15 July 2026

Royal Bank of Scotland Growth Tracker

Scottish business activity falls for a third month

Royal Bank of Scotland

PMI by S&P Global

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Key findings

June 2026

Scottish private sector activity falls for third straight month

Staffing levels rise fractionally

Price pressures ease but remain high

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 business activity falls for a third month

The latest Royal Bank of Scotland Growth Tracker showed a third straight monthly decline in output during June. That said, the data also highlighted a slight uptick in payroll numbers.

The headline Royal Bank of Scotland Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of Scotland's manufacturing and service sectors – printed 47.6 in June, up from 47.1 in May, to signal a cotinued but slightly slower reduction in business activity across Scottish private sector firms.

According to anecdotal evidence, the latest fall was due to a weaker economic climate, lower business confidence and reduced intakes of new work.

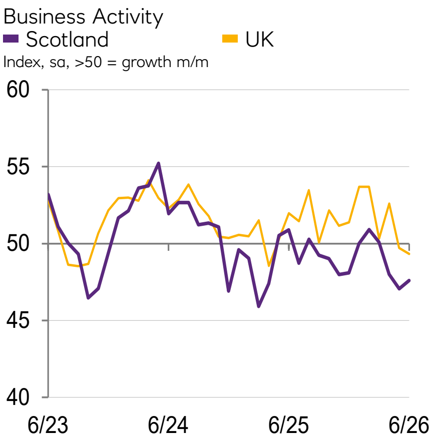
Business activity across the UK as a whole also fell in June. Nevertheless, the reduction seen at the UK level was less pronounced than in Scotland.

Royal Bank of Scotland Business Activity Index June 2026

47.6

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 11-26 Jun



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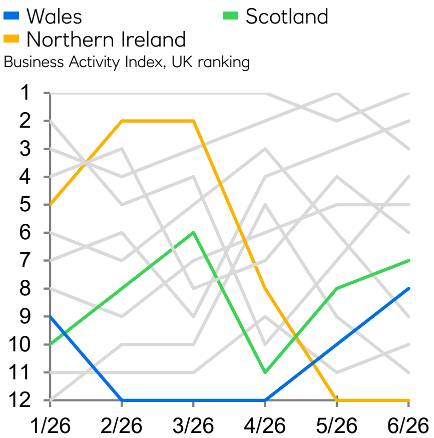

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Comment

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

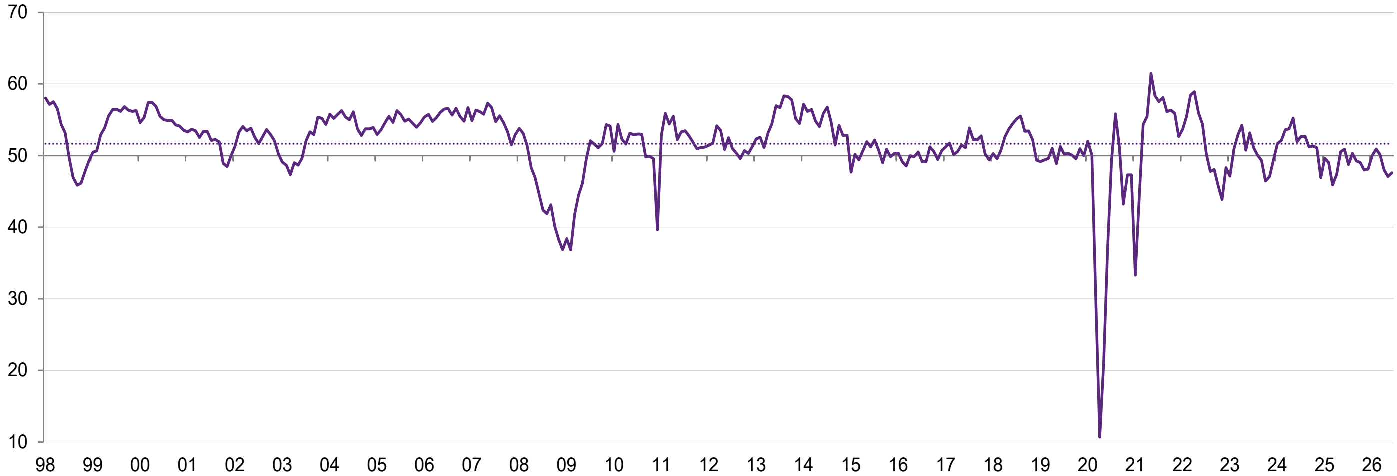
"The Royal Bank of Scotland Growth Tracker for June rounded off a challenging second quarter for Scottish businesses. Inflation, while continuing to fall from its peak earlier this year, remains high and continues to drive market uncertainty and demand weakness.

