NORTHERN IRELAND ECONOMIC STRATEGY

3rd Annual Monitoring Report

February 2016
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Ministerial Foreword

The Northern Ireland Executive’s key priority remains to grow the local economy. Three years after the launch of the Economic Strategy, I am pleased to report that the Executive made significant progress in delivering those actions we committed to in the Northern Ireland Economic Strategy’s Comprehensive Action Plan for 2011-2015.

Our economic recovery is now well established with positive sentiments coming from a range of indicators. This recovery has been most marked by improvement in our labour market and positive news coming from all major sectors being recorded. While I recognise these improvements, I acknowledge that challenges do remain, and new ones will emerge. But we are undoubtedly in a better position now to face these than at the launch of the Economic Strategy back in 2012.

Reflecting on this more positive economic position, Invest NI has delivered another extremely strong set of results in 2014/15 in terms of job promotion. Over the course of the year, Invest NI promoted over 13,800 jobs and secured investment totalling £1.4bn in the Northern Ireland economy. This presents a cumulative total from April 2011 to March 2015 of over 37,000 jobs and £2,672m investment.

In November 2015 we set out our commitment to establish a local corporation tax rate of 12.5% in 2018 within A Fresh Start: Stormont Agreement and Implementation Plan. This is a powerful lever that can stimulate economic prosperity and we have already made plans to ensure we maximise the opportunity that a lower corporation tax rate could bring, to secure new Foreign Direct Investment and to make it easier for existing business to grow. In the coming year, the Executive Sub-Committee on the Economy will be undertaking a refocus of the Economic Strategy, and through this, will outline plans to ensure we meet the challenges facing the economy moving forward and work towards the Executive’s Economic Vision for 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”.

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

The Northern Ireland (NI) economy has performed well recently, with improvement across a range of indicators. This has been most evident in the labour market where there have been continuous falls in the number of people claiming unemployment benefits, as well as consistent job growth. Economic activity has also expanded, with growth being driven by the local private sector.

The outlook for growth remains positive with independent economic commentators predicting that on average NI achieved growth of 1.7% in 2015 and forecasting growth of 1.6% in 2016. However, there are notable challenges to the outlook including the likely fall in government spending over coming years and the strong pound against the Euro. The NI Executive recognises the need to support the local economy and that is why it remains its number one priority.

Export-led economic growth remains the focus of the Northern Ireland Economic Strategy. Our recent export performance in terms of goods has been volatile – following a strong 2013-14, the value of goods exported from NI only increased very marginally in 2014-15. However, a wider measure of exports, encompassing the majority of sectors within our economy, has been published by NISRA which shows the value of our private sector exports was £8.8bn in 2012, up 1.8% on the previous year. DETI officials, working with Invest NI and InterTradeIreland has developed ‘Export Matters’ an Action Plan for Northern Ireland. Export Matters is due to be published shortly and will aim, through a collaborative, partnership approach, to enable the conditions for increasing external sales and exports in Northern Ireland.

Securing Corporation Tax powers for Northern Ireland has been a key priority for the Executive. Cross party talks which accumulated in the Stormont Agreement and Implementation Plan in November 2015 included a commitment to setting a 12.5% corporation tax rate in Northern Ireland from 2018, but this remains subject to a commencement clause that will require the NI Executive to demonstrate that its finances are on a sustainable footing for the long term.
Corporation Tax powers could have a transformative impact on the local economy, enabling the rebalancing of the local economy towards greater private sector led and value added growth more quickly than would otherwise be possible. Research carried out by the Ulster University Economic Policy Centre estimates that if we reduce the local Corporation Tax rate to 12.5% from 2018, well in excess of 30,000 additional new jobs could be created by 2033. This estimate takes into account the UK Chancellor’s announcement in the summer budget that the UK rate of Corporation Tax will fall to 18% by 2020. This announcement on the downward movement of the UK rate takes us a step closer to our lower Corporation Tax goal and at the same time reduces the impact of the public finances of us reaching our goal.

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 Economic Strategy in the three years since its launch. 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 accompanies this report and can be accessed on the NI Economic Strategy website at www.northernireland.gov.uk/economic-strategy.
International Economic Trends: Implications for NI

According to the IMF (January 2016), global economic output expanded by 3.1% in 2015, with forecasts for 2016 and 2017 revised downwards to 3.4% and 3.6% respectively as a result of a weaker pickup in emerging markets that previously expected.

