



## Labour Market Structure

May to July 2024



### Employment Rate

**71.1%**

No statistically significant quarterly or annual change



### Unemployment Rate

**2.0%**

No statistically significant quarterly or annual change



### Economic Inactivity Rate

**27.5%**

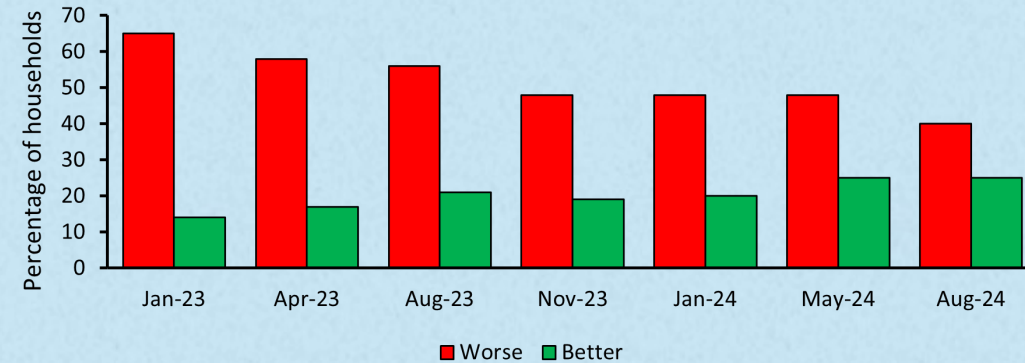
No statistically significant quarterly or annual change

Source: NISRA

## The Financial Situation of Households

in the North of Ireland from January 2023 to August 2024

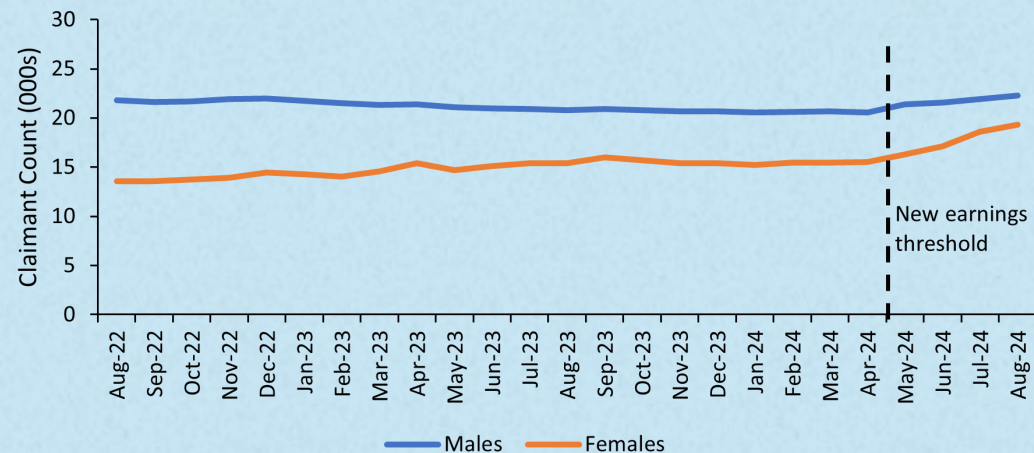
How does the financial situation of your household compare now with what it was 12 months ago?



Source: Credit Union

## Unemployment Benefit Claimants

by sex in the North of Ireland from August 2022 to August 2024



Source: NISRA



## Commentary

The Department for the Economy (DfE) published its [2024/25 Business Plan](#) on 9 September, providing a forward look over the next three years whilst setting out actions the Department must carry out to deliver growth for the local economy. The [DfE Business Plan](#) comprises 41 Actions identified against the Minister's four key objectives along with target dates for achievement. The impact of delivered actions will be measured by progress against the baseline of headline metrics, with further measurement focus on supporting metrics. On the same day, the [Draft Programme for Government](#) 2024-2027 opened for [Public Consultation](#), which will close on 4 November 2024.

The local economy expanded by 0.4% in real terms over the quarter to Q2 2024 according to the latest NI Composite Economic Index (NICEI) report, with economic activity reaching a level that was 8.1% above the pre-Pandemic position of Q4 2019. [Figure 1](#) shows growth in NICEI across multiple timespans, along with broadly comparable indicators for the South of Ireland and the UK. On an annual basis, local [economic growth](#) outpaced that in the South and in the UK.

The largest contribution to economic growth in Q2 2024 came from the construction sector. The latest [Construction output statistics](#) indicate that construction output reached a 15 year high, having increased by 3.4% over the quarter. The local [Index of Production](#) (IOP) indicates that production [sector output](#), which has been in decline for the past two years, fell marginally (0.1%) in Q2 2024, with contractions observed in all four production subsectors. Meanwhile, the [Index of Services](#) (IOS) reached a new series high, having increased by 0.4% over the quarter. However, output in the retail subsector remained 4.0% below the pre-Pandemic level, having contracted by 0.6% in Q2 2024. This contrasts with other service subsectors such as business services & finance, which has followed a strong upward trend since Pandemic recovery, reaching a post-2007 high in Q2 2024.