"As such, we again saw a contraction in business activity for the third month in a row. The difficult backdrop also led Scottish businesses to report muted expectations around future activity.

"However, despite these challenging circumstances, Scottish businesses have remained resilient, with private sector employment increasing, albeit only slightly, which contrasted with falls across all other UK regions and nations. This suggests that should inflation continue to fall then we may see Scottish business confidence and activity improve in the second half of 2026."

Business Activity

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



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Demand and outlook

New orders decline and confidence towards future output remains subdued

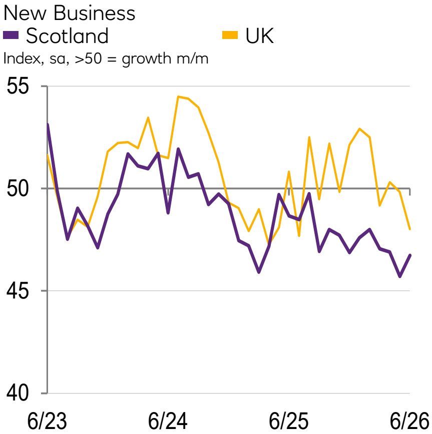
As has been the case since October 2024, new business received at Scottish private sector firms fell in June. However, the pace of decrease eased from May's 40-month record. Survey respondents widely attributed the fall in new work to weak demand conditions.

New business decreased at a faster rate in Scotland than across the UK as a whole.

private sector remained generally positive in June. Firms that expected output levels to rise over the next 12 months often linked this to hopes of improved demand conditions and new project wins. That said, the degree of confidence ticked up only slightly from May and remained historically subdued. A number of firms noted that the rising cost of living and market uncertainty had weighed on overall expectations.

In fact, of the 12 monitored UK regions and nations, only Northern Ireland recorded a lower level of optimism than that seen in Scotland.

Business sentiment across Scotland's



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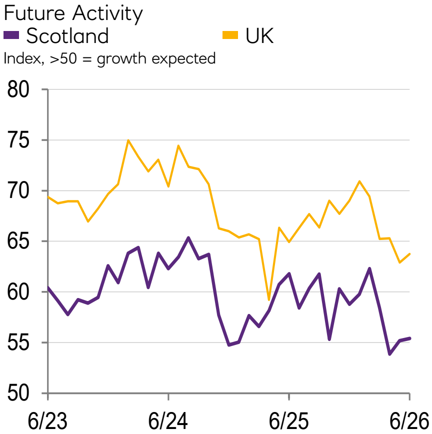

