
Northern Ireland Economic Update

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Chief Economist Northern Ireland

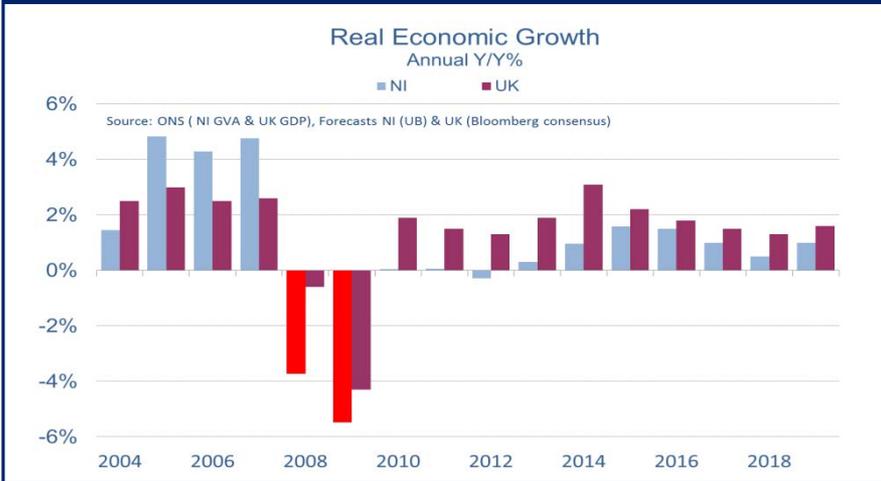
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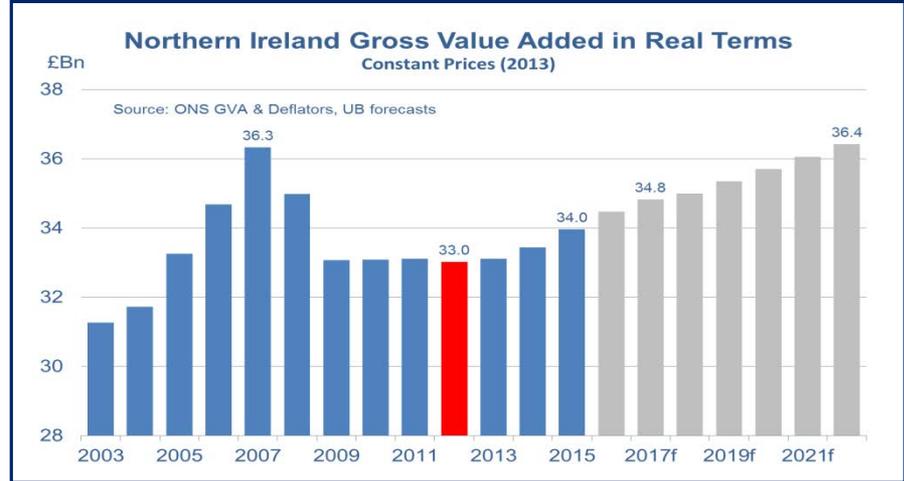
September 2017

NI had a longer & deeper recession than the UK. NI recovery weaker. Trend set to continue

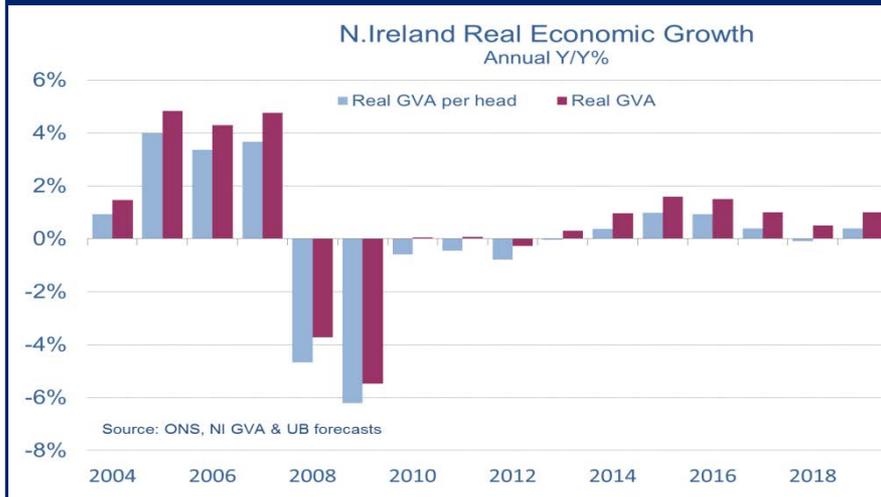
NI growth 2016e 1.5%, 2017f 1.0% & 2018f +0.5%



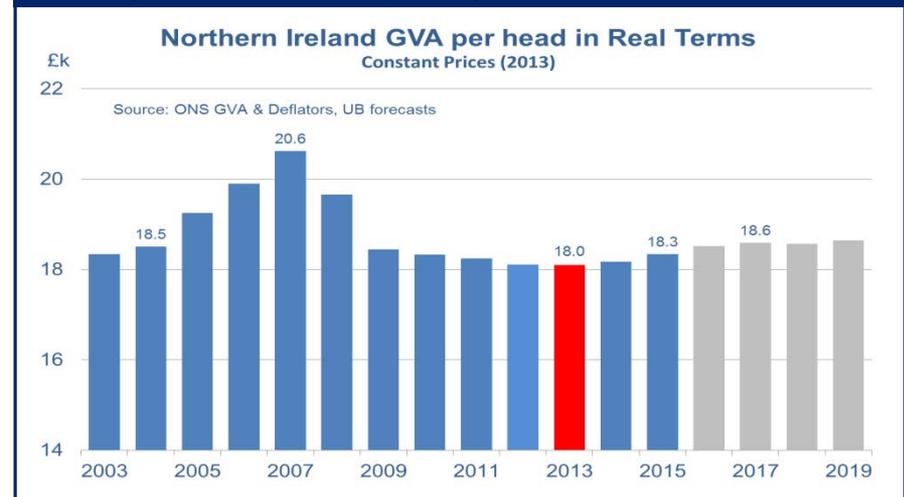
NI GVA fell 9% from 2007 peak. Now ~ 2006 levels



NI's GVA per head fell for 5yrs in a row!

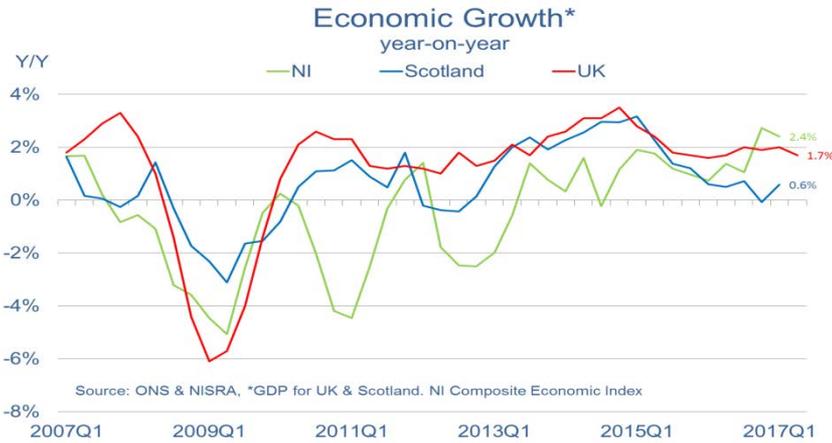


GVA per head -12% from peak. Now ~2004 levels

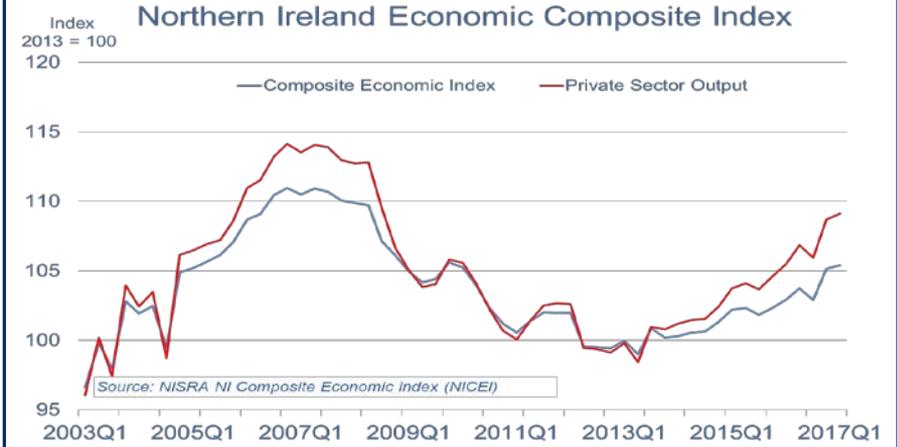


NI's Composite Economic Index shows strong growth 2.4% y/y in Q1 but sectoral divergence Ulster Bank

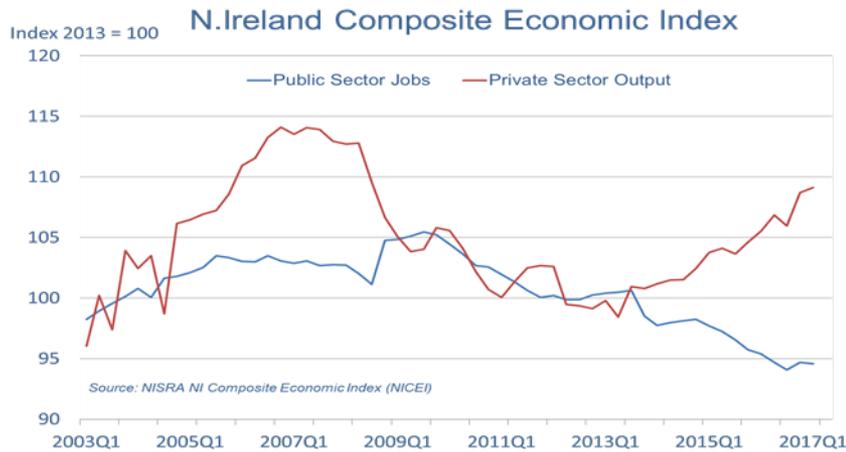
Some indicators suggest NI outperforming UK?



