

Economic indicators at a glance – November 2012

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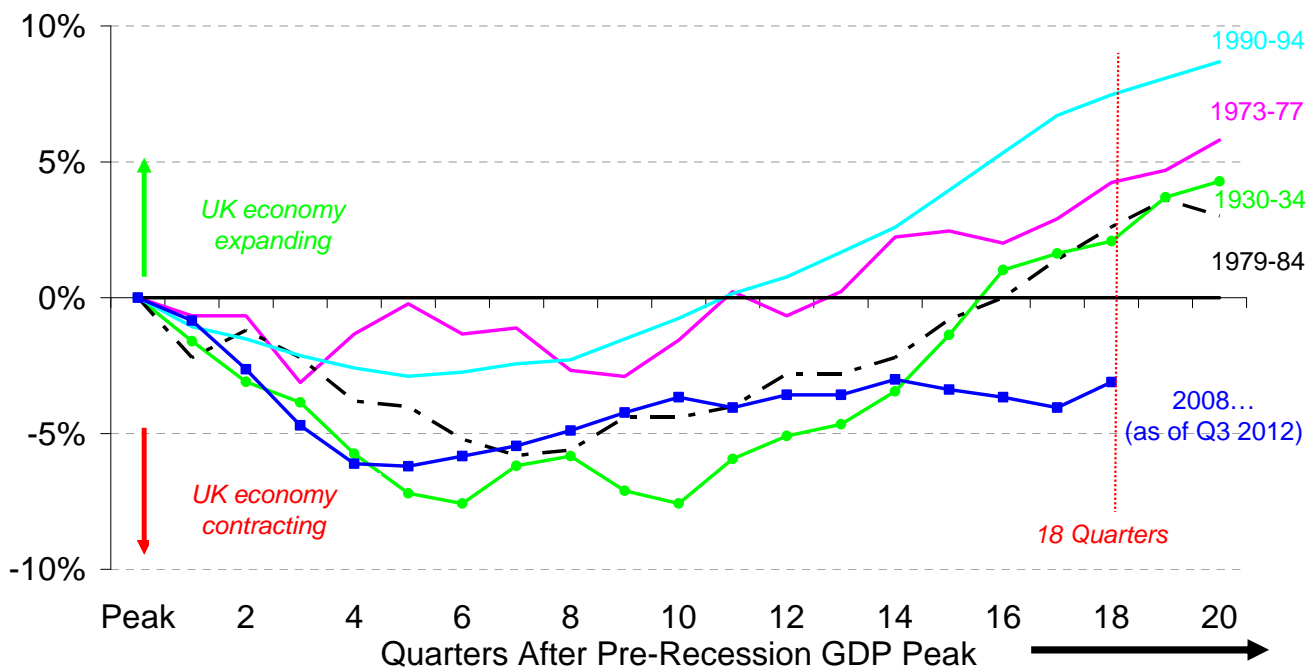
Appears in Belfast Telegraph Business Month published 5th November 2012

Chart of the Month – Q3 GDP posts sharpest rise in 5 years but recovery is still weaker than the 1930s

The UK's Q3 GDP figures signalled the fastest rate of economic growth in five years and the end of the longest double-dip recession since the Second World War. However, the headline figure should be interpreted with caution. The bulk of the Q2 quarterly decline was due to the lost output from the additional Diamond Jubilee Bank Holiday. Similarly, the robust growth in Q3 GDP exaggerates the underlying strength of the economy for two reasons. First, the reversal of the negative effect from the additional bank holiday in June artificially boosted Q3 output. Second, there was a one-off boost from the London Olympics. Stripping out these two factors suggests underlying growth is closer to 0.3%, less than half the pre-recession quarterly average. It is also important to put the recovery in a historical perspective. Some 18 quarters have passed since the UK's pre-recession GDP peak of Q1 2008. In that time only half of the output lost during the downturn has been recouped. This represents a weaker economic recovery than occurred during the Great Depression (1930-1934). Back then, the UK economy experienced a peak-to-trough recession of 7.6% which was deeper than the 6.2% decline in 2008/09. However, by Q1 1934, some 16 quarters after the pre-recession peak (Q1 1930), all of the lost output had been recovered. After 18 quarters the UK economy was 2.1% larger than it was before the Great Depression began. Now, however, 18 quarters have elapsed since the pre-recession peak in the latest downturn and the UK economy is still 3.1% smaller than it was in Q1 2008. Indeed, it is likely that it will be 2014 before UK output returns to its 2008 peak. This represents a lengthy 6-year economic recovery.

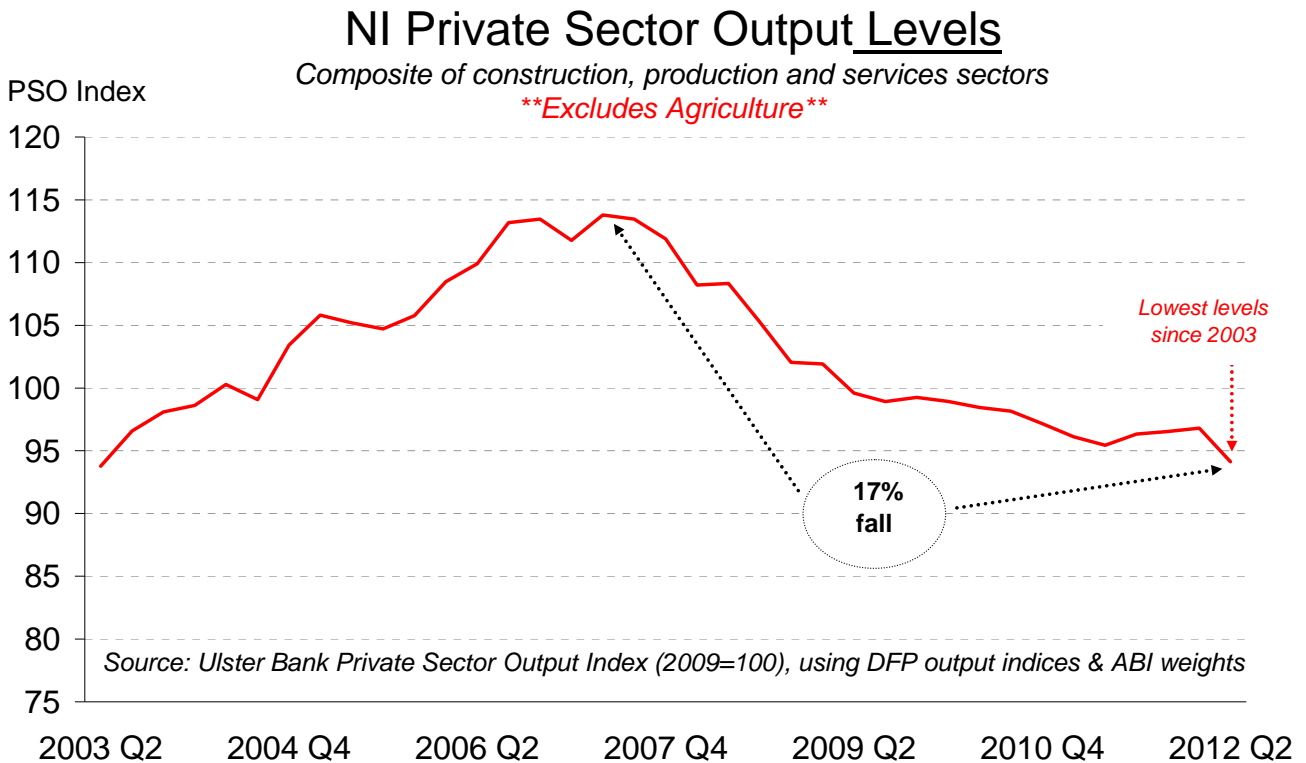
UK Recessions, Depressions & Recoveries Compared

(% GDP Change since pre-recession peak)



Northern Ireland Private Sector Output falls by 2.8% in Q2 2012

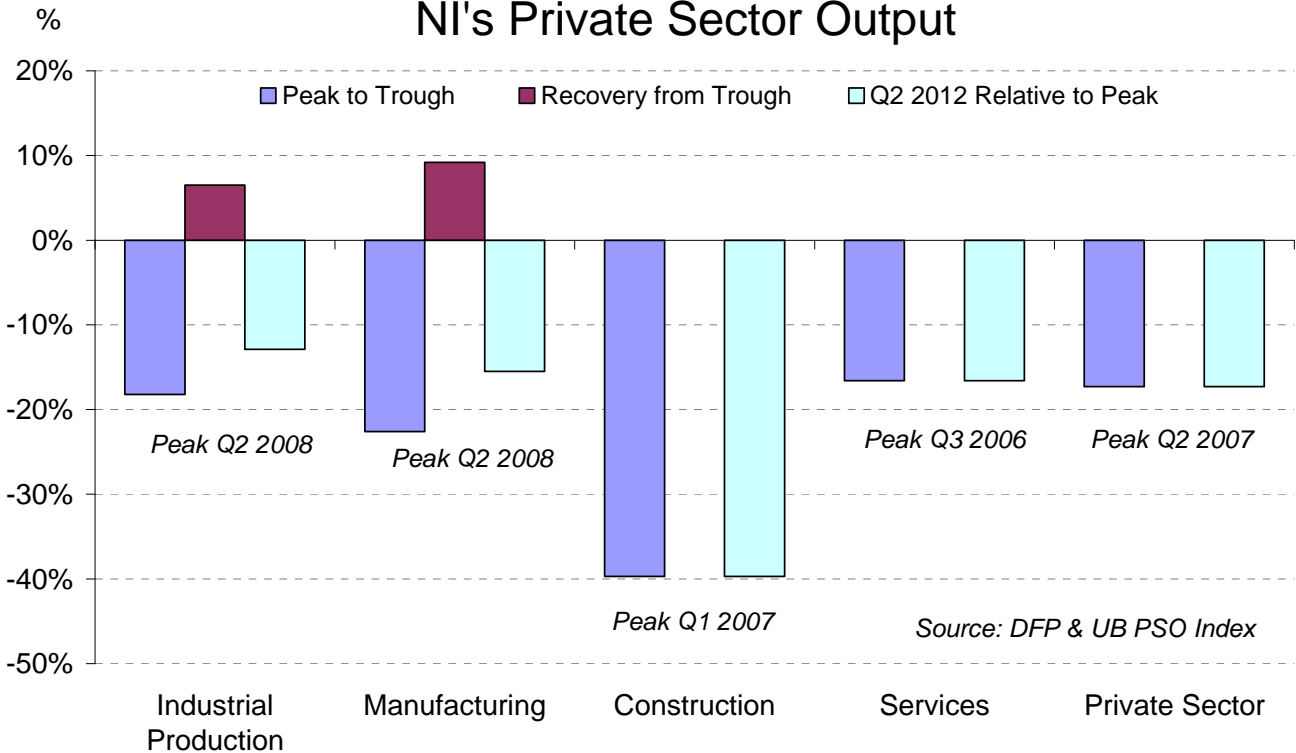
Last month saw the release of the latest official Northern Ireland output figures for private sector services, the construction and industrial production (*mostly manufacturing*) industries for Q2 2012. These three separate surveys are produced by the Department of Finance & Personnel and are ultimately used in calculating Northern Ireland's overall annual economic output – Gross Value Added (GVA) or regional GDP. In the absence of quarterly GDP figures, which are not available for Northern Ireland, the three aforementioned surveys can be compiled into a single composite index to provide a useful estimate for local private sector output. This Ulster Bank composite index excludes agriculture and the public sector. According to the latest estimates, Northern Ireland's private sector output fell by 2.8% in Q2 2012. Private sector output remains over 17% below its Q2 2007 peak and is back at mid-2003 levels.



Northern Ireland's construction and services sectors are still waiting for a recovery to begin

Northern Ireland's manufacturing, private services and construction sectors all posted quarterly declines in Q2 2012. Indeed, the construction sector posted its sharpest quarterly decline (-8.2%) during the recession so far. Construction output is now 40% below its pre-recession peak. This peak to trough fall is 2½ times the equivalent decline for the UK. Like construction, private sector services output continues to decline with a 1% q/q contraction in Q2 2012. As a result, private sector services output is now 16.6% below its peak of almost 6 years ago. Meanwhile UK private services output is 5% higher in Q2 2012 than it was in Q3 2006. Industrial production and manufacturing output declined by -5.0% and -4.6% respectively in Q2 2012. To date, Northern Ireland's manufacturing sector has recouped less than one third of the output it lost during the recession. As of Q2 2012, manufacturing output was still 15.5% below the pre-downturn peak (Q2 2008). This is more than twice the corresponding gap for the UK.

NI's Private Sector Output



Richard Ramsey,
5th November 2012

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Northern Ireland Private Sector Output Indices

Q2 2012 Update

Issued 5th November 2012

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Summary Table – NI Private Sector Output

Northern Ireland Private Sector Output

	Private Sector Output Index	Index of Services (excludes public sector)	Index of Production	Index of Construction*	PMI Index
2006 Q1	108.5	106.0	107.3	119.9	54.3
Q2	109.9	108.0	109.9	116.8	56.7
Q3	113.2	111.8	110.6	123.2	54.4
Q4	113.5	111.6	111.5	124.1	57.9
2007 Q1	111.8	108.1	113.3	124.6	58.2
Q2	113.8	111.2	114.0	124.5	55.9
Q3	113.5	110.5	116.9	119.1	57.9
Q4	111.9	108.0	118.1	116.0	52.5
2008 Q1	108.2	106.2	119.0	111.6	47.9
Q2	108.3	105.0	120.1	115.1	45.0
Q3	105.3	103.5	116.6	106.2	37.3
Q4	102.0	101.5	109.7	104.9	33.2
2009 Q1	101.9	101.9	102.5	102.0	34.0
Q2	99.6	100.0	98.3	101.1	40.8
Q3	98.9	99.1	98.9	99.1	46.2
Q4	99.3	99.2	100.3	98.0	49.3
2010 Q1	98.9	100.1	100.1	92.1	44.5
Q2	98.5	99.6	100.0	90.6	46.3
Q3	98.2	98.3	102.3	89.9	44.9
Q4	97.2	96.3	105.6	84.7	42.2
2011 Q1	96.1	94.3	107.6	81.6	47.0
Q2	95.4	96.1	103.0	76.9	46.2
Q3	96.3	94.6	109.6	77.3	43.7
Q4	96.5	94.9	109.3	78.2	48.0
2012 Q1	96.8	94.2	110.2	81.9	43.9
Q2	94.1	93.3	104.6	75.1	43.3
Q3	44.8
Latest Quarter Q/Q % Change	-2.8%	-1.0%	-5.0%	-8.3%	N.A
Latest Quarter Y/Y % Change	-1.4%	-2.9%	1.6%	-2.3%	N.A
Last 4 quarters Y/Y % Change	-0.8%	-2.1%	3.6%	-6.2%	N.A
Q2 2012 % Change relative to peak	-17.3% (Q2 07)	-16.6% (Q3 06)	-12.9% (Q2 08)	-39.7% (Q1 07)	N.A

Source: DFP indices of production, construction (*rebased 2009=100) and services; Ulster Bank Private Sector Output Composite index & Ulster Bank PMI.

'Winners' during the downturn...

Change in NI Private Sector Output Q2 2007 - Q2 2012

Industrial Group	% Change
<i>Recession Winners</i>	↑↑↑
Other Services	31.7%
Chemicals & Chemical Products (<i>pharmaceuticals</i>)	22.2%
Utilities (<i>Electricity & Gas</i>)	10.5%
Transport, Storage & Communications	3.9%
Utilities (<i>Water Supply & Waste Management</i>)	1.7%
Food, Drink & Tobacco	1.2%
Agriculture (Gross annual output in real terms 2007-11)	0.5%

Source: DFP Indices of Production, Services and Construction, DARD & Ulster Bank calculations

....outnumbered by 'losers' & 'big losers'

Change in NI Private Sector Output
Q2 2007 - Q2 2012

Industrial Group	% Change
<i>Recession Losers</i>	
Wholesale & Retail Distribution, Accommodation & Food Service	-2.0%
Engineering & Allied Industries	-4.6%
All Production Industries	-8.2%
All Manufacturing	-10.7%
Basic Metals & Fabricated Metal Products	-14.9%
All Private Sector Services	-16.1%
Total Private Sector Output (Construction + Production + Private Services)	-17.3%
<i>Recession Big Losers</i>	
Textiles & Textile Products	-20.9%
Total Other Manufacturing	-30.7%
Mining & Quarrying	-31.5%
Wood & Paper Products	-32.1%
Rubber, Plastics & non-metal Products	-38.0%
Construction	-39.6%
Business Services & Finance	-50.3%
<i>Source: DFP Indices of Production, Services and Construction, DARD & Ulster Bank calculations</i>	

Construction /
property
related



Construction /
property
related

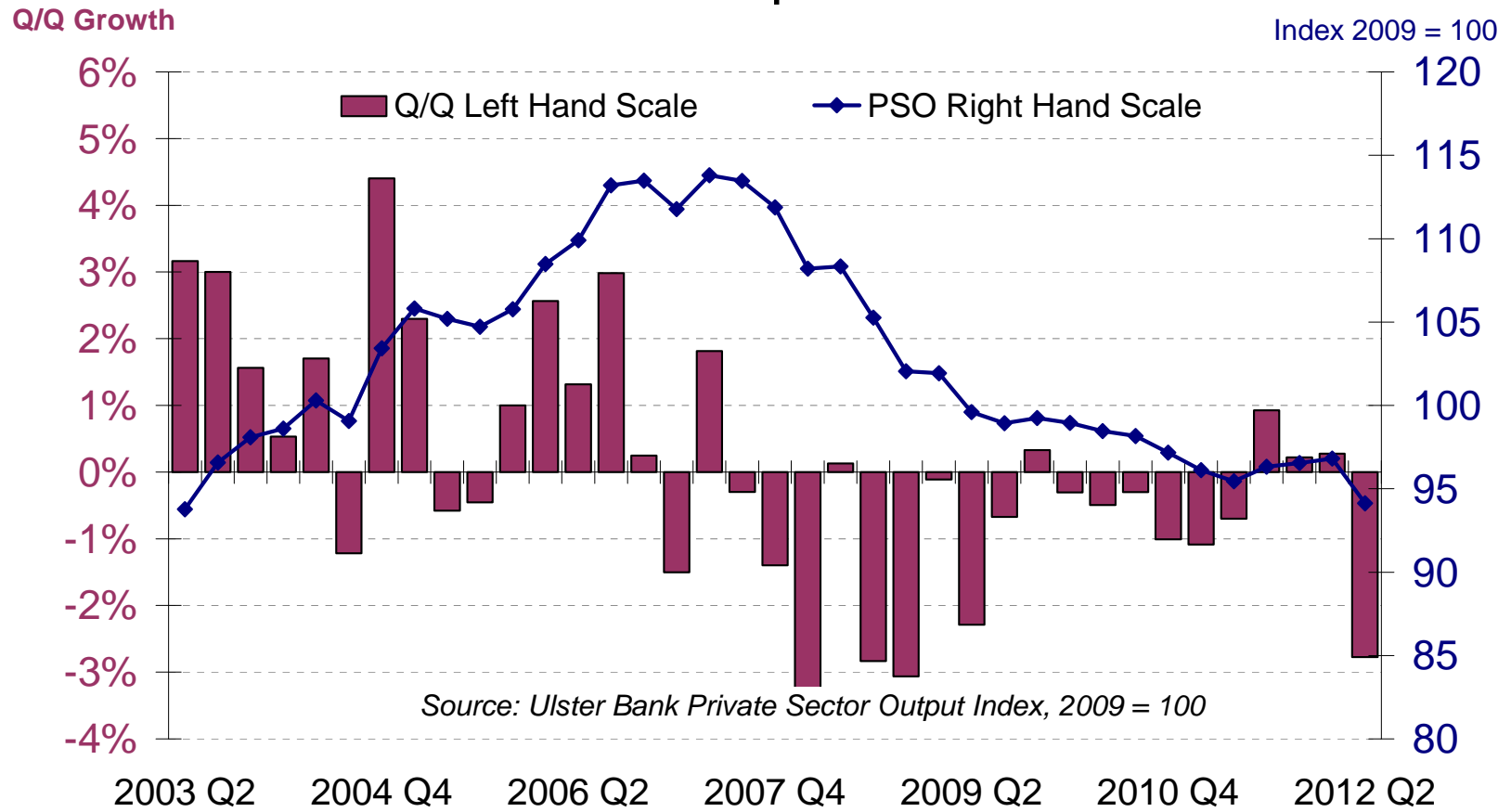


Private Sector Output

*Compiles official Indices of Construction,
Production & Private Sector Services into a
single composite index*

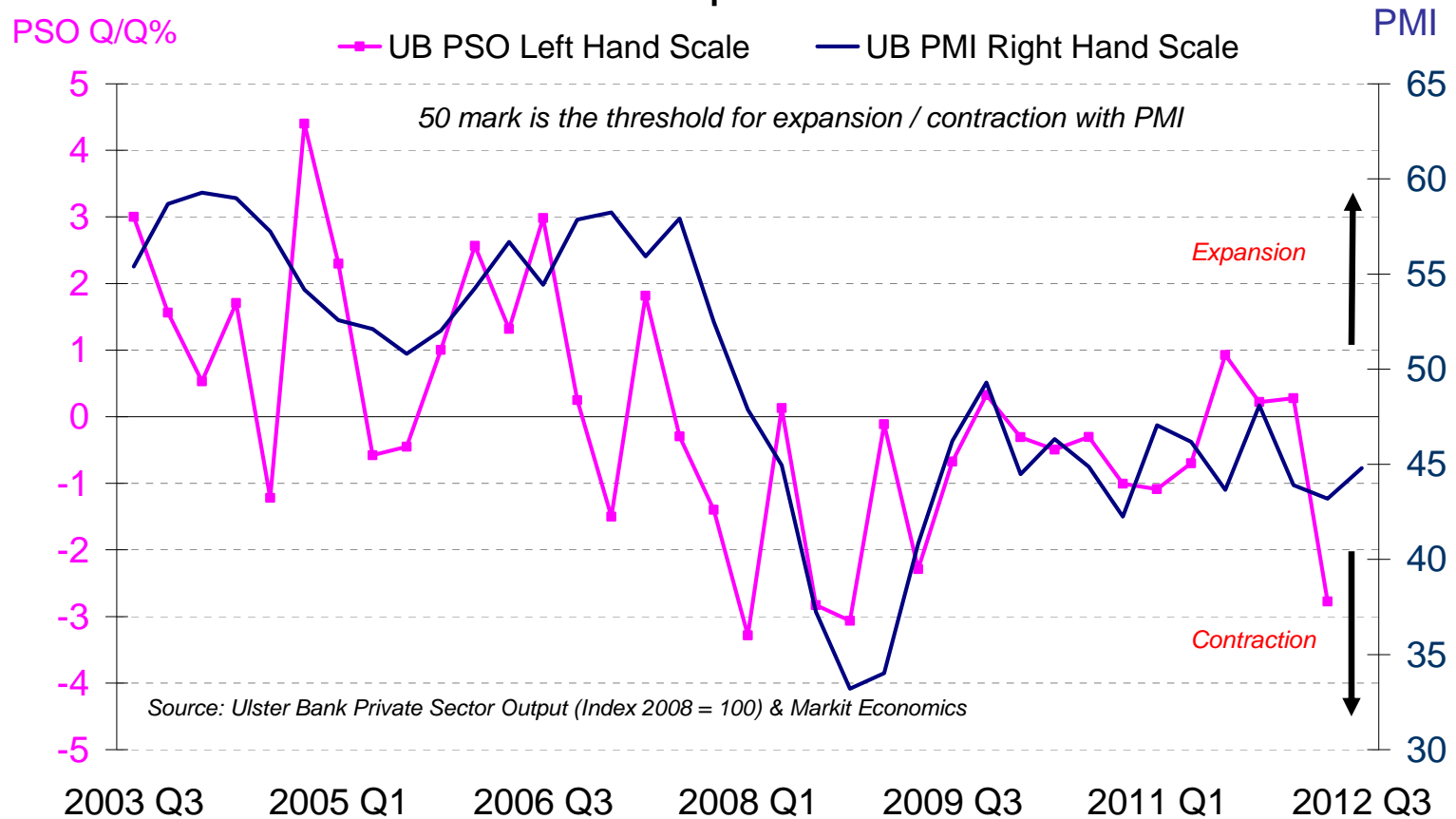
Q2 marked the steepest quarterly decline in private sector output since Q4 2008

