

Look beyond the headlines

Contact: Richard Ramsey
Chief Economist, Northern Ireland
02890 276354 or 07881 930955

Richard.ramsey@ulsterbankcm.com
www.ulstereconomix.com
Twitter @UB_Economics

Article appeared in the Belfast Telegraph 6th December 2016

If there's one thing that 2016 has perhaps taught us, it's that you have to be wary of headlines. When it came to both the EU referendum debate and the US Presidential election, partisan UK and US media organisations often dominated public discourse with overly-simplified headlines that didn't do justice to complex and nuanced stories.

Consumers of news, now more than ever, have to carefully scrutinise what they read, and look closely at the detail, rather than taking the headlines at face value.

In economics, this same, circumspect approach is also extremely important – for consumers, economists, and policy-makers alike. We have to look beneath the economic headlines to gain a true understanding of what is actually happening.

Taking Northern Ireland's labour market, for example, the headline figures make for pleasant reading. Unemployment is continuing to fall, and fresh record highs and lows were established for the employment and economic inactivity rates respectively.

However, these headlines conceal a significant divergence with respect to gender. Male unemployment has risen significantly, from 6.2% in Q4 2015 to 7.3% for Q3 2016. Meanwhile the corresponding rate amongst females has plummeted from 5.7% in Q1 2016 to 3.7% in Q3 2016.

Northern Ireland's male unemployment rate is now comfortably the highest of all the UK regions, whilst there is no UK region with lower female unemployment.

This divergence in relation to gender relates to another divergence that is taking place too; a divergence between sectors, with the contrasting fortunes between the male-dominated manufacturing sector and the retail and hospitality sectors that have high concentrations of female workers.

And there is an even bigger divergence at play – between the figures for female unemployment and the unemployment rate for younger people. The unemployment rate for 18-24 year olds at 15% is almost three times higher than the Northern Ireland average.

We also see this theme of divergence beneath the headlines when we look at the split of employment between the public and private sectors. Over the year to June 2016, employment in the public sector decreased by 2.6% (-5,390 jobs) whilst employment in the private sector increased by 2.8% (14,410 jobs).

So the unemployment headlines are genuinely welcome and positive, but delving beneath reveals that it's a much more complicated story, with some people and sectors doing extremely well, whilst

others are experiencing a worrying decline. Policy-makers need to understand this nuanced picture to be able to implement tailored policies to deal with specific needs.

The same holds true for figures around benefits claimants. Whilst the number of people claiming unemployment benefit is on the decline, the number of people claiming other benefits – such as Disability Living Allowance (DLA) and Employment Support Allowance (which has replaced Incapacity Benefit) – are rising. We now have 12,000 more people on DLA than we employ in the entire public sector.

So, the headlines can present a positive picture when there are actually worrying trends beneath. Likewise they can present a negative picture when there are positive tales under the surface. Overall, car sales in Northern Ireland have been stagnant at the headline level for the past three years. However, a look beneath the bonnet shows that some types and brands of cars have seen sales surging. Indeed some have had their best years on record, which tells us something about consumer behaviour. Indeed, the car market is a great example of how an industry can adapt to changing consumer needs and demands; and the economy as a whole would do well to follow suit.

Smaller cars, and more cost-effective cars have been doing well in recent years, and so too have some premium brands. In January 2017, we will no doubt hear that some brands have again bucked the trend and indeed had their best year on record for sales. Expect a good year for German brands and the likes of the Nissan Qashqai.

And there are lots of other economic indicators showing divergence beneath the headlines, such as global economic growth rates – with some economies forging ahead, whilst others are mired in stagnation or decline - and productivity rates between Asia and the western world. There is also the risk of growing political divergence in the UK between for instance the North and South of England, and in the EU, as anti-EU, far right, populist movements in places like France and Italy gain momentum.

This theme of increasing divergence will continue into 2017. The headlines might tell us that economic growth in the UK continues to rise modestly, but will the theme of divergence in performance between Northern Ireland and other parts of the UK continue, and indeed widen? And within Northern Ireland, will we see continuing divergence between businesses' domestic and export orders? The latest Ulster Bank Northern Ireland PMI highlighted that new orders were flat but that export orders were at almost record highs. These are all issues that businesses, economists and policy-makers will have to keep an eye on.

Richard Ramsey
6th December 2016

This document is issued for information purposes only for clients of Ulster Bank Group who are eligible counterparties or professional customers, and does not constitute an offer or invitation to purchase or sell any instrument or to provide any service in any jurisdiction where the required authorisation is not held. Ulster Bank and/or its associates and/or its employees may have a position or engage in transactions in any of the instruments mentioned.

The information including any opinions expressed and the pricing given, is indicative, and constitute our judgement at time of publication and are subject to change without notice. The information contained herein should not be construed as advice, and is not intended to be construed as such. This publication provides only a brief review of the complex issues discussed and readers should not rely on information contained here without seeking specific advice on matters that concern them. Ulster Bank make no representations or warranties with respect to the information and disclaim all liability for use the recipient or their advisors make of the information. Over-the-counter (OTC) derivatives can involve a number of significant and complex risks which are dependent on the terms of the particular transaction and your circumstances. In the event the market has moved against the transaction you have undertaken, you may incur substantial costs if you wish to close out your position.

Ulster Bank Limited. Registered in Northern Ireland. Registration Number R733 Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and entered on the Financial Services Register (Registration Number 122315).

Calls may be recorded.

 **Ulster Bank Limited accepts no liability for the outcome of any actions taken arising from the use of this article**