



Department of  
**Enterprise, Trade  
and Investment**

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# Quarterly Economic Review

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Economic Research  
December 2006

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Stimulating  
**innovation**  
**enterprise** and  
**competitiveness**

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# Core Economic Brief

# 1

## GLOBAL REVIEW AND OUTLOOK

Strong global economic growth (4.9%) was observed in 2005 and this is predicted to continue into 2006 and 2007 with forecast growth rates of 5.1% and 4.9% respectively. The boost to world growth has largely been driven by the rapidly expanding economies of China and India and also the more recent expansion of the Eurozone.

Moderate growth is forecast for the US economy (3.4% in 2006 and 2.9% in 2007). One restraining factor is the cooling US housing market, which appears to be dampening residential investment and consumption.

Eurozone growth has continued its recovery but still lags behind many other G7 nations. The Eurozone experienced growth of 1.3% in 2005 and this is expected to strengthen to 2.4% in 2006 and then fall back to 2.0% in 2007. Eurozone growth is increasingly being driven by domestic demand and investment in the German, French, Spanish and Irish economies.

Real GDP Growth (%)

**Table 1**

	2005	2006 <sup>1</sup>	2007 <sup>1</sup>
World	4.9	5.1	4.9
US	3.2	3.4	2.9
Euro Area	1.3	2.4	2.0
Germany	0.9	2.0	1.3
France	1.2	2.4	2.3
Ireland	5.5	5.8	5.6
UK**	1.9	2 – 2 <sup>1</sup> / <sub>2</sub>	2 <sup>3</sup> / <sub>4</sub> – 3 <sup>1</sup> / <sub>4</sub>
NI*	2.0	2.2	2.5
Japan	2.6	2.7	2.1
China	10.2	10.0	10.0
India	8.5	8.3	7.3

<sup>1</sup> Forecast

Sources: IMF World Economic Outlook (September 2006) \* First Trust Economic Outlook and review (September 2006)\*\* ONS National Accounts, HMT Forecasts for the UK Economy (November 2006)

GDP growth in Japan was 2.6% in 2005 and is forecast to reach 2.7% in 2006 and then ease to 2.1% in 2007. The Japanese government raised interest rates for the

first time in six years, signalling an end to Japanese deflation.

The Chinese economy has continued to grow rapidly at 10.2% in 2005. This growth is expected to continue at 10.0% in 2006 and 2007. China's growth is being sustained by further increases in global demand and investments.

Indian economic growth is almost as rapid with GDP expanding by 8.5% in 2005, then slowing slightly to 8.3% in 2006 and 7.3% in 2007.

Oil prices are currently \$63.1 per barrel (Brent Crude). However, some analysts fear that there is enough geopolitical instability in oil producing nations such as Iran and Nigeria to lead to further rises in

oil prices. Despite the relatively high oil prices, global inflation has not been overly effected (consumer price inflation of 2.3% in 2005). Inflation is forecast to rise to 2.6% in 2006 and fall back to 2.3% in 2007.

Overall, the rate of global economic growth is forecast to strengthen in 2006, driven by rapid growth in India and China along with the continued expansion of the Eurozone and Japanese economies. Despite this growth there remain a number of downside risks for the global economy such as intensifying inflationary pressures as a result of further rises in oil prices. In addition, the widely expected cool down in the US housing market could lead to a more abrupt slow down in US economic growth.

## UK REVIEW AND OUTLOOK

Preliminary estimates from the ONS show that the UK economy grew by 0.7% in the third quarter of 2006. HM Treasury expects the UK economy to grow by 2.0%-2.5% in 2006 and by 2.75%-3.25% in 2007.

The number of people in employment rose by 0.7% over the year to 28,986,000 in July-Sept 2006. The working age employment rate is now 74.5% and the unemployment rate increased by 0.8 percentage points over the year to 5.6%. The proportion of the unemployed who have been out of work for over 12 months has increased by 2.6 percentage points over the year to 23.0% in July-Sept 2006.

Annual Consumer Price Index (CPI) inflation was 2.4%, above the Monetary Policy Committee's target of 2.0%. The largest downward effects were from transport costs, furniture, household equipment and routine maintenance. The largest upward effect on the annual rate was from

education due to increasing university tuition fees.

UK annual house price inflation was 8.0% in September 2006 with the average house price in the UK now worth £198,552

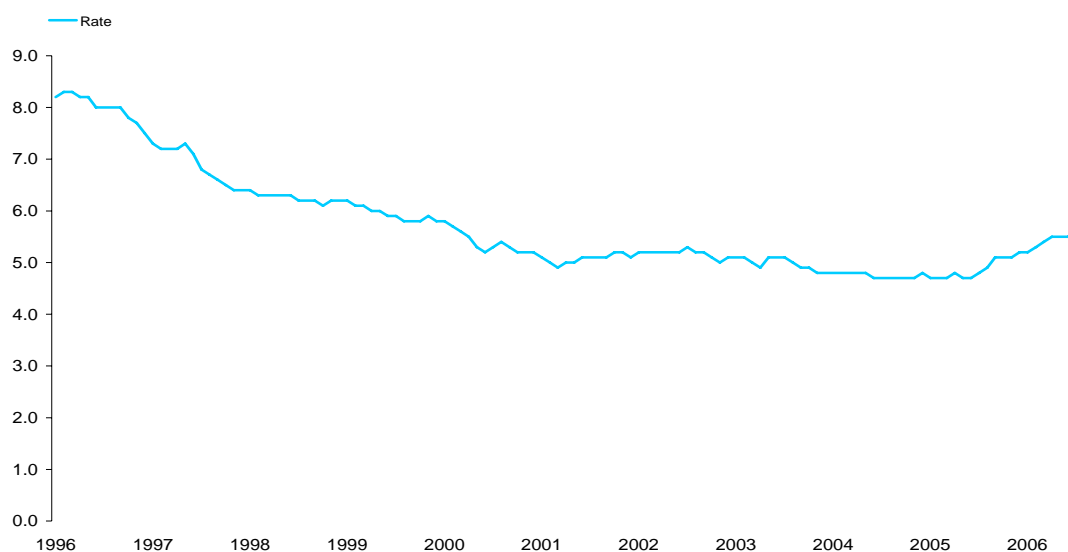
The Bank of England increased interest rates by 0.25 percentage points to 5.0% in November 2006 as a result of the continuing expansion of the housing market, rapid growth in credit and broad money supply and rising asset prices. This is the second increase in interest rates since August 2005.

