12 August 2026

Royal Bank of Scotland Growth Tracker

Scottish business activity falls further in July, but employment rises

Royal Bank of Scotland

PMI by S&P Global

12 August 2026

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Key findings

July 2026

Output falls for fourth straight month...

...but staffing levels rise at quickest pace in nearly two years

Inflationary pressures ease further

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

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Scottish business activity falls further in July, but employment rises

Business activity across Scotland declined again in July, according to the latest Royal Bank of Scotland Growth Tracker, as demand conditions remained challenging.

There were some positive developments, however, with inflationary pressures easing, payrolls rising and confidence around the year ahead improving.

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 – slipped from 47.6 in June to 47.3 in July. This signalled a further decline in Scottish private sector activity, extending the current run of contraction to four months.

Companies reporting lower activity linked this to weaker economic conditions, geopolitical uncertainty and a lack of new orders.

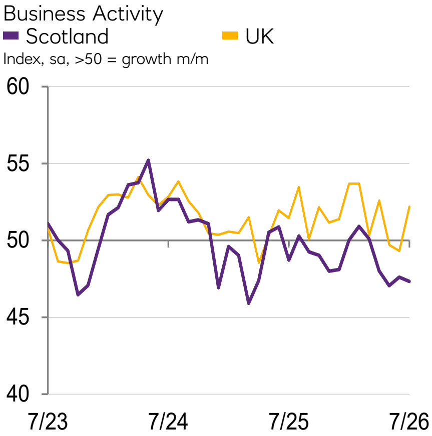
In contrast, output at the UK level rose for the first time in three months, with ten of the 12 monitored regions and nations recording growth. Yorkshire & Humber was the only other area to report a decline, though the pace of reduction was milder than that seen in Scotland.

Royal Bank of Scotland Business Activity Index July 2026

47.3

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 9-29 July



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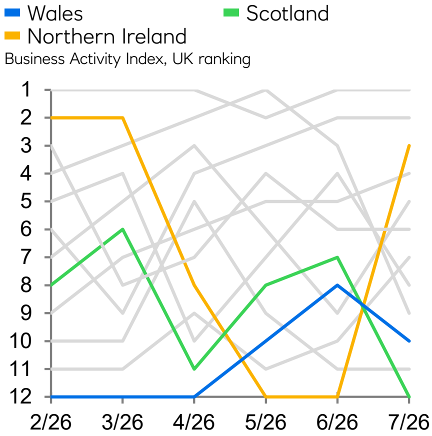

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Comment

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

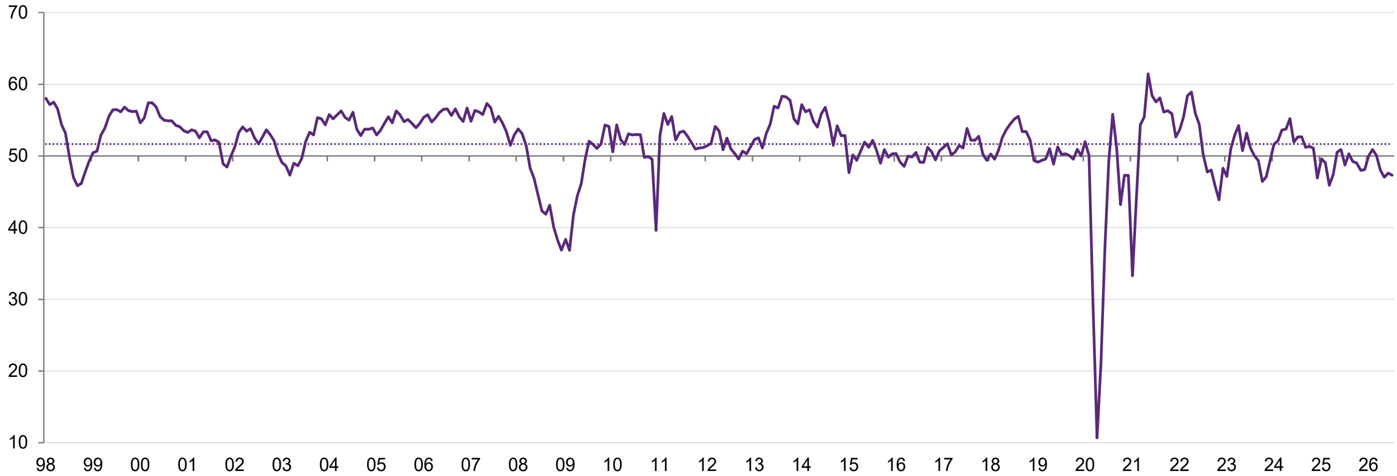
"Scottish firms signalled a mixed start to the second half of the year according to our Royal Bank Growth Tracker data. Activity continued to decline, reflecting subdued demand and a sharp fall in new orders.

