HIE BUSINESS PANEL

Wave 27: November/December 2024

Ipsos

HIE
Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

A. INTRODUCTION

INTRODUCTION

Introduction

This report presents findings from wave 27 of the Highlands and Islands Enterprise (HIE) Business Panel survey. Survey fieldwork was conducted between 20 November and 19 December 2024, using both online survey and telephone interviewing. In total 1,013 eligible surveys with businesses and social enterprises across the Highlands and Islands were achieved (790 by telephone, 223 online).

As well as tracking questions exploring economic optimism, business performance, markets of operation and growth aspirations, the survey also explored changes to the working environment, investment priorities, financial outlook, workforce, and lower carbon working.

Context for this wave

Initial optimism and strengthening economic indicators in the first few months of 2024 gave way to a slowdown in growth and increased economic anxieties in the latter half of the year. Businesses faced persistent challenges, including recruitment difficulties, weakening demand, and rising costs.

July 2024 saw a general election and the first UK Labour government since 2010. Fieldwork took place a few weeks after the UK Budget on 30 October 2024 where it was announced that employer National Insurance contributions would increase. The survey therefore asked employers how they expected to respond to increases in the cost of staff.

About the HIE Business Panel Survey

The HIE Business Panel was established to measure and monitor the economic health of the region through the experiences and opinions of businesses and social enterprises in the area, and to explore topical issues at a regional, sub-regional or sectoral level.

Following two waves of panel surveys in 2014 and 2015, HIE commissioned Ipsos Scotland to carry out regular business panel surveys with 1,000 businesses and social enterprises, representative of the Highlands and Islands business base in terms of geographic area, organisation size and sector. The surveys ran quarterly during 2016 and 2017, before changing to three times per year between 2018 and 2023. The last wave of the survey was carried out in Nov/Dec 2023.

Since June 2021, surveys have been carried out in parallel with South of Scotland Enterprise (SOSE), with members of the SOSE Business Panel comprising of businesses in the South of Scotland region (Dumfries and Galloway and the Scottish Borders). Both surveys include a core question set although there is scope for tailored questions for each agency.*

Two methodological changes were introduced in Wave 25 (May/June 23) and continued this wave. Firstly, businesses were provided with the option of completing the survey either online or by telephone interview (this online element having previously been utilised pre-2017). Additionally, a slight change was made to the sector categories used in the design of the survey sample. In both cases precautions were taken and quality checks carried out to ensure that findings remained as comparable as possible with previous survey waves.

NOTES:

*For more information about the HIE Business Panel Survey, and to view previous reports visit: www.hie.co.uk/businesspanel

*Findings of the SOSE Business Panel Surveys are available at :https://www.southofscotlandenterprise.com/business-surveys

METHODOLOGY

Sampling

The survey sample was mainly sourced from businesses that took part in previous waves of the survey and had indicated that they were willing to be re-contacted. Additional HIE panel members and HIE-client-engaged businesses were also approached along with companies identified from the Market Location business database.

The sample was designed to match the structure of the Highlands and Islands business population in terms of sector, size, and geographical distribution. Quotas were set so that the achieved sample reflected the population of eligible organisations as defined by the Inter-Departmental Business Register (IDBR).

The sectors referenced in the report are derived from a Standard Industry Classification (SIC) 2007 code applied to each business*. The following SIC 2007 Sections were excluded from the sampling:

- Public administration and defence; compulsory social security;
- Education and health and social work;
- Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use; and
- Activities of extraterritorial organisations and bodies.

The survey was designed to be reflective of the population based on the SIC 2007 codes. Previous survey waves (prior to May/June 2023) had been designed to be reflective of the population based on areas of economic activity considered to be "growth sectors" (as set out in the Government Economic Strategy). ** The sector profile of the achieved survey sample still remained similar to that seen in previous waves (based on SIC 2007 codes).

To reflect the new sample design, while allowing comparability with previous waves, in this report businesses are referred to in two ways:

- by the standard sector groupings defined by SIC 2007 code.
- by the growth sector categories used in previous waves.

The types of business covered by each category are shown in the Appendix (slide 72).

Fieldwork

Respondents had a choice between completing the survey online or by telephone. The online survey was distributed by e-mail, inviting respondents to complete the questionnaire via a unique link. The remaining surveys were carried out using telephone interviewing.

Within each participating organisation, the survey respondent was the owner or a senior manager able to comment on the performance and future prospects of the organisation.

NOTES:

*Full detail of SIC 2007 categories can be found at https://www.gov.scot/publications/standard-industrial-classification/

**Definition and details of growth sector categories are available from the Scottish Government at https://www.gov.scot/publications/growth-sector-statistics/

PRESENTATION AND INTERPRETATION OF THE DATA

Interpretation of the data

The survey findings represent the views of a sample of businesses, and not the entire business population of the Highlands and Islands, therefore they are subject to sampling tolerances, meaning that not all differences will be statistically significant.

Throughout the report, differences between sub-groups are commented upon only where we are sure these are statistically significant, i.e. where we can be 95% certain that they have not occurred by chance.

Where percentages do not sum to 100%, this may be due to rounding, the exclusion of 'don't know' categories, or multiple answers. Aggregate percentages (e.g. "optimistic/not optimistic" or "important/not important") are calculated from the absolute values. Therefore, aggregate percentages may differ from the sum of the individual scores due to rounding of percentage totals.

Throughout the report, an asterisk (*) denotes any value of less than half a percent and a dash (-) denotes zero. For questions where the number of businesses is less than 30, the number of times a response has been selected (N) rather than the percentage is given.

The profile of the businesses that took part in the survey covered a range of categories in the Scottish Government's six-fold Urban Rural Classification.* In this report, survey findings have been condensed into three categories: remote rural (category 6), accessible rural (5), and small towns and peripheral urban areas (2 to 4). Throughout, those in small towns and peripheral urban areas are referred to as "urban".

Weighting

The achieved sample was broadly representative of the population, notwithstanding some differential non-response due to differences in availability and willingness to participate.

Weighting was applied to correct the distribution of sectors to match the sample counts. A breakdown of the achieved profile of businesses is provided in the appendix (slide 56).

NOTES:
*The Scottish Government's six-fold Urban Rural Classification is described on the Scottish website available here.

B. BUSINESS STRUCTURE / OWNERSHIP MODELS

KEY FINDINGS

- Among employers, 66% described themselves as family-owned, 4% were a co-operative (owned or controlled by its members), and 4% were employee-owned (with employees owning a majority of the shares). 8% of businesses were women-led, and 4% described themselves as a social enterprise.
- Overall, around one-in-eight (12%) businesses fell within one of the "inclusive ownership models"* of employee-ownership, social enterprise or co-operatives.
- One in five (20%) businesses fell into none of the categories outlined.

12% had an inclusive ownership model.

66% described themselves as family-owned.

*Inclusive ownership models are one of the five pillars of community wealth building, as defined by the Scottish Government. https://www.gov.scot/publications/building-community-wealth-scotland-independent-analysis-responses-consultation-exercise-analysis-report/pages/7/

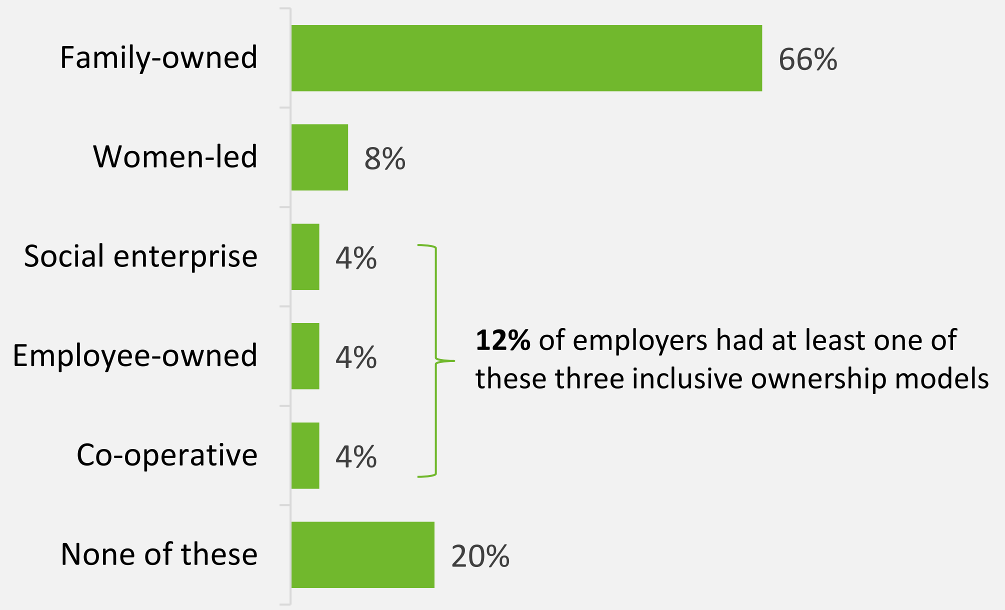
BUSINESS STRUCTURE

Among employers, 66% described themselves as family-owned, 4% were a co-operative (owned or controlled by its members), and 4% were employee-owned (with employees owning a majority of the shares). 8% of businesses were women-led and 4% described themselves as a social enterprise.

Findings were similar to the previous wave (November/December 2023), when 69% were family-owned, 5% co-operatives and 6% employee-owned. There were fewer women-led businesses this wave (8% vs. 14%), but a similar level of social enterprises (4% vs. 5%).

The proportion of employers with inclusive ownership models was higher in the Highlands and Islands than in the South of Scotland (12% vs 8%).

Q. Would you describe your business as any of the following?



Note: Businesses could select more than one of these options
Base: Family-owned, co-operative, employee-owned: all employers (795); all others: all businesses (1,013)

Employers more likely to be:

Family-owned
- Primary industries (77%).
- Accommodation and food services (85%).
- Content with current level of growth (75%) or wanting to downsize (80%).

Employee-owned
- 25+ staff (8%).
- Professional, scientific and technical (11%).

Businesses more likely to be:

Women-led
- Wholesale, retail and repairs (13%).
- Accommodation and food services (15%).
- Arts and entertainment (16%).
- Tourism growth sector (15%).

Social enterprises
- Arts and entertainment (21%).

Base: Family-owned, co-operative and employee-owned: all employers (795); social enterprises and women-led: all businesses (1013)

C. OPTIMISM AND PERFORMANCE

KEY FINDINGS

- Confidence in the economic outlook for Scotland was down this wave: 44% of businesses were confident (compared to 50% in November/December 2023), while 55% were not (compared with 48%). Confidence was at the lowest level reported since October/November 2022 (41% confident; 58% not confident).

- Reflecting on the past six months, 51% said their economic confidence had decreased, 5% said it had increased, and 43% said it had stayed the same. The net confidence level (i.e. the difference between those saying increased and decreased) was at its lowest since May/June 2020 when COVID-19 restrictions were in place.

- Views on business performance over the last six months were mixed, with 31% saying their business had performed well, 41% saying their performance had been fairly steady and 28% saying they had struggled. Performance showed a slight fall compared to the previous wave (when 34% had performed well, 21% had struggled, and 44% had steady performance).

- Over the past six months, sales or turnover performance was mixed (30% said it had increased, 27% decreased, and 41% remained the same). Businesses had once again performed better on sales or turnover than on profit (16% said profit margins had increased, 41% decreased, and 41% remained the same). Employment and exports had remained relatively stable over the last six months (73% and 59% respectively said these had stayed the same).

- Over the past twelve months, most businesses (81%) had taken actions to address their working environment, while one in five (19%) had not. Businesses most frequently reported having made their processes more efficient (49%) and reviewed supply chains (42%). This was followed by taking steps to reduce their emissions (37%) and using more technology or automation (35%).

- Just under half (47%) of businesses were striving for growth, while 36% were content with their current level of performance, and 14% were looking to downsize. Aspirations were similar to the previous wave (when 49% were striving for growth, 37% were content, 12% wanted to downsize).

- Businesses largely expected stability in the months ahead. A majority (64%) were expecting to perform at much the same level over the next six months, with just under one in five (17%) expecting to perform better or worse than their current level of performance.

Confidence in Scotland's economy was down:

44% were confident

55% were not.

Over the past six months

31% performed well

41% performed steadily

28% struggled.

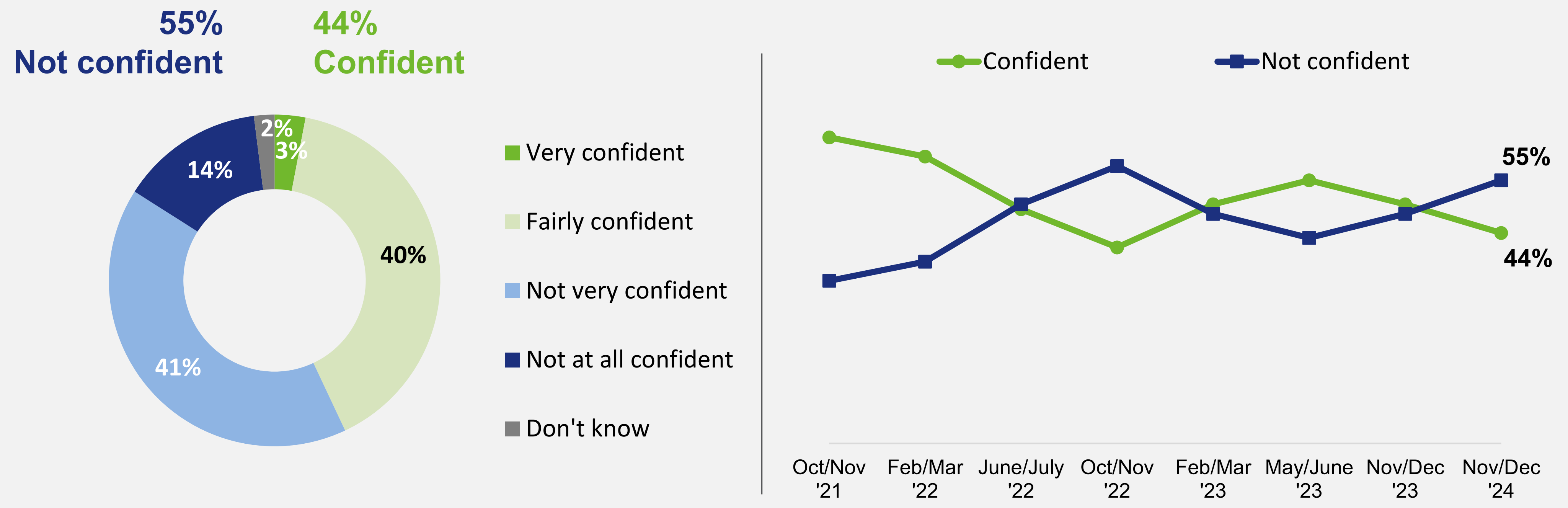
47% were striving for growth.

36% were content with current performance.

14% were looking to downsize.

ECONOMIC OUTLOOK FOR SCOTLAND

Confidence in the economic outlook for Scotland was down this wave: 44% of businesses were confident (compared to 50% in November/December 2023), while 55% were not (compared with 48%). Confidence was at the lowest level reported since October/November 2022 (41% confident; 58% not confident).



Base: All businesses (1,013).

Businesses in the Highlands and Islands were more confident in the economic outlook for Scotland than those in the South of Scotland (where 37% were confident, 62% not confident).

