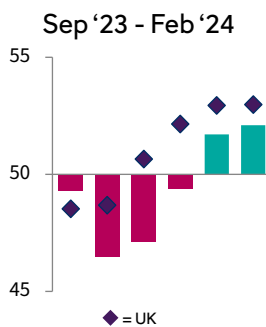




# Royal Bank of Scotland PMI<sup>®</sup>

## Growth in private sector activity gains momentum

### Scotland Business Activity Index



### Key findings

Growth in private sector output strongest since mid-2023

Renewed rise in new business

Growth largely services-driven

The latest Royal Bank of Scotland PMI<sup>®</sup> revealed a further rise in output across the Scottish private sector midway through the opening quarter. While below the UK-wide average, the headline Scotland Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – rose to 52.1 in February from 51.7 in January, to signal the strongest expansion in private sector output since June 2023. However, similar to that seen in January, growth in output was concentrated in the service sector. That said, a softer contraction in manufacturing output meant that the downward pressure on overall performance eased somewhat.

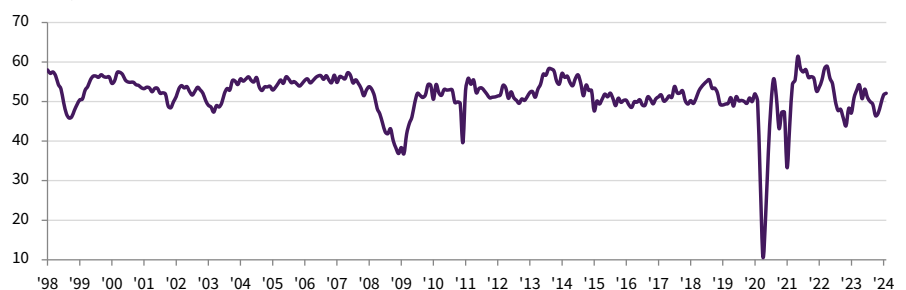
Additionally, the employment picture again strengthened in February. Both the tracked sub-sectors of the economy recorded growth in staffing levels, with the overall rate of job creation ticking up to a nine-month high.

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

*"February numbers for Scotland signalled solid gains across the private sector. The fresh growth seen at the start of the year was sustained and even strengthened, as the downward pressure from the manufacturing sector dissipated slightly, and growth across the service sector was maintained. However, the latest expansion across the Scottish private sector was heavily reliant on the service sector, while goods producers failed to perform under the weight of a worsening demand climate. That said, the recent expansion in employment across both the sub-sectors alludes to more balanced growth in the coming months."*

### 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.

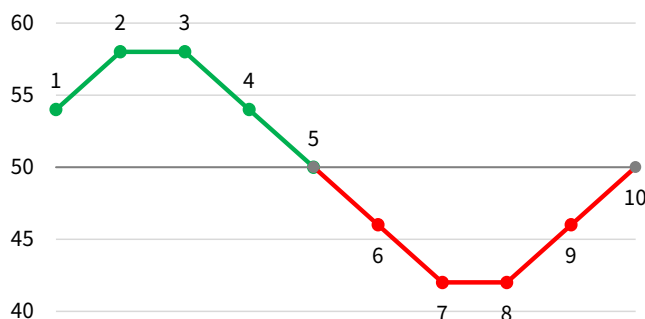
The headline figure is the Business Activity Index. This is a composite index calculated by weighting together the Manufacturing Output Index and the Services Business Activity Index. The Scotland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

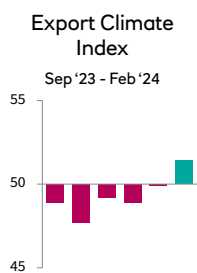
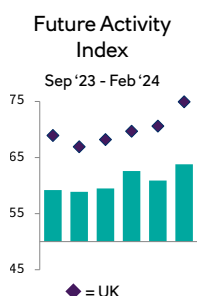
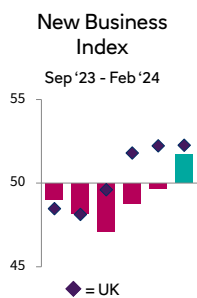
### New business

A fresh and modest rise in new business was recorded across Scotland during February, thereby ending a seven-month run of contraction. The latest upturn was solely driven by a stronger uptick in new business received at service providers; amid reports of a growing client base, new contract wins, increased advertising and commencing of new projects. Meanwhile, goods producers signalled a further sharp contraction in factory orders.

