Quarterly Economic Indicator Q2 2018

Scottish Chambers of Commerce

Contents

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 May and July of 2018. 375 firms responded to the Q2 2018 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. For further information on the Quarterly Economic Indicator, please contact:

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Foreword

This latest Scottish Chambers of Commerce Quarterly Economic Indicator shows that Scottish businesses remain relatively resilient despite the uncertain trading conditions.

A lack of clarity about the UK's terms of exit from the EU continues to make it difficult for businesses to develop the necessary contingency plans.

Despite this, business confidence has improved across all sectors in this latest survey, with confidence levels now higher than they were a year ago.

This reinforces our cautious optimism about growth prospects for Scotland this year. With indicators of household and business confidence improving and global growth picking up, the Scottish economy is showing signs that it will grow more quickly this year than last, although growth is expected to remain below trend.

Our own forecasts for the Scottish economy are for growth of around 1.2% in 2018 and 1.3% in 2019 – still well below trend but more positive than the official forecasts of the Scottish Fiscal Commission.

Looking in more detail at the Scottish Chambers of Commerce Quarterly Economic Indicator data, we see that all major sectors continue to show a positive and improving net balance in sales revenues.

While weak business investment has been a feature of Scotland's economy in recent times, the latest survey results show that - with the exception of the retail sector - levels of investment have increased significantly over the last year. This is a welcome sign given the key role that investment plays in boosting productivity, and in turn improving long-term economic prosperity.

Firms across all sectors are reporting increasing concerns about rising costs for raw materials and overheads, and the impact of these price increases on profit margins.

The latest survey also reflected increasing recruitment difficulties among firms in a number of sectors of the economy including retail, manufacturing and construction. Partly this reflects orders, sales and work in progress among manufacturing and construction firms being up.

Finally, the Scottish tourism sector appears to have bounced back somewhat in Q2 with many of the key trends up on both last quarter and on the year before. The period of good weather through the second quarter of 2018 will have helped boost activity in this sector.

The outlook for the Scottish economy for 2018 is still one of cautious optimism. We expect, reinforced by the findings of this survey, that the Scottish economy will pick up through 2018 and record faster growth than 2017. However uncertainty about the terms of the UK exit from the EU continue to make business planning and investment decisions difficult, and acts as a general headwind on growth.

Professor Graeme Roy

Director, Fraser of Allander Institute

UNIVERSITY of STRATHCLYDE
FRASER OF ALLANDER INSTITUTE

Introduction

The results for the second quarter of 2018 continue to illustrate, that whilst Scottish firms may be cautious, the economy, particularly in Financial and Business Services, is maintaining levels of resilience in an uncertain policy environment.

Business optimism remains strong, with positive sentiment for the future growing across the majority of key sectors. However, we recognise the UK's exit from the European Union will create a mix of opportunities and challenges. For the minority of surveyed firms that reported lower optimism, the UK's future relationship with the European Union continues to be cited as one of the key drivers of concern.

Furthermore, although investment levels have remained broadly positive across many sectors, a softening of growth in sectors such as retail and tourism has been observed. Both sectors reported rising levels of investment in the first quarter of the year, so Q3 figures will help to understand if this represents more restrained levels of investment in the quarters ahead. Compliance costs such as those linked to the new GDPR legislation could have acted as a driver of some of the higher investment in the first quarter of the year.

Recruitment difficulties have also returned to the fore once again, as the labour market continues to tighten. The most recent ONS data has illustrated that both the employment rate, and the number of vacancies in the UK jobs market is at record levels. With every sector in this report anticipating increasing pay levels, it is clear the challenging labour market is creating heightened competition for those with the right skills. Sectors such as retail which have cut back on broader investment, are also continuing to focus on training, perhaps with staff retention as a key outcome.

The survey results continue to demonstrate that that finding skilled workers is undoubtedly going to act as one of the key challenges for the rest of the trading year. Firms can play a part in this by continuing to invest in their own staff, as our data suggests that they are.

It is also crucial that government creates an environment in which the private sector can thrive to create jobs and prosperity in our communities. Domestically, we must invest in digital and physical infrastructure to ensure that Scottish businesses are exploiting new technologies to improve productivity. Internationally, we must ensure that firms are able to seamlessly attract talent to the UK, especially for our developing sectors such as FinTech. Maintaining the effective and efficient cross-border supply chains which enable many of our manufacturing businesses to thrive is also key to ensuring future trade prosperity. The UK and Scottish Governments must also continue their active support in enabling the private sector to capitalise on our global business connections to help improve Scotland's exporting performance.

