

Derry City and Strabane District Council

Spring Economic Forecasts 2022



Contents

- Northern Ireland
 - Context & historical trends
 - Economic outlook
- Derry City and Strabane District Council
 - New data insights for the local economy
 - Performance and economic outlook
- Concluding Points
- Appendix and Glossary

Introduction

- The Spring 2022 Outlook is based on an expectation that the strong recovery seen in the latter part of 2021 will continue into 2022 but that it will be accompanied by higher levels of inflation and cost of living pressures than we have seen in a decade and more.
- As the pandemic supports for businesses and incomes provided by Governments (eg: furlough, SEISS, back to business grants and rates holidays) have come to an end, this Outlook focuses more on the nature of the recovery and some of the issues that might arise in the next few years. To assist your thinking in this we have also included a special section on new datasets that can provide an ongoing picture of the labour market and incomes.
- The two scenarios for the Spring 2022 Outlook have the following assumptions:
 - **Baseline** – Assumption that the recovery will see the value of GVA returning to pre-COVID levels in 2022 and employment rates by next year.
 - **Upper** – This scenario assumes an additional 76,800 jobs being created within the economy over the 2022-2030 period. Employment is also expected to exceed pre-covid levels in 2022.

Northern Ireland Contexts

Section

Strong growth but with costs and downside risks

Unpredictability and uncertainties remain to the fore

The signs of growth...

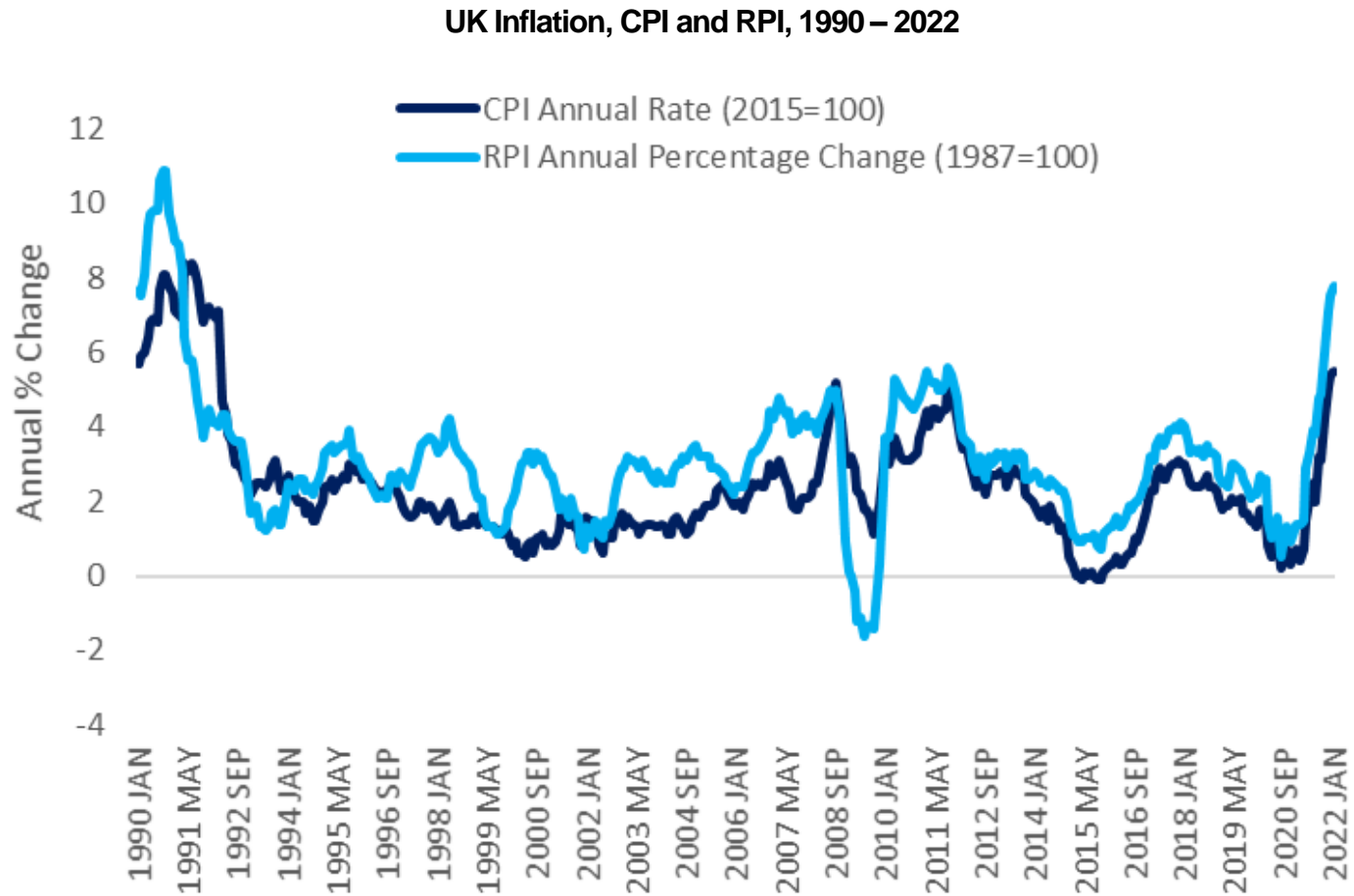
- Recovery in economies globally has been stronger than first expected
- Steady progress in managing the pandemic health impacts
- Strong and continuing consumer demand including tourism
- All sectors seeing vacancy levels and tightness in labour supply

with some costs and risks

- Uneven return to 'normality' at a global level and will be impacted by events & trends
- Inflation issues will continue this year & probably into 2023
- COVID will continue to have travel impacts
- Demographic trends unlikely to provide a strong labour supply

UK Inflation trends

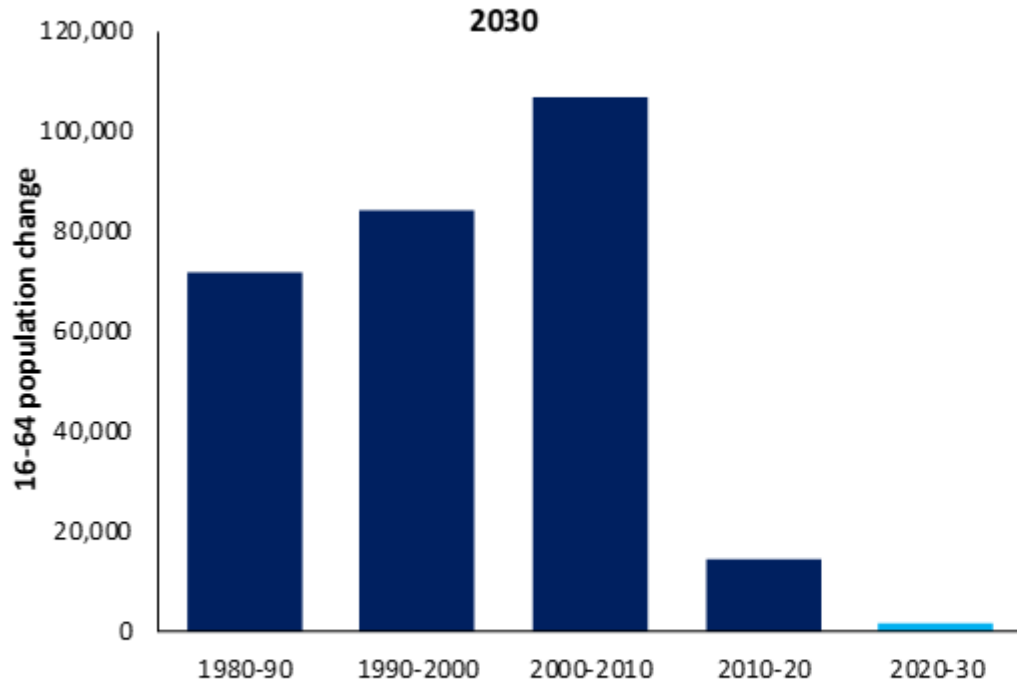
Inflation increasing significantly since the end of 2021



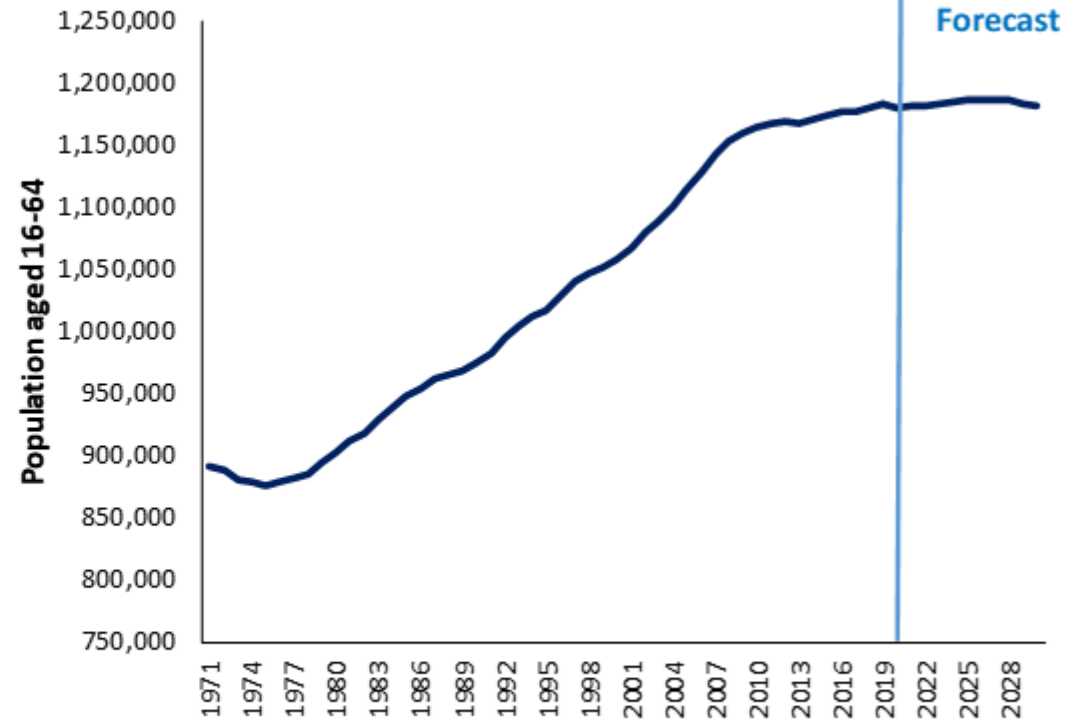
Demographic changes on the horizon

NI wide decline in working age population

Working age population (aged 16-64) by decade, NI, 1980-1990 - 2020-



Working age population (aged 16-64), NI, 1971-2030



Source: NISRA



The growth in Northern Ireland's working age population is slowing with only 3,000 additional 16-64 year olds expected between 2020-2030. This has major implications for filling vacancies and wider employment expansion. On the other hand, in ROI the 16-64 y.o. pop is expected to grow by 259k.

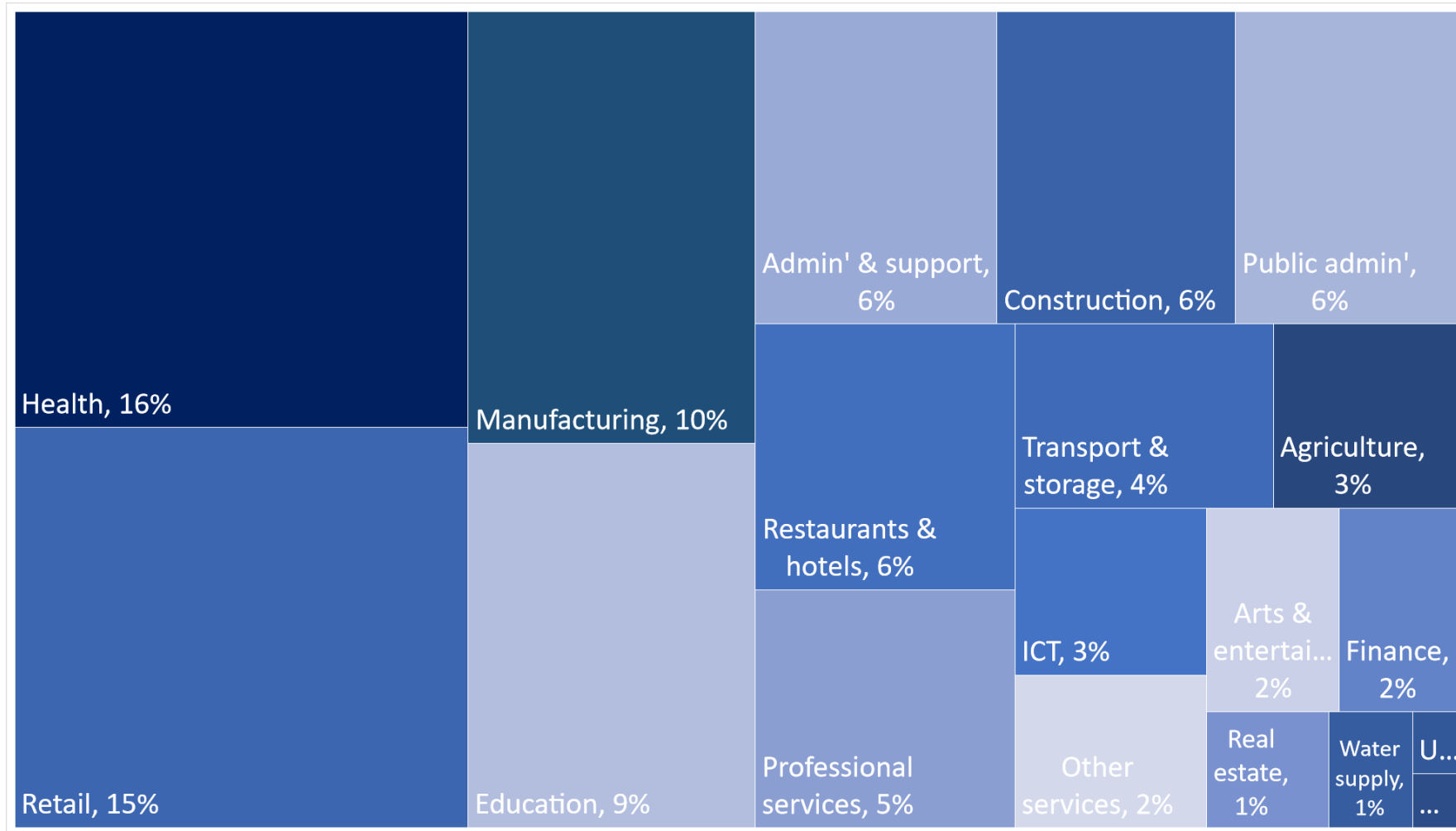
Source: NISRA



Derry City & Strabane
District Council
Comhairle
Chathair Dhoire &
Cheantar an tSraitha B ain
Derry Cittie & Str abane
Districk Council

