CBI & ADDLESHAW GODDARD SCOTTISH PRODUCTIVITY INDEX 2025

Who we are…

The CBI founded 60 years ago, is the collective voice of business. We represent 850 direct members across the UK, covering 1,100 registered companies and a further 150,000 businesses through our trade association network. Our members employ people in every sector, in every region and nation of the UK, making the CBI uniquely placed to bring together business insight with policy influence.

Addleshaw Goddard is an international, full-service law firm that consistently delivers high-quality outcomes for clients across the globe. With a 250-year heritage, we advise over 5,000 of the world's most respected organisations in more than 100 countries and across 50 areas of business law. Known for award-winning innovation and a commitment to excellence, we combine deep sector expertise with practical insight to help clients navigate complex challenges, seize opportunities and achieve lasting impact.

Fraser of Allander Institute, based at the University of Strathclyde Business School, is Scotland's leading independent economics research institute. Founded in 1975, we deliver high-quality applied research that informs policy, improves productivity, and shapes public debate across Scotland and beyond. Our impartial analysis is trusted by policymakers, businesses and communities alike, and our work is regularly cited across the political spectrum. We also play a central role in developing the next generation of applied economists through our undergraduate and postgraduate programmes, as well as national initiatives such as the Economic Futures programme.

Foreword by CBI

Michelle Ferguson, Scotland Director

Scotland has no shortage of strengths, world-class research, global energy assets, strong sectors and ambitious firms. But this year's Scottish Productivity Index makes one thing painfully clear: these strengths are not translating into productivity growth. We are stuck in a pattern of potential without delivery.

The common thread running through the Index is skills. Whether it's digital adoption, green growth, innovation or business investment, Scotland keeps hitting the same barrier: a workforce system that cannot move quickly enough or flexibly enough to support a modern economy. Firms are ready to invest and scale, but too often they are held back by shortages, slow retraining routes and funding that doesn't follow demand.

Skills aren't the only drag, Scotland still faces planning delays, unpredictable regulation and infrastructure gaps, but skills are the multiplier. Fixing them accelerates everything else: investment, innovation, technology uptake, and regional growth.

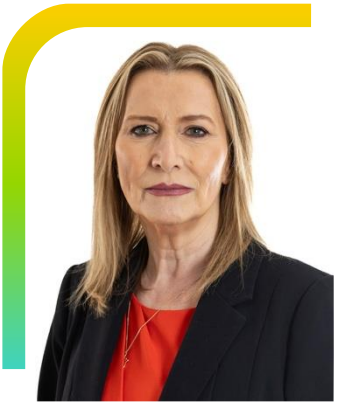
The message from business is simple. We need a skills system built for the economy we are actually competing in: agile, modular, digital-first and aligned to industry need. We need planning and infrastructure delivery that keeps pace with investment decisions. And we need a business environment that rewards ambition rather than dulling it.

With an election in 2026, this is the moment to shift from analysis to action. If business and government move together with pace, on skills, on productivity enablers and on delivery, Scotland can turn its advantages into outcomes. If we don't, we will watch others do it instead.

Productivity is the foundation of better jobs, higher wages and stronger public services. Scotland can lead on this — but only if we choose to get serious about the drivers of growth now.

Michelle Ferguson

Director, CBI Scotland



Foreword by Addleshaw Goddard

Alan Shanks, Head of Scotland

The Scottish Productivity Index provides an analysis of one of the most important aspects of the nation's economy, providing policymakers and business leaders with an invaluable insight into the trends that are shaping our economic future. The importance of improving Scotland's productivity is well understood. Measuring progress every year allows us to understand both where we are taking steps forward as well as where we need to focus our attention. Understanding this and the forces which are influencing these outcomes is essential in an environment where the challenges are increasingly complex and the solutions equally so. The SPI provides this insight that should help government and the business community collaborate more effectively for the benefit of all of Scotland.

