



Aberdein Considine

# SME Business Outlook 2026

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# Foreword

If we had to describe the current status of Scotland's small and medium-sized enterprise (SME) community in just three words, it would be *'embattled yet resilient'*.

SMEs play a critical role in underpinning Scotland's economy, with the Scottish Government estimating that they represent 99% of private sector businesses and 1.2 million jobs across the country. Despite facing sustained financial pressures and an uncertain operating environment, business owners continue to demonstrate optimism, adaptability and determination in the face of ongoing challenges.

This year's report, which builds on the insights from our 2025 SME Business Outlook Survey, offers a view of the SME landscape as we approach the pivotal 2026 Holyrood election.

Working in partnership with Censuswide for the second year running, we expanded the scope of our research to capture a broader and more detailed picture of SME sentiment. We increased the number of businesses surveyed and placed a greater emphasis on regional perspectives to better understand how sentiment and priorities vary across different parts of the country.

This regional lens helps to illustrate that, while many challenges are shared, local conditions and nuances shape how businesses plan, invest and grow.

The views expressed by businesses in this report offer an important snapshot of the priorities and pressures facing Scotland's SME community. Their insights not only highlight the realities of operating in today's environment but also issue a clear call to action for policymakers to deliver the stability, clarity and investment that SMEs need to succeed and grow.

As the backbone of Scotland's economy, driving employment, innovation and prosperity in local communities, SMEs must be given the confidence and the space to thrive. With the election approaching, there is a significant impetus on the Scottish Government to put in place the conditions needed to support sustainable growth and long-term resilience. Respondents have been clear in the changes they want to see, with stimulating inward investment, reducing restrictive red tape and cutting or providing relief on taxes emerging as the top measures. The question now is whether that call will be heard - and acted upon.

**Ritchie Whyte**, *Partner and Head of the Corporate and Business Advisory team at Aberdein Considine LLP.*



# Executive Summary

Small and medium-sized enterprises (SMEs) across Scotland continue to navigate a challenging trading environment, with financial, operational and workforce pressures shaping business confidence.

While 81% of owners recognise some level of risk to their viability over the next 12 months, which is consistent with last year's survey, our survey's findings also reflect resilience, with many businesses actively adapting and planning for growth despite uncertainty.

Viability concerns, brought about by economic pressures, are most pronounced in Edinburgh & the Lothians and Aberdeen & the North-east, while Greater Glasgow & Clyde reports comparatively stronger optimism. Hospitality and energy businesses are seeing the greatest risk to their viability in the coming year, particularly around supply chain disruption and reduced consumer demand.

Rising operating costs, skills gaps and workforce challenges remain key growth challenges, yet these appear to be prompting businesses to rethink operations and build longer-term resilience.

Encouragingly, SMEs continue to show a strong commitment to investment despite widespread concerns around business viability. Across regions and sectors, priorities are focused on digital adoption and artificial intelligence (AI), skills development, commercial property and sustainability initiatives.

However, emphasis varies by industry. Energy businesses cite skills development as their top priority, while the hospitality sector is concentrating on digital adoption, AI and ESG-driven sustainability initiatives. Retailers are placing a greater focus on workforce skills, whereas food and drink companies are prioritising digital adoption and AI above other areas.

Although overall Environmental, Social and Governance (ESG) investment intentions have softened, two-thirds of SMEs view the energy transition as a tangible opportunity for growth.

Half of respondents report being optimistic about the year ahead for their own sectors. However, this has declined by 33% year on year. While perceptions of government support have cooled, targeted measures such as retail and hospitality relief are seen as beneficial, and businesses are clear about what would help most – improving conditions to stimulate inward investment and improving access to grants.

From our perspective, this underlying optimism, combined with continued investment in skills, technology and sustainability, provides a robust foundation for SMEs to build strength and unlock sustainable growth in the year ahead.

