

DfE Economic Commentary

Spring 2022

Economic Growth

Q3 2021

NI UK

Quarterly Growth

+1.5% +1.1%

Annual Growth

+4.6% +6.8%

Biennial Growth

+3.0% -1.6%

Source: NISRA

Businesses

Index of
Production

Index of
Services

Output up

Output up

+8.1%

+6.0%

Source: NISRA

Rolling Annual Average Change to Q3 2021

Rest of World



NI Exports Valued
£7.8bn
in year to Q3
2021

+2.0%
rise in
exports
to
Republic
of
Ireland*

Source: HMRC

*Annual Change to Q3 2021

Households

Employment
Rate

Unemployment
Rate

Inactivity
Rate

70.7%

2.7%

27.3%



Up over quarter,
Up over year

Down over quarter,
Down over year

Up over quarter,
Up over year

Source: NISRA

October-December 2021

Government



+2.0%

+1.6%

+4.0%

Total Public
Sector Jobs

NHS
Employment

NICS
Employment

Source: NISRA

Annual Change to Q3 2021

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The Economy

Economic output in NI hit a 13 year high in the third quarter of 2021, largely driven by the Service sector. The Omicron variant caused most forecasters to reduce their 2022 estimates of growth for the NI Economy. In addition, high inflation continues to negatively affect businesses and individuals. The Bank of England expects inflation to peak at 7.25% this year.



Economic Activity

The NI Composite Economic Index (NICEI) for Q3 2021 is at a 13 year series high, with economic activity at a level last surpassed in Q3 2008. The NICEI has recovered from the series low point in Q2 2020, which was 19.6% lower than Q3 2021.

NICEI experienced growth over the quarter (1.5%); year (4.6%); rolling four quarter annual average (5.8%) and, when compared on a pre-pandemic basis, over two years (3.0%). It should be noted that Q3 2021 is before the emergence of the Omicron variant.

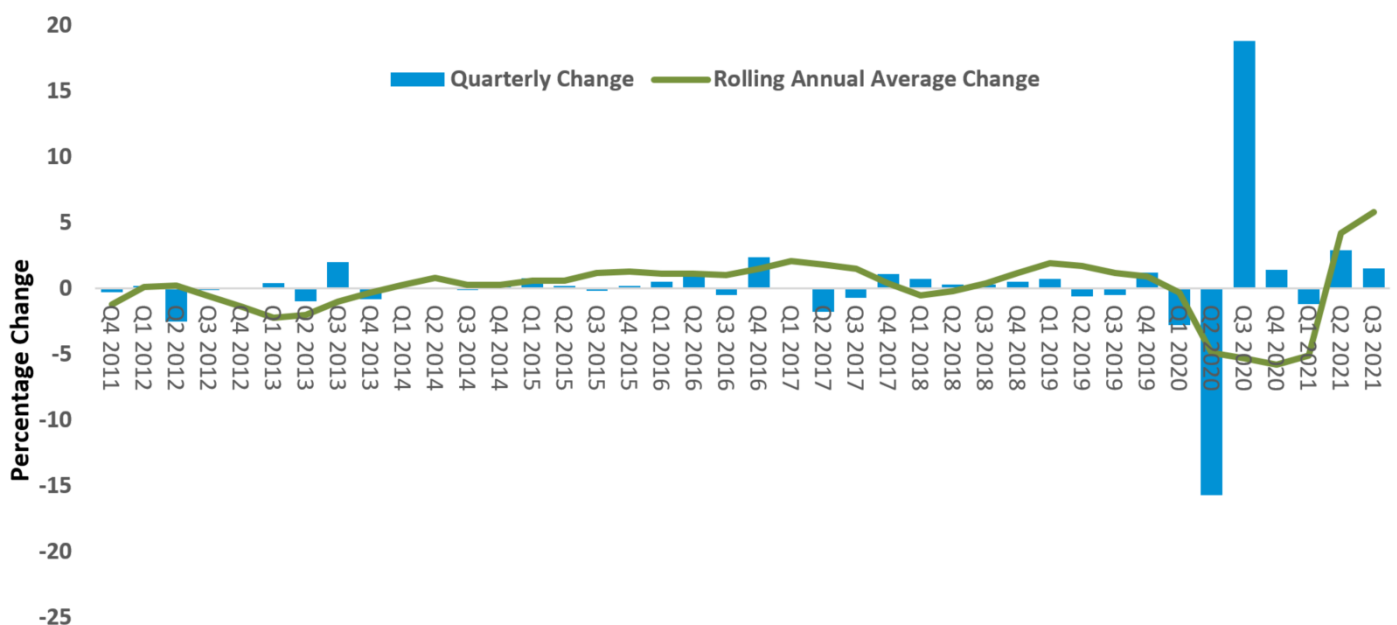
Growth has been driven by the Service sector which accounts for over half (53%) of NI's GVA. Growth in Services was by far the largest contributor to NICEI growth over the quarter, year, rolling average and over two years.

Although the measures are not produced on a fully equivalent basis, UK GDP for Q3 2021 also increased over the quarter (1.1%) and year (6.8%). However it fell when compared over the last two years by 1.6%.

Growth measured by GDP in the Republic of Ireland over the same timeframe increased over the quarter (0.9%), year (11.4%) and over two years (23.7%).

Over the last ten years, UK GDP grew in the majority of quarters, with only six of the 40 experiencing decline - for the NICEI, 17 of the last 40 quarters showed decline. More recently however, NI experienced positive growth in five of the last eight quarters to Q3 2021, whereas UK GDP experienced four quarters of growth in the last eight.

Figure 1 - NI Composite Economic Index



Index: 100 = 2018

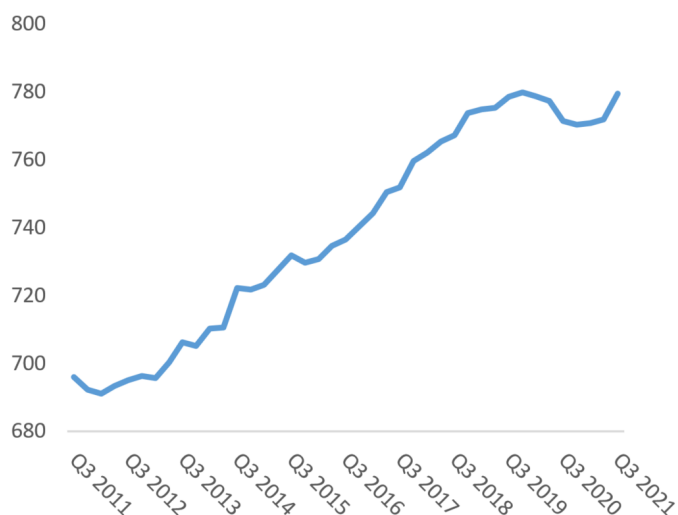
Employee Jobs

There were an estimated 779,470 employee jobs in Q3 2021, an increase of 1% over both the quarter and year. This was the third consecutive quarterly increase and brought the number of employee jobs back to just below pre-pandemic levels, with only 460 fewer jobs in Q3 2021 compared to Q4 2019.

There were quarterly increases in employee jobs for Services (+6,100 jobs) and Manufacturing (+1,520 jobs), whereas Construction and Other Industries reported small decreases in employee jobs over the quarter (-40 jobs and -60 jobs respectively). Over the year, Services reported the biggest increase in employee jobs (+7,630 or 1.2%). Only Construction experienced a decrease in employee jobs (-1,930 or -5.4%).

The annualised, or rolling 4 quarter, change has a decrease in employee jobs for all sectors except Other Industries (+0.9%), with the largest decrease in Construction (-2.5%).

Figure 2 - Employee Jobs (000's)



Private Sector

Private sector employee jobs grew over the latest quarter and year (0.9% and 0.7% respectively) to Q3 2021 but remain below their pre-pandemic level (-0.8% comparing to Q4 2019).