"However, business optimism continued to strengthen from April's recent low. At the same time, firms expanded payrolls, with employment rising at the fastest rate for nearly two years. Inflationary pressures also eased, reducing potential headwinds to demand.

"Overall, while Scotland lagged behind the wider UK picture in terms of falling business activity and lower confidence, it stood out for the resilience of its labour market. As we continue into the second half of 2026, we may see this increased hiring translate into increasing business activity if inflation continues to fall."

Business Activity

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



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Demand and outlook

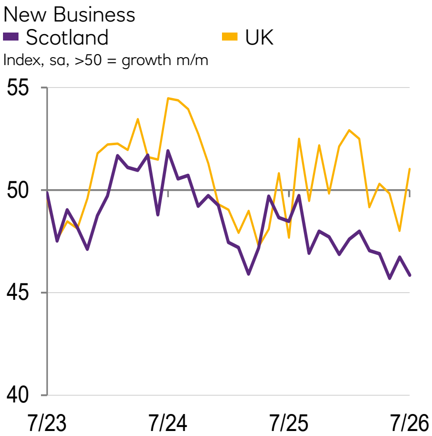
Downturn in new orders continues, but confidence towards the outlook lifts further

Scottish private sector firms reported a twenty-second consecutive monthly fall in new orders in July. The rate of reduction was faster than in June. Companies that reported a decline attributed it to subdued economic conditions and a reluctance among customers to commit to new orders. There were also mentions of weaker demand across the housebuilding sector in particular.

Among the 12 monitored UK regions and nations, Scotland posted the steepest decrease in sales in July. In contrast, new orders rose at the UK level for the first time in three months.

Despite the worsening demand trend, Scottish firms' expectations regarding future output recovered further from the low seen in April. Companies were at their most confident in four months, supported by hopes of stronger sales pipelines, new projects and greater efforts to target new sectors and clients.Even so, business sentiment remained historically subdued overall.

"Scotland lagged behind the wider UK picture in terms of falling business activity and lower confidence"



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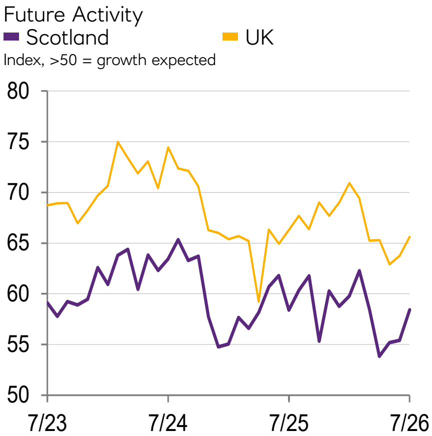

