

# Economic indicators at a glance – November 2011

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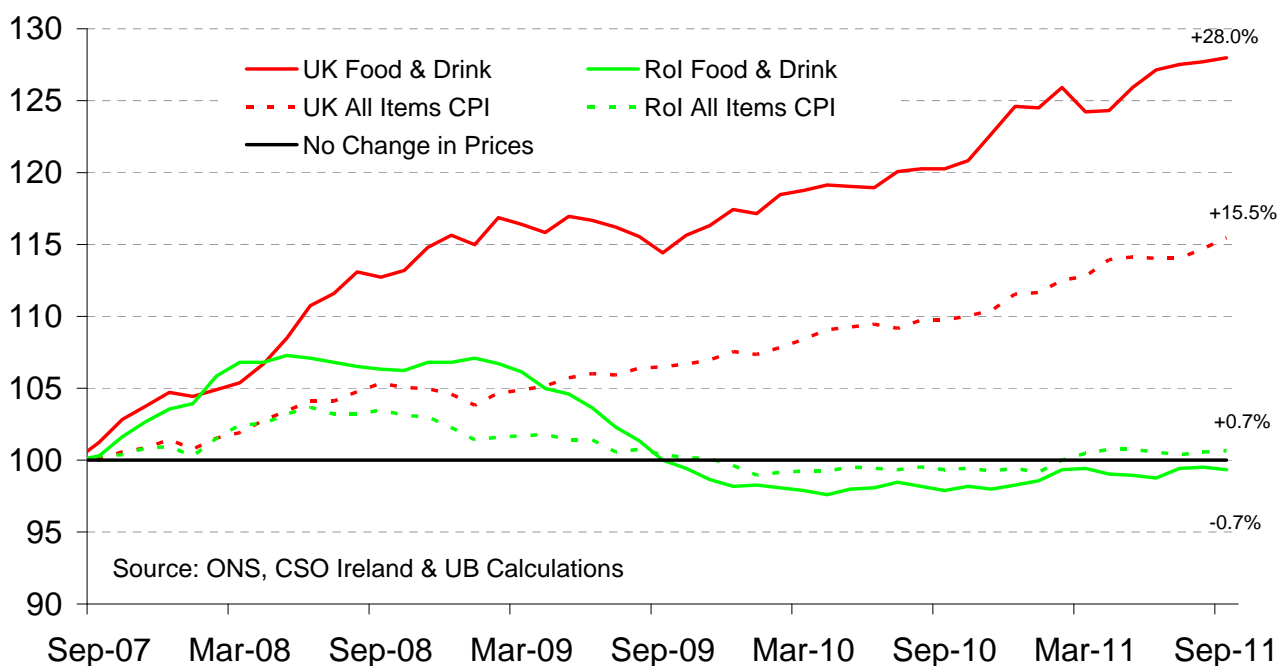
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## Chart of the Month – An inflationary tale of two economies

The UK's current annual CPI inflation rate of 5.2% compares with just 1.3% in the Republic of Ireland (RoI) – using the HICP measure. The divergence in the inflation stories of the UK (NI) and the RoI is stark. Since the credit crunch officially began, the cumulative rise in the UK all items CPI has increased by 15.5%. Conversely, the equivalent level of consumer prices in the RoI has risen by less than 1% over the same period (Aug 07 – Sep 11). During this period, UK average earnings (*excluding wages*) have risen by just 8.8%. The net result is incomes (*before tax rises and benefits cuts are considered*) are being severely squeezed. Clearly, the annual earnings increases for NI would be below the equivalent rises in the UK. Therefore the deterioration in living standards is more rapid in NI than in the UK as a whole. In the RoI, household budgets have been squeezed by rising taxes imposed through the austerity budgets, which have reduced disposable incomes.

