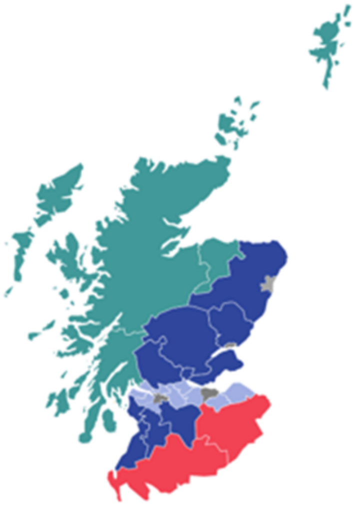
Rural Scotland Business Panel Survey

June 2022 Highlights



The Rural Scotland Business Panel was established to measure and monitor the economic health of rural Scotland through capturing the experiences and opinions of rural businesses and social enterprises.

This briefing presents the highlights of the second survey, with data collected in February/March 2022. Each wave of the survey interviewed c. 2,700 rural businesses across Scotland by telephone. Three geographic areas were covered: Highlands and Islands, South of Scotland, and areas in the rest of rural Scotland, excluding large urban areas.

The Highlands and Islands Enterprise (HIE) and South of Scotland Enterprise (SOSE) Business Panel surveys are distinct components of the overall survey, with findings reported on separately as well as within the larger report. The Rural Scotland Business Panel builds on two existing business surveys: the HIE Business Panel survey, running since 2014, and the SOSE Business Panel survey, running since June 2021.

Businesses were asked their opinions on a range of issues, including optimism and performance, priorities, financial concerns, labour and supply chain issues, net zero, and fair work.

Ipsos
HIE Highlands and Islands Enterprise Iomairt na Gàidhealtachd 's nan Eilean
SOUTH of SCOTLAND ENTERPRISE
Scottish Government Riaghaltas na h-Alba gov.scot

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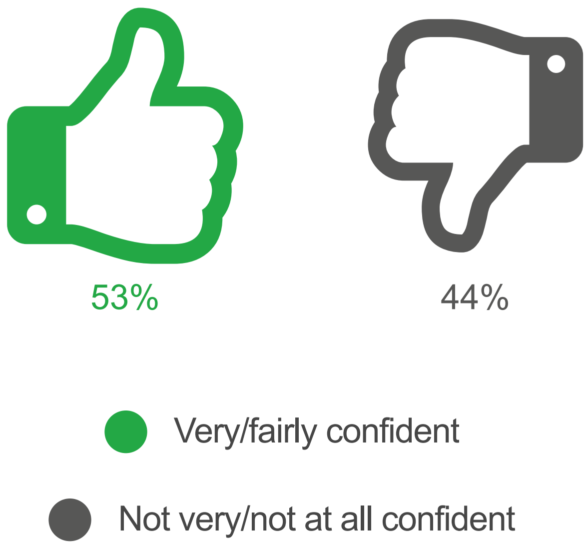
Economic optimism

Confidence in the economic outlook for Scotland over next 12 months was lower than in the previous survey.

In the previous survey (October/November 2021) 60% of rural businesses were confident and 38% were not.

Businesses in the Highlands and Islands were more confident than those in the South of Scotland, and the rest of Rural Scotland.

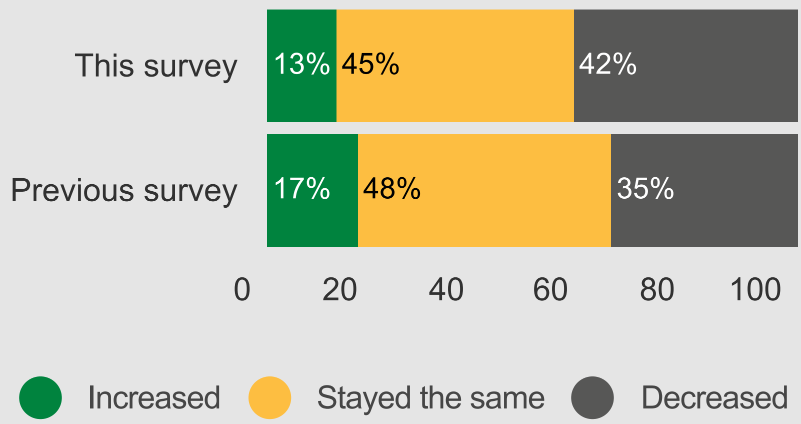
How confident are you in the economic outlook for Scotland over the next 12 months?



