

Tuesday 5 October 2021 / 12.30pm - 1.30pm

ADVANTAGE

Danske Bank

# Q3 Economic and Markets Update



Hosted by

**Robert McCullough**

Head of Organisational  
Development



# The Outlook for the Northern Ireland Economy

Conor Lambe is the Chief Economist at Danske Bank, acting as the Bank's spokesperson and a trusted subject matter expert on all UK and Northern Ireland economic and related matters.

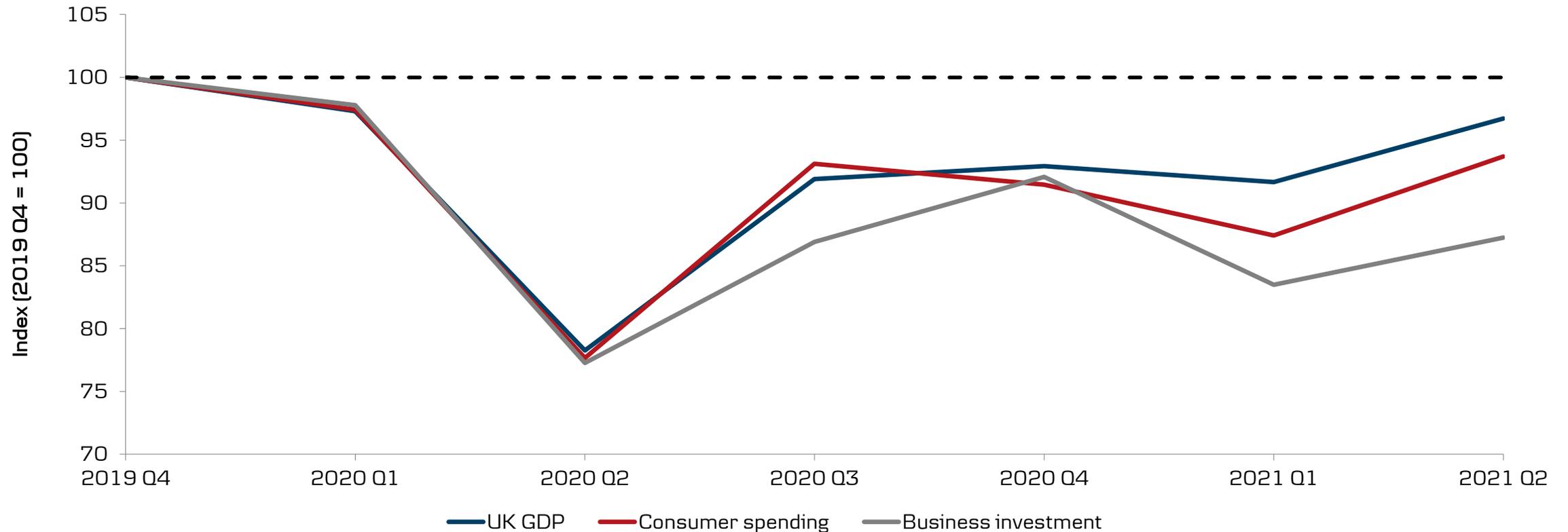
Conor is responsible for Danske Bank's Quarterly Sectoral Forecasts and Consumer Confidence Index

