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HIE BUSINESS PANEL SURVEY

Wave 18– Responding to Economic Challenge

Ipsos MORI Scotland

Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

CONTENTS

1. INTRODUCTION

BACKGROUND

The Highlands and Islands Enterprise (HIE) Business Panel was established to measure and monitor the economic health of the 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.

Following two waves of panel surveys in 2014 and 2015, HIE commissioned Ipsos MORI to carry out regular business panel surveys with 1,000 businesses and social enterprises, representative of the Highlands and Islands business base in terms of geographic area, organisation size and sector. The surveys ran quarterly during 2016 and 2017, before changing to three times per year in 2018.

This report presents findings from the most recent wave of the survey (the eighteenth overall) carried out in February 2021. The survey covered a range of topics including economic optimism, the impact of COVID-19 on trading status, sales, or turnover and business confidence in and steps to ensure business viability. It also explored workforce issues and import and export challenges associated with the end of the EU exit transition period.

METHODOLOGY

Sampling

The survey sample was mainly sourced from businesses that took part in the previous waves of the survey and had indicated that they were willing to be re-contacted. Additional HIE panel members and HIE account-managed businesses were also approached along with companies identified from the Experian business database. The sample was designed to match the structure of the Highlands and Islands business population in terms of sector, size, and geographical distribution. Quotas were set for recruitment and interviewing so that the achieved sample reflected the population of eligible organisations as defined by the Inter-Departmental Business Register (IDBR). Eligible organisations were defined by SIC (Standard Industrial Classification) code, with the following SIC 2007 Sections excluded from the sampling:

- Public administration and defence; compulsory social security;
- Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use; and
- Activities of extraterritorial organisations and bodies.

SIC codes were used to identify areas of economic activity considered to be growth sectors (as set out in the Government Economic Strategy) so that quotas could be set to ensure these were represented in the survey sample.

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.

Survey fieldwork

The survey fieldwork was conducted between 2 and 19 February 2021, using telephone interviewing. In total 1,000 eligible interviews were achieved.

The achieved sample was broadly representative of the population, notwithstanding some differential non-response due to differences in availability and willingness to participate. Weighting was applied to correct the distribution of sectors to match the sample counts. A breakdown of the achieved profile of businesses is provided in the Appendix (Tables A7-11).

Economic and political context

This wave of the survey was carried out against the backdrop of both COVID-19 and Brexit.

The fieldwork was carried out during the pandemic and associated lockdown restrictions. On 26th December 2020, as with the rest of Scotland, Highland, Moray, and mainland Argyll entered full lockdown, with “stay at home” guidance in place for all. Innse Gall, Shetland, Orkney, the Argyll Islands, and all Highland Islands (except Skye at Level 4) were subject to Level 3 restrictions, with Innse Gall moving into full lockdown towards the end of January. This meant closure of many sectors, including tourism businesses (restaurants, pubs, bars, café, holiday accommodation) and non-essential retail, and general advice to work from home where possible. Many businesses taking part in the survey will have been subject to these lockdown restrictions. The survey therefore explores issues such as current trading status and actions taken for workforce in response to COVID-19.

This wave is also the first to be carried out since the end of EU transition period, with new rules in place for businesses importing from and exporting to the EU. The survey therefore explores the experiences of businesses that employ EU staff, and any impacts on imports from and export to these markets.

PRESENTATION AND INTERPRETATION OF THE DATA

The survey findings represent the views of a sample of businesses, and not the entire business population of the Highlands and Islands, 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.

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.

2. ECONOMIC CONFIDENCE AND PERFORMANCE

KEY MESSAGES:

Economic optimism remained low, with 56% of businesses saying their confidence had decreased, 37% reporting it had stayed the same, and 5% that it had increased in the last six months. However, optimism was higher than in June/July 2020, when COVID-19 had contributed to net confidence reaching the lowest ever level recorded in the survey.

Since the Highlands and Islands went into Level 3 and 4 lockdown restrictions on 26th December 2020, 70% of businesses had continued to trade without pause, while 26% had temporarily closed or paused trading and 2% had restarted trading. Tourism businesses were more likely to have temporarily closed in this period, while those in the food and drink and financial and business services sectors were more likely to have continued trading.

Three-quarters of businesses (76%) that had temporarily closed or paused trading had done so as a direct requirement of lockdown restrictions. Around one in six (16%) could potentially have continued trading but chose to close temporarily feeling it was a choice they had to make. A further 6% reported seasonal closure.

In the past six months, sales or turnover were more likely to have decreased than increased: 57% said it had decreased, 13% increased, and 29% stayed the same. Sales or turnover was closely linked with trading status. Those that had temporarily closed or paused trading were twice as likely to report decreased sales or turnover.

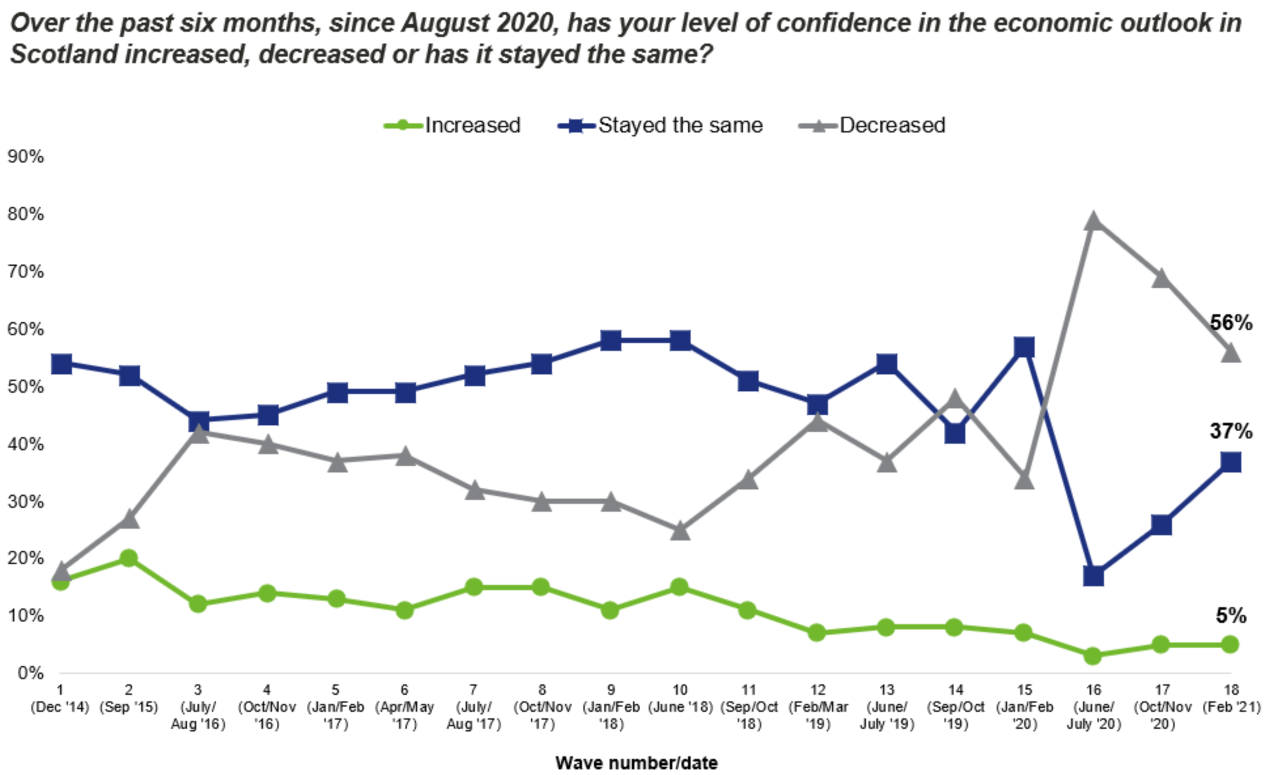
ECONOMIC OPTIMISM

Reflecting the uncertain and challenging circumstances in which many businesses were operating, economic optimism remained low: 56% reported a decrease in confidence, 37% reported it had stayed the same, and 5% said it had increased. (Figure 2.1).

Despite this, and against a backdrop of a COVID-19 vaccination programme being rolled out, it is important to note that economic confidence had slowly improved since June/July 2020 (as the initial restrictions of COVID-19 first started to ease) when the lowest ever levels of economic optimism were recorded since the panel surveys began. Net confidence this wave was -51 [1], higher than the previous two waves (-64 in October/November 2020 and -76 in June/July 2020) and the third lowest ever recorded.

[1] The net figure is the difference between ‘increased’ and ‘decreased’ assessments at each wave. Net scores are positive when positive assessments exceed negative.

Figure 2.1: Confidence in the economic outlook in Scotland over time



Base: All businesses (1000)

Unsurprisingly, economic confidence was lower among those not confident in their future viability (85% reported decreased confidence compared to 56% overall), those with a medium or severe risk of insolvency (82%), and those that had temporarily closed or paused trading (70%).

Continuing a trend seen over the past three waves, tourism businesses were particularly negative about the economy, with 73% saying their confidence had decreased over the past six months (compared with 56% overall).

International businesses (63%) and those selling goods and services to Northern Ireland (61%) were also more likely than average (56%) to report decreased confidence.[2]

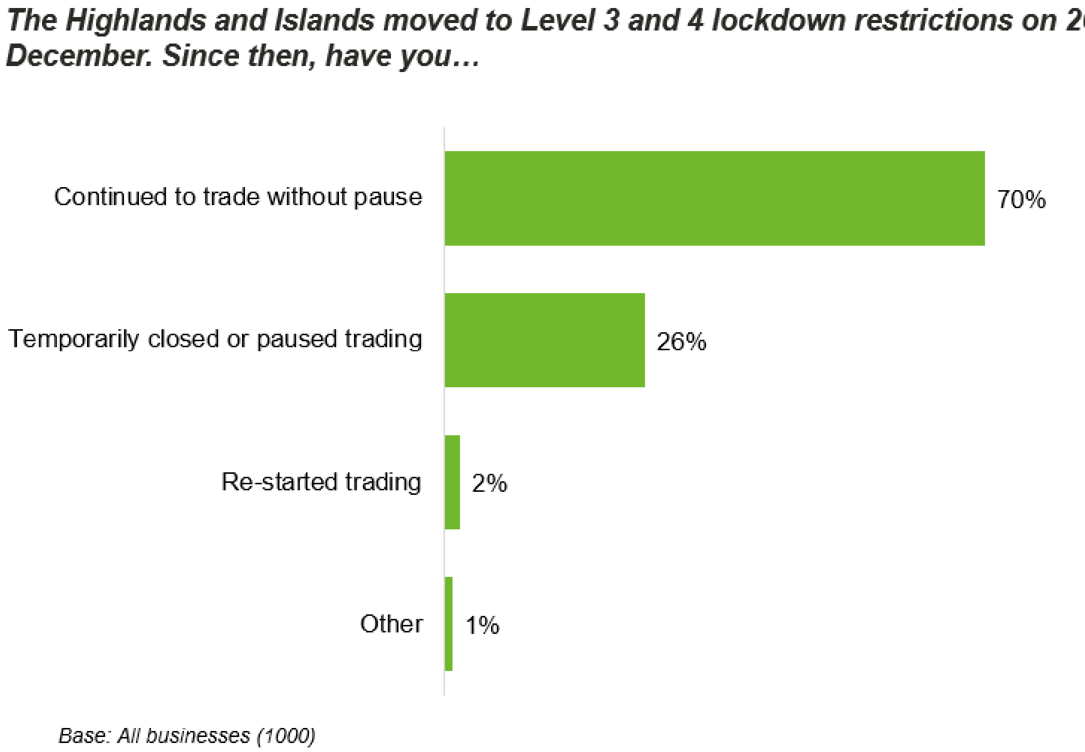
HIE-account managed businesses were more likely than non-account managed to say their confidence had decreased (68% vs 55% respectively), while non-account managed businesses were more likely to say their confidence had remained the same (39% vs 24% respectively). This is in line with findings from the previous two waves.