NI Private Sector Output Levels & Growth



The PMI signalled a slightly steeper contraction in Q2 2012 but not as steep as the 4.6% q/q decline that occurred

NI Private Sector Output Index Versus NI PMI

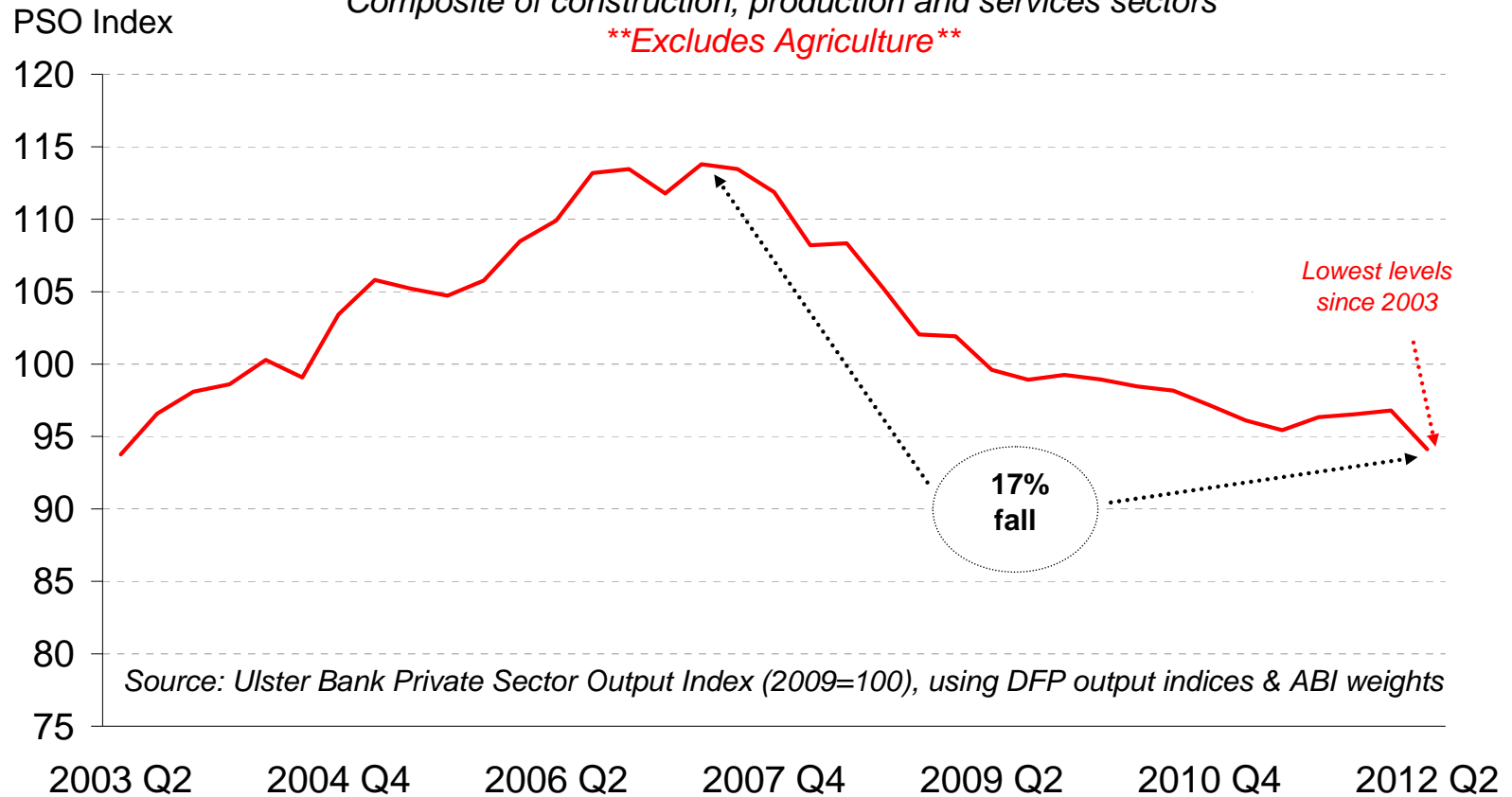


Remember its levels of output not growth rates that are important - private sector output still at lowest level since 2003

NI Private Sector Output Levels

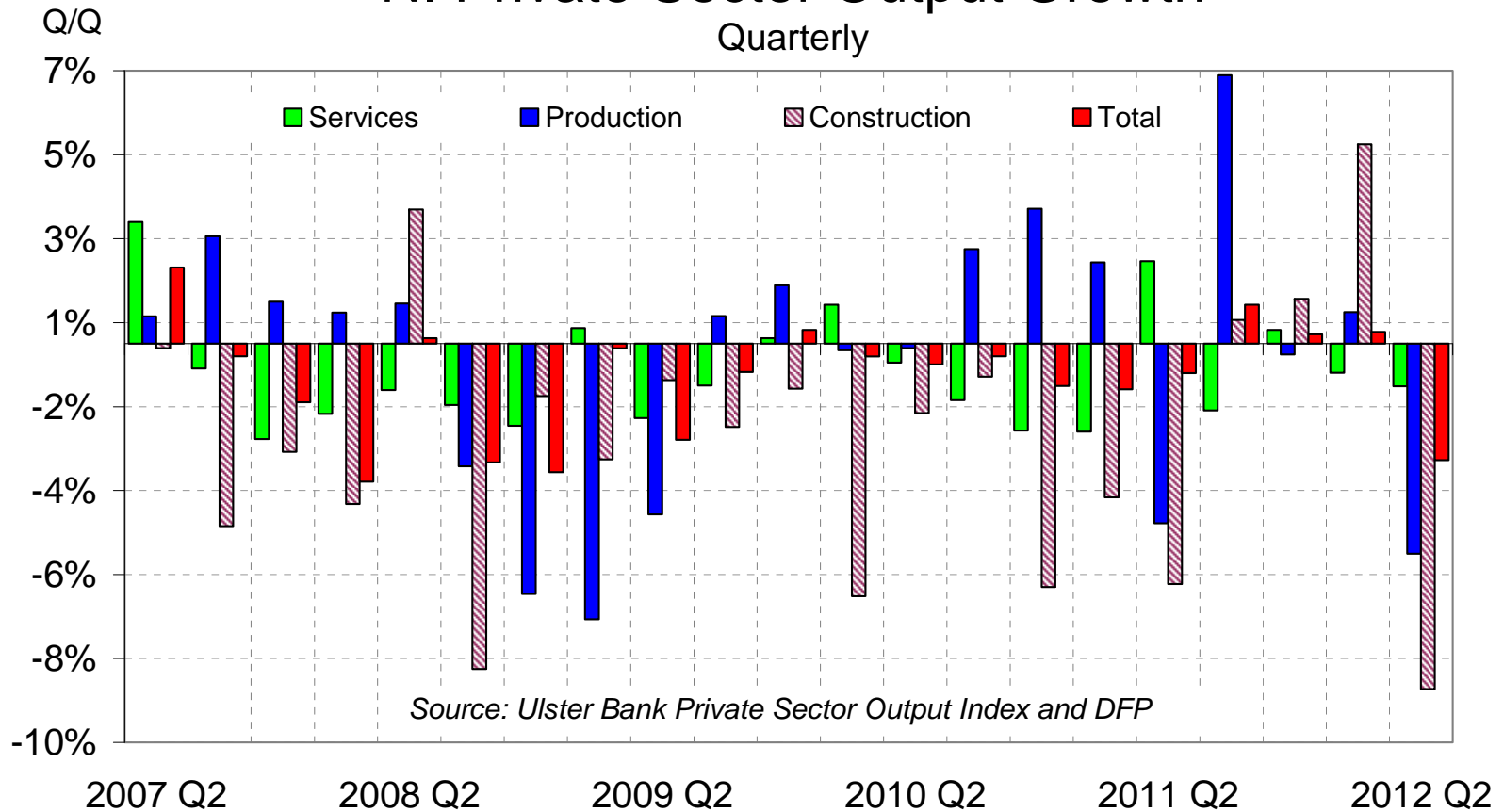
Composite of construction, production and services sectors

****Excludes Agriculture****

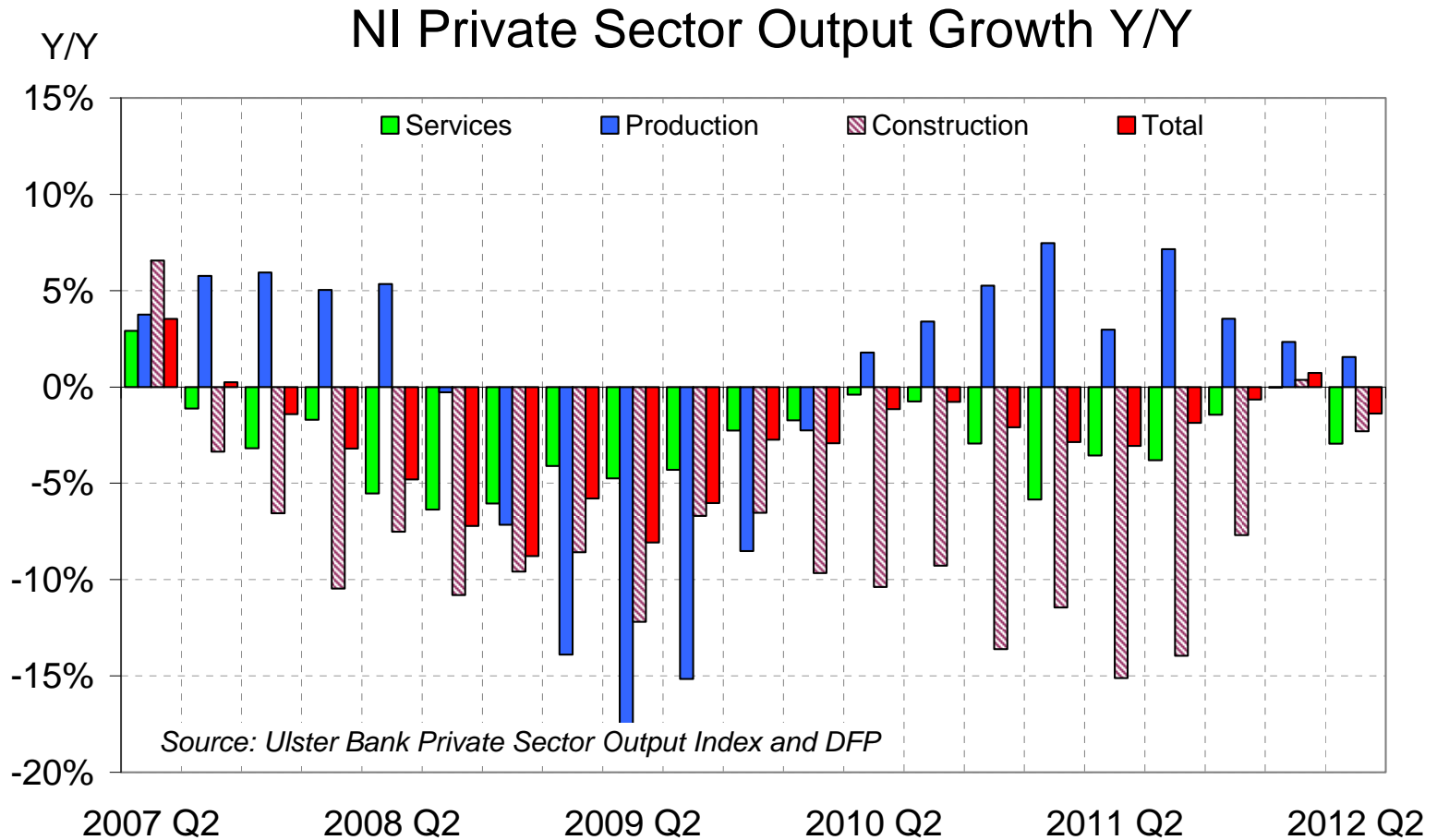


All 4 output indices signal contraction in Q2 2012

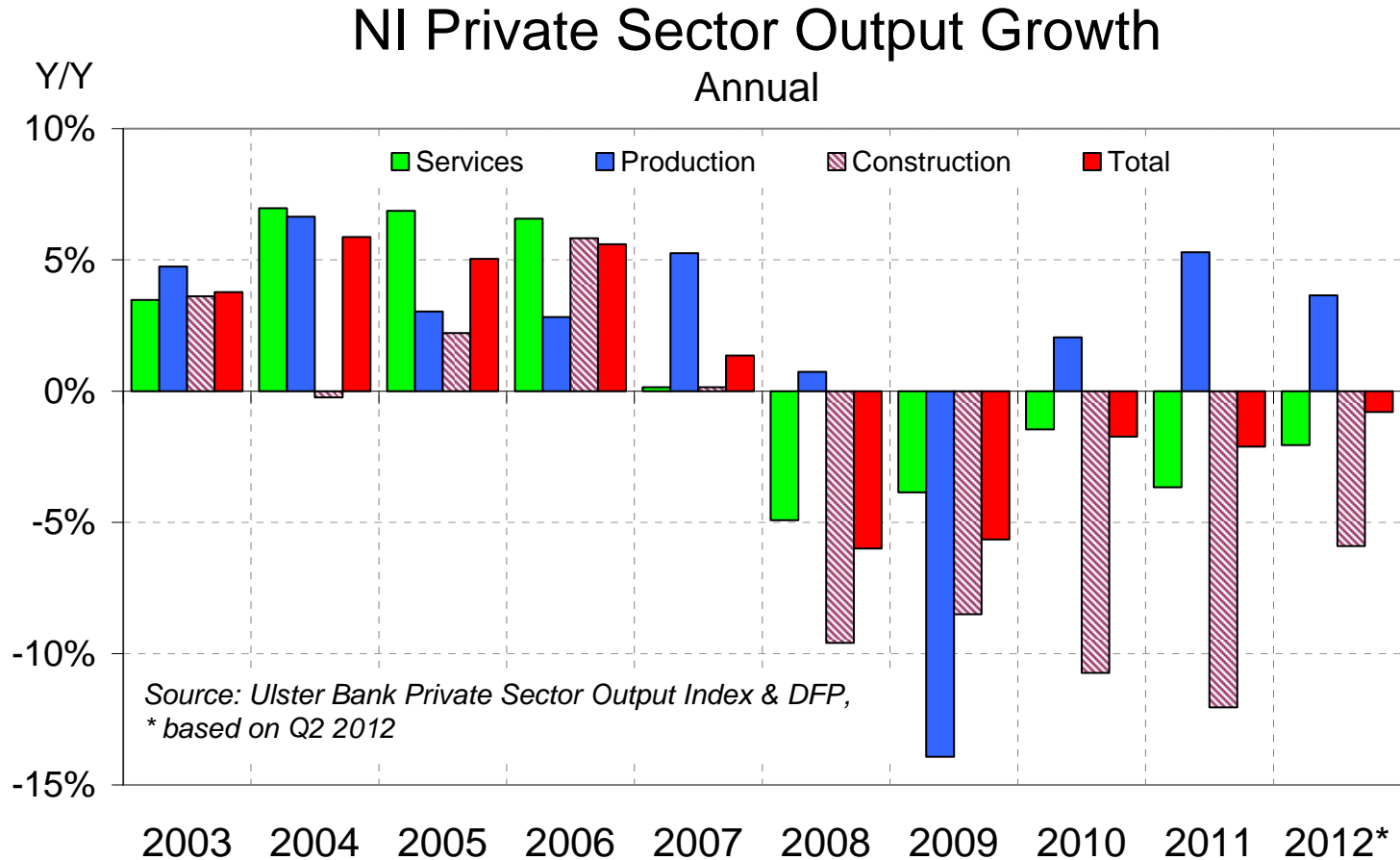
NI Private Sector Output Growth



Industrial production remains the only sector posting year-on-year growth in Q2 2012



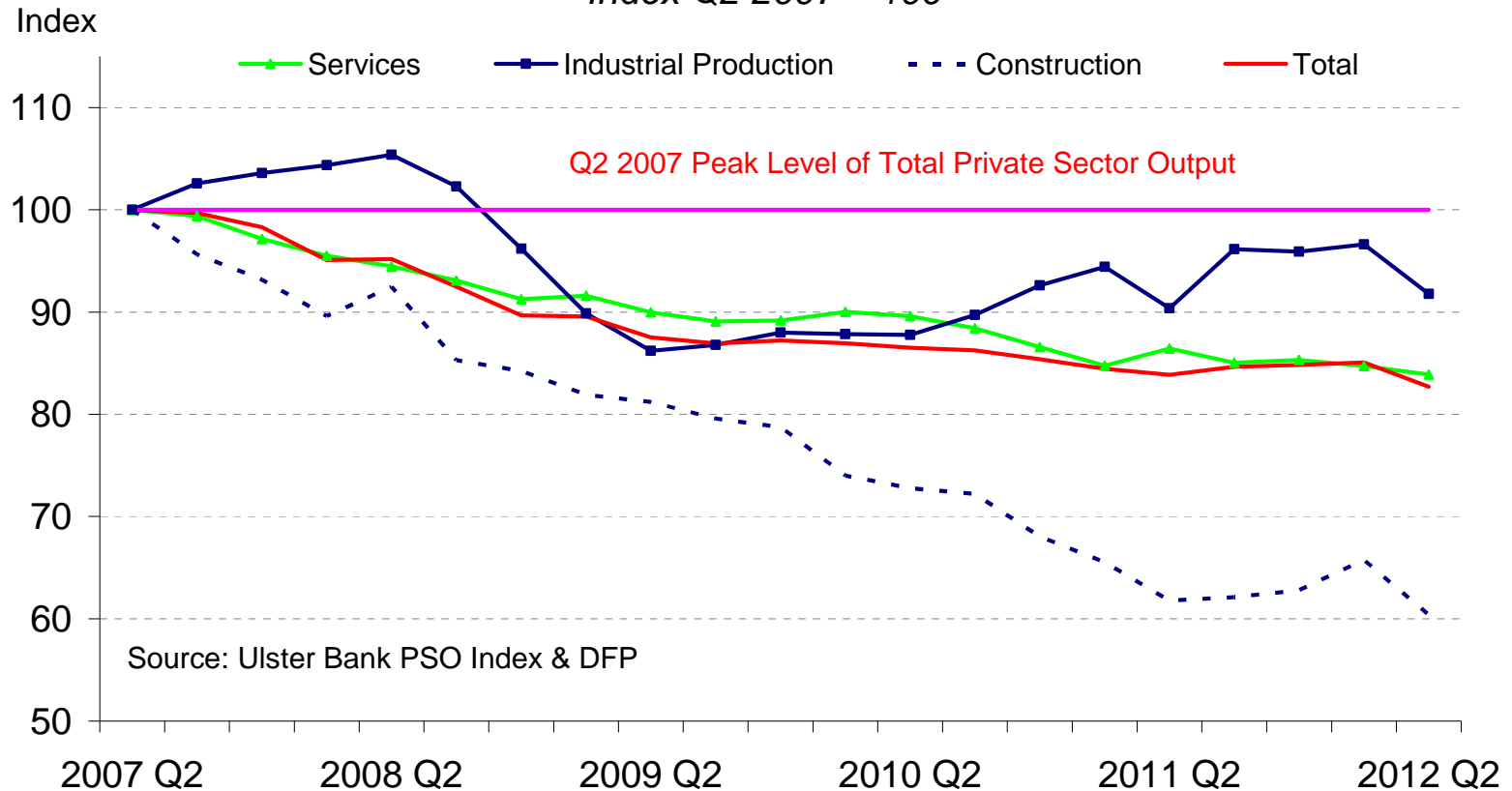
Services, construction & total private sector output all fell at a slower rate in 2012* (as of Q2 2012) relative to 2011



Industrial sector was last sector to go into downturn & the first industry to come out of it. But now IP is falling again

