

Update on Exporting in Greater Lincolnshire



Introduction

Historically, Local Enterprise Partnerships (LEPs) have struggled to understand what exporting means at the local level, in terms of who, what, where and how much. In turn this has made it very difficult to understand the role of exporting in the local economy and how important it is.

This lack of local level knowledge around exporting is a direct result of data only being released at regional level or above. However, very recently Her Majesty's Revenues and Customs (HMRC) have released some reasonably detailed data at English Growth Hub area level (a geography which in many cases aligns with the local LEP area) and it is the analysis of this data that makes up the bulk of this paper. As such it provides an update to the original 'Exporting Research Report' (<http://www.research-lincs.org.uk/lep-evidence-exporting.aspx>) which was based in the main on locally generated data.

Throughout the document reference and comparison is made with six LEP areas that have been identified as being those closest to the Greater Lincolnshire LEP profile in terms of opportunities and challenges centred around issues such as industrial structure, workforce, geography, and rurality. They are:

- D2N2 (Derby and Derbyshire, Nottingham and Nottinghamshire)
- Heart of the South West
- Humber
- Leicester and Leicestershire
- New Anglia
- Stoke on Trent and Staffordshire

Headlines

- Greater Lincolnshire export levels (based on 2015 value) per job, per business, and relative to economic size, outperformed many of those of comparator areas and were slightly below the national average.
- Greater Lincolnshire is much more reliant on exports to the EU than its comparator areas and nationally.
- HMRC data suggests that the number of traders exporting in Greater Lincolnshire is higher than previous studies have estimated.
- The levels and types of business support on exporting being provided should be reviewed, both in light of published studies by the What Works Centre for Local Economic Growth, and the successes that other comparator areas are experiencing with the US market.

Notes on HMRC Exporting data

- There may be some additional trade in exports to the European Union for those traders that are not required to submit full trade declaration. This cannot be allocated accurately to a specific geography below NUTS1 but accounts for approximately 3 per cent of all EU Export trade.
- Figures are based on the location of where the Head Office of the company carrying out the export is located.
- Some data has not been published as part of this dataset due to its disclosive nature.
- SITC refers to Standard International Trade Classification section by which export values can be broken down into at English Growth Hub level, and they are:

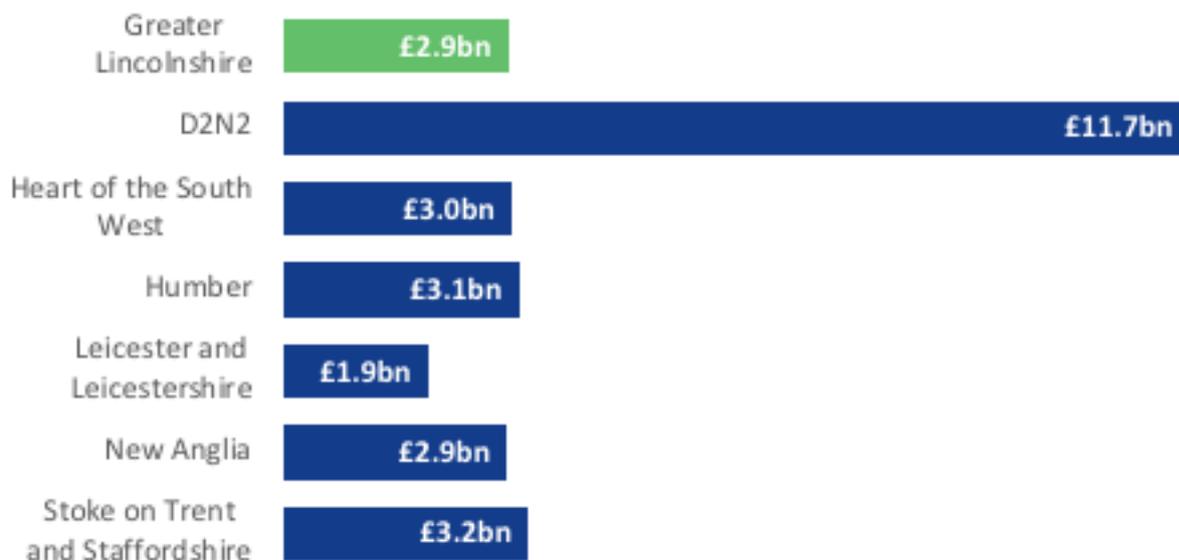
- 0 Food and Live Animals
- 1 Beverages and Tobacco
- 2 Crude Materials
- 3 Mineral Fuels
- 4 Animal and Vegetable Oils
- 5 Chemicals
- 6 Manufactured Goods
- 7 Machinery and Transport
- 8 Miscellaneous Manufactures
- 9 Other commodities nes

Value of Exports

During 2015, Greater Lincolnshire businesses exported goods and services to the value of £2.9bn (one per cent of the £287bn exported by UK businesses in total). This figure compares favourably with most comparator LEP areas but is much lower than the £11.7bn exported by business in the D2N2 LEP area.

