

We are currently in Atlantic hurricane season, and with five major hurricanes to date, it looks like it will be the most active one in around seven years, as well as the costliest ever. With the Brexit vote and Trump, it could also be said that we are moving into a very unsettled economic and political weather system. Indeed, it is perhaps the stormiest forecast, economically and politically, the UK and US have faced since around 2010.

Back then, we were beginning the recovery process from what was considered by many to have been a perfect storm. This comprised a worldwide recession coupled with a global financial crisis. In the seven years since then, we have been clearing up the damage caused, in particular to the public finances. It could be said that the resulting policy measures have created another storm - Austerity. Though it seems that Storm Austerity may finally have blown itself out; politically, at least.

But, austerity aside, the past three years have largely been a settled period with low inflation, wage increases, record employment, low unemployment, and continuous economic growth. However, some would say that once again 'we didn't fix the roof when the sun was shining'. The public finances are still in a fragile state and interest rates remain at a 323-year low. This doesn't leave much scope for monetary or fiscal policy action should the climate become turbulent. And economists are now sounding some major economic weather warnings.

On the one hand, we have the end of what has been referred to as the 'consumer sweet spot'. This results from rising inflation - currently Consumer Prices Inflation is currently running at 2.9 percent year-on-year - with food, petrol / diesel and energy prices all moving up sharply. Meanwhile wage growth is currently subdued, and markedly below the inflation rates. The depreciation of sterling, particularly since the UK's EU Referendum result, has been a major factor behind rising prices, as it has made imports more costly.

The bigger warnings though are at a macro level. Indeed, it could be said that we are seeing more than storm warnings. We are actually seeing changes to entire economic and political weather systems. BRUMP - Brexit and Trump - are realigning the very established and predictable patterns of global trade.

2016 therefore looks to have been the peak for trade liberalisation. Moves to create a Trans-Pacific Partnership (TPP) trade deal and a European equivalent - the Transatlantic Trade and Investment Partnership (TTIP) - have already been scuppered by the current US President. These initiatives, years in development, were cancelled with a stroke of a pen earlier this year. Meanwhile Trump's administration is also seeking to dismantle the North American Free Trade Association (NAFTA).

The era of partnership looks set to be replaced by one of increased protectionism. Trump's Make America Great Again puts America (and its economy) first. Last week's (provisional) decision by the Department of Commerce to levy a 220% import tariff on aeroplanes from Canada provides an indication of Trump's direction of travel. It also provides the context for those hoping to negotiate a favourable UK free trade deal with the US.

The Northern Ireland economy - particularly our exporters - is potentially facing an effective pincer movement from the US and Europe / BREXIT. In relation to the latter, Northern Ireland's agri-food sector (notably beef and dairy) is vulnerable if Brexit involves a move towards adopting existing WTO (World Trade Organisation) tariffs.

The key question for the economic forecasters at this stage though is what category of Brexit we're are going to see. Will it be a Category 5 Brexit - i.e. a hard Brexit - with the UK being completely outside the customs union and single market and potentially very significant implications for foreign direct investment and the availability of skills? Or will it be a Category 1 Brexit - that is, the UK remaining with the customs union, has access to the

single market, and largely uninterrupted access to EU migrant workers?

Equally, will the current spat between Boeing and Bombardier develop into a Category 4 or 5 trade war between the US and the rest of the world?

China and Asia are other clear clouds on the horizon. Gordon Brown - the man who famously coined the flawed phrase 'the end of boom and bust' - last week warned about financial risks emanating from the world's most populous country. This forecast will cause alarm to many. Indeed, any country that has had even a fraction of the credit expansion that China has experienced, has gone on to have a financial crisis. So, if we hear the term 'Chinese credit crunch', it might be time to batten down the hatches.

However, like the hurricane season comes around every year, there are always economic storms occurring, and they won't all be like the perfect storm of 2007/8. And even in the most difficult climates, good companies and economies can survive and thrive. Some even seize the opportunity in the crisis. The most important thing is to control what you can control and to have a plan in place for potential scenarios. There are lessons in this for Northern Ireland politics, and also for the UK in its Brexit negotiations. Failing to plan is planning to fail. Particularly when the weather turns.

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