

SEPTEMBER 2026

UNDERSTANDING





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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.



INTRODUCTION

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Understanding Business - September 2026

This wave of Understanding Business shows a renewed sense of optimism among Scottish businesses, who increasingly believe economic conditions have improved over the past year and will continue to improve over the coming year.

Alongside improved expectations for profitability and turnover over the next 12 months, the wave highlights some of the more optimistic results seen since the inception of Understanding Business.

Despite this, businesses report similar levels of recruitment challenges, cite barriers to growth which are consistent with levels seen last wave, and still often expect their prices to go up, suggesting the persistence of certain challenges

This wave also noted improvements in business sentiment towards the UK and Scottish Governments. Respondents increasingly say that each government is concerned with the needs of Scottish businesses, but also that they are taking action to support the concerns of Scottish businesses. Results also show an increase in the proportion saying the Labour party best represents the needs of businesses. While impossible to attribute, the timing of this wave with a new Prime Minister suggests that there could be a slight 'business Burnham bounce' in Scotland.



This wave asked new questions about devolution in Scotland. Businesses identify a range of powers they would like to see devolved to the Scottish Parliament, but are split on whether devolution should extend into Scottish local authorities. Nearly six in ten (58%) say that metro mayors in Scotland's largest cities could support economic growth, suggesting appetite for devolution structures seen in England.

Finally, this wave asked about AI data centres and energy production in Scotland. Businesses are split when considering whether to pause approvals on new AI data centres. In terms of energy, there is widespread support for further industry and community benefit from the hosting of major energy infrastructure in Scotland.

5 KEY TAKEAWAYS

The fourteenth 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 SCOTTISH BUSINESSES HAVE A RENEWED SENSE OF OPTIMISM TOWARDS THE ECONOMY

This wave of Understanding Business shows an increase in economic optimism - the proportion saying the economy has improved over the last year and the proportion that expect it to get better over the coming year have both reached all time peaks. more than a third (35%) believe economic conditions are better now than they were a year ago, an increase of 11 points since the last survey in June and the highest level recorded since the tracker began in June 2023. Similarly, almost two-in-five (38%) expect economic headwinds to improve in a year's time, also an 11-point increase from June's survey.

02 MORE BUSINESSES EXPECT INCREASES TO PROFITABILITY AND TURNOVER

A plurality of Scottish businesses now expect both their profitability and turnover to increase over the next 12 months. The proportion expecting an improvement in profitability has risen by eight percentage points since June to 46%, while the proportion forecasting an increase in turnover has risen by five percentage points to 45%

03 BUSINESSES HAVE IMPROVED SENTIMENTS TOWARDS BOTH THE UK AND SCOTTISH GOVERNMENTS

Perceptions that both the UK and Scottish Governments are concerned with the needs of Scottish businesses and are taking action to address business concerns have increased this wave. The proportions saying that each government is concerned with business needs have reached their highest ever levels since the inception of Understanding Business in 2023.

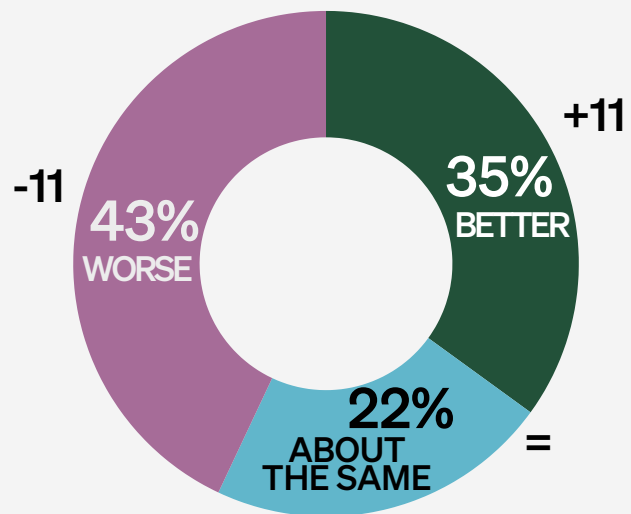
04 THERE IS WIDESPREAD SUPPORT FOR THE DEVOLUTION OF MORE BUSINESS POWERS TO THE SCOTTISH PARLIAMENT

More than eight in ten (81%) businesses in Scotland support devolving further powers relating to business to the Scottish Parliament as indicated by selecting one of the options listed. Among the most popular powers to devolve include investment and funding levers to support economic development (40%), more autonomy in shaping powers related to workforce training and development (38%), and more authority over taxation (37%).

