



REGIONAL ECONOMIC STRATEGY

Drafting note: in this version it was necessary to compress pictures to make the file size suitable for distribution. Consequently, the resolution on some of the pictures/ maps is less clear than will be the case for future iterations of the document.

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1. INTRODUCTION

This is a Regional Economic Strategy (RES) for the Mid-South West (MSW) region. It sets out the 'direction of travel' to date in relation to our vision and ambition for the region; it identifies the opportunities and challenges we face; and sets out the priority 'pillars' around which future investment and actions to realise our ambitions should be framed. Furthermore, it provides an early, high level indication of potential specific projects/interventions that may sit under each of these 'pillars' - which will be the subject to ongoing development during the completion of the RES.

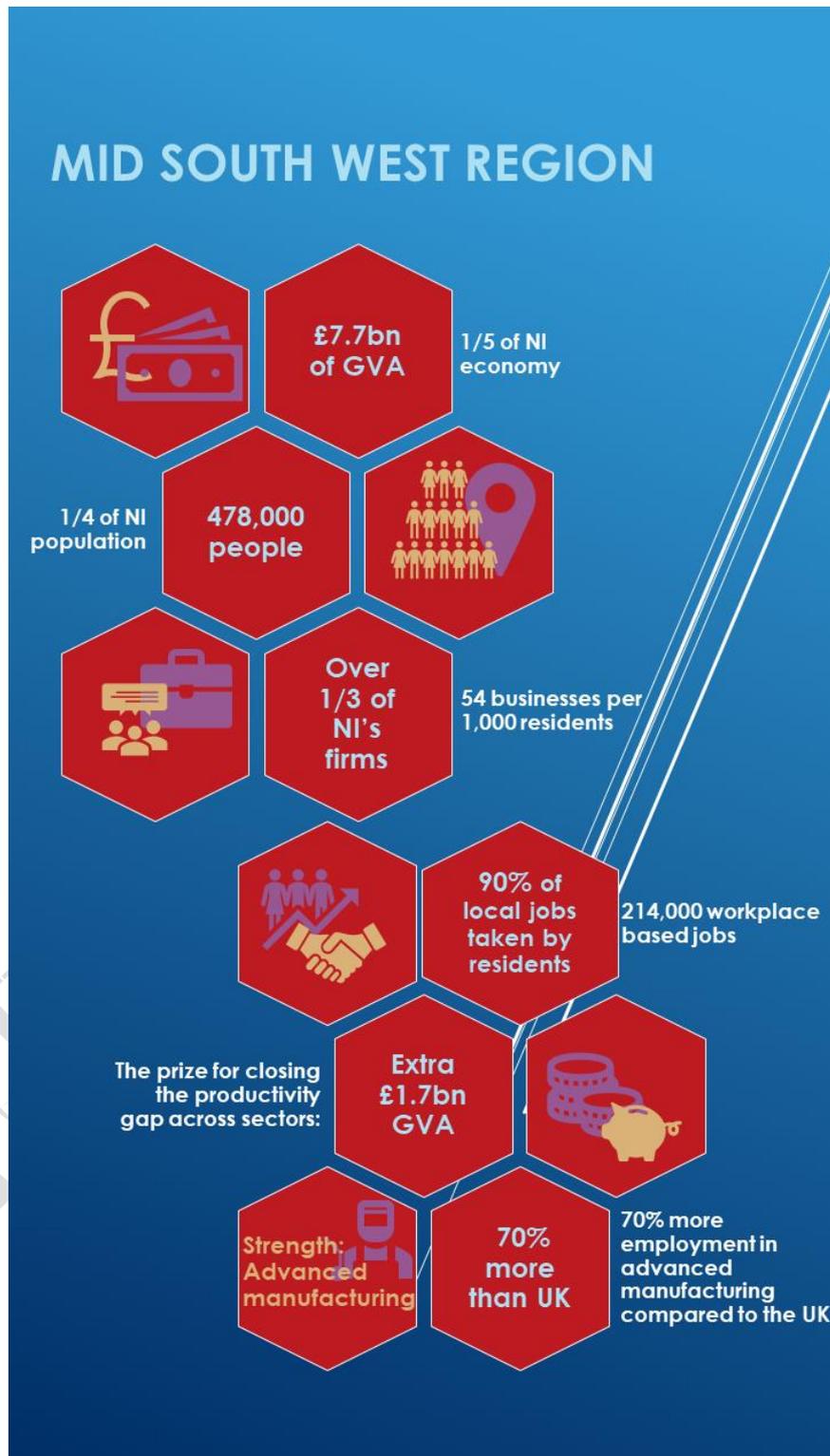
The RES will underpin the case for the Growth Deal funding for the MSW announced by the UK Government in October 2018¹ and referenced in the '*New Decade, New Approach*' Deal published in January 2020 by identifying the projects/ interventions most suited to maximising the potential of the Growth Deal funding. Importantly, our ambition to 'supercharge' the growth of our collective economy and ensure inclusive prosperity in MSW extends beyond the Growth Deal funding. Accordingly, a core assumption is that other resources/ funding sources and policy changes will come into effect to underpin the full realisation of the RES.

In developing the RES and in other work to date, we (i.e. the three Councils that make up MSW – Armagh City, Banbridge and Craigavon; Fermanagh and Omagh; and Mid Ulster) have led an extensive engagement process across the region. In effect this RES has been extensively shaped and directed by the industry/ business base within MSW, aligned to the fact that it is their commitment, drive and ambition that have contributed to the growth and success of our region to date and will be instrumental to realising our future potential. Recognising the distinctiveness of MSW as a private-sector led economy, we prioritised engagement with our largest businesses and membership bodies to understand the opportunities and challenges facing them and the interventions needed to unlock further growth in GVA and productivity for our region. In addition, we have consulted with elected officials, Government departments/ agencies, Invest NI, Skills Bodies, Higher and Further Education Institutions, and Universities to ensure buy in and input from key stakeholders across MSW and Northern Ireland.

All of our engagements have been informed through articulation of the 'evidence-base' of the current economy of MSW, future projections for the same and an assessment of 'what works' elsewhere in other regional economies (including via other City/ Growth deals) to tackle similar opportunities and challenges as those presenting in MSW. This evidence-base was compiled through an extensive analysis of socio-economic data and forecasts for MSW and a thorough review of existing strategies and interventions across the UK. Finally, an important consideration in developing the RES is the position of the three constituent local authorities in the MSW region along the Ireland/Northern Ireland Border Corridor - which presents opportunities, risks and issues to consider, particularly in a post-Brexit era.

¹ <https://www.armaghbanbridgecraigavon.gov.uk/growth-deal-funding-announcement-for-mid-south-west-region/>

2. OUR REGION - THE 'ECONOMIC ENGINE' OF THE NI ECONOMY



2.1 WE CONTRIBUTE AROUND ONE FIFTH (£7.7BN) OF NI'S ENTIRE GVA...

Our region consists of three District Council areas that make up almost half of Northern Ireland's (NI) land mass and which all border the Republic of Ireland.² One quarter of NI's population live in MSW (478,000 people), and in 2018 the 214,000 workplace-based jobs generated an estimated £7.7bn of GVA³ - corresponding to one fifth of NI's economy. The MSW region is also a functional economic geography with 90% of local jobs taken by residents.⁴

Our region is a highly entrepreneurial, private sector led economy. Over one third of the 75,000 NI firms are based in MSW, meaning there are 54 businesses in MSW per 1,000 residents—significantly higher than the NI average (40 businesses). The three District Council areas that make up our region rank 1, 2 and 3 amongst the 10 Council areas in NI for early-stage entrepreneurial activity (TEA)⁵. This converts into a ⁶business birth rate for MSW above the NI average (4 versus 3.6 respectively). Furthermore, business survival rates in MSW also outperform the NI average.



MSW is home to many world leading export businesses and as such is a globalised, outward and forward-looking region. This is evidenced by the fact that our businesses accounted for 22.6% of turnover in NI in 2018, 27% of NI exports and 31.1% of NI external sales. Further evidence of our outward and forward-looking ethos is the fact that our businesses have historically been very successful in attracting new labour and skills to our region.

This critical mass of economic activity has been achieved in spite of a deficit of investment in enabling infrastructure in MSW, demonstrating the resilience and determination of indigenous businesses in the region to succeed. Facilitating transport, promoting communication, providing access to land, energy and water are the bedrock of prosperity and well-being in any competitive economy. There are evident gaps in the MSW region in several aspects of this basic economic infrastructure, which if addressed could catalyse significant GVA and productivity growth.

² Consisting of the District Council Areas of Armagh City, Banbridge and Craigavon, Fermanagh and Omagh and Mid Ulster.

³ (in 2016 prices),

⁴ Ulster University Economic Policy Centre (UUEPC), "Mid, South & West Region of Northern Ireland: Economic Geography Baselines and Outlook", January 2019

⁵ Total Early-stage Entrepreneurial Activity (TEA) represents the percentage of the population aged 18-64 who are either nascent (in process of starting a business) or new entrepreneurs (running a business not older than 42 months)

⁶ Business starts per 1,000 residents

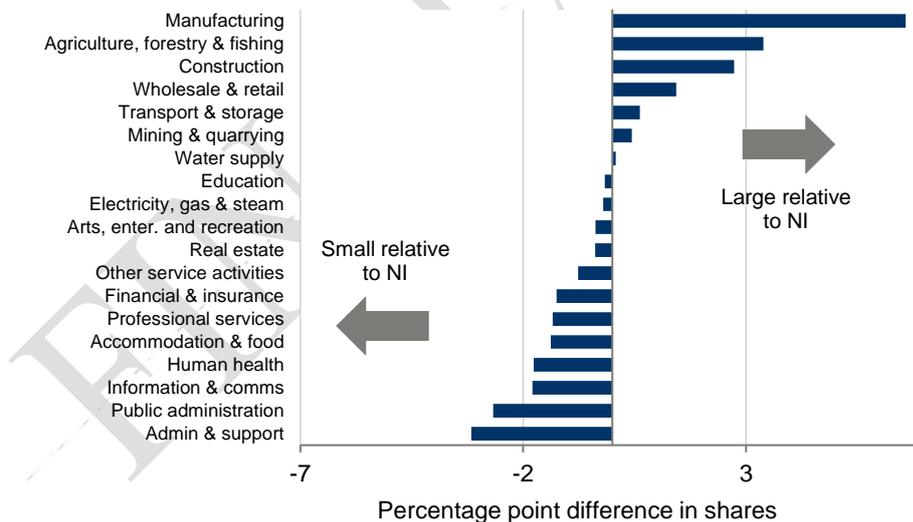
As previously noted the positioning of the MSW region along the Ireland/Northern Ireland Border Corridor is a key attribute. The Border Corridor is recognised as the sub-regional economic driver for NI within the Regional Development Strategy for NI. Our region (relative to the other City/ Growth Deal regions in NI) has the longest proportion of the Border Corridor – per adjacent schematic.⁷ As a result there are significant existing cross-border co-dependencies in our region (e.g. in areas such as trade, movement of people/ labour, agri-food, tourism, shared services such as health and education, and inward investment and funding).



2.2 ...WITH STRENGTHS IN MANUFACTURING, ENGINEERING, AGRIFOOD, HEALTH & LIFE SCIENCES, TOURISM AND CONSTRUCTION...

Our region has significant strengths in manufacturing, engineering, agri-food, health & life sciences, tourism and construction (See Fig 2), and mature local supply chains in all of these sectors. A 2019 study by UUEPC⁸ highlighted that our regions accounts for two fifths (39%) of NI’s Manufacturing employment and a quarter (23%) of its manufacturing GVA. It also noted that MSW accounted for 37% of NI businesses manufacturing Machinery & Equipment and a third (31%) of all NI’s agri-food firms.

