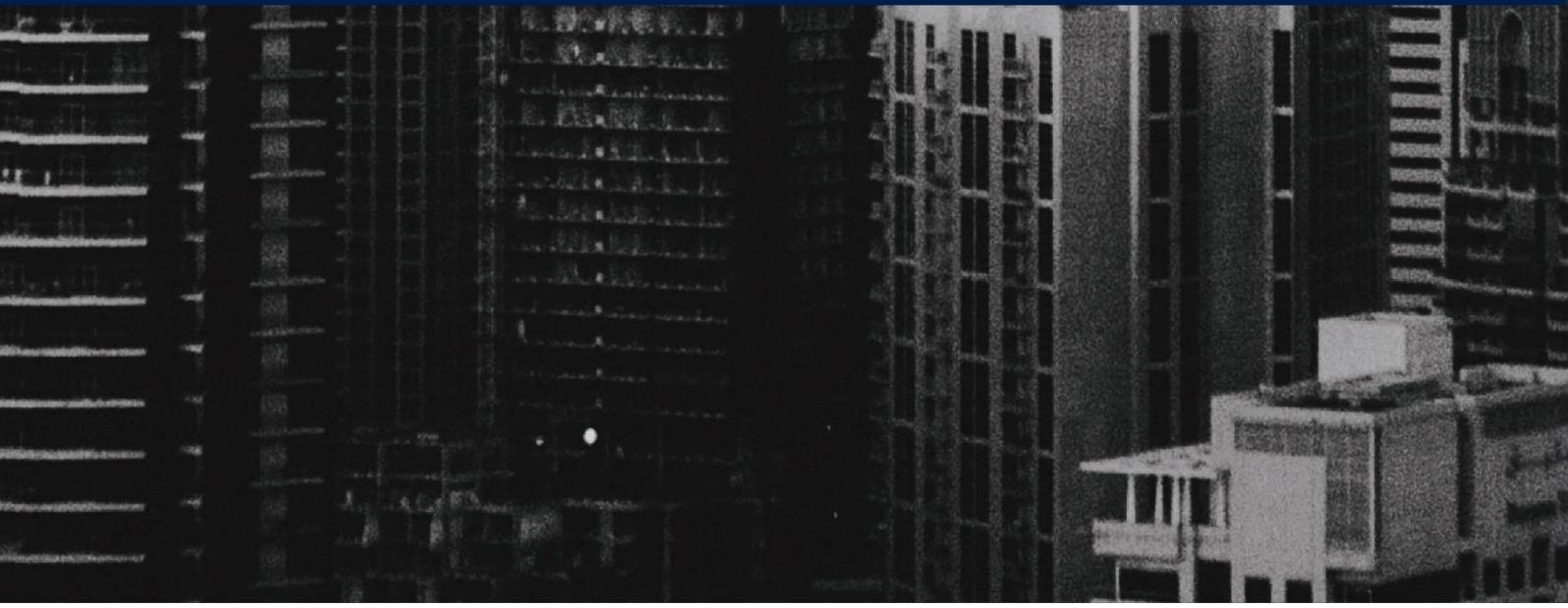




SCOTTISH CHAMBERS OF COMMERCE
QUARTERLY ECONOMIC INDICATOR
RESULTS FOR Q3 OF 2019

*IN PARTNERSHIP WITH FRASER OF
ALLANDER INSTITUTE*



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Methodology

The Quarterly Economic Indicator is owned and produced by the Scottish Chambers of Commerce Network, in collaboration with the Fraser of Allander Institute of the University of Strathclyde.

This survey was conducted between August and September of 2019. 350 firms responded to the Q3 2019 edition of the Indicator.

Results are reported as the “net % balance”, calculated by deducting the % of firms reporting a decrease from the % of firms reporting an increase.

E.g. If 50% of firms report an increase in profits over the quarter (compared with the previous quarter) and 49% report a decrease, the net % balance of firms reporting an increase in profits is $(50-49 = +1)$.

A negative net % balance generally indicates contraction and a positive net % balance expansion.

