

## Economic Activity

NICEI **+1.1%**

UK GDP **+1.8%**



Source: NICEI & ONS

Annulised Economic Activity

## Business

Index of  
Production

Output **down**

Index of  
Services

Output **up**



**-5.9%**

over the  
year



**+1.2%**

over the  
year

Source: NISRA

## Rest of World



**£8.6bn**  
Exported  
goods



Republic  
of  
Ireland  
NI's  
largest  
trading  
partner



**£1.8bn**  
Exported  
Services



Source: HMRC

## Households

Employment  
Rate

**69.7%**

Up over both  
quarter and year

Unemployment  
Rate

**3.1%**

Down over both  
quarter and year

Inactivity  
Rate

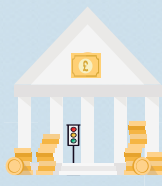
**28.0%**

Down over  
the quarter  
up over the  
year



Source: NISRA

## Government



**+0.3%**

Total Public  
Sector Jobs

**+1.3%**

NHS  
Employment

**-0.9%**

NICS  
Employment

Source: NISRA

Annual Change

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# The Economy

The local economy has continued to experience growth in both output and jobs, although this has been slowing in recent times. The private sector continues to take the lead on both measures. Local commentators forecast modest growth over the next two years.

<b>0.4%</b> <small>quarterly change in economic activity</small>	<b>+1.1%</b> <small>annualised change in economic activity</small>	<b>+5,330</b> <small>quarterly change in employee jobs</small>	<b>+15,090</b> <small>annual change in employee jobs</small>	<b>1.1%</b> <small>average NI growth forecast for 2018</small>
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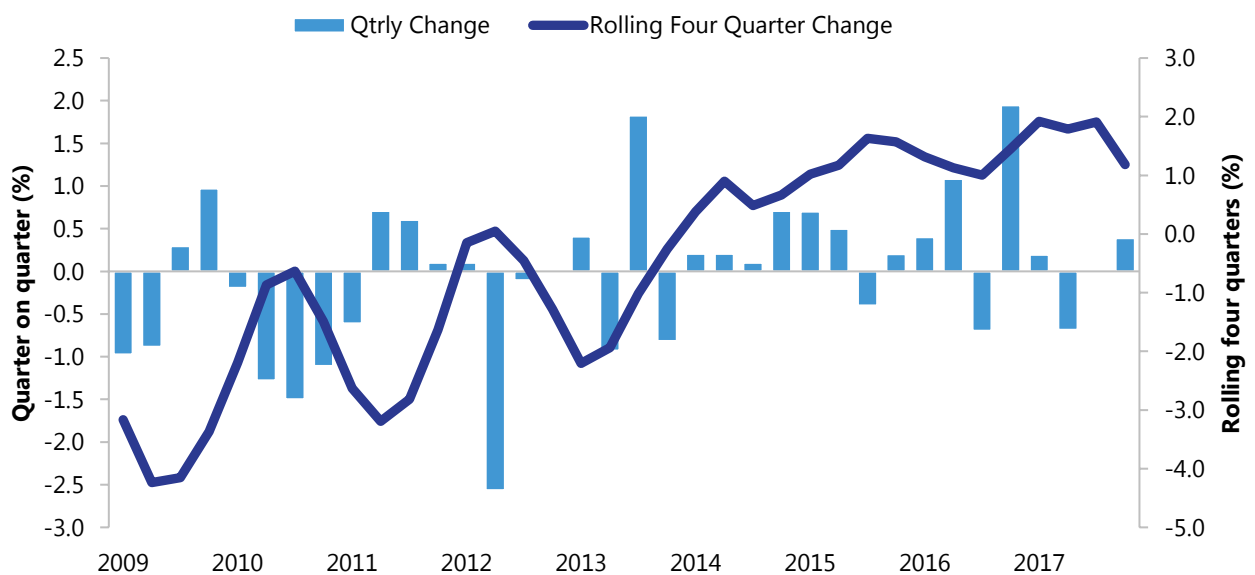
## Economic Activity

According to the latest results from the Northern Ireland Composite Economic Index (NICEI), local economic activity has increased by 0.4% in Q4 2017 compared to the previous quarter, with production, construction, public and services sectors all making positive contributions to growth over the quarter. NI economic activity is estimated to have increased by 1.1% over the year on a rolling four quarter basis as a result of growth in the private sector. More specifically this increase is due to growth in both the services and construction sectors however was partially offset by a decrease in the Production sector.

Despite the positive performance over the quarter the NICEI remains 5.6% below the maximum value recorded in Quarter 2 2007 and looking at the annualised trend there is further evidence that the pace of growth has slowed.

Although the sources are not directly comparable, the recent results show that the UK economy was growing at a faster pace than NI with annual growth (comparing Q4 2017 with Q4 2016) of 1.4% in the UK compared to -0.2% in NI.

Figure 1 - NI Composite Economic Index



## Employee Jobs

The latest figures from NISRA show that the number of employee jobs in the local economy over the quarter and the year increased to a series high of 756,030 in December 2017. There has been five years of growth since the recovery began in 2012 with annualised growth of 1.6% between 2016 and 2017, similar to the growth experienced between 2014 and 2015 but below growth rates seen between 2013 and 2014.