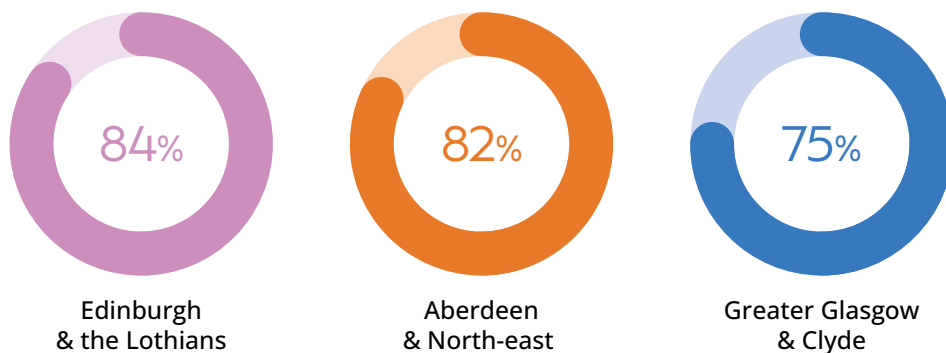


# Compounding financial and workforce pressures intensify business viability concerns

81% of SME owners across Scotland believe the viability of their business is at risk over the next 12 months.

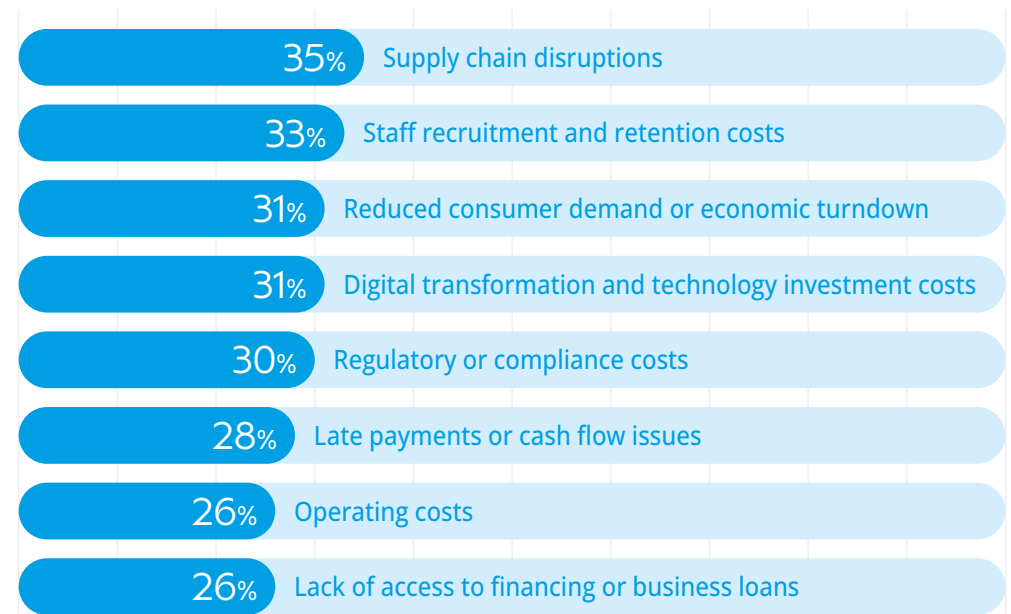
This figure mirrors last year's results, with only one in five SME owners perceiving no risk, highlighting persistent caution and tempered business confidence.

That concern is felt most acutely by businesses based in Edinburgh & the Lothians (**84%**) and Aberdeen & the North-east (**82%**), with those in Greater Glasgow & Clyde slightly less pessimistic, with **75%** noting concerns for their viability.



Across sectors, hospitality businesses report the highest concern (**83%**), followed by energy businesses (**81%**), with food and drink and retail slightly more confident – yet still **77%** in both sectors expect some level of risk over the next year.