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Foreword

Scottish businesses appear to be treading water as they await clarity on the terms of the UK's exit from the EU.

Following last month's data which showed that the Scottish economy contracted in the three months to June, this survey provides a more up-to-date picture of underlying trends within Scotland's business community.

Overall, activity appears to be broadly flat over Q3 in most sectors.

The one exception is in manufacturing which continues to be buffeted by ongoing Brexit uncertainty and the slowdown in the global economy. Total new orders are at the lowest level in 10 years, whilst export orders fell for 4 in 10 exporting firms.

Financial and business services has once again had a strong quarter with positive results across the board.

The data suggests that Scotland should avoid a 'technical recession' - defined as two consecutive quarters of negative growth – when the next set of official figures are released later on this year.

However, growth remains fragile and investment levels remain weak. In construction, investment is at its lowest level in more than 5 years.

A 'no deal' Brexit remains the greatest immediate risk to the Scottish economy. It is misguided to argue that 'no deal' is better than further delay. A 'no deal' would not only act as a major economic shock but will do little to curb uncertainty, with the UK's future relationship with the EU still needing resolved.

At the same time, some of the commentary around the scale of possible impacts of a 'no deal' are likely to be over-the-top. Not all of the recent challenges in the Scottish economy can be blamed on Brexit. Growth has remained below trend for over a decade. The fact that this performance is not a more significant source of debate at Holyrood remains surprising.

Professor Graeme Roy

Director, Fraser of Allander Institute



UNIVERSITY of STRATHCLYDE
**FRASER OF ALLANDER
INSTITUTE**

Introduction

Our research shows that overall business performance has declined in the last year as companies take on board extra uncertainties caused by the tortuous progress of the Brexit process.

The challenges businesses face are laid bare in the Scottish Chambers of Commerce Quarterly Economic Indicator for Q3. As the UK faces yet another deadline in the Brexit process, construction and manufacturing have reported severe challenges in terms of future orders, exports and investment. Meanwhile companies in sectors including retail and tourism face continued challenges in recruiting people with the right skills as the number of available workers from Europe continues to decline.

We continue to affirm the view that a disorderly, no-deal departure from EU will have painful, long lasting consequences for the economy in Scotland and the UK. But we also believe that, if Brexit is not just done but done well, there is significant potential for an upside.

Uncertainty has undoubtedly stymied corporate investment. We put a direct challenge to political leaders today – deliver a positive outcome to Brexit and the economy will be rewarded with a wall of cash that has been pent up while uncertainty has reigned in recent years.

What employers need more than ever is for Scottish and UK governments to hone their focus on the needs of the economy. Scotland in particular suffers a long-standing problem of slower economic growth relative to England and poor productivity compared to global peers. We urgently need to correct these trends if Scotland is to deliver an inclusive economy that provides the jobs, skills and prosperity for current and future generations.



Tim Allan, Chair, Scottish Business Advisory Group

CEO of Unicorn Property Group

Key findings

Construction sector

- The balance of firms reporting improved sales revenue eased 17 percentage points to +5%
- The balance of firms increasing investment – total, capital and training – all fell into slightly negative territory.
- One note of concern from firms is the level of work in progress, the figure recorded (-3%) is the lowest for the survey since Q3 of 2013.
- The percentage of firms looking to recruit rose from 40% to 63%. Of those, half (+50%) voiced recruitment difficulties – up 17 percentage points from the previous quarter.
- The sector appears fairly cautious with the majority of firms reporting that levels of investment (+58%) and employees (+63%) will stay the same for Q4.

Financial and business services

- Fewer than a fifth of FBS firms recorded a fall in business confidence over the quarter and the net balance of +22% is just a 1 point decrease from the Q2 2019 figure of +23%.
- The balance of firms reporting increased sales rose by 4 points to +32%
- The balance of firms reporting investment rose 7 points from +11% to +18% and has increased by 1 point compared to Q3 2018.
- The percentage of firms seeking to recruit fell from 55% to 45%. Of those, 39% reported recruitment difficulties which is a slight decrease over the previous quarter.
- The leading concerns for firms in the sector are competition (41%), costs from other overheads (30%) and inflation (29%).

