15 April 2026

Royal Bank of Scotland Growth Tracker

Employment grows but rising costs subdue activity in March

Royal Bank of Scotland

PMI® by S&P Global

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Key findings

March 2026

Second successive month of job growth across Scotland

Costs increase in face of rising energy and fuel prices

Slowdown in growth across all sectors

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

Employment grows but rising costs subdue activity in March

A second month of employment growth offered some positivity during a modest month of business activity in March in Scotland.

Despite increased staffing costs, businesses across all sectors reported an upshift in recruitment as Q1 2026 came to an end.

But global economic challenges throughout the month led to a rise in higher energy and fuel costs, with private sector companies substantially affected.

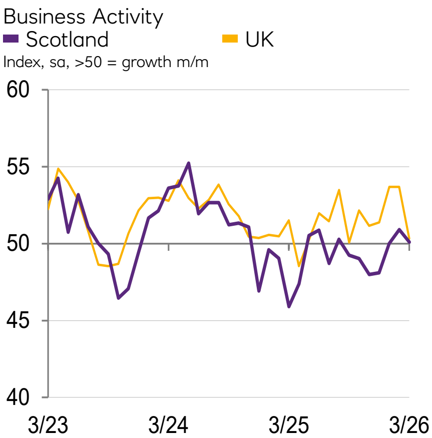
According to the latest headline Royal Bank of Scotland Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of Scotland's manufacturing and service sectors – fell to 50.1 in March from 50.9 in February, to indicate only a fractional rise in output.

Royal Bank of Scotland Business Activity Index March 2026

50.1

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 March



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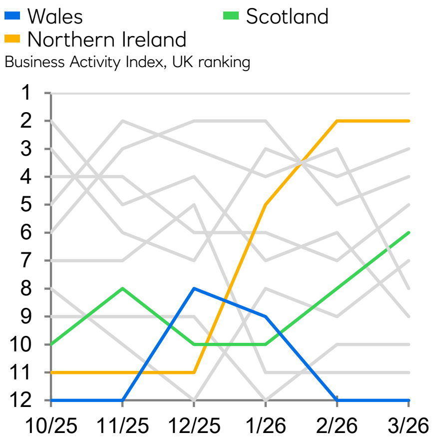

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Comment

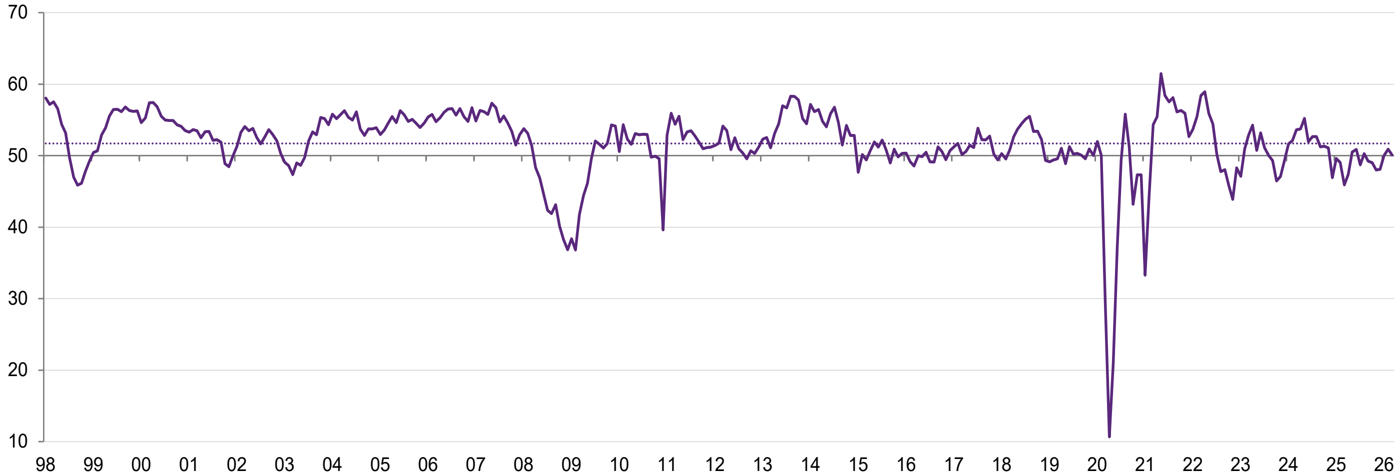
Judith Cruickshank, Chair, Scotland Board, Royal Bank of Scotland, commented:

