

Scottish Business Monitor

Quarter 4 2018

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	Q4 2018	3-year average value	Change over the quarter	Change over the year
FAI/RBS Business Activity Index (net balance*)	+10%	+5%	▼ -6	0
Business activity (net balance)				
New business	+10%	+8%	▼ -6	▼ -3
Repeat business	+7%	0%	▼ -3	0
Business concerns (%)				
Weakening demand - important	80%	81%	▲ +4	▼ -1
Exchange rates - important	52%	52%	▼ -1	▼ -1
Investment (net balance)				
Capital investment	-4%	-3%	▲ +7	▲ +2
Leasing	-18%	-18%	▲ +6	▼ -3

* 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 total volume of business rose for
35%
of Scottish firms



Planned capital investment increased in fewer than
20%
of firms



Outlook for export activity has worsened with less than
20%
of firms expecting an increase

“ 2018 was a strong year of growth for Scottish business. Businesses had their best year since 2014, a welcome turnaround in performance, but two factors suggest this strength may prove fleeting. Firms are reporting lower exports and lower spending on investment. Reversing both these trends would go a long way to ensuring the growth streak lasts well into 2019.

Sebastian Burnside
RBS



“ Scottish businesses appear to be remaining relatively resilient to the ongoing political uncertainty. But they will be awaiting next week's Brexit vote with trepidation. Through no fault of their own, many Scottish firms are simply unprepared for a disorderly Brexit. Whether you agree or disagree with the decision to leave the EU a smooth transition is vital. The potential disruption to trade patterns, supply chains and basic economic infrastructure mean that a 'no deal' outcome must be avoided.

Graeme Roy
Director of the Fraser of Allander Institute



“ This latest FAI Scottish Business Monitor shows that the Scottish economy continued to grow in the final few months of 2018. Our headline FAI Business Activity Index slipped a little from a net balance of 16% in Q3 to 10% in Q4. And whilst this is above the long-term series average, it is lower than businesses were expecting just three months ago. Small businesses appear to be the most gloomy. Also of concern is the fact that businesses in Scotland are reporting not just a decline in investment – as has been the case now since early 2017 – but also a modest fall back in export activity.

Mairi Spowage
Head of Economic Analysis at the Fraser of Allander Institute

