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Economic and business performance and trends across Scotland's regions – an overview for discussion

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What is this about?

The presentation provides an overview of economic and business performance (at present) and trends (over time) in Scotland’s regions.

It compares the regions of Scotland on their ***relative*** strength of business and economic performance and trends (through grouping a range of comparable indicators).

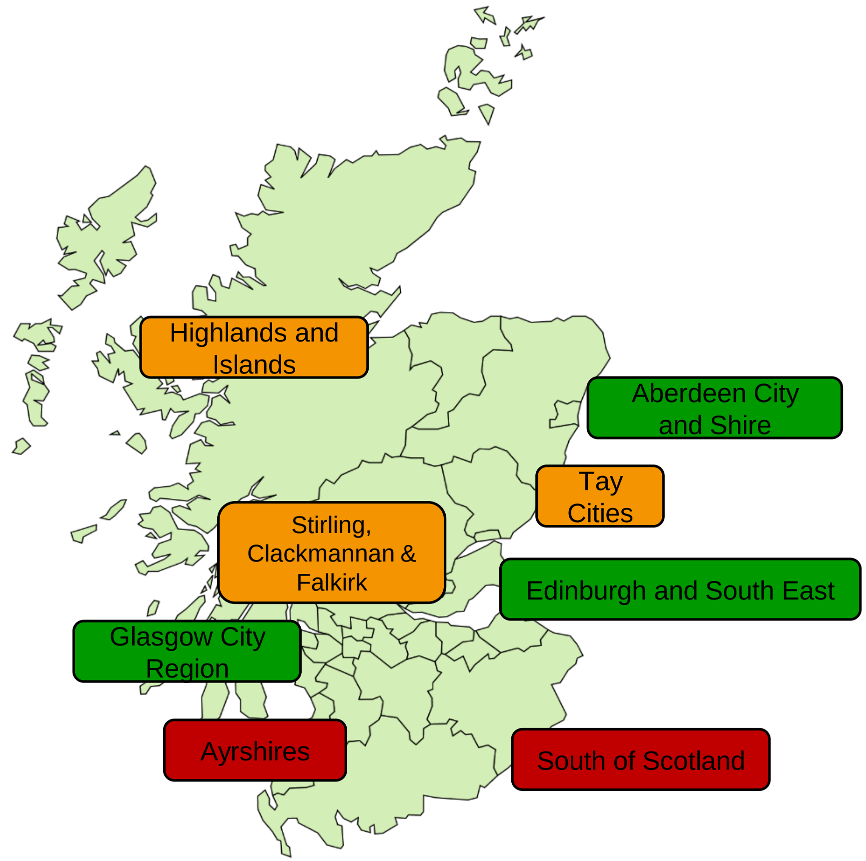
This provides a measure for the performance in regions in pursuit of sustainable, inclusive growth for all.

More importantly it gives an overall picture of individual regional ecosystems to identify strengths, weaknesses, opportunities and challenges, rather than looking at aspects in isolation.

It is designed to be a live document, evolving and deepen and widen our understanding to stimulate debate and discussion - ***ultimately driving action.***

The data (used to date) finds that on a range of comparable measures, Scotland’s regional performance spans three tiers:

- High performing
- Room to improve
- Falling behind



Background

This began as a study connecting start-up rates and mid-sized business (MSB) performance via growth and high-growth in regions. As it was developed, the externally commissioned work into growth/high-growth went through a delay. At the same time it became evident other data sources could be included to give a wider view, since these were factors which impacted the growth of companies and (vice versa) were consequences of companies' activities.

The idea was by bringing a range of factors together rather than just looking at elements in isolation or perhaps links to just one aspect, we would gain a better understanding of regional strengths, weaknesses, opportunities and challenges, to develop evidence-led interventions relevant to places' own needs.

The data identified also offered the opportunity to look not just at performance but give some indication of trends over the last decade or so. Once in comparable form, regions were scored in each indicator from best to worst, and grouped into themes, combining the individual scores for an overall score, in both performance and in trends.

The data used in this analysis only uses comparable metrics. This is important. It does not for example, compare on totals since this would not be a fair comparison.

Every measure available was included in performance at this stage (this may change in future iterations) and elements showing change over time were also grouped separately into the trends data.

These scores reflect therefore, the comparative performance and trends of Scotland's regions.

Highest performing regions in summary

These regions are driving business and economic performance. They are also where, relative to business population and economic vibrancy, performance is improving at the greatest pace, *pulling away from other regions*. This acceleration of growth compared to elsewhere, is in addition to already existing advantages and scale that these cities enjoy.

Edinburgh and South East

Is the highest-performing region across each of the business and economic pillars, only behind in mid-sized business performance to Glasgow City Region (but ahead in trends). It is also where relative growth has been the greatest, which means it is accelerating faster and therefore pulling away from all other regions.

