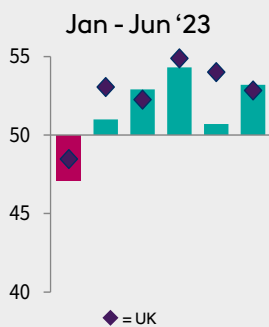


Royal Bank of Scotland PMI[®]

Sustained expansion across services supports Scottish private sector growth

Scotland Business Activity Index



Key findings

Output growth quickens in June

Accelerated growth in new business

Cost burdens rise at softest pace in 25 months

The Scottish private sector indicated a solid and quicker expansion in activity during June, according to the Royal Bank of Scotland PMI[®] data. At 53.2 in June, up from 50.7 in May, the seasonally adjusted Scotland Composite Output Index extended the current run of increases to five successive months and at a rate which was above the long-run survey average. The upturn across Scotland also surpassed that seen at the UK level, placing third in the UK regional rankings table behind London and the South East. Moreover, growth of new business also quickened during the month. The upturn was mainly driven by services firms. Turning to prices, despite remaining historically sharp, inflationary pressures showed further signs of easing from the highs seen in the previous two years.

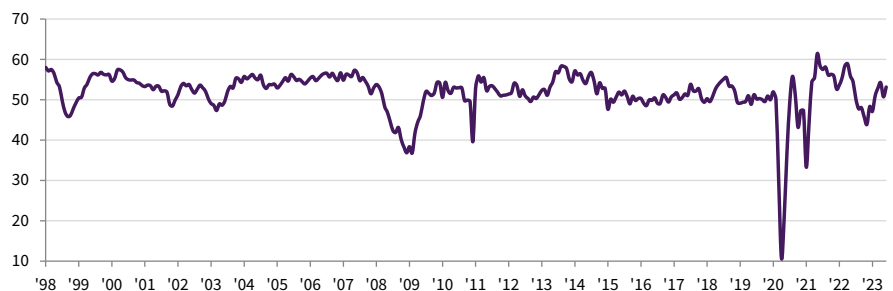
Judith Cruickshank, Chair, Scotland Board, Royal Bank of Scotland, commented:

"The Scottish private sector signalled a stronger performance midway through the year. The upturn was largely supported by a quicker expansion across the services sector, while manufacturing continued to exhibit weakness despite registering a slight increase in production. The diverging trends between the two sectors are a concern as dependence on services grows. This is highlighted by a quicker expansion in new business at services firms, while manufacturers signalled a third monthly contraction in factory orders. New orders also give an indication of business activity in the coming months, and the data from June signals growth will remain skewed towards services. Furthermore, outlook expectations across the two sectors also showed more subdued sentiment across manufacturers, while service providers remained upbeat in comparison."

"In terms of prices, inflationary pressures eased in June, with cost burdens rising at the softest rate since May 2021. Panellists largely attributed the upturn in overall cost burdens to increasing labour costs."

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.

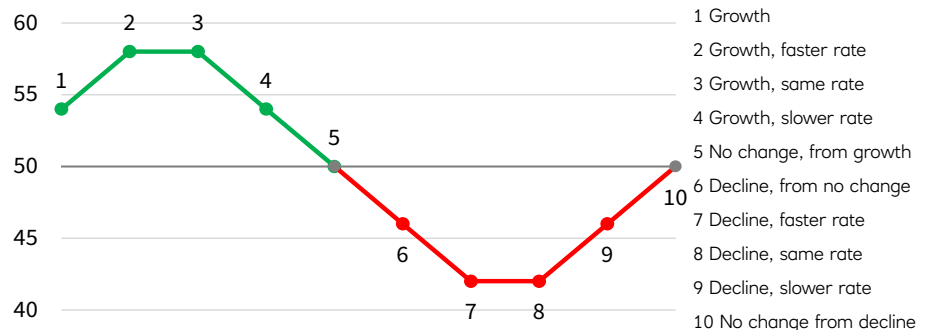
The headline figure is the Business Activity Index. This is a composite index calculated by weighting together the Manufacturing Output Index and the Services Business Activity Index. The Scotland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the '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@ihsmarkit.com.

Index interpretation

50.0 = no change since previous month



Demand and outlook

New business

Scotland's private sector signalled a fifth monthly rise in new business during June. The rate of expansion quickened mainly due to a faster increase at services providers. Panellists noted that greater demand and a general market improvement helped drive the upturn. Meanwhile, manufacturing new orders fell at a slower rate.