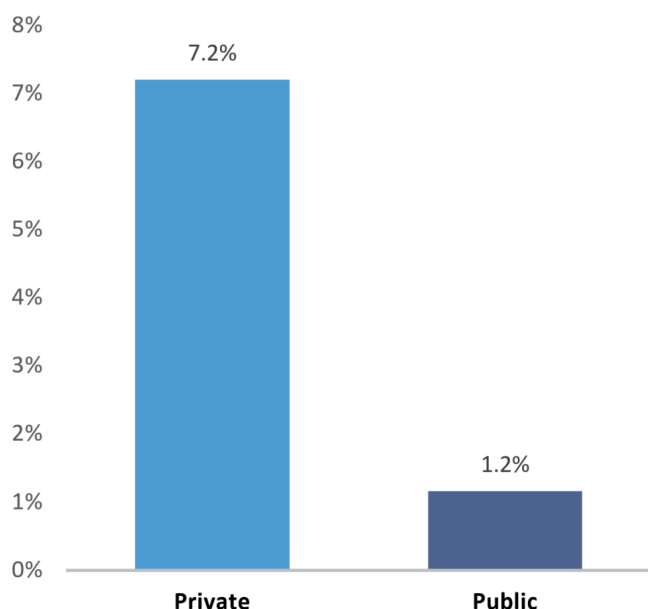
The Private sector in NI continued to grow, with the latest NICEL data showing growth to Q3 2021 over the latest quarter, year and on a rolling 4 quarters annual basis (by 1.7%, 5.4% and 7.2% respectively). The NICEL quarterly Private Sector index is at its highest since Q2 2008.

The latest Ulster Bank PMI survey for January shows business activity in NI's private sector continues to grow, with output rising at its fastest rate since June 2021. The rate of job growth in January eased to a ten month low, with businesses reporting difficulties in finding staff. Employment rose in manufacturing and service sectors but fell in construction and retail.

Table 1 - Latest NI Growth Forecasts

GVA	2022
Danske Bank (published January 2022)	4.0%
EY (published December 2021)	5.3%
KPMG (published January 2022)	2.1%
PwC (published February 2022)	3.9-4.2%
Average	3.9%

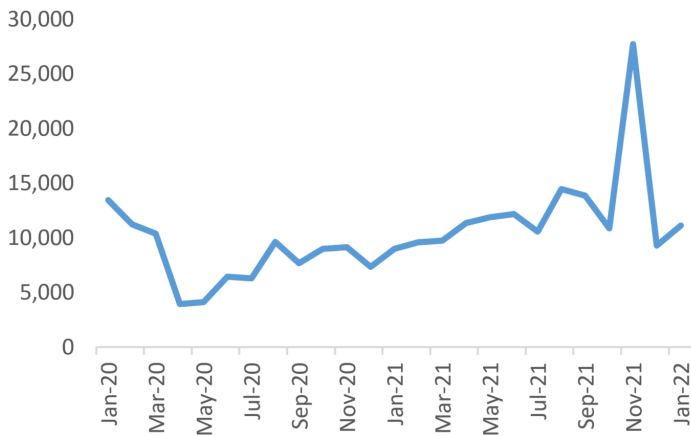
Figure 3 - Change in Economic Activity (rolling four quarters to Q3 2021)



Outlook

- **Danske Bank** – The Omicron variant, high inflation and continued supply chain disruption are having a negative effect. The bank revised its 2022 forecast downward and projects a 1.4% rise in employee jobs in 2022.
- **EY** – The 2022 economic outlook for NI was revised upwards from their spring report. However, the firm warns growth is not equal across sectors. The economy is also dealing with labour shortages and price increases.
- **KPMG** – The easing of supply chain pressures is expected to follow the easing of restrictions. There is still significant uncertainty from the UK's exit from the EU which is negatively impacting UK growth forecasts and business investment in NI.
- **PwC** – NI economic growth is expected to continue to be impacted by the pandemic, political uncertainties and rising inflation. They noted a productivity gap of around 20% between NI and the rest of UK. They highlighted NI is a leader in renewable energy, generating almost half of its energy from renewables in 2020; the G7 average is around 11%.

Figure 4 - Total Online Job Postings (to Jan 2022)



Online Job Postings

Information gathered using Burning Glass Labour Insights reveals that there were just over 11,100 job postings in NI in January 2022. This was 19.4% higher than the number of postings in December and 8.9% higher than the 3-year average.

The largest proportional increase over the month was in Engineering (+76%) and Finance (+67%). Finance technology was the most popular occupation family with a share of 11.1% of all postings.

The NI Chamber QES for Q4 2021 found more than 4 out of 5 businesses were finding it difficult to get staff. NI Manufacturing recorded a total of 1,115 positions at firms were vacant from the 163 survey responses.

Prices

Prices are rising at their fastest rate in 30 years, with all of the main inflationary indices showing significant increases. The CPIH rose by 4.9% in the 12 months to January 2022, CPI rose by 5.5% and RPI by 7.8%. For UK Manufacturers, Producer Price Inflation (PPI) rose by 9.9% on the year to January 2022.

Inflationary pressure is also being observed globally - in ROI inflation hit 5.5% in December, with increases of 5.6% in India and 3.5% in Australia. In the USA inflation was 7.5% in January.

Some of the main drivers of inflation were food, fuel, energy, freight, and raw materials. The price of crude oil hit a 7 year high in February. Firmus Energy NI introduced an increase of more than a third in gas prices in their 10 Towns Network area from the 24 February. Tesco has warned the worst is yet to come in terms of food price rises.

Lower income households spend a higher proportion of their income on fuel and food and when forecasting the impact of rising inflation on destitution (extreme poverty) NIESR noted "Every (UK) region is projected to suffer upwards of a 10% increase in destitution, but the largest increase is projected for

NI (67%, bringing the total number of destitute households to about 25,000 households)."

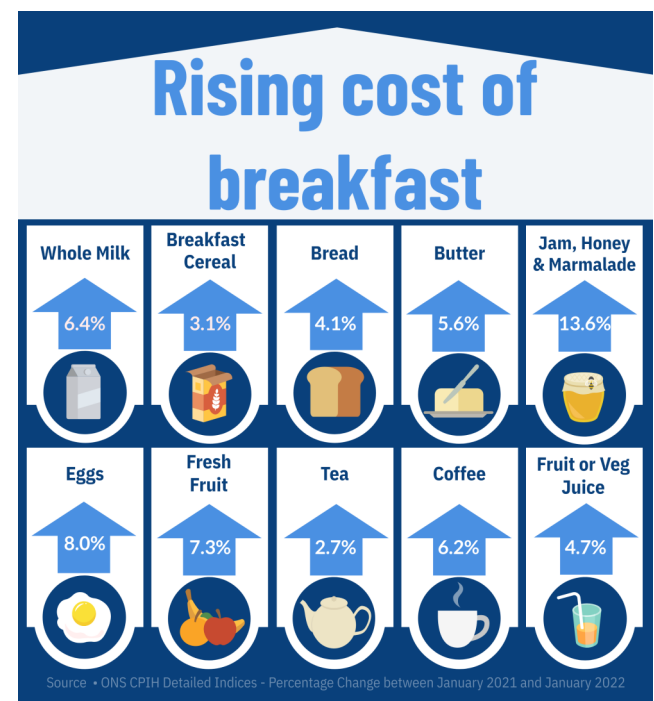
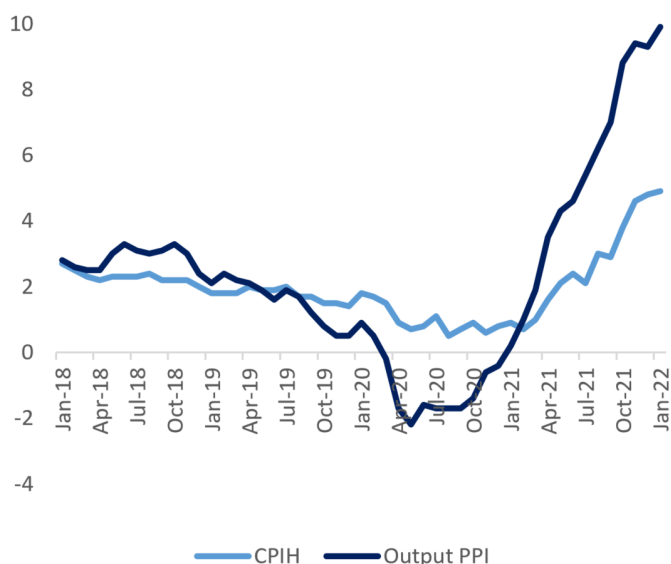
In response to rising inflation, the Bank of England increased interest rates in February to 0.5%, following an increase in December. This is the first time in 18 years there have been two consecutive interest rate increases. Interest rates rises are intended to make borrowing more expensive and reduce spending. However, some commentators are unsure it will work as inflation is being driven by rising prices of wholesale energy, raw materials and imported goods.

