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# Northern Ireland's Economic Growth Performance

Update follows the annual release of the Regional Gross Valued Added (GVA) figures for 2010 by the Office for National Statistics  
[www.ons.gov.uk](http://www.ons.gov.uk)

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## Summary Table of Northern Ireland's Growth Performance

### NI & UK Gross Value Added (GVA) - Economic Growth

	GVA Current Prices	GVA Constant Prices	NI Real Terms Growth	UK Real Terms Growth	RoI Real Terms Growth (GDP)
2000	19,499	24,014	3.7%	3.8%	9.3%
2001	20,437	24,653	2.7%	3.1%	4.8%
2002	21,341	25,019	1.5%	2.7%	5.9%
2003	22,679	25,949	3.7%	3.6%	4.2%
2004	24,049	26,810	3.3%	2.8%	4.5%
2005	25,187	27,527	2.7%	2.1%	5.3%
2006	26,750	28,277	2.7%	2.4%	5.3%
2007	28,169	29,160	3.1%	3.6%	5.2%
2008	28,271	28,271	-3.1%	-1.3%	-3.0%
2009	27,279	26,588	-6.0%	-4.1%	-7.0%
2010	28,162	26,975	1.5%	1.4%	-0.4%

Source: ONS, CSO & UB Calculations using ONS GVA deflators

## Summary Facts on Northern Ireland's Growth Performance using Gross Value Added (GVA) or 'regional GDP'

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**Northern Ireland's recession was much deeper than previously estimated** - Following growth of 3.1% (*real terms*) in 2007 the NI economy contracted by 3.1% in 2008 & by a hefty 6.0% in 2009. The previous official estimates were 1.3% and 3.6% respectively.

NI's cumulative contraction in 2008 & 2009 is now 8.8% and not 4.9% as previously estimated. **This was the steepest decline of all the UK regions** and compared with a fall of 5.3% for the UK and 9.8% for the RoI (GDP).

During this recession, the **NI economy has more closely followed the RoI economic growth trajectory** as opposed to the general UK economic growth profile.

**In 2010, NI posted a 1.5% real terms increase in economic growth** which was in line with the UK (1.4%) but was not consistent with other surveys e.g. PMIs. However, **we expect this growth forecast to be revised down significantly** in due course (*in line with downward revisions in previous years*). We expect the 2010 outturn will be revised to -0.5% to +0.5%.

Even allowing for this 2010 GVA growth, it is clear that **the overall size of the NI economy remains 7.5% (based up to 2010) or £2.2bn, in real terms, below its 2007 peak**. The economy is now back at 2004/05 levels.

**NI's economic prosperity gap (GVA per head)**, relative to both the UK and UK (*excluding London & the South East*), **widened between 1997-2010 (that is fell even further behind)**. In 1997 NI's GVA per head was almost 81% of the UK average whereas in 2010 it stood at 76%.

## Background: GDP, GVA, PSO & PMIs – what do they all mean?

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**Gross Domestic Product (GDP)** – GDP is a primary indicator to gauge the health of an economy. It represents the total value of goods and services produced during a time period – e.g. per year. For national economies (*e.g. UK & the Republic of Ireland*) GDP figures are produced on a quarterly basis. **No GDP figures exist for Northern Ireland.**

**Gross Value Added (GVA)** can essentially be viewed as regional GDP. UK regional economic output is only provided **annually**, and with a significant lag of almost 12 months. Figures for 2010 were released on 14 December 2011 with revisions back to 1997. The revisions for 2008 & 2009 were very significant for NI.

**Private Sector Output (PSO)** – There are 3 separate official (*i.e. Government run*) surveys that measure output within different sectors on a quarterly basis. The index of production (IoP), index of services (IoS) and the index of construction (IoC). Together these three **quarterly** surveys cover all of Northern Ireland's total output outside of the public sector and agriculture. These 3 surveys are replicated by the ONS for the UK/GB. These surveys measure the level of output in real terms (*accounting for inflation*). Ulster Bank combines the three surveys into a composite indicator of private sector output: the so-called PSO index.

**Purchasing Managers' Indexes (PMIs)** - Purchasing Managers' Indexes (PMIs) are **monthly** surveys of private sector companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices across different sectors. PMIs are currently produced in 32 countries.

Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline on the previous month. These indices vary from 0 to 100 with readings of 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration. The greater the divergence from 50.0 the greater the rate of change (*expansion or contraction*). The indices are seasonally adjusted to take into consideration expected variations for the time of year, such as shutdowns or holidays.

## Overview of GVA, PSO & PMIs

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**Gross Value Added (GVA)** : Official data produced annually – latest figures available 2010.

**Private Sector Output (PSO)** : Based on compiling official data (*indices of construction, services and industrial production*) which are produced quarterly and feed into annual GVA estimates. Latest figures available Q2 2011.

*\*\*An official quarterly Northern Ireland Quarterly Output Index is currently being developed by the Department of Finance & Personnel (DFP). It will include public and private sector output and it is expected to be unveiled in 2012.\*\**

**Purchasing Managers' Indexes (PMIs)** - Purchasing Managers' Indexes (PMIs) are unofficial **monthly** surveys. The Northern Ireland PMI is sponsored by Ulster Bank & produced by Markit Economics. Latest figures available are for November 2011.

*In the slides that follow, it is noted that the annual GVA figures are closely correlated with the more timely PSO index. In turn, the PSO Index is closely correlated with the more timely PMI survey.*

## Background: GVA in more detail

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- GVA is the value generated by any unit (*business or individual*) engaged in a production activity. It is measured at basic prices, excluding taxes (*less subsidies*) on products. GVA plus taxes (*less subsidies*) on products is equivalent to GDP.
- Regional GVA is measured using the income approach, which involves adding up the income generated by resident individuals or corporations in the production of goods and services.

The main components of income based GVA are:

**Compensation of Employees** (wages and salaries);

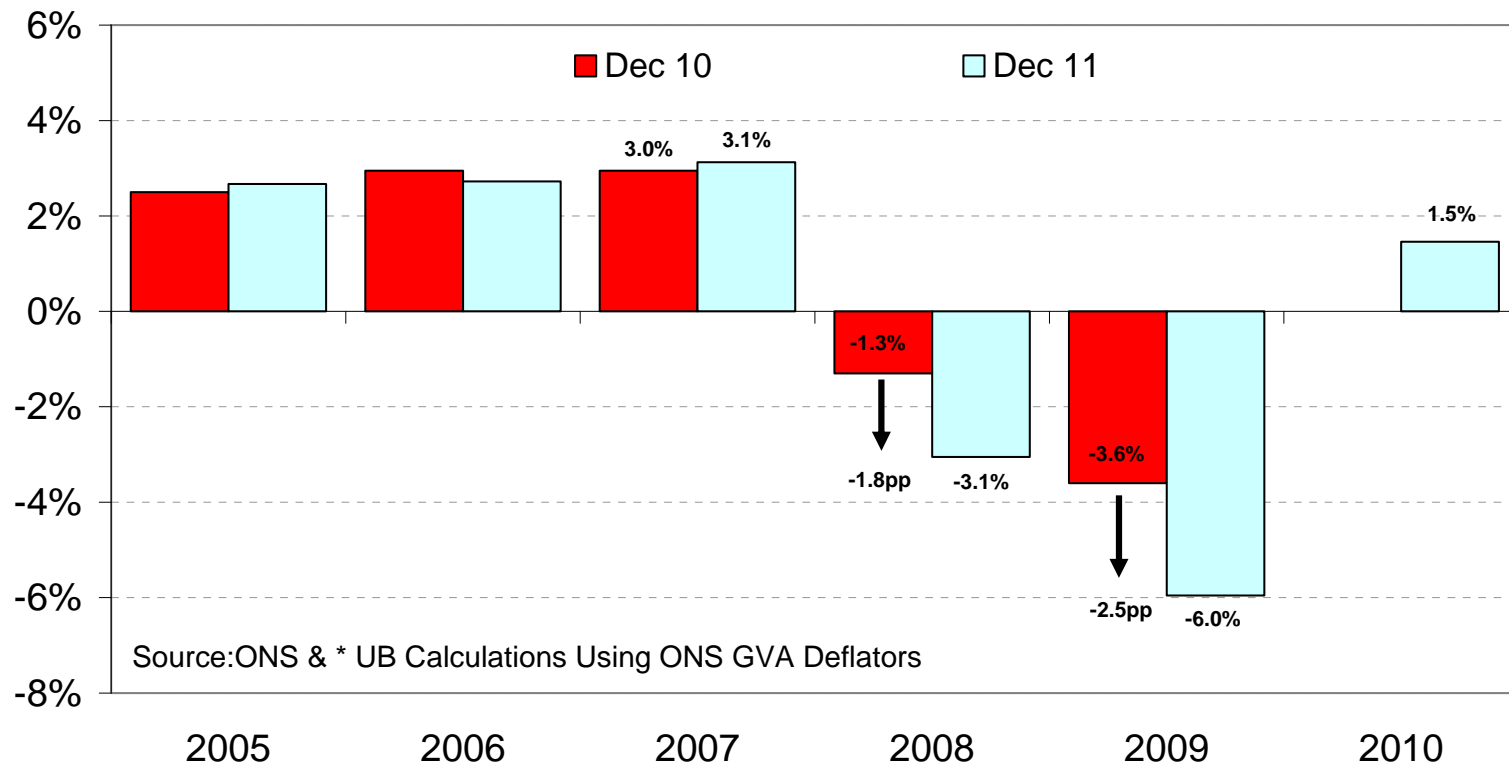
**Gross Operating Surplus** (*the sum of self employment income, gross trading profits and surpluses, non-market capital consumption, rental income less holding gains*);

**Taxes (*less subsidies*)** incurred as a result of engaging in production, independently of the quantity or value of goods and services produced (*e.g. business rates*)

- Weblink for latest GVA data / figures <http://www.ons.gov.uk/ons/rel/regional-accounts/regional-economic-activity--gva-/december-2011/stb-regional-gva-dec-2011.html>
- **GVA per head of population** – this is a useful way of comparing regions of different sizes and is an important indicator for both domestic and European policy purposes. It is calculated using the entire population (including the ‘economically inactive’ – those individuals neither in work or looking for work). **GVA per head is viewed as a measure of economic prosperity.**

