



# Understanding Business

## Selected Results: June 2023 to December 2024

### Economic outlook (past 12 months)

The latest data from December 2024 found that when reflecting on the previous 12 months, about half (48%) believed that economic conditions were worse now than a year ago (excluding 'don't knows'), down three percentage points from September. This represented the lowest figure in the series since its inception in June 2023.

Throughout the series, the proportion that believe general economic conditions are better than they were a year ago has fluctuated but is trending upwards overall. One in four (24%), businesses that think economic conditions are better than 12 months ago, up five percentage points on the previous wave.

Compared to the past 12 months, do you believe that general economic conditions are better or worse now?

	Jun 23	Sept 23	Dec 23	Mar 24	Jun 24	Sept 24	Dec 24	Change
	%	%	%	%	%	%	%	
Much better	1	1	4	3	4	4	4	+1
Somewhat better	12	8	15	12	18	15	19	+4
About the same	17	20	23	24	29	30	28	-2
Somewhat worse	42	45	35	35	32	36	34	-1
Much worse	26	25	23	24	17	15	13	-2
Don't know	1	0	1	2	1	1	1	=



## Economic outlook (next 12 months)

Looking forward, one in three Scottish businesses (29%) believed that economic conditions will be better in 12 months' time, up five percentage points from September.

This uptick was supported by a drop in those predicting that economic conditions will be worse in 12 months' time; around four in ten (42%) believe that economic conditions will be worse next year, down five percentage points from September.

Despite sizable changes in the percentage that believe conditions will worsen or improve over the next year, the proportion that believe economic conditions will be about the same has remained stable since September, at about three in ten businesses (29%).

Compared to now, do you believe that general economic conditions will be better or worse over the next 12 months?

	Jun 23	Sept 23	Dec 23	Mar 24	Jun 24	Sept 24	Dec 24	Change
	%	%	%	%	%	%	%	
Much better	1	1	5	2	4	6	10	+3
Somewhat better	15	16	23	17	21	18	18	+1
About the same	31	35	31	35	34	28	29	-=
Somewhat worse	35	34	28	29	26	31	27	-3
Much worse	12	12	10	15	9	15	13	-2
Don't know	5	2	3	3	5	2	3	+!



## Turnover and profitability

In December, four in ten (43%) respondents projected their turnover will increase over the next 12 months, a rise of six percentage points since September and the highest in the Understanding Business series to date.

Over the next 12 months, do you believe your business's turnover will...

	Jun 23	Sept 23	Dec 23	Mar 24	Jun 24	Sept 24	Dec 24	Change
	%	%	%	%	%	%	%	
Increase	34	36	41	37	39	37	43	+6
Remain the same	42	44	44	46	46	47	43	-3
Decrease	24	20	15	17	14	16	13	-3

The proportion who expects their profitability to increase has risen by four percentage points to 38% from September. This figure is roughly in line with the proportion that expected their profitability to increase in December 2023 (37%).

Over the next 12 months, do you believe your business's profitability will...

	Jun 23	Sept 23	Dec 23	Mar 24	Jun 24	Sept 24	Dec 24	Change
	%	%	%	%	%	%	%	
Increase	21	27	37	33	35	33	38	+4
Remain the same	38	44	41	46	45	46	40	-6
Decrease	41	29	22	22	20	21	23	+2



## Recruitment

In December 2024, less than half of businesses (45%) reported having attempted to recruit in the previous three months, the lowest proportion reported in the Understanding Business series.

### Have you attempted to recruit staff over the past 3 months?

	Jun 23	Sept 23	Dec 23	Mar 24	Jun 24	Sept 24	Dec 24	Change
	%	%	%	%	%	%	%	
Yes	54	50	47	51	47	47	45	-2
No	46	48	52	47	52	53	55	+2
Don't know	1	2	1	2	1	1	1	=

Challenges for businesses that are recruiting have remained relatively stable since 2023. The skill of applicants remains the biggest challenge with 55% of businesses that have been recruiting citing this as a challenge.

Notably, the proportion of recruiting businesses that have cited lack of applicants continues to fall. This is down six percentage points from September and fifteen percentage points from March.

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What difficulties, if any, did you experience in finding suitable staff during recruitment?