NI Private Sector Output Levels

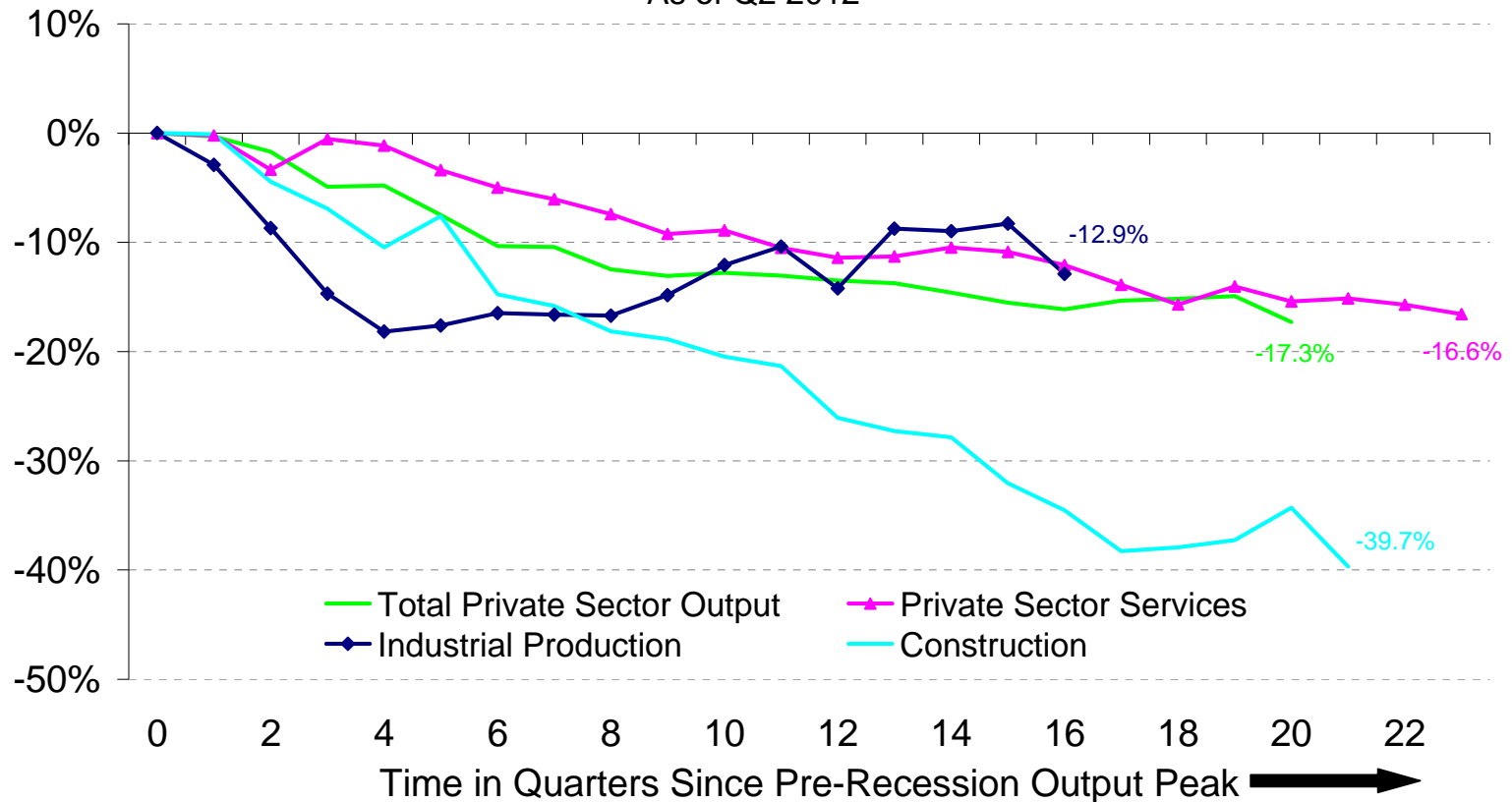
Index Q2 2007 = 100



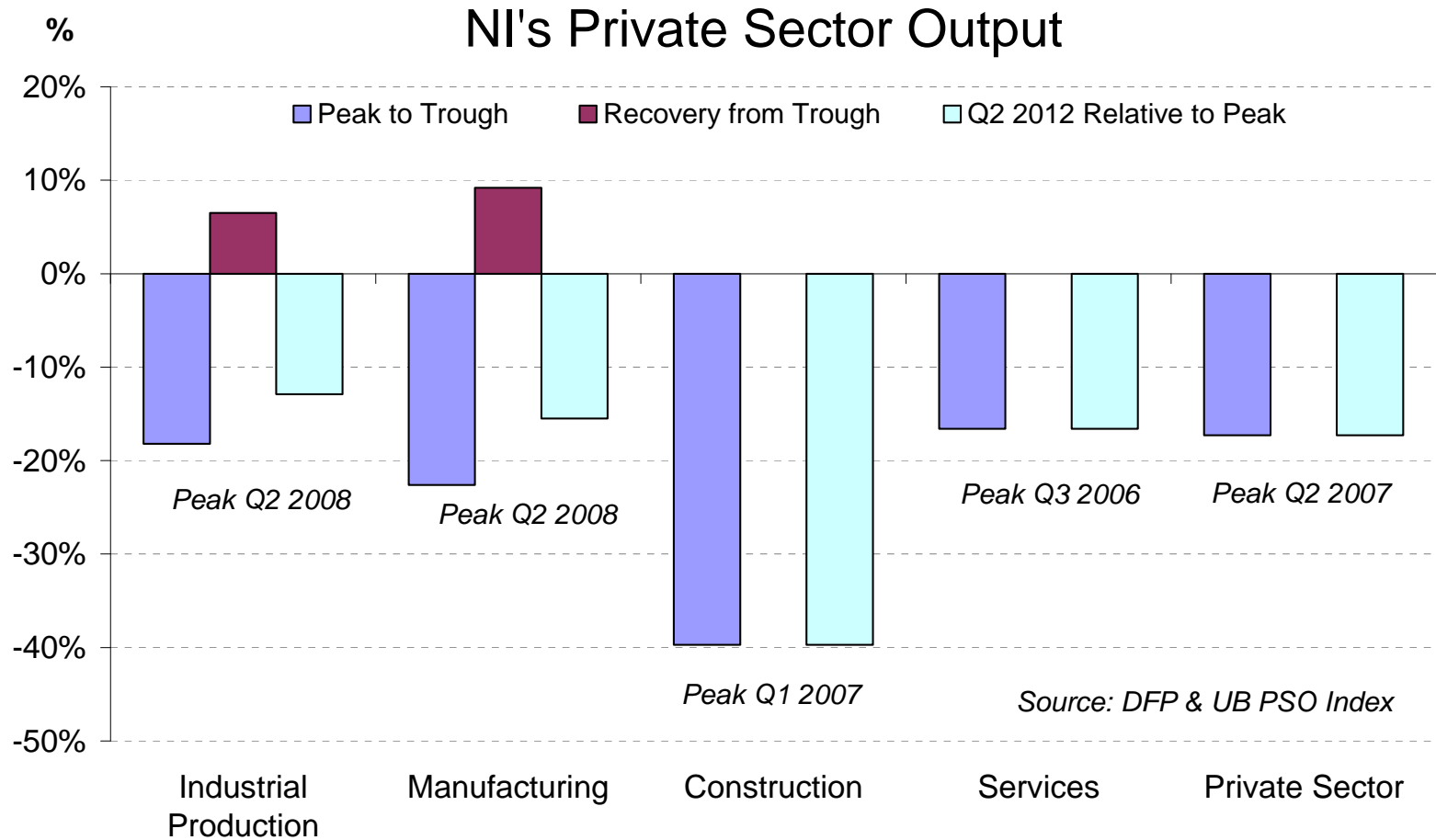
Services sector output has now been below its pre-downturn peak for 23 quarters (almost 6 years)

NI Private Sector Output Relative to Pre-Recession Peaks

As of Q2 2012

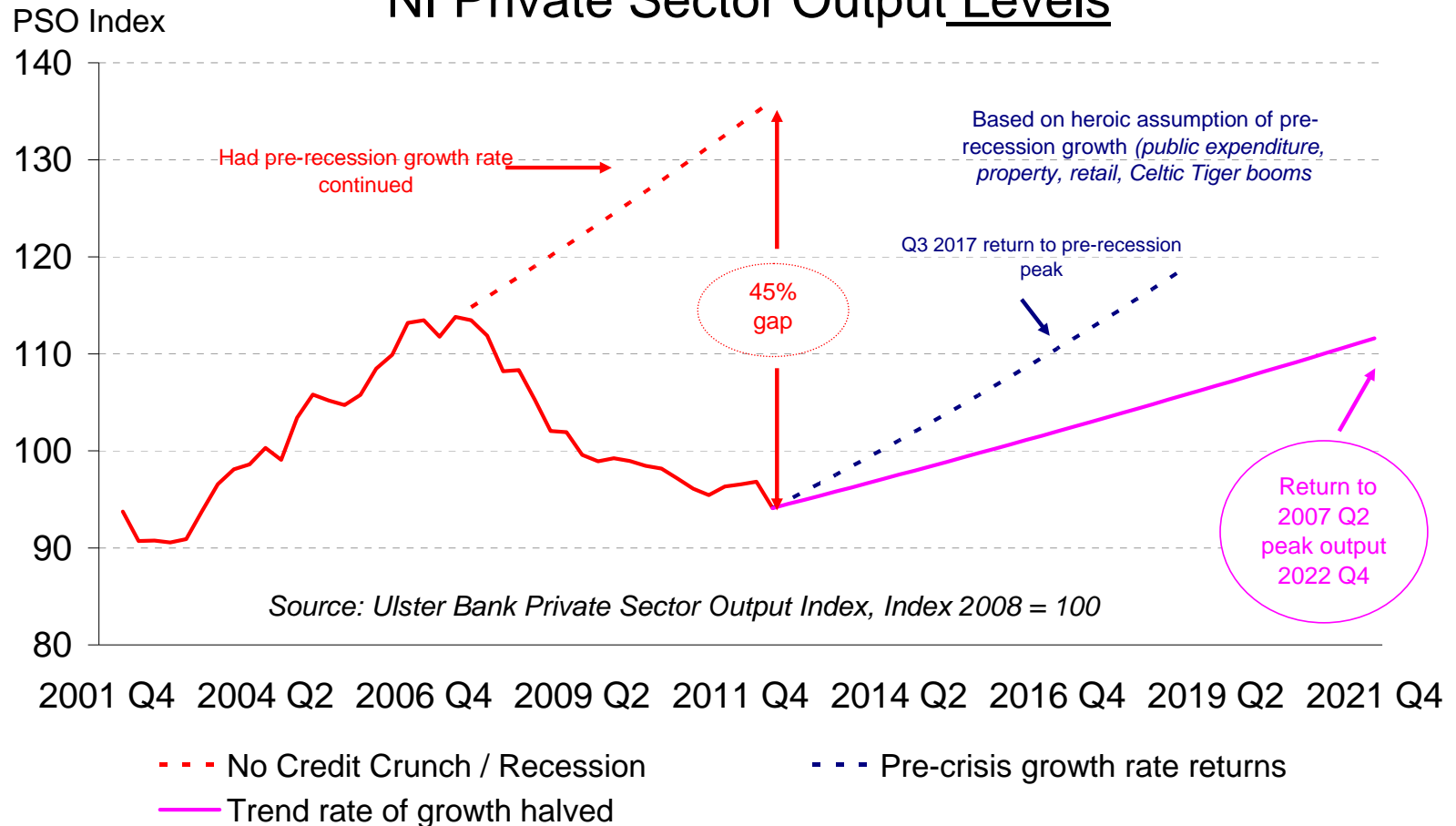


Construction and services sectors have experienced no recovery in output whatsoever



Northern Ireland will not be returning to 2007 peak anytime soon – 2021 if trend rate of growth is halved

NI Private Sector Output Levels



*Private Sector
Services Output*

Summary Table - Private Sector Services Output

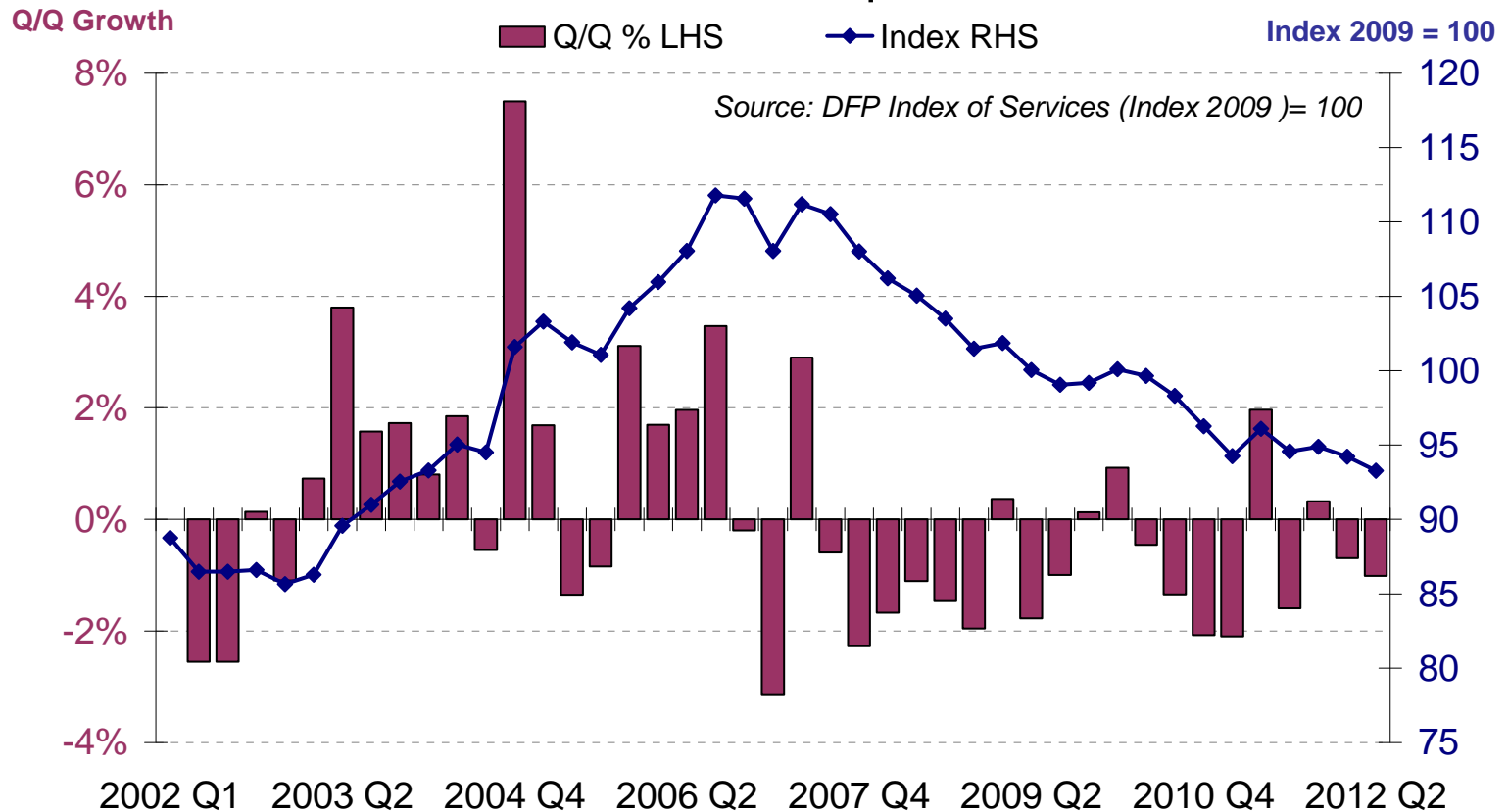
NI & UK Private Service Sector Output

Service Sector Category	Q/Q Change Q2 2012		Y/Y Change Q2 2012		Change since peak* 2006 Q3 - 2012 Q2	
	NI	UK	NI	UK	NI	UK
Wholesale, Retail, Repair, Accommodation & Food Service	-1.0%	0.0%	8.5%	0.1%	-0.8%	0.4%
Transport, Storage, Information & Communication	-2.5%	-0.7%	-0.1%	0.7%	8.9%	3.1%
Other Services**	-0.3%	N.A	5.1%	N.A	23.2%	N.A
Business Services & Finance	-1.5%	-0.1%	-20.4%	0.6%	-51.4%	6.3%
Total Services	-1.0%	-0.1%	-3.0%	0.7%	-16.6%	5.1%

Source: ONS & DFP Index of Services, * NI peak was Q3 2006 whereas UK peak was Q4 2007, **NI & UK have a different coverage

Private sector services output falls for the 7th time in 9 quarters in Q2 2012

NI Private Sector Services Output Levels & Growth

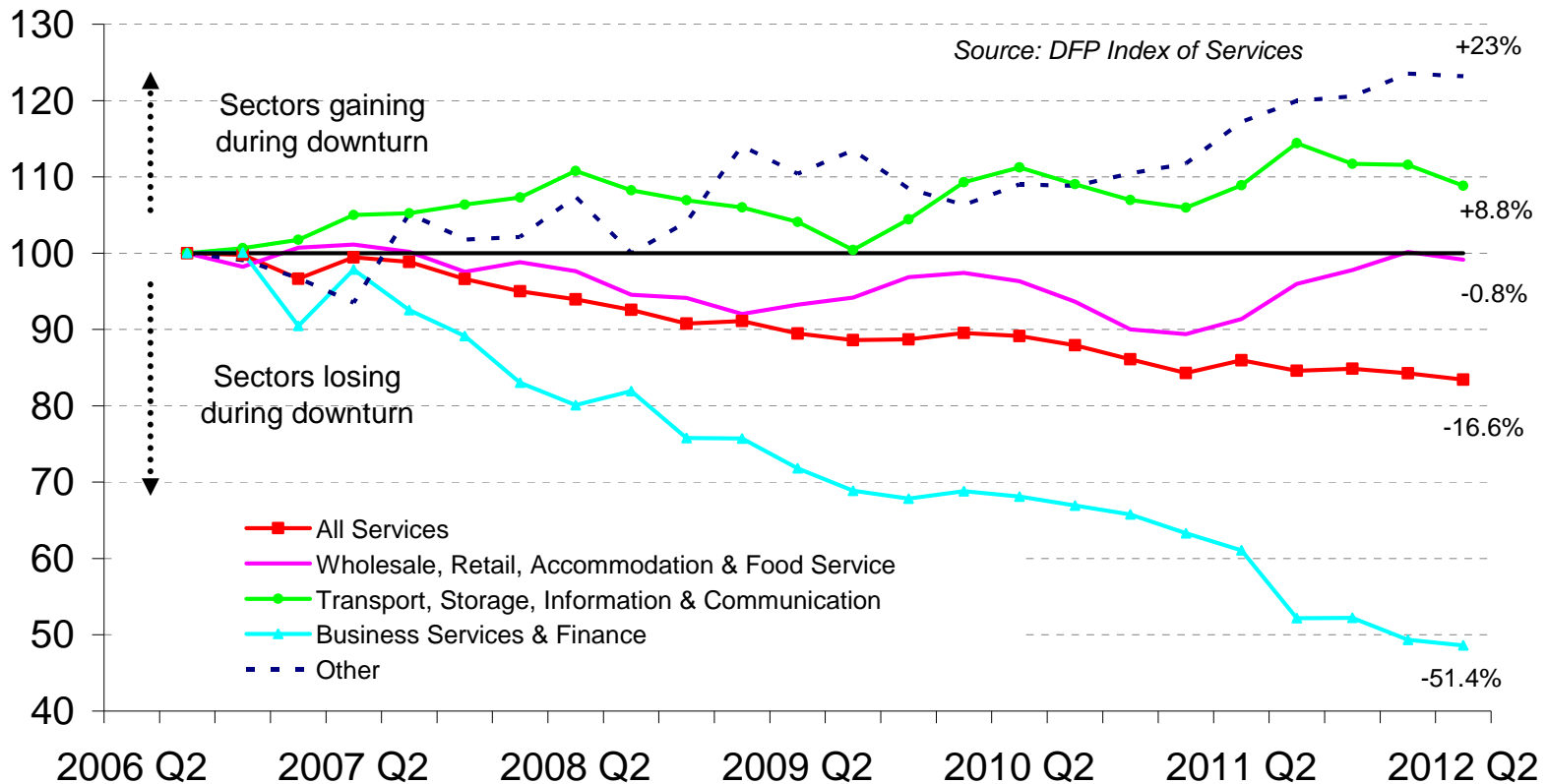


Two service sub-sectors experiencing higher levels of output in Q2 2012 relative to pre-downturn peak

NI Private Sector Services Output Levels

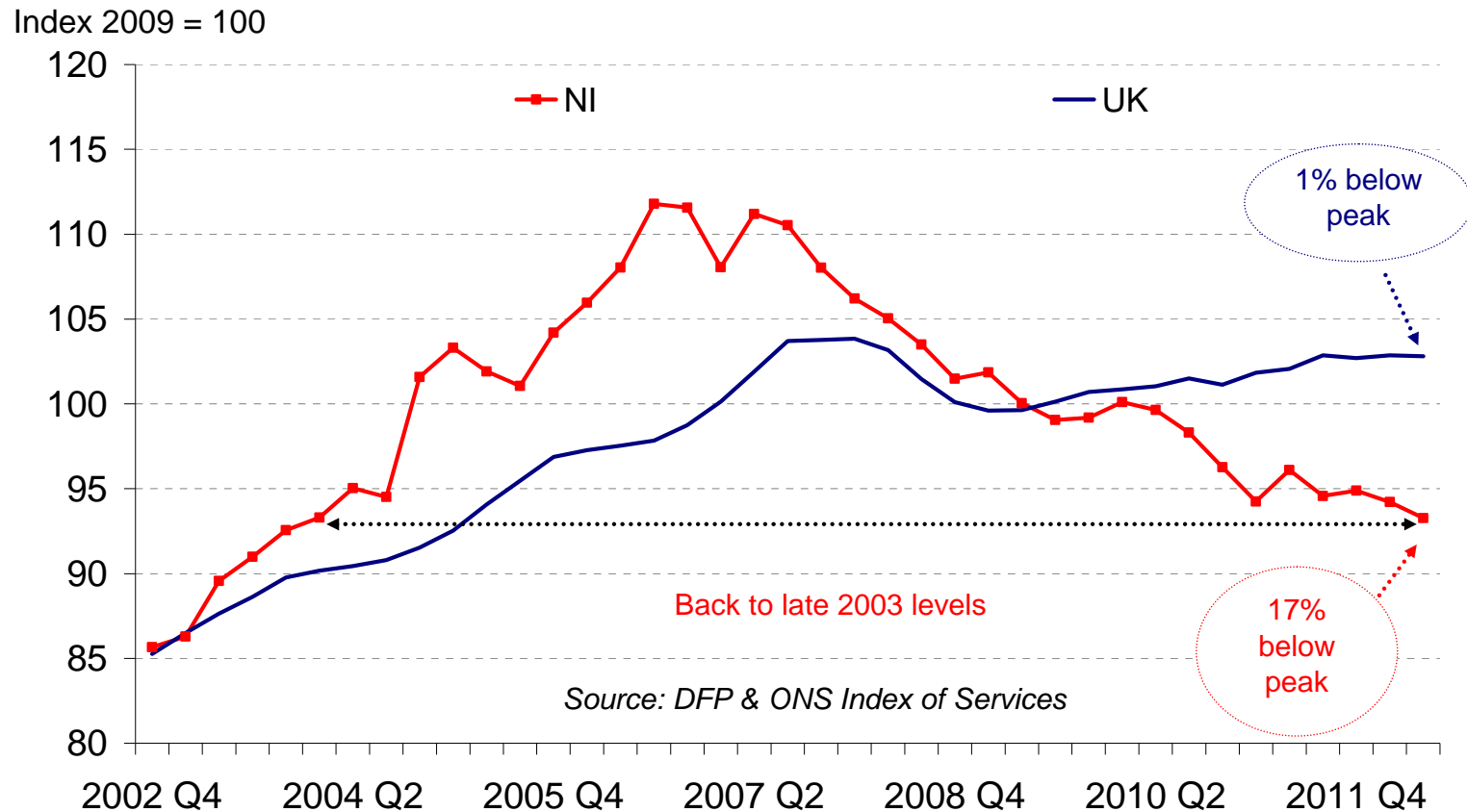
relative to 2006 Q3 private service sector peak

