

# HIE BUSINESS PANEL

Wave 28: June/July 2025



# Overview

This report presents findings from the most recent wave of the Highlands and Islands Enterprise Business Panel survey carried out in June and July 2025.

Confidence in the economy increased this wave. Over the past six months, most businesses had either performed well or had been fairly steady, while just under a quarter had struggled. Overall business performance was slightly up on the previous wave in Nov/Dec 2024.

Looking ahead, just under half of businesses were striving for growth, while over a third were content with their current level of performance. One in ten were looking to downsize.

Businesses identified strong community connections, their understanding of their market, and their workforce as their biggest strengths.

Most businesses said that there were areas that they would like to develop for their business, and that they were able to progress with their goals. The most commonly selected areas for development were around workforce, premises or equipment, and new domestic market opportunities.

Among those who were not able to progress with their goals, the main barriers were economic uncertainty and the cost of doing business. Increased costs and reduced revenue were the main impacts of this.

Most businesses considered current economic conditions, the cost of labour and availability of labour and skills to be risks to their business with few considering them to be opportunities.

This wave asked about international trading conditions. Views were mixed in terms of whether changing international trading conditions were a risk or an opportunity for the business, with 40% saying it was neither an opportunity nor a risk, and 37% saying it was a risk. Very few thought it was an opportunity.

Among those trading internationally, most were not currently planning to make changes to their approach in response to recent changes to international trading conditions or felt that it was too soon to say. Among those who had already made changes or were planning to, most were adopting a cautious approach due to uncertainty.

This wave also asked about automation/artificial intelligence. Nearly half of businesses (45%) viewed this as neither a risk or opportunity, although a higher proportion considered it an opportunity rather than a risk to their business. Perceived opportunities included making processes faster or more efficient and innovating and keeping pace with change. Concerns were around cybersecurity risks and the risk of roles becoming obsolete.

More than half of businesses felt that tourists and visitors coming to the area, renewable energy projects, community-led projects or developments, and large construction or infrastructure projects were an opportunity for their business.

Somewhat fewer felt that companies investing in or establishing a base in the area was an opportunity for them, with around a quarter saying this was not happening in their area.

Most businesses felt able to capitalise on the opportunities available to their business.

# A. INTRODUCTION

# INTRODUCTION

## Introduction

This report presents findings from wave 28 of the Highlands and Islands Enterprise (HIE) Business Panel survey. Survey fieldwork was conducted between 30 May and 4 July 2025, using both an online survey and telephone interviewing. In total 1,007 surveys with businesses and social enterprises across the Highlands and Islands were achieved (856 by telephone, 151 online).

As well as tracking questions exploring economic optimism, business performance, markets of operation and growth aspirations, the survey explored business strengths and areas for development, and risks and opportunities. A focus on international trade was incorporated, given global market changes in relation to this, just prior to the fieldwork period (see below).

## Context for this wave

This wave took place in a period of uncertainty for businesses. April saw the announcement of new tariff measures on goods imported into the US, leading to a period of global uncertainty. During fieldwork, a deal was announced between the UK and US to remove some trade barriers. There is not currently expected to be a significant negative impact on Scotland, although this may vary by sector.

April also saw increases to employer National Insurance Contributions take effect, with reports that this may have impacted on business activity nationally. In July, it was reported that inflation had risen in June to its highest level since January 2024.

## NOTES:

\*For more information about the HIE Business Panel Survey, and to view previous reports visit: [www.hie.co.uk/businesspanel](http://www.hie.co.uk/businesspanel)

\*\*Findings of the SOSE Business Panel Surveys are available at :<https://www.southofscotlandenterprise.com/business-surveys>

## About the HIE Business Panel Survey

The 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 Scotland 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 between 2018 and 2023 and twice annually from 2024. The last wave of the survey was carried out in Nov/Dec 2024.

Since June 2021, surveys have been carried out in parallel with South of Scotland Enterprise (SOSE), with members of the SOSE Business Panel comprising businesses in the South of Scotland region (Dumfries and Galloway and the Scottish Borders). Both surveys include a core question set although there is scope for tailored questions for each agency.\*\*

Two methodological changes were introduced in Wave 25 (May/June 2023). Firstly, businesses were provided with the option of completing the survey either online or by telephone interview (this online element having previously been utilised pre-2017). Additionally, a slight change was made to the sector categories used in the design of the survey sample. In both cases precautions were taken and quality checks carried out to ensure that findings remained as comparable as possible with previous survey waves.

# METHODOLOGY

## Sampling

The survey sample was partly sourced from businesses that took part in previous waves of the survey and had indicated that they were willing to be re-contacted as part of their membership of the HIE business panel. The remaining survey sample was sourced from the Market Location 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 so that the achieved sample reflected the population of eligible organisations as defined by the Inter-Departmental Business Register (IDBR).

The sectors referenced in the report are derived from a Standard Industry Classification (SIC) 2007 code applied to each business\*. The following SIC 2007 Sections were excluded from the sampling:

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

The survey was designed to be reflective of the population based on the SIC 2007 codes. Previous survey waves (prior to May/June 2023) had been designed to be reflective of the population based on areas of economic activity considered to be “growth sectors” (as set out in the Government Economic Strategy).\*\* The sector profile of the achieved survey sample still remained similar to that seen in previous waves (based on SIC 2007 codes).

To reflect the new sample design, while allowing comparability with previous waves, in this report businesses are referred to in two ways:

- by the standard sector groupings defined by SIC 2007 code.
- by the growth sector categories used in previous waves.

The types of business covered by each category are shown in the Appendix (slide 62).

## Fieldwork

Respondents had a choice between completing the survey online or by telephone. The online survey was distributed by e-mail, inviting respondents to complete the questionnaire via a unique link. The remaining surveys were carried out using telephone interviewing.

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.

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## NOTES:

\*Full details of SIC 2007 categories can be found at <https://www.gov.scot/publications/standard-industrial-classification/>

\*\*Definition and details of growth sector categories are available from the Scottish Government at <https://www.gov.scot/publications/growth-sector-statistics/>

# PRESENTATION AND INTERPRETATION OF THE DATA

## 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.

The profile of the businesses that took part in the survey covered a range of categories in the Scottish Government's six-fold Urban Rural Classification.\* In this report, survey findings have been condensed into three categories: remote rural (category 6), accessible rural (5), and small towns and peripheral urban areas (2 to 4). Throughout, those in small towns and peripheral urban areas are referred to as "urban".

## Weighting

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 (slide 60).

### NOTES:

\*The Scottish Government's six-fold Urban Rural Classification is described on the Scottish website available [here](#).



## B. BUSINESS STRUCTURE / OWNERSHIP MODELS AND LONGEVITY

## KEY FINDINGS

- Among employers (businesses with at least one employee), 66% described themselves as family-owned, 5% were employee-owned (with employees owning a majority of the shares) and 4% were a co-operative (owned or controlled by its members). One in eight (12%) of businesses (including sole traders) were women-led, and 4% described themselves as a social enterprise.
- Overall, around one in eight (12%) businesses fell within one of the “inclusive ownership models”\* of employee-ownership, social enterprise or co-operatives.
- Around one in five (21%) businesses fell into none of the categories outlined.
- Around three fifths of businesses (61%) had been operating in the Highlands and Islands for more than 25 years, with a quarter operating in the region for between 11 and 24 years, and 11% for between 5 and 10 years. Very few (3%) had been operating in the region for less than 5 years.

**12%** had an inclusive ownership model.

**66%** described themselves as family-owned.

**61%** had been operating in the region for 25+ years.

\*Inclusive ownership models are one of the five pillars of community wealth building, as defined by the Scottish Government. <https://www.gov.scot/publications/building-community-wealth-scotland-independent-analysis-responses-consultation-exercise-analysis-report/pages/7/>

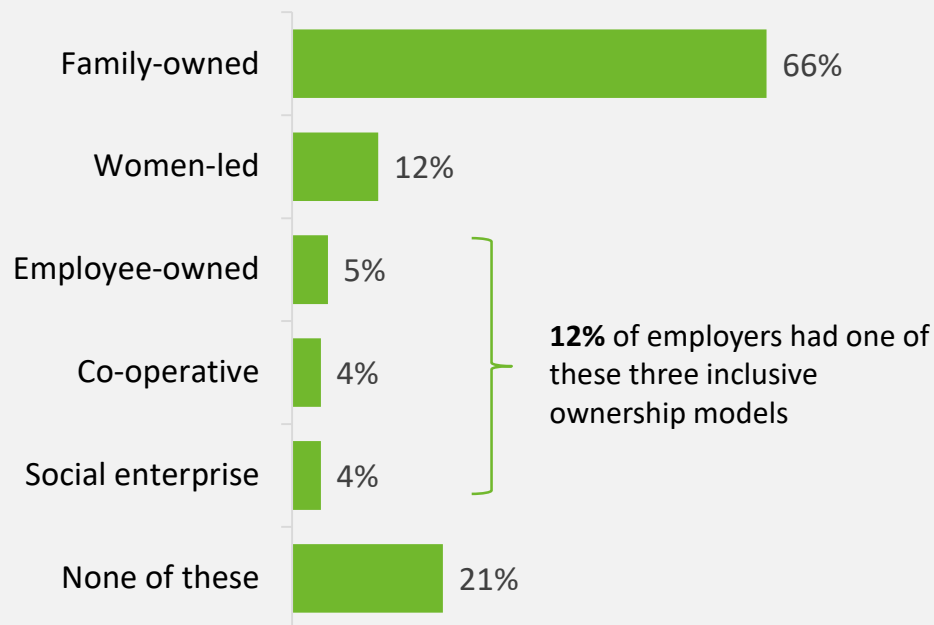


# BUSINESS STRUCTURE

Among employers (all businesses with at least one employee), 66% described themselves as family-owned, 5% were employee-owned (with employees owning a majority of the shares) and 4% were a co-operative (owned or controlled by its members). 12% of all businesses (including sole traders) were women-led and 4% described themselves as a social enterprise.

Findings were similar to the previous wave (November/December 2024), when 66% of employers were family-owned, 4% were co-operatives, 4% were employee-owned and 4% were social enterprises. There was a higher proportion of women-led businesses in the sample this wave (12% vs. 8%).

Q. Would you describe your business as any of the following?



Note: Businesses could select more than one of these options

Base: For family-owned, co-operative or employee-owned – all employers (842); for all others - all businesses (1,007).

## Types of employer more likely than average to be family-owned:

- Food and drink growth sector (83%)
- Primary industries (82%)
- Accessible rural (81%)
- Accommodation and food services (80%)
- Looking to downsize (79%)
- 1-4 staff (78%)
- Content with current level of performance (74%)

## Types of employer more likely to be employee-owned:

- Creative industries growth sector (13%\*)

## Types of employer more likely to be co-operatives:

- Wholesale, retail and repairs (8%\*)

## Types of business more likely to be women-led:

- Accommodation and food services (23%)
- Creative industries growth sector (25%)
- Tourism growth sector (20%)
- Financial and business services growth sector (19%)
- Wholesale, retail and repairs (18%)
- Professional, scientific and technical activities (18%)
- Island businesses (16%)

## Types of business more likely to be social enterprises:

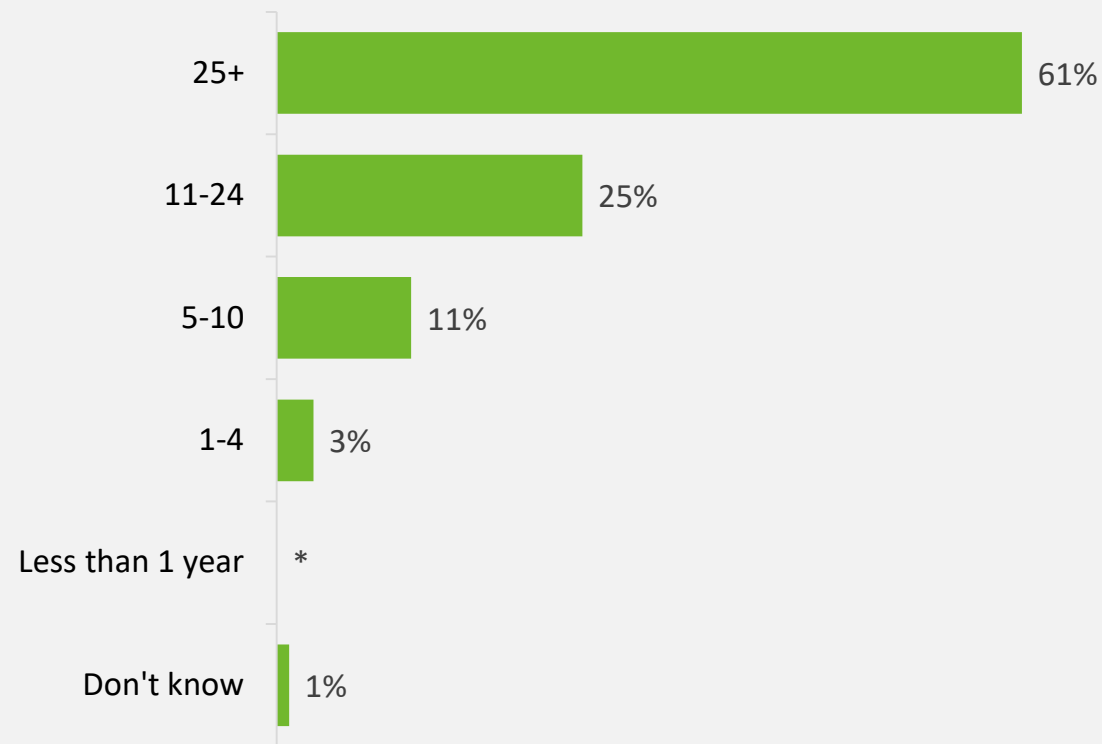
- Arts and entertainment (21%)
- HIE client-engaged (19%)
- Manufacturing (10%)
- Tourism growth sector (8%)

\*Low base (<50 businesses).

# BUSINESS LONGEVITY

Around three fifths of businesses (61%) had been operating in the Highlands and Islands for more than 25 years, with a quarter operating in the region for between 11 and 24 years, and 11% for between 5 and 10 years. Very few had been operating in the region for less than 5 years.

Q. For how many years has your business been operating in the Highlands and Islands region?



Base: All businesses (1,007)

\*Less than 0.5%

## C. OPTIMISM AND PERFORMANCE

## KEY FINDINGS

- Confidence in the economic outlook for Scotland increased this wave: 53% of businesses were confident (compared to 44% in November/December 2024), while 45% were not (compared with 55%).
- Reflecting on the past six months, 42% said their confidence had decreased, 7% said it had increased, and 51% said it had stayed the same. The net confidence level (i.e. the difference between those saying increased and decreased) was higher than the previous wave, which was particularly low (the lowest point since May/June 2020).
- Views on business performance over the last six months were mixed, with 33% saying their business had performed well, 43% saying their performance had been fairly steady and 24% saying they had struggled. Performance showed a very slight increase on the previous wave in November/December 2024 (when 31% had performed well, 28% had struggled, and 41% had steady performance).
- Over the past six months, sales or turnover performance was mixed (34% said it had increased, 23% decreased, and 41% remained the same). Businesses had once again performed better on sales or turnover than on profit (19% said profit margins had increased, 35% decreased, and 41% remained the same). Employment and exports had remained relatively stable (71% and 63% respectively said these had stayed the same).
- A majority (67%) of businesses were expecting to perform at much the same level over the next six months, with just under one in five (18%) expecting improved performance, and 13% expecting a decline.

Confidence in Scotland's economy was up:

**53%** were confident.

**45%** were not.

Over the past six months

**33%** performed well.

**43%** performed steadily.

**24%** struggled.

Over the next six months

**67%** expecting steady performance.

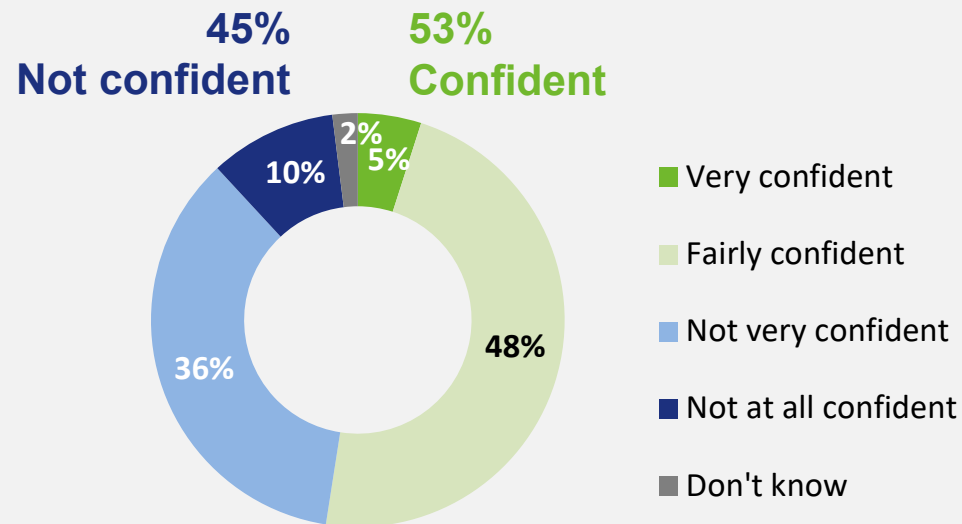
**18%** expecting performance to improve.

