

Economic Indicators at a glance – March 2013

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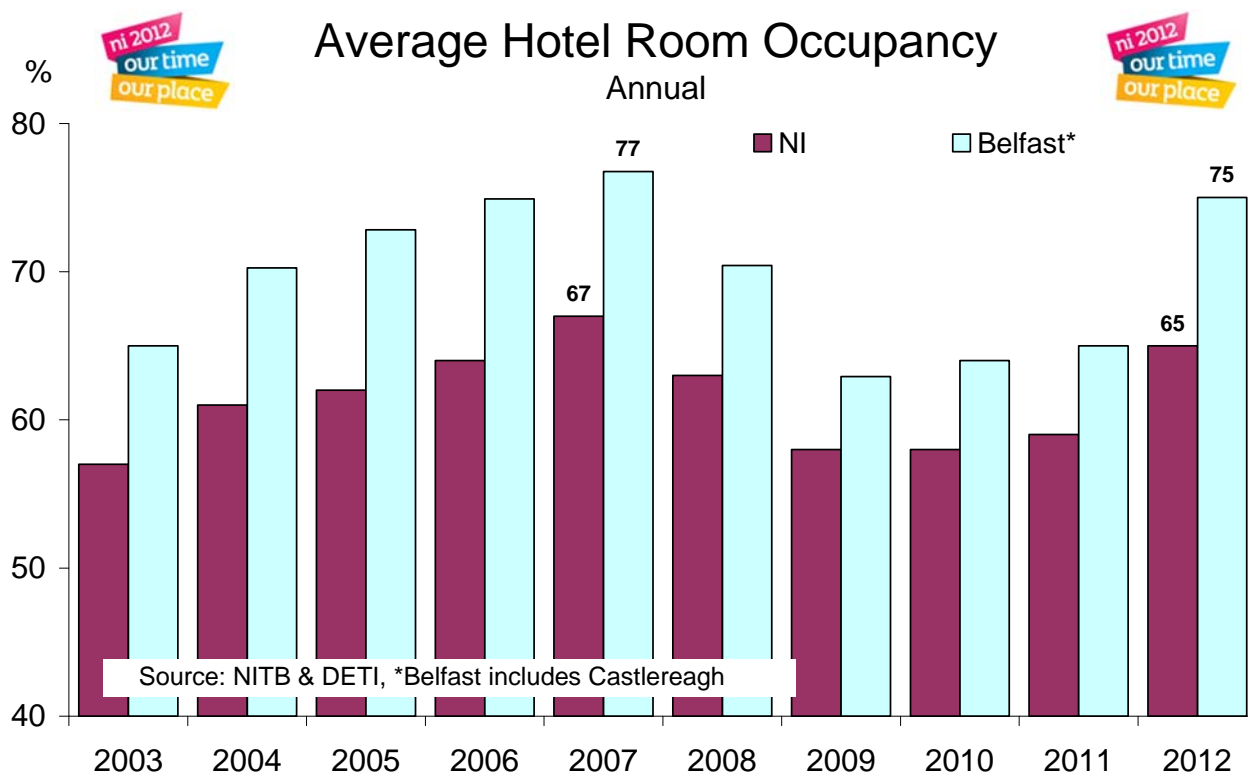
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Tourism industry posts strong growth in 2012 with more to come in 2013

