10 June 2026

Royal Bank of Scotland Growth Tracker

Business activity declines as price pressures remain high in May

Royal Bank of Scotland

PMI® by S&P Global

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Key findings

May 2026

Business activity falls at quickest pace in 14 months

Downturn in new orders deepens

Price pressures ease only slightly since April

The Royal Bank of Scotland Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's Scotland manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit www.natwest.com/business/insights/economics

Business activity declines as price pressures remain high in May

Business activity fell across Scotland's private sector midway through the second quarter, the latest Royal Bank of Scotland Growth Tracker showed. Inflationary pressures meanwhile remained substantial, despite easing for the first time in three months.

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 Scotland's manufacturing and service sectors – edged down to 47.1 in May, from 48.0 in April, signalling a decrease in output that was the most pronounced in 14 months.

The reduction in output was often linked to fewer sales, growing market uncertainty and rising costs for goods and services.

Business activity also fell across the UK as a whole, as the respective seasonally adjusted index fell below the neutral 50.0 mark to 49.7, but signalled only a marginal decline.

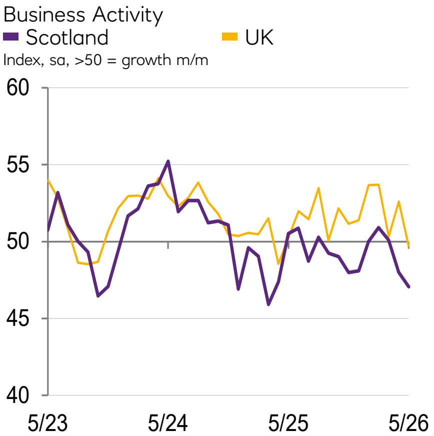
The latest survey data pointed to a slight easing of overall inflationary pressure. Nonetheless, both input costs and output charges rose at historically elevated rates.

Royal Bank of Scotland Business Activity Index May 2026

47.1

The Business Activity Index is a diffusion index calculated from companies' responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 12-27 May



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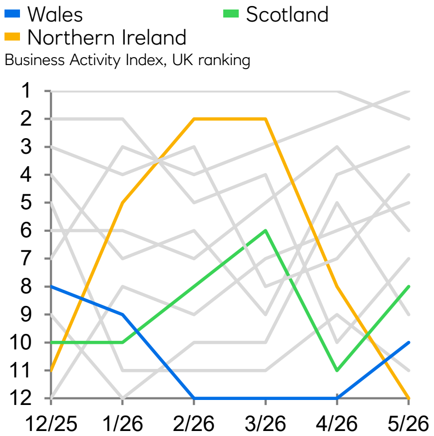

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Comment

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

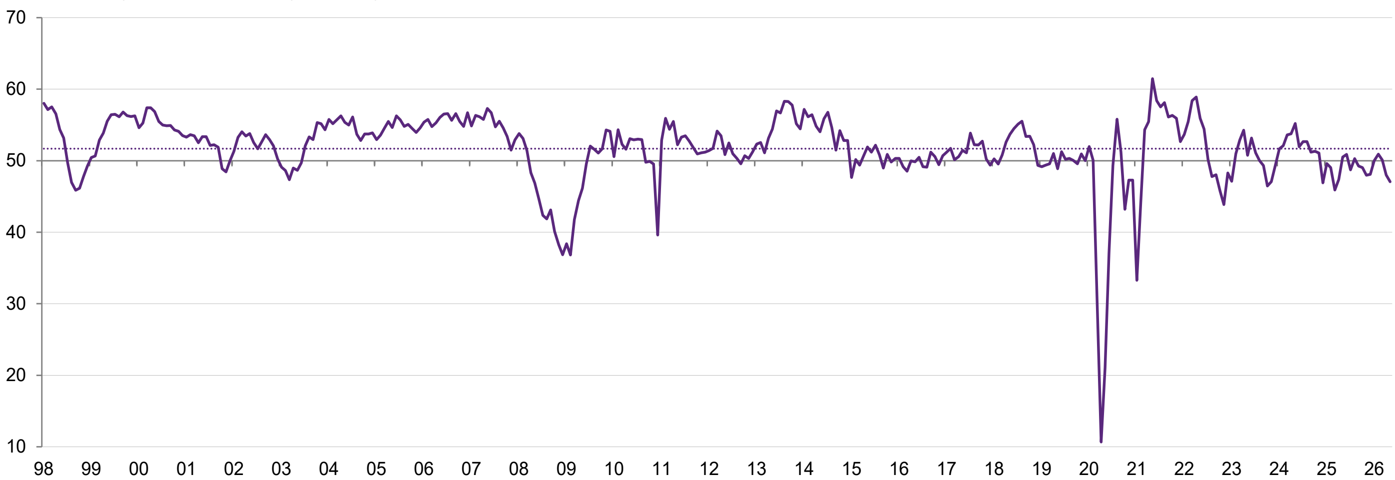
"Our Royal Bank of Scotland Growth Tracker shows that business activity across much of the UK contracted in May as high inflation remains a persistent drag on our economy.

