



Leicester and Leicestershire Internationalisation report 2022

Internationalisation Report for Leicester and Leicestershire

What is internationalisation?

Internationalisation is the process of increasing involvement of enterprises in international markets. The government is keen to support internationalisation for benefits including:

- Supporting 6.5m of jobs in the UK
- Exporting firms are linked to higher wages and productivity
- Encourages learning and innovation
- Introduces a greater variety of buyers and sellers

Report contents

- Key findings
- Leicester and Leicestershire exports
- Local strengths
- 2021 – 2031 Projections
- Midland Engine analysis
 - Regional opportunities
 - Regional summary
- Contextual information
- Data annexe

Summary of key Findings

- The Top 4 exporting industries within LLEP are:
 - Manufacturing
 - Construction
 - Professional Scientific and Technical Activities
 - Human Health and Social Work Activities

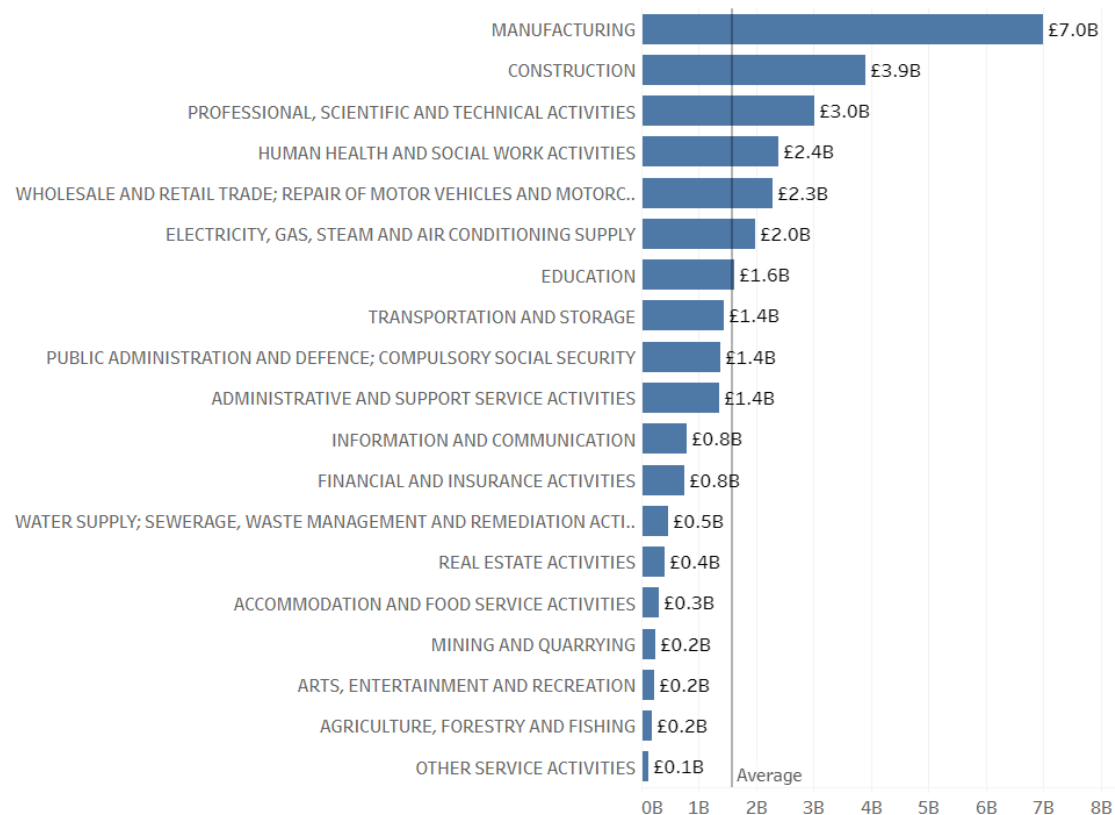
These industries distribute more than £16.3bn worth of goods and services, more than the other 15 industries combined (£13.6bn)

- Over the last 10 years (2011-2021) LLEP's 2 biggest tradable industries^{1*} – Logistics and E-commerce, and Professional Services – have experienced the most national growth whilst having positive location quotients
- In the next 10 years (2021-2031) the Logistics and E-commerce industry is expected to grow in importance to LLEP as the location quotient increases and national growth is expected to remain strong
- The Professional Services industry over the next 10 years is expected to suffer a sharp decline in national growth falling from +44.9% through 2011-2021 to a projected +1.4% from 2021-2031
- For the Midlands to extend its trade output there needs to be a focus on building new trade relationships with countries from Opportunity markets (see table 3), as well as maintaining and improving the strong trade links with the EU and US that exist currently
- To boost trade by the £20bn targeted in the regional economy the Midlands needs to attract upwards of £4bn in Foreign Direct Investment (FDI), whilst increased tourism and higher education offers expect to add a further £2bn in GVA

