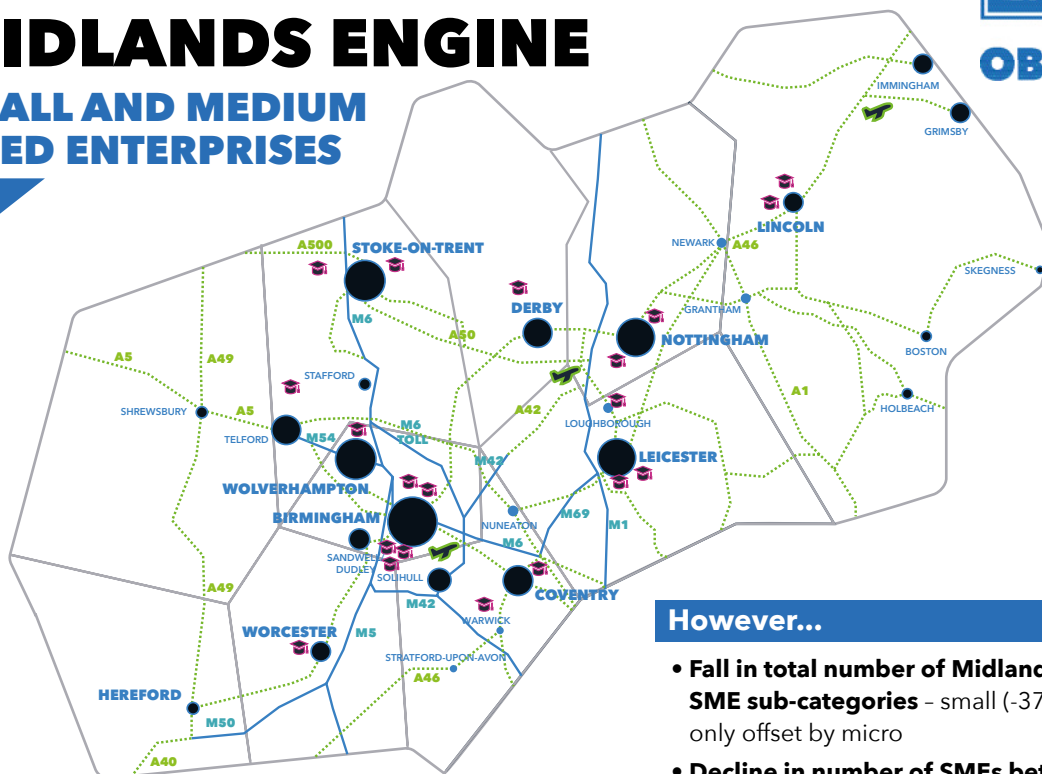


# MIDLANDS ENGINE

## SMALL AND MEDIUM SIZED ENTERPRISES



### KEY FACTS AND FIGURES

- **99.6%** (378,990) of all Midlands Engine businesses are **small and medium sized enterprises** - SMEs. The number of SMEs in the Midlands Engine **increased by 0.4% (+1,530) between 2020 and 2021** whereas number of large enterprises (250+ employees) decreased (-1.6%). For UK as a whole, SMEs increased by 0.6%
- **Business, professional & financial services** sector accounts for the largest proportion of the Midlands Engine SMEs with **30.6%** (114,995). **Retail** is the second largest sector with **16.6%** (62,345) - 1.9 percentage points higher than UK average. **Construction** is third largest sector with **14.4%** (54,005). Other sectors and sub-sectors with high numbers of SMEs include: **support services 9.6%** (36,250), **other service activities 9.6%** (35,975) and **visitor economy 7.9%** (29,685)
- The Midlands Engine has a higher proportion of total SMEs than the UK within 8 sectors/sub-sectors including **transport technologies & logistics (6.8% vs 5.0%)**, **metals & materials (2.3% vs 1.5%)**, **wider advanced manufacturing (3.6% vs 2.9%)** and **agriculture & agri-tech (5.5% vs 5.1%)** - reflecting the region's key industry strengths
- Greater Birmingham and Solihull LEP has most SMEs with **18.3%** (74,665), followed by Derby, Derbyshire, Nottingham, and Nottinghamshire LEP with **18.0%** (73,760) and Leicester and Leicestershire LEP with **11.3%** (45,990). Notable growth in number of SMEs between 2020 and 2021 in **Leicester and Leicestershire (+6.5%)** and the **Black Country (+3.9%)**.

