

10 April 2025

# Royal Bank of Scotland Growth Tracker

Employment broadly stable in March



Royal Bank of Scotland

PMI<sup>®</sup>

by **S&P Global**

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# Royal Bank of Scotland Growth Tracker

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# Key findings

March 2025

**Private sector workforces  
decreases only marginally**

**Firms remain upbeat  
regarding year-ahead outlook**

**Sharper decreases in output  
and new orders**

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](http://www.natwest.com/business/insights/economics)





# Employment broadly stable in March

*The latest monthly data were collected between 12th – 27th March.*

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 – registered below the neutral 50.0 mark for the fourth consecutive month in March, signalling lower activity. At 45.9, down from 49.0 in February, the latest reading signalled the strongest rate of decline since November 2022. This downturn in activity placed Scotland second-last among the 12

monitored UK regions and nations, slightly ahead of Northern Ireland.

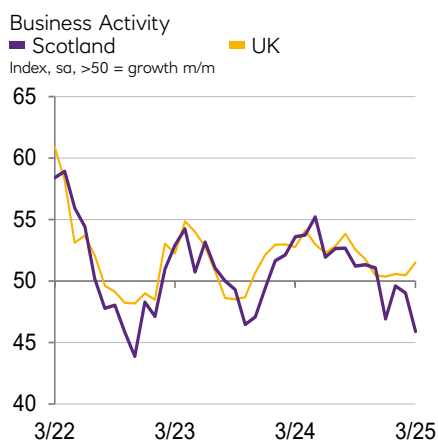
Despite the decline in business requirements, Scottish firms kept their employment levels broadly stable in March, with only a fractional decline that followed the sharpest fall in four years during February. Lastly, Scottish firms maintained a positive outlook for activity in the year ahead, suggesting that the current downturn will be reversed as they anticipate improved demand conditions and plan to increase investment in new products and marketing.

## Royal Bank of Scotland Business Activity Index March 2025

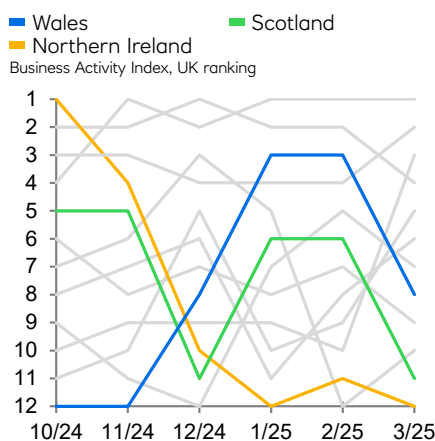
# 45.9

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 12-27 March



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



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# Comment

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

"According to March’s report, London continued to lead in March, with the South West also making a sizeable contribution to UK economic growth. We saw growth broaden out slightly, as both the South East and Yorkshire & Humber enjoyed renewed upturns in business activity.

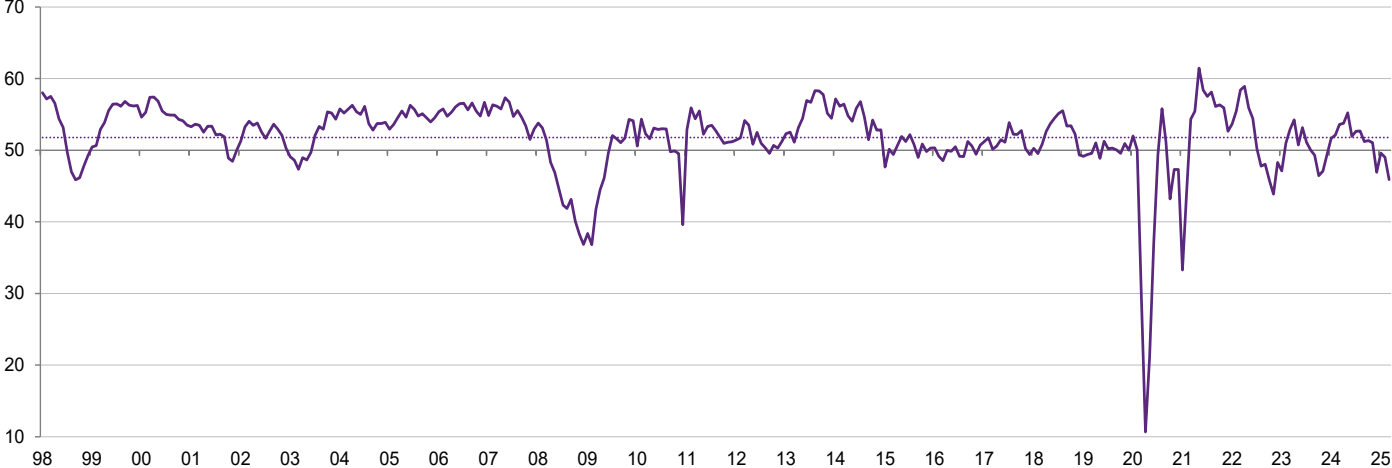
"Market conditions remain challenging and recent tariff

announcements suggest we could see continued challenges in the coming months.

"Firms up and down the country are looking to control costs, which is feeding through to staffing decisions.

