Recovery, re-balancing and the rural economy

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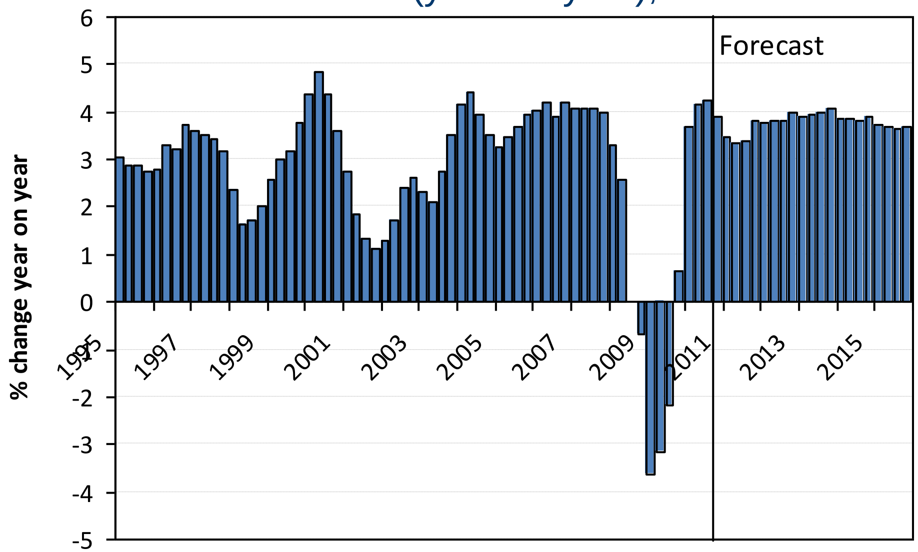
Overview

- The changing world
- Northern Ireland struggling to grow
- Leaving communities with a tough climb
- The rural outlook
- The potential in the rural economy
- What now? – supporting growth in tough times

The changing world

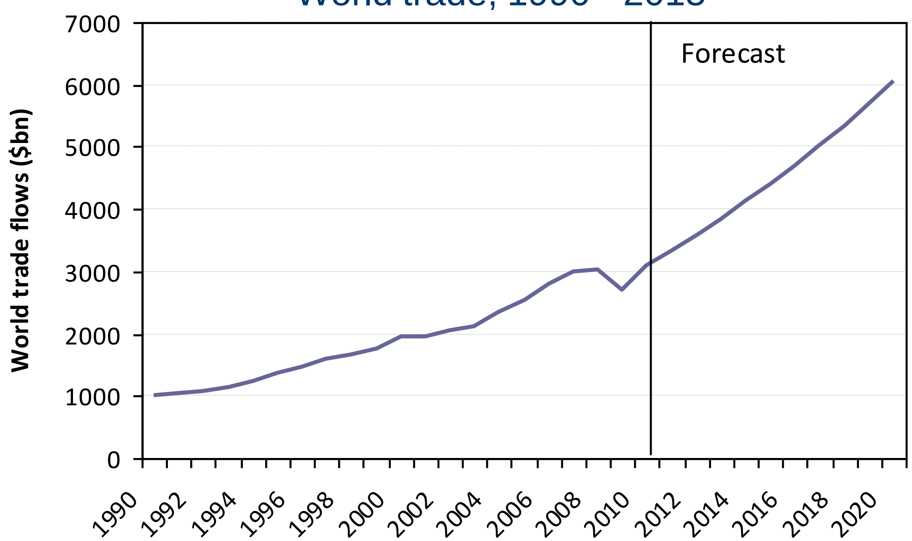
Trade led recovery is underway

World GDP (year-on-year), 1995 - 2015



The world emerged from recovery in Q4 2009, with 5 quarters of consistent growth, but slow down projected in 2011

World trade, 1990 - 2015



China's share of world trade has increase from less than 5% to almost one third of global exports in under a decade

Source: Oxford Economics

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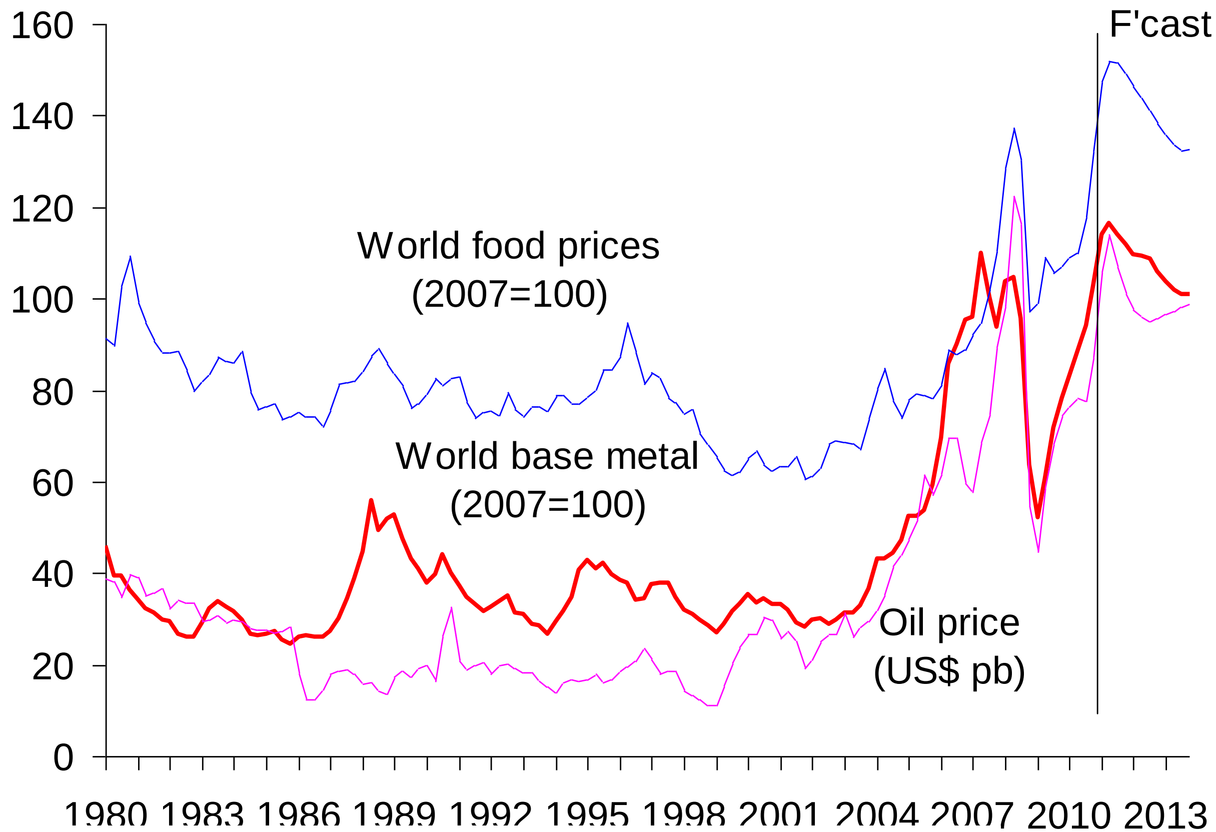
…but uncertainties abound

- Middle East
- Japan
- Debt (government and personal)
- Eurozone crisis (Portugal the latest)
- Inflation
- Interest rates

