9 September 2026

Royal Bank of Scotland Growth Tracker

Employment continues to increase across Scotland's private sector in August

Royal Bank of Scotland

PMI by S&P Global

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Key findings

August 2026

Firms signal further rise in headcounts…

… alongside softer declines in output and new orders

Business confidence improves to six-month 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

Employment continues to increase across Scotland's private sector in August

The latest Royal Bank of Scotland Growth Tracker indicated that business conditions across Scotland's private sector moved closer to stabilisation in August.

Private sector output and new orders both declined at slower rates, while employment increased for a third consecutive month.

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 – rose to 48.9 in August from 47.3 in July. The latest reading signalled only a modest fall in private sector activity.

Where activity fell, firms often attributed this to subdued market conditions and fewer new orders.

Among the 12 monitored UK regions and nations, Scotland was one of four areas to record a fall in output, with its decline the steepest overall. In contrast, business activity rose at a quicker pace across the UK as a whole.

Royal Bank of Scotland Business Activity Index August 2026

48.9

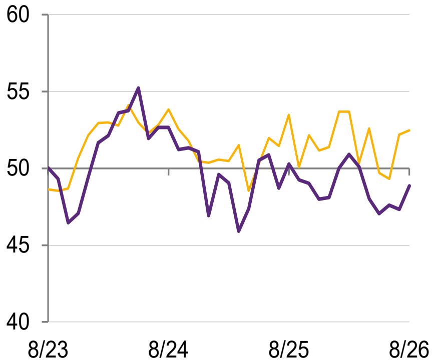
The Business Activity Index is a diffusion index calculated from companies' responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. A reading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

Data compiled 12-26 August

Business Activity

Scotland UK

Index, sa, >50 = growth m/m

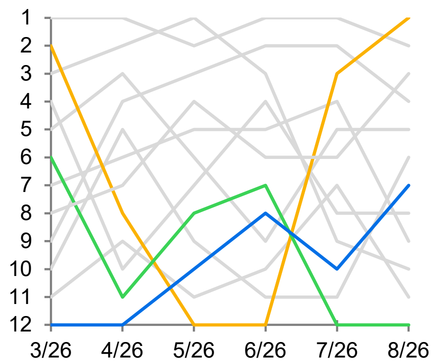


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Wales Scotland

Northern Ireland

Business Activity Index, UK ranking



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Royal Bank of Scotland

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Comment

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

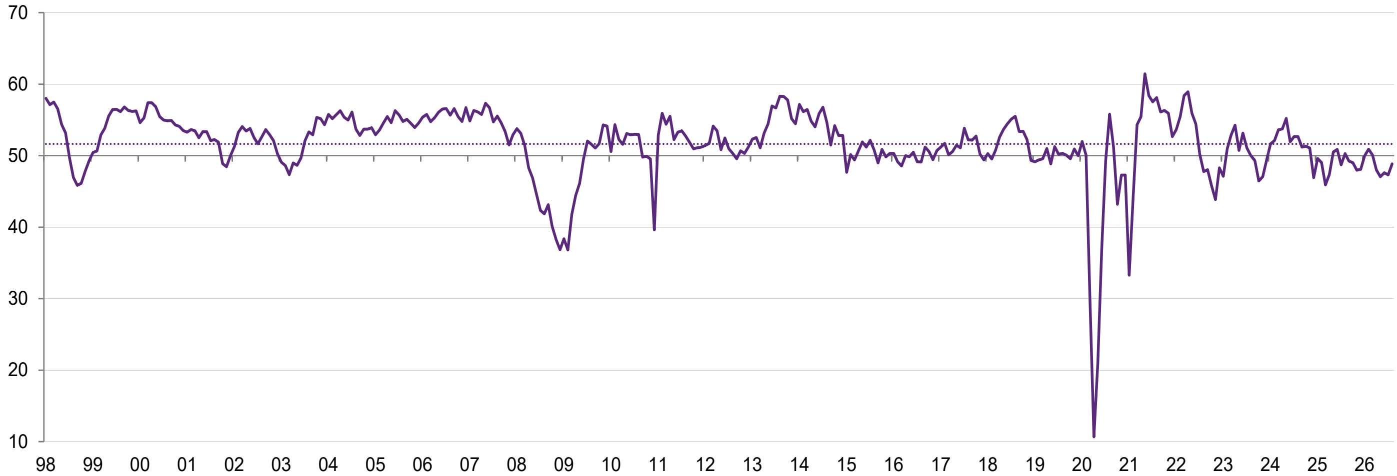
“The latest data for Scotland present a mixed picture for August, albeit one that is more positive compared to recent months. The economy is showing tentative signs of improvement, with business optimism climbing to a six-month high and the pace of decline easing in both output and new orders.

