

# ECONOMY AND LABOUR MARKET

## Scottish Consumer Sentiment Indicator

Quarter 4 2018

11 January 2019

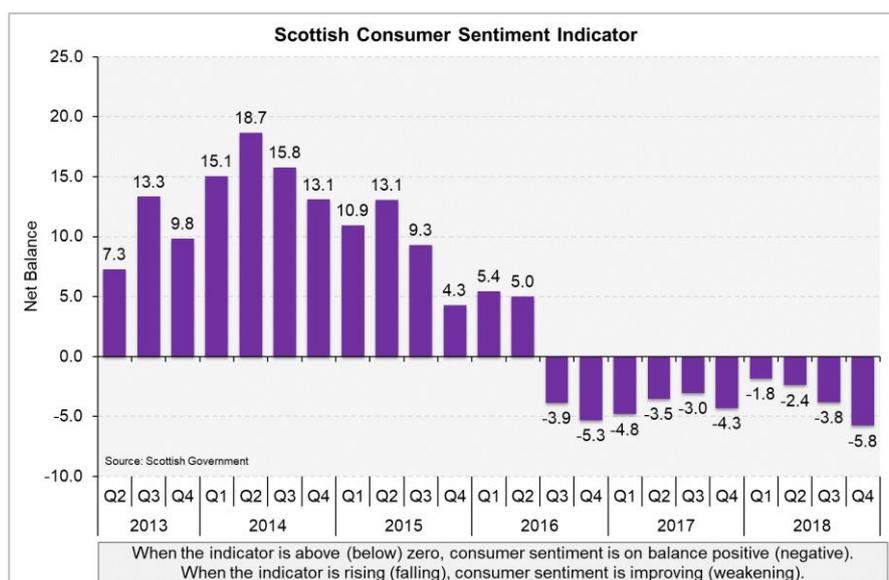
### 1. Summary

The Scottish Consumer Sentiment Indicator (SCSI) is a composite measure of consumer sentiment in Scotland based on a quarterly survey of households' current sentiment and future expectations of: Scottish economic performance, security of households' financial position, and attitudes to spending money.

The Scottish Consumer Sentiment Indicator has been classified as an experimental statistical release while we gather views on the content, style and presentation.

The latest household survey for Q4 2018 was conducted between the 17<sup>th</sup> October and 11<sup>th</sup> December 2018. The indicator represents the balance of respondents who report that consumer sentiment is positive/negative.

In Q4 2018, the Scottish Consumer Sentiment Indicator stood at -5.8. This indicates that consumer sentiment was on balance negative in Q4 2018 (i.e. more respondents reported a decline in sentiment than an increase). Compared to Q3 2018, the indicator decreased by 2 points, implying that sentiment weakened over the quarter.



## 2. Understanding the Scottish Consumer Sentiment Indicator

The Scottish Consumer Sentiment Indicator has been compiled quarterly since Q2 2013 based on a questionnaire survey of approximately 2,000 adults in Scotland.

The survey asks respondents questions to ascertain whether sentiment has improved, declined or remained unchanged across 5 indicators:

- a. Current Scottish economic performance over the past 12 months;
- b. Expected Scottish economic performance over the next 12 months;
- c. Current security of households' financial position over the past 12 months;
- d. Expected security of households' financial position over the next 12 months;
- e. Current attitude to spending money over the past 12 months.

Indicator scores for each question are presented in the form of net balances. The net balances are calculated by subtracting the percentage of respondents that report a decline in sentiment from the percentage of respondents that report an improvement in sentiment. In each quarter this shows whether the balance of responses is positive, negative or balanced. From this, the composite Consumer Sentiment Indicator score is derived as the average of the net balances for each of the five indicators.

On a quarterly basis, the distribution of responses to questions and the net balances provide a snapshot of consumer sentiment. The change in net balances between time periods can also show whether sentiment is improving or weakening. Taken together, the latest net balance scores, and the change compared to previous periods, provide an early signal of changes in household spending, a key component of Scottish GDP.

This publication is currently classed as experimental statistics. These are defined in the Code of Practice for Statistics as new official statistics undergoing evaluation. These statistics are currently being developed and have been published to involve users and stakeholders in their development, and to build in quality and understanding at an early stage.