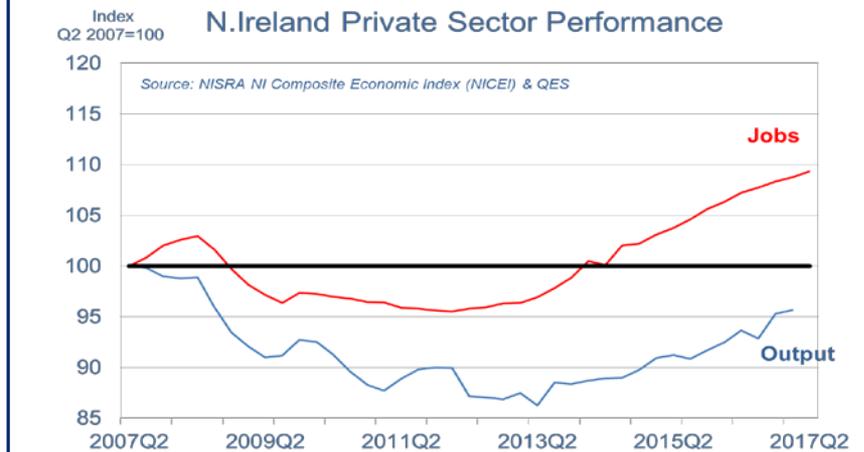
But NI Composite Index still 5% below Q2-07 peak



Divergent trajectories for public & private sectors

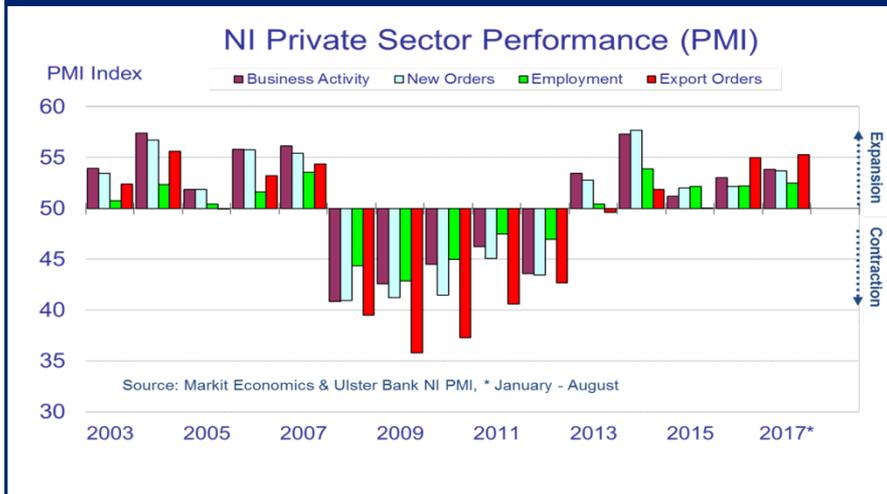


Private sector output in Q1-17 still 4% below Q2-07

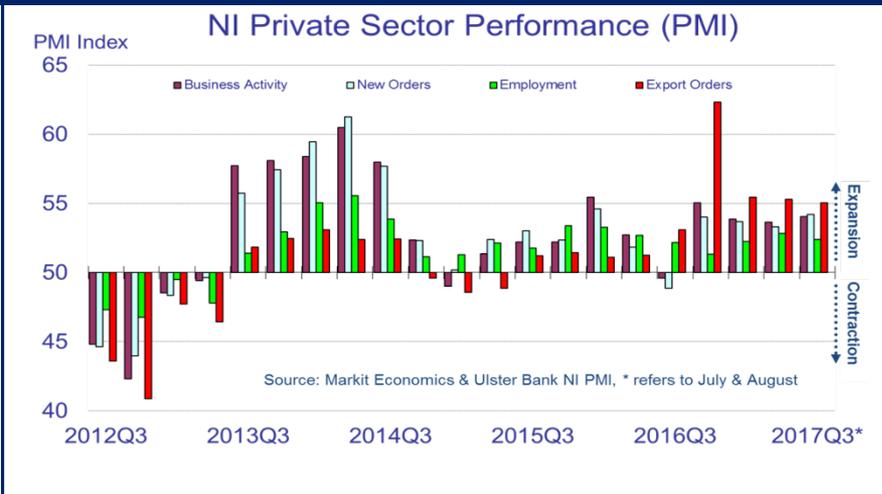


PMI signals private sector expansion in Q3* with an acceleration in output & new orders

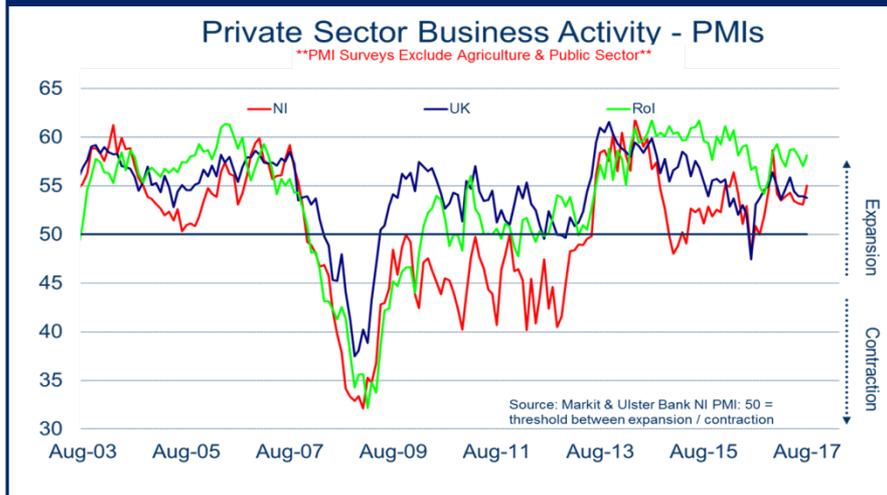
PMI signals ongoing recovery since 2014



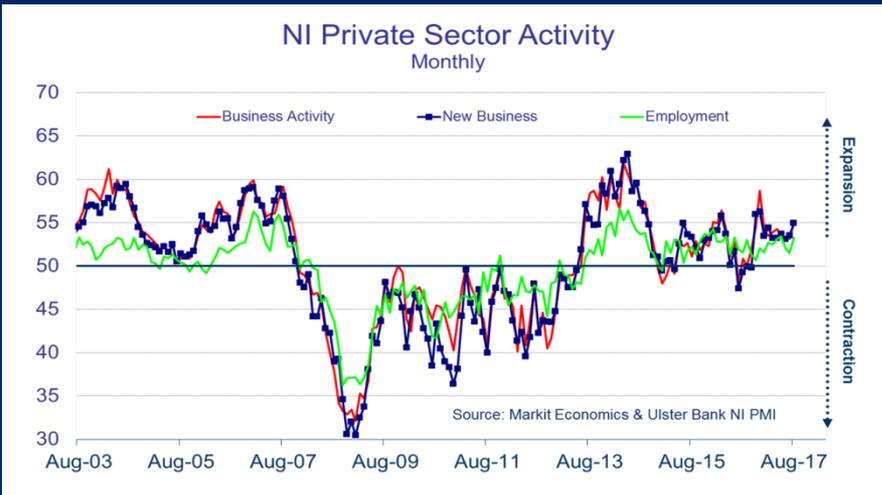
Output & new orders accelerate in Q3*



NI's PMI at an 8-mth high in August (UK 6-mth low)

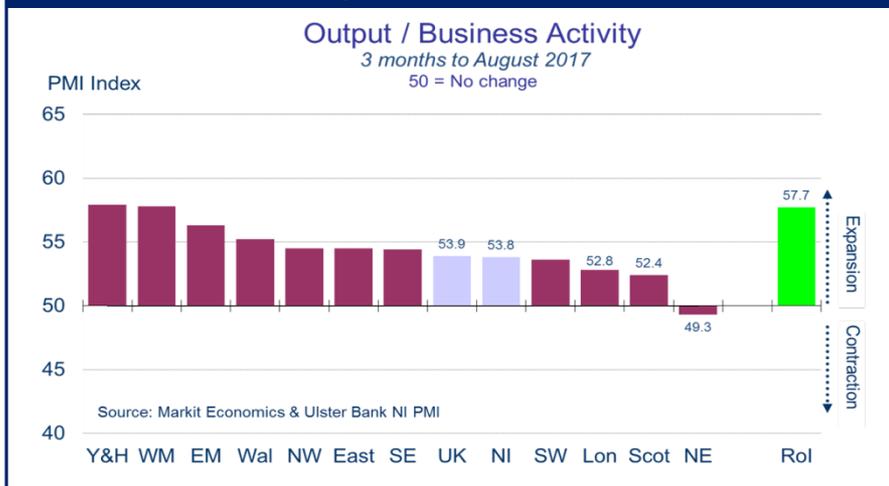


Growth rates for jobs, orders & activity accelerates

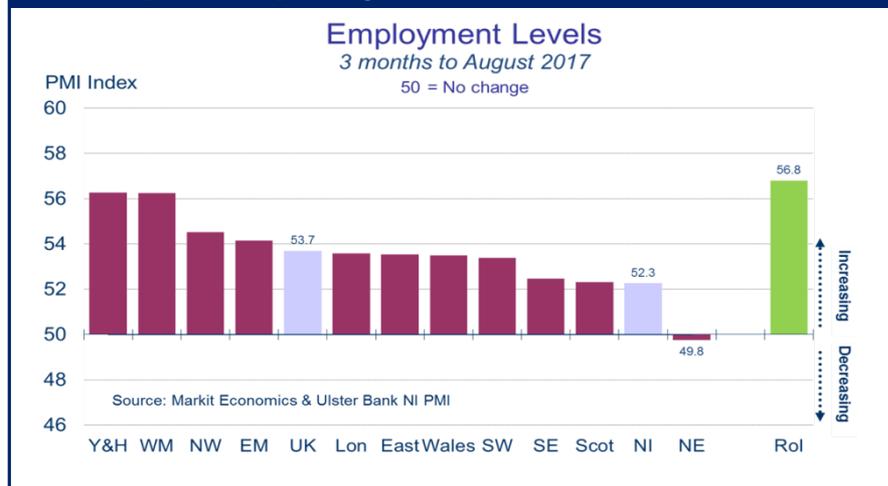


PMI signals NI is still at the wrong end of the regional growth league table

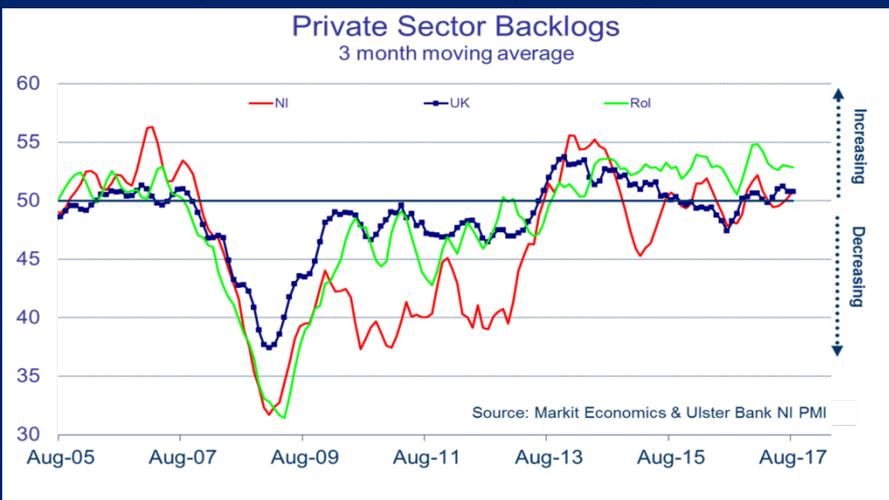
NI business activity in line with UK ave. (3mths-Aug)



