

## Economic Activity

NICEI **+0.5%**

UK GDP **+1.5%**



Source: NICEI & ONS

Annualised Economic Activity

## Business

Index of  
Production

Output up



**+6.6%**

over the  
year

Source: NISRA

Index of  
Services

Output up



**+1.4%**

over the  
year

## Rest of World



NI Exports  
Value  
**£2.11bn**  
in Q3 2018

**+13.1%**  
rise  
in exports  
to  
Republic  
of  
Ireland



Source: HMRC

## Households

Employment  
Rate

**70.3%**



Up over quarter,  
Up over year

Source: NISRA

Unemployment  
Rate

**3.8%**



Unchanged over  
quarter,  
Down over year

Inactivity  
Rate

**26.8%**



Down over quarter,  
Down over year

## Government



**+0.6%**

Total Public  
Sector Jobs

Source: NISRA

**+2.3%**

NHS  
Employment

**-0.8%**

NICS  
Employment

Annual Change

## Contents

## Page

The Economy

2

Businesses

4

Rest of World

6

Households

8

Government

10

Notes and Sources

11

# The Economy

The local economy has seen a modest increase in output while jobs have also seen continued growth. Most jobs growth has come from the private sector, largely driven by services, and employment is now at a record high. Local commentators forecast relatively modest growth over the next two years.

<b>+0.4%</b> <small>quarterly change in economic activity</small>	<b>+0.5%</b> <small>annualised change in economic activity</small>	<b>+2,240</b> <small>quarterly change in employee jobs</small>	<b>+14,700</b> <small>annual change in employee jobs</small>	<b>1.1%</b> <small>average NI growth forecast for 2019</small>
--	---	---	---	---

## Economic Activity

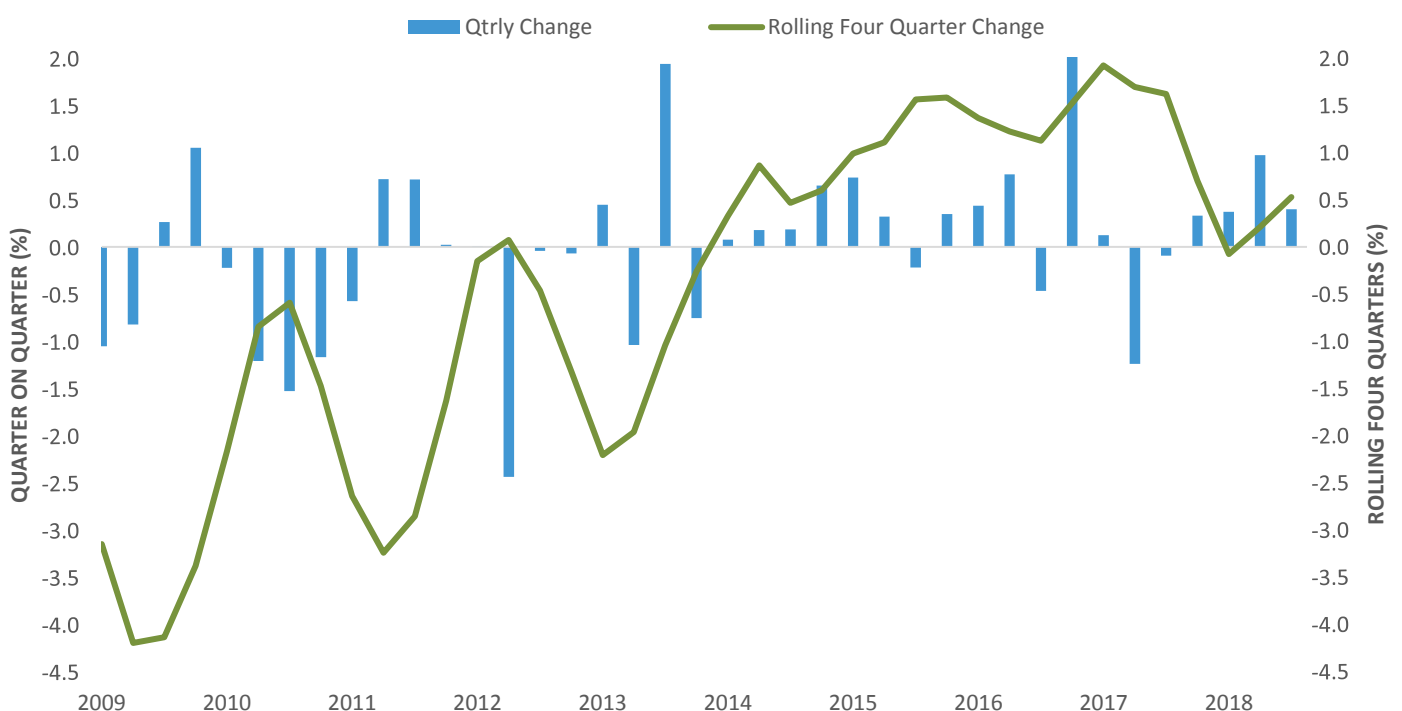
The latest results from the Northern Ireland Composite Economic Index (NICEI) estimate that economic activity in NI increased by 0.4% from Quarter 2 2018 to Quarter 3 2018. This increase was driven by increases in the Production sector (+0.4 pps) and the Construction sector (+0.4 pps), although these rises were partially offset by a decrease in the Services sector (-0.3 pps).

