Britain’s Export Boom
and how to encourage it

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Marcus Gibson runs Gibson Index Ltd, a London-based company which researches and produces a uniquely comprehensive index of small technology companies in the UK, around 70,000 in total.

Prior to this, Marcus Gibson worked as a journalist for 30 years, specialising in innovation, enterprise and emerging small and medium-sized enterprises (SMEs), first at BBC Radio, and later at The Financial Times and European newspapers. His features include coverage in Bosnia, three Olympic Games, entrepreneurs in Siberia, space launches, high speed trains, big infrastructure projects, defence matters, technology, as well as thousands of SME profiles. He wrote the first articles about many of the UK’s best emerging SMEs, including Bookham Technologies, Cambridge Silicon Radio, Tristel and PowerHouse Energy Group plc.

Marcus has also authored a series of original, in-depth reports on innovation and enterprise. In 1999, he was commissioned by the Governor of the Bank of New Zealand, to interview 60+ key opinion makers in the country to discover their views, recommendations and forecasts, regarding their vision of the future of the NZ economy, titled ‘Whither NZ?’

In 2000-2001, he produced two reports for UK universities: first on UK ‘Academic Spinouts’, and secondly, the ‘Creative Industries’. For the UK innovation agency NESTA, he
produced the report ‘Priorities for UK Innovation’, and lastly, for BP Technology Centre he researched and assessed UK SMEs that had technologies of use to BP’s operations.

He has been a keen supporter of the UK manufacturing, engineering and hi-tech sectors. Marcus wrote and co-edited two books, *Bootstrapping Your Business* in 2003, and *The Dictionary of the British Heritage* for Cambridge University Press in 1984. A short-form book *The UK’s Best 12 Smaller Companies* was published in 2019. Growing up in central London, the youngest son of Harley St cardiologist Dr Ronald Gibson, he was educated at Stowe School, Buckingham.

Enterprise runs in the family. His mother, Thelma Gibson, pioneered in the early 1960s the now huge London market in medicine aimed at Middle East patients. Medical services are now the second largest employer in central London after retail. In 1988 the one millionth patient arrived in London, and in May 2011 her obituary was published in *The Daily Telegraph*.

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Summary

Back in the early 1990s, nearly all of the UK’s institutions were convinced that unless the UK entered the European Monetary System, and eventually the Euro, the nation would suffer a severe decline.

Thirty years later, the same line-up of institutions – the Bank of England, the Treasury, Confederation of British Industry (CBI), the Institute of Directors (IoD), the BBC, the universities and civil service as well as the majority of politicians in Westminster – were also certain the UK faced a national disaster if it left the European Union.

As this report concludes, a whole generation of key Establishment entities and individuals have been proven wrong. Not only is the UK economy expanding but vital sectors in manufacturing are experiencing a revival after decades of government neglect and decline.

However, this will come as no surprise to those who have close contact with the UK’s exceptionally high-quality cohort of smaller companies. These often lead the world in sectors such as aerospace, auto engineering, biotech, engineering, fintech, and materials. And their European business rivals know it only too well.

At the international science fairs I have attended, the seminar given by a British small to medium-sized enterprise (SME) often has to be moved to the main hall as the eager audience can’t be fitted into the side room allocated. Many
US defence projects have a brilliant UK technology SME at their heart. To meet these entrepreneurs and innovative engineers is to meet some of the brightest and most talented individuals in our economy and society.

For the past 30 years, it’s been a privilege to meet thousands of them in person, at universities, on isolated business parks, under railway arches and even in garden sheds.

Sadly, the mainstream media rarely features these companies and their contribution frequently goes unknown and unrecognised. I once told The Guardian economics guru Will Hutton about these companies. ‘Are there any left?’ he asked. ‘Yes,’ I replied, ‘we profile thousands of them.’ He looked astonished. Worse still, the BBC has never employed an SME correspondent. You won’t read about the UK’s booming economy in The Financial Times or The Economist.

Well before the 2016 referendum, we began to receive dozens, then hundreds of reports of UK SMEs deciding to switch their future initiatives away from the EU and into the ‘Big Three’ growth markets of the world: North America, the Middle East and south Asia.

Nothing like it has happened since the 1970s – and the Office for National Statistics (ONS) has been forced to admit UK exports have grown at a rate ‘greater than ever before in our history.’
Introduction

The Brexit Boom is happening. It is real, and the pace is accelerating – even though many British politicians, civil servants, so-called economic experts and high-profile CEOs express grave doubts about the future of the UK economy post-Brexit.

In fact, the revival began four years ago – even before the Leave decision was announced on 24 June 2016. Thousands, then tens of thousands of Britain’s smaller companies (SMEs) began to abandon efforts to find a sale in the EU and moved their marketing firepower to countries beyond Europe.

Little-noticed by the UK government, these SMEs have been winning lucrative export deals in many a distant market. Since 2003 the London-based research agency Gibson Index Ltd (GI) has tracked the UK’s best smaller companies, around 70,000 in total, giving it a unique, telescopic view of the UK’s real economy.

Long before the EU Referendum result, GI was surprised to receive a continuous, ever-growing stream of news stories about SMEs claiming to be ‘doing brilliantly’ outside the EU.

It was clear the UK economy was moving its strategic trading pattern away from the low growth EU to much larger and more lucrative sales opportunities in the ‘Big Three’ high growth markets of the world: North America, the Middle East and south Asia.
This we call the ‘Big Switch’. If current trends continue, we believe the UK will revert to its pre-1974 pattern in as little as six or seven years – the same pattern the UK had enjoyed for more than 250 years prior to its entry into the Common Market.

While we predict the ‘Brexit Boom’ is unlikely to see much of a fall in UK-EU trade, it is most likely to produce a spectacular surge in exports to the rest of the world.

Today, we should celebrate our economic success as much as our political freedom. In future, historians may come to see the Brexit boom as having greater national importance than Brexit itself. In the years to come our children may ask, ‘Daddy, why didn’t we leave the EU 20 years earlier?’

As this report goes to press, the UK is entering the most intense phase of the coronavirus outbreak. The immense national and international disruptions in trade and travel will paralyse various sectors but, with luck and good organisation, the UK should be fully back in business by the end of May, or earlier.

There are no reasons to suggest the earlier, sustained export boom will not continue as before. The cut-off in the supply of goods from China may help boost UK manufacturing in many sectors in the long term. We very much hope the current virus is a ‘single phase’ virus such as SARS (severe acute respiratory syndrome) or MERS (Middle East respiratory syndrome) – and not another, much more deadly three-phase virus like the influenza pandemic of 1918 that lingered as late as 1922.

Lastly, the UK’s world class biotech companies and research institutes are likely to be in the vanguard of intellectual expertise worldwide in the fight to combat the virus and perfect a vaccine. These include diagnostics firm
Mologic, The Native Antigen Company, the UK arm of French firm Novacyt, lung drug inhaler company Synairgen, and Oxford University’s Jenner Institute, a veteran research hub for novel vaccines.
The strongest evidence behind the growing strength of the post-Brexit economy has been the extraordinary rise in the UK’s export volumes – much of it pioneered by the UK’s unequalled collection of SMEs. Typically, these employ fewer than 100 people, and often less than 50. They design, manufacture and market high quality, niche products, and frequently they are family owned. This is the UK’s ‘real economy’ – one made up of 235,000 SME exporters.

According to the Office for National Statistics (ONS), ‘UK firms sold more overseas in the 2018/19 financial year than at any time since records began’. In September 2019, UK exports rose to £639.9bn, up 2.7% from the previous year, of which goods made up more than £350bn and services £283bn, according to the ONS. Since 2016 exports increased by more than £111m – a total rise of 22% between 2016 and 2019.¹

For several reasons, we calculate the true figure is nearer to 29% if all of the services and online goods exports, especially by small companies, are included.

As the ONS concedes on its webpages: ‘The surveys do not provide full coverage of the UK economy, and excluded sectors include: travel and transport, banking and other financial institutions, higher education, and most activities in the legal professions.’
The UK’s international trade in services (ITIS) is a measurement of the value of transactions of UK businesses by country of origin and destination. ITIS data are based solely on survey data – based on a quarterly sample of approximately 2,200 businesses and an annual sample of approximately 16,500 businesses.

