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The East Midlands: stronger together

Diverse and resilient, the East Midlands economy is the fastest growing outside London and the South East. Challenges lie ahead but businesses here are thriving.



Sam Metcalf
Editor
TheBusinessDesk.com

In the last 10 years that I've been reporting on the East Midlands, its economy has changed almost beyond recognition. Its cities and towns have been transformed, its start-ups have gone on to create even more wealth and, perhaps most importantly, it has continuously outperformed its other regional rivals. We live in times of great uncertainty, and yet, despite this, businesses in the East Midlands continue to power on.

Times have changed. These days we're seeing unprecedented collaboration across public and private sectors.

According to a recent briefing paper*, the East Midlands was the fastest-growing economy outside of London and the South East between 2010 and 2014 (most recent figures available). Why is this? Mainly a distinct common theme: partnerships. These days we're seeing unprecedented collaboration across public and private sectors. Business leaders have learned that they can only really make the East Midlands voice heard if we work together as one – and they're delivering. So, despite Brexit looming on the horizon, I believe the East Midlands is uniquely placed to take advantage of the opportunities that will arise over the next 12 months. And how many other regions can say that?

*House of Commons: Regional & Economic Growth Statistics – August 2016.



Keith Ross
Head of Mid Corporate
Banking, East Midlands
Barclays

There is no doubt the East Midlands has both a diverse and resilient economy. The survey results featured in this report provide an overarching sentiment of continued positivity with growth and investment both a common feature as well as increased employment. However, the perceived lack of sufficiently skilled employees, the threat of a recession and, of course, the uncertainty surrounding Brexit account for a high number of responses to what poses the most significant risk to businesses over the next 12 months. We have recently seen an upward movement in inflation and as a nation we are a net importer; are we likely to 'import' further inflation should sterling remain at the current level?

The East Midlands will soon benefit from The Midlands Engine Investment Fund, a £250m 'fund of funds'.

What impact will Brexit have on the availability of EU labour moving forward and will we be able to address the skills shortage? The latter point has been a consistent and long-standing theme for business leaders for as long as I can remember. As announced in the March 2016 Budget, the East Midlands will soon benefit from The Midlands Engine Investment Fund, a £250m 'fund of funds' operating across 10 Local Economic Partnership areas. The fund will provide equity, loans and early stage/seed funding. I believe it is imperative for the continued success and growth of the region that we promote and signpost relevant businesses to the fund to ensure we have sufficient stimulus and momentum to see us through a period of potential uncertainty.

Northamptonshire: diversity reaps rewards

The future looks bright for Northamptonshire, thanks to the central location and wide range of local businesses, but skills shortages need to be addressed.



Much of the success of the Northamptonshire region is due to the diversity of its businesses. The area is fortunate to have a very good spread of industries, from agriculture, manufacturing and service to distribution and retail. There is also a mix of SMEs and larger companies, with medium-sized businesses forming the largest portion. The diversity of the business landscape in the county certainly enables the business community to achieve greater success, and the faster growth of the medium-sized companies has fuelled recruitment.

Location is of course a big factor; being in the heart of the country is greatly beneficial when attracting business to the region. The excellent road, rail and air networks allow easy transportation of goods and people to all areas of the country.

What will Brexit bring?

My feeling is that the UK will become a more export-focused country and we will have greater flexibility to develop a wider and more diverse range of trade agreements across the world, without the same level of bureaucracy that exists within the EU.

I believe Britain has a very strong reputation and both the EU and other countries will want a mutually beneficial trading relationship. There are of course challenges. My main concern is the negative impact on migration and any difficulties we find attracting the required talent. Controlled immigration is undoubtedly necessary but we need to

ensure, as part of our Brexit negotiations, that the UK can still easily attract the required people and talent it needs to enable our economy to grow and prosper.

The diversity of the business landscape in the county certainly enables the business community to achieve greater success.

As a manufacturer of commercial furniture, our biggest challenge is finding skilled labour for our upholstery department. There are no UK-based training courses or apprenticeships for such a skilled trade. We have therefore recruited a number of highly skilled and excellent workers from Eastern Europe.

With the vote to leave the EU, there is a concern about how we will attract EU talent in the future. If it becomes impossible to attract the skills we need, due to migration restrictions, then there is a real possibility that more manufacturing will be driven out of the UK.

