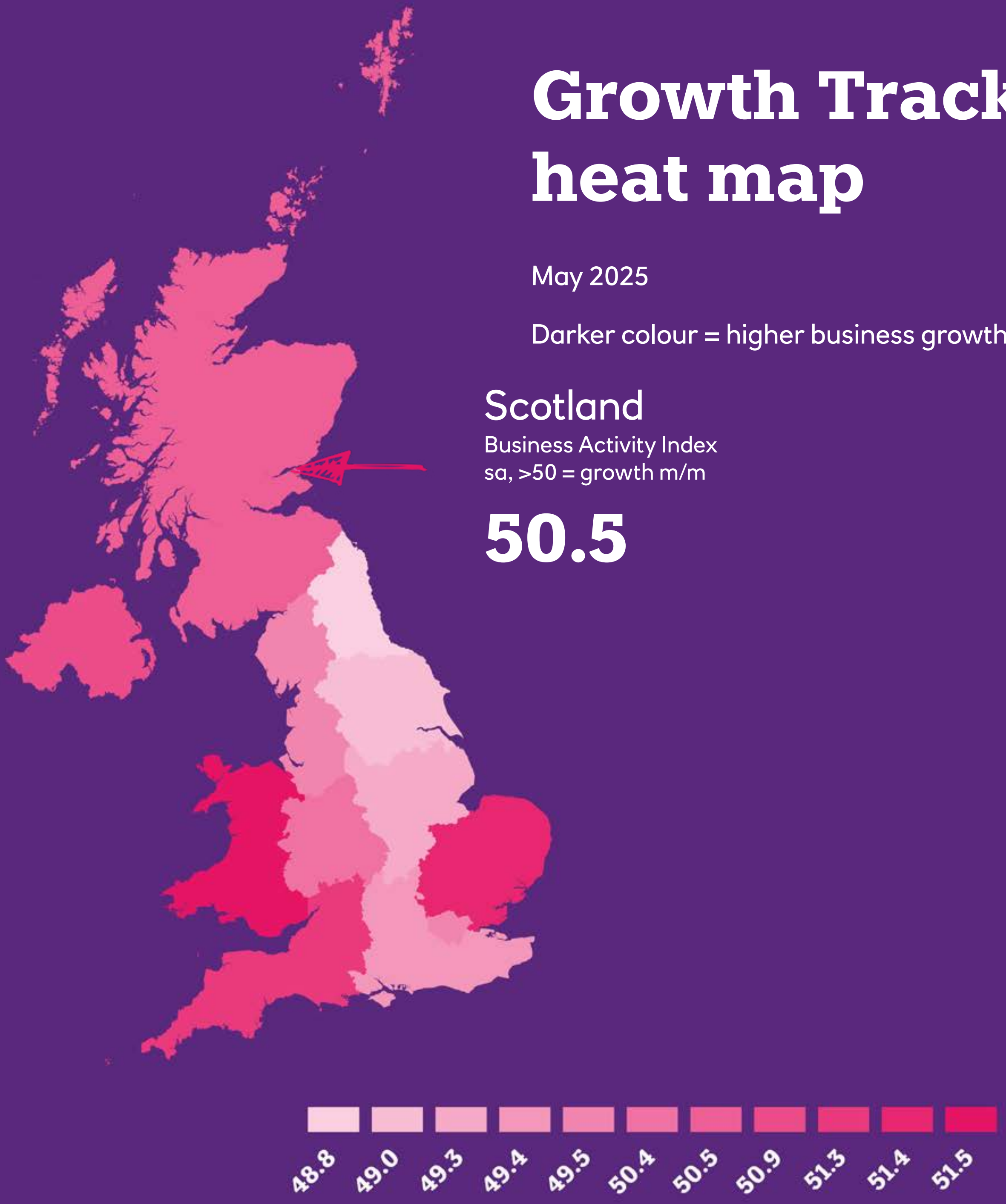
Growth Tracker heat map

May 2025

Darker colour = higher business growth



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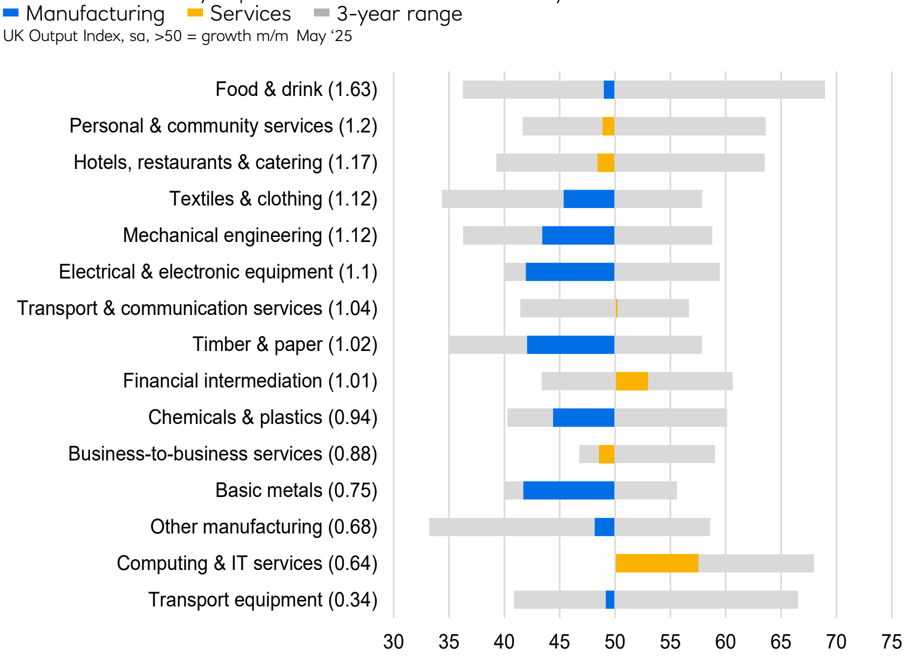
UK sectors

Sector specialisation: Scotland

The chart shows UK output indices by sector, ranked by location quotients for Scotland. Location quotients (LQs) 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.

UK sectors ranked by importance to the Scottish economy



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.
Location quotients for Scotland are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

Sector in focus: Transport & communication services

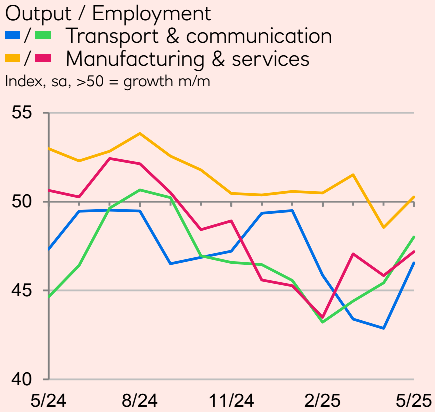
Latest data indicated an easing of the downturn in the UK's transport & communication services sector, after figures for the three months to April had shown business activity falling at the quickest rate since the initial pandemic disruption in the first half of 2020.

A slower decrease in new business was seen alongside a softening of the rate of job shedding in the sector, with employment posting its smallest decline since the current sequence of staff retrenchment began in the three months to October 2024.

Business confidence meanwhile ticked up, although it continued to run at one of the lowest levels over the past two years and well below the long-run average.

