

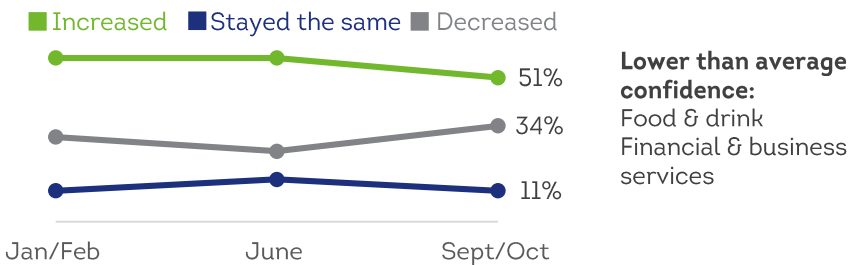
# HIE BUSINESS PANEL SURVEY

OCT 2018: LOOKING TO THE FUTURE

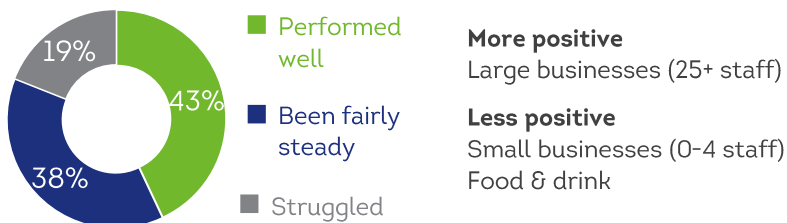
## OPTIMISM, PROSPECTS AND PERFORMANCE

Confidence in the Scottish economy fell this wave, with a third of businesses saying their confidence had decreased. Net confidence\* was -23, the lowest recorded since July/August 2016. However around two thirds were confident about the Highlands and Islands economy in the next 12 months. Most businesses were once again positive about their own performance and optimistic about their future prospects.

