

The Economy

NICEI **-6.3%**

UK GDP **-9.8%**



Source: NISRA & ONS

Annualised Economic Activity

Businesses

Index of
Production

Index of
Services

Output **up**

Output **down**



+2.8%

over the
year



-3.3%

over the
year

Source: NISRA

Rest of World



NI Exports
Value
£11.7bn
in 2019

+9.9%

rise in
exports
to
Republic
of
Ireland



Source: NISRA BESES

Annual Change

Households

Employment
Rate

Unemployment
Rate

Inactivity
Rate

69.8%

3.1%

27.9%



Up over quarter,
Down over year



Down over quarter,
Up over year



Down over quarter,
Up over year

Source: NISRA

Government



+0.9%

Total Public
Sector Jobs

+3.0%

NHS
Employment

+0.8%

NICS
Employment

Source: NISRA

Annual Change

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The Economy

The roll-out of the vaccination programme has allowed our economy - locally and nationally - to reopen. While ongoing government support has successfully sustained jobs throughout the pandemic, its planned reduction and removal in coming months is likely to have an impact on jobs. Local economic commentators predict our economy will return to growth of around 5.1% this year.



Economic Activity

The latest NI Composite Economic Index (NICEI) for Q4 2020 shows economic output decreased by 1.4% compared to the previous quarter. This follows the pronounced 'V' in the preceding two quarters where the index achieved the lowest followed by the highest quarter-on-quarter growth in the series. The decrease over the latest quarter was driven by the Services sector, which had a negative contribution of 2.5 percentage points (pps), partially offset by increases in Construction (1.0pps) and the Public sector (0.1pps).

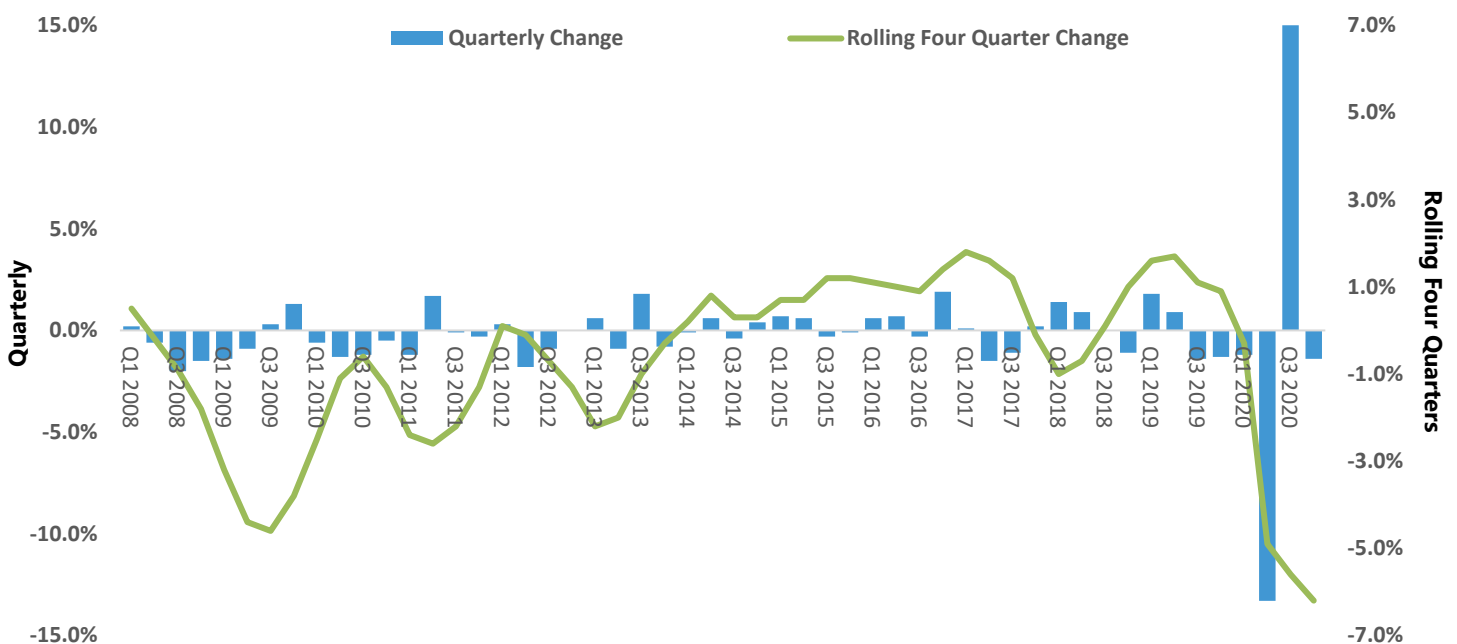
The growth in economic output over the year to Q4 2020 was -2.8%. The annualised decrease in economic activity was 6.3% (average of the four quarters in 2020 compared with those in 2019), driven by decreases in the private sector: Services (-4.9pps); Production (-1.2pps); and Construction (-0.4pps). In contrast the Public sector contribution increased (+0.2pps).

While NI's economic activity experienced negative growth over the last quarter of 2020, the UK's Gross Domestic Product (GDP) experienced positive growth. Although the measures are not produced on a fully equivalent basis, results from the ONS show that UK GDP increased by 1.3% over the quarter and decreased by 7.3% over the year to Q4 2020, with an annualised decline of 9.8%. This suggests that over the year NI's economic activity fell at a slower rate than UK GDP.

In contrast, GDP declined in the Republic of Ireland by 5.1% over the quarter but only declined by 0.2% over the year to Q4 2020.

Over the last ten years, the NICEI has reported growth in less than half (19) of the last 40 quarters and is currently 9.5% below the maximum value recorded in Q2 2007. The UK, however, has reported growth in 35 of the last 40 quarters.

Figure 1 - NI Composite Economic Index



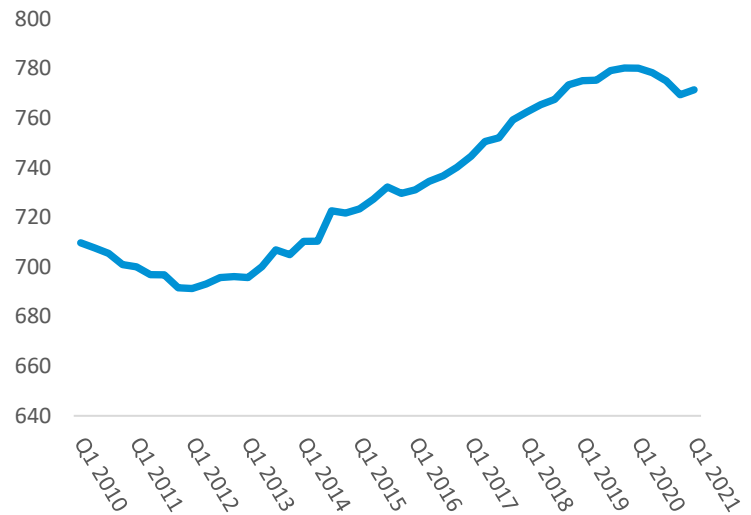
Employee Jobs

The latest NISRA figures show the number of employee jobs in the local economy increased over the quarter (+0.3%) but fell over the year (-0.9%) to 771,410 in March 2021. March 2021 marked the first quarterly increase in employee jobs since December 2019, following four consecutive quarters of decline.

Employee jobs decreased by 7,290 over the year to March 2021. This was driven by losses in Services (-5,860 jobs or -0.9%), with decreases also in Manufacturing (-710 or -0.8%), Construction (-700 or -2.0%) and Other industries (-20 or -0.1%).

The latest EY forecasts predict a reduction in local jobs of 1.3% this year with a small increase in 2022 of 0.6%. UUEPC has a similar prediction, with a decline in jobs growth in NI of 2.1% this year but returning to positive jobs growth in 2022 of 1.2%.

Figure 2 - Employee Jobs (000's)



Furlough Scheme

The latest figures for the Coronavirus Job Retention Scheme, commonly known as the furlough scheme, show it has supported around 284,100 unique jobs in NI since March 2020.

Latest provisional figures for the furlough scheme indicate it was supporting 90,000 jobs in NI on 30 April 2021, equivalent to 12% of eligible employments. Around 34,800 (39%) of these were partially furloughed. The number of people furloughed in April decreased by around 12,200 compared to 31 March and is the lowest since the end of November last year.

Almost half of those on furlough in NI at the end of April work in the two sectors of Accommodation and Food (25.8%) and Wholesale and Retail (22.3%).

The furlough scheme is due to finish at the end of September, however support reduces over the summer, to 70% from 1 July and to 60% from 1 August.

