
Chartered Institute of Housing in Northern Ireland Conference

Risk & Resilience
The Future of Housing Finance & Investment

The Economic Context

5th June 2013

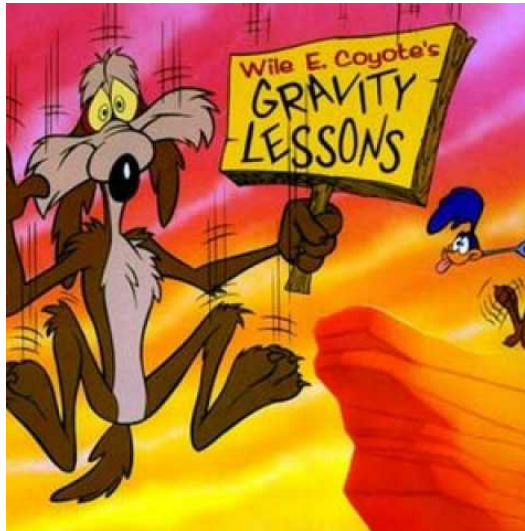
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6 years since Northern Ireland's Wile E. Coyote moment



The 'NICE'
Decade



The 'RUDE'
Awakening



Have we hit
bottom yet?

N.Ireland downturn: 8 Key Facts

1. **Unemployment (claimant count) up 41,500 (Mar 2012)**
2. **Workforce jobs have fallen by almost 55,000 in 4 yrs to June 2012**
3. **Personal & corporate insolvencies have doubled since 2007 & still rising**
4. **House prices down 56% from peak (by Q4 2012)**
5. **House completions down 62% from 2006 peak**
6. **Mortgages for home movers at lowest level since 1974**
7. **Almost 1 in 4 retail outlets are vacant in Belfast**
8. **New car sales are 30% below 2007 levels**

NI's downturn has been longer & deeper with the recovery weaker than the UK: Why? – Housing & RoI exposure

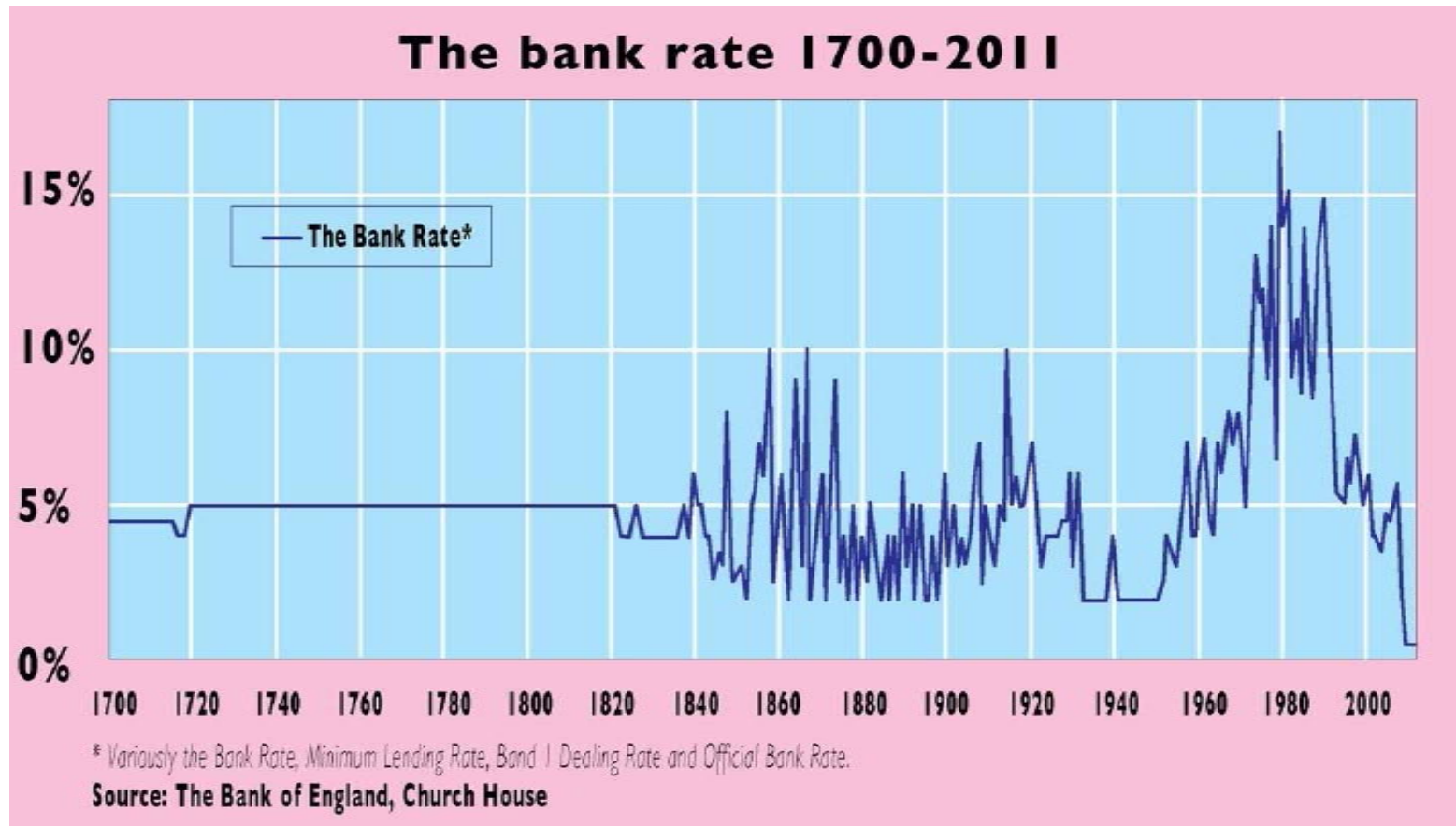
NI enjoyed Southern Comfort through the Celtic Tiger years



Southern Discomfort hangover continues



One chart should remind us where we are



Is the Northern Ireland economy experiencing a recovery?