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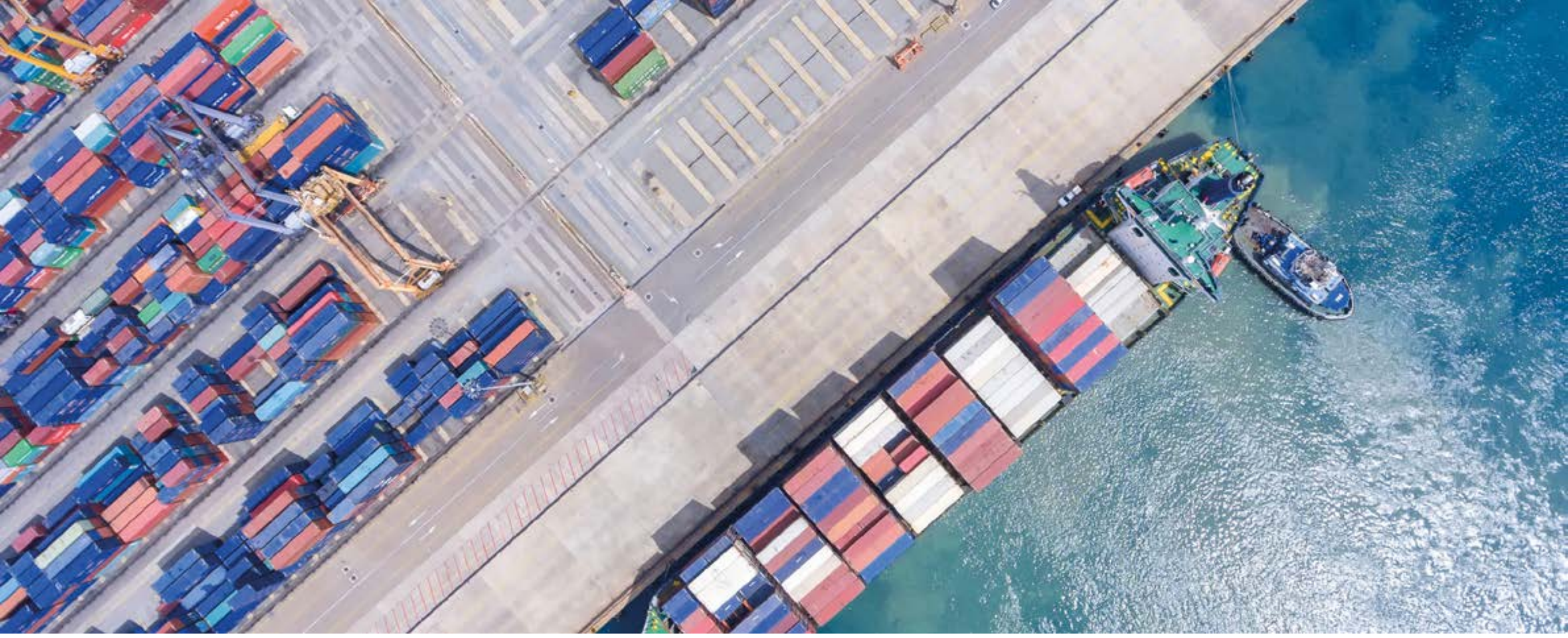


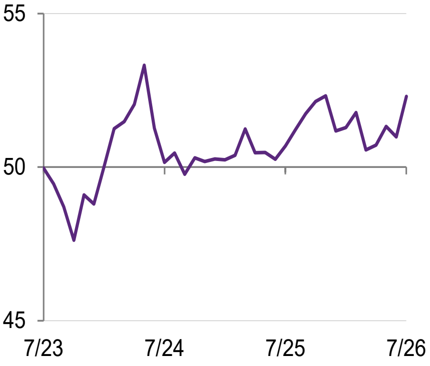
Export markets

Solid improvement in export conditions in July

The Export Climate Index increased to 52.3 in July, up from 51.0 in June, signalling a twenty-second consecutive monthly improvement in conditions across export markets. The latest upturn was the strongest since May 2024 and solid.

Across Scotland's major export destinations, rates of output growth accelerated in the US, Netherlands and Ireland. Germany meanwhile recorded a renewed increase in activity, while the downturn in France eased notably.