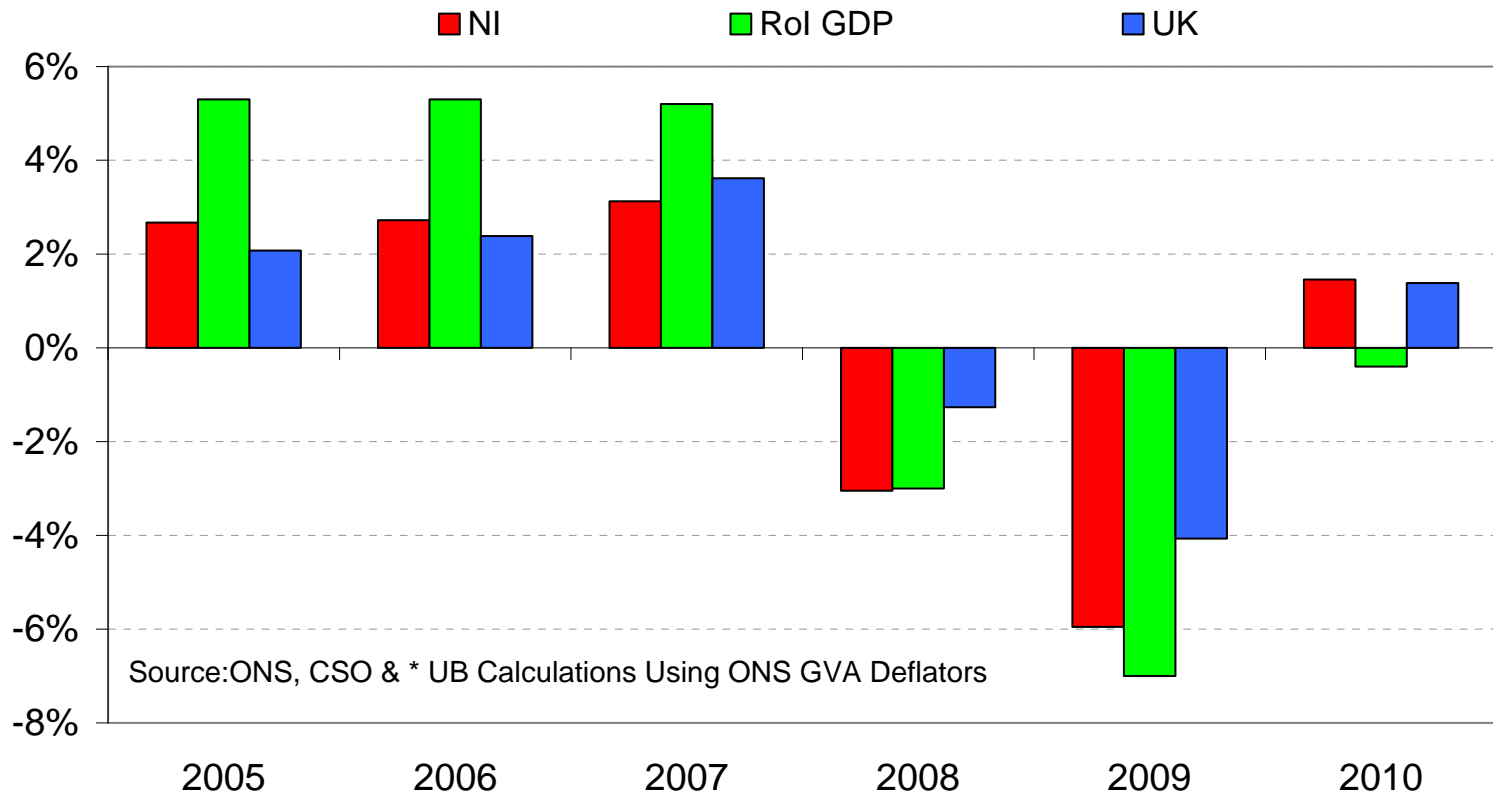
# Revisions to previous GVA data reveal cumulative contraction in 2008 & 2009 was 8.8% not 4.9%

## NI Annual Economic Growth Revisions Gross Value Added (GVA) in real terms



# NI's growth profile is closer to the RoI's than the UK's

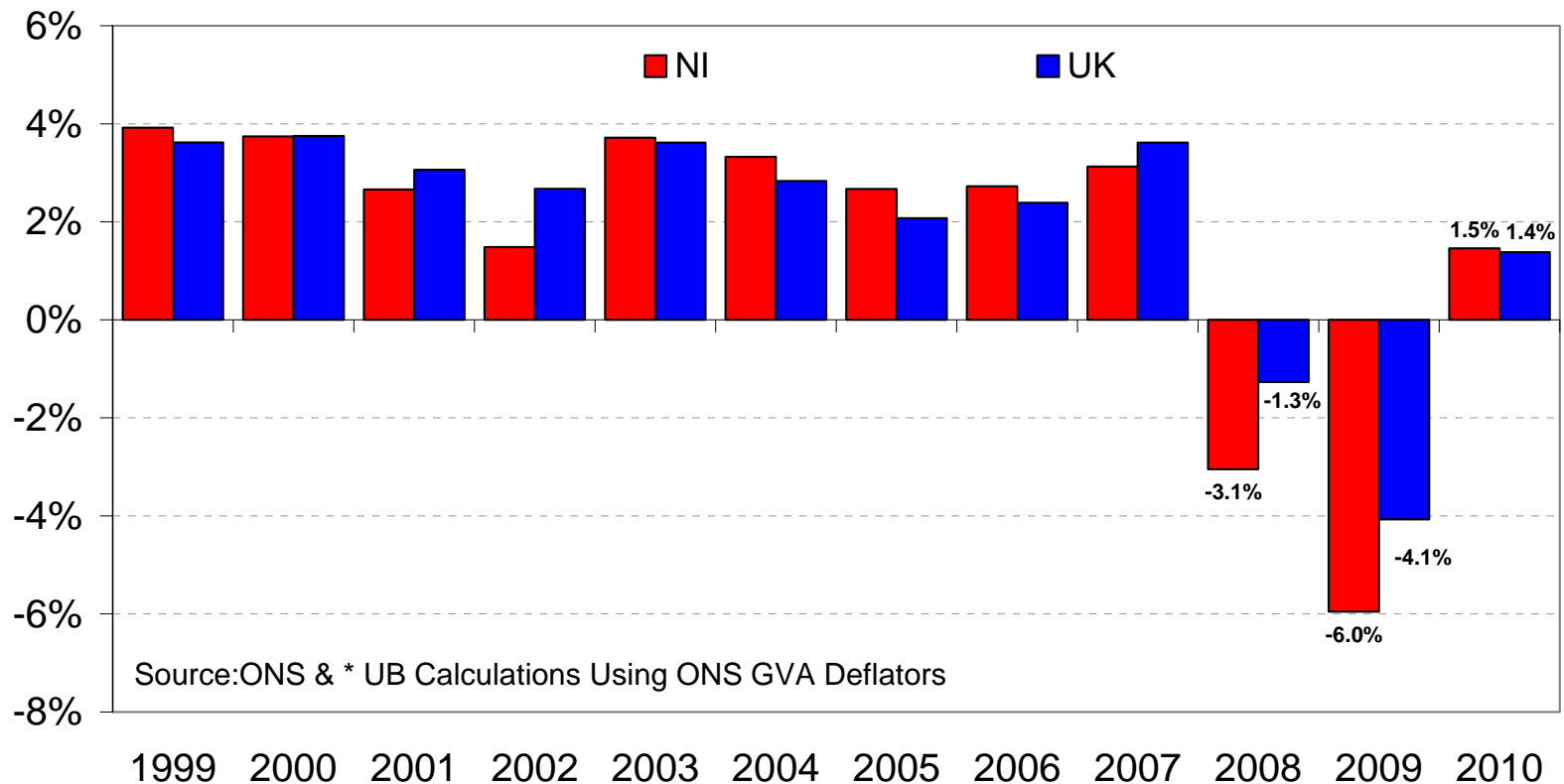
## Annual Economic Growth in Real Terms - GVA





# NI posts steeper decline than UK but similar growth in 2010 *(we expect this to be revised down significantly in due course)*

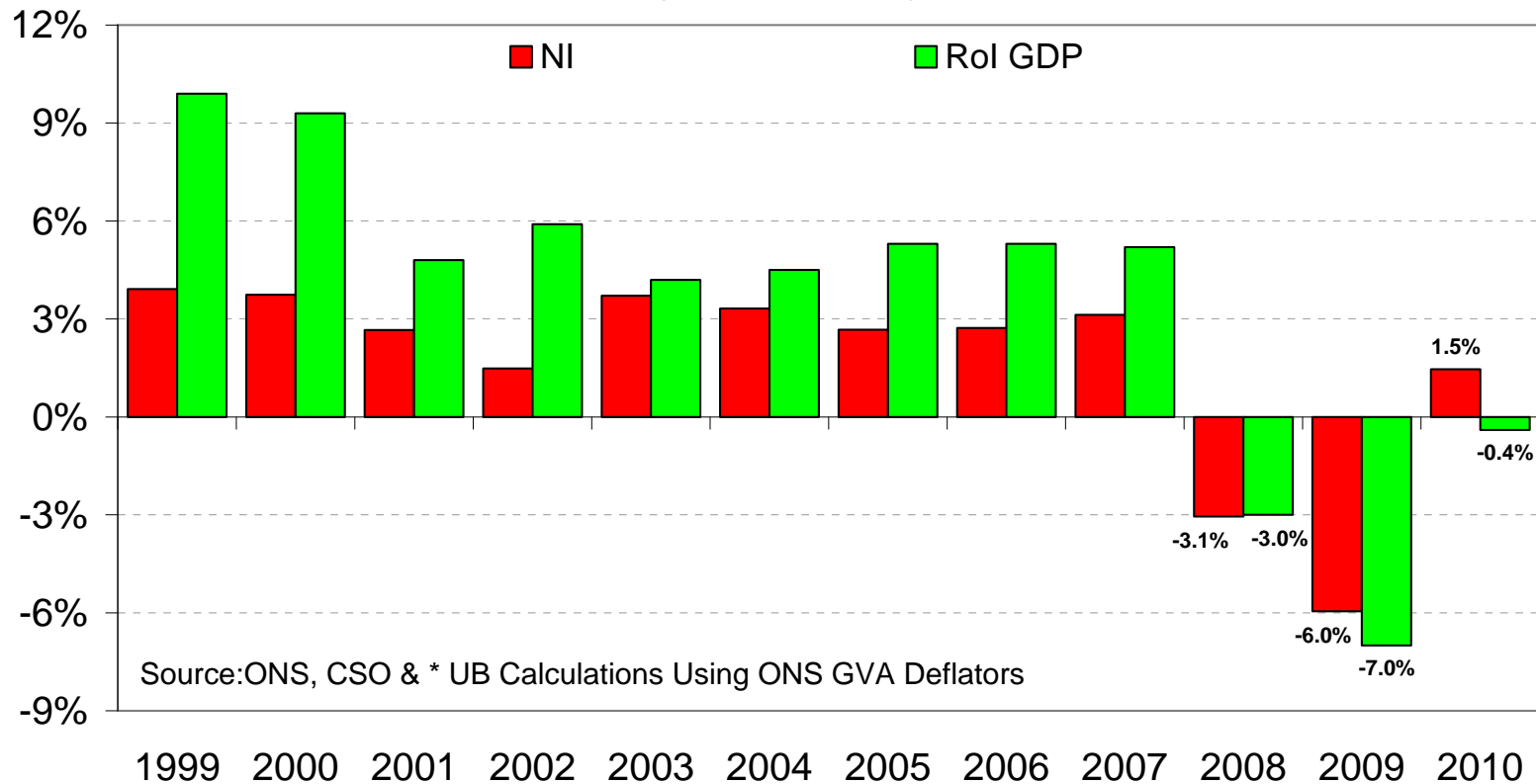
## NI v UK Annual Economic Growth in Real Terms Gross Value Added (GVA)



