

Annus mirabilis or horribilis?

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About 25 years ago, The Queen popularised the term *annus horribilis*. At the other end of the spectrum, the term *annus mirabilis* translates to ‘wonderful year’ or ‘year of miracles’. 2016 was a year to which you could perhaps attach either moniker, depending on what perspective you take. And some might argue that it was actually somewhere in between.

As far as economic growth is concerned, the Northern Ireland economy ended 2016 with a bang. The official Northern Ireland Economic Composite Index (NICEI) showed that growth rebounded from the third quarter’s post-EU referendum dip to record growth of 2.1 percent in the final quarter. This represented the fastest rate of expansion in 12 years. Both the public and private sectors recorded growth, with construction posting the fastest rate of expansion of all sectors. The private sector expanded by 2.6 percent in the quarter, with output up 4.1 percent year-on-year. The latter marked the fastest rate of growth in a decade and helped to propel output to its highest level in over eight years.

Despite this rapid rate of growth, private sector output in Q4 2016 was still some 4.5 percent below the level of quarter two 2007’s peak. The local private sector has now recouped just two-thirds of the decline in output that occurred in the six-year period to Q2 2013.

Overall, even with the robust rates of expansion in the final quarter, 2016’s growth rate was pedestrian at 1.6% year-on-year – a slight improvement on the previous year. And this conceals contrasting fortunes for the public (-2.2 percent) and private sectors (+2.8 percent). Perhaps not an *annus mirabilis* for economic growth, after all?

Looking at some of 2016’s other economic indicators, there were multi-year highs and a number of records posted. But again, context is important, and some of these were due to coming off a low base.

Conversely, industrial production recorded zero growth relative to 2015, but this conceals rapid expansion in the final quarter. Indeed, industrial production hit a series high in Q4. The water, supply and waste management sector reported growth of 16 percent year-on-year in Q4, with the mining and quarrying sectors posting a stunning rise in output of 38 percent over the same period. Mining and quarrying activity has never been higher. Memories of the sector’s post-construction boom *annus horribilis* in 2009 are a distant memory.

Similarly, manufacturing output fell by over one percent in 2016 but staged a good recovery in the final quarter. In Ballymena, you could say that it was an *annus horribilis* for manufacturing, with the ongoing winding down / closure of two of Northern Ireland’s largest manufacturing employers. But not all manufacturing is shrouded in gloom. Other areas such as chemicals and pharmaceutical products enjoyed a record year, with some of the flagship firms operating in the sector posting bumper profits.

On the mirabilis side, Northern Ireland's service sector output hit a seven-year high in fourth quarter, with 2016 representing the fastest rate of growth in a decade. Within services, the fastest growing sub-sector was Transport, Storage, Information and Communication, with output ending 2016 at a record high. This includes the ICT and software sectors. Cyber security is an emerging sector within this area with this niche expanding by 30 percent last year. Indeed, Belfast currently has the highest concentration of cyber security jobs in Europe.

In another booming area, 2016 saw the fastest rate of growth for the Wholesale, retail, repair, accommodation and food services category. This is dominated by hotels, restaurants and retail. It was something of an annus mirabilis for the tourism industry with a variety of records tumbling. A weak pound and low inflation boosted retail through cross-border shopping and domestically.

While aspects of services are booming, other areas are shadows of their former selves. The Business Services & Finance category posted its strongest rate of growth in a decade. But that decade has been a lost one. Output in this sector is still one third below what it was 10 years ago. The legacy of Northern Ireland's property boom and subsequent bust is evident within this.

In the labour market, we saw a number of record highs and lows of a positive variety. Alongside falling unemployment, economic inactivity hit a record low, though it still remains the highest of all UK regions. Meanwhile the employment rate hit a record high, however, again this is the lowest of all UK regions. This highlights that success or failure needs to be benchmarked against competitors to have any real meaning. Northern Ireland's private sector employment has never been higher. Though the gains on this front have been partially offset by significant job losses in the public sector. **But remember its quality and not just quantity when it comes to employment. From a productivity perspective Northern Ireland's performance on this front leaves a lot to be desired.**


So, as ever, the economic world is a nuanced place, with lots of shades. And when you look beneath the surface, there are lots of difference stories going on. Even in the depths of the economic downturn, there were companies in the most challenged sectors doing well, and during the good times, companies in booming sectors can fail. So when we look to the months and years ahead, including when the UK eventually does leave the EU, it's important to remember that there is opportunity in every challenge, and even if the economy overall goes through a difficult period, there are still opportunities for individual businesses to thrive. Horribilis, it does not have to be.

Richard Ramsey
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