



Belfast in a wider setting: Current economic conditions and future prospects

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Part 1.

Current state of the economy

Stronger economic growth but...

... global/local risks looming larger

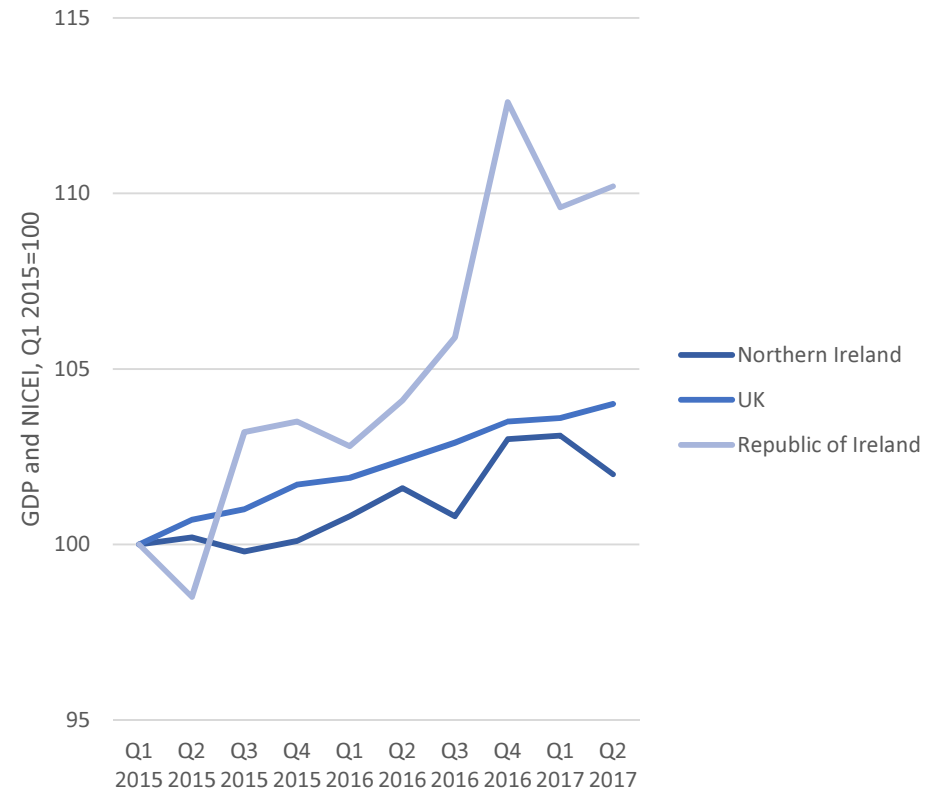
- Global GDP growth forecast for around 4% in 2018 and 2019 – driven by rebounding investment and trade
- Supported by monetary and (easing) fiscal policy
- Job growth strong too (in many countries the rates of unemployment are now as low as the early 1980s)
- Risks seem to be getting bigger for the next few years
 - Rising interests rates and household/business/govt debt
 - Trade tensions – from Trump policies to ‘no-deal’ Brexit
 - Rising oil prices (30% rise in 12 months)
 - How strong are the banks 10 years on?

Source: OECD Economic Outlook (Sep 2018)

NI growing but...

