

Fife Business Base 2016



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Centre photo: Oceaneering

Quick Facts

- Fife's estimated population is 368,100; Working age population (aged 16-64) 231,600 or 63% (2015)
- Fife's employment rate (Jul 2015-Jun 2015) was 71.6%, compared to Scottish rate of 72.9%
- Fife's JSA claimant rate (12 months average to Nov 2016) was 2.2% compared to a Scottish rate of 1.6%
- 42.6% of Fife's economically active population was qualified to degree level (NVQ4) and above; Scottish and UK comparisons are 42.5% and 37.1% respectively. (Annual Population Survey, 2015)
- There were 9,760 enterprises registered in Fife in 2016; 5.6% of all businesses in Scotland
- 65% of turnover from Fife firms came from the 4% of enterprises employing more than 250 employees
- Business turnover has risen 44% to £13,625m over the last decade
- Manufacturing and Wholesale, Retail & Repairs contribution to Fife's turnover was £4,403m (32.3%) and £3,786m (27.8%) respectively
- The sectors in Fife with the largest number of enterprises are Wholesale, Retail and Repairs (1,625); Professional, Scientific and Technical activities (1,685); and Construction (1,140)
- The largest employing sectors are Wholesale, Retail and Repairs (21,950 employees); Manufacturing (15,160 employees); and Education, Health and Social Work (13,750 employees)

Overview – Fife Business Base

The business base refers to the types of businesses/sectors prevalent in Fife and the size and productivity of these firms. The importance of the business base to the local economy cannot be overstated. Businesses provide employment, generate income for employees and owners as well as providing goods and services to the region.

Over the last decade Fife has seen an increase of 1,270 registered enterprises.

Note:

Figure 1 relates to enterprises registered for VAT and/or PAYE. It does not include unregistered enterprises (sole traders and partnerships who are not registered for VAT and/or PAYE). As of April 2016 the VAT registration threshold is £83,000.

Figure 1: Total Enterprise Stock and Annual Change in Fife, 2007-2016

Year	Total Number of Enterprises in Fife	Annual Change in the Number of Enterprises	Employment
2007	8,490	200	169,200
2008	8,815	325	171,200
2009	8,830	15	165,100
2010	8,775	-55	164,400
2011	8,715	-60	165,600
2012	8,995	280	164,200
2013	8,930	-65	159,600
2014	9,290	360	166,800
2015	9,540	250	169,200
2016	9,760	220	164,500
Total Change in the Number of Enterprises 2007-2016		1,270	-

Notes: - Employment figure is for the 12 months to June each year.

Source: Businesses in Scotland, Scottish Government (2016)

Source: Annual Population Survey, NOMIS (2016)

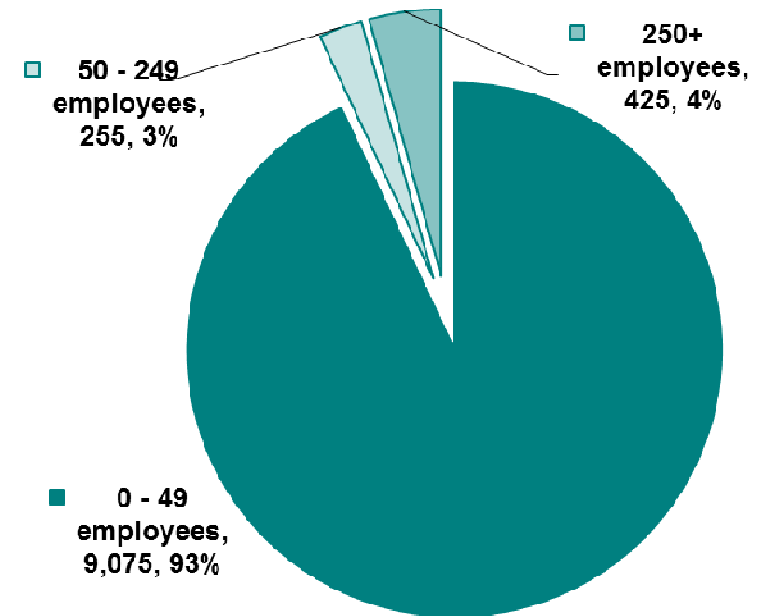
Employment

The Fife business base is dominated by small-to-medium enterprises (SMEs), with 96% of Fife’s businesses employing fewer than 250 employees. In comparison, 99% of registered enterprises in Scotland are SMEs.

