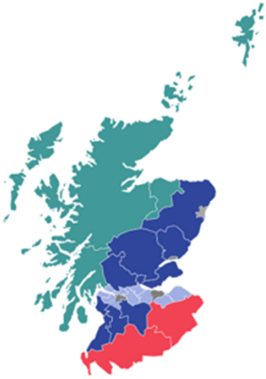
Rural Scotland Business Panel Survey



February 2023 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 fourth survey, carried out in October and November 2022 during a time of increased inflation and the cost of living crisis. 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.

The survey covered a range of topics including: economic optimism, business performance, outlook for the six months ahead, costs, wellbeing and recruitment

Above: Businesses in Aviemore, Nov 2020

Rural Scotland Business Panel Survey
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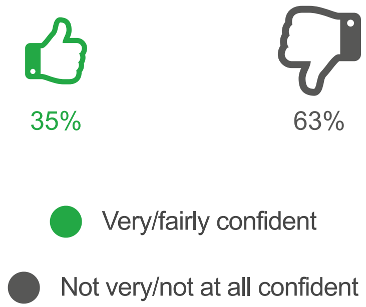
Economic optimism

Confidence in the economic outlook was down and at the lowest level recorded since the survey began in October 2021.

35% of rural businesses were confident and 63% were not. In the previous survey, 53% were confident and 44% were not.

Confident in the economic outlook for Scotland over the next 12 months

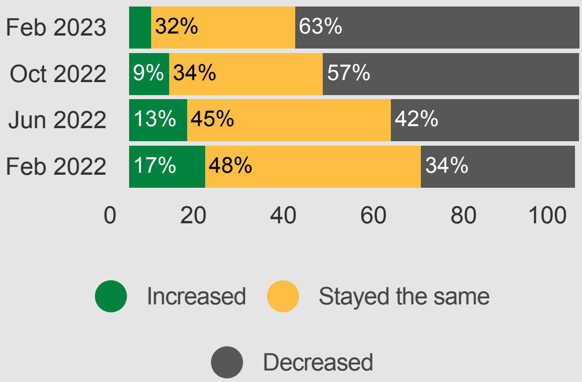


Economic optimism over the past 6 months had decreased from the previous survey.

Only 5% of businesses said their confidence had increased over the past 6 months.

Net confidence was the same low level across all of Scotland.

Changes in confidence levels over the past 6 months



Performance

Views on business performance over the past six months were mixed.

Businesses in the Highlands and Islands, and South of Scotland, were more likely to have performed well than those in the rest of rural Scotland.

33% said they had performed well

41% said their performance has been fairly steady

26% said they had struggled

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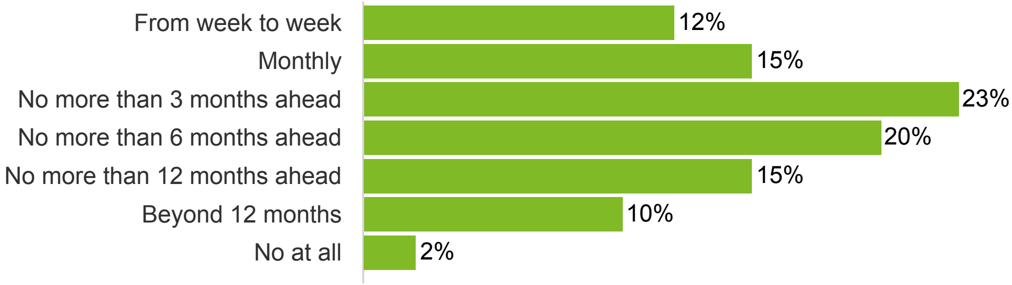
Planning ahead

Over a quarter (27%) of businesses felt unable to plan more than a month ahead.

How far ahead do businesses feel able to plan at the moment

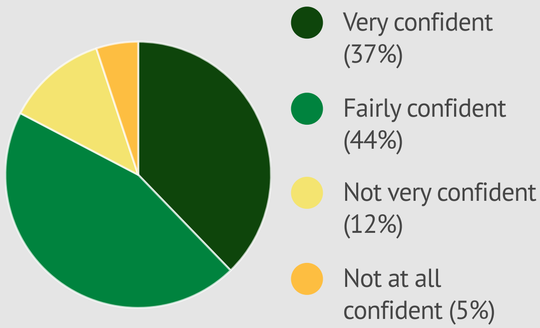


Viability

The majority of businesses were confident that their business would be viable over the next 6 months.

Confidence was down on the previous wave, when 88% were confident and 11% were not.

