

# Economic Indicators at a glance – May 2013

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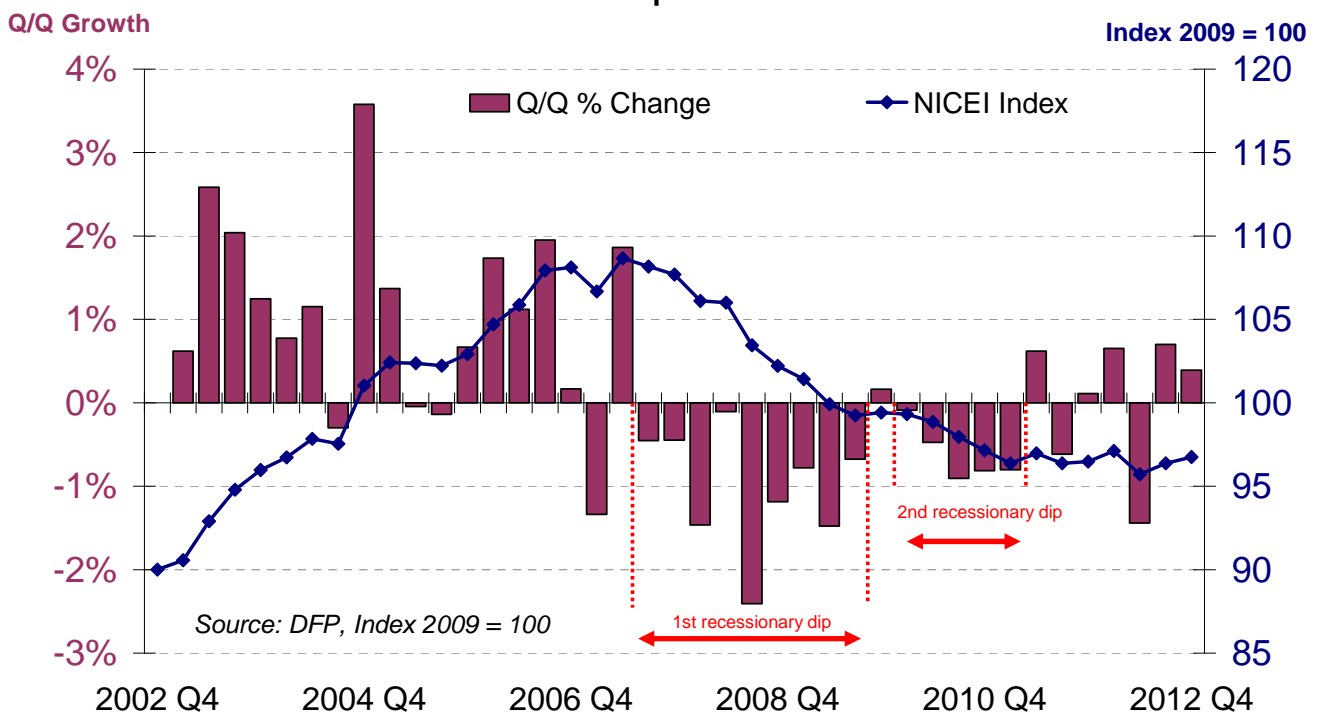
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## Northern Ireland avoids 'triple-dip recession' according to new index of economic activity

Last month saw the UK economy avoid the 'triple-dip recession' headline with quarterly GDP growth of 0.3% in Q1 2013. A negative outturn would have represented a third period in which the UK economy shrank for at least two successive quarters. Two consecutive quarters of negative GDP growth is the technical definition of a recession. No quarterly GDP figures are available for Northern Ireland. However, the Department of Finance and Personnel has recently launched an experimental quarterly measure of the performance of the Northern Ireland economy based on available official statistics. This is not strictly comparable with UK GDP but is similar to the Ulster Bank composite private sector output (PSO) index that has featured in this publication previously. The new Northern Ireland Composite Economic Index (NICEI) differs from the Ulster Bank estimate in three fronts. The NICEI is an official government estimate and includes both public and private sector activity. Meanwhile the private sector index within the NICEI includes the agriculture sector whereas the Ulster Bank PSO index did not. The Composite Economic Index provides a weighted measure of output by broad industry sector (*private sector services, construction, industrial production & agriculture*) and employee jobs within the public sector. The NICEI increased by 0.4% q/q in Q4 2012 and has risen in four of the last five quarters. Using this measure of economic activity it could be said that Northern Ireland has avoided a 'triple-dip' recession. Despite this positive growth, however, it is noted that the Northern Ireland economy has been effectively 'bumping along the bottom' since Q1 2011. Last year represented the fifth consecutive year of contraction, albeit the 2012 outturn represented a marginal decrease of just 0.1%. A meaningful recovery has yet to take hold although the NICEI in Q4 2012 has increased by 1% since the Q2 2012 trough. Nevertheless, the Composite Index is back at levels recorded in Q1 2004 and is some 11% below the peak recorded in Q2 2007.

