

ECONOMY AND LABOUR MARKET

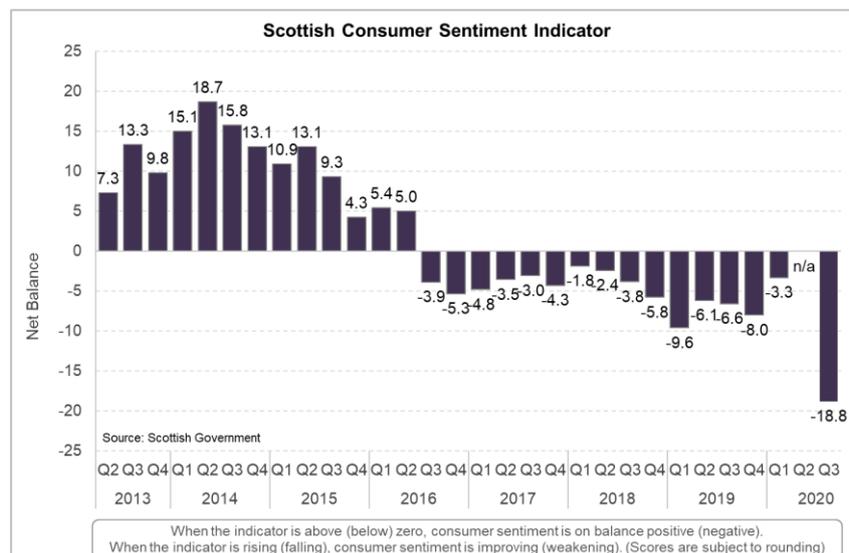
Scottish Consumer Sentiment Indicator

Quarter 3 2020

30 October 2020

1. Main Findings

In Q3 2020, the Scottish Consumer Sentiment Indicator stood at -18.8, a record low in the quarterly series. Compared to Q1 2020, the previous quarterly data point available and prior to the full impacts of the coronavirus pandemic, the overall indicator decreased by 15.5 points, implying a significant weakening in sentiment over the period.



2. Important information about this release

This is the first publication of the Scottish Consumer Sentiment Indicator since January 2020, with publication interrupted due to the coronavirus pandemic.

The indicator 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 is an experimental statistical release. It remains in development and we are gathering views on the content, style and presentation.

The latest survey for Q3 2020 was conducted between the 1st July and 27th September 2020. The indicator represents the balance of respondents who report that consumer sentiment is positive/negative. Due to the coronavirus pandemic, data collection currently takes place online.

3. Understanding the Scottish Consumer Sentiment Indicator

The Scottish Consumer Sentiment Indicator has been compiled quarterly since Q2 2013, initially based on a face-to-face survey of approximately 2,250 adults in Scotland. As a result of the coronavirus pandemic, the Scottish Government has paused all its face-to-face surveys indefinitely. As a result, the consumer sentiment survey was paused in March 2020 and restarted as an online survey in June 2020 with a quarterly sample of c. 3,000 adults in Scotland.¹

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, excluding respondents that report unchanged 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 unweighted 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 potential 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

¹ Due to the coronavirus pandemic, data was not collected in the last two weeks of March and in April and May. Therefore there are no results for Q2 2020 as a whole and in Q1 2020 results are based on 2,129 adults instead of 2,250.

stakeholders in their development, and to build in quality and understanding at an early stage.

4. Results Breakdown

The latest results are provided both quarterly and monthly during 2020.

For the quarterly data, a comparison between Q3 2020 and Q1 2020 has been presented because data for Q2 2020 is not available.

The monthly data should be used with more caution than the quarterly data due to the smaller sample size, however is presented to provide some insight into how sentiment changed within the quarter.

Quarterly Results	Net Balances		Change between Q1 2020 and Q3 2020
	Latest Quarter (Q3 2020)	Quarter 1 (pre-COVID)	
Consumer Sentiment	-18.8	-3.3	-15.5
(a) Economy performance - past 12 months	-61.7	-4.4	-57.4
(b) Economy performance - next 12 months	18.3	-14.2	+32.4
(c) Households' finances - past 12 months	-22.8	-0.8	-22.0
(d) Households' finances - next 12 months	5.8	6.5	-0.7
(e) Attitude to spending - past 12 months	-33.5	-3.6	-29.9

Note: The 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.