**Conor Lambe, Danske Bank Chief Economist**  
*Danske Advantage webinar - 5 October 2021*

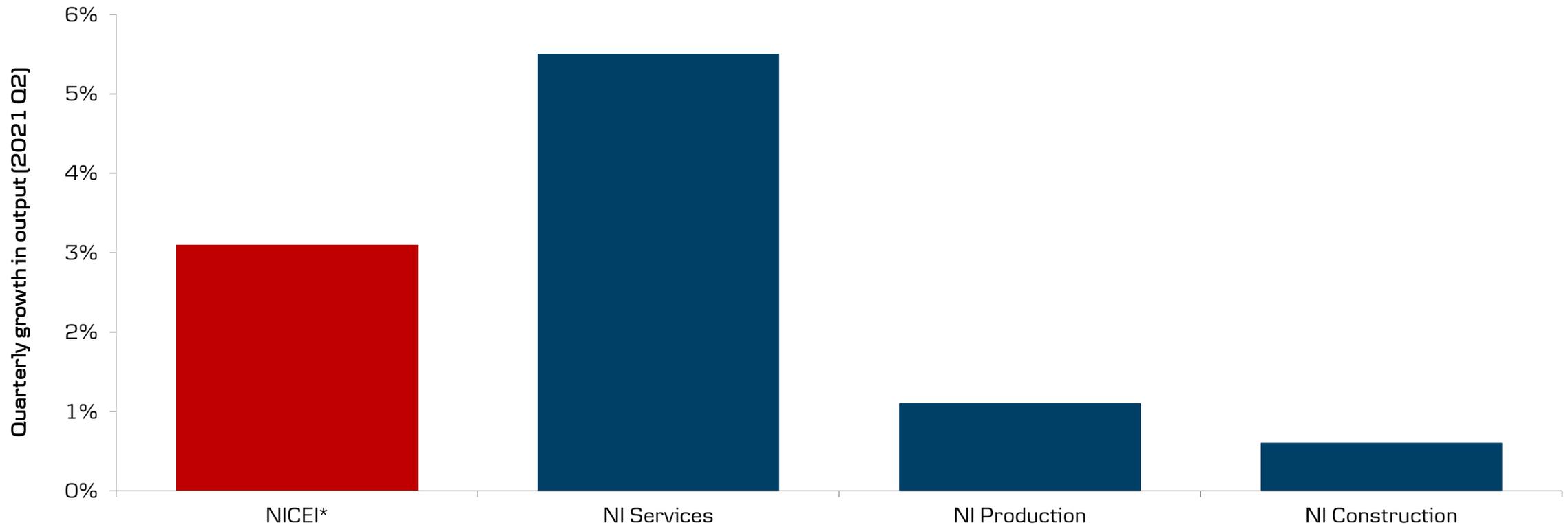
 @ConorLambe



# The UK economy expanded by 5.5% in 2021 Q2, with consumer spending and business investment both rising



## The Northern Ireland economy also experienced relatively strong growth in the second quarter of 2021



Sources: Danske Bank analysis, NISRA

\*Northern Ireland Composite Economic Index - a quarterly measure of how the NI economy is performing