Figure 3 – NI Furloughed Jobs

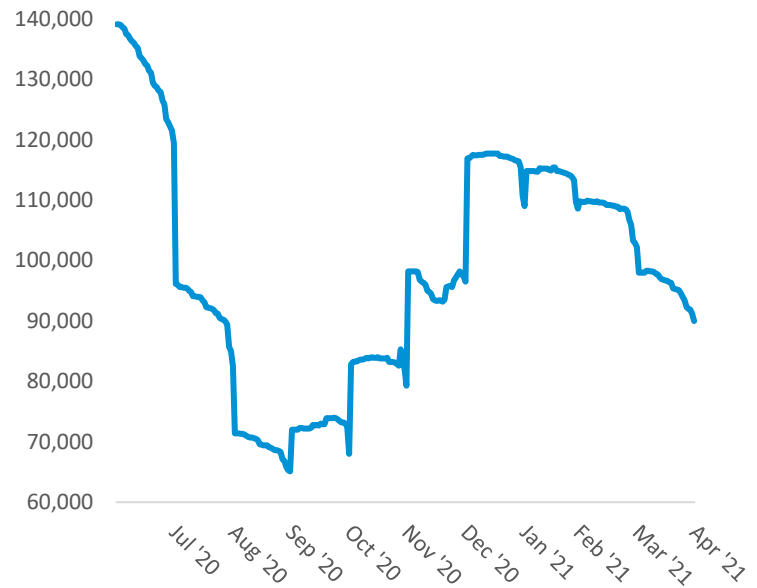
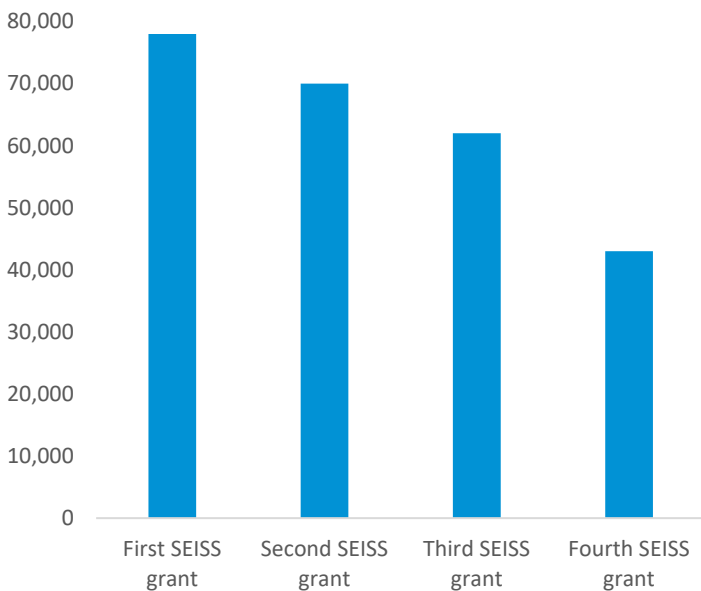


Figure 4 – SEISS Claims



Pandemic Support for the Self Employed

The latest HMRC figures show around 83,200 unique self-employed individuals in Northern Ireland have claimed grants across the four Self-Employment Income Support Scheme (SEISS) grants.

Up until 9 May around 43,000 self-employed people had claimed the fourth SEISS grant, with an average of claim of £2,700. Just under half (45%) of eligible self-employed workers in NI took up the fourth grant. Construction workers made 14,200 claims for the fourth grant, accounting for a third of NI claims.

There are around 2,000 claims by individuals in NI who were not previously assessed for eligibility for the third grant of SEISS. There were also around 1,000 claims from individuals who were assessed for the third SEISS grant and found ineligible but are now eligible to claim SEISS based on their 2019/20 returns.

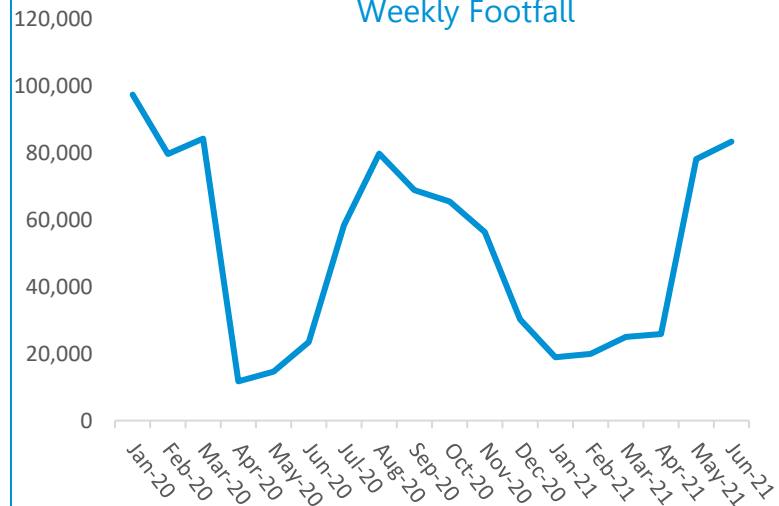
A fifth and final SEISS grant is planned to open in July for claims covering May to September this year.

Footfall

The footfall figures for Belfast City Centre clearly show the impact of local lockdowns, with the number of visitors rising when non-essential retailers were permitted to open. The post-Christmas lockdown led to another sharp decline in footfall. The reopening of non-essential retail at the end of April and indoor dining in June has raised footfall figures in May and early June to a level similar to last summer's peak. However, Belfast's footfall figures remain below pre-pandemic levels.

While these figures are for Belfast, cities and towns across NI will have experienced a similar pattern. The increase in homeworking may permanently reduce footfall figures, while the rise in online shopping during the pandemic may result in an increased share of retail sales remaining online.

Figure 5 – Belfast City Centre Average Weekly Footfall



Private Sector

Private sector jobs increased marginally over the quarter (+0.1%) but decreased over the year (-1.6%). The private sector accounts for 72% of all employee jobs in NI, compared to 83% across the UK.

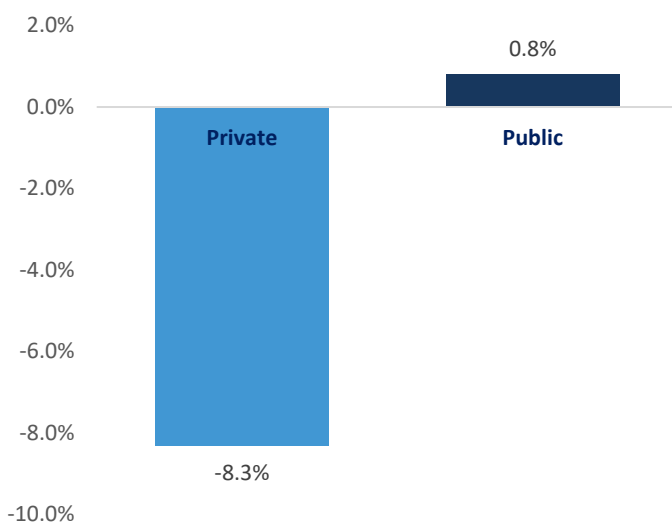
Economic output in the private sector fell by 2.0% over the quarter and by 3.7% over the year to Quarter 4 2020. On a rolling four quarter basis, output decreased by 8.3% in 2020 compared to 2019.

The latest Ulster Bank PMI for May reported a second successive month of increased output in the local private sector as all four sectors saw activity rise. The reopening of some businesses following a loosening of restrictions were central to the latest rise in activity. The pace of job creation was the joint-fastest since the survey began in 2002 as NI firms recorded their highest business confidence in over three years.

Table 1 - Latest NI Growth Forecasts

GVA	2021	2022
Danske Bank (published April 2021)	4.8%	5.8%
EY (published April 2021)	5.9%	4.1%
PWC (published February 2021)	4.0%	2.5%
UUEPC (published June 2021)	5.8%	4.1%
Average	5.1%	4.1%

Figure 6 - Economic Activity (Rolling four quarters to Q4 2020)

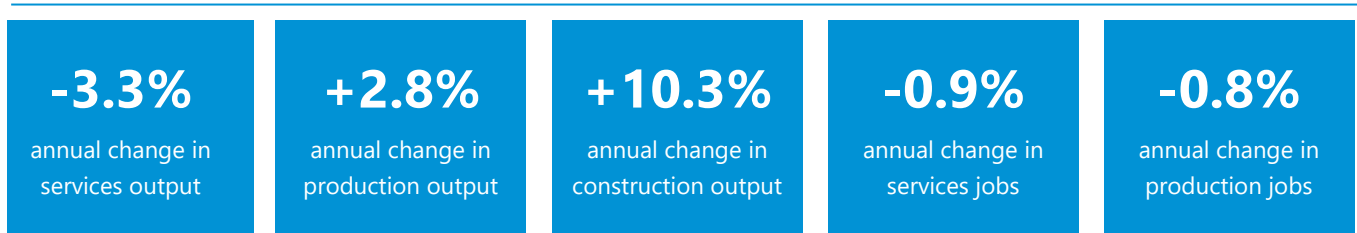


Outlook

- **Danske Bank** expects NI's economic activity to return to its pre-pandemic level in the second half of 2022. They also predict a rise in the annual average unemployment rate to 5.0% this year and 5.2% in 2022.
- **EY** expects it to take until 2023 for NI to recover to 2019 GDP levels, with jobs not back to their Q4 2019 peak until 2024. Estimated growth in 2021 will be more modest in the Republic of Ireland (5.0%) than the UK (6.8%) and NI (5.9%), due to the absence of a sharp contraction in 2020.
- **PWC** expects growth in 2021 to drag due to potential pressure from additional non-tariff barriers under the new UK-EU trading arrangement.
- **UUEPC** states that overall the short-term prospects for the local economy are positive. They expect NI to return to pre-COVID levels of GVA in 2023 and pre-COVID levels of employment in 2024.