**13%** expecting a decline in performance.

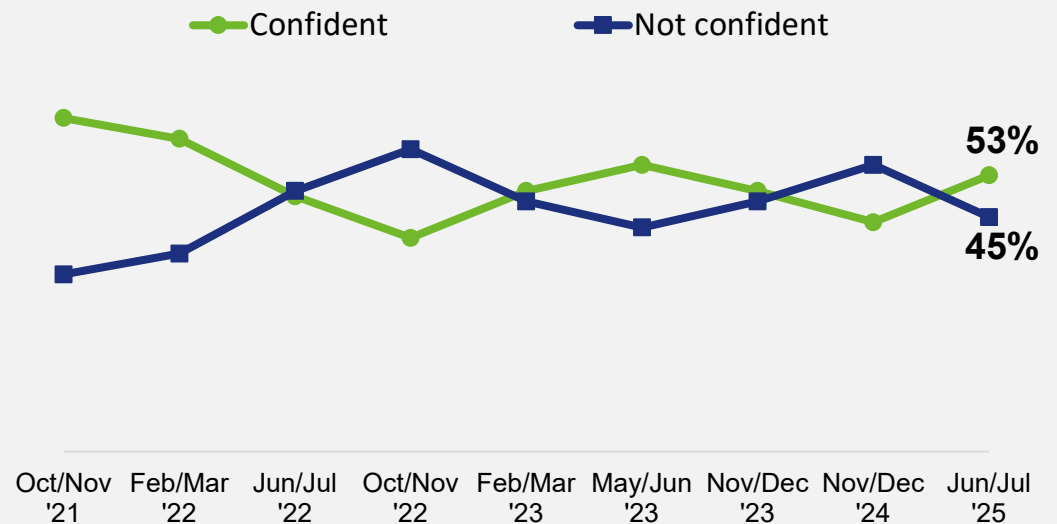
# ECONOMIC OUTLOOK FOR SCOTLAND

Confidence in the economic outlook for Scotland increased this wave: 53% of businesses were confident (compared to 44% in November/December 2024), while 45% were not (compared with 55%).

Q. How confident are you in the economic outlook for Scotland over the next 12 months?



Base: All businesses (1,007).



There was no significant difference in confidence levels in the Highlands and Islands compared to South of Scotland.

## More confident than average

- Performed well in the past six months (71% confident)
- Content with current level of performance (58%)

## Less confident than average

- Struggled in the past six months (76% not confident)
- Looking to downsize (59%)
- Accessible rural (57%)

# ECONOMIC CONFIDENCE OVER PAST 6 MONTHS

Reflecting on the past six months, 42% said their confidence had decreased, 7% said it had increased, and 51% said it had stayed the same.

Net confidence<sup>1</sup> was -35, higher than the previous wave (-46 in Nov 24) which was particularly low, representing the lowest point since May/June 2020.

There was no significant difference in net confidence in the Highlands and Islands compared to South of Scotland.

## More likely to report increased confidence:

- Performed well in past six months (11%)
- Social enterprises (15%\*)

## More likely to say confidence stayed the same:

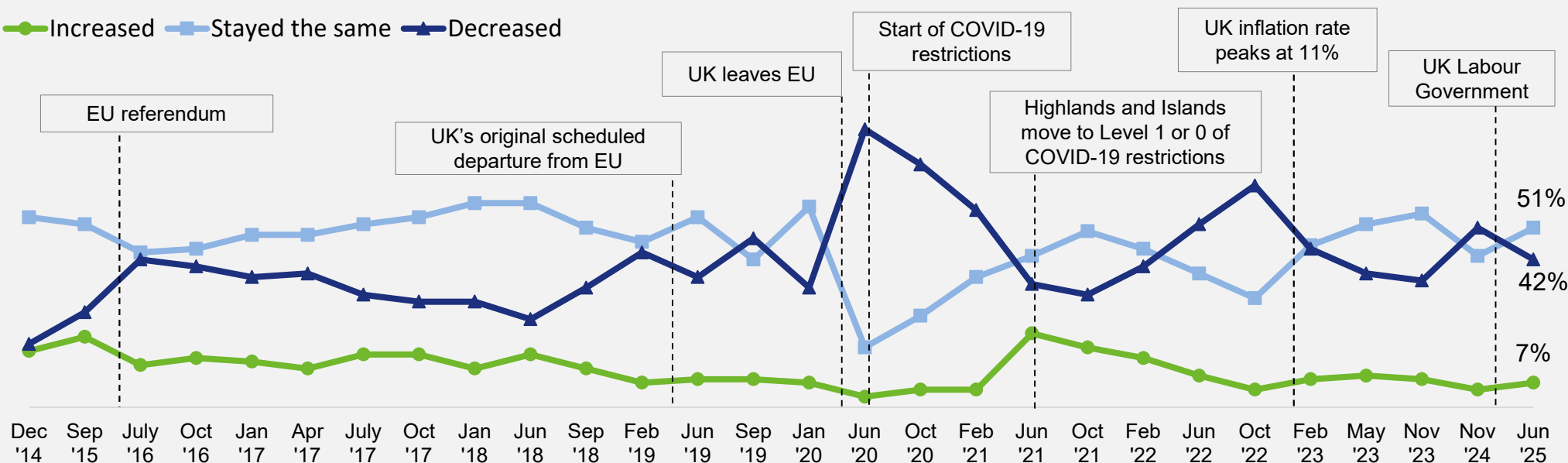
- Performed well in past six months (59%)

## More likely to report decreased confidence:

- Struggled in the past six months (66%)
- Looking to downsize (53%)

Q. Over the past six months, has your level of confidence in the economic outlook in Scotland increased, decreased or stayed the same?

— Increased — Stayed the same — Decreased



Base: All businesses each year (1,007 June 2025)

## NOTES:

<sup>1</sup>The net figure is the difference between 'increased' and 'decreased' assessments at each wave. Net scores are positive when positive assessments exceed negative

\*Low base (<50 businesses).

# PERFORMANCE

Views on business performance over the last six months were mixed, with 33% saying their business had performed well, 43% saying their performance had been fairly steady and 24% saying they had struggled.

Views on performance showed a very slight increase on the previous wave in November/December 2024 (when 31% had performed well, 28% had struggled, and 41% had steady performance).

There was no significant difference in performance in the Highlands and Island compared to South of Scotland.

## More likely to have performed well

- Employee-owned (49%\*)
- Confident in the economy (44%)
- Mainland businesses (35%)
- Importing from outside the UK (39%)

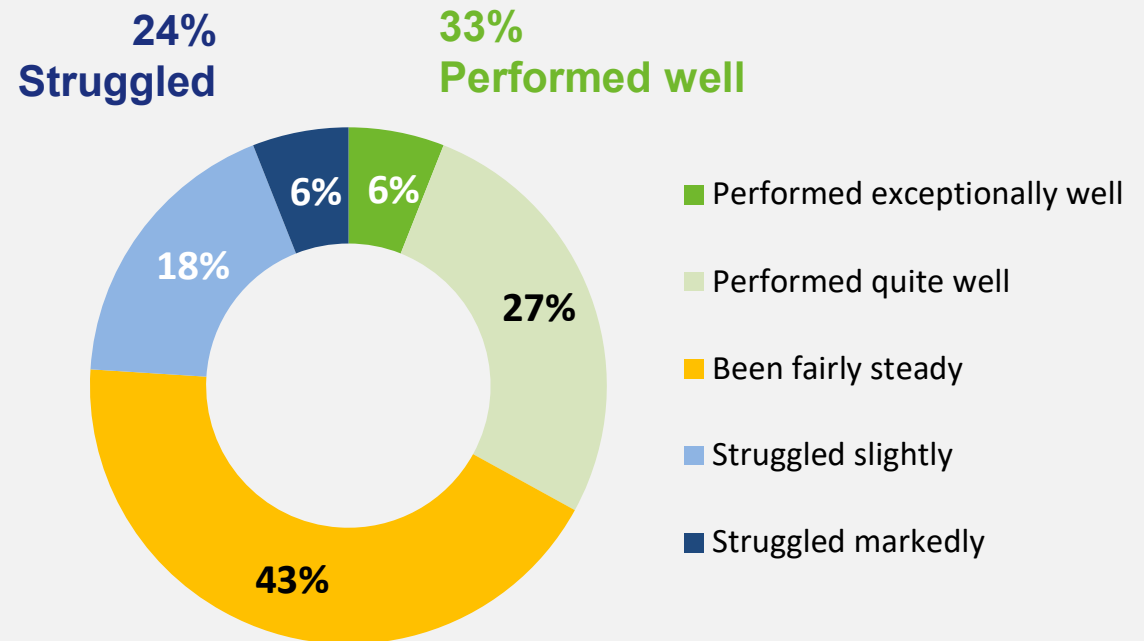
## More likely to have been fairly steady

- Professional, scientific and technical services (51%)
- Content with current level of performance (49%)
- Island businesses (48%)
- Operating for 25+ years (46%)

## More likely to have struggled

- Arts and entertainment (39%)
- Not confident in the economy (39%)
- Looking to downsize (35%)
- Women-led businesses (31%)
- Wholesale, retail and repairs (30%)
- Selling outside the UK (29%)
- Striving for growth (27%)

Q. Overall, how has your business performed in the last six months?



Base: All businesses (1,007).

\*Low base (<50 businesses).

# ASPECTS OF BUSINESS PERFORMANCE

Over the past six months, sales or turnover performance was mixed (34% said it had increased, 23% decreased, and 41% remained the same). Businesses had once again performed better on sales or turnover than on profit (19% said profit margins had increased, 35% decreased, and 41% remained the same). Employment and exports had remained relatively stable (71% and 63% respectively said these had stayed the same).

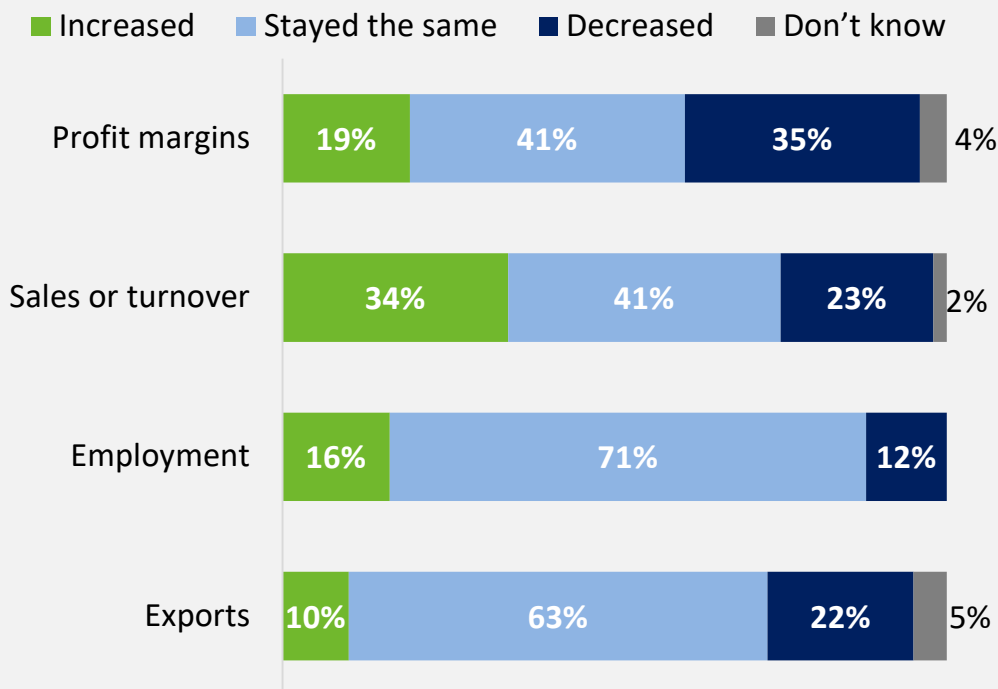
## Increases were more common among:

- **25+ staff** – sales or turnover (44%), employment (31%), exports (17%)  
**Manufacturing** - exports (22%\*)
- **Striving for growth** – sales or turnover (42%), employment (24%), exports (15%)
- **Confident in the economy** – sales or turnover (42%), profit margins (25%), employment (19%)
- **Performed well in the past six months** – sales or turnover (68%), profit margins (40%), employment (28%), exports (16%)
- **HIE client-engaged** – sales or turnover (48%), employment (29%), exports (24%\*)
- **Co-operatives** – sales or turnover (55%\*), profit margins (43%\*)

## Decreases were more common among:

- **0-4 staff** – sales or turnover (26%)
- **Transport and storage** – employment (28%\*)
- **Accommodation and food services** - employment (19%)
- **Wholesale, retail and repairs** – profit margins (45%), sales or turnover (31%)
- **Administrative and support services** – sales or turnover (33%)
- **Urban businesses** – employment (16%)
- **Not confident in the economy** – profit margins (49%), sales or turnover (36%), exports (34%), employment (17%)
- **Struggled in past six months** – profit margins (78%), sales or turnover (68%), exports (42%), employment (29%)
- **Looking to downsize** – profit margins (52%), sales or turnover (40%), employment (21%)
- **Non HIE-client engaged** – sales or turnover (26%), exports (25%)
- **Women-led** – sales or turnover (31%)

Q. Please tell me if the following has increased, stayed the same or decreased over the last six months?



Base: All businesses to whom each applied: Profit margins (989), Sales (994), Employment (951), Exports (435).

\*Low base (<50 businesses).



# PERFORMANCE EXPECTATIONS

A majority (67%) of businesses were expecting to perform at much the same level over the next six months, with just under one in five (18%) expecting performance to improve, and 13% expecting a decline in performance.

## More likely to expect better performance

- HIE client-engaged (29%)
- Arts and entertainment (28%)
- Striving for growth (27%)
- 25+ staff (26%)
- Confident in the economy (25%)
- Urban businesses (24%)
- Performed well in past six months (22%)

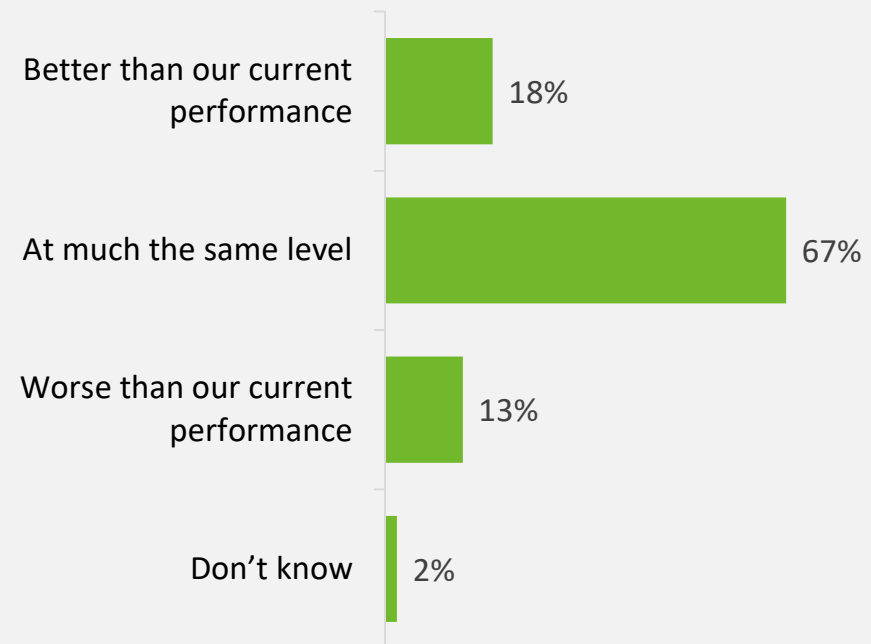
## More likely to expect the same level of performance

- Content with current level of performance (78%)
- Remote rural businesses (72%)
- Island businesses (72%)
- Operating for 25+ years (70%)

## More likely to expect a worse level of performance

- Looking to downsize (27%)
- Struggled in past six months (26%)
- Not confident in the economy (23%)
- Accessible rural businesses (20%)

Q. How do you expect your business to perform over the next 6 months?



Base: All businesses (1,007).

## D. ASPIRATIONS

## KEY FINDINGS

- Just under half of businesses (48%) were striving for growth, while 38% were content with their current level of performance. A smaller proportion (12%) were looking to downsize. Aspirations were similar to the previous wave (when 47% were striving for growth, 36% were content, 14% were wanting to downsize).
- The main reason for striving for growth was to make or increase profit (58%), followed by wanting to continually evolve (40%). Around a third wanted to grow to support community sustainability (35%), enhance resilience against economic uncertainty (34%), or attract and retain staff (31%). The top two reasons were the same as when the question was last asked (in June/July 2022).
- The main reason for wanting to maintain current level of performance, rather than to grow, was that the business is operating as planned (43%), followed by being content with financial performance (34%). Around a quarter mentioned wanting to reduce or avoid stress (26%), not having enough staff to support growth (25%) and economic uncertainty (23%). The top three reasons were the same as when the question was last asked (in June/July 2022).
- The main reason for wanting to downsize was that the respondent was reaching retirement age (63%). This was followed by increased costs (29%), being unable to get the staff or skills needed (27%), wanting to work less (25%) and to reduce or avoid stress (21%). When this question was last asked (in June/July 2022), the top three reasons were reaching retirement age, wanting to work less, and to reduce or avoid stress.

