HIE BUSINESS PANEL SURVEY

WAVE 22: JUNE/JULY 2022

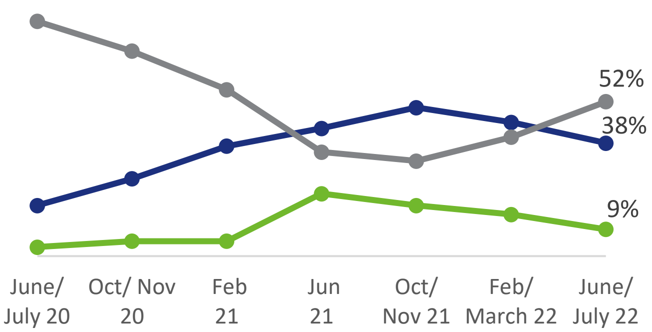
Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

ECONOMIC CONFIDENCE AND OUTLOOK

Economic optimism has declined since February/March 2022. Net confidence* was -43, the lowest it has been since February 2021 (when net confidence was -51).

Economic confidence in past 6 months

Increased | Stayed the same | Decreased



More confident:
- Tourism (14% increased)
- Operating above pre-COVID-19 levels (20%)

Less confident:
- Operating below pre-COVID-19 levels (61% decreased)
- Not confident in their future viability (79%)

Confidence in economic outlook for Scotland over next 12 months

49% Very/fairly confident

50% Not very/not at all confident

Confidence was lower than the previous wave (when 60% were confident and 38% not).

CURRENT OPERATING LEVEL

21%	**Over and above** the level we were before coronavirus
46%	At **much the same** level as we were before coronavirus
32%	**Below** the level we were before coronavirus

Compared with February/March 2022, there was a slight decrease in those saying they were operating *below* their pre-COVID-19 levels (from 37% to 32%).

More likely to be operating:
Over and above - Urban (27% vs 17% remote and 18% accessible rural), 25+ staff (39%)
Below – Tourism (45%), 0-4 staff (35%)

PERFORMANCE OVER LAST 6 MONTHS

	Increased	Stayed the same	Decreased	Don't know
Sales or turnover	31%	40%	28%	1%
Employment	15%	71%	14%	1%
Exports	11%	60%	25%	4%

EXTERNAL FACTORS

Extent of current impact of external factors

	Large extent	Some extent	Small extent	Not at all	Don't know
Rising costs	62%	24%	9%	5%	
COVID-19	28%	28%	18%	25%	
UK's exit from the EU	23%	29%	19%	28%	1%
Russia-Ukraine conflict	24%	22%	15%	37%	2%

More likely to be impacted to a <u>large extent</u>:
Food and drink – by rising costs (73%), Russia-Ukraine conflict (45%), Brexit (30%)
Tourism – by COVID-19 (40%), Brexit (30%)
Remote rural – by rising costs (67%), Russia-Ukraine conflict (30%), Brexit (26%)

PERFORMANCE AGAINST KEY MEASURES

Performance vs where they want to be

	Over and above	In line	Behind	Don't know
Competitiveness	8%	73%	16%	3%
Skills development	6%	71%	21%	1%
Adoption of technology	8%	62%	28%	2%
Productivity	7%	59%	33%	1%

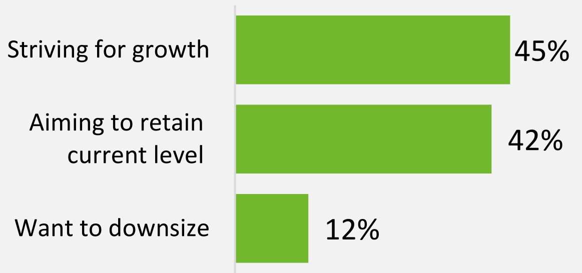
On each aspect, those operating below pre-COVID-19 levels were more likely to be performing behind their expectations.