Northern Ireland is a small open economy and, as such, its performance is closely linked to external conditions, particularly those of its main trading partners. The Euro area returned to growth in 2014 (0.9%) and this continued into 2015 (1.5%) with the Republic of Ireland one of the key drivers of growth in the region at 4.8%. The US economy grew by 2.6% for the whole of 2015, its best performance since 2010 while the UK economy expanded by 2.5% over the year; down from 3% in 2014.

NI Economy Trends and Performance Against Key Indicators

The Northern Ireland economy has performed well recently, with positive signs across a range of indicators. Economic activity, as recorded by the Northern Ireland Composite
Economic Index, expanded by 1.6% over the year (to Q3 2015). Growth was driven by the private sector (+2.3%), and in particular, by the construction and production sectors with output up 15.9% and 2.2% respectively.

Figure 2: NI Composite Economic Index by component, Q1 2009 – Q3 2015

The continuing economic recovery has also been evidenced by labour market indicators. The number of people claiming unemployment benefits has fallen by over 26,000 since its most recent peak in February 2013, although there is still a long way to go until the local economy returns to its pre-downturn position. For example, the claimant count in January 2016 remained over 15,200 higher than in September 2007 (low point).
The Labour Force Survey unemployment rate for the September to November 2015 period was 5.9%, above the UK unemployment rate of 5.1% but well below the October 2015 rates for both the Republic of Ireland (8.9%) and the European Union (9.3%). The economic inactivity rate was 26.7% during September to November 2015, significantly above the UK rate (21.9%). However, there has been some slight improvement here too, with the rate well down on its previous high of 31.8%, recorded in the March to May 2009 period.

The number of employee jobs has increased by over 30,000 over the past three years to September 2015. This increase was driven primarily by the services sector (+28,850 jobs) with growth also coming from the manufacturing sector (+6,020 jobs), but 1,080 jobs were lost from the construction sector over the period.
The NI Executive set a target to increase the value of overall goods exports by 20% by 2014-15 from a baseline year of 2010-11. While growth was achieved in three of the four years of the target period, this was not sufficient to offset the losses in 2012-13. Overall, growth of 5.7% was achieved over the period (against the 20% target), with an average annual growth rate of 1.5%. This means the value of goods exports were £817 million below their target value at the end of 2014-15. Data for the first half of 2015-16 shows there has been a slight uptick in performance, with the value of exports up 7.0% on the first half of 2014-15.
Whilst the overall target was not met, there have been changes in the destination of NI’s exported goods over the target period (from 2010-11 to 2014-15). The value of goods exported increased considerably to some countries over the target period, most notably to the US (£299 million), Germany (£106 million) and the Republic of Ireland (£94 million). Conversely, the value of goods exported also decreased considerably to some countries over the target period, with the most notable declines to Canada (-£206 million), the United Arab Emirates (-£42m) and Greece (-£21m).

Recognising the need to diversify our local export base, a target to growing manufacturing exports to emerging markets\(^1\) by 60% was also set over the same period (2010-11 to 2014-15). Up to the end of 2013-14, export performance to emerging markets had been strong. However, the value of exports to these markets declined by almost one fifth (19%) in 2014-15 alone, meaning overall growth of 15.7% was achieved over the target period (against 60% target). For the first half of 2015-16, the value of goods exports to emerging markets were down 4% when compared to the first half of 2014-15.

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\(^1\) Emerging markets includes the BRIC and CIVETS economies. BRIC economies include Brazil, Russia, India and China. CIVETS includes Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa.
Overall Research and Development (R&D) spend decreased by 5% over the year to 2014. Business expenditure on R&D (BERD), which accounts for the majority of total R&D (67%) decreased by £69.1m (15%). However, there were increases of £30.7m in higher education (21%) and £4.8m (29%) in government expenditure on R&D in 2014. It is important to note that variation may occur in the NI R&D data from year to year due to the influence of one or two large scale projects, either starting or finishing and it is likely that this contributed to the decline in business R&D expenditure over the year. Overall the number of businesses engaged in R&D did increase by one-fifth in 2014.

The third phase of DEL’s successful Connected programme – ‘Connected 3’ was launched in October 2014. Since its launch as a pilot programme in 2007, Connected has enabled companies to gain access to world-class expertise, technology and research from Northern Ireland’s universities and colleges. Connected 3 will continue to develop a broad and growing portfolio of industrial support networks spanning Queen’s, Ulster’s and all six further education colleges, whilst also seeking to build an entirely new relationship with the Open University.

BERD has more than doubled (+118%) since 2007, driven mostly by growth in expenditure on R&D by large companies. While the vast majority (83%) of R&D performing companies
were locally-owned in 2014, they only accounted for around one-third (36%) of expenditure. In 2014, in-house BERD accounted for 1.0% of GVA (GVA data refers to 2014). This places NI as the seventh highest performing of the 12 UK regions. Despite recent positive performance, the latest data for 2014 shows a decrease in BERD of 15%.

