

ECONOMY AND LABOUR MARKET

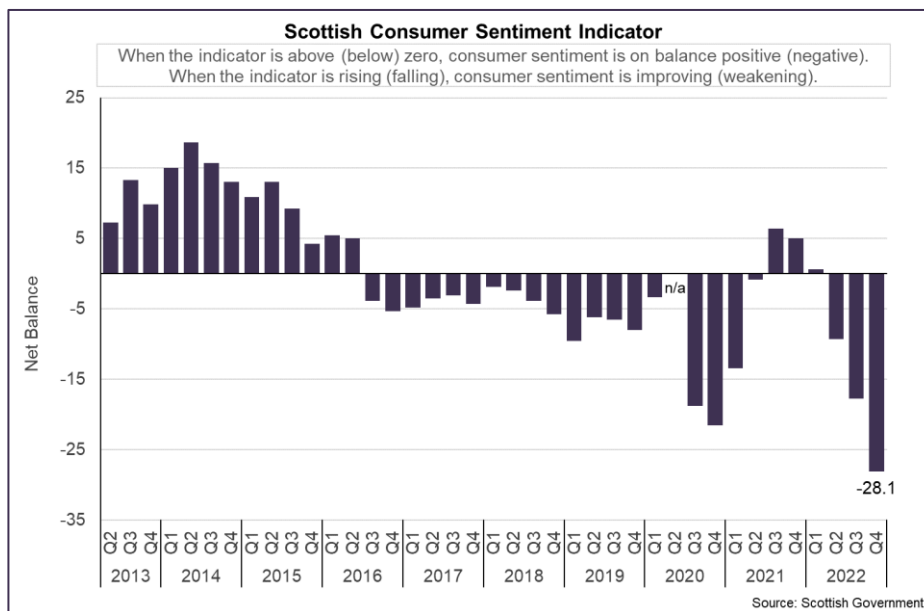
Scottish Consumer Sentiment Indicator

Quarter 4 2022

1 February 2023

1. Main Findings

In Q4 2022, the Scottish Consumer Sentiment Indicator stood at -28.1. Compared to Q3 2022, the overall (composite) indicator decreased by 10.4 points, implying a significant weakening in sentiment over the period. This is the lowest level for the overall indicator since records began in 2013, and indicates that the ongoing economic and financial challenges being faced by households intensified during the fourth quarter of the year.



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. Excel tables of the results are available online alongside the publication, and include a monthly breakdown of the results.

The Scottish Consumer Sentiment Indicator is an experimental statistical release. It remains in development and we welcome views on the content, style and presentation.

The latest survey for Q4 2022 was conducted online between 7 October and 31 December 2022, with a total sample size of 3,101 adults. The indicator represents the balance of respondents who report that consumer sentiment is positive/negative.

3. Results Breakdown

Composite Indicator

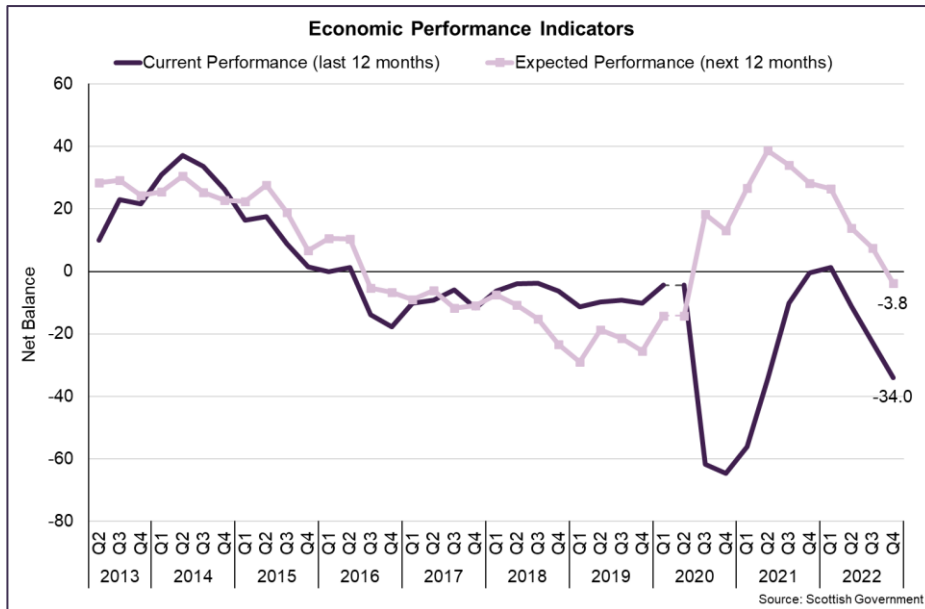
In Q4 2022, the composite Consumer Sentiment Indicator was -28.1 and decreased by 10.4 points compared to Q3 2022, indicating that consumer sentiment has weakened over the quarter. The composite quarterly indicator has fallen to its lowest level in the since the quarterly time series began in 2013, with all five sub-indicators of sentiment, covering the economy, household finances and attitude to spending, falling over the quarter. The largest fall over the quarter was in the attitude to spending indicator which fell by 17.7 points, which alongside the current and expected household finances indicators fell to its lowest level in the time series.

Results	Net Balances		Change between Q3 2022 and Q4 2022
	Latest Quarter (Q4 2022)	Previous Quarter (Q3 2022)	
Consumer Sentiment composite indicator	-28.1	-17.7	-10.4
<i>Current indicators</i>			
(a) Economy performance	-34.0	-22.8	-11.1
(c) Households' finances	-31.8	-23.5	-8.4
(e) Attitude to spending	-53.8	-36.1	-17.7
<i>Expectation indicators</i>			
(b) Economy performance - next 12 months	-3.8	+7.5	-11.3
(d) Households' finances - next 12 months	-17.0	-13.6	-3.4
<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.</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.

