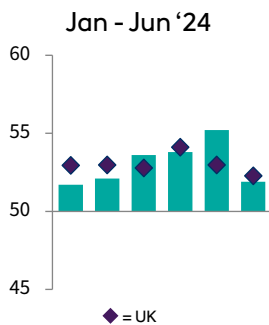




Royal Bank of Scotland Growth Tracker

Further growth in output noted across Scotland in June

Scotland Business Activity Index



Key findings

Scottish private sector activity growth moderates

Renewed fall in new business

Price pressures ease

The Royal Bank of Scotland Growth Tracker signalled a further rise in private sector output across Scotland in June. The headline Business Activity Index, posted above the neutral 50.0 mark, but ticked down to a five-month low of 51.9, from 55.2 in May, reflecting the recent cooldown in service sector activity. The rate at which output expanded across Scotland was also weaker than that observed at the UK level.

The slowdown in private sector output was accompanied by a fresh fall in new business, which was the first recorded in five months. Employment rose in the latest survey period, but at the second-weakest rate since the current run of expansion began in February 2023. However, inflationary pressures continued to subside as cost burdens rose at the weakest rate in 40 months.

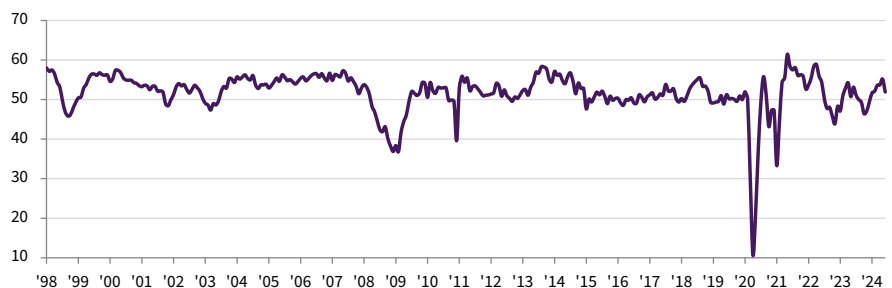
Judith Cruickshank, Chair, Scotland Board, Royal Bank of Scotland, commented:

"The Scotland Growth Tracker signalled modest gains in private sector activity during the latest survey period. While the upturn lost momentum, as the service sector observed a notable cooldown in June, the ongoing downturn in the manufacturing sector showed further signs of easing as output was broadly stable, and the downturn in new orders moderated. Additionally, private sector companies continued to raise their staffing levels, albeit the latest uptick was fractional overall."

"Price pressures continued to abate as the year progressed, Cost burdens rose at the weakest pace since February 2021, and the rate of charge inflation equalled the weakest seen over the same period. Some firms were keen to price competitively in order to generate new sales"

Scotland Business Activity Index

sa, >50 = growth since previous month



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About the Scotland Growth Tracker report

The Royal Bank of Scotland Growth Tracker is compiled by S&P Global from responses to questionnaires sent to a panel of around 500 manufacturers and service providers that participate in the S&P Global's PMI surveys. 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

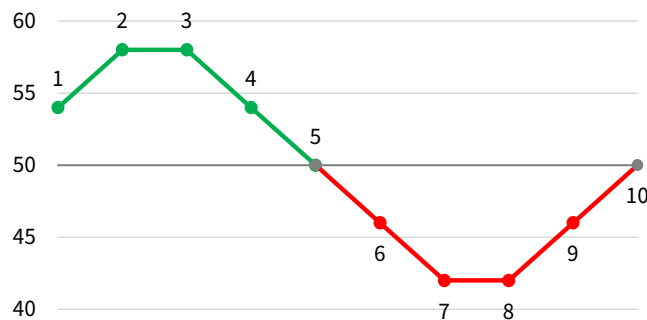
then seasonally adjusted. Comparable manufacturing and services indices are then weighted together to form a composite index, with the weights based on official value added data.

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. 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

50.0 = no change since previous month



- 1 Growth
- 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

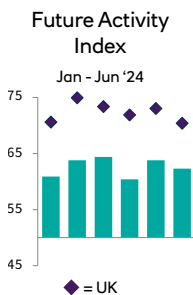
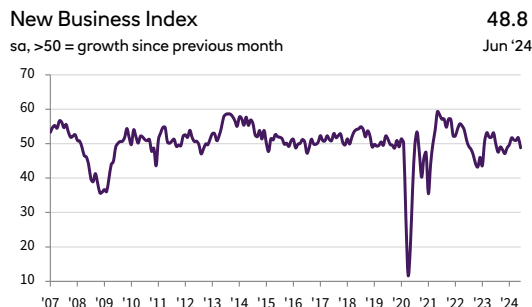
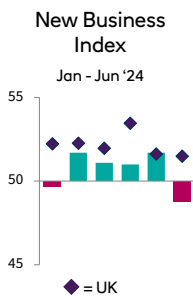


Demand and outlook

New business

A fresh decline in new business was recorded across the Scottish private sector in June, thereby ending a four-month run of growth. Underlying data noted that service providers joined their manufacturing counterparts in contraction. Panellists attributed the downturn to reduced client activity and advertising spend, as well as a prolonged high interest rate environment and the general election.

