Department for the Economy
An Roinn Geilleagair
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Economic Research Digest
Quarter 3 2024

The **Economic Research Digest** monitors recently published research across a number of economic areas relevant to the work of the Department for the Economy such as competitiveness, innovation, enterprise, trade, FDI, tourism and infrastructure. The Skills Research Digest deals separately with recently published skills and labour market research.

In each case, we provide a short summary of the key points and web links to the full article or report*. A full list of sources can be found at the end of the publication.

Highlights this quarter include:

- The BoE noted that CPI inflation is projected to increase in 2024 Q3 and in Q4, to around 2.75%.
- Analysis done by NISRA shows that the number of employees receiving pay through HMRC PAYE in NI in August 2024 was 805,600, a decrease of 0.1% over the month and a 1.8% increase over the year.
- A report published by IFS shows that despite the significant challenges posed first by the pandemic and then the cost-of-living crisis, poverty rates changed very little between 2019–20 and 2022–23. The overall rate of absolute poverty rose slightly to 18% in 2022–23, the same level as seen in 2019–20. The relative poverty rate fell slightly to 21%, just below the rate in 2019–20.

** Links are correct at the time of publication; however, it is likely that some will break over time. The list of sources has more general links, which should help the reader to track down the original report.*

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The Economic Research Digest is issued by:

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The research summarised here presents the views of various researchers and organisations and does not represent the views or policy of the Northern Ireland Executive or those of the authors.

Economic Outcomes

COMPETITIVENESS

Monetary Policy Report - August 2024 | Bank of England **Published by Bank of England**

- Activity has picked up quite sharply so far this year, but underlying momentum appears weaker. Four-quarter GDP growth is expected to fall back a little next year in the Committee's modal or most likely projection, but then increase again over the remainder of the forecast period, to around 1.75%**.**
- Following weakness last year, UK GDP increased by 0.7% in 2024 Q1 and is now expected to have risen by 0.7% in Q2, compared with projections of 0.4% and 0.2% respectively in the May Report.
- The Committee continues to expect second-round effects in domestic prices and wages to take longer to unwind than they did to emerge.
- Twelve-month CPI inflation was at the Monetary Policy Committee's (MPC's) 2% target in May and June, close to the projection in the May Report. The decline in CPI inflation since the start of this year has primarily reflected lower goods price inflation, alongside a small fall in services price inflation. Many indicators of household and business inflation expectations have normalised to around their 2010–19 averages.
- CPI inflation is projected to increase in 2024 Q3 and in Q4, to around 2.75%, similar to the May Report.
- This profile of inflation over the second half of the year is accounted for largely by developments in the direct energy price contribution to 12-month CPI inflation, which is projected to become less negative during Q3 and Q4 compared with Q2. CPI inflation excluding energy is projected to be around 3.25% during the second half of the year, revealing more clearly the prevailing persistence of domestic inflationary pressures.

Northern Ireland Composite Economic Index (NICEI) **Published by NISRA**

- Economic Activity in Northern Ireland increased by 0.4% in real terms over the quarter to Q2 2024. Compared to Q2 2023 NI's output has increased by 2.3% and is now 8.1% above the pre-pandemic level seen in Q4 2019. When assessing annualised change NI output has increased by 1.6%.
- NI's Private sector output, as measured by the NICEI, increased by 0.5% over the quarter and by 3.0% over the year. NI's Public sector output, as measured by the NICEI, decreased by 0.2% over the quarter and increased by 0.1% over the year.
- The increase in the NICEI over the latest quarter (0.4%) was driven by positive contributions in activity in the Construction sector (0.3 pps) and the Services sector (0.2 pps). The Agriculture sector had a negative contribution (0.1pps).
- Over the year the NICEI increased by 2.3% to Q2 2024. This was driven by positive contributions from the Services sector (2.0 pps) and the Construction sector (0.9 pps). The Production sector had a negative contribution (0.6 pps).
- Economic activity in both the UK and NI grew over the quarter (0.6% vs 0.4%). Over the year NI had the stronger growth (2.3% vs 0.9%). NI also had larger growth in activity over the rolling annual average period (1.6% vs 0.3%). Comparing against the pre-pandemic quarter (Q4 2019) economic activity in NI has shown stronger growth than the UK (8.1% vs 2.4%).

