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News release

21st June 2018

Brexit risk to Northern Ireland's strong SME growth

- **Northern Ireland's smaller firms ahead of the rest of the UK on many metrics of growth**
- **Despite low start-up rate, survivor firms scaling fast and growing productivity**
- **But progress could falter if customs arrangements change post-Brexit**

Northern Ireland's small and medium-sized enterprises are growing more quickly than their counterparts in the rest of the UK, according to an annual health-check of UK 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 SMEs, which account for 99% of UK companies. The ERC has warned that Northern Ireland's progress on small firm growth could be put at risk by the prospect of a 'hard border' with the EU post-Brexit.

Northern Ireland's relatively strong growth performance is surprising given its low start-up rate of 27 per 10,000 population – the lowest in the UK and well below the average of 50 per 10,000.

But for firms that survive their early years, growth is rapid, with Northern Ireland leading the UK in the proportion of firms that reach turnover of £1m+ in their first three years. In Northern Ireland, 2.7% of firms achieve this, against a UK average of 1.9%, with Outer Belfast and the East of NI having the highest rate in the country at 3.3%.

For established firms 'stepping up' from a turnover of £1m-£2m to £3m+ in three years, Northern Ireland performs less well, with just 5.8% of firms managing this compared to the UK average of 7.2%.

But when it comes to productivity growth over the 2014-17 period – where faster turnover growth than employment indicates an increase – Northern Ireland again leads the pack, with 11% of firms becoming more productive against a UK average of 8.4%.

Other key findings from the report show that:

- The 'Northern Powerhouse' region also performed strongly on the productivity 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.

"There's also clear evidence that firms in Northern Ireland have achieved impressive growth and productivity gains over recent years. This may be down to the stability of the business support environment fostered by its business development agency, Invest NI. It may also be something to do with Northern Ireland's lower productivity in the past – so it may be catching up.

"But a real concern is whether this can be maintained if Brexit results in more complex customs arrangements - which on the current path is almost certain - either between Northern Ireland and the Republic, or indeed between Northern Ireland and the rest of the UK and beyond. With the private sector in Northern Ireland traditionally rather fragile, this recently developing good news story could turn very sour indeed.

"Equally, many of the English regions as well as Wales and Scotland show weaker activity across the entire growth pipeline. The worry is that a macro-economic shock, as predicted by the Government's own analysis, could further damage business dynamism in these places."

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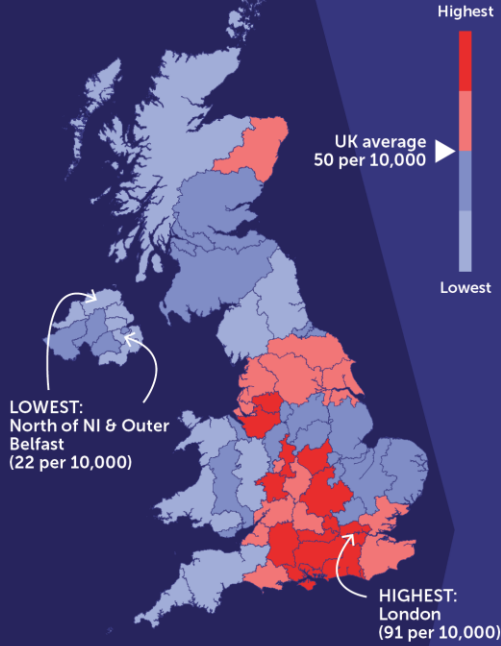
Notes to editors

1. Full report

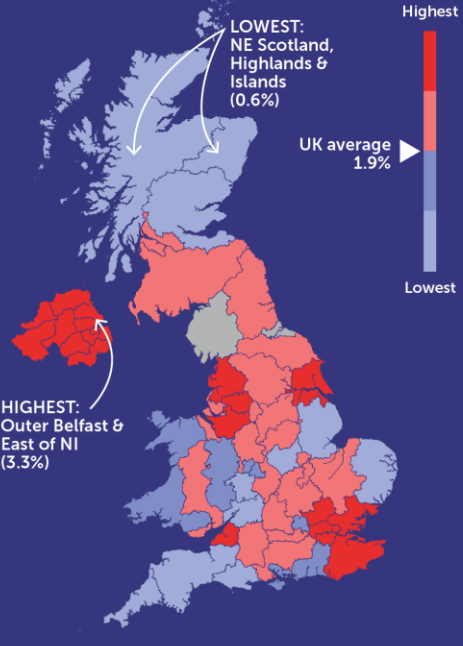
A PDF copy of the Local Growth Dashboard 2018 is available on request. Please contact James Tout (details below)