Scotland, alongside five other nations and regions, went against the UK trend, which signalled a sustained rise in new business.



Business expectations

Despite easing slightly on the month, projections for the year ahead outlook across Scotland remained optimistic and broadly in line with the long-run average trend in June. Businesses were hopeful that demand conditions would improve in the coming months and planned to raise their advertising and investment.

That said, Scottish businesses remained less optimistic than the UK private sector as a whole.

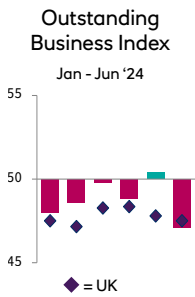
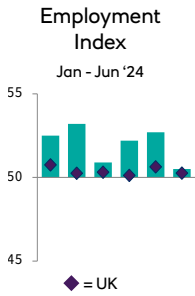


Business capacity

Employment

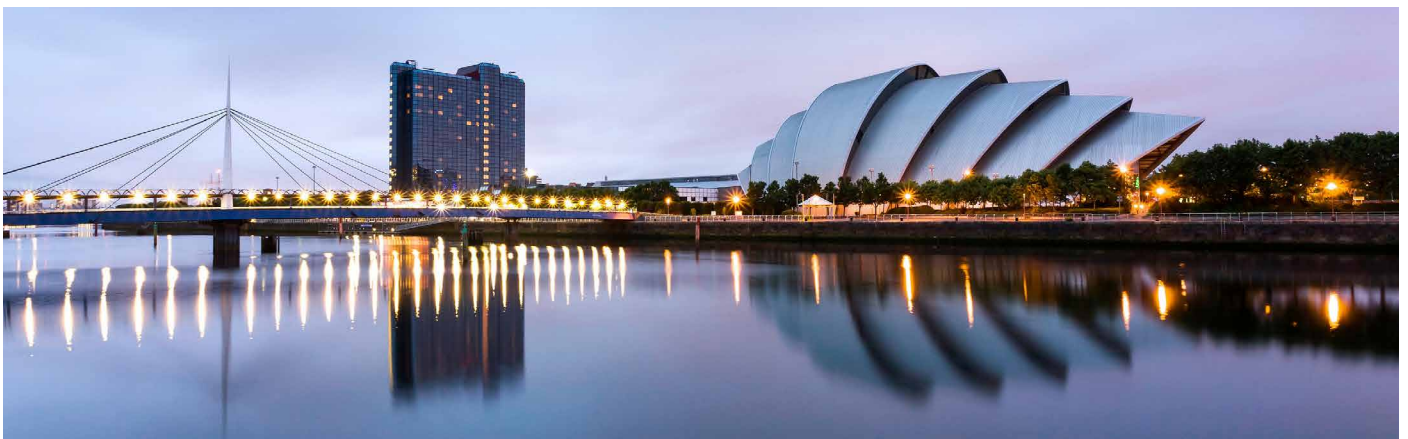
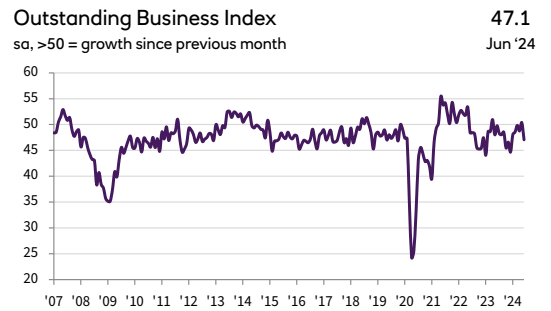
Growth in Scottish private sector employment lost momentum as the first half of the year concluded. Headcounts rose only fractionally and at the second-weakest rate in the current 17-month sequence of increases. While some firms reported success in filling long-standing vacancies, the wider economic climate and reduced client activity resulted others lowering their staffing levels.

Employment growth also moderated across the UK as a whole, the rate of job creation slightly weaker than that seen in Scotland.

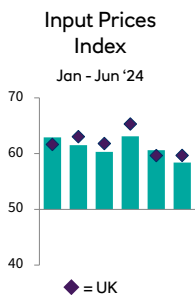


Outstanding business

Following a brief expansion in May, businesses in Scotland reduced their backlogs solidly in June, with contractions now noted for the most part of the last two years. The rate of depletion was the most pronounced in 2024 so far and surpassed the UK-wide average. Reduced business requirements allowed firms to complete unfinished work.