[2] Throughout this report reference is made to the markets that businesses operate within, meaning the markets in which they sell goods or services to. International = those selling outside of the UK; and Domestic = Scotland only. Otherwise, the relevant market they sell to is named (e.g. Northern Ireland, Outside the UK within the EU, Outside the UK outside the EU).

CURRENT TRADING STATUS

Seven in ten regional businesses continued to trade without pause since the Highlands and Islands moved into Level 3 and 4 lockdown restrictions on 26th December 2020. This is up considerably from the 49% reported in June/July 2020. While not all parts of the region were in full lockdown at the time of fieldwork (Orkney, Shetland, and the Highland Islands, with the exception of Skye, remained in tier 3), the difference would suggest a strong cohort of businesses that have adapted and found ways to continue trading. A quarter of businesses (26%) had temporarily closed or paused trading (some by choice), while 2% had re-started trading (Figure 2.2).

Figure 2.2: Trading status since 26th December 2020



Businesses more likely to have temporarily closed or paused trading were:

- tourism businesses (78% compared with 26% overall)
- those in Lochaber, Skye, and Wester Ross (45%)[3]
- those not confident in their future viability (55%)
- those in fragile areas (34% compared with 24% of those in non-fragile areas).

[3] Sectoral differences here (and below in relation to Orkney) may, at least in part, reflect the higher than average proportion of tourism businesses in Lochaber, Skye and Wester Ross (23% compared with 10% in the overall sample) and of food and drink businesses in Orkney (29% compared with 23% overall).

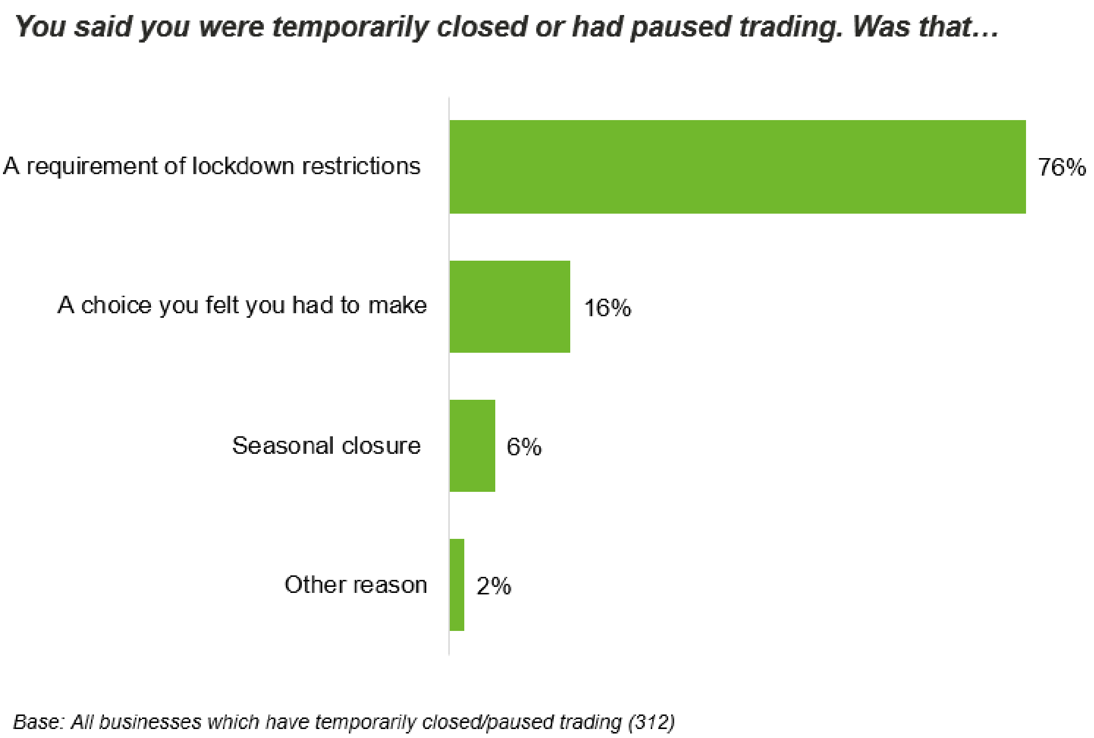
Those that had continued to trade were more likely to be:

- financial and business services organisations (84% compared with 70% overall)
- food and drink businesses (82%)
- those in Orkney (92%)
- domestic-only businesses (76%).

Reasons for closing or pausing trading

Three-quarters of businesses (76%) that had temporarily closed or paused trading had done so as a direct requirement of lockdown restrictions. Around one in six (16%) could potentially have continued trading but chose to close temporarily feeling it was a choice they had to make. A further 6% reported seasonal closure. (Figure 2.3).

Figure 2.3: Reasons for temporarily closing/pausing trading since 26th December 2020

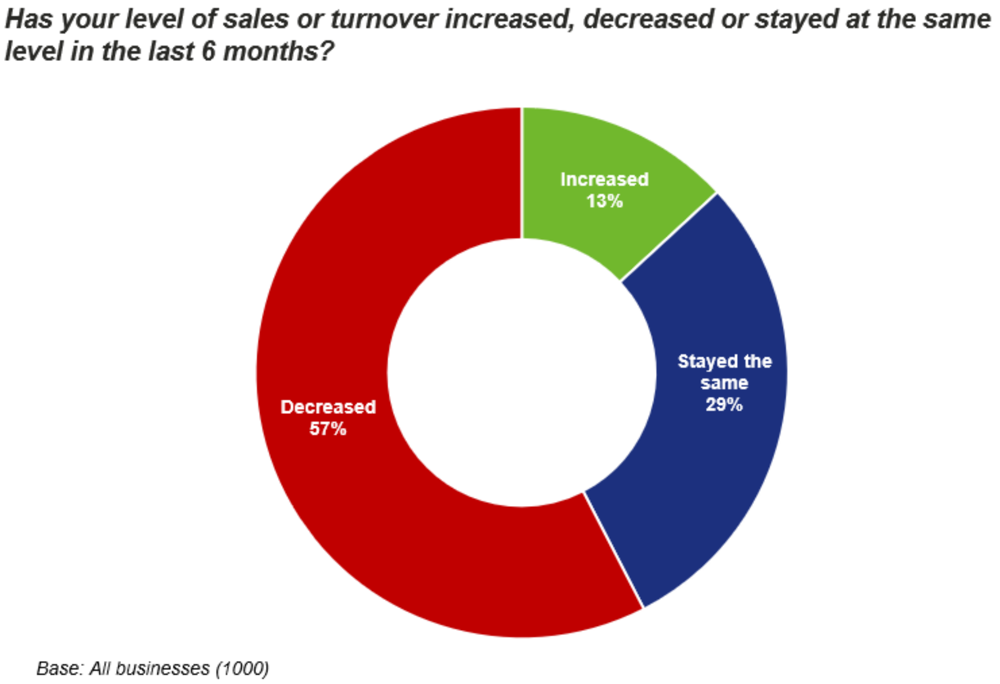


Tourism businesses were more likely to have temporarily closed for seasonal reasons (10% compared with 6% overall). Otherwise, there was no significant variation between different types of business.

SALES AND TURNOVER

Fifty-seven per cent of businesses said their level of sales or turnover had decreased in the past six months (in line with the 60% seen in the previous wave in October/November 2020). One in three (29%) said it had remained the same (up from 20%) while 13% said it had increased (down from 18%) (Figure 2.4).

Figure 2.4: Change in level of sales or turnover



As would be expected, sales or turnover was linked to trading status, with businesses who had temporarily closed twice as likely to report a decrease than those that had continued trading without pause (88% vs 44% respectively). (Table 2.1).

Table 2.1 - Sales or turnover by trading status[4]

Sales	Continued trading %	Temporarily closed/ paused trading %
Increased	17	2
Decreased	44	88
Stayed the same	38	9
Don't know	1	-
Base:	*645*	*312*

Sales or turnover was also linked with confidence in future viability. The majority (89%) of those not confident about their viability had seen a decrease in sales (compared with 51% of those that were confident). (Table 2.2).

[4] Shaded cells show where there are statistically significant differences between the two figures

Table 2.2 - Sales or turnover by confidence in future viability

Sales	Confident	Not confident
	%	%
Increased	15	1
Decreased	51	89
Stayed the same	33	9
Don't know	1	1
Base:	*817*	*171*

Most tourism businesses reported a decrease in their sales or turnover in the past six months (92% vs 57% overall). This reflects the high proportion of tourism businesses that had paused trading since 26th December 2020 and the restrictions the sector has faced more broadly over this period.

Food and drink businesses were more likely than average to say their sales or turnover had either increased (17% vs 13% overall) or stayed the same (36% vs 29%). However, like other sectors, their overall performance was more negative than positive, with more reporting a decrease (46%) than an increase (17%) in the past six months. The picture was slightly better for those trading in Scotland only: 36% had seen a decrease in sales, compared with 56% of food and drink exporters. (Table 2.3).

Table 2.3 - Sales or turnover among food and drink businesses, by exporting status

Sales	Exporting outside GB	Trading in Scotland only	All food and drink
	%	%	%
Increased	17	15	17
Decreased	56	36	46
Stayed the same	27	49	36
Base:	*109*	*75*	*188*

More generally, international businesses were more likely than average to have seen a decrease in sales or turnover (68% vs 57% overall and 52% of domestic-only businesses).

HIE-account managed businesses were more likely to say their sales or turnover had decreased compared to non-account managed businesses (70% vs 55% respectively).

3. CONFIDENCE AND TAKING ACTION

KEY MESSAGES:

COVID-19 and lockdown restrictions was identified most frequently as the greatest risk facing businesses in the next six months (mentioned by 77%). This was followed by Brexit (43%), Scotland's relationship with the rest of the UK (37%) and the global economy (23%).

Most businesses (84%) were confident they would be viable in the next six months, with 38% saying they were *very* confident. Fifteen per cent were not confident, including 5% who were not at all confident. Confidence was particularly low among those who had paused trading (66% confident compared to 91% of those still trading) and with tourism businesses (58% confident, 41% not) in particular.

Lack of confidence was rooted mainly in lockdown restricting ability to trade (72%) followed by a loss of customers or demand (56%). Others cited low or no cash reserves (28%), reliance on government funding (23%) and difficulty covering costs (19%).

Among those that did not feel confident in their viability, 81% felt they faced at least some risk of insolvency - 16% said they faced a severe risk, 34% a moderate risk and 30% a low risk.

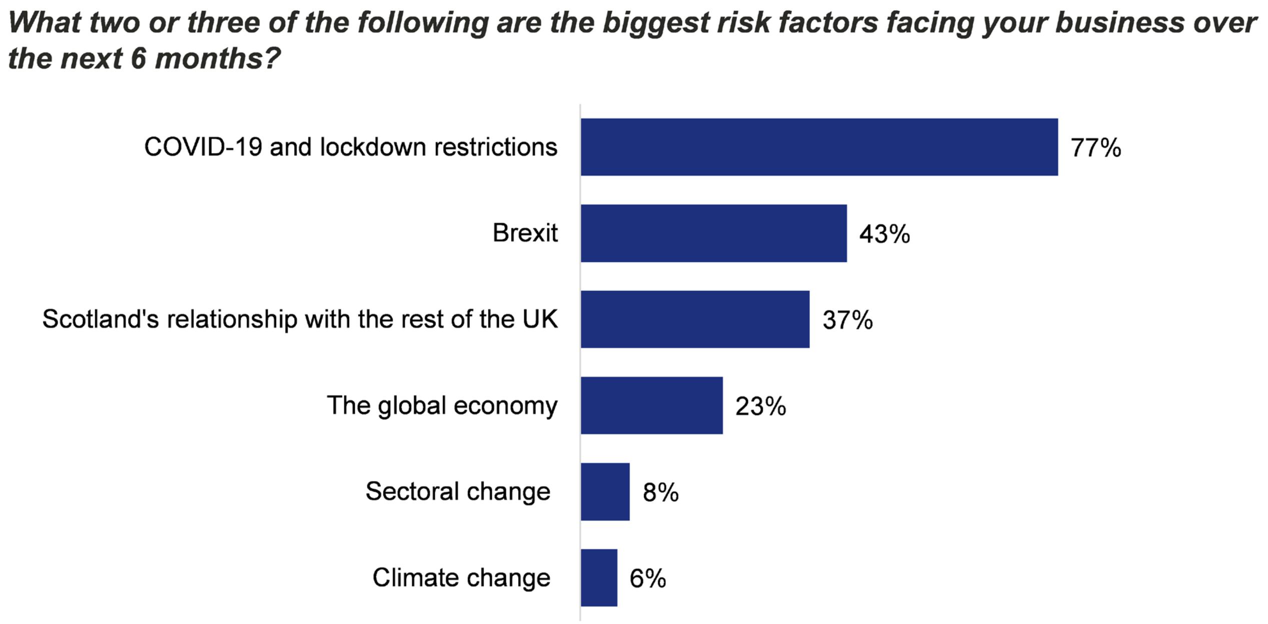
Most businesses (90%), regardless of confidence, were taking active steps to support their viability over the next six months. The top three actions being taken were using cash reserves (54%), reducing profit margins (44%) and targeting new markets (43%). Those temporarily closed were especially more likely to be exploring or taking finance-related action.

