

Growth Dashboard

UK Economic Performance

GDP

GDP growth is now well established and increasingly broad based

Employment

Employment has performed well and is above its pre-recession peak

Productivity

UK productivity has fallen further than the G7 average

Growth Ambitions

Tax

The UK still has the lowest corporate tax rate in the G7

Doing Business

The UK remains near the top of the global competitiveness indices

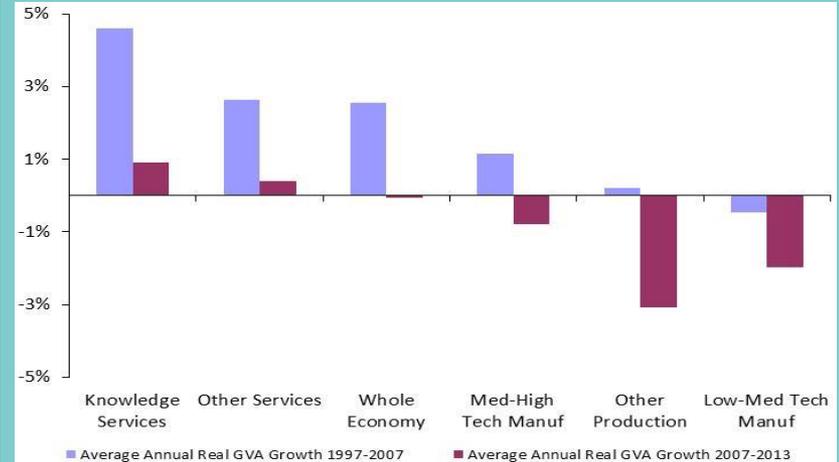
Exports and Investment

The UK is top in the EU in attracting FDI; exports to BRICs are up

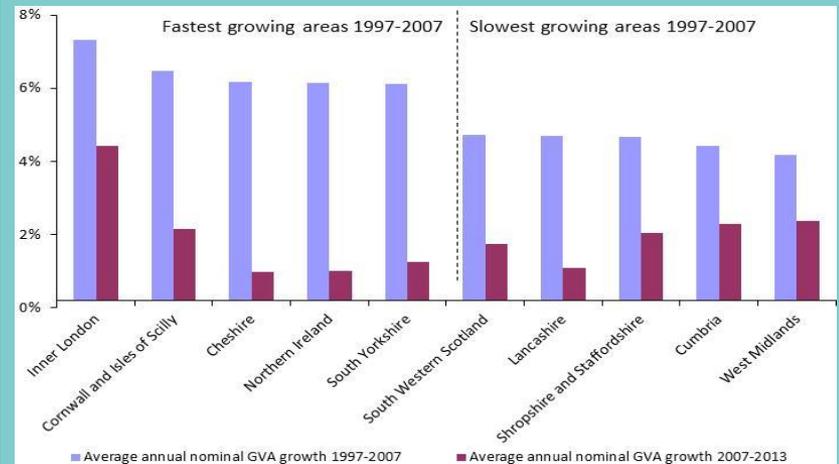
Labour Market

There has been a large increase in apprenticeship participation

UK output growth by industry



Growth by local area



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GVA and employment

Business Performance

Business population, SME performance and start-ups



Recent UK Growth Performance



UK Growth Performance

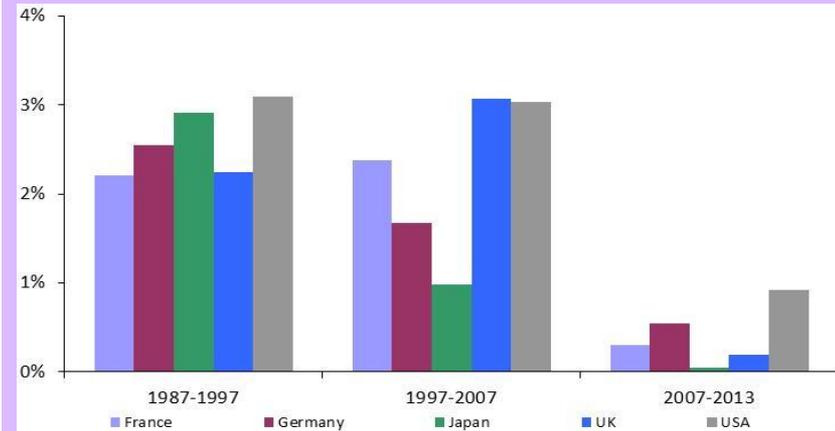
Before the recession the UK economy grew rapidly

Between 1987 and 1997 UK GDP grew by an average of 2.2% a year in real terms – faster than France, but behind the USA, Japan and Germany

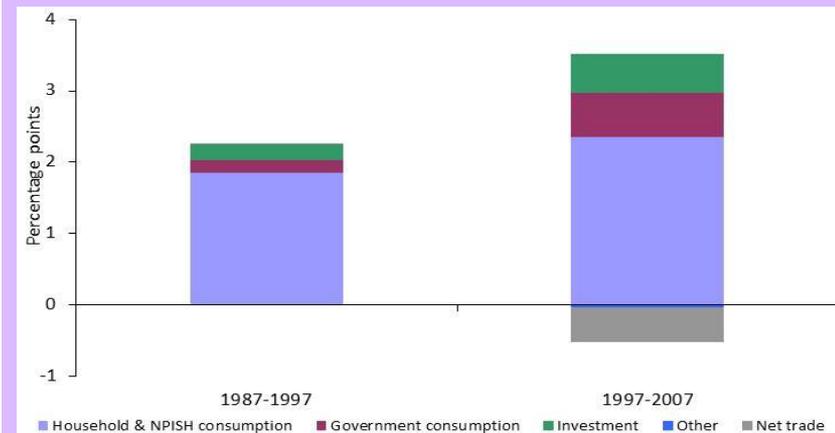
From 1997 to 2007, UK growth averaged 3.1% – but Government spending and household consumption became more important drivers of domestic growth; while the contribution of net trade declined

UK GDP was £1.7trn in 2013, the 5th highest in the G7, behind the USA, Japan, Germany and France

Real GDP growth



Contributions to UK growth



UK Growth Performance

In 2008 and 2009 the UK economy suffered its deepest recession since official records began in 1948

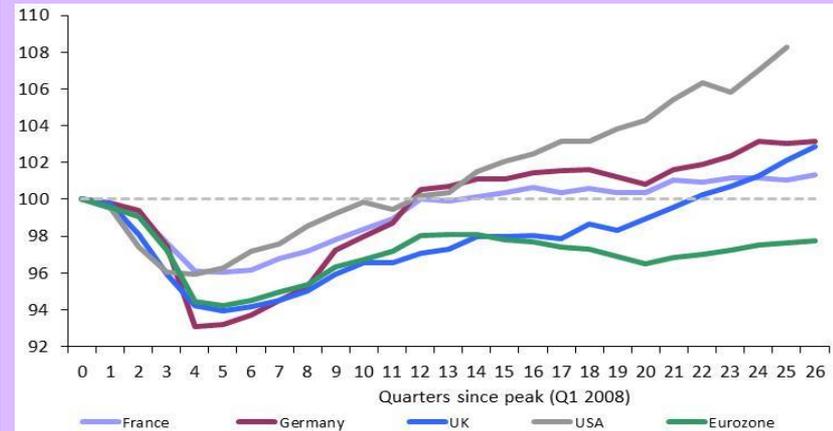
The UK experienced one of the deepest recessions of any major economy. UK GDP contracted by 6.0% in real terms between Q1 2008 and Q2 2009

The OBR judge that the pick-up in growth since early 2013 reflects a recovery in demand, supported by growing confidence and improving credit conditions

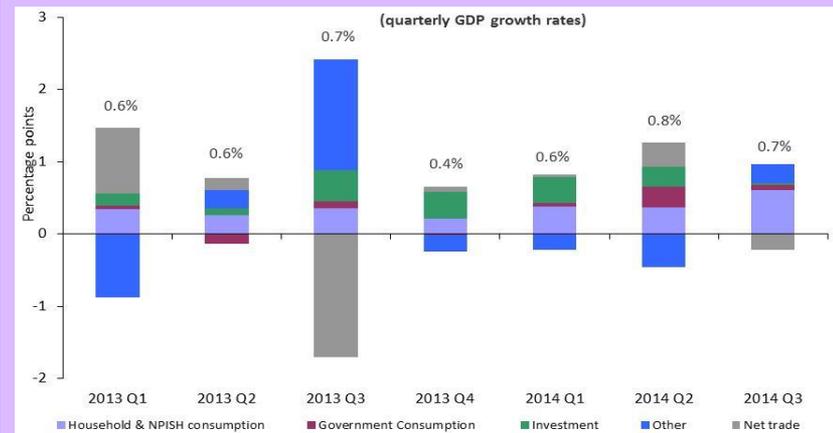
GDP exceeded its pre-recession peak in Q3 2013. GDP is now 2.9% higher than before the recession, following 0.7% growth in the third quarter of 2014

The OBR forecast 3% GDP growth in 2014, and a loss of momentum in 2015; with growth expected to slow to 2.4%. Household consumption is expected to provide the greatest contribution to growth in 2015, followed by business investment and housing

Real GDP since the recession



Contributions to UK growth



UK Growth Performance

Investment fell sharply during the recession. Exports have recovered, but are below previous expectations

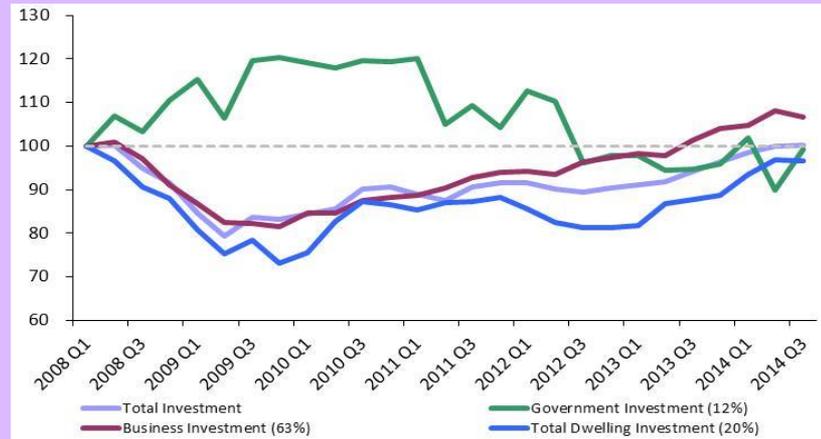
Total investment fell by a fifth in real terms from Q1 2008 to Q2 2009; but it has grown slightly over the last eight quarters. Within this, business investment fell by 17.6%, but rebounded between Q1 2010 and Q3 2014, growing by 26.1%

The UK trade balance has remained relatively stable since the financial crisis began, as exports and imports have moved together. After a fall in 2008, exports recovered strongly, but have seen limited growth since 2011

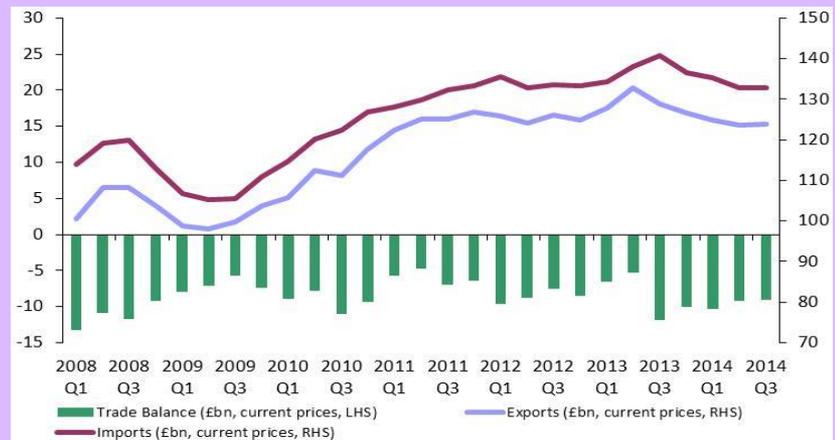
The OBR attributed weaker than forecast export growth in 2014 to lower demand in the euro area and an appreciation of sterling since early 2013

Looking forward, the OBR expect these factors to push down export growth for 2015 to 2.4%. However, from 2016 onwards, a recovery to just under 5% growth per annum is expected, as the recovery in productivity boosts UK export competitiveness

Components of investment



UK exports and imports



UK Growth Performance

UK employment has been robust – but labour productivity has been weaker

The recent performance of the labour market in the UK compares favourably both to previous recessions and against other economies

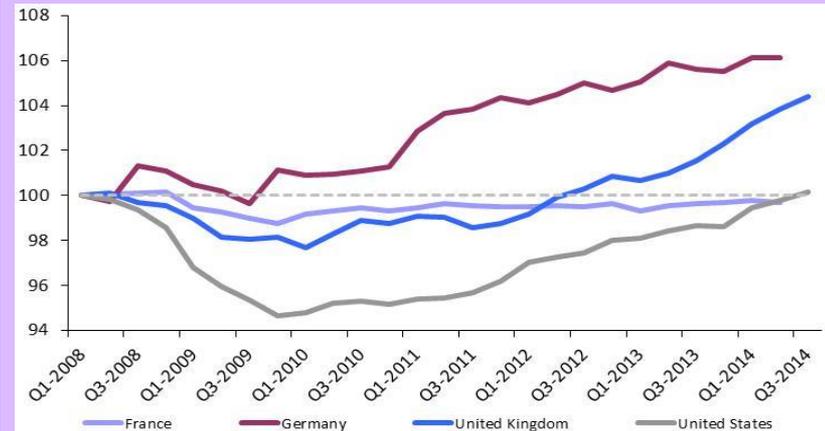
Between 2008 Q2 and 2010 Q1 the number of people employed declined by around 2.4%. Employment levels have since risen above their pre-crisis peak

UK Labour productivity remains weak. Output per hour made a relatively fast recovery after the recession, but as of 2014 Q3 it remained 2% below its pre-recession peak (in Q1 2008)

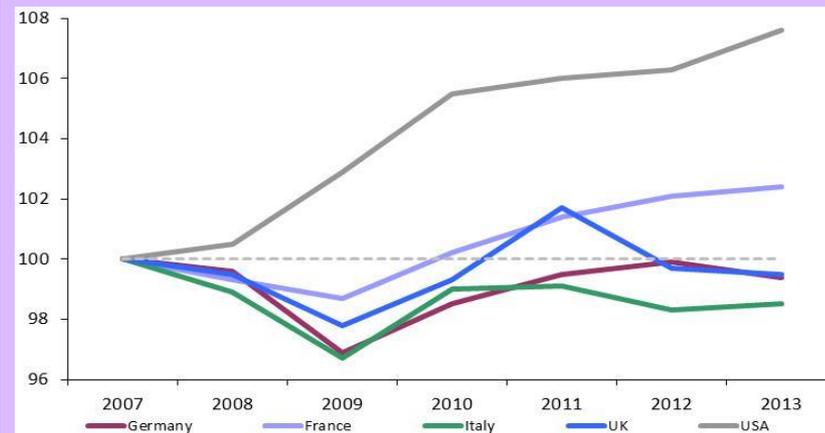
Since 2007, UK output per hour grew faster than in Germany and Italy, but slower than the USA and France

The Bank of England expects productivity growth to pick up gradually as the effects of the financial crisis continue to wane. Increases in demand should allow companies to use their staff more effectively

Employment levels since recession



Labour productivity – output per hour



Impact of National Accounts Changes on the UK Growth Story



Changes in the ONS Blue Book 2014

- As part of this year's 'Blue Book' the ONS has implemented a number of major methodological changes to the UK National Accounts
- These changes were needed to meet new requirements for the European System of National Accounts (ESA10) as well as outstanding requirements to meet the existing ESA95 framework
- The adoption of ESA10 brings national accounts in France, Germany, Italy and the UK broadly into line with Canada and the USA
- More information can be found at the ONS Website at the following link:
<http://www.ons.gov.uk/ons/guide-method/development-programmes/esa2010/index.html>

