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Northern Ireland’s ILO Unemployment Rate hits a 71-month low of 5.7%

Last month’s labour market statistics contained a raft of encouraging unemployment headlines. In terms of claimant count unemployment (which measures those individuals in receipt of means tested unemployment benefits), Northern Ireland extended its winning streak of falling unemployment to twenty-five months. Furthermore, January’s monthly decline of 1,700 claimants marked the largest decline since May 1999 (-2,200). Northern Ireland’s claimant count stood at 48,200 in January, which is the lowest level in 69 months (April 2009). Northern Ireland’s claimant count has now fallen by 10,300 (-17.6%) over the last year and by 16,600 (almost 26%) since the peak in December 2012 (64,800). As a result, 40% of the cumulative rise in unemployment that occurred following the downturn has been recovered. Meanwhile Northern Ireland’s Labour Force Survey (LFS) also included a variety of positive unemployment headlines. The ILO unemployment rate eased to 5.7% in Q4 2014 and remains in line with the UK rate. This represented the lowest unemployment rate in 71 months. The number of ILO unemployed fell by 3,000 in the latest quarter to 50,000. This compares with a peak of 72,000 in the 3-months to January 2013. The younger generation has borne the brunt of the recession as far as the labour market is concerned. Having peaked at 25% in Q3 2013, the unemployment rate for those aged between 18-24 years of age has remained stubbornly high. Encouragingly, however, the latest figures reveal a fall in Northern Ireland’s youth unemployment rate to 17.8% in Q4 2014 – a 34-month low. Whilst unemployment inequality based on age remains a major policy concern, there has been a significant convergence in the unemployment rate inequality between males and females. The male dominated manufacturing and construction industries bore the brunt of the job losses during the downturn. This gave rise to the term ‘Mancession’ with the male unemployment rate peaking at 10.5% in early 2013. Conversely, female unemployment peaked at 6.4%. 2014 has witnessed a dramatic decline in the male unemployment rate which stood at 9.3% in Q1 2014 and has fallen to 6.1% by Q4 2014. The latter represents the lowest rate in over 5-years and is just 0.7 percentage points above the equivalent rate amongst females (5.4%). This represents the narrowest differential in the respective unemployment rates in over 7-years.

N.Ireland's ILO Unemployment Rate

Source: DFP, Labour Force Survey
**NI's residential property prices post 7th successive quarter of growth**

The latest Northern Ireland Residential Property Price Index (RPPI) reported its seventh successive quarter of price rises. Residential property prices increased by 1% q/q in Q4 with prices some 8% higher than the corresponding period in 2013. Northern Ireland’s residential property prices recorded a peak-to-trough decline of 57% between Q3 2007 and Q1 2013. Prices have subsequently risen by 13%. As a result, Northern Ireland has recouped just one-tenth of the peak-to-trough decline in prices with prices still 51% below their pre-downturn peak. From a wider economic perspective, the continued rise in transactions is a more significant signal that the recovery is strengthening. Residential property transactions increased by 22% in 2014. This took the volume of transactions to a 7-year high. Transactions remain half of the level in the ‘freak peak’ that was 2006 and 30% below 2005’s more ‘normal’ levels. Further growth in house prices, and more importantly transactions, are expected in the year ahead.

**Inflation cools with CPI set to go sub-zero**

UK consumer prices posted their lowest reading on record with an annual rise of just 0.3% in January. This compared with the 0.5% year-on-year rise in December. Food prices fell by 2.7% y/y in January. This represents the steepest annual decline on record. Furthermore, UK food prices are now at their lowest level since November 2012 and have fallen by 3.1% since February last year. Meanwhile, *Transport Fuels & Lubricants (petrol and diesel)* recorded a record annual decline of 16.2% last month with prices down almost 23% since their April 2012 peak. Outside of motoring costs, household utility bills fell last month by 2% year-on-year. The Monetary Policy Committee (MPC) estimates that two-thirds of the gap between the current inflation rate and the 2% target rate is explained by sharp falls in food and energy prices. Further falls in CPI are expected in the months ahead. Indeed, UK CPI is expected to go sub-zero. However, this headline deflation is expected to be short-lived. Beyond this short-term, consumer price inflation is expected to rise back towards 2% *(the MPC’s target rate)* by Q1 2017.
Richard Ramsey
20th February 2015

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