

Economic Indicators at a glance – April 2015

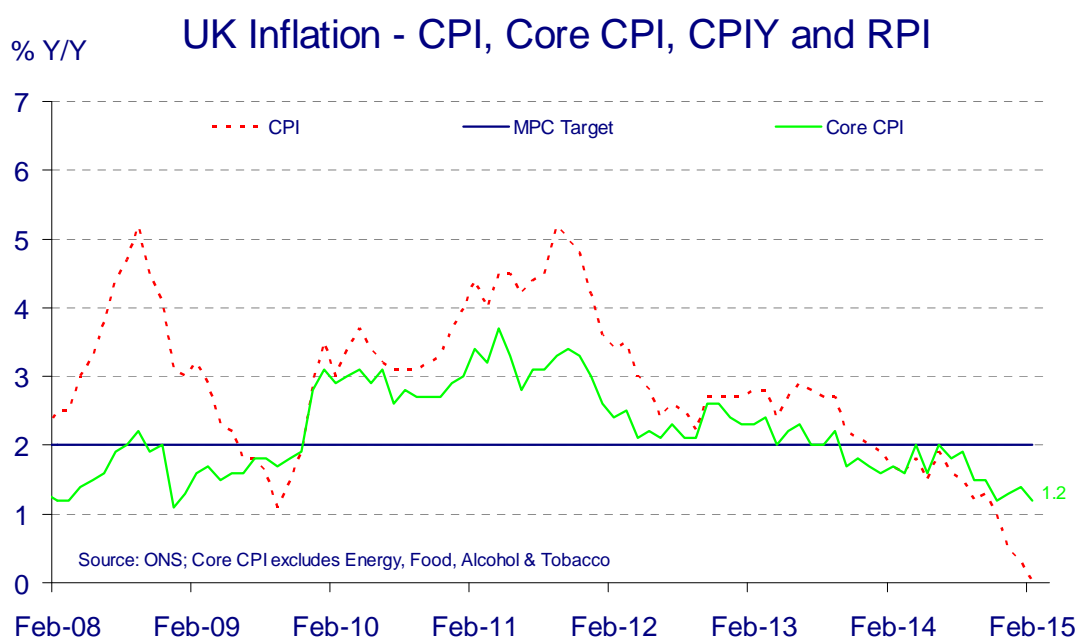
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Appears in Belfast Telegraph Business Month published 13th April 2015

UK CPI inflation flat lines in February

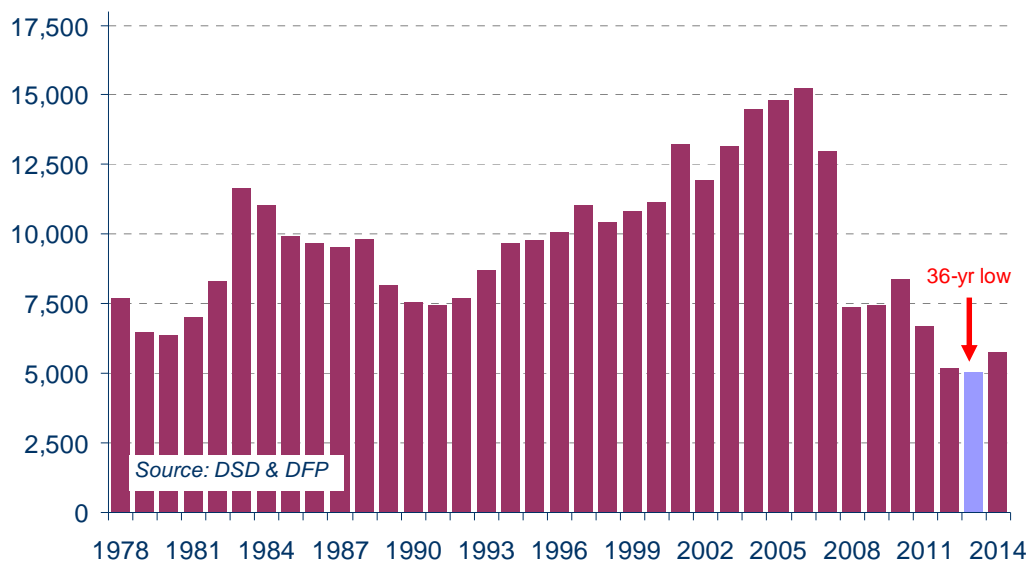
January saw the annual rate of UK consumer price inflation (CPI) ease to a record low of 0.3%. The February figures eclipsed that record with UK consumer prices unchanged relative to the corresponding month last year. However, the headline rate of 0% concealed diverging inflationary trends when looking at the price of goods and services. Within these two categories, it is a case of goods deflation (falling prices) and inflation (rising prices) for services. The price of consumer goods fell by 2% year-on-year in February which compared with a decline of 1.5% in January. February's 2% fall represented the fastest rate of decline since June 2002 and compares with a long-term average rate of inflation of 1.7%. Meanwhile service price inflation has remained broadly unchanged at 2.4% over the last six months. This compares with a long-term average of 4.4%. UK consumers are benefiting from the huge fall in oil prices since the middle of 2014. This has fed through to falling petrol prices. The latest figures note that Transport, Fuels & Lubricants (petrol & diesel) category reported annual price falls of 16.6% in February. This represented a record rate of decline. Meanwhile food prices fell by 3.5% y/y last month which also represents the steepest decline on record. It is noted that the annual rate of core CPI inflation, which excludes food and energy prices, eased from 1.4% in January to 1.2% February. This is a more meaningful indicator to gauge deflationary fears within the UK economy. In the months ahead the headline rate of CPI is expected to go into negative territory which will keep the Bank of England from raising interest rates in 2015. If as we expect one or two sub-zero readings materialise, we should prepare for a flurry of 'UK enters deflation' headlines. While such a statement would technically be true the UK is not expected to enter the economically damaging deflation that afflicted the Japanese economy. The latter was characterised by falling demand whereas the disinflation in the UK is due to the huge fall in oil prices and falling food prices and not a fall in demand. This will pass with CPI expected to rise towards 2% over the next 2 years. Therefore genuine deflationary concerns within the UK should only materialise if core CPI goes into negative territory.