Retail sales increased by 4.0% over the year to October 2006. Growth in the retail sector is mainly being driven by the sales in non-food stores.

The working age economic inactivity rate currently stands at 21.0%, a decrease of 0.3 percentage points from a year earlier. The main reason given for inactivity is 'looking after family/home' closely followed by 'long term sick'.

### UK Unemployment Rate

**Figure 1**



Source: ONS, Labour Market Statistics

Manufacturing output was 2.1% higher in October 2006 than the same month a year ago. There were significant increases in chemicals and man-made fibres industries. Manufacturing productivity also increased by 3.5% over the year.

In the third quarter of 2006, business investment was 6.9% higher than in the third quarter of 2005. The most significant increase in business investment was within the other services and other production sectors.

In April 2006 the median gross weekly earnings for full time employees were £447 per week, an increase of 3.7% from April 2005.

In September 2006 the (experimental) Index of Services shows that the volume of output of the services industries increased by 3.4% when compared to the same period a year ago. In the latest three month period 'Business services & finance' was the most significant contributor to the increase.

In 2005, exports of all services by the UK film and television industries were £2,495m, an increase of 14% on 2004. The net surplus in 2005 was £367m, which was mainly attributable to the film industry.

In September 2006 UK exports were worth £29,185m and the trade deficit narrowed to £4,087m. However, trade in services operates at a surplus of £2.5m.

In 2005, the number of visits to UK by overseas residents in 2005 was 8% higher than in 2004 (30.0m visits). Visitors expenditure was £14.2bn, an increase of £1.2bn on 2004. The residents of the USA made the most visits followed by France and Germany. UK residents made a record 66.4m visits abroad, spending £32.2bn.

[The UK economy continues to grow with employment and output in the service industries increasing.](#) However there are continued concerns regarding the future direction of interest rates and the increase in unemployment.

## Key UK Economic Statistics

**Table 2**

	Period	Level	Change over 12 months
Total Employment <sup>1</sup>	July-September 2006	28,986,000	0.7 %
Unemployment Rate <sup>1</sup>	July-September 2006	5.6 %	0.8p.p <sup>4</sup>
Economic Activity Rate <sup>2</sup>	July-September 2006	79.0 %	0.3p.p <sup>4</sup>
Manufacturing Employee Jobs <sup>3</sup>	June 2006	3,041,100	-2.9 %
Service Employee Jobs <sup>3</sup>	June 2006	22,100,203	0.8 %
Total Gross Value Added	2004	£1,005.4bn	4.6 %
Manufacturing Output (2003=100)	Q3 2006	102.7	2.1 %
Services Output (2003=100)	September 2006	111.0	3.4 %
Average House Prices	September 2006	£198,552	8.0 %

<sup>1</sup> All aged 16 & over

<sup>2</sup> Working age

<sup>3</sup> Seasonally Adjusted

<sup>4</sup> Change in percentage point

Sources: ONS Labour Market Statistics, ONS Regional GVA, ONS Index of Production, ODPM Monthly House Price Statistic, ONS Index of services

## REPUBLIC OF IRELAND REVIEW AND OUTLOOK

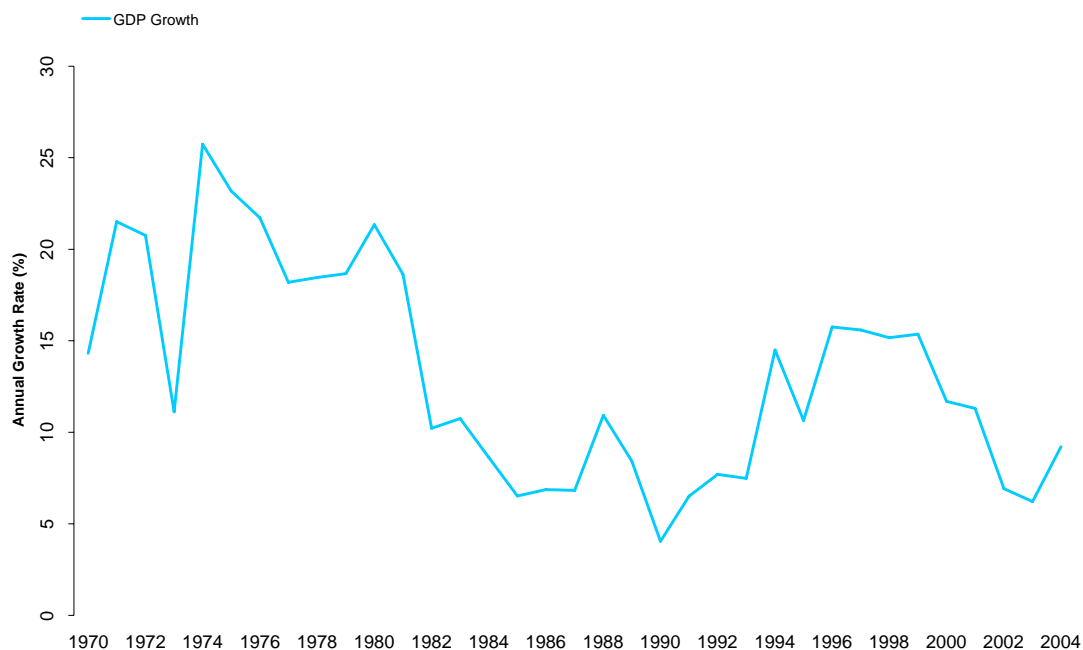
The IMF predict economic growth in the RoI to be 5.8% in 2006 and 5.6% in 2007.

