DfE Monthly Economic Update December 2024

Department for the Economy | An Roinn Geilleagair

Labour Market Structure

August to October 2024

Employment Rate

72.3%

No statistically significant quarterly or annual change

Unemployment Rate

1.6%

No statistically significant quarterly or annual change

Economic Inactivity Rate

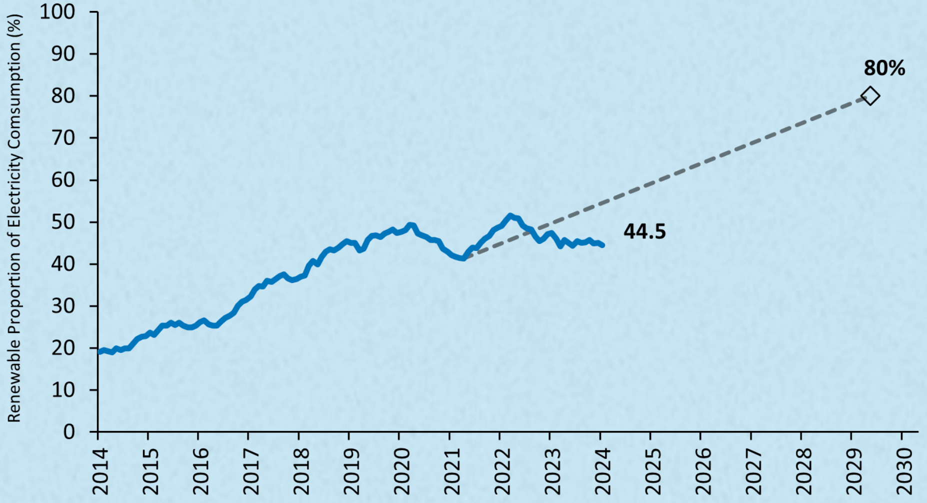
26.6%

No statistically significant quarterly or annual change

Source: NISRA

Path to Net Zero

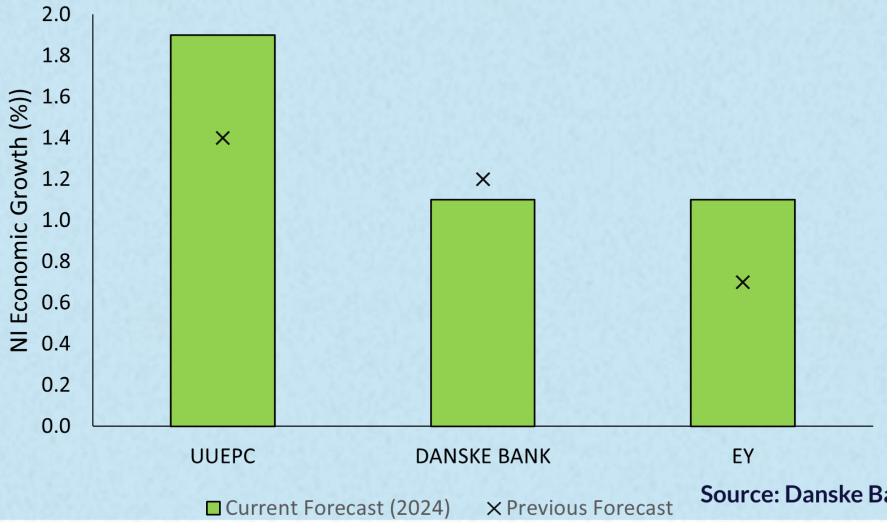
Proportion of electricity consumed from indigeneous sources



Source: DfE

Economic Growth 2024

Comparison of recent forecasts



Source: Danske Bank, EY and UUEPC

Commentary

The UUEPC December 2024 Outlook notes that, although local **economic growth** is expected to slow in the second half of 2024, stronger than expected growth in the first half has enabled the Centre to upgrade its forecast (Cover Page) for 2024 from +1.4% to +1.9%, exceeding its latest forecast for the UK (+1.2%). Citing measures announced in the **Autumn Budget**, growth is predicted to increase in the short term but expectations around inflation and interest rates will increase in the medium term.

Danske Bank however revised its 2024 forecast for the NI economy downwards to +1.1% (from +1.2%), though local **economic growth** is expected to exceed that of the UK (+0.9%) before reaching parity in 2025 (+1.4%).