- In terms of GDP – key changes include improvements in the measurement of capital investment, and expenditure by non-profit institutions serving the household sector (i.e. charities)
- The revisions to business investment reflect a combination of methodological improvements and changes to the treatment of Research and Development (R&D) spending by firms. The latter is now classified as an investment (rather than intermediate consumption) and hence directly contributes to GDP

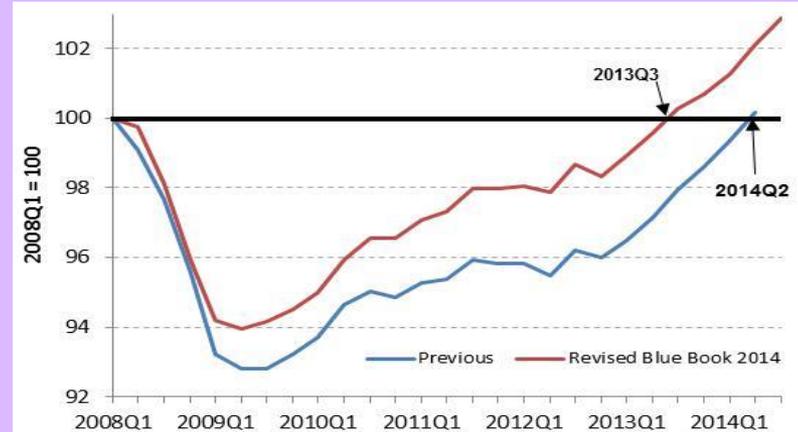


Impact on GDP

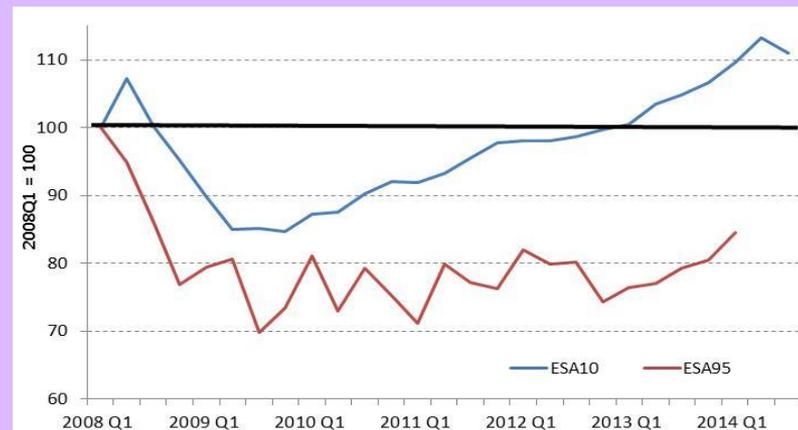
The 2008/09 recession was shallower, and the subsequent recovery faster and more balanced than previously thought

- The UK economy is now estimated to have contracted by -6% between 2008 Q1 – 2009 Q2 (previous estimate was -7.2%)
- It subsequently grew by +8.7% between 2009 Q2 – 2014 Q2 (previous estimate was +7.9%)
- As a result, GDP reached its pre-crisis peak in 2013 Q3; three quarters earlier than previous estimates suggested
- A key driver of this was the rebound in business investment, growing by +20.6% during 2009 – 2013 (previous estimate was +3.2%)
- Business investment is now thought to have contributed around one-third of growth between 2010 and 2013

GDP under ESA 95 / ESA 10 (Q1 2008 = 100)



Business Investment ESA 95 / ESA 10 (Q1 2008 = 100)

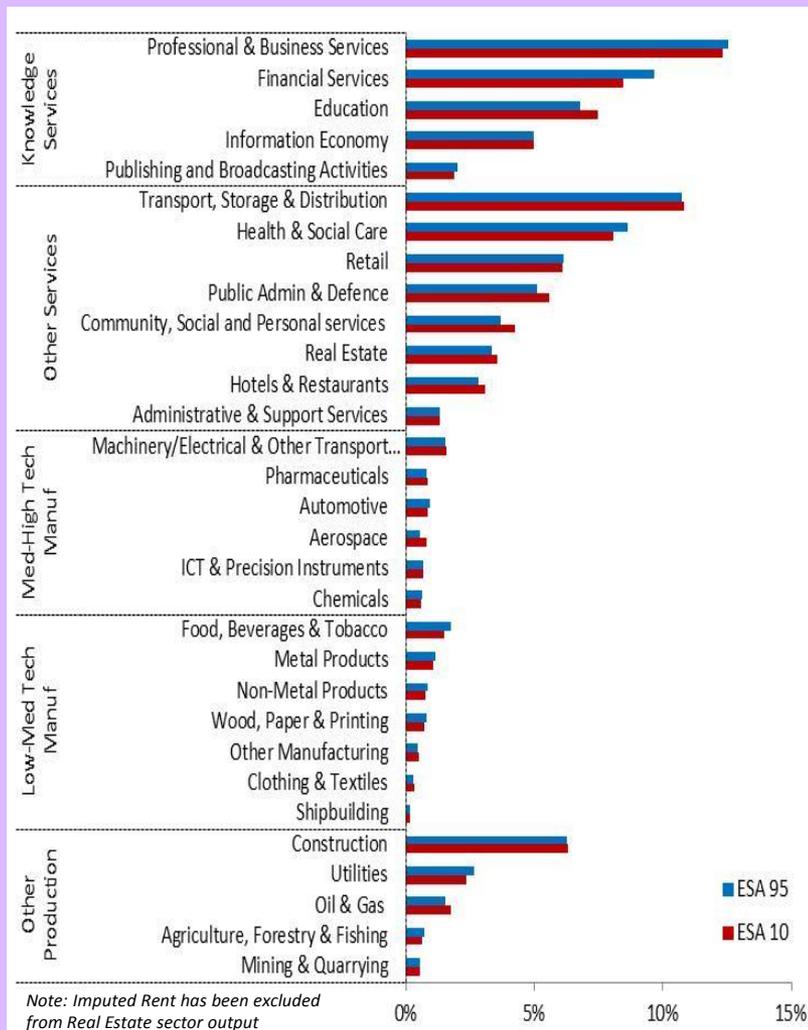


Impact on Sectors

Broadly speaking the industrial composition of the UK economy has been unaffected by the revisions

- Knowledge Services still account for 35% of UK GVA, Manufacturing accounts for around 10%
- At the sector level, the two largest revisions were to Education and Financial Services
- Financial Services have been revised down to 8.5% of GVA (from 9.7%)
- Education Services have been revised up to 7.5% of GVA (from 6.8%)
- Other sectors which have seen sizeable changes include Public Admin & Defence, Community, Social & Personal services, and Health & Social Care

GVA by Sector under ESA 95 / ESA 10



UK Sector Performance



UK Sector Performance

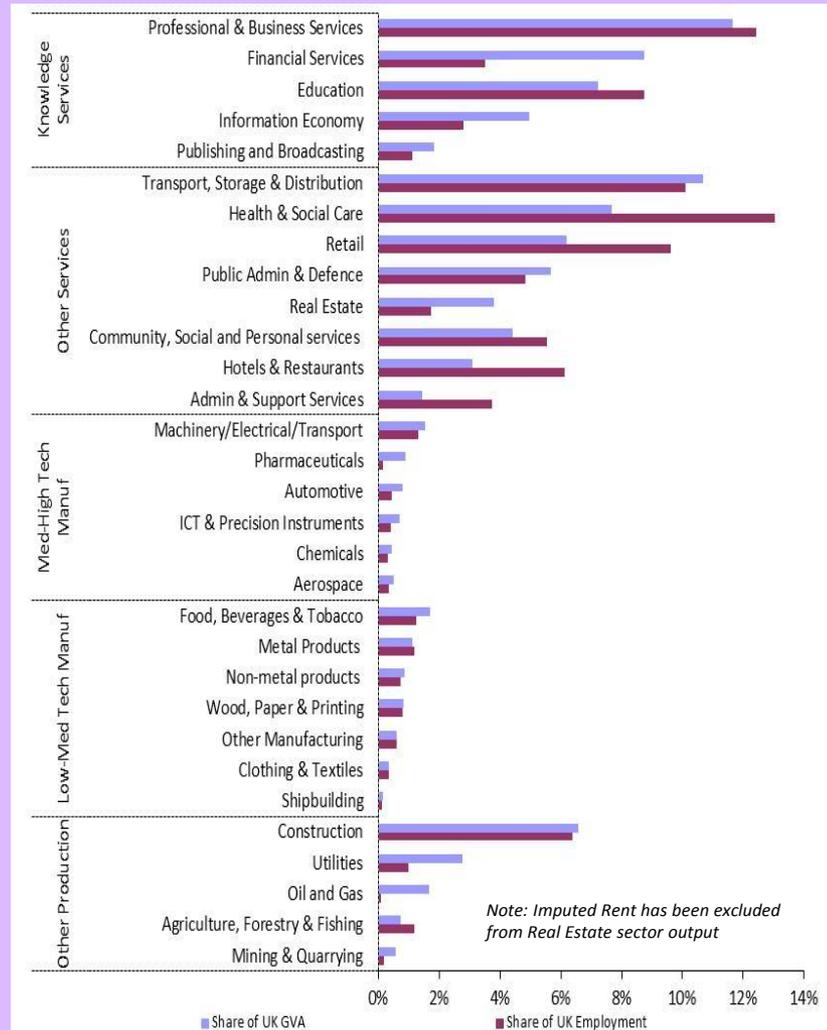
The UK economy is heavily services based both in output and employment

In recent decades there has been a marked shift in the UK economy away from manufacturing towards services. In particular, towards knowledge intensive services; which now account for 34% of UK output and 29% of total employment

77% of UK GVA is accounted for by the services sector, of which professional and business services (12%) is the largest sub-sector. The remainder is accounted for by manufacturing (10%), construction (7%), other production (5%) and agriculture (1%)

Services also dominate UK employment, accounting for 83% of jobs. Manufacturing (8%) and construction (6%) are the next two largest sectors by employment. Health and social work (13%) is the largest sub-sector within services

Structure of the UK economy



UK Sector Performance

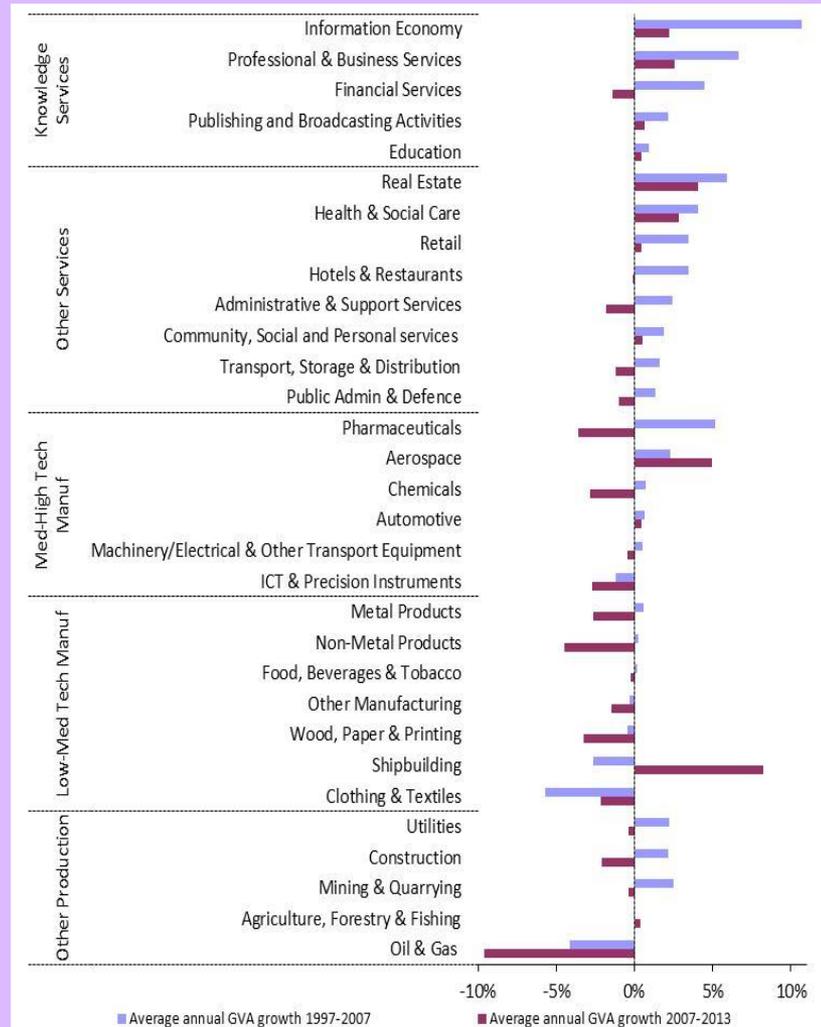
Knowledge intensive services have been a major source of growth over the last two decades

Knowledge intensive services grew particularly rapidly in the UK during the 1990s and 2000s; accounting for half of UK real growth between 1997 and 2007. The fastest growth was in the information economy not financial services

Growth across most manufacturing sectors was more subdued. Overall they made no contribution to real UK growth between 1997 and 2007. The main exceptions to this were pharmaceuticals and aerospace which both saw strong growth

Since 2007, services have continued to outperform manufacturing; services output is now above its pre-recession peak. Despite this overall trend, the two fastest growing sectors since 2007 have been two manufacturing sectors: shipbuilding and aerospace

Real GVA growth by industry



UK Sector Performance

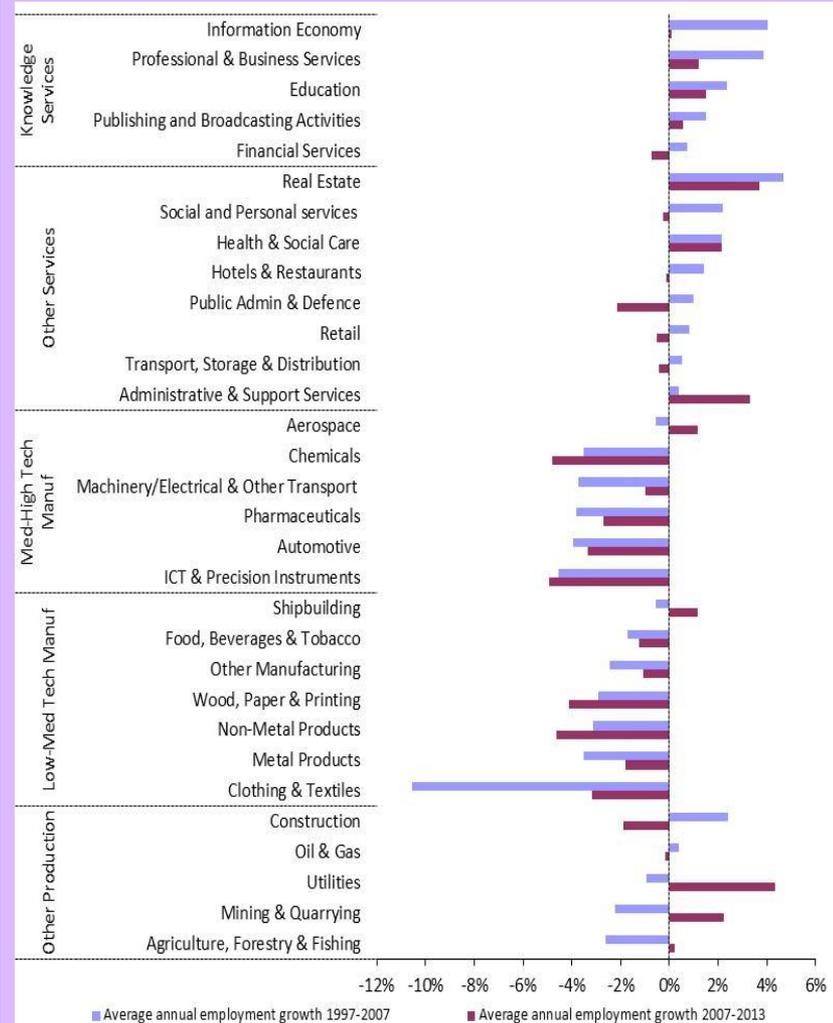
The recession has not halted the shift of employment from manufacturing to services

