

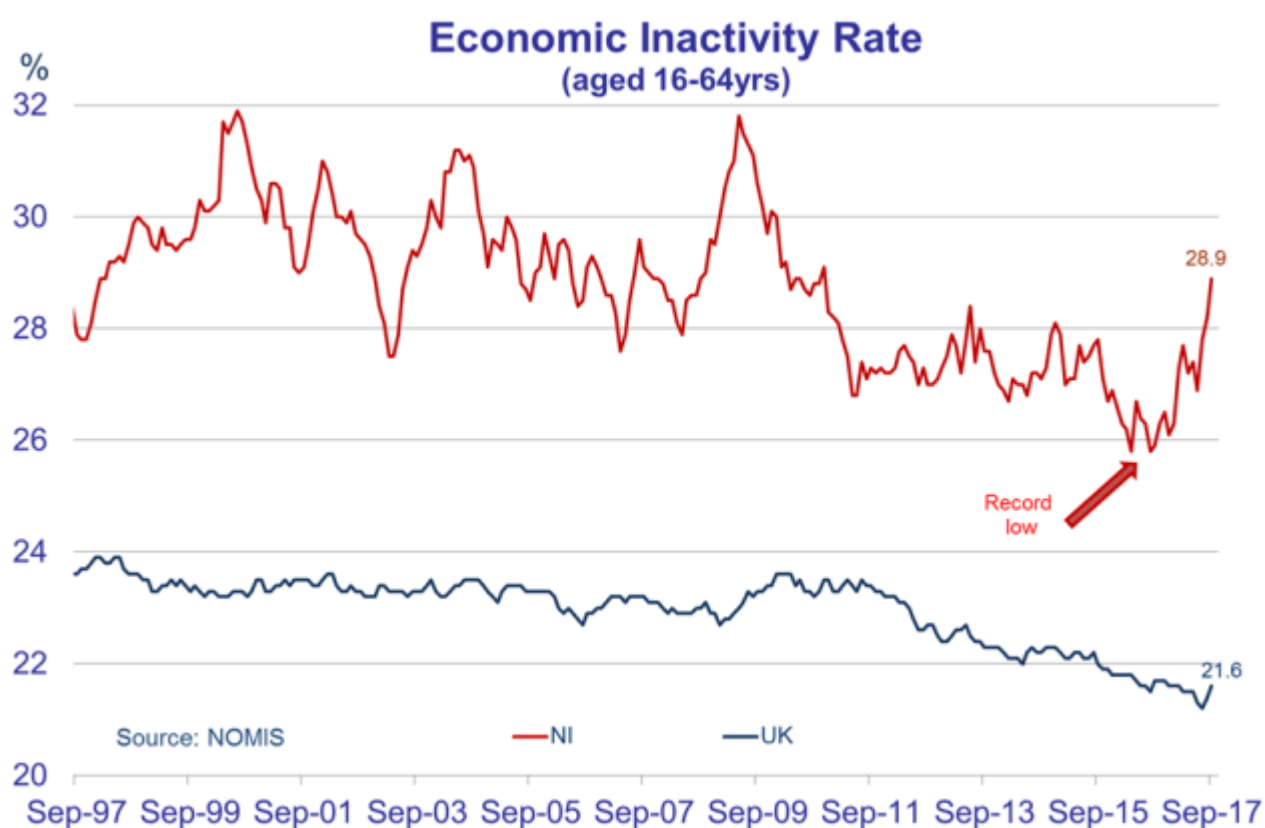
As far as positive headlines are concerned, Northern Ireland's labour market statistics have been a source of rich pickings over the last 18 months. Once again today's batch of data raises an eyebrow or two. Chief amongst these is the fall in the ILO unemployment rate - to 4.0% in Q3. This represents the lowest unemployment rate since Q2 2008 and compares with a record low of 3.2% in the summer of 2007.

More significantly, NI's headline unemployment rate has fallen below the equivalent UK figure for the first time since 2013. Meanwhile the number of people claiming unemployment benefit in Northern Ireland fell for the 20th successive month in October. The local dole queue has now been shortening for the best part of five years.

Cause for celebration?

Not quite. As has been flagged previously, Northern Ireland's unemployment rate is falling for the wrong reasons. The low unemployment rate would be welcomed if it was accompanied by falling economic inactivity and rising employment. In fact the opposite is occurring. Furthermore, the steady decline in Jobseekers' Allowance (JSA) claimants would be encouraging if it was not being accompanied by a surge in Employment Support Allowance claimants (*formerly Incapacity Benefit*). Simply moving from one welfare benefit to another cannot be viewed as a success.

