SOUTH of SCOTLAND ENTERPRISE

SOSE Business Panel Survey

Nov/Dec 2024

Ipsos

Executive summary (1)

Overview

This report presents the findings from the eighth business panel survey for South of Scotland Enterprise. It involved a survey of 601 businesses across the region, conducted in November/December 2024.

Confidence in the economy dropped this wave to its lowest reported level since October/November 2022, with more than half of businesses saying they were not confident in the economic outlook for Scotland.

Over the past six months, most had either performed well or had been fairly steady, but around a third had struggled. Overall business performance was down on the previous wave.

Looking ahead, a similar proportion of business were striving for growth as were content with their current level of performance. Fewer businesses wanted to downsize. Most were aiming for their sales to either remain stable or to increase in each of their markets of operation.

This wave explored business priorities and approach to investment. More than half of businesses were investing or planning to invest in the future. The most common immediate investment priorities were workforce development and wellbeing, and process efficiency.

There was no single reason driving business investment. Similar proportions were investing to support growth, to maintain their performance, or to build resilience to future challenges. The main reasons for not investing were performing well without investment, being focussed on survival, and saving funds for the time being.

Business attitudes to investment risk varied, with a third of businesses describing themselves as open to risk, and just under a third were risk neutral, or risk averse.

The biggest challenges facing businesses were economic uncertainty, legislation and regulation, and the cost of doing business.

Most businesses said they had a significant financial concern, with top concerns being high and increasing costs, profit margins, increased cost of labour, and having to charge higher prices.

When it came to workforce, temporary or seasonal roles were more of a challenge to fill than permanent roles. Most employers were taking some form of action in relation to their workforce. The top action was training, followed by offering flexible working, and making pay and rewards more competitive.

The survey asked about response to planned increases in staff costs announced in the UK Budget in October 2024. Half of employers planned to absorb the additional cost, while just under half planned to increase prices. Fewer were planning to pause or stop recruitment, reduce or stop planned pay increases or benefits, or reduce the number of staff.

In relation to net zero, just under a third of businesses had a formal plan in place for reducing their emissions. Just under half were already reducing emissions from their premises and equipment, or operations. Around a fifth were intending to do so, and around three in ten did not intend to do so.

In terms of what would help businesses move to lower carbon ways of working, more than half said they needed financial support, while around four in ten said they needed information about opportunities, guidance on what changes to make and access to equipment and technology.

Executive summary (2)

Business structure

- **Among employers, 77% described themselves as family-owned and 3% were employee-owned** (with employees owning a majority of the shares). 10% of businesses were women-led, 3% described themselves as a social enterprise and 3% were a co-operative (owned or controlled by its members).
- **Eight percent (8%) of employers fell within one of the "inclusive ownership models"** of employee-ownership, social enterprise or co-operatives.

Optimism and performance

- **Confidence in the economic outlook for Scotland decreased this wave:** 37% of businesses were confident (compared to 42% in November/December 2023), while 61% were not (compared with 56%). Confidence was at its lowest level reported since October/November 2022.
- **Reflecting on the past six months, 58% of businesses said their confidence had decreased, 4% said it had increased, and 36% said it had stayed the same.** Net confidence was -54, the lowest level of net business confidence since October/November 2022 when it was -58.
- **Views on business performance were mixed,** with 25% saying their business had performed well, 44% saying their performance had been fairly steady and 30% saying they had struggled. Performance was slightly lower than the previous wave in November/December 2023.
- **Over the past six months, sales or turnover performance was mixed (27% said it had increased, 29% decreased, and 43% remained the same).** Businesses had performed better on sales or turnover than on profit (15% said profit margins had increased, 42% decreased, and 40% remained the same).
- **Employment and exports had remained relatively stable** (79% and 65% respectively said these had stayed the same).
- **A similar proportion of business were striving for growth (42%) as were content with their current level of performance (39%).** Fewer businesses (16%) were wanting to downsize in the future.
- **Businesses largely expected stability in the months ahead.** A majority (64%) of businesses were expecting to perform at much the same level over the next six months, with around one in five (17%) expecting to perform better or worse (16%) than their current level of performance.

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Executive summary (3)

Planning and prioritisation

- **More than half of businesses (59%) were either currently investing (39%) or planning to invest in the future (20%), with around two-in-five (39%) not investing or planning to invest.**
- **Among businesses who were investing or planning to invest, the most common immediate investment priorities were: workforce development and wellbeing (35%) and process efficiency (34%).**
- **There was no single reason driving businesses investment.** About a quarter of businesses who were investing, or planning to invest, were doing so to support growth (27%), with a with a similar proportion investing to maintain current performance (26%) or to build resilience for future challenges (24%). A smaller proportion were investing to survive current challenges (19%).
- **The main reasons for not investing were performing well without investment (39%), being focussed on survival (37%), and saving funds for the time being (36%).**
- **Business attitudes to investment risk was varied,** with around a third of businesses describing themselves as risk averse (31%), and a similar proportion being open to risk (33%) or risk neutral (32%)

Challenges

- **The biggest challenges facing businesses were economic uncertainty (cited by 52% of businesses), legislation and regulation (43%) and the cost of doing business (41%).**

Financial outlook

- **Most businesses (94%) said they had a significant financial concern.** High and increasing costs was a significant concern for almost three-quarters of businesses (73%), while profit margins (54%), increased cost of labour (52%),and having to charge higher prices (49%) and were significant concerns for around half of businesses.
- **The top measures businesses were taking to support their finances were using loans from banks or financial institutions (31%), or using credit or overdrafts (28%).** Fewer were using public sector grants or loans (19%), were sharing or pooling resources (11%), using equity finance or shares (4%) or using crowd funding or peer lending (2%).

Executive summary (4)

Markets of operation

- **Eighty-two percent (82%) of businesses were importers** (sourcing goods from outside Scotland), with 81% importing from the rest of the UK and 29% from outside the UK. The majority of businesses (90%) sourced goods and materials from Scotland, with 16% sourcing *only* from Scotland.
- **More than two thirds (67%) of businesses were exporters** (selling to markets outside Scotland), with 66% selling to the rest of the UK and 18% internationally. The majority (97%) of businesses sold goods or services within Scotland, with 32% selling *only* in Scotland.
- **Most businesses wanted their sales in existing markets to either remain stable or to grow.** For each market, businesses were most likely to want the level of sales to be maintained (53% in Scotland, 57% in rest of UK, 46% outside the UK) or to grow (42% in Scotland, 37% in rest of UK, 36% outside the UK). Fewer wanted sales to contract (12% outside the UK, 5% in rest of UK, 4% in Scotland).
- **Among businesses not already selling in the rest of the UK, or outside the UK, most did not plan to do so** (89% and 94% respectively). For the rest of the UK 5% planned to enter for the first time, and 1% to re-enter. For outside the UK, 3% planned to enter for the first time, and 2% to re-enter.

Workforce

- **For employers, temporary or seasonal roles were more of a challenge than permanent roles**: 29% did not have enough staff to fill temporary or seasonal roles, while 22% did not have enough staff to fill permanent roles.
- **On skills, 23% of employers did not have the right level of skills for temporary or seasonal roles, while 16% did not have the right level of skills for permanent roles.**
- **Most employers (75%) were taking some form of action in relation to their workforce.** The top action was training (54%), followed by offering flexible working (38%), and making pay and rewards more competitive (35%).
- **Half of employers (50%) planned to absorb the additional cost in response to upcoming increases associated with the cost of staff, while 48% planned to increase prices.** Fewer were planning to pause or stop recruitment (29%), reduce or stop pay increases or benefits (20%) or reduce the number of staff (16%). Similar numbers said they would reduce costs some other way (41%) or felt it was too soon to say (37%).

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Executive summary (5)

Net Zero

- **Just under a third of businesses (32%) had a formal plan in place for reducing their emissions.** This was an increase on February/March 2023 when 14% of businesses had a plan in place.
- **Four in ten businesses (45%) were reducing emissions from their premises and equipment, or operations (43%).** Around a fifth were intending to do so (19% and 17% respectively), while around a third did not intend to do so (31% and 30% respectively).
- **In terms of what would help businesses move to lower carbon ways of working, more than half (58%) said they needed financial support,** while four in ten said they needed information about opportunities (46%), guidance on what changes to make (46%), and access to equipment and technology (44%).

01

Introduction

Introduction and context

Introduction

The South of Scotland Enterprise (SOSE) Business Panel was created to measure and monitor the economic health of the South of Scotland 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.

In June 2021, SOSE commissioned Ipsos to establish and manage the panel and run a survey with businesses and social enterprises, representative of the South of Scotland business base in terms of geographic area, organisation size and sector.

This report presents findings from the panel survey carried out in November/December 2024. 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.

Each wave, the survey is carried out in parallel with one for Highlands and Islands Enterprise (HIE), among members of the HIE Business Panel and other businesses in the Highlands and Islands region. Both surveys covered the same questions.

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.

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Methodology (1)

Survey fieldwork

The survey fieldwork was conducted between 20 November and 19 December 2024, using a combination of online survey and telephone interviewing. In total 601 eligible surveys with businesses and social enterprises across the South of Scotland were achieved (519 by telephone, 82 online).

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.

Updates to methodology

Two changes to the methodology were introduced in May/June 23 which continued this wave.

- First, an online element was used, allowing businesses the chance to complete the survey either online or by telephone interview.
- Second, a slight change was made to the sector categories used in the design of the survey sample (see overleaf).

In both cases precautions were taken and quality checks carried out to ensure that findings remained as comparable as possible with previous survey waves.

Methodology (2)

Sampling

The survey sample was partly sourced from businesses that took part in previous waves of the survey and had indicated that they were willing to be re-contacted as part of their members of the SOSE business panel. The remaining survey sample was sourced from the Dun and Bradstreet and Market Location business databases and was stratified by sector and size to reflect the population of businesses in the South of Scotland.

Quotas were set for recruitment and interviewing so that the achieved sample reflect 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).

*Full details 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 South of Scotland, 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. The typical sub groups reported on are:

- Size of business (grouped by 0-4, 5-10, 11-24 and 25+ staff)
- Sector (using the SIC categories outlined in the previous slide)
- Location (Dumfries and Galloway and the Scottish Borders)
- Rurality* (remote rural, accessible rural and urban)
- Other characteristics based on responses to the survey (e.g. the markets they trade with, their growth aspiration etc)

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.

Weighting

The achieved sample was broadly representative of the population. Nonetheless, weighting was applied to correct for any differences between the achieved sample and the business population. A breakdown of the achieved profile of businesses is provided in the Appendix.

*Rural and urban areas are based on the Scottish Government's 3-fold classification: "Accessible rural" = within 30 minute drive from the centre of a settlement of 10,000 ore more; "Remote rural" = greater than 30 minutes drive; "Urban" = large or other urban, accessible or remote small towns

02

Business Structure / Ownership Models

Key findings

- Among employers, 77% described themselves as family-owned, 3% were a co-operative (owned or controlled by its members), and 3% were employee-owned (with employees owning a majority of the shares). 10% of businesses were women-led and 3% described themselves as a social enterprise.

- Combined, around one-in-ten (8%) employers fell within one of the "inclusive ownership models" of employee-ownership, social enterprise or co-operatives.

- 15% of businesses reported that they fell into none of the categories outlined.

8% had an inclusive ownership model.

77% described themselves as family-owned.

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Profile of business ownership

Among employers, 77% described themselves as family-owned, 3% were a co-operative (owned or controlled by its members), and 3% were employee-owned (with employees owning a majority of the shares). 10% of businesses were women-led and 3% described themselves as a social enterprise.

Findings were similar to the previous wave (November/December 2023), when 76% were family-owned, 3% co-operatives and 5% employee-owned. There were fewer women-led businesses (10% vs. 18%), but a similar level of social enterprises (3% vs. 3%).

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

Employers more likely to be:

Family-owned

- Primary industries (89%).
- Food and drink growth sector (89%).

Businesses more likely to be:

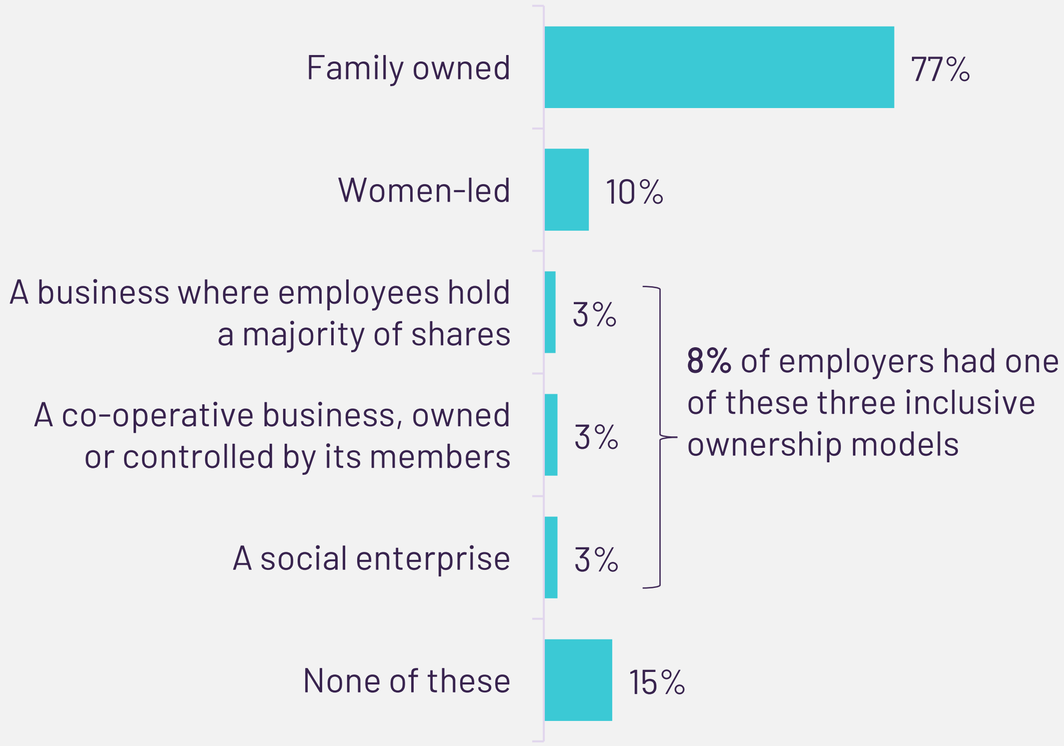
Women-led

- Wholesale, retail and repairs (23%).
- Accommodation and food services (18%).
- Striving for growth (14%).

