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# *Economic Overview*

*NIHE Insight Event*  
*6<sup>th</sup> March 2023*

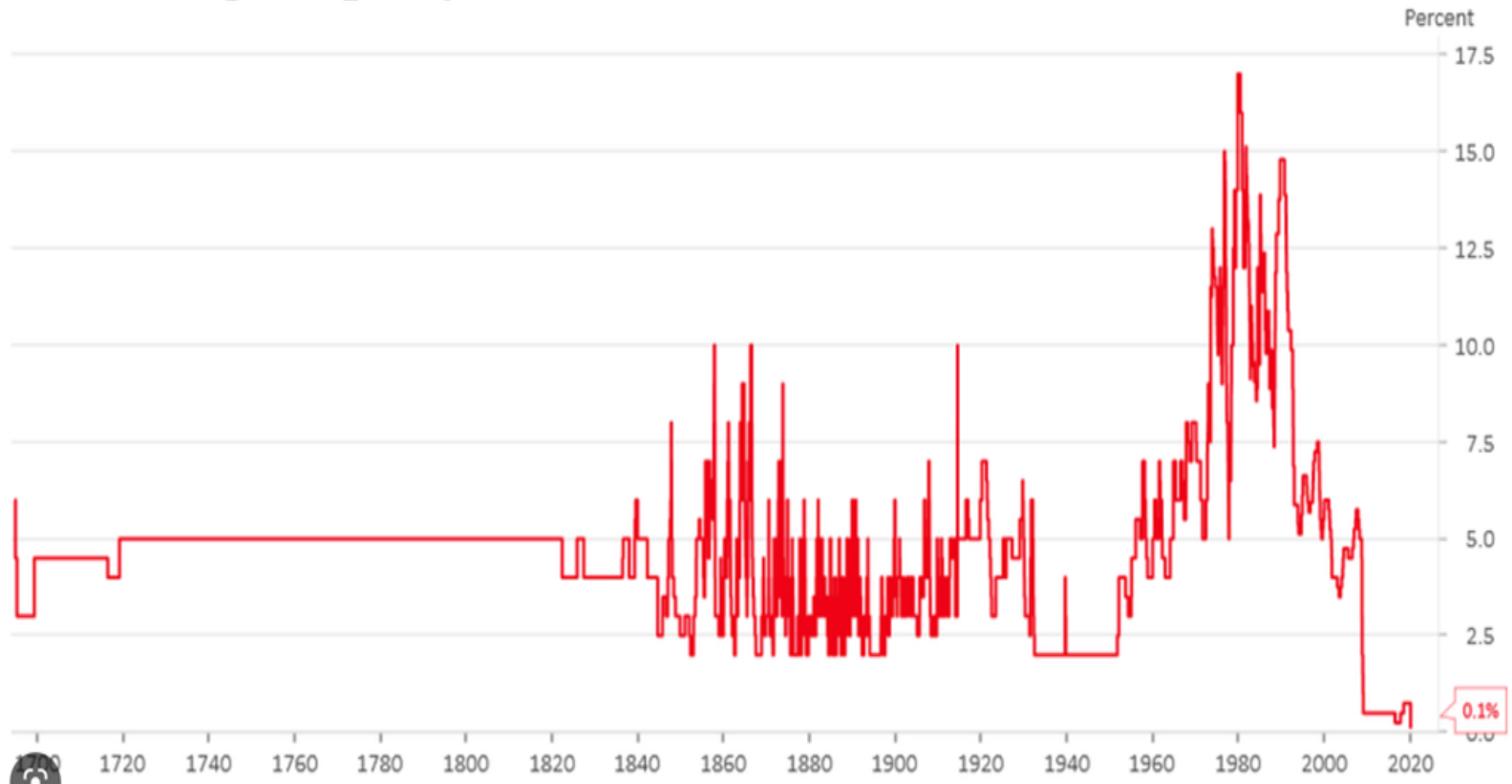
*Richard Ramsey*  
*Chief Economist Northern Ireland*

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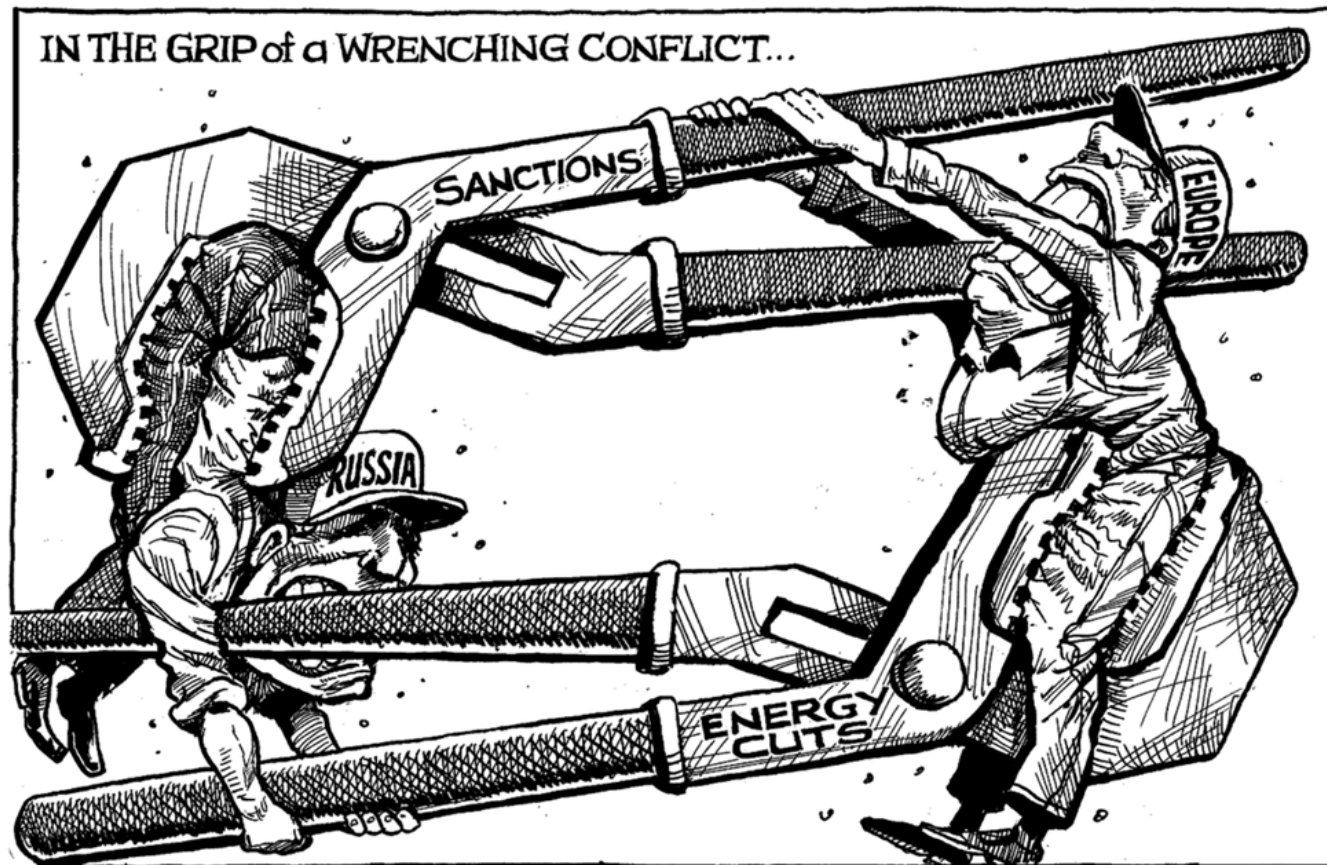
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## Most important chart in the world!!