“Employment remains a clear source of strength. Sustained job creation, despite challenging demand conditions, suggests that firms’ improved confidence is feeding through to hiring activity, with payrolls being lifted in anticipation of new projects and expansion plans.

“The inflationary picture remains challenging, but the direction of travel is encouraging. Cost pressures are easing and, if that continues, we could see price increases begin to moderate in the months ahead.”

Business Activity

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



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Demand and outlook

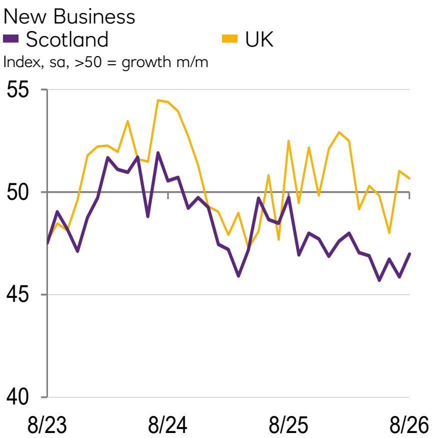
Scottish private sector firms record softer decline in new orders, while business confidence strengthens

New orders across Scotland's private sector fell again in August, extending the current run of contraction to nearly two years. Anecdotal evidence linked the latest fall to a general market slowdown, ongoing geopolitical uncertainty around the Middle East, higher utility costs and subdued demand conditions.

Across the UK as a whole, new orders rose at a slower and only marginal rate.

At the same time, Scottish firms became increasingly confident about activity prospects over the next 12 months. The level of optimism rose further from April's recent low to a six-month high, but remained weaker than the UK average. Firms hoped that continued investment in new equipment and new contract wins would help to drive growth.

> "The economy is showing tentative signs of improvement, with business optimism climbing to a six-month high"



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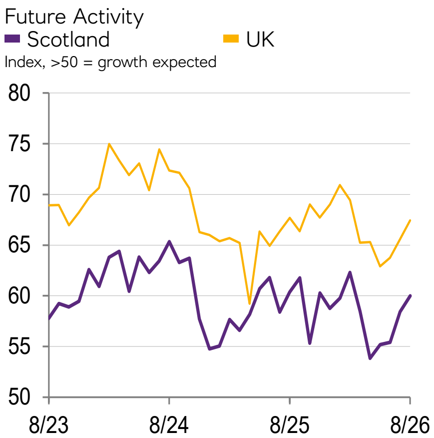

