

8 July 2025

# Royal Bank of Scotland Growth Tracker

Strongest rise in Scottish private sector  
activity since November 2024



Royal Bank of Scotland

PMI<sup>®</sup>

by **S&P Global**

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# Royal Bank of Scotland Growth Tracker

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# Key findings

June 2025

**Private sector activity rises further in June**

**Business confidence at highest in eight months**

**Employment broadly unchanged**

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](http://www.natwest.com/business/insights/economics)





# Strongest rise in Scottish private sector activity since November 2024

Business activity across the Scottish private sector rose further in June.

The headline 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 – rose to 50.9 from 50.5 in May. This marked a second consecutive monthly rise in business activity. While the uptick was modest overall, it was the strongest since November 2024.

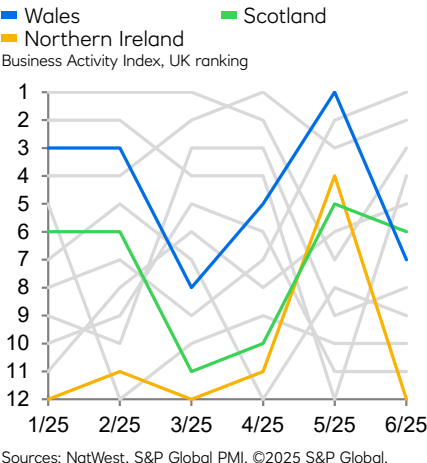
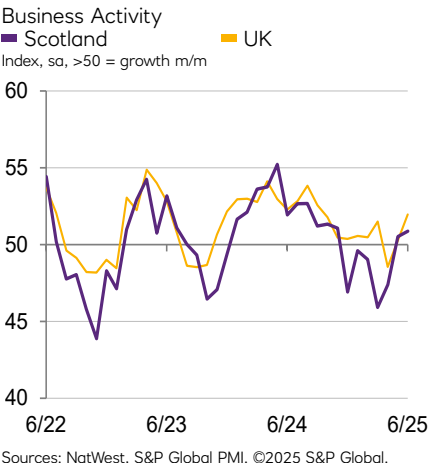
However, as was the case in May, activity growth remained solely driven by the service sector. Service providers noted that new project funding and a rise in demand underscored the uptick in activity. Meanwhile, manufacturing production continued to fall sharply. The sustained rise in overall activity was accompanied by improved confidence regarding the year ahead outlook for output. Notably, the degree of optimism was the strongest in eight months.

Royal Bank of Scotland  
Business Activity Index  
June 2025

50.9

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 12-26 June







# Comment

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

"Scotland's private sector recorded a sustained uptick in activity at the end of the second quarter, with growth predominantly driven by service providers. In contrast, the manufacturing sector faced a challenging demand environment, leading to overall declines in new business and production.

"Despite these sectoral differences, firms exhibited increased

optimism about the future, with manufacturers reporting positive growth forecasts for the first time in three months.