### Bank of England policy interest rate



## The pandemic recovery had been going well



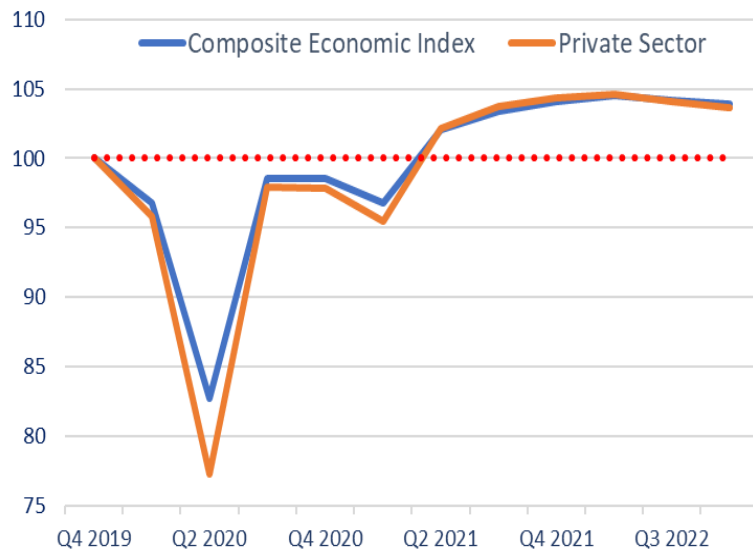
Economist.com

Kal

Source: *The Economist* Kal Cartoons 8<sup>th</sup> September 2022

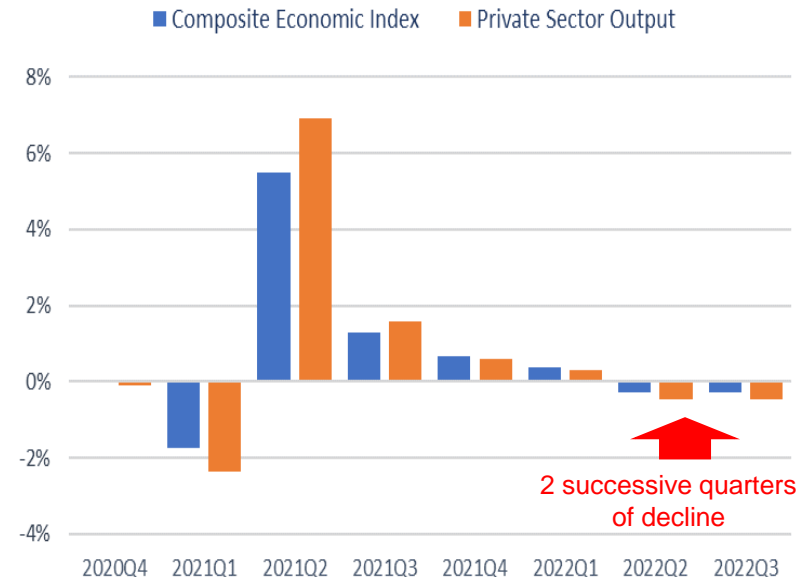
# NI economy recovers... then falls into recession

## NI Economic Output Levels



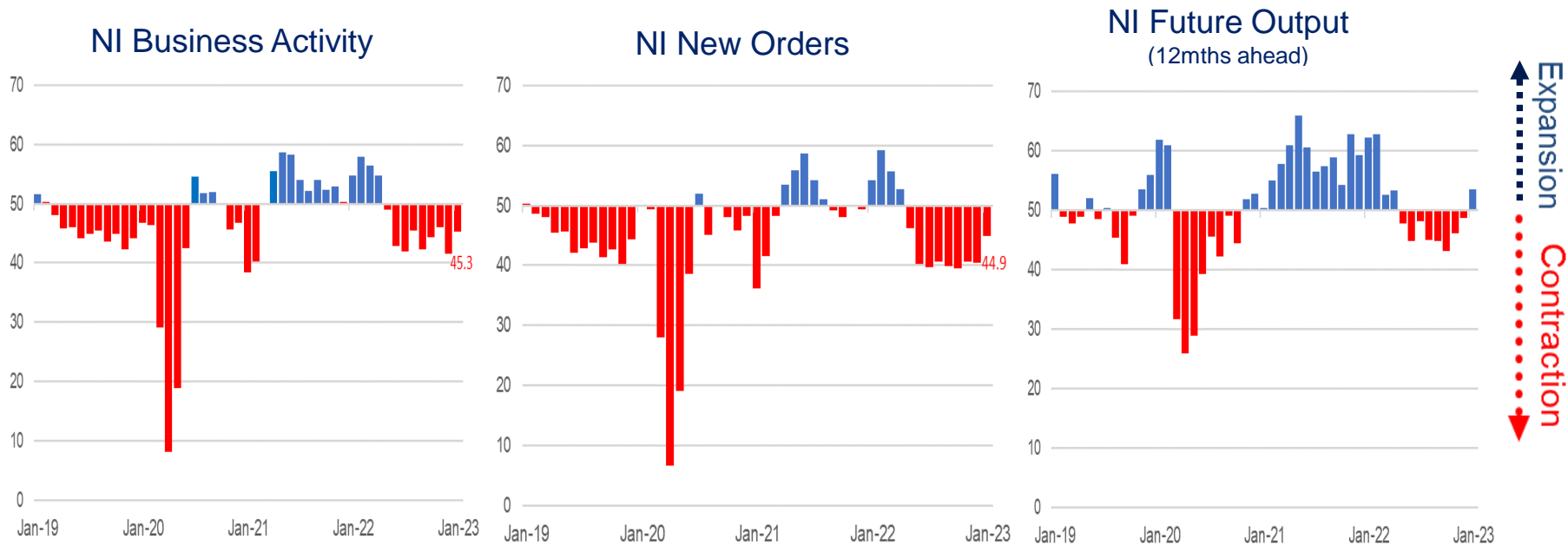
Source: NISRA NICEI

## NI Economic Output Quarter-on-Quarter Growth



Source: NISRA NICEI

# NI's private sector contraction continues



Source: S&P Global & Ulster Bank NI PMI (50.0 = expansion / contraction threshold)