The results from the ITIS Survey encompass approximately 59% of total exports, and 48% of total imports of the trade in services account for 2017. Scotland, Wales and Northern Ireland undertake their own trade and export surveys.

ONS export statistics depend on surveys sent out to companies, plus support data from Her Majesty’s Revenue and Customs (HMRC). First, if the company fails to receive the survey or it fails to reply, its exports are not included. James Wells, the former Head of UK Trade at the ONS, ex-MEP for Wales and Parliamentary candidate for Islwyn, remarked ‘Goods data collected via HMRC are very accurate. But it is intrinsically difficult to measure services exports. Even defining a service can be difficult, let alone finding the companies and collecting their data.’

Secondly, the services contribution is key: total UK exports of services (excluding travel, transport and banking) continued to rise in 2017, from £142.7 billion in 2016 to £162.1 billion, an increase of 13.7%.

Third, the rapid rise of UK international financial services exports, plus the use of new fintech-type services, especially by younger workers, should be properly calculated and added to the services total.

Lastly, to the formal export total should be added a fully vetted total of £2.3bn in export sales delivered by small independent UK businesses via Amazon, plus the sales of 200,000 UK micro-SMEs which export via eBay.\(^2\)
What appears to be a significant under-reporting of UK exports in ONS and other statistics should be of concern to the Treasury, Department for Business, Energy and Industrial Strategy (BEIS) and Department for International Trade (DiT). In summary, the UK economy is performing much better, and is more productive, than official statistics may suggest.
2.

UK exports today

Luckily ONS figures have plotted the sharp rise in UK exports to non-EU countries. In 2018, these leapt 27% in countries such as Nigeria, 24% to India, 19% to Thailand and 18% to Taiwan. Exports have doubled in countries such as Oman. To distant Kazakhstan, UK exports climbed to $2bn, only slightly less than the UK’s exports to Austria, worth $2.43bn in 2017.

Bilateral trade with Israel has risen 72%. Little Macedonia, Europe’s newest country, now buys almost more from the UK than does the whole of Austria. Many more UK firms are now exporting, up 6% to a total of 235,800 by 2019.³

A recent poll by ‘Open To Export’, the government-supported online community for exporters, found that ‘almost 70% of UK SMEs are looking to expand beyond the EU following Brexit’.⁴ The Federation of Small Businesses (FSB) says Brexit is likely to change the export maps of many small firms. Its research found 40% of current exporters would prioritise Brazil, Russia, India, China and South Africa for future trade agreements post-Brexit. Mike Cherry, chairman at the FSB, said: ‘There are huge opportunities for small businesses in the global marketplace and small firms that export are more likely to survive, grow and innovate.’ ⁵

Both realists and optimists among the high-profile business community have been few on the ground. While
the majority of the UK’s big companies and institutions expressed a pro-Remain standpoint, a handful of visionary individuals stood out. These include consumer electronics designer Sir James Dyson, and chief executive of construction equipment manufacturer Joseph Cyril Bamford Excavators Ltd or JCB plc, Lord Bamford, which exports 75% of its £4.1bn production output.

Sir James Dyson believes Brexit offers a ‘once-in-a-lifetime’ chance to ‘supercharge the economy’. He said it would be ‘unforgivable for the government not to seize this opportunity with both hands.’ The billionaire said:

The vast majority (90 per cent) of world trade is outside Europe. Britain is now approaching its own change. If we embrace it, Brexit can supercharge British technology and refocus minds on global trade.

We are ambitious for our future, so we are pressing ahead under our own steam. Let’s be bold and show a spirit of independence, enterprise and optimism. Embracing change and taking a different approach has exciting outcomes. There is scope for Dyson to do even more, if only the Government recognised the opportunity and supported British companies to grow.

Only 8% of UK firms trade with the EU, far fewer than the number trading with North America. But while Britain’s traditional trading partners of Europe, North America and Australia remain key export destinations, less developed markets are also growing in importance.

In the 2019 Sunday Times SME Fast Track league table more than two-fifths of companies cited an emerging or less developed economy as a key market, including generator manufacturer Welland Power Ltd, whose top export destinations are Bangladesh, China, Egypt and the UAE.
Forty-five companies of the 100 SMEs have at least one key future market in Asia, with China the most popular.

While South America was only a key current market for four companies, another 15 companies identified it as a top market for future growth. At country level, five companies are targeting Brazil, making it the most popular country in the region for future growth.
Ten key reasons why UK exports are rising

From the moment Prime Minister David Cameron announced a referendum, UK small business owners felt instinctively the rest of the world would be far more welcoming than the EU to home-grown goods and services – whether the UK stayed in, or not. While the mainstream press in the UK endlessly reported instances of ‘uncertainty’ among businesses, most of the SME directors we contacted felt opportunities in non-EU global markets would be their new priority.

3.1 Patience runs out with the EU

‘Single Market’ or ‘Closed Market’? British companies over the past 47 years of EC/EU membership suffered the bitter experience of being excluded from contracts and markets across Europe. Few realise just how tightly closed and protected many of the biggest sector markets are there. Power engineering, consumer goods, plastics & composites, retail and transport are examples where UK firms rarely succeed in winning an EU-based contract. The Single Market is often a closed market to UK goods and citizens – it is not an open, fair trade market as so many Remainers claim.

UK firms are often cut out at the first round of bidding. In the mid-1990s, I attended a trade seminar in Bordeaux,
France. Over dinner, a group of French executives admitted they worked hard to eliminate competition from any non-French companies. When a British company is removed from the bidding, joked one executive, ‘we call it “Dunkirking”.

While the German electrical engineering multinational Siemens has a turnover of around £4bn from its UK subsidiaries in 2018 – it is rare for any UK power engineering company to win even a £5m contract in Germany, France or Italy. Not surprisingly, Siemens UK MD Jürgen Maier was one of the highest profile Remainers. He is also one of the many prominent Remainers to receive an award in recent Honours lists when none of the Leave business leaders supporting ‘Leave’ have been so recognised.

EU countries use all manner of regulations, rigged bidding practices and devious customs tricks to thwart all-comers. In the 1990s, the French government forced all imports of Far Eastern video recorders, which threatened the survival of local equipment manufacturers, to be cleared at only one customs post – a lonely office in the Alps which was open a few hours each week.

Having joined The European newspaper in 1989, I soon became aware that the Single Market resembled anything but an open market and level playing field. The letters pages were filled with horror stories from British companies angered by petty regulations, by artificially low bids submitted by continental firms, by hidden subsidies and illegal support grants from their local authorities.

Market protectionism in Europe has a long, shameful history. In the mid-1970s, France asked Germany and the UK to combine and launch a joint European aircraft manufacturer, Airbus. In the weeks before the launch, the French refused to join the consortium unless it was agreed ‘final assembly’ was based in France. Sadly, the UK
government capitulated and, as a result, the UK permanently lost 90,000 top paid, top tech jobs to Toulouse in France. The UK, then by far Europe’s No.1 aerospace nation, was relieved of its primary hub, the city of Bristol, to the French. The French technical contribution to the Concorde airliner project was almost nil, according to engineers at the time.

In the early 1990s, France and Germany proposed the Euro as a pan-European currency. One, less subtle, motive was the hope mainland Europe could take some of the lucrative banking and financial services sectors away from the City of London. It failed, and by 2018 the City of London had doubled in size since the launch of the Euro.

The shareholding structure of French, German and Dutch companies – even football clubs – make them deliberately difficult to buy. By contrast, the open nature of the UK’s manufacturing and infrastructure sectors has attracted many foreign buyers. Around 55% of British railways are run by foreign-owned operators.

Pro-EU supporters always claim ‘higher environmental standards’ gifted to the UK by the EU are one of its blessings. This is false: until 2007 the main river in Brussels, the Zenne, was an open sewer. The river Thames had been much cleaner for at least 50 years.

In the mid-1990s, the UK and others gave £3bn to Spain to install treatment plants on its rivers – they spent it all on motorways. Greece and Poland are dependent on coal, and Germany is dependent on gas supplies from Russia. Mountains of uncollected garbage and Mafia-controlled collection services frequently make Rome, Naples and other Italian cities close to uninhabitable.

