

## Economic Activity

NICEI **+1.6%**

UK GDP **+1.5%**



Source: NICEI & ONS

Annualised Economic Activity

## Business

Index of  
Production

Output up



**+2.3%**

over the  
year

Source: NISRA

Index of  
Services

Output up



**+0.7%**

over the  
year

## Rest of World



NI Exports  
Value  
**£2.31bn**  
in Q1 2019

**+5.5%**  
rise  
in exports  
to  
Republic  
of  
Ireland



Source: HMRC

## Households

Employment  
Rate

**71.7%**



Up over quarter,  
Up over year

Source: NISRA

Unemployment  
Rate

**3.1%**



Up over quarter,  
Down over year

Inactivity  
Rate

**25.9%**



Down over quarter,  
Down over year

## Government



**+1.0%**

Total Public  
Sector Jobs

Source: NISRA



**+2.8%**

NHS  
Employment



**-1.5%**

NICS  
Employment

Annual Change

## Contents

## Page

The Economy

2

Businesses

4

Rest of World

6

Households

8

Government

10

Skills in Focus

11

Notes and Sources

12

# The Economy

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

<b>+0.3%</b> <small>quarterly change in economic activity</small>	<b>+1.6%</b> <small>annualised change in economic activity</small>	<b>+4,010</b> <small>quarterly change in employee jobs</small>	<b>+15,580</b> <small>annual change in employee jobs</small>	<b>+1.1%</b> <small>average NI growth forecast for 2019</small>
--	---	---	---	--

## Economic Activity

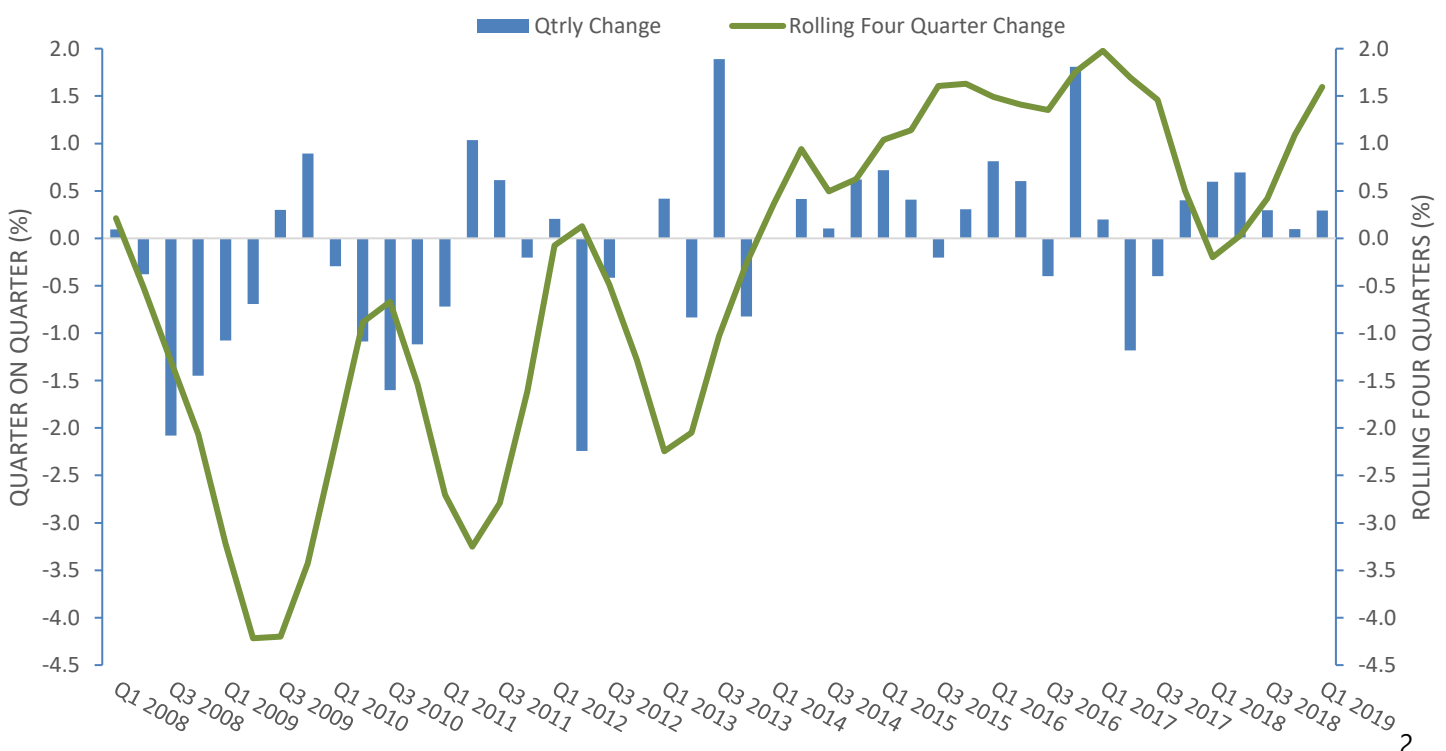
The latest results from the Northern Ireland Composite Economic Index (NICEI) estimate that economic activity in NI increased by 0.3% from Quarter 4 2018 to Quarter 1 2019. This increase was driven by increases in the Production sector (+0.3 pps) and the Construction sector (+0.1 pps), although these rises were partially offset by a decrease in the Services sector (-0.2 pps).

NI economic activity increased by 1.6% over the year on a rolling four quarter basis. This was driven by increases in the Services, Production and Public sectors. The Construction sector saw no change over the quarter.

