

Economic Activity

NICEI

0.0%

UK GDP

+1.5%



Source: NICEI & ONS

Annualised Economic Activity

Business

Index of
Production

Output up



+0.1%

over the
year

Index of
Services

Output up



+3.4%

over the
year

Source: NISRA

Rest of World



£8.53bn

Exported
goods

+0.8%

Over the year

£3.1bn
exports
to
Republic
of
Ireland



Source: HMRC

Households

Employment
Rate

69.3%



Down over
the quarter up over
the year

Source: NISRA

Unemployment
Rate

4.0%



Up over the
quarter, down
over the year

Inactivity
Rate

27.4%



Down over both
quarter and year

Government



+0.6%

Total Public
Sector Jobs

+1.8%

NHS
Employment

0.0%

NICS
Employment

Source: NISRA

Annual Change

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The Economy

The local economy has seen a decline in output although jobs have seen continued growth. The private sector has driven job growth, especially in services, and employee jobs are now at a series high. Local commentators forecast modest growth over the next two years.

-0.3% <small>quarterly change in economic activity</small>	0.0% <small>annualised change in economic activity</small>	+2,550 <small>quarterly change in employee jobs</small>	+15,550 <small>annual change in employee jobs</small>	1.1% <small>average NI growth forecast for 2018</small>
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Economic Activity

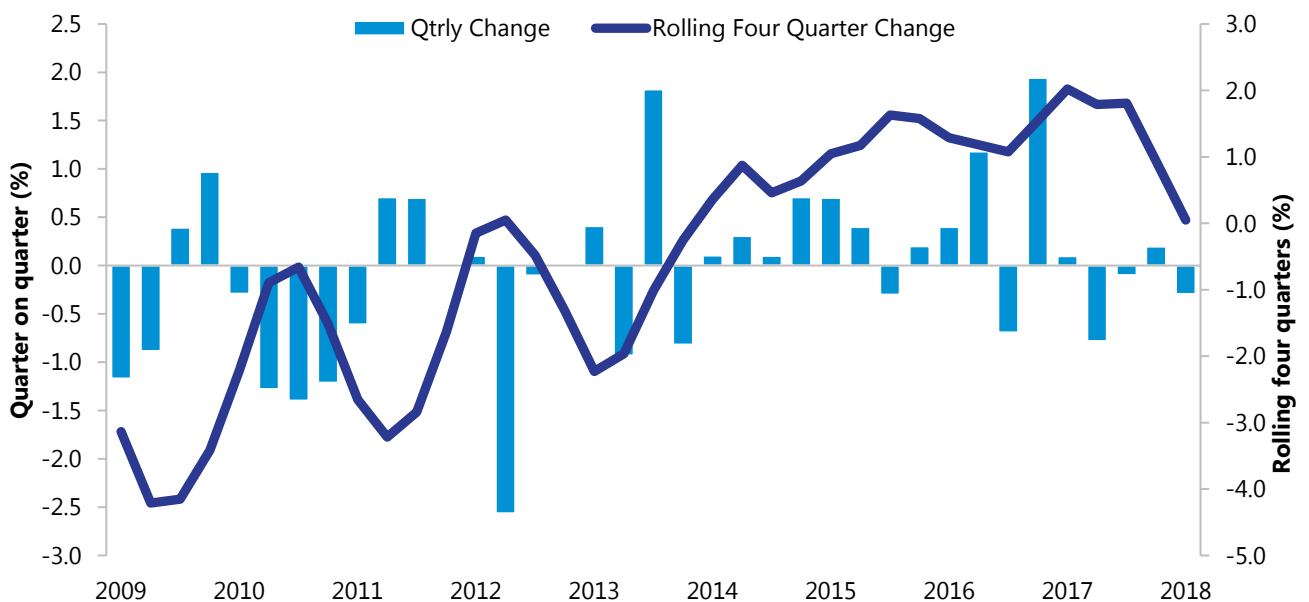
According to the latest results from the Northern Ireland Composite Economic Index (NICEI), local economic activity has decreased by 0.3% in Q1 2018 compared to the previous quarter. This fall was driven by falls in the Construction sector (-0.6pps) and the Public Sector (-0.1pps), which were partially offset by a rise in the Services sector (+0.4pps).

NI economic activity remained flat (at 0.0%) over the year on a rolling four quarter basis. Over this period, increases in the Services and Construction sectors were offset by a decrease in the Production sector.

Although the sources are not directly comparable, the recent results show that the UK economy grew in contrast with NI's decline, with annual growth (comparing Q1 2018 with Q1 2017) of 1.2% in the UK compared to a fall in output of 1.0% in NI.

The NICEI has reported growth in 14 of the last 21 quarters but remains 6.3% below the maximum value recorded in Quarter 4 2006. In contrast, UK GDP is estimated to be 10.5% higher than its pre-economic downturn peak of Quarter 1 2008.

