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News release

21st June 2018

London firms lead on growth and productivity gains

- **London remains the UK's start-up capital – but nearly half of firms fold in their first three years**
- **London companies that survive grow quickly – and a high proportion are becoming more productive**
- **ERC warns of Brexit 'shock' effect to less dynamic areas**

London's smaller firms are continuing to top the tables for growth and productivity, despite other parts of the UK catching up, according to an annual health-check of the UK's SMEs.

The UK Local Growth Dashboard 2018, published by the [Enterprise Research Centre](#), paints a stark picture of the nation's varied growth geography among small and medium-sized enterprises, which account for 99% of UK companies.

London has the highest rate of start-ups in the UK, with 91 per 10,000 population – far ahead of the UK average of 50 per 10,000. But its survival rate for start-ups born in 2014 and still going three years later is among the lowest in the country at 51.8%.

Despite its high rate of attrition, London companies that do survive go on to grow quickly. Among start-ups, 2.5% achieve their 'first million' turnover within three years. And for established firms with turnover of £1m-£2m 'stepping up' to £3m+ within three years, London again tops the tables, with 9.4% of growing firms achieving this.

London has also seen strong gains in productivity – defined as turnover growing faster than employment – in recent years. Over 2014-2017, 9% of London firms became more productive, against a UK average of 8.4%. But this increase trailed Northern Ireland and Greater Manchester.

Other key findings from the report show that:

- Northern Ireland has some of the UK's fastest-growing and most productive firms. Outer Belfast and Eastern NI have the highest proportion of companies reaching their 'first million' within three years of start-up (3.3%). This is striking given NI's comparatively high reliance on the public sector.
- Northern Ireland also came top of the productivity rankings, with 11% of job-creating firms growing turnover faster than employment over the 2014-17 period

(UK average 8.4%). The 'Northern Powerhouse' region also performed strongly on this measure, led by Greater Manchester and Greater Leeds.

- Larger OECD-defined high-growth firms (average growth in employment of 20% or more over a three-year period and having at least 10 employees) are concentrated in a southern triangle bounded by Cambridge, Bristol and Brighton.
- Start-up rates are highest in London and the wider South of England, with hotspots in the Midlands and North. Wales, Scotland and Northern Ireland show much lower start-up rates than England.
- Coastal and rural parts of England in general show lower rates of business growth on most metrics compared to urban areas.

The UK's 5.7m SMEs constitute over 99% of businesses, employing more than 16m people and have a combined annual turnover of £1.9trn, 51% of all private sector output.

The ERC is the UK's leading source of independent research on the growth of SMEs.

Professor Mark Hart, Deputy Director of the ERC, said:

"Our findings show a complex geography which challenges some of the preconceptions about the 'hotspots' of business growth across the UK.

"What's clear is that there are pockets of SME dynamism right across the country and it's not as simplistic as either a North-South or urban-rural split. That being said, it's also true that firms in some parts of the country face more of a struggle to scale up and grow their productivity.

"The challenge now for policymakers is to learn the lessons of what's working at local level so that we spread best practice right across the country.

"This is especially important as the UK prepares for Brexit to help mitigate any shock to local economies."

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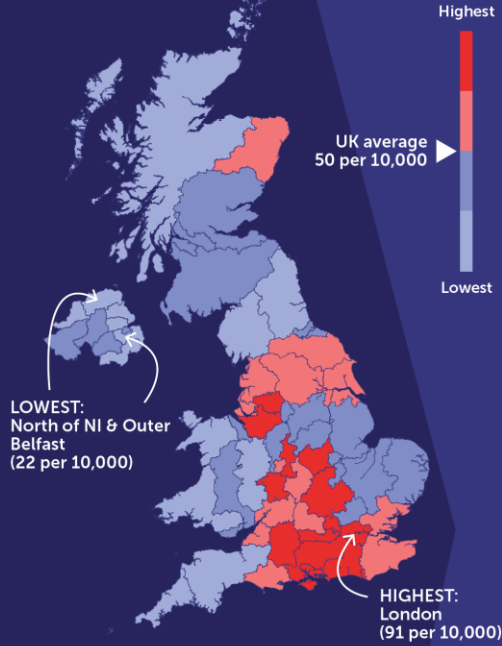
Notes to editors