Fig. 2. Sectoral employment in MSW relative to NI, 2018



Source: Oxford Economics

⁷ Sourced from Report: Brexit and the Border Corridor on the Island of Ireland: Risks, Opportunities and Issues to Consider, October 2017 authored by Dr Eoin Magennis, Andrew Park and Laura Heery and co-ordinated via East Border Region

⁸ Ulster University Economic Policy Centre, “Mid, South & West Region of Northern Ireland: Economic Geography Baseline and Outlook”, January 2019.

It is no surprise therefore that we have specialisms in the manufacturing of machinery and equipment and in the manufacturing of food products. For example, employment in the manufacture of machinery for mining, quarrying and construction sector is almost four times the size of the NI average. Indeed, three of six four-digit SIC⁹ sectors employing over 500 employees and with the highest Location Quotients (LQs)¹⁰ are in the manufacturing of machinery and equipment sector.

Our agri-food sector in MSW employs nearly 11,500 people. Within it, the processing and preserving of poultry meat sub-sector and the processing and preserving of meat sub-sector employ nearly 3,700 people (3.3 larger than the NI average) and over 2,000 people (2.4 times the NI average) respectively.

Our regional specialisms are even more pronounced when compared to UK. For example, employment in manufacturing of machinery for mining, quarrying and construction in MSW is over 22 times the UK average.

In addition, our region is a global leader in the niche market of the manufacture of tracked mobile stone crushing and gravel screening equipment. Around half¹¹ of the equipment in this market niche globally is manufactured in NI – indeed NI companies hold the top five positions in this niche market - with the capacity predominantly located in MSW.

In more recent years our region has started to experience the growth of emerging sectors. For instance, a recent study¹² within MSW indicated that in Armagh City, Banbridge and Craigavon Borough Council there is a particular strength in the Digital Tech sector – IT services, Computing and Advanced Electronics, Software and Communications. This report highlighted that the Digital GVA/ capita therein was 28% more than the NI average and Digital ICT wages 44% above the NI average.

70%

More employment in advanced manufacturing compared to the UK

The manufacturing of basic pharmaceutical products is nearly three times larger than the NI average and 15 times the UK average.

2.3 ... AND SIGNIFICANT ACTIVITY IN ADVANCED MANUFACTURING...

Our region also boasts significant levels of advanced manufacturing activity, with 70% more employment in high and medium tech manufacturing than the UK average.¹³ For example, employment in the manufacturing of basic pharmaceutical products is nearly three times larger than the NI average and 15 times the UK average.

In addition, 36% of employment in Invest NI supported businesses in MSW are classified as “Advanced engineering and manufacturing”¹⁴, while NISRA data shows that £121m was spent by our businesses on R&D in 2017 (one fifth of the NI total).

2.4 ...AND WE ALSO HAVE AN ECONOMY AT FULL EMPLOYMENT

Our economy is near or at full employment, with high levels of resident employment and relatively low levels of inactivity and unemployment. Broadly speaking, our region does not suffer from excessive

⁹ Standard Industrial Classification

¹⁰ Location Quotient (LQ) analysis compares the sectoral share of employment in one economy to the share in another (typically a larger region or nation). An LQ of 1 shows both economies have an identical share of employment in that sector. An LQ above 1 shows the smaller economy has a larger share of employment in that sector relative to the comparator economy. An LQ below 1 shows the smaller economy has a smaller share of total employment in that sector.

¹¹ Source: Invest NI

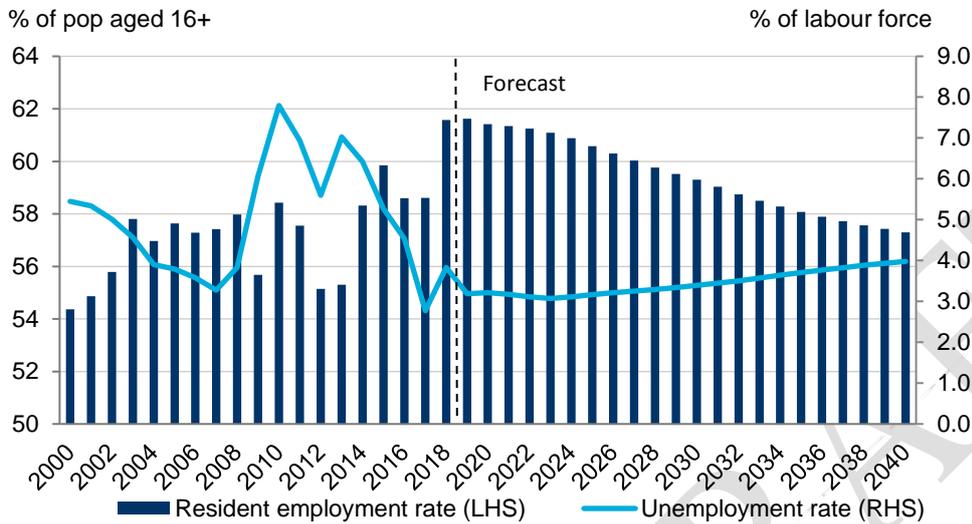
¹² Complementing, Advocating, Leading – Digital Strategy ABC Council January 2018.

¹³ We have used the OECD definition of high and medium tech manufacturing: https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:High-tech_classification_of_manufacturing_industries

¹⁴ Invest NI “Western Regional Briefing”, July 2019. The document also shows that a further 34% of employment in supported businesses were in agri-food, 20% in construction and 7% in life and health sciences.

concentrations of deprivation, albeit that there are ‘deep pockets’ of deprivation in some localities, which would be within the top 10 percent of most deprived Super Output Areas (SOAs) in NI.

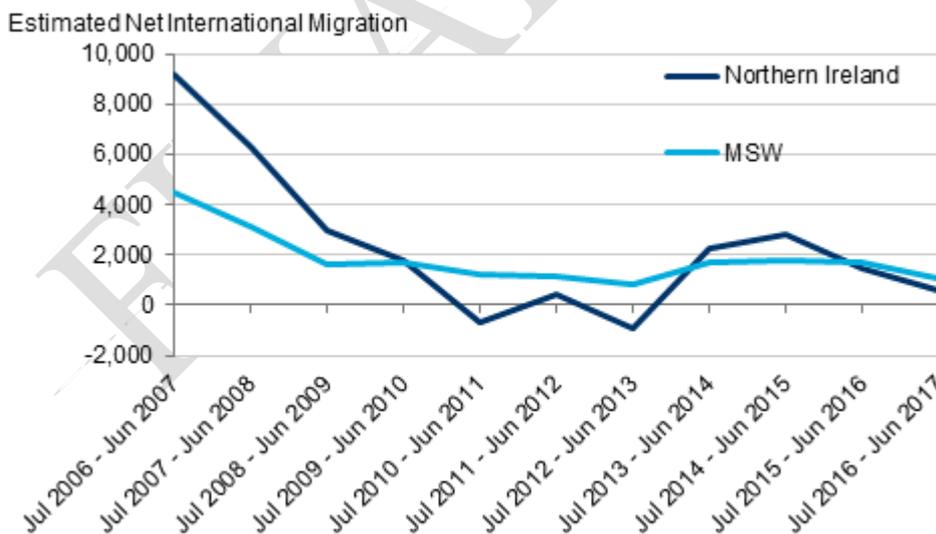
Fig. 3. Resident employment and unemployment rates, MSW, 2000 to 2040



Source: Oxford Economics

We also boast an above average share of residents aged under 16, which can support the future growth of our businesses and we have been very successful in attracting new labour to our economy. This has been supported by labour market opportunities, lower house prices and higher levels of housing affordability¹⁵, and relatively low levels of recorded crime.¹⁶ Indeed our region has consistently enjoyed net inward migration, even when NI as a region was losing people (per Fig 4 below).

Fig. 4. Estimated Net International Migration 2007-2017 – NI v MSW



Source: NISRA

¹⁵ The average house in MSW cost £123,900 in 2018, 7% less than the NI average of £133,000.

¹⁶ In 2017/18 there were 39 crime recorded per 1,000 residents, significantly below the NI rate (52 crimes per 1,000) and that of the Belfast City region (59 crimes per 1,000).

3. ISSUES TO CONSIDER IN GROWING OUR 'ECONOMIC ENGINE'

3.1 INTRODUCTION

Whilst our region as the 'economic engine' of NI, is highly successful in many respects, and we have many evident strengths to build upon, it is vital to understand the nature and scale of some of the remaining issues and challenges that we face. Our ambition and forward proposition as set out in Section 4 of this RES has been framed by research and extensive engagement on the key issues set out below.

3.2 PRODUCTIVITY LEVELS

As the 'economic engine' of NI, and with our evidenced strengths in advanced manufacturing we are in a prime position to drive wealth creation, exports and innovation. However, we currently suffer from low levels of productivity. In 2017¹⁷ MSW's productivity was an estimated £8,500 below the NI average. This was an issue across the economy with most 'broad' sectors (except for real estate and administrative & support activities) suffering from below average levels (see Appendix A). However, a number of manufacturing sub-sectors have consistently been strongly outperforming the NI average, including:

- The manufacture of basic metals;
- The manufacture of fabricated metal products, except machinery and equipment;
- The manufacture of computer, electronic and optical products;
- The manufacture of electrical equipment;
- The manufacture of machinery and equipment;
- The manufacture of motor vehicles, trailers and semi-trailers; and
- The manufacture of other transport equipment.

£1.7bn

The prize for closing the productivity gap across sectors

The equivalent of an additional £7,900 of GVA per job in MSW and 4.3% uplift to the NI economy

Addressing the productivity shortfall represents a massive opportunity for our region. Doing so would generate substantially more GVA and wealth for our businesses and our residents. For illustrative purposes, if our businesses had closed the 2017 productivity gap (where applicable) with the NI average, productivity would have been approximately £7,900 (22%) higher. This would, in 2017, have increased MSW's GVA by £1.7bn.

To put this in context NI's GVA was estimated to be nearly £39bn in 2017. Therefore, the increase in MSW's potential GVA contributions (by closing the sectoral productivity gaps, where appropriate) would have been the equivalent of a 4.3% uplift to the NI economy. In reality, the actual benefits to the NI economy would be higher again, as additional levels of GVA in MSW would have had additional supply chain and consumer spending impacts across the rest of the NI economy.

Linked to the above, the prevailing productivity gap feeds through to lower wage levels. In 2018 workplace-based wages in MSW were 6.2% below the NI average. Increasing productivity would enable our businesses to offer higher wage rates and subsequently attract greater numbers and higher skilled

¹⁷ The latest year which has published data at the time of writing.

individuals to the MSW. It would also help make our businesses even more competitive, supporting future growth and making the MSW region an even more attractive place to live.

Our engagement with the largest businesses in MSW and business representative bodies all reinforce the massive opportunity in this regard, provided that enabling interventions are in place and actions taken to address barriers and constraints holding them back.

A case in point is the pace of technological progress and increased use of automation, which presents both opportunities and challenges for our businesses. For example, there are opportunities to replace lower skilled and lower paid tasks within our leading manufacturing companies with robotics or cobotic solutions. These minimise the need for labour and speed up the manufacturing process by automating mundane and repetitive processes, thus driving up productivity. There are also opportunities to use 3D printing to speed up supply chains or pilot new products. Furthermore, data analytics can support the movement of products, or how robots work simultaneously within factories. Some of our businesses are already aware of aspects of the above potential and the FE/HE sector is increasingly working to skill¹⁸ up our local residents for this 'new world of work'. However, the expertise in this arena simply does not exist at the scale needed to drive material productivity improvements and our businesses can face barriers in terms of access to the mechanisms/ resources to test and try different approaches to automation to meet their specific needs. Whilst in the short-term greater adoption of technology and automation in manufacturing can be at the expense of lower paid jobs, it will over time create additional demand for higher skilled, higher paid roles in MSW - a key aspiration of our businesses and people.