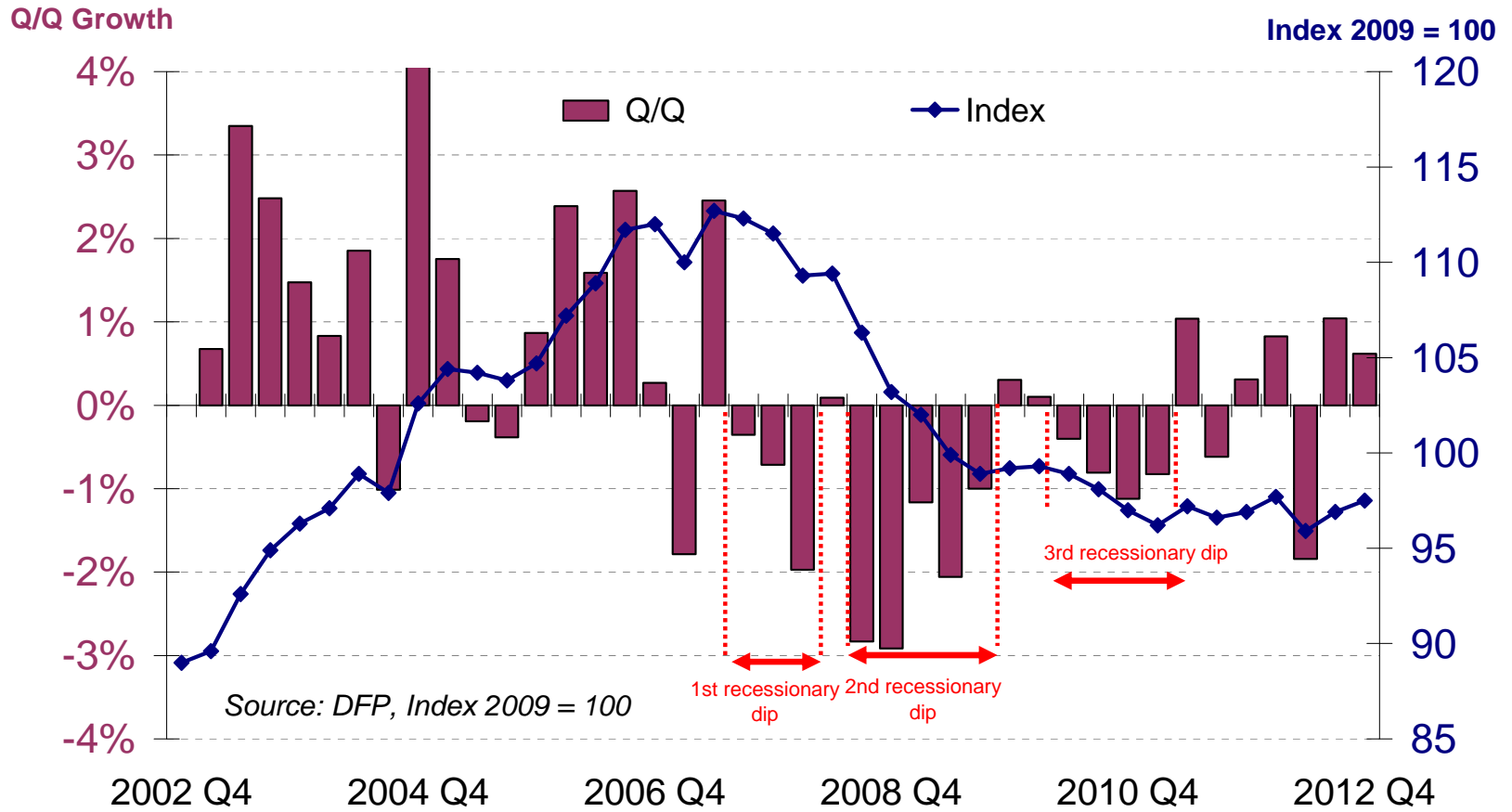


“Yeah, but, no but, yeah but...”

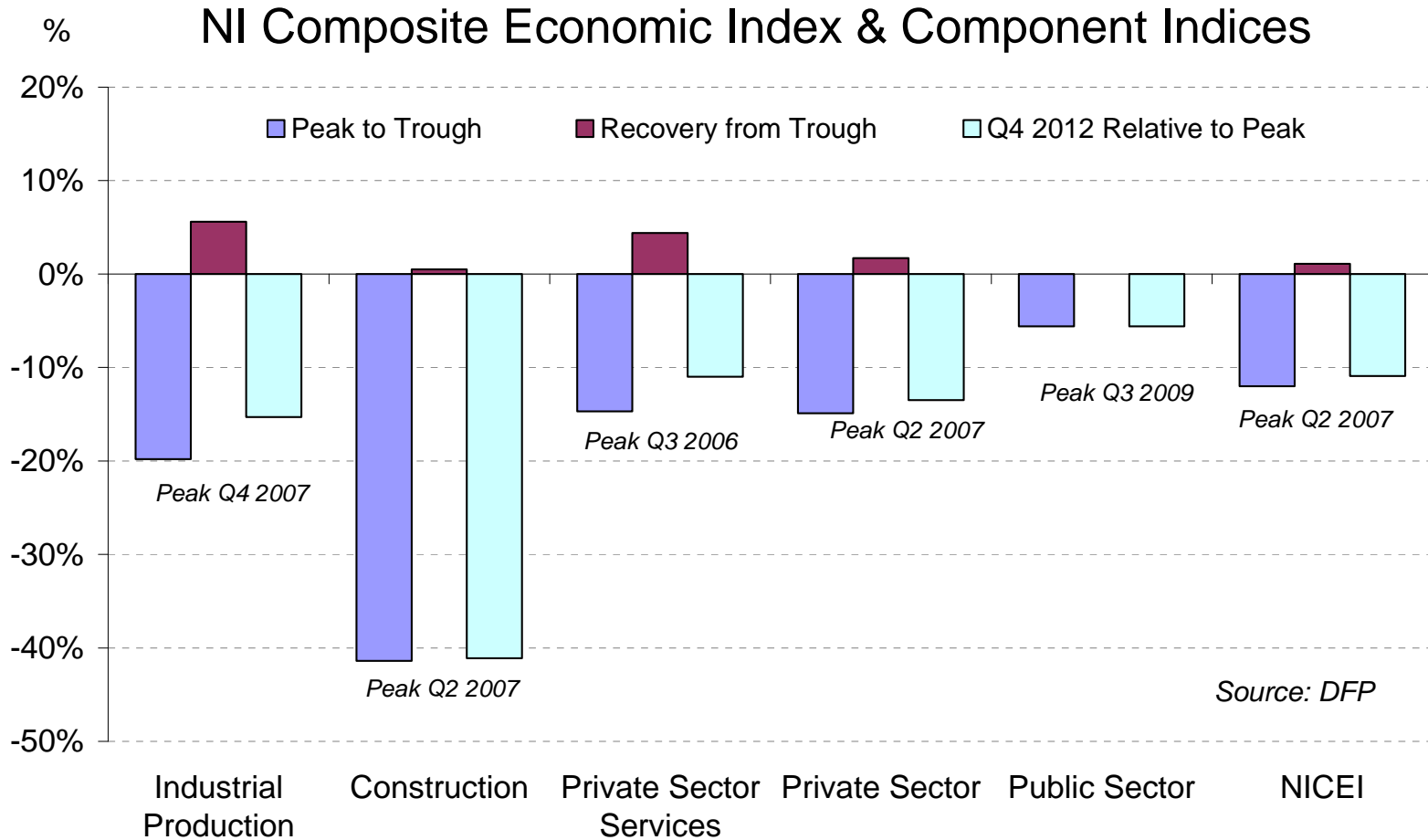
Increasingly Economists are sounding like
Vicky Pollard

Private sector recovery underway? Yeah, but look at levels!

NI Composite Economic Index: Private Sector



NI's economic recovery has quite a bit to go!