PRODUCTIVITY AND GROWTH

Northern Ireland Labour Market Report **Published by NISRA**

- The number of employees receiving pay through HMRC PAYE in NI in August 2024 was 805,600, a decrease of 0.1% over the month and a 1.8% increase over the year.
- Earnings data from HMRC PAYE indicated that NI employees had a median monthly pay of £2,328 in August 2024, an increase of £78 (3.5%) over the month and an increase of £237 (11.3%) over the year.
- In August 2024, the seasonally adjusted number of people on the claimant count was 41,600 (4.2% of the workforce), an increase of 2.7% from the previous month's revised figure. The August 2024 claimant count remains 39.3% higher than the pre-pandemic count in March 2020.These increases

are largely due to the increase in the administrative earnings threshold for Universal Credit in May 2024.

- The latest NI seasonally adjusted unemployment rate (the proportion of economically active people aged 16 and over who were unemployed) for the period May-July 2024 was estimated from the Labour Force Survey at 2.0%. This was a decrease of 0.2 percentage points (pps) over the quarter and a decrease of 0.6pps over the year.
- The proportion of people aged 16 to 64 in work (the employment rate) decreased by 0.2pps over the quarter and increased by 1.2pps over the year to 71.1%.
- The economic inactivity rate (the proportion of people aged 16 to 64 who were not working and not seeking or available to work) increased by 0.4pps over the quarter and decreased by 0.8pps over the year to 27.5%.
- The total number of weekly hours worked in NI was estimated at 28.4 million hours, an increase of 0.5% on the previous quarter and an increase of 3.6% on the equivalent period last year.

UK Economic Outlook - September 2024 **Published by KPMG**

- Inflation could fall below the Bank of England's (BoE) target in September but is projected to rise to 3% in early 2025. Until recently, lower energy prices offset the more persistently high core inflation, in particular services price inflation; but this effect was only temporary. After returning to target in May for the first time since September 2021, inflation reached 2.2% in August.
- The BoE opted to hold interest rates in September at 5%. The BoE is expected to cut rates in November only this year. The UK economy's relatively strong growth in the first half of the year reduces the need to urgently bring interest rates down to support activity, while some Monetary Policy Committee (MPC) members are still accentuating the risk of inflation remaining persistently above target.
- The BoE is likely to take a more cautious approach to easing monetary policy compared to the Fed and the ECB, with a series of gradual rate cuts taking UK base rate to 3.5% by the end of 2025.
- The UK labour market is continuing to loosen despite strong economic growth over recent quarters. Vacancies have continued to trend downwards, falling to their lowest level since mid-2021, and returning close to pre-pandemic levels.
- A recurrent theme in the UK labour market since the pandemic has been a steady rise in inactivity, which has increased from 20.5% in February 2020 to 21.9% in July 2024. This has been driven in part by an increase in the number of people who are long-term sick. The rise in inactivity has contributed to employment remaining below pre-pandemic levels despite the strength in activity and has meant more persistent labour market tightness compared to some of the other major western economies.
- UK consumers continue to adopt a cautious approach to spending, while building up savings at a significant pace. This is likely to hold back spending growth, despite steady improvements in household incomes.
- Business investment could recover next year if geopolitical uncertainties ease, and the effect of lower interest rates and the improving growth outlook give businesses the confidence to commit to investment plans.
- The outlook for trade is heavily influenced by the outcome of geopolitical arrangements, including any additional future trade restrictions, while UK exports also continue to be weighed down by the higher value of the pound. The UK economy could see growth momentum improving as a result of easing uncertainties and lower interest rates, with GDP growth rising to 1.2% in 2025.

Labour Market Outlook Q3 2024 **Published by Resolution Foundation**

- In recent years, particularly in the aftermath of the Covid-19 pandemic, concerns around skills shortages have risen, with firms across key sectors such as hospitality and logistics reporting they are unable to hire workers with the skills they need.
- According to the Office for National Statistics' (ONS') Business Impacts and Conditions Survey, a "*lack of qualified applicants for the role*'" was the main reason firms reported having difficulty recruiting in 2022, 2023 and 2024. The proportion of vacancies deemed as 'skills-shortage vacancies' (those which employers' class as being difficult to fill due to a lack of skills, qualifications, or experience among applicants) has risen from a fifth (22 per cent) of all vacancies in 2017 to a third (36 per cent) in 2022.
- Concerningly, these skills shortages are not just holding businesses back from hiring new staff; they are also impacting businesses' ability to fully utilise their existing workforce. In 2022, one-in-seven

firms (15 per cent) reported having at least one employee who is not fully proficient. And the skills gap density – the proportion of workers that employers judge as not fully proficient – has risen from 4.4 per cent in 2017 to 5.7 per cent in 2022.

