



**Dundee
& Angus**
CHAMBER OF
COMMERCE



Quarterly Economic Indicator

October 2021

Platinum partners



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

“Brexit deal makes exports to EU impossible”

“Market has settled. No feeling of a potential fall-out from Covid.”

“Client budgets are a factor. Limitations on movement of staff and those working from home has been detrimental to service provision.”

“Interest in new technology in energy sector.”

Executive statement

As always, we are indebted to the local businesses who take part in our Economic Indicator work – we know that these reports are valued by businesses, investors and the public sector who all have a vested interest in the health of our economy.

The past quarter has seen businesses working through much welcomed easing of Covid restrictions while wrestling with some key challenges with the supply of materials, availability of sufficient people to fill all of their vacancies and further divergence in Covid rules across Scotland and the rest of the UK.

International travel remains challenging but many businesses are getting back to normal times in doing business face to face, reporting many successes of ‘deals being done’ and a steady move to encourage people back to workplaces.

Our city and town centres need the footfall of people coming back to work, and the return of students to universities and college will see another critical step in covid recovery for businesses.

It’s incredibly positive to see the ongoing trend of our Business Sentiment Index, even in the face of what may be challenges in the next quarter as furlough ends, and we go cautiously into the winter months.

We’ve also seen significant challenges in the energy markets and warnings from the retail sector about disruption to food supplies.

The Chamber network is working closely with the UK & Scottish Governments to alleviate issues, raise concerns and drive understanding of the key concerns facing businesses.

There is a lot in this quarter’s report to give us considerable optimism for the outlook for doing business in Dundee & Angus. As a region we are well connected, ambitious and resilient – all very positive attributes to see us go strongly into 2022.



