

INDUSTRIAL STRATEGY



November 2012

Why do we need industrial strategy

Industrial strategy activity

The Heseltine Review

Structural changes in the international economy will impact the UK

- Globalisation and rise of BRICS are changing UK's relative position in global economy.
- Developing countries are competing higher up the value chain, threatening the UK's traditional comparative advantage.
- The UK's previous growth model fuelled by debt was unsustainable, as proved by the financial crisis.
- If the UK stands still there is a danger we will be left behind.
- A stable macro business environment is key to enabling growth.

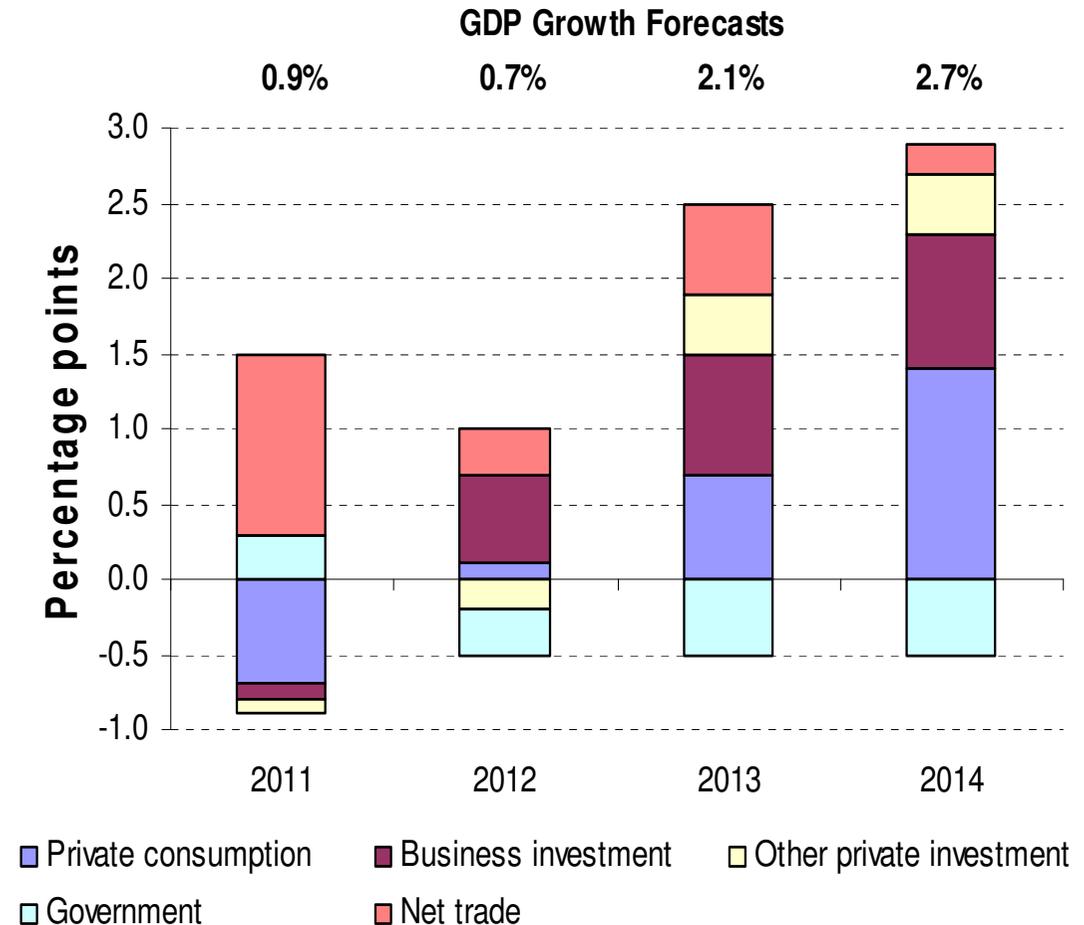
Table 1: GDP at PPPs rankings

PPP 2009 Rank	Country	GDP at PPP (constant 2009 US\$bn)	PPP 2050 Rank	Country	Projected GDP at PPP (constant 2009 US\$bn)
1	US	14256	1	China	59475
2	China	8888	2	India	43180
3	Japan	4138	3	US	37876
4	India	3752	4	Brazil	9762
5	Germany	2984	5	Japan	7664
6	Russia	2687	6	Russia	7559
7	UK	2257	7	Mexico	6682
8	France	2172	8	Indonesia	6205
9	Brazil	2020	9	Germany	5707
10	Italy	1922	10	UK	5628
11	Mexico	1540	11	France	5344
12	Spain	1496	12	Turkey	5298
13	South Korea	1324	13	Nigeria	4590
14	Canada	1280	14	Vietnam	3939
15	Turkey	1040	15	Italy	3798
16	Indonesia	967	16	Canada	3322
17	Australia	858	17	South Korea	3258
18	Saudi Arabia	595	18	Spain	3195
19	Argentina	586	19	Saudi Arabia	3039
20	South Africa	508	20	Argentina	2549

Source: World Bank estimates for 2009, PwC model estimates for 2050

Government spending cannot drive growth

- Contribution to GDP from Government activity (consumption and investment) grew from 0.3% between 1990-99 to 0.7% between 1999-2008, becoming the second most important driver of growth.
- However the deficit means Government spending cannot contribute to growth to the same degree. Growth will need to come from the private sector.
- Business investments and exports will have a critical role in driving growth in the coming years.
- At a time when resources are scarce, Government must prioritise areas where impact can be greatest.