Economic optimism over the past 6 months had decreased from the previous survey.

Overall confidence was down 12 points in February/March 2022 at -29. This is compared with -17 in October/November 2021. This figure is the difference between 'increased' and 'decreased' levels of confidence.

Has your confidence level increased, decreased or stayed the same?



Performance

Recovery from COVID-19 seemed to have stabilised. Levels of operation were similar to those reported at the end of 2021.

Most businesses were operating at, or above, the level they were before COVID-19. Two-fifths were still operating below their pre-pandemic levels.

20% Over and above the level we were before COVID-19

38% At much the same level as we were before COVID-19

40% Below the level we were before COVID-19

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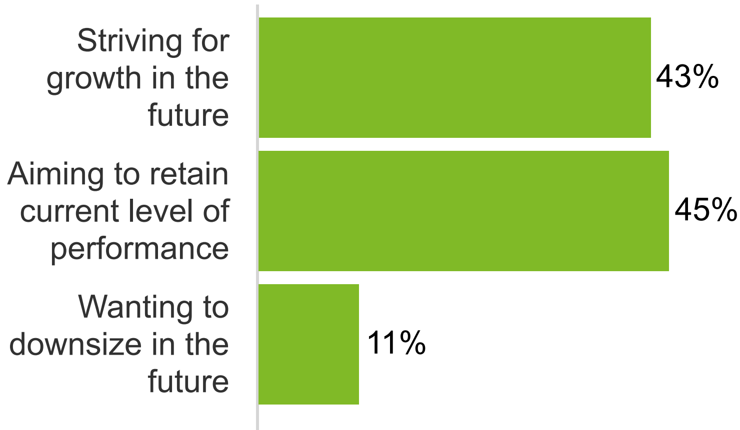
Growth aspirations

Around one in ten rural businesses wanted to downsize.

Similar levels of businesses were striving for growth, and maintaining their current level of performance.

Tourism, women-led businesses, and those trading internationally, were more likely to be striving for growth.

What are your current aspirations for your business?



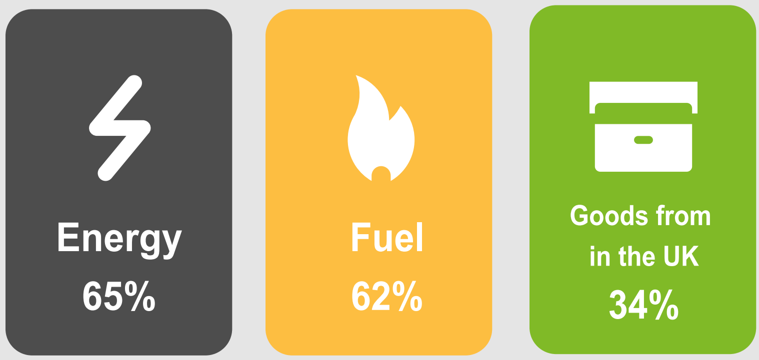
Rising costs

Increasing costs, particularly of energy and fuel, were a big issue for businesses.

93% of businesses were concerned about increasing costs.

Tourism and food & drink businesses were slightly more concerned than average.

