

14 January 2025

Royal Bank of Scotland Growth Tracker

Scottish private sector activity falters in
December



Royal Bank of Scotland

PMI[®]

by S&P Global

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Key findings

December 2024

RBS Scotland Growth Tracker records renewed contraction in output

Staffing levels cut for first time in nearly two years

Confidence for year ahead outlook at 24-month low

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





Scottish private sector activity falters in December

Scotland's private sector ends the year with a renewed decrease in output

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 – fell below the neutral level of 50.0 for the first time in a year, recording 46.9 in December, down from 51.1 in November. The decline was sharp and marked the most significant drop in activity since October 2023, with both manufacturing

and services sectors reporting a decrease in output.

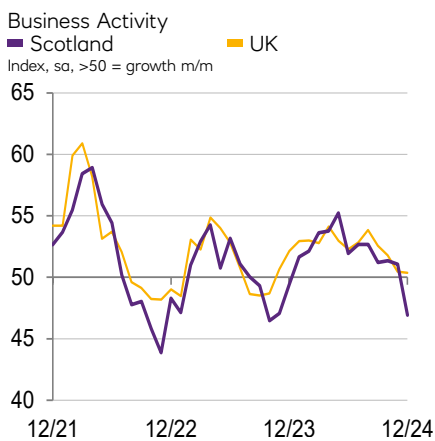
This downturn in activity stood in contrast to the ongoing, albeit softening, growth trend observed across the UK as a whole. Notably, Scotland, along with the North West experienced the fastest declines in private sector activity among the 12 monitored regions and nations.

Royal Bank of Scotland Business Activity Index December 2024

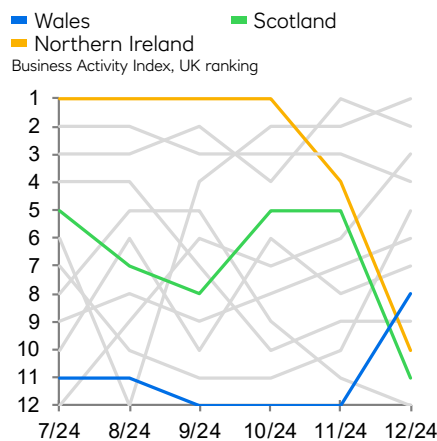
46.9

The Business Activity Index is a diffusion index calculated from companies' responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 5-19 December



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



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



Comment

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

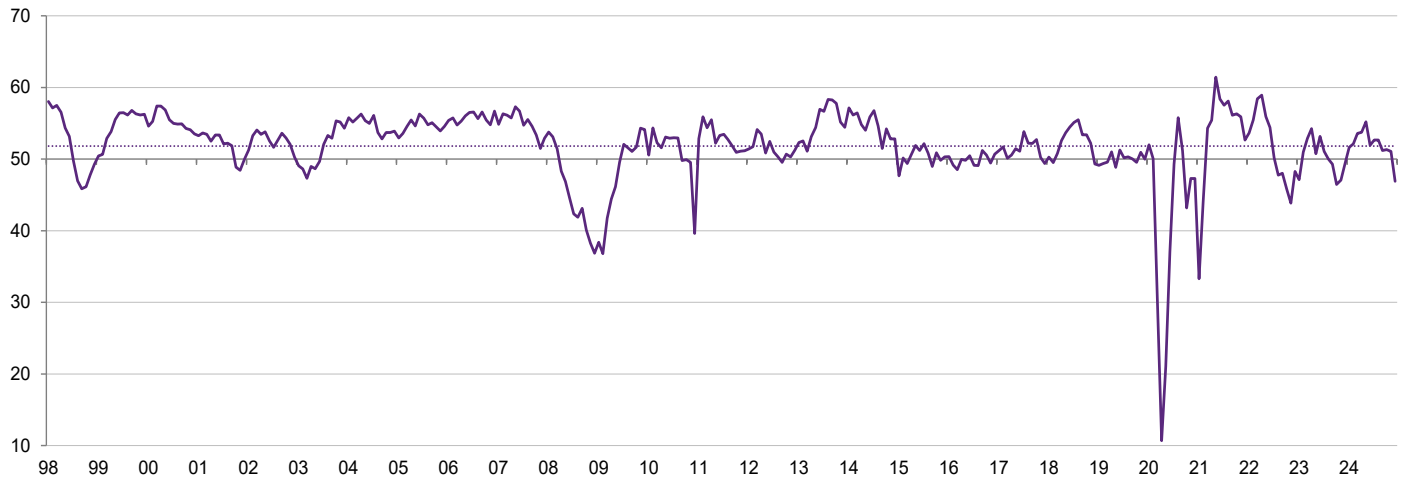
"Following an impressive 11-month growth period, during which the average Growth Tracker reading was 52.5, 2024 ended with a renewed decline in activity across Scotland's private sector experienced. New business decreased for the third consecutive month, prompting companies to adopt a more cautious

