

# Scene is set for further progress in the NI economy

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With April 2014 marking another anniversary of the Good Friday Agreement, there has been some attention recently on how much, or not, Northern Ireland has changed politically and socially since it was signed in 1998. Indeed, there has been huge political progress in this period and Northern Ireland's brand image in the eyes of the world has improved immensely. But, what about the economy?

Amidst the steady stream of economic data, and accompanying narrative around things like job losses and retail vacancies on the high street, it's important not to lose sight of other changes and improvements that have taken place in the last 16 years. For example, in the intervening years, we have seen the introduction of the euro, the creation of Invest NI, the establishment of the Single Electricity Market and nine separate ministers hold the position of DETI 'Economy Minister' (*four fewer than Chelsea have had managers*). There have also been big improvements in other areas such as telecoms, with the Project Kelvin initiative for instance significantly improving telecoms links to America.

In terms of Northern Ireland's leading companies, a number of the top 20 (measured by employment numbers) back then have been either bought over or ceased to exist. For example, the 2nd and 3rd largest employers in 1998 - Stewarts / Crazy Prices and F.A. Wellworth - have been bought over by the large UK retail multiples. In the latter category, several firms in the textile industry have ceased trading altogether. More recently, a number of high profile names within the construction industry are no longer with us. Meanwhile, other firms, notably within the agri-food and pharmaceutical sectors, have climbed the ranks, whilst a number of new firms (e.g. First Derivatives, Almac, All State) in new sectors are amongst our leading businesses today.

According to the Retail Price Index (RPI), consumer prices have risen by 57%, which means the purchasing power of a pound in 1998 has fallen to 64p. Back in April 1998, a pint of beer cost £1.85, a loaf of bread was 50p, a pint of milk 34p and 20 cigarettes cost £3.36. However, some of the most staggering price rises have been with fuel prices. The oil price has fallen back from its record high of £80.4 per barrel a couple of years ago. Nevertheless, the current price of £65.3 is still almost 8 times the corresponding figure back in April 1998 (£8.40 / \$14 pb). These oil price increases have feed through to the petrol pump forecourts. Back in 1998, you could fill up a small family car with petrol and still have change from £40 for a newspaper. Today sales of the latter have plummeted due to the rise of the internet and filling up the same car costs around £77.

A major factor driving up global commodity prices from food to fuel is demand. In 1998, China, or the other countries that make up the BRIC economies were not the resource hungry economic powerhouses that they are today. They have helped push up the price of commodities from oil to gold. While the price of these commodities has fallen from their record highs in recent years, they are still well above GFA levels. The price of gold today is over 4 times the level recorded 16 years ago (\$308 per ounce). In a sign of these changed times, we now regularly hear of trade missions and tourism marketing within these rapidly growing economies.

Alongside these price rises, average wage levels in Northern Ireland have increased substantially too. In April 1998 the average private sector wage for a full-time employee was £13,468 and £15,501 for all employees (public and private). The corresponding figures for 2013 (latest data available) are £20,900 (private sector) and £23,904 (all employees). These represent increases of around 55% since April 1998.

In recent years, some of the most extreme price rises and falls have been within the local housing market. In Q4 2013, the average price of a house (purchased via a mortgage) in Northern Ireland stood at £132k or £99k

for a first-time buyer property. Despite the huge peak-to-trough decline in house prices that occurred between 2007-2013, house prices are more than double the averages that prevailed in Q1 1998 – £60,000 (all houses) and £48,000 (first time buyer properties).

Whilst many prices don't compare favourably with 1998 levels, there are others that do. The Bank of England base rate, for example has remained at its lowest level since 1994 for over 5 years. By comparison, it stood at 7.25% in April 1998 with the average UK standard variable rate (SVR) at 8.59%. Today, the average UK SVR is 4.43% and the average 5 year fixed rate mortgage of 3.5% (75% LTV) is over 3.5 percentage points below the corresponding figure 16 years ago. Meanwhile, UK equity prices only moved above their GFA levels last summer with the FTSE 100 now 10% above the level recorded on 9th April 1998 (6,105 pts). Conversely, Irish equities remain 7% below the ISEQ's level in April 1998 (5,209).

What about the labour market? The number of individuals claiming unemployment benefit hit a record low of 23,500 in August 2007 before rising for almost five-and-a-half years and peaking at 64,900. The latter compared with 57,900 when the Good Friday Agreement was signed. However, the last 14 months has witnessed a fall in Northern Ireland's claimant count and in recent months it has fallen back below the GFA level. Looking at Northern Ireland's unemployment rate, at 7.7% it is slightly above the level that prevailed back in the spring of 1998.

It should be remembered that due to a growing population Northern Ireland has to create jobs to stop the unemployment rate from rising. Indeed, Northern Ireland's population has increased by 164,000 since 1998. Over the same time period, and following the severe recession in recent years, the number of jobs in Northern Ireland (as of Q4 2013), was still some 96,520 higher than back in Q1 1998. This represents an increase of 16% which compares with 11% for the UK as a whole.

As far as employment is concerned, different sectors have experienced contrasting fortunes. The construction and services industries employ 2% and 25% more individuals now than in April 1998. Conversely, the manufacturing sector, which has posted strong growth in recent quarters, has still seen employment shrink by over one quarter in that period. However, within manufacturing there are sectors that are prospering. Within engineering, output in our Transport Equipment sector (*includes Wrightbus & Bombardier*) has never been higher. Meanwhile, the Pharmaceuticals and Chemical Products sector has recently seen output hit record highs. In addition, the Food, Drink & Tobacco sector continues to prosper and offers significant growth potential for the years ahead.

Other areas that offer potential for growth are film and television and tourism. In 1998, the biggest film of the year was 'Titanic'. Back then, we didn't have the Titanic Belfast centre. Today we do, as well as a major base beside it - Titanic Studios at the old Paint Hall - for filming hit TV shows and movies which is creating and sustaining many jobs.

Northern Ireland's tourism industry has certainly come on leaps and bounds. In 1998, the Republic of Ireland staged the start of the Tour de France and it was perhaps hard to believe then that Northern Ireland could do something similar. So it is a measure of how much work has gone into promoting Northern Ireland as a destination for big events and for hosting visitors that the second biggest cycle race in the world, the Giro d'Italia will begin in Northern Ireland this year.

Overall, the Northern Ireland economy has changed significantly and in many respects improved since 1998. The road ahead may contain bumps, but the scene is set for further progress.

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