



HUMBER LEVELLING UP STUDY BUSINESS TRADE SURVEY RESULTS

**A Report for Hull and East Yorkshire
Local Enterprise Partnership
(HEY LEP)**



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1. INTRODUCTION

This section analyses a survey conducted with 119 businesses from the Humber region in February and March 2021. It explores export propensity, key markets and future expectations. Target markets and business preparedness for the EU Exit since the announcement of the EU-UK Trade and Cooperation Agreement (T&CA), implications of the deal, support requirements and future trade priorities are also investigated. Interest in the new Free Trade Agreements and the Humber Freeport are considered. The report concludes with a review of business support requirements.

A total of 119 firms from the Humber were interviewed. Local priority sectors were prioritised including:

- Engineering and Manufacturing
- Food
- Port and Logistics
- Chemicals
- Energy
- Digital and Creative

Annex 1 provides a breakdown of the characteristics of firms surveyed, including number of employees, turnover, ownership and local authority area.

Of the 119 firms interviewed, 23% were female-led, with a slightly higher proportion of female-led North Bank businesses at 25%, relative to 16% on the South Bank.

HEADLINES

Of the 119 Humber businesses who trade internationally or were actively considering doing so:

- 40% described themselves as 'serial exporters' (that is, exporting was very important for their business). Size is a material factor in propensity to export, with medium and large firms being more likely to consider exporting as extremely important or important.
- By sector, ports and logistics, chemicals and food have the highest proportion of businesses for whom more than quarter of their turnover is export-dependent.
- Just over a quarter (26%) said the value of their exports would increase by more than 10% over the next 12 months. Larger and foreign-owned firms are more optimistic about their prospects.
- 31% of companies have already increased (15%) or are actively considering increasing (16%) their trade with non-EU market partners due to the EU Exit.
- Over the next year, 31% of businesses think their trade with the EU will increase significantly by more than 10% (5%) or up to 10% (24%) compared to 2020 levels.
- Nearly three-quarters (74%) of businesses are managing the new UK-EU trading relationship very well (16%), well (21%) or adequately (37%). There are more businesses managing the new

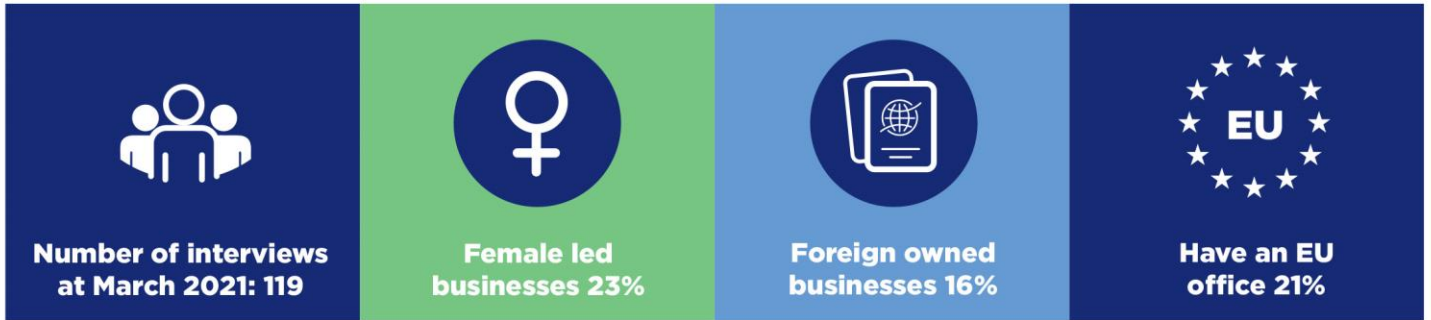
agreement well than poorly, while larger firms and certain sectors have fared better (the Chemicals, Ports and Logistics and Energy sectors).

- 34% would consider investing in the Humber Freeport and/or Enterprise Zones now or in the future. There is more interest in Food and Energy/Renewables and larger firms.
- 44% think the impact of the new Free Trade Agreements will be positive, but 42% don't know what they are, or the impact will be. Engineering and Manufacture and the Digital and Food sectors showed the most active interest.
- The top five challenges in the coming year are adjusting to Brexit (82%), the economic climate (69%), supply chain disruptions (69%), responding to Covid-19 (67%) and coping with increased demand (56%).
- The top five current international trade markets are Western Europe (86%), Eastern Europe (61%), the Nordics (58%), North America (34%) and Australia/New Zealand (29%).
- The top five target markets are India (38%), Australia/New Zealand (32%), North America (32%), Japan/South Korea (32%) and South America (31%).
- 21% of businesses need help with introductions to customers and contacts abroad to secure access to new markets. Some 15% need peer-to-peer networks with companies in similar areas of interest, whilst 14% would like access to sector specialists.
- Online tools are the most useful support avenue for businesses, followed by meetings, information events and articles or videos.

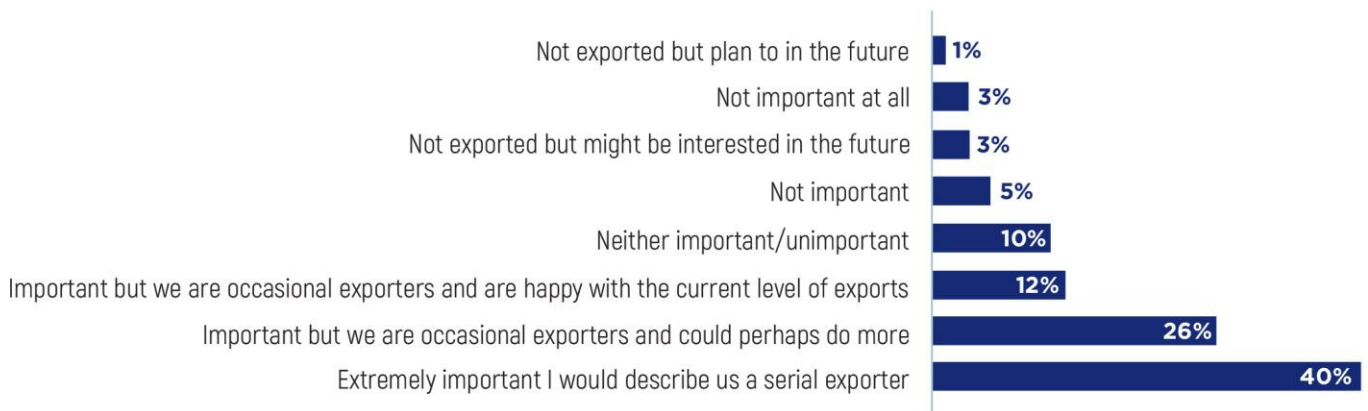
An infographic of the headlines appears overleaf.

Levelling Up Study - Survey Headlines

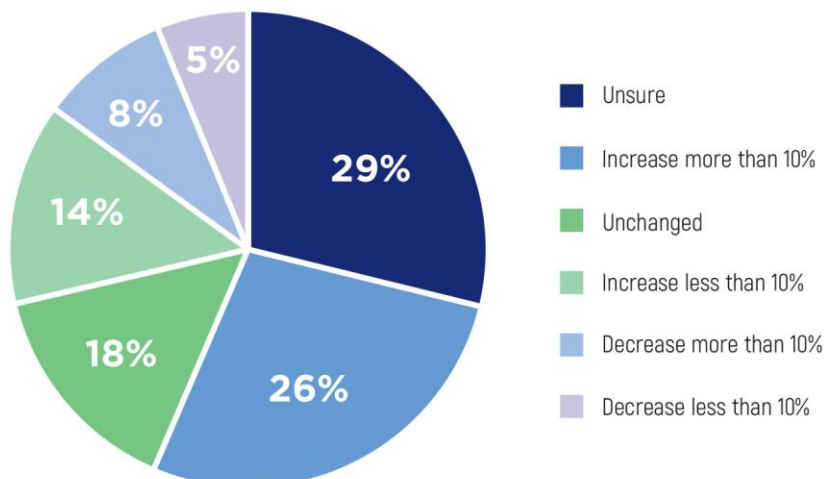
Export propensity and characteristics



How important is exporting to your company?