"Price pressures remain high across the board, though they did at least subside slightly in most areas in March, on the eve of the changes to national insurance contributions and national minimum and living wages."

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



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



# Demand and outlook

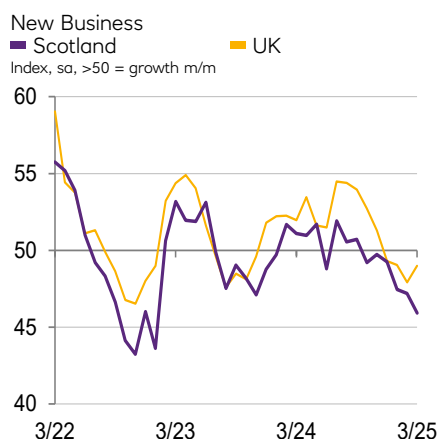
## New business records further fall in March but outlook for activity remains upbeat

Scottish private sector companies signalled a sixth straight monthly fall in new orders during March. The rate of decrease was strong and the most marked since January 2023. Lower new business was attributed to market uncertainty and budget constraints at clients.

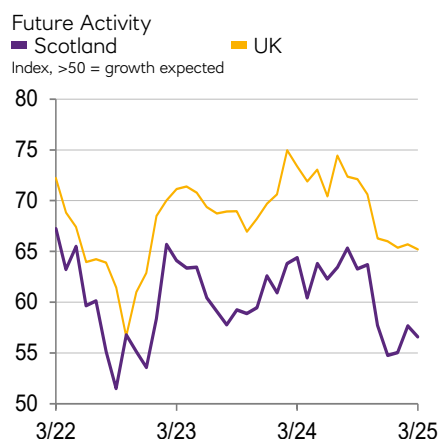
The drop in new orders across Scotland was sharper than that seen at the UK level, where the pace of decrease slowed in March.

Nevertheless, business confidence among Scottish firms remained upbeat, as companies anticipate a rise in activity over the coming 12 months. Plans for new product introductions and increased advertising and marketing were also cited. The degree of confidence weakened slightly since February, however.

In fact, sentiment across Scotland was the second-weakest of the 12 monitored nations and regions, just ahead of Northern Ireland.