Social enterprises

- Arts and entertainment (19%).
- Striving for growth (6%).

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 (473); all others: all businesses (601)

03

Optimism and performance

Key findings

- Confidence in the economic outlook for Scotland decreased this wave: 37% of businesses were confident (compared to 42% in November/December 2023), while 61% were not (compared with 56%).
- Reflecting on the past 6 months, 58% of businesses said their confidence had decreased, 4% said it had increased, and 36% said it had stayed the same.
- Views on business performance were mixed, with 25% saying their business had performed well, 44% saying business had been fairly steady, and 30% saying they had struggled.
- Over the past six months, businesses had performed better on sales or turnover than on profit, while employment and exports had remained relatively stable.
- Over the past 12 months, most businesses (81%) had taken actions to address their working environment, whilst one in five (19%) had not. Businesses most frequently reported having made their processes more efficient (51%), reviewed supply chains (40%) and taken steps to reduce their emissions (35%).
- A similar proportion of businesses were striving for growth (42%) as were content with their current level of performance (39%). Fewer businesses (16%) were wanting to downsize in the future.
- 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 a smaller proportion expecting to perform better (17%) or worse (16%) than their current level of performance.

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Confidence in Scotland's economy was down:

37% were confident.

61% were not.

Over the past six months:

25% had performed well.

30% had struggled.

42% were striving for growth.

39% were content with current level.

16% wanted to downsize.

Economic outlook for Scotland

Confidence in the economic outlook for Scotland decreased this wave: 37% of businesses were confident (compared to 42% in November/December 2023), while 61% were not (compared with 56%). This was the lowest reported confidence level since October/November 2022.

Businesses in the South of Scotland were less confident in than those in the Highlands and Islands (where 44% were confident, 55% not).

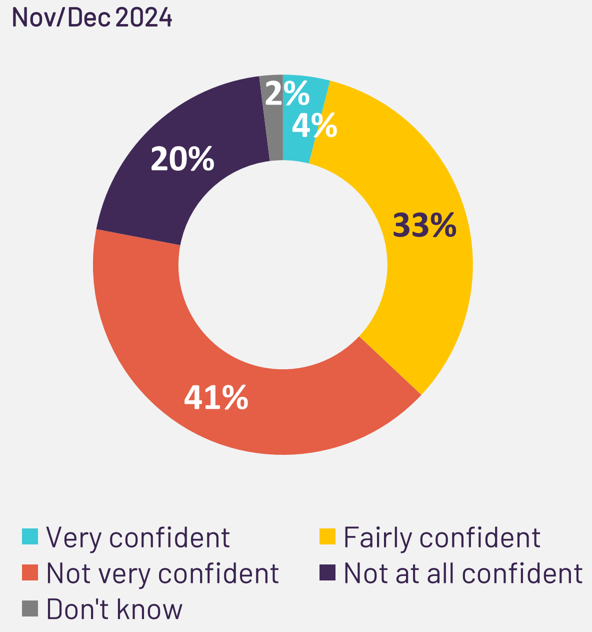
More confident than average:

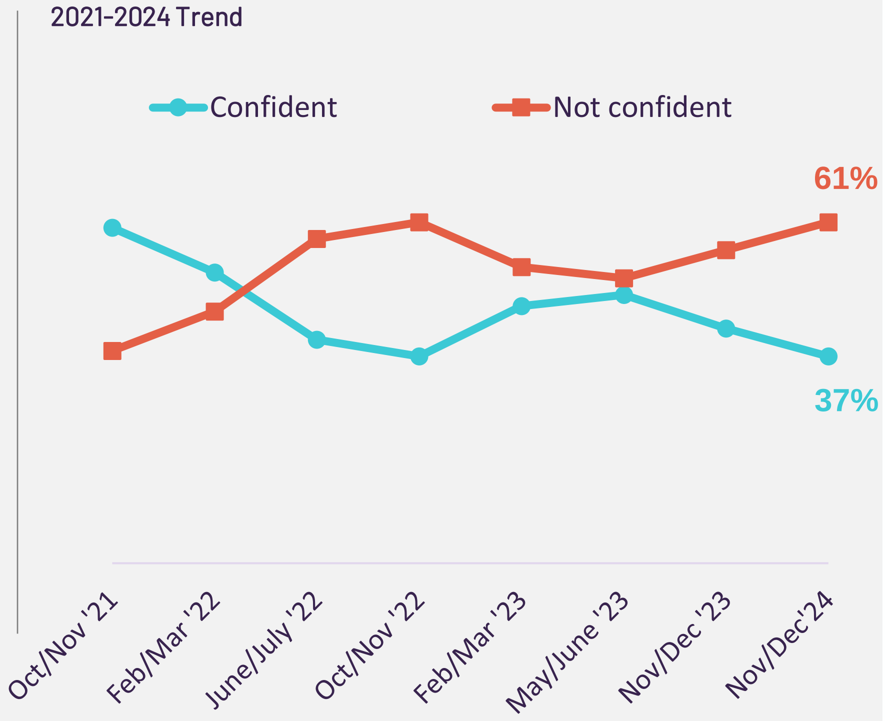
- Construction (55%).
- Scottish Borders (43%).
- Content with current level of growth (44%).
- Performed well in past six months (64%).

Less confident than average:

- Accommodation and food services (74%), and Primary industries (69%).
- Dumfries and Galloway (65%).
- Wanting to downsize (76%).
- Struggled in the past six months (81%).
- Food and drink growth sector (69%).

Q. How confident are you in the economic outlook for Scotland over the next 12 months?





Base: All businesses (601)

Economic optimism over past six months

Reflecting on the past six months, 58% of businesses said their confidence had decreased, 4% said it had increased, and 36% said it had stayed the same.

Net confidence* was -54, a significant decrease since November/December 2023 (-35). This marks the lowest level of business confidence since October/November 2022 (-58). Net confidence was lower than the level seen in the Highlands and Islands this wave (at -45).

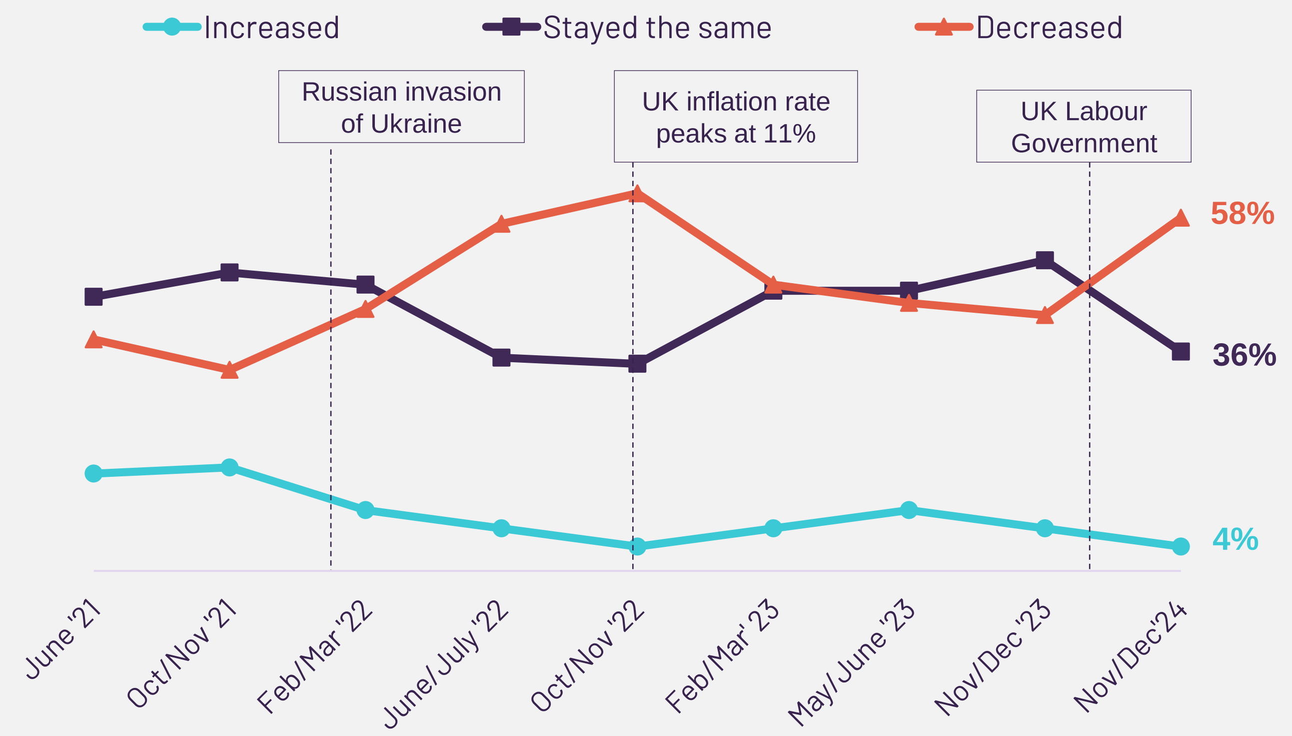
More likely to report increased confidence:

- Performed well in past six months (9%).

More likely to report decreased confidence:

- Struggled in the past six months (76%).
- Wanting to downsize (69%).
- Dumfries and Galloway (62%).
- Not investing (64%).

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



Base: All businesses each year (601)

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*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 were mixed, with 25% saying their business had performed well, 44% saying business had been fairly steady, and 30% saying they had struggled.

Performance was slightly lower than the previous wave in November/December 2024 (when 29% had performed well, 27% had struggled and 43% reported steady performance). Performance was also slightly lower than the levels seen in the Highlands and Islands this wave (where 31% had performed well, and 28% struggled).

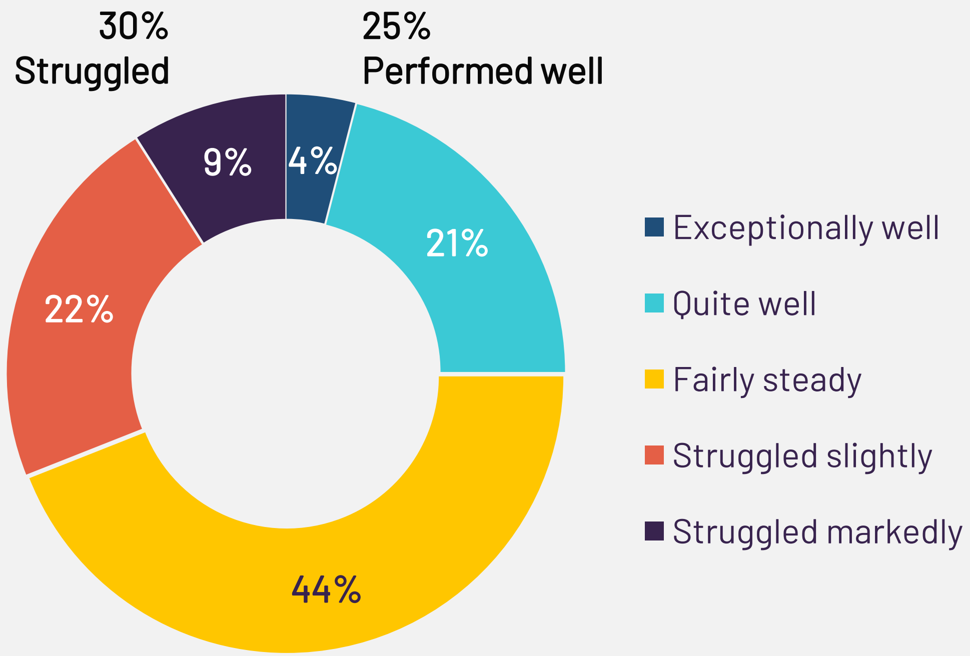
More likely to have performed well:

- Construction (44%).
- Confidence in the economy (43%).
- Content with current level of growth (32%).

More likely to have struggled:

- Accommodation and food services (54%).
- Not confident in the economy (40%).
- Wanting to downsize (55%).

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



Base: All businesses (601)

Performance

Views on business performance were mixed, with 25% saying their business had performed well, 44% saying business had been fairly steady, and 30% saying they had struggled.

Performance was slightly lower than the previous wave in November/December 2024 (when 29% had performed well, 27% had struggled and 43% reported steady performance). Performance was also slightly lower than the levels seen in the Highlands and Islands this wave (where 31% had performed well, and 28% struggled).