Significant growth and development opportunities

Despite this outlook, the opportunities for us to grow and develop our business are still very significant, both within the UK and in the rest of the world. We have just acquired a business in Denmark that operates in Scandinavia, Europe, USA, China and Australia. This acquisition will allow Ocee to grow in existing and new global markets.

Northampton population: 222,462*

No. of businesses: 10,860**

Top three sectors for business**

1. Professional, scientific and technical
 2. Transport and storage (inc. postal)
 3. Construction
-

*Source: ONS Mid-Year Population Estimates 2015.

**Source: ONS Enterprise/local units by Industry and UK Local Authority District, Oct 2016.

The acquisition gives us a base and manufacturing facilities in the UK as well as in the EU; this should help us to minimise the impact of Brexit as we can choose our manufacturing site depending upon the political and economic circumstances that develop over the coming years.

I believe Britain has a very strong reputation and both the EU and other countries will want a mutually beneficial trading relationship.

Overall, I believe that Northamptonshire will continue to prosper relative to the general economy and the majority of other regions, but there is naturally a degree of uncertainty until a clear picture of the impact of Brexit is known.



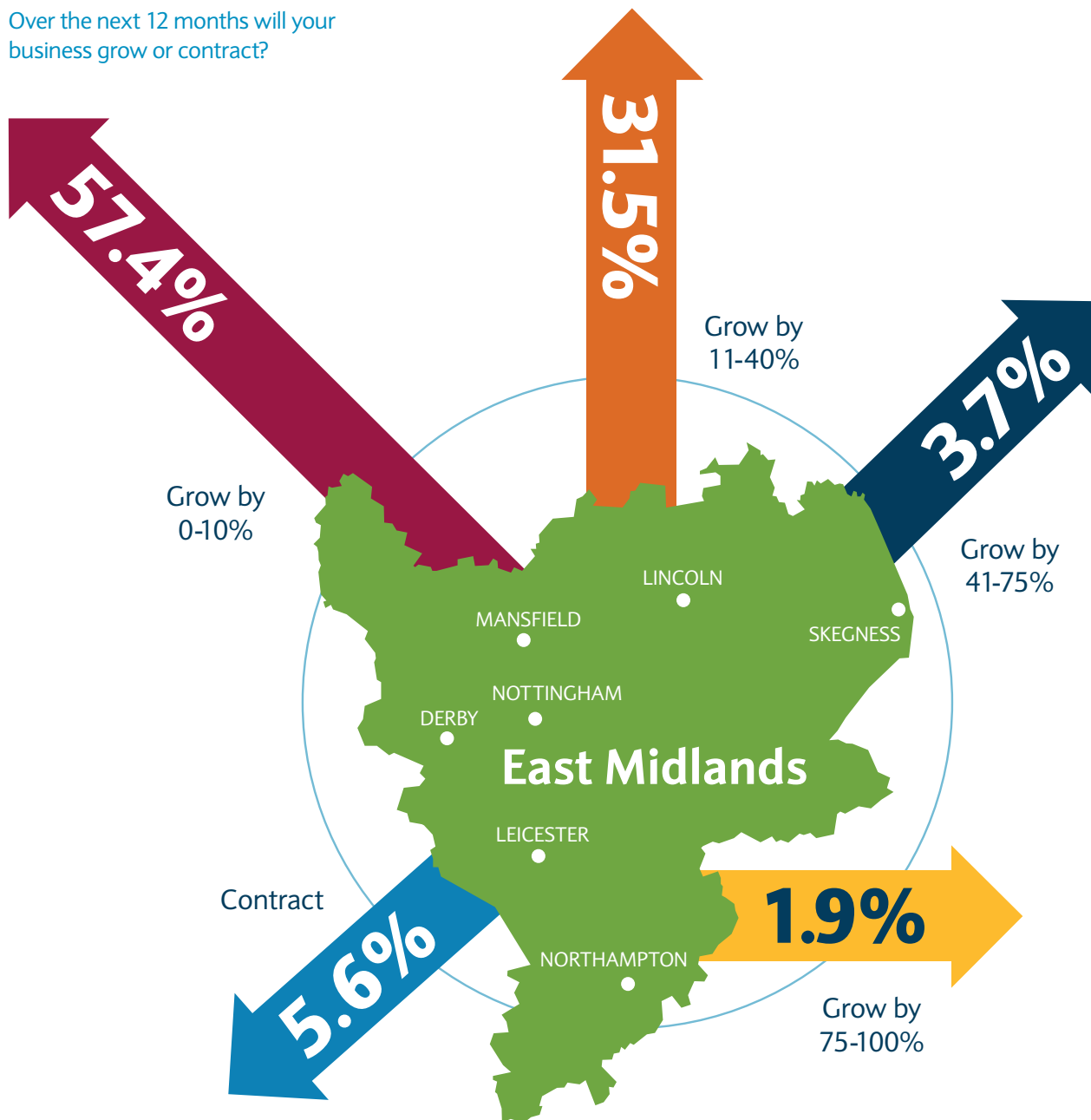
Alistair Gough
Group CEO
Ocee International