¹ * Tradeable Industries –

These are made up of industries that tend to export both nationally and internationally. They make up 35 out of the 49 clusters, and include activities such as manufacturing and business and professional services. More information can be found here: <https://www.economicmodelling.co.uk/wp-content/uploads/2017/11/Industry-Clusters-Final-Version.pdf>

Top exporting sectors in the Leicester and Leicestershire area



Commentary:

There are 6 sectors in the LLEP economy that sit above the average exports value (£1.6bn):

- 1) **Manufacturing**, the 2 largest sub-sectors are Manufacturing of Food Products; and Manufacturing of Machinery and Equipment
- 2) **Construction**, Electrical, Plumbing and Other Construction Installation Activities alongside Construction of Residential and Non-residential Buildings contribute to more than £2.6bn of the £3.9bn in exported goods/services
- 3) **Professional, Scientific and Technical Activities**, Research and Experimental Development on Natural Sciences; and the Engineering sector contributed to £700m worth of exports. The Activities of Head Offices exports £1.2bn worth of goods/services.

For a more detailed breakdown of all sectors, an interactive online dashboard is available: [LLEP Export By Industry](#)

Table 1 – Top 10 LLEP Exports – 1 Digit SOC Code

Source: Lightcast Economic Modelling

LLEP Area strengths (Location Quotient)