Businesses

The reintroduction of restrictions during the first quarter of this year impacted output in Services and Production, with both recording quarterly decreases. The latest Construction output for Q4 2020 reached a 10 year high. Jobs in the Services and Production sectors increased over the quarter to Q1 2021 but fell compared to Q1 2020. However, employment in Construction fell over the quarter and year.

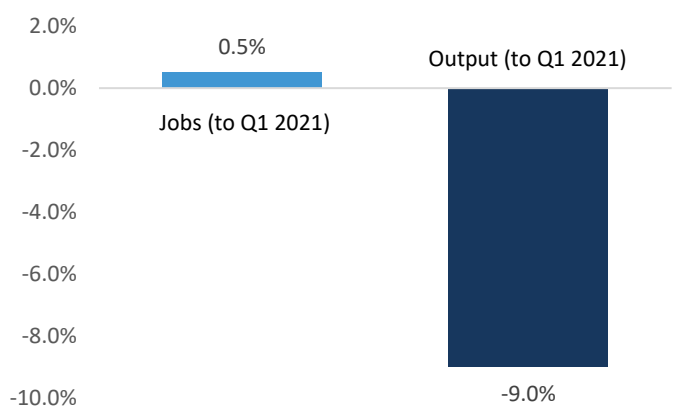


Services

The reintroduction of restrictions during the first quarter of this year is reflected in services output in NI which decreased by 2.1% over the quarter and 3.3% over the year to Q1 2021. Similarly services output across the UK fell by 2.0% over the quarter and 6.2% over the year. This is the fourth quarterly decrease in NI services output over the past 6 quarters, and the 6th successive quarter with an annual decrease. Output in the NI services sector is 8.2% lower than the highest point in the past 10 years (Q2 2019) and 11.1% lower than the series high (Q4 2006).

The Services sector saw an increase of 2,240 jobs (+0.4%) over the quarter but decreased by 5,860 jobs (-0.9%) over the year to March 2021. Over the last five years, the number of employee jobs in the Services sector has increased by 29,200. It accounts for 81.1% of all employee jobs.

Figure 7 - Rolling four quarter % change in service output and jobs



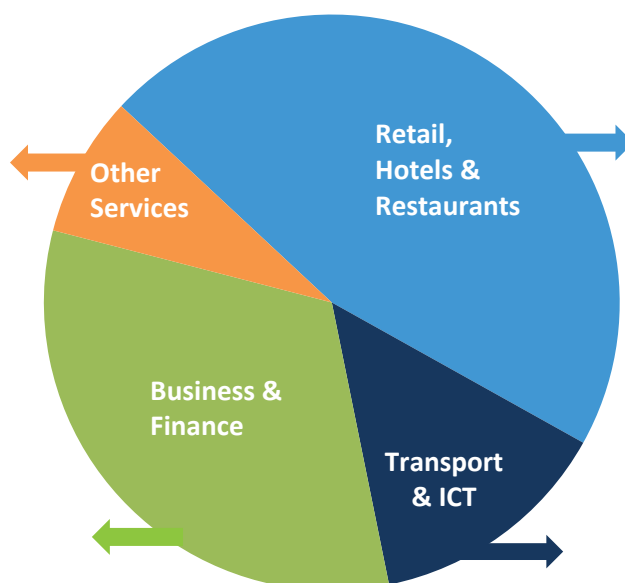
Other Services

Output decreased (-13.2%) over the quarter and year (-23.5%). Other Services unadjusted employment figures decreased over the year by 5.5% (-1,710 jobs), driven by Sports activities, amusement and recreation activities (-820 jobs).

Business and Finance

Output in this sector increased by 4.2% over the quarter and 11.4% over the year. The sector saw employment rise by 260 jobs with Office administrative, office support and other business support activities driving the increase in jobs in the sector over the year.

Figure 8 - Relative size of private services



Retail, Hotels & Restaurants

Output in this sector decreased by 4.2% over the quarter and 4.7% over the year. Jobs decreased by 9,890 over the year, with a fall in employment across all areas. In particular large falls were recorded in Retail trade, Food and beverage service activities and Accommodation.

Transport and ICT

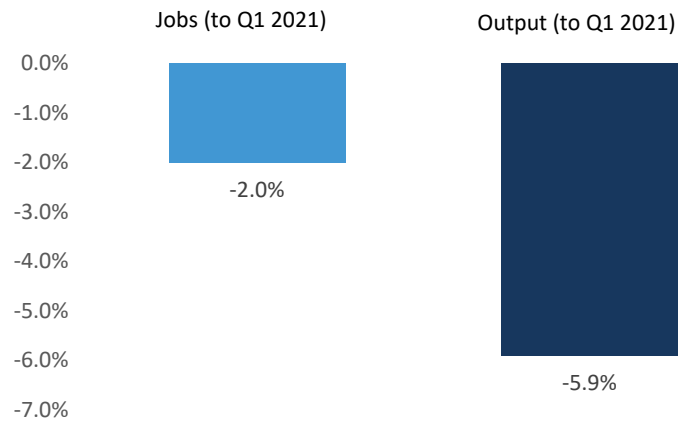
Output in this sector decreased by 2.0% over the quarter and 2.3% over the year but employment increased by 1,120 jobs, mainly due to rises in Computer programming, consultancy and related activities followed by Motion picture, video and television programme production.

Production

The reintroduction of restrictions in the first quarter of the year is reflected in the NI Index of Production, for Q1 2021 it decreased by 1.1% over the quarter but increased by 2.8% over the year. The quarterly decrease was driven by decreases in Manufacturing (-1.4%) and Water supply, sewerage and waste management (-6.8%). This was offset by increases in Mining and quarrying (29.2%) and Electricity, gas, steam and air conditioning supply (2.3%). In terms of employment, the sector increased by 0.3% over the quarter but fell by 0.8% over the year to 86,120 jobs.

Two thirds (66%) of the 190 manufacturing firms surveyed by ManufacturingNI in April rated the availability of raw materials as a significant concern, 93% of manufacturers have increased expenditure on raw materials, 86% have increased input costs on transportation, with 37% stating disrupted supply chains are the biggest obstacle to their firm's recovery.

Figure 9 - Rolling four quarter change in manufacturing output and jobs



Construction

The latest NI Construction Bulletin shows the total volume of construction output in Q4 2020 increased by 14.9% on the previous quarter and by 10.3% over the year to a 10 year high. However, there have been annual decreases in 5 of the last 7 quarters. New Work accounted for two thirds of all construction output (66.0%).

The construction sector reported a decrease in employment by 0.9% (-330 jobs) over the quarter and by 2.0% (-700 jobs) over the year to an estimated 34,910 jobs in March 2021.

CITB forecasts construction work to grow by 3.9% per year in NI in the period 2021-2025 (UK=4.4%). The predicted annual recruitment requirement of 1.5% means that an additional 5,000 workers are needed between the end of 2020 and 2025.