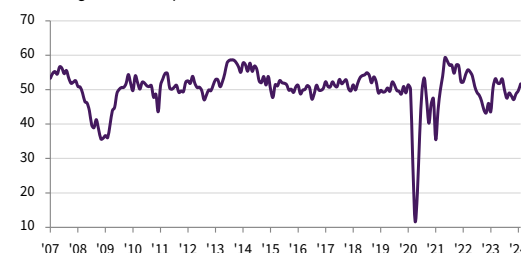
The rate of growth in new business across Scotland was slightly weaker than the UK average.

### Business expectations

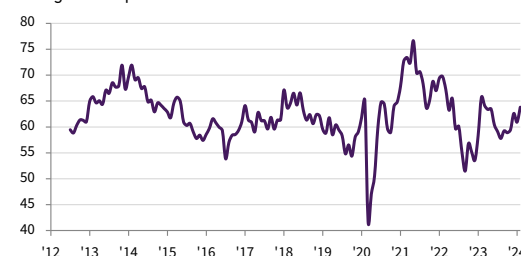
Business sentiment for the year-ahead outlook for Scottish private sector activity strengthened to an 11-month high in February. According to anecdotal evidence, planned investment and advertising, as well as hopes of improvement in economic conditions, underpinned expectations. That said, confidence across Scotland was the second-weakest of the 12 monitored UK nations and regions, with only the North East recording weaker sentiment in February.



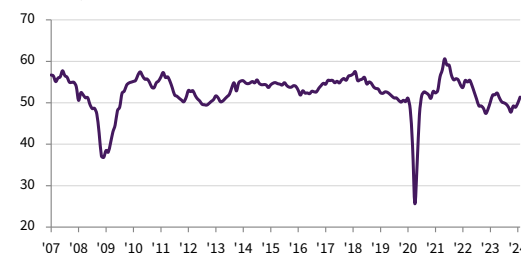
New Business Index 51.7  
sa, >50 = growth since previous month Feb '24



Future Activity Index 63.8  
>50 = growth expected over next 12 months Feb '24



Export Climate Index 51.4  
sa, >50 = growth since previous month Feb '24



## Exports

### Export conditions improve for first time in eight months

The Scotland Export Climate Index (ECI) 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 ECI moved back into expansion territory for the first time in eight months in February. At 51.4, up from 49.9 in January, the latest reading signalled the strongest rate of growth since last April.

Of Scotland's key five export markets, growth in output was limited to Ireland and the US. Meanwhile, the Netherlands, France and Germany continued to report contractions.

Top export markets, Scotland

| Rank | Market      | Weight | Output Index, Feb '24 |
|------|-------------|--------|-----------------------|
| 1    | Netherlands | 19.4%  | 49.7                  |
| 2    | Ireland     | 13.5%  | 54.4                  |
| 3    | USA         | 13.2%  | 52.5                  |
| 4    | France      | 9.0%   | 48.1                  |
| 5    | Germany     | 8.9%   | 46.3                  |

## Business capacity

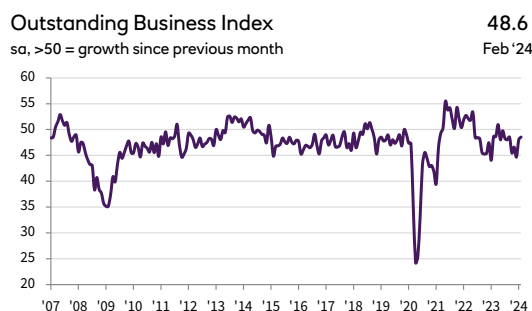
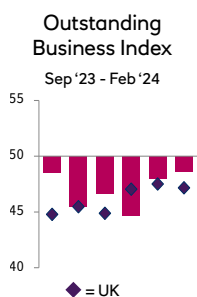
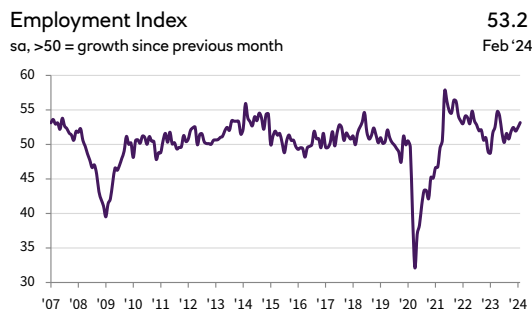
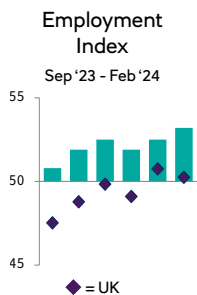
### Employment