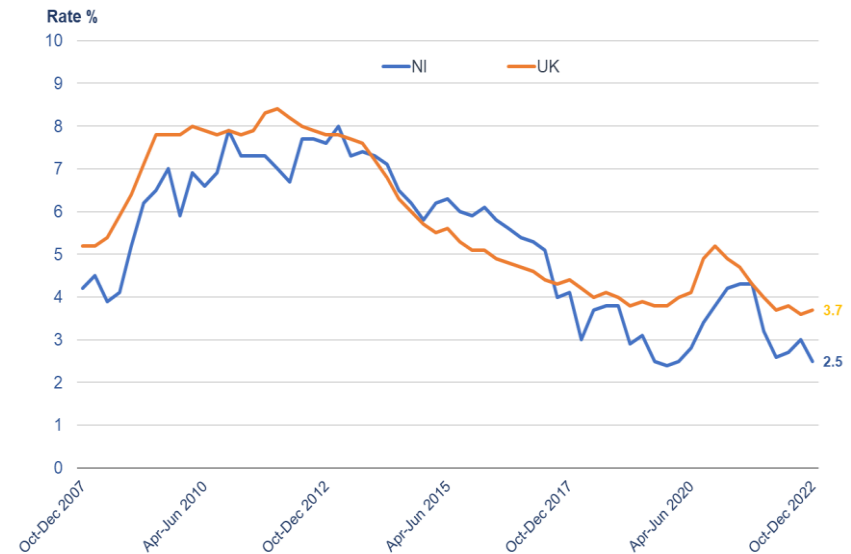
## But labour market never better?

**NI Payrolls - Employees**



Source: HMRC

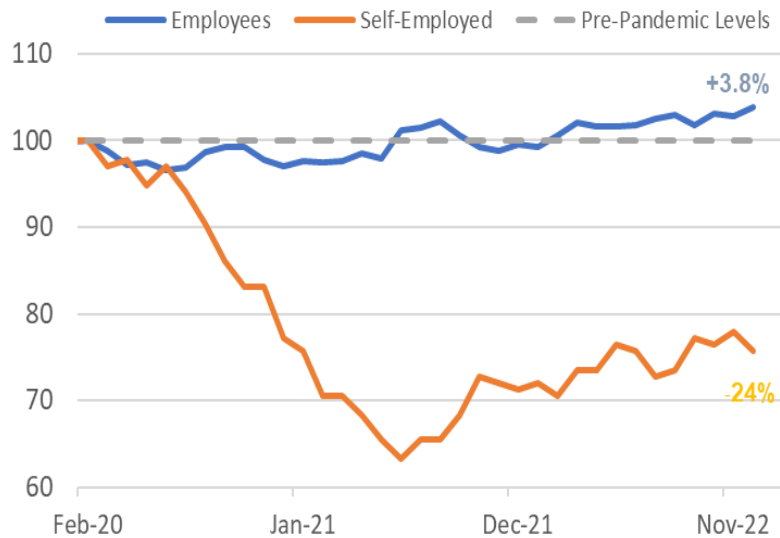
**Unemployment Rate**



Source: NISRA, LFS

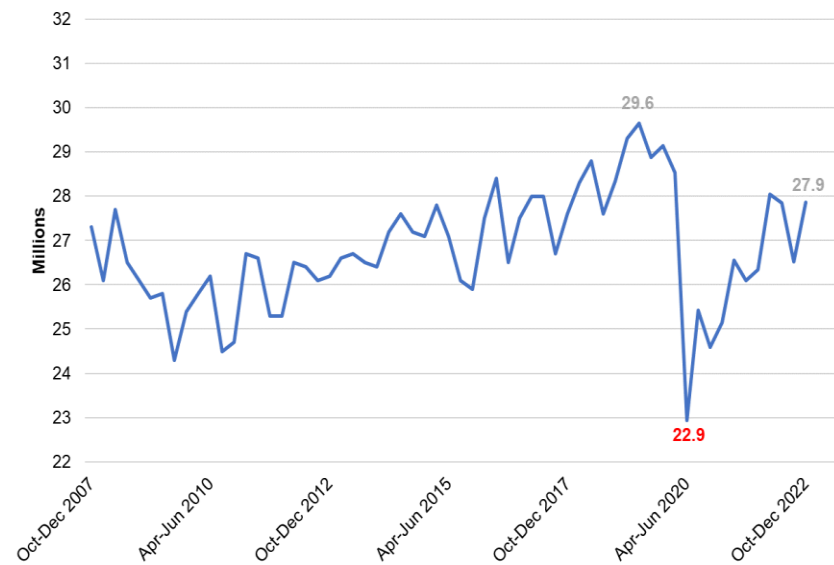
## Or is it?

