JUNE 2026

UNDERSTANDING BUSINESS

Diffley Partnership

CHARLOTTE STREET PARTNERS

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UNDERSTANDING BUSINESS

It has never been more important to understand what businesses in Scotland are thinking, what challenges they face and their priorities for future prosperity.

Understanding Business is a quarterly survey across Scotland, measuring the outlook, perceptions and challenges for business - allowing for these to be measured over time.

This high-quality, large-scale survey is brought to you by Diffley Partnership and Charlotte Street Partners.

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INTRODUCTION

Understanding Business - June 2026

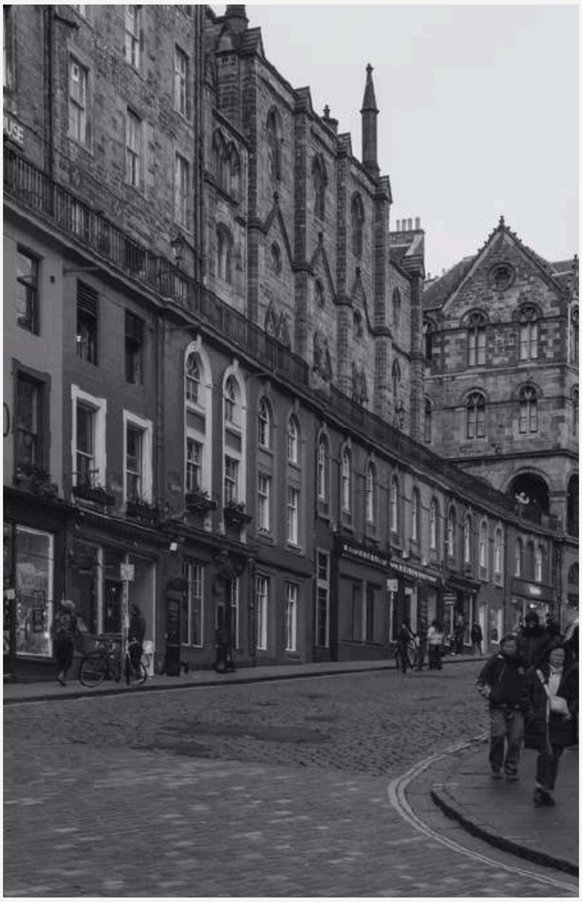
This wave of Understanding Business paints a mixed picture of the economy and business landscape in Scotland.

Many key indicators have remained fairly stable, including the outlook towards the economy when comparing current economic conditions to those of a year ago, as well as predictions when looking forward to the coming year. Expectations of profitability and turnover also remain fairly static from the previous wave.

More businesses this wave are attempting to recruit staff. Among those trying to recruit, key challenges remain, including the skill of applicants and the salary expectations of candidates.

The general trend of anticipating price increases has continued this wave, driven in large part by increased workforce costs, the price of utilities and the increased price of raw materials.

This wave took a particular focus on certain business pressures, including business rates and increased fuel prices. Business rates continue to be a salient concern, with the majority reporting that their rates have gone up compared to last year; half of these businesses have raised their prices as a result of increasing business rates.



When it comes to increases in fuel prices, three-quarters (76%) of businesses are taking some action as a result, the most common of which is raising prices (31%).

Key sentiments towards the UK and Scottish Governments as well as MPs and MSPs have eroded this wave - fewer agree that both governments are taking action to address business concerns. Both MPs and MSPs are also now seen as less qualified to represent the interests of Scottish businesses, compared with September 2025.

Despite these concerns, nearly two-thirds of businesses say that Scotland is a good place to do business.

5 KEY TAKEAWAYS

The thirteenth edition of Understanding Business brings you insights from over 500 businesses in Scotland: focusing on their outlook for the economy, prospects for their businesses and the challenges they face.

01 BUSINESSES EXPECT THE PRICE OF THEIR GOOD OR SERVICE TO INCREASE

Two-thirds (65%) of businesses expect that the prices of their goods or services will increase over the next quarter, a rise of four percentage points from the previous wave. Businesses continue to identify increased workforce costs (33%) and the price of utilities (32%) as key drivers of price rises, with the former up five percentage points since March.

02 MANY SAY THEIR BUSINESS RATES HAVE INCREASED OVER THE LAST YEAR, LEADING TO PRICE HIKES AND STRATEGY CHANGES

Nearly seven in ten (69%) businesses, excluding don't knows, report that their business rates have gone up compared to this time last year. A further quarter of businesses (28%) say that they have remained about the same, while just three percent of respondents report a decline in their business rates. As a result, half (51%) of those with rising business rates report that they have increased their prices.

03 MORE BUSINESSES ARE ATTEMPTING TO RECRUIT STAFF, ALTHOUGH CHALLENGES REMAIN

More than half (53%) of businesses say that they have attempted to recruit staff in the past three months. . However, recruiting businesses continue to highlight challenges with candidate expectations, including skill of applicants (54%), salary expectations (42%) and desired working arrangements (34%), alongside a lack of applicants (33%).

04 BUSINESSES HAVE LOST FAITH THAT THE UK AND SCOTTISH GOVERNMENTS ARE ADDRESSING THEIR CONCERNS

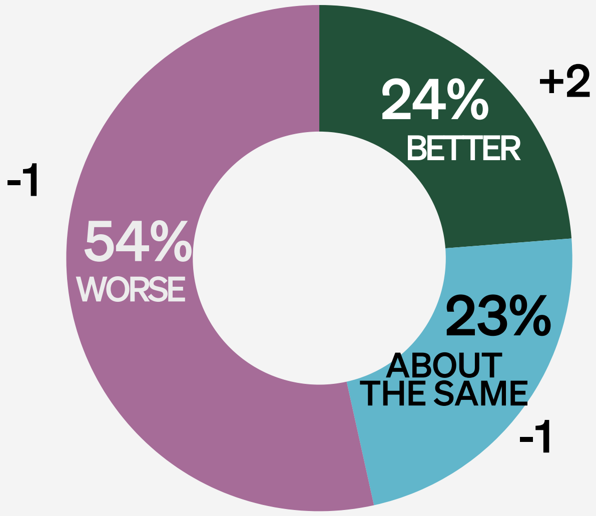
Just four in ten (41%) say that the Scottish Government is taking action to address Scottish business concerns, a drop of six percentage points from the previous wave. Just a quarter (28%) of respondents say the same about the UK Government, representing a drop of five percentage points from March. Most businesses also report that the Scottish Government works more in the interest of big businesses than small businesses, at two in three (67%).