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



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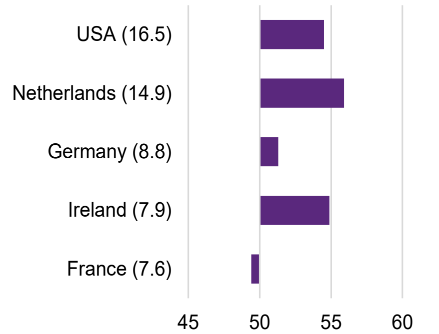
The Scotland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Scotland. A reading above 50 signals an improvement in export conditions,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

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



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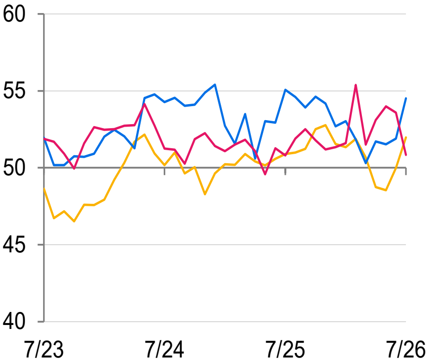
Output
Eurozone US China
Index, sa, >50 = growth m/m



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Jobs and capacity

Scottish firms recruit new workers at quickest pace since September 2024

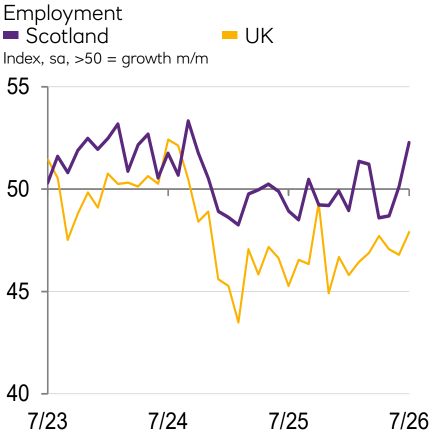
After rising slightly for the first time in three months in June, employment at Scottish private sector companies rose again in July. Furthermore, the pace of job creation increased to the fastest since September 2024. Sector data indicated that the upturn was driven by service providers, as a marked decline in payrolls was seen among goods producers. Services firms often linked staff hiring to expectations of new projects.

Aside from the broadly stable employment picture seen in Northern Ireland, all other monitored UK regions and nations recorded further declines in staffing levels.

Outstanding business at private sector firms in Scotland fell again in July, extending the current sequence of decline to one year. The rate of depletion was sharp and the fastest in four months. Panellists noted that fewer new orders enabled them to work through existing backlogs.

Signs of spare capacity were evident across all monitored UK areas except London, where outstanding business was unchanged.

"Scotland...stood out for the resilience of its labour market."



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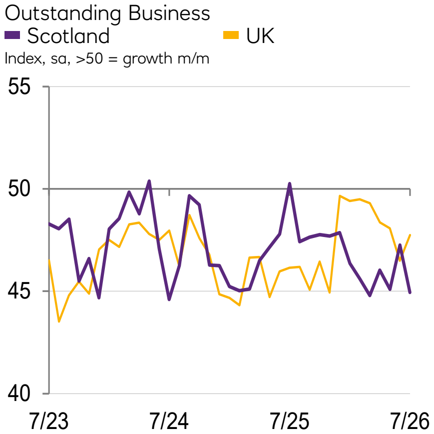