Over the year there was an increase of 15,090 jobs, largely driven by the services sector, which accounted for 62% of growth. The manufacturing and construction sectors also grew over the year, by 2,870 and 3,100 jobs respectively.

## Private Sector

Over the latest year, jobs growth has continued to be led by the private sector, with increases over both the quarter and the year to their highest level since records began in 1974. Since the low point in total employee jobs in the first quarter of 2012, the private sector has expanded by over 74,000 jobs.

The private sector is also leading in terms of activity, with output up by 0.4% in Q4 2017 compared to the previous quarter and by 1.5% on a rolling four quarter basis.

Meanwhile, the latest Ulster Bank PMI survey for April 2018 shows business activity in Northern Ireland's private sector remains solidly inside growth territory with increases seen across all monitored sectors. The survey also noted that companies remain optimistic that output will rise over the coming 12 months supported by stronger demand and new client acquisitions.

Figure 3 - Economic Activity (four quarters to Q4 2017)

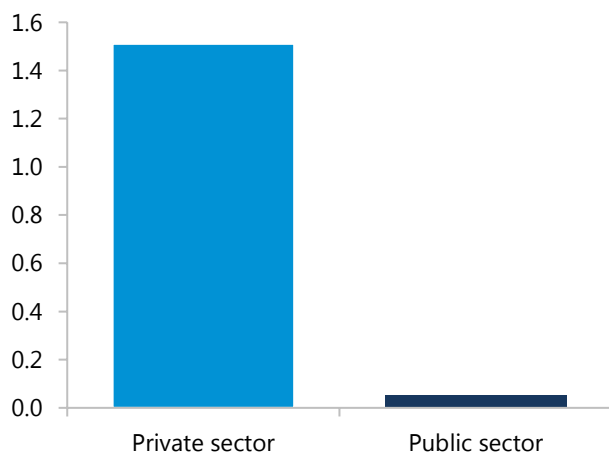


Figure 2 - Employee Jobs (000's)

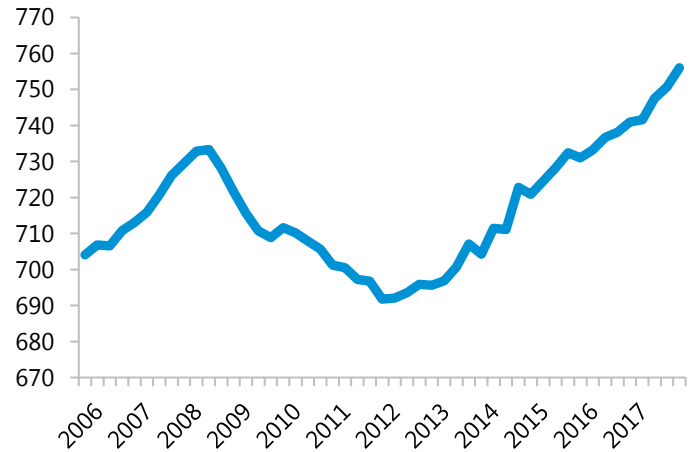


Table 1 - Latest NI Growth Forecasts

GVA	2018	2019
Ulster University	1.2%	1.1%
Danske Bank	1.0%	1.2%
Ernst & Young	1.2%	1.5%
PwC	1.0%	1.1%
<b>Average</b>	<b>1.1%</b>	<b>1.2%</b>

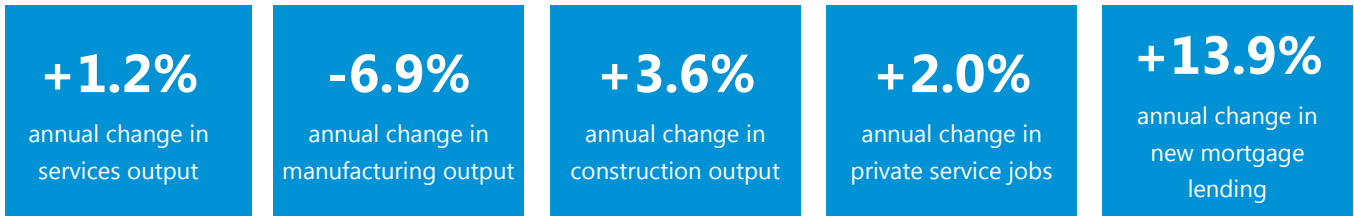
## Outlook

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

- **UUEPC** predicts relatively stable growth to the end of the decade buoyed by synchronised global expansion.
- **Danske Bank** expects modest growth from improving household spending power and global growth.
- **Ernst & Young** predicts improvements in growth prospects for NI in 2019 from an increase in cross-border trade facilitated by favourable exchange rates.
- **PwC** expects modest growth for NI, below that of the predicted UK average and among the lowest of the UK's constituent regions

# Businesses

The construction sector continued to grow with output at its highest level in seven years. The services sector reported solid growth in output and jobs. The manufacturing sector saw a fall in output but recorded an increase in jobs over the last year.