“However, Scottish firms were noticeably less optimistic about bouncing back in the near future, with only those in Northern Ireland seeing new orders falling faster and having lower growth expectations in the next 12 months.

“Furthermore, the focus of this month’s report on the transport and communications sector shows the impact of high fuel prices that will be an even greater drag on businesses north of the Border, who have to move goods over longer distances."

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average.



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Demand and outlook

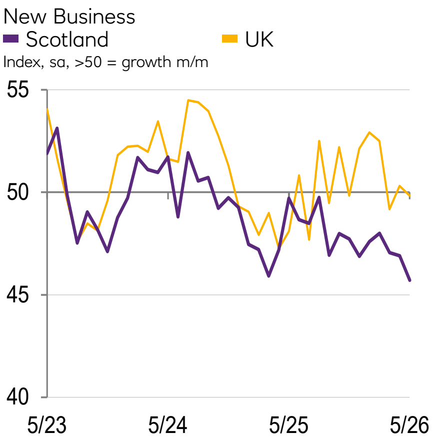
Downturn in new orders deepens, but business optimism rises

Scottish private sector companies posted a further reduction in new business during May, extending the current run of decline to 20 months. The pace of contraction was the fastest since January 2023. According to anecdotal evidence, increased market uncertainty and rising prices, which were both linked to the ongoing war in the Middle East, had dampened sales.

Of the 12 monitored UK regions and nations, only Northern Ireland recorded a steeper fall in new orders than that seen in Scotland.

Despite the current muted demand conditions, private sector firms across Scotland signalled greater confidence regarding future output levels in May. Companies that were optimistic linked this to new project pipelines and forecasts of improved demand conditions.

While the degree of optimism ticked up for the first time in three months, it remained below both the survey's long-run average and the UK-wide trend.



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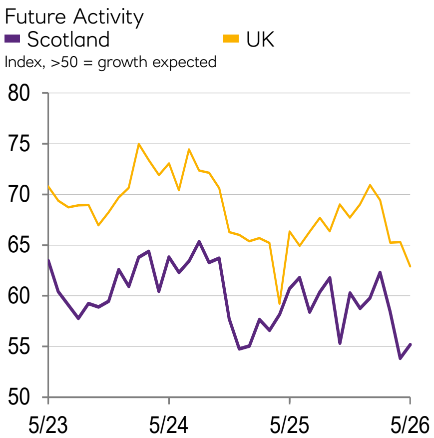

