Economic Research alert

June 2023

Insights & Economics

Scottish Enterprise

SUMMARY

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

JOBS

- A recent CIPD report suggests a growing number of organisations believe that it is important to provide **flexible working** as an option when advertising jobs. They see this as a key way of **attracting staff** and **addressing skill or labour shortages**.
- **One-third of job postings** made on LinkedIn in the UK over the past 12 months have been in the **green economy**, the professional social network has revealed in their Global Green Skills report.

INNOVATION

- Research from Oxford Economics has found that more than 42% SMEs say that the **rising cost of doing business** means going green has become less important.
- Global investment in **clean energy** is on course to rise to **USD 1.7 trillion in 2023**, with **solar** set to eclipse oil production for the first time according to the World Energy Investment report.

INTERNATIONAL

- A report from the LSE shows that the cost of Brexit food trade barriers to UK households is now **£6.95bn**. Between December 2019 and March 2023 food prices rose by almost 25 percentage points. This analysis suggests that in the absence of Brexit this figure would be 8 percentage points (30%) lower

INVESTMENT

- EY has published its latest **attractiveness survey**, which found **Scotland** topped the list for UK financial services foreign direct investment (FDI) in 2022 outside of London.
- Almost **£16billion of investment** will be poured into the North-east economy over the next decade, according to new research.

- The **Global Green Skills** report from LinkedIn shows that one-third of job postings made on LinkedIn in the UK over the past 12 months have been in the green economy.
- Almost 4,000 more people a year are needed in **construction** in Scotland but outdated public perception of the sector means too many overlook it as a career option, despite strong career prospects, says a new **report** from the Chartered Institute of Building.
- Nesta has published a **report** on how to increase the appeal of green skills and training. The key finding is that providing financial support for green training - whether in the form of a grant, subsidy or a loan - makes green training significantly more attractive to people.
- The Scottish Engineering **Quarterly review** (Q2) suggests that finding and keeping the right skills continues to be a challenge for businesses. Training investment is up, and member's responses to a question on flexible working suggests that considerable movement has been made to aid staff retention.
- A **briefing note** from the Resolution Foundation has found that economic inactivity due to ill health among 18-24 year-olds has nearly doubled over the past decade, and is heavily concentrated among those with low levels of skills.
- 67% of Scotland's SMEs have reported that skills shortages are impacting their business growth and profitability. New **research** by Censuswide on behalf of The Open University in Scotland also revealed that for businesses with between 10 and 49 employees, this rose to 83%.
- 72% of companies globally have implemented a return to the office, with 42% reporting higher levels of employee attrition than anticipated, a **study** has found. The survey of 9,500 employees and 6,650 employers from 17 countries found that 29% of businesses were struggling to recruit new staff.
- The CIPD Flexible and Hybrid Working Practices **report** finds that 40% of businesses have seen an increase in requests for flexible working following the pandemic, businesses are taking a varied approach to hybrid working and organisational productivity remains positive.
- Half of the largest international employers (those with more than 50,000 employees) are planning to cut their office space in the next three years, according to a **survey** by Knight Frank. However, this contrasts with the expectations of smaller firms surveyed (those with up to 10,000 employees) 55% of whom said they were expecting to increase their global office space.
- The Climate Change Committee has published its **report** on a net zero workforce. It suggests there is potential for the Net Zero transition to create more jobs than will be lost. Between 135,000 and 725,000 net new jobs could be created by 2030 in low-carbon sectors, such as buildings retrofit, renewable energy generation and the manufacture of electric vehicles.

- A recent **poll** from the IoD has found around half of business leaders believe that taking account of environmental, social, and governance (ESG) factors enables them to make better decisions for their organisations. 915 responses were received and the poll was conducted between 10th-26th March 2023.
- Wealthy nations spent just $24.5bn on international climate finance in 2020, despite pledging $100bn a year according to a new **analysis** by Oxfam.
- New research suggests digitalisation across the oil and gas and renewable energy sectors is gathering momentum. The **2023 Offshore Energy Digital & Data Maturity Survey** report aims to deepen understanding of how organisations are applying data and digital technologies to help transform the UK energy system to achieve net zero targets.
- **Research** from Oxford Economics finds rising costs of doing business are preventing the UK's 5.5m SMEs businesses from going green. 42% say that the rising cost of doing business means going green has become less important, 54% also believe that while green issues are important, this cannot be at the expense of running their business.
- The UK can unlock more than £70bn of benefits annually if it introduces policies that push "beyond" the net-zero target for 2050, new **research** has found. It also suggests that becoming a "**sustainability superpower**" would create an additional 279,000 British jobs (and support a total of 654,000 British jobs) across clean energy industries.
- The cost of carbon offsetting could double for companies by 2030, new **analysis** has indicated. A new **report** from PwC found that FTSE 350 companies publicly reported voluntary carbon offset purchases totalling £38m in 2022.
- **MSCI's Net Zero Tracker** warns publicly listed firms are nowhere near aligned with a decarbonisation pathway consistent with the temperature limit set out in the Paris Agreement, despite an ever-increasing number of firms having net zero emissions goals in place.
- Russia's invasion of Ukraine has helped ignite a boom in clean energy investment which will significantly outpace spending on fossil fuels, according to a **report** from the International Energy Agency. The report found that clean energy investment is on track to reach $1.7tn (£1.4tn) this year as investors turn to renewables, electric vehicles, nuclear power, grids, storage and other low-carbon technologies.

