

11 February 2025

Royal Bank of Scotland Growth Tracker

Scottish private sector activity moves in
right direction as 2025 gets underway



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Royal Bank of Scotland

PMI[®]

by **S&P Global**

Key findings

January 2025

Output contracts at much softer pace following a challenging end to 2024

Weaker sales and rising costs affect staffing levels

Scotland moves from 12th to sixth in terms of performance across all UK regions

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





Private sector activity falls at slower pace in January

Output shrinks as sales downturn worsens

The 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 – was below the 50.0 neutral mark for a second month running in January. However, the index rose from 46.9 in December to 49.6, pointing to a much slower contraction in private sector output. A renewed uplift in services activity

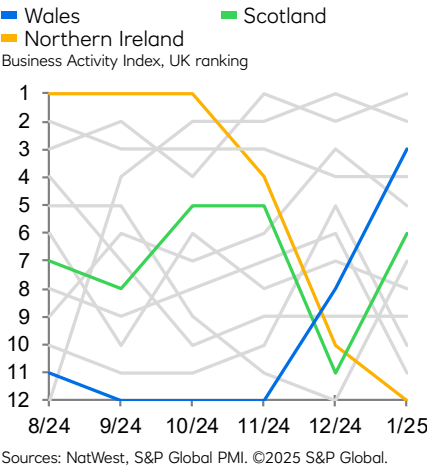
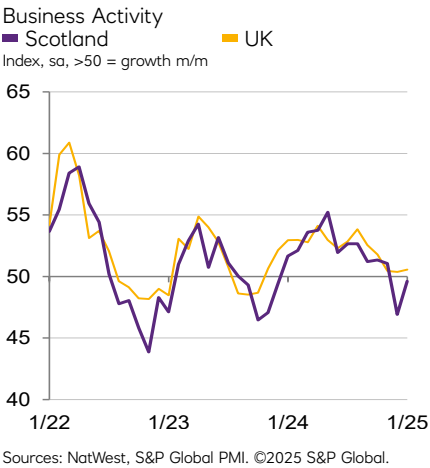
partly offset a further decline in manufacturing production. Businesses attributed lower output to a reduction in new orders, where the pace of decline accelerated to the steepest for 14 months. Output was also curbed by lower staffing levels. Once again, the downturn contrasted with mild growth across the UK as a whole. Positively, Scotland's rank out of the 12 monitored nations and regions rose from eleventh to sixth in January.

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Business Activity Index
January 2025

49.6

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 9-29 January





Comment

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

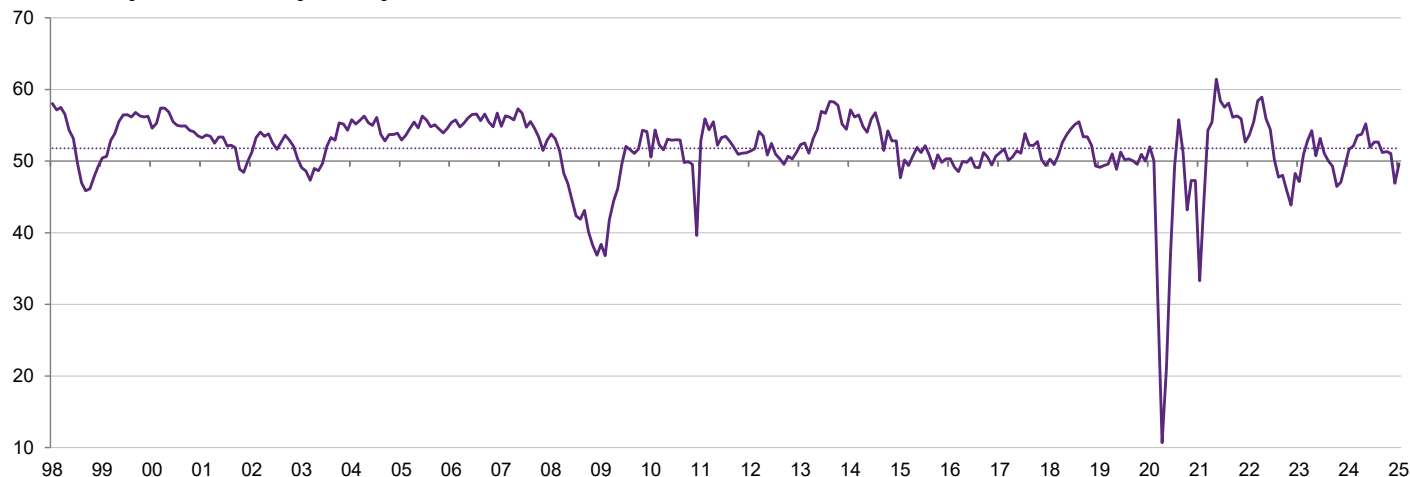
“Scottish firms reported a leap in costs and prices at the start of 2025, just as the Bank of England raised its inflation forecast to 3.7%. Pricing pressure shot back up to levels last seen in the summer of 2023, according to respondents, with energy costs and rising employment

costs all playing a role. Nevertheless, businesses said it wasn't a worsening situation for output, with Scotland's activity score recovering.

