

The latest NI data dump from NISRA suggests that the local economy has dodged a technical recession (i.e. two successive quarters of contraction) due to marginal growth in the most recent quarter. This was perhaps unexpected. But output edging above the contraction mark rather than below it will be of little consolation to, or consequence for, households across NI struggling to pay heating, electricity and food bills.



Overall, marginal growth returned in Q3 2022 (0.1% quarter on quarter) for private sector services compared to a fall in activity fell in Q2 (0.4% q/q). But it is worth noting that services activity in Q3 remains 0.3% below the Q1 2022 output peak. And, indeed, the latest figures confirm that retail and households haven't received the 'no recession' memo, with the specific Retail Sales Index posting its third quarterly decline in four quarters.

Year-on-year, NI retail sales are down 5.3%, and activity is 6.2% below pre-pandemic levels. Retail sales levels are now at their lowest (outside of the pandemic) since at least Q1 2014. And this is even with the fact that, unlike in GB, NI retailers are benefiting from 'Southern Comfort' due to a buoyant RoI economy

In fact, the RoI economy could in part be behind the stonking growth in Other Services, which includes personal services, health, beauty, dental, physio, hairdressing, laser eye surgery, tattoos etc. Output in this subsector is up 16.3% y/y to a record high, with activity 13.6% above pre-pandemic levels.

In terms of the services sector as a whole, output is up just 0.4% year-on-year. NI index of services output is now 4.9% above Q4-2019's pre-pandemic level. Outside the consumer sensitive sectors of retail trade, car sales & hospitality, there is growth across the board.

The Transport, Storage, Information and Communication (TSIC) sector posted the strongest quarterly growth of the services sub-sectors (+3.5% q/q & 12.8% y/y). This category includes the mighty Kainos and other tech firms in areas such as cyber security, as well as the buoyant logistics sector. Activity in TSIC has never been higher. Similarly, business services & finance (banks, accountancy firms, estate agents, law firms etc) posted strong growth in Q3-22, with the highest level of activity since Q1-2009.

Regarding the Index of Production (mostly manufacturing), Q2 2022 saw growth of +0.5% quarter on quarter and +1.9% year-on-year. These are respectable growth figures, but they conceal that manufacturing output has essentially flatlined since the second quarter of the year, with a marginal 0.1% q/q fall in Q3 (compared to -2.3 for the UK as a whole).

Interestingly, NI's mighty Mining and Quarrying manufacturing subsector saw activity fall flat.

The growth seen in the Index of Production was driven by energy production. Gas & electricity supply was up +5.8% quarter on quarter and +1.9% year-on-year. On the other hand, the manufacture of chemicals & pharmaceuticals (e.g. Randox, Almac & Norbrook) saw output fall by 9.5% q/q and by 31.6% y/y, bringing output in Q3-2022 to 46% below its

pandemic peak. (It saw record output in Q4 2020 due to Brexit stockpiling & COVID-19.)

Another sub-sector to benefit from the pandemic was textile manufacturing due to the manufacture of PPE. But as with pharma, activity dipped by 3.9% q/q, meaning output is now 12.2% below its Q3-2020 high. Food and drink manufacturers have also seen output ease by 4% q/q, but output is still up 6.5% relative to Q3-2021.

Engineering and Allied industries was one of the best performers in Q3-2022 with growth of 6.8% q/q and by 17.1% y/y. This strong growth is coming off a very low base after aerospace manufacturing nosedived following the pandemic.

Overall, today's figures are a selection box of sub-sectoral performance, some good and some bad. Manufacturing & services activity in Q3 is broadly flat, with retail sales slumping and at Q1 2014 levels. That's the cost-of-living crisis for you.

But there are range of positives too... One of the big ones, including for the hard-hit consumer sensitive sectors, is the good performance of the Republic of Ireland economy. As always, observing the number of RoI registered cars in NI shopping centre car parks will provide a useful barometer of this in the days, weeks and months ahead.

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