Figure 1 - NI Composite Economic Index

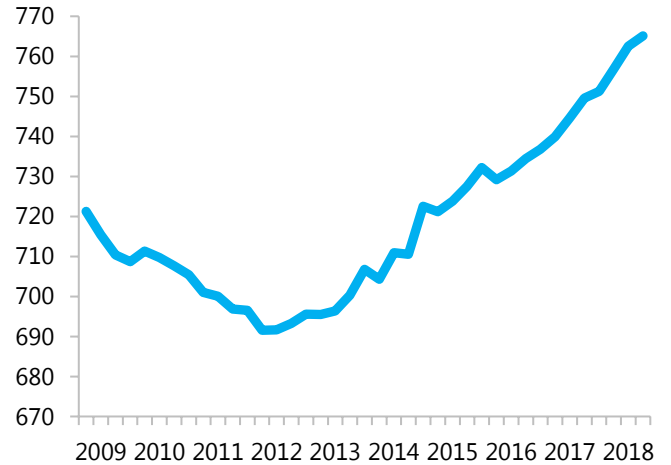


Employee Jobs

The latest figures from NISRA show that the number of employee jobs in the local economy over the quarter and the year increased to a series high of 765,100 in June 2018. The annualised growth rate of 2.2% between 2016/17 and 2017/18 is higher than growth rates between 2015/16 and 2016/17, but at a similar level to the growth in employee jobs between 2013/14 and 2014/15.

Over the year there was an increase of 15,550 jobs, largely driven by the services sector, which accounted for 67.2% of growth. The manufacturing and construction sectors also grew over the year, by 3,690 and 970 jobs respectively.

Figure 2 - Employee Jobs (000's)



Private Sector

Private sector jobs increased slightly over the quarter and year at 0.2% and 2.6% respectively to their highest level (556,250) in the seasonally adjusted series. They are now 8.6% above the pre-downturn peak.

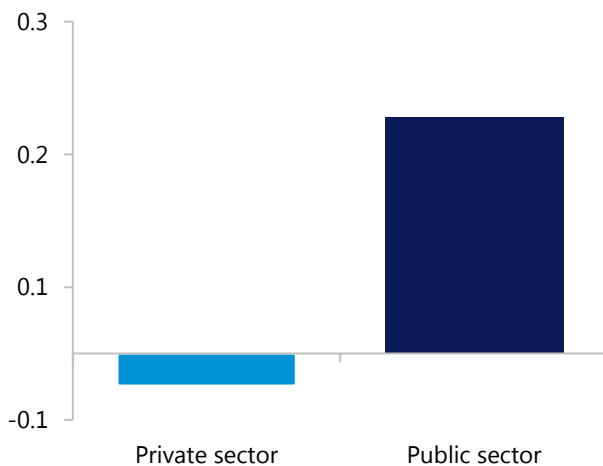
The private sector saw a slight decrease in activity, with output down by 0.3% over the quarter and by 1.2% over the year to Quarter 1 2018.

Meanwhile, the latest Ulster Bank PMI survey for August 2018 shows business activity in the local private sector continued to grow, although there was a loss of growth momentum. The increase in output in NI was also slower than the UK average. However, the rate of job creation and business confidence saw a modest pickup in growth from July.

Table 1 - Latest NI Growth Forecasts

GVA	2018	2019
Ulster University	1.2%	1.1%
Danske Bank	0.9%	1.1%
Ernst & Young	1.1%	1.2%
PwC	1.0%	1.1%
Average	1.1%	1.1%

Figure 3 - Economic Activity (four quarters to Q1 2018)



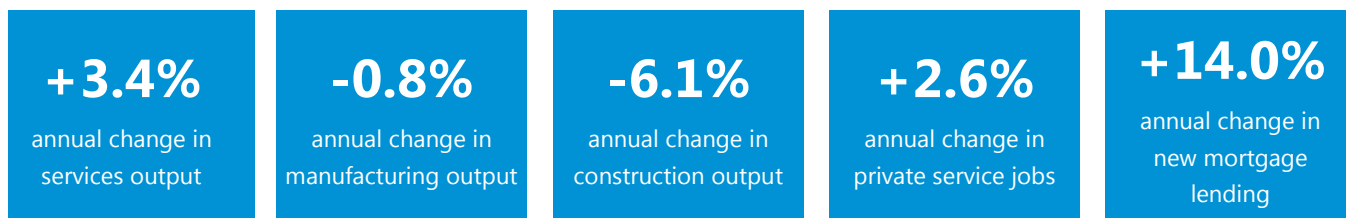
Outlook

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

- **UUEPC** predicts below trend growth to the end of the decade, buoyed by global expansion but weighed down by local challenges.
- **Danske Bank** expects underwhelming economic growth, with above-target inflation and high uncertainty as constraining factors.
- **Ernst & Young** predicts modest growth for NI in 2019 mainly due to real income squeezes and weak investment levels.
- **PwC** expects NI growth below that of the UK and the lowest of the 12 UK regions over 2018 and 2019.