Manufacturing sectors have seen the largest declines in employment, before and after 2007. This includes both low-tech manufacturing and high-tech manufacturing sectors, such as pharmaceuticals and chemicals

The recession has had a limited impact on employment growth. Generally, sectors that were increasing employment prior to 2007 tended to sustain employment growth post 2007; whilst those shrinking before 2007 continued to shrink after

However, some sectors saw a change in fortunes. Notably, construction saw strong employment growth until 2007 but has seen employment contract since then. By contrast, in both utilities and mining & quarrying, employment was falling prior to 2007, but has subsequently seen relatively strong growth

Employment growth by industry



UK Sector Performance

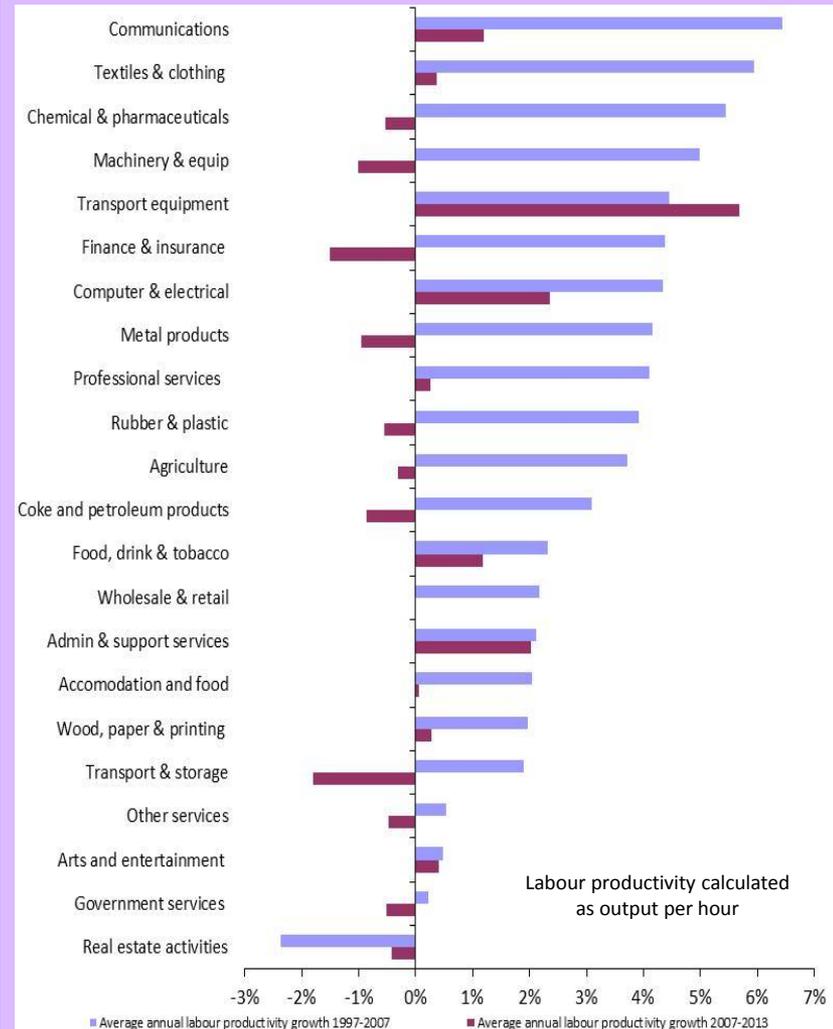
There is little correlation between sector productivity growth pre and post 2007

Almost all sectors saw labour productivity gains in the years leading up to the recession. The sectors that saw the greatest gains include communications, chemicals and pharmaceuticals and perhaps surprisingly textiles and clothing

Manufacturing sectors have tended to show better productivity performance than services post 2007; as their employment has fallen further than output

Manufacturing of transport equipment (aerospace, shipbuilding and automotive) is an exception and has seen strong productivity growth along with an increase in output since 2007

Labour productivity growth



The Government's Growth Ambitions



The Government's Growth Ambitions

The Government's economic policy objective is to achieve strong, sustainable and balanced growth that is more evenly shared across the country and between industries

The Government has set out its 4 ambitions for helping the economy to grow

To create the most competitive tax system in the G20

To make the UK the best place in Europe to start, finance and grow a business

To encourage investment and exports as a route to a more balanced economy

To create a more educated workforce that is the most flexible in Europe

Within this the Government has set out 16 benchmarks ...

"We now have to step up a gear. Our economy needs to become much more dynamic, less burdened by pointless barriers, and retooled for a high tech future. We have to tear down the barriers to enterprise and economic development." *Vince Cable and George Osborne, The Plan for Growth*



The Government's Growth Ambitions

Low and simple taxes for business

The lowest corporate tax rate in the G7 and among the lowest in the G20

- The UK now has the lowest headline corporate tax rate in the G7 and 4th lowest in the G20
- Budget 2013 announced further measures to reduce the main corporate tax rate to 20% by 2015

Simpler, more certain tax system

- The World Bank scores the UK tax system almost 10 points above the OECD high income average, and 16th out of the 189 countries surveyed
- KPMG report that the UK tax system was considered to be the second most attractive of any key competitors in 2014

Headline corporate tax rates (%)

G7 Countries	2011	2012	2013	2014
UK	26	24	23	21
Canada	27.7	26.1	26.3	26.3
Italy	27.5	27.5	27.5	27.5
Germany	30.2	30.2	30.2	30.2
France	34.4	34.4	34.4	34.4
Japan	39.5	39.5	37	37
USA	39.2	39.1	39.1	39.1

Ease of paying taxes (World Bank)

Indicator	2014	2013	2014 OECD High Income Average
Payments (number per year)	8	8	11.8
Time (hours per year)	110	110	175.4
Profit tax (%)	20.9	..	16.4
Labour tax and contributions (%)	11.3	..	23
Other taxes (%)	1.5	..	1.9
Total tax rate (% profit)	33.7	34.6	41.3
Overall Ranking	16	15	..
Overall Score (/100)	90.52	90.09	81.03



The Government's Growth Ambitions

One of the best places in Europe to start, finance and grow a business

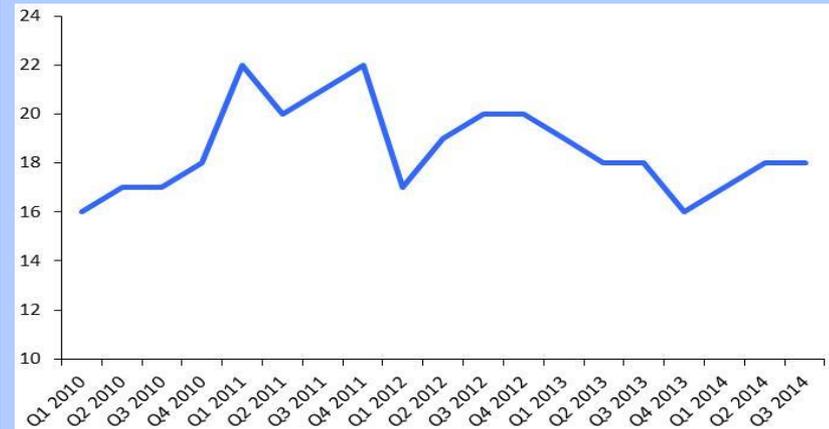
The best location for a corporate headquarters in Europe

- The UK retains its place as home to the most top-50 European corporations
- The number of top 50 European corporations based in the UK grew slightly in 2014 and currently stands at 18
- Germany has the next largest share, with nine of the top 50 European corporations

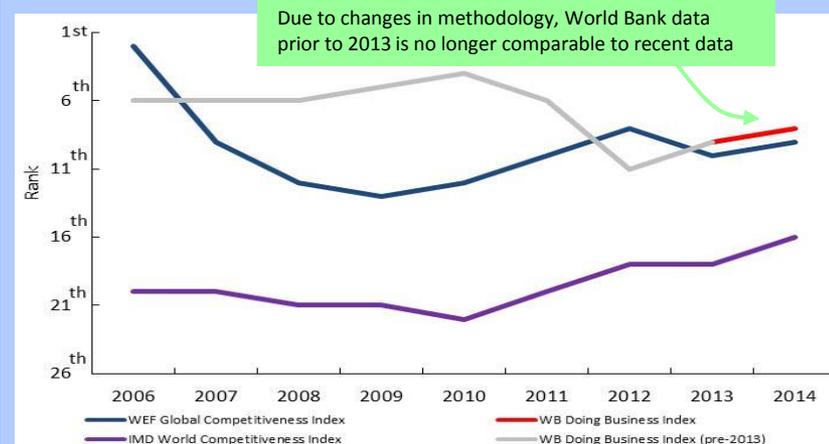
Improving the UK's ranking in the major international indices of competitiveness

- The UK is currently ranked as the eighth and ninth most competitive economy in the world by the World Bank and World Economic Forum respectively
- The UK has maintained its position towards the top of the indices in recent years

Top-50 European public companies listed in the UK



UK ranking in competitiveness indices



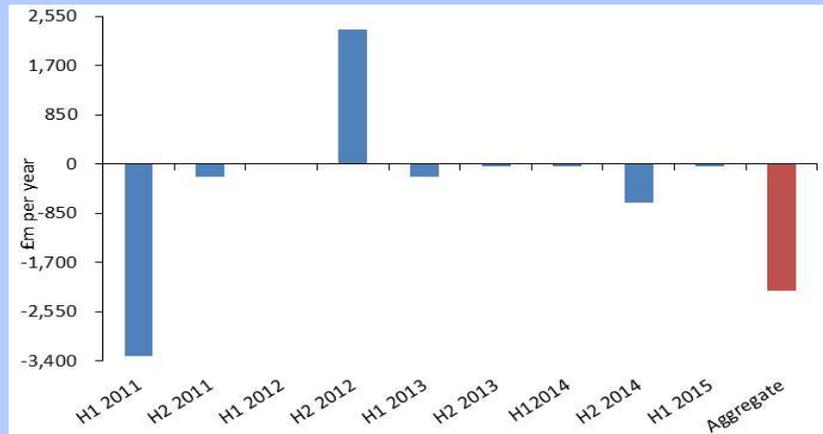
The Government's Growth Ambitions

One of the best places in Europe to start, finance and grow a business

A lower domestic regulatory burden

- Excluding EU regulation, the estimated annual net cost of regulation to UK business has fallen by £1.5bn since 2011
- There has been a general improvement in business's attitudes to regulation over the past few years
- The percentage of businesses perceiving regulation as an obstacle to success has declined from a peak of 62% in 2009 to 51% in 2014
- When asked in 2014, 43% of businesses believed the regulatory burden would increase in the next 12 months. This has fallen from 72% in 2008

Change in domestic regulatory burden



Business views of regulation

	2014	2012	2010	2009	2008	2007
Is the level of regulation an obstacle to your business's success?	51%	55%	59%	62%	58%	58%
% citing regulation as the greatest challenge to their business	11%	14%	16%	19%	*	*
Has complying with regulation become more time consuming over the last 12 months?	*	35%	40%	37%	40%	*
In the next 12 months, do you think the burden from regulation will increase?	43%	38%	46%	53%	72%	76%



The Government's Growth Ambitions

One of the best places in Europe to start, finance and grow a business

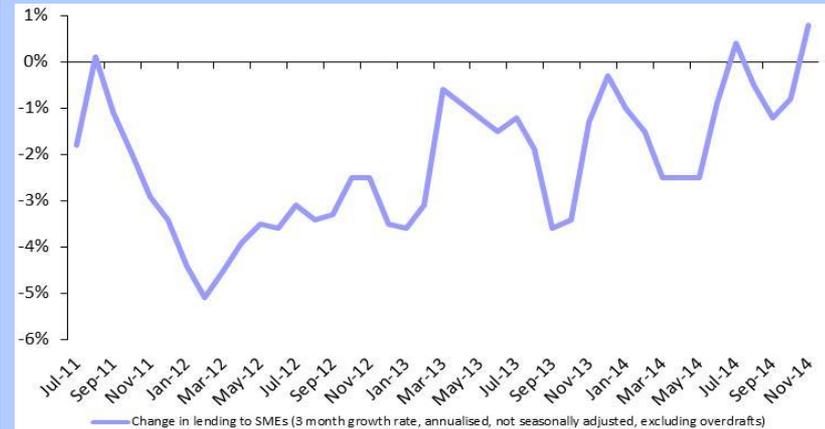
The decline in Net Lending to SMEs is slowing down

- Net Lending (Gross Lending – Repayments) to SMEs has been largely negative since July 2011; however the rate of decline is slowing as the economic outlook improves
- 8% of SMEs sought either a new or renewed a loan or overdraft in the year to 2014 Q3. This is a slight improvement on the year to 2013 Q3, over which it was around 7%. That said, demand is still below its peak of 12% in the year to 2011 Q3

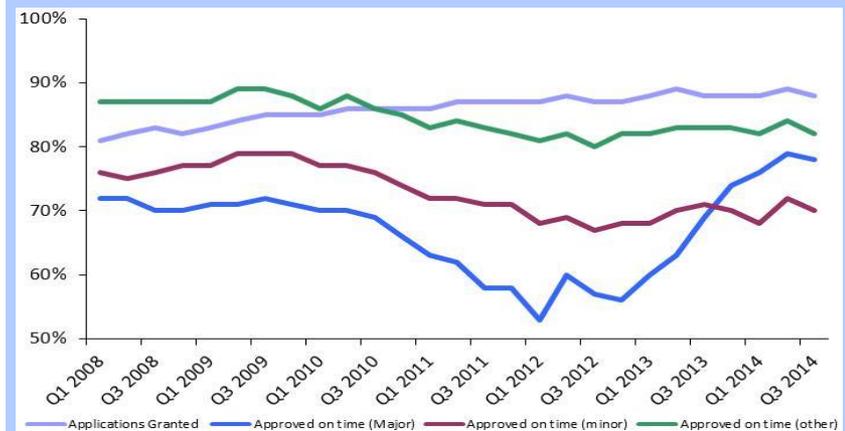
An increase in the proportion of planning applications approved and dealt with on time

- There has been an increase in the proportion of planning applications granted, now at 88%, up from 81% in Q1 2008
- Since 2009 there has been a downward trend in applications being dealt with on time (for all types of applications). However, more recently, there has been a slight improvement, with a strong improvement for major applications

Change in net lending to SMEs



Planning applications



The Government's Growth Ambitions

Encouraging investment and exports as a route to a more balanced economy

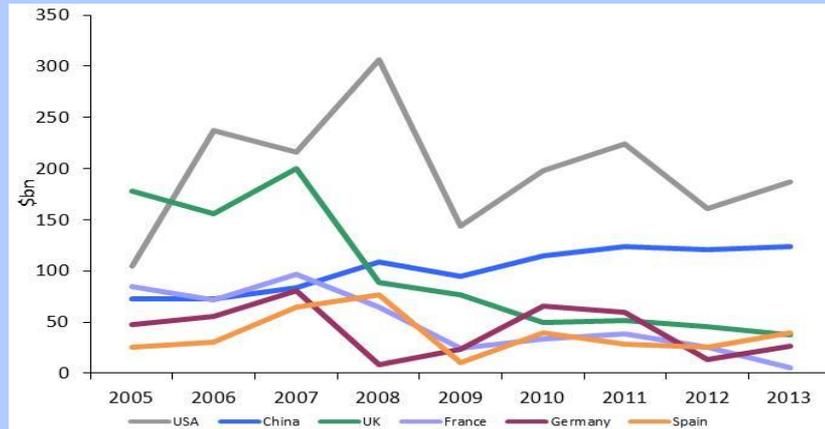
Ensure the UK remains one of the top destinations for Foreign Direct Investment