Next, much of southern Europe has never recovered from the 2008 recession, destroying their ability to purchase UK exports even if they wanted them. Italy’s banks in 2019
suffered an unprecedented round of bankruptcies, wiping out the savings of families who had banked there for several centuries. In Greece, it is near impossible to start a business ‘without a Greek owner’. Since the 1980s, hundreds of British citizens have tried and failed to start language colleges, restaurants, and sailing schools in Greece, only to be visited and closed down by local police.

Contrary to Remainers’ claims, UK workers rarely get real employment in Europe. Britain’s open economy – and employers’ desire for cheap labour – have long favoured European workers. More than 3 million EU citizens have applied to live and work in the UK after Brexit, according to the Home Office, and more than 2.7 million have been granted permission to remain. While several million EU citizens have jobs in the UK – barely 40,000 UK citizens are employed in full-time, pensionable jobs across the entire EU. ‘It’s All Take and No Give,’ said one MD of an SME in the North East.

The imbalance is not just restricted to low skilled jobs. At many UK universities, half of the faculty staff are now foreign-born. In Germany, however, the same figure is 1%; in Italy it is 0.1%. In addition, the great majority of UK citizens living in Europe are retired and enjoy few state benefits from host countries. Remainers who claim they want to stay in the EU ‘for their children’ forget that their children are unlikely ever to get a real job in Europe.

The UK had an overall trade deficit of £66 billion with the EU in 2018. A surplus of £28 billion on trade in services was outweighed by a deficit of £94 billion on trade in goods. The UK had a trade surplus of £29 billion with non-EU countries. A surplus of £77 billion on trade in services outweighed a deficit of £48 billion on trade in goods.

Finally, many trade permissions – airspace, radio frequency
allocations, banking rules, etc – are agreed by experts at a proper, non-political, supranational level – not by the EU.

3.2 The rest of the world is both buying and far more welcoming

Not surprisingly thousands of UK SMEs have refocused their sales initiatives away from the EU and towards markets across the rest of the world – and experiencing handsome early results as a consequence.

The UK has had trading links for longer than any nation except for those of the Dutch. Our traditions of democracy, legal and civil practices, and often a centuries-old track record of investing in railways, factories, and property, are widely admired across the generations.

When David Cameron fired the starting gun for the EU referendum campaign in February 2016, the UK became the subject of an enormous, unprecedented level of media interest, and that interest was truly global. The huge publicity and public debate devoted to the question of Brexit and the likely fate of the future UK economy dominated many inches of the world’s media. Italian TV held a national debate on the subject in 2016.

Furthermore, the greatly extended time period that occurred before the UK finally left on 31st January 2020 served only to maximise the coverage. TV stations around the world showed film of typically British products: Rolls-Royce and Bentley cars, Scotch whisky, cheddar cheese, as part of their segments on Brexit.

As a result, UK industry, companies, entrepreneurs and salesmen and women found themselves the focus of intense interest and debate worldwide. Overseas buyers and consumers witnessed British products via the seemingly endless British political crisis.
SMEs tell us the media tsunami circling around Brexit helped open doors for export managers. Coverage was greatest not in the EU but across North America, the Middle East and Asia.

Coincidentally, Brexit helped turbocharge the impact of that already successful ‘GREAT’ promotion campaign, which had been started in September 2011 ahead of the London 2012 Olympics. By 2017, the campaign organised more than 1,000 events in 200 locations worldwide, with 600 businesses and high-profile individuals supporting it.

Estimates of its value include an economic return of at least £3.4bn. UK Export Finance confirmed the result. It noted:

In the UK, the ‘Exporters’ Edge’ GREAT campaign engaged the target audience of SME exporters through PR, online advertising, social media, events, partnerships, direct marketing and re-marketing. The campaign was well received, increasing awareness and understanding of UKEF’s offer and generating over 6,000 new responses from UK businesses, exceeding our target by over 20%.

The variety of UK exports is remarkable. If a New York cathedral needs a new, hand-made organ, that £3 million contract comes to Britain. The world’s largest chandeliers are manufactured by one of the UK’s highly skilled glass makers and delivered to an oligarch’s mansion outside Moscow. The UK sells sand to Saudi Arabia, china to China, and Turkish delight to Turkey.

British companies seeking orders abroad have encountered an unexpectedly warm welcome compared to the frosty reception they were accustomed to in Europe.

Markets outside the EU are open to non-national companies with world-leading products and services.
According to government data released in October 2019, exports to non-EU countries were growing twice as fast than those to the EU, largely driven in part by the US and China, with total trade with the USA surpassing £200 billion for the first time.

GDP growth in these nations is predicted to be virtually static at below 2%, whereas emerging markets such as China, Indonesia, Ghana, Vietnam, and India, forecast GDP growth of over 5% and as high as 7.5%.

Furthermore, driving consumer spending in these markets is an up and coming ‘middle class’ with significant disposable income and a desire for the finer things, the label ‘Made in Britain’ is considered one of these finer things.

The outstanding performance confounded the assertion of the former business secretary and ardent Remainer, Ken Clarke, who said on BBC TV in 2018: ‘The idea the UK can just go out and find new sales all around the world... is absurd’. How wrong he was.

### 3.3 UK manufacturing is reborn

Manufacturing was seriously neglected by both the Blair-Brown and Cameron administrations. But the idea manufacturing is an unimportant minnow best left to Asia is erroneous. In June 2018, Cambridge University’s Institute for Manufacturing stated the UK manufacturing sector, thought to be 9% of UK GDP, was in fact much higher and could be as much as 15%, while also contributing about half of the UK’s total exports.6

Several, once ‘Left for Dead’ manufacturing sectors are seeing a remarkable revival, e.g. textiles, toys, building products, electronic instrumentation, and boat building. Electronics output, once the preserve of China, rose 12% in the UK in 2018.
Take textiles. The textile industry experienced a production surge starting in 2017. UK textile manufacturing saw production rise 25%, with half of SMEs reporting an increase in turnover compared to 2016, according to the annual study conducted by Make it British.

In January 2020, the British Toy and Hobby Association said the UK toy market was the largest in Europe, (with Germany second) with several new, family-owned toy factories having opened in recent years. Over 32,000 new products were launched in 2019.

In February 2020, marine sector association British Marine ‘outperformed the national average’, exceeding the £1.5bn mark in 2018/19. The leisure, superyacht & small commercial marine industry report shows that new and used boat sales now account for 78% of the industry’s exports, while exports to Europe account for 74% of the total and now stand at a value of more than £1bn.

3.4 Maximising the UK’s advantages

Engineers at the German luxury car maker Mercedes Benz are furious, and often furious. Why? When they introduce a new auto engineering innovation they often discover a British Formula One motorsport manufacturer has already invented it.

The example serves to highlight the way in which Britain has world leadership in many business and technology sectors, often far advanced of those in Europe. These include key sectors such as auto engineering, biotech & pharma, aerospace, publishing and cultural exports. In those emerging, increasingly vital sectors of the decade of the 2020s the UK already has a commanding lead in fintech, software and artificial intelligence, robotics & automation, and the most advanced sources of renewable energy (see chapter 4).
London’s undoubted status as Europe’s capital city is unchallenged. Not only is it an economic powerhouse of banking, finance and culture, the relatively small area between Marble Arch in the west and Tower Bridge in the east is home to most of the world’s international intellectual assets.

UK trade and commerce benefits from the global use of the English language. Of the world’s population, approximately 7.5 billion inhabitants, 1.5 billion, or 20% of them, speak English. Most are not native English speakers – only 360 million of the total speak English as their first language. They happily consume everything British from music CDs to teabags.

Due to the combination of the UK’s technical and scientific prowess and its uniquely pro-enterprise tax and business support infrastructure, it is no accident that around 80% of Europe’s high potential SMEs are sited in the UK.

3.5 The growing boom in online sales
The UK has one of the highest levels of online sales, both nationally and internationally. Increasingly, the ability to sell online has created a valuable, additional selling channel for UK companies, especially smaller ones in retail, consumer goods and toys.

As mentioned earlier, Amazon and eBay play a central role. Amazon was a channel for more than £2 billion in UK exports in 2019. Candle-makers in Glasgow selling in Germany or a micro-business selling cosmetics from Dorset are able to reach customers hitherto out of reach. In 2018, 55% of sales on Amazon.co.uk websites came from independent SMEs in the UK.