Health & social care & retail, NI's largest sectors

Sectoral employment, % share of total employment, NI, Q3 2021



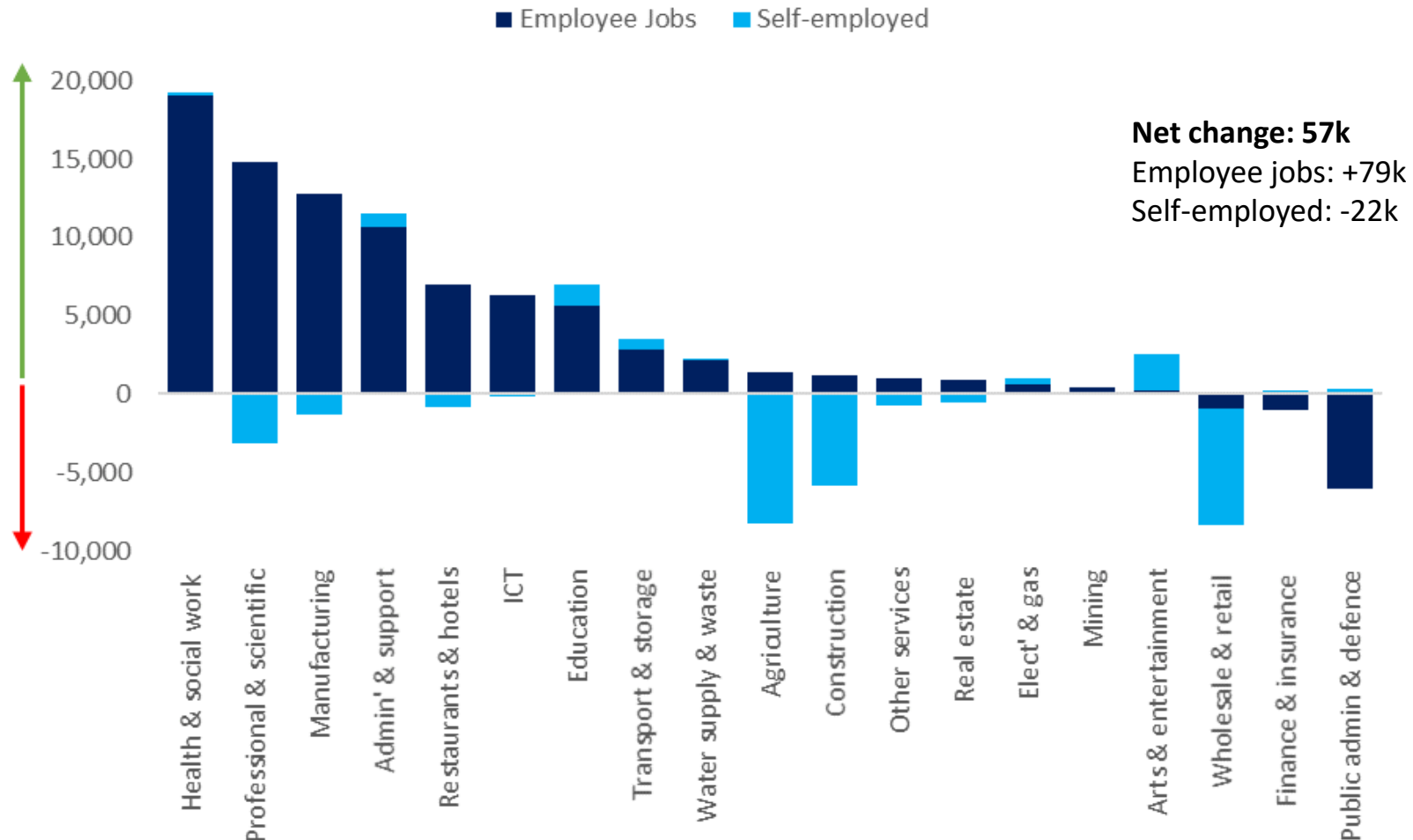
Total employment
Q3 2021:
884,400

Elect' & gas: 0.3%
Mining: 0.2%

Where have jobs been created in NI?

Self-employment largely impacted by COVID

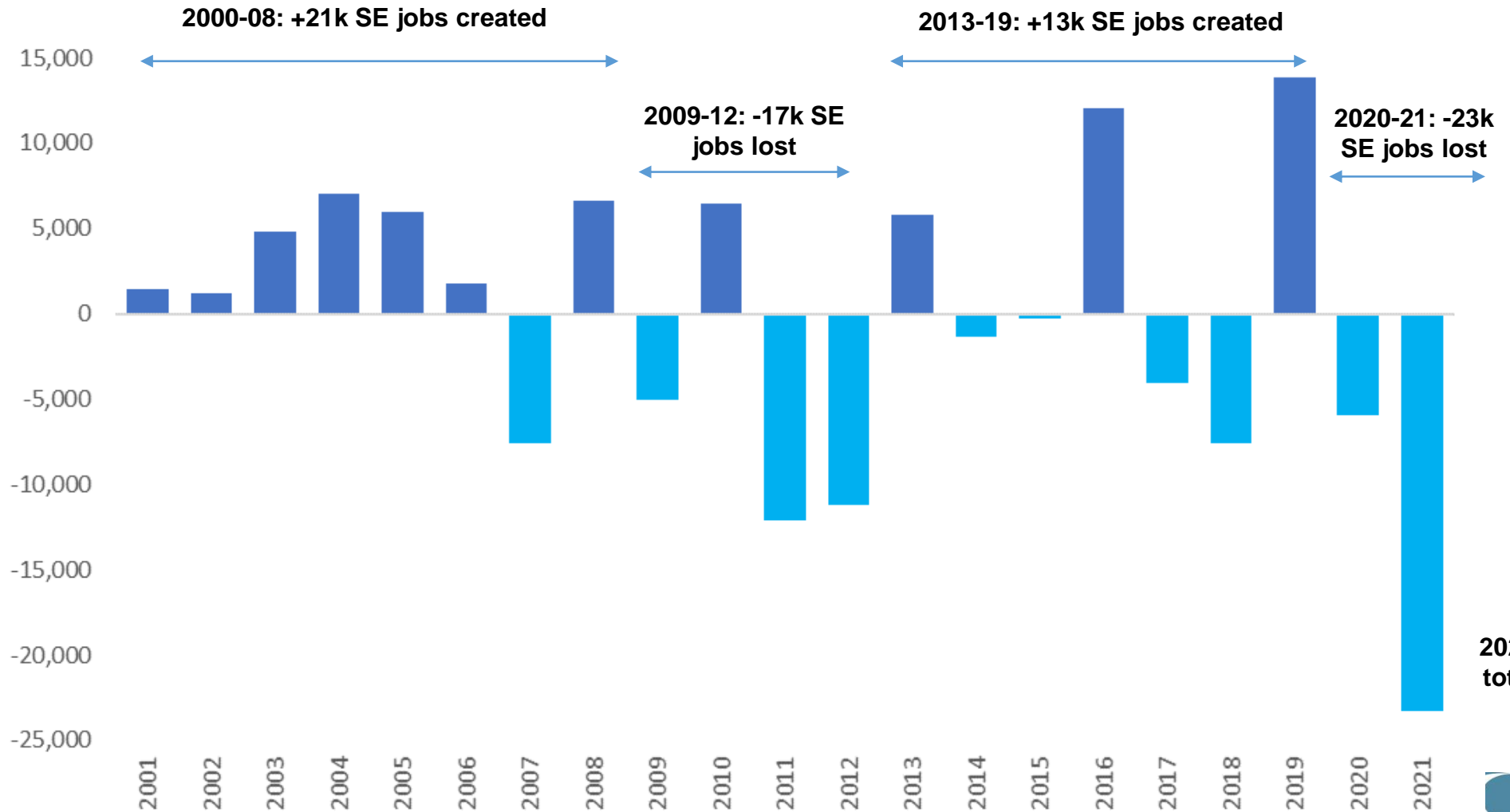
Employee and self-employment change by industry, NI, 2011 – 2021