Index 2006 Q3 = 100



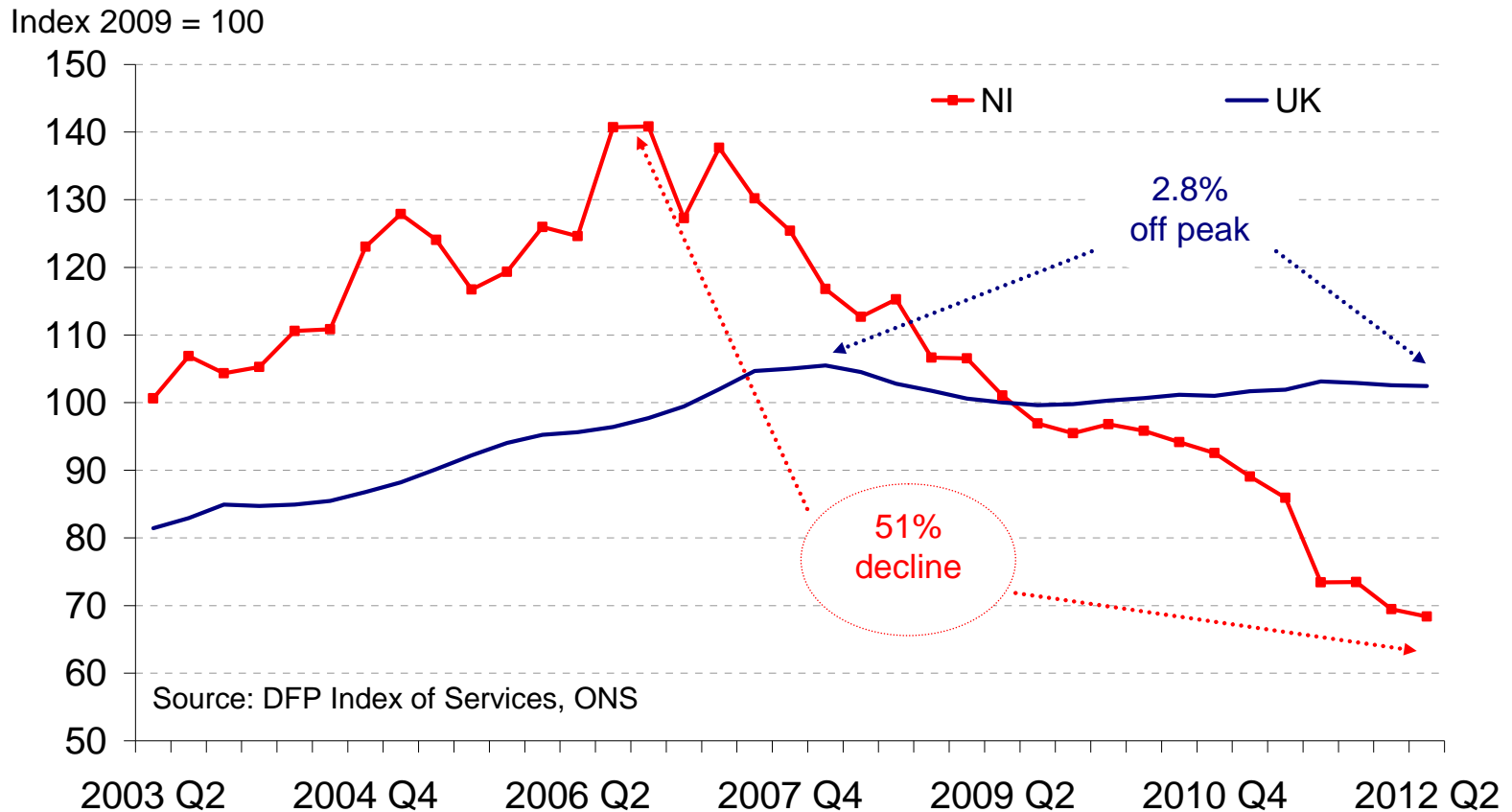
The UK has recouped almost all of the services output that it lost during the downturn whereas NI has regained zero

Private Sector Services Output Levels



NI's Business Services & Finance output has more than halved from its Q3 2006 peak

Business Services & Finance Output Levels

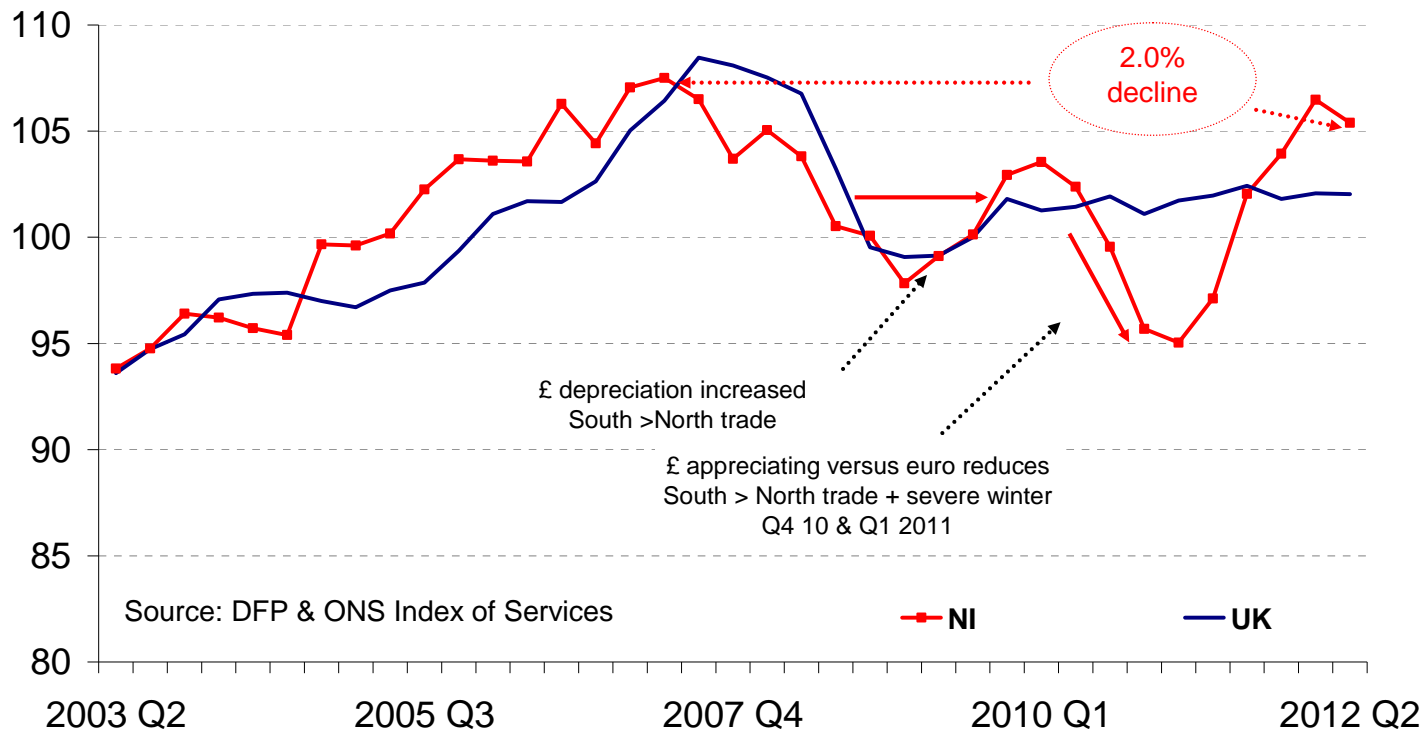


NI's Distribution, Accommodation & Food Services posts strong rebound in H2 2011 (surprising) & Q1 2012

Distribution, Accommodation & Food Services Output

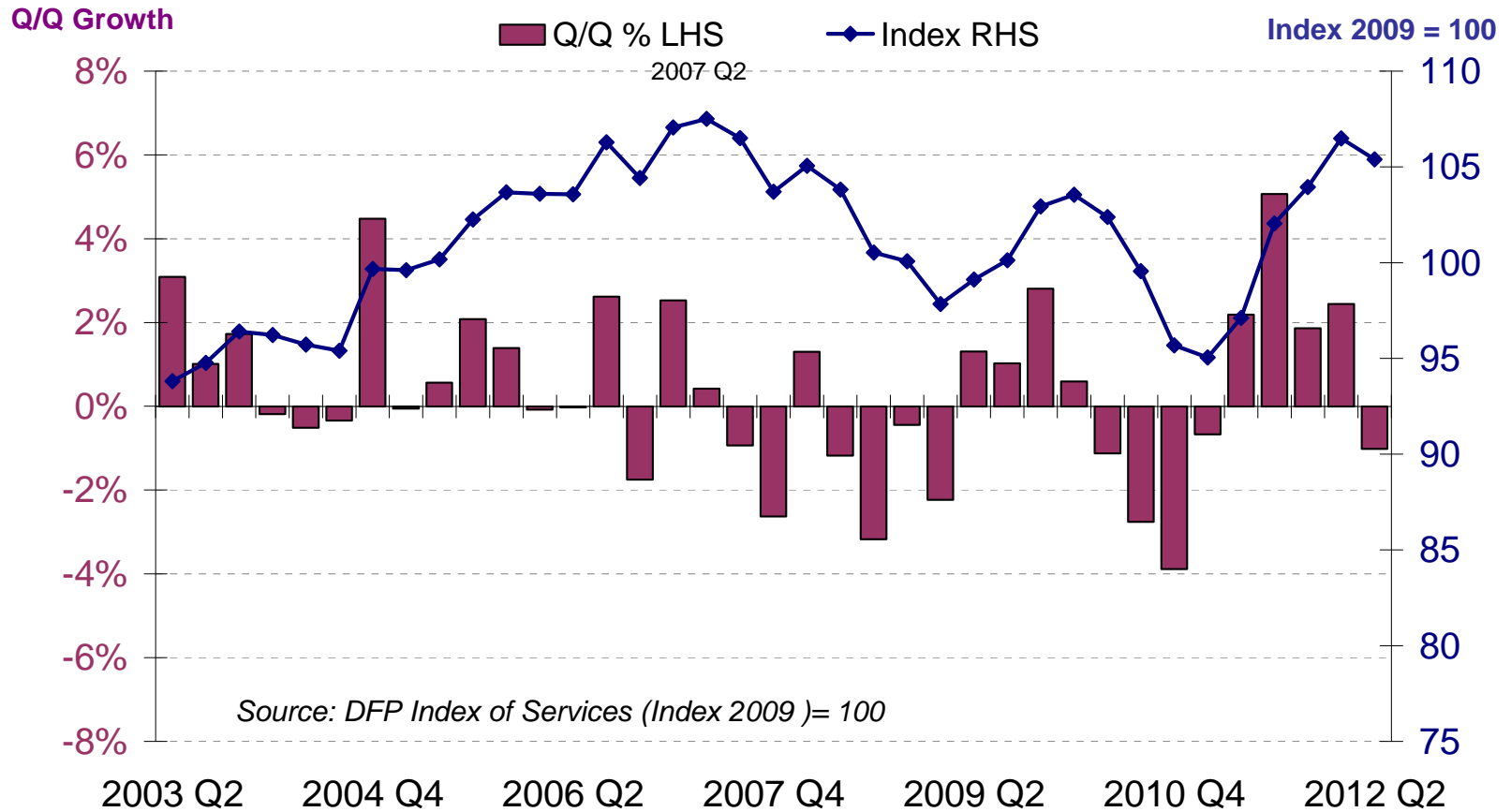
Index 2009 = 100

(includes Retail, Hotels & Restaurants, Car Sales)



The strength of the rebound in this consumer sensitive sector appears odd but has been boosted by tourism industry

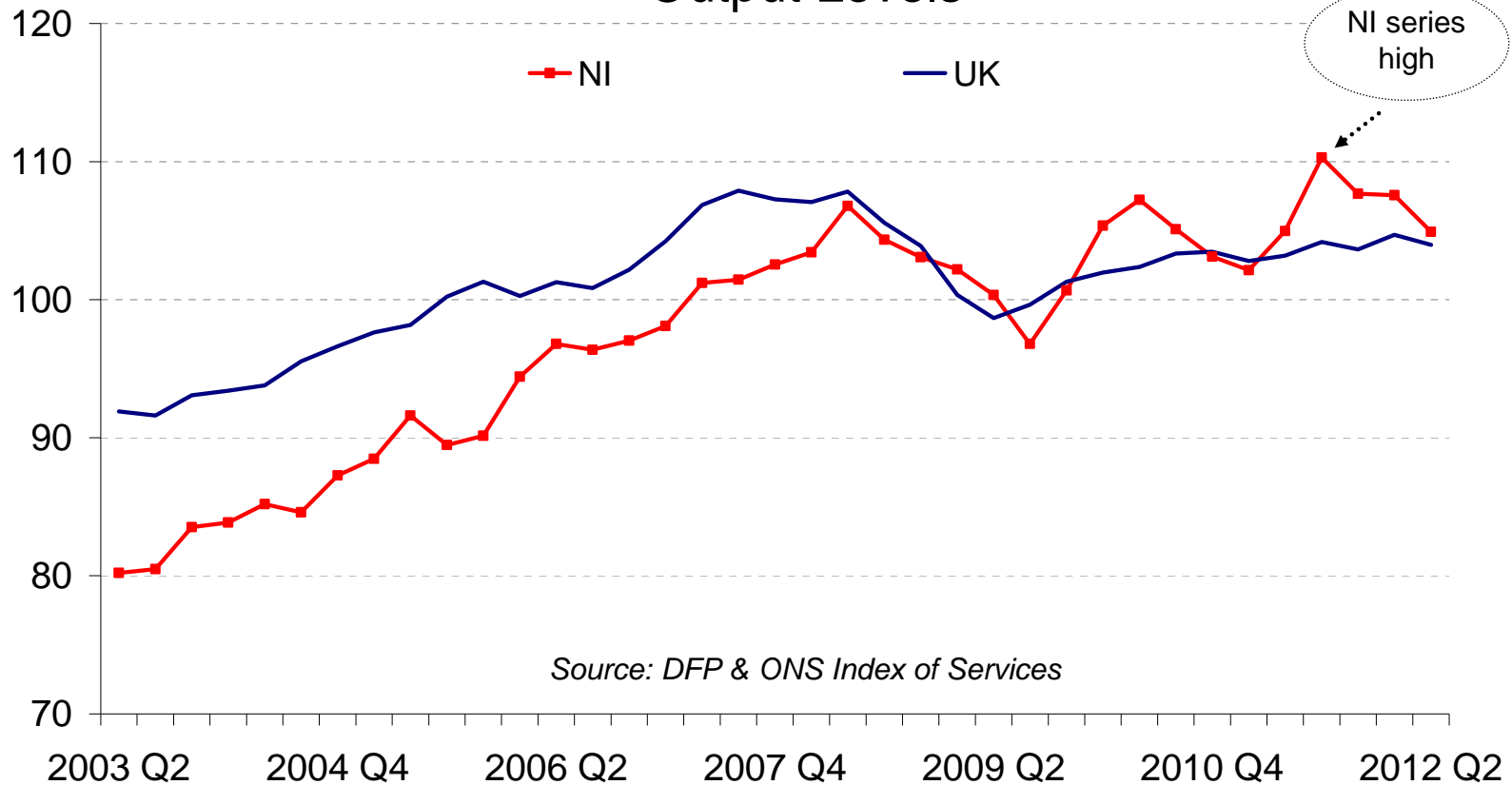
NI Distribution, Accommodation & Food Services



Some NI service sectors have benefited from an uplift in external trade. However, a downward trend is now in train

Transport, Storage, Information & Communication Output Levels

Index 2009 = 100



*Industrial
Production
Output*

Summary Table – NI & UK Industrial Output

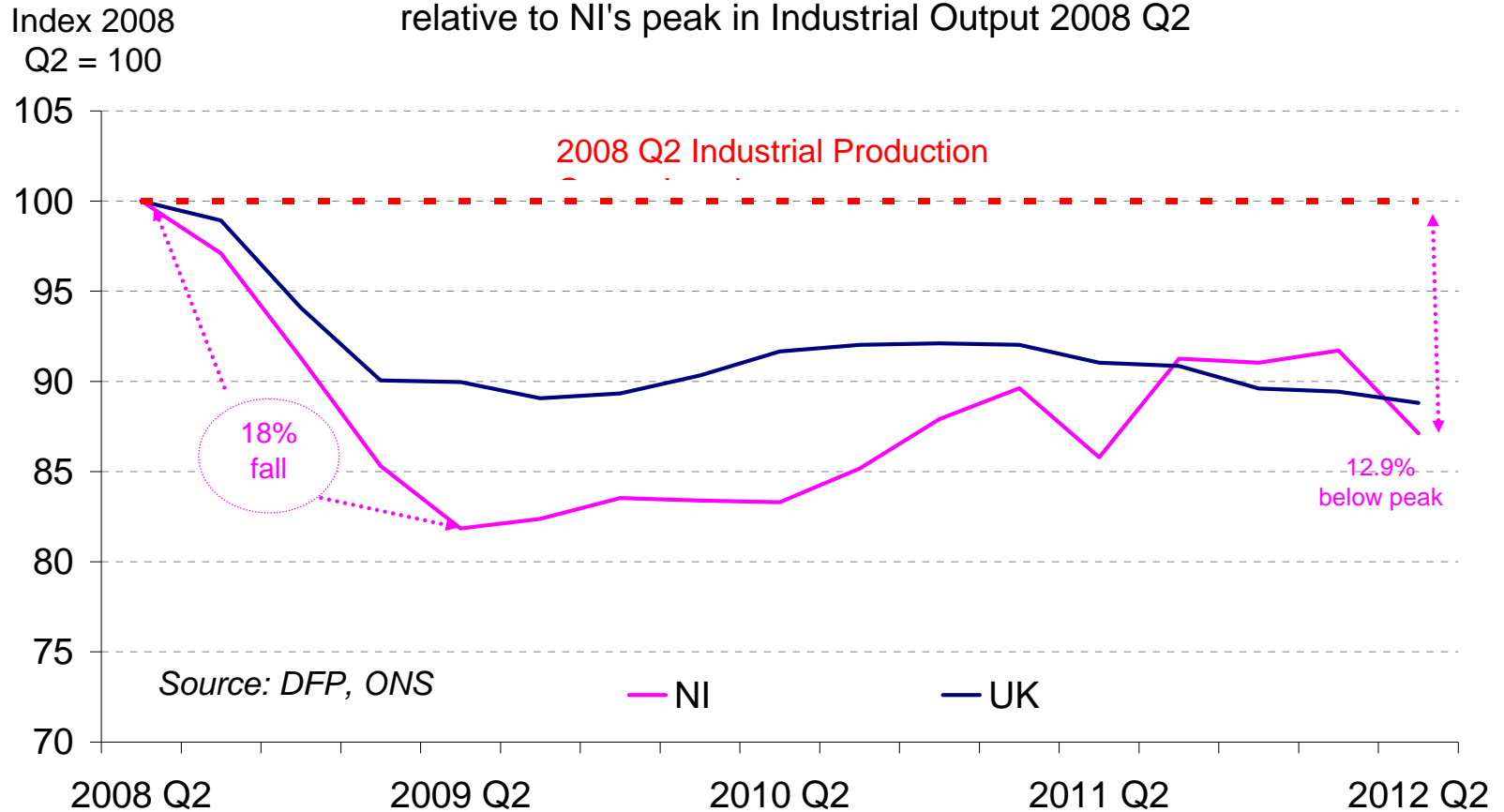
NI & UK Industrial Output

Industrial Production Category (NI Weights in brackets)	Q/Q Change Q2 2012		Y/Y Change Q2 2012		Change since peak* 2008 Q2 - 2012 Q2	
	NI	UK	NI	UK	NI	UK
Manufacturing (weight 83.6%)	-4.6%	-0.8%	1.9%	-2.2%	-15.5%	-7.4%
Electricity, Gas, Steam & Air Conditioning Supply (weight 5.9%)	-9.2%	5.2%	-1.3%	4.2%	-2.4%	-5.0%
Water Supply, Sewerage & Waste Management (weight 7.7%)	-6.7%	-3.2%	0.5%	-1.6%	1.4%	-7.5%
Mining & Quarrying (weight 2.8%)	-2.9%	-3.3%	-2.4%	-9.6%	-22.8%	-33.9%
Total Production	-5.0%	-0.7%	1.6%	-2.5%	-12.9%	-11.2%

Source: ONS & DFP Index of Production, *peak referred to is NI industrial output peak not the UK's which was 2008 Q1