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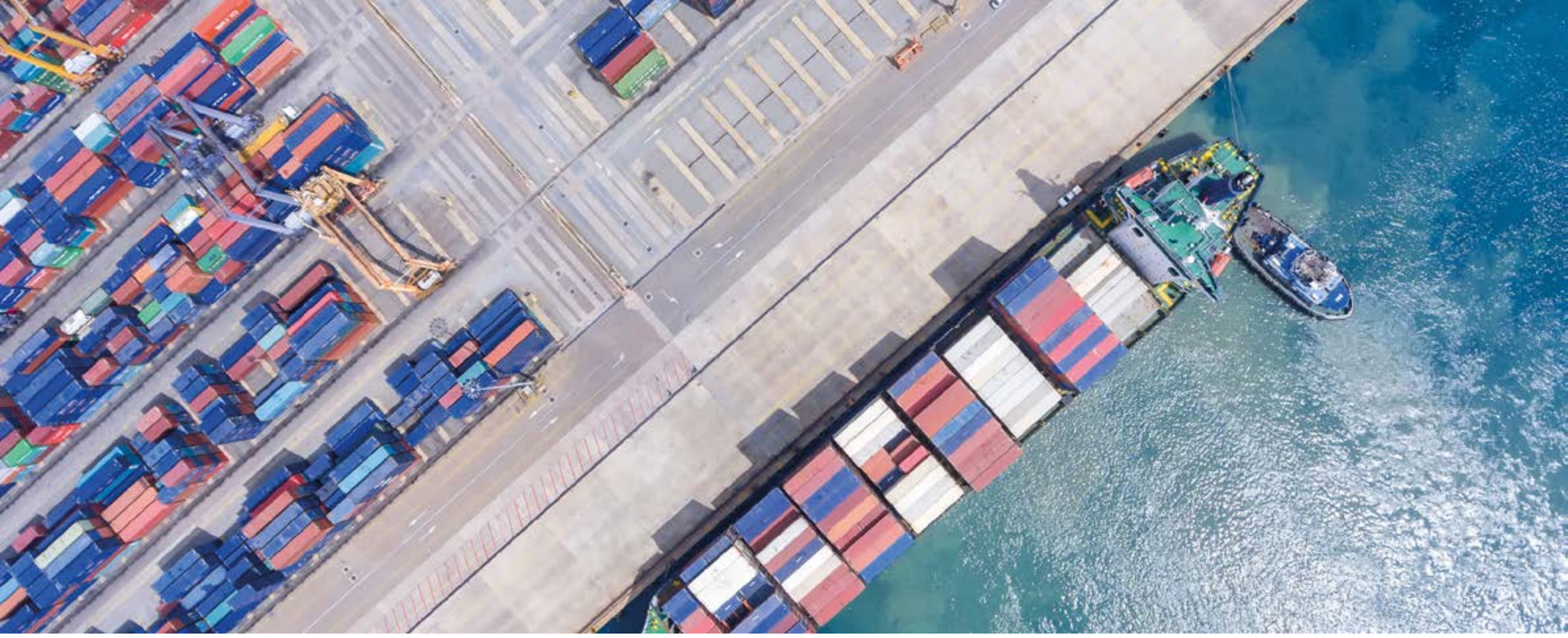
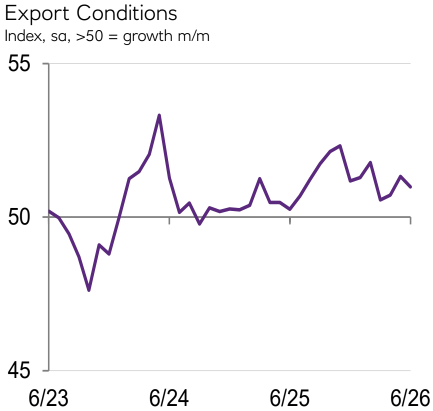


Export markets

Growth across export markets eases

The Export Climate Index posted 51.0 in June, down from 51.3 in May, to signal a slightly less pronounced and modest improvement in the economic health of Scotland's export markets.

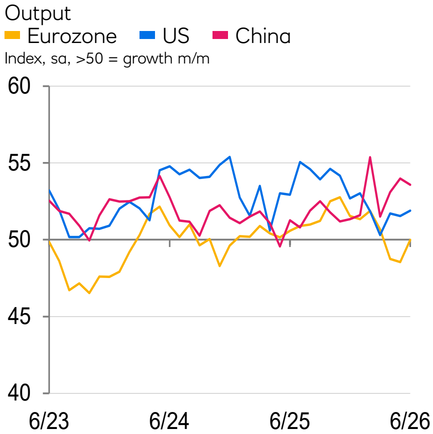
Both the Netherlands and Ireland registered strong increases in output. The US also provided a positive impetus, although the pace at which output here rose was only moderate. Elsewhere, Germany and France recorded softer reductions in business activity.