As the leader in Scotland of an international professional services firm which advises clients in all sectors, both in our local market, across the UK and beyond, we see firsthand many of the issues drawn out in the SPI. Tackling these issues effectively requires collaboration at the highest level. To facilitate that, we are delighted to work with CBI Scotland and Fraser of Allander Institute to present the 2025 Scottish Productivity Index Dashboard, the most comprehensive to date. Stakeholders will be able to benefit from the strong evidence-base, enabling informed decision-making and targeted interventions grounded in objective metrics.

The dashboard provides coverage of key indicators, from business investment, innovation and skills to health, wellbeing and infrastructure. Scotland’s performance both over time and against UK comparators is mixed. We have cause for optimism but no room for complacency and there needs to be an acknowledgement that there are fundamental issues that must be addressed if we are to close some persistent gaps.

Improving Scotland’s productivity is in everyone's interest. It will require continued collaboration between business, academia, and government. We believe SPI 2025 offers the clarity necessary to show where that collective effort should be focused and where it will have the greatest impact. As both a mirror and a guide, this data will help Scotland’s policymakers and business leaders to measure what matters and act on what is measured. We are proud to be part of that effort.

Alan Shanks

Head of Scotland, Addleshaw Goddard

Foreword by Fraser of Allander Institute

Mairi Spowage, Director

As we enter 2026, Scotland stands at an inflection point in its productivity journey. The past year has seen modest yet broad-based improvement across several dimensions of economic performance — from business investment and digital infrastructure to educational attainment and innovation activity. At the same time, long-standing structural challenges remain evident: slower productivity growth than the UK average, weaker export orientation, and persistent regional disparities in business dynamism and labour-market participation.

This year's Scottish Productivity Index offers a comprehensive snapshot of these underlying trends. Business investment as a share of GDP has edged above its long-term average for the first time in nearly two decades, signalling a tentative return of confidence. Connectivity indicators, particularly broadband and 4G coverage continue to strengthen, narrowing Scotland's gap with the UK average. Yet innovation activity, measured by the share of innovation-active firms, remains below pre-pandemic levels, and the proportion of SMEs planning to grow has slipped for a second consecutive year.

The labour market remains resilient but uneven. Scotland retains one of the most highly qualified workforces in the UK, with more than half of working-age adults holding higher-education credentials. However, a rising share of economic inactivity due to long-term ill health underscores the need to integrate health and wellbeing more centrally into the productivity agenda. Likewise, while the proportion of employers reporting skills shortages has fallen, under-utilisation of existing staff remains elevated, suggesting that better deployment of Scotland's existing talent base is as important as attracting new skills.

Across the business landscape, the challenge for 2026 is to translate these partial gains into sustained momentum. The Fraser of Allander Institute will continue to monitor these dimensions through the SPI, providing an evidence base for policymakers and businesses alike. Productivity growth remains the single most important driver of sustainable prosperity. By focusing on the practical enablers — investment, innovation, and inclusion — Scotland can convert its strong foundations into a more dynamic, competitive, and equitable economy over the decade ahead.

Mairi Spowage

Director, Fraser of Allander Institute

The 2025 Scottish Productivity Index Dashboard

	Latest Performance	How does Scotland compare? Benchmark	Are we improving? Short term trend	Are we improving? Long term trend	Analysis
Business Practices					
Business Investment as a % of GDP	10.2% (2023)				Business investment as a share of Scottish GDP expanded by 0.8-percentage points (-p.p.) in 2023 to 10.2%. Meanwhile, the UK overall experienced a 0.3-p.p. decline from 9.8% in 2022 to 9.5% in 2023. For the first year since 2005, Scotland now exceeds its long-term trend (1998-2023) of 9.8%. Conversely, the UK overall is 0.6-p.p. below its long-term trend of 10.1%.
Exports as a % of GDP	20.1% (2023)				Exports as a share of Scottish GDP declined by 2-p.p. from 22.1% in 2022 to 20.1% in 2023. Interestingly, this is exactly equal to the long-term trend (1998-2023) of 20.1%. Scotland lags the UK on export orientation. The equivalent UK figure also declined by 2.4-p.p. from 33.4% to 31.1% in 2023. However, the UK number remains above the long-term trend (1998-2023) of 28.1%. This reduction has wiped out the signs of nascent recovery since the pandemic slump in 2020 seen in the previous year's performance for both economies.
Total early-stage entrepreneurship activity	9.1% (2023)				In 2023, the early-stage entrepreneurship (TEA) rate in Scotland slightly increased to 9.1% from 8.8% in 2022, while the UK maintained an even higher rate at 10.7%. In 2023, Scotland had the lowest early-stage entrepreneurship rate amongst all UK nations. The TEA rate in Scotland indicates that approximately 300,000 individuals (one in eleven of the 3.3 million in the 18-64 age group sub-population) were engaged in early-stage entrepreneurial activities in 2023. Over the four-year period from 2020 to 2023, Scotland's average TEA rate was 8.7%, lower than the UK average (10.2%), England average (10.5%), and Welsh average (9.0%).