Businesses

Services has shown solid growth in both output and jobs over the year and the sector accounts for around 4 in 5 employee jobs. Manufacturing saw output fall over the year but recorded a rise in jobs to reach a series high. Similarly, construction output fell but jobs rose over the past year.

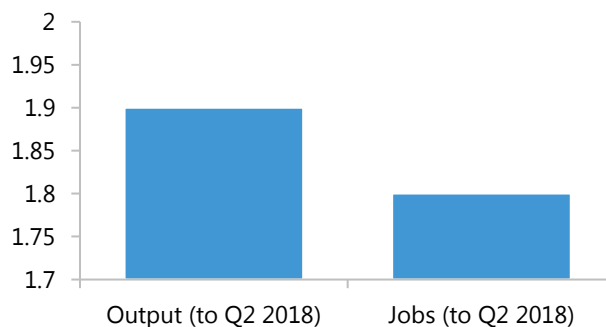


Services

Services sector output grew over the last quarter by 1.3% and over the year by 3.4% in real terms. The index has now recovered by 11.1% since the recent minimum value recorded in Q2 2012 but remains 2.8% below the peak output level recorded in Q4 2006.

The services sector grew by 1,430 jobs (+0.2%) over the quarter to June 2018, and recorded growth with an increase in 10,450 jobs (1.7%) over the year. Over the last five years, the number of employee jobs in the services sector has increased by 45,770. It now accounts for 81.2% of all employee jobs.

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



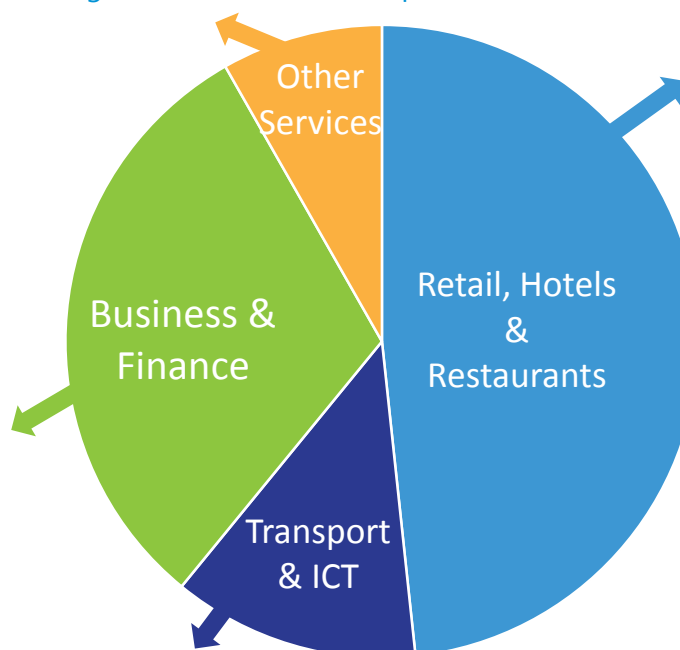
Other services

Output showed no growth (0.0%) over the latest year but employment grew by 1.7% (540 jobs), largely driven by the activities of membership organisations and other personal activities sub-sectors.

Business and Finance

Output in this sector rose by 1.1% over the year. The sector saw jobs growth of over 4,100 over the year with employment and legal and accounting activities making large contributions to jobs growth.

Figure 5 - Relative Size of private services



Retail, Hotel & Restaurants

Output in this sector increased by 2.7% over the year. Jobs rose by 2,400 over the year, driven by a rise in retail trade employee jobs but this was partially offset by a fall in wholesale trade employee jobs.

Transport and ICT

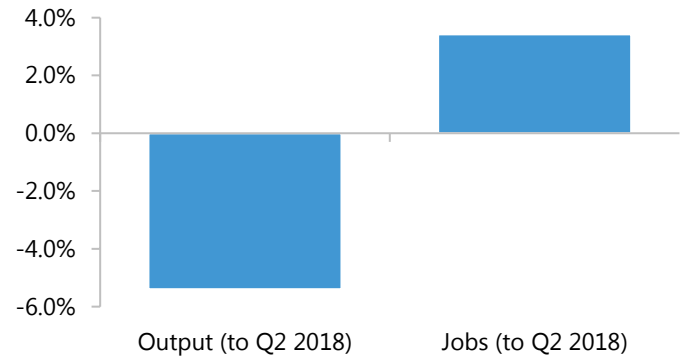
Output in this sector increased by 11.9% over the year. Employment increased by 380 jobs, mainly due to the motion picture, video & television programme production, sound recording & music publishing activities sub-sector.

