

Economic Indicators at a glance – February 2014

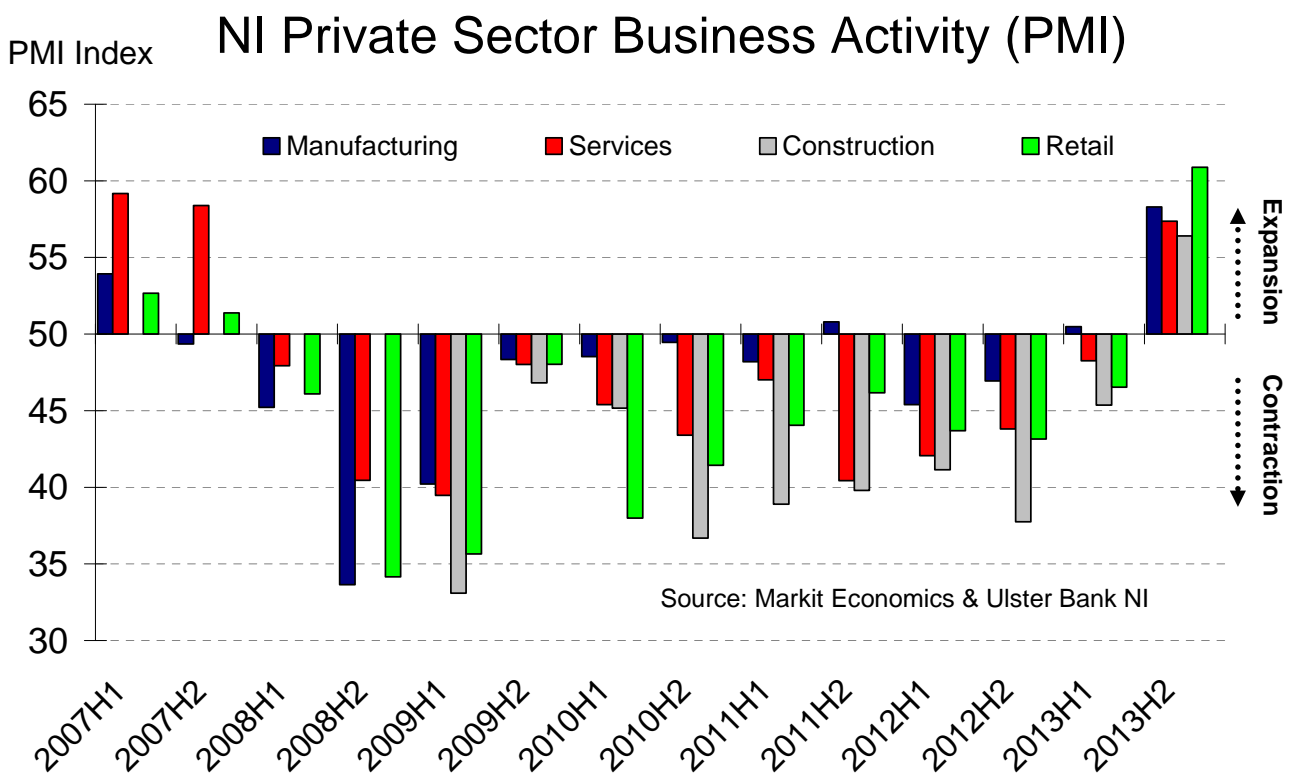
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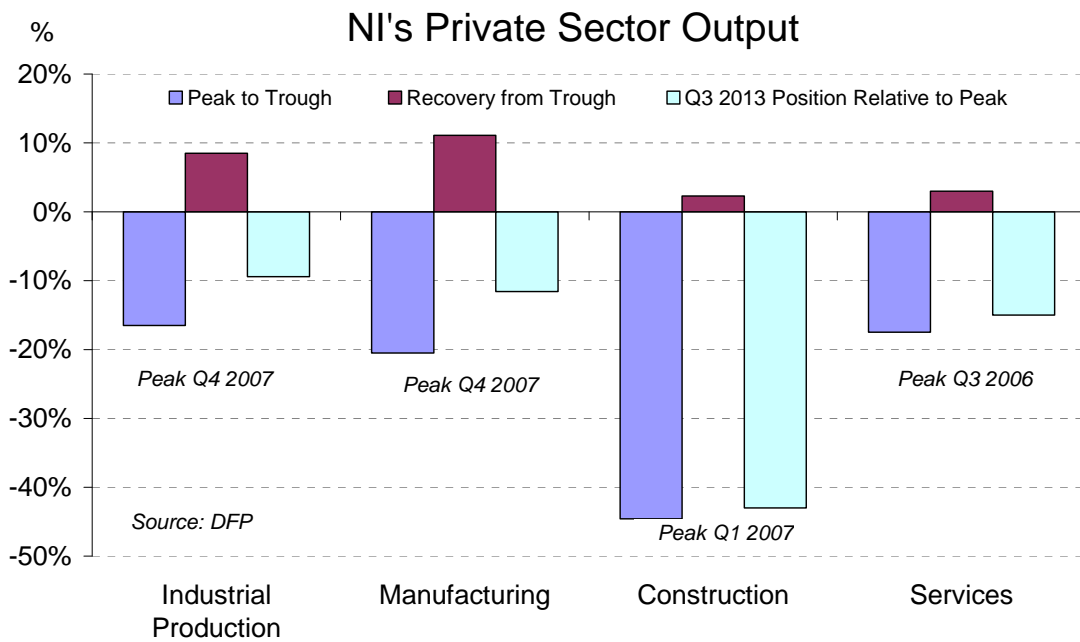
Northern Ireland's private sector ends 2013 in better shape than it began the year