Alison Henderson
Chief Executive DACC

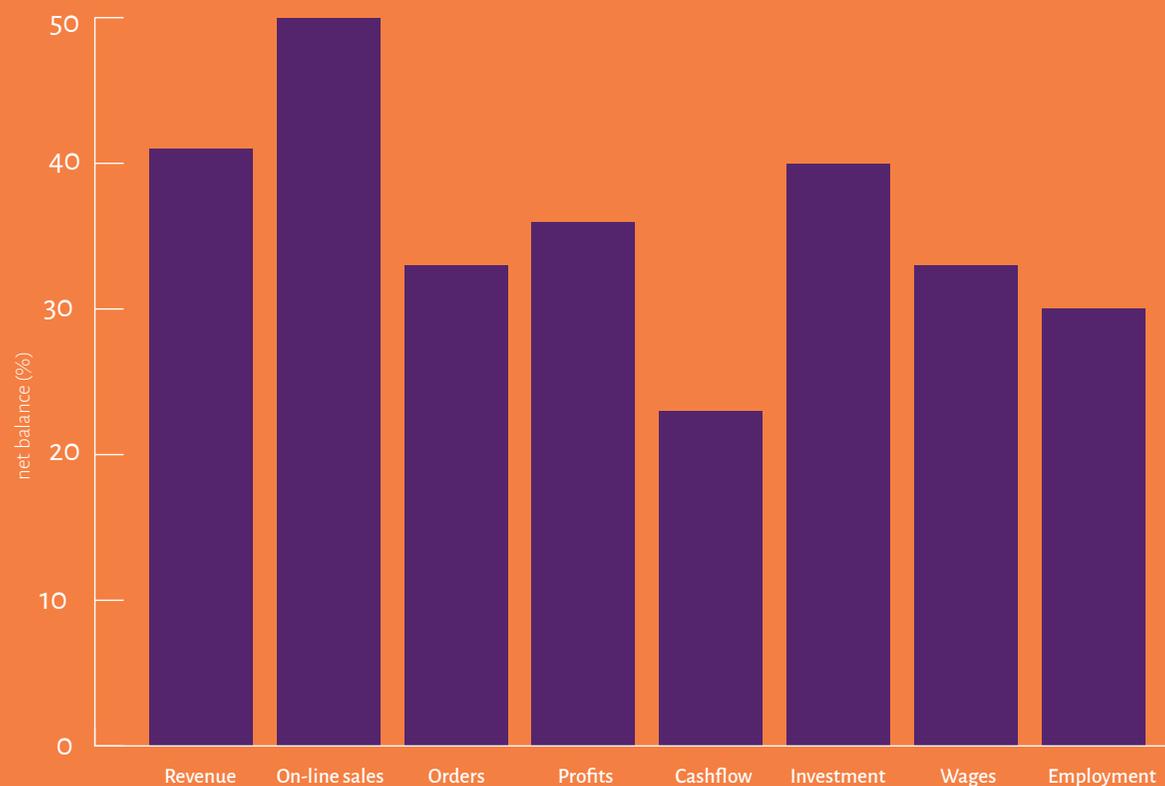


Dr Shona Dobbie
Angus Economics

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 Q3 survey show a considerable amount of improvement from Q2, reflecting a higher level of activity across the Dundee & Angus region during the summer months. Every key variable remains in positive territory, with on-line sales, revenue and investment all being particularly strong. The biggest improvements during Q3 have been recorded in both on-line sales and profits, with the latter being particularly encouraging to see. The assessment of new orders across the DACC region is not as strong as last time, but the decline is not large enough to give us any cause for concern. The lowest reading is that for cash flow, but we are still encouraged by the fact that this has improved from a net balance of just +4% in Q2, to its current reading of +23%.



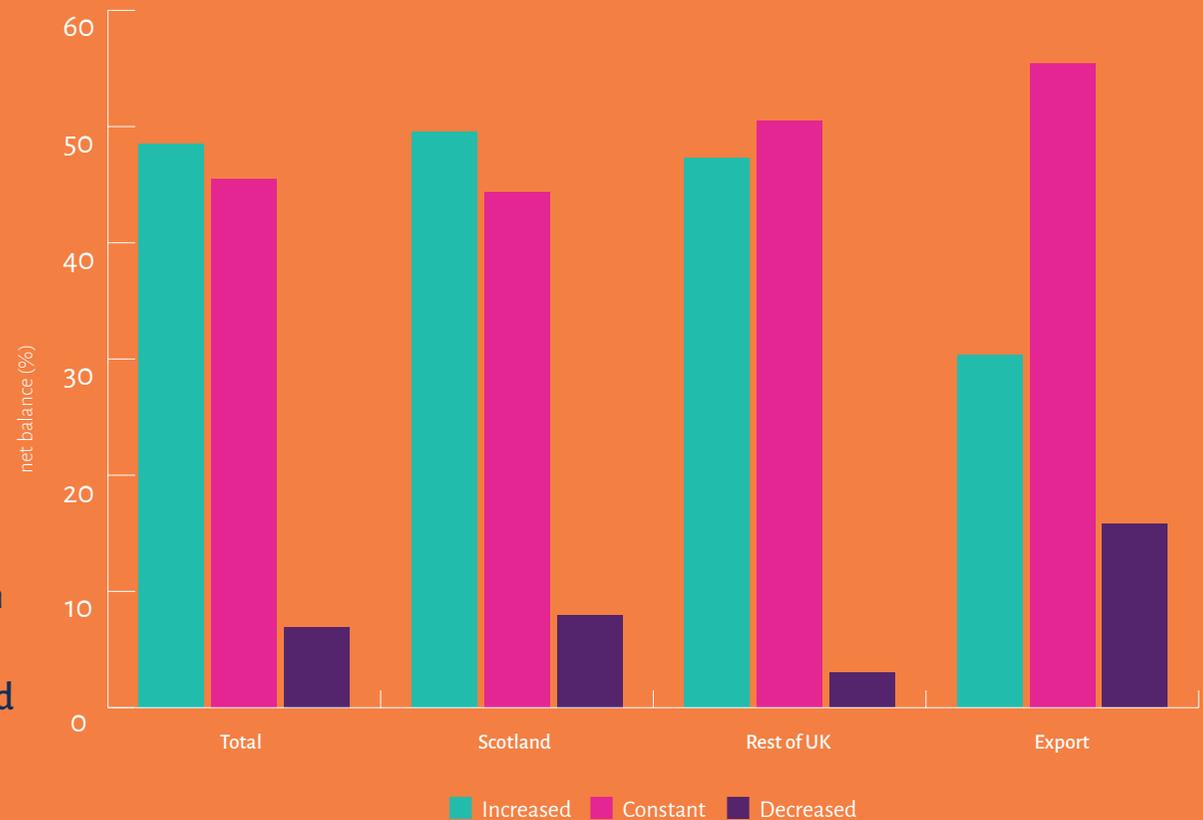
All 8 key variables in our survey have remained in positive territory during Q3. Local businesses are currently most confident about on-line sales, revenue and investment and have become much more positive in their assessment of profits. Activity has increased over the summer months, bringing with it a much needed boost to confidence.