**Figure 7: Business Expenditure on R&D, 2007 - 2014**

![Figure 7: Business Expenditure on R&D, 2007 - 2014](image)

*Source: Northern Ireland Research and Development Statistics, NISRA*

In Northern Ireland significant progress has been made over the last decade in raising qualifications and skills at all levels. As our skills provision has become more employment responsive, the quantum of individuals gaining qualifications at Level 2 and above has increased by 9% points over the period 2005 to 2015. The latest statistics (April to June 2015) show that 76% of those in employment are qualified to a minimum of NQF Level 2; 60.7% qualified to Level 3 and above; and 38.3% qualified to Level 4 and above.

Additional evidence from the OECD (the International Survey of Adult Skills 2013) validates this trend with the research highlighting that the proportion of Northern Ireland’s working age population performing at the lowest levels of literacy has improved, decreasing from 23% in 1996 to 18% in 2012. These positive trends indicate that Northern Ireland has narrowed the literacy gap with other OECD countries.

However, despite absolute improvements in the local skill base over time, a number of gaps (particularly the proportion of our population who have low or no qualifications) remain
when compared to the best performing regions and nations. If Northern Ireland wishes to improve its position amongst OECD countries and therefore become ‘world class’ in skills, significant investment and progress is required at all three broad skill levels. The Executive remains focused on developing our skills base as a platform for securing its long term economic vision.

**Prospects for short & medium term**

Since the launch of the Economic Strategy, the global economic landscape has changed considerably with the IMF (January 2015) predicting that, whilst global economic activity remained subdued in 2015, in advanced economies, a modest and uneven recovery is expected to continue. The IMF expects global economic growth to reach 3.1% in 2015, lower than in 2014 (3.4%) but growth is expected to strengthen to 3.4% in 2016 and 3.6% in 2017.

The IMF forecasts that economic growth in the Euro area will reach 1.5% in 2015 and that this will rise to 1.7% in 2016. UK economic growth is forecast to be in the region of 2.2% in 2015; which would make it the second fastest growing G7 nation after the US where growth of 2.5% is predicted. The same situation is predicted for 2016 where UK economic growth is forecast to be in the region of 2.2% whilst US economic growth of 2.6% is expected.

At a local level, independent economic commentators estimate that the NI economy will grow by 1.7% in 2015 and by 1.6% in 2016. While the prospects for the local economy remain upbeat, they are below what is predicted for the national economy. There are also notable challenges to the local outlook including the likely fall in government spending over coming years and the strong pound against the Euro.
Figure 8: Economic Growth Forecasts for NI and the UK, 2015 -2017

Source: NI figures are an average of forecasts provided by Oxford Economics; Ulster University Economic Policy Centre, Danske Bank, Ernst and Young and PwC. UK figures are from the IMF World Economic Outlook Update (January 2015)
3 Implementation of NIES Commitments

Of the 172 NI Economic Strategy commitments that the Executive agreed, we delivered 89% of these by March 2015.

The Economic Strategy recognises that the momentum for improved economic outcomes will rely on the successful implementation of a number of key performance indicators as set out in table 1 overleaf.

In terms of the rebalancing and rebuilding performance indicators, we have exceeded our 2015 targets across all of the five key rebalancing indicators and the four key rebuilding indicators.

A more comprehensive and wide-ranging set of performance indicators is set out at Annex A. These indicators are structured to demonstrate progress against our economic goals.

Looking at the indicators across the board, we are presented with a largely positive picture. A number of targets have been exceeded: Business expenditure on R&D (BERD) as a % of GVA (1.2% in 2014 against a target of 1.2% for 2015), gross expenditure on R&D (GERD) as a % of GVA (1.8% in 2014 against a target of 1.9% for 2015) and the percentage of firms that are innovation active is 40% from 2010-2012 against a target of 32% by 2015. In relation to support for locally owned companies, the target to promote higher value jobs has been exceeded, with 70% supported from 2011-2014 against a target of 50% above the NI PSM from 2011-2015. 10,792 jobs have been promoted by March 2015 through the Jobs Fund against a target of 6,300. 151,099 working age benefit client have moved into employment from 2011-2015 against a target of 114,000 from 2011-2015. We also have experienced great success in terms of generating visitor revenue achieving £751m in 2014 against a target of £676m for 2014.

However, work is still required going forward, notably in increasing our manufacturing export sales which fell below the target of £6.84bn with £6.03bn sales achieved by 2014/15.
and increasing the number of large scale investment planning decisions made within 6 months which had 74% by December 2014 against a 2014/2015 target of 90%.