Business births as % of all active enterprises	10.8% (2022)				As of the latest Business Demography data published in 2023, business births (as a % of all active enterprises) rose between 2021 and 2022 by just above 1-p.p from 10.7% to 10.8%. Scotland lags the UK in business creation. The latest value for the UK overall was 11.5% - around 0.7p.p above the Scottish value. Scotland's rate of business births remains *slightly* above the 2018-2022 average.
% of SMEs where finance is a major obstacle	5% (2024)				Concerns around access to finance eased among Scottish firms between 2023 and 2024, with the share citing it as a major obstacle falling by 2-p.p. This contrasts with a 1-p.p. increase across the UK overall, leaving Scottish businesses less likely to view access to finance as a key constraint compared to UK firms (3%). Looking over the longer term, an average of 6% of Scottish SMEs identified access to finance as a major barrier between 2013 and 2024. The 2024 figure sits below this long-term average, indicating a modest improvement in firms' perceptions of finance accessibility.
% of SMEs that plan to grow	43% (2024)				The share of Scottish SMEs expecting to grow over the next year fell to 43% in 2024, down from 48% in 2023. This is slightly below Scotland's own long-term average of 44% (2013–2024). Scottish SMEs were less optimistic about growth prospects than the UK average in the latest survey results. In 2024, the share of Scottish firms planning to grow was 2-p.p. lower than the UK average.

	Latest Performance	How does Scotland compare? Benchmark	Are we improving? Short term trend	Are we improving? Long term trend	Analysis
Research and Innovation					
Business R&D spend as a % of GDP[1]	1.45% (2022)	🔴	🔴	🔴	Scotland's Business R&D as a percentage of GDP has decreased by 0.39-p.p. in 2022 from 1.84% to 1.45%, while the corresponding UK figure has also decreased from 2.05% to 1.96% over the same period. The UK's BERD as a percentage of GDP has consistently been higher than Scotland's, with a 0.51-p.p. gap in 2022 (1.96% for the UK vs. 1.45% for Scotland). The average Business R&D as a percentage of GDP from 2018-2022 for Scotland sits at 1.72%, indicating that the most recent figure is below the long-term trend. The old series data from 2001-2020 shows a strong upward trend in R&D investment relative to GDP in Scotland. However, the recent data is not directly comparable with the old series from 2001-2020 due to changes in methodology.[i]
% of innovation-active businesses	32.4% (2020-2022)	🔴	🔴	🔴	Between 2018-2020 to 2020 – 2022, Scotland's share of innovation-active businesses declined by 6.6-p.p. from 39% to 32.4%. However, this decline in Scotland was lower than the UK overall (8.6-p.p.). The decreases seen in the UK and Scotland are driven by a decrease in business process innovation; in Scotland it decreased by 7.1-p.p. between 2018-2020 and 2020-2022, whereas product innovation remained largely unchanged. Scotland's rate of innovation-active businesses remains below the UK average, trailing by 3.9-p.p in the latest period (2020-2022). However, the gap with UK has reduced from the2018-2020 period of 5.9-p.p. The percentage of innovation active businesses was highest in England (37.1%) in 2020-2022. The average innovation-active rate from 2010-2020 for Scotland sits at 40.4%, indicating that the current figure is significantly below the long-term trend. However, the data for 2022-2024 has not yet been published.
Patents granted per 100,000[2] **population**	6.26 (2024)	🟢	🟢	🔴	The number of patents granted in Scotland fell from 273 in 2023 to 237 in 2024. When adjusted for population, this represents an increase in patents per 100,000 people compared with the previous year, indicating a modest improvement. Despite this recent uptick, Scotland remains below its long-term average of 6.36 patents per 100,000 population recorded between 2019 and 2024. However, Scotland continues to outperform the UK overall, with the 2024 figures showing around 46% more patents per 100,000 population than the UK average - suggesting Scotland holds a relative strength in patenting activity.

