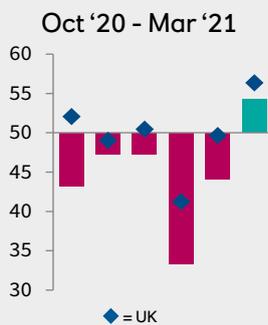


# Royal Bank of Scotland PMI<sup>®</sup>

## Scottish economy returns to growth in March

### Scotland Business Activity Index



### Key findings

First rise in activity since last September, as new work stabilises

Looser restrictions push business confidence to record high

Inflationary pressures mount

Scotland's economy returned to growth during March, according to the latest Royal Bank of Scotland PMI<sup>®</sup>. The seasonally adjusted headline Royal Bank of Scotland Business Activity Index - a measure of combined manufacturing and service sector output - rose to 54.3 in March, up sharply from 44.1 in February to signal the first upturn in output since last September and one that was solid overall. Meanwhile, inflows of new work were broadly stable on the month as looser restrictions buoyed demand in some sectors, while hopes of a swift economic recovery pushed business confidence to the highest on record (since mid-2012). March also saw further signs of inflationary pressures, however. Input costs rose at the most marked rate since August 2018, amid reports of supplier shortages as well as additional Brexit and coronavirus disease 2019 (COVID-19) related costs. As a result, Scottish companies increased their charges at the quickest pace for nearly two years.

Malcolm Buchanan, Chair, Scotland Board, Royal Bank of Scotland, commented:

*"The end of the first quarter saw a return to growth for the Scottish private sector economy. Output rose for the first time in six months, and solidly, while inflows of new work neared stability as looser lockdown measures provided a boost to many firms.*

*"Supply chain issues, shortages, Brexit and the pandemic were all attributed to greater inflationary pressures, however, highlighting that the recovery may well bring with it higher prices due to ongoing logistical constraints.*

*"Nonetheless, business confidence hit a fresh record high in March, with companies confident of a robust economic recovery as measures ease."*

Scotland Business Activity Index

sa, >50 = growth since previous month



## Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [Scotland Manufacturing PMI](#)
- [Scotland Services PMI](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

## About the Scotland PMI® report

The Royal Bank of Scotland PMI® is compiled by IHS Markit 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.

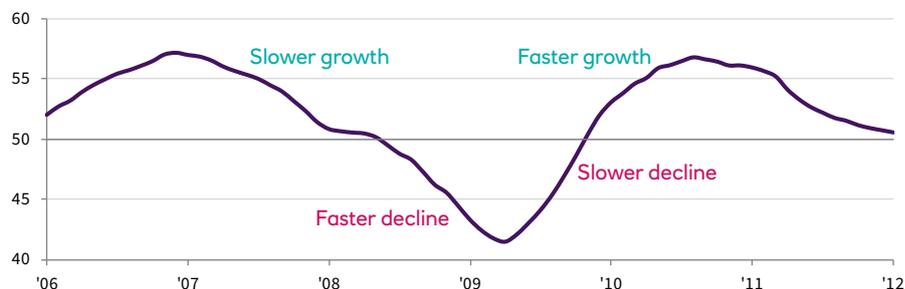
The headline figure is the Business Activity Index. This is a composite index calculated by weighting together the Manufacturing Output Index and the Services Business Activity Index. The Scotland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New business

Following six straight monthly declines, inflows of new work to Scottish private sector firms were broadly stable in March, with the respective seasonally adjusted index posting only just below the neutral 50.0 mark. Where an increase was recorded, this was linked to looser lockdown measures and improved demand, although some panellists noted that the remaining measures were still stifling sales in several sectors.

Across the 12 monitored UK areas, all nine English regions and Wales posted growth, while Northern Ireland registered a modest decline.

### Business expectations

The 12-month outlook for activity among Scottish private sector companies improved for the fifth month in a row during March, with sentiment the strongest on record (since July 2012). Anecdotal evidence linked optimism to the planned easing of COVID-19 restrictions amid the ongoing vaccine rollout, hopes of improved client demand and a solid economic recovery.

Scottish service providers registered a much more robust level of confidence than manufacturers in March.

### Exports

#### Export Climate Index highest since February 2018

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

The Scotland Export Climate Index rose from 53.2 in February to 56.3 in March, and signalled the strongest improvement in export conditions since February 2018.

