



DUNDEE & ANGUS
CHAMBER OF COMMERCE

QUARTERLY ECONOMIC INDICATOR

MARCH 2021



platinum partners



executive statement

What have been the main reasons for changes in business confidence?

“New partnerships and opportunities beginning to appear”

“An end in sight to restrictions”

“Concern about clients”

“Gaining a roadmap which might allow us to operate”

“Introduction of lockdown has delayed the start of some construction projects”



Alison Henderson,
Chief Executive DACC

Our latest Chamber Economic Indicator Report research comes at a time of protracted lockdown. Coming out of the dark winter months, it's been a challenge for many to see the positives. However, what is encouraging is the continued adaptability of businesses as we innovate our services and look ahead to the reopening of our economy.

The UK has also had the early months of new trading conditions with Europe, and that has been extremely difficult for many to navigate.

The resilience of our people and organisations remains an inspiration, and the positivity that we are seeing in the future expectations segment of our Business Sentiment Indicator looks to stand us in good stead.

Many businesses have adopted flexible working practices and we all feel that the workplace model that we will adopt in the coming months and years will be different – for many firms it's not yet fully clear how their workplaces will adapt.

Our high streets, retail spaces and cultural experiences definitely need our support to recover,



Dr Shona Dobbie
Angus Economics

and governments must adopt a pro-growth agenda, embedding the right levels of business support to encourage swift recovery.

People will need support to reskill as our sectors will be reshaped, and new opportunities arise – this is the time that workforce development becomes critical. Businesses must ensure they are planning for the future, considering the skills that they will need to thrive, and supporting their people to succeed.

Investment in infrastructure and minimising of costs of doing business will all help economic recovery. Businesses must use this time to refresh strategy, look to take advantage of opportunities that exist in climate change/green recovery policies, in the widening world of global trade and in becoming the engine that drives local wealth building in our communities.

This year has to be the time that we grasp change as a positive force, while supporting our teams and customers, making sure they feel part of the journey.

We are proud to operate at the heart of such an inspiring and motivated business community.