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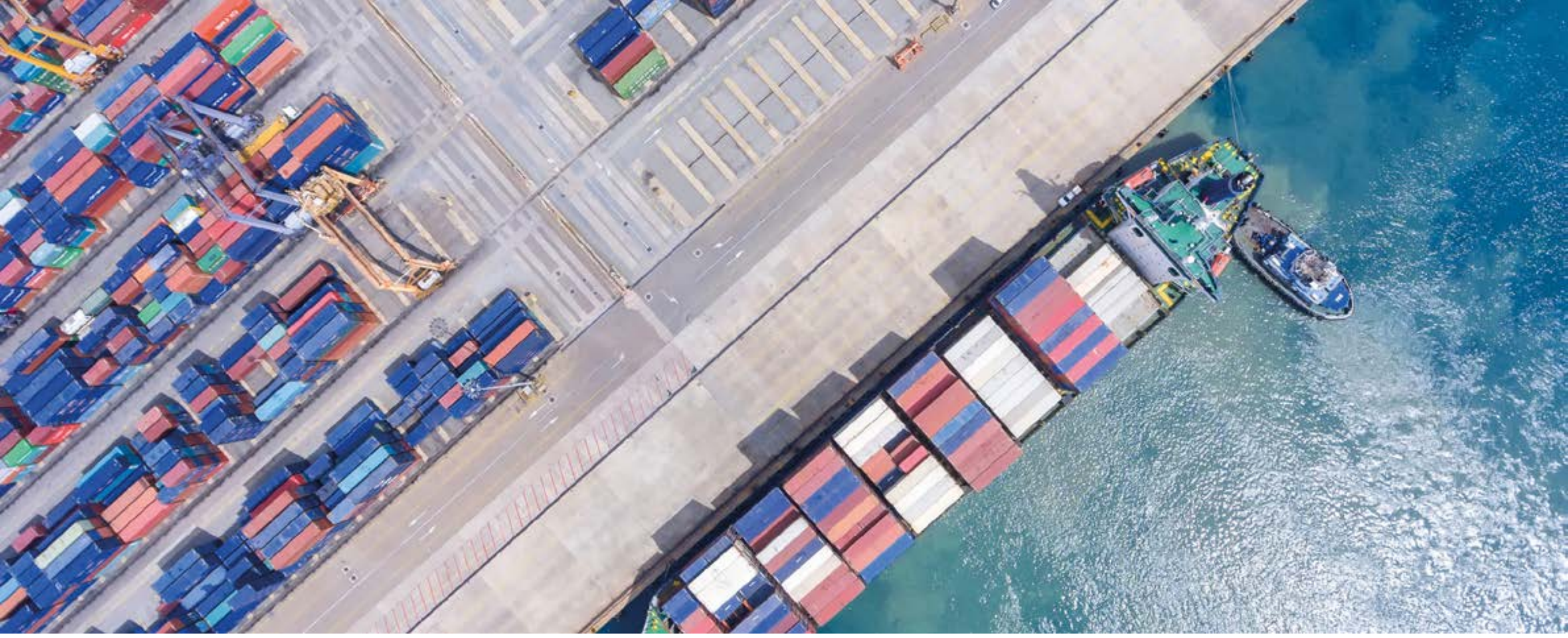


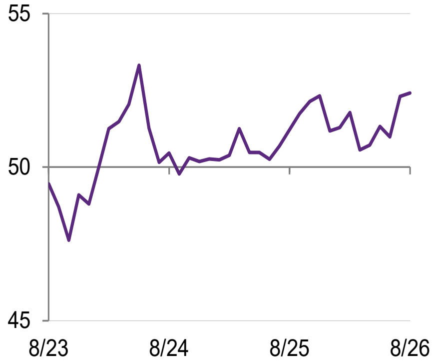
Export markets

Export climate improves at strongest rate in 27 months

The Export Climate Index was up from 52.3 in July to 52.4 in August, signalling a sustained and solid improvement in export conditions. Moreover, the latest reading extended the current sequence of growth that began in October 2024, and was the highest figure in 27 months.

Output rose across four of the top five export markets for Scotland, the sole exception being France. The strongest upturn was registered in the US, followed closely by Ireland and the Netherlands. A modest increase in output was meanwhile seen in Germany.

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



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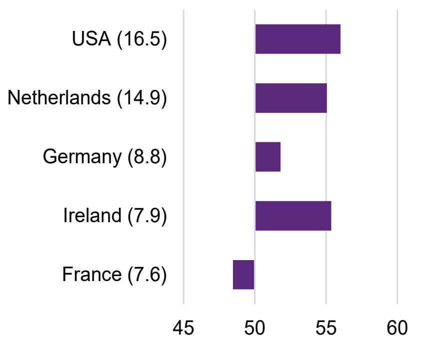
The Scotland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Scotland. A reading above 50 signals an improvement in export conditions,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

Top export markets, Scotland
% share of exports shown in brackets
Output Index, sa, >50 = growth m/m
Aug '26



