Good growth from around the world supports the celebratory tone being struck by leaders in Davos. And this upbeat tenor is certainly being echoed in Northern Ireland with Friday’s news about Bombardier.

Optimistic. The World Economic Forum meetings in Davos got off to a flying start with the IMF declaring world growth last year was the best for five years. Even better, it is set to be stronger this year and next. GDP growth of 3.7% is predicted for the world in 2018 with India leading the way on 7.4% and China not far behind with 6.6%. The big improvements in outlook aren’t found in Asia, but in the slower-growing developed world instead. The US is forecast to grow by 2.7% this year, boosted by stronger investment prompted by Trump’s corporate tax cuts. The Euro Area’s 2.2% might not sound like much but it is much better than was thought likely until its recent growth spurt. And the UK? Still on 1.5% with Northern Ireland a shade lower.

Seven years. The UK economy rounded off 2017 in decent shape. The economy expanded by 0.5% between Q3 and Q4, the fastest pace since Q4 2016. Finance and business services helped drive service sector growth. But squeezed real incomes are hurting the consumer facing industries. The distribution, hotels and restaurants sector grew just 0.5% y/y, it was closer to 5% the year prior. Manufacturing's renaissance is visible with a second straight 1.3% q/q rise. In fact, 2017 saw manufacturing outpace the service sector for the first time in seven years. The good times are rolling for the UK's makers.

Happy ending. Parroting the plot device of a Hollywood tear-jerker, the UK labour market unexpectedly reversed a mid-year soft patch and looks to have finished 2017 with a flourish. Employment rose by 415,000 in the year to Sep-Nov, or by 102,000 in the quarter. The main actors have switched, mind. For years, self employment had all the best lines in boosting jobs. Now full-time employees have taken the limelight, up a staggering 173,000 in the quarter. For all the chatter about robots stealing jobs the labour market remains the economy's strongest ally.

10-year low. Northern Ireland's unemployment rate edged lower to 3.8% in Sep-Nov 17.

Still lower than the UK rate of 4.3%. But employment rates and economic inactivity rates speak louder than unemployment rates. Rising inactivity rather than jobs growth has been the main driver of NI's falling unemployment rate over the last year. Like the UK, NI experienced a mid-year soft patch in employment growth. Therefore it is encouraging to note in Sep-Nov, full-time employment (+2.6% q/q) posted its fastest quarterly rise in 2 ½ years.

The Waiting Game. Kick a ball and it tends to move. Similarly a tight labour market should result in stronger wage growth. But the laws of physics differ from those of economics and a record employment rate has failed to accelerate average wages. Pay is rising by 2.5%. That doesn't sound so bad until you factor in inflation, meaning real pay fell by 0.2%. Indeed in real terms average pay has barely budged in the 12 years since 2005. There is one glimmer of hope though. Despite record employment total hours worked actually fell. So it’s likely output per hour worked, or productivity, rose. Sustaining this would be good news for both the economy and the record 32.2 million workers who make up “alarm clock Britain”.

No hat-trick. The US was aiming for three straight quarters of growth at a 3% annualised pace but it came up just short with a 2.6% figure in Q4 2017. Still perfectly respectable. And underneath the news was good. Personal spending rose at a 3.8% annualised pace, bettered only once in the past three years. And animal spirits are alive and well. Business investment in equipment grew at an 11%+ annualised pace after a similar figure in Q3. The US economy has a good bit of momentum. And what about hitting that 3% mark? That’ll probably require improved productivity and wage growth.

Good enough start. The US began the year in solid shape, according to the flash Purchasing Managers’ Index (PMI). The whole economy indicator slipped 0.3 points to a still-decent 53.8 for January. There was good news for the Fed, with job creation powering ahead and signs of meaningful inflationary pressures building. There’s no reason to expect any dithering over interest rate rises. Janet Yellen will have her last chance to put that into action as she chairs the rate-setting committee of the Federal Reserve for the last time this week. The reins are then handed over to Jerome Powell.

As you were. Once again the ECB kept its monetary policy settings on hold. Expectations of a more hawkish tone also failed to materialise. Despite a booming economy, President Mario Draghi sees ‘very few chances at all that interest rates could be raised this year’. With inflation still undershooting its ‘close to but below 2%’ target, the ECB remains cautious in withdrawing its policy stimulus. This dovish stance and rhetoric failed to weigh on euro sentiment with the single currency pushing higher. Unlike the US Treasury Secretary, who has welcomed the weakening dollar, Draghi has avoided talking down the euro’s recent strength. Currency wars have been eclipsed by trade wars.

Reawakening. In the story, Rip Van Winkle awakes after 20 years to find a world that has changed utterly. It’s not quite that with the Eurozone economy but it’s not far off. According to the flash PMI, the year opened with the fastest growth since 2006, higher inflation, the strongest employment gains since 2000 and rising order books. Firms are optimistic about the next few months and capacity constraints are apparent. All of this should mean falling unemployment and rising investment. Might the ECB think about tightening policy sooner than later?

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