

# Winners & Losers in the 2014 Budget: Economic Briefing

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Presentation to NI Assembly & Business Trust

8<sup>th</sup> April 2014

# Mr Osborne's 2014 Budget

Is the recovery for real?

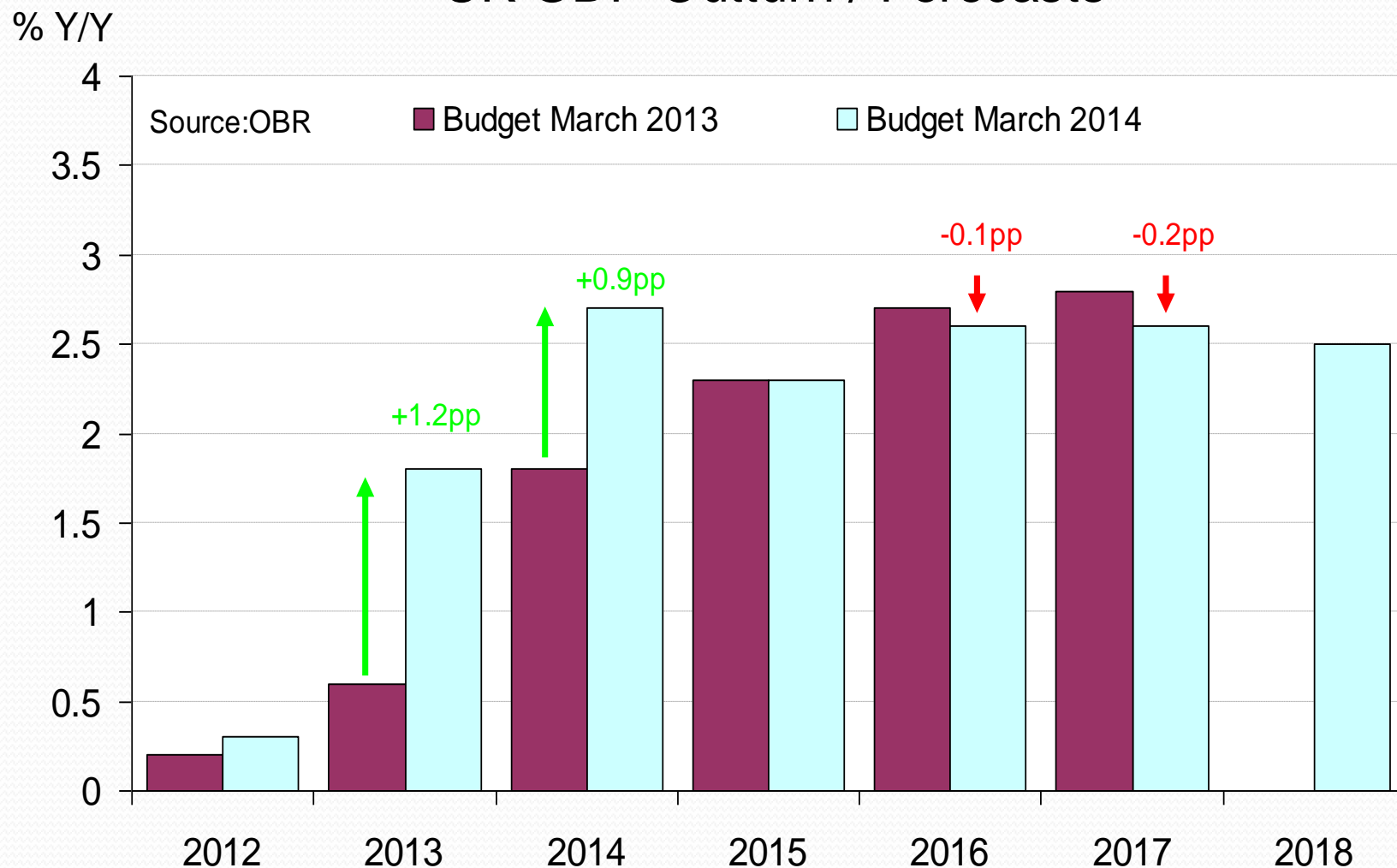


Mr Deputy Speaker, I can report today  
that the economy is continuing to recover  
– and recovering faster than forecast

(2014 Budget Speech)

‘the largest upward revision to growth between budgets for at least 30 years’

