

# Economic Research Alert

January 2023

This alert provides an overview of research in the public domain over the last month with a focus on **Jobs, Innovation, International** and **Investment**.

- A new report suggests that an extra **19,550** construction workers will need to be recruited in Scotland from 2023 to 2027 to meet demand.
- The end of the free movement has led to a **shortfall** of around **330,000** workers in Britain. Most are in lower-skilled sectors.

- The Circularity Gap Report Scotland suggests that a **circular economy** can cut Scottish consumption almost in half, bringing it closer to a sustainable level.

- Only **26%** of SME exporters saw increased export sales suggests the BCC's quarterly Trade Confidence Outlook for Q4 2022.
- The top drivers of **export growth** in 2023 are expected to be **growing demand in key markets** (cited by 25% of executives surveyed) and the **expansion of operations into new markets** (20%) suggests the Trade in Transition report.

- The Scottish Chamber of Commerce finds **cost pressures** and **declining business confidence** is highlighted by businesses in their latest survey (Q4, 2022).
- The Quarterly Economic Survey from the Aberdeen & Grampian Chamber of Commerce shows that prices are rising faster in the region than other parts of the UK for the second quarter in a row due to **rising labour costs**.



- A [report](#) from the Construction Industry Training Board (CITB) shows that 19,550 extra workers will be required to meet demand from 2023 to 2027 in Scotland for infrastructure projects, private housebuilding and repair and maintenance.
- A [survey](#) of the financial and professional services sector finds most firms are not enforcing minimum number of office days. 87% of employers are offering hybrid working, up from 46% pre-Covid. While 36% of employers do not require staff to attend the office on a set number of days, 36% are required staff to be in at least three days per week.
- A [report](#) from the Centre for European Reform suggests that Brexit has led to a shortfall of 330,000 people in the UK labour force, mostly in the low-skilled economy.
- The CBI [education and skills survey](#) has found employers are keen to engage in training, but there is a lack of awareness of skills reform programmes. Fewer respondent firms are increasing their investment in training and development after a year of post-pandemic catch-up growth last year, while a majority of respondents say they are unaware of some key government skills reform programmes eg Lifelong Loan Entitlement (LLE), Local Skills Improvement Plans (LSIP).
- [Research](#) by the Economy 2030 Inquiry finds that the effects of automation on low and high paid occupations depends on the type of technology. Lower paid occupations (eg kitchen assistants) are more exposed to robot advancements, middle paid occupations and higher-paid occupations (eg software), see potential automation from AI.
- A [report](#) from the OECD on **Strengthening apprenticeships in Scotland** highlights how putting employers at the heart of apprenticeships makes the system more responsive to evolving skills needs - and how innovation and technology can be used to further expand and promote apprenticeships.
- More workers will be forced to accept lower quality and poorly paid jobs this year as a result of the global economic slowdown, according to a [report](#) from the International Labour Organization (ILO). The report also suggests that global employment growth will be only 1.0 per cent in 2023, less than half the level in 2022. In addition to unemployment “job quality remains a key concern”, the report says, adding that “Decent Work is fundamental to social justice”.
- Engineering (electrical and mechanical) and technology posts in Scotland were among the positions commanding top salary increases for 2022 according to the [Salary & Recruiting Trends guide](#) from Hays.
- A fifth of SME owners are battling depression finds a [survey](#) from Simply Business. 81% are worried how the cost-of-living crisis is affecting their business and 65% seeing rising costs as the biggest challenge to their business. 26% are worried they simply won't be able to pay their bills in 2023.

- The UK Government has published the findings of the independent [Net Zero Review](#). The review includes 129 recommendations to maximise economic investment opportunities and jobs while achieving net zero carbon emissions by 2050. The recommendations include a Help to Grow Green campaign, which will provide advice to small businesses, and reviewing tax incentives for investment in decarbonisation
- A new [report](#) suggests that technology to remove the CO2 from our atmosphere must be urgently ramped up. "To limit warming to 2C or lower, we need to accelerate emissions reductions...[and] increase carbon removal..." says lead author Dr Steve Smith from Oxford University.
- Hydrogen patents indicate shift towards clean technologies such as electrolysis, according to new joint [study](#) by IEA and EPO
- The Science and Technology Committee has published a [report](#) on the role of hydrogen in achieving Net Zero. The report finds hydrogen is not a panacea for reaching Net Zero emissions reductions by 2050 but can grow to become "a big niche" fuel in particular sectors and applications eg Hydrogen as a clean-burning gaseous fuel. The Committee argues that hydrogen will likely have a "specific but limited" role in decarbonising sectors, for example where electrification is not possible, and as a means of storing energy.
- The Aldersgate Group/Frontier Economics has produced a [report](#) outlining how the introduction of mandatory product standards can strengthen the UK's industrial sectors and accelerate their decarbonisation. The report calls on the UK Government to implement mandatory product standards that place a limit on the lifecycle emissions of products sold in the UK market.
- Zero Waste Scotland has published a [report](#) in collaboration with Circle Economy, which is the first quantitative analysis of the state of the circular economy in Scotland. It suggests a circular economy can cut Scottish consumption almost in half, bringing it closer to a sustainable level.
- The potential of Argyll and Bute's natural landscape to tackle carbon emissions could be worth millions to the local economy, according to new [research](#). It suggests restoring 10% of Argyll and Bute's degraded peatland could deliver around £8m, and set aside of 10% of agricultural land for planting native woodland could deliver £16m, with both creating and supporting jobs.
- SmartCitiesWorld has produced its [Cities Climate Action Report](#) which demonstrates the priorities of global cities as they look to build environmental sustainability and resilience for citizens. It combines research from 200 global cities, alongside in-depth profiles of 10 cities, to understand what lessons cities have learned, how they have made decisions, how priorities are shifting, and what kind of funding and support networks exist for them as they build climate resilience and mitigation strategies.