The Bank of England is forecasting that inflation will peak in April this year at around 7.25%, and average 6% in 2022, well above its 2% target.

Inflation is a good guide for how prices on the whole are changing, but there can also be large differences in price increases depending on the product concerned.

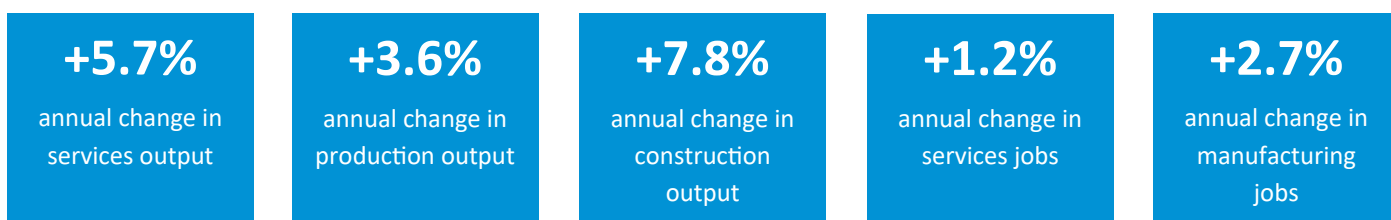
The infographic in the section below shows the annual price increase of some everyday breakfast items across the UK.

Figure 5 - CPIH and Output PPI inflation rate (%)



Businesses

While the Index of Services exceeded pre-pandemic levels in Q3 2021, equalling the series high, it is likely to be negatively impacted in the last quarter by the Omicron variant. Production output is back to its pre-pandemic level, with manufacturing output above its Q4 2019 level. Construction output has been impacted by rising prices of raw materials and, while it has recovered to above pre-pandemic levels, it did experience a decline in the latest quarter.



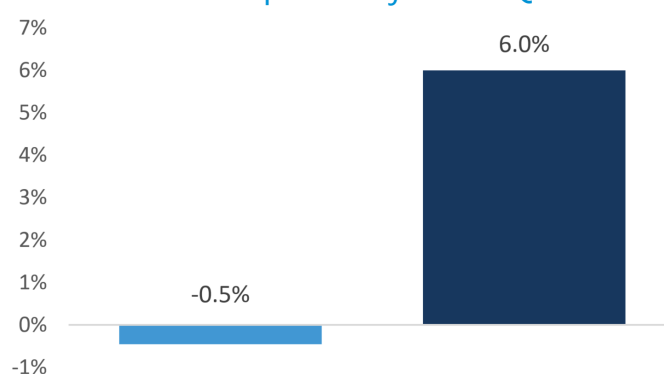
Services

The Index of Services in Northern Ireland has continued to recover from the pandemic and in the third quarter of 2021 it equalled the series high of Q4 2006. It should be noted however that this was prior to the emergence of the Omicron variant.

The Index of Services for Q3 2021 was 2.2% higher than the pre-pandemic level in Q4 2019. However in the UK services output remains below the pre-pandemic level by 0.7%.

Over the year, Services output increased by 5.7% in NI and by 6.0% on a rolling average of four quarters, with all four subsectors contributing to these increases. There has been an increase in service jobs over the year (1.2%) but a decline when compared on a rolling four quarters (-0.5%).

Figure 6 - Rolling annual average change in service output and jobs to Q3 2021



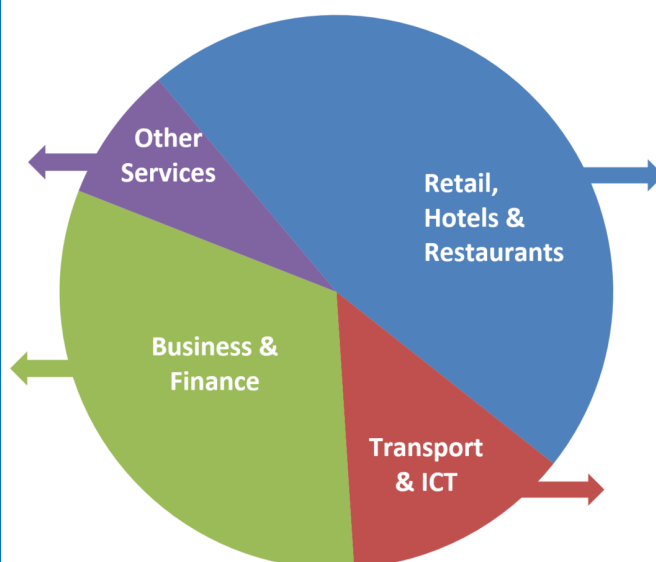
Other Services

This subsector includes education, health & social work, arts, entertainment and recreation. NI output in this subsector grew over the quarter, year and on a rolling four quarter basis (4.8%, 8.5% & 3.6% respectively). Output remains 5.2% below the pre-Covid level of Q4 2019.

Business & Finance

NI output in this subsector reached a 10 year high in Q3 2021, 6.8% above the pre-pandemic level of Q4 2019. There was growth in output from Business services and the finance sector over the quarter, year and on a rolling four quarter basis (4.0%, 17.0% & 11.8% respectively).

Figure 7 - Relative Size of Private Services



Retail, Hotels & Restaurants

NI output in this subsector also reached a 10 year series high in Q3 2021, following the easing of restrictions. Growth rates over the quarter, year and on a rolling basis were 2.2%, 2.7% & 4.7% respectively.

Retail NI has called on the NI Executive to set out plans for the safe return of public and private sector staff to offices.

Transport & ICT

NI output in this subsector increased over the quarter, year and on a rolling basis (0.1%, 7.3% & 6.5% respectively).

This subsector has just edged above the pre-Covid level (by 0.1%) but remains 2.4% below the series high in Q2 2018.

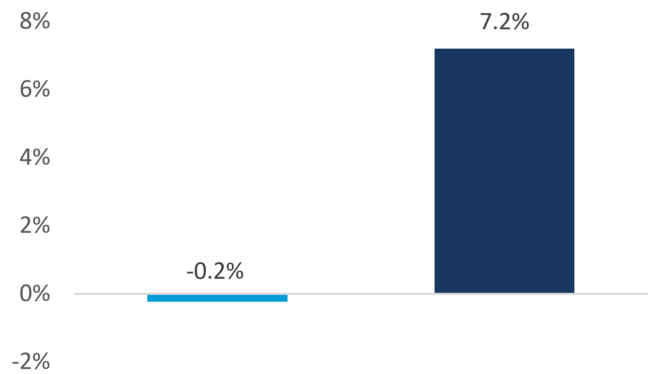
Production

NI's Index of Production for Q3 2021 grew over the year and on a rolling four quarter basis (by 3.6% and 8.1% respectively), but froze over the quarter. Production output remains 0.1% below its pre-pandemic level in Q4 2019. Manufacturing contributes four fifths of Production GVA with Manufacturing output in Q3 2021 0.9% above Q4 2019.

All four subsectors experienced growth over the year, with the largest in Water supply, sewerage and waste management (30%). Only Manufacturing and Water supply, sewerage and waste management experienced growth over the quarter.

Employment in manufacturing increased over the year (2.7%) but declined on a rolling four quarter basis (-0.2%).