# An 'All-Island recession' similar problems

## NI & RoI Annual Economic Growth

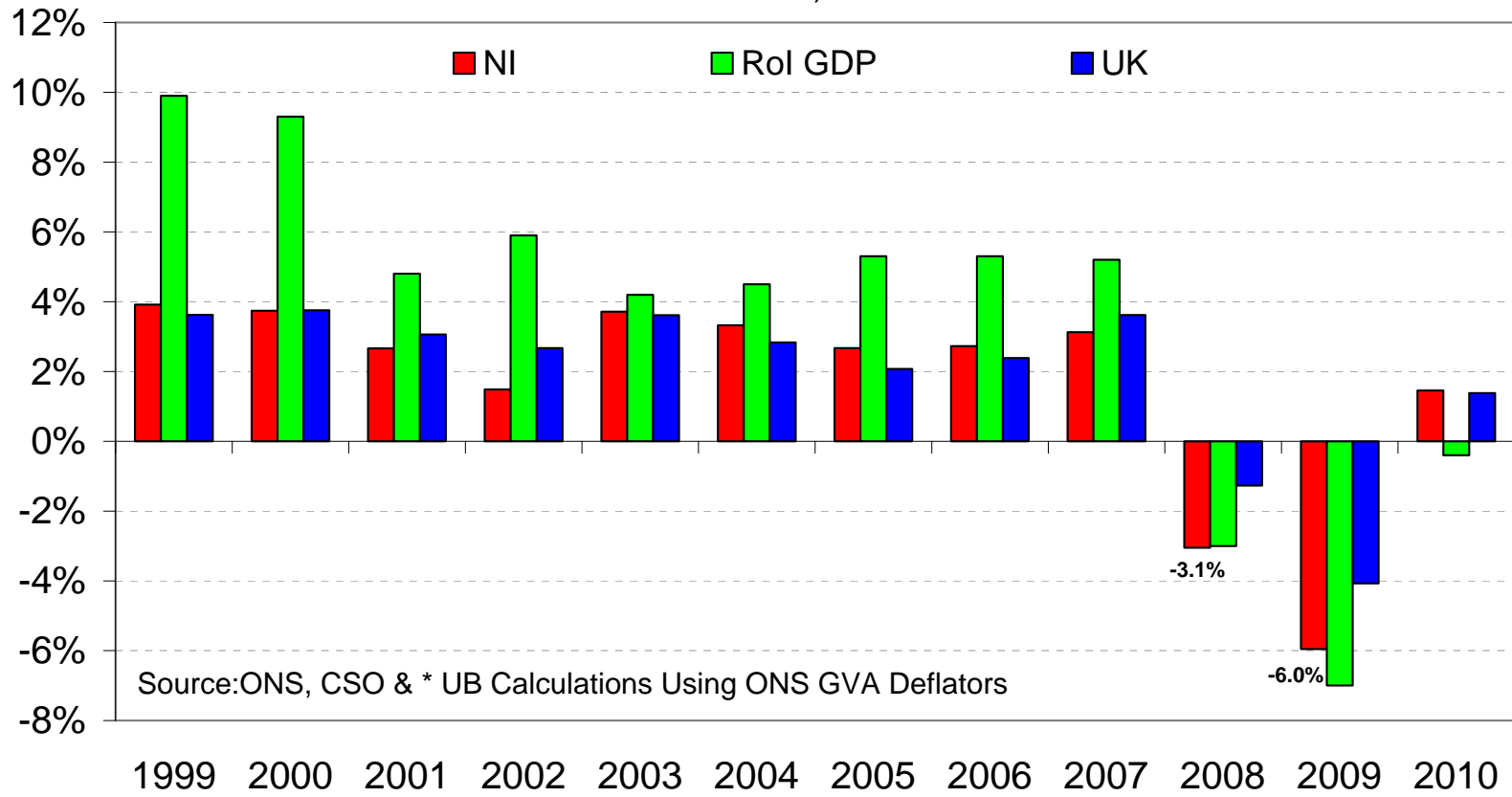
(in Real Terms)



# NI's exposure to the RoI has gone from being a positive for economic growth to a negative

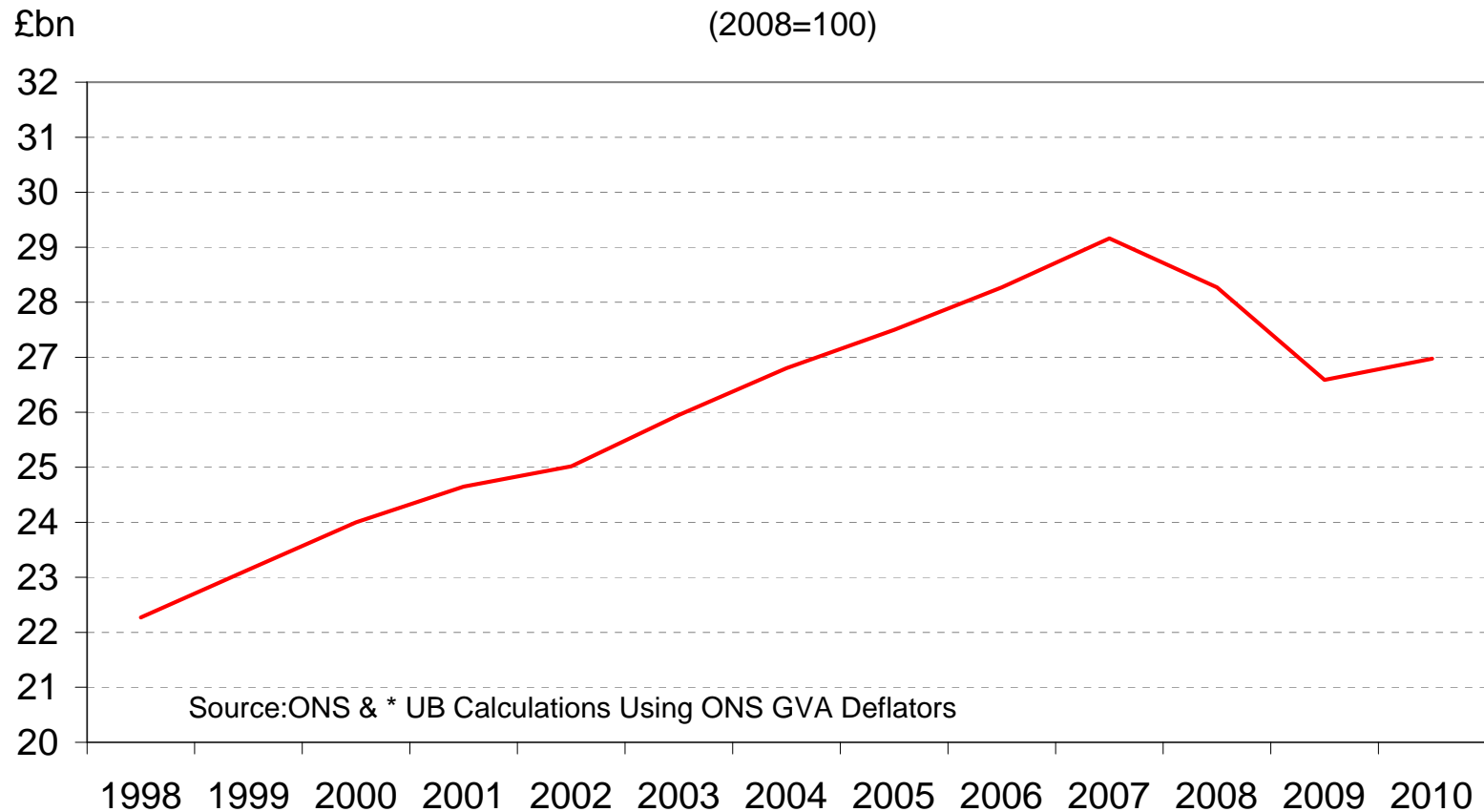
## NI, UK & RoI Economic Growth in Real Terms