**NI Labour Force Survey**  
**Index Dec – Feb 2020 = 100**



Source: NISRA, Labour Force Survey

**NI Total Weekly Hours Worked**  
**(Aged 16+)**

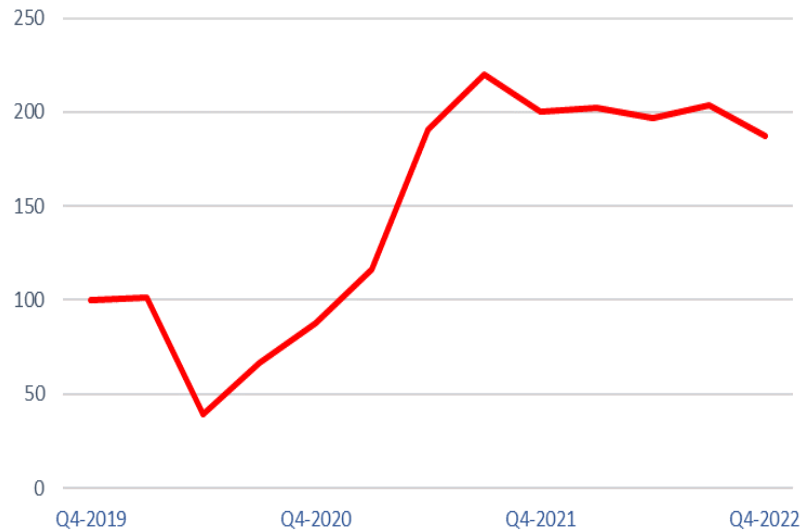


Source: NISRA, LFS

# Hiring & striking on all cylinders

## NIJobs.com Job Vacancies

Index Q4 2019 = 100

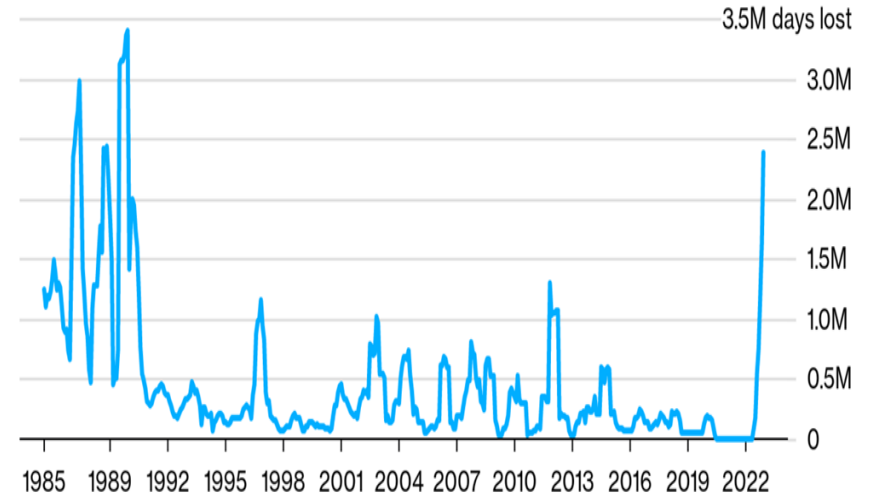


Source: NIJobs.com & Ulster Bank

## Worst Period of Strikes Since 1990

The UK is experiencing its worst wave of strikes in over 30 years

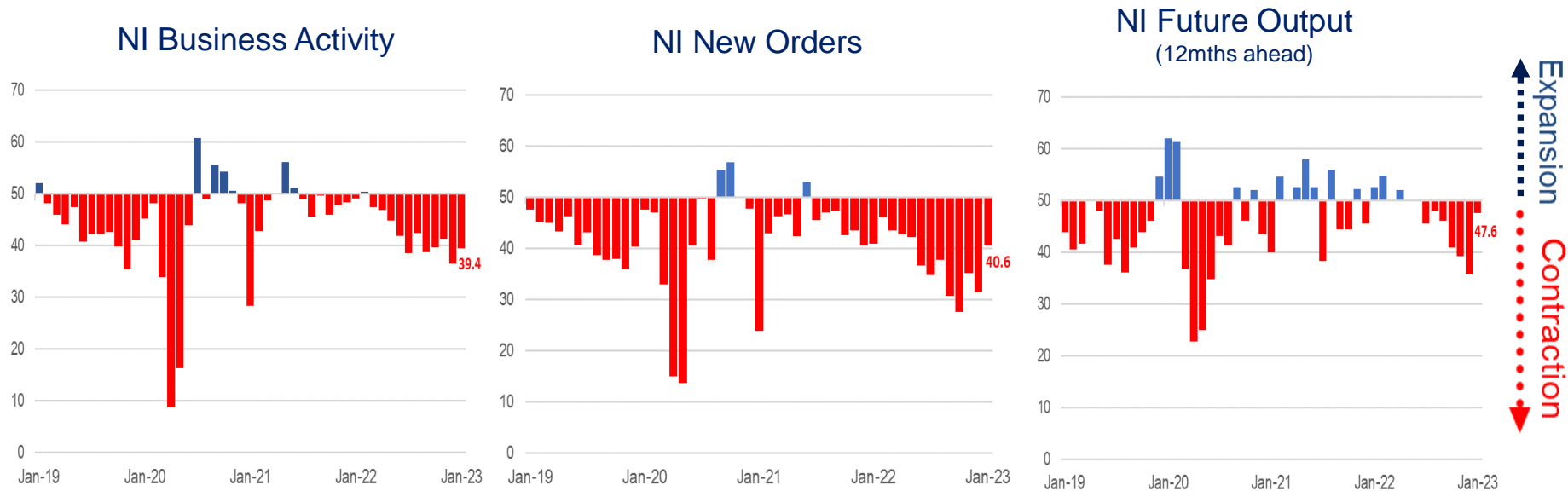
Days lost to strikes for 7 months to date



Source: ONS



# NI's construction industry contracting



Source: S&P Global & Ulster Bank NI PMI (50.0 = expansion / contraction threshold)

...with inflationary pressures high but easing



Source: S&P Global Ulster Bank Northern Ireland PMI February 2023

## State of Construction Sector – CEFNI Survey

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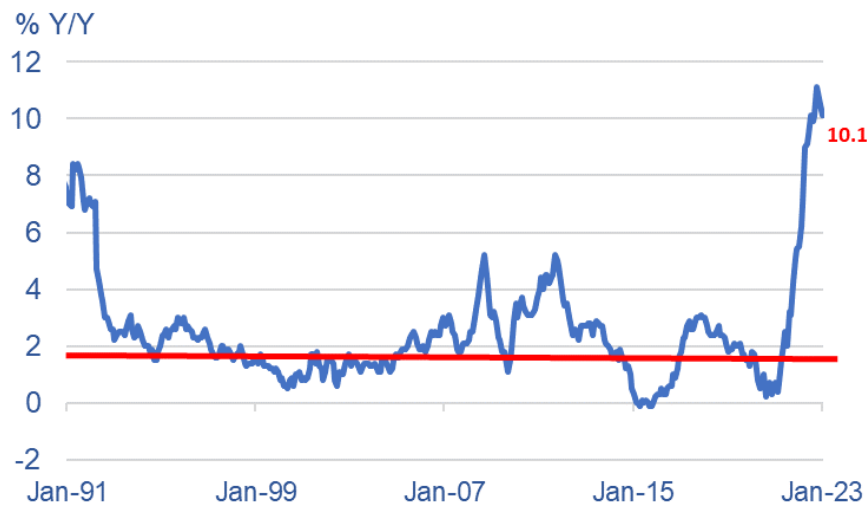
1. **Profit margins 2022** – 50% saw a worsening versus 2021
2. **Turnover** – 62% of firms don't expect an increase in 2023
3. **Capacity constraints** – 2/3rds at or almost full capacity
4. **Materials availability** – 80% of firms say “manageable”
5. **Inflationary pressures** – 63% say still pose serious financial concerns & 85% expect continued rise in material costs
6. **2023 Outlook**
  - 13% see increased opportunities in NI market with 60% expect further falls
  - 4 main challenges
    - Increased cost of materials
    - Inflation
    - Access to skilled labour
    - Political uncertainty / no functioning Executive

Source: CEFNI January 2023

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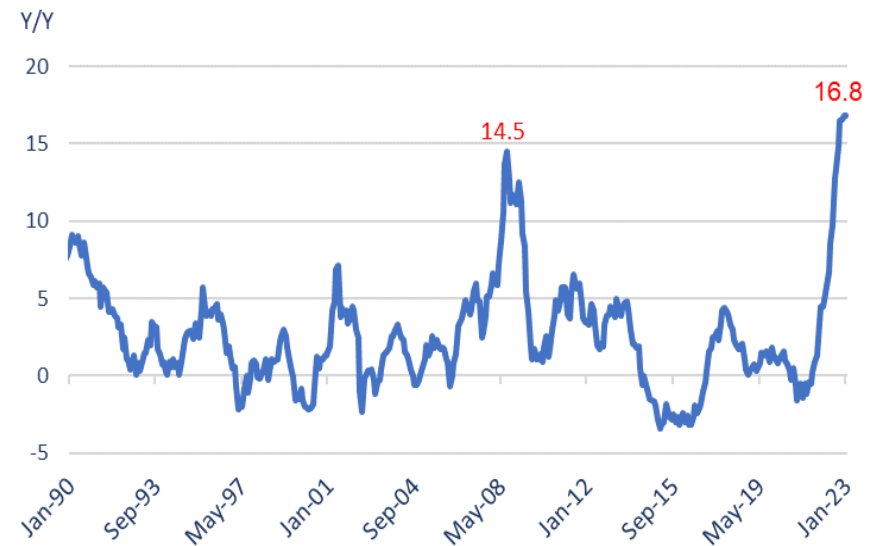
# Cost of living squeeze continues

