

MID-SIZED BUSINESSES ACROSS THE REGIONS AND INDUSTRIES OF SCOTLAND (2010-18)

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What is this about?

This note presents analysis of ONS data¹. It sets out the extent and shape of Mid-Sized Businesses² (MSBs) across the regions of Scotland and how this has changed since 2010.

Why is this important?

Growth in the number and performance of MSBs matters because they disproportionately contribute to growth³ and are more innovative, more likely to export and have higher productivity. Understanding MSBs across Scotland and what trends in growth exist (total number as well as their turnover and employment) will help the development of tailored policy responses specific to local circumstances.

Five things you need to know

1. The Glasgow City Region has the most MSBs, who have the most employment and generate the highest level of turnover.
2. The Edinburgh and South-East region is driving the growth in Scotland's MSBs since 2010, in total number, total employment and total turnover.
3. MSBs in Aberdeen City and Shire have seen a significant decline since 2015 in turnover and in employment (but not the number of active MSBs), which Aberdeen City's remains in decline from.
4. The Highlands and Islands region has had strong performance since 2010, predominantly from the Highlands local authority area.
5. In MSBs activity and growth, the South of Scotland and Ayrshire are falling behind other regions.

Conclusions and policy implications

The growth dynamics and structure of MSBs in Scotland presents three key challenges to achieving sustainable, inclusive economic growth:

1. Growth in MSBs is being predominantly driven by foreign-owned MSBs, with Scottish MSBs despite increasing in number, becoming smaller (on average).
2. Scottish-owned MSBs are more likely to be in locally-traded industries.
3. Growth and activity of MSBs is concentrated in cities, and this trend towards cities is increasing.

These create a complex series of challenges for policy-makers to achieve a growing economy in which all areas of Scotland benefit and grow. This needs to be considered in a wider context of business creation, entrepreneurship, business growth and regional economic dynamics. Further research is completed or planned to develop an evidence based regional picture to enable deliberate, targeted action.

Already published are [New Business Creation in Scotland 2010-18](#) which includes regional breakdowns⁴, and an [overview of MSBs in 2018](#) with a particular breakdown by industry and nation of ownership. Published shortly will be further business creation analysis including industry and region, then similar analysis of the growth journey of companies in Scotland to understand where companies achieve or fail to sustain growth and high-growth, as [evidence suggests this is a challenge to maximising the growth potential of the Scottish business base](#).

The impact of MSBs across Scotland is not even, and the growth in MSBs is increasing the gap between regions, including in more productive industries.

¹ Please note all figures are rounded. Therefore, as the analysis breaks into region, local authority and industry (and combinations of these), results may not round to 100%. Each enterprise is counted once in each local authority it operates in. The sum of the local authority enterprises does not therefore equal the total of 2,245 individual MSBs in Scotland. **Only enterprises are double-counted.** Each enterprise's employment and turnover are assigned to the local authority it is generated and operated in.

² Mid-Sized Businesses are defined as those with turnover of between £25m and £499m.

³ <http://www.evaluationsonline.org.uk/evaluations/Search.do?ui=basic&action=show&id=652>

⁴ Across all current and forthcoming analysis, local authorities feature in two regions. Fife is included in the figures for Tay Cities, and Edinburgh and South East; and the Scottish Borders is included in the figures for the South of Scotland, and Edinburgh and South East. On maps, Fife is in Tay Cities and Borders is in the South.

Recap – Overview of MSBs in Scotland 2010-18

At a [Scotland level, we know that](#):

- Since 2010, the number and impact of MSBs in Scotland has increased.
- Despite increasing in total number, the average Scottish-owned MSB is smaller now than in 2010.
- The growth in MSB activity in Scotland has been driven by the activities of foreign-owned MSBs; they are responsible for 80% of the growth in active MSBs, 79% of the total turnover growth and 122% of total employment growth (the presence of rUK MSBs declined over the period).
- Among Scottish MSBs, turnover is greatest in the wholesale and retail industry ahead of manufacturing and then construction. The largest employer is education, health and social work.
- Overseas owned MSBs are less likely to operate in locally traded industries, although a significant proportion of the growth in foreign-owned MSBs since 2010 has been driven through these industries. There was also significant growth in foreign-owned manufacturing MSBs.

The number of active MSBs in Scotland

The figures analysed in this paper, for the number of MSBs only involves a degree of double-counting as each MSB is counted in every local authority area it operates in. Whilst there are 2,250 individual MSBs in Scotland, there are 6,620 active MSBs across Scotland’s eight regions; meaning **each MSB is active in 2.94 regions on average**.

Regional reach of the average MSB in Scotland, by industry (2018)

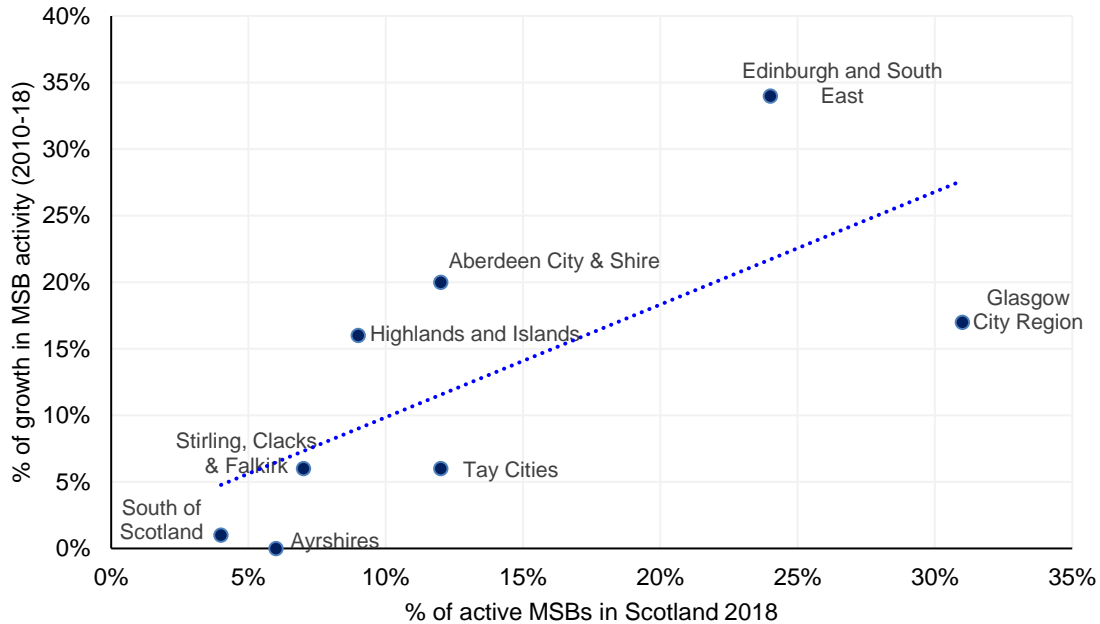
Industry	Total MSBs	Total instances of active MSBs in Scotland	Average number of regions per MSB
Education, Human Health & Social Work	95	550	5.8
Arts, Entertainment & Recreation	60	280	4.7
Wholesale & Retail	610	2,345	3.8
Accommodation & food service, Information & communication, Real estate	235	775	3.3
All MSBs in Scotland	2,250	6,620	2.9
Administrative & Support	240	705	2.9
Primary Industries	100	240	2.4
Construction	175	345	2.0
Professional, Scientific, Technical	230	450	2.0
Transport & Storage	190	385	2.0
Manufacturing	310	510	1.6

