



Royal Bank  
of Scotland

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## Royal Bank of Scotland PMI<sup>®</sup>

### Scottish private sector activity rises for first time in six months

- **Growth in services activity outweighs manufacturing downturn**
- **Weakest decline in new orders since last July**
- **Solid, albeit skewed growth in staffing levels**

The latest Royal Bank of Scotland PMI<sup>®</sup> revealed a renewed rise in business activity across the Scottish private sector at the start of the year. At 51.7, up from 49.4 in December, the index signalled that private sector output expanded for the first time in six months. The upturn was solely reliant on the gains made in the service sector, while manufacturers reported a further sharp reduction in production volumes. The service sector benefited from improved demand conditions, and reported a second consecutive monthly rise in new orders. However, manufacturing firms struggled to drive sales in the latest survey period. The opposing pull of the sectors meant only a fractional fall in overall new orders.

Reflective of activity and new order growth, only the service sector raised its staffing levels in January, and that too at an accelerated pace. Employment levels fell at manufacturers for the first time in four months.

A seventh consecutive monthly fall in new orders was recorded across Scotland in January. The decrease resulted from a sustained and sharp fall in new factory orders. However, the downturn moderated, with the rate of decrease the weakest since last July and fractional overall. The uptick in the respective seasonally adjusted index was driven by a stronger rise in inflows of new business at service providers. Firms attributed this to improvement in demand conditions, new client wins and increased advertising.

Meanwhile, new business rose for the second successive month and to a greater extent at the UK level.

Scottish private sector firms remained confident regarding the year-ahead outlook in January. Hopes for improvement in business conditions and increased marketing plans were said to have underpinned expectations. That said, the degree of confidence dimmed slightly from December's seven-month high, and was the weakest of the 12 monitored UK regions and nations.

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Despite continued weakness in new orders, the Scottish labour market remained resilient, with employment now rising for a year. However, job creation was limited to the service sector. Here, surveyed businesses noted that planned growth and anticipated orders led to stronger recruitment drives. Meanwhile, goods producers registered a fresh decline in staffing levels for the first time in four months.

Of all the monitored areas, only London surpassed Scotland by signalling the strongest uptick in employment during January.

January data revealed a ninth consecutive monthly decline in outstanding business across Scotland's private sector. The rate of depletion softened notably from December's recent record and was modest. Reduced business activity and sustained growth in employment allowed firms to work through any outstanding tasks.

Backlogs of work also fell at the UK-level. The rate of decrease however, was stronger than seen for Scotland.

Continuing the trend which began in June 2020, cost burdens rose across the Scottish private sector in January. The rate of inflation quickened from the recent low in December to a five-month high and was substantial overall. Rising fuel, energy and salary costs, as well as increased prices from the suppliers, were said to have pushed up input costs.

The rise in cost burdens across Scotland was also the third-strongest of the 12 monitored regions and nations, with only London and the East of England registering stronger increases.

Prices charged by Scottish private sector companies rose at a historically sharp and slightly accelerated pace at the start of 2024. The latest rise in charges was widely attributed to the pass-through effects of growing cost burdens.

In fact, of the 12 monitored regions and nations, Scotland recorded the sharpest rise in charges levied for the provision of goods and services.

Continued...

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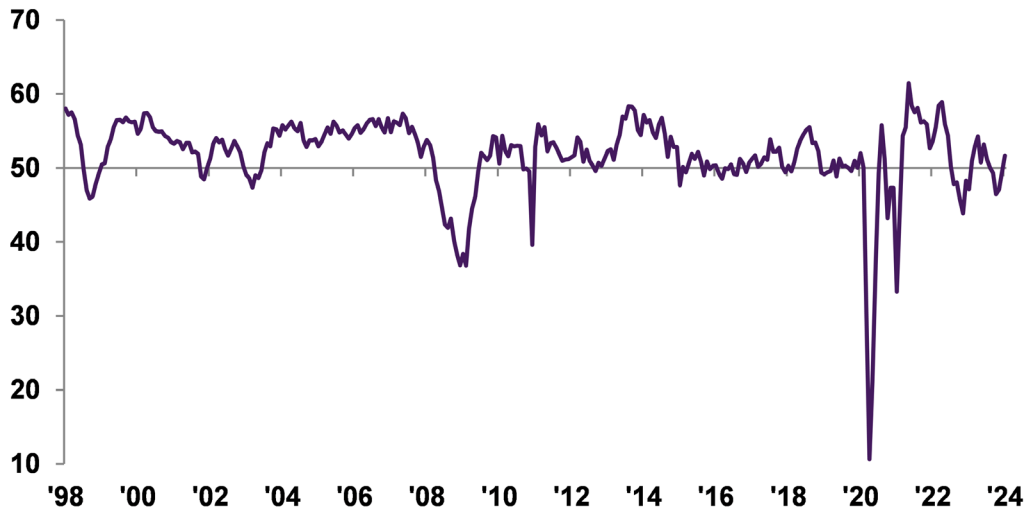
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## Scotland Business Activity Index

sa, >50 = growth since previous month



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

## COMMENT

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

*"The Scottish private sector recorded an uplift in activity at the start of the year. The upturn was the first seen in six months and solid overall. However, growth was imbalanced, centred solely at service providers who have shown resilience amid a subdued economic climate. Meanwhile, the manufacturing sector reported a further sharp deterioration.*

*"Going forward, Scotland's private sector maintains a healthy outlook for output in the coming 12 months. However, elevated inflation and interest rates as well as lingering economic uncertainty could undermine growth prospects."*

**ENDS**

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## Notes to Editors

### Methodology

The Royal Bank of Scotland PMI<sup>®</sup> 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 January were collected 11-29 January 2024.

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

### About PMI

Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) 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 [spglobal.com/marketintelligence/en/mi/products/pmi](https://spglobal.com/marketintelligence/en/mi/products/pmi).

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