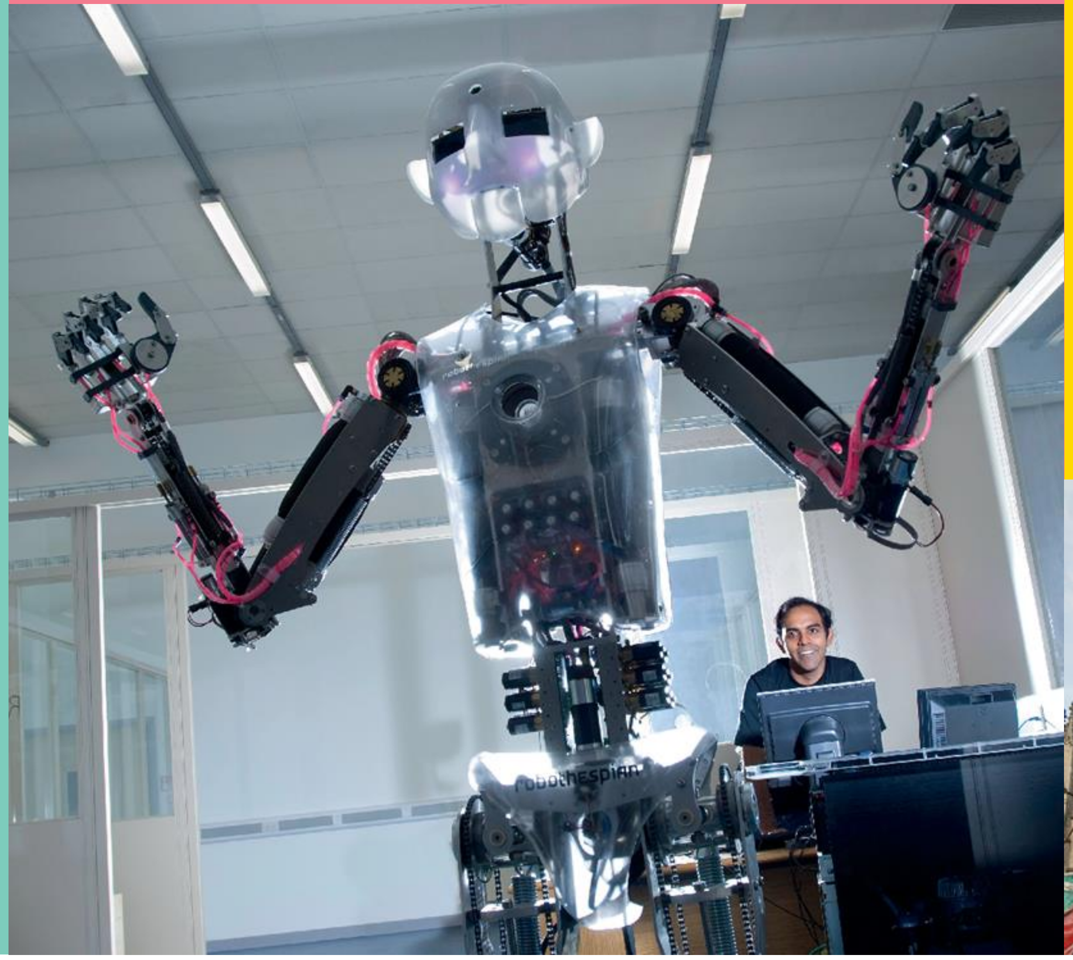
West of England LOCAL ENTERPRISE PARTNERSHIP

WEST OF ENGLAND Combined Authority

WEST OF ENGLAND LOCAL INDUSTRIAL STRATEGY

EVIDENCE REPORT BUSINESS ENVIRONMENT FEBRUARY 2019



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Contents

Relevant content elsewhere in the West of England evidence base:

- Economic Connectivity report: International trade

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Summary of Findings

Sector strengths

The West of England has a number of strong industrial clusters. Among statistical categories, the region has comparatively high employment in transport manufacturing, information services, architecture and engineering, insurance, and financial services. Similarly, top employment sectors include the public sector; finance and insurance; distribution and hospitality; transport and communications. Among these and other sectors such as creative media and digital services, there are strong talent pools in the region that attract investment from businesses. This also enhances the region’s attractiveness as a place to live, since it helps ensure that residents can build long-term careers.

Detailed Analysis can be found in Economic Connectivity Report p.32 & Innovation report.

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Summary of Findings

Trade

Trade intensity is in line with other regions, and given the influence of international competition on business productivity, we will seek to understand how exporting can be further encouraged. The WofE has a trade surplus, driven by strong services exports, particularly from Bristol. IT, professional, and financial and insurance services sectors are particularly intensive exporters. The largest proportion of exports go to the EU; further afield, leading destinations for South West exports include USA and UAE.

Detailed Analysis can be found in Economic Connectivity Report p.42

Summary of Findings

Business start-ups and survival

The region has a mixed picture in the level of dynamism in business start-ups and survival. Since 2011 there has been a growth in number of active businesses; 5-year survival rates are above England average. As noted above, the scale-up record appears to be strong. On the other hand, the level of churn (business births plus deaths, as a proportion of all firms) is slightly below average. Businesses are both created and closed more slowly here than elsewhere, including areas such as Greater Manchester and Thames Valley. Overall, the number of businesses per head in Bristol is considerably lower than in similar-sized European cities such as Rotterdam and Dusseldorf. In support to businesses, leading requests to Growth Hub include support to finance growth, and to develop sales and strategy.