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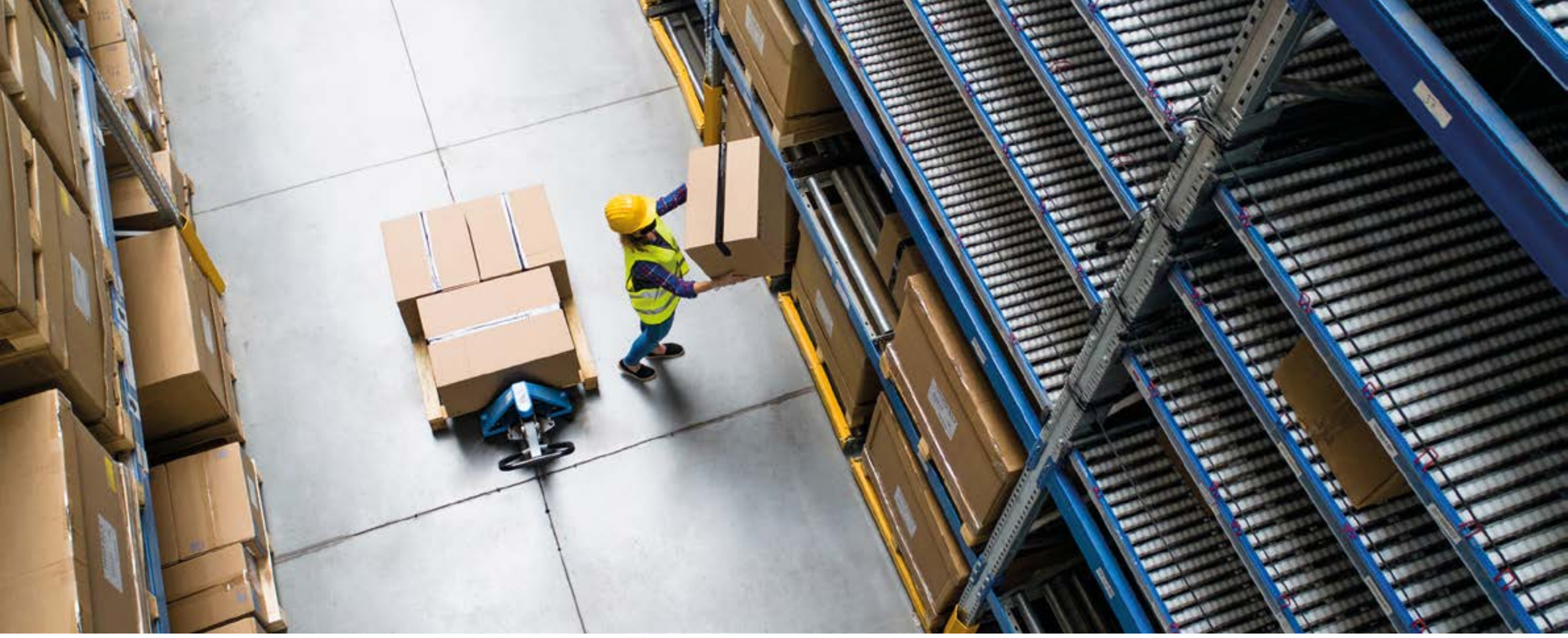


Inflation

Price pressures continued to ease at the start of the third quarter

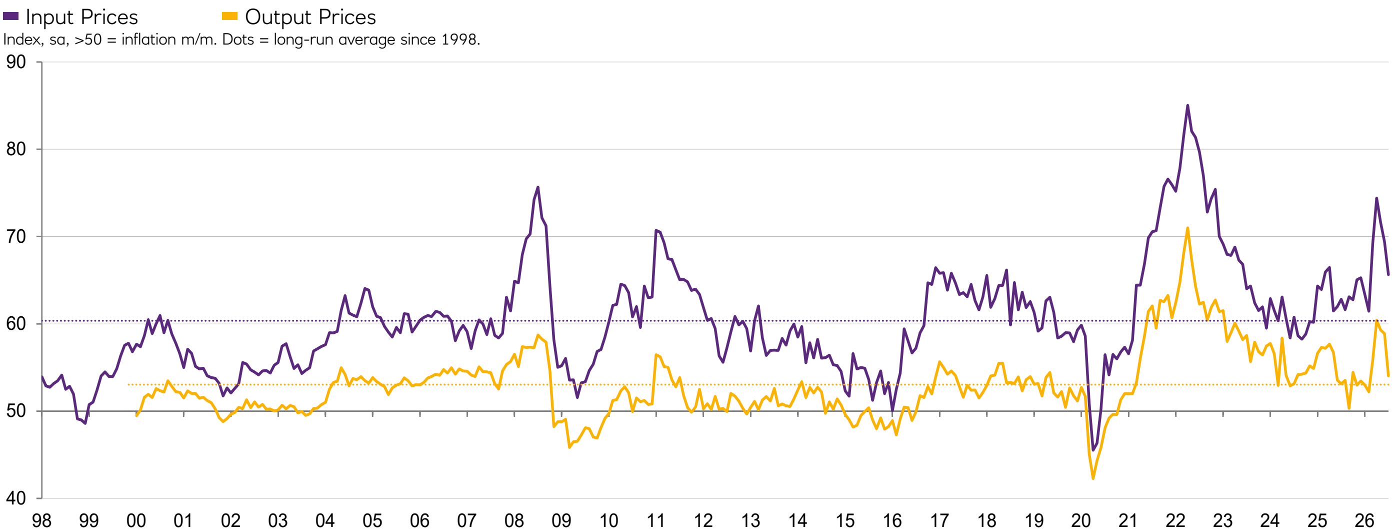
Private sector firms in Scotland reported a further marked rise in costs during July. Companies commonly linked the increase to higher wage bills, as well as elevated material and shipping costs. Although the rate of inflation remained historically high, it eased further from April's recent peak to the weakest since February.