Change in business revenue since last quarter

Our survey indicates that business revenue has improved for the second successive quarter. The net balances for total revenue, revenue achieved in Scotland and that raised in the rest of the UK have all increased further, whilst that for export sales has finally turned positive. Sales to the rest of the UK have improved sharply, with 97% of firms participating in this sector now reporting that revenue has increased or remained constant over the last 3 months. The tourism, trades and transport & storage sectors have all recorded strong gains in revenue, but conditions have been relatively weaker in the hospitality and agricultural sectors.

	net balance (%)
Total	+41
Scotland	+41
Rest of UK	+43
Export	-15

97% of local participants report that revenue raised in the rest of the UK has increased or remained constant over the last 3 months.

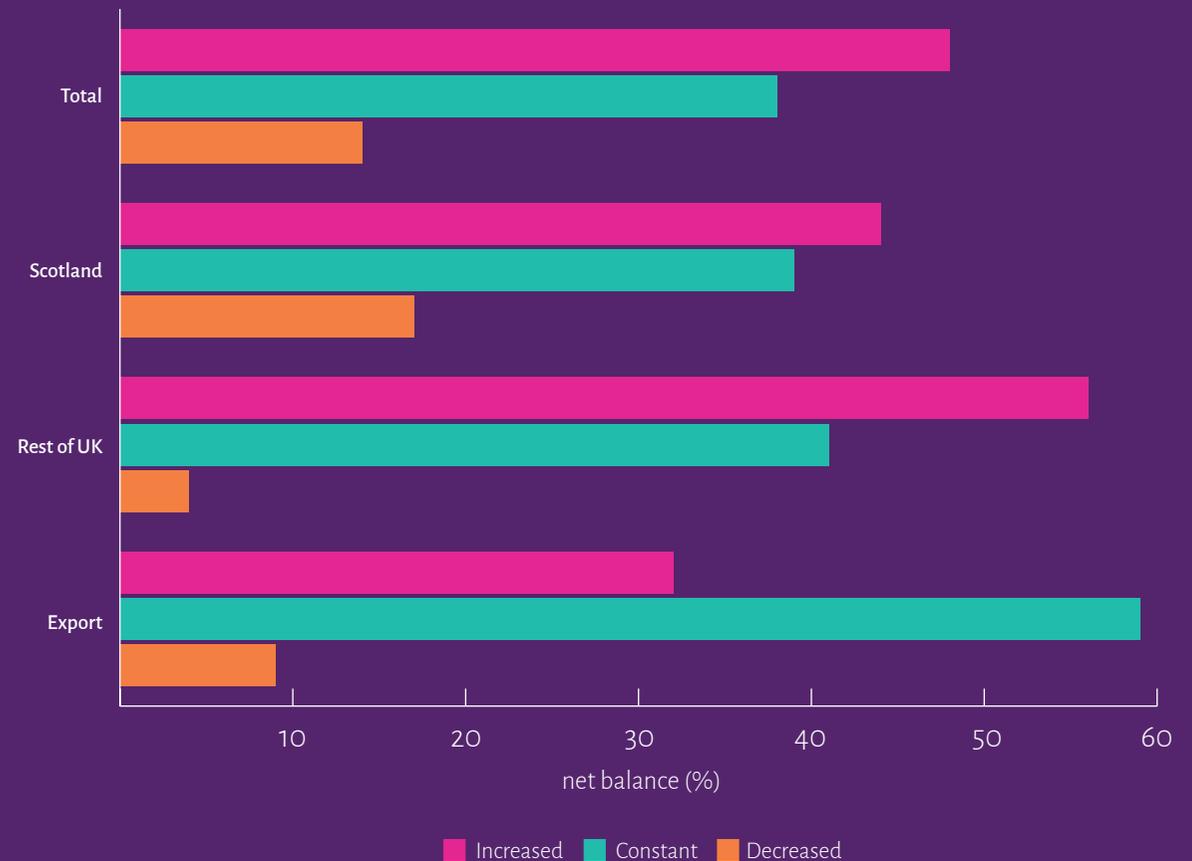


Change in orders since last quarter

The net balance figure for total orders has fallen in Q3 from +42% to +33%, but this reading remains robust and does not give cause for concern. In fact 48% of respondents have seen orders increase over the last 3 months and another 38% have reported no change. Orders from within Scotland are slightly softer than in Q2, but orders from the rest of the UK, and export orders, have both improved sharply. The construction, tourism and trades sectors are most confident whilst both healthcare and hospitality are weaker.

	net balance (%)
Total	+33
Scotland	+28
Rest of UK	+52
Export	+23

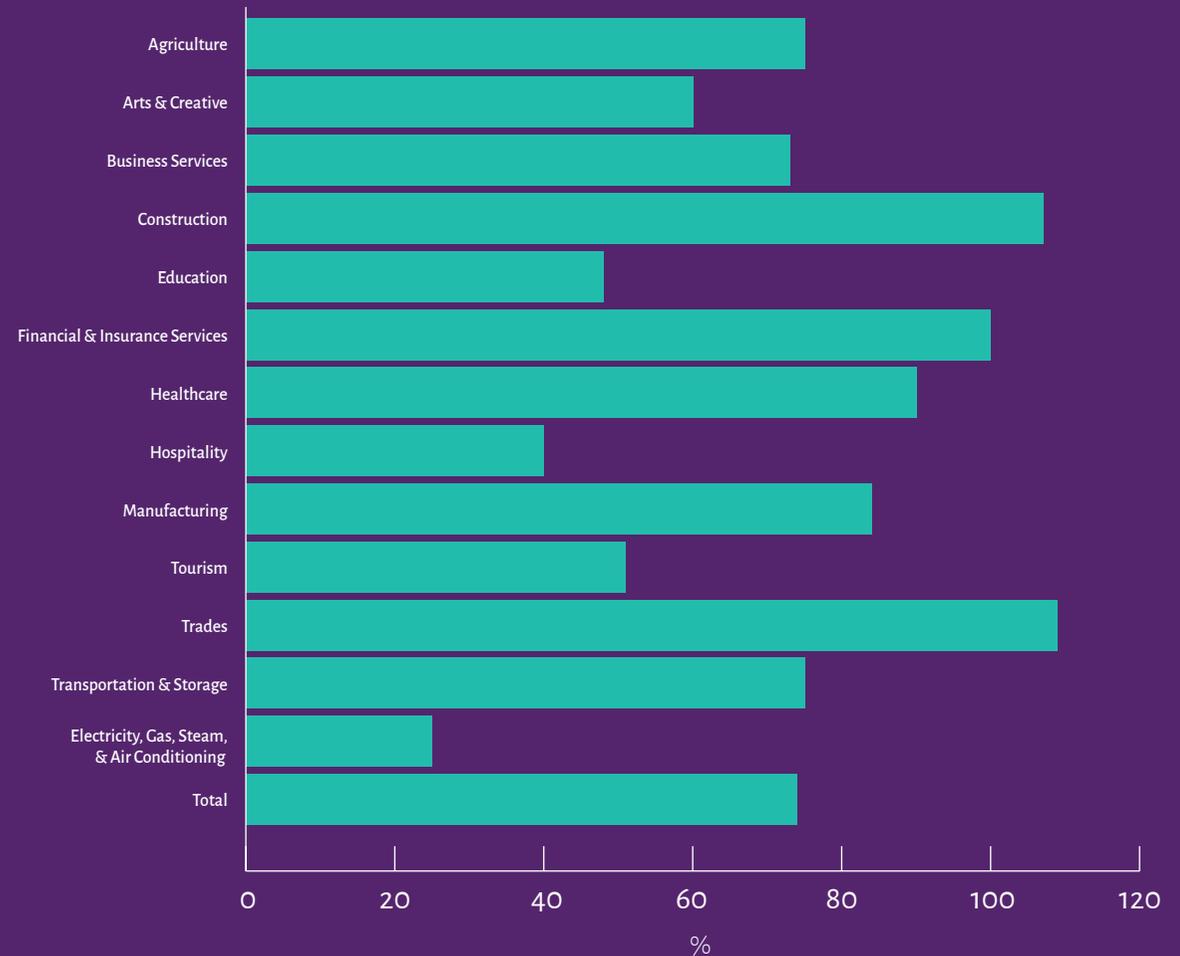
Although this assessment of orders is slightly softer than in Q2, 86% of local businesses are reporting that orders have either increased or remained constant in Q3.



