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NORTH-EAST QUARTERLY ECONOMIC SURVEY

Q2 2026

Outlook

Green shoots cannot disguise the need for a pro-growth reset

There are moments in economic data where it is tempting to declare that the worst is over.

After all, our latest Quarterly Economic Survey shows some welcome signs of improvement. More businesses reported rising domestic sales than three months ago. Fewer saw activity decline. On several headline measures, the gap between the North-east and the rest of the UK has narrowed.

That is undoubtedly encouraging - but it would also be a mistake to read these figures as evidence that our economy has turned a corner.

Scratch beneath the surface and a different picture emerges. Much of the narrowing gap is not because the North-east has accelerated forward. It is because business confidence elsewhere in the UK has weakened.

Our region continues to face a unique combination of economic pressures which are leaving businesses more cautious, less willing to invest and increasingly focused on simply getting through the next quarter.

Perhaps the most striking finding is the dramatic return of inflation as the biggest concern facing employers. Just three months ago, 37% of businesses identified inflation as a growing challenge. Today that figure stands at 68%.

The timing is no coincidence. Global instability, particularly in the Middle East, has fed rapidly through to markets, with businesses here feeling the consequences almost immediately.

The irony will not be lost on anyone... the region that has energised Britain's economy for decades is now among the hardest hit by rising energy costs.

Seven in ten businesses tell us utility bills are driving price pressures. Two-thirds cite fuel costs, fifteen percentage points higher than the UK average. Those costs inevitably work their way through supply chains and ultimately into higher prices for customers.

Indeed, almost six in ten firms now expect to increase the price of their goods and services over the next three months. That is not because businesses want to. It is because many feel they have little alternative.

The survey also highlights another worrying trend, that our companies are still investing less than their counterparts elsewhere in the UK.

Only 11% expect to increase spending on staff training while almost one-third are cutting it back. Capital investment tells a similarly concerning story, with more than a third of firms reducing investment while just 13% are increasing it.

That matters because investment is the foundation of future productivity. When businesses stop investing in people, skills and equipment, growth becomes harder to achieve and competitiveness inevitably suffers.

Employment trends reinforce that picture. Businesses continue recruiting, in fact more employers here are actively hiring than across the UK. Yet workforce growth remains subdued. That suggests many firms are not expanding but simply replacing people who leave or struggling to fill existing vacancies. In other words, they are having to work harder simply to stand still.

Capacity figures tell a similar story. Almost three-quarters of businesses are operating below full capacity, significantly above the UK average. It helps explain why so many companies remain reluctant to commit to major investment or workforce expansion despite pockets of improving demand.

Looking further ahead, optimism remains fragile. Around one-third of businesses expect turnover to increase over the next year, but even more expect it to decline.

That level of pessimism stands in stark contrast to the national picture and reflects the particular challenges facing the North-east economy.

Yet perhaps the most important finding in the entire survey is not about what businesses fear. It is about what they want.

When asked what government should prioritise, firms delivered an exceptionally consistent message.

They want economic growth placed at the centre of policy, they want a more competitive tax environment, and they want the energy transition to succeed while protecting investment, jobs and skills in the North Sea.

The businesses we speak to every day are not asking government to choose between today's economy and tomorrow's. They are asking for a stable policy environment that allows both to succeed.

That means putting growth at the heart of decision making. It means creating a tax regime that encourages investment rather than deters it. It means providing certainty over major energy projects. And it means recognising that confidence is not built through speeches or strategies alone. It is built through consistent decisions that businesses can rely upon.

The latest survey contains some welcome green shoots. But green shoots need the right conditions to flourish.

Without the confidence to invest, recruit and grow, they risk becoming little more than a false dawn.

Russell Borthwick
Chief Executive

Survey and methodology

Established in 1989, the British Chambers of Commerce Quarterly Economic Survey is the UK's largest and longest-running independent business sentiment report.

It is widely referenced by government, its agencies, the Bank of England and national media as a definitive barometer of the health of the economy.

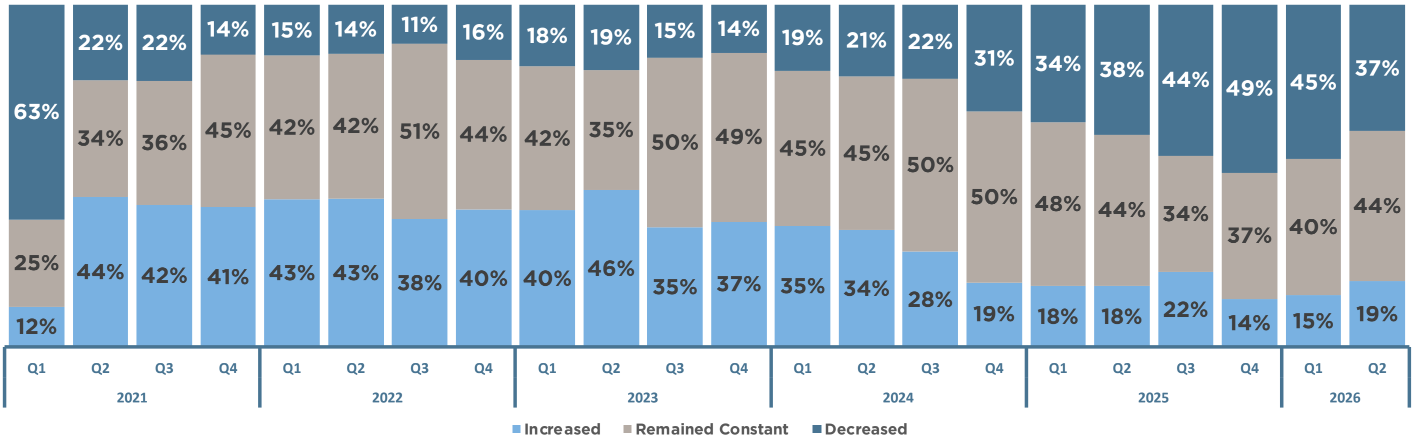
This latest edition took place between 11th May and 5th June 2026 and asked a series of questions on key economic indicators. It was completed by 4,744 businesses, collectively employing over 650,000 people across Chamber networks nationwide.

In the North-east of Scotland, we heard from 122 companies (3% of the national sample in a region representing just 0.7% of the UK population), collectively employing over 15,000 people, making the data representative. Seventy per cent of respondents are SMEs and 61% of regional respondents do not operate directly in the energy industry.

Domestic activity in Q2

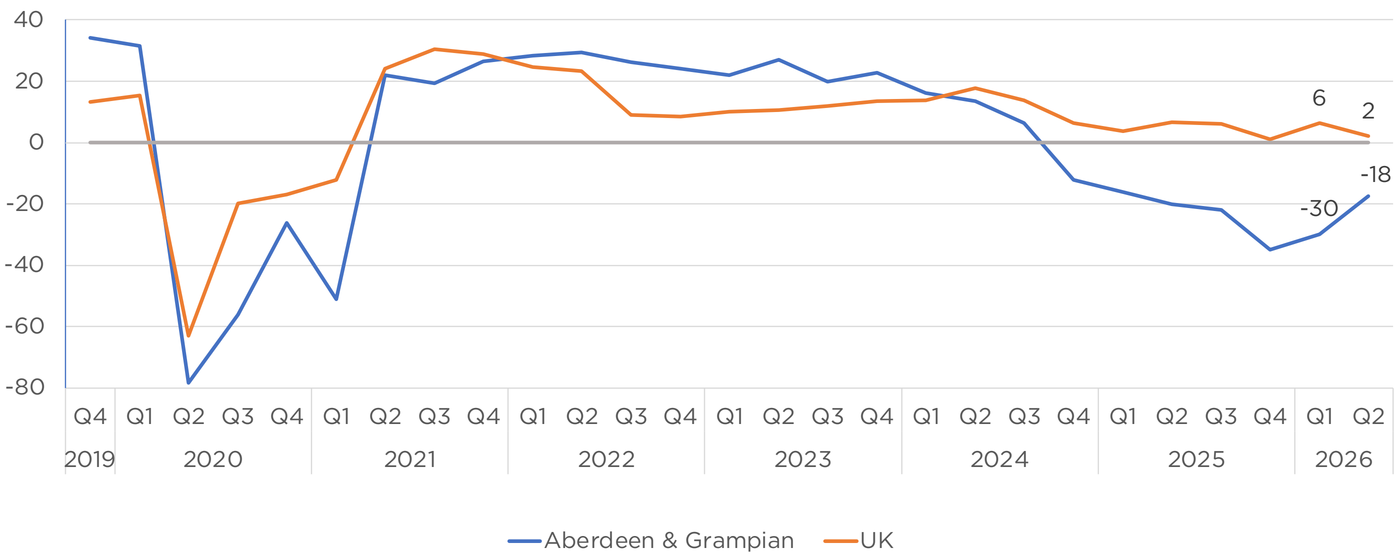
Q2 saw a small regional improvement on Q1 with a 4 pcpt improvement in companies seeing increased sales and an 8 pcpt reduction in firms saying sales had declined. We also saw a closing of the comparison gap with UK data but some of this was due to worsening national figures.

Q: "Excluding seasonal variations, over the past 3 months 'UK sales/custom/bookings have..."



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	19%	29%	-10
Remained Constant	44%	44%	-
Decreased	37%	27%	+10

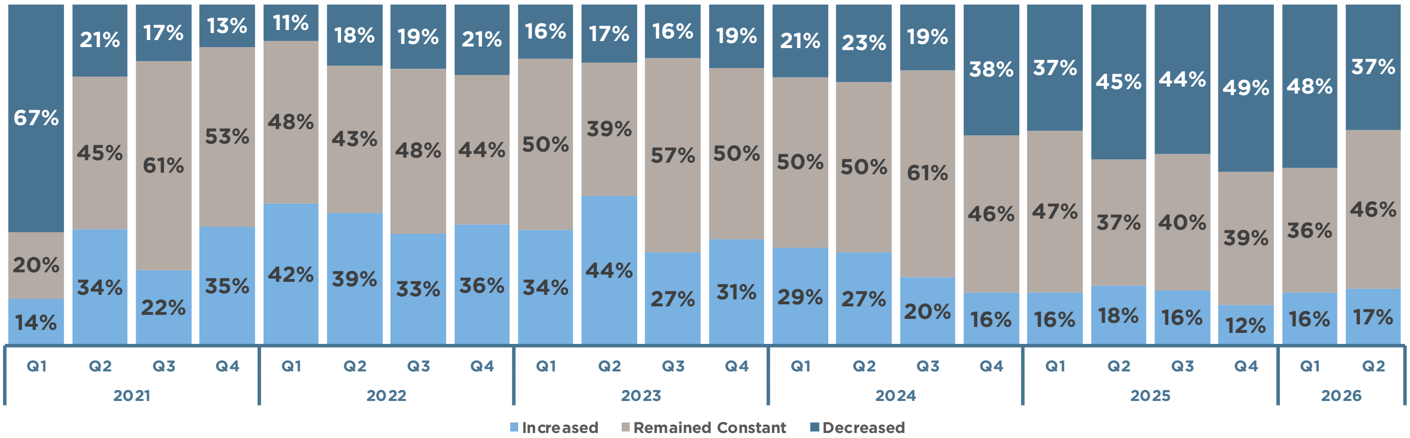
Net balance of domestic sales/custom/bookings over the past 3 months:
Aberdeen & Grampian compared with UK



Domestic activity forecast

Domestic activity next quarter. A similar picture looking forward regionally hinting at some green shoots while, again, national data edged backwards.

