

The Economy

NICEI **+1.5%**

UK GDP **+1.7%**



Source: NISRA & ONS

Annualised Economic Activity

Businesses

Index of
Production

Output up



+3.6%

over the
year

Source: NISRA

Index of
Services

Output up



+0.5%

over the
year

Rest of World



NI Exports
Value
£2.32bn
in Q2 2019

+3.0%
exports
to
Republic
of
Ireland



Source: HMRC

Annual Change

Households

Employment
Rate

72.3%



Up over quarter,
Up over year

Source: NISRA

Unemployment
Rate

2.5%



Down over quarter,
Down over year

Inactivity
Rate

25.8%



Up over quarter,
Down over year

Government



+1.0%

Total Public
Sector Jobs

Source: NISRA

+2.4%

NHS
Employment

-1.5%

NICS
Employment

Annual Change

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The Economy

The local economy has seen a modest increase in activity while employment has again continued to grow. Most jobs growth has come from the private sector, largely driven by services, and the number of employee jobs is at a record high. Local commentators forecast subdued growth over the next two years.

+0.3% <small>quarterly change in economic activity</small>	+1.5% <small>annualised change in economic activity</small>	+1,380 <small>quarterly change in employee jobs</small>	+14,020 <small>annual change in employee jobs</small>	+1.1% <small>average NI growth forecast for 2019</small>
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Economic Activity

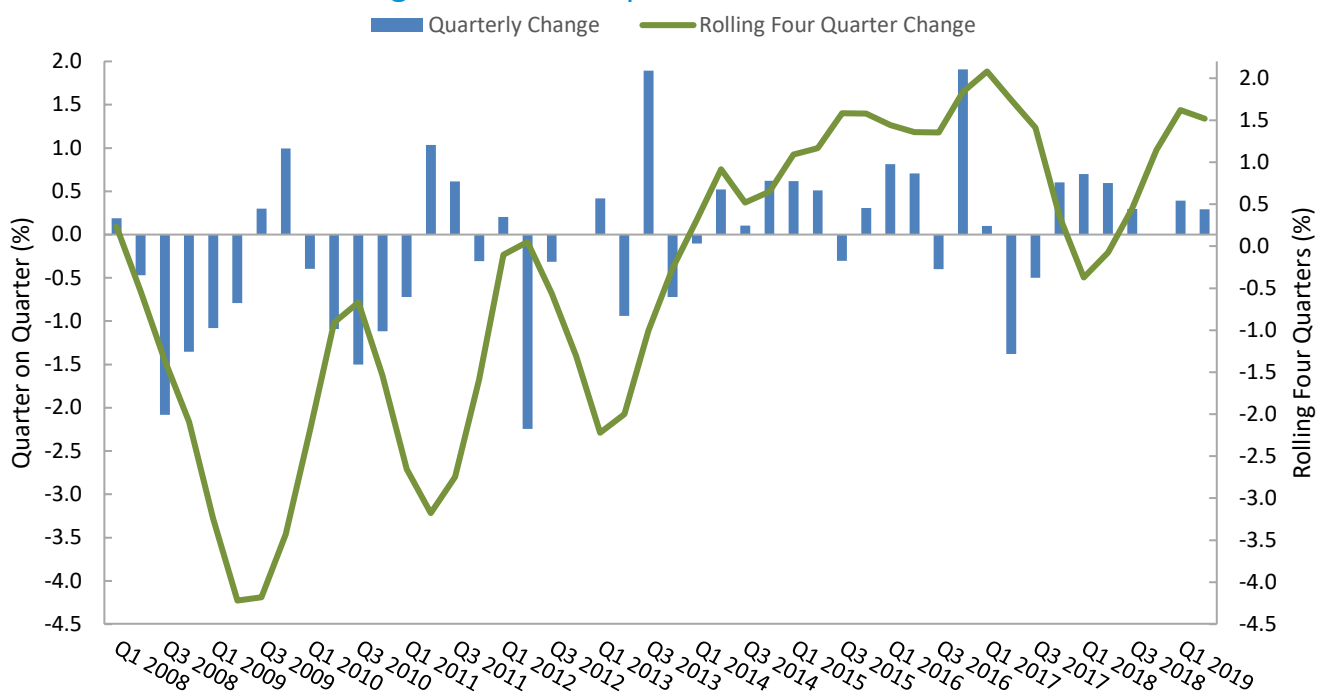
The latest results from the Northern Ireland Composite Economic Index (NICEI) estimate that economic activity in NI increased by 0.3% from Quarter 1 2019 to Quarter 2 2019. This increase was driven by increases in the Services sector (+0.4pps), the Production sector (+0.2pps) and the Public sector (+0.1pps), although these rises were partially offset by a decrease in the Construction sector (-0.3pps).

The average annualised output growth for the four quarters to Q2 2019 was 1.5% compared to the previous four quarters. This was driven by increases in the Services (+0.7pps), Production (+0.6pps), Public (+0.2pps) and Construction (+0.1pps) sectors.

Although the measures are not produced on a fully equivalent basis, results from the ONS show that over the past year UK GDP grew at a faster pace, with annual growth (comparing Quarter 2 2019 to Quarter 2 2018) of 1.3% for the UK compared to 1.0% for NI.

The NICEI has reported growth in 18 of the last 26 quarters but is currently 4.2% below the maximum value recorded in Quarter 2 2007. The UK, however, has reported growth in 25 of the last 26 quarters and its GDP is estimated to be 12.9% higher than its pre-economic downturn peak of Quarter 1 2008.

Figure 1 - NI Composite Economic Index

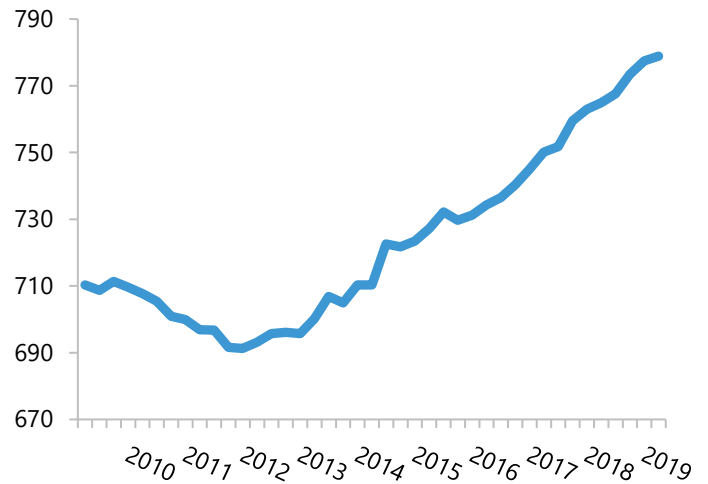


Employee Jobs

The latest figures from NISRA show that the number of employee jobs in the local economy increased over the quarter and over the year to a record high of 778,890 in June 2019. The annualised growth rate of 1.9% in 2019 is below the 2018 growth rate but above that seen in 2017.

