

Economic Research alert

October 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**.

- 73% of UK businesses trying to recruit have **faced difficulties** and **hospitality businesses** remain the most likely to report challenges in hiring staff finds the BCC Quarterly Recruitment Outlook.
- A study by the Society for Occupational Medicine finds that **long-term sickness** in women across all age groups has been rising since 2014, with women becoming economically inactive at a higher rate than men.

- Switzerland, Sweden, the US, the UK and Singapore are the world's most **innovative economies** in 2023, according to WIPO's Global Innovation Index.
- 20% of UK SMEs have **invested in green energy solutions** including solar panels, battery storage, heat pumps and electric vehicle charging points suggests research from Scottish Power.

- Scotland's International Goods Trade report (Q2) finds the value of Scotland's international goods exports **increased by 12.6%** to £36.7 billion. The UK saw a 12.2% increase.
- Businesses who **export** benefit from a "positive feedback loop" that **boosts their productivity** – and which in turn makes them better prepared to trade internationally suggests a report from the London School of Economics.

- Research from the Social Market Foundation suggests although the UK has a **positive business environment** and is a very attractive place for startups, it struggles to help them achieve scale.
- The NE Quarterly Economic Survey suggests the North-east economy is now **outperforming the UK** in several key business metrics however, inflation – driven primarily by rising labour costs – continues to **squeeze profitability** among companies based in Aberdeen and Aberdeenshire more than elsewhere.

- The Fraser of Allander Institute has published a [report](#) which assesses the impact of the transition to net zero on low paid jobs.
- There is a wealth of entrepreneurial talent latent among the UK's older people that is being left untapped suggests a [report](#) from the Entrepreneurs Network. The report makes recommendations for government and business on how they can get more older people into work and entrepreneurship.
- The latest CIPD health and wellbeing [survey](#) finds the average rate of employee absence (7.8 days per employee or 3.4% of working time lost, per year) has risen considerably since last reported in Oct/Nov 2019 (5.8 days per employee).
- The Society of Occupational Medicine (SOM) released the first in-depth [study](#) into the impact of ill-health on the UK's working population, "Understanding Recent Trends in Ill-Health Driven Fallout from the UK Job Market". It finds long-term sickness in women across all age groups has been rising since 2014, with women becoming economically inactive at a higher rate than men.
- The move by some UK businesses asking staff to return to the office is resulting in higher childcare costs equating to an average of an additional £664 every month, according to a [survey](#) of 2,000 parents. In addition, some are leaving the workforce because of increased costs.

- 64% of Global CEOs believe that there will be a full return to office in three years' time while the majority of company leaders think pay and promotions could become linked to workplace attendance according to the KMPG 2023 CEO [Outlook](#).
- Around two-in-five self-employed workers would switch to a salaried job if they could secure the same income, and around one-in-eight would accept a 20% pay cut to switch, [new analysis](#) reveals. Stagnant incomes and rising costs are also having an impact on the wellbeing of the self-employed, say the authors of "The self-employment trap", published by CEP/LSE.
- The CGA Business Confidence [Survey](#) suggests hospitality leaders are turning to technology to address staff retention. 42% currently have a digital solution (eg staff scheduling) to help retain staff with another 31% planning to invest in one over the next 12 months.
- A snapshot [survey](#) from the Scottish Licensed Trade Association shows 72% of respondents are struggling to fill vacancies and 58% of outlets are trading below pre-Covid levels.
- 73% of businesses attempting to recruit have faced difficulties and 79% of hospitality businesses remain the most likely to report challenges in hiring staff suggests the latest Quarterly Recruitment Outlook (QRO), a [survey](#) of nearly 5,000 UK businesses of all sectors and sizes, by the British Chambers of Commerce (BCC).
- Scotland has seen the largest increase in [gaming sector](#) employment, according to research from Knight Frank. The [\(RE\)Play](#) report found that the number of people employed in gaming grew by 60% between 2017 and 2019. The sector is estimated to be worth around £350 million to the Scottish economy.

- The 2023 [CEO Outlook](#) from KPMG shows 69% of CEOs have embedded environmental, social and governance (ESG) into their business as a means of value creation. However, 68% remain worried that their progress on ESG isn't strong enough to stand up to stakeholder scrutiny.
- Switzerland, Sweden, the United States, the United Kingdom and Singapore are the world's most innovative economies in 2023, according to WIPO's [Global Innovation Index](#) (GII), as a group of middle-income economies have emerged over the past decade as the fastest climbers of the ranking.
- The FSB's Tech Tonic [report](#) - Shifting the ground on tech adoption and innovation in small businesses - shows that 7 in 10 small businesses have introduced innovative changes in the last 3 years.
- The OECD have published two reports focusing on Rural Innovation - the '[Enhancing Innovation in Rural Regions: Scotland](#)' (UK) which sets the scene, reviews main policies and programmes impacting rural innovation, and explores the importance of social innovation in rural areas and the thematic publication '[Networks and Rural-Urban Linkages for Rural Innovation](#)' which examines the role of networks and rural-urban linkages to absorb and enhance innovation in rural regions, placing a special focus on the distinctive characteristics of rural areas that drive the different ways they adopt and diffuse innovation.

