ECONOMIC CONFIDENCE AND OUTLOOK

Net confidence* in the Scottish economy was -64, the second lowest level recorded (the lowest being in June/July 2020). Confidence in the Highlands and Islands economy fell to 37% confident (down from 53% in Oct 2019).

Economic confidence: 2019-2020 trend

Confidence in Highlands and Islands economic outlook for next 12 months

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>37%</td>
<td>Very/fairly confident</td>
</tr>
<tr>
<td>62%</td>
<td>Not that/not at all confident</td>
</tr>
</tbody>
</table>

Top 3 priorities for economy recovery from COVID-19

<table>
<thead>
<tr>
<th>Priority</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting businesses to create and sustain jobs</td>
<td>51%</td>
</tr>
<tr>
<td>Giving rates relief or tax breaks for businesses</td>
<td>45%</td>
</tr>
<tr>
<td>Ensuring business access to finance</td>
<td>37%</td>
</tr>
</tbody>
</table>

CURRENT OPERATING LEVEL

13% Over and above the level we were before the coronavirus
36% At much the same level as we were before the coronavirus
50% Below the level we were before the coronavirus
(at time of the survey)

IMPACT OF COVID-19 ON OUTLOOK

<table>
<thead>
<tr>
<th>Impact Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our way of working changed but we would like to return to the way we operated before</td>
<td>41%</td>
</tr>
<tr>
<td>Our way of working changed and we would like to maintain some or all of these changes</td>
<td>33%</td>
</tr>
<tr>
<td>We have not experienced much change and expect this to continue</td>
<td>19%</td>
</tr>
<tr>
<td>We have not experienced much change but expect to in the year ahead</td>
<td>6%</td>
</tr>
</tbody>
</table>

BUSINESS PERFORMANCE

Most reported decreases in sales/turnover and profit margins in last 6 months

<table>
<thead>
<tr>
<th>Category</th>
<th>Increased</th>
<th>Stayed the same</th>
<th>Decreased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales or turnover</td>
<td>18%</td>
<td>20%</td>
<td>60%</td>
</tr>
<tr>
<td>Profit margins</td>
<td>14%</td>
<td>24%</td>
<td>57%</td>
</tr>
<tr>
<td>Exports</td>
<td>12%</td>
<td>47%</td>
<td>38%</td>
</tr>
<tr>
<td>Working hours</td>
<td>20%</td>
<td>44%</td>
<td>36%</td>
</tr>
<tr>
<td>Staff training</td>
<td>23%</td>
<td>44%</td>
<td>32%</td>
</tr>
<tr>
<td>Employment</td>
<td>10%</td>
<td>61%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Base: All those to whom each applied

FUTURE GROWTH

Over half (54%) of businesses were striving for growth, but just over a third (37%) expected to grow.

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspired to future growth</td>
<td>54%</td>
</tr>
<tr>
<td>36% wanted stability, 9% wanted to downsize</td>
<td></td>
</tr>
<tr>
<td>Expected growth in the next year or two</td>
<td>37%</td>
</tr>
<tr>
<td>42% expected stability, 17% expected contraction</td>
<td></td>
</tr>
</tbody>
</table>

*The net figure is the difference between ‘increased’ and ‘decreased’ levels of confidence
BUSINESS VALUES
Which would you say are most integral to your business? (top 5)

- Ensuring quality is at the heart of our goods and services: 52%
- Strong financial performance: 35%
- Ensuring a good work life balance: 31%
- Minimising our environmental impact: 29%
- Creating and sustaining jobs: 26%

RESPONDING TO NEW WORKING ENVIRONMENT
95% were taking some action to help them operate in the new working environment

Actions to help businesses operate
- Making process more efficient: 67%
- More meetings/contact online: 65%
- Adapting existing product/service: 59%
- Collaborating: 54%
- Using new/different technology: 54%
- Changing/updating business model: 50%
- Only delivering some aspects of the business: 44%
- Developing new products/services: 38%
- Jobs dispersal: 20%

FUTURE MARKETS
Thinking 12 months ahead, around half expected sales to remain the same in each of their markets of operation:

- % expecting sales to remain the same:
  - Scotland: 50%
  - Scotland, within UK: 52%
  - Outside UK, within EU: 51%
  - Outside EU: 53%

Those selling to EU markets and outside the EU were more confident than domestic-only businesses about their ability to access new markets (66% and 65% confident, compared with 56%).

SALES AND MARKET ACCESS
91% were taken some action to support their sales and market access

Actions to help sales and market access
- Engaging differently with our customers: 64%
- Looking for new opportunities in domestic/UK markets: 55%
- Selling our product or service online: 50%
- Working with new suppliers: 46%
- Changing or updating our routes to market: 36%
- Selling less: 36%
- Looking for new opportunities in international markets: 21%
- Stockpiling goods: 13%

WORKFORCE
86% of employers were taking some action in relation to their staff in the current working environment

Workforce-related actions
- Offering competitive levels of pay: 59%
- Upskilling existing staff: 54%
- Enabling staff to work from home: 45%
- Using staff in different roles: 45%
- Offering more flexible contracts: 44%
- Improving terms and conditions: 32%
- Reducing working hours: 31%
- Recruiting new staff: 28%
- Cancelling or postponing recruitment plans: 27%
- Making staff redundant: 15%
**POLITICAL AND ECONOMIC UNCERTAINTY**

Perceived political and economic risks to businesses

<table>
<thead>
<tr>
<th>Risk</th>
<th>% saying this posed a risk</th>
<th>% saying this posed a significant risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further waves of COVID-19 / restrictions</td>
<td>95%</td>
<td>56%</td>
</tr>
<tr>
<td>The global economy</td>
<td>86%</td>
<td>32%</td>
</tr>
<tr>
<td>Scotland’s relationship with the rest of the UK</td>
<td>79%</td>
<td>36%</td>
</tr>
<tr>
<td>UK’s departure from the EU</td>
<td>75%</td>
<td>34%</td>
</tr>
<tr>
<td>Sectoral change</td>
<td>61%</td>
<td>13%</td>
</tr>
</tbody>
</table>

**CONFIDENCE IN FUTURE VIABILITY**

"How confident are you that your business will be viable over the next 6 months?"