Looking in more detail, the 11,020 *business sites* in Fife are dominated by micro enterprises:

- 7,670 (70%) of sites employ between 1-4 people
- 1,570 (14%) of sites employ between 5-9 people
- 665 (6%) of sites employ between 10-14 people
- 850 (8%) of sites employ between 15-49 people
- 265 (2%) of sites employ 50 or more people

Figure 2: Number of Enterprises in Fife by employee size band, March 2016



Note:

- 1) These figures exclude central and local government, including Further Education Colleges.
- 2) An **individual site** is a **local unit** (for example a factory or shop) associated with an enterprise. It can also be referred to as a *workplace*.

Source: Businesses in Scotland, Scottish Government (2016)

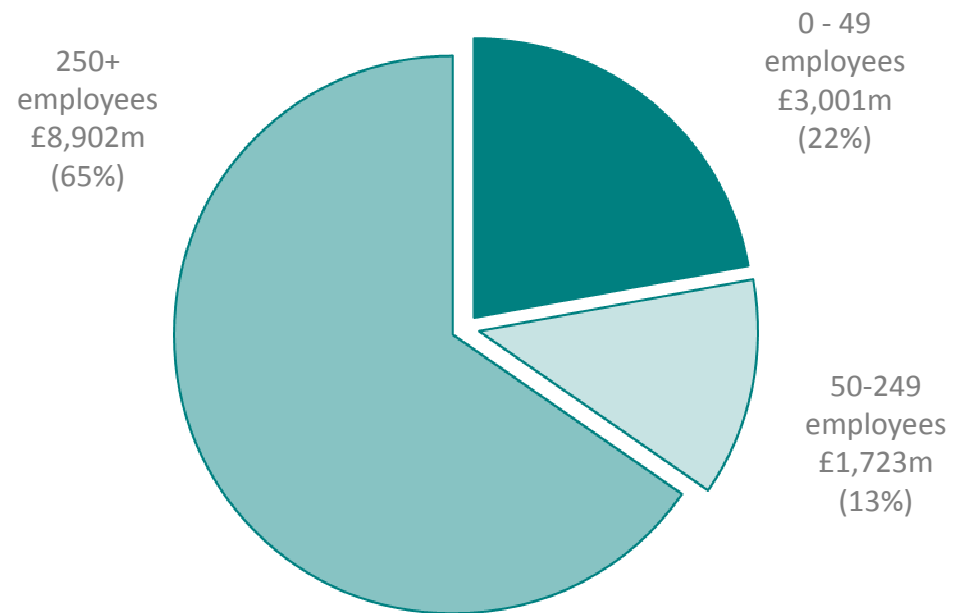
Turnover

65% of turnover from Fife’s enterprises is derived from its largest employers (those employing more than 250 people). This is slightly higher than the Scottish average of 61%.

Whilst 93% of Fife’s businesses employ between 0-49 employees, they are responsible for less than a quarter (22%) of Fife’s total enterprise turnover.

Note: a breakdown of turnover by size of enterprise is not available below these employee size bands.

Figure 3: Turnover Generated by Fife Enterprises, March 2015



Source: Businesses in Scotland, Scottish Government (2016)