More confident than average

- Transport and storage (63% confident) and Construction (54%).
- Those that had performed well in the past six months (62%).
- Content with their current level of growth (52%).
- Investing or planning to invest in the business (48%).

Less confident than average

- Those that had struggled in the past six months (81% not confident).
- Looking to downsize (76%).
- Food and drink growth sector (62%).
- Not investing or planning to invest (60%).

ECONOMIC CONFIDENCE OVER PAST 6 MONTHS

Reflecting on the past six months, 51% said their confidence had decreased, 5% said it had increased, and 43% said it had stayed the same.

Net confidence* was -46, lower than the previous wave (-28). This marks the lowest level of net business confidence since May/June 2020 (-76), when COVID-19 restrictions were in place.

As in the previous wave, net confidence was higher than in the South of Scotland (-53).

More likely to report increased confidence:

- 25+ staff (14%).
- Performed well in past six months (9%).
- Remote rural (7%).

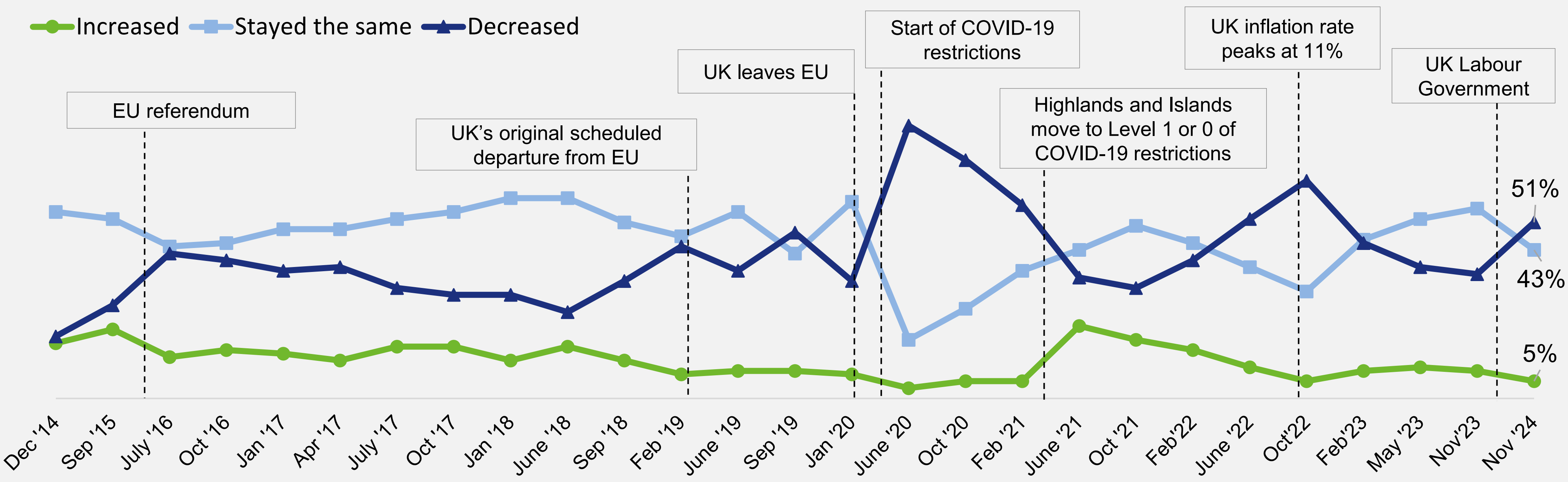
More likely to report decreased confidence:

- Struggled in past six months (72%).
- Looking to downsize (66%).
- Accommodation and food services (59%).

More likely to say confidence stayed the same:

- Arts and entertainment (56%).
- Performed well in past six months (55%).
- Content with current performance (55%).

Q. Over the past six months, has your level of confidence in the economic outlook in Scotland increased, decreased or stayed the same?



Base: All businesses each year (1,013 Nov/Dec 2024)

NOTES:
*The net figure is the difference between 'increased' and 'decreased' assessments at each wave. Net scores are positive when positive assessments exceed negative

PERFORMANCE

Views on business performance over the last six months were mixed, with 31% saying their business had performed well, 41% saying their performance had been fairly steady and 28% saying they had struggled.

Performance showed a slight fall from the previous wave in November/December 2023 (when 34% had performed well, 21% had struggled, and 44% had steady performance).

Performance was slightly higher than the levels seen in the South of Scotland this wave (where 24% had performed well, and 30% struggled).

More likely to have performed well

- 25+ staff (45%).
- Financial and business services growth sector (43%).
- Administrative and support services (42%).
- Selling outside the UK (38%).

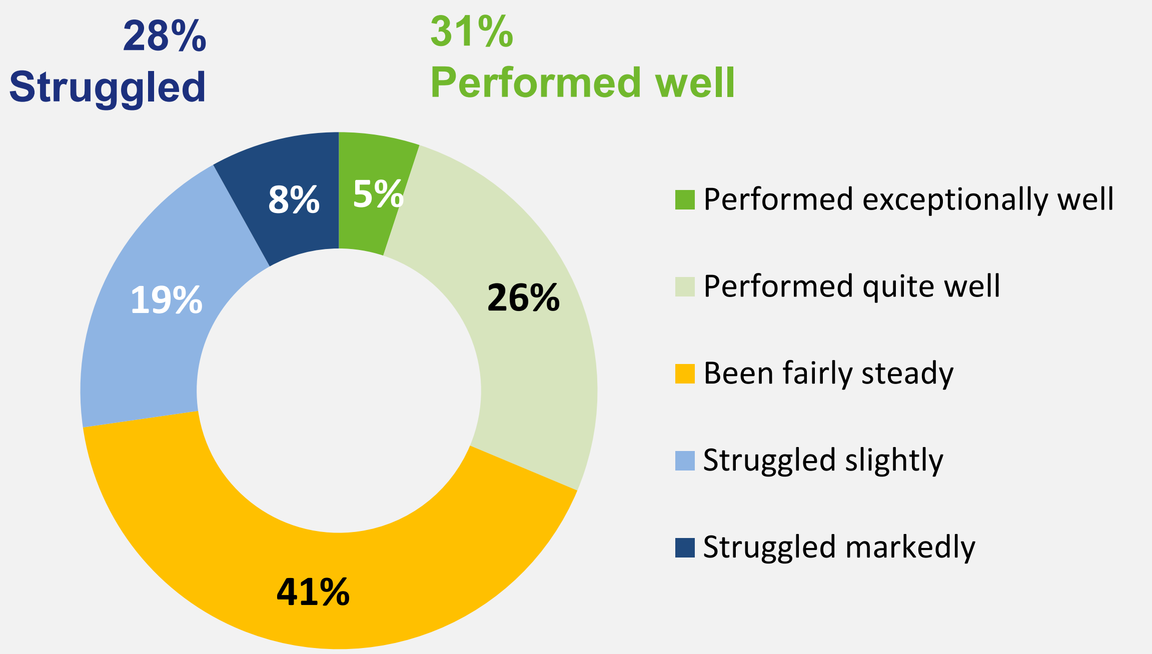
More likely to have been fairly steady

- Content with current level of performance (50%).
- Confident in the economy (46%).

More likely to have struggled

- Looking to downsize (48%).
- Social enterprises (42%).
- Not confident in the economy (41%).
- Urban businesses (32%).

Q. Overall, how has your business performed in the last six months?



Base: All businesses (1,013).

ASPECTS OF BUSINESS PERFORMANCE

Over the past six months, sales or turnover performance was mixed (30% said it had increased, 27% decreased, and 41% remained the same). Businesses had once again performed better on sales or turnover than on profit (16% said profit margins had increased, 41% decreased, and 41% remained the same). Employment and exports had remained relatively stable (73% and 59% respectively said these had stayed the same).

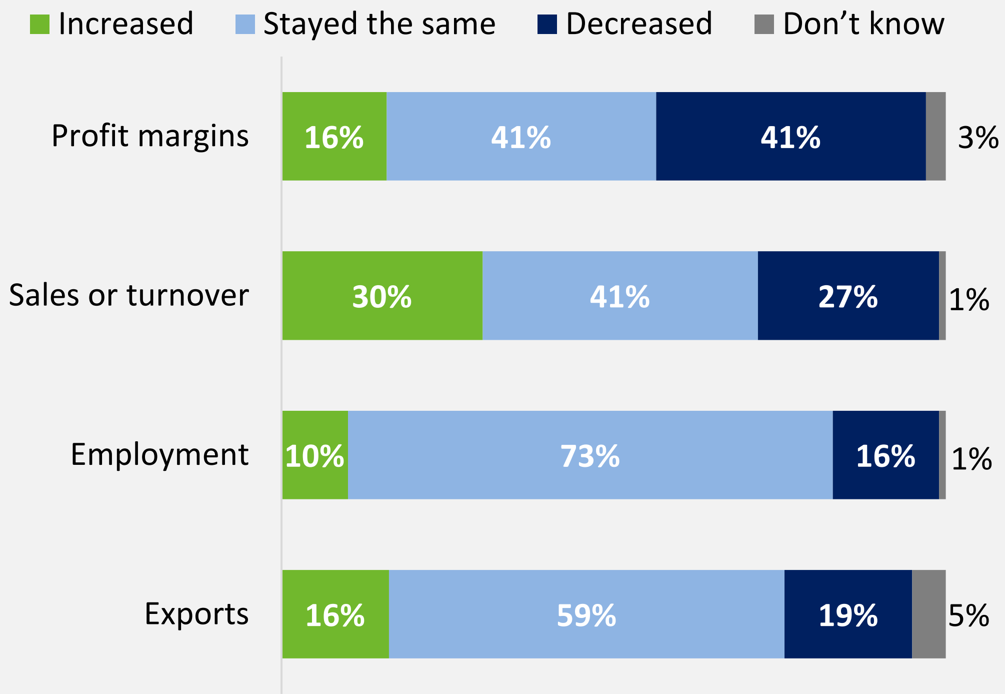
Increases were more common among:

- **25+ staff** – sales or turnover (48%), employment (29%), profit margins (25%).
- **Professional, scientific and technical services** – exports (33%).
- **Striving for growth** – sales or turnover (37%), employment (15%).
- **Confident in the economy** – sales or turnover (38%), employment (13%), profit margins (22%).
- **Performed well in the past six months** – sales or turnover (59%), profit margins (37%), exports (29%), employment (19%).
- **Investing or planning to invest** – sales or turnover (34%), employment (12%).
- **HIE client-engaged** – sales or turnover (50%).

Decreases were more common among:

- **Accommodation and food services** - employment (26%), profit margins (58%).
- **Manufacturing** – sales or turnover (37%).
- **Wholesale, retail and repairs** – sales or turnover (37%).
- **Not confident in the economy** – profit margins (55%), sales or turnover (38%), employment (20%).
- **Struggled in past six months** – sales or turnover (66%), exports (36%), employment (28%), profit margins (80%).
- **Wanting to downsize** – profit margins (58%), sales or turnover (47%).
  Women-led – employment (26%).

Q. Please tell me if the following has increased, stayed the same or decreased over the last six months?

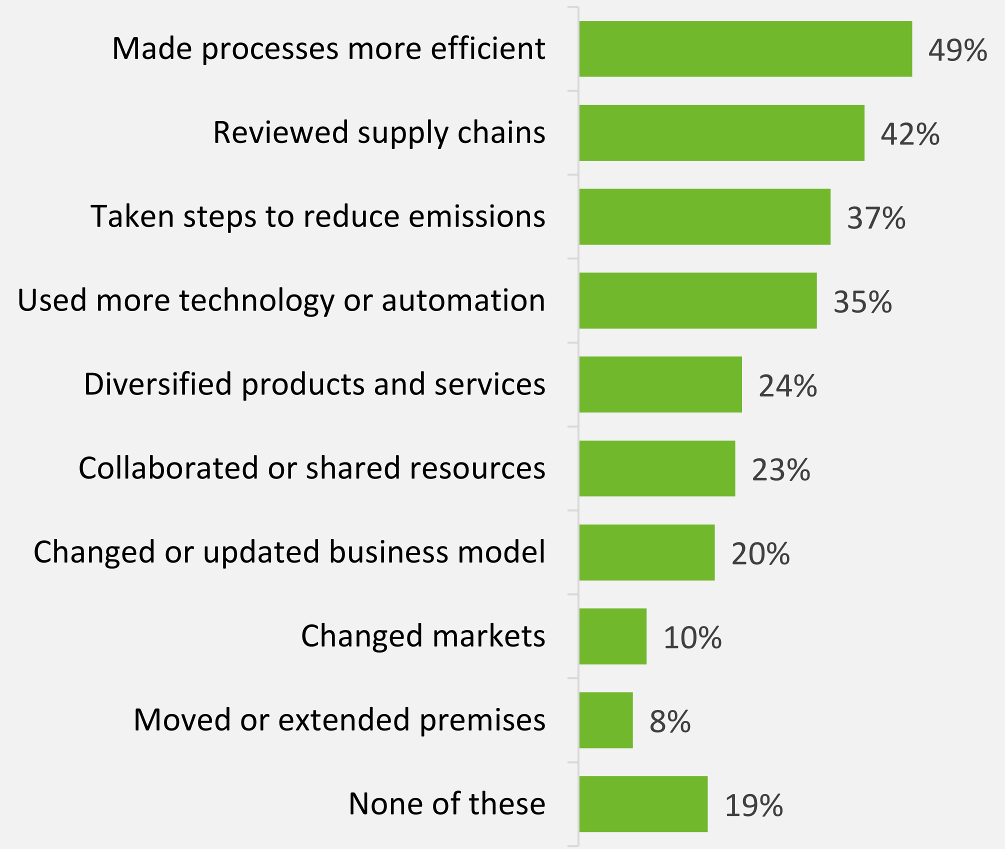


Base: All businesses to whom each applied: Profit margins (984), Sales or turnover (994), Employment (918), Exports (217) .

WORKING ENVIRONMENT

Over the past twelve months, most businesses (81%) had taken actions to address their working environment, while one in five (19%) had not. Businesses most frequently reported having made their processes more efficient (49%) and reviewed supply chains (42%). This was followed by taking steps to reduce their emissions (37%) and using more technology or automation (35%).

Q. Thinking about your overall working environment, which of the following actions have you taken over the last 12 months?



Base: All businesses (1,013).

Fewer businesses reported having changed markets (10%) or moved or extended their premises (8%).

Findings were broadly similar to those in the South of Scotland, where 81% of businesses had taken actions, and 19% had not.

More likely to have taken any actions

- Social enterprises (95%).
- 25+ staff (93%).
- Arts and entertainment (90%).
- Striving for growth (90%).
- Investing or planning to invest (86%).

More likely not to have taken any actions

- 0-4 staff (23%).
- Wanting to downsize (28%) or content with current level of performance (26%).
- Not investing (26%).

Likelihood of taking individual actions was linked to business aspiration and approach to investment - those who were striving for growth and those who were investing were more likely to have taken most of the actions listed (see Appendix).

ASPIRATIONS

Just under half of businesses (47%) were striving for growth, while 36% were content with their current level of performance. A smaller proportion (14%) were looking to downsize.