NI economic activity increased by 0.5% over the year on a rolling four quarter basis. This was driven by increases in the Services and Public sectors. These increases were partially offset by decreases in the Production and Construction sectors.

Although not directly comparable, results from the ONS show that over the past year UK GDP grew at a slower pace, with annual growth (comparing Q3 2018 to Q3 2017) of 1.5% for the UK compared to 2.1% for NI.

The NICEI has reported growth in 17 of the last 23 quarters but is currently 4.6% below the maximum value recorded in Quarter 2 2007. The UK, however, has reported growth in each of the last 23 quarters and its GDP is estimated to be 11.8% higher than its pre-economic downturn peak of Quarter 1 2008.

Figure 1 - NI Composite Economic Index

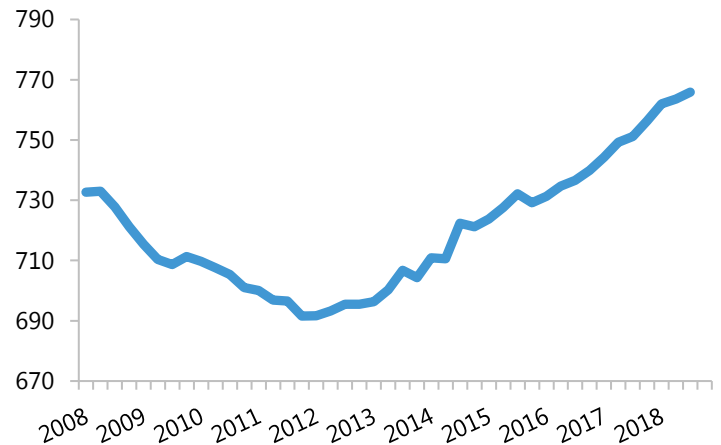


## Employee Jobs

The latest figures from NISRA show that the number of employee jobs in the local economy has increased over the quarter and the year to 765,880 in September 2018. The annualised growth rate of 2.1% between 2017 and 2018 is higher than growth rates between 2016 and 2017, but at a similar level to the growth in employee jobs between 2014 and 2015.

Over the year there was an increase of 14,700 jobs, primarily driven by the services sector which accounted for 74.5% of growth. Over the year the manufacturing sector grew by 2,470 jobs while the construction sector grew by 350 jobs.

Figure 2 - Employee Jobs (000's)



## Private Sector

Private sector jobs increased over the quarter and year at 0.6% and 2.6% respectively to their highest level (559,110) in the seasonally adjusted series. They are now 14% above the pre-downturn peak.

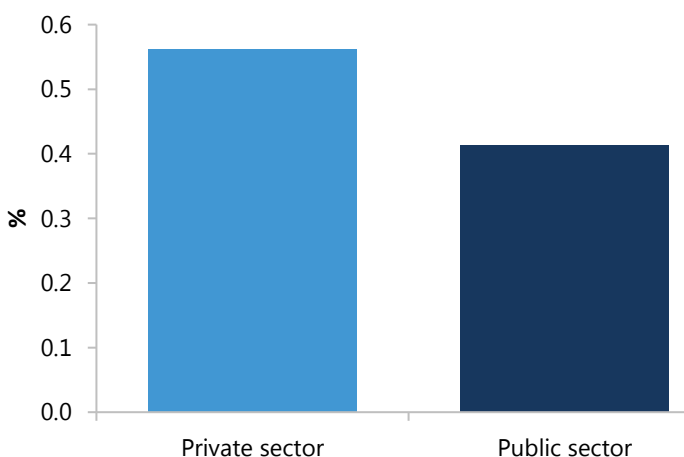
The private sector saw a modest increase in activity, with output up by 0.6% over the quarter and by 2.5% over the year to Quarter 3 2018.

Meanwhile, the latest Ulster Bank PMI survey for January 2019 shows business activity in the local private sector rising at the weakest pace in 28 months. New orders were returned to growth in January, however the rate of expansion was marginal. However, subdued demand conditions led to the first fall in employment levels in four years.

Table 1 - Latest NI Growth Forecasts

GVA	2018	2019
Ulster University	0.6%	0.4%
Danske Bank	1.1%	1.2%
Ernst & Young	1.3%	0.9%
<b>Average</b>	<b>1.0%</b>	<b>0.8%</b>

Figure 3 - Economic Activity (four quarters to Q3 2018)