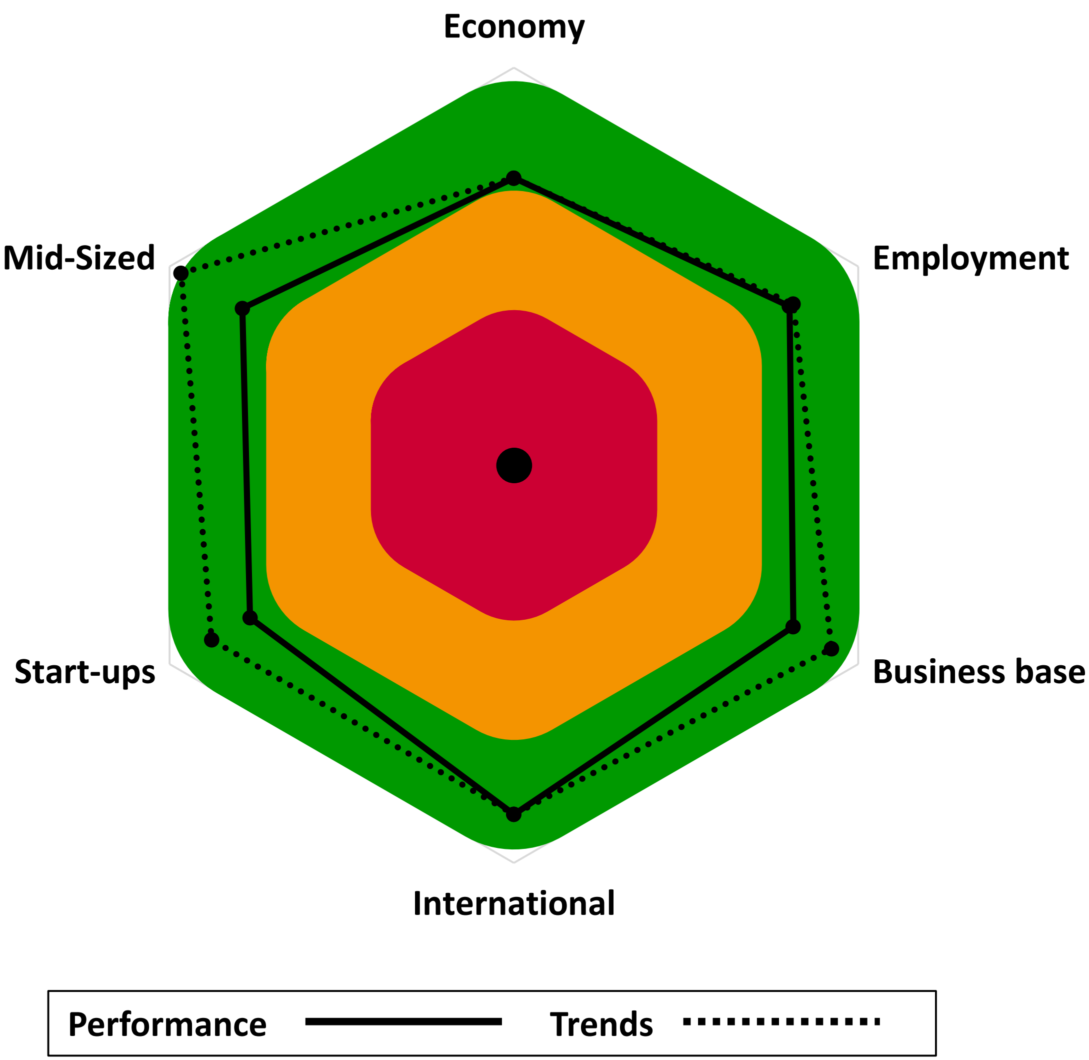
Glasgow City Region

Is strong in business but has challenges in employment and the size of its business base. However, the trends show that areas where performance has historically been weak and underperforming (start-ups, employment and business base) are starting to improve.

Aberdeen City and Shire

Despite going through major challenges since 2014, the region still has strong performance compared to other regions (except Edinburgh and Glasgow). However, the trends are significantly weaker due to the impact of the oil and gas recession, the remnants of which remain.

Edinburgh and the South East - Strong performance, which is accelerating at a pace greater than anywhere else



Economy

Is the region with the greatest levels of education and productivity. Only ranks 4th for GVA growth, and as a consequence of its educated workforce, only ranks 5th for staff being underutilised.

Employment

Highest performing, particularly male and female employment growth. Ranks 3rd for female and youth employment, as well as economic inactivity. Had a fall in economic inactivity putting the region last (i.e. best) in this measure.

Business base

No region saw a higher % growth in its business base relative to what it was in 2010 than Edinburgh. Only ranks 4th for businesses per 10,000 working age population and 3rd in employment rate, which does not impact its performance.

International

Ranked first or second in every indicator with one exception; 5th for percentage of EU owned businesses, despite ranking 2nd for EU owned turnover and employment, suggesting a strong presence of large/mid-sized EU owned businesses.

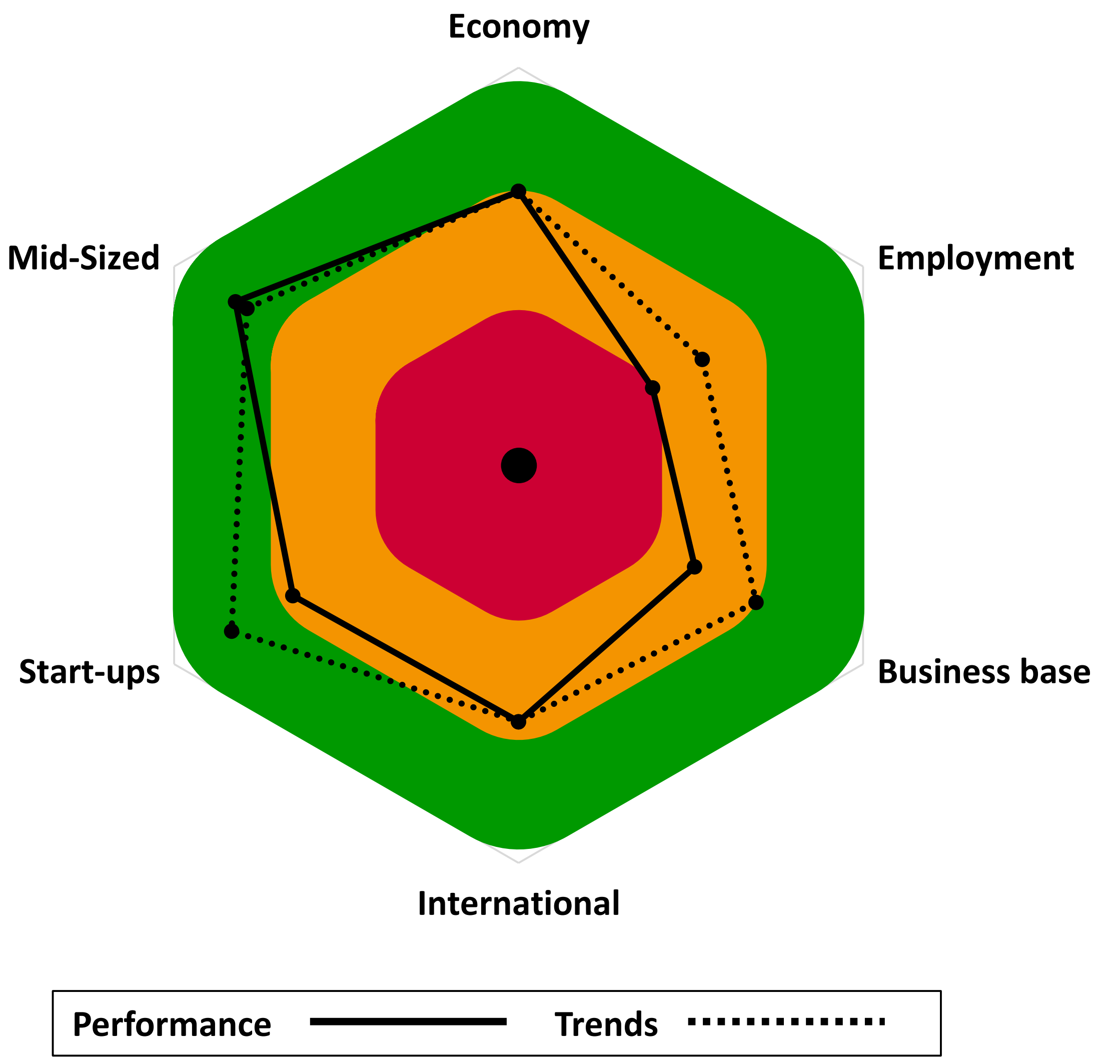
Start-up

The region has seen the greatest growth in start-ups since 2010 as a percentage of the 2010 business base. It has however, been impacted by the national decline in start-up creation over the most recent years, only ranking 3rd for 2015-17 vs 2012-14.