Current operating capacity

Businesses across the Dundee & Angus area are now operating at 74% of capacity on average, which is higher than the level of 61% recorded in Q2. However, it is disappointing to see that 49% of businesses are still operating below normal capacity levels. Construction and trades are the only sectors operating above 100% capacity at the moment, but these are followed closely by finance & insurance which is operating at its normal capacity. Although the tourism sector has recorded an encouraging improvement in its operating capacity level, this remains well below normal and further increases in activity are needed over the next few months. Meanwhile, the hospitality sector has recorded an unwelcome decrease in average operating capacity, giving some cause for concern.

Although overall operating capacity has increased to an encouraging average level of 74% across the DACC region, it remains disappointing to report that almost half of all respondents are still operating below normal capacity.



Employment situation

Local businesses increased employee numbers during the last quarter, reflecting the increase in activity as lockdown rules were eased further during the summer months. The strongest assessments of recent employment levels were provided by finance & insurance and healthcare, followed closely by the construction sector, but the tourism and education sectors both reported declines. Looking ahead, it is really encouraging to see that there is no sector forecasting employment to decrease from current levels, but there are a wide range of expectations. Agriculture, electricity, gas, steam & air conditioning and the trades sectors are the most positive with regard to future employment levels, whilst the arts & creative, healthcare, hospitality and transport & storage sectors all expect no change.

It is really encouraging to report that no business sector in the DACC region expects employment to decrease from current levels in the months ahead.



Change in business optimism

Our survey asks respondents to assess their current level of business optimism against both 3 and 12 months ago and the net balances are displayed here for each sector. The results highlight that business optimism is now higher than both 3 months and 12 months ago, helped by the already reported improvements in revenue, cash flow and profits. Respondents from the construction sector, finance & insurance, trades and electricity, gas, steam & air conditioning are significantly more optimistic than they were 12 months ago, but it is disappointing to see that optimism has fallen over the same period in both agriculture and hospitality. Over the last 3 months optimism has improved sharply in the education, arts & creative and trades sectors, but has deteriorated in the healthcare, hospitality and transport & storage sectors.

Whilst it is encouraging to see that local business optimism continues to improve overall, it is clear that the hospitality sector remains under pressure.

