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NORTH-EAST QUARTERLY ECONOMIC SURVEY

Q1 2026

Background

Established in 1989, the British Chambers of Commerce Quarterly Economic Survey is the UK's largest and longest running independent business sentiment report. It is widely referenced by government, its agencies, the Bank of England and national media as a definitive barometer of the health of the economy. The QES Q1 field period ran between 9th February, and 9th March 2026 and this latest edition was completed by 4,560 companies collectively employing over one million staff, across Chamber networks nationwide. In the North-east, 158 firms employing more than 46,000 people took part – providing a strong, representative sample from which to compare regional and national data. 68% of local respondents were from outwith the energy sector, from a broad range of industries, sectors and business types across the entire North-east region.

Summary

This latest edition of the North-east Quarterly Economic Survey – run by Aberdeen & Grampian Chamber of Commerce, in partnership with law firm Gilson Gray LLP – continues to tell a cautionary and concerning story of the region's economic performance and short term outlook, with the results again revealing unfavourable divergence between the North-east and the rest of the UK. It is worth noting that this survey was largely completed before the current global turmoil escalated and it will be interesting to see related changes in responses to the Q2 survey.

Domestic and international sales trends

Although we saw a slight stabilisation in a sharp recent North-east downward trend in domestic sales and expectation of future business, this region still trails well behind the UK with just 15% of respondents reporting growth and nearly half forecasting further reductions over the next quarter.

Meanwhile, 32% of UK businesses reported increased sales (17 percentage points more than NE) and just 26% decreased, compared to 45% in NE.

Looking at forward demand over the next quarter, 28% of UK businesses expect increased orders, compared to just 16% in the NE and 26% forecast decreased sales (compared to a highly concerning 48% of NE respondents.)

NE export figures are largely in line with the overall UK picture. This is in stark contrast to historical data which saw companies in this region significantly outperform UK peers – typically by ten percentage points or more.

Overseas activity remains relatively stable for NE firms going into 2026, with a quarter of exporters seeing increased sales but this is still significantly behind the picture in 2022, 2023 and the first part of 2024.

Looking forward, we see a see a fairly stable picture with a quarter of NE exporters expecting overseas growth, in line with the wider UK.

Constraints to growth: Cost pressures, cash flow and pricing forecasts

The issues holding back businesses in Aberdeen & Grampian are clearly around taxation including business rates.
The latter saw a big jump since the previous quarter (53% compared to 29%), which may be explained by the current revaluations.

62% of NE firms list taxation as the key barrier (12 percentage points more than the UK figure) again confirming the disproportionate impact on all sectors of the EPL.

Companies in Aberdeen & Grampian report being under significantly higher cost pressure than UK peers, particularly around labour, utilities, and raw materials. Despite what should be an easing regional labour market 86% of NE firms say that labour costs is the biggest pressure point for them (compared to 73% nationally).

In Q1 2026, 46% of Aberdeen & Grampian firms reported a decline in cash flow, the highest number since Q1 2021. This is compared with 32% across the UK. Putting many companies in the region under severe trading pressures. Nationally, 24% of respondents reported improved cash flow, seven percentage points better than in the NE.

Based on revenue and cost pressures, nearly half of businesses across the UK expect to raise prices over the next three months. This has continued to ease since Q4 2021, but the Q1 data does not account for current global conditions. Interestingly, in Q1 2026, a lower proportion of businesses in Aberdeen & Grampian (43%) expect to increase prices compared to the UK (49%), possibly suggesting that firms here are having to accept reduced margins to retain business and remain competitive.

Workforce trends

Concerningly, just ten percent of NE businesses increased their workforce in Q1, the lowest mark since the depths of the pandemic. And over the last five quarters there is an established trend of around a quarter of firms reducing headcount.

This is in stark contrast to the UK picture, despite severe national business headwinds, and provides clear evidence that government policy is disproportionately impacting this region.

Nationally, 22% of businesses have increased their workforce over the past three months, twelve percentage points more than in the NE. Meanwhile fewer UK businesses have reduced staff (16%) than in Aberdeen & Grampian (24%).

Investment plans

Investment in plant, machinery and equipment in Aberdeen & Grampian has weakened significantly over time, with the proportion of firms reducing investment rising to 37% in Q1 2026, the worst figure since Q1 2021 during another lockdown. Meanwhile only 13% reported increases, less than half of the norm over the past five years. This contrasts poorly with the UK data with over 20% of respondents indicating increased investment and less than a quarter reporting reduced investment.

Investment in training has weakened over time in both the UK and Aberdeen & Grampian; however, the decline is more pronounced locally. While 23% of UK businesses increased training expenditure in Q1, just 10% did so in the NE. And 28% of Aberdeen & Grampian firms reported reducing investment against just 19% nationally).

The bottom line

This set of data provides the most damning comparison with the rest of the UK.

Despite a small uptick since Q4, turnover expectations for the year ahead among Aberdeen & Grampian businesses have weakened significantly over the last six quarters since the General Election. The proportion of firms expecting growth has fallen from around 60% in 2023-2024 to just 29% in Q1 2026. During the same period the number of companies expecting to see declining turnover more than doubled, currently at 31%.

While firms nationally are also facing strong headwinds from the economic and policy environment, they are performing much better than their North-east peers, with 49% expecting turnover to improve and just 20% saying it will decline, confirming that something structurally different is happening here.

Profit expectations for the year ahead in Aberdeen & Grampian remain weak in Q1 2026, reaching their lowest mark since Q2 2020 at the start of a global pandemic. While the proportion of firms expecting profits to decline has eased slightly from peaks of 50% in 2025, it remains significantly elevated.

Again, we see a significant and disturbing disparity in the NE profit data compared to national results. In the UK, 41% of companies are forecasting profit growth, double the regional figure. And the number of Aberdeen & Grampian firms saying profits will decline this year is sixteen percentage points worse than peers across the country.

'Rating' Government policy for the North-east

Businesses overwhelmingly believe that neither the UK nor Scottish Governments have enabled economic growth in the North-east of Scotland over the past five years. Over 90% rated the UK Government poorly, with similarly negative views of the Scottish Government, highlighting a widespread lack of confidence in policy support for the region.

When asked which political party would best represent the business interests of North-east Scotland over the next Scottish parliamentary term almost half (47%) answered the Conservatives, followed by Reform on 29%, with the SNP on 16% and Labour on just 2%.

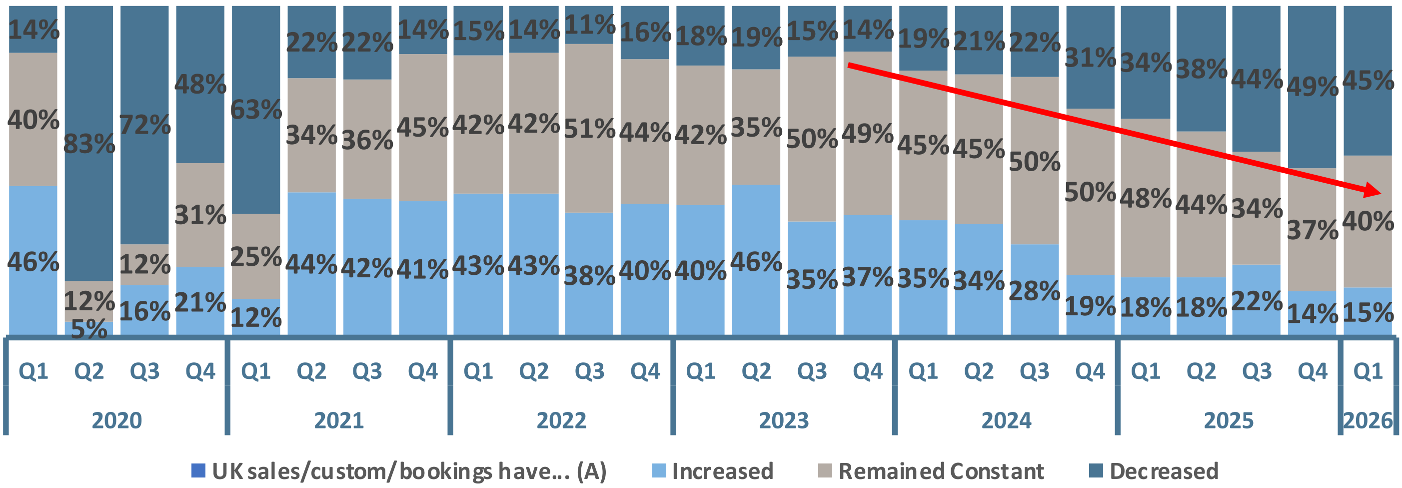
The vast majority of businesses in Aberdeen and Grampian (73%) view the current Business Rates system as unfair and outdated. Just 2% believe it is fit for purpose with a quarter unsure.
Key concerns include inconsistent valuations, disproportionate impact on SMEs and high-cost sectors and punitive charges on vacant properties.

The evidence provided by the QES continues to point to the fact that, as a result of government policy and rhetoric, the North-east is being subjected to anything but a just transition. And the frustration is that it simply doesn't need to be this way.