Manufacturing

Manufacturing output increased over the quarter to Q2 2018 by 1.3% but decreased over the year by 0.8%. Despite this decline, output is 11.5% above its lowest point recorded within the past ten years (Q3 2009). The latest quarterly increase has largely been driven by Food products, beverages and tobacco (+5.9%) and Basic and fabricated metals (+7.3%).

The sector grew by 4.5% in terms of jobs over the last year adding 3,690 jobs. This now brings the total number of jobs in the sector to a series high of 86,510.

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

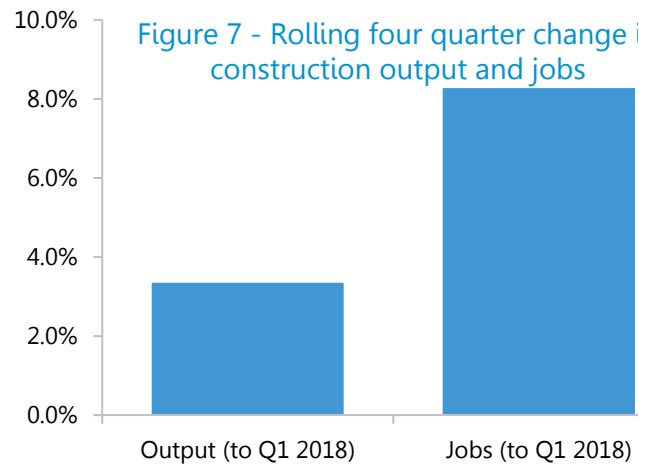


Construction

The latest NI Construction Bulletin shows the total volume of construction output in Q1 2018 decreased by 6.5% over the quarter and by 6.1% over the year. This latest decrease followed four quarters in which the level of construction output has been broadly consistent.

Over the latest quarter, employment in the Construction sector is estimated to have increased by 0.4% (140 jobs) and over the year employee jobs have expanded by 2.9% (970 jobs). The sector has seen an increase by 20.5% in jobs since its most recent low in December 2014.

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



Financial Services

The latest figures from UK Finance show 2,700 new loans to first time buyers in Q2 2018, some 12.5% more compared to Q2 2017, with the value of new lending 16.7% higher year-on-year. The number of new home mover mortgages completed in the second quarter of 2018 was 6.7% higher than in the same quarter of 2017, with the value of mortgage lending 10.5% higher year-on-year. Meanwhile, local borrower income is estimated to have increased by 2.6% for first time buyers and by 1.4% for home movers.

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

June	September 2018	Assistance Offered	Jobs
Mallaghan Engineering		£2m	210
Novosco		£1.25m	114
KME Steelworks		£338k	47

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 broadly shown solid albeit slowing growth in local private sector activity.

InterTradeIreland Quarterly Business Monitor

- Results from Q2 2018 indicate that the number of firms reporting growth increased in NI to 40% and in the RoI to 47% while the number of firms in decline also increased to 11% in NI and 12% in the RoI. However, there has been a rise in challenges impacting business, with energy and overhead costs (likely wages) raised as particular concerns.

NI Chamber Quarterly Economic Survey

- Results from the latest Survey showed modest improvement in performance for Quarter 2 of 2018. Most key balances are positive but growth remains subdued and NI's regional position remains weak.

Engagement with the Rest of the World

Local trade performance remains robust with the total value of external sales and exports continuing to rise. The tourism sector is growing, with the number of visitors, visitor spend and air passengers flowing through local airports continuing to increase.

+0.8%

annual change in NI goods exports

+5.4%

annual change in UK goods exports

4.8m

Overnight trips in NI in the year to September 2017

£939m

Expenditure by all visitors in the year to March 2018

3.7%

2018 OECD world growth forecast

Exports

The latest HMRC Regional Trade Statistics (which cover goods only) show that NI exports rose by 1.8% to £2.20bn over the second quarter of 2018 and increased by 0.8% over the year. All other UK countries saw greater increases in exports over the year, with exports from Scotland increasing by 7.0%, English exports increasing by 4.3% and Welsh exports increasing by around 4.2%.

The Republic of Ireland remains Northern Ireland's largest exporting trading partner accounting for over a third of NI exports. Exports to the RoI rose by 17.0% 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 £52m) and Thailand (up £25m). The markets with the largest decreases were the United States (down £230m) and Canada (down £19m).

The latest Broad Economy Sales and Exports Statistics (BESES) release provides information on the value of goods and services purchased by NI businesses in 2016.

Total purchases of goods in 2016 were estimated to be worth £35.2bn, an increase of 3.3% over the year, while total purchases of services were estimated to be worth £9.1bn, a decrease of 3.0% over the year.

Good imports were estimated at £6.1bn and represented 89.7% of all imports. Imports of services were estimated to be worth £0.7bn. Of this, imports from ROI were estimated at £2.3bn, an increase of 16.7% over the year. Imports from the rest of the EU (REU) and the rest of the world (ROW) were estimated to be worth £2.1bn and £2.4bn, reflecting increases of 4.2% and 12.9% respectively.