An optimistic outlook

With nearly a third of our respondents saying they hope to grow their business by up to 40% over the next year, the future looks bright for the East Midlands. Most respondents are predicting modest growth of up to 10%, but slow and steady is sometimes the best course to steer in times of economic uncertainty.

The 5.6% who say their business will contract are to be applauded for their candour, but it's refreshing to see that they remain in a tiny minority of respondents to our survey.

Over the next 12 months will your business grow or contract?



Greater Lincolnshire: bucking the national trend

With a great tradition of innovation it's no surprise this area remains ahead of the game. There's great potential for growth but businesses need to seize opportunities.



Lincoln population: 97,065*

No. of businesses: 3,585**

Top three sectors for business**

1. Retail
 2. Professional, scientific and technical
 3. Construction
-

*Source: ONS Mid-Year Population Estimates 2015.

**Source: ONS Enterprise/local units by Industry and UK Local Authority District, Oct 2016.

Greater Lincolnshire has a strong economy, and I have always been very clear that local enterprise partnerships, such as the one that I chair, can only be effective if they recognise that they have permeable boundaries. Economies do not stop at administrative boundaries – be they local authority, LEP or national. That's why I see the relationship between Greater Lincolnshire and the wider Midlands region as very important.

Excellence across the industries

Partners in the East Midlands recently produced an economic vision document and I was struck by some of its opening words: “The East Midlands will be a driving force within the 21st-century UK economy in the same way that we kick-started the Industrial Revolution. Our manufacturing industries supply the globe with technologically advanced products; our life sciences companies keep people healthy as they age; our food and drink feed the world; and our universities fuel the knowledge economy. Our cities, towns and villages are well-connected places where people want to work, live, visit and play.”

A strong economy

These words resonate with us in the Greater Lincolnshire economy, and they point to why Greater Lincolnshire continues to have a strong economy even during national and global slowdowns. Kick-starting the industrial revolution: from Sir Isaac Newton to George Boole, Lincolnshire has produced some of the world's greatest innovators.

We are continuing that tradition with innovations in machinery, processes and products. Innovation helps our economy to stay ahead of the game.

Technologically advanced products: products made in Greater Lincolnshire are sold across the globe, and through our devolution deal we have agreed a combined export plan with UK Trade and Investment. This will help us to expand markets for businesses, again helping to increase trade.

“The East Midlands will be a driving force within the 21st-century UK economy in the same way that we kick-started the Industrial Revolution.”

Keeping people healthy: Greater Lincolnshire's population is living longer, and our educational institutions, housing organisations and care businesses are all developing new approaches to supporting the population. The Greater Lincolnshire LEP has agreed a health and care sector strategy which will help us to take advantage of this new economic opportunity.

Feeding the world: Greater Lincolnshire excels in food and drink. The percentage of the nation's food that we produce is high, but what is particularly notable to me is the pace of innovation and new food products that we can see in our food production businesses. They are responding to rapidly changing market conditions.

Fuelling the knowledge economy: the number of education business partnerships in Greater Lincolnshire is high. Many of these partnerships are with the University of Lincoln or Bishop Grosseteste University, two universities within our LEP area. Our further education colleges are strongly grounded in their local community, and this helps to provide the skills that our businesses need.

Strength, innovation and skills

Places where people want to work, live, visit, and play: we are rightly proud of the quality of life in Greater Lincolnshire. It helps us to attract people to the area, both residents and investors, and this in turn helps to trigger further investment in our high streets, community facilities and visitor attractions.

The Greater Lincolnshire economy clearly has the right components to continue to grow, even in the face of future uncertainty. Strong sectors, high levels of innovation and skilled people living in a place with a good quality of life are the main building blocks for growth.