Annual changes in self-employment

Significant COVID impact on self-employment

Annual change in total self-employment, NI, 2001-2021



2001 SE as % NI total employment: 15%

2021 SE as % of NI total employment: 11%

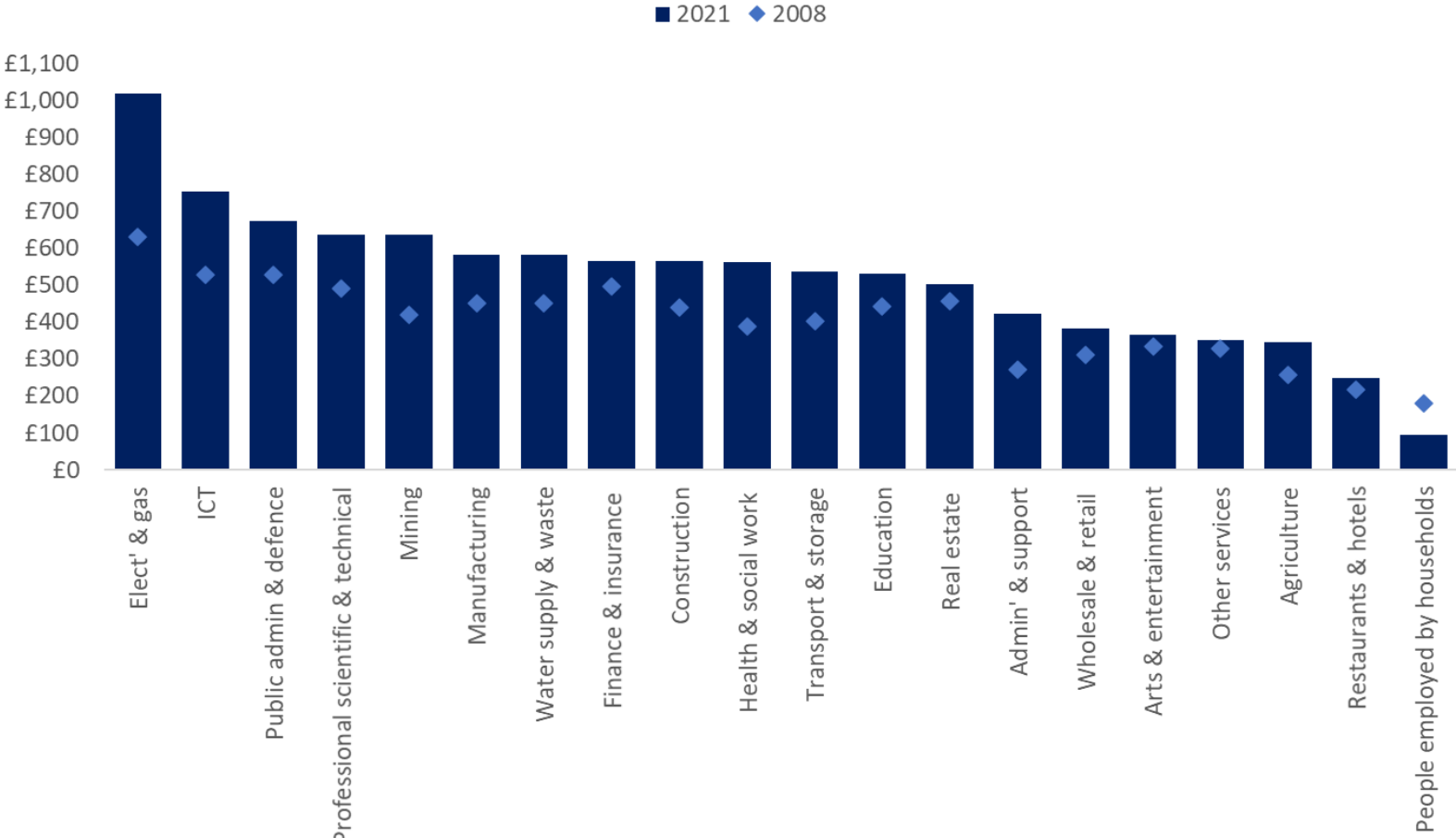


Source: Workforce Jobs & UUEPC Analysis

Wage increases since 2008, but cost of living has also climbed

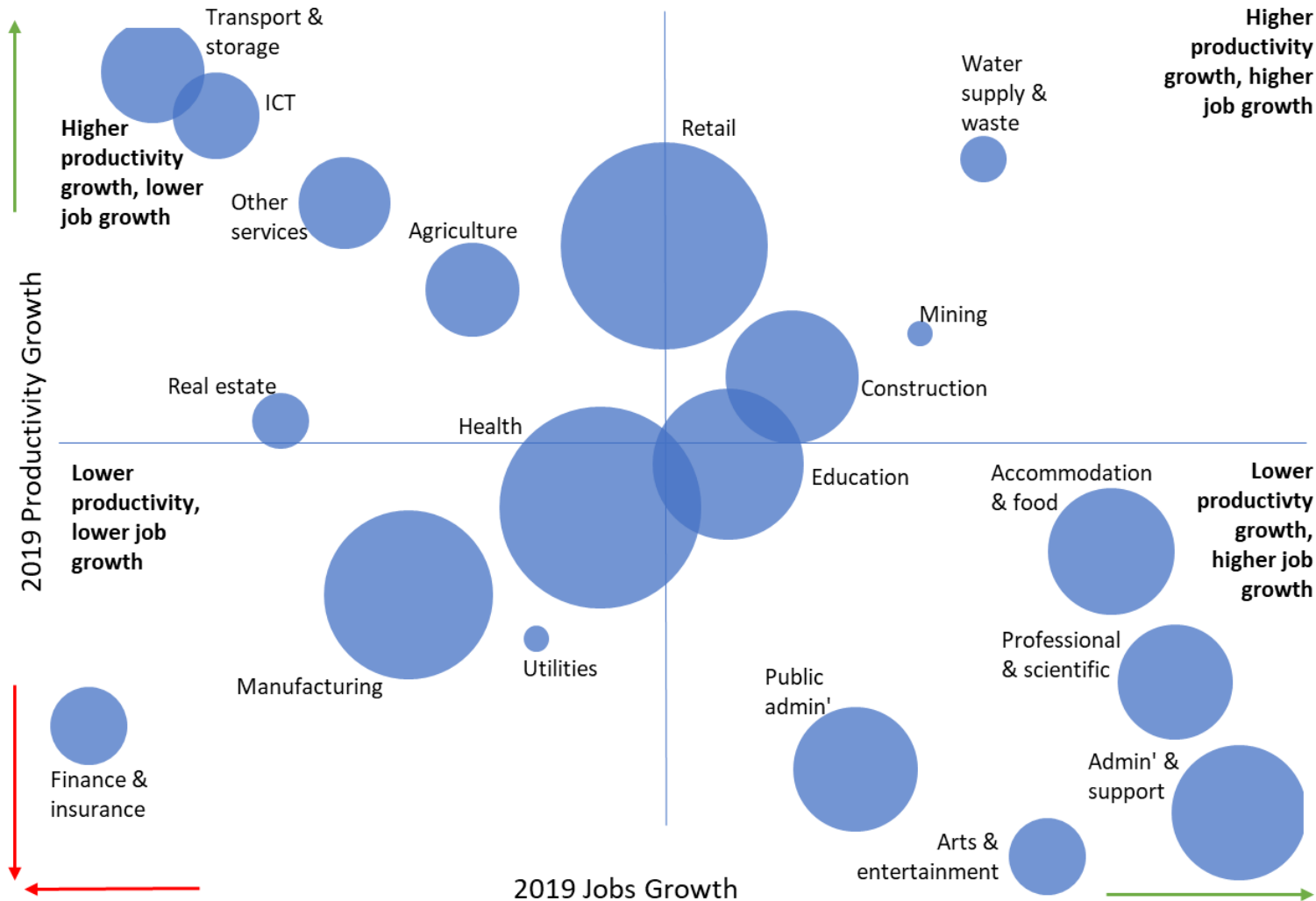
Utilities experiencing the largest increase

Average weekly wages, NI, £, Current prices, 2008-2021



Sectoral productivity

Productivity and job growth, NI, 2019



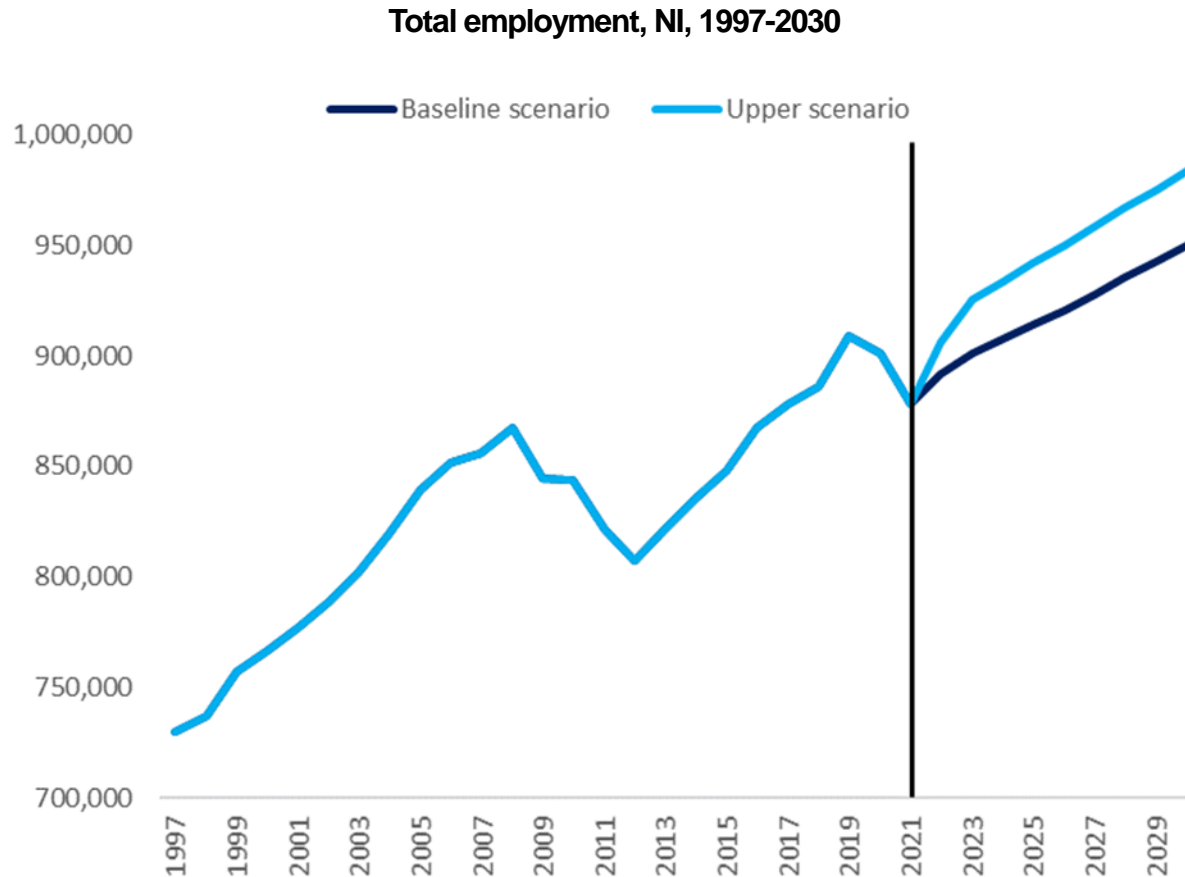
Source: ONS & UUEPC Analysis
 Note: People employed by households excluded

Northern Ireland Economic Outlook

Section
2

NI: Total Employment

NI labour market emerging from lockdown

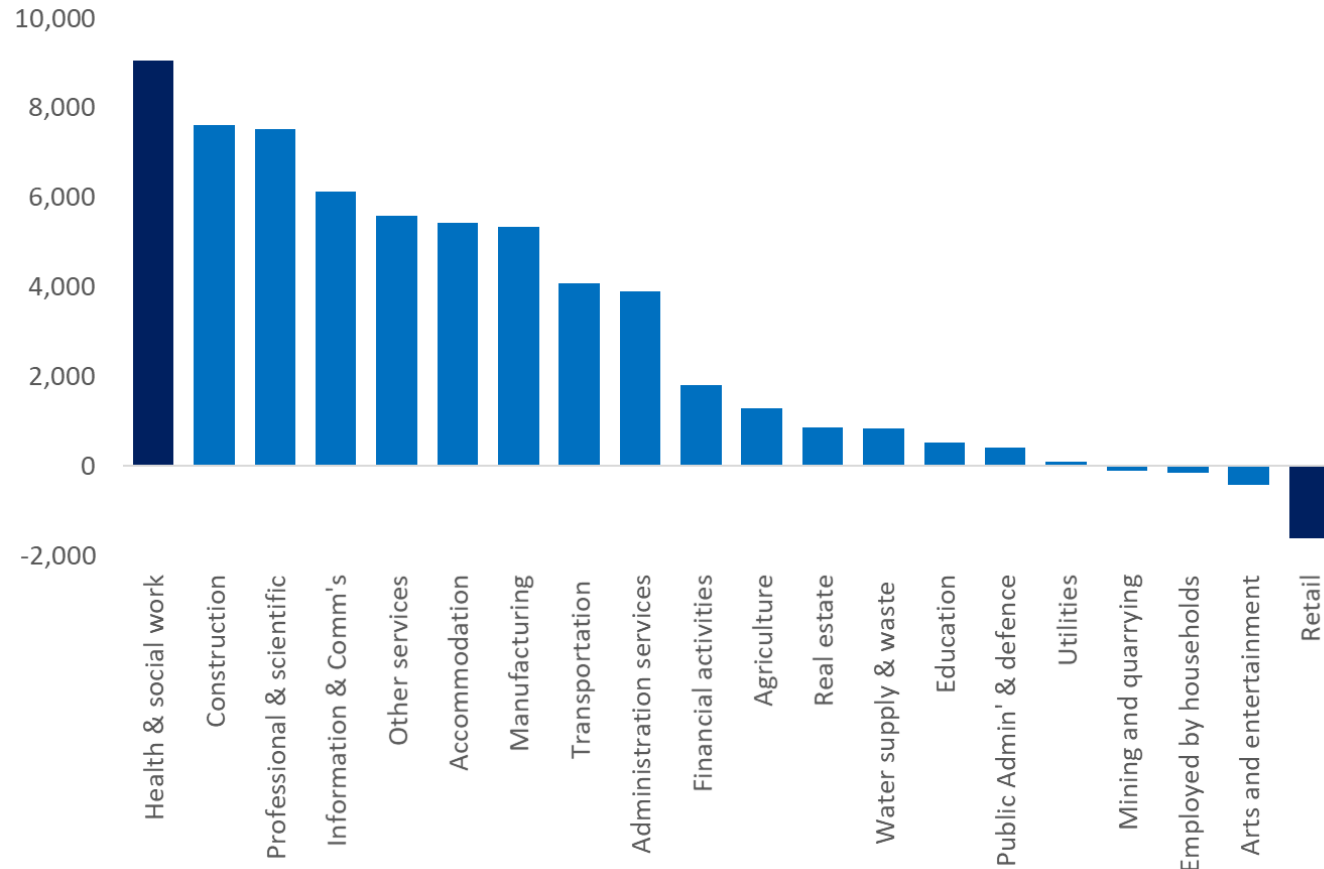


- Total employment dropped from 901,000 in 2020 to 878,000 in 2021.
- NI is forecast to gain nearly 14,000 jobs in 2022 with total employment anticipated to rise to 892,000.
- In 2025, NI is expected to surpasses pre-pandemic employment, reaching 914,000 jobs in the central scenario.
- By 2030 the baseline scenario forecasts that there will be 950,000 jobs in NI, increasing by 58,000 from 2022.
- The upper scenario suggests total employment could reach 983,000, an increase of 77,000 jobs from 2022.

NI: The Sectoral Job Growth

Has the shift to digital led to the decline of retail?

Net employment change by sector, central scenario, NI, 2022-2030

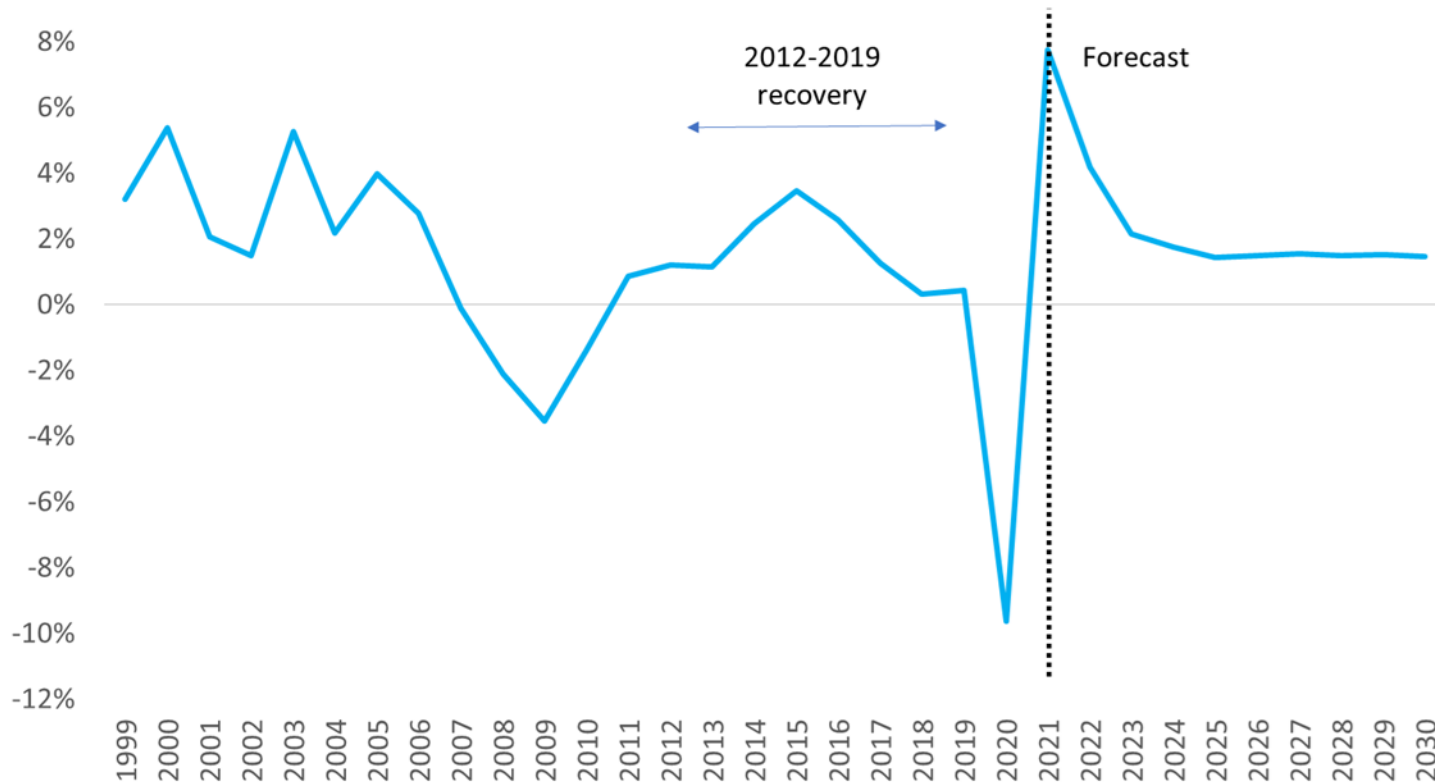


- Under the central scenario nearly 58,000 jobs could be added to the NI economy from 2022.
- Health and social work are anticipated to be the majority of these jobs, gaining 16% equating 9,000 jobs.
- Construction and professional services are each anticipated to gain 13% of jobs, gaining 7,600 and 7,500 jobs respectively.
- Retail is forecasted to decline by -1,600 jobs by 2030, or 200 jobs per year over the next eight years.