Neil Amner

Chair, SCC Network's Economic Advisory Group
Director, Anderson Strathern

Scottish Chambers of Commerce Network

Key Findings

OPTIMISM & BUSINESS CONFIDENCE

Results of the second quarter Quarterly Economic Indicator suggest a broadly optimistic Scottish economy.

Across the sample as a whole, before splitting the results by sector, only 15% of firms reported that they were less optimistic about the business environment than in Q1 2018.

This increases when firms are asked to compare their optimism levels relative to the last year, with 24% of firms stating that their optimism is lower. However, the majority of businesses still report higher optimism (41%), relative to the 35% of firms reporting no change.

When we break down optimism by sector, the only sector which hasn't observed a clear increase in percentage balance terms is Construction, which at **+14**, has recorded a slightly more muted result than Q1. However, this remains positive, and no sectors have recorded a negative net % balance for business optimism in this quarter.

Reasons for optimism change

A range of reasons were provided by firms for their changes in business confidence.

For firms that reported higher levels than in prior periods, particularly in retail, much of this was linked to a challenging Q1 and the expectation that the outlook / final financial performance in Q2 will be more positive.

For the minority of firms that reported a more pessimistic outlook, continued uncertainty over the policy environment linked to the UK's Exit from the European Union was seen as a key factor, in addition to linked factors such as foreign exchange rate concerns.

This feedback was echoed by some members of our Economic Advisory Group. Although 'Brexit' in itself was recognised as an uncertainty, the continuing challenge for some members was managing currency issues which have persisted since the referendum result was announced.

INVESTMENT

No doubt driven in part by this strong optimism, investment levels have continued to be relatively strong across the Scottish Economy in the second quarter.

Across our national sample, only 11% of firms sought to decrease investment in this quarter, further emphasising the resilience present across the business community.

When examining the data in more detail however, it's clear that there are sectoral differences in terms of how investment is being approached.

Comparing Manufacturing with the Retail sector, for example, shows that sectors are taking markedly different approaches, with retailers softening their investment approach, and a higher manufacturers looking to increase investment levels than maintain Q1 levels.

For manufacturing in particular, discussions at the SCC Economic Advisory Group have suggested that the continued pressure put upon firms by raw material costs, which continues to be illustrated by our data, is leading to increased investment in processes and staff to ensure maximum efficiencies across the manufacturing process.

It's also worth noting that, although retailers have softened their investment profile, this remains positive and relatively flat in training relative to Q1. It's possible that the increasing level of recruitment difficulties in this area has driven retailers to focus further on upskilling their staff to increase retention.

RECRUITMENT DIFFICULTIES

There was some indication that recruitment difficulties, a persistent challenge for firms across the majority of 2017, was softening in our first quarter report, but unfortunately, Q2 results have shown that recruitment difficulties are acting to constrain growth across a variety of sectors.

Key Findings

RECRUITMENT DIFFICULTIES

At a national level, approximately half of all firms (48%) encountered some difficulty when attempting to recruit.

Challenges were particularly pronounced in areas such as retail, tourism and construction, with all sectors sharply up on the previous quarter.

In line with this, the data shows that a significant proportion of firms are looking to increase wages, with just over 40% of businesses looking to do so this quarter.

Every sector has seen an increase relative to last quarter in this area, with Tourism in particular experiencing particular challenges.

It's possible that some of the employment issues in tourism are driven by the falling number of migrants coming to the UK seeking work, with migrants historically forming a significant proportion of the overall tourism labour market.

KEY FINANCIAL INDICATORS

Revenue

Overall revenue remains strong for the majority of Scottish businesses. At a national level, total revenue has increased for 48% of the firms in our sample, and remained constant for 34%. This adds further weight to our general interpretation of continued resilience within the economy at this time.

On a sectoral basis, there is cause for further positivity in sectors such as Retail and Tourism, which have observed substantial improvements from a challenging first quarter for revenue.

As with many of our results this quarter, although the direction suggests positivity, third quarter results will be crucial to understand if this strong upturn represents more than just a recovery from some of the challenging events in early 2017, such as the "Beast from the East".