## There are a number of key factors which we expect to impact the performance of the economy in 2021 and 2022



*Most coronavirus restrictions have now been lifted*



*Developments in the economic policy environment*



*Supply chain disruption contributing to higher inflation*

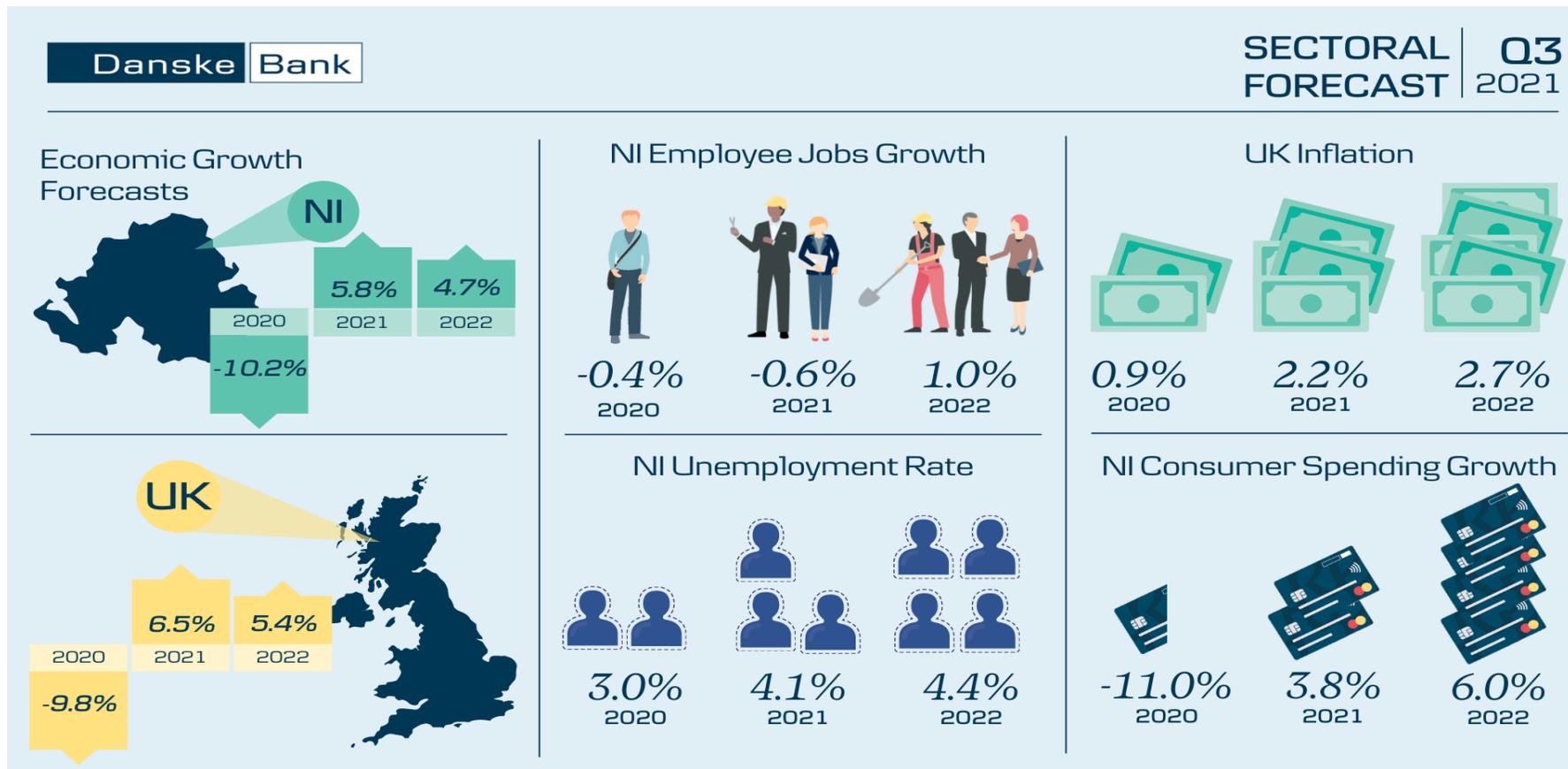


*Some cautious behaviours expected to continue*



*Extra trade frictions due to Brexit*

# We are forecasting that the Northern Ireland economy will grow by around 5.8% in 2021 and 4.7% in 2022



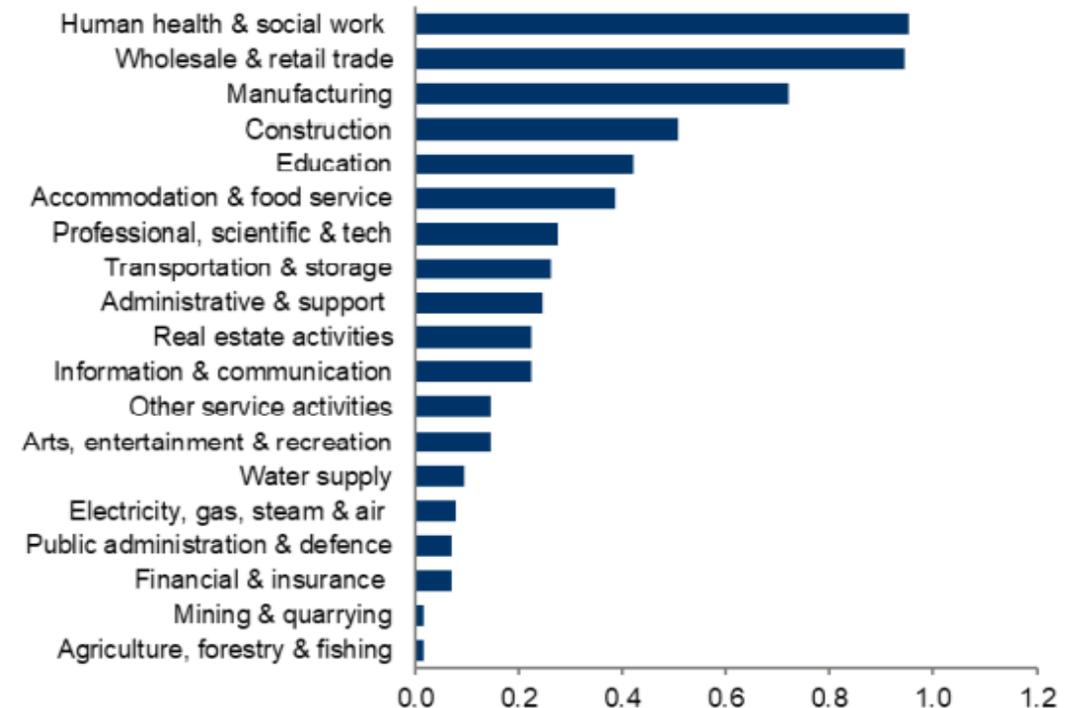
Source: Danske Bank Northern Ireland Quarterly Sectoral Forecasts 2021 Q3

