



Economic context and prospects

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Agenda

- **Part 1: Economic Overview**
 - The outlook- austerity still a concern
 - NI growing with a healthy variety but will it cope with the pressures?
- **Part 2: Skills**
 - NI Skills Barometer
- **Part 3: Wrap up**
 - Takeaways
 - Critical Challenges



Economic Overview

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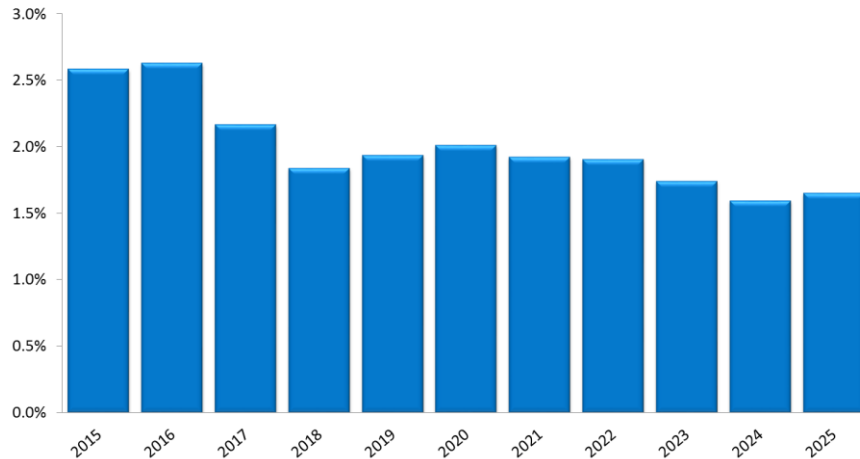
Risks about...



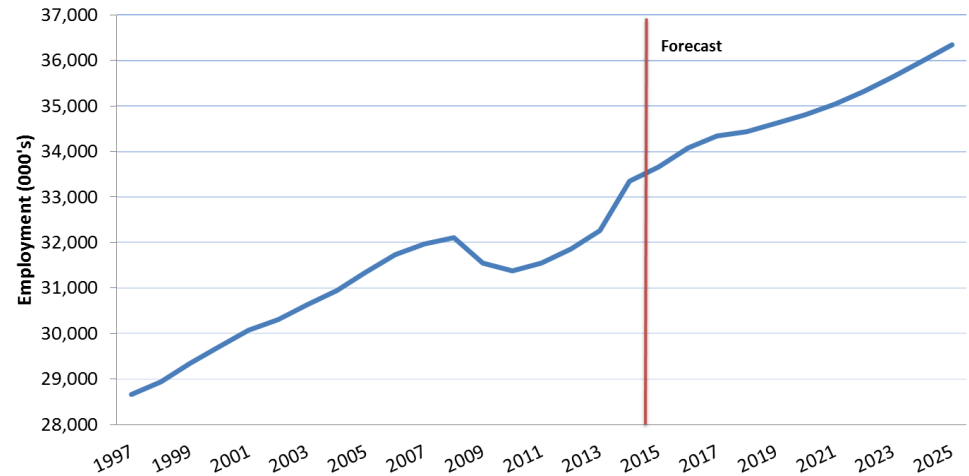
The Outlook for UK- Austerity a factor

	United Kingdom forecast					
	2015	2016	2017	2018	2019	2020
GVA (% p.a.)	2.6%	2.6%	2.2%	1.8%	1.9%	2.0%
Employment (000's)	324	417	256	100	184	187

Real GVA growth rate, UK, 2015-2025



Employment, UK, 1997-2025




Factors influencing UK economic outlook:

- Weakening trade outlook (China et al)
- UK consumer dependence
- Government cuts
- Possible interest rate rises
- Low interest rates, pay rises and weak dollar have boosted domestic economy

Autumn statement a U-turn?

- Surprising shift in Chancellor's plans. Softening austerity, moving to tax increases and no tax credit removal (yet)
- All the figures depend on the 2.4% outturn for UK economy (which is assumed by OBR) so don't count on this being the final word!
- For NI this means basically flat cash for departmental spend (Actually a small increase) meaning cost control vital
- More capital spend and no need to earmark money to offset tax credit effects of the budget

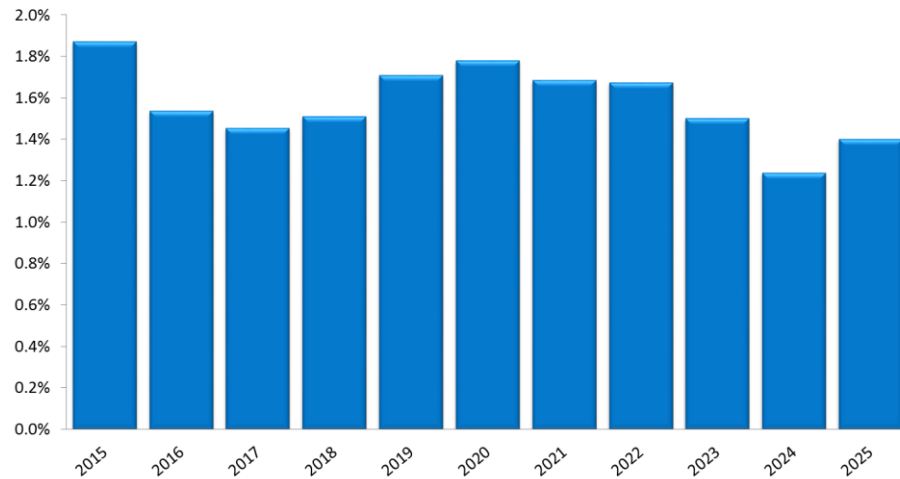
NI indicators pointing in the right direction (mainly)

	Change on quarter	Change on year
 GVA 2014		↑
Employee Jobs	↑	↑
Self Employment	↓	↑
Unemployment	↑	↓
Economic Inactivity	↑	↑
House Prices	↑	↑
Skills - NVQ 4+ (2014)		↑
Business Start-Ups 2013		↑
Exports		↓
Redundancies	↓	↓
Tourism	↓	↑
Composite Economic Index	↑	↑
Index Production	↓	↑
Index Services	↑	↑
BERD/HERD/GOVERD 2013	↑	↑
Car sales	↑	↑
PMI:Employment	↑	↑
PMI:New Business	↑	↑
PMI:Output	↑	↑

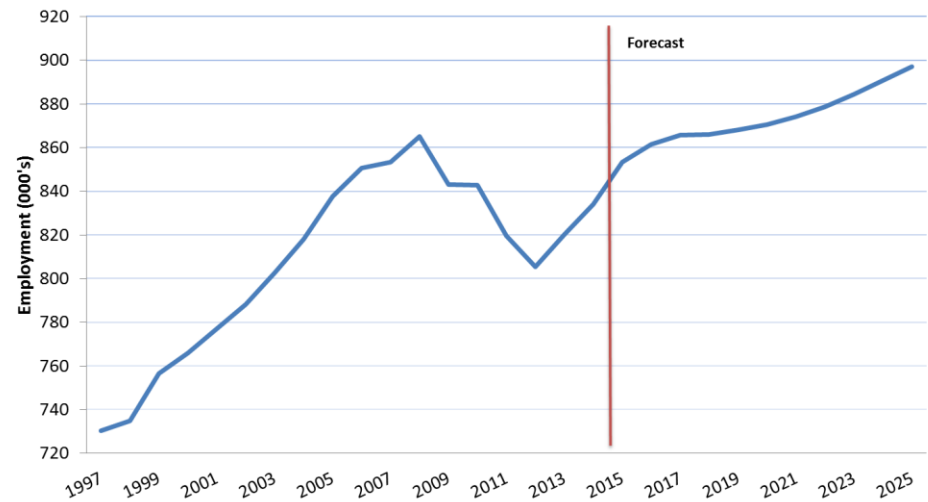
But outlook suggests a tough road

	Northern Ireland forecast					
	2015	2016	2017	2018	2019	2020
GVA (% p.a.)	1.9%	1.5%	1.5%	1.5%	1.7%	1.8%
Employment (000's)	19	8	4	0	2	2