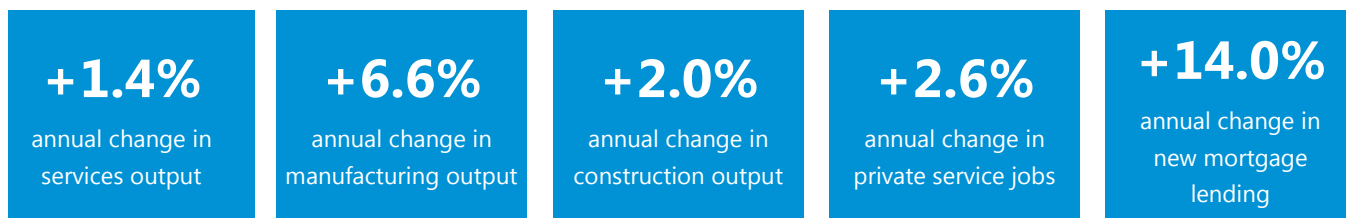
## Outlook

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

- **UUEPC** predicts modest levels of growth in the short to medium term whilst narrowly avoiding a recession.
- **Danske Bank** expects economic growth to remain modest, with above-target inflation and continuing uncertainty as constraining factors.
- **Ernst & Young** predicts growth similar to the UK rate for Northern Ireland due to NI's impressive level of job creation.

# Businesses

Services saw output increase over the year and also saw jobs growth over the year, with the sector now accounting for over 4 in 5 employee jobs. The manufacturing and construction sectors also saw output increase and jobs growth over the year.

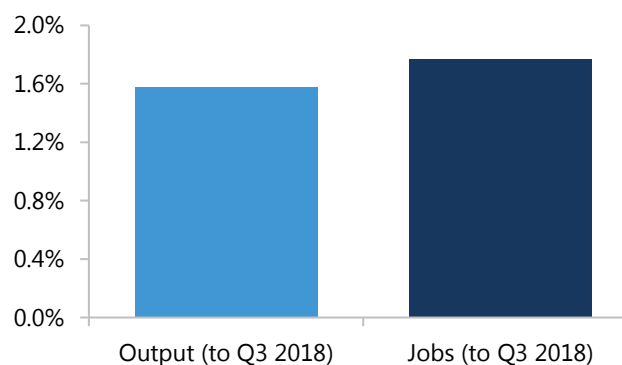


## Services

Services sector output decreased over the last quarter by 0.6% but increased over the year by 1.4% in real terms. This is the first quarterly decrease since Q2 2017, and output remains 3.8% lower than the peak output level recorded in Q4 2006.

The services sector grew by 1,610 jobs (+0.3%) over the quarter to September 2018, and recorded growth with an increase in 10,950 jobs (1.8%) over the year. Over the last five years, the number of employee jobs in the services sector has increased by 41,560. It now accounts for 81.2% of all employee jobs.

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



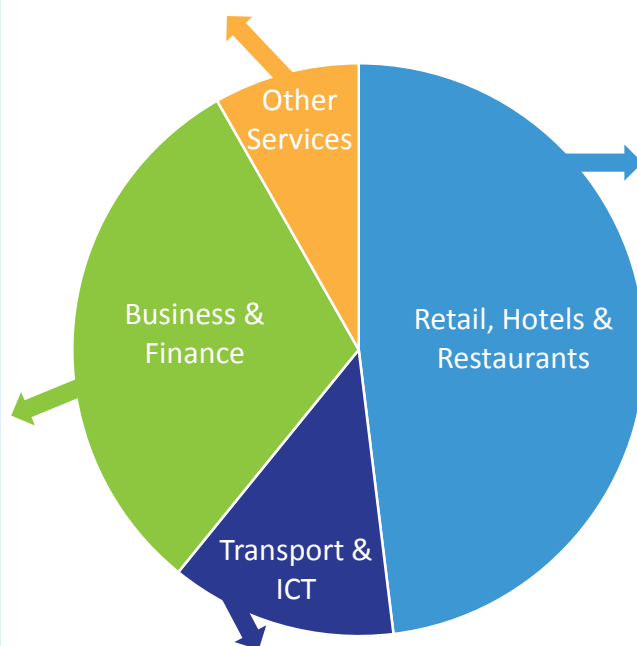
## Other services

Output showed a decrease (1.5%) over the latest year but employment grew by 2.6% (780 jobs), largely driven by an increase in other personal service activities and activities of membership organisations.

## Business and Finance

Output in this sector rose by 2.1% over the year. The sector saw jobs growth of over 1,120 across the year with insurance, reinsurance and pension funding, and other employment activities making large contributions towards jobs growth.

Figure 5 - Relative Size of private services



## Retail, Hotel & Restaurants

Output in this sector increased by 0.3% over the year. Jobs rose by 5,560 over the year, driven by a rise in employment in food and beverage service activities and in jobs related to the accommodation sub-sector.

## Transport and ICT

Output in this sector increased by 8.6% over the year. Employment increased by 640 jobs, mainly due to rises in air transport and computer programming, consultancy and related activities.

## Manufacturing

Manufacturing output increased over the quarter to Q3 2018 by 2.5% and over the year by 6.6%. Furthermore, output is 15.2% above its lowest point recorded within the past ten years (Q3 2009). The latest quarterly increase has largely been driven by engineering and allied industries (+2.2%), total other manufacturing (+1.3%), manufacturing of chemical and pharmaceutical products (+7.9%) and textile, leather and related products (+5.3%) The sector grew by 2.9% in terms of jobs over the last year adding 2,470 jobs. This now brings the total number of jobs in the sector to a series high of 86,160.