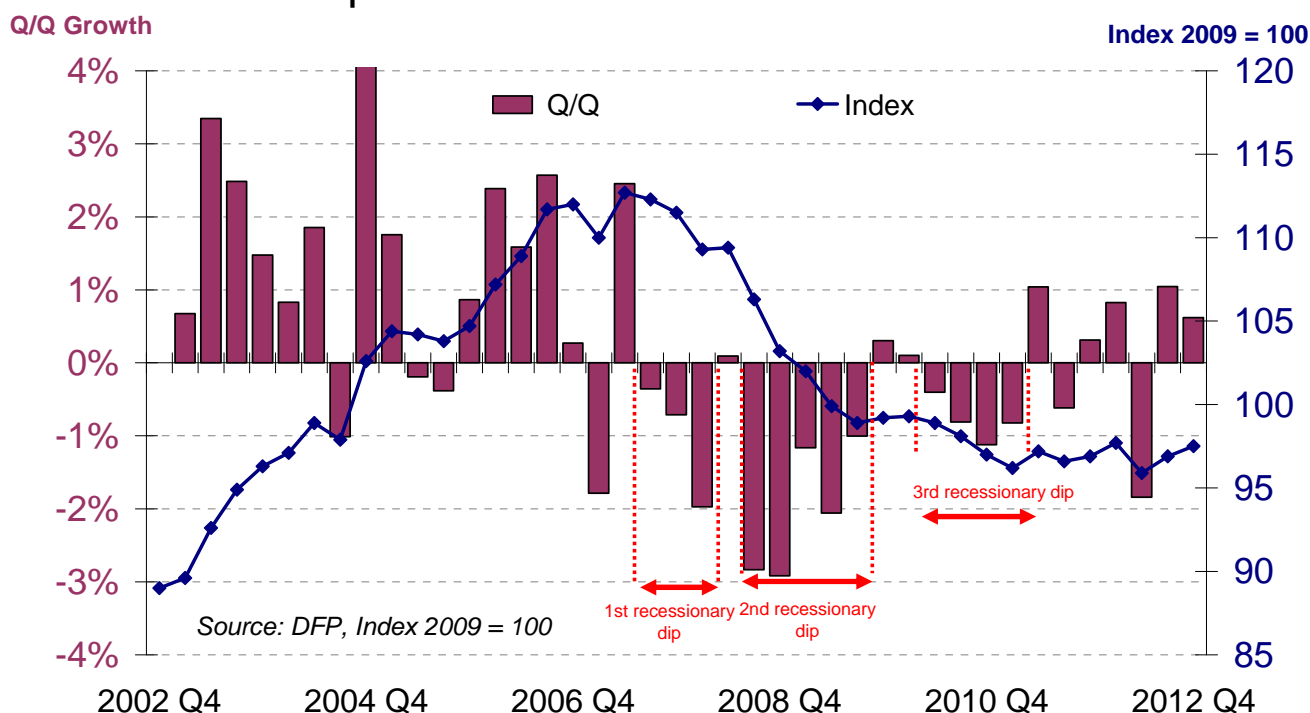
## Northern Ireland Composite Economic Index



### Private sector has experienced a 'triple-dip' but posts 2<sup>nd</sup> successive quarter of growth in Q4 2012

The increase in the headline Northern Ireland Composite Economic Index (NICEI) conceals diverging fortunes within the public and private sectors. Whilst the private sector posted its second successive quarter of output growth in Q4 2012, with a rise of 0.6%, the public sector (using employee jobs) posted a decline of 0.4%. Northern Ireland's private sector has now experienced five quarters of output growth during the last seven quarters. Despite this growth, and given the steep quarterly decline in Q2 2012 (-1.8%), private sector output remains at extremely low levels. Indeed, output remains 13.5% below the peak recorded in Q2 2007 and is at levels previously recorded in early 2004. It is noted that Northern Ireland's private sector has experienced a 'triple-dip' in output. The housing downturn triggered the first phase of private sector output decline between Q3 2007 and Q1 2008. This sequence of quarterly contractions was punctuated with a marginal rise in Q2 2008 before the collapse in global trade heralded five more quarters of decline from Q3 2008 to Q3 2009. Following two more quarters of growth, Northern Ireland's private sector witnessed a further four quarters of decline from Q2 2010 to Q1 2011. Since then, however, private sector output has largely stabilised.

