

BRIEFING NOTE FOR FIRST MINISTER

SCOTLAND IS NOW INVESTOR LUNCH

WEDNESDAY 6 FEBRUARY 2019

Key Messages	<ul style="list-style-type: none"> • The USA continues to be Scotland's top international export destination country (£4.8bn). • The top 5 international export markets (USA, Netherlands, France, Germany and Norway) accounted for £12.1bn (41%) of international exports from Scotland in 2016. • Foreign Direct Investment is a significant contributor to Scotland's economy with over 2,600 foreign-owned companies in Scotland with a combined turnover of around £86bn and employing 330,000 staff. • Scotland remains the UK's leading FDI destination outside London, and best in UK at attracting high value R&D projects. They account for 1.5% of total registered enterprises in Scotland, 17% of employment and 32.8% of turnover.
What	<ul style="list-style-type: none"> • A platform for FM to connect with senior decision makers and a wide range of business interests. • FM will address an audience of potential and current investors and trade partners to reassure them of Scotland's continued competitive positioning as a great place to do business. • Scottish Government will do this by helping Scottish businesses to export their products and services to strategic markets through the launch of the Trading Nation Export Plan (spring 2019) and will see investment of £20m over 3 years to deliver the support that businesses tell us are of greatest benefit.
Why	<ul style="list-style-type: none"> • To engage directly with senior business people as Brexit deadline approaches and to promote Scotland as a place to work, study and do business to influential east coast audience. • To recognise and endorse the fact that the USA is Scotland's top foreign direct investor, with one in 5 of all investments originating in the US which is critical for Scotland's long-term economic success and prosperity. • To understand perceptions of Scotland as an investment market and raise awareness of its investment infrastructure assets; provide confidence in Scotland as an investment destination; and build a pipeline of interest among potential investors.

	<ul style="list-style-type: none"> To probe for insights into emerging sectors/business areas which could provide future investment opportunities for Scotland and to deepen understanding of current investment drivers.
Who	<p>30-50 high profile existing and potential investors, trade partners and influencers. SDI will provide a full list of attendees prior to the event.</p> <p>Stephen Leonard, General Manager North America, IBM, will host the event.</p> <p>Top table: FM, Stephen Leonard, Steve Dunlop, Gillian Docherty (Biographies at Annex B)</p>
Where	IBM Building, 590 Madison Avenue, New York, NY 10022
	<p>12:00-14:00</p> <p>12:00 Guests arrive/networking</p> <p>12:30-12:45 Guests invited to take seats (timing dependant on conclusion of FM engagement with the Conway Group which will run simultaneously)</p> <p>12:45 Top table seated</p> <p>12:45 Lunch service commences and guests will eat during FM's address</p> <p>12:50 Welcome: Stephen Leonard <i>Topic: Experience as a Scot working in the US, what Scotland means to IBM</i></p> <p>12:55 Address: First Minister <i>Topic: Why Scotland continues to be the best location in Europe for Americans to live, work, study, visit, and invest</i></p> <p>13:05 Q&A facilitated by Stephen Leonard</p> <p>14:00 FM departs for next meeting</p>
Likely Themes	Scotland is open for business as a great location to live, work study, visit and invest.
Media	
Supporting Officials	<p>Steve Dunlop, CEO, Scottish Enterprise</p> <p>Gillian Docherty, CEO, The Data Lab, Mobile: [REDACTED]</p> <p>Michelle Sim, Interim Director, SDI Americas, Mobile: [REDACTED]</p>
Attached Documents	<p>Annex A – Speaking Note (to follow separately)</p> <p>Annex B - Biographies for Key Attendees/List of Attendees</p>

ANNEX A

SPEAKING NOTE TO FOLLOW SEPARATELY

ANNEX B

BIOGRAPHIES

STEPHEN LEONARD, GENERAL MANAGER, IBM



Stephen Leonard is responsible for IBM Business Performance in the US and Canada. His role includes leading and directing management decisions, business development, and implementing long and short-term sales strategies.

Previously, Stephen led sales for IBM's Systems Hardware business worldwide as General Manager, IBM Systems Hardware sales, where he was responsible for setting and driving the global sales and go-to-market strategy for IBM's **\$12bn** Systems Hardware business. Prior to this he was Chief Executive for IBM in the UK and Ireland.