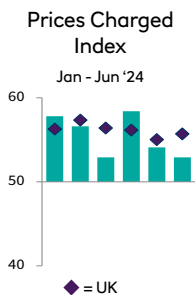
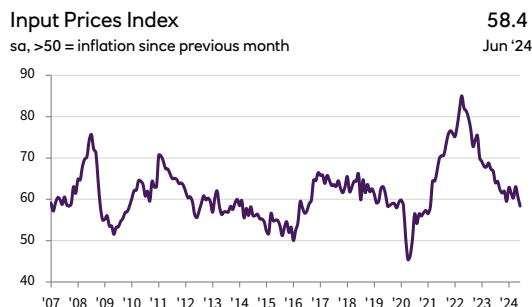


Prices



Input prices

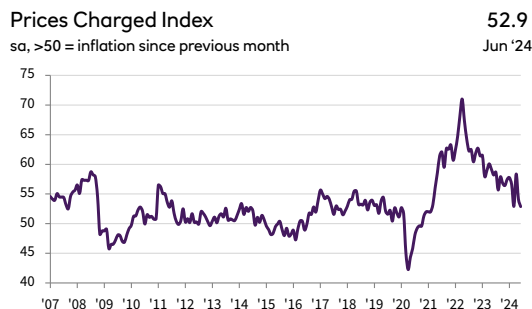
Cost burdens rose sharply at Scottish private sector firms in June. The rise in input prices was often said to have resulted from growing raw material and supplier costs. That said, the rate of input price inflation moderated further to the weakest since February 2021 and was softer than that seen at the UK level.



Prices Charged

In line with easing input price pressures, Scottish private sector firms raised their charges only modestly during June. The rate of increase was the joint-softest in 40 months. In order to remain competitive, some firms reduced their charges.

Moreover, output prices were raised across Scotland at a much weaker pace than observed across the UK as a whole.



UK Sector

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'24*
1	Food & Drink	1.89	
2	Mechanical Engineering	1.15	
3	Textiles & Clothing	1.13	
4	Electrical & Optical	1.04	
5	Timber & Paper	1.04	
6	Chemicals & Plastics	0.97	
7	Basic Metals	0.71	
8	Other Manufacturing	0.58	
9	Transport	0.33	

45 50 55

Scotland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jun'24*
1	Personal & Community Services	1.24	
2	Hotels, Restaurants & Catering	1.22	
3	Transport & Communication	1.02	
4	Financial Intermediation	0.93	
5	Business-to-business Services	0.90	
6	Computing & IT Services	0.69	

40 45 50 55 60

UK sector focus

Chemicals & Plastics

The UK's Chemicals & Plastics sector enjoyed strong growth of output in the second quarter of the year. Of all the manufacturing categories monitored by PMI data, its performance was second only to Food & Drink.

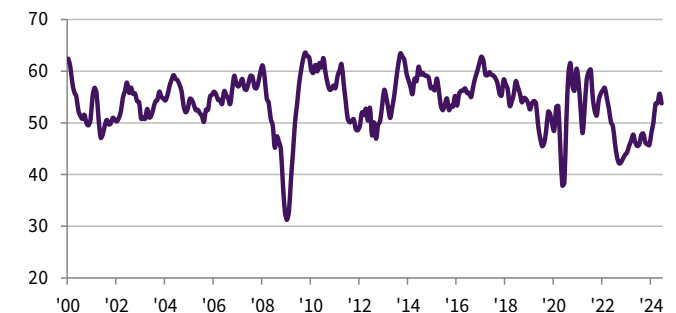
Production has been growing throughout most of this year, following a protracted period of contraction between mid-2022 and the beginning of 2024. The upturn, which underlying data showed was driven primarily by stronger domestic demand, prompted the first – albeit marginal – rise in employment in the sector for two years.

Data showed that firms were optimistic about the chances of output rising further in the coming 12 months, with expectations at their highest in almost three years and comfortably above the long-run average.

Input costs meanwhile rose solidly in the three months to June, with the rate of inflation accelerating to its highest since early 2023. Output prices rose at a more modest pace by comparison.

Output Index

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



UK Regional Growth Tracker overview

Business Activity

The strongest rise in business activity in June was recorded in London, which went against the general trend and saw growth accelerate from the month before. The South West was the only other area where output rose at a faster rate. There were renewed falls in activity in both Yorkshire & Humber and Wales, while the South East's upturn stalled.