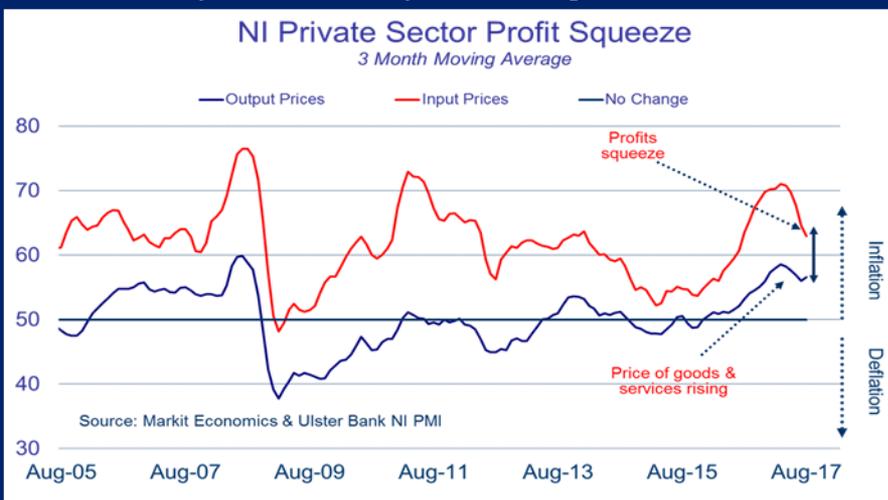
But pace of jobs growth is one of the weakest



Backlogs of work mounting amongst NI firms

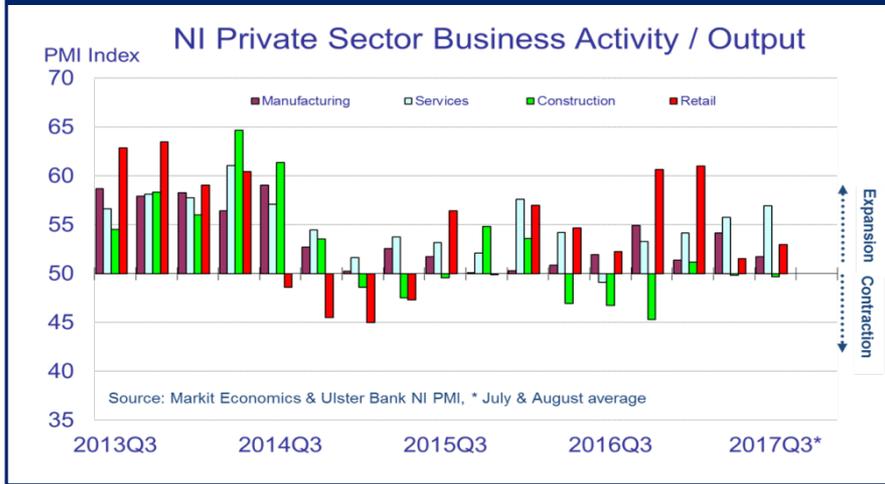


Inflation a problem despite easing in recent months

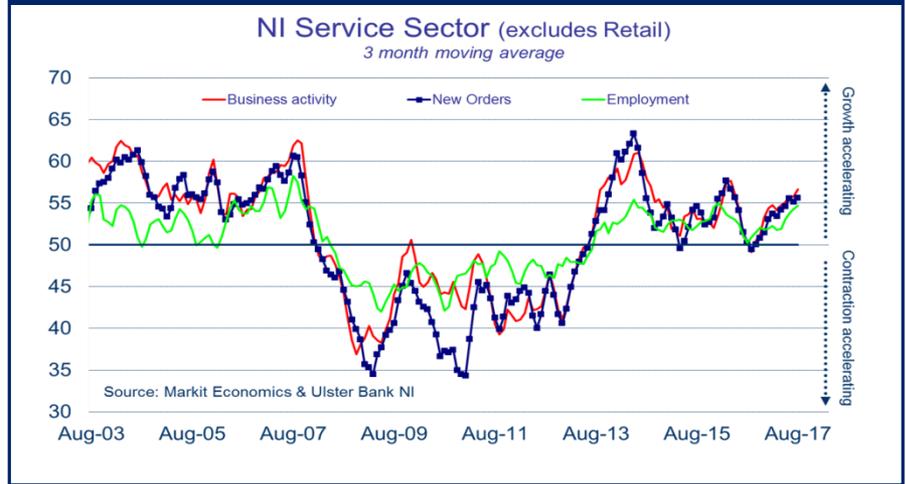


Services & retail PMIs post the fastest rates of growth with construction in contraction mode Ulster Bank

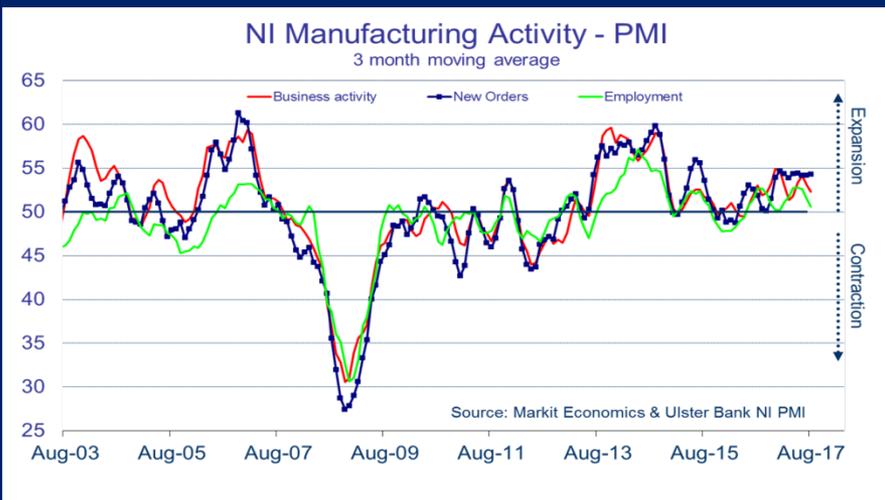
Retail & services output growth accelerates in Q3*



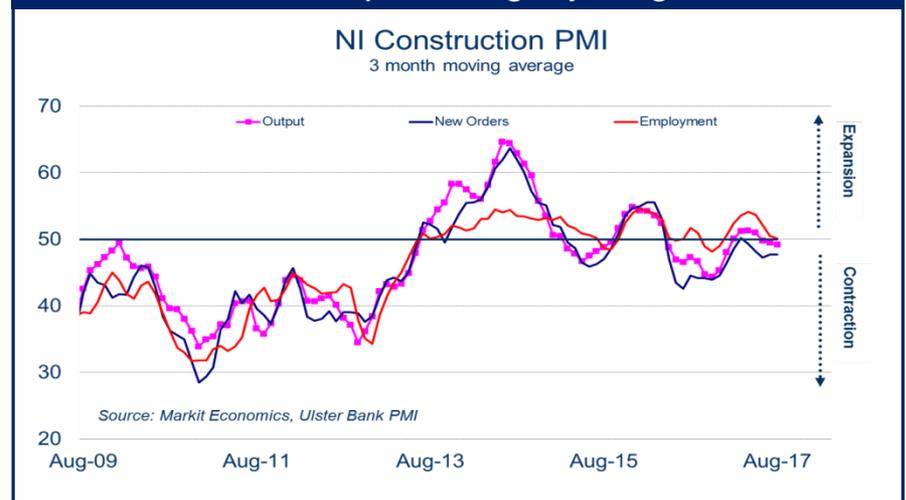
Service sector expansion accelerates in Q3*



Manufacturing's jobs / output growth rates slow

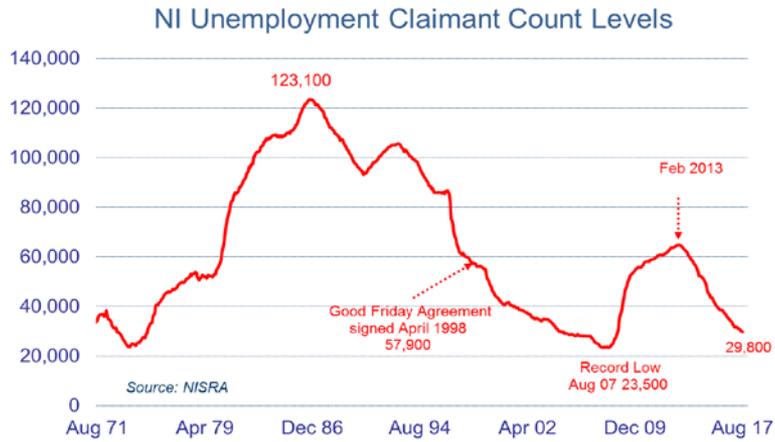


Construction output falling & jobs growth flat

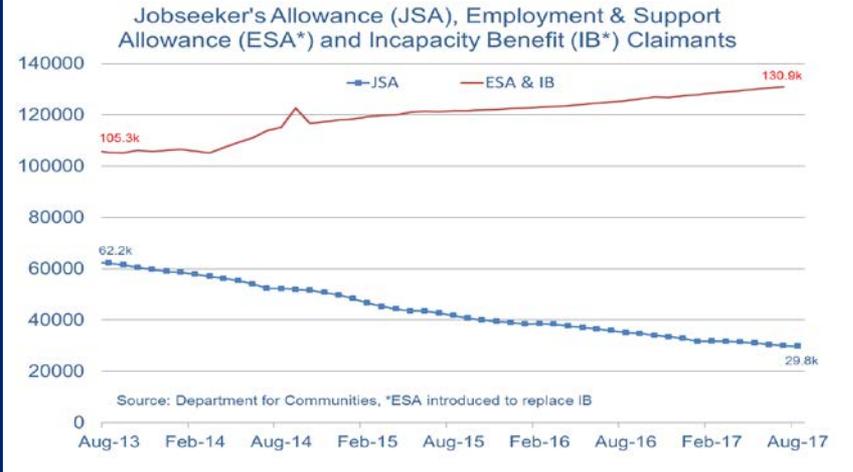


Falling Jobseekers Allowance numbers hides economic inactivity & benefit uptake elsewhere

