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Ministerial Foreword

Growing a sustainable economy remains the Executive’s top priority. Just over a year after the launch of the Economic Strategy, I am happy to report that the Executive is making significant progress in delivering against the full range of actions we committed to deliver. These actions are establishing the foundations for future economic growth and will deliver the longer term rebalancing and rebuilding of the NI economy to improve employment and living standards for everyone in NI. Over the first 2 years of this budget period the Executive has:

- secured £168m of investment in R&D by business, 43% of this investment has come from NI’s SME base;
- supported 311 businesses to undertake R&D for the first time;
- supported almost 140,000 Level 2 and above qualifications across a range of education and training providers;
- promoted 3,423 new jobs with locally-owned companies securing £92m in annual wages and salaries for the NI economy;
- secured £298m of investment resulting in the promotion of 3,315 new jobs from inward investors;
- reduced Air Passenger Duty rates for long haul flights from NI to zero from 1 January 2013;
- launched a new Investment Strategy which will provide a £5bn stimulus over the 4 years to 2014/15 supporting thousands of jobs in the construction sector and related supply chain; and
- successfully moved 76,841 working age benefit clients into employment.

In addition to the commitments identified within the Economic Strategy, the Executive responded to ongoing difficulties within the NI labour market by launching its Economy & Jobs Initiative in November 2012. As with the Economic Strategy we remain on course to deliver the additional, complimentary actions identified within that document.

The Executive remain of the view that the commitments set out within the NI Economic Strategy and Economy & Jobs Initiative will deliver growth and prosperity. However, it is also our clear belief, articulated within the Economic Strategy, that securing the ability to vary (and significantly lower) the rate of Corporation Tax would enable us to rebalance the
NI economy towards greater private sector led and value added growth more quickly than if we are reliant only upon those policy levers which are currently available to us.

While the Executive was disappointed by the Prime Minister’s decision to postpone a decision on the devolution of Corporation Tax until after the Scottish independence referendum, we note the commitment of the UK Government, set out in the recently agreed Economic Pact – Building a Prosperous and United Community, to make a definitive decision on the devolution of Corporation Tax powers to the Executive in the autumn of 2014 and its commitment to legislate on this issue prior to the prorogation of the current Parliament.

We welcome the UK Government’s commitment to work with us in supporting the rebalancing of the NI economy through the full range of measures identified within the Economic Pact. We particularly welcome the Prime Minister’s agreement to support and attend the G8 Investment Conference.

The international media exposure and goodwill shown by all of the visiting delegations to the G8 Summit has provided us with an excellent opportunity to promote Northern Ireland as a great place to invest, do business and visit. The success of the G8 Summit has created new opportunities for Northern Ireland and we are determined to maximise this opportunity through the October Investment Conference, building on the actions we are already taking to rebalance the NI economy and deliver higher levels of prosperity and employment for all.

Arlene Foster
Minister of Enterprise, Trade & Investment
Chair, Executive Sub-Committee on the Economy
NI Executive’s Economic Priorities

Growing a sustainable economy is the Executive’s number one priority. The *Northern Ireland Economic Strategy*, published alongside the Programme for Government, recognises, that in order to deliver prosperity and employment, it is necessary to rebalance the local economy towards one characterised by a sustainable and growing private sector where more firms are competing successfully in global markets.

When the Economic Strategy was published, the Executive also recognised that it was being launched at a time of continued uncertainty in the global economy and accepted that, in order to be effective, the Strategy needed to be flexible to enable Departments to respond to issues as they arose.

Low growth and continued uncertainty in NI’s key external markets continued to impact negatively on many NI households and businesses during 2012. In response, the Executive concluded it was necessary to take further action to support the local economy and, in November last year, made further resources available, through the *Economy & Jobs Initiative*, to implement a range of additional measures over the remainder of the current budget period.

In addition to action being taken directly by the Executive, we have also been working with the UK Government to identify further measures to be taken to support the rebalancing of the local economy. This work delivered the proposals set out within *Building a Prosperous and United Community* launched by the Prime Minister, First Minister, deputy First Minister and Secretary of State on 14 June. While the Executive was disappointed by the Prime Minister’s decision to postpone a decision on the devolution of Corporation Tax until after the Scottish independence referendum, we note the clear commitment of the UK Government to make a definitive decision on the Corporation Tax issue in autumn 2014 and to legislate on this issue prior to the prorogation of the current Parliament.

Section 2 of this report provides an assessment of the wider performance of the NI economy over the last year, with a focus on how we have performed against the key strategic indicators identified within the Economic Strategy.
Section 3 sets out key actions that the Executive has delivered across each of the rebalancing and rebuilding themes identified within the NI Economic Strategy. It includes a report on progress against the additional commitments agreed as part of the Economy and Jobs initiative, published in November 2012. A more extensive review detailing progress against all 172 NI Economic Strategy actions and the additional 41 Economy & Jobs Initiative commitments accompany this report and can be accessed on the NI Economic Strategy website at www.northernireland.gov.uk/economic-strategy.
NI Economy Performance

International Economic Trends: Implications for NI

As a small open economy, Northern Ireland is not immune to the effects of changes in economic conditions elsewhere. While there have been some signs that the local economy is stabilising, it is clear that the impact of the economic downturn had an impact on some of our key external markets which delayed NI’s recovery.

The global economic and jobs crisis is well into its fifth year, with global growth remaining subdued. Available evidence suggests that the recovery in the global economy slowed in 2012. However there is now evidence that a moderate recovery is now underway in major advanced countries; with major economies posting positive growth and the Euro zone out of recession although growth is uneven across EU countries.

The overall weakness in global economic conditions has fed through to labour markets worldwide, with levels of unemployment across the globe continuing to rise (forecast to increase by 5.1 million to more than 200 million in 2013) and young people being most heavily impacted.