## Construction

The latest NI Construction Bulletin shows that the total volume of construction output in Q3 2018 increased by 5.5% over the quarter and by 2.0% over the year. Despite fluctuations, the total volume of construction output in NI has been on an upward trend since Q4 2013.

Over the latest quarter, employment in the Construction sector is estimated to have increased by 0.8% (260 jobs) and over the year employee jobs have expanded by 1.0% (350 jobs). The sector has seen an increase by 19.8% in jobs since its most recent low in December 2014.

## Annual Business Inquiry

The latest figures from the Annual Business Inquiry show that turnover (the value of total sales and work by non-financial businesses in NI) declined for the first time since 2010, falling to £66.603 billion in 2017, a decrease of 1.7% compared to 2016.

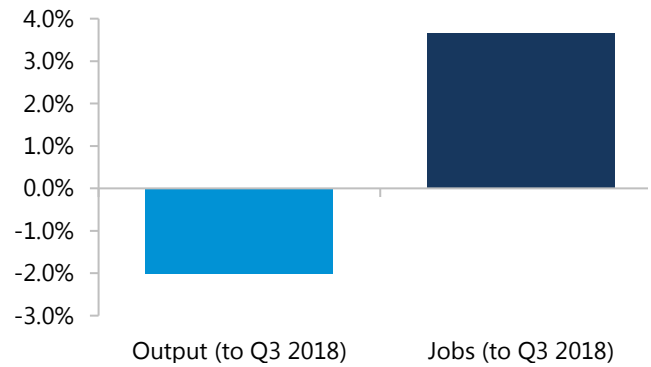
This translated to £21.951 billion in terms of approximate Gross Value Added (aGVA), up by 0.6% (£126 million), with growth driven by the NI non-financial services sector (increasing by £388 million between 2016 and 2017).

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:

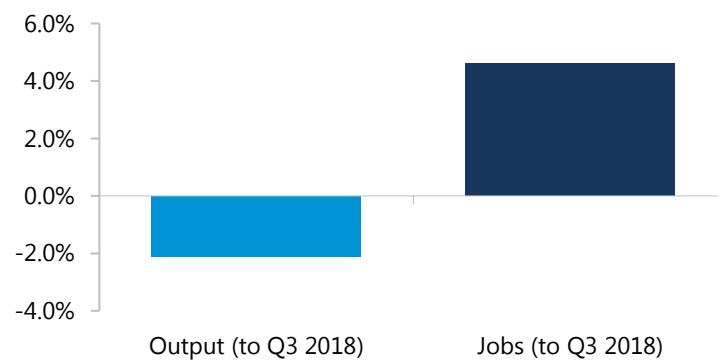
**Table 2 – Selected Indigenous Investments**

Sep 2018	Feb 2019	Assistance Offered	Jobs
Camlin		£2.97m	298
Statsports		£2.54m	237
Fleming Agri		£220k	34

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



**Figure 7 –Rolling four quarter % change in construction output and jobs**



## Other Business Surveys

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

### Ulster Bank PMI

- Over the past few months results have been fairly positive with solid, although slightly weak growth in local private sector activity.

### InterTradeIreland Quarterly Business Monitor

- Results from Q4 2018 show that the number of firms reporting growth remained the same in NI at 37% but decreased in the RoI to 41% while those in decline increased to 7% in NI and increased to 11% in the RoI. There has been a continued rise in challenges impacting business, with energy and overhead costs (likely wages) still raised as particular concerns.

### NI Chamber Quarterly Economic Survey

- Results from the latest Survey noted a muted Q4 2018 for local business with weak order books coupled with a fall in investment intentions.

# Engagement with the Rest of the World

Local trade performance has been mixed. Despite an increase in exports over the year, total external sales of goods and services declined, driven by falling sales to GB. Local tourism early indicators are positive, with rises seen in air and sea port passengers, cruise ships docking in NI and rooms sold in guest accommodation.



## Exports

The latest HMRC Regional Trade Statistics (which cover goods only) show that NI exports fell by 5.2% to £2.11bn over the third quarter of 2018 and decreased by 0.2% over the year. All other UK countries saw increases in exports over the year, with exports from Scotland increasing by 6.2%, English exports increasing by 3.1% and Welsh exports increasing by around 3.0%.

The Republic of Ireland remains Northern Ireland's largest exporting trading partner with total exports of £3.1bn. Exports to the RoI rose by 13.1% 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 £41m) and Singapore (up £16m). The markets with the largest decreases were France (down £31m) and the Netherlands (down £23m).

The latest Broad Economy Sales and Exports Statistics (BESES) release provides information on the value of goods and services sold to markets outside of NI by local businesses in 2017.

Total sales by companies in NI were estimated to be worth £66.6 billion in 2017, a decrease of 1.7% (£1.1 billion) over the year. This was largely driven by decreasing sales to GB (down 20.2% or £2.9 billion). However, this fall was partially offset by increased sales within NI (up 2.9% or £1.3 billion) and exports (up 4.8% or £467 million).