- The UK Trade and Business Commissions has published a **report** which looks at the state of UK trade and contains 114 recommendations on how to remove barriers to growth and prepare the economy for the challenges and opportunities of the next decade.
- A recent **report** from the Creative Industries Policy & Evidence Centre (CIP&EC) looks at how the UK's Creative Industries have been impacted by Brexit, with a particular focus on migration and foreign workers. It recommends changes to the UK's visa system, to make it easier for UK firms to hire the specialised, foreign talent that they need to compete on global markets.
- Another **report** from the CIP&EC looks at the immediate impacts on the creative industries associated with Brexit. The authors conclude that policy uncertainty post-Brexit has had a particularly negative impact on specific creative sectors; Audio-visual, Computer services, Advertising, and Architecture. Their analysis finds that, after Brexit, UK businesses experienced significant challenges in exporting to the EU.
- British households have paid £7bn since Brexit to cover the extra cost of trade barriers on food imports from the EU, according to a **report** from the London School of Economics. An updated **report** - Brexit and Consumer Food Prices: May 2023 update - shows that the cost of Brexit to each household now stands at £250 when only considering the impacts on food since December 2019. This aggregates up to £6.95 billion overall for UK households.
- International Scotland, an initiative led by law firm CMS and the Fraser of Allander Institute, has launched a new **report** setting out key business priorities to be addressed to ensure the nation's economy can thrive. International Scotland was launched last year with an initial report setting out the opportunities for growth across key sectors such as sustainable tourism, food & drink, life sciences and renewable energy. The new report builds on findings from the initial report plus various events and engagements over the past 6 months.

SUMMARY

JOBS

INNOVATION

INTERNATIONAL

INVESTMENT

- EY has published its latest **attractiveness survey**, which found Scotland topped the list for UK financial services foreign direct investment (FDI) in 2022 outside of London. The survey found Scotland attracted 8 financial services FDI projects, up from 3 in 2021, with Edinburgh named the most attractive city outside of London, with 17% of financial services investors reporting investment plans in Scotland's capital over the next year.
- Edinburgh and Glasgow have been identified amongst the UK's highest growth cities across multiple real estate sectors over the next ten years, according to new research by global real estate advisor, CBRE. The latest report '**Which City? Which Sector? Real Estate Prospects Over The Next Decade**' found the two cities were ranked in the top five for major commercial real estate sectors – student accommodation, offices and hotels.
- The **Good Growth for Cities** report shows that cities in Scotland tend to perform below the national average, with the exception of Edinburgh, which is the 15th highest performing city in the index. Scottish cities perform well in terms of house price to earnings, skills (16-24) and work-life-balance. However, Scottish cities score poorly on health and new businesses. Aberdeen, Edinburgh, Glasgow are covered in the index.
- Almost £16billion of investment will be poured into the North-east economy over the next decade, according to **new research**. The 6th edition of **Investment Tracker** - published by Aberdeen & Grampian Chamber of Commerce shows record levels of investment coming into the Aberdeen city region between now and 2033.
- Scotland's increasingly valuable rural land is only available to a limited few, as high demand from forestry, natural capital investment and corporate estate buyers continues to drive high prices according to a **report** by the Scottish Land Commission. The report underlines the need for action to ensure that communities, family farms, local businesses and individuals are not priced out of the rural land market.
- The Federation of Small Businesses (FSB) in Scotland has published the results of its **Big Small Business Survey**, which shows that three fifths of businesses intend to grow in the next year. The survey, which was undertaken in January among 602 small businesses across Scotland, found that 45.3% of reported rising turnover during the last year, while 41.4% said turnover fell - and 13.1% stated no change.
- The latest **survey** of hospitality businesses from CGA reveals an upswing in optimism but concerns about profitability and cash reserves. The quarterly poll shows 54% feel optimistic about prospects for their business over the next 12 months, 25% said their business operated at a loss in the first quarter of 2023 and 32% said their profitability has been below last year's levels.
- A **survey** of UK SMEs by cloud accounting provider FreeAgent highlights energy price rises, the lingering impact of Covid-19 and uncertainty around the UK's future outside the EU as key areas of concern. However, many say they are optimistic about their future prospects, with 76.6% expecting their business to perform the same or better in the next 12 months.