Slowing and lagging behind UK and RoI

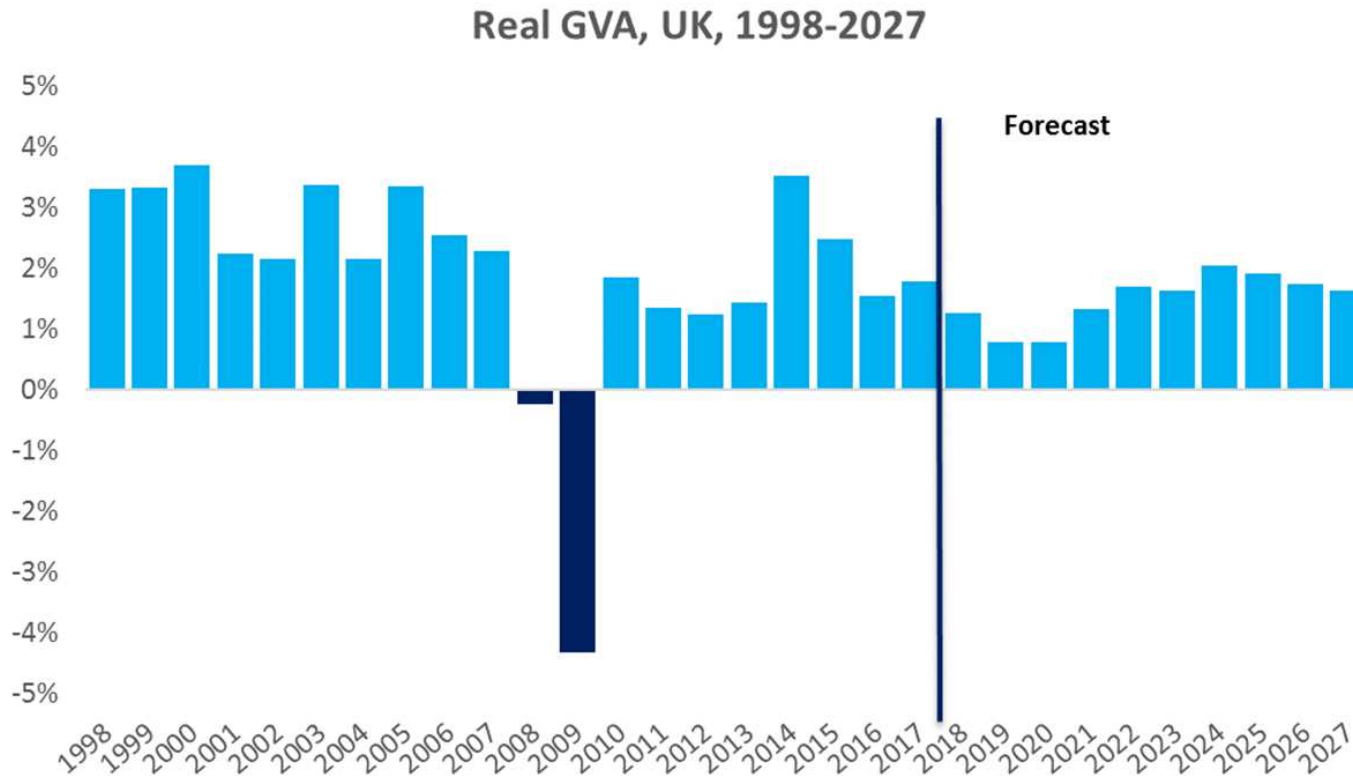
GDP growth, %						
	2012	2013	2014	2015	2016	2017
NI GVA	1.0	0.1	2.1	3.0	1.1	0.5
UK	1.2	2.2	2.9	2.3	1.9	1.7
R.o.I	-0.3	2.9	8.4	7.8	5.2	7.8