UK CPI Inflation – eases from 41-yr high



Source: ONS UK CPI

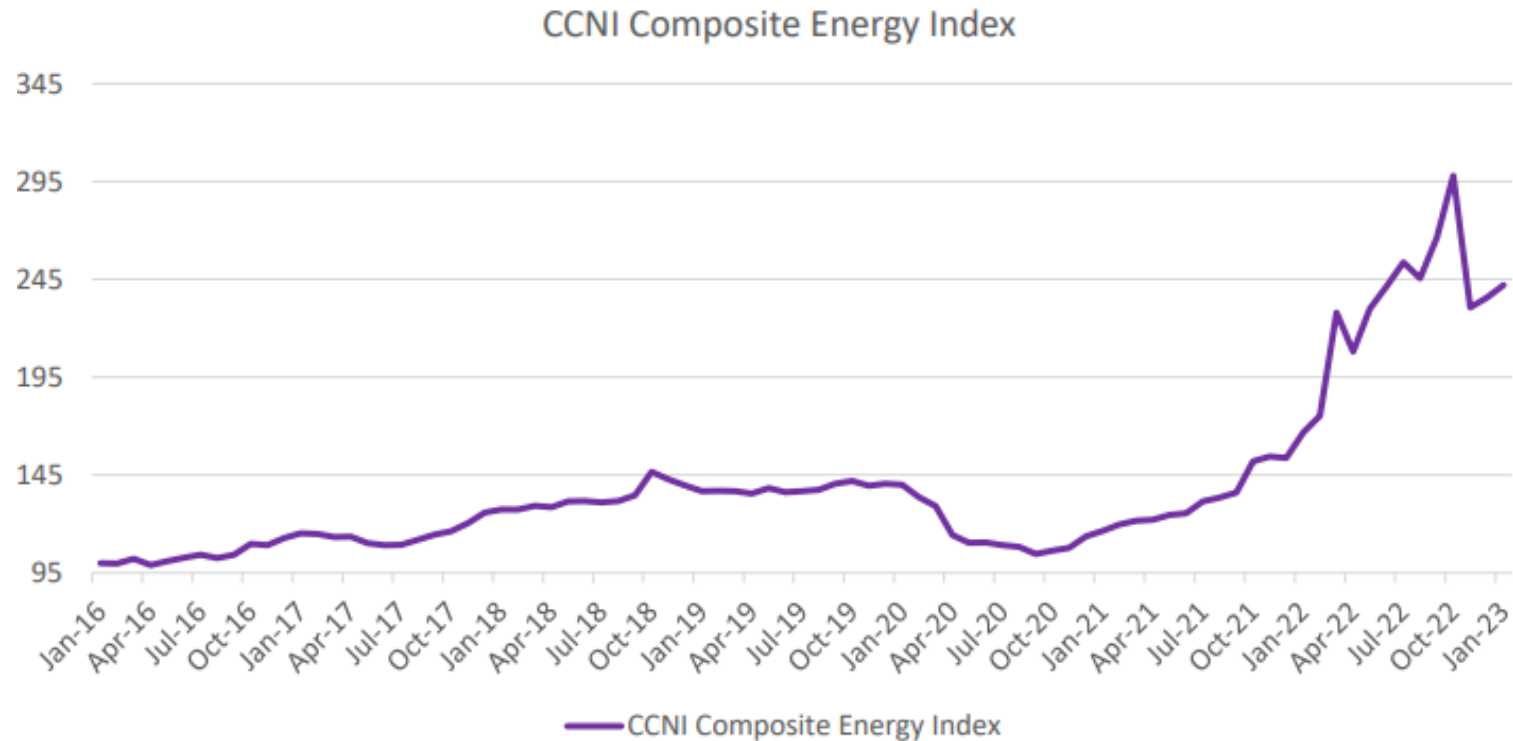
UK Food Price Inflation



Source: ONS

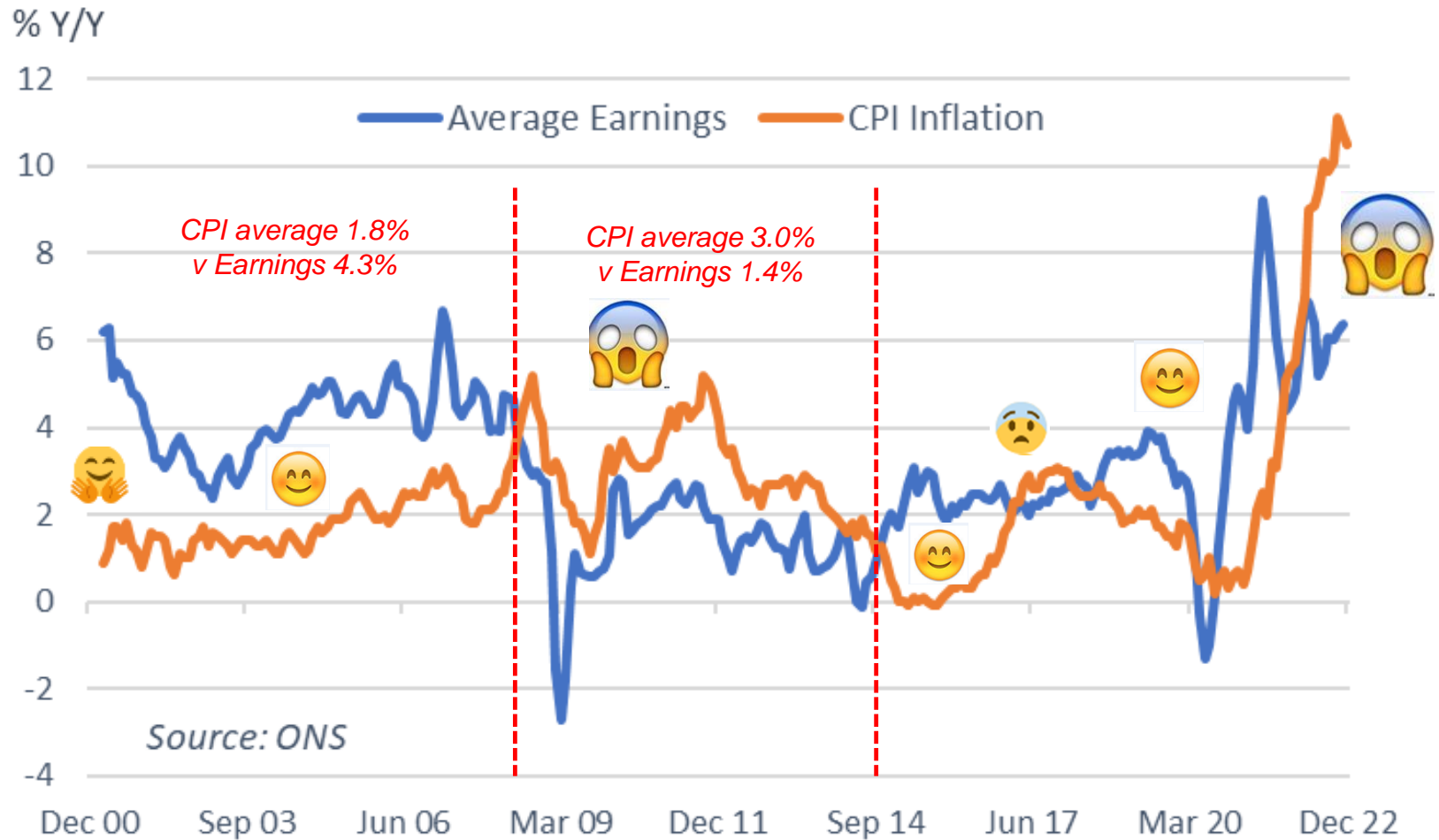
# NI energy bills expected to stay higher than normal