key results

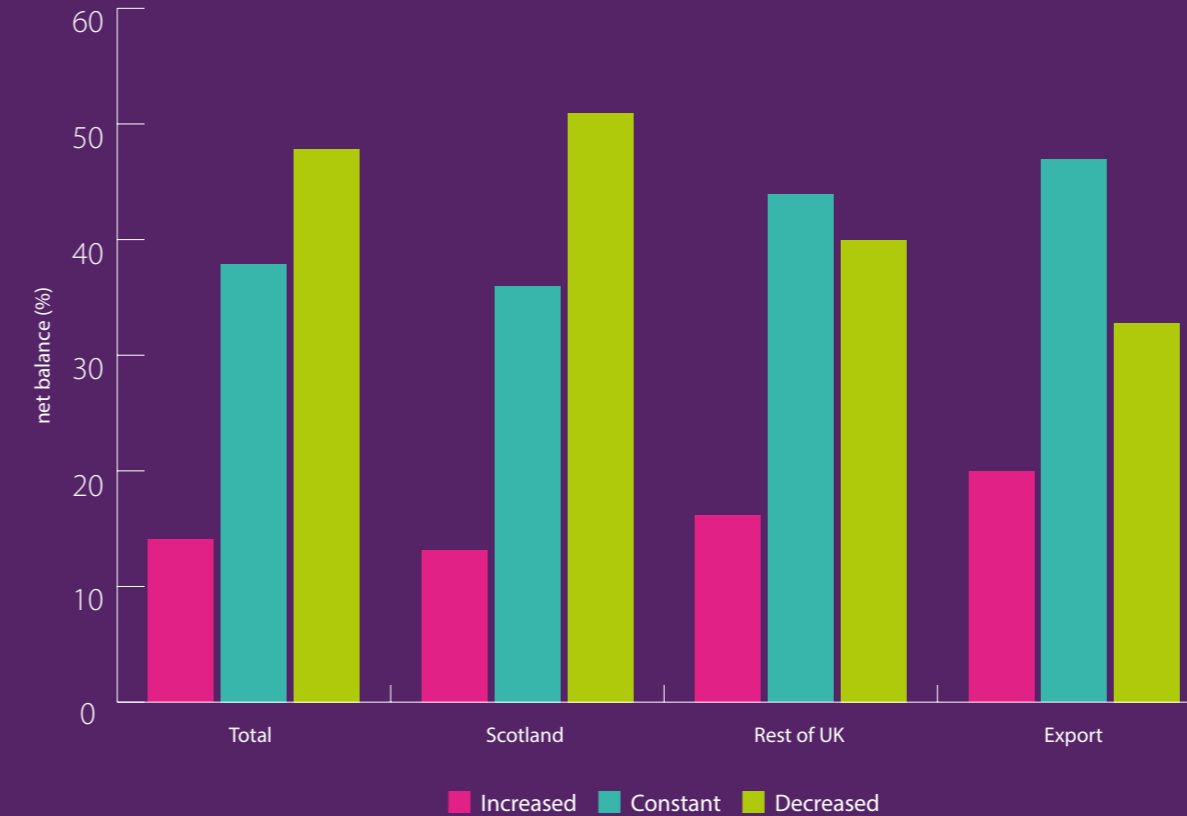


This chart shows the 'net balance' measure of confidence for the key variables in our local economic survey. The net balance is calculated by subtracting the percentage of firms reporting a decrease in activity from the percentage reporting an increase and, in general, a positive net balance indicates growth and a negative net balance indicates contraction. This methodology is consistent with that used by the Scottish Chambers of Commerce QES.

The key results of our Q1 survey are clearly disappointing, but reflect the challenges faced by businesses across the Dundee & Angus region as a second lockdown was imposed in the battle against Covid-19. Revenue, orders and cashflow had all been positive in Q4, but these have now moved back into negative territory, and profitability has plunged to its lowest reading since Q2 2020. But there are some glimmers of hope; the net balance reading for investment has improved from -10% to -3%, the reading for employment has increased from -11% to -5% and the assessment of wages has improved even further, from a reading of +5% to +13%, which is the highest level reached since Q1 2020.

several key variables have deteriorated sharply during our second lockdown, with revenue, orders and cashflow all falling back into negative territory and profitability taking a further hit. But it is really encouraging to see some improvement in both investment and employment conditions

change in business revenue since last quarter

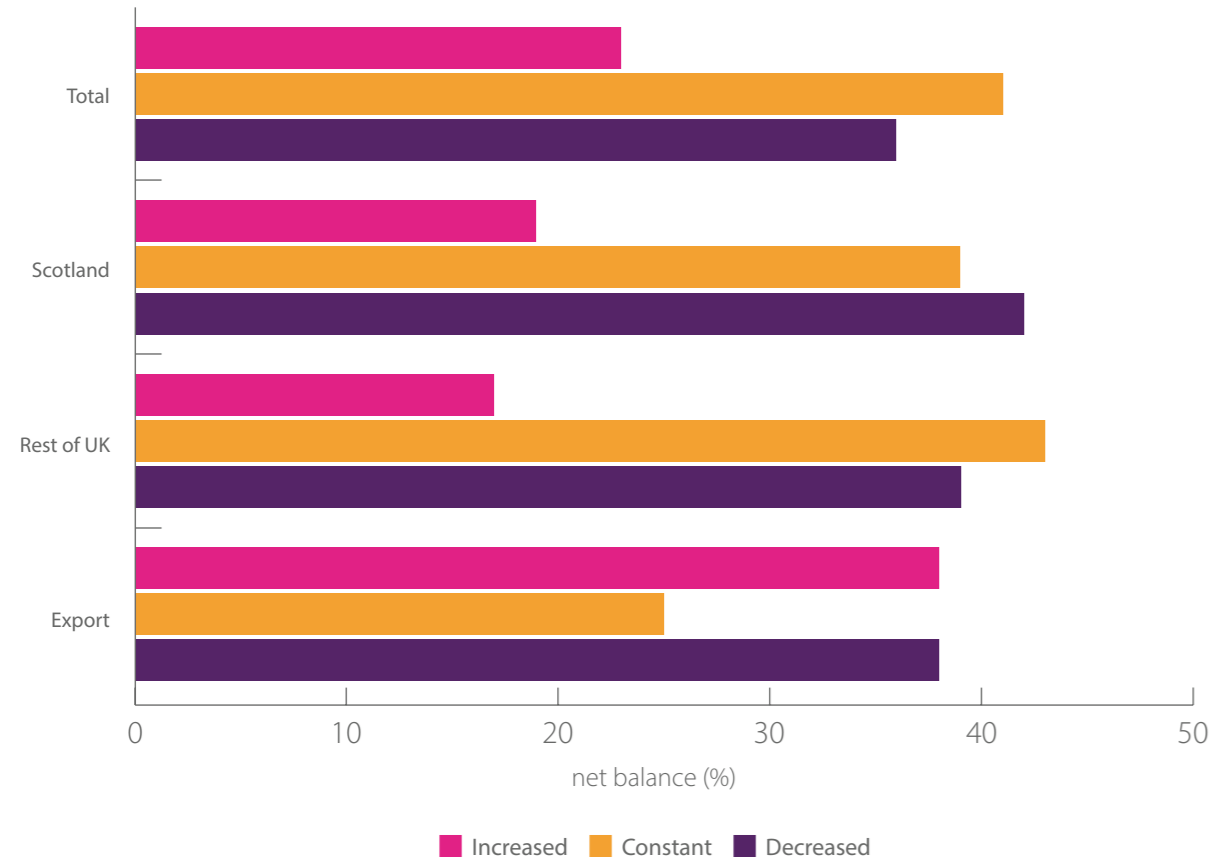


Sales and revenue have clearly been hit hard during the second lockdown and the net balance has turned negative for each category, indicating that conditions have deteriorated sharply across the board. Our survey results suggest that domestic sales have been hit hardest, with 51% of firms in this category reporting that revenue has decreased. At the sector level construction, tourism and trades appear to have been hit hardest, but the arts and creative sector performed better, and actually succeeded in reporting an increase in revenue.