NI: Real GVA Growth Rates (%)

Decline in 2020, followed by recovery and 'normality' by 2024

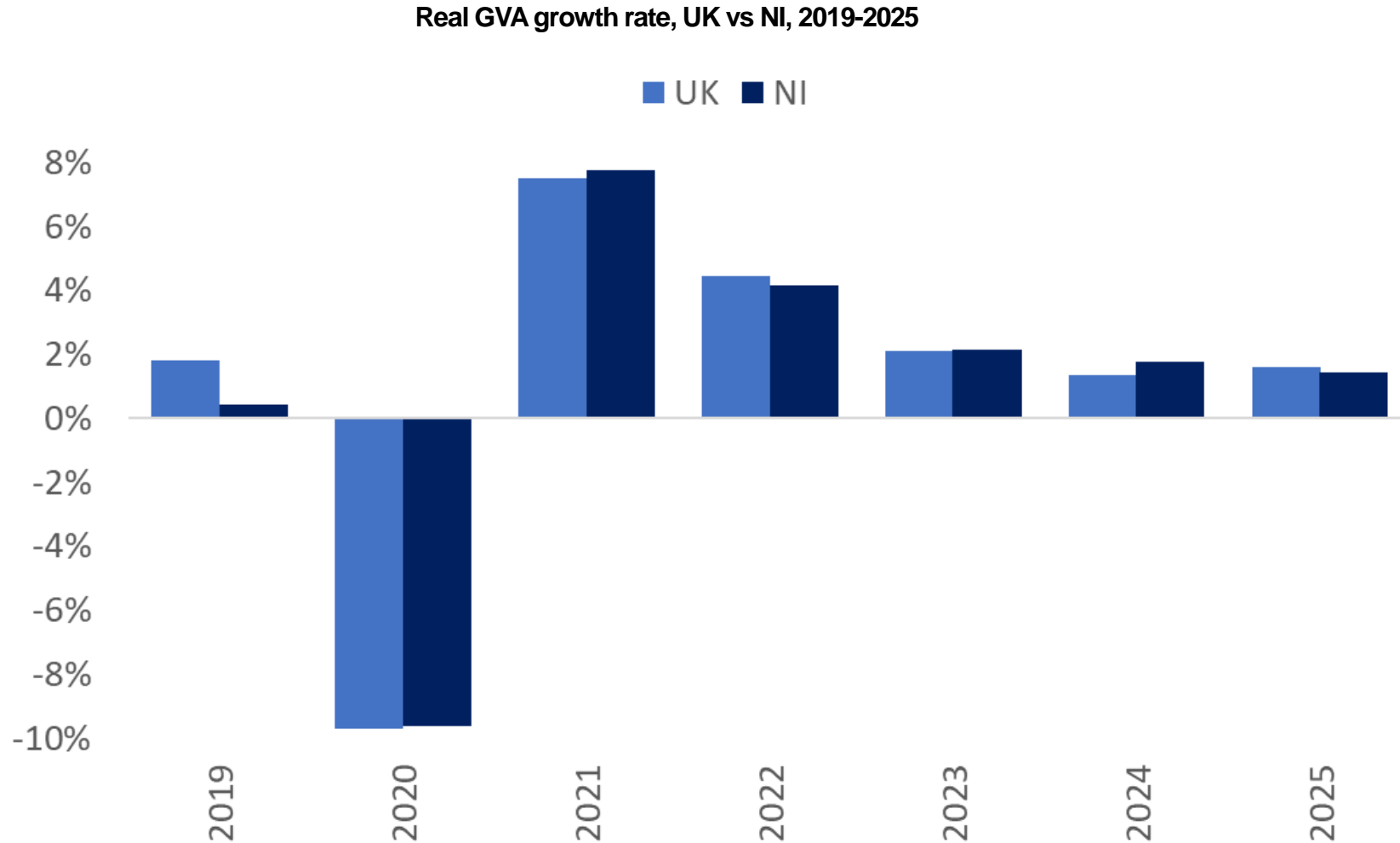
Real GVA annual growth rates (%), NI, 1999-2030



- NI's real GVA grew by 7.7% in 2021- however from a smaller base in 2020.
- Real GVA grew to £40.2bn in 2021 from £37.3bn in 2020.
- In 2022, real GVA is forecasted to grow by 4.2% in the baseline scenario as we emerge from COVID- however the war in Ukraine provides an uncertain backdrop to growth.
- It is forecasted that real GVA in 2023 will surpass 2019 levels.

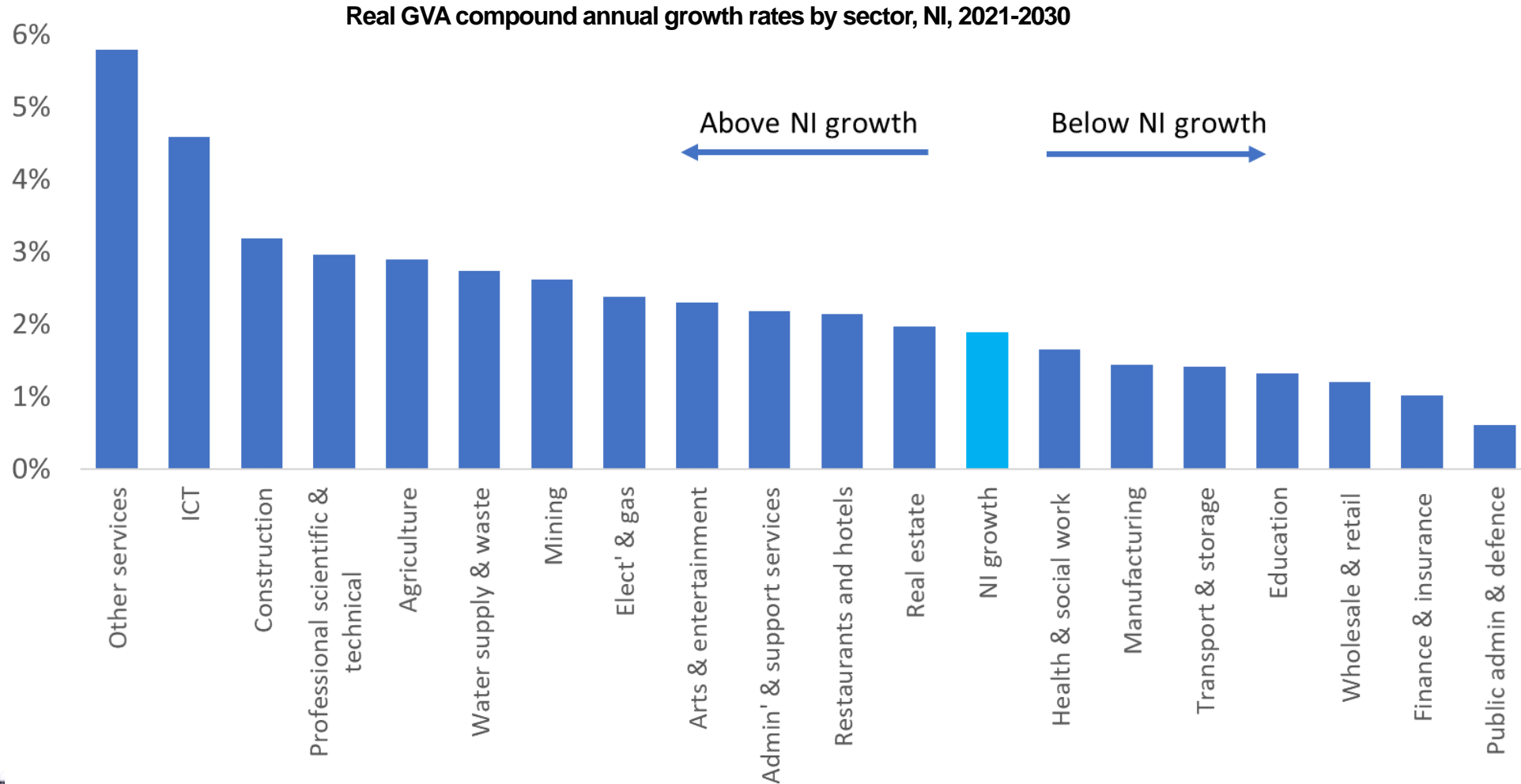
Real GVA Outlook – NI and UK

Recovery followed by 'normality' in GVA in growth rates



Real GVA growth by sectors

Other services experiencing the largest annual real GVA growth



Source: ONS & UUEPC Outlook Spring 2022

Derry City & Strabane
**New data insights for local
economies**

**Section
3**

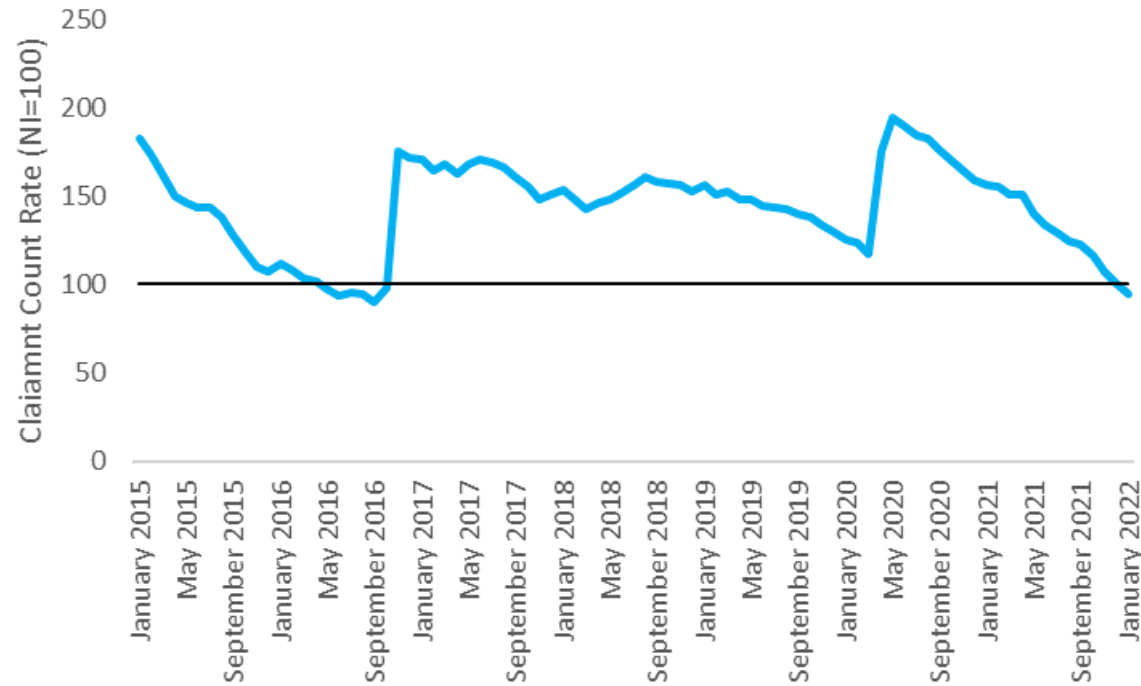
Newly available real time data

- The availability of timely data at a local government level has historically been limited.
- Recent developments of economic indicators at local government level allows for a more detailed picture of local labour markets and socioeconomic conditions. The availability of timely data allows us to offer more specific and up to date analysis where many publications rely on data which is often published at annual intervals or relies on census data with decade long intervals.
- These updates also give us indicative interim data whilst waiting for larger annual releases such as the Labour Force Survey (which is normally released a year later).
- Although timely data is important, we believe Councils would gain benefits from the continuous development of wider economic and societal indicators at smaller geographical areas, even when these have to be released on a lagged basis – the development of the exports data for local Councils is a good example.

Claimant Count

Pandemic count surge beginning to return to pre-pandemic levels

Indexed Claimant Count numbers (NI=100), Derry City & Strabane, Jan 2015 – Jan 2022

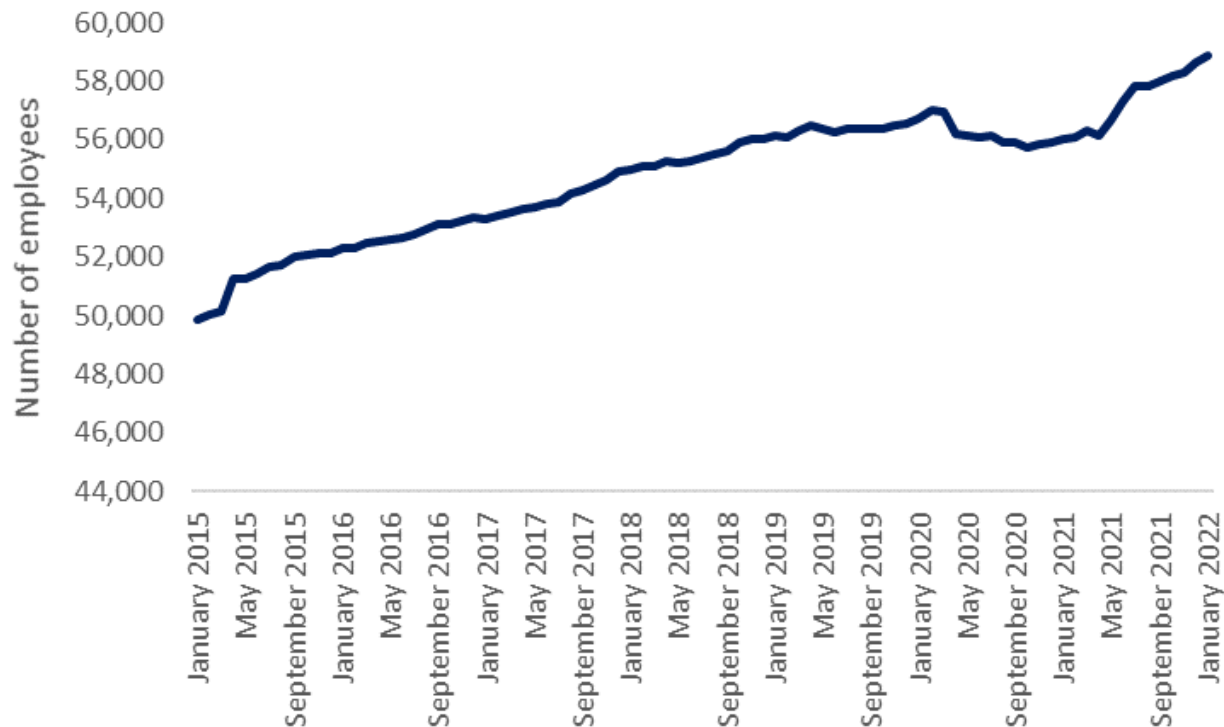


- The number of people registered on claimant count in Derry City & Strabane had generally been higher than the NI average (indexed at 100 on the graph) between 2016 and 2019.
- The gap had narrowed between mid-2018 and the start of the pandemic. Following an upward spike in Q2 2020 the numbers on the claimant count have again declined sharply and were in line with the NI average as of January 2022.
- It is important to note that approximately 40% of those on the claimant count are in work and receiving benefits due to low pay.