Commodity prices rising

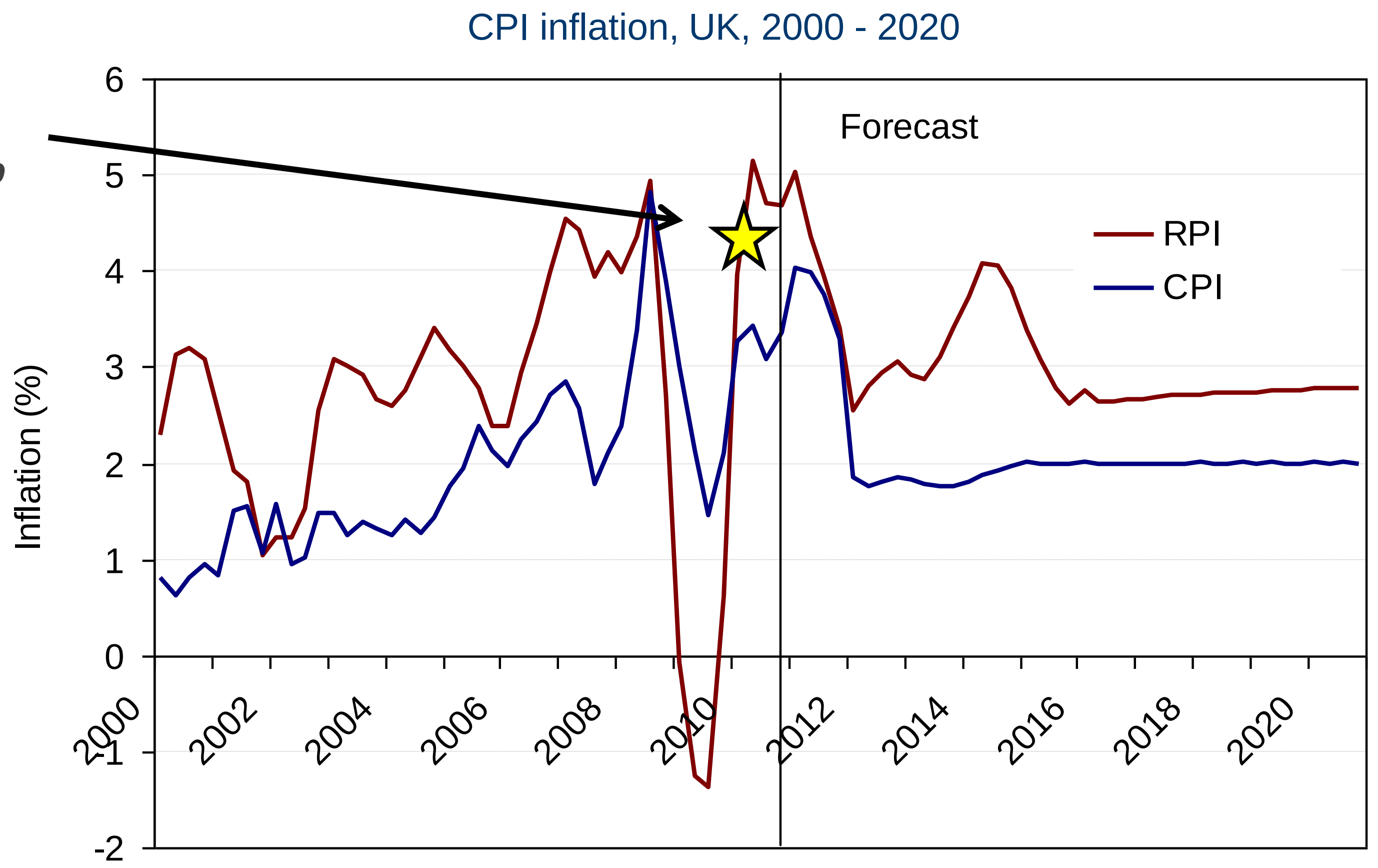
World: Oil, food and metals prices



Source : Oxford Economics

Acute inflationary pressures

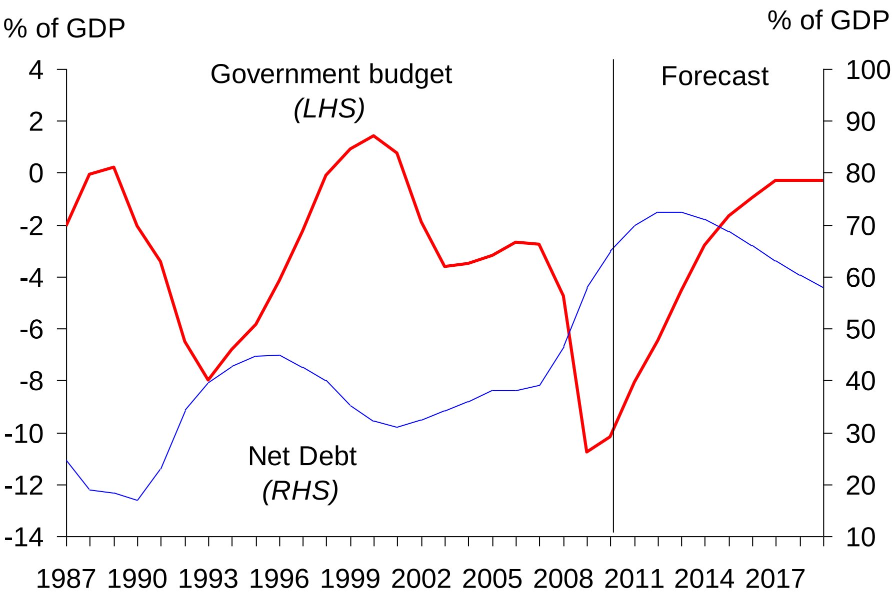
Q4 2010 CPI inflation 4.4%



Source: Oxford Economics

Debt remains a problem

UK: Government balance and debt



Source: Oxford Economics

UK net borrowing, HMT

Year	Net borrowing	Stock of debt (% of GDP)
2009/10	156.4	58.0
2010/11	145.9	65.0
2011/12	122	70.0
2012/13	101	72.5
2013/14	70	72.5
2014/15	46	71.0
2015/16	29	68.7

NI's fiscal deficit is estimated to be close to £10bn in 2010

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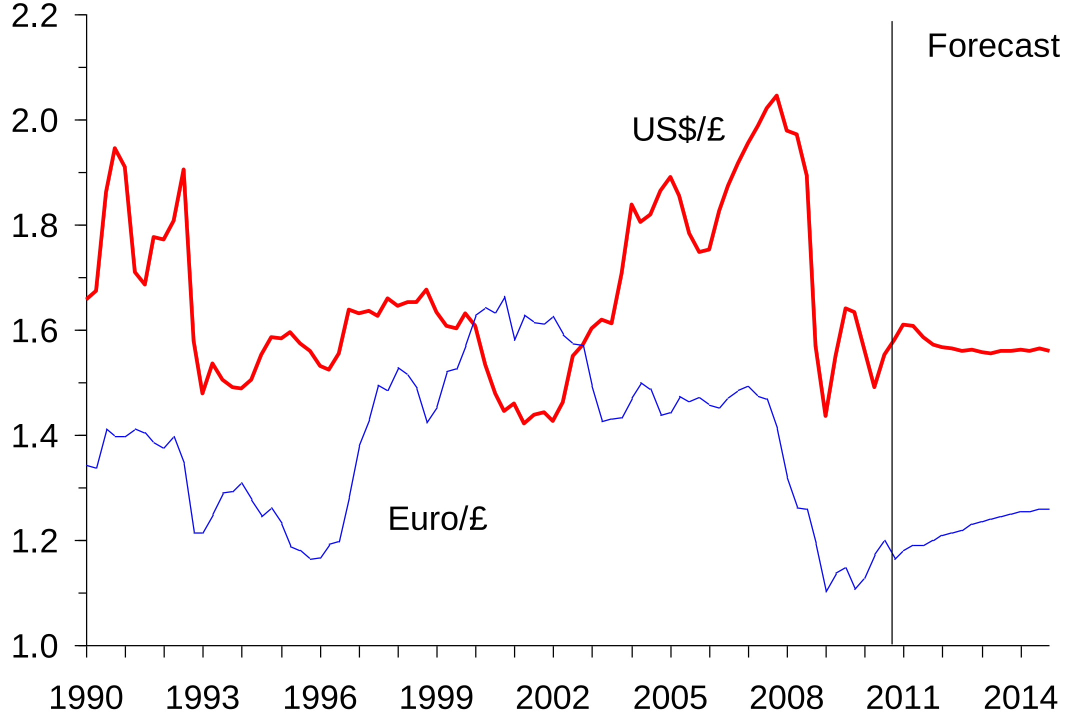
Though exchange rates remain broadly favourable

UK: Exchange rates



Source: Oxford Economics

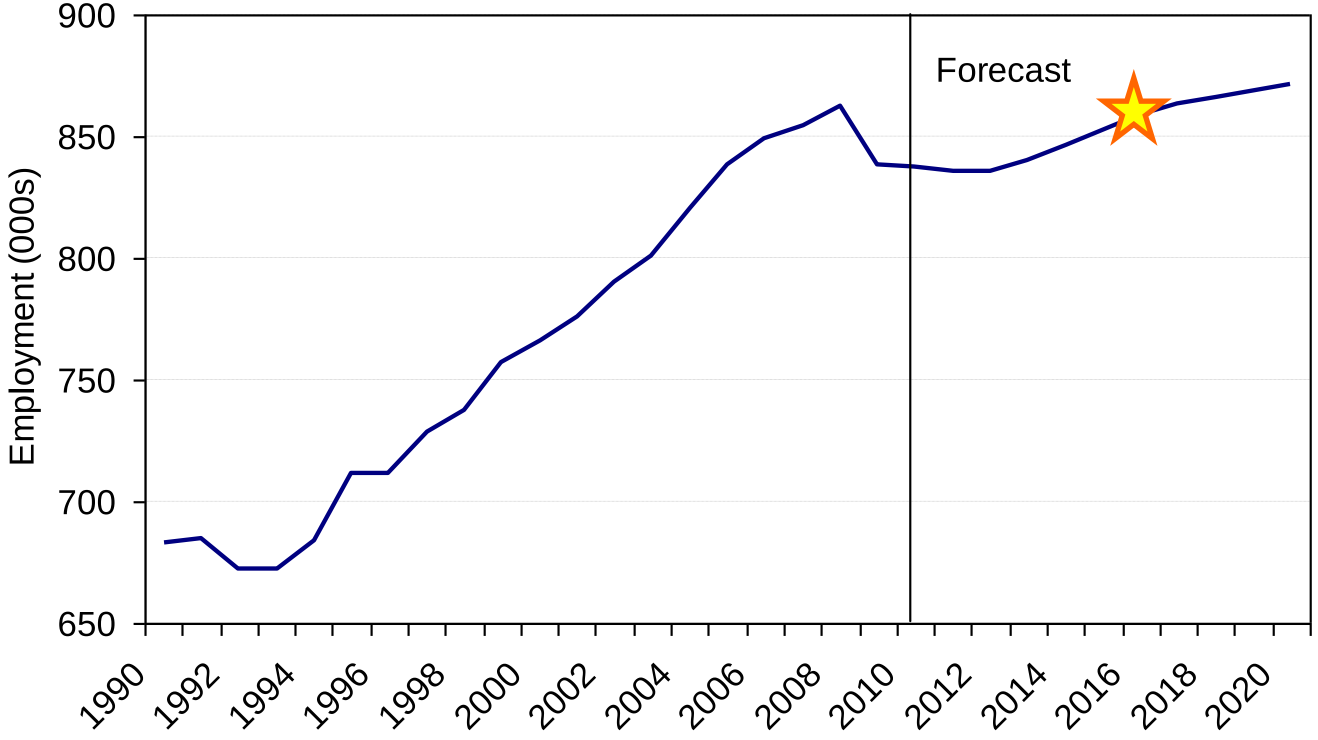
Exchange rates
£1 = $1.63
£1 = €1.15
23/03/11