- The UK has the second largest stock of FDI in the world, behind the USA
- In 2013 the UK was the second largest recipient of FDI in the EU, just behind Spain. This makes the UK the 11th largest recipient of FDI in the world
- FDI flows are volatile but as with other major developed economies, inflows into the UK have declined in recent years

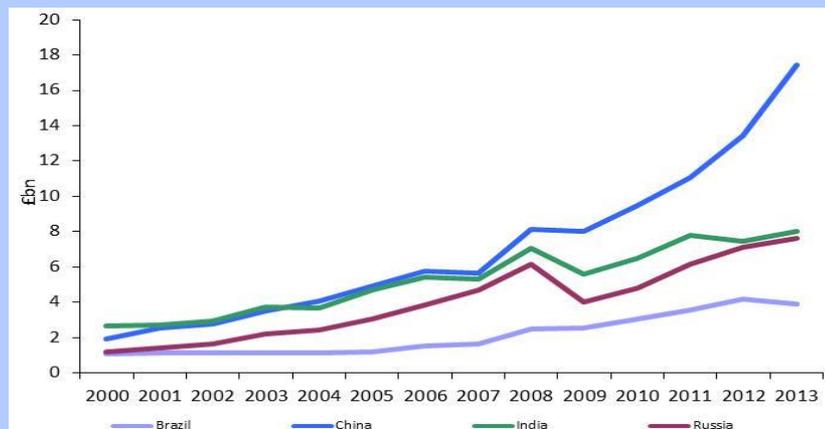
An increase in exports to key target markets

- Emerging economies such as China (3.4%), India (1.6%), Russia (1.5%) and Brazil (0.8%) account for a small, but growing share of UK exports
- Exports to BRICs increased by 55% in nominal terms between 2010 and 2013
- Exports to China saw the fastest growth between 2010 and 2013 (83%), followed by Russia (60%), Brazil (29%) and India (23%)

Foreign direct investment flows



Exports to BRICs



The Government's Growth Ambitions

Encouraging investment and exports as a route to a more balanced economy

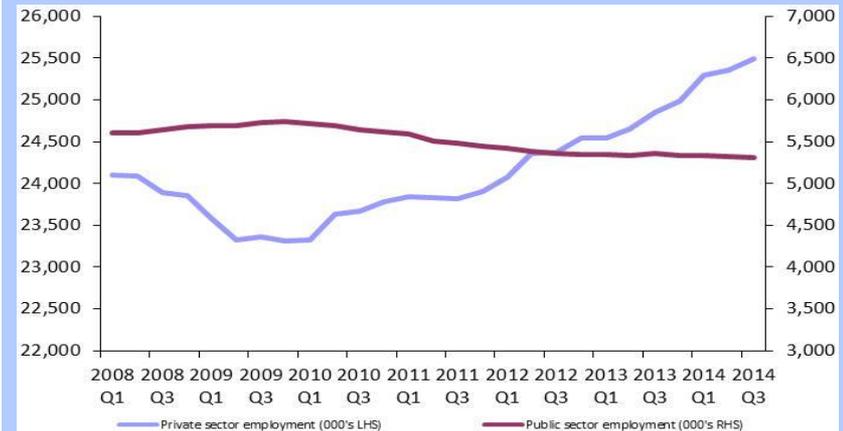
An increase in private sector employment, especially in regions outside London and the South East

- From 2010 onwards there has been a shift of employment from the public to the private sector
- Since Q1 2010, private sector employment has risen by 2.2m, while public sector employment has fallen by 412,000
- Of the rise in private sector employment, 1.8m has come from outside London

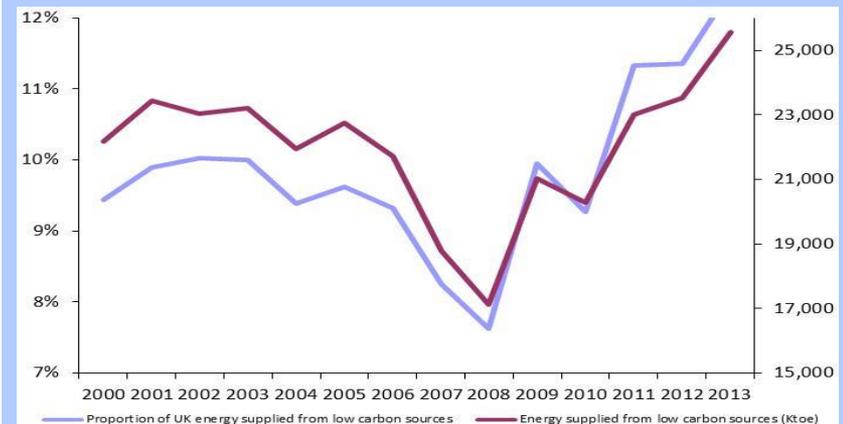
Increased investment in low carbon technologies

- Low carbon sources accounted for 12% of energy generation in 2013, up from 8% in 2008
- Nuclear accounts for 60% of low carbon energy

Employment



Low carbon energy generation



The Government's Growth Ambitions

Creating a more educated workforce and the most flexible in Europe

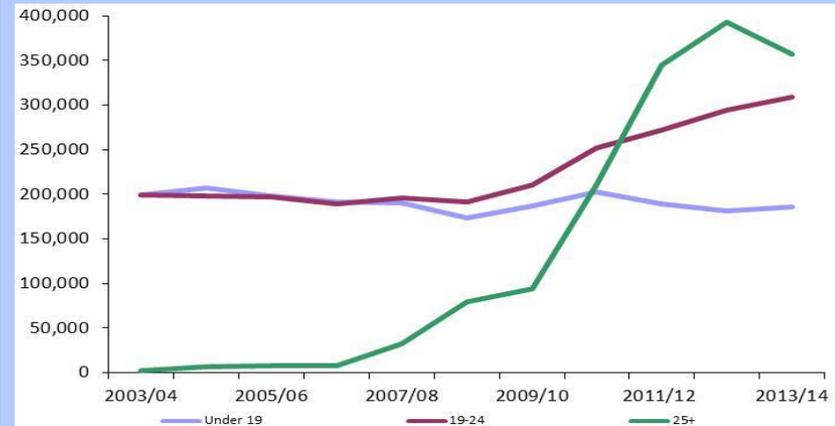
Supporting more apprenticeships than any previous government

- Apprenticeship participation has risen by 73% from 2009/10 to 2013/14
- The government is making it cheaper for employers to take on an apprentice by abolishing employer National Insurance Contributions for apprentices aged under 25
- The Apprenticeship Grant for Employers (AGE) has been extended to support businesses to recruit young people into employment through the Apprenticeship programme

Home to more of the world's top universities than any other country except the USA

- The UK continues to have the second highest number of universities in the world's top 200
- The UK is ranked third in terms of the number of citations its research receives, at 11.6% of the global total

Apprenticeship participation



Universities in the world's top 200

	USA	UK	Germany	Netherlands	Canada	Switzerland	France
2014-15	73	29	12	11	8	7	7
2013-14	77	31	10	12	7	7	8
2012-13	76	31	11	12	8	7	7
2011-12	74	31	12	12	9	7	5



The Government's Growth Ambitions

Creating a more educated workforce and the most flexible in Europe

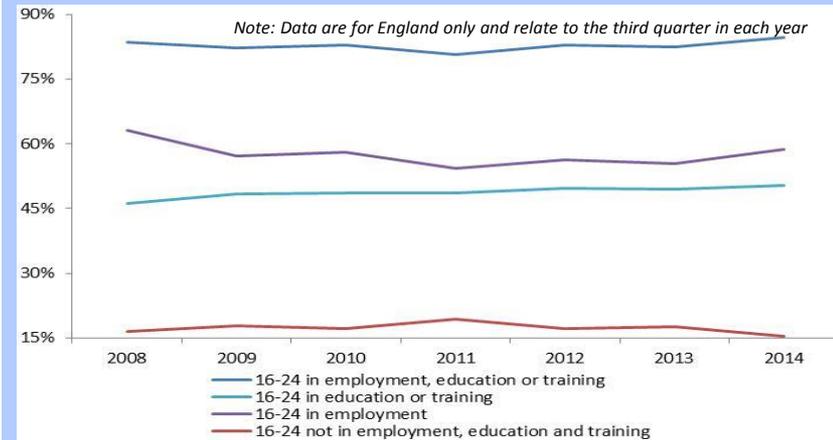
An increase in the participation of 16-24 year olds in employment or learning

- Participation in education, employment or training has increased since 2011 and is currently 1ppt above its peak rate in 2008
- Over the same period, employment amongst 16-24 year olds has fallen by 4.3ppts while the share in education or training has risen by 4.2ppts

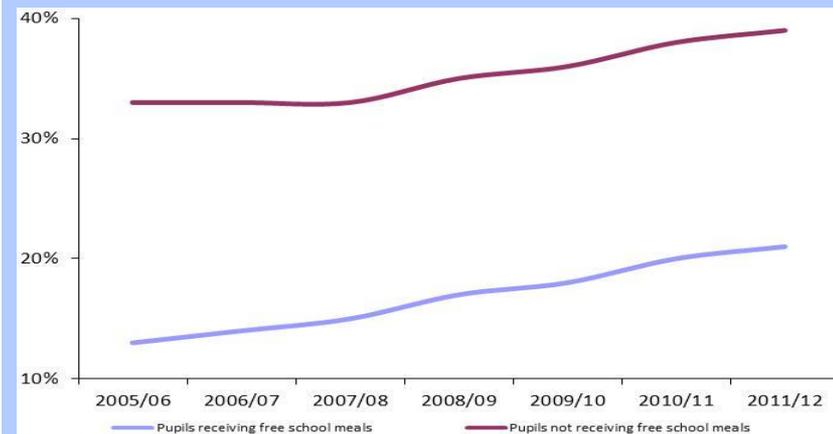
Narrowing the educational attainment gap, allowing everyone to meet their potential

- The proportion of pupils that received free school meals who enter higher education has increased in recent years
- Despite this, they are still 18ppts less likely to enter higher education than those who didn't

16-24 participation rates



Progression to higher education



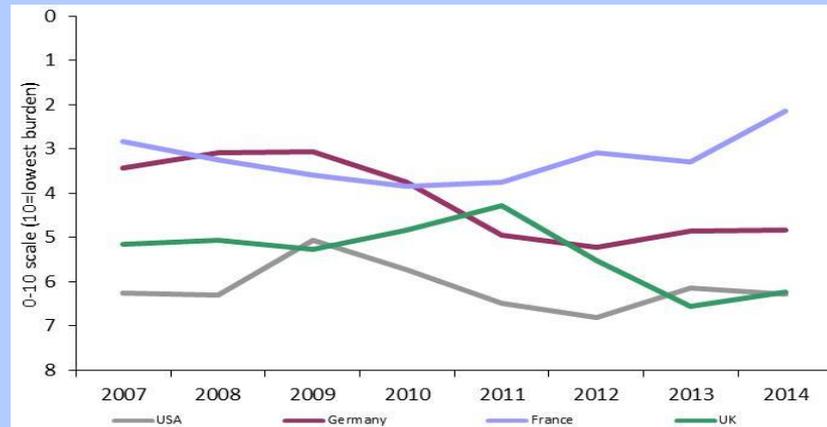
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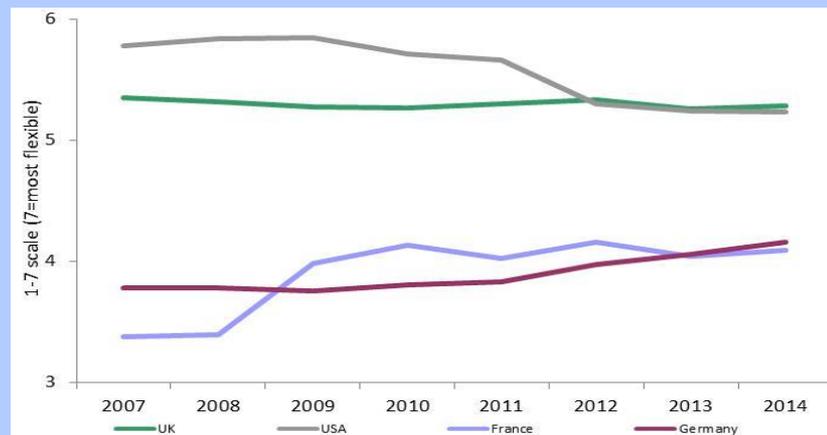
Lowest burdens from employment regulation in the EU

- The UK has a highly flexible labour market, with indicators suggesting a recent reduction in the burden of labour regulation
- The 2013 OECD Employment Protection Index ranks the UK as having the third lightest employment protection legislation, behind only the USA and Canada
- The WEF Global Competitiveness Report ranks the UK as having the 10th most flexible labour market in the world; ahead of the USA, France and Germany
- The IMD World Competitiveness Yearbook ranks the UK as having the 15th least burdensome labour regulations in the world; placing it 5th in the EU

Burden of labour regulation (IMD)



Labour market flexibility (WEF)



UK Industrial Strategy



UK Industrial Strategy

Cross-Cutting Themes

Access to Finance

Procurement

Skills

Technology

Sector Strategies

Aerospace



Information Economy



Off-shore wind



Agricultural Technologies



International Education



Oil and gas



Automotive



Life Sciences



Professional and Business Services



Construction



Nuclear

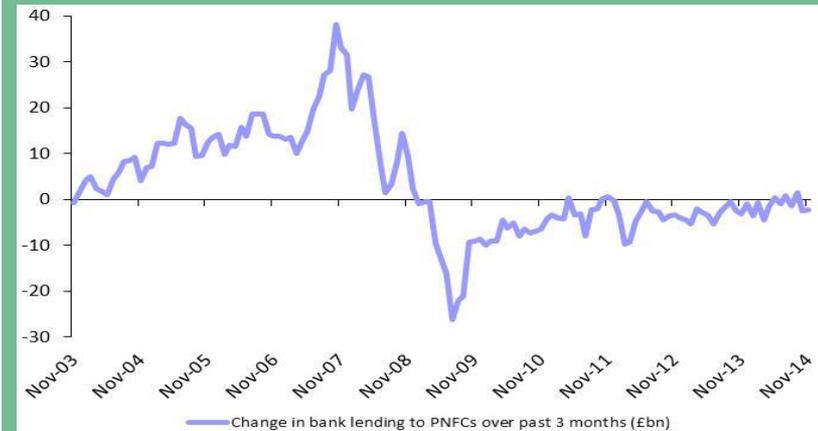


UK Industrial Strategy – Cross Cutting Themes

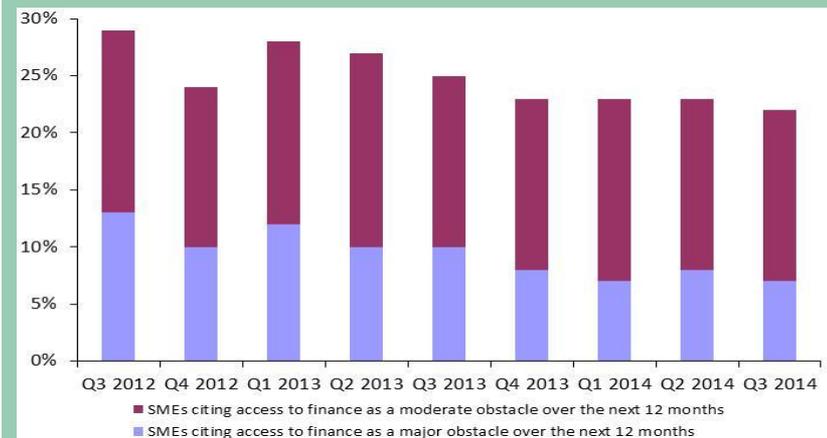
Access to Finance

- Access to debt finance has become more difficult following the credit crunch as banks rebuild their balance sheets and react to new regulatory requirements
- The stock of lending to UK business has been contracting for almost six years, with only six monthly periods of growth since January 2008
- In Q3 2014, 7% of SMEs reported access to external finance as a major obstacle for the next 12 months. This is a lower proportion than those citing the current economic climate (16%), legislation and regulation (12%), or cash flow/issues with late payment (9%)
- The Government has put in place a number of initiatives to increase the supply of finance for SMEs, including the Funding for Lending Scheme
- British Business Bank programmes facilitated over £890m of new lending and investment to smaller businesses and £500m to mid-caps, in the year to end September 2014