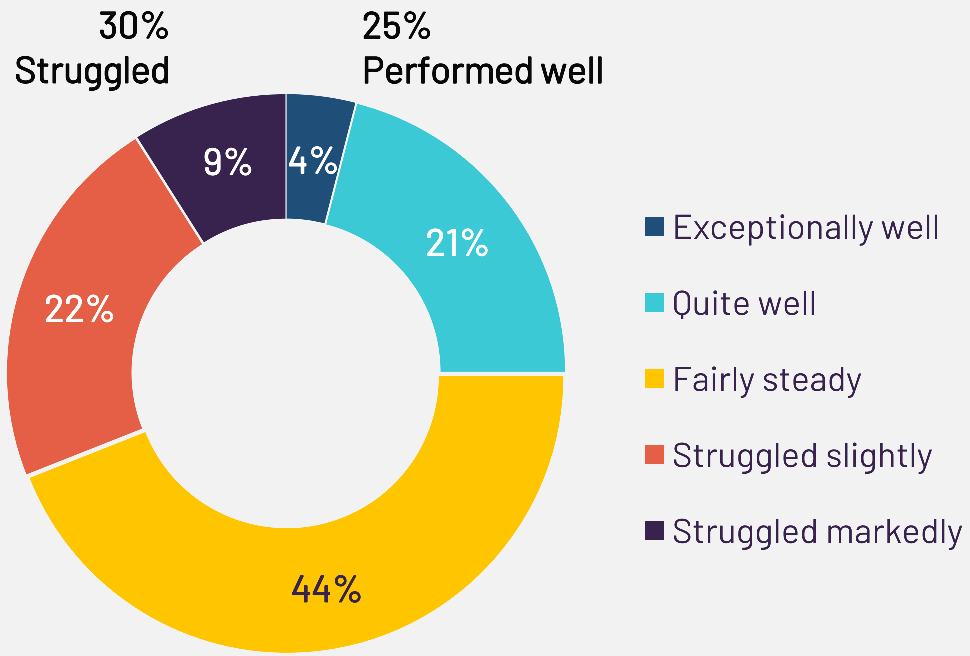
More likely to have performed well:

- Construction (44%).
- Confidence in the economy (43%).
- Content with current level of growth (32%).

More likely to have struggled:

- Accommodation and food services (54%).
- Not confident in the economy (40%).
- Wanting to downsize (55%).

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



Base: All businesses (601)

Aspects of business performance

Over the past six months, sales or turnover performance was mixed (27% said it had increased, 29% decreased, and 43% remained the same). Businesses had performed better on sales or turnover than on profit (15% said profit margins had increased, 42% decreased, and 40% remained the same). Employment and exports had remained relatively stable (79% and 65% respectively said these had stayed the same).

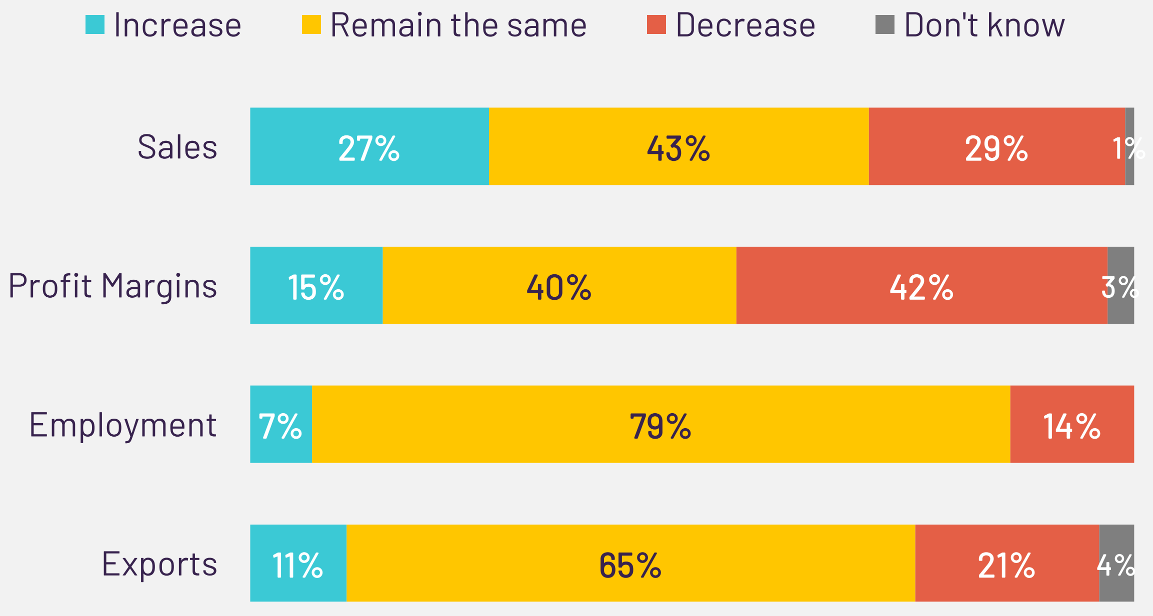
Increases were more common among:

- **Confident in the economy:** sales or turnover (39%), profit (25%), employment (11%).
- **Performed well in past six months**: sales or turnover (62%), profit (43%), employment (11%).
- **Investing or planning to invest:** sales or turnover (32%), employment (9%).
- **Food and drink growth sector:** sales or turnover (34%).

Decreases were more common among:

- **Accommodation and food services:** sales or turnover (43%), employment (28%), profit (71%).
- **Wholesale, retail and repairs:** sales or turnover (43%).
- **Not confident in the economy:** sales or turnover (36%), employment (17%), exports (29%), profit (52%).
- **Wanting to downsize:** sales or turnover (46%), employment (23%), profit (65%).
- **Struggled in the past six months:** sales or turnover (63%), employment (24%), exports (36%), profit (78%).
- **Tourism growth sector:** employment (27%), profit (67%).
- **Women-led:** sales or turnover (45%), profit (54%).

Q. Has the following increased, stayed the same or decreased in the last six months?



Base: All businesses for whom each applied: Sales (594), Profit margins (591), Exports (115), Employment (542).

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Working environment

Over the past twelve months, most businesses (81%) had taken actions to address their working environment, whilst one in five (19%) had not. Businesses most frequently reported having made their processes more efficient (51%), reviewed supply chains (40%) and taken steps to reduce their emissions (35%).

Fewer businesses reported having changed markets (10%) or moved or extended their premises (8%). This was broadly similar to businesses in the Highlands and Islands, where 81% had taken actions, and 19% had not.

More likely to have taken any actions

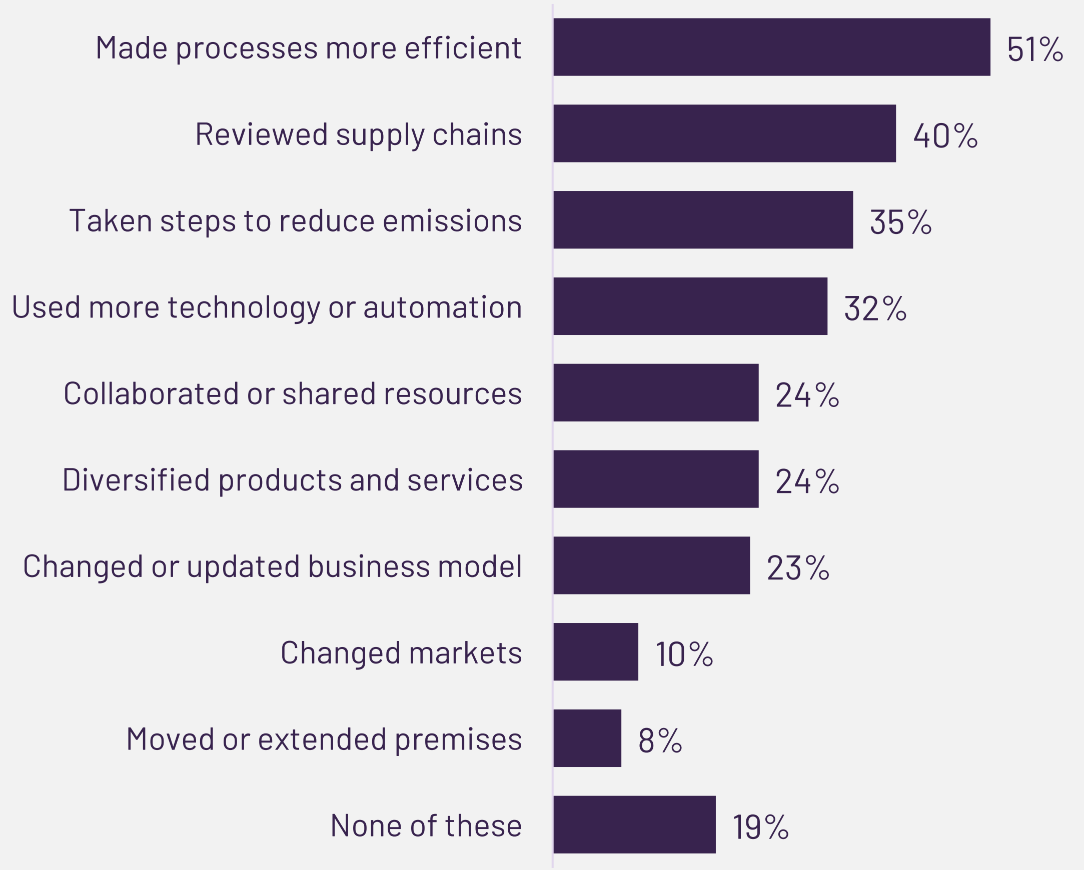
- Social enterprises (94%), co-operatives (94%) and family-owned (85%).
- Arts and services activities* (92%).
- Striving for growth (91%).
- Performed well in the past six months (88%).
- Investing or planning to invest (88%).

More likely not to have taken any actions

- 0-4 staff (22%).
- Wanting to downsize (35%) .
- Not investing (29%).

Looking at variation for each individual action, taking action was closely linked to business aspiration and sector- those who were striving for growth and the arts and entertainment sector were more likely to have taken most actions (see Appendix).

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



Base: All businesses (601)

*Arts and service activities is a combined category including businesses in sector category R – Arts, entertainment and recreation and S – Other services activities

Aspirations

A similar proportion of business were striving for growth (42%) as were content with their current level of performance (39%). Fewer businesses (16%) wanted to downsize.

Compared with the previous wave in November/December 2023, the proportion of businesses striving for growth decreased (from 47% to 42%), while the proportion wanting to downsize increased (from 13% to 16%).

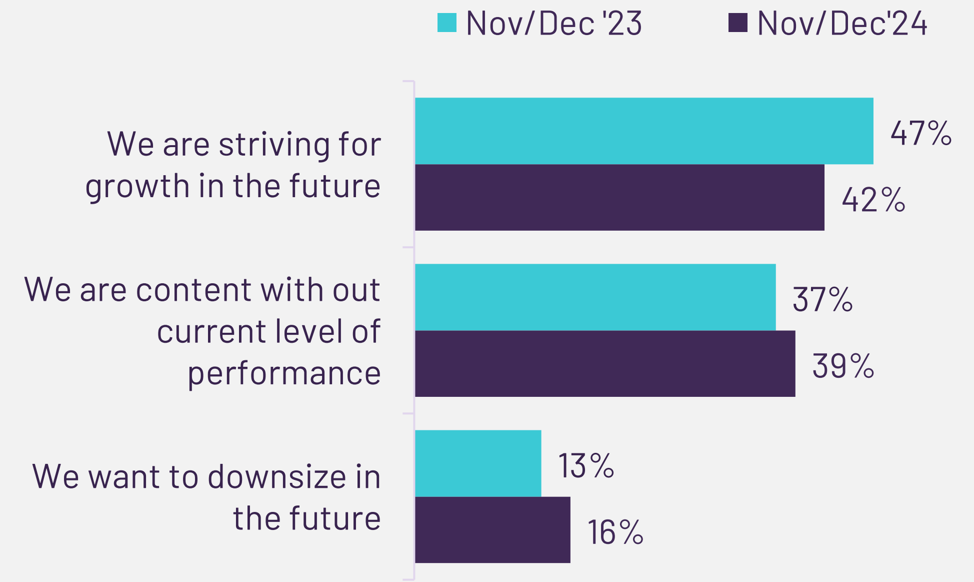
More likely to be striving for growth:

- Arts and service activities (66%).
- Wholesale, retail and repairs (53%).
- Women-led (60%).
- Investing or planning to invest (55%).
- Importing from (51%) and selling to (55%) international markets.
- Struggled in the past 6 months (49%).

More likely to want to downsize:

- Not confident in the economy (20%).
- Not investing (27%).
- Struggled in the past 6 months (28%).

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



Base: All businesses Nov/Dec 2023 (603) | All businesses Nov/Dec 2024 (601)

Performance expectations

Overall, businesses expected stability in the months ahead. A majority (64%) were expecting to perform at much the same level over the next six months, with a smaller proportion expecting to perform better (17%) or worse (16%) than their current level of performance.

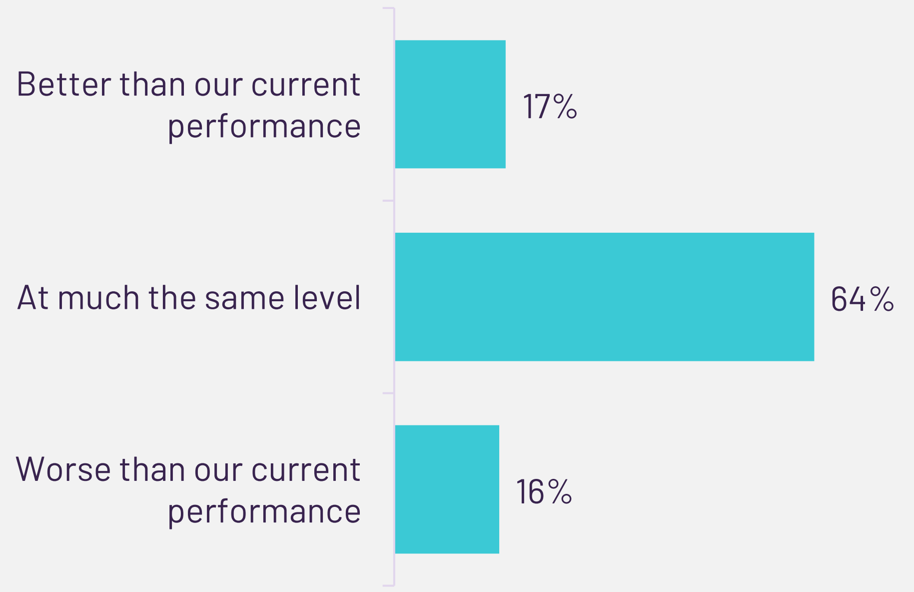
More likely to expect better performance

- Creative industries growth sector (33%).
- Women-led (31%).
- Striving for growth (29%).
- Confident in economy (25%).
- Performed well in the past 6 months (24%).
- Investing or planning to invest (22%).

