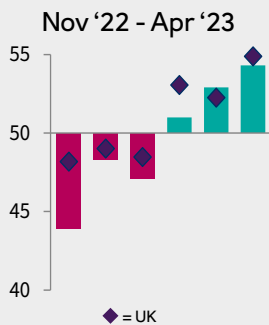


# Royal Bank of Scotland PMI<sup>®</sup>

## Output growth quickens in April

### Scotland Business Activity Index



### Key findings

**Strongest growth in private sector output in ten months**

**Fastest rises in input costs and output charges since January**

**Confidence weakens to three-month low**

According to the latest Royal Bank of Scotland PMI<sup>®</sup> survey, private sector activity grew at a strong and quickened pace at the start of the second quarter. The headline Business Activity Index ticked up for the third month running, posting a ten-month high of 54.3, up from 52.9 in March. According to surveyed firms, increased customer activity was key to the latest upturn in Scottish private sector output. New orders also increased for the third month running. That said, the rates of growth across Scotland for both variables were weaker than those seen at the UK level.

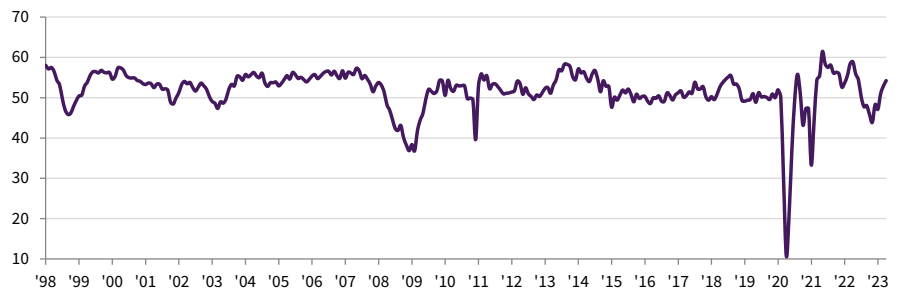
Judith Cruickshank, Chair, Scotland Board, Royal Bank of Scotland, commented:

*"Private sector companies across Scotland recorded further rises in activity and new business during the latest survey period, with the former expanding at the quickest pace in ten months. The positive trends also prompted firms to up their hiring activity. Payroll numbers have risen in each month since February, with the latest round of job creation the joint-strongest in one-and-a-half years. Despite the increase in payroll numbers, the level of unfinished work grew following ten consecutive months of decline, suggesting renewed pressure on capacity. Looking ahead, sentiment among private sector firms towards future output was the weakest in three months but remained stronger than the historical average, with expectations of improved demand conditions to support output growth."*

*"Elsewhere, the data pointed to stubborn price pressures. Input and output price inflation both ticked up to three-month highs in April, though they remained below their 2022 peaks."*

Scotland Business Activity Index

sa, >50 = growth since previous month



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## About the Scotland PMI® report

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.

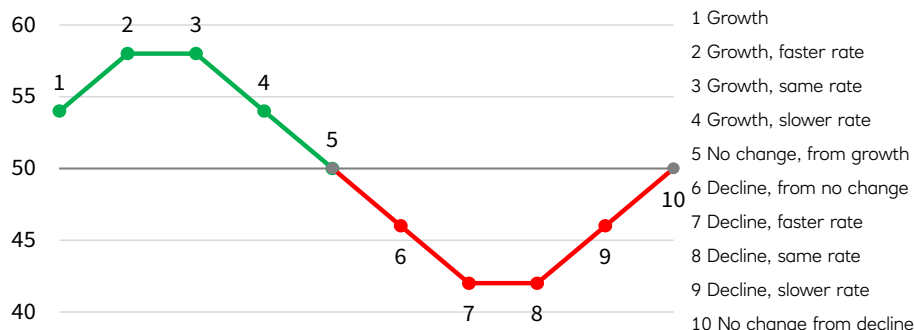
The headline figure is the Business Activity Index. This is a composite index calculated by weighting together the Manufacturing Output Index and the Services Business Activity Index. The Scotland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the '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.

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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New business

The seasonally adjusted New Business Index signalled a third consecutive monthly expansion across Scottish private sector firms in April. The latest upturn was solid as anecdotal evidence noted increased client demand and activity. That said, the rate of growth moderated from March due to a softer expansion at service providers and a renewed fall in factory orders.

Moreover, the upturn in Scotland was less pronounced than across the UK as a whole, which saw new business expand at the fastest pace in over a year.