Also, as set out previously and detailed further at Section 3.3 below, significant barriers exist to improving productivity in MSW because of gaps in several aspects of the basic economic infrastructure for a competitive economy. Facilitating transport, promoting communication, providing access to land, energy and water are the bedrock of prosperity and well-being in any competitive economy. With improved physical connectivity (to entry and exit points in NI and onto overseas markets) and enhanced digital connectivity with customers and suppliers from across the globe, our indigenous businesses in MSW will be in a much better position to realise significant gains in productivity and competitiveness. The potential that exists in this regard is strongly underlined by the fact that despite these constraints our businesses have demonstrated considerable resilience and determination to succeed. We are a highly entrepreneurial, private sector-led economy – the 'economic engine' of NI.

3.3 CONNECTIVITY AND INFRASTRUCTURE

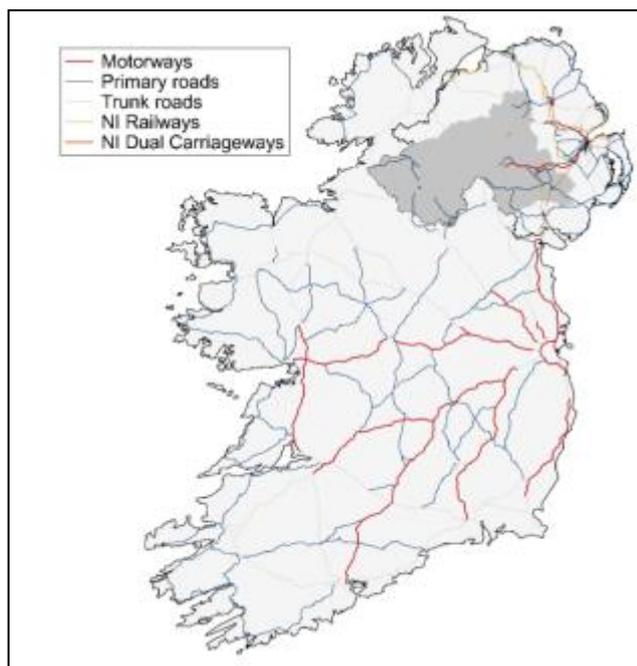
As home to a third of NI's businesses and amongst them, many world leading export businesses, the MSW needs the infrastructure to move products to market quickly and maintain efficient supply chains. A high-quality transport network is of paramount importance.

However, whilst MSW accounts for half of the land mass in NI the prevailing data from the Department for Infrastructure shows that motorway and A roads account for only 8% of our road network.

¹⁸ By way of example through the Higher-Level Apprenticeship/ Foundation Degree in Mechantronic Engineering offered by Southern Regional College and University of Ulster.

The adjacent map¹⁹ provides a stark illustration of this. It shows the coverage of motorways and dual carriageways on the island of Ireland, with an evident gap in coverage out to the West. There is almost no dual carriageway in the Fermanagh and Omagh District Council area - (600 metres only²⁰).

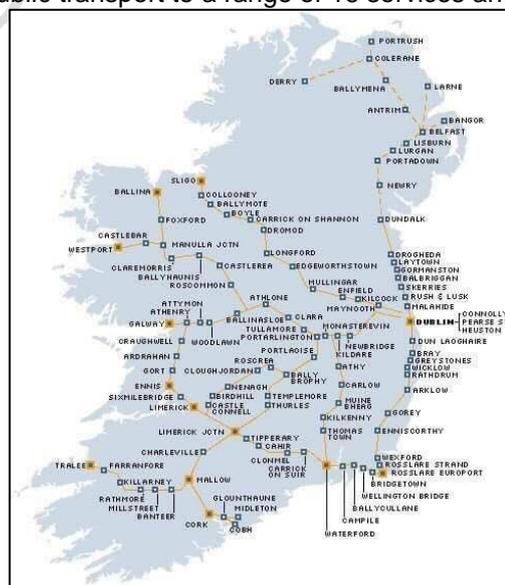
Dungannon and Cookstown have no bypass networks and as a consequence these major towns in our region and the road networks that surround them are regularly choked. These towns have been waiting for around 30 years for bypass networks. There is a similar need for bypass networks in Armagh and Enniskillen, through the East-West Link Road in Armagh and the Southern Relief Road in Enniskillen. All of the above schemes exist in concept and are at various



stages of development, to be expedited through this RES. Our engagements indicate that industry has been forced to operate with substandard road networks in MSW for a long period of time with consequent constraints on the efficiency of their operations and associated productivity.

Further evidence of the serious gaps in our basic infrastructure in MSW is the fact that data shows that a high proportion (40%) of MSW's SOAs are ranked amongst the most deprived in NI for access to services. This indicator covers travel time by private and public transport to a range of 16 services and

the proportion of properties with slow broadband²¹. It reflects that, while the railway network on the island of Ireland provides important links to Belfast and Dublin, it only services the far east of MSW. Indeed, even within the east of MSW there is a gap in connectivity arising from the closure of the Portadown to Armagh rail link in 1957. The adjacent map of the rail network in Ireland shows that the west of our region has a very striking and major gap in accessibility to rail services relative to the rest of the island economy (and expands on the first map above which only includes the NI rail network). This major gap in accessibility to rail in the west is as a result of the reshaping of British Railways/ the 'Beeching Axe' in the 1960's. In GB there has been increasing focus on this issue via a Conservative Party pledge to establish a Beeching Reversal Fund to restore services to many of the towns cut off from the rail through these actions in the 1960s. Whilst the scale of investment needed to address the lack of access to rail into the west of our region would be well in excess of potential available Growth Deal funds announced in October 2019, it is important to reference our longer-term ambition to consider a range of effective sustainable transport solutions to restore some of the connectivity that this rail network previously provided for our region.



¹⁹ Sourced from the The Detail Data.

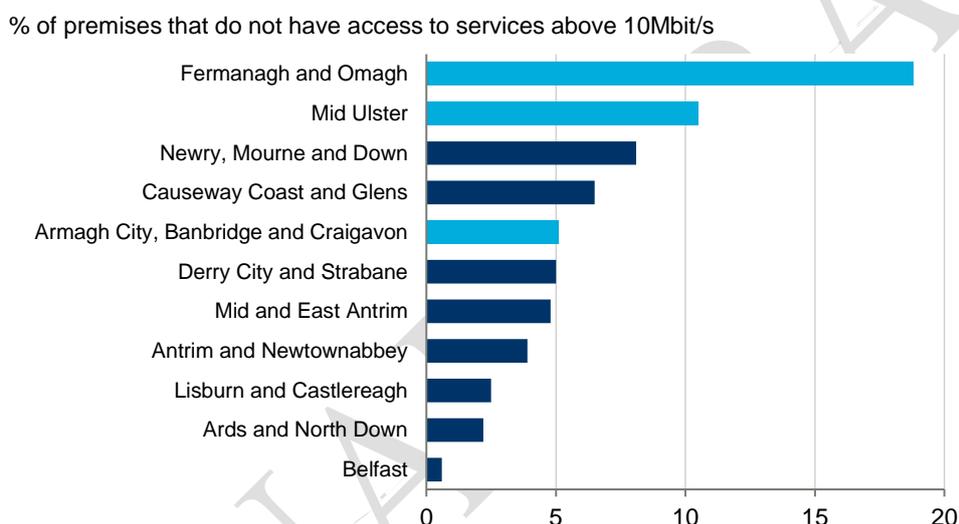
²⁰ Cherrymount Link Road outside Enniskillen town

²¹ The 2017 rankings show that over 40% its SOAs are ranked among NI's 20% most deprived in relation to access to services.

This is unlikely to entail restoration of the rail network as was (for both practical/logistical and affordability reasons) but will examine what effective sustainable transport solutions (e.g. light rail) could potentially be put in place to restore some of the connectivity that previously existed in MSW.

The access to services deprivation referenced above also reflects the fact that much of MSW has relatively poor access to higher capacity broadband service availability (ultrafast and full fibre). As a result, a high proportion of premises do not have access to higher speed connections (Fig 5), which is particularly evident in Fermanagh and Omagh and Mid-Ulster. This is reflected in average download speeds—the three MSW local economies appear in 4 worst performing NI councils by this measure. Our engagements indicate that many of the largest businesses in MSW have had to invest in their own ‘connectivity’ workaround solutions (e.g. high-speed broadband via satellite) again indicating their resilience to constraints and determination to succeed in the face of gaps in the basic economic infrastructure for competitiveness - infrastructure that is more readily available in other parts of NI. Our engagements however indicate that these constraints in digital connectivity remain a barrier to increasing productivity amongst smaller firms/ the SME economy in MSW. The largely rural nature of much of MSW requires almost positive investment onus on service providers in this respect.

Fig. 5. Percentage of premises that do not have access to broadband services above 10M.bit/s



Source: Ofcom

In addition to constraints in relation to physical and digital connectivity, our businesses tell us there is an urgent need for access to industrial land to facilitate their expansion in MSW. Mid-Ulster presently has no industrial land available for development. Industrial estates in Banbridge, Granville, Dungannon and Cookstown are at full capacity with no room to expand. However, there is industrial land in public ownership in MSW that could be made available to our indigenous businesses to support their immediate growth plans. There is also a lack of high-quality innovation space for our people to test new ideas and work in emerging sectors (including Digital Tech) and collaborate in research and development. Yet collaboration and the sharing of ideas, is a key ingredient for a successful knowledge economy.

There are also major utility infrastructure deficits in relation to the prevailing wastewater network capacity and state electricity supply in MSW. The deficit in relation to wastewater network capacity is most pronounced in Mid-Ulster but arguably increasingly more prevalent in other parts of MSW. This is a major constraint on housing development (impacting on the ability to attract labour from elsewhere to MSW) and on the development of serviced industrial land, to enable our businesses to expand. In

addition, there is a need for research on a policy agenda change in respect of the regeneration of our towns and rural areas.

Finally turning to state electricity supply, whilst the Tyrone to Cavan Interconnector (also known as the North South Interconnector) is planned it is unlikely to be in place in the short-term. It is urgently required to ensure that there is sufficient access to electricity to meet supply needs in NI. As things stand it is anticipated²² that the decommissioning of older electricity generating stations means that after 2021 demand will outstrip supply. As well as security of supply it should reduce the cost of electricity by allowing the transmission network to operate much more efficiently, playing a vital role in supporting economic growth and facilitating investment. It will also help facilitate the connection of more renewable energy to the grid – which is essential to achieve Government-led renewable energy targets and to increase energy independence. In the interim our businesses continue to be challenged by supply constraints and the costs of energy in our region and as such it is imperative that SONI/NIE have a positive commitment to invest in infrastructure west of the Bann.

Consequently, actions that we will take through the RES to improve our physical infrastructure and connectivity will have an immediate impact on our productivity and potential for growth, making the MSW a more attractive region to higher skilled individuals and for business investment.

3.4 LABOUR AND SKILLS

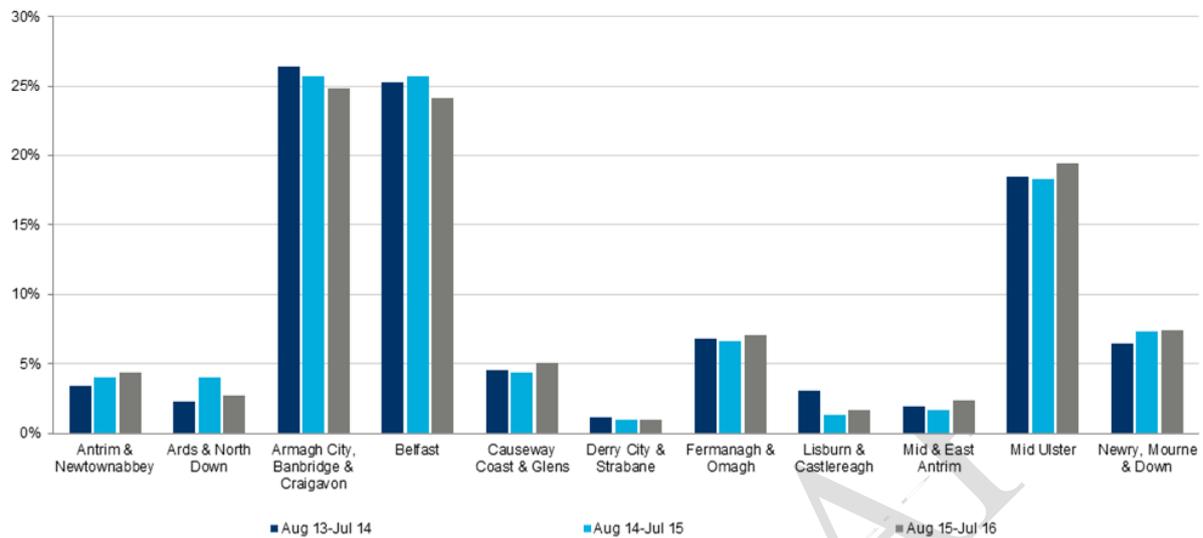
As set out in Section 1, 90% of local jobs in MSW are taken by our residents. However, our poor road network and shortfalls in accessibility to public transport (particularly by rail) can mean it is difficult for our people to access all of the employment opportunities in the region. A consistent message from our engagements is that journey times from one part of our region to the other are prohibitively long for many workers to consider changing their employment if career opportunities present themselves. In turn this has a negative impact on the ability to best match the skills of our population to the jobs available in MSW.

