

14 May 2025

Royal Bank of Scotland Growth Tracker

Employment stabilises across Scottish
private sector in April



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Contents

Key findings	Scotland Manufacturing PMI
Business activity	Scotland Services PMI
Comment	UK Regional Growth Tracker
Demand and outlook	UK Sectors
Export markets	Methodology and data
Jobs and capacity	Further information
Inflation	



Royal Bank of Scotland

PMI[®]

by **S&P Global**

Key findings

April 2025

Staffing levels stable in April, after falling in prior four months

Business confidence hits six-month high

Downturns in output and new business ease

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





Employment stabilises across Scottish private sector

The latest monthly data were collected between 9th – 28th April.

Firms have reported that increased global economic uncertainty, particularly related to US tariff announcements, is significantly impacting demand across various regions.

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 – posted below

the neutral 50.0 threshold for a fifth successive month in April. While the latest reading of 47.4 was up from 45.9 in March to reach a three-month high, it signalled a solid decline in Scottish private sector activity overall.

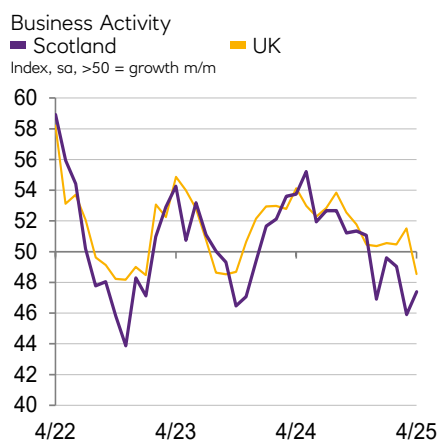
The survey was conducted after US tariff announcements on 2 April, which, at the time, saw minimum tariff rates of 10% applied to imports into the US, as well higher so-called ‘reciprocal’ tariff rates on a number of countries. A subsequent announcement on 9 April saw a 90-day pause on most higher tariff rates.

Royal Bank of Scotland Business Activity Index April 2025

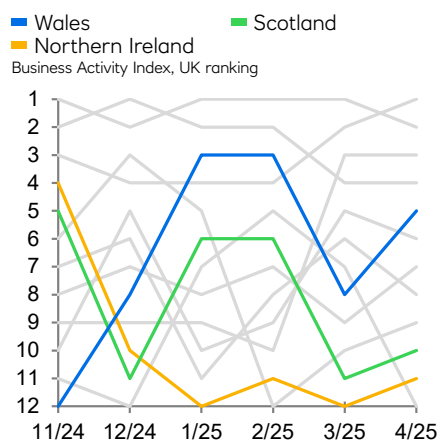
47.4

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 09-28 April



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



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



Comment

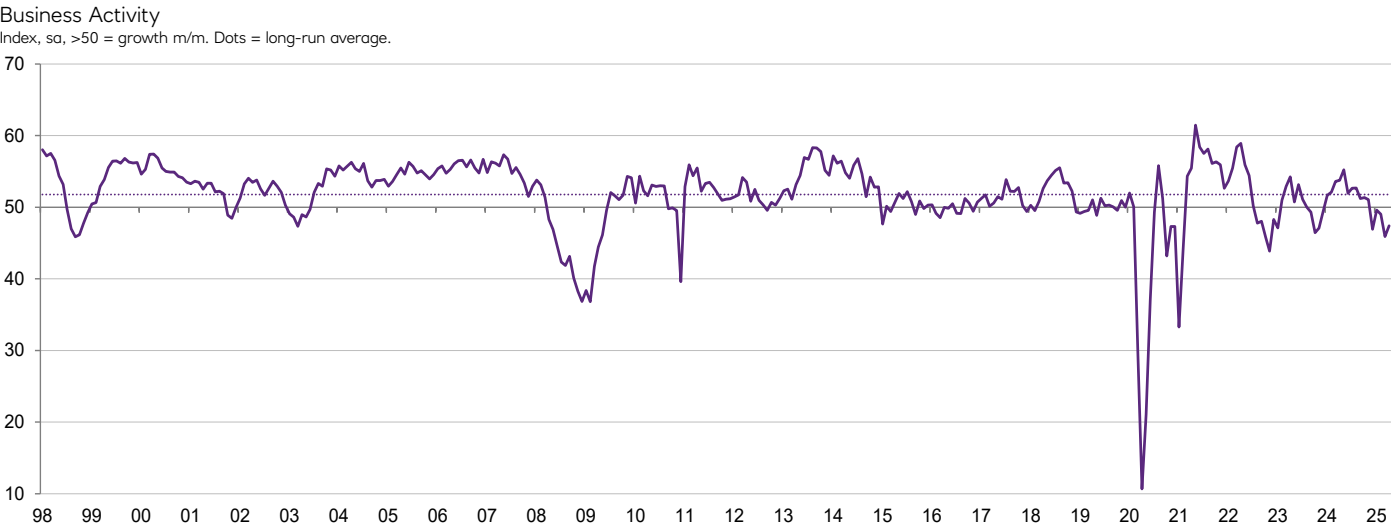
Commenting on the Tracker’s findings, Sebastian Burnside, Royal Bank of Scotland Chief Economist, said:

"The tracker this month reflects the challenges that economic uncertainty can create for UK businesses of all scales. Firms across the UK reported a challenging start to the second quarter, with demand for goods and services falling in all areas amid a backdrop of economic uncertainty and rising prices. While output and new orders both declined further in Scotland, rates of reduction did soften since March.