“But uncertainty over the state of demand in future is clearly playing a role, even though firms in Scotland appear to have stronger expectations for the labour market than many other parts of the UK.”

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 orders register solid fall as 2025 begins

Scottish private sector companies reported a decrease in new work intakes for the fourth consecutive month in January. Moreover, the rate of decline accelerated to a solid pace that was the quickest since November 2023. Companies signalling lower client demand related this to greater uncertainty about domestic and foreign economic conditions. The upcoming NI rise was also stated to have led customers to clamp down on spending.

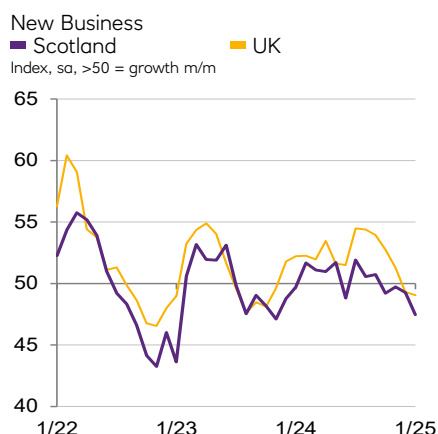
While the contraction in order book

levels was consistent with the UK trend, it was comparatively stronger in Scotland. Total sales across the UK fell mildly for the second month running.

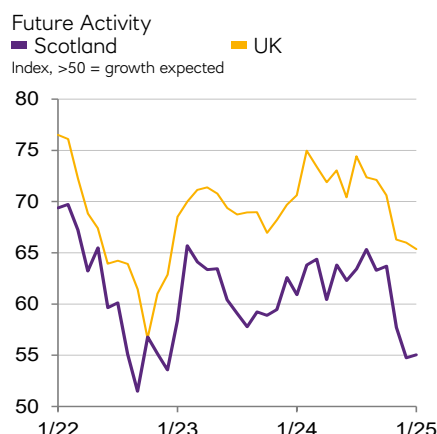
The outlook for activity remained subdued in January, picking up only slightly from December's two-year low. Firms highlighted greater inflation risks due to wage cost increases, which many feared would lead to a drop-off in sales and a weaker economic climate.

Again, business confidence was much lower than the UK trend, despite the latter slipping to the lowest level since December 2022.

"...uncertainty over the state of demand in future is clearly playing a role"



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



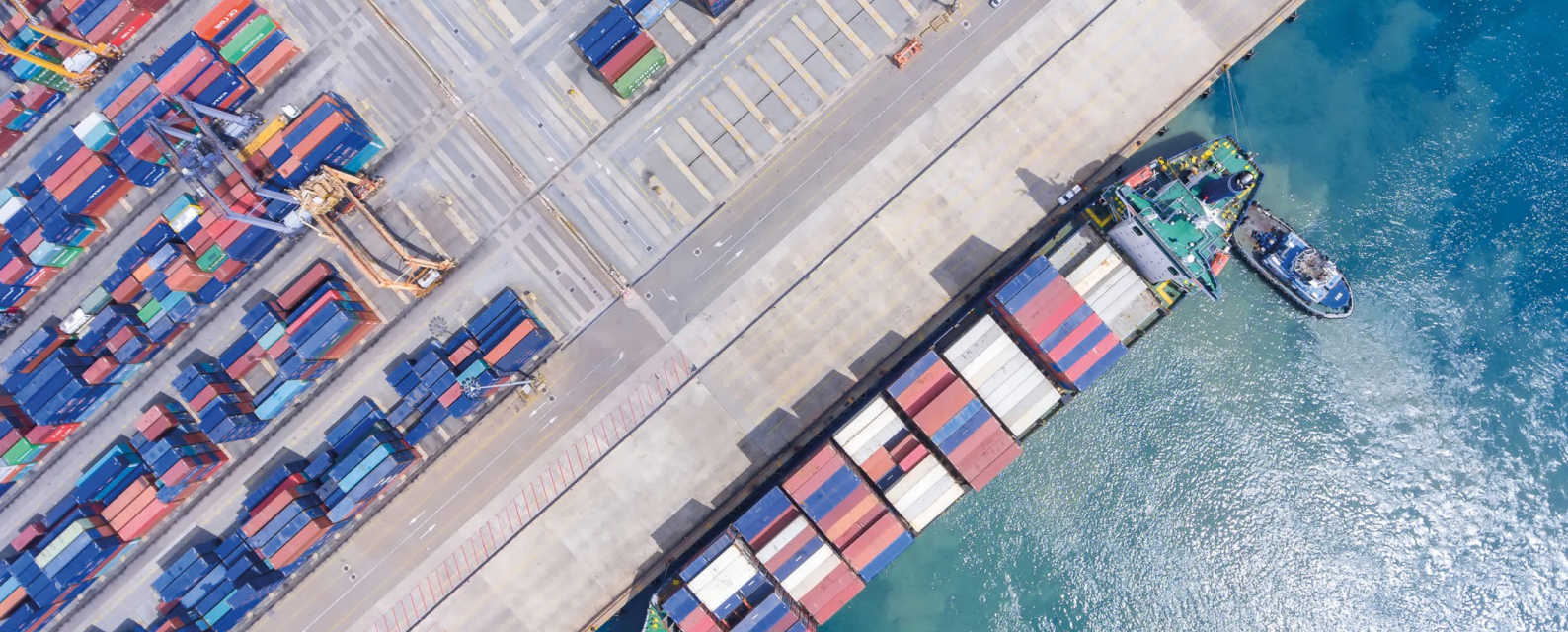
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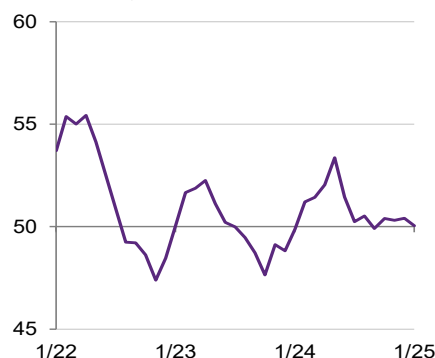
Export markets

