

# Economic Indicators at a glance – November 2014

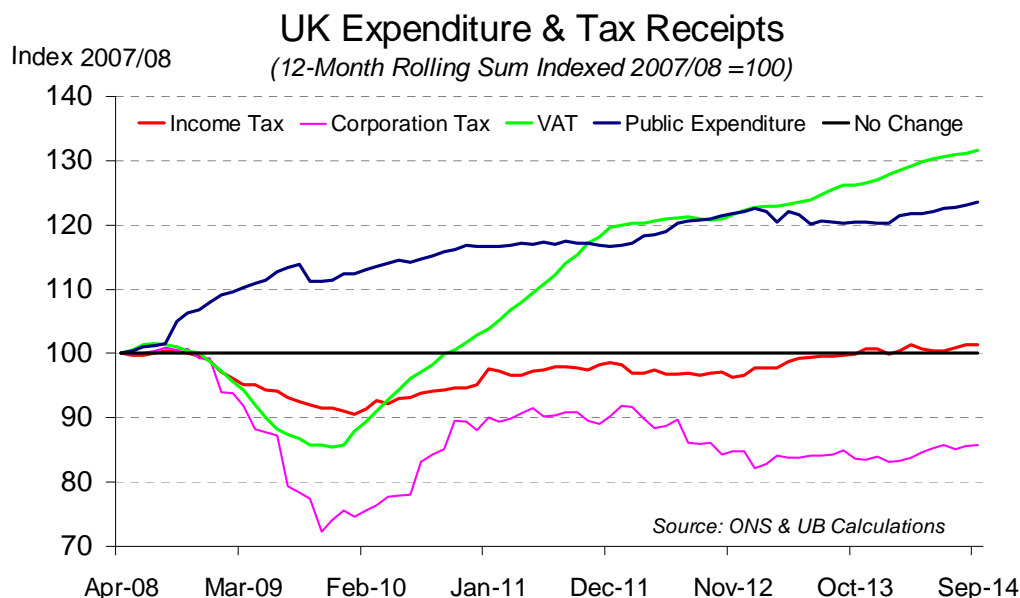
Contact: Richard Ramsey  
Chief Economist, Northern Ireland  
02890 276354 or 07881 930955

[Richard.ramsey@ulsterbankcm.com](mailto:Richard.ramsey@ulsterbankcm.com)  
[www.ulsterbank.com/economics](http://www.ulsterbank.com/economics)  
Twitter @UB\_Economics

*Appears in Belfast Telegraph Business Month published 3<sup>rd</sup> November 2014*

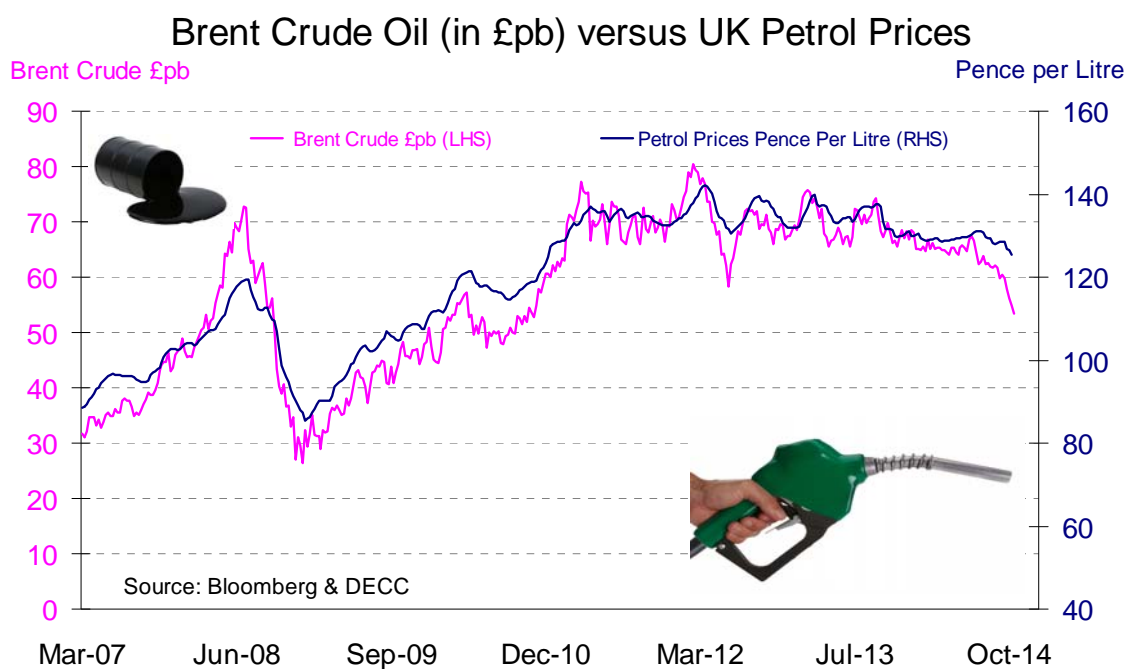
## **Recovery in UK public finances remains a long way off**

