



QES+ Aberdeen & Grampian Economic Conditions Update

2022 Quarter Four

Prepared for:

Aberdeen & Grampian Chamber of Commerce Members

Prepared by:

Research Chamber, Aberdeen & Grampian Chamber of Commerce

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Your quarterly update on the economic conditions, nationally and here in the North East

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Why this matters

To help you
understand the
environment for your
business, for the
region and for
Scotland/UK as a
whole





Our Research Approach; QES+

<i>Knowledge Source</i>	QES, British Chambers of Commerce survey	QES, Research Chamber survey	Other key economic data, Research Chamber Knowledge Bank
<i>What</i>	Quarterly Economic survey of over 5k UK businesses	Quarterly Economic survey of 120 North East businesses	Analysis of Scotland/UK economic data
<i>When</i>	November 2022	Same date, same survey	Up to November 2022
<i>Why</i>	View of UK businesses on key economic measures	View of North East businesses on key economic measures	Measure of Scotland/UK economic performance





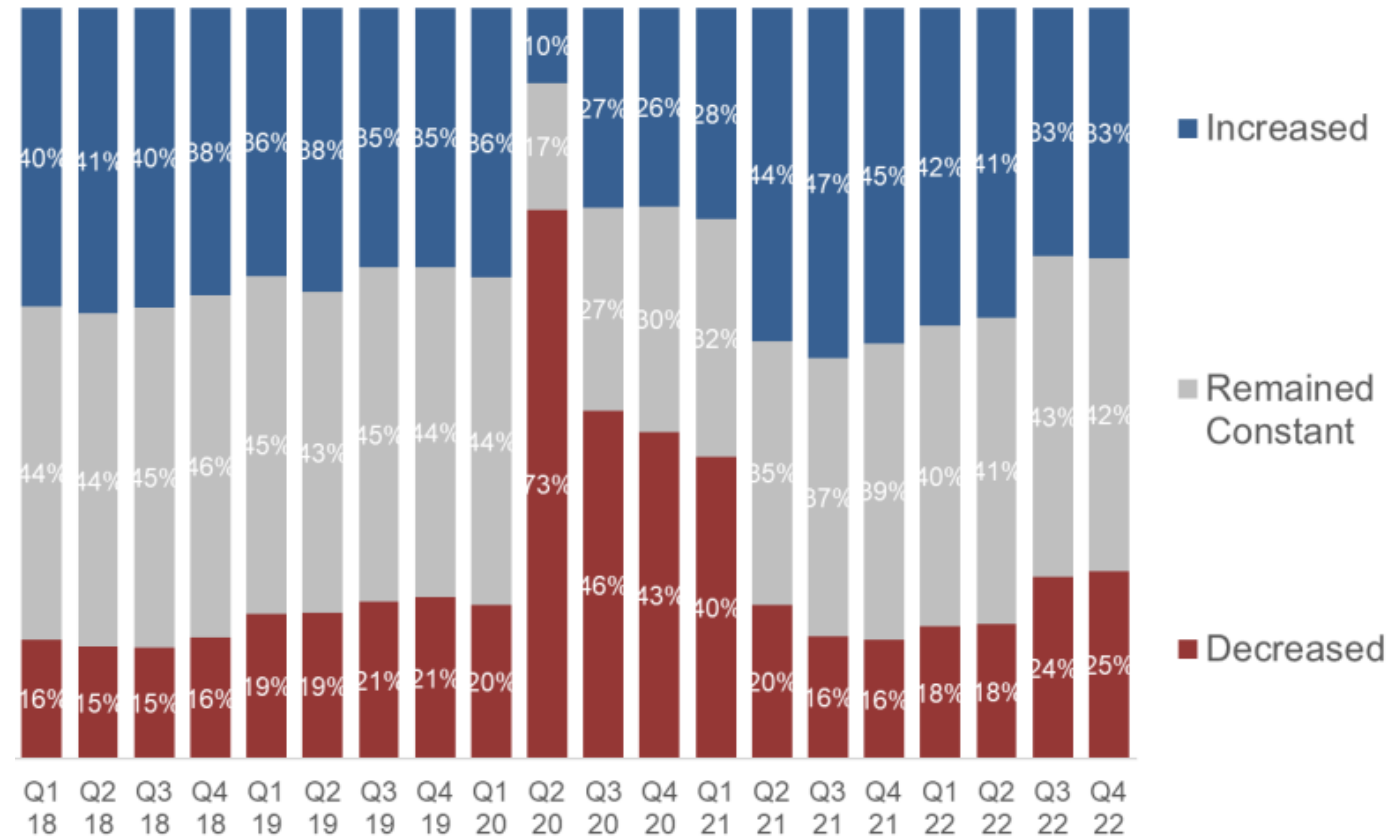
QES, British Chambers of Commerce survey



