



Royal Bank  
of Scotland

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

### Business activity rises further in April

- **Service providers drive private sector expansion**
- **Sustained rise in new business**
- **Price pressures intensify**

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 the region’s manufacturing and service sectors – ticked up slightly from 53.6 in March to 53.8 in April, thereby signalling the sharpest rise in Scottish private sector output since April 2023. Again, the upturn was heavily reliant on the service sector, where a strong expansion in activity helped offset a steeper decline at manufacturers. In fact, the divergence between the two sectors was among the largest recorded in over 26 years of data collection.

The trend in output reflected underlying demand conditions. Manufacturers posted another drop in new orders, while services firms reported a further rise in inflows of new work.

A third consecutive monthly rise in new business was recorded across Scottish private sector firms in April. The rate of growth was broadly unchanged from that seen in the previous month and modest overall. The upturn again was centred at service firms, which helped mask the sharp and deepening downturn observed at manufacturers. New contract wins and increased investment were said to have driven sales.

However, the rate at which new work rose across Scotland continued to lag the UK-wide average.

Sentiment surrounding the outlook for private sector activity remained positive across Scotland in April. Firms were hopeful that increased demand conditions would support future expansions in activity.

That said, the degree of confidence slipped to a five-month low and was historically muted. Moreover, Scotland was the least optimistic of all 12 monitored nations and regions.

Private sector companies across Scotland continued to raise their staffing levels in April, with expansions now noted for the fifteenth straight month. Moreover, the rate of job creation quickened from March's six-month low and

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was solid overall. Again, job creation was centred at service firms, although the downturn across manufacturers moved closer to stabilisation.

Of the 12 monitored regions, Scotland recorded the second-strongest rise in workforce numbers, only slightly behind Northern Ireland.

Scottish firms recorded a twelfth successive monthly decline in incomplete business at the start of the second quarter. The rate of backlog depletion quickened from March's nine-month low, amid a steeper decline at goods producers. Manufacturers commonly blamed the downtick to falling inflows of new orders.

That said, of the 12 monitored regions and nations, Scotland recorded the softest drop in backlogs of work. London and Northern Ireland were the only two areas to record expansions.

Scottish private sector firms recorded a sharper rise in input prices during April. The rate of cost inflation was the fastest for eight months and rapid overall. The uptick in costs was again led by the service sector, while manufacturers saw input price inflation ease to a four-month low. Anecdotal evidence linked higher costs to growing salaries, utilities and raw material prices.

However, of all the tracked regions and nations, Scotland's private sector registered the weakest uptick in cost burdens.

After registering the weakest rise in over three years in March, the rate of output charge inflation strengthened notably in April. In fact, charges were raised at the strongest pace in nine months with firms linking this to higher cost burdens.

When compared to the other monitored tracked regions and nations, only the North East registered a the stronger rise in output prices.

Continued...

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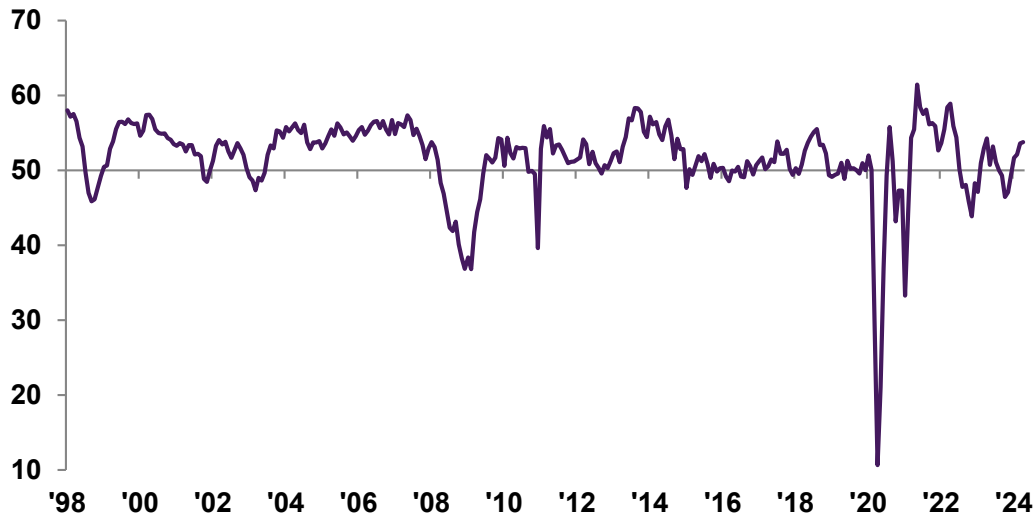
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## Scotland Business Activity Index

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:

*"Scottish private sector companies signalled a solid start to the second quarter, with expansions now noted in each month of 2024. Activity rose at a quicker pace as growth in new business was sustained. However, as has been the case since the current expansion in activity began, growth was limited to service providers, while the manufacturing sector remained in contraction territory. Moreover, inflationary pressures also quickened notably, with service firms being the main reason behind the stickiness in prices and charges."*

**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 April were collected 11-26 April 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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