Figure 1 – Value of Total Exports, 2015

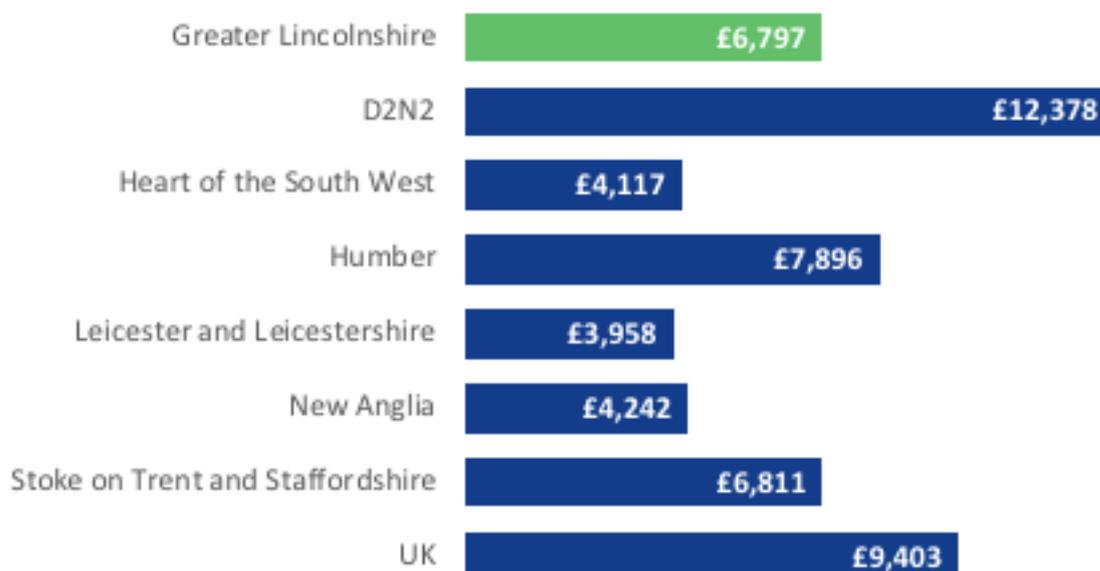
Sources: HM Revenues and Customs



In order to put this figure in some context then in figure 2 we have divided the total value of exports by the number of jobs in each economy in order to reflect the relative size differences. This has the effect of reducing the gap between D2N2 and other LEP area performances but still places D2N2 far out in front.

Figure 2 – Value of Total Exports (2015) per job

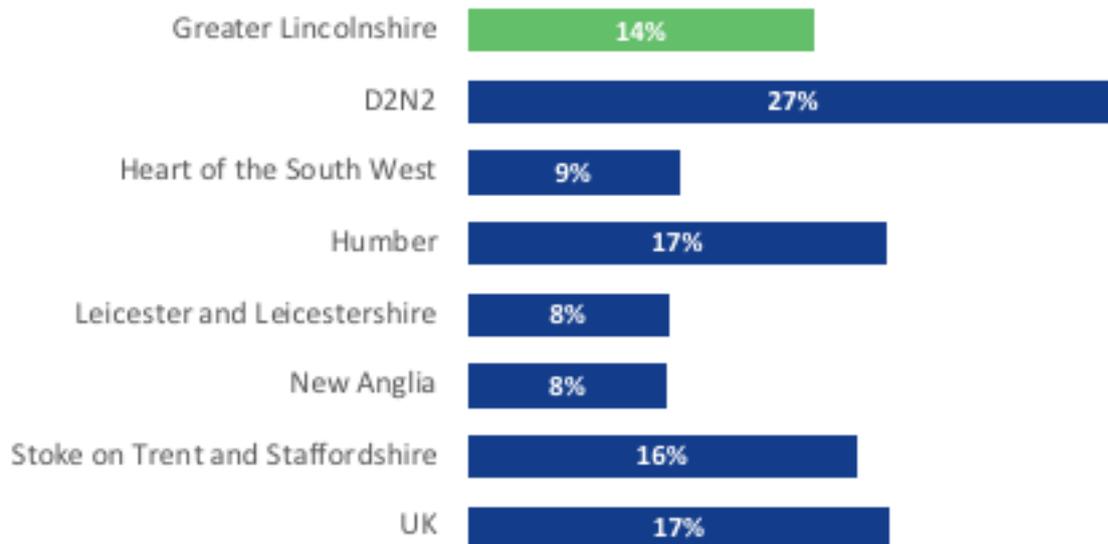
Sources: HM Revenues and Customs, and Office for National Statistics



Again, Greater Lincolnshire performs well on this measure when compared to its comparator areas but all (apart from D2N2) are well below the UK average. We see a similar pattern in figures 4 and 5 where export values are shown relative to the size of the economy (represented by value in terms of GVA – Gross Value Added), and per trader exporting.

Figure 3 – Total Exports (2015) Relative to Size of Economy (GVA, 2015)

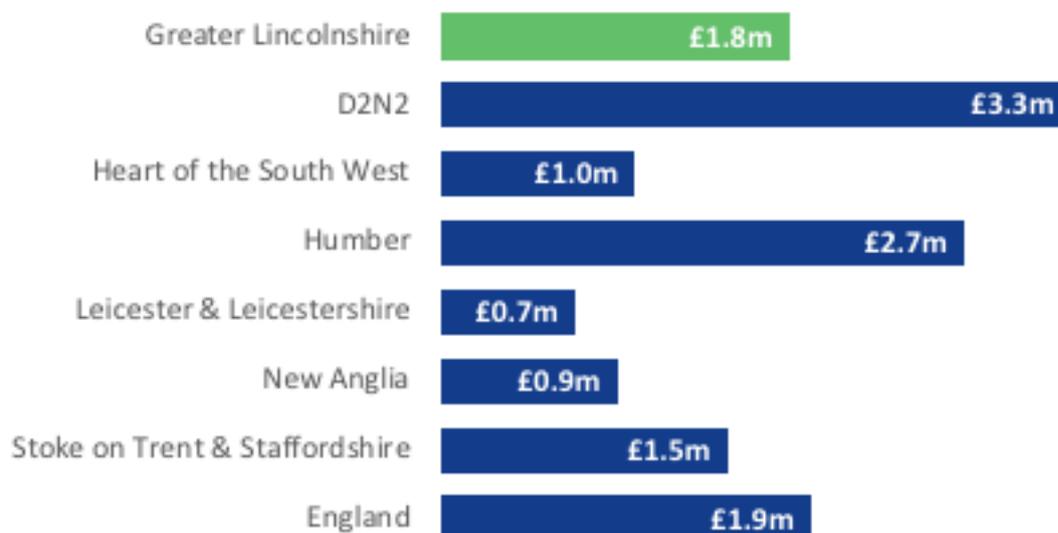
Sources: HM Revenues and Customs, and Office for National Statistics



What these figures demonstrate is that Greater Lincolnshire performs reasonably well on the value of exports it generates relative to the size of its economy. It performs much better than the LEP areas of Heart of the South West, Leicester & Leicestershire, and New Anglia; is broadly on a par with Stoke on Trent & Staffordshire; and is only slightly below national performance levels. On this basis Greater Lincolnshire should be receiving levels of exporting support from government departments at a similar level to other areas of the country, and if this is not the case then should be challenged.