- Over the last 20 years, there has been rapid growth in educational attainment in the UK. In 2023, half (50 per cent) of adults aged 25-28 are educated to at least degree level, up from just 24 per cent in 2000, while the proportion with only GCSE-level qualifications or below has fallen from 38 per cent to 20 per cent over the same period. Despite rapid growth, there are still large inequalities in educational attainment in the UK.
- There is no simple solution to the UK's skills gaps, but apprenticeships could be a promising area for reform.
- In May-June 2024, 9 per cent of businesses reported that their workforce required extra support or training in 'management or leadership skills', and 8 per cent in 'customer service skills'. This variation means that a range of skills policies will be needed to address each gap; this could range from short on-the-job training courses or skills bootcamps, to university degrees.

LIVING STANDARDS, WELLBEING AND PROSPERITY

Living standards, poverty, and inequality in the UK: 2024 **Published by IFS**

- Despite the significant challenges posed first by the pandemic and then the cost-of-living crisis, poverty rates changed very little between 2019–20 and 2022–23. The overall rate of absolute poverty rose slightly to 18% in 2022–23, the same level as seen in 2019–20. The relative poverty rate fell slightly to 21%, just below the rate in 2019–20.
- Rates of child and pensioner absolute poverty were also similar to pre-pandemic levels, at 25% and 12%, respectively. This comes after a decade of historically slow falls in absolute poverty.
- In contrast, rates of material deprivation rose substantially between 2019–20 and 2022–23, as more households reported being unable to afford all sorts of essentials. For example, the share of working-age adults that report being unable to adequately heat their home rose from 4% to 11% (1.8 million to 4.6 million), while the share who reported being unable to keep up with bills rose from 5% to 6% (2.1 million to 2.5 million). Increases were seen across all age groups and at all income levels. Part (though unlikely all) of the reason material deprivation has risen much more than poverty may be that the way poverty is measured ignores two factors: differences in inflation and differences in mortgage interest rates faced by different households.
- In the latest year of income data (2022–23), the average inflation rate – used for the headline poverty statistics – was 10.7%. However, the inflation rates faced by the poorest and richest fifths of households were 12.6% and 10.0%, respectively. Official statistics – which do not take account of variation in inflation faced by households – show absolute poverty rose by 0.8 percentage points (520,000) between 2021–22 and 2022–23 (to 17.9%). Accounting for differences in inflation increases the growth in poverty by another 210,000 (meaning 1.1ppts or 730,000 growth).
- Headline poverty statistics are adjusted to account for households' housing costs, including mortgage interest payments. But these are calculated on the assumption that all households have the same interest rate, ignoring the significant (and growing) variation in rates between households. In 2022–23, the average mortgage rate was around 2.3%, translating to interest payments of £240 per month for a household with a typical outstanding mortgage. But a tenth of households faced a mortgage interest rate of at least 4.7%, equivalent to £490 per month. Accounting for variation in mortgage interest rates shows that absolute poverty among mortgagors, officially 7.9% in 2022–23, is persistently underestimated by around 0.3ppts, or 70,000 people. As around a third of households are mortgagors, the impact on the headline poverty rate is only around 0.1ppts.

NI House Price Index Q2 2024 Report **Published by Department of Finance**

- The House Price Index (HPI) is designed to provide a measure of change in the price of a standardised residential property sold in Northern Ireland. The index uses information on all verified residential property sales as recorded by HM Revenue & Customs. The NI HPI is used as the NI component in the UK HPI and statistics are comparable across regions.
- The overall index showed an increase of 3.6% between the first and second quarter of 2024. Between Q2 2023 and Q2 2024 the House Price Index increased by 6.4%. The NI HPI currently stands at 166.8 (Q1 2015 =100) in the second quarter of 2024. The index is now 66.8% higher than in the first quarter of 2015, and 65.3% higher than Q1 2005.
- The index for all property types increased over the quarter:
    - Detached properties 3.1%;

- Semi-detached properties 2.6%;
- Terrace properties 5.1%; and
- Apartments 4.1%