Domestic activity

Although we saw a slight stabilisation in a sharp North-east downward trend in sales and expectation of future business, this region still trails well behind the UK data with just 15% of respondents reporting growth and nearly half forecasting further reductions over the next quarter.

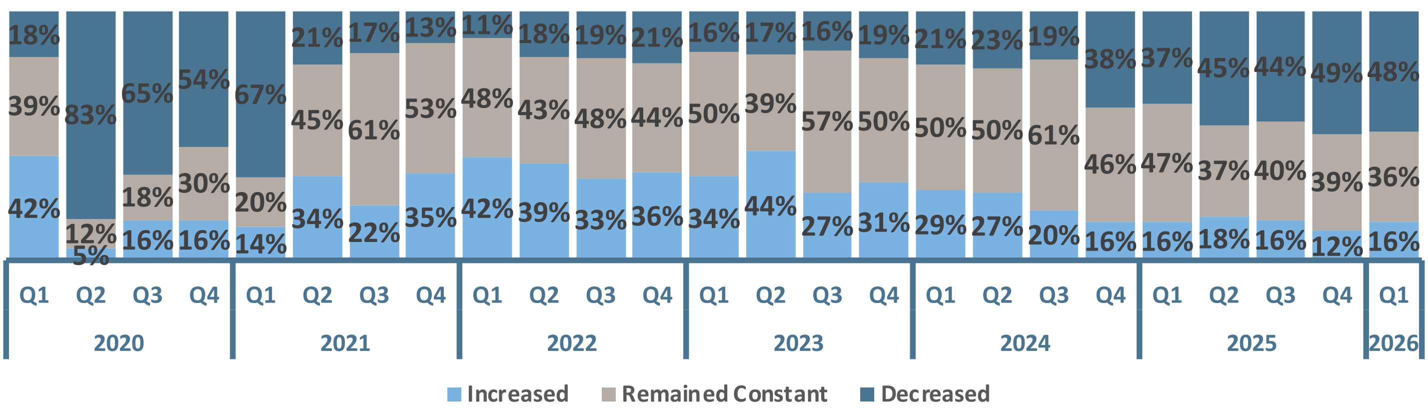
Q: Excluding seasonal variations, over the past 3 months 'UK sales/custom/bookings' have...



UK COMPARISON

32% of UK businesses reported increased sales (17 percentage points more than NE) and just 26% decreased, compared to 45% in NE

Q: Excluding seasonal variations, over the past 3 months 'UK orders/advance custom/bookings' have...



UK COMPARISON

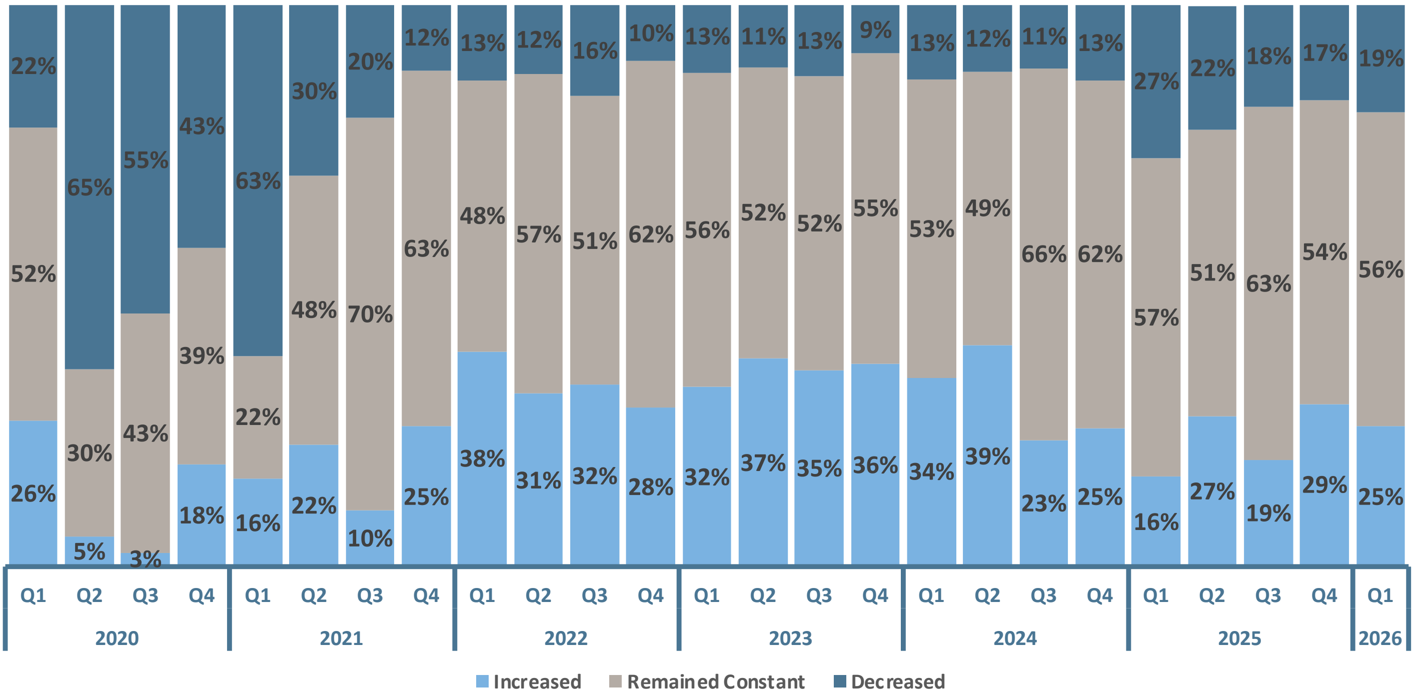
Looking at forward demand over the next quarter, 28% of UK businesses expect increased orders, compared to just 16% in the NE and 26% forecasting decreased sales (22 percentage points better than NE respondents.

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

International sales

Overseas activity remains relatively stable for NE firms going into 2026, with a quarter of exporters seeing increased sales but this is still significantly behind the picture in 2022, 2023 and the first part of 2024.

Q: Excluding seasonal variations, over the past 3 months 'Overseas sales/custom/bookings' have...



UK COMPARISON

NE figures are largely in line with the overall UK picture. This is in stark contrast to historical data which saw companies in this region significantly outperform UK peers – typically by ten percentage points or more.

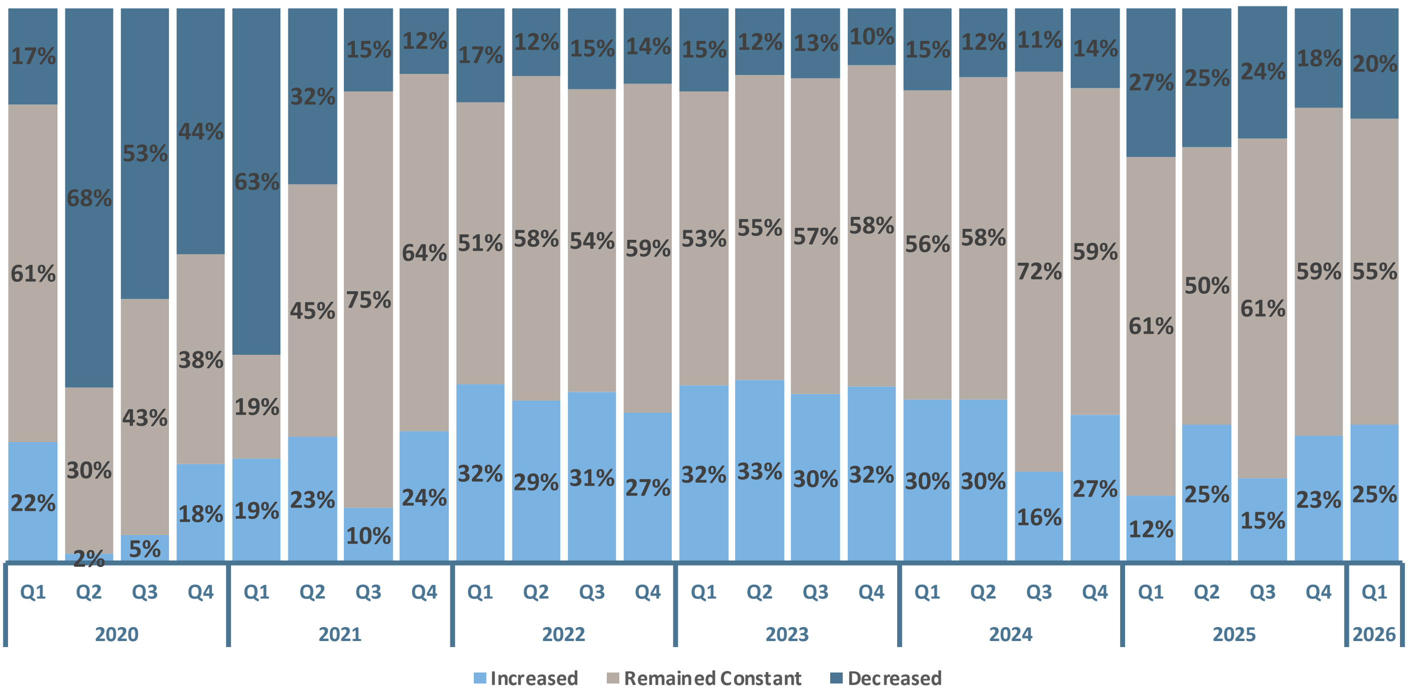
	Aberdeen & Grampian	UK	% point difference, region v UK
Increase	25%	25%	-
Remain the same	56%	53%	+3
Decrease	19%	22%	-3

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

International forward forecasts

We see a fairly stable picture here with a **quarter of NE exporters expecting overseas growth**, in line with the wider UK.