NI & UK GVA, RoI GDP



**NI is a £28.1bn economy in current prices and a £27bn one in constant 2008 prices**

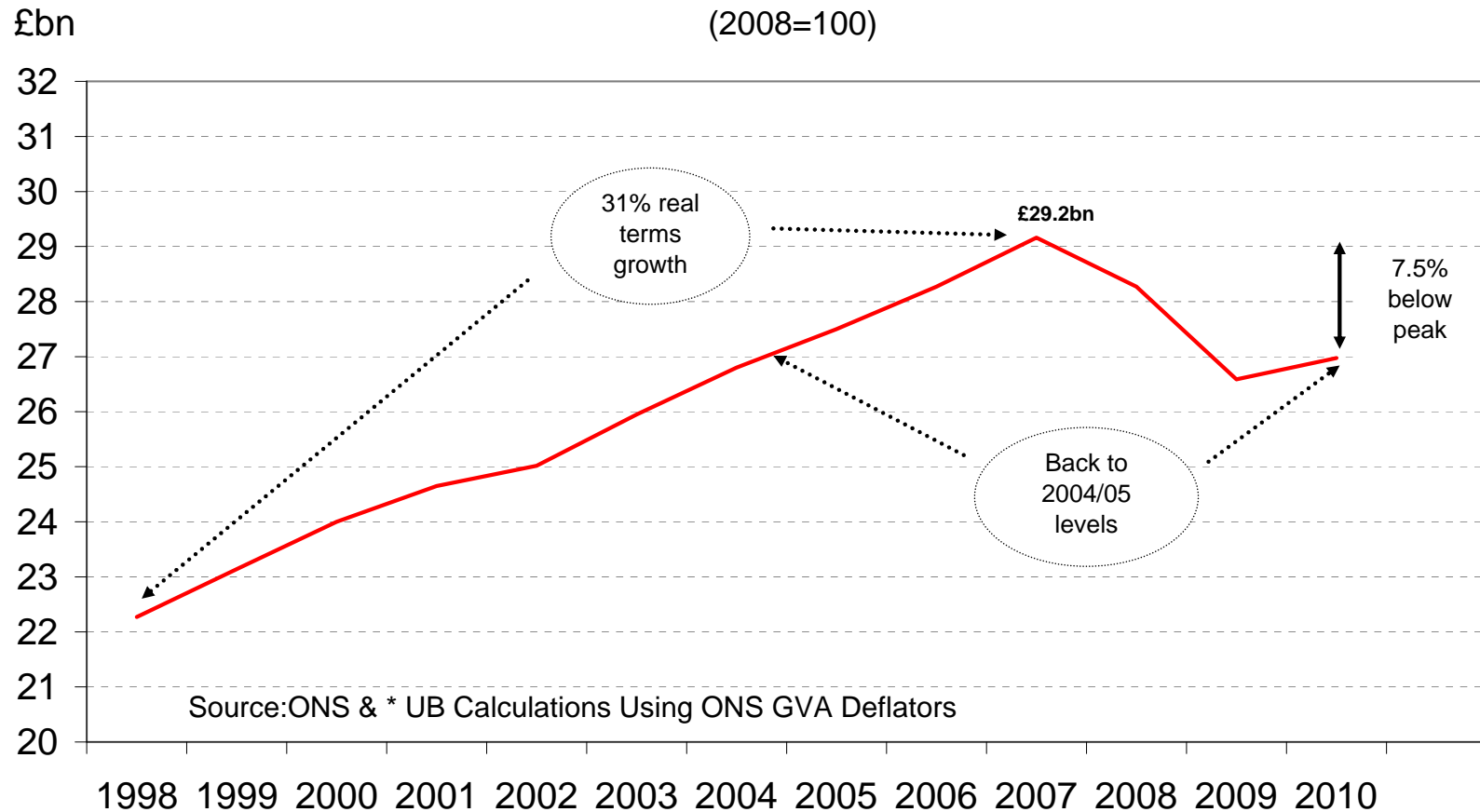
## NI Gross Value Added in Constant Prices



# NI's 2010 economy is 7.5% below 2007 peak and back to 2004/05 levels

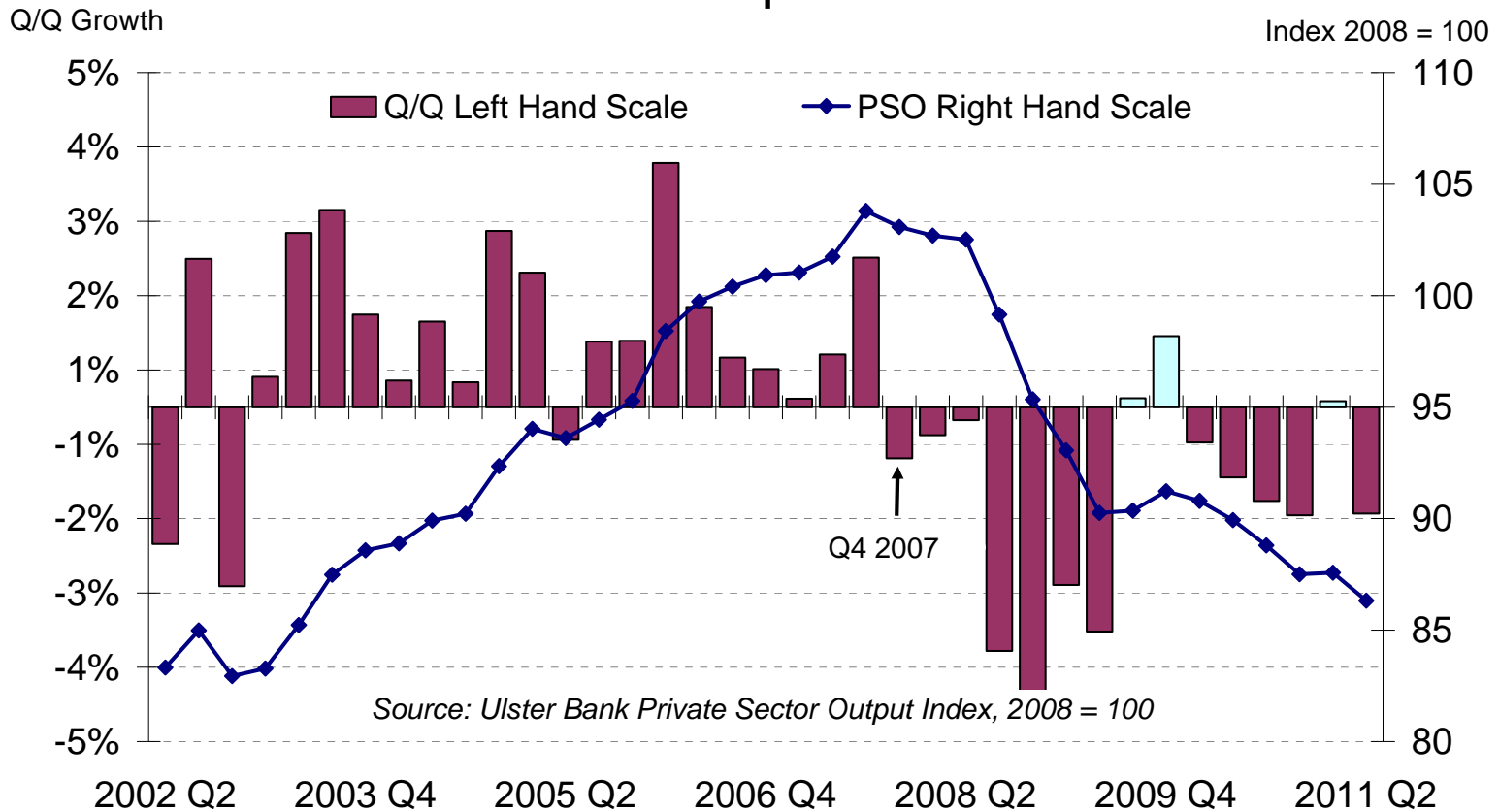
## NI Gross Value Added in Constant Prices

(2008=100)