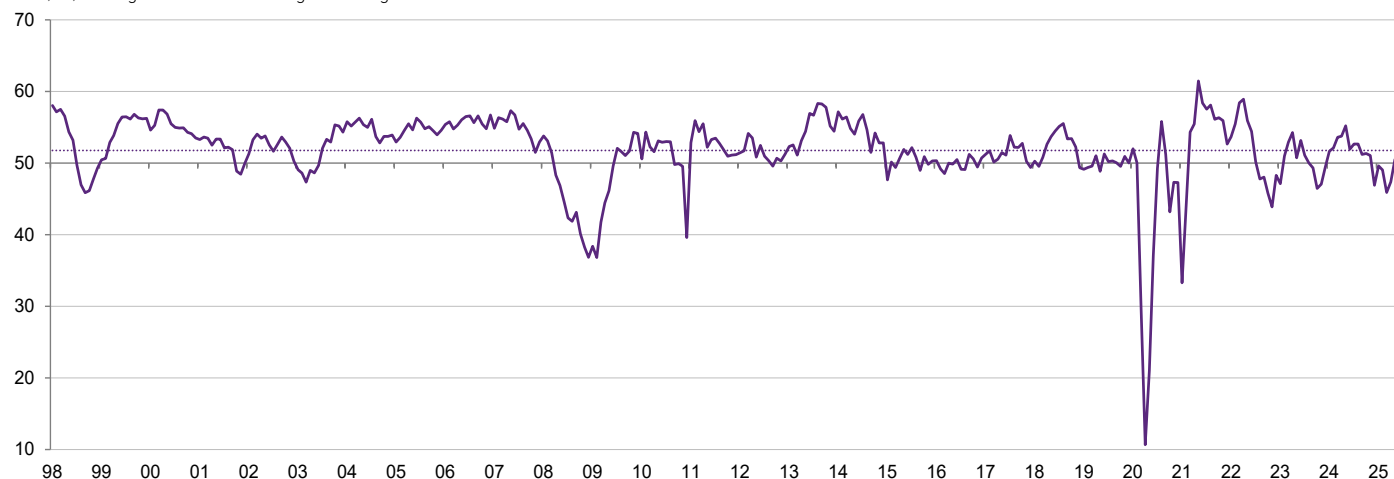
"In June, private sector firms encountered sharply rising operating costs, but selling price inflation slowed notably. This suggests a willingness among businesses to absorb some costs to bolster sales.

"The employment landscape remained broadly stable compared to the previous month, with sector data continuing to

highlight diverging trends between manufacturers and service providers."

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

## Modest decline in new business, but firms look to the future with greater optimism

Companies in Scotland recorded a ninth successive monthly fall in incoming new orders during June. The reduction in new work was centred on the manufacturing sector, as services firms reported a further expansion. Though the overall rate of decrease was stronger than that seen in May, it was modest overall.

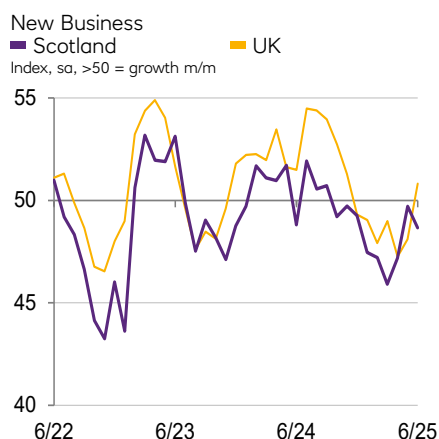
That said, new business rose for the first time in seven months at the UK

level.

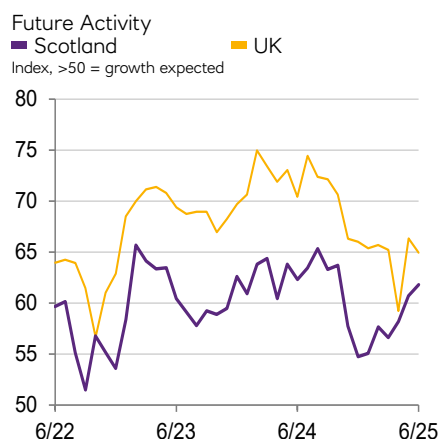
Private sector companies operating in Scotland remained optimistic about the year-ahead outlook for activity in June. The degree of positive sentiment edged up for a third straight month to the highest since October 2024, but was weaker than that recorded for the UK as a whole.

Confidence across Scotland was supported by plans to introduce new product lines, improved operational performance, and strategic marketing efforts.

"... firms exhibited increased optimism about the future, with manufacturers reporting positive growth forecasts for the first time in three months"



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



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



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# Jobs and capacity

## Employment broadly unchanged, while backlogs fall further

After a slight rise in employment in Scotland in May, workforce numbers were broadly unchanged in June. Sector data signalled that services firms increased their staffing levels amid upturns in new business and activity. However, this was offset by another month of job shedding at manufacturers.