## UK GDP Outturn / Forecasts



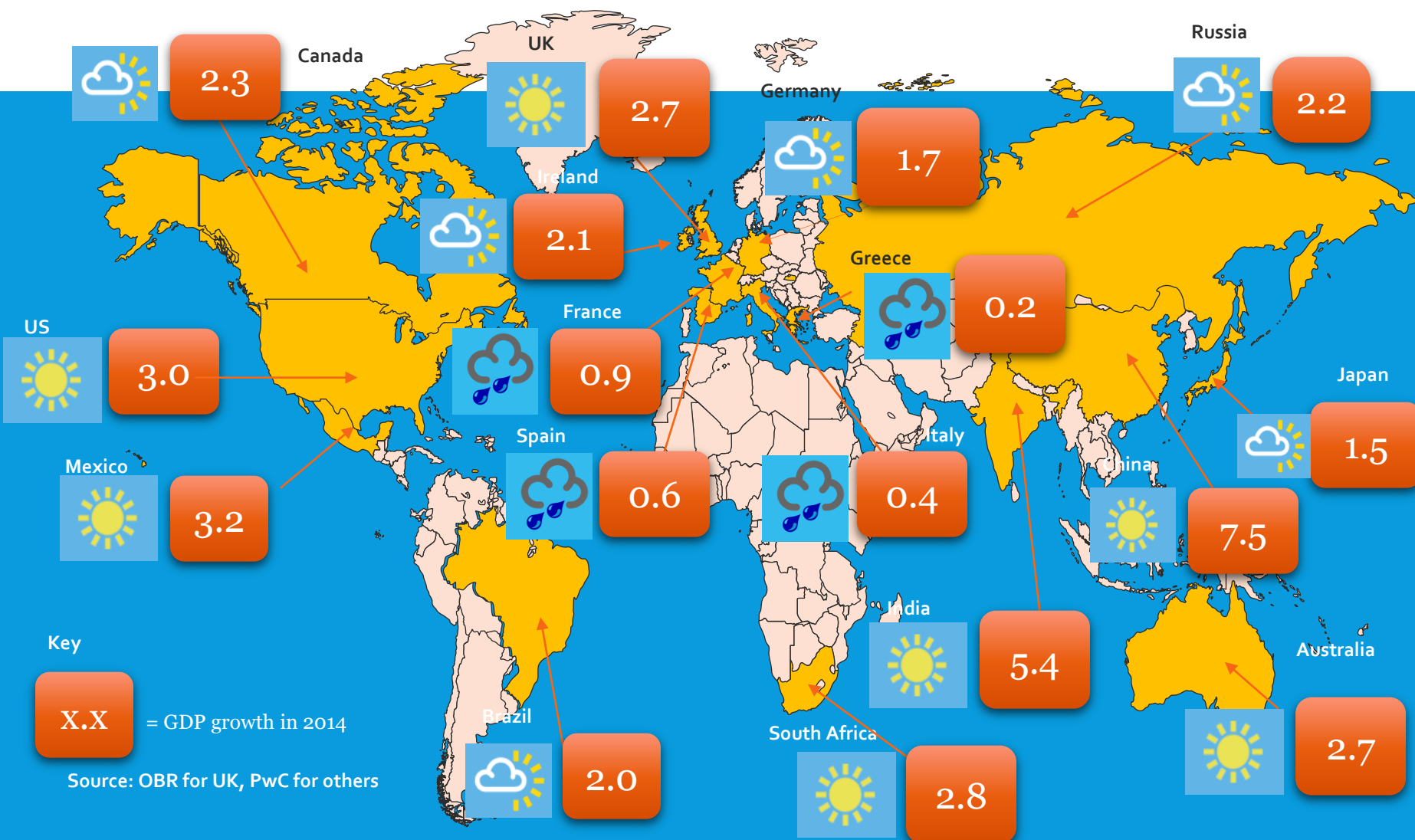
(Chart courtesy of Ulster Bank)

The hills are alive with the sound of recovery!





# GLOBAL ECONOMIC WEATHER FORECAST – OUTLOOK FOR 2014 IS PARTLY SUNNY WITH A CHANCE OF RAIN..



Key

X.X = GDP growth in 2014

Source: OBR for UK, PwC for others

PwC (Chart courtesy of PwC)

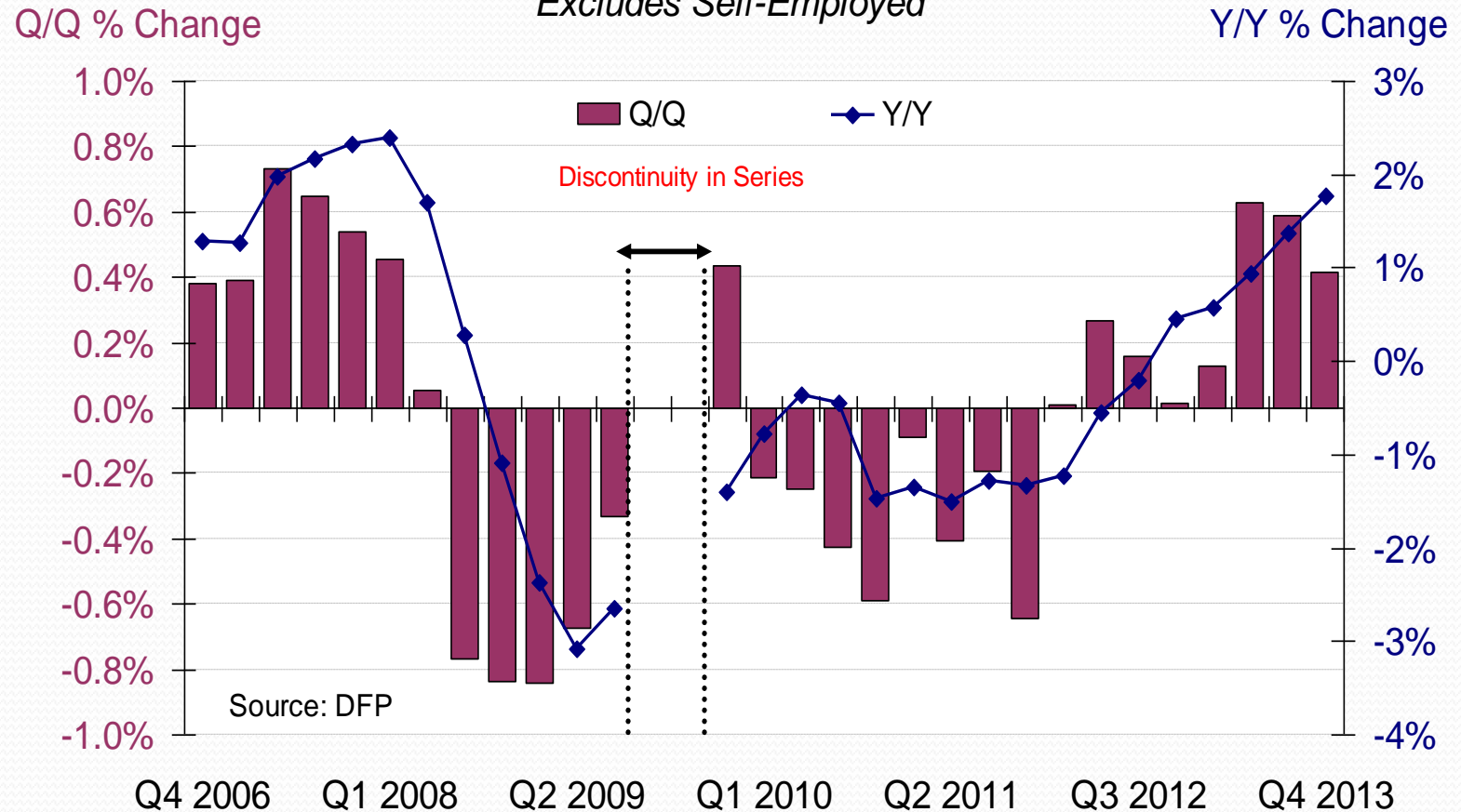
## NI Recovery Checklist

- New Car Sales Up ☒
- Unemployment falling ☒
- Business activity up ☒
- Mortgage activity up ☒
- Employment up ☒