"The latest Growth Tracker data suggests that economic activity across Scotland was subdued in March, with output rising only fractionally and demand conditions deteriorating further.

"Business confidence has also retreated, coinciding with a sharp rise in cost pressures. Notably, the latest survey highlighted the quickest increase in input costs for over three years. While firms have raised their own selling prices at a faster pace, the increase remains less pronounced than the rise in costs, indicating that businesses are absorbing a portion of these pressures rather than fully passing them on to clients in order to remain competitive.

"The labour market remains a bright spot, with employment growth recorded for a second consecutive month. However, the pace of hiring has moderated, signalling a slowdown in recruitment amid headwinds of rising costs and wider economic uncertainty."

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



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

Demand and outlook

Steeper fall in new business and confidence softens during March

The seasonally adjusted New Business Index posted below the neutral 50.0 level to signal a decline in new work across Scotland for the eighteenth month in a row in March. Notably, the index slipped to a three-month low and pointed to a solid pace of reduction overall. According to panellists, subdued demand conditions, economic uncertainty and higher prices contributed to the latest fall.

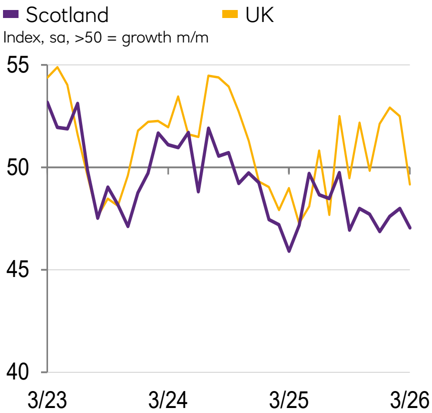
A fresh drop in new business was recorded across the UK as a whole in March, though the downturn was weaker than that seen in Scotland.

While Scottish private sector firms generally anticipated an expansion of activity over the coming 12 months, the degree of optimism weakened to a five-month low in March. Respondents were hopeful that demand conditions will improve. However, concerns surrounding higher energy and fuel prices amid geopolitical uncertainty weighed on overall sentiment.

Of the 12 monitored UK regions and nations, only firms across Northern Ireland were less upbeat than those in Scotland.

"The latest Growth Tracker data shows that economic activity across Scotland was subdued in March, with output rising only fractionally and demand softening"

New Business



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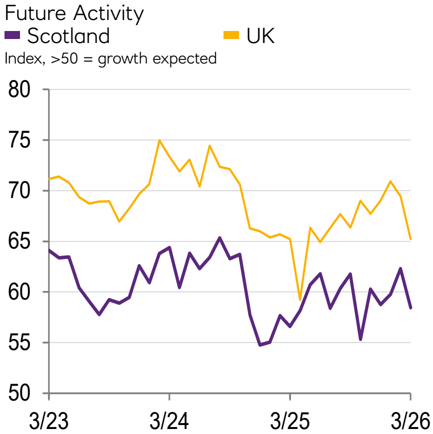
Future Activity