The labour market remains a key strength of the Irish economy, with total annual employment increasing by 4.6% to 2,017,000 (Mar-May 2006). This is the first time the number of persons in employment has exceeded 2 million. The unemployment rate is currently 4.3%, an increase of 0.1 percentage points over the year.

Manufacturing output (seasonally adjusted) increased by 6.2% in September 2006 compared to the same period a year ago. This was driven by the traditional sectors as the modern sector recorded a slower rate of growth.

The annual rate of CPI inflation was 3.9% in October 2006, down from 4.0% in September 2006.  
Annual growth of GDP

**Figure 2**



Source: 2006 Yearbook, CSO

September. The main increases were in, housing, water, electricity, gas & other fuels and education.

The Permanent TSB / ESRI House Price Index reported annual house price growth of 15.0% over the 12 month period to September 2006. Growth has more than doubled from the same period last year. The average house price in September was €308,179.

The European Central Bank (ECB) kept the interest rate steady at 3.25% in November 2006.

RoI retail sales performed well in September 2006 with the volume of sales increasing by an estimated 3.9% over the year. Based on the latest data the largest increase over the three month period June - August 2006 was in the footwear and leather sector.

Ireland's exports decreased by 3.6% to €7,216m over the year to September 2006. The export surplus in September was €2,152m. The single largest destination for exports was the USA, followed by Belgium and Great Britain.

The NCB PMI index for Ireland (December 2006) indicates that the manufacturing economy continued to expand with output, new orders and employment all continuing to increase. However input prices rose strongly in November with increased prices for energy, plastics and raw materials.

Tourism has continued to perform well, with the number of overseas visitors in September increasing by 13.8% over the year to 738,400. The number of overseas trips to Ireland between January-

September was 6.0m, an increase of 11.2% on the same period a year ago. In the second quarter of 2006 earnings from visits to Ireland contributed €1,230m to the economy; however €1,311m was spent by Irish visitors abroad leading to a negative balance of €81m.

The uptake of Broadband continues. In 2004 only 3.0% of households had a broadband connection and in 2006 this had increased to 13.0%. Businesses with 10 or more employees also increased their broadband usage from 31.0% in 2004 to 61.0% in 2006.

[The RoI economy continues to perform well.](#) However, interest rate rises could subdue growth prospects.

#### RoI Key Labour Market Statistics

**Table 3**

	Period	Level	Change over 12 months
Total Employment <sup>1</sup>	March-May 2006	2,017,000	4.6 %
Unemployment Rate <sup>1</sup>	March-May 2006	4.3 %	0.1 p.p. <sup>3</sup>
Economic Activity Rate <sup>2</sup>	March-May 2006	62.6 %	1.1 p.p. <sup>3</sup>
Manufacturing Output (2000=100)	September 2006	132.3	6.2 %
Average House Prices	September 2006	€308,179	15.0 %

<sup>1</sup>Not seasonally adjusted

<sup>2</sup>RoI economic activity rate is based on all aged 15+ rather than working age

<sup>3</sup>Change in percentage points

Source: CSO Quarterly Household Survey, CSO Volume Indices of Production for Manufacturing, Permanent TSB/ESRI House Price Index

## NORTHERN IRELAND REVIEW AND OUTLOOK

The First Trust Bank Economic Outlook predicts economic growth of 2.2% in 2006 and 2.5% in 2007.

The latest Annual Business Inquiry reported a 4.9% increase in turnover of NI based businesses in 2005 to £47,907m (at basic prices). In 2005, total GVA (at basic prices) for NI businesses was £14.5bn, an increase of 6.5% on 2004. The service sector accounted for approximately 56.2% of business turnover and 56.3% of GVA in 2005, while the manufacturing sector contributed to 28.6% of turnover and 25.3% of GVA.

The NI labour market also continues to perform well. The number of employee jobs increased by 0.7% over the year to 698,120 (June 2006) – the highest figure on record. While the number of jobs within the manufacturing sector has continued to decline, this has been more than offset by

increases in the construction and services sectors.