# Employment grew by 12,000 in 2013

## NI Employee Jobs

*Excludes Self-Employed*



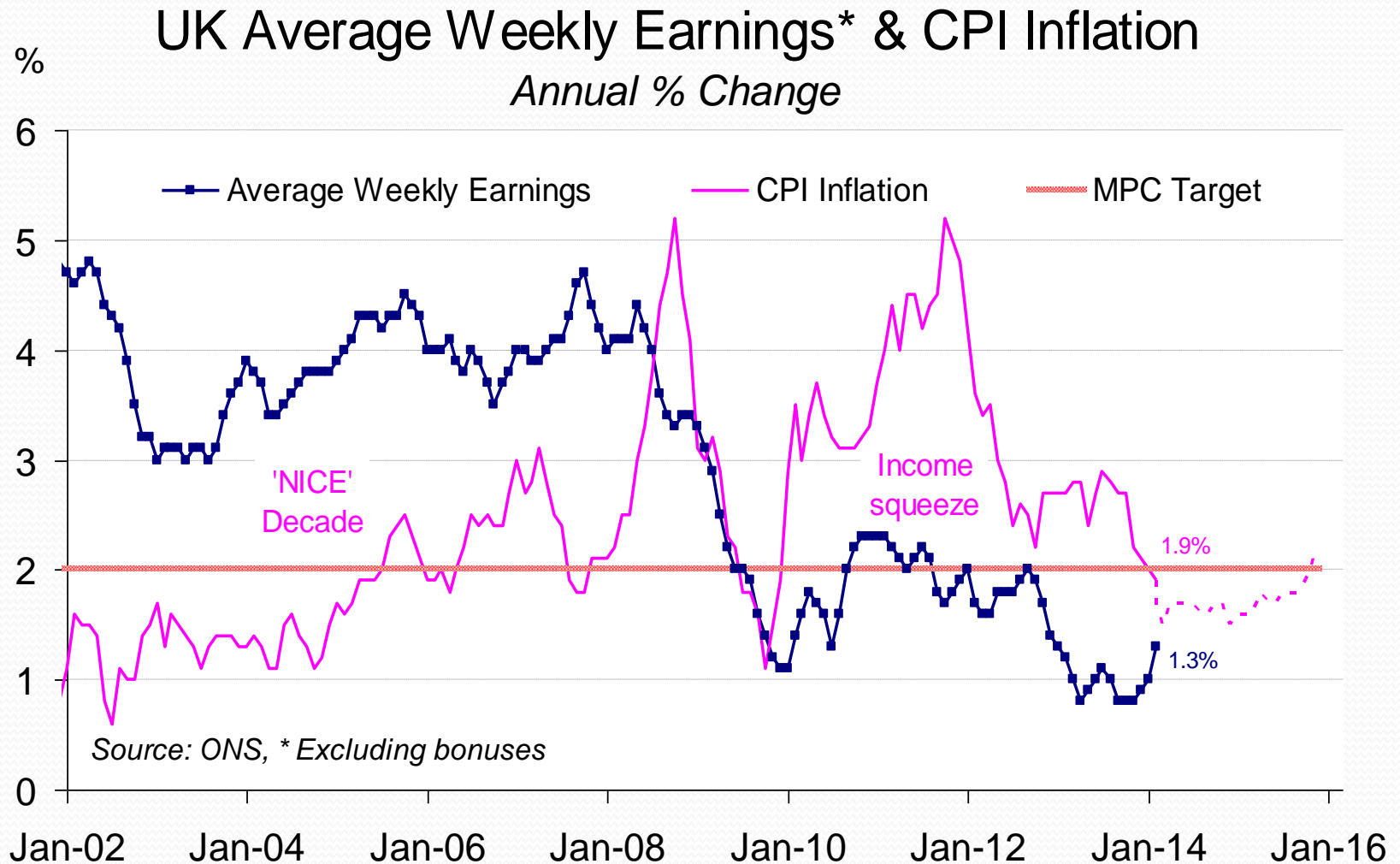
(Chart courtesy of Ulster Bank)



## Recovery Checklist

- Insolvencies rising ☒
- Retail vacancies ☒
- Disposable income ☒
- Construction jobs ☒
- Housing starts ☒
- Migration ☒

# Incomes still rising slower than inflation



(Chart courtesy of Ulster Bank)