Total Turnover

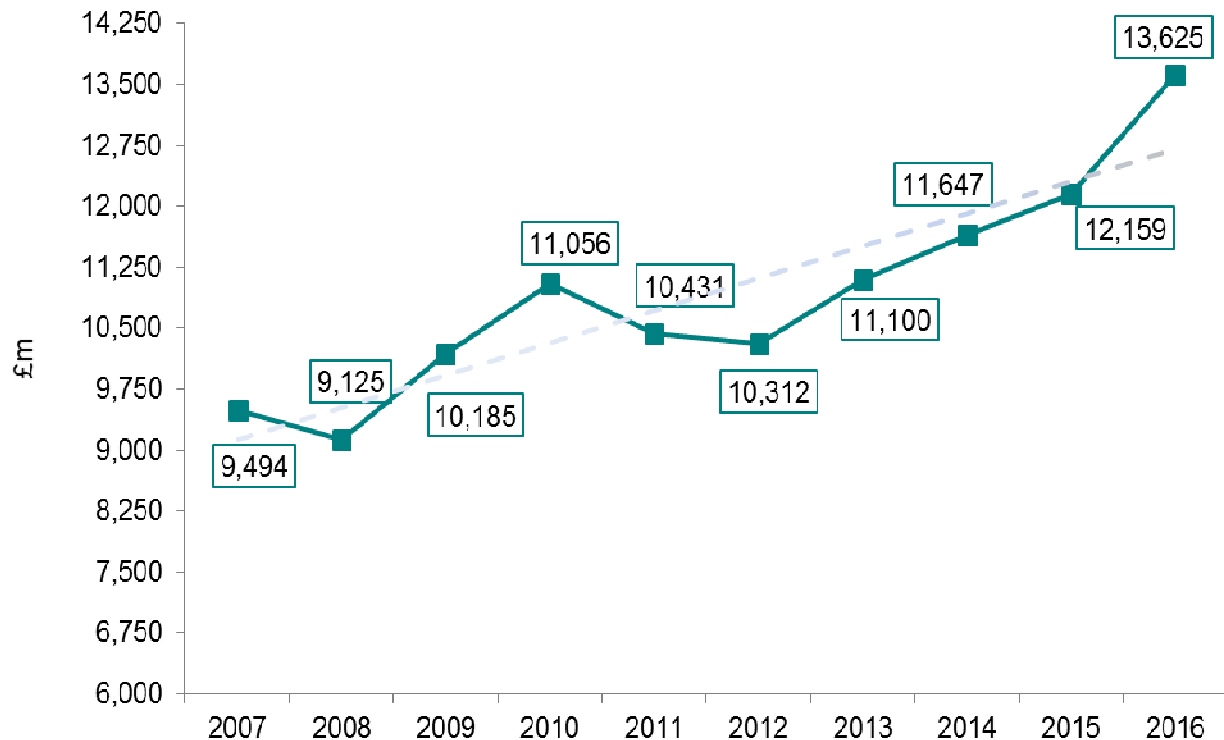
Turnover from Fife enterprises increased to £13,625m in 2016 (44%).

Turnover dipped by 4% between 2007 and 2008 following the global financial crisis and by 7% between 2010 and 2012.

Since the 2007/08 downturn Fife's economy has recovered by 49% by 2016.

Fife has seen continuous increases over the last four years. However, the increase between 2015 and 2016 at 12% was the greatest increase for a single year since 2007

Figure 4: Total Turnover of Fife Enterprises, 2007-2016 (unadjusted)



Note: these figures have not been adjusted to take inflation into account.

Source: Businesses in Scotland, Scottish Government (2016)

Sector and Size

Wholesale, Retail & Repairs were the largest sectors for employment in over the last three years with the yearly rates of increase at:

- 2014 → 3.5%
- 2015 → 0.6%
- 2016 → 1.6%

Professional, Scientific & Technical Activities recorded the highest number of enterprises.

Manufacturing was top performing sector in terms of Turnover.

In terms of productivity, Manufacturing and the Primary Industries were the best performing in Fife delivering a turnover of £291k per employee (9% below the Scottish average of £319k per employee).

Figure 5: Enterprise by Sector and Sizeband in Fife, 2016

Sector	Total Employment	Number of Enterprises	Turnover (£)
Wholesale, Retail & Repairs	21,960	1,625	3,786
Manufacturing	15,160	675	4,403
Education, Human Health & Social Work Activities	13,750	530	445
Accommodation & Food Service	9,240	810	338
Construction	7,610	1,140	1,045
Professional, Scientific & Technical Activities	5,590	1,685	437
Administration & Support Service Activities	5,170	670	491
Primary Industries	5,130	695	1,509
Information & Communication	3,900	515	223
Other Services Activities	3,600	535	146
Financial & Insurance Activities	3,540	105	N/A*
Transport & Storage	3,410	295	261
Arts, Entertainment & Recreation	3,320	250	462
Real Estate Activities	1,040	225	79
Total	102,420	9,755	13,625

Note: Turnover for Financial and Insurance Activities enterprises were not available.