Figure 8 - Rolling annual average change in manufacturing output and jobs to Q3 2021



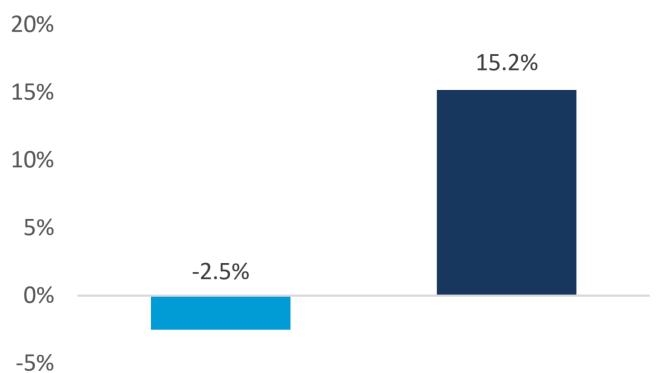
Construction

The latest NI Construction Bulletin shows the total volume of construction output in Q3 2021 decreased over the quarter (-0.3%) but increased over the year (7.8%) and on a rolling four quarter basis (15.2%). Construction output is above the pre-Coronavirus pandemic level in Quarter 4 2019 (by 2.6%).

New Work composes two thirds of Construction Output. The decrease in output over the latest quarter was driven by decreases within both New Work (-0.9%) and Repair & Maintenance (-3.5%). The increases over the year were also experienced in both sub sectors (New Work +7.5% and Repair & Maintenance +8.6%).

Employment in the construction fell over the year and on a rolling four quarter basis (-5.4% and -2.5% respectively).

Figure 9 - Rolling annual average change in construction output and jobs to Q3 2021



Other Business Surveys

Ulster Bank PMI – February 2022

- The January Ulster Bank PMI reported the fastest increase in business activity since June last year. This was largely a reflection of increasing levels of new orders, which expanded for the first time in five months.
- Employment continued to rise, and business confidence was up, amid hopes of stronger order books and improvement in the pandemic and supply chain situations.
- Firms continued to report difficulties in sourcing staff and materials however, and inflationary pressures remained elevated.

NI Chamber Quarterly Economic Survey Q4 2021

- The majority of respondents expect their business to grow in 2022 (70%). Inflationary pressure is rising, with almost three quarters (74%) of businesses planning to raise prices in the next 3 months. More firms are reporting increasing sales and employment as well as turnover and investment confidence.
- However, over half of businesses are still operating below capacity. EU Exit has had largely negative trading consequences over the year.
- In Q4 2021 manufacturing recovery improved with almost all key indicators increasing over the quarter. It was more challenging for services, with most key indicators falling.

NI Manufacturing – The NI Protocol 1 Year On

- Manufacturers have a strong desire for the Protocol's operation to be made lighter touch by the UK and EU agreeing simplifications, for example removing controls on goods from GB not destined for the EU but only NI.
- There was a large increase in manufacturers who say the Protocol has no impact or that it is now business as usual (40% vs 23% in July).
- Almost three fifths of businesses reported access to labour as their biggest issue, with 4 out of 5 businesses ranking it in their top two.
- Input price inflation in energy, transport, materials and wages are weighing heavily, particularly for those who have had the additional cost of Protocol administration.

Intertrade Ireland Business Monitor Q4 2021

- The survey found that 43% of NI businesses are in growth with a further 43% stable, comparing favourably with Irish firms where 41% were in growth and 44% were stable.
- The three main concerns raised by firms on both sides of the border were Covid-19, energy bills and the cost of overheads. Recruitment difficulties were also reported, particularly by large businesses and construction businesses.

Engagement with the Rest of the World

The emergence of the Omicron variant at the end of 2021 caused the global economy to enter 2022 in a weaker position than previously forecast. Supply chain issues and inflation continue to affect international trade. Travel restrictions and extra requirements mean international tourism remains subdued. However, high quality inward investment can help to drive productivity and wage growth, in line with the vision outlined in DfE’s 10x Economy strategy.



Exports

The latest edition of the Broad Economy Sales and Export Statistics details sales of goods and services in 2020. The impact of the pandemic is notable, with a 6.0% fall in the value of sales of NI goods and services to £67.1 billion. Sales within NI declined by 5.9%. Sales to the Republic of Ireland, rest of the EU and the rest of the world all declined significantly (by 9.7%, 10.7% and 16.3% respectively). However, despite the large fall in sales to destinations outside NI, the relative distribution of sales to each destination remained similar to previous years.

The only area to experience an increase in sales over the year was to GB, increasing by £0.1 billion (0.7%). GB remains the largest external sales market from NI accounting for 16.3% of total sales. Exports accounted for 15.3% of the total sales of goods and services from NI, with the RoI remaining the largest export market (6.1% of total sales).

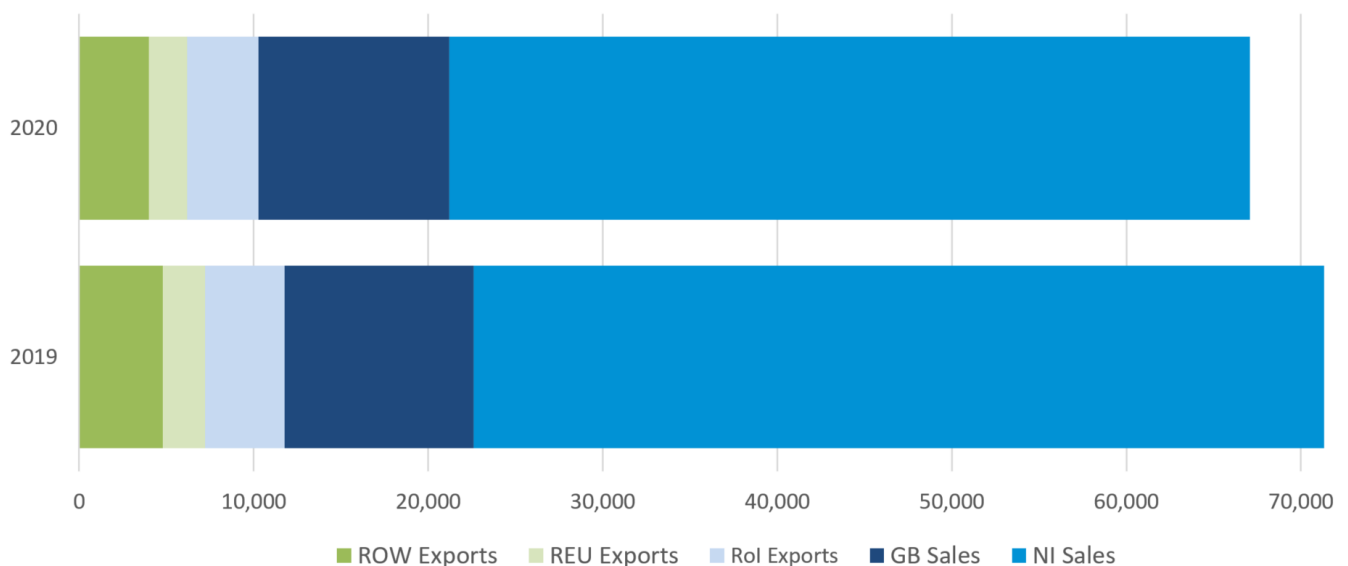
Manufacturing accounted for almost 6 out of every 10 export sales from NI in 2020 (58.4%), totalling £10.3 billion of sales,

however, manufacturing exports decreased by 13.0% over the year. The second largest exporter was Wholesale and Retail totalling £1.9 billion of sales (18.7% of all export sales). Over the year, export sales from Wholesale and Retail declined by 12.2%.

Larger businesses (250+ employees) are more likely to export, with large businesses in NI exporting more to the rest of EU and the rest of the world than all other NI businesses combined. However, exports to the Republic of Ireland are driven by businesses with fewer than 250 employees.

The latest Regional Trade Statistics from HMRC (Q3 2021), show a fall in the value of NI goods exports over the quarter and year (by 0.6% and 3.0% respectively), while the value of goods imports rose over both the quarter and the year (by 18.9% and 7.8% respectively).