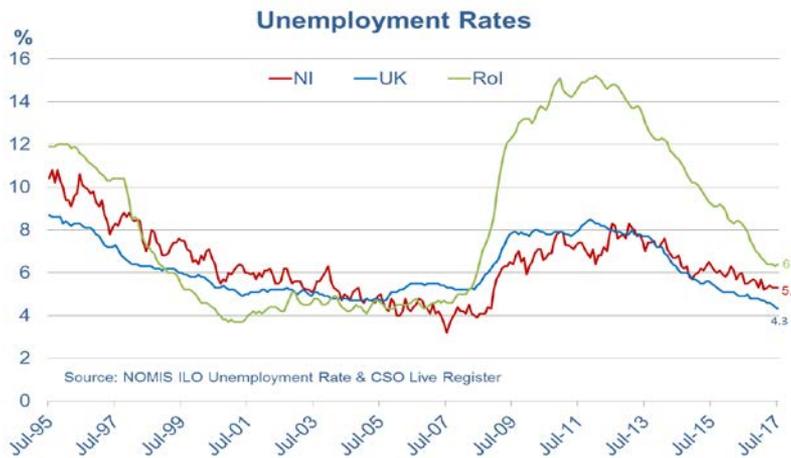
Unemployment benefit claimants at a 9-yr low



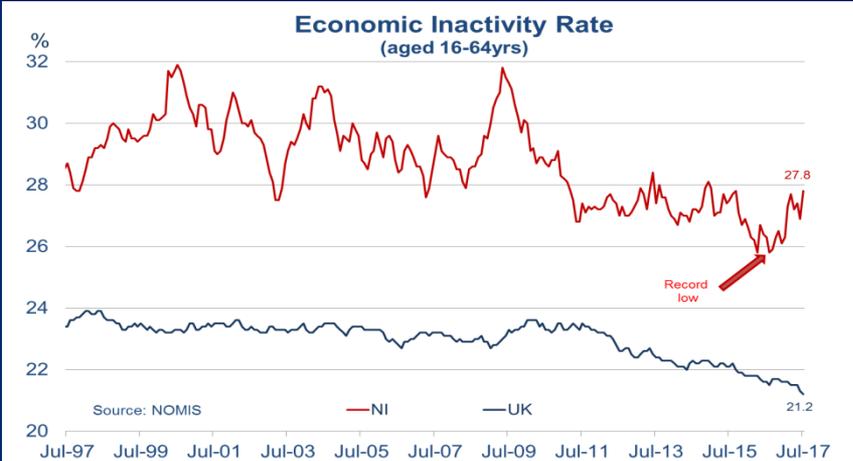
...but rising inactivity & benefit uptake elsewhere



UK & NI unemployment at 42-yr & 8½ -yr lows



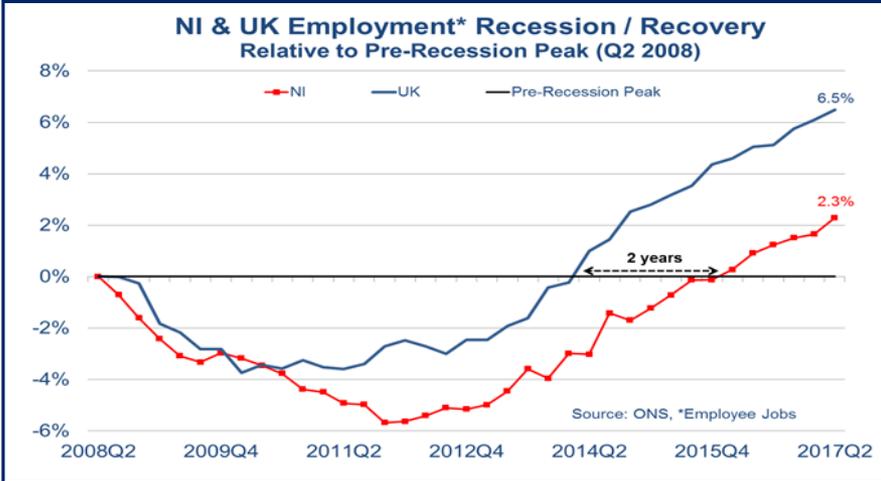
...but inactivity rising following 2016 low



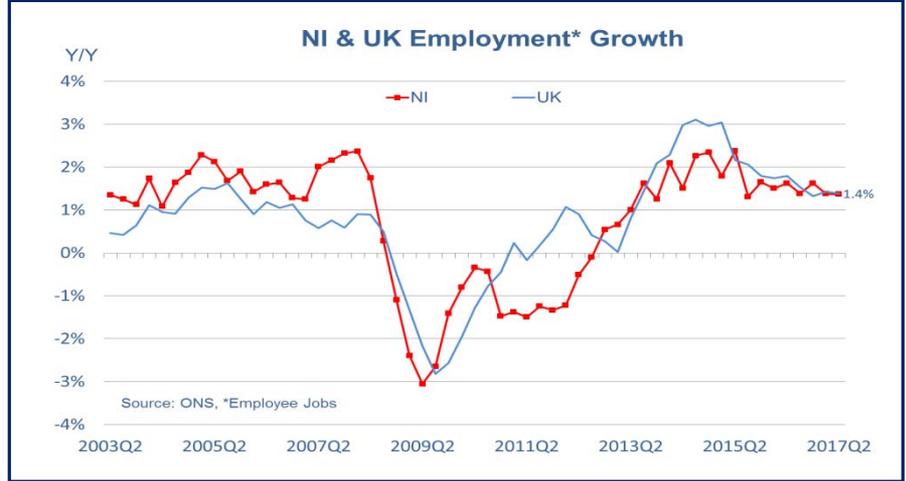
NI has >2% more jobs than pre-recession peak. Ulster Bank

But growth slowing, notably with full-time jobs

NI returned to pre-recession jobs peak in Q1-16



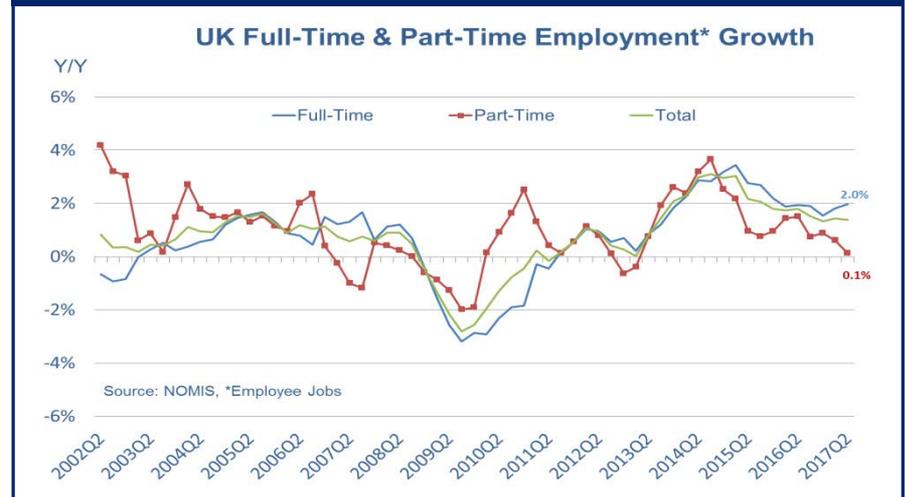
NI creating jobs at the same pace as the UK ...



But NI jobs growth is strong PT & weak FT...