Increases were experienced in all sectors, with employee jobs rising by 14,020 over the year. The increase was mainly driven by the Services sector, which accounted for 10,300 more jobs over the year. The Manufacturing sector also grew by 1,790 jobs while the Construction sector recorded 970 more jobs over the last four quarters.

Figure 2 - Employee Jobs (000's)



Private Sector

Private sector jobs increased over the quarter and the year by 0.3% and 2.2% respectively to their highest level on record (569,510), making up 73% of all employee jobs in Northern Ireland.

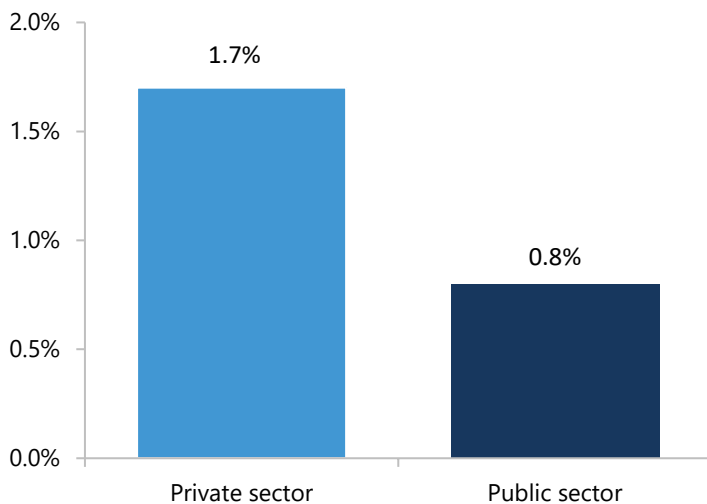
The Private sector saw a modest increase in activity, with economic output up by 0.2% over the quarter and by 1.0% over the year to Quarter 2 2019.

Meanwhile, the latest Ulster Bank PMI survey indicated that the local private sector remained in contraction, although the pace of decline in activity, employment, new orders and exports all eased in October relative to September. Business sentiment also improved from a record low in September, but NI remained the only UK region where firms expect output to be lower in 12 months' time.

Table 1 - Latest NI Growth Forecasts

GVA	2019	2020
Ulster University	1.3%	1.2%
Danske Bank	0.9%	1.0%
EY	1.0%	1.1%
Average	1.1%	1.1%

Figure 3 - Economic Activity (four quarters to Q2 2019)



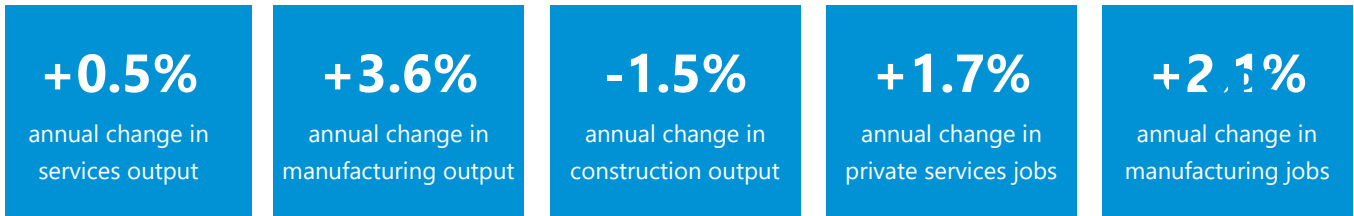
Outlook

The Department for the Economy (DfE) does not produce economic forecasts, but does monitor those from external providers:

- **UUEPC** predicts a continued slowdown in growth, with its outlook remaining cautiously optimistic despite the wider gloomy backdrop.
- **Danske Bank** expects economic growth to remain subdued, which is impacted by EU Exit uncertainty, the softening global economy and local political uncertainty.
- **EY** forecasts are modestly revised downwards from its previous report, with EU Exit uncertainty the main factor, along with growing economic and geo-political risks expected to affect future growth.

Businesses

Output in the Services sector increased over the year but remains below its 2006 peak. Services also saw jobs growth over the year, with the sector accounting for over 4 in 5 employee jobs. The Production sector also saw both output and employment increase in the latest twelve month period. Construction output declined but employment rose over the year.

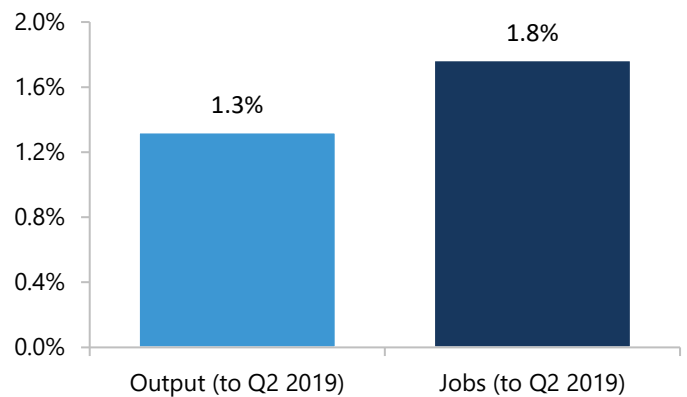


Services

Services sector output increased in Q2 2019 by 0.8% and increased by 0.5% over the year in real terms. Services output remains 2.6% lower than the peak output level recorded in Q4 2006 but is now at its highest point over the past ten years and has recovered 11.3% since the lowest point recorded in the series (Q2 2013).

The Services sector saw an increase of 460 jobs (+0.1%) over the quarter to June 2019 and a rise of 10,300 jobs (1.7%) over the year. Over the last five years, the number of employee jobs in the Services sector has increased by 47,890. It now accounts for 81.1% of all employee jobs.