Change in stock of lending to business



SME concern over access to finance

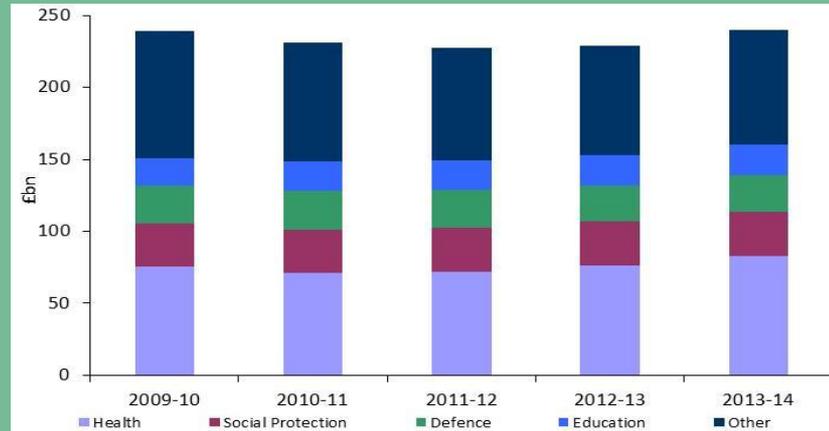


UK Industrial Strategy – Cross Cutting Themes

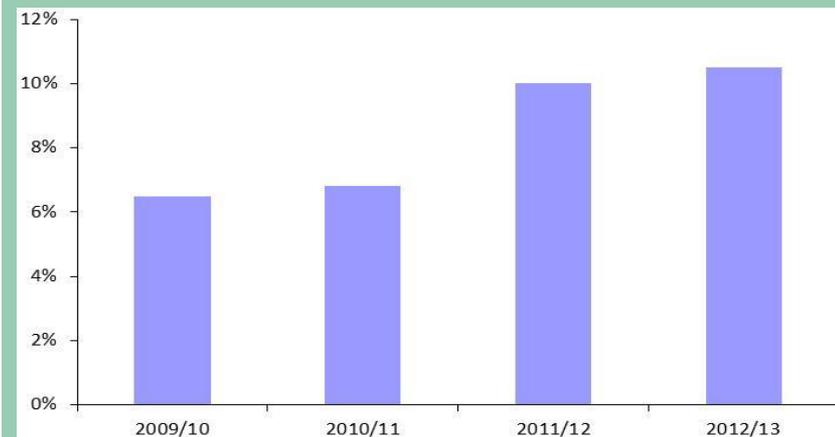
Procurement

- The public sector spends over £238 billion each year on goods and services
 - Within this £238bn, the potential contract opportunities available through public sector pipelines are now worth over £191bn
 - The proportion of direct procurement expenditure going to SMEs has increased from 6.8% in 2010-11, to 10.5% in 2012-13. Indirect spend through the supply chain is a further 9.4%
 - Government aims to have 25% of spend by value with SMEs by 2015
-
- The Government has updated the forward look of what it intends to buy, enabling businesses to align resources in order to win contracts
 - The Small Business Research Initiative (SBRI) invites SMEs to present innovative solutions in a competition format to address specific public sector challenges. Funding going through SBRI will increase from £40 million in 2012-13, to over £200 million in 2014-15

Public sector procurement expenditure



SME share of government procurement

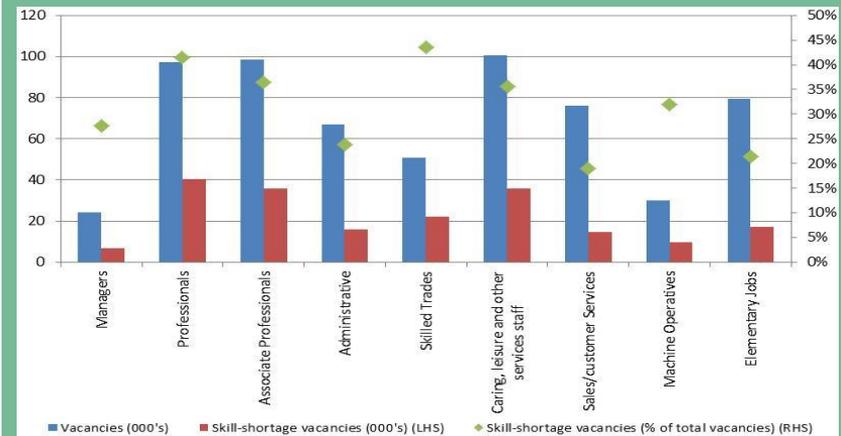


UK Industrial Strategy – Cross Cutting Themes

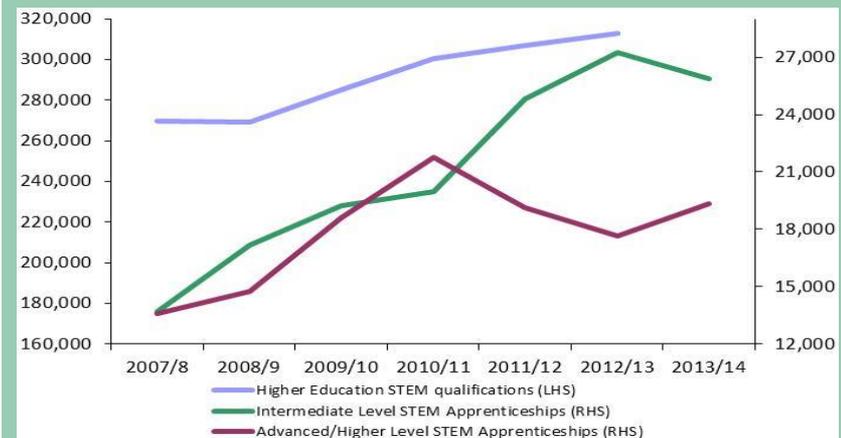
Skills

- In 2013, 32% of vacancies were classified as skills shortage vacancies; an increase from 2011 levels
- Vacancies for skilled trades (e.g. mechanics or chefs) were most likely to be considered hard to fill due to a skills shortage (44%), followed closely by professional roles (41%)
- There has been an increase in STEM apprenticeships since 2007/8. Growth was strongest at the intermediate level, with about 26,000 apprenticeships starting in 2013/14
- The Government is giving employers more direct control over the design and delivery of training solutions, to address skills shortages and improve business performance, through the Employer Ownership Pilot (EOP) and its successor the Employer Ownership Fund (EOF)
- The Government has fulfilled its commitment to starting 2 million apprenticeships in this Parliament

Skill shortage vacancies (2013)



STEM qualifications

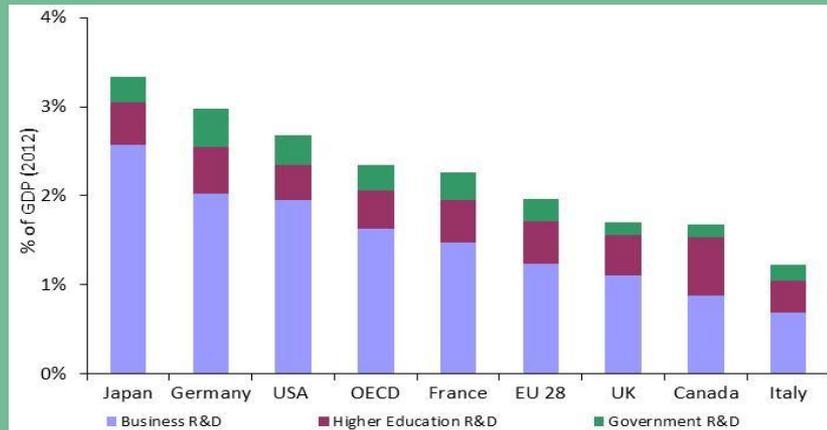


UK Industrial Strategy – Cross Cutting Themes

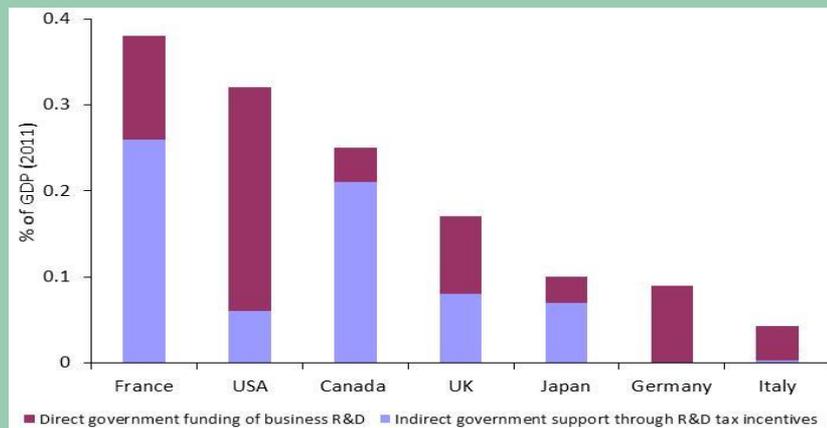
Technology

- The UK spends relatively little on R&D compared to its peers. Gross Expenditure on R&D was 1.7% of GDP in 2012, below the EU 28 and OECD averages
- NESTA estimate that only 13% of private sector innovation is in the form of R&D
- However, in terms of investment in intangible assets (e.g. skills, organisational assets, branding and software), the UK ranks second in the world, behind only the USA
- The Government has introduced a range of policies to help businesses commercialise technologies
- The Government is investing £600m to support the 'Eight Great Technologies'
- £1.4bn (public and private) has been committed to the 7 Catapult Centres
- The Science and Innovation Strategy sets out the long term plan to make the UK the best place in the world for science and business

R&D expenditure



Government support for business R&D

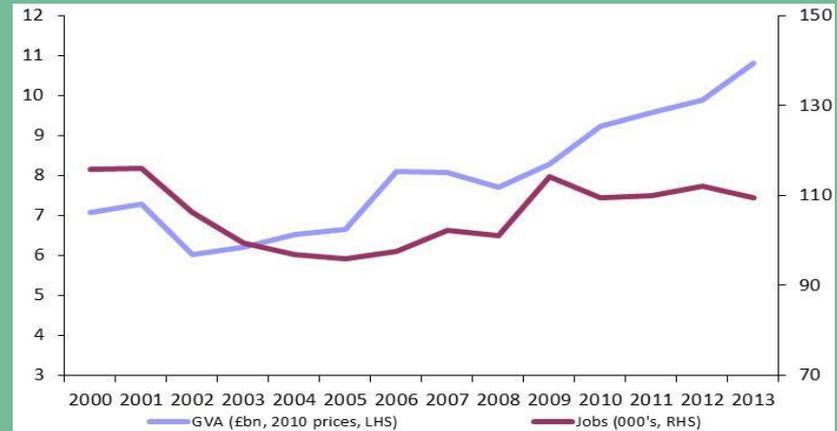


UK Industrial Strategy - Sectors

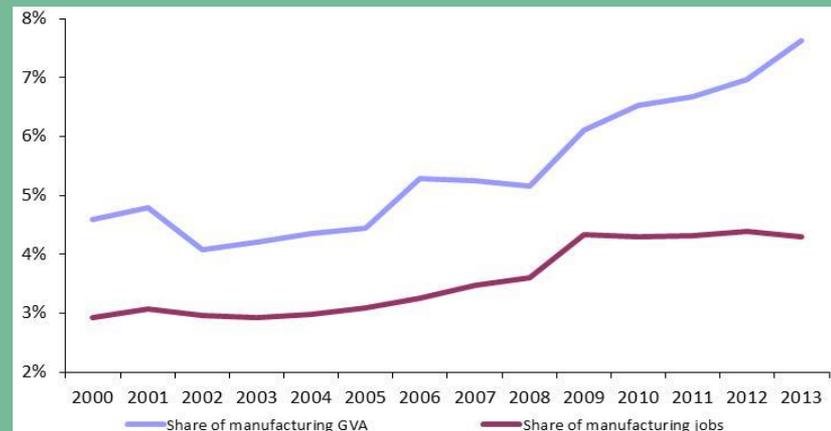
Aerospace

- The UK Aerospace sector has been resilient through the recession; output has grown by an average rate of 7% from 2008 to 2013, reaching £10.8bn. Civil aircraft production is at record levels and the 20-year civil aerospace market is forecast to be worth \$5trn
- In 2013, Aerospace accounted for 7.6% of manufacturing GVA (4.6% in 2000) and 4.3% of manufacturing employment (2.9% in 2000)
- The HMG-Industry Aerospace Growth Partnership (AGP) has jointly committed £2bn to develop next generation aircraft technology. The investment strategy will be informed by the Aerospace Technology Institute (ATI)
- AGP also supports supply chain competitiveness via: the £110m 'Sharing in Growth' capability improvement programme; a £40m (NATEP) SME technology innovation programme; a £10.5m skills industrial partnership and a £6m bursary for 500 new aerospace Masters postgraduates