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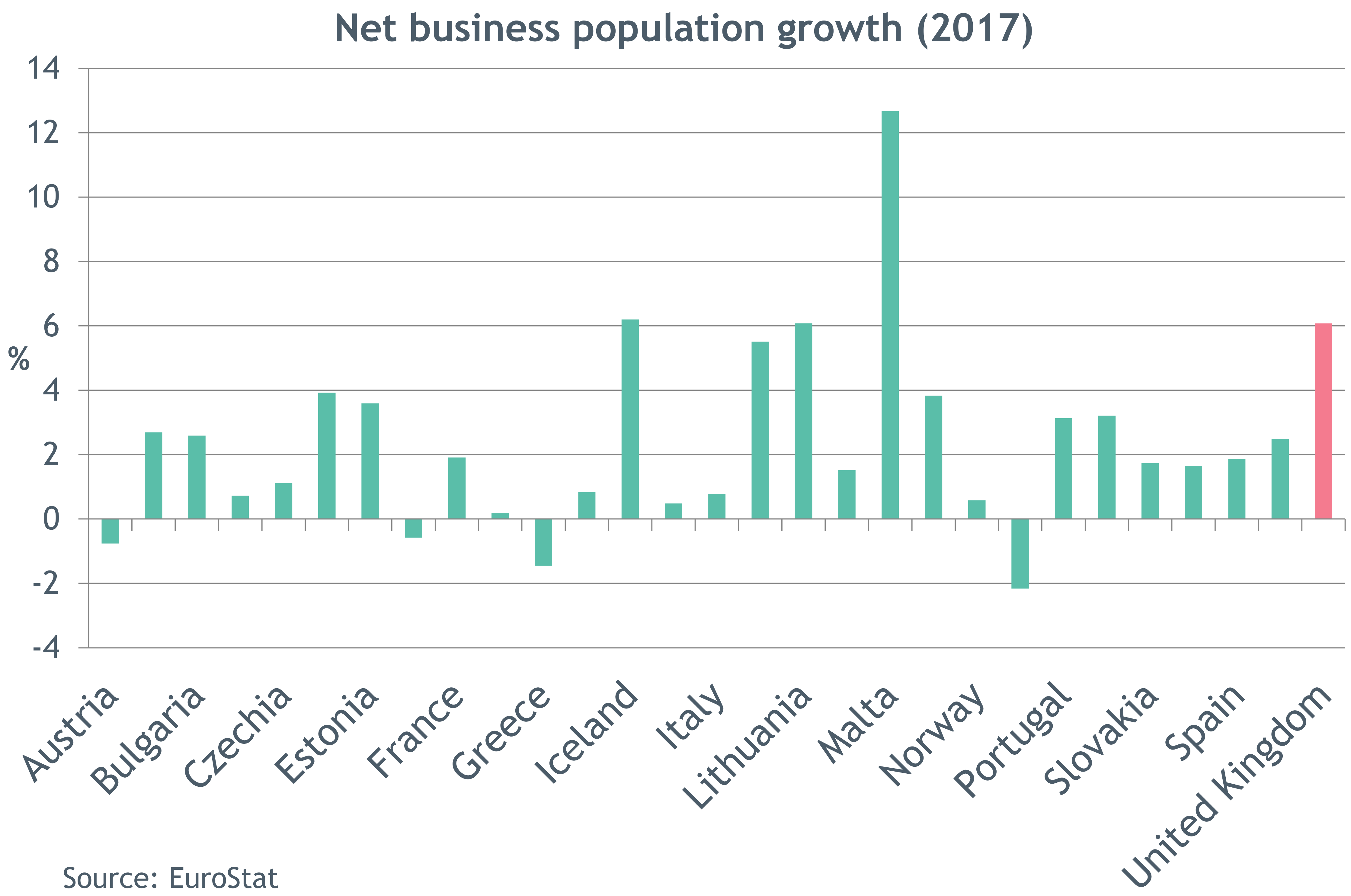
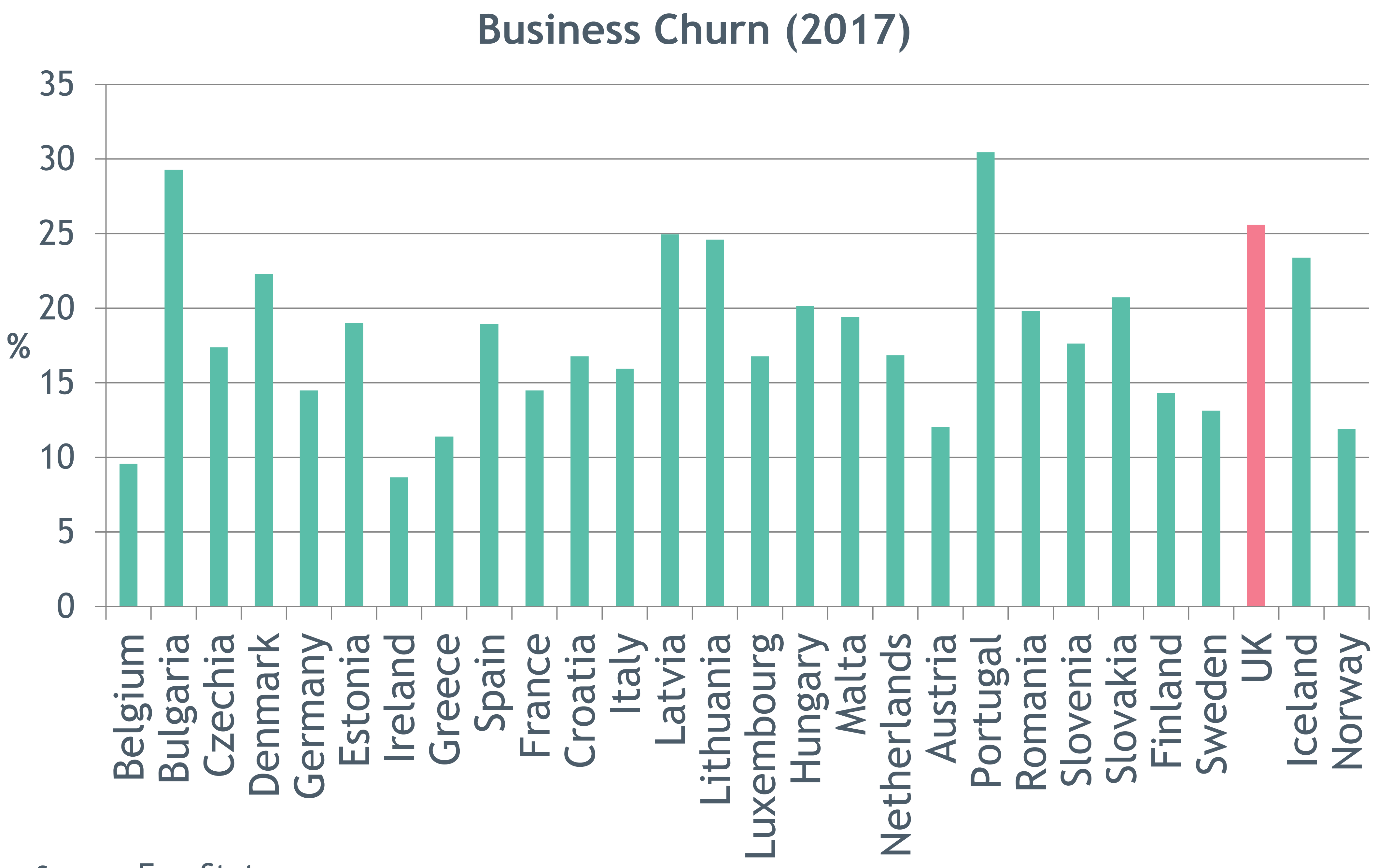
Business Environment: National Context



Source: EuroStat

- The UK shows **6.8% net business growth.**
- This is a lower rate than Malta and Iceland and in line with Lithuania, but above most European countries for the period.

Business Environment: National Context



Source: EuroStat

- At **25.6%** the UK has a strong level of business churn(birth rate + the death rate), an indication of a dynamic economy.
- The UK rate is lower than Portugal and Bulgaria, but comparatively high when compared with France (14.5%) and Germany (14.5%).

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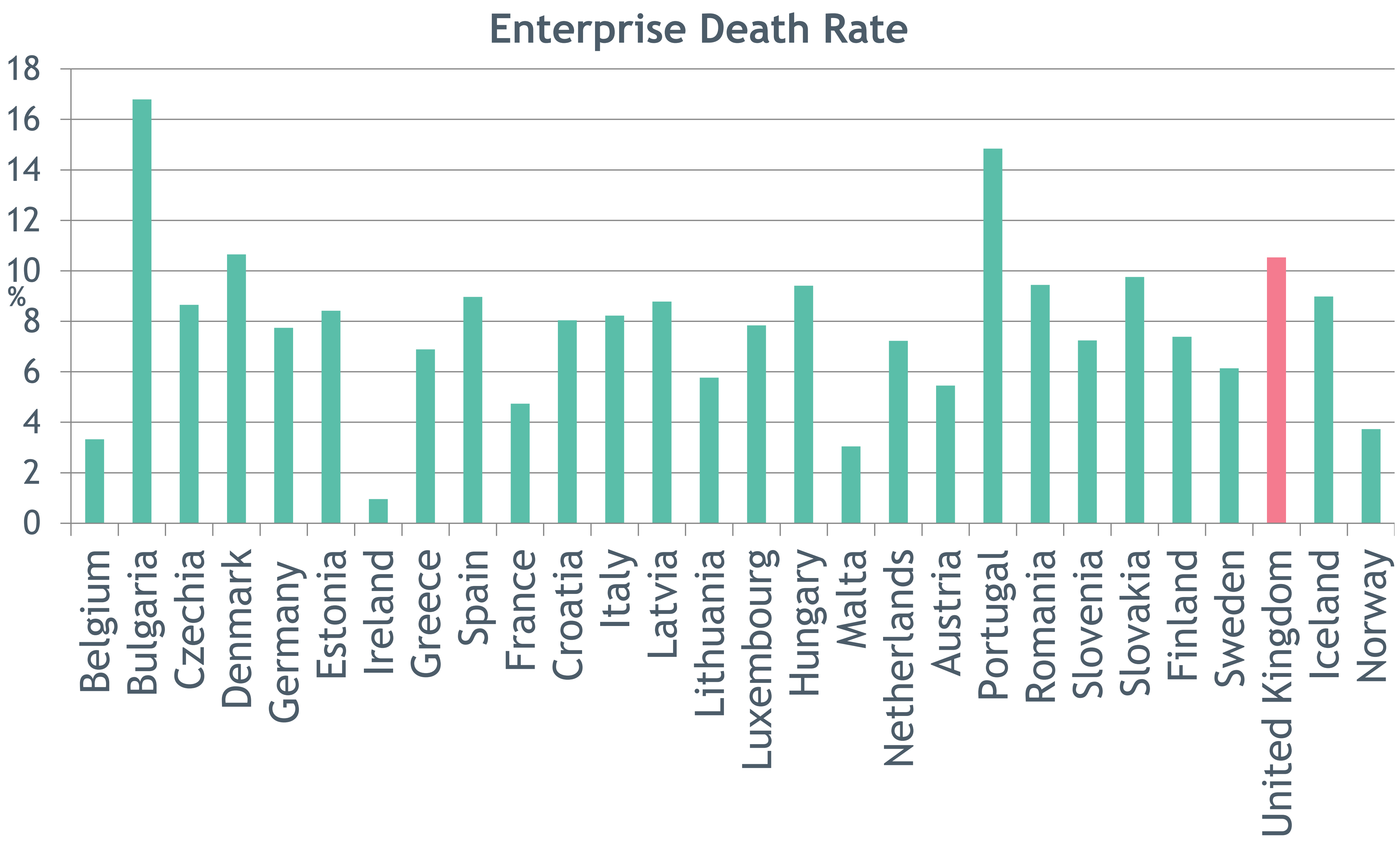
Business Environment: National Context



Source: EuroStat

- The UK's death rate is relatively high: only Denmark, Portugal and Bulgaria have higher rates. Enterprise deaths within an economy are not necessarily a negative sign as it allows for resource allocation elsewhere within the economy

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Business Stock

- The West of England has **45,010 Active Enterprises** (2018), 40% of these business are based within Bristol. 20% of these businesses are Professional, scientific and technical activities; other significant business concentrations include Construction (13%) ; Retail and Wholesale (12%) ; and Information and Communication (10%) .