Mid-Sized

The growth in mid-sized is also the largest of any region (relative to its business base). Only ranks 3rd for share of business base being MSBs, reflecting the consistently strong start-up rate.

Glasgow City Region - Room to improve in all (but mid-sized), but trending upwards in all areas



Economy

Ranks second best for having the lowest level of workers being underutilised, yet is third for percentage of workers employed to degree level. Perhaps gives an indication as to the lower skilled employment levels (in larger companies) seen in the region?

Employment

Presents the greatest challenge, although ranking 2nd for improvement in the employment rate suggests it is being addressed (also 2nd for change in male and 3rd for change in female employment). But ranks bottom for youth employment and only 6th for its improvement. The region is 7th for percentage of employment among EU residents and 3rd for non-EU.

Business base

Trends are stronger than performance. Has the lowest number of businesses per 10,000 working age population, and is 7th for employment rate. Top for growth in the business base relative to 2010 suggesting trends are improving, but with scope for more.

International

The region ranks above average in both performance and trends, but has had strong growth in turnover amongst EU-owned businesses, again giving some insight into the nature of the regions strong performance for mid-sized businesses.

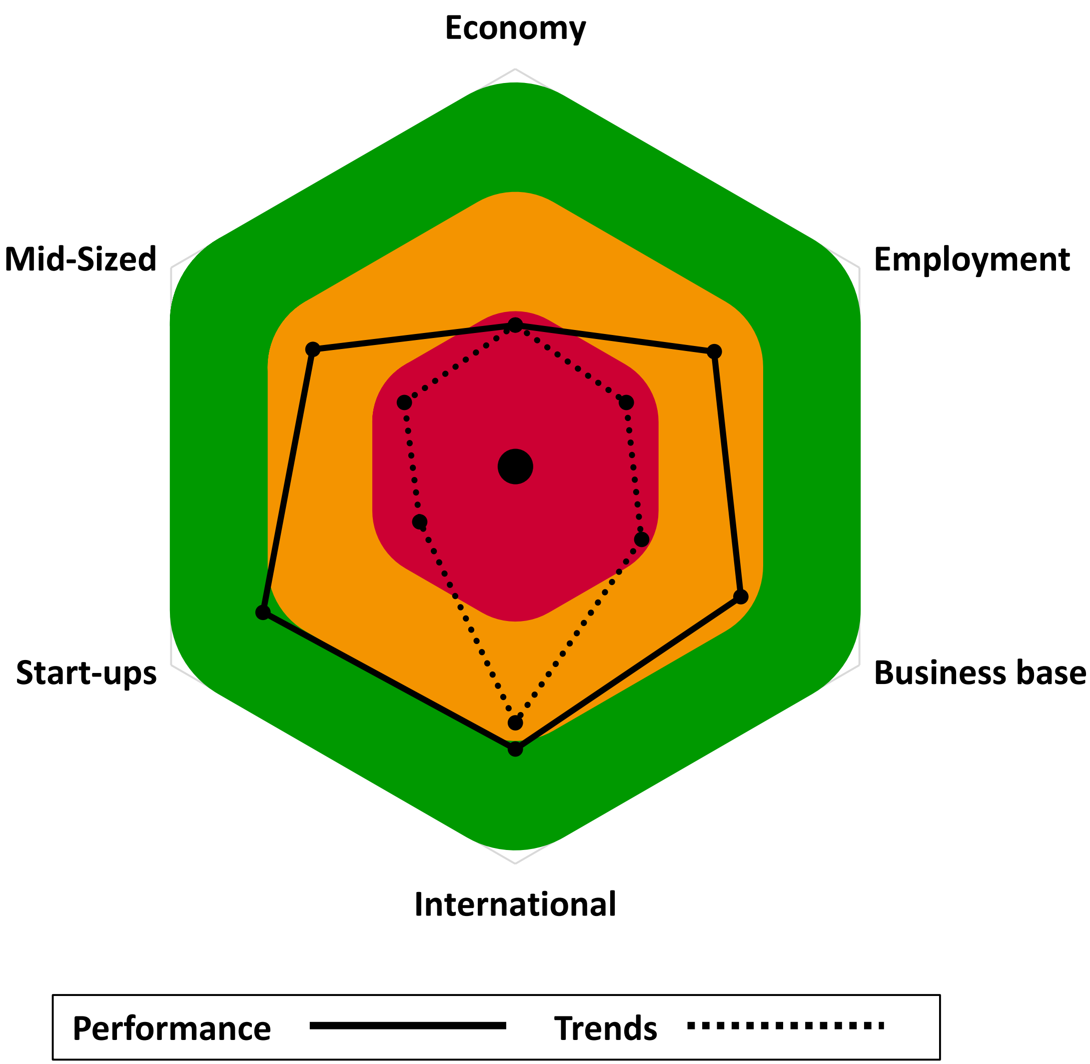
Start-up

Recent trends are strong. Whilst there has been a national slowing of start-up creation, this region (relative to business base) was 2nd for 2015-17 and 1st for 2015-17 vs 2012-14.

Mid-Sized

The City Region is Scotland's mid-sized business centre. It is 2nd for share of business base being MSBs, 1st for share of employment in MSBs but only 6th in turnover, suggesting the regions MSBs are less productive than elsewhere (perhaps linked to some of the findings from *Economy* and *International*.

Aberdeen City and Shire - Performance still strong but trends reflect the impact of the downturn, which continues to linger



Economy
Has the highest productivity and median weekly wage. It is also second for the highest educated workforce and second from last for proportion of workforce underutilised. Elsewhere it struggles.

Employment
Has the second best rate of male and female employment as well as economic inactivity. It has the largest decline in youth employment, which is believed to be a result of more young people moving into full-time education.

Business base
The region ranks 7th for percentage increase in turnover and 6th in employment (relative to 2010). But ranks 3rd for growth in the business base highlighting the strong pre-2014 growth as well as the relatively weak business creation in other regions.

International
Relative to business population, the region has the highest levels of inward/outward acquisition. There are significant levels of overseas ownership but their growth in turnover and employment have been greatly impacted since 2014 (as have all companies in the region).

Start-up
This is a story of high performance, but very weak trends. The region is second for its start-up growth relative to 2010's business base, reflecting how strong the rate of creation was prior to 2014. In recent years the region ranks last for the number and rate of start-ups being created having seen dramatic declines.

Mid-Sized
The region is below the median for the percentage of the business base being mid-sized, since the region has a greater share of start-ups and young businesses. Similar to start-ups, the region ranked high for its growth in MSBs (seen up to 2014) but was bottom for growth in turnover and employment.

Regions with scope to improve - in summary

These regions have solid but unspectacular performance, occasionally with one area which underperforms. The trends are relatively stable and often similar to performance.