In N.Ireland biggest losers all have something in common

Change in NI Private Sector Output
Q2 2007 - Q4 2012

Industrial Group	% Change
<i>Recession Losers</i>	
Utilities (Water Supply & Waste Management)	-4.2%
All Production Industries	-9.3%
Engineering & Allied Industries	-10.2%
All Private Sector Services	-10.6%
All Manufacturing	-14.4%
Total Private Sector Output (Construction + Production + Private Services)	-14.5%
<i>Recession Big Losers</i>	
Basic Metals & Fabricated Metal Products	-20.7%
Total Other Manufacturing	-29.3%
Textiles & Textile Products	-29.7%
Mining & Quarrying	-33.3%
Wood & Paper Products	-34.9%
Rubber, Plastics & non-metal Products	-39.5%
Construction	-44.8%
Business Services & Finance	-47.7%

Source: DFP Indices of Production, Services and Construction, DARD & Ulster Bank calculations

Construction /
property
related



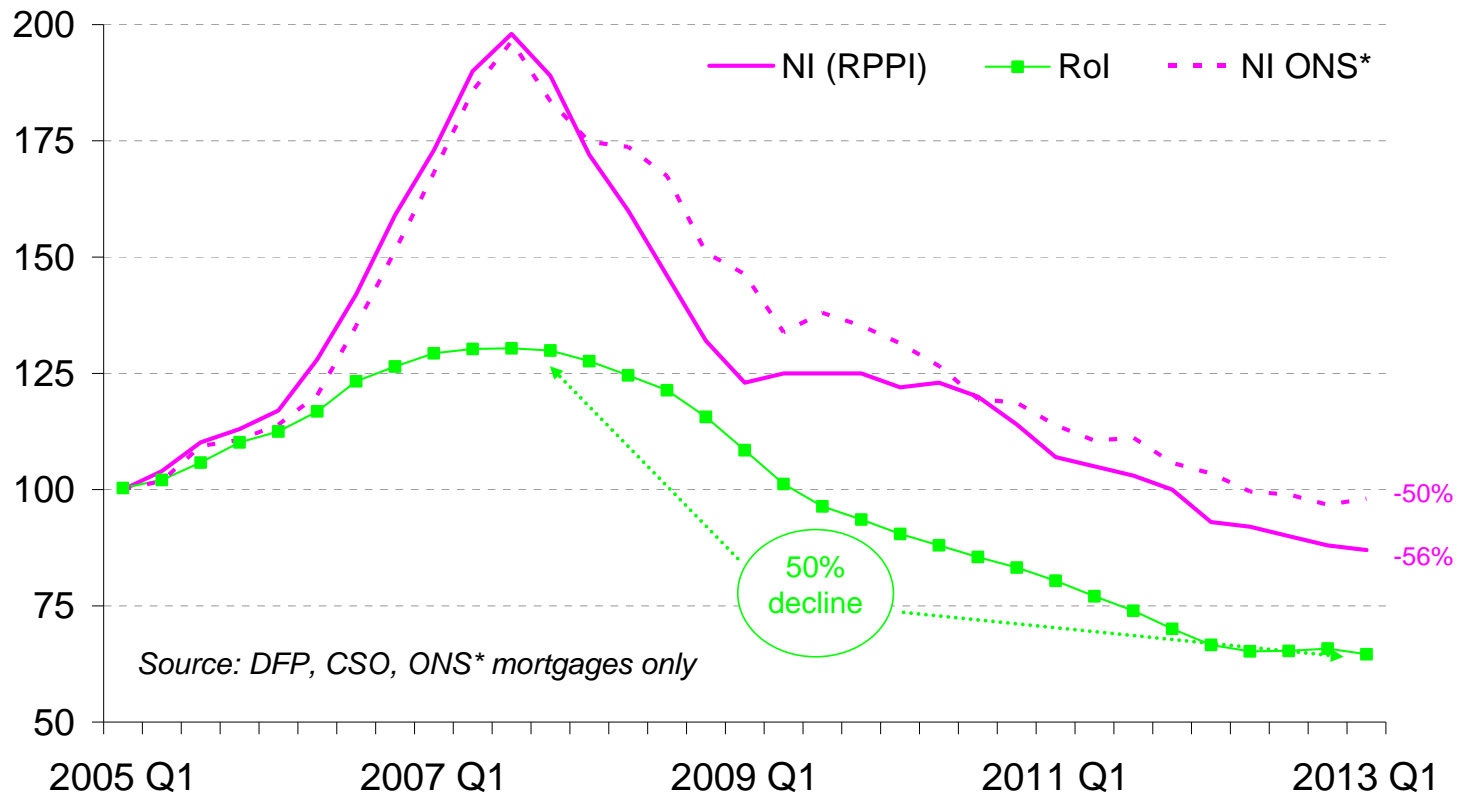
Construction /
property
related



Are NI house prices still falling?... 'Yeah, but, no, but, yeah, but...'

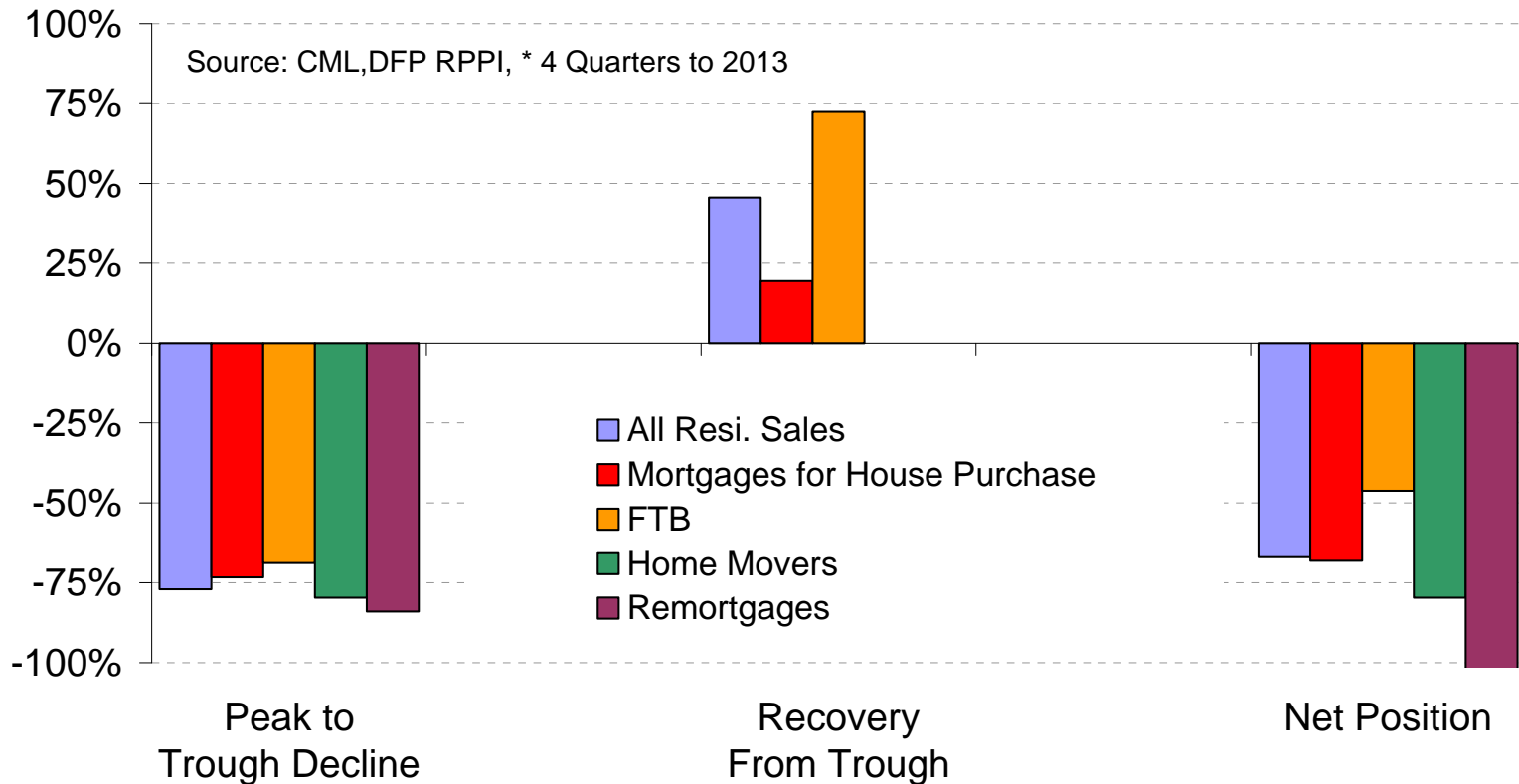
N.Ireland & Republic of Ireland House Prices