Source: SE analysis of ONS data

55% of MSBs in Scotland are active in less regions than the average MSB, with 45% above. There is no difference in terms of the nation of ownership across those most active, the ownership is broadly split. The four industries with the greatest reach across Scotland are traditionally locally-traded and therefore require a presence to trade their goods and/or services. This is particularly the case in Education, Health and Social Work, Wholesale and Retail, and Accommodation and Food Service etc., where employment is likely to be a key part of their activity.

Regional dimension of MSBs

Regional share of active MSBs (2018) and share of active MSB growth 2010-18



Source: SE analysis of ONS data

NB: Fife is included in Edinburgh & South East, and Tay Cities' figures. Scottish Borders is included in the South of Scotland and Edinburgh & South East

There is an obvious pull towards cities and urban areas amongst MSBs⁵. Yet Edinburgh and the South East is responsible for the greatest growth in activity since 2010, ahead of Aberdeen City & Shire. This reflects the rapid growth seen prior to 2015 (Aberdeen City's MSB total number was down -10% in 2018 from 2016).

The Glasgow City Region and the Highlands contributed similar levels of growth, but Glasgow failed to achieve the growth in activity that would be expected relative to its share of the MSB business base.

didn't see the increase that would have been expected given its share of the business base and the MSB base. In contrast, the Highlands exceeded performance, contributing 16% of the total Scottish growth despite only having 9% of total MSB activity.

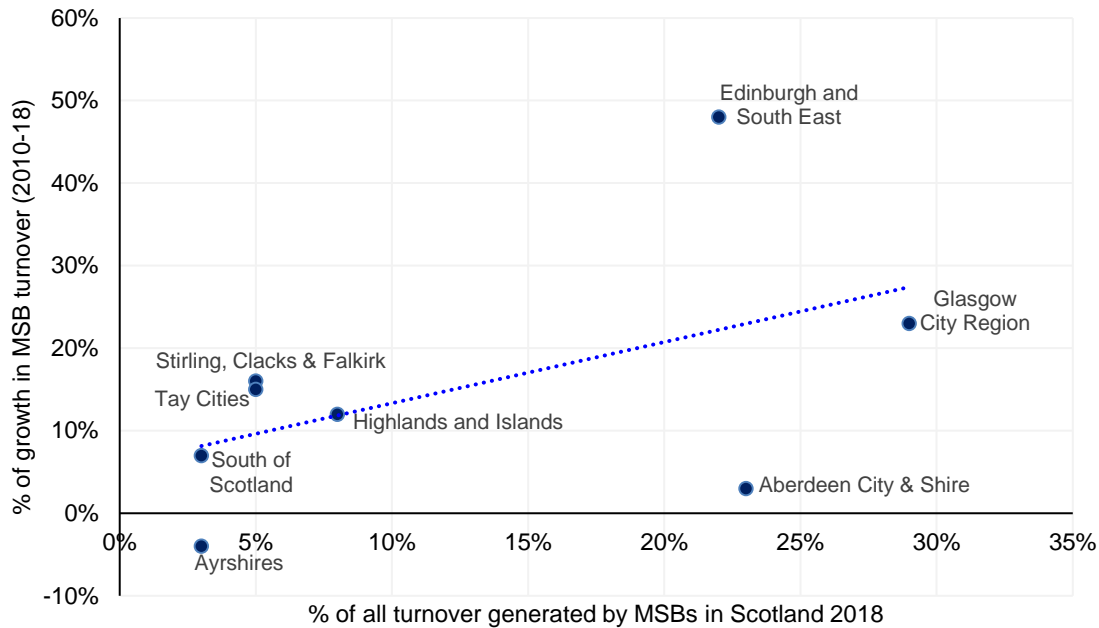
MSB activity has become more concentrated, with the South of Scotland and the Ayrshires falling further behind other regions. Whilst disparities exist across regions, travel to work areas likely mitigates the potential impact of this in and around cities, but for these two regions, their overall levels of MSBs in Scotland and their growth levels present a challenge.

Since we know MSBs disproportionately contribute to growth, the small number of these in these regions and the relatively low growth in number since 2010 suggests there are more fundamental growth challenges specific to these areas, both within existing MSBs but also in the wider business base.

⁵ Again, for clarification, the total number of MSBs in this report refers to the number of regions and local authority areas companies are active in. Turnover and employment are assigned to the local authority it is generated in, and staff are employed in.

Regional dimension of MSB turnover

Regional share of MSB turnover (2018) and share of MSB turnover growth 2010-18



Source: SE analysis of ONS data

NB: Fife is included in Edinburgh & South East, and Tay Cities' figures. Scottish Borders is included in the South of Scotland and Edinburgh & South East

Edinburgh and the South-East generated nearly one in two of every new pound of MSB turnover since 2010. Combined with its +34% growth in its share of active MSBs suggests new MSBs has driven much of the growth rather than existing ones. Within the region, growth has been driven by the City of Edinburgh, West Lothian and Fife (with the Borders accelerating since 2016). Turnover growth has covered all industries (except Education, Health and Social Work, which saw an increase in total MSBs but a decline in employment and turnover – an industry trend different from all other regions).