Although not directly comparable, results from the ONS show that over the past year UK GDP grew at a faster pace, with annual growth (comparing Quarter 1 2019 to Quarter 1 2018) of 1.8% for the UK compared to 1.5% for NI.

The NICEI has reported growth in 17 of the last 25 quarters but is currently 4.4% below the maximum value recorded in Quarter 2 2007. The UK, however, has reported growth in each of the last 25 quarters and its GDP is estimated to be 12.6% higher than its pre-economic downturn peak of Quarter 1 2008.

Figure 1 - NI Composite Economic Index

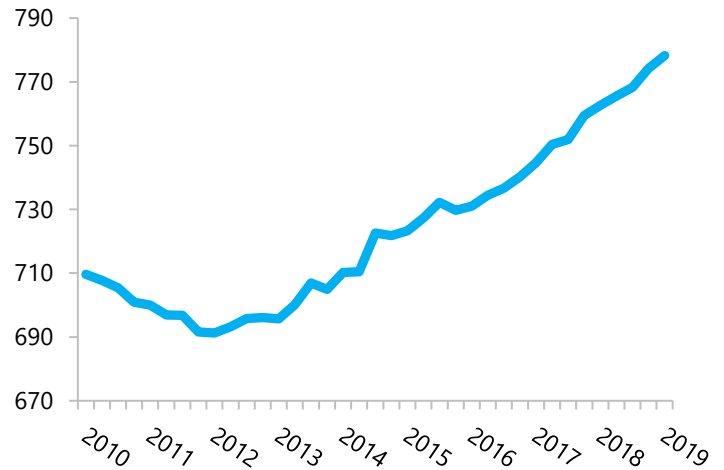


## Employee Jobs

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 778,240 in March 2019. The annualised growth rate of 2.0% in 2018 is below the growth rate in 2017 but above the 2016 growth rate and at a similar level to relative increase in employee jobs between 2014 and 2015.

Over the year there was an increase of 15,580 jobs, primarily driven by the services sector, which accounted for 76.5% of growth. Over the year the manufacturing sector also grew by 2,860 jobs while the construction sector grew by 90 jobs.

Figure 2 - Employee Jobs (000's)



## Private Sector

Private sector jobs increased over the quarter and year at 0.7% and 2.4% respectively to their highest level (569,640) in the seasonally adjusted series. They are now 11% above the pre-downturn peak.

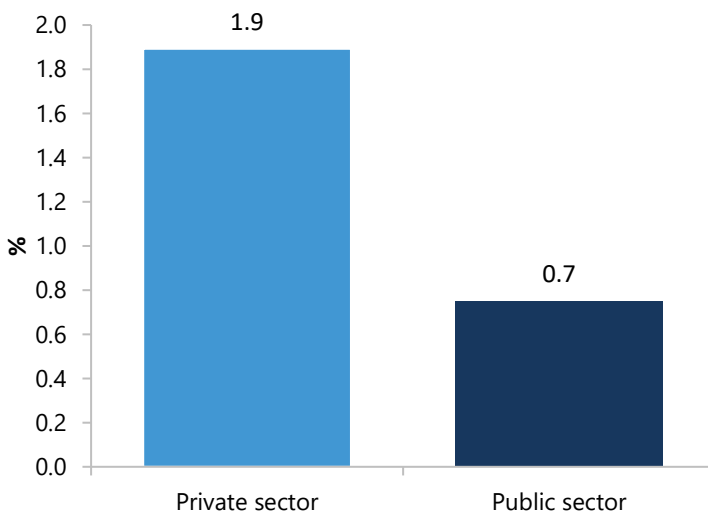
The private sector saw a modest increase in activity, with output up by 0.3% over the quarter and by 1.6% over the year to Quarter 1 2019.

Meanwhile, the latest Ulster Bank PMI survey for June 2019 shows business activity in the local private sector showing the sharpest decline since November 2012. Falling output was registered across the four broad sectors that the survey focuses on. New orders also saw a sharp decline with new export orders also falling, which fed into a further reduction in backlogs of work.

Table 1 - Latest NI Growth Forecasts

GVA	2019	2020
Ulster University	1.3%	1.2%
Danske Bank	1.0%	1.3%
Ernst & Young	1.1%	1.2%
<b>Average</b>	<b>1.1%</b>	<b>1.2%</b>

Figure 3 - Economic Activity (four quarters to Q1 2019)



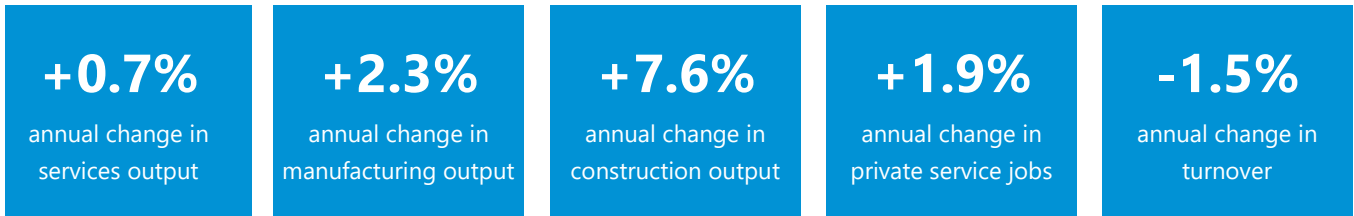
## Outlook

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

- **UUEPC** predicts a slowdown in growth, with the outlook remaining cautious with external factors creating heightened uncertainty.
- **Danske Bank** expects economic growth to remain subdued, which is impacted by continuing uncertainty and slower global economic growth.
- **Ernst & Young** predicts growth slightly below the UK rate for Northern Ireland due to tighter labour market conditions and accelerating wage growth.