Payrolled Employees

Employment starting to return to pre-pandemic trend

Payrolled employees, Derry City & Strabane, Jan 2015 – Jan 2022



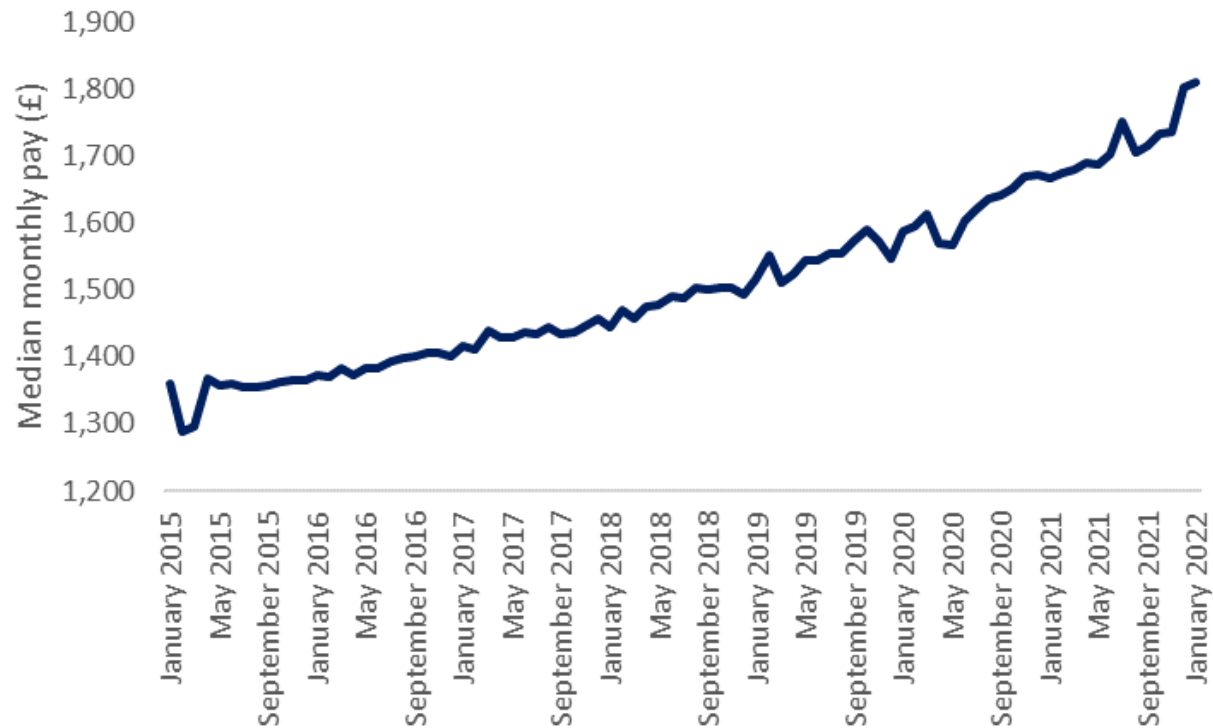
- The number of payrolled employees has risen steadily from 2015 - early 2020. A dip in employment figures during the pandemic was experienced not only across the rest of NI but across the wider UK as well.
- The implementation of such extensive employment support schemes has shielded large scale redundancies and unemployment however it has not been without some effects as outlined by the graph.

Source: HMRC

Note: PAYE data is a partial measure of employment and does not include the self-employed. It should also be noted that due to payroll reforms more people will be accounted for within the measure from Spring 2021.

Median Wages

Median wages (£), Derry City & Strabane, Jan 2015 – Jan 2022



- Median wages have risen consistently since 2015, experiencing a small pandemic related dip mid-2020.
- More recently wages have increased at a faster rate reflecting a tight labour market where workers have more bargaining power and wages that may have risen in line with inflation
- Median wages in Derry City & Strabane rank 11th in comparison to other council areas in January 2022.

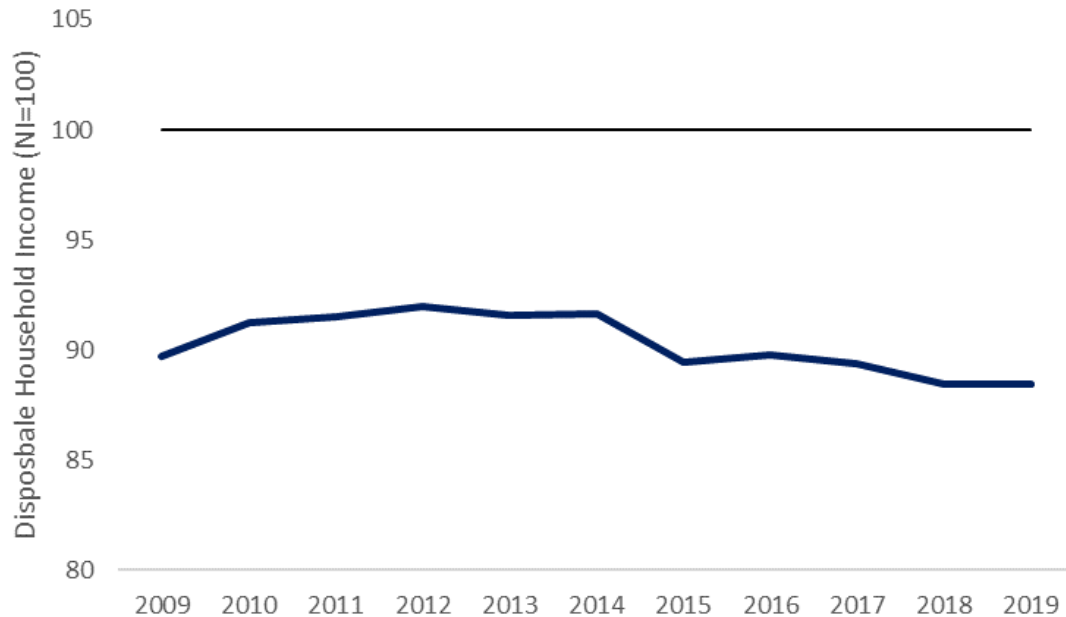
Source: HMRC

Note: PAYE data is a partial measure of employment and does not include the self-employed. It should also be noted that due to payroll reforms more people will be accounted for within the measure from Spring 2021.

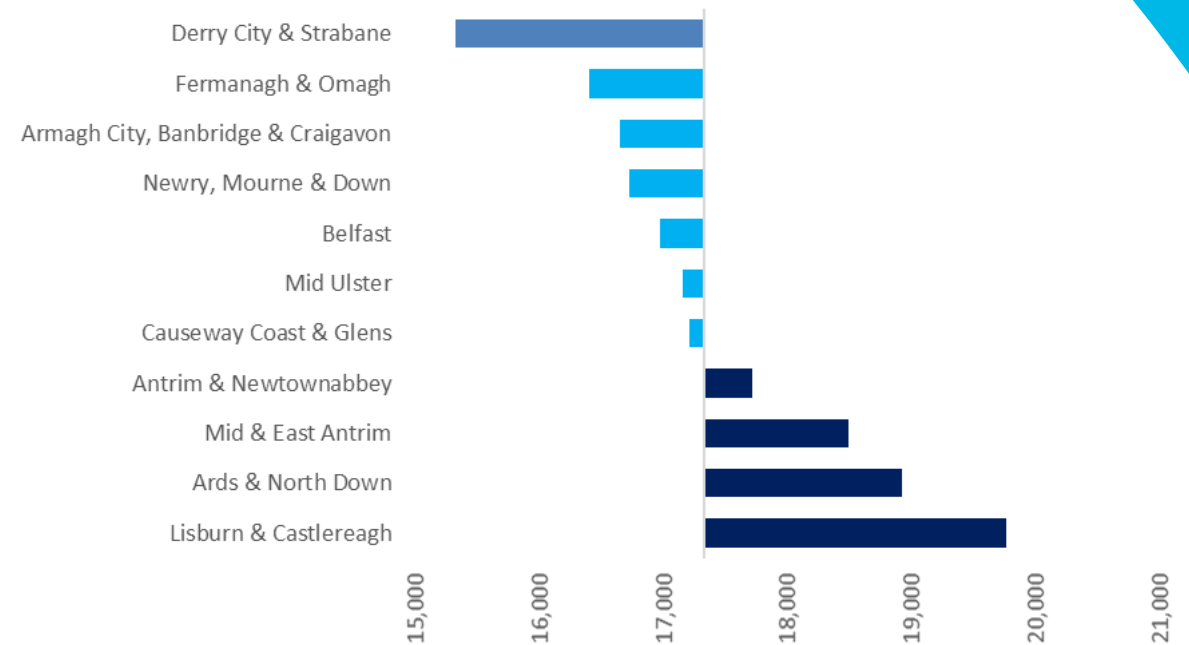
Disposable Household income

Disposable household income consistently below NI average

Disposable household income (NI=100), Derry City & Strabane District Council, 2009 – 2019



Disposable household income per capita, NI LGDs, 2019



- In nominal terms disposable income has risen steadily within the council area over the last 10 years indicating an increase in standard of living. When benchmarked against NI disposable income is consistently below the NI average. In 2019 disposable income per capita in Derry City and Strabane was the lowest out of all council areas in NI.

Disposable income across councils



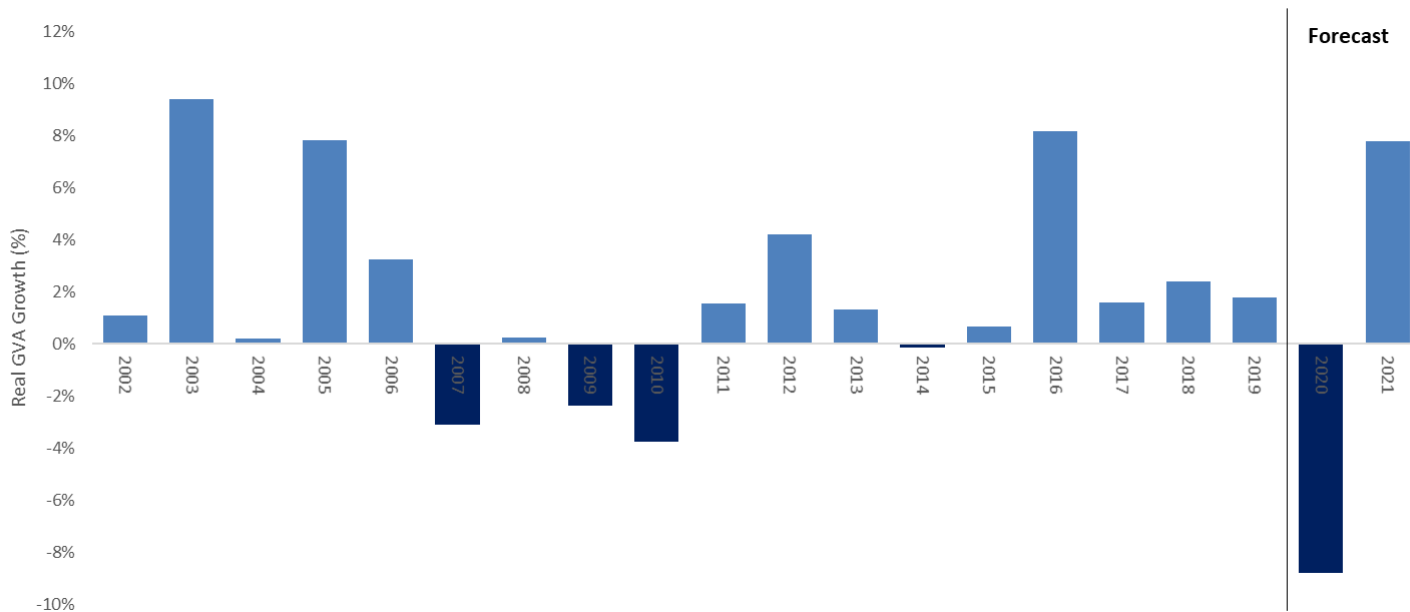
Derry City & Strabane Recent Performance and Economic Outlook

Section
4

Baseline forecasts show the COVID effect

Real GVA Growth Rate (%) to be ahead of the NI rates

Real GVA growth rate (%), Derry City & Strabane, 2002-21

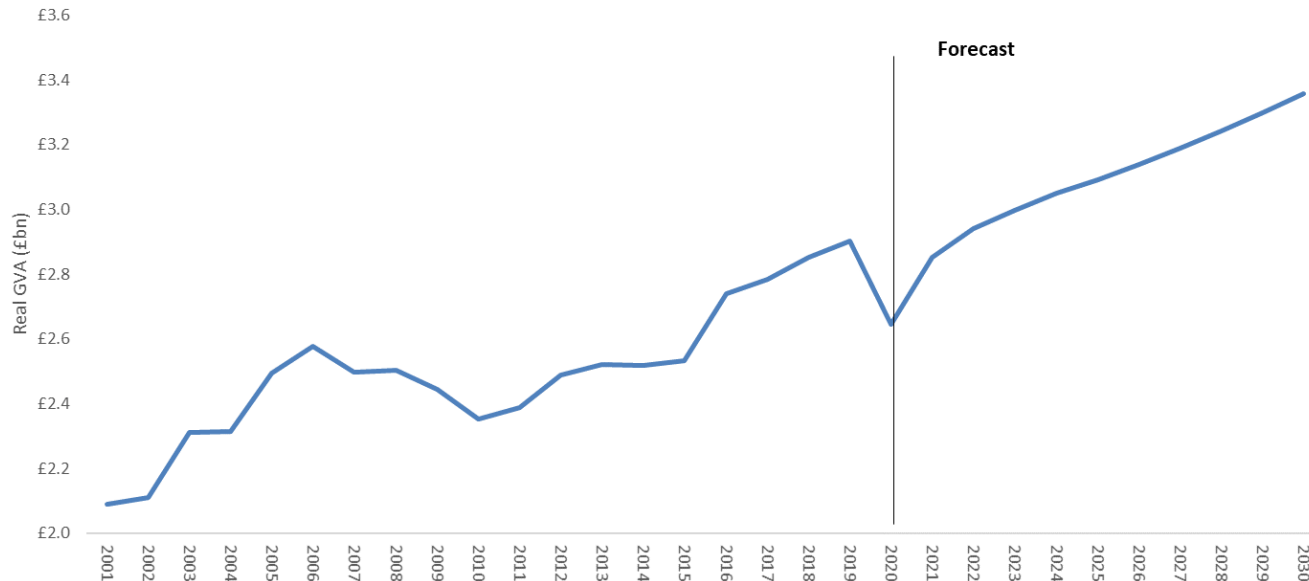


- Derry City and Strabane's real GVA growth rate for 2019 was 1.8%, the estimated figures for 2020 and 2021 are -8.8% and 7.8% respectively.
- Forecasted average annual growth rate of 1.7% (2022-30) – just above the NI average of 1.6% per annum for the same period

Steady recovery in GVA forecast out to 2030

Real GVA (£bn) to reach 2019 peak in 2021

Real GVA (£bn), Derry City & Strabane, 2001-30



- Under the baseline scenario real GVA in the council area is forecasted to increase by 14.2% over the 2022-30 period from £2.9bn (2022) to £3.4bn (2030).
- GVA in 2020 and 2021 as estimated at £2.6 and £2.9bn respectively.