Scotland recorded the second fastest expansion in new work among the 12 UK areas, behind London.

Business expectations

The Scottish private sector remained largely upbeat at the end of the second quarter. Sentiment stemmed from planned growth in business, anticipated increases in sales and the launch of new products. That said, confidence dipped to a five-month low, running below the long-run average.

Moreover, of the 12 monitored UK regions, Scotland ranked third from bottom, behind the North East and Northern Ireland.

Exports

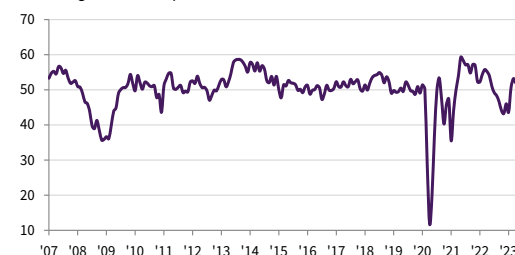
Output growth in export markets slows to a crawl

The Scotland Export Climate Index 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.

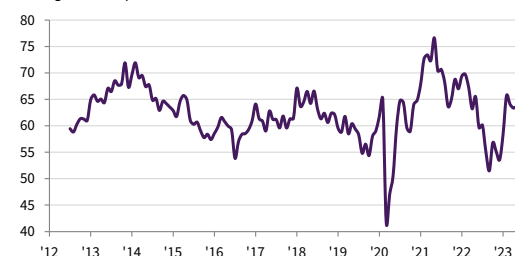
The Export Climate Index signalled a sixth monthly expansion in output across Scotland's top five export markets in June. However, at 50.2, down from 51.1 in May, the index signalled only a fractional expansion that was the weakest since January.

Only three of the of the top five export markets recorded growth, with the US leading the upturn.

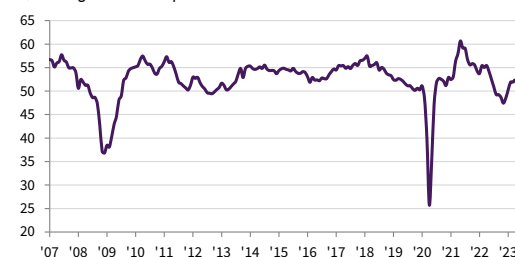
New Business Index
sa, >50 = growth since previous month
53.1
Jun '23



Future Activity Index
>50 = growth expected over next 12 months
60.4
Jun '23

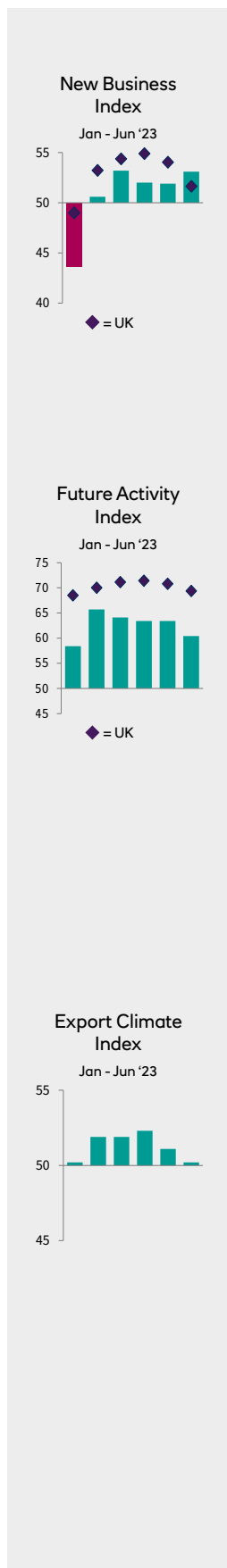


Export Climate Index
sa, >50 = growth since previous month
50.2
Jun '23



Top export markets, Scotland

Rank	Market	Weight	Output Index, Jun '23
1	Netherlands	19.4%	45.4
2	Ireland	13.5%	51.4
3	USA	13.2%	53.2
4	France	9.0%	47.2
5	Germany	8.9%	50.6



Business capacity

Employment

Private sector companies across Scotland registered a fifth successive monthly rise in employment during June. New projects and contracts encouraged firms to raise their payroll numbers, anecdotal evidence suggested. The pace of job creation eased to a four-month low, however, amid softer expansions across both the manufacturing and services sectors.