05 DESPITE CONCERNS, SCOTLAND IS GENERALLY VIEWED AS A GOOD PLACE TO DO BUSINESS

Around two-thirds of businesses agree that Scotland is a good place to employ people (65%), a good place to run a business (64%) and a good place to invest (61%),

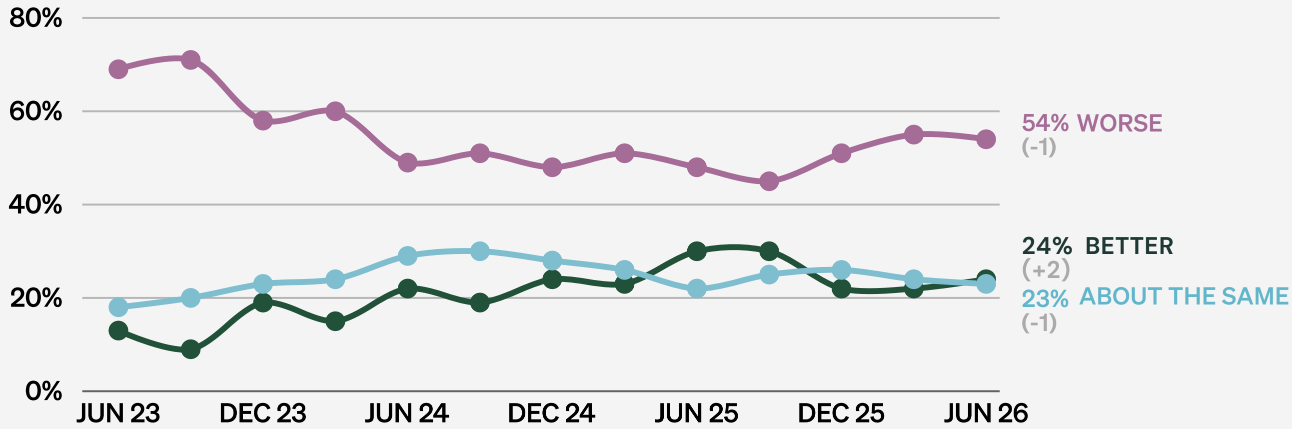
ECONOMIC OUTLOOK

A majority (54%) of businesses report that general economic conditions have worsened in the last year, excluding don't knows. Only a quarter believe conditions have improved (24%) or remained the same (23%).



Economic conditions now, compared to 12 months ago

Proportions of businesses reporting perceived changes to the general economy in the last 12 months

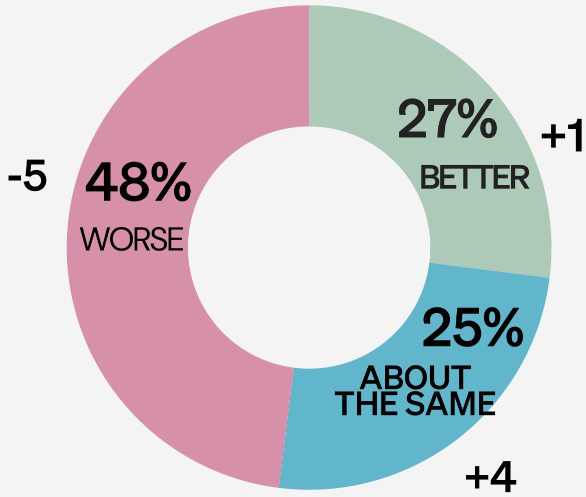


The economic outlook of businesses has remained fairly stable from the previous wave of Understanding Business in March. Just over half (54%) of businesses that express an opinion say that economic conditions are worse now than they were a year ago, down just one percentage point from March. Looking across the series, this percentage is one of the highest on record since March 2024 (60%).

Around a quarter (24%) of businesses say that the economy is better now than 12 months ago, up a modest two percentage points from March to just eclipse the proportion that say that conditions are about the same (23%). The proportion that report that conditions are about the same has held steady since March, down just one percentage point.

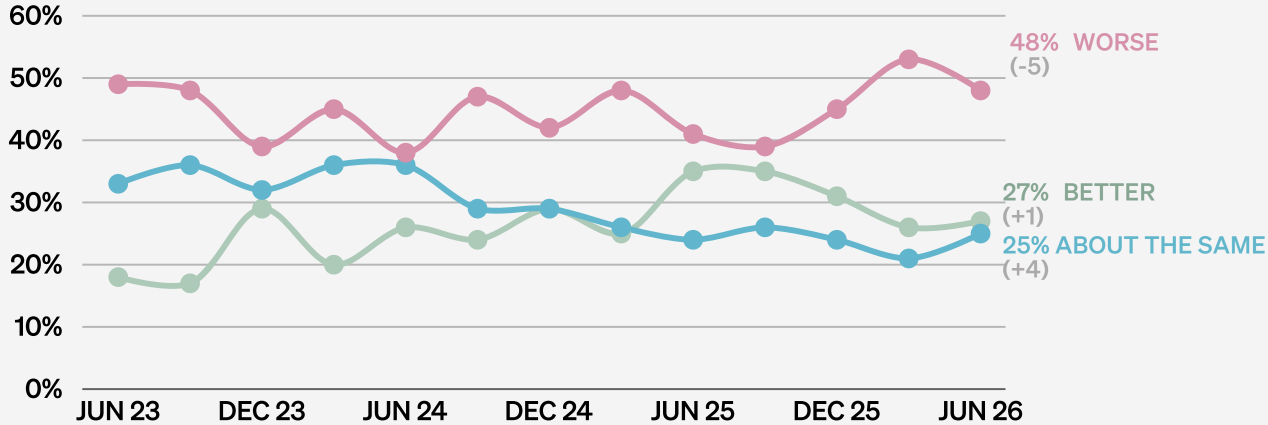
ECONOMIC OUTLOOK

Looking ahead, businesses express concern about the year to come. Just under half (48%) expect conditions to be worse in 12 months, down five percentage points since March, with more expecting conditions to be about the same in a year's time.



Economic conditions in 12 months, compared to now

Proportions of businesses predicting changes to the general economy, in the next 12 months



Concerns about future economic conditions remain high, but have eased moderately since March. Just under half (48%) of businesses that express an opinion say that the general economy will be worse in a year than it is now, down five percentage points from last wave. However, this proportion remains one of the highest on record across the Understanding Business series.

