

HIE BUSINESS PANEL

Wave 28: June/July 2025
Executive Summary



EXECUTIVE SUMMARY (1)

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.

EXECUTIVE SUMMARY (2)

Business structure

- **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 all businesses (including sole traders) were women-led and 4% described themselves as a social enterprise.
- **One-in-eight (12%) employers fell within one of the “inclusive ownership models”** of employee-ownership, social enterprise or co-operatives.
- **A majority of businesses (61%) had been operating in the Highlands and Islands for more than 25 years.** One in seven (14%) had been operating for ten years or less (11% for 5-10 years and 3% for less than five years).

Optimism and performance

- **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 economic confidence had decreased, 7% said it had increased, and 51% said it had stayed the same.** Net confidence was -35, higher than the previous wave (-46 in November/December 24 - 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 compared to the previous wave (when 31% had performed well, 41% had steady performance and 28% had struggled).

- **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 over the last six months** (71% and 63% respectively said these had stayed the same).
- **Businesses largely expected stability in the months ahead.** A majority (67%) 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.

Aspirations

- **Just under half (48%) of businesses were striving for growth,** while 38% were content with their current level of performance, and 12% were looking to downsize. Growth aspirations were similar to the previous wave (when 47% were striving for growth, 36% were content, 14% were looking to downsize).
- The main motivation for striving for growth was to make or increase profit (58%). The main reason for wanting to maintain current level of performance, rather than to grow, was that the business is operating as planned (43%). Reaching retirement age (63%) was the key driver for those looking to downsize. The main reasons were consistent with when the question was previously asked in June/July 2022.

EXECUTIVE SUMMARY (3)

Markets of operation

- **Most businesses (79%) were importers** (sourcing goods from outside Scotland), 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. 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 (48%) of businesses were exporters** (selling to markets outside Scotland), 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%) or Canada (13%) or other markets explored.

Planning and prioritisation

- **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.** The most commonly cited areas for development included their workforce and workforce wellbeing (45%), premises or equipment (39%), and new domestic market opportunities (39%).
- **Most businesses with specified areas for development said that they were able to progress towards their goals to at least some extent** (83%). A smaller proportion felt hardly able (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).

EXECUTIVE SUMMARY (4)

Risks and opportunities

- **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%) felt the availability of labour and skills was a risk, while one in ten (11%) considered it to be an opportunity.
- Views on changes to international trade conditions were more mixed, with 40% saying it was neither an opportunity nor a risk. **Among businesses who perceived changes to international trade conditions to be a risk (37%), the most widespread concern related to price rises on imported goods, with 59% citing this as a risk.** 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.
- **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%).
- Among businesses who perceived automation or artificial intelligence to be a risk to their business, the key concerns were cyber security (64%) and the risk of roles becoming obsolete (49%).
- 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%).

International trade

- **Among all businesses trading internationally, two in five (41%) said that they are not currently planning to make changes to 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%) indicated that it was too soon to say.
- **Among businesses who have made, 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 export markets outside the UK (32%) or changing their focus to domestic markets (30%).
- 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%).

Local opportunities

- **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%).
- **Among businesses who saw one or more of these activities as an opportunity, 71% felt at least somewhat ready to capitalise on them.**

EXECUTIVE SUMMARY (5)

Key sectoral variation

- **Wholesale, retail and repairs** businesses were more likely to have struggled over the past six months and reported decreased sales and turnover and profit margins. However, they were more likely to see tourists and visitors coming to the area as an opportunity for their business.
- **Arts and entertainment** businesses were also more likely than average to have struggled over the past six months, but were more likely to be striving for growth and expecting better performance over the next six months. Most saw tourists and visitors coming to the area, and community led projects or developments, as an opportunity for their business, and felt ready to capitalise on these.
- **Tourism growth sector** businesses were also more likely to be striving for growth, saw tourists and visitors coming to the area as an opportunity for their business, and felt ready to capitalise on this.
- **Manufacturing** businesses were more likely to have seen increased exports over the past six months and be striving for growth. More than half saw recent changes to international trade as a risk to their business, although 40% felt it was too soon to say whether they would make any changes to their approach as a result.

Key location variation

- **Businesses in urban locations** were more likely than average to be striving for growth and to expect better performance over the next six months. They were more likely to see large construction or infrastructure projects, and companies investing in or establishing a base in the area as an opportunity for them, and to feel at least somewhat ready to capitalise on these opportunities.
- **Businesses in accessible rural areas** were less confident in the economy than average and were more likely to expect a decline in performance over the next six months. They were more likely to see changes to international trade conditions as a risk to their business and less likely to see tourists and visitors as an opportunity for them.
- **Those in remote rural areas** were more likely than average to expect stability in their performance over the next six months. Over half saw transport connectivity as a barrier to business development, but were more likely to see tourists and visitors coming to the area as an opportunity. They were less likely to cite companies investing/establishing a base in the area as an opportunity.
- **Mainland-based businesses** were more likely to have performed well over the past six months. They were less likely to see tourists and visitors coming to the area or community-led projects as opportunities for them.
- **Island-based** businesses were more likely to have experienced steady performance over the past six months, and to expect this to continue over the next six months. More than half reported that supply chain challenges, access to labour and skills, transport connectivity and availability of housing were barriers to their business development. They were also more likely to see tourists and visitors coming to the area as an opportunity for them.

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