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



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

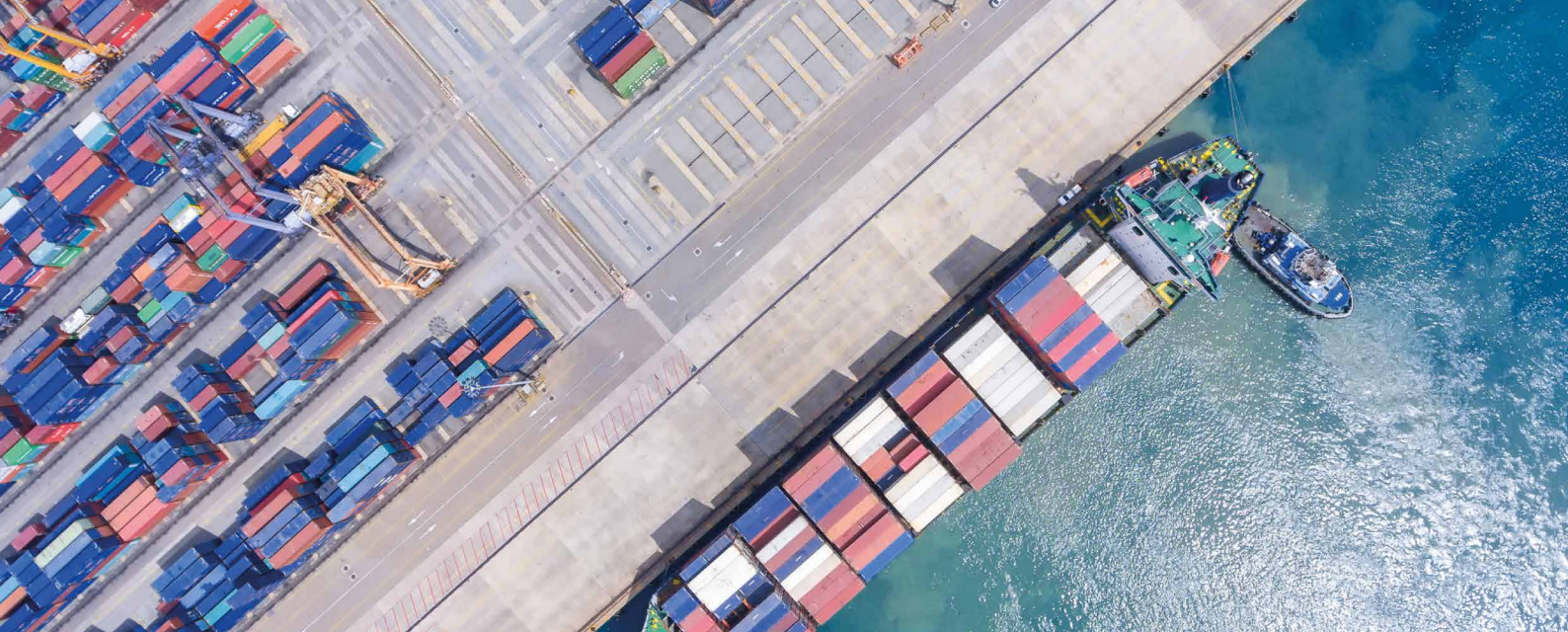


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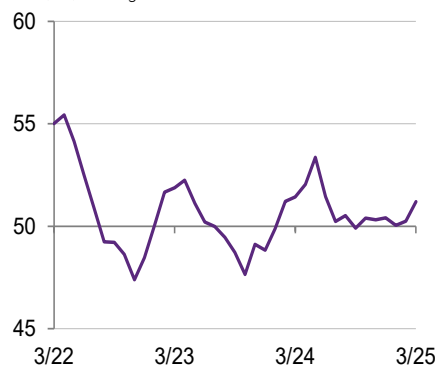
# Export markets

## Strongest improvement in export demand conditions in nine months

Demand conditions for Scotland's exporters improved solidly in March. At 51.2, up from 50.3 in February, the ECI recorded its highest reading in nine months.

Driving the improvement in export conditions was renewed growth in Scotland's largest export market, the Netherlands. Additionally, stronger output growth was recorded for the US, Germany and Ireland. Meanwhile, the downturn in France recorded a notable easing.

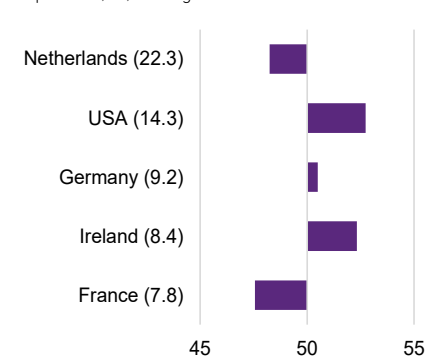
Export Conditions  
Index, sa, >50 = growth m/m



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

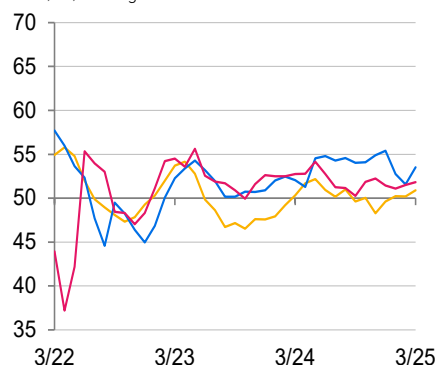
The Scotland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Scotland. A reading above 50 signals an improvement in export conditions,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

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



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

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



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



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# Jobs and capacity

## Scottish private sector employment broadly stabilises while backlogs fall sharply

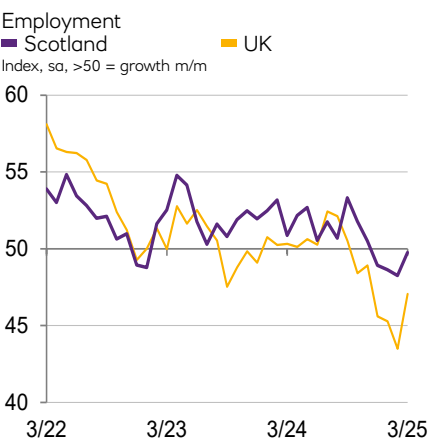
A fourth consecutive monthly drop in staffing levels across Scotland was noted in March. Where a fall was seen, firms reported on rising labour costs and the non-replacement of leavers. That said, the rate of job shedding was the weakest in the aforementioned sequence and signalled a broad stabilisation.

In fact, among the broad-based decline in employment observed across all 12 monitored UK regions

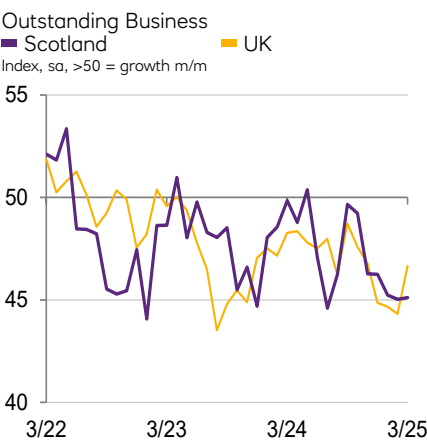
and nations, Scotland experienced the smallest decrease.

March marked a tenth consecutive monthly reduction in the level of outstanding work across Scotland. The rate of depletion was sharp and broadly consistent with those recorded in January and February, primarily driven by reports of a lack of incoming new orders.

Furthermore, the downturn seen at Scottish firms was deeper than the UK average.