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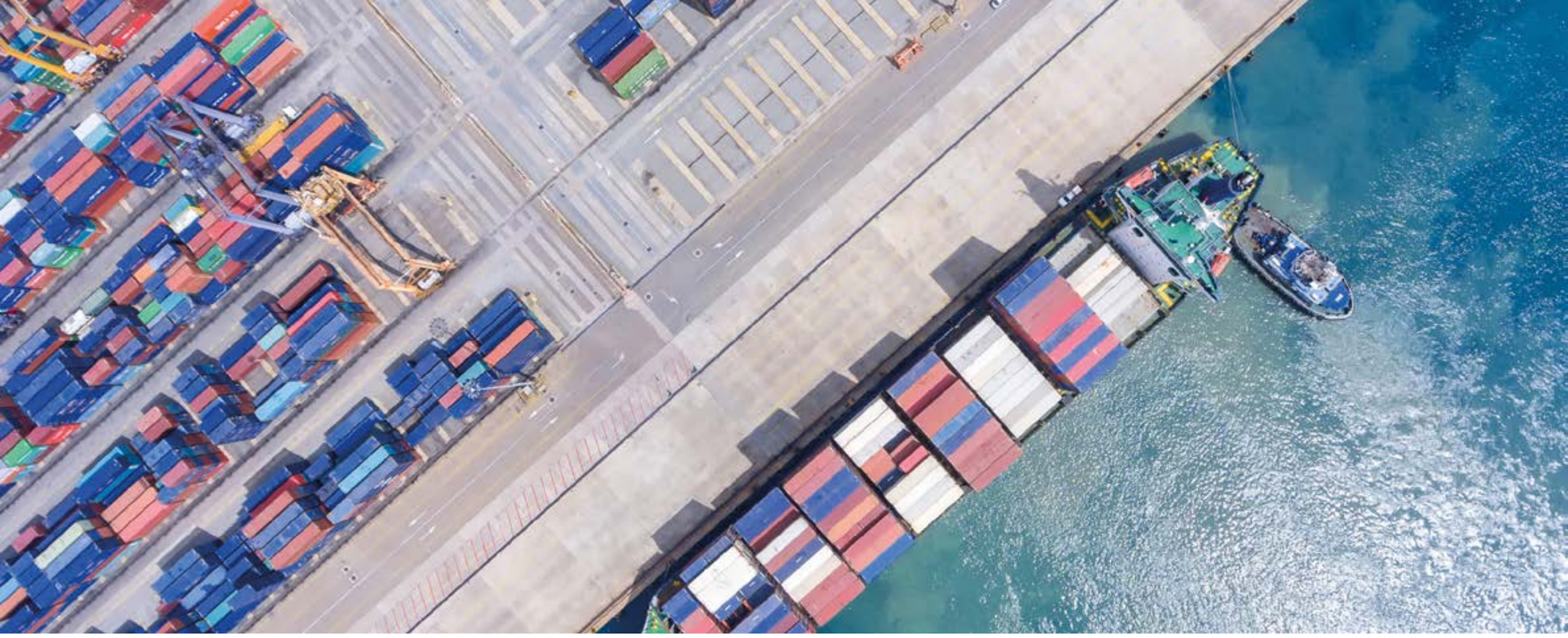


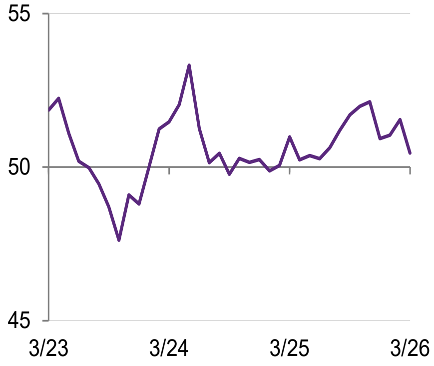
Export markets

Marginal improvement in export conditions

The Export Climate Index fell from 51.5 in February to 50.5 in March, to signal only a slight improvement in trading conditions. Moreover, the reading was the lowest seen in nine months.

Across Scotland's top five export markets, the Netherlands, the US, Germany and Ireland continued to register output growth. However, three of these saw rates of expansion slow since February. Meanwhile, the downturn in France intensified.