The UK's economic recovery has been impressive over the last two years. This has been particularly apparent within the labour market with the UK creating more jobs over the last two years than the rest of the EU put together. Meanwhile the UK's unemployment rate has plummeted to 6% which is almost half the rate prevailing in the Eurozone (11.5%). In light of this superior economic performance, the EU has asked the UK for an additional £1.7bn contribution to the EU budget. While many of the economic headlines paint a picture of a robust UK economic recovery, a meaningful recovery in the public finances remains a long way off. Contrary to what was forecast back in the March 2014 Budget, last month revealed that the UK's public sector borrowing is rising as opposed to falling, as public expenditure is rising at a faster rate than government revenue. During the first half of the current financial year (April-September) UK government revenue fell by 0.3% relative to the corresponding period last year. Meanwhile public expenditure increased by 2.9% over the same period. Looking at a longer time period it is noted that public expenditure over the last 12 months to September 2014 is some 24% above the level that prevailed in 2007/08 – the last financial year before the UK & global recessions hit. Total revenue has increased by just 13% since 2007/08. However, some sources of tax revenue have outperformed others. VAT revenues over the last 12 months are almost one third higher than in 2007/08. However, despite record levels of employment, income tax revenues are just 1.5% higher than 2007/08 levels. Furthermore, income tax receipts over the last six months (April-September) are just 0.1% higher than last year. This compares with growth of 5.4% for corporation tax and 3.9% for VAT. Meanwhile stamp duty on land and property has surged by 34% y/y due to the rapid rise in property prices. One of the key factors behind the disappointing income tax receipts has been the lack of growth in pay. The Office for Budget Responsibility anticipated average earnings would increase at 2% in 2014/15. However, pay has been growing at less than half this rate. This highlights how important wage growth is, not just for household budgets, but for the public finances too.



