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Shaping the Local Economy

Eoin Magennis
Senior Economist:
Ulster University Economic Policy Centre

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Areas covered

- Economic overview
- NI economic challenges
- Thoughts on Brexit
- Closing remarks

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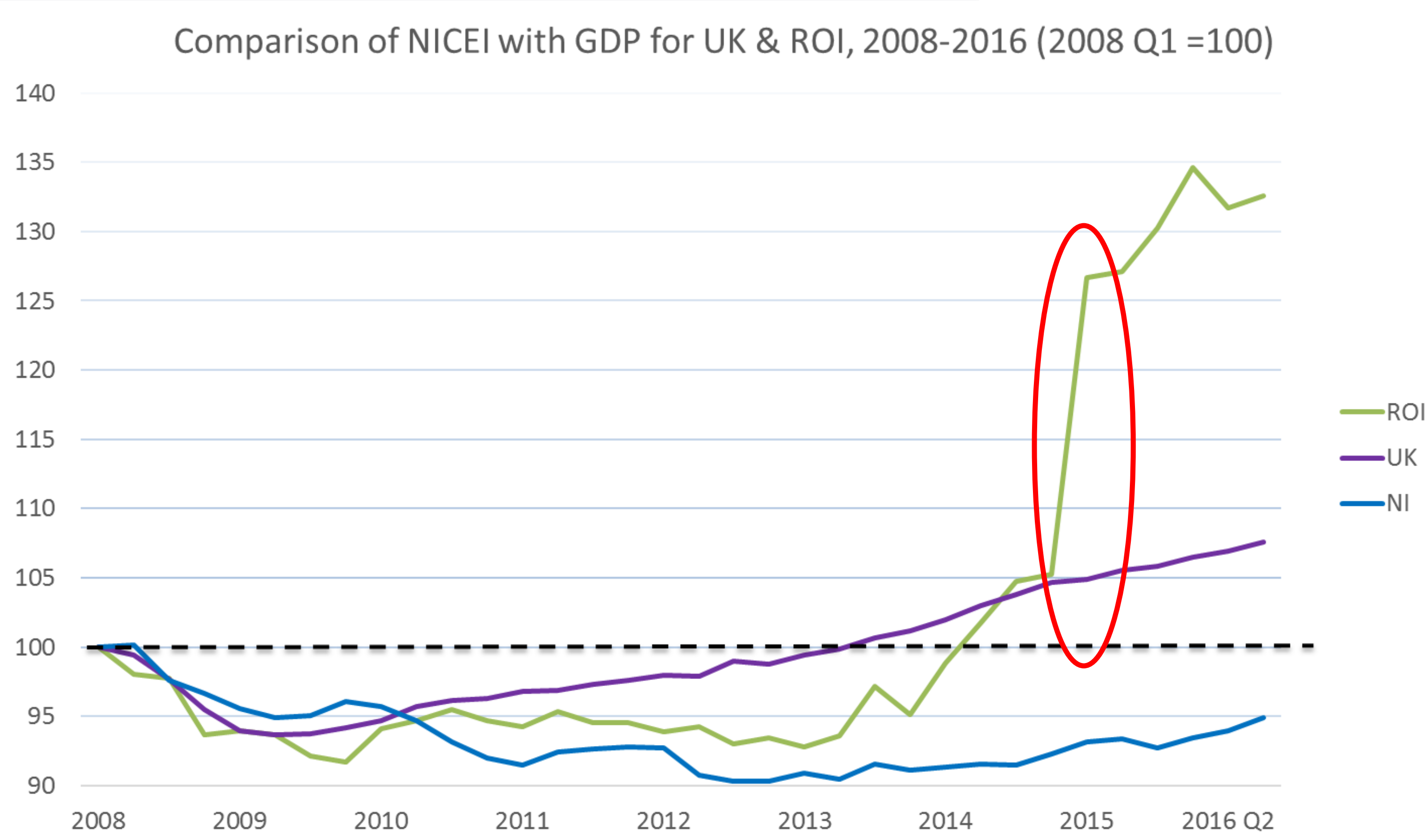
Economic overview

Context in economic growth striking

Irish GDP outstrips rivals



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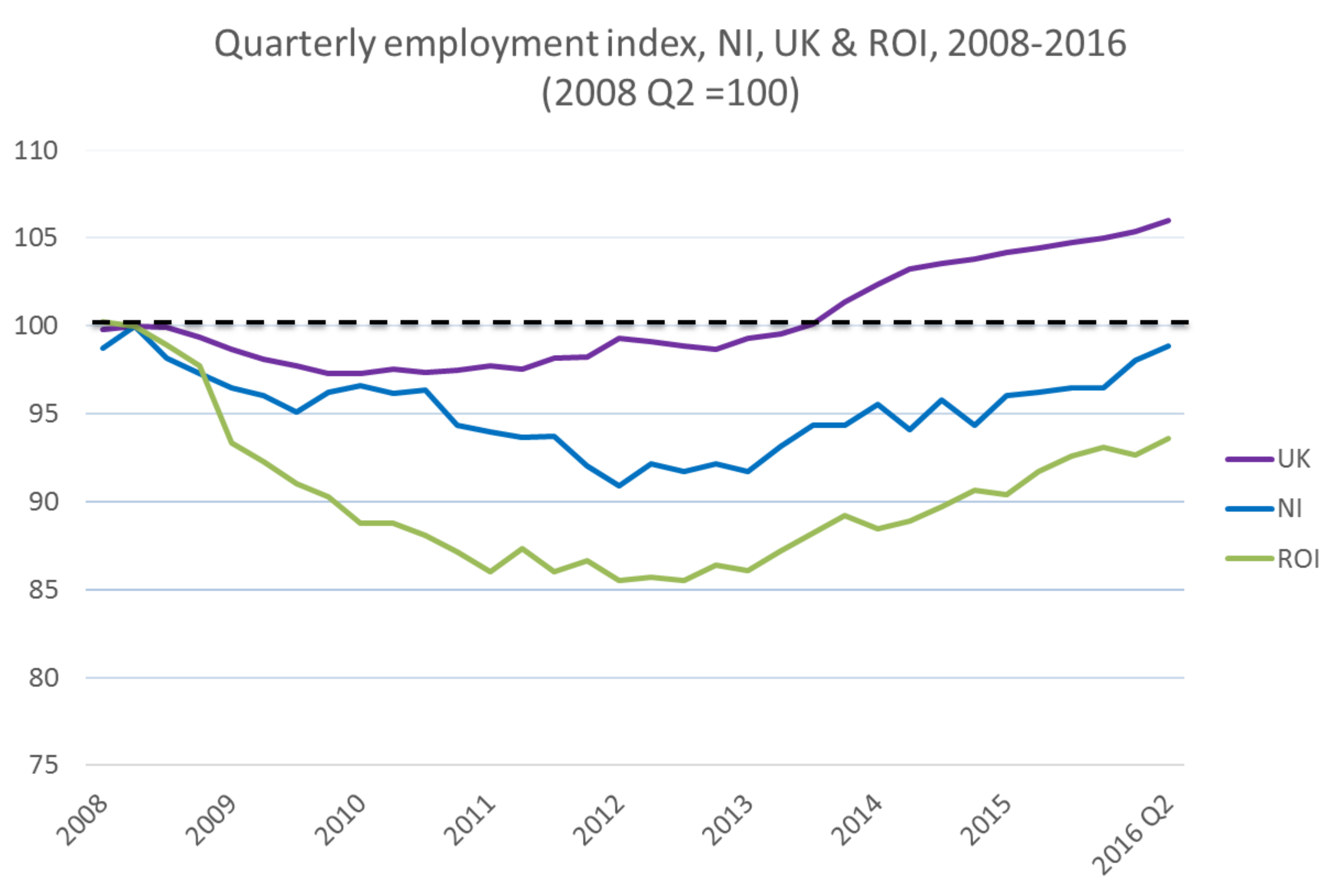
The Northern Ireland Composite Economic Index (NICEI) is an experimental quarterly measure of the performance of the NI economy based on available official statistics. This measure of output allows comparison of GDP in the UK and the Republic of Ireland

Source: DETI

Labour market just about recovered

Labour market – Irish performance more modest



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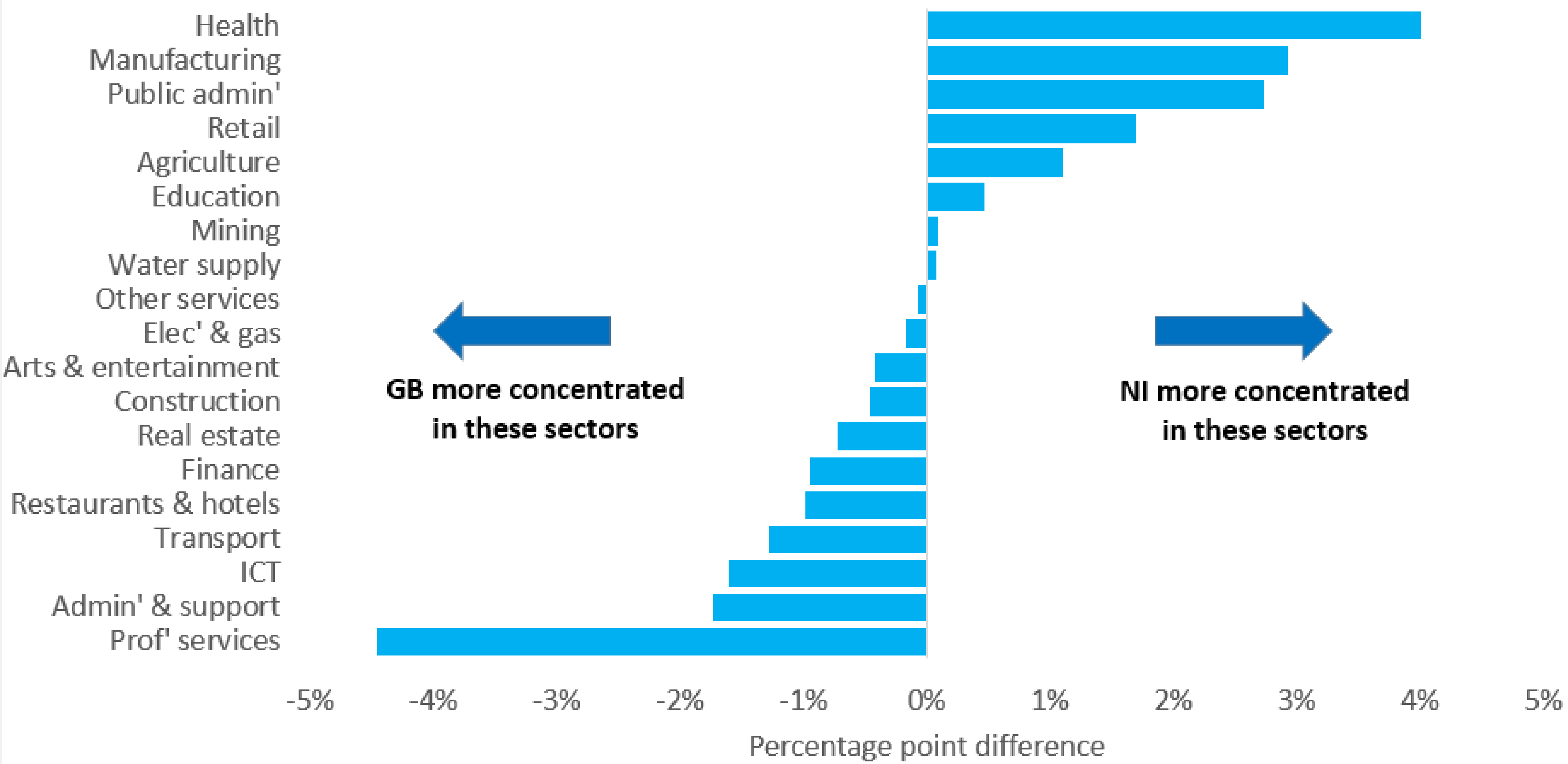
Source: ONS (UK & NI) & CSO (RoI)