Index 2005 = 100



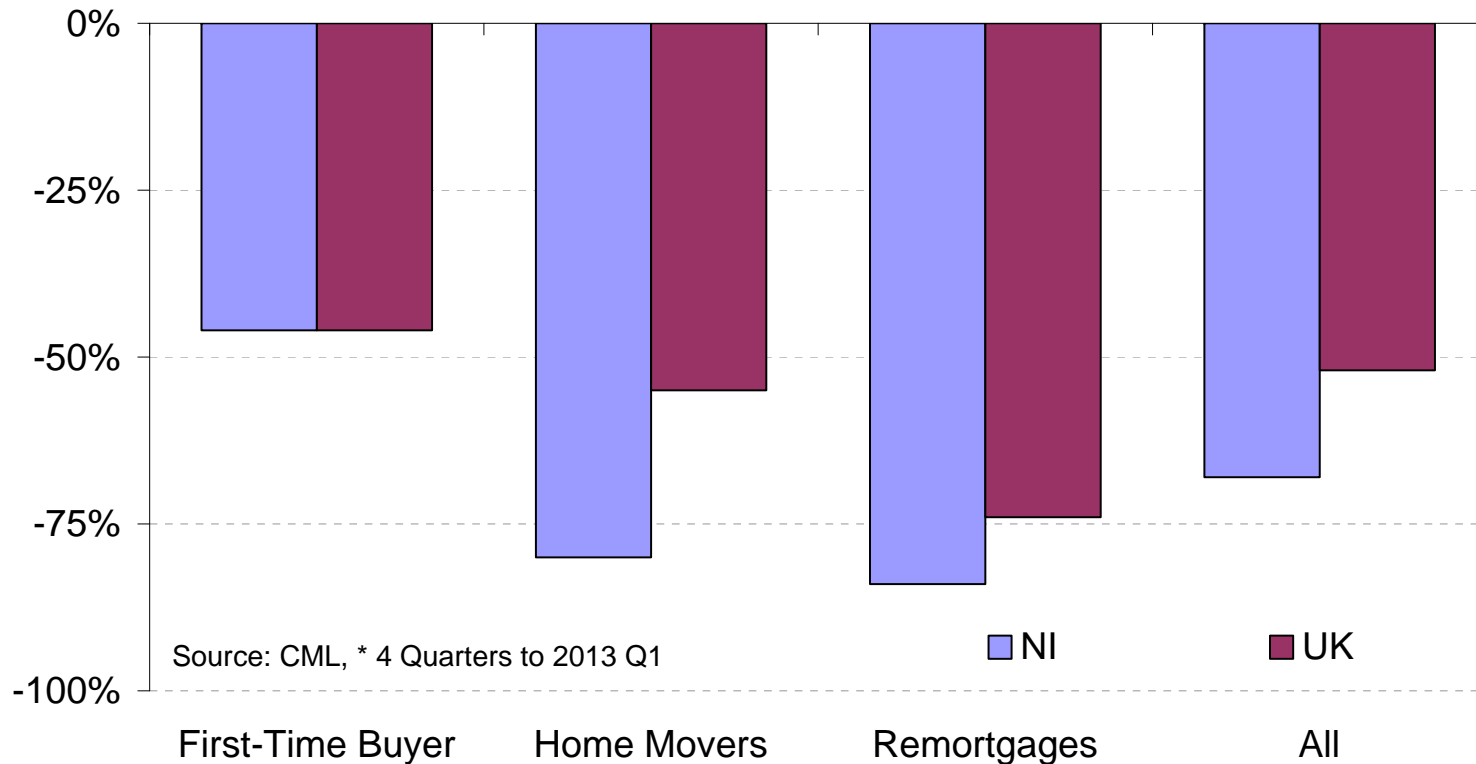
Have we seen a recovery in mortgage activity / sales?... 'Yeah, but, no, but, yeah, but...'

Mortgage Activity / Residential Sales 2013 Q1* Relative to Pre-Credit Crunch Levels (2006)

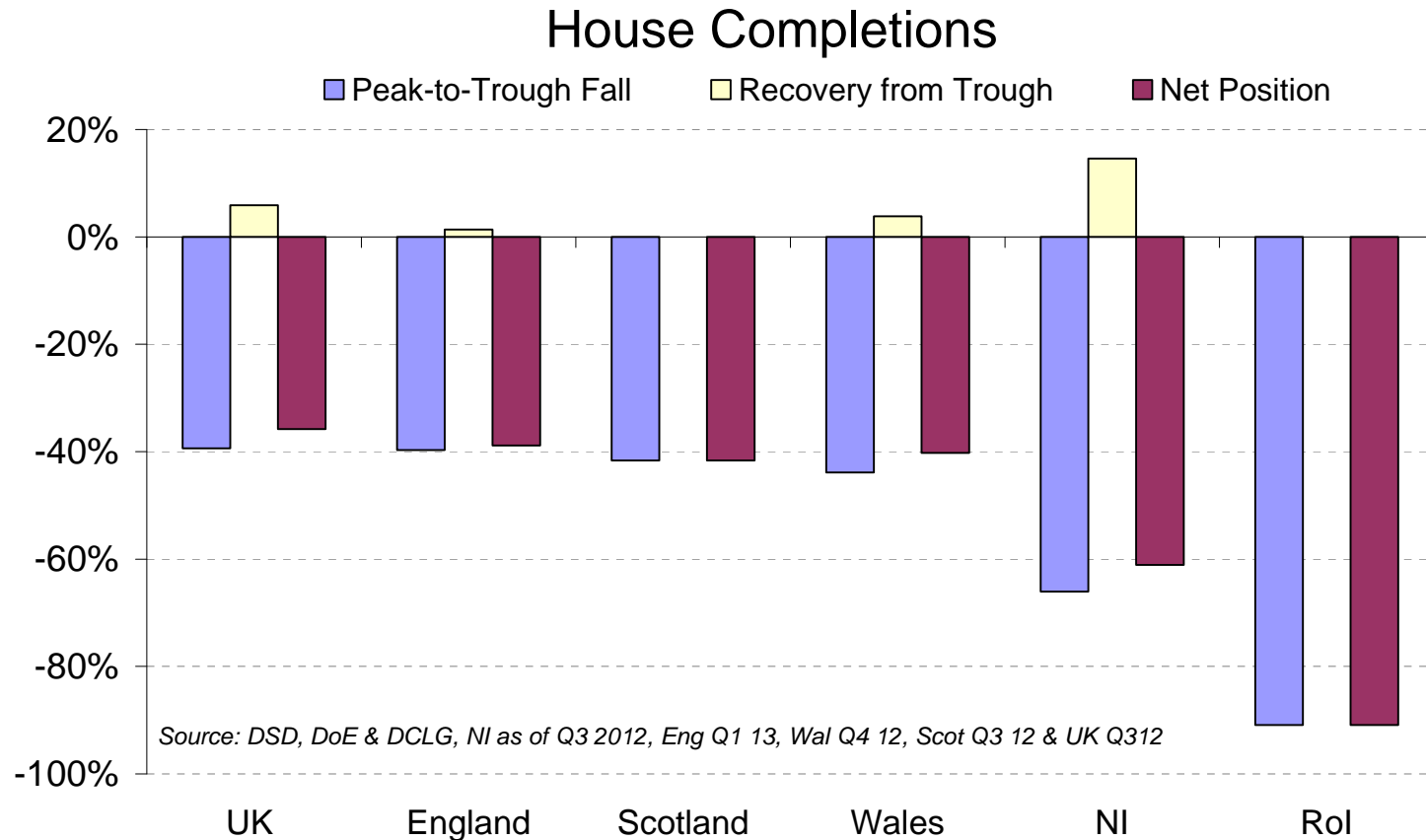


Remember NI has been hit much harder than the UK with a weaker recovery...