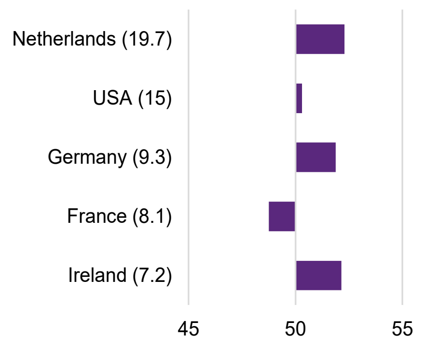
Export Conditions
Index, sa, >50 = growth m/m



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 Mar '26



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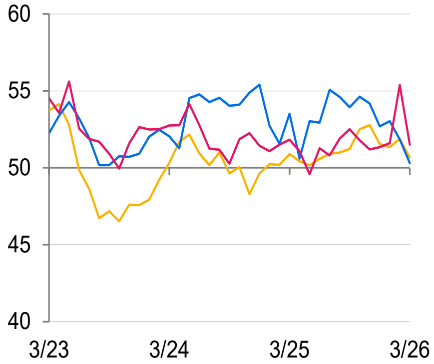
Output
Eurozone US China
Index, sa, >50 = growth m/m



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

Jobs and capacity

Sustained growth in employment accompanied by a sharp reduction in backlogs of work

Employment across Scotland's private sector increased for the second consecutive month in March. However, the pace of job creation was similar to that seen in February and modest. Where payroll numbers rose, businesses often linked this to expectations of higher workloads.

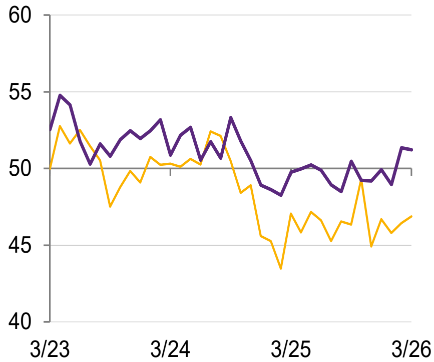
Outside of Scotland, only Northern Ireland and the North East recorded an increase in employment out of all 12 UK areas monitored by the survey.

Latest survey data pointed to a sharp decrease in backlogs of work at Scottish private sector firms in March, thereby stretching the current run of decrease to eight months. The pace of depletion was the most pronounced since July 2024, and in fact the strongest of all 12 monitored UK regions and nations.

According to qualitative data, a lack of incoming new orders had allowed some companies to clear outstanding work.

"... employment remains more resilient than the rest of the UK"

Employment
Scotland UK
Index, sa, >50 = growth m/m



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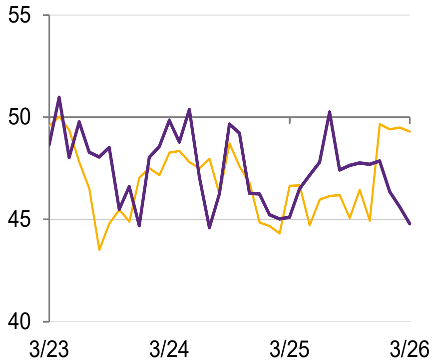
Outstanding Business
Scotland UK
Index, sa, >50 = growth m/m