Sources: NatWest, S&P Global PMI. ©2026 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.

Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



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Jobs and capacity

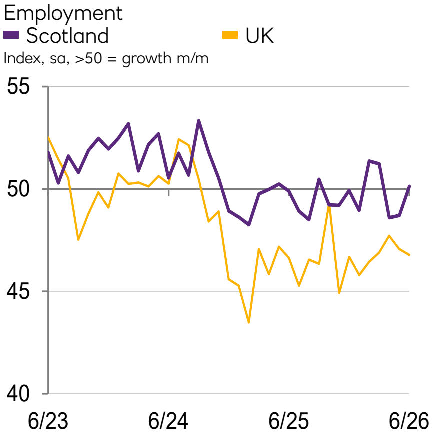
Payroll numbers rise fractionally in June

Following two consecutive months of job shedding, June data revealed a slight uptick in employment across Scotland's private sector. While some businesses decided to take on new hires amid new projects and planned expansions, others indicated that the completion of contracts, non-replacement of voluntary leavers and redundancies had dampened overall growth in employment.

That said, all the remaining monitored UK regions and nations registered job losses.

Companies based in Scotland registered a decrease in outstanding business in June, thereby stretching the current run of reduction to 11 months. Firms noted that a lack of incoming new work allowed them to complete orders in a timely manner.

While the pace of backlog depletion was solid, it was the weakest in 2026 so far and slower than the UK-wide average.



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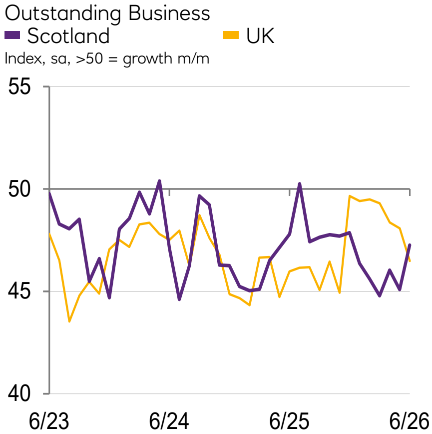