KEY FINANCIAL INDICATORS

Profitability and Cashflow

At a national level, cashflow and profitability results widely mirrored each other in this quarter, with roughly a fifth of firms experiencing a decline in each metric. Firms were most likely to report no change in levels of these metrics, with roughly 40% of businesses across our whole sample stating this.

Sectorally, tourism represents one area which has seen a substantial improvement, from a negative % balance of **-13** to **+16** this quarter, driven by improving guest numbers.

Construction and retail, with negative and flat profitability respectively, show that despite the broad positivity of our results this quarter, the structural challenges that exist in these sectors are continuing to put pressure on the bottom line for these businesses.

EXPECTATIONS

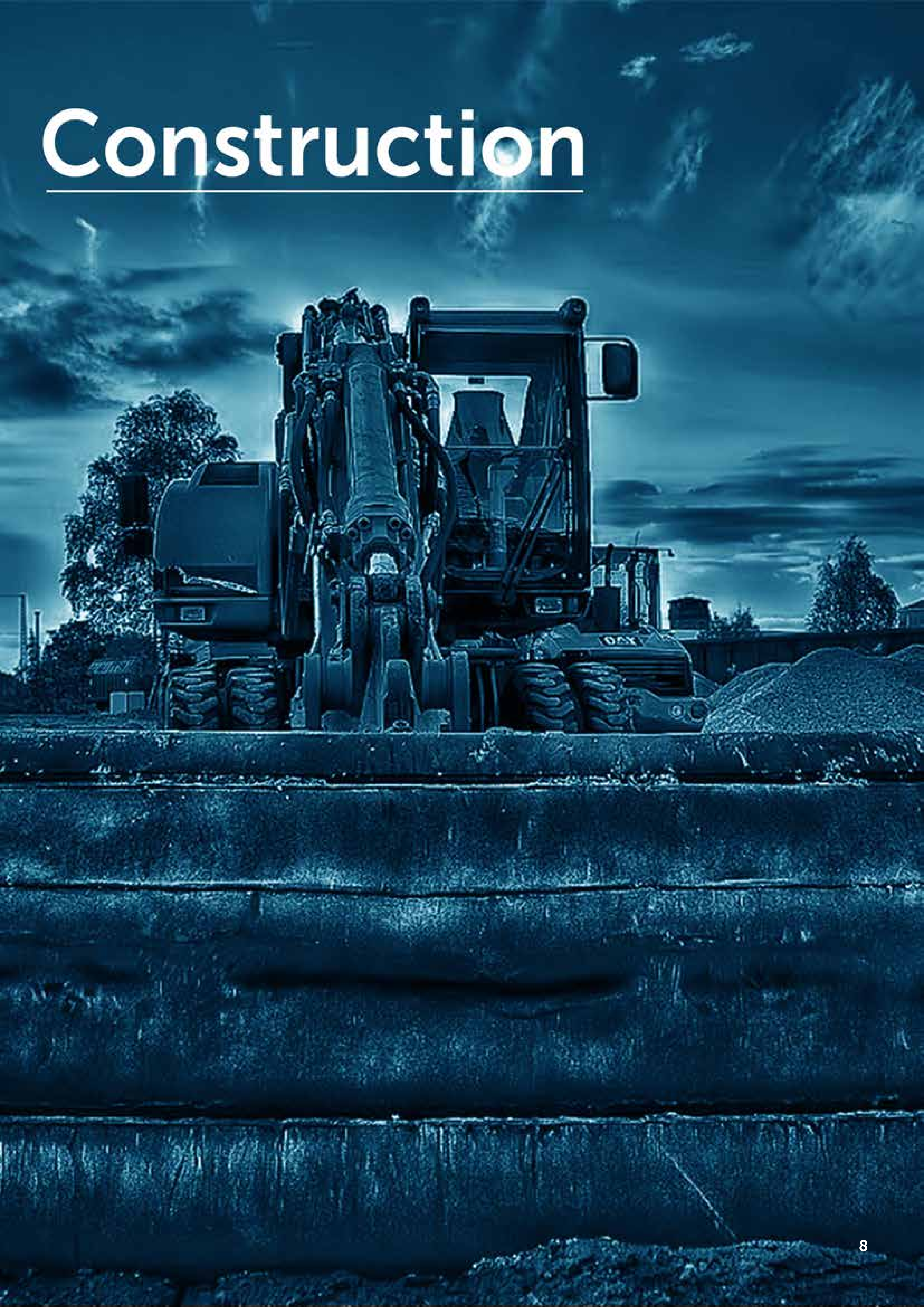
Expectations for the third quarter are somewhat mixed across our analysed sectors.