### However...

- **Fall in total number of Midlands enterprises in two SME sub-categories** - small (-370) and medium (-110) only offset by micro
- **Decline in number of SMEs between 2020 and 2021 in four LEPs.** Largest decrease in **Worcestershire (-7.3%)**, followed by **Greater Birmingham and Solihull (-5.0%)**
- For the Midlands Engine area, **three sectors show a decline in number of SMEs**; business, professional & financial services (-3,950), agriculture & agri-tech (-1,730) and creative, design & digital (-805)
- **Seven subsectors show a decline** in number of SMEs, examples include support services (-4,935), digital (-920) and real estate & associated consultancy (-120).

### ENTERPRISE BIRTHS, DEATHS, AND SURVIVAL

- ONS Business Demography figures for enterprises of all sizes show **410,270 active enterprises** in our region in 2020. **An increase of 1.4%** (5,600 enterprises) since 2019, above the UK growth rate of 0.4%
- The enterprise birth rate for the Midlands Engine area birth rate for Midlands Engine geography was greater than the national average in 2020 - **12.2% vs 11.9%**
- **1- to 2-year enterprise survival rates are higher** in the Midlands Engine than the UK average
- **Strong and consistent growth in number of enterprises in some Midlands LEP areas**, including Leicester and Leicestershire, the Marches, and the Black Country
- Recent analysis by [Quantuma](#) suggests **Midlands SMEs have stronger growth and financial stability**, on average, than SMEs in London and the South East
- Quantuma analysis also finds our region provides a **better location for start-ups and businesses in the early years compared to UK average**. SMEs in 0-3 year age bracket account for 8% of most distressed SMEs in UK compared to 2% in the Midlands.

## However...

- **55,485 additional active enterprises in the Midlands are needed to reach the national average** of 469 enterprises per 10,000 population. Given their overall dominance, a growth in SMEs will be integral to meeting the UK average
- The Midlands had 50,330 enterprise births in 2020, a **decrease of 9.5% (-5,255 births) since 2019**, compared to a UK decrease of 8.3% over the same period
- Latest figures show the number of high growth enterprises fell from 1,690 in 2019 to 1,550 in 2020 – a **decrease of 8.3% (-140 enterprises), more than twice the UK decrease of 4.0%**
- **Largest increase in enterprise deaths was in Greater Birmingham and Solihull LEP**, from 11,110 in 2019 to 14,010 in 2020 (+26.1%). Worcestershire LEP enterprise deaths also **increased by over 26%** (up 1,070 to reach 5,125)
- **The Midlands Engine lags behind the UK average when it comes to longer-term business survival.** Quantuma analysis shows that in the Midlands, SMEs in the 3-7-year age bracket account for 43% of total number of most severely distressed SMEs, compared to 38% in the UK
- Quantuma also find that **Midlands SMEs have lower profitability and higher risk compared to UK SMEs.**

## KEY OPPORTUNITIES

- Midlands SMEs across all sectors have **major opportunities around net zero and digitalisation**, dubbed the 'Triple Transition' – entering new markets and adopting new practices while underpinning productivity growth
- **Reshoring production to the UK** could boost industry supply chains and support the demand for skilled SMEs to work on key projects or product lines
- **Post-Brexit trade deals will allow SMEs to explore wider global markets**, enabling further growth through exports
- **Major events nationally and regionally**, such as the Commonwealth Games, and **key infrastructure investment**, offer Midlands businesses an opportunity to win contracts and contribute to an economic and social legacy
- **Innovation and alternative business models** (including circular economy and servitization) can support SMEs to upskill their staff, create a diversified offer, and ultimately drive productivity and growth.



## KEY CHALLENGES

- Rising costs, particularly for utilities, wages, and materials, are a major issue. The '**cost of working crisis**' as it's known by SMEs is damaging cash flow and contributing to company insolvencies
- SMEs in all sectors continue to **struggle to fill roles**, mainly driven by a lack of skills and people in the labour market
- SMEs are **less optimistic about their prospects than they were a year ago**, according to the latest FSB Small Business Survey
- SMEs report issues around **not being able to access necessary finance for growth**, or not knowing how to access it
- Evidence so far points towards **negative Brexit impacts on trade to EU and non-EU markets**, characterised by falls in overall openness and competitiveness.