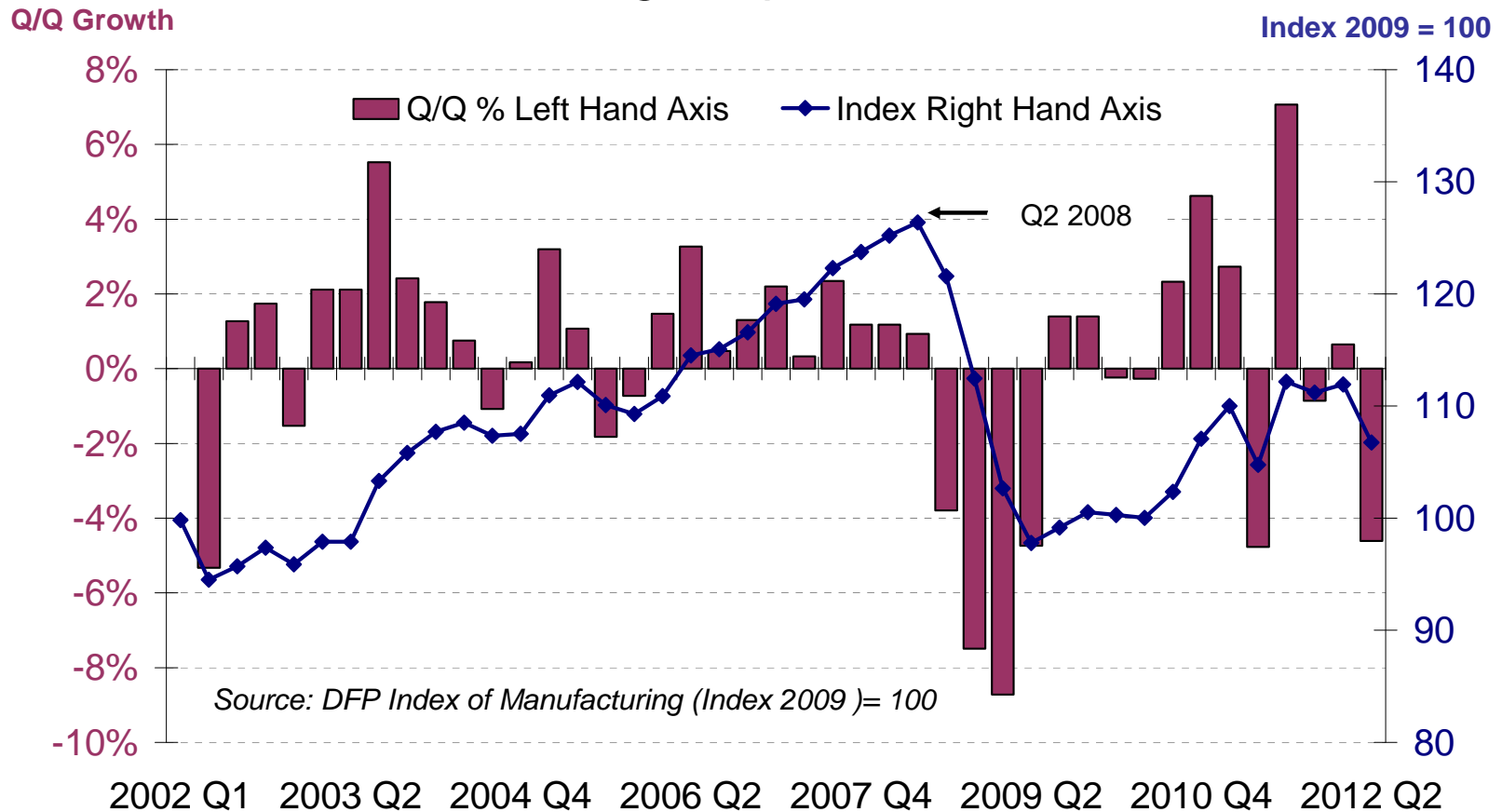
NI has recovered just one third of the industrial output lost during the recession (*UK has recorded 0%*)

NI & UK Industrial Output Levels relative to NI's peak in Industrial Output 2008 Q2



NI manufacturing posts its third quarterly fall in five quarters in Q2 2012

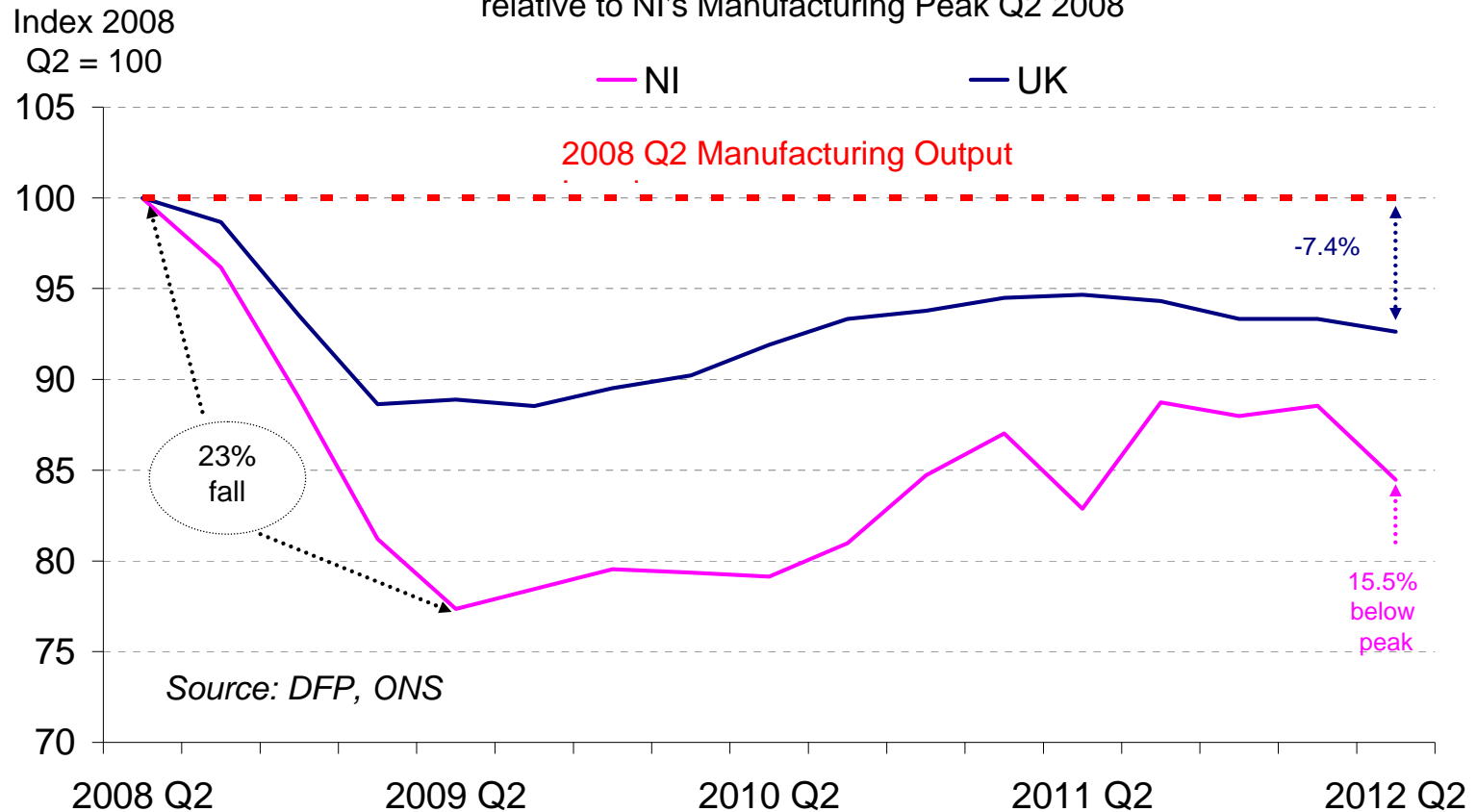
NI Manufacturing Output Levels & Growth



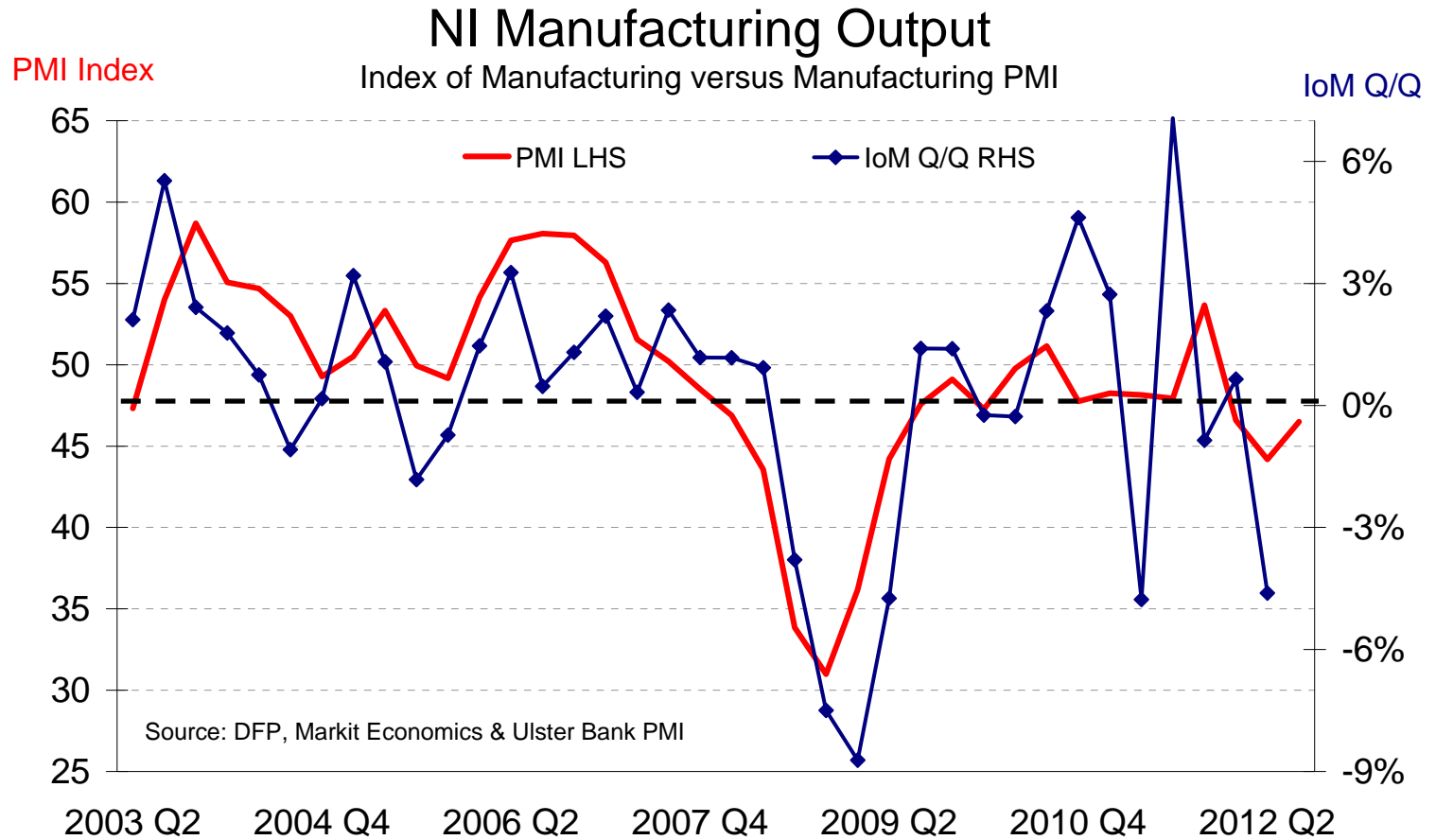
NI manufacturing has recouped less than 1/3rd of the output lost during the recession (*UK just over 1/3rd*)

NI & UK Manufacturing Output Levels

relative to NI's Manufacturing Peak Q2 2008



Manufacturing output falling much faster in Q2 2012 than suggested by the PMI



Summary Table - Manufacturing Output by Sub-sector

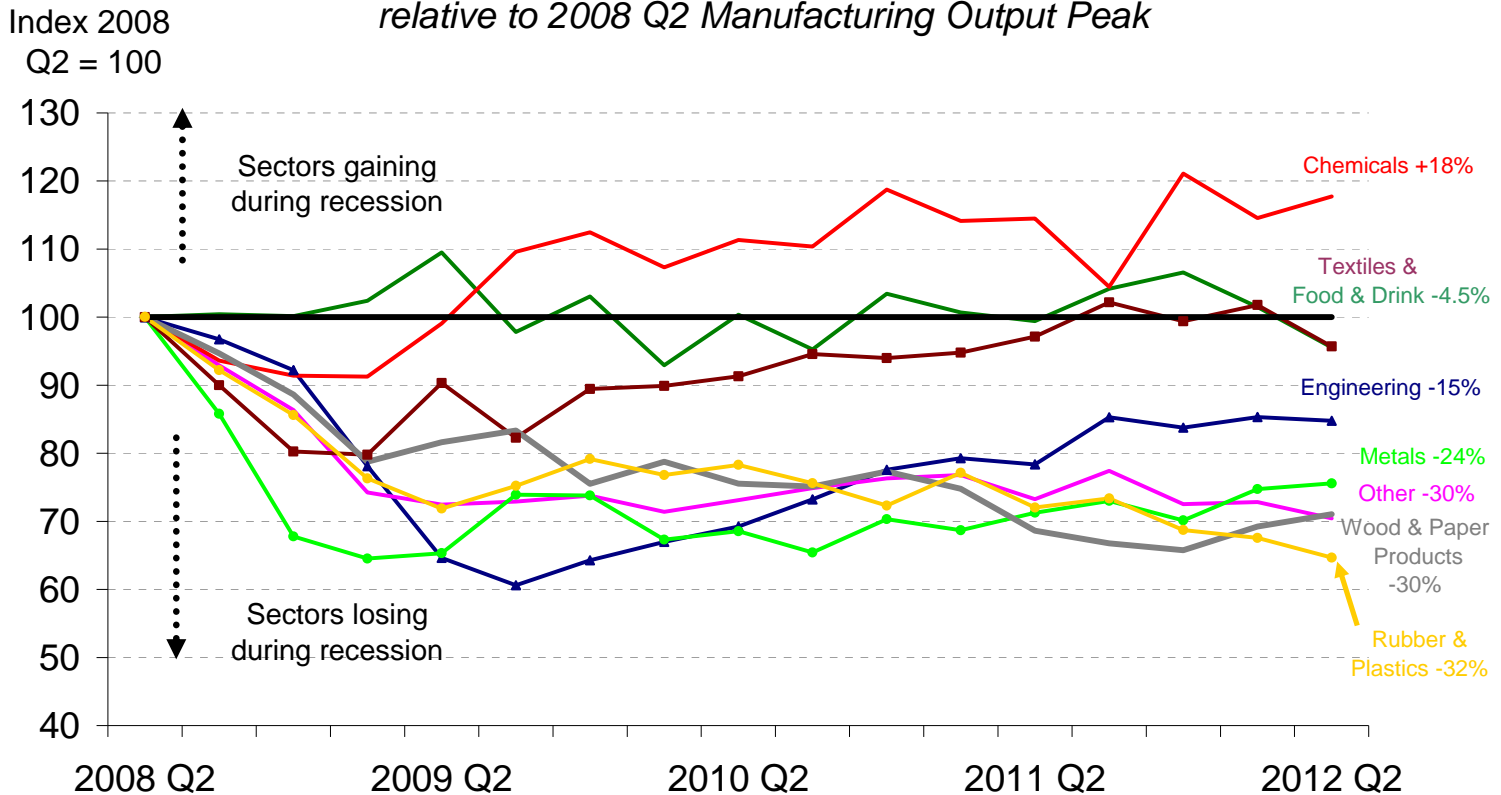
NI & UK Manufacturing Output by Sub-sector

Manufacturing Category (NI Weights in brackets)	Q/Q Change Q2 2012		Y/Y Change Q2 2012		Change since peak* 2008 Q2 - 2012 Q2	
	NI	UK	NI	UK	NI	UK
Engineering & Allied Industries <i>(weight 24.0%)</i>	-0.7%	2.2%	8.2%	4.7%	-15.3%	4.7%
Total Other Manufacturing <i>(weight 22.9%)</i>	-3.3%	-4.0%	-3.9%	-5.6%	-29.5%	-17.2%
Basic & Fabricated Metal Products <i>(weight 14.3%)</i>	1.1%	-0.9%	6.1%	-1.1%	-24.4%	-16.8%
Food Products, Beverages & Tobacco <i>(weight 13.9%)</i>	-5.8%	-0.3%	-3.9%	-3.7%	-4.4%	5.4%
Rubber, Plastics & Non-metallic Mineral Products <i>(weight 8.7%)</i>	-4.3%	-2.1%	-10.2%	-5.8%	-35.3%	-21.2%
Manufacture of Chemical & Chemical Products <i>(weight 5.2%)</i>	2.8%	-4.8%	2.8%	-8.3%	17.7%	-21.2%
Textiles, Leather & Related Products <i>(weight 3.4%)</i>	-6.0%	-0.4%	-1.5%	-5.0%	-4.3%	-8.1%
Total Manufacturing	-4.6%	-0.8%	1.9%	-2.2%	-15.5%	-7.4%

Source: ONS & DFP Index of Production, *peak referred to is NI industrial output peak not the UK's which was 2008 Q1

Now only 1 sector posted higher output levels in 2012 Q2 relative to the pre-downturn manufacturing peak

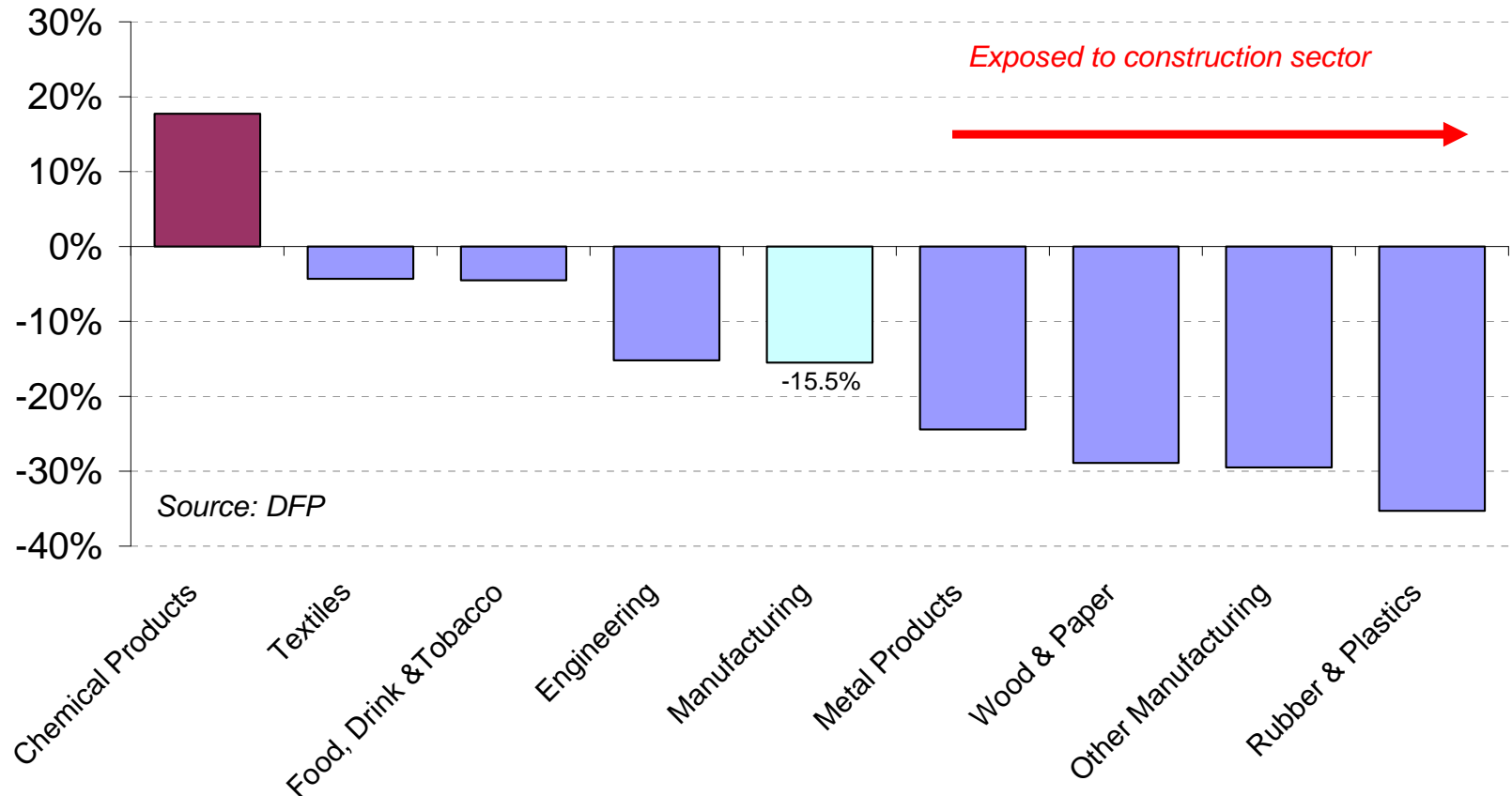
Northern Ireland Manufacturing Output Levels relative to 2008 Q2 Manufacturing Output Peak



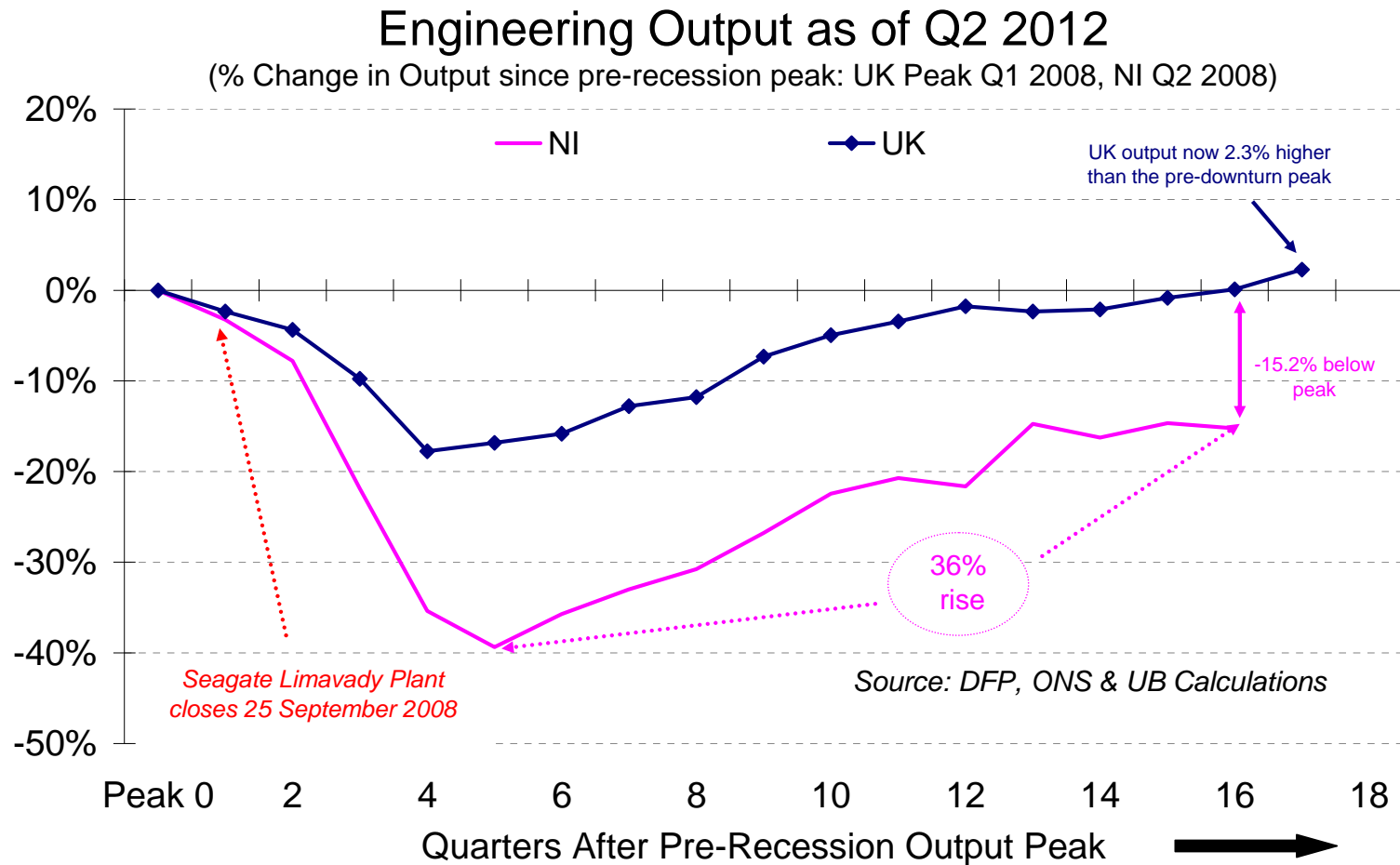
Those sectors exposed to construction industry (NI, UK & RoI) remain the furthest below their pre-recession peaks