GVA growth limited in most sectors

Real GVA CAGR (%) forecasts highlight increase in professional & scientific and other services

Real GVA CAGR (%), Derry City & Strabane 2022-30

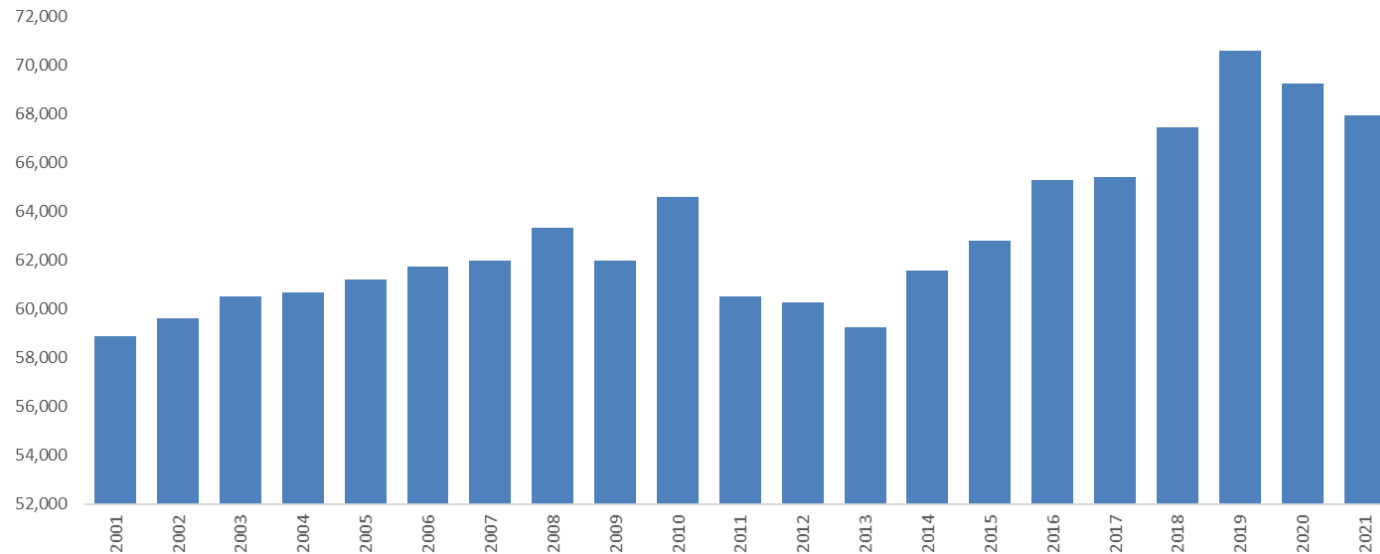
	CAGR 2022-30
	Baseline
Agriculture	2.2%
Mining and quarrying	-0.4%
Manufacturing	1.2%
Utilities	1.8%
Water supply & waste	2.4%
Construction	2.5%
Retail	0.9%
Transportation	1.8%
Accommodation	0.9%
Information & Comm's	3.4%
Financial activities	2.0%
Real estate	1.1%
Professional & scientific	3.6%
Administration services	1.0%
Public Admin' & defence	0.9%
Education	1.8%
Health & social work	2.3%
Arts and entertainment	-0.2%
Other services	3.4%
Total	1.7%

- Real GVA growth is forecast to be 1.7% per annum between 2022-30. Professional & Scientific and other services are forecast to drive growth as well as Construction.
- Mining and quarrying to decline in the medium term alongside Arts and Entertainment.

Strong Employment growth

Slight dip in employment in 2020 but protected by furlough

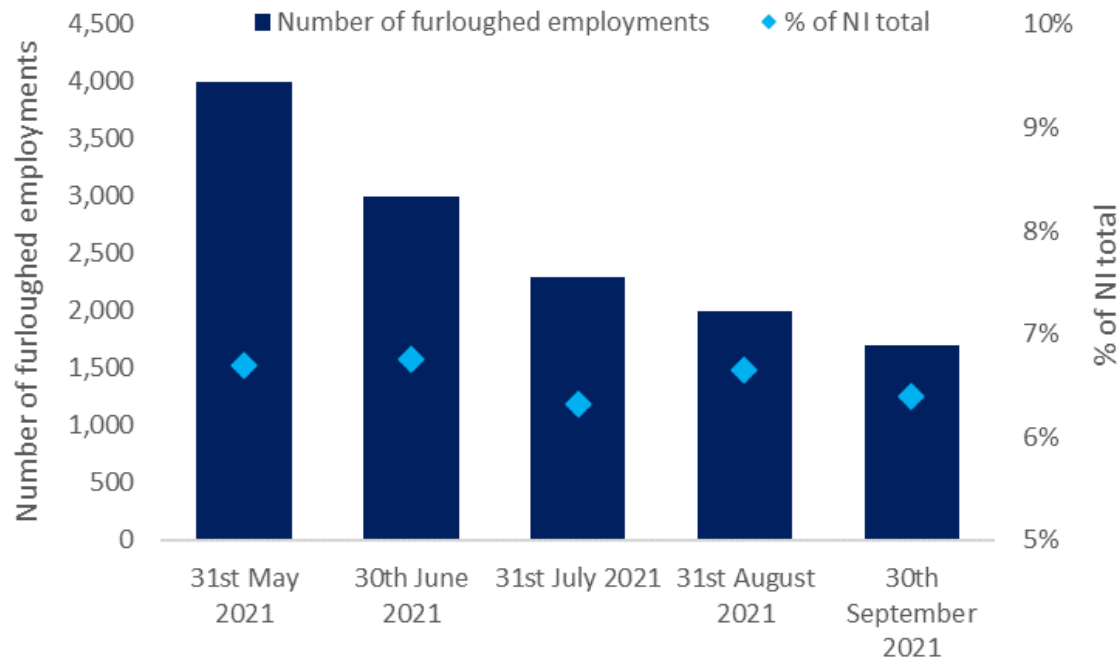
Total workplace employment, Derry City & Strabane, 2001-21



- Total employment in Derry City and Strabane has increased from 58,900 in 2001 to 67,900 in 2021 – 15.3% increase
- Accounting for 7.7% of total jobs in NI for 2021
- On average Derry City and Strabane has created 453 jobs on average per annum
- With Health and Social care being the key driver – accounting for 20.1% of the workforce
- Self employment was adversely affected during the Covid-19 pandemic. Within the council self-employment has fallen from 13% of total employment to 11% over the 2019-2021 period which translated to a loss of approximately 2,000 self-employed jobs.

Effects of the furlough scheme

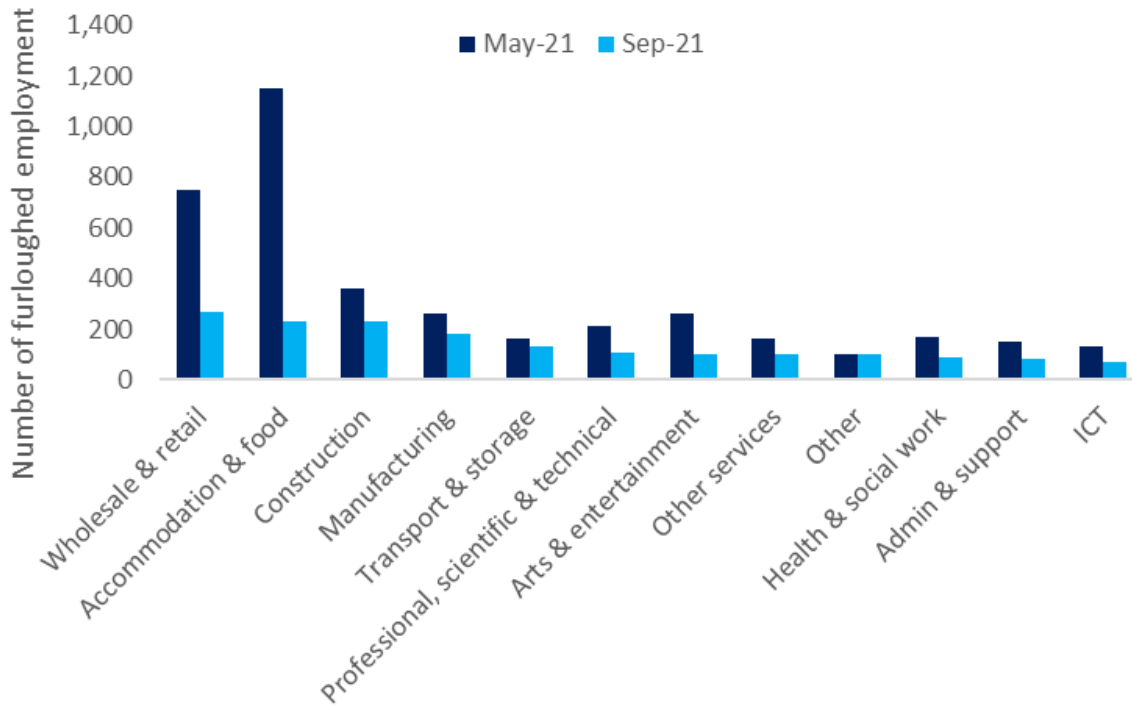
Number of furloughed employments and % of NI total furloughed employments, Derry City & Strabane, May – September 2021



- The number of furloughed employments in Derry City & Strabane decreased in the final months of the Coronavirus Job Retention scheme (CJRS) in line with the overall NI trend.
- Derry City & Strabane represented approximately 7% of total furloughed employments in Northern Ireland. This figure remained consistent across the duration of the scheme.
- On the final day of the CJRS scheme 1,700 employments within the council area were registered on furlough.

Furlough support by sector

Number of furloughed employments by sector, Derry City & Strabane, May vs. September 2021

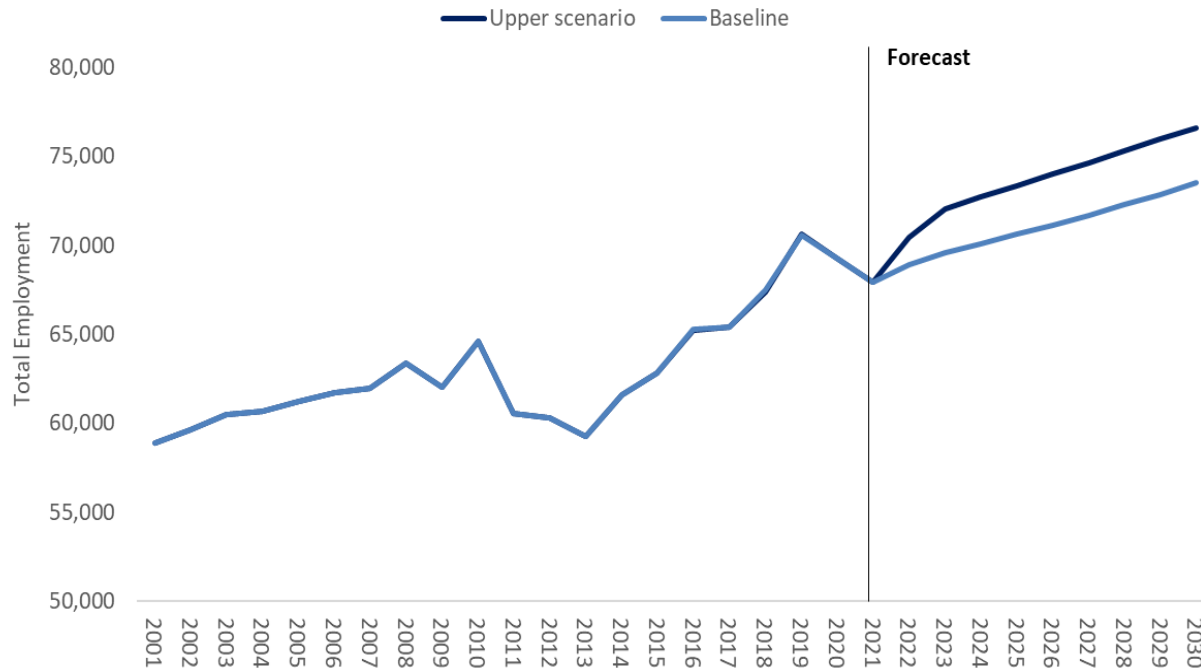


- The sectors most heavily reliant on the furlough scheme in May 21 remained the same as those in September 21 albeit at a much lower rate.
- Arts & Entertainment however had a higher rate in May 21 but had “bounced back” to a lower rate by September, largely owing to the easing of Covid-19 restriction.
- The biggest difference came in Accommodation & Food indicating a healthy recovery within the hospitality sector.