One metric which does appear relatively consistent cross sectorally is price changes. At a national level, approximately a third of businesses are considering raising their prices next quarter, with the vast majority looking to fix prices.

At a sectoral level, this sits below long term averages and prior quarterly results in several areas, such as tourism. Sectors such as construction and manufacturing, which are more likely to be exposed to changes in raw material prices, are also more likely to report sustained levels of price change intentions.

This may explain some of the focus on inflation as a potential cost pressure in our sectoral results, and could also seek to cause challenges for firms further in the year, especially with many businesses acting to boost wages for their employees.

Construction



Construction

BUSINESS OPTIMISM

Construction remains positive for optimism / business confidence in 2018, at **+14** in the second quarter, comparable to Q2 2017. This is below the Q2 Average of **+22**, but in line with the overall average for optimism from 2014 onwards.

CONTRACTS

The net % balance for overall contracts has increased to **+23**. The boost in public sector orders to **+4** is uncharacteristic for Q2, which is often negative, but it should be noted that the majority of firms (31%) reported no change in work from the public sector.

WORK IN PROGRESS

82% of businesses reported that their level of work in progress either increased or remained the same in Q2, giving a net % balance of **+32**. This is significantly higher than the Q2 average of **+12**, or the overall average of **+18**.

INVESTMENT

Construction was one of few sectors which observed a significant drop in investment levels between Q4 2017 and Q1 2018. Fortunately, especially when linked to training, there appears to have been a return to higher levels of investment, with only 6% of construction businesses decreasing their level of training investment this quarter. This translates to a net % balance change of **+20**.

CONCERNS + PRESSURES

Although raw material prices have seen some reduction, pay settlements remain an issue, with 29% of firms continuing to indicate this as a cost pressure, in line with the increase in % balance terms of firms offering pay increases to **+32**.

Taxation is now the most salient concern for construction firms, with 49% of businesses citing it as an issue.

(blank space indicates data not available)				(rounded up to nearest %)		
(balances may not add up to 100% due to N/A responses)				**Q2/18**	**Q1/18**	**Q2/17**
(figures given as % of respondents)	**Up**	**Level**	**Down**	**Net % Balance**	**Last Quarter**	**Last Year**
Business Optimism	26	63	11	**14**	16	14
Sales Revenue						
Total	37	43	14	**23**	-7	18
Domestic (Scotland)	29	54	17	**11**	-5	13
Rest of UK	9	11	0	**9**	5	2
Contracts						
Total new contracts	42	31	19	**23**	10	13
Public sector orders	23	31	19	**4**	-11	-11
Private commercial	48	19	19	**30**	18	0
Domestic/house build	15	38	15	**0**	13	9
Investment						
Total	26	51	17	**9**	7	12
Capital	23	51	20	**3**	0	10
Training	26	54	6	**20**	2	6
Work in Progress	50	32	18	**32**	18	11
Cashflow	37	43	20	**17**	**2**	-2
Applied for Credit?	17			**17**	**20**	20
Profits	17	54	23	**-6**	**9**	-6
Capacity used (ave. %)				**82**	**81**	84
Employment						
Total	36	45	15	**21**	**-5**	6
Recruiting Staff			(yes)	**58**	**52**	59
Recruitment Difficulties			(yes)	**68**	**52**	59
Increased Wages?			(yes)	**32**	**27**	33
Average pay increase (%)				**3.8**	**3.5**	**4.5**
Expectations Next Quarter						
Price Change	33	67	0	**33**	**33**	43
Sales Revenue	48	42	9	**39**	**25**	20
Investment	29	47	21	**9**	**14**	10
Employees	26	71	3	**24**	11	31
Cost Pressures (%)						
Pay Settlements			(yes)	**29**	29	-
Finance Costs			(yes)	**14**	7	-
Raw Material Prices			(yes)	**43**	61	-
Other Overheads			(yes)	**57**	49	-
Concerns (%)						
Interest Rates			(yes)	**23**	32	-
Business Rates			(yes)	**23**	22	-
Competition			(yes)	**26**	46	-
Exchange Rates			(yes)	**6**	2	-
Inflation			(yes)	**20**	32	-
Taxation			(yes)	**49**	29	-

Financial & Business Services

Financial & Business Services

SALES REVENUE

Second quarter results present a Financial and Business Services sector which is observing both increasing revenues and confidence.