Real GVA growth rate, NI, 2015-2025

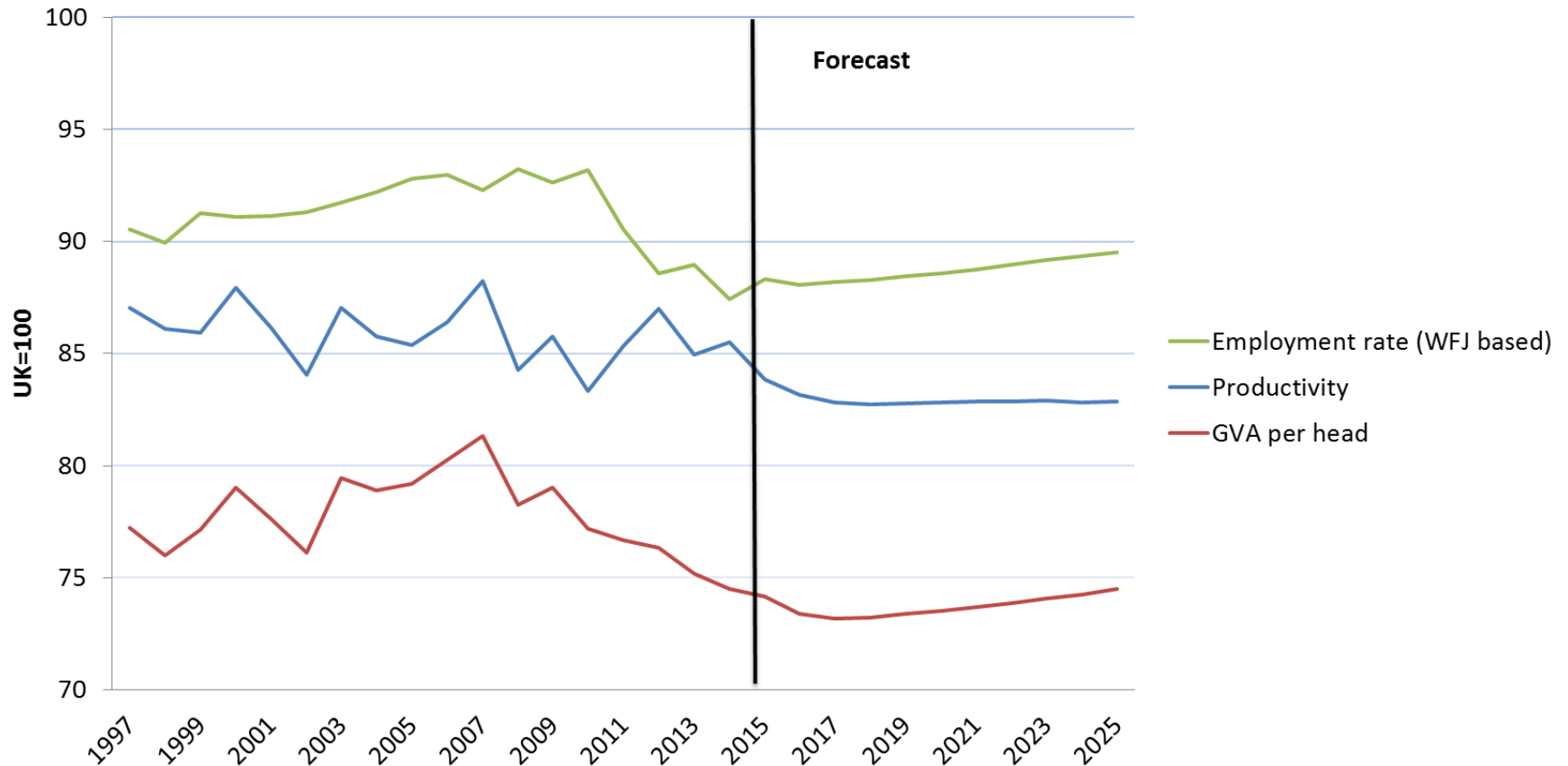


Employment, NI, 1997-2025



Leaving fundamentals entrenched

Relativities, NI vs. UK, 1997-2025 (UK=100)



Labour market has begun to pick up

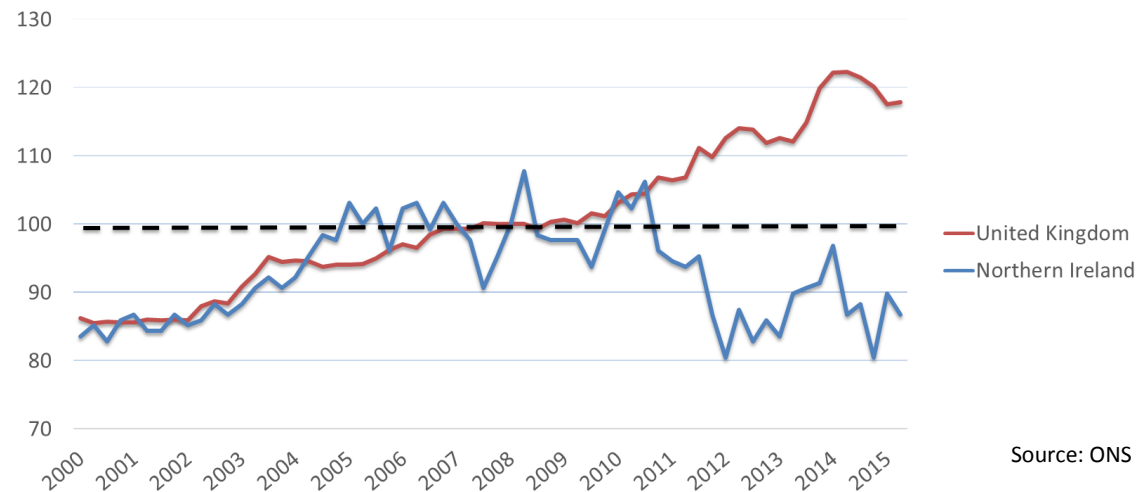
Workforce jobs index, NI & UK, 2000-2015 (2008=100)



- **NI employment:** 25,000 jobs shy of peak levels in 08
- **UK employment:** 1.5M jobs above peak levels in 08

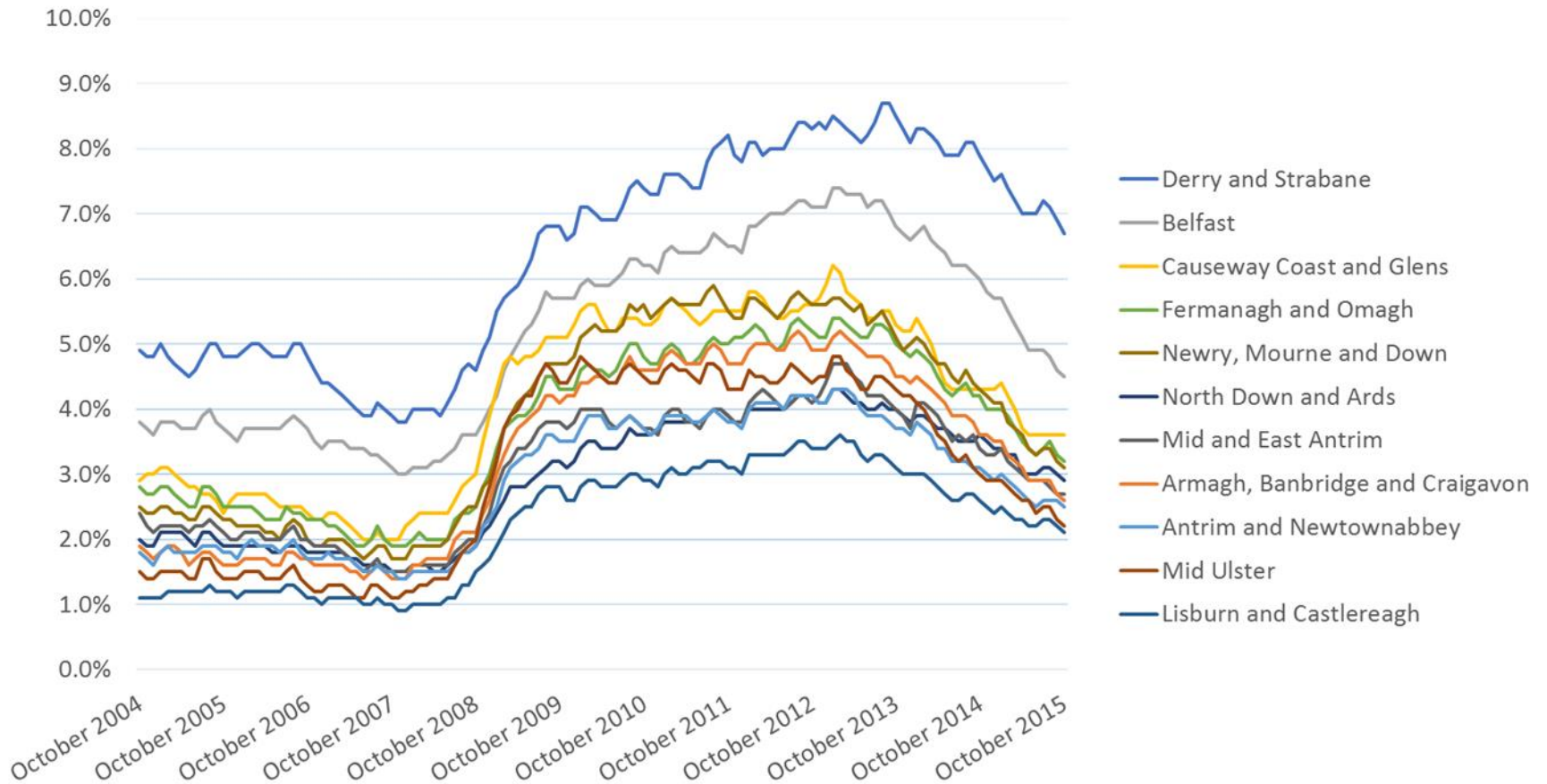
- **NI self-employment:** 17,000 jobs shy of peak levels in 08
- **UK employment:** 665,000 jobs above peak levels in 08