Source: Businesses in Scotland, Scottish Government (2016)

Business Survival Rates

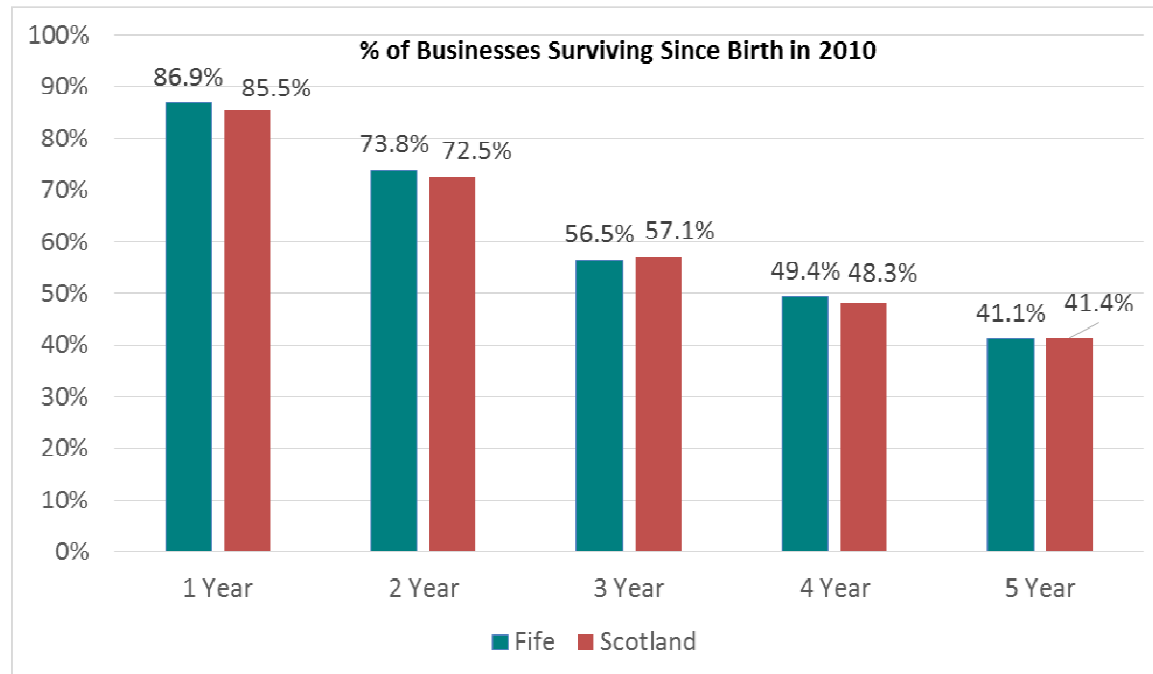
Following the start-up of an enterprise, it is believed that the first three years of its life are crucial in determining whether it will survive and grow.

Figure 6 highlights that for three out of five years after start up Fife’s business survival rates are above the Scottish average. By the end of year % the gap is only 0.3%.

Survival rates should only be viewed as an indicative measure of the local business environment as not all enterprises are set up with the intention of remaining open indefinitely. For example, Christmas shops will only remain open for a quarter of the year. In addition, many enterprises having tested their products in the market may realise the returns are not what was forecast and so may wish to pursue other ventures.

Note: These statistics are not Business Gateway Fife’s performance reporting in this area.

Figure 6: Survival Rates for Fife Businesses Born in 2010 as at 2015



Source: Business Demography, ONS (2015)

Entrepreneurship and Self Employment

Micro enterprises, firms employing fewer than 10 workers, and self employment are an important part of the business base.

In reporting the number of active enterprises in local areas, National Statistics do not adequately capture such businesses as they measure firms whose turnover exceeds the VAT registration threshold of £83,000.

Figure 7 shows that Fife has consistently had a lower proportion of the working age population who are self employed compared to the Scottish average.