- What this does not pick up is our strength in Advanced Engineering / Aerospace, which whilst significant in terms of employment and GVA activity is focused on a number of large employers.

- Between 2010 and 2018 the number of active enterprises within the West of England has increased by 27%, primarily driven by business growth in Bristol.

- The growth in active enterprises between 2010 and 2018 matches that of the UK but ranks 12th when compared to other LEP areas.

- As of 2017 there were 397 active enterprises per 10,000 population in the West of England; this is below that of the UK which stands at 404 active enterprises per 10,000 population. This varies between the authorities with B&NES (435) and North Somerset (413) above that of the UK; and Bristol(393) and South Gloucester(363) below.

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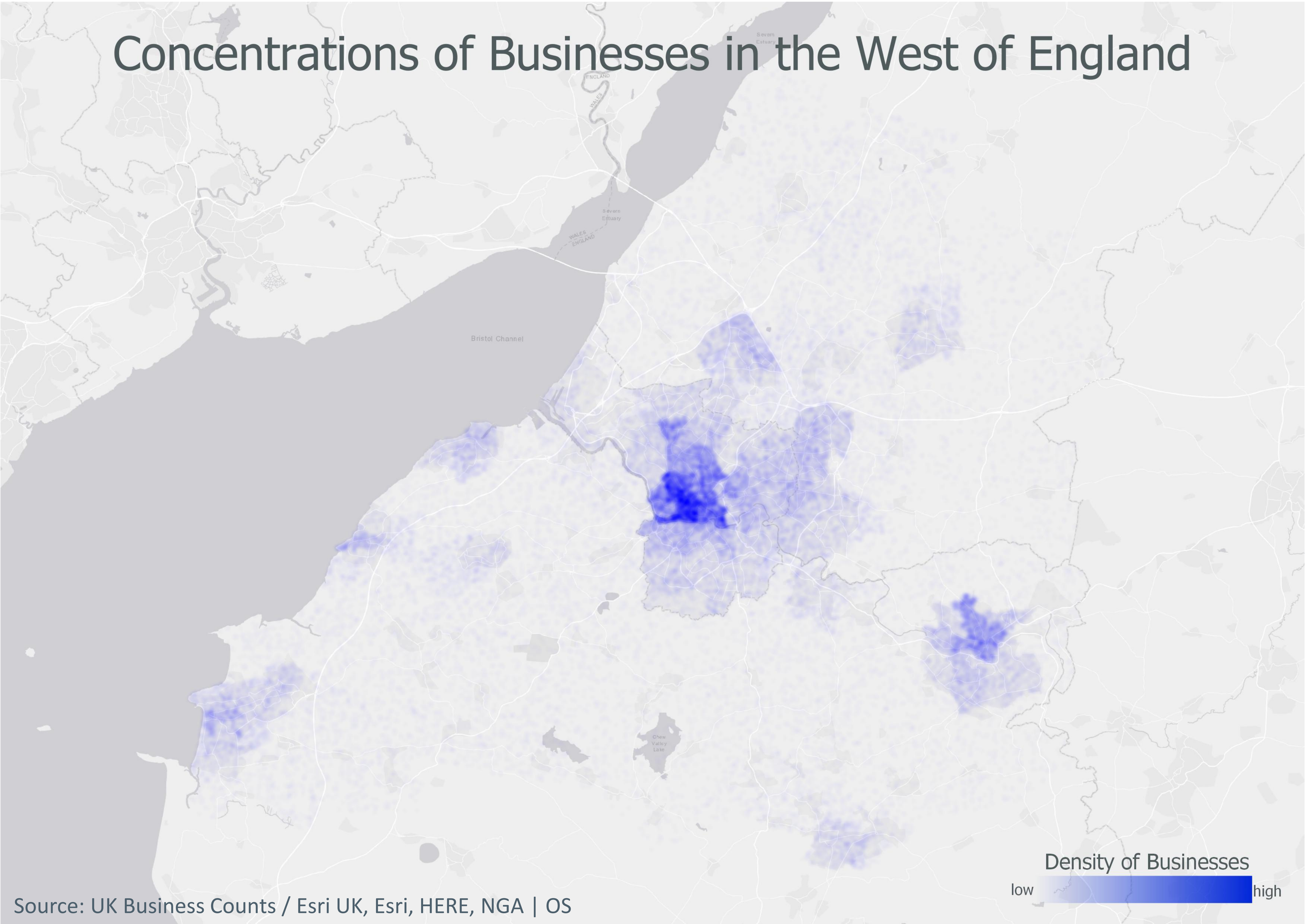
Business Stock



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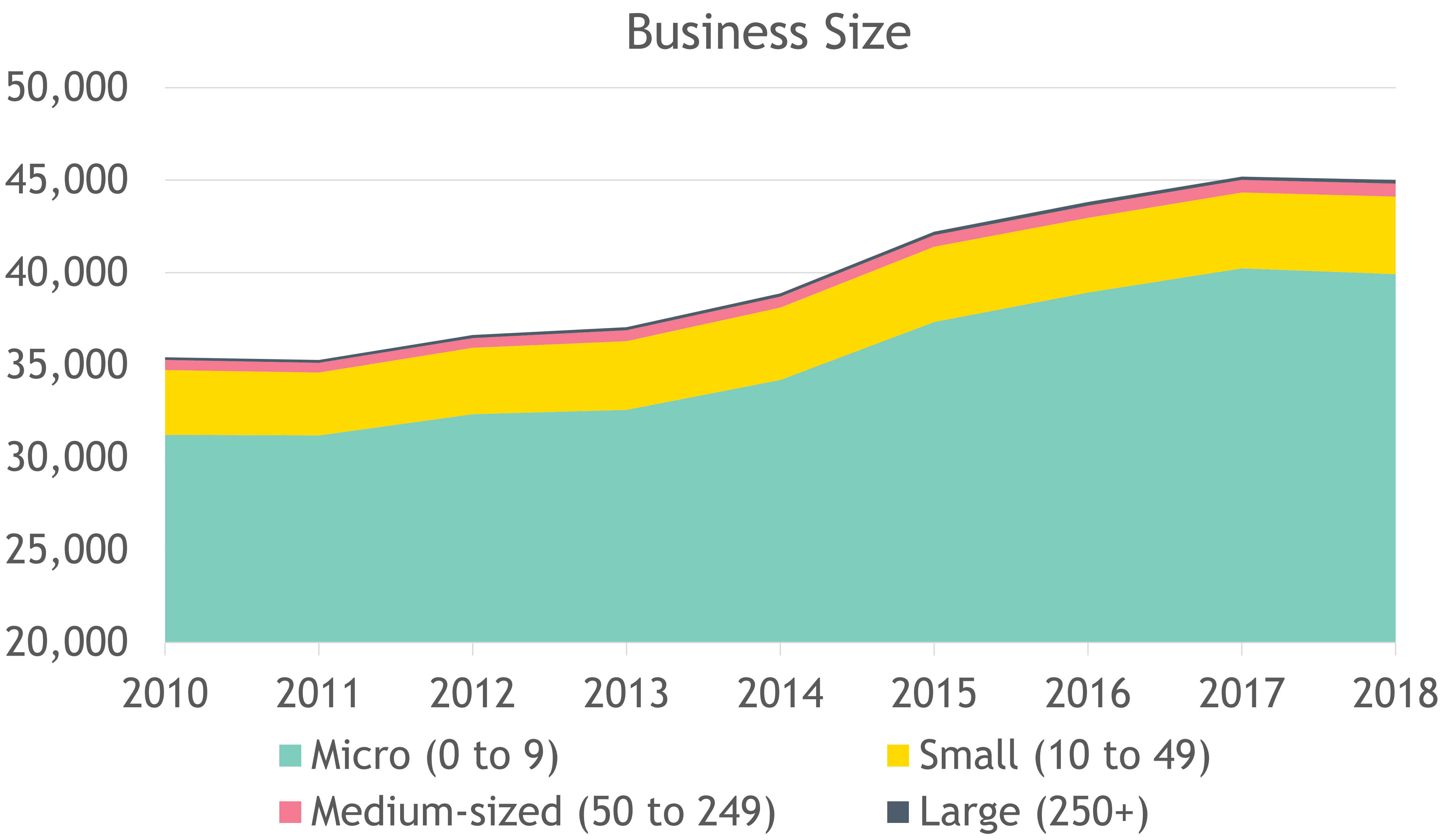
Business Size

- 99.6% of active enterprises in the West of England are SMEs (employing fewer than 250 people); the bulk of these 88.7% are micro business. This is in line with the picture for the UK.