How the value of your exports might change over next 12 months



Markets



Top 5 current markets

W. Europe (86%), E. Europe (61%), Nordics (58%), N. America (34%), Aus/NZ (29%)



Top 5 target markets

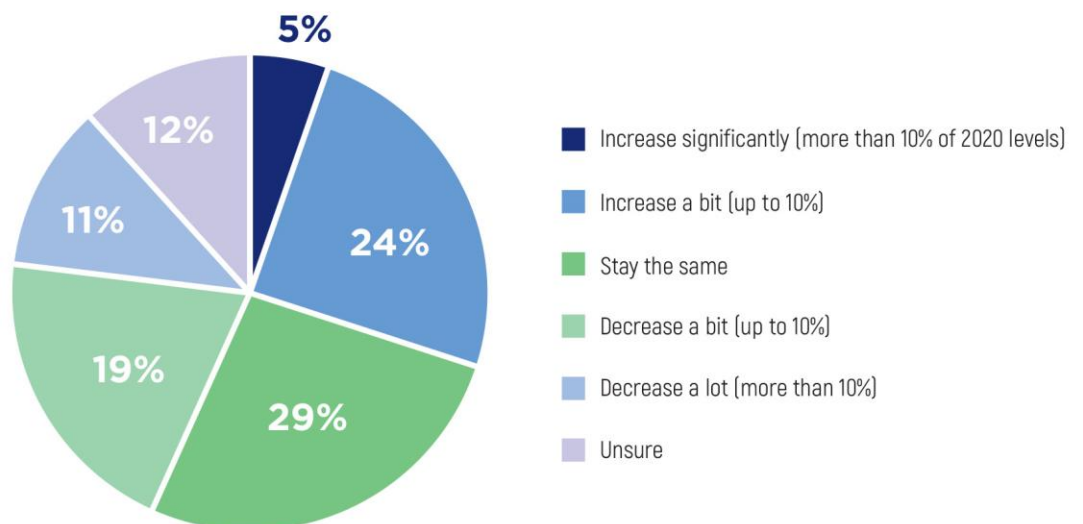
India (38%), Aus/NZ (32%), N. America (32%), Japan/S. Korea (32%), S. America (31%)

Would you consider increasing your trade with existing non-EU market partners as a result of the EU Exit?



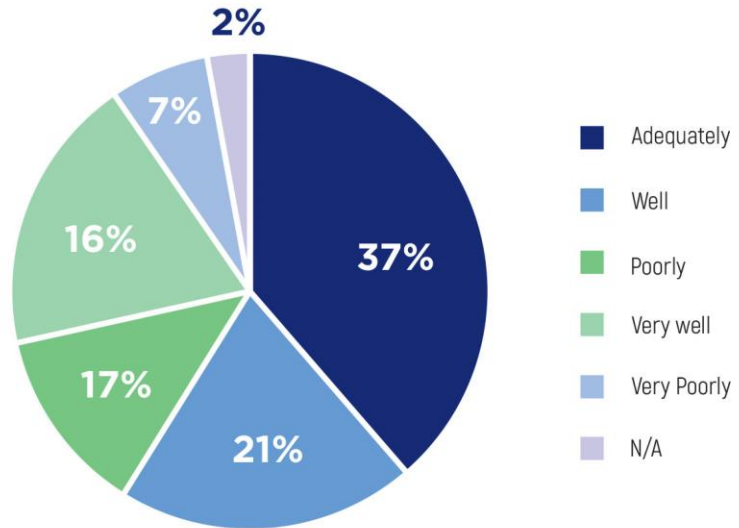
Changes to EU trade over the next year

Over the next year, how do you think your trade with the EU will change compared to 2020?



Prospects and support

How well are you managing with the new UK-EU trading relationship?



Top 5 challenges in coming year

Adjusting to Brexit (82%),
The economic climate (69%),
Supply chain disruptions (69%),
Responding to Covid-19 (67%),
Coping with increased demand (56%)

Impact of FTAs

Positive (44%),
Negative (14%),
Don't know or what's an FTA (42%)

34% would consider investing in the Humber Freeport and or Enterprise Zones now or in the future



Top 4 sources of support required

Introductions to customers/contacts abroad (17%)
Workshops/networking (15%)
Free face to face support (13%)
Access to sector specialists (12%)

Top 3 formats for advice re exporting

Online tools (44%),
Meetings (13%),
Info events (9%),

57% require no further support

2. EXPORT PROPENSITY

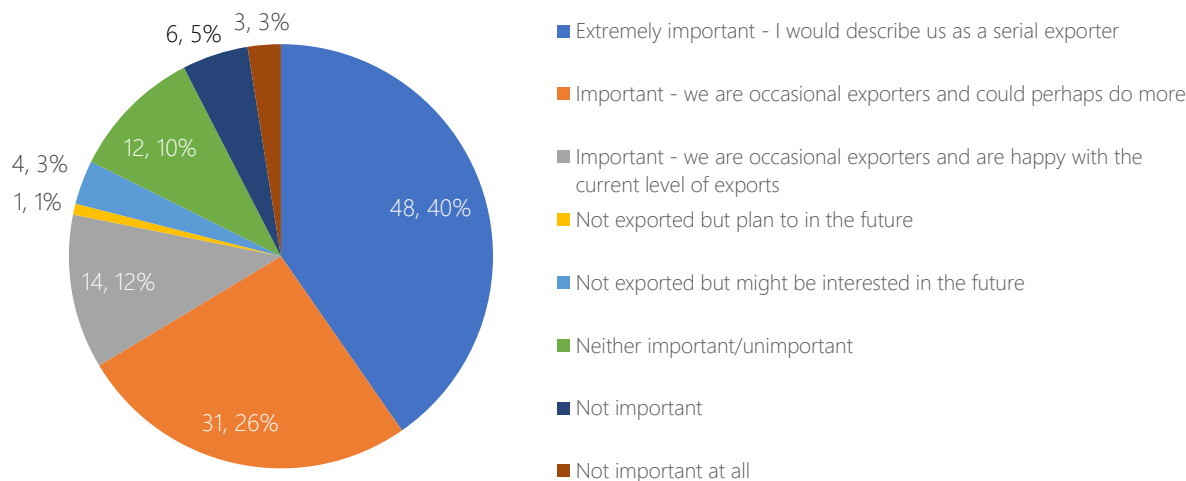
This chapter looks at export propensity. Analysis of the responses shows that 40% of companies see exporting as extremely important ('serial exporters'). Certain sectors are more inclined to export (Ports and Logistics, Food and Manufacturing). Size is a material factor in propensity to export, with medium and large firms more likely to consider exporting as extremely important or important.

2.1 EXPORT PROPENSITY

EXPORT IMPORTANCE

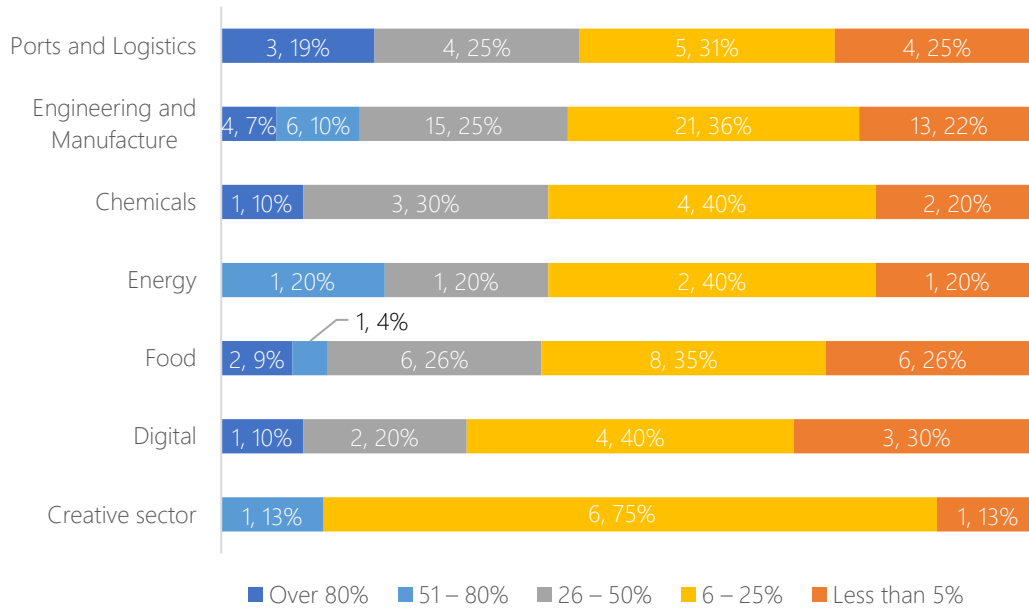
All interviewed businesses were exporters or thinking about exporting. Of these, 40% see exporting as extremely important to their companies. Some 26% consider themselves occasional exporters but could perhaps do more, whilst 12% are occasional exporters who are happy with their current level of exports. One per cent don't export currently but intend to, 3% may be interested in future exporting and 10% consider exporting to be neither important nor unimportant. A total of 8% of companies consider exporting to be not important or not important at all. Although the numbers are small, it appears that the South Bank has fewer occasional exporters and more serial exporters.

How important is exporting to your company?