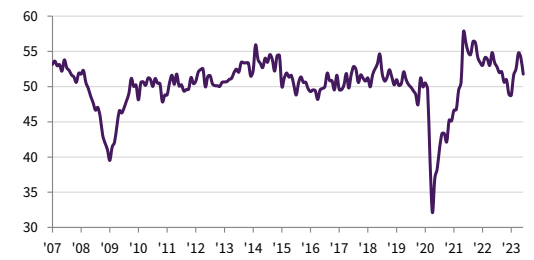
The upturn in workforce numbers across Scotland was weaker than that seen at the UK level.

Employment Index

sa, >50 = growth since previous month

51.8

Jun '23



Outstanding business

A further fall in backlogs was reported across Scotland during June. The overall decline reflected a further sharp drop at manufacturers as new orders continued to decline. This was, however, almost offset by a rise in outstanding business at service providers.

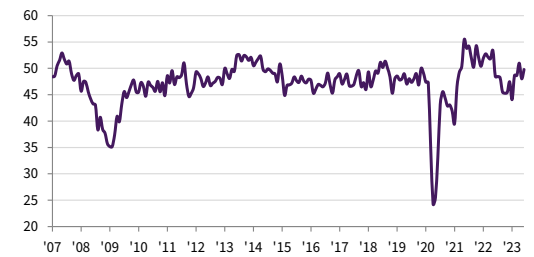
The downturn in backlogs in Scotland was slower than all other UK regions except London, where a rise was reported.

Outstanding Business Index

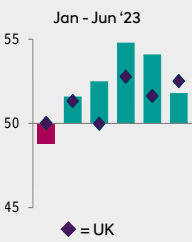
sa, >50 = growth since previous month

49.8

Jun '23



Employment Index



Outstanding Business Index



Prices

Input prices

Inflationary pressure on input prices continued to cool across the Scottish private sector in June. The respective seasonally adjusted index has ticked down in six of the last seven survey periods, printing a 25-month low in June.

Nonetheless, the pace of inflation remained well above the historical average and was the second-steepest of the 12 monitored UK regions, behind only London. According to anecdotal evidence, wages and increased supplier costs fuelled the latest increase in cost burdens.

Prices Charged

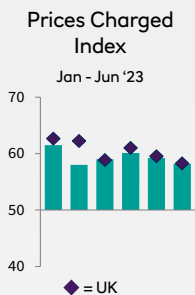
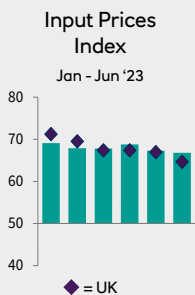
In line with easing price pressures, charges levied for the provision of goods and services also rose at a slower rate across Scotland in June. The pace of output charge inflation was the second-softest in 26 months, but remained historically elevated. Companies bumped charges to cover increasing costs.

Growth at which charges rose across Scotland was broadly in line with that seen across the UK as a whole.

Input Prices Index 66.8
 sa, >50 = inflation since previous month Jun '23



Prices Charged Index 58.2
 sa, >50 = inflation since previous month Jun '23



Scotland Manufacturing PMI

Renewed expansion in manufacturing output

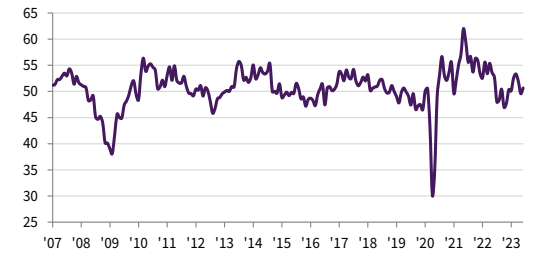
The seasonally adjusted Scotland Manufacturing PMI - a composite single-figure indicator of manufacturing performance - signalled a renewed improvement in operating conditions during June. The headline index posted 50.7, up from 49.6 in May.

However, despite a fresh rise in production, the health of the Scottish manufacturing sector only improved fractionally, primarily because new orders continued to record a contraction.