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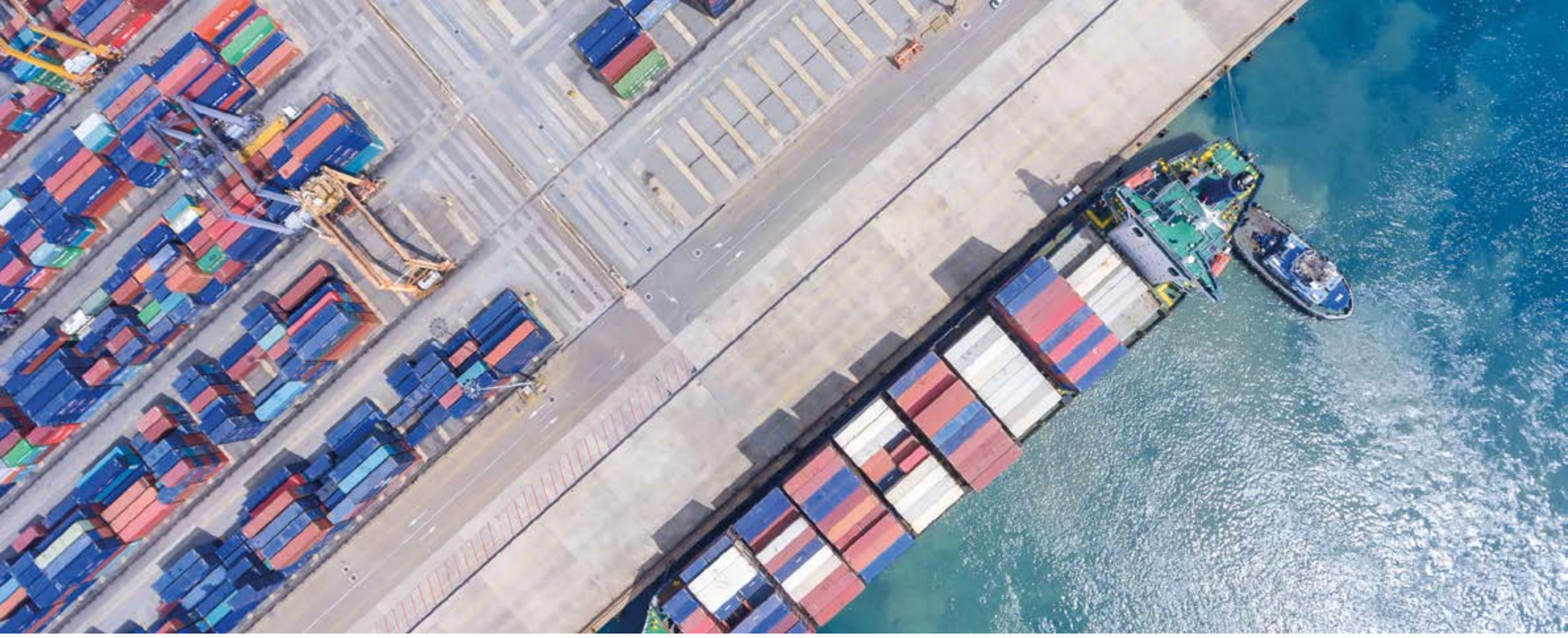


Export markets

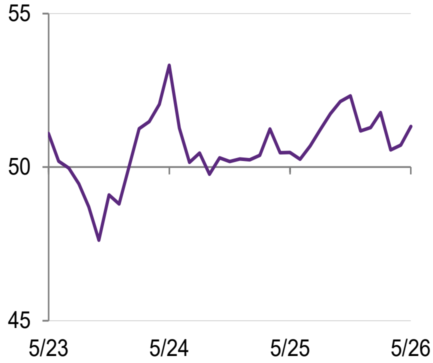
Growth momentum improves across export markets

The Export Climate Index rose to a three-month high of 51.3 in May, up from 50.7 in April, to indicate a moderate improvement in export conditions for Scottish firms.

The uptick reflected stronger growth of output across the Netherlands and Ireland. The US saw a sustained but moderate expansion in activity. In contrast, output continued to contract in Germany and France.