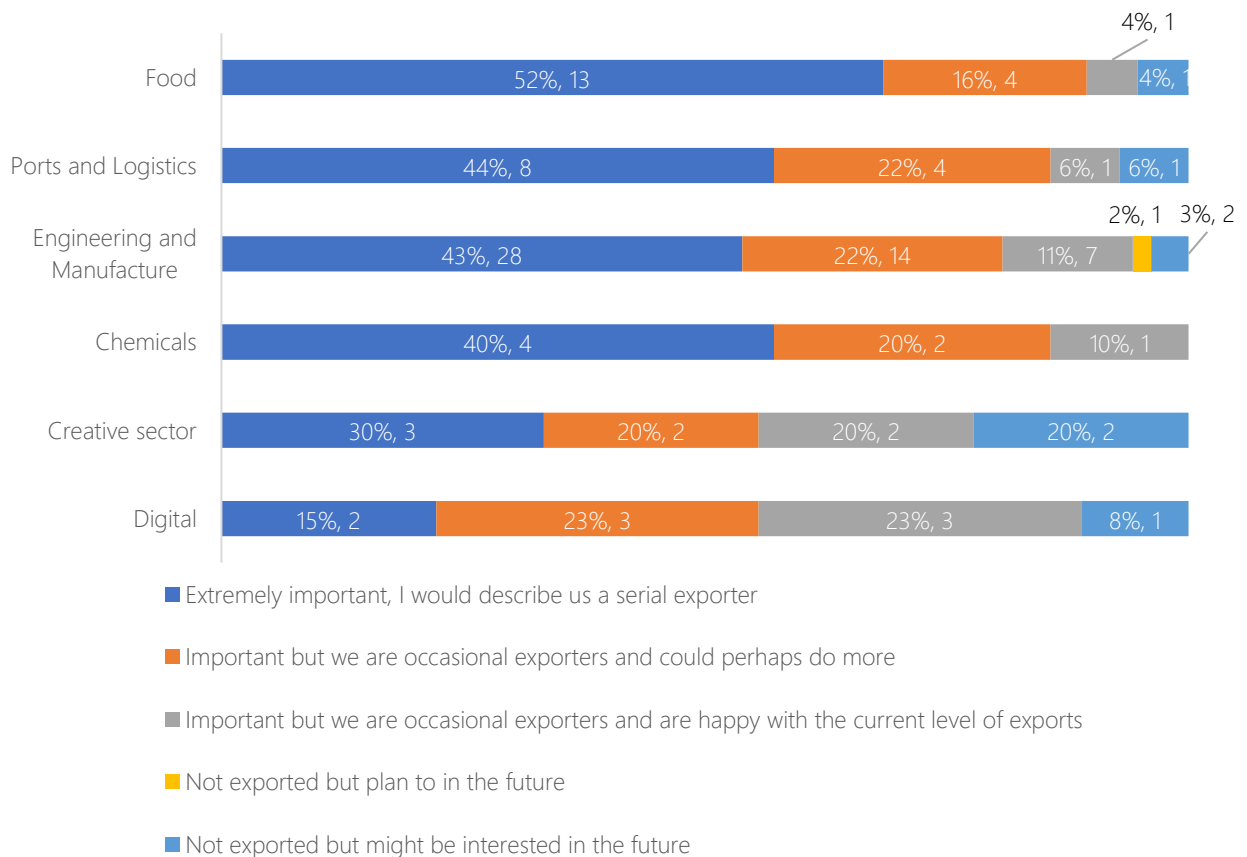
Breaking down overseas exports by sector, ports and logistics, chemicals and food have the highest proportion of businesses for whom more than a quarter of their turnover is export-dependent. The creative sector has the lowest proportion.

Overseas export activity by sector



BY SECTOR

How important is exporting to your company?

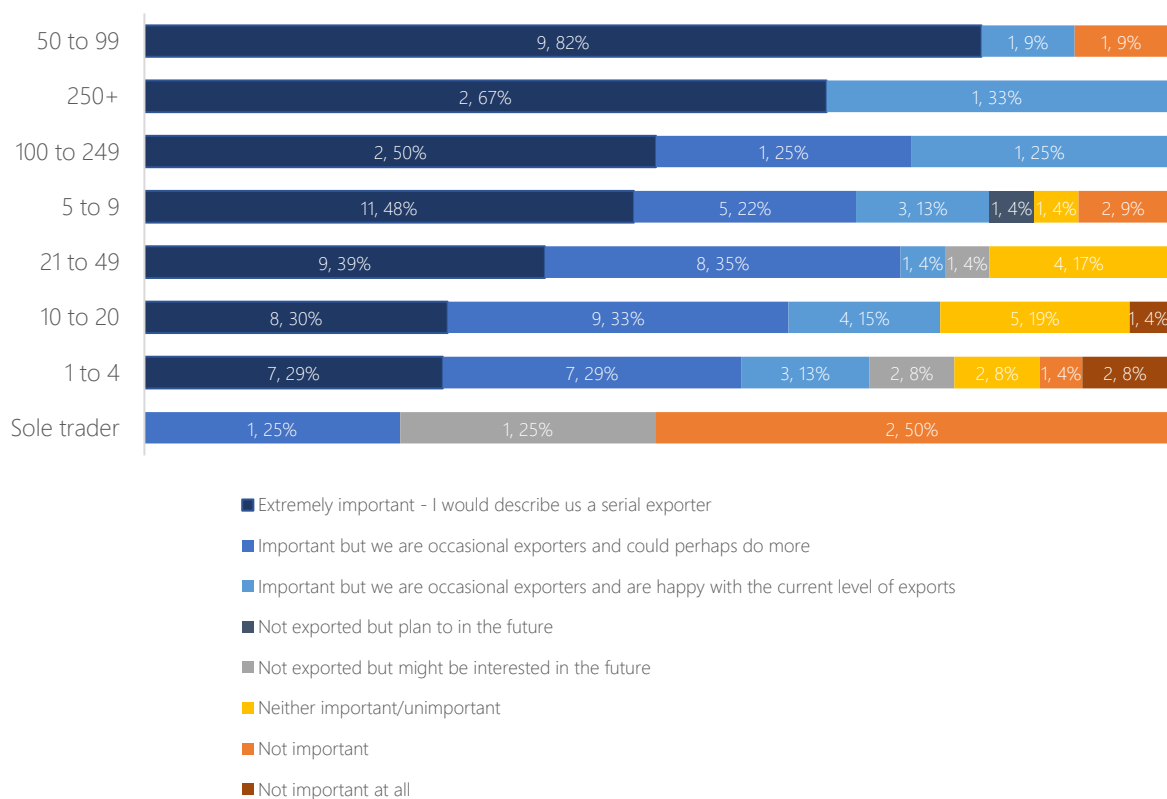


Exporting is most important to food companies, with 52% considering themselves serial exporters and 16% considering export important and wanting to do more. Exporting is also important to Ports and Logistics (44% and 22%) and Engineering and Manufacture (43%, 22%). Only 15% of digital companies considered themselves serial exporters, with 23% occasional exporters wanting to do more.

BY SIZE OF COMPANY

Looking at export importance by size of company, there is a clear difference between the largest and smallest companies – medium-sized to large businesses are much more likely to be serial exporters. No sole trader rated export as extremely important and only 29% of businesses with one to four employees did so, whilst 50% of businesses with 100 to 249 employees, 67% with 250+ and 82% with 50 to 99 considered exporting extremely important. No business with more than 50 employees has not exported, whilst a quarter of sole traders have not exported but may be interested. The remaining half of sole traders – not shown on the chart – have never exported and do not intend to.

How important is exporting to your company?



3. MARKETS

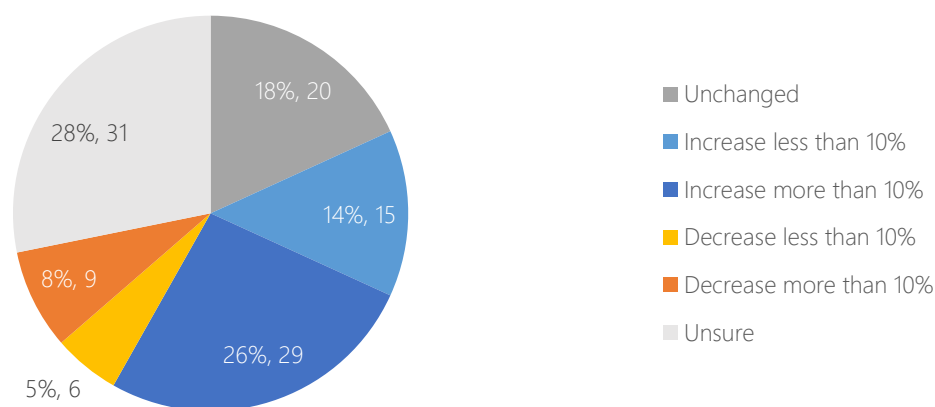
Three times the proportion of businesses expect exports to increase (40%) rather than decrease (13%). Some 18% expect not to change, while 28% are unsure, reflecting a general uncertainty. Larger and foreign-owned firms are more optimistic about their prospects. Reliance on Western and Eastern European markets is evident for current exports. However, firms also have their sights on markets much further afield including India, North America, Australia/New Zealand and Japan/South Korea.