More likely to expect worse performance

- Accommodation and food services (35%).
- Tourism growth sector (33%).
- Wanting to downsize (42%).
- Struggled in the past 6 months (33%).
- Not confident in the economy (24%).
- Not investing (22%).

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



Base: All businesses (601)

04

Planning and Prioritisation

Key findings

- More than half of businesses (59%) were either currently investing (39%) or planning to invest in the future (20%), with around two-in-five (39%) not investing or planning to invest.

- Among businesses who were investing or planning to invest, the most common immediate investment priorities were: workforce development and wellbeing (35%) and process efficiency (34%).

- There was no single reason why businesses were investing or planning to invest. About a quarter of businesses who were investing, or planning to invest, were doing so to support growth (27%), with a similar proportion investing to maintain current performance (26%) or to build resilience for future challenges (24%). A smaller proportion were investing to survive current challenges (19%).

- Among those businesses not investing or planning to invest, 39% said that they were performing well without investment, 37% were focussed on survival and 36% were currently saving funds.

- Business attitudes to investment risk was varied, with around a third of businesses describing themselves as risk averse (31%), and a similar proportion being open to risk (33%) or risk neutral (32%)

59% were investing or planning to invest.

39% were not investing because they were performing well without investment.

37% were not investing because they were focussed on survival.

31% risk averse.

32% risk neutral.

33% open to risk.

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Investment

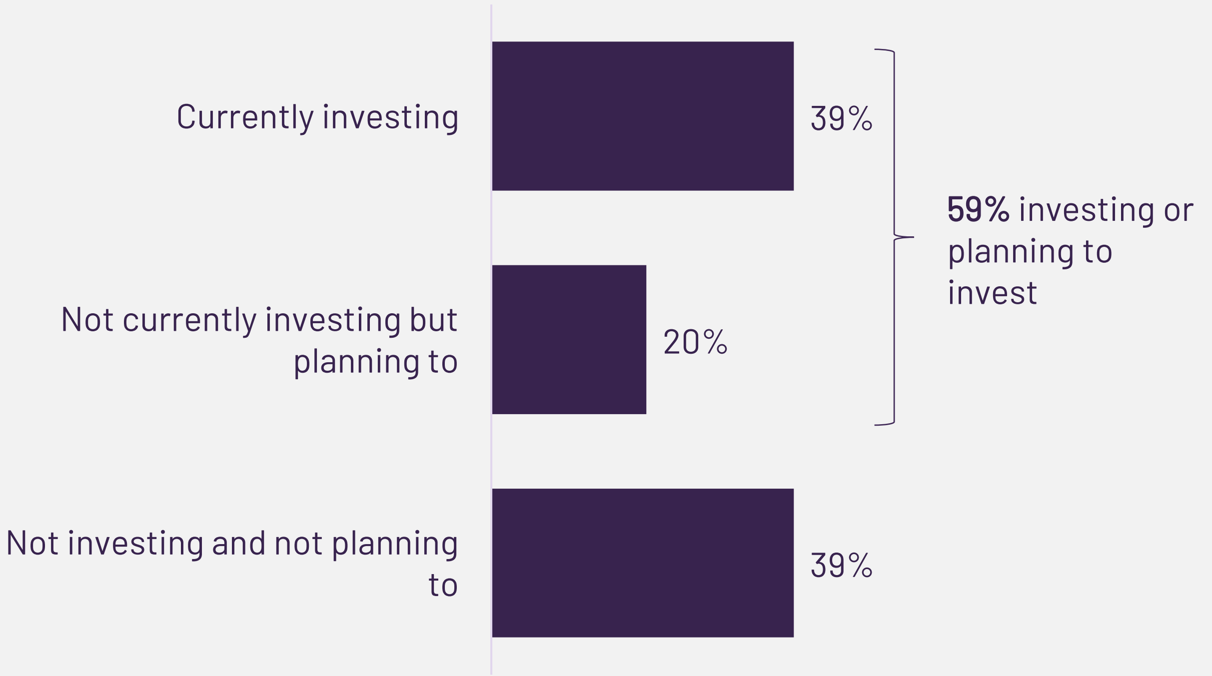
More than half of businesses (59%) were either currently investing (39%) or planning to invest in the future (20%), with around two-in-five not investing or planning to invest (39%).

More likely to be currently investing
- Striving for growth (53%).
- Exporters (44%).
- Tourism growth sector (52%).

More likely to not be investing, but planning to invest
- Striving for growth (24%).

More likely not to be investing and not planning to invest
- 0-4 staff (42%).
- Wanting to downsize (66%) or content with current level of performance (46%).

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

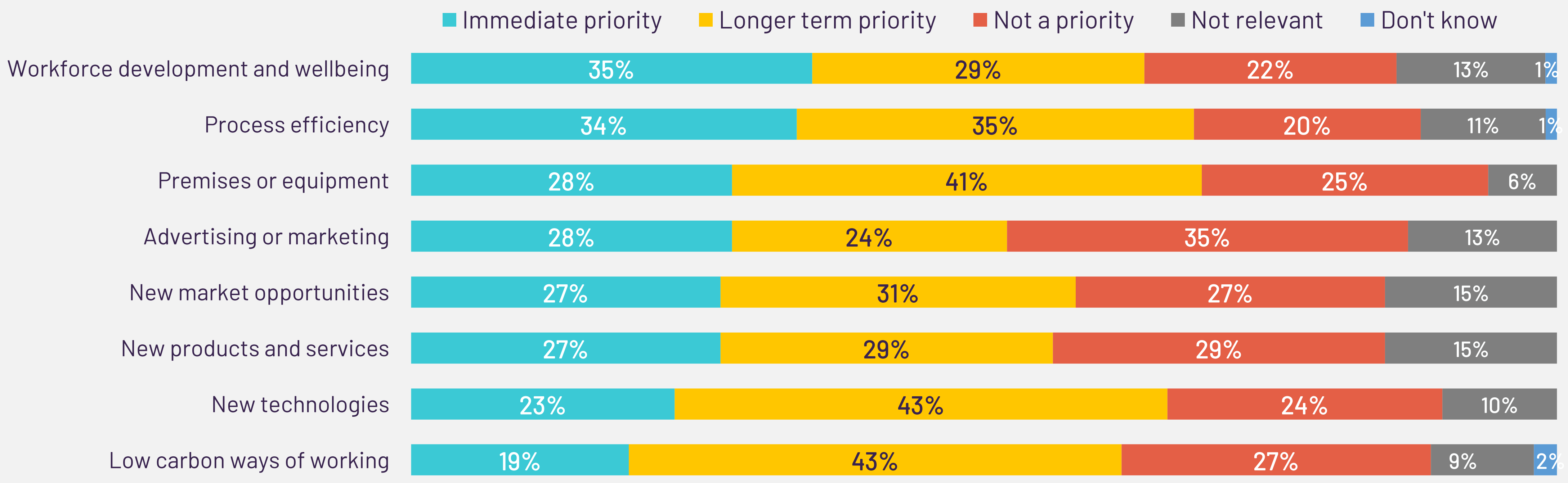


Base: All businesses (601)

Investment priorities

Among businesses who were investing or planning to invest, the most common immediate investment priorities were: workforce development and wellbeing (35%) and process efficiency (34%). New technologies and low carbon ways of working were least likely to be immediate investment priorities (23% and 19%), but were more commonly seen as longer-term priorities (43% 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 (371)

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Investment priorities

Certain types of business were more likely to be prioritising immediate investment across several areas. These included businesses in the 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 immediate priority

Workforce development and wellbeing

- Striving for growth (44%), importers (38%).

New products and services

- Wholesale and retail (41%), striving for growth (31%), struggled in the past 6 months (35%), creative industries growth sector (43%).

New market opportunities

- Striving for growth (37%), exporters (31%), struggled in the past 6 months (43%).

New technologies

- Professional, scientific and technical (37%), striving for growth (27%), performed well in the past 6 months (33%).

Advertising or marketing

- Art and service activities (58%), wholesale and retail (47%), striving for growth (36%), struggled in the past 6 months (39%).

More likely than average to say these were a longer-term priority

Low carbon ways of working

- Performed well in the past 6 months (52%).

New products and services

- Striving for growth (34%), food and drink growth sector (38%).

New market opportunities

- Arts and service activities (48%), striving for growth (37%), performed well in the past 6 months (40%).

New technologies

- Arts and service activities (64%).

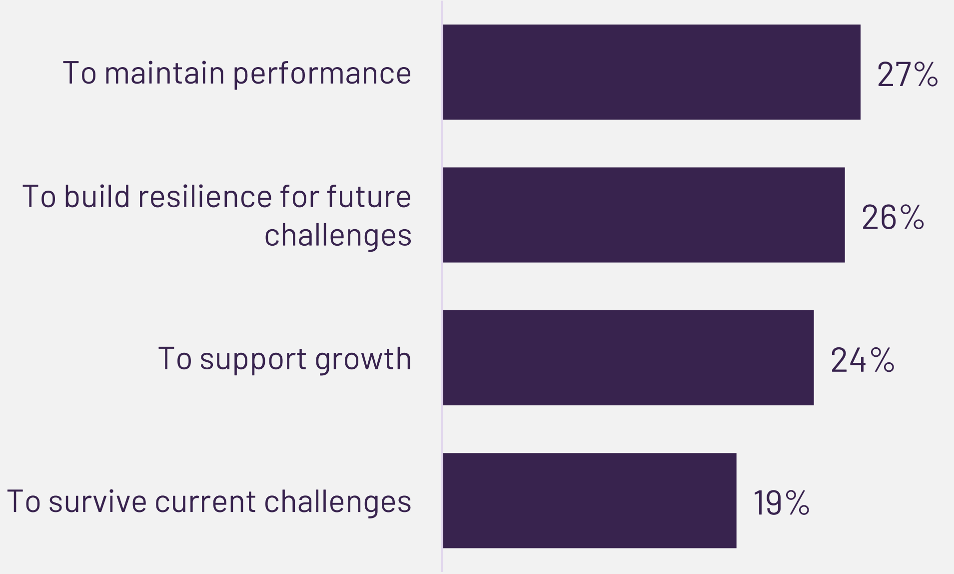
Advertising or marketing

- Striving for growth (32%).

Reasons for investing

There was no single reason why businesses were investing or planning to invest. About a quarter of businesses who were investing, or planning to invest, were doing so to support growth (27%), with a similar proportion investing to maintain current performance (26%) or to build resilience for future challenges (24%). A smaller proportion were investing to survive current challenges (19%).

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



Base: All businesses that are investing or planning to invest (371)

More likely to be investing, or planning to invest:

To support growth
- Arts and service activities (46%).
- Confident in the economy (32%).
- Striving for growth (33%).
- Performed well in the past 6 months (37%).

To maintain performance
- Content with current level of growth (40%).

To build resilience for future challenges
- Primary industries (34%).
- Food and drink growth sector (34%).

To survive current challenges
- Urban businesses (26%).
- Not confident in the economy (26%).
- Struggled in the past 6 months (35%).

Reasons for not investing

Among those businesses not investing or planning to invest, 39% said that they were performing well without investment, 37% were focussed on survival and 36% were currently saving funds.

Reasons <u>not</u> to be investing were more common among:

Sector
- Primary industries – not sure where to prioritise investment (20%).
- Wholesale, retail and repairs – business is winding down (39%).

Location
- Dumfries and Galloway – lack of funds to invest (33%).

Confidence in the economy
- Confident –performing well without investment (51%).
- Not confident – focused on survival (49%), lack of funds to invest (37%).

Performance over past 6 months
- Performed well – performing well without investment (70%).
- Struggled – focused on survival (58%), lack of funds to invest (46%).

Business aspiration
- Striving for growth – focused on survival (54%), lack of funds to invest (46%).
- Content - performing well without investment (56%).
- Wanting to downsize – business is winding down (49%).