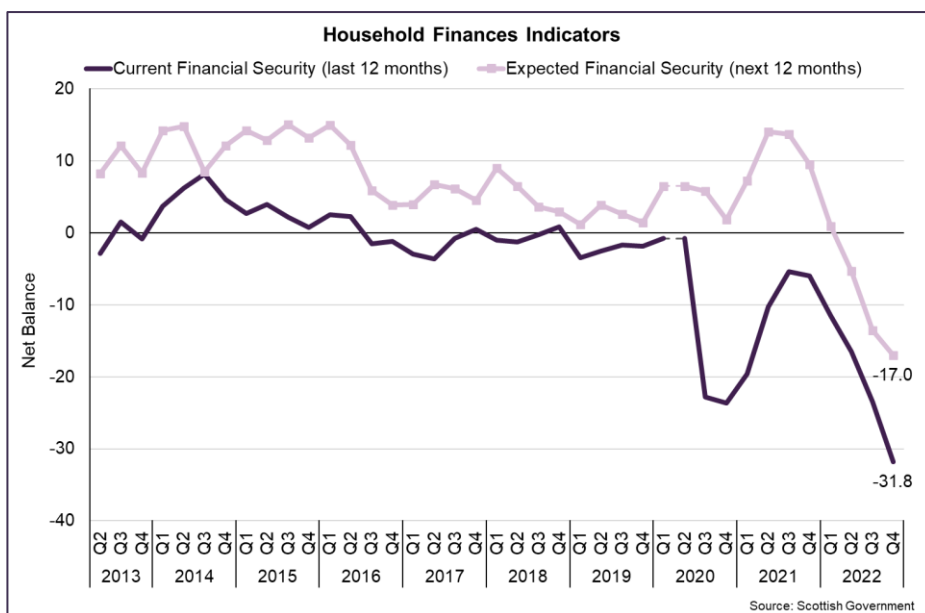
The indicator for Scotland's current economic performance in Q4 2022 is -34.0, meaning that the balance of respondents consider the economy is performing worse than 12 months ago. Following a positive score in Q1 2022 (1.3), the indicator has decreased sharply since then (by 35.3 points) to its lowest level since Q2 2021.



The indicator for Scotland’s expected economic performance is -3.8, meaning that the balance of respondents expect economic performance to be worse in 12 months’ time. The indicator decreased by 11.3 points over the quarter and by 42.5 points from its recent peak in Q2 2021 to its lowest level since the start of 2020, indicating that sentiment regarding the economic outlook has weakened.

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.



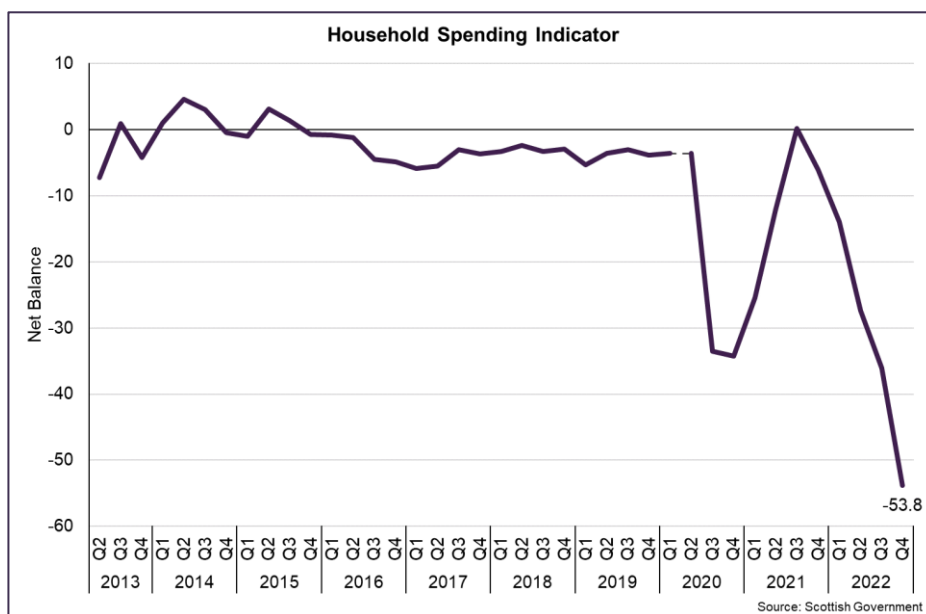
The indicator for current security of households’ financial position is -31.8 in Q4 2022 implying that the balance of respondents consider their current household financial

security to be in a worse position than 12 months ago. The indicator decreased by 8.4 points over the quarter and by 26.5 points since Q3 2021 to its lowest level in the time series indicating a reduction in household sentiment regarding their financial security.

The indicator for expected security of households' financial position in Q4 2022 was -17.0, a decrease of 3.4 points over the quarter, and is at its lowest level in the time series. Furthermore, the indicator has fallen 31 points since Q2 2021 and is the third consecutive quarter that this indicator has been in negative territory, implying that the balance of respondents expect their households' financial security to worsen in 12 months' time.

Household Spending

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



The indicator for household attitude to spending was -53.8 in Q4 2022 reflecting that the balance of respondents are less relaxed about spending money than 12 months ago. The indicator decreased by 17.7 points over the quarter, and 54 points since Q3 2021, to its lowest level in the time series, and is indicating a weakening in sentiment towards spending. This is consistent with the fall in the economy 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 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 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, including monthly data.

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/>

¹ Due to the coronavirus pandemic, data were not collected in the last two weeks of March 2020 and in April and May 2020. 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.

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 2023.

6. Feedback and Contact Information

Correspondence and Enquiries

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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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