NI Manufacturing Output

Q2 2012 Relative to 2008 Q2 Peak



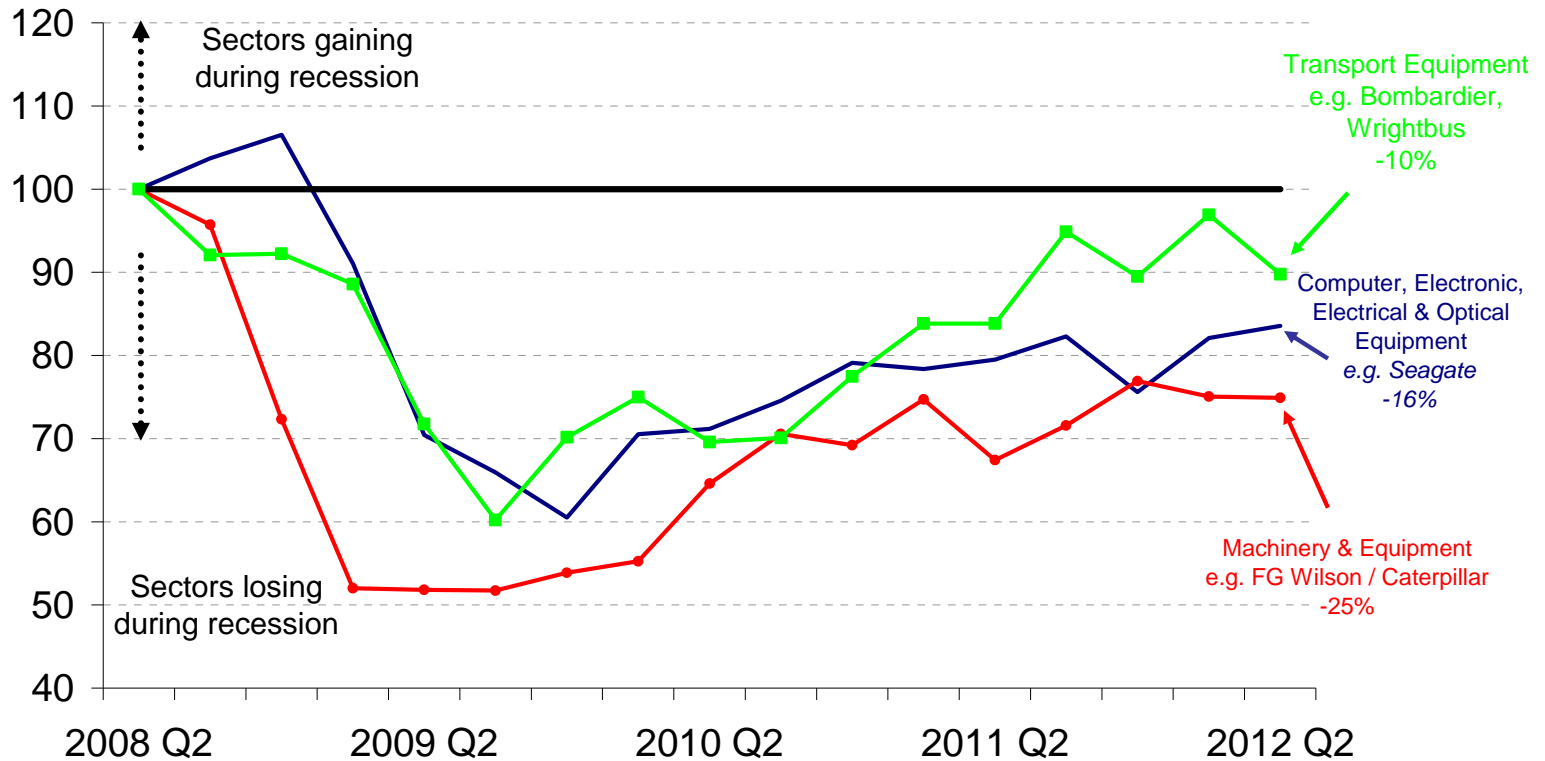
UK engineering output is now higher than it was before the downturn whereas NI's is still 15% lower



Within engineering, the Transport Equipment sector is now 10% below its pre-recession peak

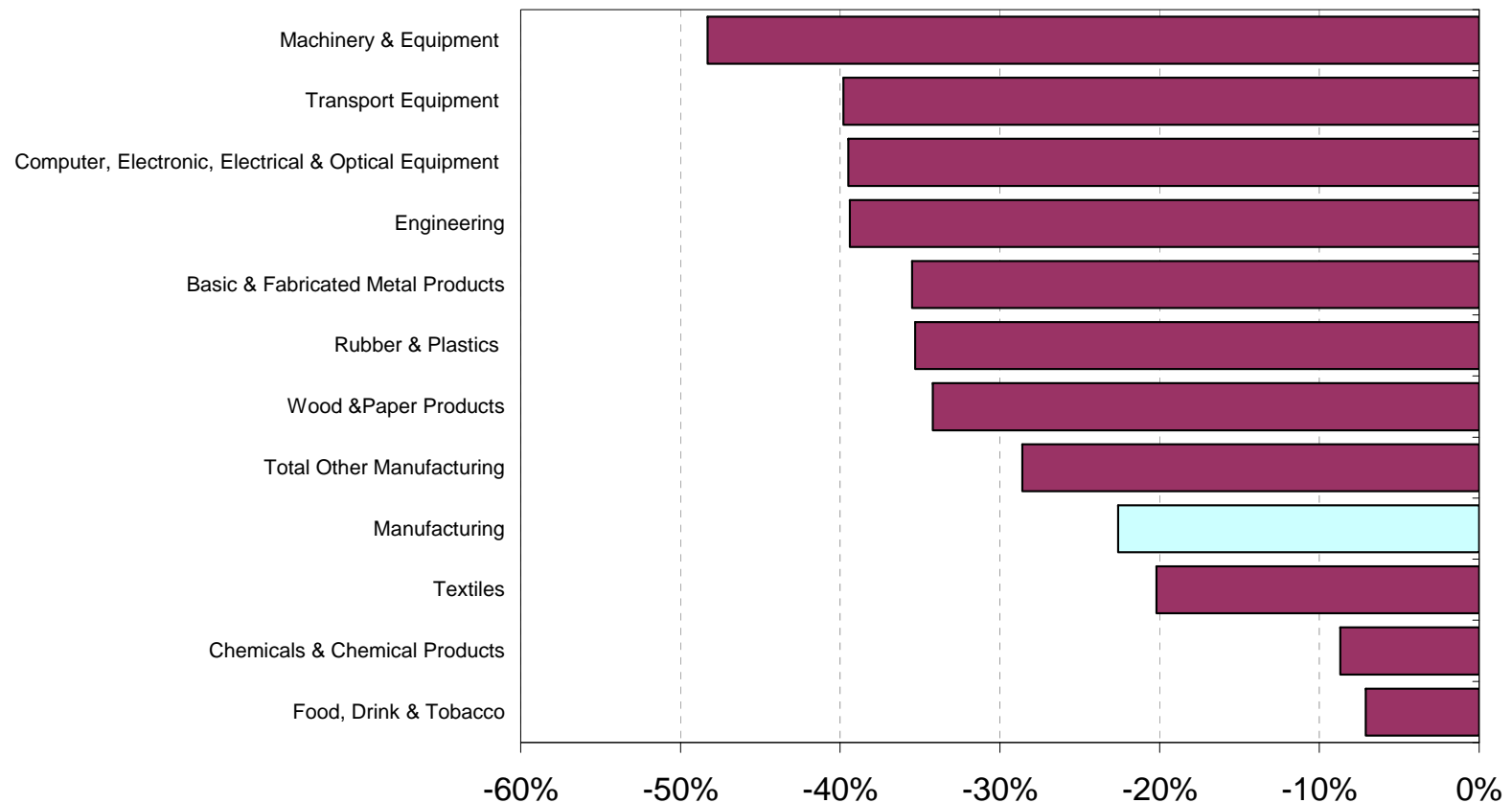
NI Engineering Output Levels relative to 2008 Q2 Manufacturing Peak

Index Q2 2008 = 100



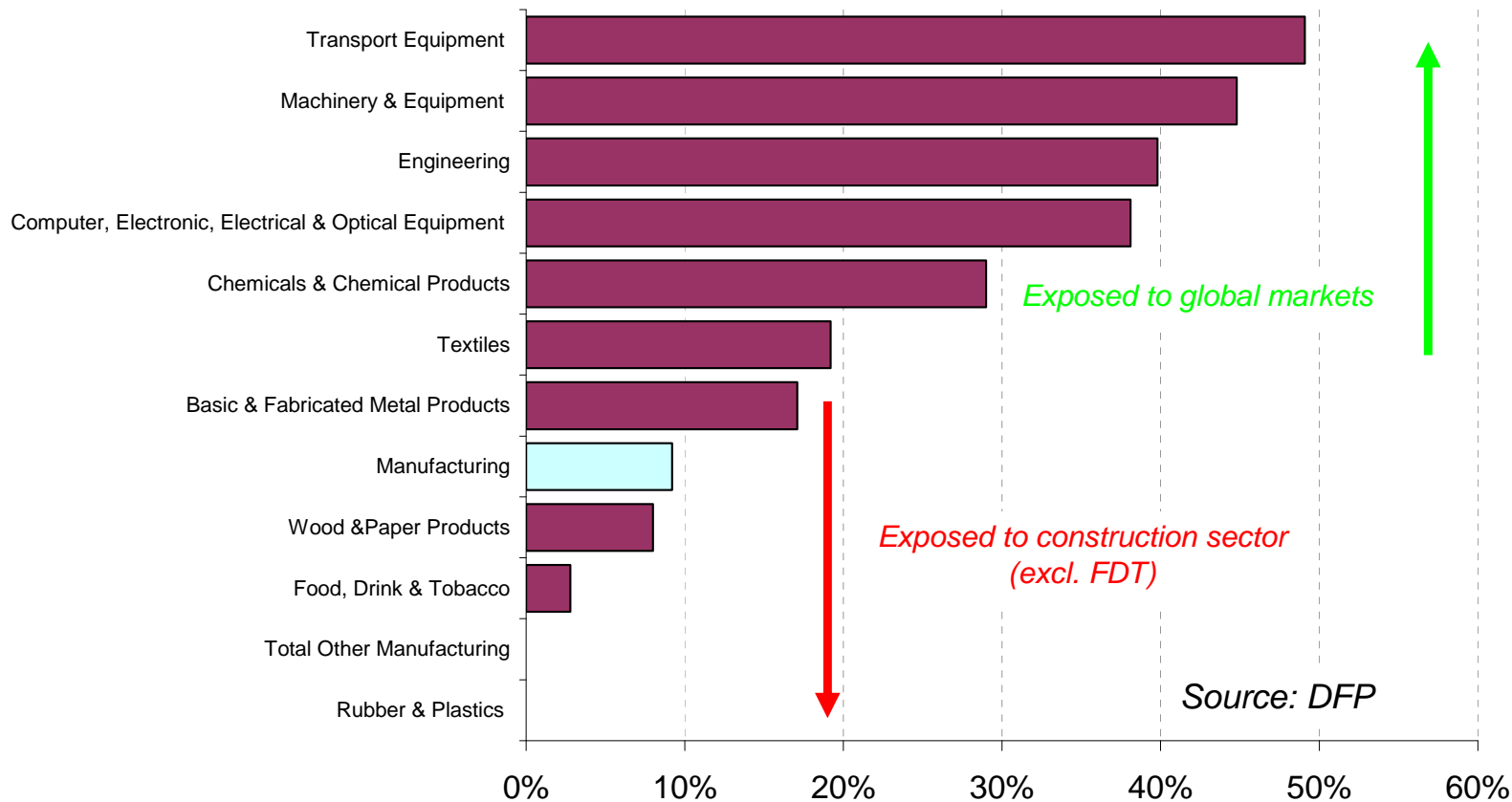
Biggest fallers within manufacturing.....

Peak to Trough Fall in Output relative to 2008 Q2 peak



...have become biggest gainers from global recovery

Recovery in NI Manufacturing Output Since Trough as of 2012 Q2



Construction Output

Summary Table - Construction Output

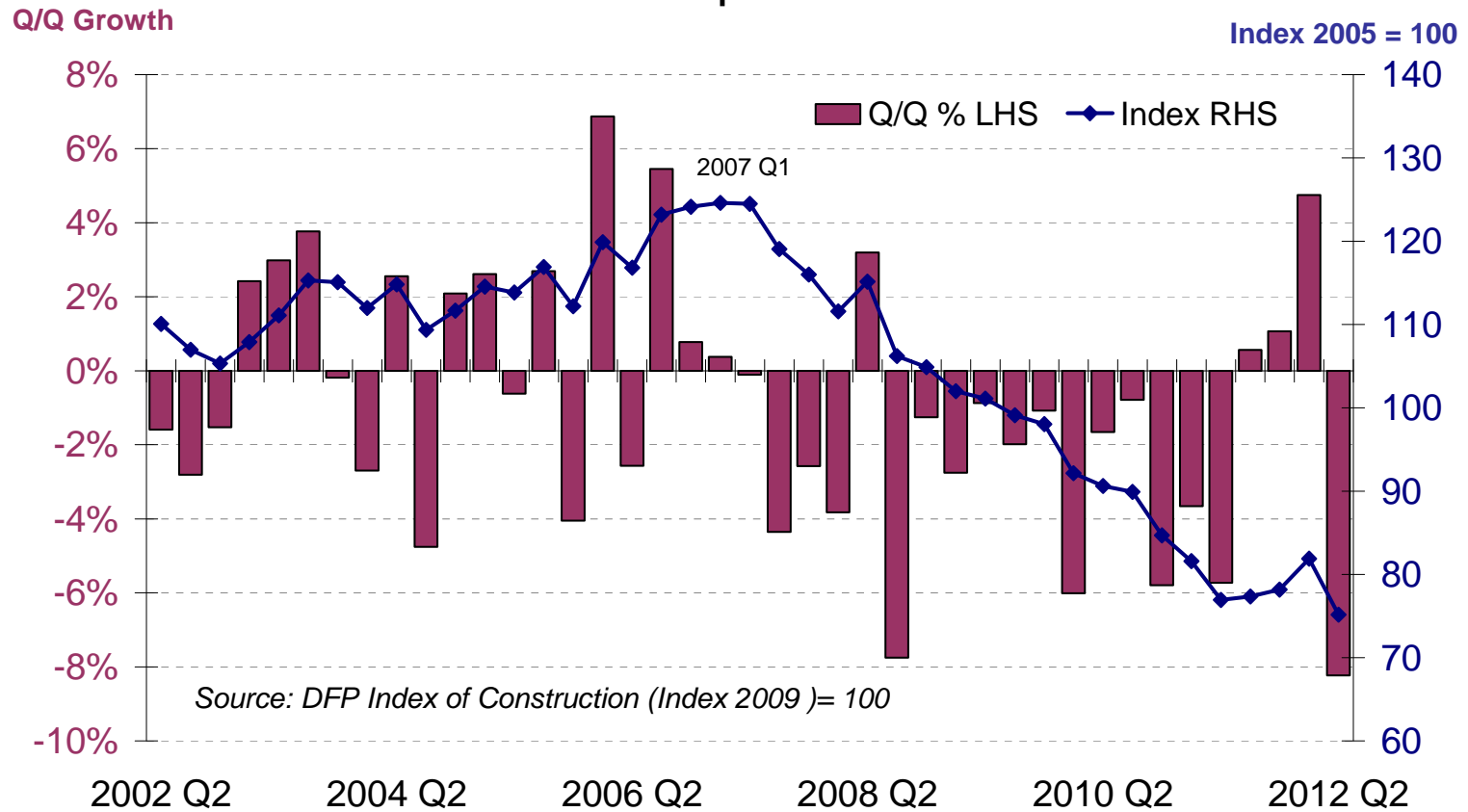
NI & GB Construction Output

Construction Sub-Sector Category	Quarterly Change Q2 2012		Year-on-Year Change Q2 2012		Change since NI construction peak Q1 2007 - Q2 2012	
	NI	GB	NI	GB	NI	GB
Housing	-10.3%	-8.0%	-18.1%	-11.2%	-62.4%	-32.1%
Infrastructure	-25.1%	N.A	14.5%	N.A	8.0%	N.A
Repair & Maintenance	-3.5%	-2.7%	-1.8%	-2.8%	9.2%	-11.8%
Other (e.g. commercial & industrial)	-1.7%	-1.7%	3.6%	-9.6%	-31.2%	-18.5%
New Work	-7.1%	-4.6%	-2.2%	-12.8%	-47.9%	-17.3%
Total Construction	-8.3%	-3.9%	-2.3%	-9.5%	-39.7%	-15.5%

Source: DFP Construction Bulletin & ONS, ONS presents data as Great Britain (GB) not UK

NI's construction sector posts its steepest quarterly decline in Q2 2012 since the recession began

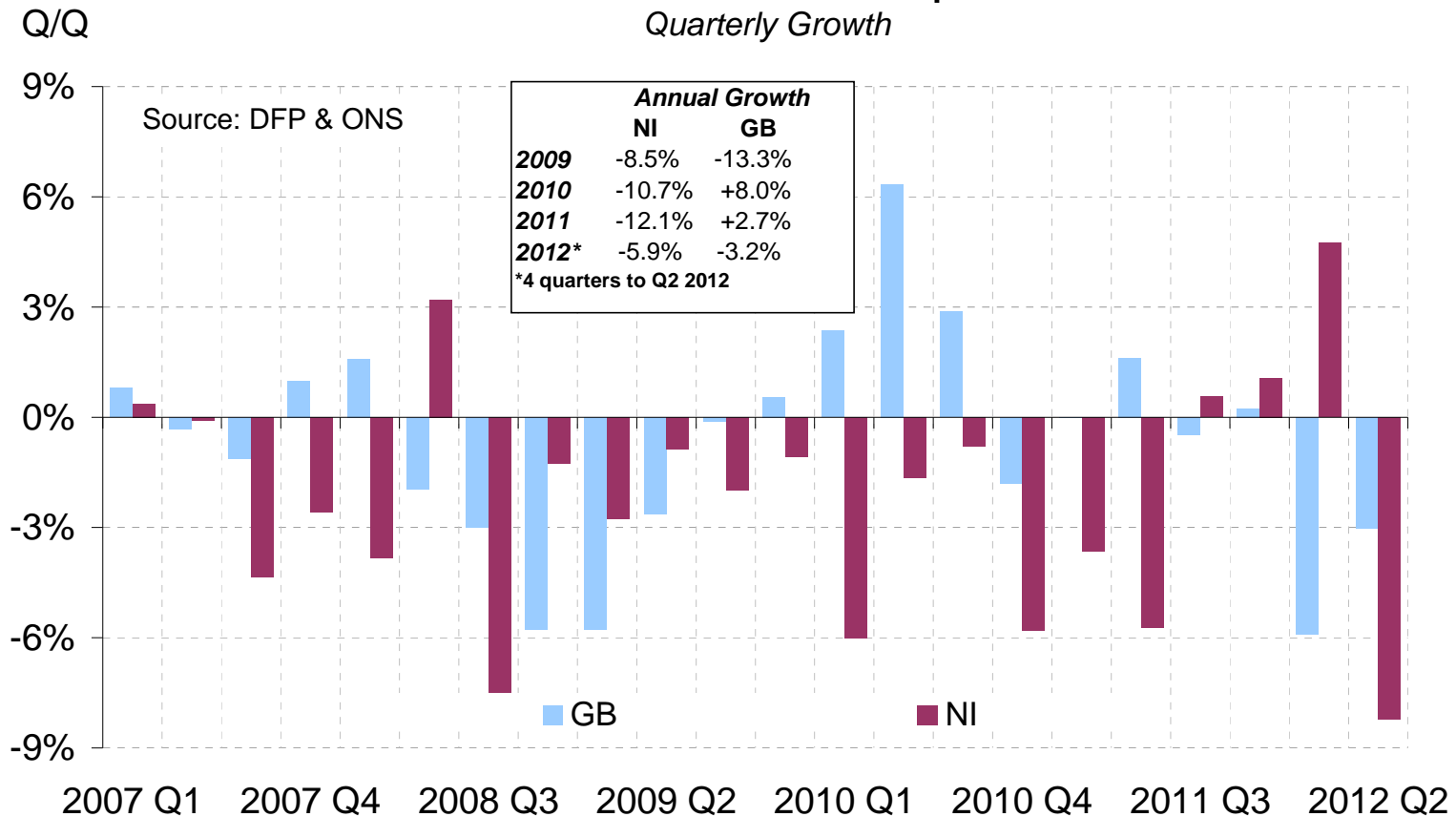
NI Construction Output Levels & Growth



NI's construction sector posted its steepest quarterly decline of the downturn & 2.5 times the fall recorded in GB