- A [survey](#) on AI by the British Chamber of Commerce's Insight Unit – of more than 700 firms, mostly SMEs, found that: 48% have no plans to use AI technology, customer facing businesses (B2C) are even less likely to use AI, with 58% stating they have no plans to use it.
- YouGov [research](#) commissioned by Scottish Power has found that only 20% of SMEs have invested in green energy solutions including solar panels, battery storage, heat pumps and electric vehicle charging points.
- Recent [research](#) from Schneider Electric has revealed the impact of the energy crisis on businesses' sustainability goals. The report 'Missing the target: What the energy crisis means for UK and Irish businesses' net zero plans" shows that that 4 out of 5 large UK businesses now say that the energy crisis has hindered their ability to meet decarbonisation targets.
- Our Scottish Future has [published](#) a [paper](#) arguing the UK should lean on existing Scottish know-how in digital innovation to develop the new electricity grid.
- The [Productivity Tracker](#) from PWC shows that [Scotland](#) had the highest manufacturing productivity of any UK region in 2019 with an output per hour of £46. However, growth in output was a more modest 5.2%, between 2010 and 2019. The track analyses productivity progress - with a focus on key sectors that contribute to UK-wide growth including manufacturing, construction and services.

- UK in a Changing Europe has published a [report](#) exploring public attitudes seven years post-Brexit. It finds that voters feel negatively about the course that Brexit has taken so far. Even among Leave voters, less than one in five feel that Brexit is going well, although most seem hesitant about making a definitive assessment.
 - UK [businesses](#) are reluctant to make large investments in machinery and new technology while barriers to trade with the EU remain in place and interest rates are high, according to the British Chambers of Commerce Quarterly [survey](#) (Q3).
 - Geopolitics and broader political uncertainty are the greatest risk to business growth today, according to KPMG's annual [survey](#) of more than 1,300 CEOs – 150 in the UK – of the world's largest businesses.
 - The Scottish Government has published a [report](#) on Scotland's International Goods Trade for the second quarter of 2023. The report contains trade in goods data from the latest release of HMRC's Regional Trade Statistics. It finds the value of Scotland's international goods exports increased by 12.6% to £36.7bn, compared with a 12.2% increase across the rest of the UK.
- Businesses who export benefit from a [positive feedback loop](#) that boosts their productivity – and which in turn makes them better prepared to trade internationally. That is one conclusion from a new feasibility [study](#) published by the London School of Economics (LSE) for the UK Government.
 - A new report from Institute of Export & International Trade (IOE&IT) - [Global Horizons: Realising the services export potential of UK nations and regions](#) - calculates the Services Export Potential (SEP) of each region in the UK based on a range of factors including economic complexity, workforce skills and connectivity, both physical and digital. The report found that there isn't enough high-quality data on services, especially for some of the UK's nations. Correcting that lack would be a huge help in understanding the regional picture for the UK's services sector.

- The Aberdeen & Grampian Chamber of Commerce North-east Quarterly Economic [survey](#) suggests that the North-east economy is showing signs of outperforming the UK however, inflation – driven primarily by rising labour costs – continues to squeeze profitability among companies based in Aberdeen and Aberdeenshire more than elsewhere.
 - Female-founded companies account for under 3% of venture capital (VC) funding deals involving AI startups, according to [new analysis](#) by The Alan Turing Institute’s Women in Data Science and AI team. The new report, Rebalancing Innovation: Women, AI and Venture Capital in the UK, paints a concerning picture of gender diversity in AI-focused VC investment in the UK.
 - 20% of UK SME owners plan to sell part or all their business within the next two years according to a new [study](#) conducted on behalf of Handelsbanken Wealth & Asset Management.
 - The Diffley Partnership has published its [report](#) ‘Understanding Business (Sept 2023)’ which found most Scottish businesses believe economic conditions have deteriorated in the last year and many expect conditions to continue to deteriorate over the next year.
- A [report](#) from the Social Market Foundation looks at how British companies can grow. It contains several recommendations including establishing a cross-governmental Scale-ups Unit and reforming the visa system to investing in addressing skills shortages.
 - The BBC Radio 1 Big Weekend music festival held at Camperdown Park in Dundee generated £3.7 million for the local economy. An [evaluation](#) of the music festival showed that the festival attracted 33,652 visitors to Dundee, leading to 10,000 nights spent in accommodations and boosting the sector by £1.5 million.