- Whilst the number of active enterprises between 2010 and 2018 has increased the proportion of micro, small, medium and large enterprises has remained relatively static.

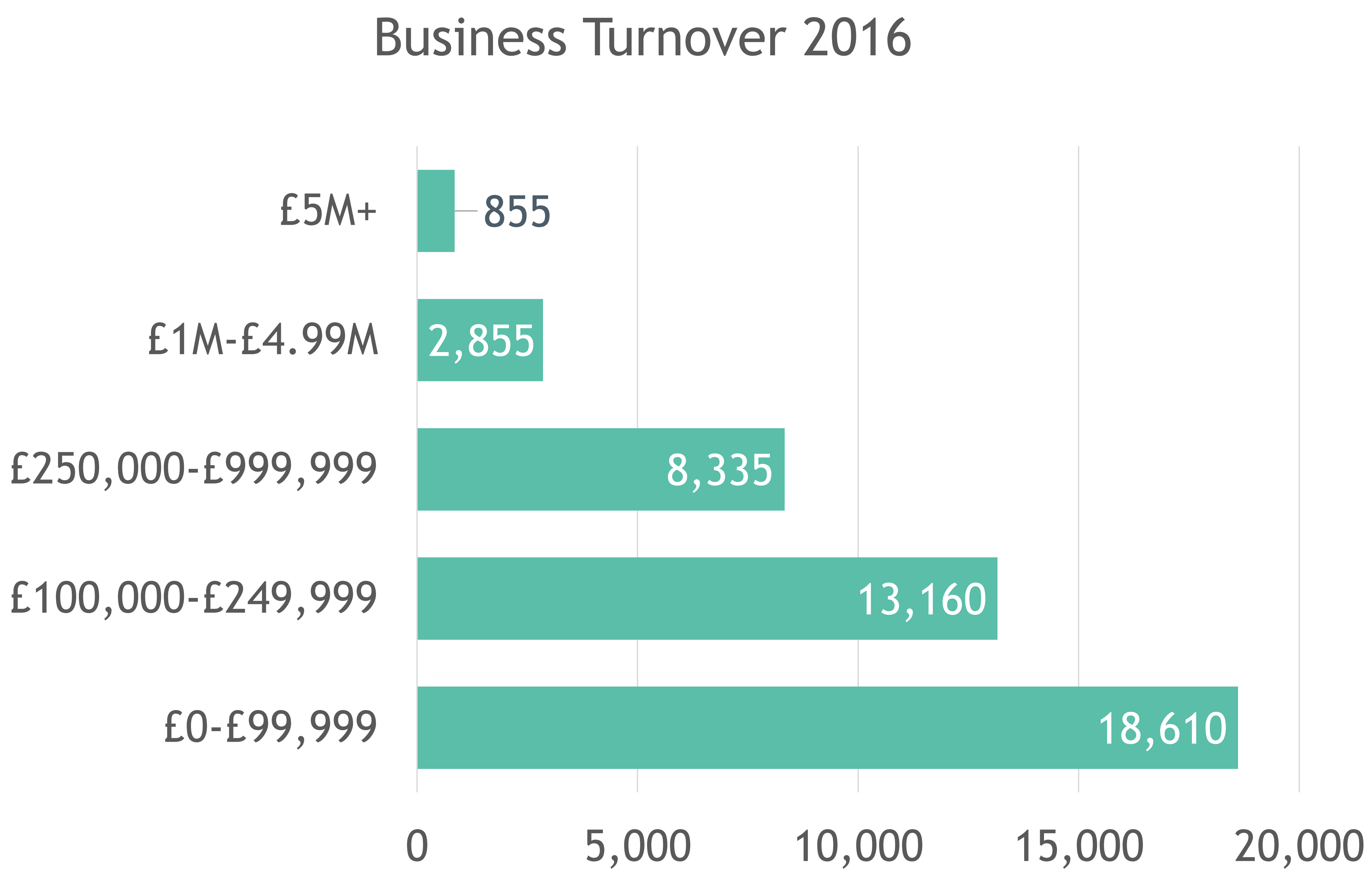


Source: UK Business Counts, ONS

Business Turnover

- 42% of businesses within the West of England have a turnover lower than £100,000 per annum; we can assume that many of theses businesses are 'lifestyle businesses' which many argue are hard to raise productivity within.

- Those businesses with a turnover between £100,000 and £4.99m (56% of businesses) may have the opportunity to increase their productivity through relevant intervention and/or support.



Source: UK Business Activity, Turnover and Size, ONS (2017)

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Business Demography

- All areas have seen an increase in active businesses between 2011 and 2017 with a corresponding increase in the number of business births and deaths.

- Most areas have had a similar rise in their business birth rate and death rate within the period; exceptions being Bristol and the South West region, which have had a greater rise in their business death rate than birth rate this is not necessarily a bad thing as it is noted that there is negative relationship between productivity and business survival

- The level of business deaths is below that of all comparator areas suggesting a healthy business environment.

2017	Birth	Death	Active	% Births	% Death	% Churn rate
Bath and North East Somerset	935	850	8,915	10.5	9.5	20.0
Bristol City of	2,565	2,460	20,535	12.5	12.0	24.5
North Somerset	905	1,045	9,295	9.7	11.2	21.0
South Gloucestershire	1,160	1,140	10,860	10.7	10.5	21.2
West of England	5,565	5,495	49,605	11.2	11.1	22.3
South West	25,235	30,040	239,150	10.6	12.6	23.1
England	339,345	320,810	2,580,505	13.2	12.4	25.6

Source: Business Demography, ONS

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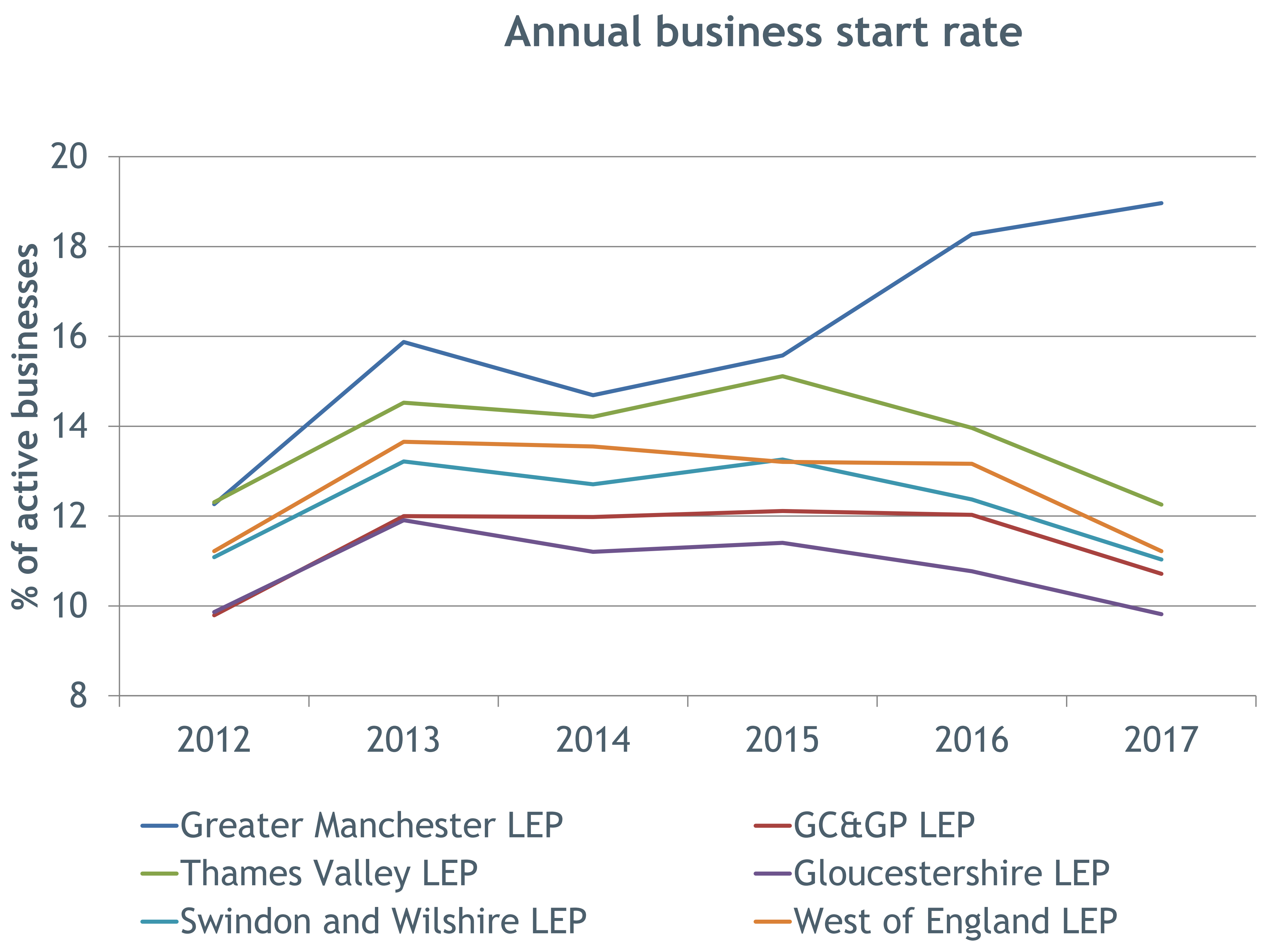
Business Demography: starts