- New dwellings showed an increase of 6.4%, while existing resold dwellings showed an increase of 3.2% over the quarter. The annual increase in the price of new dwellings was 10.8% and existing resold dwellings was 5.8%.
- Between Q1 2024 and Q2 2024 all councils saw an increase in the price of houses, ranging from 1.4% in both Ards and North Down and Mid Ulster to 11.2% in Causeway Coast and Glens.
- Prices in all council areas showed an increase over the 12 months between Q2 2023 and Q2 2024, the lowest increase was in Derry City and Strabane at 3.1% and the highest increase was in Newry, Mourne and Down at 8.9%.
- In 2005 median house prices were just over five times the median annual gross full-time salary, but by 2007, at the peak of the market, prices were more than 9 times the median salary. With the downturn in the property market since 2008, the ratio fell each year until 2012.
- The ratio stood at 4.5 in 2014 and 2015 and between 2016 and 2020 was reasonably steady at around 4.8 to 5.0. The median house price in 2021 increased slightly to 5.3 times the median gross full-time salary but has fallen during 2022 and 2023. The median house price is now 4.9 times the median gross full-time salary.

Innovation and Enterprise

INNOVATION

Innovate UK invests £3.2 million in concrete decarbonisation – UKRI **Published by UK Research and Innovation**

- Innovate UK, the UK's innovation agency, will invest £3.2 million in seven innovative projects to help propel the decarbonisation of the UK's concrete industry. The seven projects receiving funding:

  - **Cemcor Ltd-** The funding will aid development of calcined clay from low-grade sources, to produce a new generation of low-carbon cement and concrete.
  - **Cocoon Carbon Ltd-** The funding will support work scaling the production of a novel cementitious material from electric arc furnace steel production.
  - **Skanska UK Ltd-** The funding will continue repurposing excavated London Clay in concrete applications.
  - **Cemex UK Operations Ltd-** The funding will aid development of combining micronised limestone and graphene (CoMLaG) which reduces the carbon footprint of concrete.
  - **John Sisk and Son Ltd-** The funding will support Ecocem technology, providing low-carbon concrete solutions to site.
  - **EFC Green Concrete Technology UK Ltd-** The funding will support the scale up and implementation of their LowCast geopolymer cement technology.
  - **Materials Processing Institute-** The funding will support development of recycled concrete fines (RCF) as a low-carbon cement substitute.

RESEARCH AND DEVELOPMENT

Research England funding budgets 2024 to 2025 – UKRI **Published by UK Research and Innovation**

- **Funding for knowledge exchange -** UKRI have maintained their main HEIF (Higher Education Innovation Funding) formula funding at £260 million. This includes £48 million contributed by the Department for Education to support student and teaching elements of knowledge exchange through HEIF.
- Two funding streams were initiated in 2022 to 2023, in response to government policy guidance for the spending review period to increase funding for activity supporting commercialisation and university-business collaboration.
- These are being maintained as expected: the HEIF business and commercialisation supplement (issued in addition to the main HEIF formula funding) will continue to be allocated on the basis outlined in November 2022 funding for the Connecting Capability Fund (CCF) programme agenda of

support for scale and collaboration in commercialisation is being allocated through Research England Development (RED) Fund processes.

- The budget for the Research Capital Investment Fund (RCIF) has increased slightly, in line with indicative budgets published in 2023.

SECTORS AND TECHNOLOGIES

Components of GDP: Key Economic Indicators **Published by House of Commons Library**

- GDP can be analysed in terms of the output produced by different industries, or in terms of spending by households, business, and government. GDP is estimated to have grown by 0.2% in August 2024, following no growth (0.0%) in July.
- Services are the largest part of the economy – making up four-fifths of output in 2022. Service sector output grew by 0.1% in August 2024.
- Manufacturing output grew by 1.1% in August 2024. Manufacturing is part of the wider production sector which grew by 0.5% in August 2024. Construction sector output grew by 0.4% in August 2024.
- Household consumption is the largest element of spending across the economy, accounting for 61% of the total in 2023.
- In Apr-Jun 2024, household consumption rose by 0.2% compared with the previous quarter.
- Government consumption is estimated to have grown by 1.1% in Q2 2024, and investment (GFCF) increased by 0.6%. Exports were down 0.3% and imports increased by 6.3%.