### Economic confidence: 2018 trend

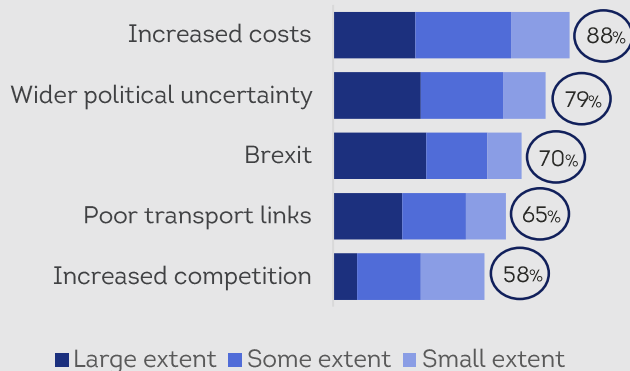


### Performance in last 12 months

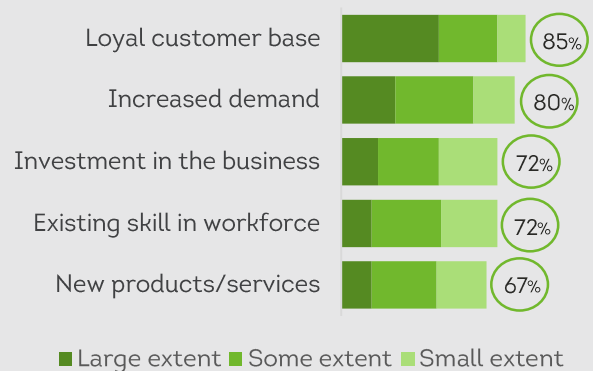


## FUTURE RISKS AND OPPORTUNITIES

### Top 5 risks facing businesses

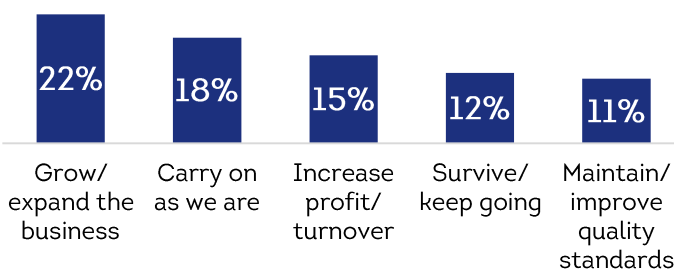


### Top 5 opportunities for businesses



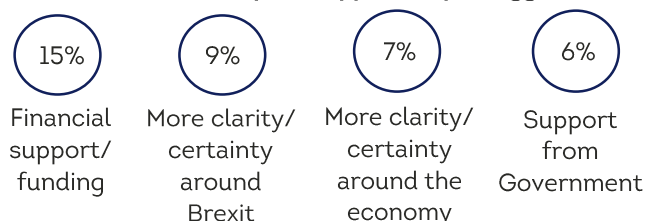
## FUTURE PRIORITIES AND SUPPORT REQUIRED

### Main business priorities for next year or two (top 5)



“Unprompted, 26% said they did not need any support to plan ahead.

### For those that did require support (top 4 suggestions):



## BUSINESS VALUES

“ What values would you say are most important to your business? (top 5)

 **96%** Producing quality goods/services

 **93%** Having a good work life balance

 **93%** Contributing to local community

 **86%** Strong financial performance

 **85%** Future legacy of the business

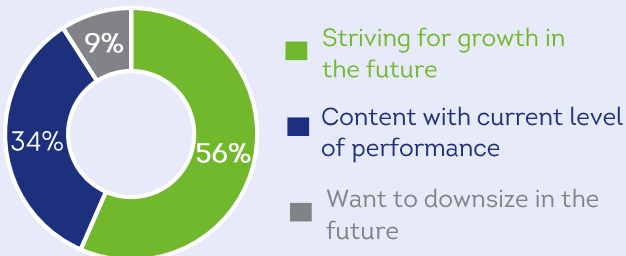
## COMPETITIVE ADVANTAGE

Aspects that give businesses a competitive advantage (top 6)



## GROWTH ASPIRATIONS

**56%** aspired to future growth



### More likely to aspire to grow

- Large businesses (25+ staff)
- HIE account managed
- Those optimistic about future

## GROWTH EXPECTATIONS

**45%** expected growth in the next year or two

“ We anticipate...