**Figure 1: Home Energy Index (composite of electricity, gas and HHO) for Northern Ireland (January 2016 – January 2023). \*Incorporating the EPG**

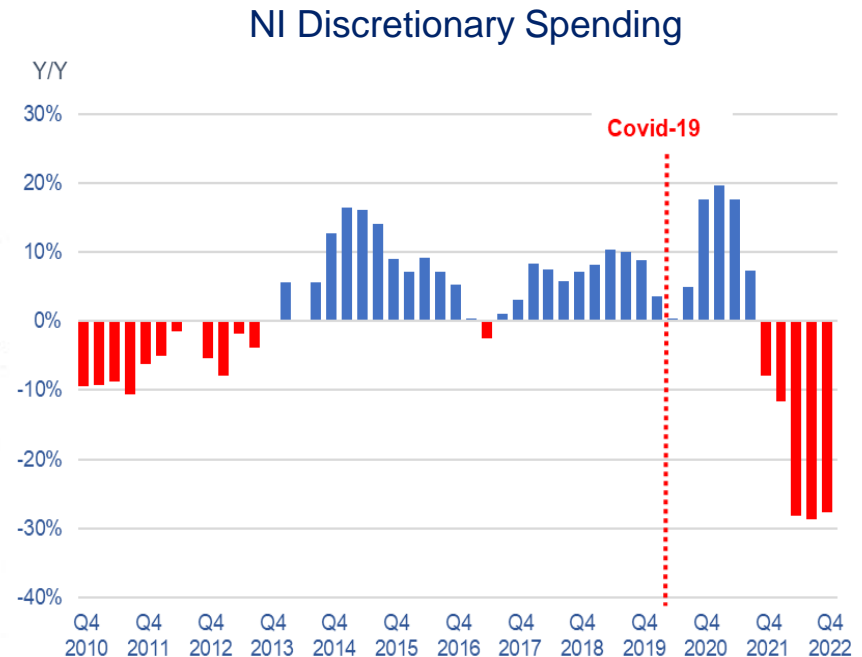


Source: Consumer Council Composite Energy Index

# UK Annual Earnings Growth versus CPI inflation

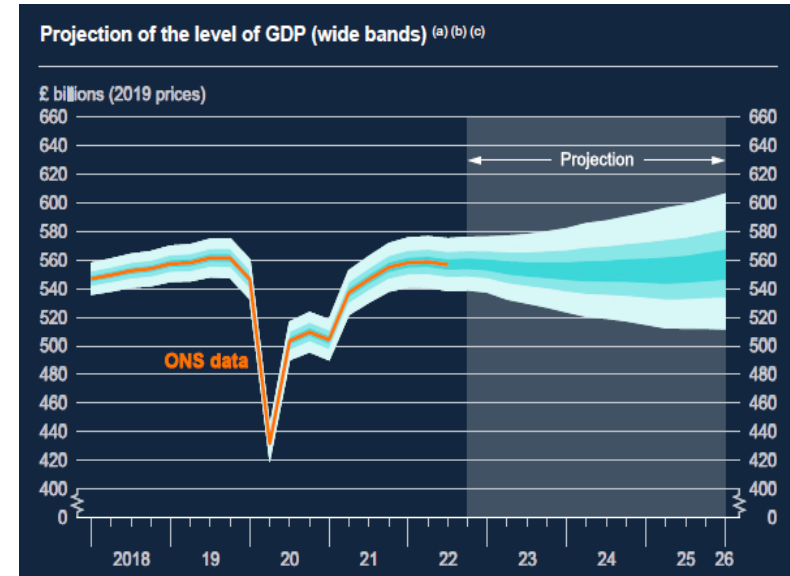
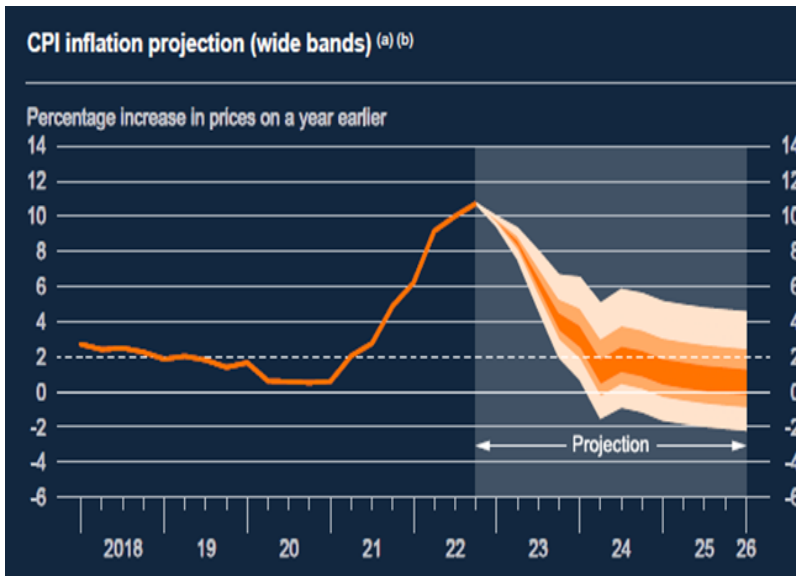


# Cost of living squeeze increasingly evident



Source: Asda Income Tracker, CEBR

# Inflation outlook promising – but dire growth outlook



Source: BoE 2<sup>nd</sup> February 2023 – based on market rates assumption

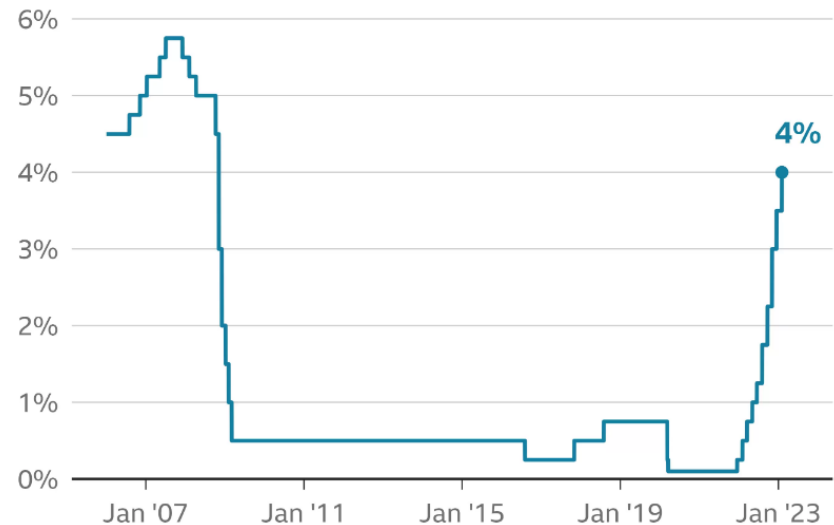


## Bank of England MPC Decision 2<sup>nd</sup> February 2023

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1. **Bank Rate hiked to 4.0% from 3.5%**
2. **10<sup>th</sup> successive rise and highest since October 2008**
3. **Vote was 7 (50bps hike) versus 2 (no change)**
4. **Interest Rate Peak in sight?**

