

Economic Research alert

March 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 average UK worker will need **nine weeks of full-time training** in order to work in the **low-carbon jobs of the future**, according to a report from the New Economics Foundation (NEF).
- A report on the **four-day working week** trial found it had "extensive benefits" particularly for employees' well-being.

- Scotland has seen the UK's **largest number of smaller business equity deals** in net zero sectors outside of London, according to new research from the British Business Bank.
- The SME Climate hub survey suggests that the top reasons preventing SMEs from taking action on **climate change** include lack of **funds** and lack of **time**.

- Global exports of **Scotch whisky** grew to more than **£6bn** for the first time in 2022, according to figures from the Scotch Whisky Association (SWA).
- Figures from the British Chamber of Commerce, Q4 of 2022, show most SME exporters reported **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**.

- The Scottish Tourism Alliance Business Barometer and Energy survey finds that 60% of respondents had **less than 3 months** cash reserves with just under a quarter having none. Across all businesses energy costs (93%) and the cost of living (84%) were the biggest challenges.
- Research by London Economics reveals that in Scotland, the **Post Office** generates an economic impact of **£292 million**.

- A new [report](#) by Skills Development Scotland highlights the importance of digital skills to improve productivity and growth in Scotland. The report suggests that digital skills are no longer the preserve of just the technology sector, and that digital talent is now essential for all the country's key industries.
- Scotland has retained its top three position among the UK's nations and regions in the latest PWC [Women in Work Index](#) 2023 (Indicators include the gender pay gap, the female labour force participation rate, the gap between male and female labour force participation rates, the female unemployment rate, and the female full-time employment rate). The UK has fallen to 14th place in the 2021 rankings which could be related to the affordability of childcare and the cost of living.
- The average UK worker will need nine weeks of full-time training in order to work in the low-carbon jobs of the future, according to a [report](#) from the New Economics Foundation (NEF). All regions of the country, except London, have an average skill level below the green jobs average, with the lowest average skill level found in the North and the Midlands.
- The [Global Energy Talent](#) index 2023 found that those working in clean energy have the most in-demand skills, with almost eight in ten being offered at least one new job in the past year.
- [Research](#) from Gallup and Amazon Web Services, found that 72% of businesses in the UK have vacancies for workers with digital skills and 68% find it challenging to hire the digital workers they need. The findings, part of a global digital skills survey of more than 30,000 workers across 19 countries, also revealed that investment in advanced digital skills could raise the annual GDP in the UK by £67.8bn.
- SPICe has published a [briefing](#) on earnings in Scotland, which breaks down typical salaries in Scotland, including hourly and weekly pay, and gives details of pay by sector and occupation. Scotland has a higher median gross annual salary than the UK average for full time employees.
- A [report](#) assessing the impact of the "4 day week" has found it had "extensive benefits" particularly for employees' well-being. The scheme, organised by 4 Day Week Global, took place between June and December 2022, and involved organisations across the UK, including some non-profit organisations, as well as private firms in recruitment, software, and manufacturing.
- The latest Self-Employed Landscape [report](#) shows that self-employed people contributed an estimated £278 billion to the UK economy in 2022, a fall from £303 billion in 2021. The number of self-employed people remained stable at around 4.1 million, however the number of self-employed working mothers has increased by 55% since 2008. The sectors with the highest proportion of self-employed people include construction, road transport, artistic, literary and media, and agriculture.

- A BCC [survey](#) of more than 1,000 businesses, of which 96% are SMEs, has found that nine out of 10 don't fully understand what the Government's target of making the UK Net Zero by 2050 means for them. Despite this most SMEs are taking action to reduce their carbon footprint and increase their efficiency.
- The Scottish Affairs Committee has published a [report](#) on hydrogen and carbon capture in Scotland. The report warns the UK will fail to meet its net zero targets and transition away from polluting fossil fuels unless carbon capture is rolled out at scale.
- The UK's construction sector could reduce its emissions by two-thirds within 12 years solely by cutting its use of raw materials, a new [report](#) from Green Alliance has concluded.
- A [survey](#) from the Institute of Directors shows that two-thirds of SMEs who currently have no plan to achieve net zero say they would either be 'much more likely' (32%) or 'a bit more likely' (32%) to do so if it resulted in a lower corporation tax bill. 859 responses were collected between 10-26 February 2023.
- [Scotland](#) has seen the UK's largest number of smaller business equity deals in net zero sectors outside of London, according to new [research](#) from the British Business Bank. The report found that Scotland accounted for 14% of net zero equity deals from 2018 to the third quarter of 2022 – double its 7% share of total UK low-carbon and renewable energy sector turnover.
- A [study](#) from PWC has found that more than 75% of top major European companies (on the STOXX European index) are linking carbon targets to executive pay. The report also shows that the bigger carbon emitters are more likely to put carbon measures in executive pay, and are therefore more likely to score well against investor expectations.
- The investment climate for low carbon generation has "deteriorated significantly" in recent months, with the UK facing a potential £62 billion shortfall over the next decade suggests a new [report](#) by Energy UK. It also states that without "rapid government intervention" the UK's energy security and net zero targets will be undermined due to a lack of private sector investment, with "crippling consequences for the country".
- The SME Climate Hub [annual survey](#) suggests that the majority of SMEs believe that taking climate action is the right thing to do and will help improve competitiveness, but many businesses are being held back due to finance and resource challenges. Almost 350 SMEs from 40 countries and more than 20 industries took part in the survey.