Q: "Excluding seasonal variations, over the past 3 months 'UK orders/advance custom/bookings' have..."

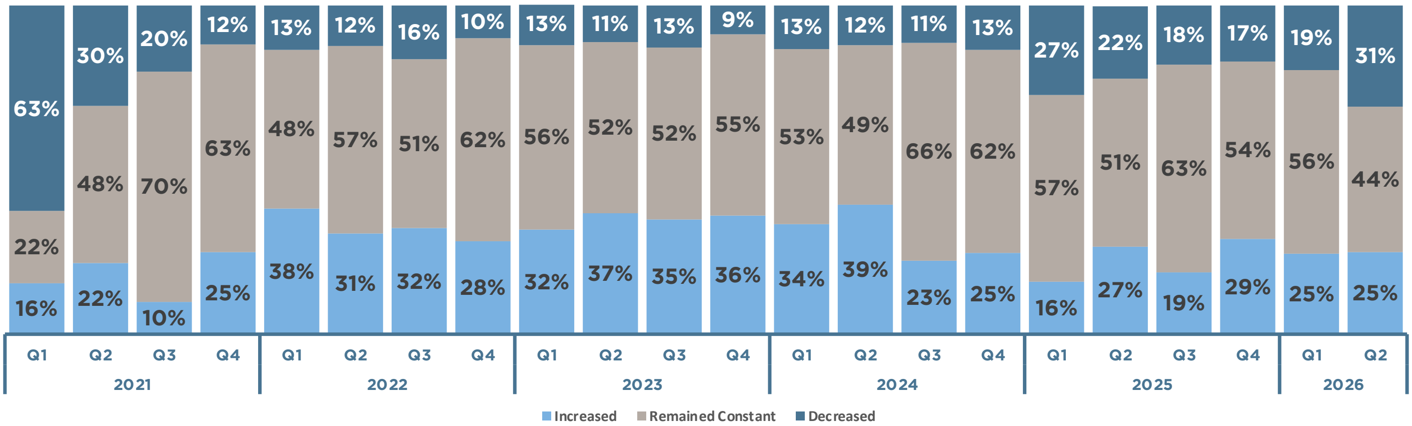


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	17%	23%	-6
Remained Constant	46%	48%	-2
Decreased	37%	29%	+8

International activity in Q2

A quarter of regional exporters reported increased activity in Q2, in line with Q1. However, we saw a concerning hike from 19% in Q1 to 31% in Q2 of businesses saying international activity had declined- possibly linked to the global tensions and tariff uncertainty in play. Meanwhile at national level, we saw a big step back nationally from 25% to only 18% of firms saying export business had grown in the quarter.

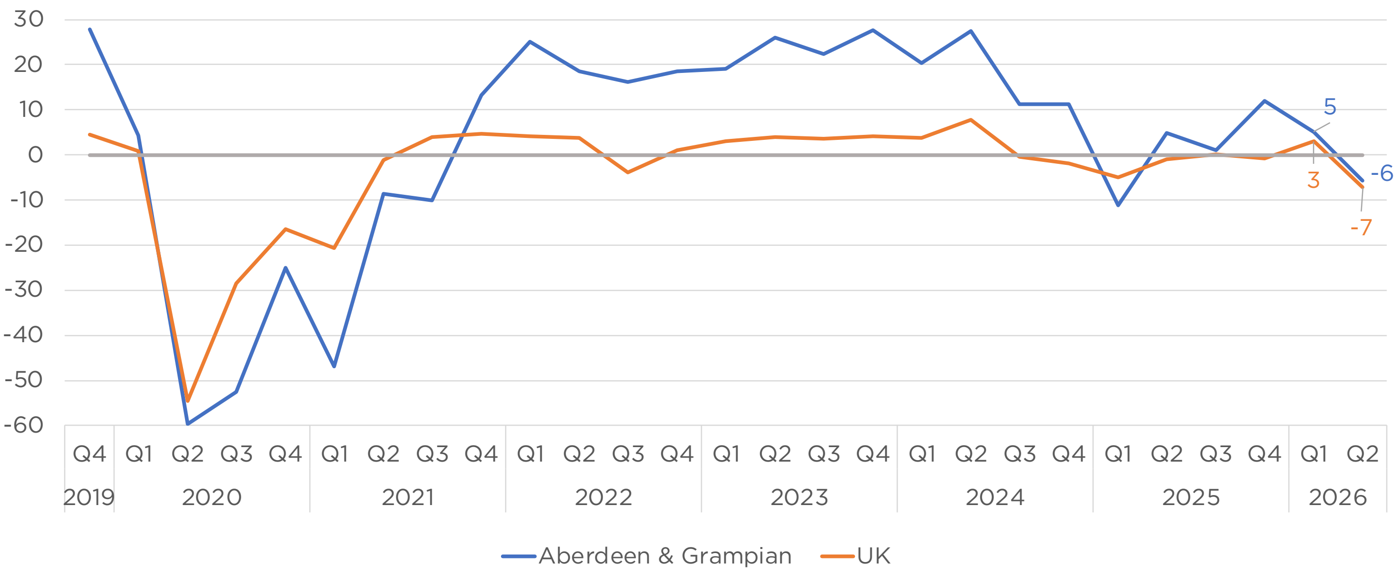
Q: "Excluding seasonal variations, over the past 3 months 'Overseas orders/advance custom/bookings' have:"



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	25%	18%	+7
Remained Constant	44%	57%	-13
Decreased	31%	25%	+6

International activity in Q2

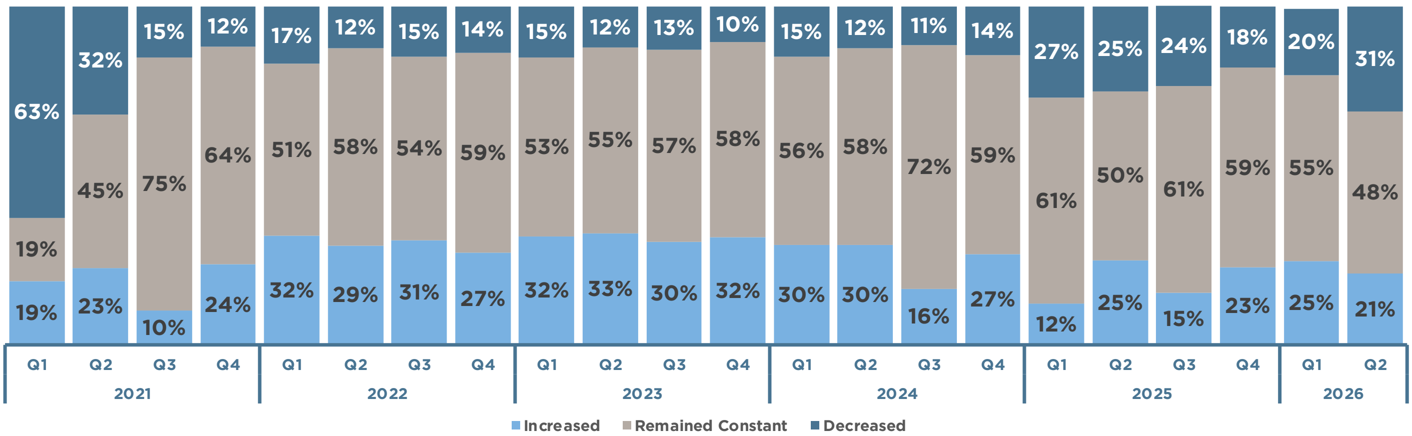
Net balance of Overseas orders/advance custom/bookings over the past 3 months: Aberdeen & Grampian compared with UK



International demand forecasts

Looking ahead paints a similar picture with 31% of North-east firms (compared to 20% in the last survey) expecting overseas activity to decrease in the next quarter and a 21% expecting business to increase (25% in Q1). Meanwhile at a national level only 16% of respondents expect growth over the next 3 months.

Q: “Excluding seasonal variations, over the past 3 months
‘Overseas orders/advance custom/bookings’ have:”

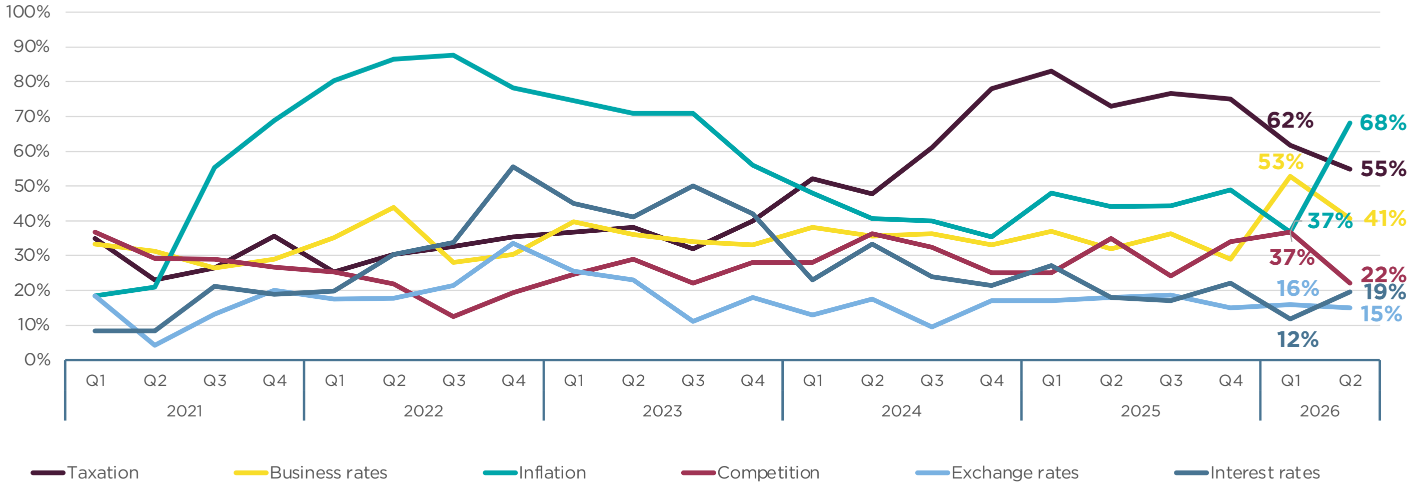


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	21%	16%	+5
Remained Constant	48%	58%	-10
Decreased	31%	26%	+5

Constraints to growth

Likely linked to the Iran conflict, inflation has become the number one concern factor for companies here with 68% citing this as a constraint (compared to just 37% in the prior survey).

Q: "Please indicate which of these following factors are more of a concern to your business than 3 months ago?"