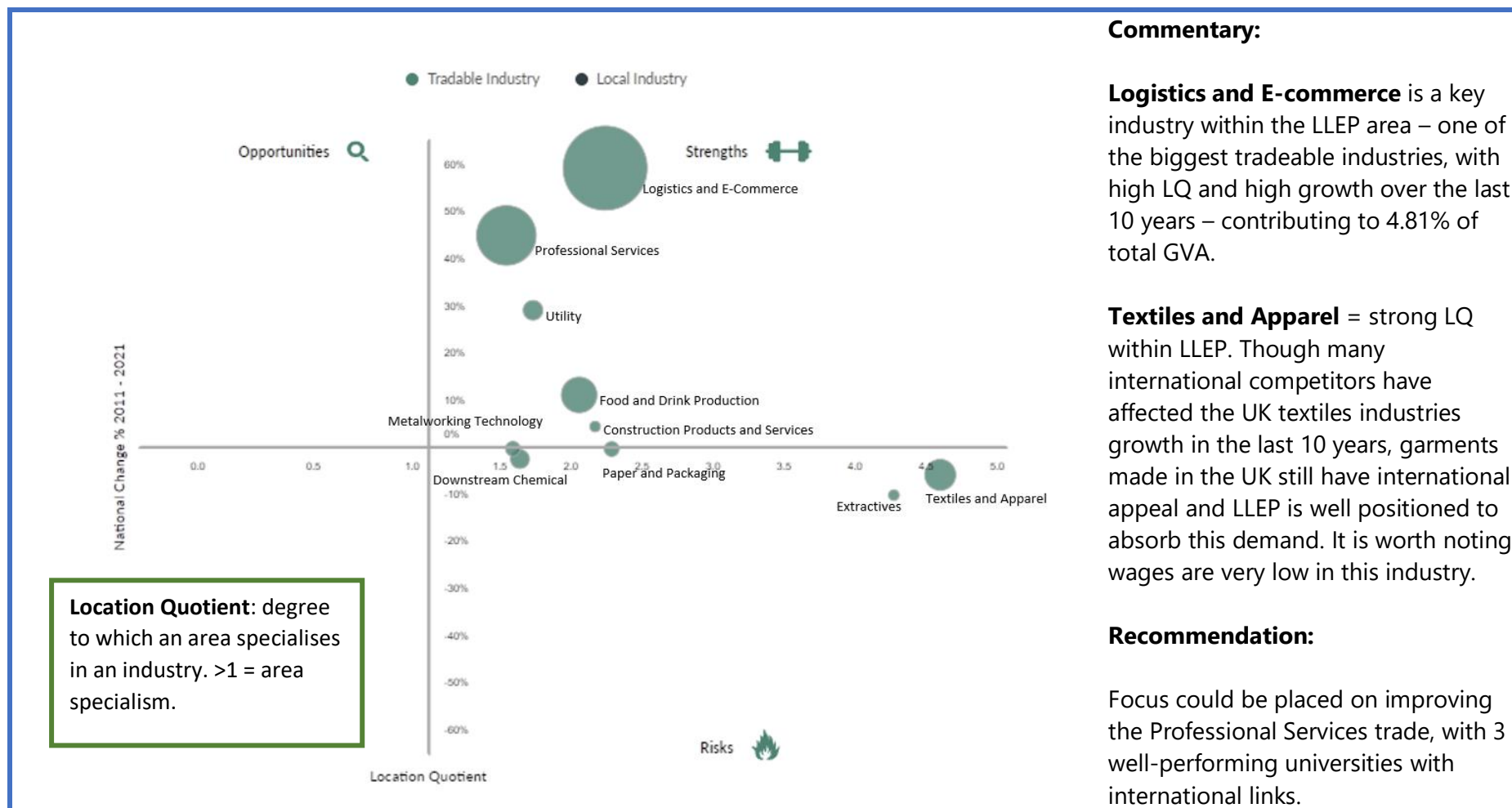
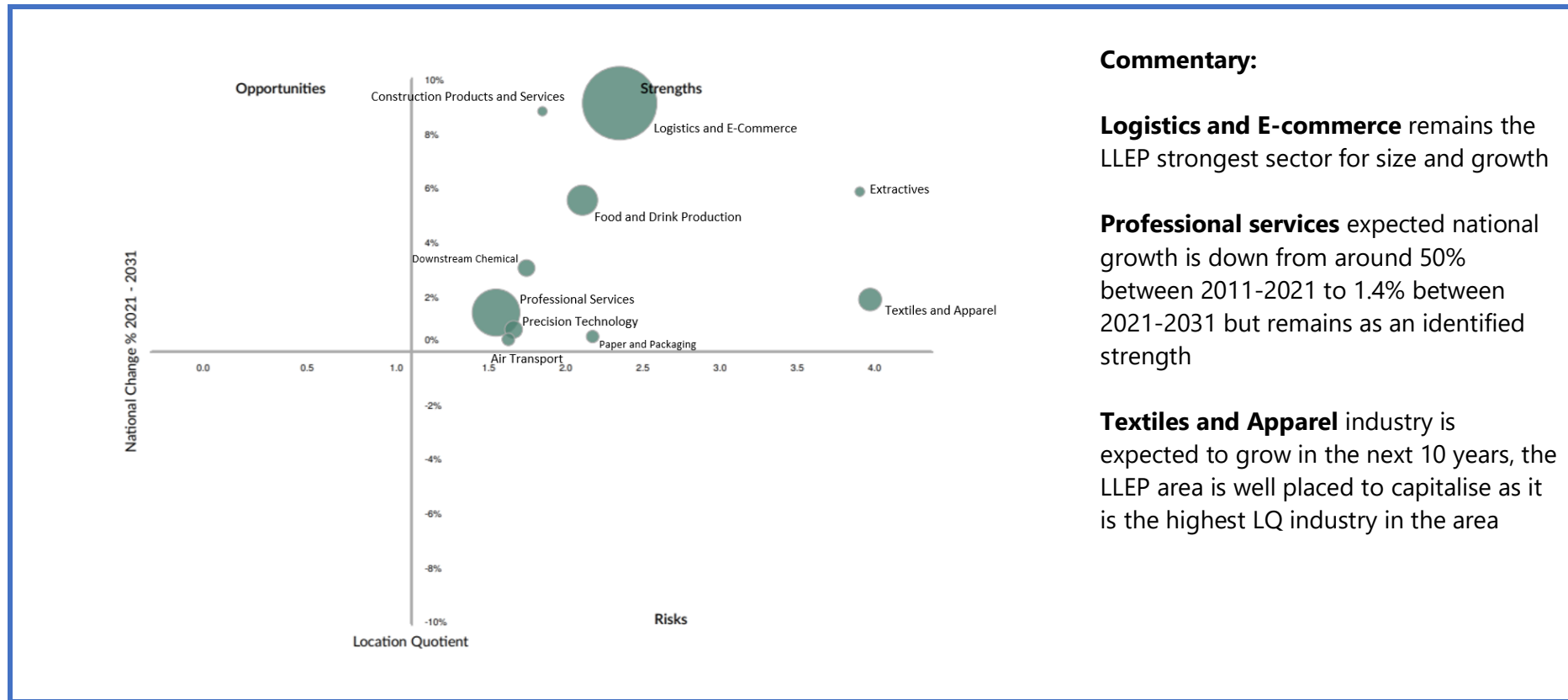


Table 4 - Location Quotient Cluster 2011-2021

Source: Lightcast Economic Modelling

2021-2031 Projections:



Source: Lightcast Economic Modelling

Table 5 - Location Quotient Cluster 2021-2031

Opportunities: Midlands Engine analysis

	International Activities					Sectors									
	Trade	Foreign Direct Invt.	Foreign Capital Invt.	Higher Education	Tourism	Advanced manufacturing / engineering				Life and health sciences		Creative, Digital and Design	Professional services	Others	
						Automotive / Mobility / Transport Equipment	Energy / Low Carbon / Environmental tech	Agri-tech / Food and drinks	Aerospace and Defence	Pharmaceuticals & Healthcare	Bio-tech	Creative industries and digital	Fin-tech / Financial services	Logistics and transportation	Construction and built environment
EXISTING DOMINANT MARKETS															
European Union															
United States															
OPPORTUNITY MARKETS															
China															
India															
Japan															
Hong Kong															
Singapore															
Malaysia															
Australia															
Canada															
GROWTH MARKETS															
United Arab Emirates															
South Korea															
Turkey															
Saudi Arabia															
South Africa															
Indonesia															
Brazil															
Nigeria															
Vietnam															
Egypt															

Key –

 = Strong Trade Links

 = Weak Trade Link

Source: Midlands Engine – Internationalisation Strategy

Table 2 - International Activities and Sectoral breakdown for the Midlands

Commentary:

As Brexit puts strains on trading relationships with the EU the UK should be looking towards countries within Opportunity and Growth markets.