The employment picture across Scotland improved, with job creation entering its thirteenth consecutive month in February. The pace of expansion quickened from January to the fastest since May last year. The upturn was supported by a fresh rise in staffing levels at manufacturers and a stronger uptick at service providers. Anecdotal evidence noted successful recruitment drives and increased business requirements.

Moreover, the rate of growth in workforce numbers across Scotland outpaced every other nation and region in February.

### Outstanding business

Private sector companies across Scotland worked through their backlogs during February. The downturn was concentrated at the manufacturing sector, with firms blaming another decline in new orders. However, this was partially offset by a fresh rise at service providers. The overall rate of depletion, therefore, moderated to signal the weakest drop in outstanding business since mid-2023.



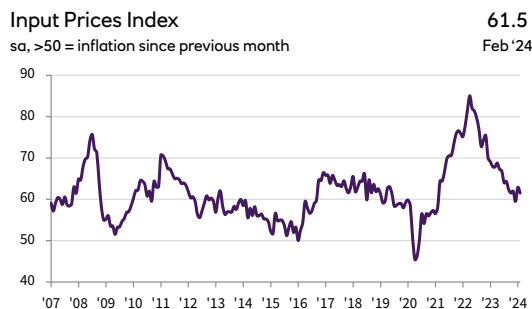
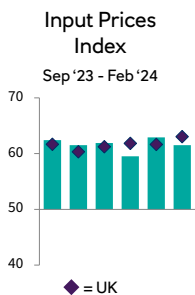


## Prices

### Input prices

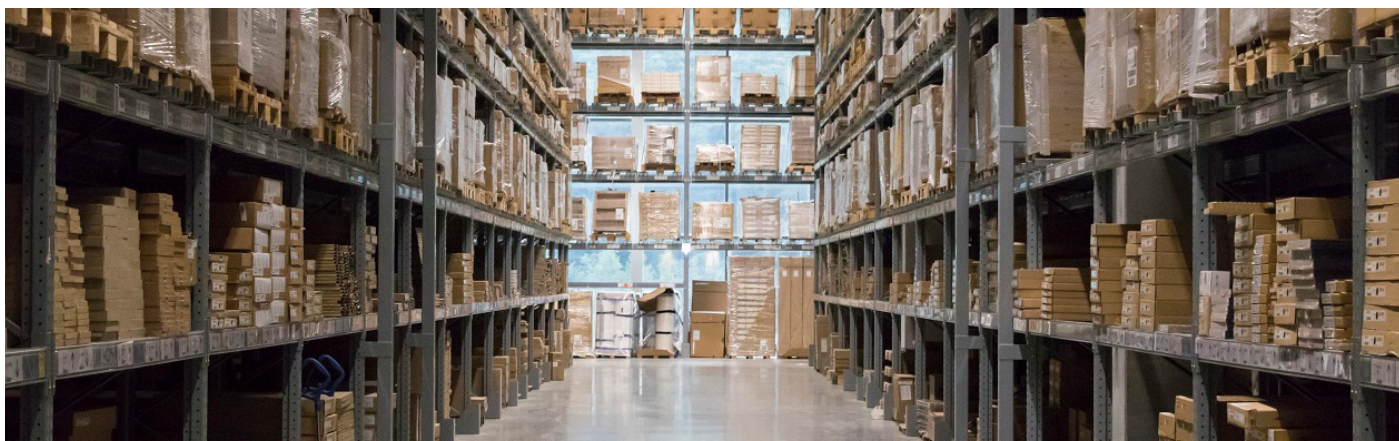
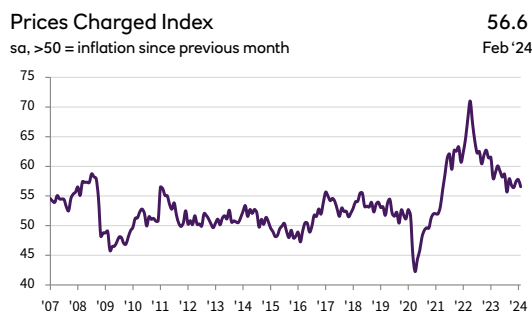
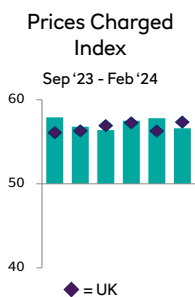
Input prices continued to increase across Scotland during February. While easing slightly since January, the rate of input price inflation was still sharp and above the long-run trend. Anecdotal evidence noted higher wages, hikes in supplier prices and the cost of living crisis.