Just over a quarter (27%) of businesses expect that general economic conditions will improve over the next year, an increase of just one percentage point from March. Meanwhile, a similar proportion (25%) of businesses say that economic conditions will be about the same in a year as they are now, up a notable four percentage points since the March wave of research.

RECRUITMENT

More than half of businesses (53%) report attempting to recruit staff over the past three months, a rise of six percentage points from the previous wave.

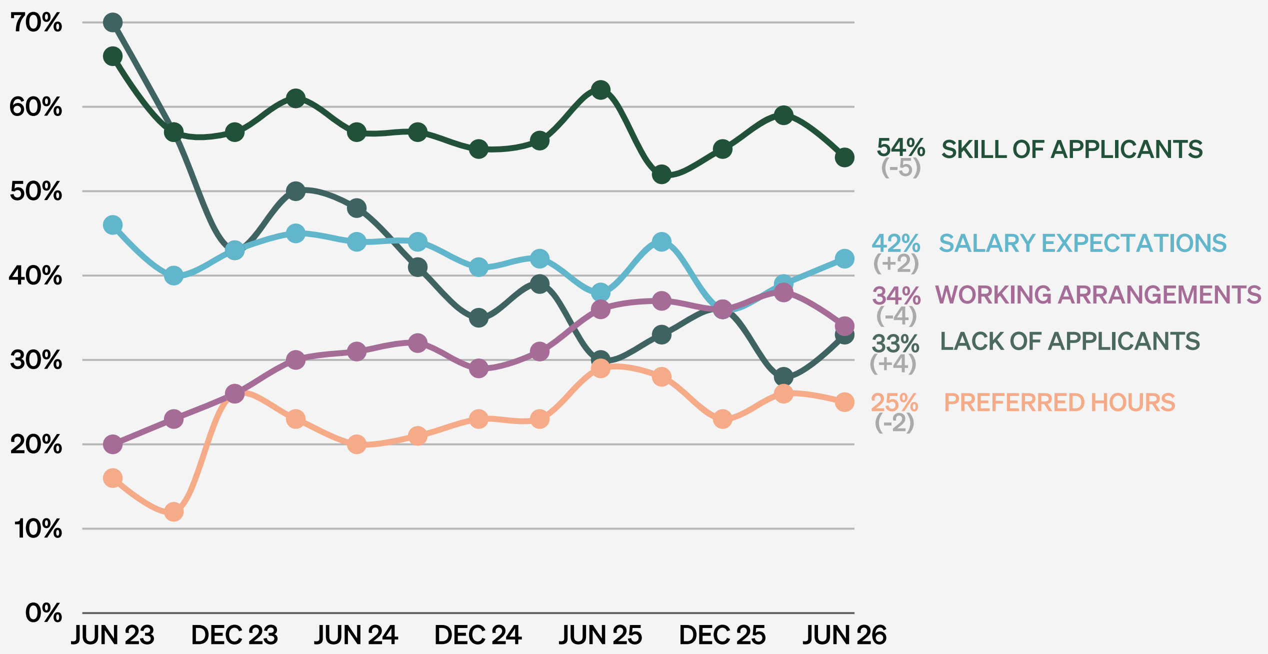
This is the greatest proportion of businesses who have undertaken a recruitment process since the first wave of Understanding Business in June 2023.

However, recruitment challenges persist. The skill of applicants remains the most frequently selected challenge, mentioned by more than half (54%) of businesses that attempted to recruit staff over the past three months. Despite its prominence, the proportion citing applicant skills as a key challenge has dropped by five percentage points in the last quarter.

Around four in ten (42%) respondents report that the salary expectations of candidates has been a challenge during recruitment, up by two percentage points since March.

Around a third select working arrangements (34%) and lack of applicants (33%) as recruitment challenges, and a quarter (25%) select preferred hours of candidates as a recruitment difficulty. Amongst these factors, the largest changes since March include a decline of four percentage points in the proportion citing working arrangements and an increase of four percentage points in the proprtion citing lack of applicants as a challenge. Taken together, these findings indicate a recruitment landscape characterised by challenges with candidate expectations and structural factors.

Proportion of recruiting businesses that report experiencing the following recruitment challenges over time

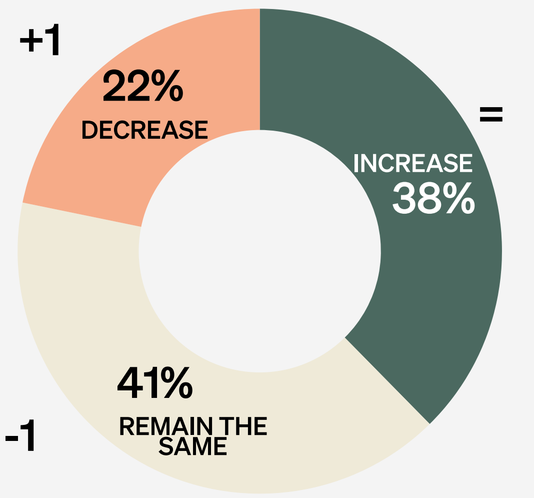


PROFITABILITY & TURNOVER

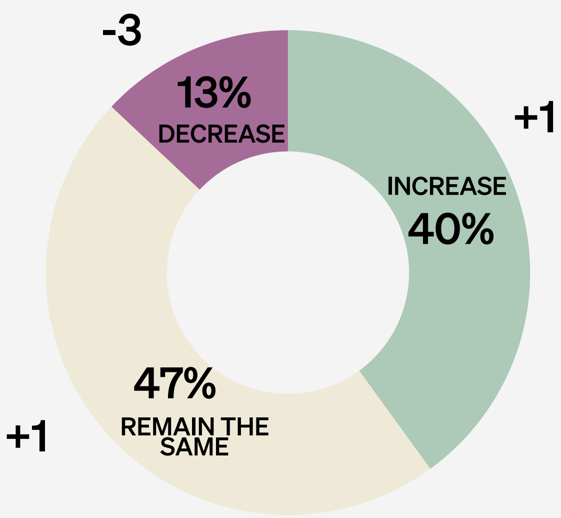
Businesses surveyed were asked to consider whether they thought that their profitability and turnover would increase or decrease over the next 12 months.

Expectations around the profitability and turnover of businesses remains similar to last quarter. This wave, nearly four in ten (38%) businesses say that they expect their profitability to increase over the coming year. One in five (22%) expect profitability to decrease, while four in ten (41%) believe it will remain about the same. These figures have only fluctuated by no more than one percentage point in either direction.