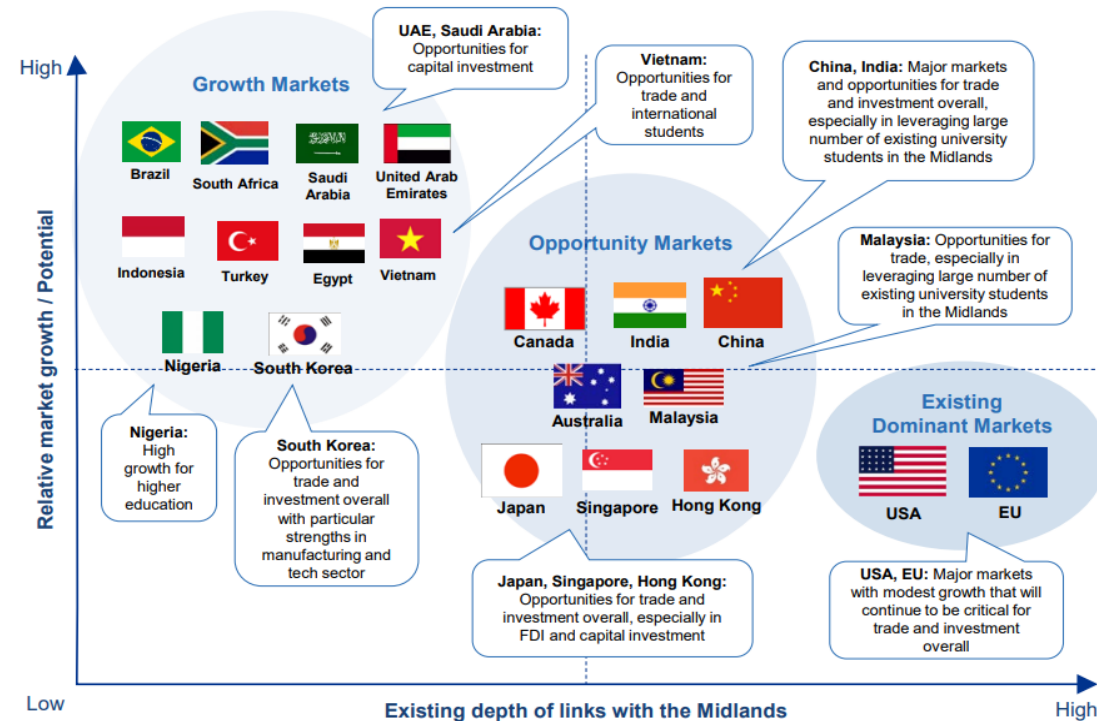
Relations with the EU, US and China remain crucial as they contribute heavily towards manufacturing exports – where LLEP has uniquely strong production capacity.

The UK's exports are predominantly services and throughout the last 10 years services exports have remained stable (see appendix table a.5). Some lower-skilled service roles – like call centre workers – have started to move away from the UK. This stresses further the need for LLEP and the UK to continue producing high-skilled workers and establishing new trade deals to export their skills.

A number of '**Opportunity Markets**' have been identified, where the Midlands should prioritise its broad international efforts across a range of activities.

These have been identified on the basis there is an existing foundation of linkages with the Midlands and strong near-term growth potential for trade, investment, higher education and tourism links. This includes several countries in the Commonwealth.

In addition, a collection of '**Growth Markets**' are identified, where there is considered to be an opportunity to grow links over a more extended timescale. The Midlands should monitor but not prioritise these markets in the near term.



Commentary:

Asian countries – specifically China, India, and Vietnam - are a key market for attracting international students – an opportunity for LLEP area universities.

Middle Eastern nations – specifically UAE and Saudi-Arabia – are highlighted as areas wherein investment can be raised. This aligns with the Midlands Engine's target to increase FDI contribution by £4bn.

Japan, Singapore, and Hong Kong are also good opportunity markets for foreign investment, as well as being places where trade relations can be strengthened, especially regarding services.