Source: XE.com

Northern Ireland struggling to grow

A decade to regain peaks

Total employment, Northern Ireland, 1990 - 2020



Return to peak employment in 2017

Source: Oxford Economics

With construction, industry and business services suffering

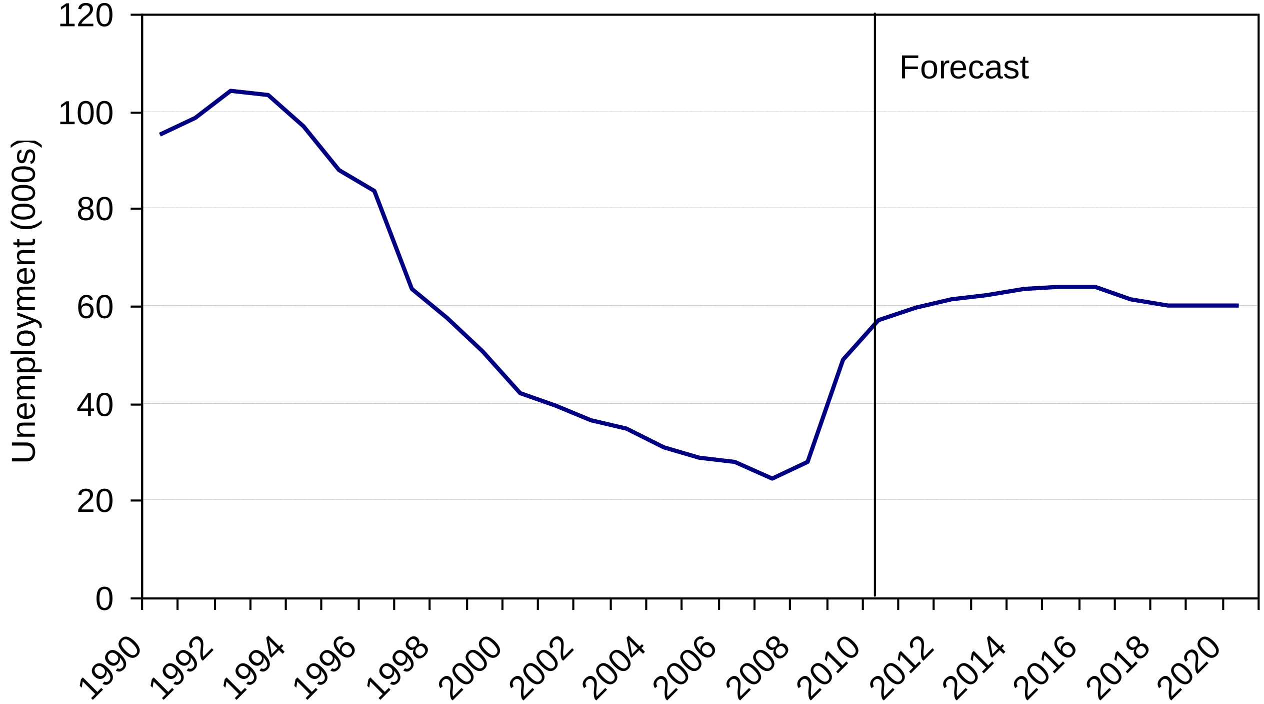
Sectoral employee jobs, Northern Ireland, 1998 - 2020

	Employee change (000s)		
	1998 - 08	2008 - 10	2010 - 20
Agriculture	-4.1	-0.4	-1.0
Extraction	0.2	-0.4	-0.5
Manufacturing	-21.2	-9.0	-8.5
Utilities	-1.6	-0.1	-0.2
Construction	13.2	-10.3	1.7
Distribution & retail	29.8	-7.2	10.3
Hotels & restaurants	8.6	-0.7	6.0
Transport & communications	6.9	-1.3	3.7
Financial services	5.6	-0.8	0.1
Business services	38.9	-4.9	24.1
Public admin.	-0.1	0.0	-8.2
Education	7.0	2.2	-2.9
Health	23.5	0.7	3.0
Other personal services	6.8	-0.3	5.7
Total	**113.7**	**-32.5**	**33.1**

Source: Oxford Economics

Unemployment to top 60K at least

Unemployment, Northern Ireland, 1990 - 2020

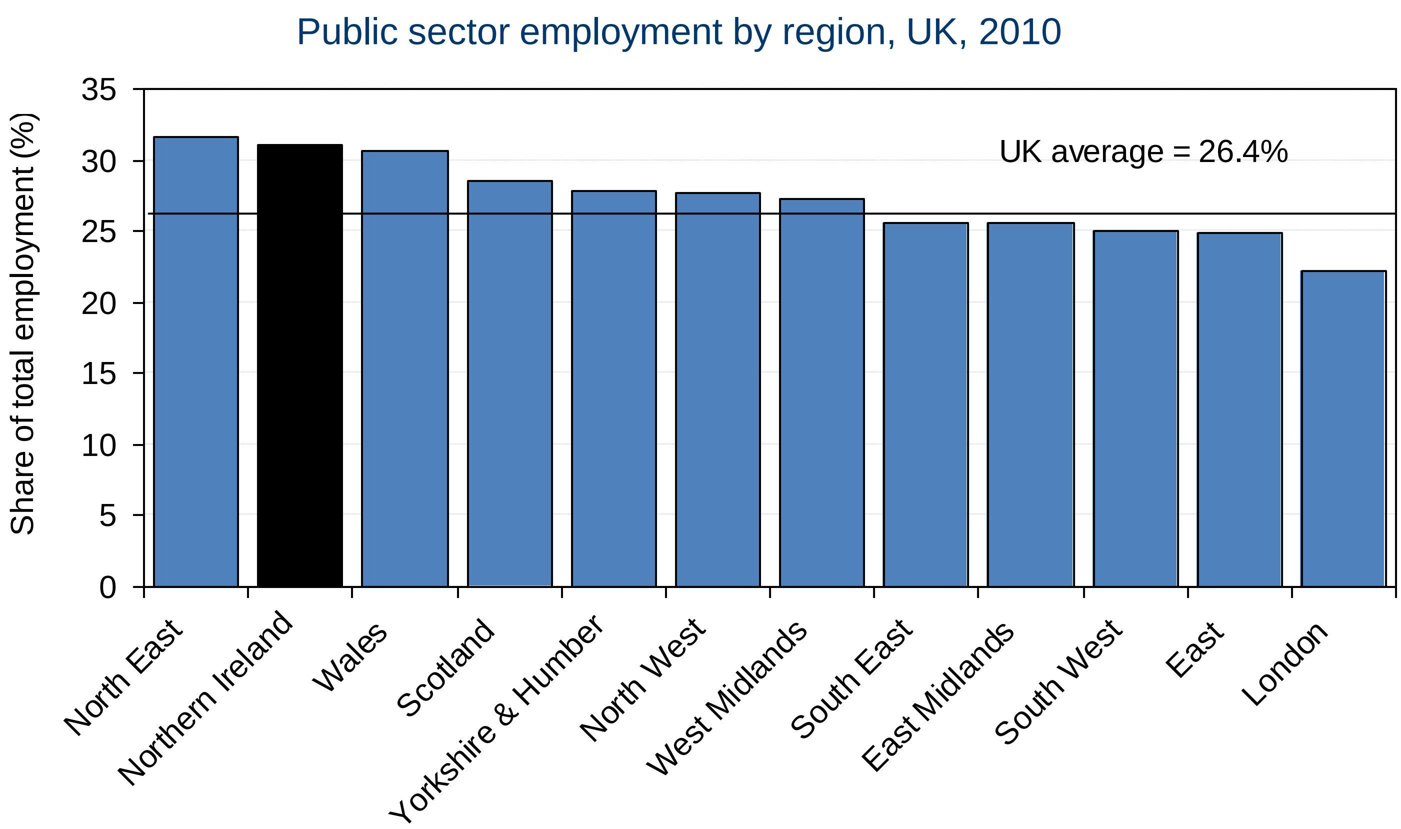


Source: Oxford Economics

Unemployment rise of over 39,000 by 2017

What of welfare reform?