The effects of the global economic downturn continue to impact on global trade. The World Trade Organization (WTO) recently estimated that world trade growth slowed to 2% in 2012, from 5.2% in 2011, and is expected to remain “sluggish” in 2013 at around 3.3%. This is well below the long term average (1992 – 2012) of 5.3%. This slowdown in world trade has been mainly driven by slower than expected growth in developed countries and a decline in trade within the EU – one of NI’s main trading partners.

The United Kingdom’s economic performance has been slow-moving in recent years although GDP for the second quarter of 2013 grew by 0.7% over the quarter and in all four of the main industry groupings. Great Britain is the main sales destination for Northern Ireland’s manufactured goods (46% in 2011-12) and the fortunes of the local economy are closely tied to the wider performance of the UK economy. Forecasteres and commentators
suggest the UK recovery is progressing steadily but slowly with the OECD forecasting that the UK economy will grow by 1.5% in 2013.

The other key external destination for NI manufacturing sales is that of the Republic of Ireland. Although the RoI economy has recently exited recession again, posting 0.4% growth in Q2 2013, this follows three quarters of economic contraction. The Central Bank of Ireland forecasts the Irish economy will grow by 0.7% in 2013.

Not surprisingly, given this international context, the recovery in Northern Ireland has been slower than expected and labour market conditions have remained challenging over the past number of years. Although 2013 has seen an improvement to the local labour market with a decline in unemployment benefit claimants and a rise in employee jobs. However, the expected subdued growth in many of NI’s key trading partners is likely to continue to impact on the performance of the local economy this year.

**Figure 1: Global Economic Context**

- **United Kingdom**
  - Experienced a double dip recession but has now returned to growth

- **Global**
  - World economy is expected to make a gradual recovery
  - Concerns with the Eurozone and the strength of the US economy have weakened prospects

- **Eurozone**
  - Continued difficulties with finding a lasting solution to stabilise the Eurozone
  - A raft of austerity measures in a range of countries
  - Europe expected to remain in recession in 2013

- **Rep of Ireland**
  - Emerging from an economic and financial crisis

- **NI Economy**
NI Economy Trends\(^1\) and Performance Against Key Indicators

Given the nature of the structural challenges that have inhibited the NI economy over many years, it is recognised that it will take some time before we see significant progress with respect to the macro-economic indicators identified within the Economic Strategy (Annex A) and the associated delivery of the Executive’s vision for the NI economy of 2030 of “an economy characterised by a sustainable and growing private sector, where a greater number of firms compete in global markets and there is growing employment and prosperity for all”.

However, as highlighted in Section 3 of this report, the Executive is making significant progress against those commitments which are set out within the NIES Comprehensive Action Plan and complementary Economy & Jobs Initiative. These actions are establishing the foundations for future economic growth and will deliver the longer term rebalancing and rebuilding of the NI economy to improve employment and living standards for everyone in NI.

The initial results of the NI Composite Economic Index indicate that the Northern Ireland economy has been more severely impacted by the downturn than the UK as a whole. Economic activity in NI peaked in Q2 2007 – some three quarters earlier than the peak in UK GDP. The fall from peak for NI was also more severe (-11.2%) than the UK as a whole (-7.2%) and the downturn has also been more protracted in NI. Recently there have been some signs that the Northern Ireland economy is stabilising, with overall economic activity increasing in two of the last four quarters, although there was an annual fall of 1.2% from Q1 2012.

\(^1\) For further details please see supporting Statistical Annex.
The local labour market was particularly impacted by the global downturn. Between January 2007 & January 2011, the number of people claiming unemployment benefits increased by 124.9%. However, there have been signs of improvement emerging in recent months. The number of people claiming unemployment benefits has fallen for the eighth consecutive month, reducing by 600 in September and by 3,300 over the last eight months.

The latest Labour Force Survey (LFS) figures for the period – June - August 2013 estimated the NI seasonally adjusted unemployment rate to be 7.3% (63,000 persons). This was down 0.5 percentage points from the previous quarter (March - May 2013). The latest NI unemployment rate is below the UK average of 7.7%. The NI employment rate for those aged 16-64 was estimated at 66.7% over the same period, up 0.1 percentage points over the quarter.

Economic conditions in some of Northern Ireland’s key trading partners, such as the Republic of Ireland, GB and the wider European Union have been challenging, particularly during 2012. Therefore, while total manufacturing exports increased by 4.7% during 2011/12, Northern Ireland experienced a decrease of some 4.9% during 2012/13, according to the latest HMRC data. Over the two year period (2010/11 – 2012/13) exports have therefore decreased by 0.4%.

Within the NI Economic Strategy, the Executive established a very stretching commitment to grow manufacturing exports to emerging economies by 60%. We have seen significant
progress towards the delivery of this commitment, with manufacturing exports to BRICS & CIVETS countries increasing by over a third (35.5%) over the same two year period. However, this was from a relatively low base and gains here were insufficient to offset falling exports in key trading markets such as RoI and the wider EU.

The primary factor in NI’s underperformance against our NIES export target has been a decline in exports to the European Union and in particular the Republic of Ireland. While global economic conditions remain challenging, there are a number of initiatives underway which are aimed at improving export performance. Invest NI have put in place a number of additional support initiatives including export legal services and translation financial contribution to encourage companies to export and focus, where appropriate, on emerging markets. DETI is also carrying out research into how NI can grow and diversify the local export base and develop market entry strategies for 10 key markets where NI companies have the greatest opportunity of success. It is hoped that this work, when completed, will provide a strategic approach to growing our local export base and practical information on how this can be achieved.

As total export growth has been subdued, we would expect to see NI sales to these markets rebound when stability and sustainable levels of growth return. While the uncertainty associated with developed economies, underscores the need to develop new opportunities
in the world’s emerging economies. There is, however, some good news for our exporters, with the Euro zone officially exiting recession in Q2 2013, after 18 months of contraction.