Nicola Longfield, director of small business at PayPal UK, said: ‘Shoppers from Austria to Australia, Belgium to
Brazil have all bought from UK online businesses in the past 12 months.

Rural businesses also benefit. Amazon claims that more than 10,000 independent businesses sell on Amazon from rural UK locations. In 2019, on Amazon alone, around 80 rural retail entrepreneurs turned over more than £1 million from headquarters in the UK countryside, and a further 150 people generated sales of more than £500,000.

Based in rural Wales, health and beauty brand Naissance now sells to customers in 90 countries, employs more than 130 staff in the UK and Germany, and turns over in excess of £10 million. The UK remains Europe’s largest online exporter, according to a new study that looks at what overseas shoppers buy from UK retailers and how they want to buy it.

More overseas shoppers have bought from UK online businesses than from other European countries, according to PayPal’s fourth annual Global Cross-Border Commerce report, which questioned 34,000 people in 31 countries. Germany, France, Italy and the Netherlands complete the top five.7

One in ten of global online shoppers have bought from retailers in this country, says the study, with the US the UK’s largest export market. American shoppers bought an estimated £12.5bn worth of goods from the UK in the last year. It’s followed by China (£5.7bn), while shoppers from France, Greece, Ireland, Italy, Norway, Spain and Sweden all rank the UK among their top three countries to buy from.

In the 2019 Sunday Times SME Fast Track league table, nearly a quarter of the companies sold a significant portion of their products online, using the internet to reach new customers around the world. Some companies have focused solely on ecommerce from the outset, such as online chemist
Frontline Healthcare (No 77), which has only ever traded via the internet.

Other companies have focused on ecommerce later on, such as pizza oven retailer Gozney Ovens (No 12), which started trading online after launching its small, portable Roccbox oven in 2015. Twenty-four companies on the 2019 league table generate at least 10% of their sales online – a record high.

A key factor in accelerating future exports via online channels is the imminent arrival across the UK of ultra-fast 5G communications – capable of reaching speeds 80 times faster than the current 4G technology.

The UK government is spending £200m investment in testbeds and trials across the UK to explore new ways that 5G can boost business growth. These will be set up in Yorkshire, Gwent, Monmouthshire, Orkney, Wiltshire, Shropshire and Worcestershire.

The UK is way ahead of other European countries in 5G installations. Whereas the UK was behind with 3G and 4G, with 5G it is in the top 10 of rollouts in the world, well ahead of France and Germany.

3.6 Vast new funding sources for SMEs since 2010

In the teeth of many reports claiming SME finance was in crisis, the market for SME finance has greatly improved since 2010. Since the Business Finance Taskforce Report was released in 2010, an additional £121 billion of external funding had been delivered to UK SMEs by the end of 2017.8

This represents a rise in supply each year from an average of £54 billion between 2008-2010 to about £81 billion between 2015-2017, or about 50%. The biggest impact has been in SME equity funding, arriving via investments and programmes, including the Enterprise Capital Fund, the
Angel Co Fund and VC Catalyst Fund. Overall, in the four years to 2017/18, the British Business Bank facilitated around £5.2bn of additional funding for SMEs through its range of programmes.

In the case of debt funding, independent research suggests that 85% of all credit applications from SMEs are agreed. The UK now has one of the most comprehensive SME equity markets in the world, particularly in the area of seed funding and venture capital.

New regional funds targeted at SMEs include the Northern Powerhouse, the Midlands Engine Investment Fund and a smaller fund for Cornwall and the Investors Overseas Service.

For many high growth SMEs, the introduction of the R&D tax credit schemes in 2000 has been highly beneficial in paying for the cost of developing new products and services. Since the launch, more than 300,000 claims have been made and £26.9 billion in tax relief claimed.

Arguably, no company has had more of a positive impact in generating funds as Capital on Tap Ltd. Founded as recently as 2012, Capital on Tap has since provided £500 million worth of funding to 40,000 businesses across the UK. To obtain funding, businesses fill out a short application form online before a proprietary scorecard pulls information from different sources including credit and fraud agencies to decide whether funds can be approved. In 95% of cases, applications receive an immediate response to their credit request.

The automated nature of Capital on Tap’s lending processes means that costs are kept to an absolute minimum, allowing the firm to provide loans of as little as £25,000 to start-up enterprises. Firms given approval are then able to access their funding either through their Business
Mastercard MA –0.19% or by withdrawing it from a high street bank account.

Capital on Tap has tested its platform in five different countries in mainland Europe so far – Spain, Germany, Poland, Italy and the Netherlands – and the response has been overwhelming.

3.7 Finance promotion schemes
Three particular UK fiscal incentive schemes – the Enterprise Investment Scheme, its junior scheme SEIS or Seed Enterprise Investment Scheme, and the much-admired R&D tax credits programme – have given the UK the best environment for encouraging entrepreneurship in Europe.

Since the launch of R&D tax credit schemes in 2000, over 300,000 claims have been made and £26.9 billion in tax relief claimed. Scottish companies also secured £41 million in rebates for Patent Box claims, another tax relief incentive available to help firms develop intellectual property (IP) assets. This accounts for 5% of all UK Patent Box claims. Overall, companies across the UK secured a total of £993 million in Patent Box tax breaks in 2017-18.⁹

Start Up Loans, part of the British Business Bank, offers fixed-interest loans of up to £25,000 to entrepreneurs who may struggle to otherwise access other forms of finance. Richard Bearman, MD of Start Up Loans, summarised:

Since the government-backed scheme was established, 66,435 new business owners have accessed £527 million across the UK, as well as received 12 months of free mentoring during their first year of trading.

Start Up Loans supported 8,366 new businesses in the North West alone, providing £65 million of funding in total. The
North West outperformed the South East region, which received £52 million in funding, and is second only to the capital in both the number of start-ups supported, and the total lent. While many of the loan recipients are still a long way from exporting, they form an important element in a future pipeline of exporter SMEs.

3.8 Impact of UK export support initiatives

UK SMEs have been critical, often bitterly critical, of the support offered by UK state agencies when compared with the often lavish support provided by French and German counterparts. At the 2019 Consumer Electronics Show in Las Vegas, around 60 UK firms exhibited, yet 420 came from France (including 380 startups) with central, and equally important, regional authority backing. In 2020, the UK total rose above 100, largely due to the efforts of the Department for International Trade’s chief scientist Dr Mike Short CBE.

However, under the recent, more dynamic leadership of Dr Liam Fox, who headed the Department for International Trade (DiT) until 2019, it has become more effective. Its Tradeshows Access Programme offers support for SME exhibitors with modest grants of between £500-2,500 to attend events such as the big Beijing Expo in 2019, the annual Arab Health, and for Expo 2020 Dubai, has been appreciated by smaller companies. Around 100 events per quarter are open to DiT assistance. In addition, the DiT organises face-to-face support for exporters in England via a network of around 250 international trade advisers (ITAs).

The backing provided to SMEs by officials from the three UK’s national agencies – Scottish Enterprise, Business Wales and Invest NI – has long been seen by SMEs as professional and effective. The Northern Ireland stand at
the giant medical equipment show Medica, held each year in Dusseldorf, Germany, has often been successful for the many microSMEs exhibiting there.

The UK’s export credit agency Export Credits Guarantee Department, or UK Export Finance, was 100 years old in 2019. It provides financial support like working capital support, to ensure no viable export deal fails due to lack of finance and insurance. Since 2015, it has provided £14bn in support of UK exports, 79% of which went to SMEs in 2018-19.

Its annual report stated that the:

...new General Export Facility (GEF), due to be launched in 2019-20, will allow UKEF to support exporters’ overall working capital requirements, rather than linking support only to specific export contracts. This will allow a wider range of exporters to access and benefit from UKEF support, notably SMEs and companies with shorter manufacturing cycles.

UKEF CEO Louis Taylor is an acknowledged expert in export finance. UKEF can cover advance payment bonds and performance bonds but not tender or bid bonds. Its biggest deal-enabling successes in 2018 include BAE Systems’ contract to supply military aircraft to Qatar, and Rolls-Royce-powered Boeing 787s to Israeli airline El Al. Smaller deals involved Darlington-based bridge builder Cleveland Bridge Ltd. Its dedicated Small Deals team provided £289,000 buyer financing support for Northern Ireland’s Tesab Engineering’s contract to supply its rock-crushing equipment to Argentina.