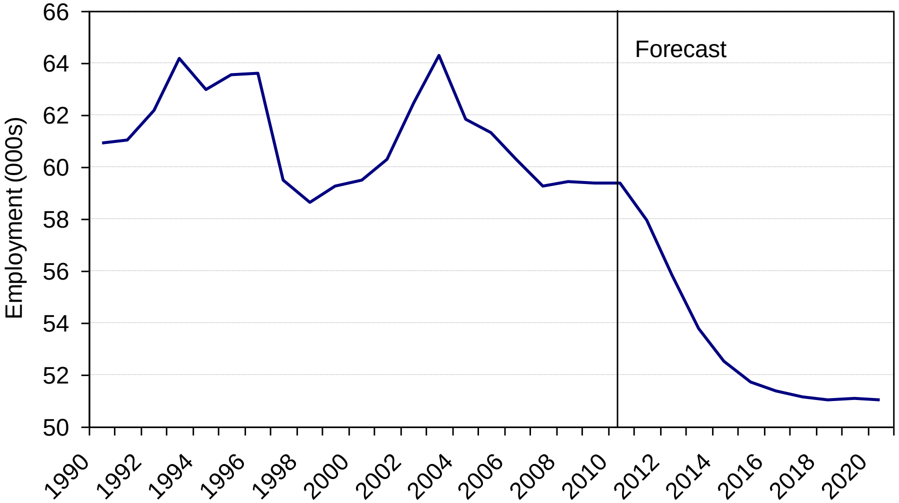
NI's public sector dependence will hinder recovery



Source: Oxford Economics

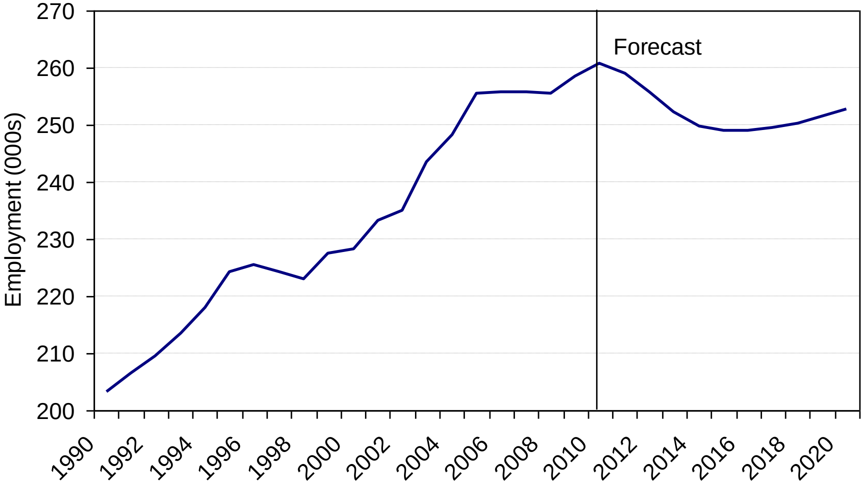
NI’s public sector dependence will hit hard

Public admin employment, Northern Ireland, 1990 - 2020



7,600 jobs are forecast to be lost by 2015

Public sector employment, Northern Ireland, 1990 - 2020



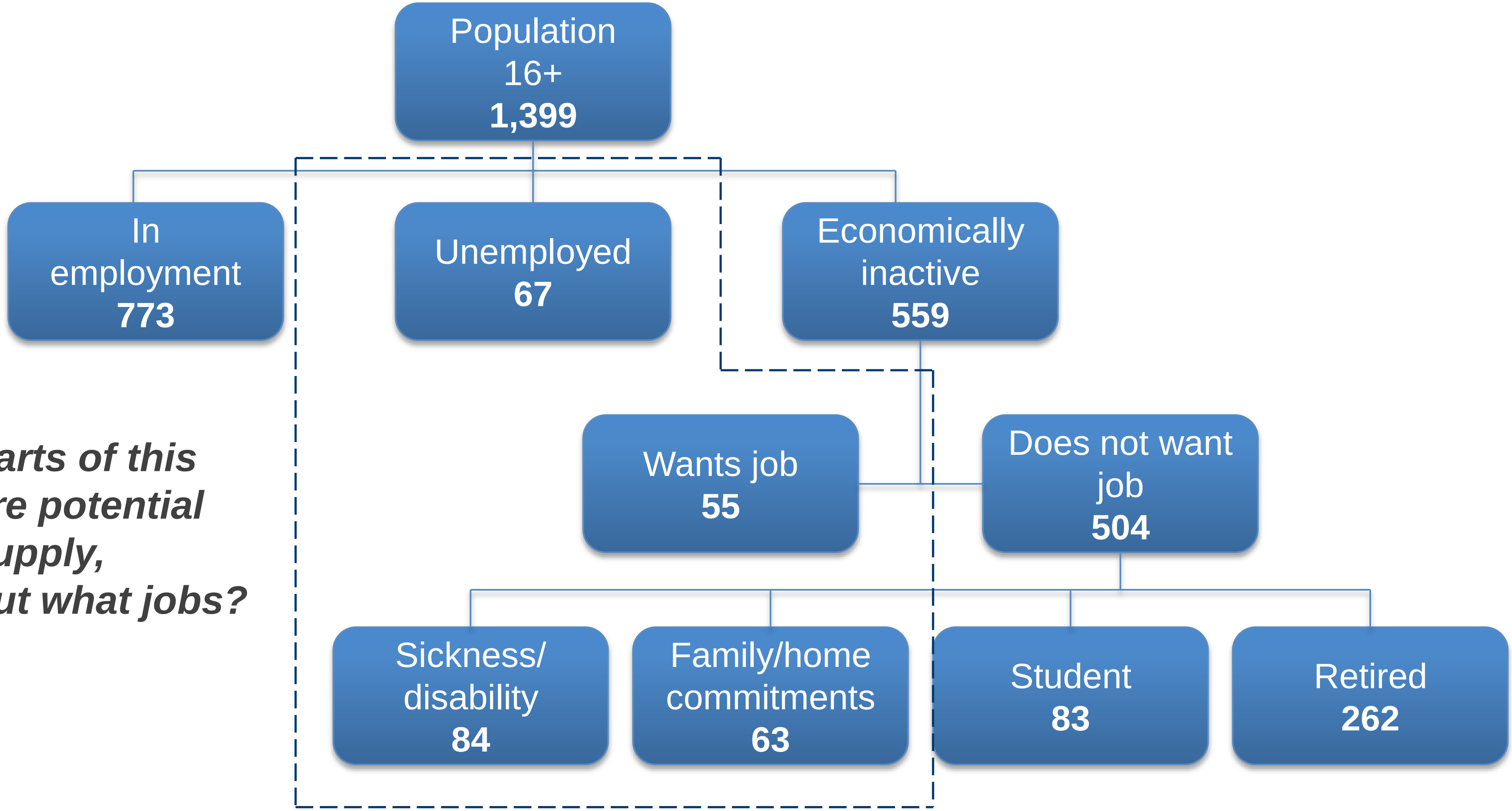
11,900 jobs are forecast to be lost by 2015

Source: Oxford Economics

Leaving communities with a tough climb

Welfare overhaul brings many challenges

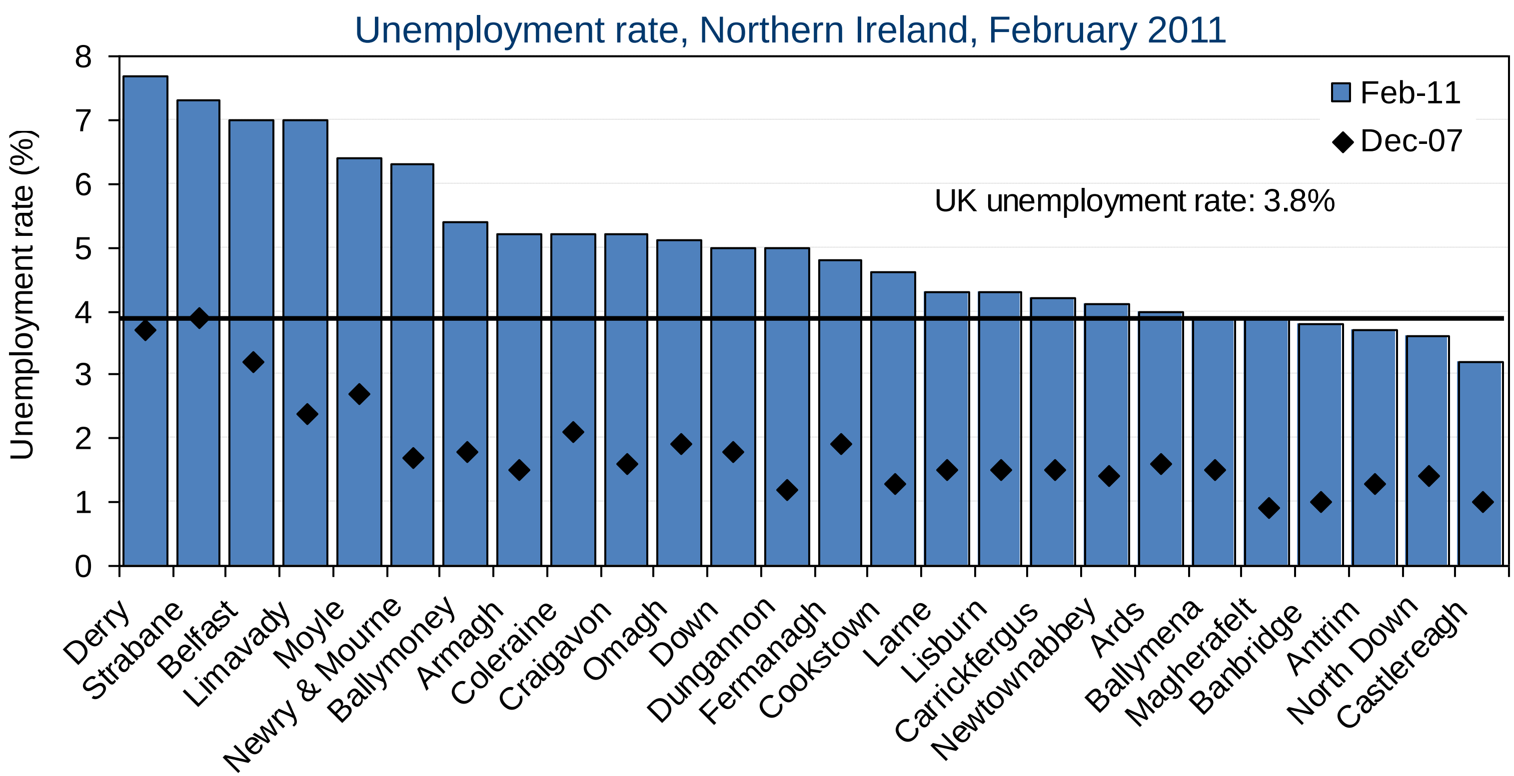
Labour market structure, Northern Ireland, Q4 2010



Parts of this are potential supply, but what jobs?