Tay Cities

Trends in international are weaker, and troublingly performance and trends in employment are weak, but there are strengths in start-ups and mid-sized businesses.

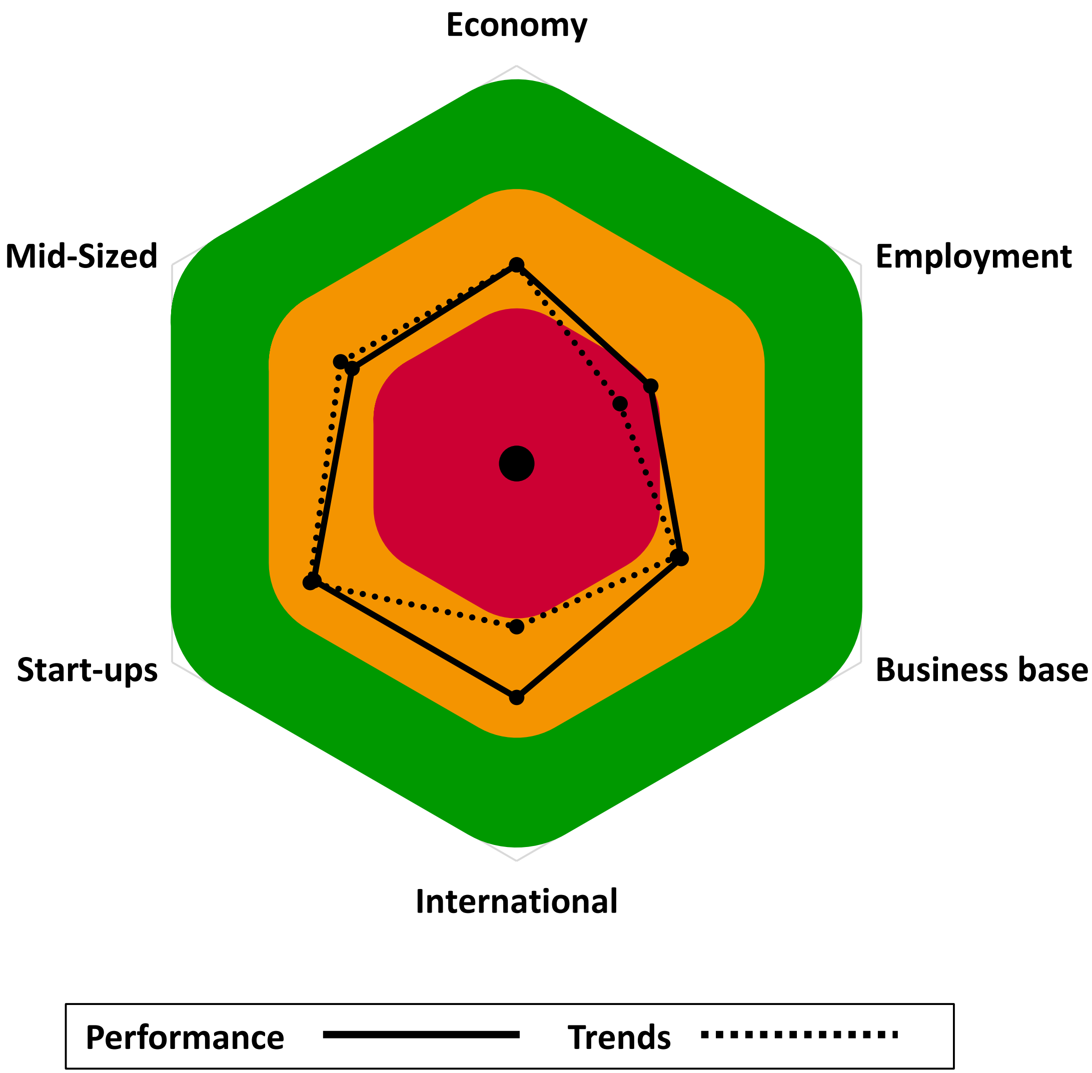
Highlands and Islands

Whilst start-up performance is a strength (alongside employment and in the business base), the most recent trends for start-ups are more challenging. Conversely, performance for mid-sized businesses was weak, but has improved recently (a trend also seen in international).

Stirling, Clackmannanshire and Falkirk

Is broadly balanced, with strengths in mid-sized and employment, but relatively weak in international and business base.

Tay Cities - Middling performance – weakest in employment, with trends closely aligned to overall performance.



Economy
Performance is split, scoring high for employees not being underutilised (a positive), as well as productivity and education. But it performs poorly for GVA growth and median weekly wage.

Employment
Generally mid-ranking. Of particular note are the poor performance for youth employment and the percentage growth in non-UK (EU and overseas) workers.

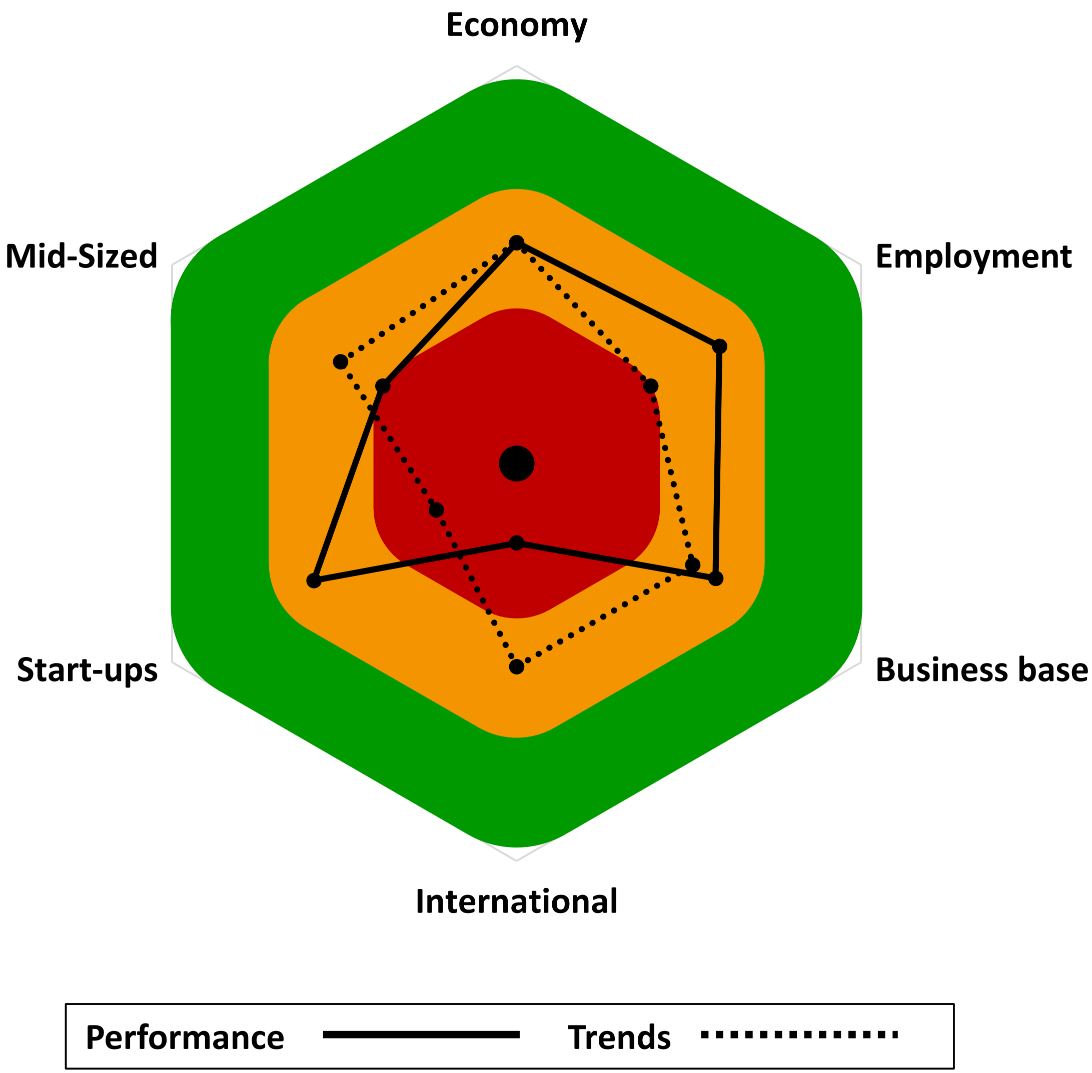
Business base
Across each of the indicators, the region is just below the middle for Scottish regional performance. In several of these, within the region, Fife considerably outperforms other areas.