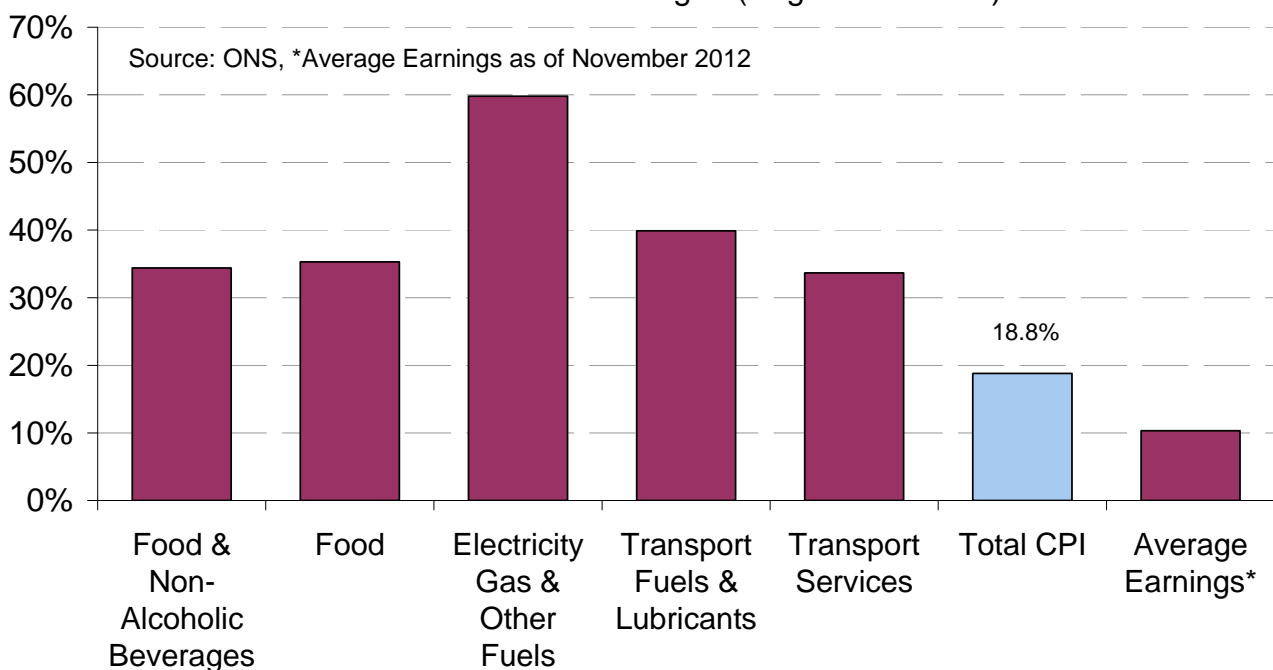
Northern Ireland's tourism industry was one of the best performing sectors in 2012. Local hoteliers saw a 10% annual increase in rooms and bed-spaces sold. Bed & Breakfasts, Guesthouses and Guest Accommodation also posted annual double-digit growth for rooms and bed-spaces sold. In addition, 2012 saw the local hotel industry post its highest annual occupancy rate (65%) since the record high of 67% in 2007. It should be remembered, however, that Northern Ireland's hotel accommodation capacity has increased significantly since 2007. Back in 2007, there were 129 hotels with 6,413 rooms. By September 2012, Northern Ireland had 135 hotels with room capacity increasing by 18% to 7,552. Incidentally, the latter figure represents a 54% increase in hotel room capacity since 1998 – when the Good Friday Agreement was signed. Therefore the slightly lower occupancy rate, in 2012 relative to 2007, should be viewed within the context of a growth in supply. Indeed, 2012 represented a record high in room and bed-space sales. Last year the 1.8 million room sales represented an increase of 17% on the 2007 figure. Meanwhile, the number of bed-spaces sold increased by 502,000 (+22%) to over 2.8 million over the same period. Fresh record highs are anticipated for the tourism industry in 2013. The North West will benefit from the Derry-Londonderry UK City of Culture, with the Maiden City also hosting the All Ireland Fleadh (*the largest celebration of Irish Traditional music in the world*). Meanwhile, Fermanagh will be hosting this year's G8-Summit at the Lough Erne hotel & golf resort in June. In addition, Northern Ireland is hosting the World Police & Fire Games (WPFG) in August 2013. The weakness of sterling will also add to the attractiveness of Northern Ireland, particularly within the eurozone and the staycation market, in 2013. Next year, yet another world class event will descend on these shores as Northern Ireland hosts the start of the Giro d'Italia cycling race in May.



Consumer squeeze continues as inflation continues to erode household incomes

The weakness of sterling may be good news for local exporters and the tourism industry. However, the exchange rate has been, and will continue to be, a source of inflationary pressure for the UK. In turn, this will squeeze disposable incomes. The annual rate of UK consumer price inflation (CPI) remained unchanged in January 2013 at 2.7% for the 4th consecutive month. This means UK CPI has now been above the Bank of England 2% target for 38 months in a row. Since August 2007, when the credit crunch began, UK CPI has increased cumulatively by almost 19%. This compares with a rise in average earnings of just over 10%. Meanwhile, the inflation rates of other categories of consumer spending have increased at a faster rate. Utility bills (*electricity, gas & other fuels*) increased by 60% between August 2007 – January 2013. Over the same period, food has increased by 35% and Transport Fuels & Lubricants (*i.e. petrol & diesel*) have risen by 40%. According to the latest BoE projections, UK CPI is set to accelerate in the coming months to 3% y/y plus.