The growth in activity in the Highlands and Islands was reinforced by similarly strong growth in turnover, driven by Highland and Moray. Highland had growth across industries but strongest in Primary Industries, Manufacturing and Construction, industries which post-2015 were impacted across regions in and around North-East Scotland. Though the impact was most acutely felt – and continues to be felt – in Aberdeen City; as by 2018 Highlands and Aberdeenshire had recovered.

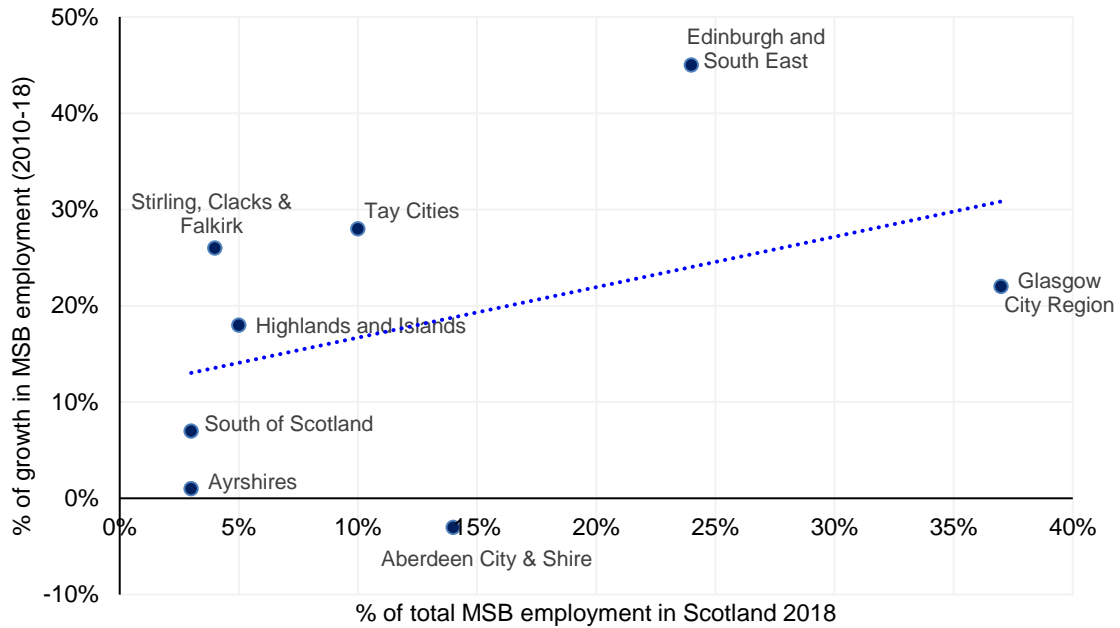
Within Aberdeen City and Shire, there was also weak turnover growth amongst MSBs prior to 2015, so the recession and subsequent slump should not mask these indications that MSBs were not delivering as strong turnover growth prior to this.

In the Tay Cities, the most noteworthy trend is in Dundee City. The regions contribution to turnover growth amongst MSBs was driven through Fife, Perth and Kinross and Angus. But whilst total turnover in Dundee has slowly grown, it has been overtaken by Perth and Kinross, with Angus rapidly closing the gap. This is despite the number of MSBs in Dundee (and the employment) continuing to be greater than those two areas. It suggests MSBs in Dundee have become notably smaller since 2010.

The data on MSB turnover reaffirms the South of Scotland and the Ayrshires are increasingly being left behind in MSB terms. The trend is becoming more entrenched – Scotland's cities and urban areas are leaving the rest behind. It continues to highlight rebalancing or mitigating this is a key challenge in achieving the goal of sustainable, inclusive economic growth.

Regional dimension of MSB employment

Regional share of MSB employment (2018) and share of MSB employment growth 2010-18



Source: SE analysis of ONS data

NB: Fife is included in Edinburgh & South East, and Tay Cities' figures. Scottish Borders is included in the South of Scotland and Edinburgh & South East

Continuing the pattern from other MSB performance measures, Edinburgh and the South East is disproportionately responsible for growth in MSB employment since 2010, being responsible for nearly one in two of every new MSB jobs. As with turnover, the combined share of the region suggests this growth is a result of activity by new MSBs compared to expansion among existing MSBs.

However, unlike in turnover where the City of Edinburgh was the main driver of turnover growth (+20% of the Scotland total growth 2010-18), Edinburgh's MSB employment fell -2.4% in the same period. This suggests activity by MSBs in Edinburgh has changed, and previously noted, particularly in Education, Health and Social Work, where employment (as well as turnover) has significantly declined. The growth in employment came from West Lothian, Fife (both +19% of Scotland's total MSB growth) and since 2015, the Scottish Borders (+6.1%).

The only region that saw a decline in employment was Aberdeen City and Shire, purely because of the -14.3% decline in Aberdeen City (vs +11% growth in Aberdeenshire).

Employment growth was strong across the Tay Cities, particularly in Fife and in Education, Health and Social Work, at the expense of significant losses in Manufacturing, as well as Accommodation, Info & Comms, Real Estate.

Of note is all areas in the Tay Cities grew their MSB employment significantly more than their MSBs grew through turnover. Growth was also significant in Stirling, Clackmannan and Falkirk although it was overwhelmingly a result of Stirling and Falkirk with Clackmannan left firmly behind. Again though, the growth was largely driven by locally trade industries – Falkirk saw major growth in Administrative and Support (whilst Stirling saw a decline), and Construction MSB employment; Stirling's MSB employment growth was driven by Education, Health and Social Work.

Appendix 1 – MSBs in Scotland’s region – by percentage and numbers

	Aberdeen City & Shire	Ayrshires	Edinburgh and South East	Glasgow City Region	Highlands and Islands	South of Scotland	Stirling, Clackmannan & Falkirk	Tay Cities
Share of Scotland's total number of MSBs (2018)	12%	6%	24%	31%	9%	4%	7%	12%
Share of Scotland's total MSB turnover (2018)	23%	3%	22%	29%	5%	3%	5%	8%
Share of Scotland's total MSB employment (2018)	14%	3%	24%	37%	5%	3%	4%	10%
Total number of MSBs active in region (2018)	790	385	1,610	2,035	615	295	460	810
Share of Scotland's total active number of MSBs growth 2010-18 (%)	20%	0%	34%	17%	16%	1%	6%	6%
Total number of active MSBs growth 2010-18	90	0	180	75	70	5	25	25
Total turnover (2018) (£m)	£14,771	£2,444	£15,462	£20,116	£4,744	£2,701	£4,594	£6,186
Share of Scotland's total turnover growth 2010-18 (%)	3%	-4%	48%	23%	16%	7%	15%	12%
Total turnover growth 2010-18 (£m)	£217	-£355	£3,706	£1,972	£1,392	£617	£1,329	£996
Total employment in MSBs (2018)	60,270	13,090	107,250	166,230	26,540	13,630	24,960	48,900
Share of Scotland's total employment growth 2010-18 (%)	2%	15%	33%	21%	11%	6%	14%	20%
Total employment growth 2010-18 (%)	-810	410	7,660	6,080	4,910	1,820	7,190	7,780