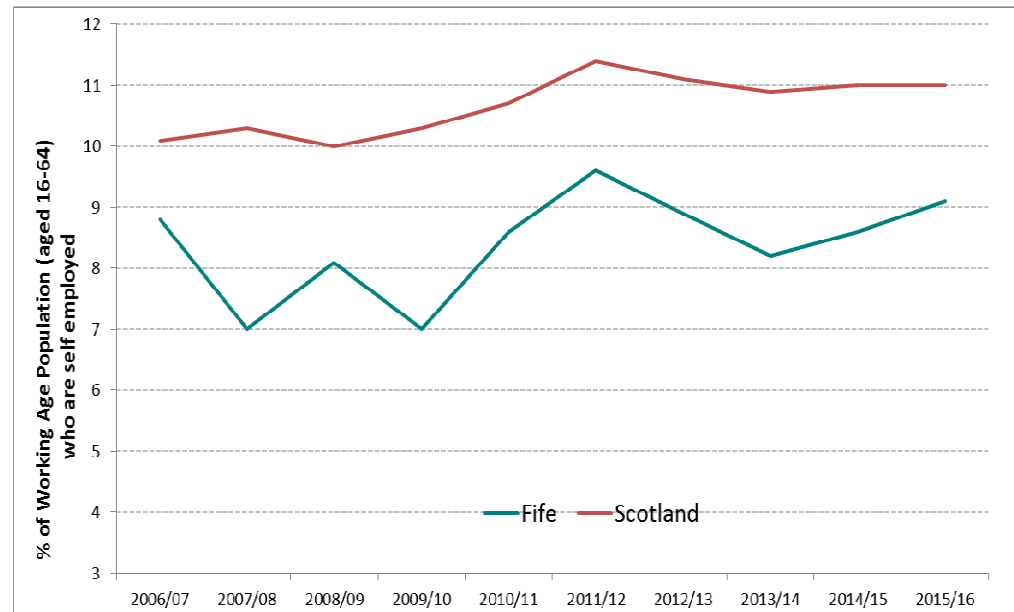
Following the credit crunch in 2007/08, Fife experienced a rise in self-employment – growing by 27% from 11,900 in 2007/08 to 15,100 in 2015/16.

However, the gap between Fife’s self employment rates and Scotland narrowed over the last two years indicating the potential reversal of this trend.

Fife’s self employment rate also appears more volatile than Scotland. This may indicate that Fife’s self employment reacts differently to external factors and is more cyclical.

Note: These statistics should not be confused with Business Gateway Fife’s performance reporting in this area.

Figure 7: Self Employment as a Percentage of the Working Age Population (aged 16-64) , 2006/07 – 2015/16



Source: Annual Population Survey, NOMIS (2016)

Fife's Workforce

Figure 8: Fife's Job Density 2010 -2014

Date	Fife's Job Density Rate	Scotland's Job Density Rate
2010	0.61	0.78
2011	0.60	0.76
2012	0.62	0.76
2013	0.61	0.76
2014	0.67	0.80

Job density measures the number of jobs in a given area per resident aged 16-64.

Historically Fife has a lower density reflecting its rural areas.

However, in 2014 the gap between Scotland and Fife narrowed slightly by 0.2

Figure 9: Fife's Occupational Classifications 2014 -2015

Fife	2014	2015
	% of all employed	
Senior managers, professional & associate professionals (SOC1-3)	37.5	38.5
Admin, skilled trade & personal services (SOC4-6)	31.4	33.2
Sales, plant & elementary (SOC7-9)	30.8	27.6
Scotland	2014	2015
	% of all employed	
Senior managers, professional & associate professionals (SOC1-3)	41.2	41.5
Admin, skilled trade & personal services (SOC4-6)	31.9	32.3
Sales, plant & elementary (SOC7-9)	26.5	25.8

A slightly lower proportion of Fife's workforce is in managerial and professional occupations and a higher proportion have elementary occupations compared with the Scottish average over last two years.

The 2015 Annual Population Survey shows that Fife has below national average proportions of the working age population (aged 16-64) with no qualifications, 7.4% compared to 9.0% for Scotland as a whole.