Exports outside of the UK accounted for 15.2% of total sales. Sales to ROI increased by 16.2% (£540 million) over the year while sales to the rest of the EU decreased by 12.1% (£269 million). Exports to the ROW increased by £195 million (4.8%).

Figure 8i -RTS Goods Exports from NI

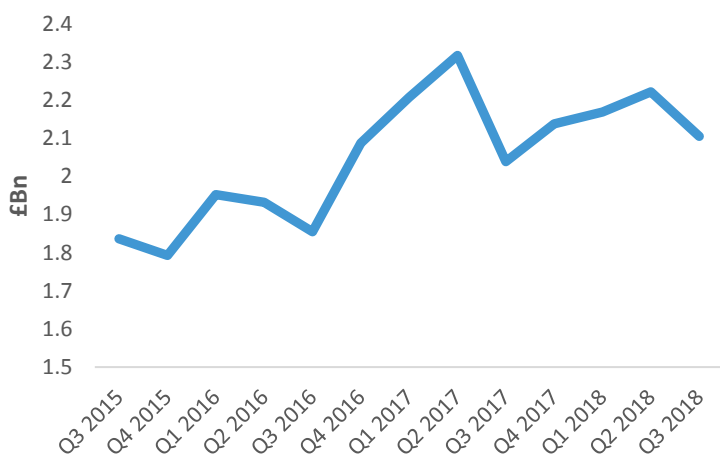
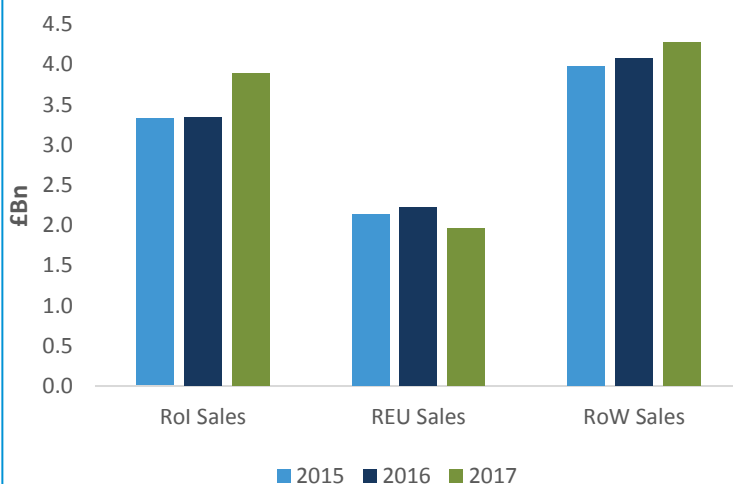


Figure 8ii-BESES Total Export Sales in Key Markets





## Inward Investment

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

Alchemy Technology Services is to set up a new European Centre of Excellence in Derry~Londonderry providing software implementation and technology consultancy to the UK and European insurance sector. The new roles include analysis, HR and finance. The project will create 256 new jobs and Invest NI has offered £1.54 million in assistance.

Invest NI has offered STATSports Group Ltd, a multinational sports analysis company, assistance totalling £2.5 million to secure 237 high value mobile jobs in Newry and support external training costs.

Invest NI will offer £1.43 million in assistance to Imperva, Inc to establish an operation in Belfast to support its technology programme. This will create 220 jobs and new staff will be recruited over a 3 year period and split between technical support, customer success, product development and general and administrative functions.

Danske Bank has chosen Derry~Londonderry as its location for a new Customer Protection Centre. Invest NI has offered £236 million in assistance and the centre will create 67 new roles, including quality assurance managers and analysts.

Grant Thornton has been offered assistance towards the creation of mobile consultancy jobs in their new premises at Donegall Square West, Belfast. Invest NI's assistance of £240k contributes to an overall investment of £4m with 48 new jobs and £2m of new annual salaries being created.

Table 3 – Selected Inward Investments

Sep 2018	Feb 2019	Assistance	Investment	Jobs
Alchemy Technology Services		£1.5m	£13.2m	256
STATSports		£2.5m	£16.6m	237
Imperva		£1.4m	£14.4m	220
Danske Bank		£235k	£3m	67
Grant Thornton		£240k	£4.1m	48

## Tourism

Monthly statistics on cruise ships, throughput at local ports and occupancy surveys can provide an early indication of how tourism in NI is performing.

The latest figures show that just over 5.3 million passengers departed from NI air and sea ports in the year to December 2018, with 85% leaving from airports and 15% leaving from seaports. This represented a 3% increase compared to the rolling year to December 2017.

In the 2018 calendar year, 128 cruise ships, carrying over 200,000 passengers and crew, docked in Northern Ireland. There has generally been a steady rise in the figures with the number of cruise ships coming to NI more than doubling in the past 5 years.

From January to December 2018, almost 2.7 million rooms, equating to some 4.5 million bed spaces, were sold in hotels, guesthouses, B&Bs and other guest accommodation in Northern Ireland. This was an increase from almost 2.4 million rooms and just over 4 million bed spaces sold between January and December 2017.