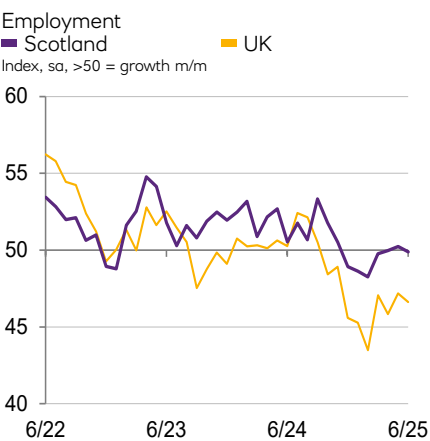
A near universal fall in headcounts was noted across the 12 monitored UK regions and nations, with Northern Ireland being the sole exception to this trend. Among the remaining

areas, Scotland experienced the least pronounced drop in employment and one that was only fractional.

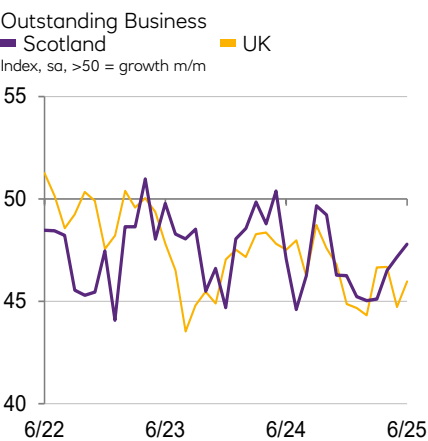
As has been the case since mid-2024, Scottish firms recorded a drop in backlogs of work in June. The rate of depletion was the weakest in eight months, however. The decline was primarily driven by the manufacturing sector, where a lack of incoming new work enabled companies to process and complete outstanding tasks.

Nearly all of the 12 monitored UK regions and nations recorded a drop in backlogs in June. The North East was the only area where levels of outstanding work rose.

"The employment landscape remained broadly stable compared to the previous month..."



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



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





# Inflation

## Output charge inflation slips to weakest in nearly a year

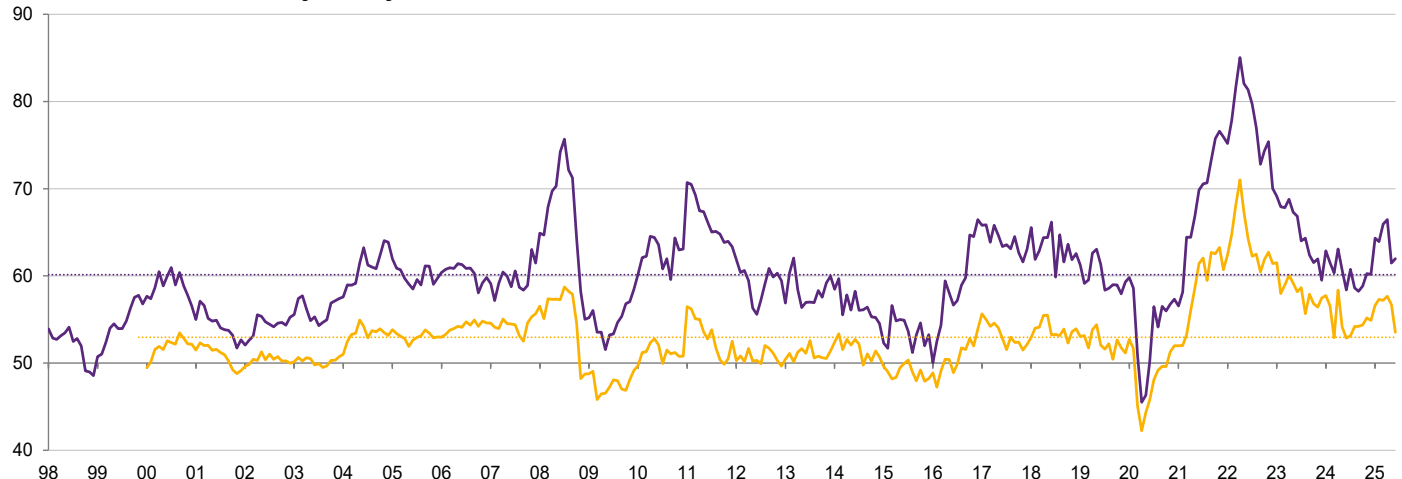
Scottish firms signalled a further marked increase in average input costs during June. The rate of inflation quickened from May and was historically elevated. Panellists often reported higher costs for materials, labour and energy, as well as rising supplier prices.