1. Full report

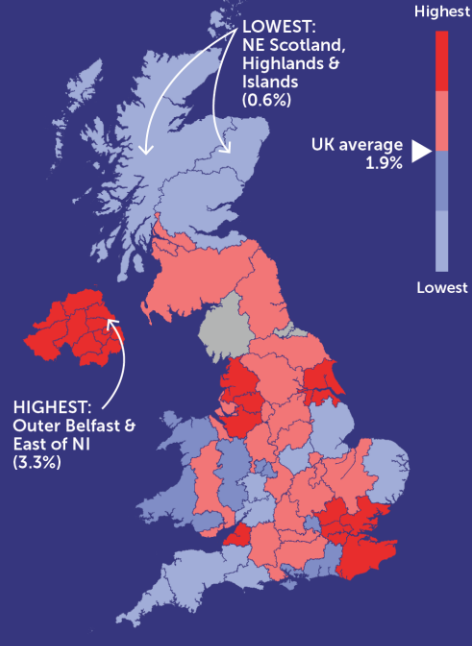
A PDF copy of the Local Growth Dashboard 2018 is available on request. Please contact James Tout (details below)

2. Infographic (hi-res AI, PDF and PNG format versions available on request)

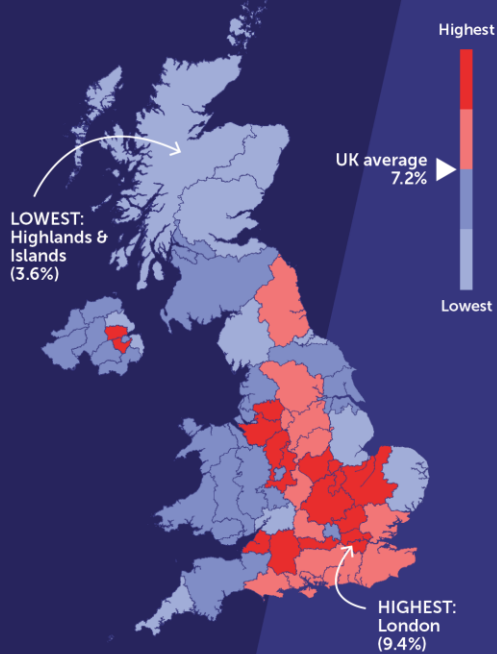
Start-ups per 10,000 population



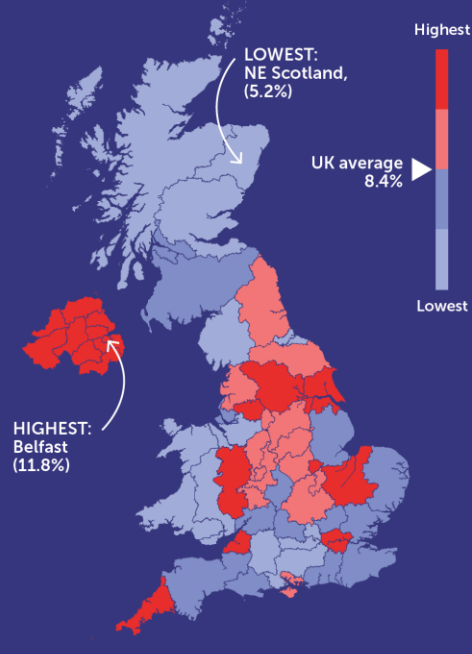
Start-ups scaling to £1m+ turnover within 3 years