Highest cost concerns for rural businesses

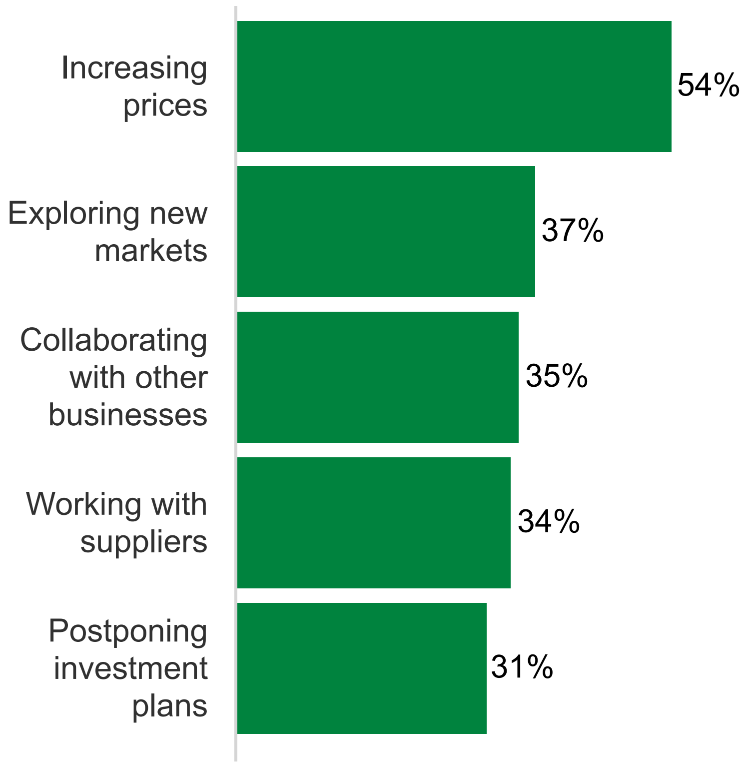


Over half of businesses were increasing prices in response to rising costs.

Those operating above pre-COVID-19 levels, were more likely to be taking actions involving changes to their working practices, including increasing prices and collaborating.

Those operating below pre-pandemic levels were more likely to be scaling back and postponing recruitment or investment plans.

What are you doing in response to rising costs?



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Workforce challenges

Workforce-related challenges including cost of labour, skills shortages, vacancies and absences were common.

65% of employers were experiencing workforce challenges.

Workforce challenges were more common among businesses in the Highlands and Islands, and tourism businesses.

Workforce-related challenges businesses are currently experiencing (Top 3)

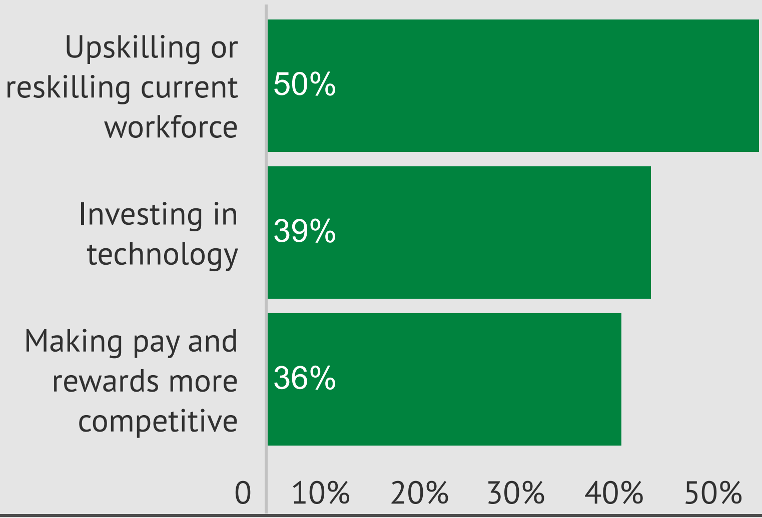
1. Cost of labour (38%)
2. Skills gaps (28%)
3. Unfilled vacancies (23%)

The majority of employers were taking actions to address workforce challenges.