Financial pressures will play a significant role in the viability concerns of Scotland's SMEs. According to our respondents, **the top financial challenges** for SMEs in the coming year are:



While staff recruitment, supply chain disruptions and digital transformation and technology investment costs are common financial concerns across all regions, the focus varies: businesses in Greater Glasgow & Clyde face more financial concern over staffing and operating costs (**43%**), Edinburgh & the Lothians businesses report moderate concern across most areas and Aberdeen & the North-east companies are particularly affected by reduced consumer demand or economic downturn (**36%**), late payments or cash flow issues (**31%**) and regulatory or compliance costs (**31%**), with comparatively lower financial challenges around staff recruitment and retention costs.

The energy sector faces the broadest range of financial pressures, with higher reported financial challenges caused by supply chain disruptions (**37%**), reduced consumer demand or economic downturn (**39%**), digital transformation and technology investment costs (**36%**), operating costs (**33%**) and lack of access to financing or business loans (**33%**).

Industries heavily reliant on complex sourcing or perishable goods (food and drink, energy) feel supply chain issues more acutely (**42% and 37%**), while retail, possibly with more local or diversified supply chains, is less impacted (**28%**).

The **top barriers to growth** identified by our respondents are:



“Our survey finds that 81% of Scottish SMEs think their business viability is at risk – a comparable figure to last year. Workforce pressures, rising costs and supply chain disruptions, particularly in the energy and hospitality sectors, highlight an urgent need for targeted support to safeguard confidence and enable growth.”

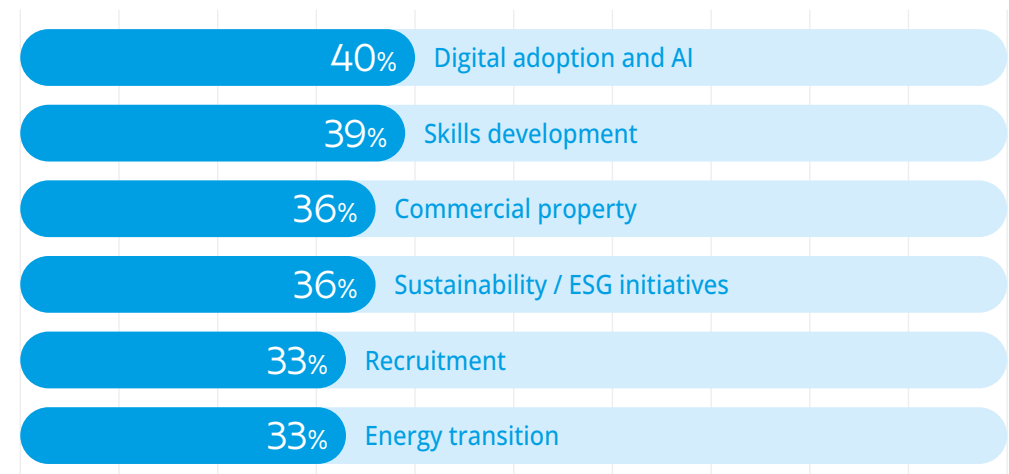
**Ritchie Whyte,**  
*Partner, Aberdeen Considine LLP*



While increased operating costs and restricted access to funding are common barriers to business growth across all regions, Greater Glasgow & Clyde is most affected by competitive pressures (**19%**), Edinburgh & the Lothians face a balanced set of challenges and Aberdeen & the North-east businesses are disproportionately constrained by skills gaps and workforce challenges (**24%**).

Although rising operating costs and workforce challenges are the primary obstacles to growth overall, their impact is uneven: the energy sector is disproportionately affected by higher operating costs (**30%**), the hospitality sector faces the greatest skills gaps and workforce challenges and competitive pressure from others (**24% each**) and the retail sector is particularly constrained by access to funding (**21%**). Concerns around geopolitical events and taxation are roughly consistent across sectors (**13-17%**).

A lack of confidence across the SME sector can also have a huge impact on the investment landscape, as business owners need to be certain that their finances are secure before deciding to make big, and potentially risky, investments. The **top areas Scottish SMEs intend to invest** over the coming year are:



Investment priorities vary by region: Greater Glasgow & Clyde businesses are particularly focused on sustainability and ESG initiatives (45%), alongside digital adoption and AI (40%), Edinburgh & the Lothian businesses show a balanced approach across technology (38%), skills (37%), and property (34%), while businesses in Aberdeen & the North-east emphasise digital adoption and AI (41%) and commercial property (36%).

