

14 October 2026

Royal Bank of Scotland Growth Tracker

Scottish private sector employment
increases but business confidence falls



Royal Bank of Scotland

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by **S&P Global**

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Key findings

September 2026

Payroll numbers rise for fourth straight month

Modest reductions in activity and new orders

Business confidence slips to five-month low

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 private sector employment increases but business confidence falls

A modest decline in private sector activity across Scotland was accompanied by a further reduction in new business in September, the latest Royal Bank of Scotland Growth Tracker showed. Nevertheless, companies continued to expand their payrolls and at a strong pace.

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 48.8 in September, little-changed from 48.9 in August, and thereby indicating a modest reduction in Scottish private sector output. That said, the headline index has now posted in contraction territory for six successive months.

Anecdotal evidence linked the latest fall in activity to fewer new orders and the increased cost of living.

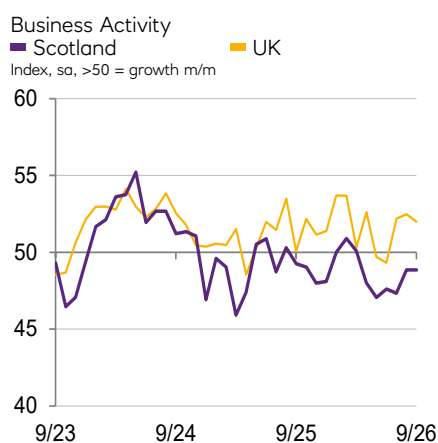
Scotland and the North West were the only two areas among the 12 monitored UK regions and nations to register declines in output, with Scotland posting the faster pace of reduction. Meanwhile, business activity growth across the UK as a whole eased to a modest pace that was the softest in three months.

Royal Bank of Scotland
Business Activity Index
September 2026

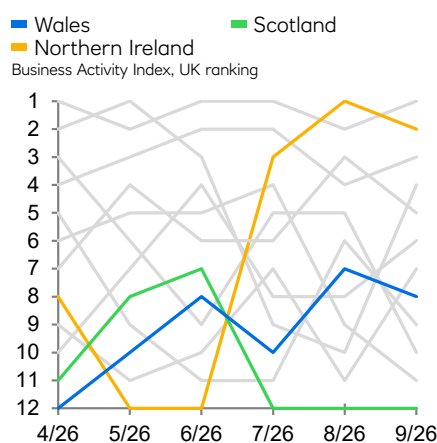
48.8

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 10-28 September



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



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



Comment

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

““Despite employment rising for a fourth consecutive month, Scottish firms signalled further declines in activity and new orders at the end of the third quarter.

“Business confidence also weakened as cost pressures continued to rise. Higher fuel costs, driven in large part by geopolitical tensions, were a key driver of inflation, alongside reports of

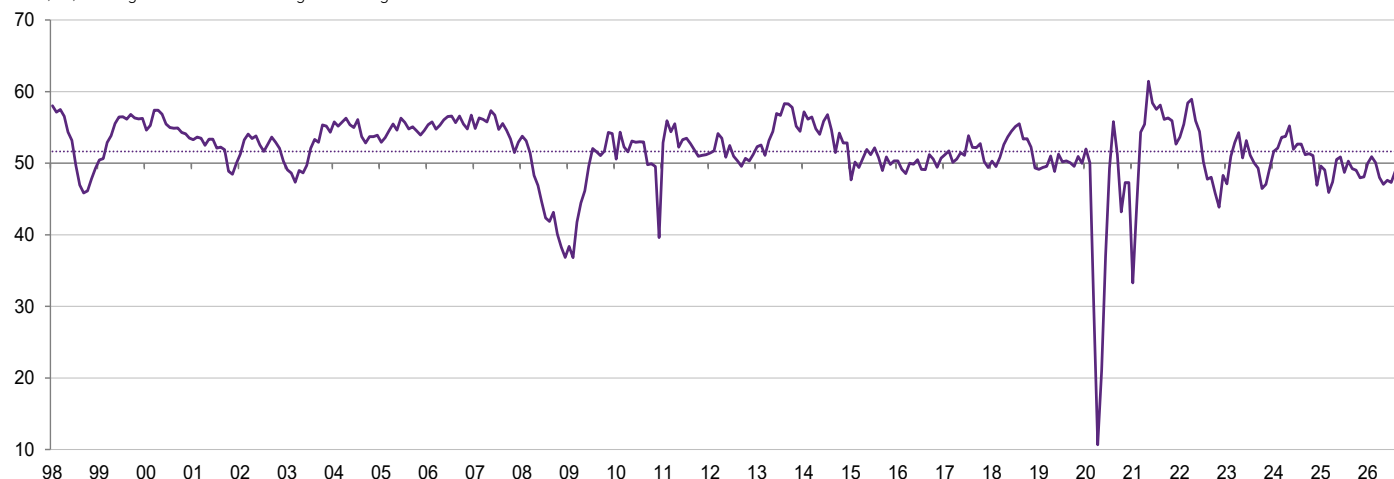
increased raw material and labour expenses.