Manufacturing sector

- Business confidence sank from a net balance of +12% in Q2 to -11% for this latest quarter.
- With respect to sales, the net balances fell for all areas into negative territory, with all significantly lower than they were for both Q2 and Q3 2018. Export sales in particular fell by 13 percentage points to -8%.
- It was a similar story with respect to orders, with the majority of areas falling further into the negative from Q2.
- On balance capital investment fell slightly further from -7% to -8% but other forms of investment also fell for the quarter, with total (-4%) and training investment (-6%) also negative.
- The sector is not optimistic about Q4, with the balance of firms predicting falling sales (-12%) and investment (-2%) well below the expectations from Q2 and from the same quarter in 2018.

Retail and wholesale

- Sales revenue trends have generally eased with confidence dipping into a negative balance (-4%), down by 8 percentage points from Q2 and 33 percentage points down from the same quarter in 2018.
- The balance of firms increasing capital investment eased from +7% to +3%.
- The percentage of firms looking to recruit rose to 61%. Of those, 37% noted recruitment difficulties – up 16 percentage points from the previous quarter.
- The outlook for firms is fairly positive with a balance of firms expecting increased sales, investment and prices for the next quarter.

Tourism

- Investment trends remained broadly unchanged, though marginally improved from Q2.
- More than three quarters of firms are actively attempting to recruit staff and more than two-thirds of these (+70%) have reported recruitment difficulties.
- The outlook for the tourism sector is fairly cautious with sales, investment and employment set to decrease for a balance of firms during the three months to December, as to be expected due to the seasonal nature of the sector.

Construction

CONTRACTS/SALES

Sales for the sector slowed although remained positive, easing to a net balance of +5% for total sales. Domestic sales also showed some weakening, falling from a net balance of +11% to +3%.

Many of the trends in contracts have eased slightly compared to the previous quarter. Furthermore, all trends have eased compared to Q3 2018 barring private sector builds which rose slightly. Nevertheless all trends remain above or close to their 5 year average.

INVESTMENT

Fewer than a quarter of firms reported rising investment plans for this quarter, resulting in negative balances across the board. The slowdown in investment is particularly evident in training.

WORK IN PROGRESS

Levels of work in progress have fallen significantly in comparison to the previous quarter and to Q3 2018. For the first time in six years more firms are reporting a reduction in work in progress than an increase.

CASHFLOW/PROFITS

An equal proportion of firms reported both rising and declining levels of cashflow & profits, meaning that the net balances were flat for the quarter. Both balances are lower than the five-year average for the quarter.

CONCERNS/PRESSURES

Cost pressures remain significant with some intensifying over Q2. Almost half of firms are reporting cost pressures arising from raw material prices and more than a third of firms are coming under pressure from rising other overhead costs.

EXPECTATIONS

Similarly, business concerns remain significant, most notably concerns over competition and inflation. The Scottish construction sector appears to be cautious with firms still expecting sales, investment and profits to rise in Q4 but considerate of seasonal factors.