outlook for 2025. Additionally, there has been a resurgence in job cuts, as firms align their staffing levels with reduced business demands. Whether this is a temporary fluctuation, time will tell.

"Price pressures have remained largely unchanged, with input price inflation in line with the long-run trend but output charges increasing at a historically high rate, indicating a persistent challenge regarding overall inflation."

Business Activity

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



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





Demand and outlook

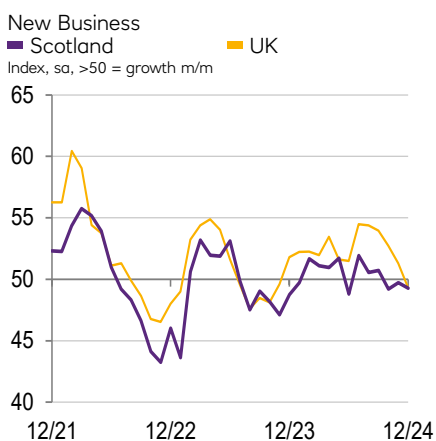
New business declines among Scottish firms, with firms adopting a more cautious outlook for future activity

New business at Scottish private sector firms fell in each month of the final quarter of 2024, a shift from the growth seen in the third quarter. The rate of decrease was mild and broadly consistent during the final quarter. It was also in line with that recorded for the UK as a whole. Where new orders fell, firms cited a loss of major customers and the ongoing economic slowdown.

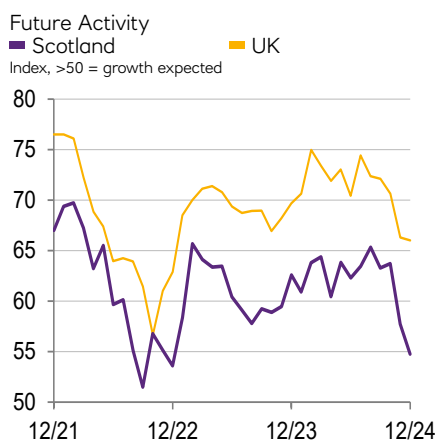
The outlook for activity became more restrained in December. Although the respective index remained above the neutral level of 50.0, it fell to its lowest point in two years. Recent policy changes, particularly regarding employment, along with the current economic environment, contributed to this tempered outlook.

Moreover, regarding the business outlook for the upcoming year, Scotland ranked the lowest among the 12 nations and regions being monitored.