Investment plans also vary notably by sector: the energy sector is prioritising skills development (45%), digital adoption and AI (42%) and commercial property (42%); food and drink is heavily focused on digital adoption and AI (48%); hospitality and leisure is also investing most in digital adoption and AI and sustainability/ESG initiatives (both 39%), as well as skills development (37%); while retail shows a more balanced approach, with comparatively lower emphasis on digital adoption and AI (30%) and sustainability / ESG initiatives (37%).

When asked to identify their **top business priorities** for the next 12 months, SME owners highlighted the following:



“Confidence is the lifeblood of investment. With many SMEs cautious about committing to growth, technology or sustainability initiatives until they feel financially secure, it is critical that policymakers create a stable and predictable environment.

With the Holyrood election just months away, supporting businesses now is essential to unlocking the investment Scotland needs.”

**Ritchie Whyte,**  
*Partner, Aberdeen Considine LLP*

Over the next 12 months, Greater Glasgow & Clyde businesses want to prioritise growth (**40%**), skills and development (**34%**) and adopting new technology (**35%**); Edinburgh & the Lothians will focus on workforce expansion (**32%**) and stability (**31%**); while Aberdeen & the North-east businesses emphasise cost-cutting (**31%**) and the adoption of new technologies (**31%**) over growing their workforce (**20%**).

Business priorities over the next 12 months are broadly focused on growth, skills development and technology adoption, but again, sector emphasis varies. The energy sector is unsurprisingly prioritising ESG and sustainability targets (**41%**), the food and drink sector is focused on new technologies (**33%**), hospitality is growth-oriented (**37%**) and retail combines growth initiatives (skills development at **33%** and investment in growth (**29%**) and growing workforce at **28%**) with a stronger focus also on resilience (**29%**).

Assessing business optimism and pessimism in this context is important to understand how businesses view prospects, and to identify the factors shaping confidence in growth over the next 12 months.

When asked how **optimistic or pessimistic** they felt about the next 12 months for their business, **50%** were optimistic<sup>1</sup>, **16%** were neutral and **34%** were pessimistic<sup>2</sup>. This is in stark contrast to last year’s findings, with overall optimism dropping by **30%** (**80%** in 2025), and pessimism increasing to **34%** (**6%** in 2025).

There was also a marked fall in **sector optimism and rise in pessimism** over the next 12 months, with **50%** optimistic (**83%** in 2025) and **35%** pessimistic (**6%** in 2025).

Most notably, Greater Glasgow & Clyde emerged as the most positive region in Scotland, with **62%** remaining optimistic<sup>3</sup> about their business for the year ahead, compared to **43%** in Edinburgh & the Lothians & **41%** in Aberdeen & the North-east.



“The regional findings of this year’s survey paint an interesting picture: the Scottish capital emerges as the least confident among Scotland’s major cities for SME viability.”

**Ritchie Whyte,**  
*Partner, Aberdeen Considine LLP*

# A tale of three cities

**Ritchie Whyte**, Partner and Head of Corporate and Business Advisory at Aberdeen Considine LLP

Our 2025 survey of Scottish small and medium-sized enterprises (SMEs) revealed a striking finding - four-fifths of business owners felt that their viability was at risk.

As we moved into 2026, just months ahead of the next Holyrood election, we wanted to put this issue under the microscope once again to see if the needle had shifted. While concerns about survival remain widespread, largely unchanged from mid-2025, with **81%** of Scottish SMEs expressing survival fears, the level of optimism businesses are expressing about their sector has experienced a sharp drop, falling from **83%** last year to **50%** in 2026. The expanded scope of this year's research also uncovered notable regional differences in sentiment.