There is evidence of some low carbon expertise export in current markets and potential, for instance, in recycling. The big challenges over the next 12 months are adjusting to Brexit, supply chain disruptions, the economic climate and Covid-19.

3.1 FUTURE EXPECTATIONS

Expectations regarding exports in the next 12 months were mixed, with 18% of businesses expecting no change. Four in ten businesses expect an increase – 26% expect an increase of more than 10 and 14% expect an increase of less than 10%. A total of 13% are expecting some form of decrease (5% less than 10% and 8% a decrease of more than 10%). Some 28% of respondents were unsure, reflecting the general uncertainty surrounding exports.

How do you think the value of your exports might change over the next 12 months?

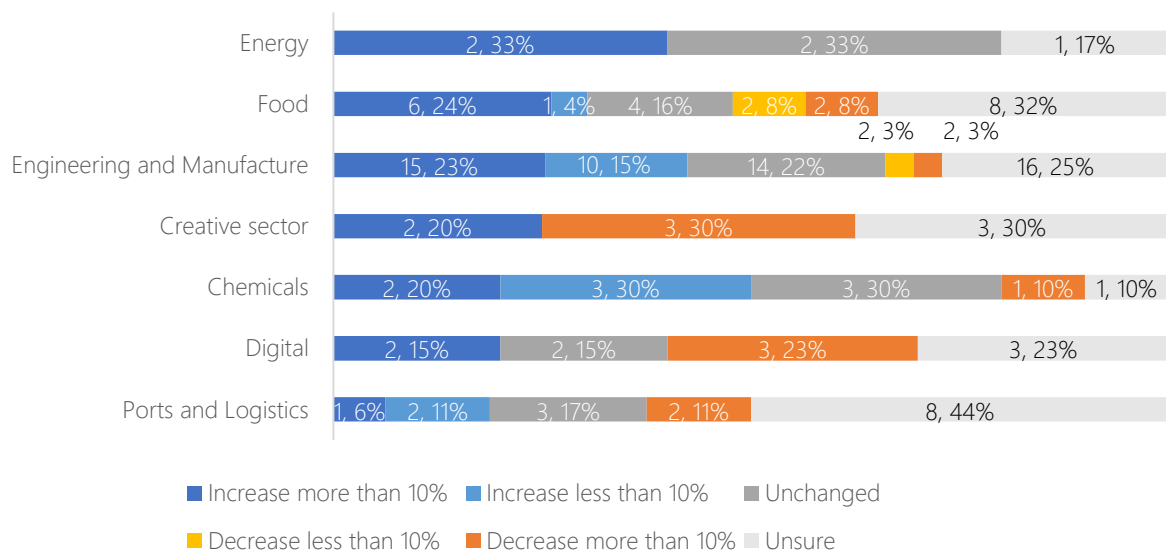


BY SECTOR

By sector, businesses in the Chemicals industry had the highest positive expectations of exports in the next 12 months, with 20% expecting an increase of more than 10% and 30% expecting an increase of less than 10%. Energy and Food businesses had the highest expectations of an increase of more than 10%, at 33% and 24% respectively. Creative businesses had the highest expectations of a decrease in

exports, with 30% expecting a decrease of more than 10% and another 30% being unsure. Ports and Logistics companies were the most unsure, with 44% being uncertain of how their exports will change. This may reflect the wider uncertainty in 2020 and 2021 surrounding transport and logistics.

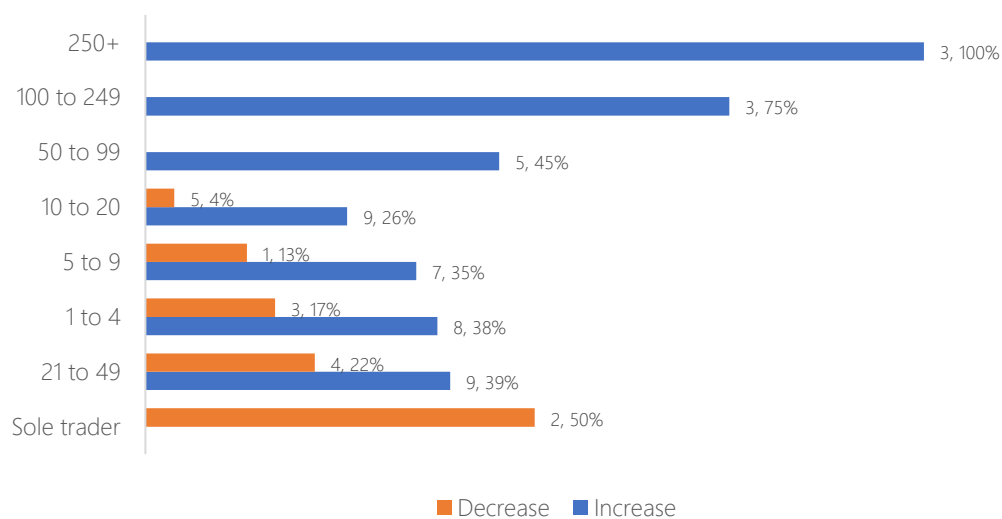
How do you think the value of your exports might change over the next 12 months?



BY SIZE

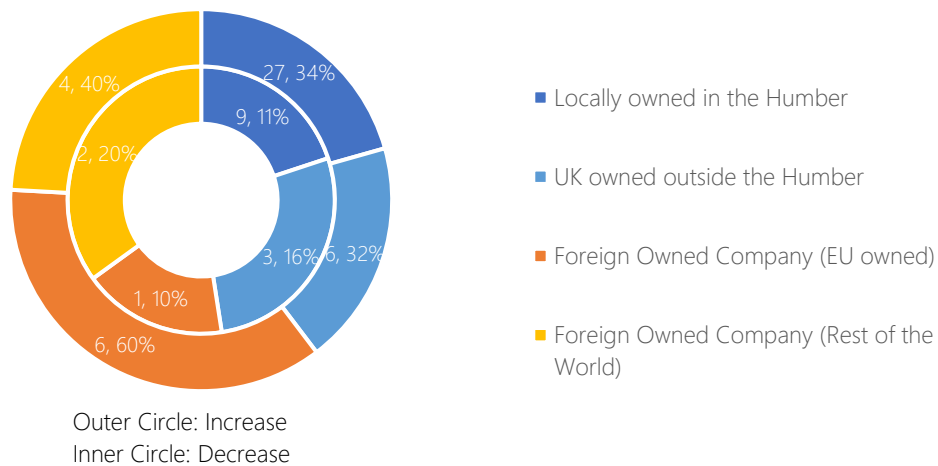
In terms of company size, there is a clear distinction between larger and smaller businesses. Of businesses with more than 250 employees, 100% expected an increase in the value of their exports, whilst 50% of sole traders expected a decrease, with the remainder unsure.

How do you think the value of your exports might change over the next 12 months?



Foreign-owned companies also had higher expectations for the value of their exports, with 60% of EU-owned companies and 40% of non-EU foreign-owned companies expecting an increase in exports, whilst only 34% of Humber-owned and 32% of UK non-Humber owned companies were expecting an increase.

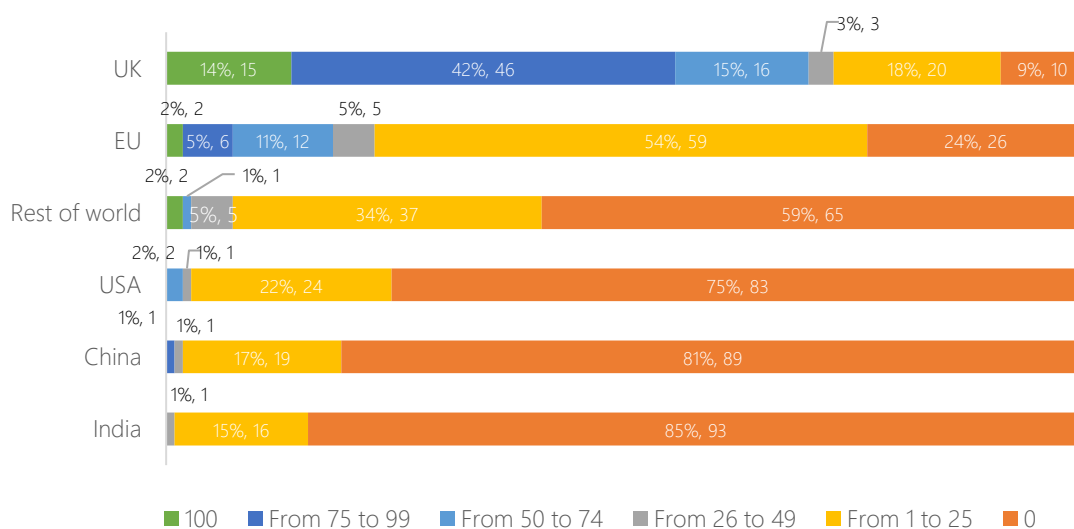
How do you think the value of your exports might change over the next 12 months?