**48%** were striving for growth. The main reason was to make or increase profit (58%).

**38%** were content with current performance. The main reason was because the business was operating as planned (43%).

**12%** were looking to downsize. The main reason was because they were reaching retirement age (63%).

# ASPIRATIONS

**Just under half of businesses (48%) were striving for growth, while 38% were content with their current level of performance. A smaller proportion (12%) were looking to downsize.**

Growth aspirations were similar to the previous wave in November/December 2024 (when 47% were striving for growth, 36% were content, 14% were looking to downsize).

## **More likely to be striving for growth:**

- HIE client-engaged (86%)
- Arts and entertainment (82%)
- Social enterprises (74%\*)
- 25+ staff (73%)
- Co-operatives (66%\*)
- Manufacturing (64%)
- Women-led (58%)
- Tourism growth sector (57%)
- Urban businesses (55%)
- Struggled in the past six months (55%)

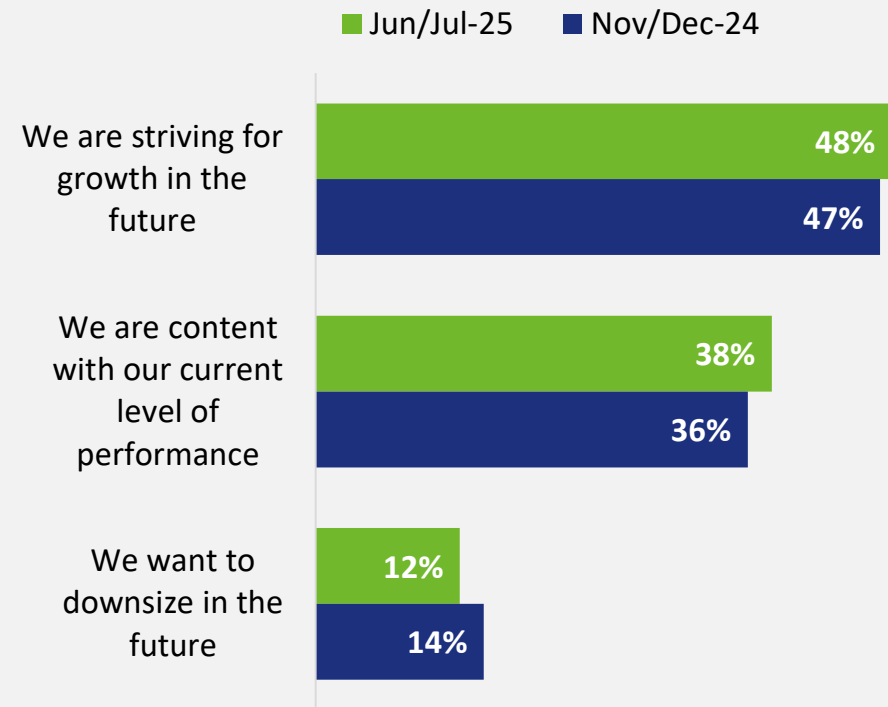
## **More likely to be content with current level of performance**

- Employee-owned (56%\*)
- Construction (52%)
- 0-4 staff (44%)
- Confident in the economy (42%)
- Family-owned (42%)
- Operating for 25+ years (41%)

## **More likely to be looking to downsize:**

- Struggled in the past six months (18%)
- 0-4 staff (17%)
- Not confident in the economy (16%)
- Operating for 25+ years (14%)

Q. Which of the following best describes your current aspirations for your business?



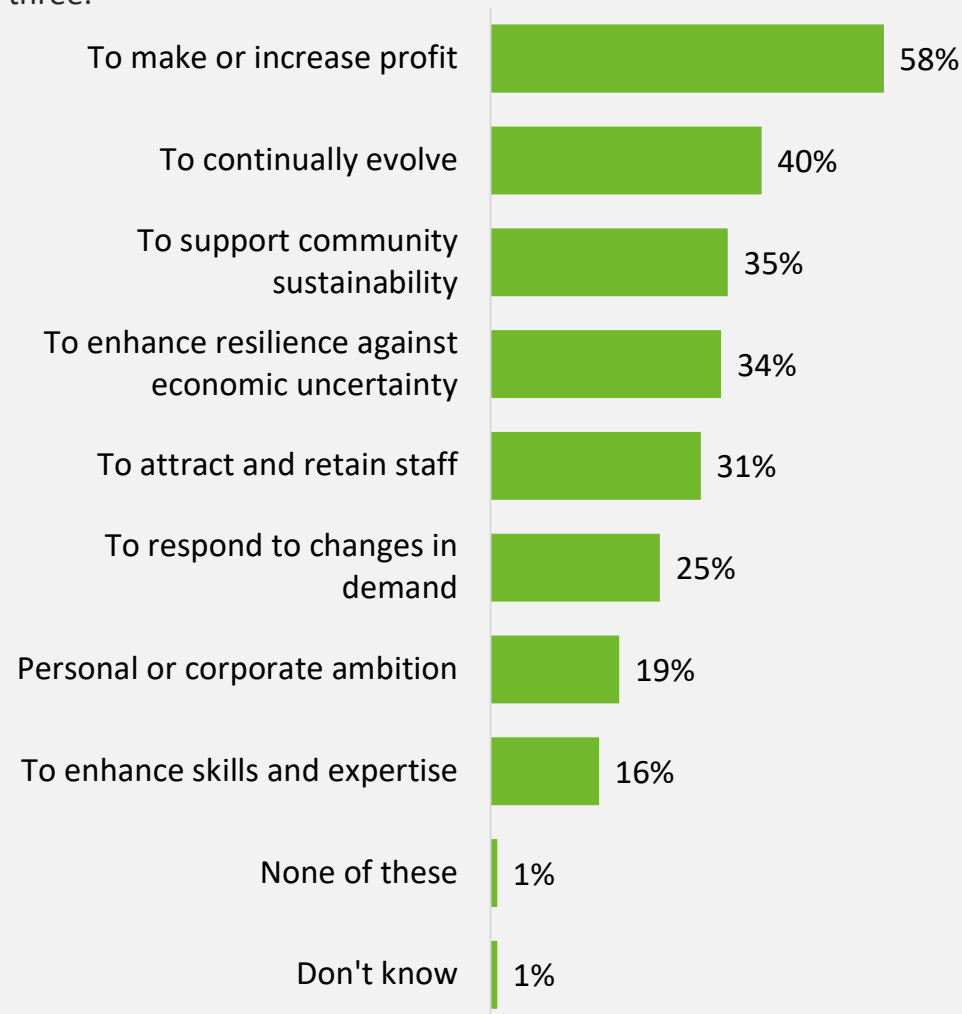
Base: All businesses Nov/Dec 2024 (1,013). | All businesses Jun/July 25 (1,007)

\*Low base (<50 businesses).

# REASONS FOR STRIVING FOR GROWTH

The main reason for striving for growth was to make or increase profit (58%), followed by wanting to continually evolve (40%). Around a third wanted to support community sustainability (35%), enhance resilience against economic uncertainty (34%), or attract and retain staff (31%). Fewer mentioned wanting to respond to changes in demand (25%), personal or corporate ambition (19%) and to enhance skills and expertise (16%). The top two reasons were the same as when the question was last asked (in June/July 2022).

Q. What are your main reasons for striving for growth? Select up to three.



Base: All businesses striving for growth (510)

## Certain reasons were more commonly mentioned by:

### Size

- 25+ staff - attract and retain staff (45%)

### Sector

- Accommodation and food services – make or increase profit (71%), to enhance resilience (50%)
- Professional and scientific activities – attract and retain staff (43%)
- Administrative and support services – enhance skills and expertise (29%\*)
- Arts and entertainment – support community sustainability (63%), to continually evolve (52%)
- Tourism growth sector – enhance resilience (48%)

### Location

- Remote rural – make or increase profit (63%), support community sustainability (40%)
- Urban – continually evolve (47%), personal or corporate ambition (24%)

### Relationship with HIE

- HIE client-engaged – support community sustainability (53%)

### Structure

- Social enterprises – support community sustainability (89%\*)
- Family-owned – personal or corporate ambition (24%)

### Performance

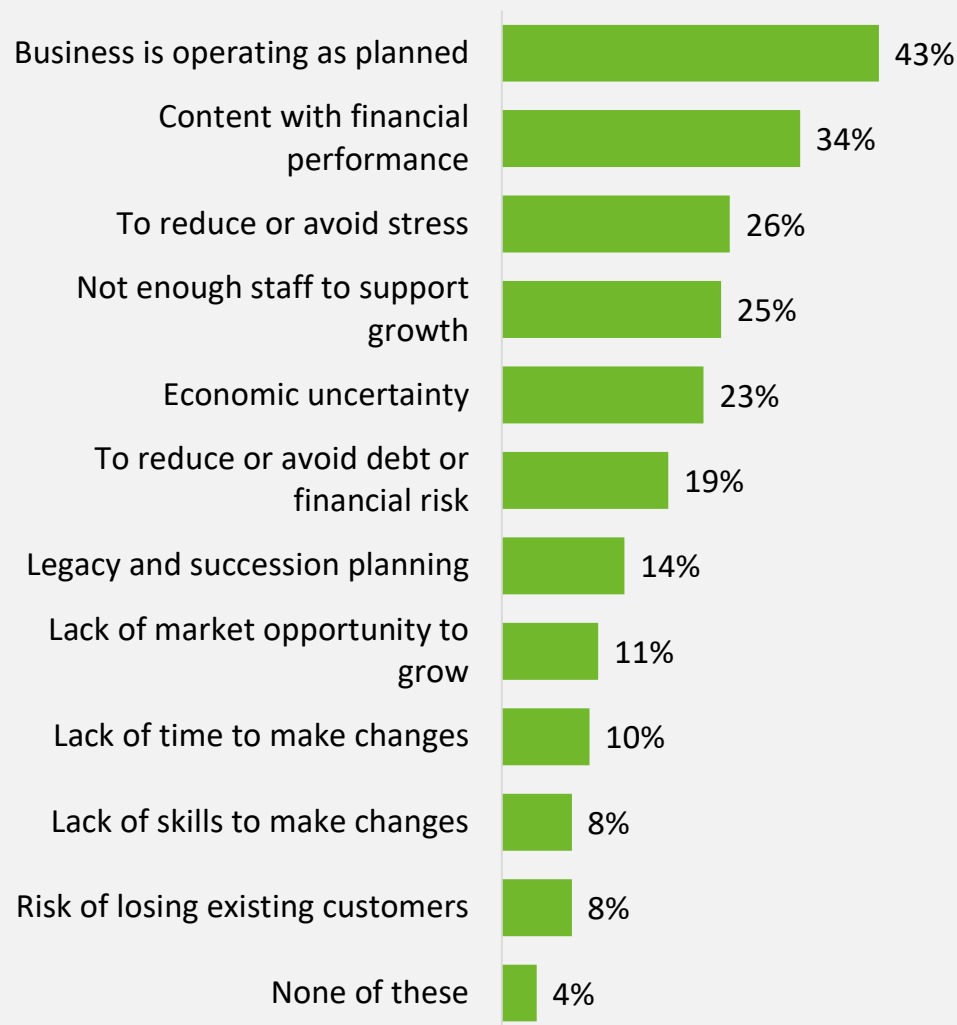
- Performed well in past six months – continually evolve (47%)
- Struggled in past six months - make or increase profit (69%), enhance resilience (45%)

\*Low base (<50 businesses).

# REASONS FOR WANTING TO MAINTAIN CURRENT PERFORMANCE

The main reason for wanting to maintain current level of performance, rather than to grow, was that the business is operating as planned (43%), followed by being content with financial performance (34%). Around a quarter mentioned wanting to reduce or avoid stress (26%), not having enough staff to support growth (25%) and economic uncertainty (23%).

Q. What are the main reasons for wanting to retain your current level of performance, rather than to grow? Select up to three.



Base: All businesses wanting to maintain current level of performance (367)

The top three reasons were the same as when the question was last asked (in June/July 2022).

## Certain reasons were more commonly mentioned by:

### Size

- 0-4 staff – to reduce or avoid stress (32%)

### Sector

- Construction – lack of skills to make changes (17%)
- Wholesale, retail and repairs – lack of market opportunity to grow (27%\*)
- Financial and business services growth sector – content with financial performance (50%\*)
- Tourism growth sector – economic uncertainty (37%\*)

### Location

- Urban – risk of losing existing customers (13%)

### Performance

- Performed well in past six months – content with financial performance (41%)
- Struggled in past six months – economic uncertainty (45%\*), to reduce or avoid debt or financial risk (36%\*)

\*Low base (<50 businesses).

# REASONS FOR WANTING TO DOWNSIZE

The main reason for wanting to downsize was that the respondent was reaching retirement age (63%). This was followed by increased costs (29%), being unable to get the staff or skills needed (27%), wanting to work less (25%) and to reduce or avoid stress (21%).

Q. What are the main reasons for wanting to downsize? Select up to three.



Base: All businesses wanting to downsize (109)

When this question was last asked (in June/July 2022), the top three reasons were reaching retirement age, wanting to work less, and to reduce or avoid stress.

**Certain reasons were more commonly mentioned by:**

## Location

- Urban – to reduce or avoid stress (37%\*)

## Performance

- Struggled in past six months – increased costs (52%\*), reduction in customer demand (36%\*), can no longer sustain financial performance (24%\*)

\*Low base (<50 businesses).

# E. MARKETS



## KEY FINDINGS

- Most businesses (79%) were importers,\* with 78% importing from the rest of the UK and 32% from outside the UK. There was a slight increase in the proportion sourcing goods from the rest of the UK (78% compared to 74% in Nov/Dec 24). The proportion importing from outside the UK was similar to the previous wave (32% compared to 30% in Nov/Dec 24). The majority of businesses (94%) sourced goods and materials from Scotland, with 17% sourcing only from Scotland.
- As in the previous wave, the proportion of businesses importing from the rest of the UK was lower in the Highlands and Islands (78%) than in the South of Scotland (84%). Both areas had the same proportion of businesses importing from outside the UK.
- The main international import market was the European Union (64%). Fewer were importing from the United States (17%) or China (11%).
- Just under half of businesses were exporters (48%)\*, with 47% selling to the rest of the UK and 26% internationally. The majority (96%) of businesses sold goods or services within Scotland, with 49% selling only in Scotland. This pattern was fairly consistent with that seen in the previous wave (Nov/Dec 2024).
- As in the previous wave, the proportion of businesses selling to the rest of the UK was lower in the Highlands and Islands (47%) than in the South of Scotland (65%). However, the proportion selling outside the UK was higher (26% in the Highlands and Islands, compared with 19% in the South of Scotland).
- The main international export market was the European Union (62%), followed by the United States (45%). Fewer were exporting to Australia (14%) and Canada (13%).

**79%** were importers.  
**48%** were exporters.

Main international  
import markets:  
**64%** European Union.  
**17%** United States.

Main international  
export markets:  
**62%** European Union.  
**45%** United States.

### NOTES

<sup>1</sup>In this report, “importers” are defined as those that source goods or materials from any market outside of Scotland. “Exporters” are defined as those that sell goods or services to markets outside of Scotland.

# IMPORT MARKETS

**Most businesses (79%) were importers,<sup>1</sup> with 78% importing from the rest of the UK and 32% from outside the UK. The majority of businesses (94%) sourced goods and materials from Scotland, with 17% sourcing *only* from Scotland.**

There was a slight increase in the proportion sourcing goods from the rest of the UK (78% compared to 74% in Nov/Dec 24). The proportion importing from outside the UK was similar to the previous wave (32% compared to 30% in Nov/Dec 24).

As seen in the previous wave, the proportion of businesses importing from the rest of the UK was lower in the Highlands and Islands (78%) than in the South of Scotland (84%). Both areas had the same proportion of businesses importing from outside the UK.