Source: DETI, LFS

Unemployment patterns familiar



Source: Nomis claimant count

Unless a sectoral rebalance – more than a decade of despair for many

Unemployment rise and employment outlook, NI DCs

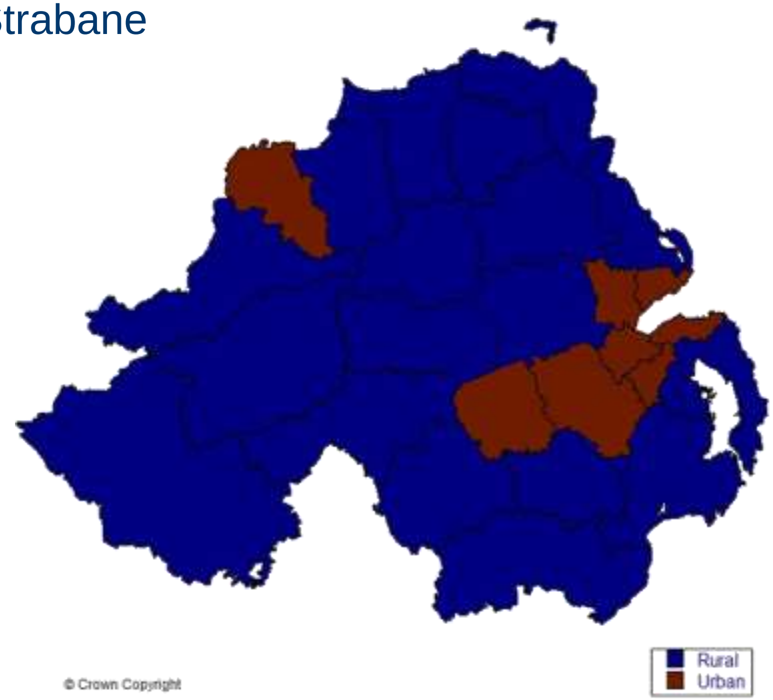
	Return to peak employment	Unemployment rise (pp)
Antrim	2013	2.4
Ards	Beyond 2025	2.4
Armagh	Beyond 2025	3.6
Ballymena	Beyond 2025	2.4
Ballymoney	Beyond 2025	3.9
Banbridge	Beyond 2025	2.8
Belfast	2016	3.6
Carrickfergus	Beyond 2025	2.7
Castlereagh	2010	2.2
Coleraine	Beyond 2025	3.2
Cookstown	2015	3.2
Craigavon	2015	3.5
Derry	2013	3.7
Down	Beyond 2025	3.2
Dungannon	Beyond 2025	3.7
Fermanagh	Beyond 2025	2.8
Larne	2014	2.7
Limavady	Beyond 2025	4.6
Lisburn	2016	2.6
Magherafelt	Beyond 2025	3
Moyle	-	4.1
Newry and Mourne	2016	4.3
Newtownabbey	Beyond 2025	2.4
North Down	2015	2.1
Omagh	Beyond 2025	3.2
Strabane	Beyond 2025	3.3
NI	**2017**	**3.1**

Source: Oxford Economics, Nomis claimant count
Note: Unemployment rise is measured from September 2007 to February 2011
Red shading indicates biggest rise, yellow shading indicates smallest rise

The rural economy outlook

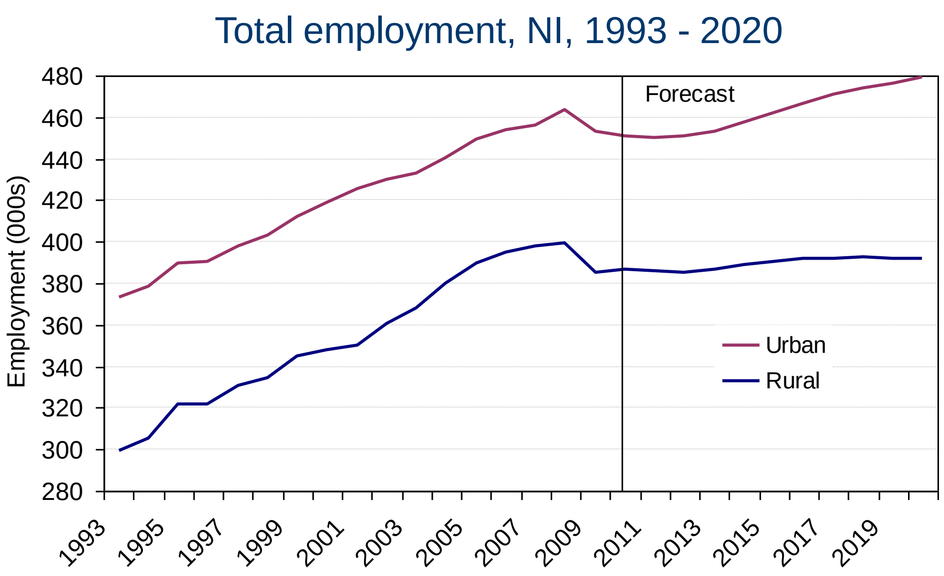
Rural definition

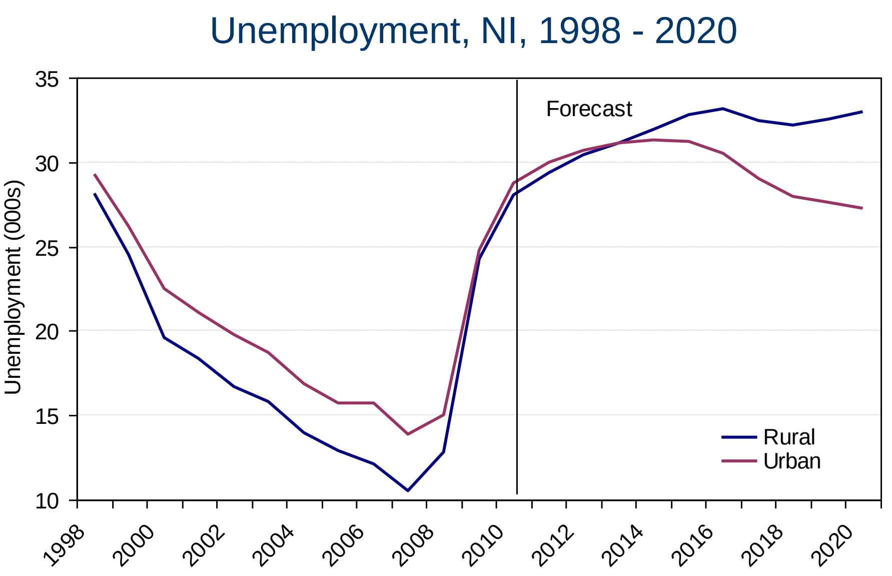
- For the purposes of this presentation, rural areas are defined as follows (to allow use of Oxford Economics LOMAD model) :
- Antrim, Ards, Armagh, Ballymena, Ballymoney, Banbridge, Coleraine, Cookstown, Down, Dungannon, Fermanagh, Larne, Limavady, Magherafelt, Moyle, Newry and Mourne, Omagh, Strabane