NI public sector dominated

and a lower share of higher GVA jobs

Relative differential in share of total employees by sector – NI vs GB



Note: Calculation based on share of total employees. i.e Health in NI makes up 17.2% of total employees vs. only 13.2% in GB making a percentage point differential of 4.0

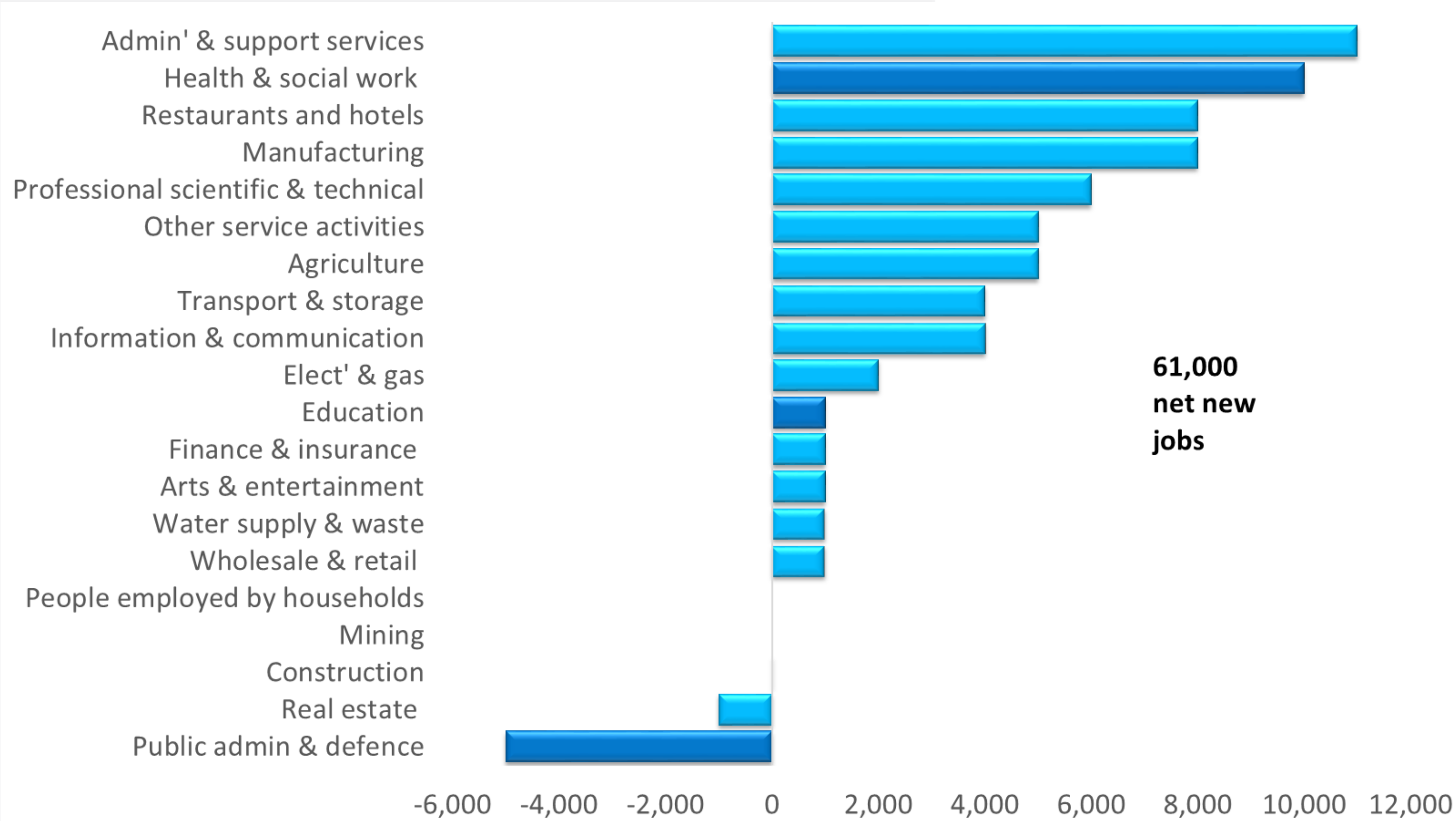
Source: ONS, based on 4 quarter average to Q3 2016

Source: ONS

Range of NI sectors growing

Shows a degree of resilience

Employment change by industry, NI, Q1 2012 to Q3 2016



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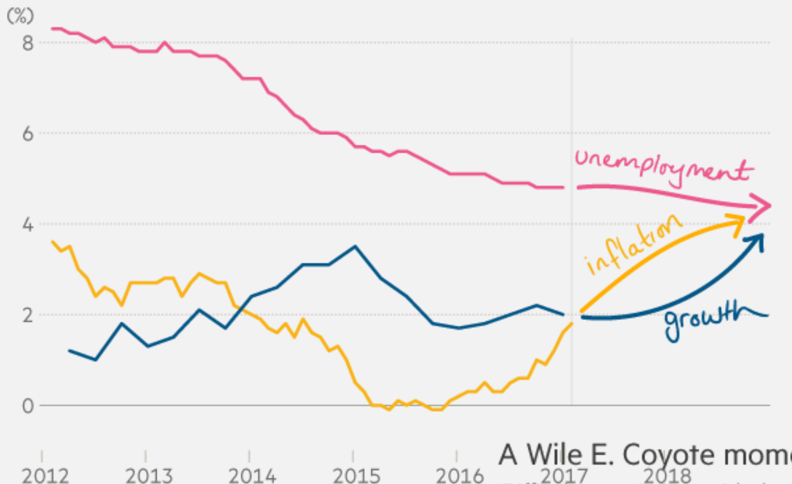
Source: ONS

Scenarios for the UK economy

Differences depending on (1) consumers spending and (2) exporters prospering

The sunlit uplands

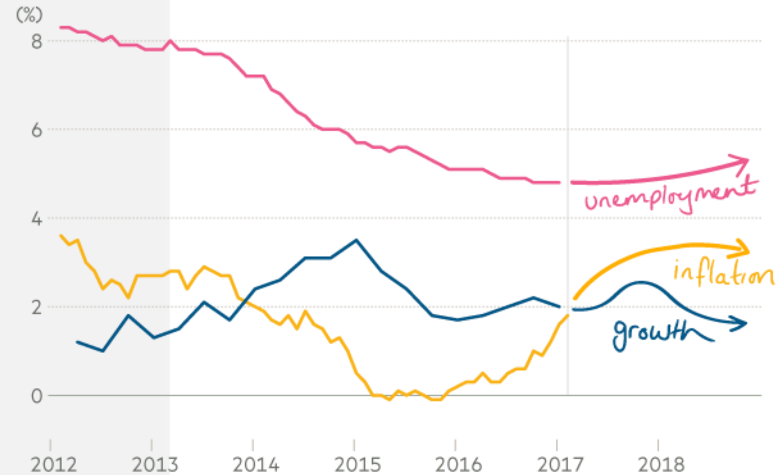
'Consumers continue to defy expectations'



FT graphic Sources: Bloomberg/FT research

Muddling through

'Nothing goes spectacularly wrong and nothing particularly right'

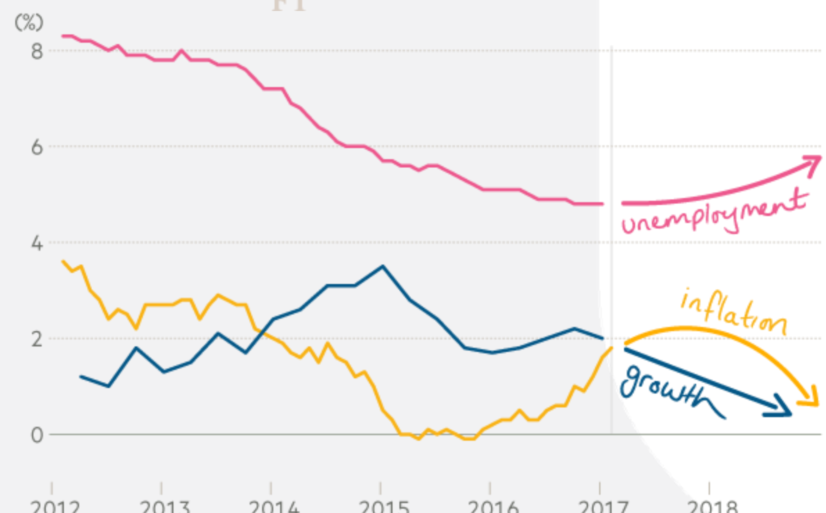


FT graphic Sources: Bloomberg/FT research

FT

A Wile E. Coyote moment

'Difficult negotiations with the EU create widespread fear'



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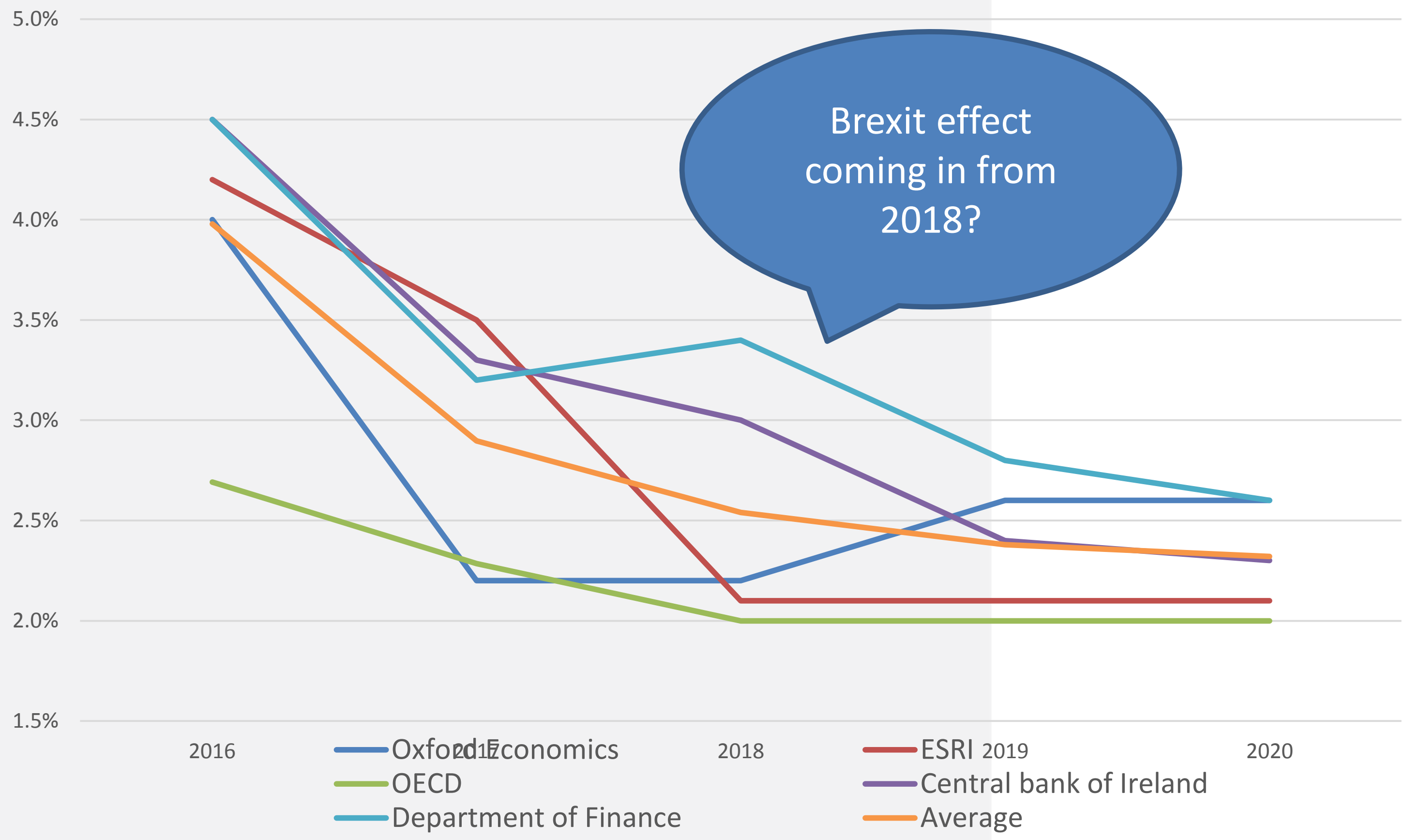
Strong growth continuing (>2% pa) in Ireland but tapering off from 2018