The most frequently cited opportunities for businesses in the next six months were re-establishing existing markets (55%) and targeting new markets (45%).

RISKS FACING BUSINESSES

Respondents were provided with a list of political, economic, and environmental factors and asked to identify the top two or three greatest risks to their business over the next six months. The most cited (mentioned by 77%) was COVID-19 and associated lockdown restrictions. This was followed by Brexit (43%), Scotland's relationship with the rest of the UK (37%) and the global economy (23%). Sectoral change (8%) and climate change (6%) were selected by less than one in ten. (Figure 3.1).

Figure 3.1: Biggest risks facing businesses over the next six months



Base: All businesses (1000)

COVID-19 was seen as a particular risk among those that had temporarily closed (94% compared with 77% overall and 70% of those continuing to trade). Brexit was cited more frequently as a risk by those that continued to trade (46%) than overall (43%) or by those temporarily closed (36%). (Table 3.1).

Table 3.1 - Risks facing business by trading status

Risk	Continued trading %	Temporarily closed/ paused trading %
COVID 19 and lockdown restrictions	70	94
Brexit	46	36
Scotland's relationship with the rest of the UK	40	31
The global economy	22	24
Sectoral change	9	6
Climate change	8	3
Base:	*645*	*312*

Perceptions of risk did not vary much by business confidence, the exception being COVID-19 which was cited more frequently by those not confident in their viability (91% versus 75% of those confident). (Table A.1, Appendix).

Perception of risk varied by sector:

- COVID-19 and lockdown restrictions was perceived as a particular risk for tourism businesses, with almost all citing this as one of the top two or three risks they were facing (95% vs 77% overall).

- food and drink businesses were more likely than average to cite Brexit (60% vs 43% overall), Scotland's relationship with the rest of the UK (49% vs 37% overall), and climate change (11% vs 6% overall) as risks.

- financial and business services organisations were more likely than average to view the global economy as a substantial risk (32% vs 23% overall).

COVID-19 and lockdown restrictions was also more frequently cited as a risk by:

- HIE-account managed businesses (88% compared with 76% of non-account managed)

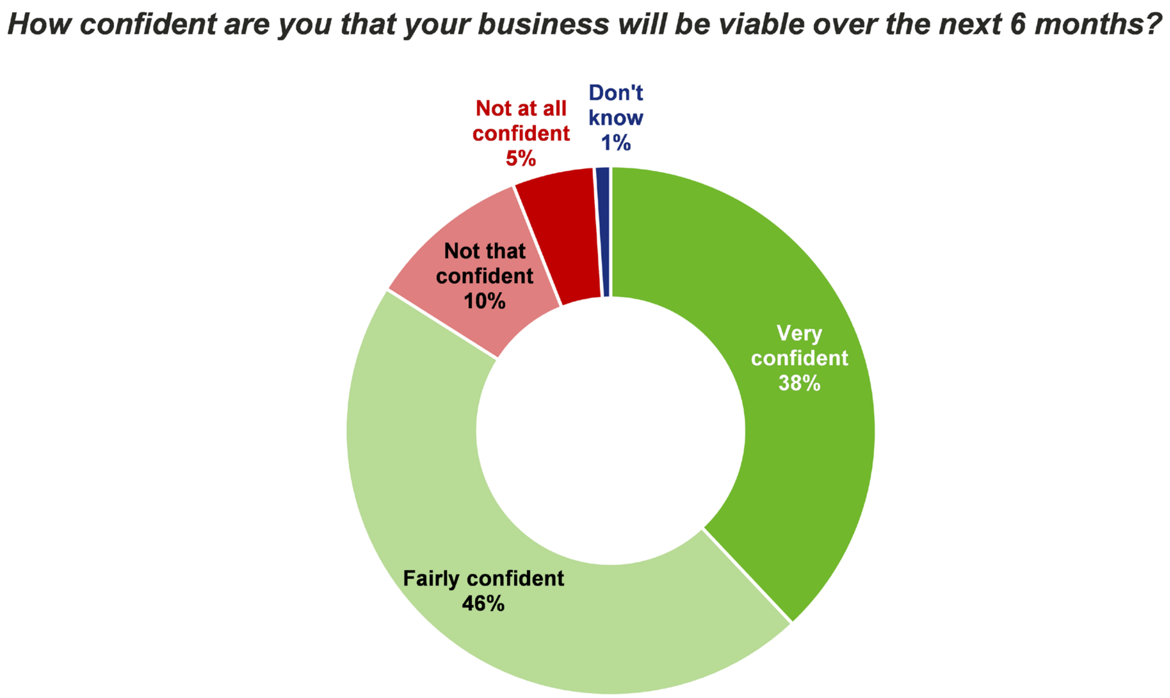
- international businesses (83%) and those operating in Northern Ireland (83%).

The global economy posed more of a risk to international businesses (30%) than to domestic only businesses (16%).

BUSINESS VIABILITY

Most businesses (84%) were confident in their viability over the next six months, with 38% saying they were *very* confident. However, 15% were not confident, including 5% who said they were not at all confident (Figure 3.2). This echoes findings from the previous wave (October/November 2020), when 82% were confident and 15% were not.

Figure 3.2: Confidence in viability over the next six months



Base: All businesses (1000)

As may be expected, those that had continued to trade without pause were more confident than those who had temporarily closed/paused trading (91% vs 66% respectively) and more likely to be *very* confident (47% vs 16% respectively).

In terms of further variation, confidence was lower than average among:

- tourism businesses (41% not confident, vs 15% overall, and 17% *not at all* confident vs 5% overall)
- small businesses (0-4 staff) (18% not confident)
- international businesses (22%)
- those whose economic optimism had decreased (24%).

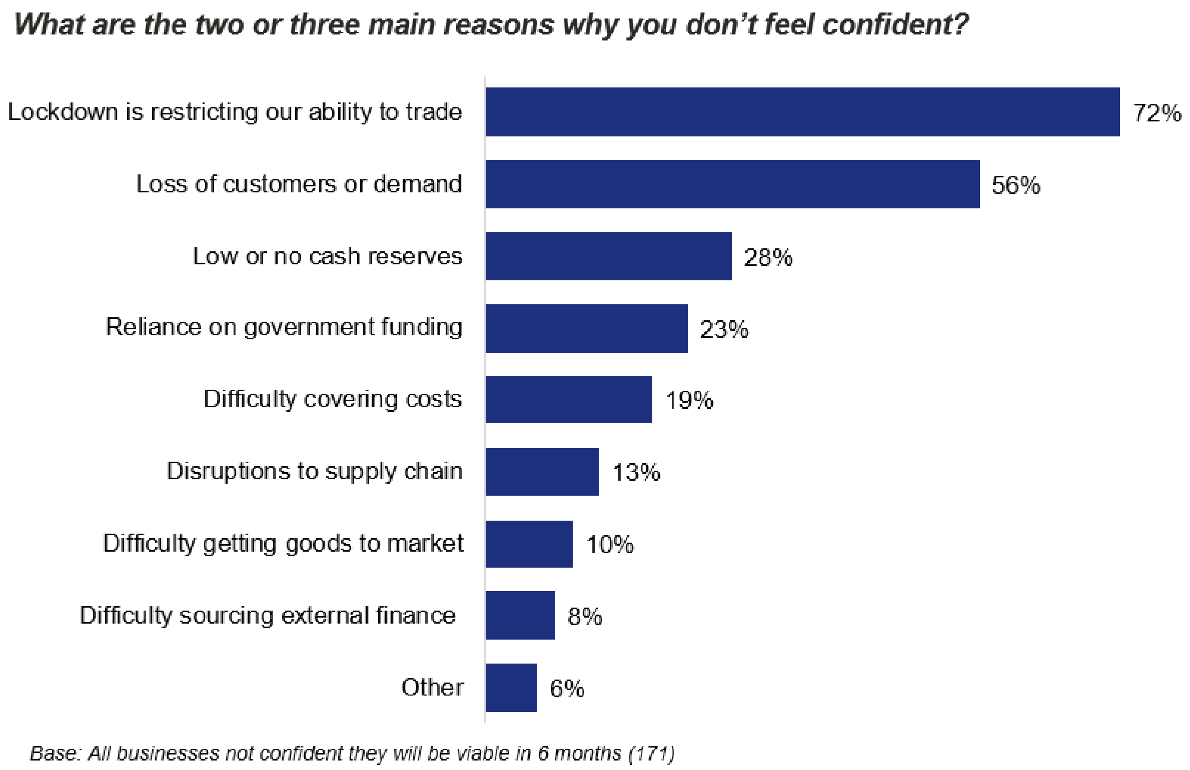
Confidence was *higher* than average among:

- food and drink businesses (87% confident, vs 84% overall)
- those with 11-24 staff (93%)
- domestic-only businesses (88%), and
- those whose economic optimism had increased (96%).

Reason for not feeling confident

Among those businesses that lacked confidence in their viability over the next six months, the most common reason cited was that lockdown was restricting their ability to trade (72%). This was followed by concerns over loss of customers or demand (56%). Other reasons included: low or no cash reserves (28%), reliance on government funding (23%) and difficulty covering costs (19%). Lower numbers reported disruptions to their supply chain (13%), difficulties getting goods to market (10%) and sourcing external finance (8%) as factors contributing to lack of confidence. (Figure 3.3).

Figure 3.3: Reasons for not feeling confident about business viability in the next six months

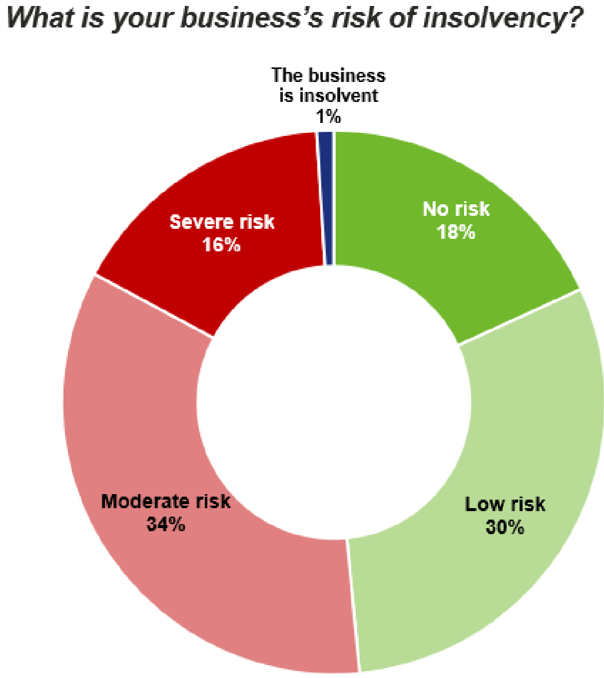


As a result of small base sizes, few statistically significant differences were apparent. However, international businesses were more likely than average to identify difficulty getting goods to market as a factor underpinning their lack of confidence (15% vs 10% overall).