Table 4 – Key Market Growth Forecasts (IMF)

GDP	2019	2020
UK	1.5%	1.6%
Euro Area	1.6%	1.7%
US	2.5%	1.8%
Japan	1.1%	0.5%
China	6.2%	6.2%

## Key Markets Outlook

The IMF projects that world output will grow by 3.5% in 2019 and 3.6% in 2020 against a backdrop of weakening financial market sentiment, trade policy uncertainty and concerns about China's outlook. An escalation of trade tensions beyond those already incorporated in the forecast remains a key source of risk to the outlook with financial conditions having already tightened since the autumn. A range of triggers beyond escalating trade tensions could spark a further deterioration in risk sentiment with adverse growth implications, especially given the high levels of public and private debt.

# Households

The local labour market has been broadly positive with the employment rate now at a record high. Inactivity and unemployment are down over the year, however, the claimant count is up slightly over the year. Both the inactivity and long-term unemployment rates remain significantly above the rates for the UK as whole. Inflation has seen a steady fall over recent months and is now below the Bank of England's 2% target.



## Unemployment

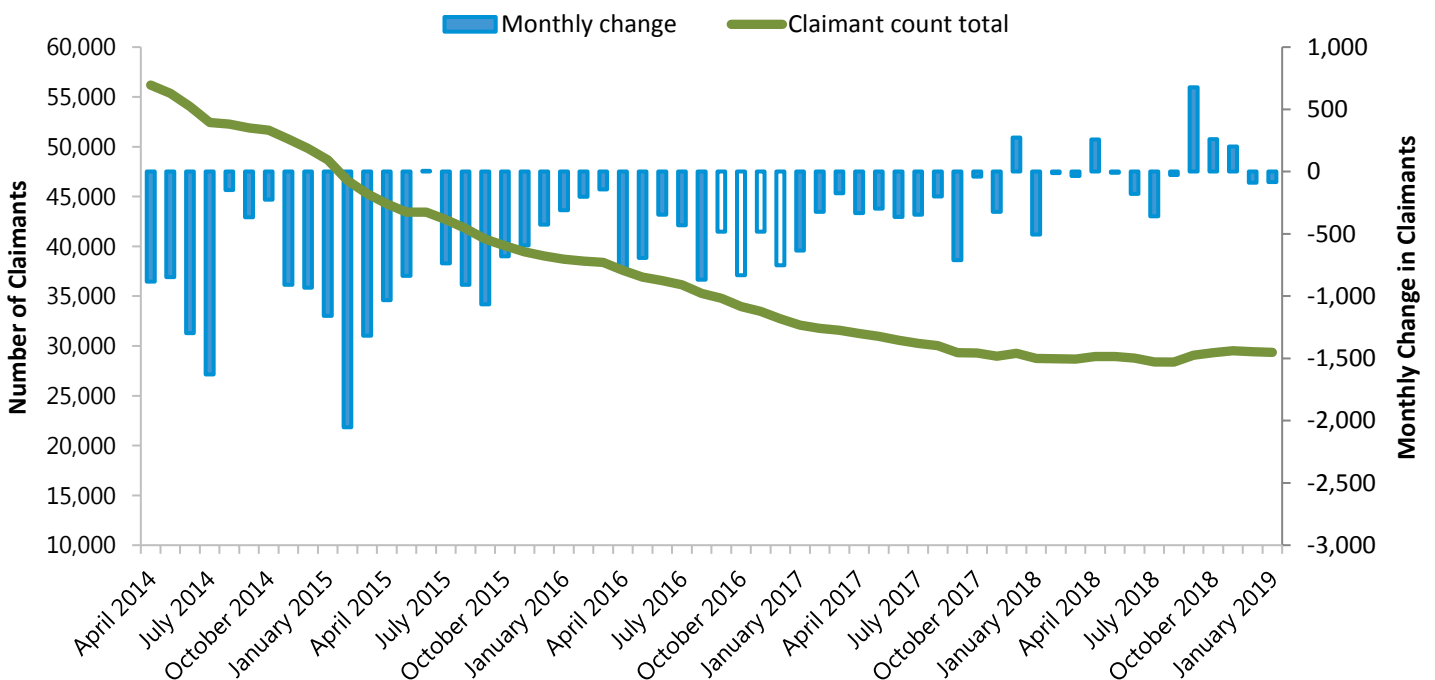
The Labour Force Survey (LFS) unemployment rate (16+) for the period Oct-Dec 2018 was estimated at 3.8%. This is the less than half of the Nov-Jan 2013 peak of 8.3%. NI's unemployment rate was below the UK average rate (4.0%) and was the fifth lowest rate among the twelve UK regions. The NI unemployment rate was also below the European Union (6.7%) and Republic of Ireland (5.3%) rates for November 2018.

The long term unemployment rate (percentage of unemployed who have been unemployed for 1 year or more) was up 1.4pps over the year and at 46.1% is significantly higher than the UK average rate of 26.1%. The youth unemployment rate was 46.1%, up 1.4pps over the year and significantly higher than the UK average (26.1%).

The number of people claiming unemployment benefits stood at 29,300 (3.2% of the workforce) and has more than halved since its peak in February 2013, decreasing by 35,500. However, over the past year the claimant count has increased by 600 persons. Over the year there was a decrease of 1.2% in the claimant count for 16-24 year olds, while there were increases in 25-49 year olds and people aged 50 and over claiming unemployment benefits, at 0.2% and 7.0% respectively.