05 BUSINESSES WIDELY SUPPORT MORE COMMUNITY AND INDUSTRY BENEFIT FROM LOCAL ENERGY PRODUCTION

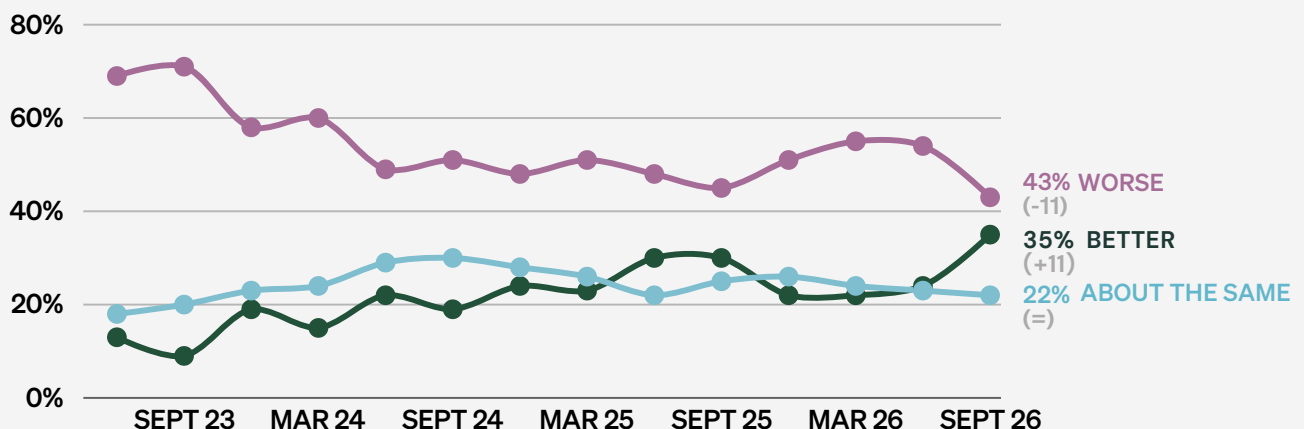
Nearly nine in ten (86%) say that businesses in Scotland should see greater economic benefits from the significant amounts of energy production in Scotland. More than three-quarters (77%) agree that communities that host major energy infrastructure should receive a greater share of the economic benefits generated by those developments, signalling support goes beyond just industry benefits and into local communities.

Two in five (43%) businesses believe that general economic conditions have worsened in the last year, excluding don't knows. This proportion is down sizably from June of this year, where over half (54%) said the same.



Economic conditions now, compared to 12 months ago

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



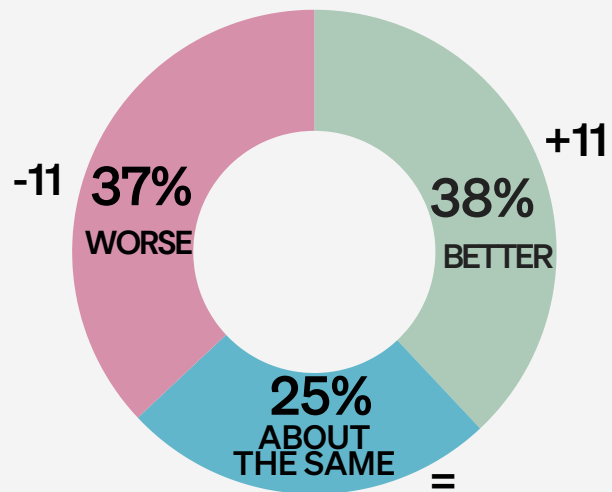
This wave marks one of the largest declines in negative sentiment recorded for this question, with negativity falling by eleven percentage points since the June wave of research to four in ten businesses (43%). This also represents the smallest proportion of businesses reporting that the economy has worsened over the past year since the inception of Understanding Business in 2023.

More than a third (35%) report that the economy has improved over the past year, with the share saying it is better also rising by eleven percentage points. This represents the highest proportion reporting an improvement since the start of Understanding Business. Around one in five (22%) say conditions have remained about the same, in line with figures from last wave.

ECONOMIC OUTLOOK

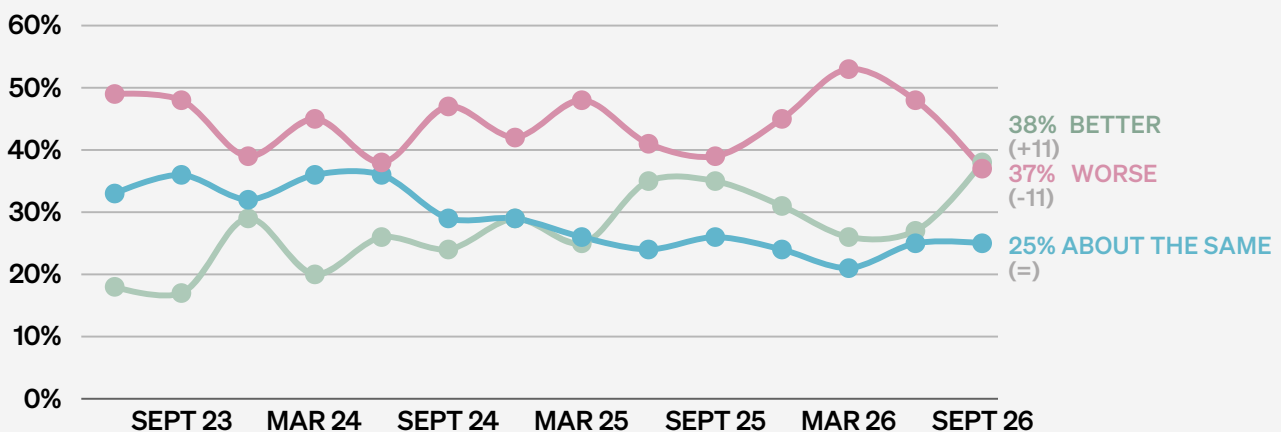
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Projecting into the next year, about equal proportions expect the economy to be better (38%) and worse (37%) in 12 months times than it is now, excluding don't knows. These proportions represent a notable 11 percentage points increase in positive sentiment and an 11 percentage points decrease in negative sentiment from June.



Economic conditions in 12 months, compared to now

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



A renewed sense of optimism is also seen in the data when businesses project into the year ahead. For the first time in Understanding Business, a greater proportion of businesses expect general economic conditions to improve over the coming year than expect them to deteriorate. The proportion who expect it to get better has risen by eleven percentage points, to nearly four in ten (38%) businesses.

Conversely, the proportion who expect the economy to worsen has fallen by eleven percentage points, to fewer than four in ten (37%). The proportion expecting general economic conditions to remain about the same over the coming year remains level with the previous wave, with around a quarter (25%) of businesses predicting continuity.