Particularly in reference to Q2 2017, the sector has seen significant improvements, with total sales up from a net % balance of +18 in 2017, to +38 in Q2 2018.

EMPLOYMENT

Recruitment continues to be a key challenge, with 47% of firms acting to recruit compared to approximately 43% of firms looking to fill vacancies in Q1. The number of firms experiencing recruitment difficulties has remained flat, at 37%, in line with last quarter.

INVESTMENT

Investment is higher than the same time last year, by a significant margin. It is worth noting that over 75% of firms are either increasing or maintaining levels of overall investment.

Capital investment has increased substantially to +15, from +8 in the previous quarter.

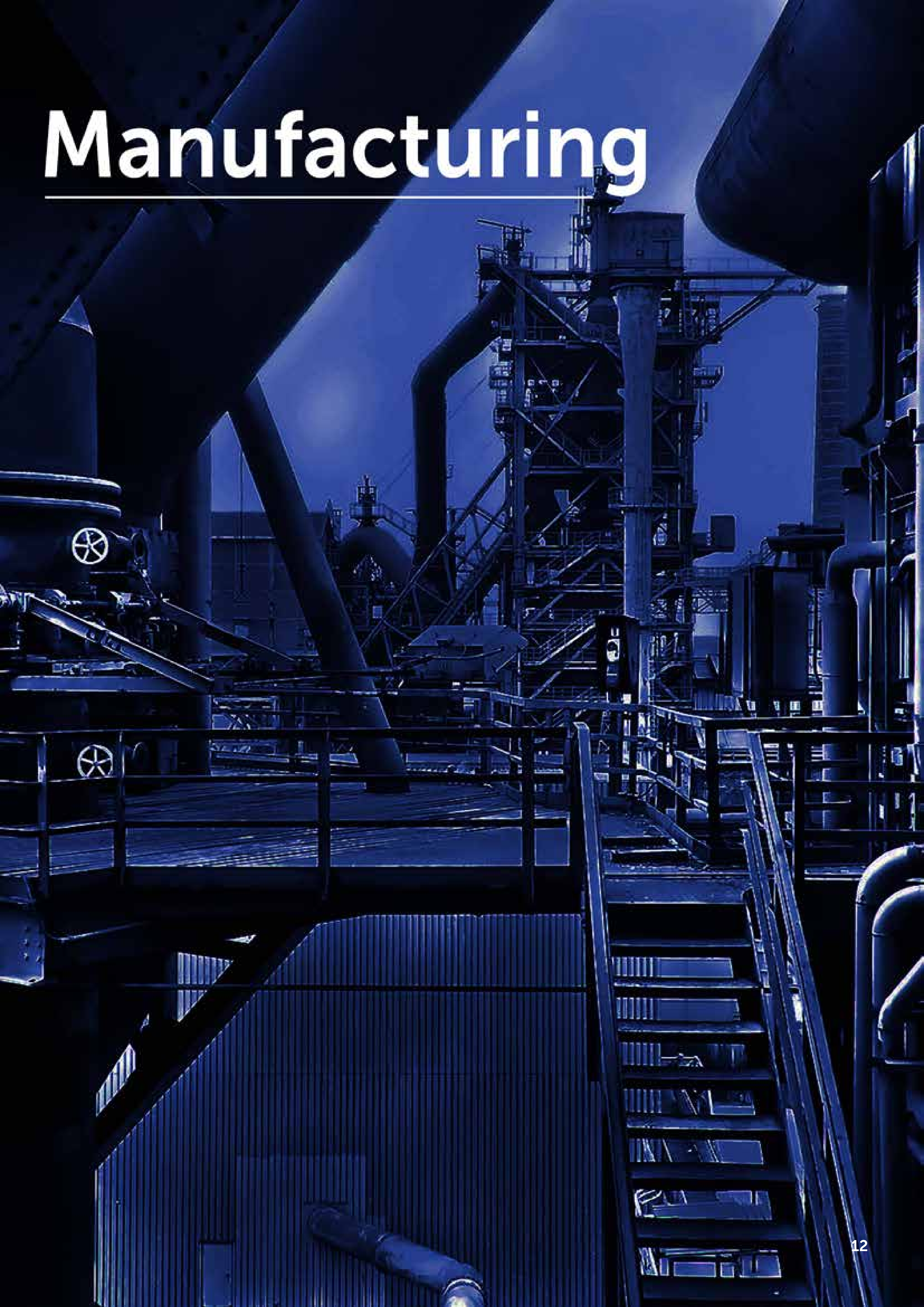
The results suggest that FBS firms are continuing to invest at similar levels to Q1, a finding not observed universally across other key sectors.