- **Very/fairly confident**: 82%
- **Not/not at all confident**: 15%
- **Don’t know**: 3%

Higher than average confidence
- Large businesses (25+ staff)
- Food & drink
- Shetland

Lower than average confidence
- Tourism
- Lochaber, Skye & Wester Ross
- International businesses

**PLANNING AHEAD**

30% were planning less than 12 months ahead and 60% less than 2 years ahead

How far ahead businesses were planning

- Less than 12 months: 30%
- 1 to 2 years: 30%
- 2 to 5 years: 23%
- Over 5 years: 11%
- Not planning ahead: 5%

Around a third (36%) of businesses had changed the length of time they were planning ahead for.

**CONFIDENCE AND PREPAREDNESS FOR FUTURE CHANGES**

Businesses generally felt confident about and prepared for changes that may occur over the coming months, though tourism businesses generally felt less confident and less prepared for changes.

**Confidence in ability to:**
- Respond to customer needs: 90%
- Remain competitive: 88%
- Manage cash flow: 88%
- Retain existing staff: 78%
- Respond to more domestic competition: 77%
- Deal with increased costs: 74%
- Access external finance: 54%
- Access new markets: 48%
- Recruit new staff: 40%

**Preparedness for:**
- Changes to the ways in which staff have to work: 77%
- Your supply chain arrangements: 73%
- Routes to market for your product or service: 72%
- Regulations and standards on goods: 63%
- Extended delivery times: 57%
- Intellectual property rights on goods: 37%
- Customs procedures: 31%

- Confident
- Not confident
- Don’t Know
- Prepared
- Not prepared
- Don’t Know
NEW APPROACHES AND TECHNOLOGY

**Use of new approaches and technology**

<table>
<thead>
<tr>
<th>Technology</th>
<th>Currently using</th>
<th>Not using but likely to</th>
<th>Not using at all</th>
<th>Not aware of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyber resilience and security technologies</td>
<td>44%</td>
<td>11%</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>Internet of Things and sensor technologies</td>
<td>39%</td>
<td>12%</td>
<td>24%</td>
<td>20%</td>
</tr>
<tr>
<td>Low carbon technologies</td>
<td>33%</td>
<td>25%</td>
<td>30%</td>
<td>8%</td>
</tr>
<tr>
<td>Data analytics</td>
<td>31%</td>
<td>13%</td>
<td>40%</td>
<td>12%</td>
</tr>
<tr>
<td>Automation of processes</td>
<td>27%</td>
<td>11%</td>
<td>46%</td>
<td>10%</td>
</tr>
<tr>
<td>Mobile app development</td>
<td>26%</td>
<td>22%</td>
<td>41%</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Barriers to adopting new approaches and technology**

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of acquiring new technology</td>
<td>60%</td>
</tr>
<tr>
<td>Lack of time</td>
<td>59%</td>
</tr>
<tr>
<td>More pressing priorities</td>
<td>58%</td>
</tr>
<tr>
<td>Lack of knowledge or skills</td>
<td>49%</td>
</tr>
<tr>
<td>Ability to keep pace with new developments</td>
<td>46%</td>
</tr>
<tr>
<td>Access to relevant equipment</td>
<td>41%</td>
</tr>
<tr>
<td>Concerns over data security</td>
<td>35%</td>
</tr>
<tr>
<td>Access to external advice and guidance</td>
<td>32%</td>
</tr>
</tbody>
</table>

REDUCING ENVIRONMENTAL IMPACTS

On a scale of 1 to 10, how committed would you say your business is to reducing its environmental impacts...

1 = Not committed at all  
5% 22% 71% 10 = Very committed  
1-4 5 or 6 7-10

Mean overall score 7.3 / 10

ENVIRONMENTAL ACTIONS

97% were anticipating taking actions to reduce or respond to environmental impacts

Planned actions to reduce or respond to environmental impacts

- Recycling and waste minimisation: 89%
- Improving the energy efficiency of our premises: 81%
- Using more locally sourced supplies: 72%
- Improving the energy efficiency of our systems and processes: 68%
- Developing/using a local energy system: 54%
- Investigating/investing in ways to offset carbon emissions: 53%
- Reviewing our use of transport for supplies and distribution: 48%
- Encouraging staff to use more energy efficient transport: 44%
- Enabling staff to work from home: 40%

GREEN RECOVERY

Most businesses (81%) supported a green recovery from COVID-19, while 18% did not

In the economic recovery after COVID-19, it is important that government actions prioritise climate change

43% 38% 12% 6%

Government should focus on helping the economy first and foremost, even if that means taking some actions that are bad for the environment

19% 35% 22% 23%

Strongly agree  Somewhat agree  Somewhat disagree  Strongly disagree

NOTES: Survey fieldwork was conducted between 6th October and 3rd November 2020, using telephone interviewing. In total 1,000 businesses and social enterprises participated. For more detail visit [www.hie.co.uk/business-panel](http://www.hie.co.uk/business-panel). Findings are weighted to ensure a representative sample of the regional business base.