	net balance (%)
Total	-33
Scotland	-38
Rest of UK	-24
Export	-13

only 52% of local businesses have reported that total revenue has increased or remained constant over the last 3 months

change in orders since last quarter

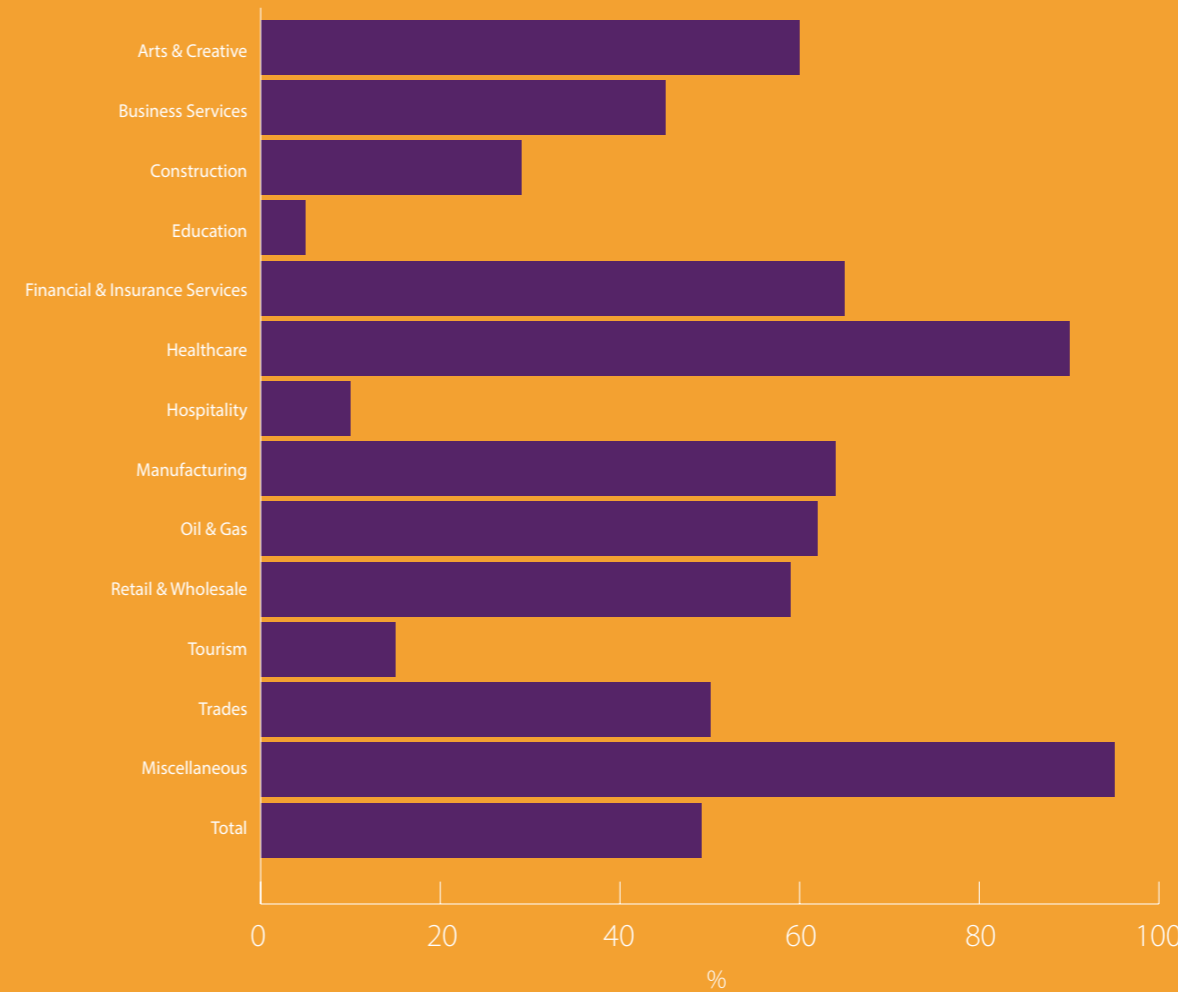


Orders have also deteriorated sharply over the last few months and the net balance has fallen sharply from +8% last time to a discouraging level of -13%. Only 19% of businesses across Dundee & Angus have reported an increase in orders from Scotland, and only 17% have reported an increase in orders from the rest of the UK. The education sector is most positive in terms of orders during Q1, but the hospitality and oil & gas sectors have both reported substantial declines.