# Businesses

Output in the services sector increased over the year but remains below its 2006 peak. Services 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 both output and employment increases over the year.

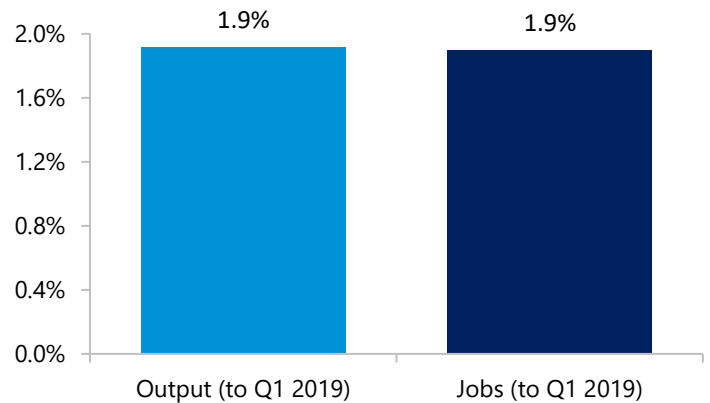


## Services

Services sector output decreased over the last quarter by 0.4% but increased over the year by 0.7% in real terms. Services output remains 2.8% lower than the peak output level recorded in Q4 2006. However, since the lowest point recorded in the series (Q2 2013), output has recovered by 11%.

The services sector saw an increase of 2,410 jobs (+0.4%) over the quarter to March 2019 and a rise of 11,930 jobs (1.9%) over the year. Over the last five years, the number of employee jobs in the services sector has increased by 50,040. It now accounts for 81.2% of all employee jobs.

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



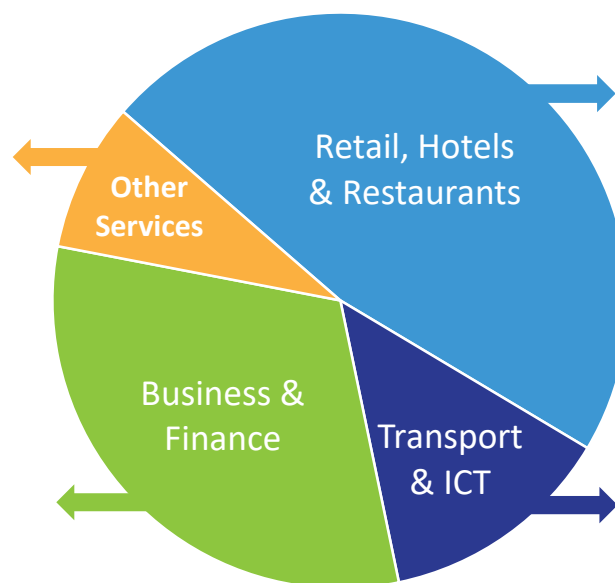
## Other services

Output showed an increase (2.8%) over the latest year and employment grew by 1.2% (380 jobs), largely driven by an increase in other sports activities and activities of membership organisations.

## Business and Finance

Output in this sector rose by 3.1% over the year. The sector saw jobs growth of over 3,790 across the year with legal, accounting, along with services to buildings and landscape activities making large contributions towards jobs.

Figure 5 - Relative Size of private services



## Retail, Hotel & Restaurants

Output in this sector decreased by 0.1% over the year. Jobs rose by 870 over the year, driven by a rise in employment in wholesale trade, with further contributions from the food, beverage and accommodation sectors.

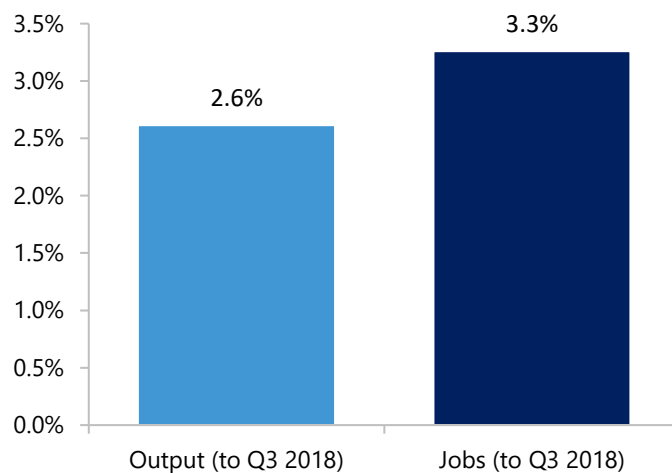
## Transport and ICT

Output in this sector increased by 0.1% over the year. Employment increased by 3,230 jobs, mainly due to rises in land transport and computer programming, consultancy and related activities.

## Manufacturing

Manufacturing output increased over the quarter to Q1 2019 by 1.7% and over the year by 2.3%. Furthermore, output is 12.7% above its lowest point recorded within the past ten years (Q3 2009). The latest quarterly increase has largely been driven by water supply, sewage and waste management (incl. recycling) (+2.2%), manufacturing (+1.9%) and mining and quarrying (+0.1%) output, however this has been offset by a 2.2% decrease in electricity, gas, steam and air conditioning supply. The sector grew by 3.3% in terms of employment over the last year, adding 2,860 jobs. This now brings the total number of jobs in the sector to a series high of 88,190.