Export conditions neutral at start of 2025

The ECI figure dropped from 50.4 to 50.0 in January, indicating a stable export climate following marginal growth over the final quarter of 2024.

Three out of the five top export markets weighed positively on Scottish trade, including a renewed expansion in Germany and further upturns in the US and Ireland. Contractions in the Netherlands and France continued at moderate speeds.

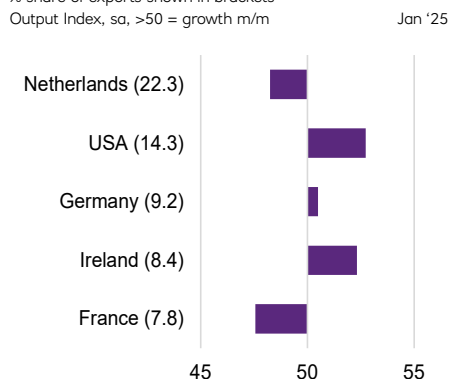
Export Conditions
Index, sa, >50 = growth m/m



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

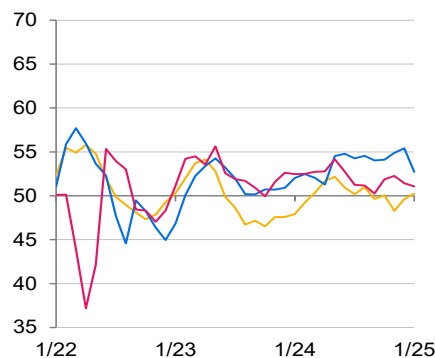
The Scotland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Scotland. A reading above 50 signals an improvement in export conditions,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

Job losses registered for second month running

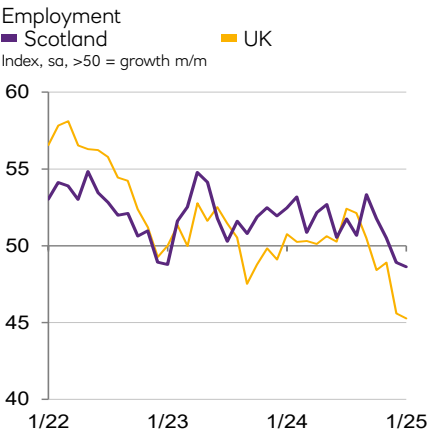
Scottish firms continued to shed jobs at the start of 2025, after December data signalled a drop in employment for the first time in almost two years. Services joined manufacturing in registering lower staffing, driving the overall pace of decline to a near four-year record. However, it was much softer than the UK average.

Anecdotal reports suggested a reduction in new orders and

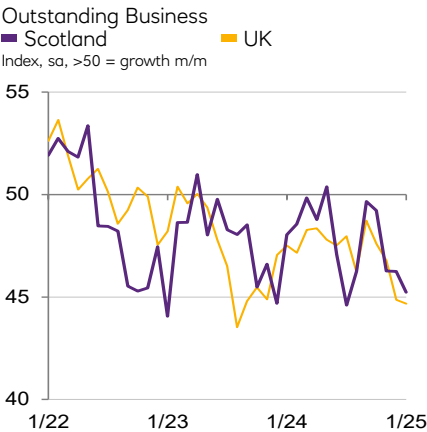
increased cost pressures were the main factors leading firms to streamline their workforces. However, there were some respondents that replaced staff or added extra working hours to support growth prospects.