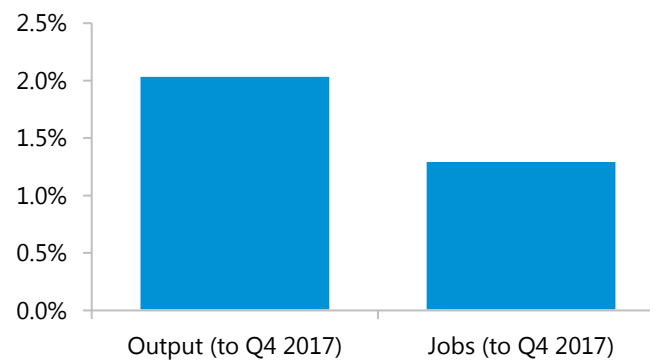


## Services

Services sector output grew over the last quarter by 0.2% and over the year by 1.2% in real terms. The index has now recovered by 9.3% since the recent minimum value recorded in Q2 2012 but remains 4.5% below the peak output level recorded in Q4 2006.

The services sector grew by just under 4,100 jobs (+0.7%), reaching a peak over the quarter to December 2017 and recording jobs growth of 1.6% over the year. Over the last five years, services sector output has increased by 8.5% and contributed over 43,000 jobs to the NI economy.

Figure 4 - Rolling four quarter change in Services output and jobs



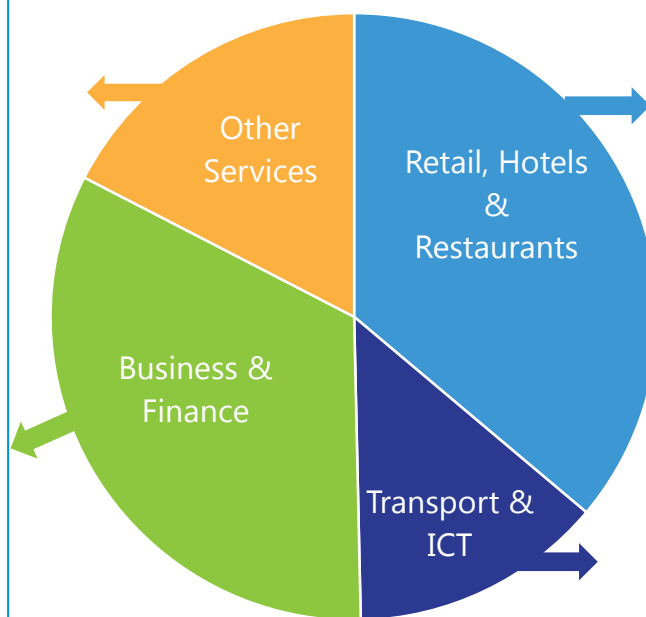
### Other services

Output increased by 3.1% over the latest year and employment grew by over 500 jobs, largely driven by the sports and recreation sub-sector.

### Business and Finance

Output in this sector rose by 5.3% over the year. The sector saw jobs growth of over 5,200 over the year with employment and administrative activities making large contributions to jobs growth.

Figure 5 - Relative Size of private services



### Retail, Hotel & Restaurants

Output in this sector fell by 0.7% over the year however overall employee jobs remained relatively stable with improvements in the food and beverage services sector offsetting declines in other sub-sectors.

### Transport and ICT

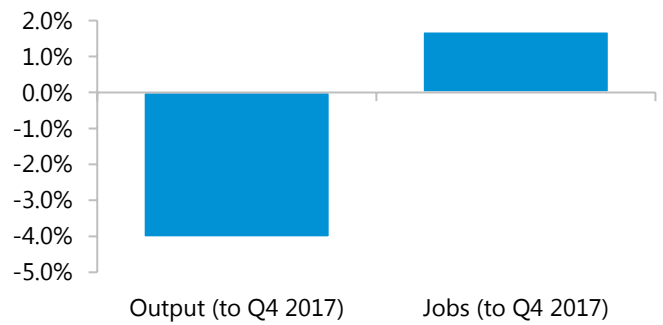
Output in this sector increased by 5.1% over the year. Sectoral employment increased by almost 1,600 jobs driven once again by increases in the Computer programming and consultancy sub-sector.

## Manufacturing

Provisional results for Q4 2017 showed that manufacturing output increased modestly by 0.9% over the quarter but fell by 6.9% over the year. Despite this recent fall, output remains 10.1% above its low point in Q3 2009. In the latest quarter five of six manufacturing subsectors saw an increase in their output, however the Food, Beverages and Tobacco sub sector recorded a decline of 5.9%.

In terms of jobs, the sector grew by 3.5%, adding almost 3,000 jobs over the last year and bringing the total number of jobs in the sector to 84,560.

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

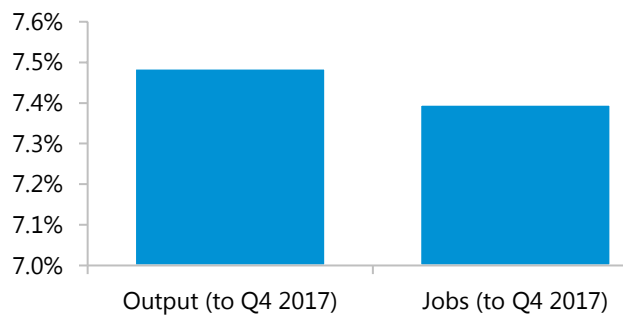


## Construction

The latest Northern Ireland Construction Bulletin shows that the total volume of construction output in Q4 2017 is at its highest level in seven years, having increased by 1.8% over the quarter and by 3.6% compared to the same quarter a year previously. This follows the general upward trend in construction output seen since 2014.