Figure 4 - Rolling four quarter % change in service output and jobs



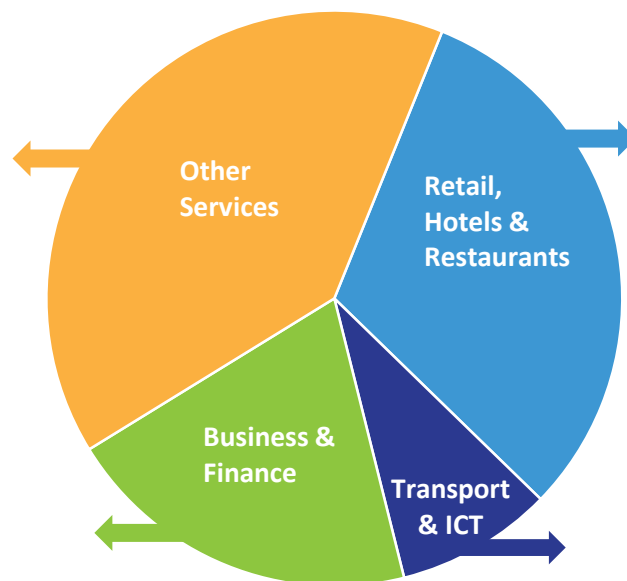
Other Services

Output showed a decrease (2.8%) over the latest year whereas employment rose by 2.0% (4,510 jobs), largely driven by an increase in jobs in social work activities without accommodation.

Business and Finance

Output in this sector rose by 2.8% over the year. The sector saw employment remain largely unchanged (+30 jobs) with the fall in admin office support service activities being balanced out by the rise in legal and accounting activities.

Figure 5 - Relative size of private services



Retail, Hotels & Restaurants

Output in this sector increased by 1.7% over the year. Jobs rose by 1,570 over the year, driven by a rise in employment in wholesale trade, which more than offset a loss of jobs in retail trade over the same period.

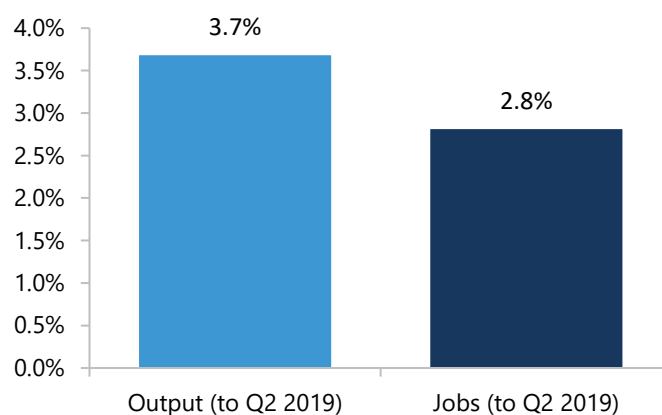
Transport and ICT

Output in this sector decreased by 6.5% over the year but employment increased by 4,180 jobs, mainly due to rises in land transport and computer programming, consultancy and related activities.

Production

Production output increased over the quarter to Q2 2019 by 1.2% and over the year by 3.6%. Output remains 2.2% lower than the series high (Q1 2017) but is 15.1% above its lowest point recorded in Q3 2009. The latest quarterly increase has been driven by increases in all four sectors: Mining and quarrying (+7.7%); Water supply, sewage and waste management (incl. recycling) (+2.7%); Manufacturing (+1.0%); and Electricity, gas, steam and air conditioning supply (+0.8%). In terms of employment, the sector grew by 0.5% (+470 jobs) over the quarter and by 2.9% (+2,770 jobs) over the year.

Figure 6 - Rolling four quarter change in manufacturing output and jobs

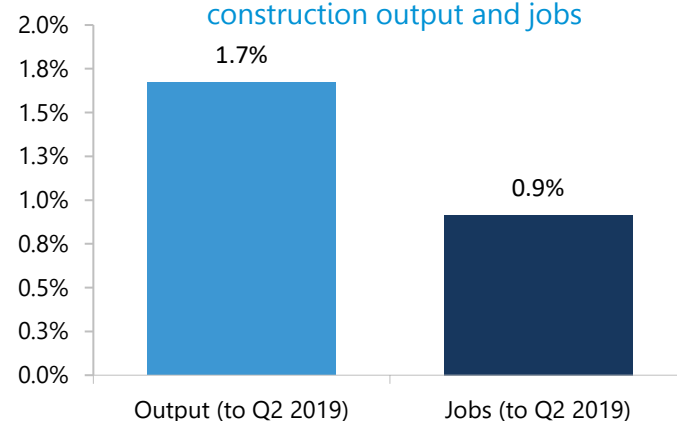


Construction

The latest NI Construction Bulletin shows that construction output in Q2 2019 decreased by 5.6% compared to Q1 2019, was 1.5% lower than in Q2 2018 but increased by 1.7% on a rolling four quarter basis. Despite fluctuations, the total volume of construction output in NI has been on an upward trend since Q4 2013.

Over the latest quarter, employment in the Construction sector is estimated to have increased by 1.6% (550 jobs) and over the year by 2.9% (970 jobs) to almost 35,000 jobs in June 2019.

Figure 7 - Rolling four quarter change in construction output and jobs



Financial Services

The latest figures from UK Finance show lenders approved 2,121 new loans for SMEs in Northern Ireland with a total value of £358m in Q2 2019. This represented a 20% fall in the number approved and a 7% decline in the value approved compared to the same quarter in 2018.

SME new loans in Agricultural, Hunting, Forestry and Real Estate & Professional & Support Services accounted for just over half (57%) of the number of approved loans and just under half (47%) of the total value of loans approved.

A number of positive announcements have been made recently regarding the provision of Invest NI support to local businesses, some of which are highlighted below:

Table 2 – Selected Indigenous Investments

July – October 2019	Assistance Offered	Jobs
Dowd's Group	£442k	68
Creative Composites	£1.5m	132
Around Noon	£592k	54
Meta Compliance	£695k	70
Classic Mineral Water	£550k	39

Other Business Surveys

Some key points from independent surveys monitored by the Department are included below:

Ulster Bank PMI

- Since the start of 2019 results have been in decline, signalling a downturn in the Northern Ireland private sector. Companies remain pessimistic regarding the 12-month outlook for output.