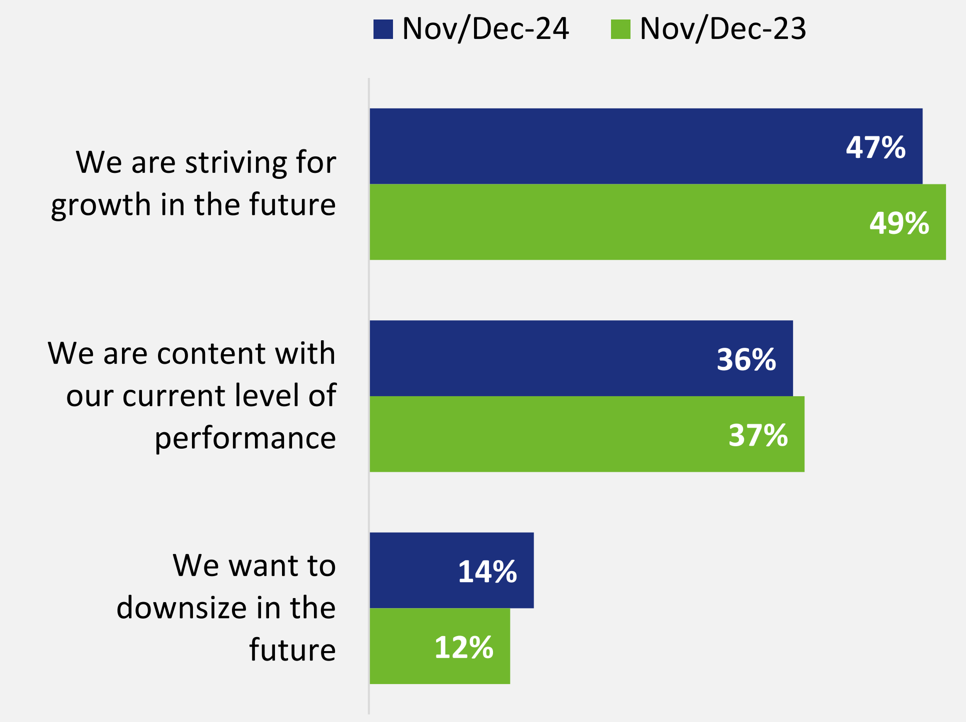
Growth aspirations were similar to the previous wave in November/December 2023 (when 49% were striving for growth, 37% were content, 12% were wanting to downsize).

More likely to be striving for growth:
- 25+ staff (76%).
- Arts and entertainment (72%).
- Transport and storage (68%).
- Manufacturing (64%).
- Social enterprises (74%).

More likely to be content with current level of performance
- Construction (49%)
- 0-4 staff (42%).
- Confident in the economy (42%).

More likely to be looking to downsize:
- 0-4 staff (19%).
- Accommodation and food services (19%).
- Not confident in economy (19%).
- Struggled in past six months (24%).
- Not investing (24%).

Q. Which of the following best describes your current aspirations for your business?



Base: All businesses Nov/Dec 2023 (1,002) | All businesses Nov/Dec 2024 (1,013).

PERFORMANCE EXPECTATIONS

A majority (64%) of businesses were expecting to perform at much the same level over the next six months, with just under one in five (17%) expecting to perform better or worse than their current level of performance.

More likely to expect better performance

- 25+ staff (29%).
- Striving for growth (29%).
- Manufacturing (27%).
- Investing or planning to invest (23%).
- Confident in the economic outlook for Scotland (21%).

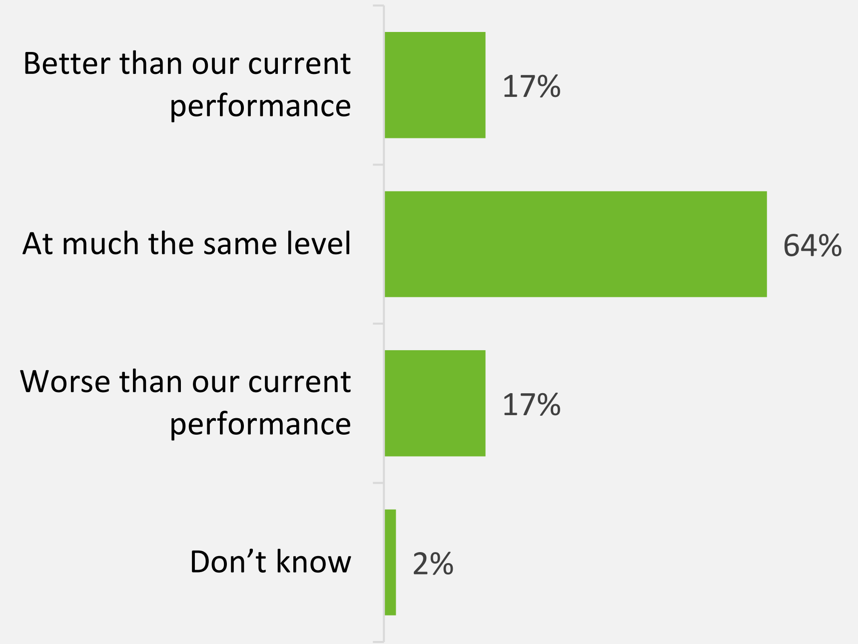
More likely to expect the same level of performance

- Creative industries and Food and drink growth sectors (77% and 71% respectively).
- Primary industries (71%).
- Not investing (69%).
- Confident in the economic outlook for Scotland (68%).
- 0-4 staff (66%).

More likely to expect a worse level of performance

- Accommodation and food services (39%).
- Tourism growth sector (33%).
- Struggled in past six months (29%).
- Wanting to downsize (24%).
- Not confident in economic outlook for Scotland (23%).
- Not investing (20%).

Q. How do you expect your business to perform over the next 6 months?



Base: All businesses (1,013).

D. MARKETS

KEY FINDINGS

- Three in four (75%) businesses were importers (sourcing goods from outside Scotland), with 74% importing from the rest of the UK and 30% from outside the UK. The majority of businesses (92%) sourced goods and materials from Scotland, with 22% sourcing *only* from Scotland.
- Just under half of businesses (48%) were exporters (selling to markets outside Scotland), with 46% selling to the rest of the UK and 27% internationally. Most businesses (97%) sold goods or services within Scotland, with 51% selling *only* in Scotland.
- Among businesses already selling outside the UK, just over half (54%) wanted to grow their level of sales, while 38% wanted to maintain performance. Among those selling to the rest of the UK, 47% wanted to grow and 45% wanted maintain their level of sales. When it comes to domestic sales, half (51%) wanted to maintain performance while 43% were aiming for growth.
- Among businesses <u>not</u> already selling in the rest of the UK, or outside the UK, most did not plan to do so (89% and 91% respectively). For each of these markets, 5% planned to enter for the first time, and 3% planned to re-enter.

75% were importers.

48% were exporters.

54% of those already in the market were aiming for an increase in sales outside the UK.

8% of those <u>not</u> already selling outside the UK wanted to re-enter the market or enter for the first time.

IMPORT MARKETS

Three in four (75%) of businesses were importers*, with 74% importing from the rest of the UK and 30% from outside the UK. The majority of businesses (92%) sourced goods and materials from Scotland, with 22% sourcing *only* from Scotland.

There was a slight decrease in the proportion importing from outside the UK (30% compared to 33% in Nov/Dec 23). This was similar to levels last seen in Feb/Mar 23 when 31% were importing from outside the UK.

As seen in the previous wave, the proportion of businesses importing from the rest of the UK was lower in the Highlands and Islands (74%) than in South of Scotland (82%). Both areas had similar proportions of businesses importing from outside the UK (29% in South of Scotland, 30% in the Highlands and Islands).

More likely than average to be importing

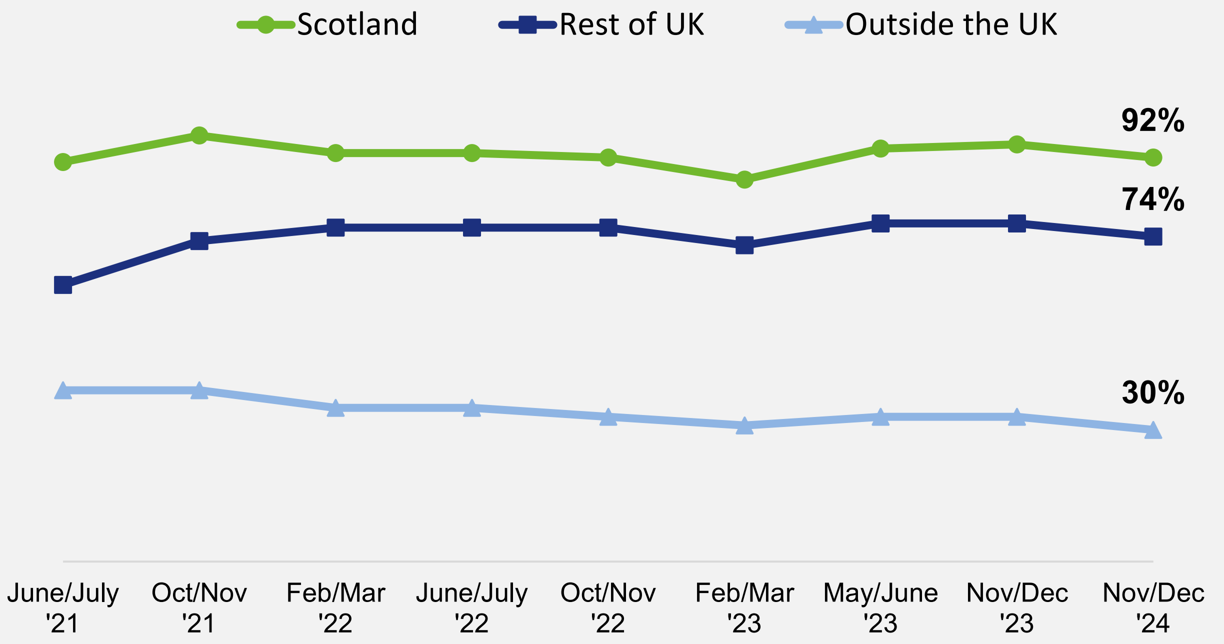
- Manufacturing (90%).
- 25+ staff (86%).
- Wholesale, retail and repairs (84%).
- Striving for growth (81%).
- Investing or planning to invest (79%).

More likely than average to be sourcing goods and materials *only* in Scotland

- Not investing or planning to invest (26%).
- Confident in the economy (26%).

Further variation by sector can be found in the Appendix.

Q. From which of these markets do you currently source goods and materials?



Base: All businesses (1,013)

NOTES

*In this report, "importers" are defined as those that source goods or materials from any market outside of Scotland

EXPORT MARKETS

Just under half of businesses were exporters (48%),* with 46% selling to the rest of the UK and 27% internationally. The majority (97%) of businesses sold goods or services within Scotland, with 51% selling *only* in Scotland.

The proportion of exporters has been broadly the same since June/July 2022 (apart from a slight dip in May/June 2023) and remained lower than the level seen in June/July 2021 (61%). The proportion selling outside the UK was similar to the previous wave (28% compared to 27% this wave).

As in the previous wave, the proportion of businesses selling to the rest of the UK was lower in the Highlands and Islands (46%) than in South of Scotland (66%). However, the proportion selling outside the UK was higher (27% in the Highlands and Islands, compared with 18% in the South of Scotland).

More likely than average to be exporting

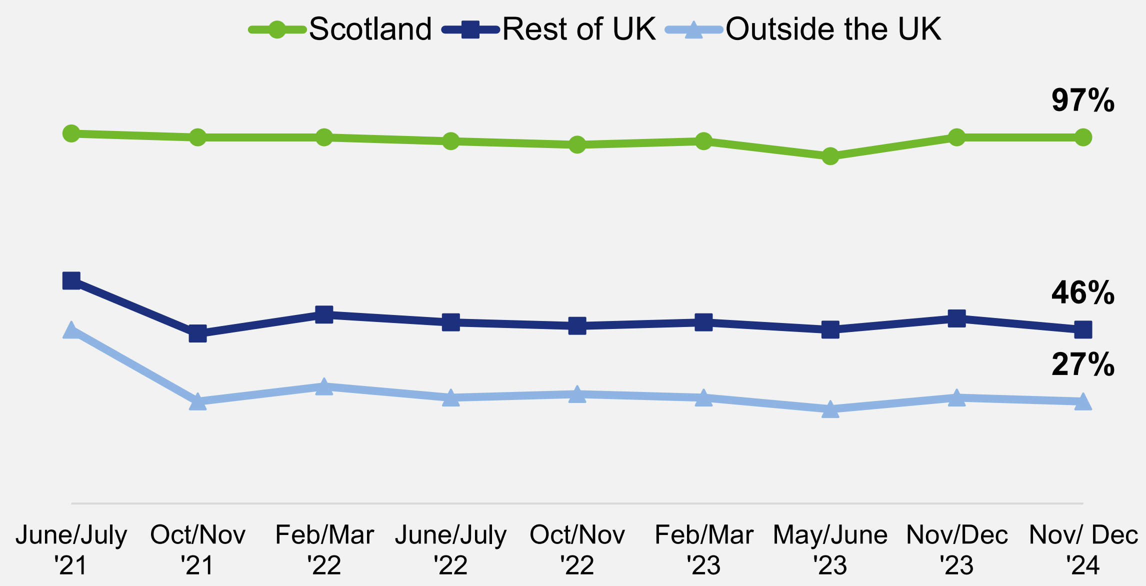
- Accommodation and food services (65%).
- Manufacturing (63%), although this is a decrease of 15 percentage points on last year.
- Tourism growth sector (64%).
- Creative industries growth sector (61%).
- Striving for growth (52%).
- Mainland businesses (51%).

More likely than average to be selling *only* in Scotland

- Construction (78%).
- Wholesale, retail and repairs (60%).
- Island businesses (56%).

Further variation by sector can be found in the Appendix.

Q. In which of these markets do you currently sell goods or services?



Base: All businesses (1,013)

NOTES

*In this report, "exporters" are defined as those that sell goods or services to any market outside of Scotland

MARKET ASPIRATIONS

Among businesses already selling outside the UK, just over half (54%) wanted to grow their level of sales, while 38% wanted to maintain performance. Among those selling to the rest of the UK, 47% wanted to grow and 45% wanted maintain their level of sales. When it comes to domestic sales, half (51%) wanted to maintain performance while 43% were aiming for growth.

Existing markets

Businesses striving for growth were more likely than average to want to grow their existing sales in each market: Scotland (66%), Rest of the UK (63%) and Outside the UK (67%).

More likely than average to want to grow sales:

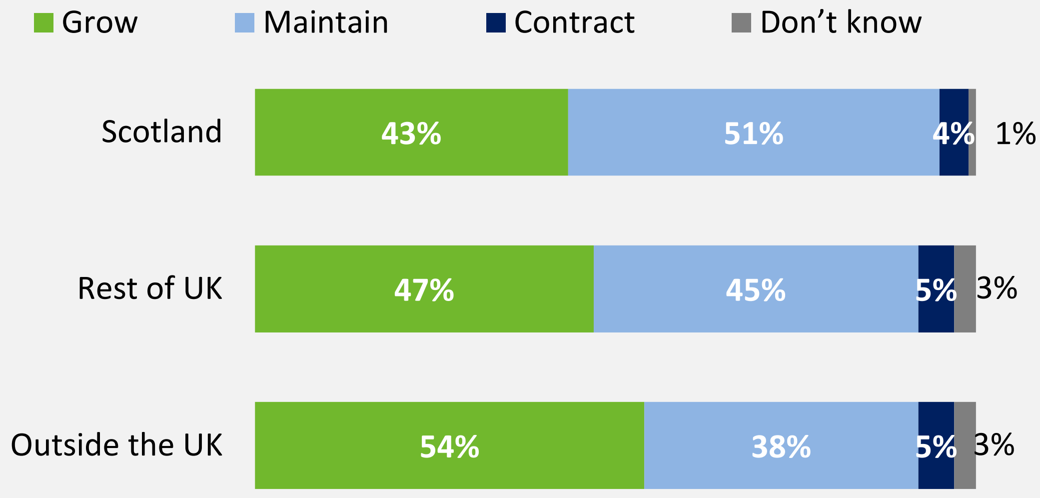
In Scotland

- 25+ staff (62%).
- Manufacturing (55%).
- IT, finance & real estate (61%).