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



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





# Inflation

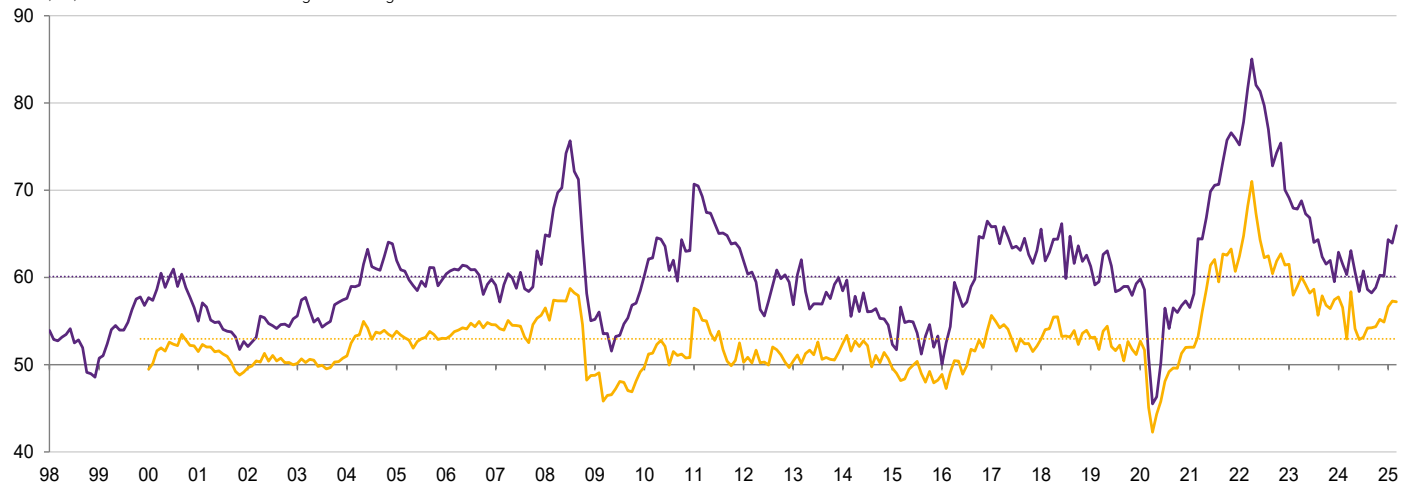
## Firms raise charges at stable rate, despite cost pressures intensifying

Latest data indicated a rapid and accelerated rise in input prices in Scotland, with the seasonally adjusted index reaching a 21-month high and surpassing the UK average for the first time in four months. Anecdotal evidence revealed that labour and general “cost of living” pressures were the primary sources of rising costs.

Businesses in Scotland sharply

increased their charges in March. The rate of output charge inflation remained largely unchanged from the previous month and was broadly consistent with the UK-wide average. Firms noted that higher operating expenses were often passed on to customers.

■ Input Prices      ■ Output Prices  
Index, sa, >50 = inflation m/m. Dots = long-run average since 1998.



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



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# Scotland Manufacturing PMI

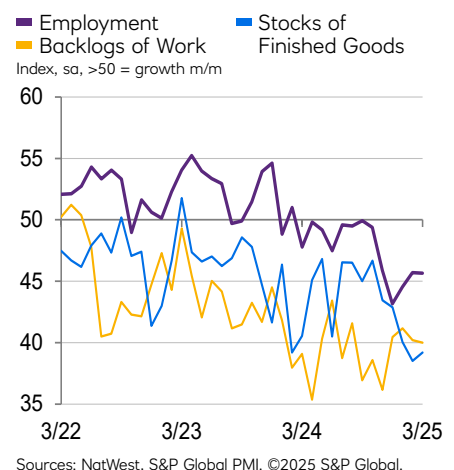
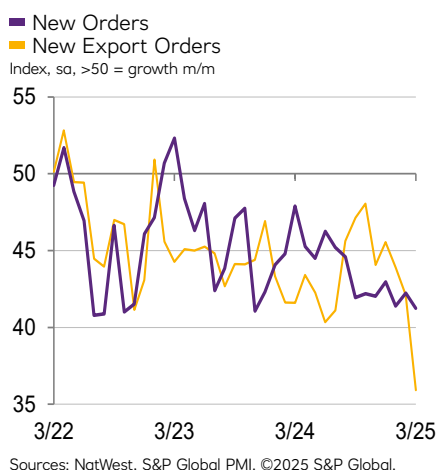
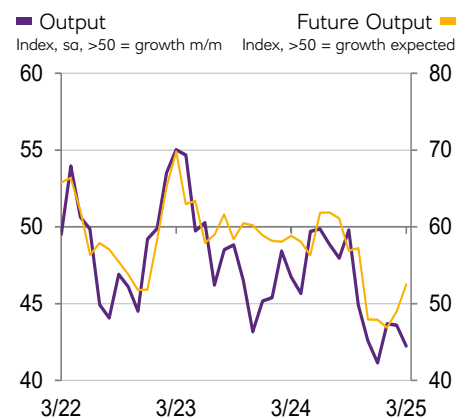
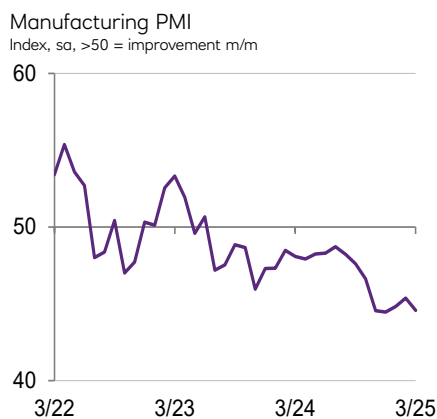
## Operating conditions worsen to greater degree

The seasonally adjusted Scotland Manufacturing PMI, a composite indicator of manufacturing performance, slipped to a three-month low of 44.6 in March, from 45.4 in February, signalling a sharp deterioration in the health of the Scottish manufacturing sector.