“With Scottish business activity seeing the fastest decline of any UK nation or region and with only Northern Ireland having lower business confidence, it is difficult to see how the current trend of rising employment will be sustained unless activity and sentiment improve. As our recent report found, one way to address this and deliver growth is for government and industry to support mid-market businesses in three key areas – tech, talent and

trade.”

Business Activity

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



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



Demand and outlook

Downturn in new orders continues, as confidence weakens

Scottish private sector firms recorded a decline in new business during September, thereby extending the current run of decrease to two years. Panellists attributed the fall to a deterioration in demand conditions and higher costs for goods and services.

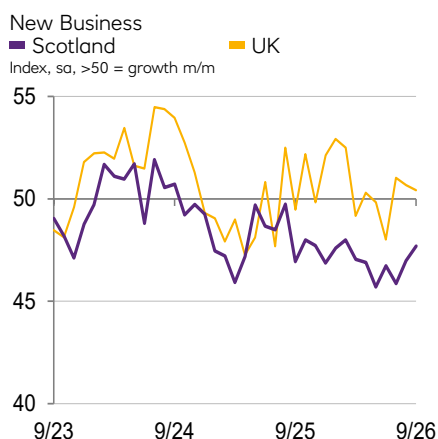
Meanwhile, new orders continued to rise at the UK level, although the rate of growth slowed from August and was marginal.

Expectations of better market conditions

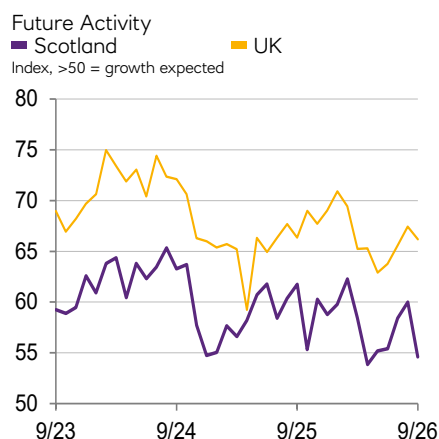
and stronger order pipelines supported optimism about output over the coming year, but overall confidence fell notably from the previous month. The respective index posted the second-lowest reading since December 2022, above only April 2026's reading, as rising costs, the ongoing war in the Middle East and global uncertainty weighed on sentiment.

Among the 12 monitored UK regions and nations, only Northern Ireland expressed lower business optimism than seen in Scotland.

"... Scottish firms signalled further declines in activity and new orders at the end of the third quarter"



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



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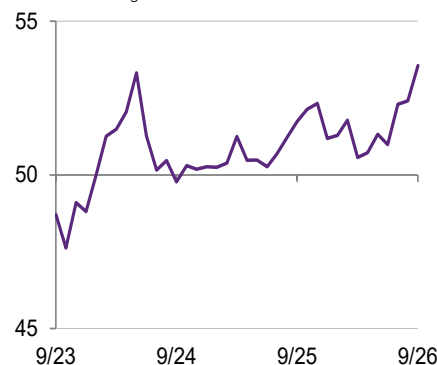
Export markets

ECI rises to 52-month high

The Export Climate Index increased to a 52-month high of 53.6 in September, from 52.4 in August, indicating a strong improvement in export conditions for Scottish businesses. The index has now posted in expansion territory for two years.