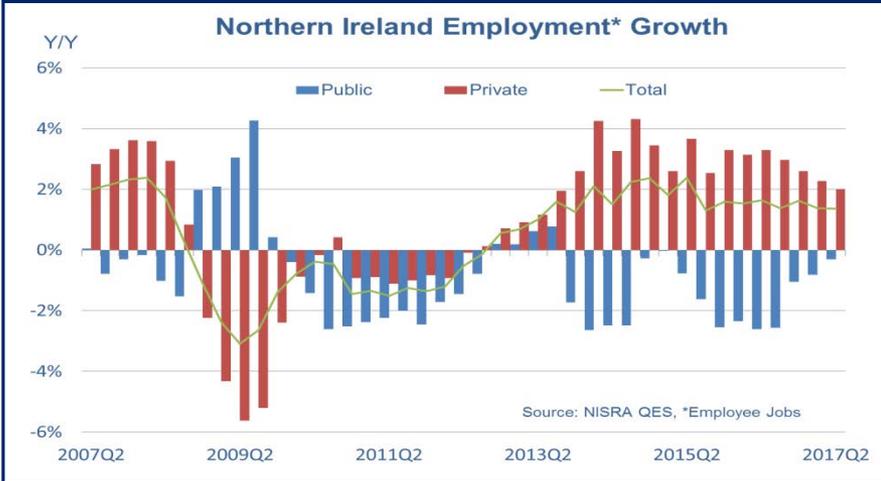


Whereas the UK growth is dominated by FT jobs

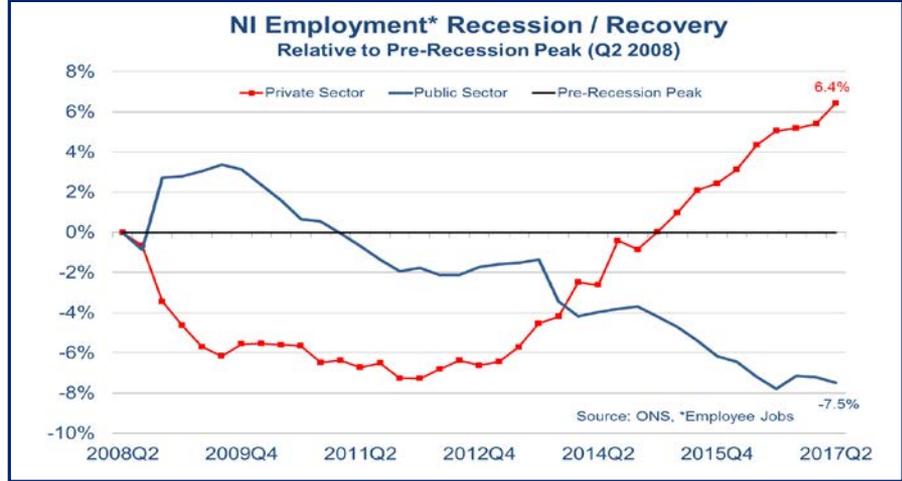


Private sector jobs at record highs. But public sector job losses continue

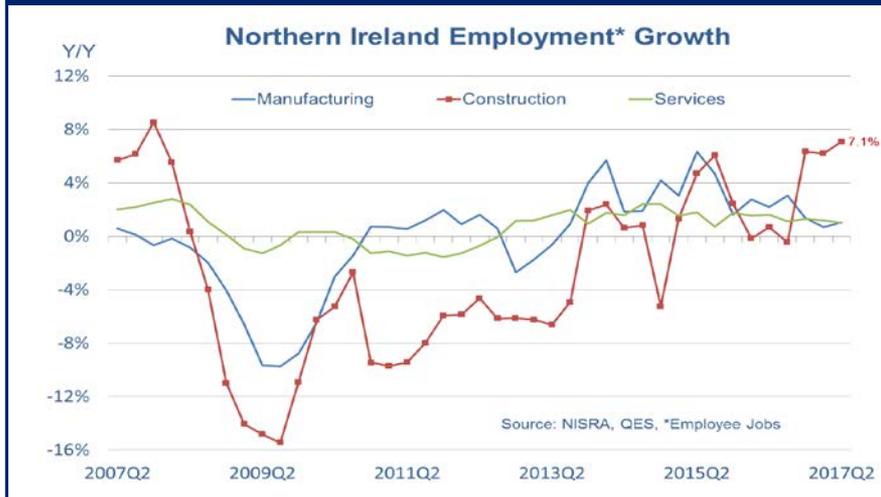
Contrasting fortunes with public & private sectors



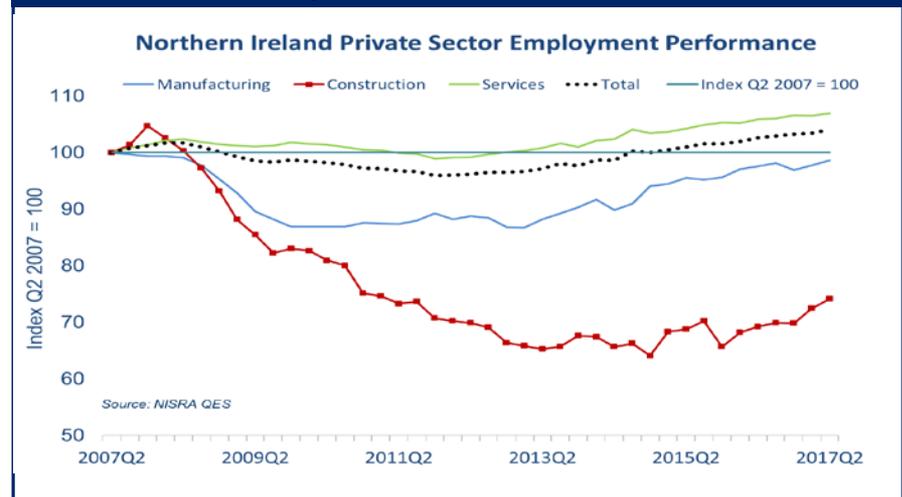
Private sector employment has never been higher



Job creation is fastest in the construction sector

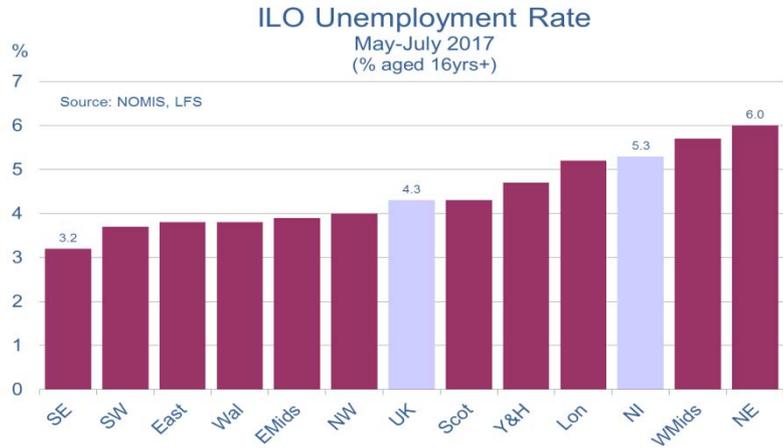


But construction jobs are 25% below Q2 2007 level

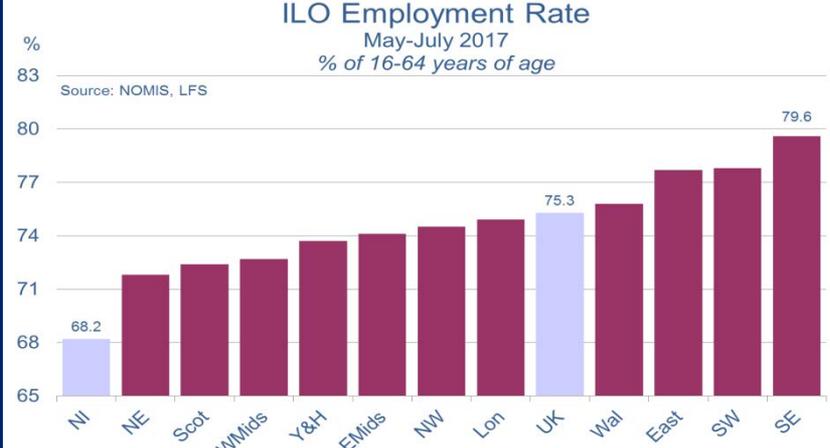


Regional labour market performance. NI is at the wrong end of the league tables.

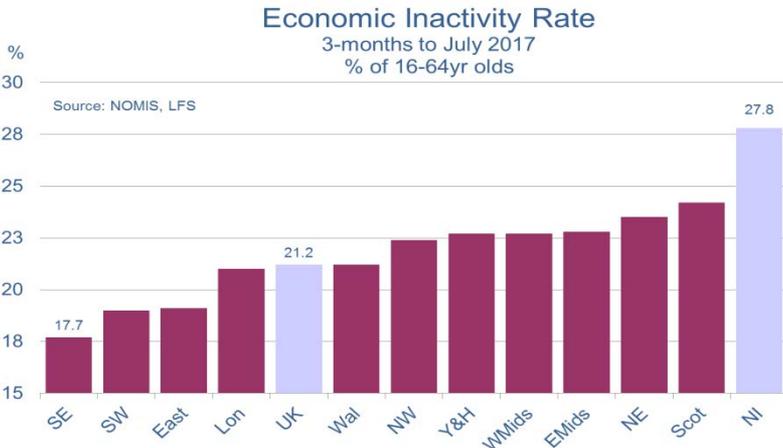
NI has the 3rd highest unemployment rate in UK



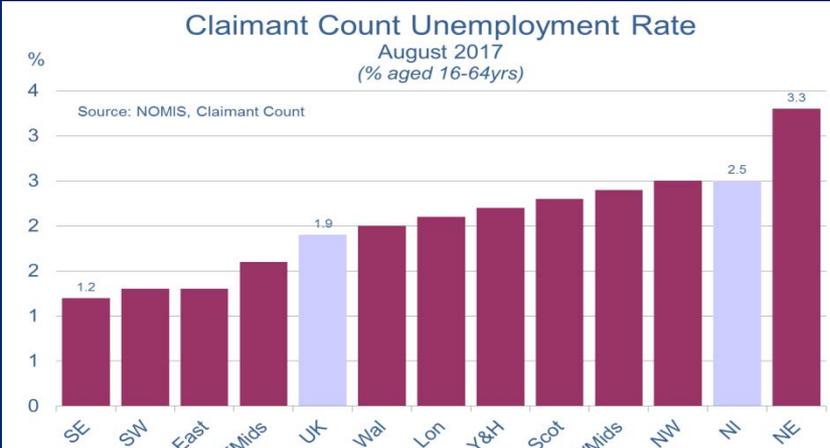
...but the lowest employment rate in the UK



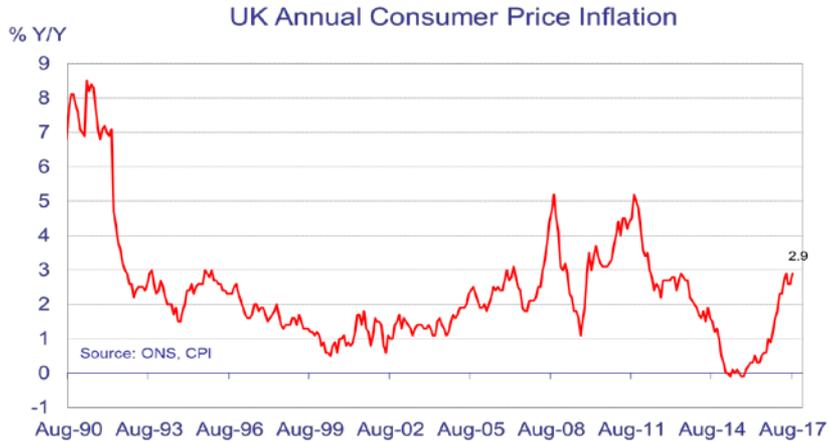
NI has the highest rate of inactivity in the UK



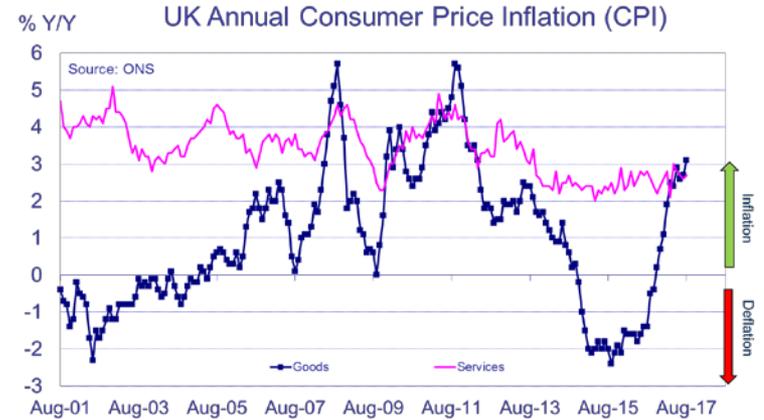
NI's claimant count unemployment rate > UK rate