Derry City & Strabane:

Total Workplace Employment

Total workplace based employment, Derry City & Strabane, 2001-30

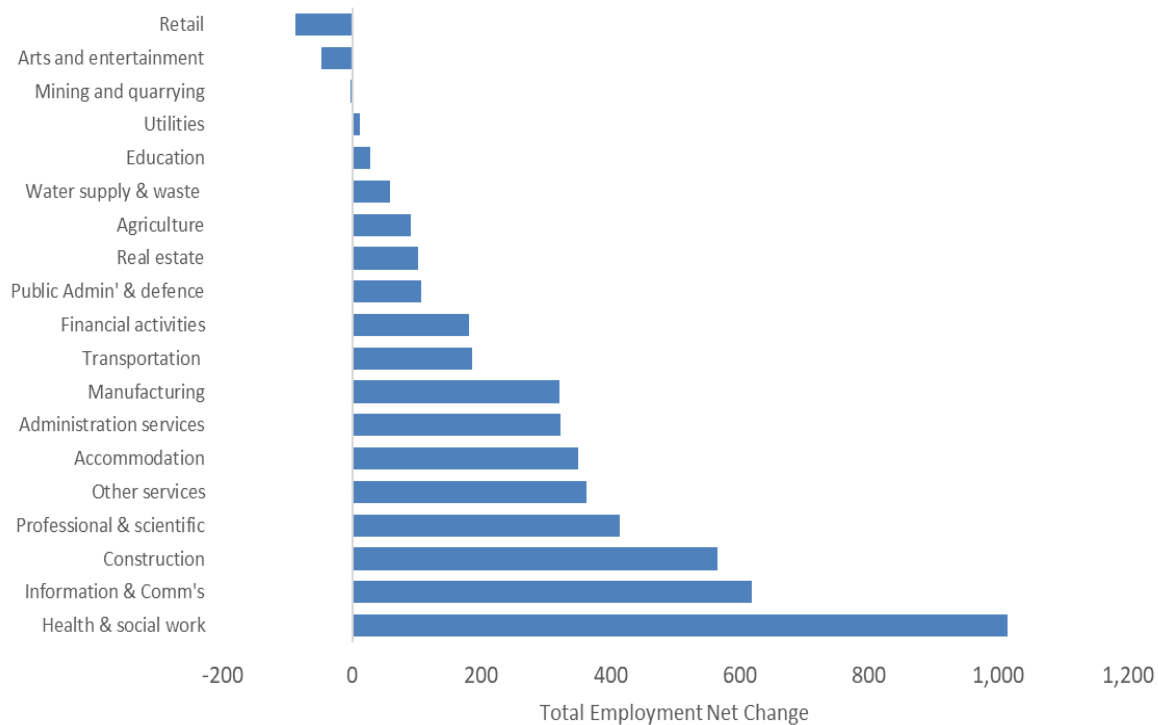


- Total employment under the baseline scenario is forecasted to increase to 73,500 by 2030, up from 68,900 in 2022 – a 6.7% increase
- Upper scenario forecasts total employment to be 76,600 by 2030

Derry City & Strabane:

Sectoral Employment Change

Change in employment, Derry City & Strabane, 2022-2030



- Derry City & Strabane is forecasted to gain around an additional 4,600 jobs by 2030
- The main driver of this increase is growth within the health and ICT sectors.
- Retail on the other hand is set to lose approximately 100 jobs with other minor decreases in arts & entertainment and mining.

Derry City & Strabane:

Changing sectoral trends

Total workplace based employment (Net Change), Derry City & Strabane, 2012-30

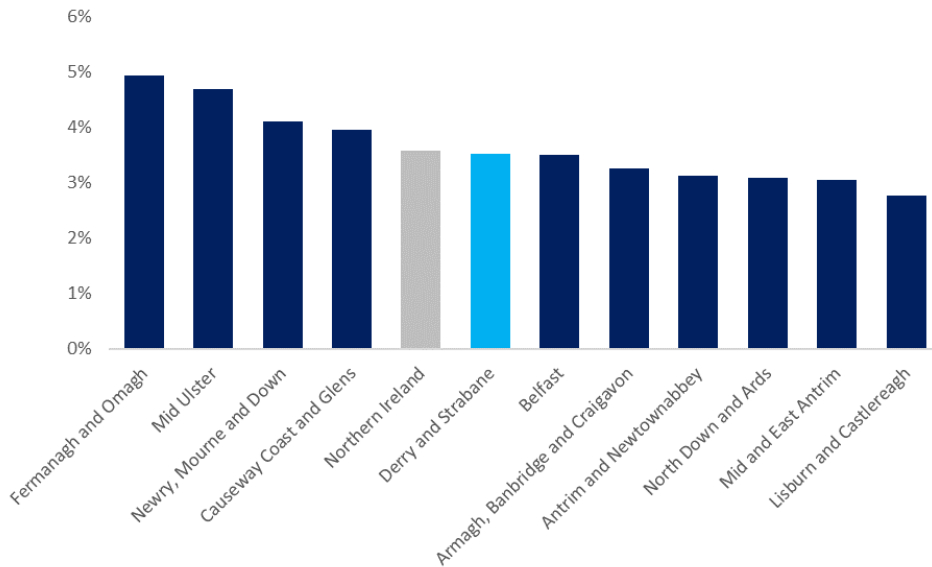
	Net Change		
	2012-19	2020-21	2022-30
Agriculture	-300	-400	100
Mining and quarrying	0	0	0
Manufacturing	2,000	0	300
Utilities	200	0	0
Water supply & waste	0	0	100
Construction	800	-500	600
Retail	-100	-600	-100
Transportation	200	0	200
Accommodation	600	-100	300
Information & Comm's	500	300	600
Financial activities	100	-100	200
Real estate	400	-100	100
Professional & scientific	100	100	400
Administration services	1,100	100	300
Public Admin' & defence	-700	100	100
Education	500	200	0
Health & social work	3,200	-200	1,000
Arts and entertainment	700	100	0
Other services	900	-200	400
Total	10,300	-1,300	4,600

- Health and manufacturing have been the main drivers over 2012-19 period with 5,200 jobs created – this strong job growth represents over half of total job growth within the council area.
- Health, Construction and ICT are set to drive jobs over the next decade with 2,200 jobs being created alone between these three key sectors.
- Sectoral revisions have been made and the retail sector is still expected to decline but to a lesser extent than previously thought by 2030. Retail also suffered as a result of Covid-19.

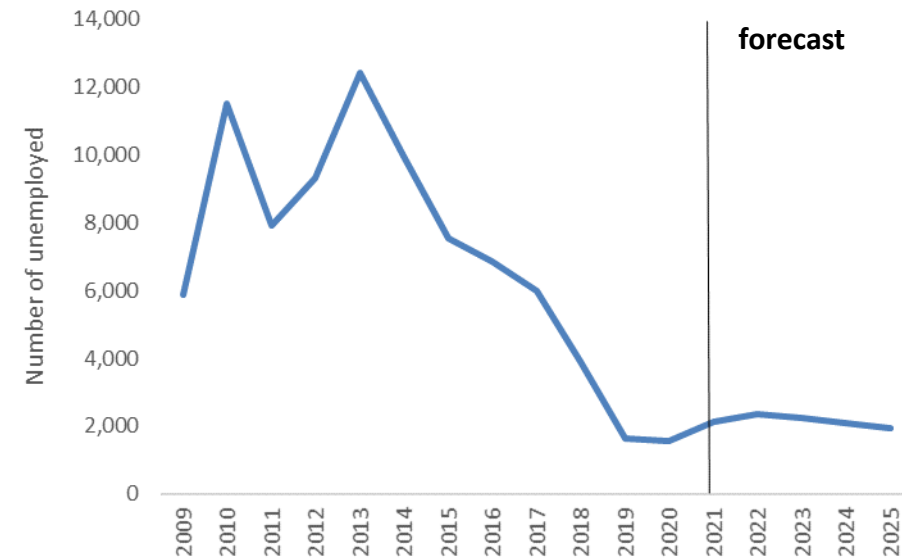
Derry City & Strabane:

Unemployment Rate

Resident unemployment rate (%), NI LGD's, 2021



Resident unemployment rate (%), Derry City & Strabane, 2009 - 2025



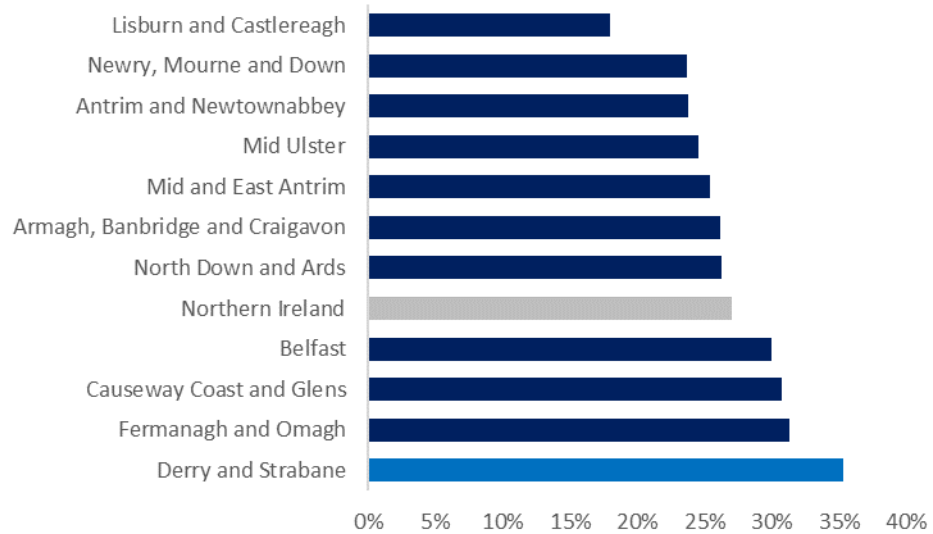
- The resident unemployment rate in 2021 for Derry City & Strabane is 3.5% which translates to approximately 2,100 unemployed individuals.
- Unemployment within the council area has declined at a rapid rate between 2016-2020 before a slight upswing in 2021 which is expected to last into 2022 before decreasing towards by 1,900 individuals by 2025.

Source: UUEPC Local Model Forecast Spring 2022

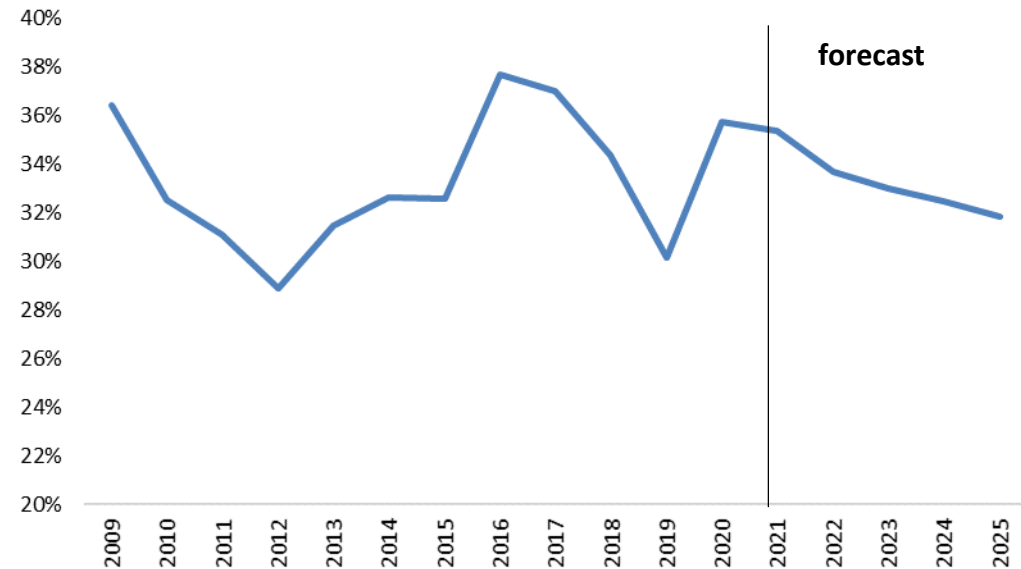
Derry City & Strabane:

Economic inactivity

Economic inactivity rate (%), NI LGD's, 2021



Economic inactivity rate (%), Derry City & Strabane, 2009-2025

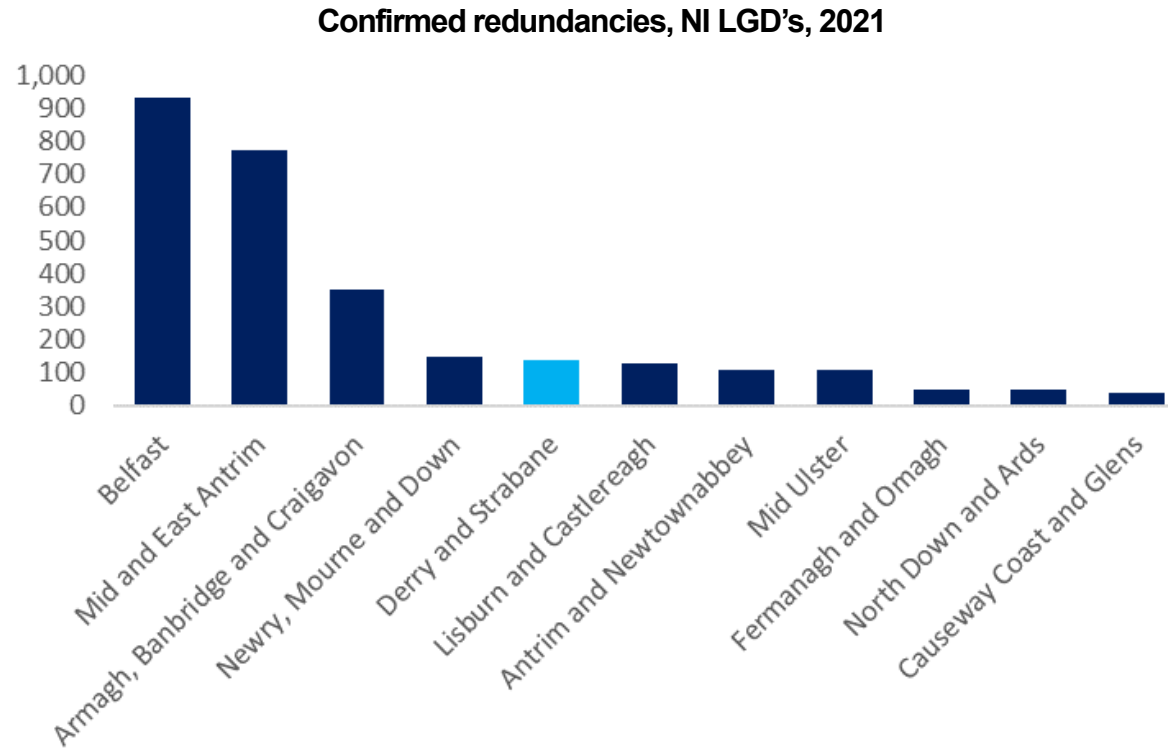


- Between 2016-2019 the rate of economic inactivity has been consistently declining before an upswing at the beginning of the pandemic in 2020. In 2021 the rate in Derry City & Strabane (35.3%) sits well above the NI average (27.1%)
- Economic inactivity is forecasted to continue to gradually fall to 31.8% by 2025 in Derry City & Strabane.