CONCERNS

Competition now ranks as the most persistent concern for FBS firms, at 36% of firms, relatively stable from Q1 2018.

(blank space indicates data not available)				(rounded up to nearest %)		
(balances may not add up to 100% due to N/A responses)				**Q2/18**	**Q1/18**	**Q2/17**
(figures given as % of respondents)	**Up**	**Level**	**Down**	**Net % Balance**	**Last Quarter**	**Last Year**
Business Optimism	41	45	14	**27**	9	9
Sales Revenue						
Total	52	31	14	**38**	25	18
Domestic (Scotland)	44	34	18	**26**	17	13
Rest of UK	20	39	4	**17**	7	1
Exports	14	16	5	**9**	7	3
Online	16	23	3	**13**	3	2
Investment						
Total	28	50	6	**22**	14	2
Capital	23	50	8	**15**	8	3
Training	25	51	6	**19**	16	14
Cashflow	37	40	21	**15**	6	4
Applied for credit?	9			**9**	9	7
Profits	40	40	17	**23**	6	-1
Capacity Used (Ave. %)				**75**	72	70
Employment						
Total	23	62	11	**12**	15	8
Recruiting Staff	47			**47**	43	30
Recruitment Difficulties	37			**37**	37	43
Increasing Wages	33			**33**	24	31
Average pay increase (%)				**5**	4	7
Expectations Next Quarter						
Price Change	23	72	6	**17**	23	19
Sales Revenue	44	42	12	**32**	41	36
Investment	22	55	14	**8**	22	18
Employees	22	73	5	**16**	29	19
Cost Pressures (%)						
Pay Settlements			(yes)	**8**	27	-
Finance Costs			(yes)	**5**	9	-
Raw Material Prices			(yes)	**10**	11	-
Other Overheads			(yes)	**35**	46	-
Concerns (%)						
Interest Rates			(yes)	**16**	19	-
Business Rates			(yes)	**17**	20	-
Competition			(yes)	**36**	42	-
Exchange Rates			(yes)	**11**	27	-
Inflation			(yes)	**23**	28	-
Taxation			(yes)	**21**	38	-

Manufacturing



Manufacturing

ORDERS

Broadly, the second quarter of 2018 has displayed an encouraging set of results for manufacturers, with rest of UK orders sitting at their highest level in a number of years (**+21**).

CASHFLOW + PROFITS

The second quarter has also provided a needed boost to manufacturers when it comes to cash flow and profitability, both of which had declined to negative levels in Q1 2018.

Over 80% of businesses indicated that their cashflow had either improved or remained the same, translating to a net % balance figure of +14, which contrasts with -7 in Q1 2018.

Profits have also improved, with approximately 75% of firms indicating growth or parity with Q1, equating to a net % balance of +10, relative to the negative figure seen in the previous quarter (-4).

CONCERNS + COST PRESSURES

62% of Manufacturing firms had highlighted raw materials as the main contributor to raising prices. The highest level of any of the sectors surveyed.

In line with this, many firms expect to raise their prices further in 2018, with a net % balance figure of +41, similar to the previous quarter.

EXPECTATIONS

Aside from price changes, expectations are also broadly the same as Q1 for sales (+36).

There is also an expectation that investment will improve further in 2018, as continued raw material price challenges see a need for more efficient manufacturing processes.