Self employment index, NI & UK, 2000-2015 (2008=100)



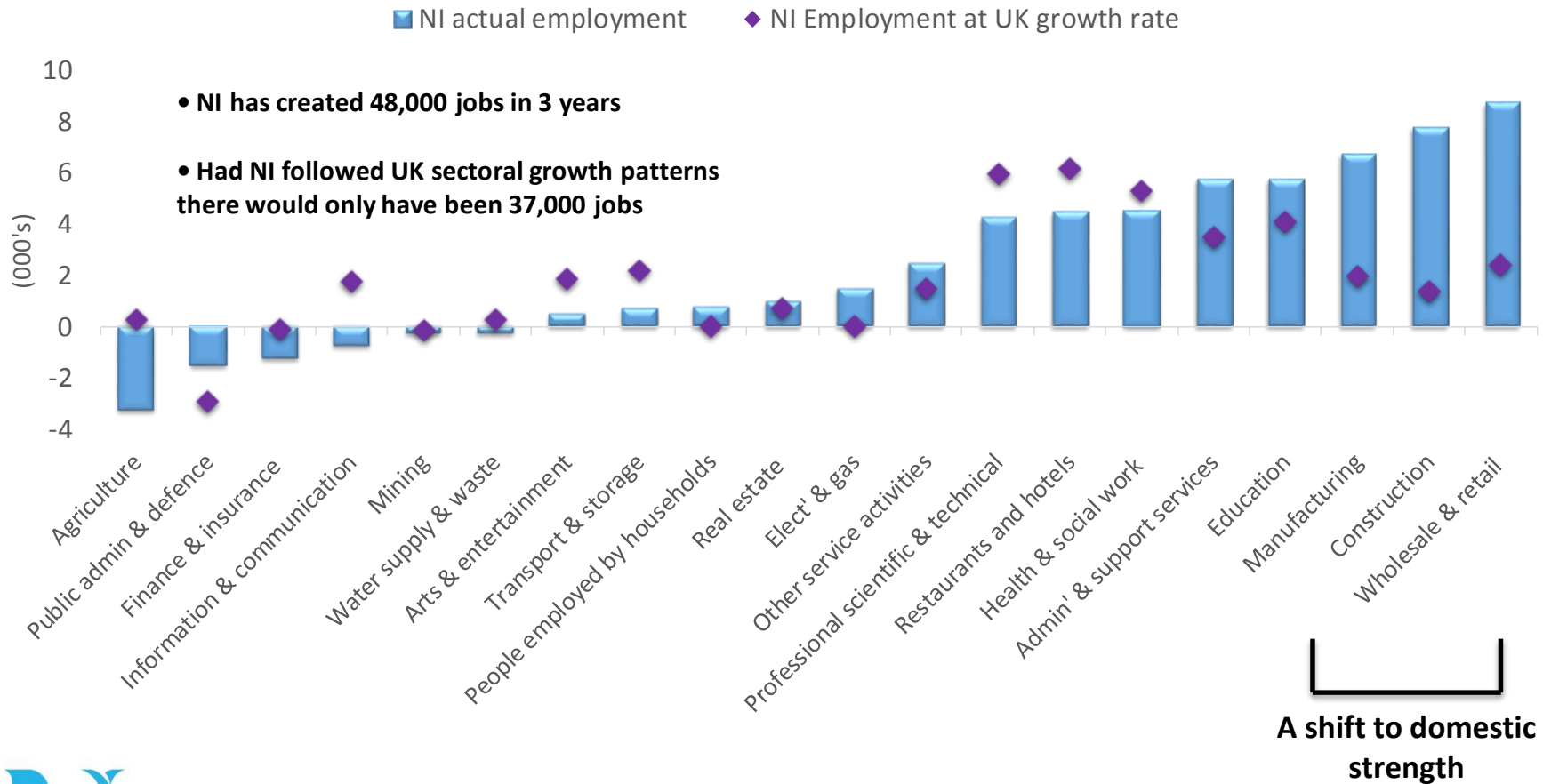
labour market improved in all areas

% 16-64 pop claiming JSA, NI LGD's, 2004-2015 (resident based)



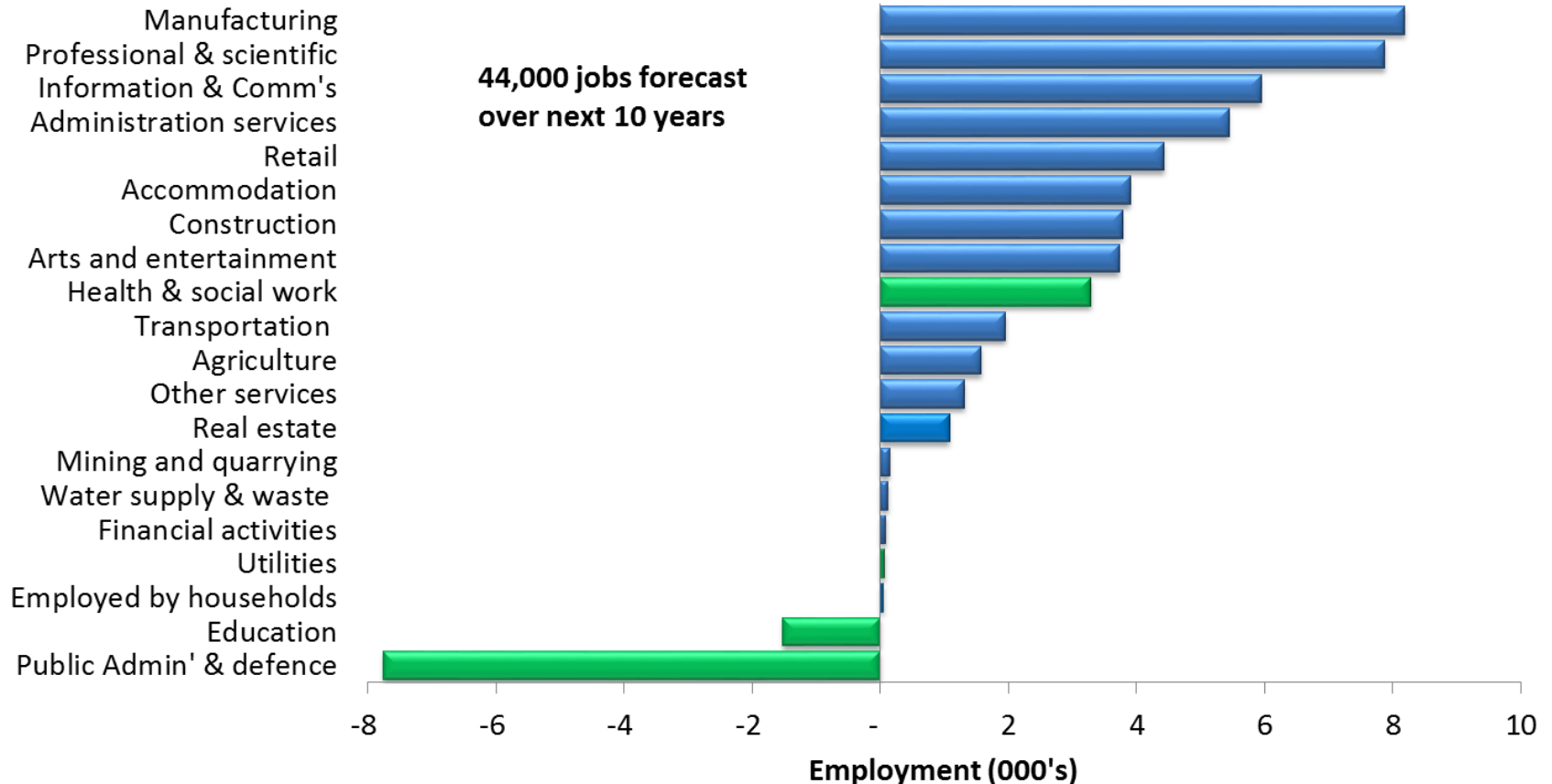
NI labour market was hit harder, but is climbing faster