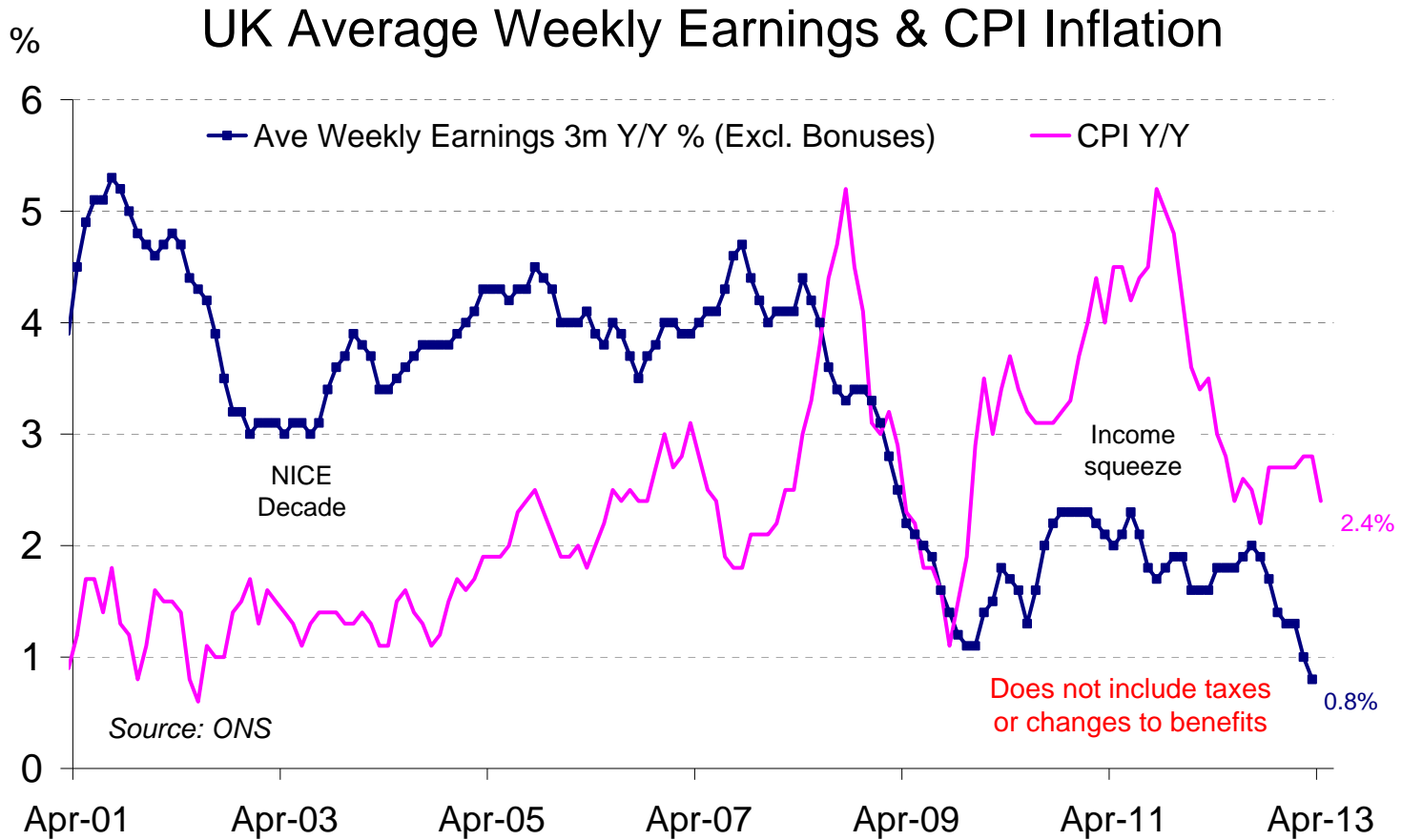
NI & UK Mortgage Activity 2013 Q1*
Relative to Pre-Credit Crunch Levels (2006)



...the same applies with house completions...
although look at the RoI

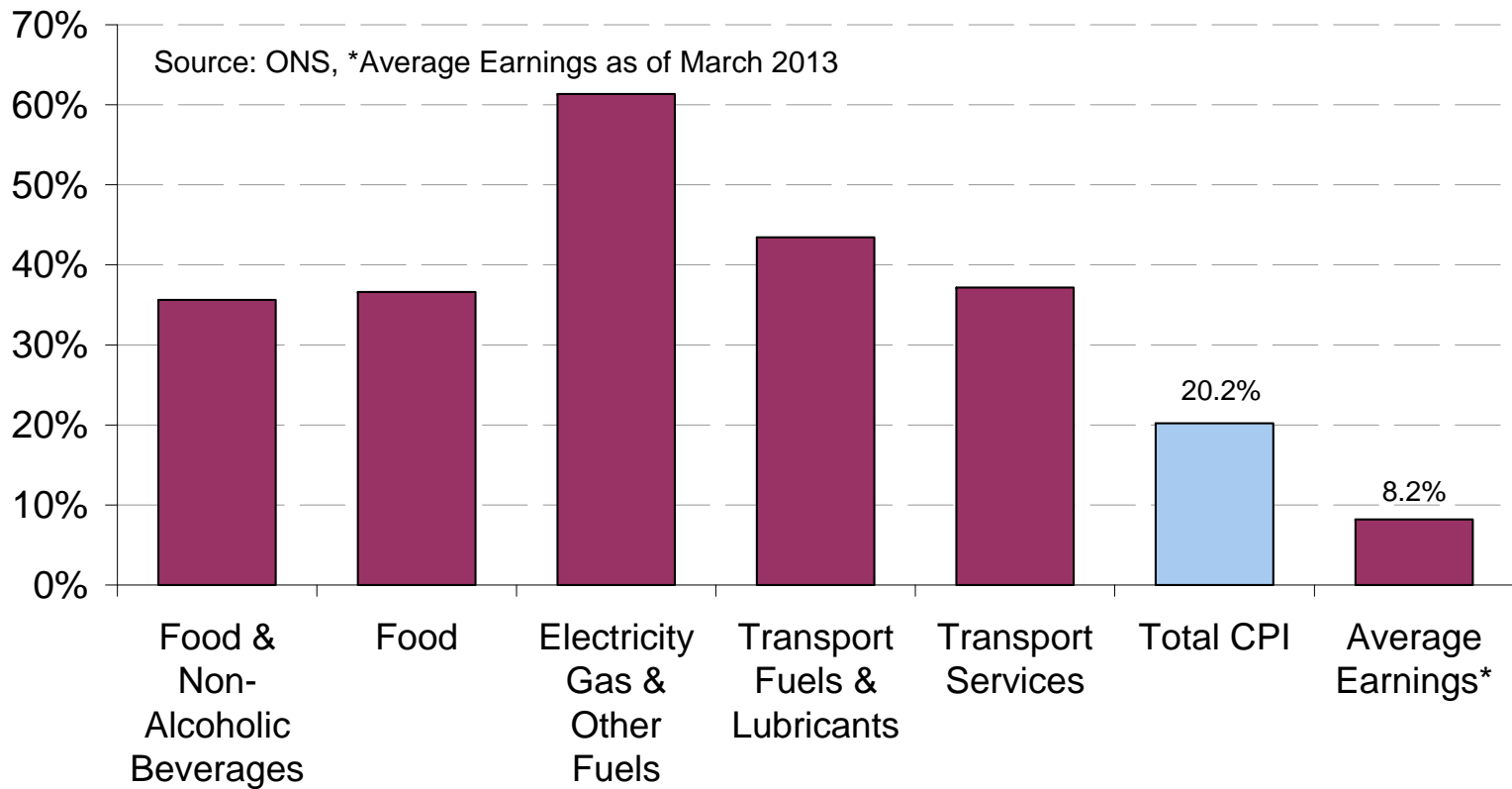


Household incomes recovery remains a long way off



Housing affordability has improved? *'Yeah, but, no, but, yeah, but...'*

Cumulative % Change in UK Consumer Prices
since 'Credit Crunch' began (Aug 07 to Apr 13)