Source: NISRA, ONS, CSO and UUEPC analysis

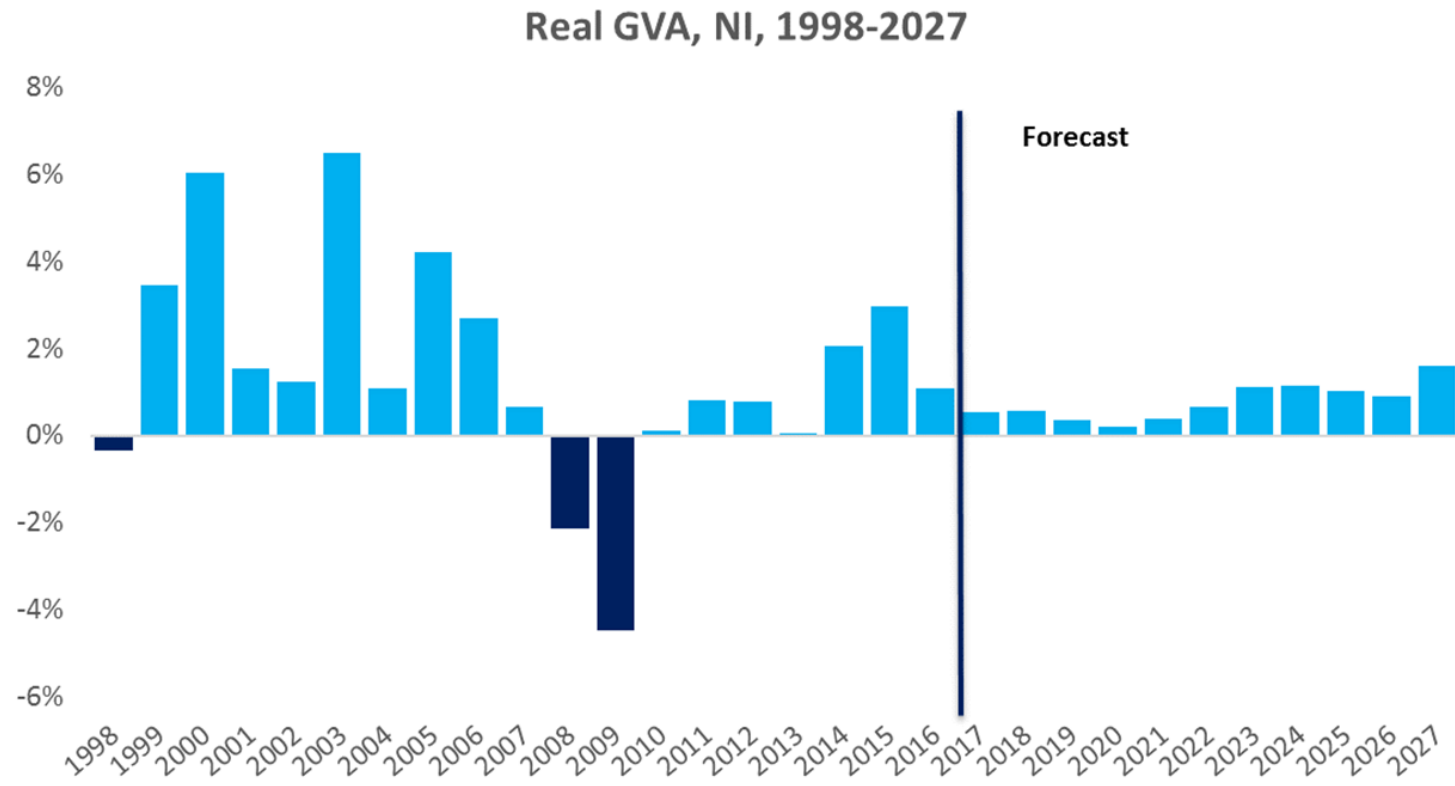
UK still growing but decelerating

Downward trend since mid decade and forecast to continue into 2020s



NI also growing but decelerating

Downward trend since 2015 expected not to pick up any time soon



Source: UUEPC analysis

What happens next?

What the next UUEPC forecasts are likely to show

- The future remains (inherently) uncertain - especially so now (e.g. terms of Brexit)
- Therefore useful to think in terms of “scenarios”
- Under the “central” scenario NI is likely to avoid a “technical recession” (2Qs of declining output) for 2018-2022
- Likely to see declining employment in 2020-21 and only c.20,000 jobs added over the decade
- Very subdued output growth (less than or equal to 1% p.a.) – continuing to lag behind UK average.

Some 'conventional wisdoms' for NI

But none are entirely true (and some are not true at all)

- Unemployment remains a big problem
 - Is inactivity (28% rate) the key issue?
- NI more unequal income distribution than GB
 - Less so than UK, more so than Scandinavia...
- Brexit is our main economic challenge
 - Or is productivity and lost output the key long-term issue?
- Manufacturing a predominant economic sector
 - Not in terms of scale (less than EU) but critical to exports and R&D

Part 2.

Whither Belfast?

