

## Economic indicators at a glance – March 2012

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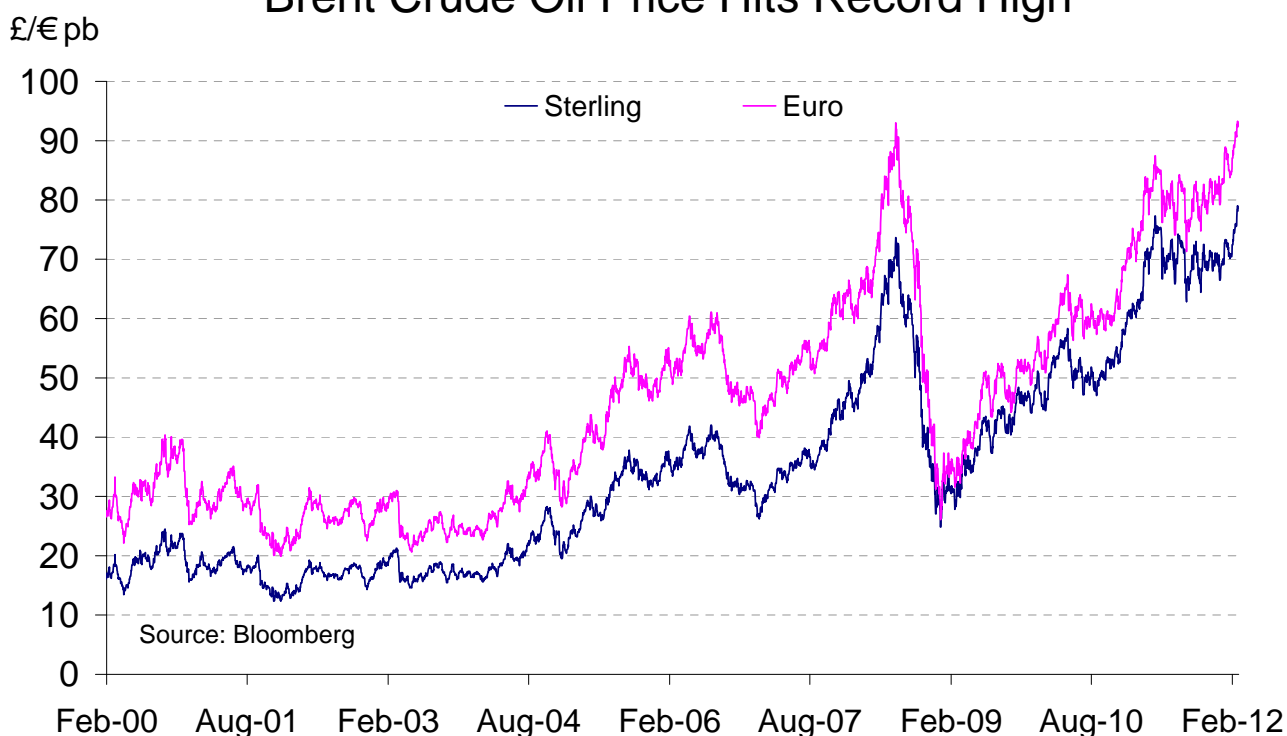
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### Chart of the Month – Oil Prices reach a record high