Employment change, NI, 2012-15



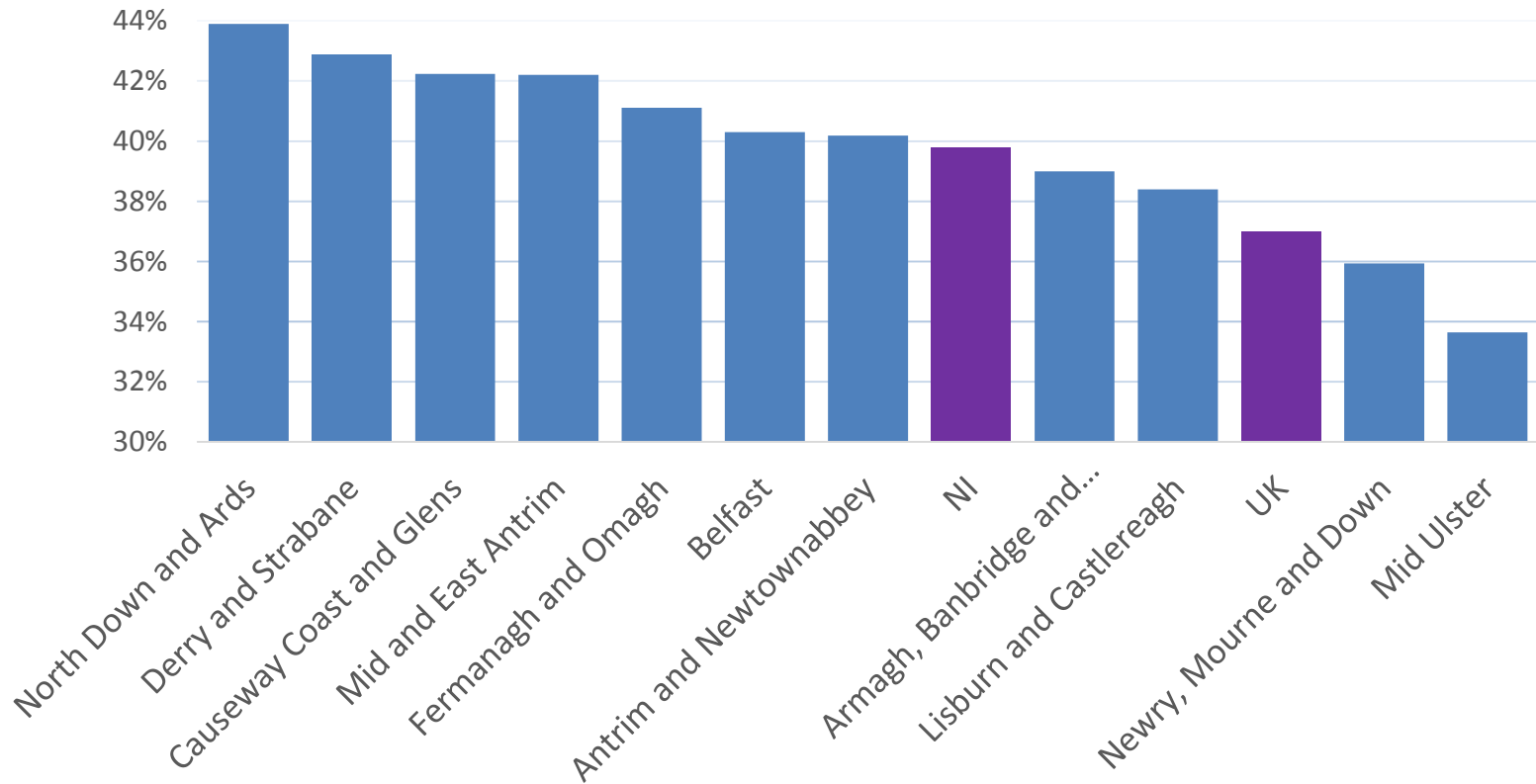
But the cuts will hurt...

Employment change by sector, NI, 2015-25



Inactivity remains a problem

Economic inactivity rate (% 16+ population), NI LGD's, 2014



...can the private sector cope?

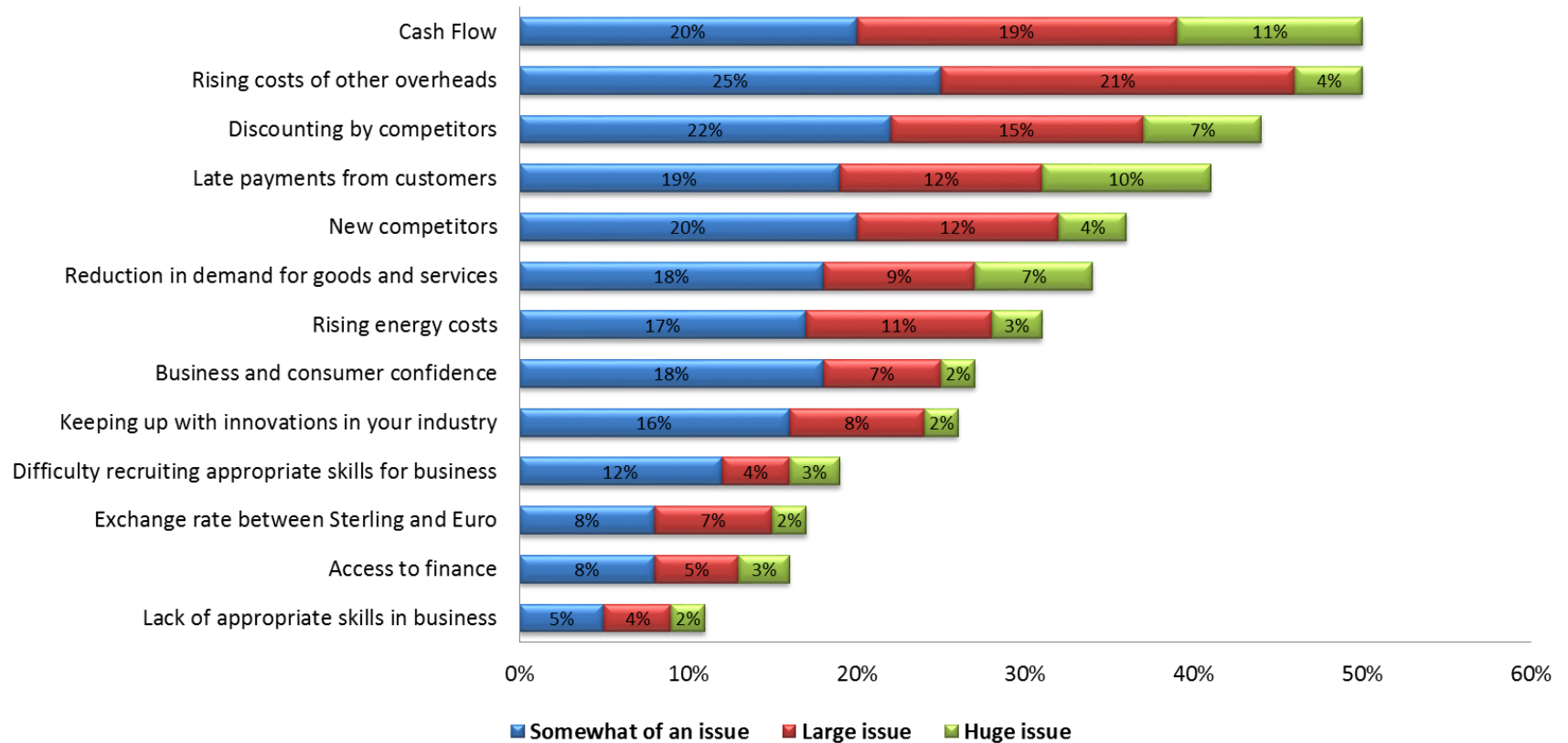
Current position of business, NI, Q3 2015



- Winding down
- Survival at all costs
- Reducing/contraction
- Stablisng
- Slight growth/expansion
- Rapid/moderate expansion