### More likely to anticipate growth

- Large businesses (25+ staff)
- HIE account managed

## CHARACTERISTICS OF GROWTH

Growth characteristics most relevant to businesses



## ACTIONS TO IMPROVE COMPETITIVE POSITION

**94%** had taken action in last 12 months to improve their competitive position

### Actions taken/planned (top 5)

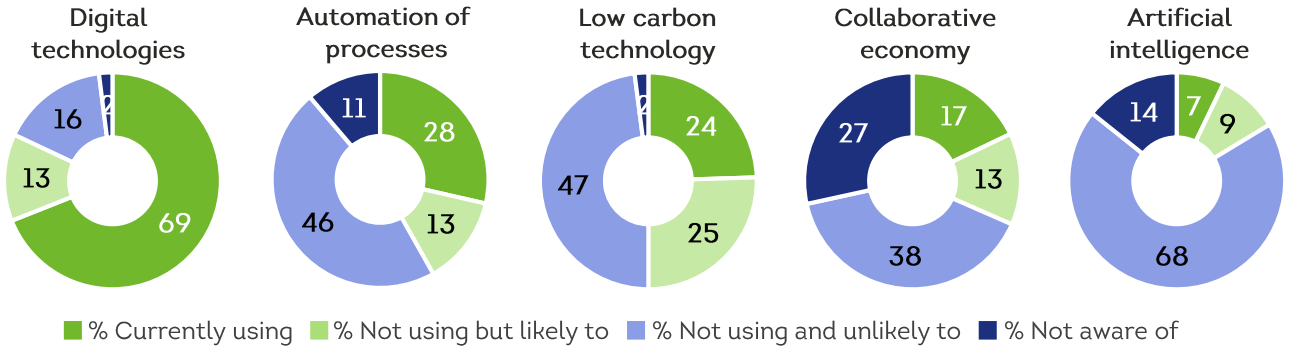


 Action taken in last 12 months

 Action likely to take in next 12 months

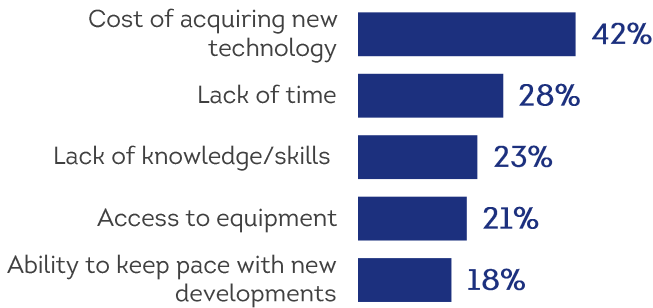
## USE OF NEW APPROACHES/TECHNOLOGIES

Of the new approaches they were asked about, businesses were **most likely** to have used digital technologies, **least likely** to have used artificial intelligence, and be **most likely** to adopt low carbon technology in the future.



## BARRIERS TO ADOPTING NEW APPROACHES/TECHNOLOGIES

### Barriers to adopting new approaches (top 5)



### Barriers more common in certain sectors:

- Food & drink – cost of acquiring new technology
- Financial & business services – lack of time
- Tourism – lack of knowledge/skills

## COLLABORATION

67% were collaborating with/likely to collaborate with other businesses

### Ways businesses were collaborating



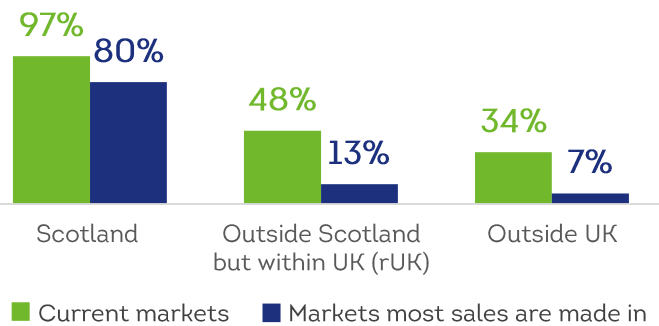
### Top 4 benefits of collaboration



Less common benefits were: saving time (67%), lowering costs (65%), using additional equipment/premises (63%) filling skills gaps (60%) and staff shortages (45%).

## INTERNATIONAL TRADE

34% traded internationally, while 50% only traded in Scotland

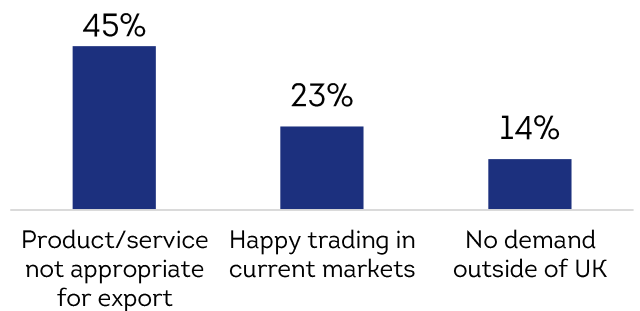


### International businesses were more likely to be:

- Businesses with 11+ staff
- Tourism and creative industries sectors
- HIE account managed

More than 9 in 10 of those that only traded in Scotland were unlikely to start trading elsewhere

### Reasons for being unlikely to trade internationally (top 3)



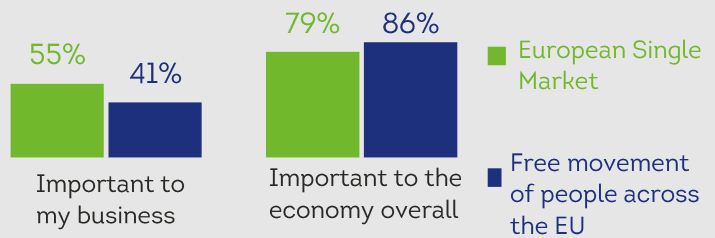
Food & drink and small businesses (0-4 staff) were more likely to say they were happy trading in current markets

A majority (81%) expect their sales to increase in at least one of their markets: 56% in Scotland, 13% in rUK, 12% outside of UK.