Source: SE analysis of ONS data

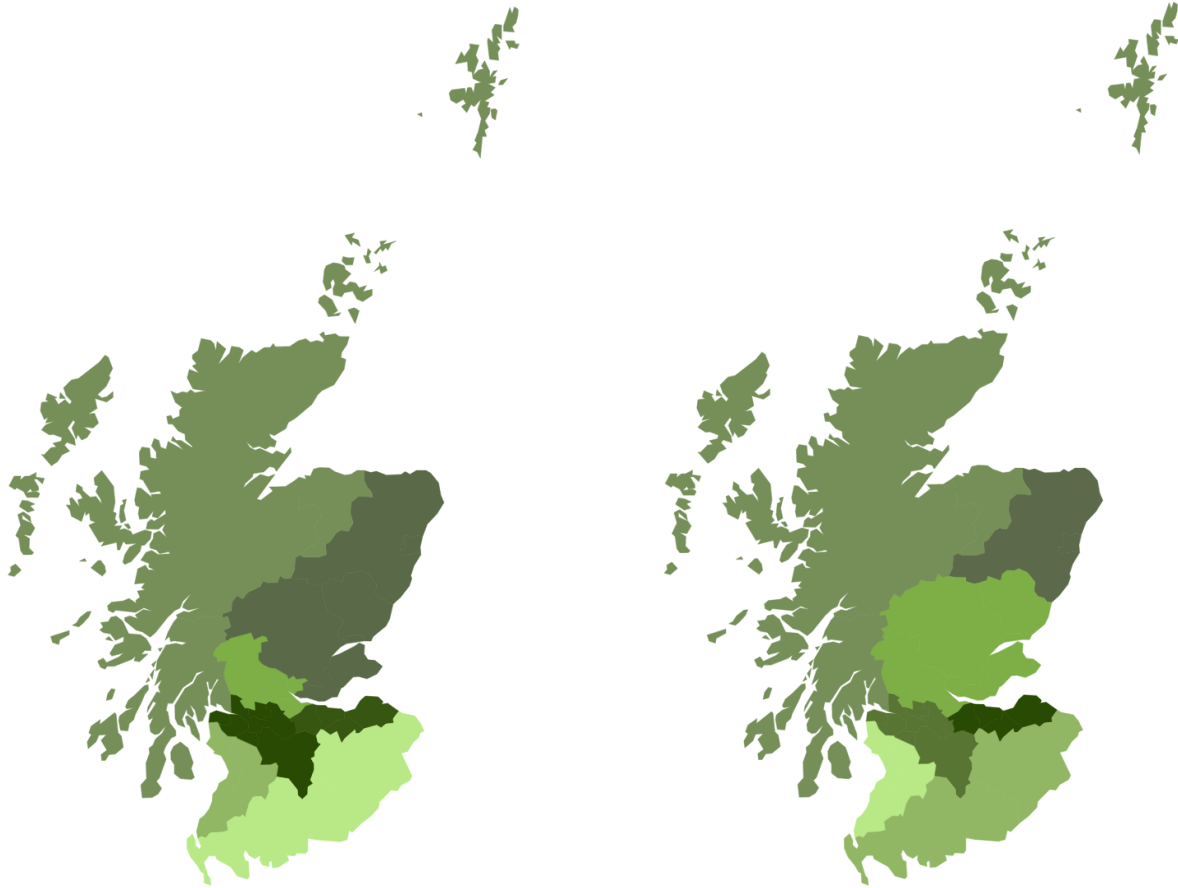
NB; Fife and Scottish Borders in two regions.

Each enterprise is counted once in each local authority it operates in. The sum of the local authority enterprises does not equal the overall Scotland totals because each enterprise is only counted once in the Scotland figures.

Note that only enterprises are double-counted in these tables – each enterprise's employment and turnover are assigned to the local authorities they operate in therefore the sum of these columns do correspond to the Scotland totals.

Appendix 2 – MSB totals (2018) and growth (2010-18), by region and local authority