1. The percentage of firms reporting increased domestic sales remains at the low level seen in Q3

UK domestic sales activity

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

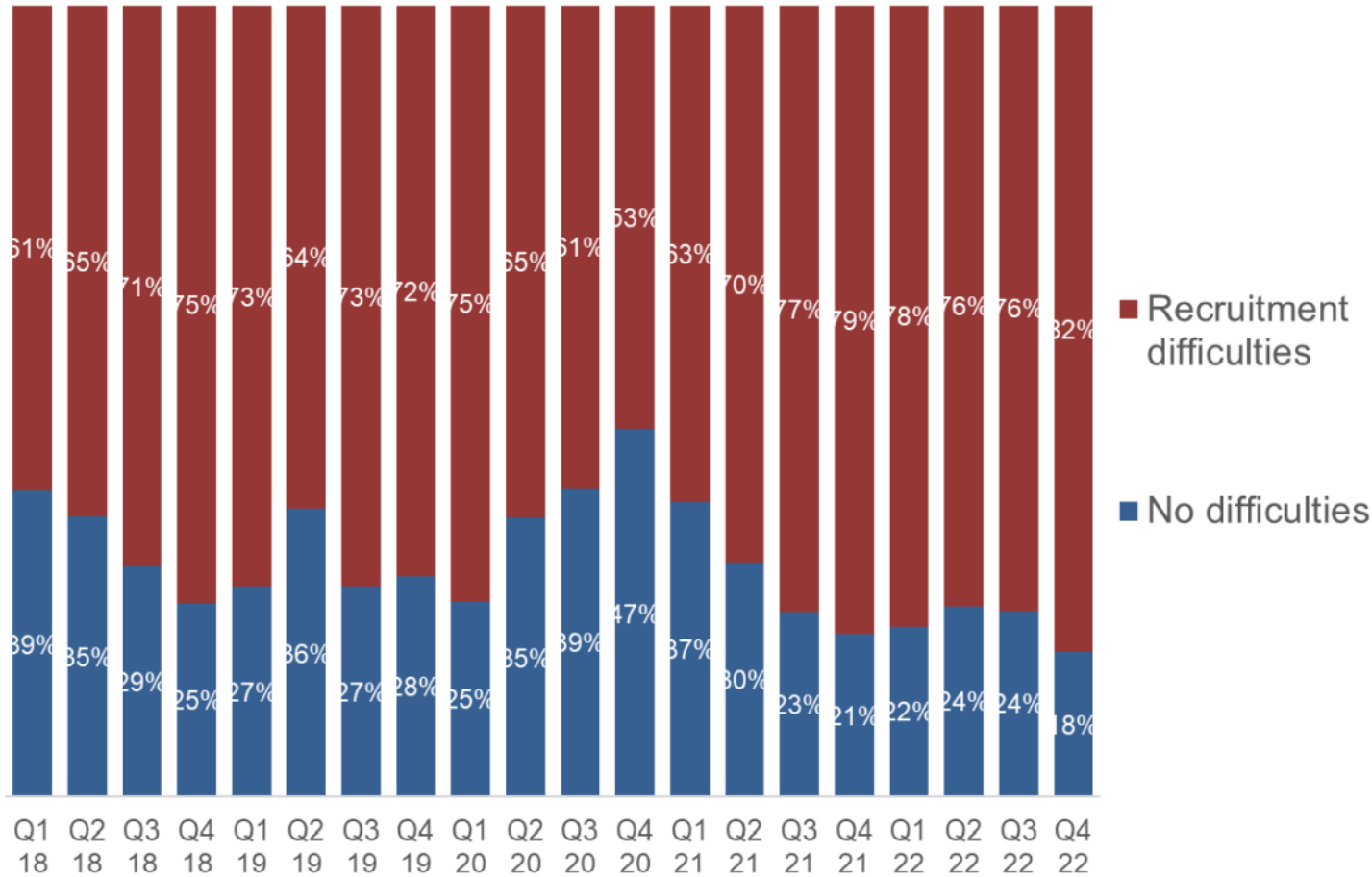




UK recruitment difficulties

2. 82% of firms that are attempting to recruit report recruitment difficulties, the highest on record

Q: "Did you experience any difficulties finding suitable staff?"