Despite the economic downturn, Northern Ireland’s record performance on business expenditure on Research & Development (R&D) continued. Following a significant increase in 2009, the latest available figures recorded a further large increase in BERD of some £45m in 2011 to reach a record £389m. While this increase was mainly driven by investment by large firms, with an increase of £37.5million, encouragingly investment within SMEs also increased by £7.2 million (5.4%) in 2011. In-house NI BERD, at 1.2% of GVA, now broadly matches the UK level (1.3%), after historically lagging well behind.

While driven by business spending, gross expenditure on R&D totalled some £568 million in 2011, an increase of £46.1 million (8.8%) over the year. This is another key long term strategic indicator of the NI Economic Strategy.

Investment in R&D and innovation will lay the foundations of export and economic growth for the NI economy in the years to come and this ongoing investment shows that local firms recognise the value of investing in R&D as a driver of growth.

The latest figures from the UK Innovation Survey show that during 2008-10, 27% of firms in Northern Ireland were innovation active (engaged in innovative activity), compared to 31% in 2006-08. While the UK recorded a sharper decline over the same period (38% to 31%), innovation levels were still higher amongst UK firms.

Improvements in our skills base will form the cornerstone for investment, success in export markets and economic growth in NI for years to come. A key aspect of this is the number of ‘narrow’ STEM qualifications gained at Northern Ireland Higher Education Institutions over the last year has increased by 10% to 2,975 in 2011/12. These ‘narrow’ STEM qualifications represent 18.5% of overall HE qualifications compared to a Skills Strategy goal of at least 22% by 2020.

We are also beginning to see progress towards improved educational attainment at GCSE level. The proportion of school leavers achieving at least 5 GCSEs at grades A*-C or

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2 Defined as Biological sciences, Physical sciences, Mathematical sciences, Computer science & Engineering & technology
equivalent including GCSE English and GCSE maths has increased by 5.7 percentage points over the last 5 years from 56.3% in 2007/08 to 62.0% in 2011/12.

As a result of the Skills Strategy, we have seen a sustained increase in the proportion of people in employment with level 2 skills and above. We are making good progress towards our 2020 skills goals. However while the Northern Ireland skills profile has improved steadily over the last decade, much remains to be done to close the gap with the best performing regions and countries. We must remain focused on up skilling the workforce both for the present and the future.

Despite the ongoing uncertainty in global markets, our efforts to attract high-value added inward investment continue to bear fruit. Between the period of 1 April 2011 and 31 March 2013, £298m of investment was secured and £106m was secured in annual wages and salaries resulting in the promotion of 3,315 new jobs. This performance is against a NI Economic Strategy target of promoting 5,900 jobs by March 2015, illustrating that Invest NI has delivered over 56% of its 4-year target in the first 2 years.

In terms of value added jobs, 80% of jobs promoted during this time have salaries above the NI Private Sector Median (PSM). This is well ahead of the NIES commitment of 75%.

In terms of growth in our locally owned companies, between 1 April 2011 and 31 March 2013, Invest NI has supported £324m of investment promoting 3,423 new jobs with the potential to deliver £92m in annual wages and salaries. Of these jobs, 2,178 (64%) have salaries above the NI PSM. A further 2,072 new jobs have been promoted through the Regional Start Initiative and legacy programme between April 2011 and March 2013.

Tourism remains a key driver of growth in the local economy. Assisted by the successful completion of the ni2012 campaign, tourism expenditure increased by 7% in 2012 to £683 million. This followed an upward revision of the total visitor revenue in 2011 from £534million to £640 million. We are ahead of schedule in terms of our ambition of making NI tourism a £1 billion industry by 2020. The momentum built up with our ni2012 celebrations has continued into 2013 with events such as the World Police and Fire Games, the hosting of the G8 summit and the Derry-Londonderry year as UK City of Culture presenting further opportunities for growth.
Reform and modernisation of our planning system is a key aspect of making it easier to do business in NI. There has been continued progress with the introduction of a number of pieces of legislation such as The Planning Act (NI) 2011 and an interim Planning Bill introduced to the Assembly in January 2013. In addition, during 2012/13 64% of large scale investment planning decisions were made within 6 months. This is against a target of 60%.

Considerable investment has been undertaken during 2012-2013 to improve NI’s infrastructure base in support of economic growth. The Executive’s Investment Strategy was launched in October 2012 and will provide a £5bn stimulus over the 4 years to 2014/15 supporting thousands of jobs in the construction sector and related supply chain.

With continued improvements to our key transport corridors, journey times are currently 6.6% below the 2003 baseline and well ahead of the 2015 target.

There has also been progress toward the achievement of the target to source 20% of electricity consumption from renewable sources by 2015. At March 2013, 13.7% of our electricity was from renewable sources. A key milestone in 2012 was the announcement of development rights for 600MW of offshore wind and 200MW of tidal energy in Northern Ireland waters. During the next 12 months DETI will seek to finalise the Onshore Renewable Electricity Action Plan and move forward with the Offshore Renewable Energy Bill.

Looking forward, under DETI’s Telecommunications Action Plan 2011-2015, a new Broadband Improvement Project has been initiated. This project aims to ensure that, by 2015, virtually all premises in Northern Ireland are able to avail of a broadband download speed of at least 2Mbps, and at least 90% of premises are provided with superfast broadband, with speeds in excess of 24Mbps.

The Executive has made good progress in beginning to address the challenges which continue to face the NI labour market. The Executive introduced the Economy & Jobs Initiative in November 2012 which included a range of additional measures aimed at rebuilding the local labour market by providing support to:

- **people** impacted by ongoing difficulties in the labour market;
- **businesses** facing challenges in key markets; and
- **infrastructure investment** to support the construction sector.
In the period to March 2013 the Jobs Fund has been successful in promoting 5,060 jobs and creating 2,699 new jobs across a range of sectors. In terms of improving employability, by March 2013, 76,841 working age benefit clients have been successfully moved into employment exceeding the year one target by 18%. This is encouraging progress.