The Northern Ireland economy ended 2013 in a lot better shape than it began the year. Indeed, last year can be viewed as a game of two halves. During the first half of 2013 local firms reported falling levels of output, orders, exports and employment. However, the summer heralded the start of a strong, broad-based recovery with all sectors experiencing a significant improvement in these indicators. As a result, 2013 marked the first year of growth in employment, new orders and business output in 6 years. As far as private sector output growth was concerned, 2013 also represented the first time since 2007 that Northern Ireland was not at the foot of the UK regional performance table. The latest PMI for December signalled a moderation in the rate of growth in business activity across the manufacturing, services and construction sectors. However, an easing in the pace of growth relative to earlier months was inevitable sooner or later. All sectors posted strong rates of growth in new orders and business activity in December and this bodes well for 2014. To date the rise in new business orders has been largely due to increasing demand from Great Britain rather than export markets such as the Republic of Ireland and markets further afield. Last month however, local firms reported their fastest rate of growth in export orders since October 2007. This is probably linked to improving economic conditions in our largest export market – the Republic of Ireland. The most encouraging aspect of the latest PMI survey concerns employment. In December, local firms, across all sectors, saw their staffing levels increase at their fastest rate since the beginning of the credit crunch in August 2007. However, the pick-up in the rate of job creation was due to the retail industry and the wider services sector in particular. Local retailers increased their staffing levels at their fastest rate since the survey began. Whilst job numbers in the wider service sector are rising at their fastest rate in 6 years. The road ahead looks much more promising than it did this time last year.



Official construction, industrial production & private services output indices post growth in Q3