Risk of insolvency

Of the 15% of businesses not confident in their ongoing viability, most (81%) felt they faced at least some risk of insolvency - 16% said they faced a severe risk, 34% a moderate risk and 30% a low risk (Figure 3.4). When viewed in relation to the overall survey sample, the proportion facing risk of insolvency would represent 12% of all businesses.

Figure 3.4: Risk of insolvency



Base: All businesses not confident they will be viable in 6 months (171)

With base sizes being small, there was little scope to draw out statistically significant differences between subgroups. However, small businesses (0-4 employees) were less likely than average to say they faced any risk of insolvency (76% vs 81% overall).

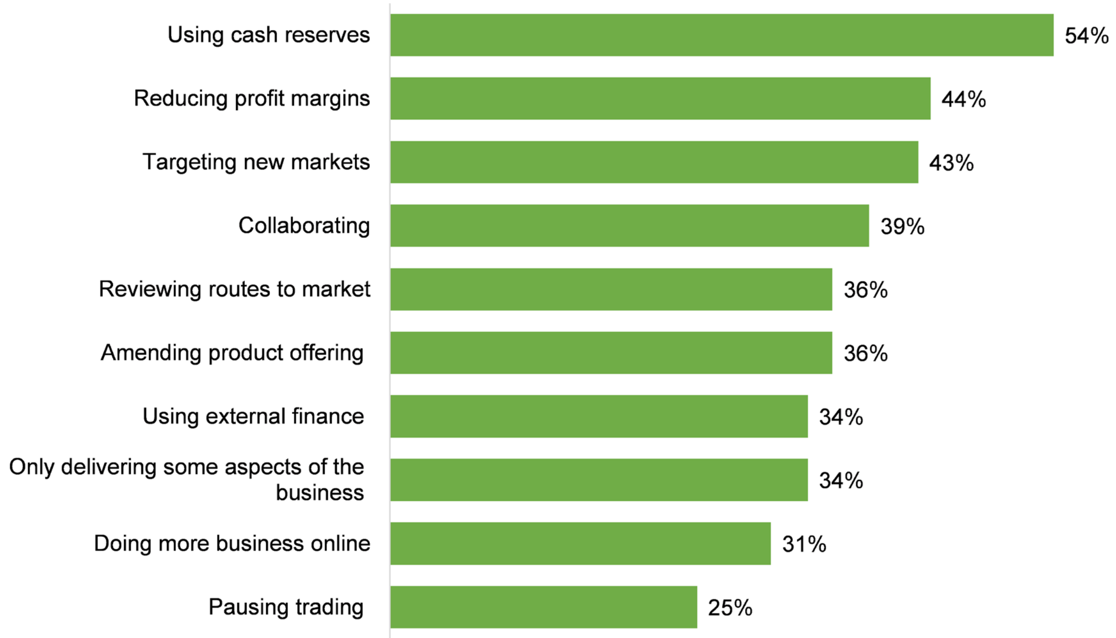
Those businesses reporting no risk of insolvency included a higher-than-average proportion of tourism businesses (31% vs 18% overall).

ACTIONS TAKEN TO ENSURE VIABILITY

Most businesses (90%), regardless of confidence, were taking active steps to support their viability over the next six months. The most common actions being looked at included using cash reserves (54%), reducing profit margins (44%), targeting new markets (43%), and collaborating (39%). Over a third were reviewing routes to market (36%), amending product offering (36%), using external finance (34%), and only delivering some aspects of the business (34%). Doing more business online was cited by 31% and a quarter (25%) had paused trading to help secure ongoing viability. (Figure 3.5).

Figure 3.5: Actions taken to ensure business viability over the next six months

Which of the following actions, if any, is your business currently taking to ensure it remains viable over the next 6 months?



Base: All businesses (1000)

Several actions were more common among businesses that had temporarily closed than among those continuing to trade. Notably, those temporarily closed were more likely to be exploring finances: using cash reserves (75%), reducing profit margins (52%), and accessing external finance (47%). They were also more likely than those who continued trading to be looking at only delivering some aspects of their business (49% vs 27%) and amending their product offering (41% vs 34%) (Table 3.2).

Table 3.2. Actions to remain viable by trading status

Actions	Continued trading %	Temporarily closed/ paused trading %
Using cash reserves	45	75
Reducing profit margins	40	52
Targeting new markets	43	40
Collaborating	39	37
Amending product offering	34	41
Reviewing routes to market	35	36
Only delivering some aspects of the business	27	49
Using external finance	28	47
Doing more business online	34	21
Pausing trading	9	69
None of these	14	1
Base:	*645*	*312*

A similar picture was apparent in relation to businesses concerned about their future viability (who were also more likely to have had to close temporarily or pause trading). These businesses were more likely than average to be using cash reserves (77%), reducing profit margins (53%), pausing trading (46%), only delivering some aspects of the business (42%), and using external finance (44%) (Table 3.3).

Table 3.3 - Actions to remain viable by confidence in future viability

Actions	Confident	Not confident
	%	%
Using cash reserves	50	77
Reducing profit margins	42	53
Targeting new markets	45	32
Collaborating	40	35
Amending product offering	37	33
Reviewing routes to market	37	28
Only delivering some aspects of the business	32	42
Using external finance	32	44
Doing more business online	33	18
Pausing trading	21	46
None of these	11	4
Base:	*817*	*171*

Turning to sectoral variation, tourism businesses were more likely than average to be taking some form of action to support ongoing viability (99% were doing so), particularly actions relating to reducing costs or responding to financial challenges. Using cash reserves (77% vs 54% overall), pausing trading (59% vs 25% overall), amending product offering (54% vs 36% overall), using external finance (53% vs 34% overall), and only delivering some aspects of the business (47% vs 34% overall) were steps they were more likely than average to be looking at.

Food and drink businesses were more likely to be taking actions that related to changing their way of working, such as collaborating (50% vs 39% overall), targeting new markets (49% vs 43%), reviewing routes to market (49% vs 36%), and doing more business online (46% vs 31%).

Creative industries businesses were also more likely to be doing more business online (50% vs 31% overall).

HIE-account managed businesses were more likely than non-account managed businesses to be taking each of the listed actions, except for reducing profit margins and pausing trading, which they were as likely to being doing.

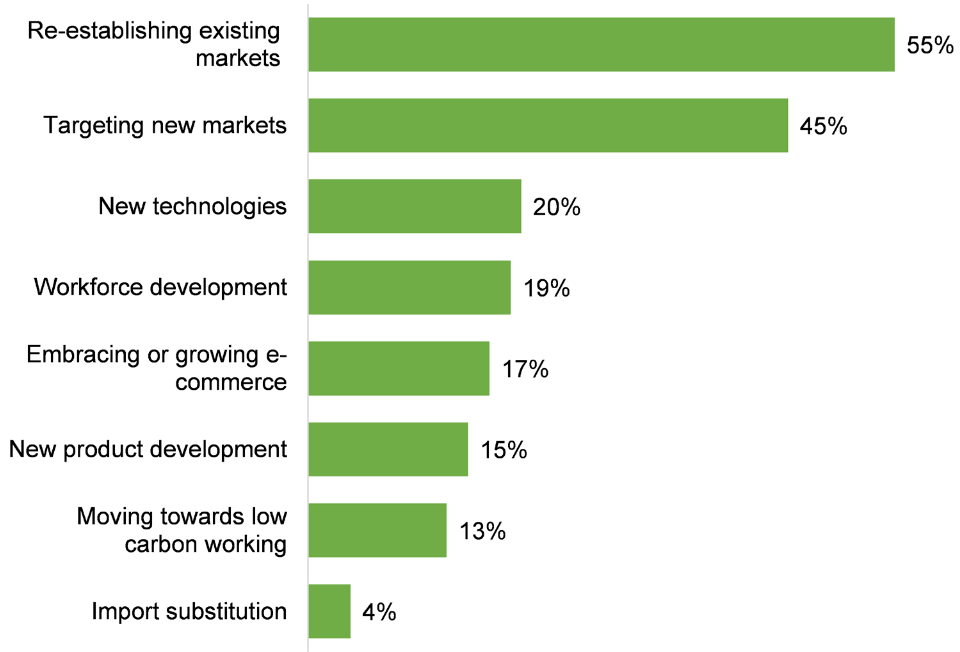
Overall, domestic-only businesses were taking fewer actions than average (86% were taking action, compared with 90% overall).

OPPORTUNITIES

While businesses have faced unprecedented challenge over recent times, they also recognise that with challenge comes opportunity. When asked to identify the top two or three opportunities for their business over the next six months, the focus was very much on re-establishing existing markets (55%) and targeting new markets (45%). Other opportunities mentioned, albeit by considerably fewer, were new technologies (20%), workforce development (19%), embracing or growing e-commerce (17%), new product development (15%), moving towards low carbon working (13%) and import substitution (4%) (Figure 3.6).

Figure 3.6: Biggest opportunities facing businesses over the next six months

What two or three of the following are the biggest opportunities for your business over the next 6 months?



Base: All businesses (1000)

All businesses, regardless of current trading status, saw re-establishing existing markets and targeting new markets as key opportunities for the months ahead. However, re-establishing markets was selected by a markedly higher proportion of those that had paused trading (68%) compared to those still trading (49%). Businesses still trading were significantly more likely to cite new technologies (22% vs 13%) and moving towards low carbon working (16% vs 6%) as key opportunities. (Table A.2, Appendix).

Perceptions of opportunities also varied by business confidence. Those that were confident in their viability were more likely than those not confident to see opportunities from: new technologies (22%), workforce development (22%), low carbon working (15%) and import substitution (5%). Those *not* confident were more likely to say re-establishing existing markets was one of their biggest opportunities (64%). (Table 3.4).

Table 3.4 - Future opportunities by confidence in future viability

	Confident	Not confident
	%	%
Re-establishing existing markets	53	64
Targeting new markets	47	38
New technologies	22	11
Workforce development	22	8
Embracing or growing e-commerce	17	12
New product development	16	12
Moving towards low carbon working	15	6
Import substitution	5	1
Base:	*817*	*171*

Large businesses were more likely than average to say embracing or growing e-commerce was an opportunity for them (28% vs 17% overall).

Certain sectors were more likely than average to identify particular opportunities:

- financial and business services - new technologies (33%)
- creative industries – embracing and growing e-commerce (34%) and new product development (33%)
- food and drink - embracing and growing e-commerce (26%), new product development (17%) and import substitution (8%).

Tourism businesses were more likely than average to say they did not know what opportunities there were in the coming 6 months (16% vs 10% overall).

International businesses were more likely than average to say embracing e-commerce (27% vs 17% overall), targeting new markets (56% vs 45% overall) and new product development (22% vs 15% overall) were opportunities.

Businesses in non-rural areas (i.e. those not classed as remote rural or accessible rural) were more likely than average to see opportunities in workforce development (27% vs 19% overall), new technology (24% vs 20% overall) and embracing or growing e-commerce (20% vs 17% overall).

HIE-account managed businesses were more likely than non-account managed businesses to see opportunities in targeting new markets (60% vs 43% respectively); embracing or growing e-commerce (44% vs 14%); and new product development (45% vs 12%).

4. WORKFORCE

KEY MESSAGES:

Of the three-quarters (74%) of businesses in the sample employing staff, around a third (32%) employed EU nationals. Most (88%) said the number of EU nationals they employed had remained the same in the past 12 months, while the number had decreased for around one in ten (9%) and increased for 2%.

Most employers (87%) had taken workforce-related action in response to COVID-19 restrictions. The four most common actions were placing staff on furlough (57%), enabling staff to work from home (46%), putting recruitment on hold (46%) and continuing to pay staff while they were not working (42%).

One in ten (11%) had made staff redundant. This was higher among large businesses (25+ staff) (26%), and those in the creative industries (23%) and tourism (20%) sectors.

Most employers were confident in their ability to access staff with the skills they need post lockdown; 78% were confident while 16% were not, with confidence markedly higher among those also confident in their future viability (82% compared with 54%).