I am a member of the strategic steering group for the Midlands Engine for Growth, and I recently chaired a meeting of 80 Greater Lincolnshire businesses to help them engage in the Midlands Engine.

Looking ahead, national and local economies face a period of uncertainty, and our LEP will have an important role to play in seizing all opportunities for growth.



Ursula Lidbetter MBE

Chair of the Greater Lincolnshire
Local Enterprise Partnership

An attractive proposition

Come and join us – that's the message from East Midlands businesses to those outside of the region looking to expand. Nearly 65% of people answering our survey said they think the East Midlands is attractive to outside investors looking to grow their businesses.

Our survey should make happy reading for inward investment chiefs who will notice that less than 5% of respondents say they think the region doesn't cut it when trying to attract new businesses to the area.

Do you believe the East Midlands is attractive to inward investment?

Disagree
4.9%

Strongly Agree
29.3%

Not sure
31.7%

Agree
34.1%

Everything pointing in the right direction: towards Leicestershire and wider East Midlands

This is an area on the up, with those living and working here enjoying a growing sense of civic pride. Exciting investment is leading to increased employment.



Leicester population: 342,627*

No. of businesses: 13,085**

Top three sectors for business**

1. Retail
 2. Professional, scientific and technical
 3. Production
-

*Source: ONS Mid-Year Population Estimates 2015.

**Source: ONS Enterprise/local units by Industry and UK Local Authority District, Oct 2016.

We should be celebrating the fact that the East Midlands economy is powering ahead in comparison to other regions in the UK, and the supporting evidence is compelling.

Employment figures in the East Midlands continue to rise while other regions suffer, and business start-up rates are looking skyward. In short: it all feels very healthy to me, and the reasons for this are myriad.

The foundations are in place

No one sector dominates in the East Midlands as the region has a very diverse economy with a good variety of companies, including food and drink, manufacturing, retail and property development. We've got a countercyclical economy; so when one sector is doing badly, another one – or more – tends to be doing well.

Furthermore, the programmes to improve the skills gap are without doubt in a much better place than they were just a few short years ago. This is largely due to the world-class universities that we have in the region that each produce graduates with different skills.

My clients would probably tell you that the skills gap still remains, but they'd also tell you that it's getting smaller. Lastly, there's the location. The East Midlands' central location means it can attract the best people from across the UK.

Leicester's feel-good factor

Of all the East Midlands cities, there is no doubt that Leicester has the feel-good factor at the moment, mainly because of Leicester City's exploits and because of the Richard III find. There's a palpable sense of civic pride about the city that simply hasn't been seen in recent years. This has been mirrored in some major inward investment stories with the likes of Hastings, Mattioli Woods and IBM investing in the city centre.

The centrally-located East Midlands can attract the best people from across the UK.

Of course, challenges remain. The Brexit vote was a shock for many business owners, but I don't think we've had enough time to judge whether it has hit business confidence just yet. For manufacturers across the East Midlands who are exporting a weaker pound, it is good news, and there is no danger of the EU walking away from the UK in the short term. It is, as they say, still early days.

The Midlands Engine project

A counterbalance to the potential challenges of Brexit are the opportunities presented by the Midlands Engine project. From the outset there were concerns in the East Midlands that the Midlands Engine would be too Birmingham-centric if the East Midlands didn't get its act together.

However, Birmingham should be seen as an asset for the whole of the Midlands and not as a threat that will drag investment away from our towns and cities.

The D2N2 LEP has published a wish-list of what it would like from the Midlands Engine – although we’re yet to see that from the Leicester and Leicestershire LEP. There is a vital balance to be had between promoting the Midlands as a whole and holding out for our own more localised economies.

Unlike other regions, East Midlands’ employment continues to rise, and business start-up rates are looking skyward.

Overall, I’m cautiously optimistic about the future. At the beginning of the year everything seemed to be pointing in the right direction, and then we all know what happened next... However, no-one really knows what the full effect of the government invoking Article 50 will be.

Heading in the right direction

I believe the East Midlands economy is in a better place than it was in 2008, before the recession. The banks have balanced their books and money is cheap – and available – for investment and M&A activity. The future might be unclear, but we’re heading in the right direction.