At the national level, the Netherlands saw the steepest upturn in output, followed by the USA and Germany. Chinese growth was the strongest for three months while, in France, output stabilised following six consecutive months of decline.

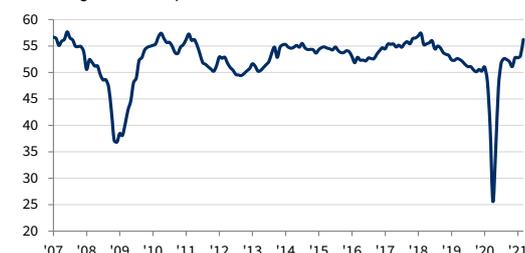
New Business Index  
sa, >50 = growth since previous month  
49.8  
Mar '21



Future Activity Index  
>50 = growth expected over next 12 months  
73.4  
Mar '21



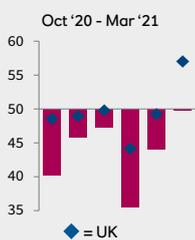
Export Climate Index  
sa, >50 = growth since previous month  
56.3  
Mar '21



Top export markets, Scotland

Rank	Market	Weight	Output Index, Mar '21
1	Netherlands	18.3%	62.3
2	USA	10.8%	59.7
3	Germany	9.2%	57.3
4	China	6.6%	53.1
5	France	5.6%	50.0

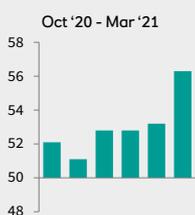
New Business Index  
Oct '20 - Mar '21



Future Activity Index  
Oct '20 - Mar '21



Export Climate Index  
Oct '20 - Mar '21



## Business capacity

### Employment

March data highlighted a further decrease in staffing levels at Scottish firms. Panellists attributed the latest fall mainly to the non-replacement of voluntary leavers due to the pandemic, although there were some mentions of layoffs and redundancies. That said, the rate of job shedding was the slowest since February last year and only fractional overall.

Sector data highlighted a further divergence in March. Goods producers took on additional staff at a quicker rate, while services firms continued to trim workforce numbers.

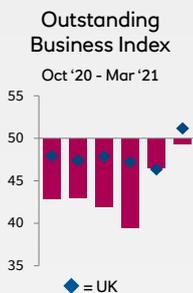
### Outstanding business

The level of outstanding business at Scottish companies continued to fall during March, amid reports that COVID-19 regulations and muted sales had allowed firms to direct resources to unfulfilled orders. The rate of backlog depletion was the slowest in the current 16-month sequence of falls and only marginal, however.

Employment Index  
sa, >50 = growth since previous month  
49.5  
Mar '21



Outstanding Business Index  
sa, >50 = growth since previous month  
49.3  
Mar '21



## Prices

### Input prices

A tenth straight monthly increase in average input prices was recorded in March. According to panellists, greater raw material costs, higher prices at suppliers, Brexit and COVID-19 were the main drivers of inflation. Moreover, the latest increase was the steepest since August 2018.

At the sector level, goods producers recorded a much quicker upturn in costs than services firms.

Cost burdens also rose across the UK as a whole in March, with the rate of inflation quicker than in Scotland.

### Prices Charged

In line with greater cost burdens, Scottish private sector firms increased their average charges again in March. The rate of inflation was the quickest since May 2019.

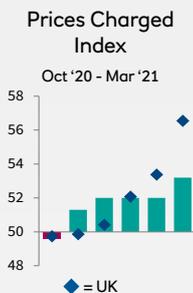
As was the case for input costs, manufacturers registered a much steeper increase in charges than service providers.

Nonetheless, Scotland recorded the second-slowest rate of charge inflation across the 12 monitored UK areas in March, ahead of London.

Input Prices Index 64.4  
sa, >50 = inflation since previous month Mar '21



Prices Charged Index 53.2  
sa, >50 = inflation since previous month Mar '21



## Scotland Manufacturing PMI

### Manufacturing upturn gathers pace at end of first quarter

The seasonally adjusted Scotland Manufacturing PMI - a composite single-figure indicator of manufacturing performance - rose from 52.2 in February to a three-month high of 55.1 in March. This signalled a back-to-back improvement in manufacturing conditions, and one that was solid overall.

Central to the accelerated upturn was a further rise in factory production. The rate of growth quickened noticeably and was sharp overall.