Slowing momentum in the North's **private sector** was also reported by the Ulster Bank PMI, with output rising at its slowest pace since January. New orders contracted, with the sharpest fall observed in the retail sector, whilst **business confidence** waned, attributed in part to announcements contained within the Autumn Budget. Employment continued to rise modestly, whilst output prices again rose and at the fastest pace across the UK.

Global trade is on track to reach an all-time high of $33 trillion in 2024, up $1 trillion over the year according to UNCTAD. Annual services trade is expected for increase at a rate of 7%, outpacing the growth in global goods trade of 2%. Quarterly growth, to Q3 2024, was typically stronger in developed countries compared to those less developed. However, the 2025 outlook is stated to be more "cloudy" due to potential shifts in US trade policy along with ongoing geopolitical tensions.

The Northern Ireland Economic Trade Statistics (NIETS) 2023 indicated that total sales by businesses in NI increased by +12.1% to £97.6 bn. Sales of goods accounted for 67.5% of total sales, with services accounting for 32.5%. **External sales** were broadly evenly split between those to GB (£17.1 bn) and **exports** outside of the UK (£16.2 bn). NI businesses had a trade surplus of £5.7 bn, with the South of Ireland remaining the North's largest export and import partner. Note, figures are unadjusted for inflation. Figures 1 & 2 highlight the latest value and growth of NI's external sales and exports.

While none of the changes were statistically significant, over the year there were decreases in the rates of **employment and unemployment**, whilst there was an increase in the **economic inactivity** rate according to the latest NISRA LMR. The latest publication was the first LMR to contain data after a recent LFS reweighting exercise conducted by ONS, which subsequently discovered a processing error. **Employee jobs** in NI increased over the quarter and the year to reach a new series high of 831,780 jobs in September 2024. Quarterly increases in employee jobs were seen within the manufacturing, construction, services and other industry sectors with the manufacturing, services and other industry sectors each reaching new series highs (NISRA QES).

Northern Ireland maintained its mid-level ranking at 25th out of 50 nations on the Nation Brands Index 2024, achieving its third highest ever score in the process. **Governance**, which has been consistently cited as the highest ranked Dimension for the North, again ranked best. **Tourism** was the only Dimension to improve in both rank and score in 2024. Crucially, having personal experience of NI (e.g., purchasing a product from NI) is associated with significantly improved ratings on every aspect of reputation.

For the 12-month period October 2023 to September 2024, 44.5% of total electricity consumption in NI (Cover Page) was generated from local **renewable sources**. This represents a decrease of 2.9 percentage points on the previous 12-month period (to September 2023). Wind accounted for over 80% of total renewable energy generated in NI in the year to September 2024. (DfE Electricity and Renewable Generation).

Danske Bank's Q3 2024 **Consumer Confidence** Index reported that confidence had dipped slightly over the quarter, though it was still higher over the year and was the second highest reading since the start of 2022. Compared to the previous quarter, respondents were particularly less confident about future finances and spending on expensive items with higher prices and interest rates along with global risks weighing down on confidence.

High Street **Footfall** data for the week including Black Friday in Belfast City Centre, which may provide an indication of the number of potential customers available to retailers, continued the trend of gradual recovery since the Pandemic with 2024 levels expanding by +17% over the year and now just marginally below the level observed in 2019 (Figure 3). (MRI OnLocation Footfall Analytics)

NISRA's Annual Business Inquiry 2023 revealed that **income** generated by non-financial businesses in NI (less the cost of goods and services used to create this income) was estimated to be £37.2 billion, an increase of £5 billion from 2022. This growth was driven by the services and distribution sectors, which grew by £1.6 billion and £1.5 billion respectively. Note, figures are unadjusted for inflation.

Annual CPI inflation increased over the month to +2.6% in November, up from +2.3% in October. The increase was larger than that forecast by the Bank of England (+2.4%). For the second consecutive time, the Bank maintained **Base Rate** at +4.75% with Governor Bailey commenting *"with the heightened uncertainty in the economy we can't commit to when or by how much we will cut rates in the coming year."*

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Tables and Charts

Table: The latest available headline labour market indicators for NI, the UK, Ireland and the Euro Area overall, seasonally adjusted and in percentage terms.