"More encouragingly, Scottish firms were more upbeat about the year-ahead outlook for output in April, although growth expectations are lower than they have typically been in the past.

"Rising labour costs have added to pressure on businesses, following April's increases in National Insurance contributions and minimum wages. As firms look to mitigate rising costs, we've seen average prices charged for goods and services increase at faster rates, as well as a greater focus on workforces. Labour markets in all areas of the UK have felt the impact to some degree in recent months, with only Scotland avoiding a fall in employment in April.

"We cannot ignore the backdrop during which this survey was carried out but regardless, as we’ve seen in the past, UK business is resilient and can always offer reasons for optimism throughout."



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



Demand and outlook

Scottish firms face challenging demand conditions, but business confidence improves

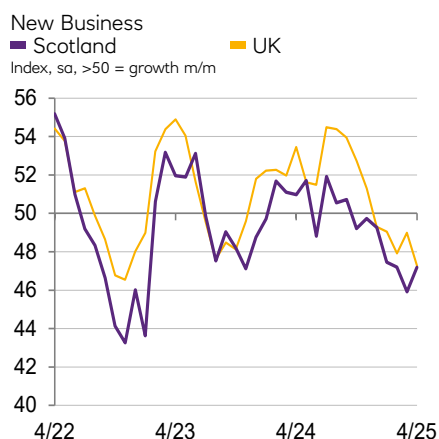
A seventh consecutive monthly decline in new business was recorded across Scotland in April. While the rate of decrease eased since March, it was solid overall. Anecdotal evidence generally linked the drop in sales to economic uncertainty and weaker client demand.

The downturn in new business in Scotland broadly matched that seen across the UK as a whole.

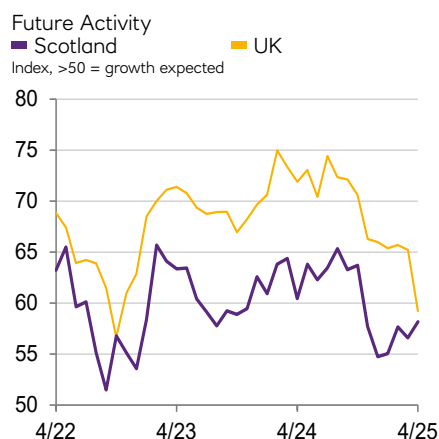
Although overall optimism regarding the year-ahead outlook for output across Scotland improved to a six-month high in April, this masked divergent trends at the sector level. While manufacturers turned pessimistic, service providers expressed stronger confidence, often due to marketing campaigns and the introduction of new services, as well as hopes of improved demand.

Moreover, Scotland was the only one of the 12 monitored UK nations and regions to see a rise in confidence, although overall sentiment remained weaker than the UK-wide average.

"Scottish firms were more upbeat about the year-ahead outlook for output in April"