- For ward level classification, an official NISRA definition has been used

Rural economy has even tougher outlook

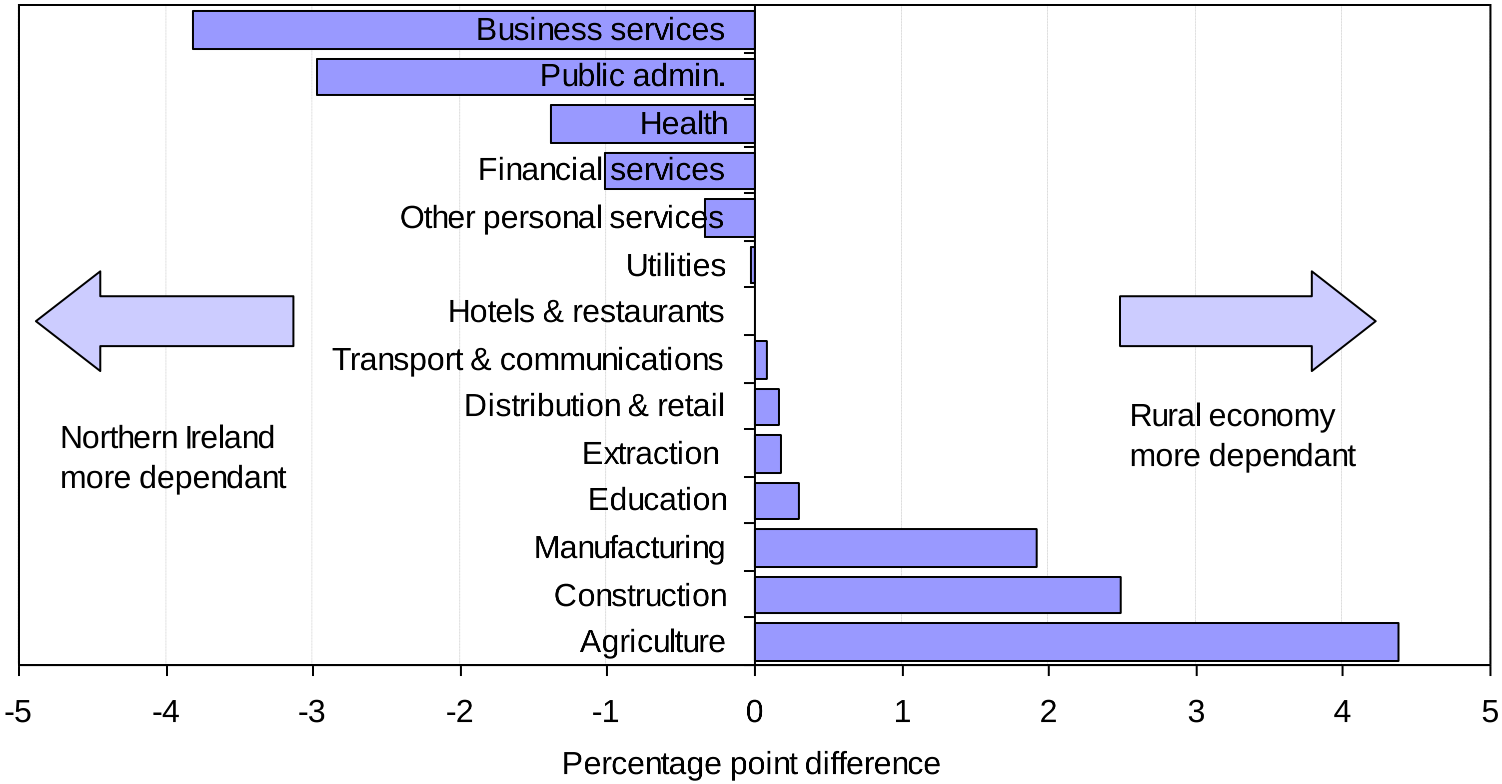




Source: Oxford Economics

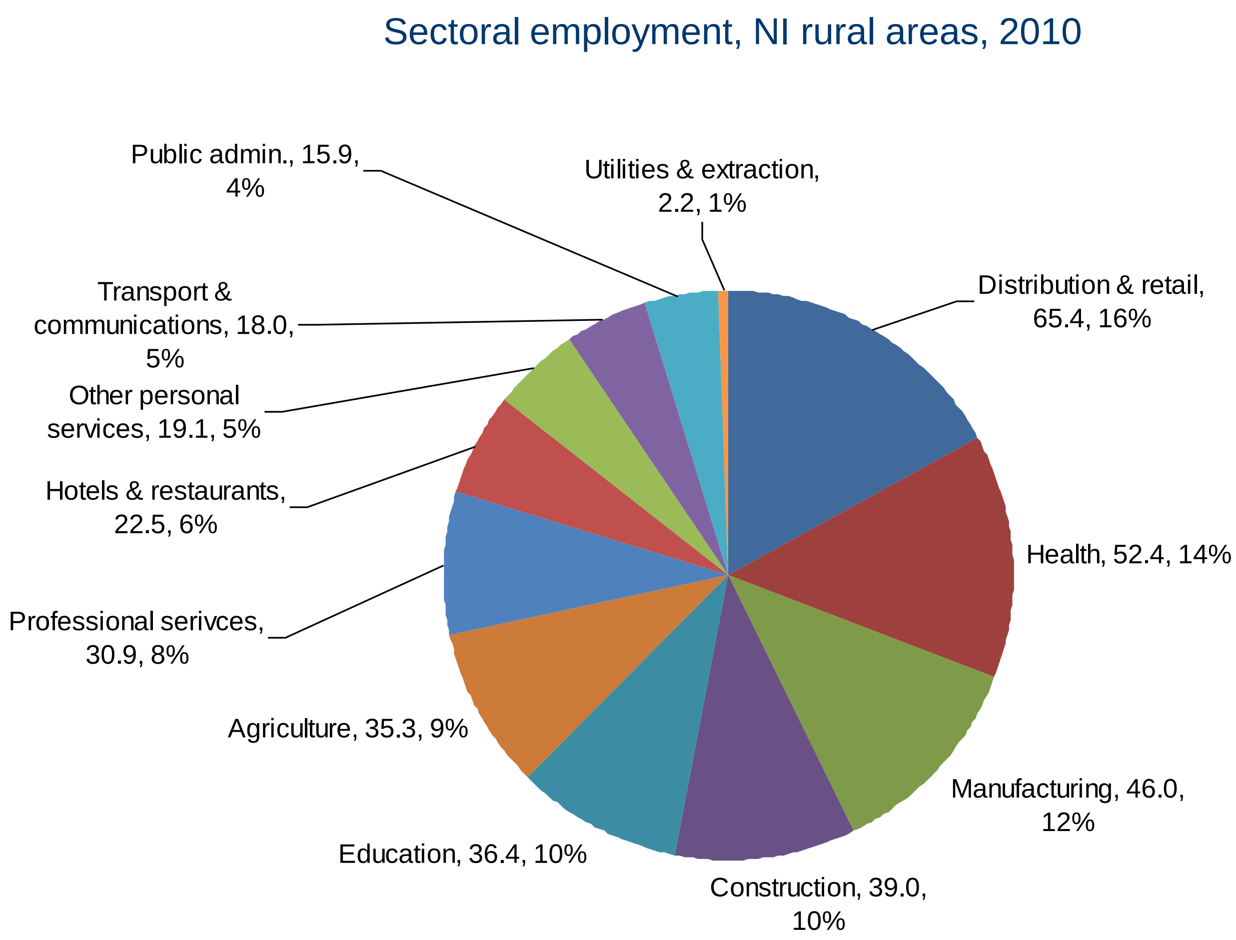
As sectoral balance less focused on professional services

Sectoral employment differences, Northern Ireland, 2010



Source: Oxford Economics

Industry and construction more important



Total rural employment (2010): 386,500

46% of NI total

Source: Oxford Economics

Note: Labels indicates value in thousands, followed by percentage of total employment

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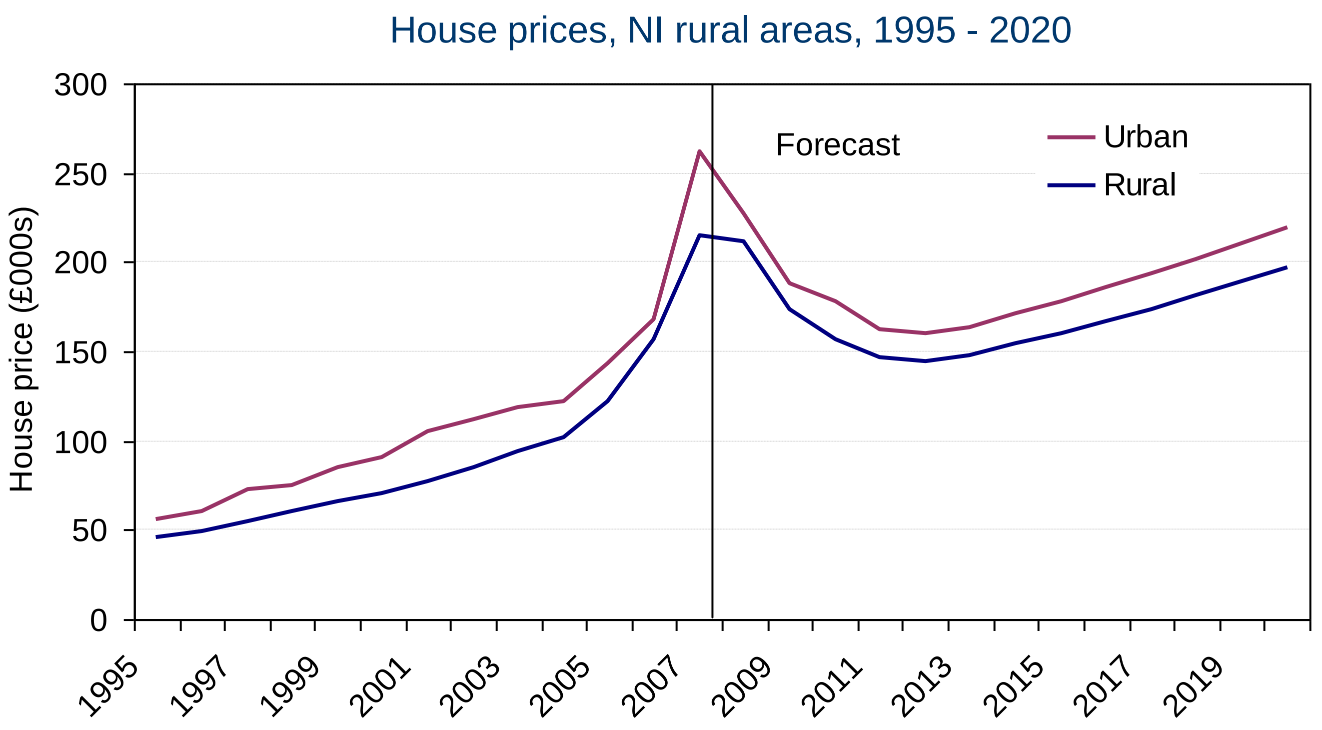
House price correction hitting hard



Source: Oxford Economics

House prices in rural areas have fallen by £70,000

In urban areas prices have fallen by £100,000

Recession has taken its toll locally

Job change, NI rural wards, 2001 - 2007

	District Council	Job change 2001 - 2007
Top 10		
Ballinderry	Lisburn	1,892
Sandholes	Cookstown	1,119
Eglinton	Derry	1,033
Lisnaskea	Fermanagh	943
Claudy	Derry	918
Ballymaguigan	Magherafelt	908
Tullyhappy	Newry and Mourne	882
Benburb	Dungannon	874
Maghera	Magherafelt	854
Tandragee	Armagh	791
Bottom 10		
Glenshesk	Moyle	75
Armoy	Moyle	72
Ballycarry	Larne	55
Island Magee	Larne	45
Benvardin	Ballymoney	30
Kinbane	Moyle	18
Maze	Lisburn	8
Magilligan	Limavady	-59
Sion Mills	Strabane	-96
Maghaberry	Lisburn	-139