Construction Output

Quarterly Growth

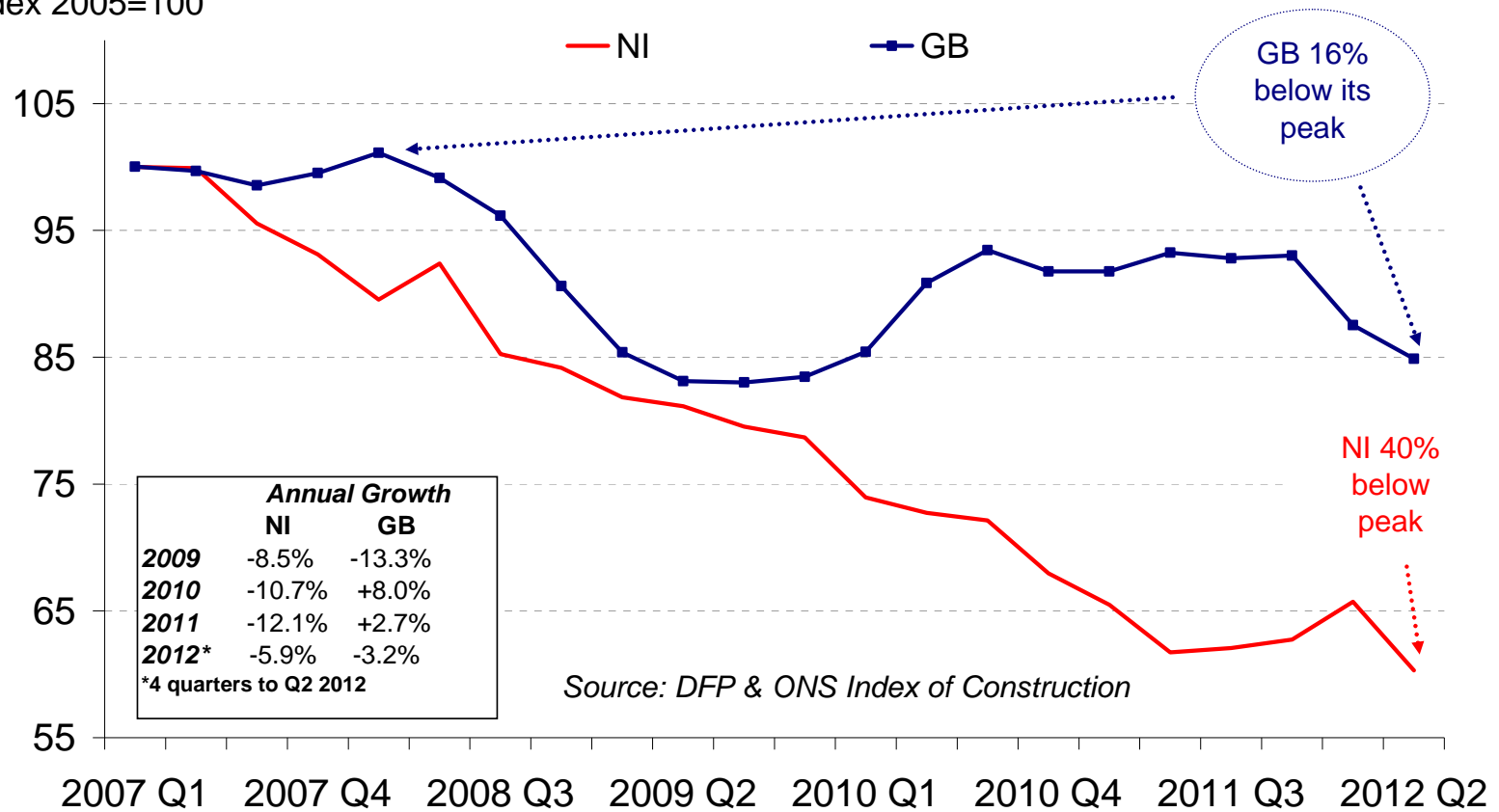


... and NI's output in Q2 2012 is now some 40% below its Q1 2007 peak

Levels of Construction Output

Relative to NI's Peak (Q1 2007)

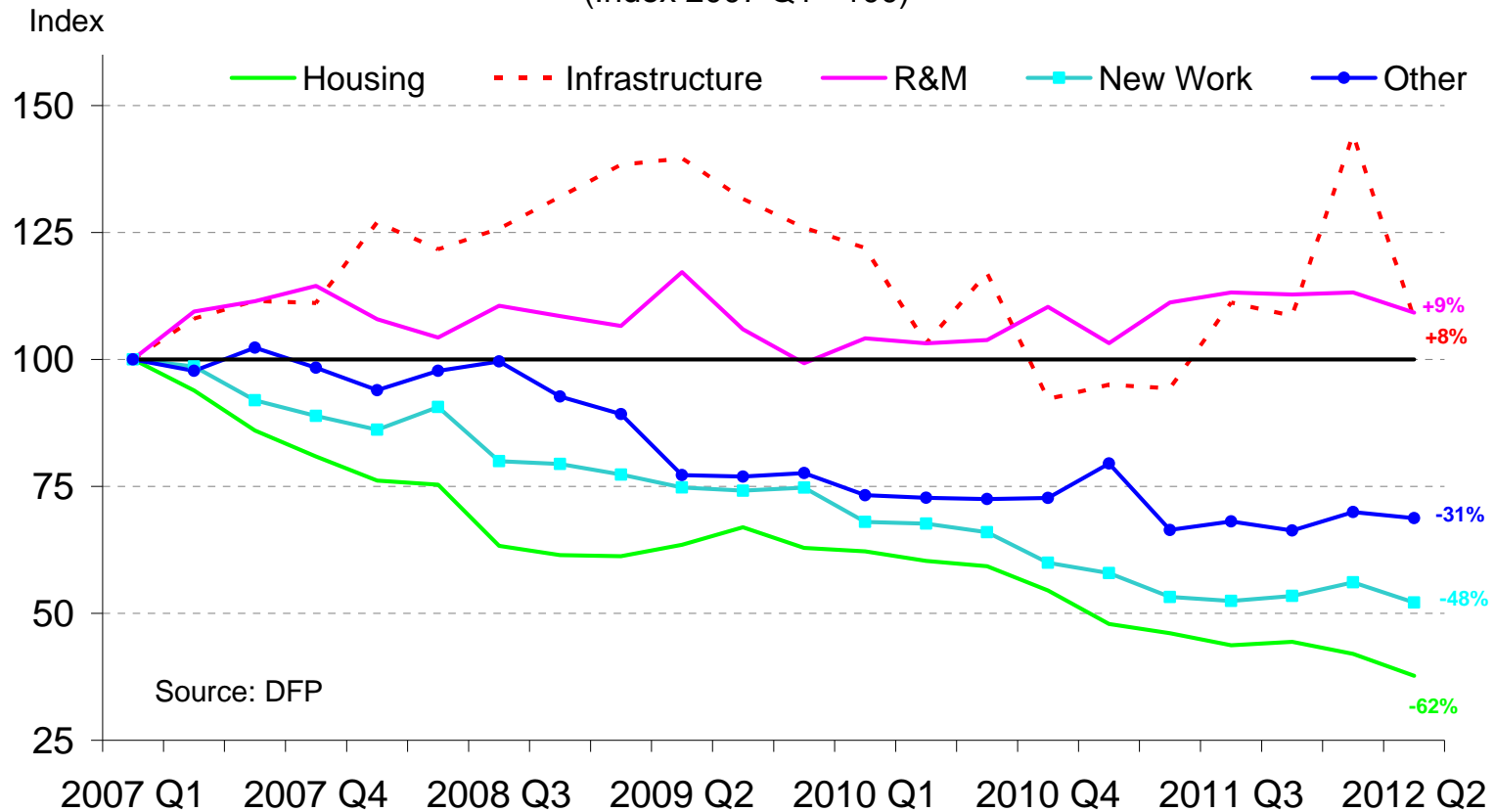
Index 2005=100



NI's construction downturn would have been worse without public spending (*Infrastructure and Repair & Maintenance*)

NI Construction Output Levels Relative to 2007 Peak

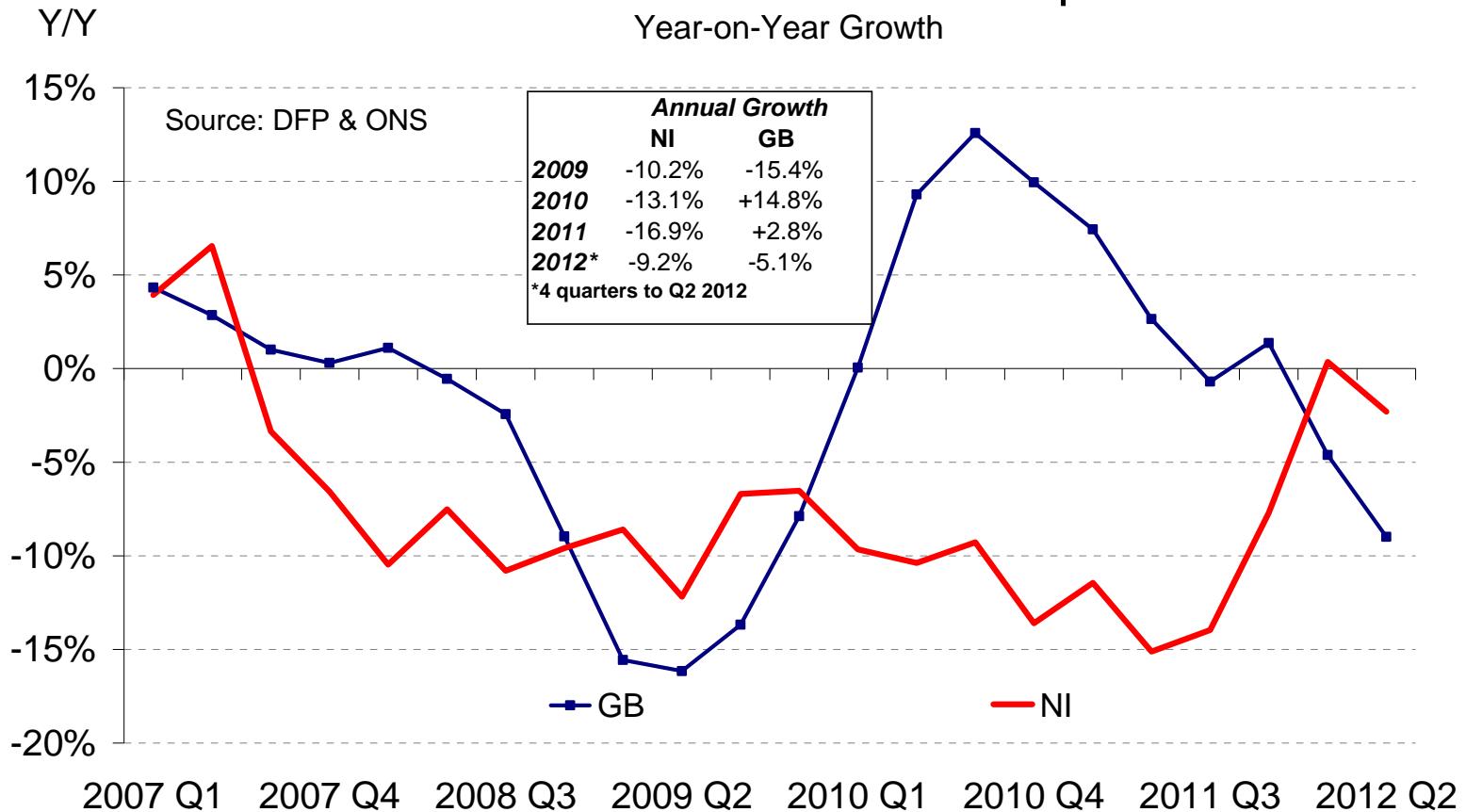
(Index 2007 Q1 =100)