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

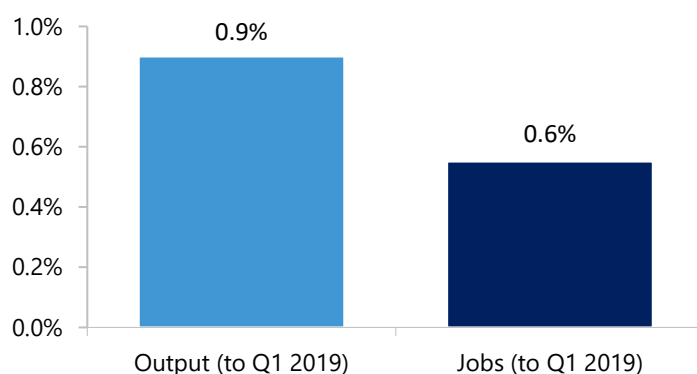


## Construction

The latest NI Construction Bulletin shows that the total volume of construction output in Q1 2019 increased by 2.3% over the quarter and by 7.6% 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 0.2% (60 jobs) and over the year employee jobs have risen by 0.3% (90 jobs). The sector has seen a 19.9% increase in jobs since its most recent low in December 2014.

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



## Annual Business Inquiry

The latest figures from the Annual Business Inquiry (Local Units) 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 £66.649 billion in 2017, a decrease of 1.5% compared to 2016.

This translated to £22.017 billion in terms of approximate Gross Value Added (aGVA), up by 1.2% (£258 million), with growth driven by the NI non-financial services sector (increasing by £447 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

Jan 2019 – Mar 2019	Assistance Offered	Jobs
Boyce Precision Engineering	£405k	27
EDGE Innovate	£760k	80
Finnebrogue	£1.3m	125
HNH	£144k	14

## 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 in decline, signalling a downturn in the Northern Ireland private sector. Companies are pessimistic regarding the 12-month outlook for output.

### InterTradeIreland Quarterly Business Monitor

- Results from Q1 2019 show that the number of firms reporting growth fell in NI to 34% and was also 34% in the RoI while those in decline remained at 10% in NI and increased to 12% in the RoI. European Union exit considerations are impacting investment decisions which continue to be deferred and the latest figures also point to a slowing in the performance of cross-border traders.

### NI Chamber Quarterly Economic Survey

- Results from the latest Survey noted the economy still growing in Q1 2019. Sales and jobs have reported increases, however, uncertainty continues with prospects for turnover and profitability low.

# Engagement with the Rest of the World

Local trade performance has been steady with purchases by firms and imports increasing over the year. The tourism sector remains on an upward trend, with the number of visitors, the amount of visitor spend and air passengers flowing through local airports continuing to rise.



## Exports

The latest HMRC Regional Trade Statistics (which cover goods only) show that NI exports fell by 2.5% to £2.31bn over the first quarter of 2019 but increased by 4.4% over the year. All other UK countries saw increases in exports over the year, with exports from Scotland increasing by 12.9%, English exports increasing by 3.0% and Welsh exports increasing by around 7.5%.

The Republic of Ireland remains Northern Ireland's largest exporting trading partner with total exports of £3.2bn. Exports to the RoI rose by 5.5% over the year. Compared to the same quarter a year previously, the markets that have seen the largest value increases for NI exports are the United States (up £34m) and Canada (up £30m). The markets with the largest decreases were RoI (down £26m) and Thailand (down £7m).

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

Total purchases of goods by companies in NI were estimated to be worth £34.0bn in 2017, a decrease of 0.2% (£0.1 bn) over the year, while total purchases of services were estimated to be worth £10.4bn, an increase of 16.3% over the year.

Good imports were estimated at £6.2bn and represented 87.7% of all imports. Imports of services were estimated to be worth £0.9bn. Of this, imports from RoI were estimated at £2.6bn, an increase of 14.6% over the year. Imports from the rest of the EU (REU) and the rest of the world (ROW) were estimated to be worth £2.2bn and £2.3bn, reflecting increases of 5.2% and 5.0% respectively.

Figure 8i - RTS Goods Exports from NI

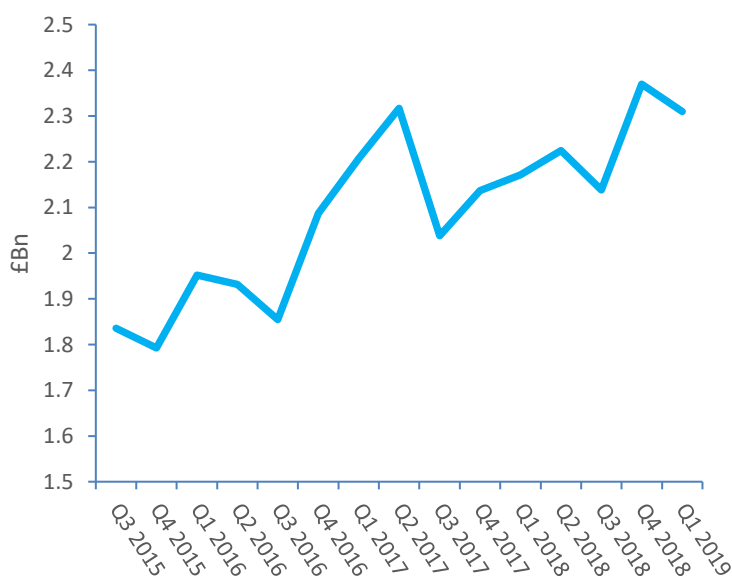
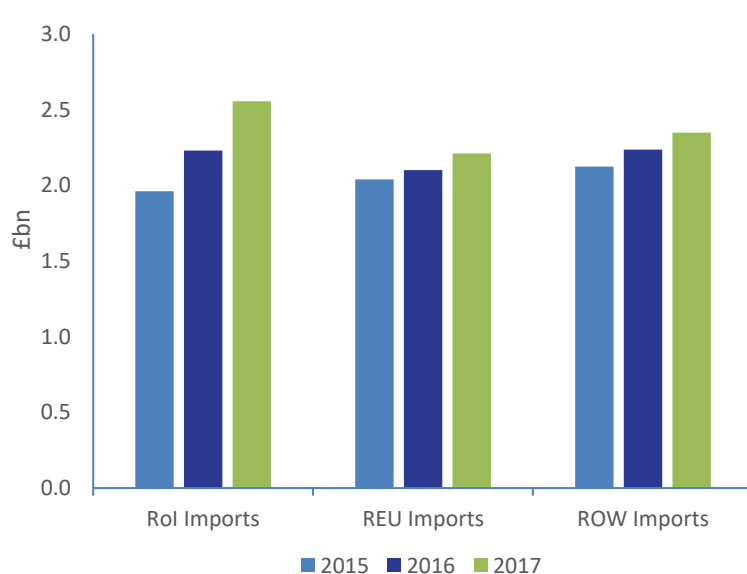