As highlighted previously, we are beginning to see some signs that the Northern Ireland labour market stabilising, with the number of people claiming unemployment benefits having decreased by 3,300 over the last eight months, this is the first time in over six years that we have seen eight consecutive monthly decreases in the numbers claiming unemployment benefits.

**Prospects for short & medium term**

As a small open economy, Northern Ireland remains vulnerable to the fortunes of the global economy, in particular, the performance of our key trading partners. With muted forecasts for some of our main export markets, local economic commentators expect the recovery in NI to be slow but steady over the next number of years. This underscores the imperative for NI to widen and deepen its export base.

While prospects in the short term remain constrained by the performance of the wider global economy, it is encouraging to see that the Executive’s actions are already having an impact on employment and on key performance measures, particularly in relation to skills and innovation. It is this activity which will lay the foundations for future economic growth and deliver the longer term rebalancing of the NI economy.
In order to deliver the longer term priority of the Executive, the NI Economic Strategy identified 5 strategic rebalancing themes and also recognised the need to take immediate action to help with the rebuilding of the local labour market.

Given the slower than expected recovery and ongoing concerns with respect to the labour market, Ministers identified a need to consider further actions that could or should be taken to supplement those actions under the rebuilding theme of the NI Economic Strategy. In November 2012 the Economy and Jobs Initiative was launched containing 41 actions which seek to give a further short term boost to employment.

Of the 172 NI Economic Strategy commitments that the Executive agreed, we are on course to deliver 97% of these by March 2015. The table below details progress against 9 key commitments identified within the Strategy.

The remainder of this section sets out, significant achievements under each of the Economic Strategy’s key rebalancing & rebuilding themes and provides an outline of the key achievements under the Economy and Jobs Initiative. Progresses against all 172 NI Economic Strategy actions and the additional 41 Economy & Jobs Initiative actions have been published at [www.northernireland.gov.uk/economic-strategy](http://www.northernireland.gov.uk/economic-strategy).
Table 1: Performance Indicators to 2014/15

<table>
<thead>
<tr>
<th>Performance indicators to 2014/15</th>
<th>2015 Target</th>
<th>Progress at 31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rebalancing by 2014/15</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support £300m investment by businesses in R&amp;D</td>
<td></td>
<td>£168m of investment in R&amp;D 43% from NI’s SME base.</td>
</tr>
<tr>
<td>Deliver 210,000 qualifications at Levels 2, 3, 4 and above through Higher Education, Further Education, Essential Skills and Training encouraging people to move up the skills ladder</td>
<td></td>
<td>Almost 140,000 Level 2 and above full qualifications have been gained.</td>
</tr>
<tr>
<td>Promote £400m of investment and 6,300 jobs in locally owned companies (50% paying salaries above the PSM)</td>
<td></td>
<td>£324M of investment and 3,423 new jobs, 63.6% with salaries above the NI PSM</td>
</tr>
<tr>
<td>Promote 5,900 jobs from inward investors (75% paying salaries above PSM)</td>
<td></td>
<td>3,315 new jobs promoted 82.5% pay salaries above the NI PSM</td>
</tr>
<tr>
<td>Promote 60 new start ups exporting outside the UK and a further 440 selling to GB</td>
<td></td>
<td>30 start-ups supported with the potential to sell in market outside of the UK and 305 start-ups with the potential to sell in to the GB market</td>
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<tr>
<td><strong>Rebuilding by 2014/15</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote £225m of investment and 6,300 jobs, (4,000 created by March 2014) through the Jobs Fund</td>
<td></td>
<td>£162m investment secured and 5,060 jobs promoted.</td>
</tr>
<tr>
<td>Move 114,000 working age benefit clients into employment</td>
<td></td>
<td>76,841 into employment by March 2013</td>
</tr>
<tr>
<td>To support the construction sector by delivering key road and rail projects and 8,000 social and affordable homes over the budget period</td>
<td></td>
<td>1,379 social housing units and 957 affordable housing units delivered</td>
</tr>
<tr>
<td>Deliver 6,000 work experience and training opportunities for young people by 2015</td>
<td></td>
<td>1,646 opportunities advertised under the Youth Employment Scheme, 568 were filled. Of those filled, 221 entered full-time employment.</td>
</tr>
</tbody>
</table>

**Innovation, R&D and Creativity**

Innovation, R&D and Creativity remain at the core of our actions, driving business growth, productivity improvements and increased economic output.

The Strategy recognised that building a more dynamic and innovative economy is a long term project, requiring significant investment over the medium to longer term. That is why DETI, in collaboration with other key Executive Departments and stakeholders, has been developing a new NI Innovation Strategy which will guide our innovation and research support to 2020 and beyond. The key objective of this new Strategy is to expand upon what has been committed to within the Economic Strategy., with a vision that, by 2025, NI will be recognised as one of the UK’s leading high-growth, knowledge-based regions which
embraces creativity and innovation in all levels of society. The new Innovation Strategy will be published for a period of public consultation in the coming weeks.