	net balance (%)
Total	-13
Scotland	-22
Rest of UK	-22
Export	0

only 23% of local businesses reported that total orders have increased, but 36% reported a fall

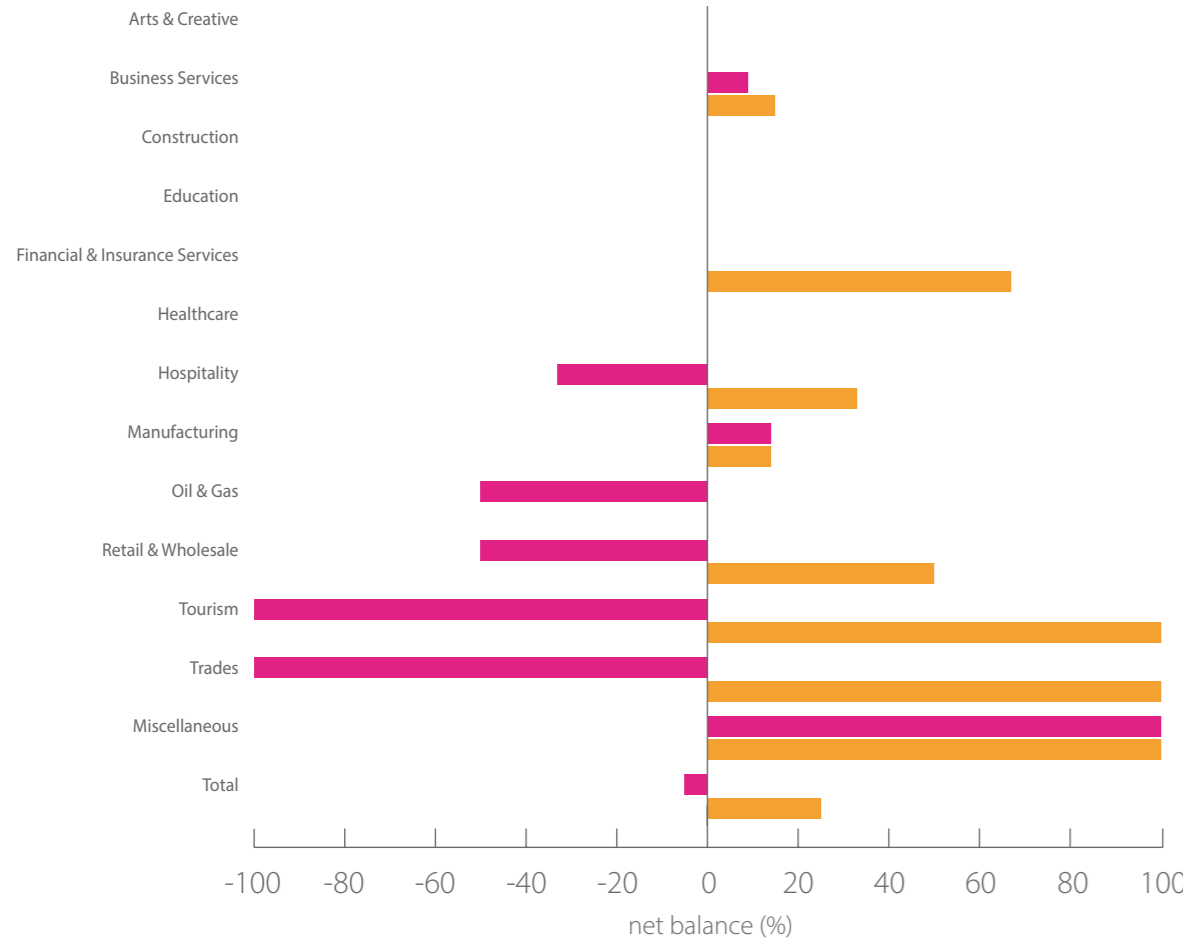
current operating capacity



Businesses across the Dundee & Angus area are now operating at 49% of capacity on average, which compares poorly with the level of 71% recorded in Q4 2020. The healthcare sector is operating at the highest average level of capacity, at 90%, followed by finance & insurance at 65% and manufacturing which achieved a level of 64%. At the other end of the scale the education and hospitality sectors have struggled with much lower average capacity levels at just 5% and 10% respectively, and the tourism sector is currently operating at just 15% of capacity.