## As the industries hardest hit by the pandemic in 2020, consumer-focused sectors are expected to grow strongly this year and next

GVA (%)	2021	2022
Accommodation & food service	18.7	20.9
Arts, entertainment & recreation	14.6	14.7
Human health & social work	8.6	3.9
Other service activities	8.2	10.1
Administrative & support	8.2	9.7
Education	8.1	7.9
Transportation & storage	7.2	9.1
Wholesale & retail trade	6.8	5.0
Construction	6.7	5.4
Professional, scientific & tech	6.2	5.1
Information & communication	6.1	5.8
Mining & quarrying	5.8	4.2
Water supply	5.6	3.0
Manufacturing	5.6	4.1
Electricity, gas, steam & air	5.2	1.9
Financial & insurance	2.0	1.0
Real estate activities	1.9	0.4
Agriculture, forestry & fishing	0.9	1.4
Public administration & defence	0.9	0.3
<b>Total</b>	<b>5.8</b>	<b>4.7</b>

Source: Oxford Economics, Danske Bank Analysis

Sector contributions to GVA growth in 2021



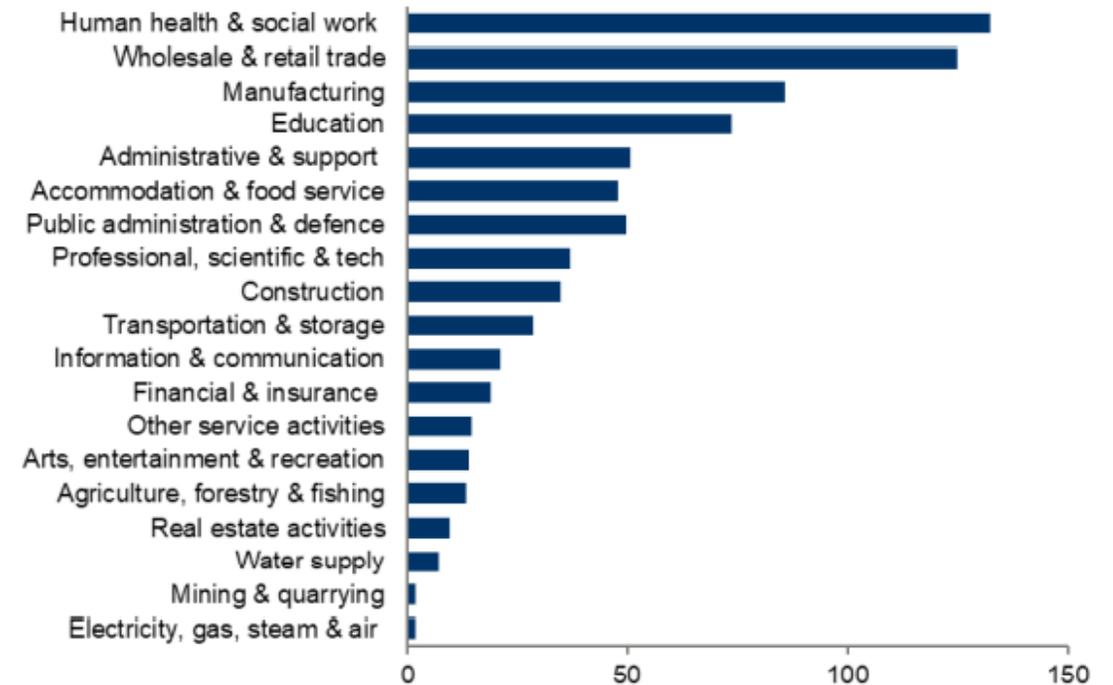
Source: Oxford Economics, Danske Bank Analysis % annual contribution to change in GVA