Key achievements which will stimulate higher levels of innovation and R&D include:

- £168m of investment in R&D has been secured via Invest NI’s Grant for R&D Programme. 43% of this investment has come from NI’s SME base;
- 311 businesses have been supported to undertake R&D for the first time and we have progressed 97 collaborative R&D projects by 31 March 2013;
- The Creative Industries Innovation Fund (CIIF) was re-launched by the Arts Council in July 2011 and has supported 98 projects to date;
- By March 2013, 238 knowledge transfer projects were completed by universities/FE colleges through DEL’s “Connected 2” programme;
- Between 1 April 2011 and 31 March 2013 DARD opened two tranches of the Research Challenge Fund - 11 projects have been awarded funding leveraging a total additional investment in R&D of some £3m;
- The establishment by DEL and DETI of a joint “Higher Education EU Support Fund” to assist the universities to become more successful in the EU Framework Programme “FP7” and its successor “Horizon 2020”; and
- Under “Graduating to Success – a Higher Education Strategy for Northern Ireland” the Executive has committed to maintaining mainstream research funding at an appropriate level to ensure that the universities continue to develop and sustain an internationally excellent and world leading research base during the current CSR period. An additional £1m was identified for University-based research and this is being used to support a premium for research in economically relevant areas as defined by MATRIX.

Skills and Employability

Investment in skills and employability is a vital part of economic success. To enhance productivity and business performance and ensure that individuals can reach their full potential, the NI Economic Strategy recognised the need to develop skills at all levels.

We have taken action to deliver a renewed focus on raising standards in numeracy, literacy & ICT in schools and to ensure that our young people have access to a broader and better range of courses. We have increased investment in those subject areas which will be critical for the future success of the NI economy including Science, Technology, Engineering and
Maths (STEM) skills at all levels. We have also supported improvements in management and leadership skills which will create a critical foundation for business growth. To make sure young people are not discouraged by cost from pursuing 3rd level education, the Executive has ensured that there has been no increase in student fees beyond the rate of inflation.

Adding to the actions being undertaken under the Rebuilding aspect of the strategy, key achievements in improving employability and skills to rebalance the economy include:

- good progress has been made on educational attainment. In 2012/13, almost 140,000 Level 2 and above full qualifications have been gained across mainstream Further Education (FE), Essential Skills, funded Departmental Training programmes and Higher Education (HE) including HE in FE. This puts NI on course to meet its PfG target of delivering over 200,000 qualifications at level 2 and above by 2015;
- it has been announced that an additional 1,200 undergraduate Science, Technology, Engineering and Mathematics (STEM) places will be put in place by 2015;
- allocating up to an additional 100 Foundation Degree places to the Further Education Regional Colleges to be used in courses in STEM disciplines;
- particular success has been achieved in education attainment in rural areas. DARD has, through CAFRE, supported 2,277 people entering employment or working within the agri-food sector to achieve a new qualification at Level 2 or above. 3,798 people have also been trained under the Skills Training element of the NI Rural Development programme 2007-2013;
- new legislation has been put in place which requires all schools to report to the assessment of pupils against Levels of Progression. This is designed to be more stretching than the previous levels used and assesses both the skills and knowledge of pupils in literacy, numeracy and from 2013/14, ICT skills;
- the ‘Leadership and Management Skills Assessment’ (LMSA) which allows the user to assess his or her leadership and management skills and identify priority learning needs was launched in January 2013 by DEL and is hosted on NIBusinessInfo. 140 questionnaires have been completed to date – 45% at Senior Manager levels, 37% at Manager and 18% at Supervisor level; and
- An ICT Working Group has been established comprising representation from government, local ICT employers and the further and higher education sector. The Group published an ICT Action Plan setting out a range of actions to address
skills needs within the sector. Implementation of the Action Plan has already led to applications to IT-related degrees rising by over 24% at both the University of Ulster and Queen's University. Over 100 students are now enrolled on new MSc courses for non-IT graduates and a new ‘Software and Systems Development’ A level has also been developed and will be available from September 2013. In addition, the Assured Skills programme continues to support initiatives such as the Software Testers Academy; an apprenticeship pilot programme has seen 32 apprentices employed in the local ICT. A Higher Level Apprenticeship in ICT is being piloted to provide a pathway for these apprentices to progress to higher level skills.

**Business Growth**

In order to achieve our vision for the economy it remains vital that we grow the private sector and make it easier to do business in Northern Ireland. We are taking forward a strategic review of NI’s employment relations structures and DEL launched a wide-ranging public consultation on possible changes to employment law in Northern Ireland. The consultation presents options for promoting greater business confidence whilst preserving employee entitlements. A range of legislative and non-legislative measures to improve the efficiency and effectiveness of the planning system have been introduced.

A key challenge facing businesses at the current time is accessing the finance necessary to enable them to invest and grow. The recent report from the Economic Advisory Group highlighted a number of ongoing issues in this area. Executive Ministers continue to press our local banks to ensure sufficient lending is available to businesses at appropriate terms. DETI and DFP are developing an Action Plan to address the recommendations identified within the EAG report.

2012 proved to be a particularly successful year for tourism in Northern Ireland with the successful completion of commitments under the ni2012 campaign. Tourism remains a key driver of growth and through events in 2013 such as the the G8 Summit, World Police and Fire Games and Derry-Londonderry being the UK City of Culture we will continue to present a positive image of NI internationally.

Key achievements within the Business Growth theme include:
• Invest NI has achieved significant results in its efforts to improve business access to finance. 148 SMEs have accessed funding through Invest NI’s Access to Finance Initiatives from March 2011 to March 2013. The amount invested, including private match funding levered, was c£16m. The NI Small Business Loan Fund was launched in February 2013. An extension to the Northern Ireland Spin Out (NISPO) Funds was approved in March 2013. This extension amounted to £4m in total; £2m for the Invest Growth Fund (equity) and £2m for the Proof of Concept Fund which re-opened in March 2013;

• 3,423 new jobs with locally-owned companies were promoted between 1 April 2011 and 31 March 2013. Of these, 2,178 (64%) have salaries above the NI PSM. £324m of investment and £92m in annual wages and salaries has been secured by Invest NI;

• Despite a challenging start due to a delay caused by legal proceedings, Invest NI promoted 2,072 new jobs through the Regional Start Initiative and legacy programme between April 2011 and March 2013. Significant improvement has been made since January 2013 and it is hoped that substantial progress will be made going forward;