Figure 10 - Rolling four quarter change in construction output and jobs

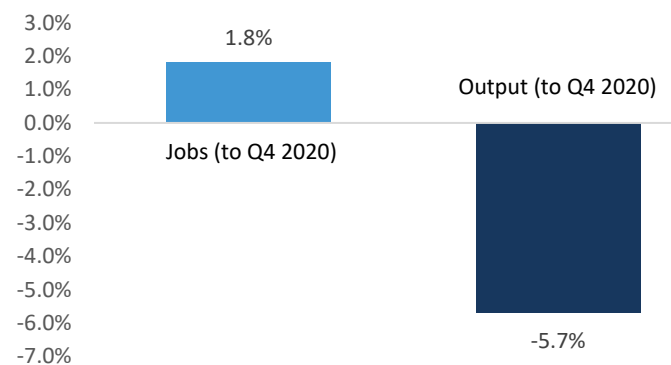
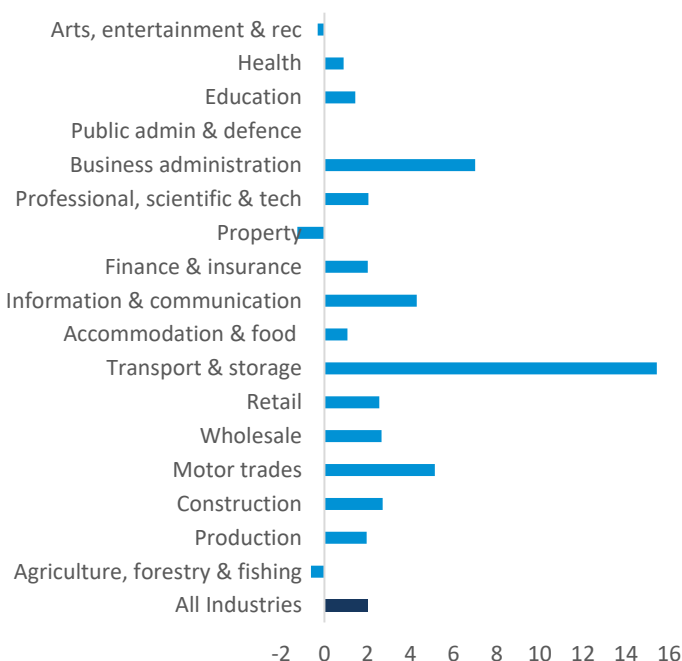


Figure 11 – Percentage Change in Number of businesses in 2021 vs 2020 NI by Sector



Inter Departmental Business Register (IDBR)

The number of VAT and/or PAYE registered businesses operating in Northern Ireland increased by 2.0% to 77,640 over the year to March 2021. This is the seventh consecutive annual increase in the number of businesses operating in NI.

All three main sectors of Construction, Production and Services increased the number of businesses over the year to March 2021. There was a significant increase of 15% in transport and storage (including postal) businesses, likely due to the growing demand for delivery services during the pandemic. Conversely there was a fall over the year in the number of businesses involved in agriculture, forestry and fishing (-115), property (-30) and arts, entertainment and recreation (-15).

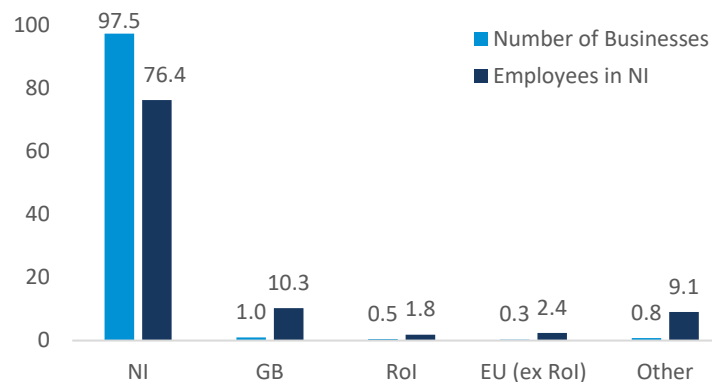
The number of businesses in the Construction sector reached a nine year high of 10,830 businesses, although this remains 5.8% below the series high in 2010. Since 2011 the number of businesses in the Production sector has increased by 25% (1,100), businesses in Services sector have also increased by 15%, although the number of retail businesses has declined by 8.8% (-580) over the last 10 years.

Business Size and Ownership

The IDBR also contains information on the size and ownership of VAT and/or PAYE registered businesses operating in NI. The latest results show only 1,710 (2.2%) of NI businesses have 50 or more employees, with only 335 (0.4%) employing 250 or more employees. The majority of businesses, (69,350 or 89.3%) are micro-businesses having fewer than 10 employees with an additional 6,575 (8.5%) businesses having 10-49 employees.

The majority of NI businesses (97.5%) are locally owned, with only 1.1% owned outside of GB and RoI. However businesses with foreign ownership tend to have larger employment, for example only 0.8% of businesses in NI have ownership outside the UK and EU but they account for 9.1% of employees.

Figure 12 – Percentage of Businesses and Employees by Ownership in 2021

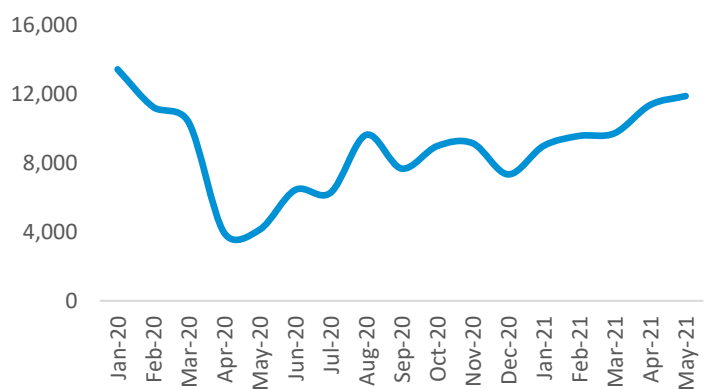


Online Job Postings

There has been an upward trend in businesses posting jobs this year. There were almost 11,900 online job postings in NI during May 2021, a 5% increase on April. This is the highest number of monthly jobs posted since January 2020.

While most sectors saw an increase in postings, Education had the largest increase (41% on April). The largest number of job postings was from Manufacturing (21%), followed by Health and Social Work (15%). Software development professionals were 6% of the postings, another 4% each were sales related occupations and other administrative occupations.

Figure 13 – Online Job Postings in NI



Other Business Surveys

Ulster Bank PMI – May 2021

- The May PMI reported the fastest expansion in business activity and new orders for NI in 40 months. Services orders rose for the first time since the pandemic hit. All four sectors saw output growth for the first time since January 2019. Inflationary pressures continue to rise in all four sectors. The rate of inflation in NI remains the highest of the UK regions. There also continue to be significant supply chain issues and new export business continued to fall. Despite this, local businesses increased their rates of job creation to equal the series' record level, with manufacturing staff levels rising at their fastest pace since the survey began in 2002. Business confidence that output will increase over the next 12 months rose to its highest level in three years.

InterTradeIreland Business Monitor Q1 2021

- In an improvement from Q4 2020 (NI 13% & RoI 19%), 29% of NI businesses and 33% of RoI businesses were in growth during Q1 2021. However, 44% of NI businesses and 33% of RoI businesses were declining. Almost half (46%) of NI businesses were fully operational and 60% in RoI, with cross-border traders more likely to be fully operational (66%). NI businesses (54%) and businesses trading across the border (68%) are more likely to be concerned about the impact of the UK's EU Exit. Just over half (52%) of businesses in NI stated rising overhead costs as an issue, as did 41% of RoI businesses.

NI Chamber Quarterly Economic Survey Q1 2021

- This survey noted that there were some signs of recovery in the NI economy during Q1 2021, particularly in manufacturing. However, there are still more businesses reporting falls in domestic and export sales/orders, cashflow and investment than those reporting an increase. Price pressures are rising, with 53% of manufacturers expecting to raise prices in Q2 2021, the highest since Q2 2008. Of the businesses surveyed, 41% reported difficulties adapting to new EU Exit trading arrangements for their business/supply chains. Even so, confidence around turnover and profitability was up in Q1 2021 and, notably, positive in both manufacturing and services for the first time since Q1 2020.

ONS - Business Impacts of Local and National Restrictions

- Based on the ONS fortnightly business survey (BICS) for single site businesses only, for the period late March to early May, the percentage of businesses currently trading in NI has increased to 83%. In terms of the UK regions, NI has the highest percentage (89%) of businesses currently trading in the services sector. However, only 10% of businesses in NI's hospitality and tourism sector had been trading in the previous two weeks, with 43% planning to restart in the following two weeks but almost half (46%) not planning to restart in the next two weeks.

Engagement with the Rest of the World

While economic recovery has begun, an unevenness across economies remains due to varying levels of government support, vaccine roll-outs and sectoral dependence. NI's external and export sales are dominated by sales to GB, Republic of Ireland and North America, with the majority of exports from the manufacturing sector. Restrictions on international travel continue to negatively affect tourism.



Exports

The latest NISRA Broad Economy Sales and Export Statistics (BESES) report, which covers the sales of goods and services, was released in April this year, detailing statistics for 2019. The total sales by companies in Northern Ireland during 2019 was estimated to be worth £71.9 billion, an increase of 4.6% on 2018. Just over two thirds (68%) of these sales were within NI.

External sales to markets outside NI including GB increased in 2019 by 3.3% over the year to £23.0 billion, with sales to GB making up almost half of this total (£11.3 billion). The Republic of Ireland remains our largest export market, with sales increasing by 9.9% over the year to £4.5 billion in 2019. Conversely, exports to the rest of the EU fell over the year by £299 million (-11.0%) to £2.4 billion, as did exports to the rest of the world, falling by £60 million (-1.2%) to £4.8 billion.

Over half (59.6%) of export sales from Northern Ireland in 2019 were from the Manufacturing sector; export sales from this sector increased by 25.9% between 2011 and 2019. Another fifth (18.5%) of export sales were from Wholesale and Retail Trade, increasing by 5.2% over the year.