Spare capacity across the private sector remained evident in January. Backlogs of work fell at the strongest pace for six months, albeit less marked than seen nationwide. Companies mostly linked a drop in work-in-hand to lower sales.

"...firms in Scotland appear to have stronger expectations for the labour market than many other parts of the UK"



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



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



Inflation

Input price inflation soars to 17-month high

January saw a considerable uptick in cost pressures faced by Scottish companies. Overall input prices rose at their sharpest pace since August 2023, with both services and manufacturing recording a steeper rate of inflation than in December.

Services companies associated higher costs with an increase in wages, as well as heightened prices for energy, fuel and technology. Goods producers typically cited an

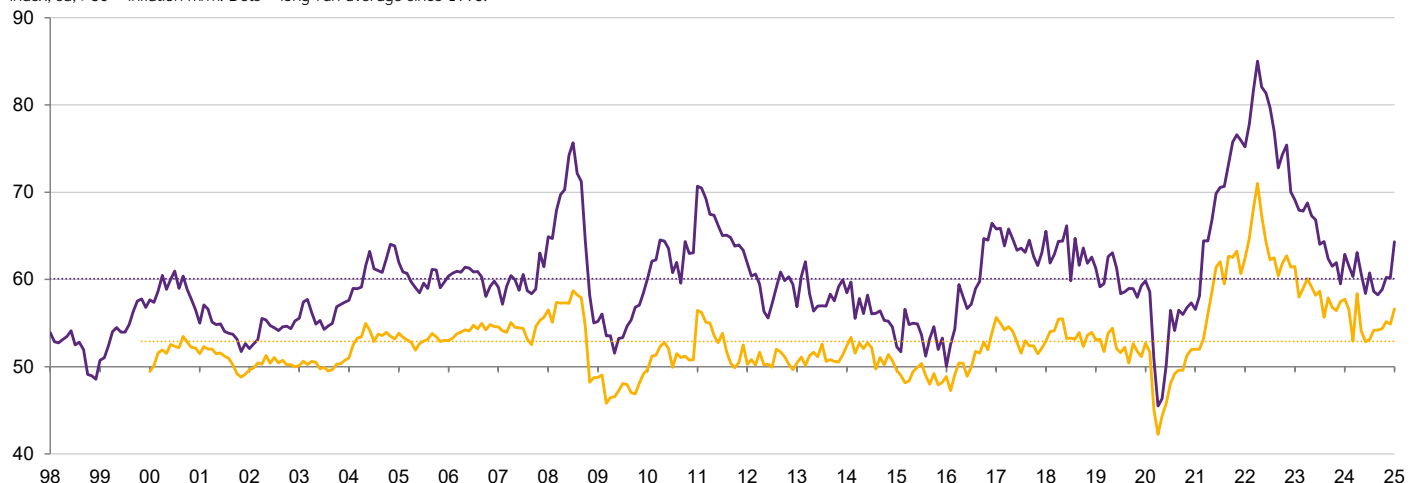
uplift in supplier charges, which in turn was often due to a markup in payroll costs.

These upticks underscored an increase in average prices charged, as many firms commented that they had raised their prices in January. Overall charges rose sharply, with the rate of inflation quickening to a nine-month high.

For both input and output prices, inflationary pressures were slightly less marked in Scotland compared to the UK average.

"Pricing pressure shot back up to levels last seen in the summer of 2023, according to respondents, with energy costs and rising employment costs all playing a role."

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



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Scotland Manufacturing PMI

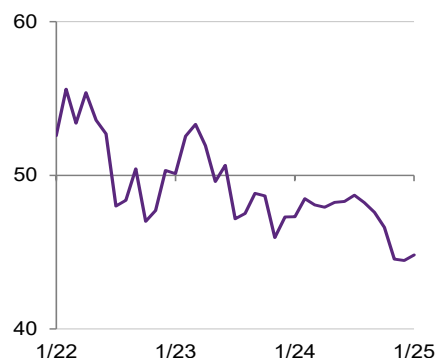
Steepest drop in new orders in 14 months

The seasonally adjusted Scotland Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted 44.8 in January, the highest reading for three months but still indicative of a sharp decline in operating conditions.

Output fell sharply due to a marked fall in new order volumes (the worst since November 2023). Outstanding work levels declined steeply, leading firms to cull staffing numbers. Despite easing from December, the rate of job shedding was the second-fastest in over four-and-a-half years.

