

Taking Scotland Forward - The Economy

Economy Secretary Keith Brown

Scottish Parliament

I'd like to use the debate today to do three things.

Firstly to reflect on the resilience of the Scottish economy and to recognise the challenges it currently faces.

Secondly to set out the many strengths that characterise our economy.

And thirdly, to outline the Scottish Government's approach to making Scotland a more productive country through innovation, investment, internationalisation and inclusive growth.

Presiding officer – the Scottish economy has been resilient over the past 12 months in the face of the most challenging external conditions in recent years.

Weak global growth, low oil prices and a high exchange rate have combined to present a challenging economic environment - and in particular, for our oil and gas industry and its supply chain.

These are global trends affecting countries around the world and Scotland is not immune.

The impact of these pressures has been felt most acutely in the production sector, particularly in the North East of Scotland where the Oil and Gas sector has had to respond by restructuring and with redundancies.

The North East remains a priority and that's why I'm going to Aberdeen on Friday to meet representatives from across the oil and gas sector.

The Service sector, which accounts for nearly 80 per cent of output in Scotland, has benefited from lower energy costs. Coupled with improving household finances this has supported growth in this sector through 2015.

Similarly, the Construction sector also continued to make significant contribution to growth with high levels of public infrastructure investment.

As such, despite the challenging economic background, Scotland's economy still grew by nearly 2% last year, and employment reached record levels.

However, there is no room for complacency.

The external environment is likely to remain challenging throughout 2016 and Scotland will not be immune to these pressures.

But there are also significant opportunities within the Scottish economy

Realising these opportunities, requires a commitment to collaboration and partnership towards improving productivity.

At the heart of our actions will be a clear and unrelenting focus on creating a competitive and supportive business environment.

And I want to make clear that I will listen carefully to constructive ideas about how we can support our economic growth put forward by MSPs from across the Chamber during the debate.

Improving our productivity performance is fundamental to our approach to growing the economy and sits at the heart of our Economic Strategy.

It's about making the best use of all of our resources and assets in order to improve our economic performance and in turn the living standards of our citizens.

Productivity has been a constant in our approach since 2007 - and we've made progress – most visibly by narrowing our productivity gap with the rest of the UK.

However our aspiration is to go further - to narrow, and ultimately close the gap with European neighbours such as Germany and Sweden.

We have key strengths across our economy from which to progress towards this aspiration.

Our workforce is one of the most highly skilled in Europe and our universities are amongst the best in the world.

We are home to a thriving and innovative tech start up landscape, with companies such as Skyscanner showing the potential that exists in our universities, in our entrepreneurial base, and in emerging sectors.

entrepreneurial base, and in emerging sectors.

And our business base is growing – with the number of registered businesses in Scotland now at an all-time high.

It is also diverse - we have strengths across a range of areas including in food and drink, tourism, financial services, life sciences, energy, and creative industries.

These fundamental strengths are not in doubt - they are the factors that attract companies to invest and expand in Scotland.

It's why 2015 was a record year for Scotland in terms of securing inward investment according to Ernst & Young data.

And the Scottish Government has played a key role in this success. Scottish Development International alone secured FDI projects with planned investment worth £443 million last year.

However it is vital that we don't rest on our laurels. We must build on these strengths to secure the improvements in productivity.

A focus on innovation is crucial to this approach – its importance cannot be overstated.

Scot & Fyfe - an innovative firm who have been supplying technical textiles for worldwide markets for almost 150 years.

The actions they took encapsulated the importance of an innovative outlook - describing how during a difficult period for the firm they decided to recruit additional designers, resulting in a transformation to their product line.

We will continue to invest in our innovation centres, and through initiatives such as Interface, which bring businesses and academics together to collaborate, and to develop new ideas and products in some of the key growth sectors of the future.

We will build on this by launching an annual Innovation Prize, and by inviting the Council of Economic Advisers and the CAN DO Forum to propose specific actions to boost productivity through innovation.

The Forum is also taking forward three pilot projects looking at key areas of innovation - digital businesses in Edinburgh, innovation and manufacturing in Glasgow and digital care systems in the health services of the Highlands and Islands.