Stephen Leonard joined IBM in 1990 as a Technical Instructor in London. During his career with the company, he has held a variety of sales, sales management and leadership positions in different parts of the organization and in multiple global geographies.

In addition to his responsibilities as GM, he is Chairman of the (BITC) Business Action on Economic Renewal Leadership Team.

Born and raised in Scotland, Stephen holds a Degree in Applied Physics and Electronics from Dundee University. He is married with 4 young children.

A full list of attendees will be provided prior to the lunch.

ECONOMIC STATISTICS DASHBOARD

Latest economic data shows the strength of Scotland's economy

- Since the start of 2018, **Scotland's GDP has grown** faster than the UK (**1.2% vs 1.1%**).
- **GDP per head** in Scotland grew **1%** over the 12-months to Q3 2018, **compared to 0.8%** growth in the UK.
- Scotland's **unemployment rate has fallen** to its lowest rate on record (**3.7%**).
- Scottish **exports of goods** have increased by **6%** in the year to September, higher than the overall UK rate (**4%**) and the **highest of any UK nation**.
- Business **R&D spend** in Scotland increased **13.9%** in 2017 to **reach a record £1.25bn**. In the UK as a whole **spend increased** by only **2.9%**.
- **EY Attractiveness Survey** shows that Scotland remains the top **UK region for foreign direct investment** (FDI) projects outside of London. Between 2007 and 2016, Scotland's **productivity growth** has been higher than any other country or region of the UK, including London.

Gross Domestic Product

- **Latest Quarter:** In 2018 Quarter 3 Scottish **GDP grew** by **0.3%** compared to the previous quarter.
- **Previous Quarter:** In 2018 Quarter 2 Scottish **GDP grew** by **0.5%**.
- UK GDP growth in the latest comparable quarter (2018 Quarter 3) was **0.6%**, following growth of **0.4%** in the previous quarter (2018 Quarter 2).
- In Q2 2018, the annualised **cash value of GDP** in Scotland was **£173.5bn** (inc. offshore oil and gas). This is **8.4%** of total UK GDP.
- In Q2 2018, the annualised value of **GDP per head** in Scotland was **£31,900** (inc. oil and gas). This was **101.9%** of the UK average value of **£31,035**.

Labour Productivity

- In 2018 Quarter 2 (April-June) **productivity growth** in Scotland was flat (**0.0%**) compared to the previous quarter, following growth of **1.6%** in 2018 Quarter 1.
- Results can be **volatile** on a quarterly basis. On a rolling annual basis to 2018 Quarter 2, productivity in Scotland grew **1.3%**, compared to growth of **1%** for the UK as a whole.
- Between 2007 and the year up to 2018 Q2, Scotland's productivity has grown **7.7%**, compared to an increase of **2.6%** for the UK as a whole.
- **Retail Sales Latest Quarter:** In 2018 Quarter 3 (July-Sept), the quantity of retail sales in Scotland increased by **0.4%** compared to the previous quarter.
- **Previous Quarter:** In 2018 Quarter 2, retail sales grew by **0.5%**.
- Retail sales in Great Britain as a whole increased by **1.2%** in 2018 Quarter 3, following an increase of **2%** in the previous quarter.

Business and Innovation

- **Registered Businesses:** The number of registered businesses in Scotland has grown by **16.6%** since 2007 to **176,295** in 2018.
- **FDI Projects:** **116** new foreign direct investment projects in Scotland in 2017 – a **7%** increase from the 2016 (UK increase of **6%**).
- Scotland maintains position as **top UK region**, outside London, for 5 of the past 6 years.
- **R&D FDI Projects:** In 2017, **24%** of all UK R&D investments were in Scotland, ahead of all other UK regions (including London).
- **Enterprise R&D (BERD) spend:** In 2017, BERD spend in Scotland was **£1.25bn** – the highest level in the series back to 2001 – and rose **13.8%** in real terms on 2016 (UK rose **2.9%**).
- **Business R&D jobs:** Businesses employed **13,000** R&D staff in Scotland in 2017 – up from **7,000** R&D staff in 2007.
- **Higher Education R&D (HERD) spend:** **HERD** spend in Scotland was down **4.9%** in real terms between 2015 and 2016, compared to a **1.8%** decrease for the UK. However, Scotland is still the **top UK region** in terms of HERD spend as a share of GDP and **5th highest** amongst OECD countries.