Our businesses have historically been very successful in attracting new labour to the region. As set out previously (Fig 4) our region has consistently enjoyed net inward migration, even when NI as a region was losing migrants. However, this has recently become more challenging as European labour markets have strengthened, Sterling has weakened and uncertainty has increased. Our ability to be able to continue to attract people from elsewhere is becoming increasingly important, given our tight labour market and ageing population. Government policy espoused to date on migration post Brexit, centred on a £30k salary threshold for all non-UK individuals working in the UK is likely to further exacerbate our labour and skills crisis in MSW. Our reliance in MSW on migrant labour as a core component of our 'economic engine' in recent years is well illustrated by Fig 6 overleaf, which charts the proportion of migrant workers by District Council areas in NI in rented housing. Outside Belfast the three MSW District Councils areas stand out, particularly ABC and Mid Ulster.

²² <http://www.soni.ltd.uk/the-grid/projects/tyrone-cavan/the-project/>

Fig. 6. Migrant Worker Tenant Households

Estimated number of Migrant Worker Current Tenant Households by Local Government District (August 2007 - July 2016)



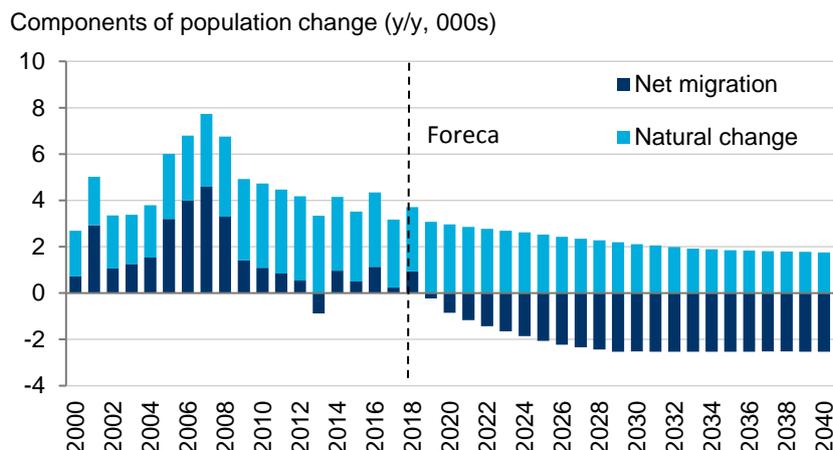
Source: NISRA

Over the last decade (2008-18) the population in MSW increased by 0.87% each year on average — relative to 0.56% and 0.72% across NI and the UK respectively. However, Oxford Economics' forecasts indicate that this trend of MSW outperforming the NI and UK positions will not last. Indeed, the forecasts suggest that our region will experience only a modest increase in population to 2040 i.e. a population rise to 481,000, only 3,000 higher than today (a 0.6% increase). This is notably weaker than the NI (3.5%) and UK (7.3%) equivalents over the same period to 2040.

The weaker outlook for population growth articulated above is driven by changes to both net migration and natural change. While both factors have been positive contributors to overall population growth in MSW over recent years, they are expected to change over the forecast horizon. Most importantly Oxford Economics expect a weaker outlook for net migration than previously experienced. This in part reflects the Government's desire to reduce migration numbers substantially and the nature of what a post-Brexit migration policy may look like. The fall in migrant numbers is critical as this group tend to be of working age and a greater share find employment compared to average for NI.

Per Fig 7 below natural change (births minus deaths) will maintain positive overall population growth in the short term in MSW before weakening and eventually being overpowered by net out migration, thereby leading to a contraction in the population level in the longer-term outlook.

Fig. 7. Components of population change, MSW, 2000 to 2040



Source: ONS, Oxford Economics

The above trends will result in MSW’s working age population falling by 26,000 by 2040. The number of MSW residents aged between 16 and 64 is forecast to fall by 0.42% annually over the forecast horizon—a relatively stronger rate of decline than that expected across NI (0.35%).

Fig. 8. Working age population change, MSW and comparators, 2008-2040

	Total population		Working age (16-64s)	
	Change (000s)	22 year % y/y	Change (000s)	22 year % y/y
MSW region	3.0	0.03%	-26.2	-0.42%
NI	66.5	0.16%	-87.1	-0.35%

Source: ONS, Oxford Economics

Drawing on all of the above it is imperative that MSW is able to continue to attract workers from outside the region. This means creating higher paid jobs, improving the quality of our schools, investing in our entertainment and our hospitality offering. At present too many of our jobs in MSW offer minimum wage or below average salaries.

It also points to the need for lobbying in relation to a differentiated migration policy for MSW post Brexit, that keeps our economy open to all levels of international talent otherwise businesses in many of our world leading sectors could be at risk. Whilst of course recognising that the right controls are in place to manage immigration effectively. The rationale for some regional autonomy/ flexibility is based on the economic contribution of our region to NI GVA and the predominance of manufacturing employment within it (as set out previously in Fig 1). In 2017 21.8% of NI’s manufacturing employment in 2017 was taken by non-UK workers, a statistic which increases in some sub-sectors of manufacturing in which MSW excels such as food manufacturing. Data from DAERA and the LFS in the same year shows that EU26 migrants accounted for 40% of employees in food manufacturing.

If MSW is to close the productivity gap and grasp the opportunities of increased automation, our economy will become increasingly ‘skills hungry’. Therefore, it is also imperative that we reshape our education policy to provide the skills that our businesses need, and continue to upskill many of our residents. At present, the proportion of our labour force that have no qualifications (16.7% compared to

8% in the UK) is too high while the share that have not progressed to NVQ 4+ or above (31.6% compared to 38.4% in the UK) is too low.²³

Importantly it is already recognised in our region that industry leadership is central to addressing prevailing labour and skills challenges. Initiatives such as Mid Ulster Skills Forum and ABC Local Works Forum have been established to bring a collaborative dynamic between local businesses, colleges/universities and industry sectoral bodies to address labour and skills challenges. Their 'blue-prints' for action recognise many of the prevailing challenges cited above and include a number of 'spade-ready' actions that can be scaled up/ expedited through this RES. These span actions to improve careers education, advice and guidance; actions to promote, inclusive and engaging workplaces to improve the image of priority MSW sectors; actions to develop leadership talent alongside technical and professional skills; and actions to increase the uptake and quality of modern apprenticeships (informed by actions in relation to apprenticeships implemented in other City/ Growth Deals across the UK).

These actions will need to be further developed and 'future-proofed' to enable a longer-term perspective on what the 'world of work' will look like in 10 years+ time, with associated skills implications – consistent with the OECD work underway via the Department for the Economy (DfE) in relation to the future skills needs of NI economy. Increasing application of Industry 4.0 innovation, use of data, and robotics/ cobotics in the workplace will over time increase the demand for higher-skilled roles in our businesses and help to increase wage levels/ attractiveness of employment therein.

3.5 LEVELS OF INNOVATION AND R&D

Despite our concentration of manufacturing businesses and above average concentration of activity in advanced manufacturing, we have a need to foster higher levels of innovation and R&D.

In 2017, business expenditure on R&D equalled £543 million in NI (71.4% of all R&D spend in NI).²⁴ MSW businesses accounted for £121 million or just over a fifth of the overall NI business total. As a result, MSW businesses spent on average just £4,900 on R&D in 2017—significantly lower than both the NI and Belfast city region averages (£7,600 and £10,100 respectively). Our challenge is to address this shortfall.

There are many opportunities to do so. Manufacturing businesses spent nearly £312m on R&D in NI in 2017 (57.5% of all BERD), and 57.3% of manufacturing R&D expenditure was made by engineering & allied industries, sectors of the economy where MSW excels. In addition, HMRC data for 2016-17 showed there were 215 successful claims for R&D tax relief by firms in Mid Ulster; the best performance of any NI Council area,²⁵ and at 3.49% of all enterprises in Mid Ulster, it was the highest of all UK counties.

Furthermore, our engagements provided much anecdotal evidence of product and process innovation in businesses, despite this not being reflected in formal R&D statistics for our region. There is a broad perception across the private sector that more could be done to encourage collaboration and knowledge sharing with respect to R&D/ innovation in our region.

As such, innovation and R&D activity needs to be formalised more within our businesses and designated as a strategic priority. Although our large base of small businesses will add to the scale of this innovation challenge, given demographic trends and the need to expedite productivity growth, higher levels of innovation and R&D spend are critical to the future performance of our economy.

²³ Data taken from the Annual Population Survey and refers to January to December 2017.

²⁴ <https://www.nisra.gov.uk/publications/archive-publications-rd>

²⁵ <https://www.belfasttelegraph.co.uk/business/northern-ireland/mid-ulster-firms-at-top-of-innovation-table-say-hmrc-38069474.html>

3.6 SMALL BUSINESS GROWTH

Finally, despite being the 'economic engine' of NI and a highly entrepreneurial economy with favourable survival rates, there is evidence that too many of our indigenous businesses fail to grow. Over 86% of local businesses have less than 10 employees compared to 83.9% in NI. In addition, over a third of MSW businesses have a turnover of less than £50,000 compared to a quarter across NI.

All of the aforementioned remaining challenges in MSW – underinvestment in transport infrastructure; shortfalls in digital connectivity; the lack of incubator, office and light industrial facilities; as well as shortage of labour / skills in more recent years – are contributing factors to the fact that too many of our indigenous businesses fail to grow. In addition, our engagements indicate that there is a requirement for different leadership skills in smaller businesses, and the large share of family owned businesses in MSW could be barriers to growth. There were also suggestions that insufficient technology adoption was hindering productivity, competitiveness and business growth more generally in the SME economy.

Therefore, a key ambition within the RES will be to enhance the leadership skills of our existing business owners and workforce, as well as provide support to our businesses with technology adoption for growth and development. Given the scale of our small business base in MSW the potential for growth is enormous.

3.7 TOURISM PERFORMANCE

Our region has particular competitive advantages in terms the quality of our tourism product. The Loughs and Lakes of Lough Erne in Co Fermanagh are a superb recreational and tourism resource and strongly differentiates our region from other destinations in Ireland and Northern Ireland. The Sperrins are a defined Area of Outstanding Natural Beauty (one of only eight in NI) and the cross-border Marble Arch Caves Global Geopark is designated by the Geopark Network and UNESCO.

Together with the landscape and mountains the tourism product in the western part of MSW is well defined in terms of attractions; rural heritage (forests, loughs and lakes, countryside, the Sperrins, the Geopark); outdoor activities; cruising; events and history and heritage. That said, there is further scope to position Omagh as more of a tourism destination in its own right, for instance through potential of the Ulster American Folk Park to be maximised as a hub of the 'genealogy/ connections' experience. Furthermore recent ²⁶research indicates that, despite its appeal, Tyrone & Sperrins is not recognised nor is it functioning optimally as a tourism destination/area in the eyes of the visitor.