Cost pressures faced by Scottish firms were only slightly weaker than that seen across the UK as a whole.

Alongside the softer rise in costs, charges levied for Scottish goods and services also increased at a slower pace in July. The respective seasonally adjusted index fell for a third successive month to its lowest since February. In fact, among the 12 monitored UK regions and nations, Scotland recorded the weakest rate of charge inflation.

Nonetheless, firms commonly attributed the rise in charges to the pass-through of higher costs to customers.

> "Inflationary pressures also eased, reducing potential headwinds to demand."



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UK Regional Growth Tracker

Business Activity

July saw business activity growth widen across the UK, with 10 of the 12 nations and regions reporting higher activity, up from just three in June. London once again topped the rankings, ahead of the South East and Northern Ireland*. Scotland and Yorkshire & Humber were the only areas to record decreases in output.

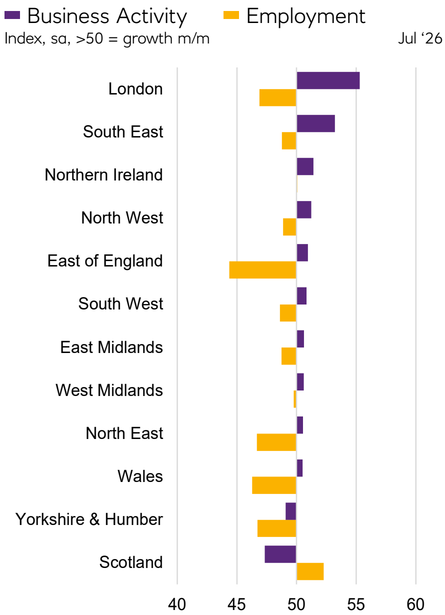
Employment

Labour market conditions remained subdued across most parts of the UK at the start of the third quarter. The majority of areas saw lower employment, with firms in the East of England recording the steepest decline. Scotland went against the trend and recorded an increase in workforce numbers, while Northern Ireland saw little-change.

Future Activity

There was an improvement in business expectations towards activity in the year ahead in the majority of UK nations and regions in July. The North West recorded the most market uptick in confidence and the highest overall degree of optimism. Firms in Northern Ireland remained the least upbeat, though sentiment there rebounded to a four-month high.

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



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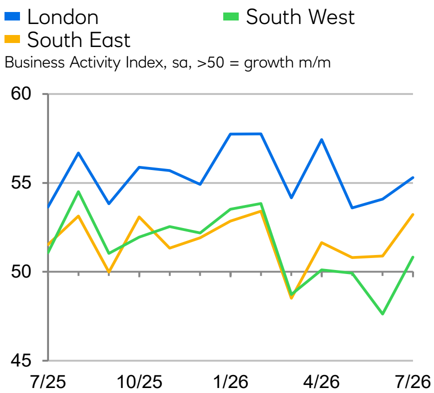