# We are projecting that the average number of employee jobs will fall by around 0.6% in 2021, then grow by 1.0% in 2022

Employee jobs (%)	2021	2022
Information & communication	1.9	1.0
Professional, scientific & tech	1.9	0.6
Education	1.1	0.2
Human health & social work	1.0	0.7
Mining & quarrying	0.9	0.1
Real estate activities	0.8	0.1
Public administration & defence	0.7	0.1
Agriculture, forestry & fishing	0.6	0.2
Electricity, gas, steam & air	0.6	0.1
Administrative & support	0.2	0.6
Manufacturing	-0.8	0.4
Transportation & storage	-1.5	1.8
Construction	-1.5	1.1
Water supply	-1.8	0.7
Financial & insurance	-2.1	1.5
Wholesale & retail trade	-2.4	1.7
Other service activities	-3.2	1.5
Accommodation & food service	-4.0	3.4
Arts, entertainment & recreation	-5.1	4.1
<b>Total</b>	<b>-0.6</b>	<b>1.0</b>

Source: Oxford Economics, Danske Bank Analysis

Employee jobs per sector in 2021



Source: Oxford Economics, Danske Bank Analysis

Employee jobs (000s)

## There are several risks and uncertainties which could impact the performance of the economy

*Coronavirus*

*Supply chain  
disruptions  
continue*

*Uncertainty  
surrounding  
post-Brexit  
trading  
arrangements*

# Thank you

**Conor Lambe**

Chief Economist at Danske Bank

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Introduction

# Interest Rate & FX Risk

John-Paul Coleman is Head of Treasury & Markets, managing the Bank's funding, liquidity, Foreign Exchange (FX) and interest rate risk and leading a team of specialists in hedging FX and interest rate risk. John-Paul is a Chartered Financial Analyst with over 20 years' experience in national and international banks working in Dublin, London and Belfast.

**John-Paul Coleman, Danske Bank**  
Head of Treasury & Markets



@PaulcolemanJohn





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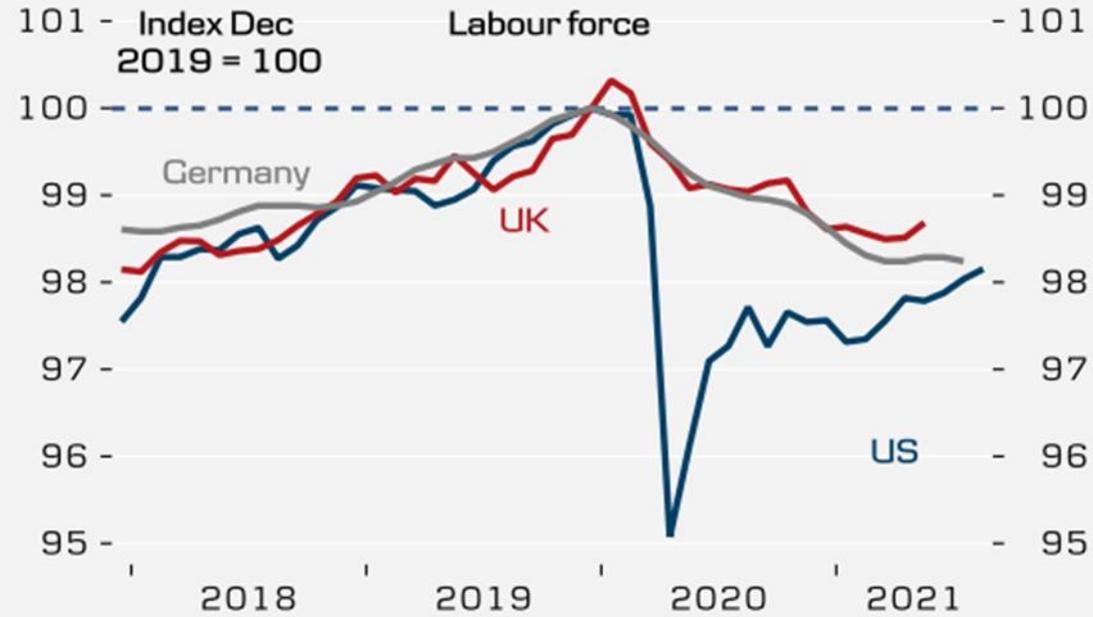
# Economic Growth continues but momentum slowing

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## Will people that left the labour force return? And how fast?

