

**EMBARGO FOR 00:01 TUESDAY 6<sup>TH</sup> JULY 2021**

## **FIRST SHOOT OF RECOVERY BUT CHALLENGES STILL LIE AHEAD**

For the first time in over a year, businesses in Scotland can see the first shoots of recovery as COVID-19 restrictions begin to lift, according to a leading quarterly survey led by the Scottish Chambers of Commerce (SCC).

The SCC's Quarterly Economic Indicator (QEI) for the second quarter of 2021 indicates more positive growth across all sectors surveyed, albeit, caution is still the watchword for many businesses.

### **Key Findings:**

- **Pent up demand unleashed:** All sectors have reported substantial rises in confidence and domestic sales, owing to the easing of general and domestic travel lockdown restrictions. Most results are positive for the first time in over a year, albeit from historically low bases.
- **Caution looking ahead:** All sectors have projected positive expectations for Q3, on balance, likely boosted by the expected further easing of lockdown restrictions. While firms are optimistic about sales revenue, they are more cautious around investment and staff levels with most firms envisaging no change to these in Q2.
- **Faltering export sales:** Covid-19 disruption and Brexit fallout has resulted in trading difficulties for businesses in services, manufacturing and retail as evidenced by falls in export sales and orders across these sectors.
- **Inflation pressures:** All sectors have recorded increases in concern over inflation, which may escalate as more consumers spend savings accumulated over the last 16 months and create uncertainty for business in terms of their costs and prices.
- **Flat labour market:** Most sectors saw a slight increase in employment, apart from retail, which saw no change over the quarter. Most firms, across all sectors, expect little change in Q3 which could result in sluggish jobs growth, with further challenges expected as the furlough scheme is withdrawn.

### **Tim Allan, President of the Scottish Chambers of Commerce said:**

“The success of the vaccine rollout has enabled the easing of restrictions and the gradual reopening of the economy, unleashing pent-up demand in the economy. This has allowed some sectors to rebound more quickly than others, however, the route to economic recovery will be a marathon, not a sprint.

“It's clear that concerns remain around the ongoing impact of Covid-19 as businesses grapple with huge uncertainties over what the economy will look like post-pandemic. Towns and city centres face new challenges as more people work from home and more flexibly, impacting on footfall and changes to consumer behaviour. The needs of employers and

employees alike need to be finely balanced as we shape the recovery of our city centres which will impact on a wide range of sectors and supply chains.

“Equally, sectors such as tourism and international travel, which continue to operate with severe restrictions, are having to adjust to increased domestic demand, a simultaneous fall in international travel and a tightening supply of skilled labour. The sector needs continued financial support and greater clarity on when confusing and burdensome travel regulations will end, allowing greater numbers of international visitors to return.

“As we approach the end of restrictions businesses are increasingly turning their attention towards how to achieve long term growth and renew Scotland’s economy. We have recorded the first shoots of growth returning to our economy, and it is essential now that both the Scottish and UK Government’s do all that they can to stimulate demand and boost confidence in the coming months. Priority must be given to continuing the provision of targeted financial support where it is needed most and looking ahead, both Governments must create the right environment for businesses to get back on their feet, create jobs and trade successfully again.”

**Commenting on the results, Mairi Spowage, Director at the University of Strathclyde's Fraser of Allander Institute, said:**

“In April, we saw growth in the Scottish economy of 2.0%. This takes us above the previous post-pandemic peak in October. However, the economy still remains 3.7% below the pre-pandemic peak.

“Despite the optimism in the economy, there are risks to recovery which could provide headwinds to growth. The dislocation in global trade was significant due to the pandemic. However, we also know that the end of the EU Transition Period has caused significant issues for manufacturers and others trying to rebuild these supply chains since the start of this year. This chimes with today’s survey results, which show significant negative impacts on exports.

“Recent announcements of the delay to the restrictions roadmap will lead to calls from some sectors that there should much more extensive business support to get them through to a position where they can properly operate. As well-meaning as initiatives like a new Council for Economic Transformation may be, practical policy measures to help these businesses survive through the winter are likely to be needed.”

**ENDS**

**NOTES TO EDITORS:**

- The full Q2 Quarterly Economic Indicator report is attached to this email.
- This survey was conducted between April, May & June of 2021. 330 firms responded to the Q2 2021 edition of the survey.
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- 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 30 regional Chambers of Commerce, providing business support, business intelligence and business connections.