The Executive has also welcomed a wide range of positive news across Departments in the last year which can be viewed in more detail in the Executive’s monthly Economic Growth Bulletin. Copies of the Economic Growth Bulletin can be accessed at http://www.northernireland.gov.uk/index/work-of-the-executive/pfg-budget-economic-strategy/economic-strategy/economic-growth-bulletin.htm

The remainder of this section sets out significant achievements under each of the Economic Strategy’s key rebalancing & rebuilding themes and the Economy and Jobs Initiative. A Comprehensive Action Plan Table outlining progress against all 172 NI Economic Strategy actions and the additional 41 Economy & Jobs Initiative actions has been published at 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 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rebalancing by 2014/15</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support <strong>£300m</strong> investment by businesses in R&amp;D</td>
<td></td>
<td><strong>£520m</strong> of investment in R&amp;D 27% from NI’s SME base.</td>
</tr>
<tr>
<td>Deliver <strong>210,000</strong> 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>Almost <strong>300,000</strong> Level 2 and above full qualifications have been achieved.</td>
<td></td>
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<tr>
<td>Promote <strong>£400m</strong> of investment and <strong>6,300</strong> jobs in locally owned companies (50% paying salaries above the PSM)</td>
<td><strong>£1,288m</strong> of investment and <strong>9,637</strong> new jobs, 70% with salaries above the NI PSM</td>
<td></td>
</tr>
<tr>
<td>Promote <strong>5,900</strong> jobs from inward investors (75% paying salaries above PSM)</td>
<td><strong>10,309</strong> new jobs promoted 72% pay salaries above the NI PSM</td>
<td></td>
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<tr>
<td>Promote <strong>60</strong> new start ups exporting outside the UK and a further <strong>440</strong> selling to GB</td>
<td><strong>62</strong> start-ups supported with the potential to sell in market outside of the UK and <strong>529</strong> start-ups with the potential to sell in to the GB market</td>
<td></td>
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<tr>
<td><strong>Rebuilding by 2014/15</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote <strong>£225m</strong> of investment and <strong>6,300</strong> jobs, (4,000 created by March 2014) through the Jobs Fund</td>
<td><strong>£363m</strong> investment secured and <strong>10,792</strong> jobs promoted</td>
<td></td>
</tr>
<tr>
<td>Move <strong>114,000</strong> working age benefit clients into employment</td>
<td><strong>151,099</strong> into employment by March 2015</td>
<td></td>
</tr>
<tr>
<td>To support the construction sector by delivering key road and rail projects and <strong>8,000</strong> social and affordable homes over the budget period</td>
<td><strong>6,101</strong> social housing units and <strong>3,965</strong> affordable housing units delivered</td>
<td></td>
</tr>
<tr>
<td>Deliver <strong>6,000</strong> work experience and training opportunities for young people by 2015</td>
<td><strong>6,305</strong> short term and <strong>5,984</strong> longer term work experience opportunities supported by Youth Employment Scheme.</td>
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</table>

**Innovation, R&D and Creativity**

Innovation and Research & Development are key drivers of productivity, jobs, competitiveness and exports.

Work has begun on the implementation of the *Northern Ireland Innovation Strategy*, published in September 2014, which aims to support businesses in all areas of the economy to become more innovative. Its vision is that, by 2025, Northern Ireland will become one of the most innovative regions in the UK, be recognised as an innovative hub and be one of the
UK’s leading high-growth, knowledge-based regions which embraces creativity and innovation in all areas of society.

It is encouraging that we are seeing great increases in R&D investment in the local economy over the longer term. However despite record R&D performance only a small number of companies in Northern Ireland are innovation active. This is reflected in the fact that Northern Ireland continues to be the least innovative region in the United Kingdom. We therefore need to continue to build and grow on the successes we have made over the last three years.

At 31 March 2015, 92% of commitments under the Innovation, R&D and Creativity theme were achieved.