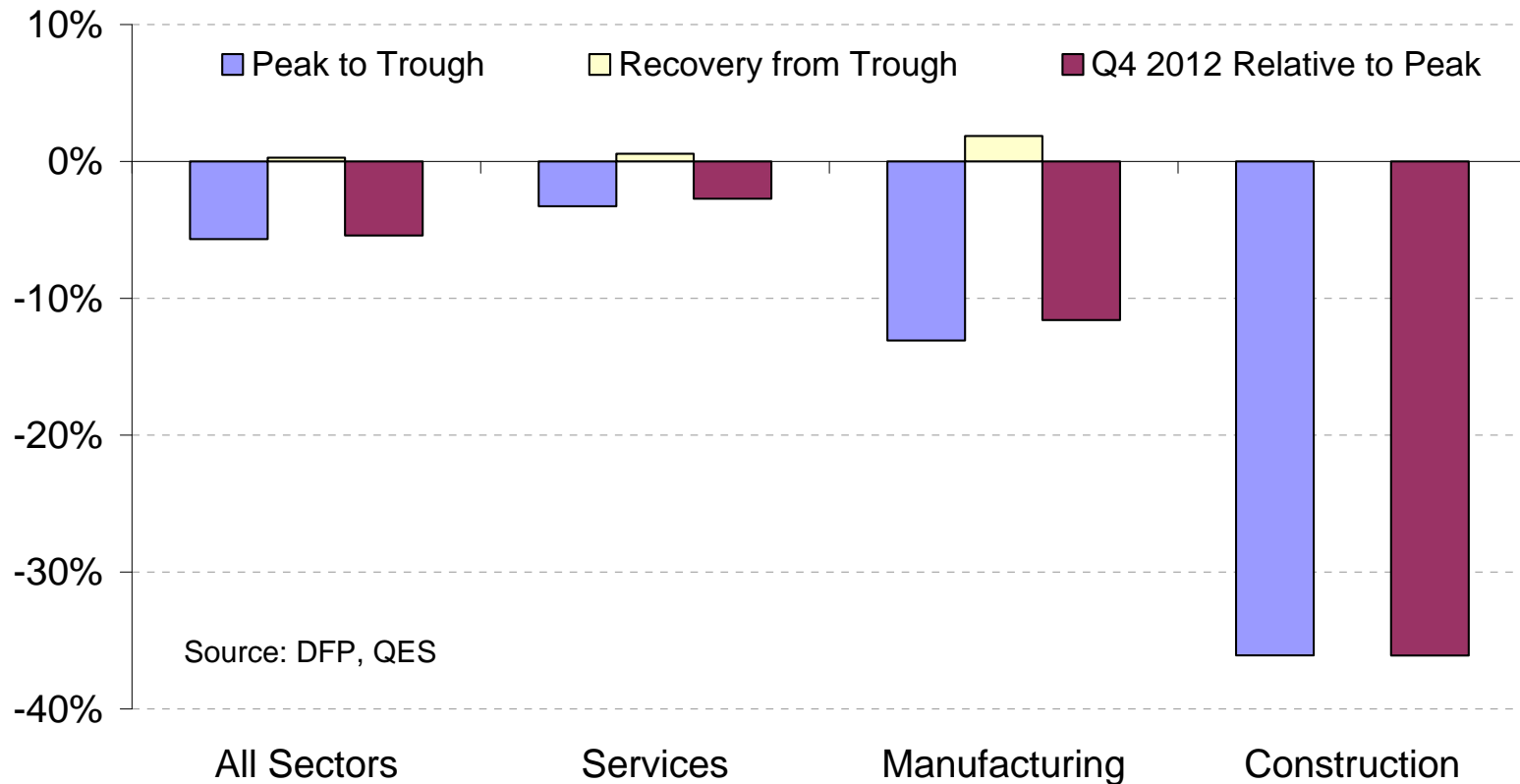


Some well known casualties from the downturn

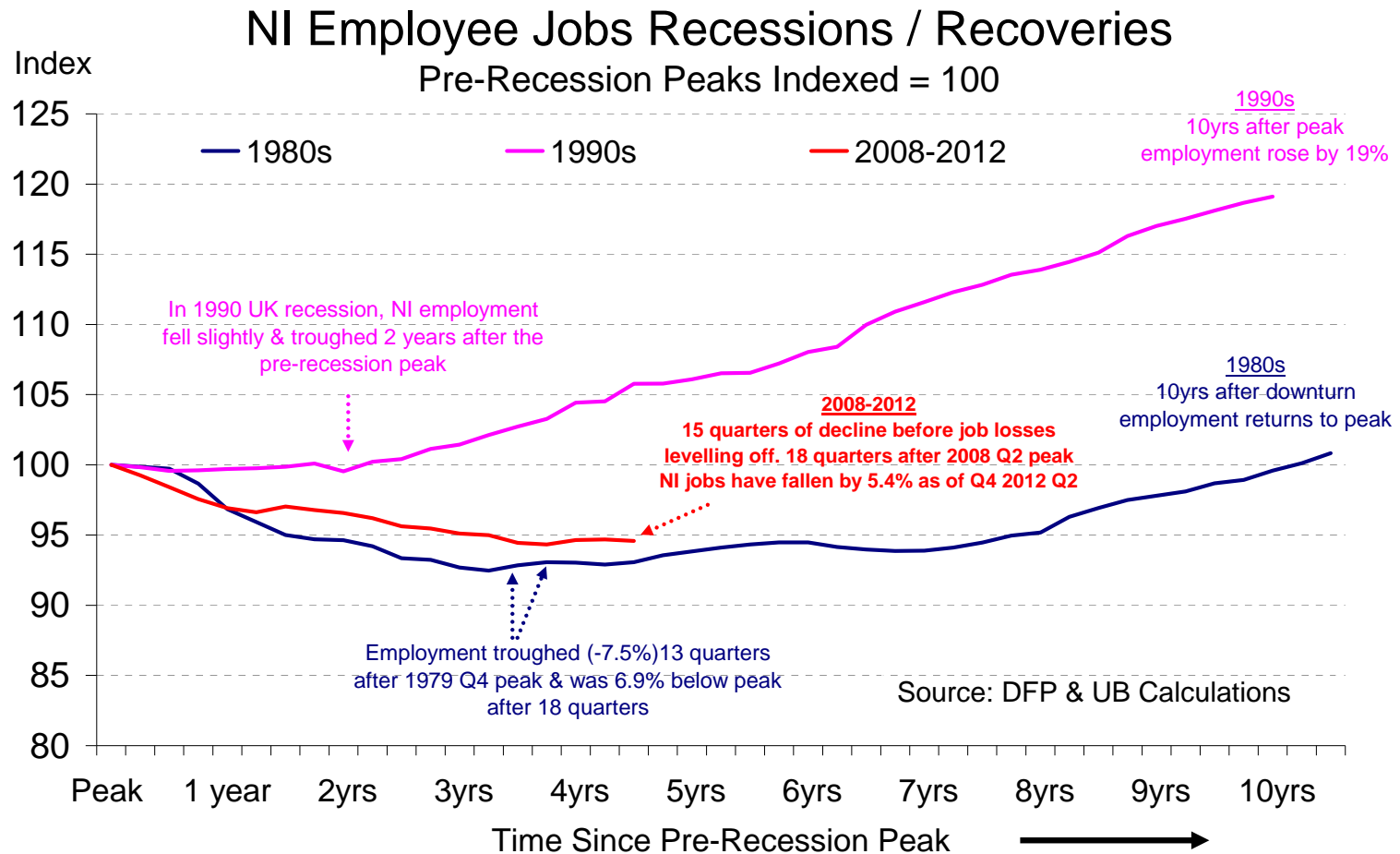


No recovery in construction sector so far

Northern Ireland Employment (Employee Jobs)