## 3. Results Breakdown

	Net Balances		Change between Q4 2018 and Q3 2018
	Latest Quarter (Q4 2018)	Previous Quarter (Q3 2018)	
<b>Composite Consumer Sentiment</b>	<b>-5.8</b>	<b>-3.8</b>	<b>-2.0</b>
(a) Economy performance - past 12 months	-6.3	-3.8	-2.5
(b) Economy performance - next 12 months	-23.3	-15.2	-8.1
(c) Households' finances - past 12 months	0.8	-0.3	1.1
(d) Households' finances - next 12 months	2.9	3.6	-0.6
(e) Attitude to spending - past 12 months	-3.0	-3.3	0.3

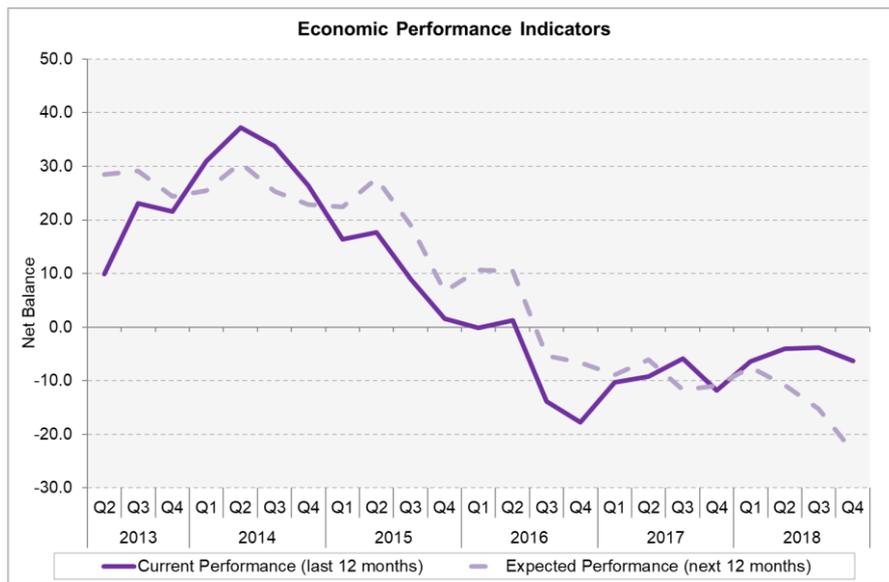
Note: The composite consumer sentiment indicator score is the average of the net balances for each question topic. The net balance is the difference between the percentage of respondents reporting an improvement and those reporting a weakening. Scores are subject to rounding therefore differences in scores over the quarter may not sum due to rounding.

### 3.1 Composite Indicator

In Q4 2018, the composite Consumer Sentiment Indicator decreased by 2 points over the quarter to -5.8. This indicates that consumer sentiment weakened compared to Q3 2018 and remains negative. It is also the indicator's lowest reading since the series began.

### 3.2 Economic Performance

The Economic Performance indicators reflect how respondents consider Scotland's economy is currently performing relative to 12 months earlier and how they expect Scotland's economy will be performing in 12 months' time relative to current performance.



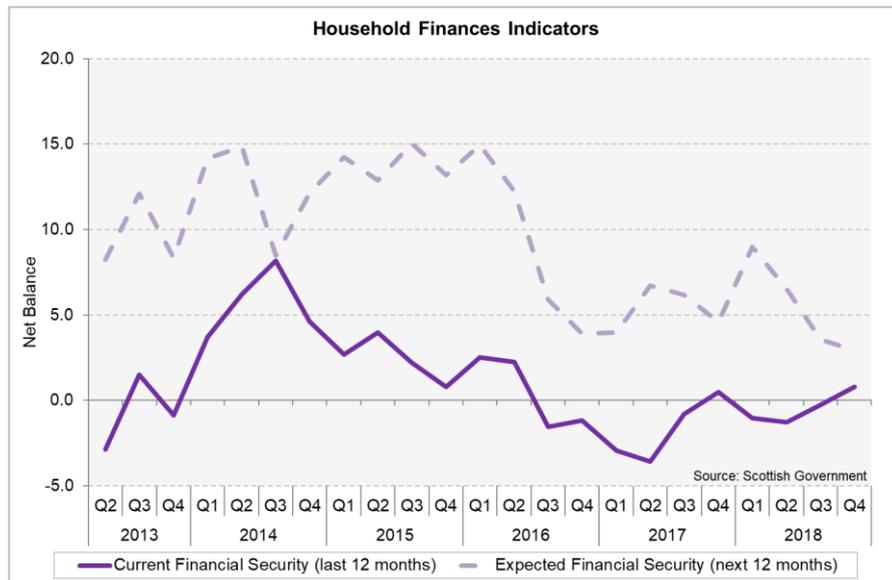
The indicator for Scotland's current economic performance in Q4 2018 was -6.3, implying that the balance of respondents believe the economy is performing worse than 12 months ago. The indicator decreased by 2.5 points over the quarter indicating that sentiment regarding current economic performance has weakened.

The indicator for Scotland's expected economic performance was -23.3 in Q4 2018 - its lowest reading since the series began - implying that the balance of respondents expect economic performance to be weaker in 12 months' time. The indicator decreased by 8.1 points over the quarter, continuing the previous quarter's trend, indicating that sentiment regarding the economic outlook has weakened.