Labour Market

- There are **2,633,000** people in **employment** in Scotland. The Scottish employment rate, in August – October 2018, is **75%**, falling **0.1 percentage** points over the quarter and lower than the UK rate of **75.7%**.
- The **unemployment** rate is **3.7%** (its lowest rate on record), falling **0.4 percentage** points over the quarter and below the UK rate of **4.1%**.
- **For women**, Scotland has higher employment and lower unemployment rates compared to the UK.
- For **young people (16-24 years)** the employment rate is **58.8%**, lower than a year earlier and higher than the UK rate of **55.9%**.
- The **youth unemployment rate** is **10.1%**, higher than a year earlier and lower than the UK rate of **12.5%**.

Exports

- **International Exports of Goods and Services:** In 2016, Scotland's international exports (excluding oil and gas) were worth **£29.8bn**. Of this total, **£12.7bn** were exports to the EU and **£17.1bn** were exports to non-EU countries.
- The USA is Scotland's top international export destination country for goods and services (**£4.8bn**).
- **Exports of Goods and Services to the rest of the UK:** In 2016, Scotland's exports to the rest of the UK were worth **£45.8bn**. This was a **£4.4bn (8.8%)** decrease on the previous year.
- **Exports of Goods:** More recent HMRC regional trade figures for the year ending September 2018, showed Scotland's annual goods exports increased by **6%** to **£29.6bn** compared with the previous year. This was higher than the overall UK rate (**4%**) and the highest of any UK nation. These figures are for goods only but do include exports of oil and gas.

Tourism

- **14.9m overnight visits to Scotland** in 2017 a **4.3%** increase on 2016. These visitors **spent £5.3bn**, (**11%** increase on 2016). **2%** increase in overall tourism visits for GB, while overall expenditure increased by **6%** to **14.9m**.
- **3.2m overseas tourist visits to Scotland** in 2017, a **17%** increase on 2016. These visitors **spent almost £2.3bn**, a **23%** increase over the year.
- A **4%** increase in **overseas tourism visits in UK** and a **9%** increase in overseas expenditure.
- Spending by overnight and day visitors was worth over **£11bn** in Scotland in 2017.
- This contributed around **£8bn** to Scottish GDP: around **6%** of total Scottish GDP. **Overseas tourism visits in UK** and a **9%** increase in overseas expenditure.
- **The Sustainable Tourism growth sector** employed **207,000** people in 2016 – around **1** in **12** jobs in Scotland and up **20,000** jobs since 2011.

EXPORT PLAN/FOREIGN DIRECT INVESTMENT

The Scottish Government will do more to help Scottish businesses to export their products and services to strategic markets.

- By spring 2019 “**A Trading Nation: a plan for growing Scotland’s exports**” will set out a range of new actions that will build upon our existing economic strategy and the work of the Enterprise and Skills Strategic Board and will be aimed at boosting Scotland’s export performance.
- Using data driven analysis and market intelligence we will identify the priority sectors, markets and types of businesses where export growth will come from.
- We will focus resources and policies to work with partners – business organisations and networks, industry groups, the Scottish diaspora, Universities, local authorities, UK Government agencies and other bodies – in delivering this growth.
- **We will invest an additional £20m over 3 years** to deliver the support that businesses tell us are of greatest benefit:
 - We will invest **£2m** to support **50** existing exporters per year to ramp-up overseas activity and create **300** business to business peer mentorships for new exporters.
 - We will expand the network of in-market specialists to identify untapped potential in overseas markets and digital technologies.
 - We will increase financial support for Scottish companies looking to enter new markets.

Scotland’s performance on FDI is exceptionally strong, and an indicator of the talent, skills and ingenuity in our economy.

- EY Attractiveness Survey 2018 reported that Scotland remains the leading FDI destination in the UK outside London, and top destination for high value-add R&D investment projects.
- **Job creation is up by 104%** – reflecting a shift towards larger scale projects.

Scotland remains an attractive location for business investment.

- We offer **4** Top 200 universities, a highly skilled workforce, and lower living and location costs than the rest of the UK.
- Scotland has a supportive business environment with competitive tax and business rates and dedicated support from our enterprise and skills agencies.

We are committing to our key sectors to provide confidence to investors.