To date, NI / UK have seen only part of the tax rises / benefits cuts that have been announced but yet to take effect. Therefore even when inflationary pressures ease the squeeze on disposable incomes will continue. The divergence in inflationary trends is particularly marked when considering necessities such as food. For example, since the credit crunch began in August 2007, the price of food & non-alcoholic beverages has fallen by 0.7% in the RoI. Aggressive price reductions, in the context of relatively fat profit margins, alongside a strong euro have limited inflationary pressures in the RoI. By contrast food & non-alcoholic beverages in the UK (NI) have risen by a whopping 28% over the same period. This is a hefty burden for those households experiencing pay cuts / wage freezes.

**UK (NI) & RoI CPI Inflation Levels (HICP)**  
(August 2007 = 100)

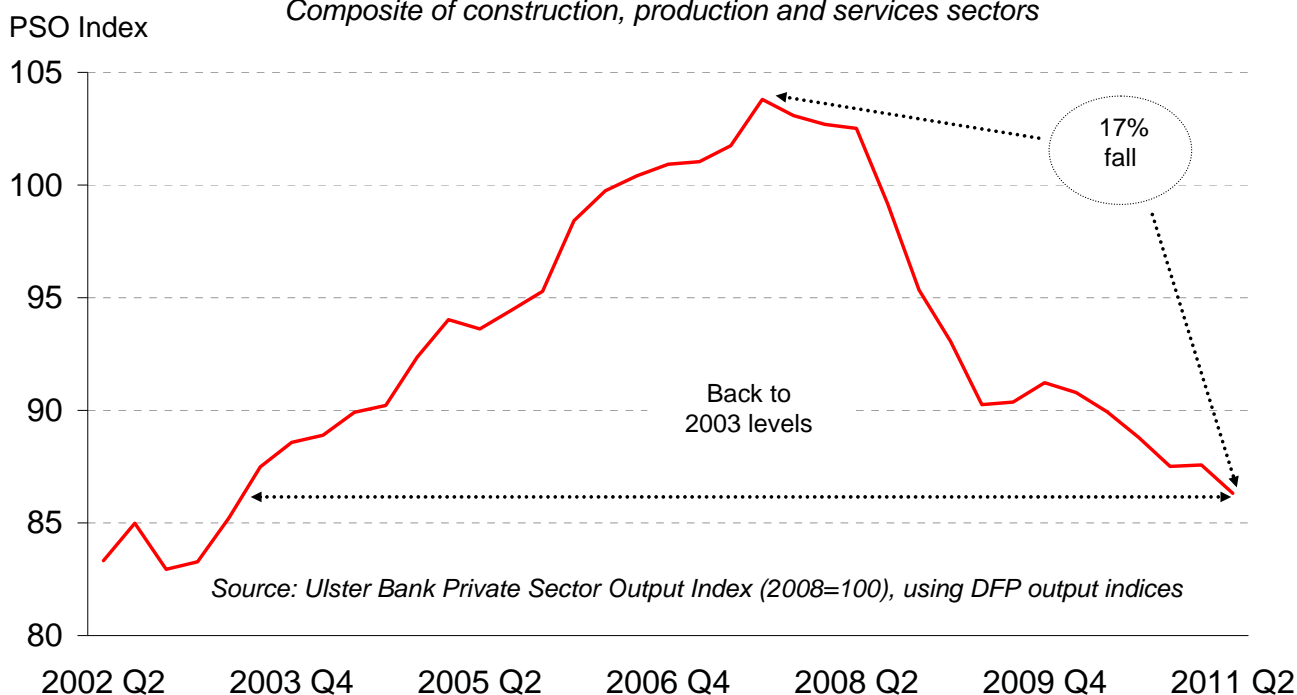


### Northern Ireland's Private Sector Output still falling in Q2 2011

Last month saw the release of the latest official Northern Ireland output figures for private sector services, the construction and production (*mostly manufacturing*) industries for Q2 2011. These separate surveys are produced by the Department of Finance & Personnel. 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 composite index excludes agriculture and the public sector. Using this composite indicator, private sector output has fallen in 12 of the last 15 quarters up to Q2 2011 with a decline of 1.4% in the latest quarter. As a result, private sector output is now almost 17% below its Q3 2007 peak. Furthermore, output is now back at 2003 levels.

