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SCOTTISH BUSINESS CALL ON GOVERNMENT TO BRING CONFIDENCE TO THE MARKET

The latest Scottish Chambers of Commerce (SCC) Quarterly Economic Indicator (QEI) survey for Q4 of 2019 shows that businesses are in a period of stasis with global and domestic factors all contributing to subdued levels of confidence and investment. The quarterly survey was carried out between November to December 2019, during the UK general election period which suggests political considerations will certainly have had some influence in how businesses responded to the survey.

Key highlights:

- **On business confidence:** Despite signs of resilience, confidence levels remain weak relative to their long-term norms, with manufacturing, retail and tourism in negative territory for outlook.
- **On business investment:** Investment levels remain weak and subdued across all sectors in the survey. This has been an ongoing trend as global and domestic uncertainty continues to take its toll on business communities. This is likely to impact on the growth and competitiveness of Scotland's economy in the coming quarters.
- **On cost pressures:** The price of raw materials and the cost of finance is increasing compared to previous quarters, adding to the cost burden across all sectors.
- **On business concerns:** Business rates feature as the most significant concern for all sectors, aside from manufacturing which cited exchanges rates as its main concerns.

The survey, conducted by Scottish Chambers of Commerce, in partnership with the Fraser of Allander Institute, is Scotland's longest-running economic survey of its kind.

Commenting on the results, Tim Allan, Chairman of the Scottish Business Advisory Group and President of the Scottish Chambers of Commerce, said:

“Given recent prolonged uncertainty and trading conditions, these flat results are not surprising. The business challenges prevalent in 2019 are showing signs of continuing into 2020 with business confidence at worryingly low levels.

“The decisive election result at Westminster is yet to provide the clear direction that business communities are looking for. Of particular concern to businesses will be the extent of divergence the UK Government plans to adopt between UK and EU regulation. This continued uncertainty, coupled with a continued sense of “election-style” policy making, has the potential to disrupt business planning, supply chains, as well as negatively impacting on job creation.

“We urge the UK government to clearly communicate these changes in a timely way and provide substantial support to help firms adapt - ensuring it reaches all parts of the UK. Otherwise companies will struggle to make the most of new opportunities as Britain sets its own trading policies.

“Business sustainability, economic certainty and a healthy planet are the watchwords for 2020. The role of business to leverage private sector innovation and solutions to meet the big economic and societal challenges should not be underestimated by either Holyrood or Westminster. Our message to government is clear: only by working with business will we

be able to create the fair and thriving economy that will provide jobs, stability and valued public services.”

On the construction sector, Tim Allan said:

“The survey reveals that business confidence amongst construction firms is at its lowest point in almost three years with contracts at their lowest level since Q3 2017. The trends for contracts sit below their five-year average for the survey, which is concerning for the long-term health of this important sector. Firms are continuing to be affected by raw material prices and other overheads, adding to continued pressure to hold back on investment which is continuing to fall.”

On the manufacturing sector, Tim Allan said:

“With negative results across most of the key trends, this was another weak quarter for the sector. Business confidence has been on a downward trajectory over a series of quarters, and is significantly below the five-year average.

“An increasing number of firms continue to report recruitment difficulties. Companies are relatively downbeat about the next quarter results, with many predicting falling sales and investment.”

On retail and wholesale, Tim Allan said:

“The festive boost for the sector did not deliver, with sales flatlining and business confidence lower than the average for the quarter. Prolonged periods of discounting, changing consumer habits and “Black Friday” style deals impacted the overall performance of companies.

“The sector reported business rates as a leading concern, and one that must be addressed by the Scottish Government to support retailers and our high streets.”

On tourism, Tim Allan said:

“Business confidence in the tourism sector has fallen to the lowest level in nine quarters, and well below the five-year average, whilst negative trends for cash flow, profits and sales present cause for concern. Interestingly, whilst the number of people coming from the EU was flat, the balance of visitors from outside the EU saw an increase from the previous quarter.

“Policymakers must be alert to the challenges facing the tourism sector, one of the gems in Scotland’s diverse economy, with a focus to tackle the sector’s concerns, namely business rates & taxation.”

On financial and business services, Tim Allan said:

“With around half of firms expecting to see no changes to levels of investment, it’s clear the sector is continuing to place key investment decisions on hold in the midst of ongoing uncertainty. Recruitment difficulties continue to weigh on the minds of companies as attracting suitable talent continues to take its toll.”

Commenting on the results, Professor Graeme Roy, Director at the University of Strathclyde’s Fraser of Allander Institute, said:

“These latest results from the Scottish Chambers of Commerce Quarterly Economic Indicator, suggest that the positive but challenging conditions many sectors faced in 2019 have continued into 2020. This is not that surprising.

“The global outlook continues to remain fragile. Here at home, last month’s data showed economic growth tracking at less than 1% over the 12 months to September, marking another year of below par performance for the Scottish economy.

“And whilst December’s decisive General Election result removed any immediate threat of crashing out of the EU with ‘no deal’, it is important to remember that this was just the end of the phase 1 negotiations, and the decisive end-point for agreeing an all-important trade deal is less than 12 months away.”

ENDS

NOTES TO EDITORS

- The full Q4 Quarterly Economic Indicator report is attached to this email.
- This survey was conducted between November and December of 2019. 330 firms responded to the Q4 2019 edition of the survey.
- Press Office: Colin Campbell, ccampbell@scottishchambers.org.uk/0141-444-7500
- The Quarterly Economic Indicator is Scotland's longest-running economic survey of its kind, operating since 1990.

Scottish Chambers of Commerce is Scotland's largest business network with over 12,000 business members, across a network of 27 regional Chambers of Commerce, providing business support, business intelligence and business connections