Table 3 – Depth of Connections / Market Growth Potential for the Midlands

Midlands Engine Internationalisation Strategy Takeaways

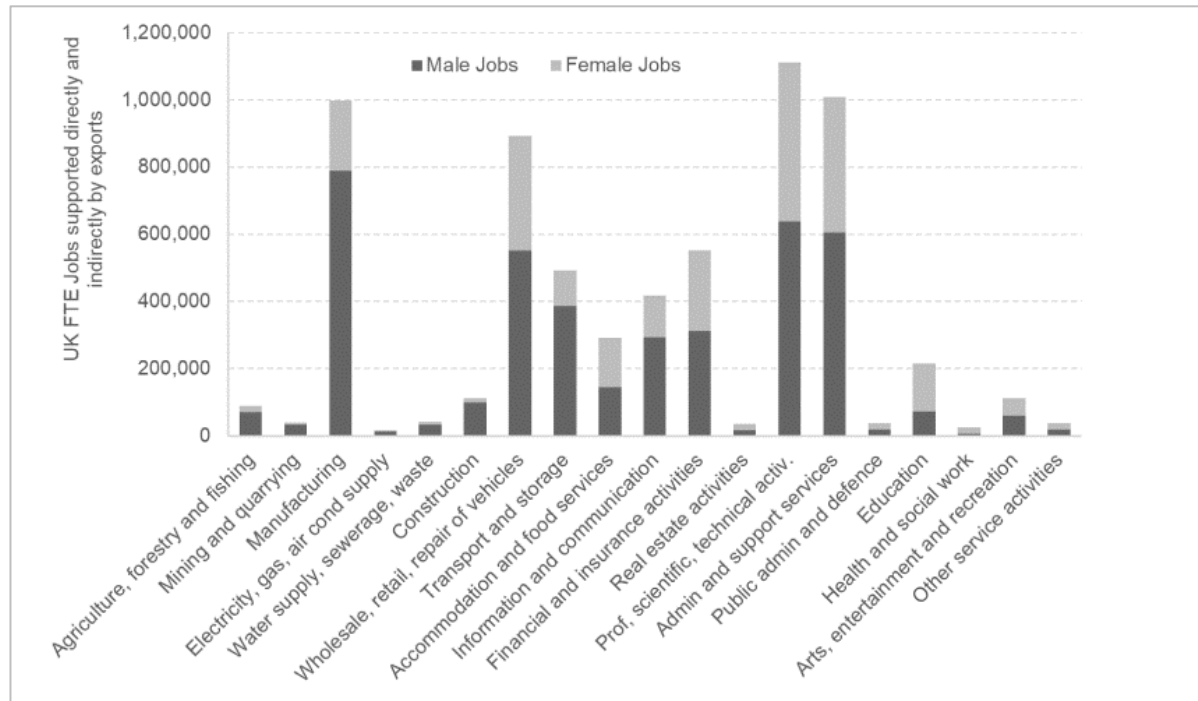
- 1) 22% of England's exports can be attributed to the Midlands
- 2) 33.3% of the **UK's** Foreign Direct Investment projects and jobs linked to manufacturing can be attributed to the Midlands
- 3) Fastest growing region for international tourism (9.2% growth over 5 years)
- 4) Aims for Midlands to improve international activities:
 - Support businesses to grow exports in goods and services (by £20bn)
 - Attract investors into the Midlands, increasing FDI contribution to the regional economy by £4bn
 - Grow tourism and higher education offers, aiming to add £2bn in additional GVA to the region
- 5) Midlands will pursue international opportunities through six strategic pillars;
 - Trade
 - Foreign Direct Investment
 - Foreign Capital Investment
 - Civic and Cultural Link
 - Higher Education
 - Tourism

Source: Midlands Engine – Internationalisation Strategy

UK exports - supporting contextual information and risks identified during research

- 1) UK imports and exports fell in 2021, compared to 2019. Whilst this is partly the impact of the pandemic, the decline was more severe in the UK compared to EU countries, which suggests the EU Exit has also impacted trade.
- 2) Risk of financial trade (one of UKs most specialist markets) moving to EU hubs such as Dublin and Amsterdam.
- 3) Increased paperwork and red tape to exchange goods and services may push trade to cheaper or better alternatives e.g., Singapore – UK and EU service growth fell from 2016- 2019, whereas Asia has seen significant growth in sectors such as travel, financial, IT and creative services. This includes growth in Singapore around finance, business, insurance and pension provision, as well as China in numerous areas.
- 4) The threat of service industries moving from west to east stresses the need for the EU and UK to find an arrangement that strengthens and/or preserves the hold they currently have.
- 5) The Midlands has a significant service industry across financial, IT and other services. This should be a key area of focus as losing this industry would have a severe economic impact in the region.
- 6) The Midlands has always had very strong manufacturing capabilities – as the global economic balance shifts and investment opportunities diversify, the Midlands can once again become one of the workshops of the world