Producers reported declines in output and new orders, and the rates of decrease quickened to the most pronounced since last December and November 2023, respectively.

Job shedding was recorded for a thirteenth straight month. Though sharp, the rate of contraction held steady. Inflationary pressures ticked up in March, with both cost burdens and output charges rising at rapid and sharper rates.

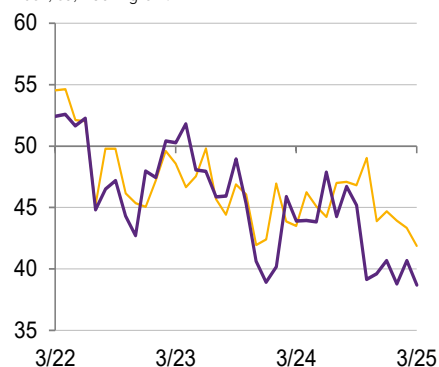
Despite weak current conditions, firms expressed optimism about output for the year ahead for the first time in five months. However, the degree of positive sentiment was historically subdued.





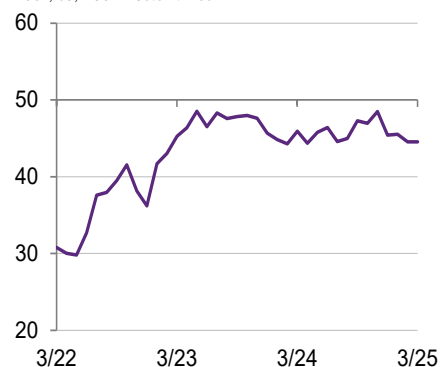


■ Quantity of Purchases ■ Stocks of Purchases  
Index, sa, >50 = growth m/m



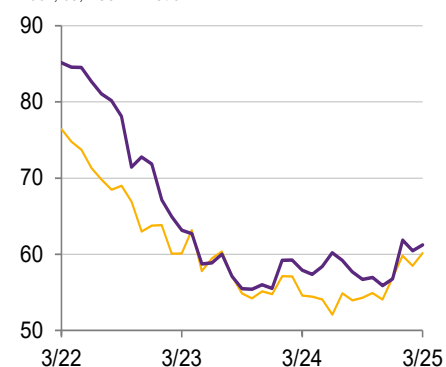
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Suppliers' Delivery Times  
Index, sa, >50 = faster times m/m



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

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



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

#### 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*	Employment	Backlogs Of Work	Stocks Of Finished Goods	Quantity Of Purchases	Stocks Of Purchases	Suppliers' Delivery Times	Input Prices	Output Prices
10/24	46.6	44.9	57.2	42.2	48.1	49.4	38.6	46.7	39.1	49.0	47.0	56.9	54.9
11/24	44.5	42.6	47.9	42.0	44.1	45.9	36.2	43.5	39.6	43.9	48.5	55.9	54.0
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







# Scotland Services PMI

## Sharpest decline in business activity in 17 months

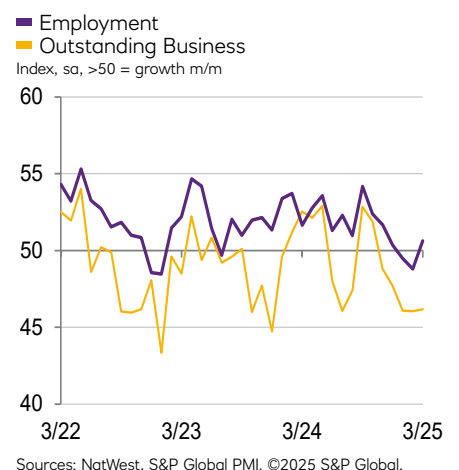
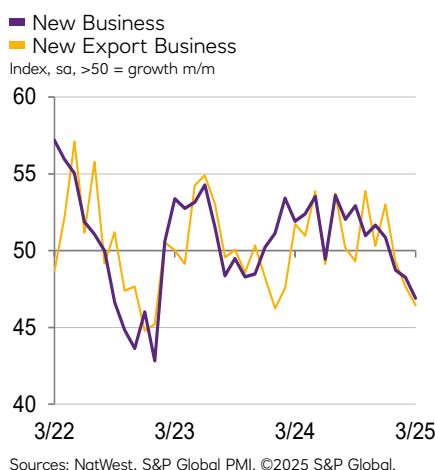
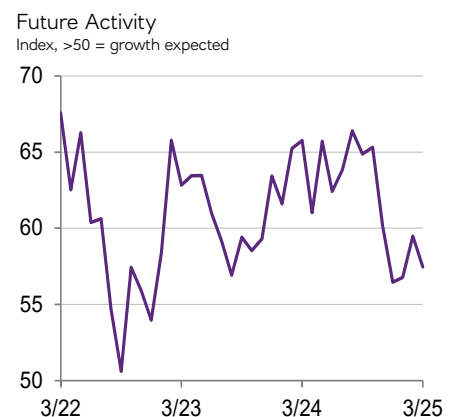
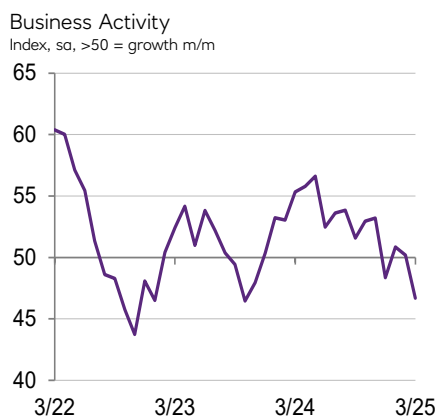
The seasonally adjusted Scotland Services Business Activity Index fell below the neutral 50.0 mark for the first time in three months in March, with the index posting 46.7, from 50.2 in February. The latest figure signalled that service sector activity was curbed at the strongest rate in nearly one-and-a-half years.