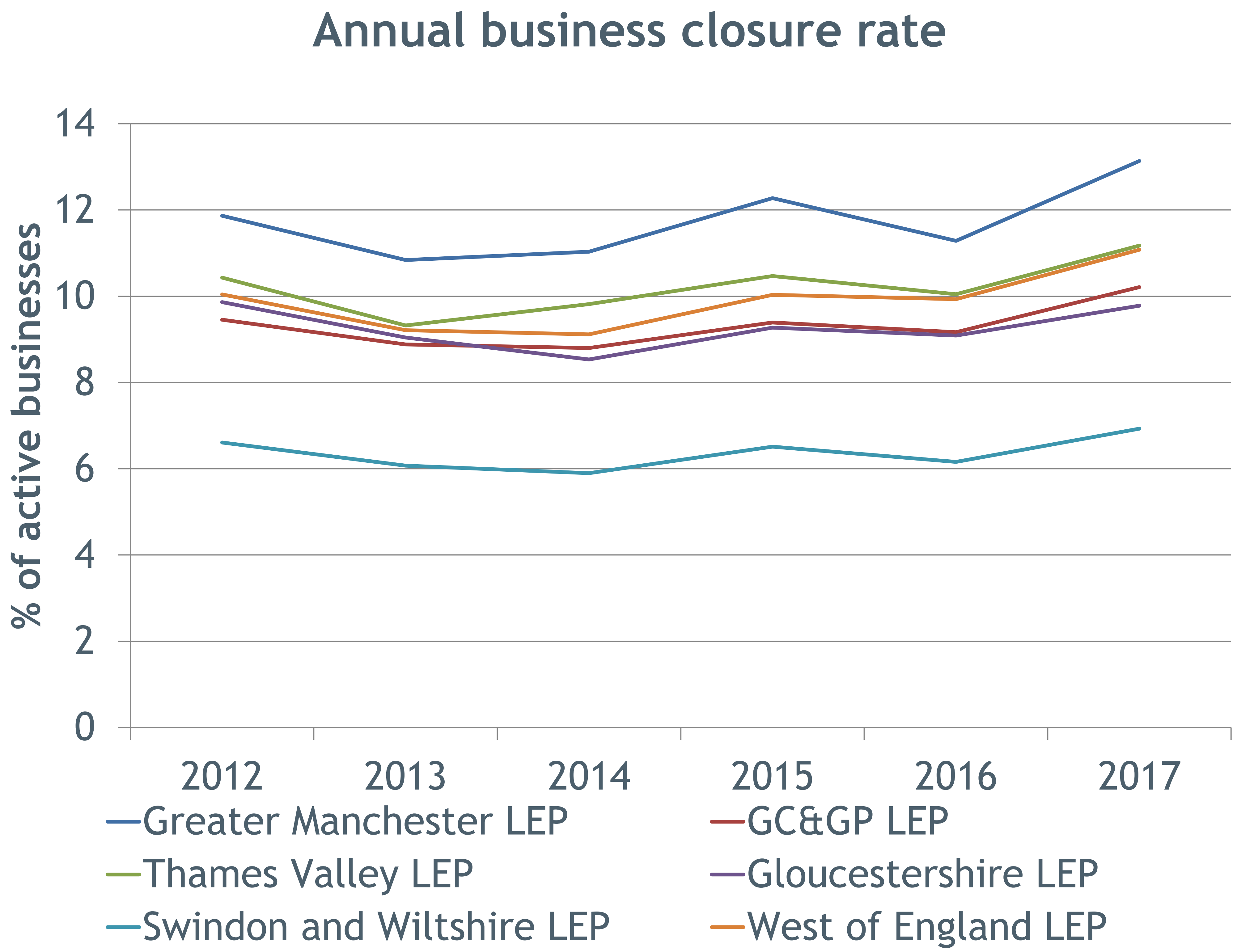


Source: Business Demography, ONS

- The birth rate for businesses in the West of England LEP is lower than the Greater Manchester LEP and Thames Valley LEP

- The other comparator LEPs have a business birth rate below the West of England.