Established firms scaling from £1-2m turnover to £3m+ turnover within 3 years

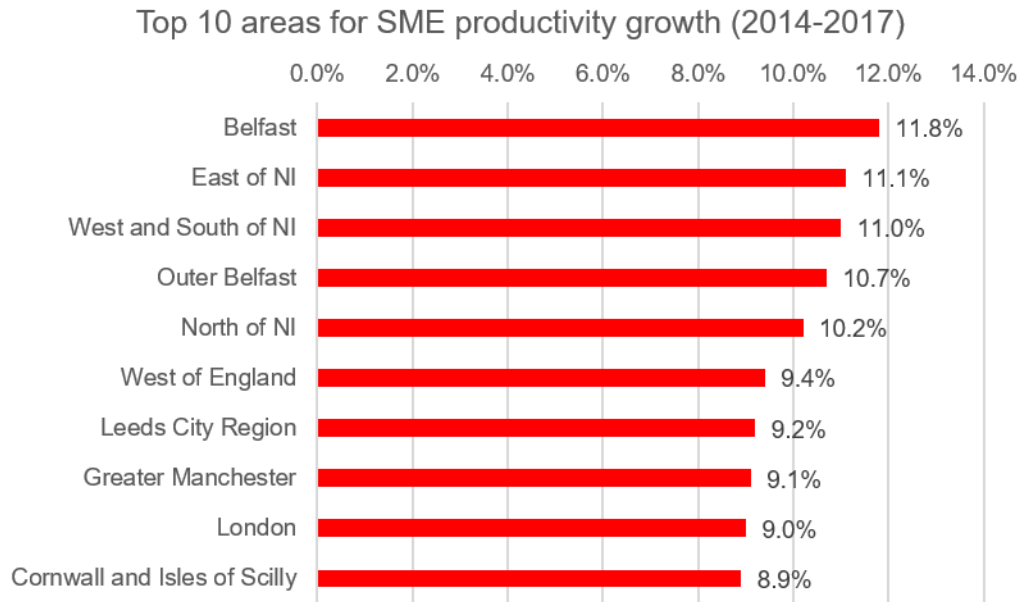


Productivity growth in job-creating SMEs 2014-17



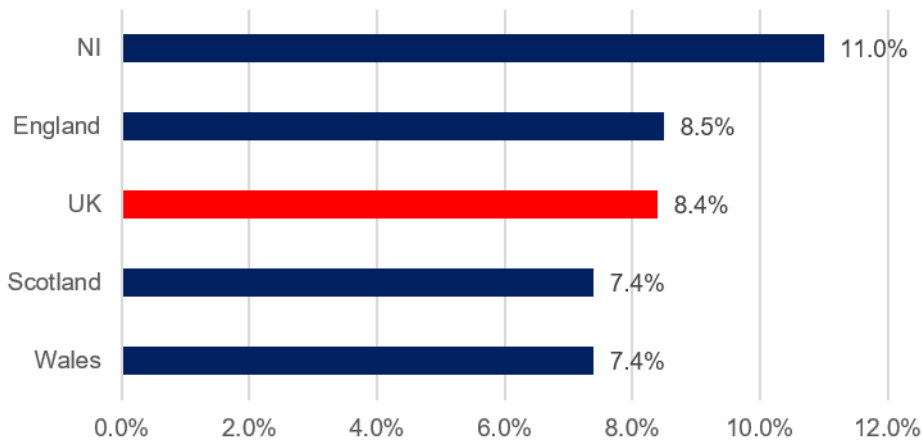
3. Charts

Top 10 and bottom 10 for SME productivity growth (2014-2017):



Productivity growth in SMEs 2014-17, UK nations:

Productivity growth in SMEs (2014-2017), UK nations



About the Enterprise Research Centre

ERC is the UK's leading independent research institute on the drivers behind the growth and productivity of small and medium-sized enterprises (SMEs). It is funded by the Department for Business, Energy and Industrial Strategy (BEIS), the Economic and Social Research Council (ESRC), Innovate UK, The Intellectual Property Office (IPO) and the British Business Bank (BBB).

ERC is producing the new knowledge around SMEs that will allow us to create a business-friendly environment nationwide, grounded in hard evidence. We want to understand what makes entrepreneurs and firms thrive so we can spread the lessons from best practice and make the UK a more successful economy.

The Centre is led by Professors Stephen Roper of Warwick Business School and Mark Hart of Aston University, Birmingham. Our senior researchers are world-class academics from both Aston and Warwick Universities as well as from our partner institutions which include Imperial College, Queens University Belfast and the University of Strathclyde.

<http://www.enterpriseresearch.ac.uk>

Contact

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