Monthly Results (note: no data was collected in April and May)	Net Balances						
	Jan	Feb	Mar	June	July	Aug	Sept
Consumer Sentiment	-4.3	-2.4	-3.2	-20.0	-16.1	-19.1	-21.2
(a) Economy performance - past 12 months	-3.9	-3.6	-6.2	-63.1	-61.5	-62.1	-61.6
(b) Economy performance - next 12 months	-15.4	-11.5	-16.4	16.9	23.1	20.8	10.8
(c) Households' finances - past 12 months	-1.6	0.1	-0.8	-23.8	-22.3	-23.5	-22.6
(d) Households' finances - next 12 months	5.1	7.3	7.4	2.8	9.1	5.0	3.4
(e) Attitude to spending - past 12 months	-5.5	-4.2	-0.1	-33.0	-28.8	-35.6	-36.0

Note: The 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.

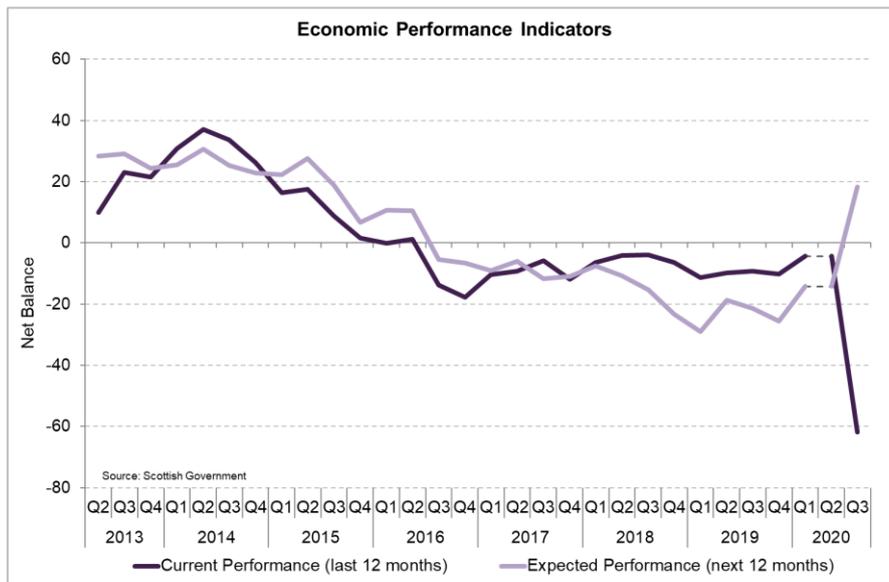
Composite Indicator

In Q3 2020, the composite Consumer Sentiment Indicator was -18.8 and had decreased by 15.5 points compared to Q1 2020. This indicates that consumer sentiment has weakened over the period to its lowest point in the time series.

At a monthly level in Q3 2020, consumer sentiment progressively weakened between July and September having initially strengthened from June.

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 Q3 2020 was -61.7, implying that the balance of respondents believe the economy is performing worse than 12 months ago. The indicator decreased by 57.4 points compared to Q1 2020, showing a significant deterioration in sentiment regarding current economic performance.

The indicator for Scotland's expected economic performance was +18.3, implying that the balance of respondents expect economic performance to be better in 12 months' time. The indicator was positive for the first time since Q2 2016 and increased by 32.4 points compared to Q1 2020, showing a significant improvement in sentiment regarding the economic outlook. However, this should be interpreted relative to the exceptional economic circumstances when the survey was conducted.

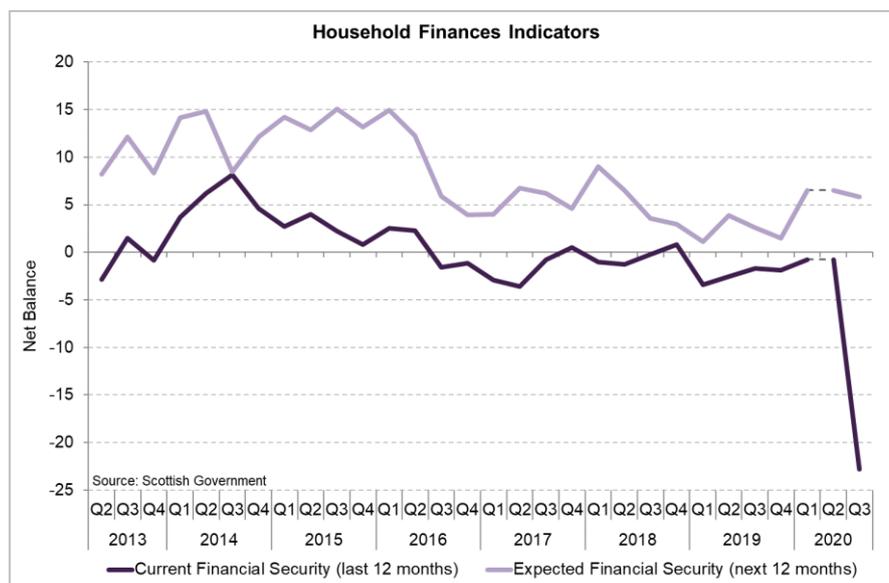
The economic performance sentiment indicators shifted significantly in Q3 2020 compared to their levels in Q1 2020, and is reflective of the unprecedented economic shock that has resulted from the coronavirus pandemic. This is evident from the current economic performance indicator falling sharply to its series low.

