

Economic Indicators at a glance – January 2013

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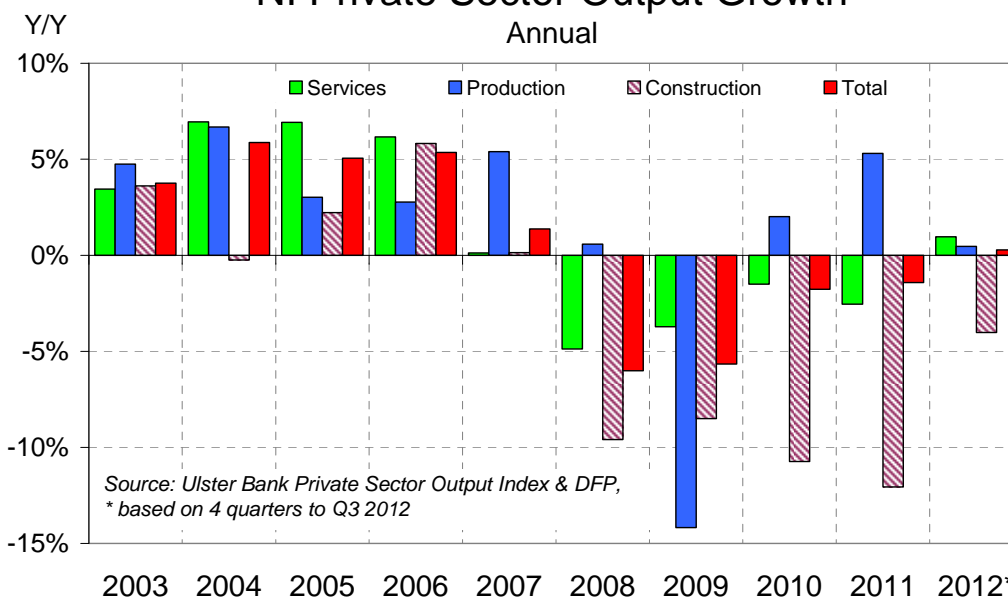
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Total private sector output & services output post first annual growth in 5 years

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 the third quarter (Q3) of 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). The latest figures, albeit provisional, indicated a 0.8% rise in private sector output. However, the private services sector was the only sector to post quarter-on-quarter growth for the second successive quarter. The 2.0% q/q rise in services output compared favourably with a 1.2% rise in the UK. In addition, NI's rise in service sector output more than offset the declines in output within industrial production (-0.1%) and construction (-4.7%). The private services sector has now posted growth in three of the last four quarters and as a result has posted annual growth (+1.0%) for the first time in five years. Industrial production also posted annual growth (+0.5%) for the four quarters to Q3 2012 for the third year in succession. Meanwhile NI's construction sector continues to contract with output falling by 4.0% over the last four quarters to Q3 2012. Despite the steep decline within construction, total private sector output managed to record its first annual rise (+0.3%) in five years.

NI Private Sector Output Growth



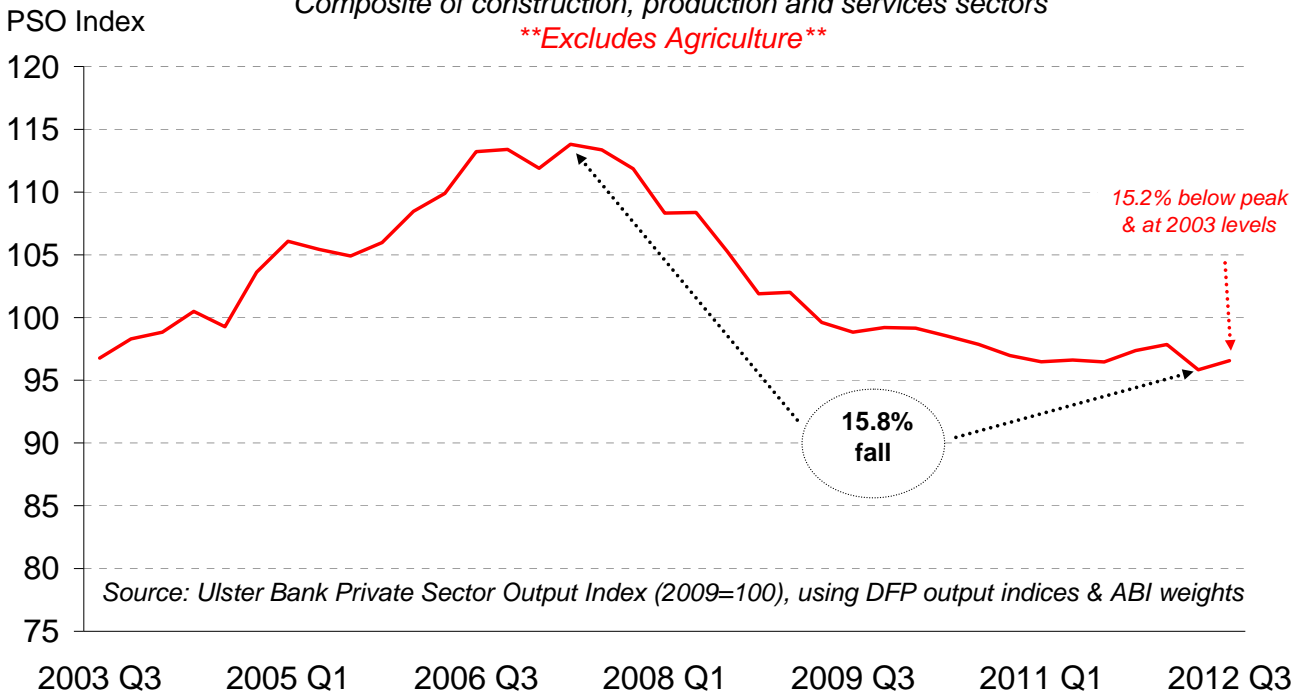
Northern Ireland Private Sector Output increased by 0.8% in Q3 2012

