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Scottish Business Monitor



UNIVERSITY of STRATHCLYDE
FRASER OF ALLANDER
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Quarter 1 2019

	Q1 2019	3-year average value	Change over the quarter	Change over the year
FAI Business Activity Index (net balance*)	+6%	+6%	▼ -4	▲ +5
Business activity (net balance)				
New business	+7%	+10%	▼ -3	▼ -1
Repeat business	+4%	+1%	▼ -3	▼ -1
Business concerns (%)				
Weakening demand - important	81%	81%	0	▼ -1
Exchange rates - important	54%	53%	▲ +2	0
Investment (net balance)				
Capital investment	-7%	-3%	▲ +3	▲ +1
Leasing	-17%	-17%	▼ -1	▲ +9

* Net balance of responses above zero indicates growing activity / improving optimism. The Fraser of Allander Institute Business Activity Index relates to total volume of business.

The latest Scottish Business Monitor – for Q1 2019 – highlights that growth has eased since Q4 2018 and although many of the key trends remain positive they are subdued compared to last quarter.

The latest results for turnover and business activity show that the trends remained - on balance - positive. However, they are down on the previous quarter, and the level of new business now sits at the lowest point since the end of 2016.



More than a
1/4
of firms reduced
investment plans



the trend in new
business is at the lowest
level for
2 years



1/3
of the smallest firms
reported a decline in
the volume of business



The latest FAI Scottish Business Monitor shows that despite the current uncertain environment, the Scottish economy continued to grow in the first quarter of 2019. However, overall optimism slipped again compared to 3 months ago. The outlook for investment remains particularly fragile with many companies concerned about weak future demand. Many Scottish firms are simply unprepared for a potentially imminent disorderly Brexit. Whether you agree or disagree with the decision to leave the EU, a smooth transition is vital.

Mairi Spowage

Head of Economic Analysis at the Fraser of Allander Institute



Scottish businesses appear to be remaining relatively resilient to the ongoing political uncertainty. This chimes with last week's GDP data, which showed sustained, if historically weak, growth. In 2018, Scotland grew broadly in line with the UK but overall Scotland's longer term growth rate has been slipping over the last decade. It's deeply unfortunate that a debate on the causes and implications of Scotland's growth performance is being crowded out by the ongoing mess that is Brexit.

Professor Graeme Roy

Director of the Fraser of Allander Institute



This Quarter's Highlights

An advantage of our Business Monitor is the ability to track trends in activity over time. The survey has been running on a consistent basis since 1998. It therefore provides a valuable record of conditions in the Scottish economy.

The survey regularly assesses the environment for firms in terms of areas including competition, access to credit, inflation, investment and exports and capacity.

The net balance for new business was, once again, positive (+7) but it fell compared to last quarter and now sits at the lowest point since Q4 2016.

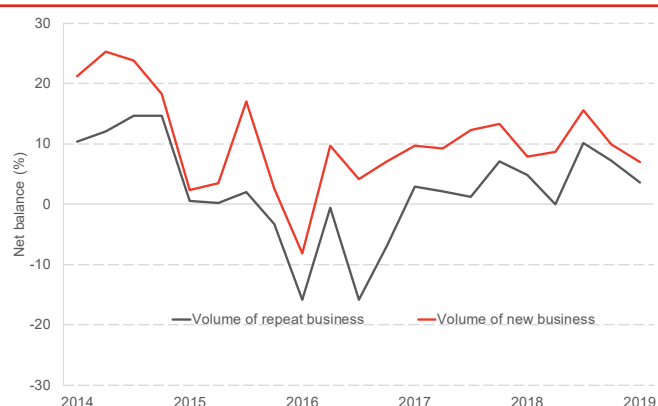
Over the last two years, we find that firms are reporting higher trends in costs (+50%) as opposed to turnover (+7%). Based on past experience, this is consistent with weak demand across the Scottish economy with business managers more worried about costs rather than opportunities.

The survey also reveals that staff availability remains a pressing issue for firms with almost three-quarters saying that it was an important or very important issue.

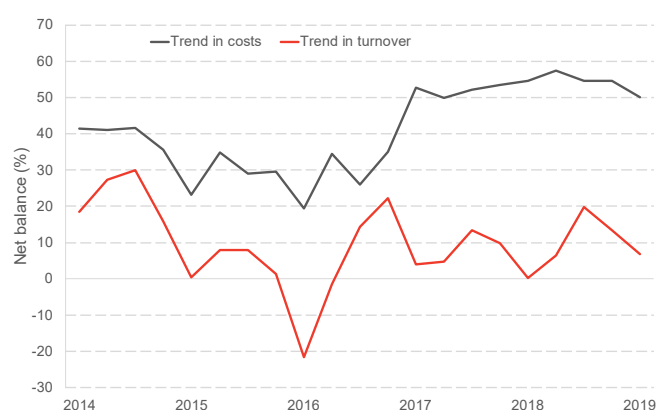
In contrast, credit availability continues to be much less of an issue – either as a result of more accessible credit from banks or weak demand amongst business owners. Only around 40% of firms now say this is an important issue for them, compared to over 60% in 2014.

In looking forward, we find that despite the current uncertain conditions firms expect a rebound over the next six months, however investment is still expected to be held back.

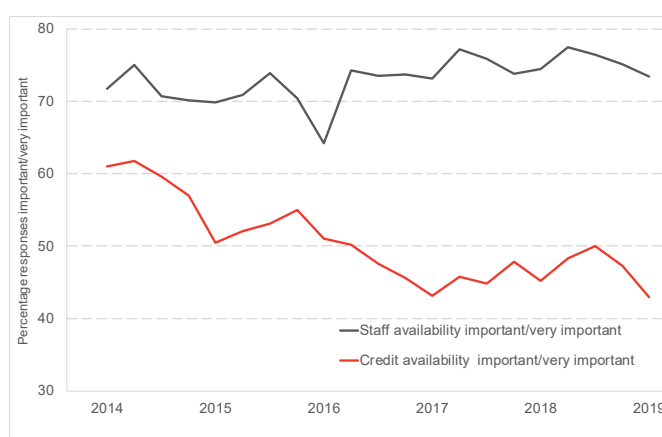
Repeat and new business, Q2 2014 – Q1 2019



Turnover and costs, Q2 2014 – Q1 2019



Credit and staff availability important/very important, Q2 2014 – Q1 2019



The Business Monitor is a survey of Scottish Businesses that has been carried out since 1998 by the Fraser of Allander Institute.

Since 1975, the Fraser of Allander Institute (FAI) at the University of Strathclyde has been a leading economic research institute focussed in the Scottish economy.

Our outputs - including our Economic Commentary and Scotland's Budget report - are hugely influential amongst government, business, and MSPs and MPs of all parties.