### Business expectations

Scotland's private sector firms were largely optimistic regarding the 12-month activity outlook in April. Companies were hopeful that improved demand conditions, business expansions, increased advertising and the launch of new projects would help support future growth in activity. However, the respective index printed a three-month low due to a notable weakening of confidence at goods producers.

Scotland was the second-least confident part of the UK, ahead of Northern Ireland.

### Exports

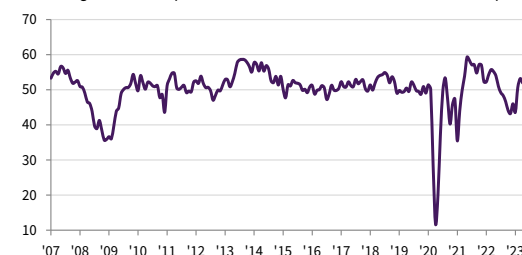
#### Export climate improves solidly in April

The Scotland Export Climate Index is calculated by weighing together national PMI output data according to their importance to manufacturing exports of Scotland. This produces an indicator for the economic health of Scotland's export markets.

The Export Climate Index posted 52.1 in April, up from 51.9 in March, to signal the fastest improvement in export conditions in ten months.

All top five export markets for Scotland, bar the Netherlands, registered growth in output, with Germany recording the quickest rate of expansion.

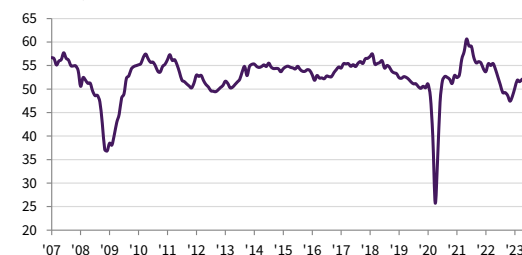
New Business Index  
sa, >50 = growth since previous month  
52.0  
Apr '23



Future Activity Index  
>50 = growth expected over next 12 months  
63.4  
Apr '23

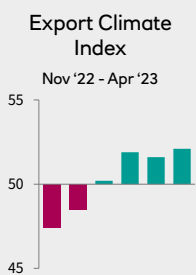
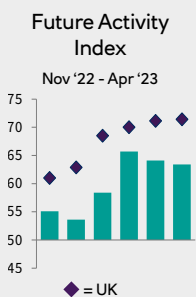
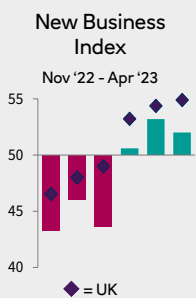


Export Climate Index  
sa, >50 = growth since previous month  
52.1  
Apr '23



Top export markets, Scotland

Rank	Market	Weight	Output Index, Apr '23
1	Netherlands	19.4%	47.7
2	Ireland	13.5%	53.5
3	USA	13.2%	53.4
4	France	9.0%	52.4
5	Germany	8.9%	54.2



## Business capacity

### Employment

Employment in Scotland's private sector grew strongly in April, thereby extending the current sequence of increase to three months. Moreover, the pace of job creation accelerated to the joint-fastest in since October 2021. Firms raised hiring to meet growth in new volumes of work, anecdotal evidence showed.

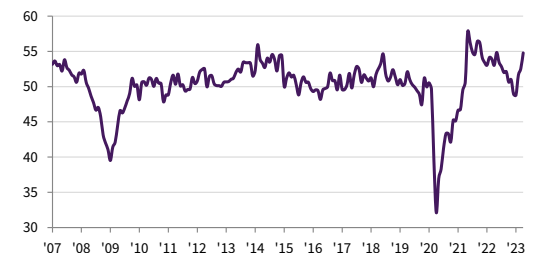
Additionally, after Northern Ireland, Scotland registered the second-strongest rise in payroll numbers across the UK.

### Outstanding business

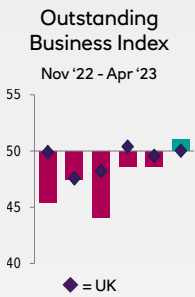
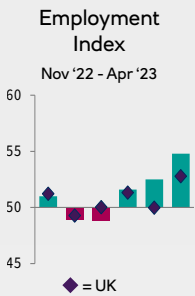
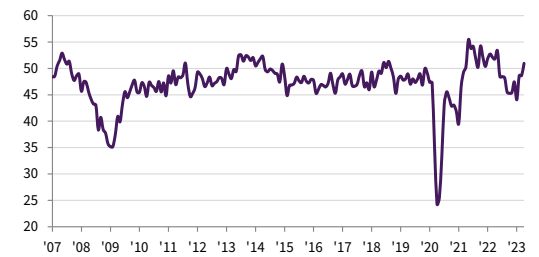
Following ten successive months of falling backlogs, private sector companies across Scotland registered a rise in the level of unfinished work during April. At the sector level, the increase in backlogs was driven by a renewed rise at service providers, who linked the latest uptick to growing business activity as well as recruitment difficulties.