In the Rest of the UK

- 25+ staff (68%).
- Remote rural businesses (55%).

Q. Thinking about your sales over the next 12 months, how would you describe your aims for each of these markets?



Base: All businesses already selling in each market: Scotland (955), Rest of UK (469), Outside the UK (296).

New markets

Among businesses not already selling in the rest of the UK, or outside the UK, most did not plan to do so (89% and 91% respectively). For each of these markets, 5% planned to enter for the first time, and 3% planned to re-enter.

Businesses striving for growth were more likely to want to enter each of these markets for the first time: rest of the UK (9%), outside the UK (9%).

E. CHALLENGES AND FINANCIAL CONCERNS

KEY FINDINGS

46% cited economic uncertainty as a key challenge.

41% cited the cost of doing business.

92% had a significant financial concern.

- The biggest challenges facing businesses were economic uncertainty (cited by 46% of businesses), the cost of doing business (41%), legislation and regulation (40%) and access to skilled labour (36%). A quarter cited finances (24%) and one-in-five cited transport connectivity (19%).

- A lack of housing and supply chain disruption were less commonly reported challenges (cited by 12% and 9% of businesses respectively).

- Businesses striving for growth were more likely to cite access to skilled labour (41%), finances (31%), and lack of housing (16%) as key challenges.

- Most businesses (92%) cited significant financial concerns, most commonly high and increasing costs (74%). Increased cost of labour (53%), having to charge higher prices (51%) and profit margins (51%) were significant concerns for more than half of businesses.

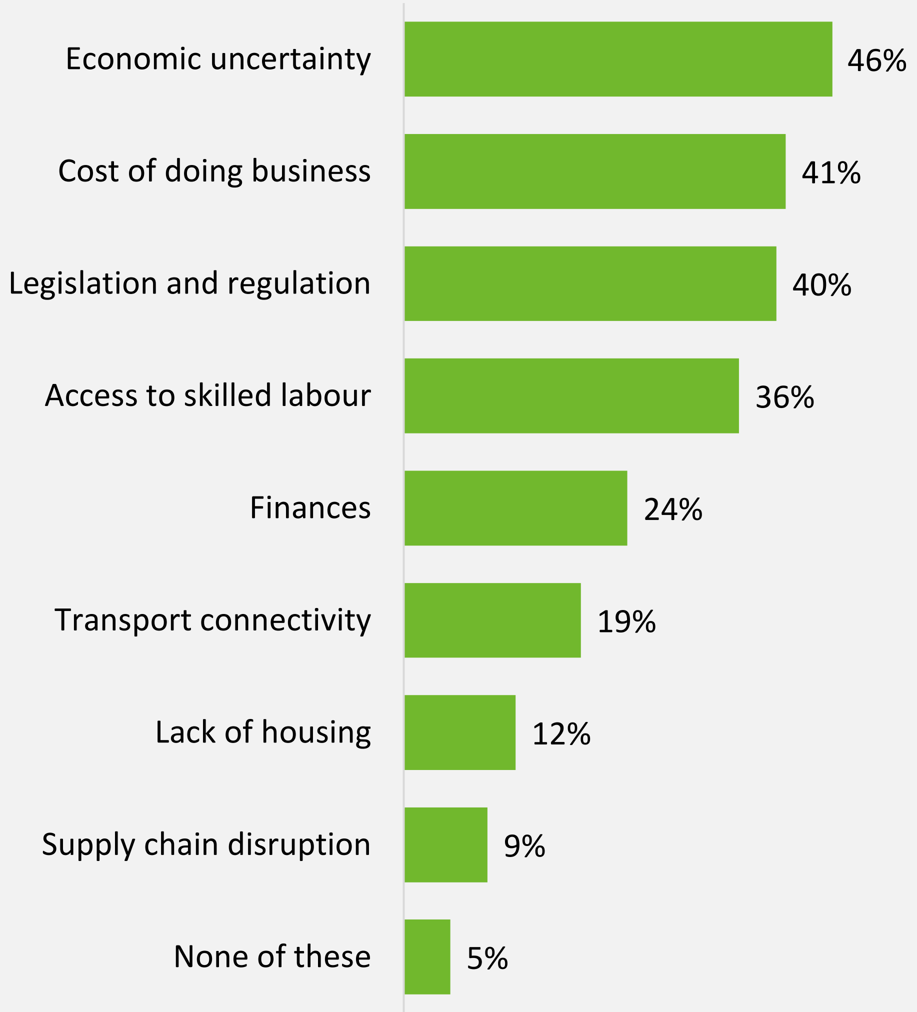
- The top three measures businesses were taking to support their finances were using loans from banks or financial institutions (30%), using credit or overdrafts (28%), and public sector grants or loans (19%). Fewer were sharing or pooling resources (12%), using equity finance or shares (7%) or using crowd funding or peer lending (1%).

The top sources of finance were **loans from banks or financial institutions (30%), credit or overdrafts (28%), and public sector grants or loans (19%).**

CHALLENGES

The biggest challenges facing businesses were economic uncertainty (cited by 46% of businesses), the cost of doing business (41%), legislation and regulation (40%) and access to skilled labour (36%). A quarter cited finances (24%) and one-in-five cited transport connectivity (19%). A lack of housing and supply chain disruption were less commonly reported challenges (cited by 12% and 9% of businesses respectively).

Q. Overall, which two or three of the following are the biggest challenges for your business right now?



Base: All businesses (1,013).

Certain challenges were more commonly mentioned by:

Size
- 25+ staff – access to skilled labour (59%) and a lack of housing (22%).

Sector
- Primary industries, Administrative and support services, and Accommodation and food services - legislation and regulation (50%, 52%, and 47%).
- Construction, and Professional, scientific and technical – access to skilled labour (47% and 44%).
- Wholesale, retail and repairs – supply chain disruption (19%).
- Arts and entertainment – finances (40%), and lack of housing (24%).
- Tourism growth sector – cost of doing business (54%), lack of housing (17%).

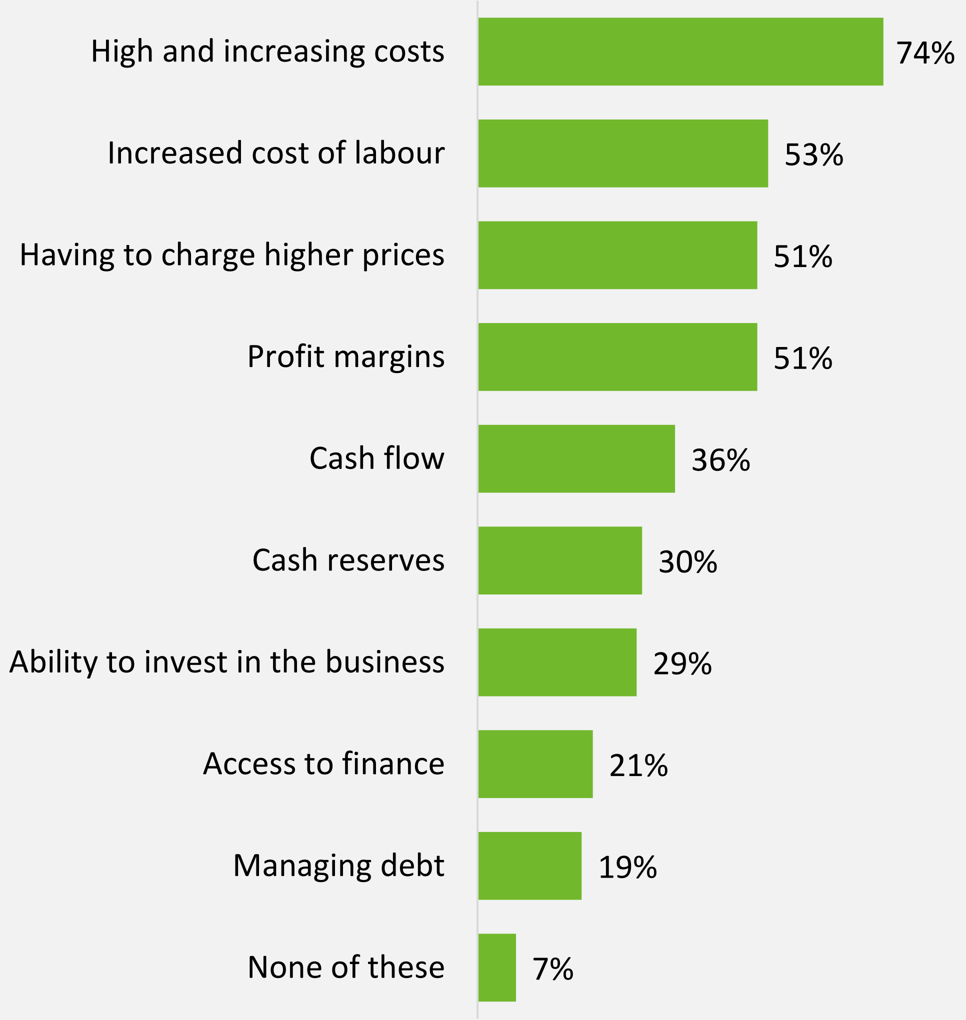
Location
- Island businesses – transport connectivity (30%)

Business aspiration
- Striving for growth – access to skilled labour (41%), finances (31%), and lack of housing (16%).

FINANCIAL CONCERNS

Most businesses (92%) cited significant financial concerns, most commonly high and increasing costs (74%). Increased cost of labour (53%), having to charge higher prices (51%) and profit margins (51%) were significant concerns for more than half of businesses.

Q. Thinking of your finances, which of the following are a significant concern for your business right now?



Base: All businesses (1,013)

More likely to have at least one significant financial concern:

- 25+ staff (99%).
- Struggled in the past six months (97%).
- Striving for growth (96%).
- Not confident in the economy (95%).
- Island-based businesses (95%)
- Family-owned businesses (95%).

Less likely to have significant financial concerns:

- IT, finance and real estate (15% said none of these).
- Looking to downsize (12%).
- Confident in the economy (11%).
- Performed well in the past six months (10%).

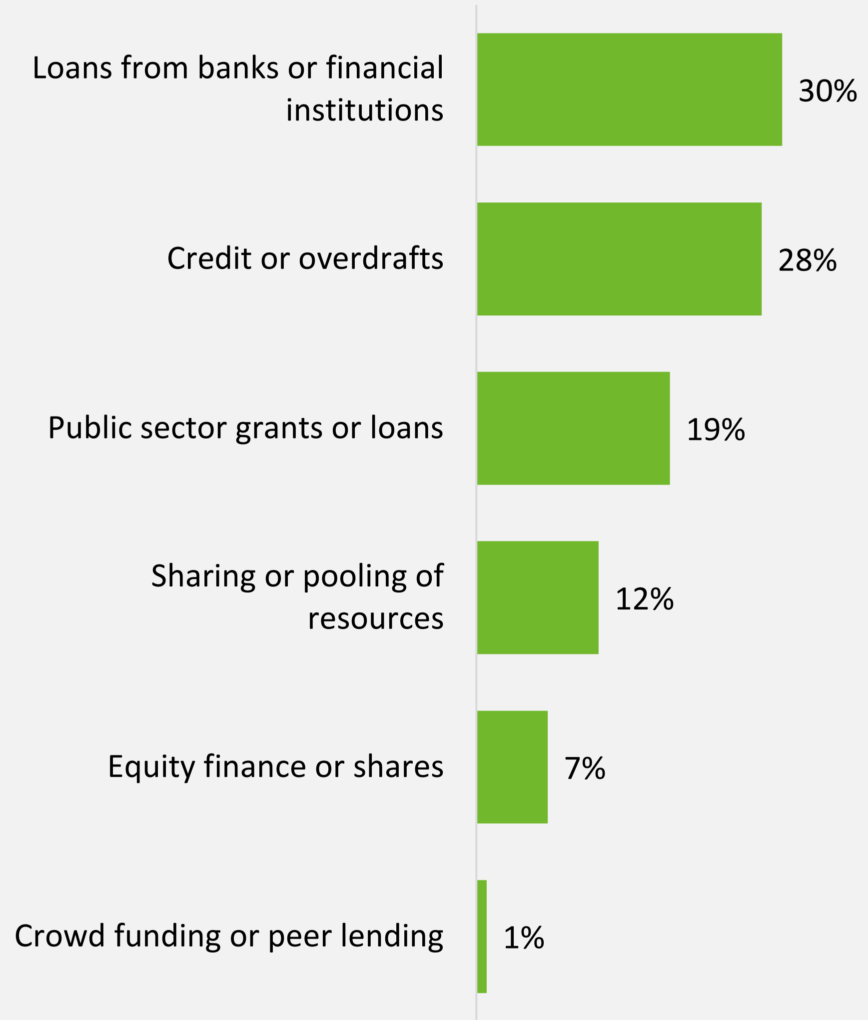
There was variation by sector on specific aspects of finance (see Appendix):

- **Wholesale, retail and repairs** businesses were particularly concerned about high and increasing costs, costs of labour, and having to charge higher prices.
- **Arts and entertainment** were particularly concerned with cash flow, cash reserves and access to finance.
- **Food and drink** growth sector businesses were particularly concerned about profit margins, ability to invest in the business, and managing debt.

FINANCES

The top three measures businesses were taking to support their finances were loans from banks or financial institutions (30%), using credit or overdrafts (28%), and public sector grants or loans (19%). Fewer were sharing or pooling resources (12%), using equity finance or shares (7%) or using crowd funding or peer lending (1%).

Q. Which of the following is your business currently using to support its finances?



Base: All businesses (1,013)

Food and drink businesses, those that had struggled, and those striving for growth were more likely to be taking a number of these measures to support their finances.

More likely than average to be using:

Loans from banks or financial institutions

- Accommodation and food services (37%).
- Food and drink growth sector (37%).
- Those striving for growth (36%) and investing/planning to invest (36%).

Credit or overdrafts

- Struggled in the past six months (37%).
- Food and drink growth sector (36%).

Public sector grants or loans

- Social enterprises (70%).
- Arts and entertainment (50%) and primary industries (27%).
- Food and drink growth sector (27%).
- Those striving for growth (25%) and investing/planning to invest (24%).

Sharing or pooling resources

- Food and drink growth sector (20%)
- Primary industries (19%).
- Struggled in past six months (18%) and those striving for growth (15%).

Equity finance or shares

- Manufacturing (15%).

Crowd funding or peer lending

- Arts and entertainment (6%), manufacturing (5%) and IT, finance & real estate (5%).
- Social enterprises (6%).