Up-skilling or re-skilling their existing employees was the most common action being taken in relation to their workforce.

Two thirds of employers were confident they could address their workforce challenges, while one third were not.

What actions are you currently taking in relation to your workforce? (Top 3)

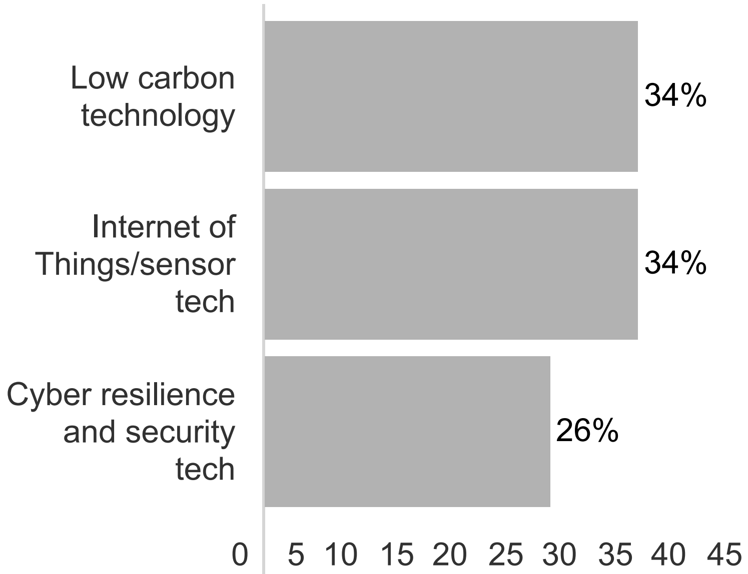


New technology

72% of businesses were using or planning to use new technology.

However, cost of new technology, lack of time, and more pressing priorities were all identified as barriers faced by businesses when adopting new technologies.

Types of technology being used/planned (Top 3)

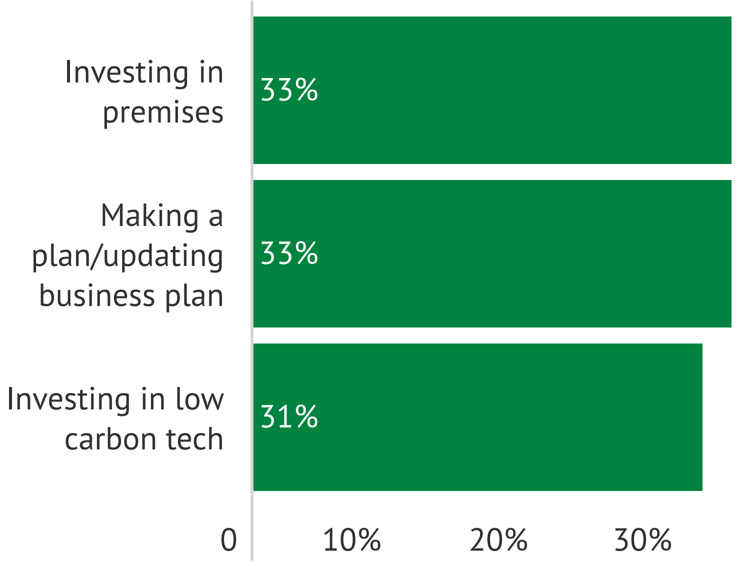


Low carbon & energy efficiency

Most businesses had taken steps to move to low carbon ways of working and enhancing their energy efficiency.

66% of businesses had taken some action to move to low carbon working. 85% of businesses were taking or planning action on energy efficiency, including reducing energy consumption, and installing more energy efficient systems.

Types of technology being used/planned (Top 3)



Areas of focus

However, the immediate focus of most businesses was on business resilience and enhancing productivity.

This is despite the majority of businesses facing labour challenges and taking actions to reduce their carbon emissions.

Is this something you are focussing on now, planning for in the longer term, or not planning for at all?