At the UK level, no change in backlogs since the previous survey period was recorded.

Employment Index  
sa, >50 = growth since previous month  
54.8  
Apr '23



Outstanding Business Index  
sa, >50 = growth since previous month  
51.0  
Apr '23



## Prices

### Input prices

Input prices continued to rise sharply and at an accelerated pace in April. The rate of input price inflation was the strongest in three months and historically elevated. Surveyed businesses largely attributed rising expenses to higher food, energy and supplier costs as well as increased wages.

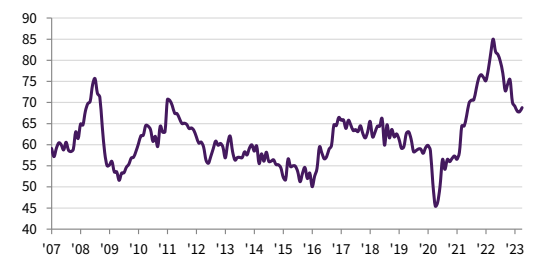
The pace at which cost burdens grew across Scotland was stronger than that at the UK level.

### Input Prices Index

sa, >50 = inflation since previous month

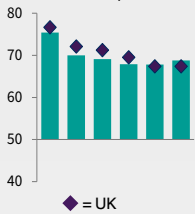
68.8

Apr '23



### Input Prices Index

Nov '22 - Apr '23



◆ = UK

### Prices Charged Index

Nov '22 - Apr '23



◆ = UK

### Prices Charged

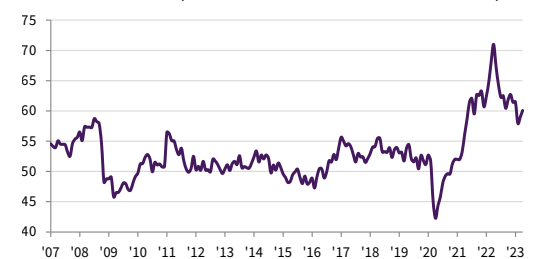
Subsequently, private sector companies across Scotland also raised their charges for goods and services at the sharpest pace since January. Both manufacturers and goods producers increased their selling prices at faster rates. That said, the overall pace of output price inflation across Scotland was softer than the UK average.

### Prices Charged Index

sa, >50 = inflation since previous month

60.1

Apr '23



## UK Sector PMI

### Sector specialisation: Scotland

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They 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.

The tables below rank the location quotients for Scotland, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

#### Scotland specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Apr'23 <sup>+</sup>
1	Food & Drink	1.91	50
2	Mechanical Engineering	1.17	52
3	Electrical & Optical	1.08	53
4	Textiles & Clothing	1.06	48
5	Timber & Paper	1.05	40
6	Chemicals & Plastics	0.86	50
7	Basic Metals	0.81	50
8	Other Manufacturing	0.63	52
9	Transport	0.31	53

#### Scotland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr'23 <sup>+</sup>
1	Hotels, Restaurants & Catering	1.27	58
2	Financial Intermediation	1.10	60
3	Transport & Communication	1.04	50
4	Personal & Community Services	1.03	52
5	Business-to-business Services	0.94	55
6	Computing & IT Services	0.71	60

## UK sector focus

### Basic Metals

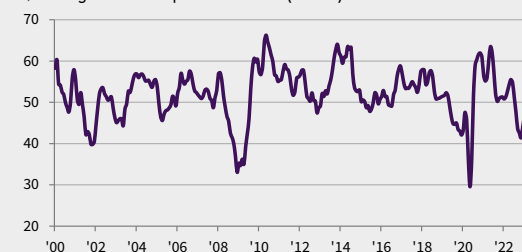
The three months to April saw a modest rise in production levels across the UK's Basic Metals sector. With new orders remaining in contraction territory (albeit falling at a slower rate), output growth was driven by progress on backlogs of work, which fell sharply in the latest three-month period.