Figure 10 - Destination of Sales of NI Goods and Services (£m)

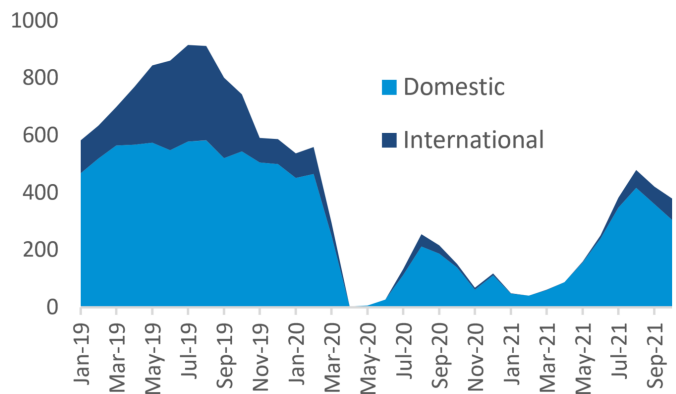


Tourism

The number of people travelling through NI airports remains subdued, particularly for international travel, which is affected by both additional travel regulations and a lack of public confidence. Despite the fact that local accommodation providers weren't allowed to open in the first four months of 2021, 59.5% more hotel rooms were sold than in 2020. However, the number was 7.4% lower than that of 2019.

The Omicron variant has affected hospitality business. In December the Executive announced the Omicron Hospitality payment, a one off grant of £10k, £15k or £20k paid via LPS to hospitality businesses such as restaurants, bars and nightclubs. In January it was agreed to broaden this grant to include hotels.

Figure 11 - Number of people travelling through NI airports (000's)



Key Markets Outlook - IMF

The IMF World Economic Update notes that the Omicron variant has caused a weaker global economy entering 2022 than previously forecast with global growth forecast to slow from 5.9% in 2021 to 4.4% in 2022. Worldwide access to vaccines, tests and treatments is essential to reduce the risk of further variants.

Fossil fuel prices have almost doubled in the past year, driving up energy costs and inflation. Inflation is expected to persist in 2022 but ease later in the year as differences between demand and supply level off. However, oil prices are predicted to rise in 2022 by 12% and gas prices by 58% before falling in 2023.

Global trade is expected to improve in 2022 and 2023, assuming the pandemic eases, which will result in supply chain problems reducing later in the year.

Table 2 - IMF Key Market Growth Forecasts

GDP	2022	2023
World	4.4%	3.8%
UK	4.7%	2.3%
Euro Area	3.9%	2.5%
US	4.0%	2.6%
China	4.8%	5.2%

Invest NI Inward Investment

Some examples of recent inward investment supported by Invest NI include:

- **Wolfspeed Inc** – a global leader in Silicon Carbide technology for high power applications such as electric vehicles, aerospace and defence, communications and renewable energy. Wolfspeed is from the US and plans to establish a Global Capabilities Centre in Belfast creating 40 new jobs by 2025, with roles in core IT operations and services. It will be the centre of excellence for automation engineering and data analytics leading the company's digital transformation to high-tech manufacturing.
- **Stone Bakery Ltd** – a bakery company from Ireland. Stone Bakery announced it is investing £4 million to refurbish and extend the former Take N' Bake factory in Crossmaglen and creating 20 new jobs. The new facility is set to become one of Europe's biggest gluten free bakery sites producing artisan flatbreads for local and international markets.
- **Nisos** – a US managed intelligence company which provides cyber security, announced it is establishing a software development and technical centre in NI. Creating 15 jobs, with roles ranging in experience from graduate to senior level, including software developers, analysts, sales and management positions.

Table 3 - Selected Inward Investments

Nov 21 – Feb 22	INI Support	Jobs
Wolfspeed Inc	£304,000	38
Stone Bakery	£424,580	20
Nisos	£97,500	15

Russia-Ukraine

Russia's invasion of Ukraine is likely to alter the near-term global economic outlook and increase uncertainty.

Impacts on energy prices are broadly seen as a major concern, and while the UK and NI are less directly exposed than other European economies (e.g. Germany), there is the potential for indirect impacts via increases in international wholesale prices.

Supply chain disruptions may also be a concern, though with relatively little trade exposure to Russia or Ukraine, any such impacts in NI are likely to be more muted and indirect in nature.

There is also a possibility of a dampening of sentiment. While previous episodes of conflict in the region appeared to have little impact in this respect, the scale and geo-political significance of recent events, coupled with existing supply chain and inflationary concerns, could lead to a more noticeable impact.

Households

The demand for employees has precipitated a fall in unemployment and a rise in employment rates. While employee working hours have increased, they remain below pre-pandemic levels. Uncertainty and inflationary pressures are negatively affecting consumer confidence. House prices continue to increase, in part due to a lack of supply, and the sale of new cars remains relatively low.

-15,600 annual change in claimant count	-0.8pps annual change in unemployment rate	+0.5pps annual change in employment rate	+8.3% annual change in house prices (UU)	+5.0% annual change in real median monthly pay
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Unemployment

The demand from businesses for employees remains strong. Helping to reduce local unemployment and the claimant count over recent months, the rates of both are below the UK average.

The Labour Force Survey (LFS) unemployment rate (16+) for the period October-December 2021 was estimated at 2.7%. This was a decrease of 1.3pps over the quarter and 0.8pps over the year, bringing NI's unemployment rate 1.4pps below the overall UK rate (4.1%). This was the lowest of the 12 UK regions. The NI unemployment rate was also below the December 2021 unemployment rates for the European Union (6.5%) and the Republic of Ireland (5.1%).

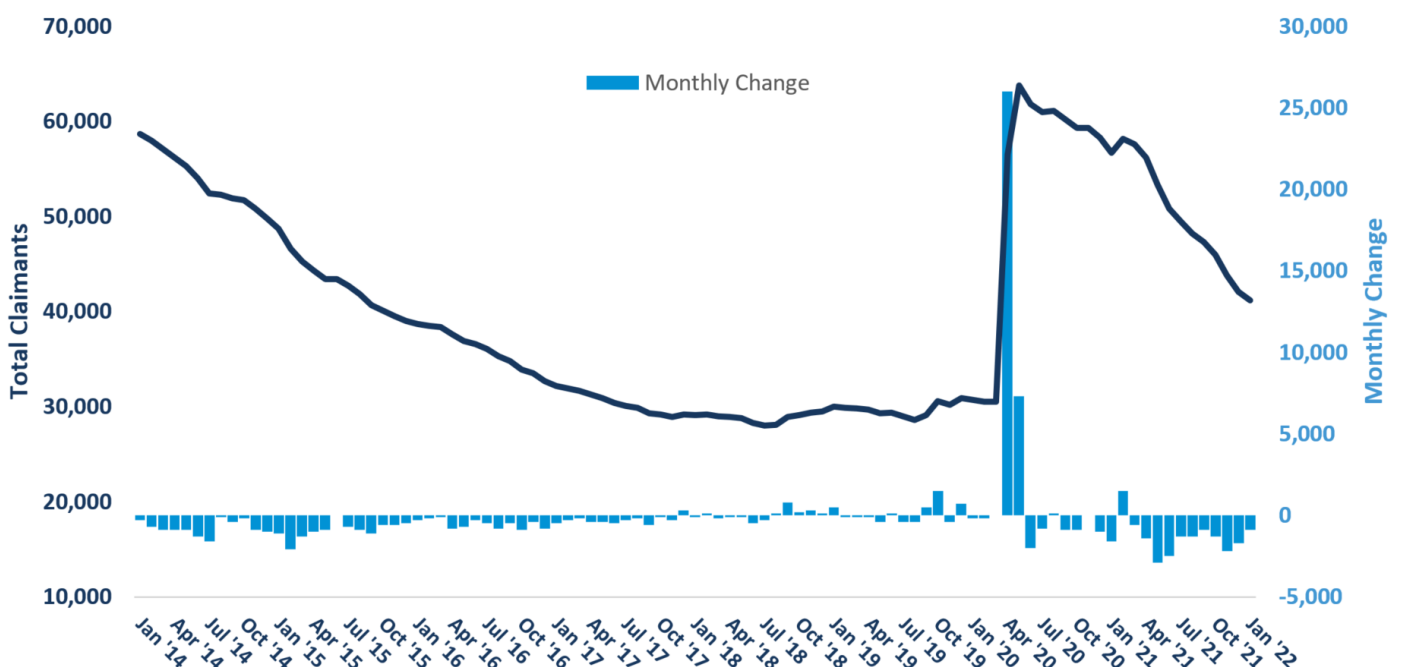
The long term unemployment rate (percentage of unemployed who have been unemployed for 1 year or more) was up 8.6pps over the year at 42.5%. The youth (16 to 24) unemployment rate fell by 5.1pps over the year to 7.0%.