Cumulative % Change in UK Consumer Prices since 'Credit Crunch' began (Aug 07 to Jan 13)

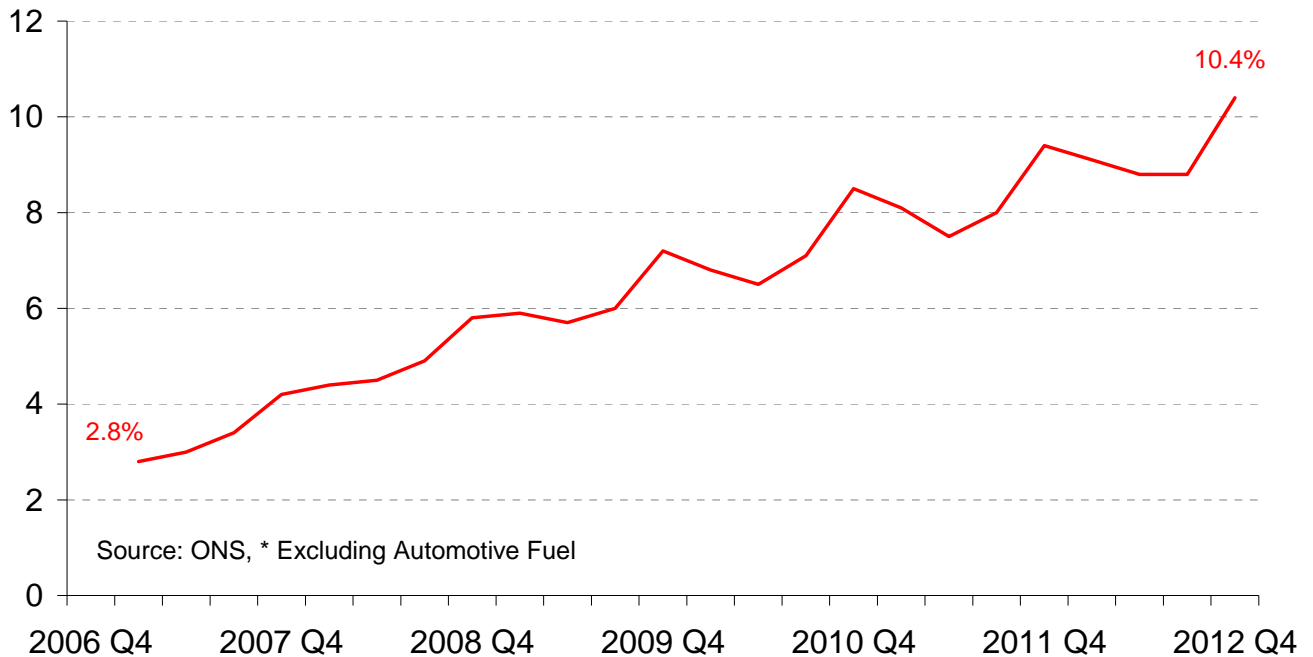


UK internet sales have more than trebled in five years

Northern Ireland's high street is changing like other parts of the UK. The ongoing squeeze on consumer incomes is one factor behind the exit of some firms and the arrival of discount retailers and charity shops on the high street. However, a rising cost base and changing consumer behaviour have also been important drivers of change. HMV and Jessops are two household names that have recently gone into administration. They have largely been victims of changing consumer behaviour, particularly the move to online retailing. In the three months to January 2013, the volume of UK retail sales fell with small stores recording the largest declines. Conversely, large firms saw an increase with part of this rise due to online retailing. It is noted that the total value of UK internet sales increased by 213% (*before inflation*) between 2007 and 2012. Meanwhile non-internet sales increased by just 8% over the same period. As a result, internet sales as a percentage of total UK retail sales (*excluding car fuel sales*) have increased from less than 3% in Q4 2006 to over 10% in Q4 2012.

UK Internet Sales as a % of Total Retail Sales*

Not Seasonally Adjusted



*Richard Ramsey,
25th February 2013*

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