Total number of MSBs (2018) and total growth (2010-18) per region



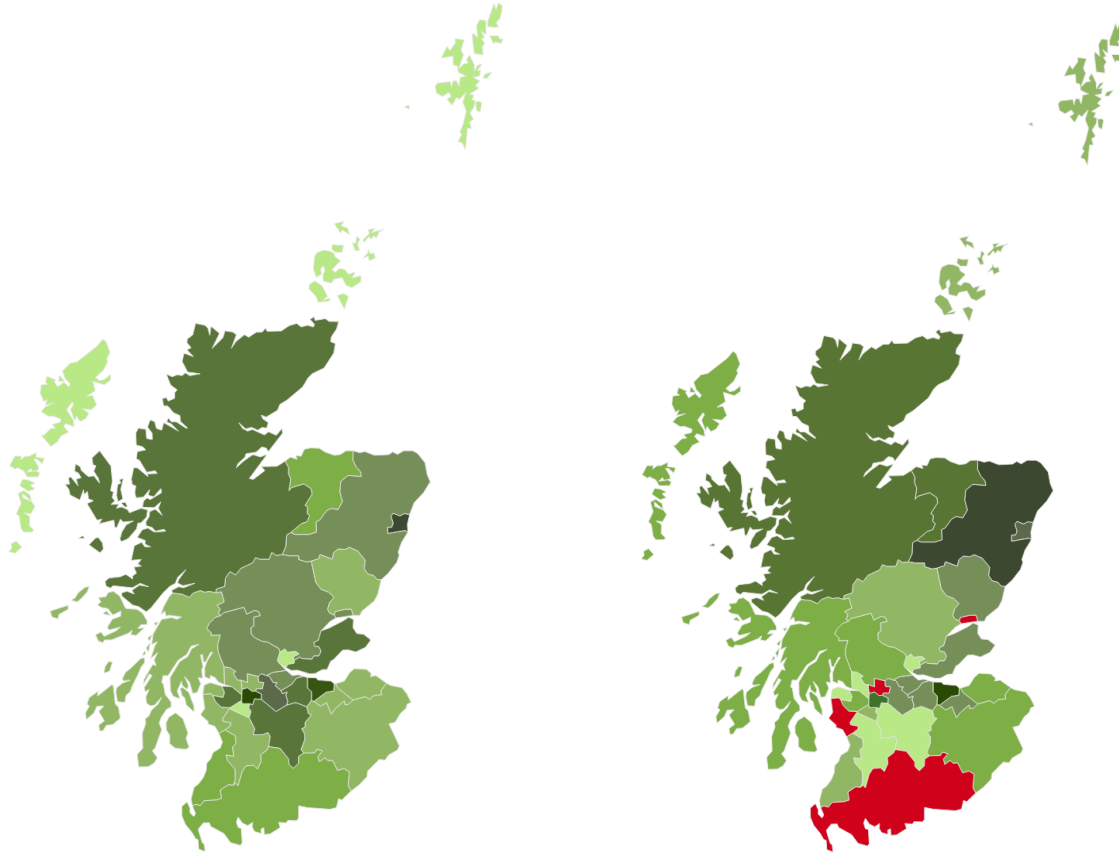
Source: SE analysis of ONS data

NB: Fife is included in Edinburgh & South East, and Tay Cities' figures. Scottish Borders is included in the South of Scotland and Edinburgh & South East

Glasgow City Region 31%
Edinburgh and South East 24%
Aberdeen City and Shire 12%
Tay Cities 12%
Highlands and Islands 9%
Stirling, Clackmannan and Falkirk 7%
Ayrshires 6%
South of Scotland 4%

Edinburgh and South East +34%
Aberdeen City and Shire +20%
Glasgow City Region +17%
Highlands and Islands +16%
Tay Cities +6%
Stirling, Clackmannan and Falkirk +6%
South of Scotland +1%
Ayrshires +0%

Total number of MSBs (2018) and total growth (2010-18) per local authority



Source: SE analysis of ONS data

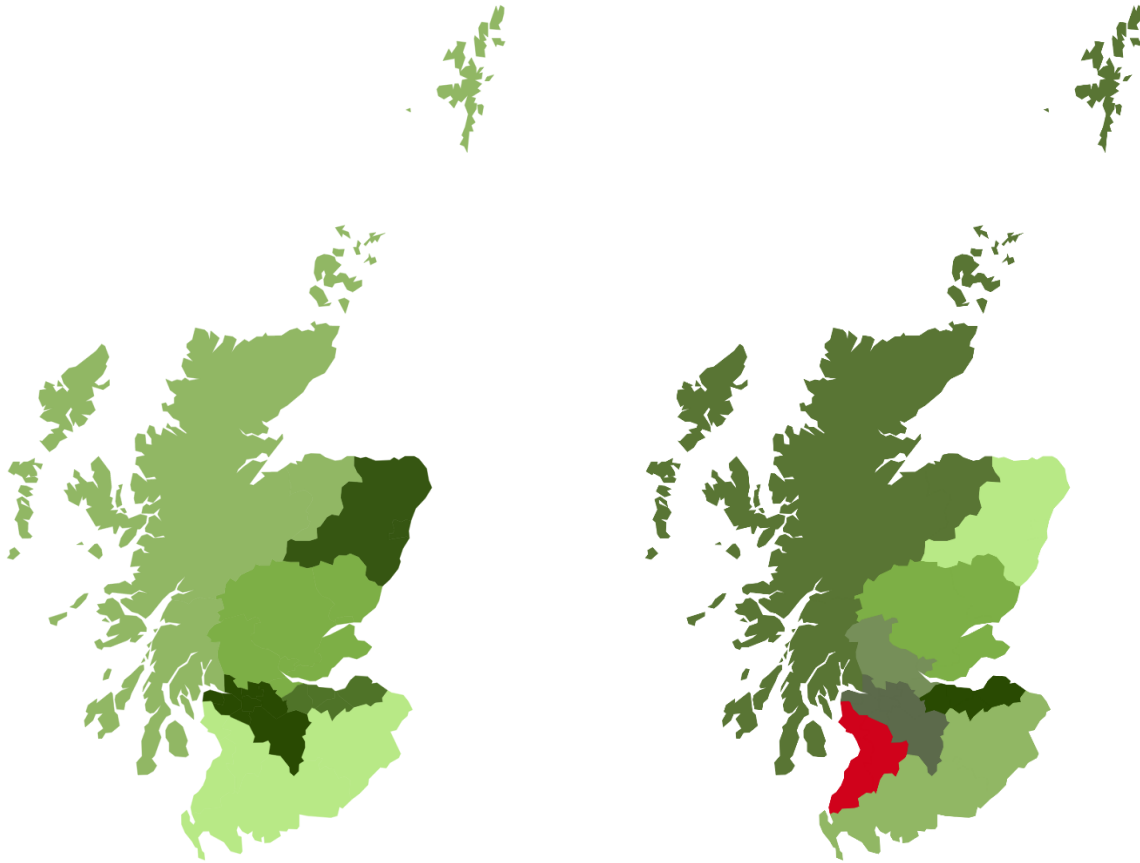
NB: Fife is included in Edinburgh & South East, and Tay Cities' figures. Scottish Borders is included in the South of Scotland and Edinburgh & South East

12-13% - Glasgow City
11-12% - City of Edinburgh
8-9% - Aberdeen City
5-6% - North Lanarkshire
4-5% - Fife; Highland; Renfrewshire South Lanarkshire; West Lothian
3-4% - Aberdeenshire; Dundee; Falkirk; Perth and Kinross; Stirling
2-3% - Dumfries and Galloway; Moray; South Ayrshire
1-2% - Argyll and Bute; Angus; East Ayrshire; East Dunbartonshire; East Lothian; Inverclyde; North Ayrshire; Scottish Borders; West Dunbartonshire
0-1% - Clackmannanshire; East Renfrewshire; Eilean Siar; Orkney Islands; Shetland Islands