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

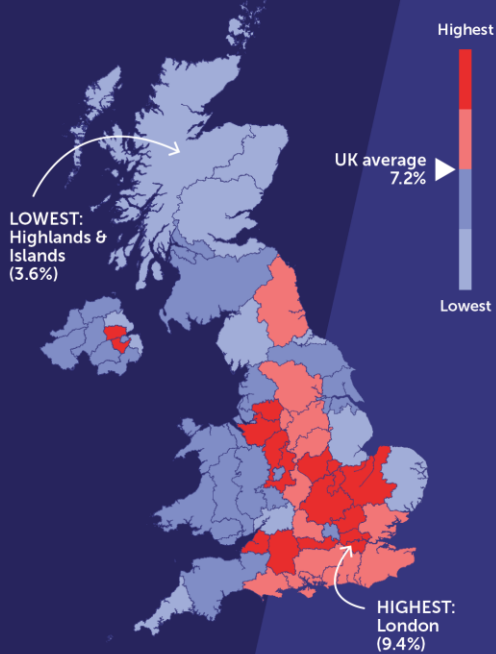
Start-ups per 10,000 population



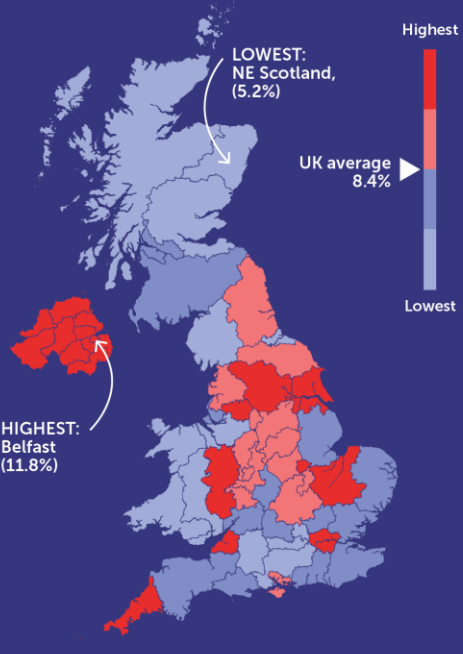
Start-ups scaling to £1m+ turnover within 3 years