We surveyed more than 600 SME owners across Scotland and, of the regions around Scotland's biggest cities, Edinburgh & the Lothians emerged as the least confident.

When asked what they thought about their viability in the next 12 months, **84%** of SME businesses surveyed in the area reported concerns about business survival, compared with **82%** in Aberdeen & the North-east and **75%** in Greater Glasgow & Clyde.

The varying levels of confidence are also reflected in the priorities of SMEs across each region for 2026. In Greater Glasgow & Clyde, **40%** of businesses are prioritising investment in growth areas, compared with just one in five (**20%**) in Aberdeen & the North-east. Edinburgh & the Lothians almost meet the two in the middle with **28%** of SMEs in this region prioritising investment in growth.

While the levels of confidence may have differed, the three cities, and their surrounding areas, are in alignment on certain factors. Of particular interest is the increasing importance of digitalisation in SME operations, with **41%** of SMEs from Aberdeen & the North-east intending to invest in digital adoption and AI this year, alongside **40%** of businesses in Greater Glasgow & Clyde and **38%** in Edinburgh & the Lothians.

Similarly, the three regions - along with Scotland as a whole - are aligned on what the Scottish Government can do to improve conditions for SMEs across the country. The most commonly identified priorities were stimulating inward investment, cited by around a third of respondents, followed closely by improving the availability of grant funding (**31%**).

With the Holyrood election fast approaching, policymakers should heed this clear call for stability and targeted support that enables SMEs to plan, invest and grow. Across Scotland, Aberdeen Considine's 2026 SME Business Outlook highlights an embattled yet resilient and pragmatic business community, reflecting shared challenges and regional nuances. With viability concerns weighing heavily on businesses, ambitions for growth are being dampened, leaving the future of many Scottish SMEs hanging in the balance.

# Spending slows, optimism climbs: a split picture on ESG

Perhaps one of the most notable trends this year is the drop in Scottish SMEs intending to invest in ESG or sustainability initiatives, **down from 52% in 2025 to 36% today.**

“Sustainability remains a key consideration for businesses, but our latest survey shows it is no longer the immediate priority it once was. While sectors like energy and hospitality continue to see value in ESG initiatives, overall investment intentions have fallen sharply, and regional differences highlight that some areas face greater challenges in making sustainability a focus.”

**Ritchie Whyte,**  
*Partner, Aberdeen Considine LLP*

This overall trend masks significant variation across sectors, however. Energy businesses remain the most likely to invest, with **41%** indicating plans (down from **53%**), closely followed by hospitality at **39%** (down from **54%**), suggesting these sectors continue to prioritise sustainability despite broader declines. Retail sits just above the overall average at **37%** (down from **53%**), while food and drink show the lowest engagement, with only **33%** of businesses surveyed planning ESG investment over the next year (down from **49%**).

This pattern indicates that while ESG initiatives retain traction in some sectors, others, particularly food and drink, may face greater barriers, or deprioritise sustainability relative to operational and workforce pressures.

Regional analysis also shows substantial variation in SMEs' intentions to invest in ESG and sustainability initiatives. Greater Glasgow & Clyde leads the way, with **45%** of SMEs planning to invest, well above the overall average of **36%**, indicating strong engagement in sustainability in the city. Edinburgh & the Lothians sits at **33%**, slightly below the national average, while Aberdeen & the North-east lags significantly at just **20%**, suggesting that ESG initiatives are less prioritised in this region.

Over the next 12 months, meeting ESG and sustainability targets has decreased as a business priority overall, **falling from 33% in 2025 to 29% in 2026**. This decline reflects a modest shift in organisational focus and underscores the need to reassess how sustainability goals are integrated into strategic planning.

Looking across sectors, the prioritisation of ESG and sustainability targets over the next 12 months varies. Energy leads at **42% (up from 33%)**, followed by hospitality at **30% (down from 31%)**, while food and drink and retail are lower, at **23% each (down from 40% and 29%)**. This indicates that sustainability is more strongly emphasised in energy and hospitality, with food and drink and retail showing comparatively lower focus.