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



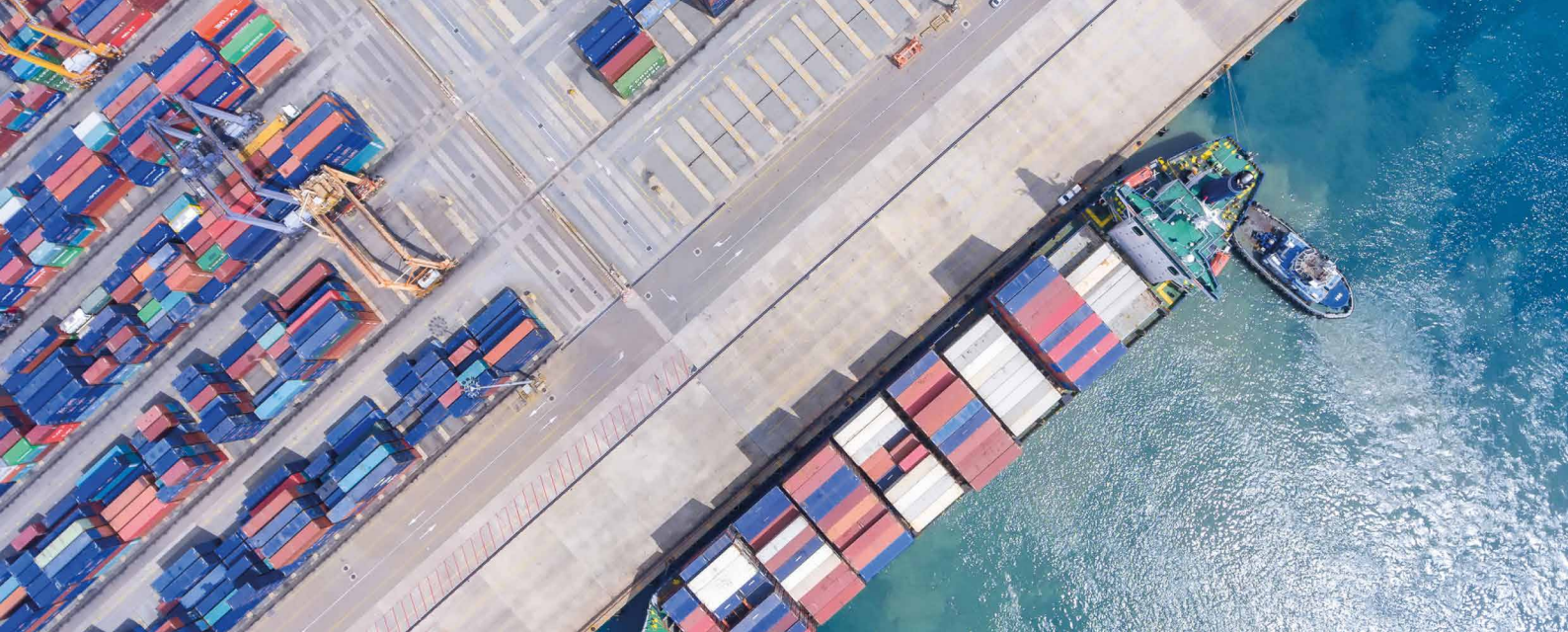
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[Return to contents](#)

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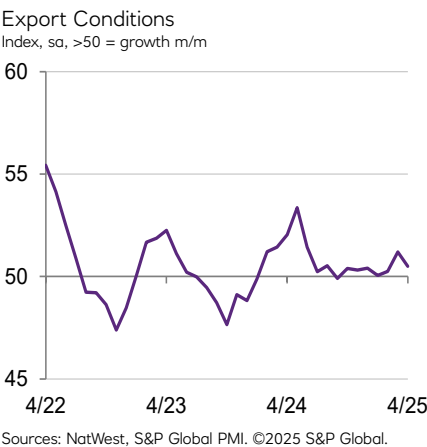


Export markets

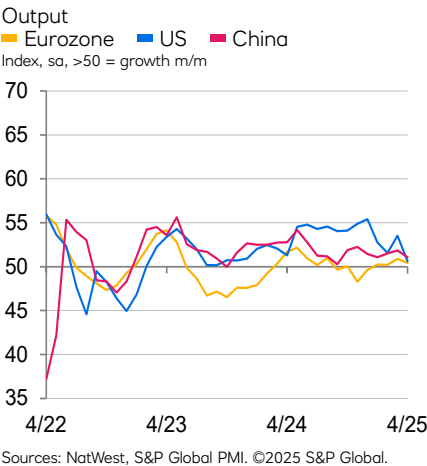
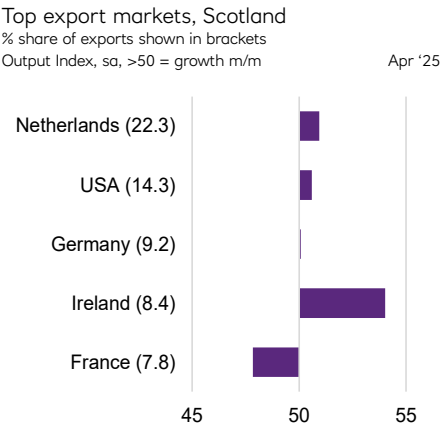
Export conditions improve marginally in April

The Export Climate Index registered 50.5 in April, down from 51.2 in March. Export conditions for Scottish firms have now improved for three consecutive months, although the latest upturn was only marginal.

Of the top five export destinations, France remained the only country to report a fall in output, with the rate of contraction accelerating in April. Meanwhile, rates of output growth slowed across the four other key export markets.



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.





Jobs and capacity

Employment stabilises, while backlogs continue to fall

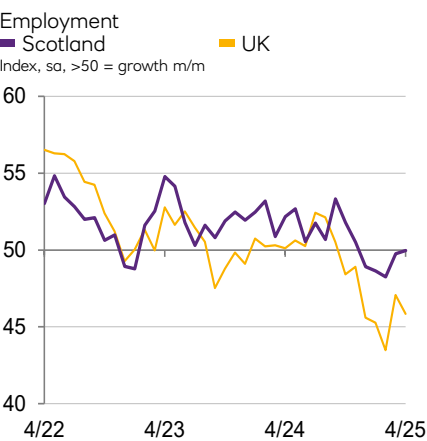
Following a four-month period of job shedding, employment levels were unchanged at Scottish private sector firms in April. The uptick in the respective seasonally adjusted index was driven by a rise in service sector employment which offset a reduction at manufacturers. Some services firms noted that they had increased their headcounts due to the improved availability of labour.