Population and Labour Market for Belfast Residents

Total Population: 340,220 (18% of NI)



0-15 (70,000)

16+ (270,220)



Employed
154,000
18% of NI



Unemployed
7,6765
25% of NI

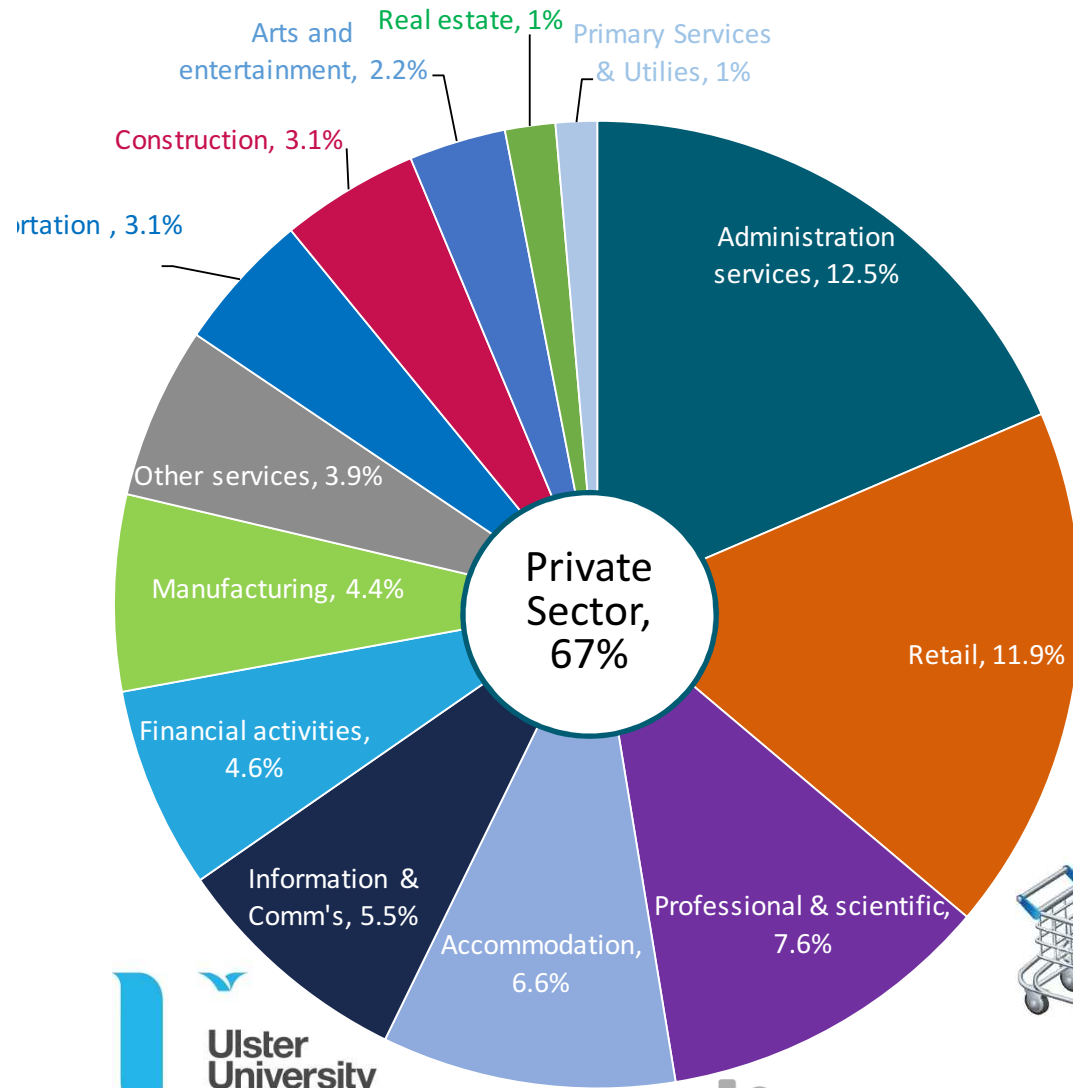


Inactivity Rate
26.2%
NI Average: 26%

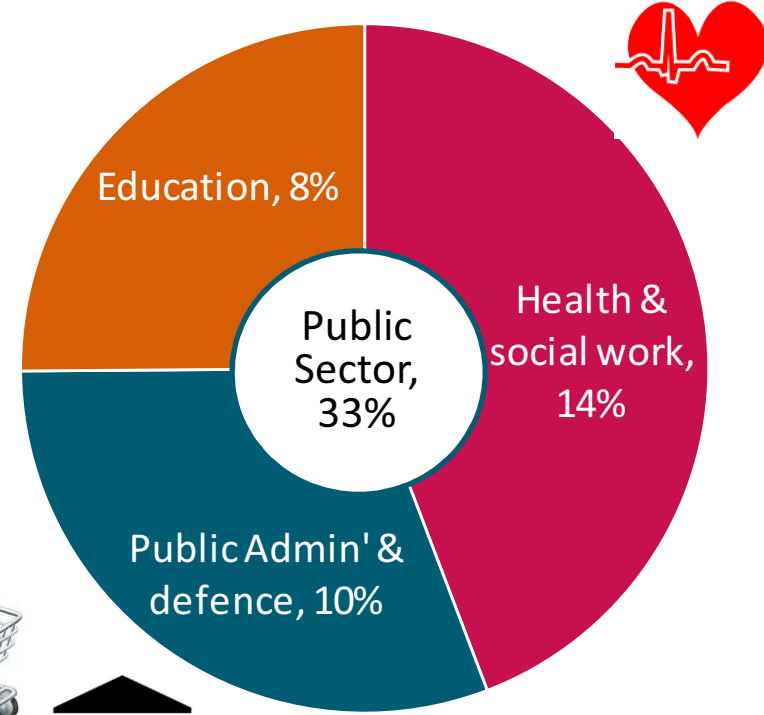
All Persons F/T Median Wage (2017)
Belfast: £26,500
NI: £26,000

Commuting Patterns
80% of Belfast residents work in the city
47% of those working in Belfast commute in

Strong public sector workplace numbers but rebalancing towards private services sectors