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 (219)

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Approach to risk

Business attitudes to investment risk varied, with around a third of businesses describe themselves as risk averse (31%), and a similar proportion being open to risk (33%) or risk neutral (32%)

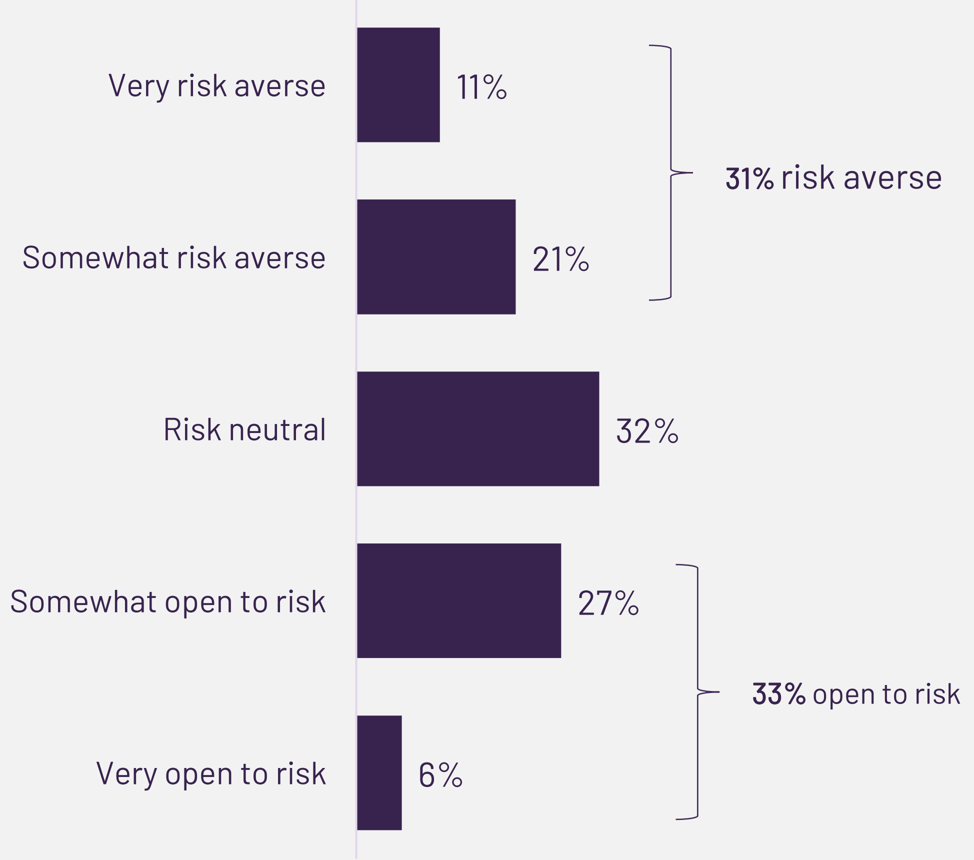
More likely to be risk averse:

- Accommodation and food services (44%).
- Not confident in the economy (36%).
- Women-led (43%).
- Not investing (38%).
- Citing finances (42%) and economic uncertainty (36%) as key challenges.

More likely to be open to risk:

- Striving for growth (40%).
- Family-owned (38%).
- Exporters (38%).
- Investing or planning to invest (43%).
- Citing access to skilled labour as a key challenge (41%).

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



Base: All businesses (601)

05

Challenges

Key findings

- The two or three biggest challenges facing businesses were identified as economic uncertainty (cited by 52% of businesses), legislation and regulation (43%), and the cost of doing business (41%),
- Transport connectivity and a lack of housing were less commonly reported challenges (cited by 7% and 2% of businesses respectively).

52% cited economic uncertainty as a key challenge.

51% cited legislation and regulation.

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Challenges

The two or three biggest challenges facing businesses were identified as economic uncertainty (cited by 52% of businesses), legislation and regulation (43%), and the cost of doing business (41%).

Certain challenges were more commonly selected by:

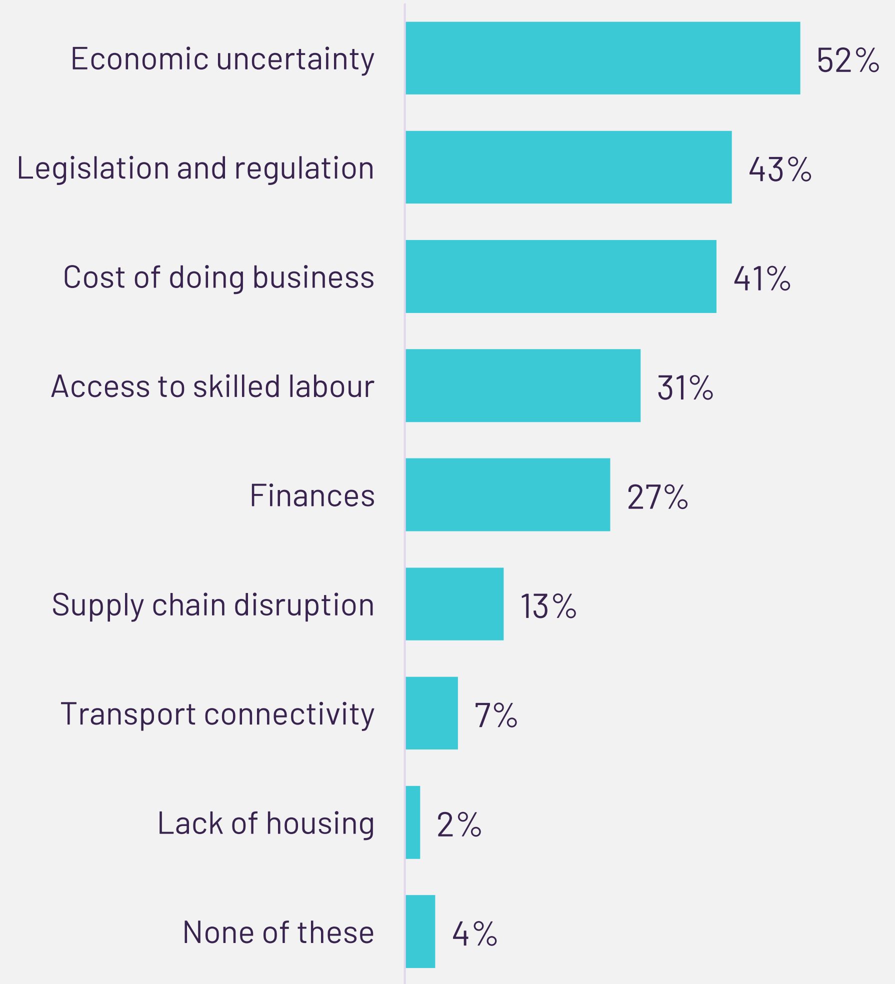
Sector
- Primary industries- legislation and regulation (59%), access to skilled labour (38%).
- Manufacturing and Wholesale, retail and repairs – supply chain disruption (29% and 26%).
- Accommodation and food services – cost of doing business (61%).
- Arts and service activities – finances (50%).
- Tourism growth sector – cost of doing business (59%), finances (41%), and transport (17%) .

Business aspiration
- Striving for growth – access to skilled labour (39%), finances (30%), and housing (16%).

Import and Export
- Importers – access to skilled labour (33%).
- Exporters – legislation and regulation (47%).

Performance over past 6 months
- Performed well – access to skilled labour (38%).
- Struggled – economic uncertainty (59%), cost of doing business (54%), and finances (41%).

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



Base: All businesses (601)

06 Financial Outlook

Key findings

- Most businesses (94%) said they had a significant financial concern. High and increasing costs was a significant concern for almost three-quarters (73%), while profit margins (54%), increased cost of labour (52%), and having to charge higher prices (49%) were significant concerns for around half of businesses.

- The top measures businesses were taking to support their finances were loans from banks or financial institutions (31%) and credit or overdrafts (28%). Fewer were using public sector grants or loans (19%), were sharing or pooling resources (11%), using equity finance or shares (4%) or using crowd funding or peer lending (2%).

94% had a significant financial concern.

The top sources of finance were **loans from banks or financial institutions** (31%) and **credit or overdrafts** (28%)
.

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Financial concerns

Most businesses (94%) said they had a significant financial concern. High and increasing costs was a significant concern for almost three-quarters (73%), while profit margins (54%), increased cost of labour (52%), and having to charge higher prices (49%) were significant concerns for around half of businesses.

More likely to have at least one significant financial concern:

- Struggled in the past six months (99%).
- Striving for growth (98%).
- Not confident in the economy (97%).

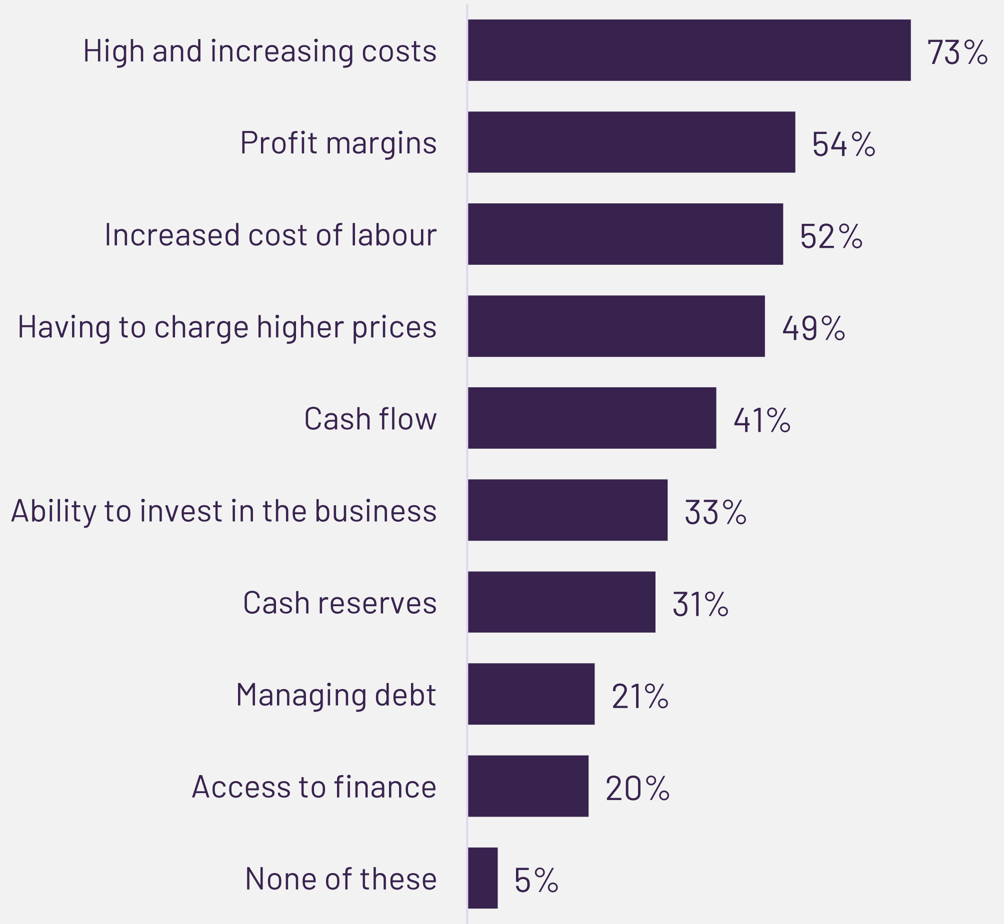
Less likely to have significant financial concerns:

- Financial and business services growth sector (17% said none of these).
- Professional, scientific and technical activities (11%)
- Confident in the economy (9%).

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

- **Accommodation and food services** were particularly concerned about high and increasing costs (93%), having to charge higher prices (63%), and cash reserves (45%).
- **Arts and service activities** were particularly concerned about having to charge higher prices (75%), and access to finance (34%).
- **Primary industries** were more likely to cite their ability to invest in the business (41%) and managing debt (29%).

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



Base: All businesses (601)

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Finances

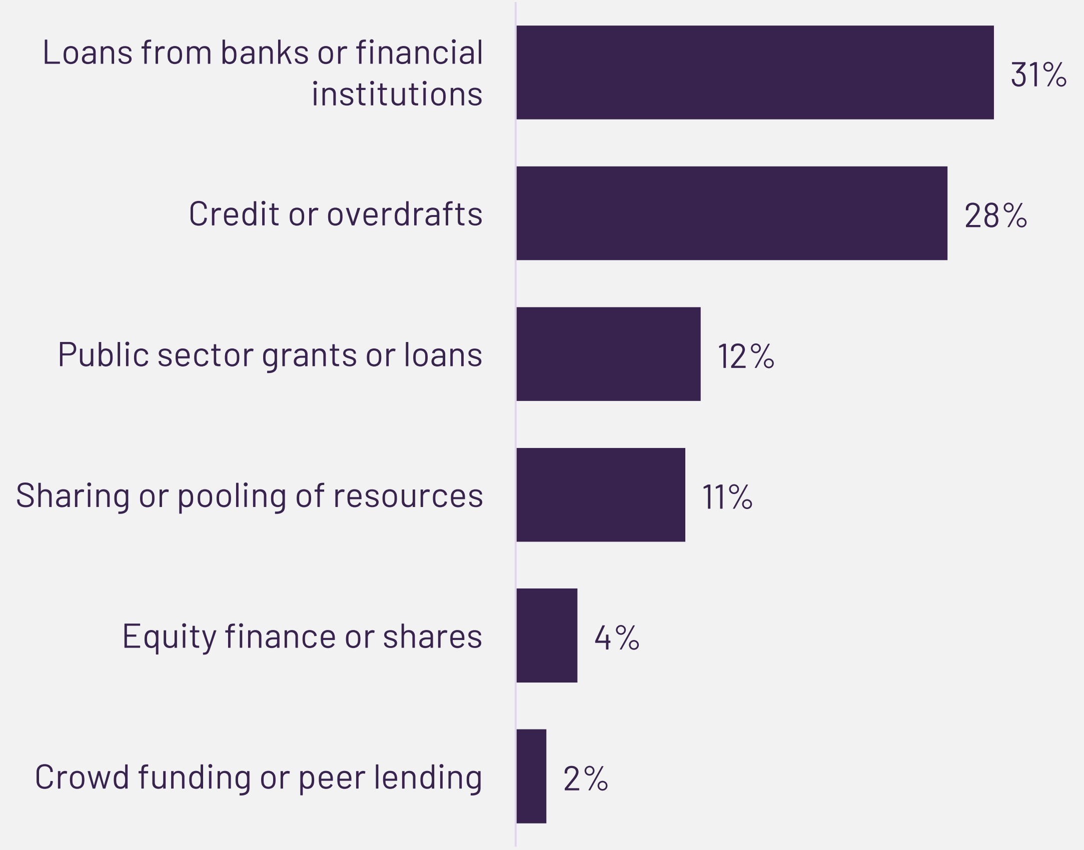
The top measures businesses were taking to support their finances were using loans from banks or financial institutions (31%) and credit or overdrafts (28%).

There was variation by structure, sector, outlook and performance. Businesses that were investing or planning to invest were also more likely to be using a number of these sources of finance (see Appendix).