Over the latest quarter, employment in the Construction sector is estimated to have increased by 1.6% (550 jobs) and over the year employee jobs have expanded by 10.0% (3,100 jobs). Furthermore, the sector has added over 5,500 jobs since the low point seen in December 2014.

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



## Financial Services

The latest figures from UK Finance show 2,200 new loans to first time buyers in Q1 2018, a rise of 10% compared to Q1 2017. The number of new home mover mortgages completed in the first quarter of 2018 was 16.7% higher than in the same quarter of 2017. The value of mortgage lending in NI was almost 14% higher in Q1 2018 compared to the same quarter a year previously. Meanwhile, local borrower income is estimated to have increased by just over 1% compared to Q1 2017.

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

January	May 2018	Assistance Offered	Jobs
Specialist Joinery Services		£468k	52
Moyola		£1.0m	50
Applied Systems		£325k	50

## Other Business Surveys

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

### Ulster Bank PMI

- Results over the past number of months have generally shown solid albeit slowing growth in NI private sector activity.

### InterTradeIreland Quarterly Business Monitor

- Results from Q1 2018 indicate that 90% of businesses in NI and 93% of firms in the RoI were stable or growing. Around one in five firms engaged in cross border trade have reported that EU Exit is having a negative impact on business but less than 10% have made plans to deal with potential outcomes.

### NI Chamber Quarterly Economic Survey

- Results from the latest Survey showed continued albeit slowed growth with most key balances remaining positive during Q1 2018. There were signs of falling growth in some key balances reflecting challenging conditions for some firms.

# Engagement with the Rest of the World

Local performance remains robust with the total value of external sales and exports of goods and services increasing to markets outside Northern Ireland. As the tourism sector and passenger numbers at NI airports grow, the local economy continues to benefit from increased visitor expenditure.



## Exports

The latest HMRC Regional Trade Statistics (which cover goods only), show that NI exports rose by 3.6% to £2.07bn over the final quarter of 2017 and increased by 9.3% over the year. All other UK countries similarly saw an increase in exports over the year with exports from Scotland increasing by 19% and English and Welsh exports each increasing by around 12%.

The Republic of Ireland remains Northern Ireland's largest trading partner accounting for over a third of NI exports. Exports to the RoI increased by almost 2.5% in Q4 2017 and increased by 14.7% over the year. Compared to the same quarter a year previously, the markets where we have seen the largest value increases for NI exports are the RoI (up £347 million), Canada (up £119million).

The latest Broad Economy Sales and Exports Statistics (BESES) from NISRA provides a split of local businesses' sales of goods and services to markets outside Northern Ireland. Results from the latest BESES include sales within NI, sales outside NI but including GB (classed as external sales) and sales made outside the UK (defined as exports).

External sales of goods in 2016 were estimated to be worth £18.8bn, an increase of 2.9% over the year, while external sales of services grew by 9.1% over the year to £5.3bn. Goods exports were estimated at £8.3bn and represented 81.9% of all exports. Exports of services were estimated to be worth £1.8bn. Of this, exports of goods to the RoI was estimated at £2.7bn, while exports of services to the RoI were worth £0.7bn, reflecting increases of 0.7% and 8.3% respectively.

Figure 8i - RTS Goods Exports from NI

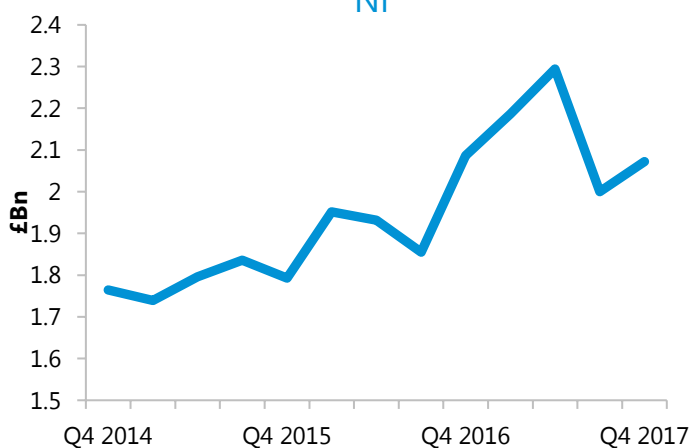
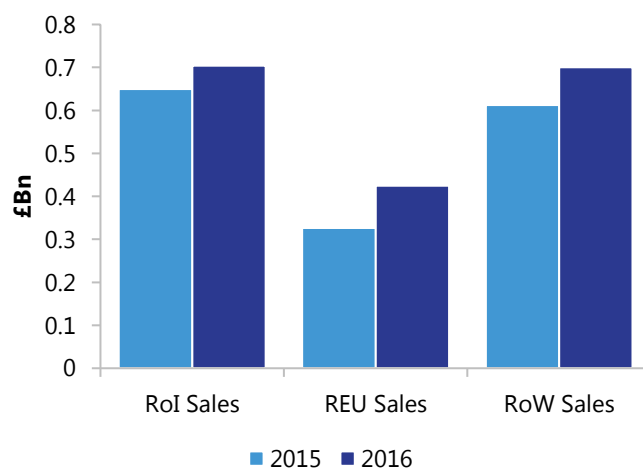


Figure 8ii - BESES Services Exports in Key Markets



## Inward Investment

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

Most recently, in May 2018, Invest NI welcomed RoI based software provider Teamwork.com creating 85 new jobs and generating over £3.2million annually in wages to the Northern Ireland economy.