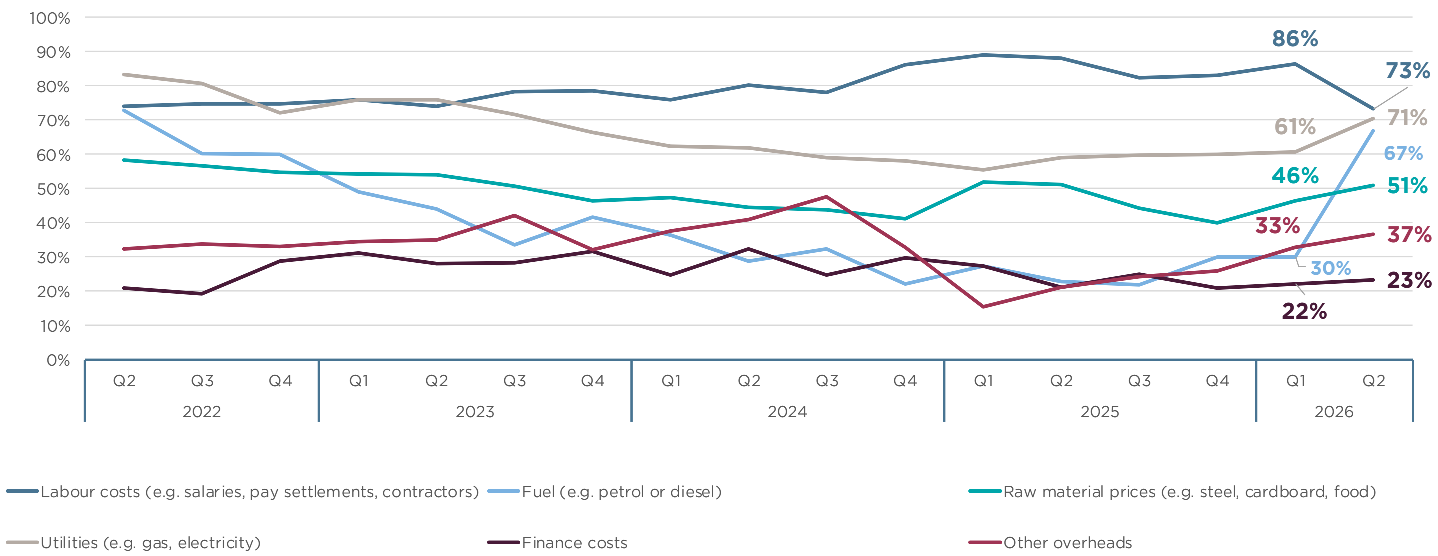
	Inflation	Taxation	Business rates	Competition	Interest rates	Exchange rates
Aberdeen & Grampian	68%	55%	41%	22%	19%	15%
UK	66%	51%	35%	32%	29%	13%

Cost pressures

Following the theme, fuel costs are creating inflationary pressure for firms with 67% saying this is an issue (compared to just 30% in Q1). Interestingly this is 15 percentage points higher in the North-east than nationally. Ironic that the region known as the energy capital is hardest hit by energy price rises!

Likely linked to this, 71% of regional respondents cite utilities costs as a factor-up 10 percentage points on Q1 and 15 percentage points higher than the UK figure. Labour costs remain the number 1 pressure, but the North-east figure reduced from 86% in Q1 to 73% in Q2, more in line with the national position (70%).

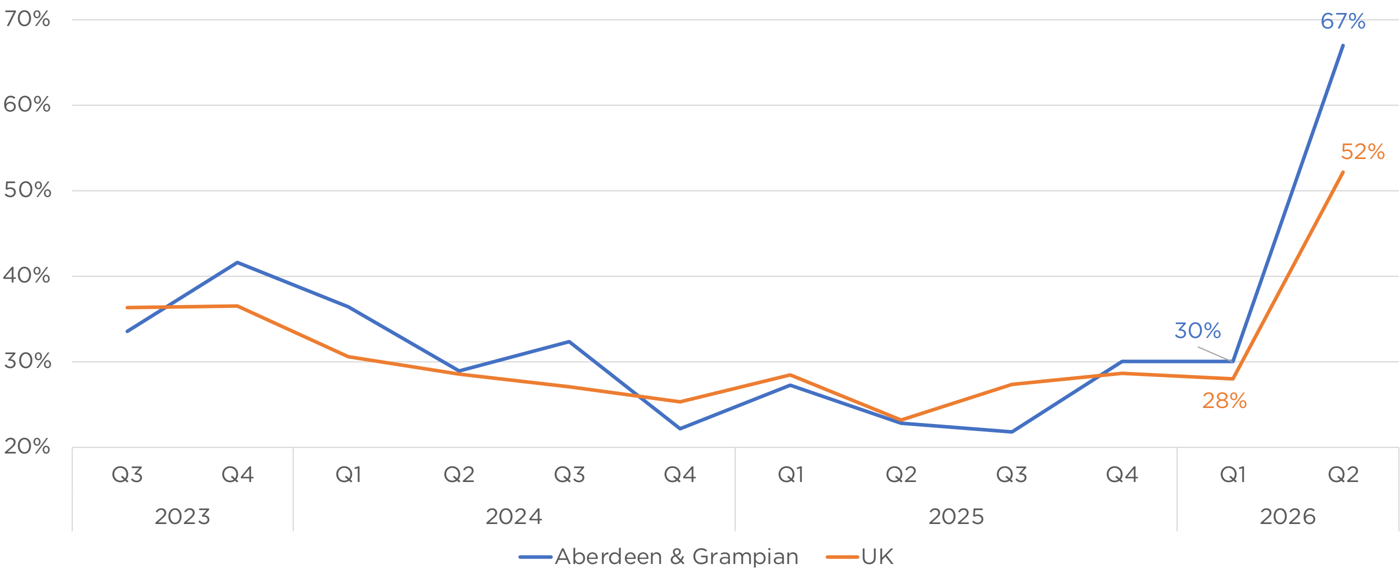
Q: Is your business currently suffering pressures to raise its prices from any of the following?



	Aberdeen & Grampian	UK	% point difference, region v UK
Labour costs	73%	70%	+3
Utilities	71%	56%	+15
Fuel	67%	52%	+15
Raw materials	51%	42%	+9
Other	37%	34%	+3
Finance	23%	24%	-1

Cost pressures - Fuel

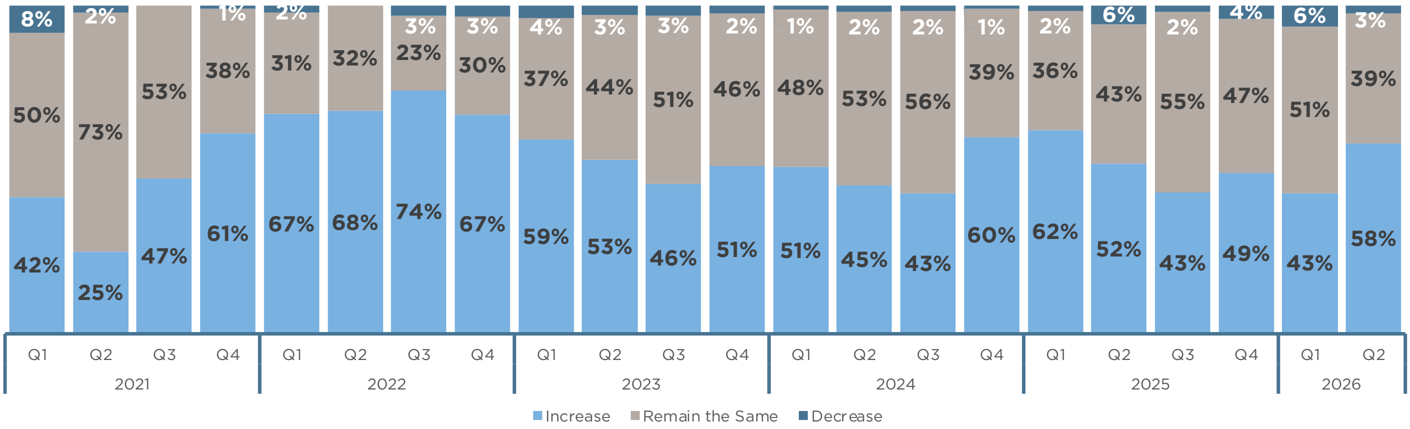
Sharp increase in pressure to raise prices from fuel: Aberdeen & Grampian compared with UK



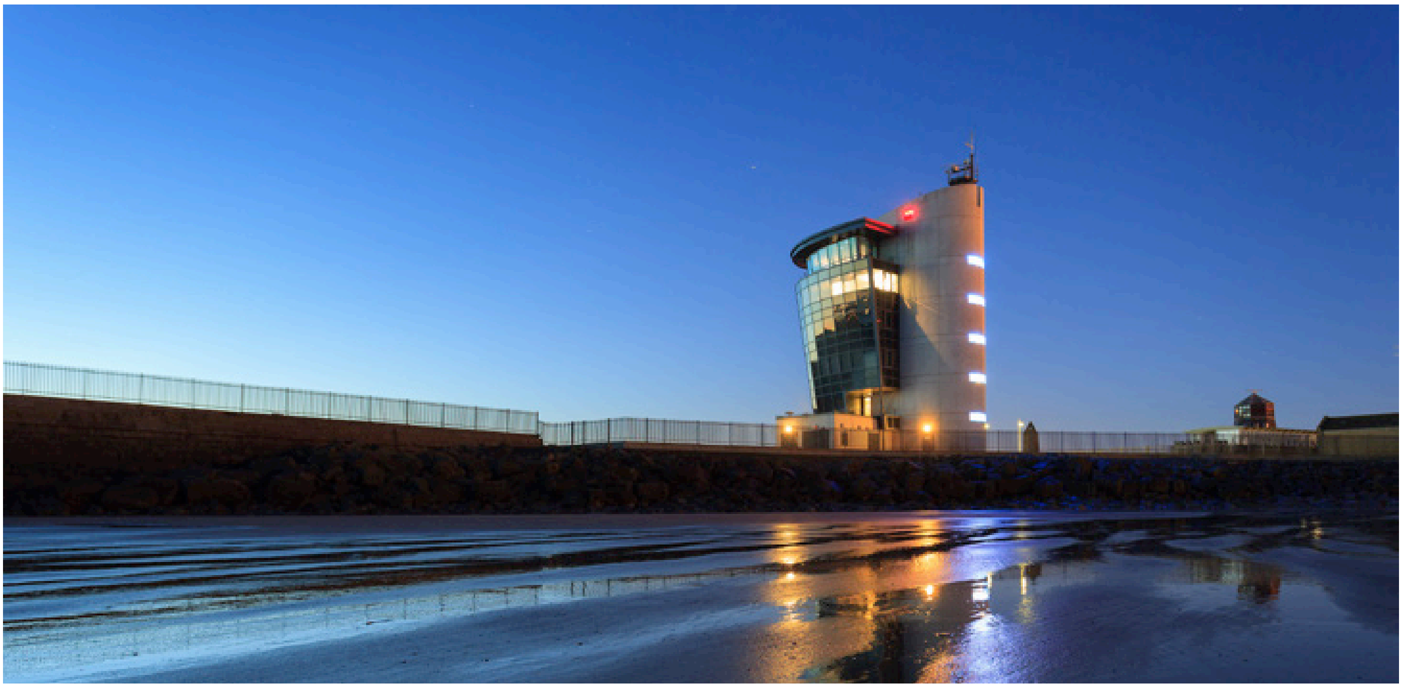
Pricing

58% of companies in the North-east say that, as a result of the various pressures (utilities, fuel, raw material costs), they expect to put up the prices of their goods and services. This has gone up from 43% in Q1 and is ten percentage points more than the national data set.

Q: "Over the next 3 months, do you expect the price of your goods/services to..."