Figure 4 – Value of Total Exports (2015) per Exporting Trader

Sources: HM Revenues and Customs



In figures 5 and 6, we split the total value of exports for each area by EU bound exports and those headed for the rest of the world (Non-EU).

Referring to figure 6 we can see that a greater proportion of Greater Lincolnshire’s exports (by value) go to the EU compared to all other comparator areas (apart from Humber LEP) including the UK average.

Figure 5 – Value of Total Exports by EU and Non-EU, 2015

Sources: HM Revenues and Customs

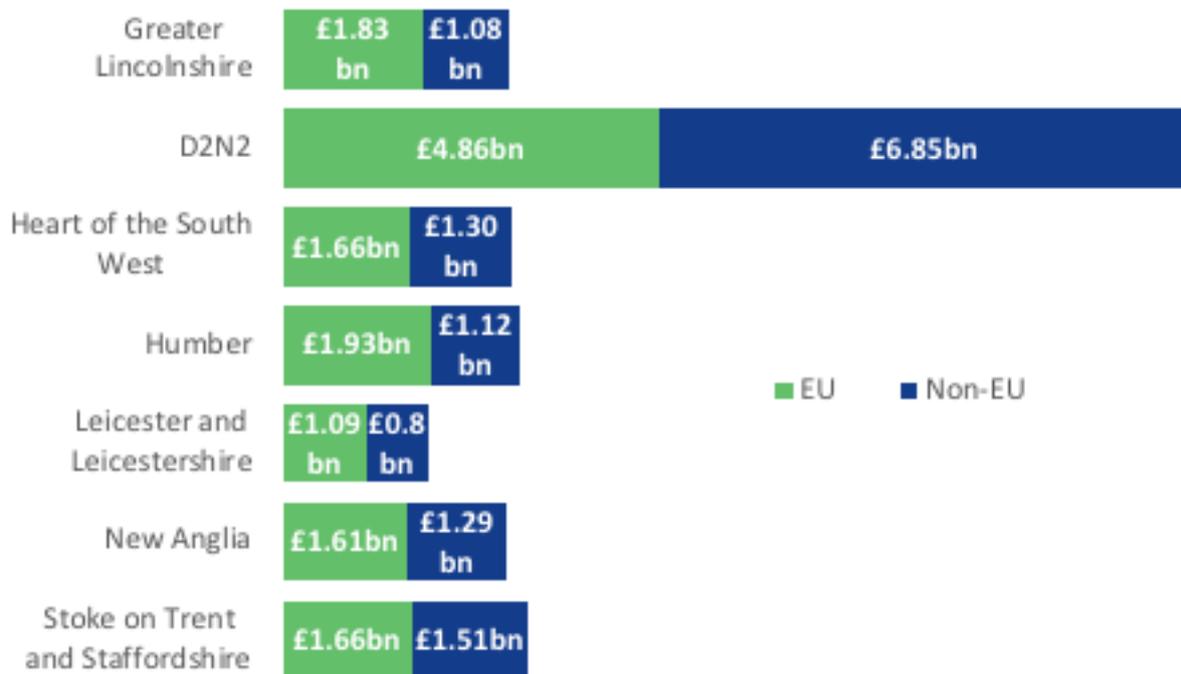


Figure 6 – Percentage of Total Exports by EU and Non-EU, 2015

Sources: HM Revenues and Customs

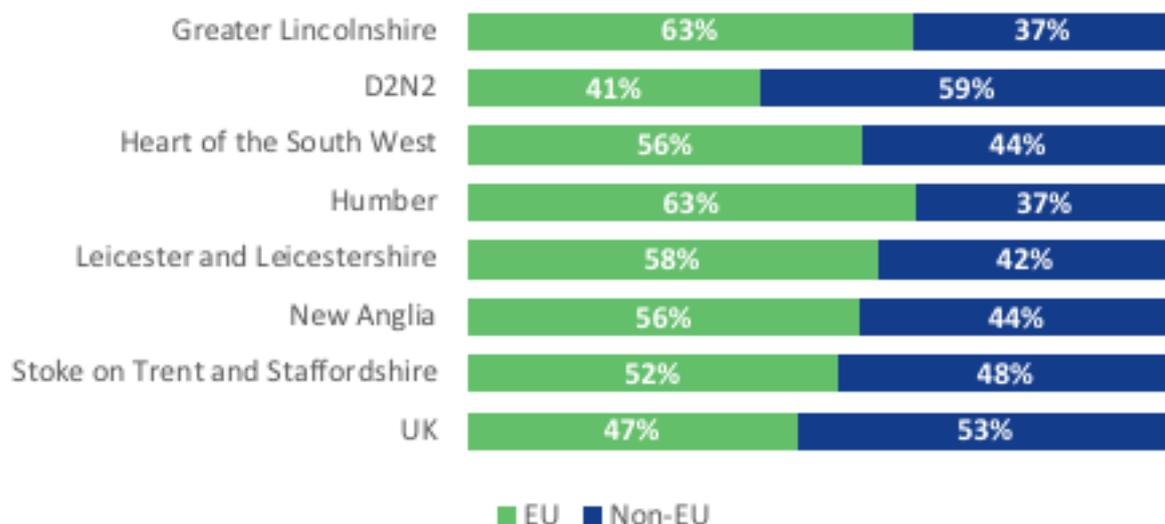


Figure 7 takes this country of destination data further and shows where Greater Lincolnshire goods and services are bound for across the globe by value, with the only Non-EU destination of note being that of the USA.