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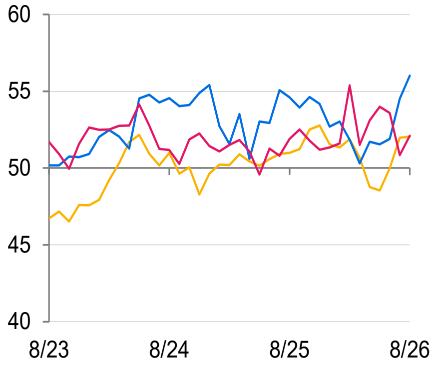
Output
Eurozone US China
Index, sa, >50 = growth m/m



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Jobs and capacity

Sustained rise in employment despite signs of spare capacity

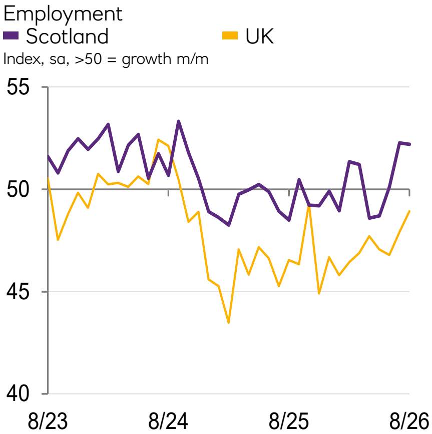
Private sector firms in Scotland recorded a third successive monthly rise in employment during August. The pace of job creation was broadly unchanged from July and pointed to an increase that was among the strongest recorded over the past two years. Respondents often linked the latest rise to company expansion plans, new projects and efforts to replace leavers.

Staffing levels also rose in the South West of England, indicating that only two of the 12 monitored UK regions and nations reported higher payroll numbers in August, as reductions were recorded elsewhere.

At the same time, Scottish firms continued to report limited pressure on capacity, as backlogs of work fell for the thirteenth consecutive month in August. Panellists attributed the latest decline to weak inflows of new business.

The rate of backlog depletion across Scotland slowed since July, but was strong and slightly faster than that recorded across the UK as a whole.

> "Sustained job creation, despite challenging demand conditions, suggests that firms' improved confidence is feeding through to hiring activity"



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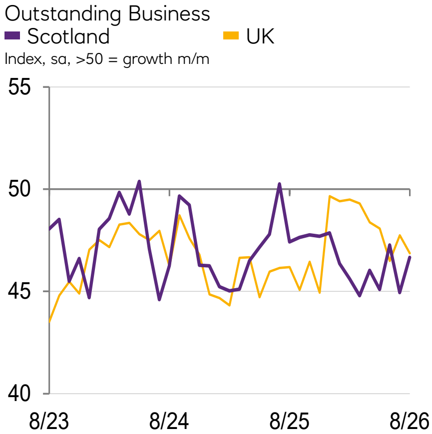