In January 2019, it began a pilot of a new product to support exporters’ supply chains. Under the supply chain invoice discounting service, UKEF will guarantee a portion of a trade payables facility offered by a bank to a UK exporter; companies in the exporter’s supply chain can then
seek immediate payment from this facility for any goods or services they provide to that exporter. This is designed to assist smaller companies rather than PLCs.

3.9 Continuing Foreign Direct Investment in the UK

The UK remains a top destination for foreign investment (FDI), according to the Office for National Statistics (ONS). In 2017, inward FDI flows into the UK were worth £92.4 billion, down from £192.0 billion in 2016. This shows inward investment in the UK in 2017 fell dramatically.

While this fall of just under £100 billion between 2016 and 2017 may seem very dramatic, it is important to remember that flows can be very volatile from year to year and that 2016’s total was unusually high.

This was attributed by the ONS to ‘a handful of high-value mergers and acquisitions’ in 2016. This included four foreign acquisitions of British companies, each with an individual value in excess of £10 billion each.

While the impact of some FDI on UK exports may be indirect, investments into UK-based companies or into foreign-owned manufacturing subsidiaries such as boiler maker Worcester Bosch, are likely to help boost exports as well as employ a large, skilled workforce. In the peak year of 2017, the highest growth came from Indian investors, rising 321% to £8bn. Between 2015-2018, inflows from Asia totalled £128bn, with investment from Japan increasing 71% to £78bn. This was still a small proportion compared with the amount of investment coming from the US for the same period, which increased by 19.5% to £351bn.

UK fintech investment grew to $48.5bn in 2019, or 83% of the total sum, according to figures from a KPMG report. The boost was largely due to a single deal in March 2019, which saw US-based FIS acquire for $43.6bn the London-
headquartered Worldpay. That deal almost doubled the UK’s total 2018 investment of $25.4bn.

Inflows from Europe were also substantial. ONS statistics say investment coming from Europe totalled £744bn, with £573bn coming from countries in the EU. In addition, the massive fiscal power of sovereign wealth funds has greatly benefitted the UK in recent years. Norway’s $1 trillion fund, the world’s biggest, said it planned to keep increasing UK investments over the next three decades. Its director, Yngve Slyngstad said: ‘We foresee that over time our investment in the UK will increase.’ The funds of Dubai and Abu Dhabi are also leading investors in London’s luxury property market.

With banking and finance excluded from ONS export figures it would reasonable to assume an additional, unknown number of billions could be added to the annual total.¹⁰

3.10 The regions are reviving – not just London

For several decades growth in London has led UK economic development. But no longer. A little-known development in the UK has been economic growth in the regions, not just London and the South East.

Today, Wales, the East Midlands and the North West are the top regions for growth, especially growth in production and exports by UK SMEs in manufacturing and engineering. Comparing 2018 to 2017, the growth in goods exports came from regions across the UK with the East Midlands seeing the greatest rise in the value of exports (up 15.2%) followed by Scotland (12.1%) and South West (8.8%).

Perhaps the most extraordinary development was the number of Welsh SMEs exporting – which doubled in just two years to 4,500 – or from 26% of the total in 2016 to 52 per cent in 2018. Between July and September 2018, the average
value of goods exported per Welsh exporter was £1,550,000, a sizeable sum.

Anton Gunter, MD of Global Freight in Halesfield, Shropshire, said:

We have been working closely with small businesses to help them break into new trading markets outside of the EU and it’s a trend that’s likely to be the case across the rest of Britain. In many cases the continued uncertainty has opened up a wealth of opportunities for businesses which were perhaps previously overlooked. There is scope for even the smallest of companies to capitalise on trade outside the EU.

Individual cities and towns across the UK have developed fast-growth digital and software clusters, including Bristol, Edinburgh, Basingstoke, and Bournemouth, and achieved it with little help from government. Conversely, other cities such as Birmingham and Glasgow have failed to attract companies in emerging sectors. Indeed, the University of Birmingham, with a budget of £670m a year, is by far the least entrepreneurial in the UK. Whereas the University of Oxford has produced more than 190 spinouts, Birmingham has produced only six of any value in the past 30 years. Unlike universities such as Bristol, Dundee and Sheffield, Birmingham has never recruited an entrepreneurially minded vice chancellor.

The Liverpool city region, once an epicentre of UK unemployment and perhaps the most de-industrialised city in Britain, is seeing a turnaround. The city has experienced new growth from its cruise liner hub, where Cunard Line ships dock, and from a new software cluster emerging from the Sensor City initiative started in 2017. It also started HyNet, an energetic scheme to promote the region’s companies developing hydrogen-based products and services, such as Powerhouse Energy Group plc and Arcola Energy plc.
4.

UK exports: sector by sector

4.1 Food & drink

With 16% of the total, the UK’s food and drink industry is the largest manufacturing sector by turnover. In 2019, total exports of UK food and drink reached a record £22.5 billion. The Food and Drink Federation says a rapid expansion in food exports to China will mean ‘it will create by 2024 a market 50% larger than the whole of Europe’.

The volume of UK meat and meat-products exported to China nearly doubled, driven by factors including the African swine fever outbreak that has decimated domestic pork production.

The report, from the Food and Drink Federation (FDF), shows that there was an increase of 13.1% in export value growth to non-EU countries – over double that of exports to the EU.

During the first nine months of 2019, all the UK’s highest value exported products have grown – with whisky, salmon, wine, gin, and pork increasing by over 10% on the same period last year. Salmon, beef and gin have also seen volume growth above 10%.

Three out of every four bottles of gin imported around the world are from the UK; more than 1,000 new craft beers launched since 2011. Mid-sized food producer Cranswick saw exports to the Far East rise 94%.
UK EXPORTS: SECTOR BY SECTOR

Sales of branded goods to the EU have declined (-3.2%) in Q3 and over the first nine months of the year (-2.1%), which has not been helped by ongoing uncertainty around the terms of the future UK-EU trading relationship.

Nearly all producers – 96% – are micro businesses. This is because over the past decade a unusually large number of new food and drink manufacturers have been established in all regions of the UK. Most are started on kitchen tables, many achieve spectacular growth. Successes include well-known Yorkshire sausage maker Heck, Welsh marmalade firm Ransom Preserves, nut butter brand Pip & Nut, protein bar producer Primal Pantry, and cauliflower rice producer Cauli Rice.

Niche products such as whisky marmalade, flavoured porridge, beetroot ketchup, and cauliflower rice exemplify the extraordinary variety of innovative products now being manufactured and exported. Vegan product sales have risen sharply, as have specialist foods for infants.

The UK cheese export market is now worth £675 million and 130% more English and Welsh wine was produced in 2018 compared to 2017. Over the past decade, English and Welsh wine has become one of the UK’s fastest-growing agricultural sectors, with hectarage planted in Britain growing by 194% in the last 10 years.

The UK’s highest grossing export continues to be whisky, dominating the market at £4.8bn – with Scotch Whisky exports to China growing from £10m in the early noughties to £77m. This is followed by chocolate (£713m), and cheese (£675m).

4.2 Aerospace
Manufacturing aerospace is the largest in Europe and second only in size to the US sector, with 130,000 UK
workers employed directly, and the same number indirectly, with annual turnover of around £30bn, with a 90% export production rate and a turnover of £37bn. Airbus in Wales manufactures more than 1,000 wings for the European aerospace firm each year.

In the preceding seven years to 2017, growth in UK aircraft manufacturing averaged 4.8% a year though it experienced a fall of 3.9% in 2018. In addition to civilian and military aircraft, mostly made by BAE Systems, the world’s fourth largest defence contractor, unmanned aerial vehicles in which the British aerospace industry has a major role include BAE Taranis, HAV 304 Airlander 10, QinetiQ Zephyr and Watchkeeper WK450.

Jet and power systems manufacturer Rolls-Royce plc is a major contributor to the national economy through employment, investment in R&D and supply chain spend, supporting approximately 135,000 British jobs in total. Over 80% of UK-made products are exported and its products account for 2% of all UK goods exported. Rolls-Royce are pioneering a new generation of small-scale, modular nuclear reactors which could be worth £250-400bn by 2040.