Interest rates rise to 4%



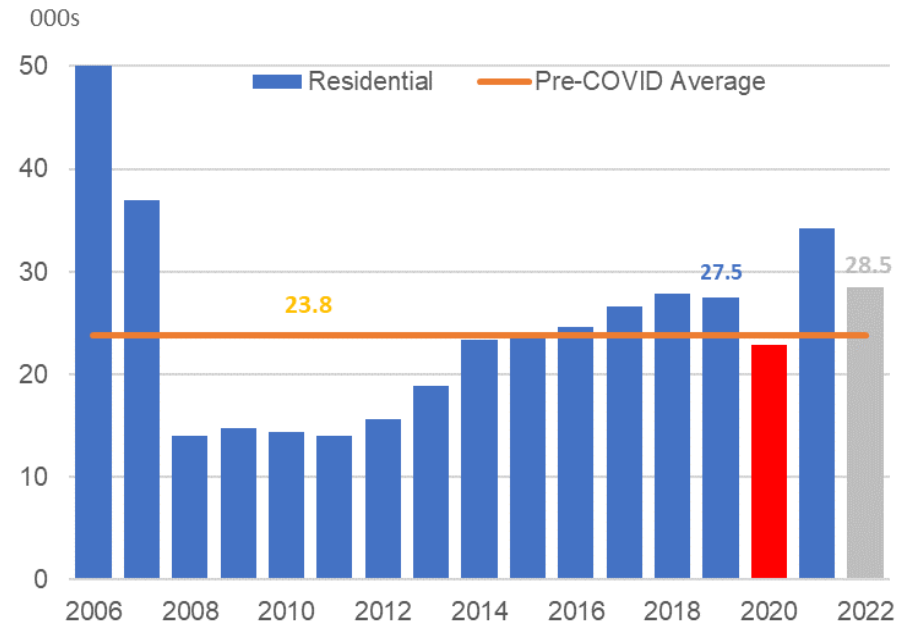
# Affordability will hit housing activity...

**NI Residential Property Price Index**



Source: NISRA, RPPI

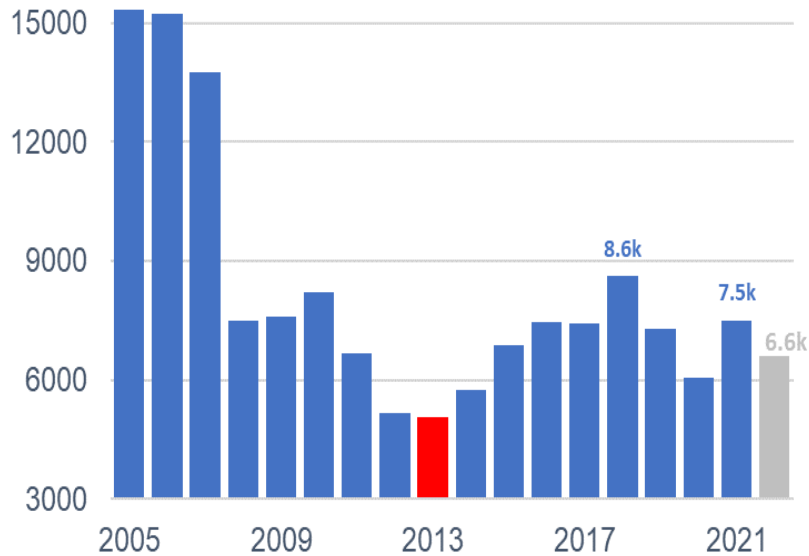
**NI Residential Transactions**



Source: HMRC

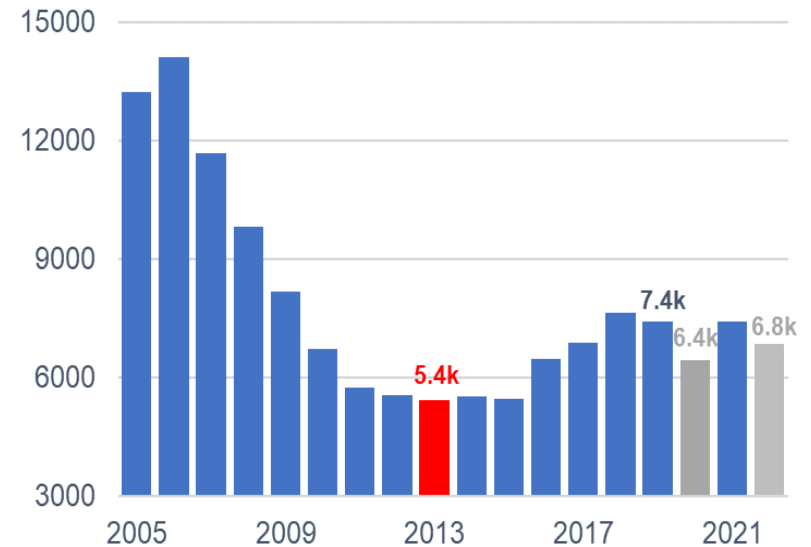
...with housing supply set to fall further