Output and employment



Contribution to UK manufacturing

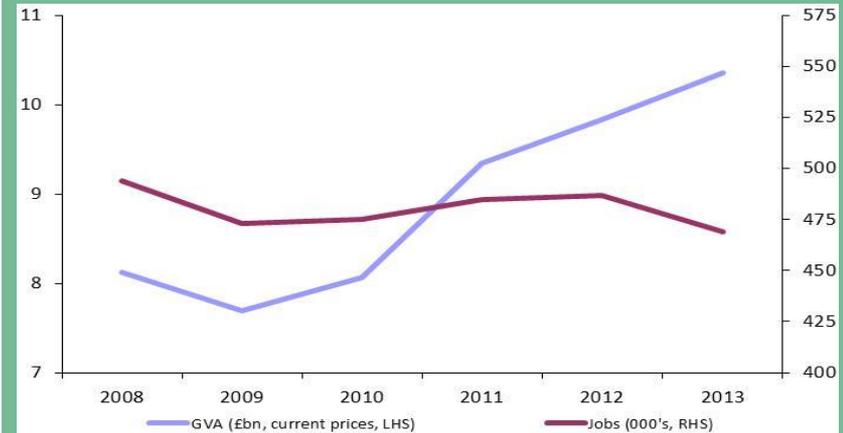


UK Industrial Strategy - Sectors

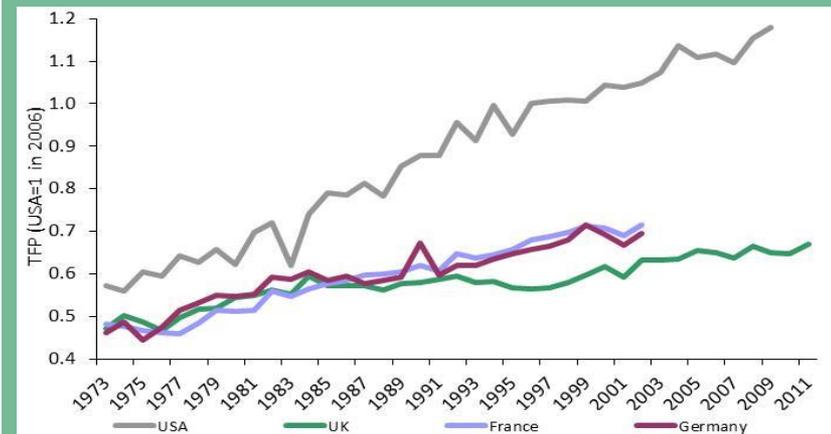
Agricultural Technologies

- The UK agri-tech sector contributes £10.4bn to GVA and employs 475,000 people
 - In addition, the UK Agri-Tech sector underpins the UK's £25bn food & drink manufacturing sector, which employs 400,000 people
 - UK agricultural productivity lags behind the USA. In 2009 the gap was 53 percentage points
-
- Two of the Agri-Tech Strategy's aims are to increase productivity and contribute to growth
 - The Agri-tech Catalyst is bridging the 'valley of death' between the lab and marketplace
 - Two Rounds have been funded to date: 52 projects, worth £43m, will receive £30m from government and £13m from industry
 - Projects range from the translation of research where there is long-term commercial potential, but only a limited market at present, to innovative products to address challenges or opportunities within a large existing sector

Output and employment



Agriculture productivity

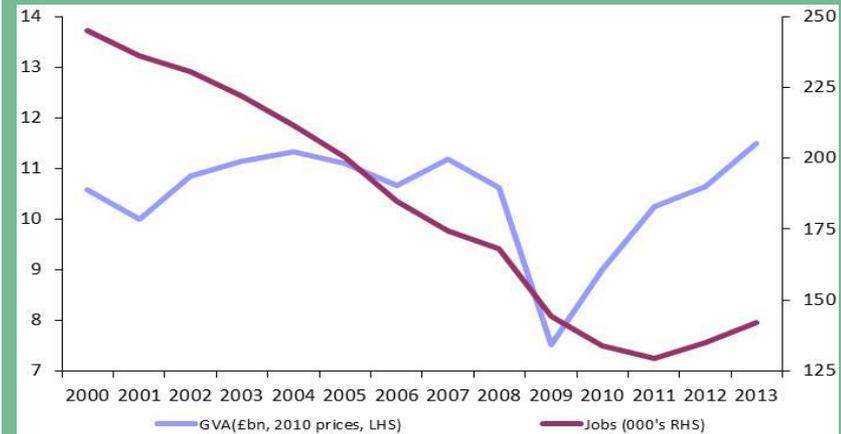


UK Industrial Strategy - Sectors

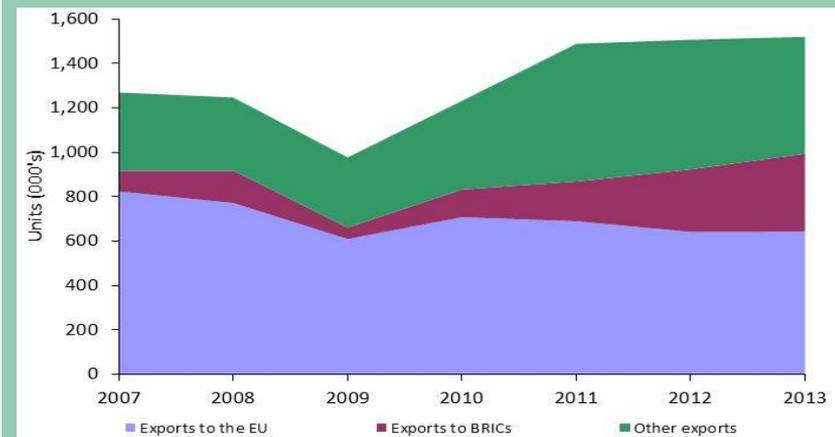
Automotive

- UK car production has bucked the EU trend since the crisis, rising to 1.6m vehicles, with over 80% exported
- From 2000-13 the automotive sector has accounted for an average of 0.7% of UK GVA and 5.9% of UK manufacturing jobs
- The number of people employed in the sector has declined from 245,000 in 2000 to 142,000 in 2013. GVA declined dramatically to £7.5bn in 2009, but then recovered to £11.5bn in 2013
- UK automotive exports to BRICS and other countries have increased dramatically since 2009
- Government and industry are investing £1bn in an Advanced Propulsion Centre competition programme to meet long-term changes in the sector
- The Automotive Investment Organisation (AIO) in UKTI will run over the next two years to support inward investment

Output and employment



Motor vehicle exports

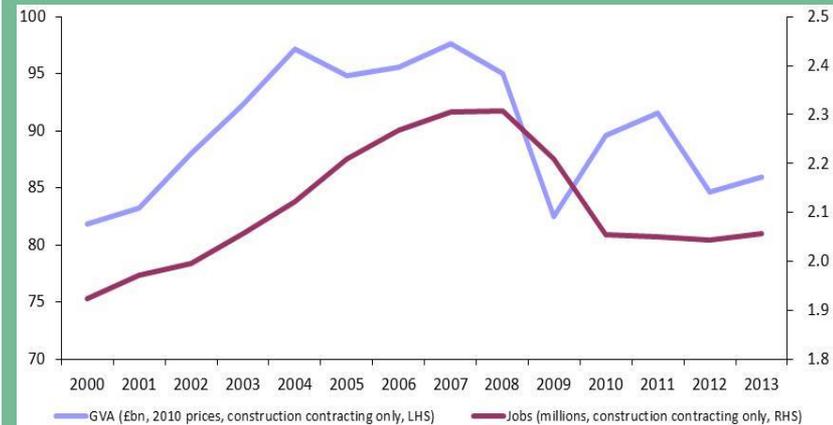


UK Industrial Strategy - Sectors

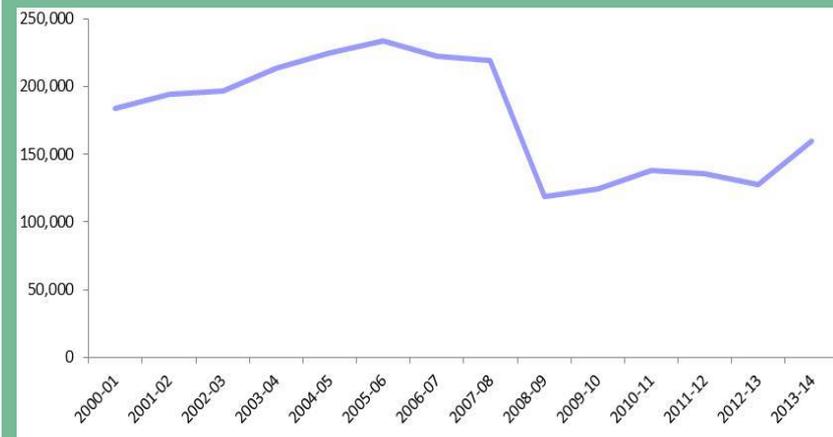
Construction

- Construction contracting accounts for 6% of UK GVA and 6% of UK employment
- Including construction related services and products and materials, the industry contributes nearly 7% of GVA and over 9% of employment
- The construction sector has contracted since 2007, and contracting output is 12% below peak. However, output has grown in the last year and the sector outlook is positive
- The sector's large supply chain accounted for £119bn of intermediate consumption in 2012
- House building starts fell significantly over the recession, but have recovered slightly since
- The Construction strategy aims to halve the trade gap between total exports and total imports for construction products and materials
- The Enterprise Finance Guarantee Scheme's trade credit pilot aims to improve access to finance
- New guidance will be developed with the National Apprenticeship Service to improve apprenticeships

Construction contracting GVA and employment



House building starts

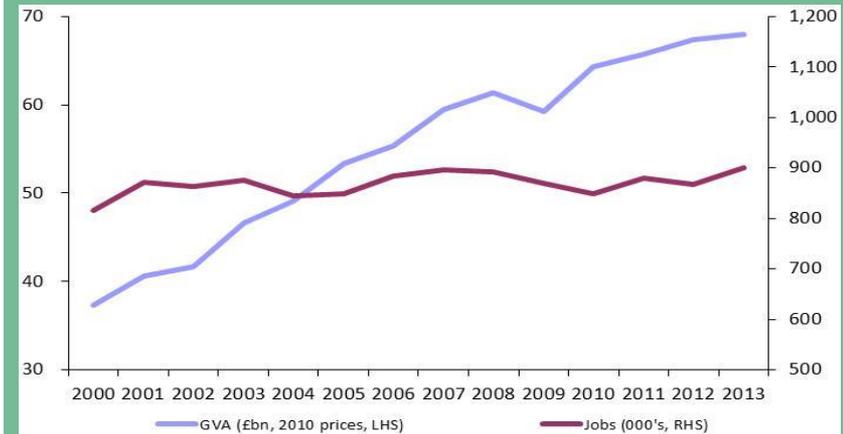


UK Industrial Strategy - Sectors

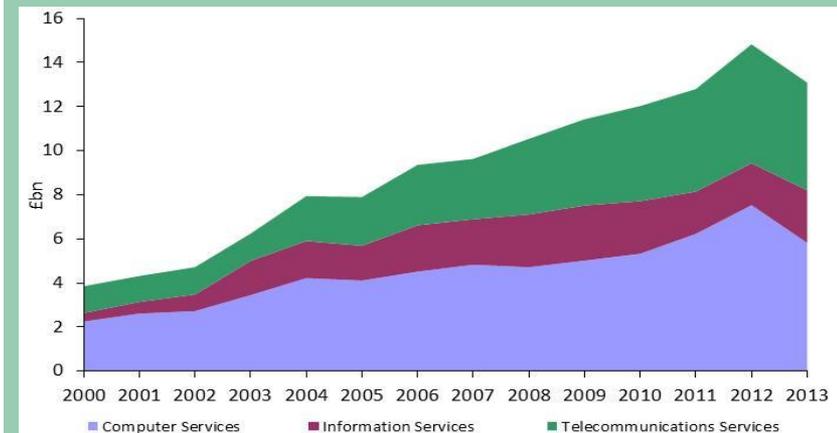
Information Economy

- GVA in the information economy has grown at 4.7% p.a. during 2000-2013, while employment has remained broadly flat, increasing by 84,000 over the period
- Telecommunications has been the fastest growing part of the information economy; growing at 5.7% p.a. during 2000-2013
- The UK has by far the largest trade surplus in Computer and Information Services in the G7
- The UK is ranked second in the world for technological readiness by the WEF
- The Government has committed £1.2bn to extend superfast broadband to 95% of UK premises by 2017
- The Government has launched a programme to get more SMEs transacting online, with the aim of reaching 1.6m businesses by 2018
- The University of Surrey, with industry and Government support, is establishing the world's first facility for testing 5G mobile technology

Output and employment



Exports

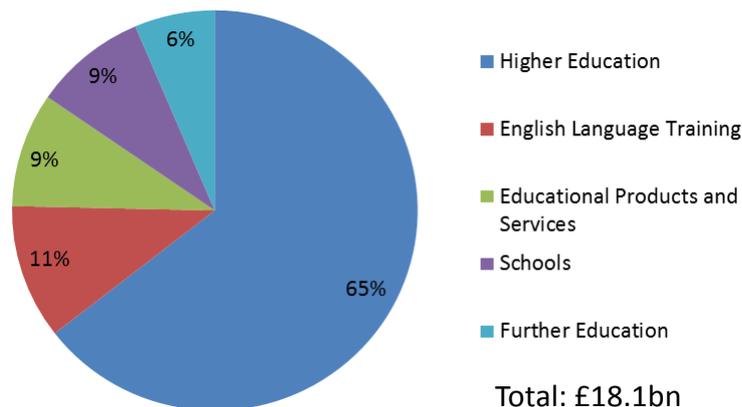


UK Industrial Strategy - Sectors

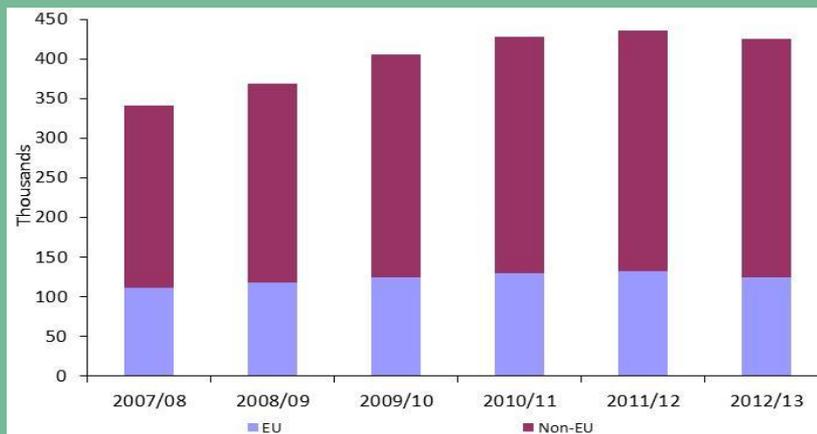
International Education

- The education sector exported £18.1bn in 2012, with the majority of this (65%) coming from higher education
- The number of EU HE students in the UK has risen by 13,140 between 2007/08 and 2012/13. Over the same period the number of Non-EU students has risen by 70,330
- UKTI Education has met its ambition to support £1bn of contracts by 2015, (current figure is £1.5bn)
- The Implementation of the new £375m Newton Fund to build science and innovation partnerships that promote economic development in developing countries has begun
- The Budget confirmed that funding for Chevening scholarships will be tripled in 2015
- DFID's Partnerships for Higher Education (PHE) programme has met and exceeded DFID's commitment to double its support to HE partnerships

Education export income



International HE students in the UK



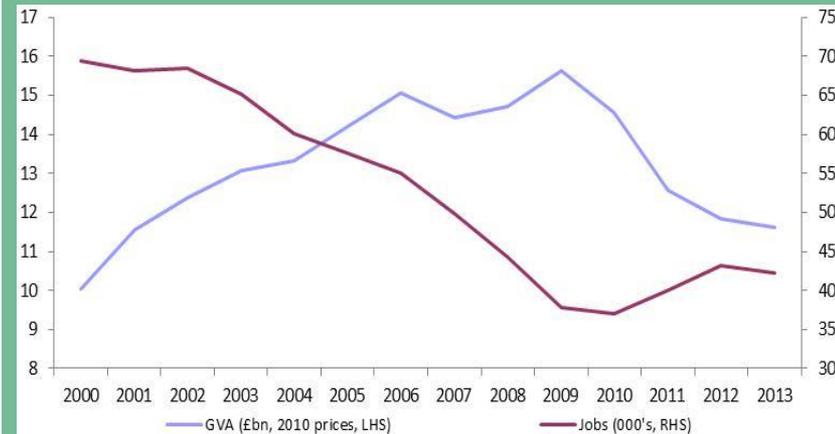
UK Industrial Strategy - Sectors

Life Sciences

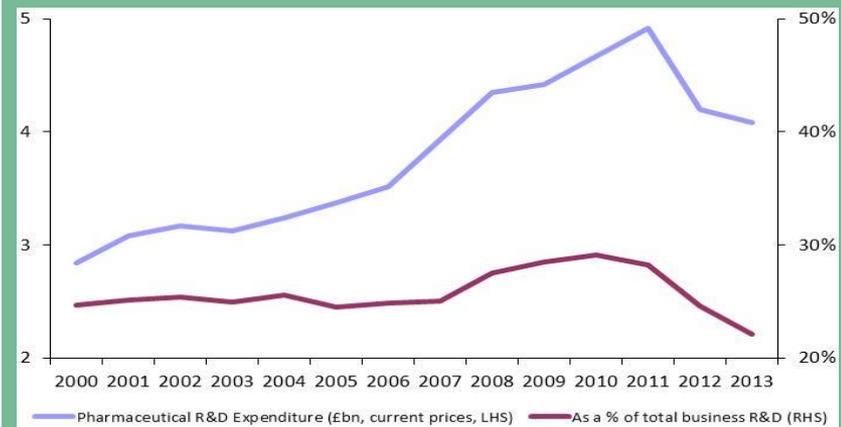
- Global restructuring in Pharmaceutical companies reduced employment, which fed into productivity growth
- Around 42,000 people are employed in the Pharmaceutical sector. This forms part of the wider health and life sciences industry, which employs 176,000 people, with a £51bn turnover
- Health and life sciences markets are predicted to grow 4-10% p.a. over the next 8-10 years
- Pharmaceuticals is the UK's most research intensive industry, with UK R&D expenditure of £4.1bn in 2013
- The Government has announced an external review of the pathways for the development, assessment and adoption of innovative medicines and medical technologies.
- Over £200m of the £240m Biomedical Catalyst has been awarded over six rounds to over 250 companies and universities; leveraging in a further £100 million in industry co-commitment