NI Quarterly Index of Services **Published by NISRA**

- The NI IOS increased by 0.4% over the quarter (April - June), reaching a series high, increasing by 3.8% over the year and 3.2% on a rolling four quarter basis.
- UK output increased by 0.8% over the quarter and 1.4% over the year to reach a UK series high.
- NI services output is now 10.6% above the pre-Coronavirus pandemic level seen in Quarter 4 2019 while UK services output is 5.0% above its Quarter 4 2019 level.
- When the most recent four quarters are compared to the previous four quarters the NI services sector increased by 3.2% while the UK services sector increased by 0.5%.
- Over the quarter the Business services and finance sector increased by 2.9%; the Other services sector increased by 1.2%; and the Transport, storage, information, and communications sector also increased by 0.3%. The only sector to show a quarterly decrease was the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector (0.1%).
- Over the year there were increases seen in all sectors with Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector (3.3%); the Business services and finance sector (8.9%); the Other services sector (0.6%); and the Transport, storage, information & communication sector (1.2%).
- NI Retail Sales Index (RSI) output, a subset of the Index of Services, decreased 0.6% over the quarter; increased by 0.6% over the year; and increased by 1.5% over the most recent four quarters compared to the previous four quarters.
- NI RSI is now 4.0% below the pre-Coronavirus pandemic level seen in Quarter 4 2019 while UK services output remains 2.4% below its Quarter 4 2019 level.

NI Quarterly Index of Production (IOP) **Published by NISRA**

- The NI IOP decreased by 0.1% over the quarter (April - June) and decreased by 3.5% over the year. The UK IOP decreased by 0.1% over the quarter and by 0.5% over the year. When the most recent four quarters are compared to the previous four quarters, the NI production sector decreased by 4.0% while the UK production sector increased by 0.2%.
- The NI IOP is 0.9% below the pre-Coronavirus pandemic level seen in Quarter 4 2019, while the UK remains 8.4% below its Quarter 4 2019 level.
- Quarterly decreases were seen in all four sectors - Manufacturing (1.1%), Electricity, gas, steam, and air conditioning supply (2.1%), Water supply, sewerage, and waste management (Inc. recycling) (3.2%) and Mining and quarrying (0.9%).
- Over the year, the decrease in NI production output was driven by decreases in all four sectors - Manufacturing (3.7%), Electricity, gas, steam, and air conditioning supply (3.2%), Water supply, sewerage, and waste management (Inc. recycling) (5.4%) and Mining and quarrying (25.0%).

ENTREPRENEURSHIP

[No relevant material sourced for this quarter's release.]

BUSINESS GROWTH

Agents' summary of business conditions – 2024 Q3 **Published by the Bank of England**

- Retailers continue to report flat or slightly weaker volumes on last year and are not expecting much of an improvement in volumes until 2025, but they are optimistic that loosening monetary policy will slowly improve consumer confidence and sales.
- Demand for consumer services remains subdued, with volumes generally reported to have been flat or slightly lower relative to a year ago. Pubs and restaurants report negative annual volume growth, driven in part by the poor weather over the first part of the year. Consumers substituting towards cheaper dining establishments has supported demand in cafes and takeaway outlets to some extent, but many of the larger chains have also seen significant annual volume reduction.
- The poor weather has also led to significant volume reduction at visitor attractions and the types of domestic accommodation more exposed to the weather.
- Manufacturing volume growth remains weak, but contacts continue to predict a modest pickup in the pace of growth through 2024 Q4 into 2025.
- The annual rate of decline in construction output continued to ease. Government comments on new higher housebuilding targets and planning reforms, and the recent and expected future cuts in Bank Rate have improved sentiment, with growth expected to return in 2025.
- Business services, transport and wholesale sectors expect to expand headcount over the next year. Other sectors are expecting employment levels to remain steady or are looking for small headcount reductions through natural attrition. While these firms are still not generally replacing leavers, there are very few mentions of potential redundancies.
- Consumer goods price inflation has fallen to very low levels. Food price inflation has fallen back quicker than many had expected and is expected to remain around 1%–2% over the rest of the year, despite expected upward pressure on some commodities prices.

BUSINESS REGULATION

[No relevant material sourced for this quarter's release.]

Succeeding Globally

TRADE

DBT National Survey of UK Registered Businesses 2023 **Published by Department for Business and Trade**

- The proportion of businesses currently exporting has remained stable in 2023. However, since 2021 there has been a downward trend in the proportion of businesses who have ever exported (45% in 2021 to 43% in 2022 and 39% in 2023), although the 2023 figure is not significantly different from levels seen between 2015 and 2020 (40% to 42%).
- Overall, reported exporting volumes were in line with 2022, and businesses were more optimistic that exports will grow in the future. Over 9 in 10 (94%) businesses who had ever exported said they had exported to one of the 'core markets', including 88% who said they had previously exported to the EU, consistent with 2022.
- General concerns around COVID-19 appear to have decreased further in 2023 compared with 2022. However, concerns relating to the UK's exit from the EU continued to be prominent. This included concerns about demand for UK products and services, customs procedures, documentation, and administrative burdens.
- Across almost all business capabilities for exporting measured in previous years, findings were consistent with 2022. The exception was in reported access to export support and advisory services, which has improved since 2022.
- Issues relating to customs procedures and compliance with regulations were seen by respondents as the greatest barriers to exporting to core markets.