NI, 2017
 Private Sector: 70%
 Public Sector: 30%

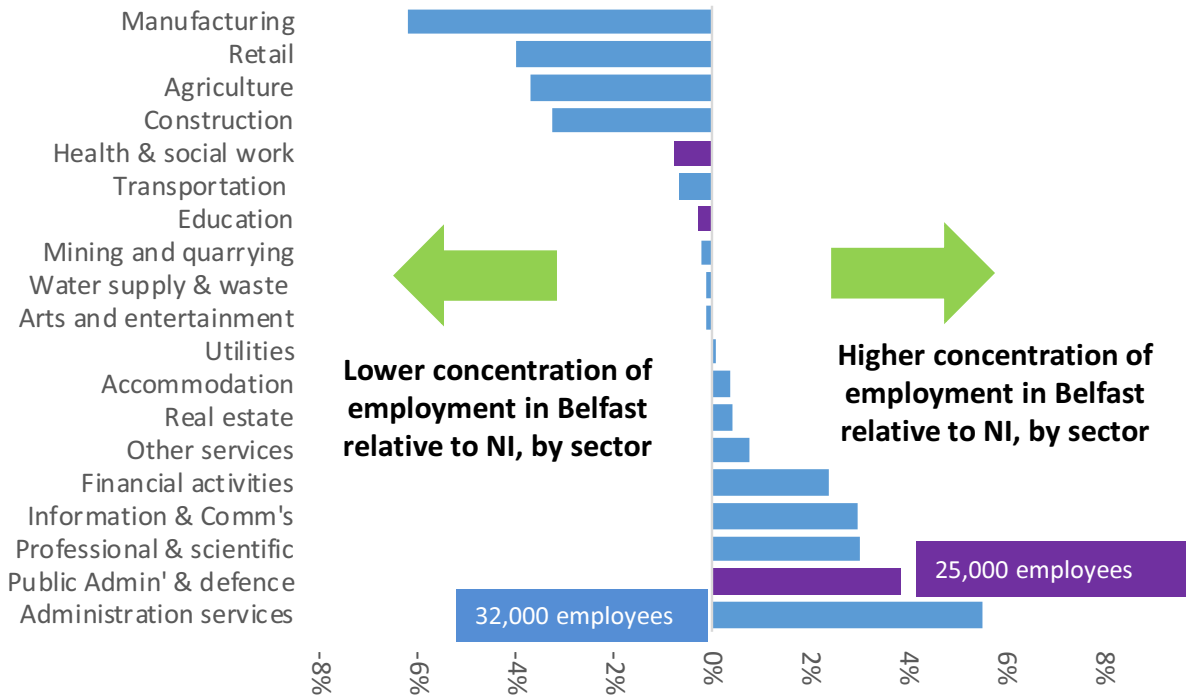


Source: DfE Census of Employment & UUEPC

Growing concentrations in ICT, Prof Services

Strong presence of FDI in the city

Concentration of Employment in Belfast relative to NI, by Sector (2017)

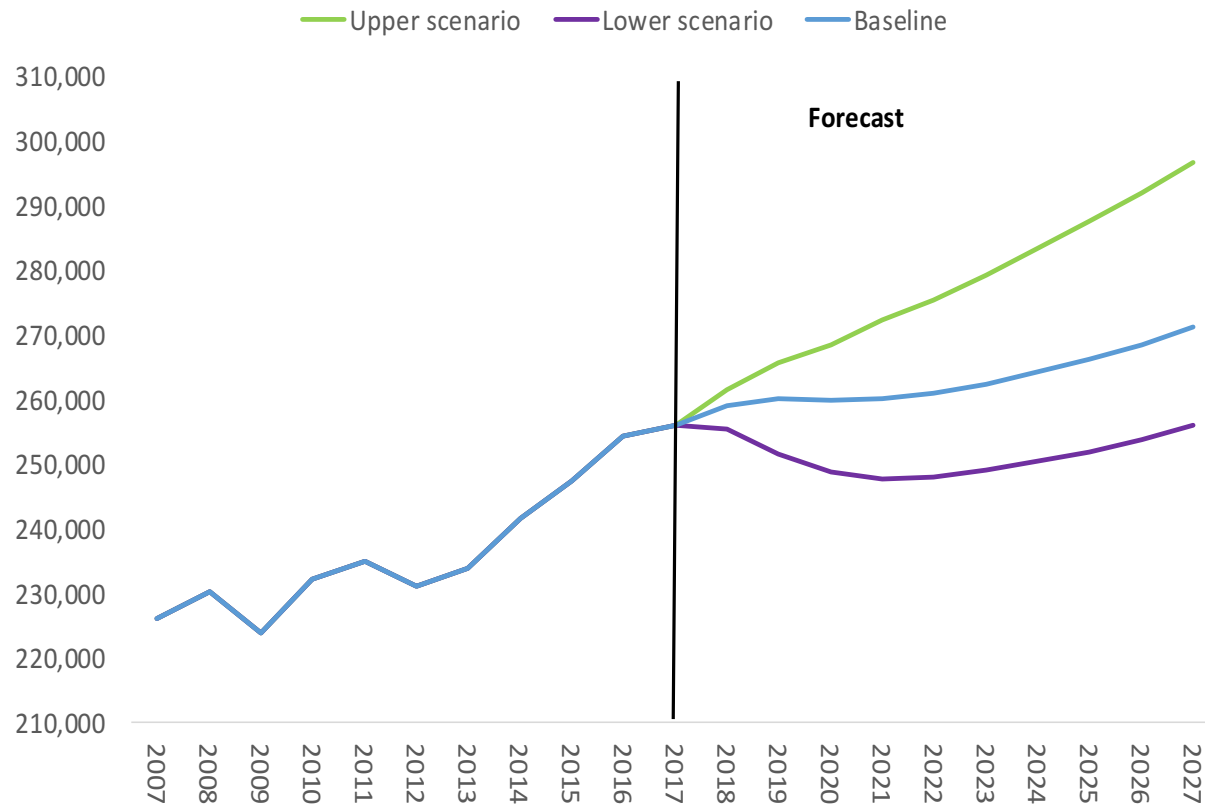


Belfast is now the hub for ICT (64% of NI total), Financial Services (61%) and Professional Services (51%) – all growing and higher skills requirements

Source: DfE Census of Employment & UUEPC

Economic Outlook for Belfast to 2027

Three scenarios reflect strong uncertainty



Upper scenario - this assumes an increase in the NI employment rate from 69% to 73%. This scenario is based upon successes in economic policy (at local or regional level) and should be viewed as 'ambitious but achievable'.