More than half of businesses (53%) report attempting to recruit staff over the past three months, in line with proportions from June of this year.

Among the more than half (53%) of businesses who report attempting to recruit staff, there are notable shifts in the proportions of businesses experiencing recruitment challenges. This wave, fewer than half (47%) of businesses report experiencing challenges with the skill of applicants, a decline of seven percentage points.

Candidates wanting greater flexible working arrangements was the second most common challenge faced this wave, with nearly four in ten (38%) reporting that this was an issue, rising by four percentage points since June.

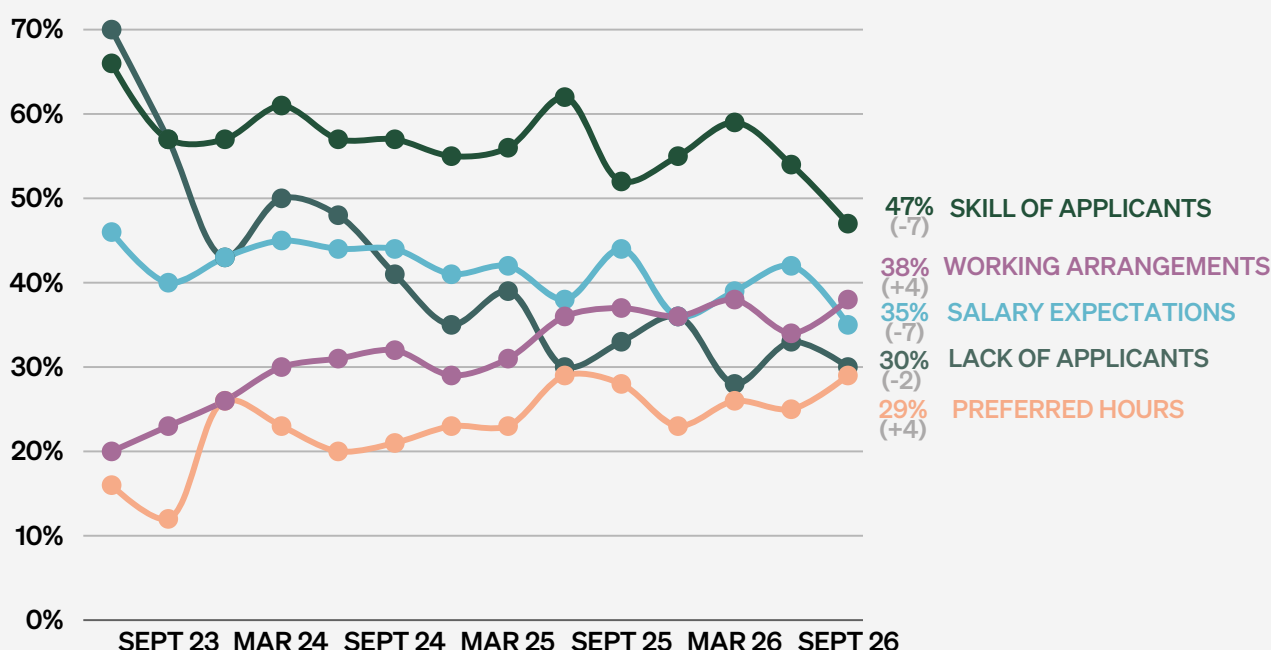
Salary expectations declined in salience as a recruitment issue this wave, with just over a third (35%) reporting that this was a challenge. This figure represents a seven percentage point decrease from June, bringing the challenge to its lowest ever level.

Three in ten (30%) businesses faced challenges with a lack of applicants, down by two percentage points from June.

The preferred hours of candidates was a challenge among just under three in ten (29%) businesses who attempted to recruit in the last three months, rising by four percentage points this wave.

Just one in eleven (9%) businesses did not experience any difficulties when recruiting staff.

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



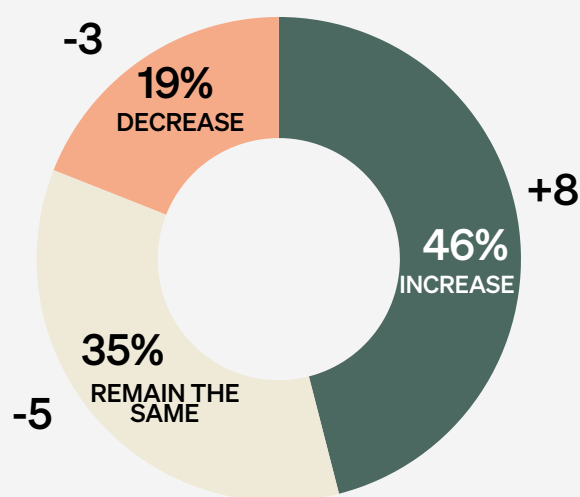


PROFITABILITY & TURNOVER

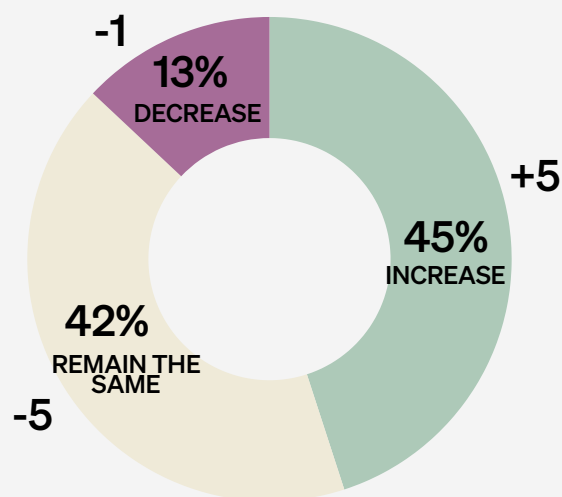
Businesses surveyed were asked to consider whether they thought that their profitability and turnover would increase or decrease over the next 12 months.