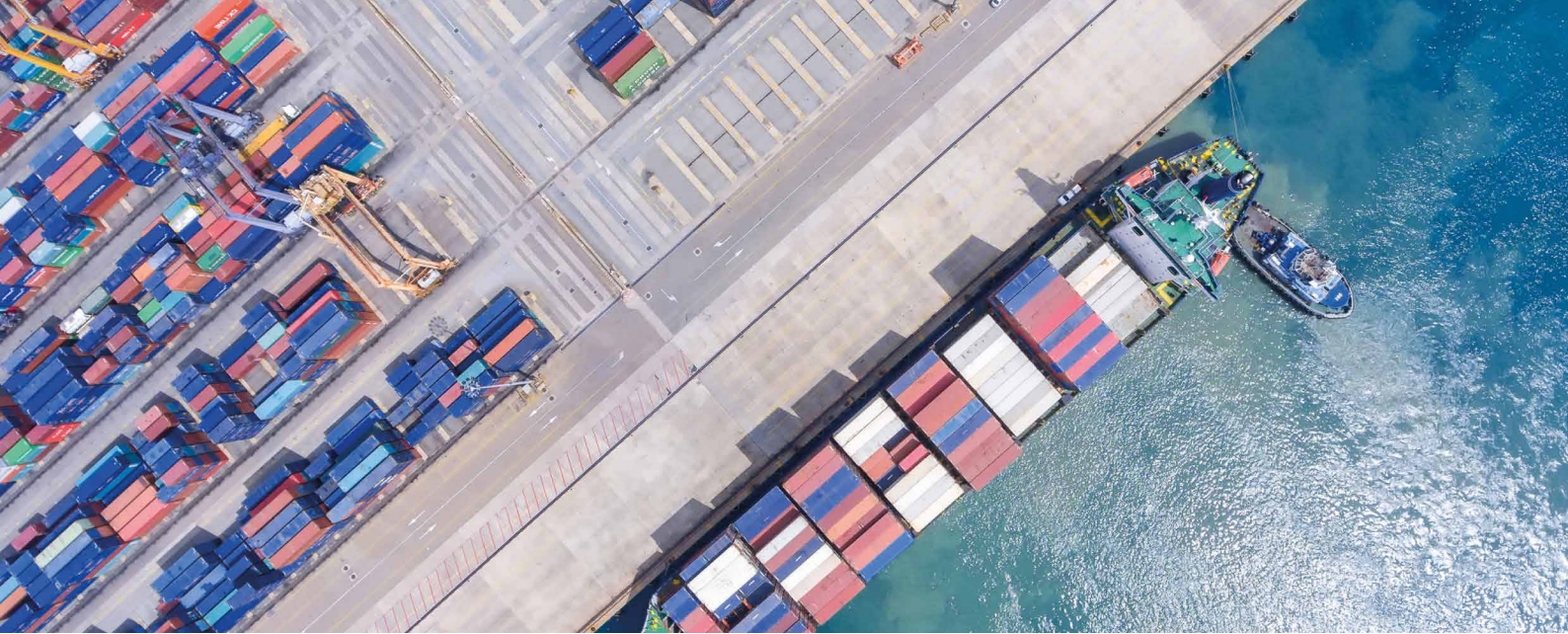
"New business decreased for the third consecutive month, prompting companies to adopt a more cautious outlook for 2025."



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



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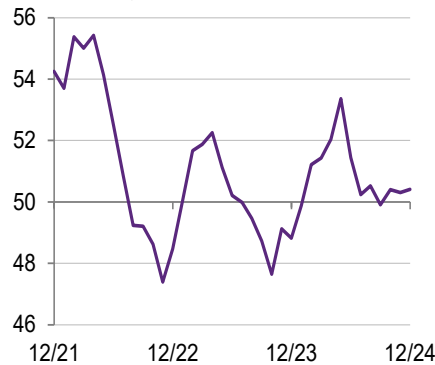
Export markets

Scotland's export markets continue to eke out marginal growth

The ECI figure, which remained relatively stable at 50.4 in December compared to 50.3 in November, indicated marginal output growth across Scotland's export markets.

Among the top five export markets, growth was limited to the US and Ireland. In contrast, the Netherlands (the leading export destination for Scottish goods and services), Germany, and France all experienced a decline in output.

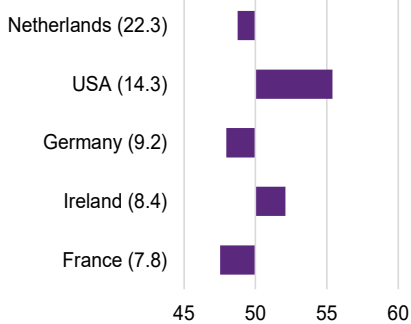
Export Conditions
Index, sa, >50 = growth m/m



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

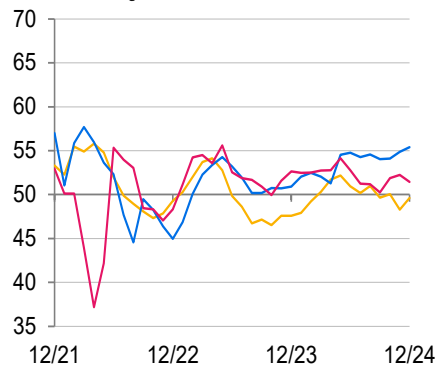
The Scotland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Scotland. A reading above 50 signals an improvement in export conditions,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



Jobs and capacity

December sees resurgence in job shedding within Scotland's private sector

After 22 consecutive months of growth, employment in Scotland's private sector declined in December. The rate of decrease was modest, primarily driven by a downturn in manufacturing. At the same time, job creation in service firms continued to cool. Contributing factors included reduced business activity, redundancies and the non-replacement of voluntary leavers.