Renewed growth in output across France meant that business activity rose across all of the five largest export markets for Scottish goods. The US led the upturn, registering a sharp and accelerated rate of expansion.

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



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

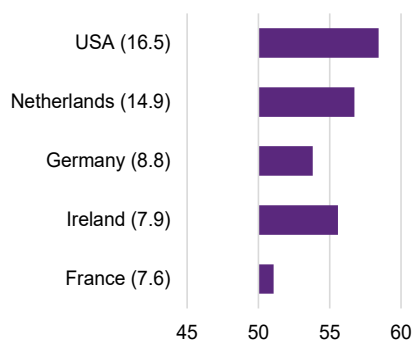
The Scotland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Scotland. A reading above 50 signals an improvement in export conditions,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

Top export markets, Scotland

% share of exports shown in brackets

Output Index, sa, >50 = growth m/m

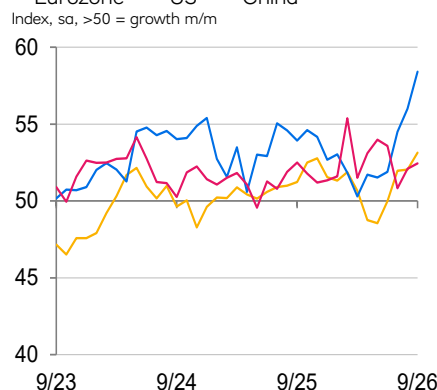
Sep '26



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

Output

Index, sa, >50 = growth m/m



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



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Jobs and capacity

Sustained and strong job creation at the end of the third quarter

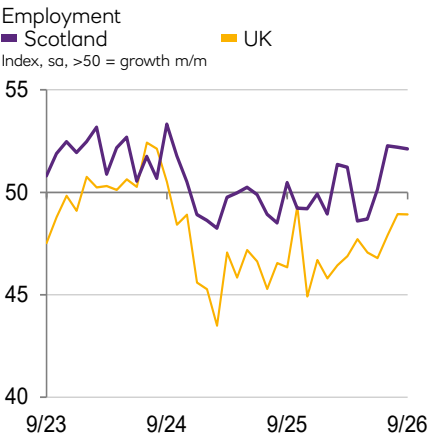
Staffing levels across Scotland rose for a fourth consecutive month in September. Although the pace of job creation eased fractionally to a three-month low, the upturn remained the strongest among the 12 monitored UK regions and nations.

Survey respondents linked the latest increase in staffing levels to efforts to support future output growth.

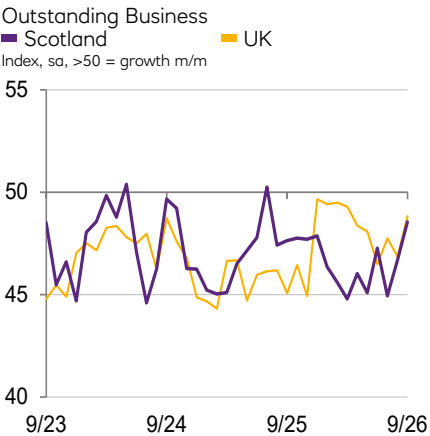
At the same time, the seasonally adjusted Outstanding Business Index

remained below the neutral 50.0 threshold in September, signalling a fourteenth consecutive monthly fall in backlogs. Subdued inflows of new work enabled firms to reduce outstanding business, according to panellists.

Despite being slightly sharper than the UK-wide trend, the pace of backlog depletion across Scotland was modest and the weakest in the current sequence of reduction.



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



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



Inflation

Input cost inflation intensifies, but charges rise at slower rate

A marked and historically elevated increase in input costs was recorded across Scottish private sector firms in September. The pace of inflation was the most pronounced in three months, but below the peaks seen in April and May. Higher raw material, fuel and employment costs were cited by panellists.