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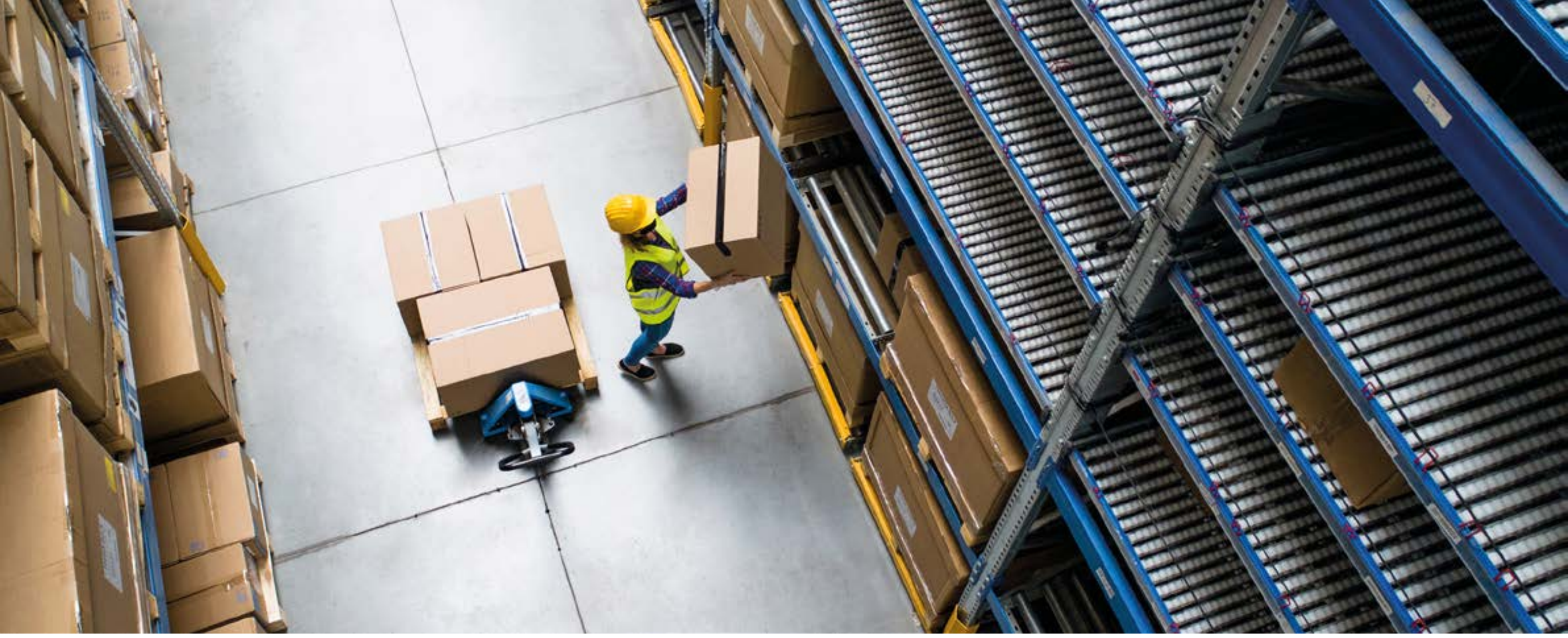


Inflation

Price trends diverge as cost pressures ease, but charges rise at stronger pace

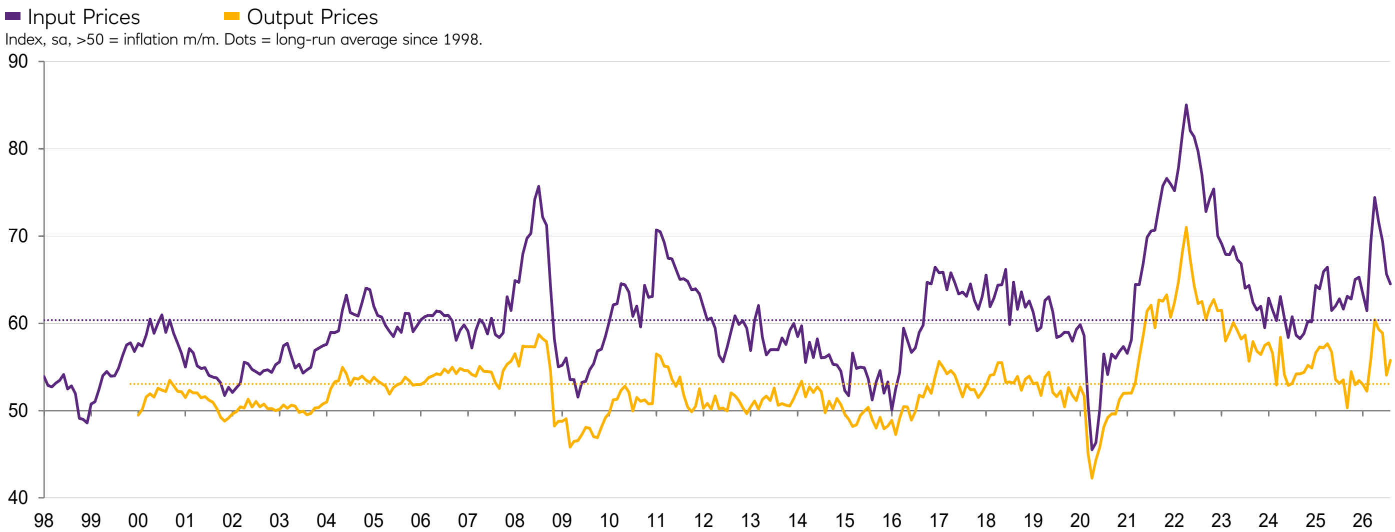
August data indicated a further substantial rise in input costs faced by Scottish firms. However, the pace of inflation did ease for the fourth straight month to the weakest since February. Scottish companies highlighted greater outlays on raw materials, including steel, fuel and transport, which were partly linked to the conflict in the Middle East.