Regional responses show very little variation in the prioritisation of ESG and sustainability targets over the next 12 months, with percentages ranging narrowly from **26 – 27%**. This consistency suggests a broadly aligned view across the regions regarding the relative importance of sustainability in business planning.

“While overall focus on ESG and sustainability targets has dipped slightly, the data highlights clear differences by sector, with energy and hospitality maintaining stronger prioritisation. At the same time, regional alignment remains high, suggesting that businesses are generally on the same page about sustainability, even as specific priorities shift.”

**Ritchie Whyte,**  
*Partner, Aberdeen Considine LLP*

The overall picture becomes more nuanced when considering the energy transition, with **two-thirds of Scottish SMEs (67%)** viewing the energy transition as an opportunity/advantage over the next 12 months, up **8%** from last year.

This optimism is even stronger in the energy sector itself, rising by 11 percentage points to **77%**<sup>4</sup>. All sectors surveyed showed increased optimism about the energy transition, with **65%**<sup>5</sup> of food and drink businesses seeing it as an opportunity (up from **54%**), followed by **65%**<sup>6</sup> of hospitality businesses (up from **61%**) and **57%**<sup>7</sup> of retail businesses (up from **54%**). So, while sustainability priorities vary, the energy transition is still seen as a clear growth lever.

Regional responses also show notable variation in views on the energy transition as a business opportunity. In Greater Glasgow & Clyde, **71%** of businesses view it positively, compared with **56%** in both Edinburgh & the Lothians and Aberdeen & the North-east<sup>8</sup>. This suggests that businesses in Glasgow are more optimistic about the potential benefits of the energy transition, while sentiment in Edinburgh and the North-east is comparatively more cautious.



“Despite some shifts in broader sustainability priorities, the energy transition is driving real optimism across SMEs. With two thirds seeing it as an opportunity, and even higher confidence within the energy sector and in Glasgow, it’s clear that targeted initiatives can create tangible business growth. Policy developments that strengthen investment in offshore wind and its associated supply chains could unlock further opportunities for SMEs in sectors such as engineering, construction and logistics. Supporting the growing focus on energy networks, storage and hydrogen technologies will also be vital as Scotland develops its future energy system.”

**Ritchie Whyte,**  
*Partner, Aberdeen Considine LLP*



# Sustainability is slipping down the SME agenda and why that's a mistake

**Rod Hutchison**, *Partner and energy sector lead, Aberdeen Considine LLP*

For the past several years, sustainability and a focus on environmental, social and governance (ESG) have steadily climbed the boardroom agenda for small and medium-sized enterprises (SMEs).

Not long ago, many saw environmental and social commitments as a competitive differentiator, helping win contracts, attract talent and future-proof operations. But that momentum now appears to be slowing.

Our latest SME Business Outlook survey suggests that while sustainability remains important, it is no longer the immediate priority it once was. In 2025, more than half (**52%**) of SMEs told us they intended to invest in ESG or sustainability initiatives over the following year. This year, that figure has fallen sharply to **36%**.

The same pattern is emerging across sectors. In energy, traditionally one of the most engaged industries for its net zero ambitions, planned investment in sustainability and ESG has dropped from **53%** to **41%**. Food and drink has fallen from **49%** to **33%**, while retail declined from **53%** to **37%**.

At first glance, it looks like a retreat. Yet the picture is more nuanced. Two thirds of SMEs believe the energy transition presents an opportunity for their business, up **8%** from last year, rising to **77%** in the energy sector itself, an increase of **12%** from a year ago.

The reality is that businesses are operating in a tougher climate than they have for some time. Demand is softer, margins are tighter, borrowing costs remain elevated and many firms face skills shortages. When confidence dips, priorities naturally shift.

Management teams are focusing first on operational resilience, investing in technology, AI, productivity improvements and workforce capability. These are tangible, near-term decisions that protect cashflow and competitiveness. In comparison, ESG projects can feel longer term or less urgent, particularly for smaller firms with limited budgets.