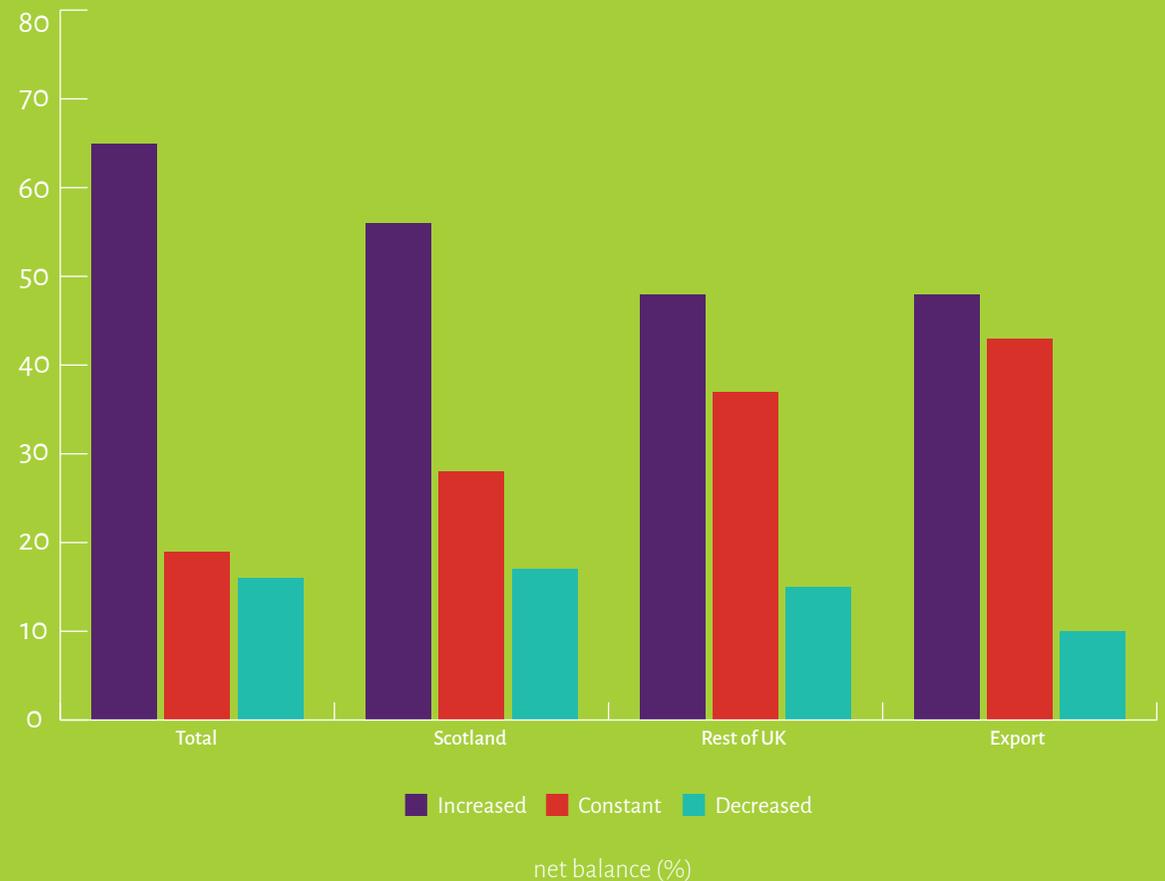


Revenue expectations for next 3 months

On balance, local businesses expect revenue to grow further over the next few months. In fact, 65% of local firms who took part in our survey expect total sales to increase, while only 16% expect revenue to decline. Expectations for revenue from sales in the rest of the UK have softened slightly, but this follows a relatively strong period over the last 3 months. At the sector level, net revenue expectations are highest in the arts & creative, construction, hospitality and trades sectors but respondents from both agriculture and tourism now expect revenue to fall slightly over the next 3 months.

	net balance (%)
Total	+49
Scotland	+39
Rest of UK	+33
Export	+38

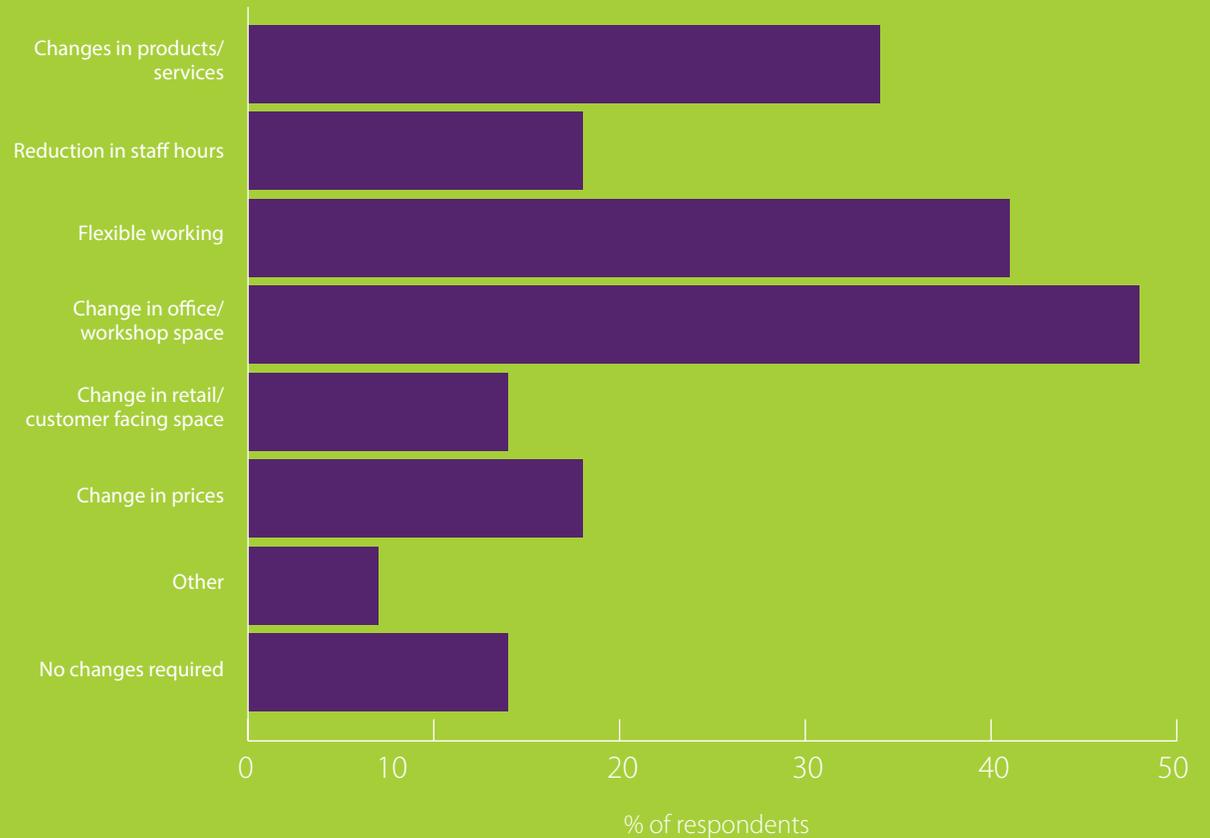
84% of local businesses expect sales revenue to increase or remain constant over the next 3 months