Data Annexe



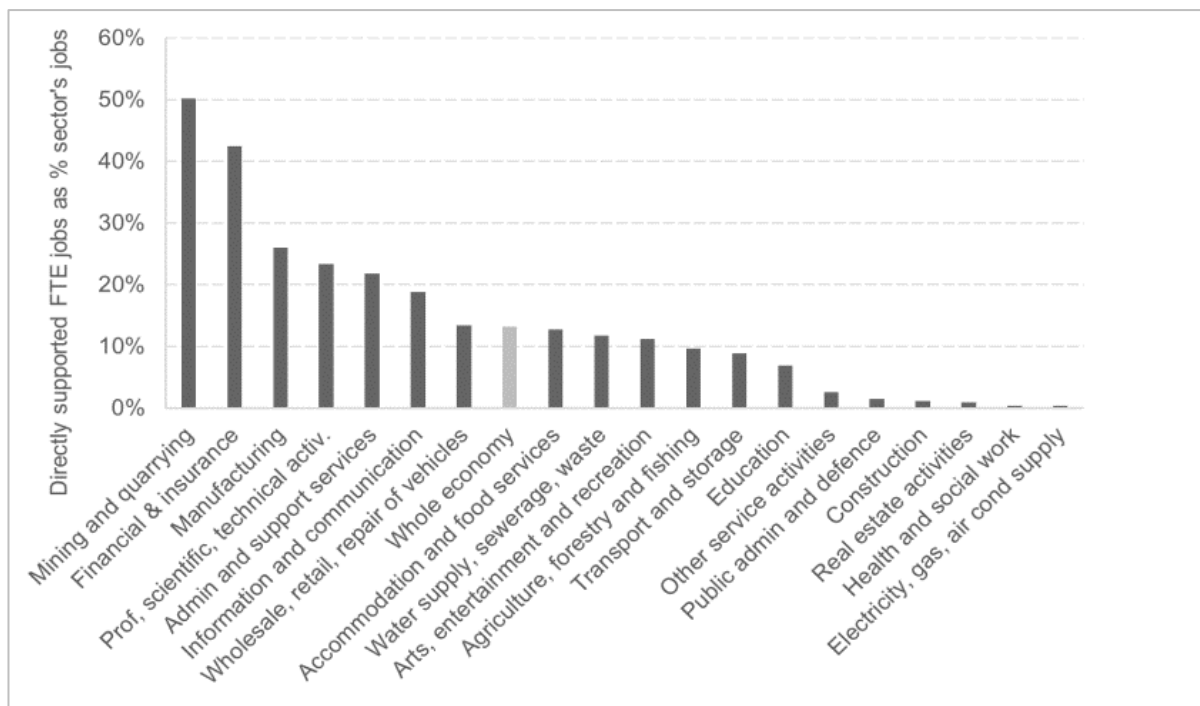
UK jobs supported by exports

Commentary:

- 1) 4 Main exporting sectors:
Manufacturing; Wholesale, retail, repair of vehicles; Professional, Scientific, technical activities; Admin and Support Services
- 2) Generally male jobs seem to contribute more to exports than female jobs, though this is the norm across EU states

A.1- UK FTE jobs supported directly or indirectly by exports in each sector, by gender, ESJ Basis, 2016

Source: Department for International Trade



Percentage of jobs within a sector supported by exports

Commentary:

- 1) 3 industries have 25%+ of jobs directly supported by exports
 - Mining and quarrying
 - Financial and insurance
 - Manufacturing
- 2) Mining and Quarrying is highly export dependant

A.2 – Directly supported UK FTE jobs as a % of jobs within a sector, 2016

Source: Department for International Trade

A.3 – Estimates of employment, jobs and wages supported by exports for the G7 countries

No. of employment/ jobs supported	Share of jobs supported by exports	Share of compensation of employees supported by exports
Canada: 3.7m	Canada: 20.2%	Canada: 37.1%
France: 5.8m	France: 21.1%	France: 43.9%
Germany: 12.3m	Germany: 28.6%	Germany: 42.5%
Italy: 5.6m	Italy: 22.7%	Italy: 33.5%
Japan: 8.9m	Japan: 13.5%	Japan: 43.8%
UK: 6.6m	UK: 21.2%	UK: 47.6%
US: 14.8m	US: 9.4%	US: 48.1%
(headcount employment supported by domestic gross exports, direct + indirect)		(share of compensation of employees supported by domestic gross exports, direct + indirect)
N/A	UK: around 19% female, 26% male (share of male and female labour hours embodied in exports)	N/A

International comparison of jobs supported by exports

Commentary:

- 1) UK 2nd highest in G7 for share of jobs supported by exports
- 2) UK 2nd highest in G7 for share of compensation of employees supported by exports

