

## Labour Market Structure

September to November 2023



Employment Rate

**72.4%**

No statistically significant quarterly or annual change



Unemployment Rate

**2.4%**

No statistically significant quarterly or annual change



Economic Inactivity Rate

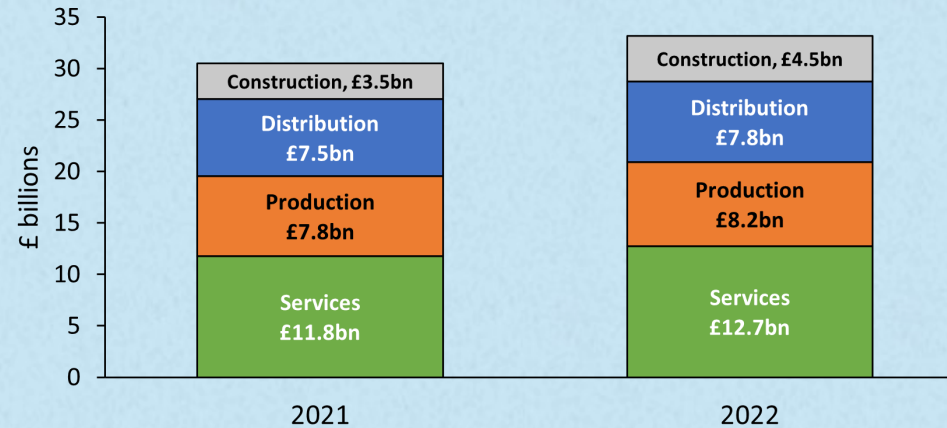
**25.8%**

No statistically significant quarterly or annual change

Source: NISRA Labour Market Report

## Approximate Gross Value Added

by broad sector of the NI non-financial business economy

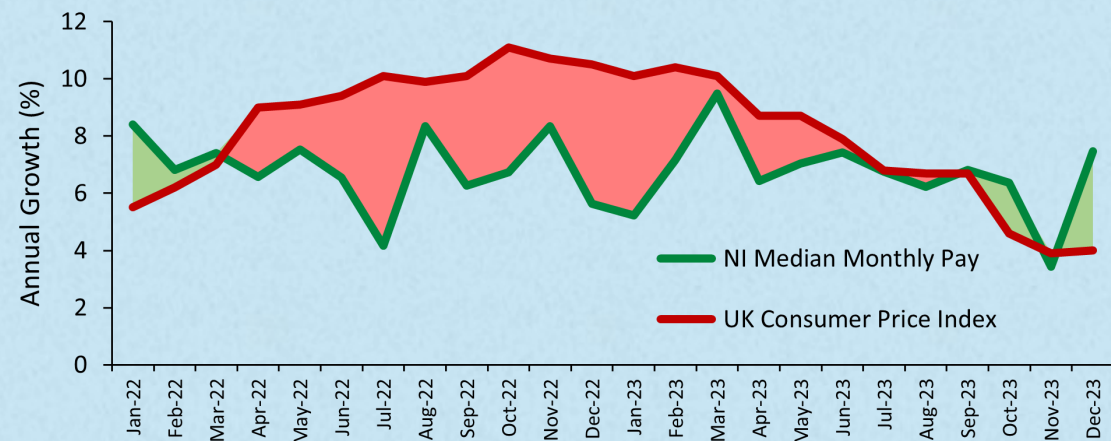


Note: Excludes Financial services and Agriculture, forestry & fishing.

Source: NISRA Annual Business Inquiry

## Real Pay Growth

Median employee pay growth vs. CPI inflation



Sources: NISRA Labour Market Report and ONS Consumer Price Index

## Commentary

The [UUEPC Winter 2024 Outlook](#) notes that with current **economic growth** being very low, the risk of a technical recession remains high. The UUEPC forecasts that the NI economy grew by 0.9% in 2023 and will expand by 0.8% in 2024, slightly outpacing growth in the UK overall (forecast at 0.7% in both 2023 and 2024).

**Economic activity**, as measured by the NI Composite Economic Index ([NICEI](#)), increased by 0.6% in Q3 2023 ([Figure 1](#)). Private sector growth was driven primarily by services and construction, offsetting a decline in production and agricultural output. Relative to the pre-pandemic position, output has increased in all sectors apart from agriculture.

Results from NI Chamber & BDO's latest Quarterly Economic Survey ([QES](#)) suggested muted signs of growth in the NI economy in Q4 2023, with firms reporting increased competition and decreased demand. Around half (49%) of businesses were operating below capacity. **Business** concerns were dominated by staff shortages and growing labour costs. Labour costs were the most significant pressure on firms to raise prices, while other cost pressures had eased. Despite concerns, most key indicators were positive, with more firms reporting increasing employment, confidence ([Figure 2](#)) and investment decisions.