That said, cost pressures across Scotland were the weakest of the 12 monitored UK regions and nations.

Meanwhile, Scottish businesses raised their output charges at a sharper rate in August. The increase in selling prices was linked to the pass-through of higher input costs to clients.

At the UK level, the pace of charge inflation also gathered pace and remained stronger than that seen in Scotland.

> "Cost pressures are easing and, if that continues, we could see price increases begin to moderate in the months ahead"



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

UK Regional Growth Tracker

Business Activity

Over half of the 12 UK nations and regions monitored saw an increase in business activity in August. Growth was led by Northern Ireland*, which recorded its strongest performance for almost two years, followed by London. Output was unchanged in the West Midlands, while the North West, North East, East Midlands and Scotland each saw slight decreases in activity.

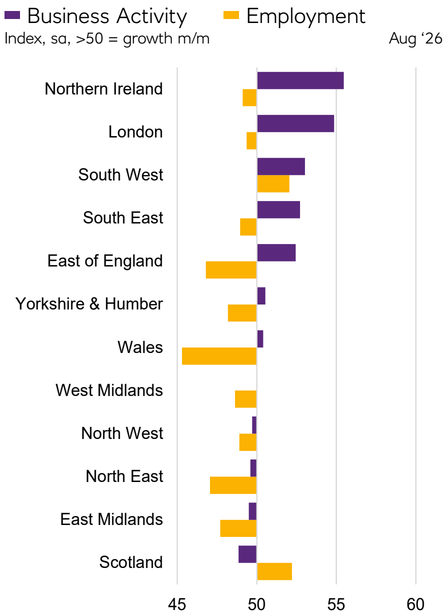
Employment

Whilst there were pockets of employment growth in August, labour market conditions generally remained subdued. Scotland saw workforce numbers rise for a third straight month, while there was a renewed increase in the South West, the first since April. Staffing levels fell elsewhere, with Wales recording the most marked decline.

Future Activity

Business expectations towards activity in the next 12 months perked up in the majority of areas in August. This included the West Midlands, which recorded the highest overall degree of optimism. Sentiment was weakest in Northern Ireland.

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



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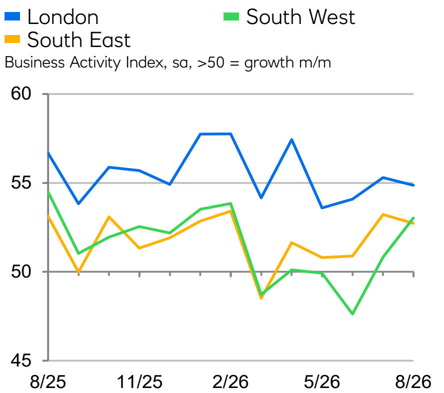

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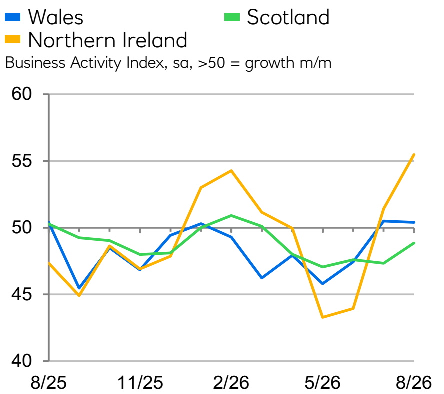