Source: Department for International Trade

TA.4 - UK FTE jobs supported (directly and indirectly) by exports by NUTS 1

NUTS1	UK FTE jobs supported by exports	FTE jobs supported by exports as a % of NUTS1 population	% of all FTE jobs supported by exports
North East	168,000	6.4%	2.6%
North West	630,000	8.7%	9.7%
Yorkshire and The Humber	418,00	7.7%	6.4%
East Midlands	384,000	8.1%	5.9%
West Midlands	511,000	8.8%	7.8%
East of England	563,000	9.2%	8.6%
London	1,717,000	19.6%	26.3%
South East	914,000	10.1%	14.0%
South West	430,000	7.8%	6.6%
Wales	196,000	6.3%	3.0%
Scotland	468,000	8.7%	7.2%
Northern Ireland	129,000	6.9%	2.0%
Total*	6,528,000	9.9%	100%

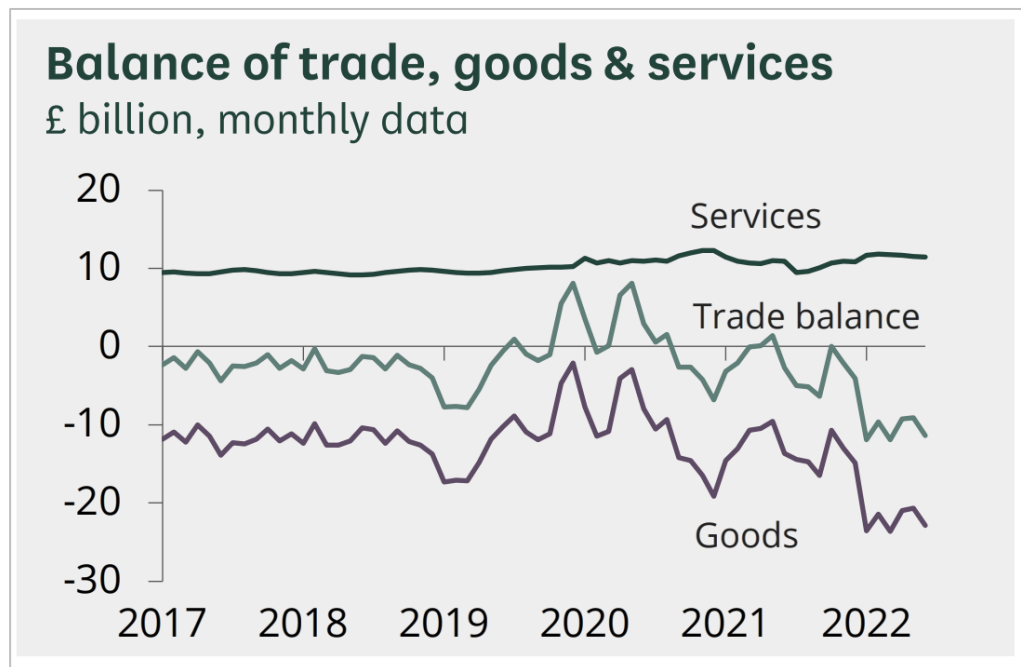
* Data rounded to the nearest thousand. As a result, column totals may not match the sum of elements.

Source: Department for International Trade

Regional comparisons of jobs supported by exports

Commentary:

- 1) East Midlands 4th lowest region out of 9 in England for FTE jobs supported by exports as a % of population
- 2) East Midlands 2nd lowest region out of 9 in England for % of all FTE jobs supported by exports
- 3) Data suggests this is an area where the East Midlands can improve and add value



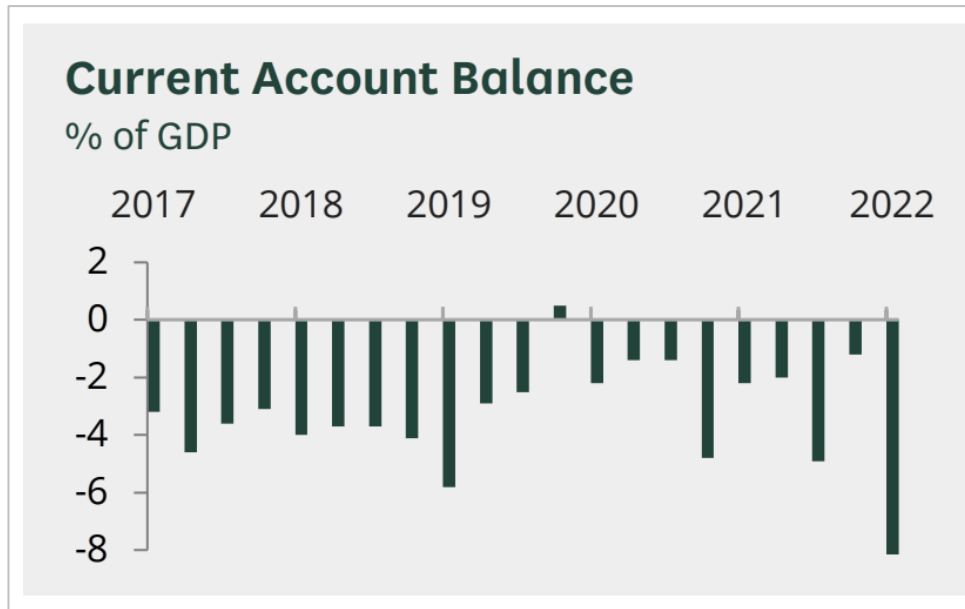
Balance of trade breakdown - UK

Commentary:

- 1) Services prop up the UK economy and have remained stable throughout Brexit and COVID – trade surplus of £127bn in 2021
- 2) The deficit goods induce is the reason the UK has a negative trade balance – trade deficit of £156bn in 2021
- 3) Services are so stable that trade balance and goods move in sync with one another

A.5 - UK Balance of trade, goods & services 2017-2022

Source: Economic Indicators - House of commons library



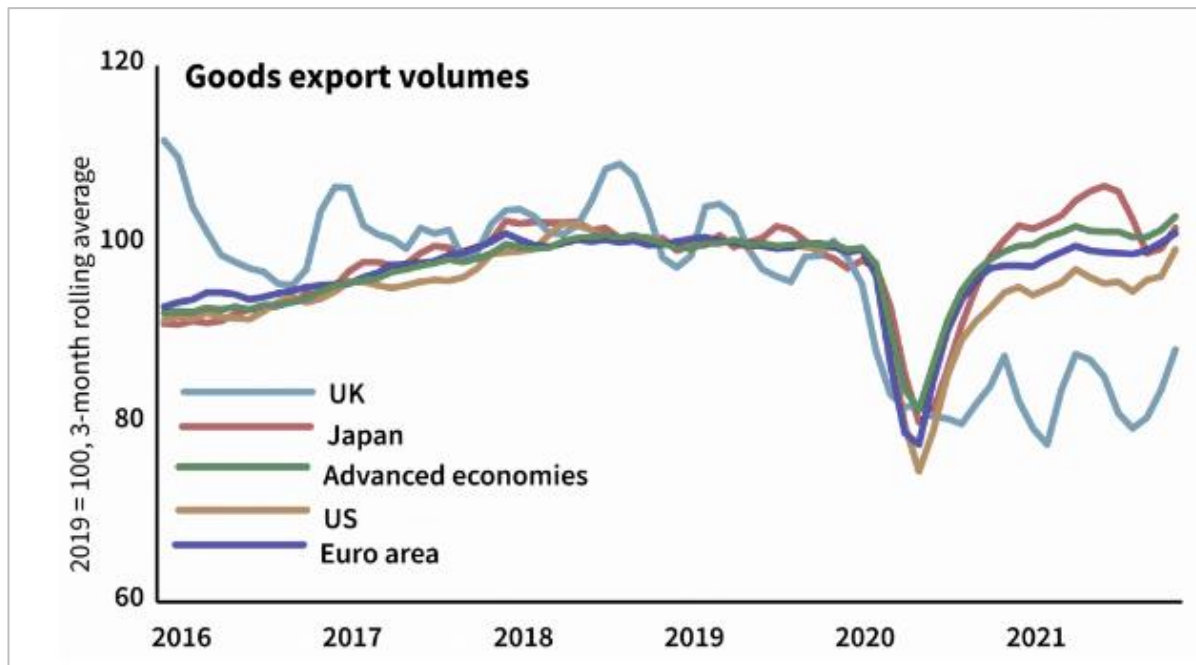
UK Trade account balance

Commentary:

- 1) The UK's exports, like many countries, have suffered greatly through the impact of COVID. Though Brexit has exacerbated the damage, especially when concerning trade deals for goods
- 2) The current account deficit was £51.7 billion in Q1 2022 (8.3% of GDP), compared with a deficit of £7.3 billion (1.2% of GDP) in Q4 2021. It seems likely the road to recovery will be long as prices for raw materials and goods continue to increase globally

A.6 - UK Current Account Balance 2017-2022

Source: Economic Indicators – House of commons library



Volume of goods exports

Commentary:

Whilst all nations suffered a similar fate due to COVID, UK goods exporting has struggled to rebound in the same way as other developed economies

A.7 - International comparison of goods export volumes, 2016-2021 (2019=100)

Source: ONS, Office for Budget Responsibility

Data Sources

All data points have been sourced from various accredited authorities concerned with local and national trade. They collate accurate and up-to-date data for different areas of the economy using datasets from the following sources:

- Lightcast – Economic Modelling
- Midlands Engine – Internationalisation Strategy
- Department for International Trade
- Economic Indicators – House of Commons library
- ONS, Office for Budget Responsibility

Some of the data has been restructured and adjusted for the benefit of the report.

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