

Scottish and UK governments urged to seize ‘genuine opportunities’ to revive the economy as business confidence slumps

New research from the Scottish Chambers of Commerce (SCC) shows firms are entering the second half of 2026 with business confidence continuing to weaken, reinforcing a cautious outlook for growth.

As a new Prime Minister prepares to enter Downing Street and the Scottish Government undertakes a review of Non-Domestic Rates, SCC urged both governments to take advantage of these opportunities to improve the conditions for investment and growth.

Representing more than 12,000 companies and more than half of Scotland’s private sector workforce, SCC said the findings reinforce the case for governments to introduce a Competitiveness Test at the heart of decision-making, ensuring future policies contribute to a revitalisation of the economy.

Key findings of the latest survey included:

- **Confidence weakened further:** 40% of firms reported a fall in confidence during the quarter, compared with 25% reporting an increase.
- **Inflation is now the leading concern for firms:** Nearly seven in ten (69%) cited inflation as a concern, overtaking taxation (57%).
- **Investment remains subdued:** Around half reported no change to investment levels, while all investment measures recorded negative net balances.
- **Recruitment difficulties increased:** More than half of firms (53%) reported challenges recruiting staff.
- **Cost pressures intensified:** Labour costs affected 75% of firms, while fuel costs rose sharply to 65%, one of the largest increases recorded in recent years.
- **Further price rises expected:** Three-quarters expected to increase prices over the next three months.
- **Employment remained stable:** Despite growing cost pressures, around six in ten businesses reported no change in staffing levels during the quarter.

Doug Smith, Vice-President of the Scottish Chambers of Commerce and Chair of the Scottish Economic Advisory Group, said:

“Entering the second half of the year, firms are taking a ‘wait-and-see’ approach. Confidence has weakened, investment remains subdued, and recruitment challenges continue to grow. Until businesses see meaningful action that unlocks investment, it is difficult to see confidence recovering.

“Perhaps the defining feature of this quarter’s survey is that businesses are protecting today’s operations at the expense of tomorrow’s growth. That cautious approach may help firms weather current pressures, but it also places a hard ceiling on Scotland’s growth potential.

“The persistence of these pressures is forcing difficult decisions across the country. Three quarters of respondents expect to increase prices in the coming months because absorbing further costs is no longer sustainable. That has implications well beyond individual firms, affecting household budgets, supply chains and wider economic confidence.

“The encouraging aspect is that many of these pressures can be influenced through domestic policy. Decisions that improve competitiveness, reduce the cost of doing business and give firms a greater degree of certainty would help unlock investment and support growth across the economy.”

Charandeep Singh BEM, Chief Executive of the Scottish Chambers of Commerce, said:

“The first half of 2026 has been challenging for Scotland’s businesses. While many of those challenges originate beyond the control of Holyrood and Westminster, recent developments in both governments present genuine opportunities to improve the conditions for investment and growth. Our members across Scotland would urge ministers to seize them.

“Cost pressures are reshaping day-to-day operations across Scotland, making investment decisions harder and holding back opportunities for expansion. Policymakers must take the initiative and introduce a Competitiveness Test at the heart of decision-making. Every major economic decision should be judged against one simple question: will it make it easier or harder for businesses to invest, hire and grow?

“Every step that makes it easier to do business, reduces unnecessary costs, and gives businesses greater certainty, will pay dividends for years to come.”

Professor Mairi Spowage, Director of the Fraser of Allander Institute, said:

“While global conditions remain unsettled, from trade tensions to geopolitical disruption affecting energy markets, the Scottish economy has so far proved more robust than many had anticipated. However, as has been the case in recent quarters, that resilience should not be mistaken for strength.

“Despite these headwinds, firms continue to demonstrate a degree of resilience. Employment has remained broadly stable overall, even as recruitment challenges persist, and many businesses are continuing to operate in difficult conditions. But the overall picture is one of a fragile equilibrium – where resilience is being maintained, but at the cost of reduced investment, weaker confidence, and a more cautious outlook.”

Ends