Housing starts rebound off a 36-year low

The number of new housing starts (*public & private*) in Northern Ireland fell to a 36-year low of 5,100 in 2013. In the same year the number of private sector starts hit their lowest level (4,200) since 1981. Last year, however, housing starts increased for the first time in 4-years. Although the overall 14% y/y rise concealed a 24% increase for the private sector but a 35% fall in public sector housing starts. Last year's overall housing starts total of 5,750 is just over half (56%) of the long-term average (1978-2007) and 38% of the level that prevailed in 2006 (15,260). House completions hit a record low (*series began in 1978*) of 5,400 in 2013. Last year marked NI's first annual rise in house completions in 8 years albeit the 2% increase to 5,500 units was marginal. House completions have stagnated around 5,500 for the last 4 years. This is half of NI's stated annual need and 70% below the 2006 peak of 18,000 units.

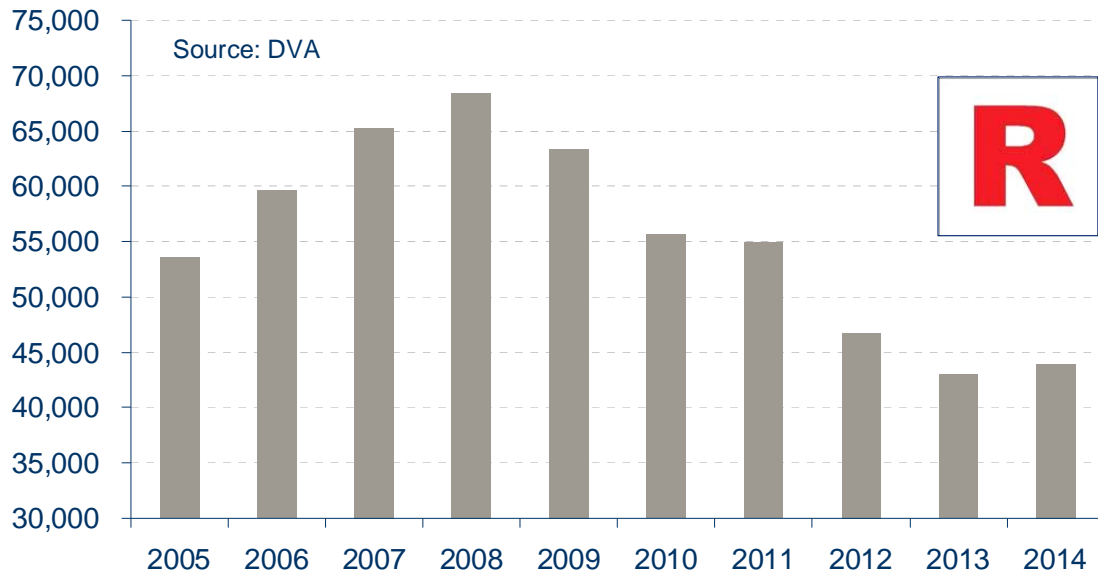
Northern Ireland Housing Starts



Private car driving tests rise for the first time in 6 years

There are significantly fewer 'R-plates' on our roads today than there were before the recession. The number of private car driving tests conducted in Northern Ireland peaked at 68,444 in 2008. This followed an increase of 28% between 2005 and 2008. Following five years of decline, with a cumulative fall of 37% (or 25,511 tests) driving tests hit a low of 42,933. An R-plate recovery now appears to have taken hold with 2014 posting the first rise in 6 years. Despite the modest 2% rise (+989 tests), last year's total remains 36% (24,522) below the 2008 peak. The number of individuals aged 17-24 years of age also peaked in 2008 and has been falling ever since. This age-group accounts for the vast majority of driving tests. Even allowing for demographic changes it is clear that economic factors largely explain the decline. The 18-24 years of age cohort have borne the brunt of the downturn in terms of pay cuts and unemployment. For many, learning to drive is not a necessity. The preponderance of R-plates can therefore be viewed as a visible sign of consumer confidence amongst the younger generation.

N.Ireland Private Car Driving Tests Conducted



Richard Ramsey
27th March 2015

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