Even though there were only an estimated 250 private sector large businesses (250+ employees) in Northern Ireland in 2019, they accounted for almost half (48.6%) of NI's exports. Whereas exports to the Republic of Ireland were largely driven by businesses with less than 250 employees.

Belfast City Council is the largest exporter of the local councils in 2019, with 21% (2,457m) of exports originating in Belfast. The top 4 exporting councils accounted for 60% of the exports from NI, with three of them having a land border with the Republic of Ireland.

Figure 14 – BESES External Sales and Exports by Destination

GB (£11,279m)	EU (£6,909m)			Rest of World (£4,799m)	
				North America (£2,215m)	
	Ireland (£4,501m)			Asia (£994m)	Other Countries (£764m)
	Other EU Countries (£863m)	Germany (£480m)	Belgium (£356m)		
		Netherlands (£377m)	France (£332m)	Middle East (£575m)	Africa (£251m)
GB (£11,279m)					

Examples of Inward Investment

Throughout the pandemic Invest NI has continued to provide support to businesses to help them grow and stimulate further investment in the economy. Between 2020 and mid-2021, Invest NI has successfully attracted foreign investment, such as:

- Payroc WorldAccess LLC offers a payment processing service and related software and technology development, providing processing capabilities for merchants throughout the US and Canada. They plan to establish a Software Engineering and Innovation Centre and a Customer Services Centre in NI, operating on a remote working model, with a medium- to long-term goal of setting up a centre in Belfast.
- Martin Houston & Sons Limited is a Donegal based manufacturing firm; Houston Precision Engineering provides high quality engineering services and has purchased over three acres of land in Strabane Business Park to build a new factory. This investment will also include a zinc plating processing line.
- SkinHQ, an international chain of skin clinics specialising in laser hair removal, CoolSculpting, fillers, botox and skin treatments, is setting up in Northern Ireland with a 13-person multi-function team. The new team will be based in Newry, hosting a new e-commerce website and creating an online e-learning SkinHQ training Academy.
- NEO Environmental is a Scottish consultancy business which undertakes multi-disciplinary environmental consultancy. They are creating five new jobs to support the recent demand for their business services in the renewables sector within the ROI market. They have moved to larger premises investing over £300,000 in Ballymena, thus giving them space to enable expansion in the future.

Table 2 – Selected Inward Investments

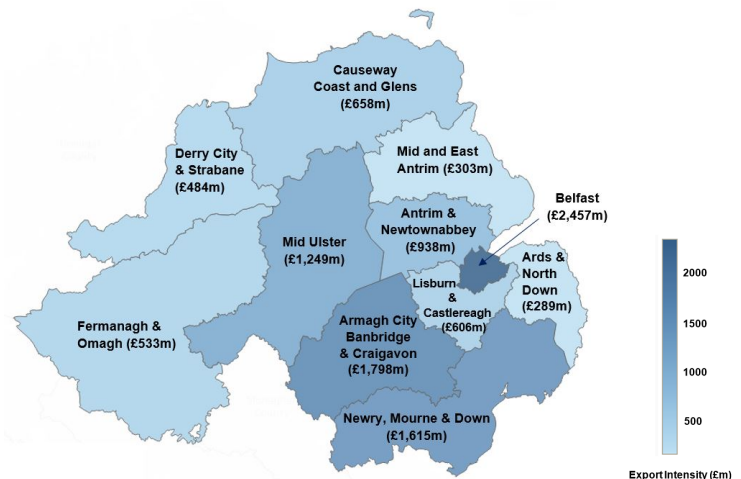
March 20 – May 21	Assistance	Investment	New Jobs
Payroc WorldAccess, Ltd	£445k	£7.2m	75
Martin Houston & Sons Limited	£410k	£1.9m	41
SHQ Holdings Ltd	£84.5k	£552k	13
Neo Environmental Ltd	£34k	£316k	5

Invest NI is working through final validation of its headline Business Strategy KPI results for 2020/21 and also the 4 Year period 2017/21. The agency plans to release this information publicly when the validation is complete, currently scheduled for the end of June 2021.

Foreign Direct Investment

The Department for International Trade Inward Investment Results for 2020/21 reveal that there were 29 new FDI projects in Northern Ireland that created 1,326 new jobs in 2020-21. This is a decrease from 40 FDI projects and 2,351 jobs in 2019-2020 representing a 28% and 44% decrease respectively into NI. This is larger than the decrease (17%) in projects and the marginal 1% fall in new FDI jobs for the UK as a whole over the same period.

Figure 15 – BESES Exports by District Council



Tourism

The Tourism Sector has been severely impacted throughout the pandemic. Restrictions resulted in hotels and B&Bs having to close to the majority of customers for most of the last year and a half. Between 26th March 2020 and 24th May 2021, accommodation providers in NI were permitted to be open for overnight stays for only 121 days out of 424 days (28.5%). While accommodation providers are seeing an increase in bookings, restrictions continue for international travel.

Table 3 – Key Market Growth Forecasts (OECD)

GDP	2021	2022
World	5.8%	4.4%
UK	7.2%	5.5%
Euro Area	4.3%	4.4%
US	6.9%	3.6%
China	8.5%	5.8%

Key Markets Outlook

The May Economic Outlook by OECD predicted global output to grow by 5.8% this year (1.6pps higher than its December Outlook) and 4.4% in 2022 (unchanged). Economic recoveries are diverging across countries and sectors. The US, Korea and Russia are projected to recover to pre-pandemic GDP per capita after Q2 2021 with Japan, Germany, India and Indonesia later this year. While Australia, Canada, Italy, UK, Brazil, and France are expected to recover in 2022.

Differences in the strength of economic recovery across countries are being driven by the extent of government support, the country's dependency on particular sectors such as tourism and by public health and vaccination policies. Trade is also playing a role. Consumers have spent less on services and more on goods since the pandemic began. This has benefitted countries involved in supplying pharmaceuticals, medical supplies and IT material in particular.

Households

The COVID-19 pandemic continues to affect NI households. While unemployment has started to fall and employment has stabilised, the end of the furlough scheme is likely to have an impact in the autumn. House prices continue to rise significantly and consumer confidence is returning, assisted by increased wages. The rate of inflation has risen in recent months.



Unemployment

The latest Labour Force Survey estimates the unemployment rate (16+) in Northern Ireland for the period February-April 2021 at 3.1%, a decrease of 0.6pps over the quarter but an increase of 0.8pps over the year. It is considerably lower than the pandemic peak unemployment rate for November 2020-January 2021 (3.8%). The latest unemployment rate is also below the UK (4.7%), with the NI rate continuing to be the lowest of the twelve UK regions. However, UUEPC forecasts NI's unemployment rate will rise to 5.7% this year before falling to 5.5% in 2022 and 5.0% in 2023.

The pandemic restrictions have had a significant impact on the number of hours worked in Northern Ireland. Over one quarter (28%) of those in employment indicated they had worked fewer hours than usual. While there has been an increase in the total weekly hours worked to 26.1 million hours in February-April 2021 (up from the series low of 24.0 million hours for May-July 2020), this remains 11% below the series high in August-October 2019 of 29.5 million hours, driven by both a decrease in average hours worked and by decreases in the number of people employed.