Pharmaceutical sector

(companies whose primary activity is manufacturing)



Pharmaceutical UK R&D

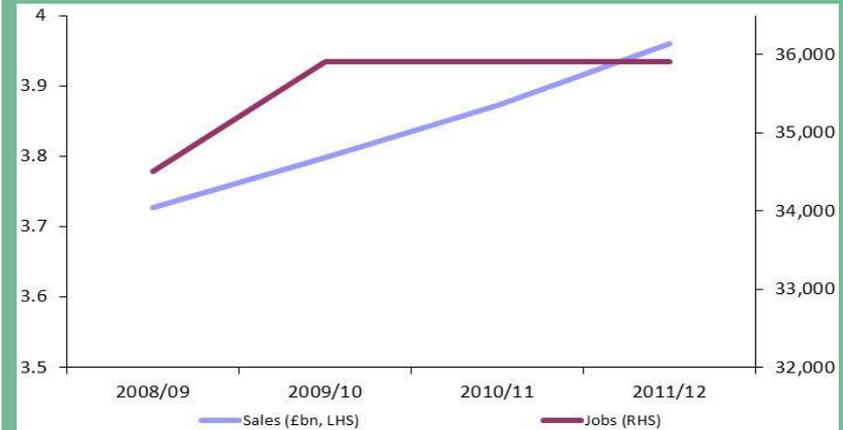


UK Industrial Strategy - Sectors

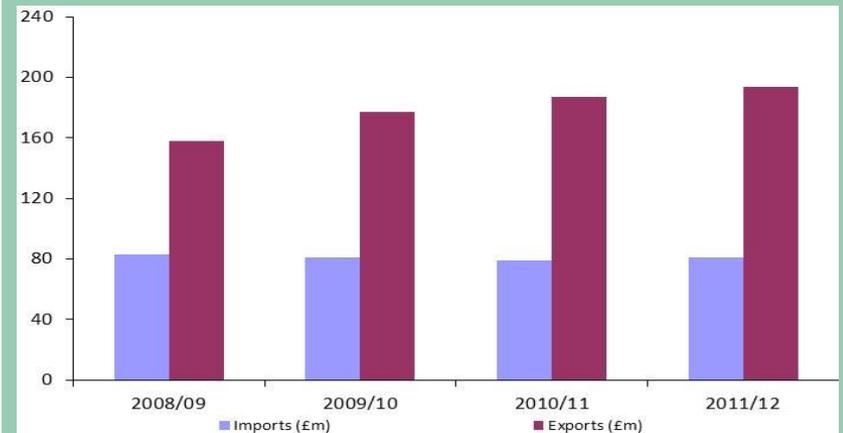
Nuclear

- Sales in the nuclear sector have increased from £3.73bn in 2008/09 to £3.96bn in 2011/12
 - There were just under 36,000 jobs in the nuclear sector in 2011/12, an increase from 2008/09
 - The nuclear industry has set out plans to build at least 12 new nuclear reactors by 2030, an investment of around £60bn
 - Globally, £930 billion of investment is planned to build new reactors, plus £250 billion to decommission those that are coming off-line
-
- Industry and government are working together to improve procurement and infrastructure delivery and operational efficiency
 - The Nuclear Innovation and Research Advisory Board (NIRAB) will be established to ensure that the potential of public R&D to support the nuclear sector is maximised

Sales and employment



UK export and imports

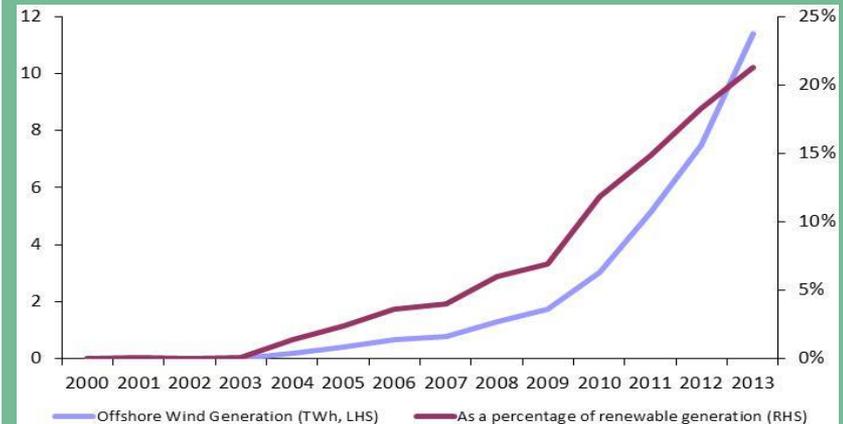


UK Industrial Strategy - Sectors

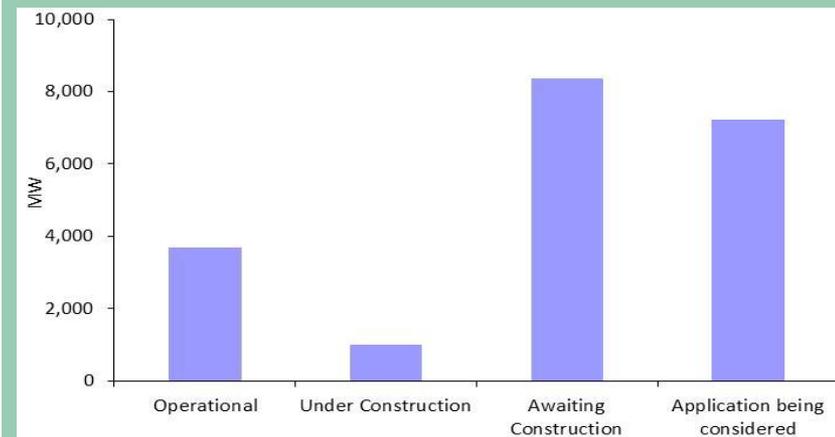
Offshore wind

- Offshore wind as a share of renewable power grew from nothing in 2000, to 21.3% in 2013
 - The UK has more offshore wind turbines operating than the rest of the world combined; with operational capacity of 3696MW
 - Under a strong growth scenario, by 2020/21 the sector could deliver up to £7bn GVA (excluding exports) and support over 30,000 full time equivalent UK jobs
 - By 2030, it is estimated that offshore wind could bring in £18bn in net exports
-
- £46m has been allocated to the Offshore Renewable Energy Catapult Centre to support innovation in the sector
 - More than 2,000 jobs are set to be created by the GROW: Offshore Wind programme from the Manufacturing Advisory Service, that provides support to the wider supply chain
 - Government has announced a new National College for Wind Energy

Offshore wind generation



Offshore wind capacity

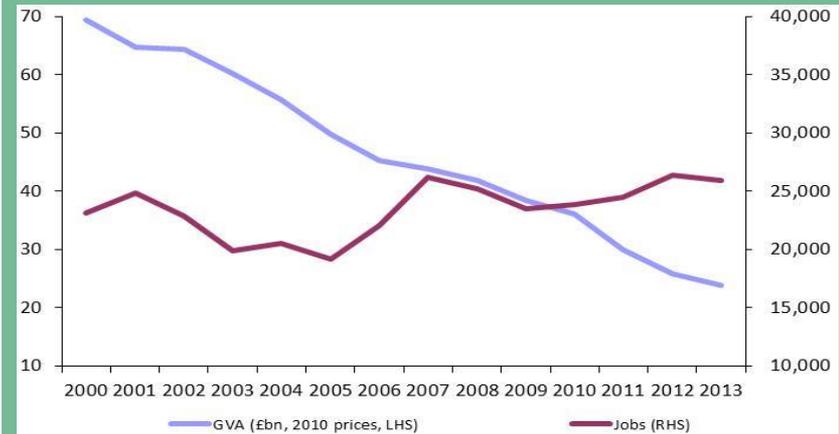


UK Industrial Strategy - Sectors

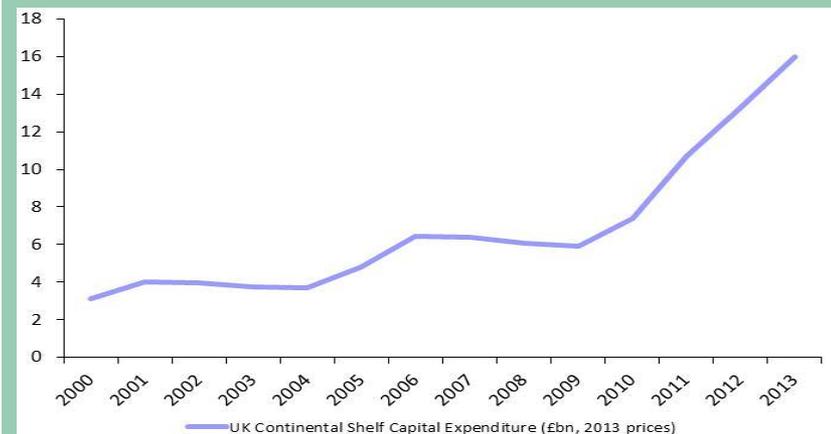
Oil and Gas

- The UK oil and gas industry GVA is £24.0bn and directly employs over 25,000 people. Once the supply chain is included, the industry supports about 280,000 jobs
 - Turnover in the UK upstream oil and gas supply chain was £35bn in 2012, having increased by about £11bn since 2008. Exports in 2012 accounted for 42% of supply chain turnover
 - UK Continental Shelf investment reached a record high of over £14bn in 2013
-
- Industry and government are working together through a Technology Leadership Board to deliver a UK technology strategy
 - Industry will establish a National College for onshore oil and gas
 - The Government will allocate £31m to create world class sub-surface test centres, helping to establish world leading technologies

Output and employment



Capital expenditure

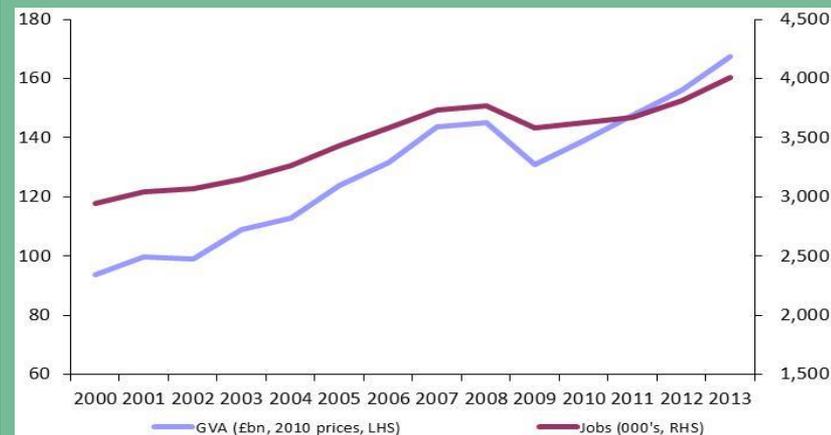


UK Industrial Strategy - Sectors

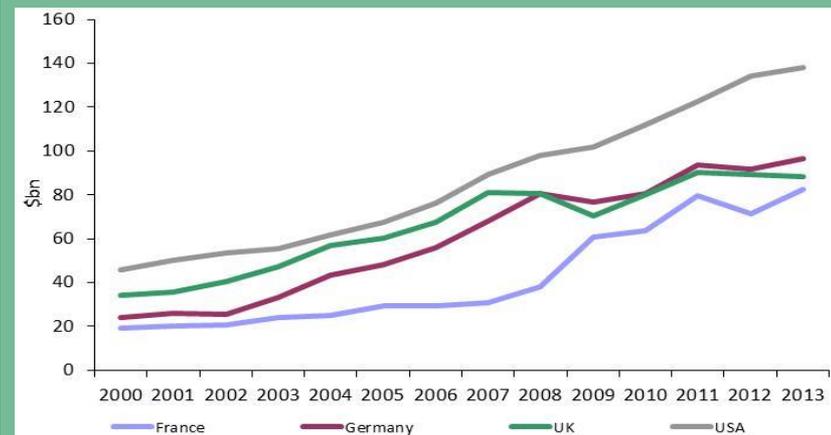
Professional and Business Services (PBS)

- Business services grew strongly prior to the recession, at an annual rate of 5.6% from 2000 to 2008. Recent growth has also been strongly positive growing at an annual rate of 6.4% between 2010 and 2013
- The UK is the third largest exporter of business services in the OECD, with growth of 6% per annum in the last five years
- Fast growing subsectors in the past 10 years include: management consultancy; employment activities; architectural/engineering activities
- The Government is on course to treble the number of higher apprenticeships in the sector to 10,000 per annum by 2018
- London Professional Apprenticeship scheme (supported by BIS and PWC) has recruited and is training 150+ apprentices, with more to follow
- The delivery of new PBS trade strategy underway, including first PBS-focused trade mission (Colombia, November '14)

Output and employment



Exports



Sub-National Performance



Sub-National Performance

Economic performance of regional areas varies considerably

In 2013 Gross Value Added (GVA) per head of population increased in all regions

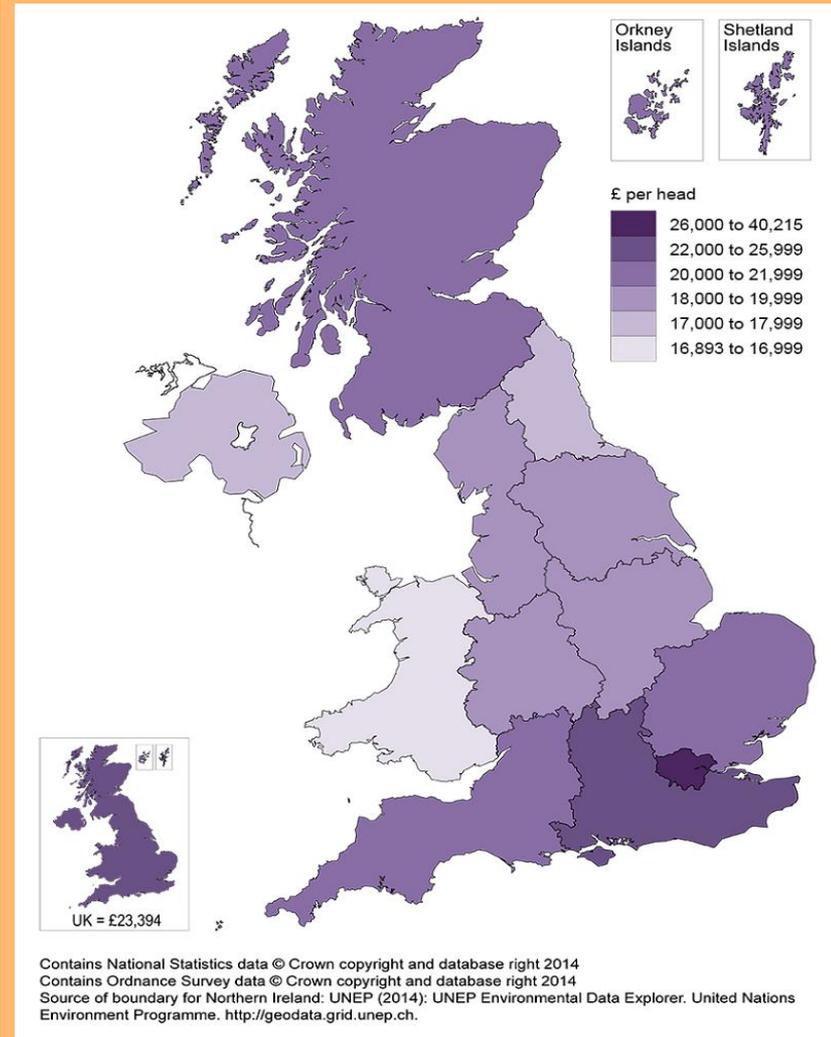
There is a significant amount of variation within regions. London shows the greatest amount of variation in levels of GVA per head, with a difference of £121,157 between the highest and lowest local areas in 2013. The North East shows the least amount of variation, with a difference of just £7,033

At the local area level, in 2013 Inner London West had the highest GVA per head at £135,888. The Wirral had the lowest GVA per head at £12,482

In 2013, GVA per head increased in 126 of the 139 local areas. The largest increase in England was in Southampton which saw GVA per head increase 7.8%

Note: Regional data used as LEP data not yet available for 2013

GVA per head, 2013



Sub-National Performance

The Core Cities and London have yet to recover pre-recession output growth rates.