Meanwhile, all of the other 11 monitored UK regions and nations

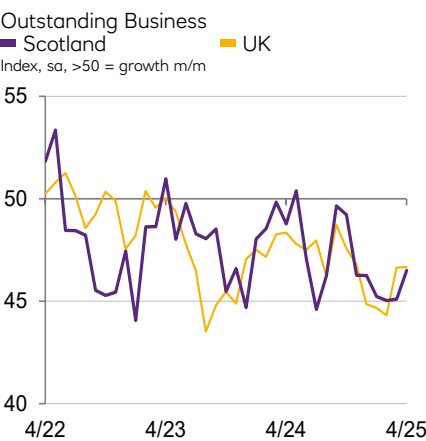
recorded job shedding in April.

Latest data signalled a further fall in backlogs of work at private sector firms in Scotland, thereby extending the current sequence of decline to 11 months. The rate of contraction was the weakest in six months, but was solid and slightly quicker than the UK-wide average. Survey respondents indicated that they had sufficient capacity to process and complete orders due to subdued inflows of new business.

"Labour markets in all areas of the UK have felt the impact of rising costs to some degree in recent months, with only Scotland avoiding a fall in employment in April"



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



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



Inflation

Average output charges rise at quicker pace

April data indicated a rapid rise in input costs faced by firms in Scotland. The rate of inflation accelerated further from February and was the quickest in 22 months. Surveyed businesses commented on higher labour costs, largely linked to increases in National Insurance contributions and minimum wage rates, as well as higher supplier and material costs.

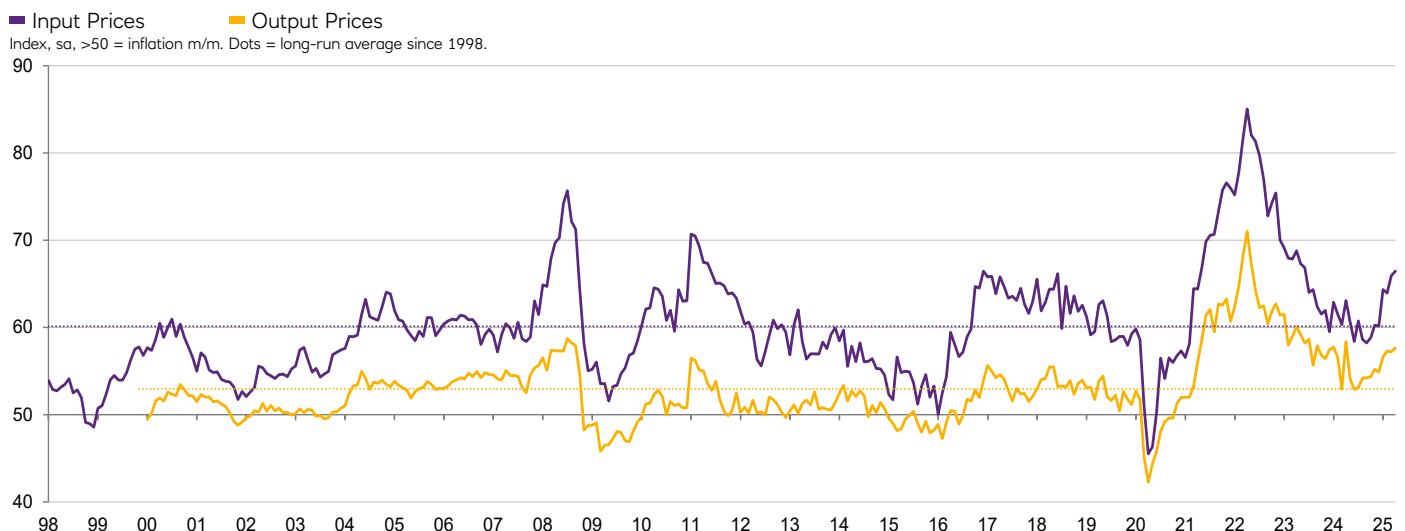
That said, Scotland recorded the

weakest cost pressures of the 12 monitored UK nations and regions.

Businesses reported a stronger rise in their selling prices during April. The rate of output charge inflation accelerated to the fastest for a year, but was below the UK-wide trend. The uptick in charges was generally linked to the pass-through of higher input costs to clients.

Of the 12 monitored UK regions and nations, Scotland recorded the second-weakest increase in output prices, just behind the East Midlands.