Ipsos

*The net figure is the difference between 'increased' and 'decreased' levels of confidence

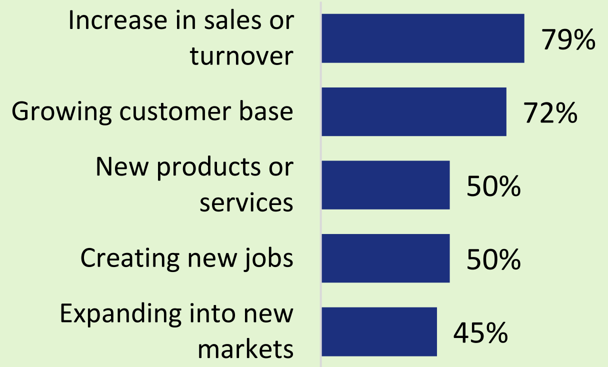
GROWTH ASPIRATIONS

Current aspirations for the business



Urban, **HIE-account managed** and those **trading internationally** were more likely to be striving for growth.

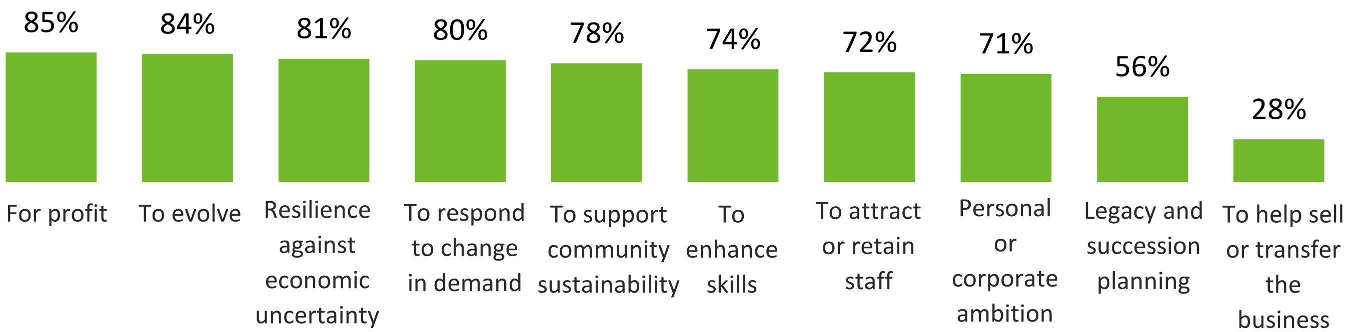
FACTORS ASSOCIATED WITH GROWTH



MOTIVATIONS BEHIND ASPIRATIONS

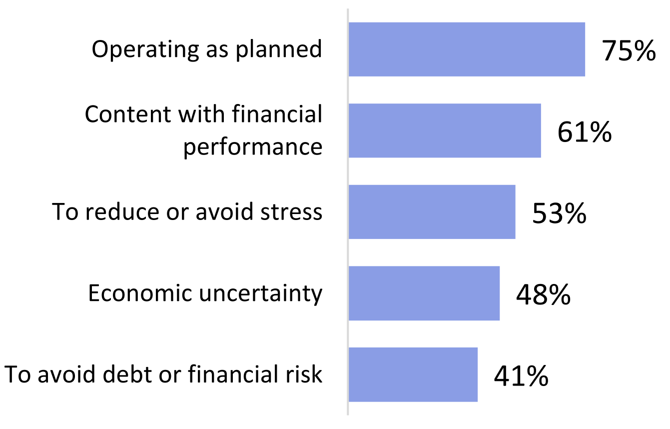
Main reasons for striving for growth related to profit, resilience, people and legacy.