## RELATIONSHIP WITH THE EU

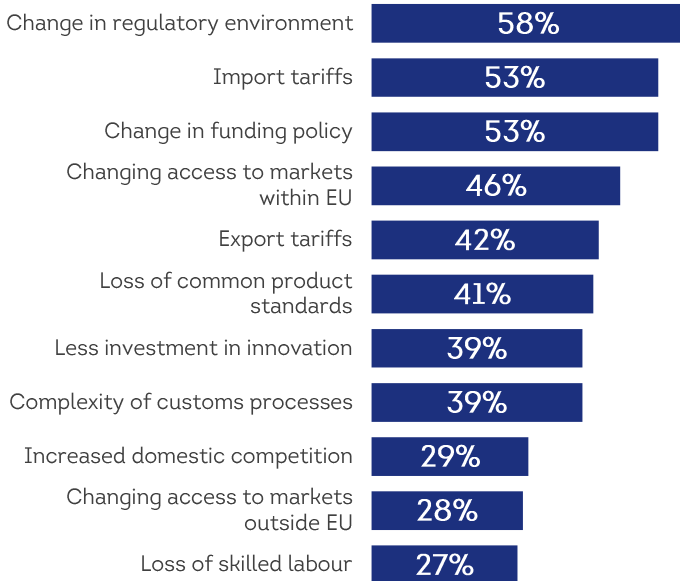
The Single Market and free movement of people were again viewed as more important to the economy overall than to their own business.

This wave saw an increase in the proportion seeing each aspect as important to the economy (Single Market up from 74% in previous wave; free movement up from 82%).



## BREXIT: RISKS AND OPPORTUNITIES

### Risks posed by Brexit to their business



### Risks higher than average among:

- |  |  |
|--|--|
| <b>Food &amp; drink businesses</b> <ul style="list-style-type: none"> <li>• export tariffs (73%)</li> <li>• changing access to EU markets (70%)</li> <li>• change in funding policy (70%)</li> <li>• import tariffs (67%)</li> </ul> | <b>Large businesses (25+ staff)</b> <ul style="list-style-type: none"> <li>• import tariffs (68%)</li> <li>• loss of skilled labour (44%)</li> </ul> |
|--|--|

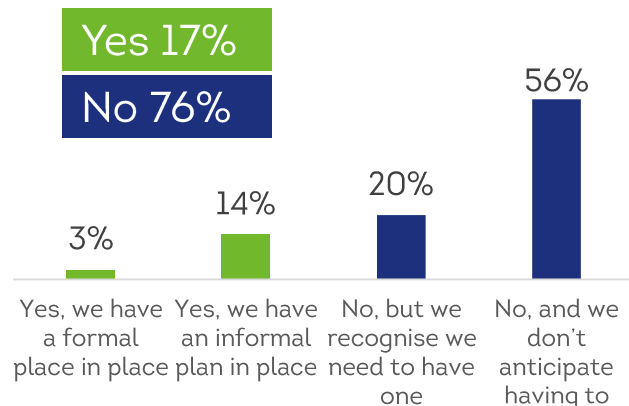
**61%** felt Brexit presented no opportunities for their business

However, **20%** did suggest potential opportunities, including:

- Access to new global markets (5%)
- Increased demand for local products (4%)
- Simplified regulatory environment (3%)

## BREXIT: PLANNING AHEAD

### Do you have a plan in place to help your business prepare for Brexit?



### More likely to have a plan in place:

- Larger businesses (25+ staff)
- Financial & business services
- HIE account managed
- Employers of non-UK EU nationals

Those whose confidence in the economy had decreased and who had struggled in the last year were more likely to have a plan in place

### Actions taken to plan ahead (top 5)



Base: All that had made plans or anticipated having to (617)

NOTES: Survey fieldwork was conducted between 29<sup>th</sup> September and 31<sup>st</sup> October 2018, using telephone interviewing. In total 1,001 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.