# No 2011 GVA figures available yet but other indicators point to further declines in private sector output

## NI Private Sector Output Levels & Growth



# Private sector output down 17% from its quarterly peak and back to 2003 levels

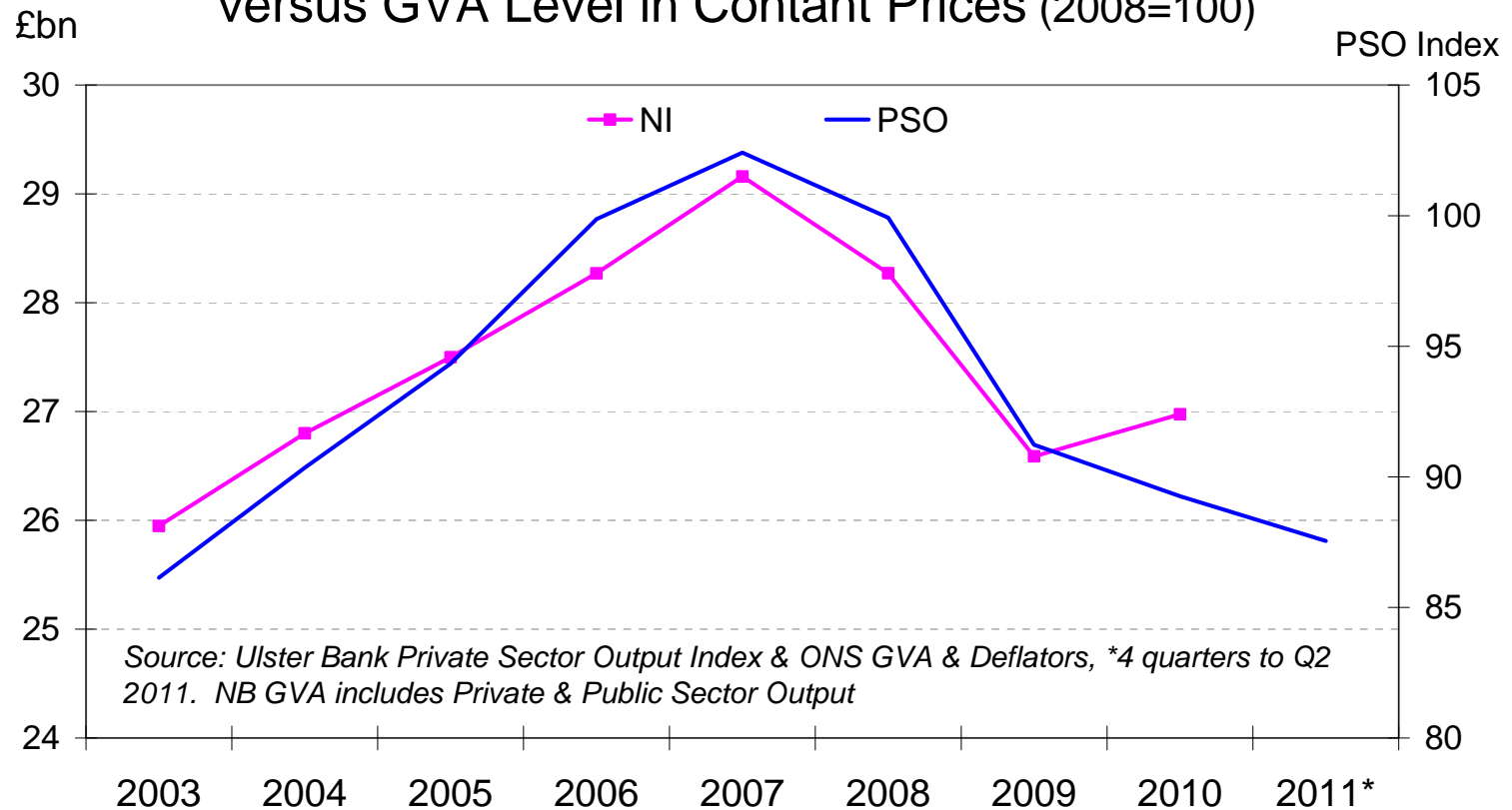
## NI Private Sector Output Levels

*Composite of construction, production and services sectors*



## NI PSO versus NI GVA levels both in 2008 prices

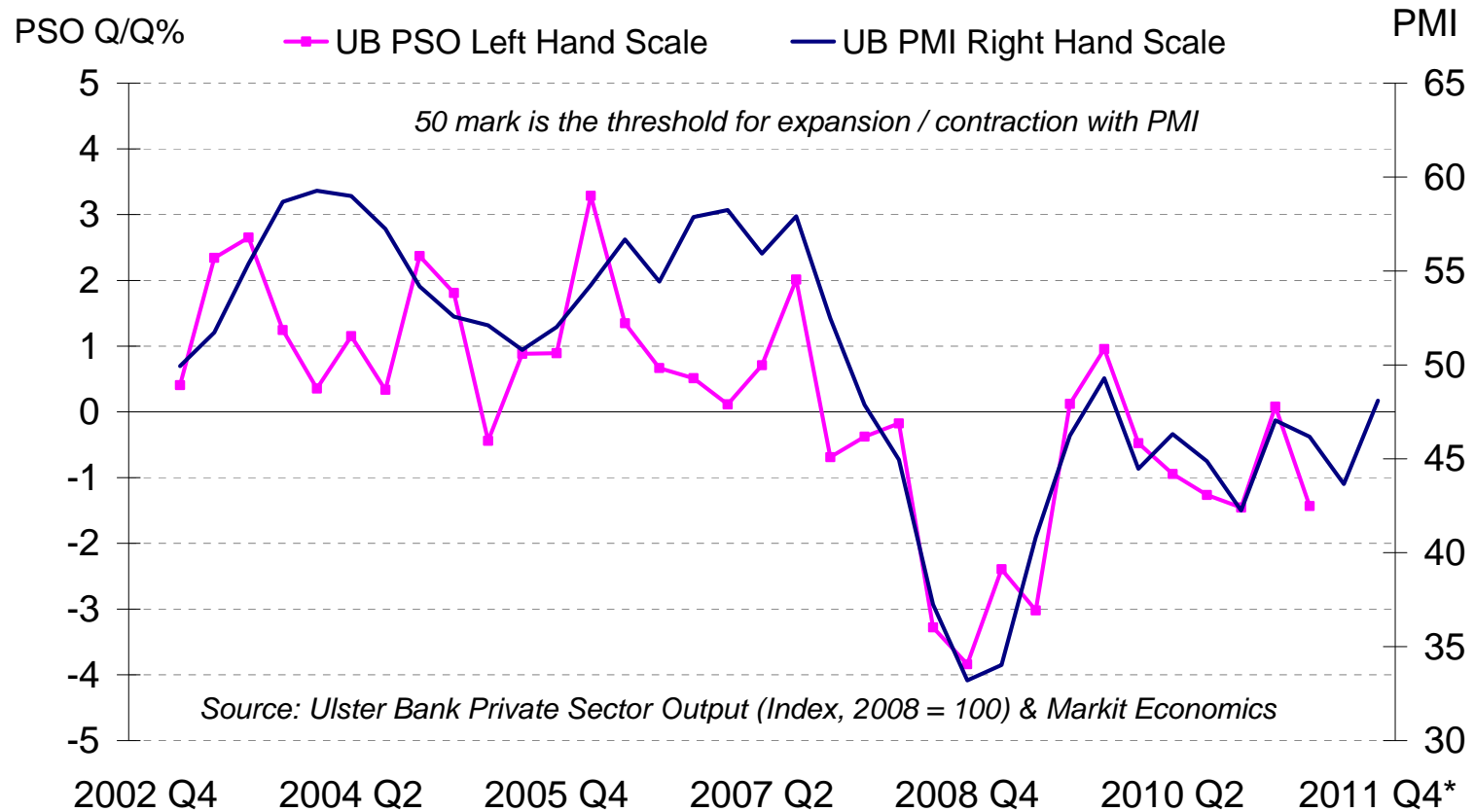
NI Private Sector Composite Output (PSO) Index  
versus GVA Level in Contant Prices (2008=100)





# PSO & PMI are both closely correlated with each other

## NI Private Sector Output Index Versus NI PMI

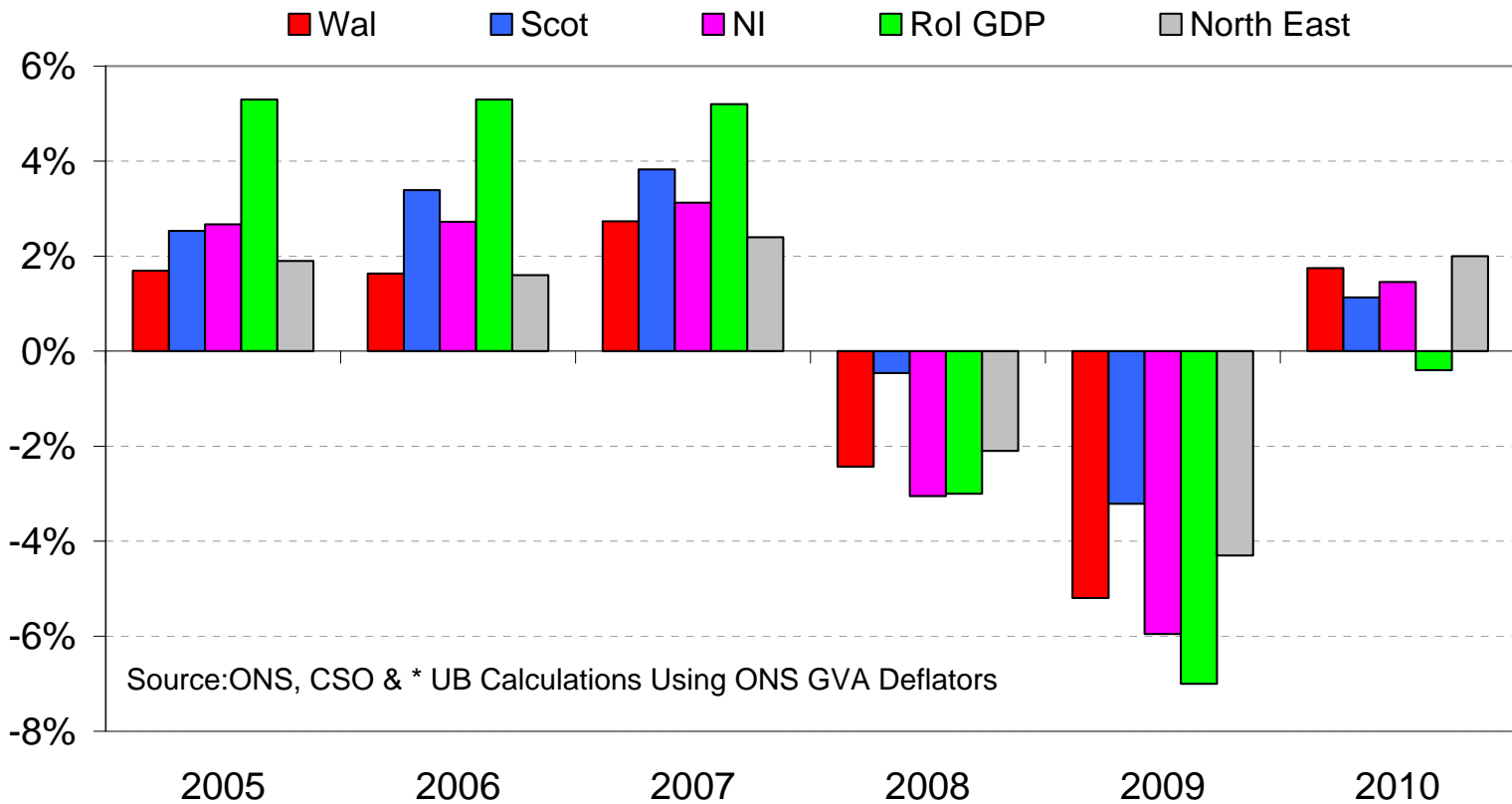


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*Regional  
Economic Growth  
Comparisons*