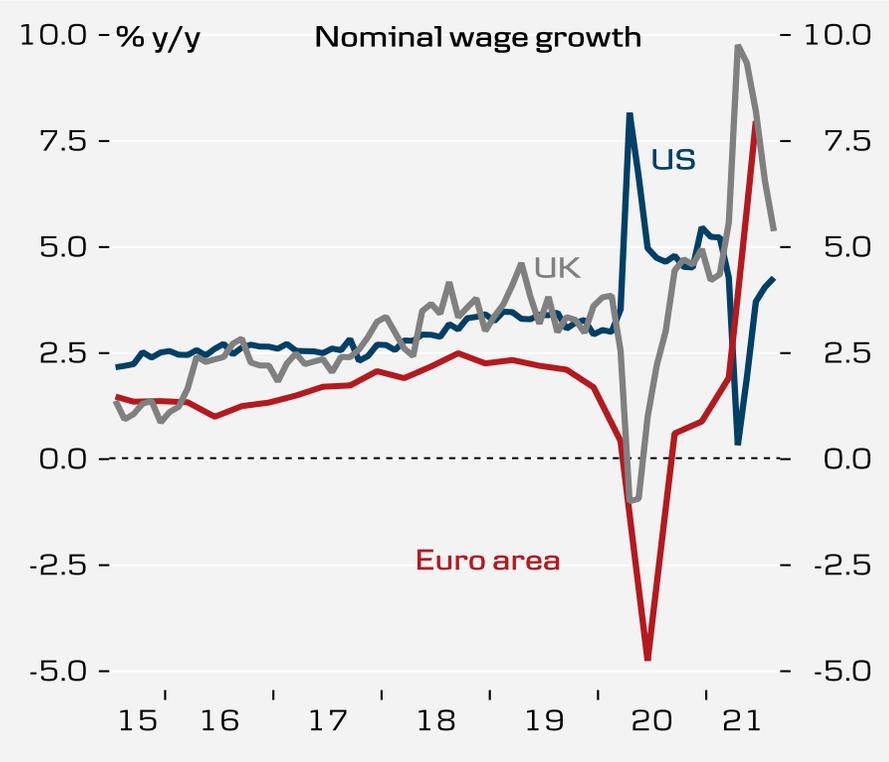


Source: Macrobond Financial

# Inflationary Pressures are building

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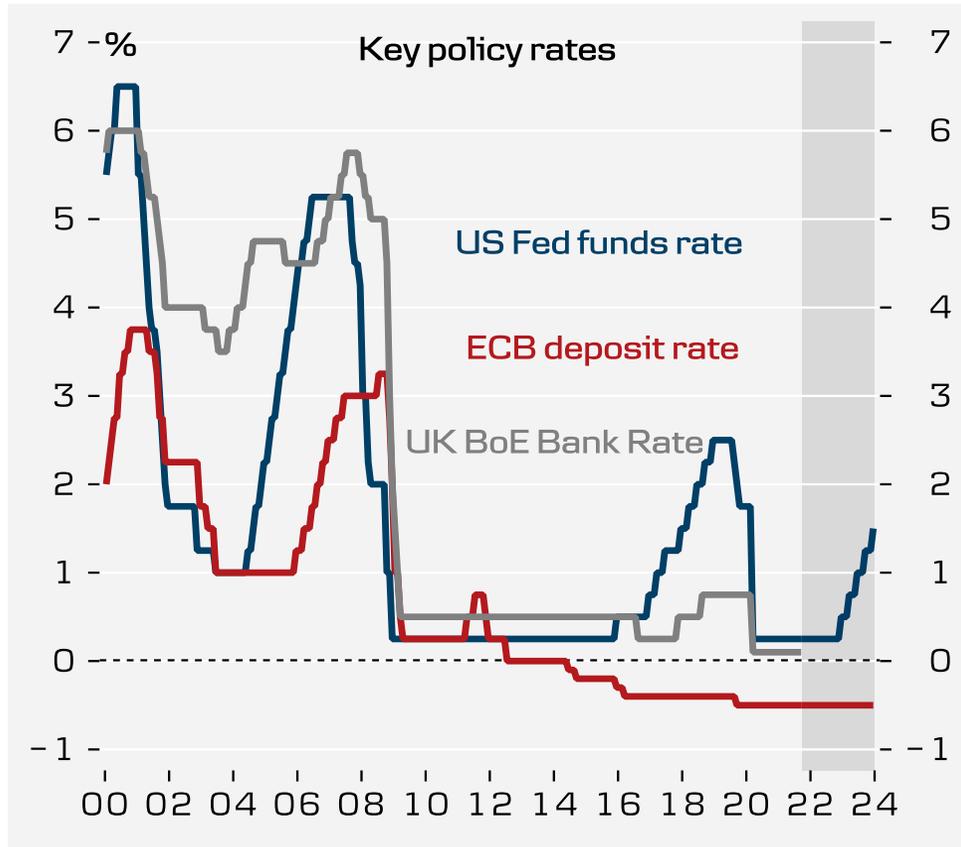
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# Central Bank's different messages but FED/BOE signalling action