Q: **Excluding seasonal variations, over the past 3 months ‘Overseas orders/advance custom/bookings’ have:**



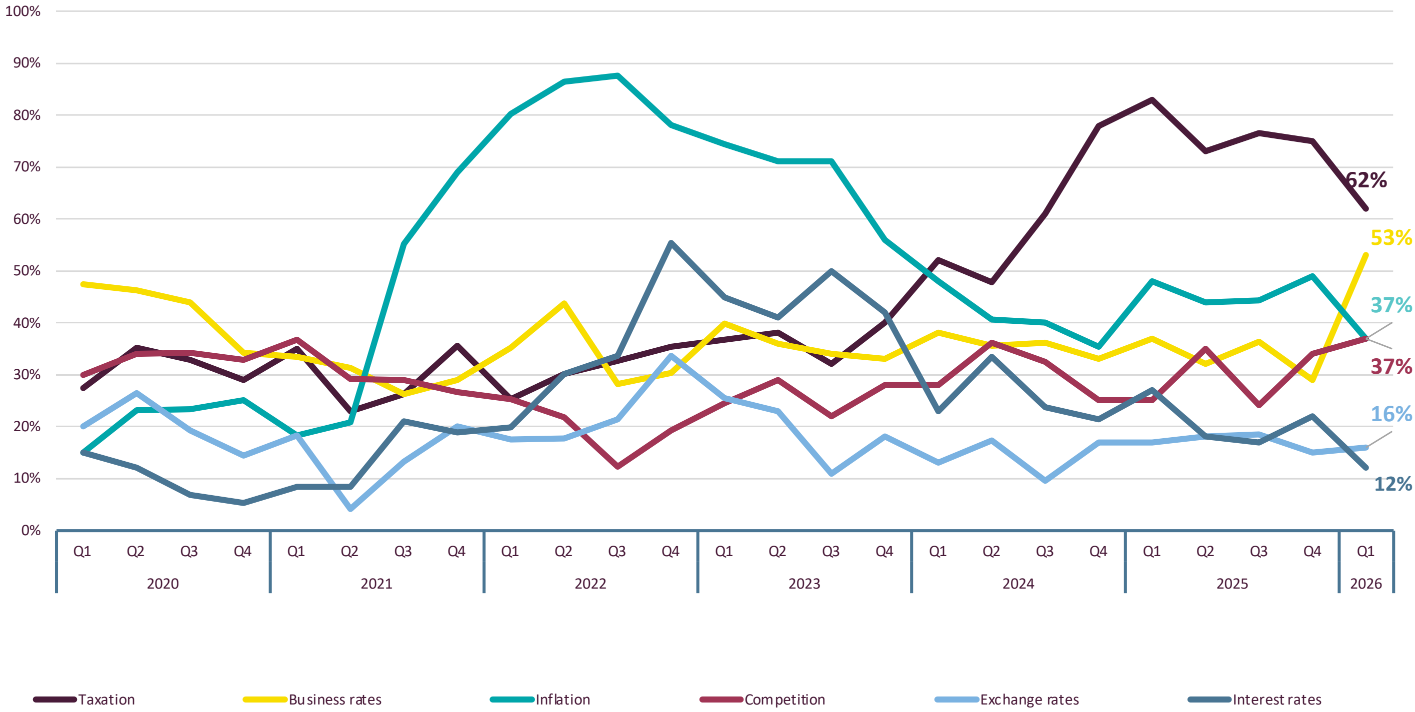
	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	25%	25%	-
Remain the same	55%	52%	+3
Decreased	20%	23%	-3

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Constraints to growth

The issues holding back businesses in Aberdeen & Grampian are clearly around taxation including business rates. The latter saw a big jump since the previous quarter, which may be down to the current revaluations. It is worth noting that this survey was largely completed before the current global turmoil escalated and it will be interesting to see related changes in responses to this question in Q2.

Q: Please indicate which of these following factors are more of a concern to your business than 3 months ago



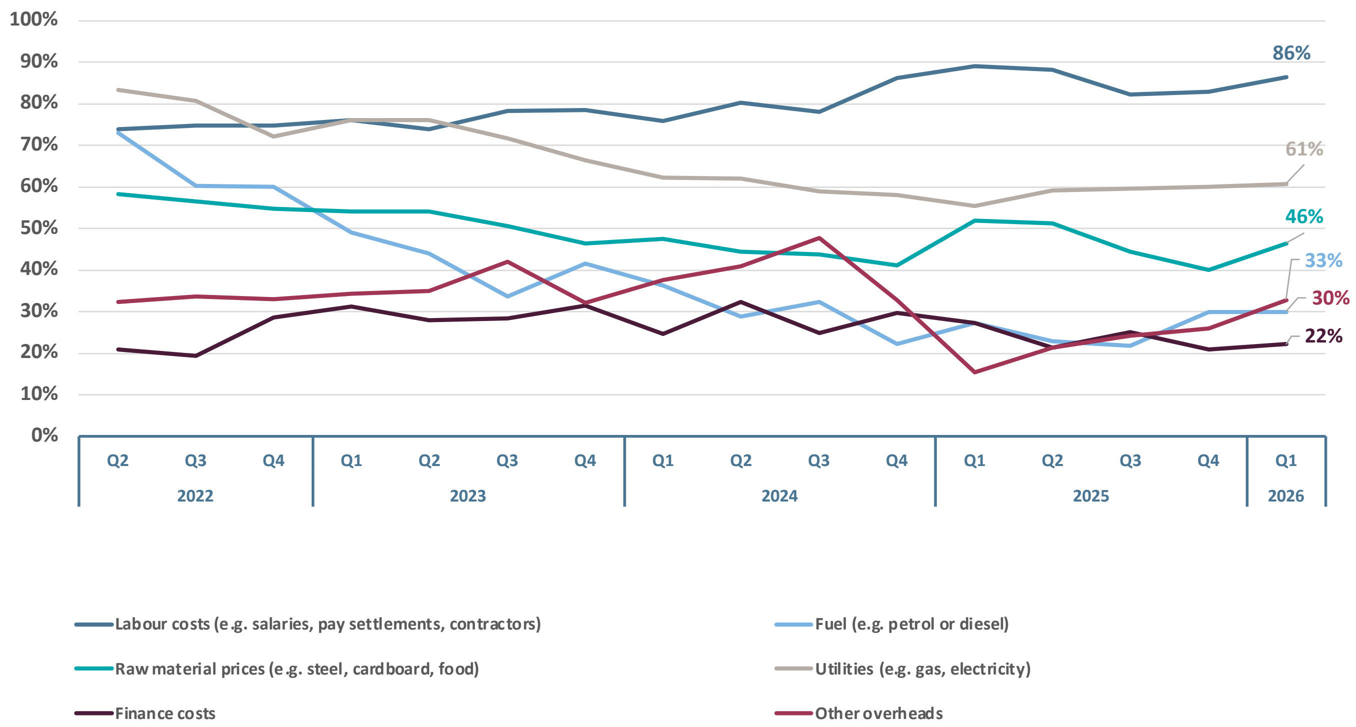
	Taxation	Business rate	Inflation	Competition	Exchange rates	Interest rates
Aberdeen & Grampian	62%	53%	37%	37%	16%	12%
UK	54%	41%	50%	38%	15%	24%

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Cost pressure

Companies in Aberdeen & Grampian report being under significantly higher cost pressure than UK peers, particularly around labour, utilities, and raw materials.

Q: Is your business currently suffering pressures from any of the following?