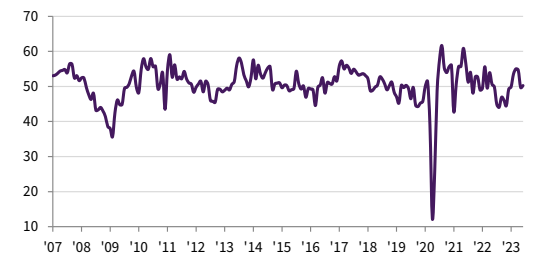
Nonetheless, businesses continued to raise their payroll numbers, extending the current run of uninterrupted job growth to eight successive months. Anecdotal evidence revealed some success filling long-standing vacancies.

Price pressures across the sector accelerated slightly on the month, with both input price and output charge inflation remaining sharp overall. Looking ahead, sentiment dipped across companies to the lowest in 2023 so far. Fears of weakening demand trends weighed on confidence levels.

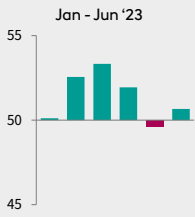
Manufacturing PMI
sa, >50 = improvement since previous month
50.7
Jun '23



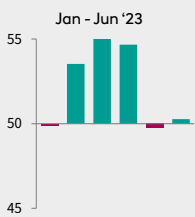
Output Index
>50 = growth expected over next 12 months
50.3
Jun '23



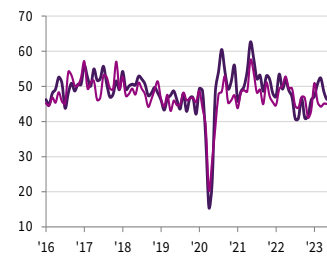
Manufacturing PMI



Output Index



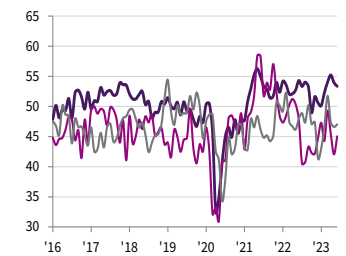
New Orders Index
New Export Orders Index
sa, >50 = growth since previous month



Future Output Index
>50 = growth expected over next 12 months



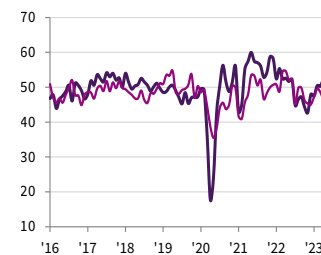
Employment Index
Backlogs of Work Index
Stocks of Finished Goods Index
sa, >50 = growth since previous month



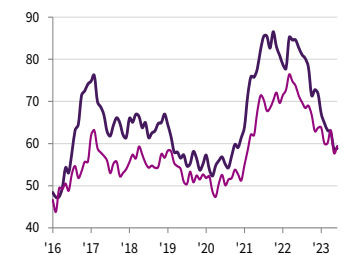
Suppliers' Delivery Times Index
sa, >50 = faster times since previous month



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

Faster growth in business activity

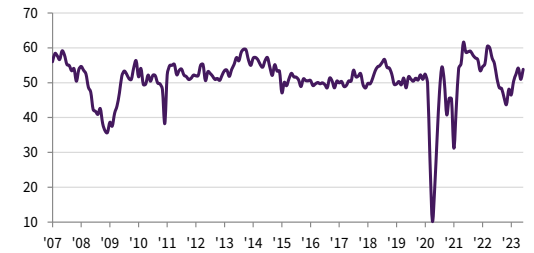
The seasonally adjusted Scotland Services Business Activity Index printed above the crucial 50.0 threshold for the fifth month running in June and rose to 53.8, from 51.0 in May, signalling faster growth.

Services providers also signalled a strong rise in new business during June. The rate of growth quickened for the second month running to the fastest in over a year. Despite strong growth, firms raised employment at a weaker pace. The rate of job creation eased to a four-month low.

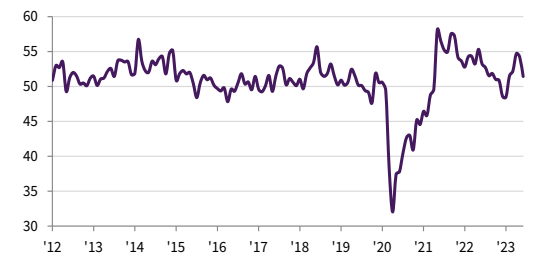
Turning to prices, the latest data signalled a further easing in input price inflation to the joint-lowest in 22 months. Consequently, charges also rose at a softer rate in June. Nonetheless, the price gauges remained historically elevated.