Figure 7 – Greater Lincolnshire Exports (£m) by Country of Destination, 2015

Sources: HM Revenues and Customs

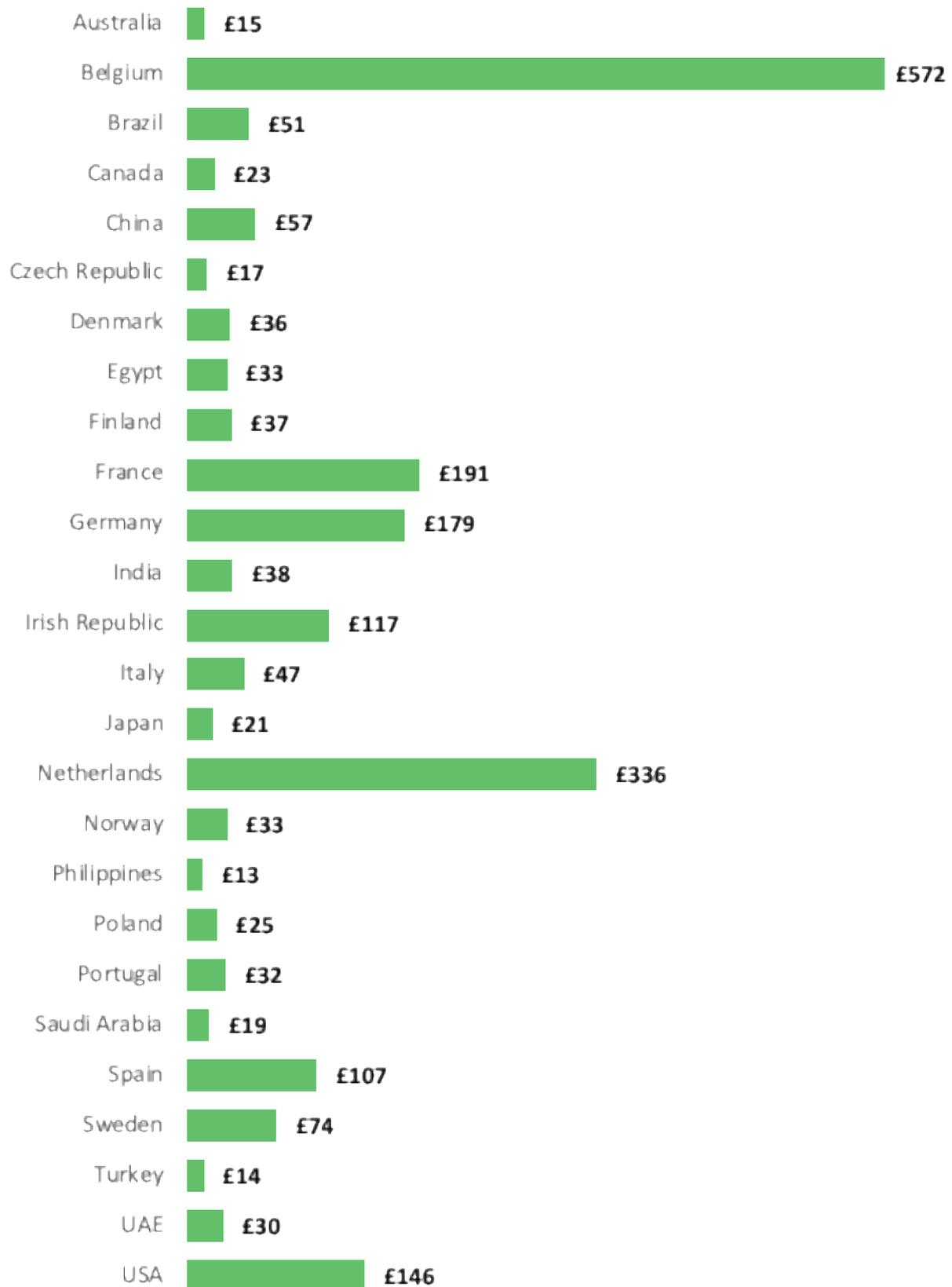
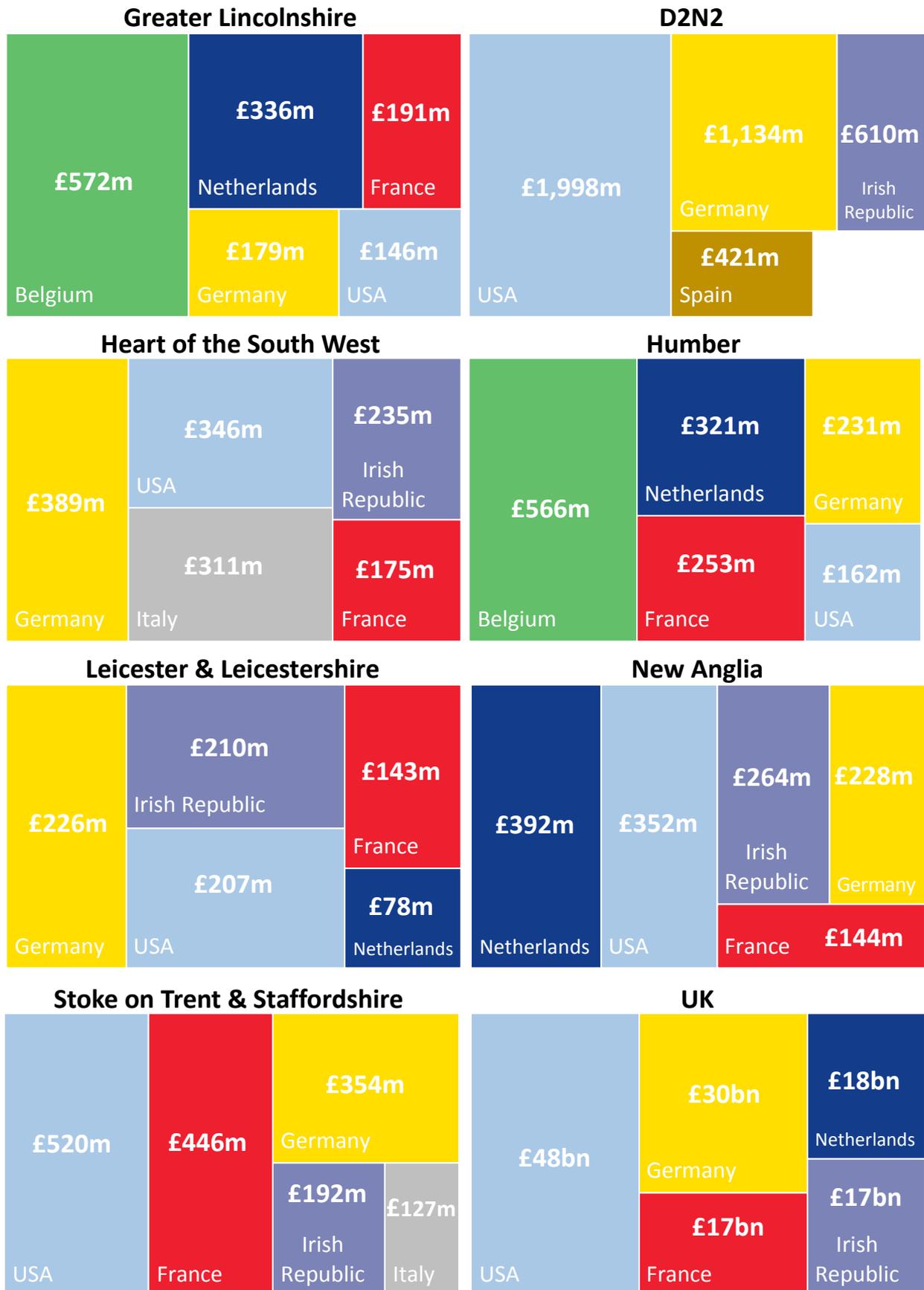


