

Local economic indicators at a glance – September 2011

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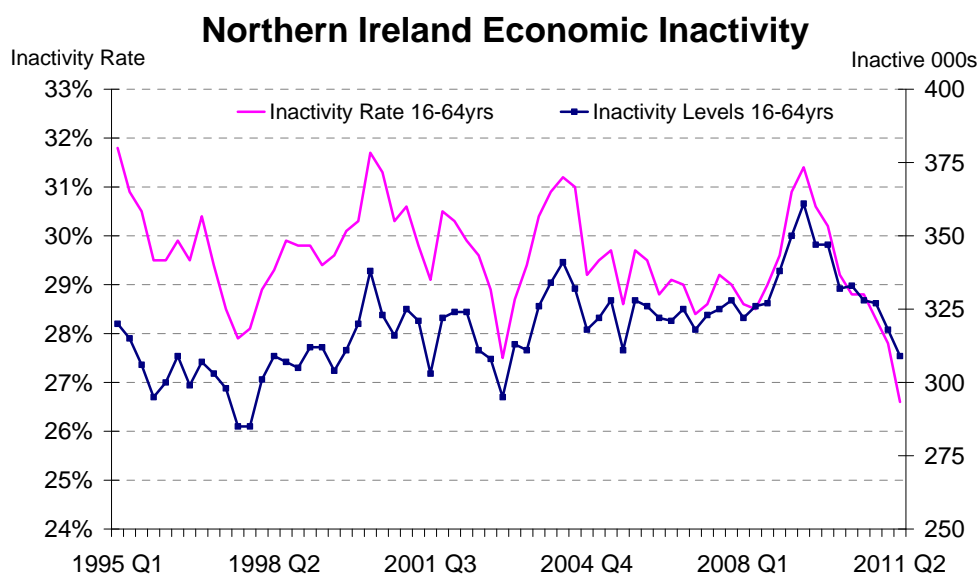
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Chart of the Month - Northern Ireland Economic Inactivity Falling

News headlines have focussed on the continued rise in Northern Ireland's unemployment levels. However, the latest Labour Force Survey (LFS) is littered with record highs and lows of the positive variety. For example, economic activity in Q2 2011 has never been higher. Conversely, the proportion of the working-age population neither in employment nor looking for work - termed '*economically inactive*' - has never been lower. Furthermore, the gap between NI's (26.6%) and the UK's (23.2%) respective inactivity rates has never been narrower. During the decade prior to the downturn, NI experienced no improvement its inactivity (*or activity*) rates whatsoever. This was despite an employment boom and a raft of policies to tackle one of NI's top economic objectives. Initially, the downturn triggered a surge in economic inactivity with the level of economically inactive (*of working-age*) rising by 11% or 35,000 between Q2 2008 and Q2 2009. Meanwhile, the economic inactivity rate hit 31.4% in Q2 2009 – its highest level in 10 years. Since then, however, the number of economically inactive has fallen by 52,000 or 14% (*note how the fall in inactivity corresponds to the rise in the Misery Index below*). Almost 60% of this has resulted from falling female inactivity. Despite a growing population, the level of female inactivity (16-64 yrs) hit a record low in Q2 2011 and also for the 25-49 years of age group. For many households, the recession and rising cost of living has made opting out of work by choice (*e.g. stay at home mums*) and early retirement unaffordable. Meanwhile, changes to welfare benefits have shifted some females (*e.g. lone-parents*) onto the unemployment register and out of economic inactivity.

