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# Preparing The Evidence Base For The RES Review 2007

RES Review External Project Group

5<sup>th</sup> June 2006



# Agenda

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- Developing the Evidence Base
- Key Emerging Findings
- Next Steps



# Agenda

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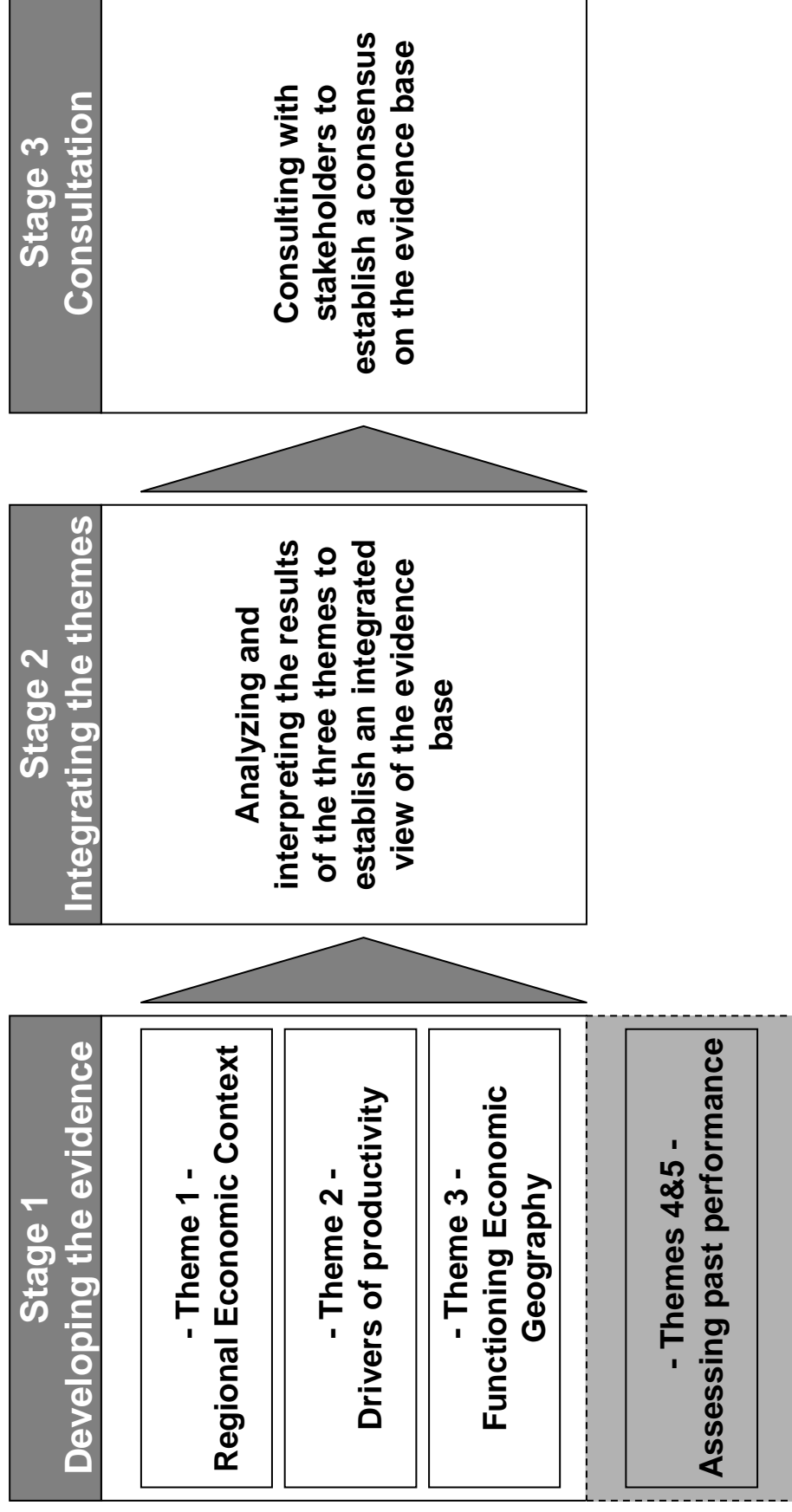
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# Three Stages In Developing An Agreed Evidence Base