Figure 8 – Top 5 Export Country of Destination by Comparator Areas, 2015

Sources: HM Revenues and Customs

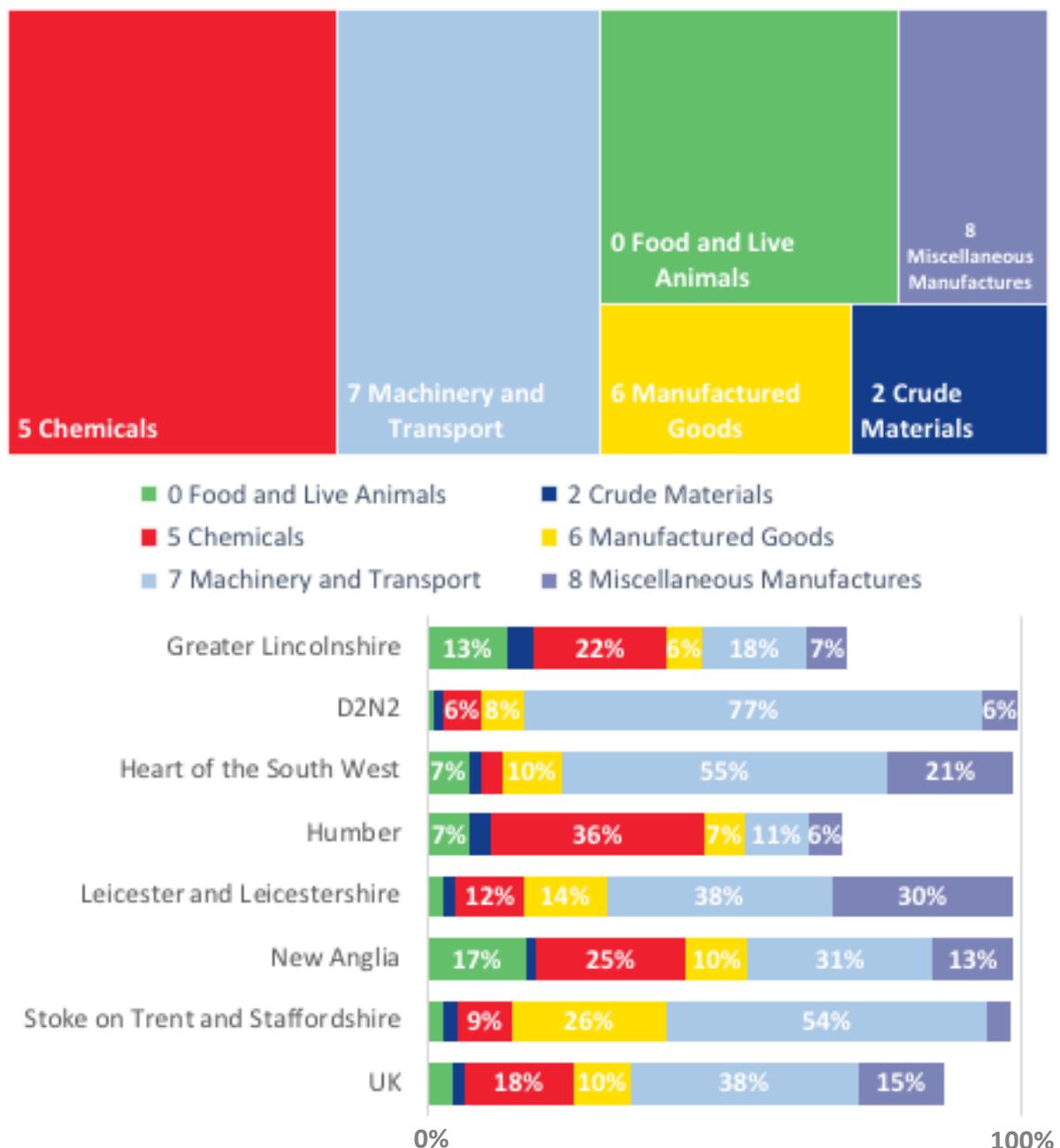


Referring to figure 8 then Greater Lincolnshire’s top 5 exporter destination profile is very similar to that of Humber LEP both in terms of countries and value (though the overlap in the two LEP areas will be playing some role in this). Also of note is that all other LEP comparator area export profiles are closer to that of the UK’s overall, with the USA featuring more prominently in all.

Figure 9 provides a breakdown of Greater Lincolnshire exports by value and by SITC code, and how this compares against the LEP comparator areas and the UK. Please note that we have omitted SITC codes 1, 3, 4 and 9, due to them having very low or zero values.