**NI Housing Starts  
Annual**



Source: NISRA, LPS

**NI Housing Completions  
Annual**



Source: NISRA, LPS

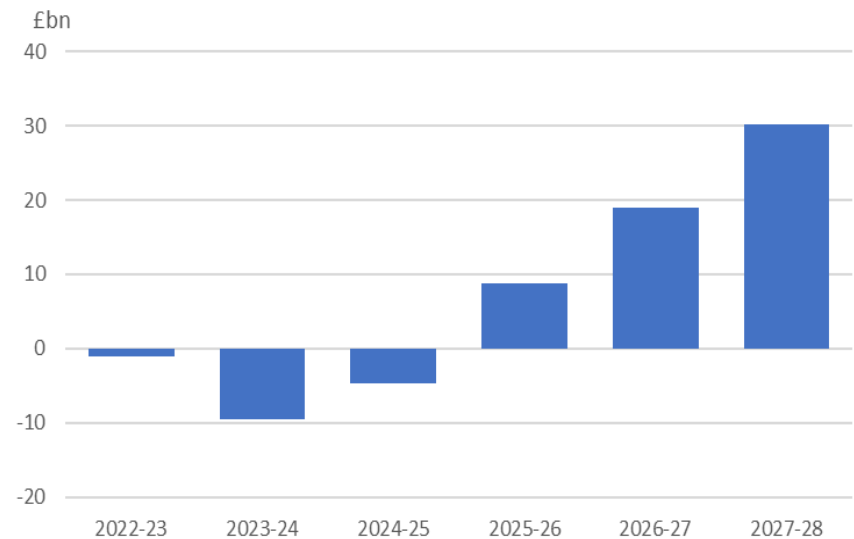
## Spend now, cut later

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Source: @Cartoon4sale

UK Public Spending Cuts

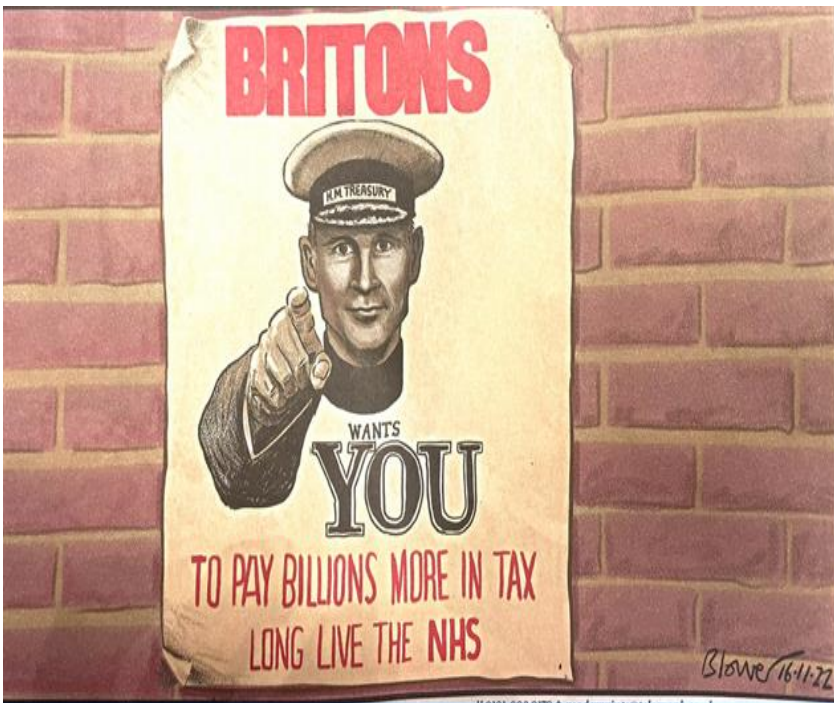


Source: HMT Autumn Statement November 2022

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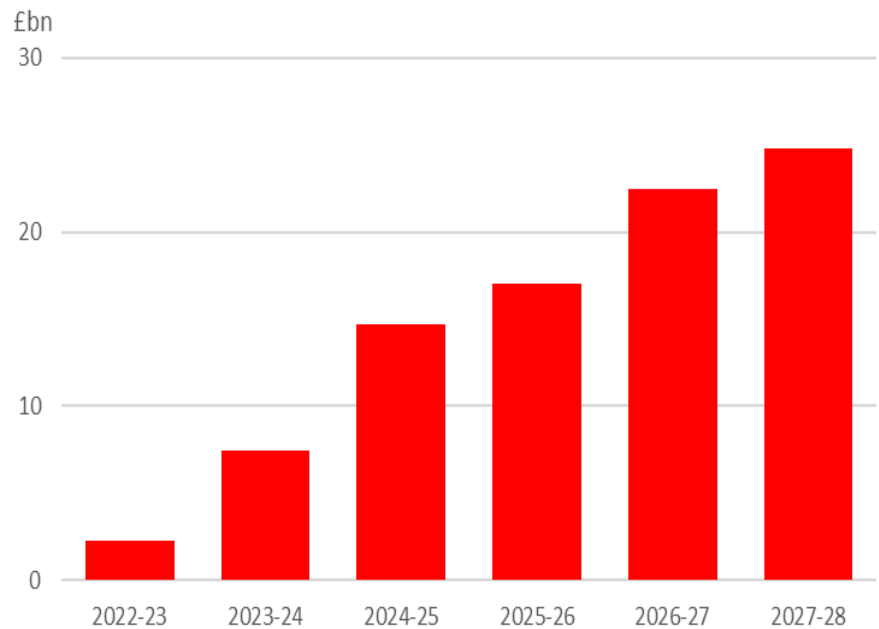
## Tax now...and even more later

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Source: @Cartoon4sale

UK Tax Increases

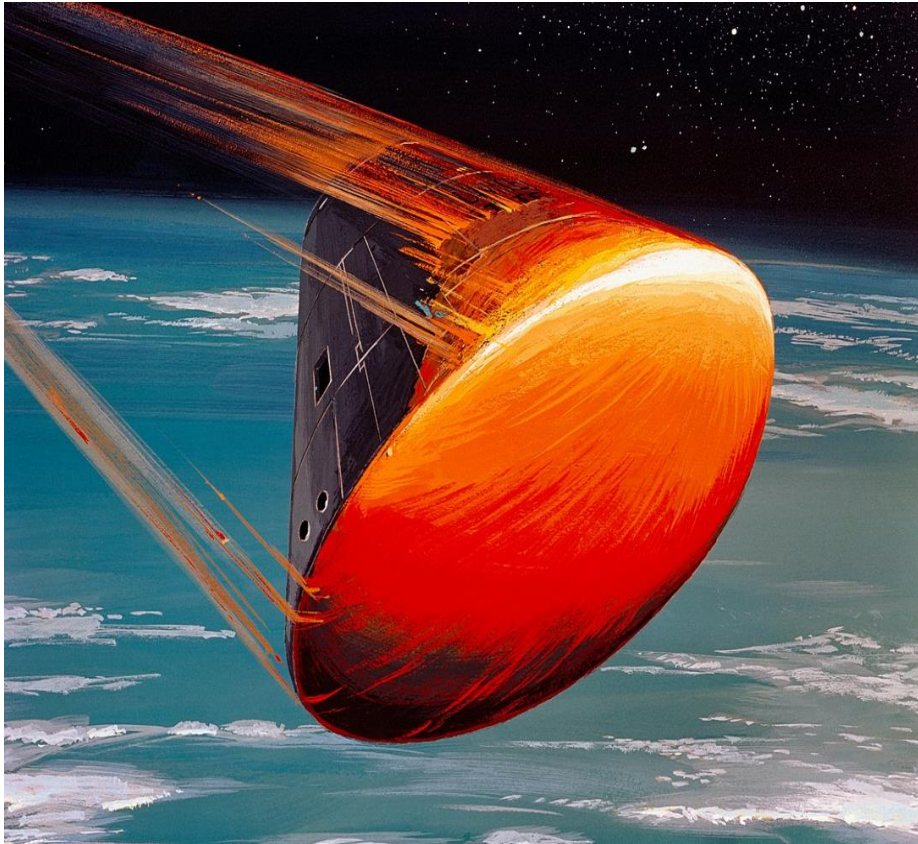


Source: HMT Autumn Statement November 2022

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## Entering an old / new atmosphere

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- Higher interest rates
  - Low growth world
  - Austerity 2.0?
  - High cost world
  - Deglobalisation / Geopolitics
  - Climate Change
  - Always winners & losers
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