

ECONOMY AND LABOUR MARKET

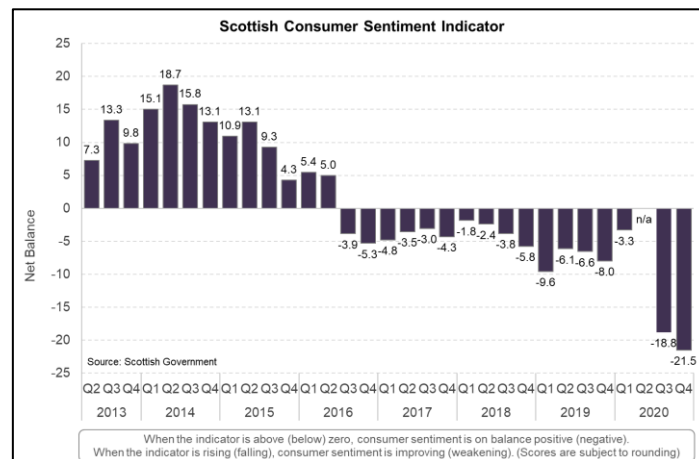
Scottish Consumer Sentiment Indicator

Quarter 4 2020

5 February 2021

1. Main Findings

In Q4 2020, the Scottish Consumer Sentiment Indicator stood at -21.5, a record low. Compared to Q3 2020, the overall indicator decreased by 2.7 points, implying a weakening in sentiment over the period. This reflects the unprecedented impact and uncertainty being caused by the pandemic for both the economy and household finances. However, households continue to expect the outlook for both of these to improve over the next 12 months.



2. Important information about this release

The Scottish Consumer Sentiment 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 Q4 2020 was conducted between 30 September and 21 December 2020. The indicator represents the balance of respondents who report that consumer sentiment is positive/negative.

3. Results Breakdown

Composite Indicator

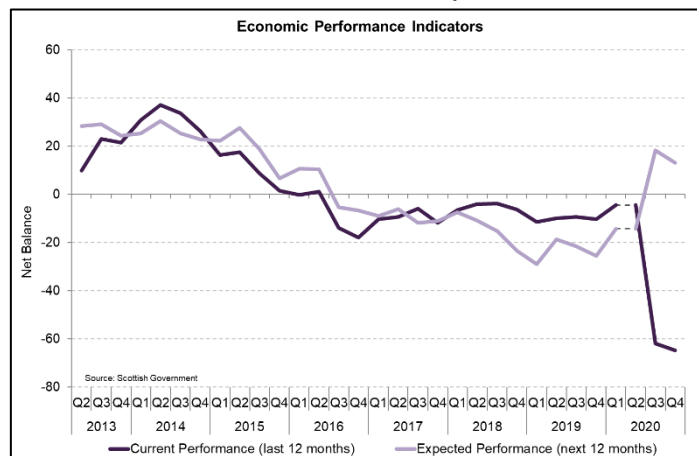
In Q4 2020, the composite Consumer Sentiment Indicator was -21.5 and decreased by 2.7 points compared to Q3 2020. This indicates that consumer sentiment has weakened over the quarter, and is now at its lowest point in the time series.

Underlying the composite indicator, all current and expectation indicators decreased over the quarter, with the current indicators for the economy, household financial security and attitude to spending all falling to their lowest levels in the times series, reflecting the ongoing unprecedented impacts of the pandemic. The largest falls over the quarter were in the expectations indicators (economy and household financial security) for the next 12 months, signalling weakening sentiment for the outlook as the pandemic continues.

Results	Net Balances		Change between Q3 2020 and Q4 2020
	Latest Quarter (Q4 2020)	Previous Quarter (Q3 2020)	
Consumer Sentiment composite indicator	-21.5	-18.8	-2.7
Current indicators			
(a) Economy performance	-64.7	-61.7	-3.0
(c) Households' finances	-23.6	-22.8	-0.8
(e) Attitude to spending	-34.3	-33.5	-0.8
Expectation indicators			
(b) Economy performance - next 12 months	13.2	18.3	-5.1
(d) Households' finances - next 12 months	1.8	5.8	-4.0
<small>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.</small>			

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 it will be performing in 12 months' time relative to current performance.