Source: Job Density, NOMIS

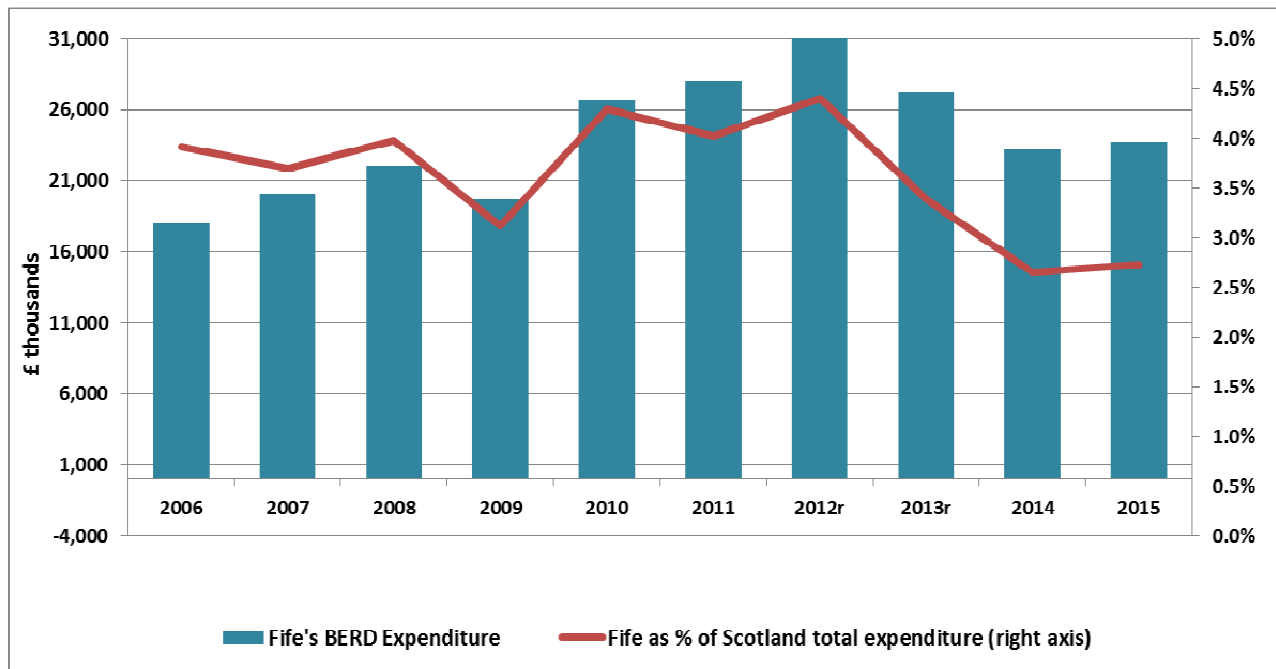
Source: Annual Population Survey, NOMIS (Jan-Dec 2015)

Business Enterprise R&D

Business expenditure on research and development (R&D) is crucial to the competitiveness of Scotland and Fife's economies. It is considered to be a key determinant of productivity growth and economic performance.

Business Enterprise Research and Development (BERD) expenditure is the most reliable estimate of business R&D spending.

Figure 10: Fife's Research and Development Expenditure 2006 - 2015



In 2015, £870.9m was spent by businesses in Scotland on research and development (R&D).

Fife businesses spent £23.8m – 2.7% of Scotland's total in 2015 (nominal terms).

Fife's business R&D expenditure increased by £520k between 2014 and 2015 (2.3%).

