

# Economic Research alert

August 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**.

- The latest Quarterly Recruitment Outlook (QRO), a survey of 4,800 UK firms of all sectors and sizes by the British Chambers of Commerce (BCC) reveals there is still **no easing** in the record high difficulties in **finding staff**.
- Offering **flexible working** for older people could help Scottish employers to tackle skills shortages suggests a report from Flexibility Works.
- New analysis from the CBI has shown that making the most of 27 green growth ‘prizes’ could deliver a **£37-57 billion boost to GDP by 2030**, equivalent to between 1.6% and 2.4% of GDP. ‘Prizes’ fell within seven key areas projected to offer the biggest green opportunities: electric vehicles, low carbon power, heating and insulation, green services, hydrogen, carbon capture and storage (CCUS), and biofuels.
- The Institute of Directors (IoD) has published research which shows **35%** of UK importers feel impacted by geopolitical pressures, particularly in relation to China, and are subsequently examining their supply chains. 1026 responses were received for the survey which was conducted between 12 – 28 May 2023.
- Businesses are finding the **trading relationship** with the EU as **challenging** as they did a year ago, according to data from the IoD.
- The **cost of living crisis** is the current top risk for Scottish businesses followed by **employee retention** and **cash-flow** finds the Gallagher Business Risk Index.
- **£3.2 billion** was added by Scottish businesses to the UK economy by the **aerospace, defence, security** and **space sectors**, according to the latest figures from ADS Group.

- The British Chambers of Commerce's latest Quarterly [Recruitment Outlook](#) has found 79% of businesses surveyed (92% of whom are SMEs) attempting to recruit have faced challenges, with hospitality and construction firms the most likely to report difficulties. The survey of 4,800 UK firms of all sectors and sizes reveals there is still no easing in the record high difficulties in finding staff.
- The Institute for Public Policy Research has published a [report](#) on the 'state of the fair work nation', exploring what has to change to achieve the Scottish Government's ambition to ensure everyone received a 'living income'.
- abrdn Financial Fairness Trust has published a [report](#) on UK employment growth which suggests that reforms to the employment and skills system are needed in order to avoid weaker jobs growth contributing to higher inflation and falling living standards in the longer term.
- The latest PWC UK Workforce Hopes and Fears [survey](#): retain, retrain, transform suggests "to deliver transformation and growth business leaders must reappraise the skills they need and their approach to retaining and developing their existing workforce, and create a culture of innovation to embrace the potential of artificial intelligence (AI)".
- [Research](#) from Flexibility Works suggests that offering flexible working for older people could help Scottish employers to tackle skills shortages. [Findings](#) show that 58% of Scottish workers aged 55 and over already work on a flexible basis, a further 19% would like to.
- A [report](#) from Lancaster University looks at limiting choices: why people risk insecure work. It finds that for many people, insecure work is not a free choice, those in insecure work are at the sharp end of the cost of living crisis and being in insecure work can impact health and wellbeing
- An estimated 1.9 million jobs would be created across the UK and businesses could add a third to their revenue if they were able to make a successful transition to new markets beyond the UK suggests a new [report](#) from Santander. In [Glasgow](#) alone, this could see a potential £735m revenue benefit with an additional 4,300 jobs being created.

- A [survey](#) from the Chartered Institute of Marketing (CIM) shows 40% marketers would like to attain a marketing qualification relating to sustainability but don't currently possess one, 63% of consumers expect companies to be more vocal on the sustainability of their products/services and 49% of marketers are wary of working on sustainability projects due to fear of being accused of 'greenwashing'.
- Significant gaps in the UK's climate policy regime are slowing the flow of finance towards projects that can help manage the impact of extreme heat, floods, storms, and drought in the UK suggests new [research](#) from the Green Finance Institute. The report makes 25 specific policy recommendations, including calls for a new National Office for Climate Readiness and the creation of public-private taskforces by the end of 2023 to define adaptation roadmaps for different sectors and set out clear investment plans aligned with national climate resilience goals.
- New [analysis](#) from the CBI has shown that making the most of 27 green growth 'prizes' could deliver a £37-57 billion boost to GDP by 2030, equivalent to between 1.6% and 2.4% of GDP. These opportunities include technology rollout, underlying infrastructure build out, and new export markets. The prizes can be grouped into 7 key themes: electric vehicles (EVs), low-carbon power, heating and insulation, green services, hydrogen, carbon capture utilisation and storage (CCUS), and biofuels.
- The latest Fidelity [ESG Analyst Survey](#) 2023 suggests less than 60% of companies surveyed are on track to cut their carbon emissions to net zero by the UN agreed target of 2050.
- Scotland's increasing use of renewable energy could make vertical farming techniques more climate friendly than the traditional ways our greens are grown in fields, according to [research](#) from the James Hutton Institute.
- University ownership of research-based intellectual property is holding back the growth of British spinout companies. This is according to [research](#) from the Entrepreneurs Network, which has claimed that a radical rethink of how academic research is commercialised is needed to achieve the Government's science and technology superpower goal.
- The European Commission has released the 2023 edition of the European Innovation [Scoreboard](#) (EIS) and the Regional Innovation Scoreboard (RIS). The EIS provides an extensive comparative analysis of innovation performance among EU Member States, as well as other European countries and regional neighbours, while the RIS allows for a closer examination of the innovation performance within European regions.
- The Wildlife Trusts' new [report](#) suggests that implementing nature-based health and wellbeing programmes could lead to potential annual savings of approximately £635m. The report suggests that green prescribing can save more in healthcare costs than the expense of running such a scheme.