Source: UUEPC Local Model Forecast Spring 2022

Derry City & Strabane:

Redundancies

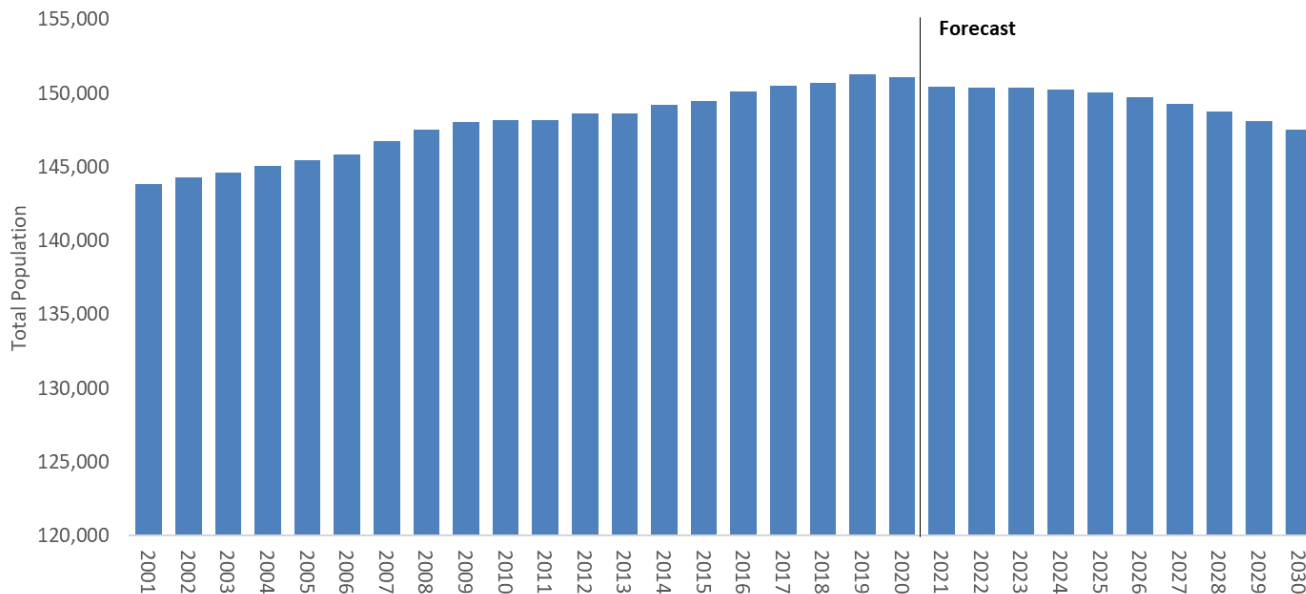


- Derry City and Strabane has an average number of redundancies relative to the rest of NI. The council area also offers a lower proportion of redundancies (5%) compared to the employment opportunities that the council offers (8% of NI total).

Derry City & Strabane

Total Resident Population

Total resident population, Derry City & Strabane, 2001-30

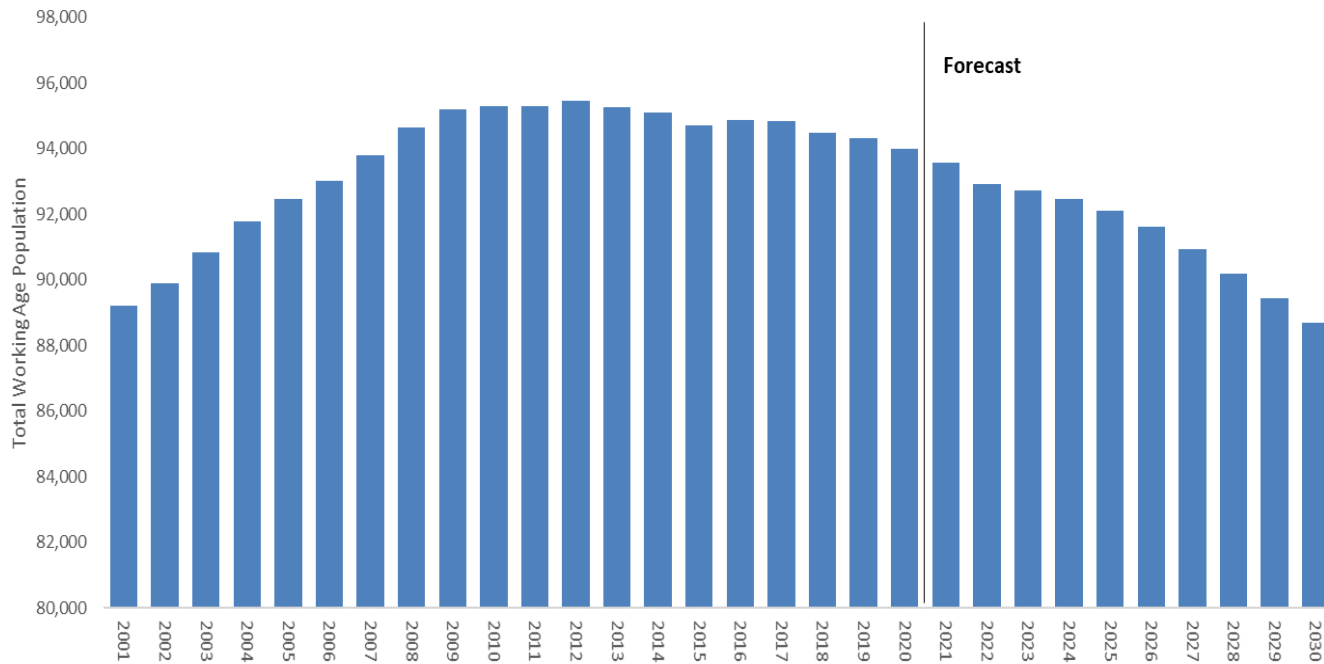


- Total population is forecast to decrease from 150,500 (2021) to 147,500 (2030)
- This increase is likely to have impact on a variety of policies such as;
 - Housing demand
 - Demand for services (especially health)
 - Rates
- Census 2021 will provide a more accurate picture of population trends in the coming months and more information on the changes by age-band.

Derry City & Strabane:

Resident Working Age Population

Resident working age population, Derry City & Strabane, 2001-30



- Working age population is forecast to **decrease** from 93,500 (2021) to 88,700 (2030)
- Note the decline in the working age population in recent years which appears to be further exacerbated over the next decade. With increasingly tight labour markets already the reduction in the working age population may pose a significant challenge over the next decade.

Concluding Points

Section

5

Strengths & Challenges: Derry & Strabane



Self-employment in utilities & ICT both account for 13% of NI total within these sectors



2021 mean wage rose to £24k



Resident employment rate dropped to 63% (2020), 68% in 2019



Sustainability



Unemployment risen to 3.5% in 2021, from 2.6% in 2020



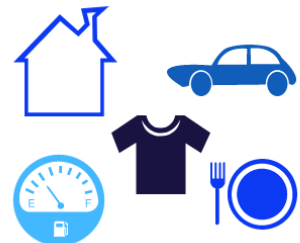
Reduction in migrant labour



Health & social work is the largest sector



Real estate employment accounts for 11% of the NI total



Supporting residents with the cost of living



Labour force population starting to grow, declined 2019-20



Access to talent

Key considerations for Derry City & Strabane

- Providing a lead in a time of 'known unknowns' – cost of living pressures and the NI Protocol – while continuing work on the longer-term goals around the Strategic Growth Plan and City Deal
- Continued awareness of risks attached with COVID, in particular scarring effects on employment in the most-impacted sectors
- Innovation, innovation, innovation ... will be the key word in policies (10X strategy and Climate Action plans) and in the focus of City Deal
- Create priorities for the new Labour Market Partnerships around the employability challenges
- Identifying any opportunities in the changing new world of 'hybrid working'

Appendix and Glossary

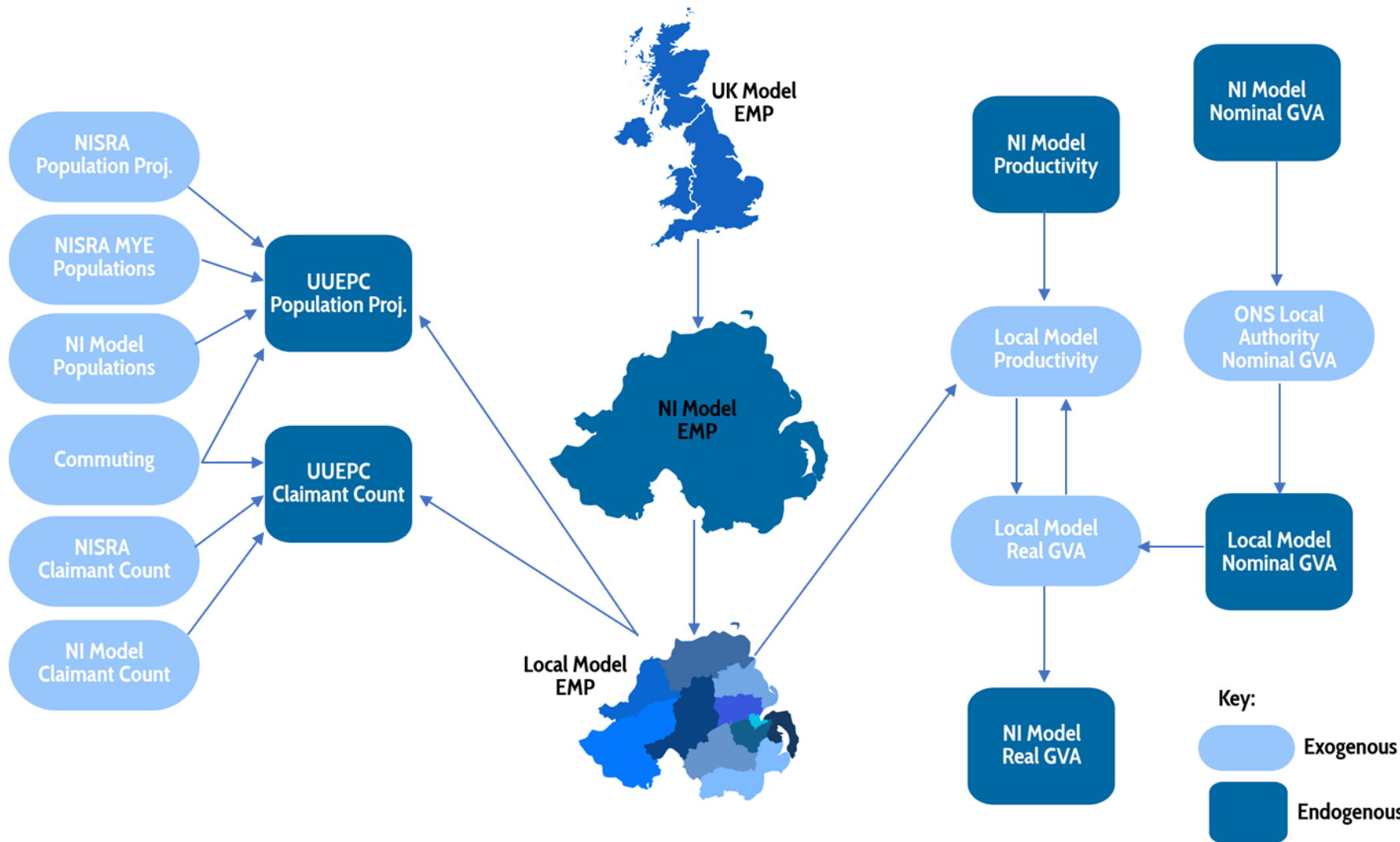
Section 6

Use of Forecasts

- Forecasts are useful to help councils guide any future potential policy direction / decisions, in areas such as;
 - Planning;
 - Economic development; and
 - Public facilities management.
- But, forecasts are conditional on a range of underlying factors, in particular;
 - Historical / Past trends;
 - The policy environment; and
 - The current economic environment (Locally, Nationally & Globally).
- These underlying factors are major determinants of future performance as they reflect the relative competitiveness of an area / sector in the present and into the future
- The UUEPC's local forecasts presented in this slide deck are calculated using a top-down approach – i.e. UK forecasts allocated to the UK Regions (i.e. NI) & these NI forecasts are then allocated to each of the 11 council areas
- **The forecasts presented do not consider local initiatives or strategies that have yet to be approved (i.e. current policy framework remains unchanged)**

Forecasts and their construction

UUEPC Suite of Economic Forecast Models



Source: UUEPC Local Model Forecast Spring 2022

Glossary of Key Terms

- Workplace based Employment
 - The number of people employed by location of work
- Resident based Employment
 - The number of people employed by location of residency
- Real GVA
 - The measure of the value of goods and services produced in an area, industry or sector of an economy. Real value is the nominal value adjusted for inflation and is obtained by removing the effect if price level changes from the nominal value of time-series data
- Productivity
 - Measures how efficiently production inputs are being used in an economy to produce a given level of output. Productivity within the UUEPC Model is derived from total GVA divided by the number of people employed
- Economic Inactivity Rate (%)
 - The rate of those within the working age population who are not in employment, nor actively seeking employment from one year to the next.

Glossary of Key Terms

- CAGR (%)
 - The compound annual growth rate (CAGR) is the mean annual growth rate of an over a specified period of time longer than one year.
- Labour Force
 - Those people who are at the working age (16-64), and are able and willing to work.
- Working Age Population
 - Those aged between 16 and 64
- ILO Unemployment Rate (%)
 - The rate of those who are: out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight changes from one year to the next



Thank You

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