Over the course of this Programme for Government period, key achievements which will stimulate higher levels of innovation and R&D include:

- £520m of investment in R&D has been secured via Invest NI’s Grant for R&D Programme from 1st April 2011 and 31st March 2015. 27% of this investment has come from NI’s SME base.
- 581 businesses have been supported to undertake R&D for the first time and we have progressed 194 collaborative R&D projects by 31 March 2015.
- Made good progress in increasing North/South participation in EU Research and Development Programmes. For Horizon 2020, between January and September 2014 (latest figures available), there were 12 successful North/South proposals with an economic collaboration value of €14.9m (€9.0m Republic of Ireland and €5.9m Northern Ireland).
- DCAL has provided a range of support to grow the creative industries. Creativity Month in March 2015, provided an overarching promotional framework for multiple organisations to showcase their work in tackling economic and social challenges. In September 2014, the DCAL Minister convened a Ministerial Action Group to support industry-led approaches and partnerships in support of the creative industries.
• Through DEL core funding of around £4m per annum (delivered via the Northern Ireland Higher Education Innovation Fund), Queen’s University and Ulster University delivered 2,103 business interactions with SMEs, secured £1.168m income from intellectual property (through the licensing to companies of new technologies and know-how) and established 5 new spin out companies during Academic Year 2013/14 (2014/15 data will be available in November 2015).

• Over £4m investment through the Creative Industries Innovation Fund and wider sectoral initiatives supported business growth and wider innovation, R&D and creativity. From January 2014 to March 2015, an additional £6m in funding was allocated to support City of Culture legacy and the development of innovative approaches to economic and social challenges.

Skills and Employability

Investing in skills and employability plays a key role in driving growth in the Northern Ireland economy. It is important that we gain a strong understanding of the demand for skills to ensure the appropriate supply of skills are available to meet current and future employer needs.

DEL published Securing our Success, the new NI Strategy on Apprenticeships in June 2014. The Strategy highlights how apprenticeships can provide an excellent means by which employers can obtain the professional, technical and employability skills they require as well as being assured that across the economy there is a critical mass of people with strong technical and good employability skills. A new strategic advisory forum and sectoral partnerships have been established to place employers in the lead to ensure the provision and content of apprenticeships meets their needs.

Implementation of the Strategy will play a key role in transforming of our skills landscape and ensuring our economic success with apprenticeships introduced in a wider range of occupational areas including those which are normally considered outside the traditional remit.

Under the new system, apprenticeships will be expanded from skills level 3 (equivalent to A-Level) to include Higher level Apprenticeships up to skills level 8 (PhD). Pilot Apprenticeships
and Higher Level Apprenticeships are being used to test the new system during 2015/16 ahead of it being introduced from September 2016.

Following the Department’s review of youth training at level 2, “Generating our Success: The Northern Ireland Strategy for Youth Training” was launched on 30 June 2015. The strategy sets out 22 policy commitments which aim to establish a new system of professional and technical learning for young people in Northern Ireland. Among these commitments are that all young people aged 16–24 who require training at level 2 will be offered the opportunity to participate in the new system, and a widening of the focus of the new system beyond the current emphasis on 16 and 17-year-old school leavers.

In efforts to support skills development and ensure our workforce has the skills needed for future employment opportunities, DEL is developing a Northern Ireland Skills Barometer which will provide up to date information on the skills requirements needed for our future economy. It is anticipated that the Barometer will provide a clear indication of where the skills gaps are currently, where they are emerging and where they are likely to emerge over the longer term. Work commenced in September 2014 and it is expected that the first NI Skills Barometer report will be launched in autumn 2015. An updated report will be produced annually, building in new data as they become available.

DEL has also recently launched a graduate export sales and marketing academy to help drive skills in export sales and marketing. It is anticipated that the ‘Academy’ will ultimately assist with the aim of export-led economic growth as the key means of delivering increasing levels of prosperity and employment for all.

| At 31 March 2015, 100% of commitments under the Skills and Employability theme were achieved. |

Key achievements in improving employability and skills to rebalance the economy include:

- DE and DEL have developed a Careers Strategy Joint Action Plan for 2015-2016 which includes four projects: Accountability and Quality Assurance Framework; E-delivery and Labour Market Information; Work Experience; and Accessing Impartial Advice. A refreshed narrative for the careers strategy, Preparing for Success, is currently being finalised in conjunction with DE for the period 2015-
In efforts to help our young people prepare for the future world of work, DE, through its intervention partner Sentinus and YENI, delivered a range of programmes aimed at pupils in primary and post-primary schools resulting in 140,000 pupil engagements during 2014/15.