The indicators for current and expected economic performance were both negative in Q4 2018, indicating that sentiment relating to Scotland's economic performance remains relatively weak. However, respondents' sentiment relating to current economic performance remains relatively more positive than their outlook for the Scottish economy.

### 3.3 Household Finances

The Household Finances indicators reflect how secure respondents consider their current household financial position to be relative to 12 months earlier and how secure they expect their household financial position will be in 12 months' time relative to their current position.



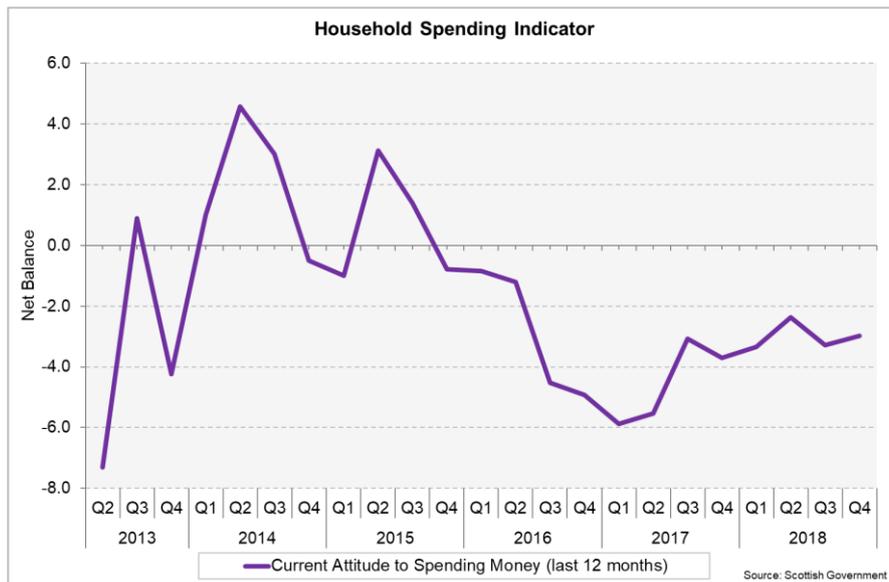
The indicator for current security of households' financial position was 0.8 in Q4 2018 – its first positive reading since Q4 2017- implying that the balance of respondents consider their current household financial security to be in a better position than 12 months ago. The indicator increased by 1.1 points, indicating that sentiment regarding current household financial security strengthened compared to the previous quarter.

The indicator for expected security of households' financial position continues to be the only indicator that has remained positive since the series began, currently standing at 2.9. This implies that the balance of respondents expect their households' financial security to improve in 12 months' time. Though remaining positive, the indicator has decreased by 0.6 points to its lowest reading since the series began, indicating that sentiment regarding the outlook for households' financial security has weakened compared to the previous quarter.

The strengthening of the current household financial position indicator over the quarter contrasts with the weakening of the current economic performance indicator. However, looking ahead, while sentiment regarding expected household financial position remains positive, both it and the expected economic performance indicator are at their lowest levels since the series began and weakened over the quarter.

### 3.4 Household Spending

The Household Spending indicator reflects how relaxed respondents currently feel about spending money relative to 12 months earlier.



The indicator for current household spending stands at -3.0 reflecting that the balance of respondents are less relaxed about spending money than 12 months ago. The indicator however increased by 0.3 points, indicating that sentiment relating to spending money strengthened compared to the previous quarter.

The fact that respondents' on balance feel less relaxed about spending money compared with 12 months ago is broadly consistent with the negative sentiment regarding current economic performance, however contrasts with the positive sentiment regarding current household financial position. Considering the change over the quarter, the strengthening in spending sentiment is consistent with the strengthening sentiment regarding households financial position.

## 4. Background Information

The following supporting documents have been published at:

<http://www.gov.scot/Topics/Economy/Statistics>

- Visual Summary of key results
- Excel tables of results
- Data collection methodology note

The Scottish Consumer Sentiment Indicator also features in the Monthly Economic Brief and the Chief Economists' State of the Economy Report. Links to the latest versions of these publications can be found and accessed at:

<https://beta.gov.scot/publications/economy-publications-list/>.

The next quarterly publication of the Scottish Consumer Sentiment Indicator is due in March/April 2019.

## 5. Feedback and Contact Information

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### How to access background or source data

Data may be made available on request, subject to consideration of legal and ethical factors. Please contact [economic.statistics@gov.scot](mailto:economic.statistics@gov.scot) for further information.

### Complaints and Suggestions

If you are not satisfied with our service or have any comments or suggestions, please write to the Chief Statistician, 2W, St. Andrew's House, Regent Road, Edinburgh, EH1 3DG, Telephone: +44 (0) 131 244 0302, email: [statistics.inquiries@scotland.gsi.gov.uk](mailto:statistics.inquiries@scotland.gsi.gov.uk)

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