	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Change
	%	%	%	%	%	%	%	
Applicants not of the required skill/experience	66	57	57	61	57	57	55	-2
Salary expectations of candidates	46	40	43	45	44	44	41	-3
Lack of applicants	70	57	43	50	48	41	35	-6
Candidates wanted greater flexible working arrangements	20	23	26	30	31	32	29	-3
Preferred hours of candidates	16	12	26	23	20	21	23	3
I did not experience any difficulties	7	5	5	5	8	9	11	1
Candidates did not want to work from home	*	5	8	6	5	7	9	2
Other	3	1	1	1	2	1	1	3



## **UK and Scottish Government**

In December 2024, when asked if the Scottish Government is concerned with the needs of Scottish businesses, around half (48%) agreed, while 31% disagreed. The proportion agreeing increased by three percentage points from the previous wave, representing a record high for the series.

When asked the same about the UK Government, just three in ten agreed (31%), while around half (48%) disagreed. These rates have remained stable since September.

When considering whether the Scottish Government is taking action to address business concerns, four in ten (42%) agreed, up nine percentage points from September.

In December, more than a quarter (27%) believed that the UK Government is taking action to address business concerns in Scotland, which was up six percentage points from September and seven percentage points from September 2023.

Still, around half (49%) did not think the UK Government is taking such action, down three percentage points.



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		Agree	Neither agree nor disagree	Disagree	Don't know
		%	%	%	%
The Scottish Government is concerned with the needs of businesses in Scotland	Sept 23	36	17	46	1
	Dec 23	43	18	37	2
	Mar 24	40	18	39	3
	Jun 24	41	19	37	2
	Sept 24	45	18	35	2
	Dec 24	48	19	31	2
	Change	+3	=	-4	=
The UK Government is concerned with the needs of businesses in Scotland	Sept 23	26	18	55	1
	Dec 23	30	21	48	2
	Mar 24	25	20	53	2
	Jun 24	25	23	51	2
	Sept 24	29	20	49	2
	Dec 24	31	20	48	1
	Change	+1	=	=	-1
The Scottish Government is taking action to address	Sept 23	27	19	51	3

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		Agree	Neither agree nor disagree	Disagree	Don't know
		%	%	%	%
business concerns in Scotland	Dec 23	33	22	42	3
	Mar 24	29	23	45	3
	Jun 24	33	20	43	5
	Sept 24	32	22	43	3
	Dec 24	42	21	35	3
	Change	+9	-2	-8	=
The UK Government is taking action to address business concerns in Scotland	Sept 23	20	21	57	2
	Dec 23	23	23	51	3
	Mar 24	22	20	55	3
	Jun 24	21	22	53	4
	Sept 24	21	24	52	4
	Dec 24	27	22	49	2
	Change	+6	-2	-3	-1





## Interventions

Reduced taxation remained the most commonly selected intervention for business growth, with almost half of respondents (48%) citing this as a top intervention that would help their business, up five percentage points from September 2024.

Around three in ten reported increased support for business owners (31%) and reduced business rates (30%) as interventions that would be helpful for the growth of their business.

Below these dominating interventions, a myriad of other interventions are reported as helpful to business growth, reported by 10-20% of businesses including investment in skills training (18%) and streamlined regulatory processes (17%).

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And thinking about business growth, which of the following do you think would best help the growth of your business? Please select up to three from the list below.

	Mar-24	Jun-24	Sep-24	Dec-24	Change
	%	%	%	%	
Reduced taxation	43	43	44	48	5
Increased support for business owners	29	28	29	31	2
Reduced business rates	32	34	30	30	1
Increased availability of grants for innovation and expansion	24	24	21	21	=
Increased investment in skills training	18	20	20	18	-2
Streamlined regulatory processes	15	15	20	17	-3
Improved access to market and export opportunities	14	14	15	17	2
Increased access to affordable financing options	15	12	14	16	3
Simplified bureaucracy for business registration and licensing	15	12	19	14	-5

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Enhanced networking and collaboration opportunities with other businesses	9	12	12	12	1
Infrastructure development	14	17	14	12	-2
None of the above	7	6	5	5	=



## Barriers

In December 2024, rising operational costs returned to being the most cited barrier for business growth for the first time since March 2024.

Four in ten (40%) cited rising operational costs as a significant barrier, with similar proportion (39%) citing economic uncertainty.

More than a third (36%) select high taxation as a top barrier, up six percentage points from September. The proportion selecting lack of a skilled workforce as a top barrier has fallen to 15%, a seven percentage point decrease from September, while the proportion citing political instability also fell to 14%, a five percentage point decrease from September.