| (blank space indicates data not available) (balances may not add up to 100% due to M/A responses) | (rounded up to nearest %) | | | | | |
|--|---------------------------|-------|-------|---------------------------|-----------------------|--------------------|
| (figures given as % of respondents) | Up | Level | Down | Q3/19 Net % Balance | Q2/19 Last Quarter | Q3/18 Last Year |
| Business Optimism | 28 | 48 | 25 | 3 | 5 | 20 |
| Sales Revenue | | | | | | |
| Total | 30 | 45 | 25 | 5 | 22 | 31 |
| Domestic (Scotland) | 30 | 43 | 28 | 3 | 11 | 23 |
| Rest of UK | 18 | 25 | 13 | 5 | 8 | 3 |
| Contracts | | | | | | |
| Total new contracts | 35 | 38 | 13 | 23 | 28 | 48 |
| Public sector orders | 20 | 33 | 10 | 10 | -4 | 24 |
| Private commercial | 30 | 38 | 20 | 10 | 12 | 5 |
| Domestic/house build | 20 | 30 | 15 | 5 | 16 | 24 |
| Investment | | | | | | |
| Total | 25 | 35 | 30 | -5 | 11 | 0 |
| Capital | 23 | 38 | 25 | -3 | 8 | -6 |
| Training | 18 | 45 | 20 | -3 | 11 | 9 |
| Work in Progress | 35 | 27 | 38 | -3 | 24 | 33 |
| Cashflow | 30 | 40 | 30 | 0 | 8 | 15 |
| Applied for Credit? | 15 | | | 15 | 9 | 10 |
| Profits | 33 | 35 | 33 | 0 | 6 | 15 |
| Capacity used (ave. %) | | | | 72 | 77 | 76 |
| Employment | | | | | | |
| Total | 20 | 65 | 10 | 10 | 13 | 26 |
| Recruiting Staff | | | (yes) | 63 | 40 | 65 |
| Recruitment Difficulties | | | (yes) | 50 | 33 | 45 |
| Increased Wages? | | | (yes) | 20 | 41 | 26 |
| Average pay increase (%) | | | | 6.0 | 11.7 | 5.6 |
| Expectations Next Quarter | | | | | | |
| Price Change | 35 | 60 | 0 | 35 | 25 | 50 |
| Sales Revenue | 33 | 38 | 30 | 3 | 21 | 38 |
| Investment | 15 | 58 | 15 | 0 | 6 | 11 |
| Employees | 18 | 63 | 15 | 3 | 22 | 33 |
| Cost Pressures (%) | | | | | | |
| Pay Settlements | | | (yes) | 8 | 12 | 14 |
| Finance Costs | | | (yes) | 10 | 9 | 17 |
| Raw Material Prices | | | (yes) | 48 | 52 | 44 |
| Other Overheads | | | (yes) | 38 | 30 | 31 |
| Concerns (%) | | | | | | |
| Interest Rates | | | (yes) | 10 | 6 | 22 |
| Business Rates | | | (yes) | 23 | 30 | 28 |
| Competition | | | (yes) | 33 | 33 | 14 |
| Exchange Rates | | | (yes) | 13 | 12 | 8 |
| Inflation | | | (yes) | 25 | 24 | 28 |
| Taxation | | | (yes) | 18 | 21 | 19 |

Financial & Business Services

BUSINESS OPTIMISM

The majority of firms (82%) are reporting either increase or no change in the levels of optimism, resulting in a net balance of +22%.

SALES REVENUE

Sales across all measurements saw an increase, though there was no net change in online sales. Total sales rose to a net balance of +32% from the +28% for the previous quarter. Exports are notably 12 percentage points higher than was recorded for Q3 2018.

INVESTMENT

In terms of investment, all trends remain positive, and are holding up well. Overall, 88% of firms report increasing or static investment.

LABOUR MARKET

Half of firms are reporting no change in the number of staff. 45% are actively recruiting and around 40% of these recruiting firms reported difficulties in attracting suitable staff. The proportion of firms increasing wages halved from the historic high of +49% for the survey seen in Q2.

CONCERNS/PRESSURES

Competition remains the major concern for FBS firms, followed by over overheads and inflation.

This current quarter saw firms slightly more concerned over cost pressures and concerns in general, compared to the previous quarter.

EXPECTATIONS

The outlook for the sector remains positive with sales, investment and employment all expected to rise in Q4 2019.