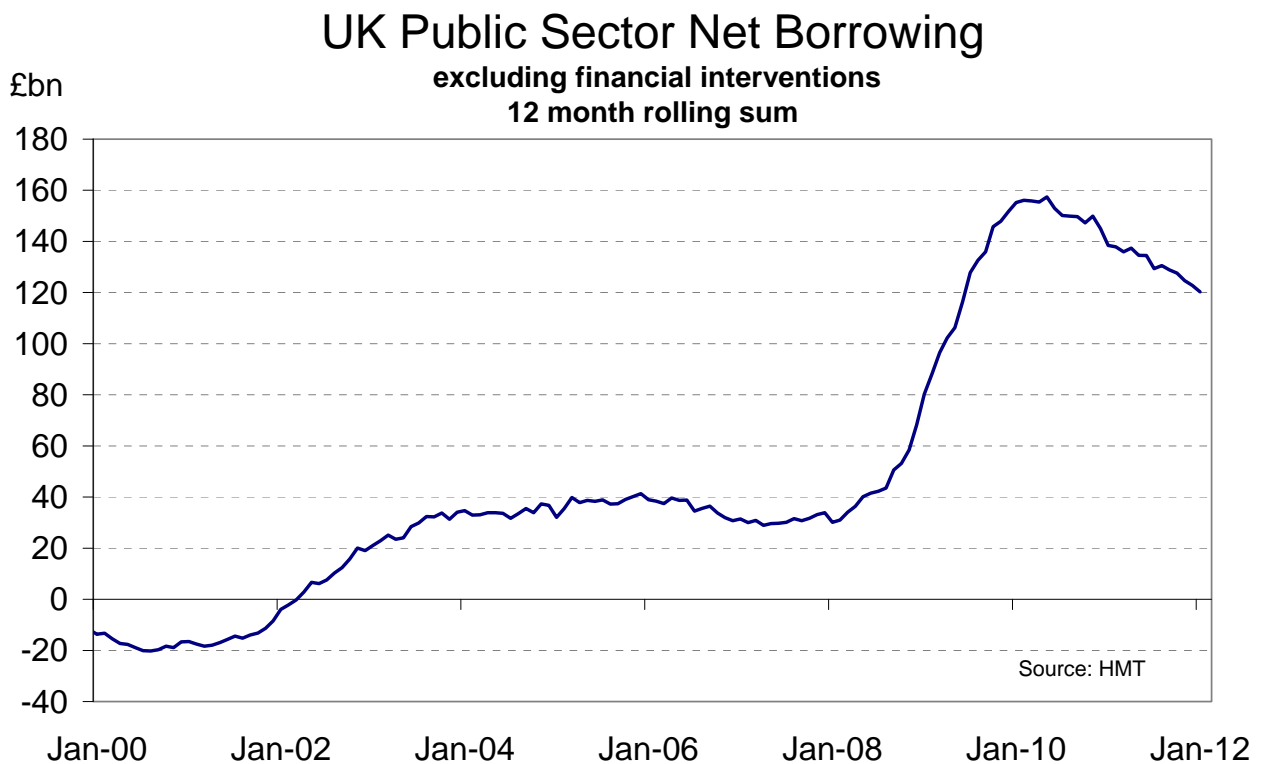
Whilst the benchmark for pricing oil is the US dollar, it has been the price of oil in other currencies that has hit the headlines. The price of Brent crude has recently touched \$125.5, which remains well off its record low of \$147.5 in July 2008. However, the dollar is much stronger now vis-à-vis the euro and sterling than it was in 2008. As a result, the price of a barrel of benchmark Brent crude has recently hit record highs in both euros (€93.3pb) and sterling (£79pb). The sharp rise in oil prices could not come at a worse time and will make fiscal austerity more painful across Europe. It is noted that in just 3 years (*Feb 09 low – Feb 12 high*) the price of oil has risen by 184% in sterling terms. This has impacted on energy and petrol costs. Most of the rebound in the oil price since October 2011 is due to increased optimism concerning the global economy. However, rising tensions in the Middle East, not least concerns about Iran's nuclear programme, has provided an additional premium to the oil price. The recent spike in oil may prove to be short-lived as it could trigger the International Energy Agency (IEA) to respond by releasing some of its oil stocks into the market. A major concern within the UK will be the knock-on effect on future energy bills and petrol prices in particular. The UK Chancellor has already cancelled a recent rise in petrol fuel duty, however, another 3 pence per litre hike is due in August 2012, unless he chooses to soften the blow again on 21 March (Budget 2012). As sure as night follows day, it looks increasingly likely that record petrol prices will follow the record high in oil price in the months ahead.