Job change, NI rural wards, 2007 - 2009

	District Council	Job change 2007 - 2009
Top 10		
Hillsborough	Lisburn	684
Strangford	Down	398
Benburb	Dungannon	278
Doagh	Newtownabbey	160
Clogh Mills	Ballymoney	139
Parkgate	Antrim	129
Coagh	Cookstown	110
Clogher	Dungannon	110
Saintfield	Down	105
Ballinamallard	Fermanagh	104
Bottom 10		
Dervock	Ballymoney	-185
Ballykelly	Limavady	-216
Claudy	Derry	-237
Derrylin	Fermanagh	-246
Beragh	Omagh	-265
Ballygawley	Dungannon	-272
Sandholes	Cookstown	-301
Moira	Lisburn	-316
Eglinton	Dery	-381
Ballymaguigan	Magherafelt	-559

Only 3 of 212

Source: Census of Employment

Between 2007 and 2009, 65% of rural wards lost employment, compared to 45% of urban wards

Living attraction remains

Population, NI rural wards, 2001 - 2008

Ward	District council	Change
Top 10		
Portavogie	Ards	1214
Magheralin	Craigavon	1075
Glenavy	Lisburn	983
Mayobridge	Newry & mourne	791
Crumlin	Antrim	720
Donaghcloney	Craigavon	637
Forkhill	Newry & mourne	631
Waringstown	Craigavon	627
Derrynoose	Armagh	621
Silver Bridge	Newry & mourne	621
Bottom 10		
Tandragee	Armagh	-24
Carnlough	Larne	-35
Glenarm	Larne	-44
Keady	Armagh	-54
Dunluce	Coleraine	-128
Sion Mills	Strabane	-129
Lisnaskea	Fermanagh	-131
Dungiven	Limavady	-138
Gresteel	Limavady	-147
Rich Hill	Armagh	-223

Source: NISRA/NINIS

5% of rural wards experienced a population drop, compared to 55% of urban wards

Other major pressures

- Fuel costs in more car dependent areas (and in farming sectors)
- Planning permission process
- Access to finance
- ‘Boom built properties’ (though this is not like Republic of Ireland)
- Lower income profile hit hard by inflation pressures
- Loss of services in ratiocination of various community and commercial businesses
- Can public sector fund schooling and healthcare in rural communities?
- Increasing urban chic view amongst the young
- Infrastructure (inc telecoms)
- Commuting costs such a barrier (cost, environment, infrastructure) that rural business must be the model, not just rural living

The potential in the rural economy

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Significant potential exists

- Re-balancing, what if the economy has a different outcome:
  - Enviro-tech
  - Advanced engineering
  - Digital technologies
  - Agri
  - Tourism
  - Elderly care
  - ‘Community business’
- Quality of life, life style businesses (parking, semi retired working, tele-working)
- Costs
- Raw material access (for agri, tourism, enviro tech etc.)
- Pressure value for urban centres (esp. Belfast Met)

A rebalanced outturn

Employment (baseline and scenario), NI DCs, 2010 – 2020

	Baseline		Scenario	
	000s	%	000s	%
Antrim	1.2	3.9	2.2	7.2
Ards	-0.1	-0.6	0.6	2.4
Armagh	0.1	0.2	1.0	4.0
Ballymena	0.0	-0.1	1.5	4.4
Ballymoney	0.3	3.1	0.6	6.2
Banbridge	1.0	6.0	1.5	9.7
Belfast	16.9	8.1	17.1	8.2
Carrick	-0.3	-2.5	0.1	1.4
Castlereagh	1.5	5.0	2.1	6.9
Coleraine	-1.0	-4.0	-0.2	-0.8
Cookstown	0.2	1.4	1.3	7.9
Craigavon	2.0	4.8	4.1	9.5
Derry	3.4	7.2	4.4	9.1
Down	-0.8	-3.0	0.7	2.8
Dungannon	1.3	5.0	3.2	12.3
Fermanagh	-0.4	-1.4	1.0	3.7
Larne	0.4	3.8	0.5	4.1
Limavady	-0.1	-1.1	0.3	2.5
Lisburn	2.6	5.3	4.0	8.2
Magherafelt	0.8	4.1	2.0	10.4
Moyle	0.0	-0.3	0.2	4.0
Newry	2.9	7.0	4.7	11.4
Newtownabbey	0.6	1.8	1.7	5.1
North Down	1.1	3.7	1.6	5.4
Omagh	-0.5	-2.0	0.4	1.5
Strabane	0.2	1.6	0.7	5.7
Northern Ireland	**33.3**	**4.0**	**57.4**	**6.8**

Source: Oxford Economics

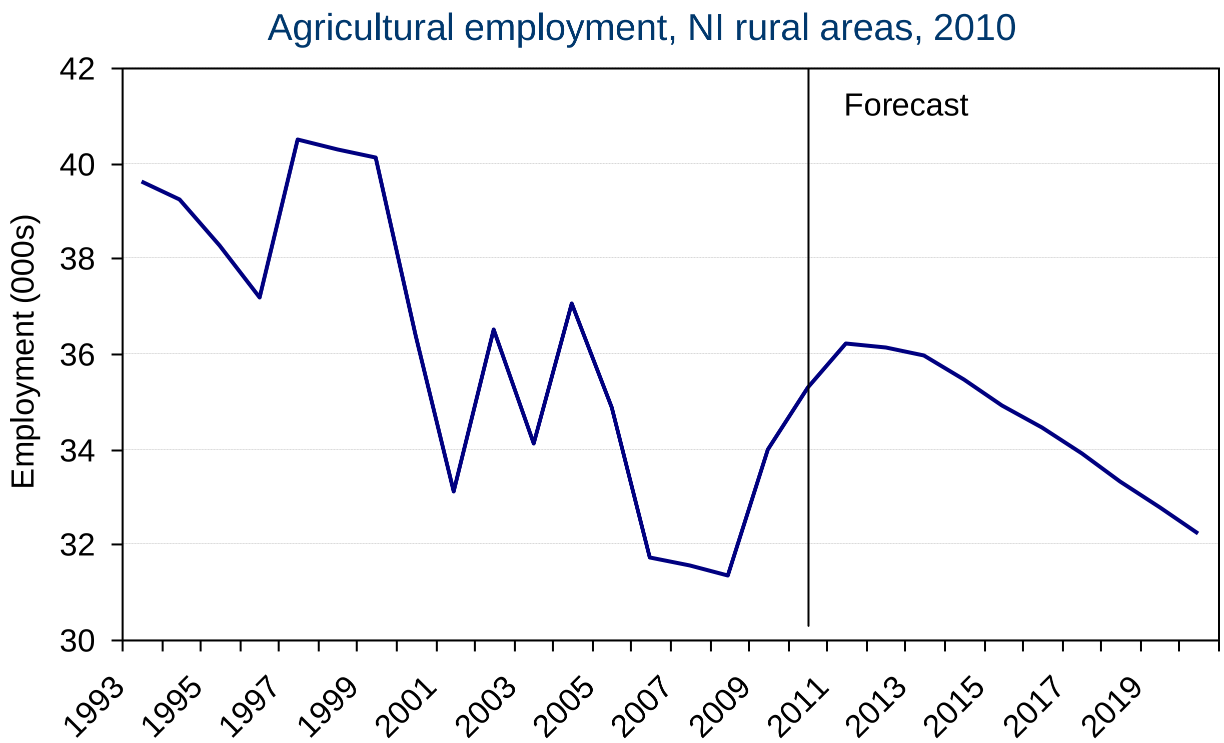
Note: This scenario is based upon:

•Job growth in high-tech manufacturing sectors (bio/electronics/chemicals).
•The fall in agricultural employment slowing
•Recycling, waste and environmental sector expanding more rapidly.
•Stronger tourism growth.
•Growth in leisure, film and cultural sectors.
•Modestly less growth in financial and professional services – reflecting transferring of skills to other sectors.