3.2 EXPORT GEOGRAPHIES

The following graph shows that although many companies export, this tends to make up a relatively modest proportion of their overall turnover. When asked how much of their organisation's turnover is generated in given geographies, after the UK, the EU had 2%, 5% and 11% of firms generating all, 75-99% and 50-74% of their turnover there respectively. This means that 18% of exporters consulted are heavily reliant on Europe for their turnover.

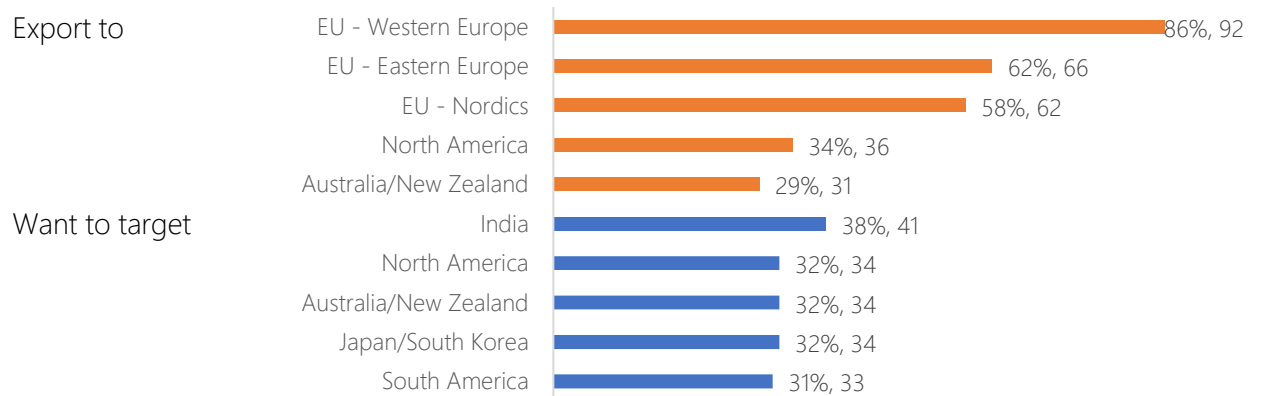
How much of your organisation's turnover is generated through activity in the following geographies?



3.3 TARGET MARKETS AND OVERSEAS POTENTIAL

A total of 86% of businesses currently export to Western Europe, 62% to Eastern Europe and 58% to the Nordics – all of which are within the EU. Top target markets are further afield, with 38% wanting to target India and 32% wanting to target North America, Australia/New Zealand and Japan/South Korea.

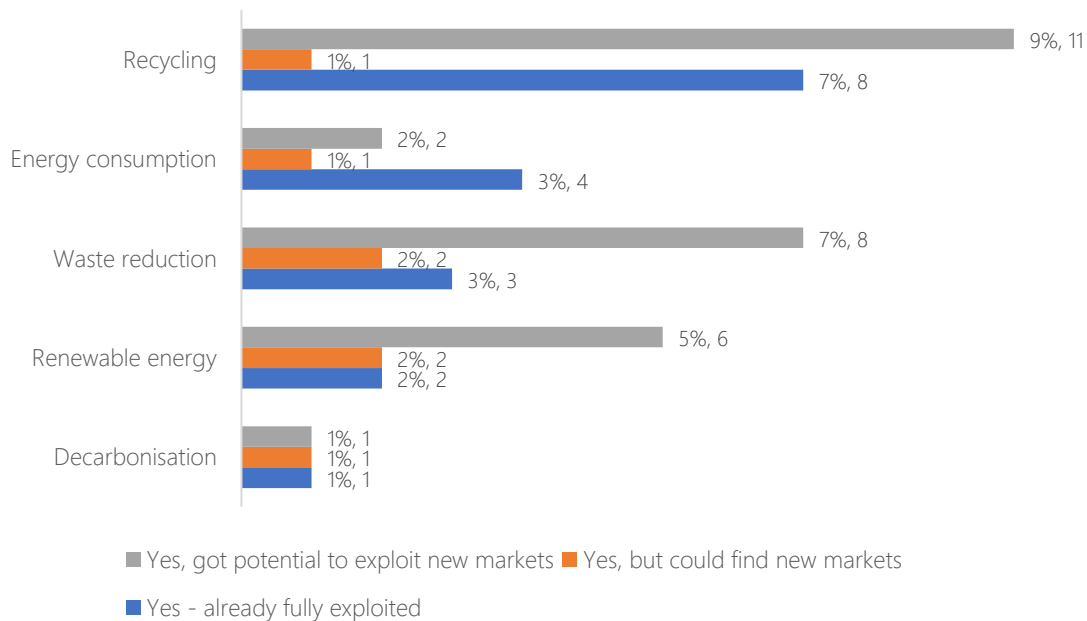
Where does your company export to? And what new markets do you want to target?



LOW CARBON POTENTIAL

Few companies have low carbon expertise in areas that have potential overseas, although 9% have exploitation potential in recycling and 7% have fully exploited recycling potential.

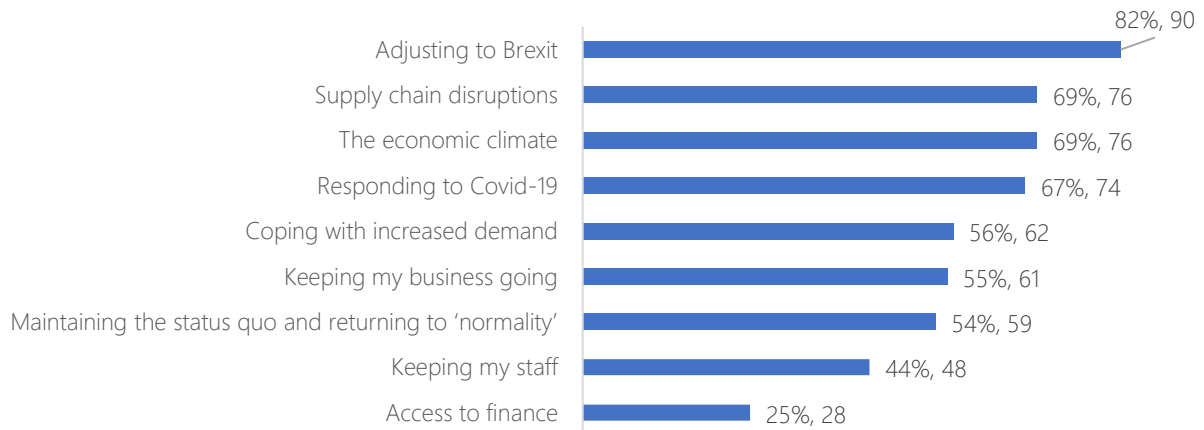
Has your company got low carbon expertise in any of the following with potential in overseas markets?



CHALLENGES

When asked which situations businesses feel will challenge them over the next 12 months, 82% said adjusting to Brexit whilst 69% mentioned supply chain disruptions and the economic climate. Covid-19 raised the fourth most concern, with 67% of companies mentioning its impact. Keeping staff and accessing finance had the fewest mentions at 44% and 25% respectively.

Over the next 12 months which of these situations do you think will challenge your business?



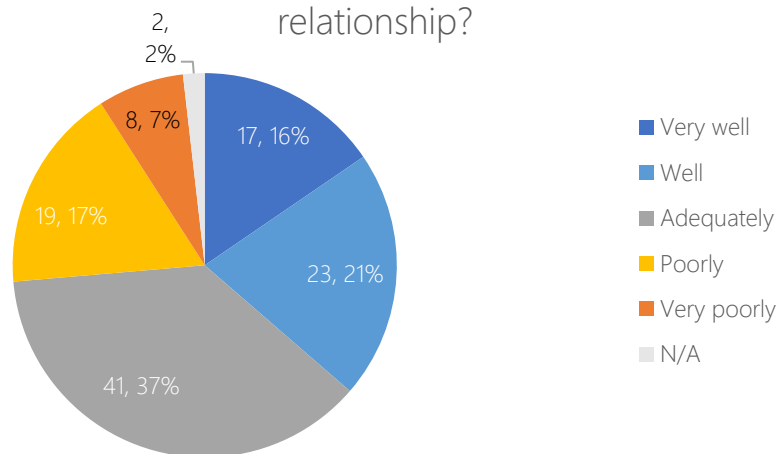
4. THE EU-UK TRADING RELATIONSHIP

This chapter explores how businesses are managing EU-UK trading relationships post-EU Exit, and what their expectations are. More businesses are managing the new agreement well than poorly, with larger firms and certain sectors (Chemicals, Ports and Logistics and Energy) faring better. A similar proportion of respondents think trade with the EU will increase, decrease or stay the same (female-owned businesses were more optimistic).