## More likely than average to be importers

- Manufacturing (96%)
- HIE client-engaged (93%)
- Arts and entertainment (90%)
- Creative industries growth sector (90%)
- Women-led (87%)
- Tourism growth sector (89%)
- Wholesale, retail and repairs (86%)
- Striving for growth (84%)

## More likely than average to be sourcing goods and materials *only* in Scotland

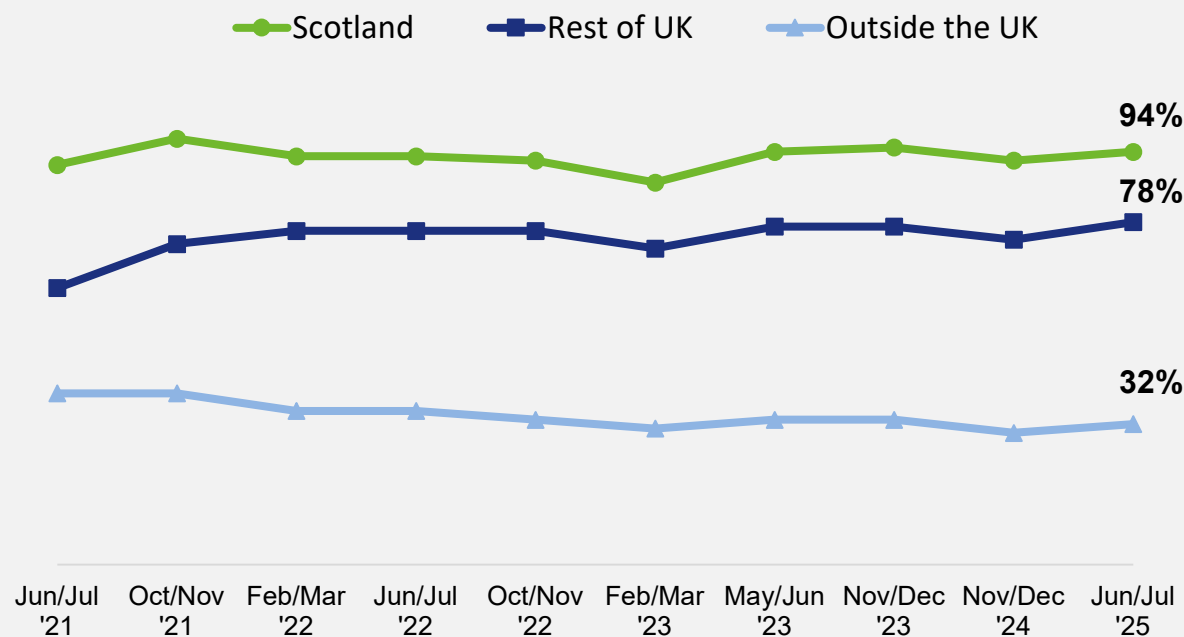
- Looking to downsize (31%)
- 0-4 staff (21%)

Further variation by sector can be found in the Appendix.

## Key international import markets

The main international import market was the European Union (64% of those importing from international markets). Fewer were importing from the United States (17%) or China (11%). Only a small proportion were importing from India (2%), Canada (1%), Japan (1%), Australia (1%) or New Zealand (1%), with 12% importing from other unspecified international markets.

Q. From which of these markets do you currently source goods and materials?



Base: All businesses (1,007)

## NOTES

<sup>1</sup>In this report, “importers” are defined as those that source goods or materials from any market outside of Scotland.

# EXPORT MARKETS

**Just under half of businesses were exporters (48%),<sup>1</sup> with 47% selling to the rest of the UK and 26% internationally. The majority (96%) of businesses sold goods or services within Scotland, with 49% selling *only* in Scotland.**

The proportion of exporters has been broadly the same since June/July 2022 (apart from a slight dip in May/June 2023), remaining lower than the level seen in June/July 2021 (61%). The proportion selling outside the UK was similar to the previous wave (27% compared to 26% this wave).

As in the previous wave, the proportion of businesses selling to the rest of the UK was lower in the Highlands and Islands (47%) than in the South of Scotland (65%). However, the proportion selling outside the UK was higher (26% in the Highlands and Islands, compared with 19% in the South of Scotland).

## More likely than average to be exporting

- Manufacturing (77%)
- HIE client-engaged (71%)
- 25+ staff (61%)
- Accommodation and food services (68%)
- Tourism growth sector (65%)
- Creative industries growth sector (64%)
- Women-led (64%)
- Striving for growth (58%)
- Mainland businesses (52%)

## More likely than average to be selling *only* in Scotland

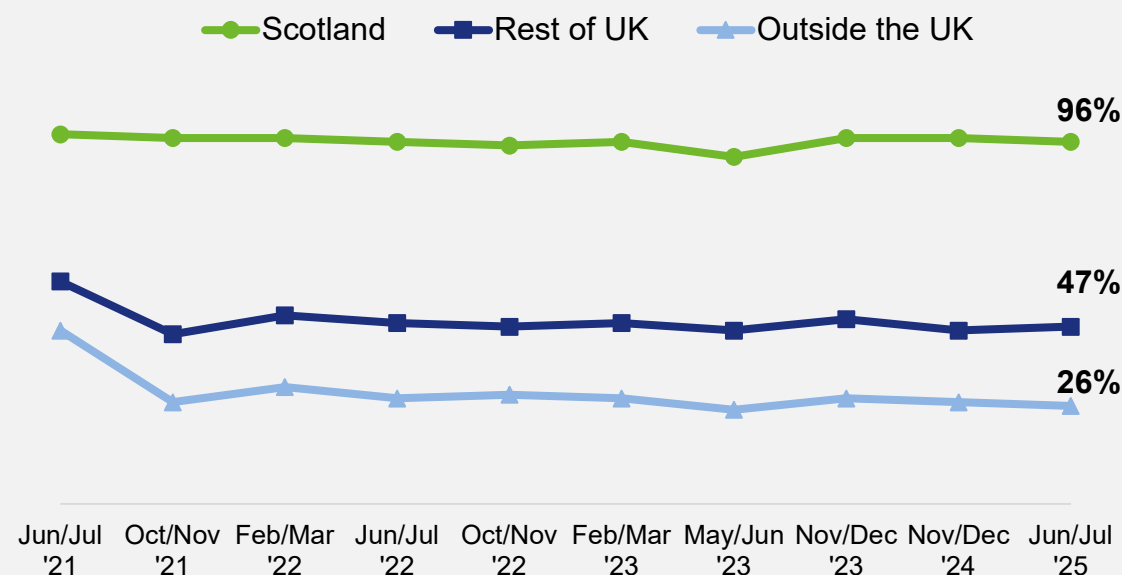
- Construction (76%)
- Content with current level of performance (59%)
- Island businesses (56%)

Further variation by sector can be found in the Appendix.

## Key international export markets

The main international export market was the European Union (62% of those exporting internationally), followed by the United States (45%). Fewer were exporting to Australia (14%) or Canada (13%). Only a small proportion were exporting to China (3%), Japan (2%), New Zealand (2%), or India (1%), with 17% exporting to other unspecified areas.

Q. In which of these markets do you currently sell goods or services?



Base: All businesses (1,007)

## NOTES

<sup>1</sup>In this report, “exporters” are defined as those that sell goods or services to any market outside of Scotland

## F. PLANNING AND PRIORITISATION

## KEY FINDINGS

**39%** cited strong community connections as one of the biggest strengths of their business.

**45%** said that workforce development and wellbeing was an area they would most like to develop for their business.

**83%** had made at least some progress towards their development goals.

**15%** had hardly or not made progress.

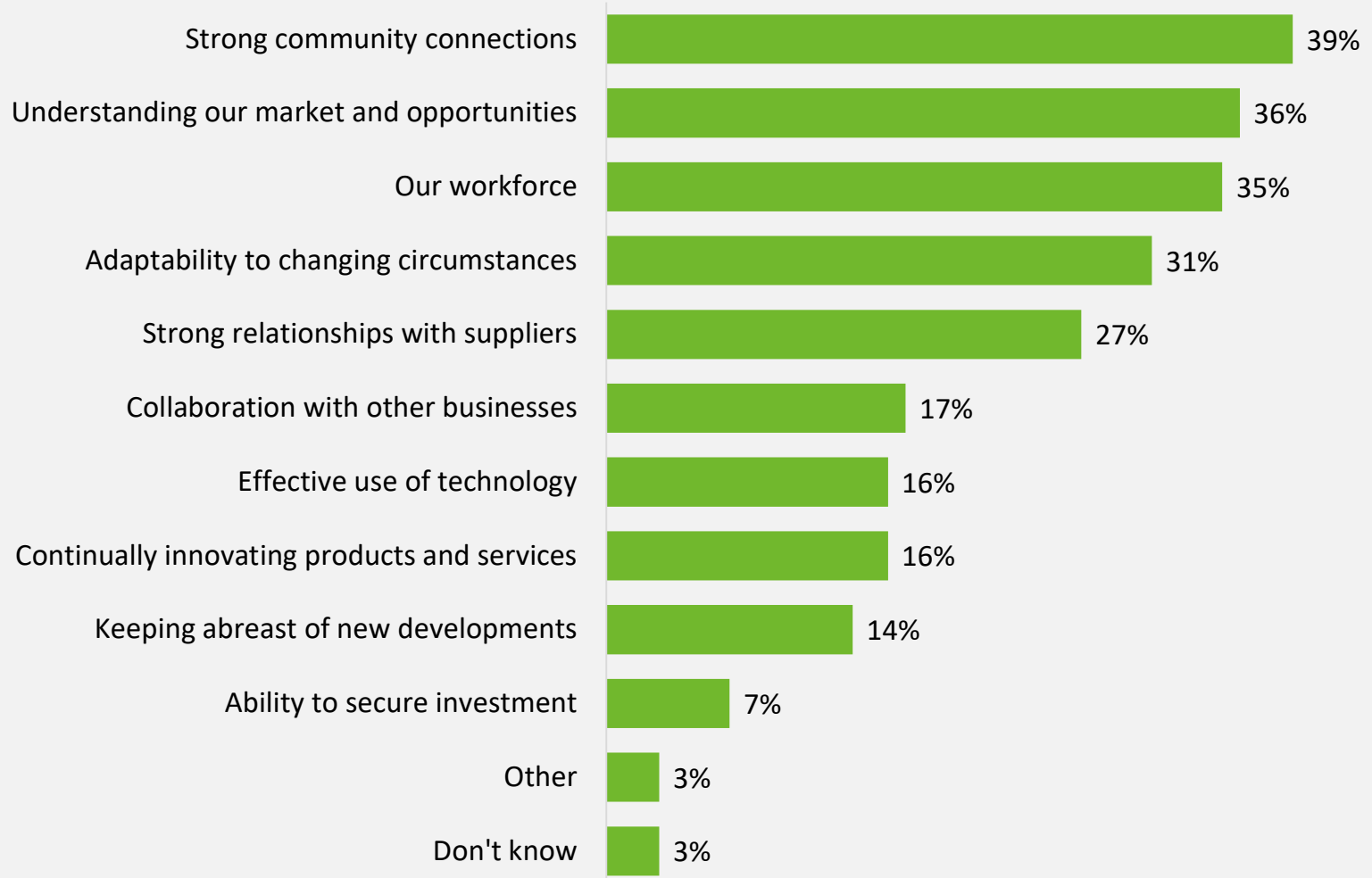
- The areas identified as the biggest strengths of businesses were strong community connections (cited by 39% of businesses), understanding their market and opportunities (36%), and their workforce (35%).
- Most businesses (86%) said that there were areas that they would like to develop for their business, most commonly workforce and wellbeing (45%), premises or equipment (40%), and new domestic market opportunities (39%).
- Most businesses with specified areas for development (83%) said that they were able to progress towards their goals to at least some extent. A smaller proportion felt hardly (13%), or not at all (2%) able to progress towards their goals.
- Three quarters (73%) of businesses who were not able to progress towards achieving their development goals had experienced increased costs as result of this, and just over half (55%) had experienced reduced revenue.
- A high proportion of businesses with specified development goals said that economic uncertainty and the cost of doing business had affected their progress towards these goals to at least some extent (80% and 78% respectively), with three in ten saying that these areas had affected progress to a large extent (32% and 31% respectively).

The top three areas that were limiting progress towards goals included **economic uncertainty (80%)**, the **cost of doing business (78%)** and the **cost of labour (69%)**.

# STRENGTHS

The areas identified as the biggest strengths of businesses were strong community connections (cited by 39% of businesses), understanding their market and opportunities (36%), and their workforce (35%). Around three-in-ten cited their adaptability to changing circumstances (31%) and strong relationships with suppliers (27%). Keeping abreast of new developments, and ability to secure investment were less commonly report strengths (reported by 14% and 7% respectively).

Q. What are the two or three biggest strengths of your business that you think will help you over the next year?



# STRENGTHS VARIATION

Some types of business were more likely to cite certain options as their two or three biggest strengths. In particular, there were significant differences in the options selection by business size, sector, and rurality.

## More likely than average to cite certain strengths:

### Strong community connections (39% overall)

- Social enterprises (70%\*)
- Arts and entertainment (57%)
- Construction (50%)
- Wholesale, retail and repairs (48%)
- Urban businesses (46%)

### Understanding our market and opportunities (36%)

- Accommodation and food services (46%)

### Our workforce (35%)

- 25+ staff (56%)
- Employee-owned (55%\*)
- Professional, scientific and technical activities (52%)
- Urban businesses (42%)
- Striving for growth (42%)

### Adaptability to changing circumstances (31%)

- Striving for growth (35%)
- Women-led (44%)

### Strong relationships with suppliers (27%)

- Transport and storage (43%)
- Construction (36%)
- Wholesale, retail and repairs (36%)
- Content with current level of performance (32%)

### Collaboration with other businesses (17%)

- HIE client-engaged (29%)

### Effective use of technology (16%)

- IT, finance and real estate (37%)
- Professional, scientific and technical activities (28%)
- Striving for growth (20%)
- Performed well in the past six months (20%)

### Continually innovating products and services (16%)

- HIE client-engaged (29%)
- Arts and entertainment (26%)
- Wholesale, retail and repairs (24%)
- Accommodation and food services (22%)
- Striving for growth (22%)

### Keeping abreast of new developments (14%)

- Accessible rural (21%)

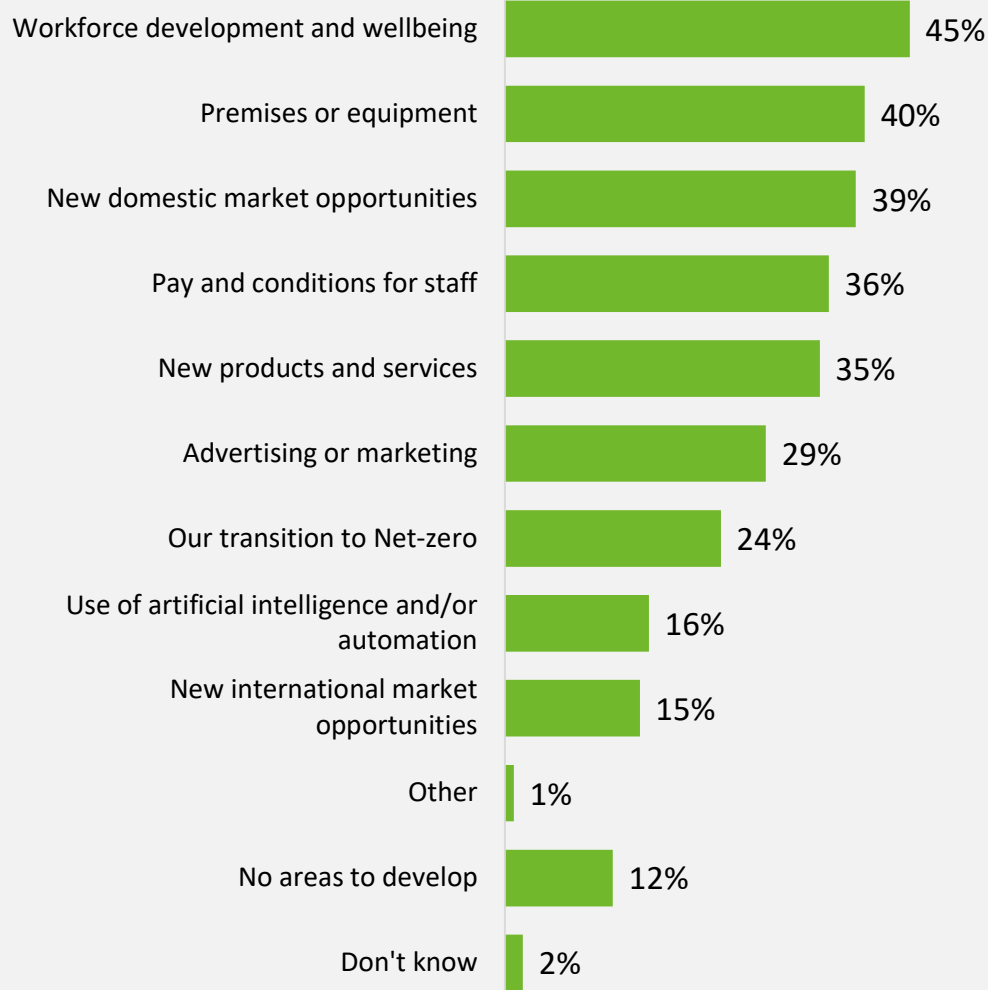
### Ability to secure investment (7%)

- Social enterprises (29%\*)
- Arts and entertainment (20%)
- Accessible rural (12%)
- Striving for growth (11%)

# DEVELOPMENT GOALS

**Most businesses (86%) said that there were areas that they would like to develop for their business. The most commonly selected areas for development included their workforce and wellbeing (45%), premises or equipment (40%), and new domestic market opportunities (39%). Fewer businesses thought that artificial intelligence and/or automation (16%) and new international market opportunities (15%) were areas that they would most like to develop. One in eight (12%) said they had no areas to develop.**

Q. Which of the following areas, if any, would you most like to develop for your business?



Base: All businesses (1,007)

**More likely to say that there are areas they would like to develop:**

## Size

- 25+ staff (100%)

## Sector

- Accommodation and food services (92%)
- Wholesale, retail and repairs (92%)
- Arts and entertainment (92%)

## Relationship with HIE

- HIE client-engaged (97%)

## Growth aspiration

- Striving for growth (96%)

## Business structure

- Co-operatives (98%\*)
- Social enterprises (98%\*)

**More likely to say that there are no areas they would like to develop:**

## Size

- 0-4 staff (17%)

## Sector

- Construction (18%)

## Growth aspiration

- Looking to downsize (34%)
- Content with current level of performance (16%)

\*Low base (<50 businesses).