The increase in output was further supported by improved material availability. Lead times on inputs shortened substantially, and to the greatest extent for almost 14 years. This easing of supply-demand imbalances also manifested itself in a cooling of price pressures. Input cost inflation was the slowest in over two-and-a-half years. Factory gate prices also increased at a slower rate, although inflation on this front remained comparatively more elevated.

Looking ahead, Basic Metals producers were optimistic about growth prospects in the next 12 months. Expectations were in fact the highest for over a year.

#### Output Index

sa, >50 = growth since previous month (3mma)



sa, >50 = growth since previous month (3mma)



## UK Regional PMI overview

### Business Activity

All 12 UK nations and regions monitored by the survey saw a rise in business activity in April, the first time this has been the case since February last year. The strongest growth by far was recorded in London, where it hit a ten-month high. Wales sank to the bottom of the rankings for output growth and was one of only two areas (alongside Northern Ireland\*) where the pace of expansion slowed.

### Employment

Employment rose across all areas of the UK during April except in Wales. Here, workforce numbers fell for the fourth month running, albeit at the slowest rate in this sequence. Northern Ireland recorded the fastest rate of job creation, as has been the case in each of the past four months, followed by Scotland. Notably, the North East saw staffing levels rise - albeit marginally - for the first time in nearly a year.

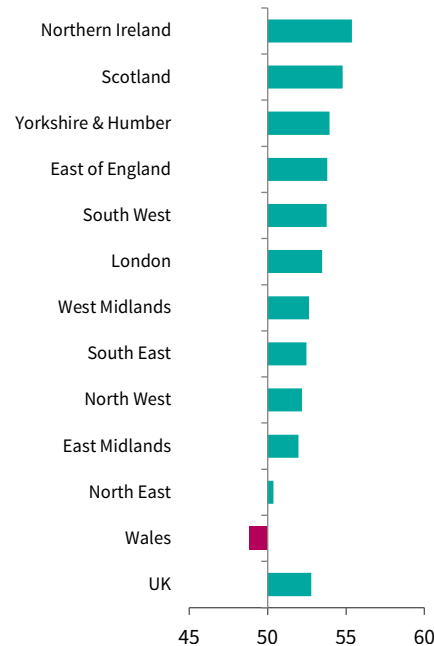
### Future Activity

Business expectations were generally positive in April, although trends varied. The West Midlands recorded the highest degree of optimism towards future activity, despite it being one of five areas where sentiment weakened from the month before (alongside the South East, South West, Scotland and Northern Ireland). The greatest uptick in the level of confidence was in the North East.

**Business Activity Index**  
sa, >50 = growth since previous month, Apr '23



**Employment Index**  
sa, >50 = growth since previous month, Apr '23



**Future Activity Index**  
>50 = growth expected over next 12 months, Apr '23



\* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



## Index summary

### Composite

sa, 50 = no change over previous month. \*50 = no change over next 12 months.

	Business Activity	New Business	Export Climate	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Nov '22	43.9	43.3	47.4	55.1	51.0	45.4	75.4	62.7
Dec '22	48.3	46.0	48.5	53.6	48.9	47.5	70.0	61.4
Jan '23	47.1	43.6	50.2	58.4	48.8	44.1	69.1	61.5
Feb '23	51.0	50.6	51.9	65.7	51.6	48.6	67.9	58.0
Mar '23	52.9	53.2	51.6	64.1	52.5	48.6	67.8	59.0
Apr '23	54.3	52.0	52.1	63.4	54.8	51.0	68.8	60.1

### Manufacturing

sa, 50 = no change over previous month. \*50 = no change over next 12 months.

	Output	New Orders	Future Output*	Employment	Backlogs of Work	Input Prices	Output Prices
Feb '23	53.5	50.7	65.3	52.3	44.3	64.9	60.1
Mar '23	55.0	52.3	69.8	54.0	49.3	63.1	60.1
Apr '23	54.7	48.4	63.0	55.2	45.4	62.7	63.2

### Services

sa, 50 = no change over previous month. \*50 = no change over next 12 months.

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Feb '23	50.4	50.6	65.8	51.5	49.6	68.6	57.5
Mar '23	52.4	53.4	62.8	52.2	48.5	68.9	58.7
Apr '23	54.2	52.8	63.4	54.7	52.2	70.2	59.4

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### About Royal Bank of Scotland

Royal Bank of Scotland has paved the way in banking ever since it was established in 1727. From the world's first overdraft, and the first house purchase loan by a UK bank, to the first fully-fledged internet banking service and mobile banking app the bank has a history of making life easier for its customers.

The bank has commitment to retain its close connections with the Scottish communities it serves.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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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.

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