



Royal Bank  
of Scotland

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## Royal Bank of Scotland PMI®

### Sustained expansion across services supports Scottish private sector growth

- **Output growth quickens in June**
- **Accelerated growth in new business**
- **Cost burdens rise at softest pace in 25 months**

The Scottish private sector indicated a solid and quicker expansion in activity during June, according to the latest Royal Bank of Scotland PMI® data. At 53.2 in June, up from 50.7 in May, the seasonally adjusted Scotland Composite Output Index extended the current run of increases to five successive months and at a rate which was above the long-run survey average. The upturn across Scotland also surpassed that seen at the UK level, placing third in the UK regional rankings table behind London and the South East. Moreover, growth of new business also quickened during the month. The upturn was mainly driven by services firms. Turning to prices, despite remaining historically sharp, inflationary pressures showed further signs of easing from the highs seen in the previous two years.

Scotland's private sector signalled a fifth monthly rise in new business during June. The rate of expansion quickened mainly due to a faster increase at services providers. Panellists noted that greater demand and a general market improvement helped drive the upturn. Meanwhile, manufacturing new orders fell at a slower rate.

Scotland recorded the second fastest expansion in new work among the 12 UK areas, behind London.

The Scottish private sector remained largely upbeat at the end of the second quarter. Sentiment stemmed from planned growth in business, anticipated increases in sales and the launch of new products. That said, confidence dipped to a five-month low, running below the long-run average.

Moreover, of the 12 monitored UK regions, Scotland ranked third from bottom, behind the North East and Northern Ireland.

Private sector companies across Scotland registered a fifth successive monthly rise in employment during June. New projects and contracts encouraged firms to raise their payroll numbers, anecdotal evidence

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suggested. The pace of job creation eased to a four-month low, however, amid softer expansions across both the manufacturing and services sectors.

The upturn in workforce numbers across Scotland was weaker than that seen at the UK level.

A further fall in backlogs was reported across Scotland during June. The overall decline reflected a further sharp drop at manufacturers as new orders continued to decline. This was, however, almost offset by a rise in outstanding business at service providers.

The downturn in backlogs in Scotland was slower than all other UK regions except London, where a rise was reported.

Inflationary pressure on input prices continued to cool across the Scottish private sector in June. The respective seasonally adjusted index has ticked down in six of the last seven survey periods, printing a 25-month low in June.

Nonetheless, the pace of inflation remained well above the historical average and was the second-steepest of the 12 monitored UK regions, behind only London. According to anecdotal evidence, wages and increased supplier costs fuelled the latest increase in cost burdens.

In line with easing price pressures, charges levied for the provision of goods and services also rose at a slower rate across Scotland in June. The pace of output charge inflation was the second-softest in 26 months, but remained historically elevated. Companies bumped charges to cover increasing costs.

Growth at which charges rose across Scotland was broadly in line with that seen across the UK as a whole.

Continued...

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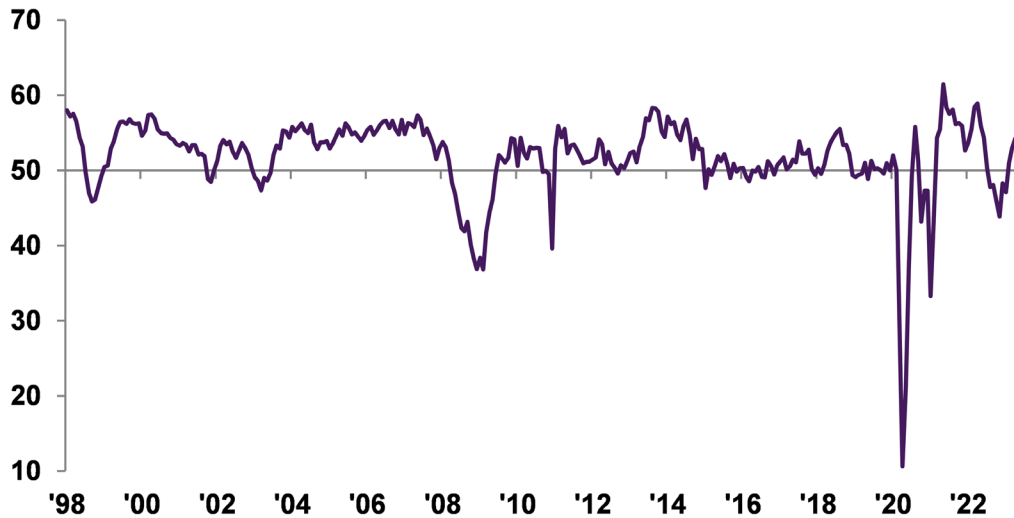
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## Scotland Business Activity Index

sa, >50 = growth since previous month



Source: Royal Bank of Scotland, S&P Global.

### COMMENT

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

*"The Scottish private sector signalled a stronger performance midway through the year. The upturn was largely supported by a quicker expansion across the services sector, while manufacturing continued to exhibit weakness despite registering a slight increase in production. The diverging trends between the two sectors are a concern as dependence on services grows. This is highlighted by a quicker expansion in new business at services firms, while manufacturers signalled a third monthly contraction in factory orders. New orders also give an indication of business activity in the coming months, and the data from June signals growth will remain skewed towards services. Furthermore, outlook expectations across the two sectors also showed more subdued sentiment across manufacturers, while service providers remained upbeat in comparison.*

*"In terms of prices, inflationary pressures eased in June, with cost burdens rising at the softest rate since May 2021. Panellists largely attributed the upturn in overall cost burdens to increasing labour costs."*

**ENDS**

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### **For more information**

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## Notes to Editors

### Methodology

The Royal Bank of Scotland PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 500 manufacturers and service providers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

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, for the manufacturing and services sectors. 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. Comparable manufacturing and services indices are then weighted together to form a composite index, with the weights based on official value added data.

The headline figure is the Business Activity Index. This is a composite index calculated by weighting together the Manufacturing Output Index and the Services Business Activity Index. The Scotland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Scotland PMI', but is not comparable with the headline UK Manufacturing PMI figure.

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.

The survey data for June were collected 11-28 June 2023.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).

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