[UK Trade: August 2024](#) **Published by Office for National Statistics**

- The value of goods imports decreased by £0.1 billion (0.2%) in August 2024, with EU imports falling and non-EU imports rising.
- The value of goods exports rose by £2.9 billion (10.2%) in August 2024; exports to both EU and non-EU countries increased, after a large fall the previous month.
- The total goods and services trade deficit widened by £3.0 billion to a deficit of £10.0 billion in the three months to August 2024, because of increased imports of goods.
- The trade in goods deficit widened by £2.6 billion to £52.4 billion in the three months to August 2024, while the trade in services surplus is estimated to have narrowed by £0.4 billion to £42.4 billion.

INWARD INVESTMENT

Business investment in the UK: April to June 2024 **Published by Office for National Statistics**

- UK business investment increased by 1.4% in Quarter 2 2024 and is 0.2% above where it was the same quarter a year ago. The Quarter 2 2024 growth is driven by positive contributions from buildings, transport, and intellectual property products (IPP). This is partially offset by a negative contribution from information and communication technology (ICT) equipment and other machinery and equipment.
- UK whole economy investment (technically known as gross fixed capital formation (GFCF)), which includes business and public sector investment, increased by 0.6% in Quarter 2 2024, revised up from a 0.4% increase in the provisional estimate.
- The main contributors to the growth in GFCF in the latest quarter are buildings, IPP, and transport. These positive contributions are partially offset by falls in dwellings, and ICT equipment and other machinery and equipment investment.

TOURISM

NISRA Accommodation Performance Report **Published by Tourism NI**

- Northern Ireland Statistics and Research Agency (NISRA) accommodation statistics for year-to-date (YTD) January-August 2024 indicate hotel room occupancy and bed occupancy remained on par with the same YTD period in 2023. Room and bed sales each increased by 5% compared to YTD 2023. Hotel stock also increased by 5% at end of July 2024, compared to July 2023.
- Room occupancy varied across the Local Government Districts (LGDs) during 2024 YTD (January-August). Belfast City LGD and Fermanagh & Omagh both recorded the highest hotel room occupancy (75%), followed by Derry City & Strabane (67%).
- NISRA accommodation statistics for YTD January-August 2024 indicate small service (guesthouses, guest accommodation and B&Bs) room and bed occupancy each increased by 4 percentage points compared with YTD 2023, and room sales grew by 15%. Total small service stock increased by 6% at end of July 2024, compared to July 2023.
- Room occupancy varied across LGD's during 2024 YTD (January-August). Belfast City LGD recorded the highest room occupancy (69%), followed by Lisburn &Castlereagh (46%).

Domestic Sentiment Tracker – September 2024 **Published by Visit Britain**

- Cost-of-living perceptions have deteriorated in September, with those saying 'the worst is still to come' at record levels since August 2023.
- Due to the cost-of-living crisis, most UK adults (66%) are either 'cautious and being very careful' (47%) or have been 'hit hard and are cutting back' (19%).
- Overnight domestic trip intentions are in line with those anticipated in 2023. 77% are planning a trip in the next 12 months compared to 76% a year earlier.
- For overnight overseas trips, intentions are on par to 2023 levels, 61% are planning an overseas trip in the next 12 months compared to 62% the year before.
- Commitment is higher for overseas trips compared to UK trips – 76% are very committed to overseas trips in October compared to 54% for UK trips in the same period.

- The number of respondents who are more likely to choose UK trips (33%) outweighs the proportion of those preferring to travel overseas (29%). UK holidays are easier to plan (60%), while overseas have better weather (49%).

Economic Infrastructure

ENERGY

Energy Trends September 2024 **Published by Department of Energy Security and Net Zero**