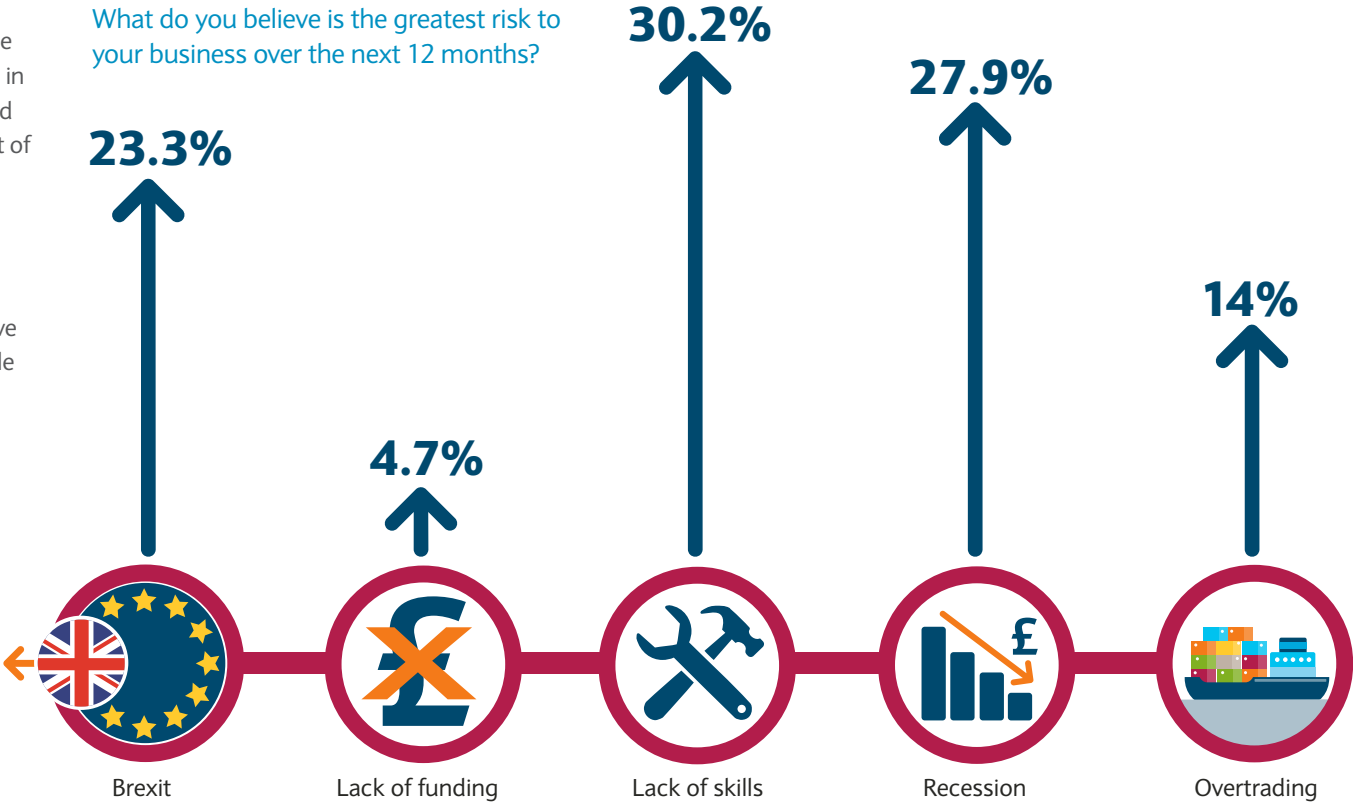
Ian Borley
East Midlands
Senior Partner
KPMG

What challenges lie ahead?

Maybe Brexit isn’t such a big deal after all? The biggest challenge facing East Midlands business appears to be the thorny old issue of skills. The skills gap is something that most business owners at best acknowledge, at worst think successive governments have ignored, and so it’s hardly surprising it beats recession and Brexit into second and third place.

It’s heartening to see that business owners appear to be receiving the funding they need to grow their organisations, with less than 5% complaining that it presents a risk to the well-being of their company.

What do you believe is the greatest risk to your business over the next 12 months?



Nottingham: the complete city

Increasing co-operation between the public, private and education sectors has contributed to the city surpassing growth targets, with exciting future prospects.