"As firms look to mitigate rising costs, we've seen average prices charged for goods and services increase at faster rates"



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



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[Return to contents](#)

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Scotland Manufacturing PMI

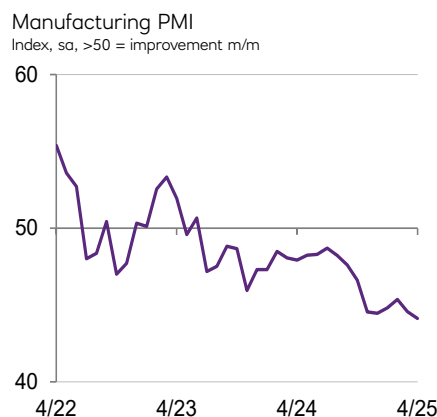
Manufacturing conditions deteriorate at strongest rate since May 2020

The seasonally adjusted Scotland Manufacturing PMI, a composite indicator of manufacturing performance, ticked down from 44.6 in March to 44.1 in April. The latest deterioration in operating conditions was sharp and the most pronounced since May 2020.

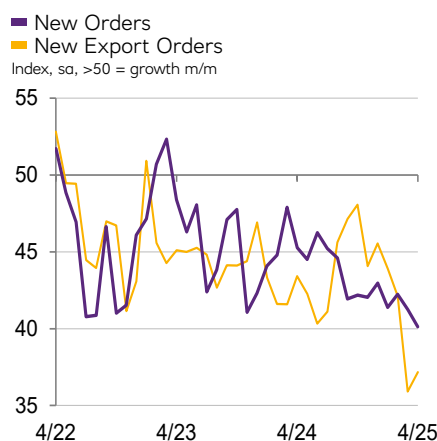
Both output and new orders fell at rapid rates, with the latter recording the sharpest decline in almost five years. Employment was cut back further in April, thereby stretching the current sequence of job shedding to 14 months.

Manufacturers also faced higher costs in April, which were partially transferred to clients. Input costs and output charges both rose at the strongest rate in two years.

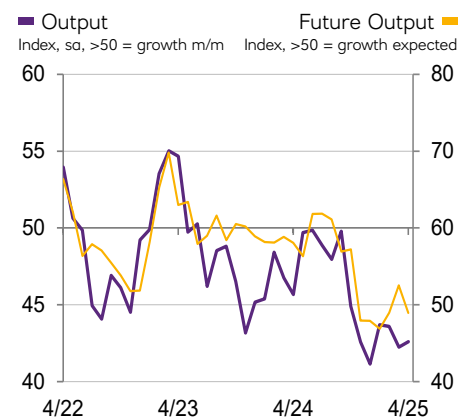
Goods producers in Scotland expressed renewed pessimism towards the year-ahead outlook for output. The Future Output Index has now recorded below the neutral 50.0 mark in five of the last six survey periods.



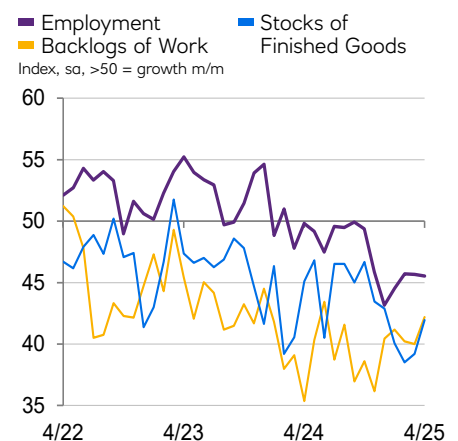
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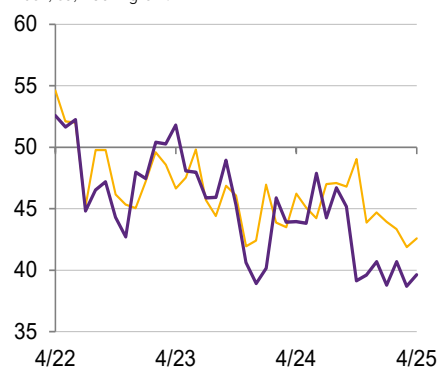
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[Return to contents](#)

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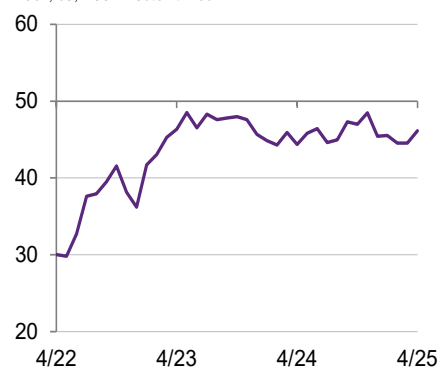


■ Quantity of Purchases ■ Stocks of Purchases
Index, sa, >50 = growth m/m



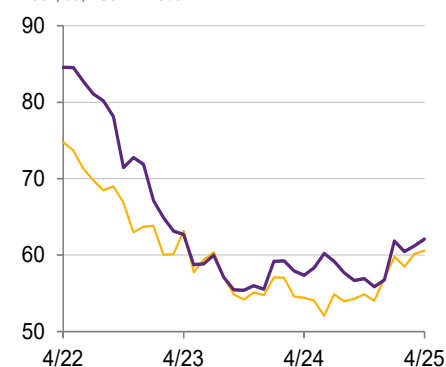
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

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
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
4/25	44.1	42.6	48.9	40.1	37.2	45.5	42.2	42.0	39.6	42.6	46.1	62.1	60.6





Scotland Services PMI

Services activity falls again in April

The seasonally adjusted Scotland Services Business Activity Index remained below the neutral 50.0 mark for a second consecutive month in April. Despite rising to 48.4 from 46.7 in March, the index indicated a mild decline in service sector activity.