However, around half of firms expect to see no changes in levels of investment and in their workforces over the course of the next quarter, suggesting that these decisions will continue to be kept on hold.

| (blank space indicates data not available) (balances may not add up to 100% due to N/A responses) | | | | (rounded up to nearest %) | | |
|--|----|-------|-------|---------------------------|--------------|-----------|
| (figures given as % of respondents) | Up | Level | Down | Net % Balance | Last Quarter | Last Year |
| Business Optimism | 41 | 41 | 19 | 22 | 23 | 29 |
| Sales Revenue | | | | | | |
| Total | 50 | 32 | 18 | 32 | 28 | 31 |
| Domestic (Scotland) | 48 | 32 | 19 | 29 | 20 | 29 |
| Rest of UK | 32 | 36 | 18 | 14 | 5 | 15 |
| Exports | 30 | 18 | 20 | 10 | 1 | -2 |
| Online | 11 | 20 | 4 | 6 | 6 | 8 |
| Investment | | | | | | |
| Total | 30 | 49 | 12 | 18 | 11 | 15 |
| Capital | 26 | 50 | 11 | 14 | 9 | 7 |
| Training | 25 | 56 | 9 | 16 | 12 | 20 |
| Cashflow | 36 | 39 | 24 | 12 | 9 | 6 |
| Applied for credit? | 9 | | | 9 | 24 | 14 |
| Profits | 43 | 29 | 29 | 14 | 14 | 19 |
| Capacity Used (Ave. %) | | | | 64 | 73 | 73 |
| Employment | | | | | | |
| Total | 38 | 50 | 12 | 26 | 25 | 18 |
| Recruiting Staff | 45 | | | 45 | 55 | 58 |
| Recruitment Difficulties | 39 | | | 39 | 41 | 44 |
| Increasing Wages | 24 | | | 24 | 49 | 28 |
| Average pay increase (%) | | | | 8 | 7 | 8 |
| Expectations Next Quarter | | | | | | |
| Price Change | 32 | 65 | 3 | 29 | 28 | 24 |
| Sales Revenue | 54 | 31 | 14 | 40 | 29 | 38 |
| Investment | 24 | 49 | 18 | 6 | 12 | 20 |
| Employees | 36 | 51 | 13 | 23 | 24 | 19 |
| Cost Pressures (%) | | | | | | |
| Pay Settlements | | | (yes) | 14 | 17 | - |
| Finance Costs | | | (yes) | 15 | 8 | - |
| Raw Material Prices | | | (yes) | 11 | 9 | - |
| Other Overheads | | | (yes) | 30 | 24 | - |
| Concerns (%) | | | | | | |
| Interest Rates | | | (yes) | 14 | 10 | - |
| Business Rates | | | (yes) | 24 | 14 | - |
| Competition | | | (yes) | 41 | 30 | - |
| Exchange Rates | | | (yes) | 18 | 20 | - |
| Inflation | | | (yes) | 29 | 17 | - |
| Taxation | | | (yes) | 25 | 17 | - |

Manufacturing

BUSINESS OPTIMISM

Optimism for the sector has fallen amongst firms - from a reassured Q2 that saw confidence rise to a positive net balance figure of +12% - down into a negative net balance of -11%. This figure is 7 percentage points lower for Q3 2018 and 8 percentage points lower than the Q3 average.

SALES REVENUE/ORDERS

Similarly, total sales revenue fell back into a negative net balance (-12%) after a positive Q2 (+5%). Domestic sales have declined further to a negative net balance of -8%, rUK and export sales also remain at negative net balances. All sales trends are significantly lower than recorded for the same quarter in 2018.

Fuelled by a net decline in export orders, the trend in total orders stands at the lowest level in 10 years (-21%) with 77% of firms reporting static or lowering levels of orders.

WORK IN PROGRESS

Work in progress has fallen down to near the lowest net balance of the past two years of the survey, from +16% in the previous quarter to -10% for this quarter.

CASHFLOW/CREDIT

The cashflow trend has eased slightly although still negative at -10%.

For the fifth consecutive quarter a net balance of firms reported a fall in profits.

CONCERNS/PRESSURES

Cost pressures increased in a few areas – costs from other overheads and raw material prices, but eased in others – finance costs and pay settlements.