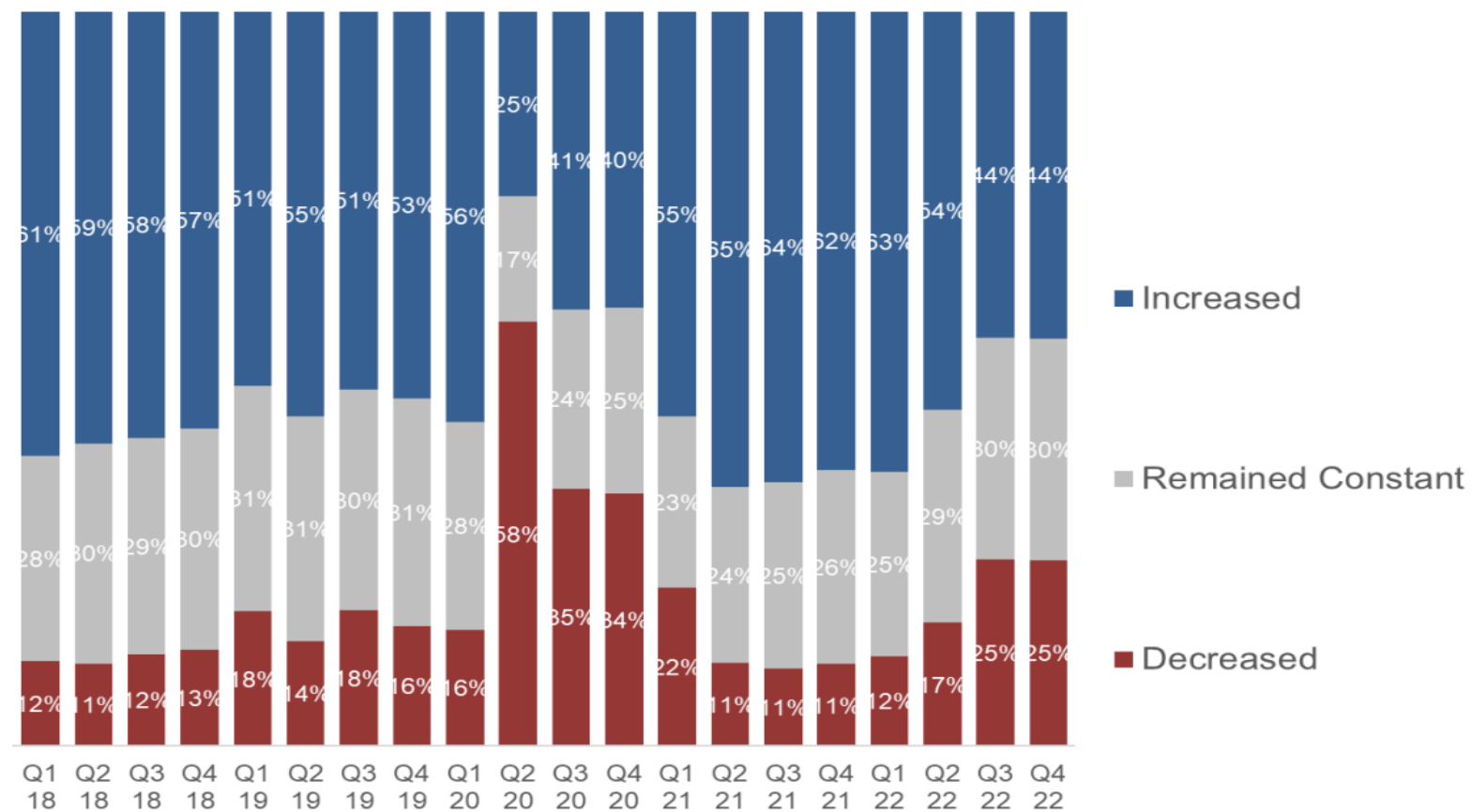




UK business confidence

3. After big drops in the proportion of respondents expecting turnover to grow, Q4 remains unchanged from Q3

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

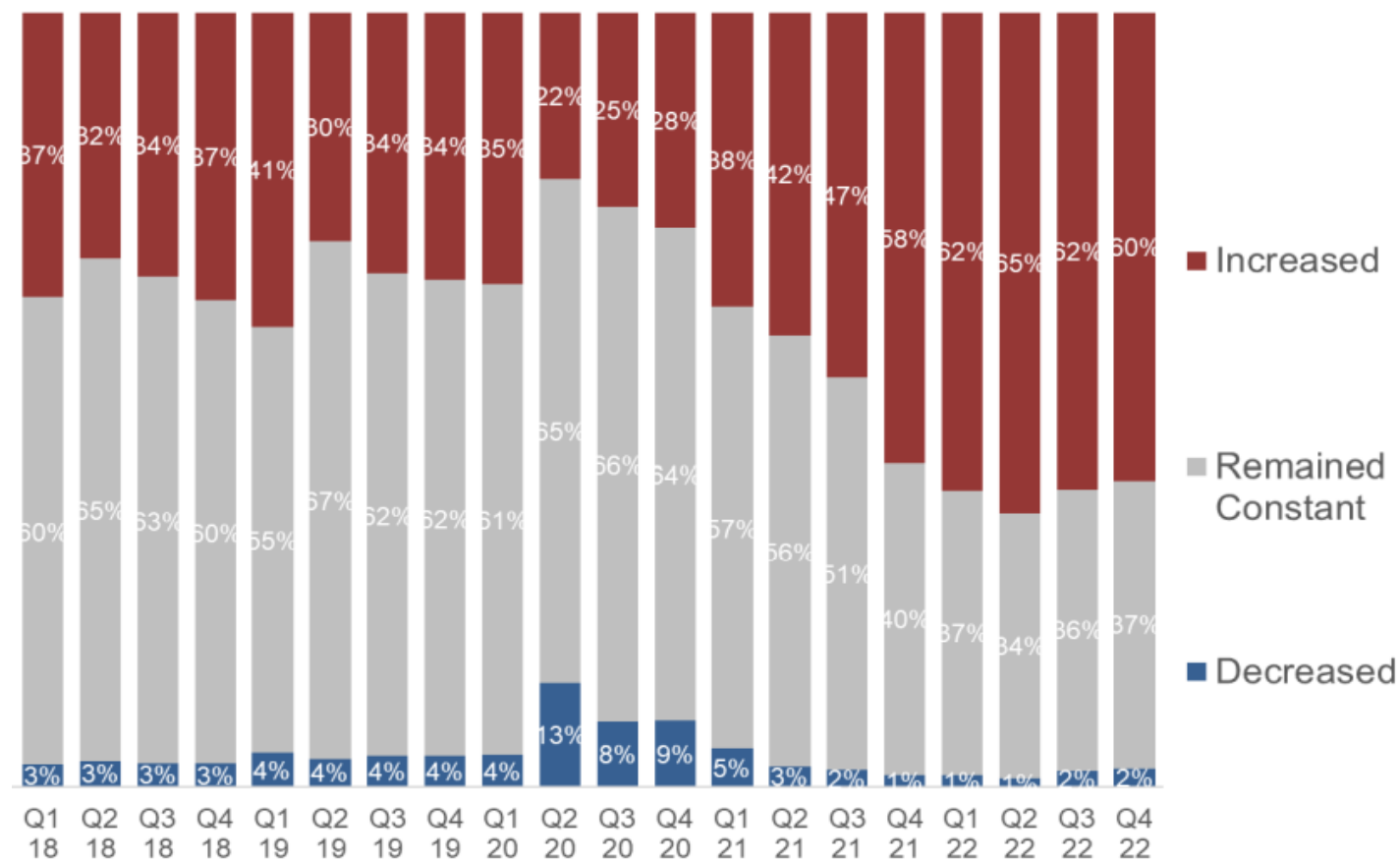




UK inflation

4. The percentage expecting their prices to rise (60%) remains at record highs, although is showing very mild signs of easing