The claimant count was made up of 18,500 males, over two thirds higher than the amount of females at 10,900. This represents 3.8% and 2.5% of the male and female workforce respectively. The number of male claimants decreased by 1.4% over the year while the number of female claimants increased by 8.7% over the year.

Figure 9 - Unemployment Benefit Claimants





## Employment and Activity

The number of persons in employment (16+) in the period Oct-Dec 2018 was estimated at 853,000, an increase of 23,000 over the year. The overall employment rate is estimated at 70.3%, increasing by 0.9pps over the quarter and by 1.7pps over the year. The male employment rate increased by 1.7pps over the year to 73.8% while the female employment rate increased by 1.8pps to 67.0%.

At 70.3% the employment rate in NI was below the UK average (75.8%) and the lowest among the twelve UK regions.

## Housing Market

According to the latest Northern Ireland House Price Index (HPI), house prices increased by 1.3% between Q3 2018 and Q4 2018 and has also increased by 5.5% over the year to Q4 2018. The index currently stands 23.2% higher than Q1 2015 (the reference period).

The Office of National Statistics (ONS) estimates that UK house prices have increased by 2.5% in the year to December 2018. NI saw the biggest increase at 5.5%, followed closely by Wales at 5.2%. Slower increases occurred in England and Scotland, which grew at 2.3% and 2.4% respectively.

## Consumer Spending

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

### Household Expenditure

- Figures released by the ONS reveal that NI household expenditure was 88.5% of the UK average in the financial year ending 2018. However, NI spends proportionately more than the UK on food and non-alcoholic drinks, partly due to larger family sizes and more importance placed on quality local produce.

### Consumer Borrowing

- Experimental regional estimates from the ONS, using Equifax data, show that average personal borrowing was highest in London (£43,103) and lowest in Northern Ireland (£17,714) at the end of Q4 2017.
- Once mortgage borrowing is removed, average household borrowing was highest in Scotland (£4,171) but still lowest in Northern Ireland (£3,125).

### Consumer Confidence

- The Danske Bank Consumer Confidence Index rose in Q4 2018 to 127 from 123 in Q3 2018 and 123 at the end of 2017.
- Increases were recorded over the quarter in all four parts of the index, highlighting consumers were more optimistic about their current finances, future finances, job security and future spending. Savings expectations fell over the quarter but increased over the year.

Figure 10 - Participation rates (annual change)

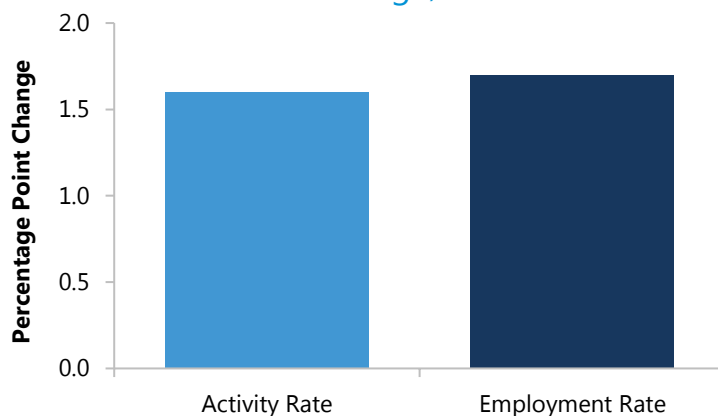
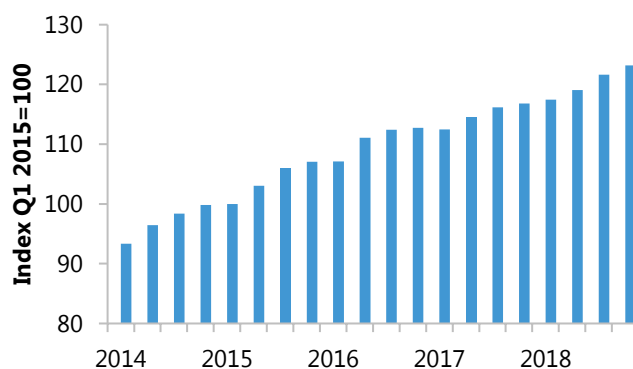


Figure 11 - House Price Index

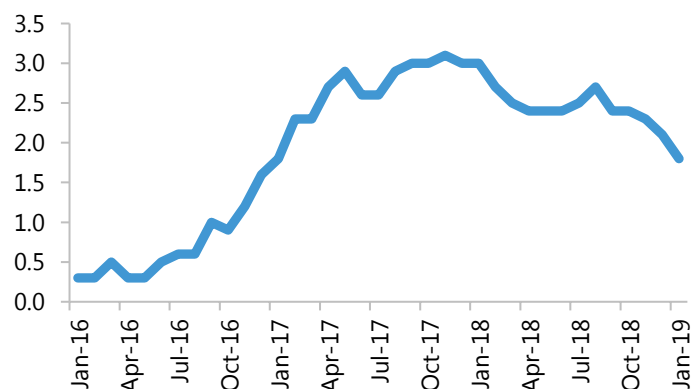


## Prices

In January 2019 Inflation decreased by 0.3 percentage points to 1.8%, bringing to an end inflation being above the Bank of England's target rate of 2% for 23 consecutive months. The largest upward contribution to the rate was from housing and household services, with prices rising by 1.4% on the year.