Sources:
Dept of Finance Monthly Bulletin (Nov 2016)
ESRI Quarterly Ec C/tary Autumn 2016
Oxford Economics (Nov2016)
Central Bank Bulletin (Jan 2017)
OECD Economic Forecast (Nov 2016)

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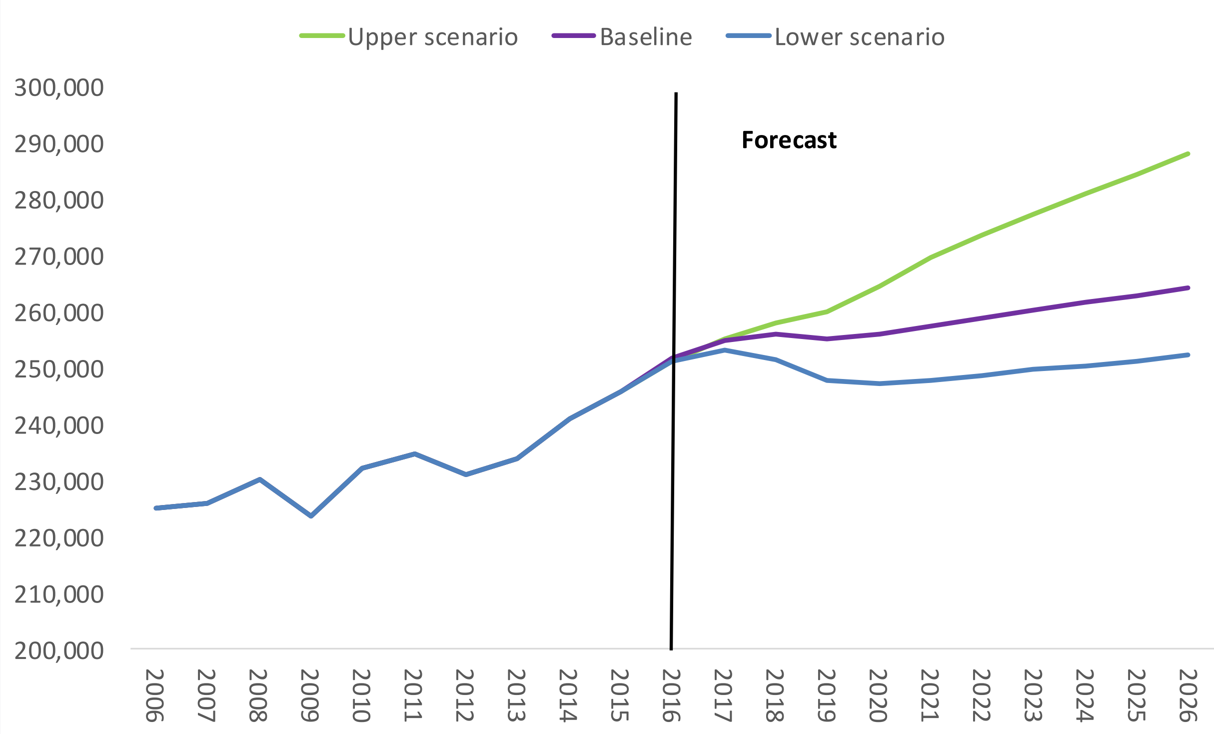
NI avoids recession assuming Brexit does not go badly wrong

Baseline is a 'muddling through' scenario with increase of 30,000 new jobs in next decade



Upper scenario- this assumes convergence in employment rate with current UK level. This scenario includes lower corporation tax but is more influenced by the succession of the PFG. This (+87,200 jobs) scenario should be viewed as 'highly aspirational'.

Baseline- the most likely economic outcomes sees an increase of 28,800 jobs. Based on plausible 'Brexit' assumptions, while lowered rate of Corporation Tax is not included due to uncertainty over price and mechanism.

Lower scenario- assumes, a 'Brexit' goes wrong scenario and a loss of 8,100 jobs. In this trade is severely impacted and consumers contract spending. Provides outcomes close to the lower estimates of long term GDP by independent forecasters of 'Brexit' for the UK.

Source: UUEPC

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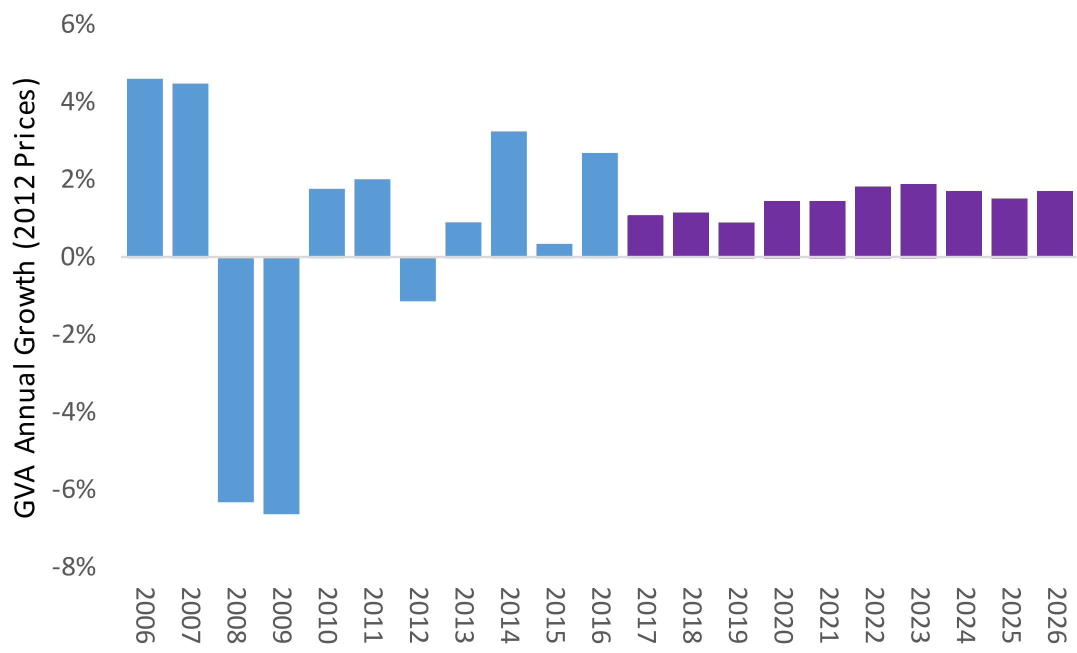
GVA

Fermanagh & Omagh accounts for 6% of NI's GVA

Total Real GVA Growth per Annum (in 2012 prices), 2006-2026



GVA is expected to increase slightly to £2.4bn by 2026.

The average growth rate is just 1.5% over the decade, which is slightly less than the NI average of 1.6%.

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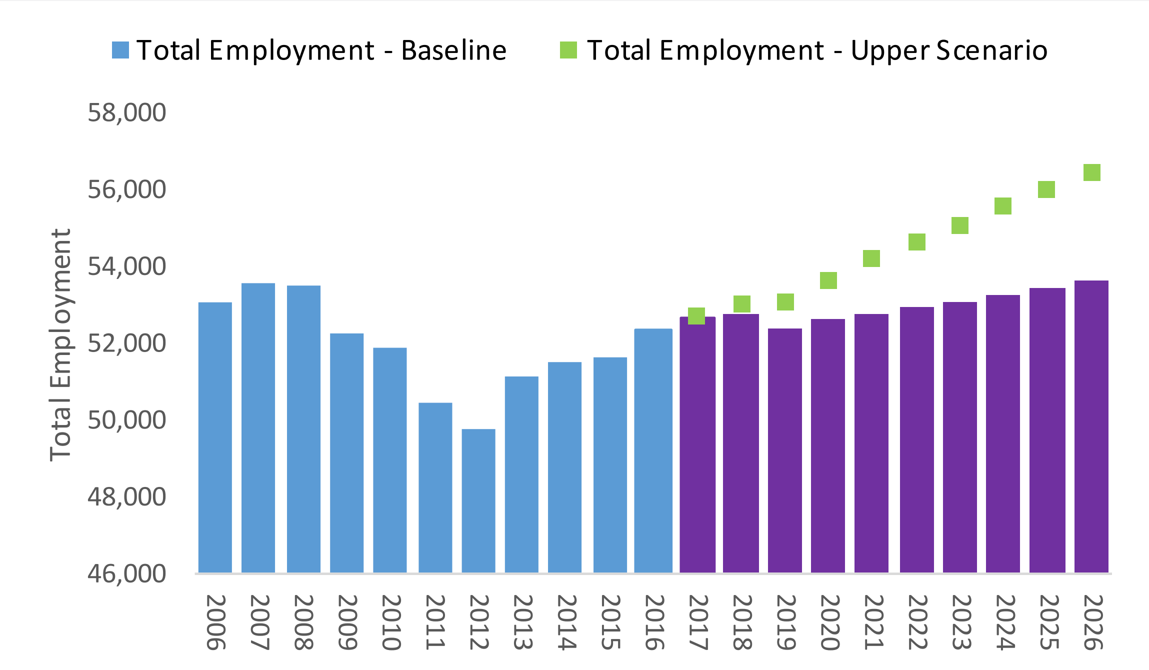
Source: ONS & UUEPC

Labour Market
Employment, Fermanagh & Omagh

Total Employment, 2006-2026



1,300 additional jobs are forecast by 2026 from 2016, increasing employment to 53,700

Fermanagh & Omagh won't return to 2008 peak employment until 2026

Self employment is expected to increase slightly from 9,700 in 2016 to 10,100 in 2026.

