

MEDIA RELEASE

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ECONOMIC GROWTH MUST BE PRIME OBJECTIVE OF NEXT SCOTTISH GOVERNMENT

Scottish Chambers of Commerce's Quarterly Economic Indicator engages with five of Scotland's key business sectors: Construction, Financial and Business Services, Manufacturing, Retail & Wholesale and Tourism.

These findings, released in collaboration with the University of Strathclyde's Fraser of Allander Institute show the position of businesses for the first quarter of 2016.

Liz Cameron OBE, Director and Chief Executive of Scottish Chambers of Commerce, said:

"This detailed picture of the Scottish economy after the first three months of 2016 shows that business performance is inconsistent across a range of sectors. Construction, which was influential in keeping the Scottish economy out of recession in 2015, performed strongly in the early part of this year and continues to demonstrate positive expectations for the future. Manufacturing experienced a sharp dip, but expects to recover over the next few months, whilst the service sector has continued to perform poorly, as it has done since the second quarter of last year, though non-oil and gas sector businesses continue to register growth.

"Growing online sales have helped to boost confidence in the retail sector, whilst strong performance amongst tourism businesses masks tightening profit margins and weak confidence on future performance. Investment trends overall remain positive but tend to be growing more slowly, whilst a mismatch between positive employment trends and mixed business performance raise further question marks about future productivity levels. We are also picking up some anecdotal evidence that the EU referendum may be having an effect on the timings of some investments and deals.

"It is important that lessons are learned. As the construction sector continues to experience worrying levels of skills shortages due to rapid growth following a period of recession, so we must plan ahead now for the recovery in oil prices, ensuring that the oil and gas sector has the talent it needs when the sector resumes growth. Future skills needs must be met from the widest possible range of sources, including workplace learning and the reskilling of older workers.

"Costs to businesses must also be considered at a time when many firms are implementing the National Living Wage and auto-enrolment. As businesses take on more financial responsibilities over their employees, it is time that the rising burden of business rates was reduced, and this must be one of the key objectives of the forthcoming review of rating in Scotland announced by the Scottish Government.

"As Scotland prepares to head to the polls for next month's Scottish Parliamentary elections, we know that our economy is on a knife edge between growth and recession and that the prospects for the future are unclear. In these circumstances, it is imperative that our new Scottish Government puts the economy at the centre of its plan for government over the next five years, systematically addressing those factors under the Scottish Parliament's control that could be used to make Scotland the most competitive place in the UK to do business."

Ends.