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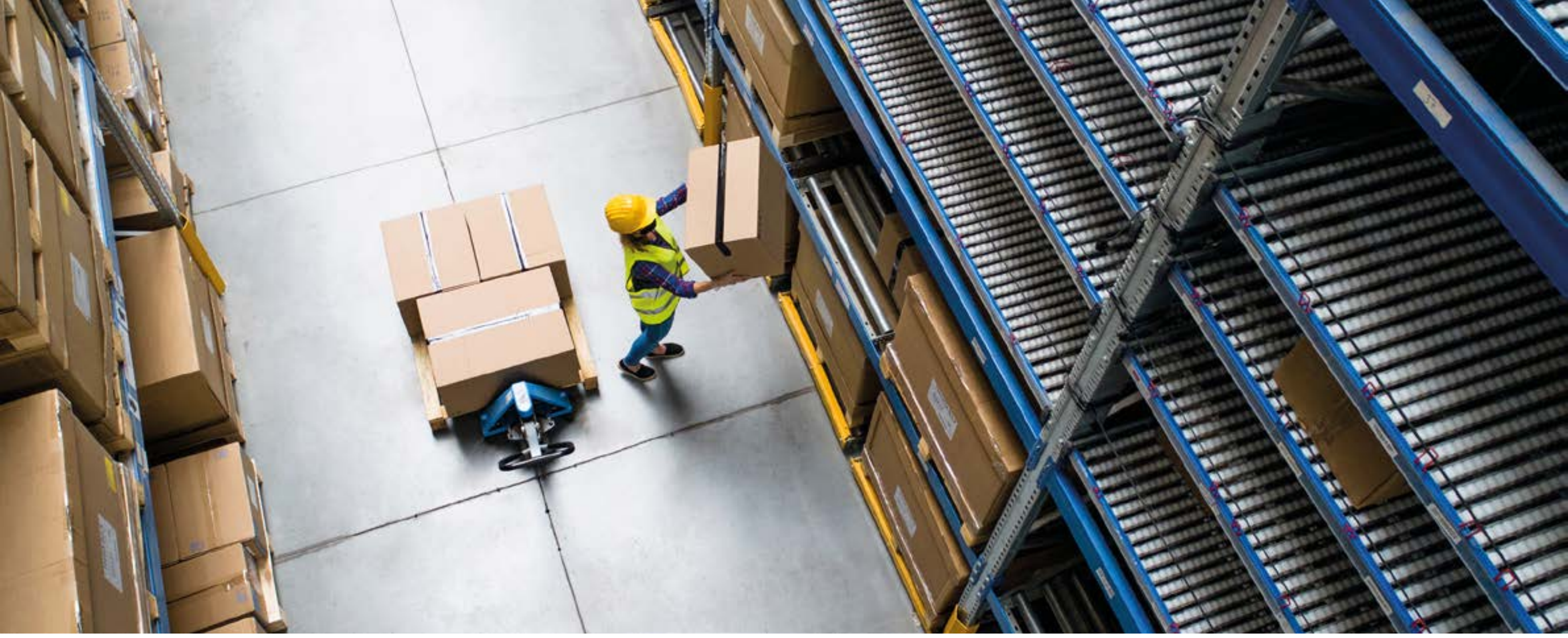