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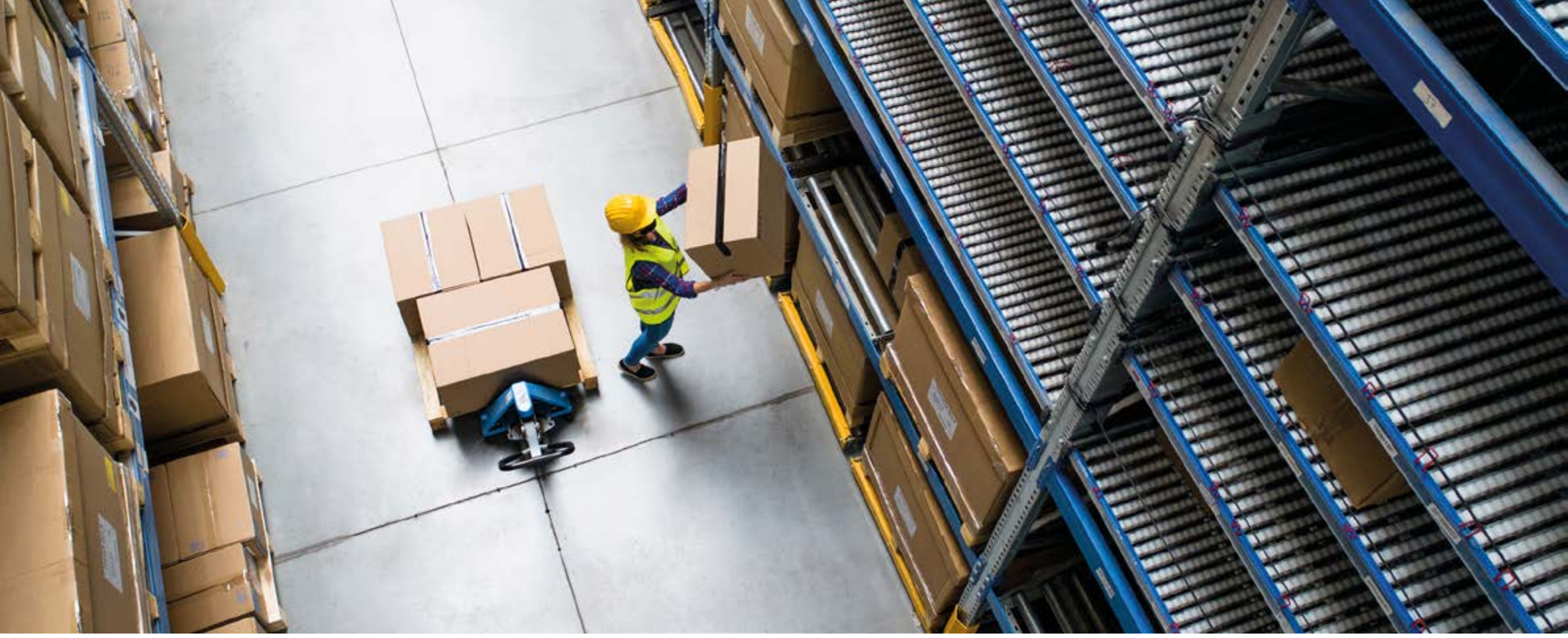


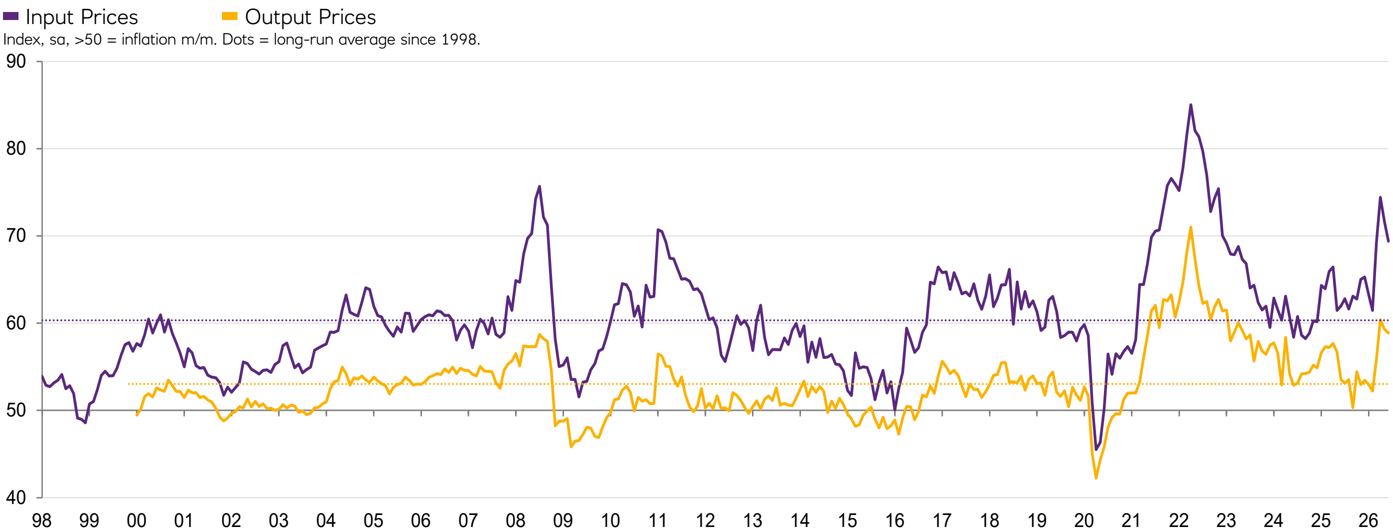
Inflation

Inflationary pressures weaken but remain historically high

June survey data signalled weaker cost pressures across the Scottish Private sector. The respective seasonally adjusted index retreated further from April's recent high to a three-month low and remained below the reading seen for the UK as a whole. That said, it was indicative of a marked rise in costs that was much sharper than the historical trend. Panellists often noted that higher fuel and labour costs had pushed up expenses.