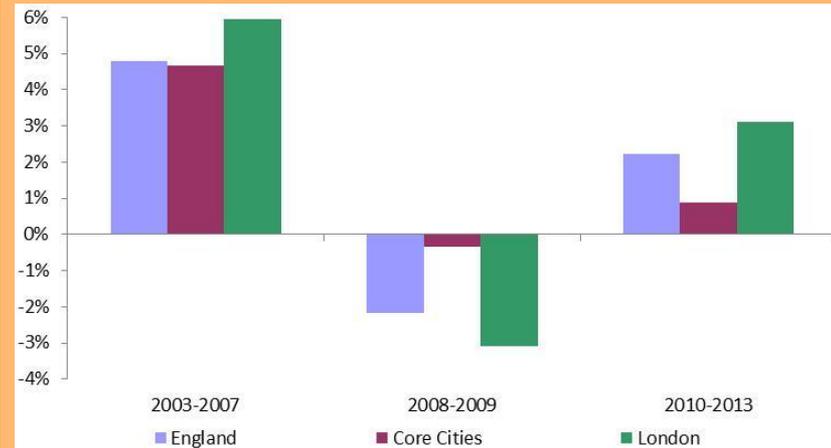
London's performance was consistently above the English average and the Core Cities average from 2003 to 2007. During the recession (2008-2009), London's growth rate per head dropped behind, to -3.08%, compared to -0.35% in the Core Cities and -2.17% for England as a whole

London's output per head growth rebounded between 2010 and 2013, to exceed the national average

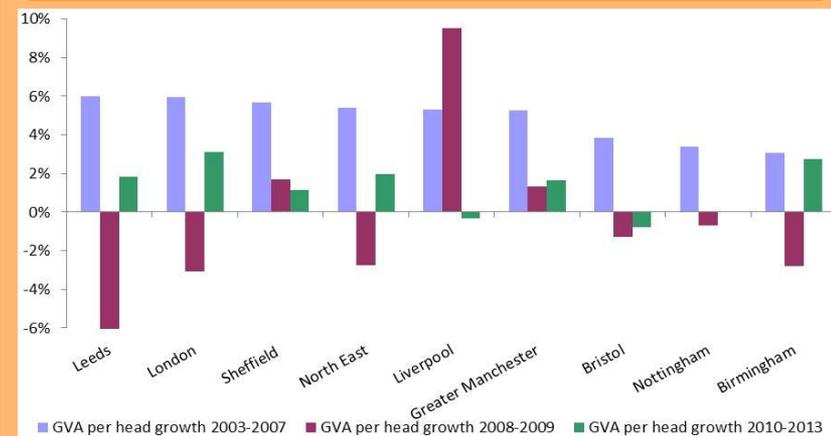
Substantial variation exists across the Core Cities. During the recession, Liverpool recorded a remarkably high growth rate (9.5%), although regional growth rates can be volatile. Greater Manchester, Sheffield and Liverpool were the only Core Cities to record positive growth

Post-recession, London recorded the highest growth rate, followed by Birmingham. However, the Core Cities average annual growth rate between 2010 and 2013 was still 3.8ppts below its 2003-2007 average

Annual GVA per head growth 2003-2013



Annual GVA per head growth in Core Cities



Sub-National Performance

Labour Market performance at the Local Enterprise Partnership (LEP) level varies considerably

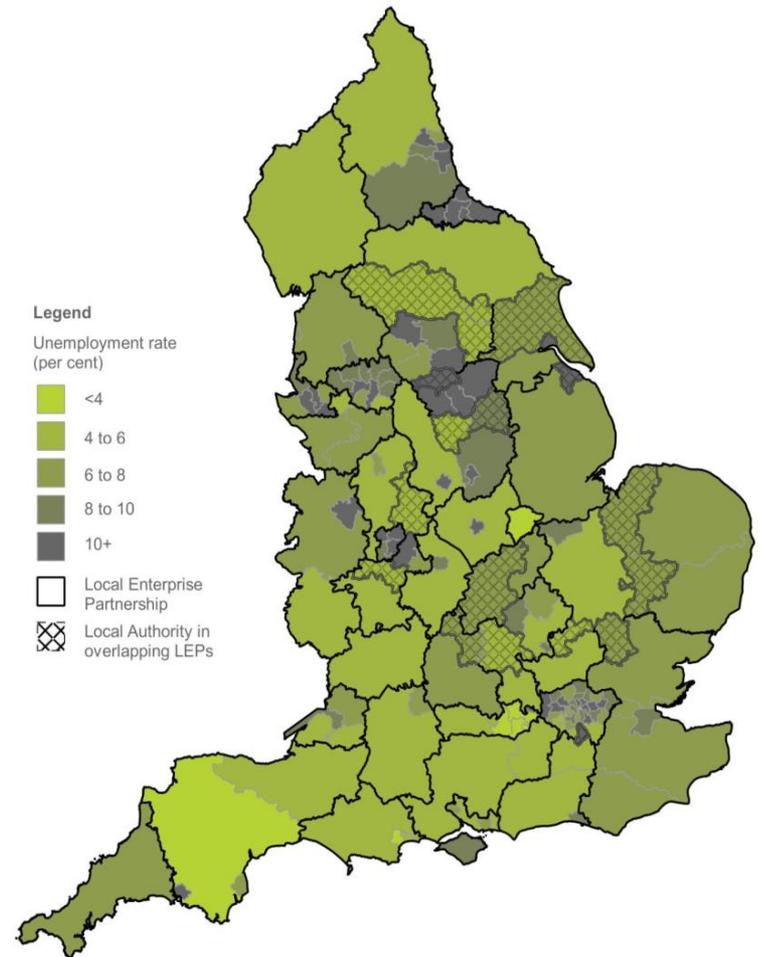
LEPs in the South East had the highest employment rates in 2013. The Hertfordshire and Oxfordshire LEP recorded the highest employment rate (77.9%), while the lowest was the Black Country LEP (65.2%)

During the recession, employment rates fell across all LEPs, except in New Anglia and Swindon & Wiltshire; with the Core City LEPs and London suffering the largest declines. The biggest drop was -2.7 percentage points (ppts) in the North Eastern LEP

Given urban areas have higher concentrations of unemployed than rural, all Core City LEPs, except West of England, had higher unemployment rates than the English average (7.0%) in 2013. Greater Birmingham and Solihull LEP recorded the highest unemployment rate of all Core City LEPs, at 10.5%

From 2010 to 2012, Cornwall & Isles of Scilly recorded the largest decline in unemployment (-3.5ppts), with Oxfordshire recording the largest rise, 2.8ppts

Unemployment rate in local authorities comprising LEP areas, 2013



Source: Annual Population Survey, ONS.
Contains Ordnance Survey data © Crown copyright and database right 2013.



Sub-National Performance

At the regional level, house prices continue to rise. According to survey data, output continues to remain positive

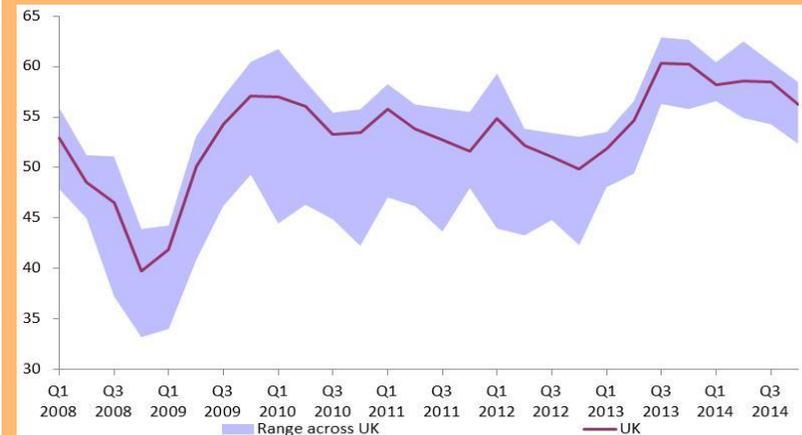
According to Lloyds Bank/Markit's Purchasing Manager's Index (PMI), regional private sector output activity growth for Q4 2014 remained well above 50; indicating an overall increase in reported output. (The decline on the graph shows a slowdown in growth, rather than a fall in output)

The difference between the lowest and highest regional PMI has varied over the period. In Q1 2008 the range was 8, widening to a high of 17 in Q1 2010. Since Q1 2013 the range has narrowed, reaching just 6 in Q4 2014

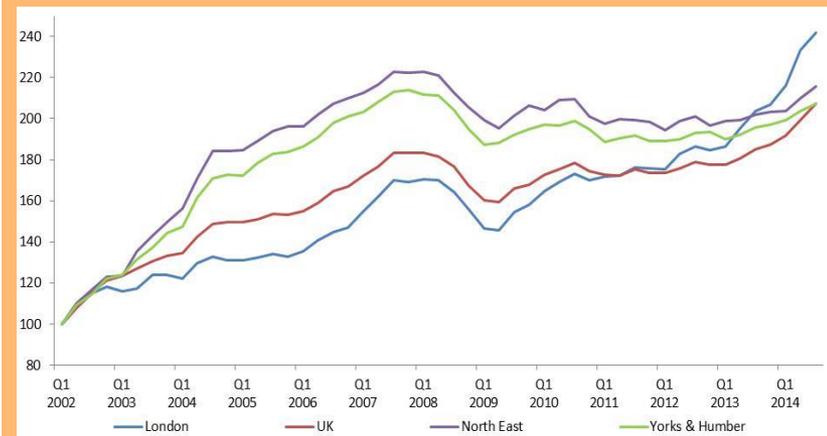
On house prices, London's growth rate has been diverging from the UK's since mid 2011. However, the most recent data (Q3 2014) put the capital's quarterly growth at 3.75%, compared to 3.97% for the UK

The North East also saw above average house price growth (2.81%) over the same period, though growth has yet to recover to pre-recession levels. Yorkshire & the Humber recorded the lowest growth rate (1.92%)

PMI output Q1 2008 – Q4 2014



House price growth in London compared to the UK (Q1 2002=100)



Business Performance



Business Performance

The number of UK businesses continued to increase during and since the recession

At the start of 2014 there were 5.2 million private sector businesses in the UK, an increase of 330,000 since the start of 2013. The number of businesses with employees increased by 67,000

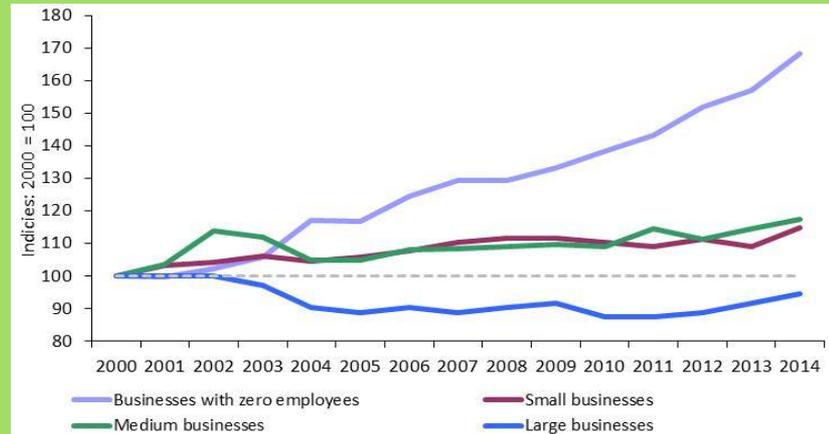
The long-term growth in the business population has been driven by a 30% increase in the number of businesses with no employees since 2008

In 2014 76% of businesses were non-employers

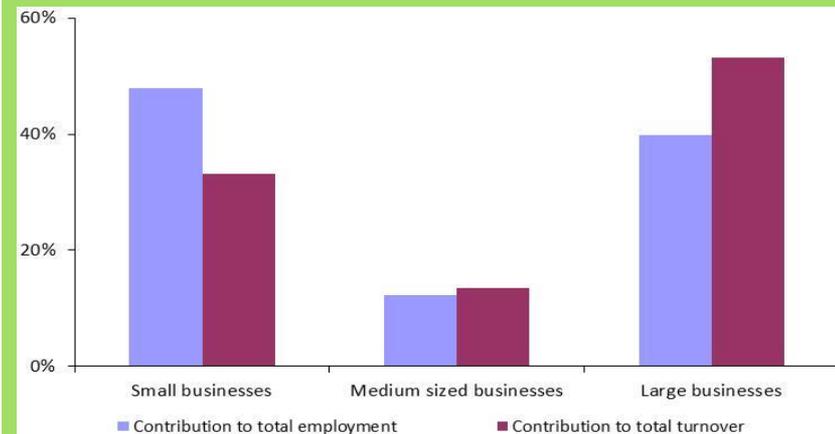
99.3% of businesses were small (0-49 employees), accounting for 48% of UK private sector employment and 33% of private sector turnover

99.9% were SMEs, accounting for 60% of employment and 47% of turnover. SMEs contributed over half of UK output in 2013 (54 per cent of GVA)

Business population



SME contribution to economic activity



Business Performance

Aggregate data show business output growth above the long term trend

The BDO composite output index, constructed from the results of a number of published business surveys, shows steady growth across 2013 and 2014. Growth for 2014 is above the long term trend level

In Q2 and Q3 2014, the Federation of Small Business 'Voice of Small Business Index' showed net positive experience amongst small business (0-49 employees) for quarterly growth in both turnover and profit

Business creation has fallen to 2008 levels, with 447,000 start-ups in 2013. Business creation peaked in 2011, with 508,000 start-ups recorded over the year

In 2014, quarterly start-up numbers levelled off to a rate last seen in 2009. The 27% increase in start-ups between Q1 2009 and Q3 2011 has subsequently fallen back to a similar level to Q1 2009

Composite output index (BDO)



Business start-ups (BankSearch)