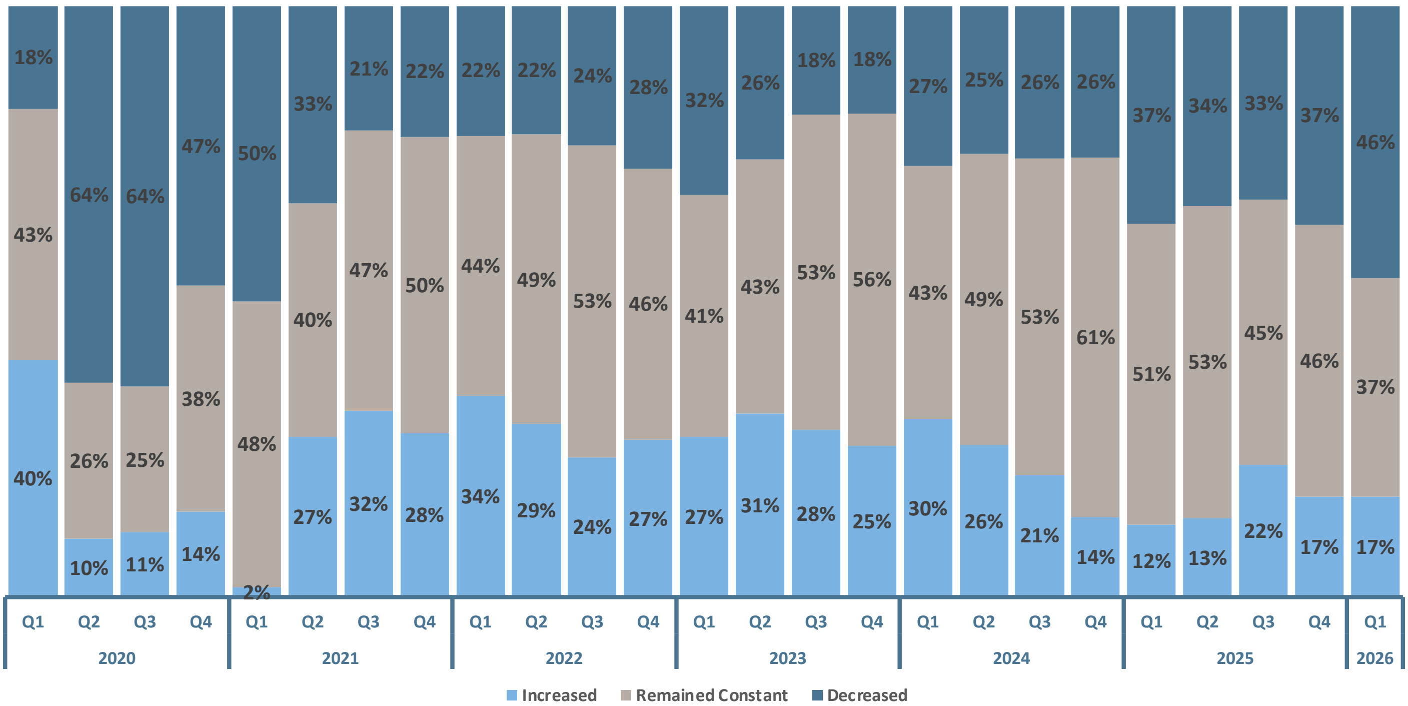
	Aberdeen & Grampian	UK	% point difference, region v UK
Labour costs	86%	73%	+13
Utilities	61%	52%	+9
Raw materials	46%	38%	+8
Fuel	30%	28%	+2
Other	33%	37%	-4
Finance	22%	26%	-4

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Cash Flow

In Q1 2026, 46% of Aberdeen & Grampian firms reported a decline in cash flow, **the highest number since Q1 2021**. This is compared with 32% across the UK. Putting many companies in the region under severe trading pressures. Nationally, 24% of respondents reported improved cash flow, seven percentage points better than in the NE.

Q: **Over the past 3 months, cash flow has...**



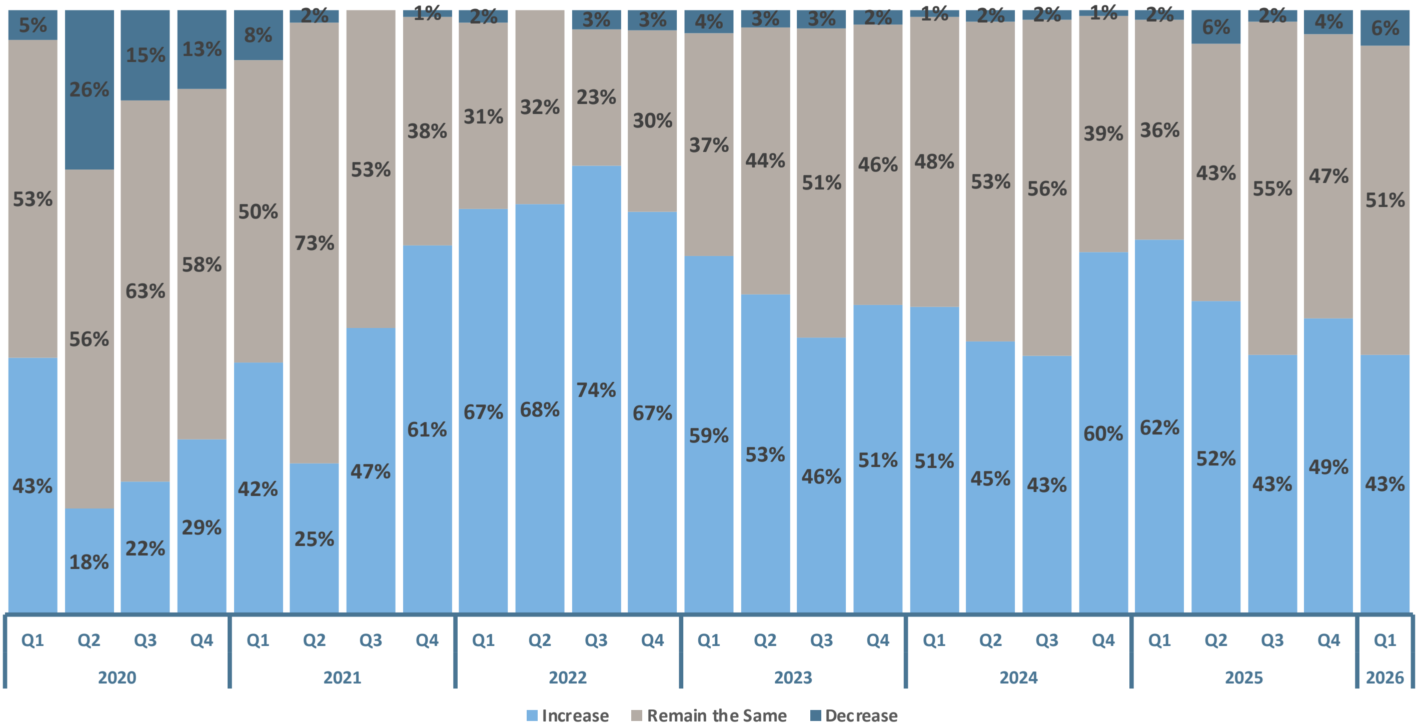
	Aberdeen & Grampian	UK	% point difference, Aberdeen & Grampian v UK
Increased	17%	24%	-7
Remained constant	37%	44%	-7
Decreased	46%	32%	+14

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Pricing

Based on revenue and cost pressures, nearly half of businesses across the UK expect to raise prices over the next three months. This has continued to ease since Q4 2021, but the Q1 data does not account for current global conditions. Interestingly, in Q1 2026, a lower proportion of businesses in Aberdeen & Grampian (43%) expect to increase prices compared to the UK (49%), possibly suggesting that firms here are having to accept reduced margins to retain business and remain competitive.

Q: Over the next 3 months, do you expect the price of your goods/services to...



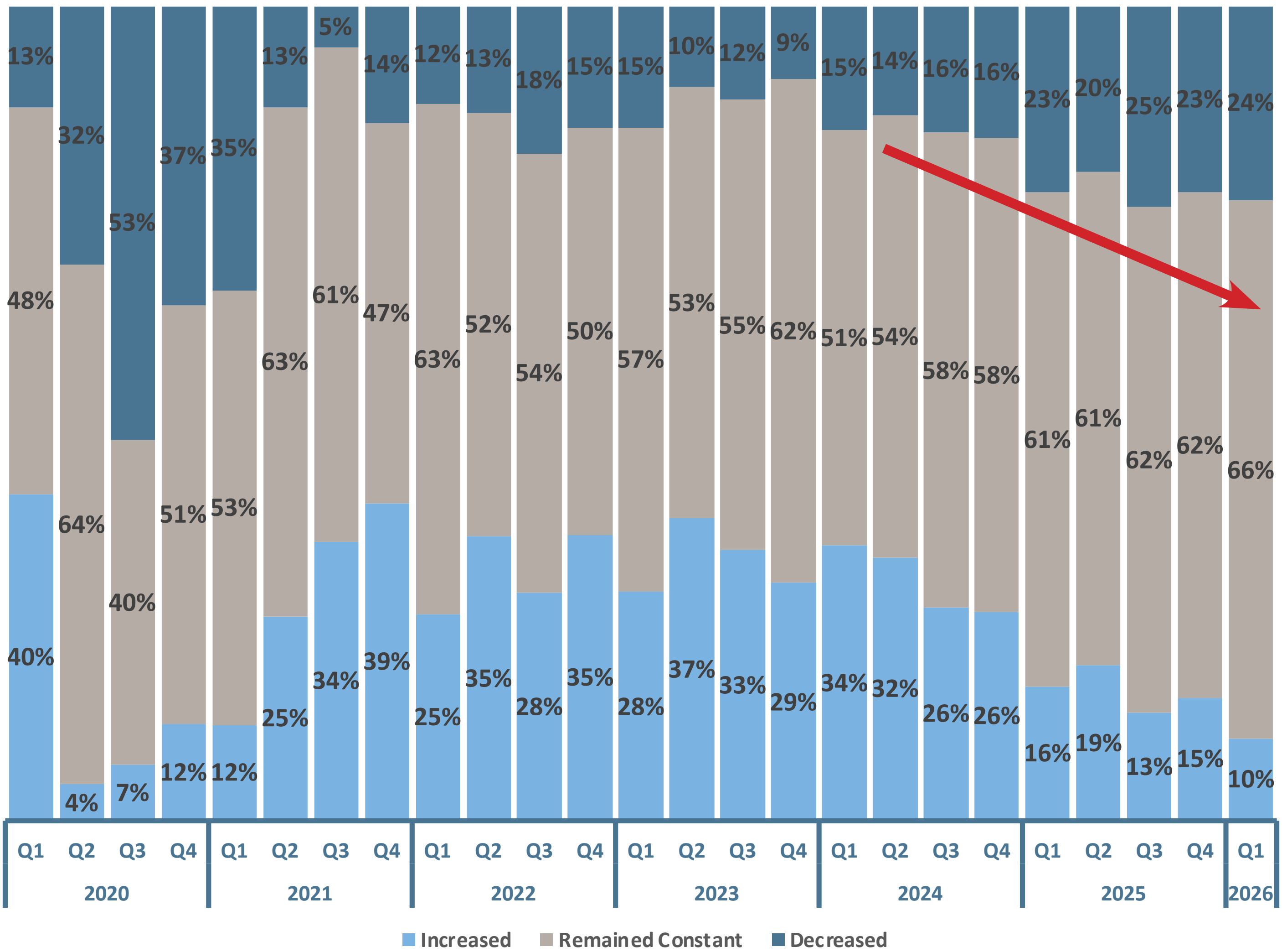
	Aberdeen & Grampian	UK	% point difference, region v UK
Increase	43%	49%	-6
Remain constant	51%	47%	+4
Decrease	6%	4%	+2