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

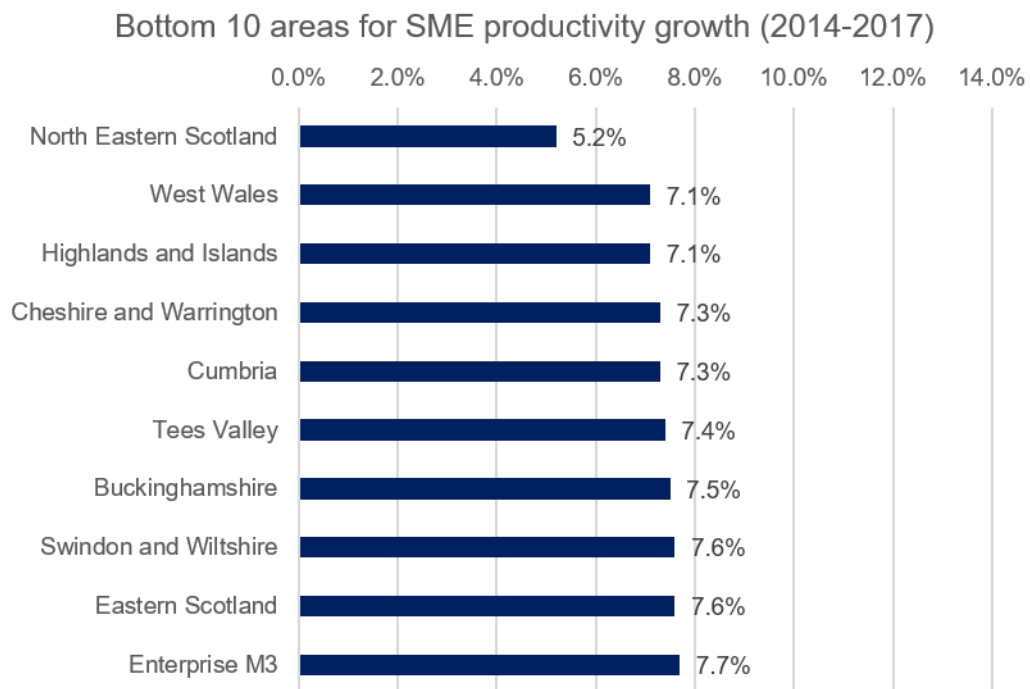
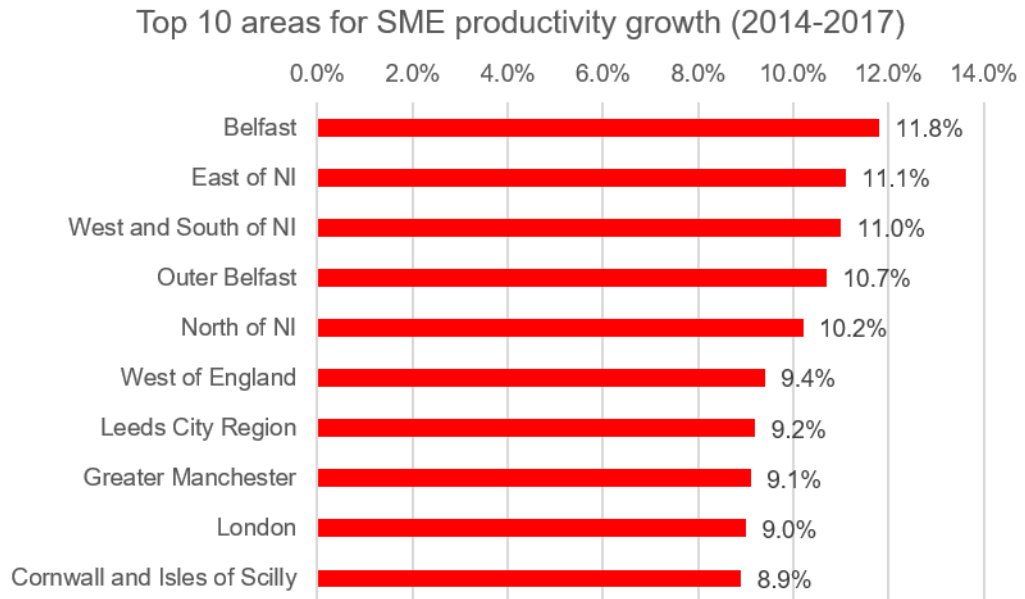


Productivity growth in job-creating SMEs 2014-17



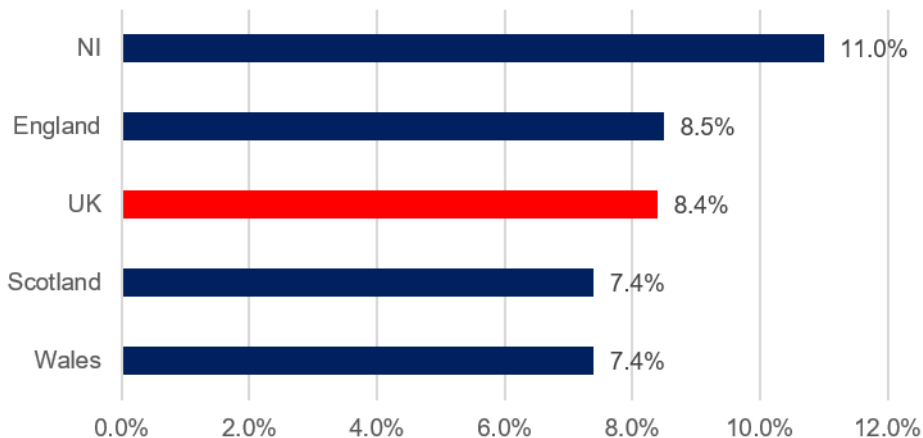
3. Charts

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

For further information, please contact James Tout at Journalista on 07989 610 276 or email james@journalista.co.uk.