4.3 Automotive sector
Eighty-one per cent of all UK-manufactured vehicles are exported, with 1.30m cars exported in 2019, and half of these going to the EU, 19% to the US and 5% to China. However, engine manufacturing fell 7% in 2019 partly due to reduced demand in both the UK and overseas, and increasingly due to pressure from vocal pressure groups that want diesel and petrol engine production to be minimised. Most UK cars are diesel powered.

The auto industry employs 170,000 workers, plus 78,000 in
the supply chain. Although mainstream manufacturers such as Ford, Toyota and others have been closing operations, other manufacturers are doing well.

UK auto component sales were up 30% in 2018. Nissan in the UK alone makes more cars than the whole of Italy. From marques such as Bentley, JLR and Rolls-Royce, to electric car makers, sports car firms such as TVR and McLaren, the UK car output is varied.

In spite of strong growth in Asia, which is forecast to continue, the EU market remains largest in absolute terms, accounting for 45% of all British automotive exports. That compares with 18.3% for the US (equivalent to £7.3 billion) and 11.3% for China (£4.5 billion). The Asian increase helped lift the sector’s total exports to £40 billion ($51.5 billion) – a 26% increase in two years – making Britain the world’s ninth largest car exporter.

Leaving the EU could be a benefit for one key sub-sector of the UK auto industry: Formula 1 motorsport. In January 2019, the European Parliament’s internal market and consumer committee voted to change a European Commission plan to include motorsport within the scope of the updated EU directive.

All race cars would then require individual insurance policies and all crashes would be treated as any other on-road accident, needing police involvement and investigation. MEPs later voted to exempt motorsport – for the time being. But the CEO of the UK’s Motorsport Industry Association, Chris Aylett, said that the committee vote showed ‘commitment to avoid destroying the valuable EU motorsport industry and the employment it creates’. The added costs needed to take out insurance policies would land a ‘killer blow’ to Europe’s already struggling motorsport calendar.
4.4 Chemicals and pharma
Chemicals and pharmaceuticals are the UK’s largest manufacturing export sector – adding £60 million to the balance of trade every day, according to the Chemical Industries Association, and employing 135,000 workers directly and 500,000 indirectly.

With £55.5 billion of revenues and £19.2 billion value added in 2018, chemicals and pharmaceuticals is the UK’s second largest manufacturing industry. Only the food, beverages and tobacco processing sector is bigger. Chemical production is sited in four main clusters – Hull, Teesside, Runcorn and Grangemouth.

A total of 63% of sectors firms export. Around 2,500 small firms make up 97% of the sector. Typical of the exporter SME is Colchester-based Ultimotive Ltd, which makes chemical products for the automotive industry. Over 39% of Ultimotive’s sales currently come from export and it has increased export sales between 2015 and 2017 by nearly 300% with exports rising from £255,860 to £1.004m in the year to December 2017. Its top markets are Australia, Qatar, Turkey, Sweden and Jordan.

A major setback to the sector occurred between 2009 and 2014 when multinational companies cut back the UK production of pharmaceuticals that had for decades been one of the fastest-growing sectors. Pfizer, GSK, Hoffman La Roche closed plants as they moved production to nations with large populations, including India, China and Singapore.

4.5 Electronics
The UK electronics sector experienced the fastest growth of any manufacturing sector in 2018, according to a new report by Santander and Make UK.
The UK is the world’s fifth largest manufacturer of electronics, with more than 800,000 workers employed, contributing £80bn in turnover. Though it represents less than 5% of the UK manufacturing sector, electronics generated £19.4bn in turnover in 2017. This recovery follows a long period of decline which started in the early 2000s, and in 2018 the electronics sector grew by 12.4%. Asia now accounts for 20% of UK electronics exports, up from 14% of 2007, and the top 10 high-growth export markets are all located in the region.

In September 2019, John Davies, MD of security products manufacturer TDSi, based in Poole, Dorset, said:

China is also a very important market for TDSi because despite being one of the great ‘workshops of the world’, savvy security buyers there know British manufacturers like ourselves have a well-deserved reputation for offering innovation, quality and excellent value for money.

Mr Davies added:

Whatever the outcome of the Brexit negotiations with the EU there are huge opportunities in selling revered UK products and services around the globe, and we are keen to encourage and inspire other British businesses to embrace all available markets. In the past France and the EU have been our biggest export market, but Southeast Asia and the Middle East are due to eclipse their position in 2019.

4.6 Financial and business services
Services accounted for 41% of the UK’s exports to the EU in 2018. Financial services and other business services – a category which includes legal, accounting, advertising, research and development, architectural, engineering and other professional and technical services – are important
categories of services exports to the EU and in 2018 these two service categories made up just over half of UK service exports to the EU.

In the year from February 2017 to the end of January 2018, ONS stats also show the UK’s renowned service sector continues to thrive with exports up 10.1% to £281.4 billion, increasing the service surplus to £107.9 billion.

In many of the world’s newly emerging business sectors, the UK is not only a European leader, it is a global leader. Education software, offsite construction/BIM software, fintech, artificial intelligence, and online services providers – all are enjoying exceptional growth.

The rapidly rising ‘fintech’ sector absorbs £15bn in private investor funds in 2019, up from £12bn the previous year. London has overtaken New York as the global hub of fintech entrepreneurship. The UK government’s Digital Economy Council said investment in Britain’s tech sector surged 44% to a record $13.2 billion pounds in 2019, accounting for a third of all European funding and exceeding the total in France and Germany combined.

Investment in artificial intelligence (AI) software companies – Benevolent AI (£75m), Melody (£45m) and Wayve (£16m) – helped push the investment total across these sectors to $3.2 billion – up from $2.6 billion in 2018.

Ian Pollari, co-leader of fintech, KPMG International, said:

2020 is going to be a pivotal year for fintech, particularly as we start to see the impact of the digital banking licensees in Hong Kong (SAR), Australia and Singapore launching and endeavouring to scale, as well as other markets following suit.
4.7 Other significant sectors

Oil and gas production in the UK increased by more than 4% in 2018, new figures show. Oil production rose to 1.09 million barrels per day last year – up 8.9% on 2017 and the highest rate since 2011, according to an Oil and Gas Authority (OGA) report.

The body attributed the rise to more than 30 new fields coming on-stream since 2015 and improved production efficiency, among other factors. New discoveries such as Glendronach and Glengorm highlight the future potential of the basin. UK gas production fell 3.5% to 0.61 million barrels of oil equivalent (boe) per day.

The Oil and Gas Authority currently estimates that oil and gas production over the period 2016-2050 will be 3.9 billion boe higher than projections made in 2015. This is equivalent to gaining an additional four years’ production – at the present rate – from the UK’s largest producing oil field, it said.

In November 2019, petroleum giant BP announced first oil from its Clair Ridge mega-project, located 75km west of the Shetland Islands, and it helped to double the multinational’s profits in 2018. It is one of the biggest developments in the history of the basin, requiring investment of nearly £5 billion in new platforms and pipelines in harsh waters west of Shetland.

The Clair Ridge Project will extend the life of the field to 2050, enabling the extraction of an estimated 640 million barrels of oil over a 40-year period, with peak production expected to be up to 120,000 barrels of oil a day.

Online gambling is a highly controversial activity but the UK’s expertise in building companies that offer betting services that are fair, competent and untainted by fraud and sports that are rigged in advance – has added a lucrative
new business sector to the economy. UK gambling now takes £13.8bn a year, up 65% from 2010, and online, or remote betting, takes £4.5bn – much of it placed by non-UK resident citizens – especially on two sports – football and world cricket.

Plastics and composites is a £23.5bn industry that employs more than 170,000 people. Around a third of manufactured plastics are exported, and the UK recycles as much as 3.3m tonnes than it makes – 1.7m tonnes, according to the British Plastics Federation.

Fashion is the third largest employer in the EU, employing 340,000 workers. UK textiles are in demand the world over, earning £12bn a year to the UK economy. Currently around 555,000 people are employed in fashion, textiles and fashion retail in the UK.

Most jobs in fashion-related industries are in the retail sale of clothing. This sub-industry employs 75% with 414,000 people working in the retail sale of clothing. Also, the retail sale of footwear and leather goods provides a fair amount of jobs in fashion, about 11%. 59,000, employers work within this sector. Another 8%, (43,000 employers) work in the wholesale of clothing and footwear.