Economic inactivity jumps



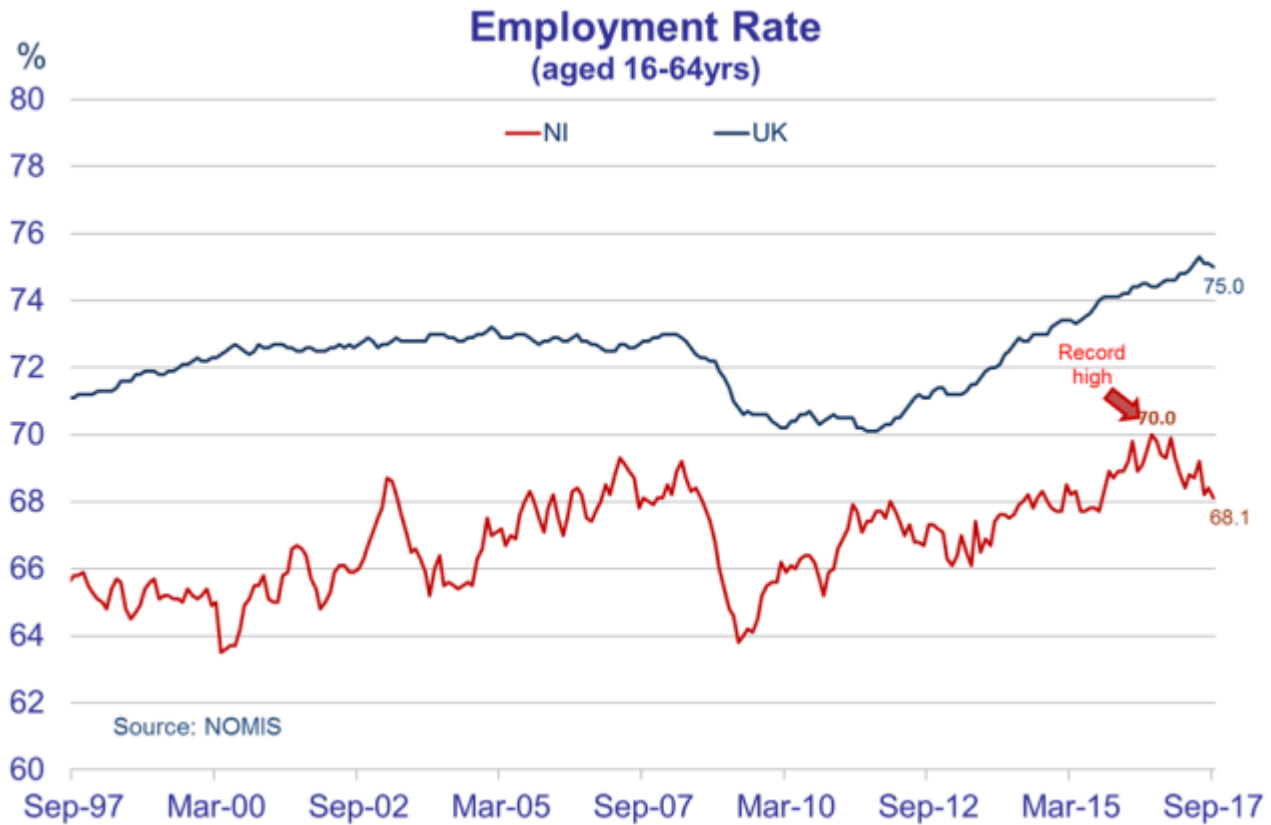
The major concern within the local labour market is the handbrake turn being performed with economic inactivity. Economic inactivity has jumped by almost 7% y/y in Q3, the fastest

rate of growth since the global recession struck in Q2 2009. This reversal of fortunes follows Northern Ireland's record low in its economic activity rate (25.8%) last summer. Economic inactivity has surged since the start of the year with the economic inactivity rate at 28.9% – the highest level since late-2010. This compares with 21.6% for the UK and remains the highest of all UK regions.

Students account for 1 in 4 economically inactive

Not all economic inactivity is bad per se. For example, almost 1 in 4 of those classed as economically inactive are students. This represents an investment for the future. Indeed, a surge in student numbers is a major factor behind the rise in Northern Ireland's economic inactivity. The number of economically inactive students has increased by 19% q/q and 22% y/y. Meanwhile those individuals classed as economically inactive due to long-term sickness or family & home care reasons has increased by 13% and 12% respectively over the last year. Looking at the rise in economic inactivity by age; the 18-24 yrs of age and 50-64 yrs of age categories posted year-on-year increases of 32% and 17% respectively.

Fall in number employed



Alongside the unwelcomed rise in economic inactivity is the fall in the number of individuals in employment. The 1% q/q rise in employment in Q2 has been more than offset by a 1.2% decrease in Q3. Part-time workers (-7.4%), the self-employed (-5.3%) and temporary workers (-4.1%) posted the biggest falls over the quarter. Meanwhile full-time workers posted their sharpest quarterly rise (+1.5%) since early 2016. On an annual basis the pace of employment decline is accelerating. Employment in Q3 fell by 2.1% y/y which represents the fastest rate of decline in around 4-½ years.

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