GB construction sector recovery has faltered in 2012 after growth in 2010 & 2011

NI & GB Construction Output

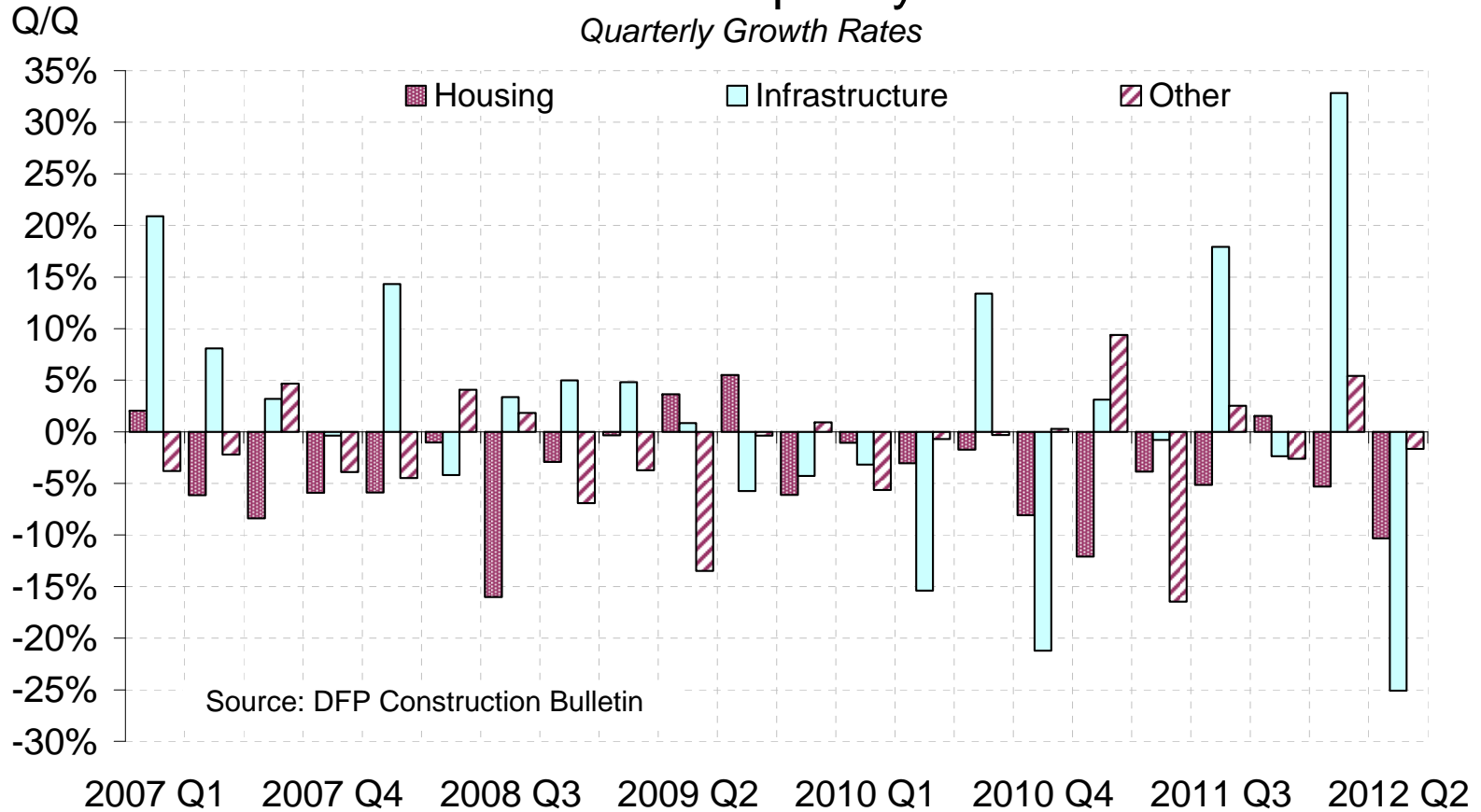
Year-on-Year Growth



All 3 main construction indicators post a quarterly decline

NI Construction Output by Sub-Sector

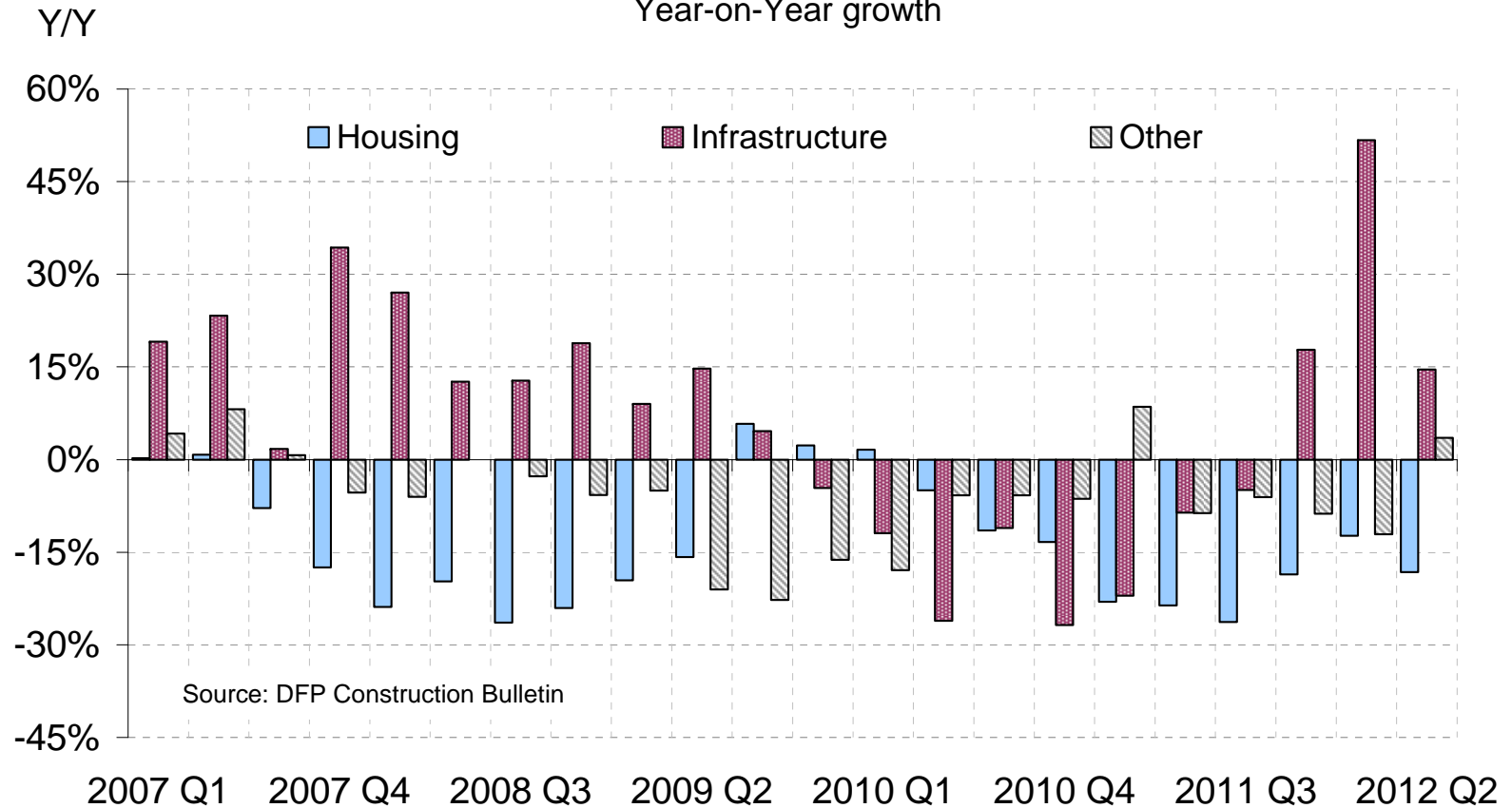
Quarterly Growth Rates



Housing output is still falling year-on-year

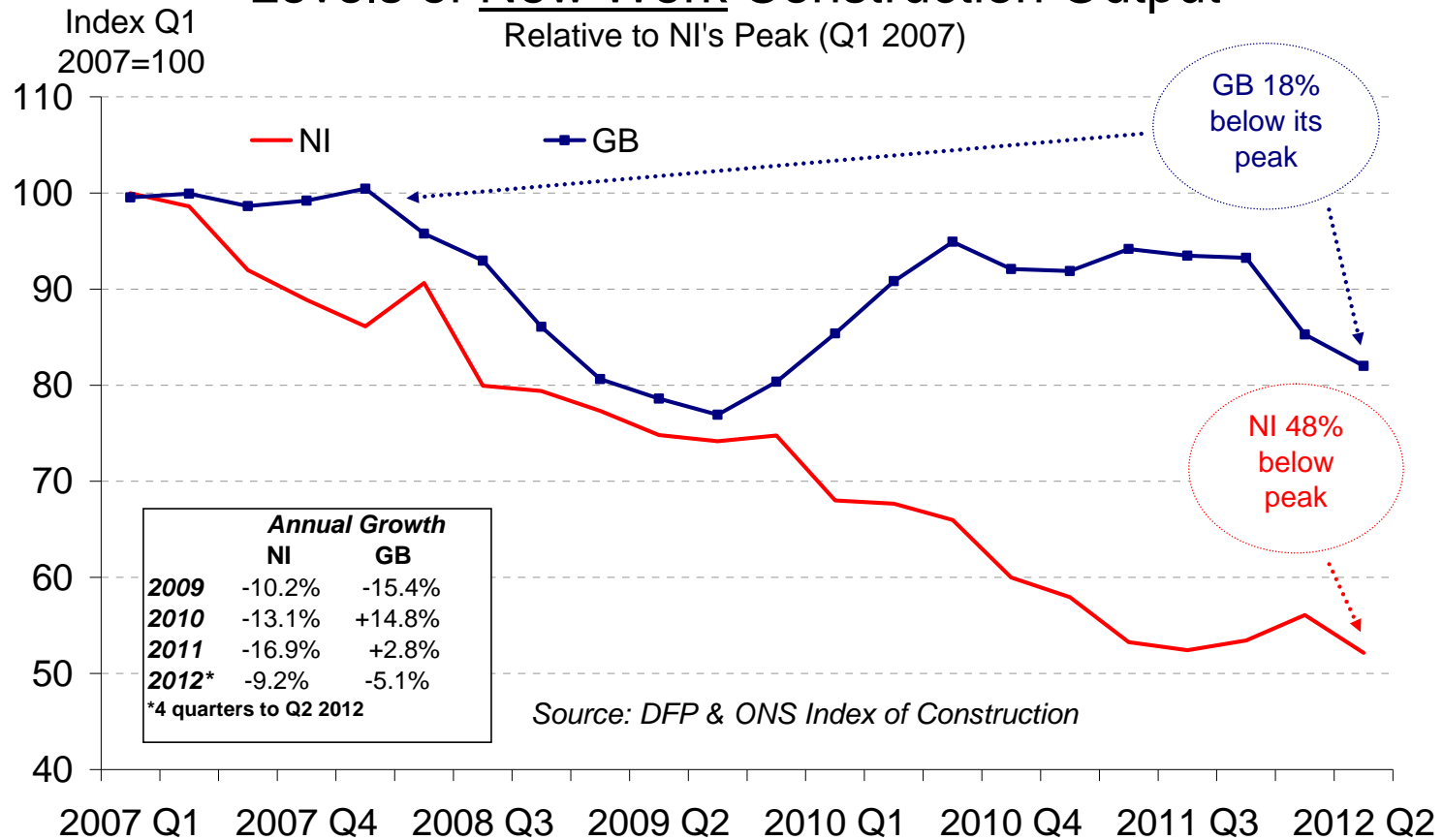
NI Construction Output by Sub-Sector

Year-on-Year growth

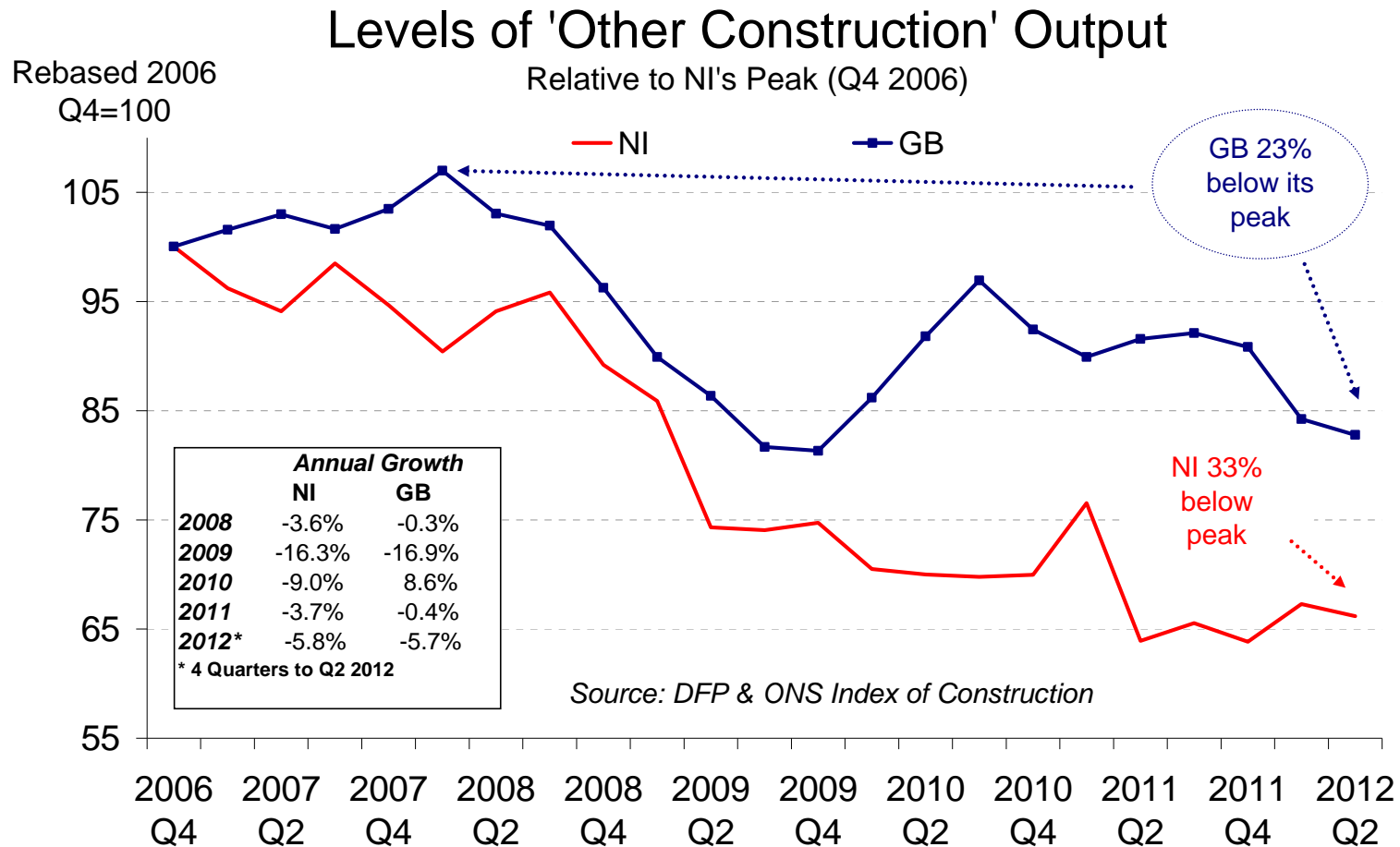


Forward looking indicators (*New Work*) highlight that a meaningful construction recovery is not imminent

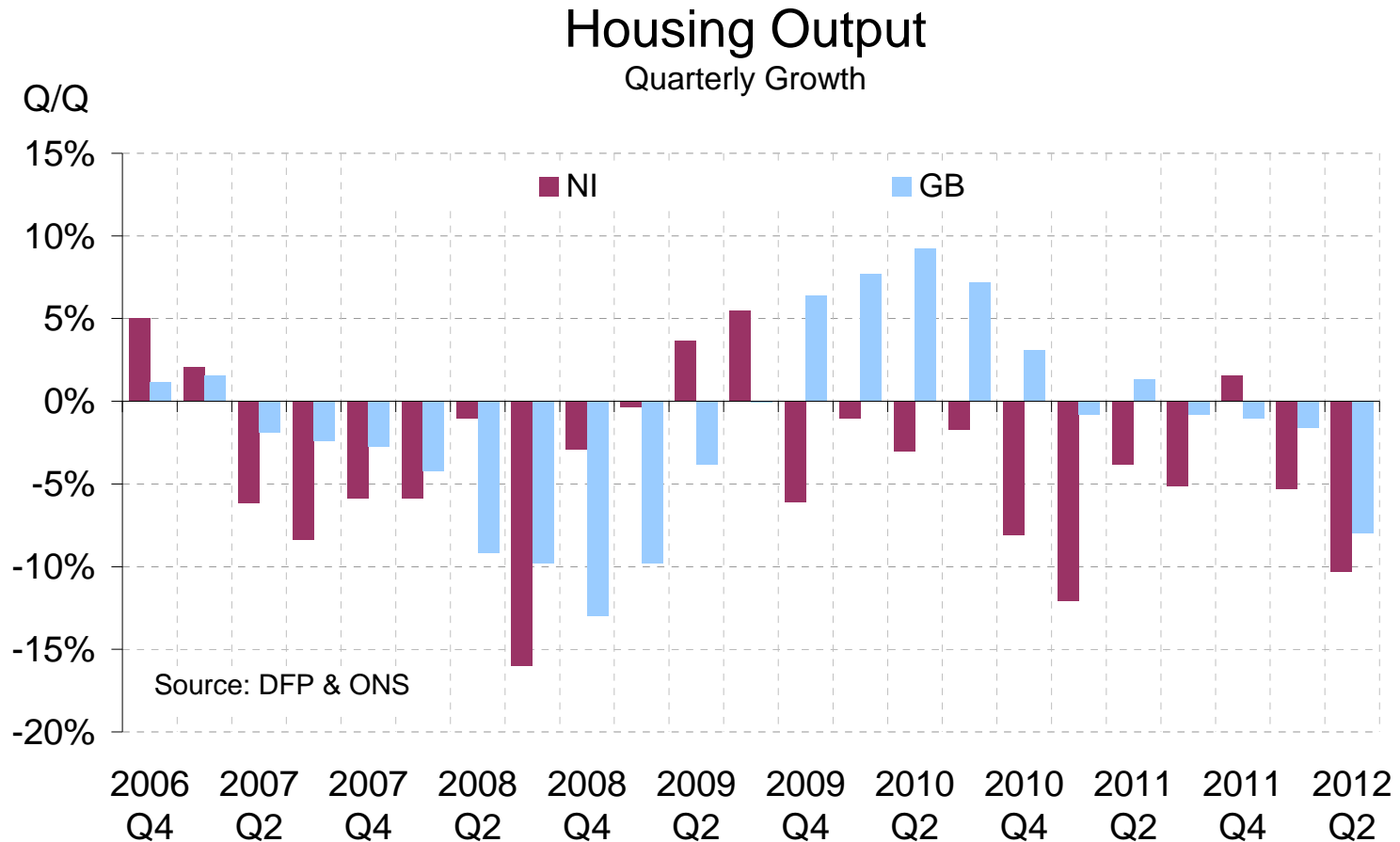
Levels of New Work Construction Output



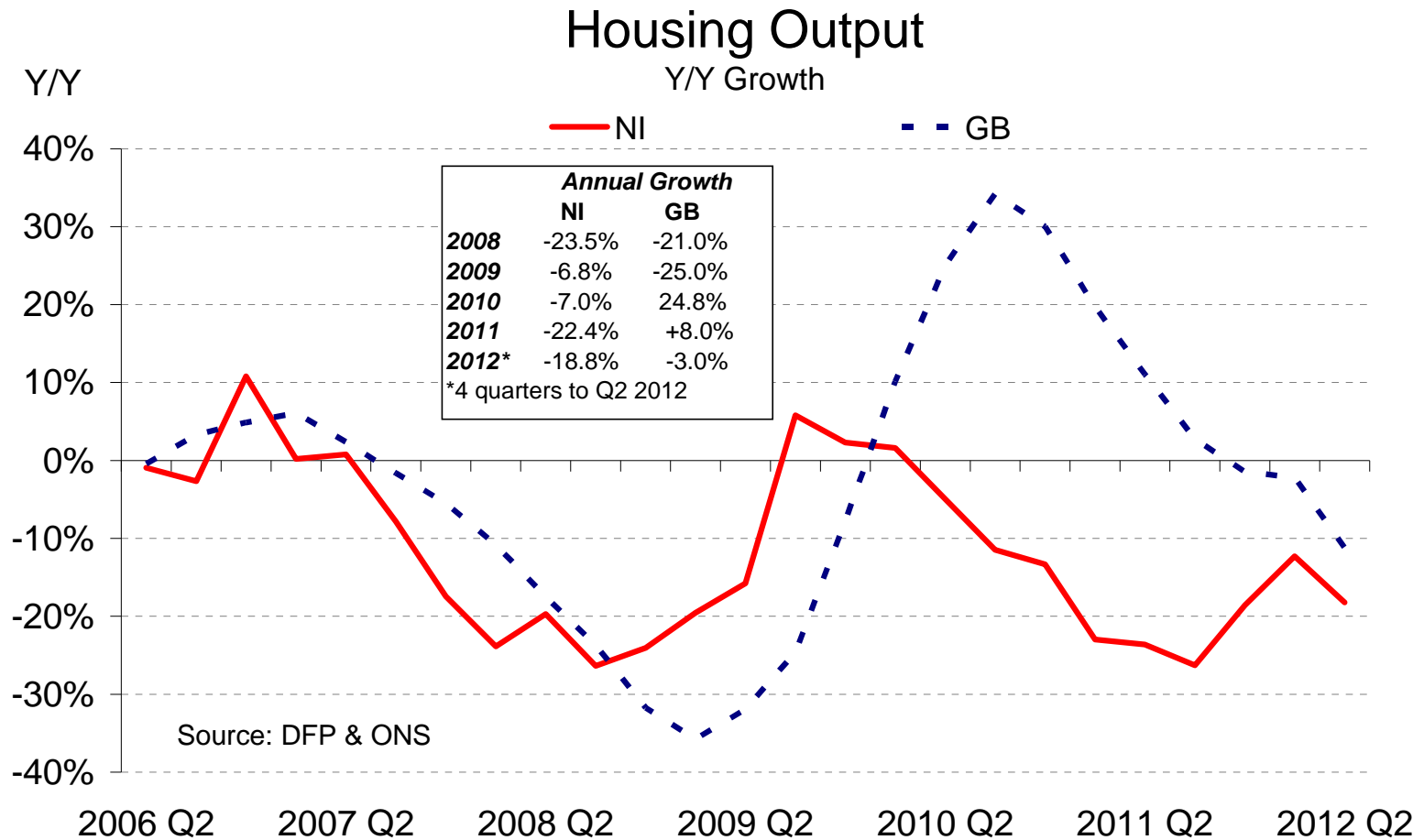
NI posts much steeper decline in 'Other construction' (commercial & retail) than GB



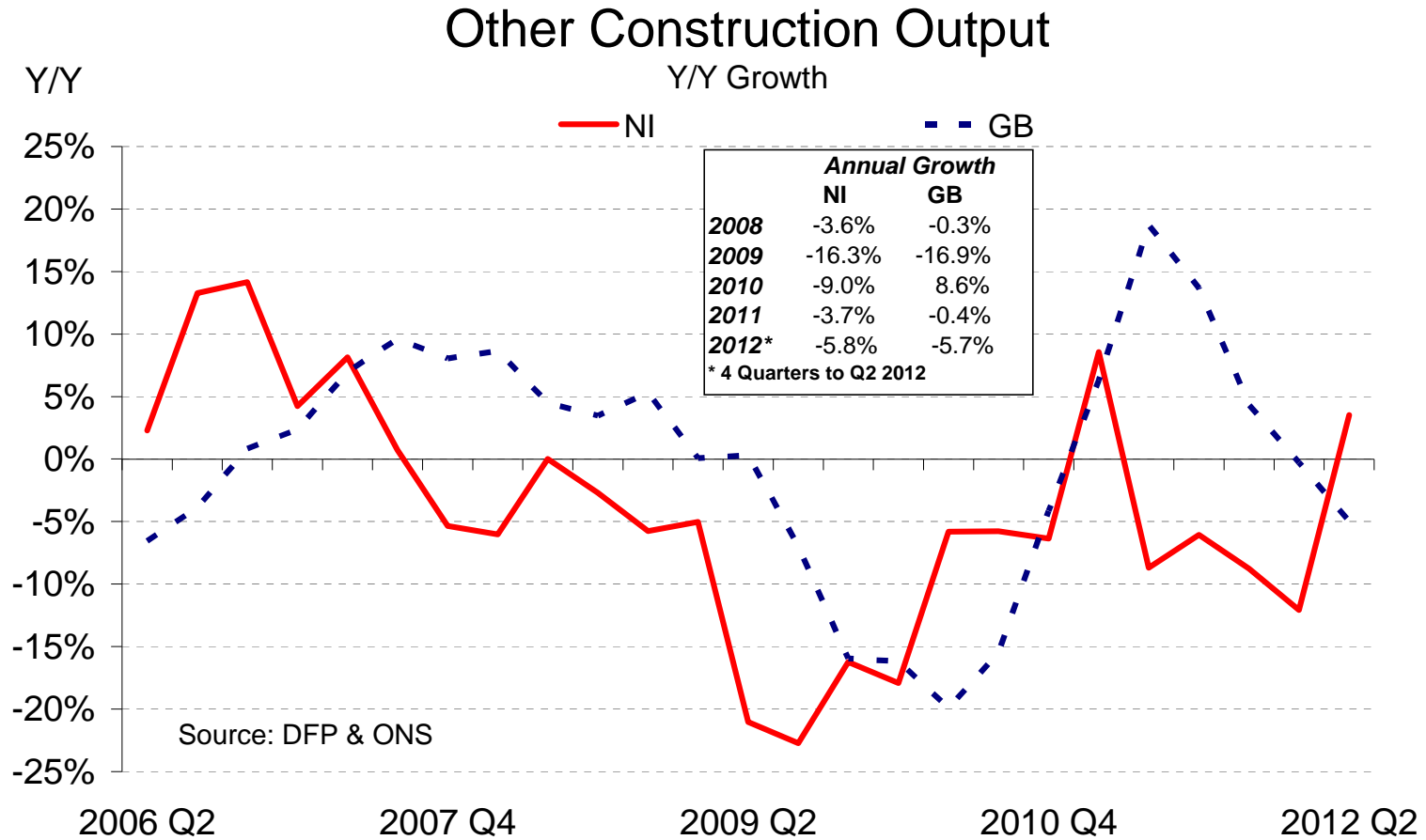
GB housing output posts its 4th successive quarterly decline. NI housing output has fallen in ten of the last eleven quarters



Annual rate of GB housing output now contracting again which is bad news for NI firms in this market

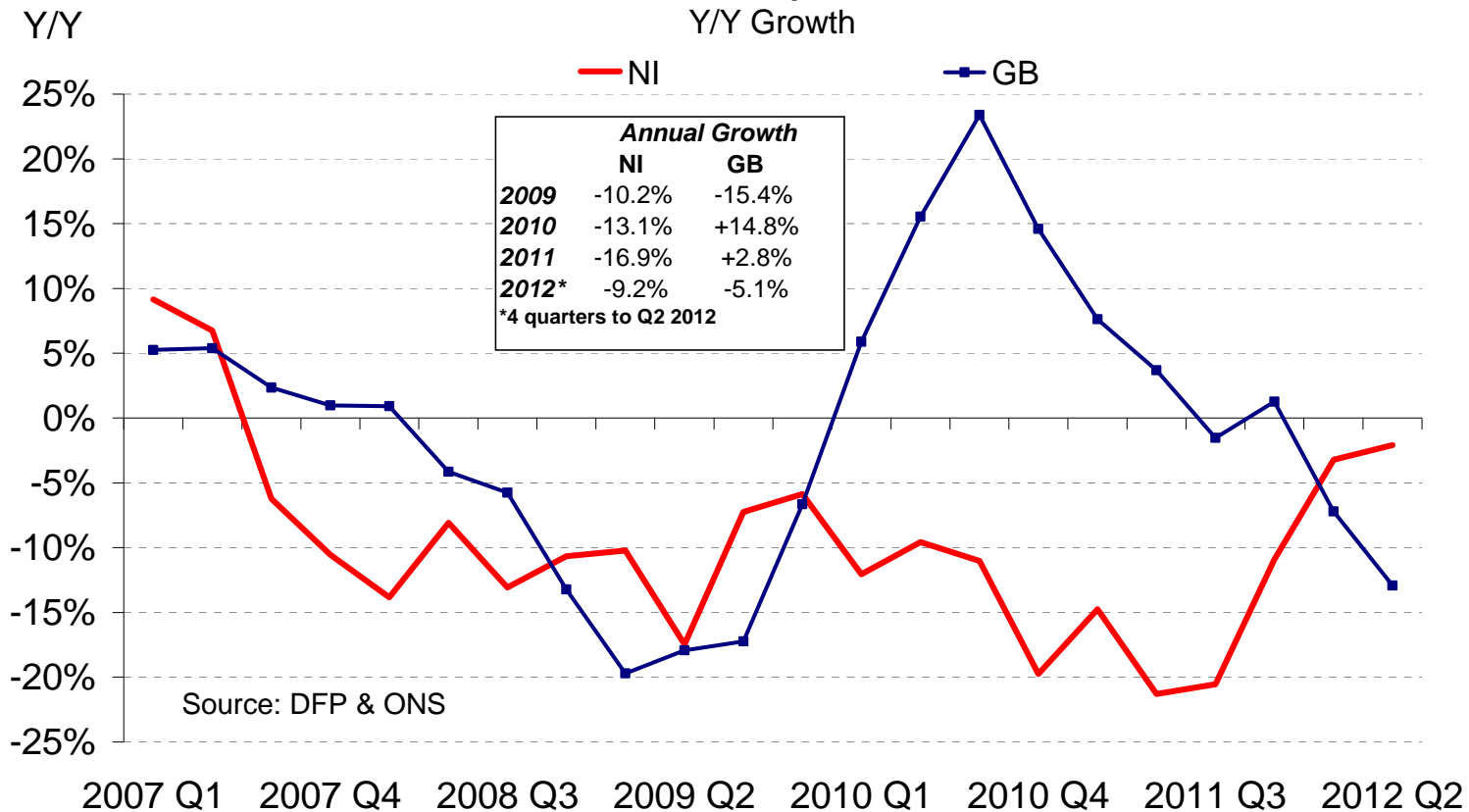


'Other construction' output within NI & GB has followed a similar growth trajectory until recently

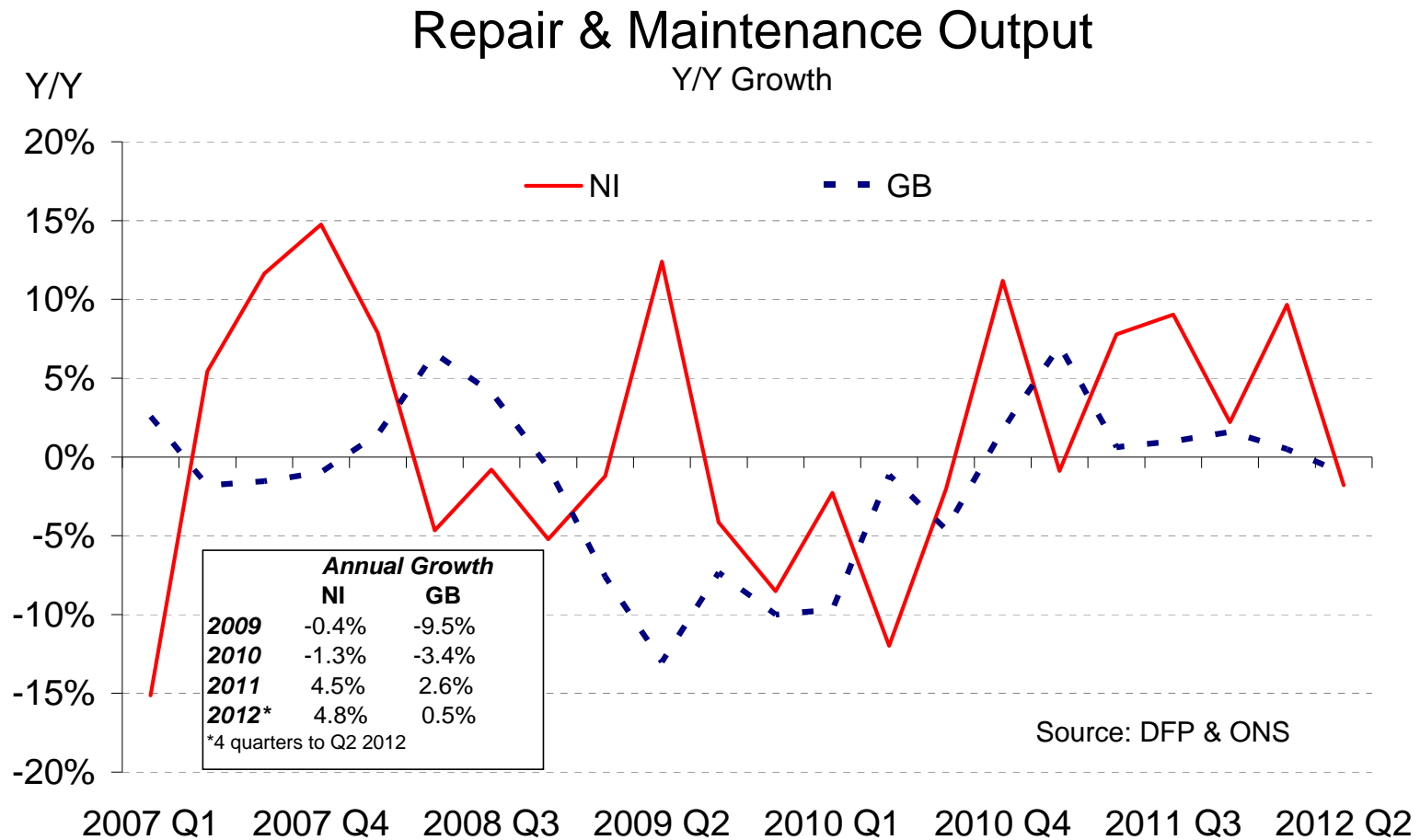


Significant divergence between NI & GB in terms of incoming construction orders now appears to be reversing

Construction Output - New Work



NI posting growth in Repair & Maintenance output (*due to targeted public expenditure*) in 2011 & 2012



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