The UK’s vibrant and diverse entertainment, TV, theatre and music scene is one of the great British success stories. In the 2018-19 financial year, TV exports rose to a record high of about $1.8 billion, an increase of 7% from the previous year.

According to the industry’s trade association, UK Music, the UK music industry contributed £5.2bn to the economy in 2018. The live music sector made a record contribution to the economy of £1.1bn in 2018 – up 10% from £991m in 2017.

UK Music’s latest report, ‘Music By Numbers’, said employment in the music industry hit an all-time high of
190,935 in 2018 and the total export revenue of the music industry was £2.7bn. One of the biggest UK cash earners are theatre productions created by Andrew Lloyd Webber, which are in production in 44 German cities.

The country has become a production magnet for film production facilities and expertise. Disney and Netflix are setting up shop at Pinewood-run studios, and Warner Bros. owns a big facility in Leavesden, Hertfordshire. Netflix CEO Reed Hastings said Netflix had spent more than $500 million in the UK during 2019.

Josh Berger, head of Warner Bros UK said, ‘The impact that British talent has on the entertainment industry is massive.’ Film and television production spending in the UK has more than doubled in the past 10 years, setting a record in 2017 at $4.3 billion and coming in slightly shy of that in 2018.
5.

The experience of three exporting SMEs

5.1 Langley Engineering Ltd and the UAE

Auto electrical manufacturers Langley Engineering have been exporting goods for over 20 years, with annual sales of around £500,000 into this growing market. Power generation machinery and equipment is the UK’s leading export into the United Arab Emirates (UAE).

The UAE – the UK’s fourth largest export market outside the EU – is also home to a large expat population of 120,000 UK nationals and a travel destination for 1.25 million UK tourists in 2016.

The UAE is the UK’s largest civil export market in the Middle East and the 12th largest globally. With its recent focus away from oil – non-oil sectors contribute 70% of Gross Domestic Product – the UAE has diversified its economy with the aim to make the country’s revenue sources more balanced and create a sustainable economy, lessening the need to rely so heavily on oil.

There are over 5,000 British based companies in the UAE, including the likes of BP, Shell, Rolls Royce, BAE Systems, Mott McDonald, Serco and HABC. Some 779 companies and 4,762 British brands have invested in the UAE. It has become one of the fastest growing economies in the world.
with over $298bn total imports in 2014. The Expo 2020 in Dubai is expected to grow the economy by $2bn. This boom will create huge opportunities in construction for UK companies, such as Langley Engineering.

5.2 Allett Ltd in Russia
Now more than 50 years old, Staffordshire-based Allett Ltd designs and manufactures specialised cylinder mowers for the sports and premium lawn sectors. Overseas earnings grew by nearly 300% to £2.2m during the six-year period. Top overseas markets include Russia, US, France, Germany and Spain, with their export strategy overcoming seasonal fluctuations in demand.

Their aim is to develop a product for life rather than one that is seen as a disposable commodity. The Russia World Cup was an important factor in Allett’s overseas sales success. Export manager Dave Allett played a major role in partnership with Allett’s Russian distributors, Moscow based Unisaw, before the world’s biggest football tournament to supply host stadiums, training grounds and contractors with a range of Allett machinery.

Sales into America, to top baseball and football clubs have been a strong and growing market. In 2015 Dave has over 25 years’ experience in the industry, 22 of which were previously with the company he helped build with his brother Roy and late father Reg. Groundsmen in the UK are acknowledged to be the best in the world and these customers demand the highest standards from their equipment suppliers. In 2020, Mr Jarrett added that Allett plans to host pitch maintenance training seminars in China.

In 2019, lawn fanatics from 10 countries entered the ‘Creative Lawn Stripe’ competition. Striped lawns used to be the preserve of the British garden, but now keen gardeners
from around the globe compete each year for this coveted green award. The 2019 garden competition was won by Czako Erik of Hungary with a stunning and technically difficult pattern.

5.3 Cintec International Ltd in Egypt

Cintec’s reinforcing anchor system is a cement anchoring and reinforcing technique. Cintec has worked on projects around the world including Windsor Castle, Buckingham Palace, the Statue of Liberty, the Library of Parliament in Canada and the White House.

In 2019, Egypt’s oldest pyramid was saved from ruin by Cintec’s engineers. The Step Pyramid of Djoser at Saqqara, known as the step pyramid, had been unstable since a massive earthquake in 1992 and was in danger of collapse at any moment. Structural experts Cintec were hired in 2010 to shore up the pyramid, believed to be the first large stone building on earth. The repair project was agreed by World Heritage and Egyptian antiquities chiefs.

Over a period of almost a decade, with a three-year hiatus due to the Arab Spring, the team has managed to stabilise the 62-metre high pyramid on the Nile’s west bank near Cairo, using giant airbags and some wire mesh left over from a previous project at Westminster Abbey. Engineers battled extreme heat, vandalism and political unrest in Egypt, but nine years later the firm completed the task.
6.

Accelerating the UK export boom

There are a number of key programmes the government could implement – at relatively low cost – to accelerate UK export volumes.

■ ‘From Five to Fifty’: There is one programme most likely to obtain the quickest increase in UK exports. It recruits an ‘Export Elite’ of SMEs that already export to around five markets – and expands them into 50 export markets. There are, according to our data, around 12,000 high quality SMEs that could benefit from such a plan. If executed, the programme might increase UK exports by a total of £5.5bn a year.

■ The UK’s commercially focused universities should be funded to deliver professional Export Manager courses. Less than 20% of UK-based SMEs currently export their goods and services. If the UK is to expand its exporting portfolio it must now train a minimum of 30,000 export managers each year. Currently only four UK universities offer dedicated Export Manager training courses. These include Anglia Ruskin in Chelmsford, where students are trained in a programme jointly delivered with the Institute of Export.
In 2019, Invest NI, Northern Ireland’s economic development agency, launched their own ‘Graduate to Export’ programme. Twelve graduates at the University of Ulster receive export skills and deliver an 18-month market research or market entry project for each SME, with Invest NI paying 50% of the graduate’s salary. Local companies taking advantage of the scheme include theme park construction firm The Deluxe Group in Portadown and dairy organisation Greenfields Ireland.

**We recommend the creation of a new ‘KCP’ or Knowledge Commercial Partnership, alongside the highly successful Knowledge Technology Partnership (KTP) scheme first started in 1975. Under the KTP scheme a suitably trained graduate is parachuted into an SME to undertake an important project that requires technical skills. Under the guidance of an academic, the graduate is paid around £25,000 a year for their work. Many go on to work full-time at their KTP company. There are about 1,000 KTPs in operation. A KCP scheme would allow SMEs to recruit a graduate with skills in sales and marketing, and where possible, with a ‘difficult language’ skill such as Arabic, Turkish or Mandarin Chinese.**

In the 2016/17 academic year, a total of 121,675 international students came to the UK to study business-related degrees. At the Nottingham University Business School, for example, as with most of the 52 business schools in the UK – many post-graduate students already speak languages that could be crucial to UK SMEs in the direct promotion of their export ventures. Why not make best use of this resource and match these students with suitable UK SMEs?
The UK’s Smart Award Scheme, which provides small grants to businesses for product development, is in our view one of the world’s most successful wealth creation schemes. Grant categories included Proof of Concept, Research, Development projects, and even an Exceptional Award worth up to £500,000 was available.

Its importance to the fortunes of high growth SMEs in the UK over the past 35+ years cannot be overestimated. Piloted in 1986 and rolled out in full in 1988 at a rate of around 300 a year, many thousands of the UK best smaller companies received their first vital micro-funding from the scheme. These include telecoms firm Bookham Technologies, medical microfluidics pioneer Syrris, electronics designer Sentec, and many of the biotech firms started by veteran serial entrepreneur Sir Chris Evans.

We strongly recommend that the Department for Business, Energy and Industrial Strategy (BEIS), and its innovation agency Innovate UK, increase tenfold the current Smart budget of £25m, which currently funds 300 projects each year. New funding could turbocharge the product development ambitions of 3,000 SMEs each year. Manufacturing and engineering-led projects must be given priority over IT/digital proposals.