the drop in average operating capacity to just 49% gives a clear indication of the pressures currently facing businesses across the Dundee and Angus region

employment situation



Local businesses have reduced employee numbers during the last quarter, in line with labour market trends experienced across the UK as a whole. Hospitality, oil & gas, retail, tourism and the trades sectors have all reduced net levels of employment, while business services and manufacturing have managed to achieve net gains. But businesses are much more optimistic about the outlook for employment, with all sectors recording a net balance which indicates either no change or an increase in employment levels. And it is really encouraging to see the tourism and trades sectors being most positive about the outlook for employment, followed closely by the finance & insurance, retail and hospitality sectors.

the employment situation has weakened during Q1, but it is really encouraging to see that local businesses are much more optimistic about future employment levels

■ last 3 months ■ expectations

change in business optimism

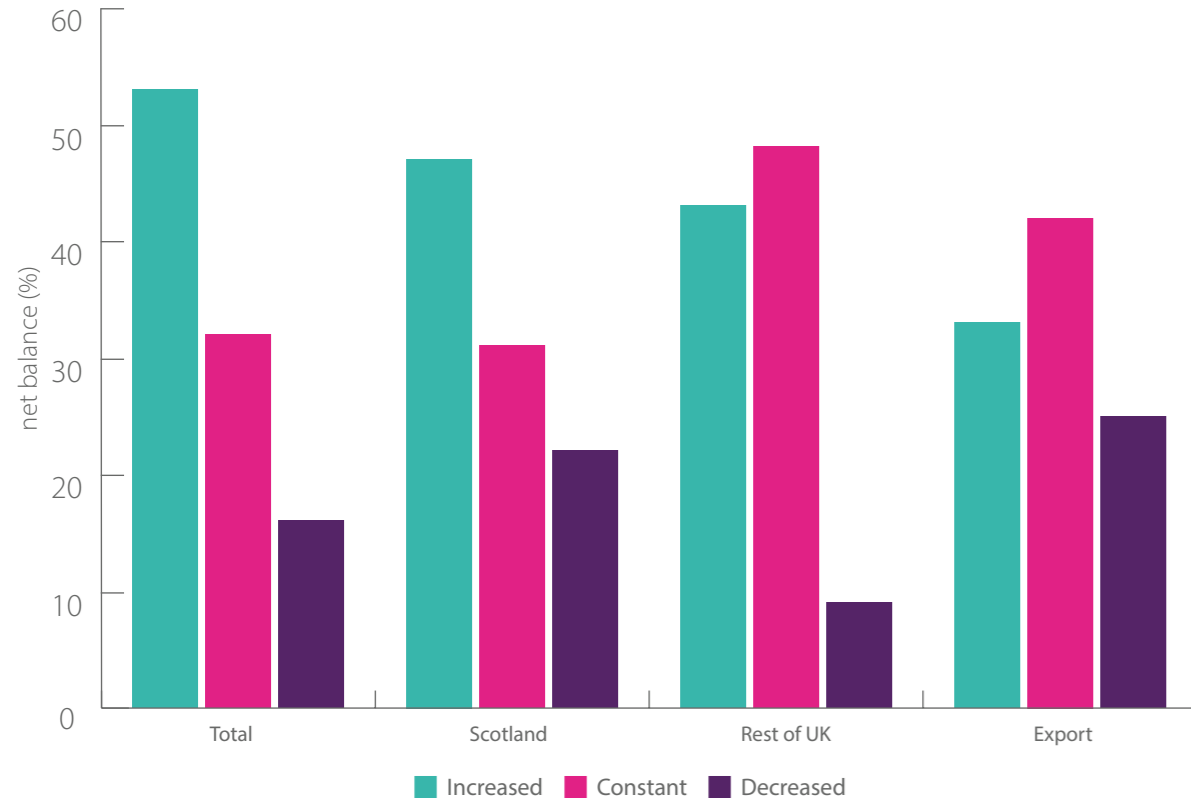


Our survey asks respondents to assess their current level of business optimism against both the last 3 months and last year and the net balances are displayed here for each sector. The results highlight that the net balance of business optimism is lower than 3 months ago, but it is now higher than it was at this time last year. Respondents from the arts, education, retail and the trades sectors appear to be significantly more confident than they were 3 months ago, but confidence has decreased in the construction, hospitality and oil & gas sectors. Tourism, hospitality and the trades sectors have suffered the largest declines in confidence over the last 12 months, but respondents from the education, manufacturing and construction sectors are more confident than at this time last year.

on balance, business optimism is lower than it was 3 months ago, but it is now higher than it was at the start of the pandemic

