

## **MEDIA RELEASE**

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### **2017: 'SAME AS USUAL' NO LONGER AN OPTION**

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 fourth quarter of 2016.

#### **Short Quote:**

**Neil Amner, Chair of the Scottish Chambers of Commerce Economic Advisory Group, said:**

"Overall, these economic results show a positive outlook for key sectors in Scottish economy, particularly for Manufacturing, which reported its strongest trend in new orders since 2014.

"However, businesses will be challenged in 2017 by rising prices, tightening cash flow & profitability, the impact of exchange rates on import costs and the burden of business rates.

"Business focus will be firmly on growth and new market opportunities for 2017, with business keeping a close eye on future trading relationships with the European Union and the rest of the world.

"The balance of optimism is very fine, so the difference between a good year and a bad year could rest upon the slightest of influences."

#### **Extended Quote:**

**Neil Amner, Chair of the Scottish Chambers of Commerce Economic Advisory Group, said:**

"Our latest economic data shows that many Scottish businesses will have a successful 2017, with business optimism remaining positive for many sectors. This is good news for the economy, particularly as we continue to deal with international uncertainty and domestic issues including a rating revaluation and a potential divergence of Income Tax between Scotland and the rest of the UK.

"Tourism has shown particularly encouraging results with excellent visitor numbers, but this does not yet seem to be translating into profits as 2016 drew to a close. Manufacturers have reported their strongest trend in new orders since 2014 and remain optimistic that new jobs will be created in the sector.

"Construction is expecting a slight dip in investment but private commercial work continues to be a growth area. Financial & Business Services experienced a marginal growth in sales, although the expected growth in employment has not yet materialised. Sales growth in Retail met expectations but a decline is expected in 2017, partly attributed to price increases and the channel shift from high street to digital.

"The overall business mood remains positive but firms expect business growth to be challenged by rising prices, tightening of cash flow and profitability, higher import costs impacted by exchange rates and a likely increase of inflation as the year goes on. On the converse side, exporters are continuing to report a healthy growth in trade, though perhaps not quite matching up to their initial expectations.

"Optimism could hardly be more finely balanced and anything that rocks the boat could change the glass from half full to half empty. Business success in 2017 will largely depend upon the ability of firms to manage costs and for consumer demand to remain strong in the face of pressures to real incomes. April's business rates revaluation will produce winners and losers and already we are hearing of businesses whose rates bills are likely to quadruple – adding substantially to the costs of doing business. Equally, businesses are assessing the long term implications of a potential growing divergence of Income Tax burdens north and south of the border.

"2017 must be a watershed year for the way in which Scotland deals with business taxation and the outcome of the business rates review, expected in the summer, must herald the beginning of a new and fair deal for Scotland's businesses. It is time for Government to focus on practical and innovative ways to help businesses to succeed. Doing things the way they have always been done is no longer an option."

Ends.

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