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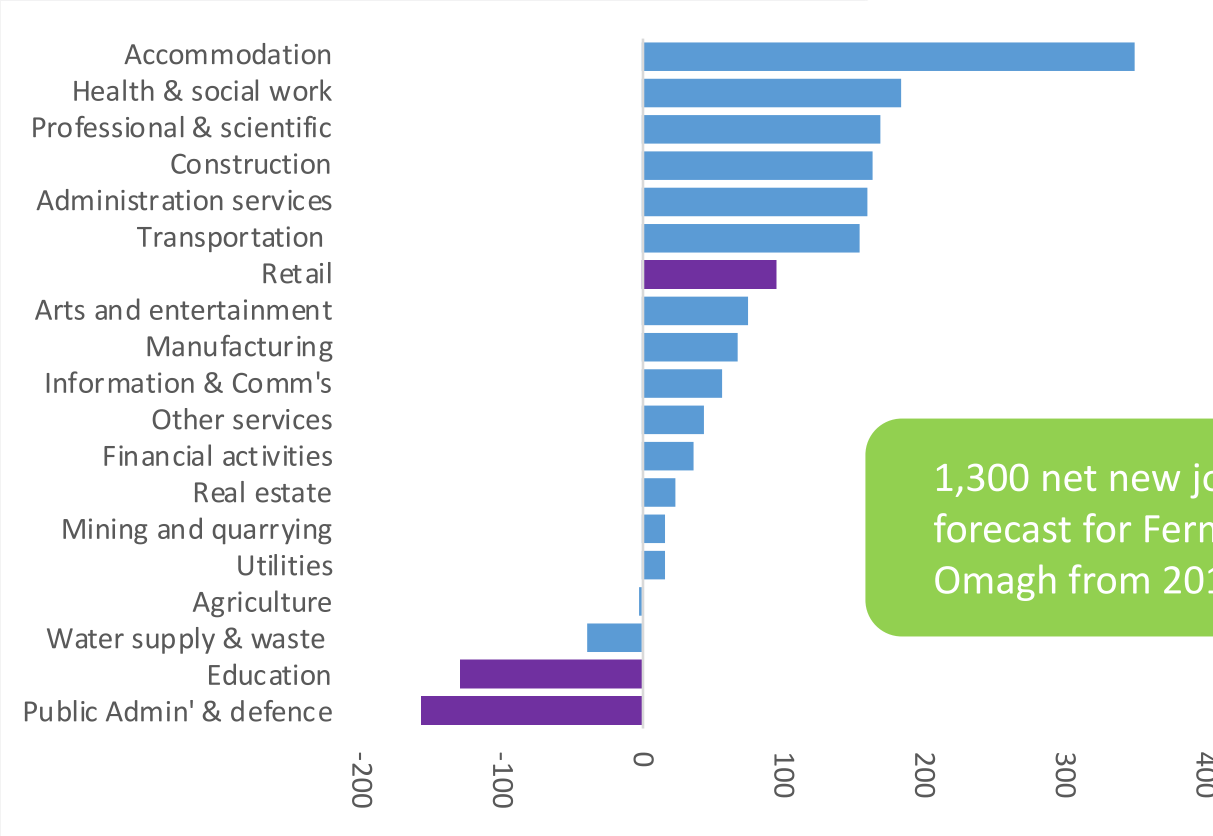
Source: DfE & UUEPC

Labour Market (Sector Breakdown)
Growth in the Private Sector

Change in Employment, 2016-2026



1,300 net new jobs are forecast for Fermanagh & Omagh from 2016-2026

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Source: DfE & UUEPC

NI Economic challenges

4 key challenges to consider
Underlying economic weaknesses

1. NI Fiscal Deficit
2. Hidden labour market weaknesses
3. Lower Productivity
4. Reliance on consumers?

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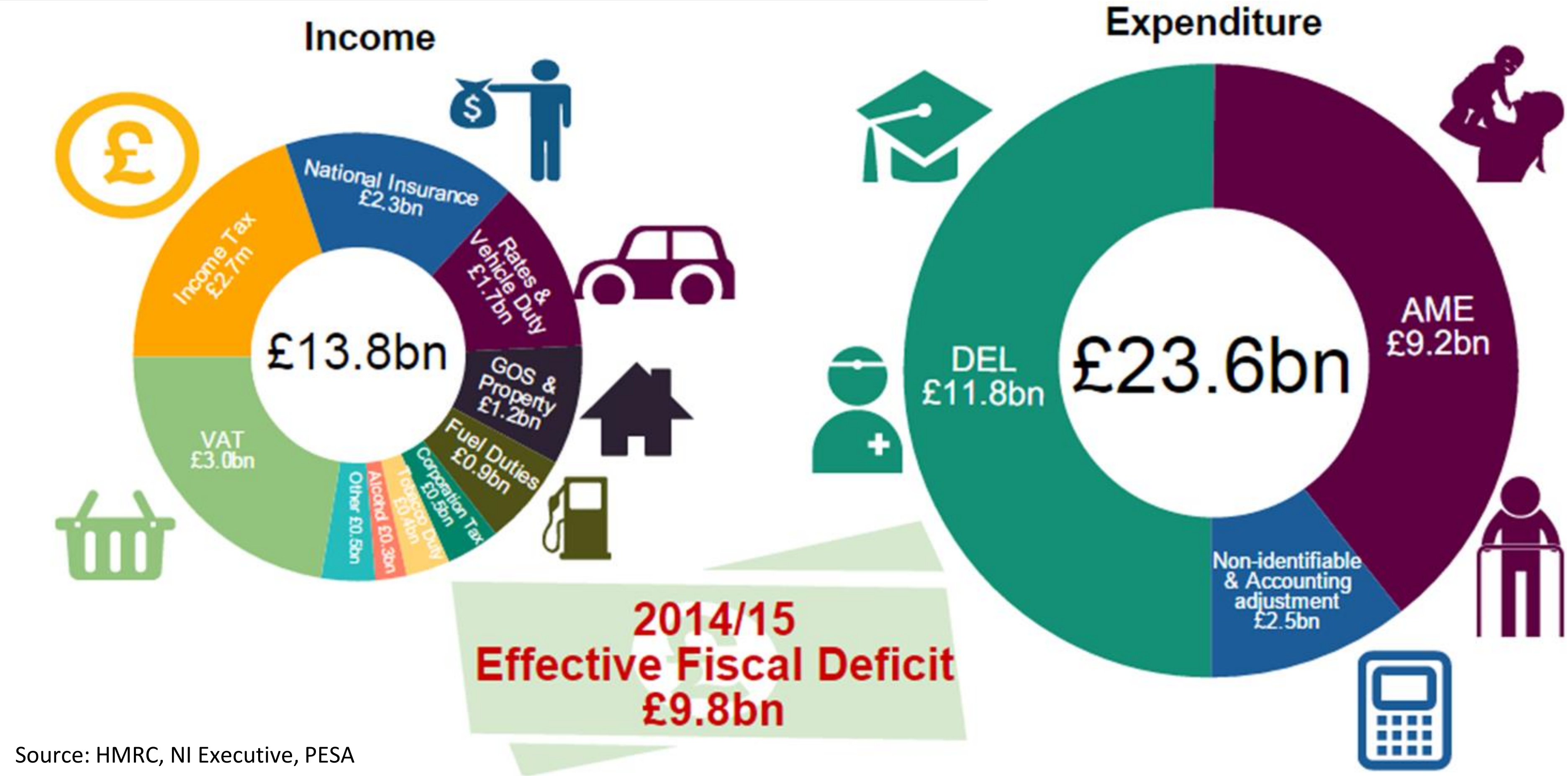
The NI Fiscal Deficit



Source: HMRC, NI Executive, PESA

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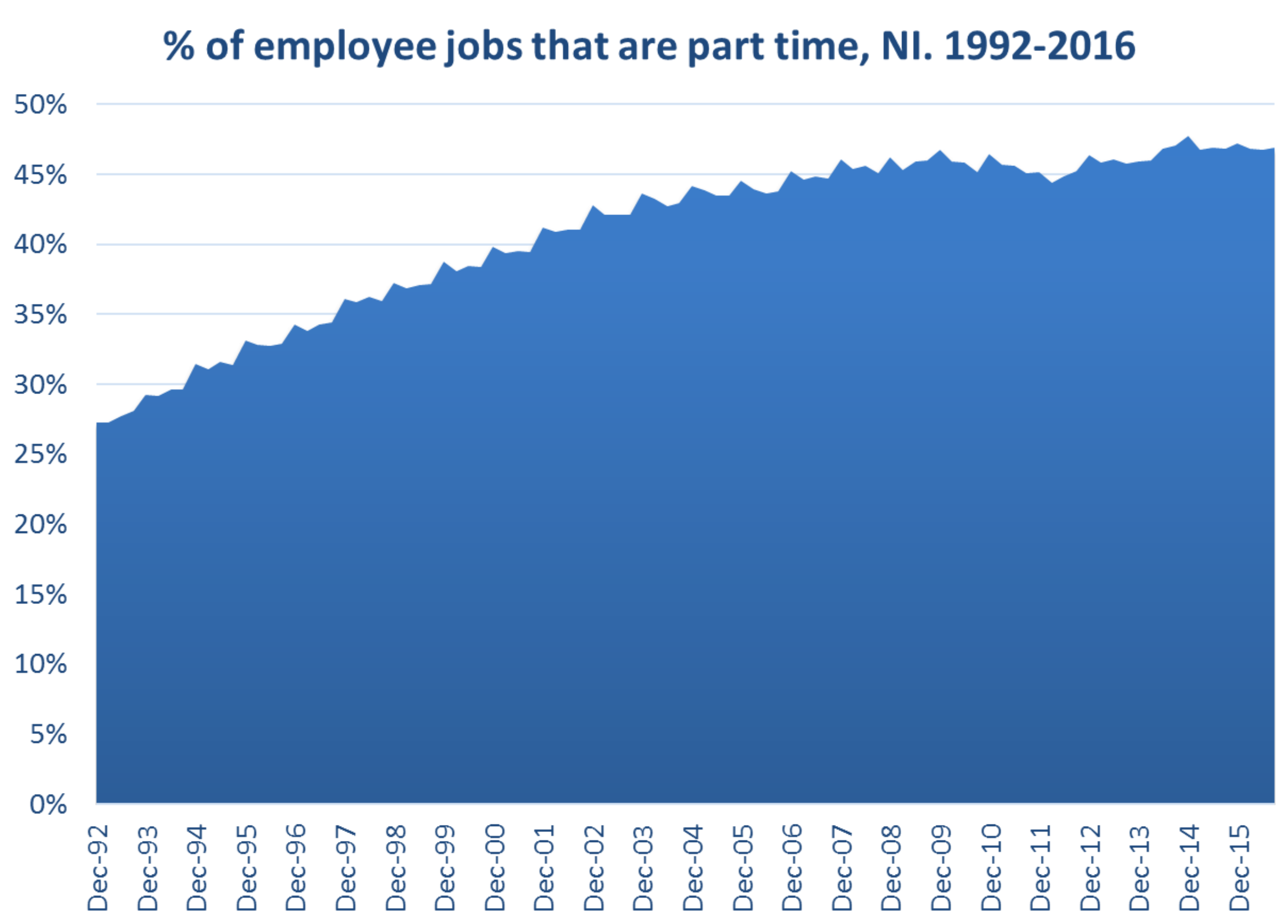
Note: Expenditure figures are sourced from the NI Budget 2015-16 Accessed
Note: Figures may not sum due to rounding