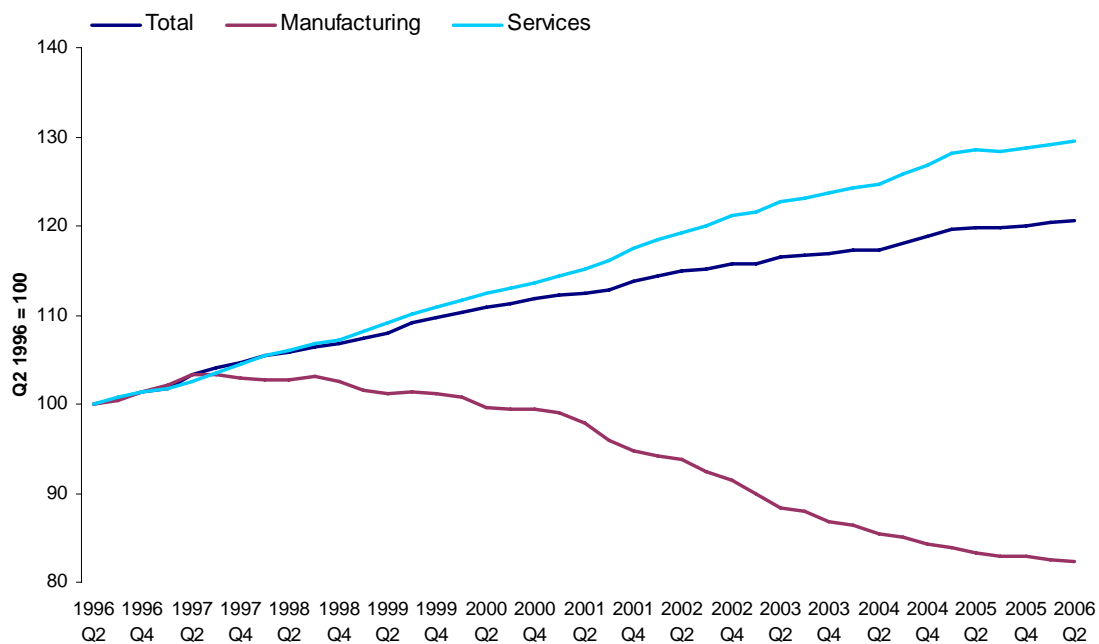
The unemployment rate (July - September 2006) increased by 0.4 percentage points over the year to 4.7%, below the UK rate of 5.6%. However, the working age economic activity rate in NI remains the lowest of all the UK regions at 72.5%; compared to the UK average figure of 79.0%.

Manufacturing output increased by 0.8% over the year to Q2 2006 - slightly slower than the annual increase of 1.1% in the UK. Manufacturing productivity also increased by 1.9% over the last 12 months.

Manufacturing exports were estimated to be worth £4.6bn in 2005/06, 32.7% of total manufacturing sales. Exports have declined by 0.6% in real terms over the year but have increased by 11.3% over the past five years.

Index of Employee Jobs (Seasonally Adjusted)

**Figure 3**



Source: DETI, Labour Market Statistics

The Ulster Bank Purchasing Managers Index (November 2006) reported that the rate of expansion in output growth accelerated and remained robust during October. Firms attributed the strong growth in activity to the sharpest expansion of new business for twenty-six months in October.

However, inflationary pressures remained substantial, with input cost inflation above the UK rate for the first time in three months as a result of increases in staff wages and raw material costs. As a result of these increasing input costs, firms protected their profit margins by passing on higher costs to the customer.

The latest CBI Business Confidence Survey reports a rise in own business confidence, despite an overall decline in confidence in the Northern Ireland economy across all sectors.

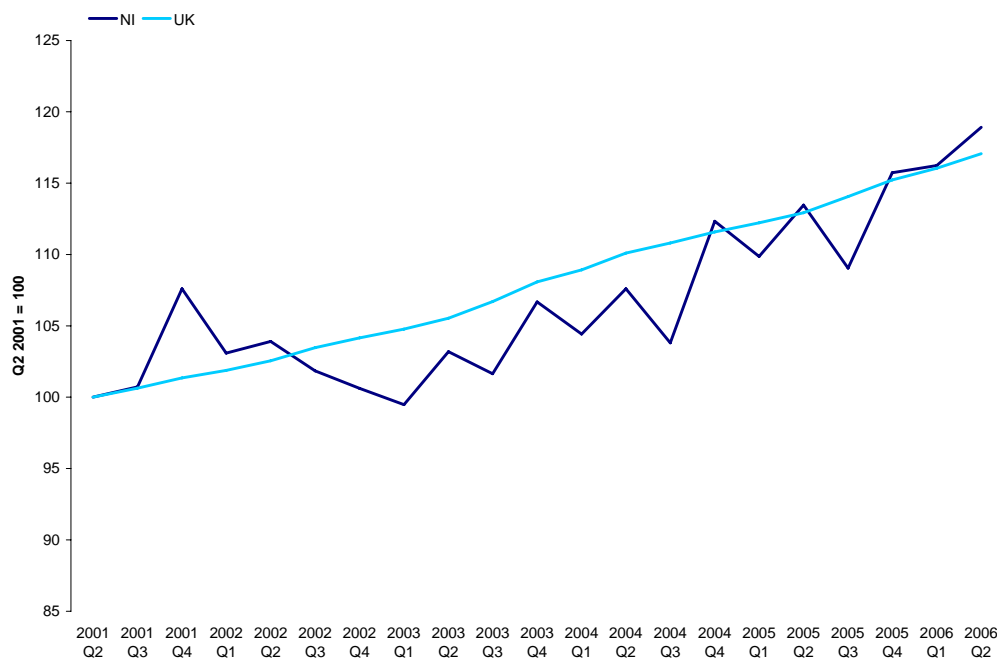
The NI Index of Services shows output of the service sector in the second quarter of 2006 increased by 4.8% compared to the same quarter in 2005. This compares favourably to the UK rate of 3.7%. Overall, this is the highest level the Index has reached in NI since it began in 2001.

The Annual Survey of Hours and Earnings (ASHE) shows that median gross weekly earnings for all employees in NI at April 2006 was £324.7, and is 89% of overall UK earnings (£364.1). NI's growth in median gross weekly earnings was 1.9%, well below the UK rate of 4.3%.

The latest NI R&D statistics shows that total expenditure on R&D in NI was £302.4m in 2005, an increase of 8.8% over the year. Of total R&D, 47.2% was spent by businesses, 48.3% by Higher Education sector and the remainder spent in Government.

#### Services Output growth

**Figure 4**



Source: DETI, Index of Services (experimental) October 2006, ONS, Index of Services

Between 2004 and 2005 business expenditure in R&D (BERD) increased by 12.6% in real terms to 142.6m in 2005. The main driver of growth in BERD in 2005 was an increase in expenditure by small and medium firms of 18.9%.