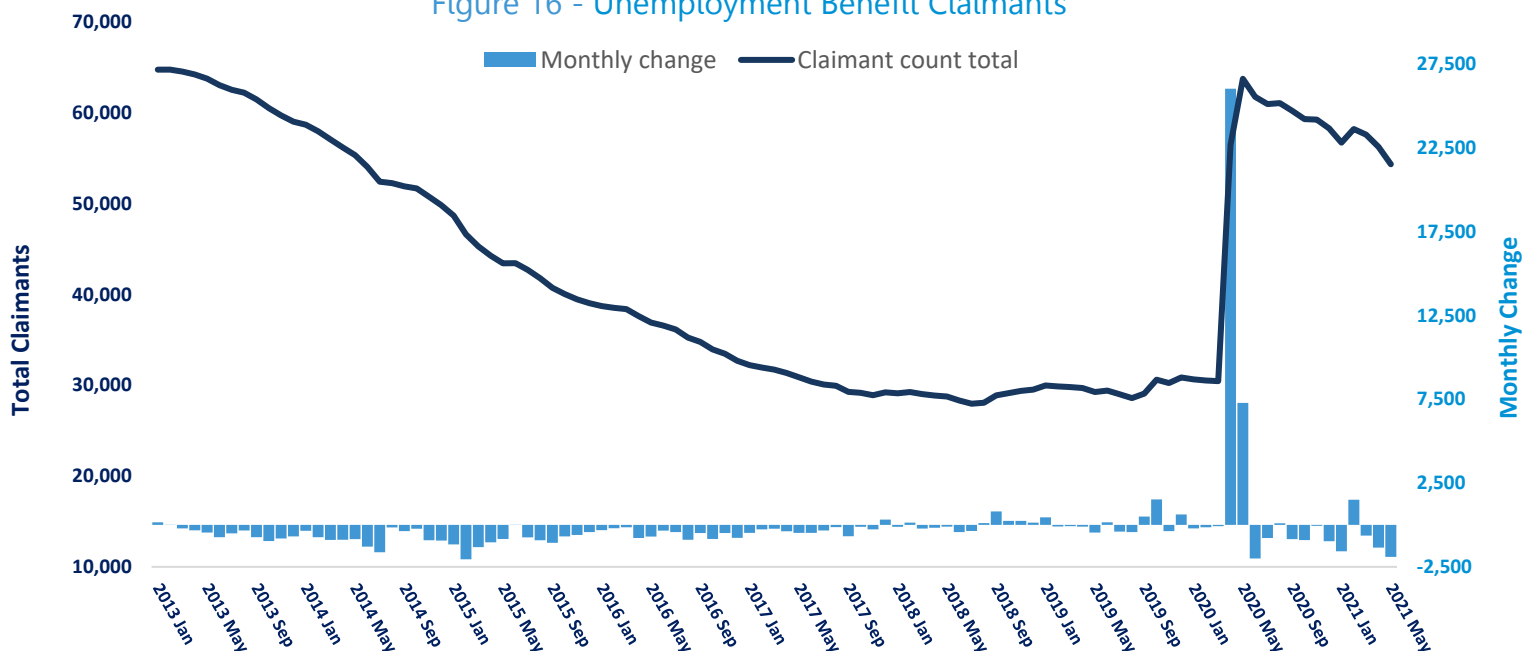
The number of people claiming unemployment benefits decreased by 3.4% over the month and 14.8% over the year to 54,300. This equates to 5.5% of the NI workforce on the claimant count, which is down from 6.5% recorded in May 2020 and lower than the UK rate of 6.8%. However, this remains 78% more than the count in March 2020.

Between March 2020 and May 2021 the claimant count has risen substantially across all age groups. However, 16-24 year olds (+81%) and 25-49 year olds (+85%) have been relatively more impacted than those aged 50 and over (+67%).

NI's economic inactivity rate remains high; while it fell marginally over the quarter (-0.1pps) it rose over the year (+0.8pps) to 27.9% for February-April 2021, significantly above the UK rate of 21.0%.

The latest figures for Q1 2021 estimate 21,000 young people (16-24) were not in education, employment or training (NEET). This represents a fall of 7,000 on the previous quarter and 1,000 less than Q1 2020. This equates to 10.4% of all people aged 16-24 years in NI, and is higher than the UK NEET rate of 9.5%.

Figure 16 - Unemployment Benefit Claimants

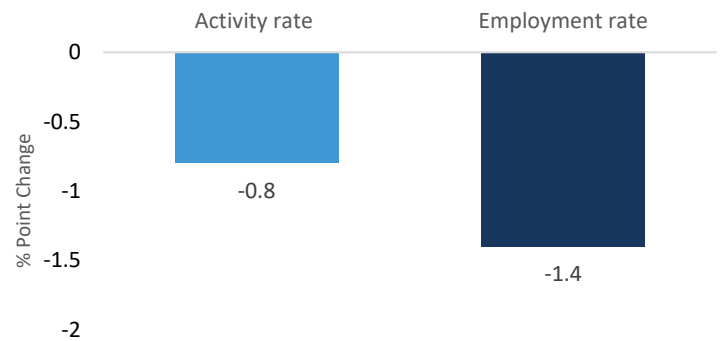


Employment

The number of people in employment (16+) in the period February-April 2021 was estimated at 843,000, a decrease of 19,000 over the year. The overall employment rate is estimated at 69.8%, a rise of 0.5pps over the quarter but a fall of 1.4pps over the year. The decrease in employment over the year was driven by a fall in youth employment (16-24 years) which reduced by 10.9pps. The working age male employment rate decreased by 3.6pps over the year to 72.1% while the female employment rate increased by 0.8pps to 67.5%.

At 69.8% the employment rate in NI is the same as in February-April 2018. However it remains significantly below the UK average (75.2%) and the lowest of the 12 UK regions.

Figure 17 - Participation rates (annual percentage point change)

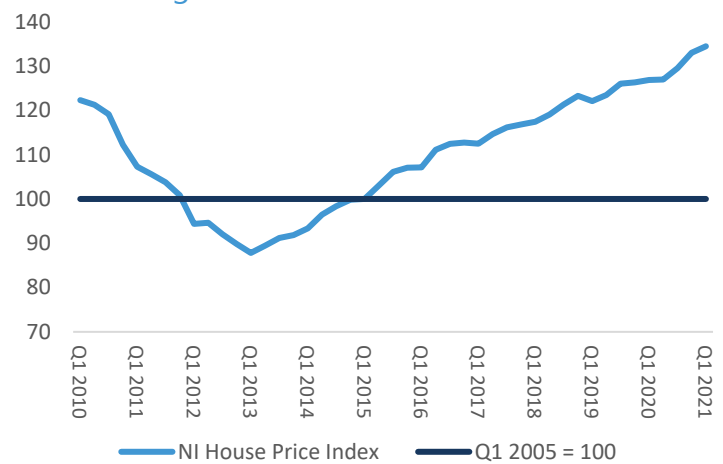


Housing Market

NISRA's latest House Price Index reported local house prices rose over the quarter by 1.1% in Q1 2021 and by 6.0% over the year. The average house price is £149,178, almost £8,500 more than in Q1 2020. Average house prices also rose by 10.2% over the year for the UK. This is in spite of the number of property sales in NI during 2020 being 17.3% lower than in 2019 due to restrictions.

However, the average house price varies across NI ranging from £128,320 in Armagh City, Banbridge and Craigavon Council to £175,813 in Lisburn and Castlereagh. The increases in prices also vary across property types, with detached properties increasing the most (7.6%) over the last year and apartments the least (2.1%) as people seek properties with more space.

Figure 18 - NI House Price Index



Pay & Consumer Spending

- Consumer confidence has been rising with the sales of large expenditures such as cars increasing - there were 3,879 new cars sold in May this year compared to only 144 last May, however this year's car sales are 21% lower than in May 2019.

HMRC PAYE Real Time Information

- Median monthly pay for NI employees in May 2021 was £1,810, decreasing by 0.8% over the month but 8.4% higher than the same period last year.
- NI has the lowest median monthly pay of the 12 UK regions (UK average is £1,962). Since March 2020, earnings in NI have increased by 3.7%, whilst all other regions saw increases of at least 5.4% over this period (6.2% in the UK overall).

Danske Bank Consumer Confidence

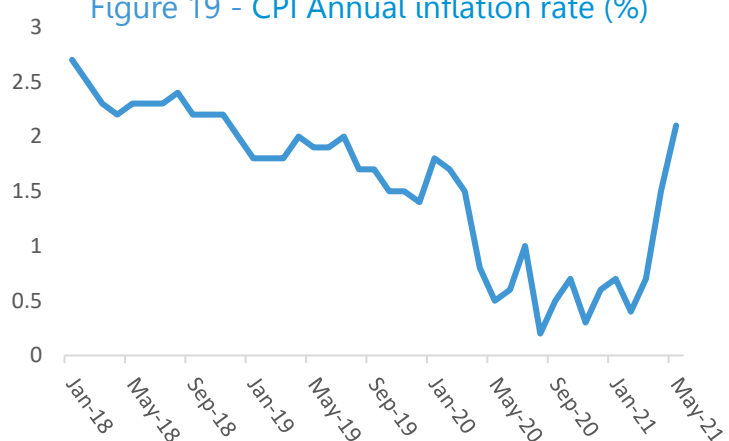
- The Consumer Confidence Index rose to 137 in Q1 2021, up from 124 in Q4 2020, and higher than Q1 2020 (119).
- The largest positive impact on confidence levels was the roll out of the COVID-19 vaccine (49%). Whereas 33% of people said the new NI trading arrangements following EU Exit made them less confident.
- Around 10% of people expect to become more secure in their job over this year, but 15% expect their job security to worsen.
- Sentiment about current finances generally improved compared to a year ago, with 30% of people feeling their financial position had improved, while 28% felt their finances had deteriorated.

Prices

Consumers have faced rising prices over the year. Inflation as measured by the Consumer Price Index (CPI) rose to 2.1% in the year to May 2021, up from 0.5% in May 2020. The CPIH (which includes owner occupiers' housing costs) rose to 2.1% in the year, up from 0.7% in May 2020. Relatively low prices for some items in 2020 are having a base effect on current inflation rates.