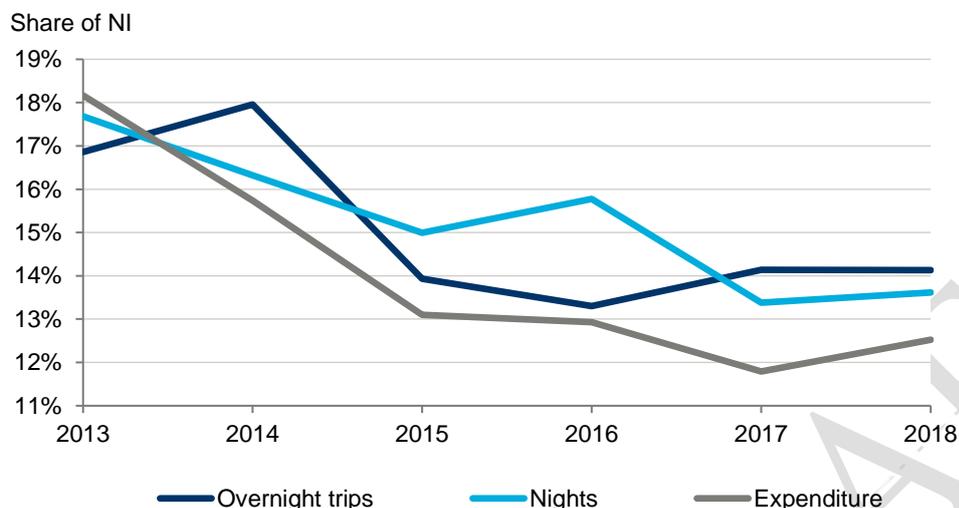
Further east in MSW is the distinctive charm of the majestic city of Armagh, a city that has a unique sense of place with a significance and influence felt across the island of Ireland for 6500 years and at the heart of celebrating the life of Saint Patrick. Visitor attractions include the historic Navan Fort, two Saint Patrick's Cathedrals, Georgian architecture and the Armagh Observatory and Planetarium. In addition to the latter in 2020 a new star gazing experience will also come to Mid Ulster, when a Dark Sky Observatory and Visitor Centre opens at Davagh Forest, near Cookstown.

The opportunity to further grow tourism in MSW, sits in the context of the strong growth in overall tourism activity in NI from 2013-2018. Between 2013 and 2018, overnight trips made in NI and the spend associated with these visits increased by 22% and 35% respectively. This growth however has largely been dominated by the NI tourism 'hotspots' of Titanic Belfast and the Causeway Coast. By contrast the performance of the tourism sector in MSW has lagged behind other parts of NI. Over the same five-year period, overnight trips to MSW are estimated to have increased by 2% and spend reportedly fell by 7%. As a result, the MSW region's share of NI overnight trips fell from 17% to 14% over this period (see Fig 9). Similarly, the MSW region's share of NI bed nights and total spend associated with these

²⁶ Tourism Development Strategy and Action Plan for Fermanagh and Omagh, 2016
[<https://www.fermanaghomagh.com/app/uploads/2016/05/Tourism-Dev-Strategy-Action-Plan.pdf>]

trips fell. Furthermore, the average overnight trip to MSW is estimated to have resulted in a visitor spend of £168 in 2018, over 10% less than the NI average.

Fig. 9. MSW share of tourism, 2013 to 2018



Source: NISRA

All of the above indicates that despite the evident strengths of the tourism product in MSW, structural barriers to growth exist. Indeed, Tourism NI research confirms that the main barriers to Out of State tourism growth in MSW include the physical accessibility of the region, information and signposting and digital connectivity. Therefore, actions taken to address the deficits in our basic economic infrastructure in MSW will also help to expedite the growth of our tourism sector.

There is also evidence of under provision of hotel accommodation in MSW. In 2018, accommodation in MSW accounted for 11.3% of all rooms and 13.2% of all beds. However, our region only had 9.6% of all hotel rooms in NI and only 10.4% of hotel beds, compared to nearly one quarter of rooms and beds in Guesthouses and Guest accommodation. Furthermore, NISRA data from 2013 shows that our share of NI accommodation has been falling. Indeed, the number of hotel beds and hotel rooms was lower in 2018 in MSW than in 2013. Accordingly, we recognise the need to stimulate investment in tourist related infrastructure including supporting more hotel and accommodation provision, in key locations in MSW where are evident gaps – to underpin our future ambitions for the tourism sector.

The proximity of the west of our region to the Wild Atlantic Way, a tourism trail that straddles the west coast of Ireland from County Donegal's Inishowen Peninsula in to Kinsale, County Cork, on the Celtic Sea coast presents a key opportunity. Connecting our tourism product in the West to the discovery points and attractions along the Wild Atlantic Way will position us to benefit from and contribute to the out-of-state visitor market active on the trail. We will also promote longer term investments in cross-border assets such as the reopening of the Ulster Canal as a strategic tourism opportunity. The original route of the Ulster Canal, links the lowlands around Lough Neagh with the Erne Basin and the River Shannon system. The route traverses all three Council areas in MSW and is the 'backbone' of the historic inland waterway network in Ireland.

Our region will soon be home to the Game of Thrones Legacy project in Banbridge at the site of the Linen Mill Studios. This commitment by HBO and the world-renowned Game of Thrones brand to our region²⁷ with offers a fantastic opportunity to attract out-of-state visitors to MSW and to help rebalance the visitor economy in NI which, as noted above, in recent years has been dominated by Titanic Belfast and the Causeway Coast. A major tourist attraction such as this has significant potential for job creation and the local economies of MSW. The total investment in the project is expected to be around £23.7m and it is expected to employ up to 200 people and provide a



£400 million tourist spend boost for the NI economy by 2030.

3.8 ALIGNMENT WITH ECONOMIC POLICY IMPERATIVES

Our ambition within this RES sits within a wider policy landscape and aligns with the UK Industrial Strategy, the Northern Ireland Programme for Government Framework 2016 to 2021, and the Northern Ireland Economic Strategy – each of which is considered below. These have all been guiding reference frameworks as we have sought to consider and prioritise the issues and opportunities for the MSW in this RES.

The RES will contribute towards the UK Industrial Strategy 5 Foundations (per adjacent schematic) which are focussed on improving productivity. Indeed, the proposed four pillars/ intervention areas of the RES (set out in Section 4) are closely aligned with the UK Industrial Strategy five foundations above. The UK Industrial Strategy recognises that while the UK economy has significant strengths, “*the UK has greater disparities in regional productivity than other European Countries,*” and “*many places are not fulfilling their full potential.*” The UK Strategy therefore places a strong emphasis on the development of local industrial strategies that will be, “*long term, based on clear evidence and aligned to the national industrial strategy*”. This is entirely consistent with our ambition and approach to developing the RES for MSW.



A particular feature of the UK Industrial Strategy is the establishment of four ‘grand challenges’ to put the UK at the forefront of the industries of the future. These are:

- AI & Data Economy- putting the UK at the forefront of the artificial intelligence and data revolution;
- Clean Growth- maximising the advantages for UK industry from the global shift to clean growth;
- Future of Mobility- becoming a world leader in the way people, goods and services move; and

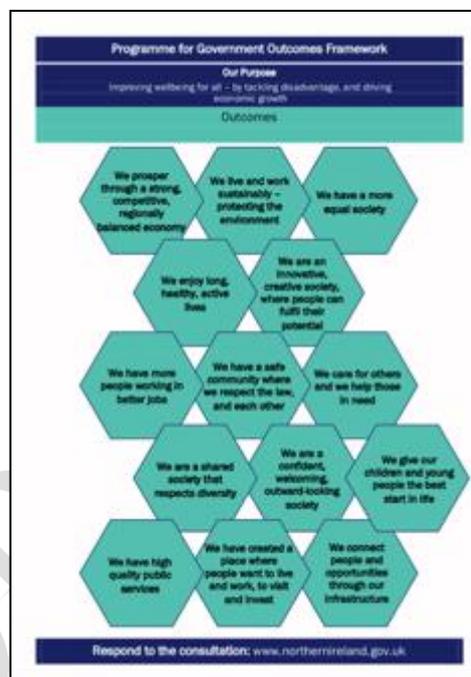
²⁷ In conjunction with John Hogg and Company owners of the Linen Mill Studios

- Ageing Society- harnessing the power of innovation to help meet the needs of an ageing society.

Our region already has world class companies working in all of the above areas and as such there is an opportunity to build on these strengths, by supporting companies to innovate and grow by removing the prevailing barriers to growth.

The overall aim of the draft Programme for Government (PfG) Framework is, “*Improving wellbeing for all – by tackling disadvantage, and driving economic growth*”. Our RES will contribute to a wide range of PfG outcome areas including but not limited to:

- We are an innovative, creative society, where people can fulfil their potential;
- We connect people and opportunities through our infrastructure;
- We prosper through a strong, competitive, regionally balanced economy;
- We have created a place where people want to live and work, to visit and invest;
- We have more people working in better jobs; and
- We have a more equal society.



The aim of the Draft Industrial Strategy for Northern Ireland Economy 2030 is to improve the competitiveness of the NI economy. It outlines priority pillars of:

- Accelerating Innovation and Research;
- Enhancing Education, Skills and Employability;
- Driving Inclusive, Sustainable Growth;
- Succeeding in Global Markets; and
- Building the best Economic Infrastructure.

It recognises the key sectors of the economy where Northern Ireland has world class capabilities as the following:

- Financial, business and professional services;
- Digital and creative technologies;
- Advanced manufacturing, materials and engineering;
- Life and Health Sciences;
- Agri-food; and
- Construction and materials handling.

Our region already excels at the NI level in the last four of the above sectors and has a strong presence that can be further developed in the others. Accordingly, the targeted actions and investments to expedite gains in GVA and productivity in all of the above sectors that we will prioritise through the RES (introduced in Section 4) will make a major contribution to delivering on the aims of the draft Industrial Strategy and contribute to improving the overall competitiveness of Northern Ireland.

Finally, our ambition is also consistent with the economic imperatives of the '*New Decade, New Approach*' Deal published on January 10th 2020 to underpin the restoration of the NI Executive. The text box below sets out some of the relevant economic priorities in the Deal that are wholly aligned to our ambition and many of the areas for intervention/ project concepts set out in Section 4.

Examples of Economic Priorities - '*New Decade, New Approach*' Deal (January 2020)

- Investing for the future to ensure Northern Ireland is equipped to harness opportunities and drive sustainable productivity, including opportunities for future trade as we leave the EU.
- A top priority of the Executive will be to develop a regionally-balanced economy with opportunities for all.
- Investing strategically in ensuring that NI has the right mix of skills for a thriving economy.
- Driving the delivery of essential infrastructure projects to boost the economy ...in order to build a Northern Ireland that is equipped for a prosperous shared future.
- Investing urgently in wastewater infrastructure which is at or nearing capacity in many places across Northern Ireland, including in Belfast, limiting growth.
- In support of both economic and educational objectives, the Executive will develop an enhanced approach to careers advice, curriculum, training and apprenticeships to enhance employability and support economic growth.

The Deal also commits to make it a priority to realise the economic potential offered by the City/Growth Deals in NI, which will be one component of the resources to deliver our RES ambitions. It states that "the Executive will work with the UK Government to develop and deliver the Growth Deals for Mid South West and Causeway Coast and Glens".