Export Conditions

Index, sa, >50 = growth m/m



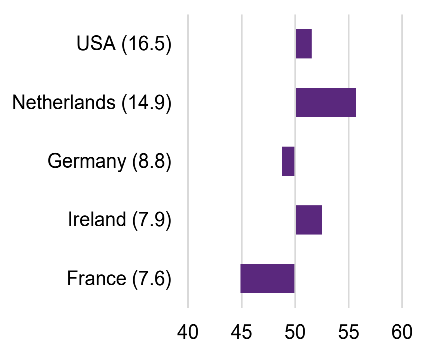
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

The Scotland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Scotland. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

Top export markets, Scotland

% share of exports shown in brackets

Output Index, sa, >50 = growth m/m May '26



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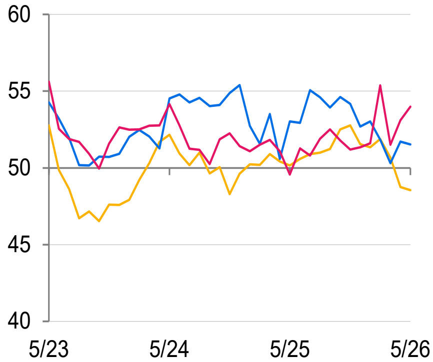
Output

Eurozone US China

Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Jobs and capacity

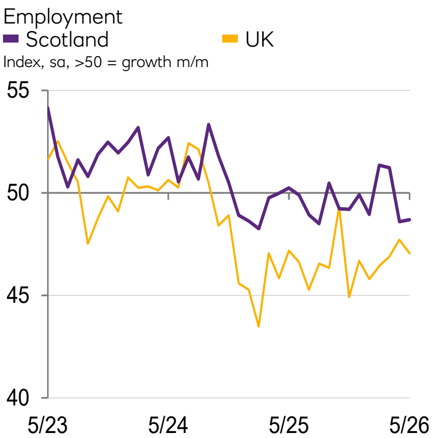
Sustained drop in employment

Private sector employment across Scotland fell for a second month running in May. The rate at which jobs was weaker than that seen across the UK as a whole. Survey respondents often linked the fall to rising costs, and was often achieved through the non-replacement of voluntary leavers.

Excluding marginal rises in the South East and Northern Ireland, all UK regions and nations monitored by the survey registered a decline in headcounts during the latest survey period.

Despite the sustained fall in employment, lower new orders meant that firms were able to make further inroads into outstanding business. The rate of backlog depletion quickened since April and was sharp overall. Backlogs have now fallen on a monthly basis since last August.

Across the UK as a whole, unfinished workloads continued to decline but at a slower pace than that seen in Scotland.



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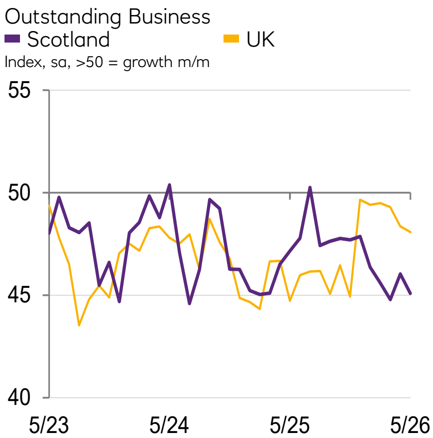