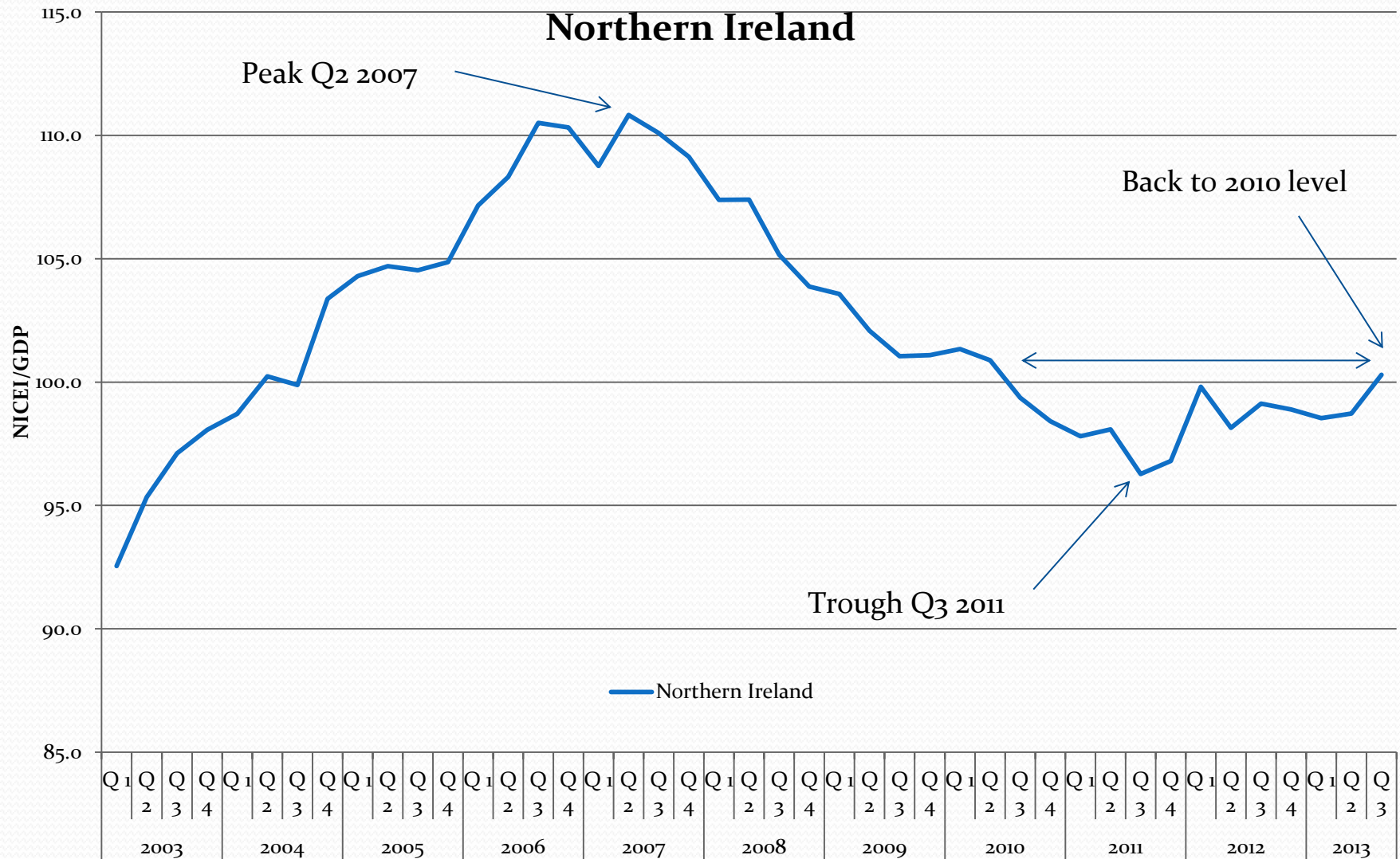
# A short history of the recession

How bad was it?

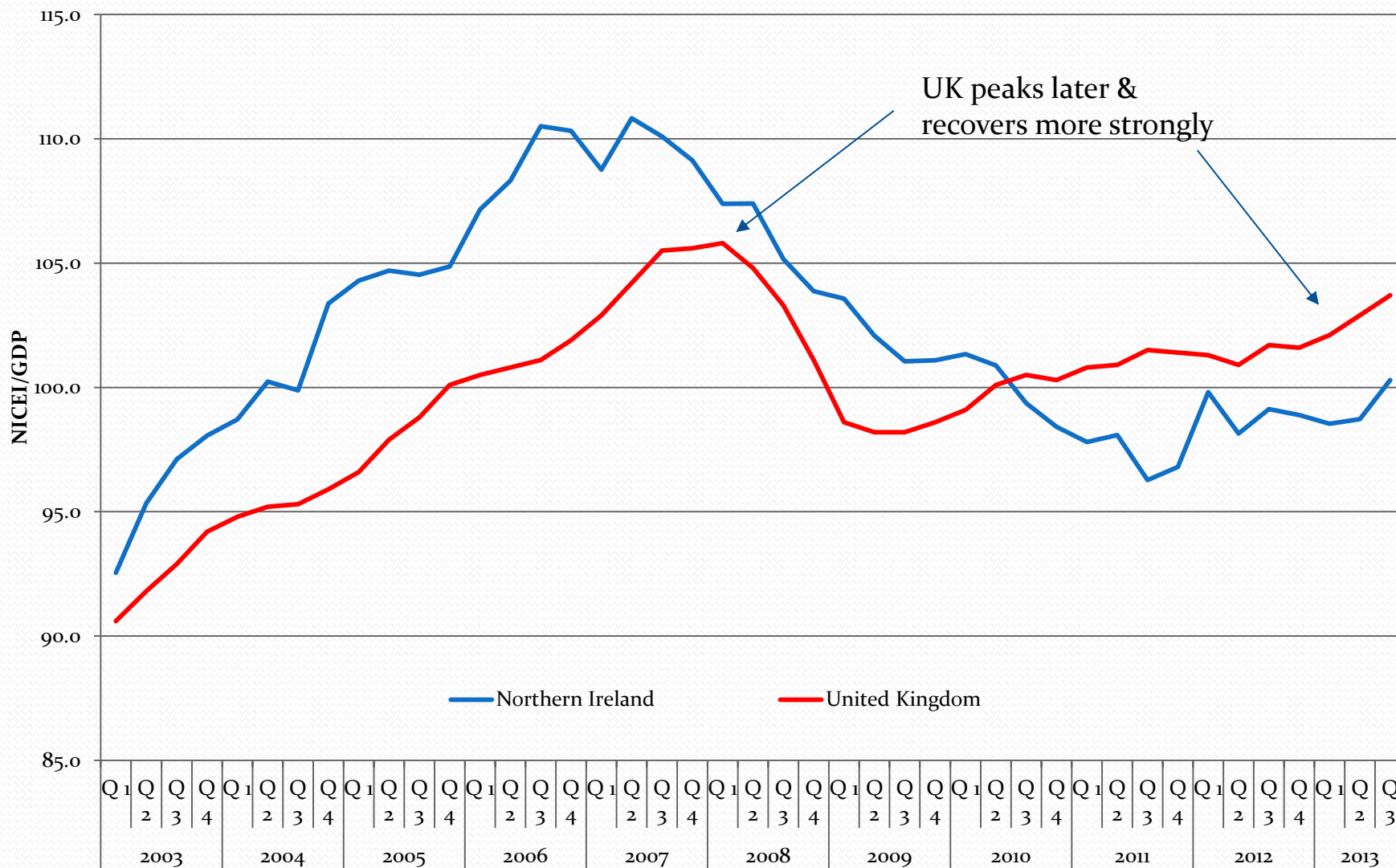
Are we out of the woods or have we just reached a clearing?

What has changed since 2007?