Nearly half (46%) of businesses expect their profitability to increase in the next twelve months; this proportion has risen by eight percentage points since the June wave of Understanding Business. A further third (35%) expect it will remain the same, dropping by five percentage points, while just one in five (19%) predict that their profitability will decrease. The proportion predicting a decrease has fallen by a modest three percentage points.

Turnover expectations paint a similar picture. Just under half (45%) expect that their turnover will increase in the coming year - a rise of five percentage points from June. Four in ten (42%) businesses believe it will remain about the same, a drop of five percentage points. Around one in eight (13%) expect it to decrease, representing a slight one percentage point decline in the proportion expecting a downturn.



Profitability expectations,
over next 12 months



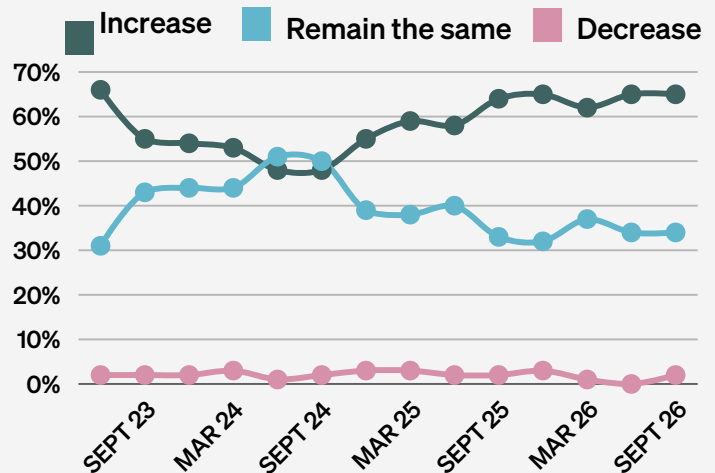
Turnover expectations,
over next 12 months

PRICING

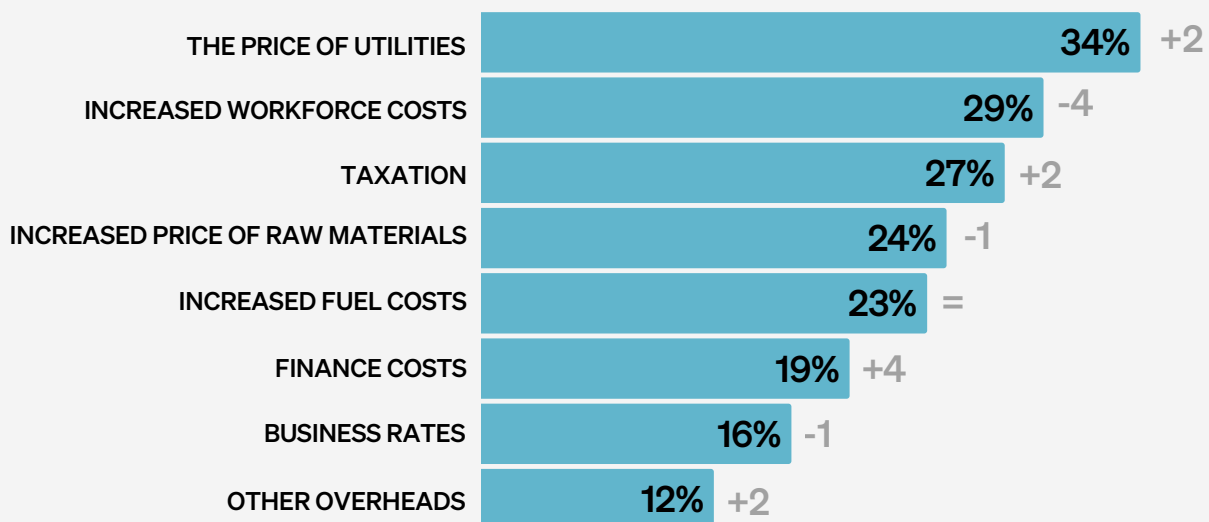
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Expectations for price increases remain widespread. Two thirds (65%) of businesses expect their prices to go up over the next quarter, on par with results from June. One third (34%) expect them to remain the same.

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



Expectations for prices over the coming quarter are broadly in line with the previous wave - around two thirds (65%) expect prices to go up, one third (34%) expect that they will remain the same, and just a handful (2%) predict they will decrease.

In terms of the pressures driving price increases, the cost of utilities

remains the top concern this wave, with more than a third (34%) of business indicating it puts pressures on them to raise costs. Increased workforce costs was also cited as a pressure by around three in ten (29%) businesses, despite dropping by four percentage points. Taxation is cited as a key pressure by more than a quarter (27%) of businesses.



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.

In terms of the top barriers to business growth, results remain in line with those seen in the June wave of Understanding Business. Around four in ten (39%) businesses say that rising operational costs present a major barrier to growth, while around a third say that economic uncertainty (33%) and high taxation (32%) are key barriers.

When considering the interventions that would best help the growth of their business, the greatest proportion of respondents select reduced taxation - this is mentioned by more than four in ten (42%) businesses this wave. Around three in ten say that reduced business rates (29%) or increased support for business owners (28%) would help to grow their business. Increased investment in skills training was one of the top interventions mentioned this wave, selected by nearly a quarter (23%) of businesses. This represents a sharp increase of eight percentage points since last wave, indicating a renewed focus on upskilling and training as a key to growing businesses.

