

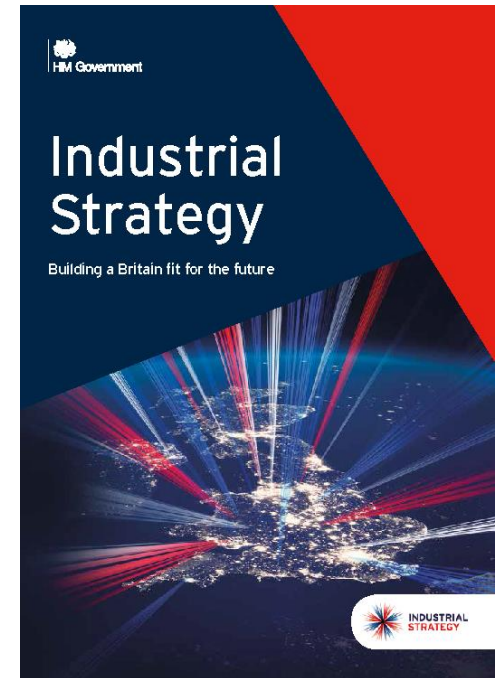
# UK Industrial Strategy: Rural Opportunities and Challenges

*20 March 2018*

*Introduction to the Afternoon Session*

# Break out groups

- Industry Sector Deals, including skills/innovation/links to place
- Local Industrial Strategies, and place-focused Growth/Productivity Deals
- Business Environment, including Exports/Trade



# Evidence for the Break Out Groups

- Present evidence on the comparative performance of rural firms in England
- Draw on analysis of the UK Longitudinal Small Business Survey (LSBS)
- Analysis undertaken by Pattanapong Tiwasing, Jeremy Phillipson, Robert Newbery, Roger Turner, Sara Maioli and Matthew Gorton



Department for  
Business, Energy  
& Industrial Strategy

# Overview of the LSBS datasets

Number of Businesses	2015		Total	2016		Total
	Urban	Rural		Urban	Rural	
England	9,848 (73.5%)	3,555 (26.5%)	13,403	5,385 (72.6%)	2,032 (27.4%)	7,417
UK	11,232 (72.5%)	4,270 (27.5%)	15,502	6,527 (70.6%)	2,716 (29.4%)	9,243*

Note: \* we excluded some businesses who did not provide urban-rural classification

# Key Findings

- Rural firms' turnover not significantly less than urban firms (when London excluded from the latter).
- Rural firms significantly more likely to report being *profitable* than urban firms (with or without London).

# Business Plans in the Next 3 Years

Business Plans	Without employees		With employees	
	Urban England	Rural England	Urban England	Rural England
Increase skills of the workforce	41.10%	38.10%	71.10%	68.10%
Increase leadership capability of managers	17.70%	18.20%	46.90%	38.80%
Capital investment	22.20%	26.10%	38.60%	43.20%
Develop and launch new products/services	31.70%	31.90%	48.60%	43.00%
Introduce new working practices	27.50%	27.10%	52.20%	44.30%
None of these	41.70%	42.20%	16.20%	18.40%

Source: LSBS (2015)

# Reasons for seeking external finance

Reasons for seeking finance	% of firms identifying factor as reason for seeking external finance		Total
	Rural	Urban	
Working capital, cashflow	43.6%	51.8%	49.6%
Buying land or building/building premises	19.0%	9.0%	11.7%
Improving building	9.2%	5.6%	6.6%
Acquiring capital equipment or vehicles	41.3%	34.6%	36.4%
Research and Development	1.5%	5.3%	4.2%
Acquiring intellectual property	0.1%	1.2%	1.0%
Training/staff development	0.5%	2.9%	2.3%
Marketing	1.5%	5.7%	4.5%
Debt consolidation	0.7%	2.6%	2.1%
To fund expansion in the UK	4.0%	5.9%	5.4%
To fund expansion overseas	0.2%	1.1%	0.9%
Other	12.2%	10.3%	10.8%

Source: LSBS (2015)

# Obstacles to successful business

- Most frequently identified by rural firms: Regulations/red tape, Competition in the market, Tax/NI/Rates and Late payments.
- A smaller proportion of rural firms, between 10 and 20%, identified: Staff recruitment and skills, Obtaining finance, EU Exit and Availability of premises to start-up or grow as major obstacles.
- Significantly more rural than urban firms see Regulation as problems.
- Significantly more urban than rural firms see Competition and Availability of premises as constraints.



# Exports and Trading (1)

Export status (exported goods or services in the last year or have potential to export)

	Urban	Rural
<b>Export goods</b>	5.1%	6.6%
<b>Export services</b>	7.1%	7.9%
<b>Any goods or services that are suitable for exporting</b>	15.0%	18.3%

Source: LSBS (2015)

# Exports and Trading (2)

- Performance of rural exporters overall as good as urban based exporters
- Pattern of exports to EU and non-EU markets similar between urban and rural firms.
- Far more importers (21%) than exporters (12%)
- Effect of Brexit – those suggesting will change business plans just as likely to be importers as exporters

# Territorial Deals (1)

- Compare responses of firms within: Northern Powerhouse (NP), Midland's Engine (ME), and rest of England (3 groups)
- Average turnover of businesses located in both the NP and ME regions is lower than that of businesses in the rest of England.
- However, both NP and ME regions have a greater proportion of businesses that report making a profit than businesses in the rest of England.
- Businesses in the NP and ME regions are significantly less likely to be exporters. ME = more potential exporters.

# Territorial Deals (2)

- Rural firms in NP and ME regions are just as likely to register similar levels of turnover, profit, sales growth, employment growth, exporting, potential to export and goods and service innovation to urban firms.
- Rural firms in the ME are more likely to be a goods innovative business than urban counterparts.
- Territorial deals such as NP and ME need to be rurally inclusive from the outset.

# Territorial Deals (3)

- Getting the business environment right requires an inclusive and tailored approach within local, devolved and territorial strategies.

Important differences across regions, for instance:

- ***East Midlands*** significantly more rural than urban firms report staff recruitment and skills problems, and have introduced markedly fewer products or services that were new to the market.
- ***West Midlands*** rural firms are more likely to be planning to make capital investments and be exporters of services than the region's urban firms.

# REUK Commitment

- Committed to further rural analysis of LSBS data. Form part of evidence base on impacts of the Industrial Strategy.
- Where possible, additional analysis for particular geographical / sector compositions.