F. PLANNING AND PRIORITISATION

KEY FINDINGS

- A majority of businesses (62%) were either currently investing (43%) or planning to invest in the future (19%). Around a third were not investing and had no plans to (36%).
- Among businesses who were investing or planning to invest, the most common immediate investment priorities were: workforce development and wellbeing (40%), process efficiency (35%) and premises or equipment (35%). New technologies and low carbon ways of working were least likely to be immediate investment priorities (23% and 19% said that they were), both more commonly seen as longer-term priorities (45% each).
- Certain types of business were more likely to be prioritising immediate investment across several areas. These included businesses with 25+ staff, those in the arts and entertainment, wholesale and retail sectors, those striving for growth, and those reporting having struggled in the past 6 months.
- There was no single reason driving businesses investment. Over a quarter of businesses who were investing, or planning to invest, were doing so to build resilience for future challenge (28%) or maintain performance (28%) with a quarter (25%) investing to support growth. A smaller proportion were investing to survive current challenges (17%).
- The main reasons for not investing were being focussed on survival (38%), performing well without investment (37%), and saving funds for the time being (35%). Around three in ten said that investment was not a priority (29%) or that they lack the funds to invest (28%).
- Business attitudes to risk varied, with just over a third of businesses describing themselves as open to risk (34%), whilst 30% were risk neutral, and 31% were risk averse.

62% were currently investing or planning to invest in the future.

38% were not investing because they were focussed on survival.

37% were not investing because they were performing well without investment.

31% risk averse.

30% risk neutral.

34% open to risk.

INVESTMENT

A majority of businesses (62%) were either currently investing (43%) or planning to invest in the future (19%). Around a third were not investing and had no plans to (36%).

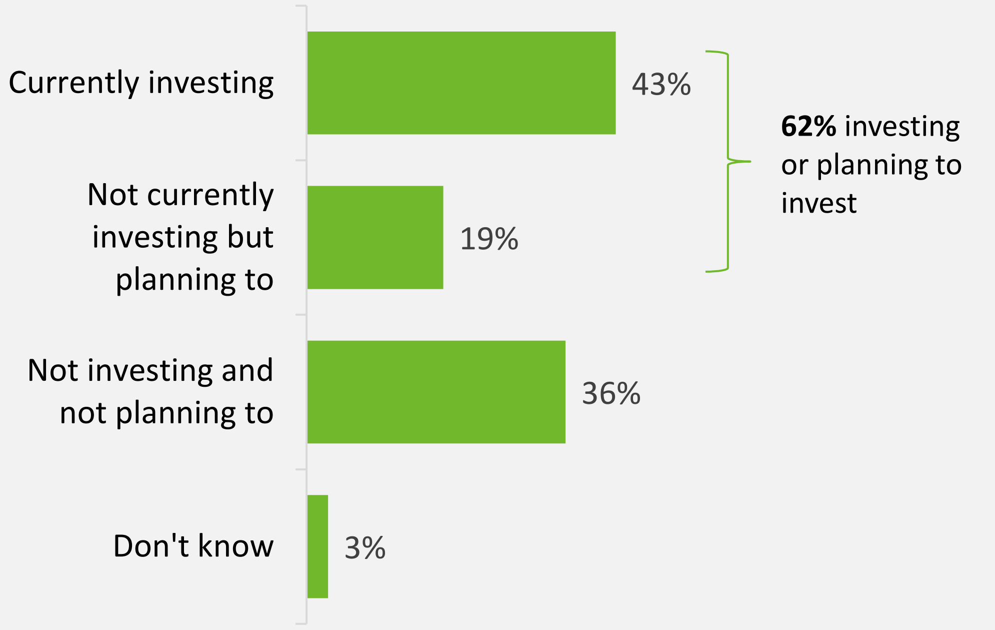
Attitude to investment was closely linked to business growth aspirations and overall confidence in the economy; those striving for growth and feeling confident in the economy were more likely to be investing or planning to invest.

More likely to be currently investing
- 25+ staff (67%).
- Striving for growth (55%).
- Performed well in the past 6 months (50%).
- Confident in the economy (48%).

More likely not to be currently investing, but planning to invest
- Social enterprises (30%).
- Financial and business services growth sector (30%).

More likely not to be investing and not planning to invest
- Wanting to downsize (64%) or content with current level of growth (42%).
- Creative industries growth sector (49%).
- 0-4 staff (42%).
- Not confident in the economy (40%)

Q. In terms of your investment in the business, would you say you are…

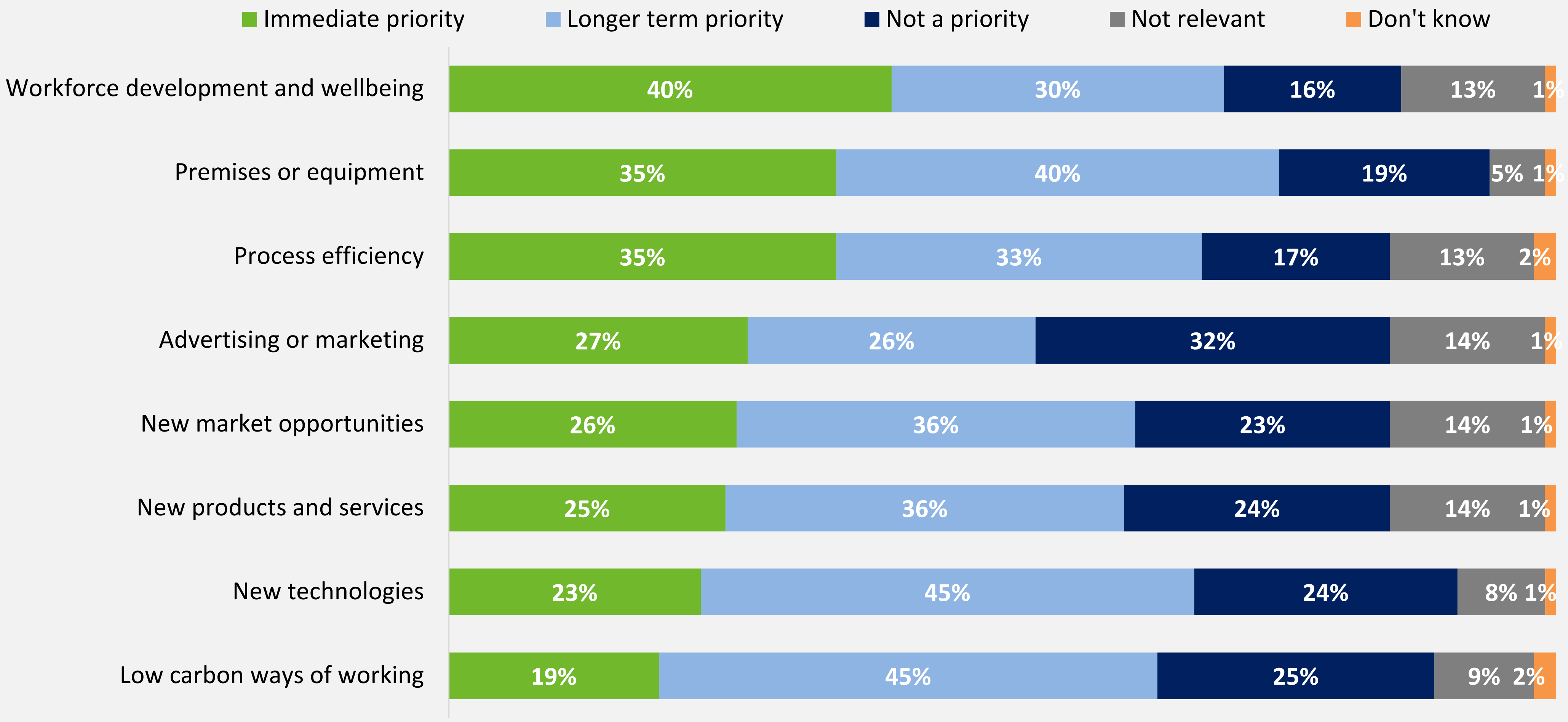


Base: All businesses (1,013).

INVESTMENT PRIORITIES

Among businesses who were investing or planning to invest, the most common immediate investment priorities were: workforce development and wellbeing (40%), process efficiency (35%) and premises or equipment (35%). New technologies and low carbon ways of working were least likely to be immediate investment priorities (23% and 19% said that they were), both more commonly seen as longer-term priorities (45% each).

Q. Assuming you can invest as planned, would you say the following are immediate priorities for investment, longer term priorities, or not priorities at all?



Base: All businesses that are investing or planning to invest (620).

INVESTMENT PRIORITIES VARIATION

Certain types of business were more likely to be prioritising immediate investment across several areas. These included businesses with 25+ staff, those in the arts and entertainment, wholesale and retail sectors, those striving for growth, and those that had struggled in the past 6 months.

More likely than average to say these were an <u>immediate priority</u>

Workforce development and wellbeing
- 25+ staff (75%), professional, scientific and technical (58%), arts and entertainment (58%), striving for growth (48%).

Premises or equipment
- 25+ staff (47%), accommodation and food services (54%), striving for growth (39%).

Process efficiency
- 25+ staff (58%), struggled in the past 6 months (44%), striving for growth (41%).

Advertising or marketing
- Art and entertainment (58%), struggled in past 6 months (41%), striving for growth (36%).

New market opportunities
- Wholesale, retail and repairs (42%).

New products and services
- Wholesale, retail and repairs (39%).

New technologies
- J, K, L Industries* (41%).

Low carbon ways of working
- Arts and entertainment (31%).

More likely than average to say these were a <u>long-term priority</u>

Workforce development and wellbeing
- Family-owned (33%).

Advertising or marketing
- J, K , L industries (41%), and striving for growth (30%).

New market opportunities
- Striving for growth (41%), importers (38%).

New products and services
- Professional, scientific and technical (49%), importers (38%).

New technologies
- Professional, scientific and technical (49%).

Low carbon ways of working
- Striving for growth (50%), confident in the economy (50%).

*J, K , L industries is a combined category including businesses in sector category J – Information and communication, K – Financial and insurance activities and L – Real estate activities.

REASONS FOR INVESTING

There was no single reason driving businesses investment. Over a quarter of businesses who were investing, or planning to invest, were doing so to build resilience for future challenge (28%) or maintain performance (28%) with a quarter (25%) investing to support growth. A smaller proportion were investing to survive current challenges (17%).

Q. What is the main reason that you are investing or planning to invest?

Base: All businesses that are investing or planning to invest (620).

More likely to be investing, or planning to invest:

To build resilience for future challenges

- Citing economic uncertainty as a key challenge (33%).

To maintain performance

- Content with current level of growth (45%) or wanting to downsize (42%).
- 0-4 staff (33%).
- Accommodation and food services (41%).

To support growth

- 25+ staff (40%).
- Professional, scientific and technical (40%).
- Striving for growth (36%).
- Performed well in the past 6 months (35%).
- Confident in the economy (32%).

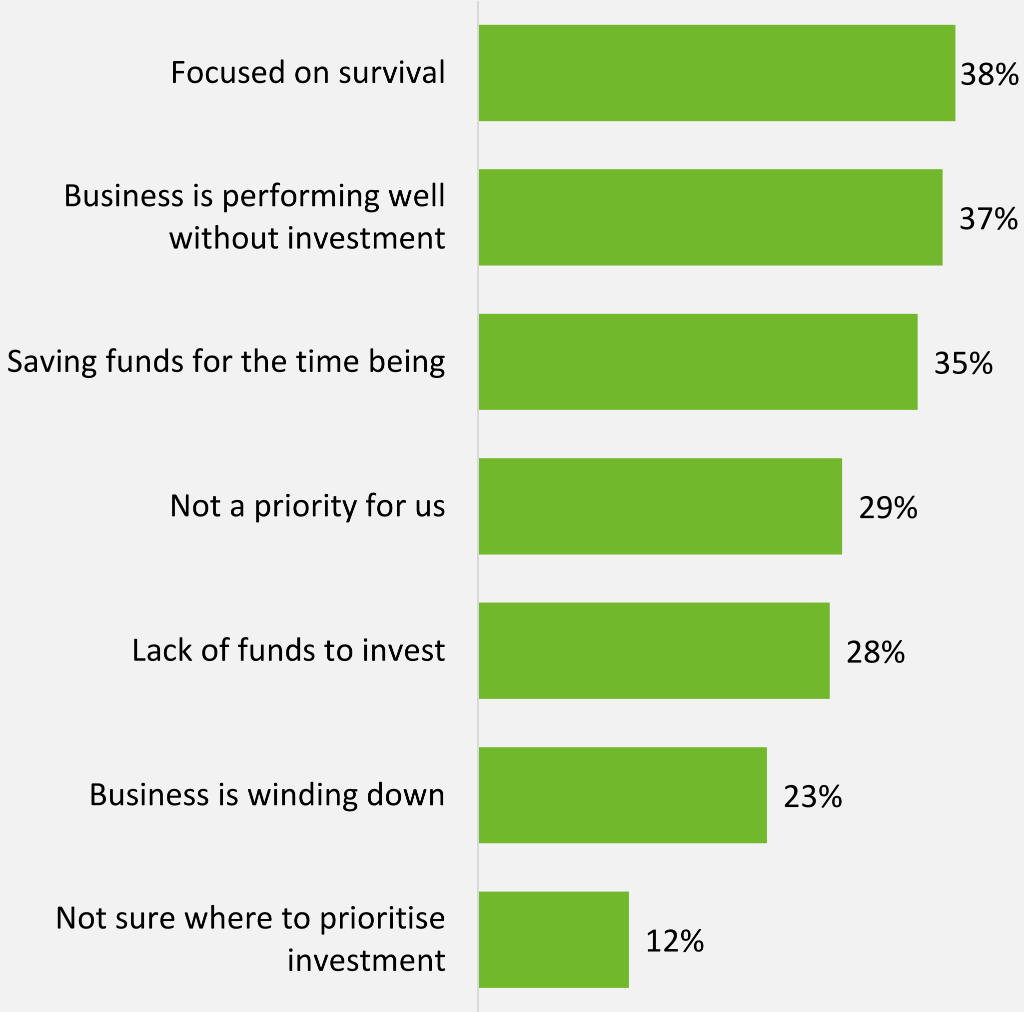
To survive current challenges

- Struggled in the past 6 months (35%).
- Wholesale, retail and repairs (24%).
- Not confident in the economy (24%).
- Those citing finances (24%), cost of doing business (20%), and economic uncertainty (20%) as key challenges.

REASONS FOR NOT INVESTING

The main reasons for not investing were being focussed on survival (38%), performing well without investment (37%), and saving funds for the time being (35%). Around three in ten said that investment was not a priority (29%) or that they lack the funds to invest (28%).

Q. What are the main reasons you are not investing or planning to invest?



Base: All businesses that are not investing nor planning to invest (361).

Reasons not to be investing were more common among:

Sector

- Primary industries – not sure where to prioritise investment (23%).
- Accommodation and food services – focused on survival (52%), lack of funds to invest (42%).

Confidence in the economy

- Confident –performing well without investment (54%).
- Not confident – focused on survival (48%), lack of funds to invest (36%).

Performance over past 6 months

- Performed well– performing well without investment (49%).
- Struggled– focused on survival (56%), lack of funds to invest (49%).