Confidence in addressing workforce requirements was underpinned by already having staff with the skills needed (63%) and opportunities for staff training and development (54%). For those not confident in their ability to access staff with the skills required, the two key challenges faced were fewer candidates to fill vacancies (57%) and being unable to plan ahead (50%).

EMPLOYING EU NATIONALS

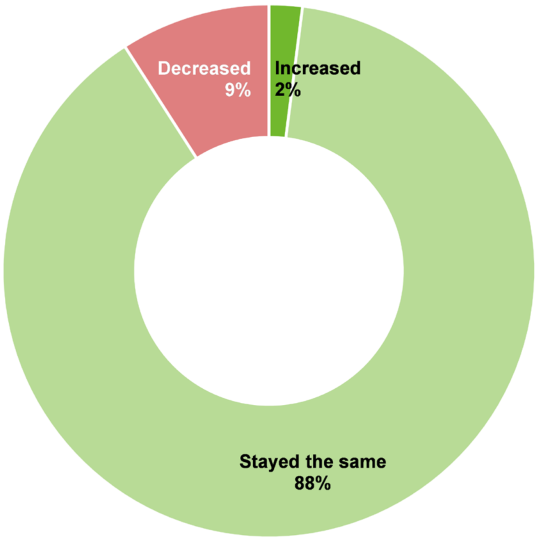
The end of the EU exit transition period on the 31 December 2020 brought an end to the free movement of people. EU nationals already living and working in the UK could continue doing so, subject to securing appropriate consent. Prior to exploring COVID-19 impacts on the labour market, it was useful to capture the nature and extent of employment of EU nationals, with a view to understanding where the removal of the EU as a recruitment pool could be exacerbating workforce issues.

Of the three-quarters (74%) of businesses in the sample employing staff, around a third (32%) employed EU nationals. This was highest among large businesses (70% of those with 25+ staff) and in the tourism sector (46%). HIE-account managed businesses were more likely than non-account managed to employ EU nationals (46% vs 30%).

For most employers (88%) the number of EU nationals they employed had remained the same over the past 12 months. Around one in ten (9%) reported that the number had decreased, and 2% that it had increased (Figure 4.1).

Figure 4.1 – Employment of EU nationals over past 12 months

Q. Has the number of EU nationals that you employ increased, decreased or stayed about the same in the past 12 months?



Base: All employers (724)

Decreases in the number of EU nationals employed were more apparent among:

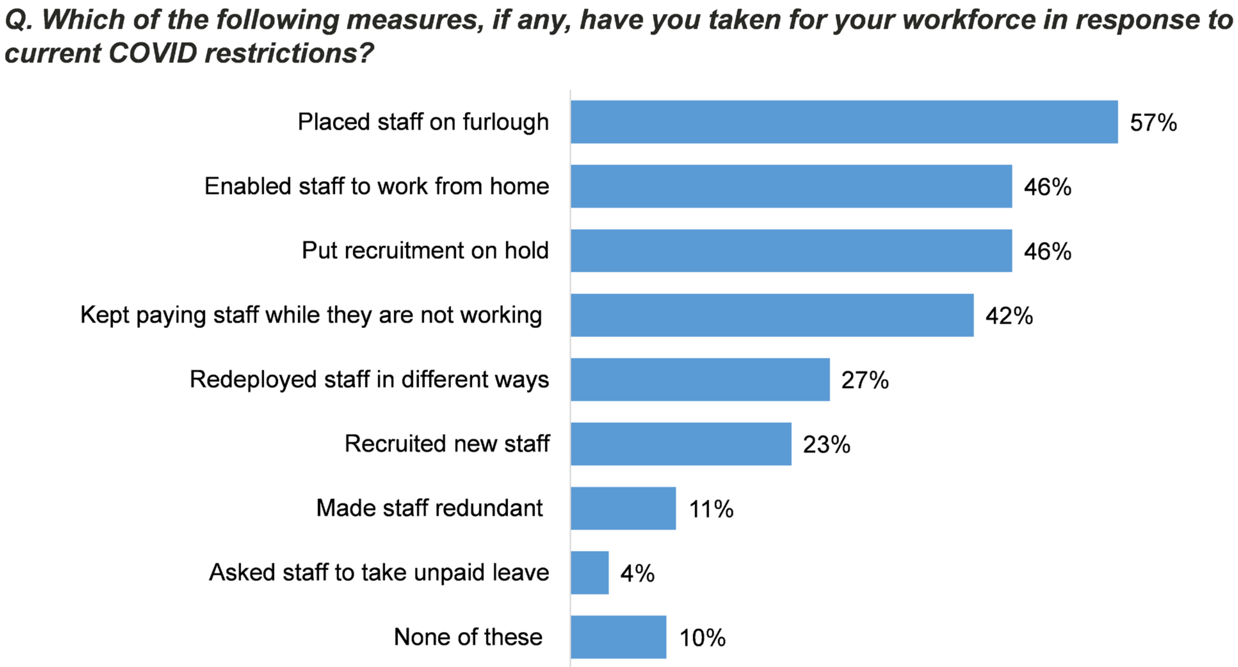
- tourism businesses (18% saw a decrease, compared with 9% overall)
- HIE-account managed businesses (16%)
- those with 5-10 employees overall (13%), and
- those operating in markets outside of Scotland: outside the UK (12%), outside of Great Britain (GB) (12%) and outside of Scotland but within GB (11%).

Financial and business services organisations, on the other hand, were more likely to have seen an increase in the number of EU nationals employed (9% compared with 2% overall).

ACTIONS IN RESPONSE TO COVID-19

Returning to COVID-19 restrictions and associated impacts, most employers (87%) had taken at least some workforce-related action in mitigation of this. Almost three-fifths had placed staff on furlough (57%), and over two in five had enabled staff to work from home (46%), put recruitment on hold (46%) and continued to pay staff while they were not working (42%). Around a quarter had redeployed staff in different ways (27%) and recruited new staff (23%). One in ten (11%) had made staff redundant, while 4% had asked staff to take unpaid leave. (Figure 4.2).

Figure 4.2: Actions taken in response to COVID-19



Base: All employers (724)

Variation by trading status and confidence

Response to workforce-related issues varied by trading status. Those who had temporarily paused trading were more likely than average to have placed staff on furlough (72% vs 57% overall), put recruitment on hold (63% vs 46%), and asked staff to take unpaid leave (8% vs 4%). Those who continued trading without pause were more likely than average to have enabled staff to work from home (50% vs 46%) and recruited new staff (28% vs 23%). (Table 4.1).

Table 4.1 – Workforce actions by trading status

	Continued trading	Temporarily closed/ paused trading
	%	%
Placed staff on furlough	51	72
Put recruitment on hold	40	63
Enabled staff to work from home	50	35
Kept paying staff while they are not working	40	45
Redeployed staff in different ways	27	25
Recruited new staff	28	10
Made staff redundant	10	13
Asked staff to take unpaid leave	2	8
None of these	12	6
Base:	*497*	*198*

Businesses confident in their viability were more likely than those not confident to have enabled staff to work from home (49% vs 30%) and recruited staff (25% vs 10%). Those not confident, on the other hand, were more likely to have put recruitment on hold (61% vs 44%) and asked staff to take unpaid leave (12% vs 2%). (Table 4.2).

Table 4.2 – Workforce actions by confidence in future viability

	Confident	Not confident
	%	%
Placed staff on furlough	57	52
Put recruitment on hold	44	61
Enabled staff to work from home	49	30
Kept paying staff while they are not working	41	45
Redeployed staff in different ways	27	28
Recruited new staff	25	10
Made staff redundant	10	15
Asked staff to take unpaid leave	2	12
None of these	10	10
Base:	*615*	*105*

Variation by size

Certain actions were more prevalent among larger businesses (those with 11-24 and 25+ staff) namely:

- placing staff on furlough (76% and 77% respectively, vs 57% overall)
- enabling staff to work from home (58% and 69%, vs 46%)
- redeploying staff in different ways (52% and 52%, vs 27%), and
- recruiting new staff (39% and 45%, vs 23%).

Those with 11-24 staff were also more likely than average to have kept paying staff while they were not working (55% vs 42% overall). Those with 25+ staff were more likely than average to have made staff redundant (26% vs 11% overall).

Variation by sector

The negative impacts of COVID-19 on the tourism sector were apparent in the actions they were taking for their workforce. They were more likely than average to have placed staff on furlough (70% vs 57% overall), put recruitment on hold (65% vs 46%), made staff redundant (20% vs 11%) and asked staff to take unpaid leave (12% vs 4%).

Financial and business services (67%) and creative industries (75%) businesses were both more likely than average (46%) to have enabled staff to work from home. However, redundancies were also higher than average among those in the creative industries sector (23% had made staff redundant, vs 11% overall).

Food and drink businesses were least likely to have taken any measures for their workforce: 24% said they had taken no measures (compared with 10% overall).

Variation by other characteristics

Employers of EU nationals were more likely to have placed staff on furlough (64% vs 57% overall).

International businesses were more likely to have put recruitment on hold (54%, compared with 46% average and 41% of domestic-only businesses) and redeployed staff in different ways (35% compared with 27% and 21%).

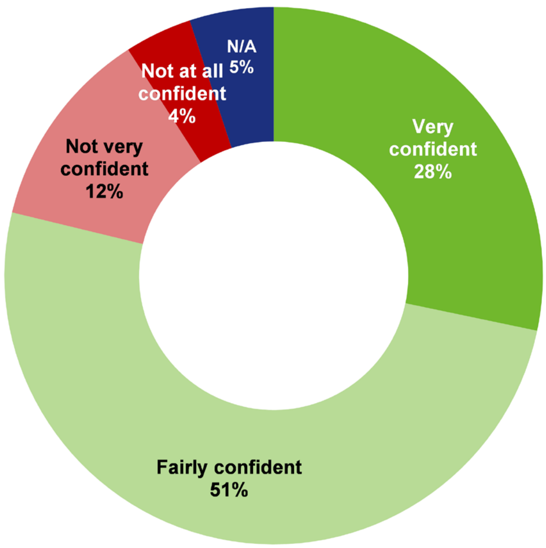
Most actions were more common among HIE-account managed businesses than non-account managed (the exceptions were putting recruitment on hold and asking staff to take unpaid leave). (Table A.3, Appendix).

CONFIDENCE IN ABILITY TO ACCESS STAFF

Looking ahead, most employers were confident in their ability to access staff with the skills they need post-lockdown; 78% were confident while 16% were not. (Figure 4.3).

Figure 4.3 – Confidence in ability to access staff post-lockdown

Q. Thinking ahead to the next 12 months, how confident are you in your ability to access the staff you need, post lockdown?



Base: All employers (724)

Confidence in ability to access staff was higher among those that were also confident in their future viability (82%) and lower among those that were not (54%). (Table 4.3).

Table 4.3 - Confidence accessing staff by confidence in future viability

	Confident	Not confident
	%	%
Very confident	30	13
Fairly confident	52	41
Not very confident	11	19
Not at all confident	3	13
Confident	**82**	**54**
Not confident	**14**	**32**
Base:	*615*	*105*

Confidence was also lower than average among those with 11-24 employees (26% not confident vs 16% overall) and those with a severe or moderate risk of insolvency (37%).

Otherwise, there was little variation in confidence levels by types of business.