Figure 8i - RTS Goods Exports from NI

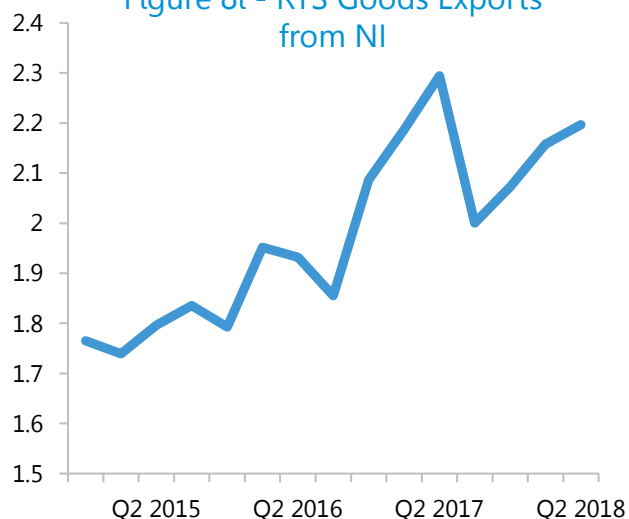
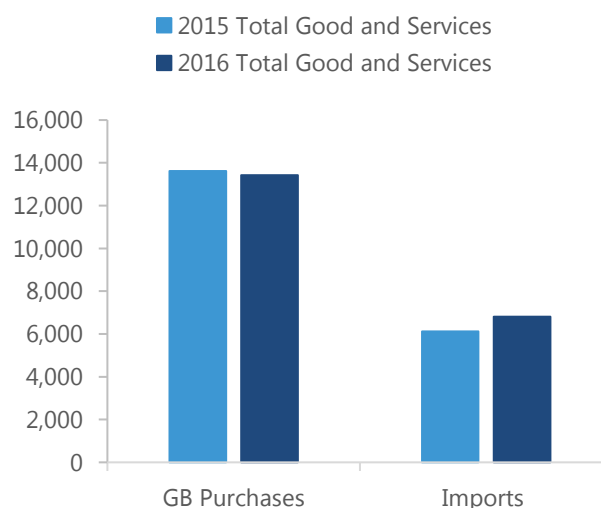


Figure 8ii - Purchases and Imports



Inward Investment

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

Invest NI announced in June an investment by FinTrU Ltd to establish a new operation in Derry~Londonderry and a further expansion of its operation in Belfast. The project will create 305 new jobs in Derry~Londonderry and 300 new jobs in Belfast by March 2023. The project will contribute an additional £15.2m in annual wage and salaries to the local economy.

PA Consulting has been offered almost £4 million of support to secure the creation of 400 jobs in Belfast over the next five years. Once this project is fully established it will generate over £14.5 million in wages annually.

Invest NI has offered Fieldfisher LLP, a multinational law firm, £630,000 assistance for a 125 person centre in Belfast which will include Document Negotiation Unit, Legal Support Services and Business Support Services. This investment will generate over £3.6 million in annual salaries.

The aviation sector has been enhanced by Eirtech Aviation Composites Ltd. establishing a new Composites Repair Centre in NI to service the UK and European markets. The total investment will be £8.8 million and 124 jobs will be created, contributing over £4.3 million annually in wages to the Northern Ireland economy.

Bamboo Rose LLC develops product solutions for use in the retail industry. The Company is establishing a centre in Belfast that will create 75 new high quality jobs with a median salary of £35k, generating an additional £2.87m in salaries annually.

Table 3 – Selected Inward Investments

April	Sep 2018	Assistance	Investment	Jobs
FinTrU		£3.3m	£30.4m	605
PA Consulting		£3.0m	£33.2m	400
Mallaghan Engineering		£2.0m	£11.3m	210
Fieldfisher LLP		£630k	£7.2m	125
Novosco		£1.25m	£30.7m	114

Tourism

In the year to March 2018 there were just over 4.8 million domestic and external overnight trips in NI, generating just over £939m visitor spend. Furthermore, the latest air passenger flow statistics show that in the year to March 2018 there were 8.5 million air passengers flowing through local airports. This represents a 3% increase compared to the previous year.