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

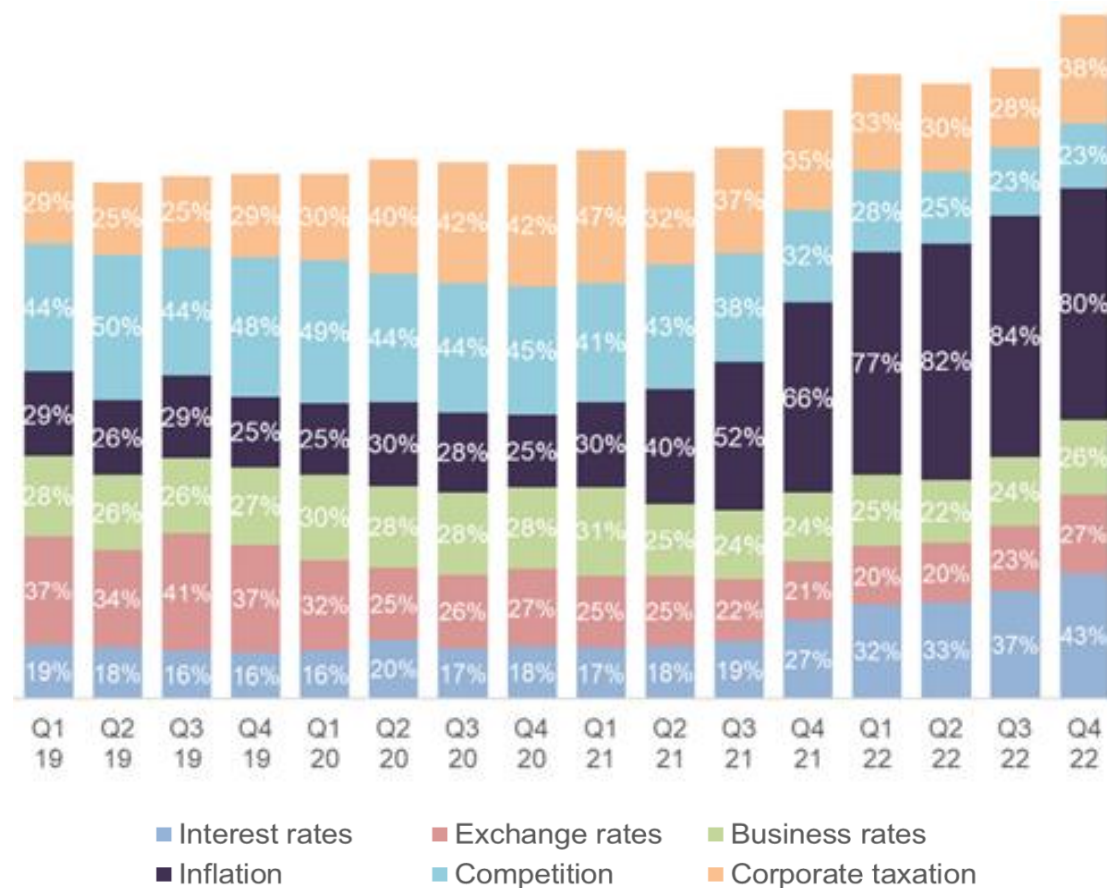




UK businesses' concerns

5. While concern about inflation remains far above record highs, there are significant jumps in the percentage of firms concerned about taxation and interest rates

Q: "Which of the following factors are more of a concern to your business than 3 months ago?"





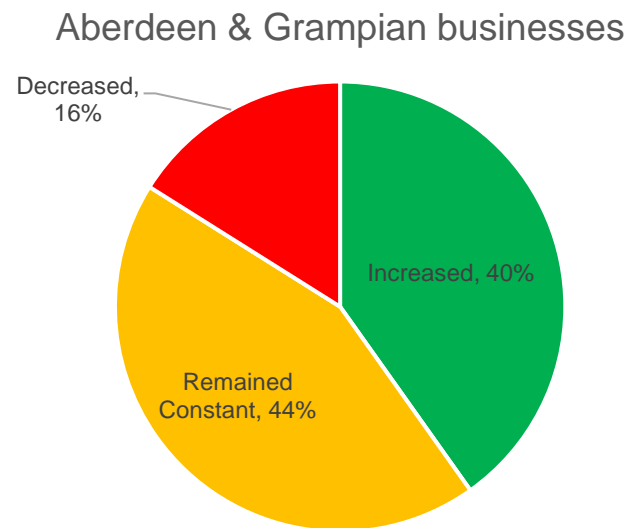
QES, Research Chamber survey



Aberdeen & Grampian domestic sales activity

6. Aberdeen & Grampian ahead of UK in domestic sales/custom/bookings

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



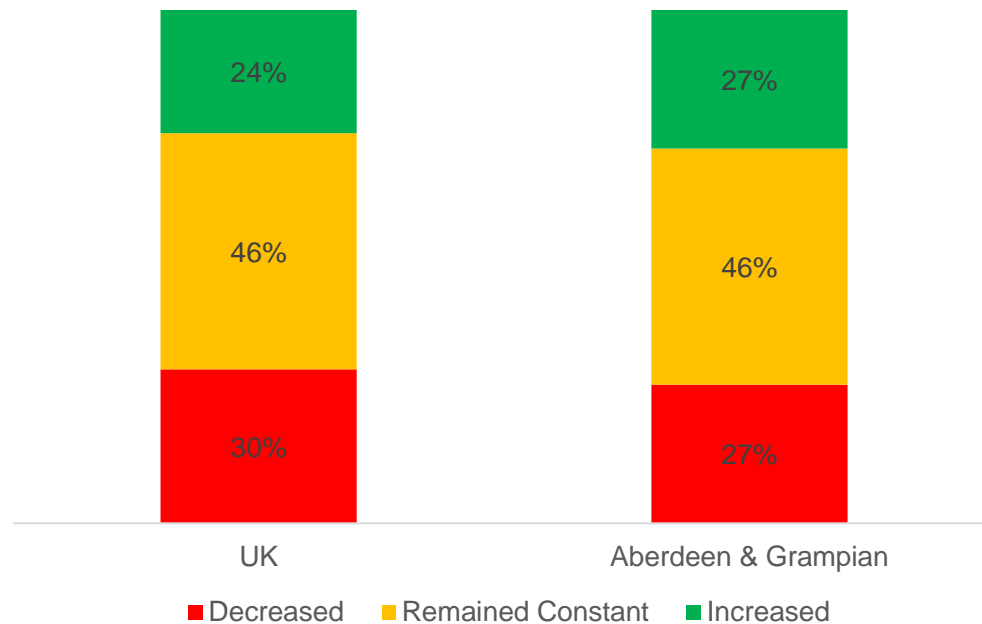
	Aberdeen & Grampian	UK	% point difference, Aberdeen & Grampian v UK
Increased	40%	33%	+7
Remained constant	44%	42%	+2
Decreased	16%	25%	-9