Hidden labour market weaknesses

Part-time employment increasing especially for men



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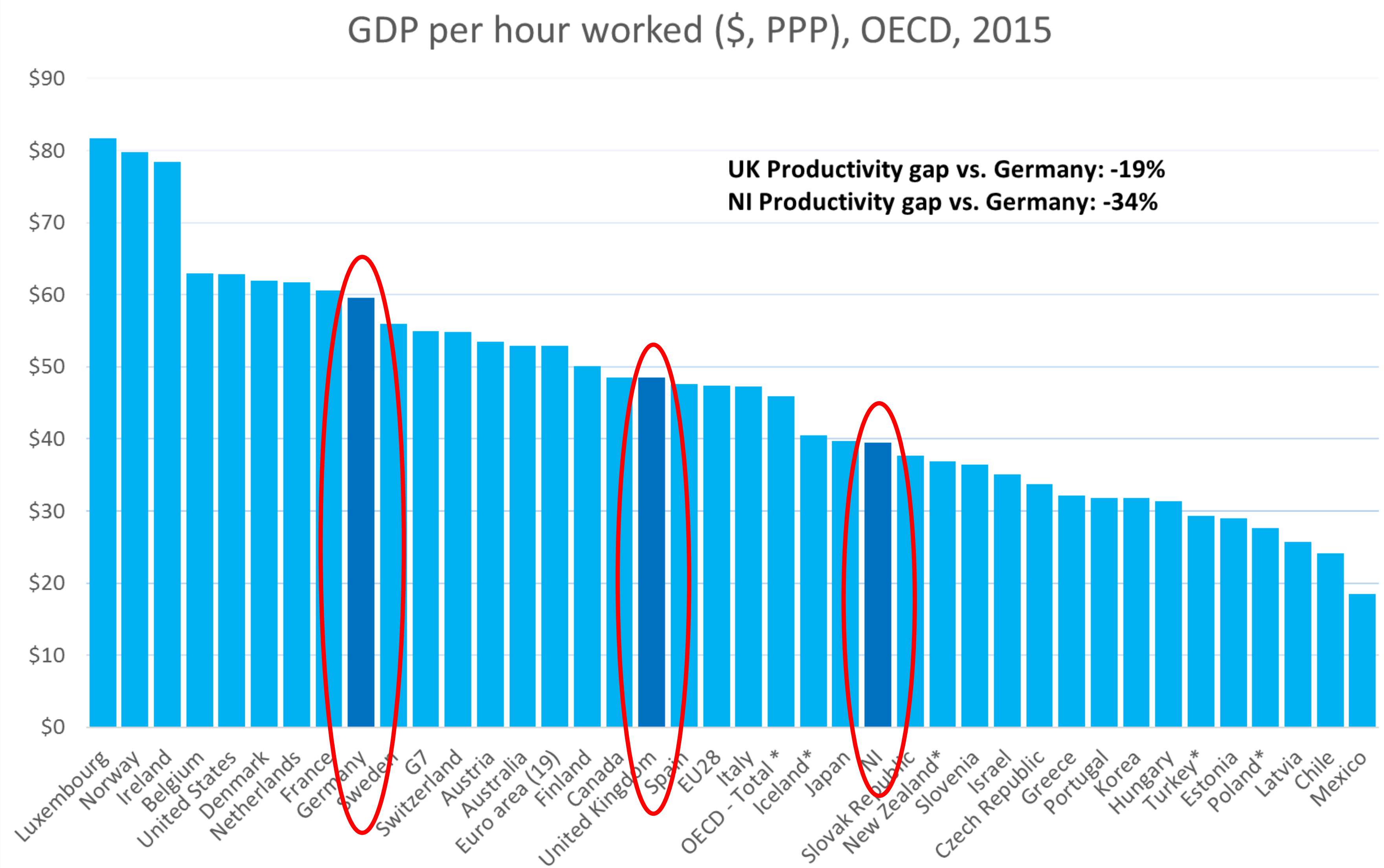
Source: QES (*Part time= less than 30 hours*)

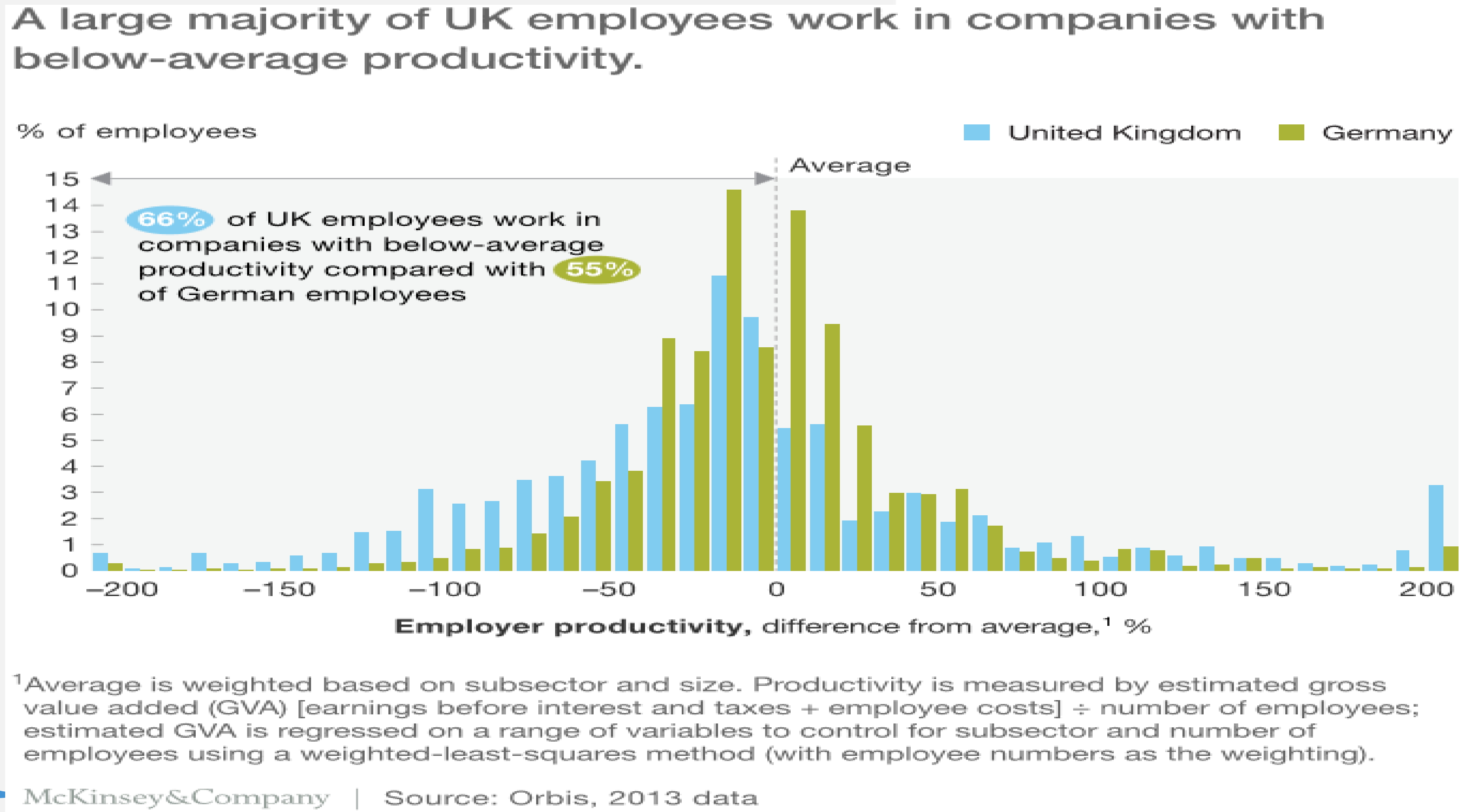
Productivity

Germany 5 days, UK 6 days, NI 7 days!

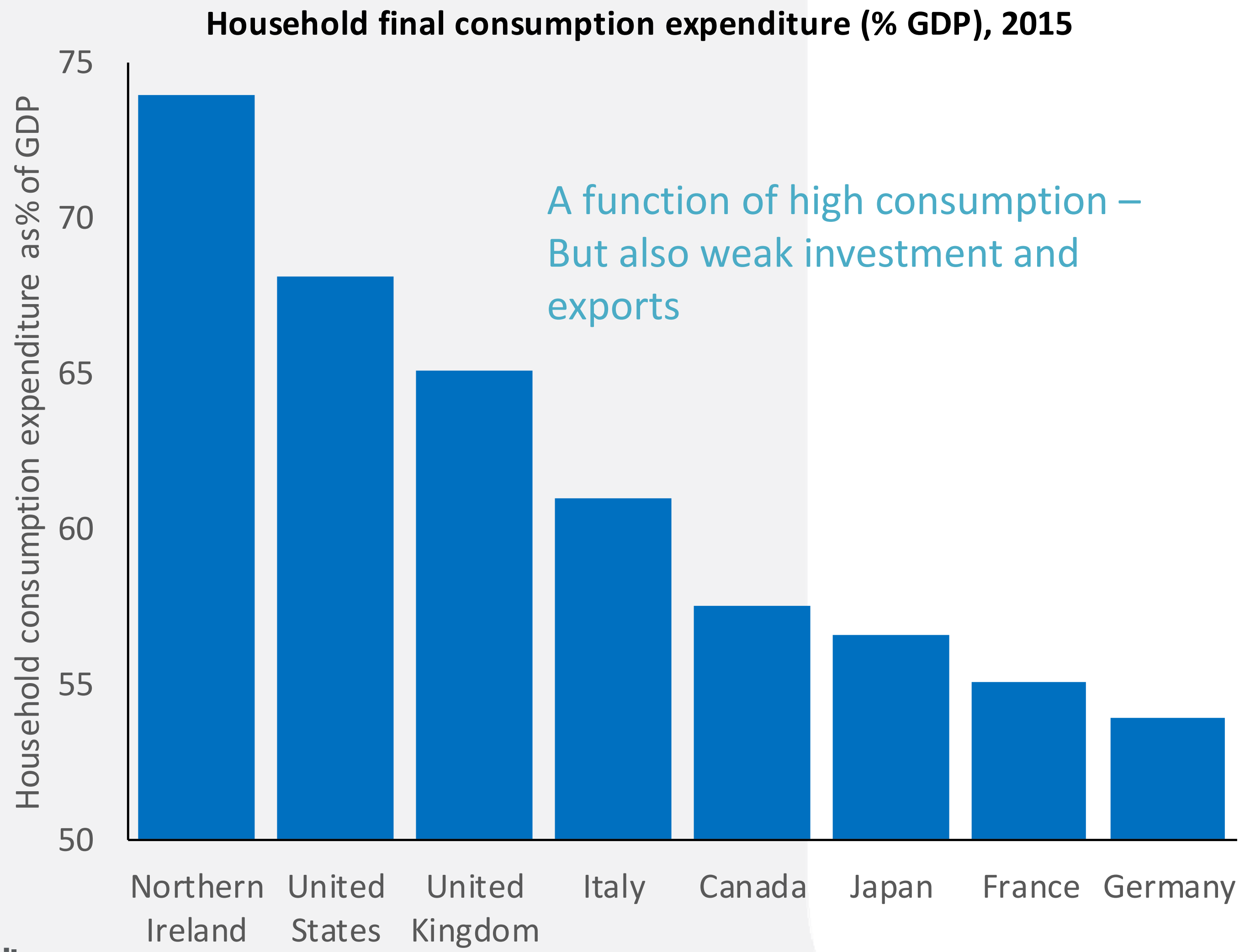


Notes: Data based on US Dollar, constant prices in 2010 PPP's. * denotes data for selected countries from 2014
Source: OECD, UUEPC analysis