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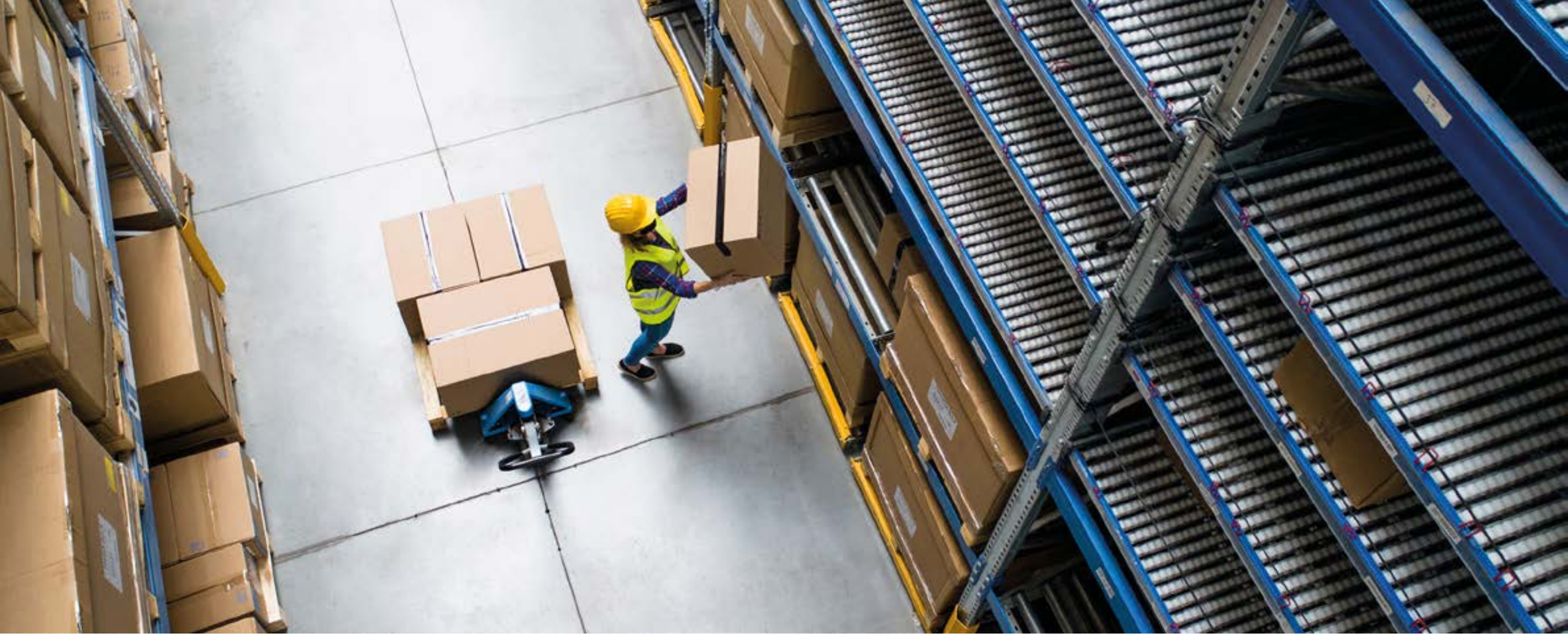