Additionally, services new business fell for a third straight month in March. The downturn was the most pronounced since January 2023.

Businesses remained upbeat about activity levels in the coming 12 months, but the degree of sentiment moderated since February.

Despite the decline in business requirements, service firms increased their staffing levels after experiencing two consecutive months of contraction.

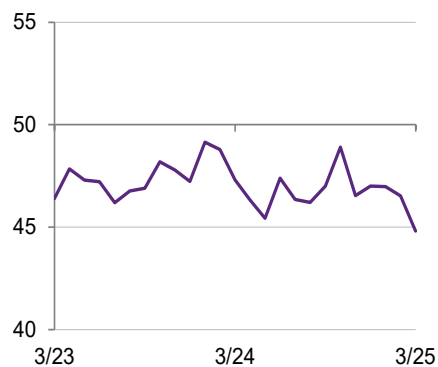
Cost pressures rose rapidly, while the rate of charge inflation moderated over the month. Businesses were partly willing to absorb their expenses considering the subdued sales environment.





#### Supplier Performance

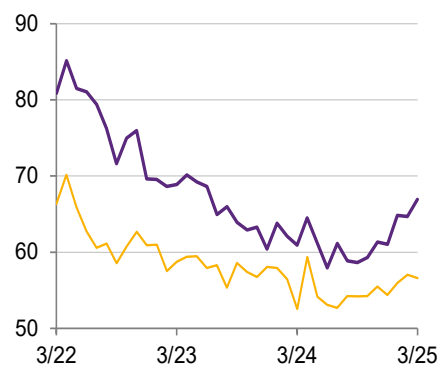
Index, sa, >50 = faster times m/m



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

#### Input 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
10/24	52.9	65.3	51.0	53.9	52.4	51.9	48.9	59.3	54.2
11/24	53.2	60.2	51.7	50.3	51.7	48.8	46.5	61.3	55.5
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



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# UK Regional Growth Tracker

## Business Activity

Firms in London reported the steepest rise in business activity in March, followed by those in the South West. Growth was seen across a greater number of areas than in February, reflecting renewed upturns in the South East and Yorkshire & Humber. Northern Ireland\* remained at the bottom of the rankings, seeing activity fall for a fourth straight month, albeit at a slightly slower rate than in February.

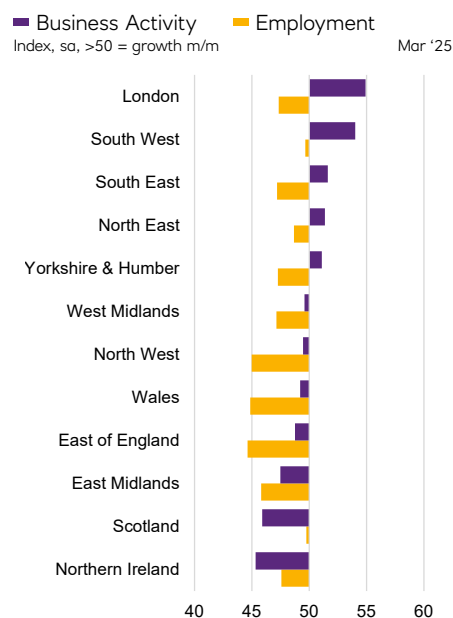
## Employment

Although employment fell across the board in March, rates of job losses generally eased. Scotland and the South West in fact saw only fractional decreases in workforce numbers. The fastest fall in staffing levels was recorded in the East of England, though the pace of decline there was noticeably slower than the month before.

## Future Activity

Sentiment towards future activity remained positive across all 12 nations and regions monitored in March, albeit easing in two-thirds of cases. The strongest confidence was registered in the East of England, where it was the highest for five months. Growth expectations were lowest in Northern Ireland, despite improving there for a second consecutive month.

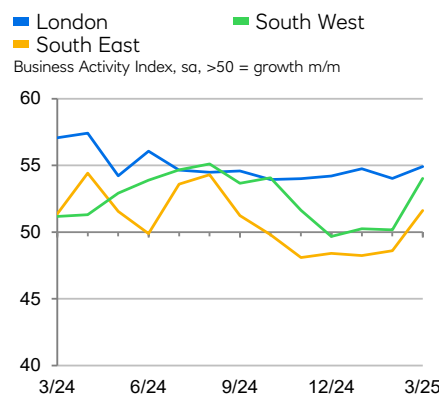
\*As well as manufacturing and services, coverage in Northern Ireland also includes construction and retail.