McKinsey would suggest that the ‘quality’ is more important than the sector

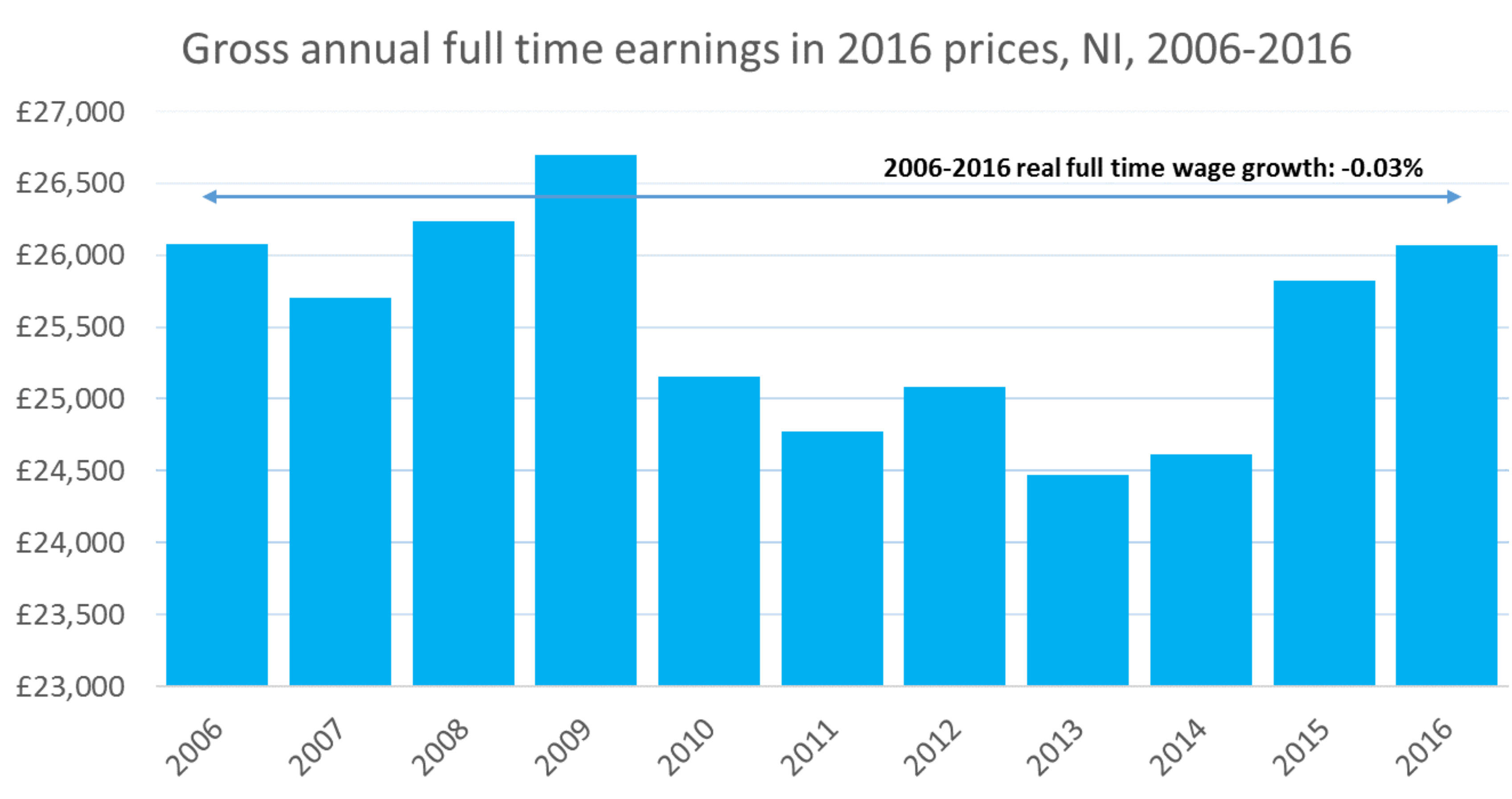


NI and the UK economies are over-reliant on consumers by international standards



Source: World Bank, DfE
Note: NI data relates to 2012

But…a decade of no wage growth in NI



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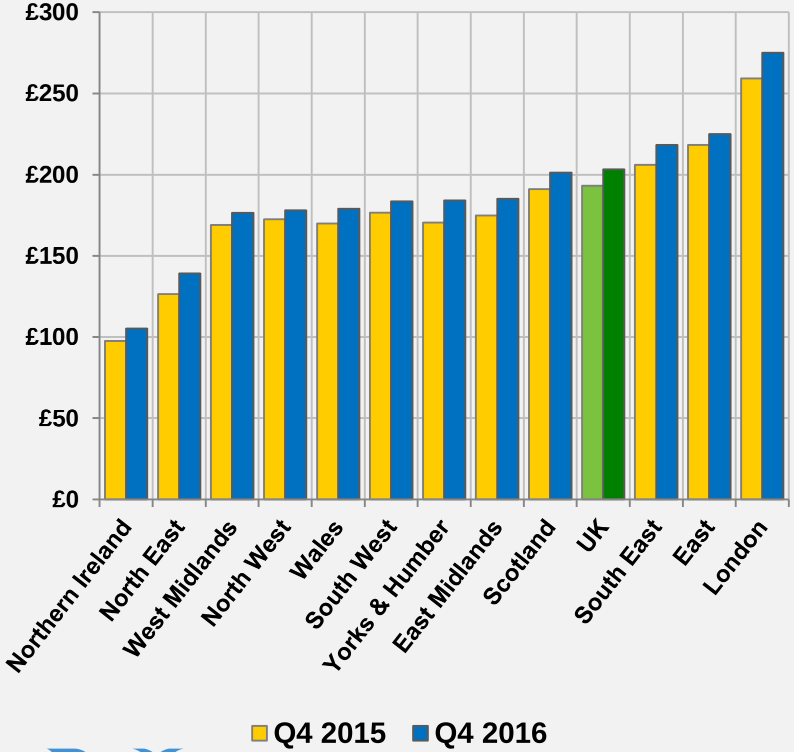
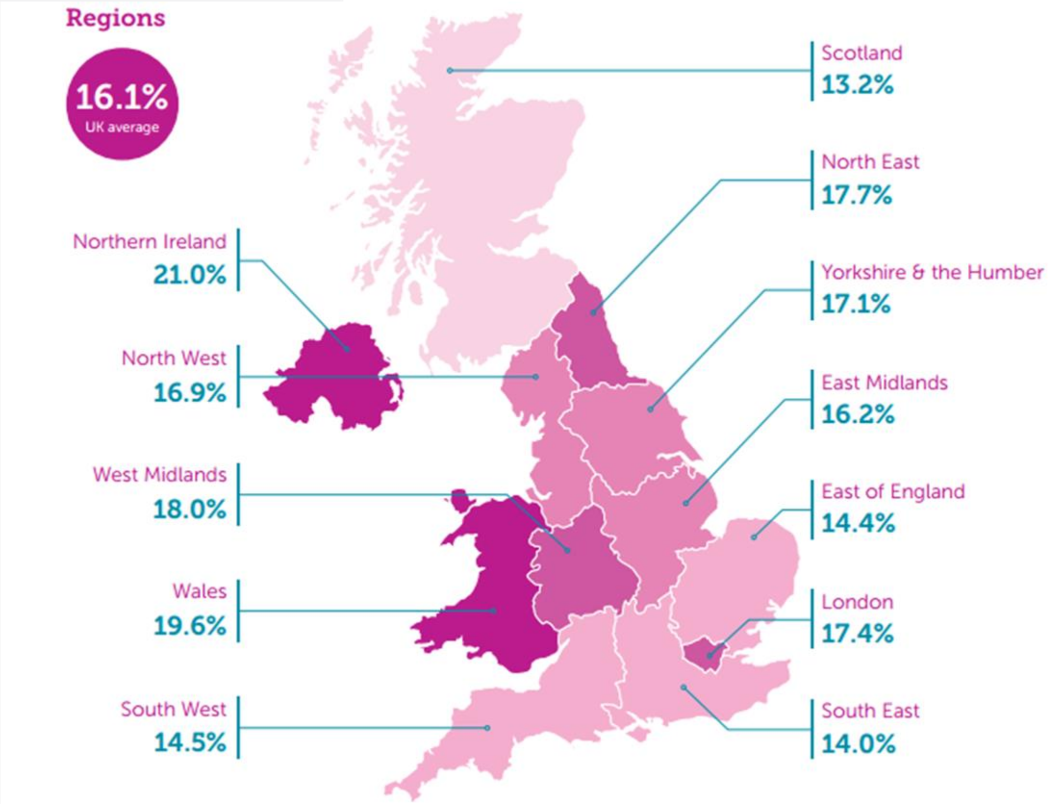
Source: ASHE & ONS, UUEPC analysis

NI has the lowest discretionary income amongst UK regions

…and some research suggests NI is the most indebted region in the UK

Average household discretionary income by region, £ per week in quarter indicated





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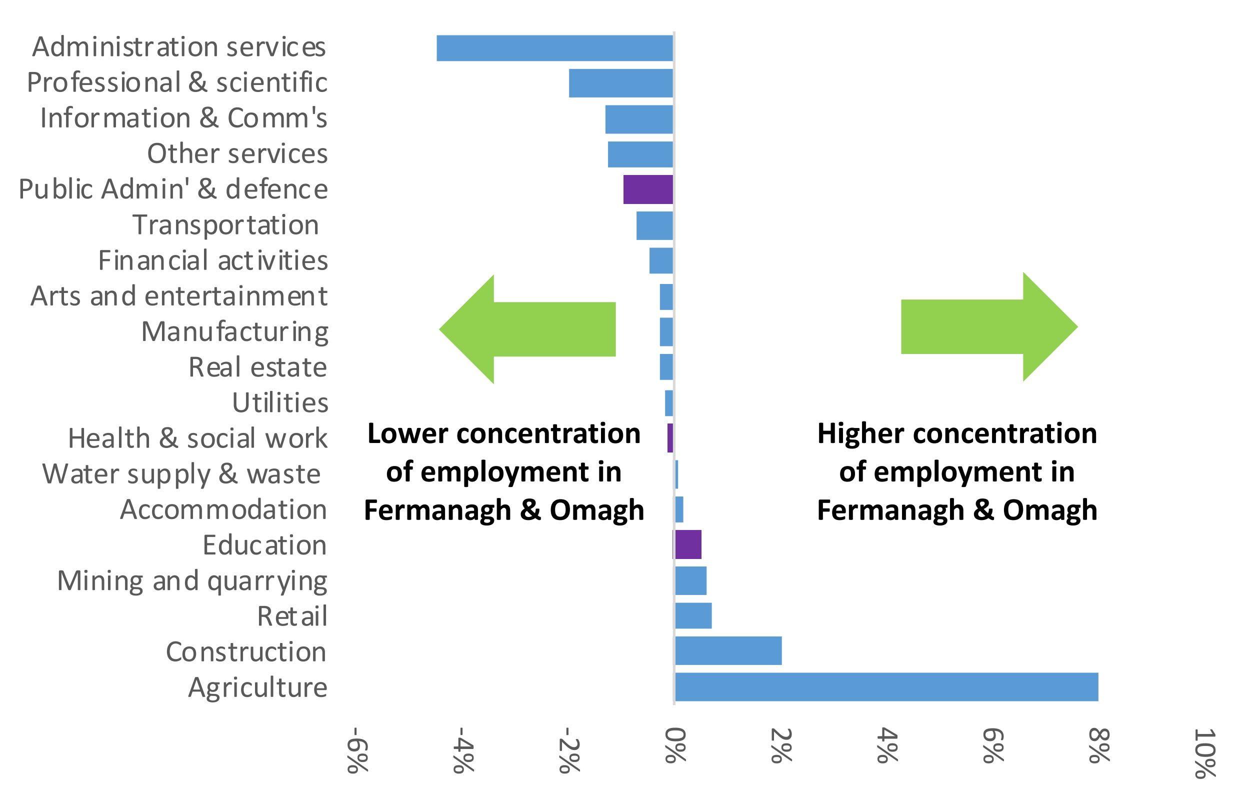
Source: Asda

So are we too reliant on local consumers?