That said, the upward pressure on costs across Scotland was weaker than that seen at the UK level.



### Prices Charged

In line with the trend for input costs, average prices levied for goods and services across Scotland also rose at a softer pace during February. The rate of inflation was still sharp and above the historical average, but slower than the UK trend for the first time in three months.



## 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, Feb'24* |
|------|------------------------|------|--------------------------|
| 1    | Food & Drink           | 1.89 | 48                       |
| 2    | Mechanical Engineering | 1.15 | 52                       |
| 3    | Textiles & Clothing    | 1.13 | 46                       |
| 4    | Electrical & Optical   | 1.04 | 48                       |
| 5    | Timber & Paper         | 1.04 | 50                       |
| 6    | Chemicals & Plastics   | 0.97 | 49                       |
| 7    | Basic Metals           | 0.71 | 48                       |
| 8    | Other Manufacturing    | 0.58 | 45                       |
| 9    | Transport              | 0.33 | 52                       |

#### Scotland specialisation: Services

| Rank | Sector                         | LQ   | UK Business Activity Index, Feb'24* |
|------|--------------------------------|------|-------------------------------------|
| 1    | Personal & Community Services  | 1.24 | 48                                  |
| 2    | Hotels, Restaurants & Catering | 1.22 | 52                                  |
| 3    | Transport & Communication      | 1.02 | 50                                  |
| 4    | Financial Intermediation       | 0.93 | 52                                  |
| 5    | Business-to-business Services  | 0.90 | 50                                  |
| 6    | Computing & IT Services        | 0.69 | 52                                  |

## UK sector focus

### Transport Manufacturing

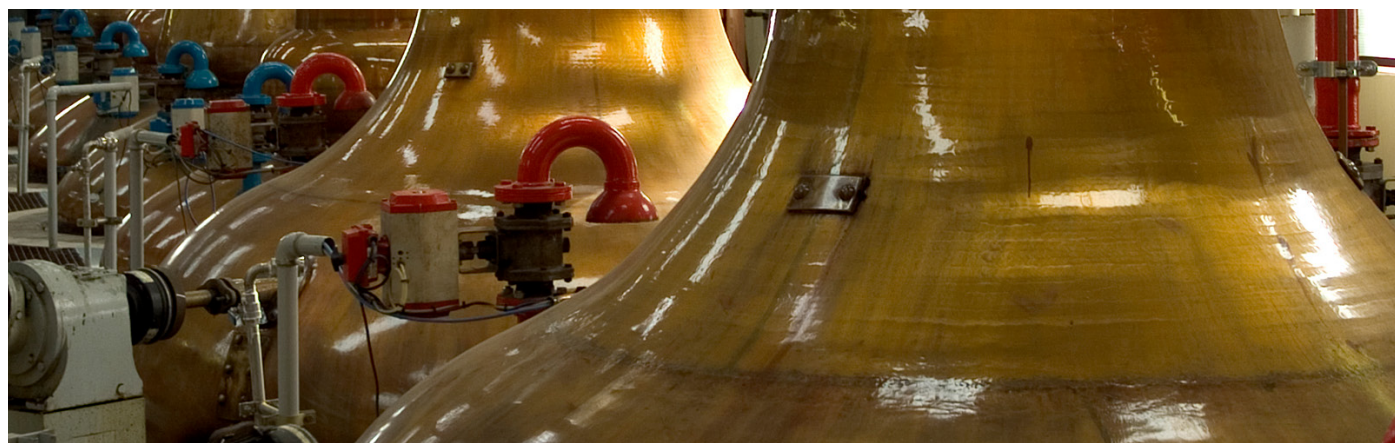
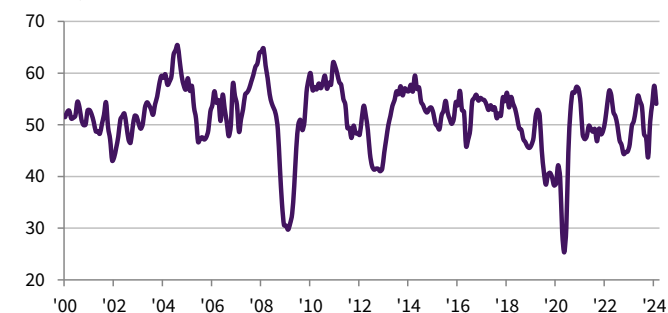
Transport manufacturers recorded solid output growth in the three months to February. This was in contrast to the sustained downturn in overall UK goods production over the same period.