Inflation

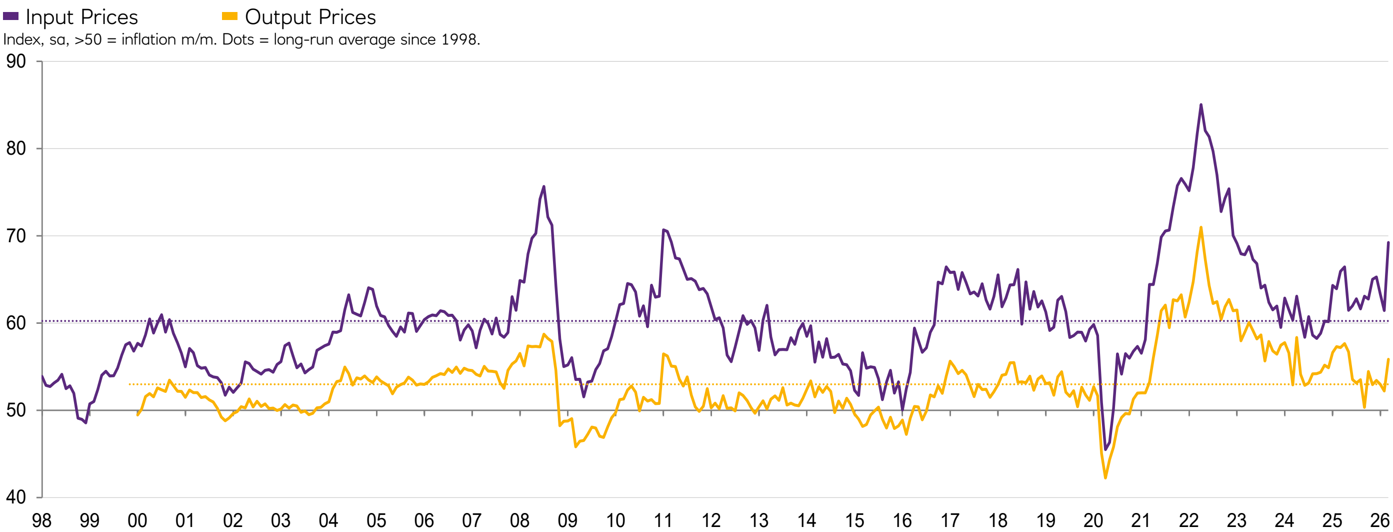
Cost pressures intensify in March

Scottish private sector companies indicated that cost burdens increased substantially at the end of the first quarter. The month-on-month rise in the respective seasonally adjusted index was notably the largest seen in the series history to signal the sharpest rate of inflation in 39 months. The latest increase was linked to higher energy and fuel costs, which largely stemmed from the war in the Middle East. Greater staffing costs were also mentioned.

The pace of input price inflation across Scotland outpaced that seen at the UK level.

Adjusted for seasonal influences, the Prices Charged Index also signalled a sharp rise in output prices levied by Scottish firms in March. The index ticked up to a ten-month high but remained notably below that seen for costs. A number of companies chose to pass on higher costs to customers to help ease pressure on margins.

> "... the latest survey highlighted the quickest increase in input costs for over three years"



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

UK Regional Growth Tracker

Business Activity

March saw a widespread loss of momentum across the UK's nations and regions. Higher activity was recorded in six out of the 12 areas monitored, down from ten in February, with rates of growth slowing in each case. Output fell elsewhere, with Wales and the East Midlands recording the most marked declines.

Employment

Employment fell in most parts of the UK in March, led by declines in the North West and Wales. Northern Ireland, Scotland and the North East went against the general trend, however, and recorded slight increases in workforce numbers. For both Northern Ireland* and the North East, job creation was recorded for the first time since last October, while the increase in Scotland was the second in as many months.

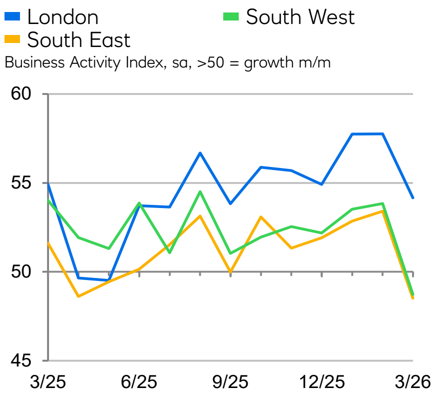
Future Activity

Although business confidence towards future activity remained positive across the board in March, growth expectations were revised down from the month before in most cases. Only the South West and Yorkshire & Humber recorded increased optimism, while firms in London remained the most upbeat about the outlook.

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

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

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



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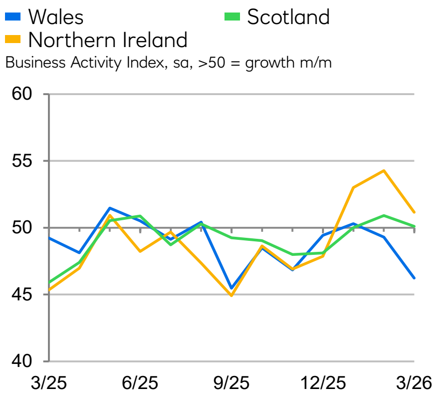

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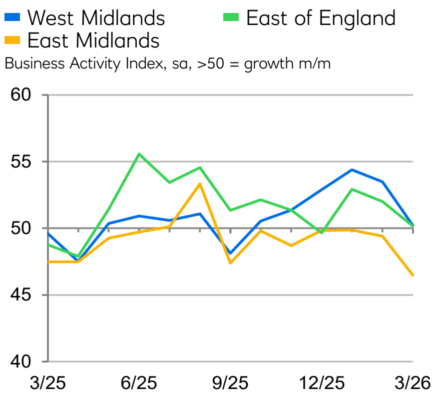