Figure 9 – Greater Lincolnshire Exports by SITC Code and Value, and Exports by SITC Code by Comparator Areas, 2015

Sources: HM Revenues and Customs



The first thing to note here is that a large proportion (around 29 per cent) of Greater Lincolnshire's exports are uncoded. This is also the same for Humber LEP, and to a lesser extent can be seen at the national level. Given the size of the unknown, and the fact that it occurs across overlapping LEP areas suggests that this information has been removed from the dataset due to its disclosive nature. However, what we can see from figure 9 is that all other areas (barring again the Humber LEP) have a much greater onus on Machinery and Transport exports than Greater Lincolnshire. Referring back to figure 8 and the fact these areas all exported more to the USA relative to overall exports value, suggests that this is a market with further potential for Greater Lincolnshire.

Figure 10 – Exports by SITC Code, and EU and Non-EU, 2015

Sources: HM Revenues and Customs

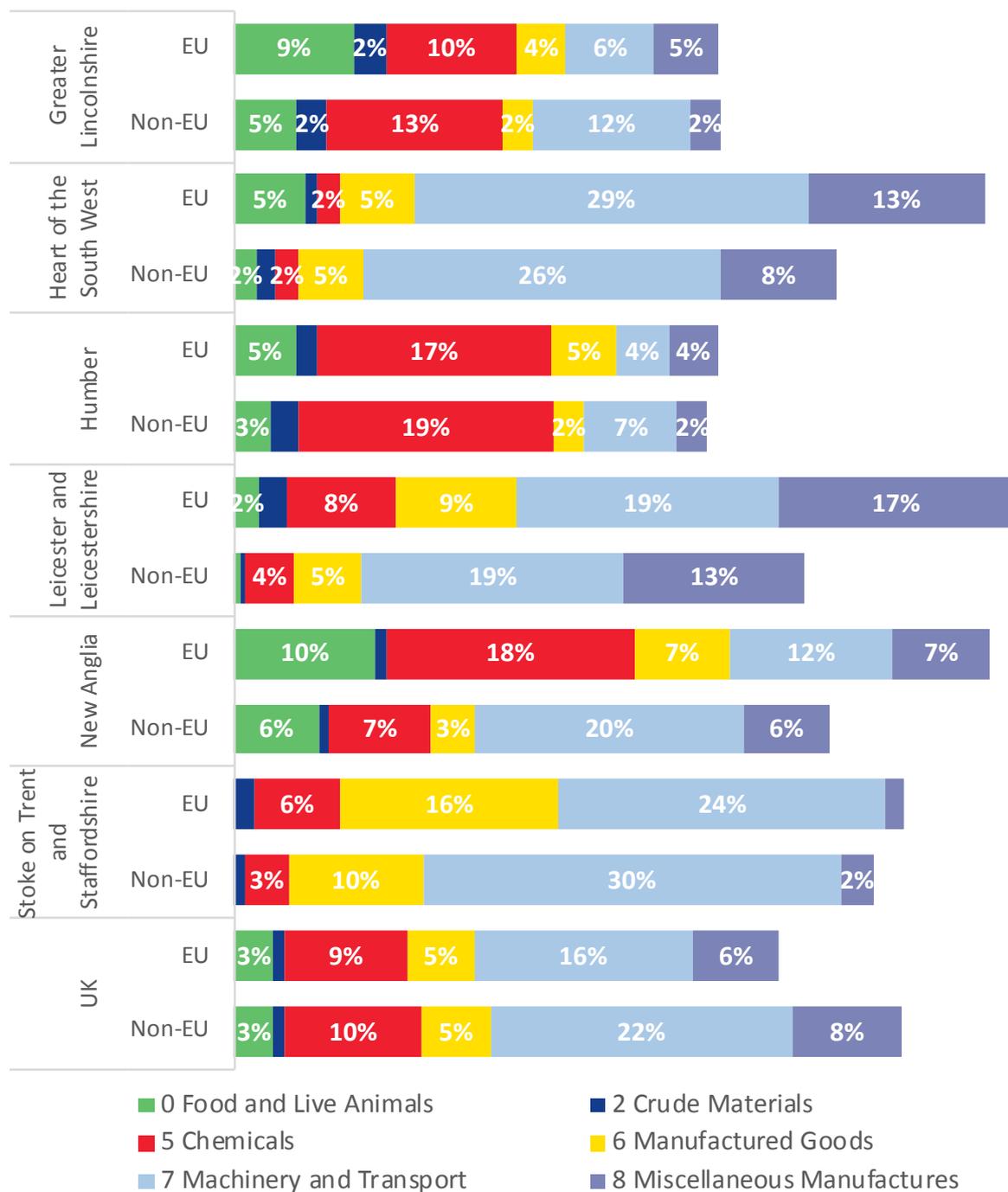
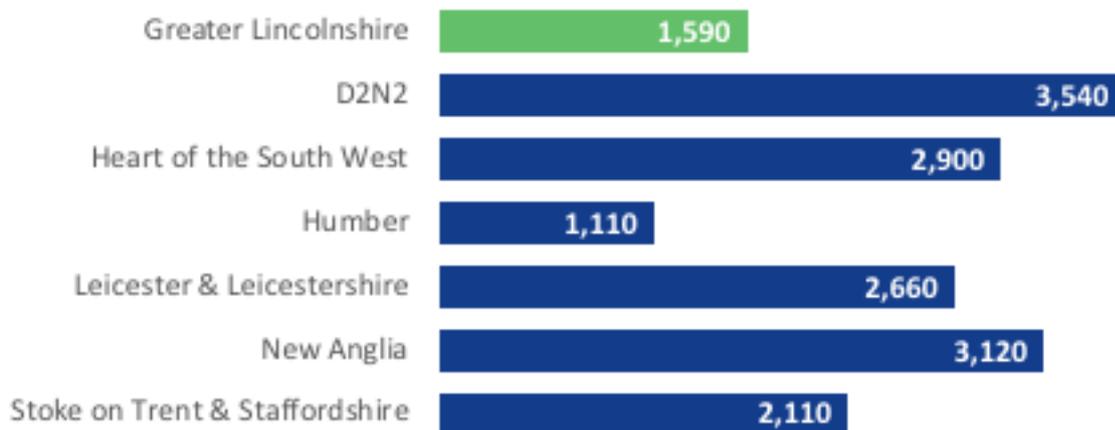


Figure 10 provides a breakdown of SITC by EU and Non-EU. Please note here that we have removed D2N2 LEP from the analysis due to data for the Machinery and Transport SITC code being removed from the HMRC dataset. This again suggests that this level of analysis was of a disclosive nature.