Costs are still a major concern

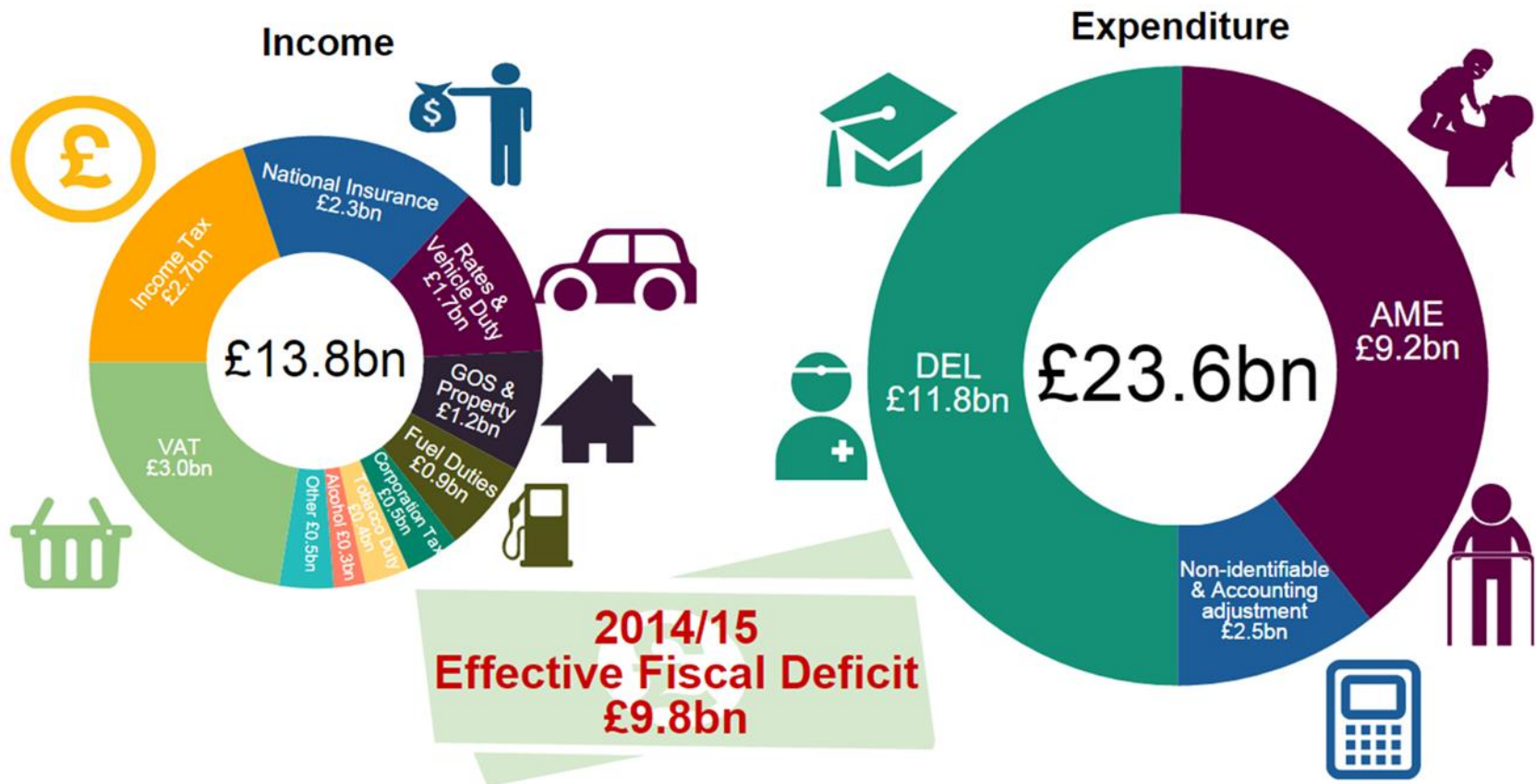
Key challenges for NI businesses, Q3 2015



A Fresh Start?

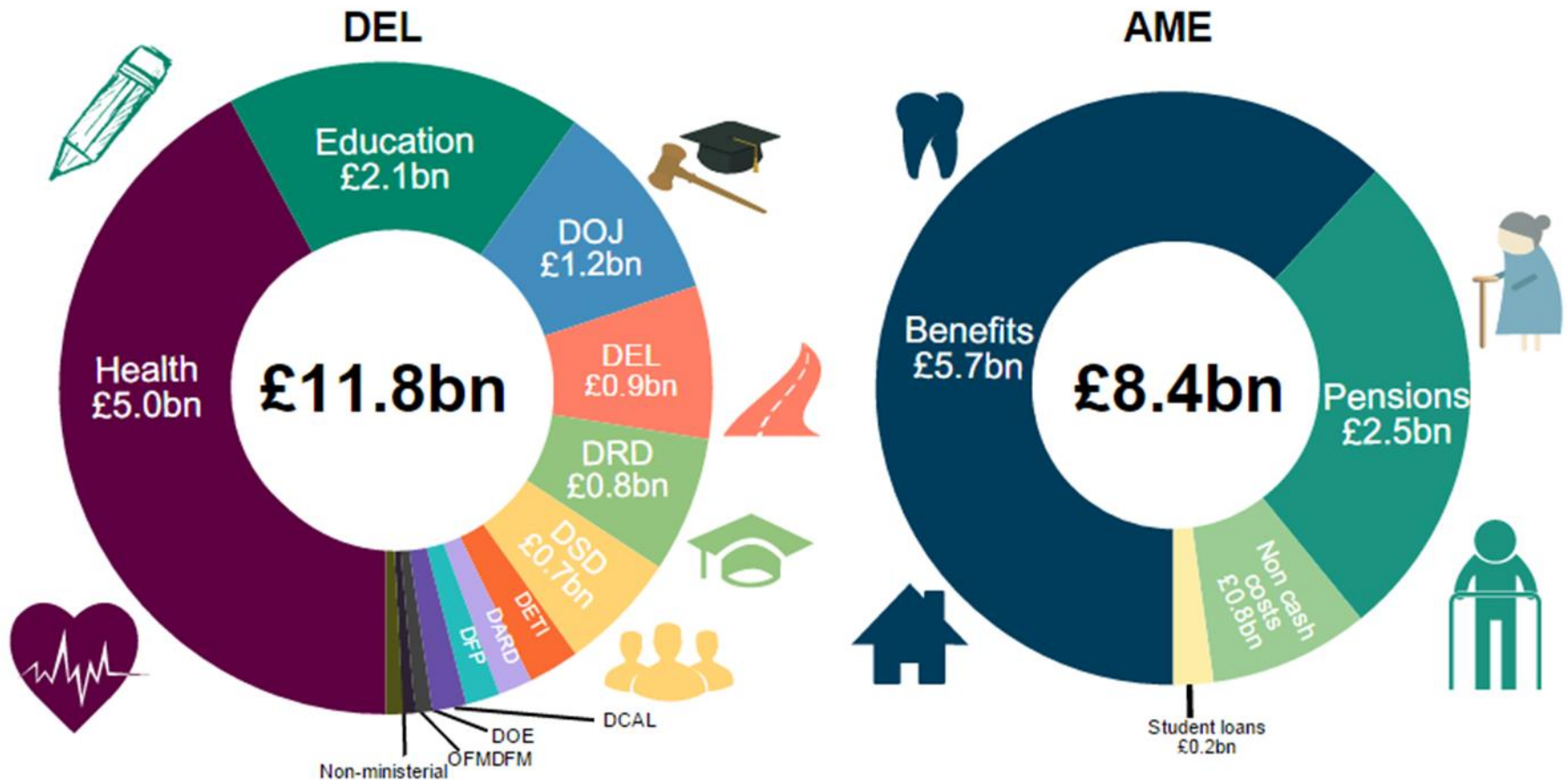
- Fresh start agreement encouraging, after a frustrating wait
- Not huge extra general money – most earmarked for specific ‘division’ measures
- Confirmation of Corporation Tax reduction in 2018 to 12.5% (though who pays still unanswered)
- But some important points – sharing savings on benefit fraud, establishing a fiscal council, end of welfare penalties
- Some sense of ‘last chance’ feeling. A grasping of the need to change and that Treasury are no longer listening to the ‘special case’ argument in a general sense
- The big challenge is now – hospital system, water charges, rates system, education and policing, housing – all tough decisions that have got to be made soon.

Latest fiscal data highlights the big debate



Source: HMRC, NI Executive, PESA

25% of NI's total expenditure on benefits



Source: NI Executive (2015-16)

Note: Figures may not sum due to rounding



Skills

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NI Skills Barometer

Identify demand and supply factors

Demand side indicators

- Demand for jobs (by industry and occupation)
 - Expansion demand
 - Replacement demand
- Demand for skills
 - Current and Projected skills mix
 - HE and FE skills (by subject area and NQF level)

Plan for high growth

Supply side indicators

- Supply of people
 - Demographics (by industry and occupation)
 - Immigration
- Supply of HE and FE skills (by subject area and NQF level)
 - Attainment