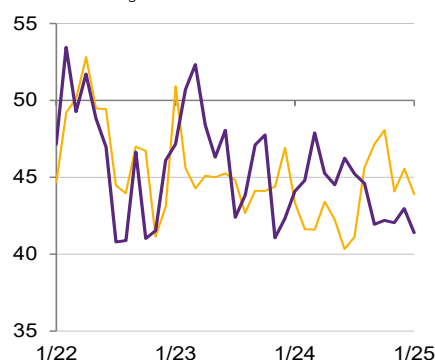
Rising supplier charges prompted a rapid increase in manufacturing costs during January, the sharpest recorded in 21 months. Inflation concerns contributed to sustained pessimism about the business outlook, as well as a sharper uplift in factory gate prices.

Manufacturing PMI
Index, sa, >50 = improvement m/m



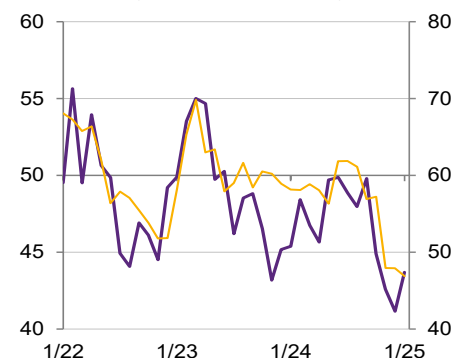
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

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



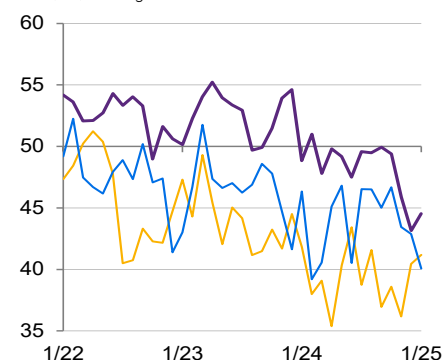
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

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



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

Employment
Backlogs of Work
Stocks of Finished Goods
Index, sa, >50 = growth m/m

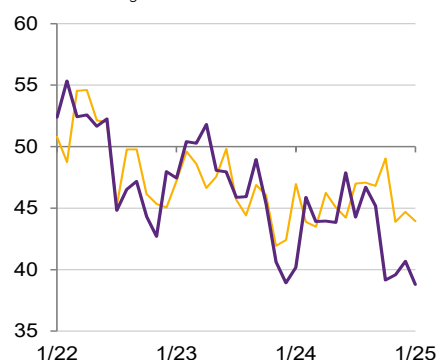


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



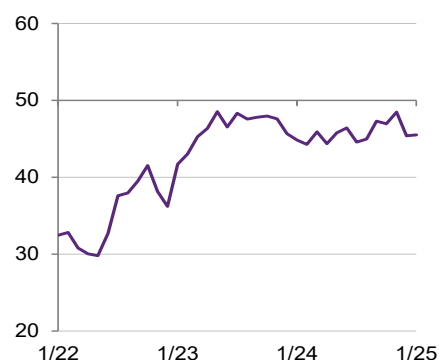


■ Quantity of Purchases ■ Stocks of Purchases
Index, sa, >50 = growth m/m



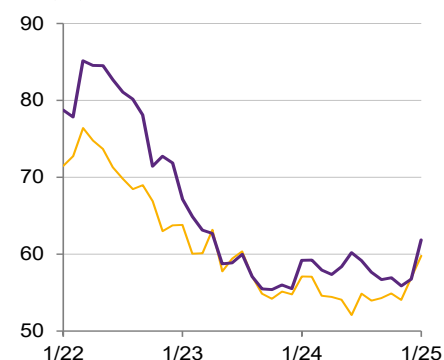
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

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
8/24	48.2	48.0	61.1	44.6	45.6	49.5	41.6	46.5	46.7	47.1	45.0	57.7	54.0
9/24	47.6	49.8	56.9	41.9	47.1	49.9	37.0	45.0	45.2	46.8	47.3	56.7	54.3
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





Scotland Services PMI

Services demand starts to fall, prompting job cuts

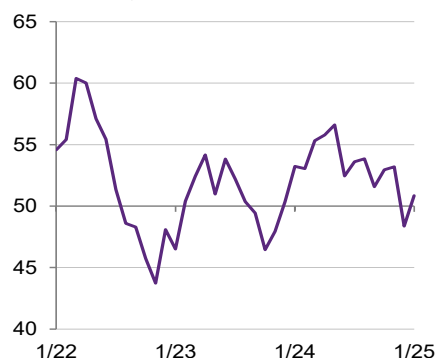
The seasonally adjusted Scotland Services Business Activity Index rose back above the 50.0 threshold in January, climbing from 48.4 in December to 50.9, to signal a slight upturn in total output.

The expansion came despite new business intakes slipping into contraction territory, marking the first decline in seven months. Economic uncertainty and rising costs were often stated as underpinning lower demand.