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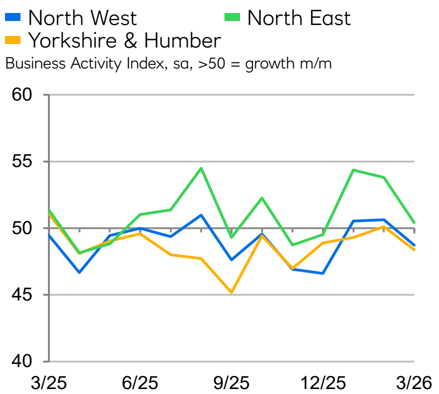
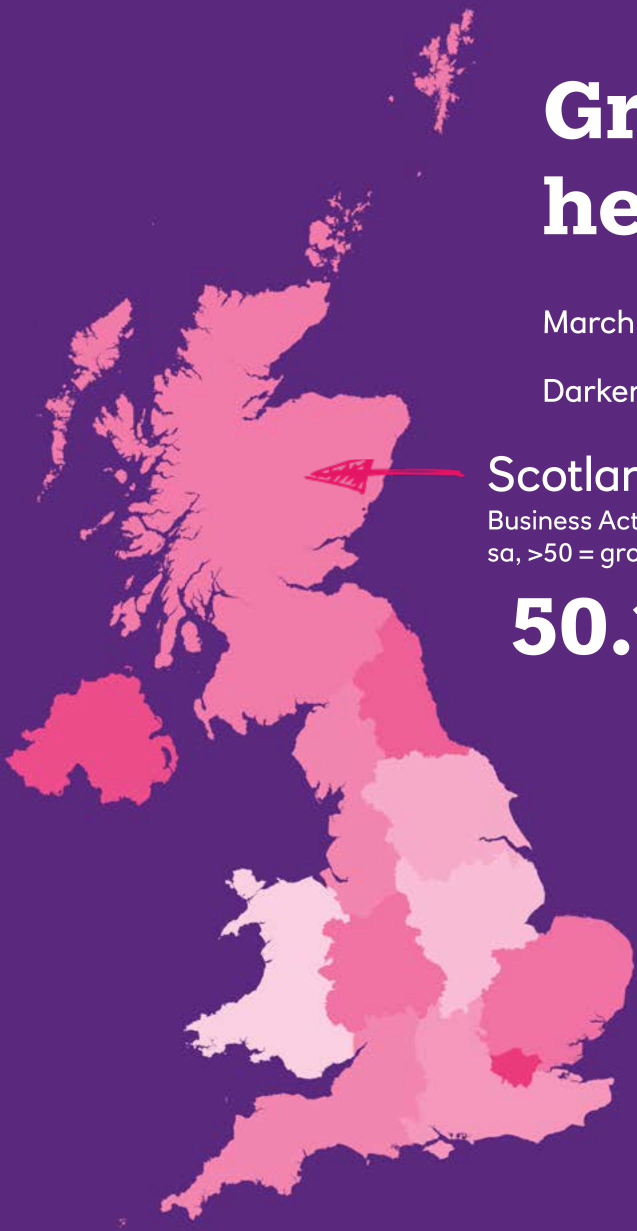