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Workforce trends

Concerningly, just ten percent of NE businesses increased their workforce in Q1, the lowest mark since the depths of the pandemic. And over the last five quarters there is an established trend of around a quarter of firms reducing headcount. This is in stark contrast to the UK picture, despite severe national business headwinds, and provides clear evidence that government policy is disproportionately impacting this region in particular.

Q: **Over the past 3 months, has your workforce**



	Aberdeen & Grampian	UK	% point difference, region v UK
Increase	10%	22%	-12
Remain constant	66%	62%	+4
Decrease	24%	16%	-8

UK COMPARISON

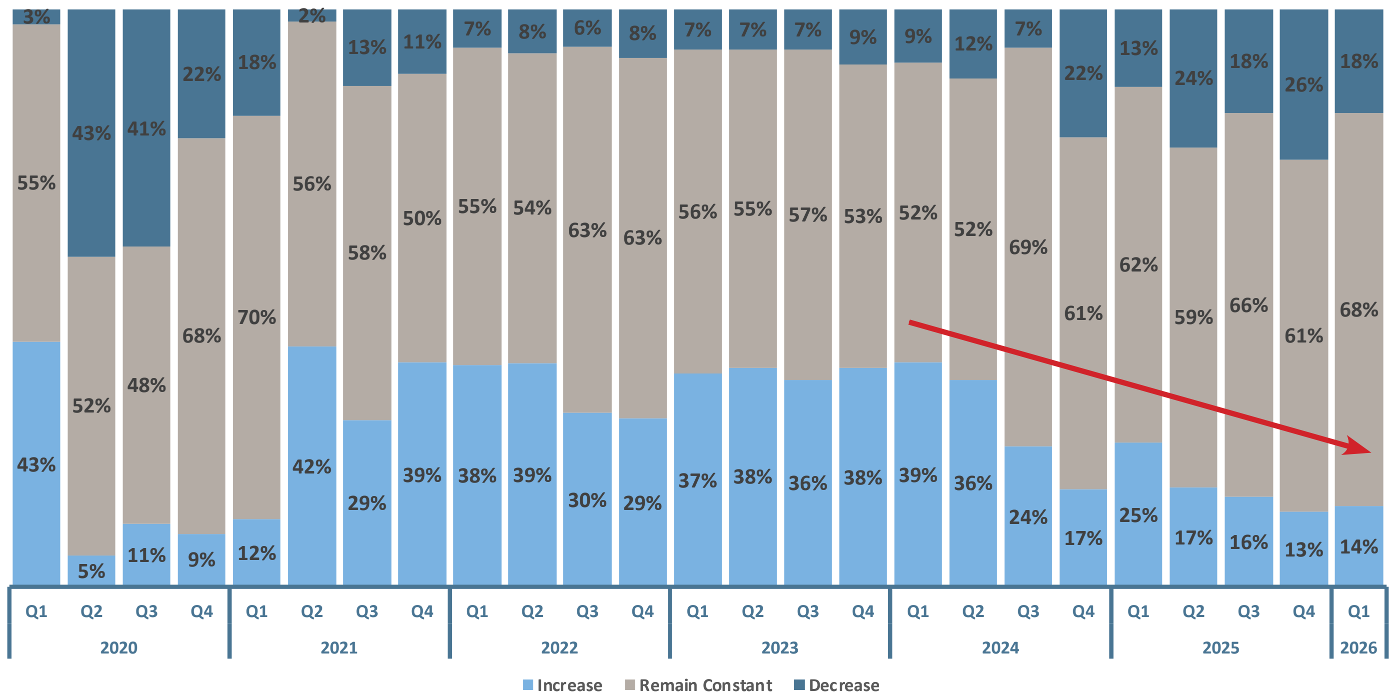
Nationally, 22% of businesses have increased their workforce over the past three months, twelve percentage points more than in the NE. Meanwhile fewer UK businesses have reduced staff (16%) than in Aberdeen & Grampian (24%).

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Workforce outlook

From a consistent level over prior years, the number of NE companies forecasting future workforce growth has fallen by nearly two-thirds. And we are now regularly seeing between a quarter and a fifth of regional business report that they expect to reduce headcount in the months ahead. Markedly worse than across the wider UK.

Q: **Over the next 3 months, do you expect your workforce to:**



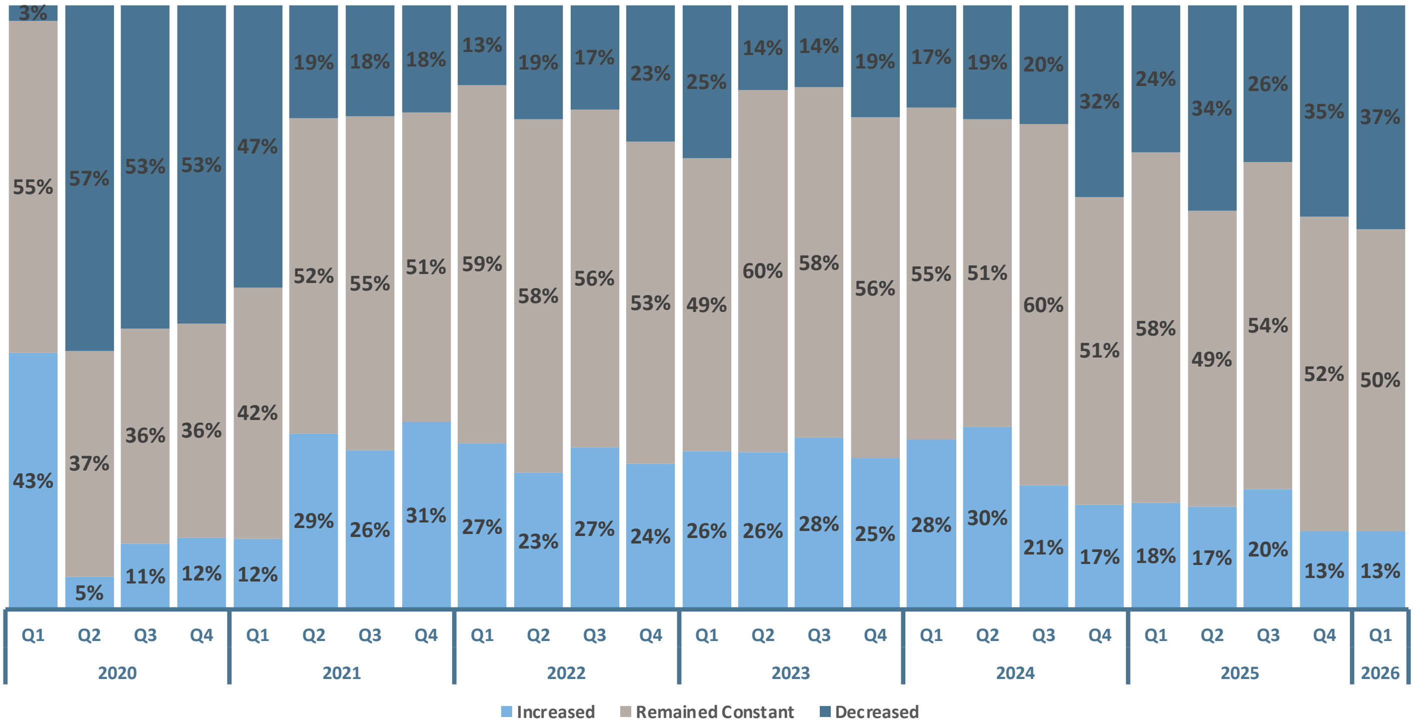
	Aberdeen & Grampian	UK	% point difference, region v UK
Increase	14%	27%	-13
Remain constant	68%	63%	+5
Decrease	18%	10%	+8

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Capital investment

Investment in plant, machinery and equipment in Aberdeen & Grampian has weakened significantly over time, with the proportion of firms reducing investment rising to 37% in Q1 2026, the worst figure since Q1 2021 during another lockdown. Meanwhile only 13% reported increases, less than half of the norm over the past five years. This contrasts poorly with the UK data with over 20% of respondents indicating increased investment and less than a quarter saying it.