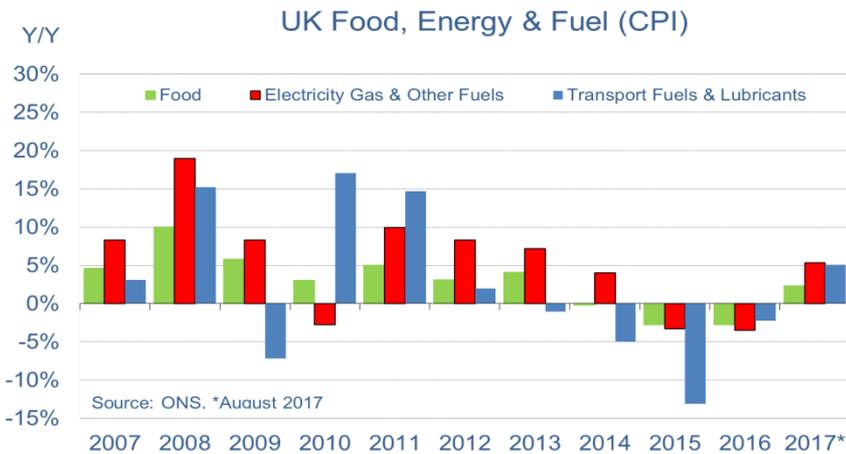
UK CPI inflation at a 5-yr high of 2.9% y/y



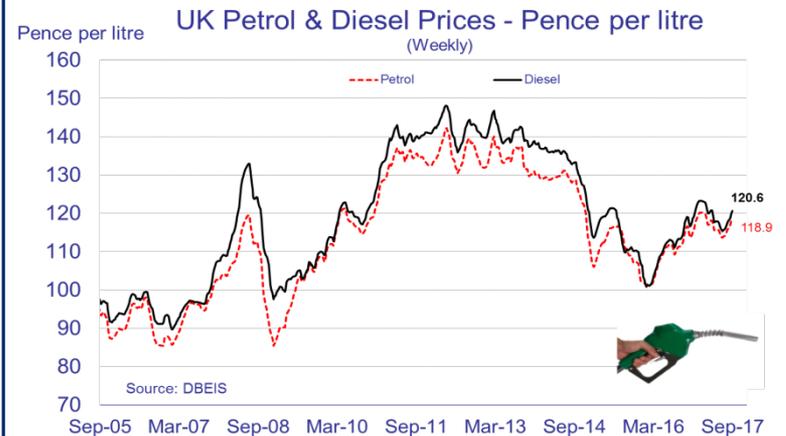
Goods inflation is rising sharply



Food, motor fuel & energy bills are rising again

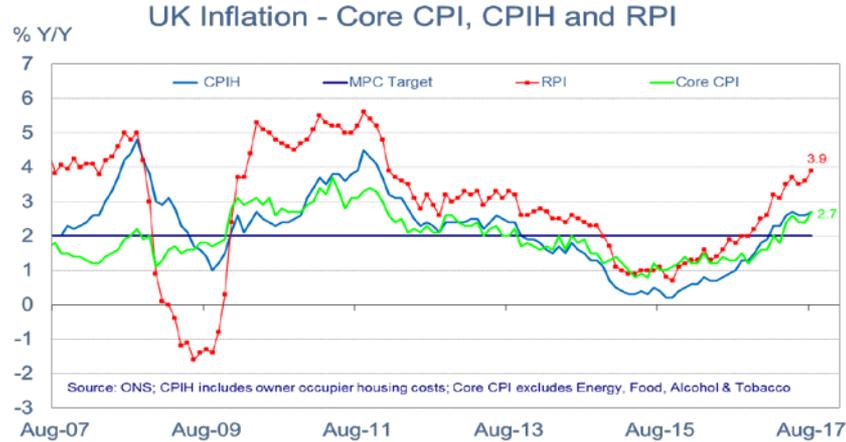


Petrol & diesel up 5ppl (4.6%) since July's low

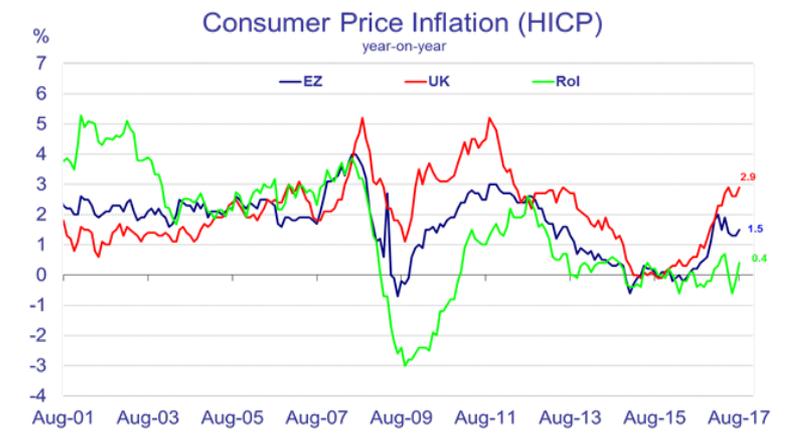


The 'cost of living crisis' squeeze has returned with Ulster Bank pay growth lagging inflation again

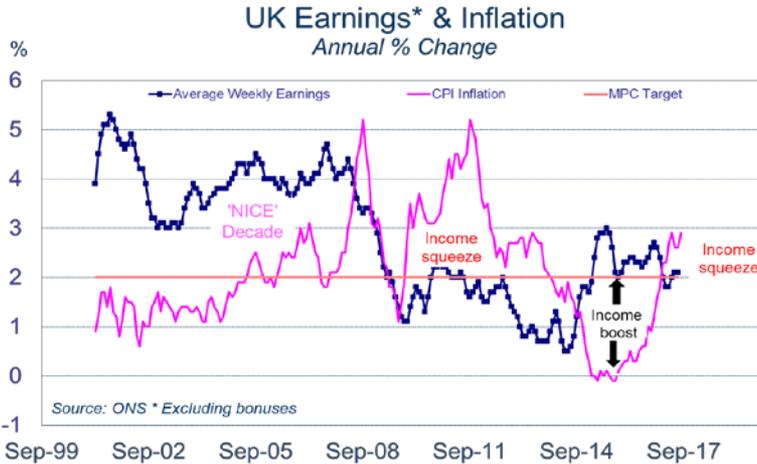
Inflation not just a food & fuel story. Core-CPI 2.7%



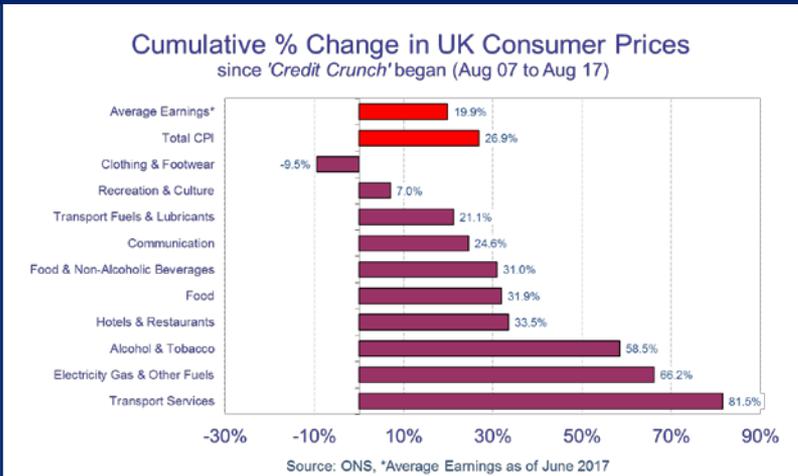
UK CPI ~ twice the EZ rate & 2.5pp above RoI



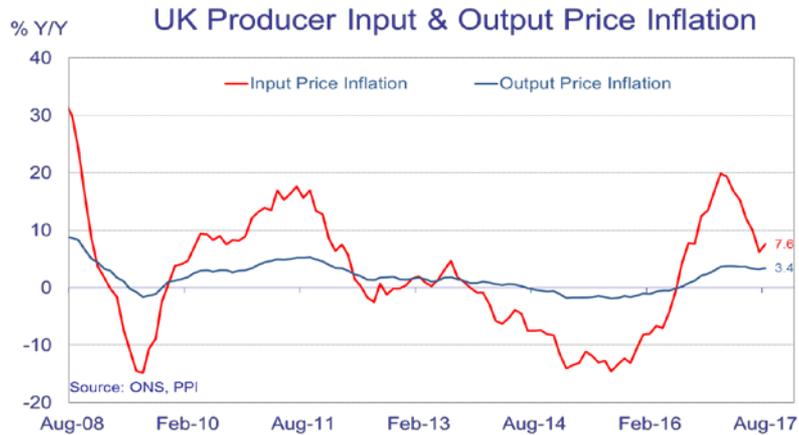
Average earnings growth lagging wages again



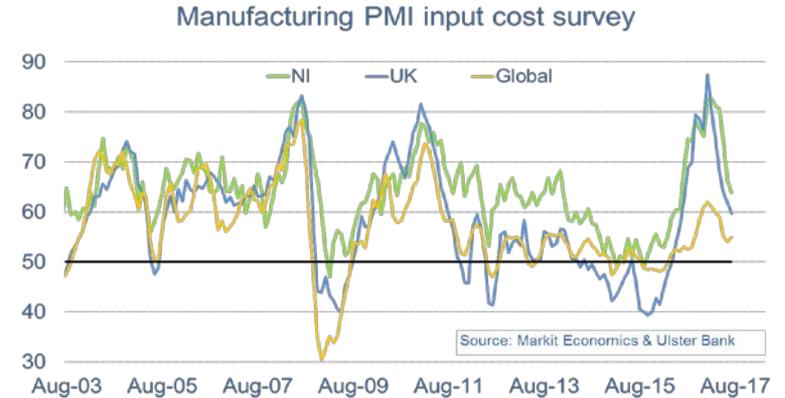
Pay growth has lagged CPI for the last decade