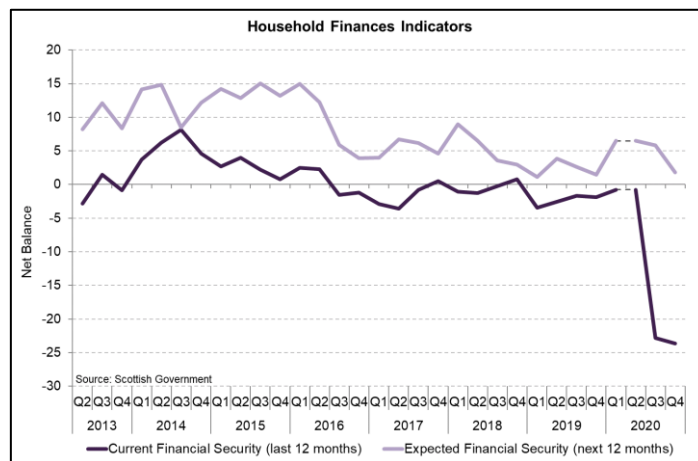


The indicator for Scotland's current economic performance in Q4 2020 was -64.7 implying that the balance of respondents believe the economy is performing worse than 12 months ago. The indicator decreased by 3.0 points over the quarter, and is now at its lowest level in the time series, showing a further weakening in sentiment regarding current economic performance.

The indicator for Scotland's expected economic performance was 13.2, implying that the balance of respondents expect economic performance to be better in 12 months' time. The indicator decreased by 5.1 points over the quarter showing that sentiment regarding the economic outlook has weakened. However the indicator remains significantly stronger than at the start of the year prior to the pandemic and is at its highest level since Q3 2015, reflecting the exceptional economic circumstances in which the survey is currently being undertaken.

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 it to be in 12 months' time relative to its current position.

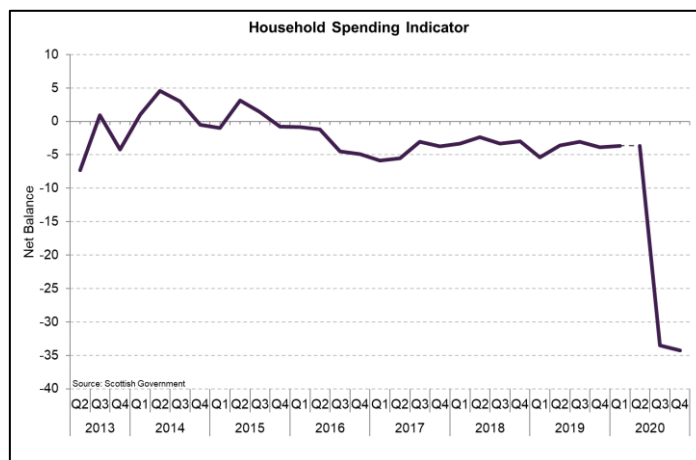


The indicator for current security of households' financial position was -23.6 in Q4 2020 implying that the balance of respondents consider their current household financial security to be in a worse position than 12 months ago. The indicator decreased by 0.8 points over the quarter, and is at its lowest level in the time series, indicating a further weakening in households' sentiment regarding their financial security.

The indicator for expected security of households' financial position has remained positive in Q4 2020 at 1.8. This implies that the balance of respondents expect their households' financial security to improve in 12 months' time. The indicator decreased by 4.0 points over the quarter, and is at its lowest level since Q4 2019, indicating that sentiment regarding the outlook for households' financial security has continued to weaken over the year.

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 -34.3 in Q4 2020 reflecting that the balance of respondents are less relaxed about spending money than 12 months ago. The indicator decreased by 0.8 points over the quarter, and is at its lowest level in the time series, indicating that sentiment relating to spending money has further weakened. This is consistent with the falls in the economic performance and security of household finances indicators.

4. 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:

- Current Scottish economic performance over the past 12 months;
- Expected Scottish economic performance over the next 12 months;
- Current security of households' financial position over the past 12 months;
- Expected security of households' financial position over the next 12 months;
- 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

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.

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

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 April 2021.

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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