International
Has the largest percentage of employment in EU-owned enterprises and second largest in overseas non-EU ownership. But the percentage growth in number, turnover and employment of overseas/EU owned companies since 2010 is amongst the lowest performing of the regions.

Start-up
Mid-performing sums the region up. Unlike other regions there is not one particular aspect that is troubling, but equally there is none that are strong performing either.

Mid-Sized
Similar to start-ups but arguably marginally underperforming. In terms of percentage of business base being mid-sized, the region is third, but its turnover and employment share are lower, which suggests MSBs in this region are smaller than those seen in regions with larger cities.

Highlands and Islands - Some positive trends but scope remains for further improvement



Economy

Has strong GVA as well as the second lowest percentage of the workforce being underutilised. However, the region performed in the bottom half for productivity, average weekly wage levels and qualifications levels.

Employment

Performance is higher than the trends because the pre-existing strong performance means the region had a smaller percentage improvement to make compared to other regions.

Business base

The region ranks first for businesses per 10,000 working age population and in its employment rate. The trend is slightly lower, as the growth in the business base as percentage of the level in 2010, was second worst.

International

Alongside the South, the Highlands and Islands are the least international region with the lowest level of non-Scottish owned enterprises and lowest levels of international acquisition activity.

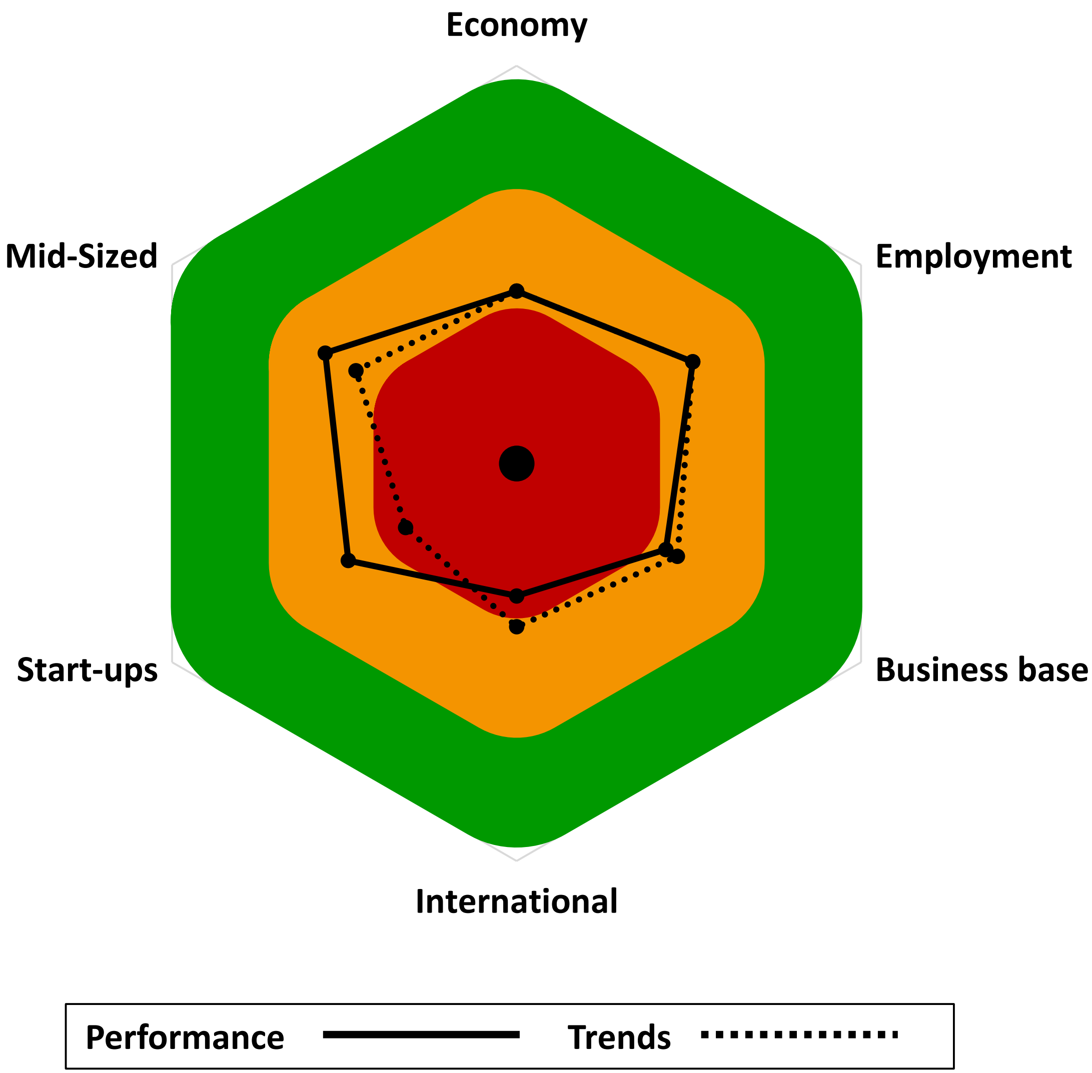
Start-up

Start-up performance is strong with the lowest levels of start-ups in locally-traded sectors. The trends are weak, with one of the smallest percentage growth in start-ups as a share of the business base since 2010.