Figure 11 shows the approximate total number of trader exporting from each LEP area, including those not required to submit a full declaration. Of note here is the fact that the numbers reported by HMRC are much higher than the indicative numbers of firms that were put forward in the March 2017 Midlands Engine report on 'Exporting and International Trade across the Midlands Engine' (numbers in Greater Lincolnshire were placed at around 700, with 2,400 in D2N2, and 1,200 in Leicester and Leicestershire). However, we should note here that these lower numbers will in part be due to the Midlands Engine research only taking into account businesses that employed 5 or more people.

Figure 11 – Total Number of Exporting Traders, 2015

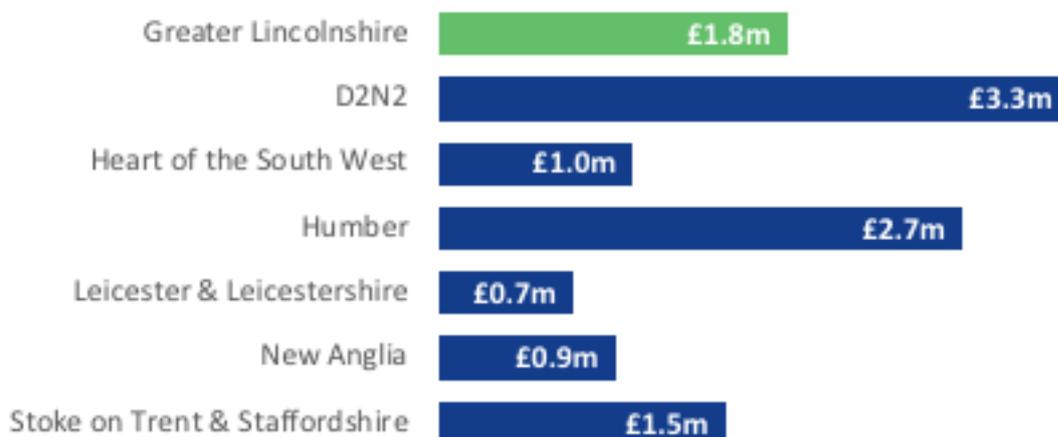
Sources: HM Revenues and Customs



Whilst the number of exporting traders in Greater Lincolnshire is low, figure 12 shows that they punch above their weight in terms of generating value when it comes to most of the comparator LEP areas.

Figure 12 – Value of Exports per Trader, 2015

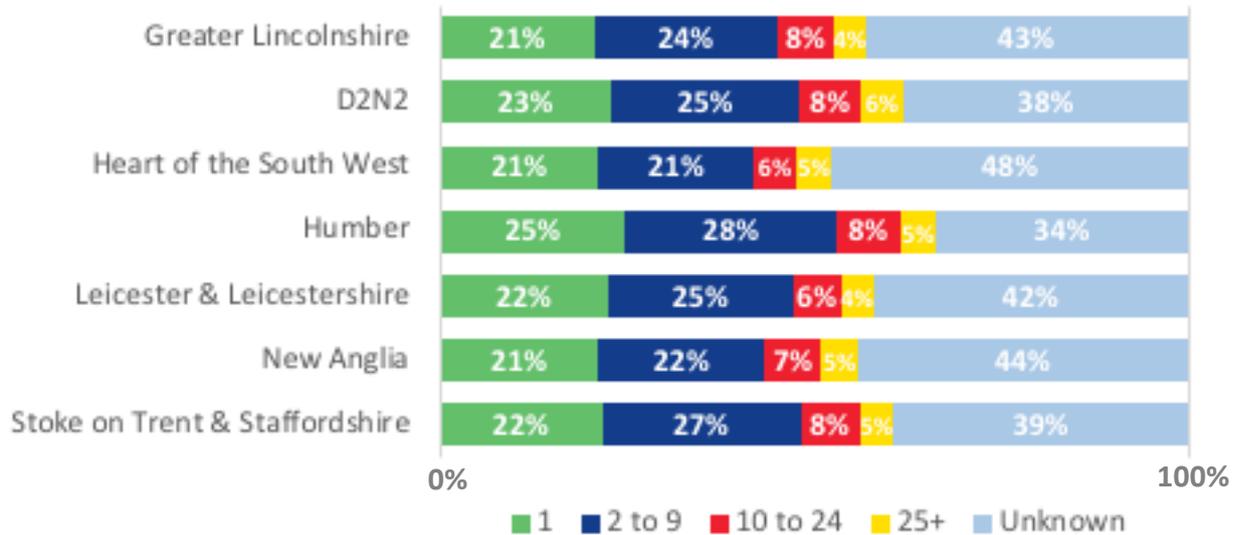
Sources: HM Revenues and Customs



The final element of the HMRC data is shown in figure 13, detailing the number of countries that exporters are trading with on an individual basis. For example, 21 per cent of Greater Lincolnshire traders only export to one country, with 24 per cent of traders exporting to between two and nine countries.