# Scotland is best regional performer through the recession

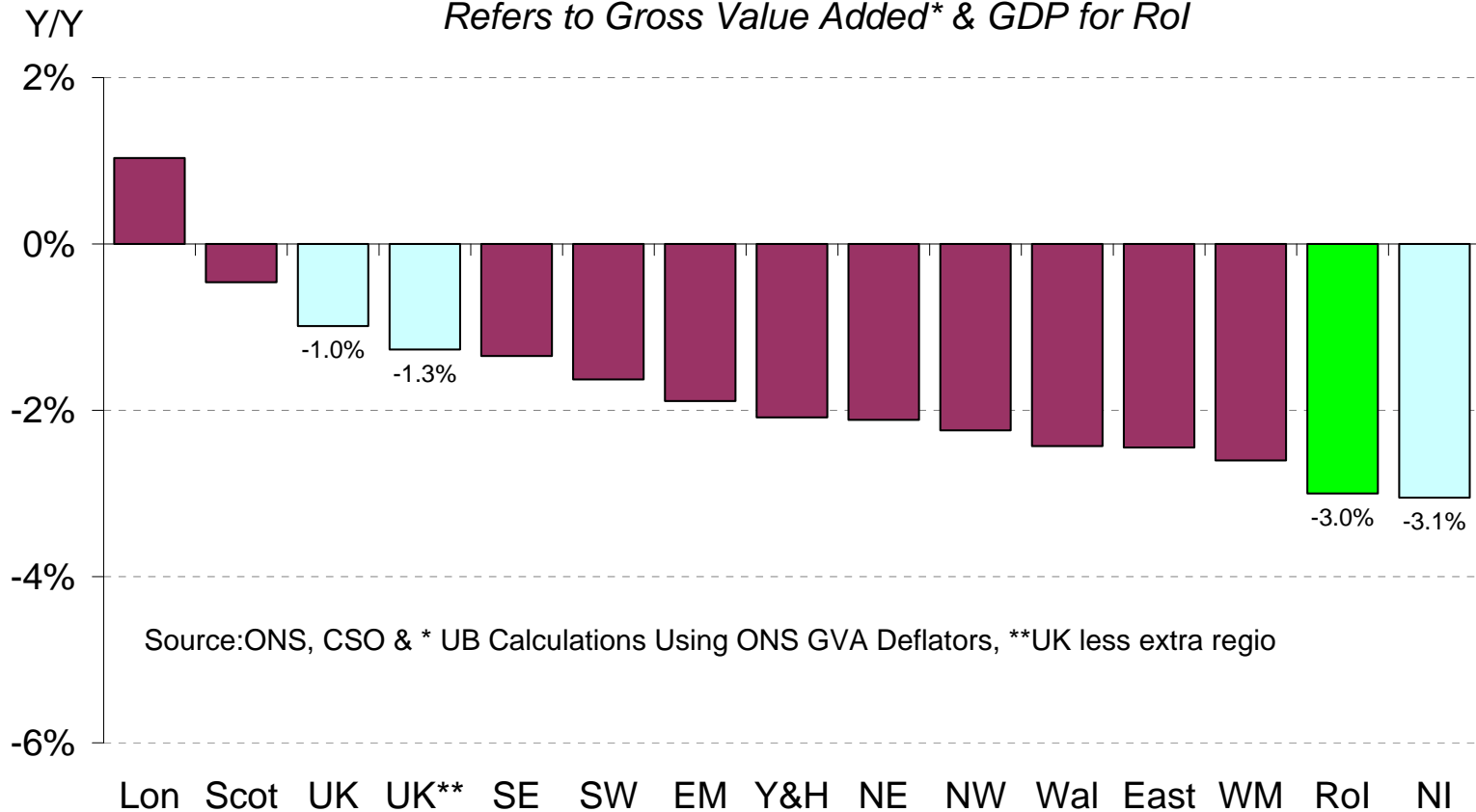
## Annual Economic Growth in Real Terms - GVA



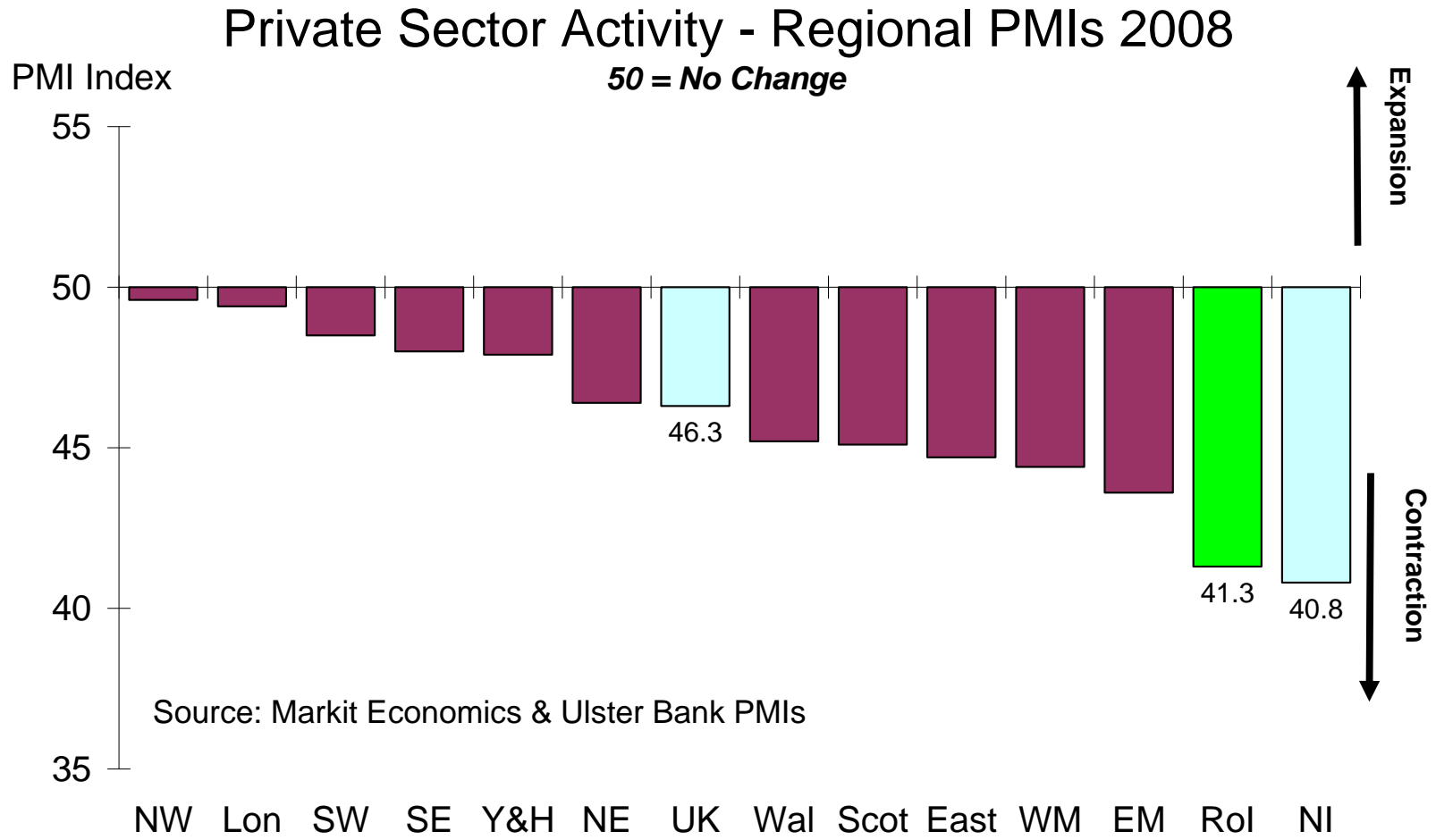
# Northern Ireland posts steepest decline in 2008