In terms of the outlook for activity, confidence levels took a slight hit in June as sentiment recorded a five-month low and remained below the long-term average.

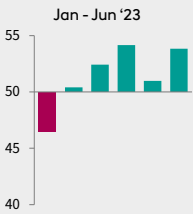
Business Activity Index 53.8
sa, >50 = growth since previous month Jun '23



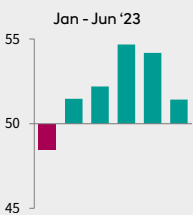
Employment Index 51.4
sa, >50 = growth since previous month Jun '23



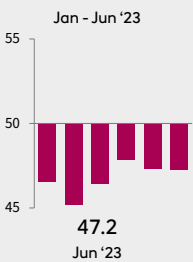
Business Activity Index



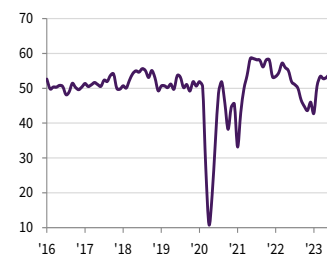
Employment Index



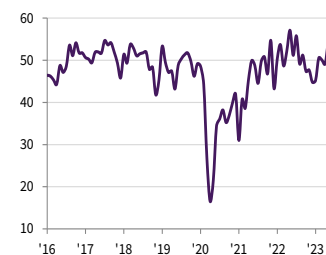
Supplier Performance Index



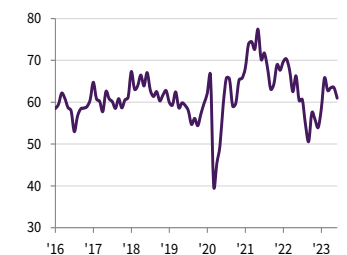
New Business Index
sa, >50 = growth since previous month



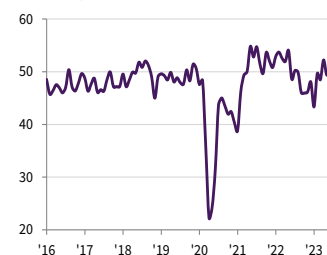
New Export Business Index
sa, >50 = growth since previous month



Future Activity Index
>50 = growth expected over next 12 months



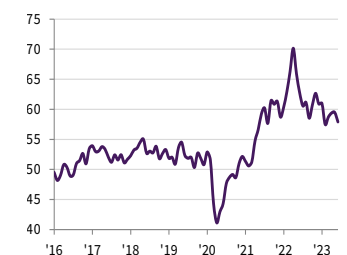
Outstanding Business Index
sa, >50 = growth since previous month



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, Jun'23 ⁺
1	Food & Drink	1.91	52
2	Mechanical Engineering	1.17	50
3	Electrical & Optical	1.08	52
4	Textiles & Clothing	1.06	50
5	Timber & Paper	1.05	42
6	Chemicals & Plastics	0.86	50
7	Basic Metals	0.81	50
8	Other Manufacturing	0.63	50
9	Transport	0.31	55

Scotland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jun'23 ⁺
1	Hotels, Restaurants & Catering	1.27	55
2	Financial Intermediation	1.10	60
3	Transport & Communication	1.04	50
4	Personal & Community Services	1.03	52
5	Business-to-business Services	0.94	52
6	Computing & IT Services	0.71	60

UK sector focus

Food & Drink

The UK's Food & Drink sector enjoyed a strong second quarter, posting its fastest rise in output for two years. It saw the quickest rate of expansion of the nine manufacturing sectors monitored.

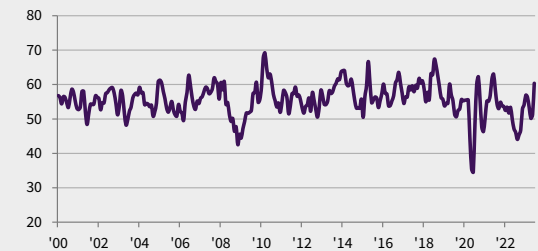
Growth of Food & Drink production in the three months to June was driven by a sharp upturn in demand. This was underscored by a steep and accelerated rise in inflows of new work across the sector.