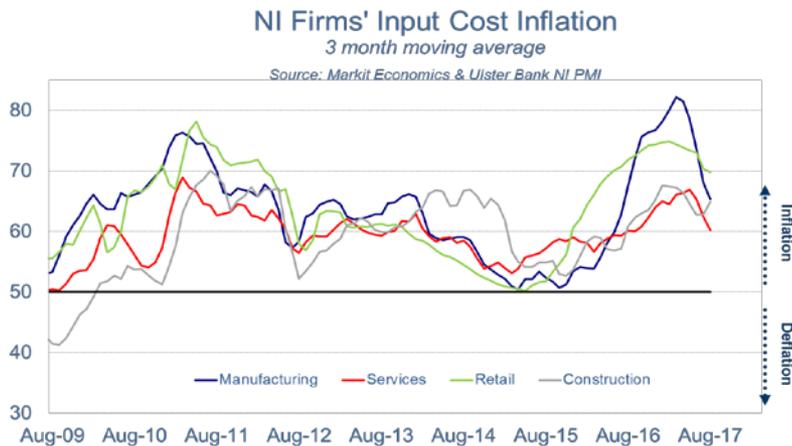
Input cost inflation has eased but still strong



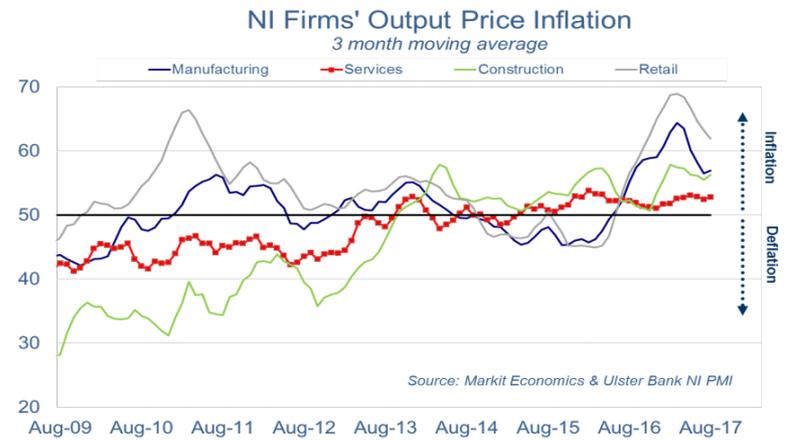
Inflation more marked for UK/NI manufacturing



Input cost inflation not just a manufacturing story



NI firms passing on higher prices to customers



£'s slide (EER -17% since Aug-15) a mixed blessing. Ulster Bank

Fuels import price inflation but boosts exports

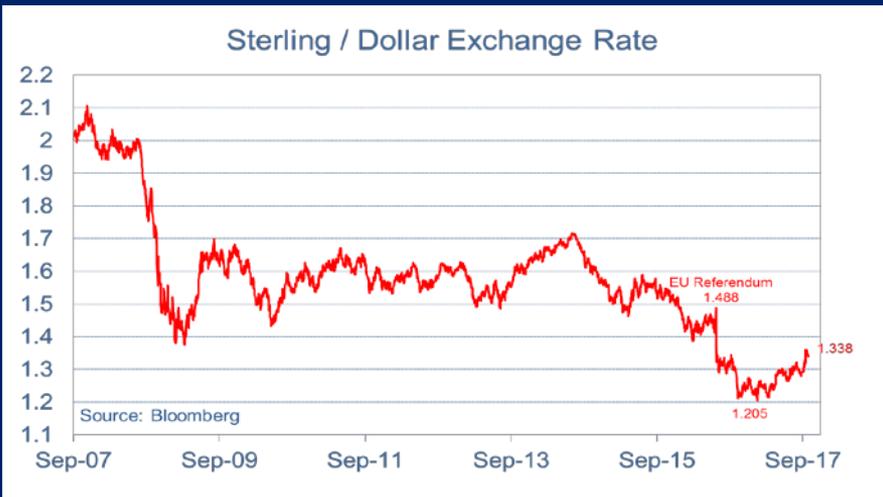
£'s effective exchange rate down 11% since EU-ref



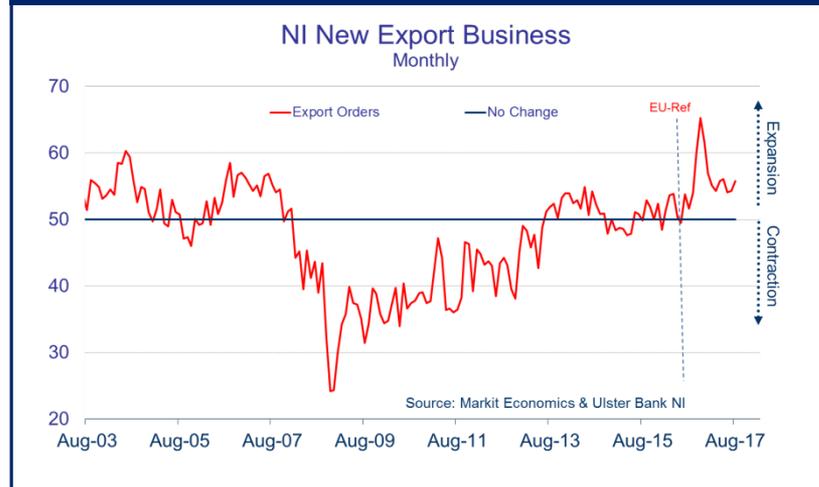
£ rises off Aug-17 low & still 13% below Jun-16



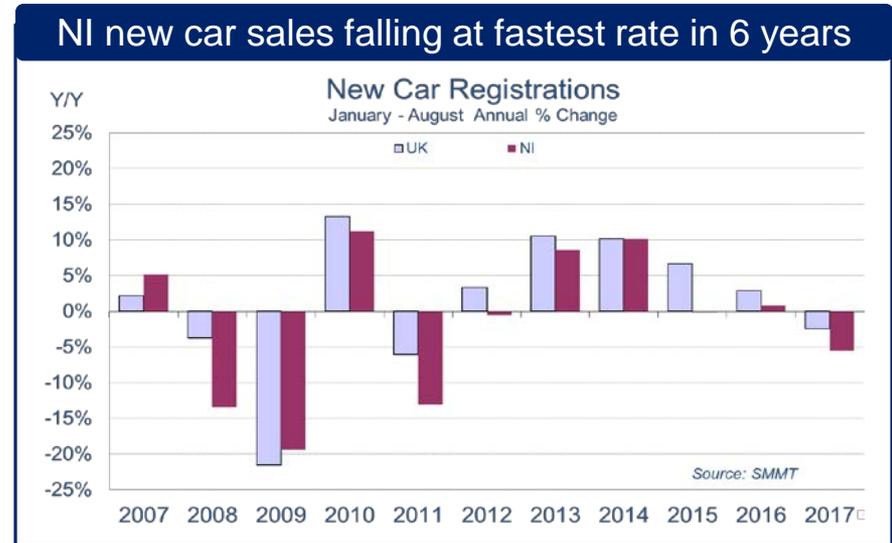
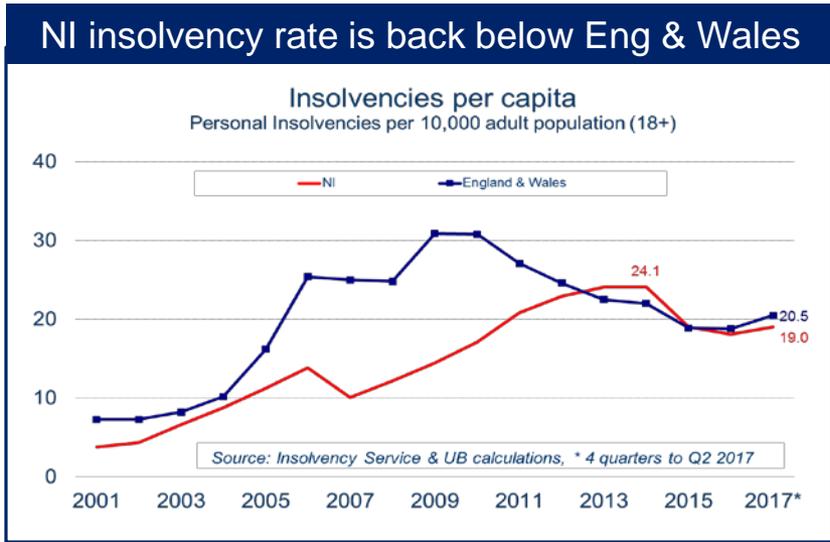
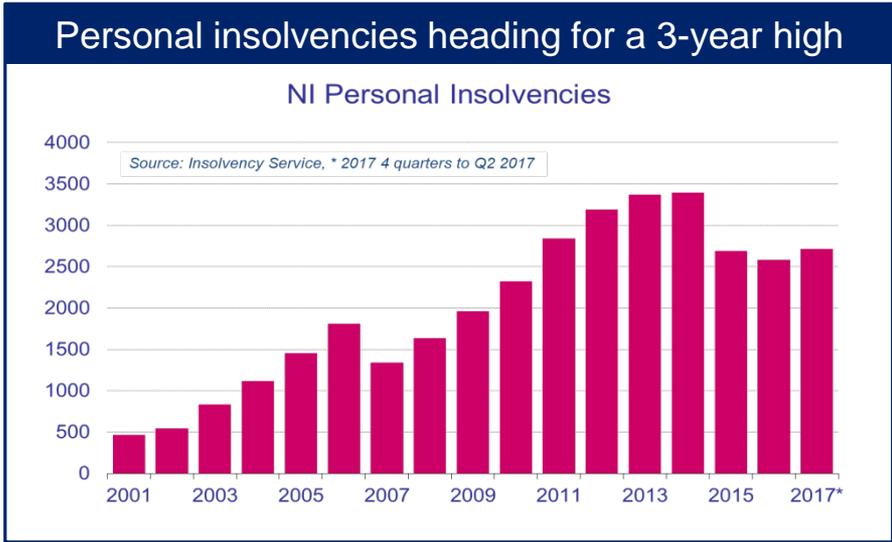
£ up 11% since Jan-17 low but 10% below Jun-16



NI firms report buoyant export growth

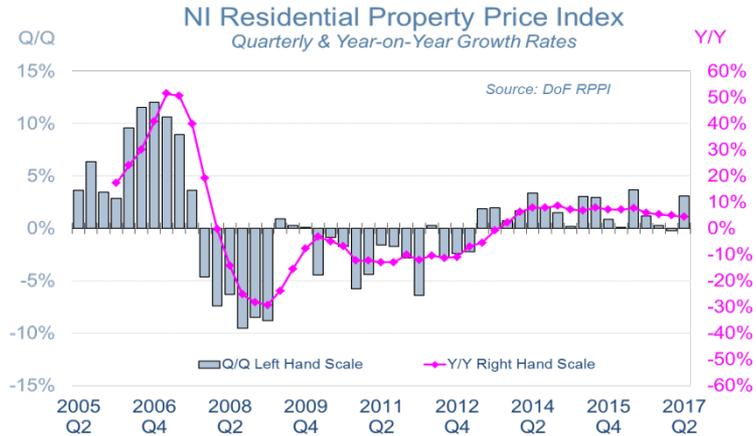


NI individual insolvencies rising & new car sales falling. Trend expected to continue in 2017/18