	Latest Performance	How does Scotland compare? Benchmark	Are we improving? Short term trend	Are we improving? Long term trend	Analysis
Skills and Training					
% of working-age population with Higher Education Certificate[3] or above	53.7% (2024)				As of 2024, Scotland has the highest percentage of the working-age population with higher education certificates or above at 53.7%, surpassing the UK average of 47.1%. There has been a significant increase in higher education attainment in Scotland, rising from 30.2% in 2004 to 53.7% in 2024, indicating a strong long-term upward trend. However, between 2023 and 2024, there was a slight dip in the percentage of the high skilled working age population of 1.4% from 55.1% in 2023 to 53.7% in 2024. In comparison, England's higher education attainment stands at 47.1%, Northern Ireland at 42.2%, and Wales at 44%, with all showing increases but still trailing Scotland in 2024. The only region of the UK with a higher level of educational attainment is London with 61.7% of the working age population holding a Higher Certificate or above.
% of working-age population with no qualifications[4]	8.2% (2024)				In 2024, there was no change in the share of Scotland's working-age population (aged 16–64) with no qualifications, which remained at 8.2%. Despite this stability, the figure continues to sit below the long-term average of 10.81% recorded between 2004 and 2024, reflecting sustained improvement over the past two decades. However, while Scotland consistently outperforms the UK in the share of the population holding higher-level qualifications, it also continues to record a higher proportion of working-age people with no qualifications than the UK average indicating a K shaped working age population.
% of workforce in job-related training in past 3 months	25.3% (Oct 2023 – Sep 2024)				The data indicates a significant decrease in the workforce training rate for Scotland from 27.5% in the period from October 2022 to September 2023 to 25.3% in the following year. This is 0.3-p.p. above the UK equivalent figure of 25.0%. Although Scotland has not been able to continue to improve as it has in the previous three years, it has maintained its position above the pre-pandemic level and second only to Wales (26.1%) across the UK nations. The long-term decline in the workforce training rate has accelerated since 2013. However, this indicator has risen by 2.8-p.p. since its pandemic low of 22.5%.

% of employers with skill shortage vacancies	7% (2024)				Between 2022 and 2024, the percentage of employers in Scotland with at least one vacancy due to skills shortages decreased by 3-p.p. from 10% to 7%. All UK regions experienced similar reductions between 2022 and 2024. As a whole, the UK experienced drop from 10% to 5% over this period. However, this still represents a significant increase in skill shortages across all regions from 2011 to 2024, with the overall percentage in Scotland rising from 3% to 7%.
% of employers with underutilised staff[5]	37% (2022)				Between 2020 and 2022, the total percentage of underutilised staff in Scotland increased from 33% to 37%, indicating a rise in underutilisation across the workforce. There is significant variation across regional outcome agreement areas, with Ayrshire experiencing the largest increase in underutilised staff (from 30% to 45%) and Forth Valley showing a decrease (from 32% to 28%).The highest underutilisation rate in 2022 was observed in Dumfries and Galloway and West, both at 46% and 47% respectively, highlighting specific regional challenges in addressing workforce efficiency and productivity.