## Annual Economic Growth in Real Terms 2008

*Refers to Gross Value Added\* & GDP for RoI*



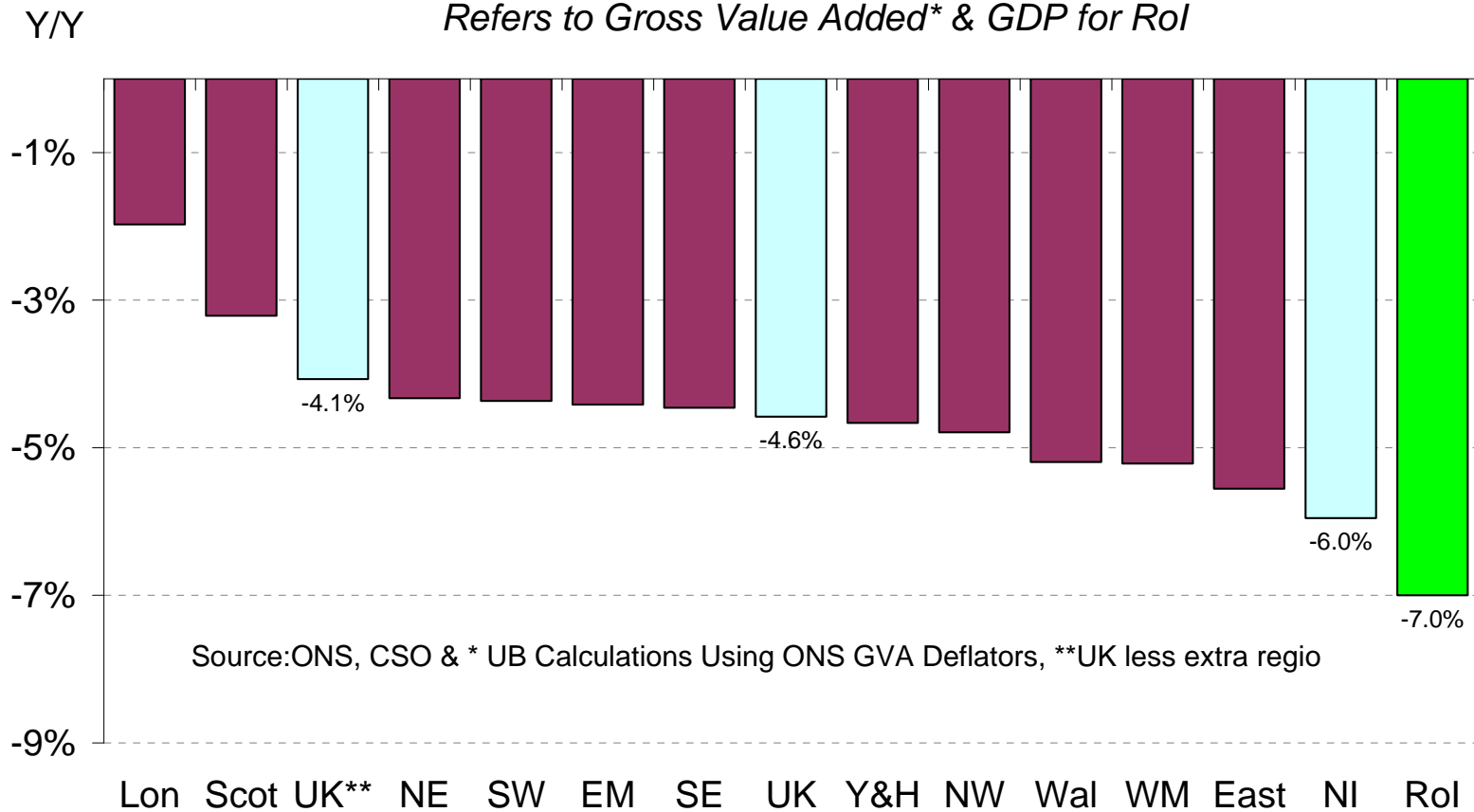
## Which was also the case for the PMIs



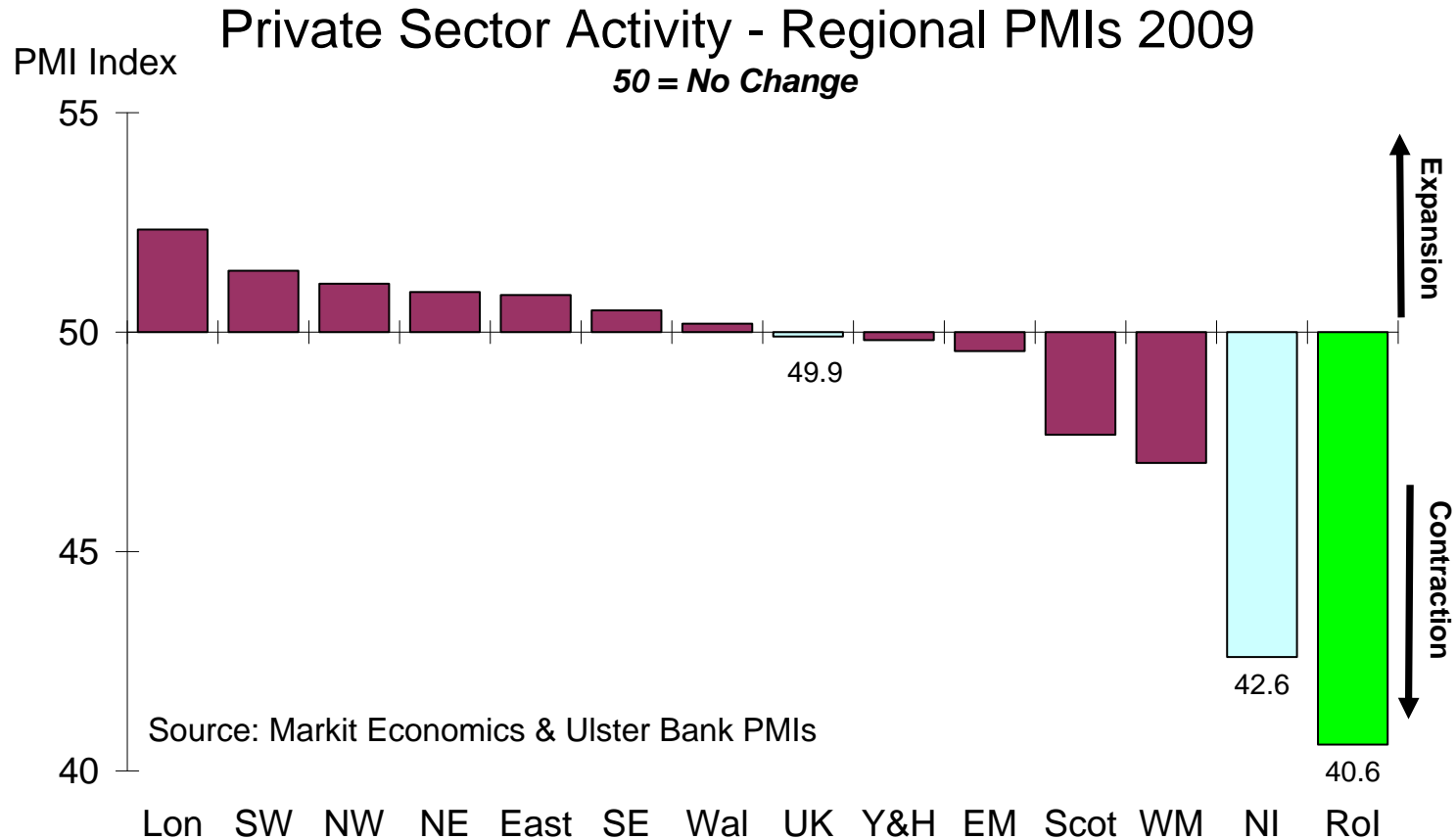
# NI also posts steepest decline in 2009 within UK

## Annual Economic Growth in Real Terms 2009

*Refers to Gross Value Added\* & GDP for RoI*



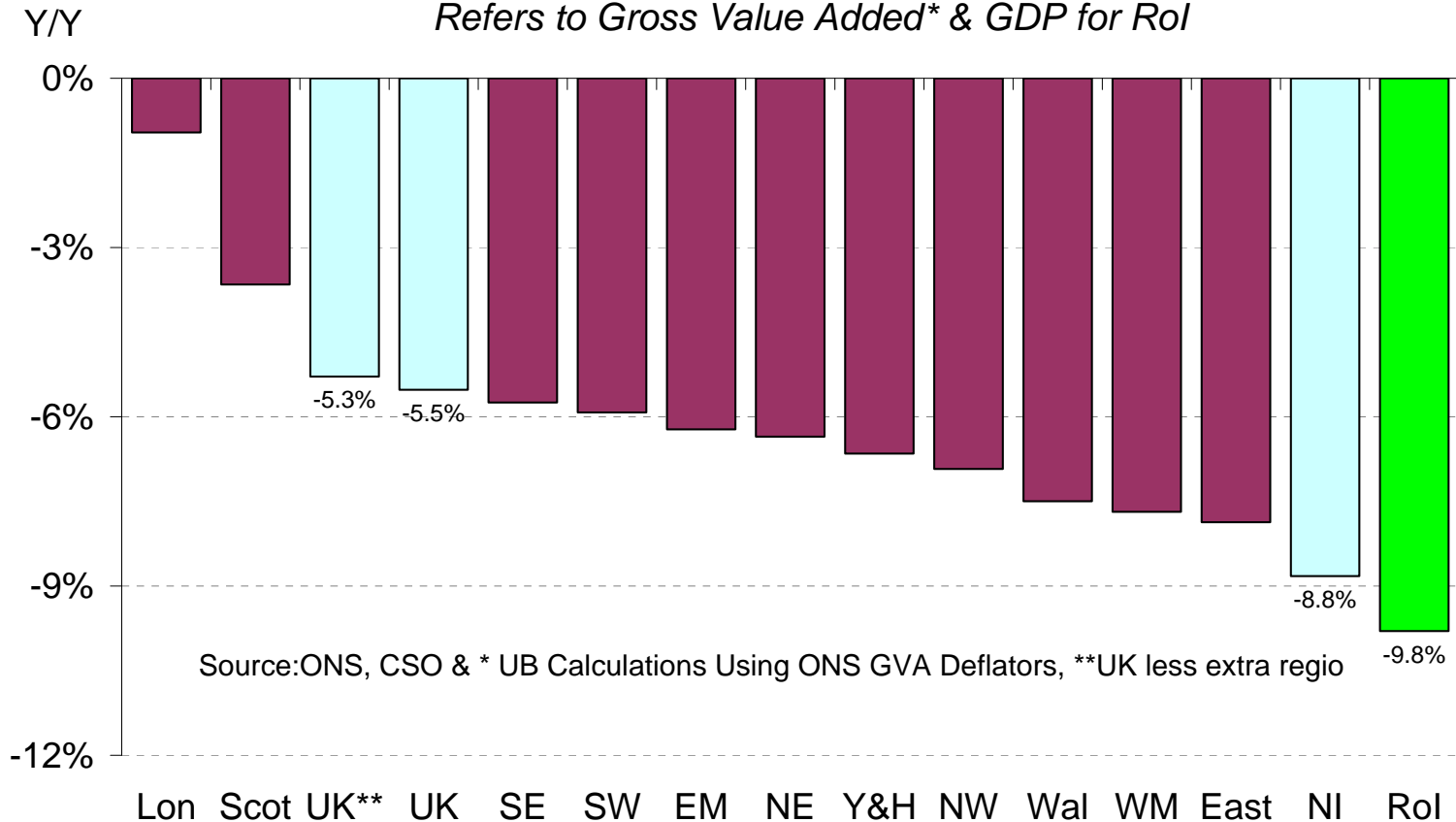
# Which was again highlighted in the PMIs