■ v3 months ago ■ v1 year ago

revenue expectations for next three months

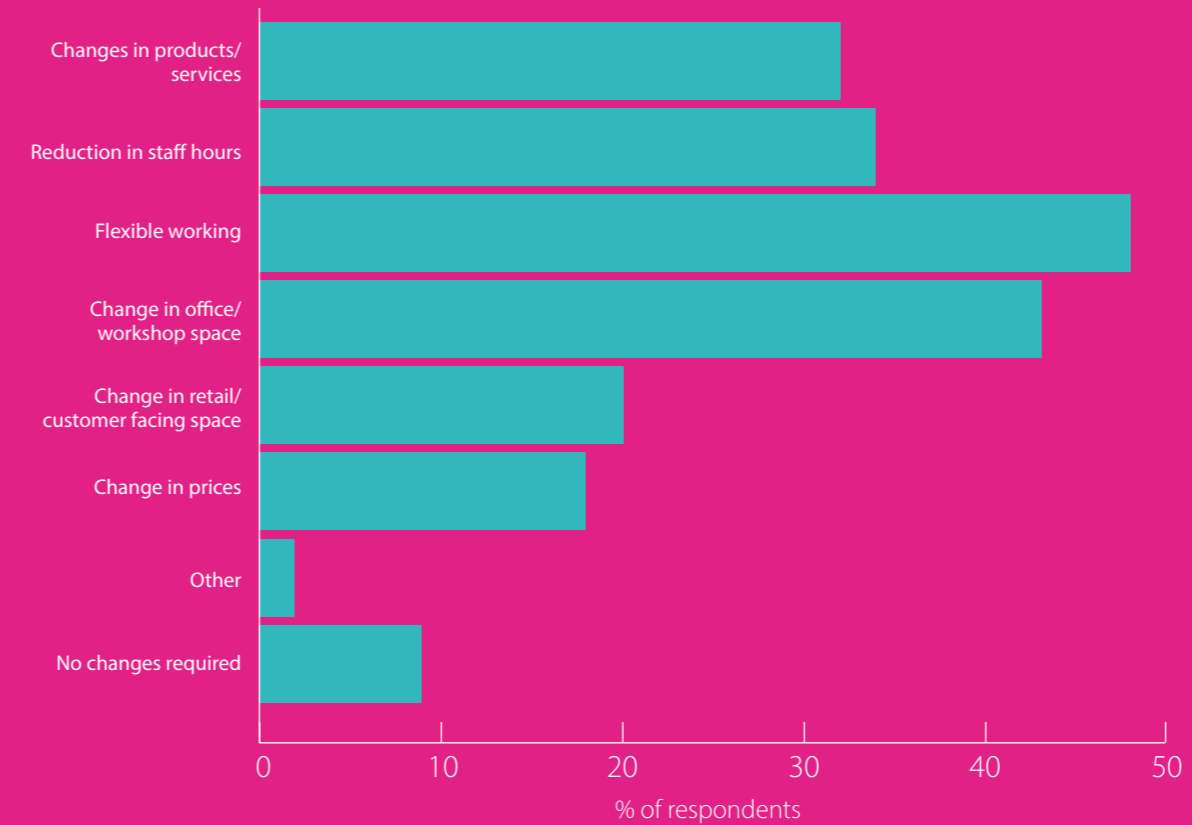


Looking forwards, it is really encouraging to see that businesses across the Dundee & Angus region are feeling much more positive about revenue. Around 47% of local firms expect sales in Scotland to increase, and 43% expect a rise in sales across the rest of the UK. Net revenue expectations are highest in the arts & creative, education, hospitality and trades sectors but, unfortunately, the oil & gas sector still expects net sales to decline further over the next 3 months.

	net balance (%)
Total	+37
Scotland	+25
Rest of UK	+35
Export	+8

85% of local businesses expect sales revenue to increase or remain constant over the next 3 months