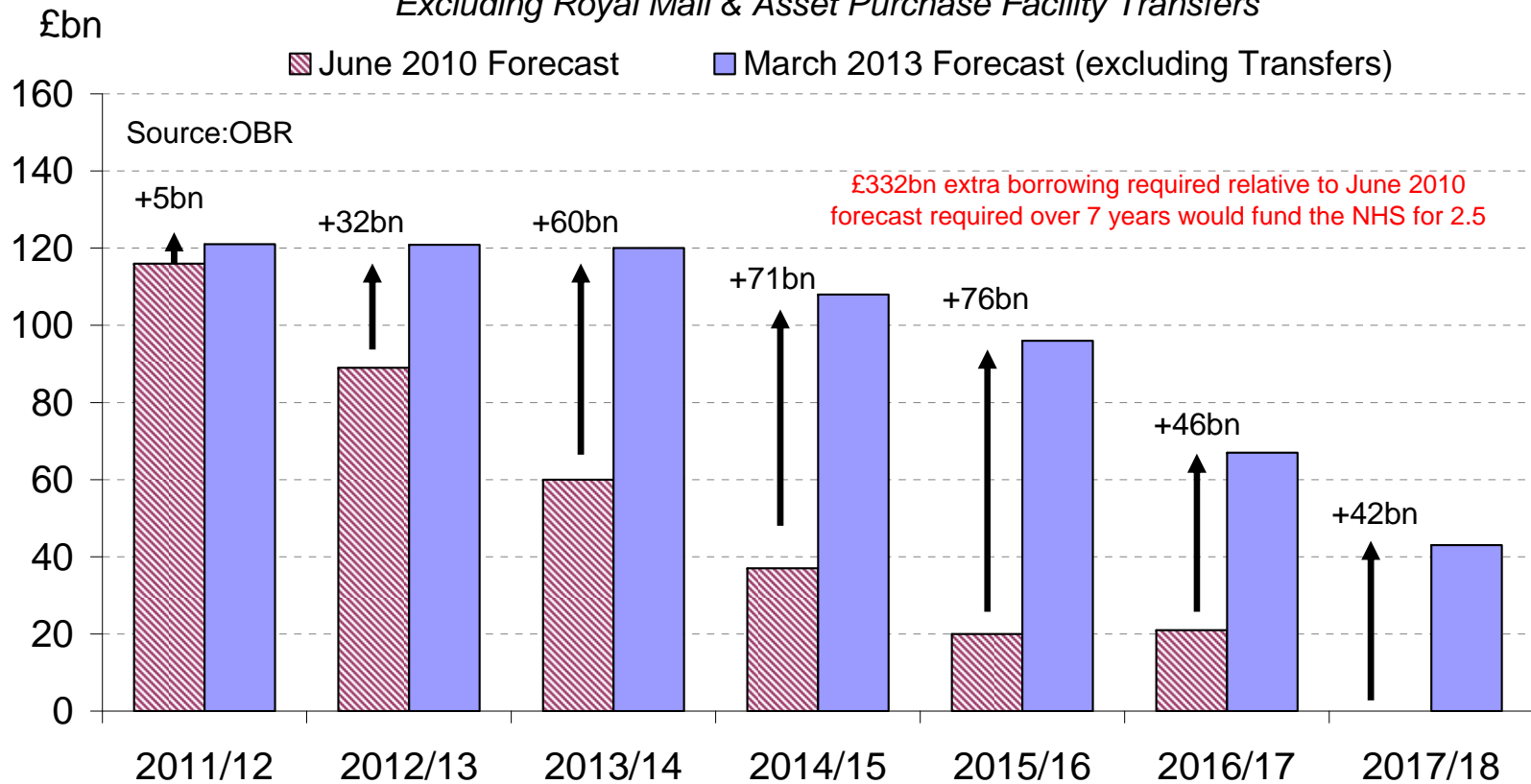
NI can expect a 1980s-style employment recovery



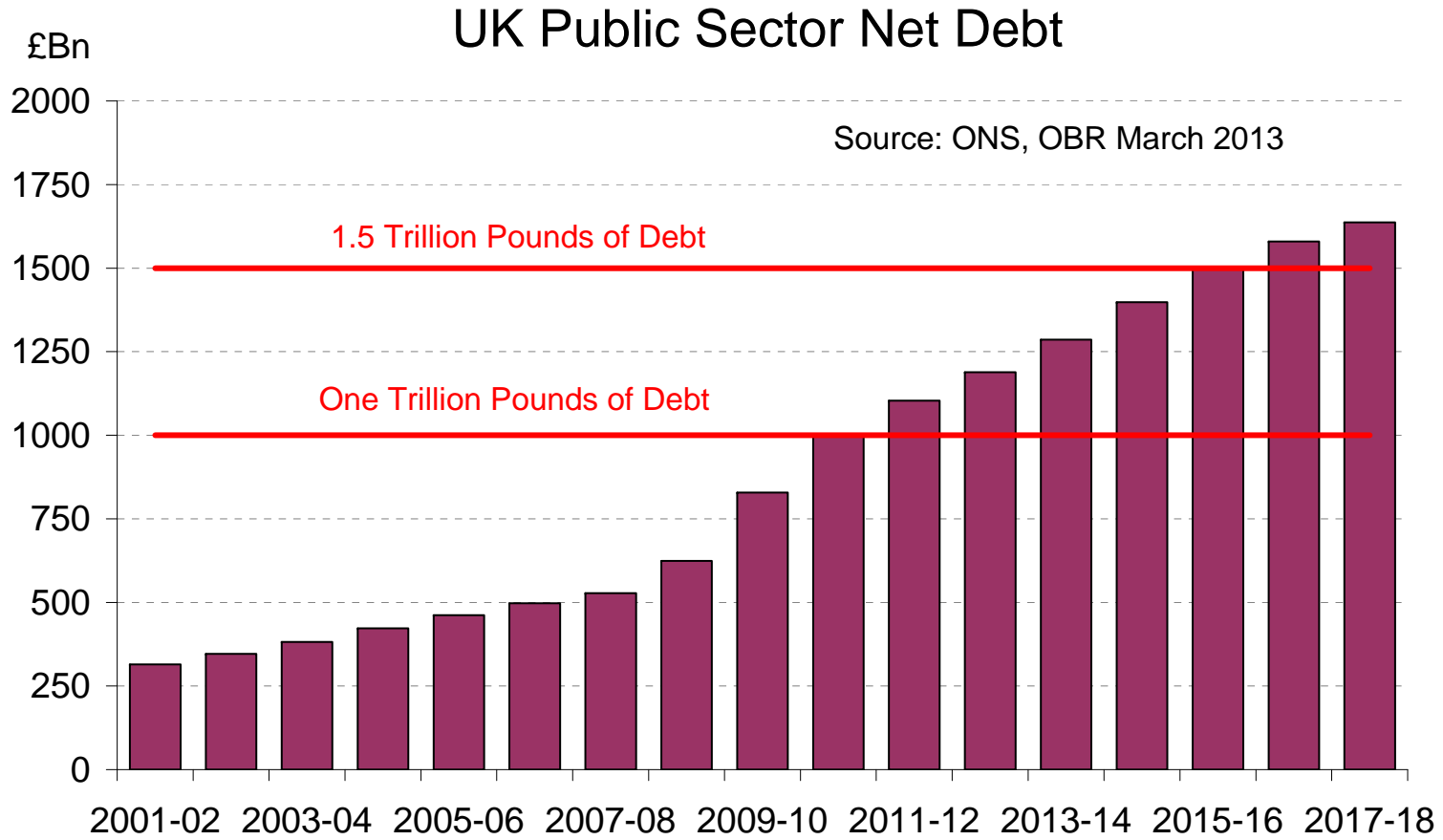
The deficit is coming down... ‘Yeah, but, no, but...’