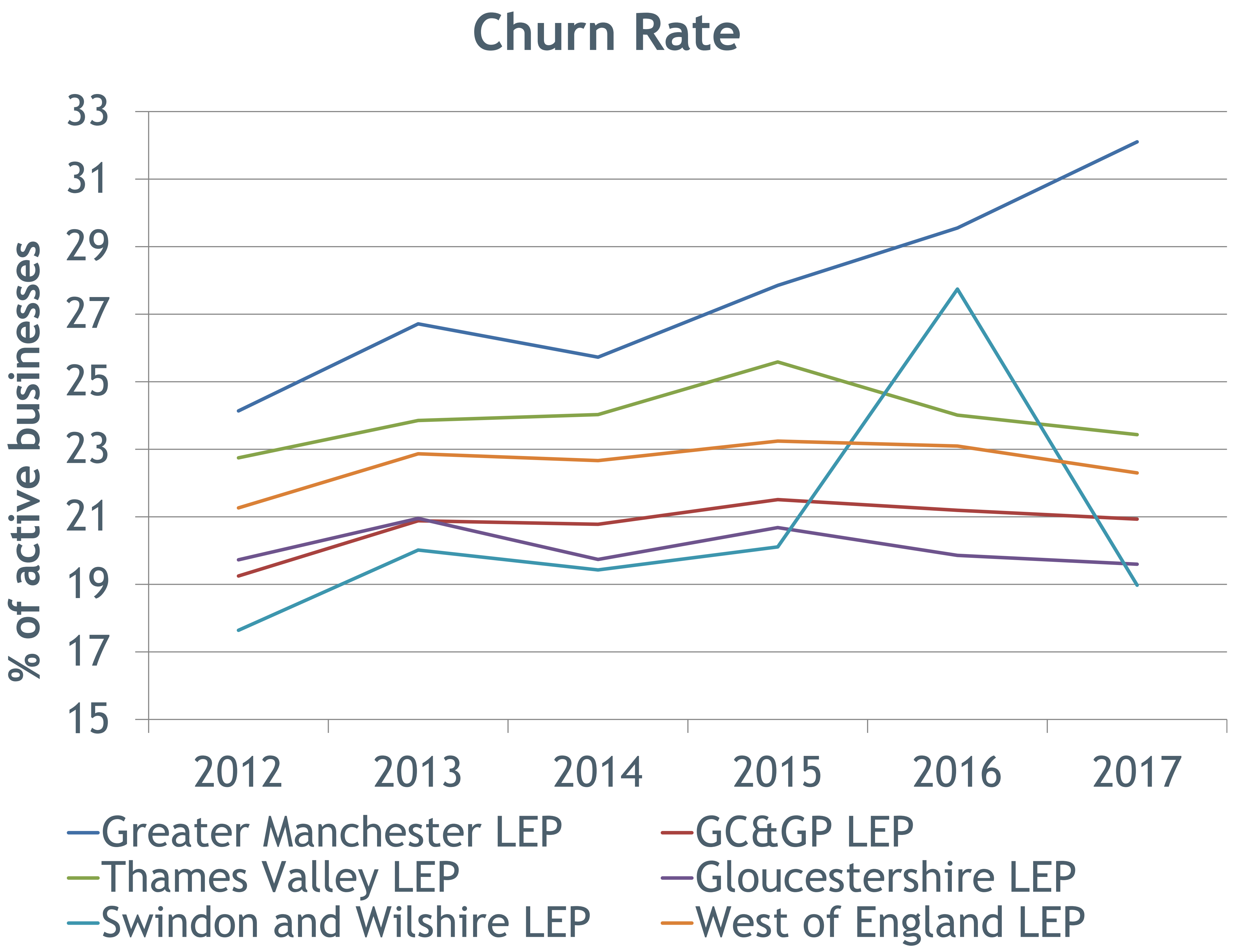
Business Demography: closures



- The business death rate for the West of England LEP is lower than the Greater Manchester LEP and Thames Valley LEP
- The other comparator LEPs have a closure rate below the West of England
- The difference between Greater Cambridge and Greater Peterborough LEP, Thames Valley LEP, Gloucestershire LEP and the West of England LEP are minimal

Source: Business Demography, ONS

Business Demography: Churn Rate



- The West of England LEP is a within the middle of the group in relation to business churn (business starts plus closures).
- The rate for Greater Manchester LEP and Thames Valley LEP is consistently above the West of England LEP throughout the period

Source: Business Demography, ONS

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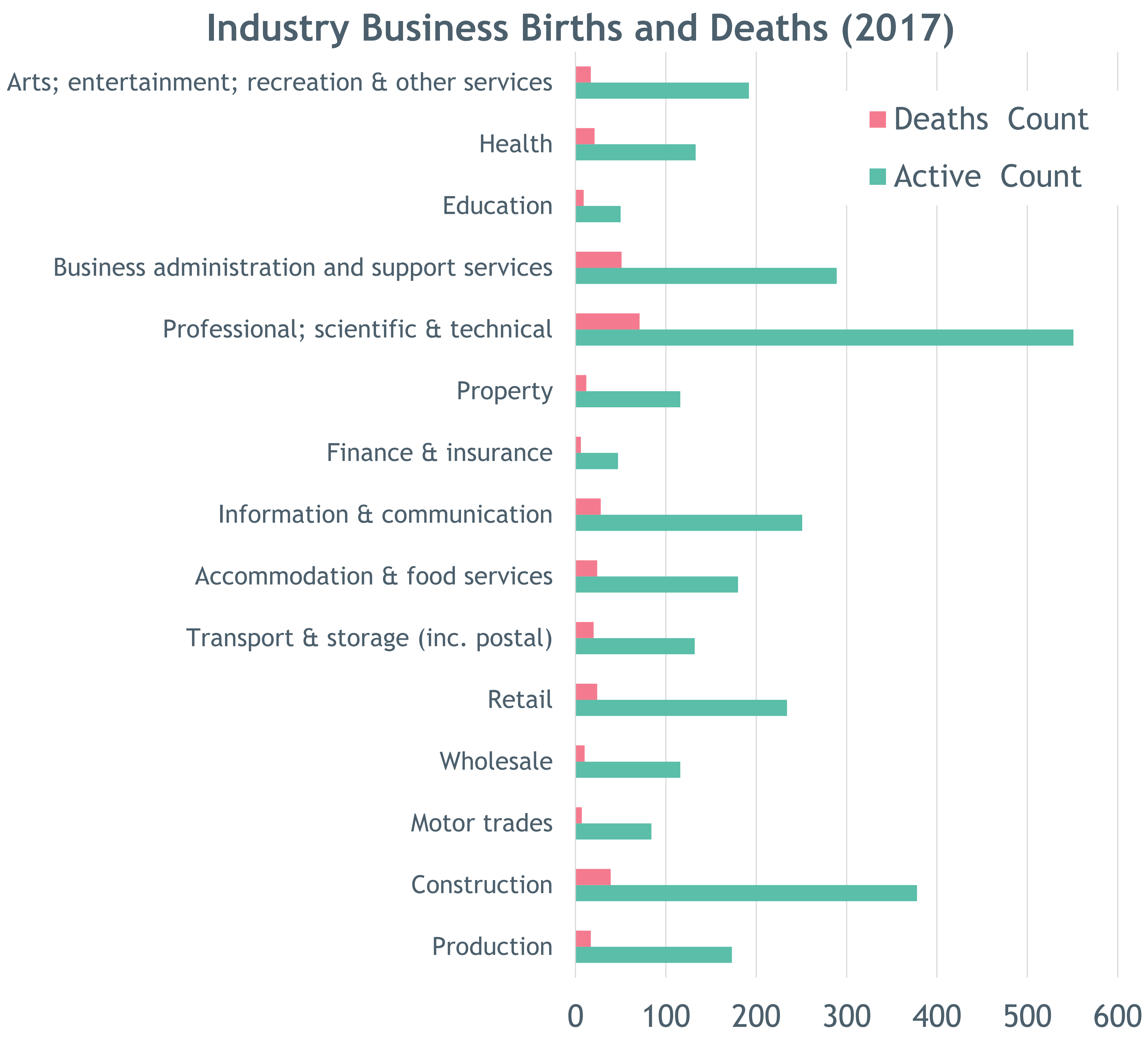
Business Demography: Industry



Source: Business Demography, ONS

- The **Professional, scientific & technical industries** recorded the biggest number of business births in 2017 accounting for 19% of business births. This industry also exhibited the highest number of deaths.
- There were also significant business births within **construction (13%)** and **business administration and support services (10%).**

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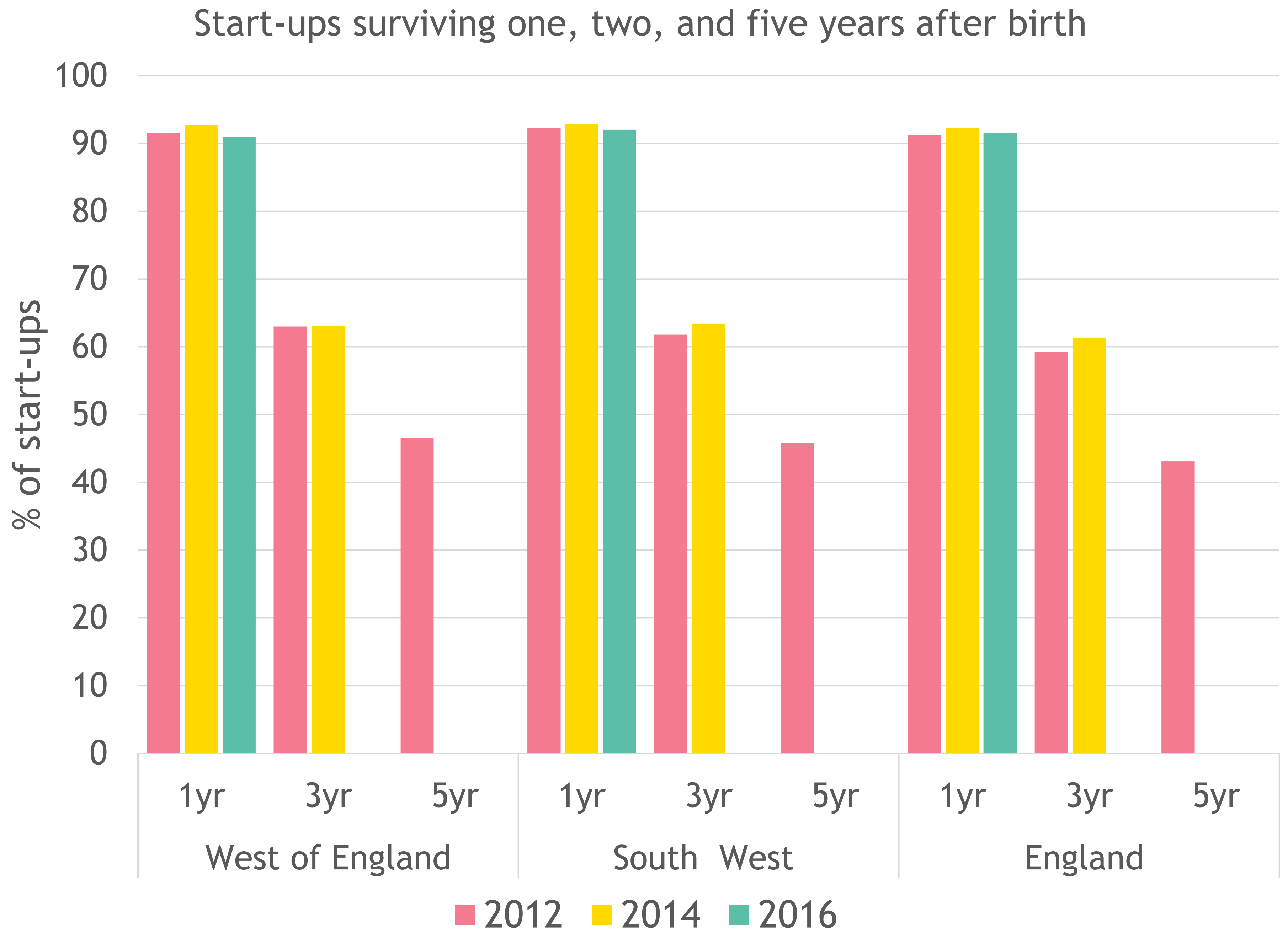
Business Demography: Survival Rate