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

Rising operational costs	39%	-1
Economic uncertainty	33%	-1
High taxation	32%	-1

GOVERNMENT RESPONSIVENESS

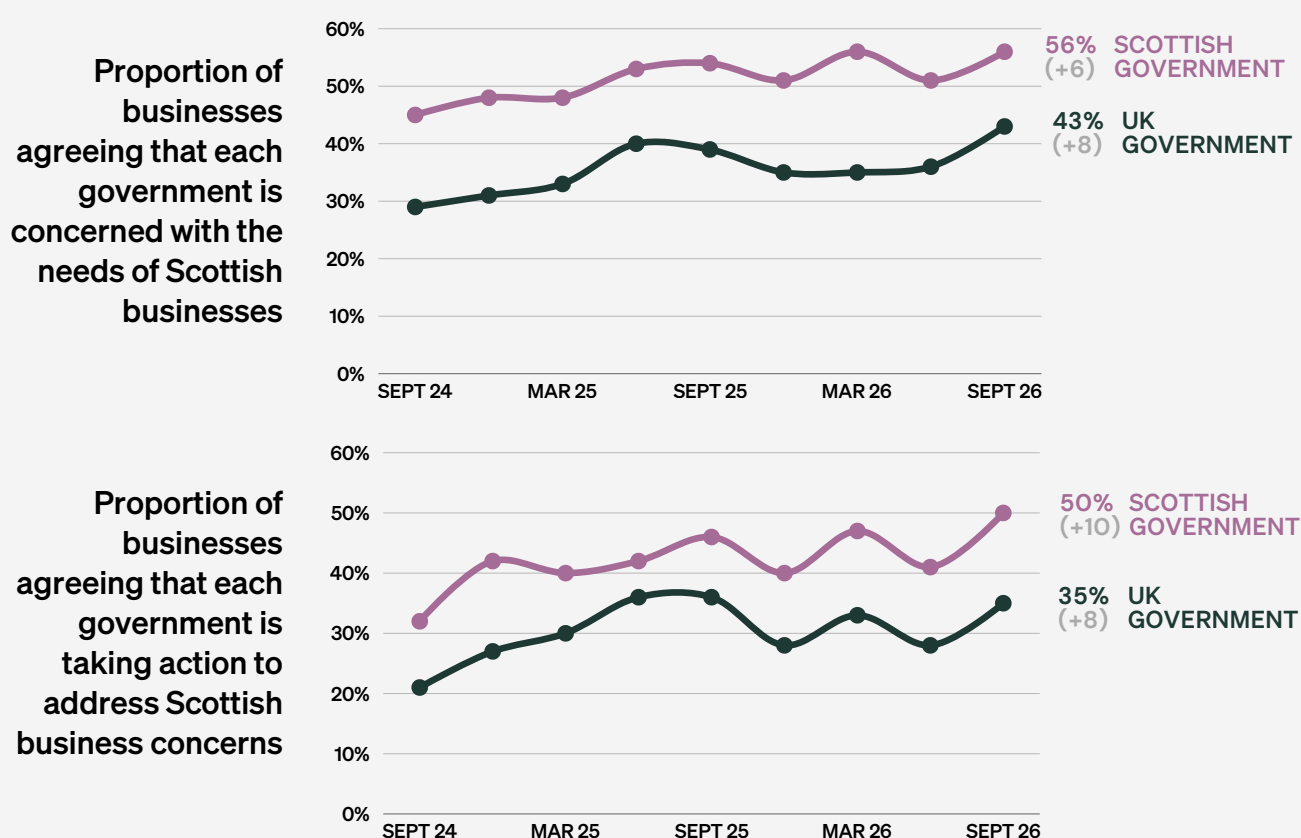
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Compared with the June wave of research, more businesses agree that both governments are concerned with their needs and are taking action to address their concerns

More than half (56%) of businesses now agree that the Scottish Government is concerned with the needs of Scottish businesses - an increase of six percentage points from the previous wave of research. Businesses also increasingly agree that the UK Government is concerned with Scottish business needs, although the proportion agreeing is just over four in ten (43%).

Both of these have reached their highest proportions since the start of Understanding Business.