- From 2010/11 to 2013/14, almost 300,000 Level 2 and above full qualifications were gained across Further Education, Essential Skills, Training Programmes and Higher Education (including HE in FE).
- In 2014/15 DEL provided additional support for 549 undergraduate places and 234 PHD places in STEM related subjects.
- During 2014/15, DE funded a STEM Careers Education, Information, Advice Programme delivered by Education and Library Boards, aimed at raising awareness of STEM careers and STEM progression routes within secondary level education.
- DARD has, through CAFRE, provided industry training programmes to more than 12,543 people and delivered more than 2,022 qualifications at level 2 or above during 2014/15.
- DEL has provided £49m for university quality related research funding in 2014/15.
- DHSSPS has maintained investment of £37m in university-based education and training programmes in 2014/15 with the aim of ensuring that NI continues to have a well trained health and social care workforce.
- Invest NI has secured £145m of investment in skills development – £59m of this was invested in 2014/15.
- DEL has created 2,073 potential jobs by providing £3.6m support through the Assured Skills programme.
- An evaluation of the NI cross-departmental strategy for those young people in the Not in Education, Employment or Training (NEET) category was undertaken in January 2015 and work is now underway to develop a refreshed Pathways to Success Strategy which will establish a range of new and revised programmes to assist our young people.
Business Growth

There has been significant investment in developing Northern Ireland as a world class tourism product with the successful hosting a number of key events including the Giro D’Italia in May 2014, NI Open Challenge in summer 2014 and Red Bull Crashed Ice event in February 2015. Northern Ireland will also be the location for the Irish Open in 2015 and 2017, the Tall Ships Races in July 2015, Sports Personality of the Year in December 2015 and we can look forward to 2016 where Northern Ireland will host the Year of Food.

The Review of Business Red Tape was presented to the DETI Minister in November 2014 and recommendations set out in the Review offer ways of reducing the regulatory burden on business, while continuing to retain the necessary objectives of protection for society, citizens, the environment and markets. Implementation of these recommendations will contribute to positioning Northern Ireland as a competitive business environment which supports private sector growth.

While much progress has been made in improving the availability and affordability of finance for businesses in Northern Ireland, Access to Finance has remained a key issue. The Venture Capital Report, completed for the DETI Minister in March 2015, outlines gaps and makes recommendations on improvements. We have also built on the effective working relationships established with the Business Bank to ensure efficiency for our SMEs.

At 31 March 2015, 86% of commitments under the Business Growth theme were achieved.

- Between 1st April 2011 and 31st March 2015, Invest NI promoted 9,637 jobs within locally-owned companies with 6,756 of these jobs, or 70% attracting salaries above the NI PSM. During this time Invest NI has also secured £1,288m of investment and salaries of £275m from locally-owned companies.
- Invest NI has been working closely to identify new entrepreneurs with local business start ideas. Between 1 April 2011 and 31 March 2015 Invest NI promoted 6,539 new jobs through the Regional Start Initiative.
• We have supported the tourism sector in Northern Ireland with key PfG targets for visitor numbers and tourism revenue achieved in 2014; 4.5m visitors and £751m tourism spend – an increase of 11% in visitor numbers and 4% associated expenditure when compared to 2013.

• The Tourism Events Fund supported 76 events with £2.7m in grant/sponsorship successfully administered.

**Competing Globally**

Recognising exports as a key economic driver, DETI, working with Invest NI and IntertradeIreland, and following engagement with a wide range of stakeholders including local councils, chambers of commerce, businesses and economists, developed ‘Export Matters’, an Exports Action Plan for Northern Ireland, which will be launched in due course. Export Matters aims to provide a framework for local and regional export support bodies to provide a more effective and responsible export network that will better address the NIES goal to increase employment and wealth by building a larger and more export driven private sector. In efforts to improve our export performance, Invest NI has, from 1 April 2011 to 31 March 2015, provided 7,827 trade interventions with NI businesses, 29% of these (2,293) with Stage 1 exporters.

In 2014/15 we continued to attract inward investment to Northern Ireland, including support for some of the largest projects (in terms of job promotion), ever by Invest NI. This range of Inward Investment included support for projects with PWC (807 jobs), Moy Park (628 jobs) and Ernst & Young (486 jobs), Deloitte (338 jobs) and Baker & McKenzie (256 jobs).

At 31 March 2015, 94% of commitments under the Competing Globally theme were achieved.

Key achievements within the Competing Globally theme include:

• IntertradeIreland have continues to stimulate trade and innovation on a North/South basis with a further 14 first time exporters being reported and a jobs impact of 378.
• 10,309 new jobs with externally-owned companies were promoted between 1 April 2011 and 31 March 2015. Of these, 7,432 (72%) have salaries above the NI PSM. £1,021m of investment from externally owned companies has been supported by Invest NI.

• In October 2014, the Executive published its response and detailed Action Plan which details how it would progress actions set out in the Agri-Food Strategy Board’s Strategy Going for Growth. Progress continues to be made by Government and Industry in implementing agreed actions.