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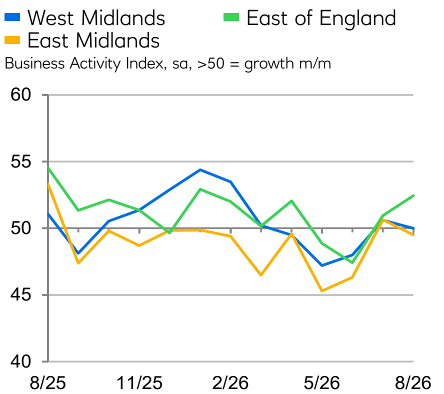

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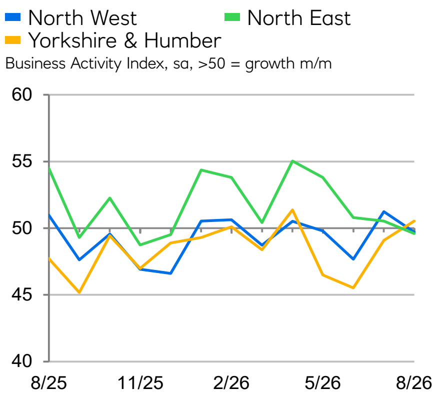
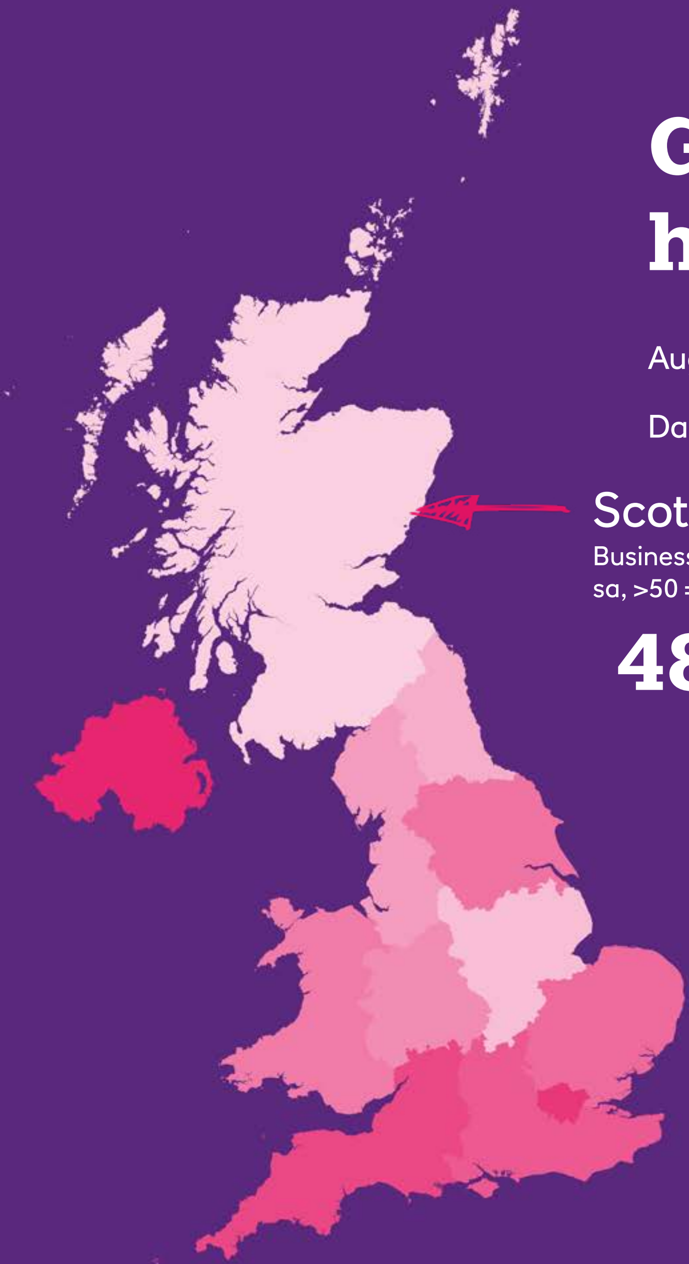