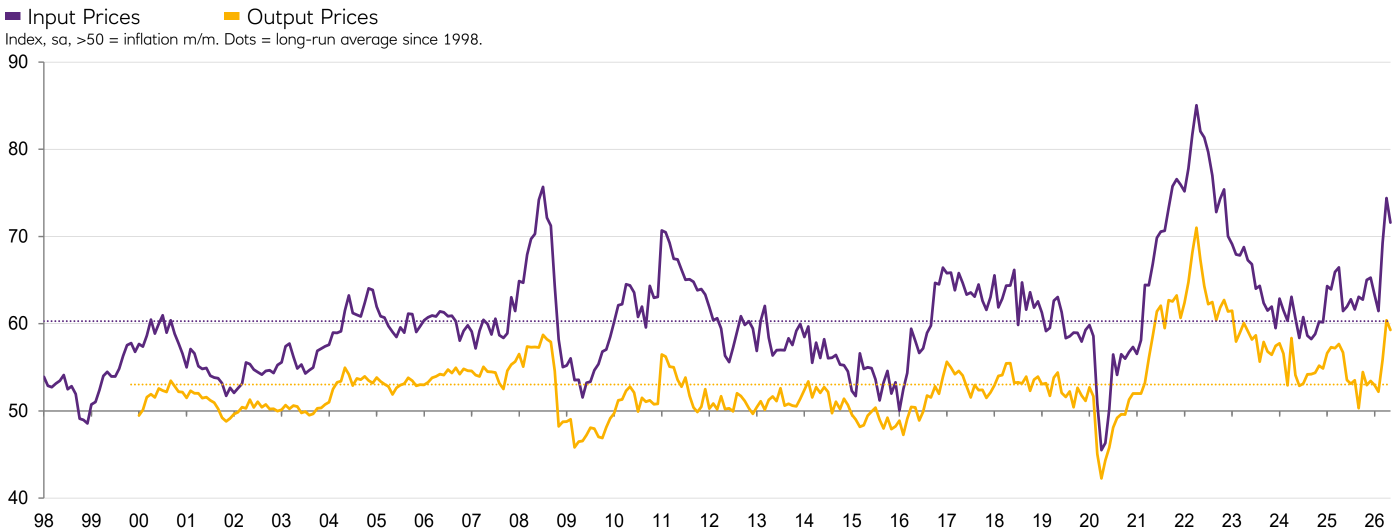
Inflation

Inflationary pressures ease only slightly in May

While the rate of cost inflation eased for the first time in three months across Scotland's private sector in May, the respective seasonally adjusted index still signalled a substantial rise in cost burdens. In fact, costs rose at the second-sharpest rate in three-and-a-half years. Survey respondents linked higher prices to greater energy, raw material and transport costs amid the war in the Middle East.

In line with the trend seen for costs, private sector firms across Scotland raised their prices at a slower pace during May. Nevertheless, the rate of price inflation remained close to April's 39-month high and marked overall. Companies often noted passing higher costs on to customers.

That said, Scotland recorded the slowest rates of both of cost and price inflation among the 12 UK nations and regions monitored by the survey.



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UK Regional Growth Tracker

Business Activity

Growth in business activity was confined to just a handful of areas in May, with the North East, London and the South East seeing sustained, albeit slower, rises. Output was little-changed in the South West, while all other regions recorded decreases of varying degrees.

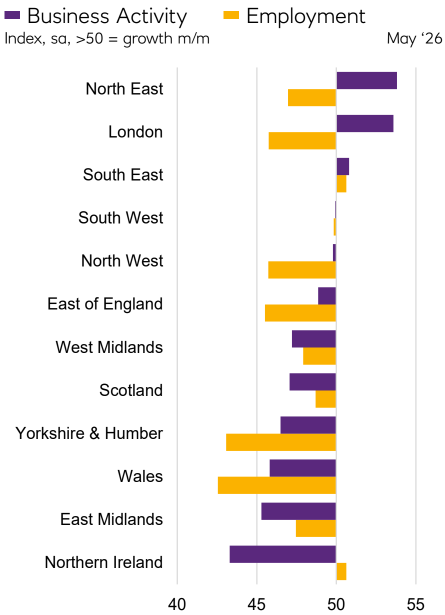
Employment

The majority of the UK nations and regions surveyed saw a reduction in employment in May. Only the South East and Northern Ireland* went against the trend, with both recording slight increases in workforce numbers. Firms in Wales posted the most marked fall, followed by those in Yorkshire & Humber.

Future Activity

Although business expectations towards activity in the coming year remained almost universally positive in May, the latest data did show that the majority of areas experienced a loss in confidence. Firms in London were the most upbeat about the outlook, followed by their counterparts in the West Midlands. Sentiment turned negative in Northern Ireland for the first time in almost three-and-a-half years.

*As well as manufacturing and services, coverage in Northern Ireland also includes construction and wholesale & retail.