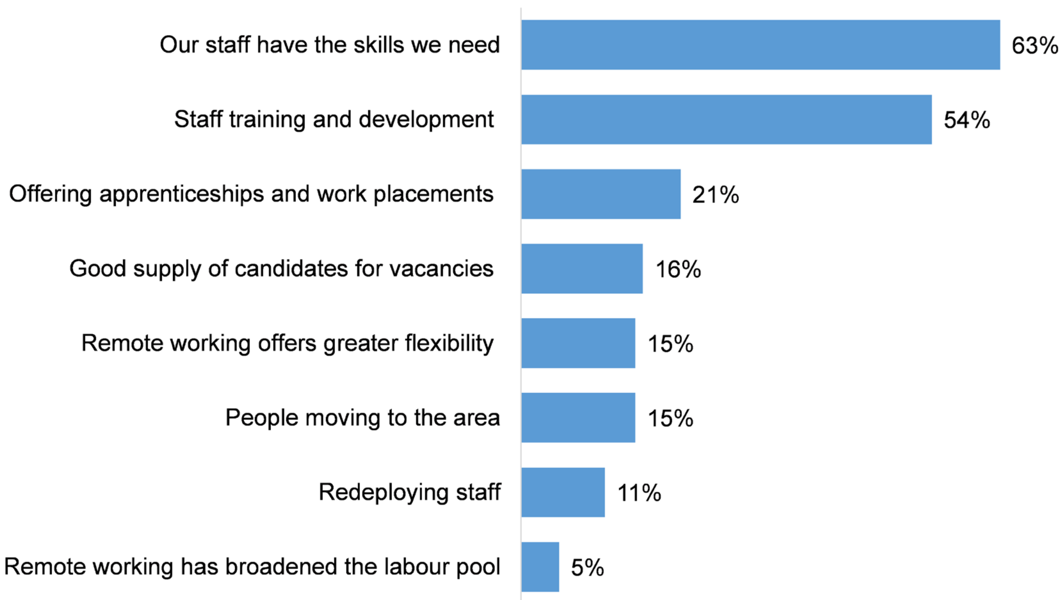
WORKFORCE RELATED OPPORTUNITIES

Those confident in their ability to access staff required felt their staff already having the skills needed (63%) and staff training and development (54%) were the greatest workforce-related opportunities at their disposal.

Other potential opportunities were identified by markedly fewer: offering apprenticeships and work placements (21%), a good supply of candidates (16%), remote working offering greater flexibility (15%), people moving to the area (15%), redeploying staff (11%) and remote working broadening the labour pool (5%). (Figure 4.4).

Figure 4.4 – Workforce related opportunities

Q. Which two or three of the following are the biggest opportunities relating to your workforce?



Base: All businesses confident they can access the staff they need (570)

Compared with those that had temporarily closed, businesses still trading saw greater opportunity in apprenticeships and work placements (24% vs 11%) and flexibility from remote working (17% vs 8%). On the other hand, those that had temporarily closed were more likely to say that having a good supply of candidates was an opportunity (23% vs 13%) (Table 4.4). Nonetheless, it is worth noting that lack of candidates was one of the key challenges facing those that were *not* confident they could access the staff they needed (see next section).

Table 4.4 – Workforce opportunities by trading status

	Continued trading	Temporarily closed/ paused trading
	%	%
Our staff have the skills we need	61	67
Staff training and development	54	50
Offering apprenticeships and work placements	24	11
Good supply of candidates for vacancies	13	23
People moving to the area	16	17
Remote working offers greater flexibility	17	8
Redeploying staff	10	14
Remote working has broadened the labour pool	6	1
Base:	*396*	*153*

Those confident in their viability were more likely than those not confident to see opportunity in staff training and development (55% vs 38%) and apprenticeships and work placements (22% vs 6%). Redeploying staff was more of an opportunity for those not confident in their viability (23% vs 10%). (Table 4.5).

Table 4.5 – Workforce opportunities by confidence in future viability

	Confident	Not confident
	%	%
Our staff have the skills we need	62	71
Staff training and development	55	38
Offering apprenticeships and work placements	22	6
Good supply of candidates for vacancies	16	17
People moving to the area	16	14
Remote working offers greater flexibility	15	10
Redeploying staff	10	23
Remote working has broadened the labour pool	5	5
Base:	*509*	*60*

Those in the financial and business services sector were more likely to say remote working offered greater flexibility (31% vs 15% overall).

HIE-account managed businesses were more likely than non-account managed to say that remote working had broadened the labour pool (13% vs 3%).

International businesses identified opportunities in relation to:

- staff training and development (61% vs 54% overall and 49% of domestic-only businesses)

- good supply of candidates for vacancies (20% vs 16% and 15%)
- redeploying staff (16% vs 11% and 6%), and
- remote working broadening labour pool (8% vs 5% and 1%).

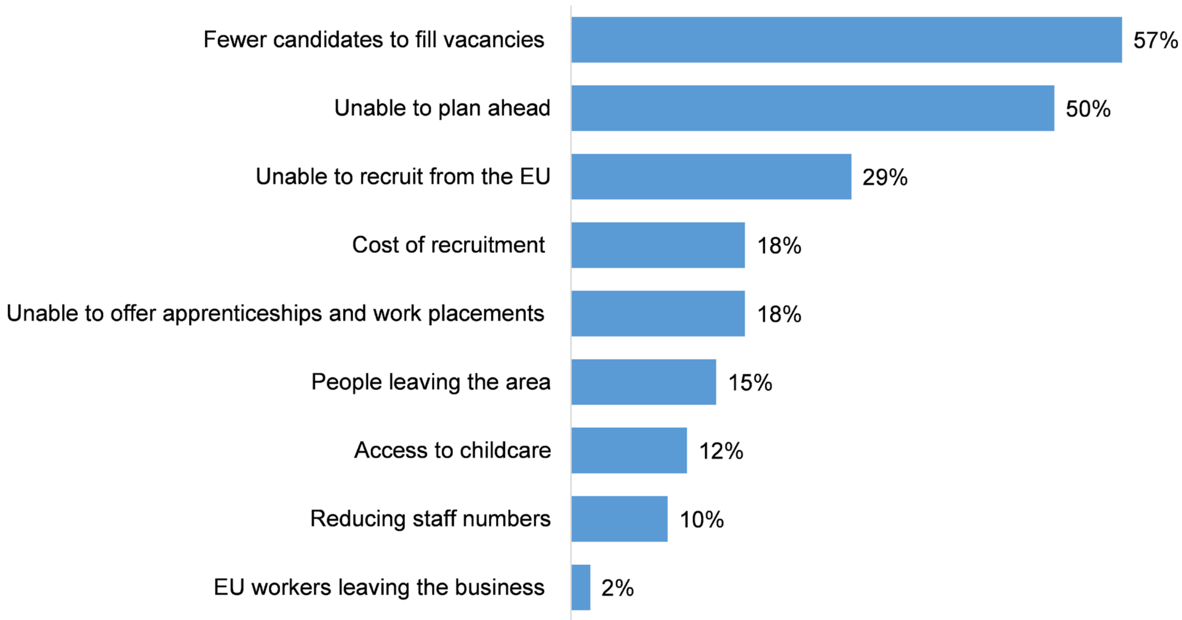
WORKFORCE RELATED CHALLENGES

For employers that were not confident they could access the skills they need post-lockdown, there were two key challenges: fewer candidates to fill vacancies (57%) and being unable to plan ahead (50%).

Other challenges identified were being unable to recruit from the EU (29%), the cost of recruitment (18%), being unable to offer apprenticeships and work placements (18%), people leaving the area (15%), access to childcare (12%), reducing staff numbers (10%) and EU workers leaving the business (2%). (Figure 4.5).

Figure 4.5 – Workforce related challenges

Q. Which two or three of the following are the biggest challenges in relation to your workforce?



Base: All businesses which are not confident they can access the staff they need (104)

As a relatively small number of businesses were asked this question, there was little significant variation in findings. However, it is worth highlighting that among businesses employing EU nationals, 46% said that being unable to recruit from the EU was challenge for them.

5. MARKETS

KEY MESSAGES:

The majority of importers (87%) were able to access the goods and services they needed; 73% by using existing mechanisms, and 14% by changing suppliers or finding alternative solutions.

Around one in ten (9%) were unable to import what they needed. Of these, the vast majority (93%) were taking mitigating action, most commonly making use of usual levels of stock (67%) and adapting their product or service to work with what they could source (65%).

Sales to domestic, UK and international markets, were more likely to have decreased than increased in the past six months. Overall, sales performance was more positive in domestic than international markets.

Those most likely to have experienced a decrease in each of their markets of operation were tourism business, those that had temporarily closed or paused trading, and those not confident in their future viability.

Of those that exported goods or services outside of GB (40% of businesses), 27% said they were experiencing issues doing so, higher among exporters in the food and drink sector (51%). The most common issues were delays due to additional checks on goods (75% of those experiencing issues), the volume and complexity of paperwork (74%) and delays due to queues at customs (67%).

For those experiencing issues when exporting outside GB, the three most common impacts were increased costs (84%), delays to customer orders (73%) and increased staff time (66%).

Most (85%) exporters currently experiencing issues anticipated long-term challenges with: export processes including customs checks and processes (73%), retaining or re-establishing customer demand (71%), time taken to get to market (70%), and access to overseas distribution or groupage services (53%).

The end of the EU exit transition period saw the UK leave the single market and become a third country and as a result, export processes and protocols changed significantly. Changes to import processes are yet to be implemented. The survey sought to explore how businesses are adapting to the new trading environment, and how the challenges and opportunities presented are likely to impact in the short- and longer-term.

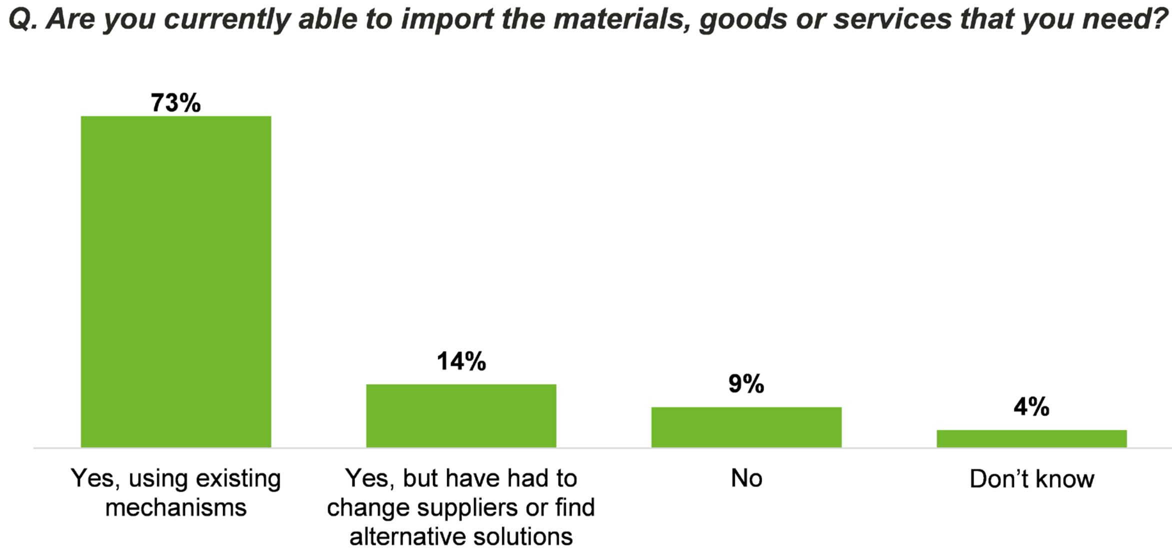
IMPORTS

Accessing good and services needed

Around six in ten businesses (62%) were importers. Of these, 27% were in the food and drink sector, higher than the 23% of food and drink businesses in the overall sample. (Table A.4, Appendix).

The majority (87%) of importers were still able to access the goods and services they needed; 73% by using existing mechanisms, and 14% by changing suppliers or finding alternative solutions. Around one in ten (9%) said they were unable to import what they needed. (Figure 5.1).

Figure 5.1 – Ability to import materials, goods and services needed



Base: All businesses to whom it applied (621)

Among food and drink businesses, views were in line with the average: 81% said they could find what they needed using existing mechanisms, 10% could by changing supplier or finding an alternative, while 7% were not able to access what they needed.

Those that had temporarily paused trading were more likely to say they were unable to access what they needed (15%, compared with 9% overall).

Otherwise, there was little variation in response by type of importer. For those who were unable to access what they needed, and those who had to change their supplier or approach, the sample size was too small for any significant differences to emerge (62 and 95 business respectively).

Actions taken to in response to importing challenges

Among those unable to access the goods or services they needed, the vast majority (93%) were taking mitigating action. Most commonly, actions involved making use of usual levels of stock (67%) and adapting their product or service to work with what they could source (65%). Other actions taken included using supplies previously stockpiled (50%), sourcing alternatives from new UK or domestic suppliers (49%) or international suppliers (16%) and limiting production (48%). (Figure 5.2).