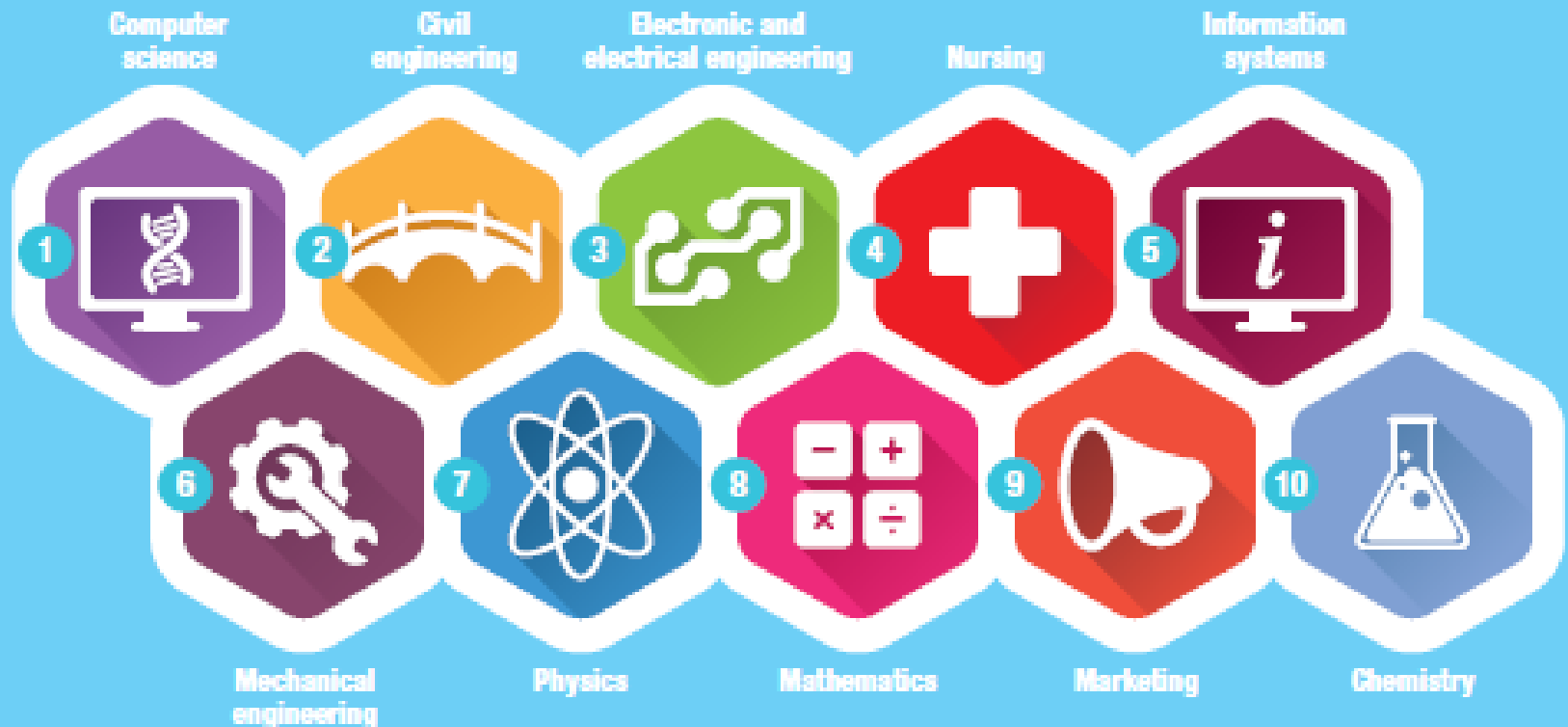
Supply/ Demand (im)balance

- Identify the annual average supply gap
 - by HE (JACS) and FE (SSA)
 - by NQF Level

Subjects in Demand

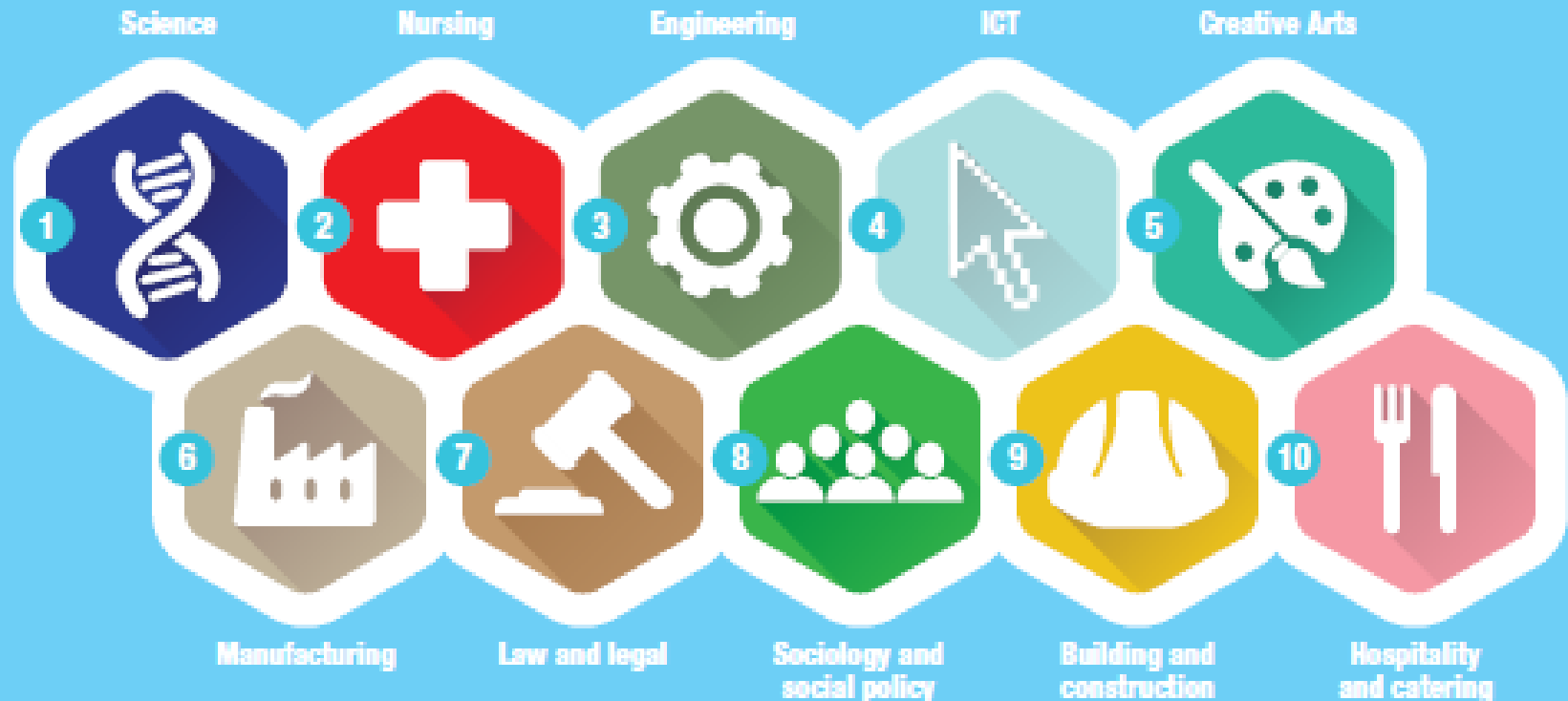
STEM related subjects will be in most demand reflecting the anticipated growth in the ICT, professional services and advanced manufacturing sectors. STEM qualifications will also be demanded by a wider range of sectors across the economy.

More graduates are needed in the following subject areas:



Subjects in Demand

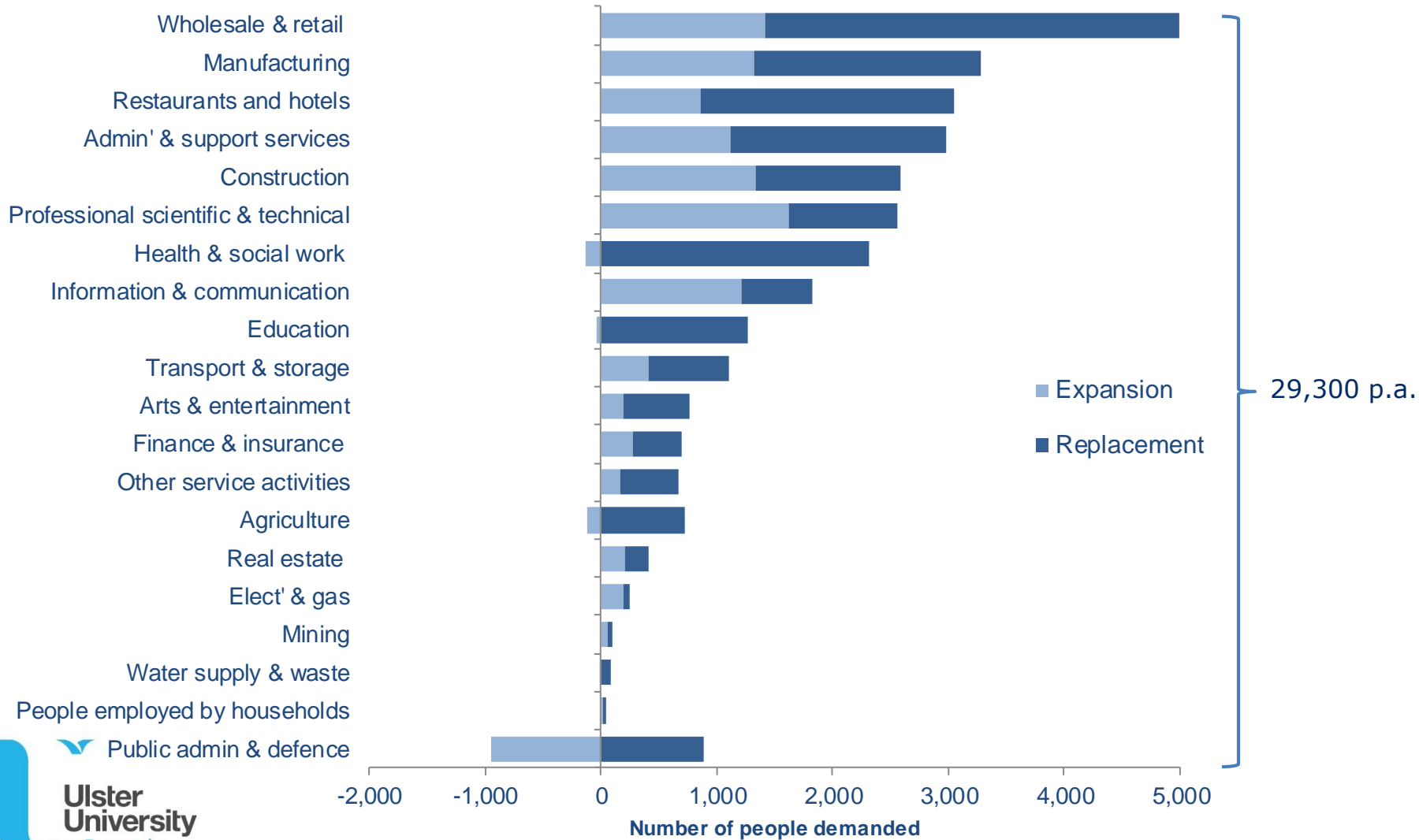
Our economy needs more people with Foundation Degree Level / Higher Level Apprenticeship qualifications in:



The subjects are listed in priority order of demand.

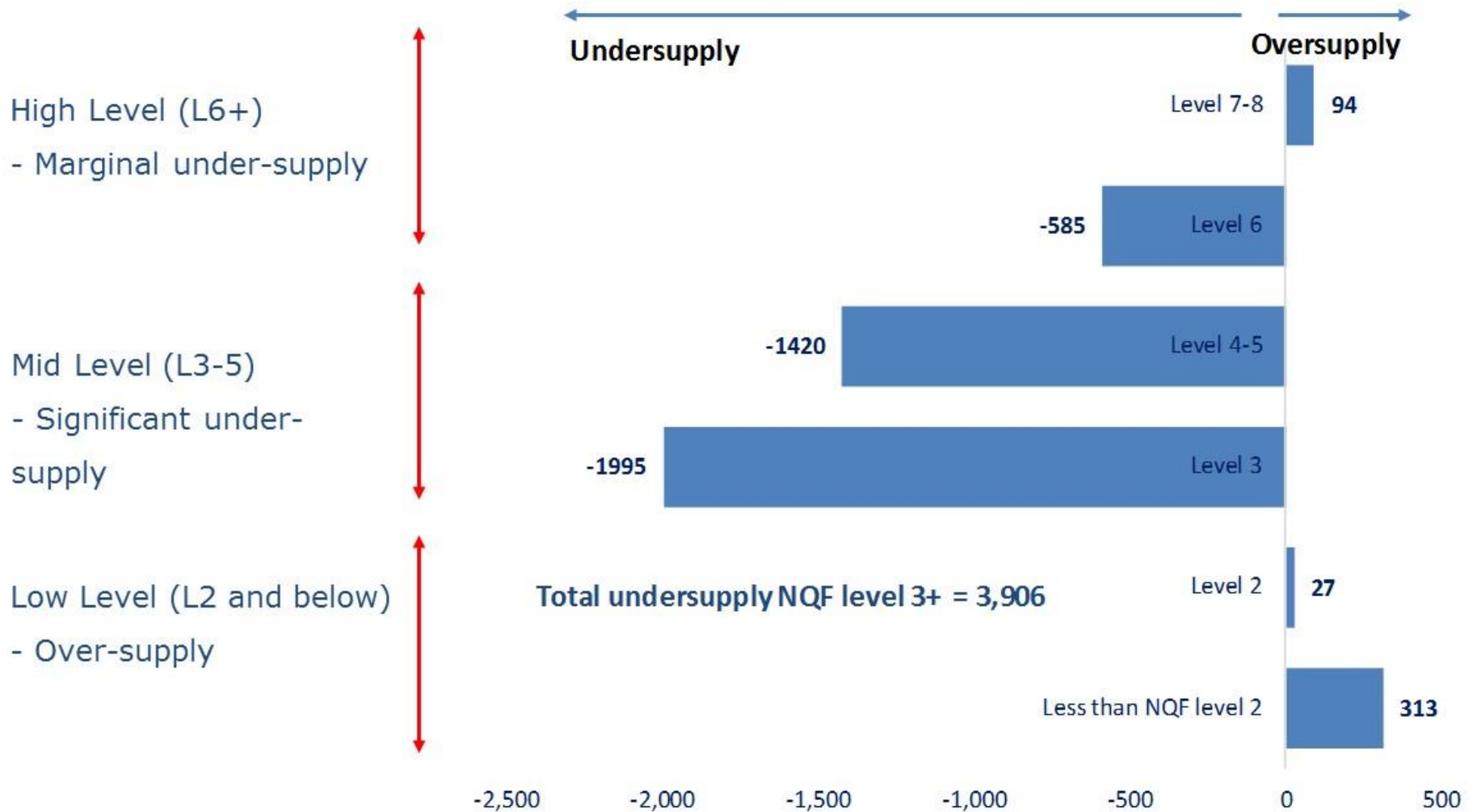
Demand by industry sector

Annual average net requirement (2015-25)



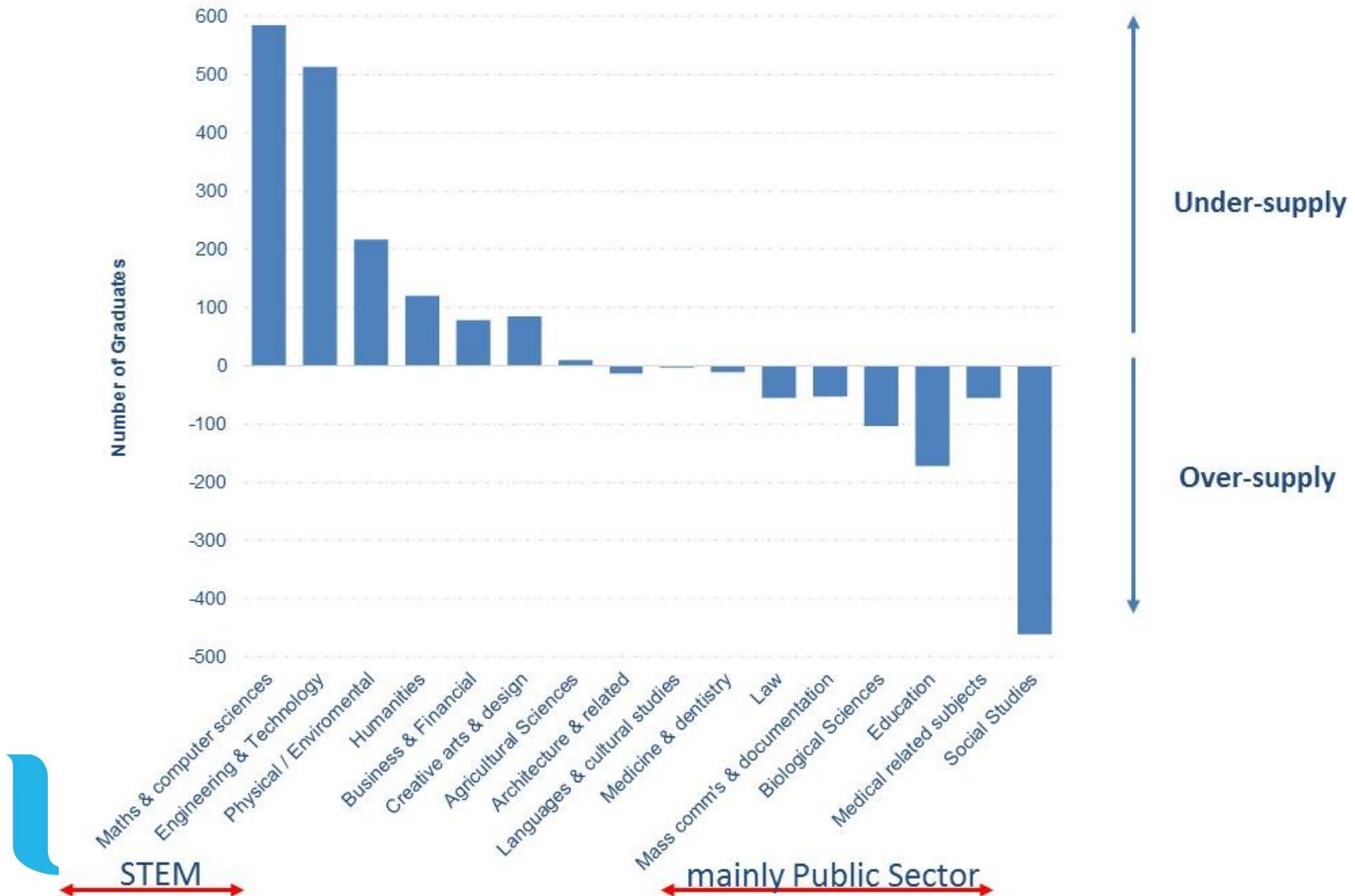
Supply Gap – NQF Level

Annual average labour market supply gap (NQF L1 to L8)