Ulster Bank's latest [PMI](#) report indicates that in December, NI's **private sector** returned to growth for the first time in 6 months. This was driven by the retail, services and manufacturing sectors, which offset a marked decrease in the construction sector. However, the data suggests that the return to growth partly reflected the clearing of backlogs rather than a rise in demand, as new orders shrank for the 7th consecutive month and outstanding business fell sharply. Driven by higher wages, input cost inflation remained marked and increased marginally, resulting in an increase in prices charged.

New NI **business demography** statistics from the IDBR ([NISRA](#)) indicate that in 2022, there were 19.1% fewer business 'births' (registrations) and 4.3% more 'deaths' (de-registrations) compared to the previous year. This led to the lowest business birth rate since 2014 (8.3%), and the highest death rate since 2013 (8.2%). The proportion of NI businesses classified as 'high growth' increased but remained below the other UK nations.

The latest results from the [Annual Business Inquiry](#) indicate that in 2022, the NI non-financial business economy (excluding financial services and agriculture) increased by £2.7 billion (8.8%) in terms of approximate Gross Value Added (**aGVA**). The key driver of this growth was the Construction sector, of which aGVA increased by £976 million, or 28.0%.

The latest [NISRA Labour Market Report](#) revealed mixed signals for NI's **labour market**. In the three months ending November 2023, the economic inactivity rate remained slightly

above pre-pandemic levels, while the employment and unemployment rates remained at a near-record high and low, respectively. There was strong growth in earnings with employee pay increasing by £76 (3.6%) in December. Over the year, NI saw the 3<sup>rd</sup> largest pay increase of the 12 UK regions but remained the lowest earning region in the UK. There were 2,570 redundancies confirmed in 2023, 60 of which were in December. While the December figure was far below the 2023 monthly average, the annual total was three-and-a-half times more than in the previous year.

[Online job advert](#) estimates suggest cooling **demand for labour** in NI and the UK overall ([Figure 3](#)). Following the Pandemic recovery in 2021, the weekly number of job postings remained around the 2019 average until November 2023, after which there has been a steady decline. As of the last month of available data (up to mid-January 2023), postings were around 16% below the 2019 average.

A recent [UUEPC briefing](#) paper highlighted key trends in **economic inactivity** in Belfast and how this differs structurally from the NI and UK averages, offering policy questions to be addressed in striving towards a more inclusive labour market. Economic inactivity has been identified by the [DfE 10X Delivery Plan](#) as a stubborn structural weakness, presenting labour barriers to certain groups and undermining inclusive growth across NI.

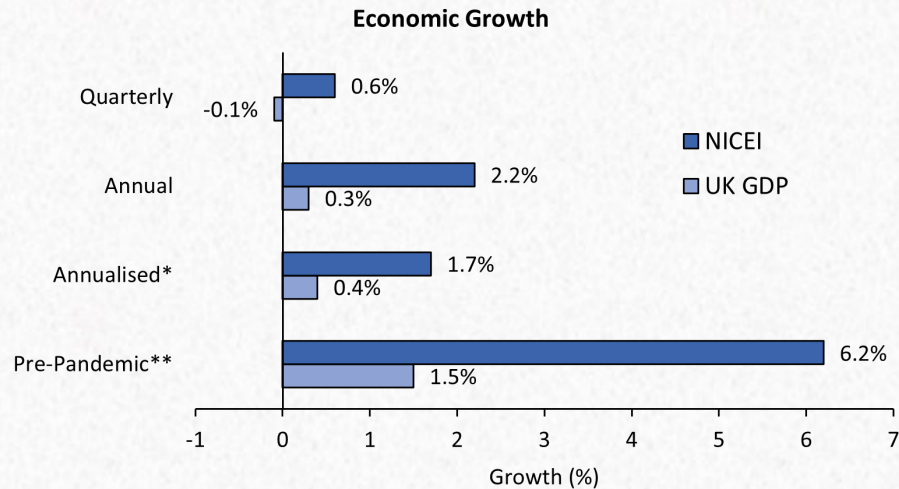
The UK Consumer Price Index ([CPI](#)) increased by 0.4% in December on a monthly basis, resulting in the first increase in the annual **inflation** rate since February. The annual CPI rate rose from 0.1 pps to 4.0% in December, with the largest contribution coming from alcohol & tobacco prices. This was largely the result of an increase in tobacco duty following the Autumn Statement. Core CPI (considered a more stable measure of inflation) rose by 5.1% in the 12 months to December, the same rate as in November. The latest consensus forecast (published by [HM Treasury](#)) for CPI inflation rate is 2.2% in Q4 2024, close to the Bank of England's target rate (2.0%).

According to the [ASDA Income Tracker](#), **spending power** increased in every UK region in Q4 2023. NI households had an average discretionary income of £103 per week compared to the UK average of £224. Spending power in NI remained 28.8% below its peak before the Cost-of-Living Crisis – the widest gap of any UK region.