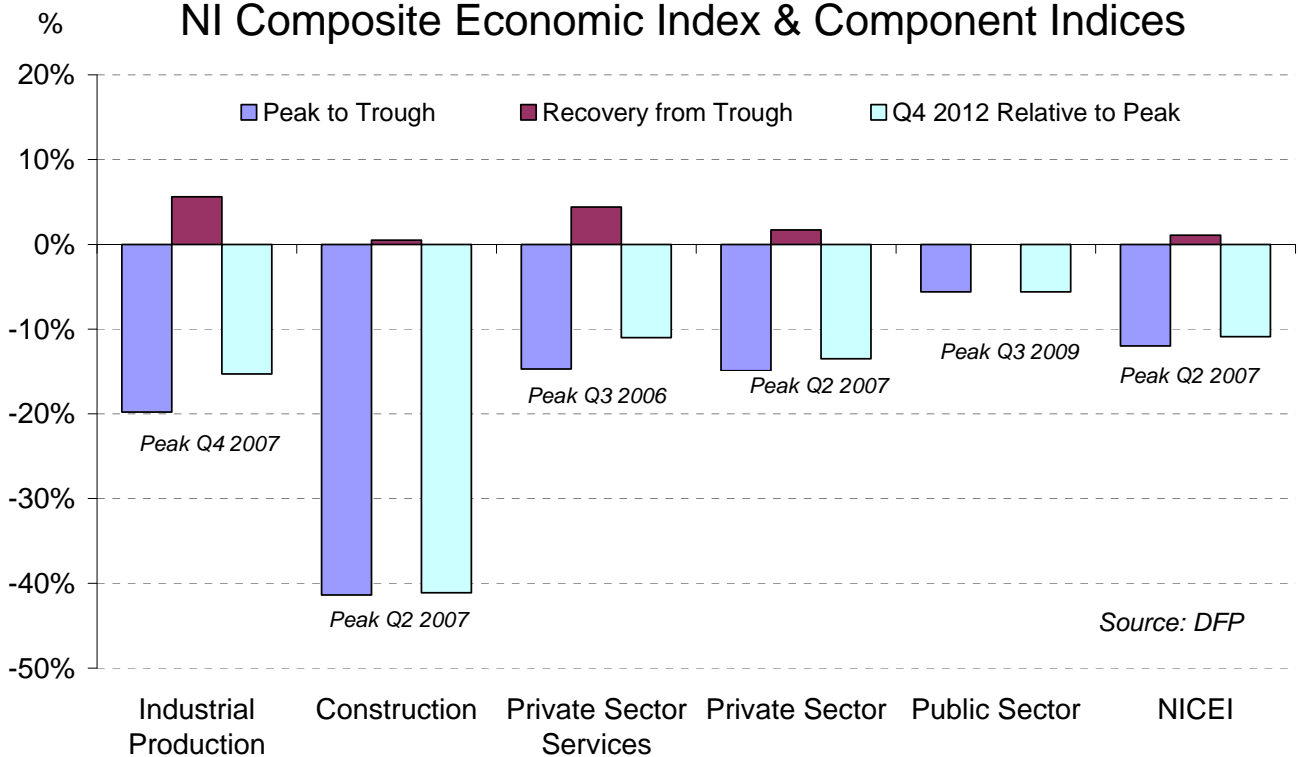
## NI Composite Economic Index: Private Sector



### Northern Ireland still awaits a meaningful recovery across most sectors

Both the scale of the recession and the subsequent recovery has been sector specific. Until the second half of 2012, industrial production, which is dominated by the manufacturing sector, had experienced the strongest recovery of any of the broad industrial sectors. Following a peak-to-trough decline of almost 20% in just 18 months (Q4 2007 – Q2 2009), NI's industrial sector has recouped just over one fifth of the output it lost during the downturn. However, the recovery within NI's manufacturing sector appears to have faded in the second half of last year. The converse is true for the private sector services industry. Three successive quarters of growth now means that the services sector has recouped a quarter of its output lost during the recession. Meanwhile in Q4 2012, the local construction was still experiencing output levels over 41% below its pre-recession peak. Finally, the public sector was the last sector to enter the downturn. Since Q3 2009, public sector employment has fallen in twelve of the last thirteen quarters and is back to 2003 levels.

## NI Composite Economic Index & Component Indices



Richard Ramsey,  
30th April 2013

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