Services firms reduced their employment levels for the first time since July 2023, as falling sales kept business optimism at a subdued level. That said, job shedding was fairly mild.

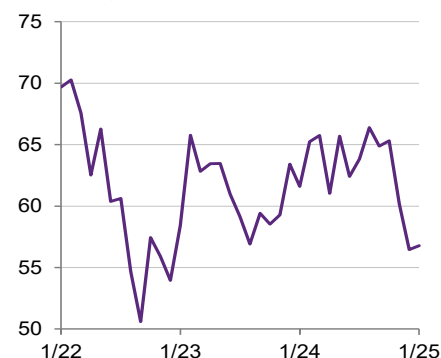
Costs pressures intensified due to increased wages, as the latest data indicated the quickest rise in input prices for 17 months. Selling prices likewise rose to a greater extent than in December.

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



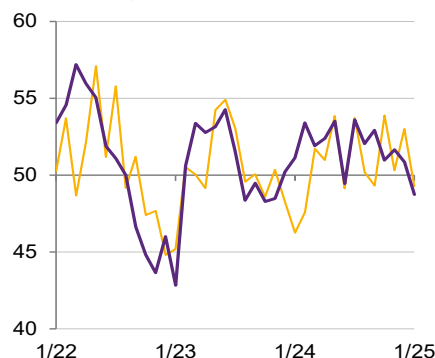
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Future Activity
Index, >50 = growth expected



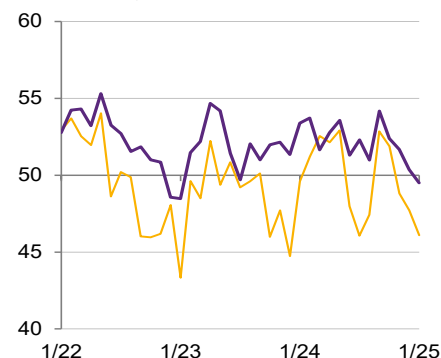
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

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



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

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



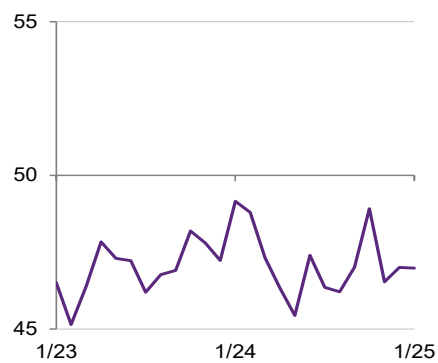
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Supplier Performance

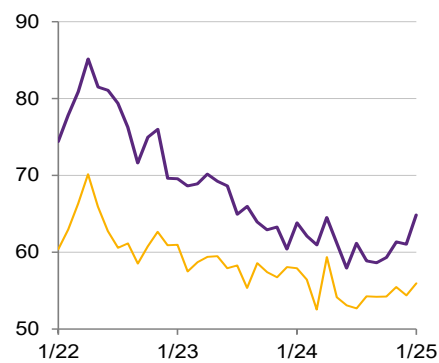
Index, sa, >50 = faster times m/m



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
8/24	53.8	66.4	52.0	50.2	51.0	47.4	46.2	58.9	54.2
9/24	51.6	64.9	52.9	49.3	54.2	52.8	47.0	58.6	54.2
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

UK Regional Growth Tracker

Business Activity

London was the fastest-growing region for business activity in January, followed by the North East. The only other areas to see increases in output were Wales and the South West, although in both cases rates of expansion were only marginal. Northern Ireland meanwhile moved to the bottom of the rankings, recording a steep and accelerated decrease in business activity*.

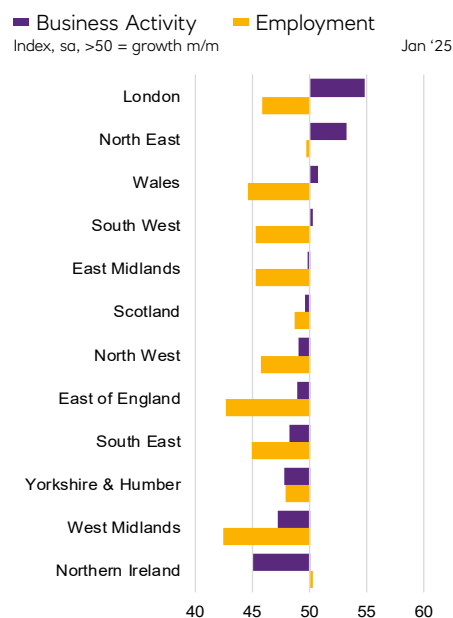
Employment

For the second month running, all but one of the 12 monitored nations and regions recorded a decrease in employment in January. The exception was once again Northern Ireland, although employment there rose only fractionally and at the slowest rate for over two years. The West Midlands saw the steepest drop in workforce numbers, followed closely by East of England.