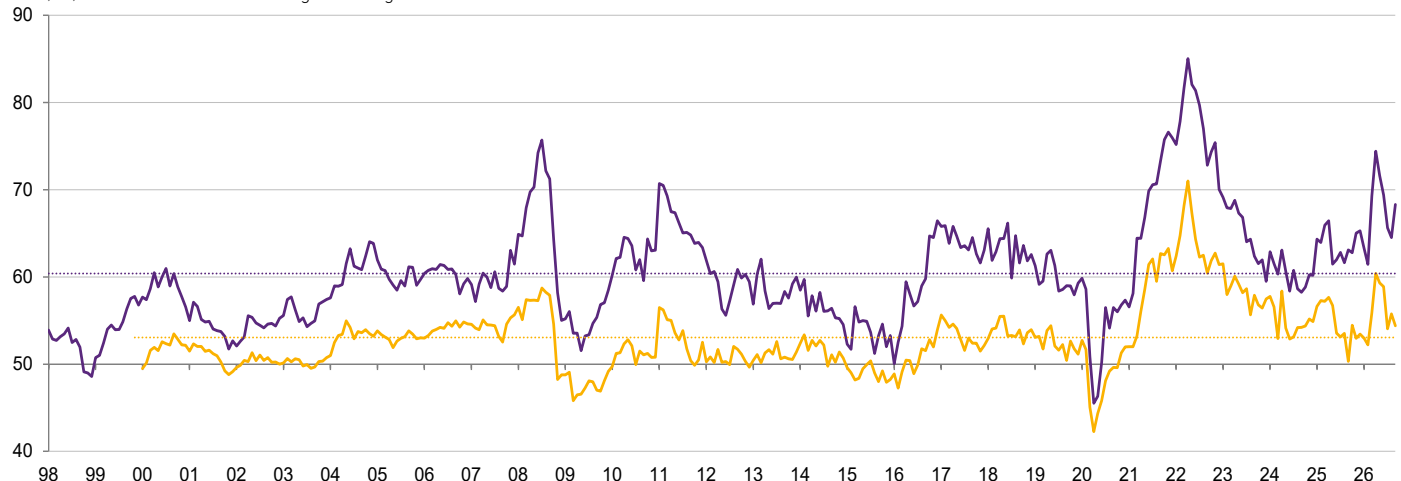
The rate at which cost burdens rose at the UK level also quickened,

and continued to outpace that seen across Scotland.

Prices charged for Scottish goods and services rose at the end of the third quarter. This generally reflected companies' efforts to pass on higher expenses to customers, reports from survey respondents showed. That said, the rate of output price inflation eased since August and was the weakest of all 12 monitored UK areas.

"Higher fuel costs, driven in large part by geopolitical tensions, were a key driver of inflation"

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



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



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UK Regional Growth Tracker

Business Activity

The majority of the 12 UK nations and regions monitored by the Growth Tracker saw an increase in business activity in September. London saw the steepest expansion, while the North East, West Midlands and East Midlands each recorded renewed increases in output. Scotland and the North West both recorded modest falls in activity.

Employment

Employment rose across more areas in September, the number rising from just two in August to five at the end of the third quarter – the most since November 2024. Scotland maintained the fastest rate of job creation, as has been the case in each of the past four months. At the other end of the scale, the West Midlands meanwhile saw the steepest reduction in workforce numbers.

Future Activity

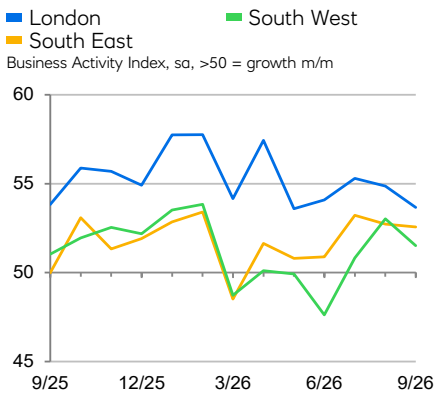
There was once again widespread optimism towards the outlook for activity over the next 12 months. Expectations did, however, ease in the majority of cases. One exception was the South East, which recorded the highest overall degree of optimism, while Wales registered the most marked improvement in confidence from the month before.