Aberdeen & Grampian cash flow

7. Aberdeen & Grampian businesses marginally ahead of UK on cash flow

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





Aberdeen & Grampian price of goods/services

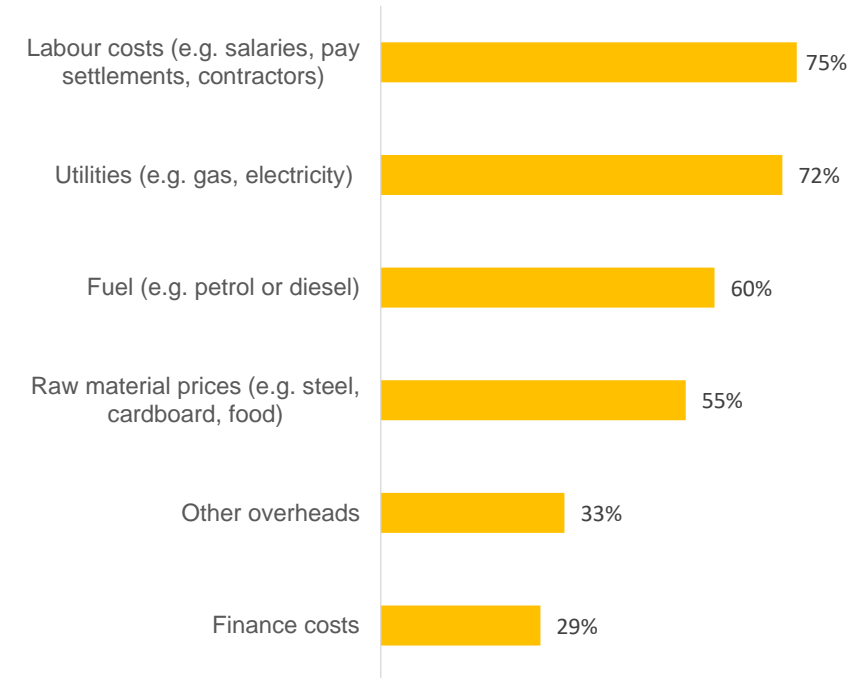
8. Price of Aberdeen & Grampian businesses' goods/ services expected to increase; even higher than UK, driven by labour costs & utilities

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



	Aberdeen & Grampian	UK	% point difference, Aberdeen & Grampian v UK
Increase	67%	60%	+7
Remain constant	30%	37%	-7
Decrease	3%	2%	+1

Q: Is your business currently suffering pressures to raise its prices from any of the following?





Aberdeen & Grampian skills gaps

9. Many Aberdeen & Grampian businesses are finding it difficult to recruit for skilled manual/technical roles

Q: If you attempted to recruit, did you experience any difficulties finding suitable staff? If yes, for which of the following categories of employee?

Categories	Skilled manual / technical	Professional / managerial	Semi/unskilled	Clerical
% experiencing difficulty in recruiting	50%	44%	41%	24%
What skills are in short supply?	<i>Aside from cost pressure, the biggest concern facing us is the ability to attract staff - seems to be a common theme across other chamber members who I speak to. The lack of ability to grow attract/retain and grow staff numbers is affecting our ability to support recovering customer demand and grow as a result.</i>			



Aberdeen &
Grampian
businesses'
concerns

10. Inflation is the biggest concern for both Aberdeen & Grampian businesses and UK businesses

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

	Inflation	Interest rates	Taxation
Aberdeen & Grampian	78%	55%	35%
UK	80%	43%	38%
Example comments	Currently there is significant business uncertainty driven by the repeatedly changing political views and the increasing likelihood of tax increase. Costs of deliveries are increasing. There is a major shortage of skilled labour which is forcing a decline to bid on potential new work.		