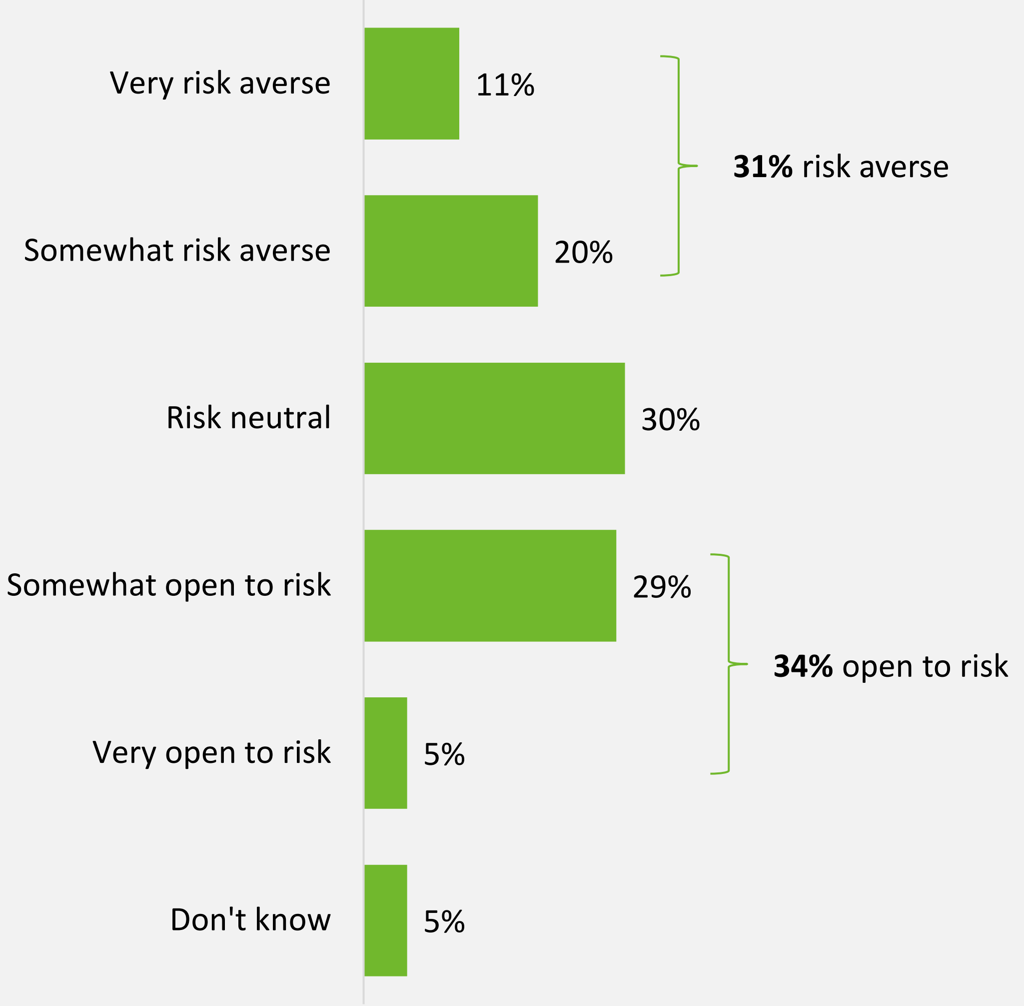
Business aspiration

- Striving for growth – lack of funds to invest (44%).
- Content with current level of growth - performing well without investment (57%), not a priority (41%).
- Wanting to downsize – business is winding down (61%).

APPROACH TO RISK

Business attitudes to risk varied, with just over a third of businesses describing themselves as open to risk (34%), whilst 30% were risk neutral, and 31% were risk averse.

Q. Overall how would you describe your approach to risk when it comes to investment in your business?



Base: All businesses (1,013).

More likely to be risk averse:

- Those citing finances as a key challenge (37%).

More likely to be open to risk:

- Primary industries (42%).
- Striving for growth (40%).
- Investing or planning to invest (40%).
- Importers (37%) and Exporters (38%).

G. WORKFORCE

KEY FINDINGS

- Just under half of employers (47%) had a skills gap (either a lack of staff or a lack of the right level of skills). For employers, temporary or seasonal roles were more of a challenge than permanent roles in terms of securing staff: a third of employers (34%) did not have enough staff to fill temporary or seasonal roles, while a quarter did not have enough staff to fill permanent roles.
- On skills, 29% of employers did not have the right level of skills for temporary or seasonal roles, compared with 24% for permanent roles.
- The top three barriers preventing businesses from getting skilled staff were: required skills being in short supply (65%), location of the business (49%) and lack of accommodation (42%).
- Most employers (80%) were taking some form of action in relation to their workforce. The top action was training (61%), followed by offering flexible working (44%), and making pay and rewards more competitive (42%).
- More than half of employers (55%) planned to increase prices in response to upcoming increases associated with staff costs, while 46% planned to absorb the additional cost, and 25% to pause or stop recruitment. Fewer were planning to reduce or stop pay increases or benefits (21%) or reduce the number of staff (16%). Just under two-fifths planned to reduce costs some other way (37%) and around three in ten felt it was too soon to say (31%).

34% did not have enough staff for temporary or seasonal roles.

29% did not have the right level of skills for these roles.

25% did not have enough staff for permanent roles.

24% did not have the right level of skills for these roles.

80% were taking some form of action in relation to their workforce.

55% were planning to increase prices in response to increases in the cost of staff.

WORKFORCE NUMBERS AND SKILLS

For employers, temporary or seasonal roles were more of a challenge than permanent roles in terms of securing staff: a third of employers (34%) did not have enough staff to fill temporary or seasonal roles, while a quarter did not have enough staff to fill permanent roles. On skills, 29% of employers did not have enough the right level of skills for temporary or seasonal roles, compared with 24% for permanent roles.

Just under half of employers (47%) had a skills gap (either a lack of staff or a lack of the right level of skills).

Securing permanent staff was a particular challenge for larger businesses and those striving for growth, while recruiting temporary staff posed more of an issue for accommodation and food services.

Employers that were less likely to have enough staff:

For permanent roles
- 25+ staff (36% do not have enough staff).
- Businesses striving for growth (30%).

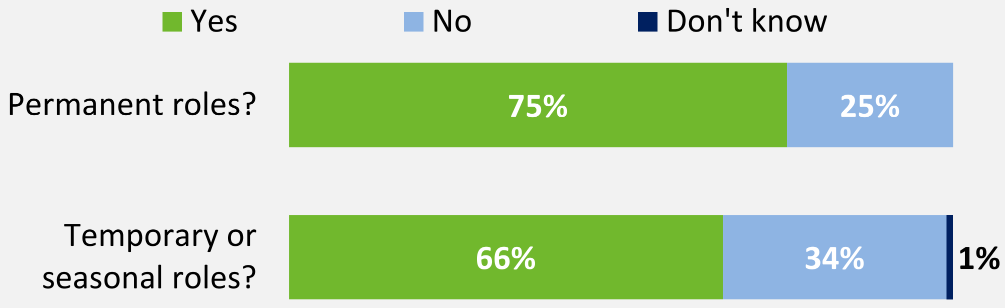
For temporary or seasonal roles
- Wholesale, retail and repairs (43% do not have enough staff).
- Accommodation and food services (42%).

Employers that were less likely to have the right level of skills:

For permanent roles
- 25+ staff (41% do not have the right level of skills).
- Businesses striving for growth (32%).

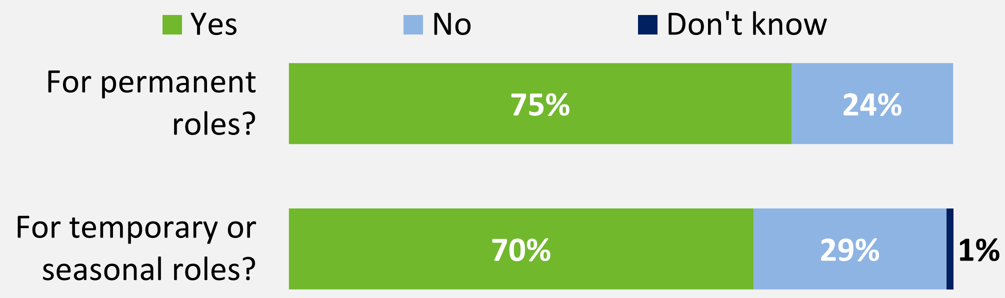
For temporary or seasonal roles
- Accommodation and food services (39% do not have the right level of skills).
- Tourism growth sector (37%).

Q. Do you currently have enough staff to fill…?



Base: All employers to whom it applied: permanent roles (760); temporary or seasonal roles (576).

Q. Do you currently have the right level of skills in the business …?

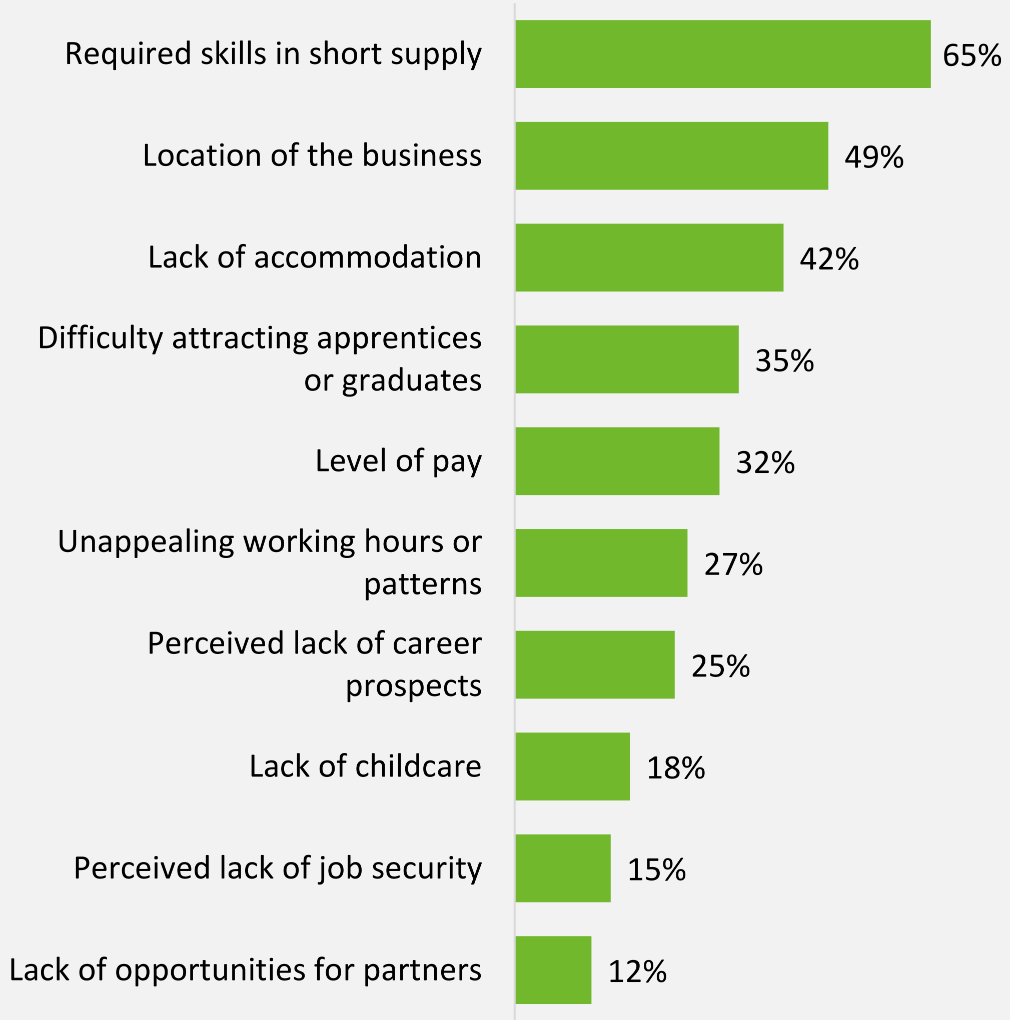


Base: All employers to whom it applied: permanent roles (779); temporary or seasonal roles (564).

WORKFORCE CHALLENGES

The top three barriers to getting skilled staff were: required skills being in short supply (65%), location of the business (49%) and lack of accommodation (42%).

Q. What do you think is preventing you from getting the skilled staff you need?



Base: All employers without enough skilled staff (374).

Accommodation and food services, the tourism sector more broadly, and those that had **struggled in the past six months** were more likely to be experiencing a number of barriers in securing the skilled staff they require.

Employers more likely to be experiencing certain barriers:

Location of the business was a particular challenge for Accommodation and food services (67%), Tourism growth sector (65%) and Professional scientific and technical activities (63%).

Lack of accommodation was a particular challenge for Tourism growth sector (61%), Accommodation and food services (55%) and Island-based businesses (52%).

Unappealing working hours or patterns was a particular challenge for Accommodation and food services (43%), Food and drink growth sector (43%), Primary industries (42%), and Tourism growth sector (37%).

A number of challenges were particularly high among those that had **struggled in the past six months**: location (58%), level of pay (40%), perceived lack of career prospects (34%) and perceived lack of job security (24%).

Further variation by sector is included in the Appendix.

WORKFORCE ACTIONS

Most employers (80%) were taking some form of action in relation to their workforce. The top action was training (61%), followed by offering flexible working (44%), and making pay and rewards more competitive (42%).

Q. Thinking about your workforce, which of the following are you currently doing or planning to do?

Base: All employers (795).

More likely to be taking action in relation to their workforce

- Social enterprises (98% taking at least one action).
- 25+ staff (96%).
- IT, finance and real estate (93%).
- Arts and entertainment (91%).
- Businesses striving for growth (88%).
- Island businesses (85%).

Less likely to be taking action in relation to their workforce

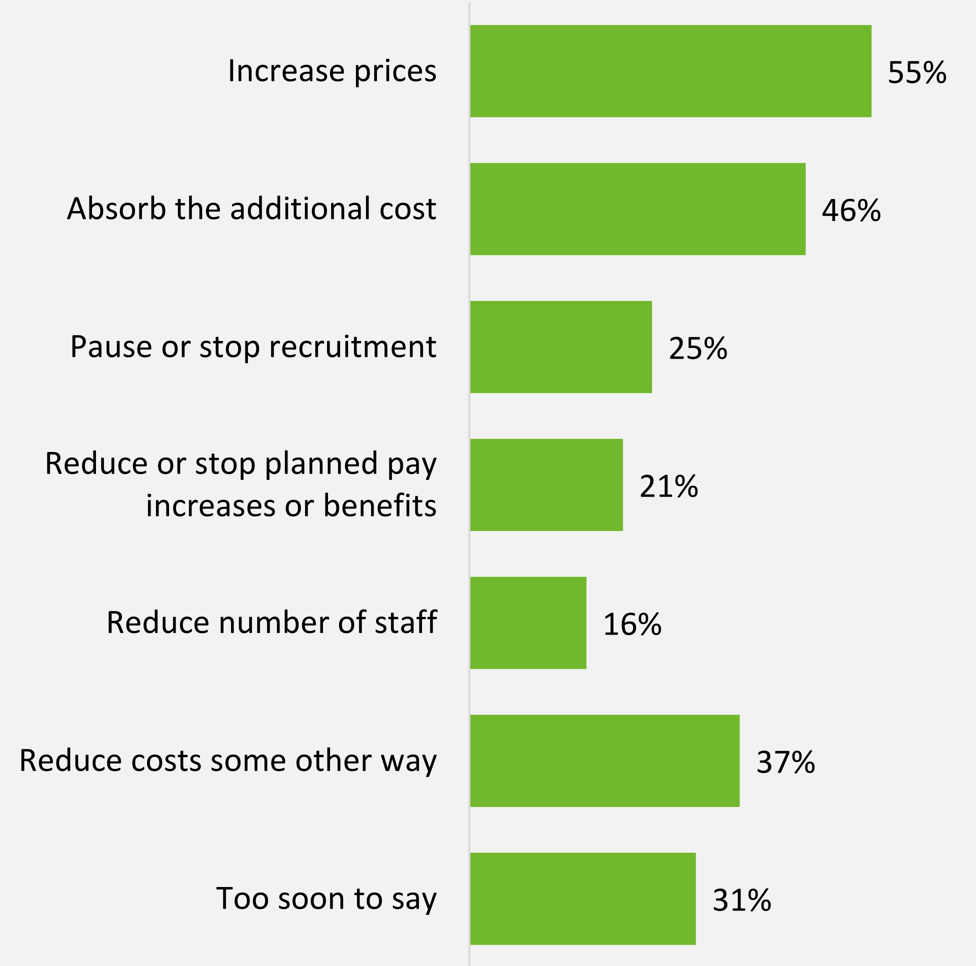
- Businesses looking to downsize (33% not taking any of these actions).
- 0-4 staff (29%).
- Primary industries (28%).
- Accommodation and food services (27%).