Likewise, average prices charged for goods and services in Scotland rose at the slowest rate for three months. Nevertheless, the pace of inflation remained overall, as firms looked to pass on higher costs to customers where possible.

Inflation across Scotland was slightly sharper than the UK-wide trend.



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

UK Regional Growth Tracker

Business Activity

Business activity rose across three of the 12 UK nations and regions monitored by the survey in June, matching the result seen the month before. Growth was once again confined to London, South East and North East. Firms in Northern Ireland* posted the most marked fall in output, followed by those in Yorkshire & Humber.

Employment

Employment decreased almost across the board in June, with only Scotland going against the trend having seen a fractional rise in workforce numbers. Where staffing levels fell, rates of decline did however ease in nearly half of the cases. The East of England saw the steepest drop in headcounts, followed closely by Wales.

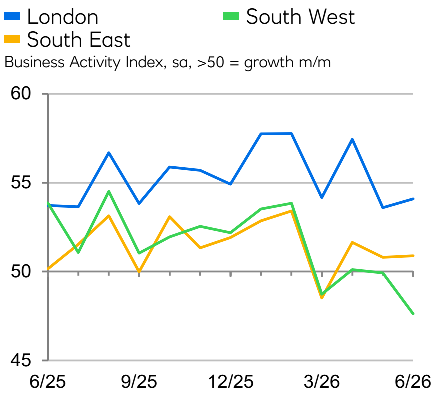
Future Activity

Expectations towards activity in the next 12 months improved in most areas of the UK in June. This included the West Midlands, which registered the highest overall degree of optimism towards future activity ahead of the East of England. Northern Ireland recorded the lowest business confidence, albeit with sentiment turning positive.

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

Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



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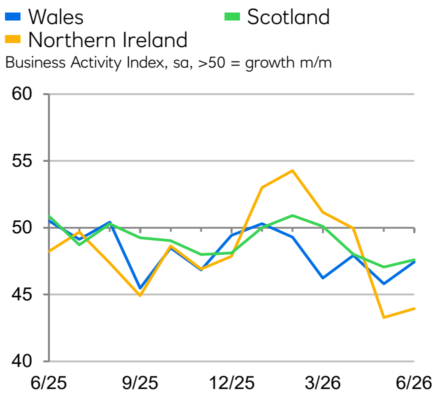

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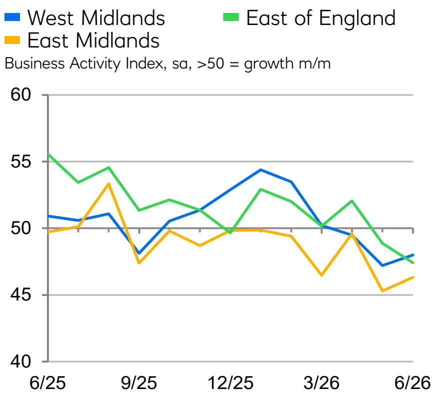

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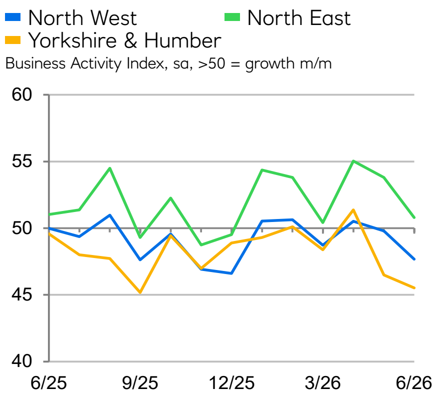