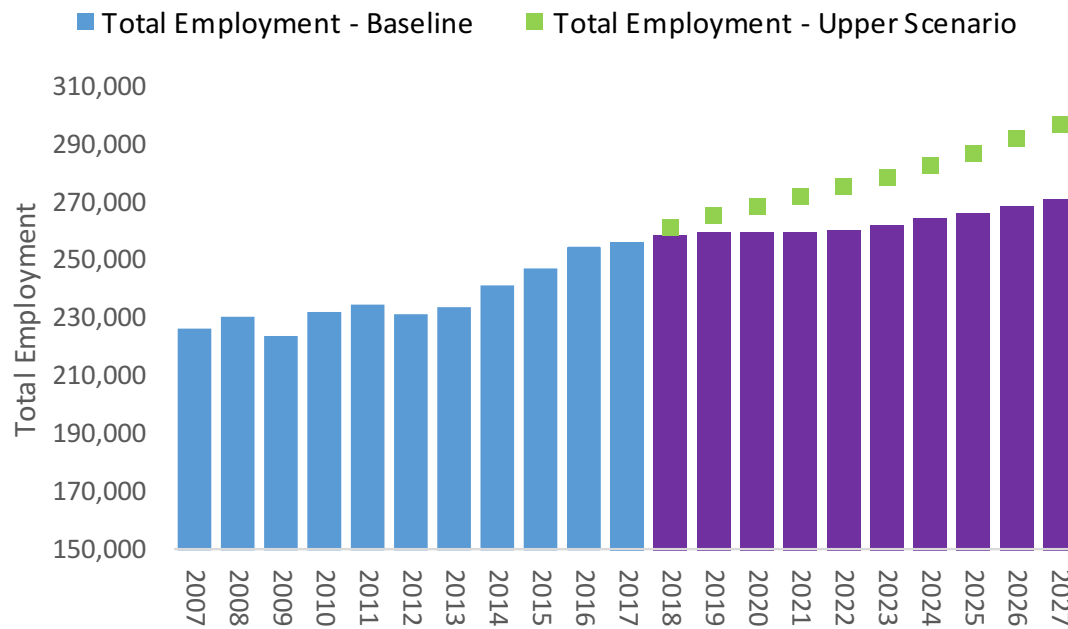
Baseline scenario - the most likely economic scenario for the Belfast LGD. Based on a trade-friendly 'Brexit' outcome and little other policy change in the short term.

Lower scenario - assumes, in consequence of a 'disorderly Brexit', that trade is severely impacted and consumer confidence falls. Forecasts closer to the lower estimates of long term GDP by independent forecasters of 'Brexit' for the UK.