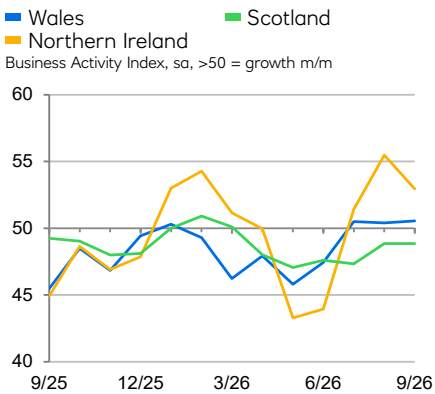
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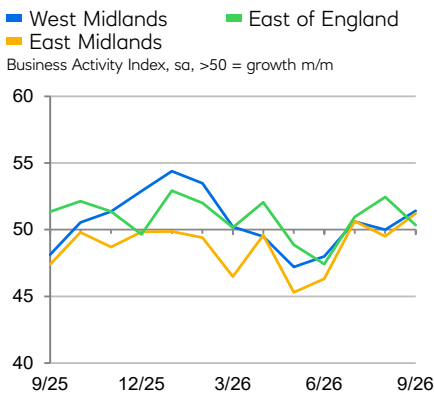
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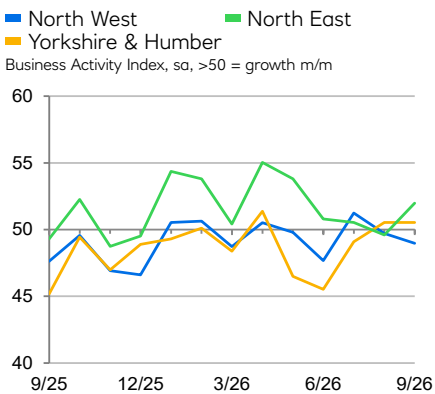
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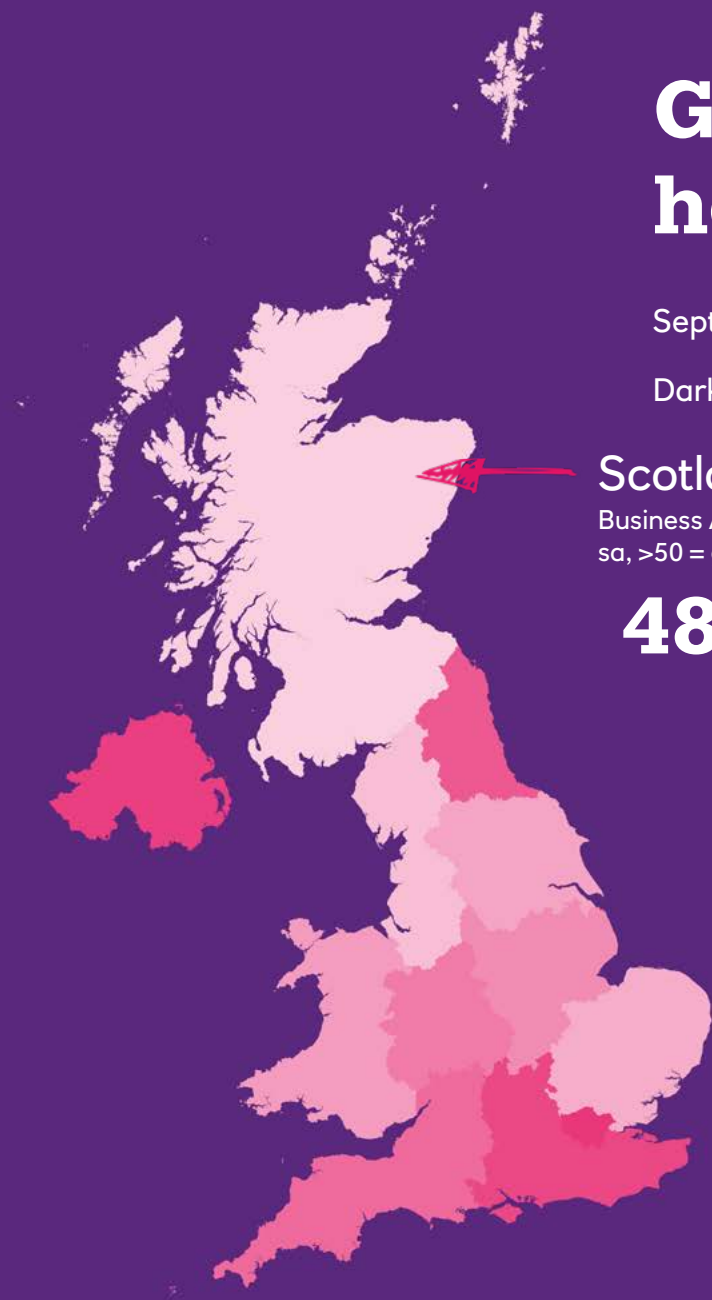


