

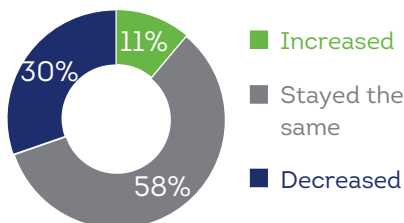
HIE BUSINESS PANEL SURVEY

FINDINGS FROM JAN/FEB 2018: THE YEAR AHEAD

OPTIMISM, PROSPECTS AND PERFORMANCE

Confidence in the economy was low, consistent with previous survey waves. However, most businesses were once again positive about their own performance and optimistic about their future prospects.

Economic confidence

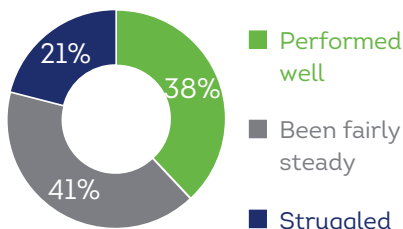


Lower than average
Non-account managed

Sectoral variation

Unlike previous waves, tourism and food drink were in line with average

Performance in last 12 months



More positive
Large businesses (25+ staff),
tourism, account managed

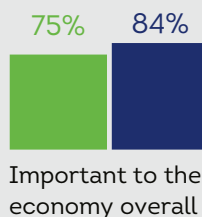
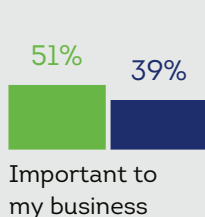
Less positive
Food and drink

80%
very/fairly optimistic
about their future
prospects



RELATIONSHIP WITH THE EU

The Single Market and Free Movement of People were viewed as more important to the economy overall than to their own business.



■ European Single Market
■ Free movement of people across the EU

CHALLENGES FACING BUSINESS

95% were facing challenges in the next 12 months.

This included rising costs, market uncertainty, meeting regulatory or legislative requirements and political uncertainty.

Certain challenges were more prominent among employers in specific sectors:

Food and drink - market uncertainty (73%), political uncertainty (73%), regulatory or legislative requirements (70%)

Financial and business services - regulatory or legislative requirement (75%)

Tourism - rising labour costs (72%)

TOP CHALLENGES MENTIONED

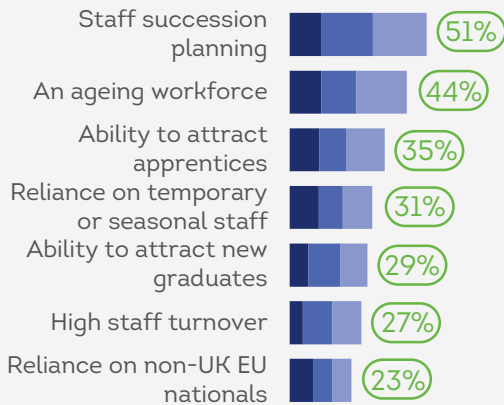
	Employers %	Sole traders %
Rising costs (general)	81	68
Rising labour costs	59	n/a
Market uncertainty	59	50
Meeting regulatory or legislative requirements	59	48
Political uncertainty	58	47
Lack of time and resources	57	35
Recruiting and retaining skilled staff	55	n/a
Weakness of sterling	47	40
Lack of demand	35	36

WORKFORCE RELATED CONCERNS

The biggest workforce-related concerns were succession planning, an ageing workforce and ability to attract apprentices.

Extent of concern

■ Large extent ■ Some extent ■ Small extent ○ TOTAL

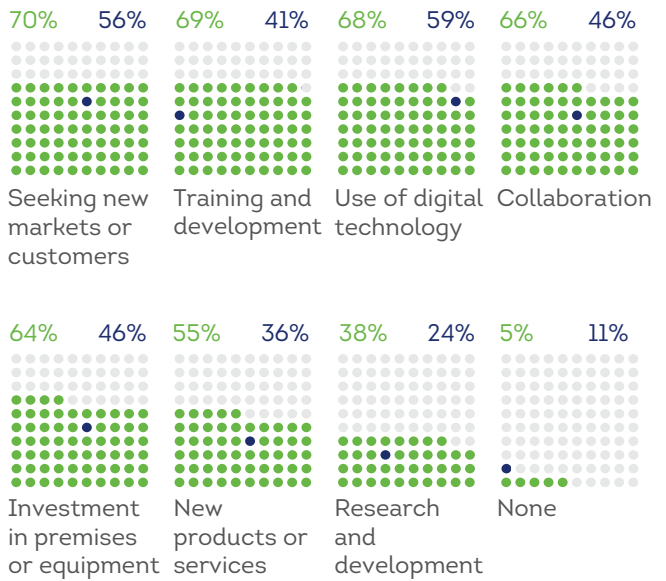


Employers of non-UK EU nationals (18% of employers) were more likely to be concerned with: reliance on EU nationals; high staff turnover; and ability to attract apprentices and graduates.

APPROACHES TAKEN TO OVERCOME CHALLENGES

Among those facing challenge, the majority (94%) were taking action to help overcome them.

■ Employers ■ Sole Traders



RECRUITMENT PLANS

53% of businesses planned to recruit staff in the next 12 months - 39% were likely to recruit permanent staff, 36% temporary staff.

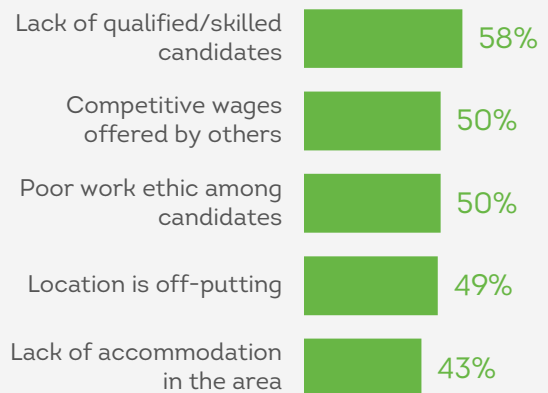
Majority were most likely to recruit from the Highlands and Islands (71% for permanent, 73% for temporary staff), but with some difference by size and sector.

	Permanent	Temporary
Highlands and Islands	Financial and business services	Food and drink Small businesses
Rest of Scotland	Large businesses	
Any area		Tourism Large business

RECRUITMENT CHALLENGES

Around half (49%) expected to face some challenges when recruiting staff.

Challenges when recruiting staff (Top 5)



74% of those with recruitment challenges anticipate increased workload for existing staff and increase in operating costs.

NOTES: Survey fieldwork was conducted between 29th January and 25th February 2018, using telephone interviewing. In total 1,000 businesses and social enterprises participated. For more detail visit www.hie.co.uk/business-panel. Findings are weighted to ensure a representative sample of the regional business base by geographical area, business size and sector.