

Feedback from Scottish Enterprise Customers

September 2023

General Sentiment

- Despite ongoing challenges with costs, skills and recruitment, businesses still have an **appetite to grow**.
- Some businesses report that, post pandemic, **turnover is recovering** but increased costs means that **margins are down on pre-pandemic levels**.
- **Debt and equity investment is taking longer** and is harder to get as the current economic climate drives lender and investor caution. Equity investors are preferring to concentrate on existing portfolios rather than taking on new early-stage business investments that are seen as riskier.

Labour and Skills Shortages/Jobs

- **Skills Shortages and recruitment** across many occupations continues to be a key issue e.g.
 - A **lack of heat pump and solar engineers** for green industries.
 - Businesses that employ low-skilled workers can't **recruit enough from the local workforce** to fill the gap left by the loss of European workers. One business reports bringing in Filipino and African workers at great expense.
 - **In some niche markets, there are shortages of skilled craft workers** e.g. stonemasons
- Businesses are addressing these by:
 - Introducing **automation and digitisation** to undertake repetitive and lower skilled tasks and free up staff for more **higher value/skilled work**.
 - Some businesses work directly with colleges to **develop apprenticeship programmes** to attract workers.

- **Wage inflation** continues to impact recruitment and retainment. For example:
 - In the Food and Drink sector staff will reportedly move to another employer for an **increase of 20p or 30p per hour** and...
 - ...the construction sector reports that **despite pay rises they continue to lose staff** to both other construction companies and other sectors.
 - Businesses are having to pay high salaries for **graduates** with limited experience due to shortages of technical skills.

Workplace

- Whilst most businesses accept **hybrid working** as the norm, some prefer '3 day / 2 day' model in favour of the office so that younger staff in particular don't lose out on acquiring the **softer social skills that the workplace offers**.
- **Hybrid working is offering** businesses the opportunity to **reduce their office footprint** when leases come up for renewal.
- **Availability of property** is an issue highlighted by some businesses as restricting growth opportunities: Some examples include:
 - Businesses looking to expand warehousing are reporting a **lack of land** available nearby **to build new facilities**.
 - A **shortage of modern, energy efficient industrial space** is leaving some businesses in premises that are very old and not energy efficient.
 - Some **startups are stuck in incubator space** because of a lack of premises to move and expand to. This then **restricts the availability of incubator space** for new start-ups

Cost of doing business

- **Reducing energy costs** means that some businesses are able to transfer to a **lower tariff**. Others, however, are still **contracted to higher tariffs** which makes **energy a continuing key issue**.
- **Some businesses** have to **increase prices to cover increased costs**. However, they find there is a limit as to how high prices can go before losing customers.

Access to Finance

- **Some smaller businesses** are reporting **cash flow challenges** due to **large companies not paying invoices** on time.
- Some businesses are struggling to agree **extended credit** arrangements with banks.
- **Investors** want to see **evidence of businesses adopting good environmental, social and governance (ESG)** practices before investing.

Capital Investment

- Many **businesses are investing** in (e.g. new equipment and machinery) to facilitate **growth projects...**
- ...however, **others are delaying investment** to preserve **cash reserves in an uncertain economic environment**.
- **Long lead times of, in some cases 12 – 18 months**, for the delivery of new equipment/machinery can impact on growth, investment and project timescales.

Net Zero

- Businesses are becoming more aware of the **provenance of materials and inputs** and are looking for supplies from local sources which will reduce their carbon footprint.
- Many businesses **don't have a dedicated net zero specialist** and rely on the public sector to provide expertise.

Exporting

- **Additional administration introduced post-Brexit** means that some businesses (e.g. food and drink) are **no longer exporting to Europe**. Many are looking at new markets (e.g. Canada).

Sectors

- The **space sector is achieving high growth**. Many of these companies are new and do not have to service historical levels of debt.
- Businesses in the **green energy sector are thriving** and seeing significant opportunities to grow and expand.
- There is high demand from Scottish companies to go on **net zero related trade missions** to help with access to export markets.