Mid-Sized

The opposite to start-ups - performance lower and trends improving. Has a low percentage of the business base being mid-sized, but recently has seen a larger percentage increase compared to other regions, particularly in turnover and employment.

Stirling, Clackmannanshire and Falkirk - Middling performance and trends. Strong in mid-sized and weak in international and start-ups



Economy

The region performs well in all aspects with the exception of education where it only ranks 6th for the qualifications of the workforce. This results in the region have the lowest levels of staff being underutilised, leading to high-performance for GVA growth and median weekly salaries.

Employment

Whilst overall performance and trends are mid-ranking, in youth employment the regions performance and trends are strong, ranking second amongst Scotland's regions.

Business base

Performs and trends are in the lower half across the regions. Notable exceptions come in ranking 1st for growth in employment as a percentage of 2010 levels; and last for the growth in turnover as a percentage of 2010 levels – likely a result of the repercussions from the oil and gas recession.

International

Ranked first for the percentage of the regional business base owned by EU firms, but among the lowest for non-EU owned.

Start-up

Performance is weak, and the trends are amongst the worst in Scotland. The regions is second to last in trends both from 2015-17 as well as from 2010-18, suggesting a long-standing trend exists.

Mid-Sized

Has the highest percentage of its business base being mid-sized and the highest percentage of total regional turnover from these companies. The trends were weaker, particularly in employment and turnover reflecting the presence of companies linked to oil and gas. Despite this, the growth in MSBs since 2010 was relatively strong. This suggests the region is more focused on mid-sized than start-ups.

Regions already weaker – are also falling behind others - in summary

In addition to have weaker economies, relatively speaking these regions are now falling behind every other region in Scotland.

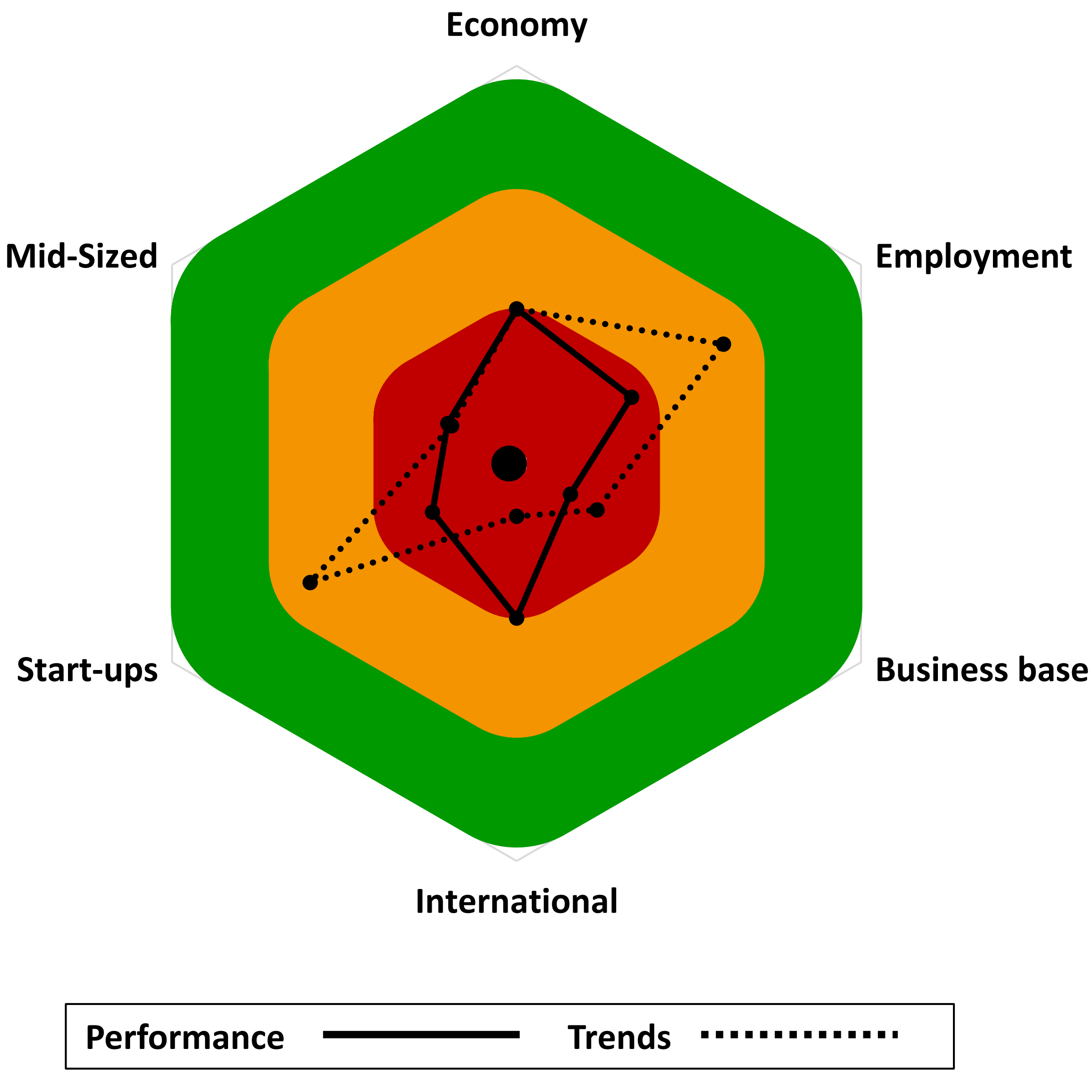
Ayrshires

In both performance and trends, the Ayrshires performs weaker than all regions, except for the South. The trends in employment and start-ups suggest there are signs of improvement but in start-ups the weak growth across Scotland means that even the improving recent performance is not enough to address some of the challenges faced.

South of Scotland

Is falling further behind all other regions of Scotland in every measure. However, trends have marginally exceeded performance in recent years in all measures.

Ayrshires - Falling behind. Improvement more reflects pre-existing poor performance and challenges elsewhere



Economy

Has one of the poorest levels of qualified workforce. Performs marginally better (but still in the lower half amongst regions) for GVA, productivity and median weekly wage.

Employment

The region has one of the stronger employment trends, reflecting work to address weak performance. But despite the middling performance, the region ranks last in male, female and youth employment (as well as economic inactivity).

Business base

The region has one of the poorest rates of businesses per working age population, and is last for employment performance and trends.

International

The region may rank 2nd for the percentage of the business base being owned by foreign nations (and 3rd for EU) but remember this is a higher percentage of an overall lower total as the business base aspect demonstrates.