Figure 5.2 – Actions taken in response to importing challenges

Q. What actions are you taking to help ensure you have access to the materials, goods or services you need?

Base: All businesses unable to import what they need (62)

There was no significant variation in findings between importers (likely due to the small base number available for analysis).

EXPORTS

Moving on to exports, the vast majority of businesses sold goods or services within Scotland (95%), while 44% *only* sold in Scotland and not in other markets ('domestic businesses'). Half (51%) sold to England and Wales and 31% to Northern Ireland. Around a third (36%) sold outside of the UK (referred to as 'international businesses'); 36% within the EU and 32% outside of the EU (Table A.5, Appendix).

Those that sold goods or services outside of GB ('exporters') were mainly made up of three sector groupings: non-growth sectors (37%), food and drink (27%) and tourism (19%). The proportion of tourism businesses was higher than in the overall survey sample (19% vs 10%), while the proportion of non-growth sector businesses was lower (37% vs 52%). (Table A.6, Appendix).

Findings relating to exports therefore include those that were likely to be exporting physical goods (e.g. food and drink businesses, certain non-growth sectors) and those likely to be exporting a service (e.g. tourism).

Sales to markets of operation

Businesses were asked whether their sales to specific markets had increased, decreased, or remained the same in the past six months.

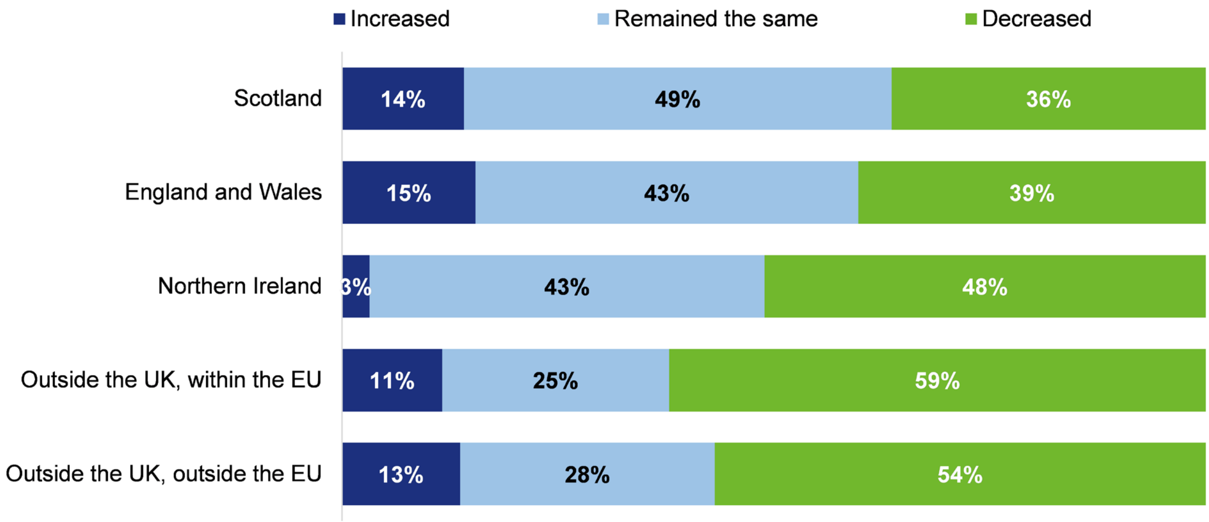
Among those who sold to each market[5], sales were more likely to have decreased than increased. Overall, sales performance had been more positive in domestic than international markets.

Sales performance was similar in Scotland as it was in the rest of GB. In Scotland, 14% had seen an increase in sales, 36% a decrease, and 49% said they had remained the same. For those selling to England and Wales, 15% had increased sales, 39% decreased and 43% remained the same. Sales to markets in Northern Ireland had not performed as well as the rest of the UK; just 3% had seen an increase, while 48% saw a decrease and 43% no change.

In international markets, while around one in ten had seen an increase in sales within the EU (11%) and outside the EU (13%), more than half had experienced a decrease (59% and 54% respectively). (Figure 5.3).

Figure 5.3 – Sales in markets of operation

Q. In the past 6 months, has the amount of goods and services you sell to the following markets increased, decreased or remained the same?



Base: All those operating in each market

Unsurprisingly, businesses who were temporarily closed or paused trading were more likely to have experienced decreases in each market: Scotland (63%), England and Wales (63%), Northern Ireland (71%), within the EU (89%) and outside the EU (87%). Those that had continued to trade were more likely to have seen an *increase* in sales within the EU (17%) and outside the EU (21%).

Those who were not confident in their future viability had experienced higher than average decreases in all markets: Scotland (63%), England and Wales (66%), Northern Ireland (77%), within the EU (82%) and outside the EU (74%).

[5] The findings shown in this section relate only to those who operate within each market. Those that answered "not applicable" to this question have been removed from the analysis.

Reflecting the negative impacts they had experienced over the past six months, tourism businesses were more likely to report decreased sales in each market: Scotland (61%), England and Wales (65%), Northern Ireland (75%), outside the UK but within the EU (90%) and outside the EU (88%).

Most food and drink exporters either saw a decrease or no change in sales within the EU (45% decrease, 28% no change) and outside the EU (28% decrease, 37% no change). However, where increased trade was experienced in these markets, food and drink exporters were more likely than average to report positive performance. They were more likely than average to say sales had increased from markets within the EU (19% vs 11% overall) and outside the EU (26% vs 13%).

Large businesses (25+ employees) were also over-represented among those seeing positive performance in international markets; 21% had seen an increase in sales within the EU, while 37% had seen an increase outside the EU.

To summarise, the businesses more likely than average to have experienced decreased sales in each market were:

- tourism businesses
- those temporarily closed or paused trading, and
- those not confident in their future viability.

Where sales to international businesses had *increased*, businesses more likely than average to have experienced this were:

- food and drink businesses
- large businesses (25+ staff)
- those that had continued to trade, and
- those confident in their future viability.

Export issues

Of those that exported goods or services outside of GB (40% of businesses), 27% said they were experiencing issues doing so (70% were experienced no issues, and 2% said they did not know).

Export issues were particularly prevalent among food and drink exporters, with half (51%) saying they were experiencing issues. Issues were also more likely to be experienced by:

- Large businesses with 25+ staff (52%)
- HIE-account managed (52%)
- Those that had continued to trade (32%).

Those that were experiencing *no* issues were more likely than average to be:

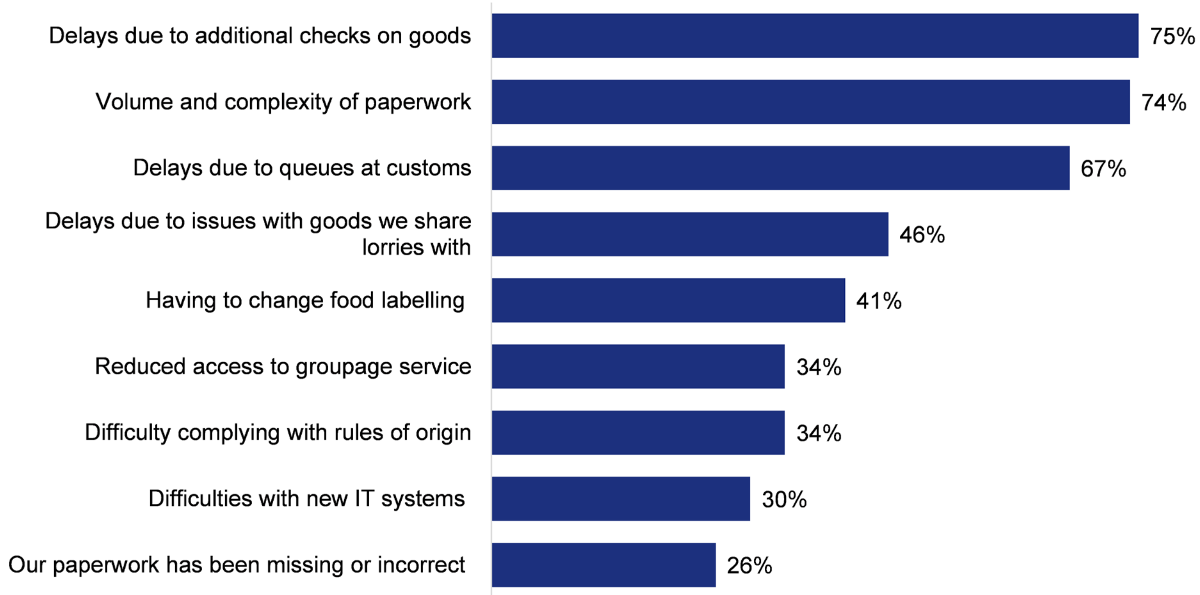
- Tourism businesses (91% vs 70% overall)
- Non-growth sector businesses (78%)

- Businesses with 0-4 staff (75%)
- Non-account managed (75%)
- Those temporarily closed or paused trading (78%).

Among those that were experiencing issues, challenges related mainly to delays due to additional checks on goods (75%), the volume and complexity of paperwork (74%) and delays due to queues at customs (67%). Some also reported issues with groupage, either delays due to other goods on shared lorries (46%) or reduced access to such services (34%). Around two-fifths reported issues with food labelling (41%), around a third with rules of origin (34%) and new IT systems (30%), and just over a quarter with incorrect or missing paperwork (26%). (Figure 5.4).

Figure 5.4 – Issues faced exporting outside GB

Q. Are you experiencing any of the following issues when exporting goods or services?



Base: All businesses who export outside of GB were experiencing issues (115)

Impact of export issues

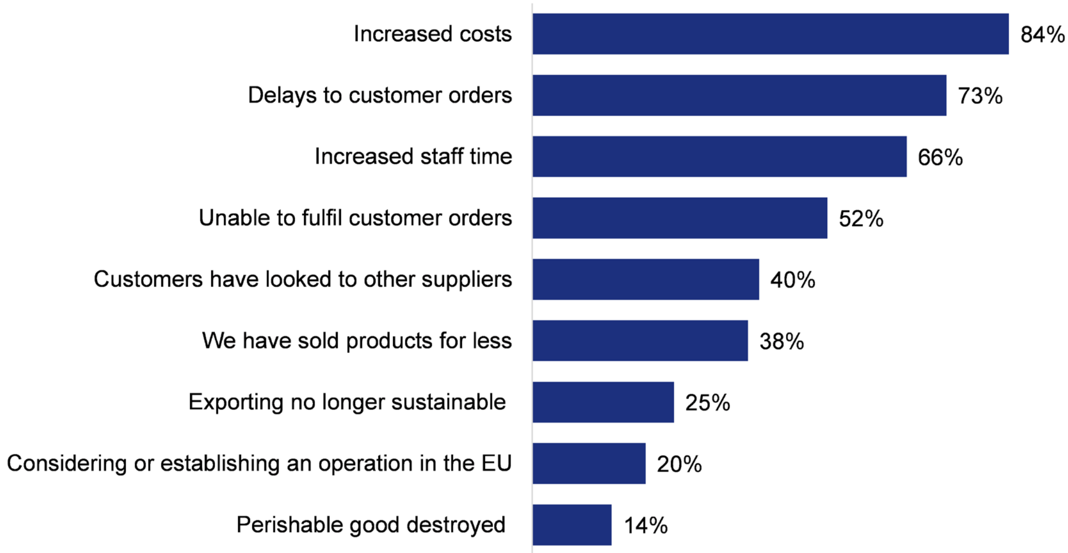
For those experiencing issues when exporting outside GB, the three most common impacts were increased costs (84%), delays to customer orders (73%) and increased staff time (66%).

Other impacts reported included being unable to fulfil orders (52%), customers looking to other suppliers (40%), selling products for less (38%) and perishable goods being destroyed (14%). A quarter of businesses felt exporting was no longer sustainable for them (25%) and a fifth were considering or establishing an operation in the EU (20%). (Figure 5.5).

Due to the small base size, there was no significant variation between different types of business.