Downward contributions came from falling gas and electricity prices, which decreased by 8.5% and 4.9% respectively between December 2018 and January 2019.

Figure 12 - CPI Annual inflation rate (%)



# Government

Although the number of jobs within the local public sector has been following a downwards trend over the past number of years, more recently there has been a slight rise in public sector employment, although at a lower rate than in the UK over the year. There was a slight reduction in the number of jobs in the Northern Ireland Civil Service over the year.

<b>+1,148</b> annual change in number of public sector jobs	<b>+0.6%</b> annual change in number of public sector jobs	<b>-0.8%</b> annual change in NICS jobs	<b>+1.8%</b> annual jobs change in local government	<b>+2.3%</b> annual jobs change in NHS Trusts
--	---	--	--	--

## Jobs

Since September 2009 the number of jobs within the local public sector has generally been trending downwards, with the sector now 9.1% smaller and with 20,830 fewer jobs. In contrast, the private sector has grown by almost 18%, adding over 80,000 jobs, with most of the increases coming from the services sector.

NI public sector jobs as a proportion of the NI population was 11%, which compares to 8% in the UK.

Public sector jobs decreased by 0.2% over the quarter but increased by 0.6% over the year. Excluding the effects of the transfers of housing associations to the private sector, UK public sector jobs increased over the quarter (0.4%) and also increased over the year (1.0%).

Employment in local NHS Trusts and in Local Government rose by 2.3% and 1.8% respectively over the year, while local jobs in UK Central Government fell by 5.5%.

Table 5 – NI Selected Public Sector Jobs Breakdown

	Jobs June 18	Annual Change	
		No.	%
Total Public Sector Jobs	205,293	1,148	0.6%
NI Central Government*	108,024	1,523	1.4%
Northern Ireland Civil Service (NICS)	23,131	-185	-0.8%
UK Central Government	3,620	-210	-5.5%
Local Government	12,082	213	1.8%
NHS Trusts	71,595	1,603	2.3%

\*totals include NICS, Health and Education etc.

Figure 13 - NI Public Sector Jobs (000's)

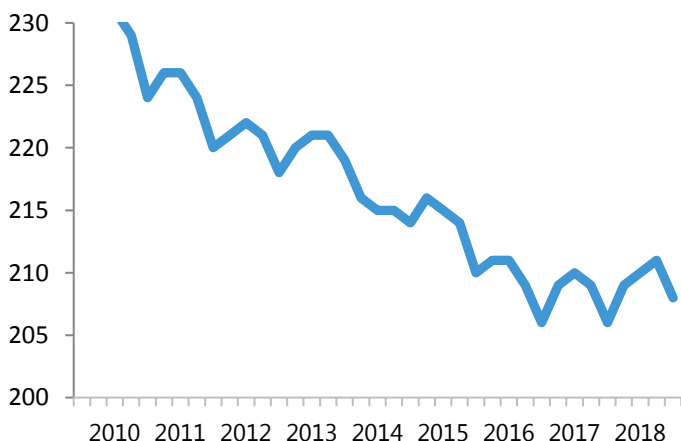
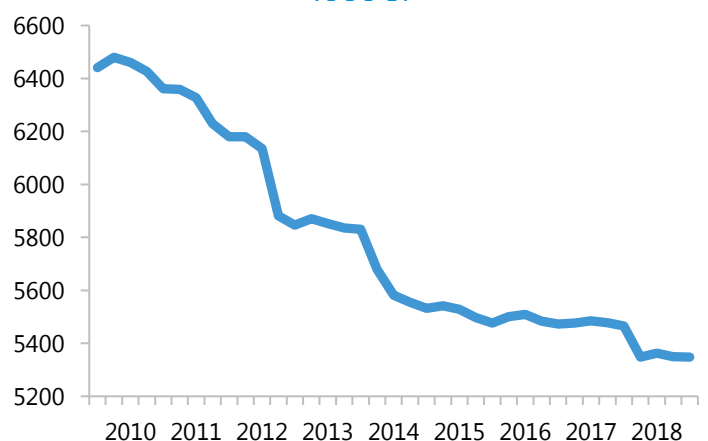


Figure 14- UK Public Sector Jobs (000's)



# 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. 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);
<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: Purchases and Imports (NISRA); Invest NI; Tourism Statistics (NISRA); IMF Economic Outlook
<b>Households</b>	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)
<b>Government</b>	Quarterly Employment Survey (NISRA); UK Public Sector Employment (ONS)

## Contact:

To be added to the distribution list for the DfE Economic Commentary, or related research publications, please contact Analytical Services on:

Email: [analyticalservices@economy-ni.gov.uk](mailto:analyticalservices@economy-ni.gov.uk)

Tel: 028 90 257686