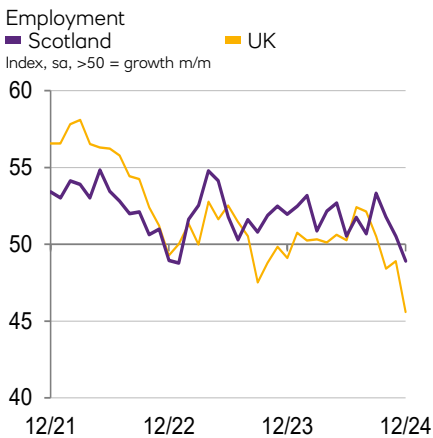
That said, the rate of job reduction at the UK level exceeded that

recorded in Scotland.

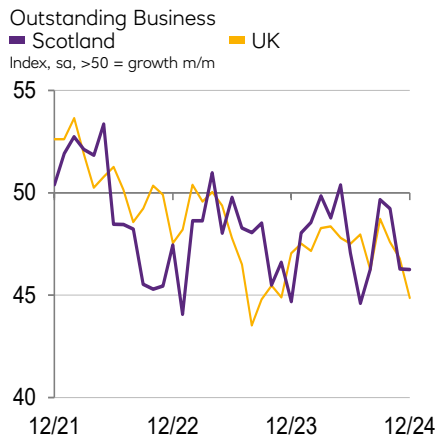
Recent data indicated spare capacity among private sector firms in Scotland, highlighted by another month of declining backlogs. Backlog depletion has now been observed in each of the last seven months. The rate of depletion remained consistent on the month and was sharp overall. The primary factor contributing to this latest decrease was reduced new business.

Backlog reduction was also noted at the UK level, and at a faster pace.

"... there has been a resurgence in job cuts, as firms align their staffing levels with reduced business demands."



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



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



Inflation

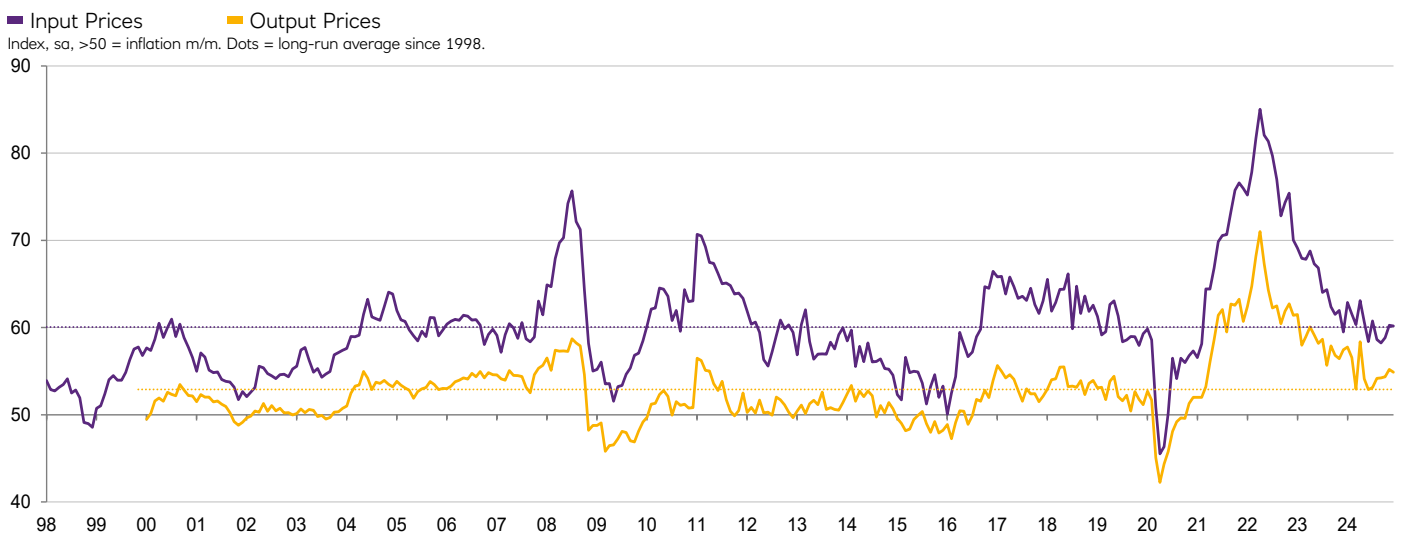
Cost pressures remain stubborn and sharp, although firms register slower uptick in charges