There was a high level of both optimism and uncertainty about the potential effects of new Free Trade Agreements. Many Food and Digital businesses, for instance, were already pursuing or actively considering increasing exports. Female-owned companies were more likely to be actively considering increasing trade with existing non-EU market partners.

4.1 MANAGEMENT OF UK-EU TRADE

How well are you managing with the new UK-EU trading relationship?

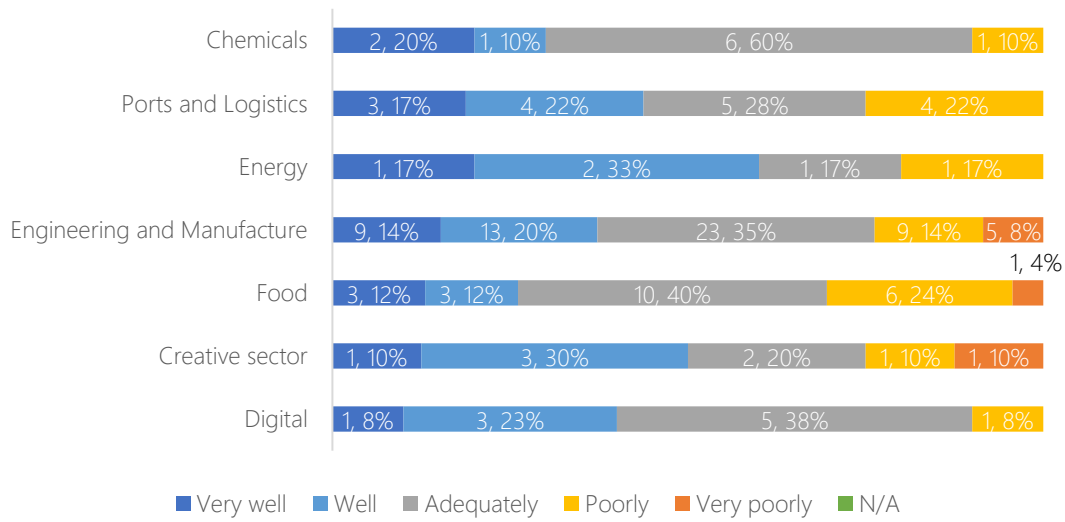


Some 37% of respondents were managing the new UK-EU relationship well (21%) or very well (16%), 37% adequately and 24% poorly (17%) or very poorly (7%).

BY SECTOR

Within industries, businesses in the Chemicals, Ports and Logistics and Energy sectors tended to be managing very well. Overall, the Energy and Creative sectors were most likely to be managing very well (17%, 10%) or well (33%, 30%), with Ports and Logistics (22%) and Food (24%, 1,4%) having the highest proportion of businesses managing poorly or very poorly.

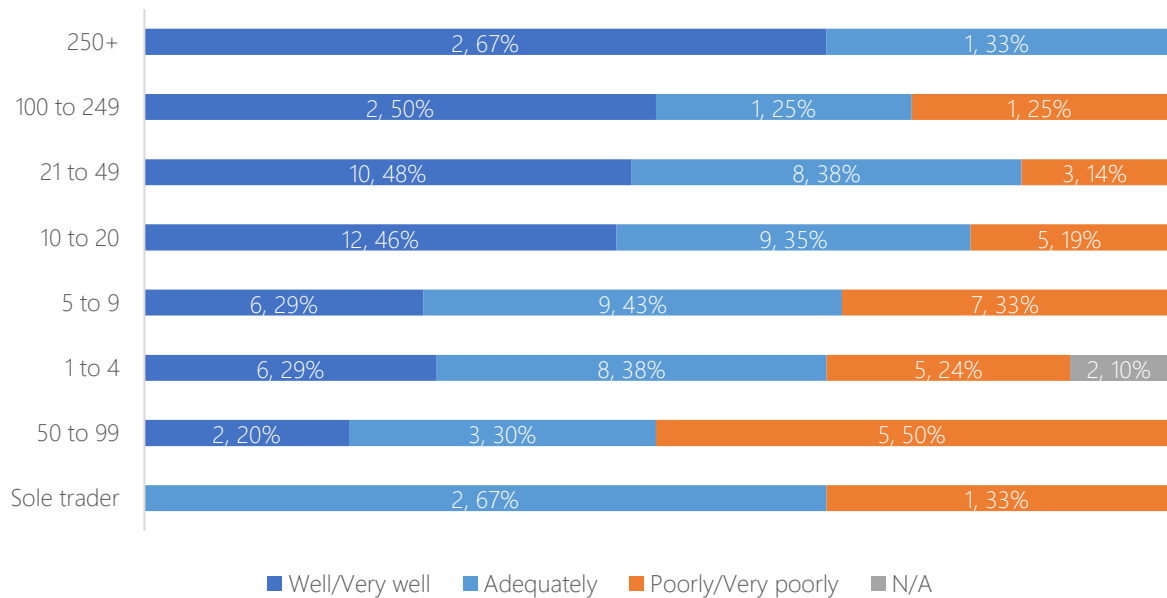
Overall, how well are you managing with the new UK-EU trading relationship?



BY SIZE

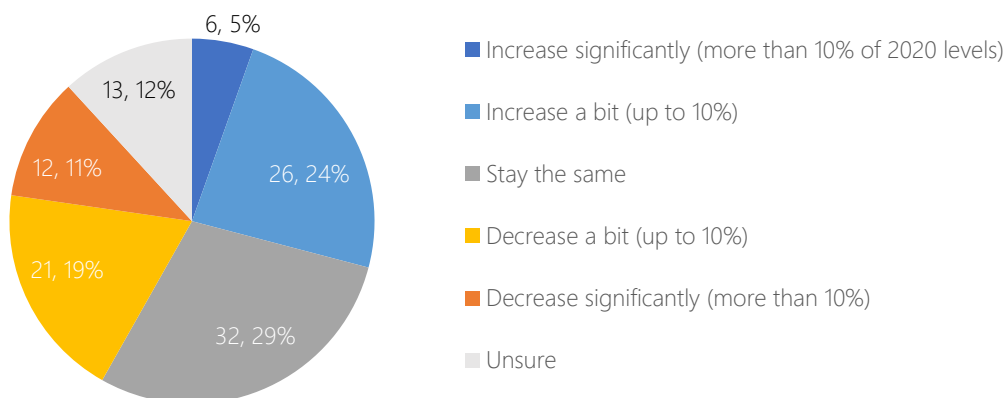
Size impacted how well businesses were managing with the new UK-EU trading relationship. All 100% of businesses with more than 250 employees were managing well or adequately, whilst sole traders managed adequately, poorly or were unsure.

Overall, how well are you managing with the new UK-EU trading relationship?



4.2 EXPECTED CHANGE IN EU TRADE RELATIVE TO 2020

Over the next year how do you think your trade with the EU will change compared to 2020?



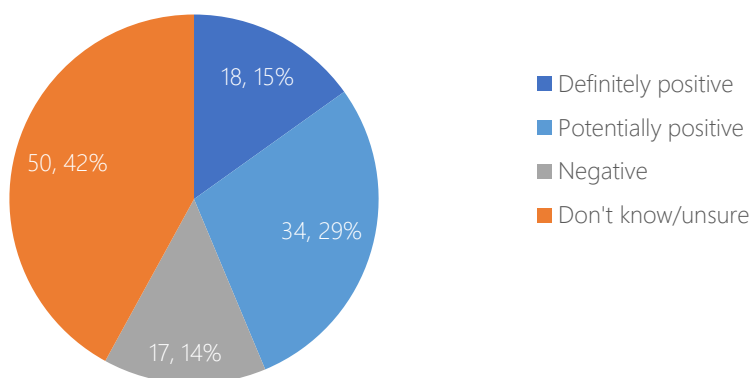
Some 29% of respondents believed trade with the EU would increase over the next year, with 5% expecting a 'significant' increase (more than 10% of 2020 levels), and 24% 'a little' (up to 10%). A total of 29% of respondents believed trade with the EU would remain the same, while 30% believed EU trade would decrease, either by 'a little bit' for 19% of firms (up to 10% of 2020 levels), or 'a lot' for 11% (more than 10%). Finally, 12% of firms were unsure.

Interestingly, female-owned companies were somewhat more likely to expect an increase in export with the EU; 56% expected an increase, compared to only 32% of non-female owned companies.