• The extension of the Small Business Rate Relief Scheme was introduced from 1 April 2013. From this date, the upper threshold of the small business rate relief scheme was raised from £10,000 to £15,000 of rateable value, increasing the number of eligible ratepayers to 24,000. This extension will see 3,500 ratepayers benefitting from a 20% reduction in rate bills delivering an average saving of £1,300 this year;

• Working with Invest NI, DEL’s Assured Skills programme is designed to help attract new foreign direct investment companies to Northern Ireland by assuring them that the skills they need to be successful are available in Northern Ireland. Assured Skills support is also available to encourage existing companies who are considering expansion. The programme has supported the creation of just under 1,000 jobs across eight projects in the Financial Services, Information and Communications Technology, and Legal Services sector; and

• 8 major events were held as part of the ni2012 campaign including: the opening of the Titanic Belfast visitor attraction, the Titanic Festival, the opening of the Giants Causeway Visitor Centre and the hosting of the Irish Open at Royal Portrush.
Competing Globally

The central tenant of the Economic Strategy is the need for NI to compete more effectively in international markets. This means increase the size, competitiveness and value of NI’s private sector by attracting inward investment and growing our local companies to scale through a focus on innovation and developing our export markets.

Despite some notable successes, overall export growth has been slower than expected. We have however seen significant growth in key emerging markets and, importantly for future performance, a significant number of companies have entered the GB market or begun exporting for the first time.

Despite the ongoing uncertainty in global markets, our efforts to attract high-value added inward investment continue to bear fruit. In 2012/13 Invest NI secured high quality inward investment from Vello (71 jobs), Merchant Warehouse (70 jobs), Caterpillar (200 jobs) and Invest NI’s biggest inward investment for several years Allstate, which will promote 650 jobs across the companies three Northern Ireland sites in Belfast, Derry and Strabane.

If NI is to be successful in the global economy, it must take advantage of the opportunities afforded by those sectors where it already has a competitive advantage. The Executive will work with the agri-food industry and other stakeholders to ensure the ambition outlined within the recent Going for Growth report is fully realised.

Key achievements include:

- Invest NI has continued to work to attract externally-owned companies to locate and expand in Northern Ireland. Between the period of 1 April 2011 and 31 March 2013, £298m of investment was secured and £106m was secured in annual wages and salaries resulting in the promotion of 3,315 new jobs;
- Air Passenger Duty rates for long haul flights from Northern Ireland were reduced to zero from 1 January 2013;
- Invest NI supported 30 start-ups with the potential to sell outside UK markets and 305 start-ups with the potential to sell in to the GB market between April 2011 and March 2013. It also provided 3,802 trade interventions to assist companies to expand in to external markets. Of these, 1,046 were with stage 1 exporters; and
• The Agri-Food Strategy Board formally handed over its Strategic Action Plan (Going for Growth) to Ministers on 16 May 2013. This Action Plan contains a vision for the agri-food industry, growth targets and 118 recommendations for action by the Executive and industry.

Economic Infrastructure

The Economic Strategy recognises the need for a modern and sustainable economic infrastructure to support growth. It also notes that the major urban centres will act as drivers of regional economic growth and recognises the importance of improved connectivity, both within NI and externally, to stimulate private sector investment and activity and to ensure that the benefits of growth are accessible to all.

Considerable investment has been undertaken during 2012-2013 to improve NI’s infrastructure base in support of economic growth. The Executive’s Investment Strategy was launched in October 2012 and this will provide a £5bn stimulus over the 4 years to 2014/15 supporting thousands of jobs in the construction sector and related supply chain.

3.27 A number of key achievements were realised including:

• Through the Regional Transportation Strategy, DRD made considerable investment in sustainable travel: 78.4m passenger journeys were undertaken 2012/13; approximately £4m has been invested in the ‘Belfast on the Move’ project; from October 2010 to October 2012 the number of park and ride spaces increased by 19%; and over 90 fast charge posts and 5 rapid charge posts were installed in 2012/13;

• During 2012/13, DRD invested £160m in water and sewerage infrastructure;

• In addition to the huge success of Titanic Belfast and the Giant’s Causeway Visitor Centre, significant progress has been made towards the completion of the remaining signature projects. The Walled City Project has seen continued progress on the Aras Colmcille, Guildhall, Apprentice Boys of Derry and the Lighting Strategy projects with NITB providing £1.7m of financial assistance. A further 27 projects including the Mourne Mountain Bike trails and Mourne Coastal Route have received financial assistance equating to approximately £3.2m;

• The Planning Act (NI) 2011 received Royal Assent in May 2011 providing the legislative framework for a reformed, modernised planning system, including the
transfer of the majority of planning functions to councils. In January 2013, DOE introduced an interim Planning Bill to the Assembly to introduce and test a number of reforms to be implemented; and

- DCAL’s Regional Stadium Programme is progressing well. Windsor Park received planning approval in February 2013, the Casement Park stadium design is underway and Ravenhill remains on target.

Rebuilding

The two key issues that actions seek to address within the rebuilding theme are the need to increase employment levels and improve employability. The Executive has made good progress in beginning to address the challenges which continue to face the NI Economy in the ongoing global downturn.