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



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





Growth Tracker heat map

September 2026

Darker colour = higher business growth

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

48.8



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

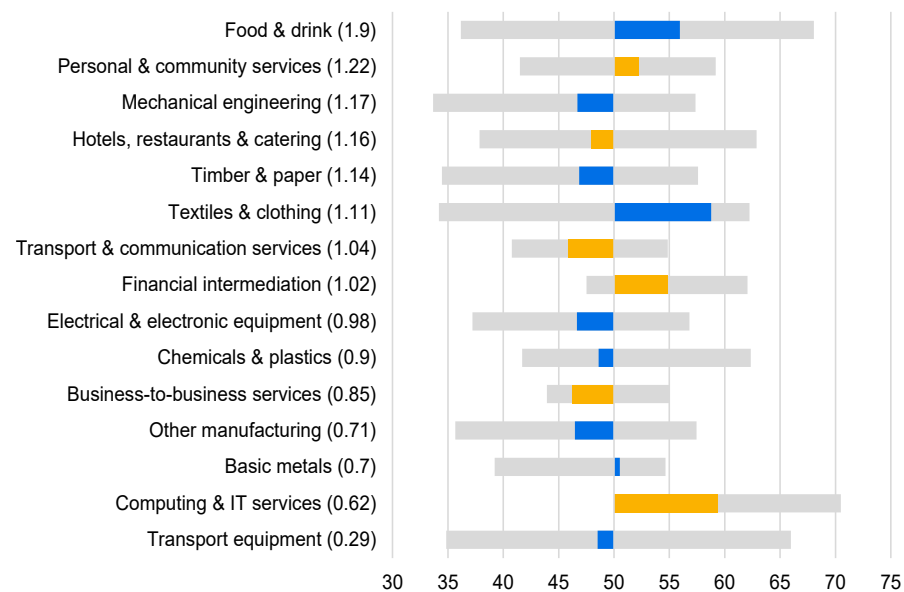
UK sectors

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 Sep '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: Business-to-business services

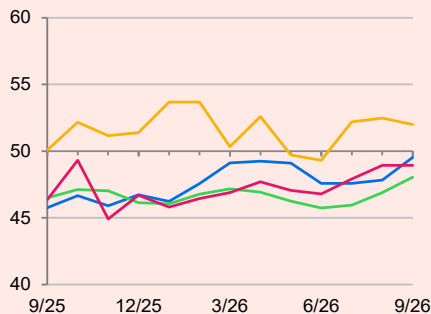
Output levels came close to stabilising across the business-to-business services sector in the third quarter of the year, recording only a marginal contraction that was the weakest since mid-2025. This reflected more stable underlying demand conditions, with inflows of new business falling only modestly and at the softest rate for nearly two years.

A sustained sharp decline in backlogs of work across the sector pointed to underutilised capacity. As such, job numbers were cut further

in the three months to September, maintaining a sequence of decline seen since early last year. After accelerating in the second quarter to the fastest seen since the initial phase of the pandemic, the pace of job shedding showed an easing trend, tallying with a partial recovery in business confidence.

As for prices, rates of both input cost and output charge inflation were running below the highs seen in the second quarter, but they remained elevated by historical standards.

Output / Employment
■ Business-to-business services*
■ 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.

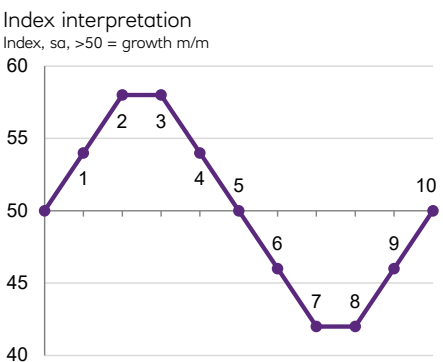
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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.



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
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
9/26	48.8	47.7	53.6	52.1	48.5	54.6	68.3	54.4

Further information

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