Wind Energy Ireland's [Annual Report](#) and [analysis](#) by Baringa reveal that in 2023, around £176m worth of fossil gas was displaced by **wind energy** in NI, with additional savings of almost £70m in carbon credits. This represents progress towards DfE's 10X Sustainability objective (and [statutory obligation](#)) of generating 80% of electricity from renewable sources by 2030.

## Tables and Charts

Figure 1: Economic growth in NI (NICEI) and the overall UK (UK GDP) in Q3 2023.



\*The annualised rate compares four consecutive quarters with the preceding four quarters, making it less prone to short-term volatility than the annual rate.

\*\*Growth since the onset of the Covid-19 Pandemic (Q3 2023 vs. Q4 2019).

Figure 2: Growth expectations for business and the NI economy in 2024, by proportion of respondents to the NI Chamber & BDO Quarterly Economic Survey (Q4 2023).

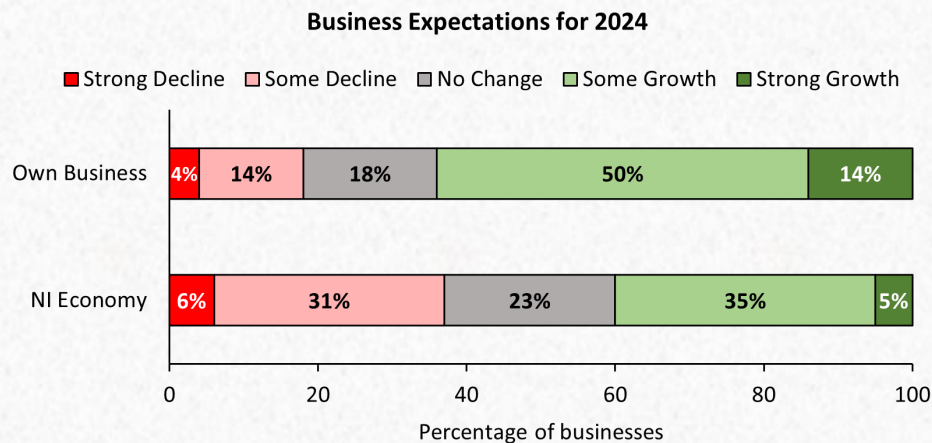


Figure 3: Rolling monthly average online job adverts in NI and the UK overall, indexed to the 2019 average.

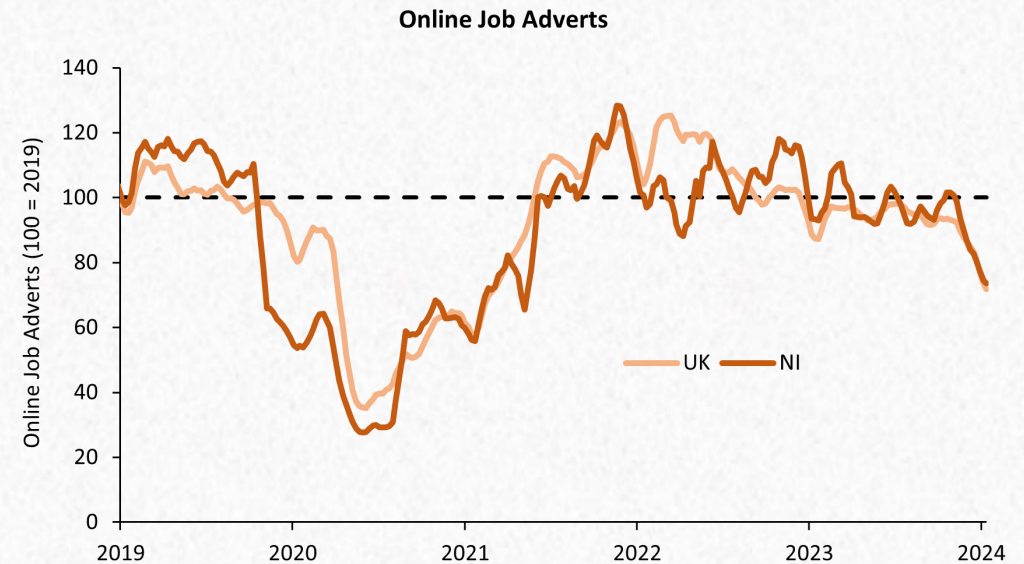


Table: Latest available headline labour market indicators for NI ([NISRA Labour Market Report](#)) and the UK overall ([ONS Labour Market Overview](#)) and for IE and the Euro Area overall ([OECD](#)), seasonally adjusted and in percentage terms. Note: IE and Euro Area employment and inactivity rates refer to Q3 2023. All other indicators refer to the three months ending November 2023. UK data refers to adjusted experimental rates.

Indicator	NI	UK	IE	Euro Area
Unemployment Rate	2.4	4.2	4.7	6.5
Employment Rate	72.4	75.8	73.8	70.0
Inactivity Rate	25.8	20.8	22.6	25.0