Fermanagh & Omagh vs NI (Workplace basis/jobs measure)

Percentage Point Difference in Sectoral Share, Fermanagh & Omagh vs. NI (2016)

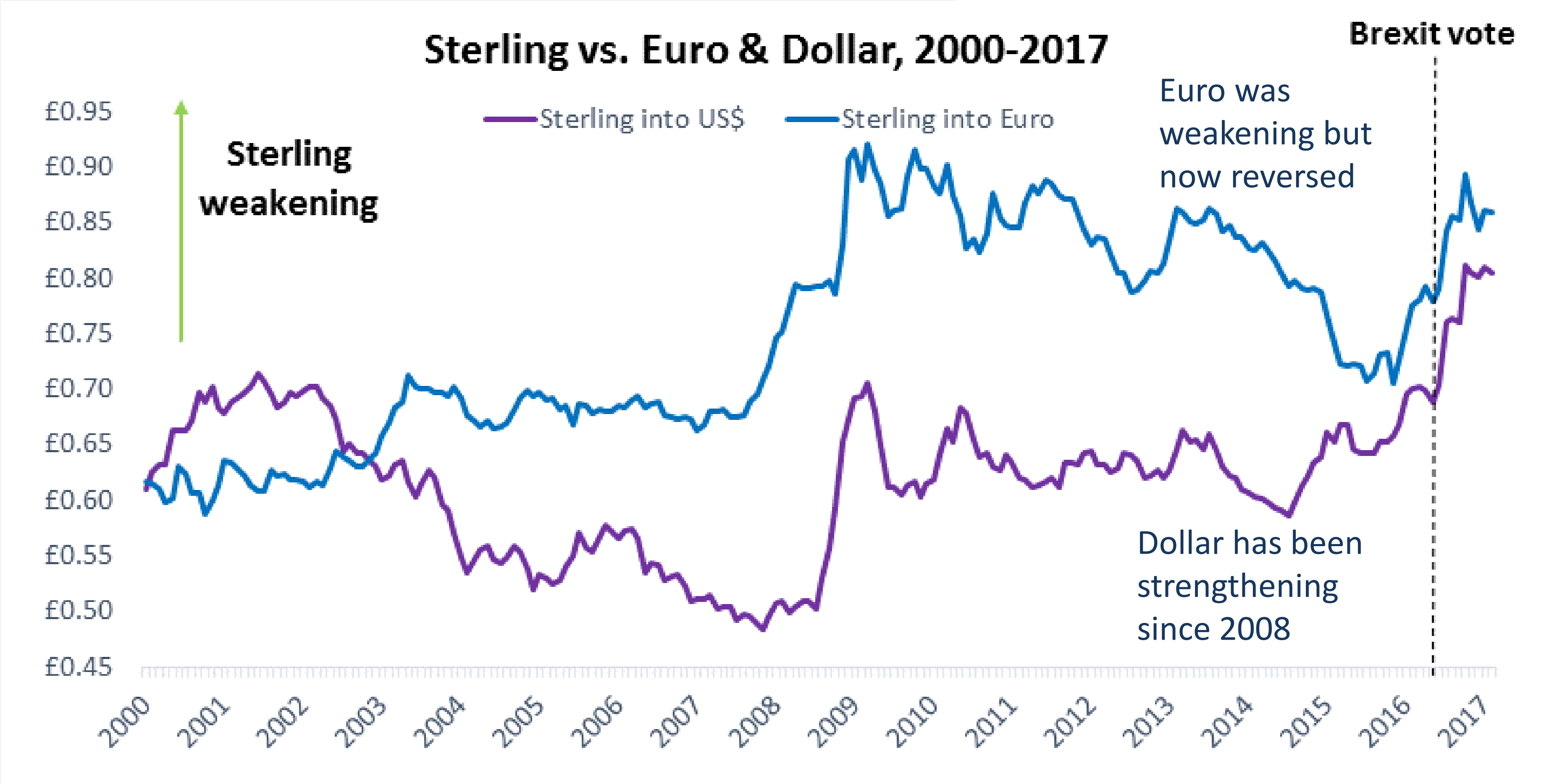


The chart above compares employment in Fermanagh & Omagh's labour market by sector (as a percentage of total employment) with NI. For example, Fermanagh & Omagh's Agriculture sector accounts for 12% of total employment. In NI, the Agriculture sector accounts for 4% of total employment, hence the Agriculture sector in Fermanagh & Omagh is 8 percentage points more concentrated than NI's Agriculture sector.

Thoughts on Brexit

Significant currency devaluation

Good for exports but creates inflation



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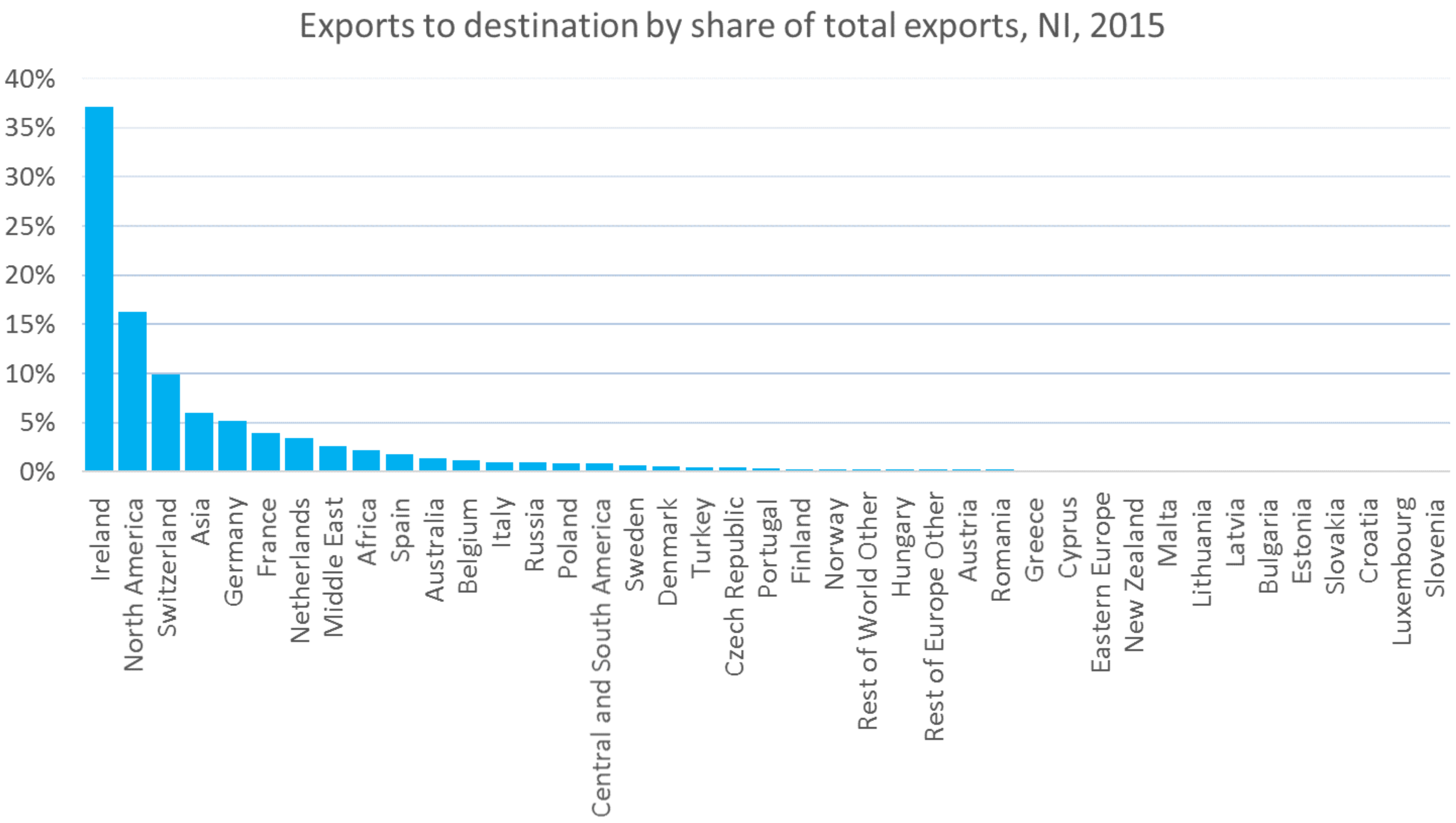
Source: BoE

Ireland accounts for 37% of NI sales outside UK

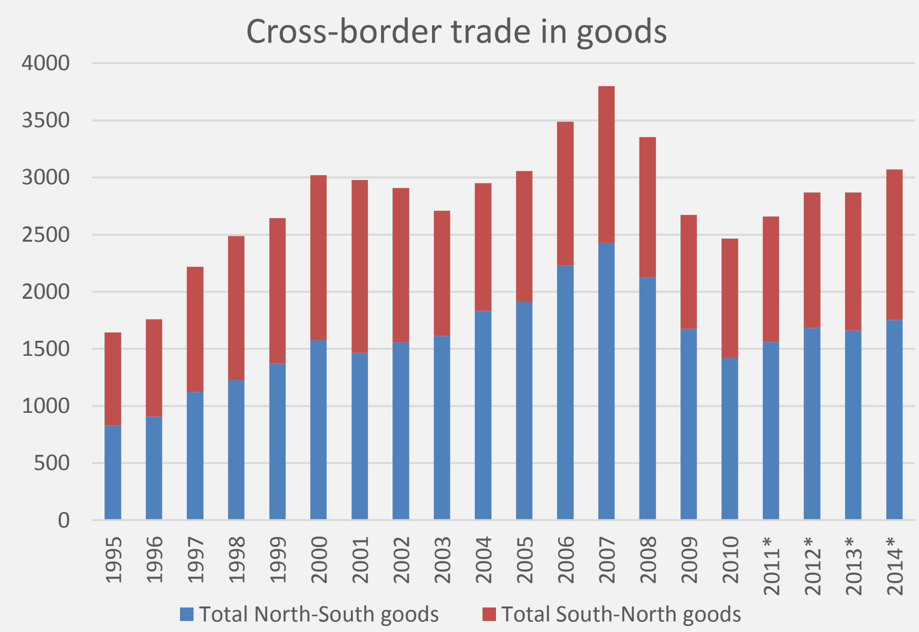
NI too reliant on small no. of export markets