Employment

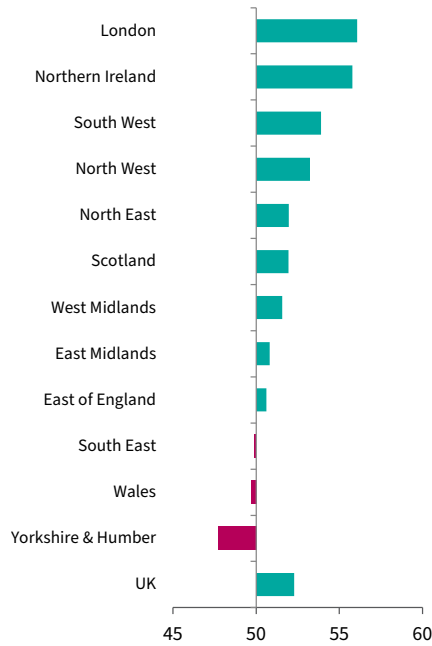
The majority of nations and regions recorded an increase in employment in June, although rates of job creation were often only modest. The most solid rises in workforce numbers were seen in the South East and North East. Staffing levels fell in just three areas, namely the South West, East Midlands and West Midlands.

Future Activity

Business expectations towards activity over the coming year remained positive but weakened in most cases in June. Only the South West saw an improvement. For the second time in the past three months, optimism was strongest in the South East. At the other end of the scale, firms in the North East were the least upbeat about the outlook.

Business Activity Index

sa, >50 = growth since previous month, Jun '24



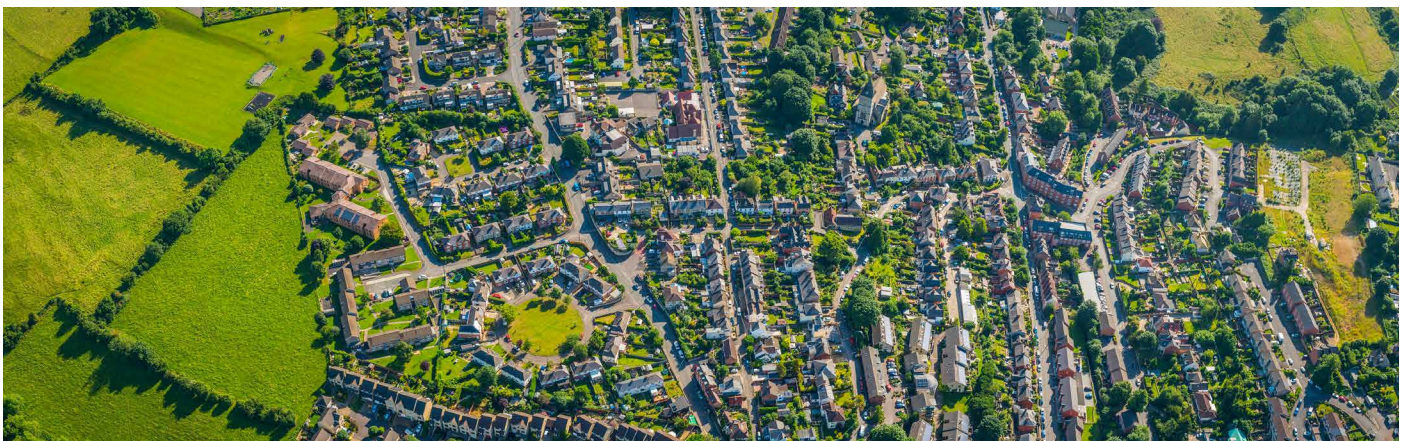
Employment Index

sa, >50 = growth since previous month, Jun '24



Future Activity Index

>50 = growth expected over next 12 months, Jun '24



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 '24	51.7	49.7	49.9	60.9	52.5	48.0	62.9	57.8
Feb '24	52.1	51.7	51.4	63.8	53.2	48.6	61.5	56.6
Mar '24	53.6	51.1	51.5	64.4	50.9	49.8	60.3	52.9
Apr '24	53.8	51.0	52.0	60.4	52.2	48.8	63.1	58.4
May '24	55.2	51.7	53.4	63.8	52.7	50.4	60.6	54.1
Jun '24	51.9	48.8	51.4	62.3	50.5	47.1	58.4	52.9

Manufacturing

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Output	New Orders	Future Output*	Employment	Backlogs of Work	Input Prices	Output Prices
Apr '24	45.7	45.3	58.1	49.8	35.4	57.3	54.4
May '24	49.7	44.5	56.3	49.2	40.3	58.4	54.1
Jun '24	49.9	46.2	61.8	47.5	43.4	60.2	52.1

Services

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Apr '24	55.8	52.4	61.0	52.8	52.1	64.5	59.3
May '24	56.6	53.5	65.7	53.6	52.9	61.2	54.1
Jun '24	52.5	49.4	62.4	51.3	48.0	57.9	53.1

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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.

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