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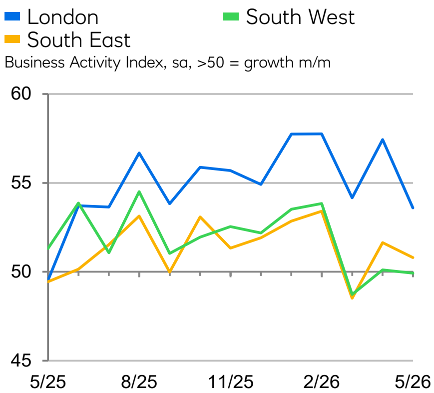

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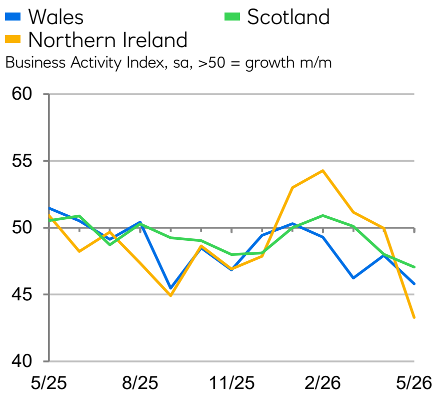

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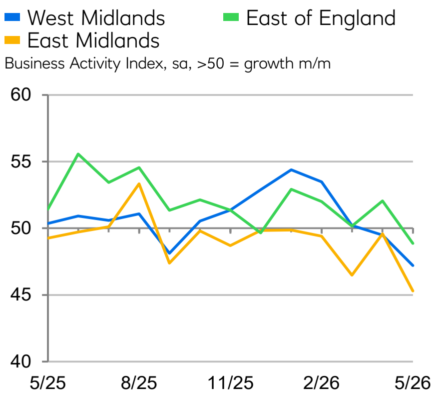

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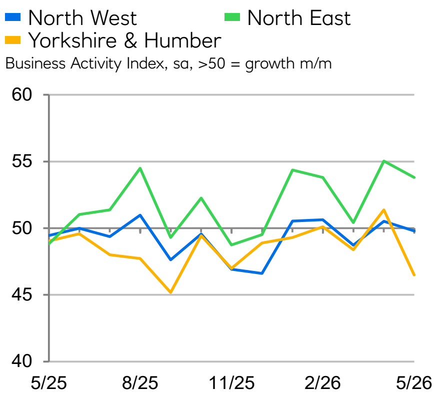


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Growth Tracker heat map

May 2026

Darker colour = higher business growth

Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

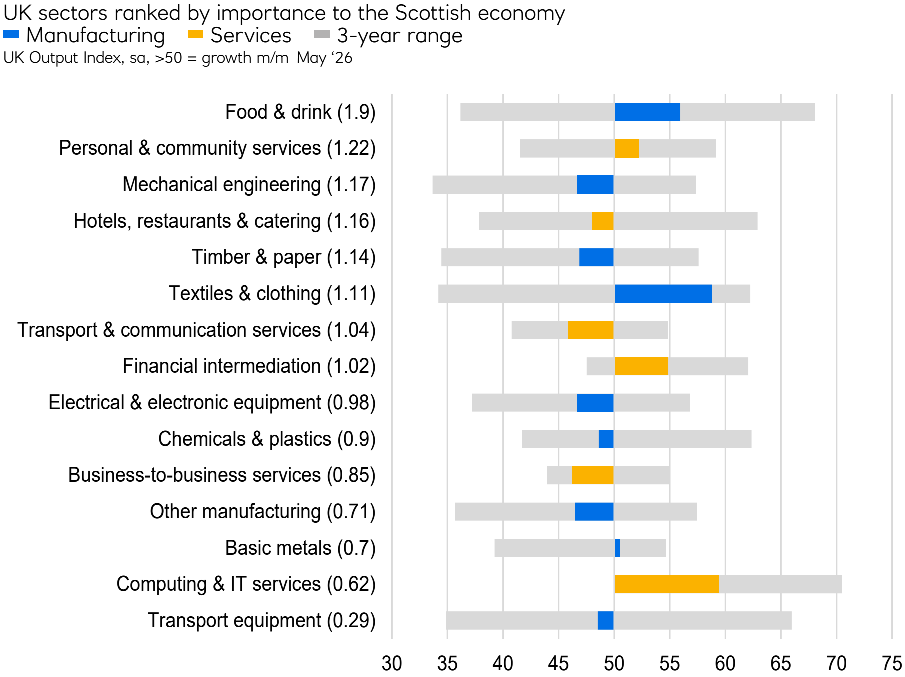
UK sectors

Sector specialisation: Scotland

The chart shows UK output indices by sector, ranked by location quotients for Scotland. Location quotients (LQs) 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.