Figure 8ii - Purchases and Imports



## Inward Investment

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

Fraud protection company Signifyd is to set up a new research and development centre in Belfast, which will provide innovative e-commerce technology and services for retailers. The new roles include analysts and software engineering. The project will create 151 new jobs and Invest NI has offered £1.2 million in assistance.

Invest NI has offered Terex GB Ltd, a global manufacturer of lifting and material processing equipment, assistance totalling £993k towards a new facility in Campsie and new product design and development. This is expected to deliver 93 additional jobs.

Invest NI will offer £480k in assistance to Huhtamaki Foodservice Delta Ltd. to contribute to a new stand-alone factory in Antrim. This will see the company invest over £13m and create 100 new jobs with the expectation of £13.2m additional external sales per annum by 2022.

Boyce Precision Engineering Ltd. has received £600k from Invest NI contributing to the construction of a new factory, purchase of machinery, job creation and staff training. This will create 27 assisted jobs, part of a 5 year project with the new jobs in place by 2022 generating over £800k in annual salaries.

Edge Innovate (NI) Ltd. has been offered assistance towards the company's growth plans to expand its export markets. This involves the expansion of its production and office facilities and the construction of a new factory. Invest NI's contribution will be £958k which will create 80 new jobs.

Table 3 – Selected Inward Investments

Feb 2019 – Jun 2019	Assistance	Investment	Jobs
Signifyd	£981k	£9.4m	151
Terex Corporation	£900k	£9.5m	100
Seagate Technology	£9.9m	£57.3m	25
Huhtamaki	£480k	£15.8m	100

## Tourism

In 2018 there were an estimated 5.0 million domestic and external overnight trips in NI, generating an estimated £968m visitor spend. Furthermore, the latest air passenger flow statistics show that in the year to the end of December 2018 there were just under 9.0 million air passengers flowing through local airports. This represents a 4.4% increase compared to the previous year.

Figure 9 - Non Resident trips & expenditure

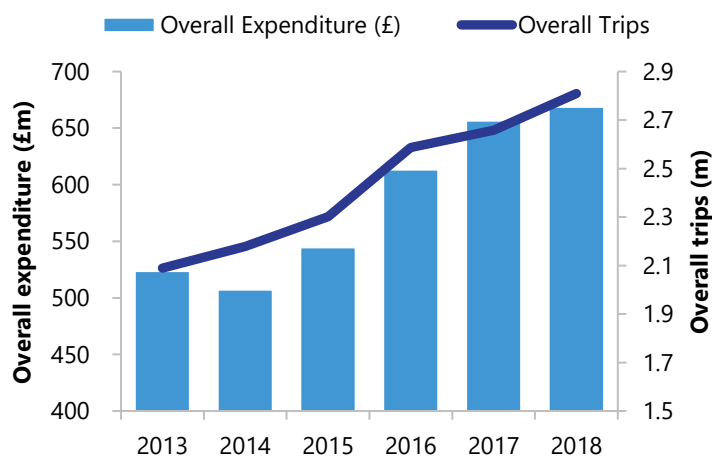


Table 4 – Key Market Growth Forecasts (OECD)

GDP	2019	2020
Euro Area	1.2%	1.4%
US	2.5%	1.7%
Japan	0.8%	0.7%
China	6.2%	6.1%

## Key Markets Outlook

The World Bank states substantial challenges are clouding the global economic outlook in both the short and long term. Projections suggest that world output will grow by 2.6% in 2019 and 2.7% in 2020 against a backdrop of policy uncertainty including trade tensions between major economies combined with a decline in both global investment and confidence. Activity in some major economies including the Eurozone and emerging market and developing economies have been weaker than previously expected, however high level indicators suggest this period may be receding and modest recovery can be expected.

# Households

The local labour market has been broadly positive with the employment rate at a record high. Inactivity and unemployment have decreased over the year, however, the claimant count has slightly increased 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 at the Bank of England's 2% target.