The average house price in NI was £168,805 in September 2006, an increase of 23.6% on the previous year. NI house prices are growing faster than any other UK region and are considerably above UK annual average growth of 8.0%.

NI Tourist Board's figures show there were 1,972,000 visits to NI in 2005, indicating a 1% decline from 2004. Despite the decline in visitor numbers to NI, total visitor revenue increased by 14% to £357m.

The NI economy has continued to perform well. The outlook for NI remains positive, with growth expected to be 2.2% in 2006, which is broadly in line with the UK rate.

Despite this expansion in economic growth, a number of key challenges remain for the NI economy. Within the local labour market, NI has the highest levels of economic inactivity in the UK and significant skills shortages which may constrain future economic growth.

In addition, NI needs to make significant improvements in the productivity drivers of innovation, enterprise, skills and infrastructure, to aid private sector growth and secure higher levels of prosperity.

#### NI Key Economic Statistics

**Table 4**

	Period	Level	Change over 12 months
Total Employment <sup>1</sup>	July - September 2006	759,000	-1.0 %
Unemployment Rate <sup>1</sup>	July - September 2006	4.7 %	0.4 p.p. <sup>3</sup>
Economic Activity Rate <sup>2</sup>	July - September 2006	72.5 %	-0.6 p.p. <sup>3</sup>
Manufacturing Employee Jobs	June 2006	85,840	-1.0 %
Service Employee Jobs	June 2006	555,720	0.8 %
Total Gross Value Added	2004	£23.058bn	5.0 %
Manufacturing Output (2003=100)	Q2 2006	105.0	0.8 %
Services Output (2003=100)	Q2 2006	115.7	4.8 %
Average House Prices	September 2006	£168,805	23.6 %

<sup>1</sup> All aged 16 and over

<sup>2</sup> Working Age

<sup>3</sup> Change in percentage points

Sources: DETI Labour Market Statistics, ONS Regional GVA, DETI Index of Production, ODPM Monthly House Price Statistics, DETI Index of Services

# Special Topics

## 2

### **RAISING NORTHERN IRELAND'S ECONOMIC GROWTH RATE**

Previous editions of this publication have focused on innovation, skills, infrastructure and enterprise as drivers of productivity and economic growth. This quarter's specialist chapter looks at the role of labour supply and productivity in driving economic growth.

In certain aspects the Northern Ireland (NI) economy has performed very well. Over the last decade there has been a significant increase in NI employment (14.7%) – the largest of all UK regions outside of London (17.7%). Unemployment has also more than halved over the last decade. Moreover, a recent report highlighted that some wider economic progress has been made with NI's competitiveness improving faster than any other UK region between 2005 and 2006<sup>i</sup>.

However, despite this progress a number of structural weaknesses remain. Recent reports by the NI Assembly Sub-Group on the Economic Challenges Facing Northern

Ireland have, for example, highlighted the need to raise NI's relative economic growth trajectory. This challenge is also identified by Government in the Economic Vision and the forthcoming Regional Economic Strategy.

This article briefly examines the concept of economic growth, highlighting that two major factors act as a catalyst: increases in labour supply and productivity. These factors were also identified in a recent paper on tax incentives for NI<sup>ii</sup>, which illustrated that the key drivers of economic growth are the quantity and quality of an economy's productive factors (people & capital). The initial focus of this article is on the contribution of labour supply to economic growth.

#### **1. LABOUR SUPPLY**

Labour supply depends on the growth of the working age-population, the proportion of people employed and the hours they work.

### **Working Age Population**

Over the last decade NI's working age population has increased by 8.0% and is expected to increase by 2.8% over the next ten years (above projected UK growth of 2.3%). This will add to the stock of labour in NI, however, working-age population will also be influenced by labour flows.

### **Labour Flows**

In recent years, NI's labour supply has been boosted by inward migration from Great Britain (GB) and outside the UK. International inward-migration has almost doubled over the period 2002/03 - 2004/05 to 13,607. Furthermore, inflows from GB have also increased, resulting in NI moving from net out-migration of 996 in 2002/03 to net in-migration of 6,671 in 2004/05. Recent research<sup>iii</sup> suggests that migrant labour is filling significant gaps in the labour force in NI, both in terms of providing skilled workers (e.g. within the Health service) and unskilled factory labour (e.g. the food processing sector).

However, despite significant labour inflows, it is also evident that many students leave NI when going to university (20.5% in 2004/05) and a large proportion do not return (63.6%). Whilst this trend has been decreasing in recent years, it still represents a significant outflow of potential skilled labour from the region. The second report of the NI Assembly Sub-Group highlighted the impact of this trend, showing the strong correlation between increasing the level of graduates working in the private sector and higher levels of per capita GVA.

### **Increasing the proportion of people in work & raising skill levels**

As previously mentioned, NI has experienced one of the strongest job creation records of all the UK regions. As a consequence, NI's employment rate

(working-age population) has risen from 65.0% to 68.9% over the last decade and the gap in NI's employment rate relative to the overall UK average has fallen from 6.8 to 5.6 percentage points. NI's employment rate gap is less marked with other UK regions such as London (0.6%), North East (2.0%) and Wales (3.2%). London is only marginally above NI despite being the fastest growing region in terms of employment. However, a significant gap with the UK remains and in order to stimulate further economic growth, more people of working-age need to be encouraged into work.

This means tackling NI's high levels of economic inactivity and encouraging greater female participation in the workforce. NI's working age economic inactivity rate, at 27.5%, remains significantly above the UK rate of 21.0% and is the highest of all the UK regions. Similarly, NI's female participation rate (66.8%) compares unfavourably with the UK (73.7%).