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# GBP/EUR FX (historical trend)

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01/01/2019 - 10/04/2021 BGN Last Px Local CCY Mov Avgs Key Events  
1D 3D 1M 6M YTD 1Y 5Y Max Daily Table + Compare Add Data Edit Chart

Last Price	1.1680
High on 02/14/20	1.2046
Average	1.1398
Low on 03/18/20	1.0643



# GBP/EUR Forecast

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Currency	GBP/EUR - forecast			
	As of	4 <sup>th</sup> Oct 2021		
	Q4 2021	Q1 2022	Q2 2022	Q3 2022
<b>Low</b>	<b>0.92</b>	<b>0.90</b>	<b>0.89</b>	<b>0.88</b>
<b>High</b>	<b>1.20</b>	<b>1.25</b>	<b>1.27</b>	<b>1.30</b>
<b>Mean</b>	<b>1.17</b>	<b>1.17</b>	<b>1.17</b>	<b>1.18</b>

Source: Bloomberg

Please note that these forecasts reflect the consensus view of a number of Market participants at a point in time ,

are not a recommendation to transact and may not reflect actual rates at the various future dates.

# GBP/USD FX (historical trend)

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01/01/2019 - 10/04/2021 BGN Last Px Local CCY Mov Avgs Key Events  
1D 3D 1M 6M YTD 1Y 5Y Max Daily Table + Compare Add Data Edit Chart

■ Last Price	1.3566
└ High on 05/31/21	1.4212
— Average	1.3090
└ Low on 03/19/20	1.1485



Source: Bloomberg:

# GBP/USD Forecast

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Currency	GBP/USD - forecast			
As of	4 <sup>th</sup> Oct 2021			
	Q4 2021	Q1 2022	Q2 2022	Q3 2022
<b>Low</b>	<b>1.30</b>	<b>1.26</b>	<b>1.22</b>	<b>1.23</b>
<b>High</b>	<b>1.47</b>	<b>1.49</b>	<b>1.51</b>	<b>1.53</b>
<b>Mean</b>	1.39	1.40	1.40	1.41

Source: Bloomberg

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# Managing your FX and Interest Rate Risk

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- We still recommend you hope for the best, plan for the worst
- Markets can move quickly and not always in your favour
- Not a time to pause for thought, but to look at my objective:
  - What is my **exposure** to currency or Interest Rate risk?
  - What is the **period** I have the exposure for?
  - How important is the exchange rate? **Budget vs Aspiration**
    - Risk of Complacency, “It’s going my way” or
    - Head in the sand approach, “It will get better”
    - Do I have a business continuity plan?
- **Ask yourself, “What if I am wrong?”**
- **Is doing nothing a strategy?? Is this a risk you are willing to take?**

That's all

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# Thank you

## John-Paul Coleman

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John Paul Coleman



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Introduction

# How manufacturers have experienced 2021 so far

Manufacturing NI represents all manufacturing businesses from SME's to major international corporations across Northern Ireland. Working with Government and partners, we focus on the cost of doing business including industrial rating, energy, taxation, employment law and skills.