On a per capita Purchasing Power Parity basis, economic output in the North was estimated to be on par with Poland and the Baltic States, and below that of the European Union, the UK and every US State according to [analysis](#) from DfE. Luxembourg and Ireland were the top performing economies though caveats exist around both economies' performance within the analysis.

According to [HMRC Regional Trade Statistics](#), in the year ending June 2024 compared to the previous 12 months, total exports and imports of goods from the North increased in by 6.9%, while imports fell by 4.3%. UK goods exports and imports decreased by 6.7% and 8.2%, respectively. [Figure 2](#) compares the annualised changes in [international trade](#) across the UK and Ireland.

InterTradeIreland's latest [All-Island Business Monitor](#) reveals that most [businesses across Ireland](#) are stable or growing, with a third in growth mode and 56% stable. However, a significant challenge is the shortage of skilled workers, affecting one in three firms, particularly in construction, manufacturing and hospitality. Many are addressing this by adopting new technologies and expanding recruitment efforts, while to a lesser extent, firms are investing in training. Recruitment difficulties are consistently cited as an issue facing local firms, being regularly reported as a major issue by sources such as the [NI Chamber & BDO Quarterly Economic Survey](#).

In August 2024, the local private sector continued to expand markedly, with the [Ulster Bank Regional Growth Tracker](#) recording a 9<sup>th</sup> consecutive monthly increase in [business activity](#), rising to 55.7 from 54.9 in July (a value greater than 50 indicating a monthly expansion). Manufacturing led the way, experiencing its fastest production growth in nearly two-and-a-half years, while retail was the only sector to report a decline. New orders continued to rise, though at a slower pace, and employment growth was at its highest since April 2023. Despite increased staffing, backlogs of work grew at the fastest rate since April 2022. Input costs, driven by rising staff costs, increased sharply, with businesses passing these on to consumers through higher prices. International demand grew for the first time in 18 months, largely reflecting sales to the South of Ireland.

The [NI Innovation Survey](#) indicates that around 32% of local businesses were 'innovation active' in the 2020-22 period, below most UK regions and representing a 6 percentage point (pps) decrease from 2018-20. [Figure 3](#) shows the main areas of [innovation](#) investment for these businesses. In the North of Ireland and the UK, the main factor behind decisions to innovate was the improvement in quality of goods and services. Innovation is key to increasing the North's productivity levels as it drives improvements in processes and services that allow businesses to operate more efficiently, and, as per the DfE Business Plan, the number of Innovation Active Businesses will be measured as part of the Department's efforts to successfully deliver upon the Economy Minister's key objective of raising productivity.

Qualitative findings from a recent UUEPC [study](#) on the extent of [management and leadership \(M&L\) training](#) in local SMEs 'shows a more complex picture than the quantitative evidence suggests'. There was confirmation of the use of formal M&L training, and those who were not formally engaging with external training typically had some method of training via internal means. With good management practices positively linked to higher levels of productivity, developing world class management practices is a key measurement focus in the Department's new Business Plan.



## Commentary

Results from NISRA's latest [Quarterly Employment Survey](#) show that the number of seasonally adjusted **employee jobs** hit a record high of 826,130 in June 2024, having increased marginally over the quarter. Growth was seen across various sectors, with Services and 'Other' industries reaching their own record highs. However, the recent growth in employee jobs suggests a gradual cooling of the local labour market in the face of elevated inflationary pressures and recruitment difficulties, with annual growth slowing since 2022, where growth peaked at a post-2006 high of 3.9% in June of that year. June 2024's annual growth rate (1.2%) was below the average annual growth rate (on a per quarter basis) observed between January 2015 to December 2019 (1.7%).

The latest [NISRA LMR](#) details a 2.7% rise in the number of people claiming unemployment benefits in August 2024. This brings the **claimant count** to a level equating to 4.2% of the workforce, the highest local rate since December 2021 but below the UK rate of 4.7%. Over the year the claimant count has increased by 15%, with the number of females on the claimant count increasing by 25.3% whilst the number of males increased by 7.3%. Much of the annual change has been attributed to the introduction of the new Universal Credit administrative earnings threshold in May. The larger increase in the number of females on the claimant count may be attributable to females' earnings being more likely to fall under the new threshold because women are more likely to work part time, the gender pay gap as well as performing more unpaid labour e.g., caring responsibilities. The [cover page](#) shows the number of males and females on the claimant count over the past two years.

Economy Minister Conor Murphy has announced a new **Assured Skills Academy** in [Early Learning and Childcare](#) at Belfast Met, funded by DfE. Belfast Met is offering 20 places with a weekly training allowance and assistance with travel and childcare costs. Following completion of the training, participants will be guaranteed an interview to take up a position with one of four supporting companies. Completed applications must be received by noon on Friday 4 October 2024.