Some business concerns have also seen some increases of note, particularly over exchange rates, competition and inflation. Other concerns have seen some easing, such as business rates and taxation.

| (blank space indicates data not available) | (rounded up to nearest %) | | | | | |
|--|---------------------------|-------|-------|---------------|--------------|-----------|
| (balances may not add up to 100% due to N/A responses) | | | | Q3/19 | Q2/19 | Q3/18 |
| (figures given as % of respondents) | Up | Level | Down | Net % Balance | Last Quarter | Last Year |
| Business Optimism | 26 | 36 | 38 | -11 | 12 | -4 |
| Sales Revenue | | | | | | |
| Total | 31 | 27 | 42 | -12 | 5 | 22 |
| Domestic (Scotland) | 25 | 42 | 33 | -8 | -2 | 21 |
| Rest of UK | 23 | 38 | 33 | -10 | -9 | 11 |
| Exports | 23 | 27 | 31 | -8 | 5 | 4 |
| Orders | | | | | | |
| Total | 23 | 34 | 43 | -21 | 0 | 18 |
| Domestic (Scotland) | 23 | 43 | 34 | -11 | -16 | 16 |
| Rest of UK | 19 | 40 | 32 | -13 | -9 | 0 |
| Exports | 19 | 23 | 34 | -15 | -12 | 15 |
| Work in Progress | 33 | 24 | 43 | -10 | 16 | 8 |
| Investment | | | | | | |
| Total | 27 | 42 | 31 | -4 | 0 | 5 |
| Capital | 27 | 33 | 35 | -8 | -7 | 13 |
| Training | 17 | 50 | 23 | -6 | 5 | 16 |
| Cashflow | 27 | 37 | 37 | -10 | -14 | -4 |
| Applied for Credit? | 14 | | | 14 | 29 | 8 |
| Profits | 31 | 29 | 40 | -10 | -5 | -3 |
| Capacity Used (Ave. %) | | | | 72 | 68 | 80 |
| Employment | | | | | | |
| Total | 25 | 42 | 33 | -8 | 27 | 27 |
| Recruiting Staff | | | (yes) | 71 | 79 | 78 |
| Recruitment Difficulties | | | (yes) | 53 | 53 | 55 |
| Increased Wages | | | (yes) | 29 | 49 | 28 |
| Average pay increase | | | | 2 | 5 | 3 |
| Expectations (next quarter) | | | | | | |
| Price Change | 35 | 63 | 2 | 33 | 25 | 41 |
| Sales | 31 | 26 | 43 | -12 | 17 | 13 |
| Investment | 17 | 62 | 19 | -2 | 5 | 8 |
| Employees | 23 | 62 | 15 | 8 | 22 | -13 |
| Cost Pressures (%) | | | | | | |
| Pay Settlements | | | (yes) | 25 | 34 | 23 |
| Finance Costs | | | (yes) | 15 | 16 | 9 |
| Raw Material Prices | | | (yes) | 74 | 64 | 63 |
| Other Overheads | | | (yes) | 42 | 32 | 36 |
| Concerns (%) | | | | | | |
| Interest Rates | | | (yes) | 15 | 14 | 14 |
| Business Rates | | | (yes) | 13 | 25 | 23 |
| Competition | | | (yes) | 25 | 18 | 32 |
| Exchange Rates | | | (yes) | 64 | 55 | 48 |
| Inflation | | | (yes) | 26 | 20 | 36 |
| Taxation | | | (yes) | 19 | 25 | 13 |

Retail & Wholesale

BUSINESS OPTIMISM

Business optimism for retail saw the majority of firms (73%) reporting no change or lowered levels, resulting in a net balance figure of -4%. This is a 10 percentage point fall from Q2 and a 33 percentage point fall from Q3 2018.

SALES REVENUE

In general, all sales trends have eased in comparison to the previous quarter barring rUK sales which have seen a slight rise from a flat level in Q2.

Total sales sit at a net balance of +9%, which is 5 percentage points higher than recorded for Q2 2019 but 11 percentage points lower than the same figure recorded for Q3 2018.

INVESTMENT

Investment trends remained positive for both total and capital investment, although both have eased.

As can be seen with other sectors, it appears that retail firms are holding off from making investment decisions at this point in time.

PROFIT

Just over three quarters of firms reported no change or an increase in their profits, resulting in a net balance figure of +14%.

This is six percentage points higher than the last quarter and the same as the figure recorded for Q3 2018.