- The West of England LEP area has a strong business survival rate when compared to that for the South West and England

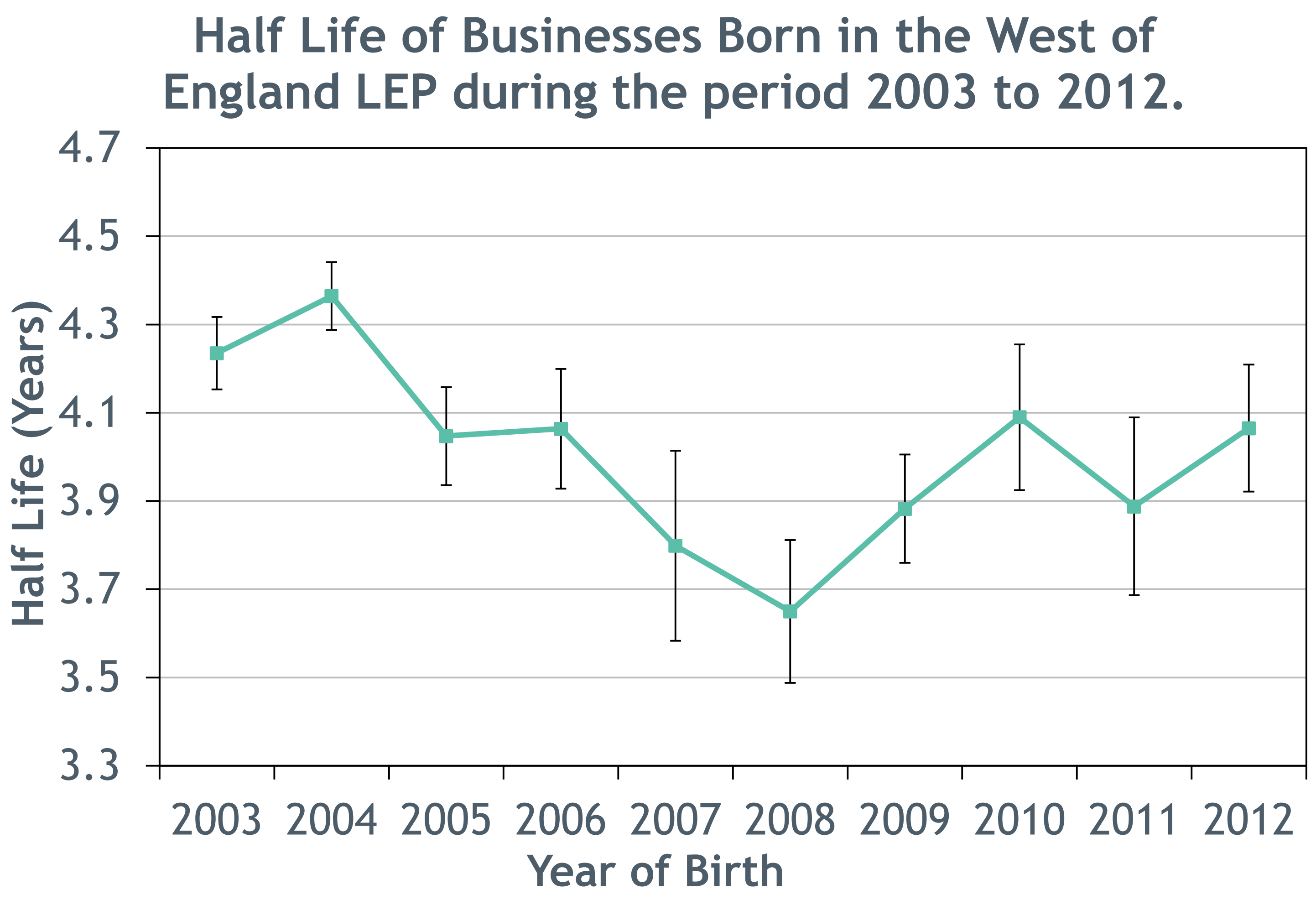
- Compared to other highly performing LEP areas the picture is more mixed

- Within the West of England LEP area there are slight variations between the four UAs.
  - Bristol has a slightly lower business survival rate than the other three UAs.
  - South Gloucestershire shows higher initial levels of survival
  - In later years B&NES has a slightly higher survival rate than the other UAs.



Source: ONS Business Demography

Business Demography: Half Lives



Source: Business Demography, ONS

- Research into the half-lives of businesses within the West of England from 2003 to 2012, the half-life of businesses is the time at which half of the original businesses survive

- When compared to English Combined Authority areas The West of England LEP area has a strong business half-life.

- All areas see a decline around 2008, which can be attributed to the financial crash but the West of England LEP area shows recovery by 2012.

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Business Demography: Bristol a European Perspective

Due to data availability only the City of Bristol within the West of England can be compared on a European stage. Comparisons have been made with the five most similar European cities in terms of size and industrial structure. These are: Rotterdam (Netherlands) Essen (Germany) Düsseldorf (Germany) Dortmund (Germany) Dresden (Germany).

Business Stock		
City	Rank of 259	Per 100k of population
Rotterdam	66	686.33
Düsseldorf	69	674.36
Dresden	141	463.73
Essen	170	414.51
Dortmund	177	392.15
Bristol	204	307.45

Source: Centre for Cities European Comparator Tool
https://www.centreforcities.org/data-tool/dataset/european-cities#graph=bar

- Bristol does not compare favourably with the cities within its comparator group. Though it is highly ranked amongst many measures compared to the European cities studied as a whole.

- Looking at the measure of business stock Bristol is ranked the lowest within the comparator group with a low ranking overall.

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Business Demography: Bristol a European Perspective

High skilled population		
City	Rank of 328	Per 100k of population
Dresden	29	44.3
Bristol	85	38.24
Düsseldorf	125	35.01
Rotterdam	214	28.89
Essen	239	26.39
Dortmund	270	22.75

Source: Centre for Cities European Comparator Tool

Patent applications to the EPO Centre		
City	Rank of 324	Per 100K of population
Düsseldorf	41	32.44
Dresden	43	30.87
Bristol	55	25.21
Dortmund	77	19.96
Essen	81	19.45
Rotterdam	151	9.55

Source: Centre for Cities European Comparator Tool

- When the proportion of the population which is highly skilled is measured Bristol is ranked second within its comparator group and highly amongst European cities as a whole.

In patent applications Bristol is middle within the comparator group but highly ranked amongst European cities as a whole, suggesting comparatively high levels of innovation. However, there are known issues with patent data as addressed in the innovation chapter.

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Business Support

- **19%** of those contacting the West of England Growth Hub (**3,949** sessions between April and September 2018) needed support with **Financing Growth**

- **Sales and Strategy** both account for **18%** of those looking for support

- This likely reflects the nature of those contacting the hub with **17% pre-start** and **45% start-up** businesses.

- This does suggest that growth is a priority for the businesses and that they are looking to refine their processes and finance expansion.