Four in ten (40%) also expect their turnover to increase over the next twelve months, up just one percentage point from March. Nearly half (47%) expect that it will remain roughly the same, a rise of one percentage point, while 13% say that it will decrease, a drop of three percentage points.



Profitabiltiy expectations, over next 12 months

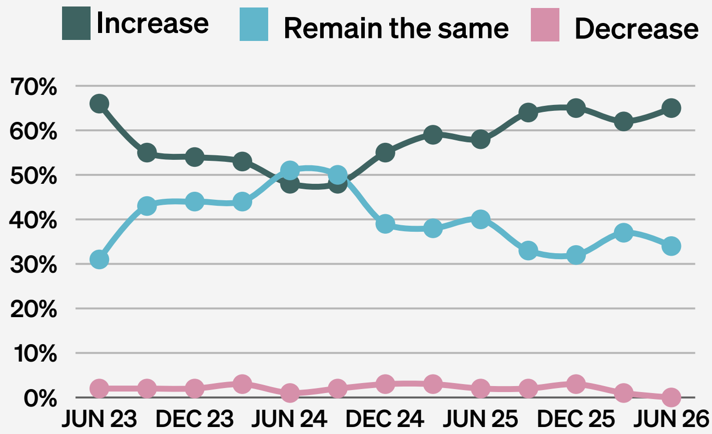


Turnover expectations, over next 12 months

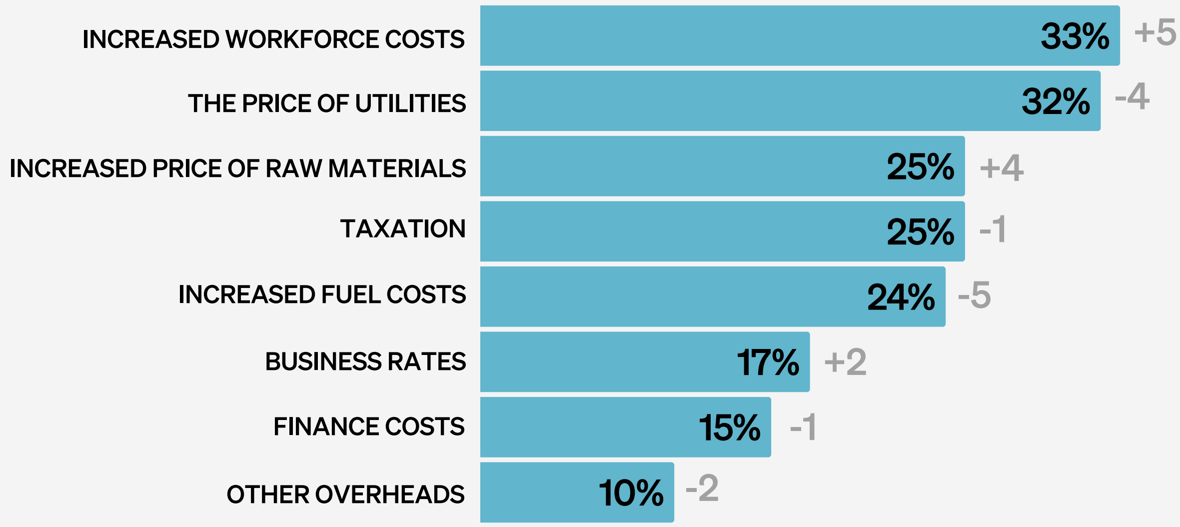
PRICING

Expectations for price increases remain widespread. Two thirds (65%) of businesses expect their prices to go up over the next quarter, an increase of four percentage points from March. One third (34%) expect them to remain the same.

Proportion of businesses expecting price increases/decreases, excluding 'don't know's



Proportion of businesses citing the following as a top pressure to increase costs



When thinking of the top two reasons driving price increases, the greatest proportion of businesses select increased workforce costs. This proportion has risen by five percentage points in the last quarter to one third (33%) of businesses. A similar proportion (32%) select the price of utilities as a key driver of price increases, a four percentage point decrease from March.

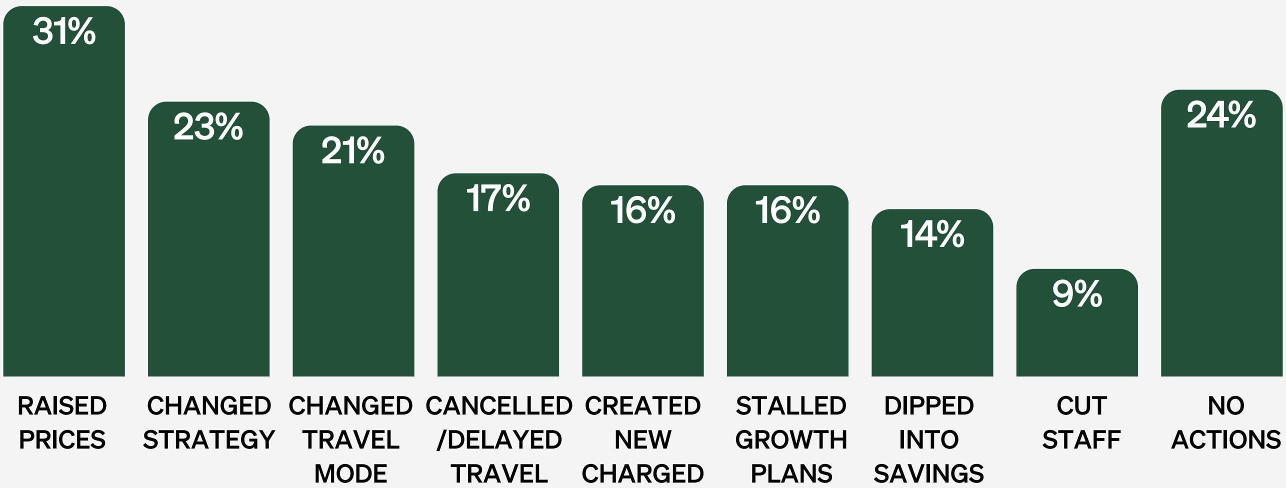
A quarter of businesses also cite the increased price of raw materials (25%), taxation (25%) and increased fuel costs (24%). Two of these reasons record notable change from March, with the proportion citing increased price of raw materials up by four percentage points and the proportion citing increased cost of fuel down five percentage points.