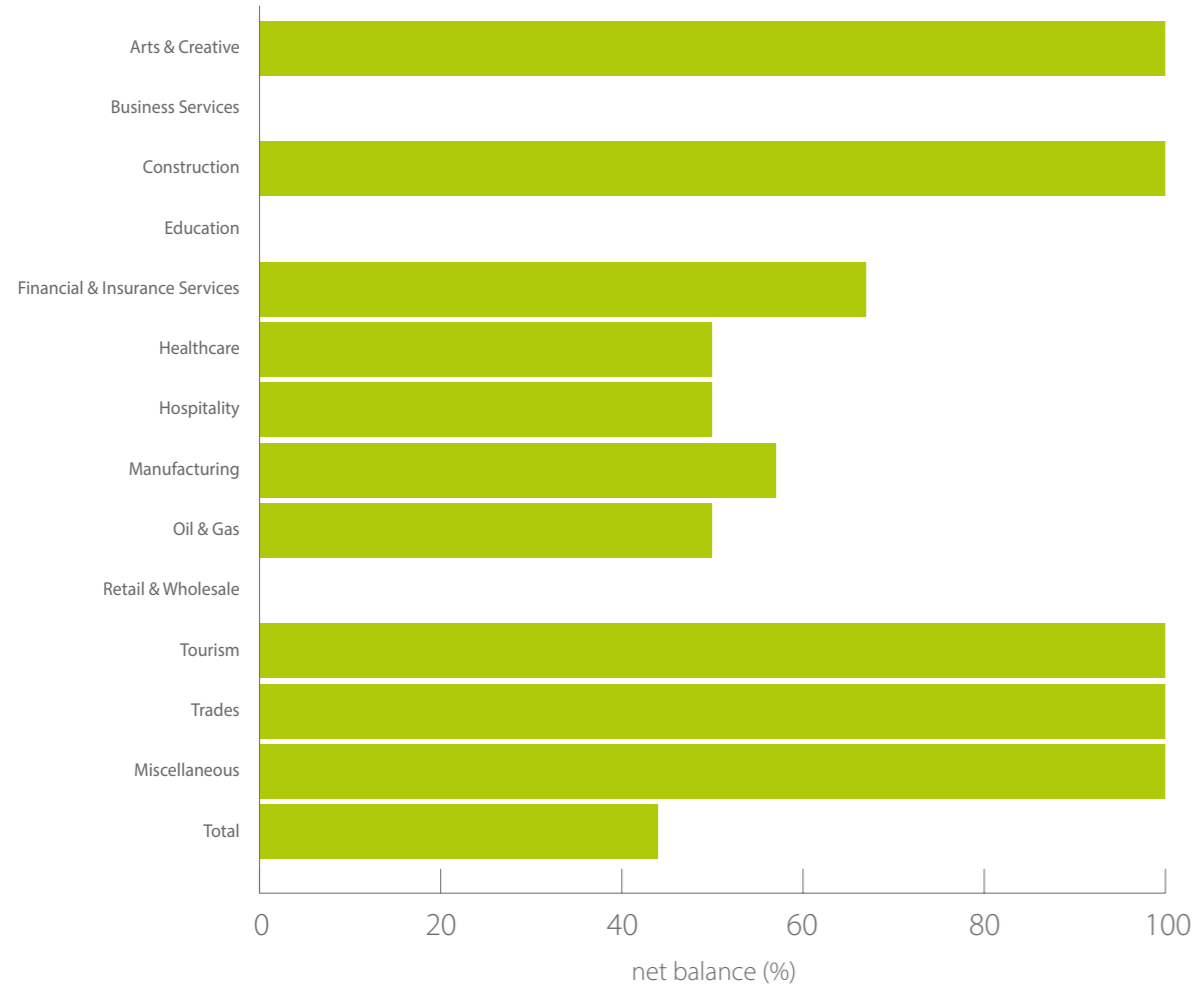
operational impact of Covid-19



We asked businesses across Dundee & Angus to identify the ways in which Covid-19 has impacted their business operations. Almost 48% of local businesses who participated in our survey have introduced flexible working and 43% have made changes to their offices or workshops. In addition to this, 34% of participants told us that they have had to reduce working hours and 32% have made changes to the products or services on offer. Only 9% of local businesses who took part in our survey have not had to make any changes at all.

Covid-19 has forced 32% of survey respondents to make changes to their products or services