Economic Infrastructure

Growing the Northern Ireland economy relies on a modern and sustainable economic infrastructure. The quality of our infrastructure will play an important role in attracting, developing and retaining competitiveness businesses. There has been continued investment in key areas such as transport, tourism, energy and telecommunications in our efforts to promote Northern Ireland as a great place to work and invest.

Considerable investment has been undertaken throughout 2011-2015 to improve Northern Ireland’s infrastructure growth in efforts to drive economic growth. Through the Regional Transportation Strategy, over £500m has been invested in a programme of measures to secure more sustainable modes of travel and this has yielded 80.7m passenger journeys by public transport in 2014/15. £670m has also been invested in water and sewerage infrastructure over the period of the Strategy.

At 31 March 2015, 81% of commitments under the Economic Infrastructure theme were achieved.

A number of key achievements were realised including:

• Tourism NI supported 20 new tourism projects in the past 12 months, investing a total of £9million grant and levering £6.7million. A number of Capital projects have been completed and opened this year including West Bay Promenade in
Portrush, Aras Colmchille in Derry~Londonderry, Silent Valley Walking Routes, Adventure Playground at Belfast Zoo and Giants Lair.

- Following publication of DSD’s Urban Regeneration and Community Development Framework in July 2013, DSD completed 28 substantial Public Realm schemes in towns and cities across Northern Ireland during 2014/15.
- £670m has also been invested in water and sewerage infrastructure to maintain a high quality of drinking water and improve compliance with waste water standards.
- A total of £480m will have been invested in the health estate between 1 April 2013 and end of 2014/15 financial year with further investment of £203m planned for 2015/16. A range of major projects has commenced across the various Trusts.
- Continued progress has been made in increasing 2G and 3G mobile coverage and optimising mobile networks for delivery of superfast mobile broadband services (4G). Coverage to premises in NI have been assessed by Ofcom as being 99% of outdoor 2G coverage, 99% of outdoor 3G and 79% of outdoor 4G (against a UK average of 73%). In addition, BT has reported that 280 new fibre-enabled cabinets were introduced by 31 March 2015.
- In 2014/15 there was investment of £40.7m in infrastructure for higher education and in the 4 years to 31 March 2014, £75.5m was invested in infrastructure for further education, to ensure the provision of modern, fit for purpose, teaching and research facilities.

Rebuilding

Through the rebuilding theme, we are seeking to promote employment opportunities and improve employability. The Executive has made good progress in addressing these challenges through implementation of our Economic Strategy and Economy & Jobs Initiative actions.

Whilst there has been positive progress in economic growth across a range of key indicators, a historical problem in Northern Ireland remains the high levels of economic inactivity which is currently 26.7% compared to a UK average of 21.9%. The DEL and DETI Ministers jointly
published ‘Enabling Success – a Strategy to tackle economic inactivity in Northern Ireland’ in April 2015. *Enabling Success* seeks to reduce the persistent high levels of economic inactivity in NI, by helping key economically inactive groups make the transition towards, and into, the labour market.

The availability and affordability of childcare remains a key issue in allowing parents to work, train or learn. The initial phase of the Executive’s Childcare Strategy included a number of Key First Actions, including the School Age Childcare Grant Scheme. This latter has, to date, funded some 80 childcare providers, creating or safeguarding more than 2,000 childcare places. Delivering Social Change Through Childcare—the full, final version of the Childcare Strategy—was issued for consultation in July 2015. Consultation will run until November 2015.

**At 31 March 2015, 77% of commitments under the rebuilding theme were achieved.**

Some of the key areas of progress include:

- Between July 2012 and March 2015 the Youth Employment Scheme supported 6,305 short work experience and 5,984 longer work experience opportunities with upskilling available to young people aged 18-24 years.
- Between 1st April 2011 and 31st March 2015, 151,099 working age benefit claimants have been moved into employment.
- Between 1st April 2011 and 31st March 2015, Invest NI secured £363m of investment through its support under the Jobs Fund programme with £72m of investment during 2014/15 specifically. 10,792m new jobs were promoted through the Jobs Fund programme.
- DSD continued to invest approximately £20m revenue support through its Neighbourhood Renewal Investment Fund including a range of projects that directly or indirectly help address the barriers to employment.

In terms of the Economy and Jobs Initiative, key areas of progress include:

- A total of 1,419 additional undergraduate STEM places (1,066 universities, 353 in FE colleges) have been funded (against a target of 1,200 by 2015) – this will help enhance the skills base in priority areas for the NI economy.
- Between January 2013 and September 2014, 905 participants had commenced the Step Ahead 50+ initiative.
• In March 2015, the Creative Learning Centres held the Future Classrooms 2015 conference in Armagh. Delivered as part of Creativity Month, this year’s conference focused on the impact of STEAM based learning over the past decade, as well as showcasing international best practice while exploring future challenges for creativity in learning.