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# The Three Themes Examine Current and Future Regional Economic Issues



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Theme	Description	Approach
1 – Regional Economic Context (with Warwick)	Projections of the future for the region as a whole	<ul style="list-style-type: none"> <li>■ Benchmark projections</li> <li>■ Sensitivity analysis</li> <li>■ Other evidence</li> </ul>
2 – Drivers of Productivity (with Aston)	Detailed analysis of the region's current economic performance	<ul style="list-style-type: none"> <li>■ Productivity trends and indicators</li> <li>■ Analysis of individual drivers</li> <li>■ Synthesis of drivers</li> </ul>
3 – Functioning Economic Geography (with Birmingham)	Spatial economic patterns within the region	<ul style="list-style-type: none"> <li>■ Desk research</li> <li>■ Data analysis – location quotients and other proxys</li> </ul>

## Consultation on the Evidence is Essential to Secure Buy in Before Policy Options Developed



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- WMRO experience for RSP suggests data will be challenged
- Validating evidence with partners ensures robustness and agreement
- A robust and agreed evidence base is required if challenging policy options are to be developed

# Initial Publication of The Evidence Base Due by End July 2006



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Activity	May	June	July	August	September
Theme 1					
Theme 2					
Theme 3					
Summary					
Initial Publication					
Consultation					
Finalisation					

Consultation on draft reports to begin in mid-June



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# The Region Currently has Middle-ranking Economic Performance



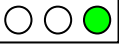
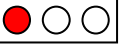




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- Relatively high innovation output despite low R&D spend
  - R&D spend particularly low in HE
- Investment is mid-ranking in UK
  - Weak where underpinned by public expenditure
- Investment in training is weak
- Generally weaker performance in manufacturing than in services
  - Particularly in innovation and enterprise

# Initial assessment highlights skills and Investment as areas of weakness

Driver	Key Indicators	Regional Performance
Productivity	<ul style="list-style-type: none"> <li>GVA / Job</li> <li>GVA / hour worked</li> </ul>	
Investment	<ul style="list-style-type: none"> <li>Total investment by companies</li> <li>Manufacturing, services, o/seas</li> </ul>	
Innovation	<ul style="list-style-type: none"> <li>R&amp;D spending by sector</li> <li>New / improved products</li> <li>Co-optn agreements</li> </ul>	
Skills	<ul style="list-style-type: none"> <li>Highest qualification level</li> <li>Uptake of training</li> </ul>	
Enterprise	<ul style="list-style-type: none"> <li>Entrepreneurial activity</li> <li>VAT registrations</li> </ul>	
Competition	<ul style="list-style-type: none"> <li>Value of exports</li> </ul>	

# Adaptive Capability in the Economy is Key to Future Success



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- GVA and employment growth but behind UK as a whole
- Continued manufacturing contraction, service growth
- Increased demand for higher skills
- Globalisation, challenges and opportunities
- Adaptive capability is key

# Economic Geography Varies Across Industrial Sectors



- Manufacturing Sector:
  - Evolving polycentricity
  - South West focus in the localisation
  - ‘Hidden’ growth sub-sectors in miscellaneous manufacturing
- Business and Professional Services – sub regional variation:
  - City focused, local demand or focussed beyond the region
- Important sub-regional differences exist
- Local economies exist that are not tied into the conurbation.
- ‘An evolving and dynamic polycentricity of production’.



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## Next Steps

- Circulation of draft thematic reports for consultation
- Thematic analysis
  - Combine model results and literature review to conclude on implications and priorities for policy making (Theme 1)
  - Use of model to explore sensitivity to alternative scenarios (e.g. external shocks or internal interventions) (Theme 1)
  - Analyze each individual driver of productivity, identifying relationships to productivity and any constraints (Theme 2)
- Synthesis
  - Assess strengths and weaknesses
  - Identify potential synergies or complementary effects
  - Highlight the key policy areas