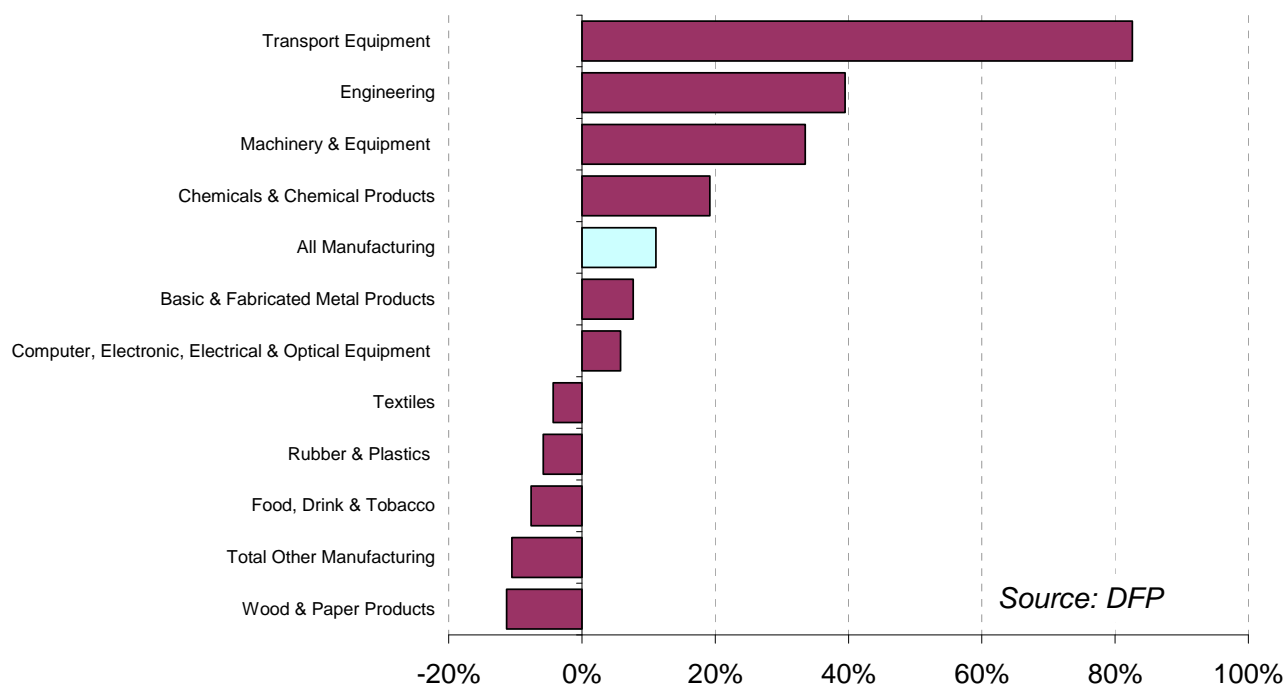
Last month saw the release of the latest official Northern Ireland output figures for private sector services, the construction and industrial production (*mostly manufacturing*) sectors. All three sectors posted quarterly growth in Q3 2013. The robust rates of growth confirmed what had been signalled previously by the PMI. Furthermore, the PMI suggests more of the same in Q4 2013. Private sector services posted a 1.4% q/q rise in Q3 2013. Meanwhile industrial production (+4.3%), manufacturing (+4.9%) and construction (+2.4%) posted even stronger quarterly rates of growth. All these quarterly growth rates, with the exception of construction, compared favourably with the UK as a whole. Despite these encouraging signs of recovery, output within all these sectors remain well below their pre-recession peaks. In Q3 2013 output within the private sector services and construction industries was 15% and 43% respectively below their-pre-downturn highs. Meanwhile NI’s manufacturing output is almost 12% below its Q4 2007 peak.



Northern Ireland’s manufacturing sector has recorded the strongest recovery so far

Of all the broad industrial sectors, NI’s manufacturing sector has posted the strongest recovery to date. Since its output trough in Q3 2009, which followed the steepest decline in world trade since World War II, NI’s manufacturing output has increased by 11%. As a result, manufacturing firms have recouped 43% of the output lost during the downturn. However, some manufacturing sub-sectors have fared much better than others. Indeed, two sub-sectors posted record highs in output in Q3 2013. The Chemical & Pharmaceutical Products sector, which includes firms such as Norbrook, Almac & Randox, posted a 14.2 % y/y increase in Q3 2013 with output up 19.2% since Q3 2009. Meanwhile, the star performer within the wider engineering sector has been Transport Equipment. This sub-sector, which includes Bombardier and Wrightbus, has seen output surge by almost 83% since the low of Q3 2009. More recently, the construction recoveries in the ROI and GB are feeding through into NI's manufacturing sector, that is those sub-sectors involved in the manufacture of construction related materials. For example, during the last 2 quarters (to Q3 2013), output within the Basic Metals & Fabricated Metal Products sector have increased by 28%. Meanwhile Rubber & Plastics increased by 13.5% over the same time period.

Recovery in NI Manufacturing Output Since Q3 2009 Trough as of Q3 2013



Richard Ramsey,
27th January 2014

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