We campaign to create the most competitive region in Europe to start, grow and sustain a manufacturing business thus creating wealth and work.

**Stephen Kelly, Manufacturing NI**  
CEO



@ManufacturingNI



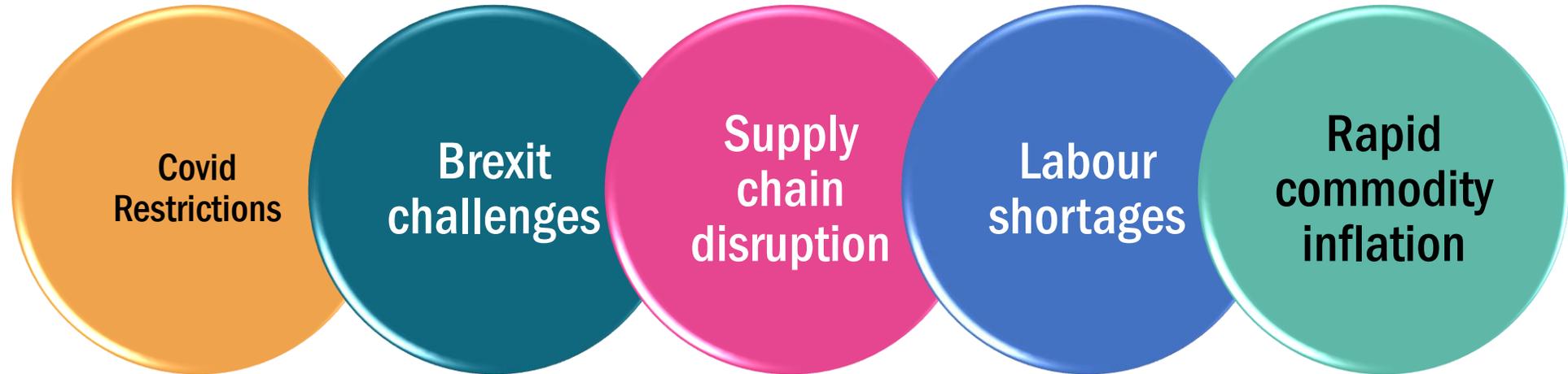


**MANUFACTURINGNI**

## How manufacturers have experienced 2021 so far

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## Perfect storm of issues:



# Covid

- Most manufacturers were closed for 5-8 weeks at the start of the pandemic.
- Those that remained closed largely had markets slow to return
- Big UK support and NI Executive support - £250m in savings or grants
- Not sure how some are bridging post-furlough return but no rush on redundancies
- WFH messaging and international travel big blockage

# Brexit

- 21 days (over Christmas) to prepare
- GB suppliers preparedness single biggest challenge
- But issues too with lack of education in EU MS
- GB to NI complexities being overcome
- But 40% say issues likely to persist
- Biggest ask is for simplifications and NI Executive to grasp the opportunities
- However, 178% rise in goods sales to Ireland compared to 2018\*

\*Subject to revision!

# Brexit



# Supply Chain and Input Prices

- Availability issues on all commodities, components and ingredients
- GB suppliers struggling with Post-Brexit formalities
- Global logistics disrupted
- Hard to contract fix prices
- Impact of a big boat getting stuck in Suez still playing out!
- Big focus on having supply, whatever the cost



# People

- Where have all the people gone?!
- Furlough disrupted usual rhythm
- -18,000 EU26 workers in NI since June 2016
- -17% Irish workers since 2016
- Big investment in skills, training and apprenticeships on the way, but need bridge to those maturing.
- Investment in automation, but skilled hands still needed

# Conclusion

- Perfect storm of issues
- But manufacturers have proved to be problem solvers and resilient
- Exports growing, fast
- Orderbooks and outlook strong and positive
- We just need some pragmatism and more people!



# Q&A

We will endeavor to answer as many questions as we can in connection with today's presentations.

A copy of today's recording and presentation can be accessed from our Danske Advantage resource page on our website @ [danskebank.co.uk/business/advantage](https://danskebank.co.uk/business/advantage)