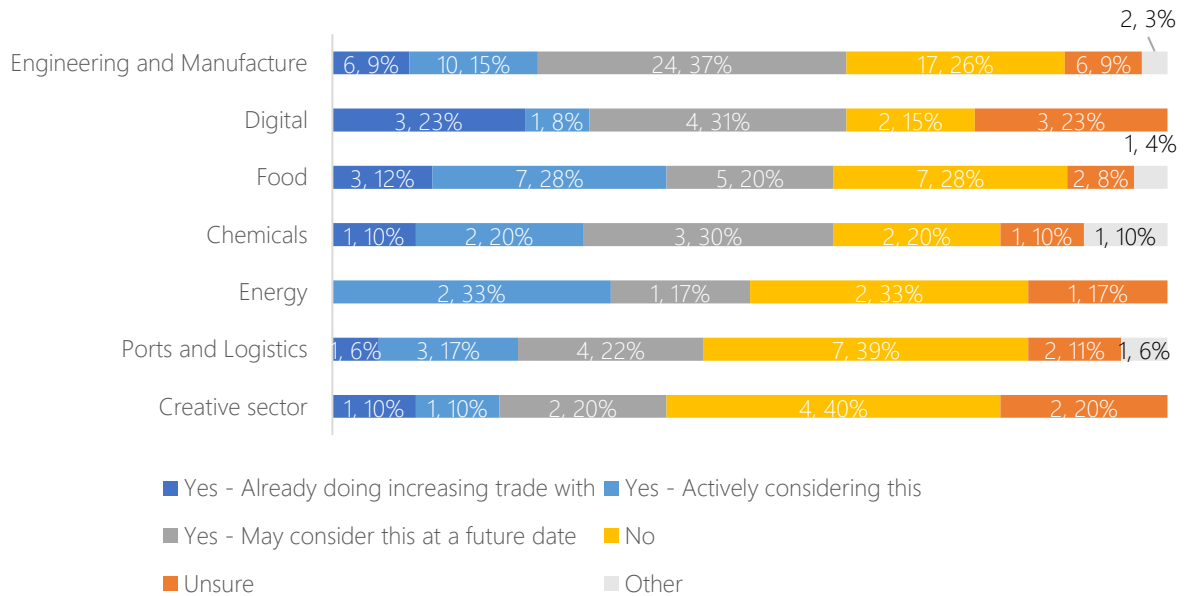
4.3 FREE TRADE AGREEMENTS

A large proportion of businesses (42%) was unsure of what impact the new Free Trade Agreements negotiated by the UK could have on their business. Fifteen per cent of businesses felt this would definitely be positive, while 29% felt it could be potentially positive. Some 14% felt the impact would be negative. EU-owned companies most expected a positive impact from the new Free Trade Agreement, with 40% definitely expecting and 30% potentially expecting a positive impact.

Will the new Free Trade Agreements (FTA) the UK is negotiating globally have an effect on your business?



Are you or would you consider increasing your trade with existing non-EU market partners as a result of the EU Exit including exploiting new trade deals?



By sector, businesses in Engineering and Manufacture were most likely to be already increasing trade with existing non-EU market partners (9%), actively considering increasing trade (15%) or potentially considering increasing trade (37%). The Digital and Food sectors were most likely to be increasing trade (23%, 12%) or actively considering increasing trade (8%, 28%).

Female-owned companies were more likely to be actively considering increasing trade with existing non-EU market partners due to the EU Exit (37% vs 8% non-female owned), and less likely to not be considering increasing trade (7% vs 33%).

5. INFORMATION AND SUPPORT

This chapter looks at information and support – what businesses have been able to find and are currently seeking. It also explores preferred delivery formats for support. Not every exporter needs help but of those that do, introductions, networking, sector specialists and face-to-face support would be welcomed. Online tools would also be well-received. More than one-third of business would or might consider investing in the Humber Freeport or Enterprise Zones – especially those in the Food and Energy sectors.

5.1 SUPPORT REQUIRED

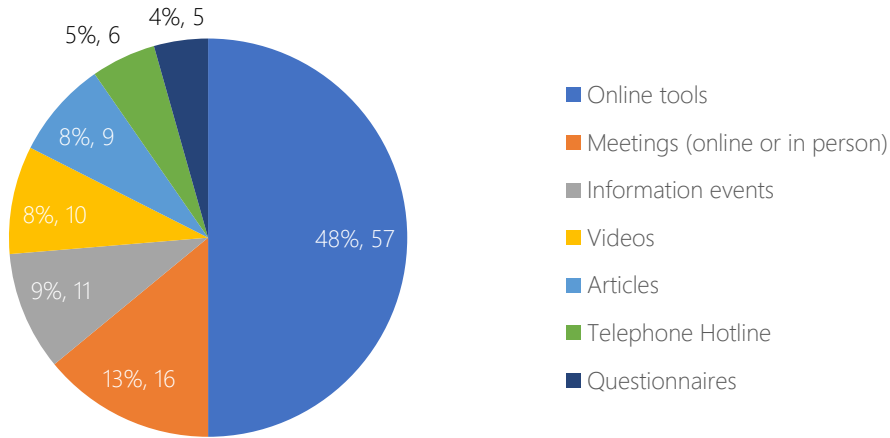
Some 21% of businesses needed help with introductions to customers and contacts abroad to secure access to new markets. Fifteen per cent needed peer-to-peer networks with companies in similar areas of interest, whilst 14% wanted access to sector specialists.

What help or support do you need to secure access to new markets/generate extra business?



5.2 PREFERRED DELIVERY FORMAT

Through what avenues/in what format would you find advice regarding exporting most useful?

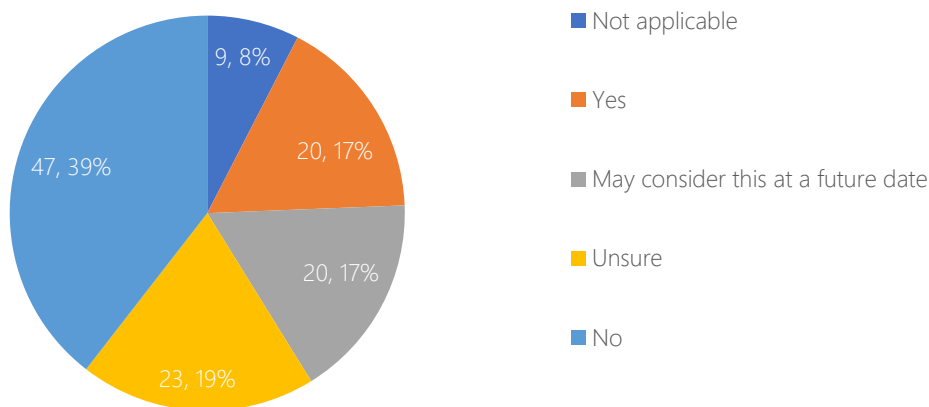


Online tools are the most useful support avenue for businesses, followed by meetings, information events and articles or videos.

5.3 INVESTING IN HUMBER FREEPORT

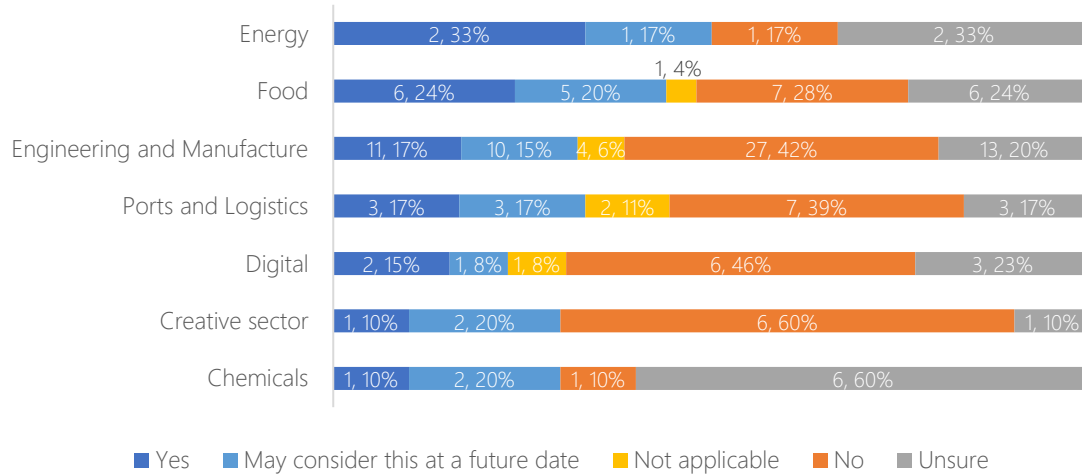
Finally, businesses were asked whether they would consider investing in the Humber Freeport and/or Enterprise Zones. Some 39% said no, whilst 17% said yes and another 17% would consider it at a future date.

Would you consider investing in the Humber Freeport and or Enterprise Zones?