FUEL PRICES

Businesses were also asked to select the actions they are taking as a result of rising fuel prices.

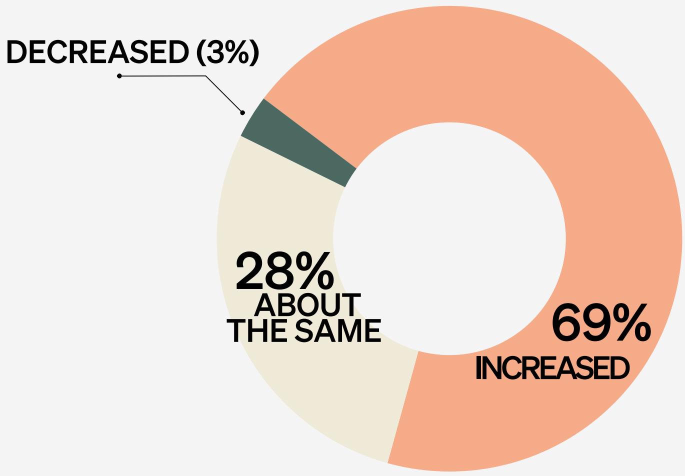
More than three-quarters (76%) of businesses are taking action as a result of rising fuel prices. Around three in ten (31%) businesses report that they are raising prices as a result of fuel price increases, while a quarter (23%) report that they have changed strategy. One in five (21%) businesses have changed their travel mode (i.e. opting for rail travel instead of car), while one in six have cancelled or delayed travel (17%), created new charges (16%) or stalled their business growth plans (16%). One in seven (14%) businesses have dipped into their savings or investments, while one in eleven (9%) businesses have cut staff. Overall, these findings illustrate that Scottish businesses are coping with global instability around fuel prices in a variety of ways, with predicted impacts on the Scottish economy and labour market.

Proportion of businesses reporting engaging in the following actions as a result of rising fuel prices



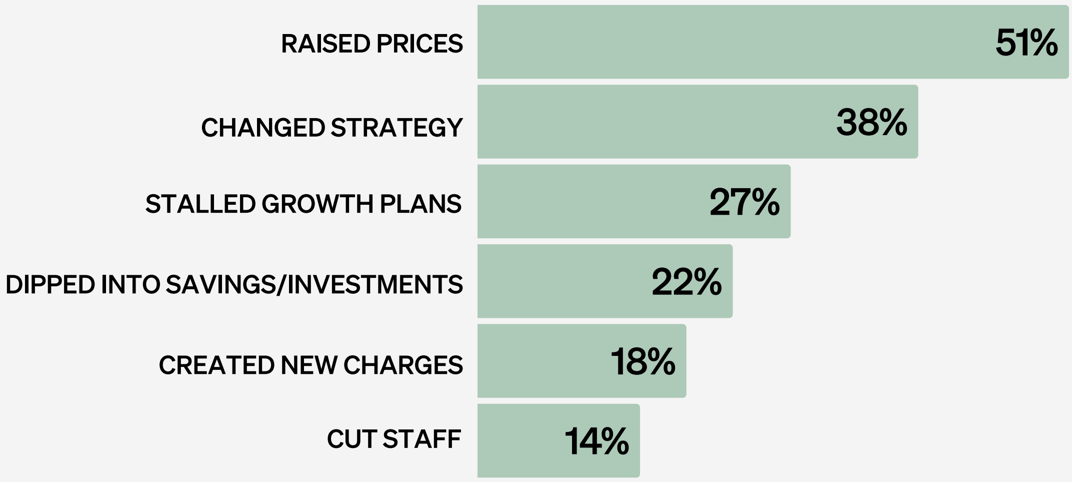
BUSINESS RATES

Nearly seven in ten (69%) say that their business rates have increased over the last year, with most (35%) saying they have increased by up to 10% in that time. A quarter (28%) say their business rates are about the same and just three percent say they have decreased.



Changes in business rates, compared to last year (don't know excluded)

Proportion of those with increased business rates reporting taking the following actions as a result of rising business rates



Among those businesses who report an increase in business rates, half (51%) report passing these cost increases onto consumers by raising prices, while four in ten (38%) have changed business strategy to cope with rate increases.

Just over a quarter (27%) have stalled their business growth plans, while a fifth have dipped into savings or investments (22%) or created new charges (18%). One in seven (14%) businesses have cut staff due to rising business rates.

BARRIERS AND INTERVENTIONS

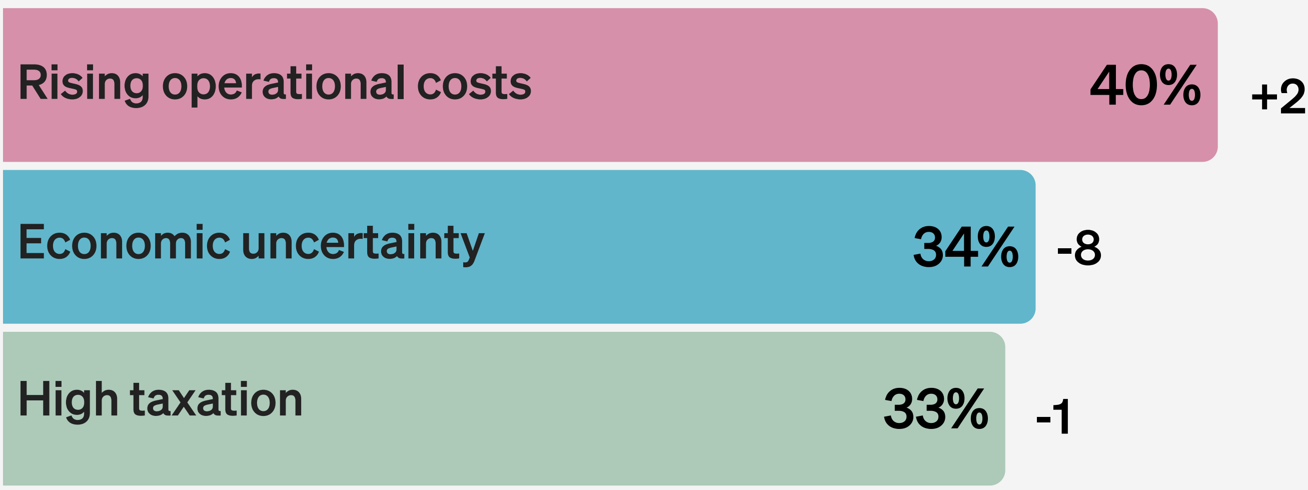
Businesses were asked to select their top three barriers to growth, as well as the top interventions that would best help their growth.