Nottingham population: 318,901*

No. of businesses: 11,100**

Top three sectors for business**

1. Professional, scientific and technical
2. Retail
3. Health

*Source: ONS Mid-Year Population Estimates 2015.

**Source: ONS Enterprise/local units by Industry and UK Local Authority District, Oct 2016.

In recent years Nottingham has quietly been pulling significantly more than its own weight in its contributions to business, science and the arts. The city suffered as much as any following the 2008 recession and the Queen of the East Midlands seemed to lose her shine; but clever economic management and well-placed investment have driven Nottingham forward into a positive and lucrative future.

The city has much to boast about. First up is the Nottingham Creative Quarter – an area where life sciences, creative and digital industries, social enterprise and independent retail and leisure thrive. Known as Nottingham’s ‘incubator without walls’, the CQ initiative has transformed the area that was formerly home to the world’s largest lace industry into a catalyst for the city’s economic recovery and growth.

Leading the way

Since the Creative Quarter’s conception in 2013, it has placed Nottingham among the UK’s top 10 best cities to start a business and happiest places to work. In fact, 10% of Creative England’s top companies are in the Creative Quarter.

Paul Southby, chairman of Marketing Nottingham and Nottinghamshire (MN&N), the new place marketing organisation, says that the Creative Quarter has undoubtedly boosted the city’s confidence.

“We are seeing businesses set up here, and those businesses attract others, or businesses in the supply chain within those sectors such as digital and creative, for example.

There is a virtuous circle in which you have a chain of businesses all thriving from one another’s success,” he says.

“Another key driver behind Nottingham’s burgeoning success story is the good working atmosphere between local authorities and business, helped by the universities.

Clever economic management and well-placed investment have driven Nottingham forward into a positive and lucrative future.

“Both our universities are playing their part in terms of contributing to the city’s success.” Coming out of the Creative Quarter is Nottingham’s greatest contribution to the science community; BioCity, established in Nottingham in 2003, was one of the first bioscience incubators in the UK, and remains the largest. It offers state-of-the-art laboratories, commercial office space to let or rent, and business support and services to early stage companies in the life sciences sector.

International credibility and prestige

BioCity has collaborated with the Walgreen Boots Alliance to form the company’s Medical counterpart, MediCity. The first MediCity facility opened in early 2014 and already has more than 38 companies within its community. BioCity and MediCity garner international credibility and prestige, putting Nottingham on the map as a global centre for cutting-edge scientific research, says Tim Garratt, MD of leading regional property agents Innes England.

“Nottingham’s key sectors are undoubtedly biosciences, med-tech, health and wellbeing. The Boots Enterprise Zone will focus on this,” he added. “MediCity has been a project with massive success, with many of the occupiers providing goods to the Walgreen Boots Alliance retail chain. Across the city, the cranes were seen over the biosciences building – the Biocity extension, which is a cast iron measure of the success of this sector in Nottingham.”

Great quality both of life and transport

Nottingham has a quality of life to rival any city in the UK, boasting low travel-to-work times, low living costs and affordable housing, he says. Brexit may or may not have an impact on greater Nottingham – but whatever happens, we are well serviced by great transport.

“East Midlands Airport, Midland Mainline, the M1 – are all vital to ensure we keep close to Europe. Whether we get HS2, or an upgrade of the current line, is something that will reveal itself over the next few years,” adds Tim.

It’s also clear, says David Ralph of D2N2, the local enterprise partnership, that the A453 and the tram have had a hugely positive effect on bringing businesses – and people – to Nottingham. It’s evident that Greater Nottingham is the fastest-growing city region LEP in the country.

Smart and savvy

“The story is that Nottinghamshire is going way above its targets. For example, we said we would create 55,000 more jobs in the county over 10 years – and we have gone way above that,” says David. “Nottinghamshire is ‘smart and savvy’ and it’s attracting those people who want that offer and the greater urban area is looking strong.”

Top choice

One of these companies is financial services heavyweight NOW: Pensions. The business had looked nationally and internationally at suitable cities to base their next office. NOW: Pensions drew up a list of countries, and then narrowed its choice to the UK. NOW: Pensions then devised a score chart which looked at aspects of each city – from commercial decision, through to resources and staffing. Nottingham pipped Bristol at the post in the final two – and in November 2015 the company opened its offices in Park Row. There are now 100 staff there, with another 30 new recruits starting soon. 95% of those people are from Nottingham.

