

SME HEATMAP 2015



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On Wednesday 25th November, Chancellor George Osborne unveiled the Government's 2015 Autumn Statement and Spending Review. During his speech, Osborne made it clear that Britain's economic security cannot be guaranteed unless it is supported by a "vibrant private sector". Small and medium enterprises (SMEs) are fundamental to Britain's economic prosperity; their entrepreneurial spirit stimulates the growth of the economy, while companies at the forefront of disruptive technologies revolutionise traditional business practices. Representing c. 99% of all private businesses, SMEs generated over £1.75 trillion worth of revenue in 2014. Benefitting from industry leading financials, Britain has firmly established its global reputation as the second most innovative country in the world. As ranked by the Global Innovation Index (GII), the nation has been positioned above the USA, Singapore and Germany for the third year running.

However, it is not just innovation and revenue that makes SMEs integral to the British economy – they also represent the largest source of employment, hiring over 15.6 million people, or 48% of Britain's total private sector workforce.

IW Capital's latest research - The SME Heatmap 2015 - analyses the forward facing profile of every UK region, with a specific focus on projected growth figures, business birth rates and the high-performance industries that are set to define the next five years of SME-based investment.

The UK's Rising Regions

With more than 600,000 new businesses launched this year, 2015 has proven to be an exciting time for British entrepreneurship. With SME hubs rising across the British Isles, the below snapshot reveals the champion regions leading economic progression for 2020.

London

London, a city renowned for its cosmopolitan culture and expansive business community, has been at the forefront of business birth rates, with an SME population set to grow by 34% in the next five years. The city hosts some of the world's leading SMEs in the fintech and professional services industries, with 53% of all European financial technology investment dedicated to the capital.

East Midlands

The East Midlands offers exciting potential, with a 9% increase in SME birth rates across professional services, hospitality and the creative industries last year. With a regional economy boasting higher levels of employment and economic growth than the UK average, the East Midlands plays host to a burgeoning entrepreneurship scene. As a consequence, SMEs in the region are projected to grow by an astonishing 109% by 2020.

South West & South East

The South West and the South East of England continue to be a popular breeding ground for SMEs. Outside of London, they are the largest regions for financial and related-professional services. Through the region's entrepreneurial spirit and transport connections to the rest of Britain, SMEs in the South West and the South East are anticipated to grow by a respective 51% and 18% over the next five years.

Hot SME Sectors

Britain's SME scene is defined by high-performance and high-growth industries. High-performance industries, such as construction and manufacturing, form the bedrock of the British economy. They deliver the biggest share of revenue and are the largest source of employment. At the same-time, high-growth industries, including the financial sector, professional services and creative businesses, are becoming integral to Britain's future progression. Nurturing these sectors and encouraging new businesses must be a high priority for the Government. Strategies like the Northern Powerhouse and the devolution of local councils are instrumental in catalysing nationwide growth, and ensuring that business progression is not limited to the capital.

Projected Rate of SME Growth Over the Next Five Years, Ranked by Region*	
East Midlands	109%
East of England	64%
Yorkshire & North Lincolnshire	60%
South West	51%
North East	40%
Scotland	38%
London	34%
Northern Ireland	28%
Wales	25%
West Midlands	24%
South East	18%
North West	14%

*Source: Santander Business Growth 2015

As highlighted by Chancellor George Osborne in the 2015 Autumn Statement and Spending Review, without a “vibrant private sector” there is no growth. Therefore, the Northern Powerhouse ideology will reinstate balance to UK enterprise and ensure that regional business can flourish. To fulfil the North’s potential, and that of other regional business hubs, the ‘devolution revolution’ and the empowerment of local councils will contribute towards local commerce. This initiative will be bolstered by a £12 billion local growth fund and the creation of 18 new Enterprise Zones across the country. By taking the total number of Enterprise Zones to 44 and expanding the existing hubs, more small businesses will be granted access to reduced taxes and dedicated business support. In addition, councils will independently receive and manage all business rates-related income by 2020, with the power to increase or decrease grants.