Invest NI also worked closely with Excelledia Quality Consulting, which is opening a Technology Innovation Centre that will focus on Business Performance Management. Excelledia is NI's first inward investment from Qatar, which aims to create 22 jobs by early 2019.

In addition, Applied Systems Inc, a global provider of cloud based software, is expanding in Belfast recruiting 50 new jobs by 2021.

The growing software development sector in NI has been enhanced by the Seattle based software company Chef Software Inc., creating 55 new jobs in Belfast, generating over £2.3million in salaries into the economy annually whilst adding to the skills base in NI and enhancing our technology capability.

In addition, a high-level delegation from BT and UU announced the establishment of a new BT Ireland Innovation Centre (BTIIC). BT will invest £28.6m over an initial 5 year period to create the Centre which will, through collaboration with UU research, develop and leverage the benefits of leading edge, innovative technology in the Internet of Things, Cybersecurity, Data Analytics and AI to create products and services for BT and its global customers. Through BTIIC, BT will create up to 45 new jobs. In addition, UU will create up to 25 new posts to support the new Centre's research programme.

Table 3 – Selected Inward Investments

Jan	May 2018	Assistance	Investment	Jobs
Teamwork.com (Saas)		£680k	£6.49m	85
Ammeon		£600k	£7.01m	60
Chef Software Inc.		£357.5k	£3.85m	55

## Tourism

In the year to September 2017 there were just under 5 million domestic and external overnight trips in NI, generating almost £951m visitor spend. Furthermore, the latest air passenger flow statistics reveal evidence of continued growth at NI airports. In total there were over 8.6 million air passengers flowing through local airports in the year to September 2017, which represents a 4% increase on peak levels seen in 2008.

Figure 9 - NI Trips and Expenditure (over the year to September)

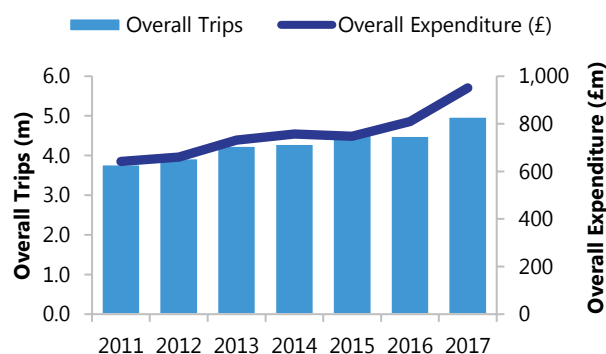


Table 4 – Key Market Growth Forecasts (EC)

GDP	2018	2019
UK	1.5%	1.2%
Euro Area	2.3%	2.0%
US	2.9%	2.7%
Japan	1.3%	1.1%
China	6.6%	6.3%

## Key Markets Outlook

The European Commission's Spring Economic forecast notes that global growth is expected to increase from 3.7% in 2017 to 3.9% in 2018 and 2019, with strong investment growth, buoyant manufacturing output and the continuing upturn in global trade contributing across advanced and emerging market economies. Growth in the Euro area is forecast to moderate only mildly from 2.4% in 2017 to 2.3% in 2018 before easing to 2% in 2019 as monetary stimulus and global trade growth eases. Meanwhile, UK growth is forecast to ease from 1.8% in 2017 to 1.5% in 2018 and 1.2% in 2019.

# Households

The local labour market continues to show a mixed picture with falls in unemployment and benefit claimants over the year, with the lowest unemployment rate on record. The employment rate is up over the year but remains the lowest rate among the twelve UK regions and inactivity has also increased over the year. While price inflation has decreased recently, it remains above the Bank of England target of 2.0%.



## Unemployment

The Labour Force Survey unemployment (LFS) rate (16+) for the January – March 2018 period was estimated at 3.1%. The LFS rate has been trending downwards following its peak in November-January 2013 (when the rate was 8.3%). The most recent rate was the lowest of the twelve UK regions and below the equivalent UK rate (4.2%), which was also at a record low. The NI unemployment rate was also below the February 2018 European Union rate (7.1%) and March 2018 Republic of Ireland rate (6.1%).