# DEVELOPMENT GOALS VARIATION

Among those with specified areas for development, some types of businesses were more likely to cite certain areas as development goals. In particular, there were notable differences by business size, sector, and rurality.

## More likely than average to cite the following areas for development:

### Workforce development and wellbeing (53% overall)

- Co-operatives (78%\*)
- Social enterprises (75%\*)
- 25+ staff (74%)
- Arts and entertainment (70%)
- HIE client-engaged (68%)
- Manufacturing (67%)
- Construction (63%)
- Urban businesses (60%)
- Performed well in the past six months (58%)

### Premises or equipment (47%)

- 25+ staff (58%)
- Arts and entertainment (72%)
- Primary industries (56%)
- Social enterprises (65%\*)
- HIE client-engaged (62%)
- Food and drink growth sector (61%)
- Striving for growth (54%)

### New domestic market opportunities (45%)

- Exporters (50%)
- Accessible rural (49%)
- Striving for growth (49%)
- Family-owned (49%)

### Pay and conditions for staff (42%)

- Co-operative (75%\*)
- Social enterprise (65%\*)
- Manufacturing (57%)
- Arts and entertainment (56%)
- HIE client-engaged (55%)
- Urban businesses (49%)
- Striving for growth (49%)
- Family-owned (46%)

### New products and services (41%)

- Wholesale, retail and repairs (55%)
- HIE client-engaged (54%)
- Arts and entertainment (53%)
- Women-led (53%)
- Striving for growth (51%)

### Advertising or marketing (34%)

- Arts and entertainment (58%)
- Tourism growth sector (52%)
- Women-led (47%)
- Accommodation and food services (46%)
- IT, finance and real estate (46%)
- Manufacturing (45%)
- Striving for growth (43%)
- Struggled in the past six months (42%)
- Exporters (39%)

### Our transition to Net-zero (29%)

- Social enterprise (56%\*)
- HIE client-engaged (53%)
- Manufacturing (45%)
- 25+ staff (44%)
- Women-led (39%)

### Use of artificial intelligence and/or automation (19%)

- Financial and business services growth sector (37%)
- IT, finance and real estate (35%)
- 25+ staff (34%)
- HIE client-engaged (32%)
- Professional, scientific and technical activities (29%)
- Manufacturing (28%)
- Urban businesses (24%)
- Performed well in the past six months (24%)

### New international market opportunities (17%)

- Selling outside the UK (45%)
- Manufacturing (38%)
- HIE client-engaged (32%)
- Accommodation and food services (31%)
- Selling to the rest of the UK (29%)
- Women-led (25%)
- Striving for growth (23%)
- Struggled in the past six months (24%)

\*Low base (<50 businesses).

# ABILITY TO PROGRESS TOWARDS DEVELOPMENT GOALS

Most businesses with specified areas for development (83%) said that they were able to progress towards their goals to at least some extent - two thirds (66%) to some extent and around a fifth (17%) to a large extent. A smaller proportion felt hardly (13%) or not at all (2%) able to progress towards their goals.

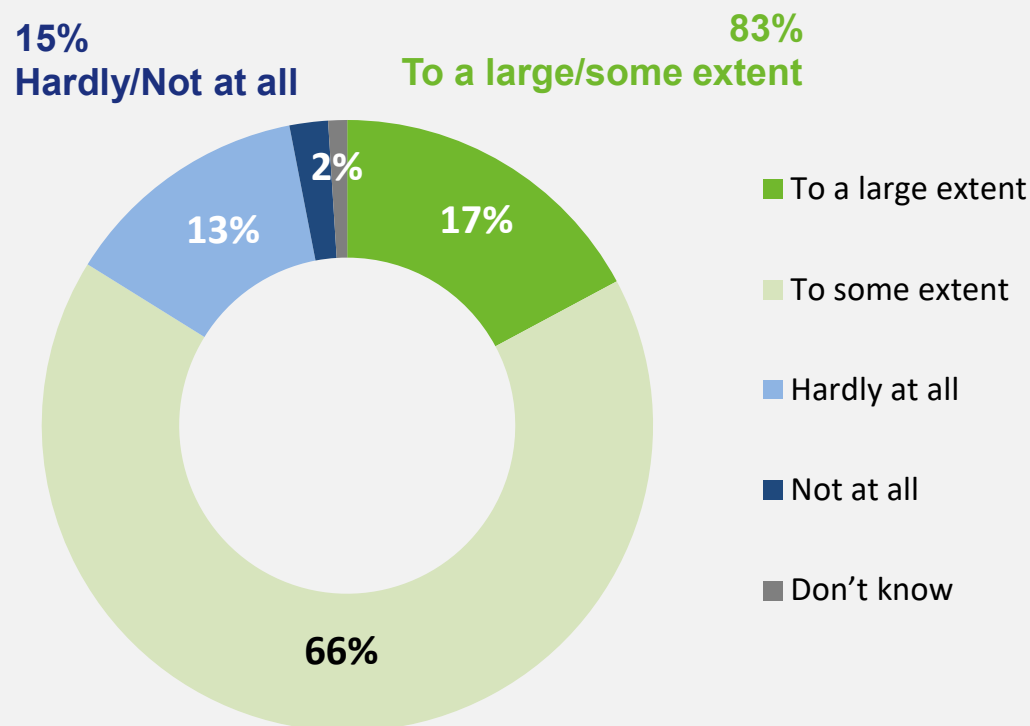
**More likely to say that there were able to progress towards their goals to at least some extent**

- HIE client-engaged (94%)
- Confident in the economy (92%)
- Striving for growth (87%)

**More likely to say that they felt hardly, or not at all able to progress towards their goals**

- 0-4 staff (19%)
- Not confident in the economy (25%)
- Looking to downsize (36%)
- Struggled in the past six months (30%)

Q. To what extent do you feel you are able to progress towards achieving your goals?

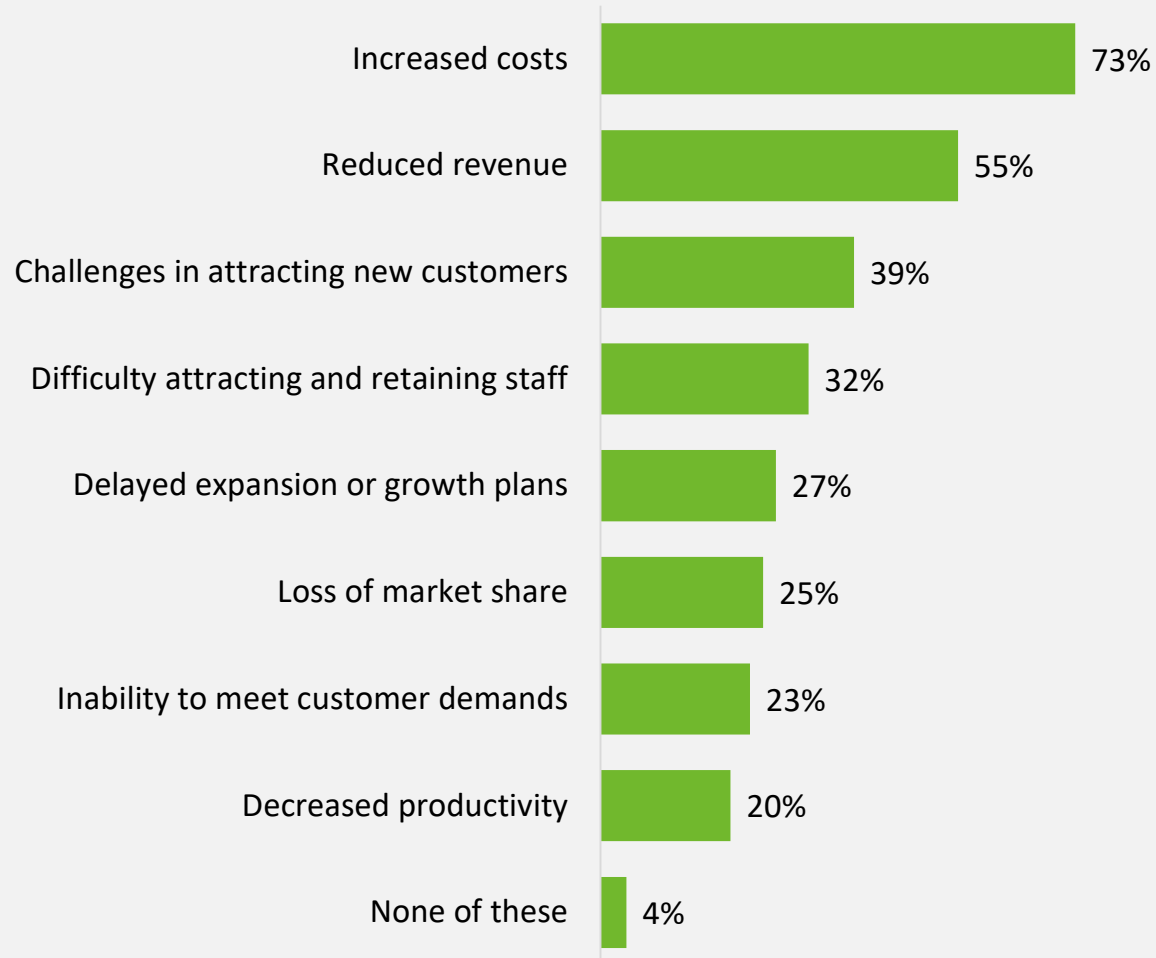


Base: All businesses with specified areas for development (877).

# IMPACTS OF LIMITED PROGRESS TOWARDS DEVELOPMENT GOALS

Three quarters (73%) of businesses who felt they were not able to progress towards achieving their development goals had experienced increased costs as a result, and just over half (55%) had experienced reduced revenue.

Q. And which of the following impacts, if any, has your business experienced as a result of not being able to make progress in some areas?



Base: All businesses not able to progress towards achieving their development goals (127)

More likely than average to cite specific impacts:

## Reduced revenue (55%)

- Struggled in the past six months (73%)

## Challenges in attracting new customers (39%)

- Struggled in the past six months (53%)
- Not confident in the economy (45%)

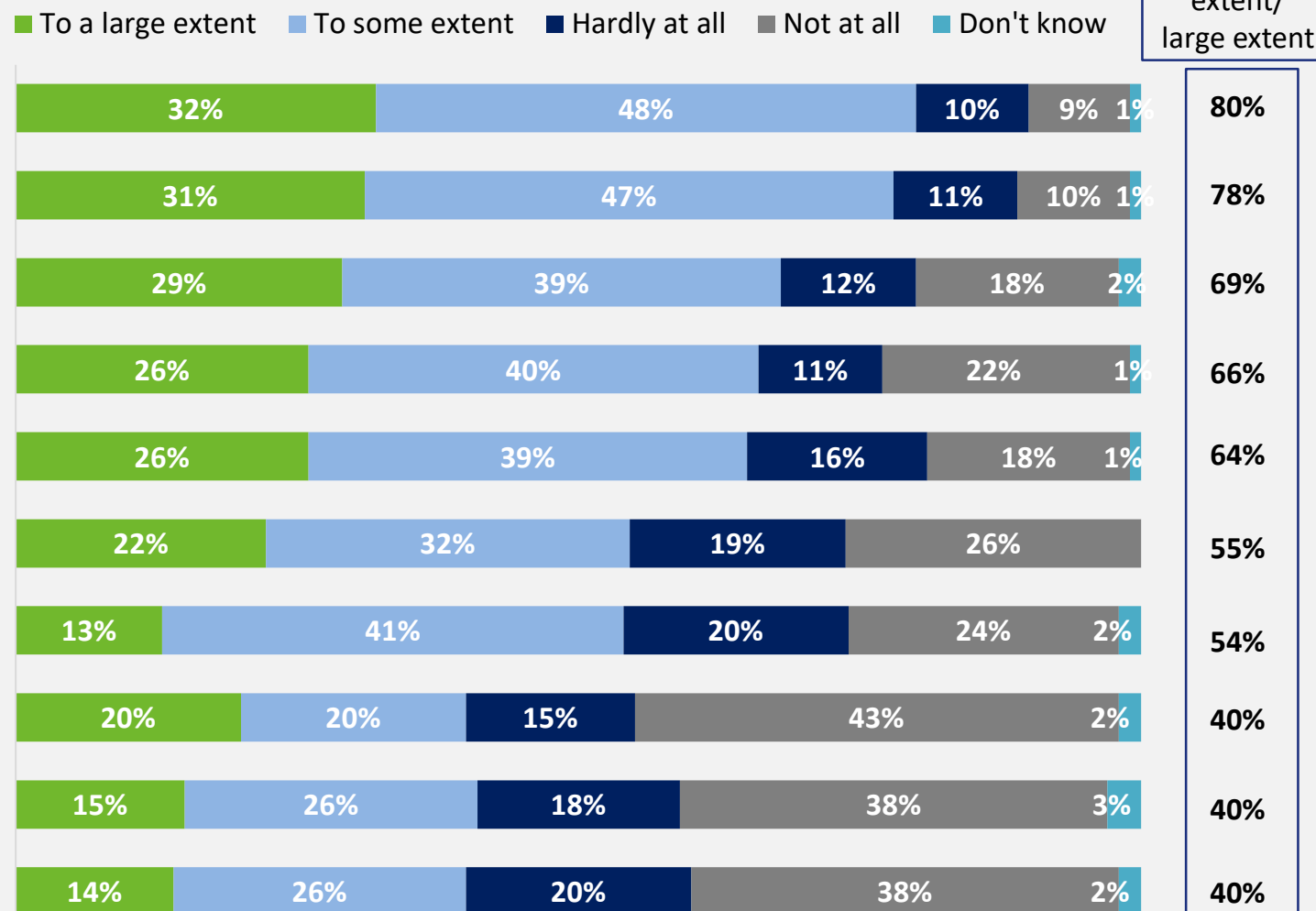
## Delayed expansion or growth plans (27%)

- Striving for growth (45%)

# BARRIERS TO BUSINESS DEVELOPMENT (1)

A high proportion of businesses with specified development goals said that economic uncertainty and the cost of doing business had affected their progress towards these goals to at least some extent (80% and 78% respectively), with around three in ten saying that these areas had affected progress to a large extent (32% and 31%). Although over half (54%) had been affected by supply chain challenges to at least some extent, only 13% said that this had affected their progress to a large extent.

Q. To what extent, if at all, are the following affecting progress toward your goals?



Base: All businesses with specified areas for development (877)

# BARRIERS TO BUSINESS DEVELOPMENT (2)

Certain businesses were more likely than others to consider some areas as barriers to making progress towards their development goals.

More likely than average to say that the following areas have affected progress towards their goals to *at least some extent*:

## Economic uncertainty (80%)

- Not confident in the economy (92%)
- Struggled in the past six months (91%)
- Family-owned (83%)

## Cost of doing business (78%)

- Struggled in the past six months (91%)
- Tourism growth sector (84%)
- Striving for growth (83%)

## Cost of labour (69%)

- 25+ staff (91%)
- Tourism growth sector (80%)
- Wholesale, retail and repairs (78%)
- Accommodation and food services (77%)
- Striving for growth (74%)
- Family-owned (74%)

## Access to labour and skills (66%)

- 25+ staff (88%)
- Island businesses (73%)

## Compliance with legislation and regulation (64%)

- Administrative and support services (76%)
- Accommodation and food services (73%)
- Not confident in the economy (70%)
- Food and drink growth sector (72%)
- Family-owned (70%)

## Supply chain challenges (54%)

- Co-operatives (71%\*)
- Food and drink growth sector (67%)
- Primary industries (63%)
- Wholesale, retail and repairs (62%)
- Island businesses (60%)
- Family-owned (58%)

## Transport connectivity (55%)

- Island businesses (67%)
- Wholesale, retail and repairs (63%)
- Remote rural (62%)
- HIE client-engaged (66%)

## Uncertainty around international trade conditions (40%)

- Selling outside the UK (61%)
- Selling to the rest of the UK (51%)
- Importing from outside the UK (48%)
- Not confident in the economy (47%)
- Striving for growth (44%)

## Availability of housing (40%)

- 25+ staff (55%)
- Island businesses (51%)
- Tourism growth sector (48%)
- Striving for growth (47%)
- Remote rural (46%)

## Access to finance (40%)

- Arts and entertainment (65%)
- Social enterprises (65%\*)
- HIE client-engaged (64%)
- Struggled in the past six months (53%)
- Striving for growth (48%)
- Importers (42%)

\*Low base (<50 businesses).

# BARRIERS TO BUSINESS DEVELOPMENT (3)

Certain businesses were more likely than others to consider some areas as barriers to making progress towards their development goals.