When asked to report the greatest barriers to the growth of their organisations, four in ten (40%) businesses cited rising operational costs, up two percentage points from March. Around a third (34%) of respondents report that economic uncertainty (34%) and high taxation (33%) are key barriers to growth, down by eight and one percentage points respectively.

When thinking about business concerns, two-fifths (40%) of businesses saying they are more concerned about survival than they were three months ago - the highest levels since March 2024. Fuel costs have also emerged as a significant concern, with two-thirds (66%) saying they are more worried about fuel prices than three months ago.

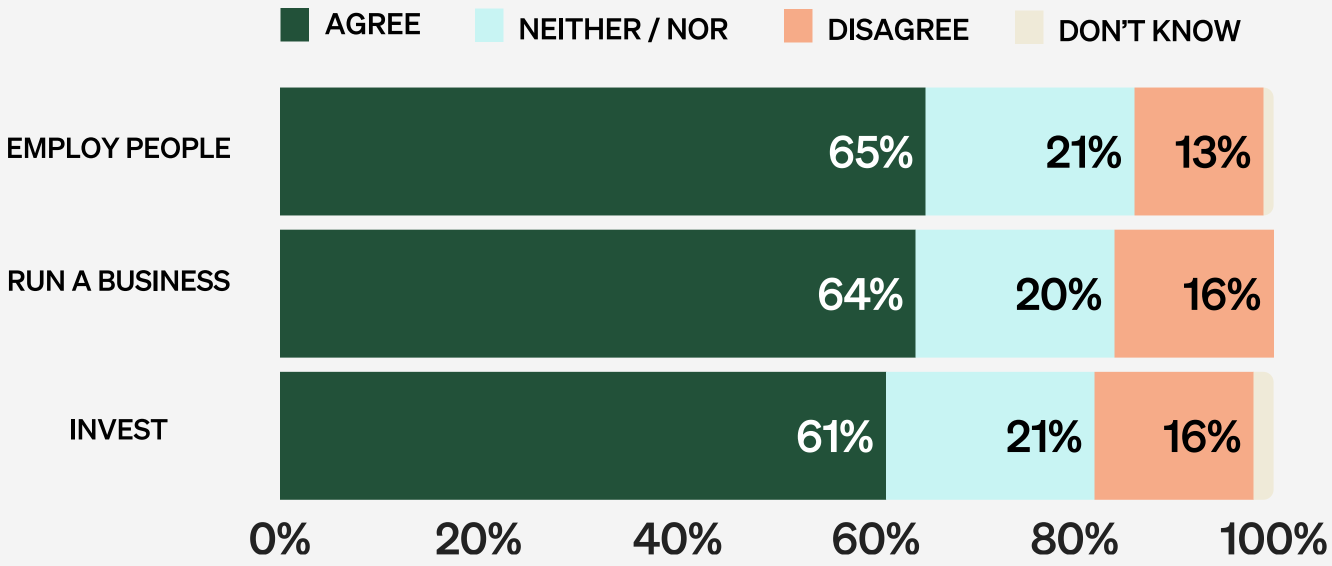
Thinking about the interventions that would best help their business growth, the highest proportion cite reduced taxation (40%, -3), followed by reduced business rates (32%, +3), increased support for business owners (27%, +1) and increased availability of grants for innovation and expansion (25%, +4).

Proportion of businesses reporting that the following are barriers to the growth of their organisation



SCOTLAND'S BUSINESS LANDSCAPE

Businesses were also asked to reflect on Scotland's business landscape, and whether Scotland is a good place to...



Considering a range of statements, strong majorities of businesses agree that Scotland is a positive place for business to operate in. Nearly two-thirds (65%) agree that Scotland is a good place to employ people, while a further one in five (21%) neither agree nor disagree. Just one in eight (13%) disagree.

Similar proportions agree with the other two statements, that Scotland is a good place to run a business (64%) or invest (61%), although a slightly higher proportion disagree with these two statements than the first statement, at 16% for each.

GOVERNMENT RESPONSIVENESS

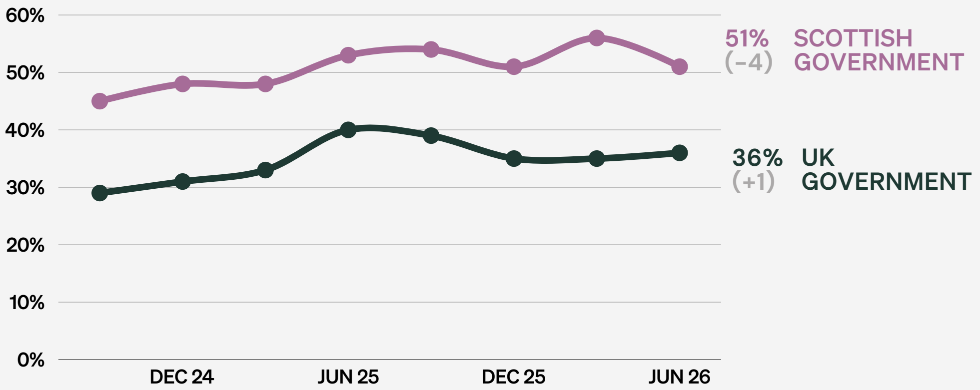
Less businesses agree that the Scottish and UK Governments are taking action to address business concerns in Scotland.

Perceptions of both the Scottish Government and the UK Government have fallen off this wave. Half (51%) of businesses that express an opinion agree that the Scottish Government is concerned with the needs of Scottish businesses, down from 56% that said the same in March. Yet, the Scottish Government continues to outperform the UK Government in this regard, with just a third (36%) of businesses agreeing that the UK Government is concerned with the needs of Scottish businesses, level with results from March.