The rate of input price inflation remained stable compared to the previous month and was generally in line with the long-run average, indicating a sharp increase in costs. According to anecdotal evidence, the latest uptick was driven by wage increases, higher supplier prices, and rising material costs.

However, the cost pressures observed in Scotland were weaker than the average across the UK.

The passing on of higher input costs to customers led in a further sharp rise in charges levied for Scottish services and goods in December. The rate of output charge inflation was sharp albeit losing slight momentum since November and weaker than that observed at the UK level.

"Price pressures have remained largely unchanged...indicating a persistent challenge regarding overall inflation"



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

UK Regional Growth Tracker

Business Activity

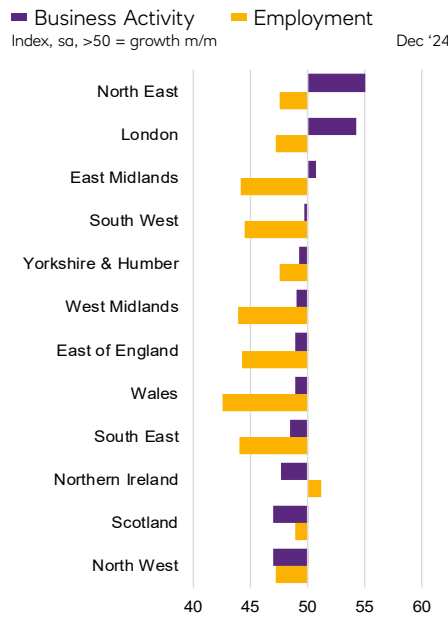
The North East and London were the two standout performers in terms of regional business activity growth in December. The only other area to see an increase in output was the East Midlands, although the rise there was modest. At the other end of the scale, the North West and Scotland recorded the joint-steepest falls in business activity, followed by Northern Ireland.

Employment

Employment growth in December was confined to just Northern Ireland. Workforce numbers fell in the remaining 11 nations and regions covered by the survey, marking the broadest decline in almost four years. For the fourth month running, companies in Wales recorded the sharpest drop in staffing levels.

Future Activity

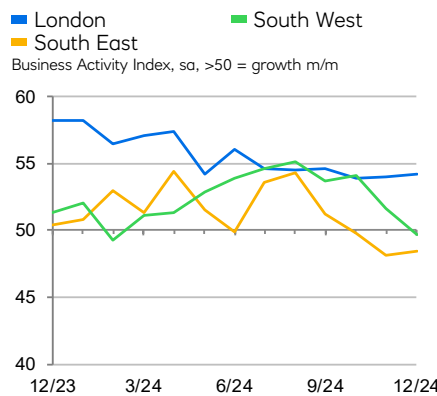
There were varying degrees of optimism towards future activity across the UK's nations and regions in December. Firms in the East Midlands were the most upbeat about the year-ahead outlook, having seen a notable rebound in confidence from the month before. Expectations deteriorated in the majority of areas, however, including Scotland which saw the weakest overall sentiment.



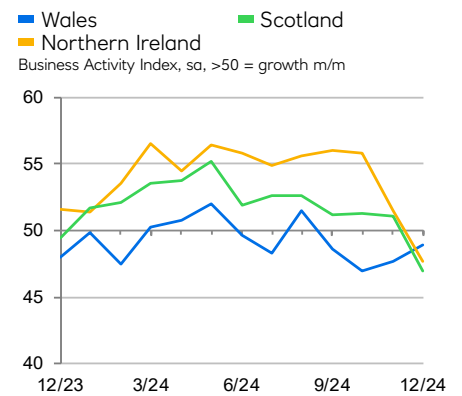
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