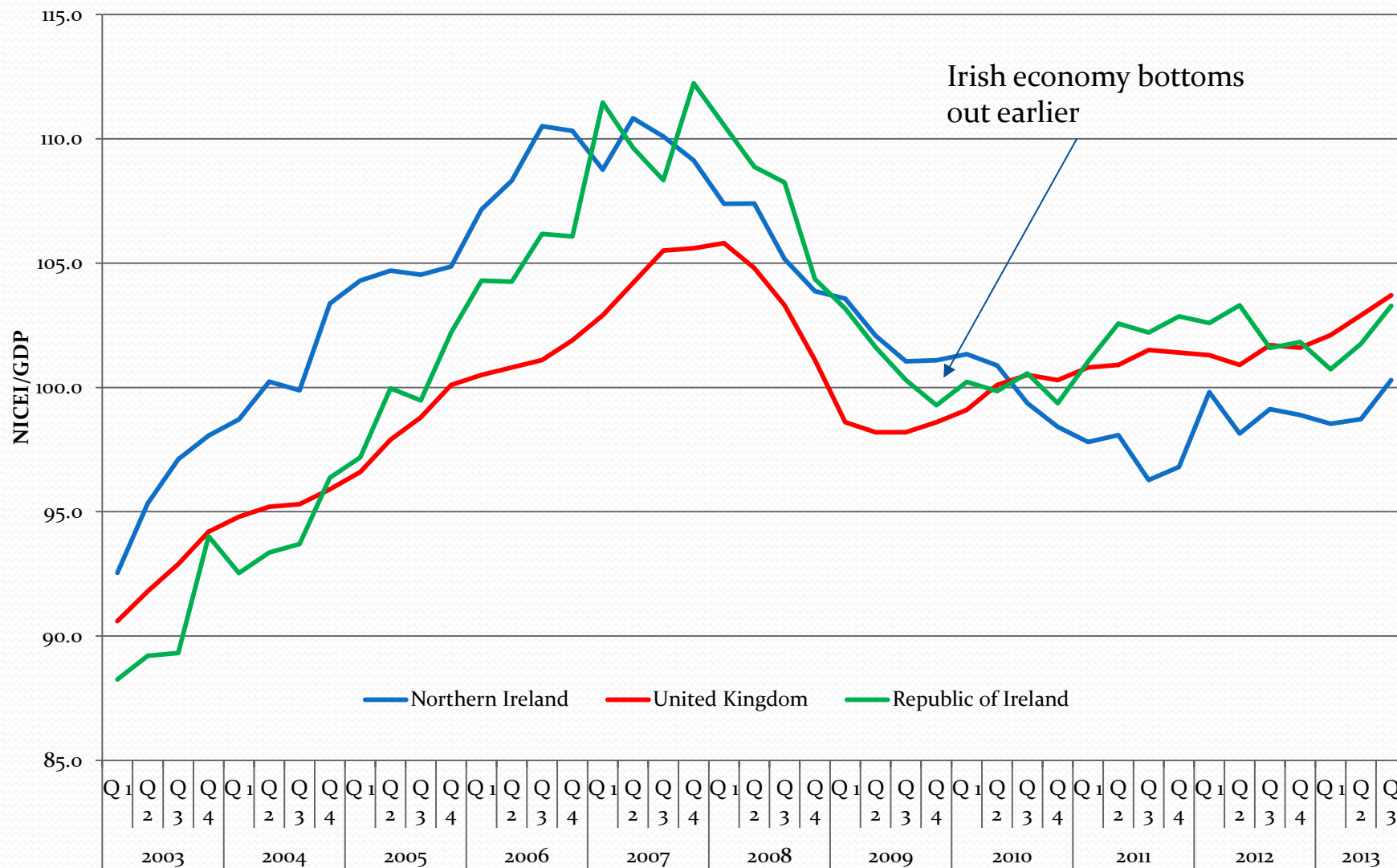
# The history of the recession



# The history of the recession: UK

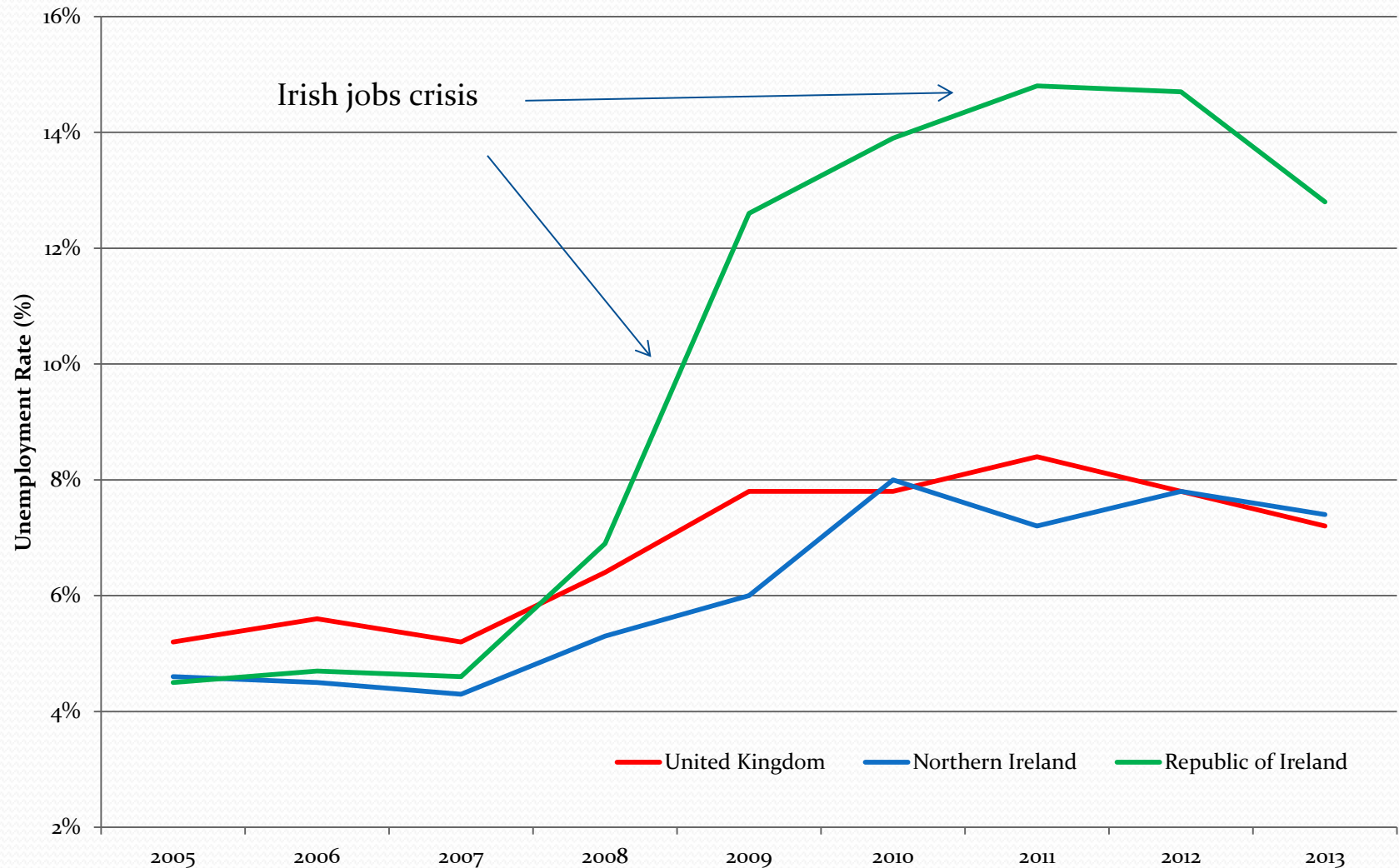


# The history of the recession: Rol





# What about unemployment?



# So what has changed since 2007?

- We are 7 years older and wiser.....or are we?!
- Businesses slower to invest - banks cautious
- Consumers more cautious.....or are they?
- Average house prices now 54% below their 2007 peak
- Full time permanent jobs harder to find
- More part time employment and self employment
- Net outward migration rising
- Government committed to financial austerity

# Where will the growth come from?

$$Y = C + I + G + (X - M)$$

C Consumer spending	Rising
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I Business investment	Flat