- Global exports of Scotch Whisky grew to more than £6bn for the first time in 2022, according to [figures](#) released by the Scotch Whisky Association (SWA). The largest export destination (defined by value) in 2022 were the USA, France, Singapore.
- The Department for Business and Trade has published a [report](#) on the Global Trade Outlook, which sets out long-term trends which may shape the global economy and international trade between now and 2050. The analysis includes projections for the size of trade by region and country between 2021 and 2050 and by sector between 2021 and 2035. It suggests that global GDP will continue to expand over the coming decades, but at a slowing rate.
- The latest [report](#) from the Economy 2030 Inquiry looks at UK trade performance since leaving the EU. It suggests that “On the face of it, UK trade performance has been better-than-feared two years into the new trading arrangement with the EU”. However “it is vital we take the time to carefully understand what the data is telling us about how the UK is adapting to this change, in particular the important but often overlooked, due to data limitations, services trade data”.
- A recent [blog](#) from the British Chamber of Commerce (BCC) suggests that “the challenges facing UK exporters in 2023 are significant and it will take a concerted effort by our global network, working alongside the UK Government, to positively shift the dial”. The latest BCC data for Q4 of 2022 shows most SME exporters reported 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.

- The Scottish Engineering Quarterly [review](#) (Q1, 2023) shows the sector's overall upbeat mood continues in line with an eighth consecutive quarter of order and output growth. Staffing remains a challenge however and the report concludes "this quarter shows that all size of company and sectors are forecasting improvements in most areas for the coming quarter".
- The latest Understanding Scotland [survey](#) on the economy said that 88% of Scots think that economic conditions are worse than they were a year ago. 55% of people believe Scotland is heading in the wrong direction and 25% of people are not confident they would be able to pay for an emergency expense of £100.
- The Business Barometer and Energy [Survey](#) from the Scottish Tourism Alliance found 60% of respondents had less than 3 months cash reserves with just under a quarter having none. Across all businesses, the standout challenges were energy costs (93%) and the cost of living (84%). The survey took place between 3rd and 19th February 2023. Overall, there were 714 survey respondents.
- Highlands and Islands Enterprise (HIE) has published a [report](#) on the blue economy (includes aquaculture, fisheries, seafood processing, marine renewal energy etc) which suggests marine sectors offer "transformational" opportunities for the region and Scotland eg in areas such as food security, clean energy, pharma.
- A [report](#) by London Economics reveals that in Scotland, the Post Office generates an economic impact of £292 million, and has a particularly strong per capita impact originating from rural constituencies in Scotland such as Ross, Skye and Lochaber, and Argyll and Bute. Across the UK, Post Office has an [economic impact](#) of £4.7bn, more than the annual economic impact of Heathrow Airport.
- Public investment in apprenticeships is fuelling investment in training from employers and tax revenues in Scotland, according to the Scottish Apprenticeships Performance [Report](#). Around £100m is invested in apprenticeships training each year from the public purse and figures show that for every pound invested, between four and five is returned in tax to the exchequer.
- The Barclays [SME Barometer](#) shows that SMEs are more upbeat about their 2023 prospects despite the uncertain economic outlook. 41% feel optimistic about the prospects of their own business, the highest level in 9 months, 55% are expecting revenue growth this quarter compared to the same period last year, with a third 33% planning on recruiting new staff in 2023. The survey was conducted among 603 SMEs between 20th Jan and 1st Feb 2023.