Motivation for <u>striving for growth</u>



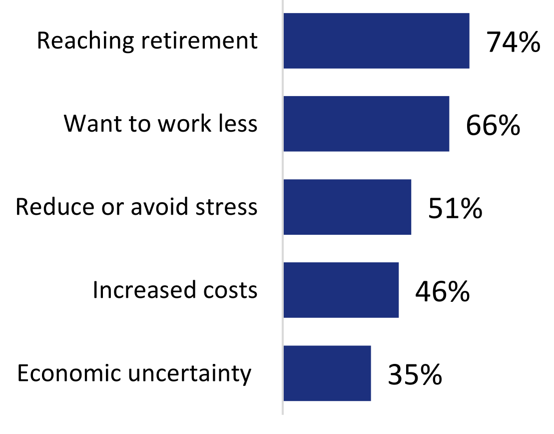
Base: Those striving for growth (487)

Motivations for wanting to <u>retain current level</u> of performance (top 5)



Base: Those hoping to retain current level of performance (431)

Motivations for wanting to <u>downsize</u> <u>(top 5)</u>

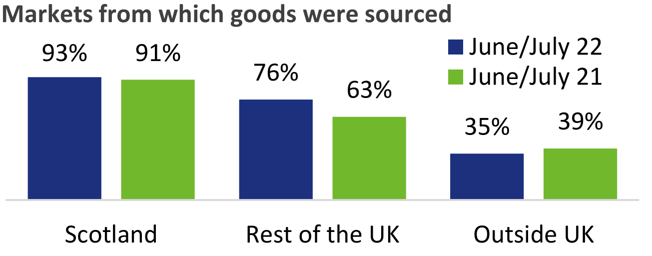


Base: Those hoping to downsize (115)

MARKETS OF OPERATION

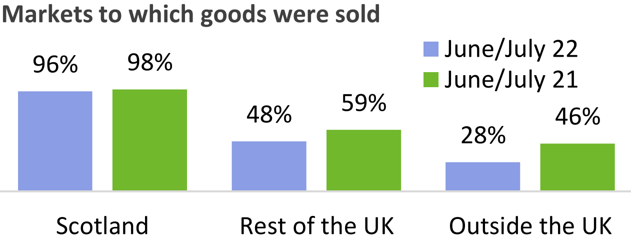
77% were <u>importing</u> from outside Scotland, with 35% importing from outside the UK

Markets from which goods were sourced



49% were <u>exporting</u> goods or services outside Scotland, with 28% exporting outside of the UK

Markets to which goods were sold



VIABIILITY

Confidence in viability over the next 6 months

91% Confident

57% very/ 34% fairly

9% Not confident

6% not very/ 3% not at all

More confident than average:

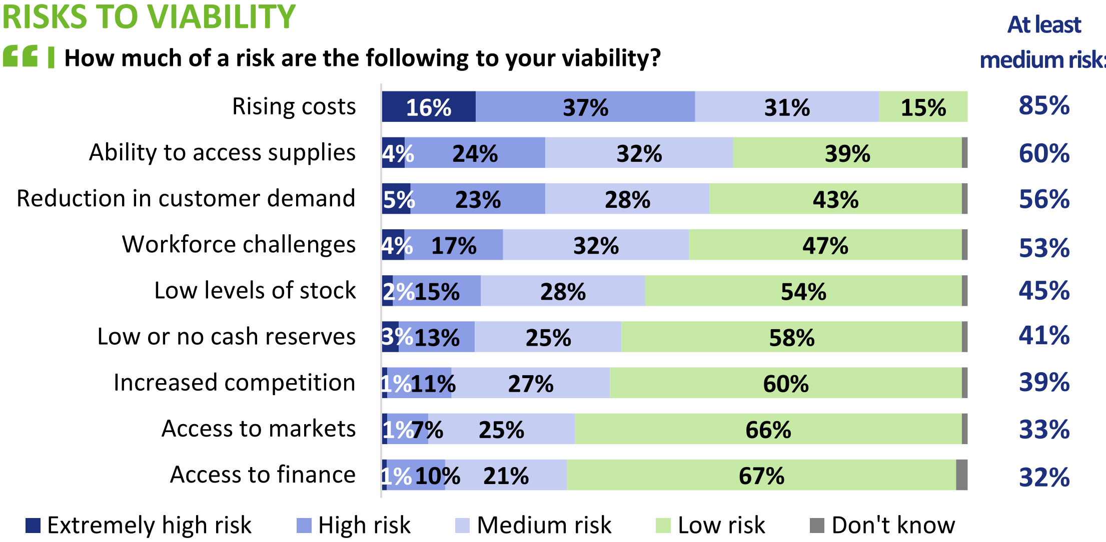
- Financial and business services (99% confident)