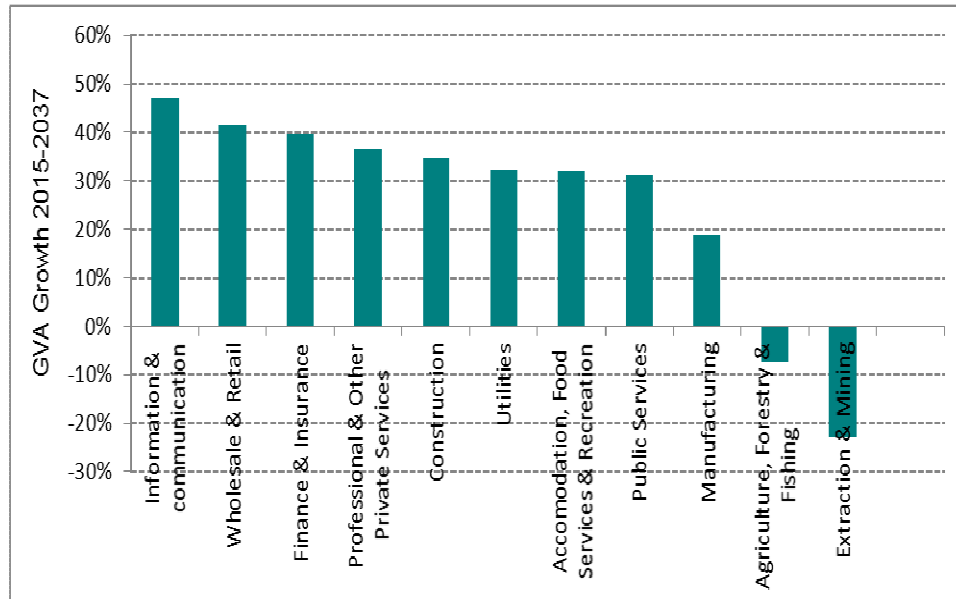
48% of BERD expenditure in Fife is attributed to Manufacturing sector and 41% to Services

Note: The chart above reflects BERD expenditure in nominal terms

Source: Business Enterprise Research and Development 2015, Scottish Government (2016)

Economic Forecasts

Figure 11: Percentage Change in GVA by Sector in Fife, 2016 - 2037



Gross Value Added (GVA) is a measure of the value of goods and services produced in an area, industry or sector.

Experian, an independent economic forecasting organisation, forecast that nine sectors in Fife may grow their GVA by more than 30% by 2037:

- Transport & Storage (47%)
- Information & Communication (47%)
- Wholesale & Retail (42%)
- Finance & Insurance (40%)
- Professional & Private Services (36%)
- Construction (35%)
- Utilities (32%)
- Accommodation, Food Services & Recreation (32%)
- Public Services (31%)

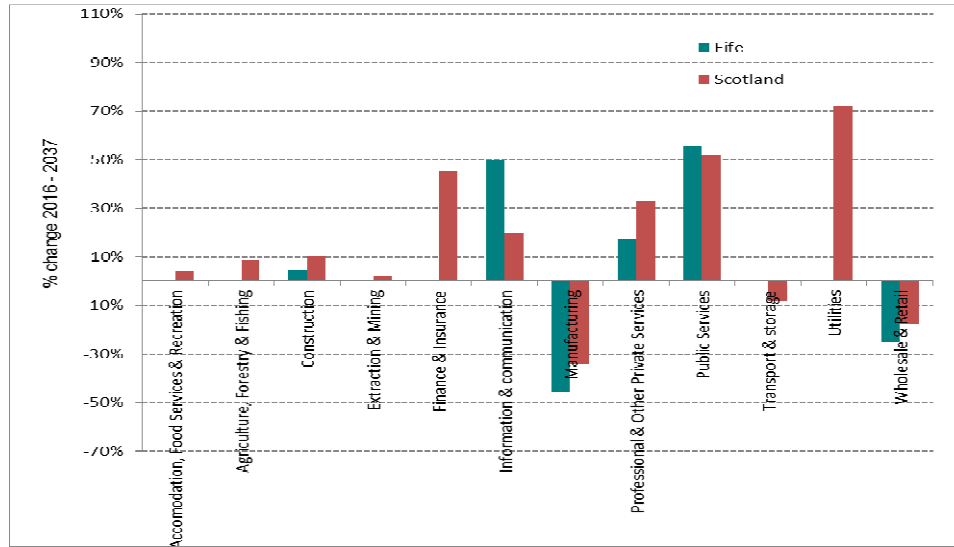
Despite public spending cuts, Experian forecasts that Fife will still rely on the Public Sector making a significant contribution to GVA by 2037; with a forecast of 31% increase from 2016. Public Services would therefore continue to be the highest contributor to the area’s total GVA at £2.2bn

Manufacturing output is expected to grow by almost 19% by 2037, continuing to make a significant contribution (an estimated £1.4bn) to Fife’s total GVA.