+19-20% - City of Edinburgh
+13-14% - Aberdeenshire
+11-12% - Glasgow City
+6-7% - Aberdeen City
+4-5% - Highland; Moray
+3-4% - Angus; Falkirk; Fife; Midlothian; North Lanarkshire; West Lothian
+2-3% - Argyll and Bute; Eilean Siar; East Lothian; Renfrewshire; Scottish Borders; Stirling
+1-2% - South Ayrshire; East Renfrewshire; Orkney Islands; Shetland Islands; Perth & Kinross
+0-1% - Clackmannanshire; East Ayrshire; Inverclyde; West Dunbartonshire; South Lanarkshire
-0-1% - Dumfries and Galloway; Dundee City; East Dunbartonshire; North Ayrshire

Appendix 3 – MSB totals (2018) and growth (2010-18), by region and local authority

Total turnover (2018) and growth in turnover (2010-18) from MSBs per region



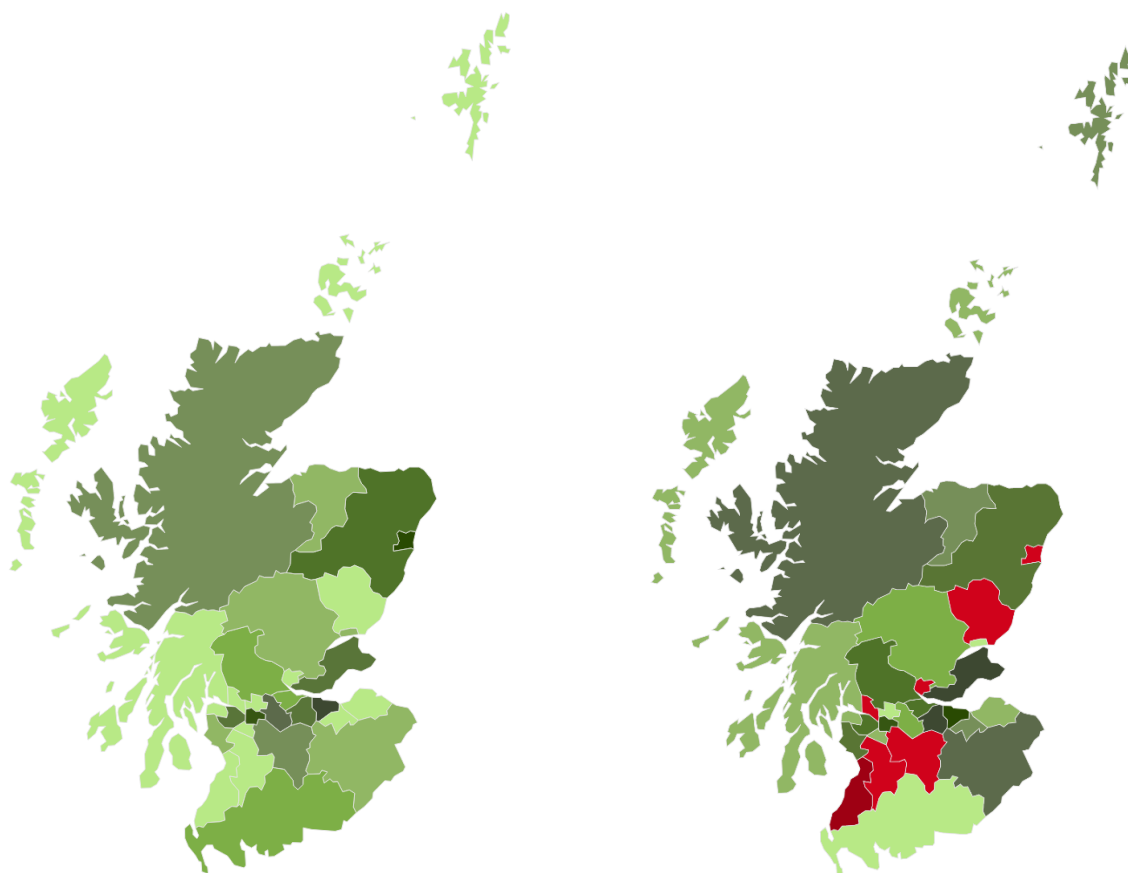
Source: SE analysis of ONS data

NB: Fife is included in Edinburgh & South East, and Tay Cities' figures. Scottish Borders is included in the South of Scotland and Edinburgh & South East

Glasgow City Region 29%
Aberdeen City and Shire 23%
Edinburgh and South East 22%
Tay Cities 8%
Highlands and Islands 5%
Stirling, Clackmannan and Falkirk 5%
Ayrshires 3%
South of Scotland 3%

Edinburgh and South East +48%
Glasgow City Region +23%
Highlands and Islands +16%
Stirling, Clackmannan and Falkirk +15%
Tay Cities +12%
South of Scotland +7%
Aberdeen City and Shire +3%
Ayrshires -4%

Total turnover (2018) and growth in turnover (2010-18) from MSBs per local authority