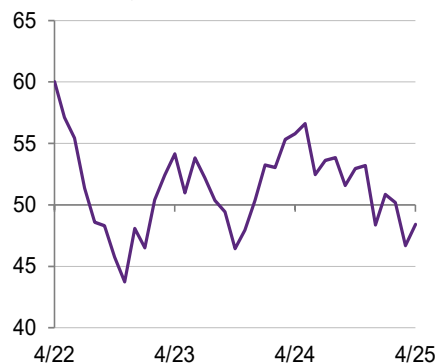
New business received by services firms based in Scotland also fell in April, thereby extending the current run of declining sales to four months. However, the rate of contraction softened compared to March.

Although new orders fell, employment increased for the second consecutive month. While the latest uptick was marginal overall, it was the most pronounced in five months.

Service providers experienced stronger inflationary pressures, with both input costs and output charges rising at sharp and accelerated rates.

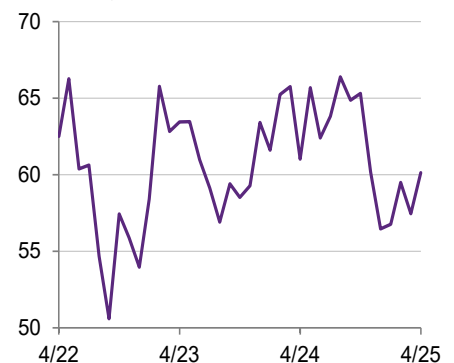
Despite relatively subdued demand conditions, optimism regarding the year-ahead outlook for activity improved across Scotland's service sector in April. The level of confidence was in fact the highest seen since last November.

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



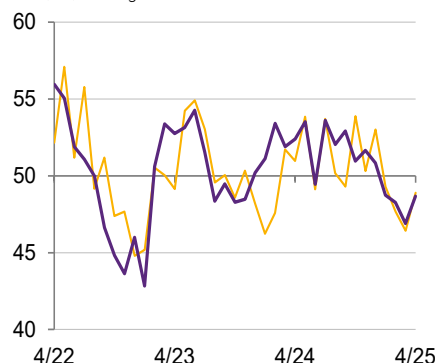
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Future Activity
Index, >50 = growth expected



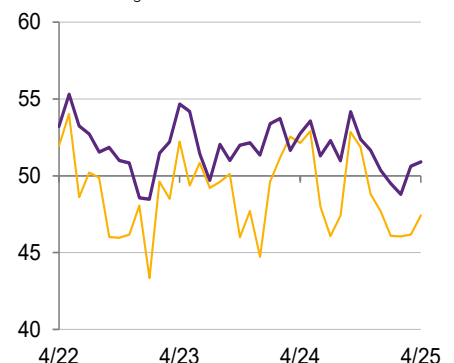
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

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



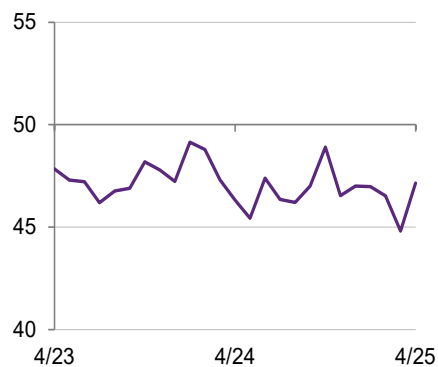
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.





Supplier Performance

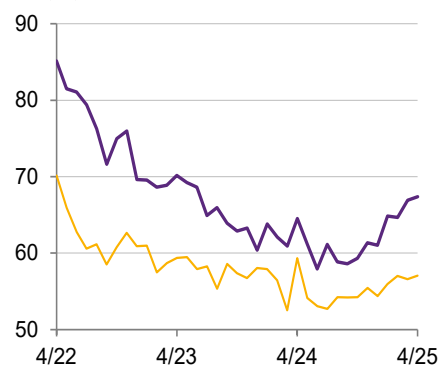
Index, sa, >50 = faster times m/m



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
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
4/25	48.4	60.1	48.7	48.9	50.9	47.4	47.1	67.4	57.0



UK Regional Growth Tracker

Business Activity

Business activity fell in all but one of the 12 UK nations and regions monitored by the survey in April. The sole exception was the South West, where output grew for the fourth month running but at a slower rate than in March. The North West moved to the bottom of the rankings, having seen business activity fall at the quickest rate for more than four years.