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  - Businesses are finding the trading relationship with the EU as challenging as they did a year ago, according to the latest [data](#) from the Institute of Directors. In both 2022 and 2023, the top reason businesses gave for why they were finding EU trade difficult was related to immigration, business mobility and travel.
  - [Research](#) from Grant Thornton finds that India is a core international growth market for the Scottish mid-market. The Business Outlook Tracker, which surveyed 50 senior decision-makers in Scottish mid-market businesses during April, found that 36% are planning to invest more in growing internationally in the next six months. Many of these businesses have their sights set on India, with 68% of respondents identifying the country as an area of focus.
- The House of Lords' sub-committee on the on the Protocol on Ireland/Northern Ireland has published a [report](#) on the Windsor Framework which examines constitutional, legal, economic and political implications of the framework on Northern Ireland.
  - The Scottish Government has published an [analysis](#) on the impact of future UK Free Trade Agreement (FTA) scenarios on Scotland's agricultural food and drink sector. The analysis found that while the impact of the selected FTAs was generally limited excluding some sectors, the cumulative impacts of future FTAs would be more significant.

- A [report](#) from BiGGAR Economics on the Innovation for Games and Media Enterprise (InGAME) project finds that companies collaborating with InGAME are expected to generate an estimated £84.7m GVA for the UK economy over the 10-year period 2023-2032, with £55.3 million GVA and 115 jobs to be generated within the Tay Cities Region alone.
- The cost-of-living crisis has ranked as the top risk facing Scottish businesses, according to 41% of business leaders. The annual Gallagher [Business Risk Index](#) asked 1,000 UK businesses to identify the top risks affecting their firm, with cash-flow jumping up the list this year, coming in second place alongside employee retention (17%).
- Scotland's Rural College (SRUC) has [published](#) the [Rural and Islands Report 2023](#), which has found very remote mainland areas and islands are experiencing challenges including slow population growth, ageing populations, high levels of vacant and second home ownership, lack of affordable housing for locals and higher fuel prices.
- A [report](#) commissioned by 6 independent Scottish theatres looks at the challenges faced by the sector. The report finds that “As well as reduced income, there are now enormous pressures on costs across the business, including major rises in the price of utilities. Attracting and retaining skilled staff is said to be a “greater challenge than ever with wage expectations rising, reflecting increases in the cost of living”. The report recommends better [collaboration](#) to help tackle issues.
- £3.2 billion was added by Scottish businesses to the UK economy by the aerospace, defence, security and space sectors, according to the latest figures from ADS Group. The 2023 [Scotland Facts and Figures](#) published by the trade association further reveals that businesses in Scotland generated £7.3 billion in turnover, as well as directly employing 33,500 people.
- The Treasury Committee has published a [report](#) criticising the venture capital industry's failure to invest in firms outside London and the south east, as well as businesses led by women and ethnic minorities. The report sets out a series of recommendations to ensure that a more diverse range of early-stage businesses can access venture capital. These include reviewing funding limits to better support scale-up businesses and incentives to encourage more regional venture capital investment.
- Scottish fintech businesses are increasingly fearing for the future due to high costs and ongoing economic uncertainty, new [research](#) from business advisory firm FRP has shown. FRP polled businesses in the fintech hubs of Edinburgh and Glasgow and found 40% of them were not confident of their ability to trade through the next six months, due to challenges relating to inflation and interest rates.
- Claims that airport expansion will help grow the UK economy should be treated with scepticism, according to a [report](#) that finds air travel does not increase productivity or growth. Declining business travel and lower wages in aviation undermine claims made by the industry for the value of increased air connections, say [researchers](#) at the New Economics Foundation.