LABOUR MARKET

The majority of firms (51%) did not change total employment numbers nonetheless the net balance remained positive and increased from the previous quarter. 37% of these are seeing recruitment difficulties, a 16 percentage point increase from Q2.

CONCERNS/PRESSURES

The main cost pressures for the sector remain raw material prices and other overheads which saw a slight increase. Business concerns have increased generally across all areas, with business rates and competition being the leading concerns.

| (blank space indicates data not available) | | | | (rounded up to nearest %) | | |
|--|----|-------|-------|---------------------------|--------------|-----------|
| (balances may not add up to 100% due to N/A responses) | | | | Q3/19 | Q2/19 | Q3/18 |
| (figures given as % of respondents) | Up | Level | Down | Net % Balance | Last Quarter | Last Year |
| Business Optimism | 26 | 43 | 30 | -4 | 4 | 29 |
| Sales Revenue | | | | | | |
| Total | 36 | 36 | 28 | 9 | 14 | 20 |
| Domestic (Scotland) | 28 | 47 | 25 | 4 | 5 | 8 |
| Rest of UK | 18 | 39 | 14 | 4 | 0 | 2 |
| Exports | 12 | 25 | 7 | 5 | 10 | 8 |
| Online | 25 | 35 | 21 | 4 | 18 | 16 |
| Investment | | | | | | |
| Total | 26 | 45 | 22 | 4 | 7 | 23 |
| Capital | 23 | 43 | 20 | 3 | 7 | 12 |
| Training | 19 | 43 | 17 | 1 | 0 | 16 |
| Cashflow | 30 | 46 | 23 | 7 | 8 | 0 |
| Applied for Credit? | | | (yes) | 16 | 18 | 20 |
| Profits | 32 | 51 | 18 | 14 | 8 | 14 |
| Capacity Used (Ave %) | | | | 1 | 1 | 1 |
| Employment | | | | | | |
| Total | 29 | 51 | 20 | 9 | 3 | 18 |
| Recruiting Staff | | | (yes) | 61 | 50 | 65 |
| Recruitment Difficulties | | | (yes) | 37 | 21 | 31 |
| Increased Wages? | | | (yes) | 25 | 20 | 29 |
| Average Pay Increase | | | | 2.0% | 9.2% | 9.5% |
| Expectations Next Quarter | | | | | | |
| Price Change | 36 | 61 | 3 | 33 | 36 | 39 |
| Sales Revenue | 42 | 36 | 22 | 20 | 22 | 40 |
| Investment | 21 | 61 | 11 | 11 | 19 | 7 |
| Employees | 25 | 65 | 10 | 14 | 10 | 2 |
| Cost Pressures (%) | | | | | | |
| Pay Settlements | | | (yes) | 16 | 7 | - |
| Finance Costs | | | (yes) | 23 | 10 | - |
| Raw Material Prices | | | (yes) | 23 | 24 | - |
| Other Overheads | | | (yes) | 39 | 37 | - |
| Concerns (%) | | | | | | |
| Interest Rates | | | (yes) | 11 | 7 | - |
| Business Rates | | | (yes) | 39 | 20 | - |
| Competition | | | (yes) | 37 | 32 | - |
| Exchange Rates | | | (yes) | 23 | 20 | - |
| Inflation | | | (yes) | 28 | 22 | - |
| Taxation | | | (yes) | 32 | 22 | - |

Tourism

BUSINESS OPTIMISM

On balance, tourism firms reported a slight decrease in optimism easing from a balance of +10% in Q2 to +6% for Q3. Furthermore firms were, on balance, less confident than in Q3 of last year.

GUESTS/CUSTOMERS

A net balance of firms reported a decrease in the number of total guests/customers for the third quarter (+14%) compared to Q2 (+26%).

Most trends are lower when compared with the same period a year ago. There has been a slight increase in the number of those coming from the rest of the EU, but all other trends have seen some easing.