## NI Private Sector Output Levels

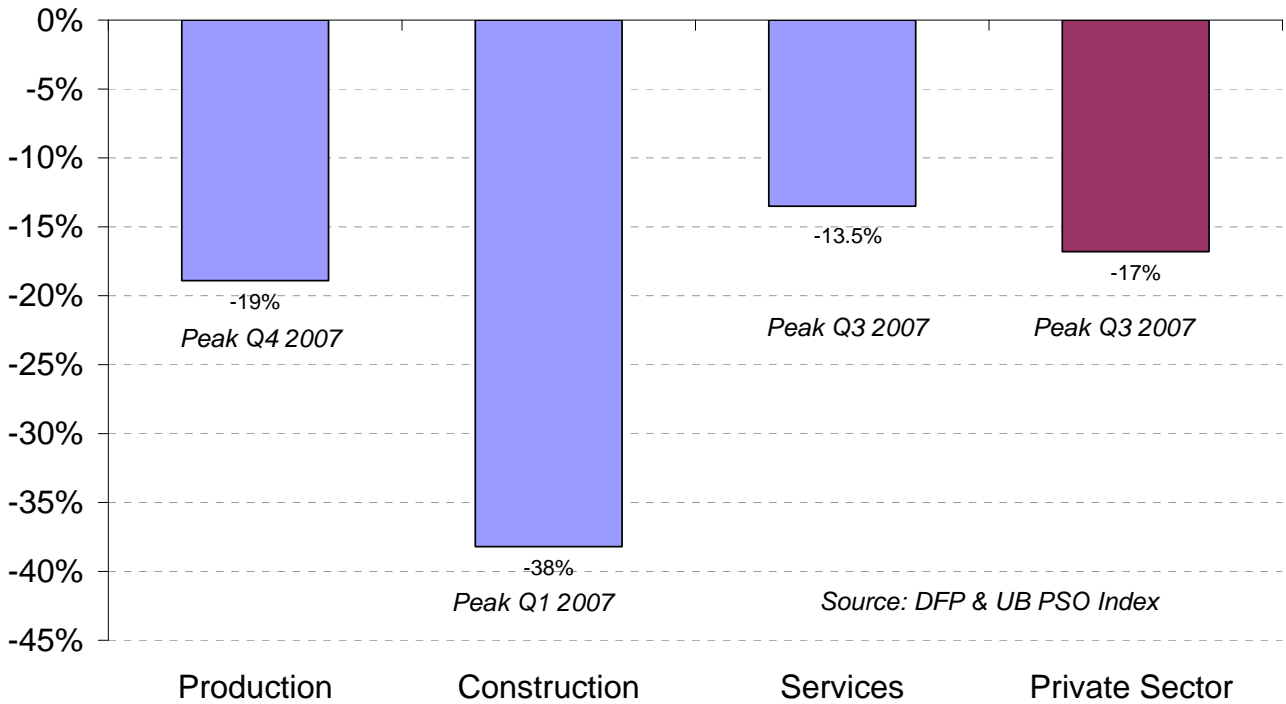
Composite of construction, production and services sectors



### Northern Ireland's construction sector is still bearing the brunts of the recession

The divergence between the NI & UK is most apparent within the services and construction sectors. While NI's private sector services output rose (+0.6%) in Q2 2011, for the first time since Q4 2009, output remains some 13.5% below the Q3 2007 peak. The equivalent UK figure is 2.3% below Q3 2007 levels. Within services, the divergence between the UK and NI is particularly stark within the consumer sensitive sectors (*Wholesale, Retail, Accommodation & Food Service*). NI firms in this sector have seen output slump by almost 10% y/y in Q2 2011 relative to a 1% rise in the UK. Meanwhile, construction posted its 12<sup>th</sup> consecutive quarterly decline in output in Q2 2011. Construction output is now 38% below its Q1 2007 peak. Local manufacturing output fell by 3.3% q/q in Q2 following six successive quarters of growth.

## NI's output in Q2 2011 relative to recent peaks



Richard Ramsey,  
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