(blank space indicates data not available)				(rounded up to nearest %)		
(balances may not add up to 100% due to N/A responses)				**Q2/18**	**Q1/18**	**Q2/17**
(figures given as % of respondents)	**Up**	**Level**	**Down**	**Net % Balance**	**Last Quarter**	**Last Year**
Business Optimism	31	49	20	**10**	3	5
Sales Revenue						
Total	51	22	27	**24**	14	27
Domestic (Scotland)	34	40	22	**12**	2	5
Rest of UK	21	49	17	**4**	-7	2
Exports	29	23	19	**10**	17	33
Orders						
Total	42	31	25	**17**	14	23
Domestic (Scotland)	25	52	17	**8**	0	2
Rest of UK	33	31	13	**21**	-7	-12
Exports	33	21	19	**15**	-4	5
Work in Progress	50	33	17	**33**	23	21
Investment						
Total	32	60	4	**28**	16	9
Capital	35	50	8	**27**	16	5
Training	27	63	4	**22**	11	23
Cashflow	32	50	18	**14**	-7	16
Applied for Credit?	12			**12**	10	16
Profits	34	42	24	**10**	-4	32
Capacity Used (Ave. %)				**77**	76	78
Employment						
Total	40	47	13	**27**	8	16
Recruiting Staff			(yes)	**87**	64	63
Recruitment Difficulties			(yes)	**49**	39	48
Increased Wages			(yes)	**40**	24	37
Average pay increase				**3**	3	5
Expectations (next quarter)						
Price Change	43	54	2	**41**	41	40
Sales	57	21	21	**36**	36	30
Investment	36	60	4	**31**	12	12
Employees	47	43	11	**36**	29	34
Cost Pressures (%)						
Pay Settlements			(yes)	**18**	28	-
Finance Costs			(yes)	**8**	9	-
Raw Material Prices			(yes)	**62**	86	-
Other Overheads			(yes)	**40**	35	-
Concerns (%)						
Interest Rates			(yes)	**6**	14	-
Business Rates			(yes)	**14**	18	-
Competition			(yes)	**34**	26	-
Exchange Rates			(yes)	**40**	51	-
Inflation			(yes)	**24**	37	-
Taxation			(yes)	**20**	16	-

Retail & Wholesale

Retail & Wholesale

OPTIMISM

Retail has continued to buck the negative trend observed through much of 2017, with optimism now at **+16**. This is significantly higher than the Q2 average over the past three years (**-6**), and the previous Q2 figure in 2017 of **-22**.

Commentary from retail firms suggests that much of this optimism was driven by the challenging sales environment of the first quarter domestically, and that

SALES REVENUE

The second quarter was also positive for retailers in terms of sales revenue, with total sales rising to **+29**, also substantially higher than the **-28** net % balance recorded in Q2 of 2017.

Online sales was one area to observe a decrease, down to **-3** and returning to negative territory. On average, 2017 seen online sales hit an average % balance of **-9**.

Online sales are relatively more stable and likely to be positive, with an overall average of **+11**, stronger than the figures for total and domestic sales, so this result is in contrast to the wider trend data.

PROFIT & CASHFLOW

Retail firms were also able to attain some respite from exceptionally challenging conditions around cashflow and profitability.

At a net % balance figure of **+3**, cashflow has returned to a positive balance, compared to **-11** in the previous quarter.

This is also the case for profitability, which at **0**, is one of the few non-negative results from 2015 until now within the current data set.

Q3 2018 results will be critical to ascertain if these findings mark a shift in retailer's positions, or positivity driven by weather conditions and a recovery from a challenging first quarter.

CONCERNS + COST PRESSURES

Linked to its effect on consumer spending, inflation was the main concern (39%) for retail firms. Business Rates, as a key cost pressure for retailers, follows close behind with 35% of firms indicating the tax as a persistent issue.

(blank space indicates data not available)				(rounded up to nearest %)		
(balances may not add up to 100% due to N/A responses)				**Q2/18**	**Q1/18**	**Q2/17**
(figures given as % of respondents)	**Up**	**Level**	**Down**	**Net % Balance**	**Last Quarter**	**Last Year**
Business Optimism	42	32	26	**16**	14	-22
Sales Revenue						
Total	52	16	23	**29**	9	-28
Domestic (Scotland)	46	25	21	**25**	-15	-17
Rest of UK	25	4	14	**11**	10	-12
Exports	8	0	8	**0**	13	12
Online	21	21	24	**-3**	6	-4
Investment						
Total	19	29	16	**3**	23	2
Capital	19	23	23	**-3**	21	-2
Training	18	29	7	**11**	12	0
Cashflow	33	27	30	**3**	-11	-17
Applied for Credit?			(yes)	**14**	14	18
Profits	33	23	33	**0**	-8	-24
Capacity Used (Ave %)				**69%**	70%	70%
Employment						
Total	28	55	10	**17**	17	-2
Recruiting Staff			(yes)	**48**	64	51
Recruitment Difficulties			(yes)	**71**	26	57
Increased Wages?			(yes)	**54**	31	37
Average Pay Increase				**5.0%**	7.1%	401.9%
Expectations Next Quarter						
Price Change	48	45	7	**41**	57	54
Sales Revenue	62	21	17	**45**	36	18
Investment	38	28	10	**28**	25	9
Employees	29	64	7	**21**	14	11
Cost Pressures (%)						
Pay Settlements			(yes)	**13**	41	-
Finance Costs			(yes)	**6**	9	-
Raw Material Prices			(yes)	**35**	47	-
Other Overheads			(yes)	**55**	68	-
Concerns (%)						
Interest Rates			(yes)	**6**	9	-
Business Rates			(yes)	**35**	44	-
Competition			(yes)	**29**	47	-
Exchange Rates			(yes)	**19**	29	-
Inflation			(yes)	**39**	50	-
Taxation			(yes)	**29**	38	-