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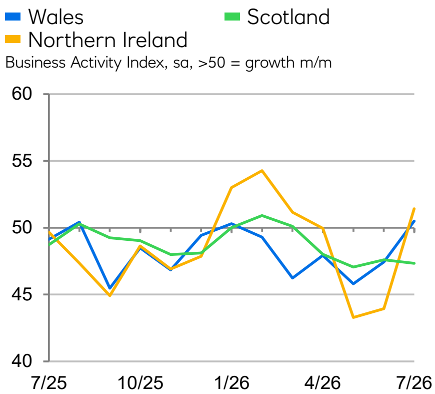

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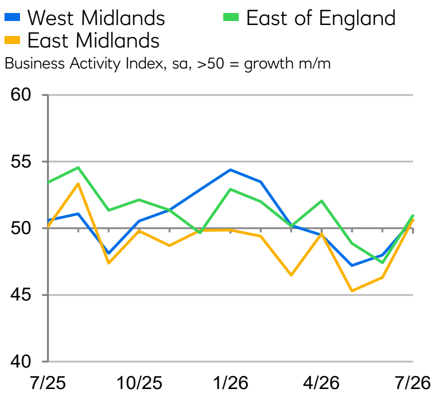

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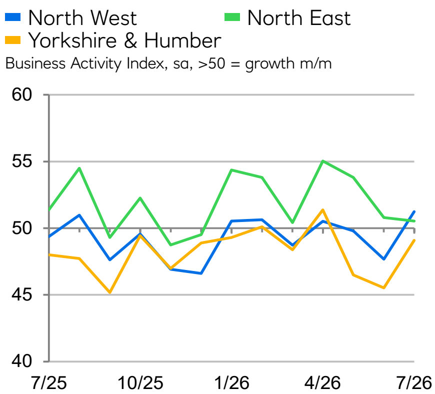

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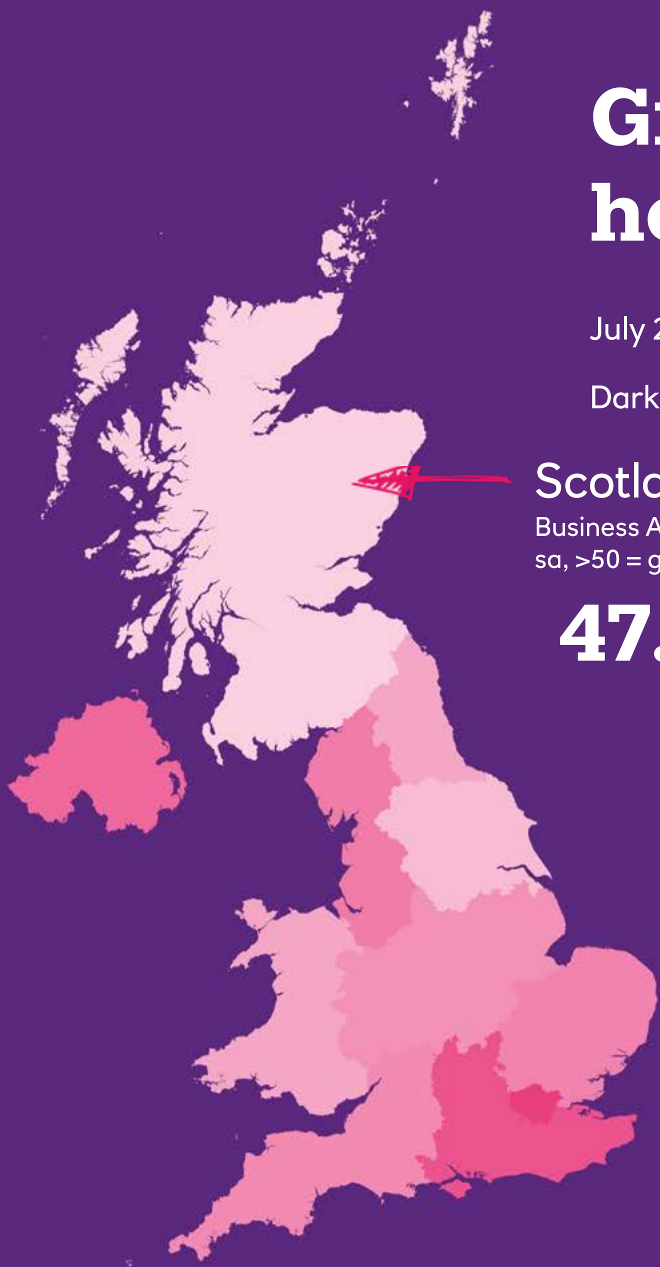