The number of people claiming unemployment benefits stood at 41,200 (4.2% of the workforce) which was a decrease of 900 (2.2%) from the previous month. The January claimant count is 35% less than the recent peak in May 2020, but 35% higher than the pre-pandemic count in March 2020. The claimant count for the entire UK was 4.6% of the workforce during the same period.

The NI claimant count for January had 25,900 males and 15,300 females, representing 4.9% and 3.3% of the male and female workforce respectively. Female claimants decreased over the year by 24.5% while male claimants decreased by 29.1%.

The total weekly hours worked in NI increased by 0.9% over the quarter and 6.3% over the year, to an estimated 27.1 million hours. This, however, remains 2.0 million hours (or 7.0%) below the same period in 2019.

Figure 12 - Unemployment Benefit Claimants



Employment

The number of people in employment (16+) in the period October-December 2021 was estimated at 855,000, an increase of 8,000 over the year. The overall employment rate (16-64 year olds) was 70.7%, an increase of 0.5pps over the quarter and the year. The employment rate for the UK is estimated at 75.5%; NI has the lowest employment rate of the 12 UK regions.

The increase in NI's employment rate was driven by a rise in the number of women in employment (+2.1pps) which offset the fall in male employment (-1.2pps). The male employment rate stands at 72.6% while the rate for women is 68.8%.

HMRC PAYE information shows that the number of payrolled employees in NI in January 2022 was 774,900 - 0.4% higher than December 2021 and 5.0% higher than January 2021. This is the highest number on record.

Housing Market

The University of Ulster HPI for Q4 2021 showed quarterly price growth of 1.1% and an annual increase of 8.3%. This growth is driven by price increases in detached housing.

The Royal Institute of Chartered Surveyors (RICS) and Ulster Bank survey found that the majority of surveyors and estate agents noted an increase in the number of buyers in the market in January, but also highlighted no increase in supply of properties for sale to meet the demand. The UU HPI report also highlighted a lack of stock, particularly in detached family homes.

The publication of NISRA's Q4 2021 NI House Price Index has been indefinitely delayed.

Pay and Consumer Confidence

The Bank of England forecasts UK post-tax incomes will fall by 2% this year, taking into account the cost of living. This would be the biggest fall since records began in 1990.

HMRC PAYE Real Time Information

- The median monthly pay in NI was £1,941, an increase of £33 over the month and £155 over the year. NI had the highest annual increase of the 12 UK regions.

SMMT New Car Sales

- 2020 was the worst year for new car sales in NI in the SMMT series and 2021 was the second worst year. The pre-pandemic average was for 51,000 new cars to be sold each year, in 2020 that fell to 36,200, with 2021 only slightly higher 36,600.
- Consumer confidence impacts decisions to make larger purchases, such as new cars. Supply chain issues and a parts shortage also affected new car production in 2021.

Danske Bank Consumer Confidence (CCI) Q4 2021

- The CCI decreased to 134 in Q4 2021, down from 137 in Q3 2021, but above the 124 in Q4 2020.
- Compared with Q3 2021, people reported feeling less confident about their current finances, future finances, job security and expected spending on expensive items.
- A number of factors contributed to this fall in confidence, including post-Brexit trading arrangements, the pandemic, and higher prices affecting household finances.

Figure 13 - Participation rates (annual percentage point change)

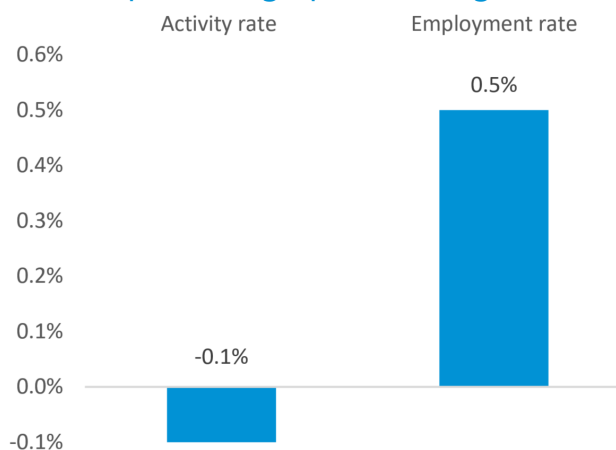
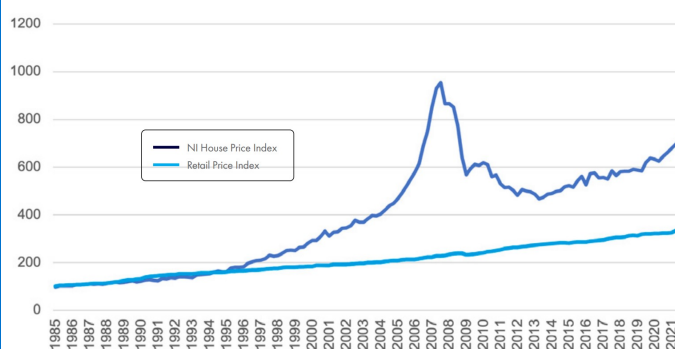


Figure 14 - NI House Price Index and RPI



Source: Quarterly HPI for Q4 2021, University of Ulster

Education and Young People

The total number of students of school leaving age fell by almost a thousand in 2019/20 compared to 2018/19. However, there was a rise of 5.6pps in the percentage of school leavers going into Higher Education (University and Teacher Training Colleges). Of those who went into Higher Education, over a quarter left NI to study in 2019/20 (26.4%).

However there was a fall in the percentage of school leavers going into Further Education Colleges, down by 3.7pps. The FE report noted FE College enrolments have decreased by over a third (36.3%) from 153,088 in 2016/17 to 97,532 in 2020/21.

The number of apprenticeship starts for 16 to 24 year olds through ApprenticeshipsNI was similar between 2015/16 and 2018/19 (ranging from 6,497 to 5,651). It fell in 2019/20 to just under 4,500. However, it increased in 2020/21 to just over 5,000.

The number of people economically inactive due to being a student has risen by 7.1% from 85,000 in Q4 2020 to 91,000 in Q4 2021. In percentage terms, students accounted for 26.9% of economically inactive people in Q4 2020 vs 28.6% Q4 2021.

The most recent figures for Q4 2021 show 20,000 young people are not in education, employment or training (NEET), a rate of 10.0%, which is similar to the UK rate (10.1%).

DfEs 10X vision for the economy outlines plans for FE Colleges and Universities, working in partnership with industry, to prepare people for the workplace of the future. It also acknowledges the role skills development plays in attracting businesses to invest.

Government

Following years of decline in public sector employment, recent years have seen a marked rise, however this seems to have levelled off in the most recent data. Employment in local District Councils and Public Corporations fell over the year to September 2021. Over the last two years, the NHS in NI has seen a rise in employment of 5.3%.

+4,260 annual change in number of public sector jobs	+2.0% annual change in public sector jobs	+4.0% annual change in NICS	-2.4% annual change in District Council jobs	+1.6% annual change in NHS Trusts jobs
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Jobs

The most recent data for September 2021 shows an annual increase in total Public Sector employment of 2% or 4,258 jobs, however the number of public sector jobs has fallen compared to June (-1,545 or 0.7%).

Over the year, the largest percentage increase in employment has been in UK Central Government. The largest increase in the number of employees was for Bodies under NI Central Government, driven by increases in Teaching and Non-Teaching Staff (+1,468) and Bodies under the Department of Health (+762). However, both District Councils and Public Corporations saw annual falls in employment.