- UK energy production during the second quarter was down 7 per cent on the same period last year and at a near record low. Natural gas production decreased by 18 per cent and petroleum production by 9 per cent to a new record low. Output from wind and hydro increased on last year as did nuclear.
- The fall in production output contributed to net import dependency increasing from 36.7 per cent to 42.2 per cent.
- Renewable electricity generation increased 19 per cent on the second quarter of 2023 with the share of generation from renewable sources reaching a record high at 51.6 per cent of total generation, the third consecutive quarter where renewable generation has exceeded fifty per cent. A contributor to this record share was depressed generation during the second quarter, due to both low demand within the UK and record imports of electricity.
- UK generation of electricity hit a record low at 63.5 TWh, down 4 per cent on the same period last year, with gas falling 37 per cent to a new record low of 16 TWh, trailing the 17 TWh from wind. The drop in electricity generation from gas contributed to a record low for the fossil fuel share of 26.6 per cent. Wind generation has exceeded gas generation for three consecutive quarters.
- Total final energy consumption was 1 per cent higher than in the second quarter of 2023 with small increases in transport, household and services consumption and a small decrease in industrial consumption. On a seasonal and temperature adjusted basis, household consumption has partially recovered from the record low observed in the third quarter of 2023, but household gas consumption in particular remains low when compared to recent historical levels.

TELECOMS

Communications Market Report 2024 **Published by Ofcom**

- The UK telecoms sector generated £32.8bn in revenue in 2023, a year-on-year decline of £1.3bn (3.8%). Retail fixed and mobile services generated £14.0bn and £13.7bn in revenue respectively, with wholesale fixed and mobile services making up the remaining £5.1bn. Mobile services accounted for 49.4% of total retail revenues in 2023, up from 48.4% in 2022.
- There were 28.5 million UK fixed broadband connections at the end of 2023, an increase of 310,000 (1.1%) compared to 2022. Seventy-one per cent of broadband connections were provided using fibre technologies at the end of 2023. The number of fibre-to-the-cabinet (FTTC) connections fell again in 2023 (down by 1.5 million to 14.5 million) while the number of full fibre lines increased by 53% to 5.7 million during the year, and at the end of 2023 there were more full fibre lines than cable lines.
- There were 26.7 million UK fixed voice connections at the end of 2023, a year-on-year decrease of 3.4 million (11%). The number of PSTN (Public Switch Telephone Network)/emulated PSTN lines and ISDN (Integrated Services Digital Network) channels continued to decline during the year due to people switching to standalone fixed broadband and cancelling their landline service. Meanwhile the number of 'other' lines (mainly managed VoIP connections) increased by 2 million (22%) to 10.9 million. This was due to growing take-up of full fibre broadband services and voice increasingly offered using VoIP over a broadband connection as PSTN switch-off approaches.
- Average monthly data use continued to rise in both fixed and mobile. Average data use per fixed broadband connection increased by 53 GB per month (11%) to 535 GB in 2023. Average monthly data volumes per mobile data user (excluding machine-to-machine) increased by 1.7 GB (21%) to 9.9 GB per month in 2023. Both are likely driven by increasing use of on-demand video streaming and social media.
- Voice call volumes continued to decline. Total fixed and mobile call volumes fell by 12.2 billion minutes (6%) to 188 billion minutes in 2023. Outgoing calls from fixed lines decreased in 2023, down by 5.9 billion minutes (20%) to 23 billion minutes, and outgoing call volumes from mobile

phones fell by 6.3 billion minutes (4%) to 165 billion minutes during the year. Eighty-eight per cent of call volumes originated on mobile networks in 2023, up from 85% in 2022.

AIR ACCESS

[No relevant material sourced for this quarter's release.]

Government

NORTHERN IRELAND

DfE Monthly Economic Update September 2024 **Published by Department for the Economy**

- The Department for the Economy (DfE) published it's 2024/25 Business Plan on 9 September, providing a forward look over the next three years whilst setting out actions the Department must carry out to deliver growth for the local economy.
- The local economy expanded by 0.4% in real terms over the quarter to Q2 2024 according to the latest NI Composite Economic Index (NICEI) report, with economic activity reaching a level that was 8.1% above the pre-Pandemic position of Q4 2019.
- The largest contribution to economic growth in Q2 2024 came from the construction sector. The latest Construction output statistics indicate that construction output reached a 15 year high, having increased by 3.4% over the quarter.
- According to HMRC Regional Trade Statistics, in the year ending June 2024 compared to the previous 12 months, total exports and imports of goods from the North increased in by 6.9%, while imports fell by 4.3%. UK goods exports and imports decreased by 6.7% and 8.2%, respectively.
- Results from NISRA's latest Quarterly Employment Survey show that the number of seasonally adjusted employee jobs hit a record high of 826,130 in June 2024, having increased marginally over the quarter. Growth was seen across various sectors, with Services and 'Other' industries reaching their own record highs.
- The latest NISRA LMR details a 2.7% rise in the number of people claiming unemployment benefits in August 2024. This brings the claimant count to a level equating to 4.2% of the workforce, the highest local rate since December 2021 but below the UK rate of 4.7%.
- Over the year the claimant count has increased by 15%, with the number of females on the claimant count increasing by 25.3% whilst the number of males increased by 7.3%.
- As measured by the UK Consumer Price Index (CPI), the annual inflation rate remained at 2.2% in August 2024, unchanged from July and below the Monetary Policy Committee's (MPC) forecast (2.4%) in August's Monetary Policy Report. However, both the annual rates for core CPI and services CPI increased from July to August, although the latter (5.6%) was below that forecast (5.8%) in August's Monetary Policy Report.