Yellow shading indicates rural areas

In this scenario, the rural economy would by 16,900 jobs better off by 2020

Agri-sector has enjoyed recent growth



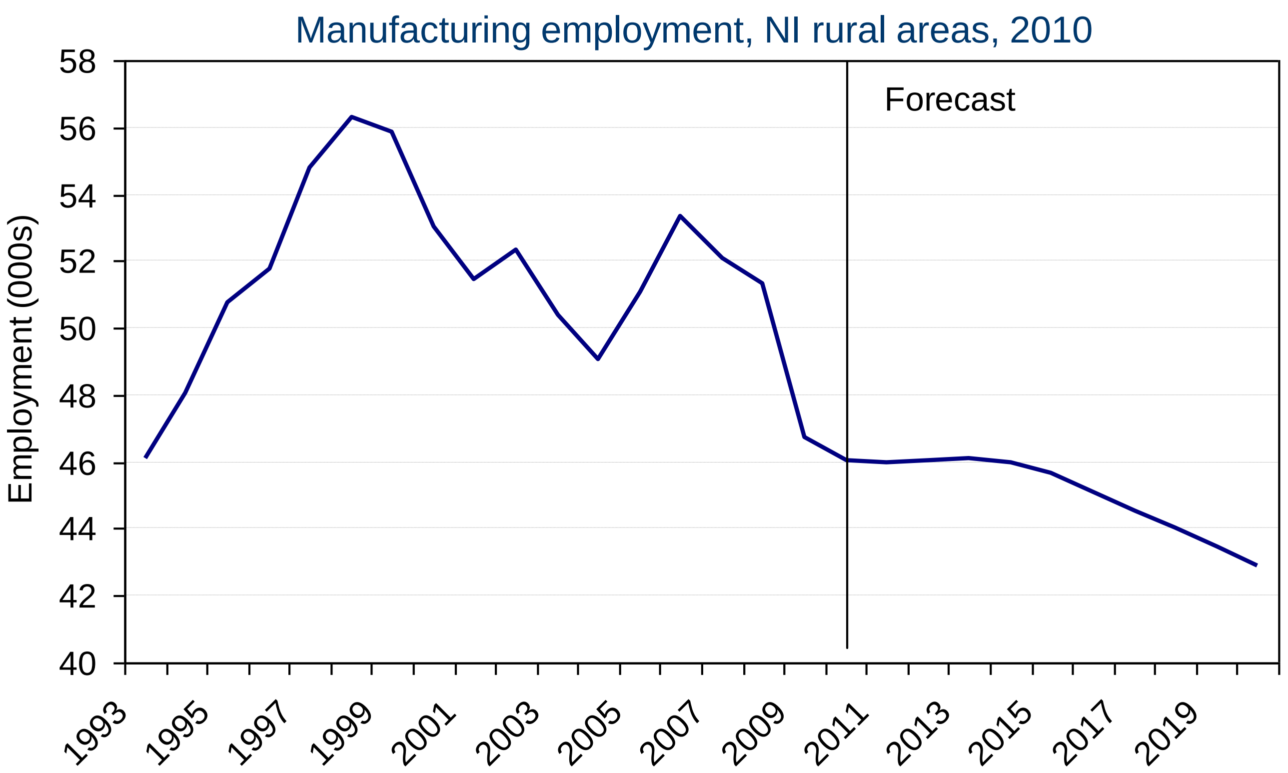
Source: Oxford Economics

High prices helping demand (though keeping input costs high)

How much has the exchange rate helped?

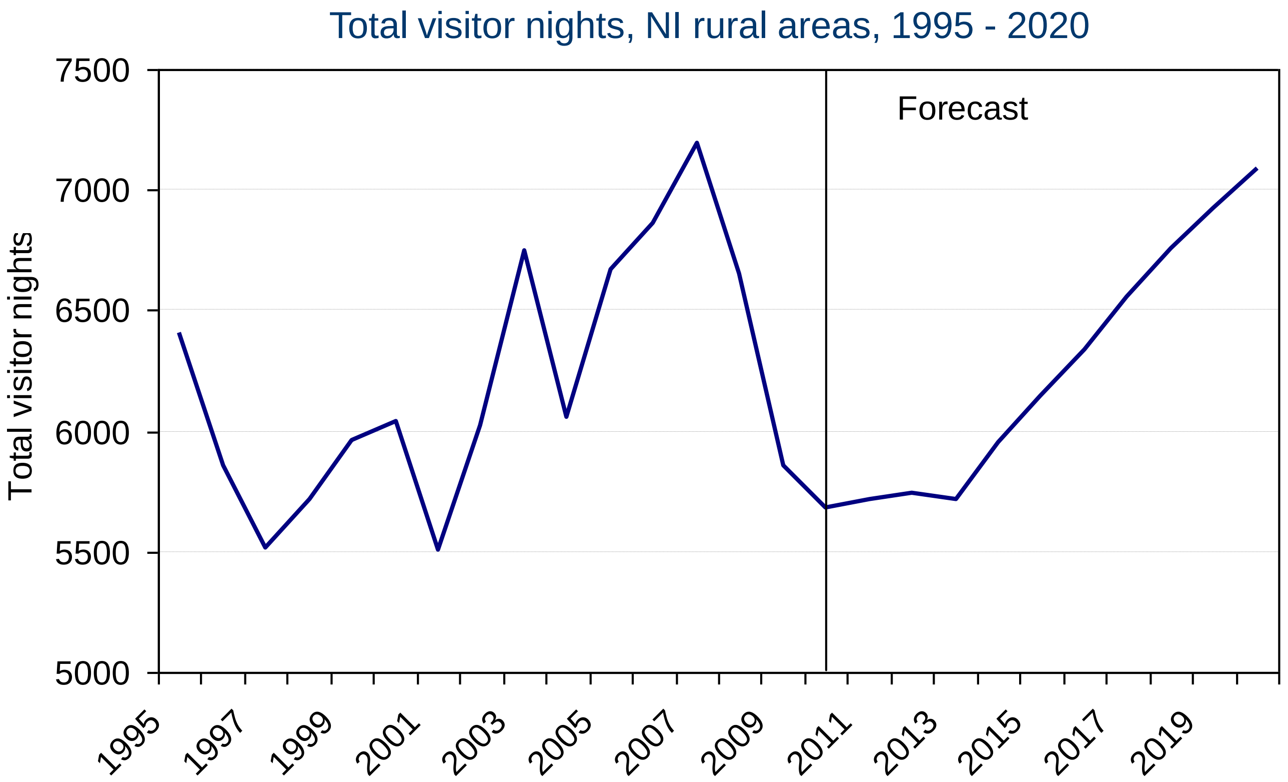
Note this does not include all aspects of agri sector (for example farming spouses)

Could industrial employment stabilise – or grow?



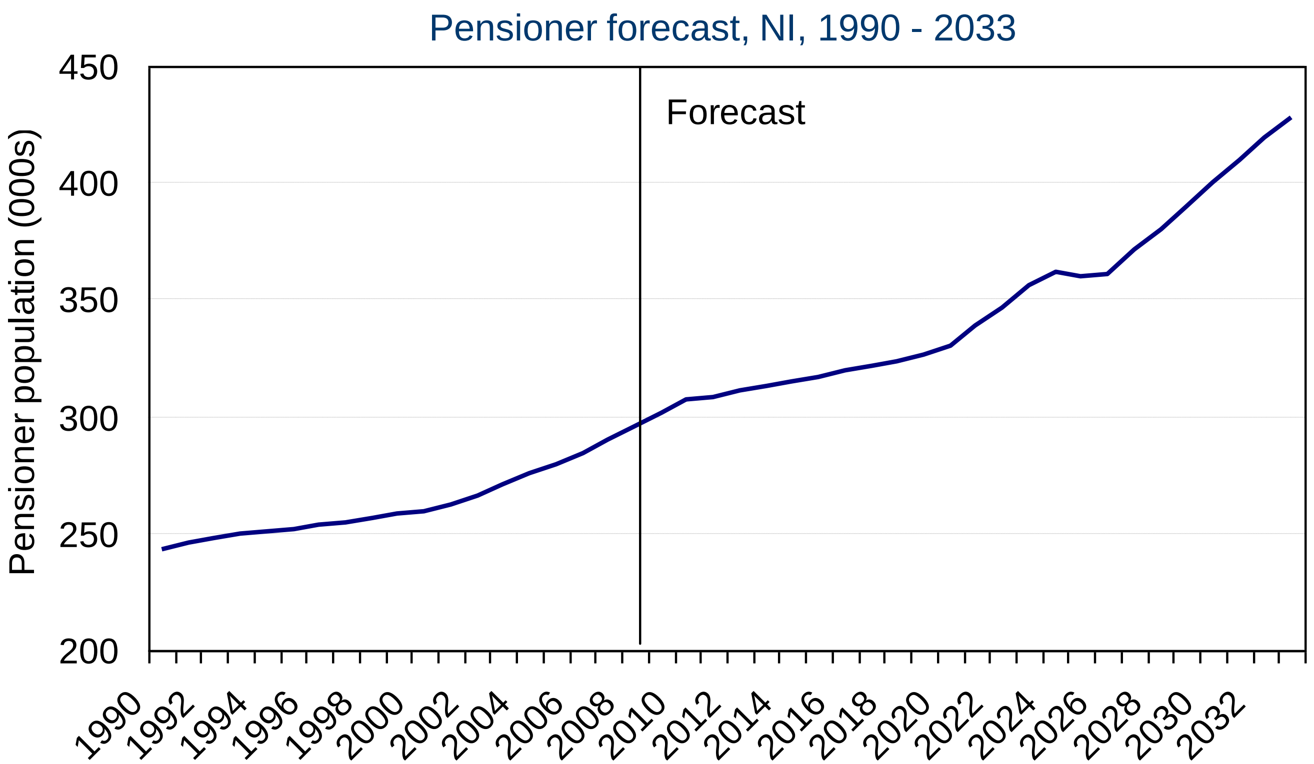
Source: Oxford Economics

Tourism forecast to recover losses, slowly



Source: NITB, Oxford Economics

Aging population a real concern (& opportunity)



An increase of over 100,000 people of pension age within 20 years is forecast

Source: NISRA

The challenges

- Complex policy environment (UK, NI, RDS, RTS, economic strategy to come)
- Is there a spatial policy or a spatial aim?
- Unique political landscape
- What impact could Corporation Tax have?
- The ‘Core City’ argument well argued – need to integrate with this
- When money is challenging economic wisdom leaning towards bring people to jobs not jobs to people – is this always valid?
- But if the professional services outlook is correct will this present a challenge for finite resources (Light Railways, universities etc.)

What now? – supporting growth in tough times

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Prioritisation key: invest not fund

- Economic challenge is acute
- A long road back for many areas
- Public sector cuts and rising cost of living beginning to bite
- Reassuring risk and supporting lending is tough
- Environmental taxation still a feature
- Political pressures growing on jobs
- ‘No’ extra money exists – what can we raise locally? Also SFA ending.
- UK agenda is localism, our Councils are too small and within NI devolution of powers unlikely on large scale
- Sources of revenue (outside public funding)? – rates variation (is a cap still valid, poor quality buildings), red diesel allowances / policing, farming ‘services’ e.g. snow clearance!
- Key choices now on public policy – what is the ask and how is it funded? What is the investment proposition?

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