InterTradeIreland Quarterly Business Monitor

- Latest results show that 55% of firms in NI and 41% of firms in RoI reported growth while 11% reported decline in both NI and RoI in Q3 2019. Nearly 3 in 10 micro firms report they are just breaking even at best, while 1 in 4 construction firms reported a decrease in sales over the past quarter.

NI Chamber Quarterly Economic Survey

- The latest Survey highlights the deterioration of NI's economic performance in Q3 2019. Many of its key indicators are negative and at an 8+ year low. NI is the bottom performing UK region for 8 of the 14 key manufacturing balances and 10 of the 14 key services balances.

Engagement with the Rest of the World

Local exports saw a slight fall over the latest quarter but an increase over the year. The Tourism sector remains on an upward trend, with the number of visitors, the amount of visitor spend and air passengers flowing through local airports continuing to rise.



Exports

The latest HMRC Regional Trade Statistics (which cover goods only) show that NI exports fell by 0.1% to £2.32bn over the second quarter of 2019 but increased by 6.8% over the year. All other UK countries saw increases in exports over the year, with exports from Scotland increasing by 14.5%, Welsh exports increasing by 6.8% and exports from England increasing by 2.7%.

The Republic of Ireland remains Northern Ireland's largest exporting trading partner with total exports of £3.2bn. Exports to the RoI rose by 3.0% over the year. Compared to the same quarter last year, the markets that have seen the largest value increases were Canada (up £50m) and the United States (up £31m). The markets with the largest decreases were France (down £11m) and Belgium (down

Furthermore, the latest available data from HMRC continues to show that the majority (59 per cent) of Northern Ireland's exports are destined for the EU. Over the year to June 2019 NI exports to the EU increased by 2.3% to £5.4bn whilst exports to non EU countries increased by 13.3% to £3.8bn.

NI exports continued to be dominated by goods in the machinery and transport sector, accounting for over one third (36%) of NI exports in Q2 2019.

Over the latest 12 month rolling period to June 2019, the largest value increase in NI exports was in the machinery and transport sector (up £306m) while the largest relative increase was seen in the chemicals sector (up 16.4%).

Figure 8i - RTS Goods Exports from NI

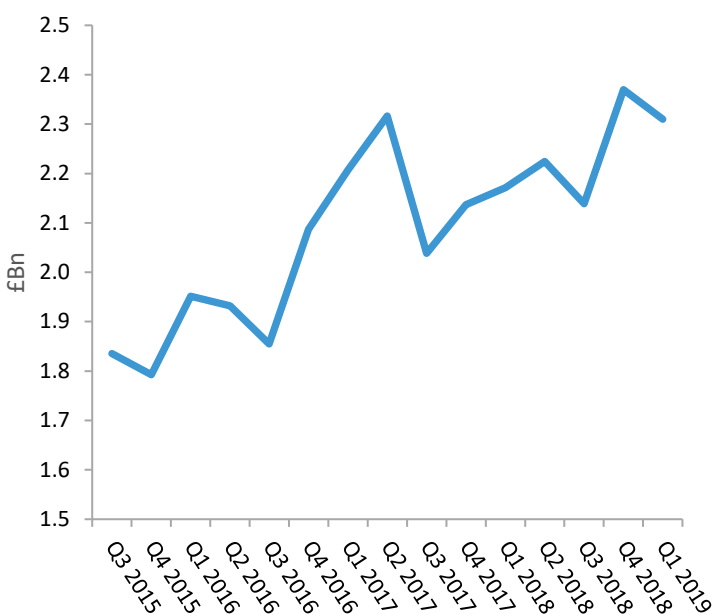
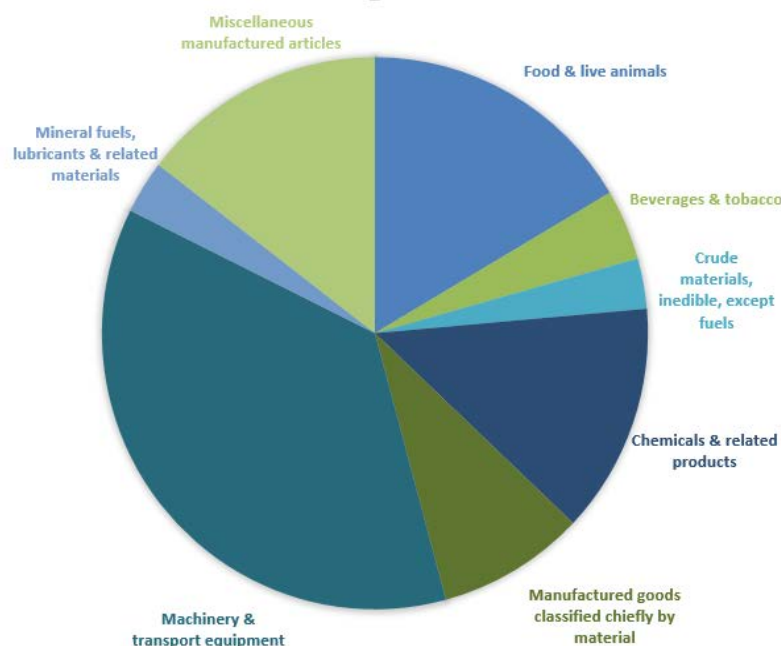


Figure 8ii – RTS Goods Exports by Sector



Inward Investment

Invest NI has continued its role in providing support to businesses to help them grow and stimulate further investment in the economy.

Chargifi Ltd is a leading provider of cloud-connected wireless charging technology. The company announced a new Technology & Business Development Hub in Belfast, which is part of its expansion plan to increase its sales by developing its presence in the UK, Europe, Middle East, Africa, USA, Canada and the Asia Pacific region.

Invest NI has offered Contrast Security, a Californian based cybersecurity company, assistance totalling £787k towards a new development and delivery centre in Belfast. The company is a pioneer in making software safe from cyber-attacks and is creating up to 120 jobs.

Aflac is the leading supplemental insurance provider in the life and health category in the United States and Japan. The U.S based company plans to open a new technology innovation centre in Belfast. The company has received £1m of assistance and will create up to 150 jobs to support customers and growth in its current markets.

ESO, a Texas-based software firm, has been offered £780k total assistance towards the company's growth plans to establish an engineering centre in Belfast. This involves the expansion of its current product offering, which includes electronic health records, data analytics, asset management, scheduling and fire incidents.