There is significant uncertainty for the economic outlook and the economy expectations indicator will likely be very sensitive to how the pandemic evolves and expectations on

the nature of restrictions on economic activity going forward. The monthly data shows that, while the current economic activity indicator has remained relatively stable between July and September, the economy expectations indicator weakened notably in September. This may reflect the increase in coronavirus cases and the introduction of new restrictions on social and economic activity in response.

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 -22.8 in Q3 2020 implying that the balance of respondents consider their current household financial security to be in a worse position than 12 months ago. The indicator decreased by 22.0 points compared to Q1 2020, indicating a significant deterioration in households' sentiment regarding their financial security.

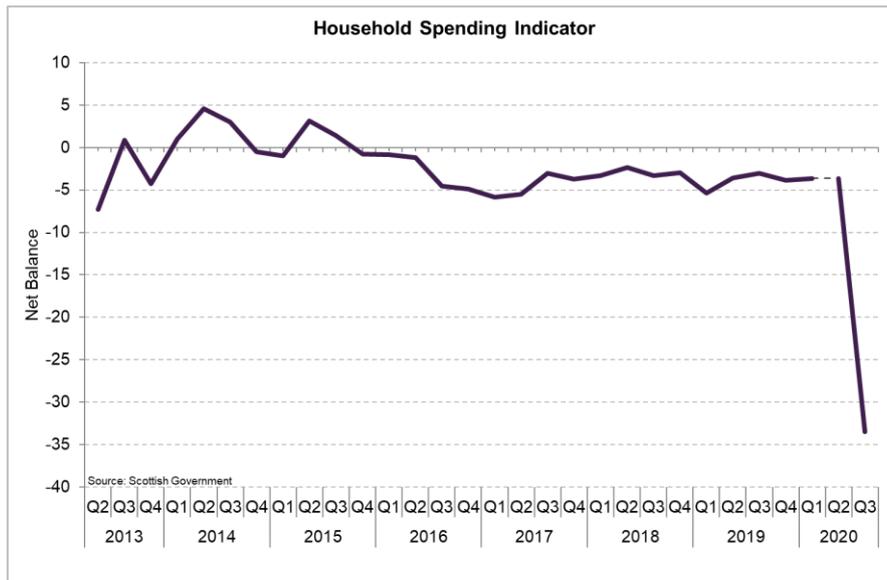
The indicator for expected security of households' financial position has remained positive in Q3 2020 at 5.8. This implies that the balance of respondents expect their households' financial security to improve in 12 months' time. The indicator decreased by 0.7 points compared to Q1 2020, indicating that sentiment regarding the outlook for households' financial security weakened slightly.

Compared to sentiment levels in Q1 2020 prior to the main impacts of the coronavirus pandemic, the sharp fall in current household financial security to its lowest point in the time series is consistent with the fall in the current economic performance indicator and is reflective of the economic shock and restrictions since March which have impacted economic output, the labour market and household incomes.

The expected household financial security indicator has been less impacted in Q3 2020, however the monthly data shows that, like the economy expectations indicator, it has progressively weakened between July and September having initially strengthened in June. This may reflect changing expectations for how long the pandemic may continue to impact on the economy and the uncertainty this may present for household incomes.

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 was -33.5 in Q3 2020 reflecting that the balance of respondents are less relaxed about spending money than 12 months ago. The indicator decreased by 29.9 points compared to Q1 2020, indicating that sentiment relating to spending money has deteriorated significantly over this period and is consistent with the significant falls in the current economic performance and current security of household finances indicators.

5. Background Information

The following supporting documents have been published:

- Excel tables of results

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

Monthly Economic Brief: <https://www.gov.scot/collections/monthly-economic-briefs/>
State of the Economy Report: <https://www.gov.scot/collections/state-of-the-economy/>

The next quarterly publication of the Scottish Consumer Sentiment Indicator is due in January 2020.

6. 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 for further information.

Complaints and Suggestions

If you are not satisfied with our service or have any comments or suggestions, please email the Chief Statistician at: statistics.inquiries@gov.scot

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