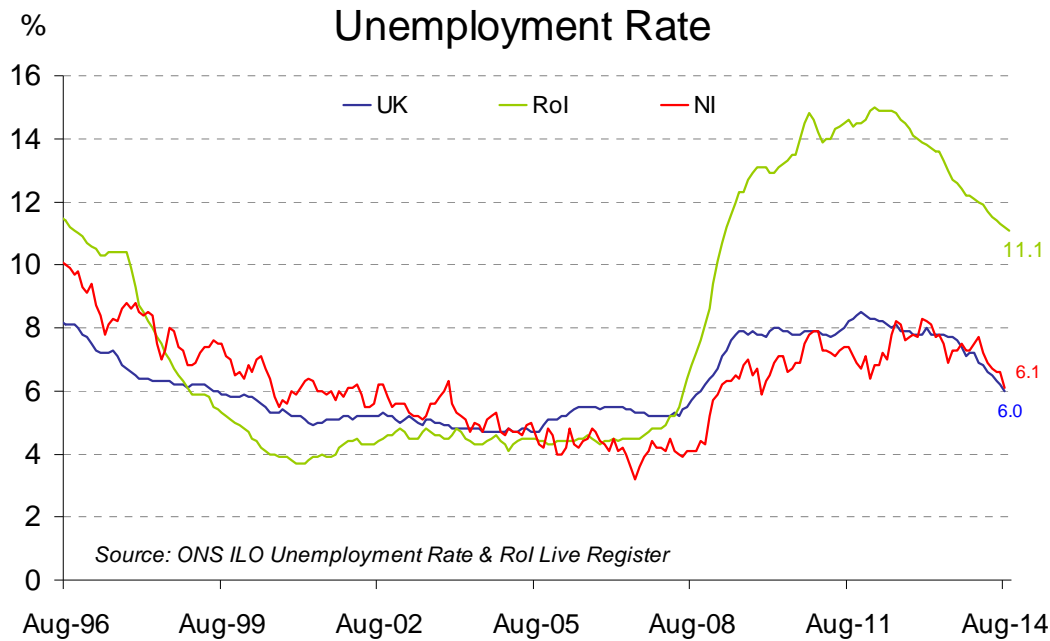
### **Oil price hits a 4-year low with petrol prices set to follow**

In recent weeks there has been increasing evidence that a global slowdown is now in train. Whilst this has negative connotations there are some positives too. Commodity prices have recorded significant falls in recent months, particularly the oil price. Businesses and households will benefit from lower energy and fuel bills going into the winter. From a UK perspective, it is the price of oil in sterling that matters as opposed to the dollar price. The price of a barrel of Brent crude, which is the European oil benchmark, has fallen from £67.5 in late June to a 4-year low of £52.3 last month. This represents a fall of over 22%. Over the same time period, UK petrol prices have fallen by less than 4%. However, due a time lag, these declines should feed through into lower petrol and diesel prices at the forecourts in due course. At an average of 125.4 pence per litre in mid-October, UK petrol prices are at their lowest level since December 2010. The peak in oil and petrol prices was £80.4pb and 142.2p per litre in March/April 2012.



### **Northern Ireland's unemployment rate hits a 5½ year low**

Northern Ireland's labour market continues to show signs of an ongoing economic recovery. Employment continues to rise and unemployment continues to fall. According to the latest Quarterly Employment Survey (Q2-2014), Northern Ireland has recorded nine successive quarters of employment growth. Half of the jobs lost during the downturn have been recouped during the last two years. Meanwhile the number of individuals claiming unemployment benefit fell for the 21<sup>st</sup> consecutive month in September. Northern Ireland's headline ILO unemployment rate hit a pre-recession record low of 3.2% in the 3-months to July 2007. Unemployment subsequently peaked at 8.3% (3-months to Nov-11) but currently stands at 6.1% (3-months to Aug-14). The latter represents a 5½ year low and compares with a current unemployment rate of 6.0% for the UK and 11.1% for the Republic of Ireland. Northern Ireland's relatively low unemployment rate conceals high levels of economic inactivity and 'hidden unemployment'. At 27.2%, Northern Ireland has the highest levels of economic inactivity (as a % of working-age population) of any UK region (UK = 22.2%).



Richard Ramsey,  
24<sup>th</sup> October 2014

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 Number: R733 Northern Ireland. 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. Member of The Royal Bank of Scotland Group.

Ulster Bank Ireland Limited . A private company limited by shares , trading as Ulster Bank , Ulster Bank Group and Bank Uladh. Registered in Republic of Ireland. Registered No. 25766. Registered Office: Ulster Bank Group Centre, George's Quay, Dublin 2. Member of the Royal Bank of Scotland Group. Ulster Bank Ireland Limited is regulated by the Central Bank of Ireland.

Calls may be recorded.



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