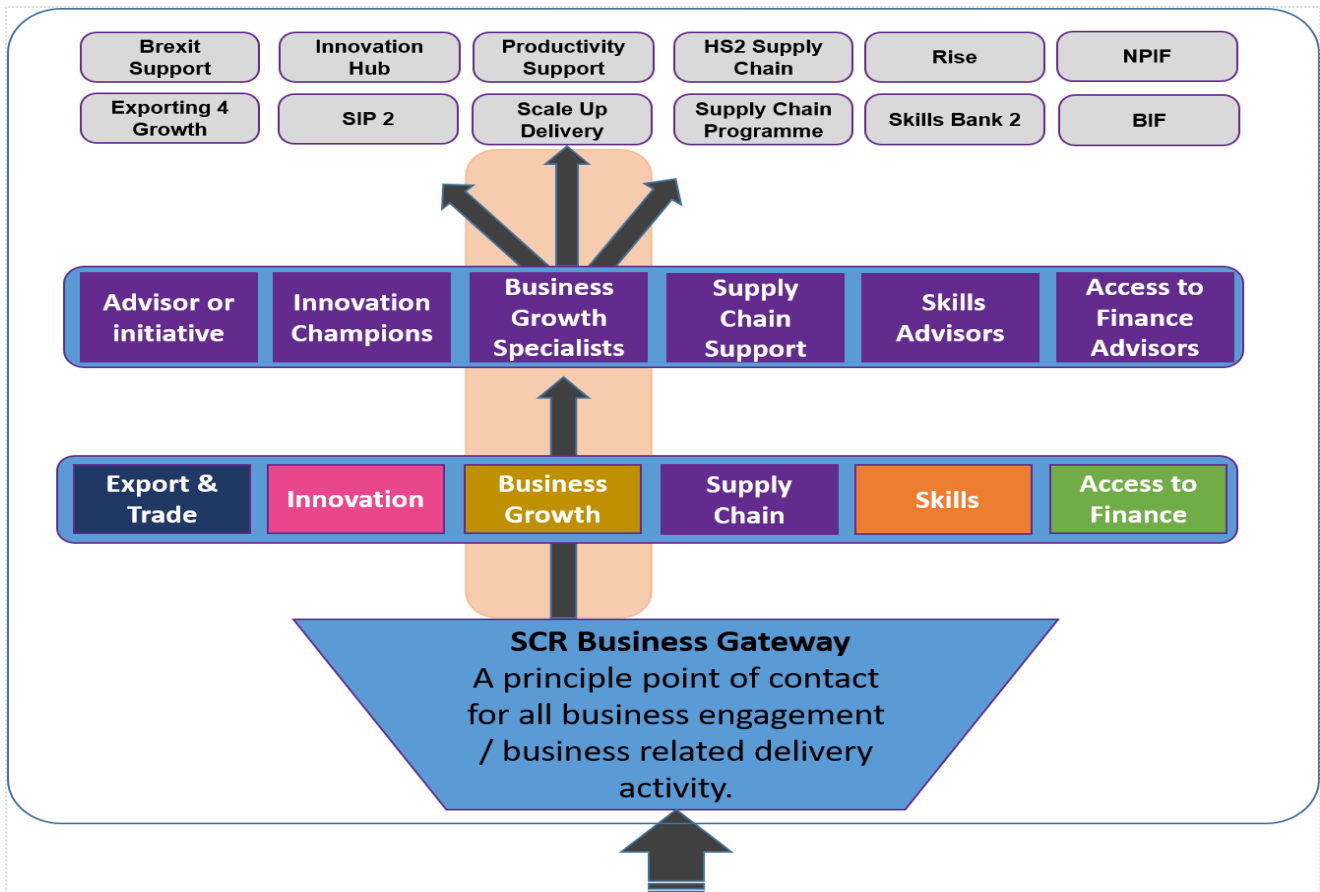


## Appendix 2



### Appendix 3 Business Growth in SCR – Recent Economic Performance

1. As a region SCR has already achieved 50% of our target to create 70,000 new jobs by 2023<sup>1</sup>; forecasts show an upward trajectory for more highly skilled occupations and a decline in occupations requiring lower skill levels. However, this significant jobs growth still resulted in a workforce generally lower-waged than comparator regions, and with lower productivity per job.
2. The City Region has matched the % growth rate in UK GVA, however the gap has remained consistent over time and productivity is almost £5,000 lower in SCR than the UK average. If GVA per head was the same as the UK average the SCR economy would be £9.2 billion larger, with a knock-on effect on wages and living conditions.
3. With more than 67,000 “local units of enterprise” in 2018, the number of businesses in SCR had grown by 16% since 2014<sup>2</sup>. However, the private-to-public sector employment ratio in SCR is still much lower than the national average. With an overarching need for more businesses; there is a potential “gap” based on business density and a lack of concentration of key industries.
4. The SCR and individual local authority areas demonstrate lower levels of entrepreneurship than the UK average. Although 5-year business survival rates are comparable to the national average and there is evidence of some high growth established businesses, the overall rate of scale-up is below that of most comparator regions and 98% of firms in SCR are SMEs.
5. Manufacturing sector is a historic regional strength but rate of GVA growth not matching national increases. Business services, professional, scientific and technical % growth is higher than average but from a comparatively weak starting point.
6. Some growth areas in the region are those of traditionally lower pay i.e. wholesale and retail trade; repair of motor vehicles and motorcycles; administrative and support services; health and logistics, although well paid jobs do exist particularly in the latter two sectors.
7. SCR has seen jobs growth and some clustering in specialised sub-sectors such as materials, engineering, specialised construction, civil engineering and digital; however, these are not yet strongly embedded.
8. There is little SCR-specific data available regarding investment markets, though anecdotally a perceived gap in growth finance for early stage, higher risk business development. Yorkshire & Humber has estimated 8% of UK high growth business, but circa 3% of UK equity investment. At Local Authority level, Sheffield City has important equity clusters, ranking 20<sup>th</sup> in England.<sup>3</sup>