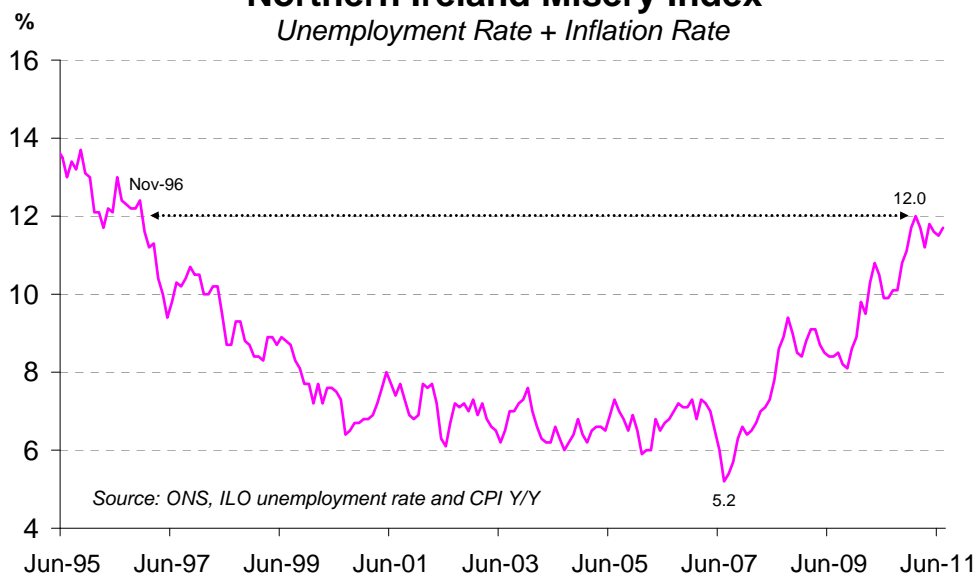


'Misery Index' provides further evidence of ongoing human recession

The misery index, invented by Arthur Okun is simply the sum of a country's inflation and unemployment rates. The Sunday Times' resident economist, David Smith, recently referred to it with the UK misery index hitting its highest level since February 1994. Meanwhile, the equivalent misery index for NI is currently just below 12 (*ILO unemployment rate of 7.3% & CPI inflation of 4.4%*) having hit '12' earlier in the year. The latter represented the highest reading since November 1996. Furthermore, NI's current misery index reading is more than twice the record low posted in July 2007. Back then, the local economy enjoyed record low unemployment of 3.3% and annual CPI inflation of just 1.9%. The misery index is further evidence of the ongoing human recession and explains why consumer confidence and spending are so subdued.

Northern Ireland Misery Index

Unemployment Rate + Inflation Rate

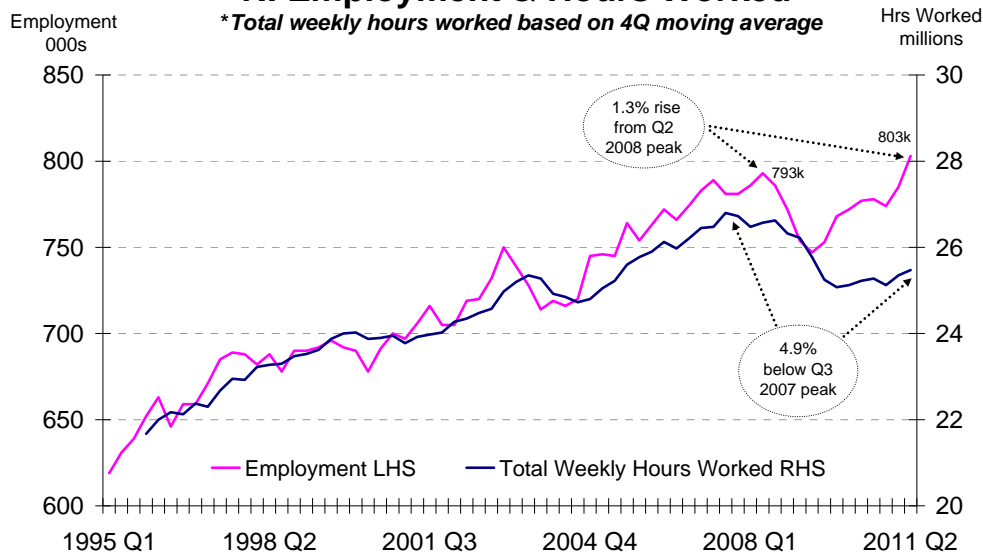


More individuals working than ever before, but working fewer hours

The latest Labour Force Survey (LFS) reveals that Northern Ireland's level of employment hit a record high in Q2 2011. During this period there were 803,000 individuals who had worked at least one hour, paid or unpaid, in the previous week prior to the interview. The number of individuals engaged in work of some shape or form has rebounded by 56,000 (+7.5%) relative to the recent trough in Q2 2009. Clearly this is encouraging; however, it should not be confused with the preferred measure of employment, the Quarterly Employment Survey, which measures the number of jobs as opposed to individuals working. Whilst the number of people working has never been higher, the total number of hours worked remains at 2005 levels and is almost 5% below the Q3 2007 peak. Back then 764,000 people were working the same number of hours per week that 803,000 are doing today.

NI Employment & Hours Worked*

*Total weekly hours worked based on 4Q moving average



Richard Ramsey,
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