Employment

April saw a near-universal decrease in employment at the start of the second quarter. Furthermore, in most cases, rates of decline quickened from the month before. This included the North West, which saw the most marked drop in workforce numbers. Labour market conditions showed resilience in Scotland, where headcounts stabilised following four straight months of decline.

Future Activity

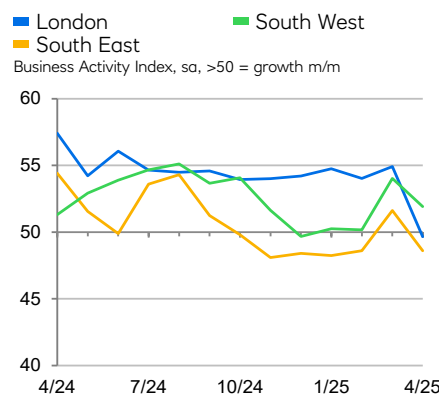
Although business expectations remained positive across the UK in April, sentiment was found to have weakened in almost all areas. The greatest drop in confidence was recorded in the North East, which saw the second-lowest degree of optimism ahead of only Northern Ireland. Firms in the West Midlands were the most upbeat about the outlook, while only those in Scotland were more positive than the month before.



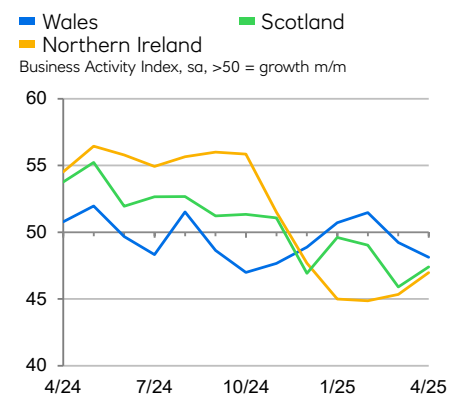
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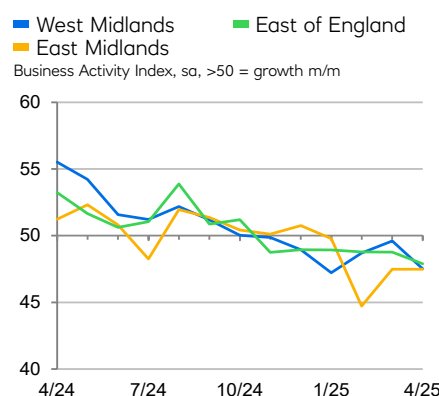
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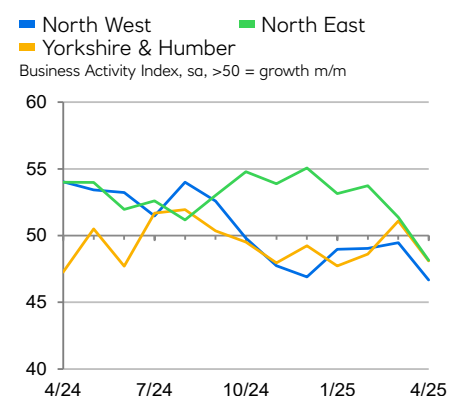
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



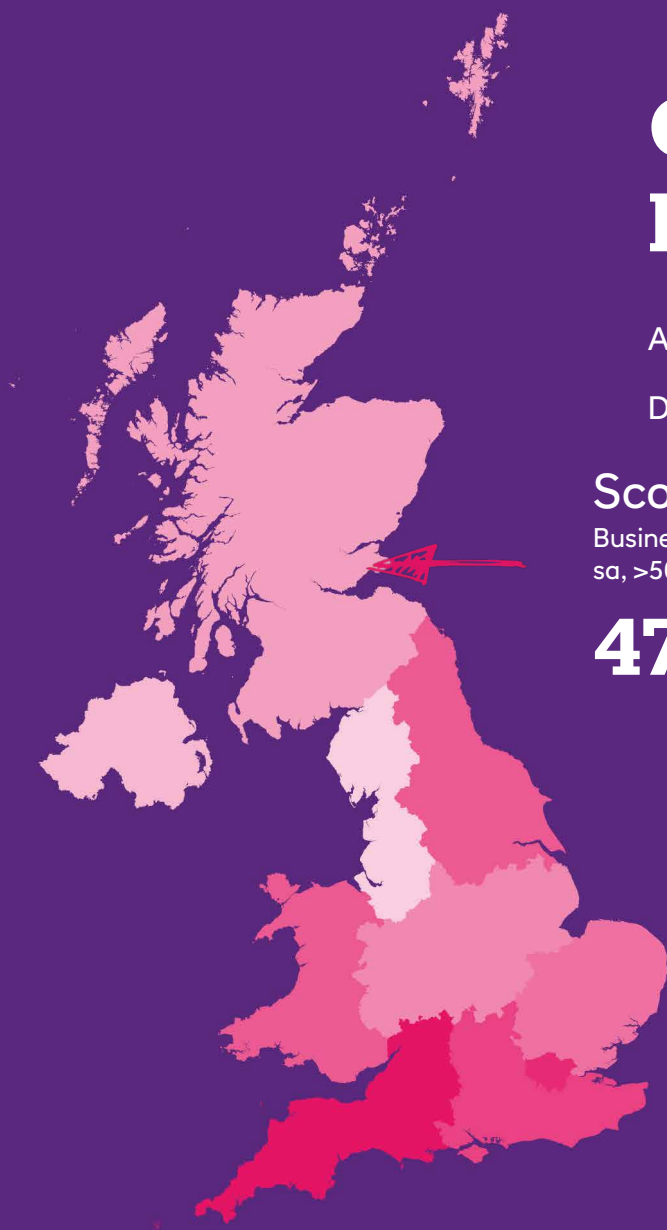
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Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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