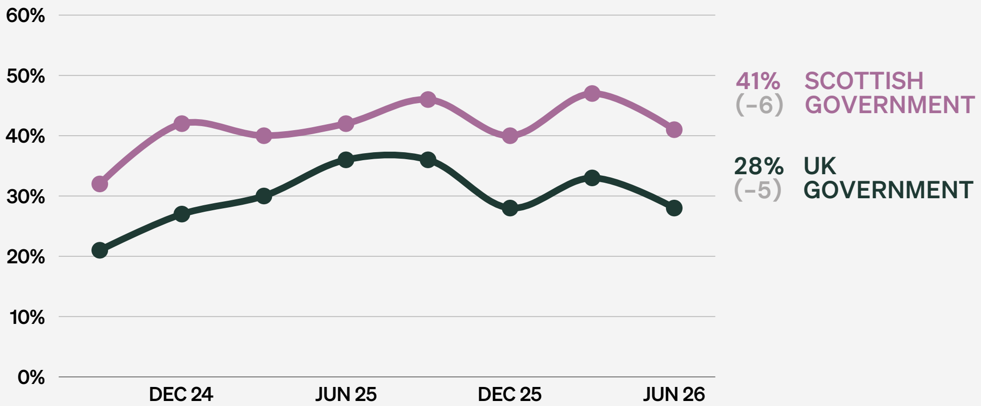
Respondents were also asked to what extent they agree that each government is taking action to address Scottish business concerns. Four in ten (41%) businesses say that the Scottish Government is taking action to address the concerns of Scottish businesses. This figure has dropped six percentage points in the last quarter, representing one of the largest declines in government sentiment observed in any wave of Understanding Business.

Despite this, the Scottish Government still continues to outperform the UK Government when it comes to this question. Just over a quarter (28%) of businesses say that the UK Government is taking action to address business concerns, a drop of five percentage points from March.

Proportion of businesses agreeing that each government is concerned with the needs of Scottish businesses

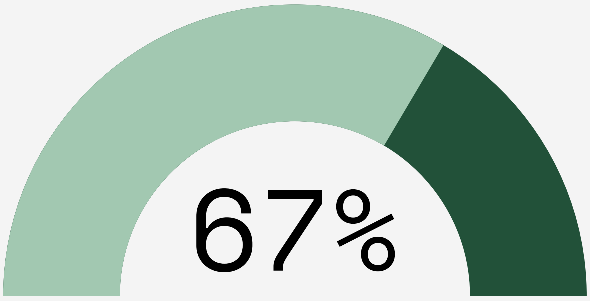


Proportion of businesses agreeing that each government is taking action to address Scottish business concerns



GOVERNMENT INTERESTS

Two in three businesses surveyed think the Scottish Government works more in the interest of big businesses than small businesses.

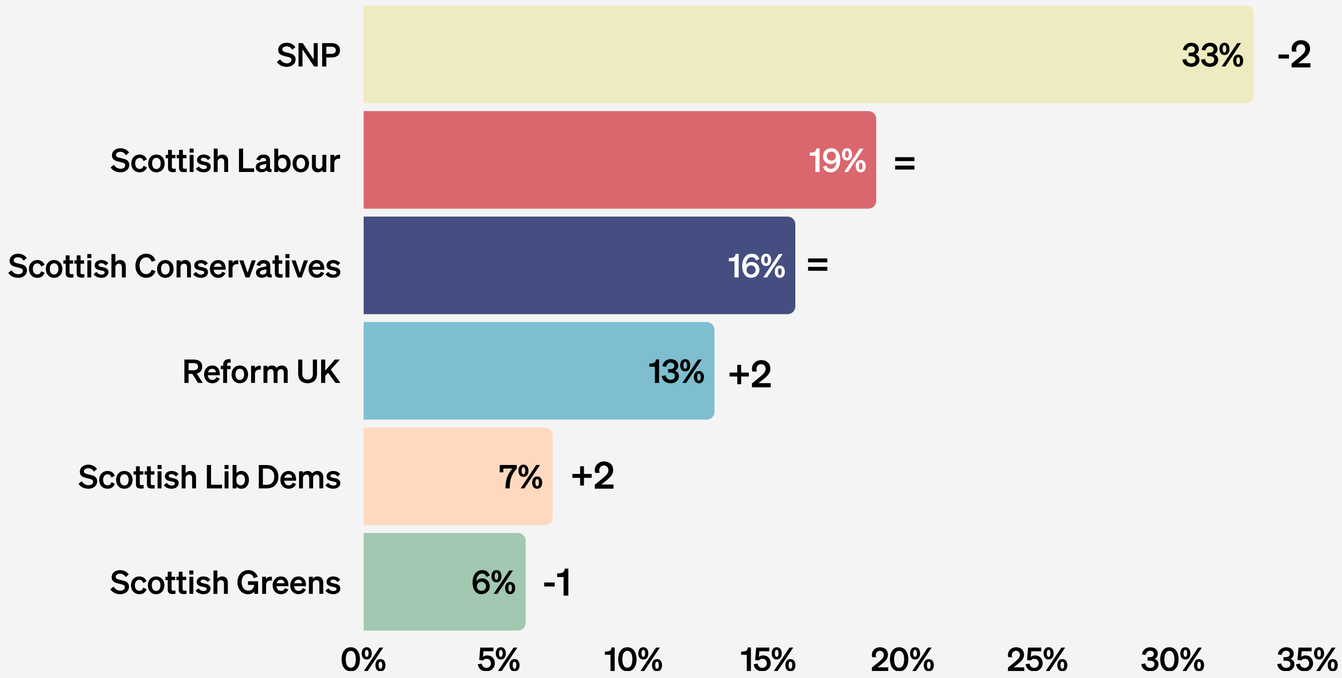


Two-thirds (67%) of businesses say that the Scottish Government works more in the interest of big businesses than small businesses, while just a third (33%) say that it works more in the interest of small businesses.

When broken down by business size, three in four (75%) of micro businesses (0-9 employees) say that the Scottish Government works more in the interests of big businesses, compared to six in ten medium sized businesses (50-249 employees) (61%) and large businesses (250+ employees) (64%).

PARTY REPRESENTATION

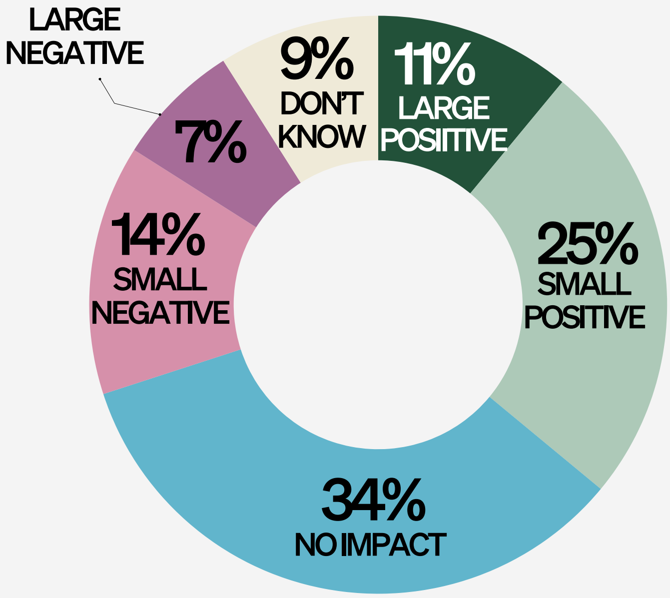
Businesses were also asked which party best represents the interests of Scottish business.