The largest contribution to the 12 month inflation rate came from transport (0.72pps), caused principally by changes in the price of motor fuels. Housing and household services also increased slightly as owner occupiers' housing costs rose. The Bank of England's quarterly Monetary Policy Report published in May projects UK inflation to peak in 2021 Q4 at around 2.5%.

Figure 19 - CPI Annual inflation rate (%)



Government

Although the number of jobs within the local public sector has been following a downward trend over the past twelve years, there has been a small rise in public sector employment in the last few years. Over the last year, this was driven by the need for the NHS in particular to respond to the pandemic. However annual rises in public sector employment in NI were less than for the UK as a whole.

+1,865

annual change in number of public sector jobs

+0.9%

annual change in public sector jobs

+0.8%

annual change in NICS jobs

-2.2%

annual change in local government jobs

+3.0%

annual change in NHS Trusts jobs

Jobs

Since the peak figures in September 2009, the number of jobs within the local public sector has generally gone downwards, with the sector now 6.5% smaller, resulting in around 14,900 fewer jobs in March 2021. In contrast, the private sector has grown over the same period by over 16%, with an additional 78,160 jobs, with most of this increase from the services sector.

Public sector jobs in NI totalled 28% of all the employee jobs in March 2021. NI public sector jobs as a proportion of the local population was 11%, which compares to 8% in the UK.

Public sector jobs in NI increased marginally over the recent quarter (0.4%) to March 2021 and over the year (0.9%). UK public sector jobs rose over the quarter (1.3%) and over the year (3.8%).

Local jobs in local NHS Trusts and employment in NI Central Government rose by 3.0% and 2.3% respectively whereas NI jobs in Local Government fell by 2.2% over the year. Local government was the only area of the Northern Ireland public sector to experience a fall in employment over the year.

Table 4 – NI Selected Public Sector Jobs Breakdown

	Jobs		Annual Change	
	Mar 21	No.	%	
Total Public Sector Jobs	214,179	1,865	0.9%	
NI Central Government*	113,934	2,535	2.3%	
Northern Ireland Civil Service (NICS)**	23,274	180	0.8%	
UK Central Government	3,796	74	2.0%	
Local Government	11,547	-255	-2.2%	
NHS Trusts	76,905	2,212	3.0%	

*totals include NICS, Health and Education etc.

Figure 20 - NI Public Sector Jobs (000's)

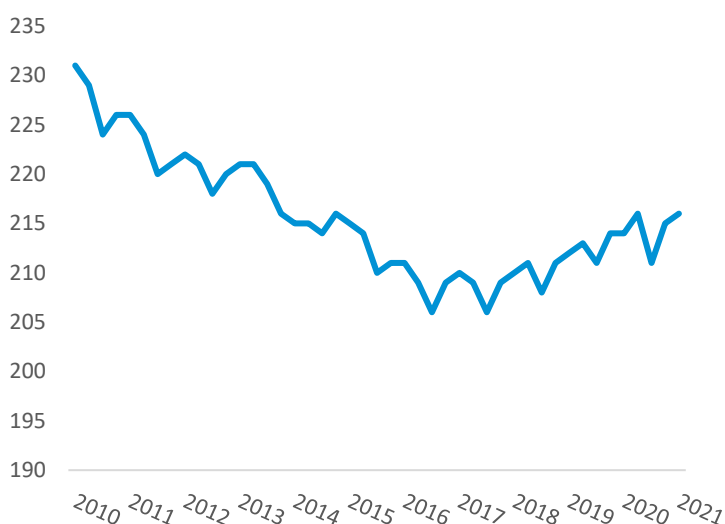
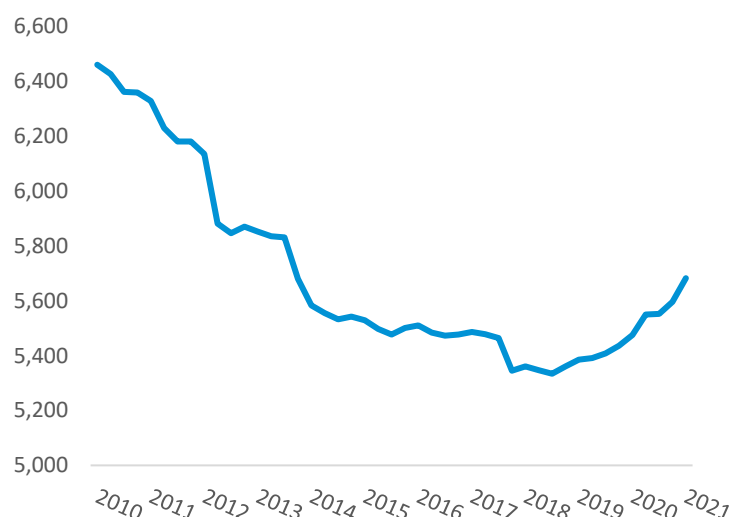


Figure 21 - UK Public Sector Jobs (000's)



FOCUS: Undersupply of mid-level skills in NI

Introduction

On 11 May 2021, the Department for the Economy launched its economic vision for the next 10 years for a "10X Economy: An Economic Vision for a Decade of Innovation". A cornerstone of the success of this vision will be to ensure that everyone has the opportunity to develop skills with a renewed focus on investing in skills so that all of our people feel they can be part of the changes that are coming in this decade of innovation. This renewed focus will also mean that our businesses have the right people, with the right skills, at the right time, to underpin our innovation led, inclusive and green growth.

As outlined in the subsequent consultation paper for a new Skills Strategy for Northern Ireland, "Skills for a 10X Economy", delivering this vision will require transformation in our skills system. In an economy with limited natural resource, the skills of our people are the primary driver of our success. The consultation document identifies addressing skills imbalances as one of its three major policy objectives, with the Skills Barometer, a skills tool developed by the Ulster University Economic Policy Centre, adopted as a primary evidence source to guide proposed interventions.

Skills Barometer

A number of key messages are derived from the 2019 Skills Barometer. This includes a 10 year forecast on how well our students and migrants entering the labour market will meet economic needs under a high growth scenario. This includes:

- the projection that there will be a mismatch between the subjects studied at degree and above level to those demanded by our economy¹;
- the missing middle showing that there will not be enough students or migrants entering the labour market at qualifications levels 3 to 5²; and
- too many students and migrants projected to enter the labour market with low level qualifications (level 2³ and below) for the amount of job opportunities available at this level.

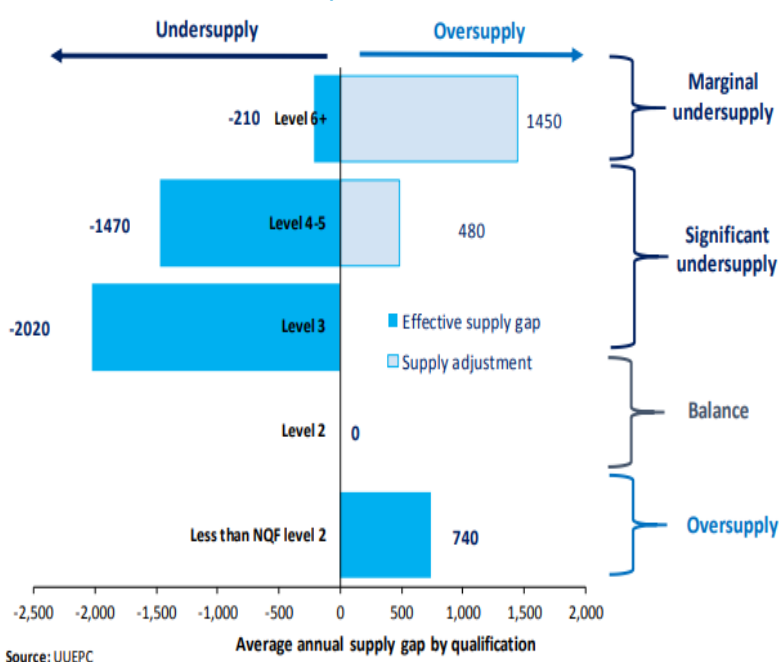
To meet the challenge around the mid-level, the Skills Strategy consultation proposes that by 2030, Northern Ireland will significantly increase the proportion of individuals achieving level 3, 4 and 5 qualifications, in line with forecast demand.

It is within this context that this focus piece briefly examines the predicted undersupply of skills at NQF Levels 4-5⁴ from the Skills Barometer. This piece also examines demand for jobs at this education level by considering online job postings.

Demand for Skills at NQF Level 4-5

The 2019 Skills Barometer⁵ estimates that there will be an annual net requirement⁶ for roughly 2,900 new workers from education and/or migration at NQF Level 4-5 in the decade to 2028 on average. This equates to 11% requiring qualifications at NQF Level 4-5.

Figure 22 – Average Annual Labour Market Supply Gap (2018-28)



Supply gap at NQF Level 4-5

This annual net requirement for workers at NQF Level 4-5 is the second lowest net requirement of any qualification level (after below level 2). However, there is projected to be a significant undersupply of around 1,500 workers annually at this level over the 10 year period to 2028. The cause of this undersupply is not due to excess demand for workers, rather it is driven by a low supply of qualifiers entering the labour market at this level.