Within the NI Civil Service (NICS), the Department of Education was the only department to see an annual fall in employment (2 jobs or -0.4%). Whereas the largest percentage increase was for the DoH (+17.5% or 81 jobs). The largest increase in the number of jobs was for the Department for Communities (450 or +6.6%).

The NHS saw an annual increase in employment of 1.6% and when compared with 2 years ago, there are 3,883 more jobs (+5.3%).

Table 4 - NI Public Sector Jobs Breakdown

	Jobs		Annual Change	
	Sept 21	No.	%	
Total Public Sector Jobs	214,413	4,258	2.0%	
NI Central Government*	114,850	2,145	1.9%	
Of Which:				
NICS	23,899	924	4.0%	
NHS Trusts	77,276	1,247	1.6%	
UK Central Government	3,844	156	4.2%	
Local Government (District Councils)	11,346	-280	-2.4%	
Public Corporations	6,342	-112	-1.7%	
Bodies under NI Central Government**	78,032	2,350	3.1%	

* totals include NICS, Health, Education, Fire Service, BBC etc.
 ** includes Teaching and Non-Teaching Staff in Schools, Colleges and Education Authority

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

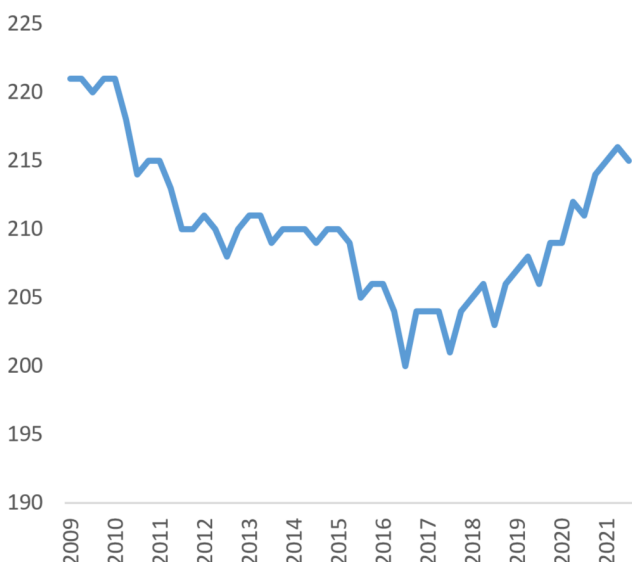
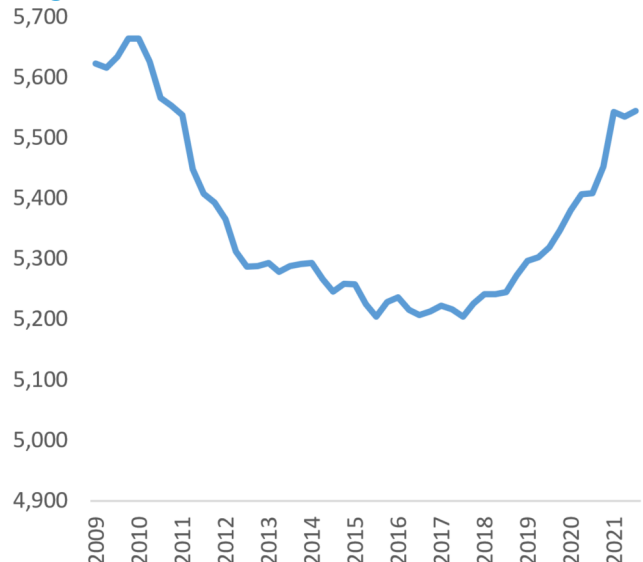


Figure 16 - UK Public Sector Jobs (000's)



FOCUS: Homeworking

Responses to the ONS Business Insights and Conditions Survey (BICS) indicate that in the fortnight to 6th February 2022, around a fifth of firms in Northern Ireland intended to use increased homeworking as a permanent business model going forward.

Firms' Intentions for Future Homeworking

Firms responding to ONS BICS suggested that if the advice to work from home if possible is lifted, a significant number of firms will continue to use homeworking as a permanent business model going forward.

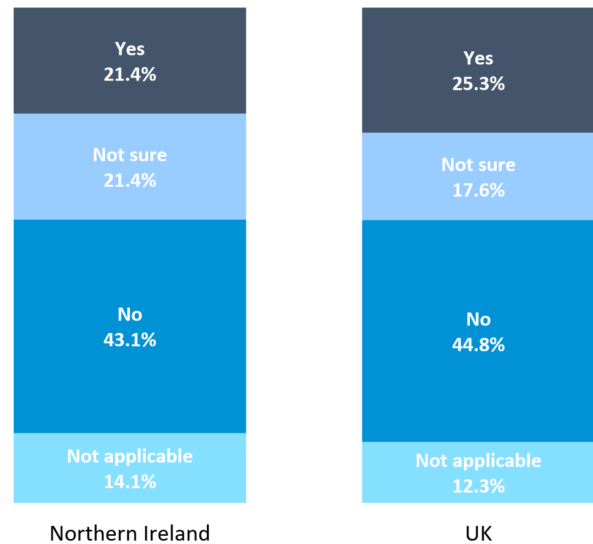
Of the firms which considered the question applicable to them, a quarter stated an intention to use increased homeworking as a permanent business model, while half responded that they would not adopt such a model.

Around 14% of NI firms responded that a permanent homeworking model was inapplicable to their business, and 21% indicated that they were unsure.

Firms with a presence in Northern Ireland were less likely to report an intention to use a permanent homeworking model than those in the other twelve UK regions, and were the most likely to state that it did not apply to them.

Figure 17 - Homeworking Intentions

Is your business using, or intending to use, increased homeworking as a permanent business model going forward?



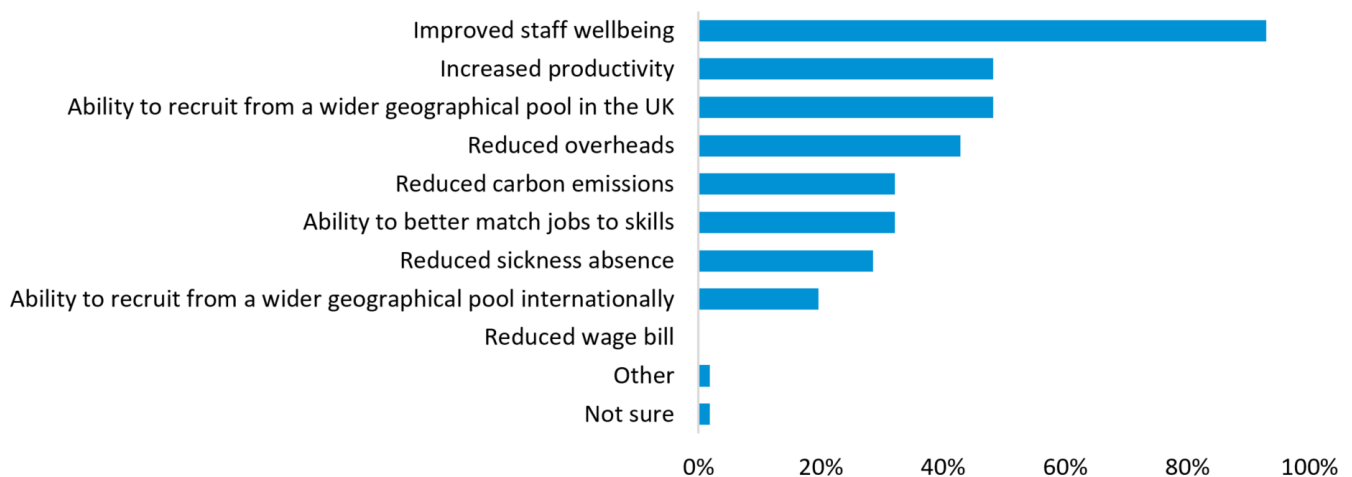
Reasons behind Future Homeworking Intentions

In response to the ONS BICS question on the intentions for using remote working as a permanent business model going forward, the most cited reason was the improved wellbeing of staff. While this was the most commonly selected answer in all UK regions, firms with a presence in NI were the most likely to cite this, with around 93% selecting this answer. The second most common responses in NI were increased productivity and the ability to recruit from a wider geographical pool in the UK (both 48%).