## Unemployment

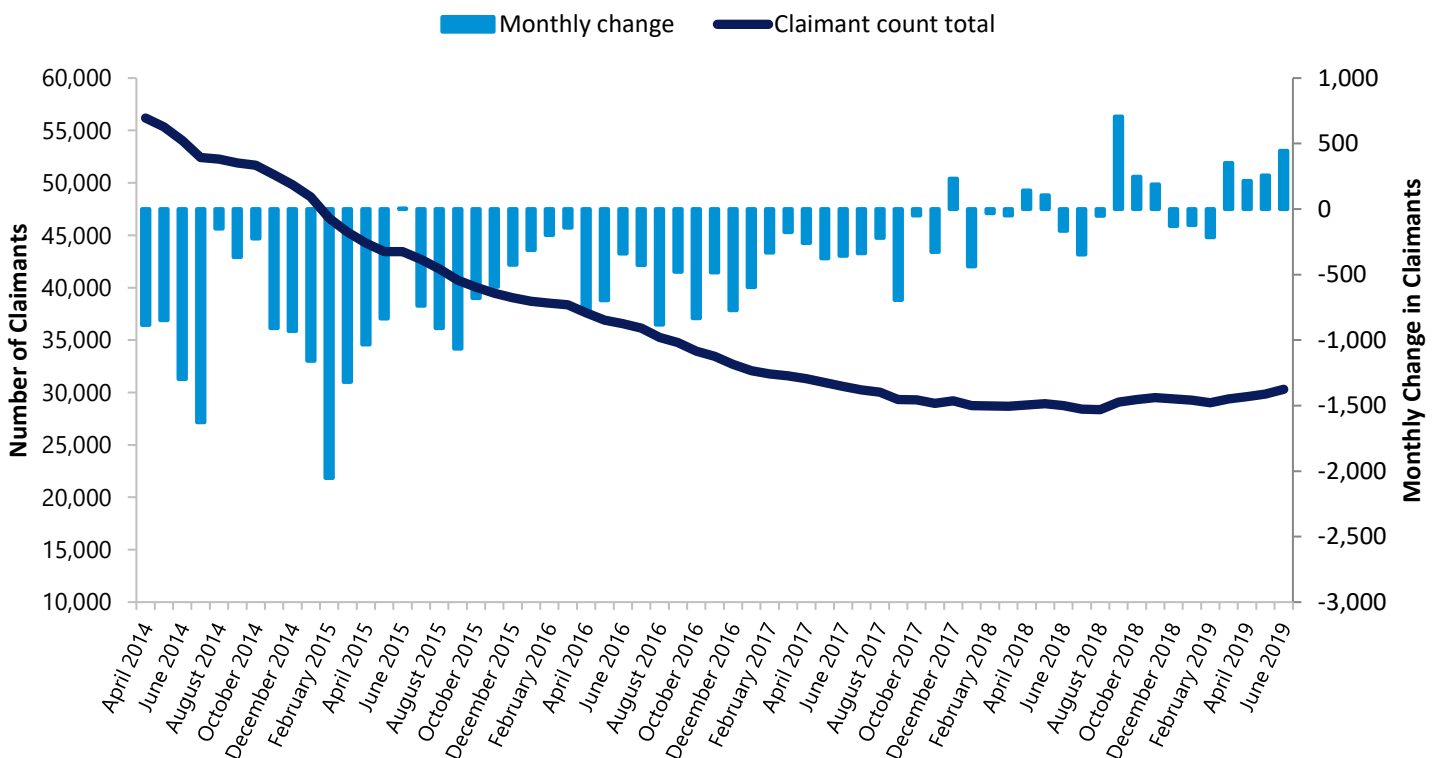
The Labour Force Survey (LFS) unemployment rate (16+) for the period March-May 2019 was estimated at 3.1%. This is significantly less than half of the Nov-Jan 2013 peak of 8.3%. Northern Ireland's unemployment rate was below the UK average rate (3.8%) and was the fourth lowest rate among the twelve UK regions. The NI unemployment rate was also below the European Union (6.4%) and Republic of Ireland (4.6%) rates for March-May 2019.

The long term unemployment rate (percentage of unemployed who have been unemployed for one year or more) was down 22.6pps over the year but at 33.8% remains significantly higher than the UK average rate of 26.3%. The youth unemployment rate was 8.3%, which was slightly lower than the UK average (11.6%).

The number of people claiming unemployment benefits stood at 30,300 (3.3% of the workforce) and has more than halved since its peak in February 2013, decreasing by 34,500. However, over the past year the claimant count has increased by 1,500 persons. Over the year there was an increase of 0.2% in the claimant count for 16-24 year olds, while there were significant increases in 25-49 year olds and people aged 50 and over claiming unemployment benefits, at 5.4% and 9.7% respectively.

The claimant count was made up of 19,100 males, over two thirds higher than the amount of females at 11,200. This represents 3.9% and 2.6% of the male and female workforce respectively. The number of male claimants increased by 1.8% over the year while the number of female claimants increased by 12.0% over the year.

Figure 10 - Unemployment Benefit Claimants



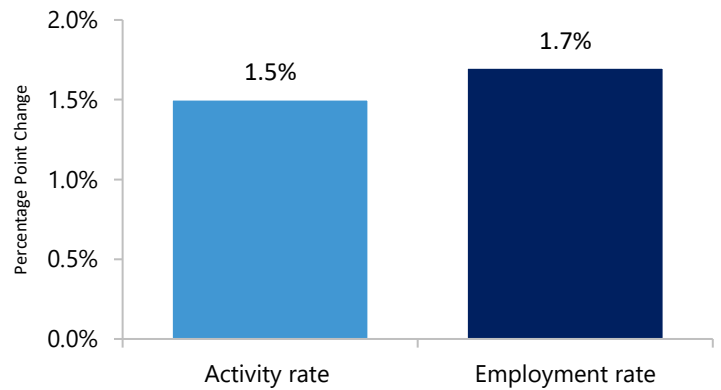


## Employment and Activity

The number of persons in employment (16+) in the period Mar-May 2019 was estimated at 871,000, an increase of 21,000 over the year. The overall employment rate is estimated at 71.7%, increasing by 0.5pps over the quarter and by 1.7pps over the year. The male employment rate increased by 2.9pps over the year to 75.4% while the female employment rate increased by 0.6pps to 68.1%.

At 71.7% the employment rate in NI has reached a record high however this was still below the UK average (76.0%) and the second lowest among the 12 UK regions.