More likely than average to be using each type:

- **Loans from banks or financial institutions**: Primary industries (48%), Family-owned (40%),
- **Credit or overdrafts:** Struggled in the past six months (37%), Primary industries (36%), Family-owned (35%).
- **Public sector grants or loans:** Primary industries (18%), Striving for growth (17%).
- **Sharing or pooling resources:** Manufacturing (25%), Creative industries growth sector (24%).
- **Equity finance:** Professional, scientific and technical services (9%), Creative industries growth sector (9%).
- **Crowd funding or peer lending:** Arts and service activities (13%).

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



Base: All businesses (601)

07

Markets

Key findings

- Eighty-two percent (82%) of businesses were importers (sourcing goods or materials from outside Scotland), with 81% importing from the rest of the UK and 29% from outside the UK. The majority of businesses (90%) sourced goods and materials from Scotland, with 16% sourcing only from Scotland.

- More than two thirds (67%) of businesses were exporters (selling to markets outside Scotland), with 66% selling to the rest of UK and 18% outside the UK. The majority (97%) of businesses sold goods or services within Scotland, with 32% selling only in Scotland.

- Most businesses wanted their sales in existing markets to either remain stable or to grow. For each market, businesses were most likely to want the level of sales to be maintained (53% in Scotland, 57% in rest of UK, 46% outside the UK) or to grow (42% in Scotland, 37% in rest of UK, 36% outside the UK). Fewer wanted sales to contract (12% outside the UK, 5% in rest of UK, 4% in Scotland).

- Among businesses not already selling in the rest of the UK, or outside the UK, most did not plan to do so (89% and 94% respectively).

82% were importers.
67% were exporters.

36% of those already selling outside the UK were aiming for an increase in sales.

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Import markets

Eighty-two percent (82%) of businesses were importers*, with 81% importing from the rest of the UK and 29% from outside the UK. The majority of businesses (90%) sourced goods and materials from Scotland, with 16% sourcing only from Scotland.

The proportion importing from outside the UK was similar to the previous wave (29% compared to 31% in Nov/Dec 23). This was lower than the levels seen in 2021 (of between 37% and 38%).

More likely than average to be importing

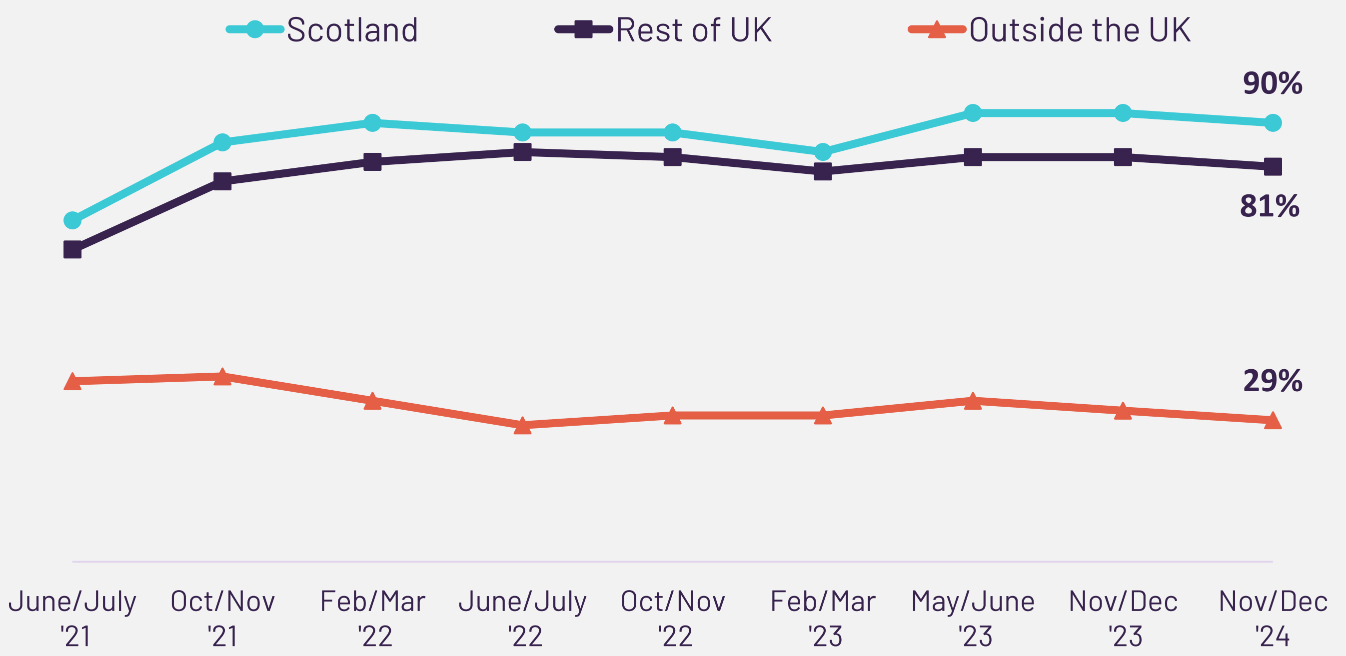
- Manufacturing (100%).
- Wholesale, retail and repairs (90%).
- Struggled in the past six months (88%).
- Striving for growth (87%).

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

- Looking to downsize (27%).

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 (601)

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

Export markets

More than two thirds (67%) of businesses were exporters (selling to markets outside Scotland), with 66% selling to the rest of UK and 18% outside the UK. The majority (97%) of businesses sold goods or services within Scotland, with 32% selling only in Scotland.

The proportion selling outside of the UK was similar to the previous wave (19% in Nov/Dec 23) but remained lower than the level seen in Jun/Jul 21 (33%).

More likely than average to be exporting

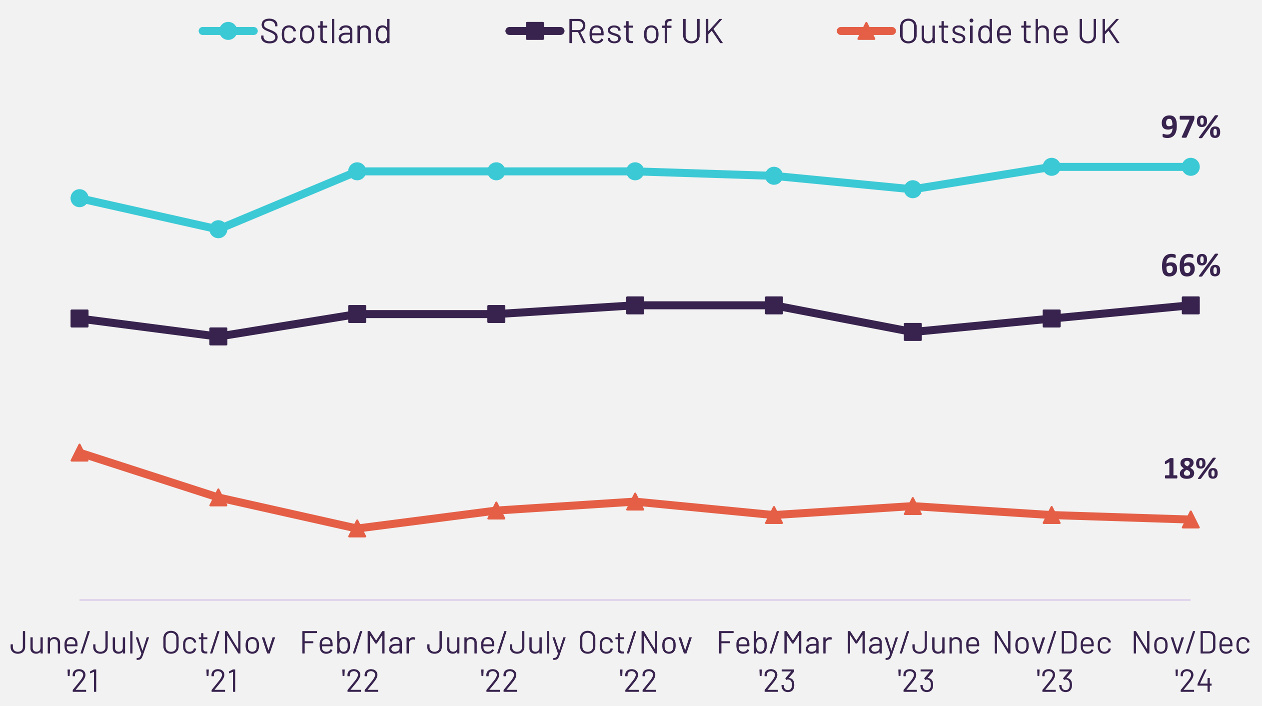
- Creative industries (81%).
- Investing or planning to invest (73%).
- Striving for growth (72%).

More likely than average to be selling only in Scotland

- Construction (56%).
- Not investing (41%).

Further variation by sector can be found in the appendix.

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



Base: All businesses (601)

Market aspirations

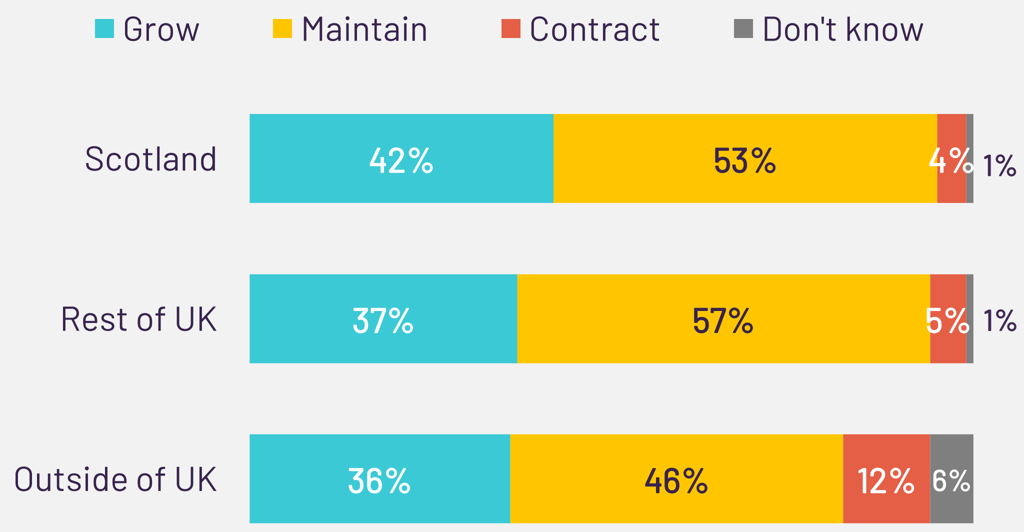
Existing markets

Most businesses wanted their sales in existing markets to either remain stable or to grow.

For each market, businesses were most likely to want the level of sales to be maintained (53% in Scotland, 57% in rest of UK, 46% outside the UK) or to grow (42% in Scotland, 37% in rest of UK, 36% outside the UK). Fewer wanted sales to contract (12% outside the UK, 5% in rest of UK, 4% in Scotland).

Businesses striving for growth were more likely than average to want to grow their existing sales in each market: Scotland (65%), Rest of the UK (56%) and Outside the UK (47%).

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 (568), Rest of UK (389), Outside the UK (114).

New markets

Among businesses not already selling in the rest of the UK, or outside the UK, most did not plan to do so. For the rest of the UK 89% did not plan to enter the market, 5% planned to enter for the first time, and 1% to re-enter. For outside the UK, 94% did not plan to enter the market, 3% planned to enter for the first time, and 2% to re-enter.

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08

Workforce

Key findings

- For employers, temporary or seasonal roles were more of a challenge than permanent roles: 29% did not have enough staff to fill temporary or seasonal roles, while 22% did not have enough staff to fill permanent roles.
- When it came to skills, 23% of employers did not have enough of the right level of skills for temporary or seasonal roles, while 16% did not have the right level of skills for permanent roles.
- The top three barriers to getting skilled staff were: required skills being in short supply (63%), difficulty attracting apprentices or graduates (40%) and location of the business (36%).
- Most employers (75%) were taking some form of action in relation to their workforce. The top action was training (54%), followed by offering flexible working (38%), and making pay and rewards more competitive (35%).
- In response to upcoming increases associated with the cost of staff, half of employers (50%) planned to absorb the additional cost, while 48% planned to increase prices. Fewer were planning to pause or stop recruitment (29%), reduce or stop planned pay increases or benefits (20%), or reduce the number of staff (16%). Similar numbers said they would reduce costs some other way (41%) or felt it was too soon to say (37%).

For temporary/seasonal roles:

29% did not have enough staff.

23% did not have the right level of skills.

For permanent roles:

22% did not have enough staff.

16% did not have the right level of skills.

75% were taking some form of action in relation to their workforce.

50% were planning to increase prices in response to increases in the cost of staff.

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Workforce numbers and skills

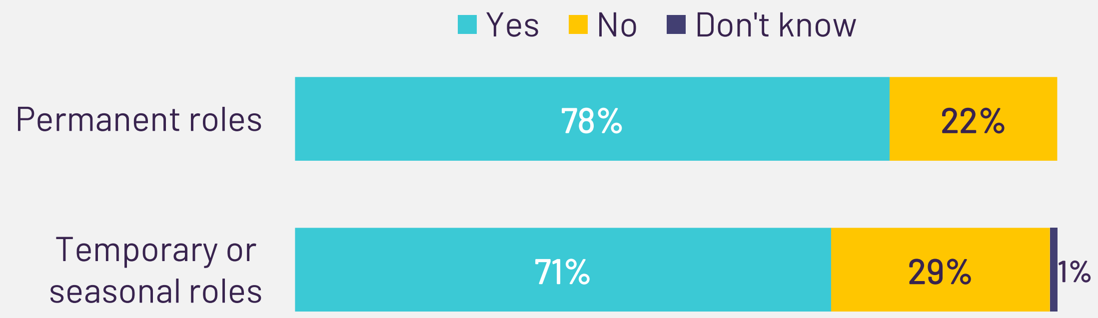
For employers, temporary or seasonal roles were more of a challenge than permanent roles:

- 29% did not have enough staff to fill temporary or seasonal roles, while 22% did not have enough staff to fill permanent roles.
- 23% of employers did not have enough of the right level of skills for temporary or seasonal roles, while 16% did not have the right level of skills for permanent roles.