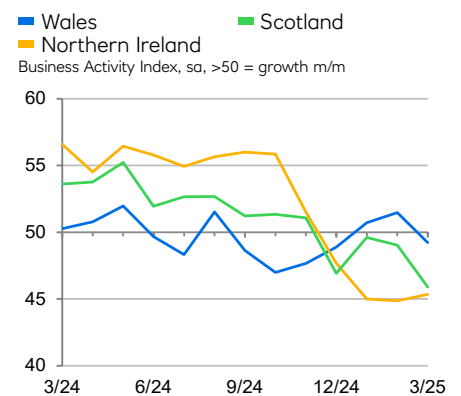
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



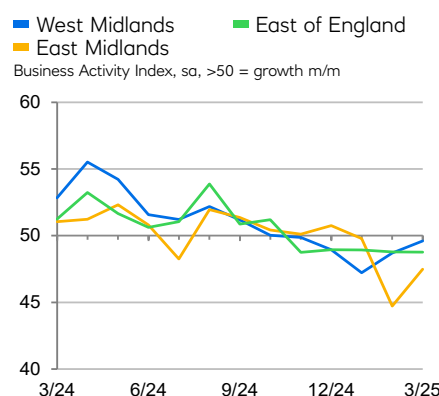
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



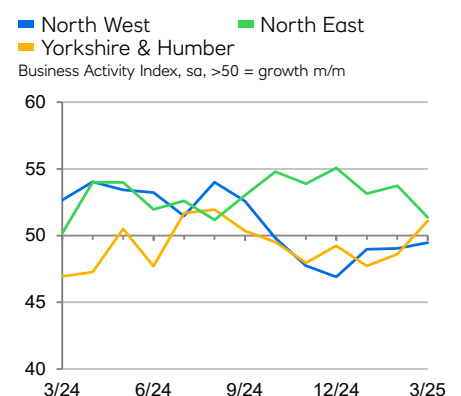
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Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

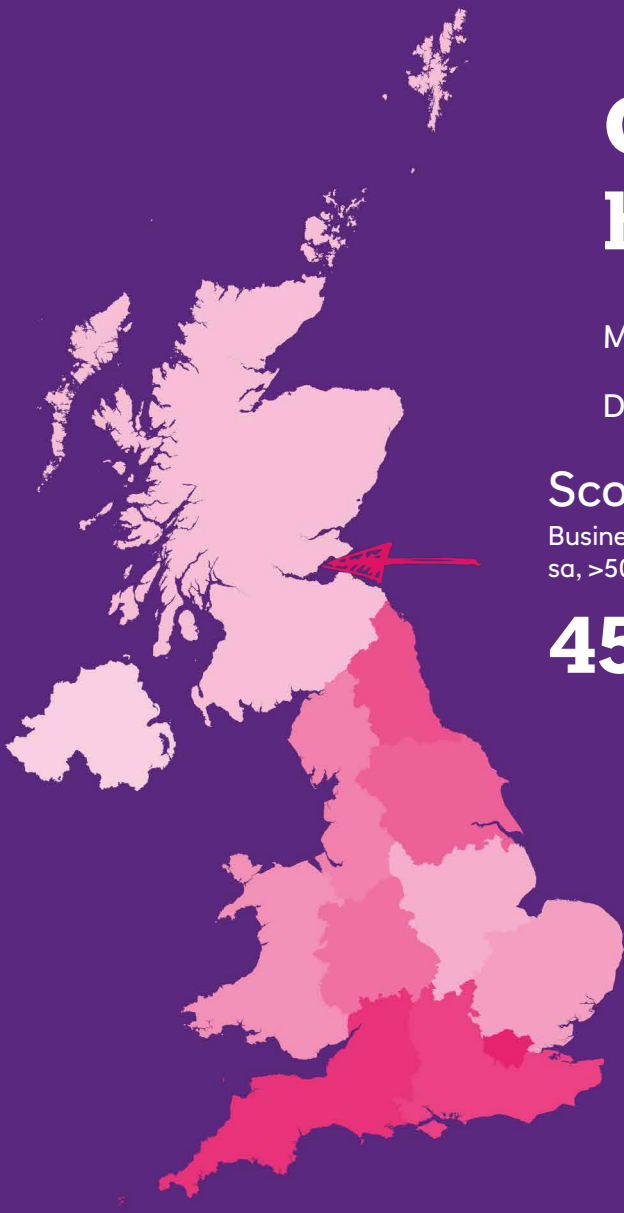


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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