Further variation by sector can be found in the Appendix.

RESPONSE TO COST INCREASES

Employers were taking a range of actions in response to upcoming increases associated with the staff costs. More than half (55%) planned to increase prices, while 46% planned to absorb the additional cost, and 25% to pause or stop recruitment. Fewer were planning to reduce or stop pay increases or benefits (21%) or reduce the number of staff (16%). Just under two-fifths planned to reduce costs some other way (37%) and around three in ten felt it was too soon to say (31%).

Q. How do you expect your business to respond to upcoming increases associated with the cost of staff?



Base: All employers (795)

Poorer performance and lack of confidence in Scotland's economic outlook seemed linked to more negative actions relating to workforce - pausing recruitment, reducing pay or benefits, and reducing number of staff.

More likely than the average to be planning certain actions:

Increase prices
- Arts and entertainment (69%).
- 25+ staff (68%).
- Accommodation and food services (67%) .
- Striving for growth (61%).

Absorb the additional cost
- IT, finance and real estate (66%).

Pause or stop recruitment
- Manufacturing (38%).
- Struggled in the past six months (36%).
- Not confident in the economy (31%).

Reduce or stop planned pay and benefit increases
- Struggled in the past six months (35%).
- Not confident in the economy (25%).

Reduce the number of staff
- Accommodation and food services (34%).
- Struggled in the past six months (30%).
- Not confident in the economy (24%).

H. NET ZERO

KEY FINDINGS

- **Around three in ten businesses (29%) had a formal plan in place for reducing their emissions.** This was a slight increase on Feb/Mar 2023 when 23% of businesses had a plan in place.
- **Just under half of businesses (45%) were reducing emissions from their premises and equipment, or operations.** A further fifth were intending to do so (21% and 20% respectively), and around three in ten did not intend to do so (29% and 30% respectively).
- Businesses that were less likely to be reducing, or intending to reduce, their emissions included those with 0-4 staff, construction businesses, financial and business services growth sector, those content with their current level of growth, and those not investing.
- In terms of what would help businesses move to lower carbon ways of working, more than half (60%) said they needed financial support, while around two-fifths said they needed information about opportunities (44%), access to equipment and technology (43%) and guidance on what changes to make and how (42%).

29% had a formal plan for reducing emissions.

45% were reducing emissions from premises and equipment, or operations.

60% said financial support would help them move to lower carbon was of working.

PLAN FOR REDUCING EMISSIONS

Around three in ten businesses (29%) had a formal plan in place for reducing their emissions. This was a slight increase on Feb/Mar 2023 when 23% of businesses had a plan in place.

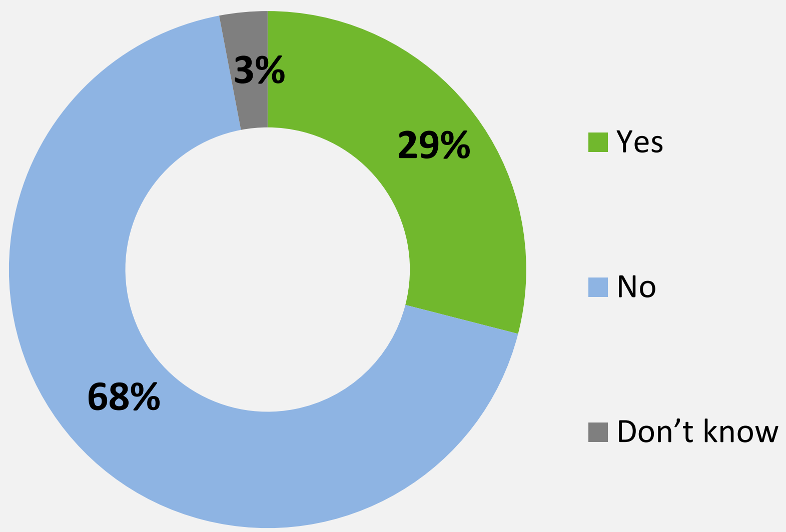
More likely to have a formal plan in place

- Social enterprises (45% have a plan).
- Primary industries (40%).
- Food and drink growth sector (42%)
- Importing from outside the UK (36%).
- Investing or planning to invest (35%).
- Businesses striving for growth (34%).

Less likely to have a formal plan in place

- Financial and business services growth sector (79% did not have a plan).
- Construction (78%).
- Not investing or planning to invest (77%).
- 0-4 staff (71%).

Q. Do you have a formal plan in place for reducing your emissions?



Base: All businesses (1,013)

REDUCING EMISSIONS

Just under half of businesses (45%) were reducing emissions from their premises and equipment, or operations. A further fifth were intending to do so (21% and 20% respectively), and around three in 10 did not intend to do so (29% and 30% respectively).

More likely to already be reducing emissions in:

- Premises and equipment: 25+ staff (65%), Social enterprises (62%), Arts and entertainment (56%).
- Operations: 25+ staff (64%), Manufacturing (59%), IT, finance and real estate (58%).

More likely to be intending to reduce emissions in:

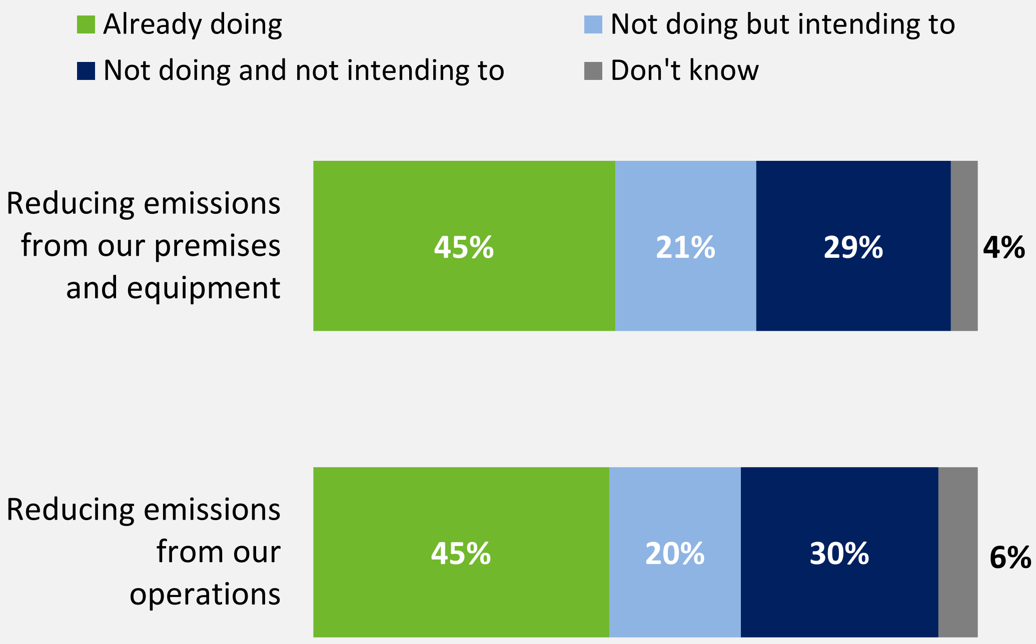
- Operations: Transport (38%) and Primary industries (25%).

Less likely to be intending to reduce emissions in:

- Premises and equipment: Construction (43% not intending to), Financial and business services growth sector (40%), 0-4 staff (32%).
- Operations: Construction (46%), Wholesale, retail and repairs (38%), 0-4 staff (33%).

Businesses striving for growth or investing or planning to invest were more likely to already be reducing their emissions. Whereas businesses that were not investing were less likely to be doing this or intending to do so (see Appendix).

Q. Thinking about your premises and operations, are you doing or do you intend to do the following?

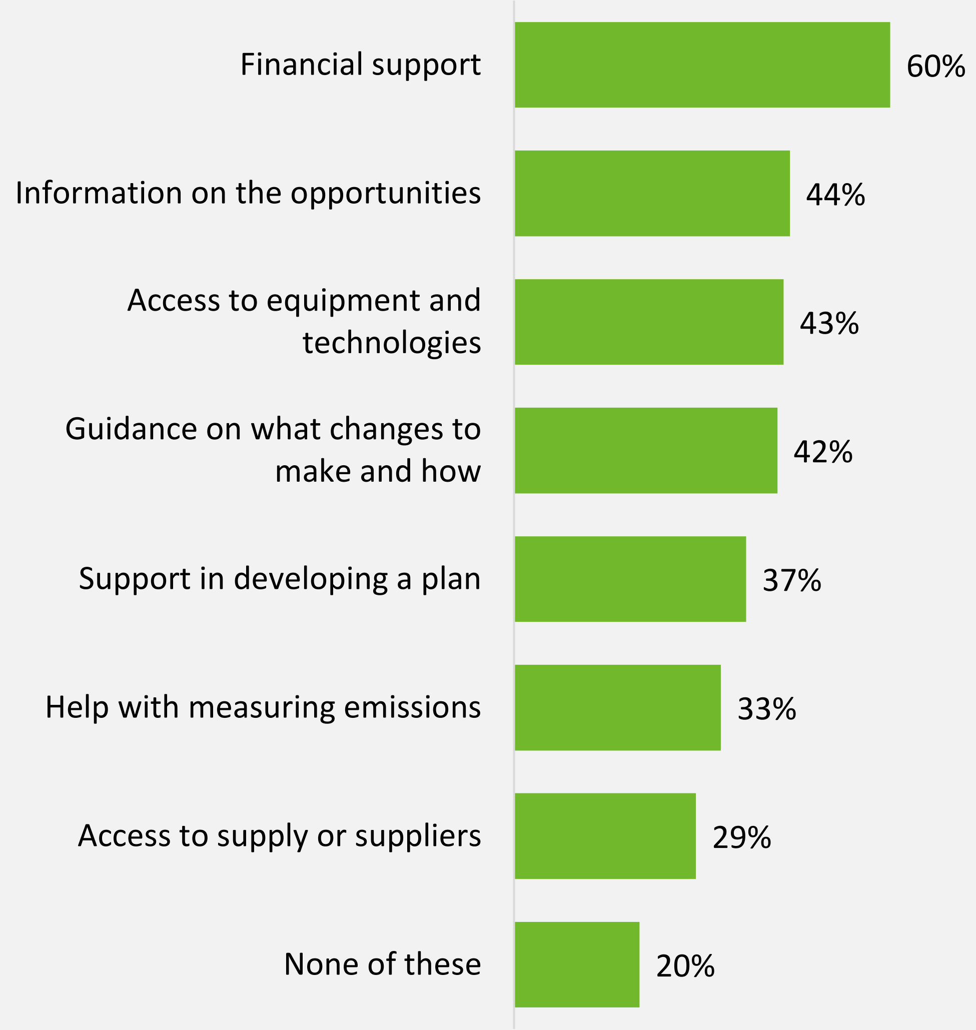


Base: All businesses (1,013)

LOWER CARBON WORKING

More than half of businesses (60%) said financial support would help them move to lower carbon ways of working, while around two-fifths said they needed information about opportunities (44%), access to equipment and technology (43%), and guidance on what changes to make and how (42%).

Q. Which of the following would help you move to lower carbon ways of working?



Base: All businesses (1,013)

Arts and entertainment, and **island-based businesses** were more likely to say that several of these factors would help them move to lower carbon ways of working.

Businesses more likely to say the following would help

Financial support: Social enterprises (79%), Arts and entertainment (76%), Island businesses (67%), Tourism growth sector (67%).

Support in developing a plan: Food and drink growth sector (47%), Primary industries (45%), Island businesses (43%).

Access to equipment and technologies: Arts and entertainment(58%), Island businesses (49%).

Help with measuring emissions: Arts and entertainment (49%).

Access to supply or suppliers: Accommodation and food services (37%).

Guidance on what changes to make: Island businesses (48%).

The following businesses were more likely to say that none of these would help move to lower carbon ways of working: Financial and business services growth sector (34%), Professional, scientific and technical activities (29%), Wholesale, retail and repairs (28%).

I. APPENDIX

WORKING ENVIRONMENT – VARIATION 1

		Size	Sector				Growth sector	
	Average (%)	25+ staff	Construction	Manufacturing	Accommodation and food services	Arts and entertainment	Food and drink	Tourism
Made processes more efficient	49	72	38	62	49	60	54	50
Reviewed supply chains	42	59	54	45	54	50	41	54
Taken steps to reduce emissions	37	52	32	45	36	50	46	37
Used more technology or automation	35	56	37	40	29	38	36	30
Diversified products and services	24	28	25	30	17	29	20	22
Collaborated or shared resources	23	29	14	27	19	35	30	21
Changed or updated business model	20	38	13	30	25	36	24	28
Changed markets	10	14	9	16	5	9	13	7
Moved or extended premises	8	18	6	19	4	6	11	7
Base	*1,013*	*93*	*79*	*73*	*156*	*80*	*176*	*165*

NOTES

*Darker shaded cells are figures that are higher than the average.

WORKING ENVIRONMENT – VARIATION 2

		Location	Aspiration	Performance	Structure		Investment priority	Market
	Average (%)	Urban	Striving for growth	Struggled in the past 6 months	Family-owned	Social Enterprise	Investing or planning to invest	Importers
Made processes more efficient	49	51	59	49	53	60	57	51
Reviewed supply chains	42	45	51	49	46	42	47	47
Taken steps to reduce emissions	37	42	43	38	39	48	45	38
Used more technology or automation	35	35	43	31	36	40	40	36
Diversified products and services	24	23	34	30	25	31	29	27
Collaborated or shared resources	23	25	27	24	18	54	26	23
Changed or updated business model	20	21	28	29	22	38	26	23
Changed markets	10	9	12	13	9	4	10	10
Moved or extended premises	8	8	14	7	9	8	12	10
Base	*1,013*	*383*	*502*	*288*	*510*	*48*	*620*	*768*

NOTES

*Darker shaded cells are figures that are higher than the average.

FINANCIAL CONCERNS - BY SECTOR 1

		Sector				
	Average (%)	Primary industries	Manufacturing	Construction	Wholesale, retail and repairs	Transport and storage
High and increasing costs	74	78	66	68	81	78
Increased cost of labour	53	50	43	61	63	42
Having to charge higher prices	51	31	58	66	60	57
Profit margins	51	57	48	45	52	45
Cash flow	36	39	45	32	31	17
Cash reserves	30	25	33	29	29	20
Ability to invest in the business	29	37	34	16	27	23
Access to finance	21	26	26	14	17	13
Managing debt	19	25	14	14	19	18
None of these	7	5	5	9	5	7
NET: ANY FINANCIAL CONCERNS	*90*	*95*	*91*	*91*	*94*	*85*
Base	*1,013*	*161*	*73*	*79*	*167*	*40*

NOTES

*Darker shaded cells are figures that are higher than the average.