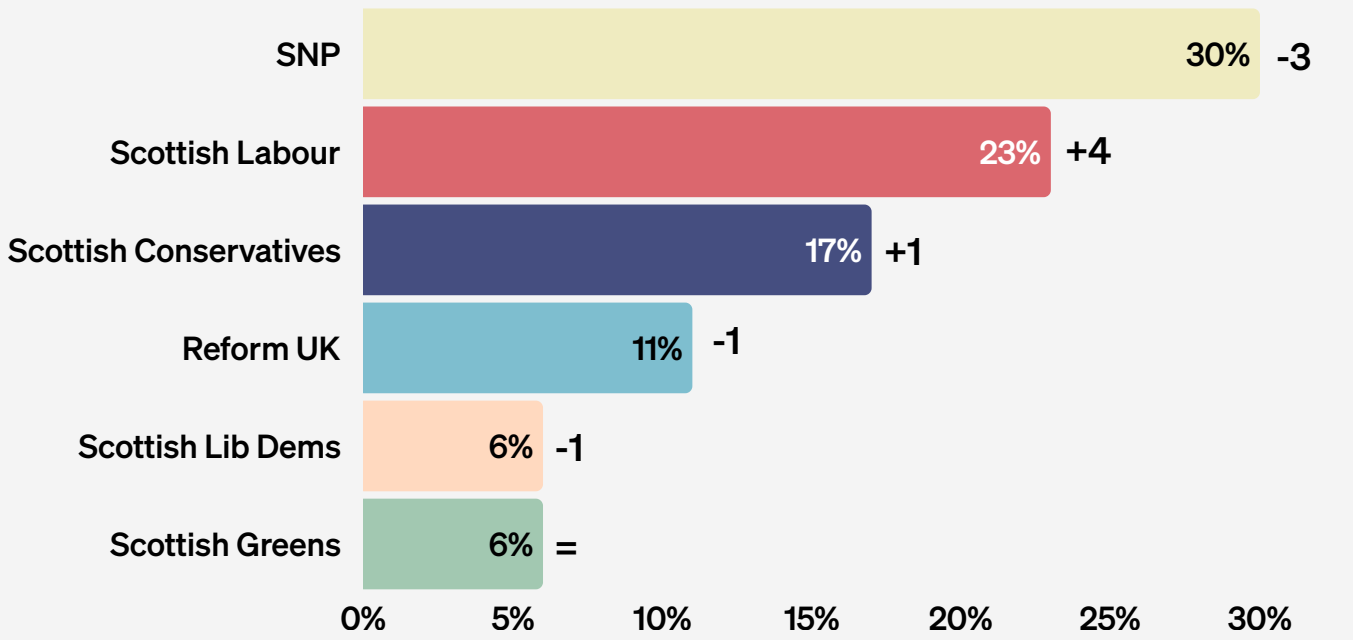
The proportion of businesses agreeing that each government is taking action to address Scottish business concerns is generally slightly lower. Having said that, half (50%) now say that the Scottish Government is taking action to address the concerns of businesses - a rise of ten percentage points since June. Just over a third (35%) of businesses say that the UK Government is taking action to address the concerns of businesses in Scotland, a rise of eight percentage points. The results suggest that businesses more frequently see concern than action from each government, but also that they are increasingly positive about the actions taken by each.





PARTY REPRESENTATION

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

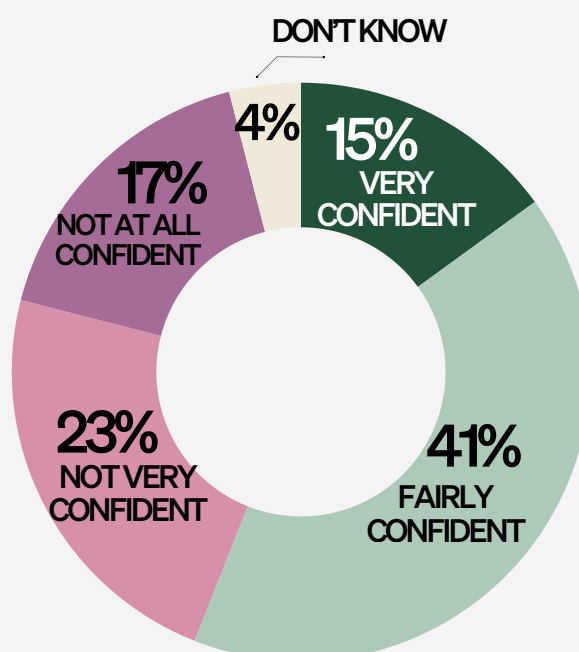


Three in ten (30%) businesses say that the SNP best represents the interests of Scottish business, although the proportion selecting the party has fallen slightly by three percentage points since June. Conversely, the proportion selecting the Scottish Labour Party has increased by four percentage points to just under a quarter (23%) of businesses. Around one in six (17%) businesses select the Scottish Conservatives, while around one in nine (11%) believe Reform UK best represents their interests. Just six percent of businesses select the Scottish Liberal Democrats or the Scottish Green Party.

The timing of this wave alongside the arrival of new Prime Minister Andy Burnham helps to contextualise the results slightly. Whilst impossible to definitively attribute to this change, the results suggest that there could be a slight ‘Burnham bounce’ among businesses in Scotland.

SUPPORTING BUSINESS GROWTH

Thinking about the Scottish Government's first 100 days since the 2026 election, proportion of businesses that are confident/not confident that its actions so far will support business growth in Scotland



When considering the first 100 days of the parliamentary term, more than half (56%) of businesses report that they are confident that the Scottish Government's actions so far will support business growth in Scotland, with 15% saying they are very confident.

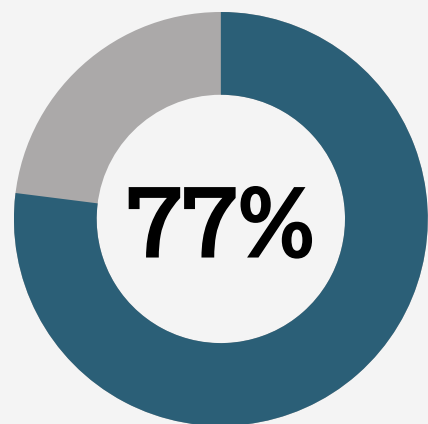
Around four in ten (39%) are not confident that their actions will translate to business growth, while just a handful of businesses (4%) say they do not know how confident they are.

Businesses were asked about their support for the Scottish Government adopting two policies announced by the Prime Minister: a 20% cut to business rates for pubs, clubs and live music venues, and a cap at £2 for single bus fares.