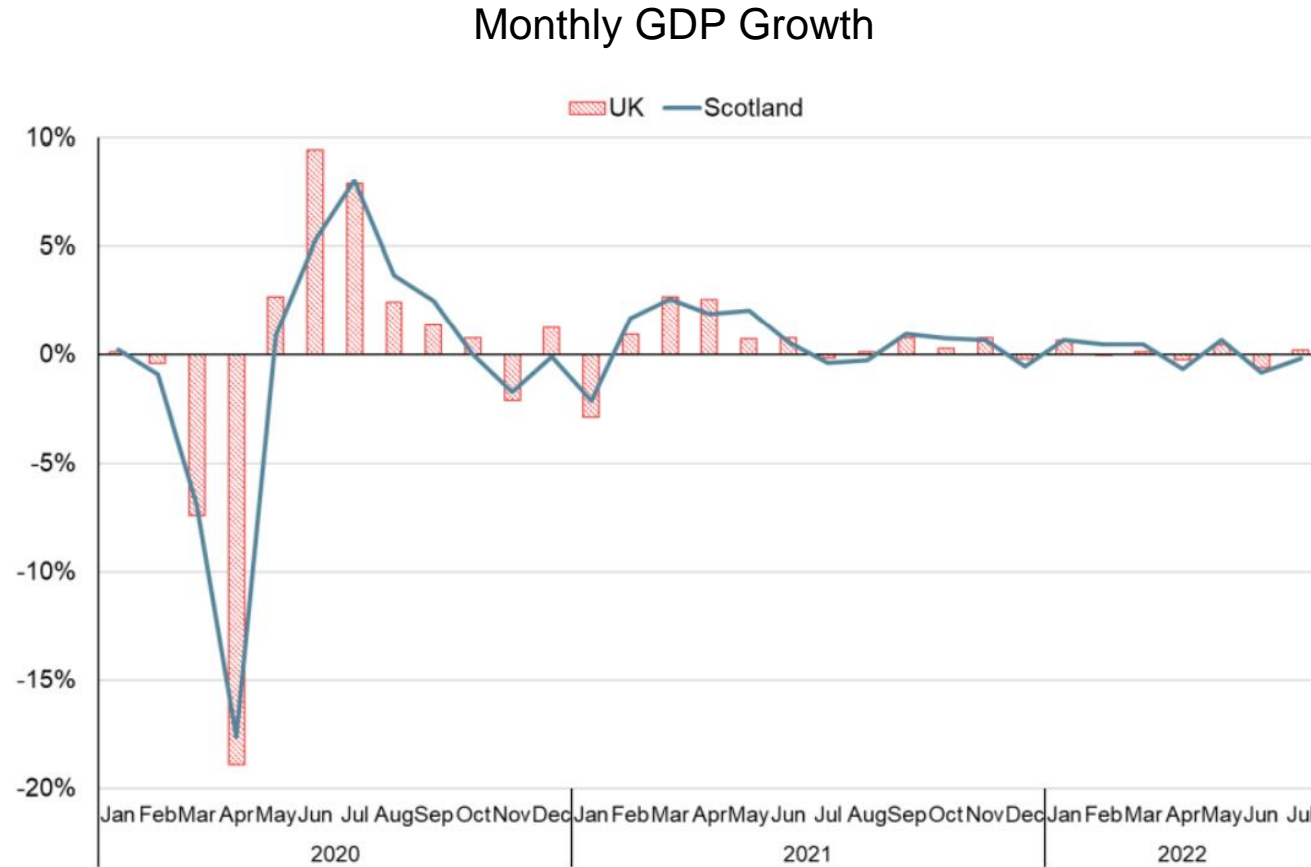


Research Chamber Scotland/UK economic review

11. GDP trend very similar for both UK and Scotland, the pace of growth has been slowing during the year



Scotland's
monthly GDP
index vs.
the UK



Source: Scottish Government, State of the Economy Office of the Chief Economic Adviser, October 2022