That's understandable. But it may also be short-sighted.

What's changing isn't necessarily commitment to sustainability, but how it's being delivered. A few years ago, ESG often meant standalone strategies and ringfenced budgets. Now, it's increasingly embedded in everyday decisions.

Digital transformation reduces energy use. More efficient premises cut emissions. Skills investment supports greener working practices. Supply chain reviews improve both resilience and environmental performance.

In other words, many businesses are still achieving ESG outcomes, they just don't always label them that way.

That integration is positive, but it carries a risk. If sustainability becomes invisible, it can slip off the strategic agenda altogether.

The commercial case hasn't weakened. Procurement requirements are tightening, lenders are assessing environmental risk more closely, and customers expect credible commitments. In sectors such as energy, construction and manufacturing, alignment with net zero goals is fast becoming a prerequisite for winning work.

The answer isn't costly headline initiatives. It's about embedding sustainability into core decisions, choosing efficient equipment, upgrading property responsibly and measuring environmental gains alongside productivity improvements.

From what we see across our clients, the most resilient businesses treat sustainability not as a separate project, but as part of how they operate every day. ESG may have slipped down the priority list, but maintaining steady progress now will almost certainly prove less costly than catching up later.

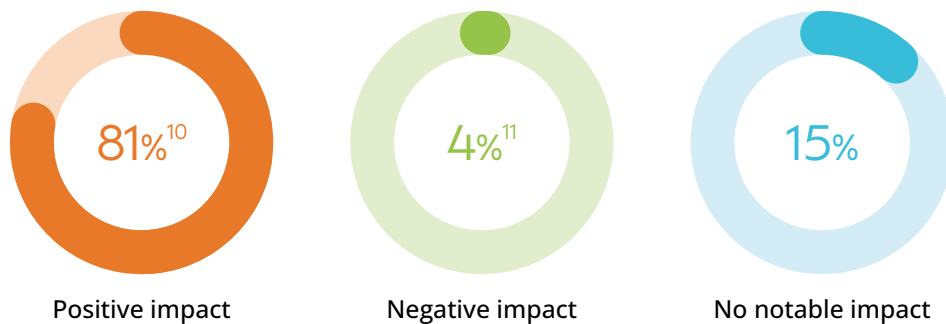


# Do Scottish SMEs have the government backing they need to navigate change and embrace opportunities?

Perceived government support has plunged: 66%<sup>9</sup> of businesses surveyed see the Scottish Government as prioritising their sector (down from 88%), and 65% say the same for the UK Government (down from 85%).

Greater Glasgow & Clyde businesses show considerably more favour to both the Scottish and UK Governments (**76%** for Scottish Government, **71%** for UK Government), while businesses in Edinburgh & the Lothians (**54%** for Scottish Government, **57%** for UK Government) and Aberdeen & the North-east (**54%** for Scottish Government, **57%** for UK Government) are more critical.

When asked about the most recent Scottish Budget, which was delivered on 13<sup>th</sup> January, just days before our survey went to field, we found:



With just over four in five SMEs saying the Scottish Budget will have a positive impact, it appears that their optimism reflects not only direct rates support but also a broader sense that the Budget is helping to manage costs while continuing to back key growth sectors. In addition to targeted non-domestic rates relief and transitional protection after revaluation, Scottish Government policy continues to support investment in areas such as offshore wind and infrastructure.

Hospitality and leisure and food and drink were slightly more critical, with **70%** expecting the Budget will have a positive impact<sup>12</sup> while energy businesses were the most positive, with **89%** reporting a positive impact from the Scottish Budget.