Employers that were less likely to have enough permanent staff: those striving for growth (29% do not have enough staff), and those investing/planning to invest (26%).

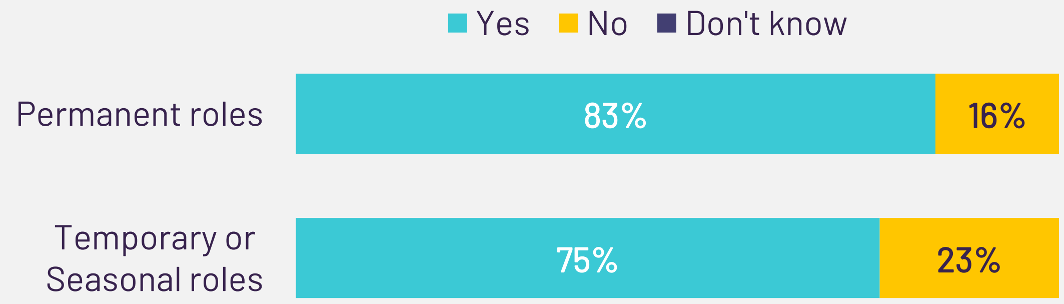
There were no significant differences among businesses less likely to have enough skilled staff.

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



Base: All employers to whom it applied: permanent roles (453), temporary or Seasonal Roles, (333)

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



Base: All employers to whom it applied: permanent roles (464); temporary or seasonal Roles, (316)

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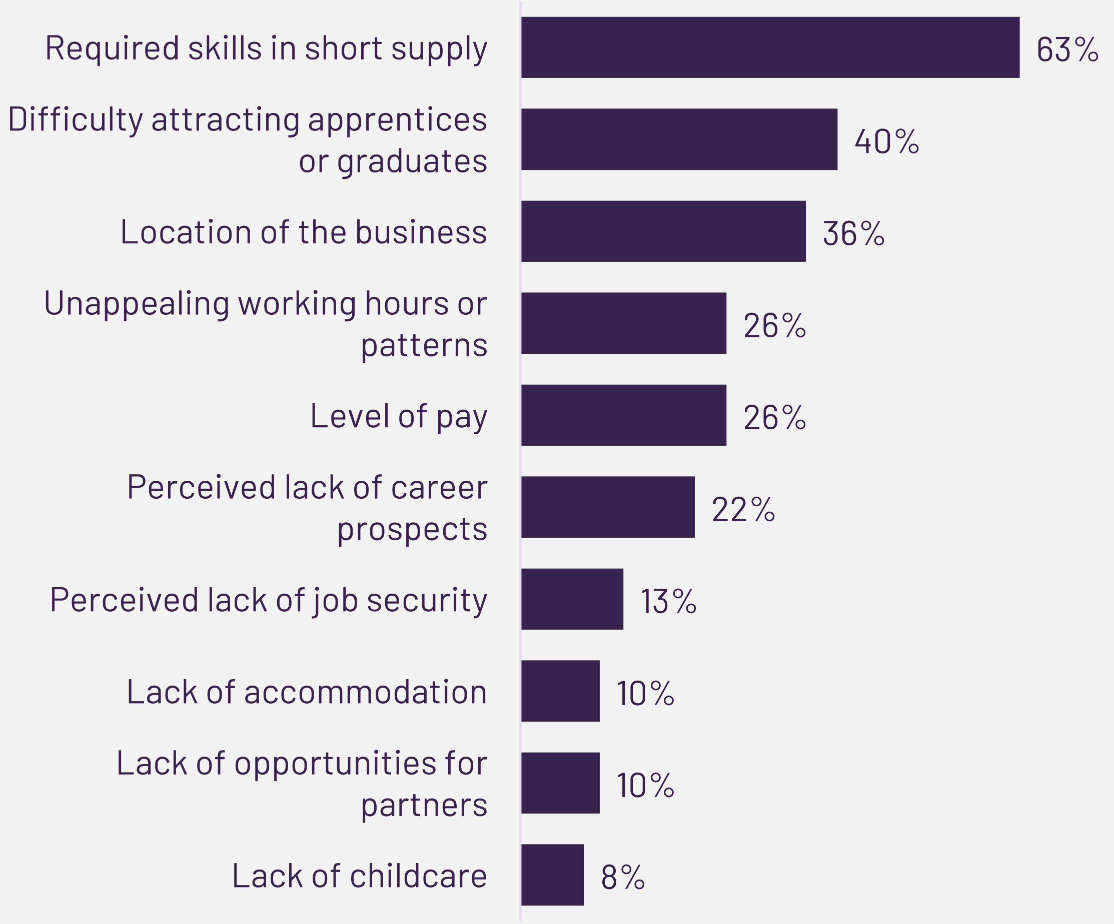
Workforce challenges

The top three barriers to getting skilled staff were: required skills being in short supply (63%), difficulty attracting apprentices or graduates (40%) and location of the business (36%).

Employers more likely to be experiencing certain barriers:

- **Required skills being in short supply** was a particular challenge for primary industries (76%), and the food and drink growth sector (76%).
- **Unappealing working hours or patterns** was a particular challenge for the food and drink growth sector (48%).
- **Perceived lack of career prospects** was a particular challenge for businesses striving for growth (29%).
- **Lack of accommodation** was a particular challenge for businesses that had struggled in the past six months (20%).

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



Base: All businesses without enough skilled staff (198)

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Workforce actions

Most employers (75%) were taking some form of action in relation to their workforce. The top action was training (54%), followed by offering flexible working (38%), and making pay and rewards more competitive (35%).

More likely to be taking action in relation to their workforce

- Striving for growth (83%taking at least one action).
- Investing or planning to invest (83%).

Less likely to be taking action in relation to their workforce

- Not investing (38% none of these).
- Looking to downsize (37%).
- 0-4 staff (29%).

Further variation by sector can be found in the appendix.

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

Base: All employers (473)

Response to cost increases

In response to upcoming increases associated with the cost of staff, half of employers (50%) planned to absorb the additional cost, while 48% planned to increase prices. Fewer were planning to pause or stop recruitment (29%), reduce or stop planned pay increases or benefits (20%), or reduce the number of staff (16%).

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.

Increase prices

- Accommodation and food services (72%), Professional, scientific and technical activities (72%), Wholesale, retail and repairs (60%).
- Tourism growth sector (70%).
- Striving for growth (54%).

Pause or stop recruitment

- Struggled in the past six months (40%) and not confident in the economy (38%).

Reduce or stop planned pay and benefit increases

- Not confident in the economy (26%).

Reduce the number of staff

- Struggled in the past six months (23%), and not confident in the economy (22%).

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

Base: All employers (473)

SOUTH of SCOTLAND ENTERPRISE

09

Net Zero

Key findings

- Just under a third of businesses (32%) had a formal plan in place for reducing their emissions. This was an increase on Feb/Mar 2023 when 14% of businesses had a formal plan in place.

- Four in ten businesses were reducing emissions in their premises and equipment (45%), or operations (43%). Around a fifth were intending to reduce emissions in these areas (19% and 17% respectively), while around a third were not intending to do so (31% and 30% respectively).

- In terms of what would help businesses move to lower carbon ways of working, more than half (58%) said they needed financial support, while four in ten said they needed information about opportunities (46%), guidance on what changes to make (46%) or access to equipment and technology (44%).

32% had a formal plan for reducing emissions.

45% were reducing emissions in their premises and equipment.
43% were reducing emissions in their operations.

58% said financial support would help them move to lower carbon ways of working.

Plan for reducing emissions

Just under a third of businesses (32%) had a formal plan in place for reducing their emissions. This was an increase on Feb/Mar 2023 when 14% of businesses had a formal plan in place.

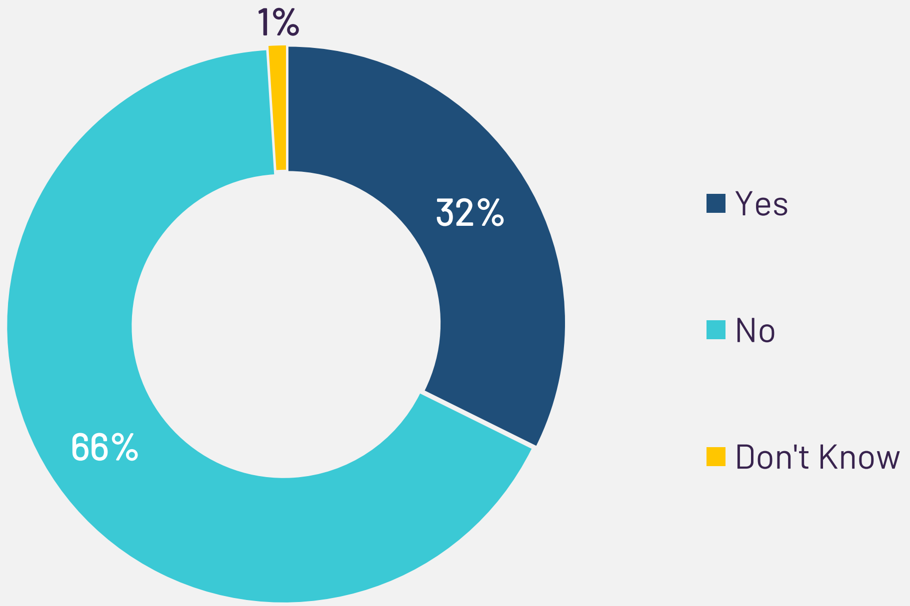
More likely to have a formal plan in place

- Primary industries (52%).
- Food and drink growth sector (52%).
- Administrative and support services (45%).

Less likely to have a formal plan in place

- Wholesale, retail and repairs (83% do not have a plan).
- Creative industries growth sector (80%).
- Professional, scientific and technical activities (79%).

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



Base: All businesses (601)

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Reducing emissions

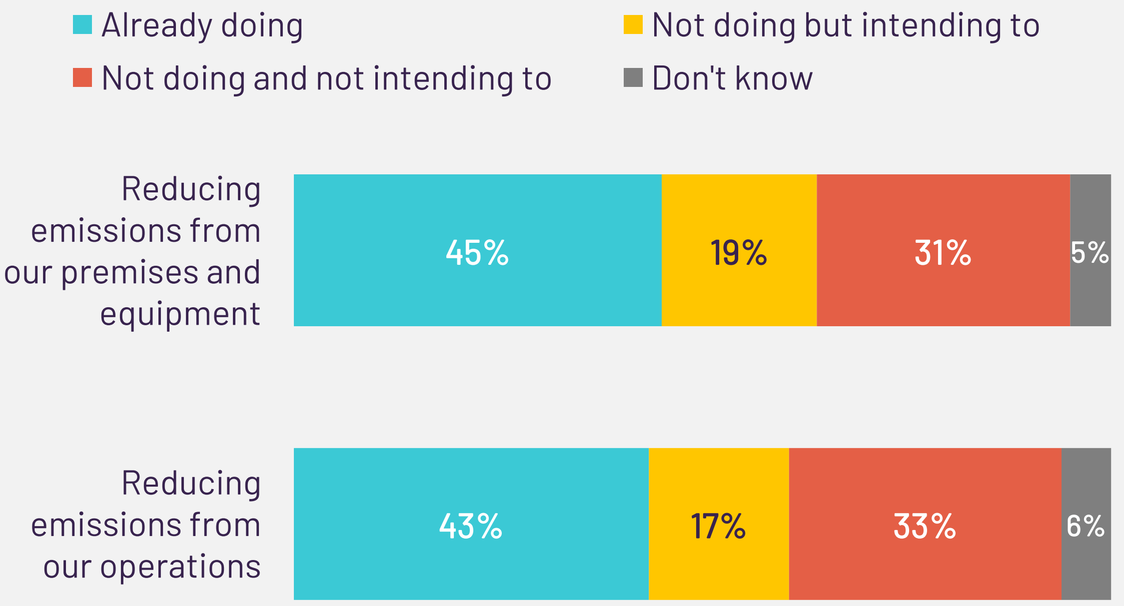
Four in ten businesses were reducing emissions in their premises and equipment (45%), or operations (43%). Around a fifth were intending to reduce emissions in these areas (19% and 17% respectively), while around a third were not intending to do so (31% and 30% res).

Variation

- **Primary industries** businesses were likely to already be reducing emissions in both premises/equipment (54%) and operation (56%).
- **Accommodation and food services** were **less likely** to be reducing emissions in either premises/equipment (45% not doing nor intending to) or operations (50%).
- **Wholesale, retail and repairs** (43%) and **financial and business services** growth sector (49%) were each **less likely** to be reducing operations emissions.