UK sectors ranked by importance to the Scottish economy



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.
Location quotients for Scotland are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

Sector in focus: Transport & communication services

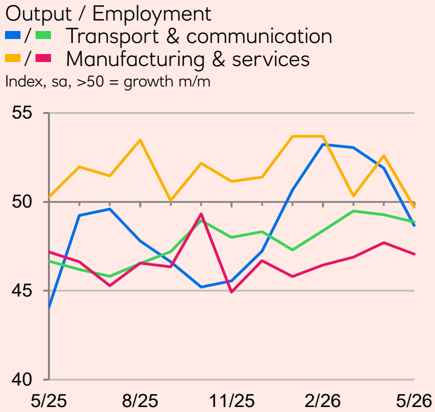
Transport & communication services saw a renewed contraction in business activity in the three months to May, thereby ending a sequence of growth seen since the start of the year. Business activity was weighed down by a similarly modest and fresh reduction in intakes of new business.

Firms in the sector reported a sustained fall in workforce numbers, which was consistent with a lack of pressure on business capacity, as evidenced by falling backlogs of work. The pace of job cuts quickened slightly, although it remained weaker than the average seen across the UK private sector.

Driven in large part by the increased price of fuel, cost pressures faced by transport & communication services firms were at their highest for three-and-a-half years in the three months to May. This in turn led to a steep rise in prices charged, which exhibited the sharpest rate of inflation since August 2022.

Meanwhile, expectations towards activity in the next 12 months fell to their lowest since mid-2025.

Output / Employment



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.
*Data are smoothed as three-month moving average

Methodology

The Royal Bank of Scotland Growth Tracker is compiled by S&P Global from responses to questionnaires sent to Scottish companies that participate in S&P Global's Scotland manufacturing and services PMI surveys.

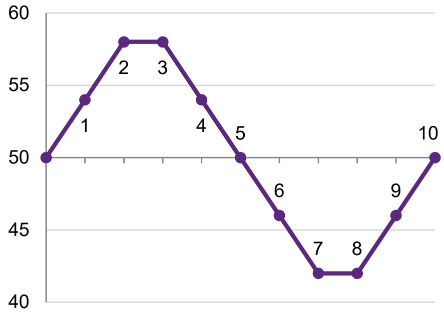
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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.

The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Scotland Business Activity Index is comparable to the UK Composite Output Index.

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 survey methodology, please contact economics@spglobal.com.

Index interpretation
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Key
1 Growth, from no change
2 Growth, faster rate
3 Growth, same rate
4 Growth, slower rate
5 No change, from growth
6 Decline, from no change
7 Decline, faster rate
8 Decline, same rate
9 Decline, slower rate
10 No change, from decline

Data

Scotland manufacturing and services
Index, sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
12/25	48.1	46.9	51.2	49.9	47.9	58.8	65.3	53.4
1/26	50.0	47.6	51.3	48.9	46.4	59.8	63.3	53.0
2/26	50.9	48.0	51.8	51.4	45.6	62.3	61.4	52.2
3/26	50.1	47.1	50.6	51.2	44.8	58.4	69.2	55.9
4/26	48.0	46.9	50.7	48.6	46.0	53.8	74.4	60.4
5/26	47.1	45.7	51.3	48.7	45.1	55.2	71.6	59.3

Further information

Royal Bank of Scotland

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