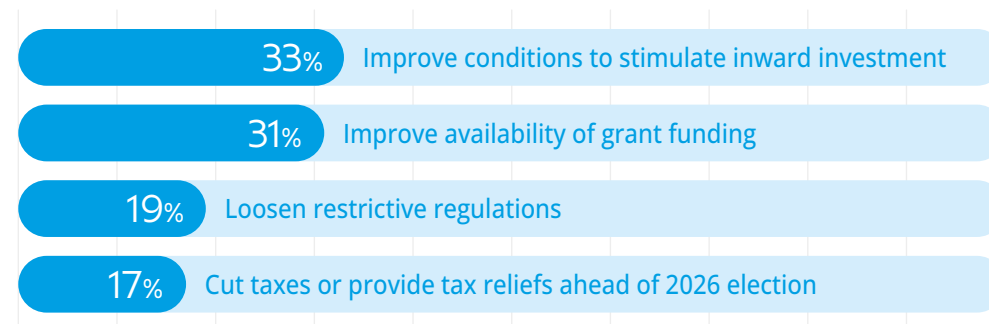
“These findings suggest that while SMEs generally welcome targeted government measures, broader confidence in government support is waning. Businesses are clear about what drives growth – investment, grants, and manageable regulations – but sectoral and regional differences highlight that a one-size-fits-all approach may not meet all needs. In practice, this means policymakers must balance targeted incentives with consistent, predictable frameworks to ensure businesses can plan, invest and adapt effectively.”

**Ritchie Whyte,**  
Partner, Aberdeen Considine LLP

Businesses in Edinburgh & the Lothians were the most positive, **78%** reporting that they expect a positive impact, while those in the North-east were slightly more critical, with **70%** reporting that they expect a positive impact<sup>13</sup>.

Encouragingly, when asked about the impact of the 15% Retail, Hospitality and Leisure (RHL) relief announced as part of the Budget, **89%** of Scottish SMEs surveyed said it will impact them positively<sup>14</sup>.

When asked what the Scottish Government could do to improve conditions for their businesses, our respondents said:



Hospitality and leisure and retail businesses call for inward investment and grants, food and drink and hospitality highlight regulatory relief (**32%** for hospitality and leisure, **31%** for retail), while tax cuts remain the lowest priority across all sectors (**13-19%**).

Regional priorities for government support vary: Greater Glasgow & Clyde place the most emphasis on stimulating inward investment (**41%**), Edinburgh & Lothians prioritise grant funding equally with investment (**31%**), while Aberdeen & the North-east focus more on grant funding (**36%**), investment (**25%**) and tax relief (**23%**), with regulatory easing generally less prominent across all regions.

Our business is all about supporting our clients to navigate legal challenges, so we asked respondents to share how prepared they feel about upcoming legal changes, including the Employment Rights Act 2025 and its various elements. Responses show:



Across the board, those in the energy sector feel most prepared, while businesses in the retail sector indicated that they felt the least prepared.

When asked if employment contracts and/or policies have been updated for the changes coming under the Employment Rights Act 2025, which are being phased in throughout 2026/27, **81%** of respondents said yes. Only food and drink businesses were above average, with **84%** noting they had made changes.



# Methodology

This research was conducted by Censuswide between 19.01.26 and 27.01.26, with a sample of 605 Scottish SME owners aged over 18.

The sample included 123 businesses in the energy sector, 141 in food and drink, 174 in hospitality and 109 in retail.

The sample also included 102 businesses from Greater Glasgow and Clyde, 141 businesses in Edinburgh and the Lothians and 61 businesses in Aberdeen and the North-east.

Censuswide is a member of the Market Research Society (MRS) and the British Polling Council (BPC), and a signatory of the Global Data Quality Pledge. It adheres to the MRS Code of Conduct and ESOMAR principles.

## Notes

1, 2, 3 - Combines 'Very optimistic' and 'Somewhat optimistic' options

4, 5, 6, 7, 8 - Combines 'A major opportunity - we expect significant benefit' and 'A slight advantage - we anticipate some positive impact' options

9 - Combines 'Strongly agree' and 'Somewhat agree' options

10, 11, 12, 13, 14 - Combines 'Very positive impact' and 'Positive impact' options

15 - Combines 'Very prepared' and 'Prepared' options (applies to all points)



## Aberdein Considine

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