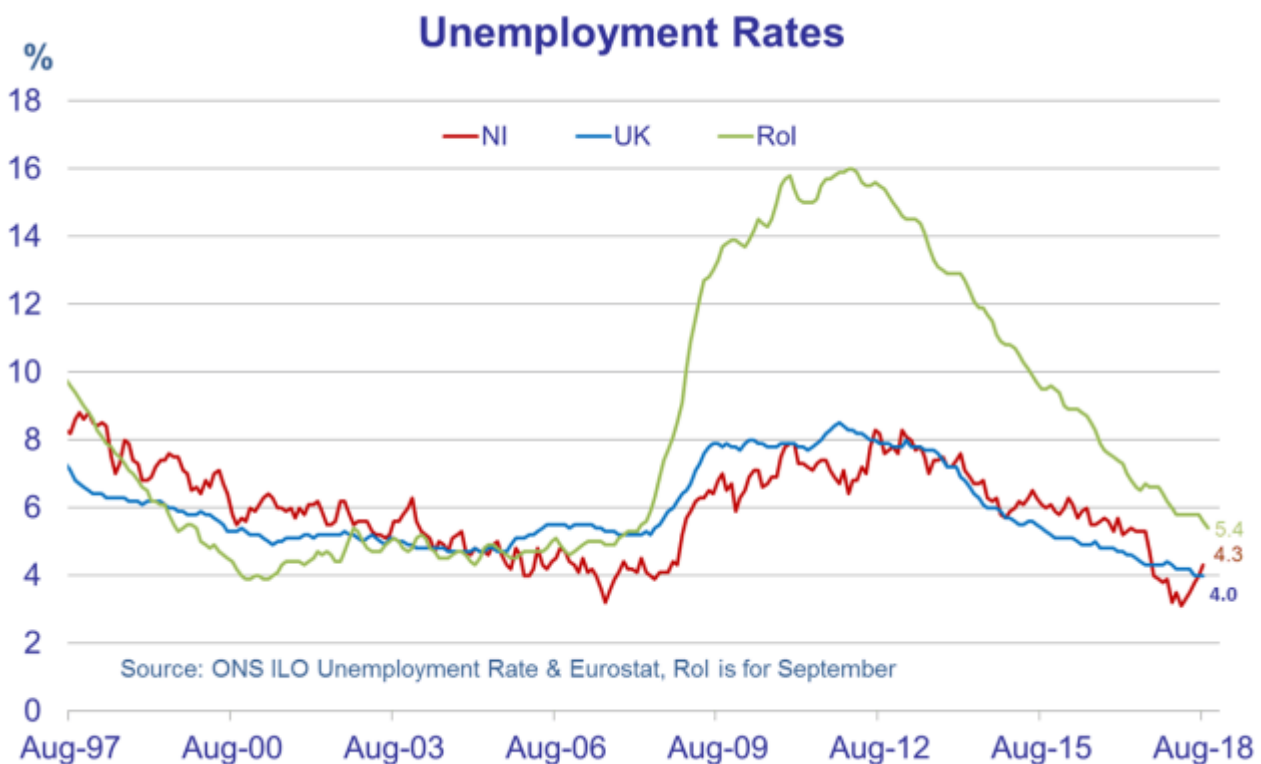


Northern Ireland's Labour Force Survey (LFS) has been a source of record breaking highs and lows of the positive variety over the last two years. More recently, Q1 2018 witnessed an all-time low unemployment rate of 3.1% with a record number of people in work in the three months to May. However, the subsequent data has seen rising unemployment coupled with a falling number of people in work.