Meanwhile, inflows of new orders stabilised in March, following two months of decline. Export demand continued to falter, however, as new work from abroad declined marginally again.

March data highlighted sustained pressure on supply chains, with lead times for inputs lengthening to a greater extent than in February and markedly overall.

Higher prices at suppliers, shortages, COVID and Brexit were all cited as drivers of the latest round of cost inflation in March. Costs rose at the fastest rate since February 2017.

As a result, Scottish manufacturers upped their factory gate charges the most for more than four years.

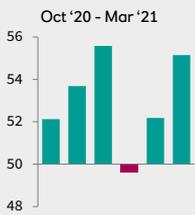
Manufacturing PMI  
sa, >50 = improvement since previous month  
55.1  
Mar '21



Output Index  
>50 = growth expected over next 12 months  
55.7  
Mar '21



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

### Scottish service sector returns to growth in March

The seasonally adjusted Business Activity Index posted 54.0 in March, rising from February's 42.7, and signalled the first increase in Scottish services output since last September. Moreover, the rate of growth was solid overall. According to panellists, looser COVID-19 restrictions had led to some improvement in client demand and better economic conditions.

Meanwhile, inflows of new work were broadly stable following six months of consecutive decline. The respective seasonally adjusted index posted only just below the 50.0 mark in March.

With sales yet to fully recover, firms made further cuts to their staffing levels in March. That said, the rate of job shedding was the slowest since last February.

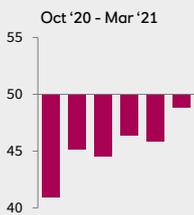
Input costs rose further in March amid reports of higher raw material and staff costs, as well as Brexit and COVID-19 related expenses. The rate of inflation was the steepest since June 2019. As a result, average charges rose again.

Finally, firms recorded the most optimistic outlook for activity over the next year since January 2006. Confidence was linked mainly to the planned easing of COVID-19 measures.

Business Activity Index



Employment Index



Business Activity Index

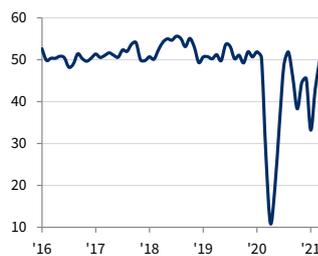


Employment Index



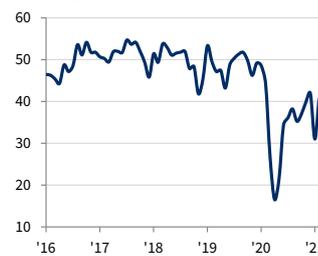
New Business Index

sa, >50 = growth since previous month



New Export Business Index

sa, >50 = growth since previous month



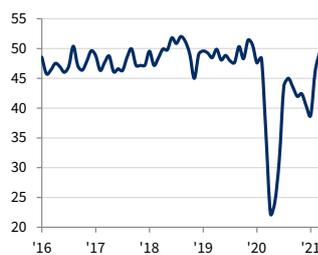
Future Activity Index

>50 = growth expected over next 12 months



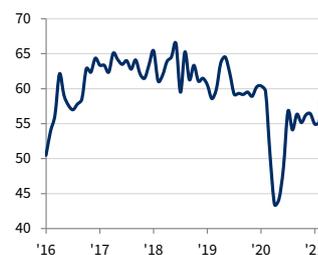
Outstanding Business Index

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, Mar '21*
1	Food & Drink	1.90	55
2	Textiles & Clothing	1.21	48
3	Wood & Paper	1.19	48
4	Electrical & Electronic	1.10	52
5	Chemicals, Rubber & Plastics	0.90	48
6	Metals & Metal Products	0.87	52
7	Machinery & Equipment	0.85	55
8	Other Manufacturing	0.68	50
9	Transport Equipment	0.32	45

#### Scotland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '21*
1	Hotels, Restaurants & Catering	1.29	40
2	Financial Intermediation	1.08	48
3	Transport & Communication	1.05	48
4	Other Services	1.03	48
5	Business-to-business Services	0.94	50
6	Computing & IT Services	0.73	50

### UK sector focus

#### Hotels, Restaurants & Catering

The UK's Hotels, Restaurants & Catering sector remained in a deep downturn during the opening quarter of 2021. It was the worst performing part of the services economy for output, new business and employment. That said, the declines were less severe than during the first lockdown last spring, and some firms even reported a pick-up in activity in March due to schools reopening.