### Brent Crude Oil Price Hits Record High



### **Good news on UK Government borrowing in January**

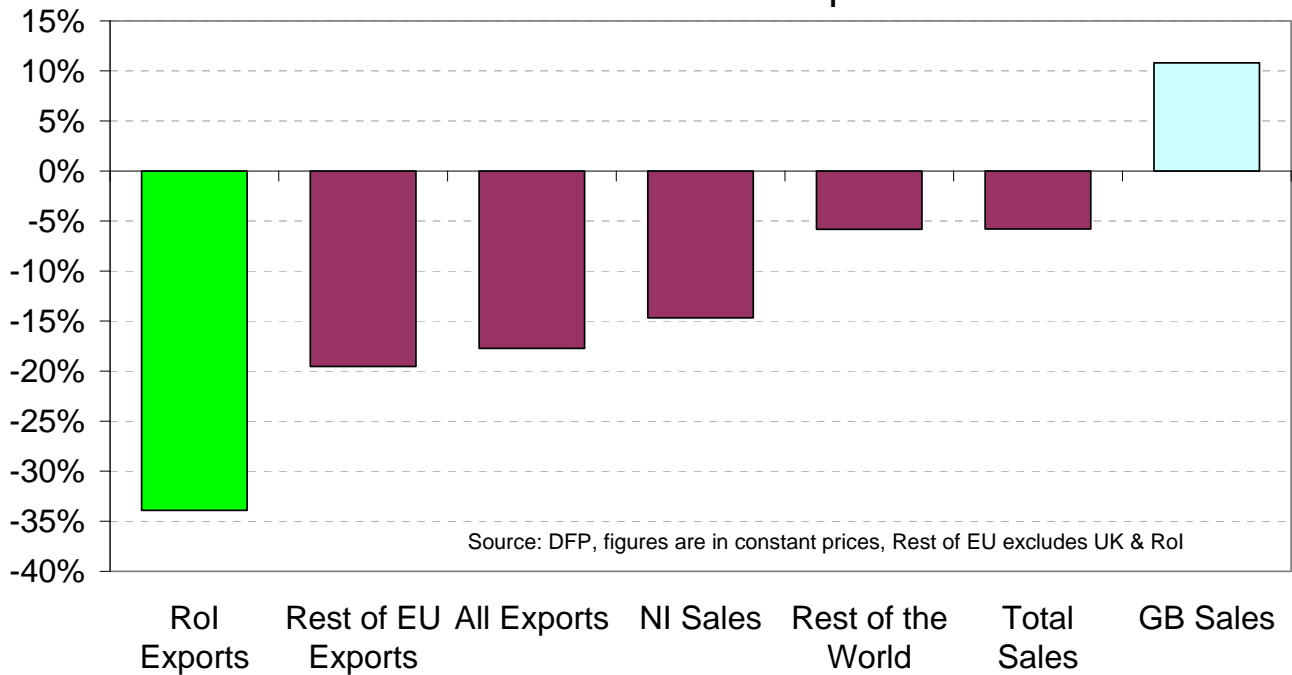
Positive fiscal surprises are few and far between, however, last month the UK posted better than expected government borrowing figures. The January figures are always given a seasonal boost due to additional receipts from self-assessment income tax payments and quarterly corporation tax payments. Government revenues exceeded spending by £7.8bn in January. Meanwhile the cumulative Public Sector Net Borrowing excluding financial interventions (PSNB-ex) ten months of the way through the financial year stands at £93.5bn, a £15.7bn reduction on a year ago. Projecting these trends forward gives a 2011/12 deficit of £117bn, some £10bn below the OBR target of £127bn November forecast. On the face of it, this provides the UK Chancellor with some stimulus wiggle room when he delivers his Budget later this month. However, the UK public sector deficit remains among the largest in the developed world at 8.4% of GDP. Furthermore, the risks are skewed to the downside (*euro area recession / contagion & possible credit rating downgrade*). The sensible, but unpopular, action may be to do nothing.



### **Rebound in Northern Ireland manufacturing largely due to GB market**

The depth of Northern Ireland's manufacturing downturn and subsequent recovery has been dependent on what market local firms are selling to. The Republic of Ireland market remains NI's largest single trading partner outside of Great Britain. However, since the 2007/08 peak, manufacturing sales to the ROI have fallen by one third, which was the steepest decline of all markets and almost double the rate for all exports. Ironically, the only market to grow throughout the recession was the GB market – which not being an export market – has not explicitly been a target market for growth. Nevertheless, sales to GB have increased by almost 11% in the 3 years to 2010/11. This has largely been due to large firms and the performance of the Food & Drink sector. Over the last two decades the emphasis in economic development strategies and policy has been on exports not '*external sales*' to GB. However, following the recession the GB market has become even more important and now accounts for its largest share of manufacturing sales since 2003.

## NI Manufacturing Sales & Exports 2010/11 relative to 2007/08 peak



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