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G Government spending	Falling
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X-M Exports – Imports	??
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# Local economic forecasts

	2013 (NICIE est)	2014	2015
Ernst & Young	+0.6%	+2.0%	+2.0%
PwC	+0.6%	+1.9%	
NICEP	+0.6%	+2.8%	+2.9%

# Budget 2014: Winners & Losers

‘A budget for makers, do-ers and savers’

## Budget Winners

- CT 20% next year
- Inv allowances
- R&D tax credits
- EZ for Coleraine
- Savers





## Budget Loser

- Public spending



# Public spending austerity

How bad will it really be?

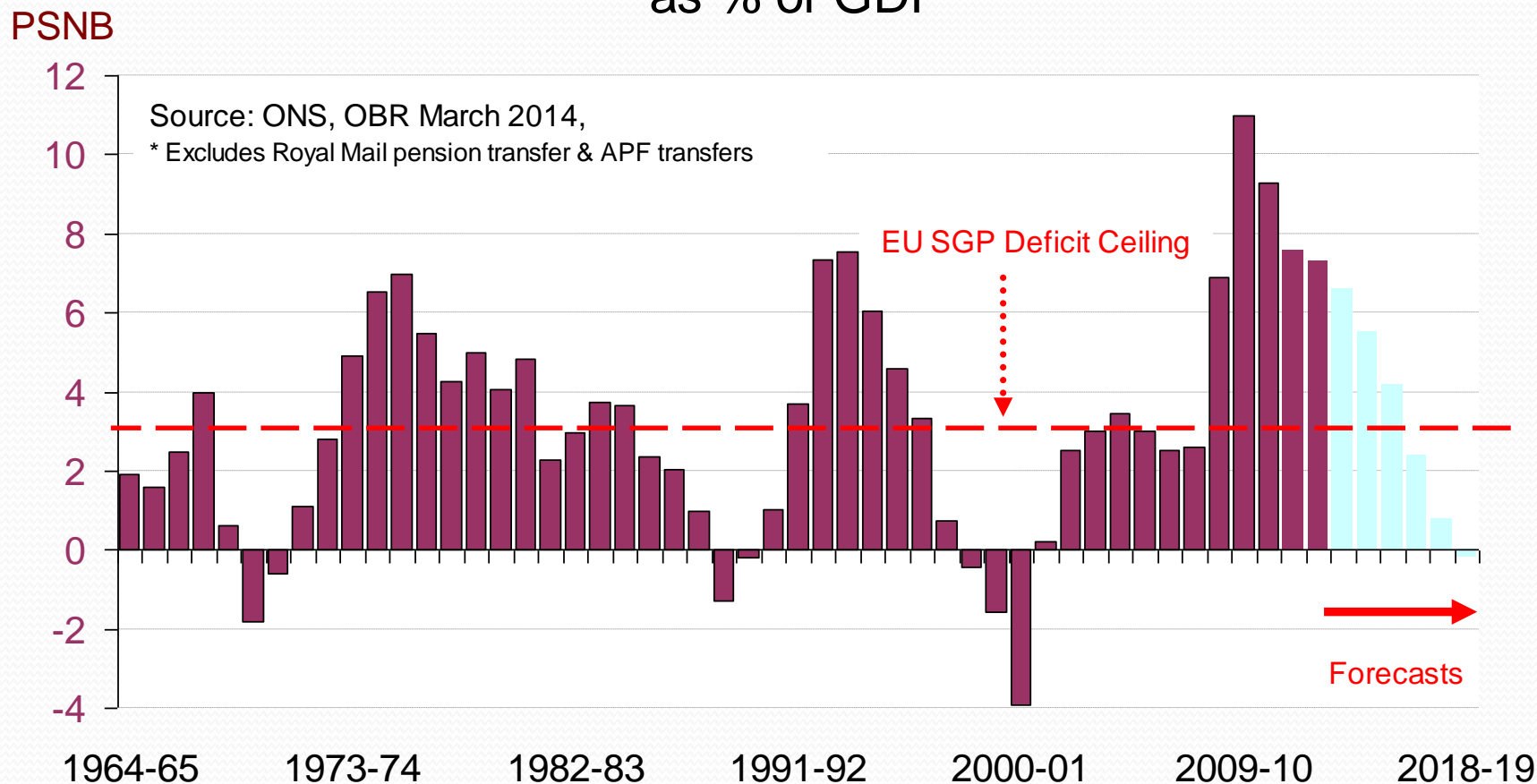
‘As a result of the painful cuts we have made, the deficit is down by a third. That’s the good news. The bad news is: there’s still a long way to go. We’ve got to make more cuts’