Some of the key areas of progress include:

- £162m of investment has been secured via Invest NI’s Jobs Fund which has resulted in 5,060 jobs promoted and 2,699 new jobs created across a range of business sectors;
- Progress has been made in helping the Construction sector where 1,379 social housing units and 957 affordable housing units have been delivered;
- By March 2013, 76,841 working age benefit clients have been successfully moved into employment exceeding the year one target by 18%. This is encouraging progress;
- 308 new employment opportunities have been stimulated in rural areas under the Rural Development Fund by March 2013;
- 1,646 opportunities3 were advertised under the Youth Employment Scheme (YES) and of these 568 were filled. 39% of these opportunities resulted in full time employment;
- From January 2010 to March 2012, 105 people (54% of leavers from the Graduate Acceleration Programme (GAP)) found unsubsidised work and sustained that work for a minimum of 13 weeks. This compares favourably with the overall performance of the Steps to Work programme which has achieved 35% of leavers finding work within 13 weeks of leaving the programme; and

3 Further opportunities continue to be made available since March. The most up to date figures show that, at end August 2013, 3,665 opportunities were advertised under the YES and of these, 1,765 were filled. 33% of these opportunities resulted in full time employment
• Social Investment Fund (SIF) Development Officers supported Steering Groups within 9 investment zones to produce Area Plans by February 2013. In addition, £26m of Signature Programmes under Delivering Social Change were announced in October 2012 which will deliver outcomes under key social deprivation areas of health, education and social enterprise.

**Economy and Jobs Initiative**

Throughout 2012/13 Northern Ireland continued to feel the impact of the global recession and banking crisis. Low growth in our key markets continued to dampen our economic recovery and had a negative impact on many NI households and businesses. The Economic Strategy was designed to be flexible and to allow Ministers to respond to issues as they arose. Recognising that recovery from the economic downturn was slower than expected, the Executive, in November 2012, launched the £200 million Economy and Jobs Initiative.

The package builds on the actions identified within the Economic Strategy and focuses on initiatives which will provide support to:

- **People** impacted by difficulties in the labour market;
- **Businesses** facing challenges in key markets, and
- **Infrastructure investment** to support the construction sector.

Progress has been made against a number of commitments including:

- An additional 233 undergraduate STEM places were funded in the 2012/13 academic year;
- At 31 March 2013, 366 young people had commenced DEL’s First Start programme and a further 186 participants had commenced DEL’s Step Ahead 50+ Programme;
- New processes for Selective Financial Assistance (SFA) less than £100k and for Jobs Fund less than £100k are now in place and operational;
- Invest NI’s new ‘Skills Growth’ scheme for small businesses has been introduced and is now operational;
- Announcement to freeze car parking charges for the remainder of the Budget period was made in November 2012;

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4 Further opportunities continue to be made available. At end August 2013, 667 young people had commenced DEL’s First Start programme and a further 476 participants had commenced DEL’s Step Ahead 50+ Programme
• The amount of modulation funding removed from Single Farm Payments in 2013 has been reduced by €19m which should result to about £15m of additional Single Farm Payment funding for farmers in the 2013 scheme year;
• Additional funding was made available to new grant applications received after 30 November 2012 and to existing applications. Since November 2012, a number of significant schemes (£50k plus) have received offers from NIEA including Lisbreen House, Belfast and Belfast Royal Academy, Belfast; and
• An additional £10m was made available for 2013/14 and 2014/15 for the co-ownership scheme.

Further Achievements

Considerable progress has also been made on a wide range of further issues that will boost our economy and increase prosperity. Access to Finance remains one of the most pressing issues for Northern Ireland businesses at this time. The DFP & DETI Ministers have been proactive in pressing local banks to do more to support NI businesses, particularly SMEs. Ministers will continue to work with local banks to ensure all businesses have access to the necessary finance at appropriate terms to enable them to grow. In recent months, Ministers have had discussions with local banks regarding making finance available to the agri-food industry to enable NI companies to take advantage of particular opportunities that have emerged for that sector.

Both Ministers have also engaged with the UK Government to ensure it take all steps necessary to ensure the Northern Ireland banking system is stable and secure and that UK wide schemes are tailored for the needs of our local businesses and banking sector. In addition, DETI, through Invest Northern Ireland, has put in place a £100m+ Access to Finance Initiative to ensure that companies with high growth potential are not held back because they cannot access finance. Through the suite of funds Invest NI will be able to offer a continuum of funding for business seeking between £1k and £2m.

The recently published Economic Advisory Group (EAG) report into business Access to Finance sets out a range of measures which EAG believe could improve the financial environment in NI. The Executive will produce an Action Plan detailing how we intend to take these recommendations forward in the coming months.
The DEL Minister has announced funding for an additional 350 PhD places by 2015, marking a 60% increase in the current number of DEL-funded places from 495 to 845. These additional places, which will all be in economically relevant areas as defined by MATRIX, will offer our students a wider range of postgraduate opportunities in Northern Ireland and help to support growth in our local economy. The first intake of 100 additional places is due at the start of Academic Year 2013/14.

DEL is also supporting a new UK-wide bursary fund for new graduates and existing employees to study Masters (MSc) level degrees in aerospace engineering. The scheme will encourage participants to undertake projects to address the challenges faced by the aerospace industry, and secure opportunities for work experience and future employment. As part of the Executive’s Economy and Jobs Initiative, DEL will provide funding for up to 20 bursaries for students wishing to study in Northern Ireland. The first intake is due in Academic year 2013/14.

A range of other Strategies and Action Plans are currently being produced. DETI has led on the development of a new NI Innovation Strategy which will be published for public consultation in the coming months. An Exports Action Plan, which will aim to improve our sales performance in key external markets, is also being developed and we will also be preparing a more strategic and joined up approach to NI’s business incubation offering to support those entrepreneurs and new businesses with high growth potential.

A major review of apprenticeships and youth training is under way to ensure that the training opportunities on offer closely match the needs of the economy and equip our young people with economically relevant skills and qualifications. The review will report its findings in the Autumn.