More likely than average to say that the following areas have affected progress towards their goals to *a large extent*:

## Economic uncertainty (32%)

- Struggled in past six months (55%)
- Not confident in the economy (52%)
- Accessible rural (44%)
- Family-owned (36%)

## Cost of doing business (31%)

- Struggled in past six months (47%)
- Tourism growth sector (42%)
- Not confident in the economy (42%)
- 25+ staff (39%)
- Accommodation and food services (39%)
- Family-owned (35%)
- Striving for growth (34%)

## Cost of labour (29%)

- Tourism growth sector (42%)
- Struggled in past six months (39%)
- 25+ staff (39%)
- Accommodation and food services (38%)
- Not confident in the economy (37%)
- Family-owned (34%)

## Access to labour and skills (26%)

- 25+ staff (43%)
- Professional, technical and scientific services (35%)
- Island businesses (31%)
- Striving for growth (30%)
- Family-owned (30%)

## Compliance with legislation and regulation (26%)

- Food and drink growth sector (39%)
- Primary industries (38%)
- Non HIE client-engaged (28%)
- Not confident in the economy (33%)
- Family-owned (29%)
- Operating for 25+ years (29%)

## Supply chain challenges (13%)

- Accessible rural (16%)
- Food and drink growth sector (19%)

## Transport connectivity (22%)

- Island businesses (34%)
- Remote rural (31%)

## Uncertainty around international trade conditions (15%)

- Creative industries growth sector (26%)
- Selling outside the UK (24%)
- Accessible rural (24%)
- Not confident in the economy (21%)
- Selling to the rest of the UK (20%)
- Struggled in past six months (20%)
- Importing from outside the UK (19%)

## Availability of housing (20%)

- HIE client-engaged (29%)
- Island businesses (27%)
- Remote rural (25%)
- Striving for growth (24%)

## Access to finance (14%)

- Arts and entertainment (27%)
- HIE client-engaged (27%)
- Social enterprises (26%)\*
- Struggled in past six months (24%)
- Not confident in the economy (19%)
- Tourism growth sector (19%)
- Striving for growth (18%)

\*Low base (<50 businesses).

## G. RISKS AND OPPORTUNITIES

## KEY FINDINGS

- Most businesses considered current economic conditions and the cost of labour to be risks to their business (66% and 61% respectively), with few considering them to be opportunities (9% and 4%). Around half (53%) cited the availability of labour and skills to be a risk, while one in ten (11%) felt it was an opportunity.
- Views on automation and artificial intelligence were more mixed, with nearly half (45%) saying that it was neither a risk nor an opportunity. A higher proportion considered it to be an opportunity (23%) than a risk (14%).
- Among businesses who perceived automation or artificial intelligence to be a risk to their business, around two thirds (64%) cited cybersecurity risks and half (49%) cited risks of roles becoming obsolete.
- Among businesses who considered automation or artificial intelligence to be an opportunity for their business, this mainly related to its potential in making processes faster or more efficient (69%), or in supporting innovation and in keeping pace with change (64%).
- There were mixed views on changes to international trade conditions with 40% saying it was neither an opportunity nor a risk, and 37% saying it was a risk. Very few thought it was an opportunity (5%).
- Among businesses who perceived changes to international trade conditions to be a risk, the most widespread concern related to price rises on imported goods (59% cited this). Just under half (46%) considered increased regulation and documentation and supply chain impacts to be risks.
- Among the few businesses who perceived changes to international trade conditions to be an opportunity (5%), increased investment in Scotland (53%) or their local area (38%) were most commonly cited.

### Perceived risks:

**66%** current economic conditions.

**61%** cost of labour.

**53%** availability of labour and skills.

### Changes to international trade:

**40%** viewed as neither opportunity nor a risk.

**5%** viewed as an opportunity.

**37%** viewed as a risk.

### Automation and AI:

**45%** viewed as neither opportunity nor a risk.

**23%** viewed as an opportunity.

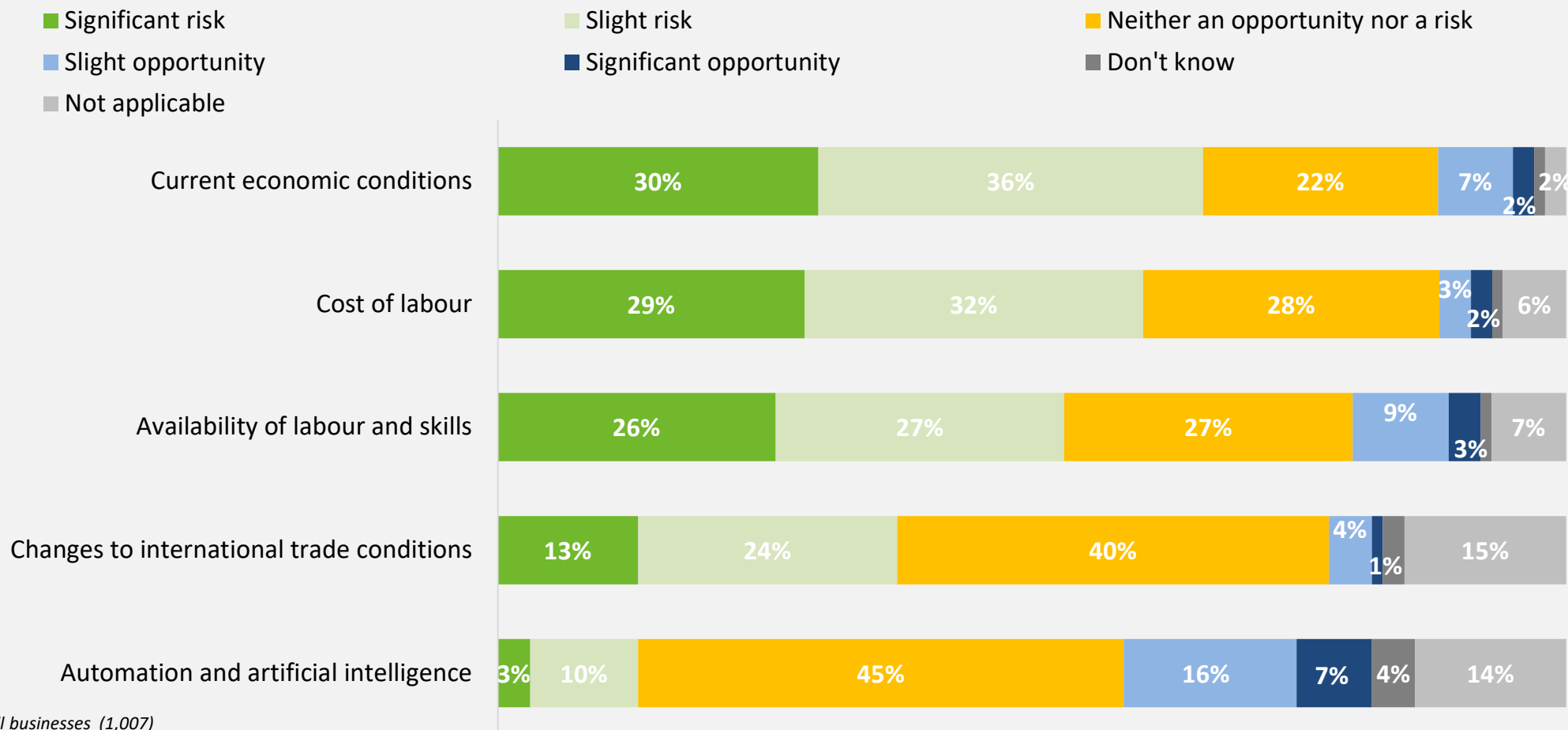
**14%** viewed as a risk.



# RISKS AND OPPORTUNITIES (1)

Most businesses considered current economic conditions and the cost of labour to be risks to their business (66% and 61% respectively), with few considering them to be opportunities (9% and 4%). Around half (53%) considered the availability of labour and skills to be a risk, while one in ten (11%) considered it an opportunity. Views on changes to international trade conditions were more mixed with 40% saying it was neither an opportunity nor a risk, and 37% saying it was a risk (very few thought it was an opportunity (5%)). Views on automation and artificial intelligence were also more mixed, with nearly half (45%) saying that it was neither a risk nor an opportunity. A higher proportion considered it to be an opportunity (23%) than a risk (14%).

Q. Please tell me how much of a risk or an opportunity the following pose for your business?



# RISKS AND OPPORTUNITIES (2)

Certain businesses were more likely to consider some areas as risks, while other types of business were more likely to say that these areas were opportunities.

More likely than average to say that the following areas are at least a slight risk:

## Current economic conditions (66%)

- Struggled in the past six months (82%)
- Not confident in the economy (80%)
- Striving for growth (72%)

## Cost of labour (61%)

- 25+ staff (87%)
- HIE client-engaged (77%)
- Not confident in the economy (68%)
- Struggled in the past six months (68%),
- Tourism growth sector (68%)

## Availability of labour and skills (53%)

- 25+ staff (83%)
- HIE client-engaged (69%)
- Island businesses (62%)
- Striving for growth (60%)

## Changes to international trade conditions (37%)

- Manufacturing (58%)
- Selling outside the UK (55%)
- Employee-owned (54%\*)
- Accessible rural (54%)
- Importing from outside the UK (50%)
- Selling to the rest of the UK (48%)
- Food and drink growth sector (48%)
- Not confident in the economy (45%)
- Struggled in the past six months (43%)
- Family-owned (42%)
- Striving for growth (42%)

## Automation and artificial intelligence (14%)

- Financial and business services growth sector (29%)
- Professional, scientific and technical activities (21%)

More likely than average to say that the following areas are at least a slight opportunity:

## Automation and artificial intelligence (23%)

- 25+ staff (44%)
- HIE client-engaged (43%)
- Professional, scientific and technical (37%)
- Striving for growth (29%)
- Exporters (28%)

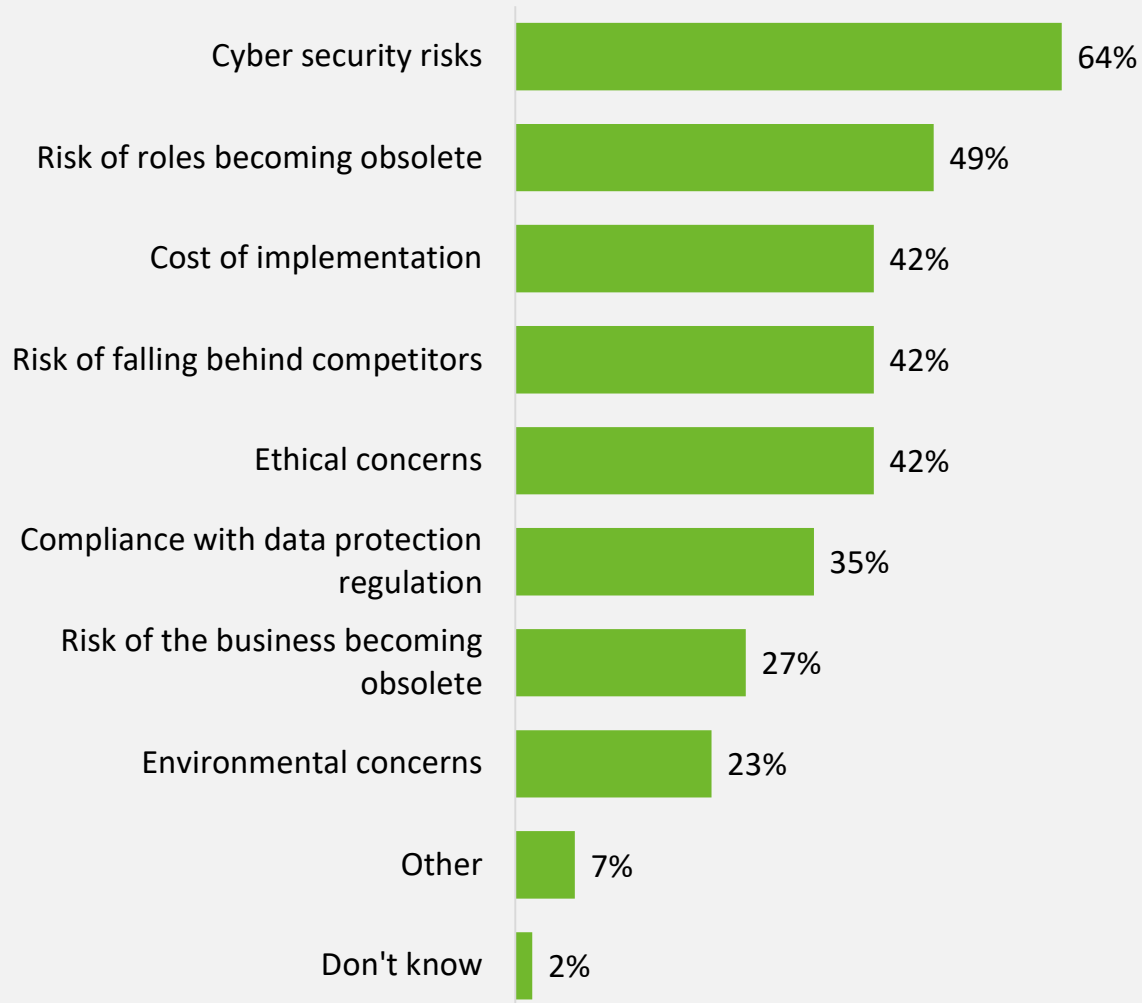
## Availability of labour and skills (11%)

- Co-operatives (29%\*)
- Construction (20%)

# AUTOMATION AND ARTIFICIAL INTELLIGENCE RISKS

Among businesses who perceived automation or artificial intelligence to be a risk to their business, around two thirds (64%) cited cyber security risks and around a half (49%) cited risks of roles becoming obsolete. Two in five were concerned with the costs of implementation, the risk of falling behind competitors, and ethics (all 42%).

Q. And what is it about automation and artificial intelligence specifically, that you think is a risk to your business?



Base: All businesses who perceive Automation/AI as a risk (138)

**More likely than average to cite specific risks:**

**Risk of roles becoming obsolete (49%)**

- Urban businesses (66%)

**Cost of implementation (42%)**

- Importers (48%)

**Ethical concerns (42%)**

- Exporters (50%)

# AUTOMATION AND ARTIFICIAL INTELLIGENCE OPPORTUNITIES

Among businesses who considered automation or artificial intelligence to be an opportunity for their business, this mainly related to its potential in making processes faster or more efficient (69%), or in supporting innovation and in keeping pace with change (64%). Just over half felt it could lead to cost savings (57%) or would free up staff time to better use their skills (54%). Fewer businesses felt it could help them alleviate staff shortages, lower their carbon emissions or create new revenue streams (34%, 31% and 29% respectively).

Q. And what is it about automation and artificial intelligence specifically, that you think is an opportunity for your business?



Base: All businesses who perceive Automation/AI as an opportunity (235)

More likely than average to cite specific opportunities:

**Freeing up staff to better use their skills (54%):**

- Urban businesses (67%)
- Island businesses (65%)
- Striving for growth (59%)

**Improve customer service (51%)**

- Urban businesses (60%)

**Enhancing competitiveness (50%)**

- Urban businesses (59%)
- Striving for growth (58%)
- Exporters (57%)

# INTERNATIONAL TRADE CONDITIONS RISKS

Among businesses who perceived changes to international trade conditions to be a risk, the most widespread concern related to price rises on imported goods (59% cited this). Just under half (46%) considered increased regulation and documentation and supply chain impacts to be risks. One in five (20%) thought that there was a risk of existing orders being cancelled.

Q. And what is it about changes to international trade conditions specifically, that you think is a risk to your business?



Base: All business who perceive changes to international trade conditions as a risk (376)

More likely than average to cite specific risks:

**Lower export sales (26%)**

- Exporters (35%)
- Striving for growth (32%)

**Existing orders being cancelled (20%)**

- Island businesses (27%)

# INTERNATIONAL TRADE CONDITIONS OPPORTUNITIES

Among the few businesses who perceived changes to international trade conditions to be an opportunity,\* increased investment in Scotland (53%) or their local area (38%) were most commonly cited. Around a third mentioned the potential for new or increased domestic market opportunities and opportunities in new international markets (34% and 31% respectively).

Q. And what is it about changes to international trade conditions specifically, that you think is an opportunity to your business?



Base: All business who perceive changes to international trade conditions as an opportunity (46)

\*Low base (<50 businesses).

# H. INTERNATIONAL TRADE

## KEY FINDINGS

- Among all businesses trading internationally, two in five (41%) were not currently planning to adapt their approach to international trade as a result of recent changes to international trade conditions. One in five (19%) said that they had already made, or were planning to make, changes to their approach. A quarter (24%) said that it was too soon to say.
- Among businesses who have made changes or are planning to make changes to their approach to international trade, over half (56%) were adopting a cautious approach due to uncertainty. Four in ten (42%) said that they were, or were planning to review their supply chains, and around three in ten were either targeting new exporting markets outside the UK (32%) or changing their focus to domestic markets (30%).
- Of those targeting or planning to target new export markets outside the UK, the most commonly mentioned markets were the European Union (60%) and the United States (42%). A quarter (26%) said that they were looking at other unspecified markets.

**41%** were not currently planning to make changes to their approach to international trade.

**19%** had already made, or were planning to make changes.

**56%** of those who had made, or were planning to make, changes to their approach, said that they would be adopting a cautious approach due to uncertainty.



# APPROACH TO INTERNATIONAL TRADE

Among all businesses who are trading internationally, two in five (41%) said that they are not currently planning to adapt their approach to international trade as a result of recent changes to international trade conditions. One in five (19%) had already made changes to their approach, or were planning to. A quarter (24%) said that it was too soon to say.