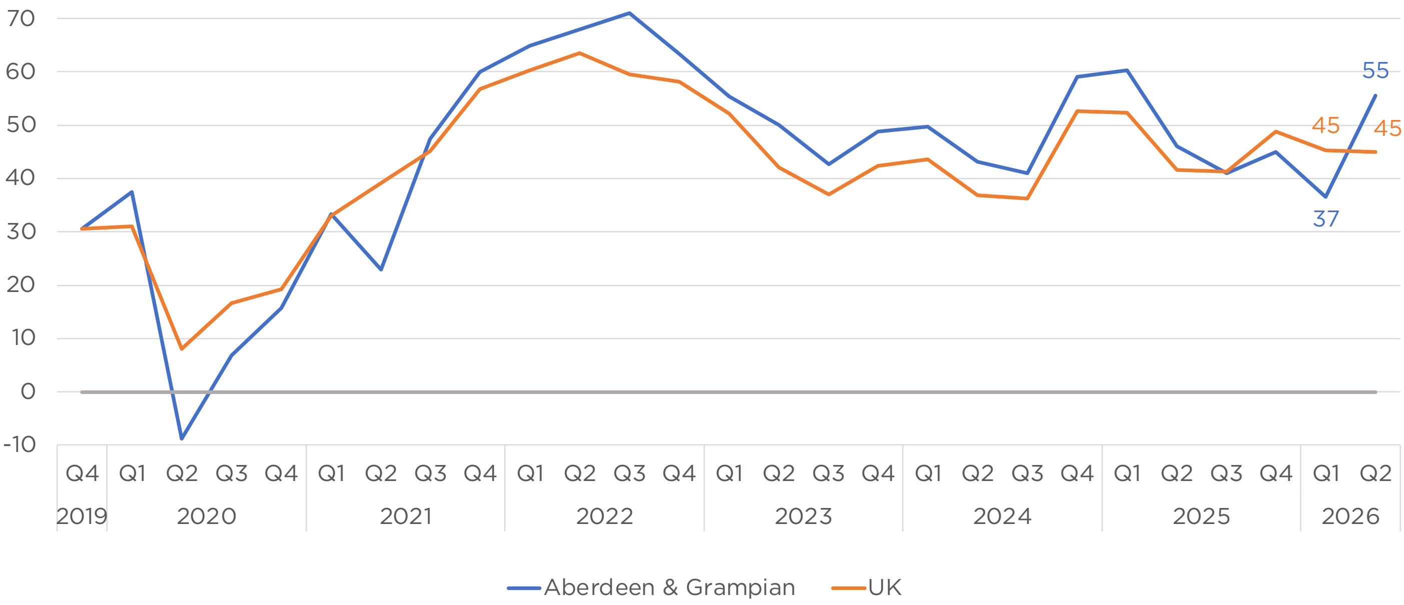


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	58%	48%	+10
Remain the Same	39%	49%	-10
Decreased	3%	3%	-



Pricing

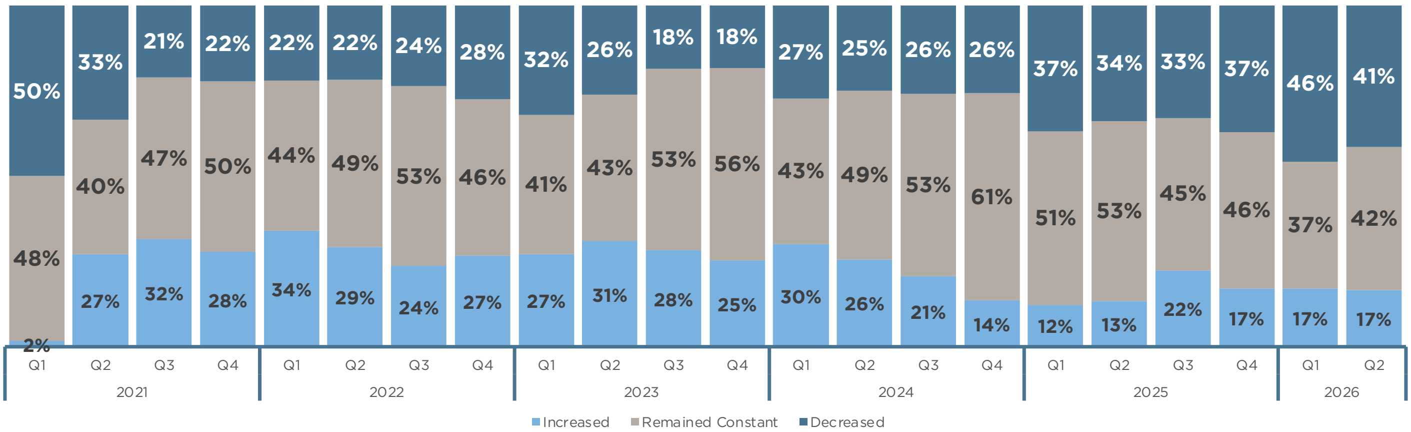
Net balance of those expecting to raise the price of goods/services over the next 3 months:
Aberdeen & Grampian compared with UK



Cash flow

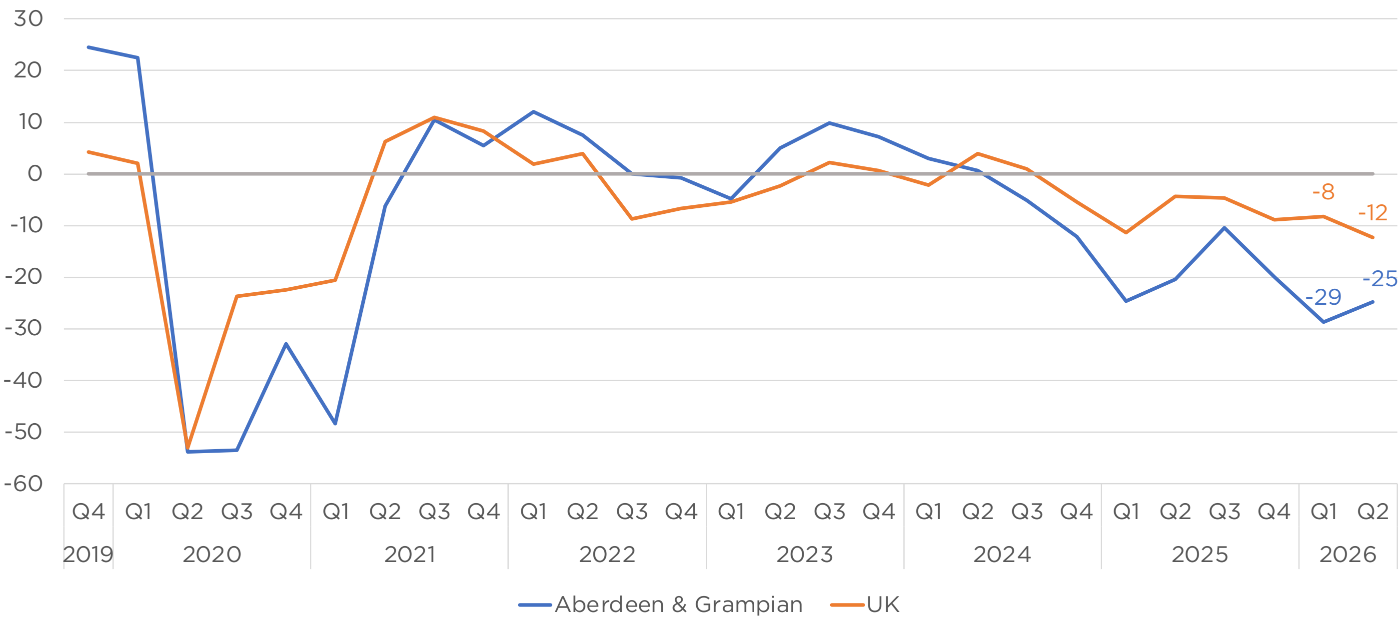
Q2 saw a slight closing of the gap between North-east and national data in terms of cashflow but 41% of firms here still expect this to worsen compared to just 33% across the UK.

Q: "Over the past 3 months, cash flow has ... "



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	17%	20%	-3
Remained Constant	42%	47%	-5
Decreased	41%	33%	+8

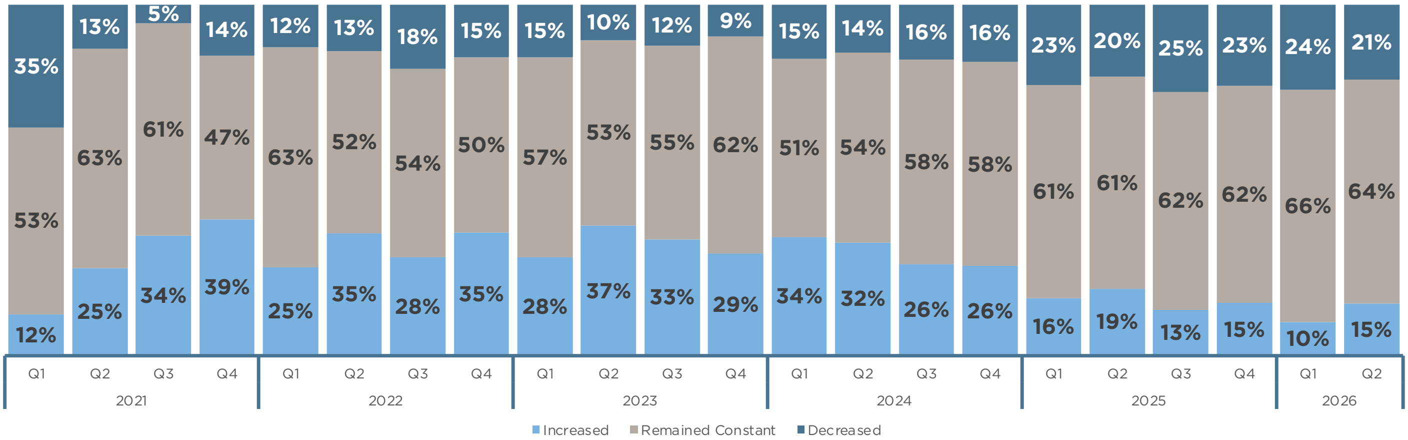
Net balance of cash flow over the past 3 months: Aberdeen & Grampian compared with UK



Workforce trends

Q2 saw a small increase in the number of regional firms saying their workforce size had increased (up from 10% in Q1) but this remains six percentage points worse than UK peers and a distance worse than the trends from 2022-2024.

Q: "Over the past 3 months, has your workforce ... "

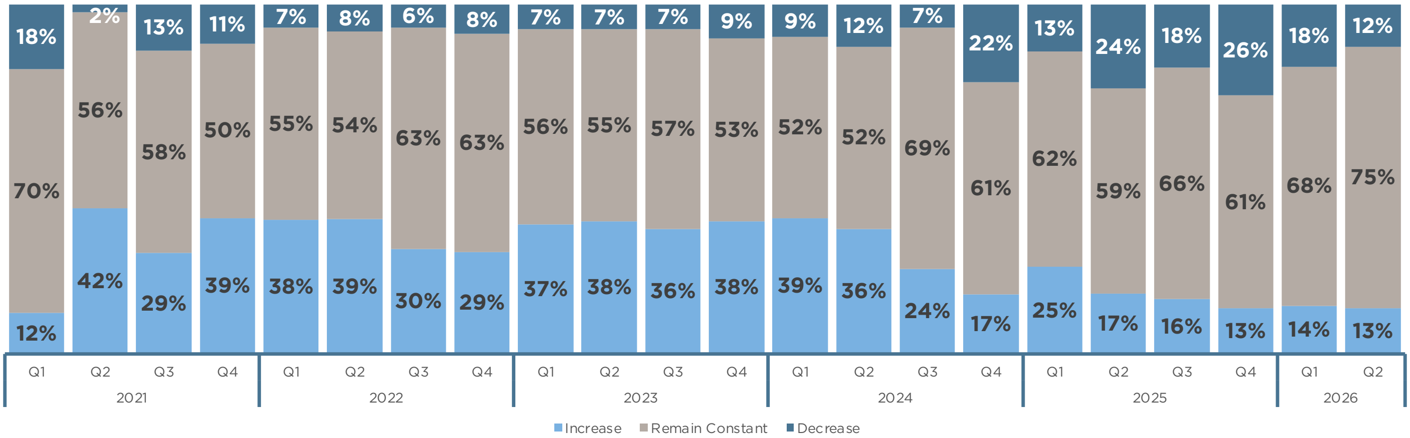


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	15%	21%	-6
Remained Constant	64%	61%	+3
Decreased	21%	18%	+3

Workforce outlook

Looking ahead this pattern remains with the number of regional firms expecting workforce growth flatlining; just 13% in Q2, 10 percentage points worse than the UK figure.