UK regional business activity overview

12. The downturn in UK economic activity broadened to encompass all regions and nations in October

Business Activity Index

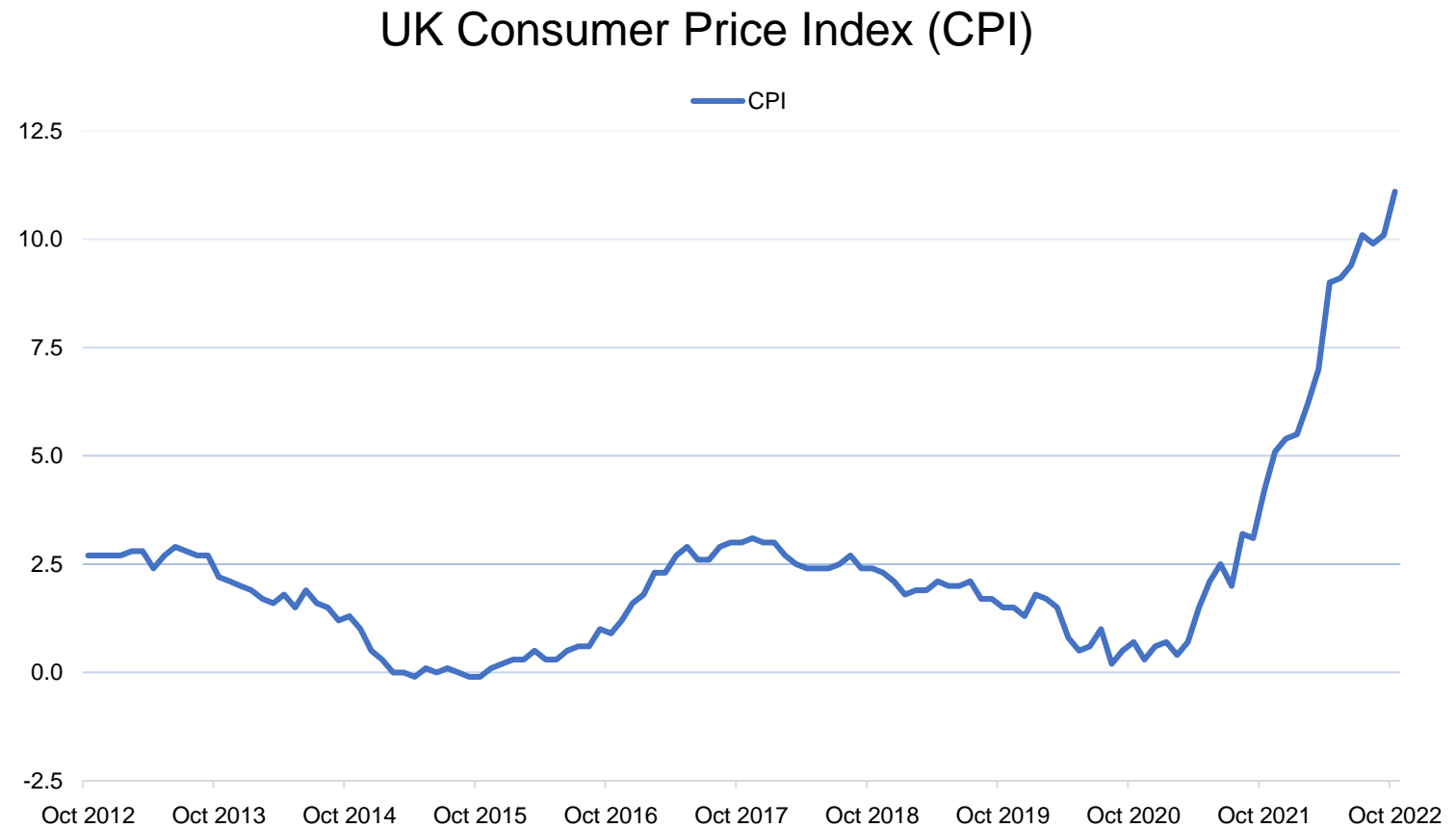


Source: NatWest, November 2022



UK consumer
price index

13. UK Consumer Price Index (CPI) is in the highest level since October 2012

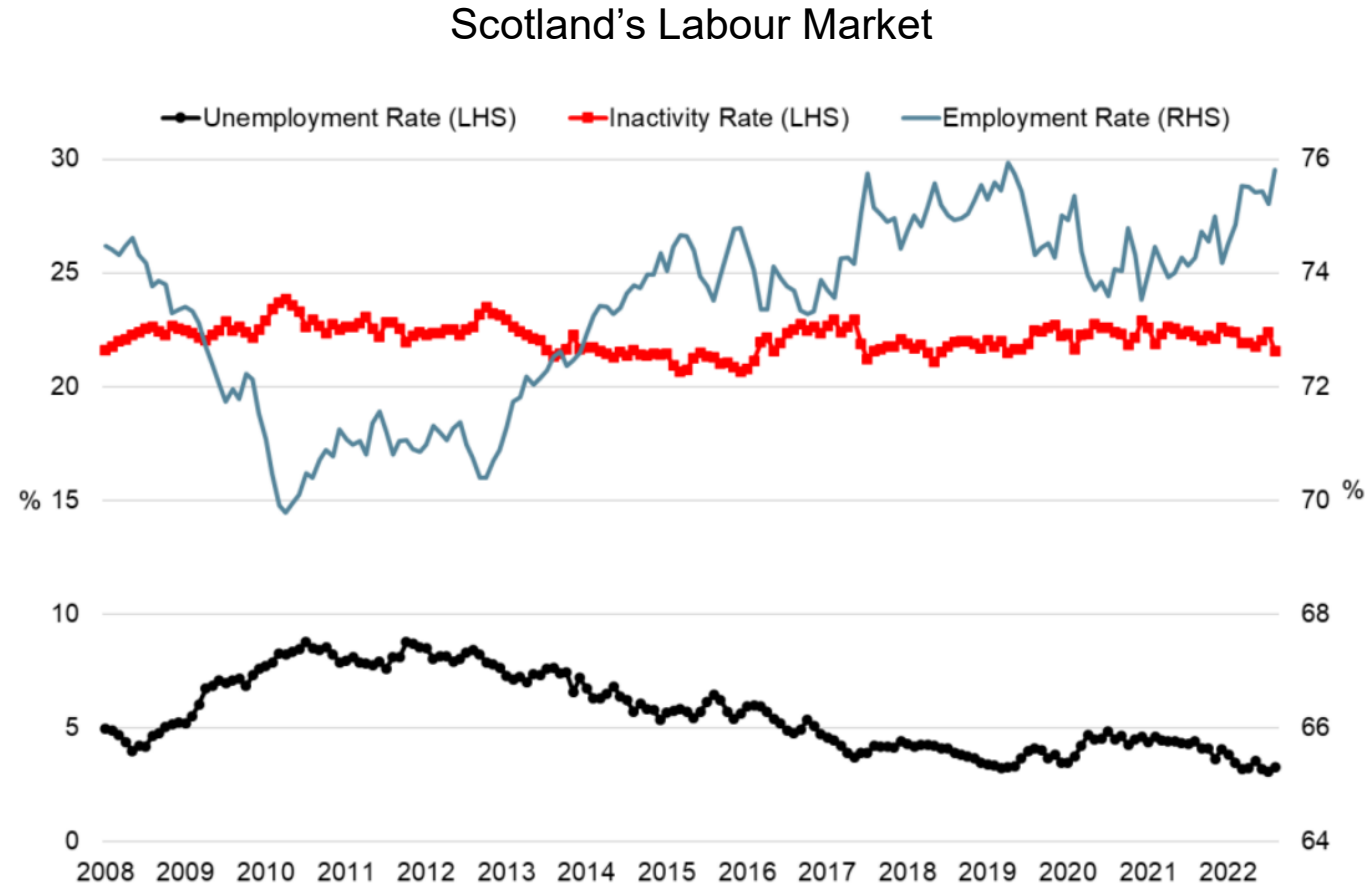


Source: Office for National Statistics , November 2022



Scotland's
labour market

14. Continued evidence of pressures in the Scottish labour market; high employment rate & low unemployment rate



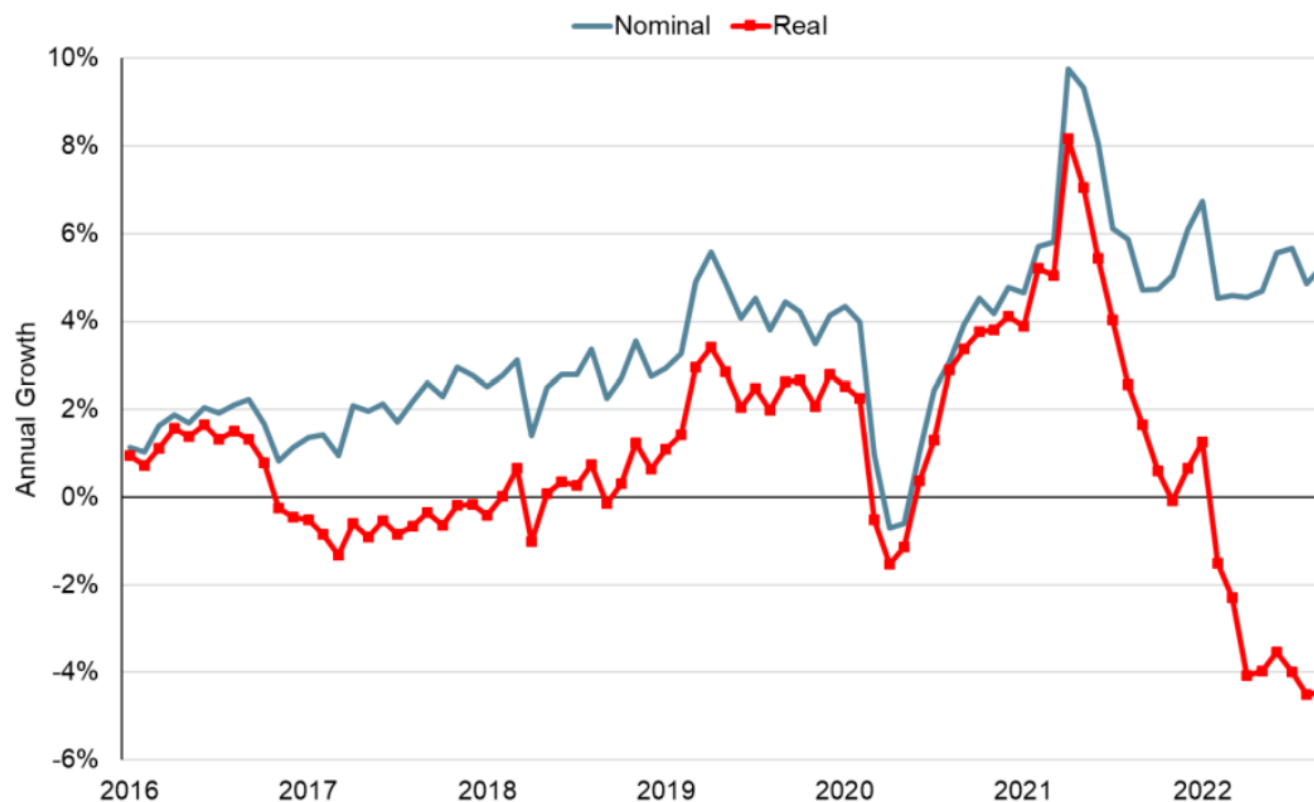
Source: Scottish Government, October 2022



Scotland PAYE
median
earnings
annual growth

15. While nominal median PAYE earnings grew 5.3% over the year to September, they fell 4.4% in real terms once adjusted for inflation

Scotland PAYE Median Earnings Annual Growth



Source: ONS PAYE RTI & CPI , October 2022



Three key conclusions

Sources	Q3 Key Facts	Conclusions
QES, British Chambers of Commerce survey	<ol style="list-style-type: none">1. The percentage of firms reporting increased domestic sales remains at the low level seen in Q32. 82% of firms that are attempting to recruit report recruitment difficulties, the highest on record3. After big drops in the proportion of respondents expecting turnover to grow, Q4 remains unchanged from Q34. The percentage expecting their prices to rise (60%) remains at record highs, although is showing very mild signs of easing5. While concern about inflation remains far above record highs, there are significant jumps in the percentage of firms concerned about taxation and interest rates	1. Range of pressures on UK businesses, including prices/ inflation/recruitment, restricting UK business growth.