Growth Tracker heat map

July 2026

Darker colour = higher business growth

Scotland

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

47.3

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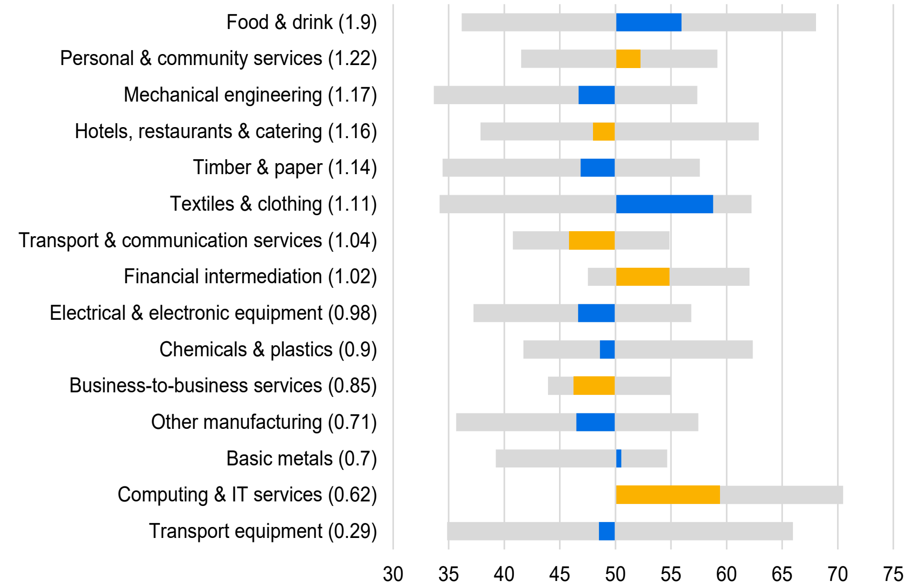
UK sectors

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 Jul '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: Financial intermediation

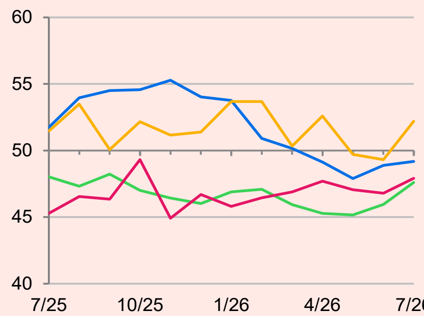
Business activity continued falling across the UK's financial intermediation sector in the three months to July, following on from the downward trend in activity recorded throughout the second quarter of the year. The pace of contraction was the weakest since the decline began and only marginal, however.

Staff retrenchment remained a theme across the sector, as has been the case since late 2024. Although the pace of job losses showed an easing trend, it remained slightly quicker than the average seen across the UK private sector as a whole.

Financial intermediaries meanwhile recorded a marked, albeit slower, rate of cost inflation in the three months to July. However, the rates they charged were left broadly unchanged amid a continued decline in backlogs of work.

Although firms in the sector were hopeful of growth in the coming year, expectations were the lowest in just over a year and subdued by historical standards.

Output / Employment
Financial intermediation*
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

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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.

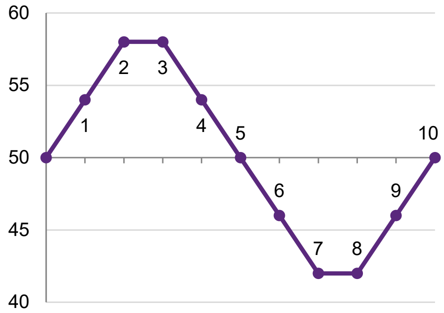
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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



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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
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
7/26	47.3	45.9	52.3	52.3	44.9	58.4	65.6	54.1

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