## More likely to have already made/plan to make changes:

- 25+ staff (33%)
- HIE client-engaged (31%)
- Striving for growth (25%)

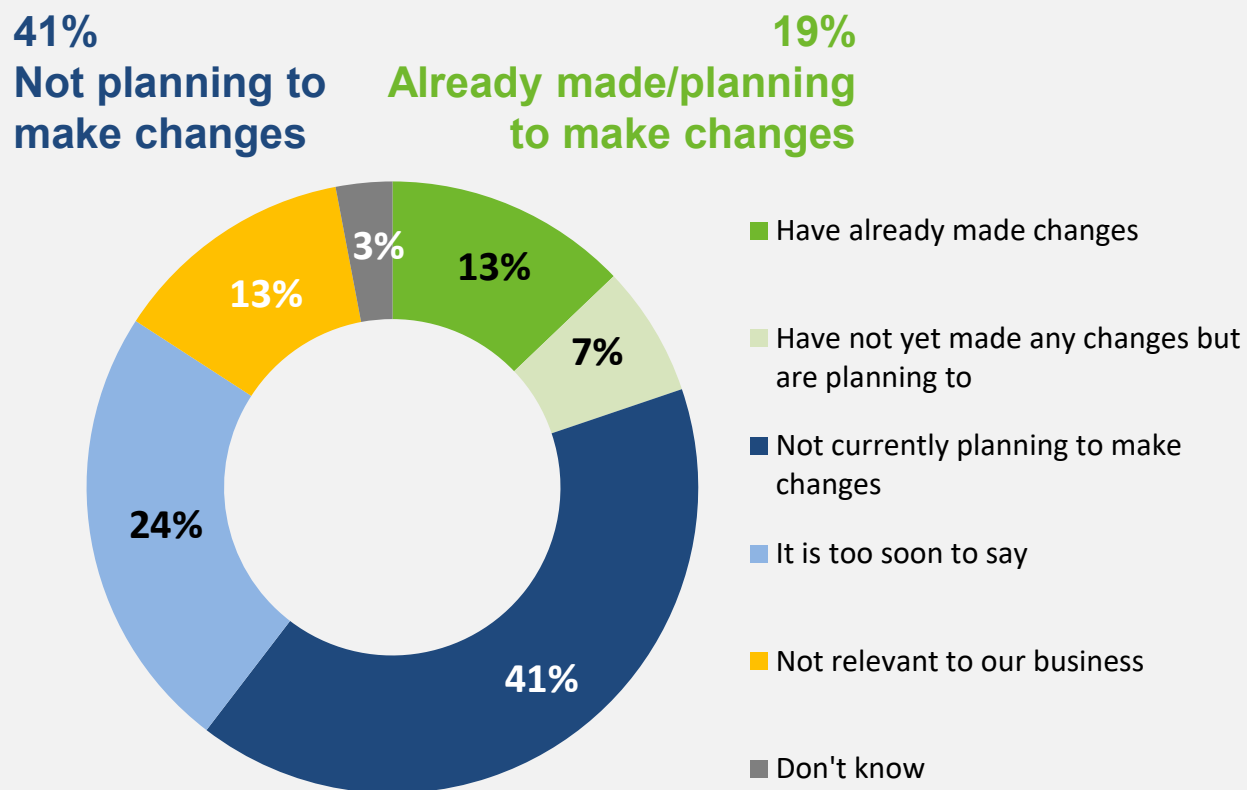
## More likely to say that they are not currently planning to make changes:

- Looking to downsize (64%)

## More likely to say that they it is too soon to say:

- Manufacturing (40%)

Q. As a result of recent changes to international trade conditions, some businesses have made changes to their approach to international trade, while others have not. Which of these statements best describes your approach to international trade?

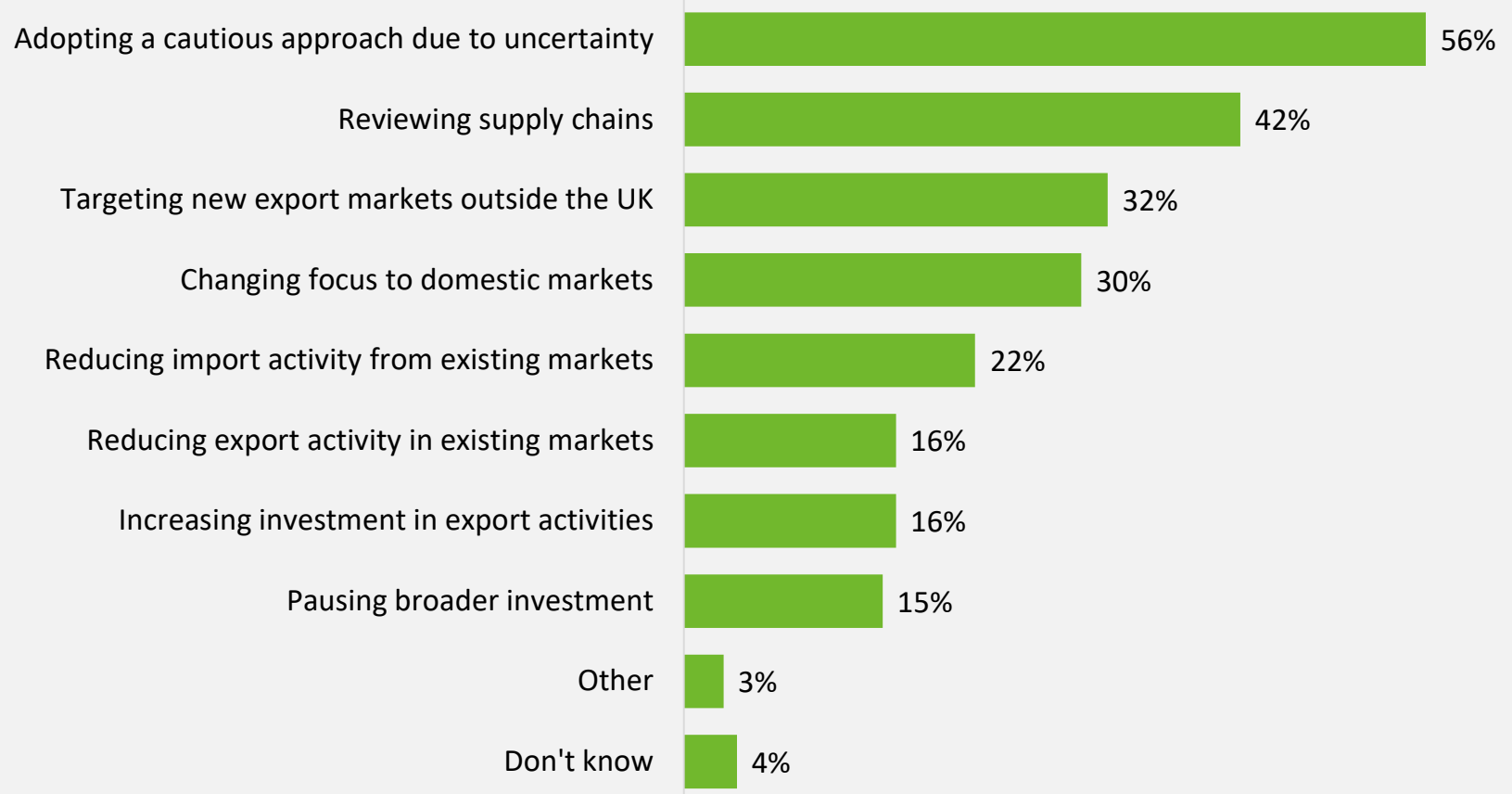


Base: All businesses who are trading internationally (492)

# CHANGES TO APPROACH TO INTERNATIONAL TRADE

Among businesses who have made changes or are planning to make changes to their approach to international trade, over half (56%) were adopting a cautious approach due to uncertainty. Four in ten (42%) said that they were, or were planning to review their supply chains, and around three in ten were either targeting new exporting markets outside the UK (32%) or changing their focus to domestic markets (30%). Fewer said that they had or were planning to reduce exports to existing markets (16%), increase investment in export activities (15%) or pause broader investment (15%).

Q. Which, if any, of the following changes have you made/are you planning to make to your approach to international trade?

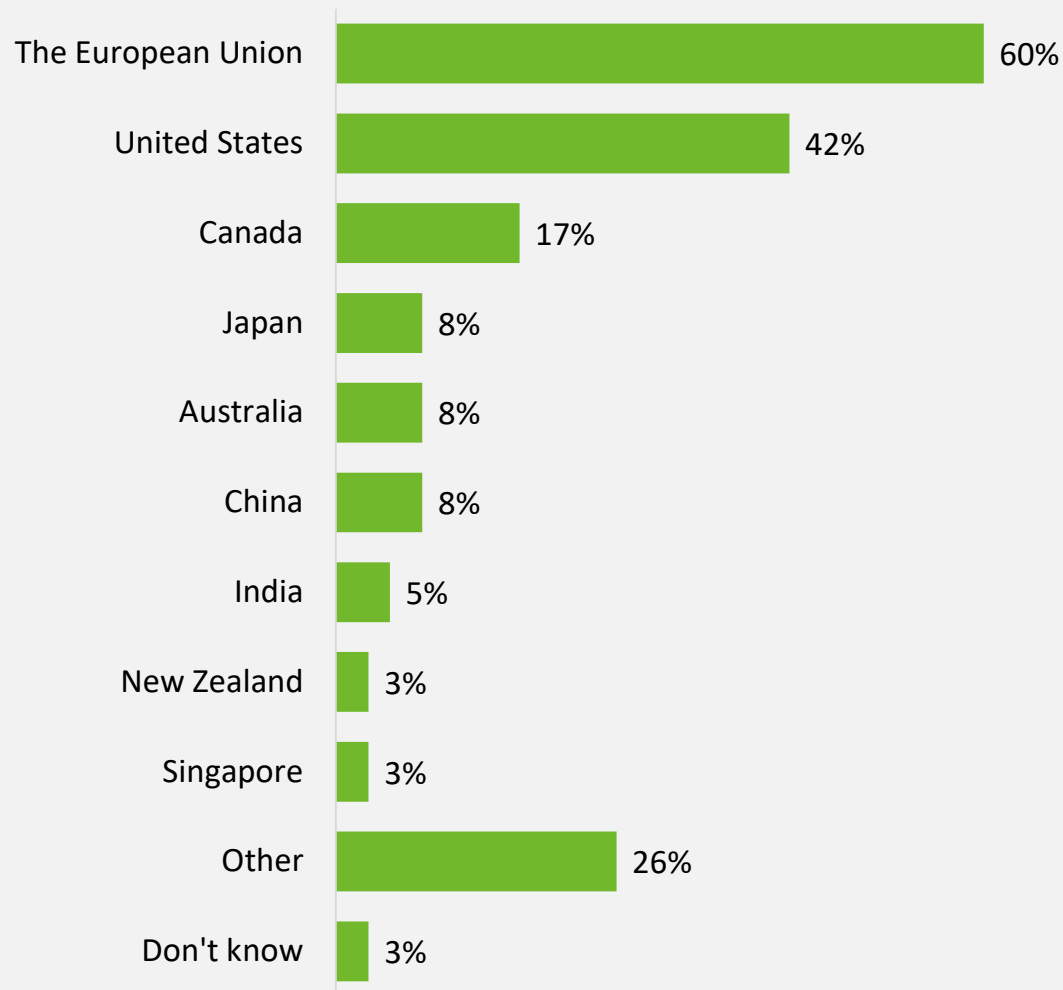


Base: All businesses who have made changes, or are planning to make changes, to their approach to international trade (96)

# TARGET MARKETS

Among businesses who said that they were targeting or planning to target new export markets outside the UK, the most commonly mentioned markets were the European Union (60%) and the United States (42%). A quarter (26%) said that they were targeting other unspecified markets.

Q. Which of the following markets are you targeting?



Base: All businesses who are targeting, or are planning to target, new export markets outside the UK (32)

# I. LOCAL OPPORTUNITIES

## KEY FINDINGS

- More than half of businesses felt that tourists and visitors coming to the area (65%), renewable energy projects (53%), community-led projects or developments (52%) and large construction or infrastructure projects (51%) were an opportunity for their business. Somewhat fewer felt that companies investing in or establishing a base in the area was an opportunity for them (43%), with around a quarter saying this was not happening in their area (23%).
- There was an increase in perceptions of large construction or infrastructure projects as an opportunity (51% compared to 41% in November/December 2023).
- Businesses in the Highlands and Islands were more likely to see each of these activities as an opportunity than businesses in the South of Scotland.
- Among businesses who saw at least one of these activities as an opportunity, 71% felt at least somewhat ready to capitalise on them.

**65%** see tourists and visitors coming to the area as an opportunity.

**53%** see renewable energy projects in the area as an opportunity.

**52%** see community-led projects as an opportunity.

**51%** see large construction or infrastructure projects in the area as an opportunity.

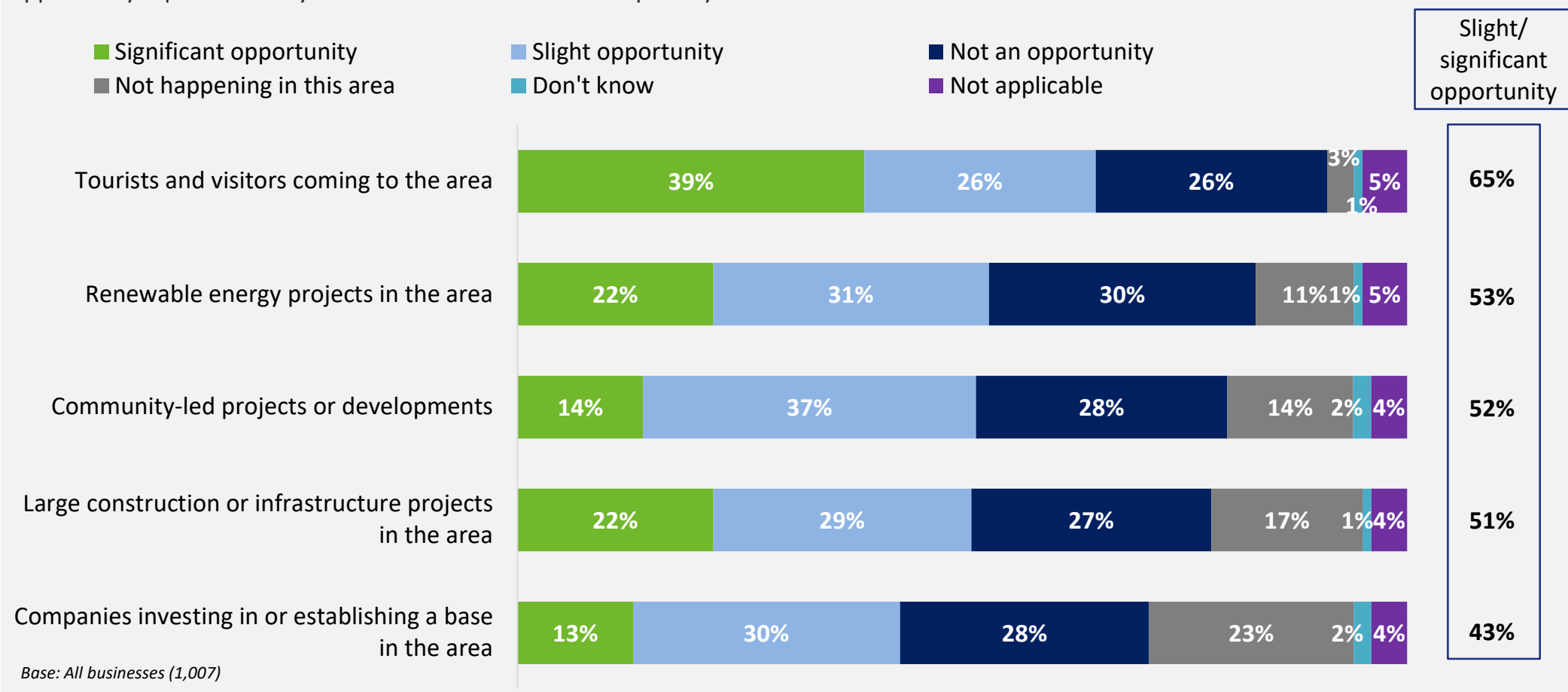
## LOCAL OPPORTUNITIES (1)

More than half of businesses felt that tourists and visitors coming to the area (65%), renewable energy projects (53%), community-led projects or developments (52%) and large construction or infrastructure projects (51%) were an opportunity for their business. Somewhat fewer felt that companies investing in or establishing a base in the area was an opportunity for them (43%), with around a quarter saying this was not happening in their area (23%).

There was an increase in perceptions of large construction or infrastructure projects as an opportunity (51% compared to 41% in November/December 2023).

Businesses in the Highlands and Islands were more likely to see each of these activities as an opportunity than businesses in the South of Scotland (see Appendix).

Q. The following are examples of activities that may, or may not, be happening in your local area. For each one, please tell us how much of an opportunity it presents for your business over the next couple of years?



## LOCAL OPPORTUNITIES (2)

Certain types of business were more likely to say these activities were an opportunity for them. These included businesses with 25+ staff, those striving for growth, and those confident in the economy.