QES, Research Chamber survey	<ol style="list-style-type: none">6. Aberdeen & Grampian ahead of UK in domestic sales/custom/bookings7. Aberdeen & Grampian businesses marginally ahead of UK on cash flow8. Price of Aberdeen & Grampian businesses' goods/ services expected to increase; even higher than UK, driven by labour costs & utilities9. Many Aberdeen & Grampian businesses are finding it difficult to recruit for skilled manual/ technical roles10. Inflation is the biggest concern for both Aberdeen & Grampian businesses and UK businesses	
Research Chamber Scotland/ UK economic review	<ol style="list-style-type: none">11. GDP trend very similar for both UK and Scotland, the pace of growth has been slowing during the year12. The downturn in UK economic activity broadened to encompass all regions and nations in October13. UK Consumer Price Index (CPI) is in the highest level since October 201214. Continued evidence of pressures in the Scottish labour market; high employment rate & low unemployment rate15. While nominal median PAYE earnings grew 5.3% over the year to September, they fell 4.4% in real terms once adjusted for inflation	

1. Range of pressures on UK businesses, including prices/ inflation/recruitment, restricting UK business growth.

2. Similar pressures on Aberdeen & Grampian businesses, particularly the rising costs & recruitment.

3. Scottish business activity slowing, lagging behind some English regions.



Viewpoints



Aberdeen & Grampian Chamber of Commerce policy viewpoint



Partners' viewpoint