Less confident than average:

- 0-4 staff (11% not confident)
- Remote rural (10%)
- Operating below pre-pandemic level (17%)
- Behind on productivity (15%), competitiveness (20%) and skills development (13%)

RISKS TO VIABILITY

How much of a risk are the following to your viability?



89% felt equipped to respond to these risks

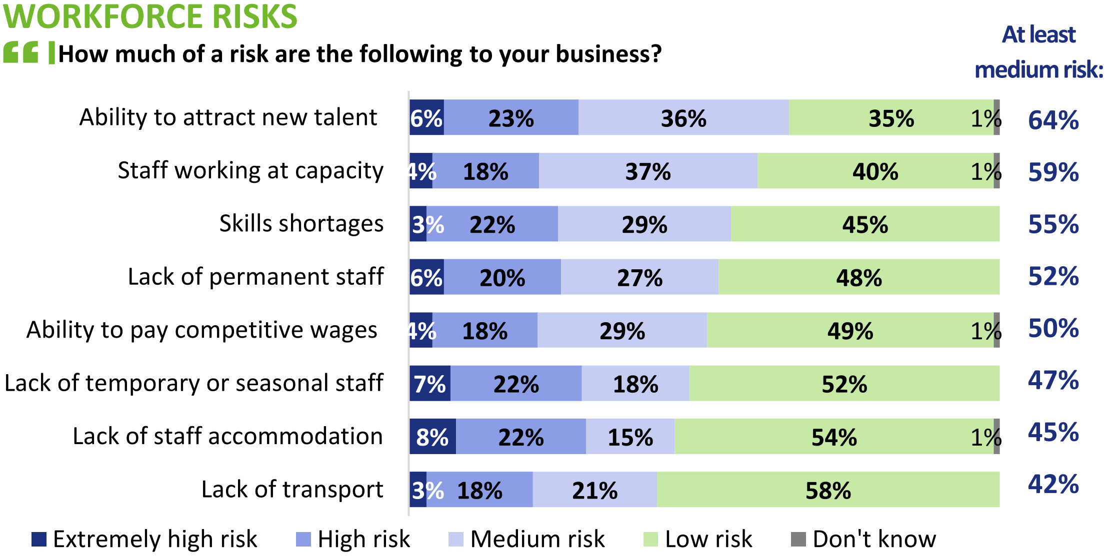
10% did not feel equipped

More likely to say the following were at least a medium risk:

- **Food and drink –** ability to access supplies (70%)
- **Tourism –** rising costs (91%) and reduction in demand (64%)
- **Remote rural –** ability to access supplies (64%) and finance (35%)
- **Urban –** increased competition (45%)
- **Operating below pre-pandemic level –** rising costs (90%), reduction in demand (72%), low or no cash reserves (46%), increased competition (44%) and access to markets (44%)

WORKFORCE RISKS

How much of a risk are the following to your business?