Q: Over the past 3 months, investment plans for plant/machinery/equipment have..

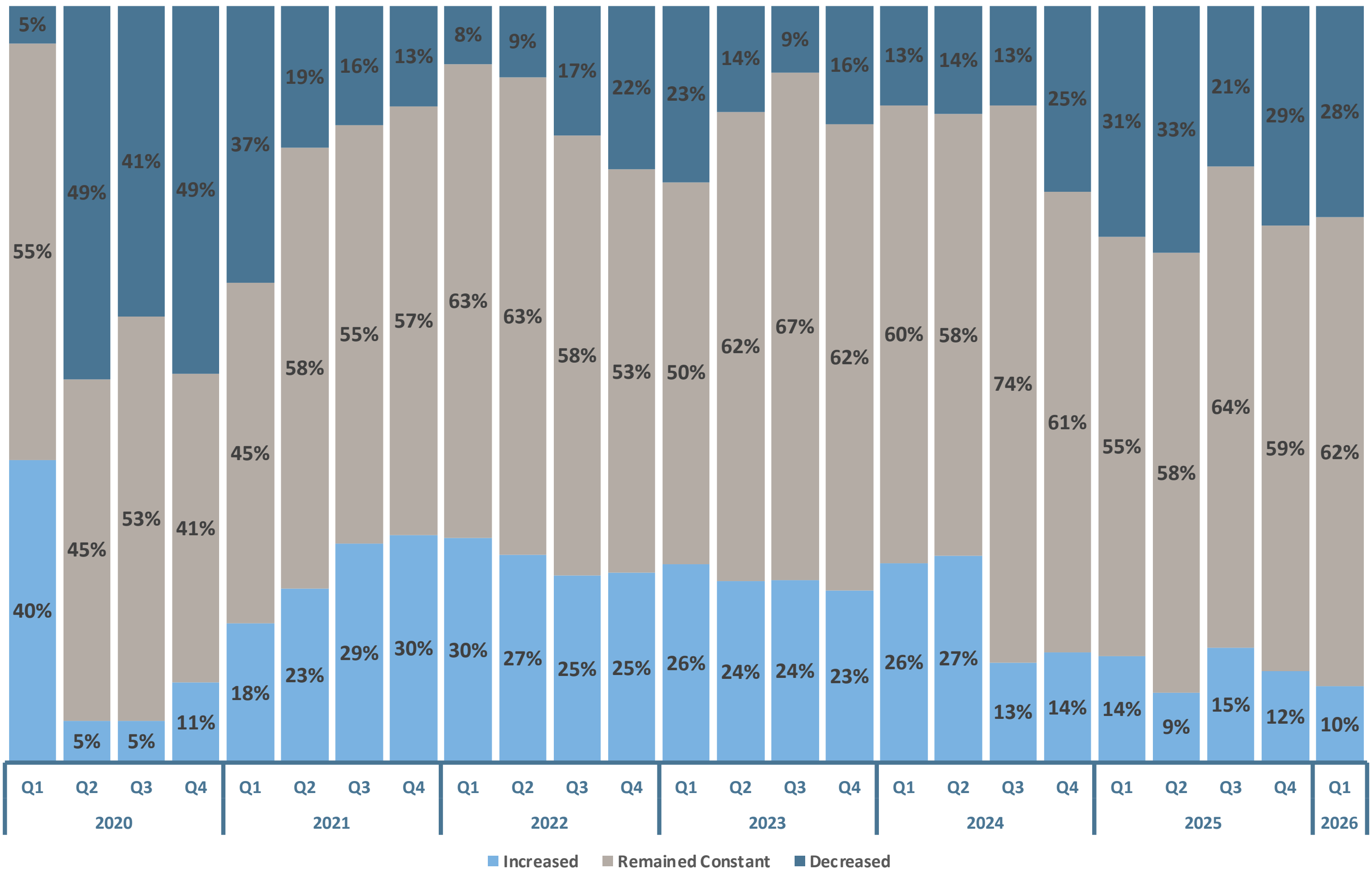


	Aberdeen & Grampian	UK	% point difference, region v UK
Increase	13%	21%	-8
Remain constant	50%	56%	-6
Decrease	37%	23%	+14

Staff Training

Investment in training has weakened over time in both the UK and Aberdeen & Grampian; however, the decline is more pronounced locally. While UK businesses have maintained relatively stable levels of investment, firms in Aberdeen & Grampian show lower growth (10%) and higher reductions (28%).

Q: Over the past 3 months, investment plans for training have...



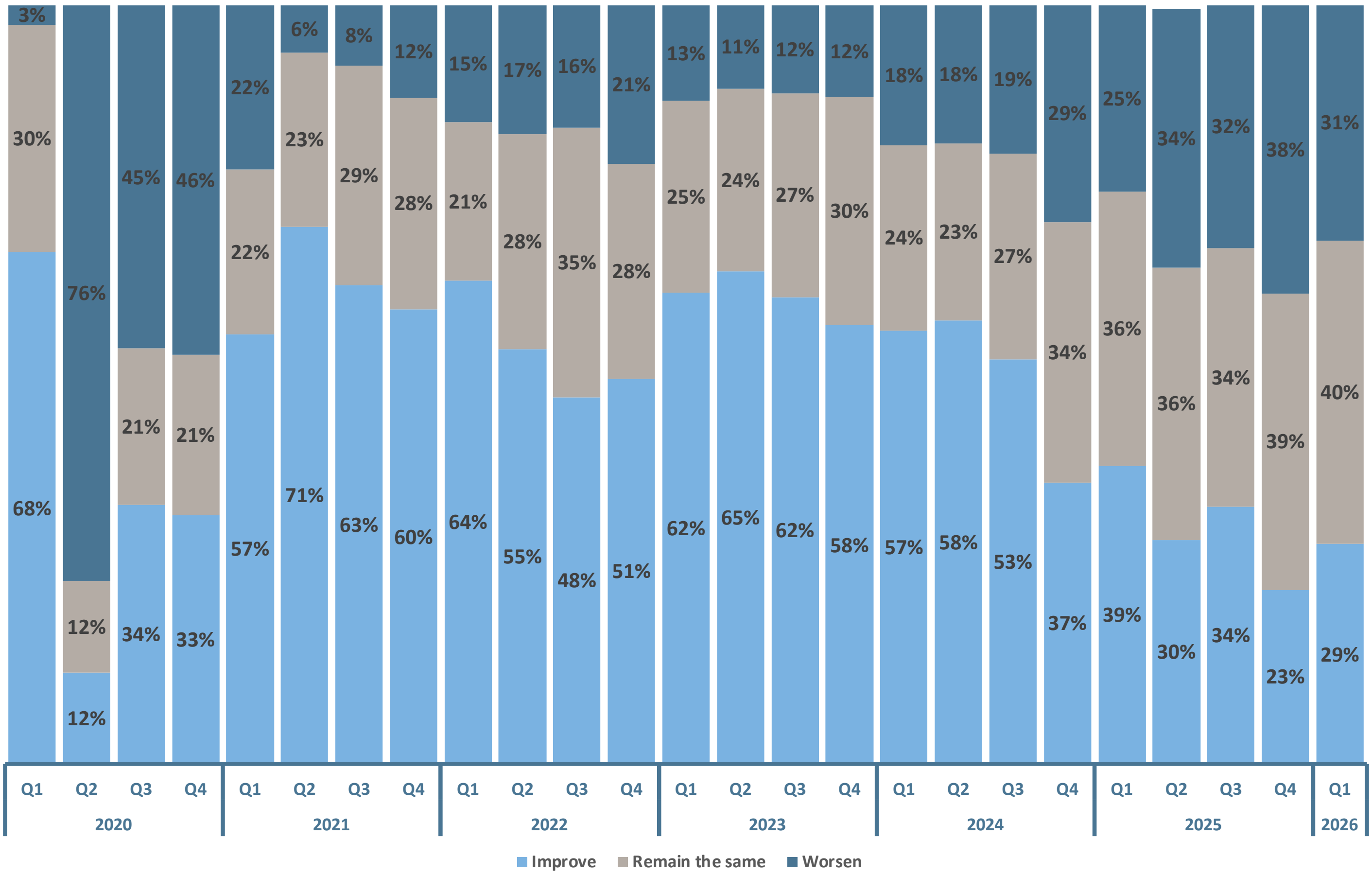
	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	10%	23%	-13
Remained the same	62%	58%	+4
Decreased	28%	19%	+9

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Turnover

Despite a small uptick since Q4, turnover expectations for the year ahead in Aberdeen & Grampian have weakened significantly over the last six quarters since the General Election. The proportion of firms expecting growth has fallen from around 60% in 2023-2024 to just 29% in Q1 2026. During the same period the number of companies expecting to see declining turnover more than doubled.