- Businesses globally are “prioritising long-term resilience over short-term profits, are growing by selling to new markets and are changing how they handle their supply chains”, according to the [Trade in Transition](#) report. (Trade in Transition 2023 is an Economist Impact research programme, supported by DP World, which captures private-sector sentiment on international trade)
- A [survey](#) of more than 2,300 UK SME exporters - BCC’s quarterly Trade Confidence Outlook for Q4 202 - has revealed UK overseas trade continues to suffer as the global economy heads into another difficult year. Most SME exporters report no improvement to exports, with 27% reporting decreased export sales in the quarter and 47% reporting no change. Only 26% of SME exporters saw increased export sales.
- More than three quarters (77%) of firms, for which the Brexit deal is applicable, say it is not helping them increase sales or grow their business. [Data](#) released from a survey of more than 1,168 businesses shows significant challenges for UK businesses trying to use the Trade and Co-operation Agreement. More than three quarters say it is not helping them increase sales or grow their business, with 56% of facing difficulties adapting to the new rules for trading goods.
- The new [report](#) on economic attitudes and expectations from the Diffley Partnership show that 93% of respondents believe general economic conditions are worse now than they were this time last year.
- The IoD [Directors’ Economic Confidence Index](#), which measures business leader optimism and prospects for the UK economy, fell to -64 in November, the second lowest figure on record. UK and global economic conditions are the factors most cited as having a negative impact on their organisations. Other factors include higher businesses taxes, increased cost of energy, skills shortages and the UK’s new trading relationship with the EU.
- Brexit added almost £6bn to UK food bills in the two years to the end of 2021, affecting poorest households the most, [research](#) from the London School of Economics (LSE) has found.
- A [survey](#) from the British Chambers of Commerce has shown only 4% of business comprehensively understand the [Retained EU Law Bill](#) and its potential impact on them.
- [Research](#) by the Centre for Business Prosperity at Aston University has shown that UK exports to the EU fell by an average of 22.9% in the first 15 months after the introduction of the EU-UK Trade and Cooperation Agreement, highlighting the continuing challenges that UK firms are facing.

- Findings from the latest [survey](#) by the Scottish Chambers of Commerce (SCC) shows Scottish businesses and the economy faltering under increasing cost pressures and declining business confidence. As a result, cashflow and profits are falling, investment decisions have paused, firms are raising prices and struggling to recruit and retain staff.
- [Analysis](#) from Interpath Advisory shows that the number of companies filing for administration jumped by nearly half in 2022 as rising inflation, weaker trade and geopolitical uncertainty continue to put businesses under pressure. A total of 1,039 companies fell into administration in 2022 – up from 710 in 2021
- The State of Small Business Britain [report](#) finds that 2022 has been an extremely challenging year for the UK's SMEs. Many have spent the year dealing with a range of after-effects associated with the pandemic, whilst also facing Brexit impacts, rising energy prices and sharp increases in the cost of doing business.
- The British Chambers of Commerce Quarterly Economic [Survey](#) for [Q4](#) 2022 has shown most indicators have stabilised at a low level, with 33% of firms experiencing an increase in sales over the past three months. (In [Q3](#) 33% of respondents overall reported an increase to domestic sales, a significant drop from Q2).
- The latest CBI/PwC Financial Services [Survey](#) has found sentiment among financial services recovered in the three months to December, but firms expect business volumes and profitability to decline. Uncertainty about demand was the key factor weighing on investment intentions in the year ahead (34% of firms from 17% in September).
- [Research](#) by Aberdeen & Grampian Chamber of Commerce shows that prices are rising faster in the region than other parts of the UK for the second quarter in a row. 67% of local companies say they plan to increase prices in the next three months, seven percentage points ahead of the rest of the UK (60%).
- The Irwin Mitchell [City Tracker](#) suggests that Edinburgh and Glasgow are set to see their local economies be amongst the fastest growing as the UK emerges from recession in the second half of 2023.
- [Research](#) from CMC Markets shows that Edinburgh is in the top 5 cities for successful new business openings, with just 0.42% going into liquidation.
- A [report](#) from the Federation of Small Businesses has highlighted issues around access to finance among small businesses: 66% plan to make some form of investment by 2024, but under half (49%) feel they are fully aware of the different types of financing options available to them.
- Highlands and Islands Enterprise has published [research](#) into the extent and nature of rural and regional disadvantage experienced in the Highlands and Islands, relative to Scotland and the UK. The experience in the Highlands and Islands mirrors the body of evidence from elsewhere, with peripherality strongly associated with relatively poor access to services and poor connectivity, which in turn impacts on the potential for economic growth.