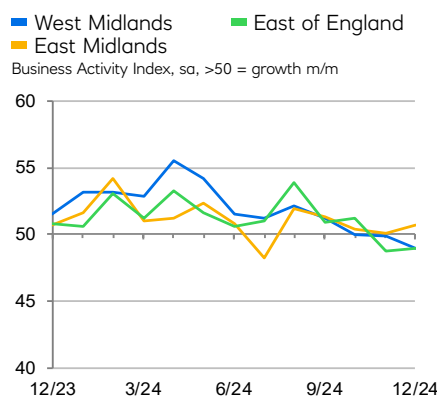
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



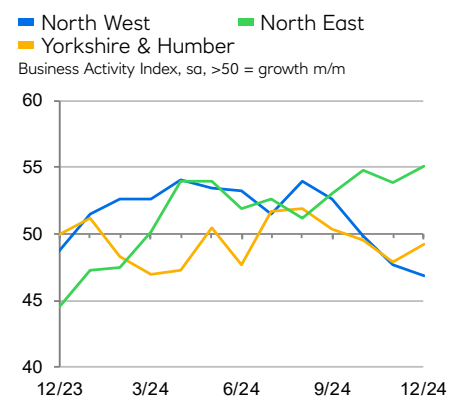
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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Growth Tracker heat map

