The US economy is the main engine of global growth, posting higher than expected growth in Q1 2019. In China, latest GDP data hints at a stabilisation in activity thanks largely to another sizeable fiscal boost. However, recent downbeat Euro area business surveys point to a continued sub-par performance in early 2019.

Mixed feelings. US Q1 GDP growth quickened to 3.2% (annualised terms), from 2.2% in Q4 2018, exceeding market expectations. The breakdown of the advanced estimate revealed that higher inventories and a positive contribution from net trade more than offset decelerating consumer spending, softer fixed investment and a decline in federal government spending – the latter was hardly a surprise due to the longest US government shutdown in its history. Still, softer domestic demand will cause some concern about the near-term outlook.

Disinflation. The US core PCE deflator, the Fed's preferred measure of inflation, slowed to an annualised 1.3% in Q1 2019 versus 1.8% in Q4 2018, below the Fed's 2% target. Although wage pressures are building modestly, there is little evidence of higher inflation. On the contrary, disinflation pressures appear to be rising- a common phenomenon in many developed economies in this cycle. As a result, the Fed is expected (and expects itself) to keep rates on hold this year.

Steady. The Chinese economy, the second largest in the globe, grew by 6.4% compared with a year ago, the same pace as Q4 2018, and slightly exceeding market expectation (6.3%). Nonetheless, the last two quarters showed the slowest growth since the early 1990s. Strong domestic consumption supported by stimulative government policy helped to stabilise the short-term outlook. Another positive factor is increased optimism that a China-US trade agreement is close though medium-term risks around the pace of rising private sector indebtedness persist.

Lacklustre. The Euro area flash composite PMI index slipped to 51.3 in April, from 51.6 in March, driven by renewed weakness in the service sector. Manufacturing confidence edged higher in April but remains in contraction territory. Country-wise German business activity picked up in April as a slight improvement in the service sector more than offset a sharp decline in manufacturing output. France, however, took a turn for the worse. All this suggests the Euro area economy started Q2 on a soft note, highlighting deep-seated structural problems.

Clouds darkening. Germany's manufacturing industry continues to act as a drag on business confidence in the Eurozone's largest economy, judging from the latest downbeat IFO survey. Current conditions and the business outlook worsened in April, partially reversing March's gains after February's recent lows. Services and construction continue to contribute to growth but sentiment in the export sector and manufacturing deteriorated further – the latter saw business expectations fall to a fresh six-and-a-half low. Against this backdrop it is not surprising the German government halved its growth forecast for 2019 to a paltry 0.5%. This compares to a projected growth rate of 2.1% just a year ago.

Working, for some. Economic growth may have slowed but European economies continue to generate jobs. The EU28 employment rate reached an all-time high of 73.2% in 2018. Northern Europe countries are most industrious: Sweden has the highest share of people in work (83%), followed closely by Germany and the Czech Republic (both 80%). In the Mediterranean, things look very different. Despite recent improvements, fewer than 60% of the Greek populous have jobs. In Italy and Spain, just 63% and 67% of people are in work respectively. These three countries, with less than one-quarter of the EU working age population, account for a staggering 42% of total unemployment.

Tethered. The first glimpse for the 2018/19 fiscal year revealed total UK government borrowing to be £24.7bn. Although that’s slightly more than the Office for Budget Responsibility had anticipated in March, it’s still £17.2bn less than 2017/18 and the lowest for 17 years, or back to 2001, a monumental year that witnessed 9/11 and the then Deputy Prime Minister John Prescott walloping an egg-thrower. Overall, total debt reached £1.8 trillion in March, or 83.1% of GDP, which is actually down a tad on 2018’s 84.6% and largely in-line with the G7 and euro area pack.

Gloom and boom. The latest RICS and Ulster Bank Commercial Market Survey is something of a curate’s egg, best summed up as retail gloom and office boom. Demand for retail space fell in Q1 for the fifth successive quarter with retail investment enquiries at a decade low. Falling retail demand is par for the course across the UK. But overall occupier demand in Northern Ireland continues to rise, bucking the downward trend evident in Great Britain. A surge in office demand coupled with a buoyant industrial sector is responsible for this. Indeed, local office demand hit a three-year high in Q1. While ongoing Brexit uncertainty is deterring foreign investors across the UK, Northern Ireland surveyors have seen a pick-up in enquiries for the past two quarters. Clearly there are some Brexit-proof sectors, such as ICT, out there.

Hiring on all cylinders. Northern Ireland’s office boom is evident on the recruitment front. NIJobs.com listings relating to HR, Marketing and Secretarial & Admin jobs hit a record high in Q1 as did the overall number of vacancies. Twenty-one of the thirty-two employment categories recorded year-on-year growth with six posting all-time highs. Software developers, Chefs, Maintenance Engineers and Accountants are all in demand with job vacancies up 13% y/y and by over one-third in four years. IT remains the most active in recruitment terms accounting for almost one-in-eight of vacancies. Social, Charity & Not for Profit, Hospitality, Engineering and Accountancy sectors were the next big performers for Q1. Skills shortages remain a major headache for firms with vacancies reflecting churn as well as new job creation. The Northern Ireland economy may be slowing but the labour market hasn’t got the memo yet.

Game of Tourists. The eighth and final season of Game of Thrones recently aired. Anyone who visited Northern Ireland’s tourist spots over Easter may have bumped into fans of the HBO hit series. While fans have reached for their capes, anoraks have reached for their calculators to quantify the economic impact. Last year a record number of fans travelled from all over the world to visit 26 filming locations from the show. Tourism NI estimates 1 in 6 out-of-state visitors, or 350,000 people, came to NI in 2018 as a result of GoT and spent £50m. NI Screen estimates the show has brought more than £206m into the local economy. “Winter is coming” but so too is next spring; which will see the Game of Thrones studio tour open in Linen Mill Studios, Banbridge. A permanent legacy and an attraction for tourists for years to come.

Share this:

- Twitter
- Facebook
- LinkedIn
- Email