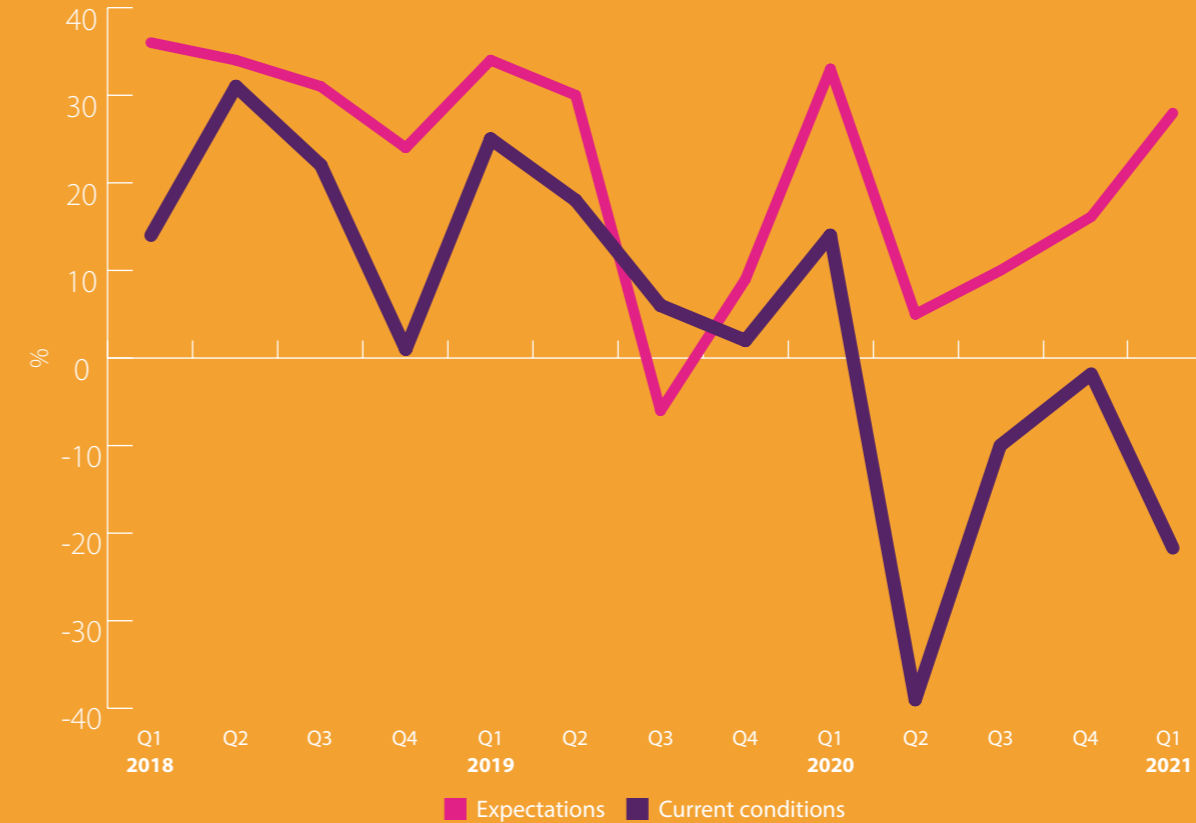
expectations of future business prospects



We asked local businesses to assess their business prospects over the next 12 months and this chart shows the results. It is really encouraging to see that no sector is displaying a negative net balance, which means that businesses across the region are anticipating that business prospects remain the same or improve from here. Arts and creative, construction, tourism and trades are the most optimistic, but finance & insurance, manufacturing, healthcare and hospitality also expect prospects to improve. Expectations are more muted in the business services, education and retail sectors where, on balance, respondents expect no change in business prospects. And some local businesses still remain under significant pressure, as evidence by the fact that 8% of respondents have some concern they may not be able to survive.

61% of businesses expect prospects to improve over the next 12 months, but 8% are concerned they may not be able to survive

DACC business sentiment indicator



The strong response to our Quarterly Economic Survey has enabled us to create a confidence indicator for businesses located in the Dundee & Angus area. The 'current conditions' indicator reflects confidence about recent trading conditions and it is understandable, given the move back into lockdown in late December, that this has plunged from a reading of -2% in December to -22% today. However, our 'expectations' index, which reflects assessments of future trading and activity, has increased significantly, from +17% in December to +28% today, reaching its highest level since Q1 2020. This move confirms that local businesses are looking forward with much more optimism, with a view to life hopefully being able to return to something at least a bit closer to 'normal'.

our DACC Business Sentiment Index tells us that current conditions are extremely challenging for local business, but that there is considerable optimism that business prospects could improve significantly over the next few months

conclusions and outlook

world oil price
restrictions change roadmap
COVID-19 vaccine rollout
lack of business housing market
recruitment drive Brexit
new client clear commitment
internal improvement vital services
new partnerships increased order

This is the fourth business and economic survey focusing on Dundee & Angus and it has been undertaken during the second Scottish lockdown, in which many businesses have been prevented from trading and those that could continue have frequently faced operational changes and other significant challenges. It is therefore no surprise to see a sharp deterioration in many of the key variables we assess, such as revenue, orders, profits and cashflow. But there have been some signs of hope too, as the local assessments of both employment and investment have become less negative and wages have continued to rise.

The results of our survey during Q1 2021 highlight the flexibility of local businesses and their resilience to the challenges posed by the Covid-19 pandemic. Many firms have made changes to their offices and workshop spaces and the products and services on offer, in addition to maintaining more flexible working arrangements. And, although current conditions are undeniably tough, local businesses are clearly looking to the future with a higher level of confidence, in anticipation of life being able to return to some form of normality.

Our DACC Business Sentiment Indicator pulls together all of the survey data and provides an overall assessment of current conditions in the local economy, and expectations for the future. The current conditions indicator has deteriorated sharply from a level of -2% to -22%, which is understandable during the current period of lockdown. But the expectations index is much more encouraging, having risen from +17% to +28%, reflecting higher levels of optimism across the Dundee & Angus area about future trading and activity. Local businesses are hopeful we have come through the worst.

Dr Shona Dobbie, Angus Economics
March 2021