• Three Innovative Procurement Executives were appointed to bring forward SBRI projects to the Public Sector and increase local business engagement. The work of these staff has been central in continuing to support a SBRI project on the “Sustainable Use of Poultry Litter” from DARD, developing and running a “Medicines Optimisation” SBRI aimed at improving medicines adherence from DHSSPS, and the development of a significant Horizon 2020 Pre-Commercial Procurement bid which has the potential to leverage €5.2m to develop new approaches to care of patients recovering from strokes.
Since publication of the Economic Strategy in March 2012, Executive Departments have made considerable progress in delivering the wide range of commitments set out in the Comprehensive Action Plan for 2011-2015 and it is positive that we are now seeing signs of continued economic recovery and forecasted further economic growth.

The Executive Sub-committee on the Economy has begun the process of reviewing and refocusing the Economic Strategy. The refocused Strategy will reflect current economic conditions and potential developments in key policy areas, including Corporation Tax where there is now a commitment to reduce the local rate to 12.5% from 2018, a referendum on EU membership and also the significant resource pressures facing the Executive since the launch of the Economic Strategy in 2012.

Refocusing the Strategy will give us the opportunity to outline the Executive’s key economic priorities going forward. It is vital that we continue to work collectively, across Executive Departments, the public sector and wider afield, to sustain economic growth and increase wealth and prosperity for all.
## 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><strong>Business Expenditure on R&amp;D (BERD) as a % of GVA</strong></td>
<td>1.1% (2010)</td>
<td>1.2% (2014)</td>
<td>1.2% (2015)</td>
</tr>
<tr>
<td><strong>% of Firms that are innovation active</strong></td>
<td>31% (2006-08)</td>
<td>40% (2010-12)</td>
<td>32% (2015)</td>
</tr>
<tr>
<td><strong>Gross Expenditure on R&amp;D (GERD) as a % of GVA</strong></td>
<td>1.7% (2010)</td>
<td>1.8% (2014)</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>21.8% (2014/15)</td>
<td>At least 22% (2020)</td>
</tr>
<tr>
<td>graduate qualifications in STEM**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em><em>% of school leavers GCSE A</em>-C or equivalent (inc English &amp; Maths)</em>*</td>
<td>59.0% (2009/10)</td>
<td>63.5% (2013/14)</td>
<td>66% (2014/15); 70% (2019/20)</td>
</tr>
<tr>
<td><strong>% of those people in employment with level 2 skills and above.</strong></td>
<td>74.0% (2010)</td>
<td>75.8% (Q3 2015)</td>
<td>At least 84.0% (2020)</td>
</tr>
<tr>
<td><strong>Manufacturing Exports to emerging economies</strong></td>
<td>£231m (2010/11)</td>
<td>£267m (2014/15)</td>
<td>£369m (2014/15)</td>
</tr>
<tr>
<td><strong>Total visitor revenue</strong></td>
<td>£640m (2011)</td>
<td>£751m (2014)</td>
<td>£676m (2014); £1 billion (2020)</td>
</tr>
<tr>
<td><strong>% of Jobs in locally owned companies supported by Invest NI above PSM</strong></td>
<td>N/A (2008-2011)</td>
<td>70% (2011-2015)</td>
<td>50% (2011-2015)</td>
</tr>
<tr>
<td><strong>% of Large Scale Investment Planning Decisions made within 6 months</strong></td>
<td>N/A (2011)</td>
<td>74% December 2014</td>
<td>90% (14/15)</td>
</tr>
<tr>
<td><strong>Journey Times on Key Transport Corridors (compared to 2003 baseline)</strong></td>
<td>1.4% below 2003 baseline (2009)</td>
<td>3% above 2003 baseline (2014)</td>
<td>2.5% below 2003 baseline (2015)</td>
</tr>
<tr>
<td><strong>% of premises able to access a broadband service of at least 2 mbps</strong></td>
<td>77% (2011)</td>
<td>94% (2015)</td>
<td>100% (2015)</td>
</tr>
<tr>
<td><strong>% of electricity consumption from renewable sources</strong></td>
<td>12.54% (2011/12)</td>
<td>20% (March 2015)</td>
<td>20% (2015);</td>
</tr>
</tbody>
</table>

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2 Due to revised GVA data the baseline has been revised downwards from 1.2 % to 1.1%  
1 Due to revised GVA data the baseline has been revised downwards from 1.9 % to 1.8%  
4 For context see E2 of Action Plan.