INVESTMENT

Total investment has remained unchanged for the quarter but is still positive at +4%. Capital and training investment have seen some increases from previously negative territory, although capital is now flat at 0. This figure for capital investment is 15 percentage points lower than for the same quarter in 2018.

LABOUR MARKET

More than three-quarters of firms are actively attempting to recruit staff with more than half of these reporting recruitment difficulties. The proportion of firms increasing wages has eased from the historical high of +70% seen in Q2, down to +41% for this quarter.

CONCERNS/PRESSURES

Cost pressures remain significant, most notably for raw material costs (46%) and other overheads (58%).

Similarly, business concerns remain significant with the top 3 being taxation, inflation and business rates.

EXPECTATIONS

The outlook for the tourism sector is cautious with negative net balances recorded for sales, investment and employment. Whilst these figures may look weak in comparison to what they were in Q3 2018, the seasonal nature of the sector should be taken into account.

| (blank space indicates data not available) | | | | (rounded up to nearest %) | | |
|--|----|-------|-------|---------------------------|--------------|-----------|
| (balances may not add up to 100% due to N/A responses) | | | | Q3/19 | Q2/19 | Q3/18 |
| (figures given as % of respondents) | Up | Level | Down | Net % Balance | Last Quarter | Last Year |
| Business Optimism | 33 | 40 | 27 | 6 | 10 | 26 |
| Sales Revenue | | | | | | |
| Total | 40 | 35 | 25 | 15 | 32 | 39 |
| Domestic (Scotland) | 25 | 54 | 15 | 10 | 25 | 37 |
| Rest of UK | 19 | 44 | 17 | 2 | 21 | 7 |
| Online | 25 | 23 | 19 | 6 | 37 | 40 |
| Investment | | | | | | |
| Total | 29 | 38 | 25 | 4 | 4 | 3 |
| Capital | 21 | 48 | 21 | 0 | -4 | 15 |
| Training | 27 | 42 | 23 | 4 | -4 | 8 |
| Cashflow | 38 | 29 | 33 | 4 | 5 | 38 |
| Applied for credit | | | (yes) | 19 | 19 | 23 |
| Profits | 43 | 32 | 24 | 19 | 32 | 43 |
| Employment | | | | | | |
| Total | 23 | 56 | 21 | 2 | 30 | 15 |
| Recruiting Staff | | | (yes) | 81 | 81 | 85 |
| Recruitment difficulties | | | (yes) | 70 | 69 | 79 |
| Increased wages? | | | (yes) | 41 | 70 | 38 |
| Average pay increase (%) | | | | 4 | 6 | 4 |
| Guests/Customers vs last year | | | | | | |
| Total | 41 | 32 | 27 | 14 | 26 | 43 |
| From Scotland | 24 | 54 | 22 | 3 | 7 | 17 |
| From Rest of UK | 24 | 59 | 16 | 8 | 14 | 13 |
| From Rest of EU | 38 | 27 | 35 | 3 | 0 | 27 |
| From Outside the EU | 38 | 32 | 30 | 8 | 14 | 33 |
| Expectations Next Quarter | | | | | | |
| Price Change | 42 | 44 | 15 | 27 | 60 | 22 |
| Sales | 25 | 38 | 38 | -13 | 52 | 3 |
| Investment | 22 | 49 | 30 | -8 | 22 | 18 |
| Employees | 27 | 42 | 31 | -4 | 15 | 0 |
| Cost Pressures (%) | | | | | | |
| Pay Settlements | | | (yes) | 25 | 36 | - |
| Finance Costs | | | (yes) | 25 | 14 | - |
| Raw Material Prices | | | (yes) | 46 | 46 | - |
| Other Overheads | | | (yes) | 58 | 64 | - |
| Concerns (%) | | | | | | |
| Interest Rates | | | (yes) | 10 | 18 | - |
| Business Rates | | | (yes) | 42 | 50 | - |
| Competition | | | (yes) | 40 | 14 | - |
| Exchange Rates | | | (yes) | 25 | 14 | - |
| Inflation | | | (yes) | 48 | 39 | - |
| Taxation | | | (yes) | 50 | 39 | - |