

August 2016

The **European Central Bank** highlighted recently that the economic recovery in the euro area is continuing, supported by domestic demand, while export growth remains modest. Looking ahead, they expect the economic recovery to proceed at a moderate pace due to an increased uncertainty following the outcome of the EU referendum and other geopolitical uncertainties potentially posing challenges.

At its meeting in August 2016, the Bank of England's Monetary Policy Committee voted for a 25 basis point cut in Bank Rate to 0.25% as well as other stimulus measures to be financed by the issuance of central bank reserves. This is in response to the outlook for growth in the short to medium term weakening within the **United Kingdom**. Latest ONS figures show that UK GDP was estimated to have increased by 0.6% in 2016 Q2 (Apr to Jun) with growth of 0.4% in Q1. It was also 2.2% higher in Q2 2016 compared with the same quarter a year ago. However in general forecasters predict that economic growth is expected to slow in the second half of the year.

UK GDP growth for 2016, based upon an average of latest forecasts, is predicted at 1.6%, with growth of 0.7% across the UK in 2017. There has been little by the way of independent forecasts for **NI** since the EU referendum result, although, as highlighted last month PwC forecasts that overall the UK and NI should both avoid recession.

The latest labour market statistics continue to show improvements across a range of indicators. The number of people claiming unemployment related benefits decreased by 600 in July 2016 – the fourth consecutive monthly decrease and a fall of 28,600 people since the February 2013 peak. Over the year the NI unemployment rate decreased by 0.5 percentage points (to 6.0%), the employment rate increased to 69.0% (up

1.3 % points), whilst the economic inactivity rate was 1.1 percentage point lower (26.4%). However, there still remains a lag on these measures when compared to the UK as a whole.

The recent NI Chamber Quarterly Economic Survey found that the NI economy was still growing in Q2 2016 and in overall terms performing solidly particularly against the wider UK economy where performance was lacklustre. A post referendum survey shows that sterling's future value and EU trading rules were the most important issues to its members.

Sentiment in the Northern Ireland housing market improved during July, according to the RCIS and Ulster Bank with data for prices, price expectations, and sales bouncing back after a dip in the previous month. Local surveyors also highlighted the strong housing rental market with lack of stock being an issue. In addition, the Belfast Office Marketview report from commercial property adviser CBRE stated that take-up in Belfast between January and June had "far surpassed" that of the first half of 2015, with an increase of 165 per cent for the same period.

The results from the Ulster Bank PMI for July were mixed, with contractions in both output and new orders coupled with a continued increase in employment which has grown once more, now for the 18th month in a row. New export orders increased during July, as the weakness of sterling aided companies in securing new orders from clients in the RoI.

Key Recent Statistics and Updates

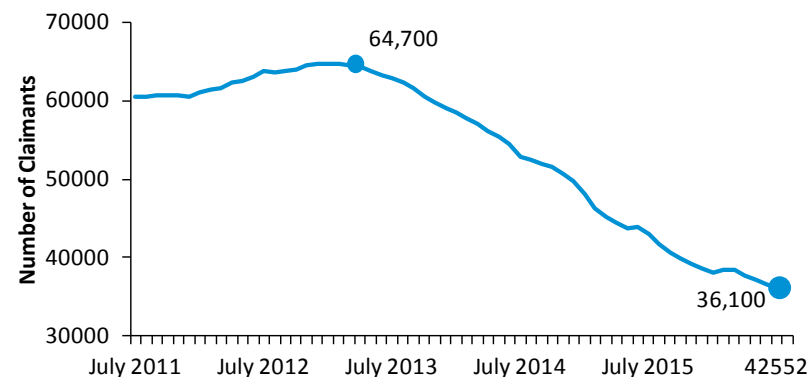
- In August, the **Bank of England** reduced interest rates from 0.5% to 0.25% - the first change in 7 years.
- The **Asda Income Tracker** shows that the North East of England, Wales and NI were the fastest-rising regions in terms of discretionary income growth to Q2 2016 for the year (all around 9%).

STATISTICAL ANNEX

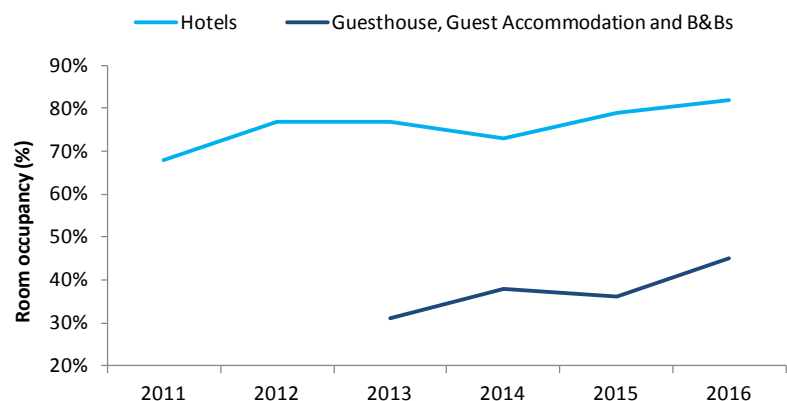
Total Sales of Goods and Services



Unemployment Benefit Claimants



Occupancy Rates - June



LABOUR MARKET OVERVIEW (Apr- Jun 2016)		
Measure	Value	Comment
Employment	833,000	Decrease over quarter and up over year
Employment Rate	69.0%	Same over quarter and up over year
Employee Jobs*	735,010	Up over both quarter and year
Claimant Count**	36,100	Down over both month and year
Unemployment Rate	6.0%	Down over both quarter and year
Economically Inactive***	309,000	Up over the quarter, down over the year
Inactivity Rate	26.4%	Up over the quarter, down over the year
Redundancies****	3,214	Increase of 68% from previous year

*Mar 2016 **Jul 2016 ***Working Age ****Annual confirmed to end of Jul 2016