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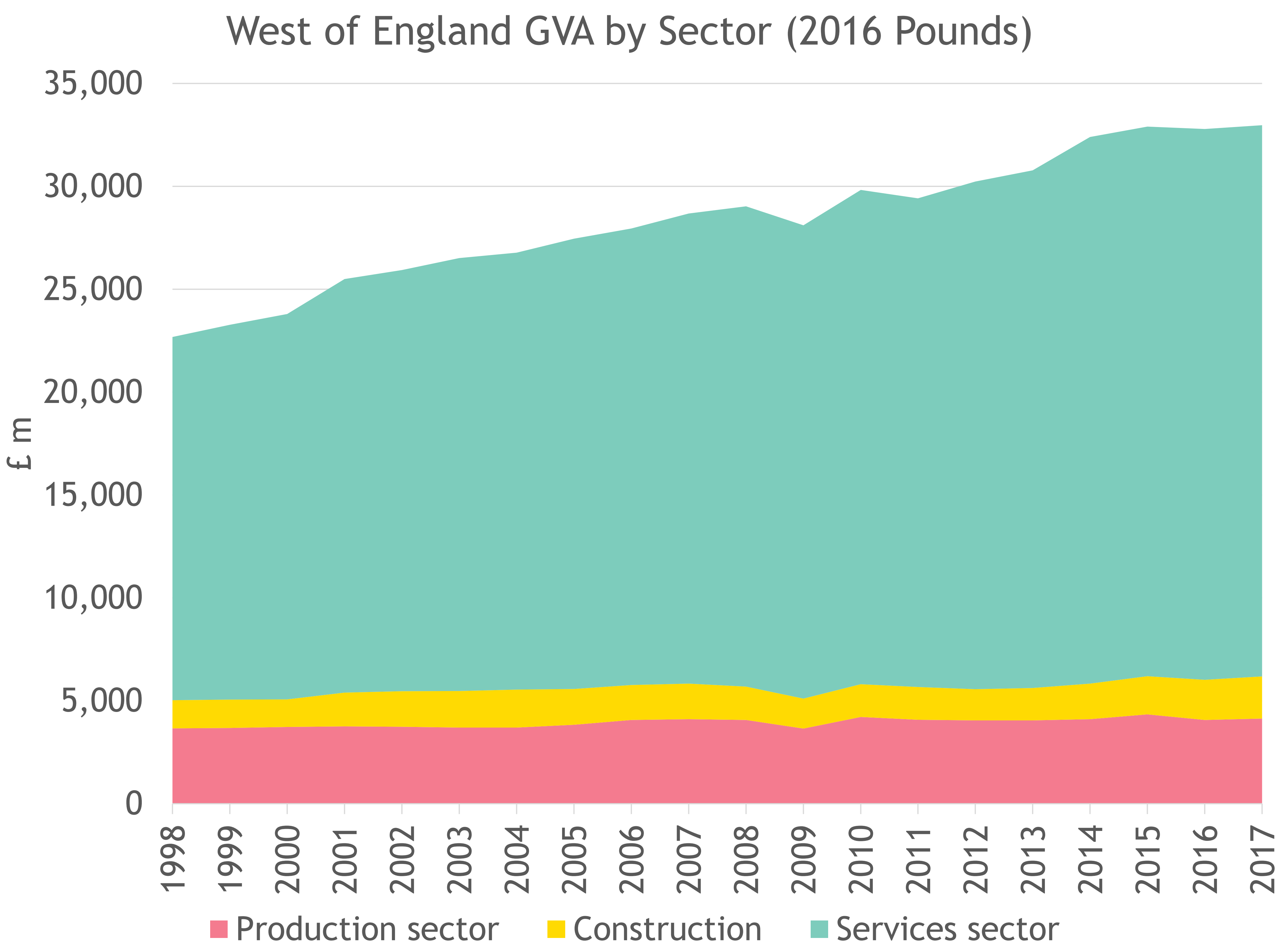
Business: GVA by Sector



Source: ONS Balanced Gross Value Added (Estimates), 2018

- Estimated GVA of £32.9bn (2017)
- Driven by Services which accounts for 81 % of GVA (2017)
- Manufacturing contributes to 74% of the GVA generated by production, with agriculture, mining, electricity, gas, water and waste making up the remaining 26%.

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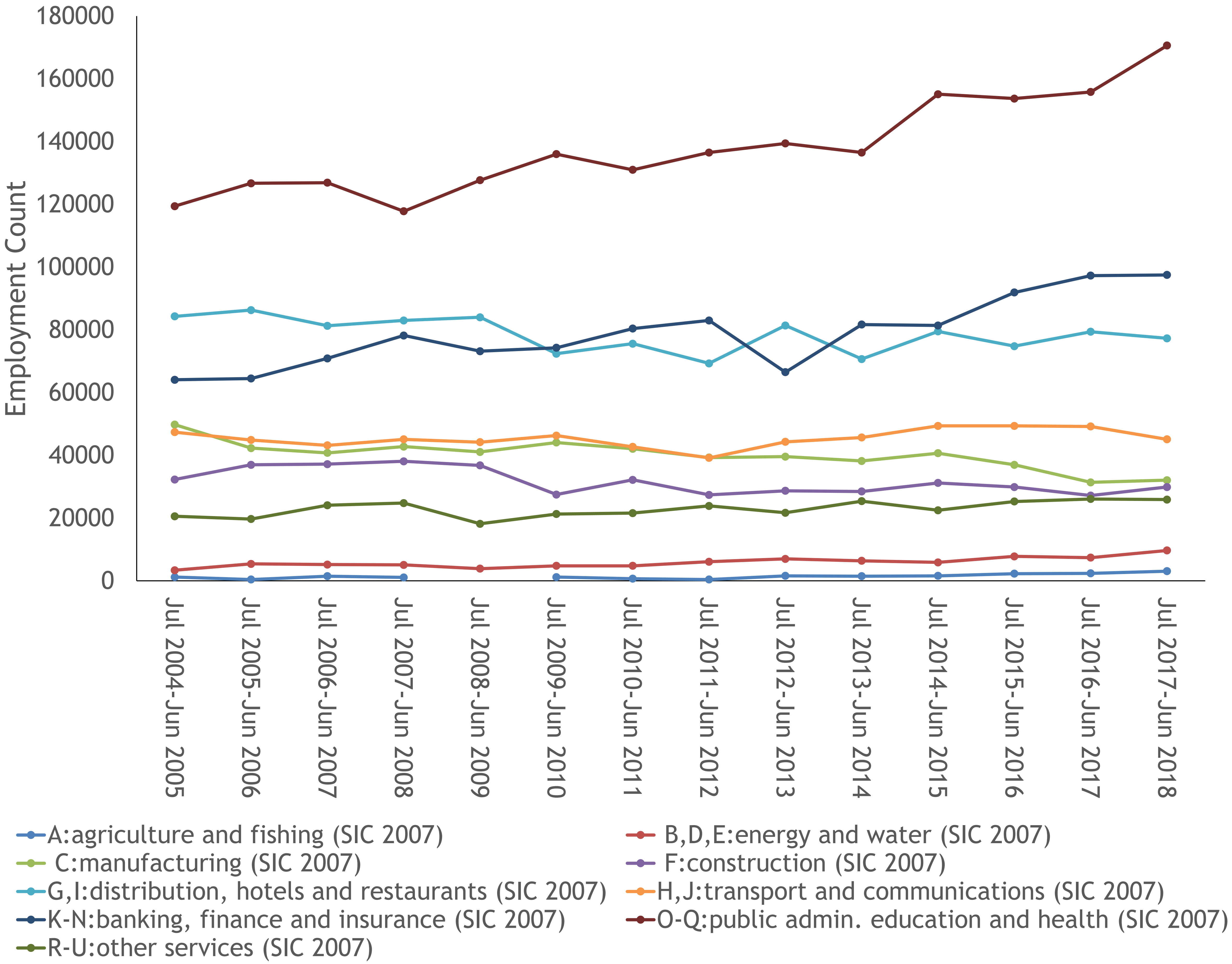
Employment by Sector



- Employment within public administration; education and health is the largest employment sector within the West of England; this reflects the national picture.
- There has been a steady increase within the West of England in the number of people employed in Banking, Financing and Insurance since 2013.
- Employment in both Manufacturing and Transport and Communications have both decreased slightly; potentially a reflection of automation.
- The level of employment in the other high level sector groupings has remained relatively consistent.

Source: Annual Population Survey; ONS

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Self Employment

Source: Annual Population Survey, ONS

- The level of self-employment within the West of England has steadily increase between 2011 and 2017, in line with national trends; increasing by 1.3p.p in the West of England compared to 1.4p.p for the UK.
- The levels of self-employment vary between the four authorities within the West of England. B&NES (11.7%), Bristol (11.5%) and North Somerset (12.6%) all have levels of self- employment above that of the UK; whilst South Gloucestershire has persistently lower levels (7.3%).