FINANCIAL CONCERNS - BY SECTOR 2

		Sector				
	Average (%)	Accommodation and food services	IT, finance and real estate	Professional, scientific and technical activities	Administrative and support services	Arts and entertainment
High and increasing costs	74	76	69	66	67	77
Increased cost of labour	53	58	45	49	56	54
Having to charge higher prices	51	66	51	55	48	52
Profit margins	51	51	55	44	46	51
Cash flow	36	34	36	39	31	46
Cash reserves	30	30	36	31	29	44
Ability to invest in the business	29	29	24	30	19	33
Access to finance	21	15	20	21	11	37
Managing debt	19	22	15	18	15	15
None of these	7	4	15	8	11	10
NET: ANY FINANCIAL CONCERNS	*90*	*94*	*84*	*92*	*89*	*90*
Base	*1,013*	*156*	*55*	*122*	*80*	*80*

NOTES

*Darker shaded cells are figures that are higher than the average

FINANCIAL CONCERNS - BY GROWTH SECTOR

	Average (%)	Sector			
		Food and drink	Financial and business services	Tourism	Creative industries
High and increasing costs	74	77	67	74	63
Increased cost of labour	53	52	49	59	37
Having to charge higher prices	51	33	57	60	55
Profit margins	51	60	47	48	47
Cash flow	36	26	31	28	25
Cash reserves	30	26	31	28	25
Ability to invest in the business	29	39	20	27	25
Access to finance	21	26	16	16	15
Managing debt	19	27	15	16	14
None of these	7	5	13	5	18
NET: ANY FINANCIAL CONCERNS	*90*	*95*	*87*	*93*	*82*
Base	*1,013*	*176*	*75*	*165*	*73*

NOTES

*Darker shaded cells are figures that are higher than the average. Life sciences and Energy are excluded due to the low base sizes.

IMPORT MARKETS - BY SECTOR 1

		Sector				
Export markets	**Average (%)**	**Primary industries**	**Manufacturing**	**Construction**	**Wholesale, retail and repairs**	**Transport and storage**
Scotland	92	94	88	97	91	83
Rest of UK	74	70	89	78	82	67
Outside the UK	30	32	52	21	34	30
Net importer	*75*	*72*	*90*	*78*	*84*	*67*
Net domestic only	*22*	*26*	*10*	*22*	*16*	*18*
Base	*1,013*	*161*	*73*	*79*	*167*	*40*

NOTES

*Darker shaded cells are figures that are higher than the average.

IMPORT MARKETS - BY SECTOR 2

		Sector				
Export markets	**Average (%)**	**Accommodation and food services**	**IT, finance and real estate**	**Professional, scientific and technical activities**	**Administrative and support services**	**Arts and entertainment**
Scotland	92	95	83	86	90	95
Rest of UK	74	69	67	70	78	70
Outside the UK	30	19	31	33	33	29
Net importer	*75*	*70*	*69*	*71*	*78*	*74*
Net domestic only	*22*	*26*	*25*	*19*	*20*	*26*
Base	*1,013*	*156*	*55*	*122*	*80*	*80*

EXPORT MARKETS - BY SECTOR 1

		Sector				
Export markets	Average (%)	Primary industries	Manufacturing	Construction	Wholesale, retail & repairs	Transport & storage
Scotland	97	98	97	100	99	88
Rest of UK	46	48	62	22	40	45
Outside the UK	27	24	42	3	11	18
Net exporter	*48*	*51*	*63*	*22*	*40*	*45*
Net domestic only	*51*	*48*	*36*	*78*	*60*	*48*
Base	*1,013*	*161*	*73*	*79*	*167*	*40*

NOTES

*Darker shaded cells are figures that are higher than the average.

EXPORT MARKETS - BY SECTOR 2

		Sector				
Export markets	**Average (%)**	**Accommodation & food service activities**	**IT, finance and real estate**	**Professional, scientific & technical services**	**Administrative and support services**	**Arts and entertainment**
Scotland	97	97	96	97	93	99
Rest of UK	46	64	54	48	46	53
Outside the UK	27	64	36	30	29	44
Net exporter	*48*	*65*	*54*	*52*	*50*	*54*
Net domestic only	*51*	*32*	*44*	*48*	*46*	*46*
Base	*1,013*	*156*	*55*	*122*	*80*	*80*

NOTES

*Darker shaded cells are figures that are higher than the average

EXPORT MARKETS - BY GROWTH SECTOR

		Sector			
Export markets	Average (%)	Food and drink	Financial and business services	Tourism	Creative industries
Scotland	97	98	94	96	96
Rest of UK	46	51	55	63	60
Outside the UK	27	25	37	61	37
Net exporter	48	53	59	64	61
Net domestic only	51	46	39	33	37
Base	*1,013*	*176*	*75*	*165*	*73*

NOTES

*Darker shaded cells are figures that are higher than the average. Energy and Life sciences are excluded due to the low base sizes.

WORKFORCE CHALLENGES - BY SECTOR 1

		Sector		
	Average (%)	Primary industries	Construction	Wholesale, retail and repairs
Required skills in short supply	65	66	79	53
Location of the business	49	50	35	29
Lack of accommodation	42	48	35	33
Difficulty attracting apprentices or graduates	35	30	59	38
Level of pay	32	44	18	36
Unappealing working hours or patterns	27	42	9	26
Perceived lack of career prospects	25	32	17	32
Lack of childcare	18	20	12	20
Perceived lack of job security	15	22	12	9
Lack of opportunities for partners	12	18	-	13
Other	12	10	18	9
Base	*374*	*50*	*34*	*69*

NOTES

*Darker shaded cells are figures that are higher than the average. Transport and storage and Manufacturing are excluded due to the low base size.

WORKFORCE CHALLENGES - BY SECTOR 2

		Sector		
	Average (%)	Accommodation and food services	Professional, scientific and technical activities	Arts and entertainment
Required skills in short supply	65	57	76	58
Location of the business	49	67	63	67
Lack of accommodation	42	55	27	58
Difficulty attracting apprentices or graduates	35	19	26	42
Level of pay	32	21	26	44
Unappealing working hours or patterns	27	43	22	14
Perceived lack of career prospects	25	31	9	25
Lack of childcare	18	20	11	33
Perceived lack of job security	15	18	6	25
Lack of opportunities for partners	12	11	13	22
Other	12	18	11	6
Base	*374*	*67*	*46*	*36*

NOTES

*Darker shaded cells are figures that are higher than the average. IT finance and real estate, and Administrative and support services are excluded due to the low base size

WORKFORCE CHALLENGES - BY GROWTH SECTOR

		Sector	
	Average (%)	Food and drink	Tourism
Required skills in short supply	65	67	56
Location of the business	49	51	65
Lack of accommodation	42	49	61
Difficulty attracting apprentices or graduates	35	36	20
Level of pay	32	51	20
Unappealing working hours or patterns	27	43	37
Perceived lack of career prospects	25	37	31
Lack of childcare	18	21	18
Perceived lack of job security	15	23	20
Lack of opportunities for partners	12	15	11
Other	12	9	15
Base	*374*	*51*	*71*

NOTES

*Darker shaded cells are figures that are higher than the average. Financial and business services, Energy, Life sciences and Creative industries are excluded due to the low base sizes.

WORKFORCE ACTIONS - BY SECTOR 1

		Sector				
	Average (%)	Primary industries	Manufacturing	Construction	Wholesale, retail and repairs	Transport and storage
Workforce training	61	56	59	62	57	69
Offering flexible working	44	38	54	30	42	47
Making pay and rewards more competitive	42	36	42	44	35	63
Recruiting staff	36	31	28	41	28	44
Offering apprenticeships	26	27	38	44	22	25
Collaborating or sharing resources	24	31	33	18	13	19
Changing working week or core hours	21	17	27	13	20	28
Offering home or hybrid working	16	12	22	5	3	12
Offering graduate roles	14	14	19	11	6	13
None of these	18	28	17	16	17	12
NET: ANY ACTIONS	*80*	*72*	*81*	*77*	*81*	*84*
Base	*795*	*108*	*58*	*61*	*144*	*32*

NOTES

*Darker shaded cells are figures that are higher than the average.

WORKFORCE ACTIONS - BY SECTOR 2

		Sector				
	Average (%)	Accommodation and food services	IT, finance and real estate	Professional, scientific and technical activities	Administrative and support services	Arts and entertainment
Workforce training	61	48	71	65	73	73
Offering flexible working	44	34	62	56	51	67
Making pay and rewards more competitive	42	44	43	46	46	43
Recruiting staff	36	39	26	41	43	51
Offering apprenticeships	26	14	19	21	21	22
Collaborating or sharing resources	24	14	31	29	25	30
Changing working week or core hours	21	23	33	27	21	25
Offering home or hybrid working	16	6	45	42	14	30
Offering graduate roles	14	6	12	33	14	10
None of these	18	27	7	13	11	9
NET: ANY ACTIONS	*80*	*73*	*93*	*86*	*87*	*91*
Base	*795*	*123*	*42*	*97*	*63*	*67*

NOTES

*Darker shaded cells are figures that are higher than the average.

WORKFORCE ACTIONS - BY GROWTH SECTOR

		Sector			
	Average (%)	Food and drink	Financial and business services	Tourism	Creative industries
Workforce training	61	59	69	57	51
Offering flexible working	44	42	57	43	55
Making pay and rewards more competitive	42	38	39	46	29
Recruiting staff	36	30	43	45	20
Offering apprenticeships	26	30	22	17	16
Collaborating or sharing resources	24	32	25	16	33
Changing working week or core hours	21	20	18	25	35
Offering home or hybrid working	16	14	44	11	36
Offering graduate roles	14	17	26	11	17
None of these	18	26	11	21	25
NET: ANY ACTIONS	*80*	*74*	*87*	*79*	*75*
Base	*795*	*120*	*56*	*134*	*50*

NOTES

*Darker shaded cells are figures that are higher than the average. Energy and Life sciences are excluded due to the low base sizes.

REDUCING EMISSIONS – ASPIRATION AND INVESTMENT

		Growth aspiration			Investment	
Reducing emissions from our premises and equipment	**Average (%)**	**Striving for growth (%)**	**Content (%)**	**Downsize (%)**	**Investing or planning to invest (%)**	**Not investing (%)**
Already doing	45	50	43	42	50	39
Not doing but intending to	21	24	17	22	25	15
Not doing and not intending to	29	23	35	33	22	42
Don't know	4	4	6	4	3	4
Base	*1,013*	*502*	*347*	*139*	*620*	*361*

		Growth aspiration			Investment	
Reducing emissions from our operations	**Average (%)**	**Striving for growth (%)**	**Content (%)**	**Downsize (%)**	**Investing or planning to invest (%)**	**Not investing (%)**
Already doing	45	49	43	37	49	38
Not doing but intending to	20	22	16	18	23	14
Not doing and not intending to	30	23	35	36	24	41
Don't know	6	5	5	9	4	6
Base	*1,013*	*502*	*347*	*139*	*620*	*361*

NOTES

*Darker shaded cells are figures that are higher than the average

SECTOR CATEGORIES INCLUDED IN THE SURVEY SAMPLE

SIC 2007 categories

The sector categories referred to in the report, and examples of the types of sectors covered by these categories, are summarised below.

Sector title uses in report	Types of sectors covered
Primary industries	Agriculture, forestry, fishing; Mining and quarrying; Electricity, gas and air supply; Water and sewerage
Manufacturing	Manufacturing
Construction	Construction
Wholesale and retail	Wholesale and retail sales and repairs
Transport and storage	Transport activity and storage of goods used for transport activities
Accommodation and food services	Accommodation and food service activities
IT, finance and real estate	IT, telecommunications, financial services, insurance, and real estate
Professional, scientific and technical	Legal, accounting, advertising, architectural and scientific research.
Administrative and support services	Office administration, human resources, services to buildings and landscapes, travel, and security services.
Arts and entertainment	Creative and arts activities; Libraries, museums and cultural activities; Sports and recreation.

Growth sector categories

The growth sector categories referred to in the report, and the types of SIC 2007 sectors they partially cover are summarised below.

Growth sector category	SIC 2007 categories partially covered
Creative industries	Manufacturing; Wholesale and retail; Professional, scientific and technical; Administrative and support services; Arts and entertainment.
Energy	Primary industries; Manufacturing; Professional, scientific and technical.
Financial and business services	IT, finance and real estate; Professional, scientific and technical; Administrative and support services;
Food and drink	Primary industries; Manufacturing.
Life sciences	Manufacturing. Professional, scientific and technical;
Tourism	Accommodation and food services; Administrative and support services; Arts and entertainment.

PROFILE OF BUSINESSES INTERVIEWED (WEIGHTED)

Size (no of employees)	%
Sole trader	23
1-4	40
5-10	17
11-24	11
25+	9

Location	%
Argyll and the Islands	18
Caithness and Sutherland	10
Inner Moray Firth	29
Lochaber, Skye and Wester Ross	16
Moray	13
Orkney	6
Outer Hebrides	4
Shetland	3

Relationship with HIE	%
Client-engaged	5
Non-client-engaged	95

Urban/rural	%
Remote rural	50
Accessible rural	13
Other (urban)	37

Sector (SIC 2007 categories)	%
Primary industries	27
Manufacturing	5
Construction	13
Wholesale and retail	12
Transport and storage	3
Accommodation and food services	11
IT, finance and real estate	5
Professional, scientific and technical	11
Administrative and support services	6
Arts and entertainment	6

Growth sector	%
Creative industries	6
Energy	2
Financial and business services	7
Food and drink	26
Life sciences	*
Tourism	11
Non-growth	47

IPSOS STANDARDS & ACCREDITATIONS

Ipsos' standards & accreditations provide our clients with the peace of mind that they can always depend on us to deliver reliable, sustainable findings. Moreover, our focus on quality and continuous improvement means we have embedded a 'right first time' approach throughout our organisation.

ISO 20252 – is the international market research specific standard that supersedes BS 7911 / MRQSA & incorporates IQCS (Interviewer Quality Control Scheme); it covers the 5 stages of a Market Research project. Ipsos was the first company in the world to gain this accreditation.

MRS Company Partnership – By being an MRS Company Partner, Ipsos endorse and support the core MRS brand values of professionalism, research excellence and business effectiveness, and commit to comply with the MRS Code of Conduct throughout the organisation & we were the first company to sign our organisation up to the requirements & self regulation of the MRS Code; more than 350 companies have followed our lead.

ISO 9001 – International general company standard with a focus on continual improvement through quality management systems. In 1994 we became one of the early adopters of the ISO 9001 business standard.

ISO 27001 – International standard for information security designed to ensure the selection of adequate and proportionate security controls. Ipsos was the first research company in the UK to be awarded this in August 2008.

The UK General Data Protection Regulation (UK GDPR) & the UK Data Protection Act 2018 (DPA) – Ipsos is required to comply with the UK General Data Protection Regulation and the UK Data Protection Act; it covers the processing of personal data and the protection of privacy.

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Fair Data – Ipsos is signed up as a 'Fair Data' Company by agreeing to adhere to ten core principles. The principles support and complement other standards such as ISOs, and the requirements of Data Protection legislation.

This work was carried out in accordance with the requirements of the international quality standard for market research, ISO 20252 and with the Ipsos Terms and Conditions

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