However, the rate at which costs rose across Scotland was less pronounced than that observed at the UK level.

Firms across Scotland raised their output prices at a reduced rate in June. Though solid, the latest increase in charges was the slowest in 11 months and similar to that seen on average across the UK as a whole. Where higher charges were recorded, they were primarily attributed to the pass-through of increased operating expenses to customers.

"...private sector firms encountered sharply rising operating costs, but selling price inflation slowed notably. This suggests a willingness among businesses to absorb some costs to bolster sales"

■ Input Prices ■ Output Prices  
Index, sa, >50 = inflation m/m. Dots = long-run average since 1998.



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



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# UK Regional Growth Tracker

## Business Activity

Latest data showed business activity growth broaden from six UK nations and regions in May to eight in June - the most since September last year. The East of England recorded the fastest rate of expansion, the quickest it has seen for more than three years, followed by the South West and London.

## Employment

Nearly all parts of the UK saw a decrease in employment in June. The only exception was Northern Ireland\*, where workforce numbers rose for the first time in five months, albeit only marginally. The steepest decline in staffing level was recorded in Yorkshire & Humber.

## Future Activity

Business expectations towards activity in the next 12 months remained positive across the board in June, with the strongest optimism seen in the West Midlands. That said, in most cases confidence decreased from the month before, most notably in the North East.

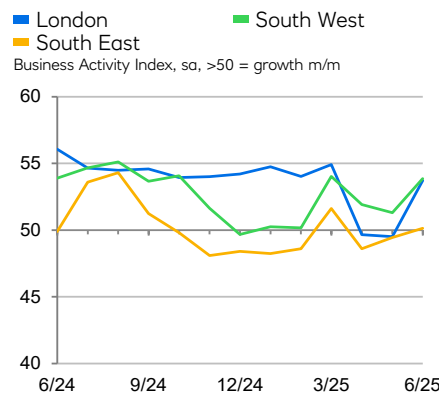
\*As well as manufacturing and services, coverage in Northern Ireland also includes construction and wholesale & retail.



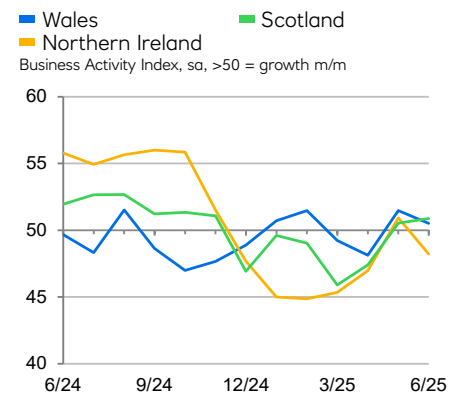
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



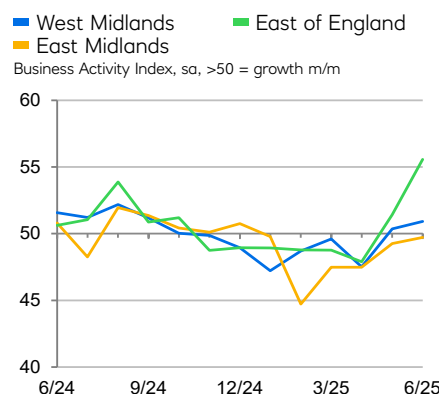
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