### More likely than average to say these were an opportunity

#### **Tourists and visitors coming to the area**

- Accommodation and food services (96%)
- Tourism growth sector (96%)
- Social enterprises (91%)
- Women-led (87%)
- Wholesale, retail and repairs (84%)
- Arts and entertainment (83%)
- Island businesses (72%)
- Striving for growth (70%)
- Remote rural businesses (68%)

#### **Renewable energy projects in the area**

- Social enterprises (70%)
- 25+ staff (69%)
- Confident in the economy (58%)
- Striving for growth (59%)

#### **Community-led projects or developments**

- Social enterprises (82%)
- HIE client-engaged (65%)
- Arts and entertainment (64%)
- Professional, scientific and technical activities (62%)
- Tourism growth sector (59%)
- Confident in the economy (58%)
- Striving for growth (55%)

#### **Large construction or infrastructure projects in the area**

- Co-operatives (70%)
- 25+ staff (65%)
- Urban businesses (58%)
- Striving for growth (58%)
- Confident in the economy (55%)

#### **Companies investing in or establishing a base in the area**

- Co-operatives (60%)
- IT, finance and real estate (57%)
- 25+ staff (53%)
- Urban businesses (52%)
- Striving for growth (48%)
- Confident in the economy (46%)

### More likely than average to say these were not an opportunity

#### **Tourists and visitors coming to the area**

- Professional, scientific, technical activities (43%)
- Construction (39%)
- Financial and business services growth sector (39%)
- Accessible rural (35%)
- Mainland (30%)

#### **Renewable energy projects in the area**

- Creative industries growth sector (48%)
- 0-4 staff (35%)
- Not confident in the economy (34%)

#### **Community-led projects or developments**

- Manufacturing (39%)
- Not confident in the economy (33%)
- Mainland (31%)

#### **Large construction or infrastructure projects in the area**

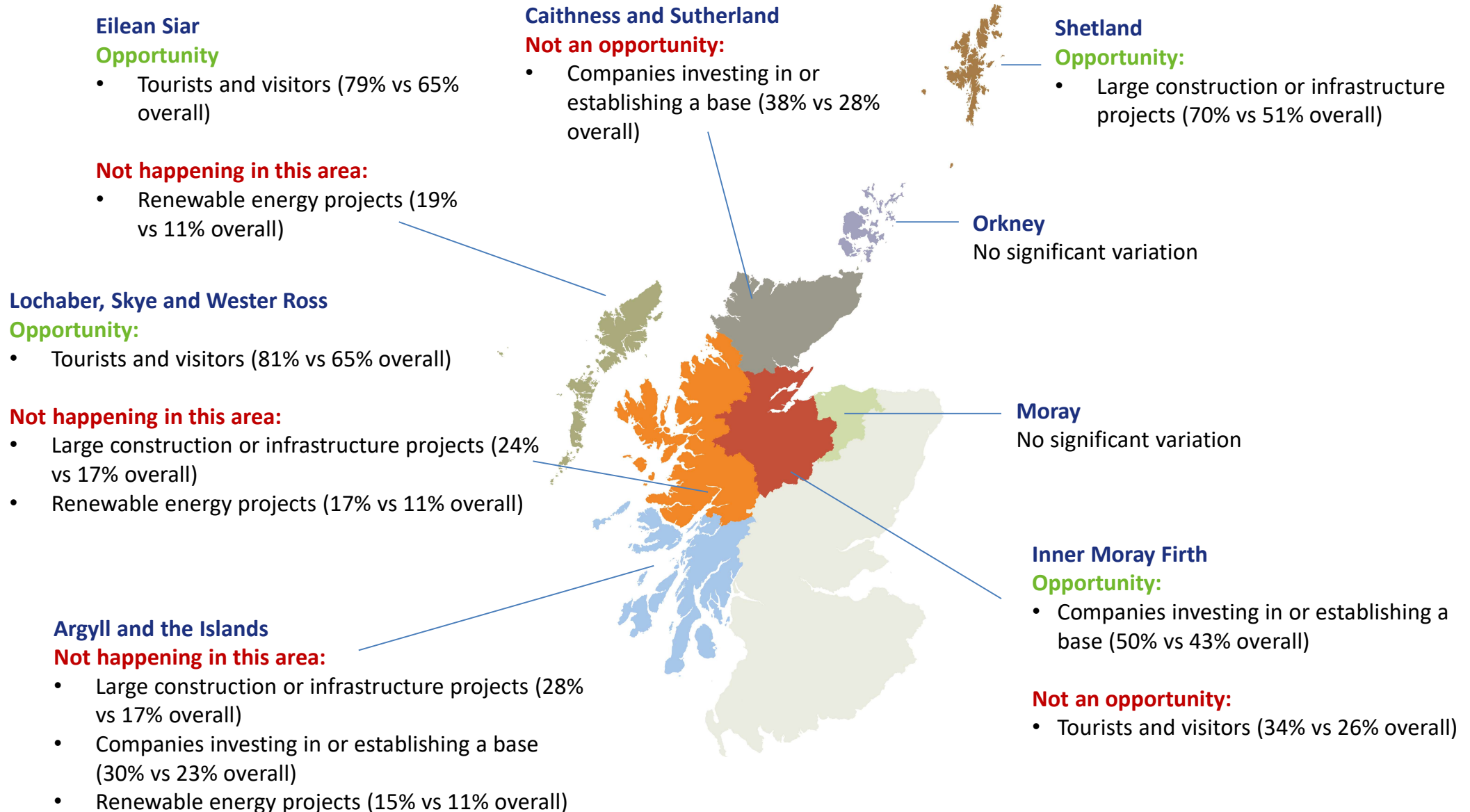
- Creative industries growth sector (52%)
- Not confident in the economy (32%)

#### **Companies investing in or establishing a base in the area**

- Food and drink growth sector (35%)
- 0-4 staff (32%)
- Remote rural (31%)

# LOCAL OPPORTUNITIES (3)

Perceptions of local opportunities varied across the HIE region with variations highlighted below.





# CAPITALISING ON LOCAL OPPORTUNITIES

Among businesses who saw at least one of these activities as an opportunity, 71% felt at least somewhat ready to capitalise on them, while 28% felt that they were hardly, or not at all, able to capitalise.

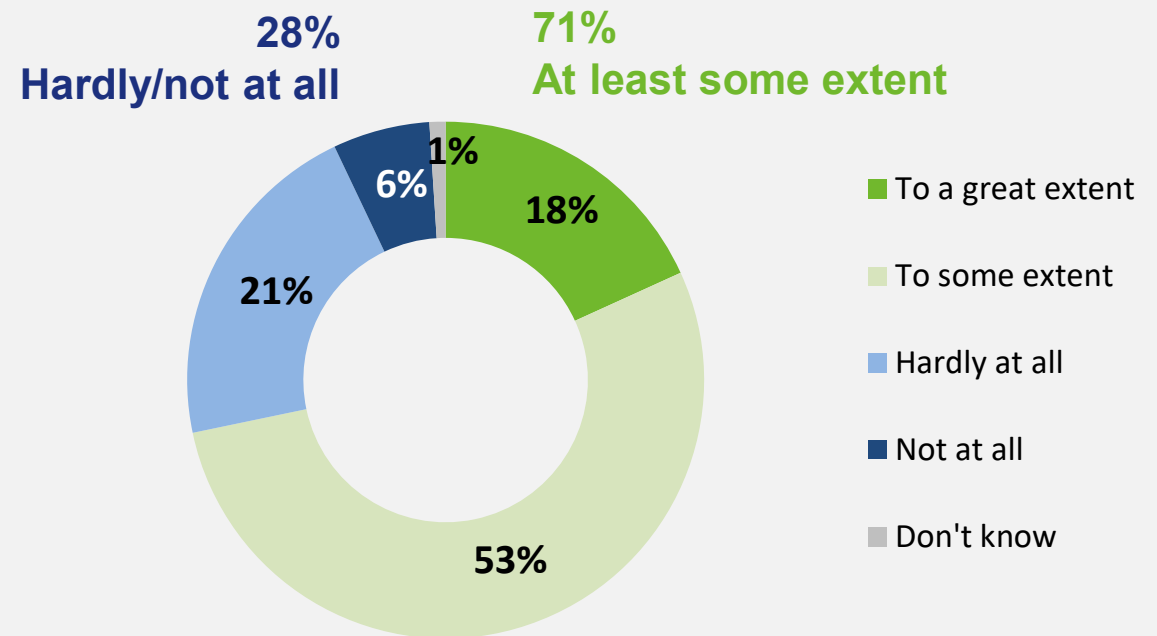
## More likely than average to feel at least somewhat ready to capitalise on opportunities

- HIE client engaged (87%)
- 25+ staff (87%)
- Social enterprises (87%)
- Administrative and support services (83%)
- Arts and entertainment (82%)
- Striving for growth (82%)
- Accommodation and food services (79%)
- Tourism growth sector (79%)
- Urban businesses (79%)
- Confident in the economy (76%)

## More likely than average to feel not at all able to capitalise on opportunities

- Want to downsize (22%)
- 0-4 staff (9%)
- Not confident in the economy (8%)

Q. To what extent, if at all, is your business ready to capitalise on these opportunities?



Base: All businesses who see activities in their local area as an opportunity (898)

# J. APPENDIX

# IMPORT MARKETS - BY SECTOR 1

		Sector				
Export markets	Average (%)	Primary industries	Manufacturing	Construction	Wholesale, retail and repairs	Transport and storage
Scotland	94	97	93	97	96	91
Rest of UK	78	73	94	76	85	72
Outside the UK	32	28	58	24	44	34
<i>Net importer</i>	79	74	96	78	86	72
<i>Net domestic only</i>	17	23	3	21	14	20
<i>Base</i>	1,007	159	71	113	148	37

## NOTES

\*Darker shaded cells are figures that are higher than the average.

## IMPORT MARKETS - BY SECTOR 2

		Sector				
Export markets	Average (%)	Accommodation and food services	IT, finance and real estate	Professional, scientific and technical activities	Administrative and support services	Arts and entertainment
Scotland	94	98	86	84	87	90
Rest of UK	78	84	68	74	77	90
Outside the UK	32	22	29	35	34	40
<i>Net importer</i>	79	85	68	74	80	90
<i>Net domestic only</i>	17	15	23	15	14	10
<i>Base</i>	1,007	143	66	124	70	76

## EXPORT MARKETS - BY SECTOR 1

		Sector				
Export markets	Average (%)	Primary industries	Manufacturing	Construction	Wholesale, retail & repairs	Transport & storage
Scotland	96	97	100	95	98	92
Rest of UK	47	43	77	18	49	43
Outside the UK	26	16	49	7	29	24
<i>Net exporter</i>	48	45	77	20	49	43
<i>Net domestic only</i>	49	54	23	76	49	49
<i>Base</i>	1,007	159	71	113	148	37

### NOTES

\*Darker shaded cells are figures that are higher than the average.

## EXPORT MARKETS - BY SECTOR 2

		Sector				
	Average (%)	Accommodation & food service activities	IT, finance and real estate	Professional, scientific & technical services	Administrative and support services	Arts and entertainment
<b>Export markets</b>						
Scotland	96	94	93	93	97	96
Rest of UK	47	68	51	48	48	58
Outside the UK	26	56	29	26	28	34
<i>Net exporter</i>	48	68	51	50	51	58
<i>Net domestic only</i>	49	26	43	48	47	39
<i>Base</i>	1,007	143	66	124	70	76

### NOTES

\*Darker shaded cells are figures that are higher than the average

## EXPORT MARKETS - BY GROWTH SECTOR

		Sector			
Export markets	Average (%)	Food and drink	Financial and business services	Tourism	Creative industries
Scotland	96	99	93	94	96
Rest of UK	47	48	54	65	62
Outside the UK	26	19	31	50	42
<i>Net exporter</i>	48	49	56	65	64
<i>Net domestic only</i>	49	50	42	28	34
<i>Base</i>	1,007	162	78	158	53

### NOTES

\*Darker shaded cells are figures that are higher than the average. Energy and Life sciences are excluded due to the low base sizes.

## LOCAL OPPORTUNITIES - BY REGION

	Region	
	Highlands and Islands Slight/significant opportunity (%)	South of Scotland Slight/significant opportunity (%)
<b>Export markets</b>		
Tourists and visitors coming to the area	65	56
Large construction of infrastructure projects in the area	51	33
Companies investing in or establishing a base in the area	43	33
Renewable energy projects in the area	53	42
Community-led projects or developments	52	40
<i>Base</i>	<i>1,007</i>	<i>599</i>



## SECTOR CATEGORIES INCLUDED IN THE SURVEY SAMPLE

### SIC 2007 categories

The sector categories referred to in the report, and examples of the types of sectors covered by these categories, are summarised below.

Sector title uses in report	Types of sectors covered
Primary industries	Agriculture, forestry, fishing; Mining and quarrying; Electricity, gas and air supply; Water and sewerage
Manufacturing	Manufacturing
Construction	Construction
Wholesale and retail	Wholesale and retail sales and repairs
Transport and storage	Transport activity and storage of goods used for transport activities
Accommodation and food services	Accommodation and food service activities
IT, finance and real estate	IT, telecommunications, financial services, insurance, and real estate
Professional, scientific and technical	Legal, accounting, advertising, architectural and scientific research.
Administrative and support services	Office administration, human resources, services to buildings and landscapes, travel, and security services.
Arts and entertainment	Creative and arts activities; Libraries, museums and cultural activities; Sports and recreation.

### Growth sector categories

The growth sector categories referred to in the report, and the types of SIC 2007 sectors they partially cover are summarised below.

Growth sector category	SIC 2007 categories partially covered
Creative industries	Manufacturing; Wholesale and retail; Professional, scientific and technical; Administrative and support services; Arts and entertainment.
Energy	Primary industries; Manufacturing; Professional, scientific and technical.
Financial and business services	IT, finance and real estate; Professional, scientific and technical; Administrative and support services;
Food and drink	Primary industries; Manufacturing.
Life sciences	Manufacturing. Professional, scientific and technical;
Tourism	Accommodation and food services; Administrative and support services; Arts and entertainment.

## PROFILE OF BUSINESSES INTERVIEWED (WEIGHTED)

Size (no of employees)	%
Sole trader	18
1-4	44
5-10	16
11-24	11
25+	11

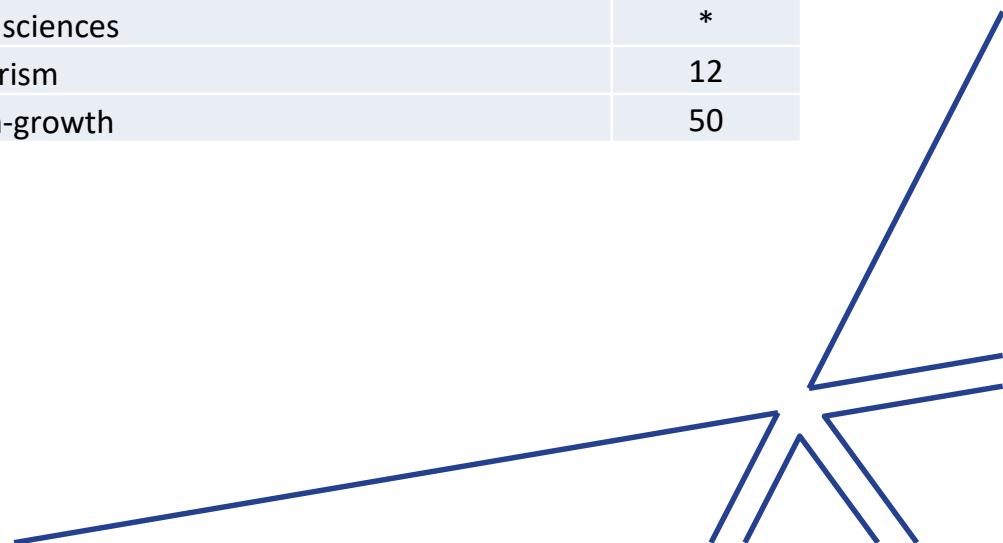
Location	%
Argyll and the Islands	20
Caithness and Sutherland	9
Eilean Siar	6
Inner Moray Firth	27
Lochaber, Skye and Wester Ross	11
Moray	12
Orkney	9
Shetland	6

Relationship with HIE	%
Client-engaged	6
Non-client-engaged	69

Urban/rural	%
Remote rural	52
Accessible rural	16
Other (urban)	32

Sector (SIC 2007 categories)	%
Primary industries	27
Manufacturing	5
Construction	13
Wholesale and retail	12
Transport and storage	3
Accommodation and food services	11
IT, finance and real estate	5
Professional, scientific and technical	11
Administrative and support services	6
Arts and entertainment	6

Growth sector	%
Creative industries	4
Energy	2
Financial and business services	7
Food and drink	25
Life sciences	*
Tourism	12
Non-growth	50



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**ISO 20252** – is the international market research specific standard that supersedes BS 7911 / MRQSA & incorporates IQCS (Interviewer Quality Control Scheme); it covers the 5 stages of a Market Research project. Ipsos was the first company in the world to gain this accreditation.



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**ISO 9001** – International general company standard with a focus on continual improvement through quality management systems. In 1994 we became one of the early adopters of the ISO 9001 business standard.



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**Fair Data** – Ipsos is signed up as a 'Fair Data' Company by agreeing to adhere to ten core principles. The principles support and complement other standards such as ISOs, and the requirements of Data Protection legislation.

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**This work was carried out in accordance with the requirements of the international quality standard for market research, ISO 20252 and with the Ipsos Terms and Conditions**

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