OBR forecast of contributions to GDP growth 2011-2014

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Industrial Strategy

... we must lay out a strategic vision for where our future industrial capabilities should lie, and how to deliver them

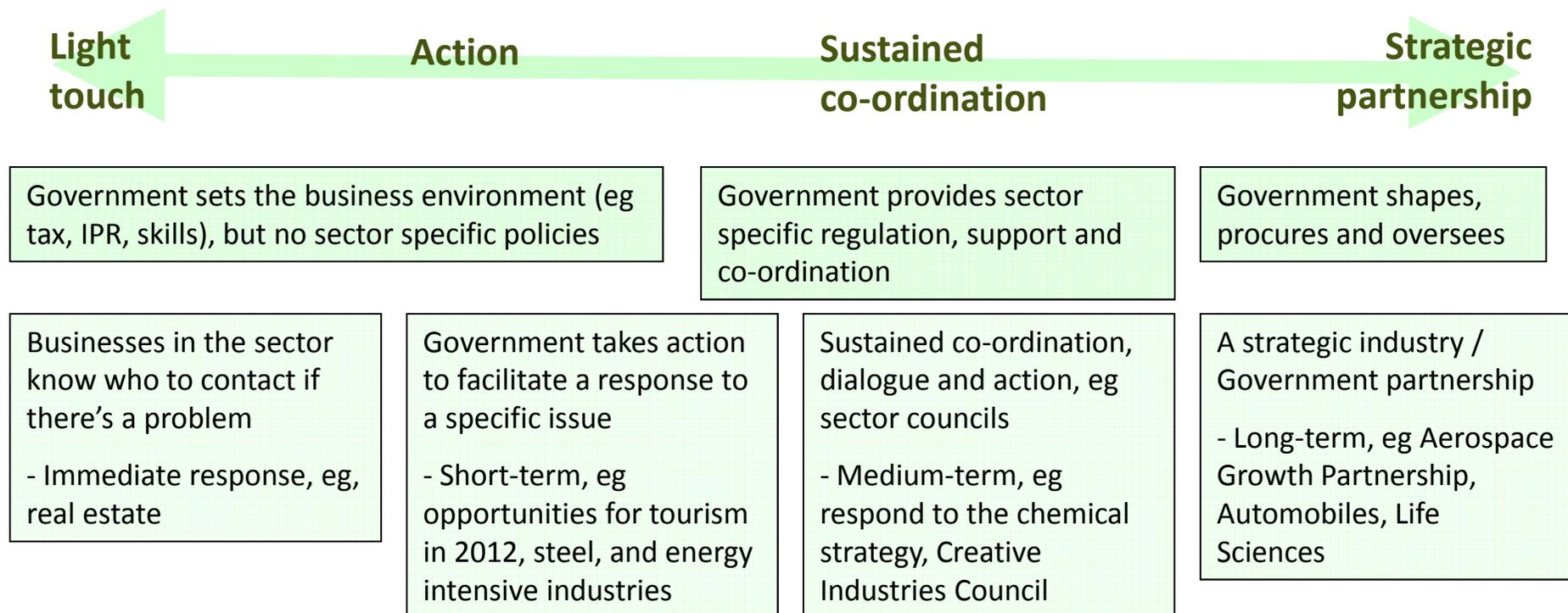
- Key messages:
 - A whole of government approach;
 - Cabinet, No10 and ChX fully supportive
 - A spectrum of support for all sectors;

 - Partnership strategies with sectors in 3 key areas:
 - **Advanced manufacturing;**
 - **Knowledge intensive traded services;** and
 - **Enabling sectors;**

 - Cross-cutting themes:
 - **Access to Finance;**
 - **Technology;**
 - **Procurement;** and
 - **Skills**

A Spectrum of support

- A light touch approach where policies are working well, or where there is less scope for Government to make a difference
- Strategic partnerships with specific sectors that have real impact



Strategic Partnerships the sector strategies

Early 2013



Aerospace



Agri-tech



Nuclear



Renewables



Oil and Gas

Spring 2013



Automotive



Information
Economy



Education

Summer 2013



Construction



Professional
Business
Services

Sector Strategy – key principles

- **Developed for business** – not concentrated on Whitehall policy levers
- **Co-created with business** – with industry taking a core role in shaping, drafting and long-term delivery of the strategy and cross-government consultation and buy-in
- **Shared long term vision** – where we are now, where we want to be, and how we will get there, including a full SWOT analysis of the sector as well as horizon scanning
- **Private Sector Leadership** – spanning development and delivery, although existing priorities and commitments need to be recognised and incorporated
- **Action oriented** – with explicit and specific pledges from government and business about what will be done to deliver the strategy.
- **Delivery** – each document should state how the strategy is to be delivered

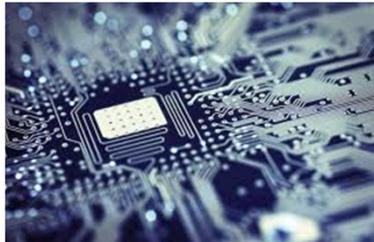
Cross-cutting workstreams



Access to Finance



Procurement



Technology



Skills

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No Stone Unturned - published 31 October

- Key messages:
 - Localism – building on our strengths
 - Whitehall – a confident, strategic centre of Government
 - Government and growth – catalyst, enabler, partner
 - Private sector – broadening the capacity for excellence
 - Education and skills – the foundation for growth and prosperity

 - 89 recommendations
 - Government has welcomed the report, and indicated that it plans an initial response around Autumn Statement