4. OUR AMBITION: THE OUTLINE PROPOSITION

4.1 TO RAISE PRODUCTIVITY AND PROVIDE BETTER JOBS

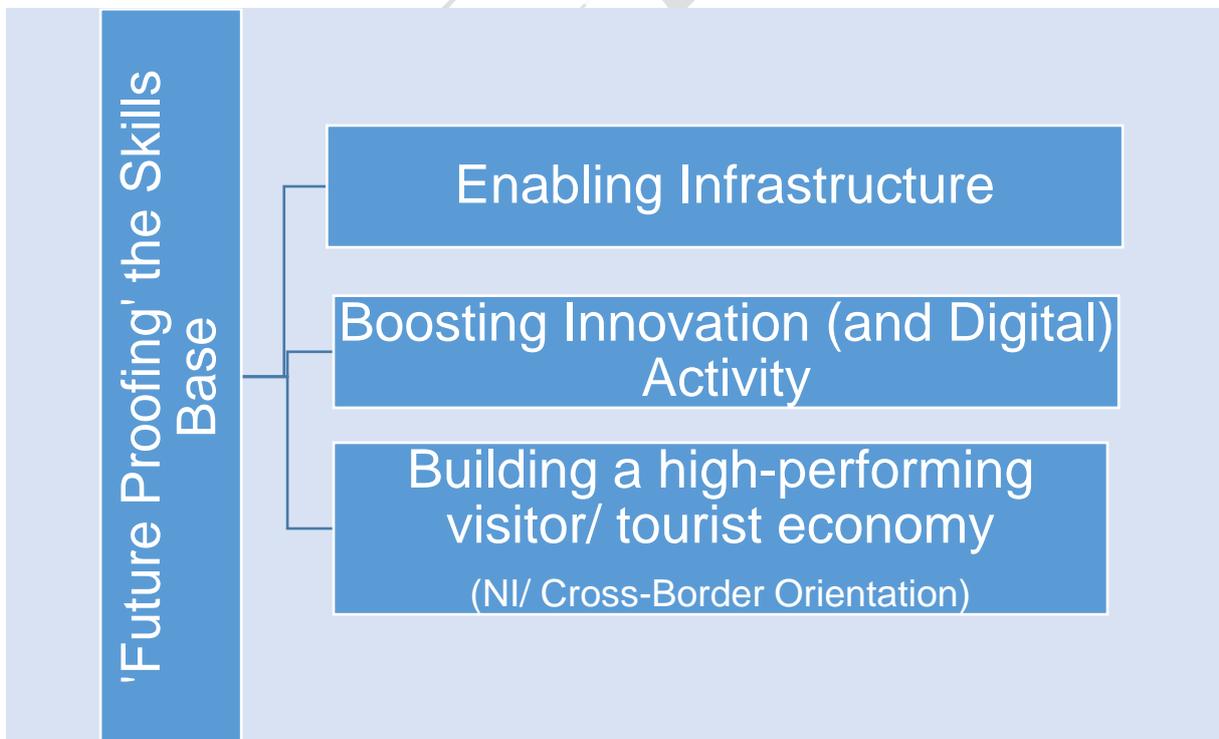
Our headline ambition within the RES will be to raise productivity levels and in so doing create better paid jobs for our residents and close the productivity gap between MSW and the rest of NI. Closing sectoral productivity gaps in MSW has the potential to be equivalent to a 4.3% uplift of the NI economy. In reality, the actual benefits to the NI economy would be higher again, as additional levels of GVA in MSW would have had additional supply chain and consumer spending impacts across the rest of the NI economy.

To achieve this headline ambition, we will prioritise a range of projects and actions across four interconnected intervention themes outlined in Figure 10 below to 'supercharge' the growth of our collective economy and ensure inclusive prosperity for MSW. The exponential growth of our dynamic private-sector led economy that results from these interventions will cement the reputation of MSW as the 'economic engine' for NI and a region that is world renowned for business excellence.

4.2 FOUR INTERVENTION AREAS

The development of our RES is structured around four main intervention areas / 'pillars' that will interplay and reinforce each other (Fig 10 below).

Fig. 10. Four intervention areas



These 'pillars' are geared to delivering exponential / long term benefits including:

- Increasing productivity levels (closing the productivity 'gap')

- Driving business growth;
- Protecting MSW's unique sectoral advantages (as a minimum) and thereafter fully realising sectoral opportunities;
- Creating more, better paid jobs; and
- Ongoing internationalisation of MSW (and better internal NI profiling).

Through our engagements with the business community of MSW and senior stakeholders a range of project areas / concepts were generated for consideration and further development. It is important to note that the feasibility and affordability of each is not yet tested, therefore what is included in Sections 4.3-4.6 as examples under each of the intervention areas may be subject to change. The next stage of development work on these project ideas/ concepts will also help to refine the economic targets for each - which aggregated together will quantify the scale of our collective vision (e.g. GVA/productivity /job growth etc) for the MSW region as a whole.

It is important to reiterate that our ambition must be framed in the commitment of a Programme for Government (2016-21) outcome of seeking to '*prosper through a strong, competitive and regionally-balanced economy*' referenced previously in Section 3. Furthermore, the '*New Decade, New Approach*' Deal published on January 10th 2020 to underpin the restoration of the NI Executive highlights that a '*top priority of the Executive will be to develop a regionally-balanced economy with opportunities for all*'.

Our region thus far has not sufficiently experienced the benefits of policy to 'regionally-balance' the NI economy. As noted in Section 1, our success as the 'economic engine' of the NI economy, has been achieved in spite of a deficit of investment in enabling infrastructure in MSW, demonstrating the resilience and determination of our indigenous businesses to succeed. Accordingly, as a region where FDI has not played a major role to date, we need to ensure, looking ahead, that our indigenous business champions receive sectoral support and focus through the actions of this RES to further grow nationally and internationally.

Furthermore, significant cross-border dependencies exist in our region (having the largest proportion of the Border Corridor relative to the other City/Growth deal regions in NI). Evidence from successive reports and studies²⁸ all highlight that the impact of Brexit will fall disproportionately on the Border Region and within that on a number of sectors such as indigenous SMEs which are predominant along the Border Corridor.

We have aimed in this RES to ensure that our four main intervention areas/ 'pillars' included in Figure 10 above will drive forward growth and, as such, have the potential to provide a targeted, 'action-learning' response to the challenges of Brexit. That said significant uncertainties and risks remain and a poorly managed Brexit could mean that our economic outcomes may fall behind. Therefore, our interventions in the RES must work in tandem with efforts by the British and Irish Governments to drive economic activity in the Border Corridor and ensure that businesses have additional support in mitigating the impact of Brexit. A key example of which is the ²⁹economic stimulus package recently announced by the Minister for Business, Enterprise and Innovation in Ireland for the Southern Border counties i.e. Donegal, Sligo, Leitrim, Cavan, Monaghan and Louth profiled below.

²⁸ Brexit and the Border Corridor on the Island of Ireland: Risks, Opportunities and Issues to Consider, October 2017 authored by Dr Eoin Magennis, Andrew Park and Laura Heery and co-ordinated via East Border Region

²⁹ <https://dbei.gov.ie/en/News-And-Events/Department-News/2020/January/03012020a.html>

Border Economic Stimulus Package - (Department for Business, Enterprise and Innovation in Ireland - announced January 2020)

- €3 million for the six Local Enterprise Offices (LEOs) in the border counties for capability development programmes for micro and small firms with ambition;
- An €8.5 million Brexit Transformation Fund to enable firms to transform their businesses and diversify markets;
- €1.5 million for Industry Fellowships targeted at businesses located in Border counties, administered by Science Foundation Ireland (SFI); and
- A €15 million competitive Border Enterprise Development Fund, administered by Enterprise Ireland (EI).
- To help stakeholders investigate the viability of potential projects and prepare final submissions for consideration for the €15m Border Enterprise Development Fund, Competitive Feasibility Funding is also available. This will be a grant of €15,000 or 50% of eligible costs, whichever is lesser, available to eligible applicants.
- The Minister also announced that as part of the next phase of the IDA's Regional Property Programme, three new Advanced Technology Buildings will be built in Dundalk, Monaghan and Sligo in 2020. These buildings will be critical as the IDA seek to attract more Foreign Direct Investment to the Border region.

Our counterparts in the North-West in their ³⁰City Deal proposition document in recognising that the existence of international border post-Brexit raised many issues about the delivery and impact of their Inclusive Strategic Growth Plan highlighted the need for a NW Enterprise Zone focused on the innovation sectors within their bid proposal and to mitigate the challenges and exploit the opportunities arising from Brexit. We are fully supportive of this thinking and would contend that the entire Border Corridor (of which the MSW region is the majority part in NI) should have the status of a special development/ enterprise zone. This would ensure that bespoke, targeted initiatives will be in place to deliver maximum impact for the Border region as a whole via effectively adapting to the challenges and opportunities that the UK's exit from the EU will bring.

Reflecting on all of the above we reiterate that our ambition must sit within a regional approach to economic growth - rebalancing across NI - and an approach that also recognises the particular considerations that our positioning on the Border Corridor brings.

4.3 'FUTURE PROOFING' THE SKILLS BASE

Future proofing the skills base in MSW emerged as the top priority from our engagements and is aligned with the findings from the socio-economic analysis that skills and access to labour are both a major current and future constraint to growth and competitiveness in MSW.

Given that our economy is near or at full employment, there is a need to intervene with actions to ensure that the requisite skills for the future are there in scale and profile (by sector and by levels) to underpin our region's ambitions. Interventions in this area must be strongly aligned to the 'innovation pillar' within the RES in that interventions to embed technology and automation in the workplace (e.g. robotics/

³⁰ Delivering Inclusive Growth City Deal for the Derry~Londonderry City Region VISION & OUTLINE BID PROPOSAL September 2018

robotics, application of AI, data analytics, Industry 4.0 innovation much of which is in its infancy currently) will fundamentally change the skills needed within the workplace of the future.

We are in a strong position to expedite projects/ actions in this theme through the industry-led structures that are already established in our region – the Mid Ulster Skills Forum and the ABC Local Works Forum – which have been established to bring a collaborative dynamic between local businesses, colleges/universities and industry sectoral bodies to address prevailing labour and skills challenges. Structures such as these and the Manufacturing & Engineering Growth & Advancement (MEGA) will provide key governance structures for advancing skills focussed interventions in the MSW.

The table below sets out potential actions/ project concepts for further development and prioritisation. The first four are largely centred on policy changes that would align better with MSW needs – in effect offering MSW a degree of regional autonomy.

<p>Access to labour/ lobbying for a differentiated migration policy/ regional autonomy for MSW post Brexit</p>	<ul style="list-style-type: none"> ▪ Lobbying for a differentiated and more flexible migration policy – in regional autonomy for MSW post Brexit, that keeps our economy open to all levels of international talent. With the rationale for this based on the economic contribution of MSW to NI GVA and the predominance of manufacturing employment within our region, which has been highly reliant on attracting EU migrant labour in recent years.
<p>Policy Changes to the ‘Off-the-Shelf’ Apprenticeship offer (Short-Term) – regional autonomy for MSW.</p>	<ul style="list-style-type: none"> ▪ The work-based learning route is the priority for MSW and the ambitions / plans of the FE sector offer a good basis to build on. However, there are perceived constraints regarding the ‘off the shelf’ apprenticeship offer in terms of its ability to meet the prevailing needs of industry in MSW. It is was clear from our engagements that the Apprenticeship Levy has not served the needs of MSW’s industry well to date, and a policy change is required to enable businesses to use the Levy in order to provide tailored training support to meet their needs. As it stands it is viewed as a ‘tax’ on the larger businesses that does not adequately convert to a sufficiently tailored skills development mechanism for our businesses. Businesses in the construction sector also pay a levy to the Construction Industry Training Board (CITB) underlining the need for the main levy as above to be more effective. There is interest in exploring solutions that give our employers more control to ‘purchase’ their own solutions in this regard, which may entail aspects of the voucher system in place elsewhere in GB. Another issue cited was prevailing age restrictions. Short-term therefore there is an immediate need to work with DfE / the FE Colleges to assess what adaptations could be made to better fit with immediate skill needs.
<p>Extend the range of Higher-Level Apprenticeships and Degree Apprenticeships available in MSW - regional autonomy for MSW.</p>	<ul style="list-style-type: none"> ▪ Extend the range of higher-level apprenticeships and degree apprenticeships as an alternative, and debt-free, route to higher- level qualifications, with greater opportunity to progress into employment. This extended range should be linked to the needs of priority sectors in MSW and aligned with the concept of the Innovation and Skills Academy set out under 6.4/ the Innovation ‘Pillar’ – which will drive the need for cross-cutting skills in digital futures and automation. In relation to the construction industry there is also an interest/ a proposal to develop a fully employed four-year apprenticeship model. ▪ Promotion of the value of this option as a route to higher-level qualifications/ the ‘world of work’ with parents of young people.