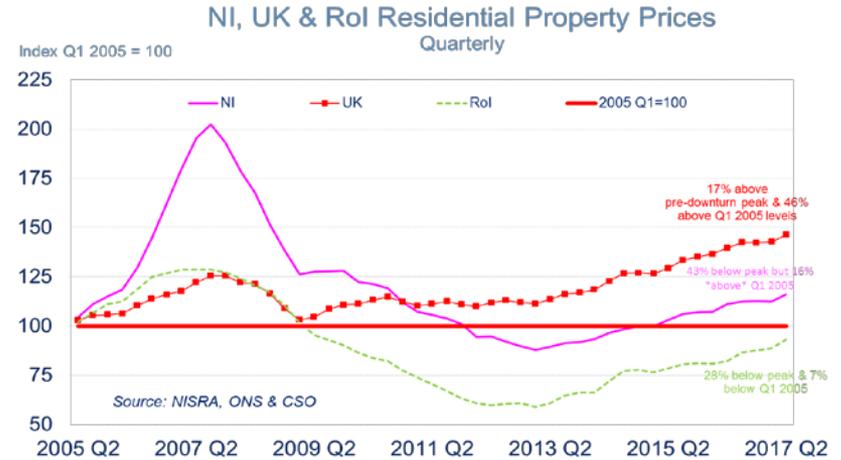


Housing market price recovery (+4% y/y) but transactions down 9% y/y in 2017 H1

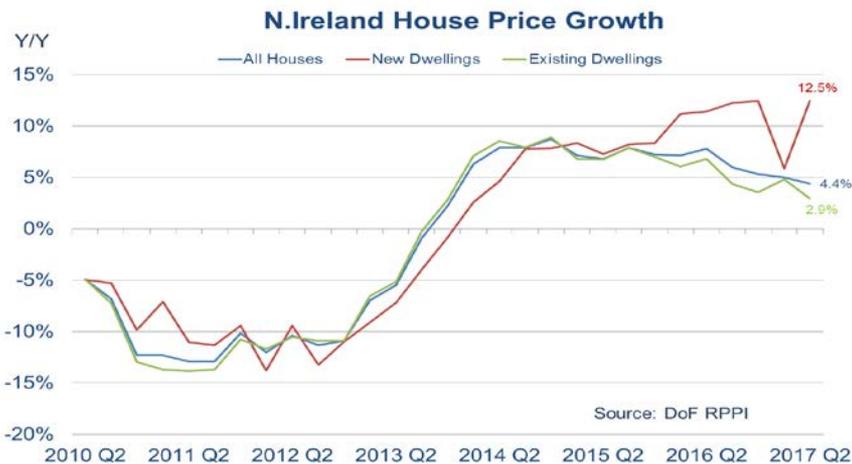
NI house prices +4.4% y/y & 3.1% q/q



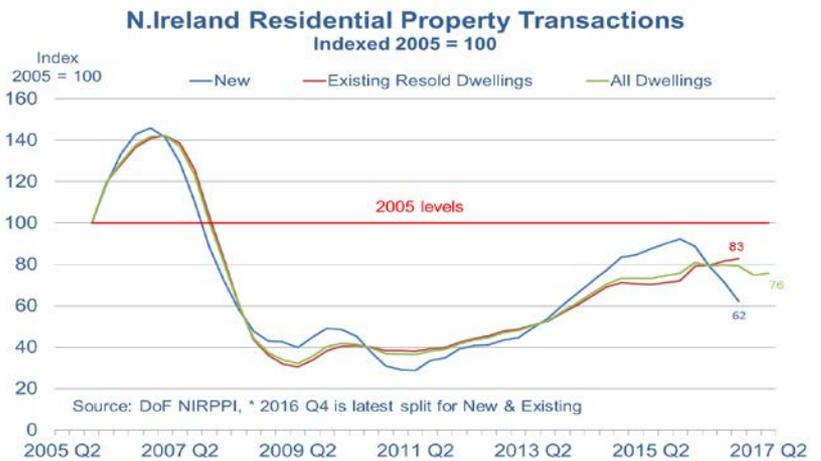
...but prices are still 43% below peak



Price of new dwellings rises by 25% in 2 years

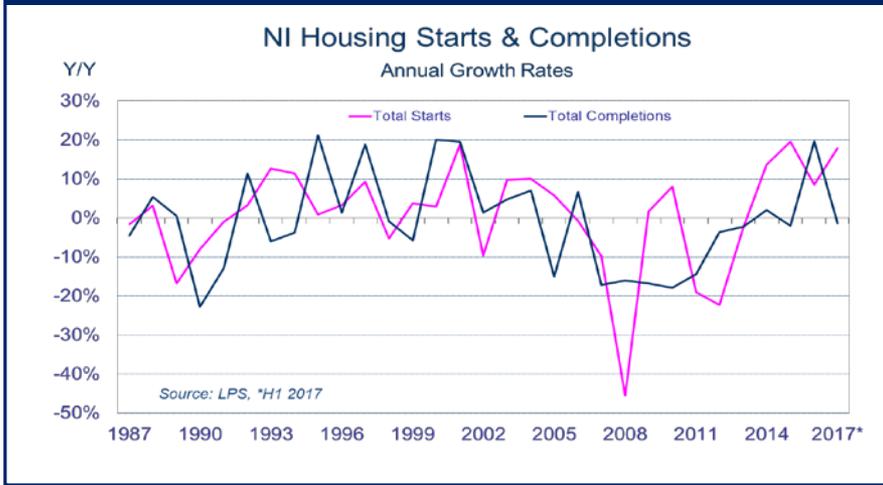


Transactions still 24% below 'normal' 2005 levels

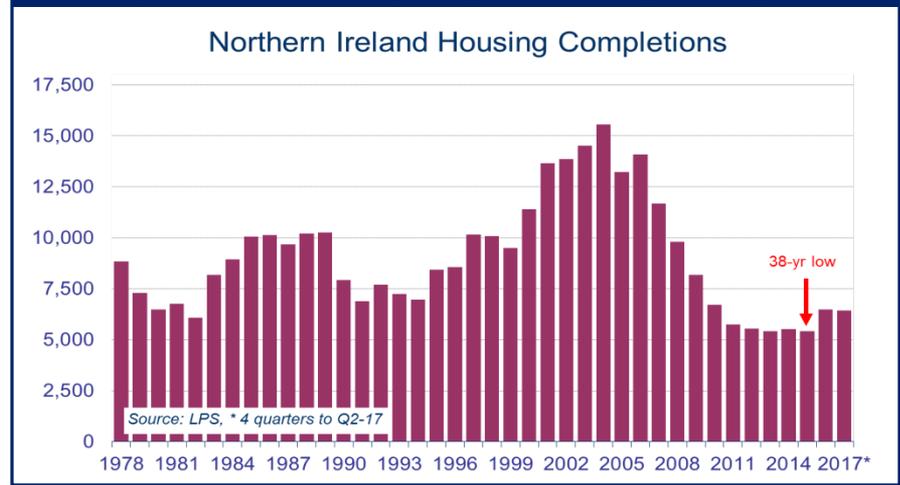


Subdued levels of housebuilding & mortgage activity despite interest rates at record lows

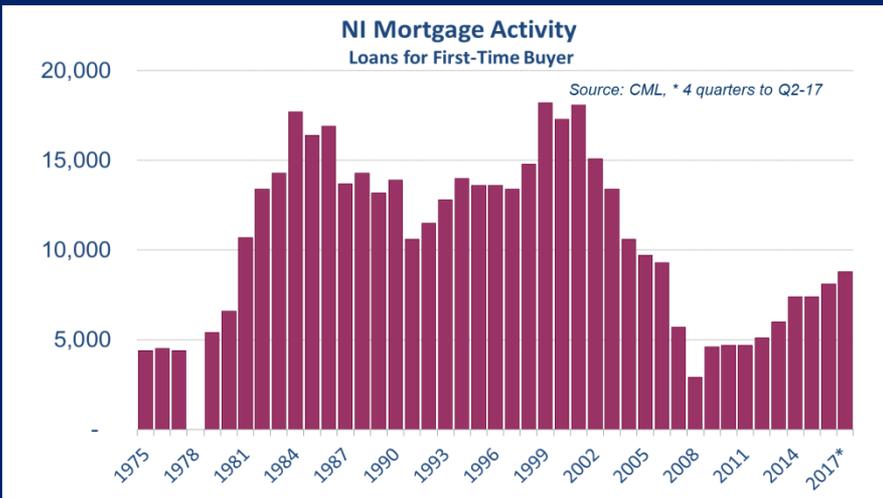
Starts up 18% y/y in H1 2017 but completions fell



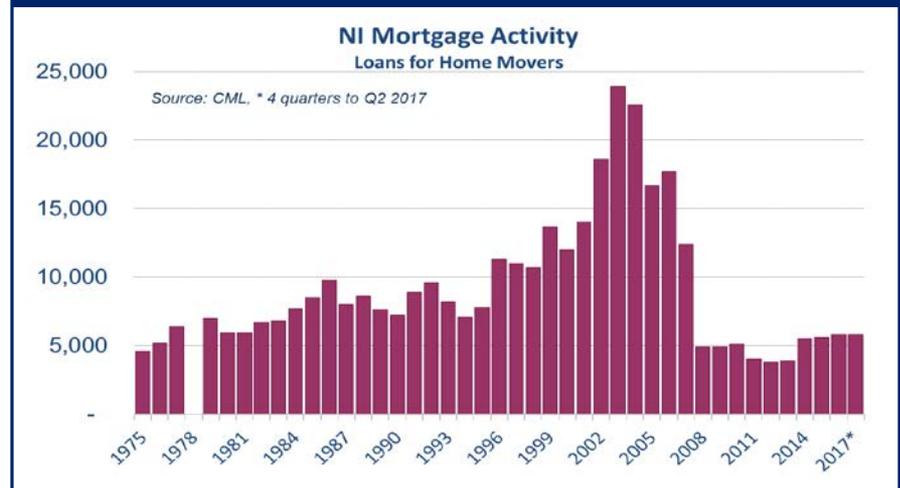
Completions hit a 6-yr high following a 38-yr low



FTB mortgage activity approaching an 11-yr high



Negative equity curbing home mover demand



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