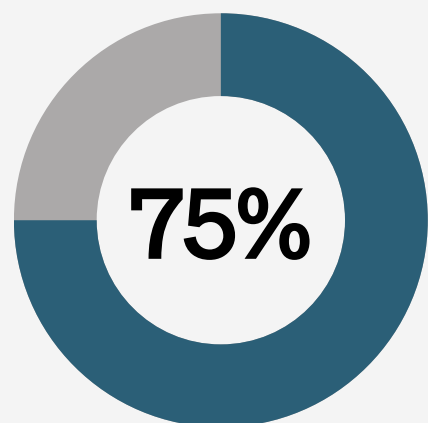
Businesses were asked the extent to which they support two measures that were recently introduced in England by Prime Minister Andy Burnham, including a business rates cut for pubs, clubs and live music venues and a cap on single bus fares. When considering the introduction of these policies in Scotland, both are extremely popular among Scottish businesses.

More than three quarters (77%) Scottish businesses support the Scottish Government adopting a 20% cut to business rates for pubs, clubs and live music venues. A further one in seven (15%) neither support nor oppose this, and just six percent say they oppose the policy.

Similarly, three in four (75%) businesses support the Scottish Government introducing a £2 cap for single bus fares. One in six (17%) businesses neither support nor oppose this policy, while six percent once again oppose the measure.



support the Scottish Government adopting a 20% cut to business rates for pubs, clubs and live music venues



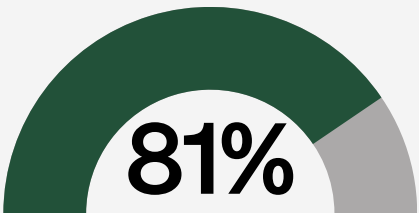
support the Scottish Government adopting a £2 cap for single bus fares

SCOTTISH PARLIAMENT

POWERS

The vast majority of businesses support devolution to the Scottish Parliament, believing they should have more powers in relation to business.

Proportion of businesses selecting one of the additional powers the Scottish Parliament could have in relation to business



Proportion of businesses that believe the Scottish Parliament should have the following powers in relation to business

ENHANCED POWERS TO ATTRACT INVESTMENT AND FUNDING TO SUPPORT ECONOMIC DEVELOPMENT

40%

MORE AUTONOMY IN SHAPING POLICIES RELATED TO WORKFORCE TRAINING AND DEVELOPMENT

38%

AUTHORITY OVER ADDITIONAL TAXATION POLICIES

37%

GREATER INFLUENCE IN NEGOTIATING INTERNATIONAL TRADE AGREEMENTS

37%

EXPANDED CONTROL OVER BUSINESS REGULATION AND LICENSING

34%

I DO NOT BELIEVE THE SCOTTISH PARLIAMENT SHOULD HAVE ANY FURTHER POWERS RELATING TO BUSINESS

19%

More than four in five (81%) - believe that the Scottish Parliament should have more powers in relation to business as indicated by selecting at least one of the additional powers listed.

Four in ten (40%) say that the Scottish Parliament should have enhanced powers to attract investment and funding to support economic development, four in ten (38%) believe Holyrood should have

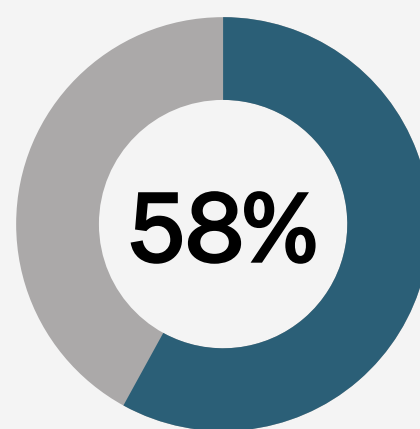
more autonomy in shaping policies related to workforce training and development, while a similar proportion (37%) say it should have more authority over taxation powers and greater influence in negotiating international trade agreements. A third (34%) say it should have expanded control over regulation and licensing. Just 19% do not believe it should have more powers.

Businesses were also asked their views on wider devolution within Scotland, including the establishment of metro mayors and the balance of powers relating to business and economic development between the Scottish Government and local authorities.

Business views on further devolution within Scotland are generally mixed. Around six in ten (58%) businesses agree that establishing metro mayors for Scotland's largest cities would promote economic growth. A further one in six (17%) neither agree nor disagree, and one in five (20%) disagree that this would stimulate economic growth, signalling that generally there is reasonable support for this type of devolution.

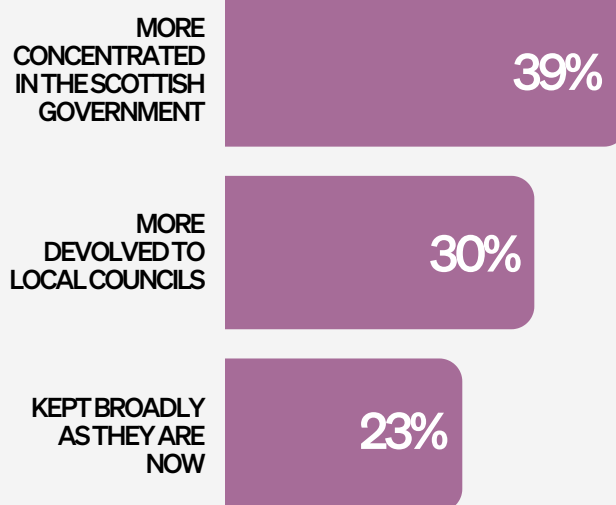
Having said that, when considering whether powers relating to business and economic development should be more centralised or devolved to local councils, a plurality (39%) say that these powers should be more concentrated with the Scottish Government. Three in ten (30%) believe that these powers should be more devolved to local councils, while around a quarter (23%) say that powers should be kept broadly as they are now.

The results signal openness to new devolution structures via the establishment of metro mayors, but a belief that business powers are better kept with the Scottish Government than with Councils.