Figure 9 - Non Resident trips and expenditure

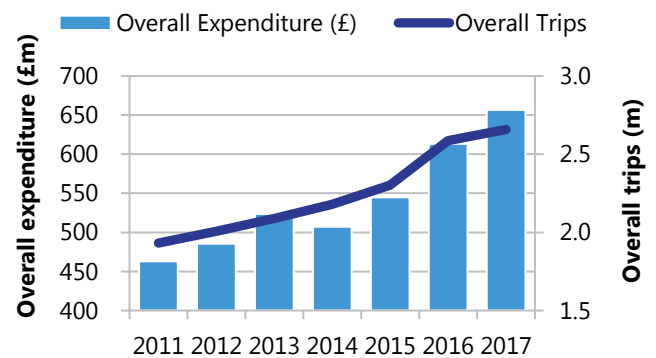


Table 4 – Key Market Growth Forecasts (OECD)

GDP	2018	2019
UK	1.3%	1.2%
Euro Area	2.0%	1.9%
US	2.9%	2.7%
Japan	1.2%	1.2%
China	6.7%	6.4%

Key Markets Outlook

The OECD projects that the global economy will grow by 3.7 percent in both 2018 and 2019, with rising differences across countries in contrast to the broad-based expansion seen in the latter part of 2017. Confidence has weakened, trade and investment growth have proven slower than anticipated and wage growth has remained modest across most countries despite OECD-wide unemployment having fallen below pre-crisis rates. The Outlook identifies a slowdown in trade growth as the principal factor weighing on the world economy and reports that further trade restrictions could have adverse effects on jobs and living standards, particularly for low-income households.

Households

The local labour market has shown some positive signs with falls in the claimant count, unemployment rate and inactivity rate over the past year. However, both the long-term unemployment and inactivity rates remain persistently high and significantly above the rates for the UK as a whole. Inflation has seen a rise and the rate has now been above the Bank of England’s target for 19 consecutive months.



Unemployment

The Labour Force Survey unemployment (LFS) rate (16+) for the May-July 2018 period was estimated at 4.0%. The LFS rate is now less than half of what it was at the Nov-Jan 2013 peak of 8.3%. The most recent rate was the same as the overall UK average rate (4.0%), which is a joint record low. NI’s rate is the fifth lowest rate among the twelve UK regions. The NI unemployment rate was also below the June 2018 European Union rate (6.9%) and June 2018 Republic of Ireland rate (5.1%).

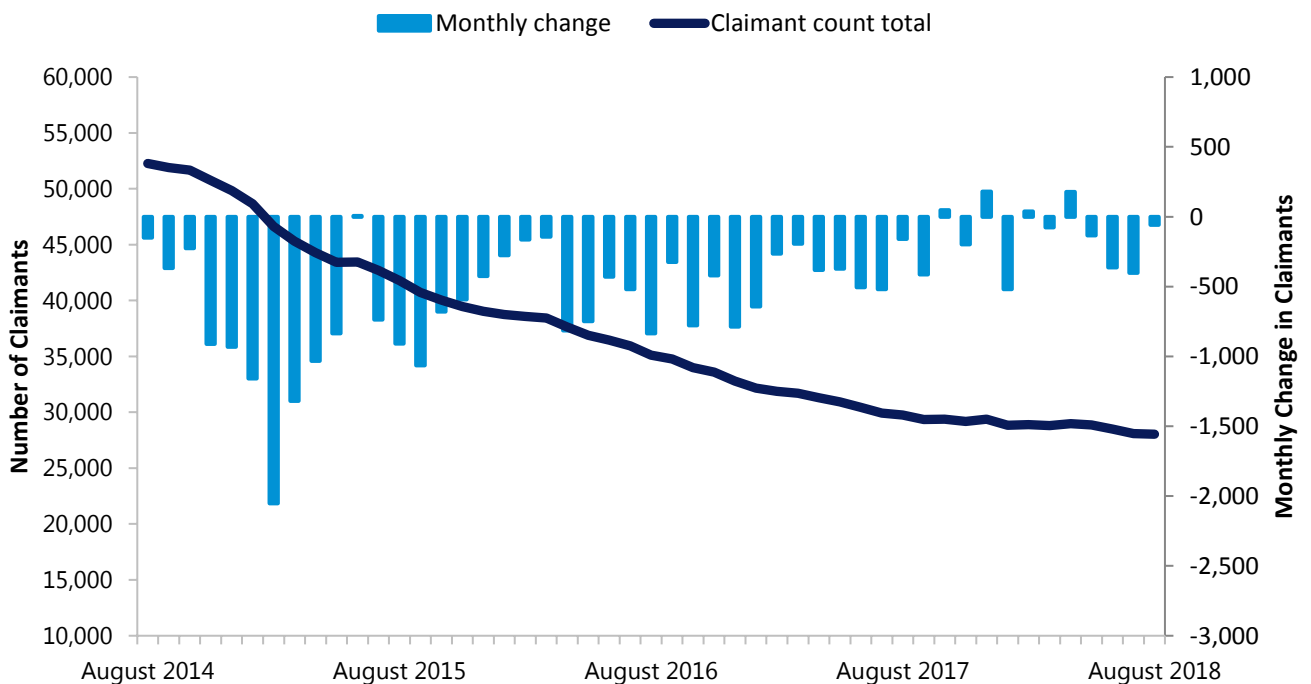
The long term unemployment rate (percentage of unemployed who have been unemployed for 1 year or more) was up 7.2pps over the year and at 59.3% remains

markedly higher than the UK average rate of 25.9%.