A recent report on remote working by UUEPC noted that the priorities of firms who favoured a future hybrid model of working were retaining staff and protecting productivity gains of homeworking, and that key advantages to firms were access to a wider talent pool and lower levels of sickness absence.

Figure 18 - Why Use a Homeworking Business Model?

Why is your business using, or intending to use increased homeworking as a permanent business model going forward?

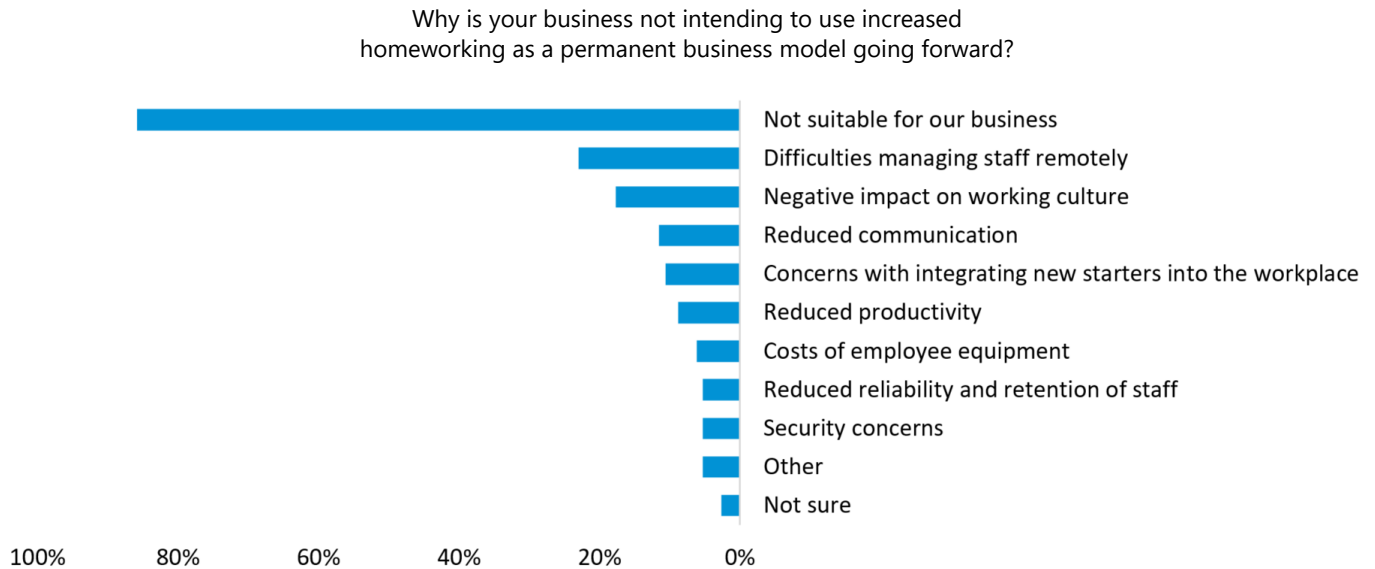


Concerns with a Future Homeworking Business Model

The most commonly reported reason for not using increased homeworking as a permanent business model going forward was, by far, a lack of suitability for the business. While this was the most common response in all regions, a higher proportion of firms with a presence in NI (86%) selected this reason.

After lack of suitability, the most common responses were a difficulty in remotely managing staff (23%), and a negative impact on their working culture (18%). Concerns around reduced communication were also reported (12%), as were concerns around integrating new employees in a homeworking model (11%). Reduced productivity was reported by only 9% of NI firms, this is notably lower than the overall UK figure of 15% and represented the lowest proportion in any UK region.

Figure 19 - Concerns with a future Homeworking Business Model



Homeworking Model Intentions in the UK, by Industry and Size Band

While information on the size or industry classification of responding NI firms is not available, UK level data may give some indication as to the sector and workforce size bands where homeworking models are being given greater consideration.

Firms with larger workforces generally tended to indicate a greater intention to use the homeworking model, with around 39% of firms of 250 or more employees responding 'yes', but also tended to be more unsure (24% of firms in the 250+ band). Smaller firms were more likely to determine that a homeworking business model did not apply to them (33% of the firms with fewer than 10 employees and 21% of those with 10 - 49). Those with between 10 and 49 employees displayed the weakest intention to adopt the model, with 14% responding positively and 53% negatively.

The results of this survey are in keeping with an emerging view that the firms in industries associated with non-customer-facing service activities are better able to integrate homeworking into their business model. The highest proportions of firms intending to adopt the model were found in Information & Communications (49%), Professional, Scientific & Technical Activities (38%) and Administrative & Support Activities (18%). Firms were more likely to suggest that remote working was not applicable to their business if in the Other Service Activities sector (44%), Arts, Entertainment & Recreation (43%), Transport & Storage (43%), and more likely to reject the homeworking business model if in Human Health & Social Work (54%), Wholesale & Retail Trade (51%) and Manufacturing (50%).

Notes

1. The industries of Agriculture, Public administration & defence, Public provision of education & health and Finance & insurance are excluded from this survey.
2. Firms could select multiple reasons for their intentions to use or not use homeworking as a permanent business model.
3. The UK level industry and size band data is weighted by count of businesses in the UK of the same size of the responding firm, giving greater emphasis to small firms which are under-represented in the sample.

Notes and Sources

Notes:

There may be some differences to how data is expressed in statistical publications due to comparing differing time periods.

Sources:

	Sources
The Economy	Northern Ireland Composite Economic Index (NISRA); Gross Domestic Product (ONS); Quarterly Employment Survey (NISRA); Purchasing Managers Index (Ulster Bank); Quarterly Sectoral Forecasts (Danske Bank); Economic Eye Ireland (EY); UK Regional Economic Outlook (KPMG); Seizing the Opportunity – Economic Outlook and Priorities for Northern Ireland – February 2022 (PwC); Online Job Posting Trends 2021 (DfE); Quarterly Economic Survey (NI Chamber of Commerce and Industry); Consumer Prices Index (ONS); UK Economic Outlook Winter 2022 (NIESR).
Businesses	Index of Services (NISRA); Open letter to NI Executive 25 January 2022 (Retail NI); Index of Production (NISRA); NI Manufacturers and The First Month of the Protocol (ManufacturingNI); NI Construction Bulletin (NISRA); Quarterly Employment Survey (NISRA); UK Finance; Purchasing Managers Index (Ulster Bank); NI Traders Experience of the NI Protocol 1 Year On (Manufacturing NI); Quarterly Economic Survey (NI Chamber of Commerce and Industry); Business Monitor (InterTradeIreland).
Engagement with the Rest of the World	Regional Trade Statistics (HMRC); Inward Investment (Invest NI); Tourism Statistics (NISRA); World Economic Outlook (IMF).
Households	Labour Force Survey (NISRA); Claimant Count (NISRA); Quarterly Employment Survey (NISRA); NI House Price Index Q4 2021 (UU); Residential Market Survey (RICS and Ulster Bank); Monetary Policy Report – February 2022 (Bank of England); PAYE Real Time Information (HMRC); NI New Car Registrations Data (SMMT); Consumer Confidence Index (Danske Bank); Qualifications and Destinations of NI School Leavers 2019/20 (DE); Further Education Sector Activity in Northern Ireland: 2016/17 to 2020/21 (NISRA); ApprenticeshipsNI – Quarterly Statistics from August 2013 to April 2021 (NISRA); A 10X Economy (DfE).
Government	Quarterly Employment Survey (NISRA); UK Public Sector Employment (ONS).
Focus: Remote Working	Office for National Statistics (ONS) Business Insights and Conditions Survey (BICS), Wave 49; Ulster University Economic Policy Centre (UUEPC) – The Future of Remote Working in Northern Ireland

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