<p>Greater Focus on Shared Apprenticeship schemes in MSW - regional autonomy for MSW.</p>	<ul style="list-style-type: none"> ▪ In order to increase the uptake of apprenticeships in MSW, there should be greater focus on Shared Apprenticeship models. These are typically targeted at SMEs who may not be in a position to offer apprenticeships to young people due to the economic uncertainty across their sector and the short-term nature of their order books. A Shared Apprenticeship model entails the sequential hosting of an apprentice across multiple companies (e.g. for a minimum of three months), thus removing the long-term risk for individual SMEs but still offering a mechanism to develop requisite skills at a region-wide level. There are established ³¹ models of good practice in this regard in the construction industry in GB that typically involve a partnership between a regional/ devolved public sector organisation and the CITB. This model rotates individual apprentices through hosted placements within construction companies, and individuals who complete the full three-year apprenticeship achieve an NVQ Level 3 in their chosen trade. This model has been successful in building skills for the construction industry, with around 90% of apprentices who complete the three years securing full time employment in their chosen trade.
<p>Extend Scale and Scope of Available Management and Leadership Training in MSW.</p>	<ul style="list-style-type: none"> ▪ A range of actions are needed to develop leadership talent and management skills alongside technical and professional skills in MSW. This can be particularly relevant for the SME community and Family Owned Businesses, where succession planning is relevant. ▪ Via the ABC Local Works Forum a range of pilot management and leadership programmes have been rolled out in the ABC Council area. The learning from this activity should inform considerations to extend the scale and scope of the leadership and management training offers more broadly in MSW. All future interventions in this area should be underpinned by a focus on innovation, efficiency and improved productivity, consistent with the headline ambition of this RES.
<p>Initiatives to Promote Career Attractiveness</p>	<ul style="list-style-type: none"> ▪ A range of initiatives that promote career attractiveness in priority sectors in MSW are needed to retain and build key skills in the region. This will include work experience in industry for school age pupils from age 14 and the education of parents on the value of the work-based learning route, including HLAs and Foundation Degrees (as above). ▪ It is also evident that there is an onus on the employers and businesses themselves in MSW to actively promote the development of productive, inclusive and engaging workplaces. Promotion of good practice in this regard will help to improve the image of MSW priority sectors. ▪ Furthermore our businesses will be encouraged to increasingly offer different employment models, flexi-working, contract and portfolio working – all of which have the potential to significantly change the way they attract, invest in and develop skills in future.

³¹ <https://www.citb.co.uk/courses-and-qualifications/citb-apprenticeships/take-on-an-apprentice/types-of-apprenticeships/shared-apprenticeship-scheme/what-is-shared-apprenticeship-scheme/>

4.4 ENABLING INFRASTRUCTURE

Investment in this area is a critical enabler to realising growth ambitions in all other areas of the RES, given the significant deficits that exist in several aspects of the basic economic infrastructure for competitiveness in MSW. The table below sets out potential actions/ project concepts for further development and prioritisation.

Physical connectivity/ roads infrastructure	<ul style="list-style-type: none"> ▪ East-West Link, Armagh; ▪ A29 Cookstown and Dungannon Bypasses ▪ Southern Relief Enniskillen ▪ A1 ▪ A4 ▪ A5 (Belfast to Derry) ▪ M12 Carr/Seagoe ▪ Additional Park and Ride and Transport Planning Measures
Investment in broadband and mobile coverage and reliability.	<ul style="list-style-type: none"> ▪ Project Stratum entails investment to meet the broadband needs of (most of) the MSW region but there will be 'harder to reach' parts of the region for which additional targeted support and investment may be required. ▪ In terms of expediting productivity however it is argued that rather than targeting investment to 'fill-in the gaps' left behind by Project Stratum, a more focused approach is needed within the RES. Specifically it is suggested that there is a need to underpin the innovation 'projects / hotspots' in selected localities in MSW with higher capacity (e.g. 5G networking) services. This has the potential to bring higher-connectivity benefits to a larger critical mass of economic activity in MSW - including the SME community - who to date may have lacked the resources to invest in 'workaround' solutions to poor connectivity. These innovation projects/ hotspots are detailed in Section 4.5 and will help to make these locations 'technology ready testbeds' capable of attracting a cluster of companies and related investment.
Access to industrial land	<ul style="list-style-type: none"> ▪ Purchase of land for industrial activity, zoning of same and development to ensure a ready 'package' of services/ utilities/ road access. ▪ In respect of access to utilities above there is an ongoing need to work with NI Water and the Utility Regulator to ensure that investment in additional waste water treatment capacity is prioritised. ▪ Freeing-up unused industrial land held in public ownership. In essence, a policy change that recognises the role that Local Government can play in productive

	<p>development of these assets – which may include Invest NI land-bank held for FDI and elements of health and education estates.</p> <ul style="list-style-type: none"> ▪ A key example of the above being progressed already is in relation to the work that Mid Ulster District Council is doing to seek to acquire a significant land holding for industrial / economic use at Desertcreat, outside Cookstown. This will be critical in attracting new companies and helping indigenous businesses to grow and deliver investment and job creation in the MSW region.
Investment in electricity supply.	<ul style="list-style-type: none"> ▪ Electricity supply and the cost of energy is also a real constraint for local businesses. Interventions are needed to incentivise green energy, perhaps via localised and shared green energy production at new industrial estates referenced above.
Physical connectivity/ rail infrastructure (to reduce carbon footprint)	<ul style="list-style-type: none"> ▪ A rail halt at Carn / Seagoe to improve access to the existing rail network. This would have considerable economic benefits given the contribution of this locality to economic output of the MSW region and is identified as a short-term need. ▪ A longer-term ambition is to consider a range of effective sustainable transport solutions to restore some of the connectivity that the original rail network in MSW provided. This is unlikely to entail restoration of the rail network as was (for both practical/ logistical and affordability reasons) but will examine what effective transport solutions (e.g. light rail) could potentially be put in place to restore some of the connectivity that previously existed in MSW.
Opportunities for enabling site development	<ul style="list-style-type: none"> ▪ Strategic and complex sites including, for example, St Lucia Military Base, Omagh; Armagh Gaol.

With reference to the actions in respect of industrial land noted above it should be highlighted that if lands are not available, previous Article 31 planning powers should be the first line of ensuring land can be designated. Allied to this there is scope to encourage and incentivize private sector provision of lands if the public sector is constrained in this regard (e.g. by way of Joint Ventures with Local Councils based on models elsewhere in the UK). A further lever would be to empower Local Enterprise Agencies to utilize their PED7 planning powers to ensure supply of industrial land for SMEs.

4.5 BOOSTING INNOVATION AND DIGITAL CAPACITY

Given our ageing population and expected slowdown in population growth, increasing productivity will become our most important driver for success – as reflected in both the UK and NI Industrial Strategies.

Consistent with these strategies a key priority in our RES is supporting our businesses to be more productive and to enhance their capabilities in crucial enabling technologies such as data analytics, robotics, automation, Industry 4.0, machine learning, artificial intelligence, augmented reality, advanced materials and production techniques, and to exploit the growth opportunities these technologies hold for our region. There are evolving plans at an NI level for a Manufacturing Innovation Ecosystem embodying much of the above via the City/ Growth Deals. These plans are being co-ordinated by QUB/ the Advanced Manufacturing Innovation Centre project and provide for an integrated skills pipeline, linking FE Colleges and the HE sector to satisfy industry needs. Collaboration at the NI region level in this regard will help 'NI PLC' to build enhanced UK presence and overseas representation leading to increased revenue streams for NI from participation in major national innovation programmes and by attracting FDI. As set out previously, our region boasts significant levels of advanced manufacturing activity, with 70% more employment in high and medium tech manufacturing than the UK average.³² Consistent with this we will be a major player within the evolving plans at an NI-wide level for a Manufacturing Innovation Ecosystem, with a 'footprint'/ physical innovation facility on the ground in MSW within this ecosystem and reinforcing interventions specific to our RES/ Growth Deal to ensure further success. We envisage that this should be mainly delivered via the auspices of the South West College who were awarded the Engineering and Advanced Manufacturing Curriculum Hub for NI in recognition of their long-standing track record of successful collaboration with manufacturing industry.

Our implementation approach to the above will be tailored to the leading sectors in manufacturing/ industrial economy in MSW (that offer further potential for growth) as set out Section 2 of this paper - working in conjunction with sector partners/ agencies as appropriate. A case in point is agri-food/ food manufacturing, a sector which has a large presence in MSW. Robotic solutions are increasingly being used to automate repetitive tasks in this sector (e.g. for dispensing, food placement, cutting, packaging or casing of food, pick-and-placing products into containers, and sorting) and their further application can bring productivity improvements and help offset labour shortages in a tight labour market such as that present (and forecast) for MSW. In this arena we would work with ³³CAFRE as a partner agency which has a leadership role for stimulating innovation, including the application of enabling technologies automation, within the agri-food sector across NI. CAFRE has a major presence in MSW through two out their three campuses being located in MSW (Loughry and Enniskillen).

Our ambition for boosting innovation is not limited to the manufacturing/ industrial economy in MSW. A recent study³⁴ within MSW indicated that in ABC that there is a particular strength in the Digital Tech sector – IT services, Computing and Advanced Electronics, Software and Communications. This report highlighted that the Digital GVA/ capita therein was 28% more than the NI average and Digital ICT wages 44% above the NI average. The new SRC campus in Banbridge is also set to become a 'Specialist Centre for Digital Media and Design'. Building on all of this we recognise the opportunity for growth of the Digital Tech sector across MSW, whilst acknowledging that the reach of the Digital Tech sector is much wider than the sector itself (e.g. within financial services, creative industries, medical devices and pharma/bio-technology).

³² We have used the OECD definition of high and medium tech manufacturing:

https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:High-tech_classification_of_manufacturing_industries

³³ College of Agriculture, Food and Rural Enterprise

³⁴ Complementing, Advocating, Leading – Digital Strategy ABC Council January 2018.

It is also important to recognise health and social care as an ‘economic driver’, over and above being a core service providing sector in MSW. Our region is home to two leading acute and teaching hospitals, which along with the expertise therein and associated local supply chains are major sources of employment in MSW. With these health care assets, and the leading pharma companies based in MSW, our region has both world class expertise and demonstrable innovation practice that will be consolidated further via the RES to deliver exponential gains in GVA and productivity. We will explore with our two hospitals the specific opportunities that this presents aligning to the evolving plans for the Health Innovation Research Alliance Northern Ireland ³⁵(HIRANI) at an NI wide-level.

As espoused in Economy 2030/ the Industrial Strategy for NI our ambition is for an economy in MSW where *‘innovation is embedded in the DNA of every company and across the public sector’*.

The table below sets out potential actions/ project concepts for further development and prioritisation.