Operational Impact of Covid -19

We asked local businesses to identify the ways in which Covid-19 has impacted their business operations. Around 48% of respondents have made changes to their offices or workshop spaces, reflecting the fact that more employees are gradually returning to their places of work. Associated with this, 41% of respondents have introduced flexible working while 34% have made changes to the products or services they offer. Around 18% of participants have reduced working hours, 18% have had to change prices and 14% have made changes to their customer facing space. Only 14% of our survey participants have not had to make any changes at all.

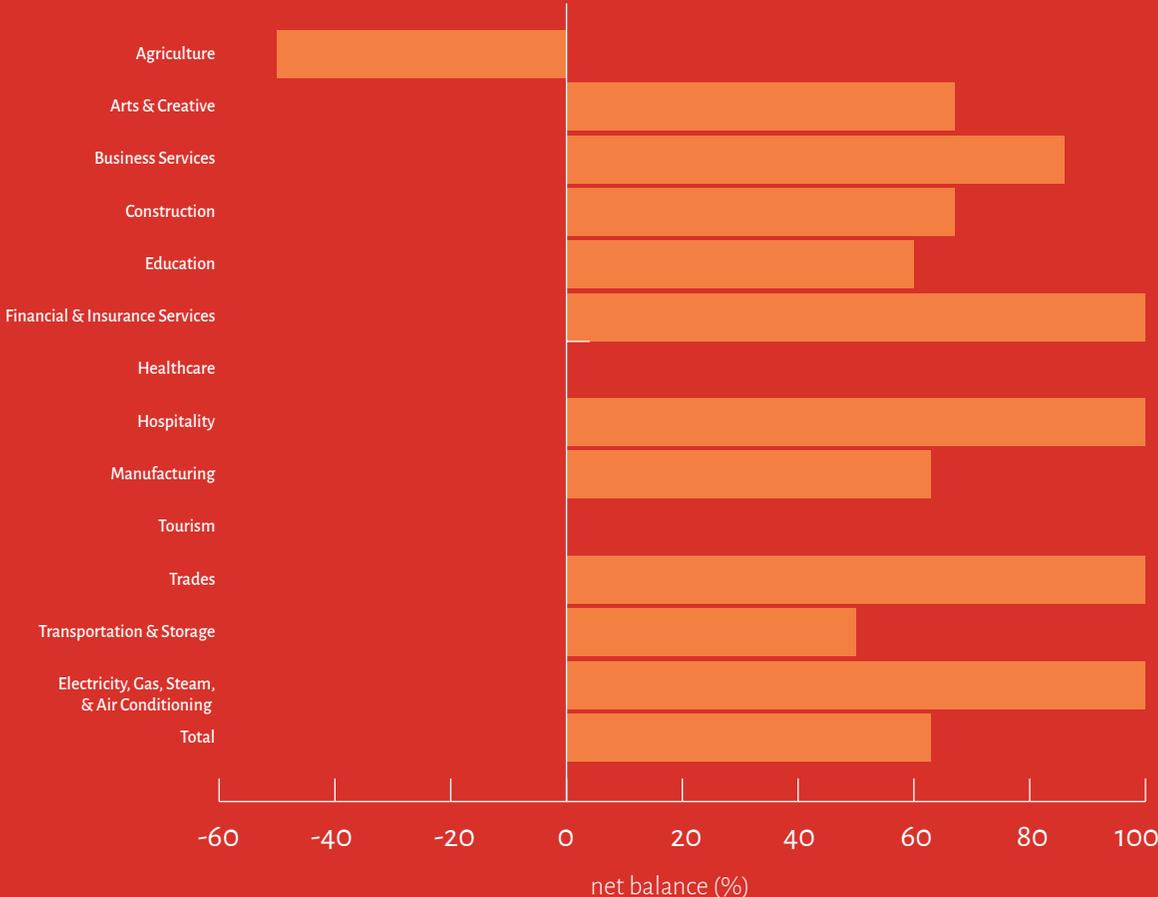
Almost 48% of survey respondents have made changes to their offices or workshop spaces to enable employees to gradually return to their places of work.