Invest NI offered assistance of £100k to HighRoads Inc. to contribute to the establishment of a product development Centre of Excellence in Belfast. This will see the company invest £2.4m and create at least 20 professional jobs over the next three years.

Table 3 – Selected Inward Investments

Aug – Oct 2019	Assistance	Investment	Jobs
Chargifi	£328k	£3.6m	41
Contrast Security	£787k	£8.7m	121
Aflac	£1m	£13.7m	150
ESO	£780k	£9.4m	120
HighRoads	£100k	£2.4m	20

Tourism

In the year to March 2019, there were an estimated 5.1 million domestic and external overnight trips in NI, generating an estimated £963 million visitor spend. The latest air passenger flow statistics show that there were 9.1 million air passengers flowing through NI airports in the year to March 2019. This represents an increase of 7% from the previous 12 month period to March 2018.

Figure 9 – Yearly trips and expenditure

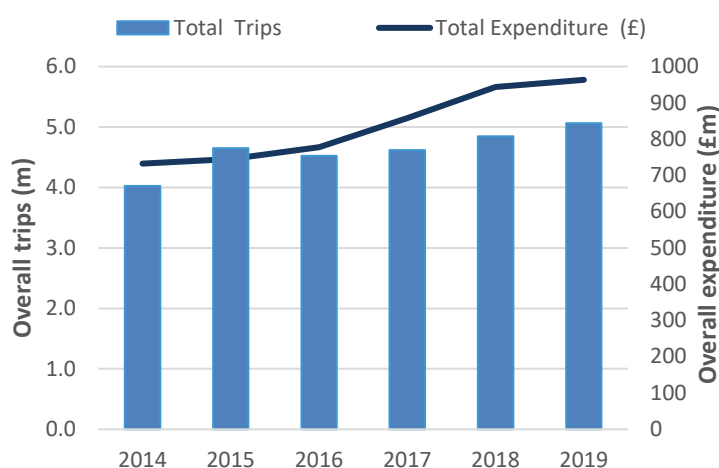


Table 4 – Key Market Growth Forecasts (European Commission)

GDP	2019	2020
World	2.9%	3.0%
Euro Area	1.1%	1.2%
US	2.3%	1.8%
China	6.1%	5.8%

Key Markets Outlook

The European Commission's Autumn 2019 Economic Forecast suggests a subdued economic outlook over the next few years. Elevated uncertainty around US trade policy, concerns about the ability of the WTO to uphold the multilateral trading system and geopolitical tensions in the Middle East will weigh on global growth. These will be compounded by population ageing, low productivity trends, the slowdown in China, protectionist tendencies and the impact of climate change. Likewise, lingering trade policy uncertainty, including on future relations between the UK and the rest of the EU, compounded by structural shifts, such as changing consumer preferences in the car industry, are likely to dampen growth in the euro area.

Households

The local labour market has been broadly positive with the employment rate at a record high and the unemployment rate at a record low. However, the claimant count has increased over the year and both the inactivity and long-term unemployment rates remain significantly above the rates for the UK as a whole. House prices have increased but consumer confidence is down while inflation has seen a fall over recent months and is now at 1.5%.



Unemployment

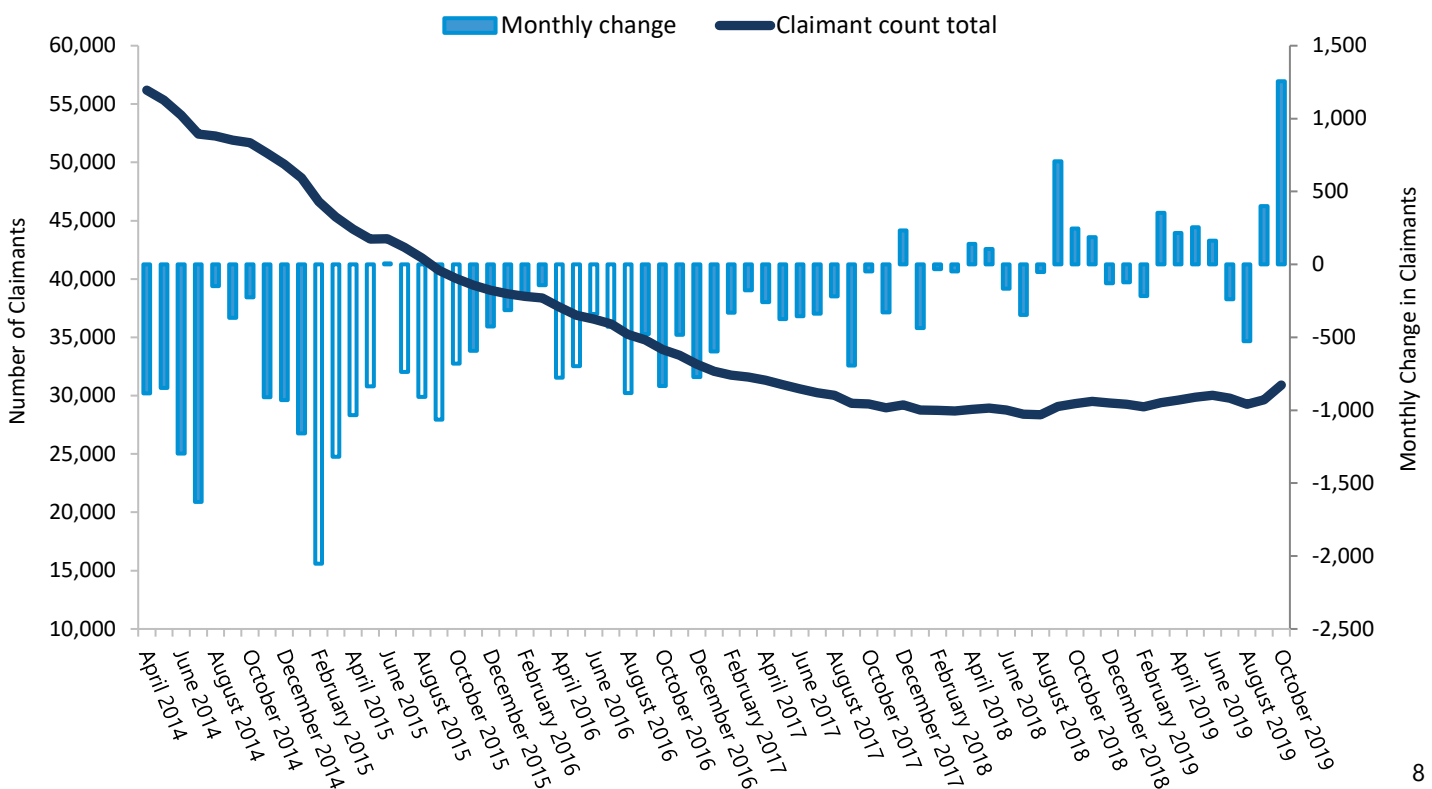
The Labour Force Survey (LFS) unemployment rate (16+) for the period July-September 2019 was estimated at 2.5% for Northern Ireland, the lowest level on record and significantly lower than the peak unemployment rate of over 8% in 2013. It is also below the UK (3.8%), Republic of Ireland (5.3%) and EU (6.2%) rates. The Northern Ireland unemployment rate has been below the UK rate since mid-2017.