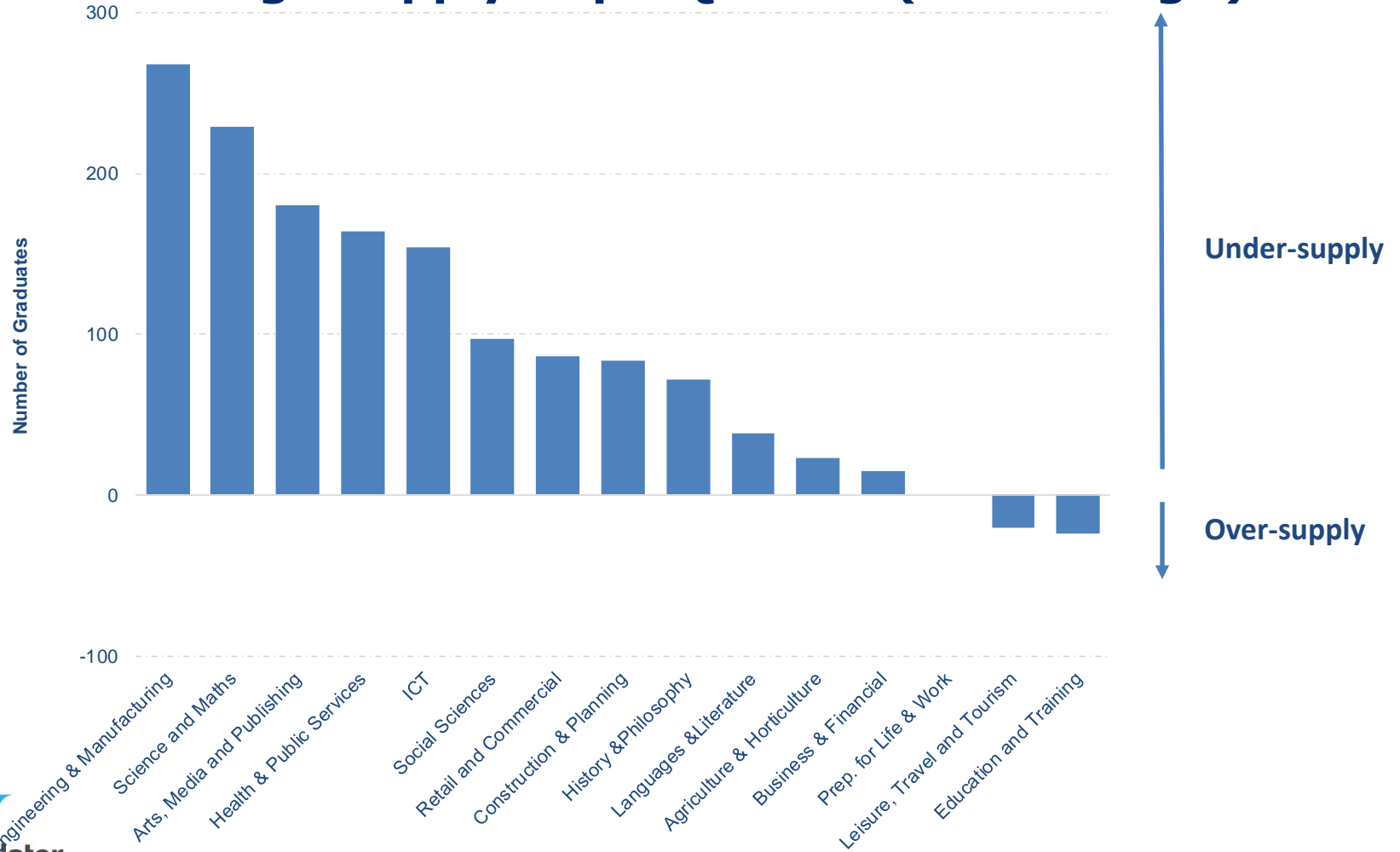
NQF L6+ Supply Gap – Broad subject area

Annual Average Supply Gap NQF L6+ (JACS 1 digit)



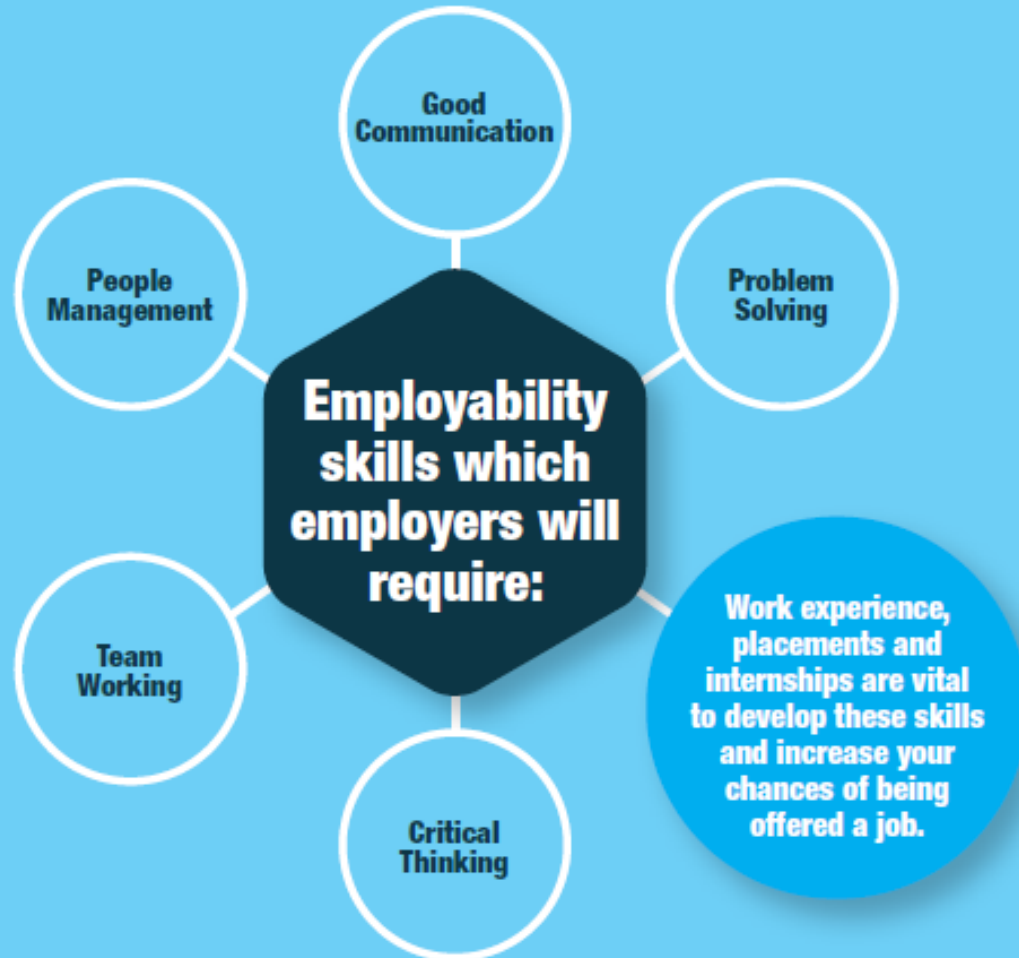
NQF L4-5 Supply Gap – Broad subject area

Annual Average Supply Gap NQF L4-5 (SSAs 1 digit)



Wider Skills Required

Wider employability skills are essential to securing employment





Policy Choices

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Takeaways

- Economy has been growing
- A varied mix of sectors is extremely welcome
- Exposure to a slow down in consumer and government spending remain NI's key risks
- Domestic strength has been a welcome boost when external conditions have worsened
- Austerity, assembly response and interest rate rises all come as domestic risks
- Autumn statement has eased the pressure somewhat and 'Fresh Start' adds some more money and presented a 'last chance' for economic leadership
- But more talent available to private sector
- And investment is coming

The critical challenges

- ‘Integrated Economic Strategies’: Integrated with what?
- The Cult of FDI or Local Solutions?
- High Road or Low Road?
- Business Support – “If less is more, just think how much more ‘more’ will be!”

Thank you