(Chancellor of the Exchequer, January 2014)



# By 2018/19 there will be no deficit

## Public Sector Net Borrowing (the 'underlying' deficit\*) as % of GDP

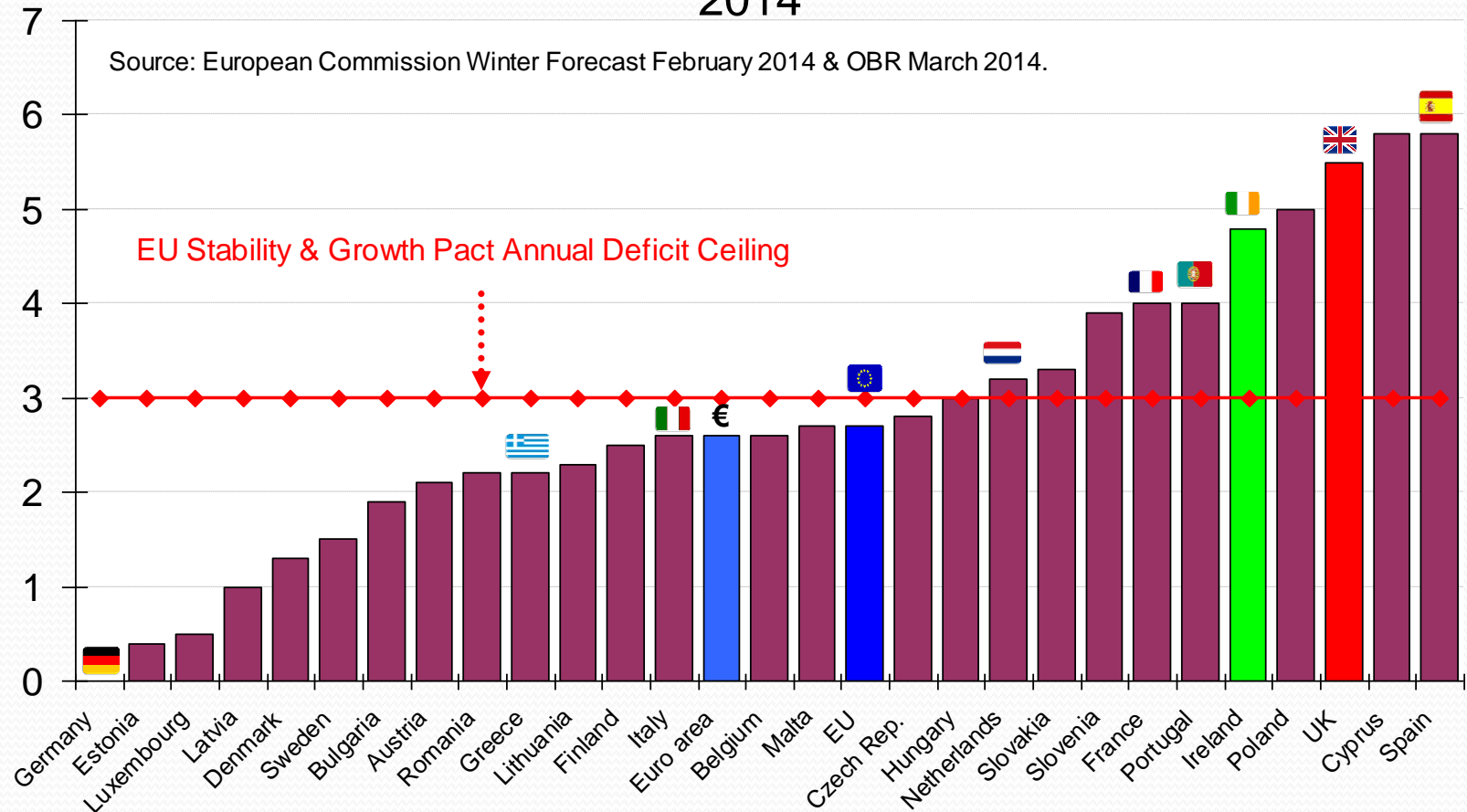


# Still one of highest deficits in the world

## Government Net Borrowing as a % of GDP 2014

% of GDP

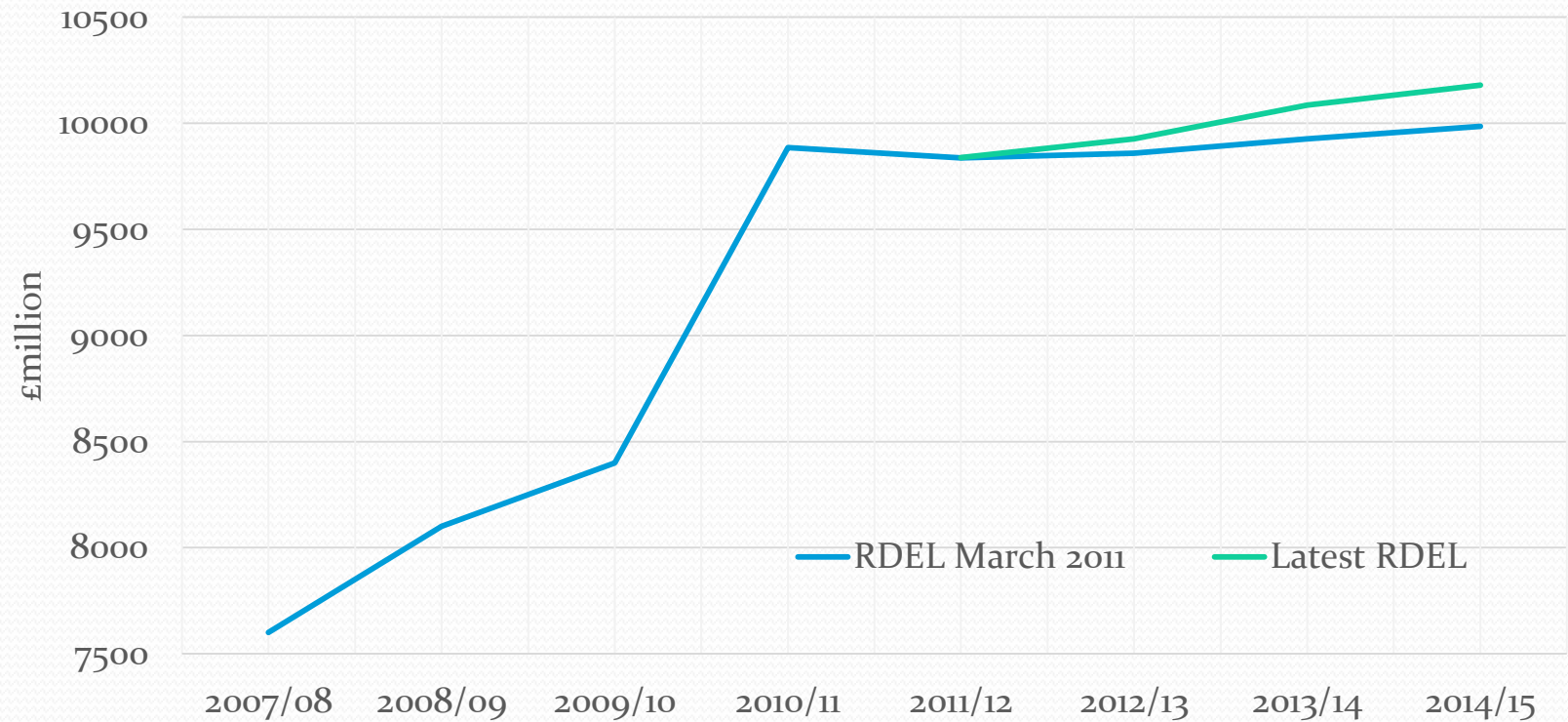
Source: European Commission Winter Forecast February 2014 & OBR March 2014.