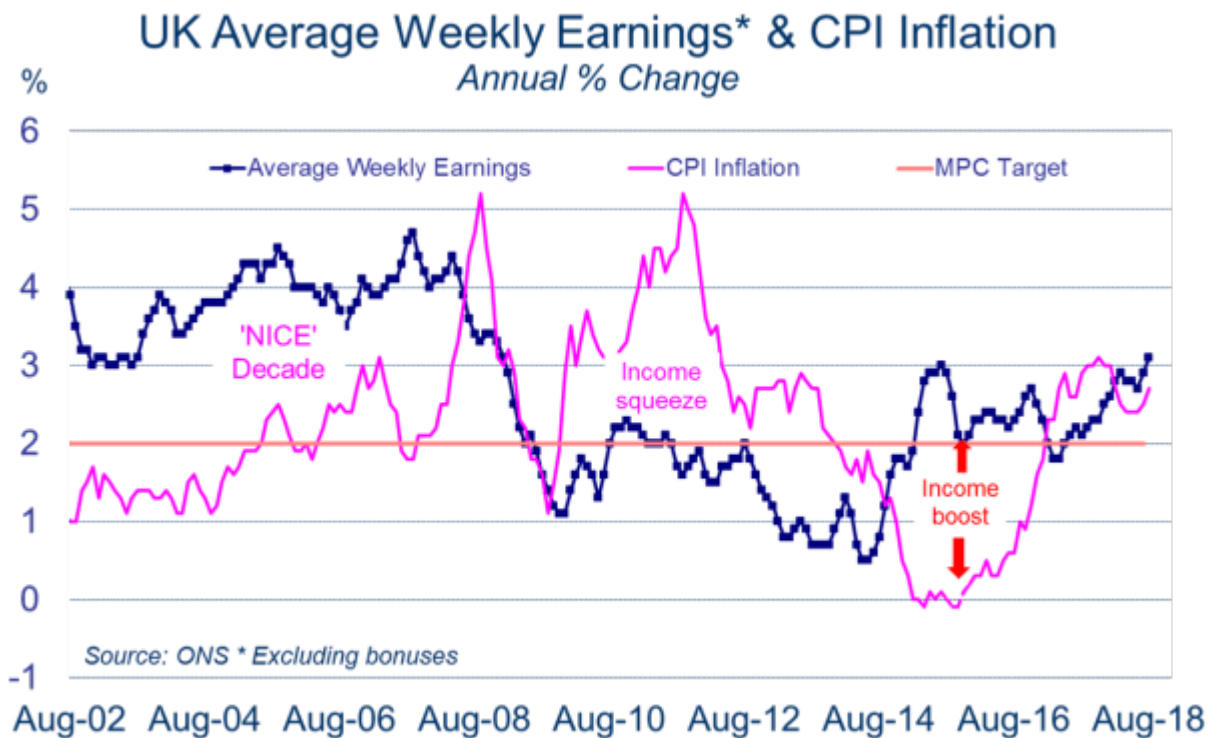
During the latest three-month period (Jun-Aug) the number of people classed as unemployed jumped by 7,000 to 38,000. This represented the largest increase (*albeit from low levels*) in the number of unemployed in six years. Northern Ireland's unemployment rate has jumped from 3.5% to 4.3% during the last two quarters, taking the local unemployment rate above the UK's (4.0%) for the first time in a year.

Employment appears to be turning a corner with the employment rate falling to a seven-month low of 69.2% in the three-months to August. The number of people working fell by 9,000 (-1.1%) during the latest quarter from its recent record high. Part-time work was the only category of employment to post quarterly growth with self-employment, full-time work and temporary workers all posting declines.



Last month the most closely watched employment survey – the Quarterly Employment Survey (*which measures the actual number of jobs rather than individuals working in some form or another*) posted a record high in terms of the total number of jobs in Northern Ireland and the private sector. However, the pace of private sector job creation moved down a gear in Q2 2018 to just 0.2% q/q. That marked its weakest pace of growth in two-and-a-half years.

While the recent flurry of record highs and lows may be coming to an end, skills shortages are likely to continue to be a growth area within the local labour market. EU nationals are a major part of Northern Ireland's workforce. Stronger economic growth and higher wage opportunities in the Eurozone have seen a significant number of these non-Irish EU nationals head to Germany and Poland for example. Given Brexit, and the UK's desire to restrict migrant labour, the challenge for the Northern Ireland economy is increasingly going to be job replacement (& retention) rather than job creation.



The other notable labour market statistic today concerned wages. UK pay growth has disappointed for the last nine years but for the three months to August it finally breached 3% with 3.1% y/y (for regular pay excl. bonuses). That is the fastest annual pay growth since January 2009 and above the rate of inflation. Could we finally see wage growth taking off? Workers in Northern Ireland will certainly hope so. Meanwhile businesses facing skills shortages will see pressure to raise wages and retain skilled staff intensify.

Unemployment and skills shortages may be going in the wrong direction but wage growth is finally heading the right way...for now at least.

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