“We wanted to make sure the location fitted us as a business. The cultural fit was really important,” says Neil Briddock, director of client services.

Strong economic growth and quantifiable pleasures such as house prices and travel times are reason enough to come; the overflowing tides of culture and sheer friendliness of its people are reason enough to stay.



Lorraine Baggs
Marketing Nottingham and
Nottinghamshire

The importance of confidence

Confidence is king if a business is to grow, and that’s what our survey reiterates. 60% of business owners in the East Midlands need to be sure they have a clear economic road ahead so that they can go about the task of powering forward the region’s economy.

Access to finance and advice seems to be well-provided in the East Midlands, while a good proportion of business owners are still looking for higher quality staff to take their business forward over the next 12 months.

What do you need to assist your business to achieve its aspirations over the next 12 months?



Derby: win with winners

This is an optimistic environment – business owners are not afraid to invest for growth. By spearheading technological innovations the area is attracting interest.



Derby population: 254,251*

No. of businesses: 8,990**

Top three sectors for business**

1. Professional, scientific and technical
2. Retail
3. Construction

*Source: ONS Mid-Year Population Estimates 2015.

**Source: ONS Enterprise/local units by Industry and UK Local Authority District, Oct 2016.

There's no doubt that in the East Midlands we've quietly gone about establishing ourselves as one of the most successful economies outside of London. The region has become THE place in the UK to set up a business – and make it not only survive – but thrive.

Why is this? We're well prepared, I think. Businesses in the region take a measured view of the noise from London and take stock, keep our heads down and make things happen. We're not over the top, but neither are we scared to shout about our successes – and there have been many companies in the East Midlands, despite London, politicians and Brexit, that have started growing again.

An engine of growth

My business is in high performance manufacturing, and it is this sector which is driving the Midlands Engine – mainly through smaller and medium-sized companies. Yes, bigger players such as JLR and Rolls-Royce play a part, but they are here due to the DNA that drives the cultural behaviours in the first place. We're very good at dealing with the data, taking a view and carrying on.

Of course there are hidden dangers around every corner, and it remains to be seen how the Brexit vote will actually affect our industry, and the wider city and county. But we will skilfully deal with the challenges of Brexit when we know them.

Ready, steady, grow

I see our main challenges as growth... and the main opportunities are also growth. We're ready to go but we need brave customers who will partner us to help us grow. What is changing is that the enquiries from the rest of the world are suddenly threefold. So, if UK companies don't take on our values, vision, know-how and technology, others now seemingly will.

Businesses in the region take a measured view of the noise from London and take stock, keep our heads down and make things happen.

We wouldn't base ourselves anywhere else but in Derby. It's central, it's close to home and it has a lot to offer. Derby as a city is also upbeat; you can bounce off others whose glasses are also half full, not half empty. You can then be straight into Derbyshire for downtime and a lot of staff we're bringing into epm, from outside Derby and Derbyshire are also enjoying this. We tell them: Win with winners!

The Midlands Engine is an interesting project. Derby has a huge part to play in this, and we do need to make ourselves heard in Westminster.

I would ask government to do these things: keep the roads open, keep the power on and let business leaders do their jobs to take risks and make things happen. The rest will then follow: stronger economy, skills growth and improved job security.

Heading into new horizons

Therefore, we see a bright future for high performance engineering globally from Derby. It's a smart future. An exciting time where a company like mine blends customer needs with our own capabilities seamlessly, in partnership with customers.

Our future will see epm investing more and more to ensure we have the facilities, equipment and skills required to be the best, even world-class; inspired by an in-house culture to nurture talent and develop our own team through apprenticeships and our academy, training engineers of the future.

From our purpose-built, 60,000 sq. ft. technology centre based in Derby – the UK capital for innovation – we continue to engage with the best customers, use the most up-to-date equipment and proven systems to design and certify parts, assemblies and sub-systems that are fit for flight and tested on the race track to win. We simply make things happen and enjoy winning with winners.