Source: Experian (2016)

Economic Forecasts

Figure 12: Self-employment changes by sector, 2016 - 2037

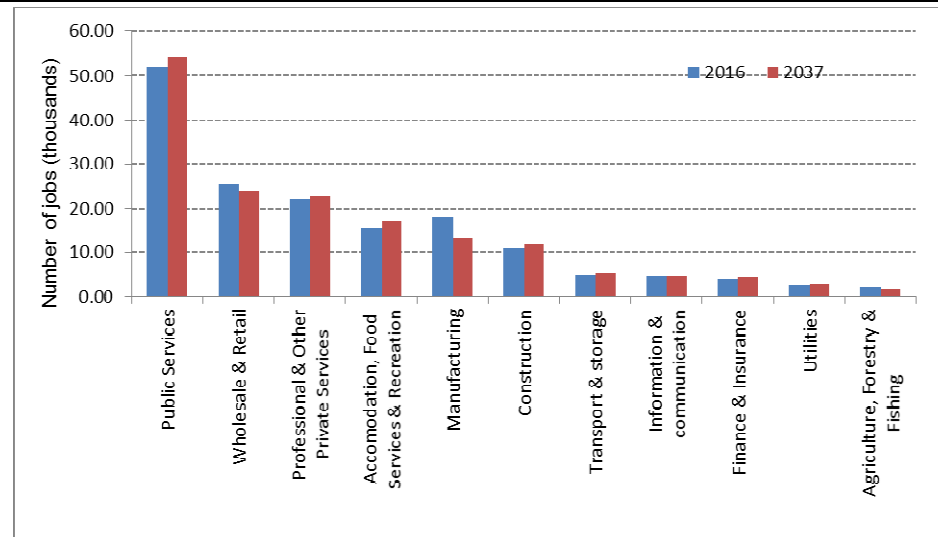


Experian forecasts that between 2017 and 2037 Fife will see a rise in self employment; with over 7.9% (17,000) of the area’s working age population classed as self employed by 2037. However, this is still below the forecasted 9.7% rate for Scotland in 2037.

During this time, Fife is expected to see its most significant increases in number terms, within Public Services (1,280) and the Professional Services (1,120) sectors.

Fife’s Manufacturing self employment rate is forecast to contract 54.5% by 2037 which is lower than the average for Scotland of 65.9%.

Figure 13: Workforce jobs in Fife, 2016 and 2037



Experian’s Workforce jobs forecasts to 2037 foresee:

- Fife’s workforce jobs totalling 162,800 – (0.5% reduction)
- Public services accounting for 54,300 jobs by 2037, remaining the top sector in Fife in terms of workforce jobs numbers.
- Construction, Finance & Insurance and Accommodation and Food sectors (slight increase of 900, 400 and 400 respectively).
- Manufacturing is expected to see the largest decline by 4,600 jobs between 2016 and 2037.

Summary

The business stock in Fife has increased by 14.9% over the last decade. Turnover generated by these 9,760 enterprises has increased by over 43.5% during the same period. However in 2016, the total turnover for Fife's enterprises accounted for only 5% of the total Scottish turnover, with Fife home to 5.6% of the Scottish total enterprise stock.

Fife has consistently had a lower proportion of its working age population who are self employed compared to the Scottish average. However the gap has narrowed over the last two years.

A slightly lower proportion of Fife's working age population are employed in professional occupations compared to the Scottish average. The data has been revised for 2015.

Expenditure by Fife's companies on Research and Development increased by £520k. The Manufacturing sector contributed 48% of Fife's total £23.8m R&D spend in 2015.

Economic forecasts show that eight sectors in Fife are expected to grow output (GVA) by more than 30% by 2037. Public Services and Manufacturing are forecast to remain the highest contributors to Fife's GVA total.

Forecasts also predict that 7.9% of Fife's working age population will be classed as self employed by 2037.