9. Uncertainty around UK’s impending departure from the European Union has impacted upon SCR business confidence, and investment from both indigenous and inward investors has notably slowed over the past 12 months.
10. Brexit could impact upon inward investment and exporting in a negative manner (e.g. scale and relationships with existing export and investment origin countries) or a positive way (such as seeking further investors and trade opportunities in faster growing developing nations).
11. Exporting is highly important to productivity, international profile and the strength of the region’s business base. There are generally low levels of goods and service exporting in SCR (£5bn per

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<sup>1</sup> Metro Dynamics 2017

<sup>2</sup> ONS 2018

<sup>3</sup> Beauhurst report for British Business Bank 2017

year), however the region's manufacturing sector demonstrates notable strengths (accounting for 40% of our total goods exports).

12. The region's existing key export markets include the EU (57% of SCR trade value) and USA. and many growing markets e.g. China and India although from a much lower base.
13. Existing and forthcoming inward investment is a crucial element of SCR's economic development for job creation, supply chain development and overall economic resilience. Germany, USA and China are the source of the majority of inward investment projects.
14. SCR has multiple assets to promote to potential inward investors and encourage existing FDIs to further invest. A central location, high quality research, skilled workforce, quality of life and strong transport links including Doncaster Sheffield Airport with growing international connectivity.
15. Possessing significant research and innovation assets lead primarily by the two universities, SCR's overall level of Research & Development investment nevertheless lags behind comparator regions. This impacts upon productivity, the capacity to grow innovative firms, develop human capital and maximise the beneficial impact to the region of our key institutions.
16. Innovation expenditure in SCR is approximately 1% of current GVA output, compared to a UK average of 1.6%. Central government's ambition is a national target of 2.4% by 2027, highlighting the significant increase required. The City Region demonstrates a particularly low proportion of private sector investment in R&D, compared to government and higher education. SCR businesses would need to double their investment in innovation from an estimated £105 million to £210 million to achieve Government's target<sup>4</sup>.

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<sup>4</sup> ONS (2018)