Source: SE analysis of ONS data

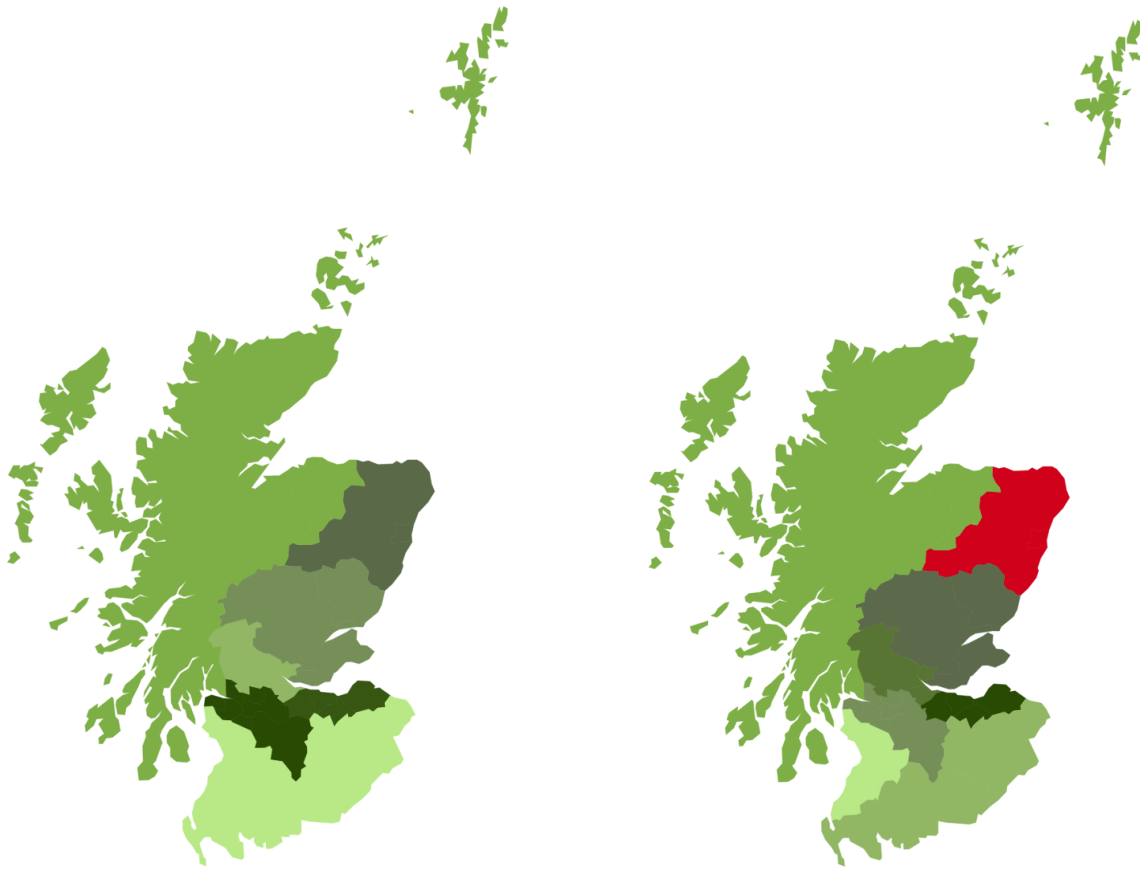
NB: Fife is included in Edinburgh & South East, and Tay Cities' figures. Scottish Borders is included in the South of Scotland and Edinburgh & South East

16%+ - Aberdeen City
15-16% - Glasgow City
10-11% - City of Edinburgh
6-7% - Aberdeenshire
5-6% - North Lanarkshire
4-5% - Fife; Renfrewshire; West Lothian
3-4% - Highland; South Lanarkshire
2-3% - Dumfries and Galloway; Falkirk; Stirling
1-2% - Dundee; Moray; North Ayrshire; Perth and Kinross; Scottish Borders
0-1% - Angus; Argyll & Bute; Clackmannanshire; East Ayrshire; East Dunbartonshire; East Lothian; East Renfrewshire; Eilean Siar; Inverclyde; Midlothian; Orkney Islands; Shetland Islands; South Ayrshire; West Dunbartonshire;

+19-20% - City of Edinburgh
+14-15% - Glasgow City
+8-9% - Fife; West Lothian
+7-8% - Falkirk; Renfrewshire; Stirling
+6-7% - Highland; Scottish Borders
+4-5% - Aberdeenshire; North Ayrshire
+3-4% - Midlothian; Moray; Shetlands
+2-3% - North Lanarkshire; Perth and Kinross
+1-2% - Argyll & Bute; East Lothian; Eilean Siar; Inverclyde; Orkney Islands
+0-1% - Dumfries & Galloway; Dundee City; East Dunbartonshire; East Renfrewshire
-0 - -5% - Aberdeen; Angus; Clackmannanshire; East Ayrshire; South Lanarkshire; West Dunbartonshire
-5%+ - South Ayrshire

Appendix 4 – MSB totals (2018) and growth (2010-18), by region and local authority

Total employment (2018) and employment growth (2010-18) from MSBs per region



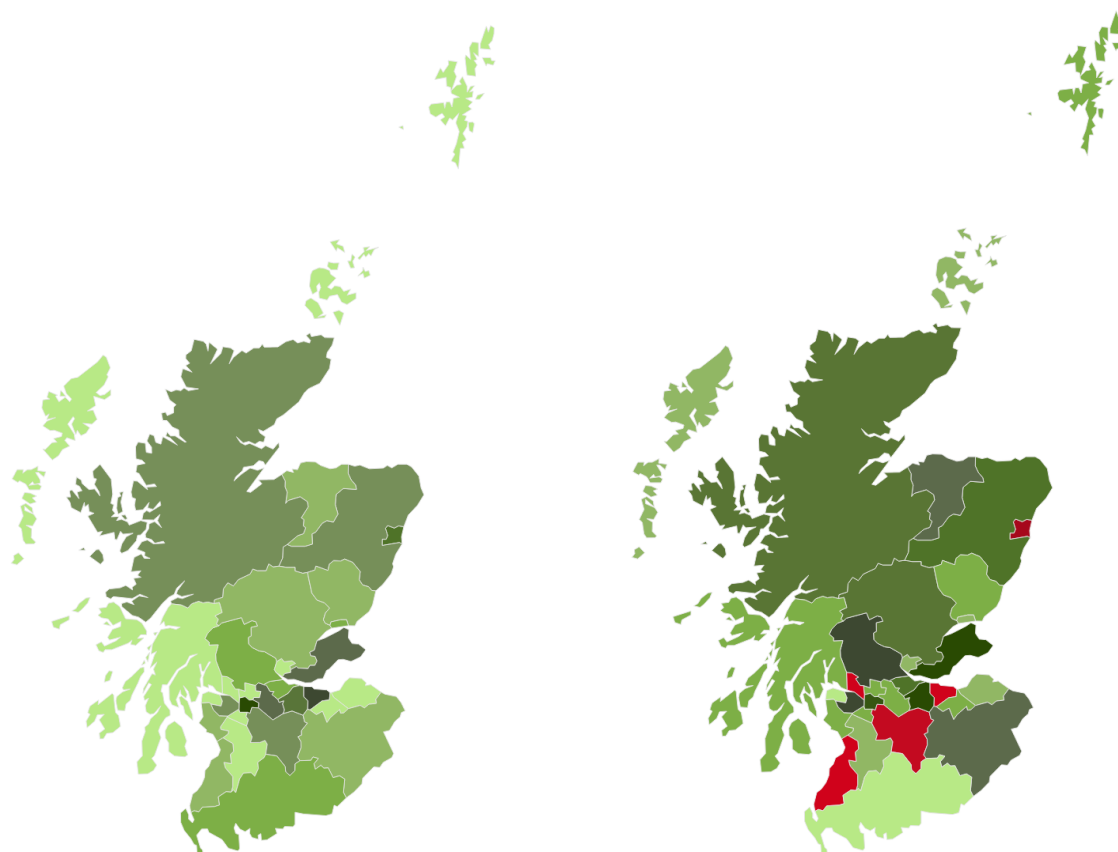
Source: SE analysis of ONS data

NB: Fife is included in Edinburgh & South East, and Tay Cities' figures. Scottish Borders is included in the South of Scotland and Edinburgh & South East