# Growth Tracker heat map

March 2025

Darker colour = higher business growth

## Scotland

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

45.9



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

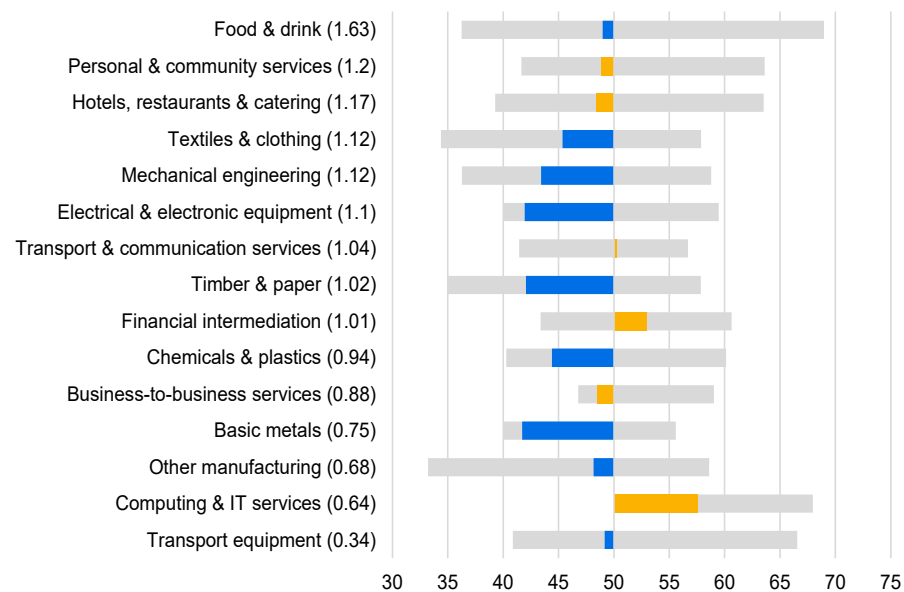
# UK sectors

## 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  
■ Manufacturing ■ Services ■ 3-year range  
UK Output Index, sa, >50 = growth m/m Mar '25



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).

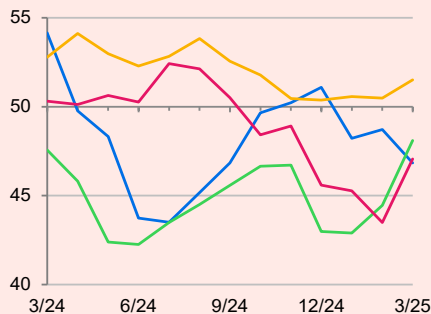
## Sector in focus: Hotels, restaurants & catering

Activity fell across the UK's hotels, restaurants & catering sector during the three months to March, thereby reversing a slight increase seen in the final quarter of 2024.

The downturn in business activity was attributable to a severe lack of incoming new work, which continued to exhibit the weakest trend seen since early 2021. Firms in the sector cut workforce numbers, accordingly, stretching the current spell of staff retrenchment to nearly three years. That said, the pace of job losses was the weakest in this sequence, having

eased sharply since the turn of the year. Notably, the hotels, restaurants & catering sector saw a spike in cost pressures over the opening quarter of the year. The steep rise in input prices, which was largely attributed to labour cost increases, was the strongest recorded since mid-2023 and the fastest among the broad services sub-sectors tracked by PMI data. In turn, firms reported a marked rise in average prices charged.

Output / Employment  
■/■ Hotels, restaurants & catering\*  
■/■ Manufacturing & services  
Index, sa, >50 = growth m/m



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.

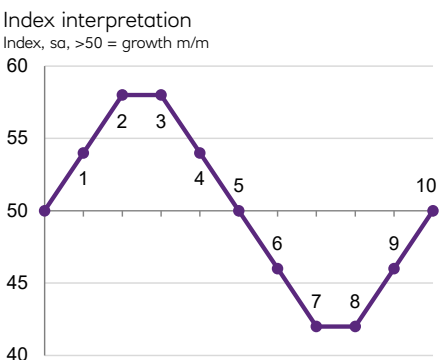
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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](mailto:economics@spglobal.com).



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
10/24	51.3	49.2	50.4	51.8	49.2	63.7	58.8	54.4
11/24	51.1	49.7	50.3	50.5	46.3	57.7	60.2	55.2
12/24	46.9	49.3	50.4	48.9	46.3	54.7	60.2	54.9
1/25	49.6	47.5	50.0	48.6	45.2	55.0	64.3	56.6
2/25	49.0	47.2	50.3	48.3	45.0	57.7	63.9	57.3
3/25	45.9	45.9	51.2	49.8	45.1	56.6	65.9	57.2



# Further information

## Royal Bank of Scotland

Royal Bank of Scotland serves customers in England and Scotland, supporting them with their personal, private, and business banking needs. Royal Bank of Scotland helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

Alongside a wide range of banking services, Royal Bank of Scotland offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist

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[www.linkedin.com/company/Royal Bank of Scotland-business/](http://www.linkedin.com/company/Royal Bank of Scotland-business/)

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## Contact

Jonathan Rennie  
Regional Media & Campaign  
Manager  
Royal Bank of Scotland  
+44 7769 932 102  
[jonathan.rennie@natwest.com](mailto:jonathan.rennie@natwest.com)

Maryam Baluch  
Economist  
S&P Global Market Intelligence  
+44 1491 461 009  
[maryam.baluch@spglobal.com](mailto:maryam.baluch@spglobal.com)

Corporate Communications  
S&P Global Market Intelligence  
[press.mi@spglobal.com](mailto:press.mi@spglobal.com)



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