	Latest Performance	How does Scotland compare? Benchmark	Are we improving? Short term trend	Are we improving? Long term trend	Analysis
Health and Wellbeing					
% of hours lost due to sickness absence	2.3% (2024)				In Scotland, the percentage of hours lost due to sickness absence significantly decreased from 3.0% in 2022 to 2.3% in 2024, indicating a significant fall in sickness absence in the short term back towards the pre-pandemic level of 2.0% in 2019. Over the longer term, since 1995 when the percentage of hours lost was 3.4%, Scotland has seen fluctuations in sickness absence rates, with a general downward trend until the recent increase in 2022. The lowest recorded level within this period was 1.8% in 2020, during the height of the COVID-19 pandemic. In 2024, Scotland's sickness absence rate of 2.3% remained higher than the United Kingdom's overall rate of 2.0%. Between 2022 and 2024, the UK experienced a decrease of 0.6-p.p. Additionally, the UK was only 0.1-p.p. above the pre-coronavirus 2019 level (when it was 1.9%). England's rate (2.0%), particularly London (1.5%) and East (1.5%), brings down the UK average, while Wales (2.3%), Northern Ireland (2.3%) and Scotland (2.3%) bring the average up. The low rate of percentage of hours lost to sickness absence in London can be explained by the lower average age of its workforce and large concentration of high-skilled jobs, which both are associated with lower rates of sickness. Overall, this indicates that Scotland experienced a relatively higher impact of sickness absence compared to the UK average. This comparison highlights Scotland's unique challenges in managing sickness absence within its workforce.
% of economic inactivity due to long-term ill health	34.3% (2024)				As of 2024, the share of economically inactive people in Scotland due to long-term sickness increased by 2.7 percentage points, from 31.6% in January–December 2023 to 34.3% in January–December 2024.The percentage of economic inactivity due to long-term illness had steadily decreased from 2004 (33%) to 2015 (27%) before rising steadily until 2024. Between 2004 and 2024, the average percentage of economic inactivity due to long-term sickness has been 29.7%.Scotland's rate is above the UK average of 28.6%. England's rate (27.4%) brings down the UK average while the rates associated with Wales (33.8%) and Northern Ireland (36.1%) bring this average up.
% of population aged 16-64	63.30% (2024)				The share of Scotland's population aged 16–64 fell slightly between 2023 and 2024, down 0.11 percentage points. The working-age share now sits at 63.3% - which is 1.44 p.p. below the long-term average (2004–2024). Despite this, Scotland continues to have a marginally higher proportion of working-age people than the UK overall.

	Latest Performance	How does Scotland compare? Benchmark	Are we improving? Short term trend	Are we improving? Long term trend	Analysis
Infrastructure and Connectivity					
Average internet speeds in Scotland - download and upload	173.5 Mbps 46 Mbps (Q2-2025)				Average internet speeds in Scotland improved between Q2 2024 and Q2 2025, with download speeds rising from 139.7 Mbps to 173.5 Mbps and upload speeds from 38.4 Mbps to 46 Mbps. Both Scotland and the UK have seen sustained improvements since Q1 2021, with Scotland's download and upload speeds increasing by 330% and 421%, respectively. However, the national average continues to be held back by slower speeds in the Highlands & Islands, while the rest of Scotland performs closer to the UK average. In Q2 2025, Scotland's average download and upload speeds remained around 10 Mbps and 18 Mbps below the UK average.
% of premises with access to full fibre broadband	61% (2024)				The data reveals a steady year-on-year increase in full fibre broadband access across all UK regions, with Scotland showing a substantial rise from 4% in September 2018 to 61% in July 2024, reflecting focused efforts to enhance digital infrastructure. As of July 2024, the percentage of premises with access to full fibre broadband in the UK increased to 69%, with Scotland at 61%, indicating a notable improvement from 52% in September 2022. The lag between Scotland and the rest of the UK is explained by the slow increase in digital infrastructure in the rural Scottish islands – Na h-Eileannan An Iar (5.6%), Shetland Islands (10.5%), and Orkney Island (13.5%) versus urban centres Aberdeen (89.2%), Midlothian (88.5%), and Glasgow (86.5%). Northern Ireland leads significantly with 91% of premises having access to full fibre broadband as of July 2024, maintaining its position as the region with the highest connectivity in the UK.
4G Mobile coverage	77%-80% (2024)				From September 2023 to September 2024, Scotland witnessed a significant improvement in 4G connectivity, with the lower range increasing from 59% to 77% and the upper range from 76% to 80%. The gap in coverage narrowed significantly from 17% to 3%. Comparing Scotland to the UK in September 2024, Scotland's 4G coverage (77%-80%) remains significantly lower than the UK average (88%-89%). The coverage gap in Scotland has shrunk notably between September 2023-2024 aligning closer with the UK's overall gap, indicating Scotland achieving significant