Looking ahead, businesses in the sector were generally optimistic about the outlook, buoyed by hopes of restrictions on hospitality, events and travel being lifted in the coming months. The degree of confidence was the highest recorded for almost 17 years and the second-strongest among the broad services categories monitored behind Computing & IT Services. Several firms in the latest survey reported an increase in bookings for later in the year.

#### Output Index

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



## UK Regional PMI overview

### Business Activity

Business activity rose in 11 out of the 12 UK regions in March. Northern Ireland recorded the only decline, though even here activity moved closer to stabilisation, falling only marginally and at the slowest rate for five months. Growth was led by the East of England, where it was a series record high, ahead of the West Midlands and Yorkshire & Humber respectively.

### Employment

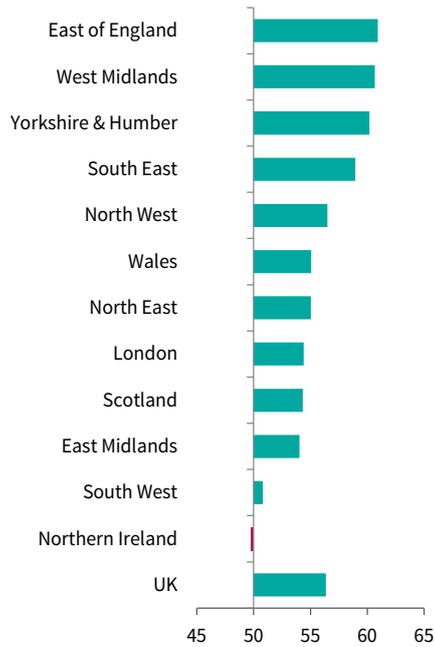
The number of regions reporting higher employment increased from just three mid-way through the opening quarter to ten in March. This was the most since January 2020. Yorkshire & Humber recorded the strongest rate of job creation for the third time in the past four months. Scotland and Wales meanwhile saw further declines in staffing levels.

### Future Activity

Yorkshire & Humber topped the regional rankings for business confidence for the second month running in March. Expectations did, however, dip slightly from February's series-record high, contrasting with improvements in ten of the 11 other regions. Sentiment remained weakest overall in Northern Ireland, despite having ticked up to a 13-month high.

Business Activity Index

sa, >50 = growth since previous month, Mar '21



Employment Index

sa, >50 = growth since previous month, Mar '21



Future Activity Index

>50 = growth expected over next 12 months, Mar '21



\* 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
Oct '20	43.2	40.2	52.1	59.0	42.2	42.9	56.0	49.6
Nov '20	47.3	45.8	51.1	64.0	45.2	43.0	56.8	51.3
Dec '20	47.3	47.3	52.8	64.8	45.1	41.9	57.3	52.0
Jan '21	33.3	35.5	52.8	67.8	46.6	39.5	56.6	52.0
Feb '21	44.1	44.0	53.2	72.6	46.8	46.5	58.1	52.0
Mar '21	54.3	49.8	56.3	73.4	49.5	49.3	64.4	53.2

### 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
Jan '21	49.6	42.8	46.0	43.8	66.1	47.7	42.9	43.1	43.0	23.9	41.7	64.0	54.9
Feb '21	52.2	50.6	48.5	48.3	67.1	50.9	48.1	42.8	45.0	28.7	40.9	71.3	58.4
Mar '21	55.1	55.7	50.0	48.9	68.6	53.0	49.1	47.9	55.2	26.3	45.7	75.8	62.2

### 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
Jan '21	31.2	33.2	31.0	68.1	46.4	38.8	54.9	51.4
Feb '21	42.7	43.0	40.7	73.9	45.9	46.2	55.2	50.6
Mar '21	54.0	49.8	38.6	74.4	48.8	49.4	61.9	51.3

## Contact

Jonathan Rennie  
Regional PR Manager  
Royal Bank of Scotland  
07769 932 102  
[jonathan.ennie@rbs.co.uk](mailto:jonathan.ennie@rbs.co.uk)

Lewis Cooper  
Economist  
IHS Markit  
+44 1491 461 019  
[lewis.cooper@ihsmarkit.com](mailto:lewis.cooper@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
+44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.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 IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

### 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](https://ihsmarkit.com/products/pmi.html)

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.