Q: Over the next 12 months, do you believe your business's turnover will...



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	29%	49%	-20
Remained the same	40%	31%	+9
Decreased	31%	20%	+11

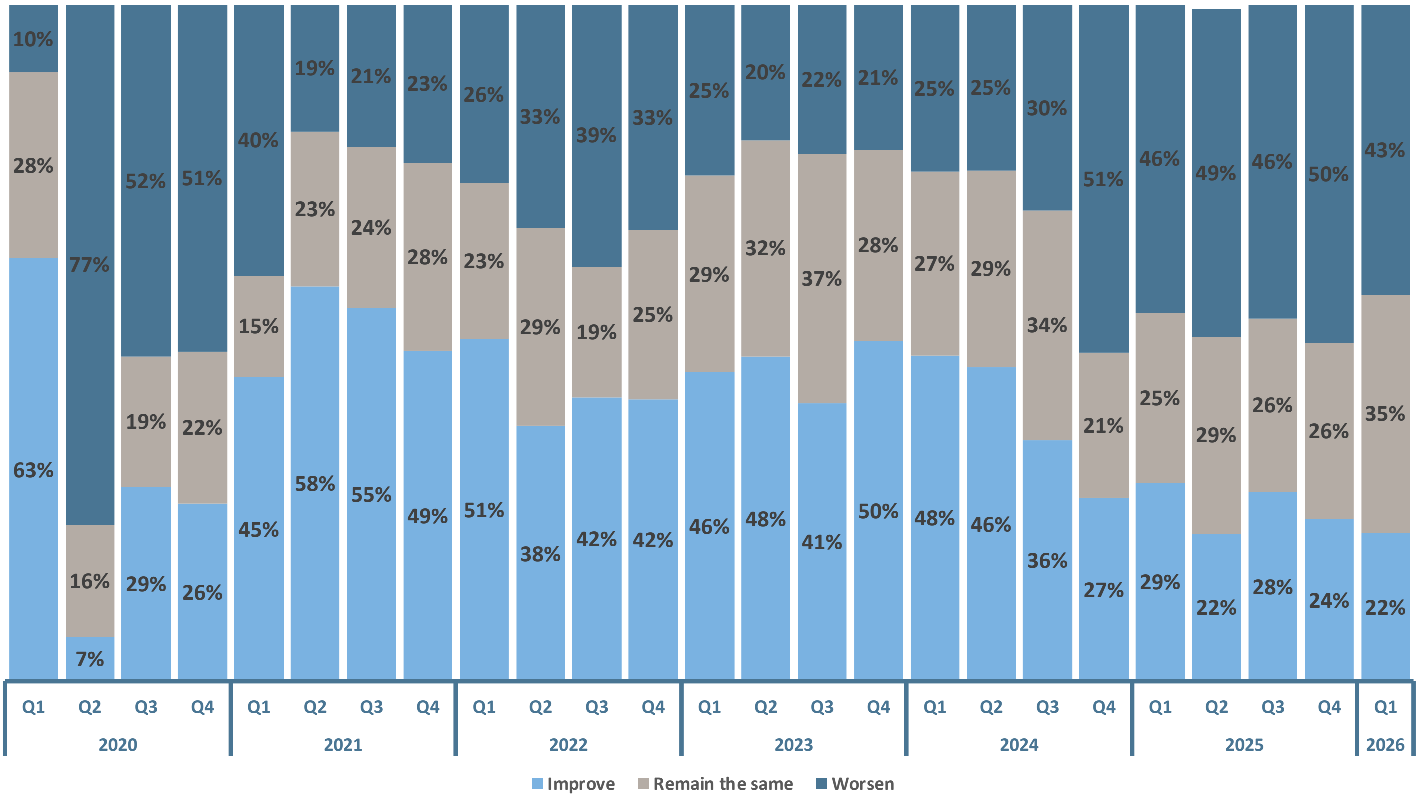
UK COMPARISON

This set of data provides the most damning comparison with the rest of the UK. While firms nationally are facing strong headwinds from the economic and policy environment, NE companies are performing much worse than their peers, confirming that something structurally different is happening here.

Profitability

Profit growth expectations for the year ahead in Aberdeen & Grampian remain weak in Q1 2026, reaching their lowest mark since Q2 2020 at the start of a global pandemic. While the proportion of firms expecting profits to decline has eased slightly from peaks of 50% in 2025, it remains significantly elevated.

Q: Over the next 12 months, do you believe your business's profitability will...



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	22%	41%	-19
Remained the same	35%	32%	+3
Decreased	43%	27%	+16

UK COMPARISON

Again, we see a significant and disturbing disparity in the NE figures compared to national data. In the UK, 41% of companies are forecasting profit growth, double the regional figure. And the number of Aberdeen & Grampian firms saying profits will decline this year is sixteen percentage points worse than peers across the country.

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Additional feedback

Feedback highlights a challenging operating environment, with recurring concerns around rising costs, weak demand and policy uncertainty. Many firms also point to structural pressures linked to the energy sector and increased competition, reinforcing survey findings of a weaker local outlook compared to the UK.

1. Rising costs & squeezed profitability

"Costs, especially taxation and business rates, are growing faster than turnover, squeezing profitability."

"Margins are eroding due to the combined contribution of increased competition... and increased cost in areas such as labour and services."

2. Weak demand & reduced activity

"There has been a marked decline in sales and tougher market conditions without question."

"Lack of business opportunities is the biggest factor of concern."

3.Policy, taxation & regulatory burden

"The Labour Party's taxation policy is ridiculous... all I see is higher taxes and seeing nothing in return."

"Regulation is increasing and it is becoming harder to do business because of red tape."

4. Energy sector uncertainty (structural issue)

"The significant downturn in the oil and gas sector in the UK."

"The windfall tax... is negatively affecting us as investment in the UK decreases."

5. Competition & structural disadvantages

"The significant downturn in the oil and gas sector in the UK."

"The windfall tax... is negatively affecting us as investment in the UK decreases."

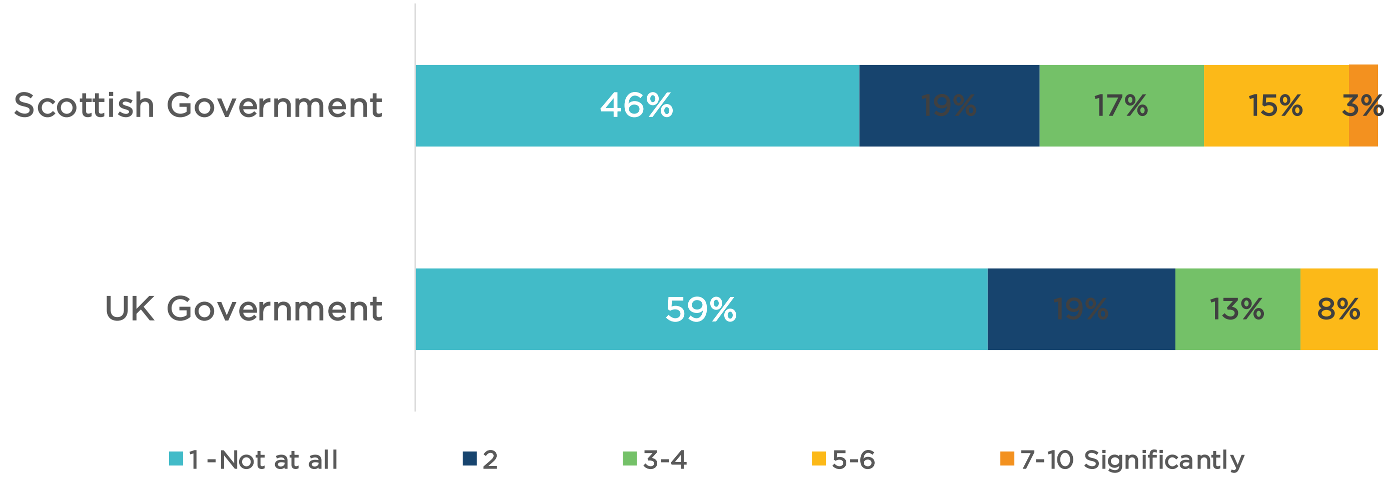
Based on 31 open-ended responses from 158 survey participants; insights are indicative rather than representative.

Government policy

Businesses overwhelmingly believe that neither the UK nor Scottish Governments have enabled economic growth in the North-east of Scotland over the past five years. Over 90% rated the UK Government poorly, with similarly negative views of the Scottish Government, highlighting a widespread lack of confidence in policy support for the region.