On the inflation front, rates of increase in both input costs and output prices quickened on a three-month-moving-average basis. That said, the rise in prices charged was the weakest among the six broad services sub-sectors monitored by the PMI data.

Output / Employment



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.
*Data are smoothed as three-month moving average

Methodology

The Royal Bank of Scotland Growth Tracker is compiled by S&P Global from responses to questionnaires sent to Scottish companies that participate in S&P Global's Scotland manufacturing and services PMI surveys.

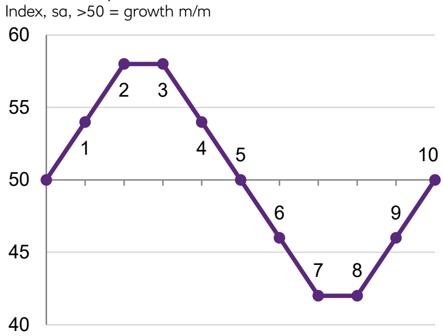
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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 Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Scotland Business Activity Index is comparable to the UK Composite Output Index.

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 survey methodology, please contact economics@spglobal.com.

Index interpretation
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Key
1 Growth, from no change
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

Data

Scotland manufacturing and services
Index, sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
12/24	46.9	49.3	50.2	48.9	46.3	54.7	60.2	54.9
1/25	49.6	47.5	49.9	48.6	45.2	55.0	64.3	56.6
2/25	49.0	47.2	50.1	48.3	45.0	57.7	63.9	57.3
3/25	45.9	45.9	51.0	49.8	45.1	56.6	65.9	57.2
4/25	47.4	47.2	50.2	50.0	46.5	58.2	66.4	57.7
5/25	50.5	49.7	50.4	50.2	47.2	60.7	61.5	56.7

Further information

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