81% felt equipped to respond to these risks

18% did not feel equipped

More likely to feel not equipped:

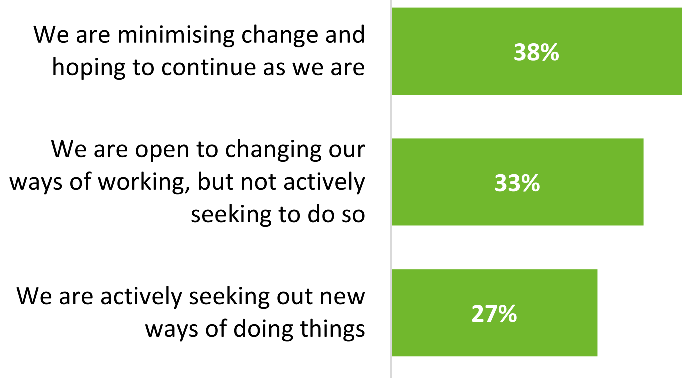
- **Tourism** (27%)
- **Remote rural** (22%)
- **Operating below pre-pandemic levels** (23%)

More likely to say the following were at least a medium risk:

- **Food and drink –** lack of temporary/seasonal staff (56%) or accommodation (55%)
- **Tourism –** lack of temporary/seasonal staff (69%), transport (66%) or accommodation (62%)
- **Remote rural –** skills shortages (59%), ability to pay competitive wages (55%), lack of temporary/ seasonal staff (54%), accommodation (54%), or transport (48%)
- **Operating below pre-pandemic level –** ability to pay competitive wages (59%), lack of transport (54%) and accommodation (53%)

OUTLOOK FOR NEXT 12 MONTHS

Outlook for next 12 months



More likely to be minimising change:
- Creative industries (53%)
- Those with 0-4 staff (44%)

More likely to be open to change:
- Financial and business services (47%)
- Operating in line with pre-COVID-19 levels (37%)

More likely to be actively seeking change
- Tourism (35%)
- HIE-account managed (43%)
- Operating above pre-COVID-19 levels (33%)
- Businesses impacted by external factors or behind where they'd like to be on key measures

ACTIONS IN RESPONSE TO CHANGE

85% of businesses were taking at least one action in response to changes in their working environment.

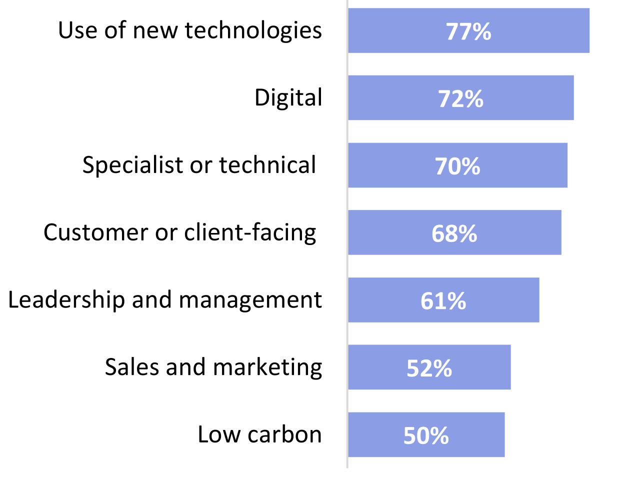
Actions being taken

UPSKILLING OR RESKILLING STAFF

Actions being taken to upskill or reskill staff (top 5)

Base: Those upskilling or reskilling staff (522)

Skills they were looking to develop



Base: Those upskilling or reskilling staff (522)

More likely than average to need certain skills:
- Food and drink – low carbon (66%)
- Tourism – customer/client facing (88%)
- Importing outside UK – specialist/technical (75%)
- Exporting outside UK – digital (79%), leadership/management (70%), sales/marketing (61%) and low carbon (57%)
- 25+ staff - leadership/management (73%)

NOTES: Survey fieldwork was conducted between 6 June and 29 July 2022, using telephone interviewing. In total 1,043 businesses and social enterprises participated. For more detail visit **www.hie.co.uk/businesspanel.** Findings are weighted to ensure a representative sample of the regional business base. Where percentages do not sum to 100%, this may be due to rounding, the exclusion of 'don't know' categories, or multiple answers.