Q: **On a scale of 1 to 10, over the past five years, do you feel the Scottish Government / UK Government has:**

Enabled economic growth in the North-east of Scotland

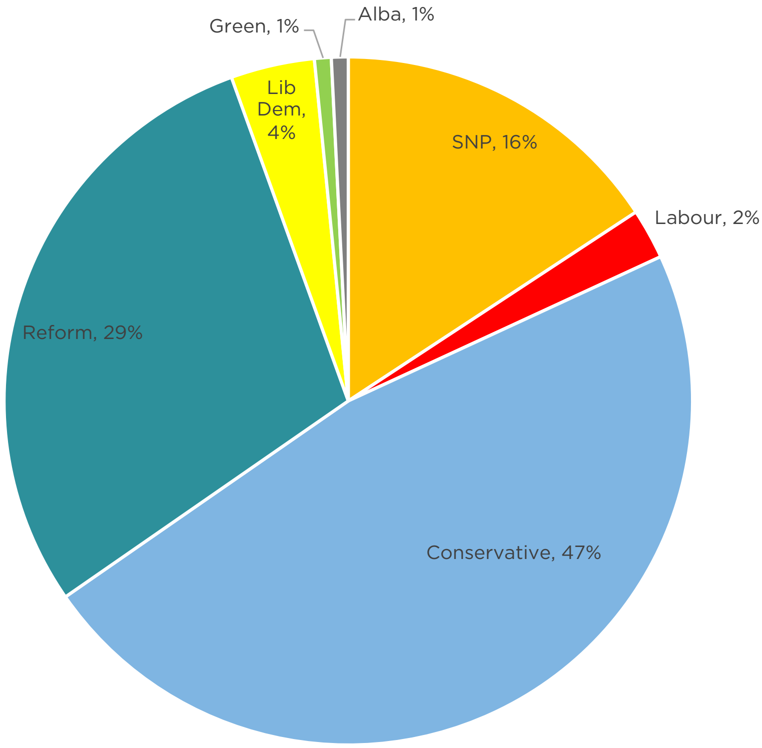


Base: 150 | 1= Not at all - 10= Significantly

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Fancy a party?

Q: Which party do you feel would best represent the business interests of North-east Scotland over the next Scottish parliamentary term (2026-31)?



Base: 127

Q: Why do you say that?

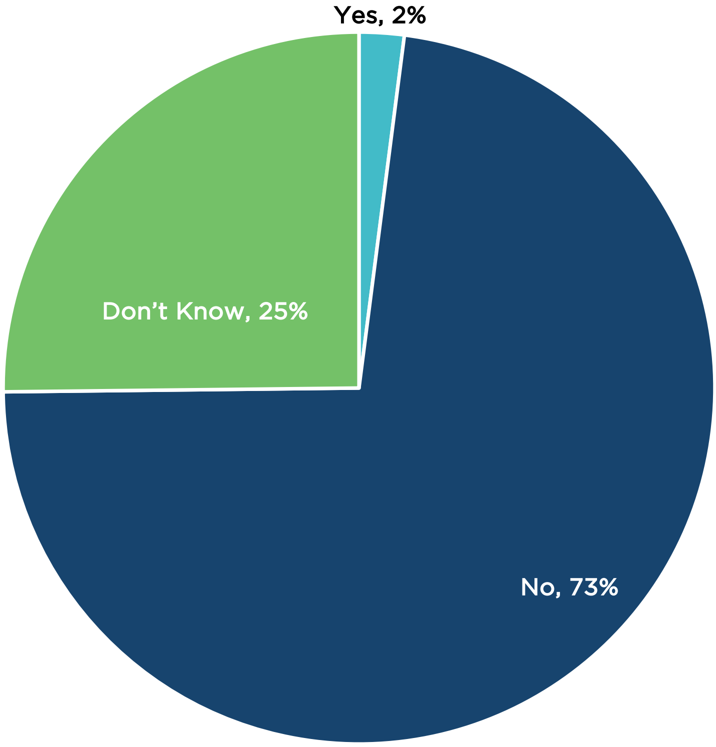
Party	Dominant Theme	Key Focus / Sentiment
Conservative	Pro-business & energy security	Support North Sea O&G, lower taxes, regulatory clarity, stable investment environment
Reform	Pro-oil & gas, radical pro-business	Immediate support for O&G, tax reduction, pragmatic business policies, local jobs
SNP	Pro-Scotland / Innovation	Enterprise support, offshore wind, innovation, less trusted for NE local business
Labour	Anti-business	Negative impact on hospitality and oil & gas; seen as unfavourable to NE business
Lib Dem	Pro-energy, limited confidence	EPL reform, support for energy investment, but cautious confidence
Green	Minimal support	Not representative of NE business sentiment

Base: 100

Non-domestic rates

Q: Do you feel the current Business Rates system in Scotland is fit for purpose?

The vast majority of businesses in Aberdeen and Grampian view the current Business Rates system as unfair and outdated. Key concerns include inconsistent valuations, disproportionate impact on SMEs and high-cost sectors and punitive charges on vacant properties.



Base: 147

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Q: **Why do you say that/ suggested alternative system?**

Businesses suggest reforms such as linking rates to profit or turnover, introducing targeted reliefs and simplifying the system to better support growth and investment.

Category	Dominant Theme	Key Focus / Sentiment
No	• Inconsistent and unfair valuations across sectors and locations • Penalises SMEs, hospitality, and high-street businesses • Discourages investment and building use • Not reflective of profitability or rent levels • Vacant property charges counterproductive	"Venues such as ours are not rated in the same way as those in England – the system needs reform." "It discourages investment in business's new and old." "We are killing our local industry with current business rates."
Don't Know / Unsure	• Lack of clarity on alternatives • Limited understanding of reliefs or exemptions	"Unsure really, but it certainly isn't easy to try to raise any issue with re-evaluation." "Not personally affected this year, but aware other sectors have been hit much harder." "I would replace Business Rates... with an Annual Ground, Floor and Roof Rent based on square metres."
Yes	• Some businesses currently benefit from reliefs	"Currently within a rates relief property which means an additional charge we don't have to consider."

Suggested alternatives / ideas for reform

- Base rates on profit or turnover instead of property value
- Introduce vacant property relief or phased charges
- Improve consistency and transparency in valuation
- Create a simplified, sector-sensitive system
- Consider revenue-, rent-, or space-based taxation
- Introduce a system based on property size (e.g. ground, floor and roof area)

Base: 75

Sponsor Viewpoint

The Q1 2026 Quarterly Economic Survey (QES) delivers a sobering message for the North-east of Scotland. This is not simply an economy treading water—it is one under sustained strain, where deteriorating conditions are beginning to shape behaviour in ways that could have lasting consequences for investment, growth ... and the region's political outlook.

The most striking feature of the findings is the convergence of weak demand and intensifying cost pressure. Domestic sales and orders have, at best, stagnated. For many businesses, activity levels are not just flat—they are fragile. This matters because, without a reliable flow of work, even fundamentally sound businesses are forced into defensive decision-making.

International markets, traditionally a source of strength for the North-east, are offering little relief. Export demand has softened, and forward indicators suggest no imminent rebound. For a region with deep links to global energy and engineering markets, this compounds the challenge. The absence of external demand removes a critical lever for recovery.

Against that backdrop, cost pressures are not easing—they are becoming more entrenched. Wage inflation, input costs, and overheads continue to rise, forcing businesses to consider price increases. But this is not a straightforward solution. In a weak demand environment, pricing power is limited. The result is margin compression and, increasingly, a squeeze on financial resilience.

This is now feeding through into cash flow and, more importantly, into behaviour. Businesses are not just cautious—they are pulling back. Investment in plant, machinery, and equipment is subdued, and in many cases being deferred altogether. Spending on training is similarly constrained. These are not short-term adjustments; they are early indicators of a longer-term slowdown in capacity building and productivity growth.

Workforce trends reinforce this picture. Hiring has fallen to levels not seen since early 2021, with firms reluctant to take on additional cost in an uncertain environment. There is little evidence of expansion, and the direction of travel is clear: consolidation, not growth.

Perhaps the most telling dynamic in the report is the growing disconnect between turnover expectations and profitability. While some businesses still anticipate an increase in activity over the next 12 months, far fewer believe this will translate into improved profits. In other words, growth—if it comes—will be thinner, harder fought, and margin-light. That is not a platform for sustained economic health.

Crucially, the survey highlights how these economic pressures are fundamentally shaping business sentiment towards government policy. There is a resounding message of frustration and disappointment. Respondents do not believe that current policy frameworks—either at Scottish or UK level—have effectively enabled growth in the region over recent years. Concerns around the business rates system are particularly pronounced, with many firms viewing it as outdated and misaligned with current economic realities.

This dissatisfaction is not abstract—it is beginning to inform political perspectives. Businesses are actively questioning which parties are best placed to represent their interests in the forthcoming Scottish parliamentary term. The underlying message is that economic policy, taxation, and support for investment are now central political issues for the business community in the North-east.

Taken together, the findings point to a region at a critical juncture. The issue is not one of cyclical pressure; it is the risk of structural drag. When

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businesses consistently defer investment, limit hiring, and operate on compressed margins, the cumulative effect is a gradual erosion of economic capacity.

The key takeaway is stark: without intervention—whether through improved market conditions or more supportive policy—the North-east risks entering a prolonged period of underinvestment and muted growth. Resilience remains, but it is being tested. And increasingly, it is accompanied by a loss of confidence—not just in the economic outlook, but in the policy environment shaping it.

For both policymakers and business leaders, the implications are clear. The challenge must be to restore the conditions for meaningful, confident investment. Without that shift, the consequences identified in this report may become entrenched rather than temporary.

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