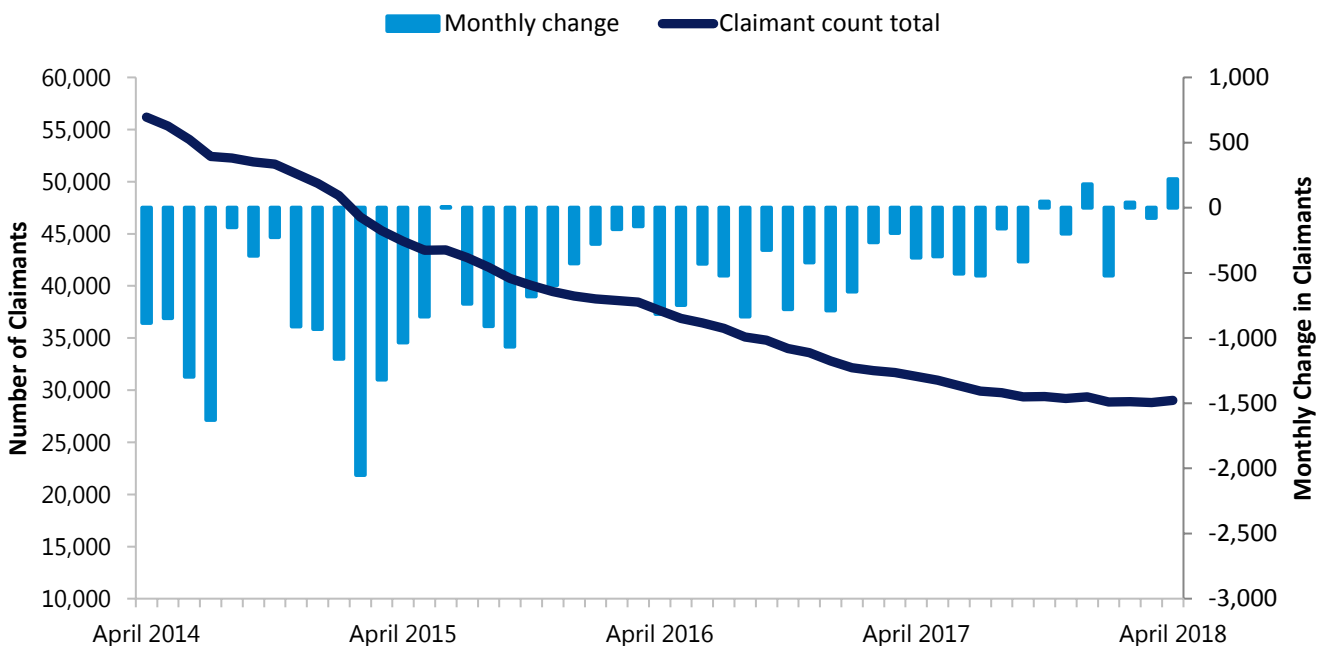
The long term unemployment rate (percentage of unemployed who have been unemployed for 1 year or more) was up 5.8pps over the year and at 51.0% remains

markedly higher than the UK average rate of 25.3%.

The number of people claiming unemployment benefits stood at 29,000 (3.2% of the workforce) and has more than halved since its peak in February 2013, decreasing by almost 35,800. Over the past year the claimant count tally has fallen by 2,300, however the annual rate of decrease has been slowing since 2014 and the claimant count remains over 20% higher than its low in September 2007.

The claimant count was made up of almost 19,000 males and just over 10,000 females, encompassing 3.8% and 2.4% of the male and female workforce respectively. The number of female claimants increased by 0.7% over the last year, while the number of male claimants fell by 11.1%. The number of youth claimants (16-24 year olds) similarly decreased by 16.5% over the year.

Figure 10 - Unemployment Benefit Claimants



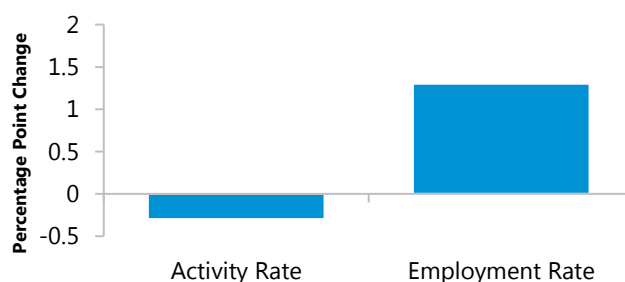


## Employment and Activity

The number of persons in employment (16+) in the period January-March 2018 was estimated at 848,000, a decrease of 24,000 over the year. The overall employment rate currently sits at 69.7%, an increase over both the last quarter (1.0pps) and the last year (1.3pps). Both the male and female employment rates increased over the year by 0.6pps and 2.1pps respectively.

At 69.7% the NI employment rate remains below the UK average (75.6%) and the lowest of the twelve UK regions.

Figure 11 - Participation rates (annual change)

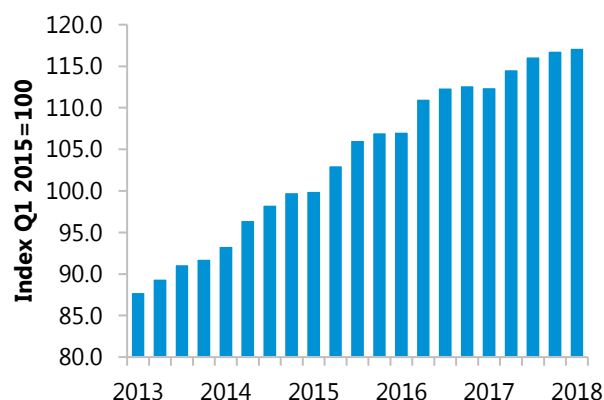


## Housing Market

According to the latest Northern Ireland House Price Index (HPI), house prices increased by 0.3% in Q1 2018 and by 4.2% compared to Q1 2017. The Index currently stands 33.5% higher than the low point in Q1 2013. All council areas in NI reported annual increases in house prices.