Q: "Over the next 3 months, do you expect your workforce to:"

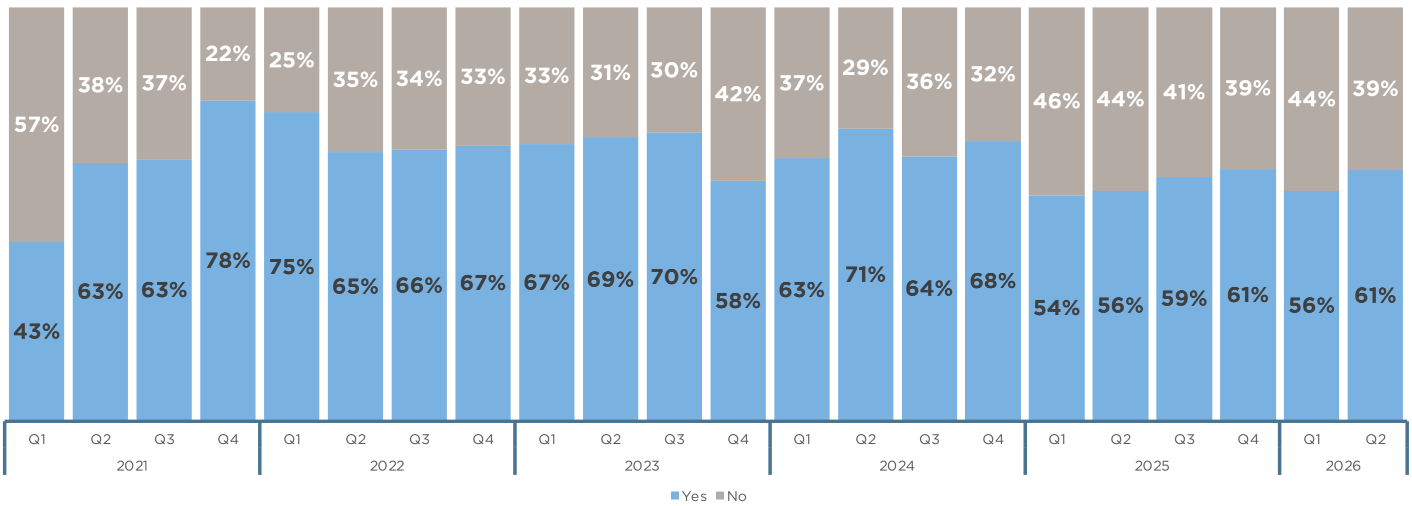


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	13%	23%	-10
Remained Constant	75%	66%	+9
Decreased	12%	11%	+1

Recruitment activity

Interestingly, given the small numbers of respondents looking to net grow their headcount, 61% of companies in the North-east reported actively recruiting staff in the period (compared to just 53% nationally). This suggests that companies in this region are experiencing greater workforce churn and/or finding it harder than peers across the nation to fill the positions they do have. Effectively having to work harder to stand still.

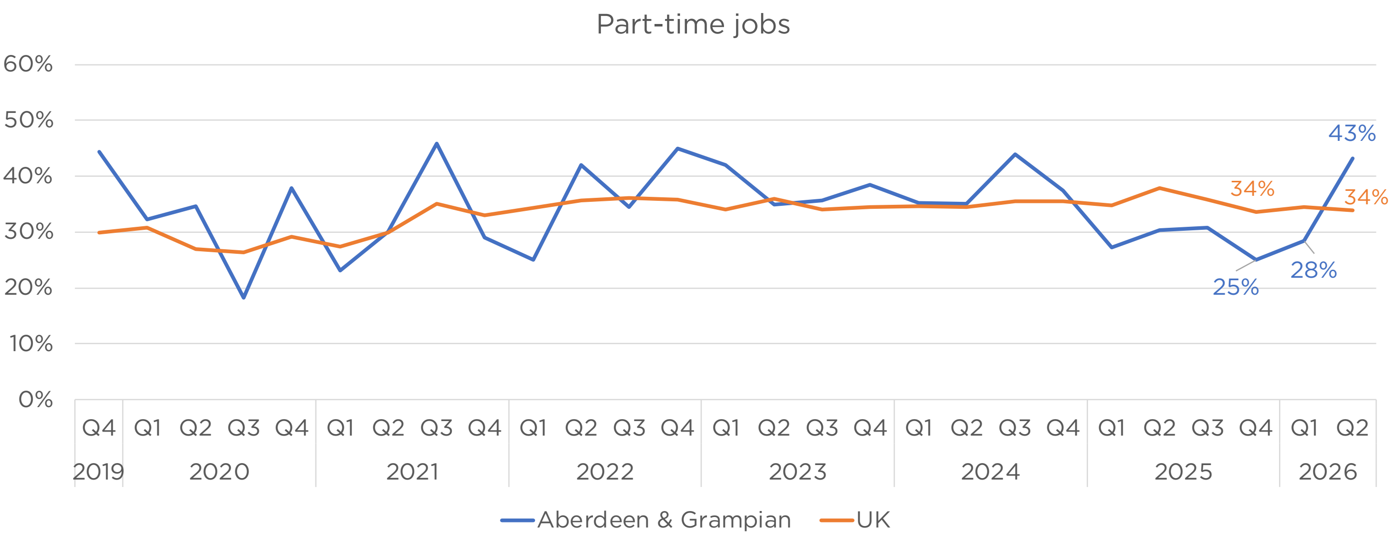
Q: "Have you attempted to recruit staff over the past 3 months? "



53% - UK Yes
47% - UK No

Q: "Have you attempted to recruit staff over the past 3 months? If yes, were they for:"

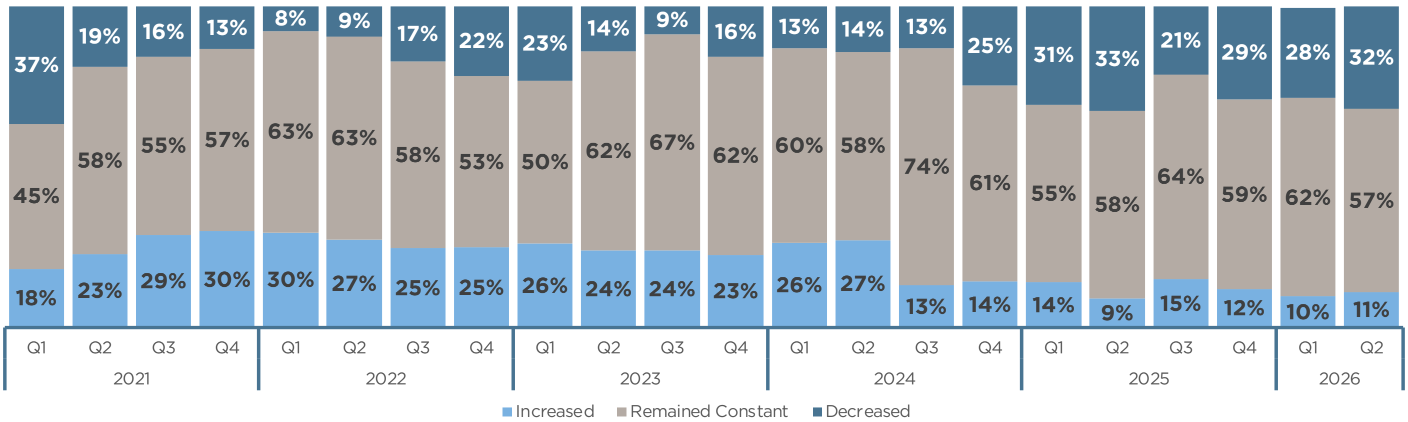
Over the last two quarters we have seen a sharp rise in the number of North-east firms recruiting for part-time roles, now standing at 43% (significantly higher than the UK figure of 34%) likely reflecting the additional pressures being felt by businesses here.



Staff Training

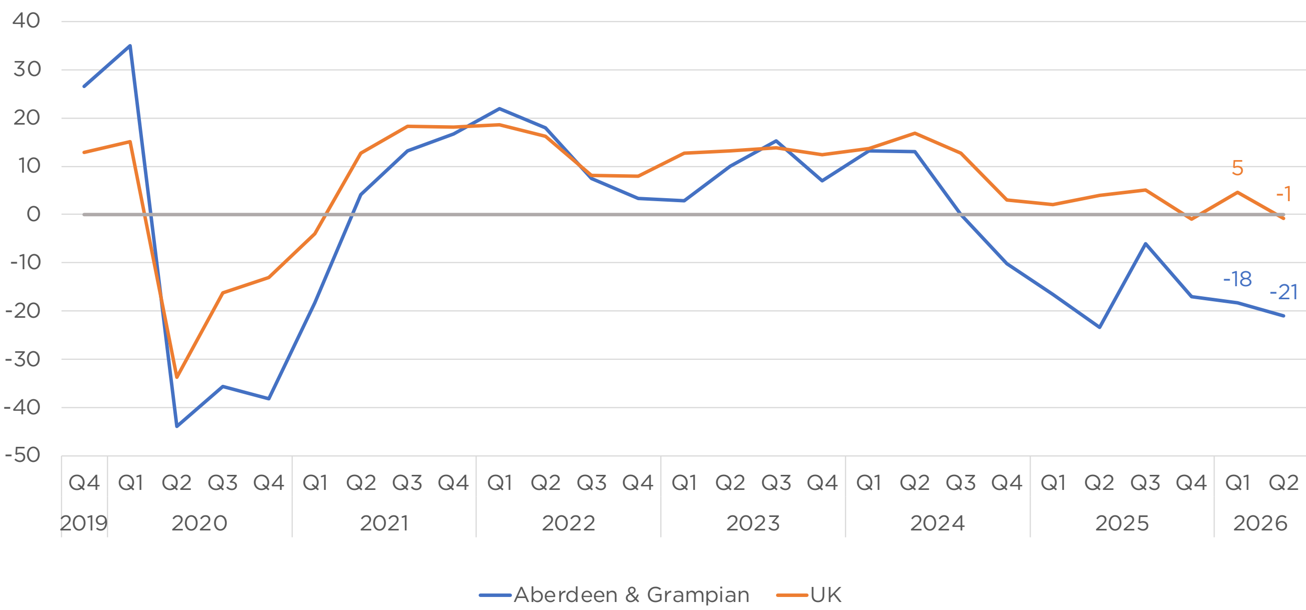
The North-east is still lagging behind the UK in the percentage of firms investing in staff training. Just 11% plan to increase spend on this (9 percentage points behind the national figure). And 32% report reduced investment, compared to just 26% nationwide.