On the price front, latest data showed a considerable slowdown in the rate of input cost inflation to the lowest for over seven years. This is turn contributed to a slower rise in prices charged, the weakest since Q2 2020.

With firms reporting declining backlogs of work, they showed a reluctance to hire as employment in the sector fell slightly in the three months to June. This was despite strong optimism towards the year-ahead outlook.

Output Index

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



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



UK Regional PMI overview

Business Activity

Just seven out of the 12 monitored regions and nations recorded growth in business activity in June, the fewest since January. London was once again the best performer but posted its slowest rise in output for three months. Only Scotland (ranked third), Northern Ireland* (fifth) and the East of England (sixth) saw growth accelerate. The steepest drop in activity was in Wales.

Employment

A rise in employment was recorded in all areas except Wales, where workforce numbers were unchanged following a five-month sequence of job losses. London recorded the steepest rise in staffing levels, its sharpest since August last year, followed by Northern Ireland and the East of England. Last month's leader for job creation, Scotland, moved down to eighth in the rankings.

Future Activity

Business confidence weakened in the majority of regions and nations in June. The biggest drop in expectations was in the North East, which slipped to the bottom of the rankings. The South East recorded the greatest optimism and was one of the few areas where sentiment improved, along with the South West, East Midlands and North West.

Business Activity Index

sa, >50 = growth since previous month, Jun '23



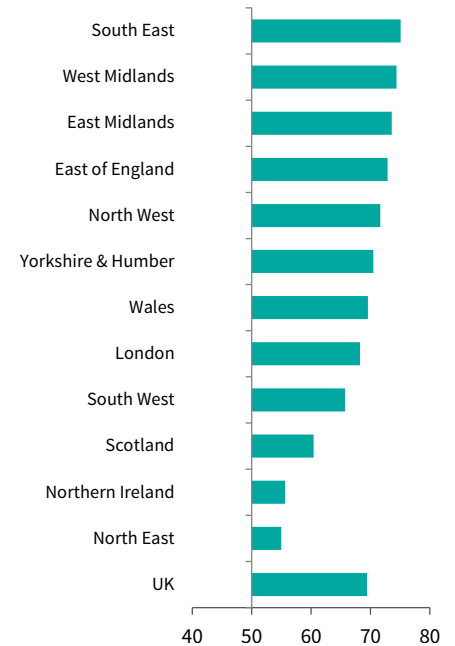
Employment Index

sa, >50 = growth since previous month, Jun '23



Future Activity Index

>50 = growth expected over next 12 months, Jun '23



* 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
Jan '23	47.1	43.6	50.2	58.4	48.8	44.1	69.1	61.5
Feb '23	51.0	50.6	51.9	65.7	51.6	48.6	67.9	58.0
Mar '23	52.9	53.2	51.9	64.1	52.5	48.6	67.8	59.0
Apr '23	54.3	52.0	52.3	63.4	54.8	51.0	68.8	60.1
May '23	50.7	51.9	51.1	63.4	54.1	48.0	67.3	59.2
Jun '23	53.2	53.1	50.2	60.4	51.8	49.8	66.8	58.2

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
Apr '23	51.9	54.7	48.4	45.1	63.0	55.2	45.4	47.4	51.8	46.4	46.6	62.7	63.2
May '23	49.6	49.7	46.3	45.0	63.4	54.0	42.1	46.6	48.1	48.5	47.5	58.7	57.8
Jun '23	50.7	50.3	48.1	45.3	57.9	53.4	45.0	47.0	48.0	46.5	49.8	58.9	59.4

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
Apr '23	54.2	52.8	49.2	63.4	54.7	52.2	70.2	59.4
May '23	51.0	53.1	54.2	63.5	54.2	49.4	69.2	59.5
Jun '23	53.8	54.3	54.9	61.0	51.4	50.8	68.6	57.9

Contact

Jonathan Rennie
Regional Media & Campaigns Manager
Royal Bank of Scotland
+44 7769 932 102
jonathan.ennie@natwest.com

Maryam Baluch
Economist
S&P Global Market Intelligence
+44 134 432 7213
maryam.baluch@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 796 744 7030
sabrina.mayeen@spglobal.com

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 S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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.

ihsmarkit.com/products/pmi.html

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