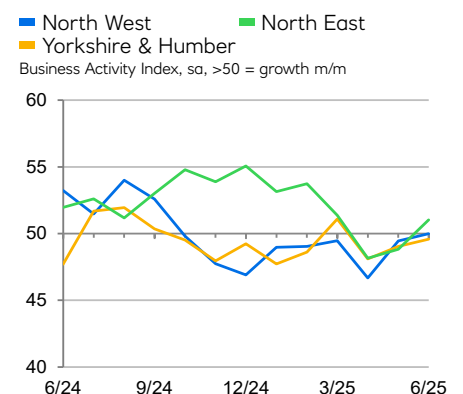
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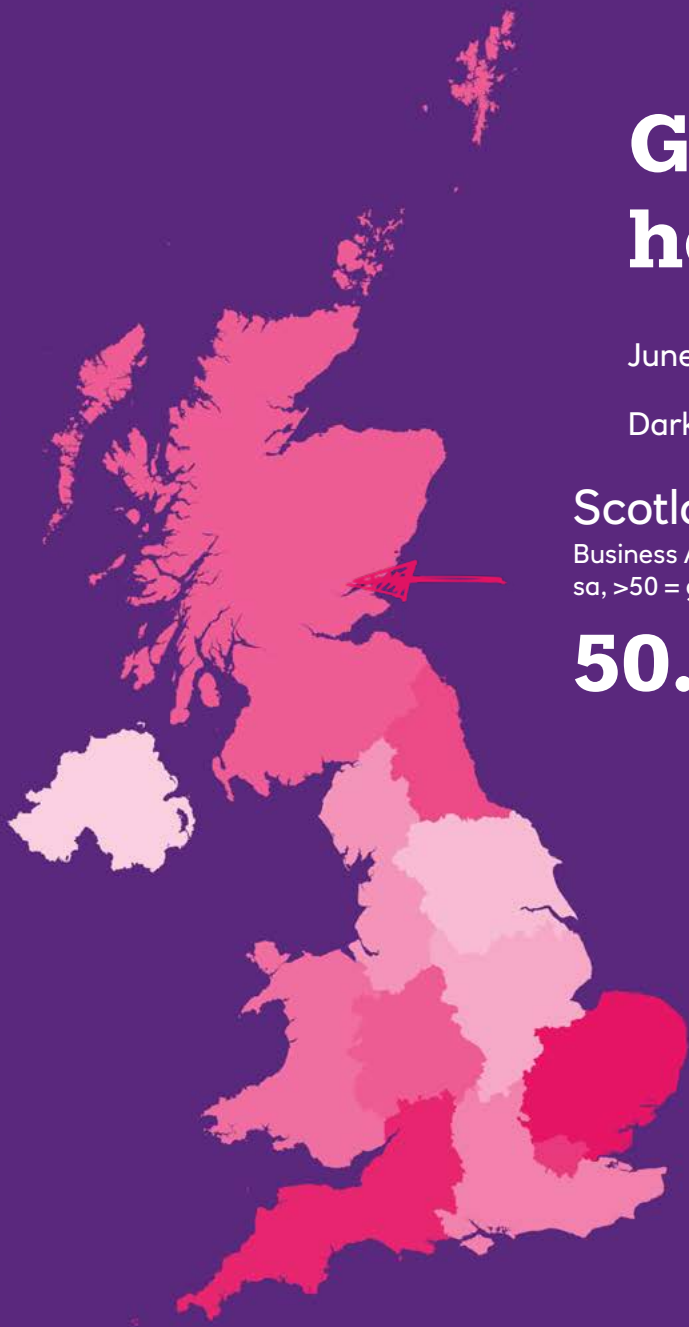
# Growth Tracker heat map