Figure 11 - Participation rates (annual percentage change)

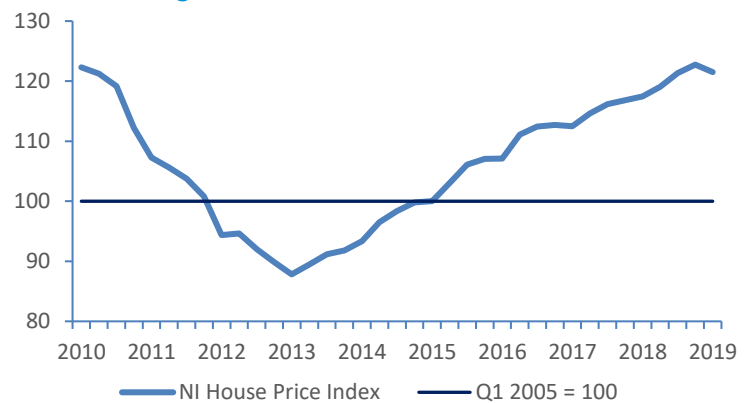


## Housing Market

According to the latest Northern Ireland House Price Index (HPI), house prices decreased by 1.0% between Q4 2018 and Q1 2019 but have increased by 3.5% over the year to Q1 2019. The index currently stands 21.5% higher than Q1 2015 (the reference period).

The Office of National Statistics (ONS) estimates that UK house prices have increased by 1.2% in the year to May 2019. Northern Ireland saw the biggest increase at 3.5%, followed closely by Wales at 3.0% and Scotland at 2.8%. Slower increases occurred in England, which grew at 1.0%.

Figure 12 - NI House Price Index



## Consumer Spending

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

### Domestic tourism

- In 2018 44% (2.2 million) of all overnight trips were made by local residents.
- Spend by locals on tourism in 2018 accounted for 31% (£299 million) of total visitor expenditure over this time. This was a 10.7% increase on 2017 domestic expenditure.

### Household Income

- The latest figures from the ONS show that regional gross disposable household income (GDHI) in NI per head in 2017 was £15,813 which represented an increase of 1.5% on 2016. This was below the UK average GDHI Per head at £19,541, with NI the second lowest in the UK being only slightly higher than Wales.

### Consumer Confidence

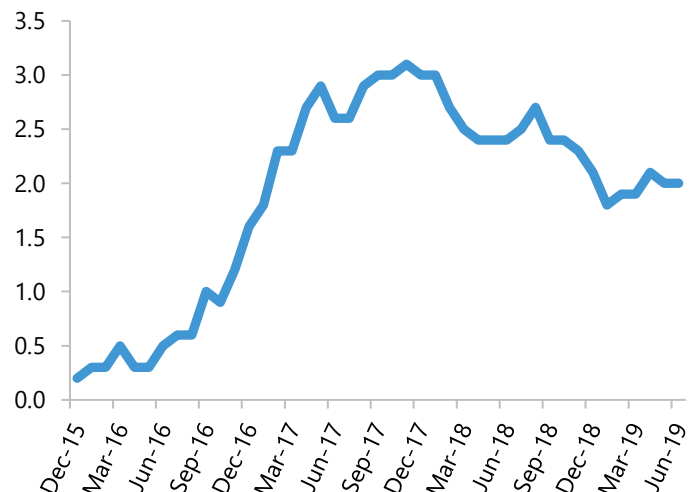
- The Danske Bank Consumer Confidence Index rose in Q1 2019 to 139 from 127 in Q4 2018 but was down on Q1 2018 which stood at 142.
- Increases were recorded over the quarter in all four parts of the Index, highlighting consumers were more optimistic about their current finances, future finances, job security and future spending. Savings expectations increased over the quarter but fell over the year.

## Prices

In June 2019 Inflation remained the same from the previous month at 2.0% which means inflation is at the Bank of England's target rate. The largest upward contribution to the rate was from housing and household services, with prices rising by 2.8% on the year. This was followed closely by transport which saw prices rise by 2.4%.

Clothing and footwear was the only broad group producing a downward contribution in June 2019, recording a fall of 0.5% over the year.

Figure 13 - CPI Annual inflation rate (%)



# Government

Although the number of jobs within the local public sector has been following a downward trend over the past number of years, there has been a marginal rise in public sector employment at a slightly higher rate than in the UK over the past year. There was a small reduction in the number of jobs in the Northern Ireland Civil Service over the year.

<b>+2,064</b> annual change in number of public sector jobs	<b>+1.0%</b> annual change in number of public sector jobs	<b>-1.5%</b> annual change in NICS jobs	<b>+0.3%</b> annual jobs change in local government	<b>+2.8%</b> annual jobs change in NHS Trusts
--	---	--	--	--

## Jobs

Since March 2010 the number of jobs within the local public sector has generally been trending downwards, with the sector now 7.7% smaller and with around 17,500 fewer jobs. In contrast, the private sector has grown by almost 18%, adding almost 86,000 jobs, with most of the increases coming from the services sector.

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

Public sector jobs decreased by 0.6% over the quarter but increased by 1.0% over the year. Excluding the effects of the transfers of housing associations to the private sector, UK public sector jobs increased over the quarter (0.5%) and also increased over the year (0.8%).

Local jobs in UK Central Government and employment in local NHS Trusts rose by 3.0% and 2.8% respectively while NICS jobs fell by 1.5% over the year.

