Smile. Unemployment is 4% in the UK. Last seen when Derby County won the league, Harold Wilson was PM and ‘Make me smile (come up and see me)’ topped the charts. We’re practically German (3.4%). Employment rose 42k in Q2, full time jobs up 105k (so a fall in part time). True, the money’s not great. Average pay growth slipped to 2.4%y/y in June, barely above the preferred measure of inflation (2.3%). We’re treading water. Otherwise, it’s hard to fault the figures. Jobs are more secure and ¾ of the increase in jobs are high skilled. Many may be on holiday. But the labour market certainly isn’t.

Still low. Northern Ireland’s unemployment rate has been under 4% for the last nine months and below the UK rate for the last ten. The 3.8% rate in Q2 marked a rise from Q1’s record low of 3.1%. Nevertheless, unemployment rate remains very low by historically standards. Looking ahead, NI’s unemployment rate may struggle to stay below 4% and that of the UK. But an unemployment rate of sub-5% still represents 'low unemployment'. Employment growth remains strong too in the second quarter. With full-time (+3.3% y/y) and part-time employment (-2.8% y/y) moving in opposite directions. Self-employment fell by over 5% y/y in Q2 while the number of temporary workers increased by over 8% and has never been higher at 53,000.

Flat core. CPI grew at a slightly higher clip in July, 2.5% y-o-y, having been unchanged at 2.4% y-o-y for the previous three months. Upward pressure was driven by the volatile component of computer games as well as transport, food and utilities. However, the core component was unchanged at 1.9% y-o-y. Looks like the extended summer sales and Andy Haldane's talk about the 'world cup effect' did not buck the trend of underlying weakness in domestic demand. Overall, last month's inflation reading is unlikely to move the dial for the BoE with rates rising very gradually over the medium-term.

The turnaround? UK retailers had a good July as online sales continued to power ahead. The volume of goods sold in the 3 months to July was 3.4% higher than a year ago. Healthy growth indeed, especially when you compare it to the 0.1% low point that growth reached in Q4 last year. As ever, online growth is where the big numbers are, managing 15% growth and representing almost a fifth of all sales. Online clothing and department stores were the categories recording the best sales figures, up 17% and 35% respectively. So we do still love department stores, just not actually visiting them.

A Capital decline. UK average house prices increased by only 3% in June, a 5yr low. This slowdown is attributable to weaker growth, Brexit-related uncertainty and inflation outpacing wage growth over much of the last year. London, a pivotal region for the UK, saw house prices fall 0.7% y/y, the largest drop in 9 years, dragging down the overall figure. Recall the average London house price has remained more than double the national average. No wonder this region has been hit the hardest! UK rental price growth has also remained subdued, driven by weakness in London.

Steady. Northern Ireland house price inflation continues to rise at a faster rate than most other UK regions but only one-third of the Republic of Ireland’s growth rate. Good news if you are already on the property ladder but bad news if you are not. In Q2, the annual pace of residential property price inflation slowed from 7.5% in Q1 to 4.4%. Derry City and Strabane posted the fastest rates of growth at over 8% y/y. As a result, Armagh, Banbridge & Craigavon now have the lowest prices within NI (£117.9k) while Lisburn and Castlereagh remains the most expensive area (£158.7k). The standardised property price for NI is just under £133k. That’s 36% above the low five-and-a-half years ago but still 41% below Q3 2007’s ‘freak peak’.

Confidence building. The most encouraging signs in the NI housing market concern transactions and the scale of house building. These are more meaningful from an economy perspective than simply movements in prices. Residential property transactions hit a 10-year high in 2017 of 24,500 and rose by 6% y/y. This figure is just 60% of the sales volumes recorded during the 2006 transactions peak. Housebuilding activity is also on the rise with over 2,500 housing units commenced in Q2. That’s the first time in 8 years that figure has been breached. Completed housing units also continue to rise with an impressive 24% y/y increase in Q2.

Lacklustre. The latest flash estimate of the UK productivity shows that output per hour has recovered in Q2 (+0.4%) after a drop in Q1 (-0.4%). Growth in output per hour was mainly due to increase in output (+0.4%) and a small reduction in hours worked (-0.1%). The longer-term measure shows 1.5% productivity growth over the past 12 months. This is one of the highest readings since the financial crisis. However, previous productivity recoveries were short-lived and failed to return to a pre-crisis long-term trend of 2.3% per year.

Full steam ahead. US retail sales rose by 0.5% in July, signalling US consumer spending continues to drive the American economy forward as we enter Q3. No surprises there, you might think. But the pickup in sales growth, from 0.2% in June, was significantly above consensus forecasts for a 0.1% rise. The increase in consumer spending was broad-based and will strengthen the case for the Federal Reserve to continue on its path of gradual interest rate hikes later this year.

More signs. China’s monthly activity data for July was a mixed bag. Investment grew 5.5%y/y – the lowest going back to at least 1992. Retail sales growth was short of expectations but still a healthy 8.8%y/y. Meanwhile industrial production rose 6%y/y. China has been tightening policy, partly explaining the slowdown, as the authorities attempt to break the economy’s debt habit. But just in the past month they have rowed back a little with the central bank loosening conditions. Again, the debt addiction is proving difficult to break. As the Chinese proverb goes ‘habits are cobwebs at first; cables at last’.

Upgrade. The eurozone’s slightly disappointing 0.3%q/q expansion in Q2 was uprated to a more respectable 0.4%. And German shoppers were to thank for it! (not something we hear often). Strong increases in consumer spending helped drive growth to 0.5% in the region’s largest economy. There may have been no ‘Oranje’ at the World Cup but that didn’t get the Dutch down. Their economy expanded by a rather sprightly 0.7% on the back of better figures for trade, investment and spending. The eurozone is still doing pretty well all things considered, just not quite the heights reached in 2017.

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