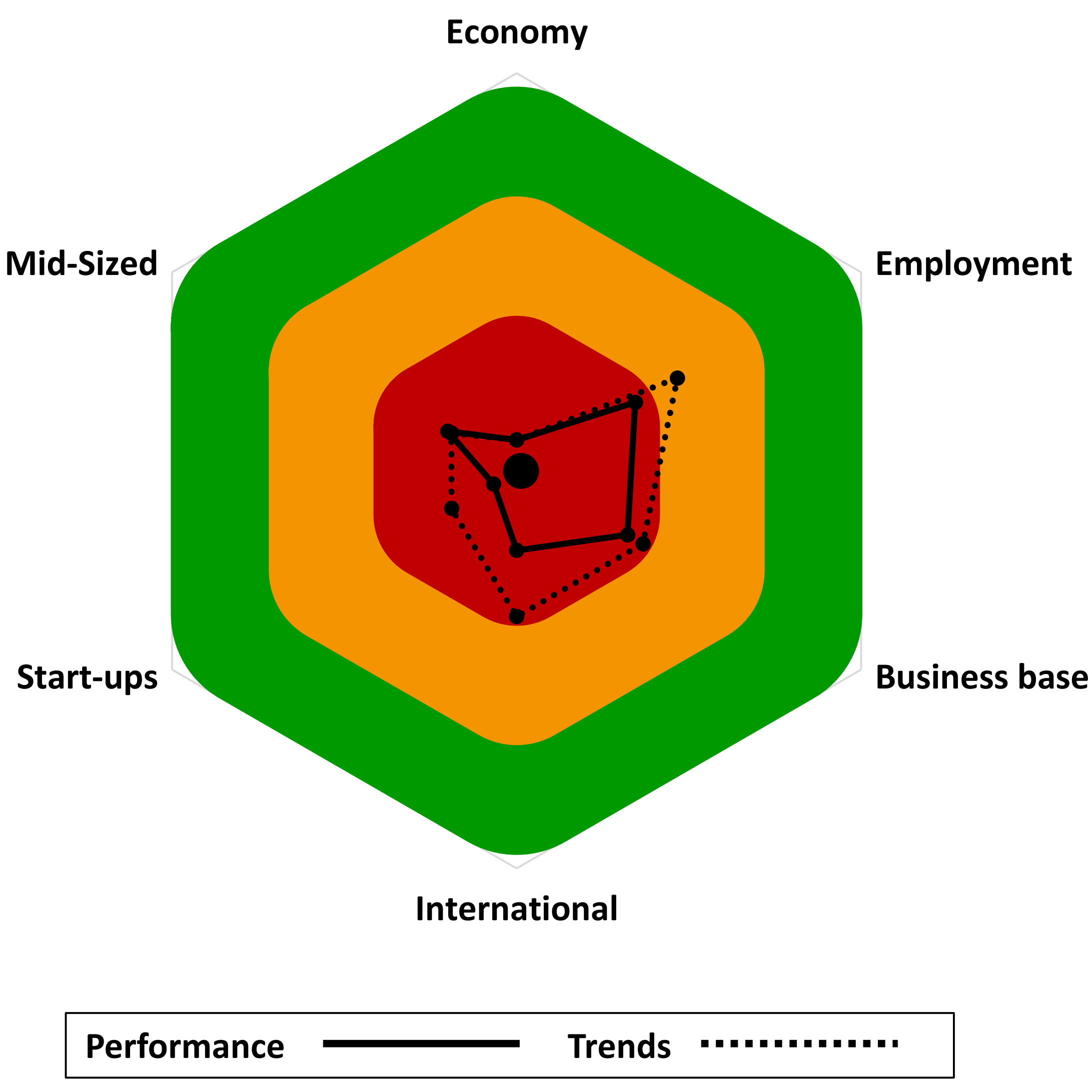
Start-up

The region has historically underperformed relative to elsewhere, More recent trends are better, but this is more reflective of the national downturn; and the increases have been marginal and haven't closed the gap in start-ups in any meaningful way. This is added to by the region having a much greater share of start-ups in low productivity and locally traded industries than anywhere else.

Mid-Sized

Some regions have strengths in mid-sized over start-ups (and vice versa). Ayrshires have neither. It ranks low for mid-sized. It has a higher percent of foreign-owned businesses than some regions but in total numbers, this is amongst the lowest.

South of Scotland - Weakest performance. Some signs of improvement but a long way to go simply to prevent falling further behind



Economy
The South ranks bottom in all of the individual elements, except for ranking 6th for GVA growth.

Employment
Again, the lowest performance in Scotland is found here, but the region ranked third for percentage increase in male and youth employment since 2010.

Business base
Similar to the Highlands, the region is strong for the number of businesses per 10,000 working age population (ranking second).

International
The stronger trend arose due to the percentage growth in turnover amongst overseas ownership. Despite comprising a larger percentage of the overall total, overseas ownership was not significant in amount terms compared to elsewhere.

Start-up
Alongside economy, this is where the region fared the worst comparatively. Dumfries and Galloway was the only local authority in Scotland which saw more business deaths than births from 2010 to 2018. The most recent trend was marginally better than the first part of the last decade, but this was from a lower performance standpoint.

Mid-Sized
Similar to the other elements, the region ranks at the bottom for both performance and trends. The one exception, chiming with the international trend is the percentage growth in turnover attributed to mid-sized businesses, which is coming from overseas owned enterprises. So the growth in this aspect did not even come from indigenous companies.

Regional summary of comparative performance and trends

	Performance	Trends	Performance	Trends	Performance	Trends
Edinburgh and South East	International Business base Employment Mid-Sized Start-ups Economy	Mid-Sized Start-ups Business base International Employment Economy	None	None	None	None
Glasgow City Region	Mid-Sized	Mid-Sized Start-ups	Economy Start-ups International Business base	Economy Business base International Employment	Employment	None
Aberdeen City and Shire	Start-ups International	None	Business base Mid-Sized Employment	International	Economy	Business base Economy Employment Mid-Sized Start-ups
Tay Cities	None	None	Start-ups International Economy Business base Mid-Sized	Start-ups Mid-Sized Economy Business base International	Employment	Employment
Highlands and Islands	None	None	Employment Start-ups Business base Economy Mid-Sized	Economy Business base International Mid-Sized	International	Employment Start-ups
Stirling, Clacks and Falkirk	None	None	Mid-Sized Employment Start-ups Economy Business base	Employment Business base Mid-Sized Economy International	International	Start-ups
Ayrshires	None	None	None	Start-ups Employment	Economy International Employment Start-ups Mid-Sized Business base	Economy Business base Mid-Sized International
South of Scotland	None	None	None	Employment	Employment Business base International Mid-Sized Economy Start-ups	Business base International Start-ups Mid-Sized Economy

Edinburgh and SE accelerating away from the rest of Scotland – and other cities. Could be argued, with Edinburgh's high-performance that Glasgow and Aberdeen belong in the second, rather than first tier.