Figure 5.5 – Impact of issues faced when exporting

Q. And what impact are these issues having on your business?



Base: All businesses who export outside of GB and are experiencing issues (115)

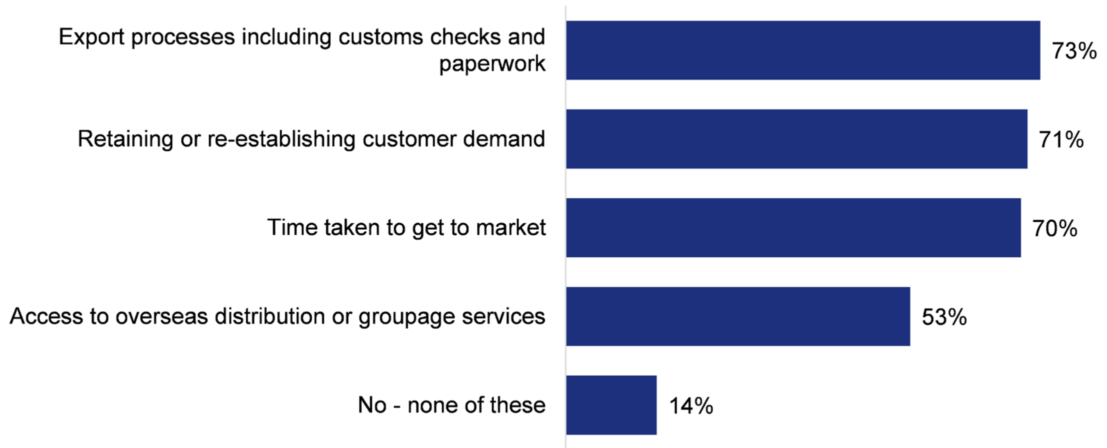
Long-term issues

Most (85%) exporters that were experiencing issues felt these might last beyond the next few months. They anticipated long-term issues with export processes including customs checks and processes (73%), retaining or re-establishing customer demand (71%), time taken to get to market (70%), and access to overseas distribution or groupage services (53%). (Figure 5.6).

Again, due to the small base size, there was no significant variation between different types of business.

Figure 5.6 – Expectations of long-term issues with exports

Q. And thinking beyond the next few months, do you anticipate long-term issues with any of the following?



Base: All businesses who export outside of GB and are experiencing issues (115)

6. SUMMARY

Overview

The survey highlighted the ongoing impacts being felt by COVID-19. With parts of the Highlands and Islands in either Level 3 or 4 lockdown during the fieldwork period, there were clear impacts in terms of trading status, business performance, confidence, and workforce.

One of the most tangible impacts of lockdown was the ability to trade. A quarter of businesses had temporarily closed or paused trading since the end of 2020, largely due to lockdown requirements. This had knock-on impacts in terms of performance, with those who had paused trading unsurprisingly being more likely to experience a decrease in sales or turnover, which in turn led them to be less confident in their future viability.

It was clear that the tourism sector had been particularly affected by COVID-19 and lockdown restrictions. They were most likely to have temporarily closed or paused trading and, as result, the vast majority saw sales, or turnover decrease. Tourism businesses therefore had low confidence in the economic outlook and in their own viability – with two in five saying they were not confident about their viability over the next six months.

By comparison, the food and drink and financial and business services sector had performed better than others. They were both more likely to have continued to trade without pause since the end of 2020, and food and drink businesses were more likely than others to have seen an increase in their sales (though still only by around one in five) and to be confident about their future viability. Nonetheless, food and drink businesses were more likely than other sectors to have experienced issues when exporting to markets outside of Great Britain.

Turning to Brexit, this was the first wave of this survey carried out since the end of the EU exit transition period. For importers, most seemed relatively unaffected – although one in ten were unable to access the goods and services they needed and were having to act as a result. For exporters, sales in each market were more likely to have decreased than increased, particularly in international markets. A quarter were experiencing issues when selling internationally and expect these challenges to continue in the longer-term. These issues are adding to business and staff costs, and challenges in fulfilling customer orders.

Looking ahead, COVID-19 and lockdown was most frequently cited as one of the top two or three risks facing businesses. However, this was not the only risk - both Brexit and Scotland's relationship with the UK were seen as risks by around four in ten businesses and were particular risks for the food and drink sector.

While economic confidence remains low, it has improved since the start of the pandemic. Despite ongoing challenges, most businesses in the region are confident they can access the staff they require and are confident in their viability over the next six months. Re-establishing existing markets and targeting new markets are a key focus for businesses looking to a post-COVID and post-Brexit recovery.

Economic confidence and performance

- Economic optimism remained low, with 56% saying their confidence had decreased, 37% saying it had stayed the same, and 5% that it had increased in the last six months. However, optimism was higher than in June/July 2020, when COVID-19 had contributed to net confidence reaching the lowest ever level recorded in the survey.
- Since 26th December 2020, 70% of businesses had continued to trade without pause, while 26% had temporarily closed or paused trading and 2% had restarted trading.

- Temporary closure or pausing of trading was largely driven by the direct requirements of lockdown (reported by 76%). Around one in six (16%) reported that closing temporarily was a choice they felt they had to make, and 6% reported seasonal closure.

- In the past six months, sales or turnover were more likely to have decreased than increased: 57% said it had decreased, 13% increased, and 29% stayed the same.

Confidence and taking action

- COVID-19 and lockdown restrictions was identified most frequently as the greatest risk facing businesses in the next six months (mentioned by 77%). This was followed by Brexit (43%), Scotland's relationship with the rest of the UK (37%) and the global economy (23%).

- Most businesses (84%) were confident they would be viable in the next six months, with 38% saying they were *very* confident. Fifteen percent were not confident, including 5% who said they were not at all confident. Confidence was particularly low among those who had paused trading (66% confident vs 91% of those still trading) and with tourism businesses (58% confident, 41% not) and.

- Lack of confidence was rooted mainly in lockdown restricting ability to trade (72%), followed by a loss of customers or demand (56%). Others cited low or no cash reserves (28%), reliance on government funding (23%) and difficulty covering costs (19%).

- Among those that did not feel confident in their viability, 81% felt they faced at least some risk of insolvency - 16% said they faced a severe risk, 34% a moderate risk and 30% a low risk.

- Most businesses (90%) were taking active steps to support their viability over the next six months. The top three actions being taken were using cash reserves (54%), reducing profit margins (44%), and targeting new markets (43%).

- When asked to identify the top two or three opportunities for their business in the next six months, the focus was on re-establishing existing markets (55%) and targeting new markets (45%).

Workforce

- Around three-quarters (74%) of businesses were employers. Of these, a third (32%) employed EU nationals. Most employers (88%) said the number of EU nationals they employed had remained the same in the past 12 months. Around one in ten (9%) said the number had decreased, while 2% said it had increased.

- Most employers (87%) had taken at least some workforce-related action in response to COVID-19 restrictions. The four most common actions were placing staff on furlough (57%), enabling staff to work from home (46%), putting recruitment on hold (46%) and continuing to pay staff while they were not working (42%).

- One in ten (11%) had made staff redundant. This was higher among large businesses (25+ staff) (26%), creative industries (23%) and tourism (20%) businesses.

- Most employers were confident in their ability to access staff with the skills they need post lockdown; 78% were confident while 16% were not, with confidence markedly higher among those also confident in their future viability (82% compared with 54%).

- Confidence in addressing workforce requirements was underpinned by already having staff with the skills needed (63%) and opportunities for staff training and development (54%). For those not confident in their ability to access staff with the skills required, the two key challenges faced were fewer candidates to fill vacancies (57%) and being unable to plan ahead (50%).

Markets

- Most importers (87%) were able to access the goods and services they needed; 73% by using existing mechanisms, and 14% by changing suppliers or finding alternative solutions. Around one in ten (9%) were unable to import what they needed.

- Among those unable to access the goods or services they needed, the vast majority (93%) were taking at least some action in response, most commonly making use of usual levels of stock (67%), and adapting their product or service to work with what they could source (65%).

- Sales to domestic, UK and international markets, were more likely to have decreased than increased in the past six months. Overall, sales performance was more positive in domestic than international markets.

- Of those that exported goods or services outside of GB (40% of businesses), 27% said they were experiencing issues doing so, higher among food and drink exporters (51%). The most common challenges were delays due to additional checks on goods (75% of those experiencing issues), the volume and complexity of paperwork (74%) and delays due to queues at customs (67%).

- For those experiencing issues when exporting outside GB, the three most common impacts were increased costs (84%), delays to customer orders (73%) and increased staff time (66%).

- Most (85%) exporters currently experiencing issues anticipated long-term challenges with export processes including customs checks and processes (73%), retaining or re-establishing customer demand (71%), time taken to get to market (70%), and access to overseas distribution or groupage services (53%).

7. APPENDIX

RISKS FACING BUSINESS

Table A.1 - Risks facing business by confidence in business viability

Risk	Confident	Not confident
	%	%
COVID 19 and lockdown restrictions	75	91
Brexit	43	43
Scotland's relationship with the rest of the UK	38	32
The global economy	23	20
Sectoral change	9	3
Climate change	-	4
Base:		

OPPORTUNITIES

Table A.2 - Future opportunities by trading status

	Continued trading	Temporarily closed/ paused trading
	%	%
Re-establishing existing markets	49	68
Targeting new markets	46	42
New technologies	22	13
Workforce development	21	15
Embracing or growing e-commerce	16	19
New product development	15	17
Moving towards low carbon working	16	6
Import substitution	5	2
Base:	*645*	*312*

WORKFORCE

Table A.3 – Actions taken by account managed status

	HIE-account managed	Non-account managed
Placed staff on furlough	74	54
Put recruitment on hold	49	46
Enabled staff to work from home	65	43
Kept paying staff while they were not working	52	40
Redeployed staff in different ways	45	24
Recruited new staff	33	22
Made staff redundant	22	9
Asked staff to take unpaid leave	4	4
None of these	4	11
Base: All employers	*91*	*633*

MARKETS

Table A.4 – Proportion of importers by sector

Sector	Importers %	All %
Food and drink	27	23
Financial and business services	6	9
Life Sciences	*	*
Energy	3	2
Tourism	8	10
Creative industries	4	4
Non-growth sectors	52	52
Base	*621*	*1000*

Table A.5 – Markets exported to

Market	% selling goods or services to this market
Scotland	95
Scotland only (domestic)	44
England and Wales	51
Northern Ireland	31
Outside UK, within EU	36
Outside UK, outside EU	32
Any outside UK (international)	**36**
Base	*1000*

Table A.6 – Exporters and international businesses by sector

Sector	Exporters (selling outside GB) %	International businesses (selling outside UK) %	All %
Food and drink	27	27	23
Financial and business services	9	8	9
Life sciences	*	*	*
Energy	4	4	2
Tourism	19	21	10
Creative industries	4	5	4
Non-growth	37	36	52
Base	*405*	*360*	*1000*

PROFILE OF BUSINESSES

Tables A.7 to A.11 provide a breakdown of the weighted sample by: size; growth sector; location; relationship with HIE (account-managed or non-account managed); and whether or not they are in a fragile area or non-fragile area.

Table A.7 – Respondent profile by size

Size	%
None	26
1-4	27
5-10	17
11-24	11
25+	9
Don't know	*
Total	100

Table A.8 – Respondent profile by sector

Growth sector	%
Food and drink	23
Financial and business services	9
Life Sciences	*
Energy	2
Tourism	10
Creative industries	4
Non-growth sectors	52
Total	100

Table A.9 – Respondent profile by location

Location	%
Argyll and the Islands	21
Caithness and Sutherland	9
Inner Moray Firth	27
Lochaber, Skye, and Wester Ross	12
Moray	11
Orkney	9
Outer Hebrides	5
Shetland	5
Total	100

Table A.10 – Respondent profile by relationship with HIE

Relationship with HIE	%
Account-managed	10
Non-account managed	90
Total	100

Table A.11 – Respondent profile by fragile status

Fragile Status	%
Fragile	16
Non-fragile	84
Total	100

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Iomairt na Gàidhealtachd 's nan Eilean