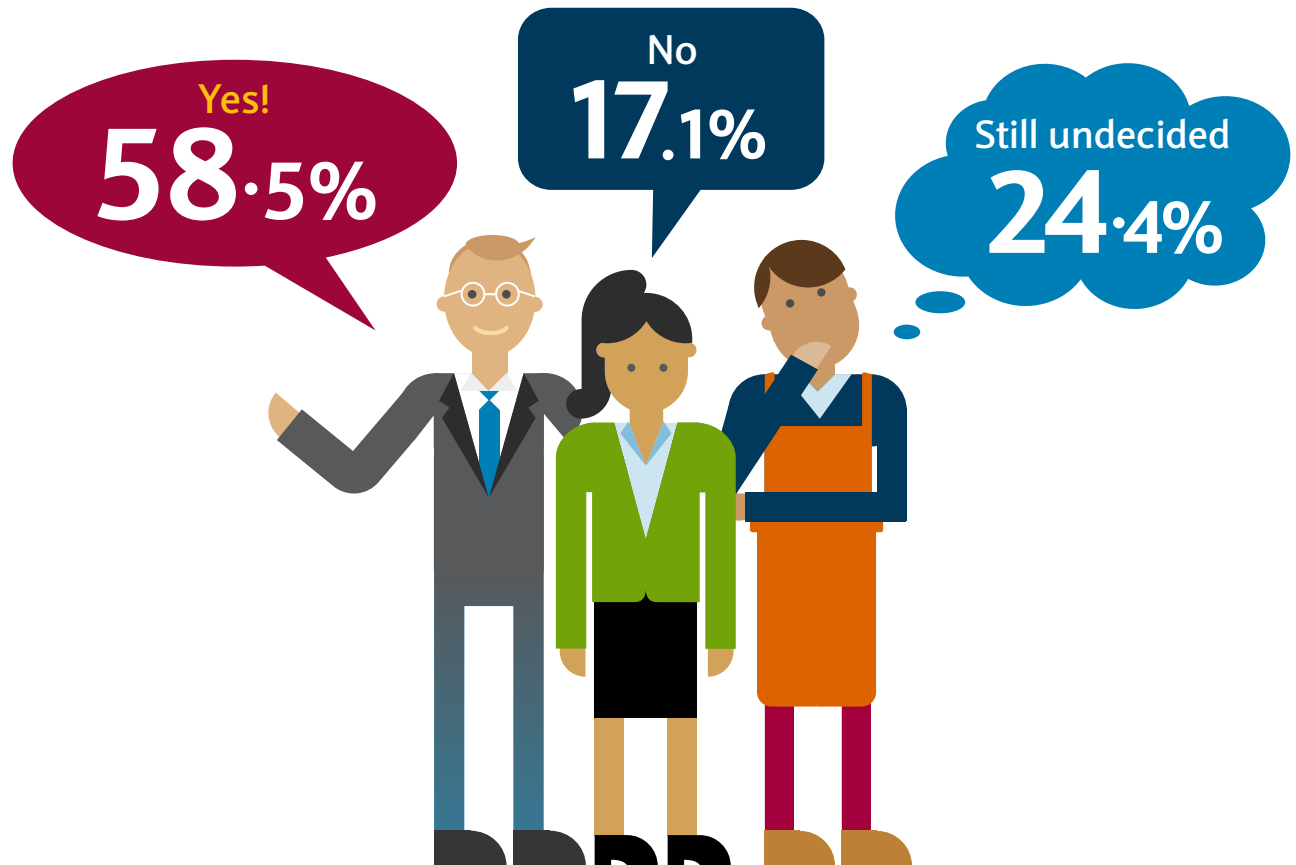
Graham Mulholland
Chief Executive
epm:technology

Always looking forward

East Midlands business owners are going for it. They want to invest, and they want their businesses to grow – this much is clear. Nearly 60% of our survey respondents say they plan to make some kind of investment in their business over the next 12 months – with only 17% saying they won't.

If there's one thing East Midlands businesses have learned since the last recession, it's that standing still is not an option – our figures bear that out.

Do you have any plans to make new investment in your business over the coming 12 months?



Key takeaways

- With a huge diversity of businesses across the region, both in terms of industry and size, there's plenty of opportunity for growth to flourish
- Business leaders throughout the East Midlands are concerned about the skills gap but the situation is improving, thanks, in part, to up-and-coming talent from world-class universities in the area
- The East Midlands was a key driver of the Industrial Revolution and now has the chance to innovate in the technology, health, food, creative sectors and more
- Collaboration is a key strength of businesses in the area. Those who work closely with local government and industry bodies in the region are reaping the rewards
- The East Midlands is well placed to outperform other regions, weathering uncertainty over possible recession and the impact of Brexit.

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