Figure 13 – Number of Partner Countries by Traders, 2015

Sources: HM Revenues and Customs

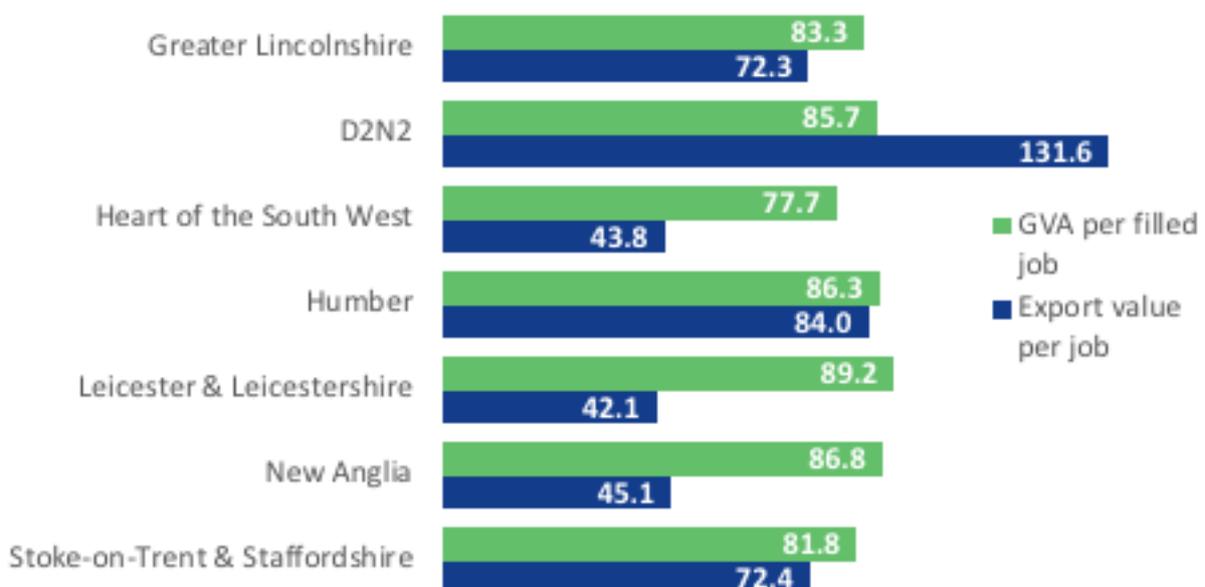


Exporting and Productivity

The UK Industrial Strategy notes that “Businesses that export account for 60 per cent of the UK’s annual productivity growth, deliver stronger employment growth and pay higher wages than those that don’t”. Let us look then at both productivity and exporting performance across the LEP comparator areas relative to the UK (figure 14).

Figure 14 – GVA per Filled Job and Export Value per Job 2015 Indices (UK=100)

Sources: HM Revenues and Customs, and Office for National Statistics



D2N2 is clearly the largest exporter of the comparator areas by both value and relative to the size of its economy. However, if we consider productivity performance (measured by GVA per filled job) then D2N2 only features at number 28 (with one being the highest performing) out of 38 LEAs with areas such as Humber LEA (number 25), New Anglia LEA (number 24) and Leicester and Leicestershire (number 21) featuring higher in the performance table.

This raises a number of important questions. Firstly, D2N2 appears to be overperforming when it comes to exporting. How is it achieving this? We did note earlier on in this paper was that a relatively large proportion of its exports were made up of Machinery and Transport. Referring to the recent Greater Lincolnshire LEA report on productivity then the manufacturing sector was highlighted as an area with a sizeable productivity gap between Greater Lincolnshire and D2N2 performance (though the gap between Greater Lincolnshire and Humber performance was larger).

Secondly, are areas such as Heart of the South West, Leicester and Leicestershire, and New Anglia underperforming when it comes to exporting? i.e. productivity in these areas is higher than in Greater Lincolnshire but the value of exports per job is lower. If so, then any improvements in exporting in these areas could drive productivity improvements, ultimately surpassing Greater Lincolnshire performance and leaving it further behind.

Next Steps - Support

Whilst the lack of data at the local level over time restricts us in identifying growth trends in particular export destinations, we can look at the national level for some pointers as to where to focus local support

Nationally, the total levels of exports by value has dropped by one per cent between 2011 and 2016. However, over this timeframe exports to Non-EU countries has grown by 12 per cent, to the US by 21 per cent, and to China by 30 per cent. In this sense, Greater Lincolnshire is right to forge stronger links with particular Chinese regions and may consider doing something similar with the US. This is more pressing now given that our trading relationship with the EU is about to change, and that EU countries make up a relatively larger majority of export destinations for Greater Lincolnshire than other comparator areas. We have also seen from the findings in the report that Greater Lincolnshire's comparator areas are more geared towards the US market. It goes without saying that some support will need to be geared to those traders affected by Brexit if only to assist them in adjusting to new and revised market regulations.

With the American market in mind, a glance towards what the D2N2 LEA is doing to achieve the exporting levels they are would be a useful exercise. Whilst again the lack of trend data prevents us from determining whether they have been successful in growing exports, the sheer size of value, and its focus on the US, should be prompting us to find out more.

However, we need to be mindful of the fact that the data available indicates that this success may be through one or two significant manufacturers and would be difficult to achieve in the Greater Lincolnshire area.

Finally, and considering what form exporting support to businesses should take, then the What Works Centre for Local Economic Growth (<http://www.whatworksgrowth.org/>) points out that based on the evidence available, Export Credit Agencies (ECAs - which help finance exports by providing direct credit, credit guarantees, or credit insurance) are more an effective and cheaper way of increasing levels of exports than by promoting export activity. You can find out more here <http://www.whatworksgrowth.org/resources/business-advice-toolkit-export-credit-agencies>

Next Steps - Research

The data used in this report relates to 2015 and was released by HMRC in March 2017. March 2018 did not see the release of 2016 data and it is not currently clear whether HMRC are going to release any more exporting data at LEP level, something which would undoubtedly be useful in improving the understanding of trends in exporting at the local level.

One key element we are missing from the exporting jigsaw puzzle is information around volumes of exports. This information would enable us, when it comes to goods exported, to better understand where on the value chain exporters and LEPs are operating. For example, are D2N2 exporting vast volumes of low value machinery and transport equipment? Or is it actually very few but specialist and high value components that are driving export values that would be difficult to compete with or replicate?

The Office for National Statistics have taken notice and responded to LEP calls for better local information and more detailed information is beginning to be released. However, this is still an area where statistics can be improved and will need to be if LEPs are to better understand their local economies and drive export growth and productivity. As such, this is an area of development that Greater Lincolnshire LEP will continue to keep abreast of report on as new data is released.

More Information

This paper was produced by Codename:Consulting on behalf of Lincolnshire County Council's Economy and Environment Research Team for the Greater Lincolnshire Local Enterprise Partnership (GLLEP).

The GLLEP evidence base on the Lincolnshire Research Observatory is the key source of analysis and intelligence for the GLLEP.

www.research-lincs.org.uk/lep-home.aspx