June 2025

Darker colour = higher business growth

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

50.9



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

# UK sectors

## Sector specialisation: Scotland

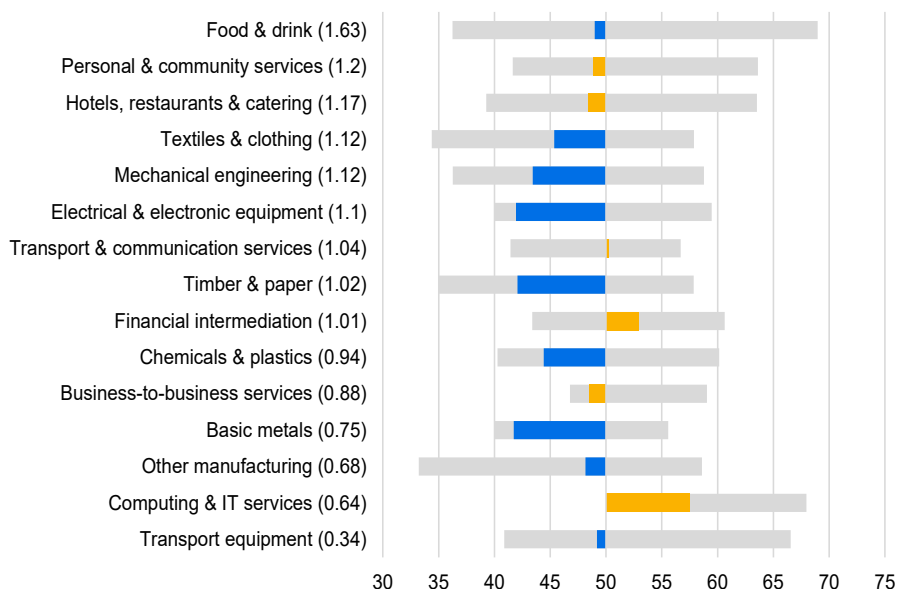
The chart shows UK output indices by sector, ranked by location quotients for Scotland. Location quotients (LQs) are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

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 Jun '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: Transport equipment

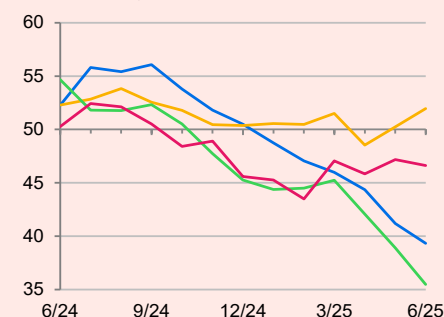
The second quarter of the year saw a deepening downturn in the UK's transport equipment sector. Production levels showed a sharp rate of contraction that was the quickest seen for more than five years, with output being scaled back in line with rapidly declining intakes of new business.

With backlogs of work plummeting, firms in the sector were firmly in retrenchment mode in the three months to June. Excluding the initial stages of the pandemic, employment recorded its sharpest fall since the

depths of the global financial crisis in early 2009. The decrease was steeper than in any other sector.

Alongside demand-side weakness, transport equipment firms faced increased supply-chain disruption as lead times on purchases lengthened to the greatest extent for nearly two-and-a-half years. Furthermore, cost pressures were running at their highest since Q2 2023.

Output / Employment  
■/■ Transport equipment\*  
■/■ 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.

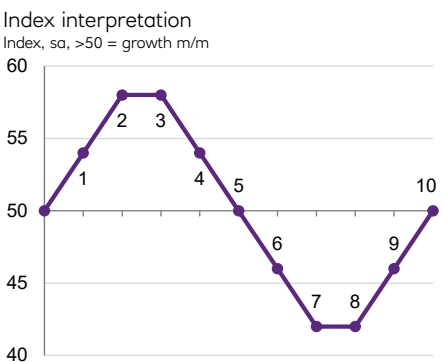
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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](mailto: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
1/25	49.6	47.5	49.9	48.6	45.2	55.0	64.3	56.6
2/25	49.0	47.2	50.1	48.3	45.0	57.7	63.9	57.3
3/25	45.9	45.9	51.0	49.8	45.1	56.6	65.9	57.2
4/25	47.4	47.2	50.2	50.0	46.5	58.2	66.4	57.7
5/25	50.5	49.7	50.4	50.2	47.2	60.7	61.5	56.7
6/25	50.9	48.7		49.9	47.8	61.8	62.0	53.6

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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

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