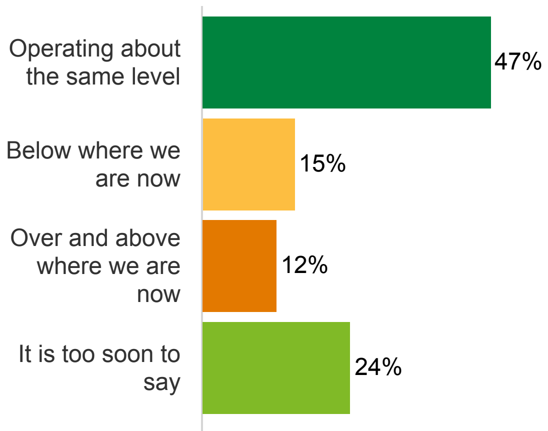
Confidence in future viability



Among those that were confident in their future viability, 47% expected to be operating at about the same level in six months' time.

15% of businesses expected to be operating below their current level in six months' time. A quarter felt it was too soon to say.

Expected performance in 6 months' time



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Cost crisis

Almost all businesses had experienced cost increases in the past 12 months.

82% had experienced substantial cost increases.

The biggest area of cost increase was electricity and gas.

Cost increases (Top 5)

1. Electricity and gas (80%)
2. Raw materials (78%)
3. Equipment purchase or repair (71%)
4. Transportation of goods (71%)
5. Business rates and insurance (68%)

The biggest impact of the cost increases was reduced profit margins.

This was followed by delayed or postponed growth plans and loss or reduction in customer demand.

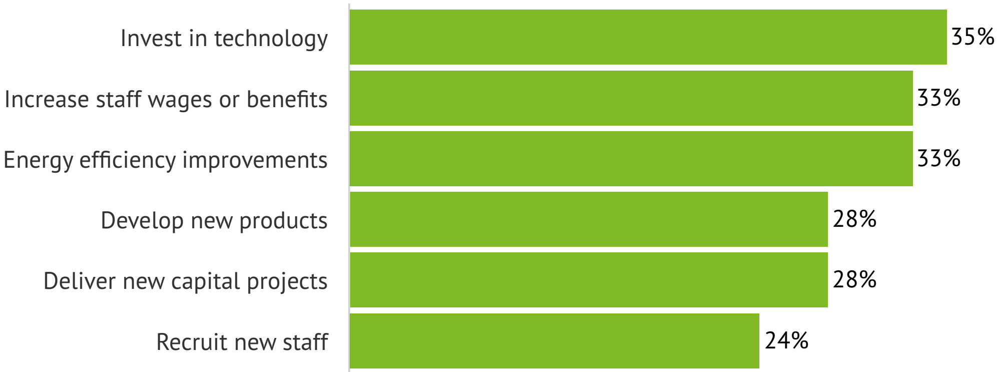
Women-led businesses were more likely to experience reduced profit margins than average.

Top impacts of the cost crisis on businesses

1. Reduced profit margins
2. Delayed or postponed growth plans
3. Loss or reduction in customer demand

Three quarters of businesses had delayed or postponed plans because of cost increases.

Plans that had to be delayed or postponed



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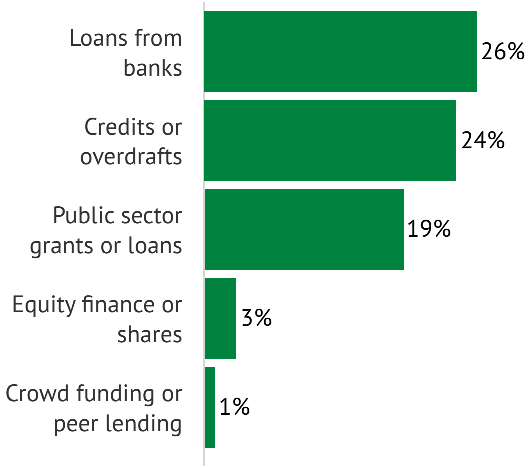
Access to finance

44% of businesses were currently using or planning to use some form of finance.

This is a decrease since the first wave of the survey in October 2021 (when 55% were doing so).

Food and drink businesses were more likely than average to be using loans from banks, credit or overdrafts, and public sector loans and grants.

Forms of finance businesses currently use



Wellbeing

The majority of businesses had experienced personal impacts as a result of the cost crisis.

Women-led businesses were significantly more likely to report feeling worried or stressed (75%).

Financial and business services were more likely to report no impacts.

Impacts of the cost crisis (Top 5)

1. Feeling worried or stressed (57%)
2. Working longer hours (49%)
3. Struggling to balance work and home life (44%)
4. Reduced my own pay or benefits (42%)
5. My mental health has suffered (31%)

59% of employers had also seen impacts of the cost crisis on their staff.

Almost a third said staff were working at or beyond capacity.

Large businesses (25+ employees) were more likely to report each impact.

Impacts of the cost crisis on staff

1. Reduced profit margins
2. Delayed or postponed growth plans
3. Loss or reduction in customer demand