The number of people claiming unemployment benefits stood at 28,000 (3.1% of the workforce) and has more than halved since its peak in February 2013, decreasing by 36,700. Over the past year the claimant count tally has fallen by 1,700. There was an 11.8% decrease over the year for 16-24 year olds as well as a 6.8% decrease for 25-49 year olds, however, there was a 2.8% increase for people aged 50 and over.

The claimant count was made up of almost 18,300 males, much higher than the proportion of females, at just over 9,700 females. This encompasses 3.7% and 2.3% of the male and female workforce respectively. The number of female claimants fell by 3.0% over the year, while the number of male claimants decreased by 7.2%.

Figure 10 - Unemployment Benefit Claimants

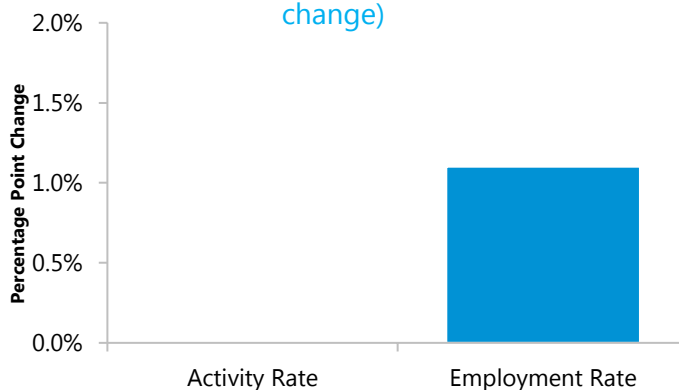


Employment and Activity

The number of persons in employment (16+) in the period May-Jul 2018 was estimated at 848,000, an increase of 21,000 over the year. The overall employment rate currently sits at 69.3%, with a decrease over the last quarter (-0.3pps) but an increase over the last year (1.1pps). Both the male and female employment rates increased over the year by 0.1pps and 2.1pps respectively.

At 69.3% the NI employment rate remains below the UK average (75.5%) and the lowest of the twelve UK regions.

Figure 11 - Participation rates (annual change)

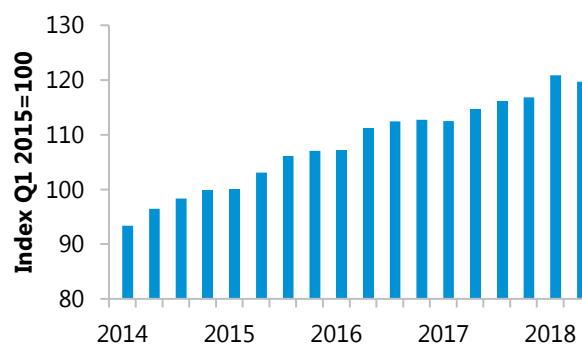


Housing Market

According to the latest Northern Ireland House Price Index (HPI), house prices decreased by 1.0% over the quarter in Q2 2018 but increased by 4.4% over the year to Q2 2018. The Index currently stands 19.7% higher than Q1 2015 (the reference period).

The Office of National Statistics (ONS) estimates that UK house prices have increased by 3.1% in the year to July 2018. Northern Ireland saw the biggest increase at 4.4%, which was followed by Wales at 4.2%. Scotland and England house prices rose by 3.2% and 3.0% respectively.

Figure 12 - House Price Index



Consumer Spending

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

Regional Household Expenditure

- Experimental regional estimates from ONS reveal that spending per person in NI fell by 0.4% between 2015 and 2016 and NI was the only country or region to see a fall in spending per person in this period.
- The lowest levels of saving in 2016 were seen in the South West at 1.5% followed by NI and Wales at 2.5% and 2.6% respectively compared with a UK average saving ratio of 6.9%.

Consumer Confidence

- The Danske Bank Consumer Confidence Index registered a sharp fall in Q2 2018 to 131 from 142 in Q1 2018 and 139 a year ago.
- Falls were recorded over the quarter and the year in all four parts of the index, highlighting consumers concerns about their current finances, future finances, job security and future spending.

Tourism Spend

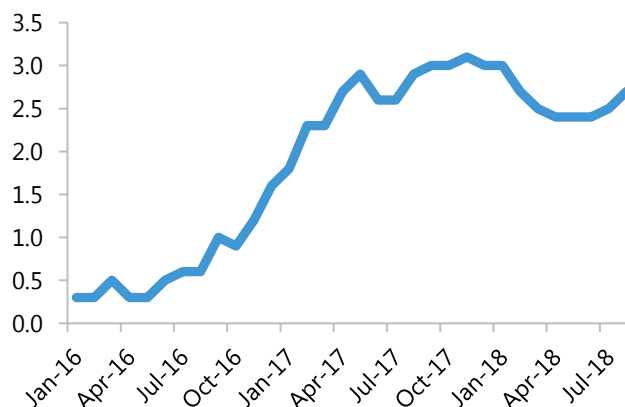
- In the year to March 2018, expenditure associated with all overnight trips was estimated at £939m, an increase of around 9% on the previous four quarters.