Internationalisation and improving export performance are also fundamental drivers of our economic success.

In March we published a Trade and Investment Strategy, Global Scotland, and over the next year we will be opening two new investment hubs, in London and in Brussels, to add to our hub in Dublin.

Our Enterprise Agencies are working all the time with companies to grasp these opportunities.

Four years ago, Scottish Development International helped 1,400 companies to internationalise. Last year, the figure was more than 2,500.

And as the First Minister announced last week, we want to build on such successes.

One of the ways we'll do this is by carrying out an end-to-end review of the roles, responsibilities and relationships of our enterprise, development and skills agencies.

The review will consider how best to deliver and enhance the Agencies' services and functions to meet new client expectations and deliver on Government ambitions around productivity.

I will lead this review and set out more detail in due course.

Scotland's Economic Strategy also set out the importance of manufacturing in our ambitions for the economy.

In February we published a new manufacturing action plan in conjunction with our enterprise agencies to further develop a joint focus that will help boost a sector which is responsible for half of Scotland's international exports and more than half of our R&D investment.

We'll continue to invest in our physical and digital infrastructure, not only providing an immediate boost to the economy during construction, but providing tangible assets that underpin future productivity growth.

Our Digital Superfast Broadband Programme is on track to deliver 95% coverage by end of 2017, and additional public investment will help achieve our ambition for 100% superfast broadband coverage by 2021.

Our Strategy also makes clear that improving Scotland's economic performance requires action to also tackle inequalities.

High levels of inequality can undermine our economic performance whereas actions to improve our economic performance, and reduce inequalities, can, and should be mutually supportive.

Our approach to business includes a greater focus on inclusive growth and fair work.

And it is also characterised by a spirit of collaboration.

We have brought government, trade unions and businesses together to encourage progressive workplace practices and to improve productivity.

Evidence shows that firms that pay the living wage wages, provide job security, and career progression as well as investing in skills and training tend to outperform their peers.

That is why we will continue to promote fair work and progressive workplace practices through the Business Pledge, the promotion of the Living Wage and the Fair Work Convention.

And we can see progress. We have over 500 Living Wage accredited companies and the second highest proportion of employees paid the Living Wage or more in the UK (80.5%).

© Scottish Government 2016. All rights reserved. This document is licensed under a Creative Commons Attribution 4.0 International License.

Given the importance of the Labour Market to our ambitions one of our first actions in this parliament will be the publication of a new Labour market strategy to ensure our support is tailored to meet economic conditions.

As well as responsible business, a focus on education and skills are fundamental to securing inclusive growth

We'll maintain the number of full time college places and continue to focus on the skills and training that help young people into work. We'll also provide 30,000 new apprenticeships a year by 2020.

And we will work with schools to inspire more young people into STEM subjects - and once we have the powers - we will introduce a Jobs Grant to help young people aged 16 - 24 who have been unemployed for 6 months or more back into work.

I've already talked about infrastructure and investment – perhaps that's to be expected given my previous portfolio.

The Queensferry Crossing was the most visible investment of the last parliament.

Although not as visible, the most important investment we will make during this parliament will be through a transformational increase in childcare provision.

By the end of this parliament, we will almost double available free early learning and childcare to 1140 hours a year.

This will ensure that all young children in Scotland get a high quality start to their education.

It will also ensure that families with young children can continue to participate in the labour market and in turn underpin future economic growth.

Our plans for childcare also directly support our ambitions for raising educational achievement and closing gaps in attainment.

The Attainment Scotland Fund was established to address this challenge.

The ambition we are showing in education and early years lays the foundations for our economy, driving long term improvements in productivity and opportunity.

Scotland's - our economy has shown resilience against recent prevailing economic conditions and we continue to face global headwinds.

But we will maintain a clear and unrelenting focus on creating a competitive and supportive business environment in order to achieve our ambitions.

My appointment as a dedicated Cabinet Secretary for the economy should send a clear signal of this Government's focus on stimulating growth, protecting and creating jobs and promoting Scotland as a great place to do business

We'll continue to focus on improving productivity and prosperity through innovation, investment, internationalisation and tackling inequality.