<p>An innovation and skills academy delivered by South West College.</p>	<ul style="list-style-type: none"> ▪ We will deliver an Innovation and Skills Academy through the South West College. This will be the Advanced Manufacturing Innovation Centre (AMIC) ‘physical footprint’ for the MSW region. It will provide access for our companies to continue to learn, test and embed enabling technologies and automation to expedite productivity improvements. It will be ‘world-beating’ in concept and delivery. Aligned with this we will continue to ensure that the proposals will be shaped by our business leaders, active in the advanced manufacturing and engineering sectors in MSW. ▪ It will facilitate university collaboration in MSW in this arena, through the AMIC network, building on / scaling up the expertise already in the FE sector within MSW, particularly with respect to product/ process innovation in the SME industrial economy. ▪ As a core element of ‘NI PLC’s’ Manufacturing Innovation Ecosystem, it will be networked into an Advanced R&D and Investment Network across the UK and Ireland including the relevant Catapult centres – providing access to revenue streams for our region via participation in major national innovation programmes and by attracting FDI. ▪ It will also act as the focal point for the development of higher value-added skills and related apprenticeships for advanced
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³⁵ <https://www.hira-ni.com/about>

	<p>manufacturing/ the industrial economy of MSW.</p> <ul style="list-style-type: none"> ▪ We will seek to reinforce all of the above by putting in place a ‘MSW Industrial Investment Fund’ that will build a delivery pipeline of demonstration projects eligible for support – by virtue of their potential to radically address the productivity challenges facing our region and to showcase ‘best in class’ adoption of enabling technologies. Specifically, this will entail the provision of capital funding to support businesses with in-house innovation and/ or to enable them to introduce new equipment following the conclusion of R&D – including that stimulated via the AMIC network referenced above.
<p>The development of an NI Agri-food Robotics Centre, at CAFRE Loughry Campus</p>	<ul style="list-style-type: none"> ▪ We will work with CAFRE, other educational institutions and industry stakeholders to create an Agri-Food Robotics Centre. CAFRE, is an integral part of the Department of Agriculture, Environment and Rural Enterprise, with two of its three Campuses (Loughry and Enniskillen) located within the MSW region. The Loughry Campus has lead responsibility for knowledge and technology transfer to the NI Agri-food industry. ▪ The proposal is to create a NI Agri-food Robotics Centre, at CAFRE Loughry Campus, focused on education of HE students and technology transfer of robotic automation and enabling technologies to the agri-food sector.
<p>The development of agri-food incubation space in MSW</p>	<ul style="list-style-type: none"> ▪ Incubation space is required across the region to support food development for smaller SMEs. By way of example this is currently an area being explored by the Southern Regional College within MSW.
<p>The development of a network of Digi-hubs in MSW</p>	<ul style="list-style-type: none"> ▪ As noted above we recognise opportunity for growth of the Digital Tech sector across MSW, whilst acknowledging that the reach of the Digital Tech sector is much wider than the sector itself. ▪ To this end we will put in place a network of ‘state of the art’ Digi-hubs in MSW entailing

	<p>inspiring, digitally advanced co-working spaces. These will be visible locally-based foci for the development of the Digital Tech sector in MSW and will provide a structure for sectoral focus, leadership and networking.</p> <ul style="list-style-type: none"> ▪ The collaboration that these will enable between individuals/ companies working in the Digital Tech arena and local communities will help to stimulate small scale innovation projects. They will also act as a 'gateway' into training and education for the digital roles in the new economy and for digitally enabled design, leveraging from the expertise and plans of the Southern Regional College in this regard (referenced above). ▪ Our ambition in this regard is aligned to the concept of the Regional Innovators Network (RIN) in the Belfast Region City Deal, and accordingly when up and running we would seek to exchange good practice on an ongoing basis with the same.
Health Innovation	<ul style="list-style-type: none"> ▪ Explore opportunities with the MSW Region's two acute and training hospitals to align with evolving plans for the Health Innovation Research Alliance Northern Ireland (HIRANI) at a NI-wide level. ▪ This could help build support for additional clustering of Life and Health Science (LHS) sector activity in MSW.

4.6 BUILDING A HIGH-PERFORMING TOURISM ECONOMY

As set out previously our region has particular competitive advantages in terms the quality of our tourism product. Accordingly, our focus within the RES will be on selective product development only within MSW alongside positioning our region much more within the ‘all-island’ visitor economy. This will be facilitated through connection of our tourism product in the West to the discovery points and attractions along the Wild Atlantic Way and promotion of longer-term investments in cross-border assets such as the reopening of the Ulster Canal as a strategic tourism opportunity. The latter also offers scope to align with the ambition to restore the Lagan Navigation from Belfast Harbour to Lough Neagh. The Lagan Navigation was one of the most successful commercial navigations in Ireland, and the final stretch of navigation route to Lough Neagh, runs through MSW – per adjacent schematic.



Actions taken elsewhere in the RES to address the deficits in our basic economic infrastructure in MSW are crucial to overcoming the structural barriers to the growth of Out of State tourism in our region. We will leverage from projects/ actions that will help to improve the physical accessibility of our tourism product in MSW and improved digital connectivity in our region. These are crucial to help route Out of State visitors to our region from the existing NI tourism ‘hotspots’ and for improved information provision and sign-posting. Improved digital connectivity (and associated digital capacity developed via the Innovation Pillar of our RES) will also help us to innovate in the engagement of visitors with our tourism product (e.g. through the immersive experiences that application of AR/ VR can offer).

Finally, we recognise the need to stimulate investment in tourist-related infrastructure including supporting more hotel and accommodation provision, in key locations in MSW where are evident gaps – to underpin our future ambitions for the tourism sector.

In pursuit of all of the above we will seek to use Growth Deal funding to leverage other funding sources to invest in our tourism economy such as the UK Shared Prosperity Fund and Interreg in relation to cross-border ambitions.

The table below sets out potential actions/ project concepts for further development and prioritisation.

<p>Tourism Product Development within MSW</p>	<ul style="list-style-type: none"> Implementation of the Sperrins Signature Tourism/ Future Search project. This will address the fact that recent ³⁶research indicates that, despite its appeal, Tyrone & Sperrins is not recognised nor is it functioning optimally as a tourism destination/area in the eyes of the visitor. The ³⁷report arising from the Future Search Conference contains five action plans in relation to development of environment and heritage; infrastructure; branding and tourism; community and management,
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³⁶ Tourism Development Strategy and Action Plan for Fermanagh and Omagh, 2016 [https://www.fermanaghomagh.com/app/uploads/2016/05/Tourism-Dev-Strategy-Action-Plan.pdf]

³⁷ The Sperrins: Reaching New Heights, Realising Our Potential, Future Search Conference Report, 2017

	<p>collectively geared to realising a co-ordinated vision for the future of the Sperrins AONB summed up in the report title <i>'reaching new heights, realising our potential'</i>.</p> <ul style="list-style-type: none"> ▪ Further development of MSW as the locus of the 'genealogy/ connections' tourism experience in NI, with the Ulster American Folk Park (UAFP) in Omagh as the hub of the same. The current master-planning exercise underway for UAFP will inform further development of this concept within the RES. ▪ Development of a literary trail spanning MSW that could embrace and build upon existing discovery points/attractions and events that celebrate literary giants from the region (e.g. Heaney, Wilde, Beckett).
Cross-Border Tourism Product Development	<ul style="list-style-type: none"> ▪ Promotion of longer-term investments in cross-border assets such as the reopening of the Ulster Canal as a strategic tourism opportunity. The original route of the Ulster Canal, links the lowlands around Lough Neagh with the Erne Basin and the River Shannon system. The route traverses all three Council areas in MSW and is the 'backbone' of the historic inland waterway network in Ireland.
Actions to stimulate/ de-risk and expedite quality hotel investment in MSW	<ul style="list-style-type: none"> ▪ Relevant only in areas of MSW where there are evidenced 'gaps' in provision and associated market failures across the region. Banbridge is a case in point where there is an urgent need to support the impending Out-of-State visitor traffic to the Game of Thrones Legacy Project. Similar capacity may be needed in the Sperrins to support the planned Sperrins Signature Tourism/ Future Search project.
Improved infrastructure for routing/ signposting and visitor engagement with the tourism product in MSW	<ul style="list-style-type: none"> ▪ Branding research to best connect/ align the West of our region to the discovery points/ attractions on the Wild Atlantic Way – and implementation thereafter. ▪ Support for innovative investment in digital channels and enhancements of visitor experiences in MSW e.g. through use of VR/AR. These could exist at visitor

	attractions themselves or be hosted at TICs to inspire visitors to then go to the same.
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FINAL DRAFT

5. CONCLUDING REMARKS

This RES sets out the 'headline' vision and ambition for our region; it identifies the opportunities and challenges we face; and sets out the priority 'pillars' around which future investment and actions to realise our ambitions will be framed. It also provides an early, high level indication of potential specific projects/interventions that may sit under each of these 'pillars' - which will be the subject of ongoing development in the months ahead.

The next stage of development work on these project ideas/ concepts will enable us to refine the economic targets for each - which aggregated together will quantify the scale of our collective vision (e.g. GVA/productivity /job growth etc) for the MSW region as a whole.

We are resolute in our ambition to 'supercharge' the growth of our collective economy and ensure inclusive prosperity in MSW through development and delivery of this RES. We would like to acknowledge the input and guidance of our industry/ business base in MSW in shaping our ambition thus far and look forward to ongoing engagement with them and our partners in central Government Departments/ agencies in the months ahead.

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APPENDIX A: SECTORAL PRODUCTIVITY IN 2017

	Productivity (£ 2016 000s)			GVA gap (£ 2016m)
	NI	MSW	Difference	
Agriculture, forestry & fishing	20.3	17.7	-2.6	40.9
Mining & quarrying	94.9	94.3	-0.6	0.9
Manufacture of food products	52.4	50.1	-2.3	28.1
Manufacture of beverages	224.6	214.8	-9.8	0.5
Manufacture of textiles	58.4	55.9	-2.5	2.6
Manufacture of wearing apparel	75.0	71.7	-3.3	0.5
Manufacture of leather and related products	27.3	26.1	-1.2	0.0
Manufacture of wood and of products	42.1	40.3	-1.8	2.6
Manufacture of paper and paper products	77.1	73.9	-3.2	2.0
Printing and reproduction of recorded media	50.1	48.0	-2.1	1.0
Manufacture of coke and refined petroleum products	121.0	115.9	-5.1	0.1
Manufacture of chemicals and chemical products	121.0	115.9	-5.1	0.2
Manufacture of basic pharmaceutical products	78.6	75.3	-3.3	2.5
Manufacture of rubber and plastic products	40.4	38.7	-1.7	3.0
Manufacture of other non-metallic mineral products	63.3	60.6	-2.7	9.0
Manufacture of basic metals	39.4	42.9	3.6	0.0
Manufacture of fabricated metal products	48.9	53.4	4.5	0.0
Manufacture of computer, electronic and optical products	53.0	57.8	4.8	0.0
Manufacture of electrical equipment	73.3	80.0	6.7	0.0
Manufacture of machinery and equipment n.e.c.	70.4	76.8	6.4	0.0
Manufacture of motor vehicles, trailers and semi-trailers	53.2	58.1	4.8	0.0
Manufacture of other transport equipment	52.5	57.3	4.8	0.0
Manufacture of furniture	38.3	32.6	-5.7	10.2
Other manufacturing	84.2	71.8	-12.5	2.2
Repair and installation of machinery and equipment	40.3	34.3	-6.0	1.6
Electricity, gas & steam	217.2	136.3	-80.9	13.4
Water supply	92.3	84.8	-7.5	11.6
Construction	51.0	44.1	-6.9	131.9
Wholesale & retail	39.1	31.6	-7.5	273.3
Transport & storage	44.1	35.2	-8.9	90.1
Accommodation & food	19.9	5.8	-14.2	144.8
Information & comms	54.8	45.4	-9.4	17.3
Financial & insurance	80.9	42.4	-38.4	91.7
Real estate	437.9	502.1	64.2	0.0
Professional services	38.4	25.6	-12.8	93.0
Admin & support	17.7	19.3	1.6	0.0
Public administration	63.5	37.1	-26.4	188.1
Education	31.0	21.5	-9.5	165.7
Human health	30.4	19.7	-10.6	298.7
Arts, enter. and recreation	23.7	19.4	-4.3	15.8
Other service activities	34.4	28.0	-6.4	29.4
Total	44.6	36.2	-8.4	1672.4

Source: ONS and Oxford Economics

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