Table 5 – NI Selected Public Sector Jobs Breakdown

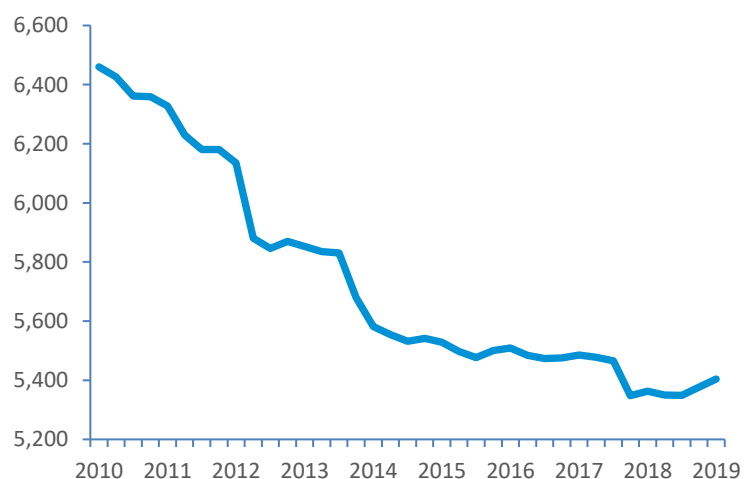
	Jobs June 19	Annual Change	
		No.	%
Total Public Sector Jobs	209,670	2,064	1.0%
NI Central Government*	109,183	1,499	1.4%
Northern Ireland Civil Service (NICS)	22,972	-356	-1.5%
UK Central Government	3,719	109	3.0%
Local Government	11,942	32	0.3%
NHS Trusts	72,802	1,972	2.8%

\*totals include NICS, Health and Education etc.

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



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



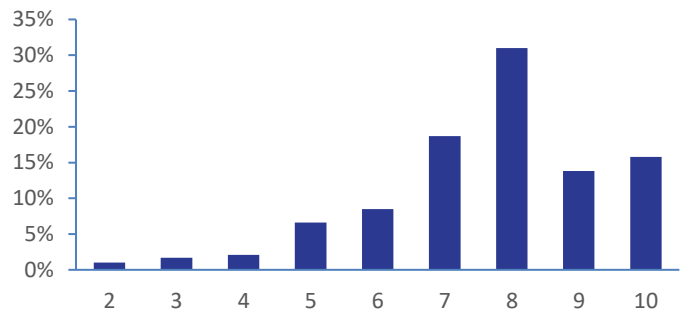
# Skills in focus

This section briefly examines skills in NI. With unemployment near an all-time low, it can be difficult for businesses to find people with the right skills sets. It is imperative to ensure that people are informed of where opportunities lie.

## Job Satisfaction

On the face of it, the local labour market is performing reasonably well, with rising wages, more than 80,000 net new jobs created since the start of 2012 and a relatively low unemployment rate of 3.1%. As well as that, workers appear to be satisfied with almost four in five rating their job at least a seven out of ten and over a quarter with a job satisfaction of nine or ten out of ten.

Figure 16 - Job Satisfaction scores of employees, aged 18+



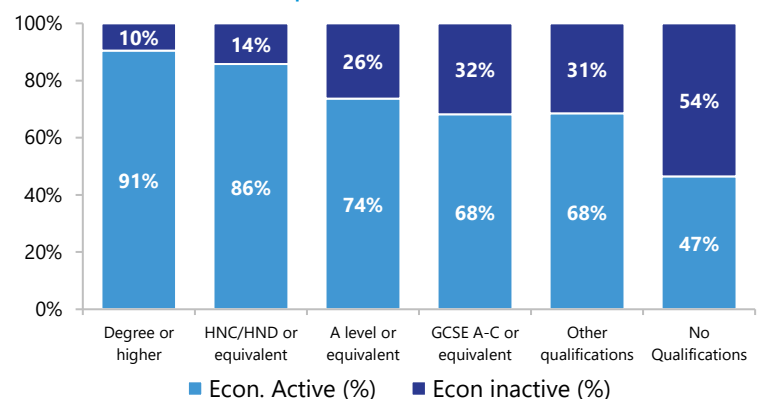
## Labour Market Shortages

However, local labour market issues persist and it is now in a position where real growth could be constrained by labour market shortages: a result of a combination of factors including our relatively low unemployment rate; the number of EU26 workers falling by an estimated 20% since the EU referendum and a declining population of younger people. If employers continue to demand more workers then there are potential solutions. Whilst the unemployment rate would suggest NI is at least close to full employment, around one third of those unemployed have been so for 12 months or more (i.e. long-term unemployed). If these people are actively seeking employment but are not able to find suitable employment or employers are rejecting them then it is possible these people need to reskill or upskill. The second solution could be to tap into the pool of economically inactive. We have an inactivity rate of 25.9% compared to the UK average rate of 20.8%. Whilst there are inactive people who will always be so for various reasons, there are some who with the right support could enter the labour market.

## Qualifications and Economic Activity

Over half (54%) of the working age population with no qualifications are economically inactive. This compares to just 10% for those who have a degree or higher level qualification. At the same time, the Northern Ireland Skills Barometer indicates that the future jobs market will be one that expects a higher skills set. It is therefore likely that the more skills a person has (using qualifications as proxy for skills), the more likely they are to be economically active.

Figure 17 - Economic Activity by qualification level



## Offering the Right Skills

Providing skills to people is important to address labour market shortages and reducing barriers for those who are economically inactive. However, the solution is not just to offer qualifications; prospective employees need to be informed as to where the job opportunities lie. The NI Skills Barometer provides us with key information on where demand exists on a sectoral, occupation and subject level, not just considering those areas that are expanding but those that have high replacement demand. This information can be used to inform people as to the qualifications/skills they should seek to be best placed to obtain a job.

# 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>	Northern Ireland 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); Annual Business Inquiry (NISRA); 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); OECD Economic Outlook; World Bank Global 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