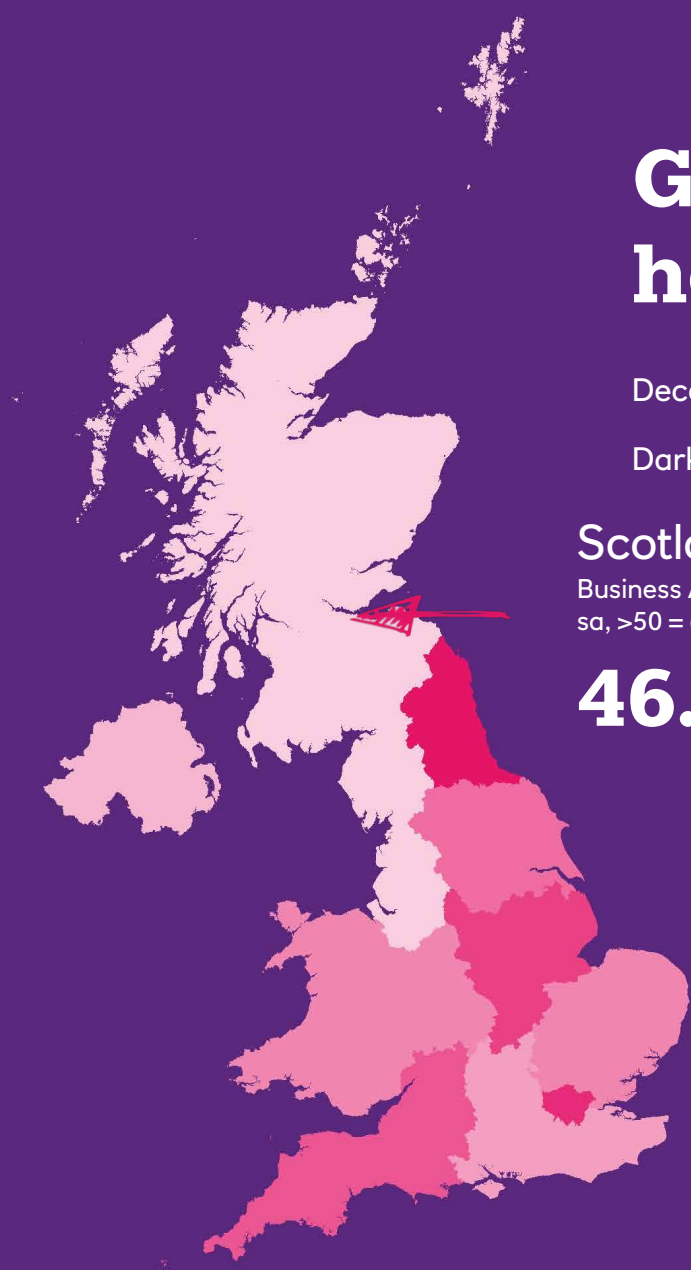
December 2024

Darker colour = higher business growth

Scotland

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

46.9



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

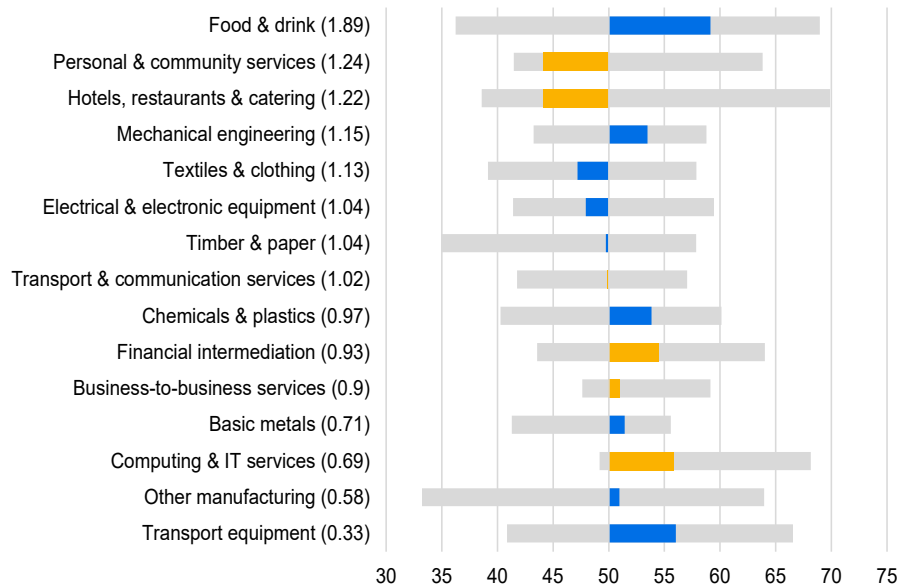
UK sectors

Sector specialisation: Scotland

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

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

UK sectors ranked by importance to the Scottish economy
 ■ Manufacturing ■ Services ■ 3-year range
 UK Output Index, sa, >50 = growth m/m Dec '24



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).

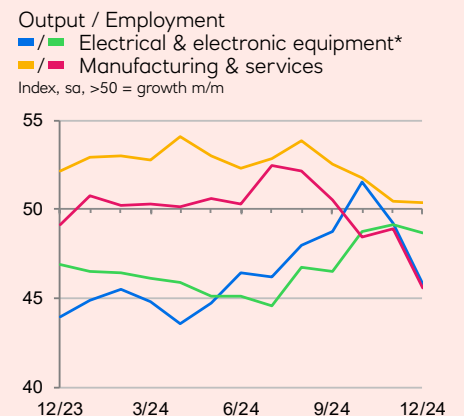
Sector in focus: Electrical & electronic equipment

Business conditions deteriorated across the UK's electrical & electronic equipment sector in the final quarter of 2024. After a brief upturn in the autumn, production fell markedly amid a sustained downturn in new orders. Underlying data showed particular weakness in export sales.

With backlogs of work decreasing sharply, firms in the sector once again trimmed workforce numbers, to extend a sequence of staff retrenchment stretching back to September 2023. Job cuts also

coincided with a deterioration in businesses' growth forecasts to the weakest in almost four-and-a-half years.

Turning to prices, latest data showed average output charges across the UK's electrical & electronic equipment sector increasing at an above-trend rate, and one that was the quickest since Q2 2024. Firms raised selling prices in response to sustained strong growth in average input costs.



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

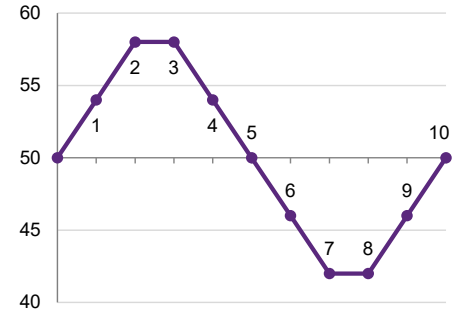
overall decrease. The indices are then seasonally adjusted.

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.

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



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
7/24	52.7	51.9	50.2	51.8	44.6	63.4	60.8	53.1
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

Further information

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

www.Royal Bank of Scotland.com/business/insights/economics

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Contact

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

Maryam Baluch
Economist
S&P Global Market Intelligence
+44 1491 461 009
maryam.baluch@spglobal.com

Corporate Communications
S&P Global Market Intelligence
press.mi@spglobal.com



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