The Office of National Statistics (ONS) estimates that UK house prices have increased by 4.2% in the year to March 2018. All UK countries recorded growth in house prices with Northern Ireland recording the second largest relative increase of 4.2%, behind Scotland (6.7%).

Figure 12 - House Price Index



## Consumer Spending

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

### Spending Power

- The latest regional ASDA income tracker shows that family spending power in NI increased by 6.4% over the first quarter of 2018, a faster rise than any other UK region.
- Gross disposable household income in NI was significantly below the UK average and was 11<sup>th</sup> of the 12 UK regions.

### Consumer confidence

- The Danske Bank Consumer Confidence Index registered a sharp increase in Q1 2018 to 142 from 123 at the end of last year.
- Consumers' expectations of their future financial position also improved with low interest rates cited as a key factor.

### Tourism Spend

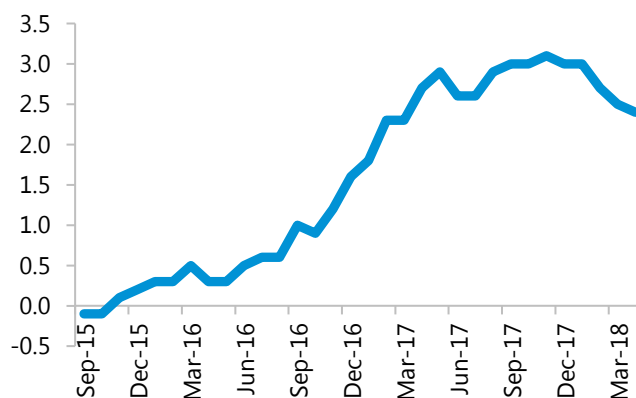
- In the year to September 2017, expenditure associated with all overnight trips was estimated at £951m, an increase of almost 18% on the previous four quarters.

## Prices

In April 2018 inflation decreased by 0.1 percentage points to a 13-month low of 2.4% but still above the Bank of England target rate of 2%. The largest downward contribution to inflation came from the fall in air fares, which were partly due to the timing of Easter as it meant the usual seasonal rise in air fares was not included in April this year.

However the fall in inflation was partially offset by a rise in fuel prices, which are now at their highest level for three-and-a-half years.

Figure 13 - CPI Annual inflation rate (%)



# Government

While jobs within the local public sector have generally been trending downwards over the past eight years, more recent figures show a slight rise in public sector employment, with the rate of expansion exceeding that in the UK over the year. The Northern Ireland Civil Service has continued to experience a fall in jobs over the year.

**+670**

annual change in number of public sector jobs

**+0.3%**

annual change in number of public sector jobs

**-0.9%**

annual change in NICS jobs

**+1.8%**

annual jobs change in local government

**+1.3%**

annual jobs change in NHS Trusts

## Jobs

Jobs within the local public sector have broadly been trending downwards since September 2009 with the sector just under 10% smaller and with approximately 21,700 fewer jobs. In contrast, the private sector has grown by over 14% adding almost 65,000 jobs with most of these being within the services sector.

Over the same time period the UK public sector has contracted at a faster pace than Northern Ireland, falling by over 16%.

More recently figures show a slight increase in public sector jobs, with NI public sector employment rising by 0.3% from Q4 2016 to Q4 2017 compared to fall of 0.2% for the UK as a whole.

Employment in local NHS Trusts rose by 1.3% while jobs in the NICS fell by 0.9%.

Table 5 – NI Selected Public Sector Jobs Breakdown

	Jobs Dec 17	Annual Change	
		No.	%
Total Public Sector Jobs	206,430	670	0.3%
NI Central Government*	106,992	969	0.9%
Northern Ireland Civil Service (NICS)	23,294	-201	-0.9%
UK Central Government	3,620	-137	-3.6%
Local Government	11,843	207	1.8%
NHS Trusts	70,201	871	1.3%

\*totals include NICS, Health and Education etc.

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

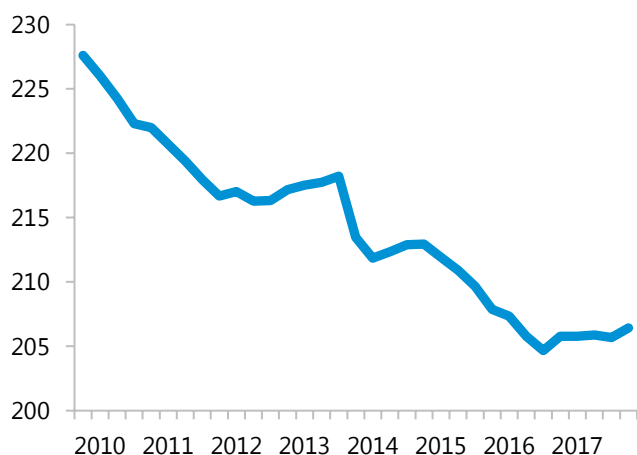
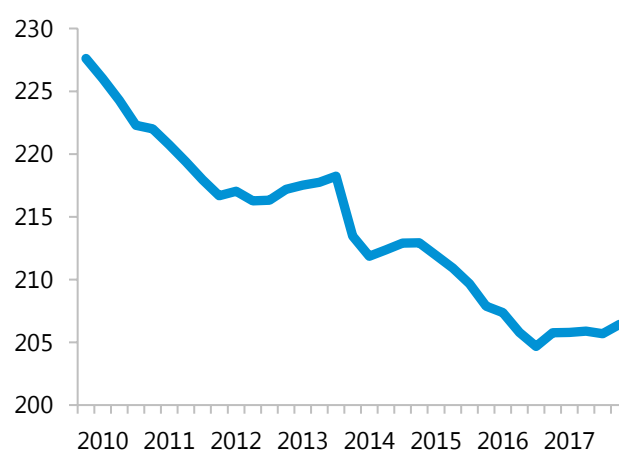