DEL and DETI have been jointly tasked with developing a new strategy to reduce economic inactivity. Economic inactivity remains stubbornly high in Northern Ireland at around 27% of the working age population. Given the currently economic outlook the early results of the outworking of the new strategy may be to move some of those currently economically inactive onto the unemployment register. However, as the economy improves we would expect more people, including those currently economically inactive, to move into employment. The Executive expects to launch this revised Strategy later in 2013.
Securing the powers to lower the rate of Corporation Tax in NI remains a priority for the Executive. While it is disappointing that a decision on Corporation Tax has been deferred until autumn 2014, the work that we are doing now continues to move the economy forward and is preparing the way for the additional demand that would emerge from a lower Corporation Tax environment.
Conclusion

The NI Economic Strategy continues to set the direction for the Executive’s economic policy. It will continue to inform the development of our economic interventions in the short-term and beyond the current PfG period.

We have made significant progress in the delivery of the wide range of commitments we made when the NI Economic Strategy was published in March 2012. These actions are laying the foundations that will support economic growth and prosperity in the medium to longer term.

We will continue to work with the UK Government to ensure delivery of those measures, identified within Building a Prosperous and United Community, which compliment the Executive’s focus on export led economic growth. We recognise that a positive decision with respect to the devolution of Corporation Tax powers, would enable us to take decisions that would deliver our ultimate objective of rebalancing the NI economy more quickly.

In the short-term, the prospects for the NI economy will continue to be influenced by developments in the economies of our key trading partners. The Strategy remains flexible to enable us to respond to issues as they arise, as we did when launching the Economy and Jobs Initiative in November 2012.

In the coming months we will set out a range of further initiatives that support our objectives of rebalancing and rebuilding the local economy. These will include:

- a new Innovation Strategy for NI;
- a new strategy to tackle economic inactivity;
- further actions to build on what we are already doing to improve business access to finance;
- further detail on the actions we will take to boost our trade performance;
- a strategic action plan to support further growth in the agri-food sector (based upon the recommendations of the recent AFSB report); and
- a review of apprenticeships and youth training.
## ANNEX A: NI Economic Strategy: Key Performance Indicators

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>BASELINE</th>
<th>UPDATE</th>
<th>TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Expenditure on R&amp;D (BERD) as a % of GVA</td>
<td>1.2% (2010)</td>
<td>1.2% (2011)</td>
<td>1.2% (2015)</td>
</tr>
<tr>
<td>% of Firms that are innovation active</td>
<td>31% (2006-08)</td>
<td>27% (2008-10)</td>
<td>32% (2015)</td>
</tr>
<tr>
<td>Gross Expenditure on R&amp;D (GERD) as a % of GVA</td>
<td>1.8% (2010)</td>
<td>1.9% (2011)</td>
<td>1.9% (2015)</td>
</tr>
<tr>
<td>% of those qualifying from NI HE Institutions with graduate and post-</td>
<td>18.0% (2010/11)</td>
<td>18.5% (2011/12)</td>
<td>At least 22% (2020)</td>
</tr>
<tr>
<td>graduate qualifications in STEM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of school leavers GCSE A*-C or equivalent (inc English &amp; Maths)</td>
<td>58.6% (2009/10)</td>
<td>62.0% (2011/12)</td>
<td>66% (2014/15); 70% (2019/20)</td>
</tr>
<tr>
<td>% of those people in employment with level 2 skills and above.</td>
<td>74.0% (2010)</td>
<td>74.2% (Q1 2013)</td>
<td>At least 84.0% (2020)</td>
</tr>
<tr>
<td>Manufacturing Exports to emerging economies</td>
<td>£241m (2010/11)</td>
<td>£326m (2012/13)</td>
<td>£385m (2014/15)</td>
</tr>
<tr>
<td>% of FDI Jobs promoted by Invest NI above PSM</td>
<td>74.8% (2008-2011)</td>
<td>80% (2011-2013)</td>
<td>75% (2011-2015)</td>
</tr>
<tr>
<td>Total visitor revenue</td>
<td>£640m (2011)</td>
<td>£683m (2012)</td>
<td>£676m (2014); £1 billion (2020)</td>
</tr>
<tr>
<td>% of Jobs in locally owned companies supported by Invest NI above PSM</td>
<td>N/A (2008-2011)</td>
<td>60% (2011-2013)</td>
<td>50% (2011-2015)</td>
</tr>
<tr>
<td>% of Large Scale Investment Planning Decisions made within 6 months</td>
<td>N/A (2011)</td>
<td>64% (2012/13 target 60%)</td>
<td>90% (14/15)</td>
</tr>
<tr>
<td>Journey Times on Key Transport Corridors (compared to 2003 baseline)</td>
<td>1.4% below 2003 baseline (2009)</td>
<td>6.6% below 2003 baseline (2011)</td>
<td>2.5% below 2003 baseline (2015)</td>
</tr>
<tr>
<td>% of premises able to access a broadband service of at least 2 mbps</td>
<td>89% (2009/10)</td>
<td>87.4% (2012)</td>
<td>100% (2015)</td>
</tr>
<tr>
<td>% of electricity consumption from renewable sources</td>
<td>12.54% (2011/12)</td>
<td>13.7% (March 2013)</td>
<td>20% (2015); 40% (2020)</td>
</tr>
<tr>
<td>Jobs promoted through the Invest NI Jobs Fund</td>
<td>N/A</td>
<td>5,060 (March 2013)</td>
<td>6300 (2011-2015)</td>
</tr>
</tbody>
</table>

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5 Changes to the methodology employed in the latest publication of the UK Innovation Survey limits comparison with earlier results (which the original baseline figure was taken from). For further details see [www.detini.gov.uk/deti-stats-index/stats-surveys/stats-innovation-survey.htm](http://www.detini.gov.uk/deti-stats-index/stats-surveys/stats-innovation-survey.htm)

6 Original baseline figure has been revised.

7 Manufacturing exports in 2010/11 (baseline year) have been revised upwards from £5.49 billion.

8 Tourism visitor revenue in 2010 (baseline year) has been revised upwards from £534 million.