UK Public Sector Net Borrowing (PSNB)

Excluding Royal Mail & Asset Purchase Facility Transfers



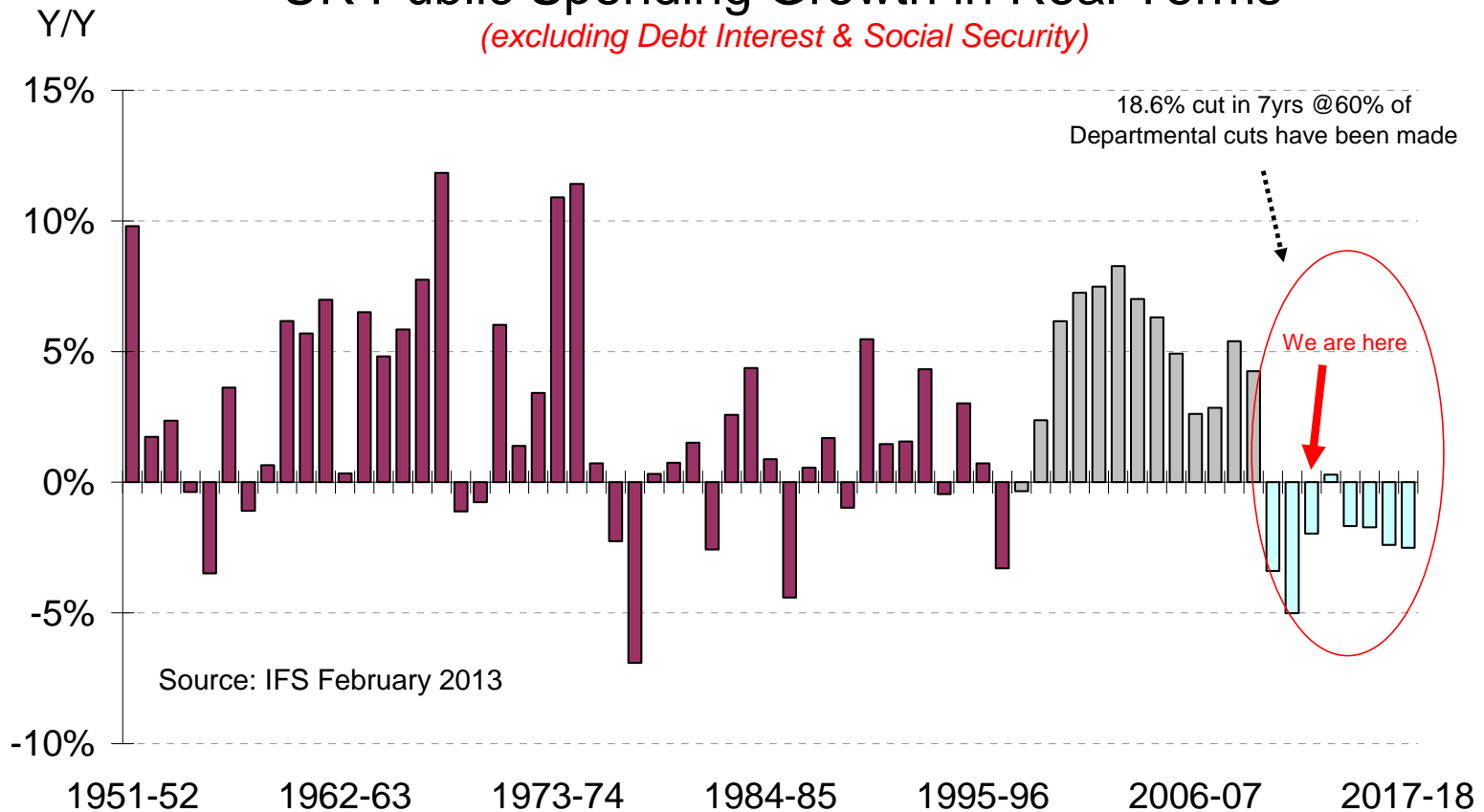
Paying off debt mountain = higher taxes & spending cuts



12-yr public spending feast followed by 7-year famine

UK Public Spending Growth in Real Terms

(excluding Debt Interest & Social Security)



Decade ahead will **HURT**

- **Downside risks** to NI growth e.g. *EZ*
 - Unemployment to stay higher for longer.... a **lost decade** for the under 25's?
 - Households face **devaluation** in S.O.L, **debt de-leverage**
 - Factors present in 'NICE' era have gone into reverse - Next decade ahead will **HURT** – Higher Unemployment **Rising Taxes / Tariffs**
 - Fiscal austerity in NI – To be continued....
 - Ongoing housing demand & supply problems
-

Economic Growth will be an uphill challenge...



...with a 'spreadsheet recovery'



Computer says Yes. But consumer says No!

Not all decades have been lost! Look at Lagan side!



Laganside 1994

Source: Invest NI

Laganside today



Reasons to be cheerful!

- Far-off fields (e.g. *BRICs & Emerging markets*) are greener**diversify** export base
- NI's private sector employee jobs increased by 2,000 in 2012
- NI's Pharmaceuticals output is currently at a record high
- Global demand for food & pharmaceuticals to rise well into the future
- NI's public expenditure cuts are **do-able**
- Recent FDI into NI & expansion of indigenous firms: e.g. Allstate, Wrightbus
- 2012 was a record year for the tourism industry
- City of Culture / World Fire & Police Games 2013, G-8, All-Ireland Fleadh
- ICT / software sector is booming
- Opportunity to radically change the economy for the better.... but will it be grasped?

NI requires a relentless focus on cost – the level of public expenditure, how it is spent & where. An ongoing forensic analysis of current public expenditure & public service delivery is required

The Coyote always returns, never gives up, becomes more innovative with whatever resources & the race never stops!





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