Labour Market Forecasts for Belfast to 2027

Employment growth continues after a downturn but at a slower pace

Total Employment, 2007-2027



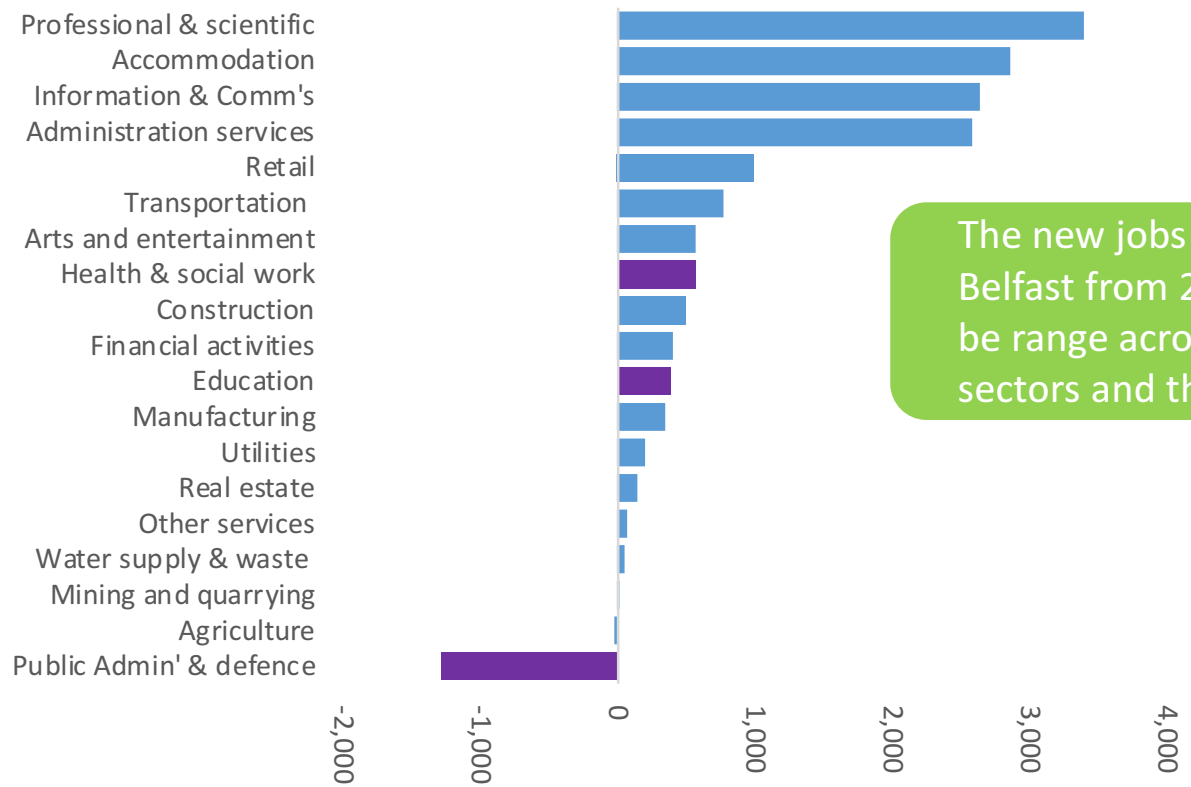
Under the baseline scenario c.12,000 additional jobs are forecast by 2027, increasing employment to more than 260,000

Self employment is expected to increase from 27,200 in 2017 to less than 30,000 in 2027.

Changes in Employment by Sector to 2027

Growth continuing in the high value services sectors and accelerating in tourism

Change in Employment, 2017-2027 (Baseline Scenario)



The new jobs forecast for Belfast from 2017-2027 will be range across the services sectors and the skills base

Some thoughts on skills

What does the evidence in Belfast tell us?

- A tale of two cities:
 - Belfast the regional driver of growth with high productivity and high skilled jobs
 - Belfast the poor performer on education measures, concentrations of this and poor skills stock
- Replacement demand and job-to-job movements are critical in creating opportunities...
- ...but net requirement profile is higher than the city's stock of skills creating an opportunity for Belfast
- Need to stem the flow into the labour market of 'no or low quals'
 - Tackling concentrations of low achievement
 - Addressing wider socio-economic factors
 - Early interventions pay dividends every time
- Are educational opportunities the key to inclusive growth?

Some thoughts for Belfast

Some are relevant now and some may even come true in time

- Belfast has become a globalised city (again), open to those forces and risks
 - True with the importance of FDI but also for local firms (imports and talent)
- Unemployment remains a big problem
 - In parts (along with inactivity) and questions to be asked whether what we are doing is working (what role for inclusive growth?)
- Despite Brexit, skills remain a major challenge
 - Supply issues will affect the city regardless of growth trends
- Belfast's regional role to accelerate?
 - Growing TTWA and City Region/Deal but what does this mean for residents?
 - Retaining focus on the Belfast Agenda ambitions

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