The long term unemployment rate (percentage of unemployed for one year or more) for the period July-September 2019 was 37.6%, which despite being down 12.6pps from the same point last year, remains well above the UK average rate of 22.5%. The youth unemployment rate was 7.6% for the same period. This is lower than the UK youth unemployment rate (13.1%).

The number of people claiming unemployment benefits stood at 30,900 (3.3% of the workforce) for October 2019, significantly lower than its peak in February 2013 (64,800). However, over the past year the claimant count has increased by around 1,600 persons. Over the year the claimant count for 16-24 year olds remained the same with the increases in the claimant count coming from 25-49 year olds and those aged 50 and over (7% and 6% more claiming unemployment benefits respectively).

The claimant count was made up of 19,500 males, over two thirds higher than the amount of females at 11,400. This represents around 4.0% and 2.6% of the male and female workforce respectively. The number of male claimants increased by 4.2% over the year while the number of female claimants increased by 7.8% over the year.

Figure 10 - Unemployment Benefit Claimants

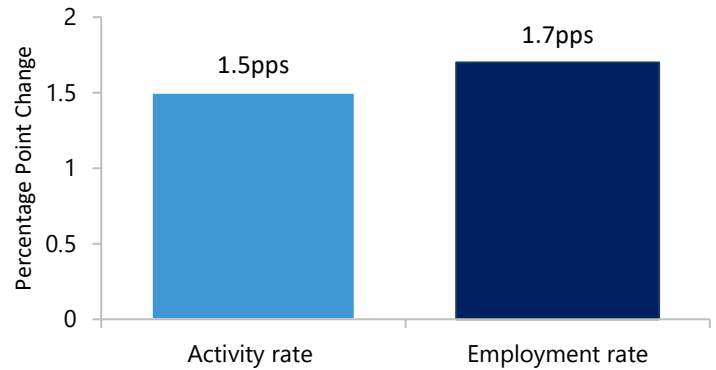


Employment

The number of persons in employment (16+) in the period July - September 2019 was estimated at 878,000, an increase of 36,000 over the year. The overall employment rate is estimated at 72.3%, increasing by 0.1pps over the quarter and by 2.8pps over the year. The male employment rate increased by 2.9pps over the year to 76.2% while the female employment rate increased by 2.8pps to 68.4%.

At 72.3% the employment rate in NI has reached a record high however this was still below the UK average (76.0%) and the second lowest among the 12 UK regions.

Figure 11 - Participation rates (annual percentage point change)

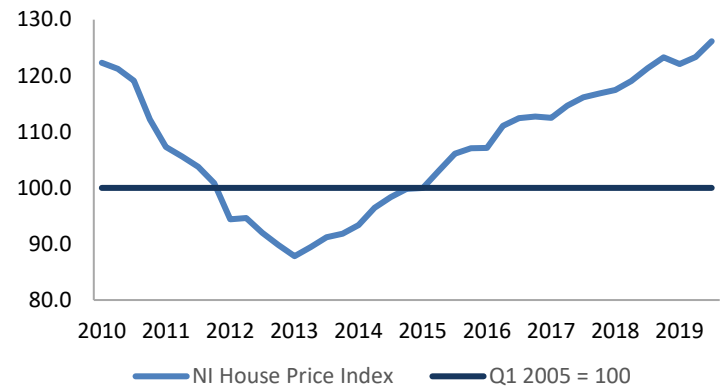


Housing Market

According to NISRA's latest House Price Index, house prices in Northern Ireland rose by 2.3% in Q3 2019 and 4.0% over the year. The House Price Index is now 26.1% higher than the reference period of Q1 2015.

The Office for National Statistics (ONS) estimates that UK house prices have increased by 1.3% over the year to September 2019. House prices over the year increased the most in Northern Ireland (4.0%), followed by Wales at 2.6% and Scotland at 2.4%. House prices in England increased slightly by 1.0% over the year.

Figure 12 - NI House Price Index



Consumer Spending

Recent signals across some household indicators have been broadly positive, as illustrated below:

Annual Earnings

- In the latest NI Annual Survey of Hours and Earnings (ASHE), weekly earnings increased from £518 in April 2018 to £535 in April 2019.
- In the UK, weekly earnings were £585, an increase of 2.9% from 2018.
- NI has the second lowest weekly earnings of the 12 UK regions.

Consumer Confidence

- The Danske Bank Consumer Confidence Index fell to 131 in Q3 2019, down from 136 in Q2 2019 but above the Q3 2018 reading of 123.
- Falls were recorded over the quarter in all parts of the Index, except spending on high value items which was unchanged over the quarter and increased over the year. This highlighted consumers were more pessimistic about their current finances, future finances, job security and saving expectations.

Tourism Spend

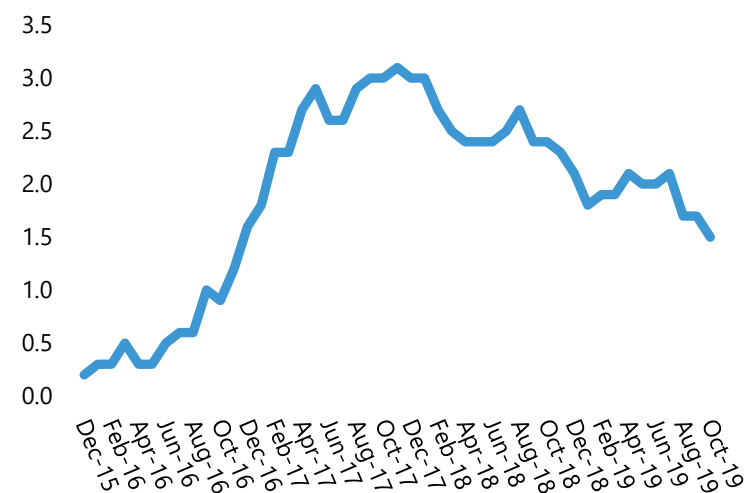
- In the year to March 2019, expenditure associated with all overnight trips was estimated at £963m, an increase of 2% in the previous four quarters.