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Growth Tracker heat map

August 2026

Darker colour = higher business growth



Scotland

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

48.9

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

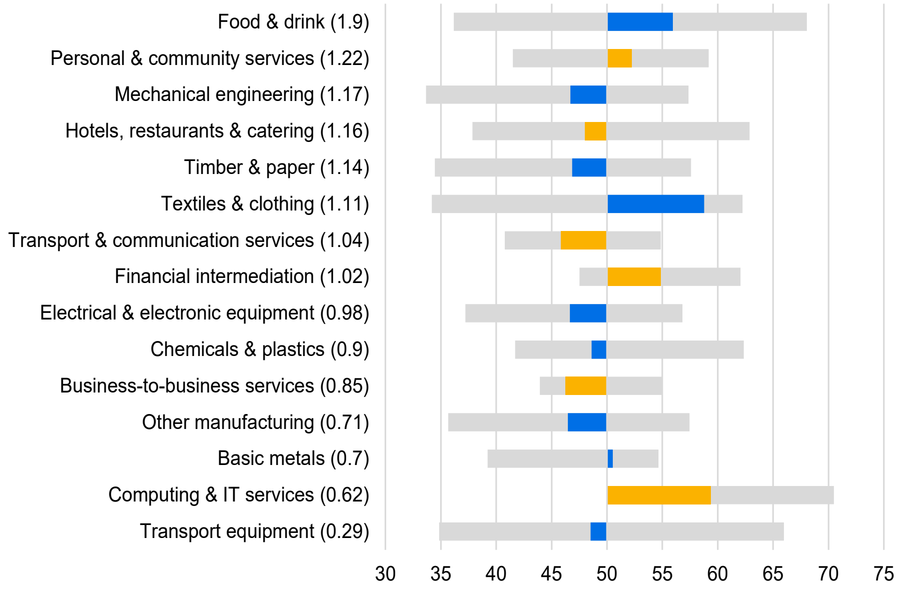
UK sectors

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
Manufacturing Services 3-year range
UK Output Index, sa, >50 = growth m/m Aug '26



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: Mechanical engineering

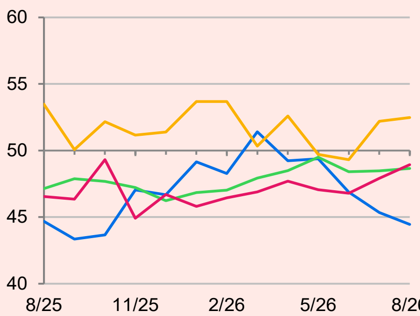
The latest data signalled a sustained downturn in output across the UK's mechanical engineering sector. The rate of decline in the three months to August was the quickest recorded for ten months and one of the fastest seen among the sectors covered by the survey data (see chart above).

Production levels were scaled back in line with falling demand, which included weaker export sales. Accordingly, companies in the sector were firmly in retrenchment mode, cutting employment, purchasing activity and stocks.

Cost pressures facing mechanical engineering firms were elevated, with input price inflation running close to its highest for three-and-a-half years. Factory gate charges were meanwhile raised to the greatest extent since March 2023.

Despite the challenges, businesses in the sector were optimistic about the outlook for activity over the next 12 months. Sentiment recovered further from the lows seen in the second quarter but remained just below the long-run average.

Output / Employment
Mechanical engineering*
Manufacturing & services
Index, sa, >50 = growth m/m



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.

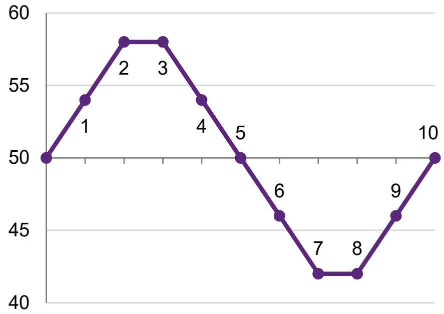
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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
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
7/26	47.3	45.9	52.3	52.3	44.9	58.4	65.6	54.1
8/26	48.9	47.0	52.4	52.2	46.7	60.0	64.5	55.8

Further information

Royal Bank of Scotland

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