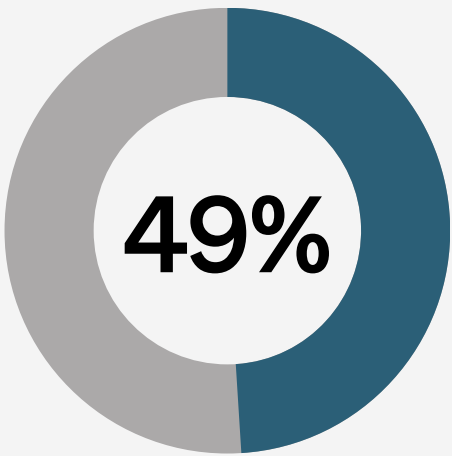


agree that establishing metro mayors for Scotland's largest cities would promote economic growth

Do you think powers relating to business and economic development in Scotland should generally be...

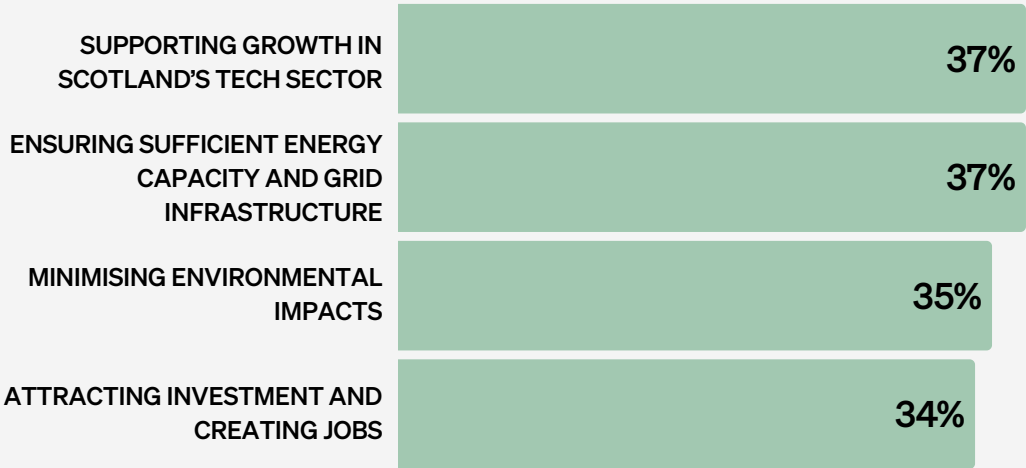


Businesses are split when it comes to AI data centres - nearly half (49%) believe there should be a temporary pause on approvals, while 48% say Scotland should support their development to attract investment, jobs and economic growth.



say that there should be a temporary pause on approvals for new AI data centres in Scotland until the impact on energy infrastructure, communities and the environment has been fully assessed

Which of the following should be the Scottish Government’s highest priorities when considering proposals for new AI data centres in Scotland?



Businesses were asked to consider the factors that the Scottish Government should prioritise when considering proposals for AI data centres in Scotland. Nearly four in ten (37%) say it should prioritise supporting growth in the tech sector and ensure sufficient energy capacity and grid infrastructure.

Around a third of businesses believe the government should prioritise minimising environmental impacts (35%) and attracting investment and creating jobs (34%).



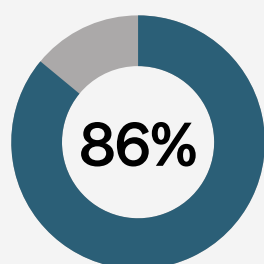
ENERGY IN SCOTLAND

Businesses surveyed were asked to what extent they agree or disagree with a series of statements relating to energy in Scotland.

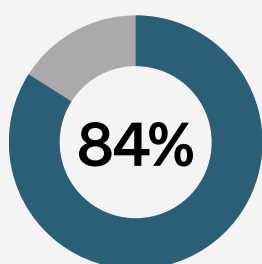
Businesses generally agree with the principle of improved community or industry benefit arising from the hosting of energy infrastructure and energy production in Scotland. Nearly nine in ten (86%) businesses agree that Scotland produces significant amounts of energy and businesses in Scotland should see greater economic benefits from that production. More than four in five (84%) agree that a greater share of the revenues generated from Scotland's energy resources should be retained and invested in Scotland.

More than three in four (77%) say that communities that host major energy infrastructure projects should receive a greater share of the economic benefits generated by those developments, while seven in ten (71%) believe that households and businesses located near major energy developments should receive lower energy costs as a result. Fewer than one in ten businesses disagree with each statement, indicating strong support across the board.

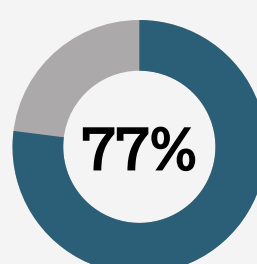
Percent of businesses that agree with each statement



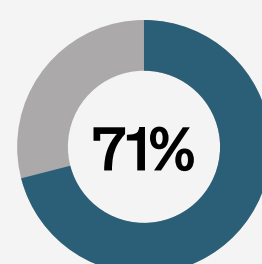
Scotland produces significant amounts of energy and businesses in Scotland should see greater economic benefits from that production



A greater share of the revenues generated from Scotland's energy resources should be retained and invested in Scotland



Communities that host major energy infrastructure projects should receive a greater share of the economic benefits generated by those developments



Households and businesses located near major energy developments should receive lower energy costs as a result



TECHNICAL DETAILS

The survey was designed by Diffley Partnership and Charlotte Street Partners. Invitations were issued online and fieldwork was conducted in September 2026. A total of 502 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

UNDERSTANDING

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