(Chart courtesy of Ulster Bank)

# The cuts haven't really hit us yet

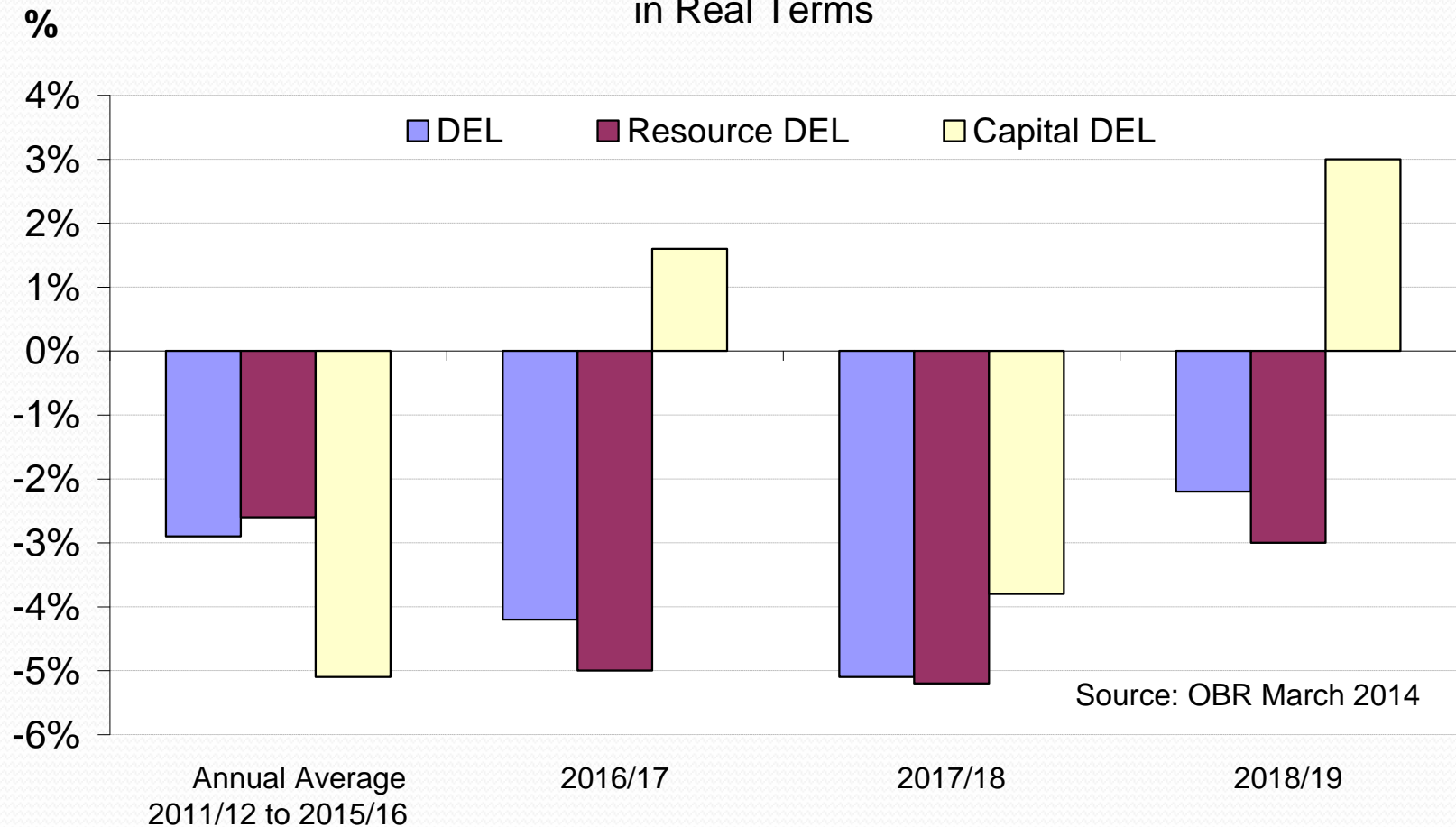
## NI Resource DEL





# ...but look what's ahead

## Change in Departmental DEL Spending in Real Terms



(Chart courtesy of Ulster Bank)



**What are the challenges?**

# The challenges for government and business

- Managing public sector reform – *‘its not the size of the public sector that matters its making it more modern and efficient’*
- Productivity – the forgotten word?
- Exporting more or becoming more competitive?
- How do we fund a more ambitious apprenticeship programme?
- Can we fund public sector infrastructure with alternative finance?
- Fiscal powers?

# Thank you!

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