Q: "Over the past 3 months, investment plans for training have..."



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	11%	20%	-9
Remained Constant	57%	60%	-3
Decreased	32%	20%	+12

Net balance of investment plans for training over the past 3 months: Aberdeen & Grampian compared with UK

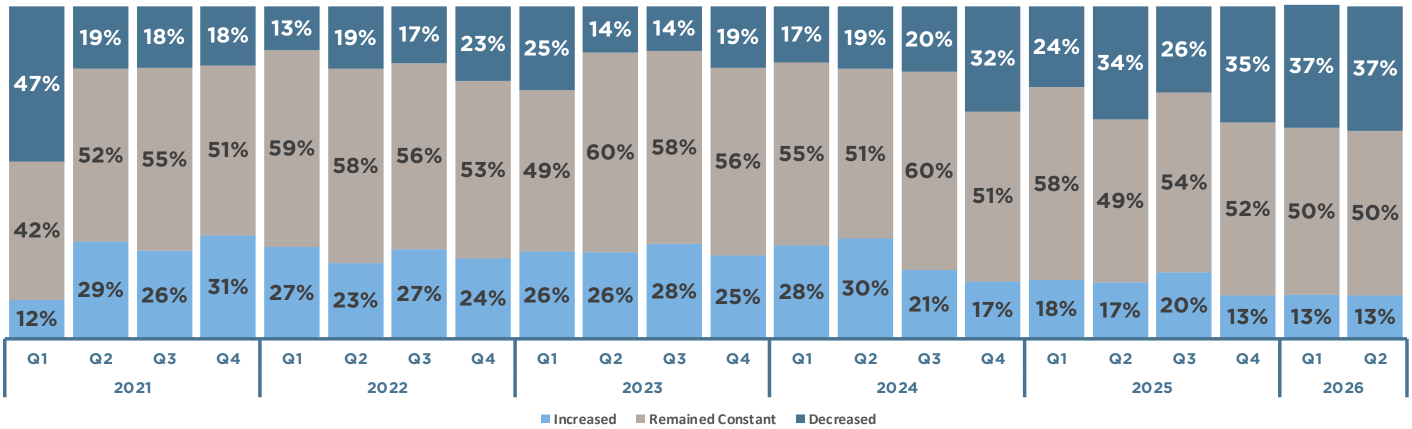


N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Capital Investment

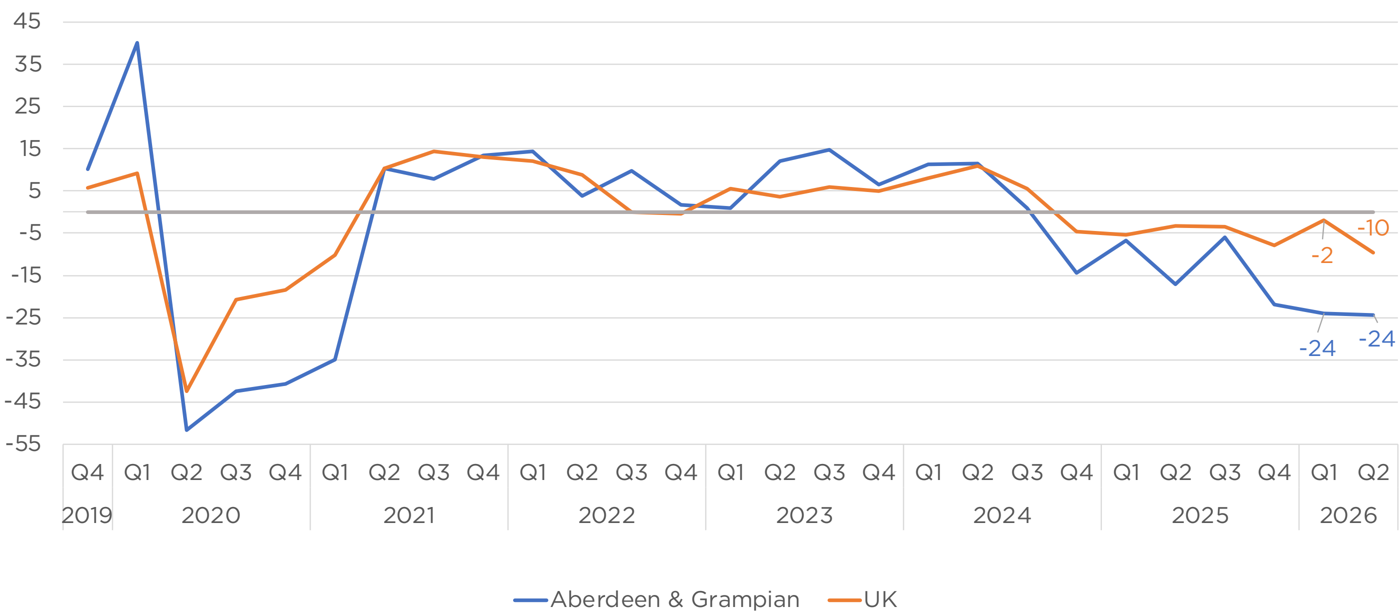
The regional Q2 data on capital investment exactly mirrors the data from Q1 with 37% of companies committing less spend and just 13% increasing it. This compares poorly to the national picture where just 26% of respondents say they are reducing CAPEX. Across the UK we see a sharp downturn in investment confidence since the General Election in 2024.

Q: "Over the past 3 months, investment plans for plant/machinery/equipment have.."



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	13%	17%	-4
Remained Constant	50%	57%	-7
Decreased	37%	26%	+11

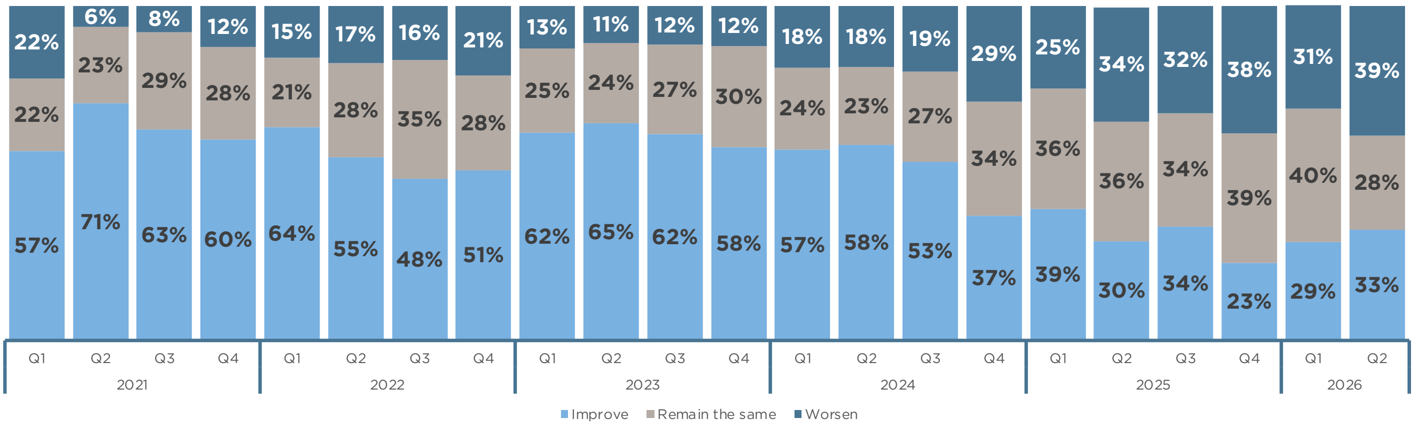
Net balance of investment plans for plant/machinery/equipment over the past 3 months: Aberdeen & Grampian compared with UK



Turnover

We see a polarised regional picture when it comes to turnover growth expectation over the next year. 33% of companies expect growth (up from 29% in Q1) but 39% say it will worsen (up from 31% in Q1). This remains a big point of difference against the national data and reflects the unique and intense challenges facing our region's business community. For comparison, 35% of UK respondents expect their turnover to grow this year and only 23% expect it to contract.

Q: "Over the next 12 months, do you believe your business's turnover will..."

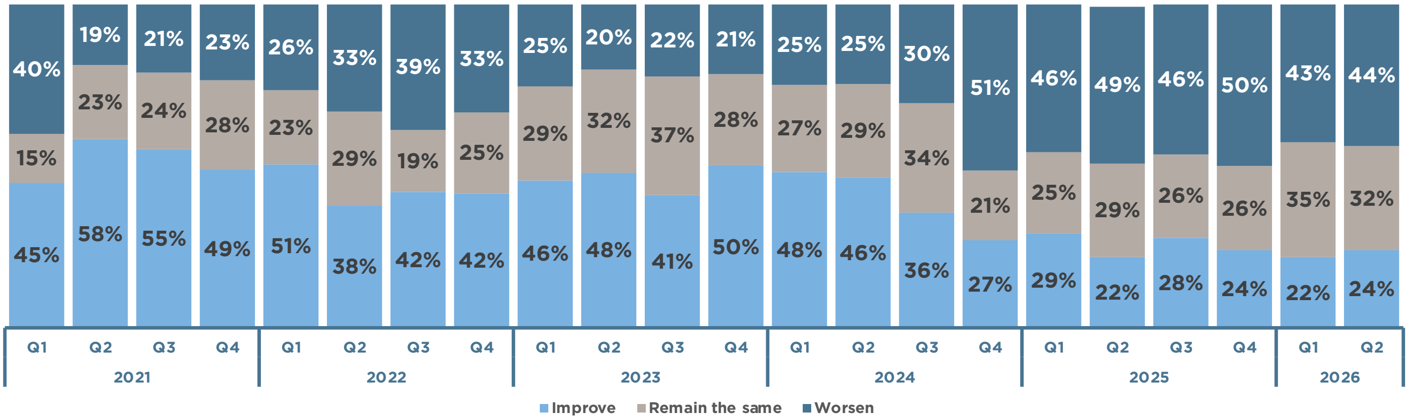


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	33%	44%	-11
Remained Constant	28%	33%	-5
Decreased	39%	23%	+16

Profitability

We see a similar story translating through to profit expectation. The North-east picture remains flat with 24% of firms expecting profits to grow and 44% saying it will decrease.

Q: "Over the next 12 months, do you believe your business's profitability will..."