Around a third (33%) of businesses select the SNP as the party that best represents the interests of Scottish business, although the proportion who select the SNP has declined by two percentage points since March. As with last wave, one in five (19%) respondents select the Scottish Labour Party and one in six (16%) select the Scottish Conservative and Unionist Party. Reform UK has seen a slight increase in support this wave, up two percentage points to 13%, as have the Liberal Democrats, up two percentage points to 7%. The proportion who select the Scottish Green Party however has declined negligibly, down by one percentage point to just 6% of businesses.

ELECTION IMPACT

Proportion of businesses that think the results of the latest Scottish Parliament election will have a positive/negative impact on their business

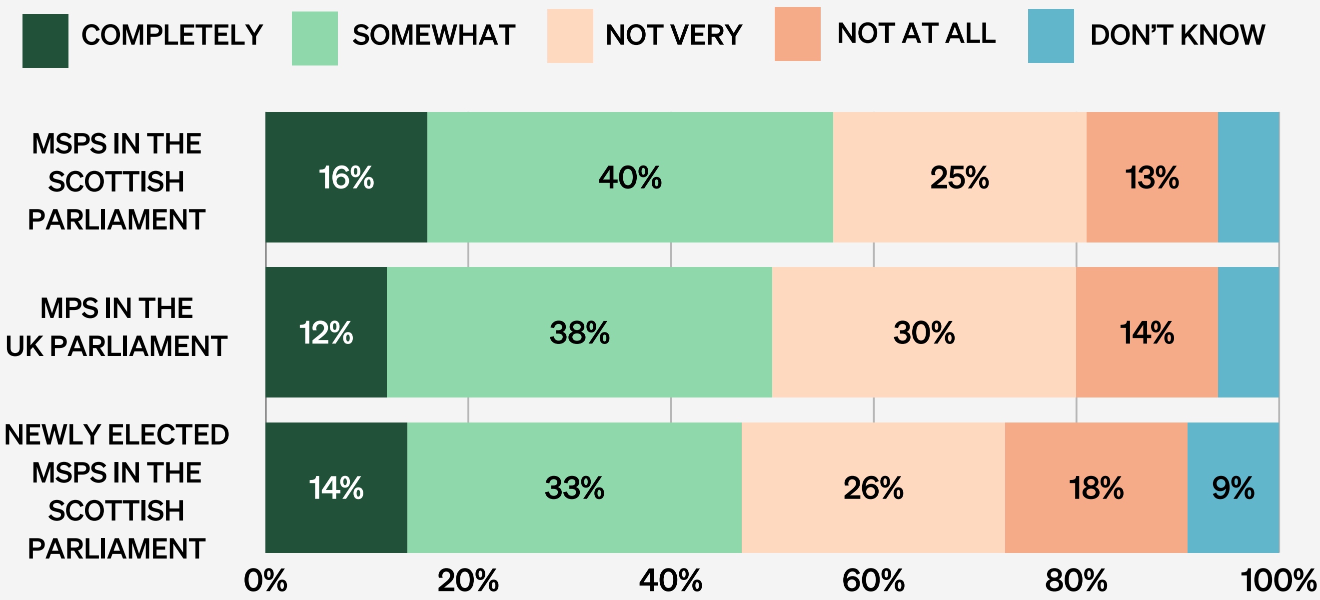


Around a third (36%) of businesses say that the results of the recent Scottish Parliament election will have a positive (either a large or a small) impact on their business. A further third (34%) say that it will have no impact on their business, while around one in five (21%) say that it will have either a small negative or a large negative impact.

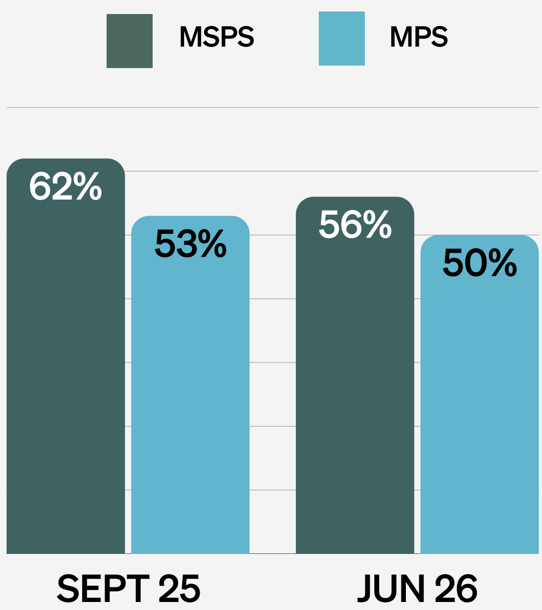
When looking at results by business size, just 23% of micro businesses say the results of the election will have a positive impact, compared to 46% of medium and 42% of large businesses.

VIEWS ON PARLIAMENTARIANS

Finally, businesses were asked a series of questions about the qualifications of parliamentarians, in terms of experience and understanding, to represent the interests of business.



Under six in ten (56%) businesses think that MSPs are qualified (either completely or somewhat) to represent the interests of businesses; this figure drops to half when considering MPs (50%) or newly elected MSPs (47%). These figures have dropped off since September 2025, when six in ten (62%) businesses thought MSPs were qualified to represent them, and over half (53%) said the same for MPs.



Proportion that believe each group is qualified to represent business interests

TECHNICAL DETAILS

The survey was designed by Diffley Partnership and Charlotte Street Partners. Invitations were issued online and fieldwork was conducted in May - June 2026. A total of 506 responses were received from senior decision makers in businesses across Scotland.

FIND OUT MORE

To register for exclusive updates and a quarterly bulletin please sign up for our mailing list here.

If you are interested in having your own questions asked and answered in future Understanding Business reports, email us at info@diffleypartnership.co.uk

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