### **Improving the Skills Levels of the Working-Age Population**

One reason for NI's relatively low employment rate is a lack of skills. Over one fifth (22.0%) of NI's working-age population have no qualifications – the highest proportion of all the UK regions, and well in excess of the UK average (13.7%).

The economy also needs to continue improving the skills of those workers already in employment. For example, around 80% of the current working-age population will still be in this category by 2016 and work-based training is therefore essential. This is particularly the case for NI which has the lowest proportion of workers receiving job related training of all the UK regions<sup>iv</sup> (8.6% compared to 14.8%

for UK). This problem is further reinforced by the NI Skills Monitoring Survey (2005) which identifies that 52% of all vacancies

were difficult to fill, and lack of skills is cited as a major factor.

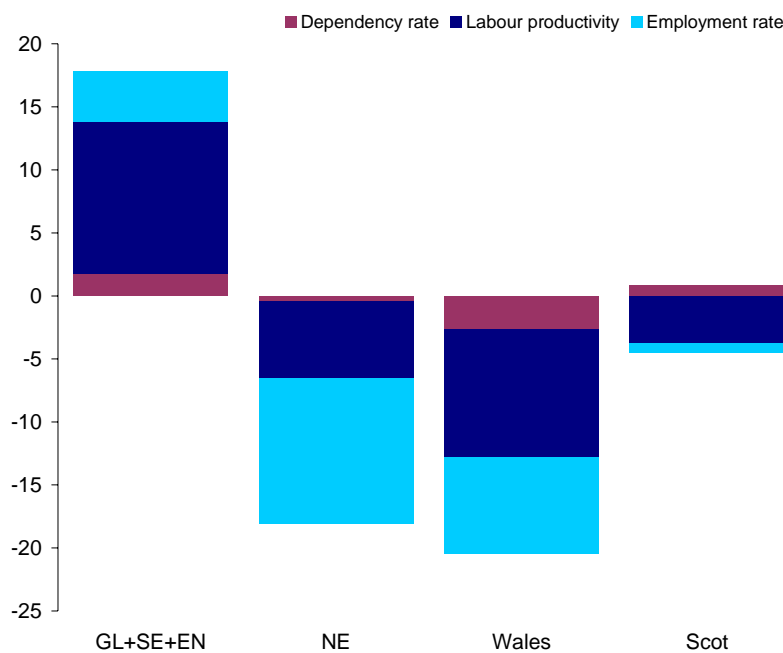
## 2. PRODUCTIVITY

Aside from labour supply, the region's economic growth is also dependent on the productivity of its workers. Recent research<sup>v</sup> illustrates that the majority of

NI's GVA per capita gap is due to low labour productivity. This factor is highlighted in Figure 5.

Decomposition of the GVA per capita gap with UK

**Figure 5**



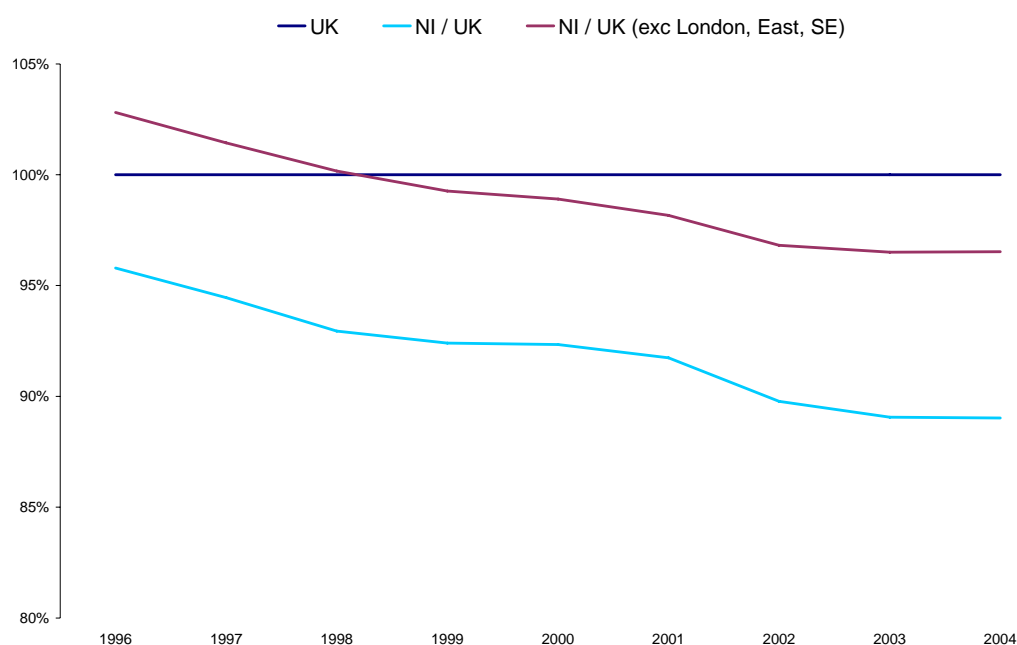
Source: Regional Forecasts

Although NI's productivity (as measured by GVA per employee) has been rising in recent years (from £26,607 in 1996 to £33,929 in 2004), the rate of increase has been slower than for the UK as a whole. As a result, NI's productivity gap relative to the UK has been widening (see Figure 6), with relative productivity levels falling from 95.8% of the UK average in 1996 to 89.0% in 2004<sup>vi</sup>.

However, as Figure 6 also highlights, UK performance has been driven to a large extent by Greater London, South East and Eastern regions and therefore NI's relative productivity performance gap narrows when they are excluded from the UK average. What is clear, however, is that for NI's relative economic growth to further improve, the region needs to generate further employment in a range of high productivity sectors. This point is further developed later in the article.