It is projected that 56% of the future supply of those enrolled in NQF Level 4-5 qualifications will not enter the labour market, with the assumption that many of these students will proceed to further study rather than entering the labour market. In addition, the Skills Barometer model reduces the supply available at this level, taking into account that not all those qualifying would be ready to enter the labour market at this level and would require additional skills development before doing so⁷. Even if these students were not removed, an annual supply gap of around 1,000 would still remain.

¹ It is projected that those subjects greatest undersupplied will be in STEM areas.

² Level 3 is A Level or equivalent; Level 4-5 is Foundation Degree/ Higher National Certificate/ Higher National Degree or equivalent.

³ Level 2 is 5 GCSEs (A* to C) or equivalent

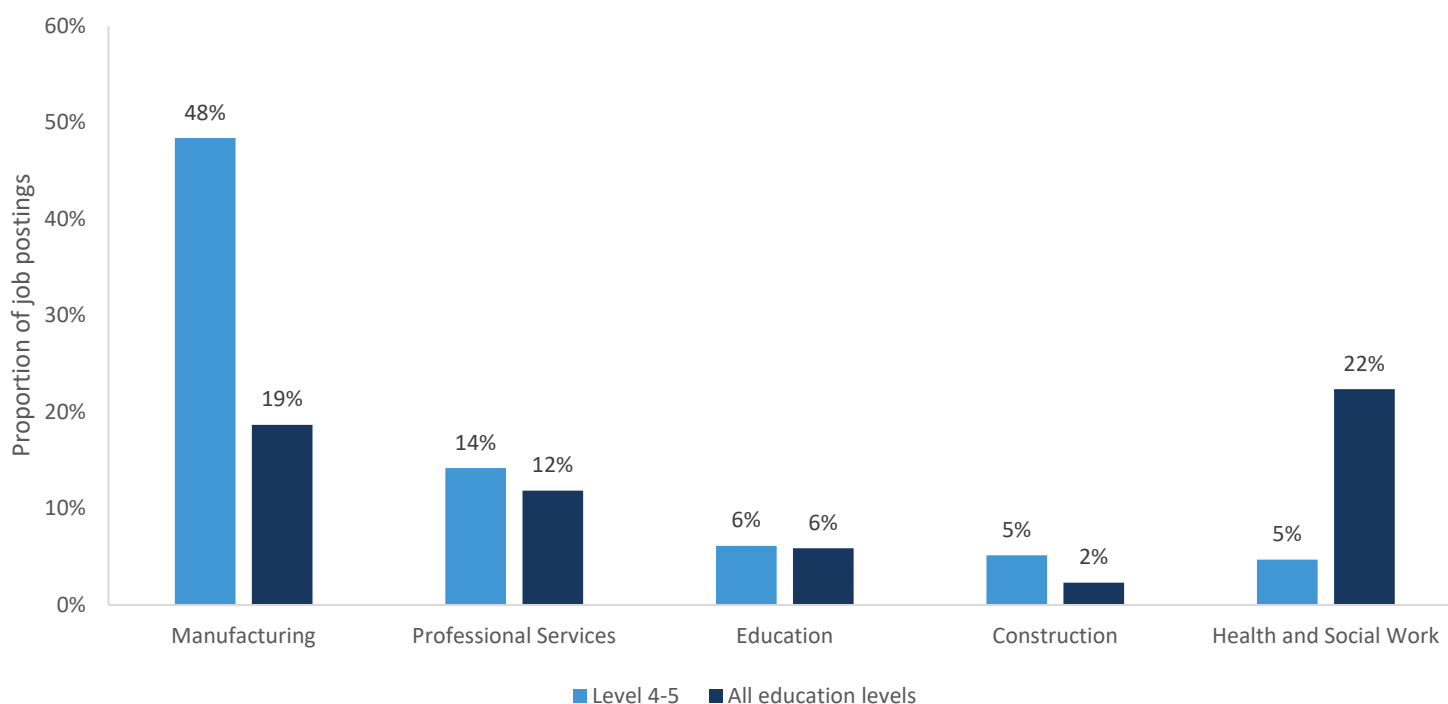
⁴ Foundation Degree/ Higher National Certificate/ Higher National Degree or equivalent

Undersupply by Subject Area

The vast majority of subjects are undersupplied at NQF Level 4-5. Engineering and Manufacturing Technologies is the most undersupplied subject grouping at NQF Level 4-5, accounting for 18% of total undersupply, followed by Science & Mathematics (16%) and Health, Public Services and Care (15%).

Many of these most undersupplied areas are in STEM subjects with this a driver of our 10X economic ambitions, making it imperative actions are taken to address these projected shortages. The top 5 most undersupplied subject groupings account for 67% of the total undersupply.

Figure 23 – Online Job Postings for NQF Levels 4-5 from Jan 2020 to May 2021



Analysis of Online Job postings analysis at NQF Level 4-5

Between 1st January 2020 and 31st May 2021, there were over 2,800 online job postings that required qualifications at NQF Levels 4-5, representing around 7% of all online postings over this period that specified an education level. Manufacturing (48%) accounted for almost half of online job postings that required a qualification at NQF level 4-5 over the period, followed by Professional Services (14%); Education (6%); Health and Social Work (5%); and Construction (5%).

Manufacturing features more heavily amongst online job postings at NQF Level 4-5 (48% of postings) compared with all education levels (19% of postings), with postings in Health and Social Work making up a lower proportion of postings at NQF Level 4-5 (5% of postings) compared to all education levels (22% of postings).

Online job postings placed at NQF Level 4-5 generally asked for a higher level of work experience than postings across all education levels. Out of the online job postings at NQF Level 4-5 that specified a required level of experience, more postings required 3 to 5 years' experience (63% of postings) than compared with all education levels (38% of postings), and fewer postings asked for 0 to 2 years' experience (33% of postings) than compared with all education levels (57% of postings).

This work will fit with the Skills Strategy out for consultation with it providing the underpinning evidence base for one of its commitments as follows:

A review of level 4 and 5 'HE in FE' education will be conducted. Recommendations and actions arising from the review will be incorporated in the implementation of the Skills Strategy.

⁵ Information has been taken from the 2019 Skills Barometer Update. It is recognised that the economic and social conditions that underpin this research do not remain static and, importantly, the work was produced prior to and does not consider the impact on skills of the current Covid-19 pandemic. Please bear in mind that the 2019 Skills Barometer was produced pre-COVID when interpreting this article.

⁶ Net requirement refers to the number of vacancies that cannot be filled from within the existing labour market and therefore must be met from those leaving education and/or from migration.

⁷ The Skills Barometer removes 25% of qualifiers at Level 4/5 from the supply tally as it recognises that some qualifiers will require additional skills development before they would be capable of taking employment opportunities at this level.

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); Gross Domestic Product (ONS); Quarterly Employment Survey (NISRA); Coronavirus Job Retention Scheme statistics (ONS); Self-Employment Income Support Scheme statistics (ONS); Belfast Footfall Figures (Belfast City Council); Purchasing Managers Index (Ulster Bank); Quarterly Sectoral Forecasts (Danske Bank); Economic Eye Ireland (EY); UK Economic Update (PwC); Summer Outlook 2021 (UUEPC).
Businesses	Index of Services (NISRA); Index of Production (NISRA); NI Manufacturers and The First Month of the Protocol (ManufacturingNI); NI Construction Bulletin (NISRA); Construction Skills Network (CITB & Experian); Quarterly Employment Survey (NISRA); Inter Departmental Business Register (NISRA); Online Job Posting Trends 2021 (DfE); Purchasing Managers Index (Ulster Bank); Business Monitor (InterTradeIreland); Quarterly Economic Survey (NI Chamber of Commerce and Industry); Understanding Businesses Impacts of Local and National Restrictions (ONS).
Engagement with the Rest of the World	Regional Trade Statistics (HMRC); Business Population Estimates 2019 (ONS); Inward Investment (Invest NI); Tourism Statistics (NISRA); Global Economic Prospects (World Bank).
Households	Labour Force Survey (NISRA); Claimant Count (NISRA); Quarterly Employment Survey (NISRA); Summer Outlook 2021 (UUEPC); NI House Price Index (NISRA); UK House Price Index (ONS); NI New Car Registrations Data (SMMT); PAYE Real Time Information (HMRC); Consumer Confidence Index (Danske Bank); Consumer Prices Index (ONS); Monetary Policy Report – May 2021 (Bank of England).
Government	Quarterly Employment Survey (NISRA); UK Public Sector Employment (ONS).
Focus: Undersupply of Mid-level Skills in NI	NI Skills Barometer 2019 (UUEPC); Burning Glass Labour Insight.

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