Businesses investing/ planning to invest were more likely to be reducing their emissions or planning to do so. Businesses that were not investing were less likely to be 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 (601)

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Lower carbon working

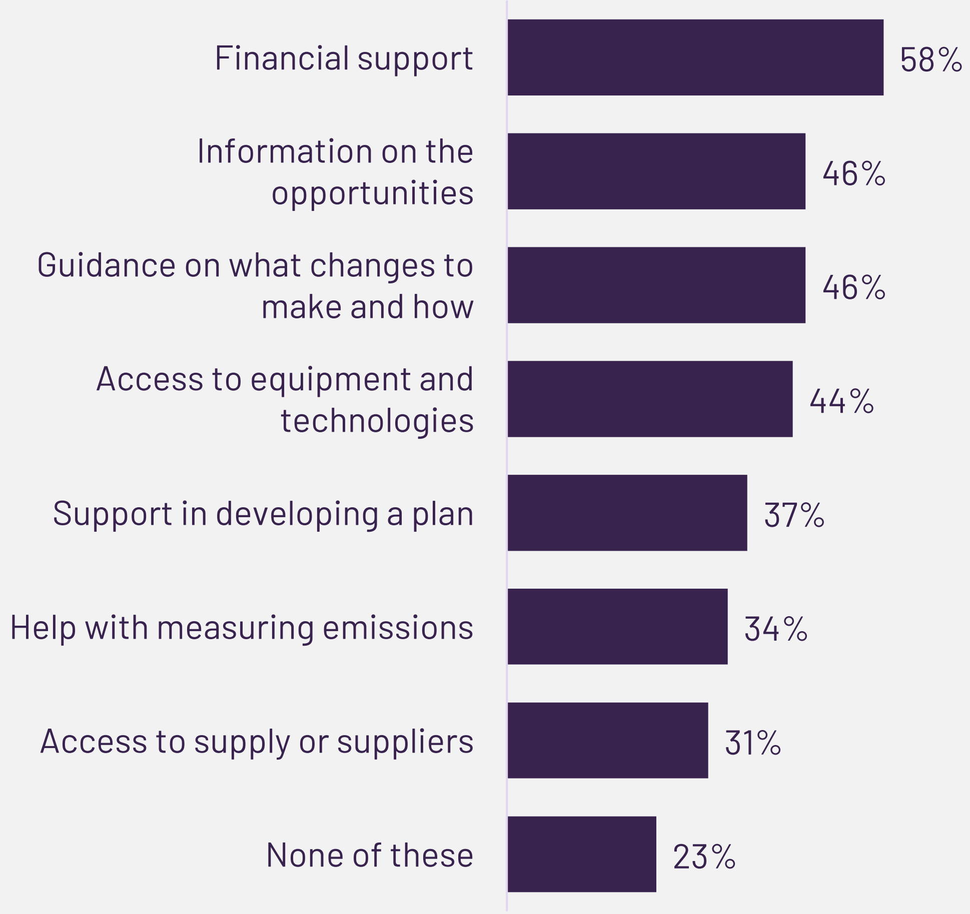
More than half of businesses (58%) said financial support would help them move to lower carbon ways of working. Four in ten said they needed information about opportunities (46%), guidance on what changes to make and how (46%) and access to equipment and technology (44%).

More likely to say the following would help

- **Financial support:** In accessible rural areas (66%), struggled in past 6 months (66%), family-owned (63%).
- **Guidance on what changes to make:** Primary industries (54%), in accessible rural areas (52%).
- **Access to equipment and technologies:** Primary industries (53%), in accessible rural areas (51%), family-owned (48%).
- **Information on the opportunities**: Creative industries growth sector (60%).
- **Access to supply or suppliers:** Arts and service activities (47%).

More likely to say that none of these would help:
Professional, scientific and technical services (34%), looking to downsize (32%).

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



Base: All businesses (601)

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10 Appendix

Working environment – variation 1

	Average	Sector						Growth sector			Location	Rurality
		Primary Industries	Manufacturing	Wholesale, retail & repairs	Professional, scientific and technical activities	Accommodation and food services	Arts and entertainment	Food and drink	Tourism	Creative industries	Scottish Borders	Urban
Made processes more efficient	51	54	59	42	47	56	70	52	62	52	53	49
Reviewed supply chains	40	42	40	47	40	44	49	40	50	41	41	41
Taken steps to reduce emissions	35	45	34	27	26	40	38	47	44	27	38	31
Used more technology or automation	32	31	27	23	45	27	47	32	28	44	35	30
Collaborated or shared resources	24	29	37	12	19	22	39	29	25	28	29	24
Diversified products and services	24	15	36	37	34	17	36	15	21	41	31	30
Changed or updated business model	23	19	38	19	25	36	34	20	37	40	25	24
Changed markets	10	8	25	13	9	15	14	10	16	16	12	11
Moved or extended premises	8	7	13	9	4	7	12	8	10	1	8	8

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Working environment – variation 2

	Average (%)	Business Aspiration	Business Confidence	Business Performance		Business Structure		Import and Export	
		Striving for growth	Not confident	Performed well	Struggled	Family-owned	Women-led	Importers	Exporters
Made processes more efficient	51	59	51	56	56	54	49	54	55
Reviewed supply chains	40	44	45	40	44	41	39	43	43
Taken steps to reduce emissions	35	38	36	29	42	39	37	36	35
Used more technology or automation	32	42	30	40	32	32	39	34	36
Collaborated or shared resources	24	28	24	27	27	22	27	24	26
Diversified products and services	24	34	25	24	27	22	40	25	26
Changed or updated business model	23	32	23	17	32	22	36	23	26
Changed markets	10	15	12	9	16	10	17	11	12
Moved or extended premises	8	15	7	10	7	8	7	8	8

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Import markets – by sector 1

		Sector			
	Average (%)	Primary industries	Manufacturing	Construction	Wholesale, retail and repairs
Scotland	90	96	87	91	81
Rest of UK	81	79	99	79	89
Outside the UK	29	27	44	23	41
Net: importer	82	80	100	81	90
Net: domestic only	16	20	-	19	10
Base	*601*	*157*	*38*	*52*	*96*

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* Shaded cells indicate a figure that is higher than the average. Transport and storage is excluded due to the low base size.

Import markets – by sector 2

		Sector			
	Average (%)	Accommodation and food services	Professional, scientific and technical activities	Administrative and support services	Arts and service activities
Scotland	90	100	83	90	98
Rest of UK	81	78	82	71	78
Outside the UK	29	25	30	21	26
Net: importer	82	80	82	71	79
Net: domestic only	16	20	12	20	19
Base	*601*	*59*	*65*	*38*	*52*

* Shaded cells indicate a figure that is higher than the average. IT, finance & real estate is excluded due to the low base size.

Import markets – by growth sector

		Sector			
	Average (%)	Food and drink	Financial and business services	Tourism	Creative industries
Scotland	90	96	81	100	87
Rest of UK	81	80	70	83	83
Outside the UK	29	27	16	30	40
Net: importer	82	80	70	86	84
Net: domestic only	16	20	14	14	15
Base	*601*	*151*	*44*	*71*	*50*

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Export markets – by sector 1

		Sector			
	Average (%)	Primary industries	Manufacturing	Construction	Wholesale, retail and repairs
Scotland	97	97	98	96	100
Rest of UK	66	72	80	43	69
Outside the UK	18	12	23	5	19
Net: importer	67	72	80	44	71
Net: domestic only	32	27	20	56	29
Base	*601*	*157*	*38*	*52*	*96*

* Shaded cells indicate a figure that is higher than the average. Transport and storage is excluded due to the low base size.

Export markets – by sector 2

		Sector			
	Average (%)	Accommodation and food services	Professional, scientific and technical activities	Administrative and support services	Arts and service activities
Scotland	97	100	98	98	94
Rest of UK	66	57	73	67	58
Outside the UK	18	47	25	11	23
Net: importer	67	57	75	67	58
Net: domestic only	32	43	25	31	37
Base	*601*	*59*	*65*	*38*	*52*

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Export markets – by growth sector

		Sector			
	Average (%)	Food and drink	Financial and business services	Tourism	Creative industries
Scotland	97	98	94	100	97
Rest of UK	66	72	64	59	78
Outside the UK	18	11	20	46	32
Net: importer	67	72	66	59	81
Net: domestic only	32	28	31	41	19
Base	*601*	*151*	*44*	*71*	*50*

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Financial concerns – by sector

		Sector			
	Average (%)	Primary industries	Manufacturing	Construction	Wholesale, retail & repairs
High and increasing costs	73	72	75	73	78
Profit margins	54	57	54	39	58
Increased cost of labour	52	56	54	52	56
Having to charge higher prices	49	27	55	61	65
Cash flow	41	41	36	35	48
Ability to invest in the business	33	41	24	16	28
Cash reserves	31	32	21	20	31
Managing debt	21	29	27	16	18
Access to finance	20	22	16	18	20
None of these	5	3	-	10	3
NET: ANY FINANCIAL CONCERNS	*94*	*97*	*98*	*90*	*97*
Base	*601*	*157*	*38*	*52*	*96*

* Shaded cells indicate a figure that is higher than the average. Transport and storage is excluded due to the low base size.

Financial concerns – by sector

		Sector			
	Average (%)	Accommodation and food services	Professional, scientific and technical activities	Administrative and support services	Arts and service activities
High and increasing costs	73	93	63	74	80
Profit margins	54	66	44	55	56
Increased cost of labour	52	57	43	43	58
Having to charge higher prices	49	63	52	50	75
Cash flow	41	47	42	53	43
Ability to invest in the business	33	43	30	37	44
Cash reserves	31	45	29	40	38
Managing debt	21	21	13	27	16
Access to finance	20	26	16	20	34
None of these	5	2	11	-	2
NET: ANY FINANCIAL CONCERNS	*94*	*98*	*87*	*100*	*98*
Base	*601*	*59*	*65*	*38*	*52*

* Shaded cells indicate a figure that is higher than the average. IT, finance & real estate are excluded due to the low base size.

Financial concerns – by growth sector

		Sector			
	Average (%)	Food and drink	Financial and business services	Tourism	Creative industries
High and increasing costs	73	72	55	91	72
Profit margins	54	57	44	65	50
Increased cost of labour	52	57	40	55	41
Having to charge higher prices	49	25	42	63	57
Cash flow	41	42	30	46	42
Ability to invest in the business	33	40	26	37	31
Cash reserves	31	32	31	40	30
Managing debt	21	30	2	22	12
Access to finance	20	22	11	26	13
None of these	5	3	17	2	7
NET: ANY FINANCIAL CONCERNS	*94*	*96*	*81*	*98*	*93*
Base	*601*	*151*	*44*	*71*	*50*

* Shaded cells indicate a figure that is higher than the average. Energy is excluded due to the low base size. There were no Life sciences businesses in the survey.

Finances – approach to investment

	Average (%)	Businesses investing or planning to invest	Businesses not investing
Loans from banks or financial institutions	31	35	23
Credit or overdrafts	28	32	24
Public sector loans or grants	12	13	10
Sharing or pooling of resources	11	13	9
Equity finance or shares	4	5	2
Crowdfunding or peer lending	2	3	-
Base	*601*	*371*	*219*

* Shaded cells indicate a figure that is higher than the average.

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Workforce actions – by sector 1

		Sector		
	Average (%)	Primary industries	Construction	Wholesale, retail & repairs
Workforce training	54	57	58	43
Offering flexible working	38	33	26	44
Making pay and rewards more competitive	35	30	47	38
Recruiting staff	22	16	42	19
Offering apprenticeships	21	19	48	19
Collaborating or sharing resources	20	24	10	11
Changing working week or core hours	17	12	12	21
Offering home or hybrid working	13	7	6	8
Offering graduate roles	9	6	5	8
None of these	24	24	16	26
NET: ANY ACTIONS	75	73	84	74
Base	*473*	*116*	*41*	*85*

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

Workforce actions – by sector 2

		Sector		
	Average (%)	Accommodation and food services	Professional, scientific and technical activities	Arts and service activities
Workforce training	54	47	62	65
Offering flexible working	38	43	41	41
Making pay and rewards more competitive	35	29	28	38
Recruiting staff	22	19	25	31
Offering apprenticeships	21	8	25	19
Collaborating or sharing resources	20	6	29	40
Changing working week or core hours	17	27	17	27
Offering home or hybrid working	13	2	33	20
Offering graduate roles	9	4	27	17
None of these	24	34	21	18
NET: ANY ACTIONS	75	66	79	82
Base	*473*	*52*	*51*	*43*

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

Workforce actions – by growth sector

		Sector			
	Average (%)	Food and drink	Financial and business services	Tourism	Creative industries
Workforce training	54	55	66	52	51
Offering flexible working	38	30	46	40	56
Making pay and rewards more competitive	35	32	27	31	33
Recruiting staff	22	15	18	26	23
Offering apprenticeships	21	17	10	11	30
Collaborating or sharing resources	20	25	29	15	47
Changing working week or core hours	17	12	12	30	32
Offering home or hybrid working	13	5	42	7	30
Offering graduate roles	9	6	13	5	25
None of these	24	25	26	32	12
NET: ANY ACTIONS	75	73	74	68	88
Base	*473*	*110*	*35*	*61*	*36*

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Reducing emissions – by investment

		Investment	
Reducing emissions from our premises and equipment	Average (%)	Investing or planning to invest (%)	Not investing (%)
Already doing	43	48	41
Not doing but intending to	17	22	15
Not doing and not intending to	33	25	41
Don't know	6	6	3
Base	*601*	*371*	*219*

		Investment	
Reducing emissions from our operations	Average (%)	Investing or planning to invest (%)	Not investing (%)
Already doing	43	47	37
Not doing but intending to	17	20	15
Not doing and not intending to	33	27	43
Don't know	6	6	6
Base	*601*	*371*	*219*

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*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	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.

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Profile of businesses interviewed

Size (no of employees)	Weighted %
Sole trader	25
1-4	53
5-10	13
11-24	6
25+	3

Location	Weighted %
Dumfries and Galloway	61
Scottish Borders	39

Urban/Rural	Weighted %
Remote rural	31
Accessible rural	36
Urban	33

Sector	Weighted %
Primary industries	31
Manufacturing	5
Construction	12
Wholesale and retail	13
Transport and storage	3
Accommodation and food	8
IT, finance and real estate	5
Professional, scientific and technical	10
Administrative and support services	6
Arts and entertainment	6

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Thank you

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