Prices

In October 2019, inflation was at 1.5%, down from 1.7% in September 2019. The largest downward contribution to the inflation rate came from housing and household services, primarily caused by gas and electricity prices that fell by 8.7% and 2.2% respectively. This is due to changes in the energy cap which led to energy prices falling by 4.4% between September and October 2019.

The largest upward contribution came from clothing and footwear, contributing 0.08 percentage points.

Figure 13 - CPI Annual inflation rate (%)



Government

Although the number of jobs within the local public sector has been following a downward trend over the past number of years, there has been a small rise in public sector employment at around the same rate as in the UK over the past year. There was a small reduction in the number of jobs in the Northern Ireland Civil Service over the year.

+2,157 annual change in number of public sector jobs	+1.0% annual change in public sector jobs	-1.5% annual change in NICS jobs	+0.1% annual change in local government jobs	+2.4% annual change in NHS Trusts jobs
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Jobs

Since June 2010 the number of jobs within the local public sector has generally been trending downwards, with the sector now 6.4% smaller and with around 14,000 fewer jobs. In contrast, the private sector has grown by almost 18%, adding around 86,500 jobs, with most of the increases coming from the services sector.

Northern Ireland public sector jobs as a proportion of the NI population was 11%, which compares to 8% in the UK.

Public sector jobs increased by 0.5% over the quarter and by 1.0% over the year. Excluding the effects of the transfers of housing associations to the private sector, UK public sector jobs increased over the quarter (0.2%) and also increased over the year (1.1%).

Local jobs in UK Central Government and employment in local NHS Trusts rose by 3.4% and 2.4% respectively while NICS jobs fell by 1.5% over the year.

Table 5 – NI Selected Public Sector Jobs Breakdown

	Jobs		Annual Change	
	June 19	No.	%	
Total Public Sector Jobs	210,517	2,157	1.0%	
NI Central Government*	109,541	1,519	1.4%	
Northern Ireland Civil Service (NICS)	22,909	-349	-1.5%	
UK Central Government	3,756	123	3.4%	
Local Government	11,963	17	0.1%	
NHS Trusts	73,101	1,742	2.4%	

*totals include NICS, Health and Education etc.

Figure 14 - NI Public Sector Jobs (000's)

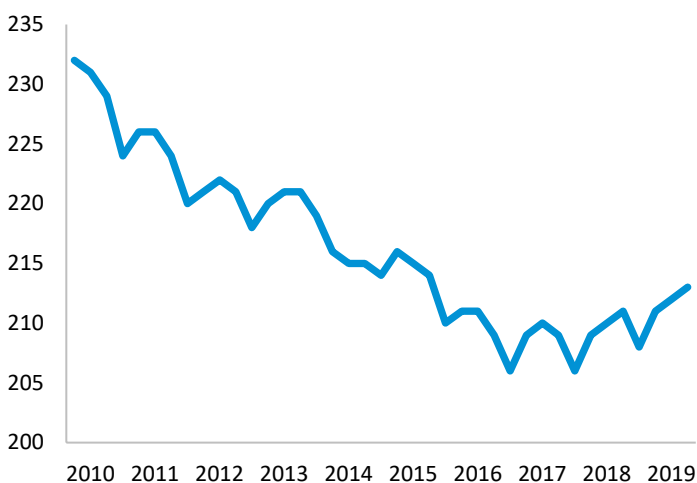
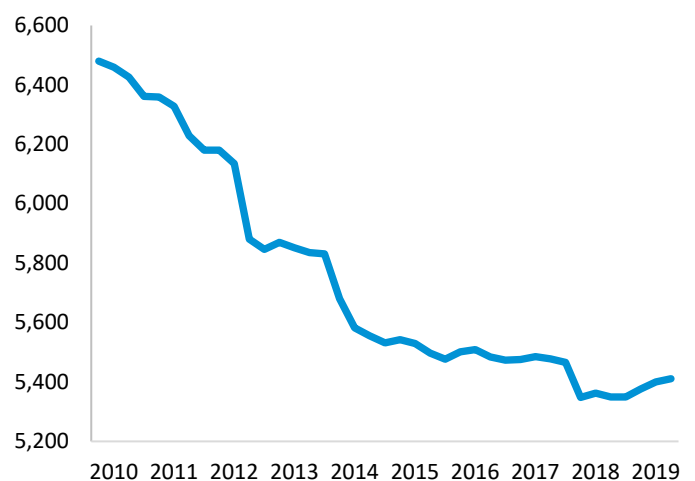


Figure 15 - UK Public Sector Jobs (000's)



FOCUS: Regional Earnings

This section briefly examines earnings in NI compared to the other regions of the UK. The Annual Survey of Hours and Earnings (ASHE) provides hourly, weekly and annual earnings data, by gender, industry and skill level.