## GVA per employee

**Figure 6**



Source: ONS Regional GVA, DETI Quarterly Employment Survey, NOMIS

### Sectoral Productivity

NI's overall productivity performance conceals the diverging trends within manufacturing and the private services sector. Figure 7 highlights that NI's manufacturing productivity has generally followed an upward trend since 1995, increasing from 82.1% of the UK average to 93.1% in 2003. Again, if NI's relative productivity performance is benchmarked against the UK excluding the South East, London and Eastern regions, NI's relative performance is almost on a par with the remaining UK regions (productivity rising from 85.8% to 97.8% over the same period). One factor behind NI's improving manufacturing productivity performance has been the decreasing employment within low productivity sectors such as textiles and clothing.

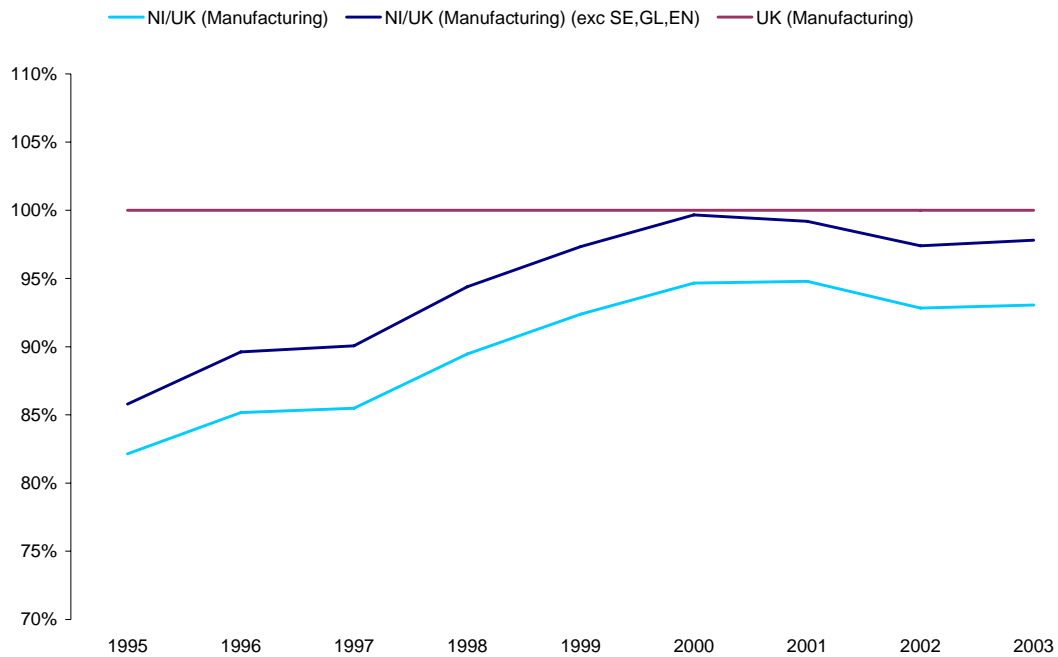
Figure 8 highlights that NI's private services productivity has been generally following a downward trend, falling from 90.3% of the UK average in 1995 to 82.9% in 2003. NI's relative productivity

performance still declines if NI is benchmarked against the UK excluding the South East, London and Eastern Regions, but the relative reduction is less marked – falling from 100.7% in 1995 to 95.0% in 2003. Within private services, the UK figure is heavily distorted by London, which is one of the world's leading financial services centres.

It is important that the decline in private services productivity is viewed in the context of the sector's rapid employment growth. Over the last decade the number of employee jobs in private services has increased by 93,800 (44.2%) with the main growth areas being business services (32,310), retail trade (30,670) and hotel and restaurants (14,370). The latter two sub-sectors are not traditionally marked by high productivity and business services have some lower value added activity such as industrial cleaning, labour recruitment and renting of machinery. This highlights NI's need to further generate employment in high value added tradable services.

## Manufacturing Productivity

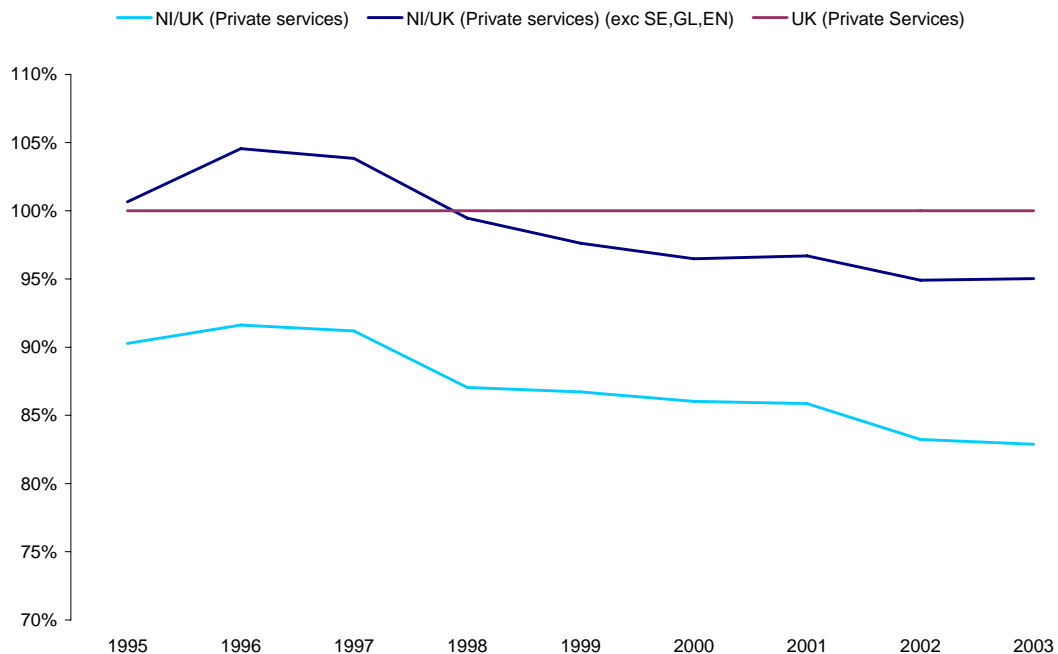
**Figure 7**



Source: ONS Regional GVA, DETI Quarterly Employment Survey, ONS Employment Earnings and Productivity Division