Tourism

Tourism

GUESTS/CUSTOMERS

Tourism businesses reported a more positive second quarter than the relatively challenging Q1. In particular, guests from the rest of the world (**+28**) and rest of the EU (**+22**) appear to be increased, with both figures rising from negative levels in Q1 2018.

As with the retail sector, Q3 2018 results will be critical to determine whether this is just a pronounced seasonal effect or a longer-term trend of rising positivity.

INVESTMENT & EMPLOYMENT

Despite somewhat challenging conditions, tourism businesses continued to invest in their future.

70% of businesses increased or maintained investment in training this quarter, leading to a net % balance of **+14**, substantially higher than Q2 2017.

This is potentially influenced by the high levels of recruitment difficulties experienced by Tourism businesses, with 60% having issues filling vacancies.

EXPECTATIONS AND CONCERNS

Expectations remain strong for the rest of 2018 with sales seeing a slight increase to +50, suggesting that firms expect the positive sales environment will be maintained into the third quarter.

Price increases, at **+31**, are down on both Q1 2018 and Q2 2017, suggesting that firms are looking to increase their sales via other avenues.

At 50%, inflation was indicated as the most significant concern for tourism firms,

(blank space indicates data not available)				(rounded up to nearest %)		
(balances may not add up to 100% due to N/A responses)				**Q2/18**	**Q1/18**	**Q2/17**
(figures given as % of respondents)	**Up**	**Level**	**Down**	**Net % Balance**	**Last Quarter**	**Last Year**
Business Optimism	46	41	14	**32**	-4	18
Sales Revenue						
Total	56	25	14	**42**	-15	31
Domestic (Scotland)	54	22	16	**38**	-4	22
Rest of UK	44	17	11	**33**	-11	17
Online	41	27	5	**35**	13	22
Investment						
Total	35	35	12	**24**	22	5
Capital	30	35	19	**11**	32	12
Training	28	42	14	**14**	27	7
Cashflow	47	34	13	**34**	-11	20
Applied for credit			(yes)	**18**	16	11
Profits	37	34	21	**16**	-13	10
Employment						
Total	39	39	9	**30**	16	12
Recruiting Staff			(yes)	**76**	68	64
Recruitment difficulties			(yes)	**60**	53	59
Increased wages?			(yes)	**64**	49	58
Average pay increase (%)				**5**	5	5
Guests/Customers vs last year						
Total	44	36	14	**31**	0	21
From Scotland	31	43	17	**14**	0	13
From Rest of UK	28	50	11	**17**	-13	8
From Rest of EU	31	47	8	**22**	-2	-1
From Outside the EU	39	36	11	**28**	4	5
Expectations Next Quarter						
Price Change	31	69	0	**31**	40	37
Sales	59	32	9	**50**	49	38
Investment	22	56	13	**9**	11	1
Employees	18	76	6	**12**	22	12
Cost Pressures (%)						
Pay Settlements			(yes)	**42**	26	-
Finance Costs			(yes)	**21**	14	-
Raw Material Prices			(yes)	**47**	51	-
Other Overheads			(yes)	**50**	65	-
Concerns (%)						
Interest Rates			(yes)	**8**	14	-
Business Rates			(yes)	**32**	56	-
Competition			(yes)	**29**	26	-
Exchange Rates			(yes)	**24**	30	-
Inflation			(yes)	**50**	44	-
Taxation			(yes)	**39**	53	-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