Growth Tracker heat map

April 2025

Darker colour = higher business growth

Scotland

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

47.4



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



UK sectors

Sector specialisation: Scotland

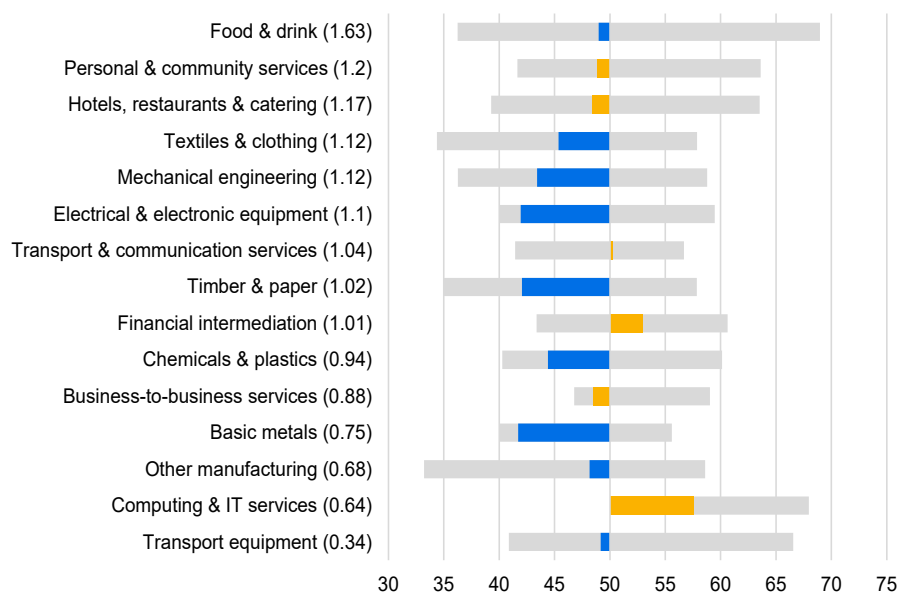
The chart shows UK output indices by sector, ranked by location quotients for Scotland. Location quotients (LQs) are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

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 Apr '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: Textiles & clothing

Production volumes fell across the UK's textiles & clothing sector in the three months to April, maintaining the downturn in output seen since the start of the year. The pace of contraction did however ease, in line with a slower – though still-sharp – fall in new orders. Data indicated weaker demand for textiles & clothing products from both domestic and international sources.

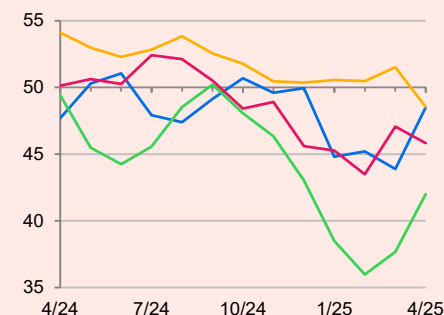
The decline in employment in the sector likewise eased in the three months to April, although the pace of job losses remained much quicker

than for the UK as a whole. Further inventory retrenchment was also recorded.

On the price front, textiles & clothing manufacturers raised factory gate charges at the quickest rate for two-and-a-half years. This was driven by strong cost increases, which were in turn attributed in large part to rises in National Insurance contributions and minimum wages.

Expectations towards future output were positive, but they were slightly below the historical series average.

Output / Employment
■/■ Textiles & clothing*
■/■ 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.

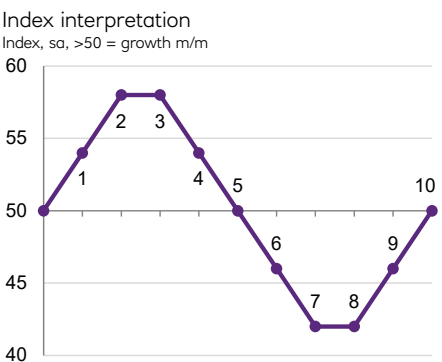
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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



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
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
4/25	47.4	47.2	50.5	50.0	46.5	58.2	66.4	57.7

Further information

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