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Growth Tracker heat map

March 2026

Darker colour = higher business growth



Scotland

Business Activity Index
sa, >50 = growth m/m

50.1

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

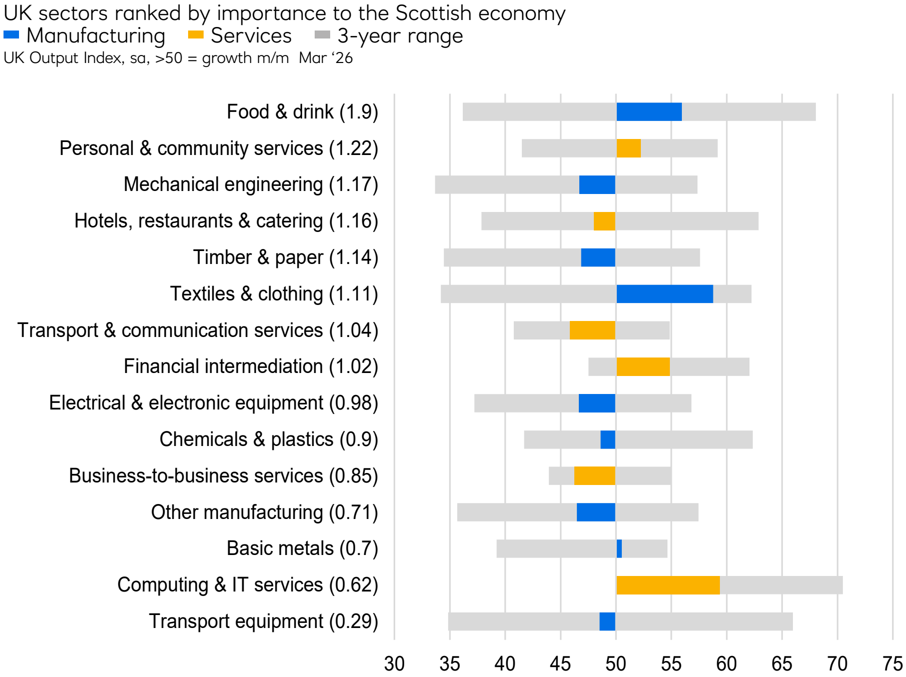
UK sectors

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).

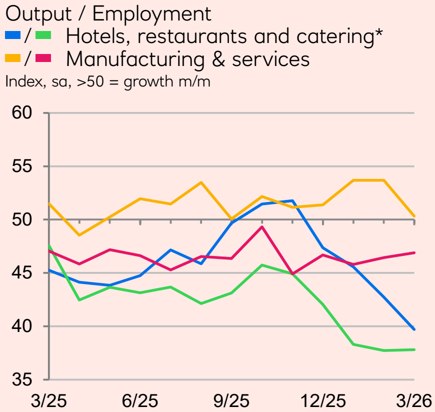
Sector in focus: Hotels, restaurants and catering

Hotels, restaurants and catering was the UK's weakest-performing sector in the opening quarter of the year, according to the latest PMI data (see UK sector chart above). It saw business activity fall sharply and at the quickest rate since the opening quarter of 2021. A steep decline in inflows of new business indicated a marked worsening of underlying demand conditions, which surveyed firms attributed to greater caution among customers and a squeeze on disposable incomes from the rising cost of living.

Hotels, restaurants and catering firms faced added pressure on margins from sharply rising input costs, recording a rate of inflation that was faster than in other part of the services economy. This in turn led to a steep rise in prices charged in the three months to March, albeit with the rate of inflation easing to its lowest in the year to date.

The sector was meanwhile at the forefront of job losses across the UK economy. Positions continued to be cut at one of the quickest rates since the pandemic.

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.

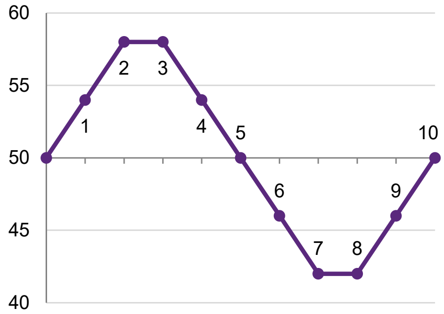
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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
10/25	49.0	48.0	52.0	49.2	47.8	55.3	62.8	54.4
11/25	48.0	47.7	52.1	49.2	47.7	60.3	65.0	53.0
12/25	48.1	46.9	50.9	49.9	47.9	58.8	65.3	53.4
1/26	50.0	47.6	51.0	48.9	46.4	59.8	63.3	53.0
2/26	50.9	48.0	51.5	51.4	45.6	62.3	61.4	52.2
3/26	50.1	47.1	50.5	51.2	44.8	58.4	69.2	55.9

Further information

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