## Private Services Productivity

**Figure 8**



Source: ONS Regional GVA, DETI Quarterly Employment Survey, ONS Employment Earnings and Productivity Division

Historically there has been limited expansion in sectors such as financial & business services which partly reflects NI's poor industrial structure. For example,

despite some increases in employment (37,100 between 1996 and 2006) the overall contribution of business and financial services to regional GVA remains

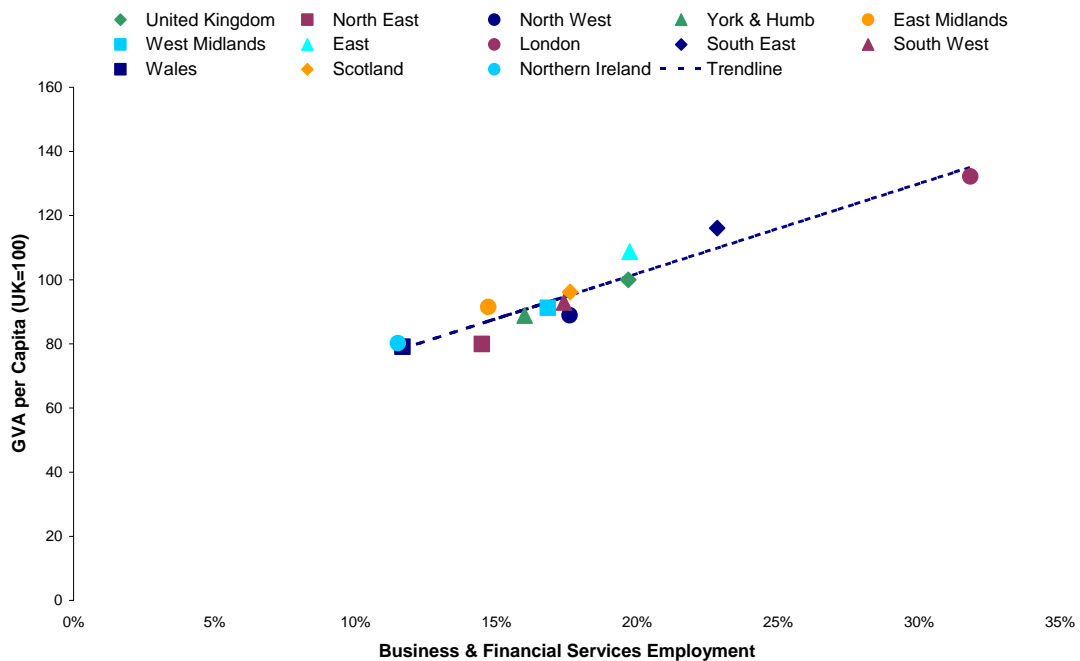
small (NI 18.9%; UK 32.3%). Furthermore, NI's productivity within business & financial services remains significantly lower than the UK average (80.6% and 86.1% of the UK respectively).

relationship between employment in business & financial services and GVA per capita. Many of the UK's peripheral regions (NI, Wales & the North East) have a low proportion of employment in business & financial services combined with low GVA per capita. Increasing the contribution of these sub-sectors to regional output will help contribute toward greater economic growth and prosperity.

Figure 9 also illustrates the importance of business & financial services to overall economic prosperity. The graph, which was also in the second Assembly Sub-Group report, shows the positive

Business & Financial Services Employee Jobs and GVA per Capita 2004

**Figure 9**



Source: ONS, Regional GVA

## CONCLUSION & WAY FORWARD

This article has focused on the role of labour supply and productivity as factors that influence the rate of economic growth in NI. Government has a range of strategies / programmes designed to improve labour supply. For example, DEL's Pathways to Work aims to reduce the high rates of economic inactivity by encouraging those individuals in receipt of incapacity benefit to consider work. The Economic Vision and forthcoming Regional Economic Strategy also have a key focus on improving the productivity performance of the region. However, the challenge is as much for the private sector to become more sustainable going forward.

This article has highlighted that the region needs to generate additional employment in a range of high productivity sectors, particularly business & financial services. The challenge for all stakeholders is to ensure NI develops a workforce that is focused on improving productivity as this is the key challenge for the NI economy going forward.

To improve the evidence base and inform future policy, DETI has currently two research projects underway that focuses on high value added FDI and innovation performance within the tradable services sector. This research will be completed by Spring 2007 and will help inform Government on the necessary policies required to meet the challenge of increasing NI's economic growth rate.

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<sup>i</sup> UK Competitiveness Index 2006: Robert Huggins Associates and the Work Foundation (2006).

<sup>ii</sup> ERINI et al, (2006), 'Assessing the Case for a Differential Rate of Corporation Tax in Northern Ireland'

<sup>iii</sup> *Migrant Workers in NI* (Neil Jarman, Institute for Conflict Research): DEL Labour Market Bulletin 18.

<sup>iv</sup> Proportion of employees receiving job-related training in previous 4 weeks

<sup>v</sup> Regional Forecasts, 'Sectoral Influences on Low Productivity in Northern Ireland', DETI Annual Economic Bulletin 2006

<sup>vi</sup> Work commissioned by DETI also highlights that GVA per employee is expected to stabilise at around 88-89% of the UK average between 2005 and 2015