These three regions performing at average in most, if not all, aspects. What is striking is none of these regions have one (either performance or trend) as high-performing.

Whilst there are shoots of optimism in the latest trends (due to poor relative performance elsewhere), these regions are falling (further) behind the rest of Scotland, and are likely to continue to fall behind in the short-term.

Regional ranking of performance

Economy	Employment	Business base	International	Start-ups	Mid-Sized
Edinburgh and South East	Edinburgh and South East	Edinburgh and South East	Edinburgh and South East	Edinburgh and South East	Glasgow City Region
Glasgow City Region	Highlands and Islands	Aberdeen City and Shire	Aberdeen City and Shire	Aberdeen City and Shire	Edinburgh and South East
Highlands and Islands	Aberdeen City and Shire	Highlands and Islands	Glasgow City Region	Glasgow City Region	Aberdeen City and Shire
Tay Cities	Stirling, Clacks, Falkirk	Glasgow City Region	Tay Cities	Tay Cities	Stirling, Clacks, Falkirk
Stirling, Clacks, Falkirk	Glasgow City Region	Tay Cities	Ayrshires	Highlands and Islands	Tay Cities
Ayrshires	Tay Cities	Stirling, Clacks, Falkirk	Stirling, Clacks, Falkirk	Stirling, Clacks, Falkirk	Highlands and Islands
Aberdeen City and Shire	South of Scotland	South of Scotland	Highlands and Islands	Ayrshires	Ayrshires
South of Scotland	Ayrshires	Ayrshires	South of Scotland	South of Scotland	South of Scotland

Regional ranking of trends

Economy	Employment	Business base	International	Start-ups	Mid-Sized
Edinburgh and South East	Edinburgh and South East	Edinburgh and South East	Edinburgh and South East	Edinburgh and South East	Edinburgh and South East
Glasgow City Region	Ayrshires	Glasgow City Region	Aberdeen City and Shire	Glasgow City Region	Glasgow City Region
Highlands and Islands	Glasgow City Region	Highlands and Islands	Glasgow City Region	Tay Cities	Tay Cities
Tay Cities	Stirling, Clacks, Falkirk	Stirling, Clacks, Falkirk	Highlands and Islands	Ayrshires	Highlands and Islands
Stirling, Clacks, Falkirk	South of Scotland	Tay Cities	Tay Cities	Stirling, Clacks, Falkirk	Stirling, Clacks, Falkirk
Ayrshires	Highlands and Islands	Aberdeen City and Shire	Stirling, Clacks, Falkirk	Aberdeen City and Shire	Aberdeen City and Shire
Aberdeen City and Shire	Aberdeen City and Shire	South of Scotland	South of Scotland	Highlands and Islands	Ayrshires
South of Scotland	Tay Cities	Ayrshires	Ayrshires	South of Scotland	South of Scotland

Conclusions

The gap between and within regions is increasing. But the gap is increasing at a faster pace between (not within) regions.

The largest cities are outpacing those regions with smaller cities or in rural and remote areas of Scotland. It could be argued Edinburgh is seeing a similar trend to the ‘London effect’ – pulling ahead of everywhere. This fits within a UK-wide context of both cities moving away from other areas, but also cities within themselves having multi-layers of performance.

So this is not is a phenomenon exclusive to Scotland, but with the stated Government ambition of sustainable economic growth for all, it is one we need to address to deliver in the long-term.

Appendix

The comparative figures used to calculate overall scores for each of the areas in this version, were as follows:

Economy	Employment	Business base	International	Start-ups	Mid-Sized
Average GVA growth (20xx)	% change in employment (2010-18)	Businesses per 10,000 working age (16-64) population (2018)	% of all inward acquisitions as % of business base	% net start-up as % of regional business base (2010-17)	% of MSBs in Scotland 2018
Productivity £ per hour	Economic inactivity (2018)	Employment rate (2018)	% of all outward acquisitions as % of business base	% of Scotland's net start-ups 2010-17	% of MSB turnover in Scotland 2018
Median weekly wage £	Youth (16-24) employment (2018)	% growth in business base (2010-18) as % of 2010 business base	% change in the regional business base (2010-18) amongst overseas ownership	% of start-ups in high-productivity industries	% of MSB employment in Scotland 2018
Education (% NVQ4+)	% change in youth (16-24) employment (2010-18)	% growth in employment (2010-18) as % of 2010 employment	% change in regional employment (2010-18) amongst overseas ownership	% of start-ups in locally traded industries	% of business base that are MSBs (2018)
% staff underutilised	Female employment (2018)	% growth in turnover (2010-18) as % of 2010 turnover	% change in regional turnover (2010-18) amongst overseas ownership		% of regional employment in MSBs (2018)
	Change in female employment (2010-18)	% of all intra-acquirers as % of business base	% of regional business base, EU owned enterprises (2018)		% of regional turnover generated by MSBs (2018)
	Male employment (2018)	% of all intra-acquired as % of business base	% of regional employment, EU owned enterprises (2018)		% of growth in MSBs in Scotland 2010-18
	Change in male employment (2010-18)		% of regional turnover, EU owned enterprises (2018)		% of growth in MSB turnover in Scotland 2010-18
	% change in economic activity (2010-18)		% of regional business base, Non-EU foreign-owned (2018)		% of growth in MSB employment in Scotland 2010-18
	% of workforce from EU states (2017-18)		% of regional employment, Non-EU foreign-owned enterprises (2018)		
	% of workforce from non-EU states (2017-18)		% of regional turnover, Non-EU foreign-owned enterprises (2018)		
	% change in non-UK workers (2014-18)		% of regional business base, foreign-owned (2018)		
			% of regional employment, foreign-owned enterprises (2018)		
			% of regional turnover, foreign-owned enterprises (2018)		

Appendix

The comparative figures used to calculate the trends scores for each of the areas in this version, were as follows:

Employment	Business base	International	Start-ups	Mid-Sized
% change in employment (2010-18)	% growth in business base (2010-18) as % of 2010 business base	% change in the regional business base (2010-18) amongst overseas ownership	% net start-up as % of regional business base (2010-17)	% of growth in MSBs in Scotland 2010-18
% change in youth (16-24) employment (2010-18)	% growth in employment (2010-18) as % of 2010 employment	% change in regional employment (2010-18) amongst overseas ownership	% of start-ups in high-productivity industries	% of growth in MSB turnover in Scotland 2010-18
Change in female employment (2010-18)	% growth in turnover (2010-18) as % of 2010 turnover	% change in regional turnover (2010-18) amongst overseas ownership	% of start-ups in locally traded industries	% of growth in MSB employment in Scotland 2010-18
Change in male employment (2010-18)				
% change in economic activity (2010-18)				
% change in non-UK workers (2014-18)				

Please note, there was no Economy trends in the initial development of this analysis. Therefore, the trend was pegged at performance levels.