As measured by the [UK Consumer Price Index](#) (CPI), the annual **inflation** rate remained at 2.2% in August 2024, unchanged from July and below the Monetary Policy Committee's (MPC) forecast (2.4%) in August's Monetary Policy Report. However, both the annual rates for core CPI and services CPI increased from July to August, although the latter (5.6%) was below that forecast (5.8%) in August's Monetary Policy Report. A decrease in motor fuel prices helped offset the rise in services and core inflation. The gradual slowdown in annual inflation enabled the MPC to cut Bank Rate to 5% in August and although the rate remained unchanged in September, the beginning of the long-anticipated rate cutting cycle has also helped consumer confidence slowly recover - it

remains to be seen however, what, if any, impact the forthcoming Budget may have on consumer confidence. The [cover page](#) shows how consumer confidence has gradually increased since the beginning of 2023.

At its September 2024 [meeting](#), the MPC voted 8-1 to keep the **Bank Rate** at 5%. The accompanying report states the decision to maintain the Rate was guided by the need to address persistent inflationary pressures while ensuring inflation returns to the 2% target sustainably. Following recent leads from the ECB and the MPC, the US Fed also recently cut rates for the first time in 4 years, lowering its benchmark to 4.75-5%. This move signals a shift from its previous aggressive efforts to cool the economy and reduce inflation, marking a significant turning point in the Fed's approach.

The [Credit Union Consumer Sentiment Index](#) reported a clear improvement in local **consumer confidence** levels between May and August 2024, driven mainly by an easing in cost-of-living concerns, as well as stronger than predicted economic activity. Improvements in sentiment in the North in the past three months and year, have been stronger than those witnessed in surveys in the South and the UK as a whole. Similarly, the [Consumer Council Cost of living pulse survey](#) in June 2024 found a modest improvement in sentiment from the beginning of the year. However, caution remained with 96% of respondents being concerned about food prices, and 95% of respondents being concerned about home energy prices.

Improving confidence was also a feature of CEOs in the South and the North according to a [report](#) from KPMG. 93% of respondents had confidence in the North's economy in the forthcoming three-year period, up from 67% the year previous. In the South, the equivalent level of confidence increased to 90%, up from 87% percent in 2023. Notably, **CEO's confidence** levels reported across Ireland exceeded those globally (78%).

Expanding activity, easing inflation and improving financing conditions have led [EY](#) to upgrade its **economic growth forecast** for the local economy to 1.1% in 2024 and 1.8% in 2025. This follows a recent, similar upgrade from the [UUEPC](#). EY also forecast that the South's Modified Domestic Demand (MDD) will grow by 2.3% in 2024 and 3.2% in 2025.

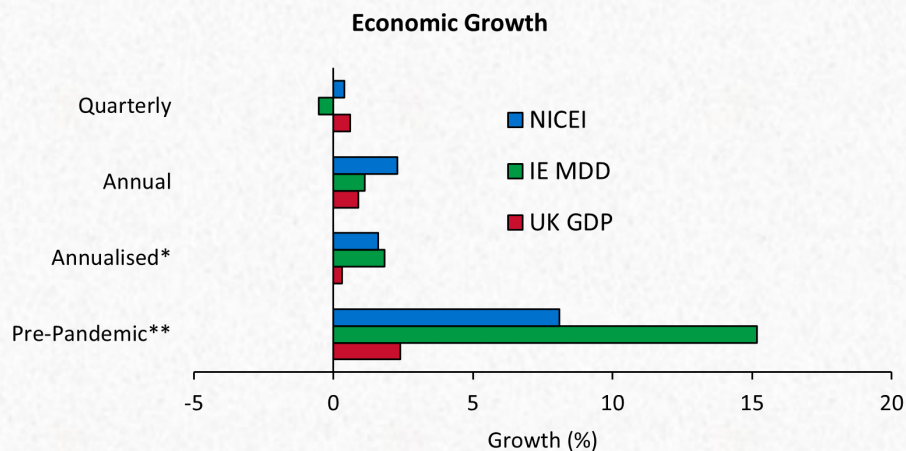


### Tables and Charts

**Table:** The latest available headline labour market indicators for the North of Ireland, the UK, the South of Ireland and the Euro Area overall, seasonally adjusted and in percentage terms. Note: Rates refer to Q2 2024 in the South and the Euro Area, and May-July 2024 in the North. In the South of Ireland and Euro Area statistics, the minimum working age is considered to be 15. Sources: [NISRA LMR](#) and [OECD](#).

Indicator	NI	UK	IE	Euro Area
Unemployment Rate (16+)	2.0	4.1	4.4	6.4
Employment Rate (16-64)	71.1	74.8	74.5	70.6
Inactivity Rate (16-64)	27.5	21.9	21.9	24.5

**Figure 1:** Economic growth in the North of Ireland ([NICEI](#)), the South of Ireland ([IE MDD](#)) in the UK ([UK GDP](#)) in Q2 2024. Modified Domestic Demand is a measure of growth which excludes globalisation effects.



\*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 (Q2 2024 vs. Q4 2019).

**Figure 2:** The percentage change in international trade in goods in the UK and Ireland in the year to June 2024 compared to the previous 12 months. Sources: [HMRC Regional Trade Statistics](#) and [CSO Goods Exports and Imports](#).



**Figure 3:** The most commonly reported innovation investments of 'innovation active' businesses in 2020-22 in the North of Ireland and the UK. Source: [NI Innovation Survey](#).