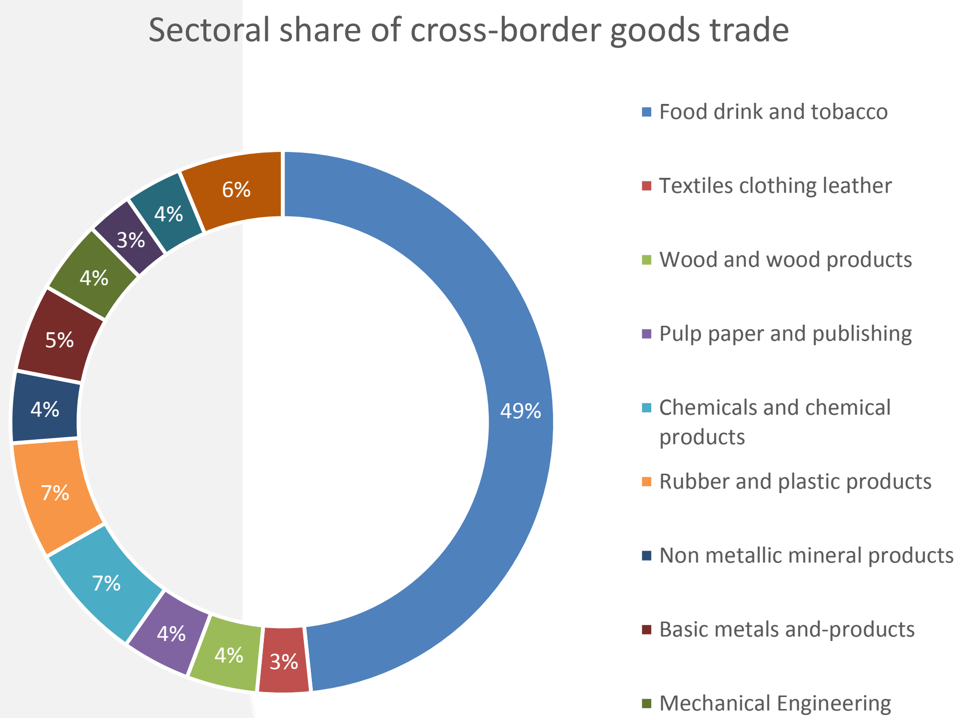


Source: DfE, UUEPC analysis

Cross-border trade

€3bn in goods…dominated by food & drink





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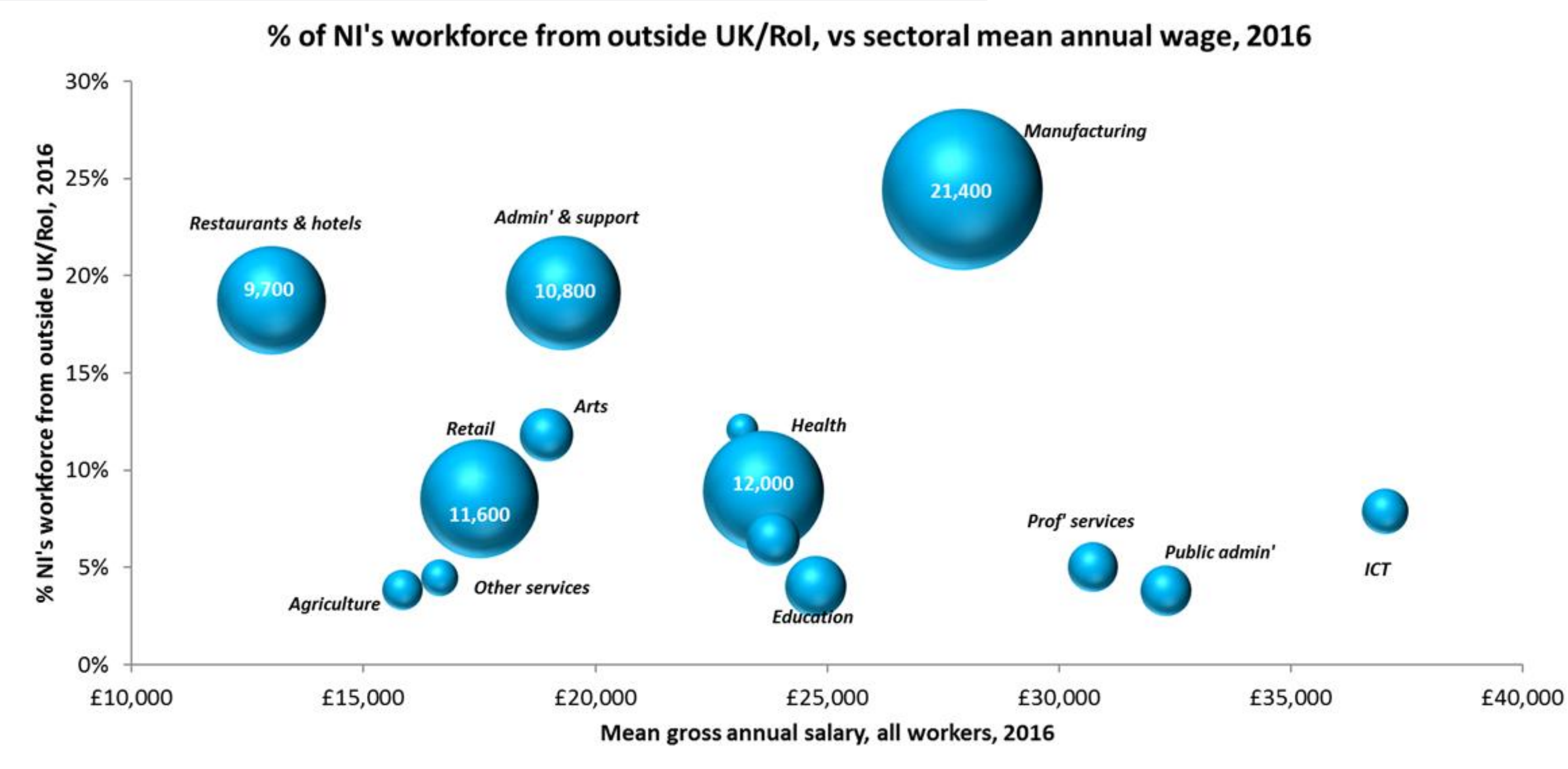
Source: InterTradeIreland

Immigration is a key source of labour
Accessing labour after Brexit – an issue?

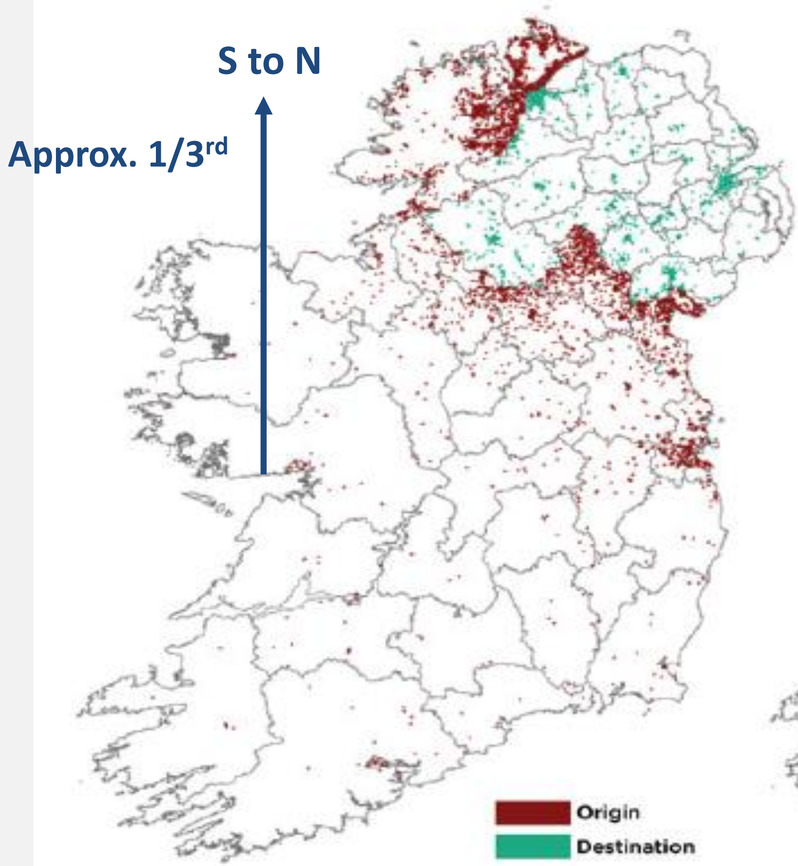


Source: LFS (4 quarter average to Q4 2016)
Note: National refers to anyone from UK or RoI and non national outside UK/RoI
Size of bubble represents total stock of the sectoral workforce in 2015 comprised of non nationals

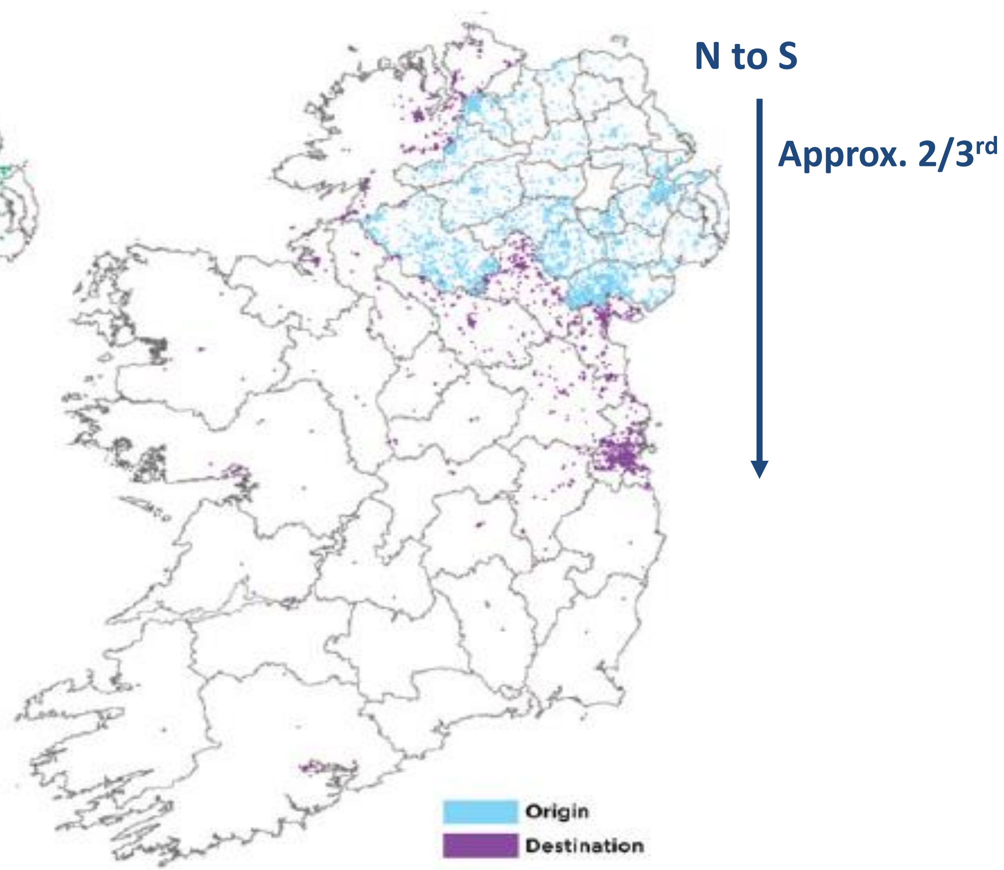
Cross-border commuting

25k – 30k commuters cross the border daily

Cross-border commuters from Ireland to work or study in Northern Ireland



Cross-border commuters from Northern Ireland to work or study in Ireland



Source: All-Island Research Observatory using Census 2011 data

Closing thoughts

Which areas can local government impact on?

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Thank you

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UUEPC Local Government Team

Contact Details

Eoin Magennis, Senior Economist

825 140 326

magennis@ulster.ac.uk

drew Park, Assistant Economist

390 368 917

park@ulster.ac.uk

ura Heery, Assistant Economist

390 366 219

eery@ulster.ac.uk

@UlsterUniEPC