Expectations of future business prospects

We asked local businesses to assess their business prospects over the next 12 months and this chart illustrates the results. Finance & insurance, hospitality, the trades sector and electricity, gas, steam & air conditioning are the most optimistic, but the arts & creative, business services, construction, education, manufacturing and transportation & storage sectors also expect conditions to improve. Participants in the healthcare and tourism sectors expect prospects to remain unchanged but, on balance, participants from the agricultural sector expect future business prospects to deteriorate from current levels. Importantly, for the second successive time, no business has expressed any concern about their ability to survive.

70% of respondents expect business prospects to improve over the next 12 months, while only 8% expect conditions to deteriorate.



DACC business sentiment indicator

Thanks to the strong response to our Quarterly Economic Survey, we have been able to create a set of 3 confidence indicators specifically for businesses located in the Dundee & Angus area. The 'current conditions' indicator assesses trading conditions over the last 3 months and it encouraging to see that this has moved strongly upwards, from a reading of +17% in June to +25% today, the highest reading recorded since March 2019. And our 'expectations' index, which assesses future trading and activity, has also increased this time, from +41% in June to a record high of +43% today. Our headline DACC business sentiment indicator, which combines both current conditions and expectations, has risen from its previous level of +29% to reach a new record high of +34%.

Our DACC Business Sentiment Index has reached a new record high. Trading conditions in the region have improved since June, and local businesses are expecting additional improvement in the months ahead.



Conclusions and outlook

This is the sixth presentation of our business and economic survey which focuses on activity across Dundee & Angus and it has been undertaken during a period of some further loosening of Covid-19 related restrictions. Once again, the results of our survey are reassuring, as they highlight the flexibility and resilience of local businesses across a wide range of sectors.

We have seen further improvement in most of the key variable we assess, with revenue and investment being particularly strong and both profits and cash flow recording large gains. And this relatively robust assessment of current business conditions has been accompanied by expectations of further improvement in the months ahead, driven by higher levels of investment, employment and prices. As a result, our DACC Business Sentiment Indicator has reached a new record high.

But, despite the encouraging results of our survey, local businesses have also highlighted some of the challenges ahead. The recently announced increase in National Insurance, rising wholesale gas prices, supply chain issues and both product and skill shortages are just some of the obstacles now facing business owners. Whilst we can take a lot of comfort from the huge amount of progress local businesses have made in recent times, their flexibility and resilience could be challenged once again in the months ahead.

Dr Shona Dobbie, Angus Economics
July 2021

market Brexit deal B2B
orders COVID-19 change
interest better furlough
restrictions spending
new staff remote working technology
back to work vaccine growth
uncertainty new products change in legislation