Earnings in Northern Ireland

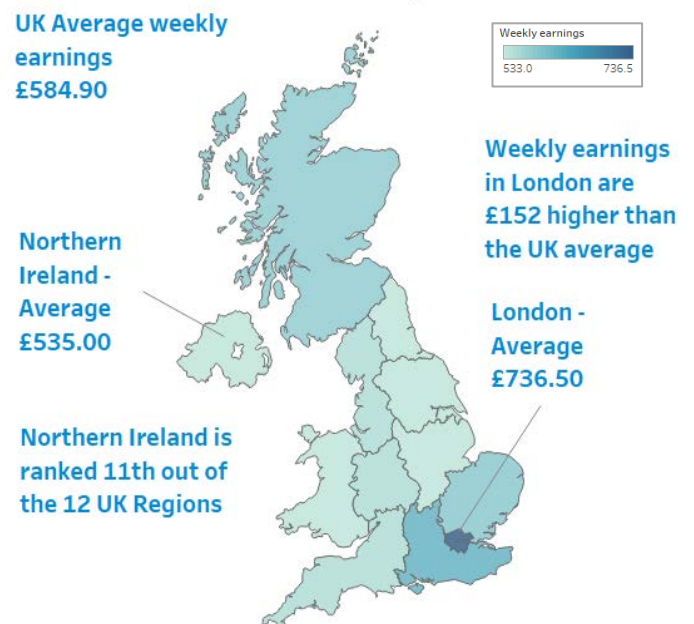
The headline measure of earnings from ASHE is median gross weekly earnings for full-time employees and is referred to as 'weekly earnings' for the remainder of this section. Weekly earnings in Northern Ireland in April 2019 were £535, an increase of 3.3% in nominal and 1.2% in real terms. This is the fifth consecutive annual rise in weekly earnings in nominal terms and the fourth increase in real earnings in the last five years, bringing real earnings close to 2009 levels.

Regional Wages across the UK

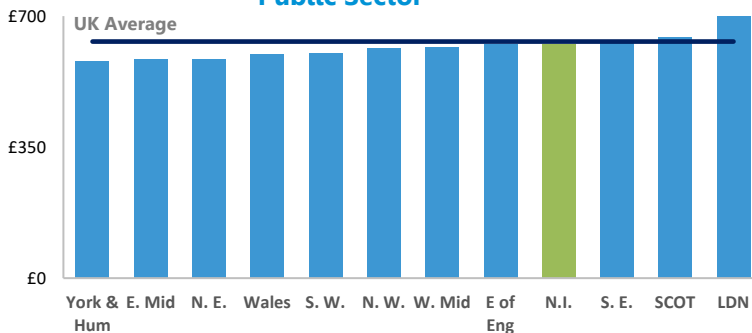
In April 2019, UK weekly earnings were £585. Local wages increased by 3.3% over the year, outpacing the UK average rate of growth (2.9%). However, Northern Ireland experienced the joint third smallest increase of the UK regions and moved down from being the fifth lowest earning region last year to the second lowest of the 12 UK regions, with only the North East of England having lower average earnings (£533 per week). Furthermore, local weekly earnings of £535 represented a 9% gap in wages between Northern Ireland and the UK as a whole.

It is noted that London is a significant outlier, pushing the UK average up considerably. Weekly earnings in London were £152 higher than the UK average, £123 greater than the next highest earning region (the South East of England) and £202 higher than in Northern Ireland in April 2019.

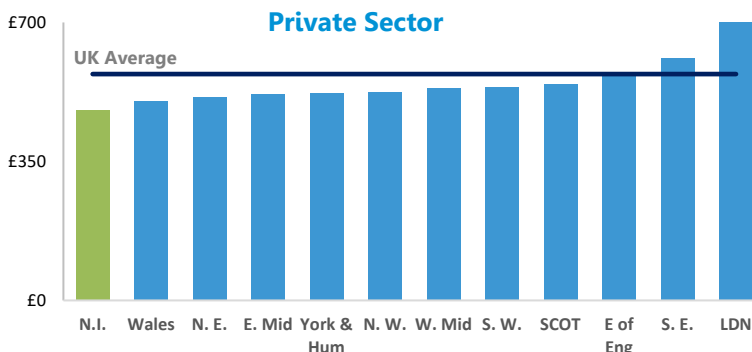
Map – Regional Earnings Comparison



Public Sector



Private Sector



Regional Public vs. Private Sector Earnings

In April 2019, private sector weekly earnings in Northern Ireland increased by 3.4% over the year to £479 while public sector earnings grew by 0.7% to £625. In comparison, private sector earnings in the UK as a whole rose by 4.0% to £570 per week with public sector wages up by 3.2% to £632.

In both sectors London is well ahead of the UK average and any of the other regions, with a relatively minimal public sector pay premium of less than 2%. Scotland is the only other UK region with public sector pay higher than the UK average while the South East of England is the only other region with a higher private sector weekly wage.

Northern Ireland public sector weekly earnings are ranked 4th highest, however, earnings in the private sector are ranked 12th, the lowest of any UK region. The pay gap between the public and private sector in Northern Ireland is also the highest of any UK region, with public sector weekly earnings 31% higher than private sector earnings in April 2019.

Notes and Sources

Notes:

Statistical publications often refer to an annual change when referring to the latest reference period compared with the same period one year earlier. However, results for individual quarters are often highly volatile, and looking at changes just within this specific reference period across years can give a misleading picture as to what trend performance actually is. We generally prefer to look at the latest four quarters compared with the previous four quarters for many variables to give a better overview of actual trend performance, which is particularly relevant when looking at output/activity as this is what annual GDP/GVA relates to. For ease of reference we have used the term 'annual change' to represent a four quarter change for some indicators. However, for indicators such as job numbers, annual change continues to refer to the latest quarter compared to the same quarter one year earlier. Our references to annual change may therefore differ from those in published statistics relating to:

- Economic activity
- Production output
- Services output
- Construction output
- Exports of goods
- Tourism statistics

Sources:

Sources	
The Economy	Northern Ireland Composite Economic Index (NISRA); Quarterly Employment Survey (NISRA); Purchasing Managers Index (Ulster Bank); Ulster University Economic Policy Centre Forecasts; Quarterly Sectoral Forecasts (Danske Bank); Economic Eye Ireland (EY).
Businesses	Index of Services (NISRA); Index of Production (NISRA); NI Construction Bulletin (NISRA); Quarterly Employment Survey (NISRA); UK Finance; Purchasing Managers Index (Ulster Bank); Business Monitor (InterTradelreland); Invest NI; Quarterly Economic Survey (NI Chamber of Commerce and Industry).
Engagement with the Rest of the World	Regional Trade Statistics (HMRC); Invest NI; Tourism Statistics (NISRA); European Commission Economic Forecast.
Households	Labour Force Survey (NISRA); Claimant Count (NISRA); Quarterly Employment Survey (NISRA); NI House Price Index (NISRA); UK House Price Index (ONS); Consumer Confidence Index (Danske Bank); Tourism Statistics (NISRA); Consumer Prices Index (ONS); Annual Survey of Hours and Earnings (ONS & NISRA).
Government	Quarterly Employment Survey (NISRA); UK Public Sector Employment (ONS).

Contact:

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