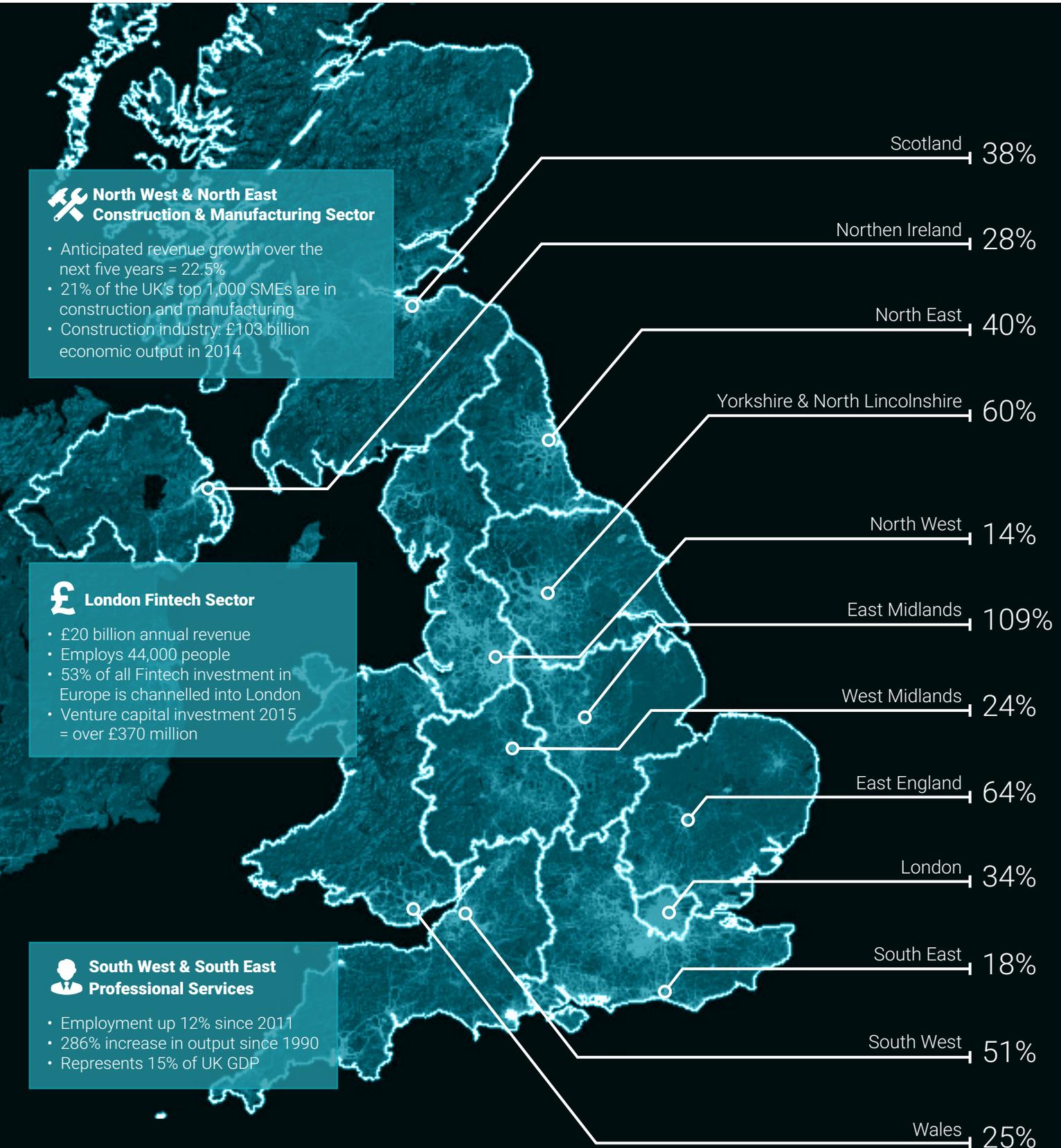
The SME Heatmap reveals a series of both traditional and new-age sectors that define the shape of ‘Business Britain.’ With construction and manufacturing saturating the North West and North East regions, and the professional services sector serving as a key growth-engine for the South West and the South East, our business landscape is widespread, but moreover - uniquely diverse. In support of Osborne’s Autumn Statement, policy that intensifies the UK’s innovation network is key. The fintech sector holds immense potential in this regard, generating £20 billion annual revenue and employing over 44,000 people.

IW Capital are long-standing supporters of the world-class enterprise talent that is evolving at a momentous speed across the British Isles. The private equity team at IW Capital are firm advocates of an SME economy that is driven by nationwide business. Our sector agnostic portfolio is defined by a suite of SMEs that hail from across the UK, sourced by a UK-wide investment management team.

To speak to a member of our team regarding any of the research property you have seen, or to learn more about IW Capital, call Tariq Attia (tariq@iwcapital.co.uk) on 0207 015 2550.

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Projected rate of SME growth over the next five years, ranked by region, and the high-growth sectors leading the charge.



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