Future Activity

Expectations towards growth in the coming year remained positive across the board, but optimism weakened in many cases. This included Northern Ireland, which recorded its lowest business confidence for just over two years. Firms in London were the most positive about the year-ahead outlook ahead of those in the West Midlands, with both regions going against the general trend and seeing sentiment improve.

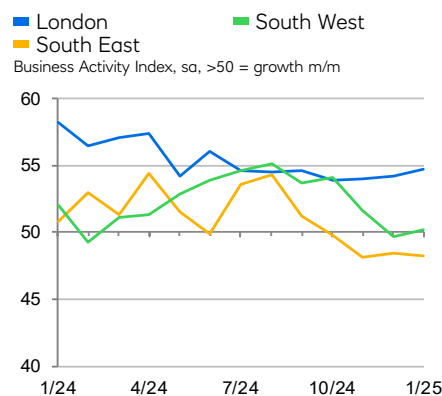
*As well as manufacturing and services, coverage in Northern Ireland also includes construction and retail.



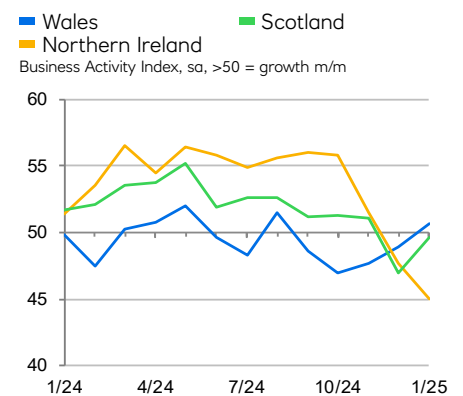
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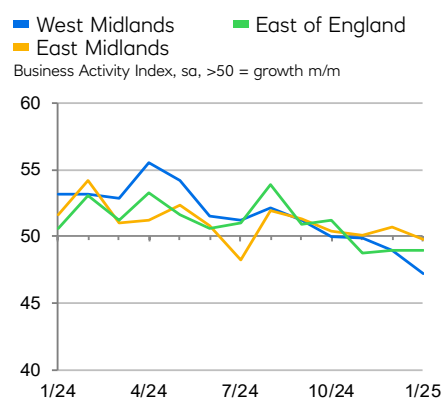
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



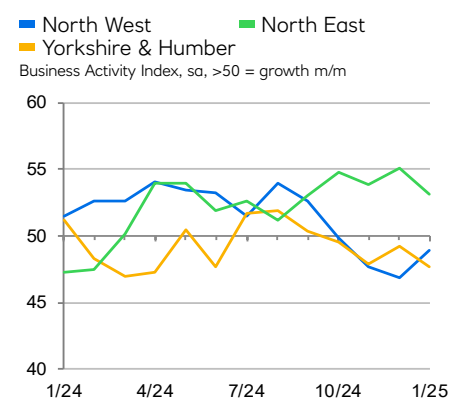
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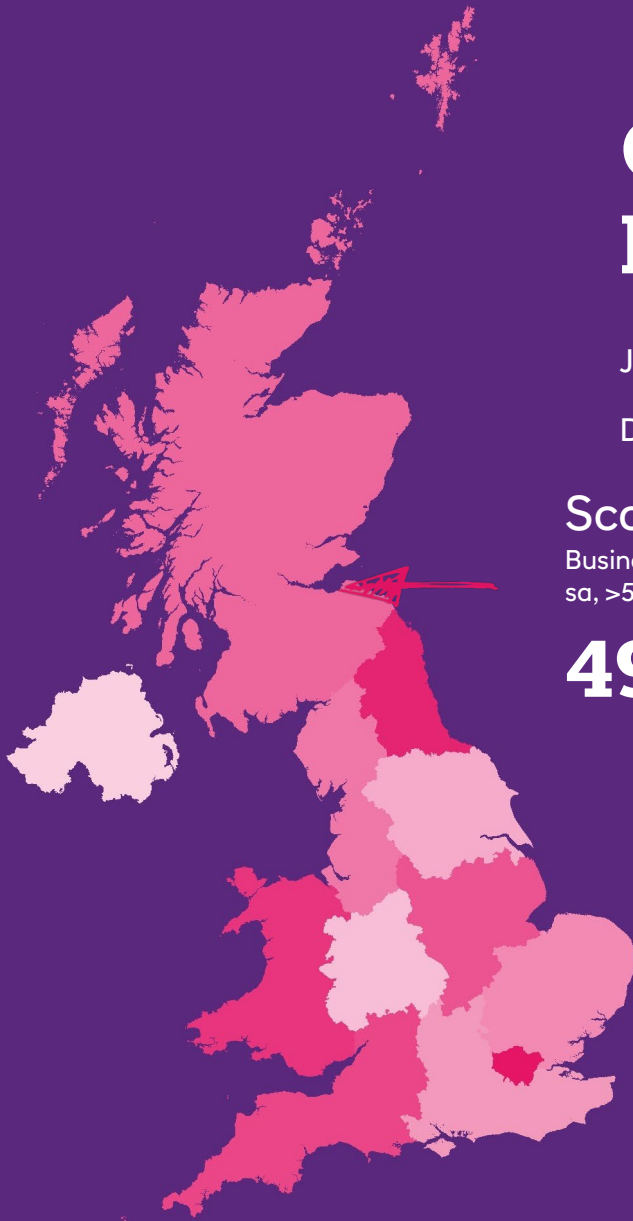
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Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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



