

Where industry is strong and where it's weak: Key facts of UK business geography



The UK's financial services industry is not nearly as London-centric as the creative industries. Rather than the South East of England being the country's productivity engine, it is a band stretching west from the capital along the M4 corridor towards Bristol. The East of England stands out nationally in terms of the intensity of local investment in research and development (R&D). And in addition to longstanding concerns about the North-South divide, there are emerging disparities between coastal and inland areas.

These are among the key findings in our new 'atlas' of industry in Britain. In the latest update from the [LSE Growth Commission](#), the new study describes and maps ten key facts about the UK's business geography:

FACT 1: Three patterns of industry: some industries are fairly evenly spread around the country; others are concentrated in a number of locations; while in a third group, activity is concentrated in only one location. Perhaps surprisingly, finance is in the second category. But the creative sector and ICT fall into the third category. Given that these are considered high growth potential industries, this will concern those seeking a more even spread of opportunity.

FACT 2: Firm size distribution: larger firms, which tend to invest more and have higher productivity, are very sparsely spread: only 55% of local authorities have 10 or more large firms. More encouragingly, the growth of mid-sized firms is evenly spread.

FACT 3: Business demography: the rate at which firms start up and go bankrupt is relatively evenly spread, with these 'births' and 'deaths' equally likely across UK regions.

FACT 4: Productivity by location: the output per hour of a worker in the UK varies considerably by location. At the bottom of the productivity scale is mid-Wales. There are three high-productivity hubs: the oil industry around Aberdeen, the area around Greater Manchester and a band of productivity in the South – not so much in the South East but rather spreading west from London along the M4.

FACT 5: Productivity by sector: of the high employment sectors that drive national productivity, the leading sectors are finance, information and communications, construction and manufacturing. High employment sectors with weak productivity include retail and wholesale trade, administrative services and accommodation and food services.

FACT 6: Innovation by location: London and the South East account for nearly a third of business spending on R&D; but in terms of R&D as a percentage of GDP, the East of England stands out. At a more disaggregated level, the UK's most innovative regions are East Anglia, Cheshire and Hertfordshire.

FACT 7: Exporting: only just over one in ten firms export and those that do export are most likely to be based in London, the South East or the East of England. The North East has the lowest share of exporters at fewer than 6%.

FACT 8: The UK's coastal malaise: firms located near the coast are more likely to go out of business than those further inland. These areas also tend to specialise in accommodation and food services, which tend to be low productivity industries in which there is a high churn of businesses.

FACT 9: The power of a single firm: in some parts of the country, there is local domination by single firms. For example, high productivity in north Lancashire, Derby and Brentwood is influenced by the major plants of BAE Systems, Rolls Royce and Ford, respectively. The local impact of losing or gaining a large company can be large.

FACT 10: The German benchmark: the UK's best performing regions (with the exception of Central London) are far behind the German average (Figure 1). Germany stands out as a multi-hub country, with around ten identifiable high- productivity areas: by contrast in the UK the South East region dominates the national economy.

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Concerns that some regions of the UK are falling behind others – and that the location of companies helps to explain this – are longstanding. Yet determination to adopt policies that address regional disparities has ebbed and flowed over the past 50 years.

There are signs that the 2017 Parliament could see an intensification of efforts to seek a more even spread of industry. The maps and charts in our new report provide a starting point, setting out the latest data on firm location, together with geographical measures of employment, productivity and innovation.



Notes:

- This blog post is based on the author's report [Industry in Britain – An Atlas](#), Centre for Economic Performance Special Paper No.34, September 2017
- The post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.
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