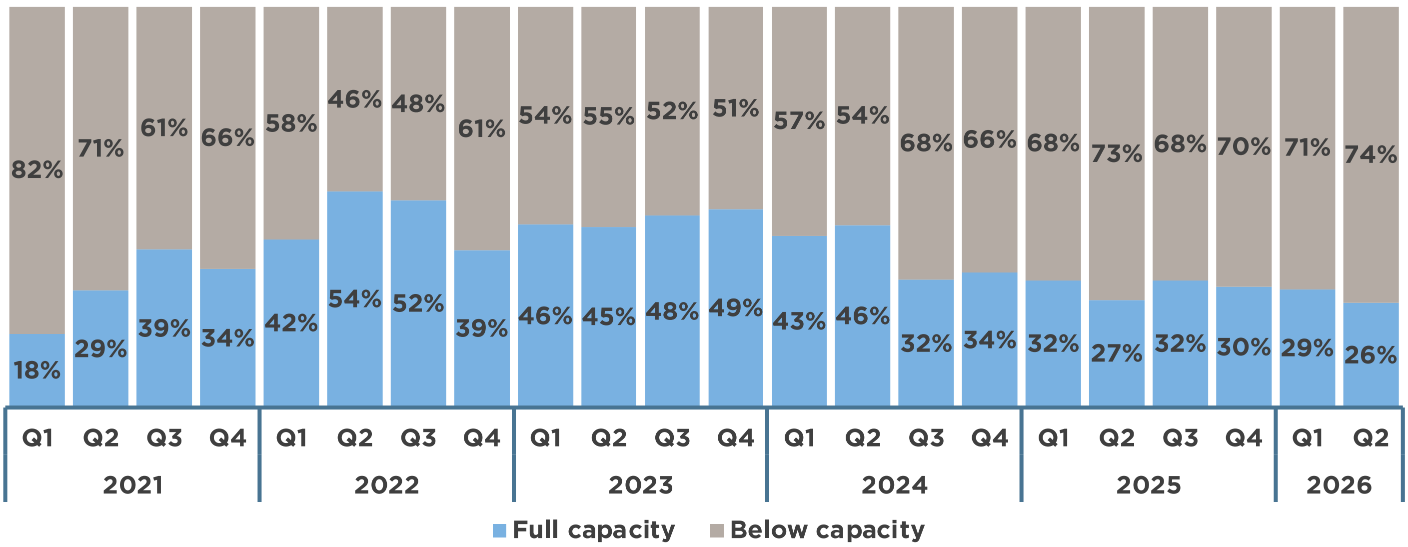


	Aberdeen & Grampian	UK	% point difference, region v UK
Improve	24%	35%	-11
Remain the same	32%	32%	-
Worsen	44%	33%	+11

Capacity

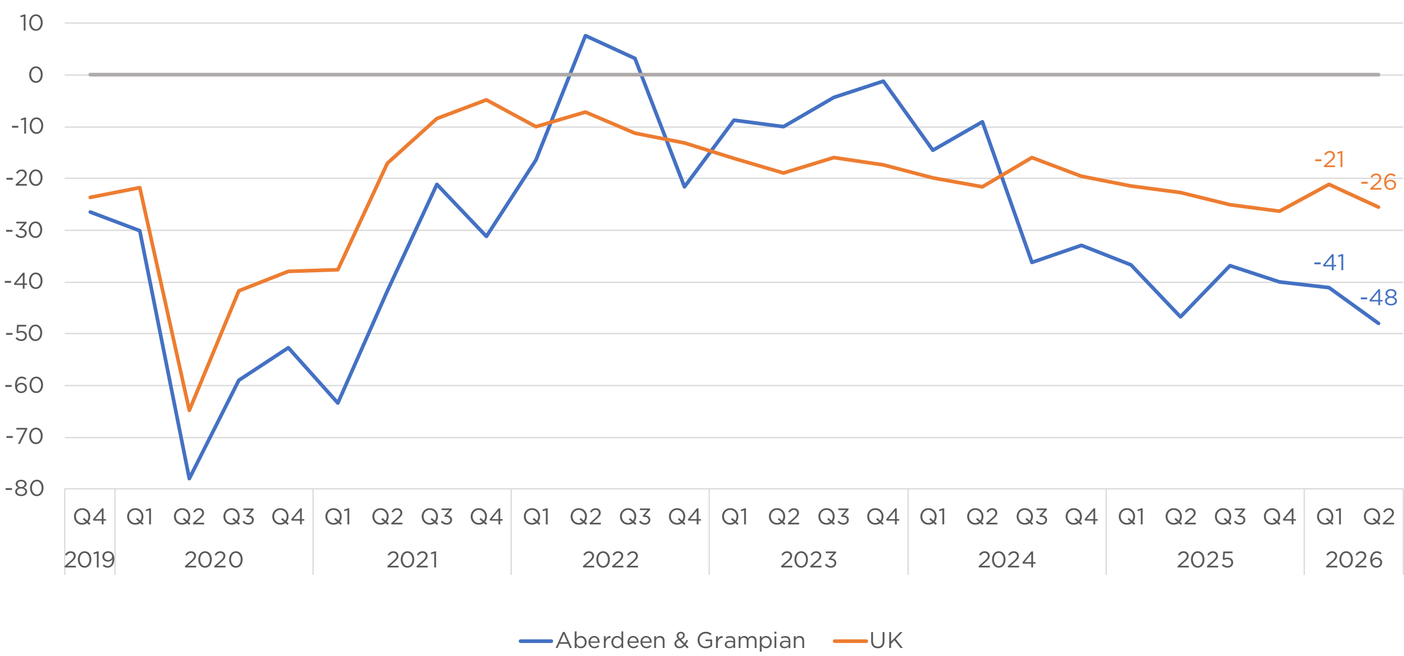
74% of North-east firms are working below capacity compared with 63% across the UK. Likely explaining why more firms here have been reducing headcount than nationally.

Q: " Are you currently operating at..."



UK Q2	
Full capacity	37%
Below capacity	63%

Net balance of current operating capacity: Aberdeen & Grampian compared with UK



Additional Feedback

Businesses' biggest challenges continue to centre on cost pressures, government taxation and policy, uncertainty surrounding the North Sea energy sector, and a lack of demand and investment opportunities. These themes help explain the weaker confidence, investment intentions and profitability expectations reported elsewhere in the survey.

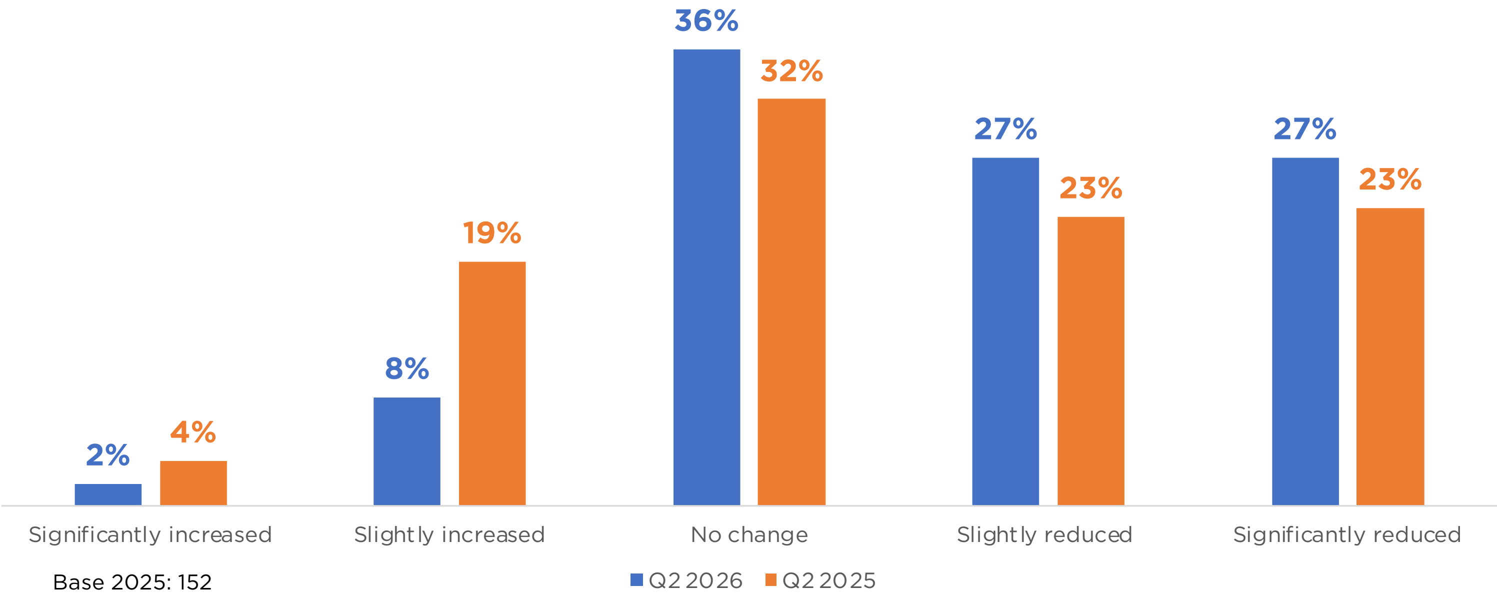
Theme	What businesses are saying	Example verbatim
1. Rising costs and taxation	Businesses continue to feel squeezed by higher labour costs, fuel, business rates and taxation, with many saying these costs are forcing price increases and limiting growth.	"Business Tax and Rates are both higher than ever, draining cash-flow, and limiting capacity for growth." "We are having to seriously consider pushing through cost incr eases when our customer base can least afford it."
2. North Sea energy policy and EPL concerns	The Energy Profits Levy and wider government approach to oil and gas remain one of the strongest themes, with businesses warning of cancelled projects, reduced investment and supply chain impacts.	"The EPL is having a devastating effect on the whole supply chain in this region." "Continuous strangling of the North Sea oil and gas sector through taxation and lack of licence granting is becoming unsustainable."
3. Weak demand and lack of opportunities	Several firms report subdued trading conditions, particularly in construction and the wider local economy, with limited new projects and uncertainty over future workloads.	"Biggest concern is the lack of opportunities in the construction sector locally." "Just ticking over at the moment and don't see that changing perhaps until the Aberdeen housing market recovers."
4. Regulation and government administration	Respondents expressed frustration with bureaucracy, lengthy HMRC processes and what they see as excessive regulation.	"We are subject to a HMRC enquiry which has lasted for a year and a half... How can a business operate in that sort of a situation?" "Too much red tape."

Based on 22 open-ended responses from 122 survey participants; insights are indicative rather than representative.

Regional Questions

The cocktail of challenges facing businesses in the region means that they are becoming increasingly risk averse.

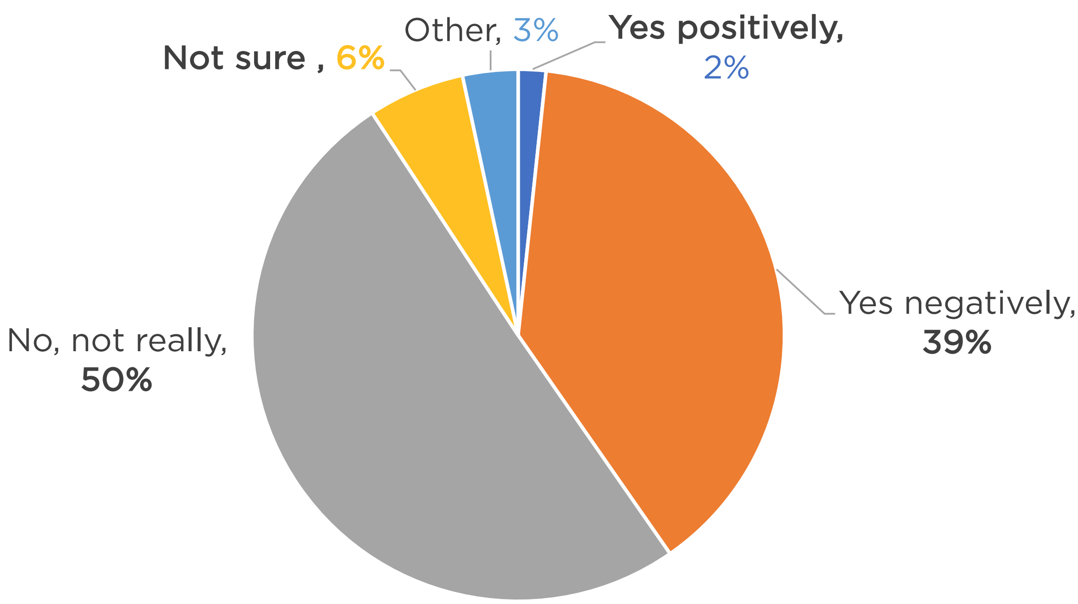
Q: "Compared to a year ago, how has your willingness to take business risks changed?"