Growth Tracker heat map

January 2025

Darker colour = higher business growth

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

49.6



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

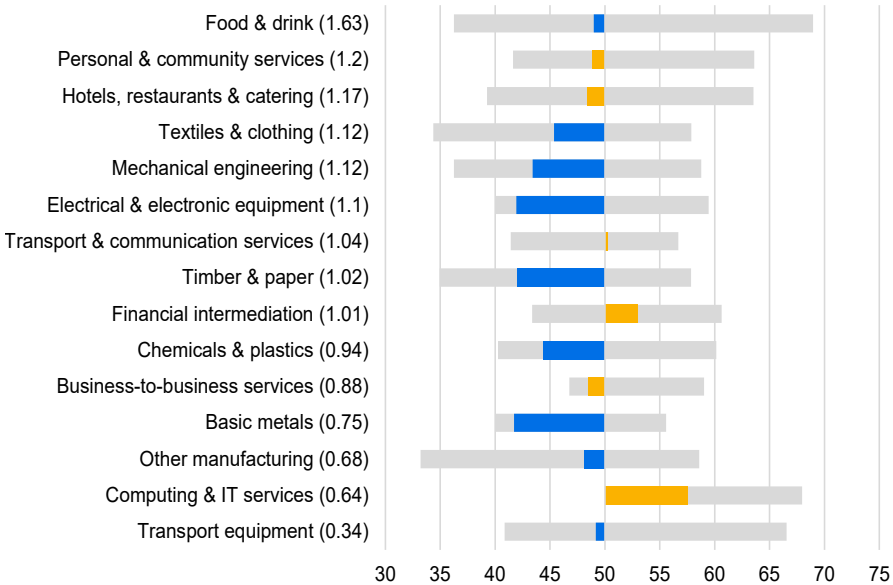
UK sectors

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 Jan '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).

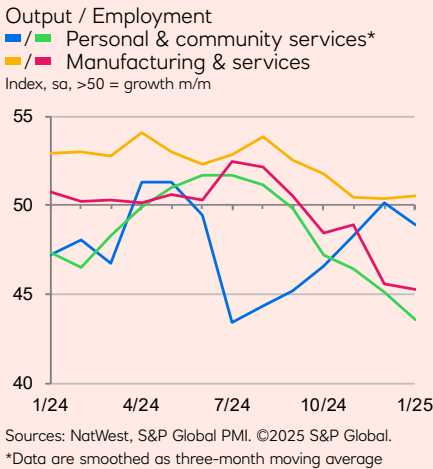
Sector in focus: Personal & community services

The UK's personal & community services sector underperformed the wider economy in the three months to January. Business activity fell back into contraction following some stability in the latter stages of 2024, weighed down by a marked decline in demand. Qualitative evidence gathered by the PMI surveys highlighted a reduction in confidence and discretionary spending among UK consumers in recent months.

At the same time, businesses in the sector came under pressure from rising costs, including increases in

energy prices and wages. Average prices charged by firms showed a slightly slower rate of inflation, however, pointing to a squeeze on profit margins.

Business confidence towards future growth prospects was meanwhile the lowest on record, excluding the initial phase of the pandemic. The combination of increasing labour costs and muted growth expectations led personal & community services firms to cut workforce numbers at the fastest rate for nearly four years.



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.

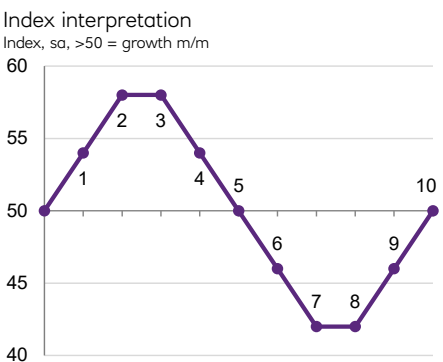
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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.



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
8/24	52.7	50.6	50.5	50.7	46.2	65.3	58.6	54.2
9/24	51.2	50.7	49.9	53.3	49.7	63.3	58.2	54.2
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

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.

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