



## News release: Royal Bank of Scotland Growth Tracker

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### Employment grows but rising costs subdue activity in March

- Second successive month of job growth across Scotland
- Costs increase in face of rising energy and fuel prices
  - Slowdown in growth across all sectors

A second month of employment growth offered some positivity during a modest month of business activity in March in Scotland.

Despite increased staffing costs, businesses across all sectors reported an upshift in recruitment as Q1 2026 came to an end.

But global economic challenges throughout the month led to a rise in higher energy and fuel costs, with private sector companies substantially affected.

According to the latest 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 – fell to 50.1 in March from 50.9 in February, to indicate only a fractional rise in output.

**Commenting on the Tracker’s findings, Judith Cruickshank, Scotland Board Chair, Royal Bank of Scotland, said:**

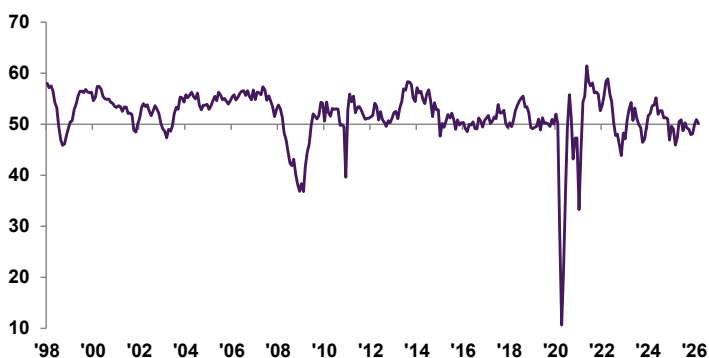
*"The latest Growth Tracker data shows that economic activity across Scotland was subdued in March, with output rising only fractionally and demand softening.*

*"Business confidence has also retreated, coinciding with a sharp rise in cost pressures. Notably, the latest survey highlighted the quickest increase in input costs for over three years.*

*"While employment remains more resilient than the rest of the UK, the pace of hiring has slowed with employment growth recorded for a second consecutive month. Private sector firms generally anticipated an expansion of activity over the coming 12 months and new project streams, which supported hiring activity."*

**Scotland Business Activity Index**

sa, >50 = growth since previous month



The headline figure is the Business Activity Index, calculated from a single question that asks for changes in the volume of business activity compared with one month previously. It is a diffusion index, which is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. It varies between 0 and 100, with a reading above 50 indicating an overall increase in compared to the previous month, and below 50 an overall decrease. The higher above 50, the faster the rate of growth signalled.



### Regional profile: Scotland

Location quotients (see pg 12) can be used to identify different types of services and manufacturing businesses that are clustered together – providing unique insight into life and work in that local area.

Scotland manufacturers are concentrated in:

- ✓ Food & Drink
- ✓ Textiles & Clothing
- ✓ Mechanical Engineering

Services businesses are concentrated in:

- ✓ Personal & Community Services
- ✓ Hotels, Restaurants & Catering
- ✓ Transport & Communication

### Performance in relation to UK

Growth in private sector output also slowed notably at the UK level in March (index at 50.3).

The seasonally adjusted New Business Index posted below the neutral 50.0 level to signal a decline in new work across Scotland for the eighteenth month in a row in March. Notably, the index slipped to a three-month low and pointed to a solid pace of reduction overall. According to panellists, subdued demand conditions, economic uncertainty and higher prices contributed to the latest fall.

A fresh drop in new business was recorded across the UK as a whole in March, though the downturn was weaker than that seen in Scotland.

While Scottish private sector firms generally anticipated an expansion of activity over the coming 12 months, the degree of optimism weakened to a five-month low in March. Respondents were hopeful that demand conditions will improve. However, concerns surrounding higher energy and fuel prices amid geopolitical uncertainty weighed on overall sentiment.

Of the 12 monitored UK regions and nations, only firms across Northern Ireland were less upbeat than those in Scotland.

Employment across Scotland's private sector increased for the second consecutive month in March. However, the pace of job creation was similar to that seen in February and modest. Where payroll numbers rose, businesses often linked this to expectations of higher workloads.

Outside of Scotland, only Northern Ireland and the North East recorded an increase in employment out of all 12 UK areas monitored by the survey.

Latest survey data pointed to a sharp decrease in backlogs of work at Scottish private sector firms in March, thereby stretching the current run of decrease to eight months. The pace of depletion was the most pronounced since July 2024, and in fact the strongest of all 12 monitored UK regions and nations. According to qualitative data, a lack of incoming new orders had allowed some companies to clear outstanding work.

The pace of input price inflation across Scotland outpaced that seen at the UK level.

Adjusted for seasonal influences, the Prices Charged Index also signalled a sharp rise in output prices levied by Scottish firms in March. The index ticked up to a ten-month high but remained notably below that seen for costs. A number of companies chose to pass on higher costs to customers to help ease pressure on margins.

ENDS



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## Notes to editors

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