BY SECTOR

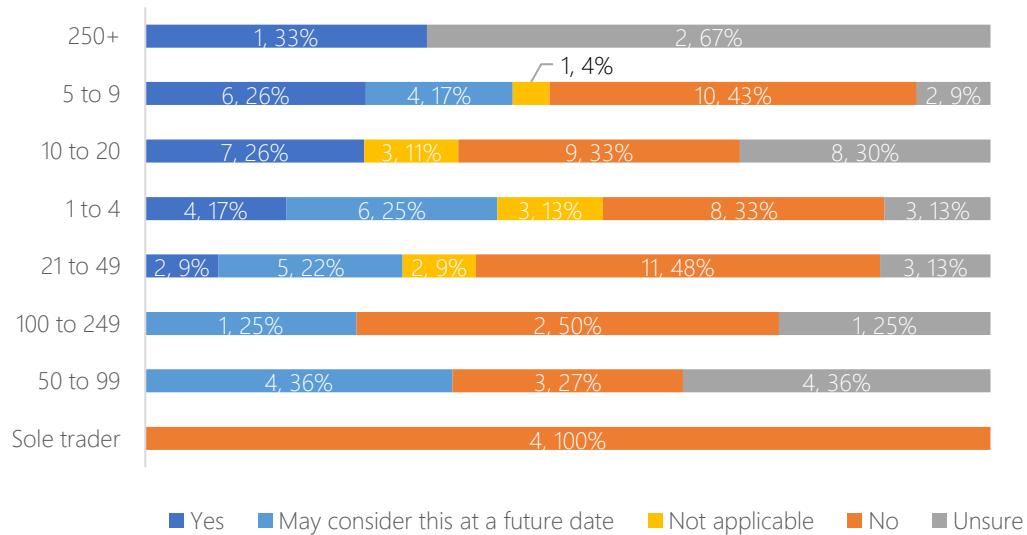
Would you consider investing in the Humber Freeport and or Enterprise Zones?



Food and Energy businesses were most likely to consider investing in the Humber Freeport or Enterprise Zones, with Chemical companies being the least likely.

BY SIZE

Would you consider investing in the Humber Freeport and or Enterprise Zones?



No sole traders were interested in investing in the Humber Freeport or Enterprise Zones. There was more interest among large companies, with a third of 250+ employee companies interested. The remainder were unsure or did not know.

ANNEX ONE: BUSINESS CHARACTERISTICS

DO YOU EXPORT/ARE YOU INTERESTED IN BECOMING AN EXPORTER?

	North Bank	South Bank	Total
Exporting	83	27	110
Thinking of exporting	5	4	9
Neither exporting nor thinking of exporting	0	0	0

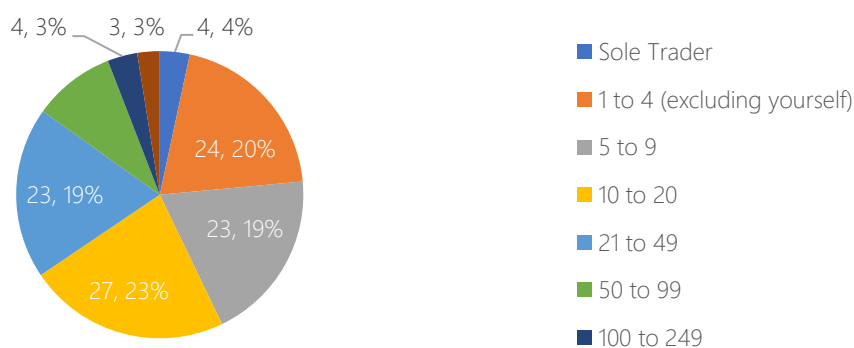
WHICH LOCAL AUTHORITY AREA ARE YOU LOCATED IN?

	Number
Kingston upon Hull	47
East Riding	41
North East Lincolnshire	18
North Lincolnshire	13

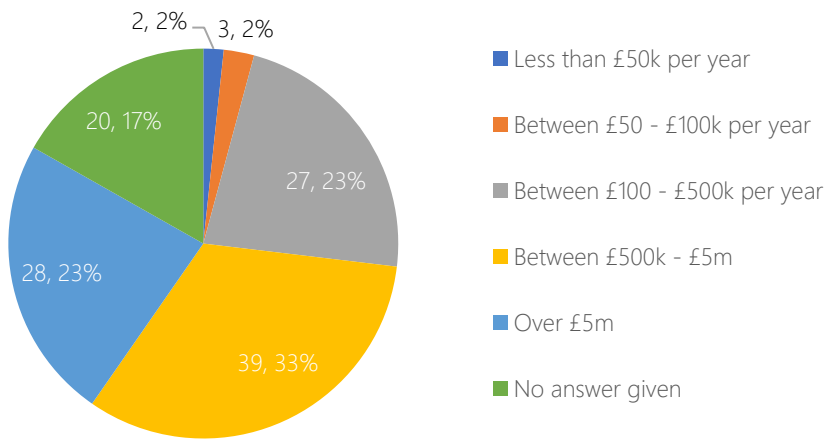
DO YOU OPERATE WITHIN ANY OF THE FOLLOWING HUMBER PRIORITY SECTORS? (AT LEAST 20% OF TURNOVER)

	North Bank	South Bank	Total
Engineering and Manufacturing	51	16	67
Food	20	10	30
Ports and Logistics	14	6	20
Other	14	9	14
Digital	11	2	13
Chemicals	6	4	10
Creative sector	8	2	10
Energy	4	2	6

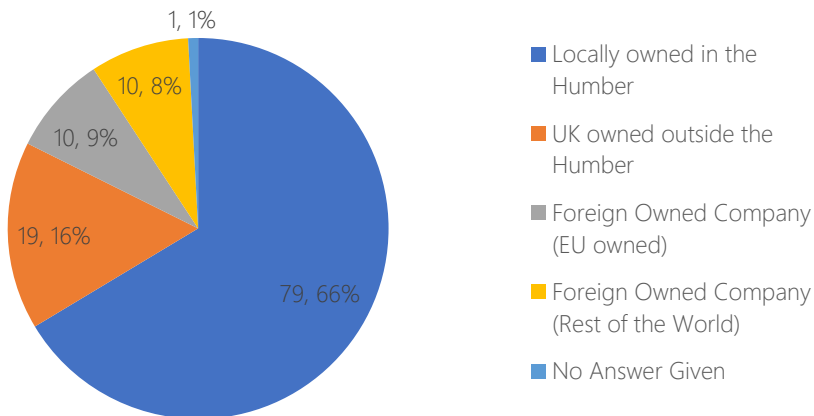
How many employees does your company have?



What is your organisation's estimated annual turnover or income?



What is the ownership status of your company?



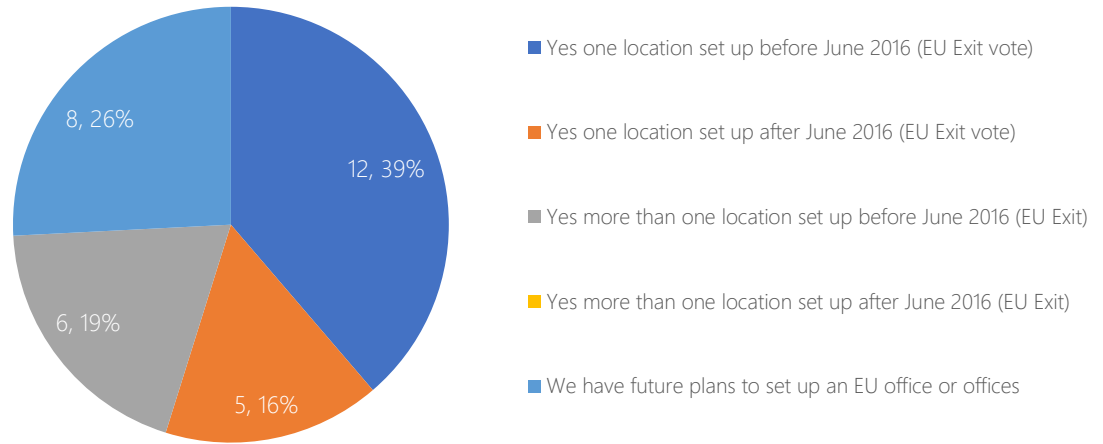
DO YOU CONSIDER YOUR FIRM TO BE A FEMALE-LED BUSINESS?

Some 23% of businesses considered themselves to be female-led, with a slightly higher proportion of North Bank businesses (25%) relative to South Bank (16%).

DO YOU HAVE OFFICES OVERSEAS?

Eight per cent of respondents have a global office, with 3% in the EU. A further 6% would consider opening a new office, split equally between EU and non-EU.

Have you currently got an EU office or offices, or do you have future plans to set up an EU office?



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