Figure 15 - UK Public Sector Jobs (000's)



# Research Highlights

This section highlights recent publications in key economic policy areas over the period January 2018 to April 2018 that will be of interest to readers. Links to each report (where available) can be found by clicking on the highlighted title.

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## Skills Gaps, shortages and mismatch

Eurydice published [Teaching Careers in Europe: Access, Progression and Support](#). The main findings for Northern Ireland in this report were that NI is one of seven nations where there are no shortages of teachers and the main challenges are oversupply and an ageing teaching population. The median age of teachers in the workforce is increasing yearly and the proportion of teachers aged under 30 is decreasing.

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## Inward investment

DfE published the report [Trends in foreign direct investment from the United States, 2003-2015](#). NI has contributed strongly to the UK's success with Invest NI having supported almost £4.3 billion of inward investment between 2003-04 and 2015-16, promoting over 37,500 new jobs. Over one-third (35%) of investment attracted by Invest NI was from the US, worth a cumulative £1.48 billion from 2003-04 to 2015-16 and promoting 13,875 jobs, equivalent to 37% of the total jobs. On average each year, this is equivalent to over £100 million of investment and more than 1,000 jobs from the US.

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## Migrant workers

The Department published two reports on migrant workers in Northern Ireland. The first publication, [Northern Ireland Migration and Skills](#), highlights that following the EU enlargement post 2004, NI has seen an inward migration of people from the EU and further afield. The most common reasons for migrants coming to NI include work (40.5%), family (25.6%) and education (14.5%).

The second publication, [An analysis of migrant workers from the Northern Ireland Census](#), highlights that the 2011 Census of population, showed that there were just over 202,000 people living in Northern Ireland who were born or lived elsewhere but were NI residents at time of census; 41% of these individuals came from other parts of the UK; 22% came from the EU; 19% came from the Republic of Ireland; and 18% came from the rest of the world.

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## Wellbeing and Prosperity

A report by the Joseph Rowntree Foundation, [Poverty in Northern Ireland 2018](#), examined trends in poverty and related issues in Northern Ireland, and compared these to the situation in the UK as a whole. This report shows that 370,000 people in NI live in poverty. This briefing accompanies [UK Poverty 2017](#), which looked at trends in poverty in the UK as a whole.

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## Common travel areas

The Department published two reports surrounding common travel areas in NI. The first report [Background Evidence on the Movement of People across the Northern Ireland – Ireland Border](#) examines the extent of the movement of people across the NI – RoI land border and the role it plays in their respective economies.

The second report, [Northern Ireland Life and Times Survey](#), shows that 63% of adults crossed the border at least several times a year whilst 20% crossed the border at least 2 or 3 times a month. The results of this survey indicated that there were around 24 million

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## Cross border trade

Published by InterTradeIreland, the [Cross-border trade and supply chain linkages report](#), examines the patterns of cross-border trade on the island of Ireland, focusing on the role of supply chain links. Findings of this report include, that Northern Ireland accounts for 10-12% of total exports from RoI to the UK and accounted for 7-8% of imports.

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## Creative technologies

Matrix produced its [Matrix Creative Technology Report 2018](#), which identified a small thriving sector within NI with a potential for growth and the ability to collaborate with other Northern Ireland technology industries to enhance products and services.

# 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. To avoid confusion, 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	
<b>The Economy</b>	NI 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); UK Economic Outlook (PwC)
<b>Businesses</b>	Index of Services (NISRA); Index of Production (NISRA); NI Construction Bulletin (NISRA); Quarterly Employment Survey (NISRA); Regional Lending Trends (UK Finance) Purchasing Managers Index (Ulster Bank); Business Monitor (InterTradeIreland); Quarterly Economic Survey (NI Chamber of Commerce and Industry)
<b>Engagement with the Rest of the World</b>	Regional Trade Statistics (HMRC); Broad Economy Sales and Exports Statistics (NISRA); Invest NI; Tourism Statistics (NISRA); Air Passenger Flow Statistics (NISRA); Economic Forecasts (European Commission)
<b>Households</b>	Labour Force Survey (NISRA); Claimant Count (NISRA); Quarterly Employment Survey (NISRA); NI House Price Index (NISRA); UK House Price Index (ONS) Income Tracker (ASDA); Regional Gross Disposable Household Income (ONS); Consumer Confidence Index (Danske Bank); Tourism Statistics (NISRA); Consumer Prices Index (ONS)
<b>Government</b>	Quarterly Employment Survey (NISRA); UK Public Sector Employment (ONS)

## Contact:

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