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And stilling thinking about business growth, what do you think are the main barriers to the growth of your organisation? Please select up to three from the list below.

	Mar-24	Jun-24	Sep-24	Dec-24	Change
	%	%	%	%	
Rising operational costs	42	35	39	40	1
Economic uncertainty	38	40	40	39	-1
High taxation	28	27	30	36	6
Market competition	15	16	16	18	1
Changes in consumer behaviour	19	19	17	17	1
Regulatory burden	13	15	16	15	-1
Lack of skilled workforce	20	21	23	15	-7
Access to funding or capital	15	13	16	14	-1
Political instability	17	19	18	14	-5
Supply chain disruptions	13	12	11	10	=
Infrastructure challenges	8	7	10	9	-1
Lack of access to international markets	7	8	10	9	-1
Changes in trade policies	6	5	6	8	2
None of the above	5	5	4	4	=

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## Budget

Only three in ten businesses (29%) expressed that their overall reaction to the UK Government's Autumn Budget was positive. A quarter (25%) expressed a neutral reaction, while 46% stated that their overall reaction was negative (excluding Don't Knows).

### How would you describe your overall reaction to the Autumn Budget 2024?

	Dec 24
	%
Very positive	11
Somewhat positive	18
NET: Positive	29
Neither positive nor negative	24
Somewhat negative	26
Very negative	19
NET: Negative	45
Don't know	2

When considering the impact of changes resulting from the budget, there were mixed views. When excluding don't knows, around a third (32%) expect increases in the National Living Wage to have a positive impact on their operations while a similar proportion (33%) expect it to be negative.

When looking at the increase in employers' National Insurance Contributions, more than half (52%) expected this to have a negative impact, while a quarter (23%) expect a positive impact.

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Please indicate the expected impact of each budget change on your business operations

	Major Positive Impact	Minor positive impact	NET: Positive	No impact	Minor negative impact	Major negative impact	NET: Negative	Not applicable/don't know
	%	%	%	%	%	%	%	
Increase in National Living Wage	12	18	30	33	21	10	31	5
Reduction in the National Insurance earnings threshold	9	17	26	31	24	14	38	6
Increase in Employer National Insurance Contributions	9	13	22	23	28	22	50	4
Potential future changes to Capital Gains Tax	8	13	22	38	19	11	31	10
Mandatory reporting of Benefits in Kind	8	13	21	47	14	5	19	12

Findings from this December 2024 highlighted significant concerns from respondents over the impacts of the UK Government's 2024 Autumn Budget.

The most reported anticipated impact was increased overall business costs, cited by 41% of respondents, followed by 34% anticipating a need to adjust pricing. Other challenges include changes to salary reviews (27%), increased administrative burdens (24%), and staffing reductions (23%), reflecting widespread cost and compliance pressures.

Some businesses saw potential benefits, though these are less common. Improved employee retention was noted by 15%, while 13% expect increased demand for products and better business planning from predictable wage structures. A similar share (12%) foresee opportunities to

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invest in technology and automation. However, only 9% expect a boost from greater consumer spending, showing limited optimism about wider economic benefits resulting from these changes.

Which of the following impacts do you anticipate for your business due to the budget changes?

	Dec 24
	%
Increased overall business costs	41
Need to adjust pricing to manage higher expenses	34
Changes to staffing levels (e.g., reducing headcount or hours)	23
Changes to annual salary reviews (e.g. consider lower increases)	27
Increased administrative burden due to new tax compliance rules	24
Delays or adjustments to planned investments	14
Greater focus on automation to manage wage increases	12
Improved employee retention due to higher wages	15
Greater consumer spending benefiting business	9
Increased demand for products or services	13
Opportunities to invest in new technology or efficiency improvements	12
Improved business planning due to more predictable wage structures	13
Other (please specify)	1
None	11





### Technical details:

- The survey was designed by Diffley Partnership and 56° North.
- For the June 2023 edition, 505 businesses responded to the survey
- For the September 2023 edition, 505 businesses responded to the survey
- For the December 2023 edition, 626 businesses responded to the survey,
- For the March 2024 edition, 550 businesses responded to the survey,
- For the June 2024 edition, 550 businesses responded to the survey,
- For the September 2024 edition, 550 businesses responded to the survey,
- For the December 2024 edition, 626 businesses responded to the survey,
- An asterisk (\*) has been used to represent results of less than half a percent,
- A dash (-) has been used to indicate no responses,
- A equal sign (=) has been used to represent a change of less than one percentage point.