This could be achieved in part by transferring funds from Innovate UK’s many other Calls that often have little or no relevance to SMEs. These include initiatives involving quantum computing, which are best run by the Engineering and Physical Sciences Research Council (EPSRC). Overall, the government needs to move funds in the national R&D budget from ‘Research’ to ‘Development’, in order to maximise product commercialisation over pure research.
The great majority of these new products have substantial export potential.\footnote{11}

- One idea put forward by Dr David Clark CBE, former director of innovation at the Engineering and Physical Sciences Research Council (EPSRC) and chairman of the WMG manufacturing centre at the University of Warwick, is aimed at maximising the potential of business-focused students. He recommended to the government a scheme in which students who start spinout companies at universities, FE colleges and University Technical Colleges should be allowed to offset against a student loan with the company shares they own if they gain significant value. Providing an early exit from a student loan could be a big incentive for entrepreneurial students to start a viable business.

- The Department for International Trade should increase the budget of trade show support to enable thousands more SMEs, especially microSMEs, to help them exhibit at a key trade show. In 2000, at a tiny isolated stand at the huge IT show Comdex in Las Vegas, we encountered a UK firm Cambridge Silicon Radio, with just 12 staff. Just four years later, it listed on the London Stock Exchange and today it employs 1,200 staff. Thousands of SMEs could follow their path to glory if they attended suitable trade shows. In 2010 we visited the world’s largest food fair Anuga in Cologne, Germany. The stands of UK SMEs were too few, and too small, compared with those of other exhibitors.

- A fresh media focus? The successes of the UK SMEs in the great new export wave since 2016 have gone unreported and unrecognised. This is due to a dearth of coverage
in the UK about these achievements by the mainstream media, which concentrates business news on Apple Inc, US Internet companies such as eBay and Amazon, and on UK PLCs and multinationals.

The BBC has never employed a specialist SME reporter even though most of the fast-moving action and achievement in UK business is created by the 211,000 SMEs that employ 10-49 staff.\textsuperscript{12} Similarly, \textit{The Financial Times} minimised its features on smaller companies back in 2003, with a few exceptions, when advertising drained away from its hefty \textit{FT IT} and \textit{FT Telecoms} supplements due to the rise of online media.

The Department for Business, Energy and Industrial Strategy (BEIS) and the Department for International Trade also produce too few reports and news stories about the UK SMEs. A daily newsfeed about the UK’s best performing SMEs across all sectors should be established and distributed worldwide to the many media outlets that would welcome that information.
7. The future

- ‘Brexit means Boom, not Doom’. Given the 10 Reasons listed in chapter 3, we believe the UK’s growing trade with non-EU countries will continue. Furthermore, the rise in exports is likely to accelerate at such a speed that it could make the UK the fifth largest exporter nation by 2024, up from its current 10th position.

- Given the low growth of the EU’s economies we do not think the EU Commission will have the leverage to enforce a trade deal that damages the UK economy. As a result, UK trade with the EU will not decline but continue unchanged at the same level.

- We forecast that Germany will force France to accept a reasonable free trade agreement with the UK. This is purely for self-serving reasons. Around 750,000 in southern Germany depend on exports to the UK. Germany sold £73.5bn worth of products to the UK while British industry exported only £314bn to the Germans. EU fishing boats take £500m a year from UK waters alone while EU funds are used to close down UK fishing operators. Fears over mass unemployment along the coasts of France, Spain and Holland are real.

- The WTO is a safe haven – not a hard option. The WTO was set up to provide the basic framework for countries to
trade with each other. Six out of the EU’s top ten trading partners trade under WTO rules including the UK’s biggest national export market, the USA – with which the UK has a surplus, unlike the huge deficit in trade with the EU. Others are China, Russia, India, Brazil and Japan. The WTO guarantees ‘no discrimination’. Consequently, the EU could not impose punitive tariffs or barriers to UK trade. UK exports to countries we trade with on WTO terms have grown three times faster than UK exports to the Single Market since it was established.

- The UK will benefit from other economic factors, including the £5bn income a year from BP’s Clair Ridge oilfield, west of the Shetlands, an upsurge in home manufacturing due in part to distrust of Chinese sources and knock-on effects of the coronavirus. UK manufacturing is in better health than it has been for many a decade.

- Back in October 2018 Japan’s Prime Minister, Shinzo Abe, invited the UK to become part of the Pacific free trade pact – although this is dependent on the UK leaving the EU’s Customs Union. It would make the UK the sole geographically-distant member of the grouping, helping the country to rebuild trading links around the Pacific Ocean that stretch back more than two centuries.

- While the UK economy has serious problems – a large national debt, serious levels of poverty, a retailing sector in crisis, and huge future social spending demands – none of these are linked to Brexit.

- Prosperity in the UK regions will improve. In 2018, demand for Scottish goods in China increased by 213.8% to £3.4bn while exporters in Northern Ireland saw overseas sales in the US increase by 12.9% to £1.1bn. London and the
East Midlands helped drive export growth in England, as exports grew by 10.1% to £40.5bn and 9.3% to £23.5bn respectively.

The one sector most exposed to EU negotiating power is the City of London. But we believe the EU has little leverage in the matter. Dr Savvas Savouri, arch-contrarian and chief economist at London-based Toscafund Asset Management, believes the extent of foreign investment in UK companies is so great that leaving the EU carries no risk to the City at all. Dr Savouri said:

The whole point about Brexit is there’s too much insurable interest in the UK across Europe for it to fail for the UK and the EU not to form an agreement. Ireland would go into immediate deep recession, so would Spain, Malta, Greece and Cyprus.

Dr Kerstin Braun, president of German-headquartered finance group Stenn Group, said, ‘As 2019 was marked by business uncertainty, 2020 will be the year that companies forge ahead with new growth strategies. Looking across industries, growth for imports and exports is felt highest across financial and professional services.’

After three years of political paralysis most observers are, finally, acknowledging that the UK economy is witnessing a surge in economic performance, a new sense of confidence and a deep-seated mood of optimism in all corners of the UK.

The UK’s non-EU export business grew by 4.2% in October, in comparison to a rise of 1.6% to EU member countries. This heralds nothing less than the creation of a new ‘British Empire’ of goods and services.
Notes

2 https://startups.co.uk/amazon-small-business-sales-2017
4 https://opentoexport.com
5 www.natwestbusinesshub.com/content/beyond-the-eu-exporting-for-smes
8 https://www.betterbusinessfinance.co.uk/images/pdfs/Business_Finance_Taskforce_report.pdf
9 www.ons.gov.uk/economy/governmentpublicsectorandtaxes/researchanddevelopmentexpenditure
11 https://ktn-uk.co.uk/funding/innovate-uk-smart-grants-oct-2019-jan-2020
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It has been widely claimed by many leading voices of the UK’s institutions, corporations and organisations that the UK would face a national disaster if it left the European Union. But as Marcus Gibson argues, a whole generation of organisations and individuals have been proved wrong – given that the post-Brexit UK economy expanded and vital sectors in manufacturing experienced a revival after decades of government neglect and decline.

Marcus Gibson, Head of Gibson Index, which produces a comprehensive index of small technology companies in the UK, finds the ‘Brexit Boom’ is happening. It is real and the pace has been accelerating – albeit, currently subject to the immense national and international disruptions in trade and travel paralysing various sectors following the coronavirus outbreak.

He charts an export revival to changes four years ago – before the ‘Leave’ decision in the referendum – when tens of thousands of Britain’s smaller companies (SMEs) began to abandon efforts to find a sale in the EU and moved their marketing firepower to countries beyond Europe. And they have been winning lucrative export deals in many a distant market.

The strongest evidence behind the growing strength of the post-Brexit economy has been the extraordinary rise in the UK’s export volumes – much of it pioneered by the UK’s unequalled collection of SMEs. They frequently design, manufacture and market high quality, niche products. For Gibson, this is the UK’s ‘real economy’, made up of 235,000 SME exporters.

Charting the reasons behind why UK exports have been rising, and how we can accelerate UK exports, this book suggests a number of key low-cost programmes the government could implement, including a programme to promote an increase in UK exports by recruiting an ‘Export Elite’ of SMEs that already export to around five markets – and expand them into 50 export markets. Ultimately, it concludes ‘Brexit means Boom, not Doom’ in which the UK’s growing trade with non-EU countries is forecast to continue.

£5

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