ENGLAND

[No relevant material sourced for this quarter's release.]

SCOTLAND

Scottish Economic Bulletin July 2024 **Published by Scottish Government**

- Economic conditions across a range of indicators have continued to improve in the first half of 2024 and are indicative of the improving economic outlook of moderately strengthening growth and lower, more stable, inflation than in recent years.
- Scottish GDP grew 0.9% in the three months to May with the pace of growth strengthening from the start of the year to its highest 3-monthly rate since April 2022. Recent growth continues to be driven by the services sector and to a lesser extent production, offsetting falling construction output. This pattern has also been evident in the Growth Tracker business survey for June, which indicated a sixth consecutive month of strengthening business activity in Scotland's private sector, albeit the pace of growth was slower than in recent months.
- Inflation fell to its target rate of 2 per cent over May and June and although underlying inflation remains higher, it has been on a downward trend. However, inflation in the services sector remains

higher than the headline rate, highlighting the risks to both underlying inflation and the future path of interest rate reductions. Nonetheless, the Bank of England's decision to reduce the Bank Rate from 5.25% to 5% is a positive step and will improve economic sentiment as borrowing costs ease.

- Scotland's labour market continues to remain resilient. The number of PAYE employees in June rose to its highest level (2.47 million) since the start of the timeseries in 2014 and whilst the claimant count unemployment rate increased slightly in June to 3.8% it has remained broadly stable over the past year. Declining inflation also means that earnings are continuing to grow in real terms, with median earnings growing 3.2% over the year to June, with growth sustained across the entire year.

WALES

Economic Intelligence Wales Annual Report 5 September 2024 **Published by Economic Intelligence Wales**

- In March to May 2024, total UK vacancies were down by 156,000 from the level of a year ago. Estimates from PAYE show a rise in the number of payroll employees in the UK for May 2024 to 30.3m, an increase of 167,000 employees (or 0.6%) over the figure for May 2023. The UK economic inactivity rate was 21.8% in the quarter November 2023 to January 2024. In Wales, the comparative figure was 26.9%.
- The UK economic inactivity rate was 22.3% in the quarter February to April 2024. In Wales, the comparative figure was 28.4%.
- The value of goods exported from Wales decreased by 8.4% to £19.1bn in the year ending March 2024.
- The number of business births in Wales in 2024 Q1 was 2,795, whilst the number of business deaths in Wales during the same period was 3,035. The number of business deaths in Wales continues to be greater than business births, as it has done since 2021 Q2.
- The ONS Business Insights and Conditions Survey (BICS) for 1 to 30 April 2024 (Wave 108) reported that 42.8% of Welsh businesses expected their performance would increase in the year ahead (UK 37.3%).
- ONS data showed that UK house prices increased by 1.1% in the 12 months to April 2024. The average house price in Wales in April 2024 was £208,000, representing a 0.4% increase from April 2023.

REPUBLIC OF IRELAND (ROI)

Quarterly Economic Commentary Autumn 2024 **Published by Economic & Social Research Institute**

- Despite a significant decline in headline investment levels in Q2 2024, the underlying pace of growth in the Irish economy is set to be robust this year and next.
- Modified domestic demand (MDD), which is the preferred indicator of output growth, is set to increase by 2.3 per cent in 2024 and by 3.1 per cent in 2025.
- The Irish labour market continues to perform in a very strong manner with the unemployment rate set to converge back to 4 per cent over the next year, which is quite remarkable given the significant increase in population which is currently being experienced.
- Much of this increase is coming about through increased net migration. Given recent political and social developments, ESRI's Commentary argues it is important that the contribution of immigration to Ireland's continued economic success is acknowledged.
- The Commentary concludes that future expenditure levels are still on a sustainable path once the scale of the economy is allowed for. However, the significant increase in Government spending necessitates the identification and monitoring of indicators which aim to track productivity and efficiency gains in key areas of public policy such as healthcare.

Sources

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CBRE

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