					momentum towards parity with the national average. While England and Northern Ireland maintain high levels of 4G coverage (94%-96% and 89%-95%, respectively), indicating minor year-over-year changes, Scotland and Wales continue to show considerable gaps in coverage. In terms of 4G total not-spots, Scotland again shows the most gaps in coverage with 11%, relative to the equivalent values for England (1%), Wales (5%), Northern Ireland (2%) and UK as a whole (5%).
5G Mobile coverage	54%-76% (2024)				5G availability in Scotland improved over the year to September 2024, with coverage ranging between 54% and 76% of premises, up from 39% to 70% in 2023. Despite this progress, Scotland remains behind the UK average, where coverage extended from 61% to 79% in 2024. The gap between Scotland and the UK narrowed slightly, falling from nine percentage points in 2023 to around seven percentage points in 2024 at the lower bound of coverage. Over the longer term, Scotland has recorded consistent growth from 2022 levels (31%-53%), though rollout continues at a slower pace than the UK as a whole.
EV charging devices per 100,000 population	108 (2024)				Scotland's electric vehicle (EV) charging capacity continues to expand rapidly. In 2024, there were 108 public charging devices per 100,000 population, a 41% increase on 2023. The number of devices has risen every year since the series began in 2019, reflecting sustained investment in charging infrastructure. Scotland also continues to outperform the UK average, maintaining a higher density of EV charging points per capita than the UK overall.
Travel to work time	26.0 mins (2023)				Scotland's average travel-to-work time increased from the 2022 value of 24.5 minutes to 26 minutes in 2023. However, Scotland's commute time is still shorter than England's and the Great Britain's' averages (both 29 minutes in 2023), but it is now slightly longer than Wales, which has an average of 25 minutes in 2023. London, in particular Central London, continues to significantly skew the Great Britain average with its notably higher travel-to-work time of 43 minutes and 52 minutes in 2023, respectively.

Gross Value Added (GVA)

GVA per hour worked, index UK = 100	98.9 (2023)				In 2023, real Gross Value Added (GVA) per hour worked in Scotland fell by 0.7 percentage points compared with 2022. Despite this short-term decline, productivity has trended upward over the past decade, albeit at a much more sluggish pace than the preceding decades. While GVA per hour worked also fell across the UK, Scotland experienced a slightly larger decrease over the year, suggesting that recent productivity pressures have been more pronounced north of the border.

Legend

Description of the RAG (Red-Amber-Green) rating system utilised by the Scottish Productivity Index:

- **Positive** – Scotland is showing clear improvement or is performing comparatively well.
- **Mixed** – None to very slight change.
- **Poor** – Scotland is showing clear challenges with improvement or is performing relatively poorly.
- **No comparable data** – insufficient data to compare over time or across regions during the period in question.

References

1. The methodology for estimating business research and development (R&D) spending in Scotland (BERD) underwent significant changes starting with the 2021 data, as reported by the Office for National Statistics (ONS). This update, primarily intended to address the underrepresentation of small businesses in previous estimates, involved reweighting the data to reflect R&D activities more accurately across all business sizes. Consequently, this methodological shift has resulted in substantial revisions to the R&D expenditure figures from 2018 onwards.
2. Our analysis adjusts for population using NOMIS mid-year population estimates for Scotland and the UK.
3. Higher Education Certificate or Above' refers to RQF/NVQ 4 equivalent and above degrees, for example, HND, Degree and Higher Degree level qualifications or equivalent.
4. In 2022 APS qualifications data shifted from reporting on the NVQ basis to RQF.
5. This survey was first published in August 2018 so no long-term trends can be deduced. There has been no new data since the previous Productivity Dashboard so estimates remain the same.

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