Prices

In August 2018 inflation increased by 0.2 percentage points to 2.7%, which means inflation has now been above the Bank of England's target rate of 2% for a consecutive 19 months. Transport continues to make the largest upward contribution to the rate, with prices rising by 6.0% in the year to August 2018.

Partially offsetting downward contributions came from furniture and household goods and telecommunications. Prices for these rose, but by less than they did a year ago.

Figure 13 - CPI Annual inflation rate (%)



Government

While the number of jobs within the local public sector have generally been trending downwards over the past number of 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 number of Jobs in the Northern Ireland Civil Service has remained broadly the same over the year.

+1,360 annual change in number of public sector jobs	+0.7% 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
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Jobs

The number of jobs within the local public sector have broadly been trending downwards since September 2009 with the sector now 9% smaller and with approximately 20,500 fewer jobs. In contrast, the private sector has grown by over 16%, adding over 77,000 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 17%.

More recently figures show a slight increase in public sector jobs, with NI public sector employment rising by 0.7% over the year compared to fall of 2.2% for the UK as a whole.

Employment in local NHS Trusts and in Local Government rose by 1.8% and 1.4% respectively, while local jobs in UK Central Government fell by 5.3%.

Table 5 – NI Selected Public Sector Jobs Breakdown

	Jobs June 18	Annual Change	
		No.	%
Total Public Sector Jobs	208,243	1,343	0.6%
NI Central Government*	107,926	1,329	1.2%
Northern Ireland Civil Service (NICS)	23,378	9	0.0%
UK Central Government	3,623	-202	-5.3%
Local Government	11,946	166	1.4%
NHS Trusts	71,143	1,231	1.8%

*totals include NICS, Health and Education etc.

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

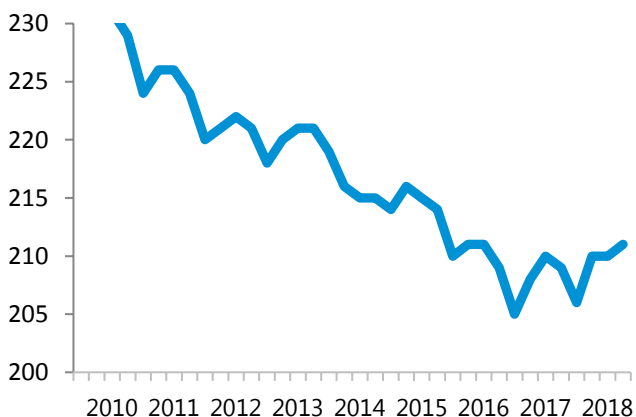
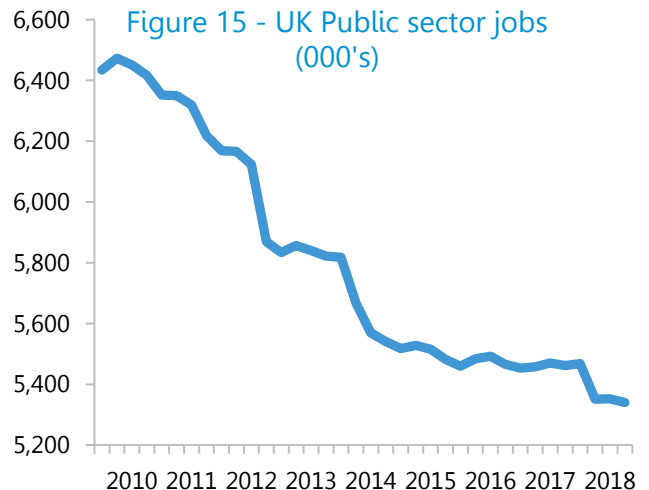


Figure 15 - UK Public sector jobs (000's)



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
The Economy	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)
Businesses	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)
Engagement with the Rest of the World	Regional Trade Statistics (HMRC); Broad Economy Sales and Exports Statistics: Purchases and Imports (NISRA); Invest NI; Tourism Statistics (NISRA); Air Passenger Flow Statistics (NISRA); OECD Economic Outlook
Households	Labour Force Survey (NISRA); Claimant Count (NISRA); Quarterly Employment Survey (NISRA); NI House Price Index (NISRA); UK House Price Index (ONS); Regional Gross Disposable Household Income (ONS); Consumer Confidence Index (Danske Bank); Regional Household Expenditure Measures (ONS); Tourism Statistics (NISRA); Consumer Prices Index (ONS)
Government	Quarterly Employment Survey (NISRA); UK Public Sector Employment (ONS)

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