That said, the upturn in Transport output merely represented a rebound from the decline seen last autumn, and underlying demand in the sector remained weak. New orders continued falling in line with the trend throughout the second half of last year, albeit with the rate of decline easing. Lower sales from abroad were a factor. The disparity between rising output and shrinking order books contributed to a marked rise in stocks of finished goods in the three months to February.

Production expectations in the Transport manufacturing sector were close to the lowest seen over the past three years. Latest data meanwhile showed employment falling – albeit marginally – for the first time since the first quarter of 2023, with firms also cutting back on purchasing activity.

#### Output Index

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





## UK Regional PMI overview

### Business Activity

Two-thirds of the monitored UK nations and regions recorded business activity growth in February. London remained out in front despite seeing its pace of expansion ease to a three-month low. At the other end of the scale, Wales posted a solid and accelerated fall in output, while declines were also seen in the North East, Yorkshire & Humber and South West.

### Employment

Scotland topped the rankings for employment growth for the fourth time in the past five months in February, pushing London back down into second place. The East of England, Northern Ireland\*, South West and South East all saw slight increases in workforce numbers, while the North West recorded no change. Job cuts were seen everywhere else.

### Future Activity

Business expectations improved in the majority of areas midway through the opening quarter. The South East recorded the highest degree of optimism, the first time this has been the case for eight months. Confidence was lowest in the North East, which was one of just two areas where sentiment weakened from the month before (along with the West Midlands).

Business Activity Index

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



Employment Index

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



Future Activity Index

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



\* 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 |
|---------|-------------------|--------------|----------------|------------------|------------|----------------------|--------------|----------------|
| Sep '23 | 49.3              | 49.0         | 48.9           | 59.2             | 50.8       | 48.5                 | 62.4         | 57.9           |
| Oct '23 | 46.5              | 48.2         | 47.7           | 58.9             | 51.9       | 45.5                 | 61.5         | 56.8           |
| Nov '23 | 47.1              | 47.1         | 49.2           | 59.5             | 52.5       | 46.6                 | 61.9         | 56.4           |
| Dec '23 | 49.4              | 48.8         | 48.9           | 62.6             | 51.9       | 44.7                 | 59.5         | 57.5           |
| 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           |

### 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 |
|---------|--------|------------|----------------|------------|------------------|--------------|---------------|
| Dec '23 | 45.2   | 42.3       | 58.9           | 54.6       | 44.5             | 55.5         | 54.8          |
| Jan '24 | 45.4   | 44.1       | 58.2           | 48.8       | 41.8             | 59.2         | 57.1          |
| Feb '24 | 48.4   | 44.8       | 58.1           | 51.0       | 38.0             | 59.2         | 57.1          |

### 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 |
|---------|-------------------|--------------|------------------|------------|----------------------|--------------|----------------|
| Dec '23 | 50.4              | 50.2         | 63.4             | 51.3       | 44.7                 | 60.4         | 58.1           |
| Jan '24 | 53.2              | 51.1         | 61.6             | 53.4       | 49.6                 | 63.8         | 57.9           |
| Feb '24 | 53.0              | 53.4         | 65.2             | 53.7       | 51.2                 | 62.1         | 56.4           |

## Contact

Jonathan Rennie  
Regional Media & Campaigns Manager  
Royal Bank of Scotland  
+44 7769 932 102  
[jonathan.ennie@natwest.com](mailto:jonathan.ennie@natwest.com)

Maryam Baluch  
Economist  
S&P Global Market Intelligence  
+44 134 432 7213  
[maryam.baluch@spglobal.com](mailto:maryam.baluch@spglobal.com)

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

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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.

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