Glasgow City Region 37%
Edinburgh and South East 24%
Aberdeen City and Shire 14%
Tay Cities 10%
Highlands and Islands 5%
Stirling, Clackmannan and Falkirk 4%
Ayrshires 3%
South of Scotland 3%

Edinburgh and South East +45%
Tay Cities +28%
Stirling, Clackmannan and Falkirk +26%
Glasgow City Region +22%
Highlands and Islands +18%
South of Scotland +7%
Ayrshires +1%
Aberdeen City and Shire -3%

Total employment (2018) and employment growth (2010-18) from MSBs per local authority



Source: SE analysis of ONS data

NB: Fife is included in Edinburgh & South East, and Tay Cities' figures. Scottish Borders is included in the South of Scotland and Edinburgh & South East

23-24% - Glasgow City
11-12% - City of Edinburgh
10-11% - Aberdeen City
5-6% - Fife; North Lanarkshire
4-5% - West Lothian
3-4% - Aberdeenshire; Highland; Renfrewshire; South Lanarkshire
2-3% - Dumfries and Galloway; Dundee City; Falkirk; Stirling
1-2% - Angus; Moray; North Ayrshire; Perth and Kinross; Scottish Borders; South Ayrshire
0-1% - Argyll & Bute; Clackmannanshire; East Ayrshire; East Dunbartonshire; East Lothian; East Renfrewshire; Eilean Siar; Inverclyde; Midlothian; Orkney Islands; Shetland Islands; West Dunbartonshire

+19-20% - Fife; West Lothian
+13-14% - Glasgow City
+12-+13% - Renfrewshire; Stirling
+11-12% - Aberdeenshire; Falkirk
+6-7% - Moray; Scottish Borders
+4-5% - Highland; Perth and Kinross
+3-4% - East Renfrewshire; North Ayrshire
+2-3% - Angus; Argyll & Bute; East Dunbartonshire; Midlothian; North Lanarkshire; Shetland Islands
+1-2% - Clackmannanshire; Dundee City; East Ayrshire; East Lothian; Eilean Siar; Orkney Islands
+0-1% - Dumfries and Galloway; Inverclyde
-0 - -5% - Edinburgh; South Ayrshire; West Dunbartonshire
-5 - -10% - South Lanarkshire
-10%+ - Aberdeen City

Appendix 5 – MSBs in Scotland’s regions 2010-18. By industry.

Performance of individual MSBs in Scotland 2010-18. By Industry.

	Total number (2018)	Total turnover (2018) (£million)	Total employment (2018)	% of all MSBs in Scotland (2018)	% of total MSB turnover in Scotland (£m) % (2018)	% of all MSB employment (2018)	Total number growth (2010-18)	Total turnover growth (2010-18) (£million)	Total employment growth (2010-18)	% of total growth (2010-18)	% of total turnover growth (2010-18)	% of total employment growth (2010-18)
Primary Industries	100	8,305	21,030	4%	12%	5%	30	1,805	1,230	12.2%	21.0%	4.4%
Manufacturing	310	15,092	65,120	14%	23%	15%	20	2,103	5,210	8.2%	24.5%	18.6%
Construction	175	6,267	28,680	8%	9%	7%	25	957	1,980	10.2%	11.1%	7.1%
Wholesale and retail trade	610	13,897	57,920	27%	21%	13%	25	281	-3,690	10.2%	3.3%	-13.2%
Transportation and storage	190	4,850	30,220	8%	7%	7%	20	625	2,020	8.2%	7.3%	7.2%
Accommodation & food service, Information & comms, Real estate	235	4,870	55,070	10%	7%	13%	35	1,239	7,960	14.3%	14.4%	28.4%
Professional, scientific and technical	230	5,338	29,050	10%	8%	7%	45	371	-8,020	18.4%	4.3%	-28.7%
Administrative and support services	240	5,047	63,050	11%	8%	15%	25	766	3,220	10.2%	8.9%	11.5%
Education, Human health and social work	95	2,071	68,790	4%	3%	16%	30	420	14,960	12.2%	4.9%	53.4%
Arts, entertainment and recreation	60	961	13,200	3%	1%	3%	-10	27	3,070	-4.1%	0.3%	11.0%

NB; Fife and Scottish Borders in two regions

Performance of MSBs (based on activity) in Scotland 2010-18. By Industry.

	Total number of instances of MSBs being active (2018) By LA	Total turnover (2018) (£million)	Total employment (2018)	% of activity by MSBs in Scotland (2018) By LA	% of total MSB turnover in Scotland (£m) % (2018)	% of all MSB employment (2018)	Total active number growth (2010-18)	Total turnover growth (2010-18) (£million)	Total employment growth (2010-18)	% of total growth in activity by MSBs (2010-18) By LA	% of total turnover growth (2010-18)	% of total employment growth (2010-18)
Primary Industries	240	6,390	16,320	4%	11%	4%	105	1,291	2,470	26.3%	11.6%	6.2%
Manufacturing	510	14,210	61,580	8%	24%	15%	30	3,478	9,940	7.5%	31.2%	24.9%
Construction	345	4,787	22,740	5%	8%	6%	45	1,711	3,500	11.3%	15.3%	8.8%
Wholesale and retail trade	2,345	13,861	57,760	36%	23%	14%	-165	281	-3,750	-41.3%	2.5%	-9.4%
Transportation and storage	385	3,969	25,430	6%	7%	6%	20	577	750	5.0%	5.2%	1.9%
Accommodation & food service, Information & comms, Real estate	775	4,759	54,820	12%	8%	14%	65	1,311	8,590	16.3%	11.8%	21.5%
Professional, scientific and technical	450	4,234	24,100	7%	7%	6%	110	929	-5,300	27.5%	8.3%	-13.3%
Administrative and support services	705	4,744	58,040	11%	8%	15%	20	713	120	5.0%	6.4%	0.3%
Education, Human health and social work	550	2,049	67,990	8%	3%	17%	165	518	17,690	41.3%	4.6%	44.3%
Arts, entertainment and recreation	280	877	11,410	4%	1%	3%	5	347	5,900	1.3%	3.1%	14.8%

NB; Fife and Scottish Borders in two regions