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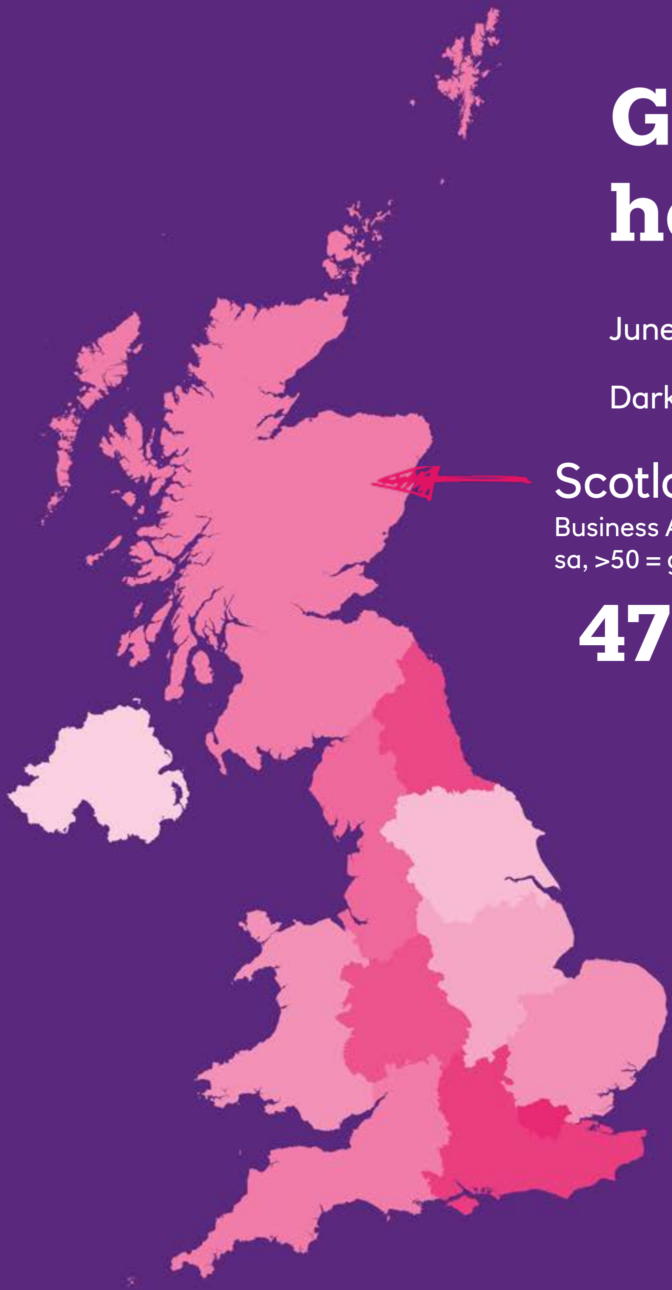
Growth Tracker heat map