Indicator	NI	UK	IE	Euro Area
Unemployment Rate (16+)	1.6	4.3	4.1	6.3
Employment Rate (16-64)	72.3	74.9	74.5	70.6
Inactivity Rate (16-64)	26.6	21.7	21.9	24.5

Note: IE and Euro Area employment and inactivity rates refer to Q2 2024. All other indicators refer to the three months ending October 2024. For Ireland and Euro Area statistics, the minimum working age is considered to be 15. Sources: NISRA Labour Market Report and OECD.

Figure 1: The value of NI's external trade, in both sales and purchases, by trading partner in 2023. Source: NISRA NIETS.

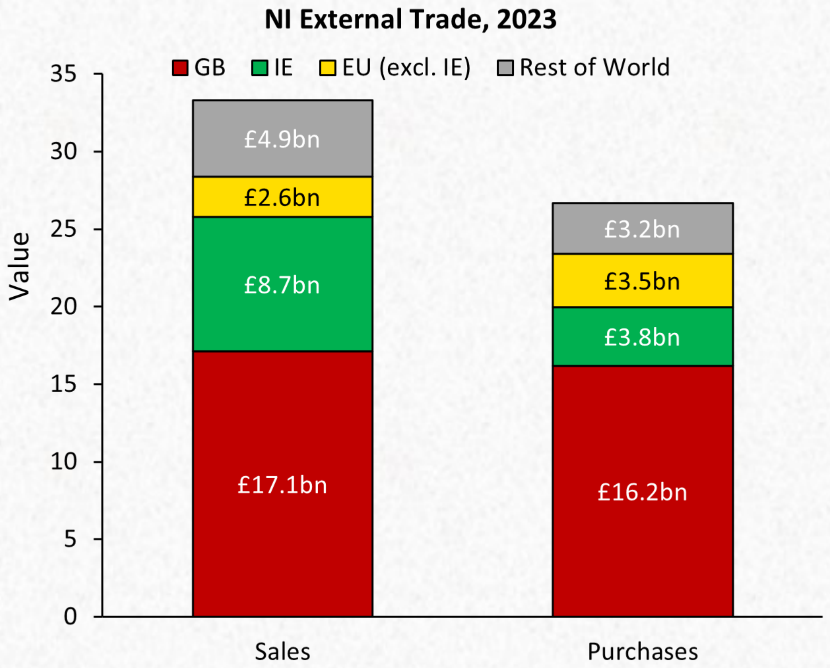

Figure 2: The annual growth in 2023 of NI's sales and purchases to and from Great Britain (GB) and Ireland (IE) in both goods and services. Source: NISRA NIETS.

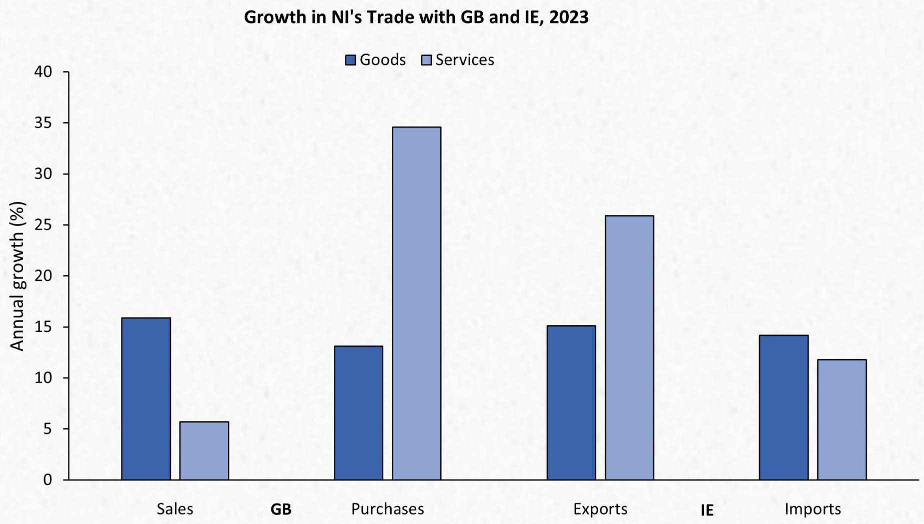

Figure 3: Footfall levels (thousands of people) in Belfast City Centre on Black Friday Week 2019 to 2024. Source: MRI OnLocation Footfall Analytics.