- Our support for digital, FinTech and Business Services is paying off, with a **56%** increase in digital FDI projects.
- Manufacturing FDI projects **increased by 25%** with advanced manufacturing, where Scotland is investing £65m in a new centre of excellence

Brexit

- Recent reports by the **Centre for Economics and Business Research (Cebr)**, the UK Powerhouse study, and separately by **UK Trade Policy Observatory** at **Sussex University**

have recorded a **fall** of **19%** in FDI into the UK, compared to growth in France and Germany. HQ investments and financial services investments are down **25%**.

Scotland has a highly competitive business environment

- Our Budget for 2019-20 delivered a **below-inflation increase** to the poundage (note: **49.0p** in Scotland; **49.1p** in England). **90% of properties in Scotland will pay a lower tax rate than they would in other parts of the UK.**
- The **business rates relief package for 2019-20 is the most generous in the UK** - worth an estimated record **£750m**. We lifted **100,000** properties out of rates entirely under the **Small Business Bonus Scheme in 2018-19** as recommended by the Barclay Review. There will be a review of the Scheme in 2019-20.
- We are continuing the **Growth Accelerator** to encourage investment: **New-build non-domestic properties will pay no rates until twelve months after they are first occupied.** Existing properties will see no rates increases for a year related to improvements or expansions. **These incentives are unique in the UK.**
- To capitalise on **Scotland's world-class research**, we are supporting **ambitious collaborations between businesses, universities and others through our Innovation Centres.** We are providing substantial strategic funding via the **Scottish Funding Council** to support this programme, having invested over **£100m over 6 years to 2019.**
- We continue to invest up to **£1m** each year into the **Scottish EDGE Fund** and have committed **£4m** into the **Unlocking Ambition Challenge** – to ensure our entrepreneurs are supported towards realising their potential.
- The recent budget has also delivered a **70% uplift in our funding for business research and investment** - taking our investment in the coming year from **£22m to £37m.**
- We are unlocking investment for ambitious SMEs to grow through the **£500m Scottish Growth Scheme** and assisting non-public sector organisations such as businesses and **Building Scotland Fund.**
- **Scotland is competitively positioned to do business within the UK.** We have cheaper purchase costs for goods and services, less transport congestion at peak hours and access to a higher qualified population.

Connectivity is a top priority

- **Aviation is pivotal** to supporting the Scottish Government's purpose of sustainable economic growth. Easy access to markets is afforded by excellent transport links with **5 international airports.**
- Scottish Government promotes Scotland as a destination which can sustain **more direct international air services and better global hub connectivity.**
- The **Digital Scotland Superfast Broadband (DSSB) programme exceeded its 95% fibre coverage target** by the end of 2017.
- **Over £400m investment through the DSSB programme** has provided over **900,000** premises with fibre broadband access. We have committed to **extending superfast broadband access to 100% of premises** in Scotland – **the most ambitious of any UK government.**

	Company		Company
1	Conway Inc	28	J Crew
2	Standard Life Aberdeen	29	Global Commercial Services American Express
3	Dentons	30	Stryker
4	Baker Hughes, a GE company	31	Wood Mackenzie
5	Division of Data, Research and Policy UNICEF HQ	32	SAP Customer Experience
6	Conway Group publication is Site Selection	33	Alba Consulting
7	JPM chase	34	Entrepreneurial Scotland
8	JPM chase	35	Cambrex
9	JPM chase	36	Pfizer Inc
10	JPM chase	37	JUST Capital
11	GlobalScot	38	Viking Group
12	Bank of Tokyo Mitsubishi	39	Alvarez & Marsal
13	MentorShop	40	Edinburgh Global, University of Edinburgh
14	American Scottish Foundation	41	Pfizer
15	MJ Boyd Consulting	42	Mentorshop
16	IDE International Ltd	43	Department for International Trade
17	Industrial Info Resources	44	Johnson & Johnson
18	Westwood Capital, LLC	45	Richport Trading Company
19	Rockstar Games	46	Rooney Nimmo
20	PVH Corp.	47	Tire Conversion
21	Pencil or Ink	48	First Minister of Scotland
22	Dentons	49	Scottish Enterprise
23	Accenture	50	DataLab
24	Holland & Knight	51	Fusemachines
25	Miles & Stockbridge	52	Fusemachine
26	Miles & Stockbridge	53	Samsung
27	J Crew		