June 2026

Darker colour = higher business growth



Scotland

Business Activity Index

sa, >50 = growth m/m

47.6

Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

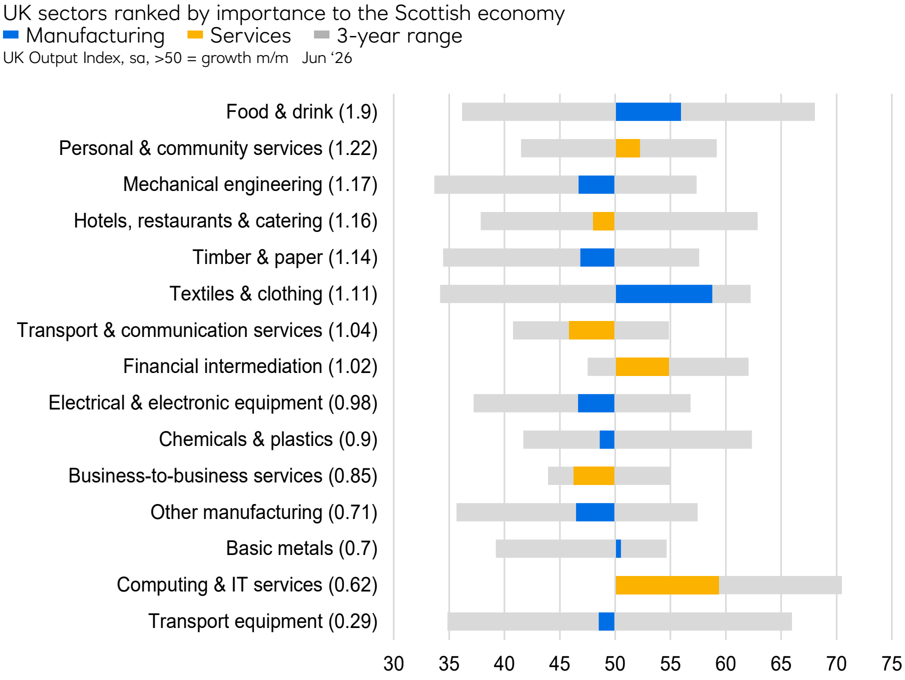
UK sectors

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



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.
Location quotients for Scotland are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

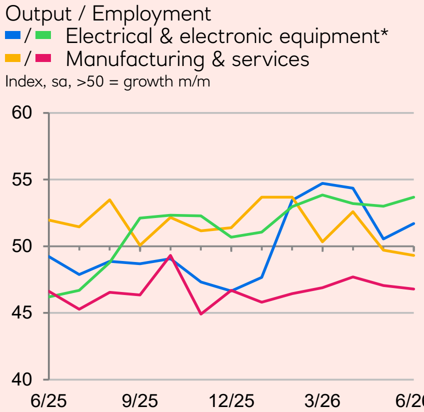
Sector in focus: Electrical & electronic equipment

Electrical & electronic equipment manufacturing was one of the few growth areas of the UK economy in the second quarter 2026, seeing output levels rise at a modest pace. The upturn was supported by increased intakes of new orders, which were in turn driven primarily by stronger domestic demand as export sales declined.

The sector continued to enjoy solid employment growth in the three months to June, contrasting with the picture seen for the UK private sector as a whole. The pace of job creation was in fact the second-fastest recorded in over three years.

This was despite cost pressures continuing to ramp up. Input price inflation reached its highest since late 2022, amid reports of the increased cost of raw materials, squeezed supply and high demand (partly related to the build-out of data centres). Lead times on purchases meanwhile lengthened to the greatest extent for over three-and-a-half years.

Output / Employment



Sources: NatWest, S&P Global PMI. ©2026 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.

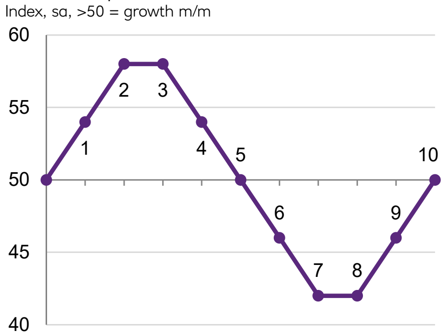
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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. ©2026 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
1/26	50.0	47.6	51.3	48.9	46.4	59.8	63.3	53.0
2/26	50.9	48.0	51.8	51.4	45.6	62.3	61.4	52.2
3/26	50.1	47.1	50.6	51.2	44.8	58.4	69.2	55.9
4/26	48.0	46.9	50.7	48.6	46.0	53.8	74.4	60.4
5/26	47.1	45.7	51.3	48.7	45.1	55.2	71.6	59.3
6/26	47.6	46.7	51.0	50.1	47.3	55.4	69.4	58.9

Further information

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