In the absence of quarterly GDP figures, which are not available for Northern Ireland (NI), 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, NI's private sector output increased by 0.8% in Q3 2012 and followed the 2.1% decline in Q2 2012. Private sector output remains over 15% below its Q2 2007 peak and is back at late-2003 levels. Since going to press a new experimental Composite Economic Index (CEI) covering the whole NI economy has been published by the Department of Finance and Personnel. The index uses the quarterly indices of output from the Production, Services and Construction sectors as with the Ulster Bank composite index. In addition, however, agricultural output data and public sector employment are also included to create an economy wide measure of economic activity. This measure will be closely tracked going forward.

NI Private Sector Output Levels

Composite of construction, production and services sectors

****Excludes Agriculture****

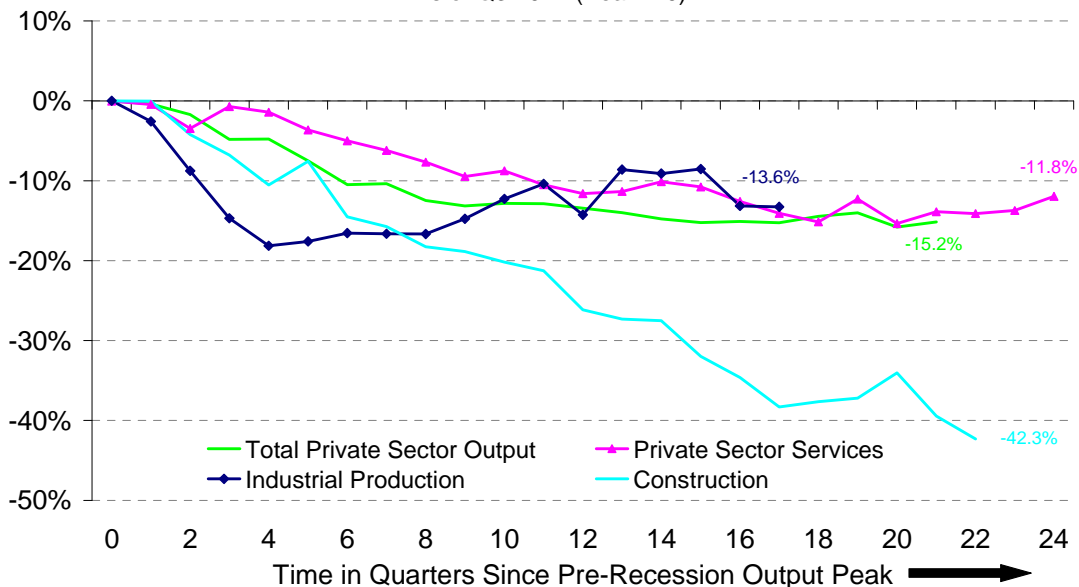


Local construction sector still experiencing no recovery

Both the scale of the recession and subsequent recovery has been sector specific. Industrial production output fell 18.1% from its pre-downturn peak (Q2 2008) to a trough in Q2 2009. Within this sector, manufacturing output decreased by 22.6% over this period. Since then, industrial output has clawed back just over one quarter of this lost output production. As a result, industrial production remains almost 14% below its pre-downturn peak. Similarly in Q3 2012, manufacturing output remains over 16% below its pre-recession high (Q2 2008). So NI's manufacturing sector has regained just over one quarter of the output it lost during the downturn. Meanwhile the private services sector has been below its pre-downturn high for 24 quarters or 6 years. Services output has rebounded by just 4% since the trough in Q3 2011 and remains almost 12% below its Q3 2006 peak. The peak to trough declines in output, and lack of a recovery, is most stark within the construction sector. Northern Ireland's construction output remains over 42% below its Q1 2007 peak.

NI Private Sector Output Relative to Pre-Recession Peaks

As of Q3 2012 (Peak = 0)



*Richard Ramsey,
25th January 2013*

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