Base 2025: 152
Base 2026: 118

39% of respondents in the region said that the Scottish election result negatively impacted business sentiment, with only 2% saying this was seen as positive. So, the Government has a job to do convincing business that it really does have economic growth at the heart of its agenda.

Q: "Has the result of the recent election had an impact on your response?"

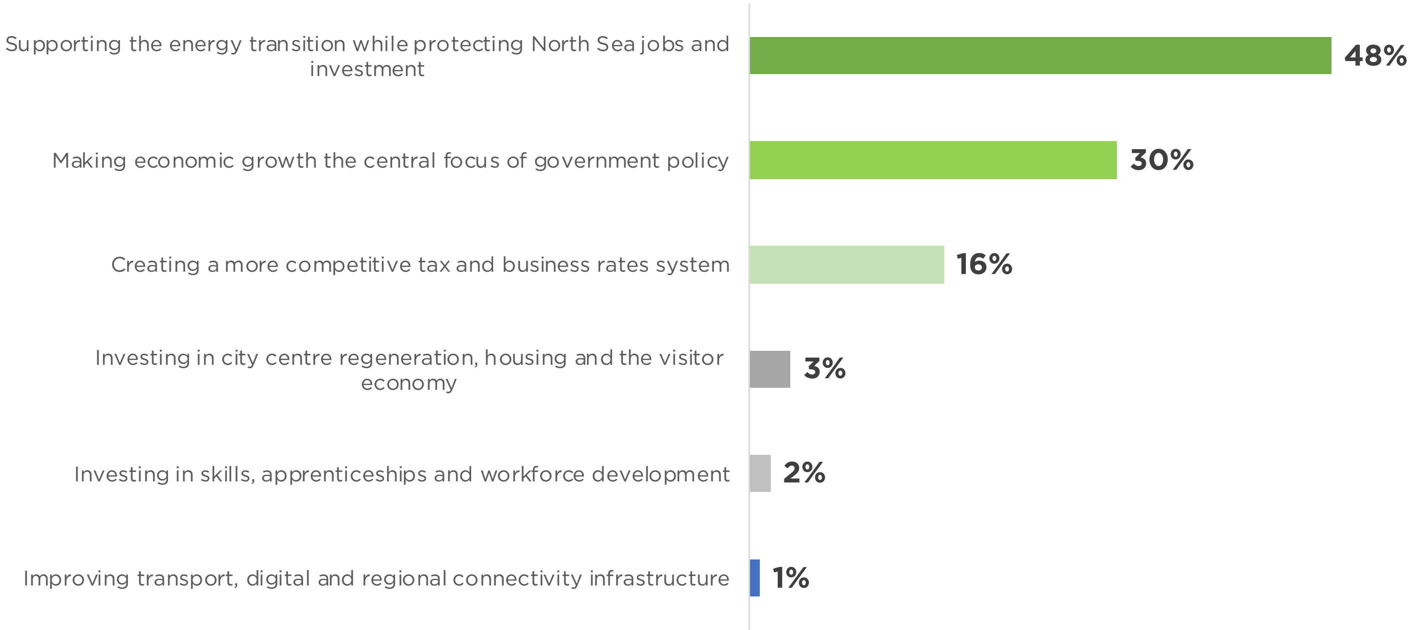


Base: 119

Regional Questions

North-east businesses are clear that their three top priorities for the regional economy are supporting the energy transition while protecting North Sea jobs and investment, putting economic growth at the heart of policy and creating a more competitive tax and business rates system.

Q: "Q: AGCC's key manifesto asks of the new government are shown below. Which is your top priority area?"



Base: 119

Regional Questions

Q: "Please explain your answer above with the specific ask your business has of government within that priority area.?"

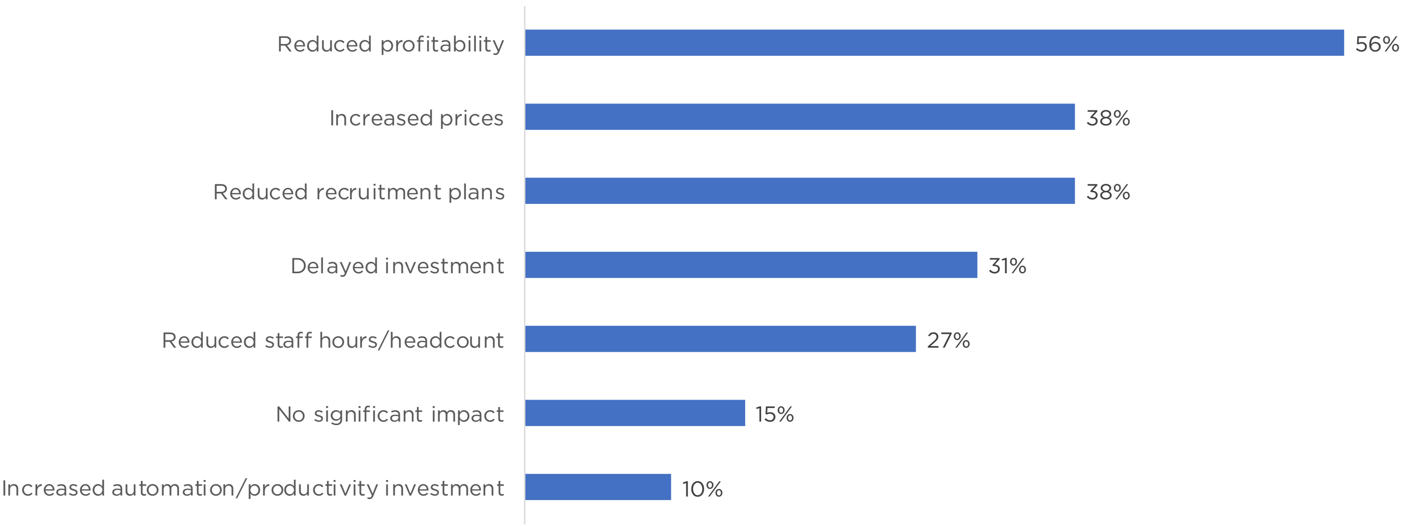
Manifesto Priority	Main Themes Raised by Businesses	Comments
Making economic growth the central focus of government policy	• Reduce regulation and red tape • Create a stable fiscal and regulatory environment • Support investment and business confidence • Invest in regional economic development and infrastructure • Support SMEs and entrepreneurship • Strengthen the energy sector as a driver of growth	"Reduce regulation and red tape." "Open up the North Sea." "Establish long term programmes to support new and growing businesses."
Creating a more competitive tax and business rates system	• Reduce business rates • Lower employer costs (National Insurance, NMW pressures) • Reduce VAT, particularly for hospitality • Improve business competitiveness • Encourage investment through tax reform • Protect North Sea investment from punitive taxation	"Both taxes and business rates are killing businesses daily." "A reduction in VAT for hospitality would greatly help." "Reducing taxation would put more money in people's pockets."
Investing in skills, apprenticeships and workforce development	• Retain skilled workers in the North-east • Improve local career opportunities • Reduce reliance on recruitment from outside the region	"Keeping people in the North-east and giving them wider options."
Supporting the energy transition while protecting North Sea jobs and investment	• Continue North Sea oil and gas development • Protect jobs and local supply chains • Provide long-term policy certainty • Deliver a managed transition rather than a rapid phase-out • Improve energy security through domestic production • Support investment in both traditional and renewable energy sectors	"We must drive for a transition, not a cliff." "Open up NS to allow more economic growth." "Removal of the EPL and the ban on future drilling are the biggest issues."
Investing in city centre regeneration, housing and the visitor economy	• Revitalise Aberdeen city centre • Support arts, culture and tourism • Increase visitor footfall and spending • Improve the attractiveness of the city as a destination	"Thriving city centres happen where there is a thriving arts scene."
Improving transport, digital and regional connectivity infrastructure	• Improve transport links • Improve digital connectivity • Increase regional competitiveness • Reduce the gap with other UK cities	"We are lacking behind the major UK cities in these areas."

Base: 68 comments

Regional Questions

More than half of companies reported reduced profitability as a result of rising employment costs with over a third saying they had been forced to mitigate this by increasing prices or reducing recruitment plans. Reducing staff hours or headcount and delaying investment plans (as evidenced elsewhere in the report) were cited by over a quarter as actions they had been forced to take in response.

Q: "How have rising employment costs affected your business decisions over the past 12 months?"



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Sponsor Viewpoint

The Q2 2026 Quarterly Economic Survey paints a picture of a regional economy stuck in first gear.

There are tentative signs that domestic trading conditions are beginning to stabilise after a difficult period, but businesses across Aberdeen and Grampian continue to face significant cost pressures, weakening cash flow, subdued employment growth and increasing uncertainty over international trade. As a result they remain firmly in survival mode rather than growth mode. This was a picture that we started seeing two quarters ago as we reported on a changing dynamic in how businesses were responding to the environment around them. And now it seems that view is becoming more entrenched.

The survey, conducted between 11 May and 5 June 2026, gathered responses from 4,744 businesses across the UK, including 122 companies from Aberdeen and Grampian employing more than 15,000 people. The regional sample is considered representative, with 70% of respondents being SMEs and 61% operating outside the energy sector.

The biggest change by far this quarter was the rise of inflation as the primary obstacle to potential growth. Sixty-eight per cent of respondents identified inflation as a greater concern than three months earlier, almost doubling from the previous survey. Much of this renewed pressure may be blamed on geopolitical developments, particularly the Iran conflict which has contributed to rising energy costs. Rising fuel, utility and other operating costs have once again become the biggest headache for businesses. As companies across the North-east are feeling these pressures more acutely than most of the UK, the inevitable consequence is that many are preparing to pass those costs on to customers.

On the positive side, there may be reason for positivity. Domestic sales have improved slightly and fewer firms are reporting falling demand. Specifically, nineteen per cent of regional businesses reported increased UK sales, while the proportion reporting declining sales fell to 37%. Although this remains weaker than the UK average, it represents an improvement on the previous quarter and narrows the performance gap with national figures.

> **The main takeaway - Businesses seem to be digging in, not pushing forward.**

Businesses also expressed slightly greater optimism about future domestic demand, with survey commentary suggesting there are tentative “green shoots” emerging, although much of the improvement also reflects weakening national performance rather than a strong regional recovery. Meanwhile, international markets are becoming more uncertain, with geopolitical tensions and trade disruption weighing heavily on exporters. Generally, any signs of recovery remain distinctly fragile.

The main takeaway - Businesses seem to be digging in, not pushing forward. While recruitment activity remains high, it appears businesses are working harder simply to replace staff rather than create new jobs. Until confidence returns and cost pressures ease, the North-east economy is likely to remain in a holding pattern rather than entering a period of sustained growth.

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Overall, the Q2 2026 survey portrays an economy that is showing limited signs of stabilisation but remains constrained by high inflation, escalating energy-related costs, fragile international demand and weak business confidence. Domestic trading has improved modestly and some firms are cautiously optimistic about future activity. However, persistent cost pressures, declining cash flow, subdued hiring intentions and reduced investment in training suggest that businesses remain focused on resilience rather than growth. Unless inflationary pressures ease and global uncertainty diminishes, the region is likely to continue experiencing a challenging operating environment despite the early signs of recovery.

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