# 2007-09 NI's performance was closer to that of the Rol than the UK

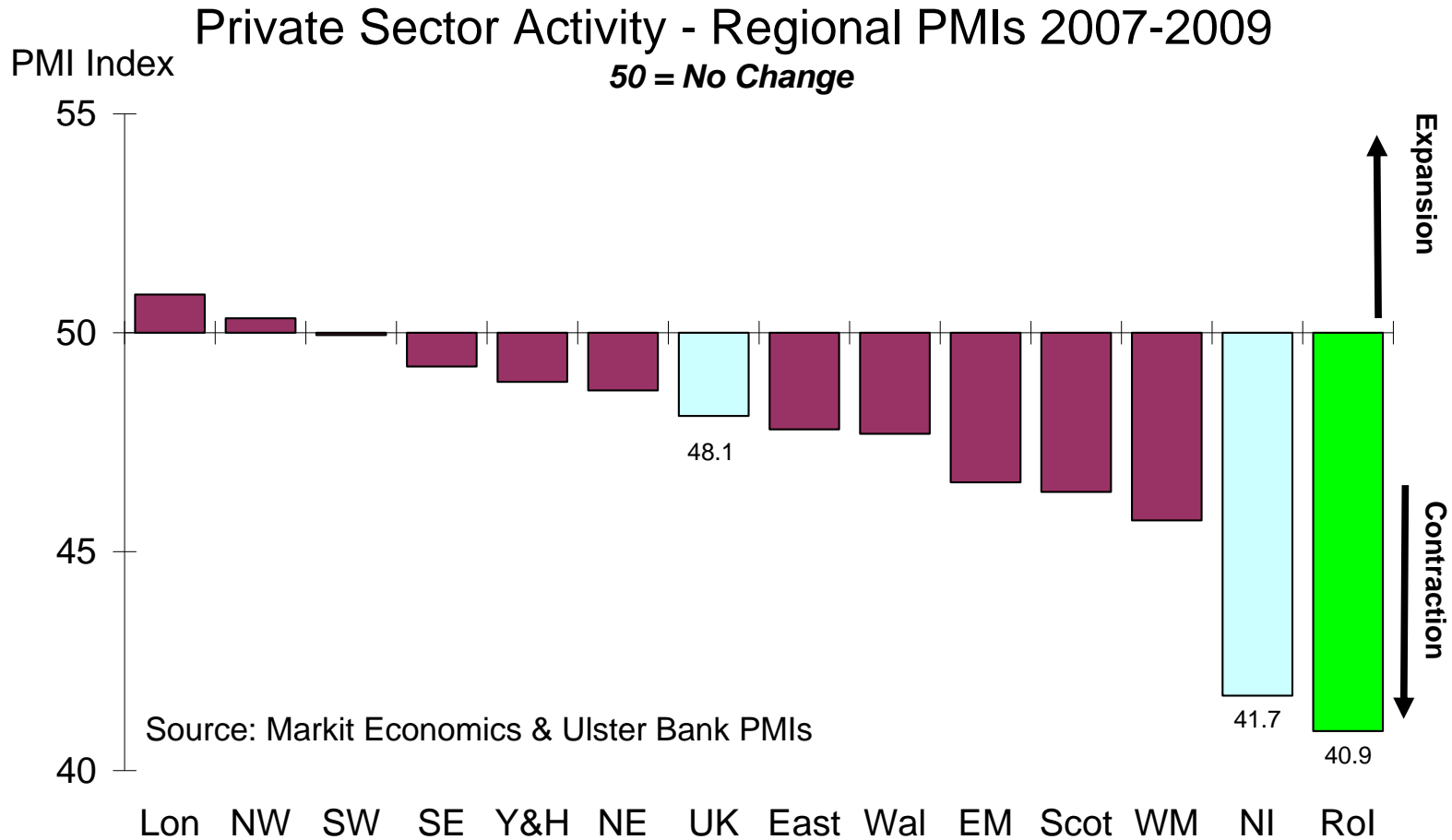
## Annual Economic Growth in Real Terms 2007-2009

*Refers to Gross Value Added\* & GDP for Rol*





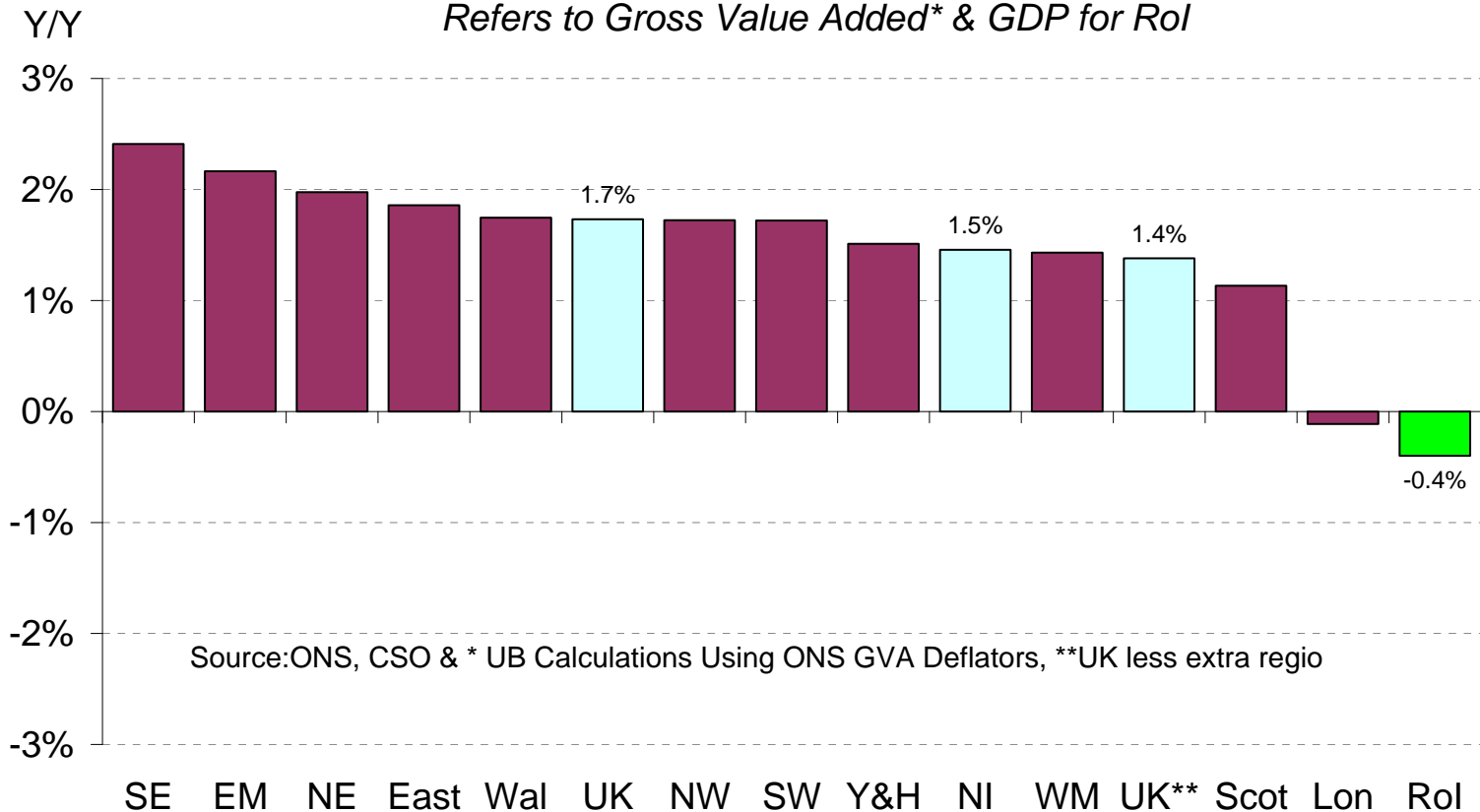
# Again this trend was evident within the PMIs



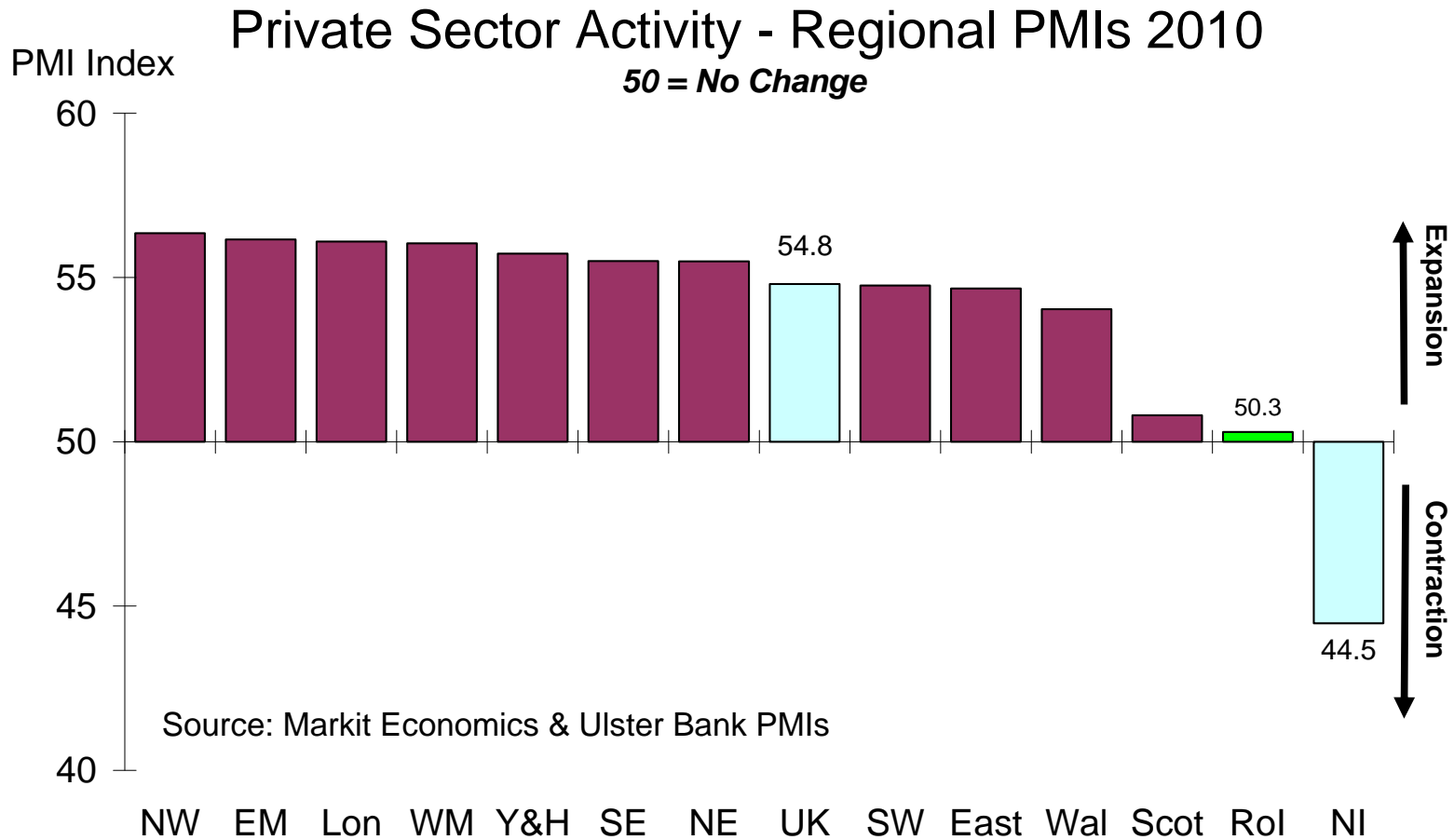
# 2010 recovery underway....but not in the Rol

## Annual Economic Growth in Real Terms 2010

*Refers to Gross Value Added\* & GDP for Rol*



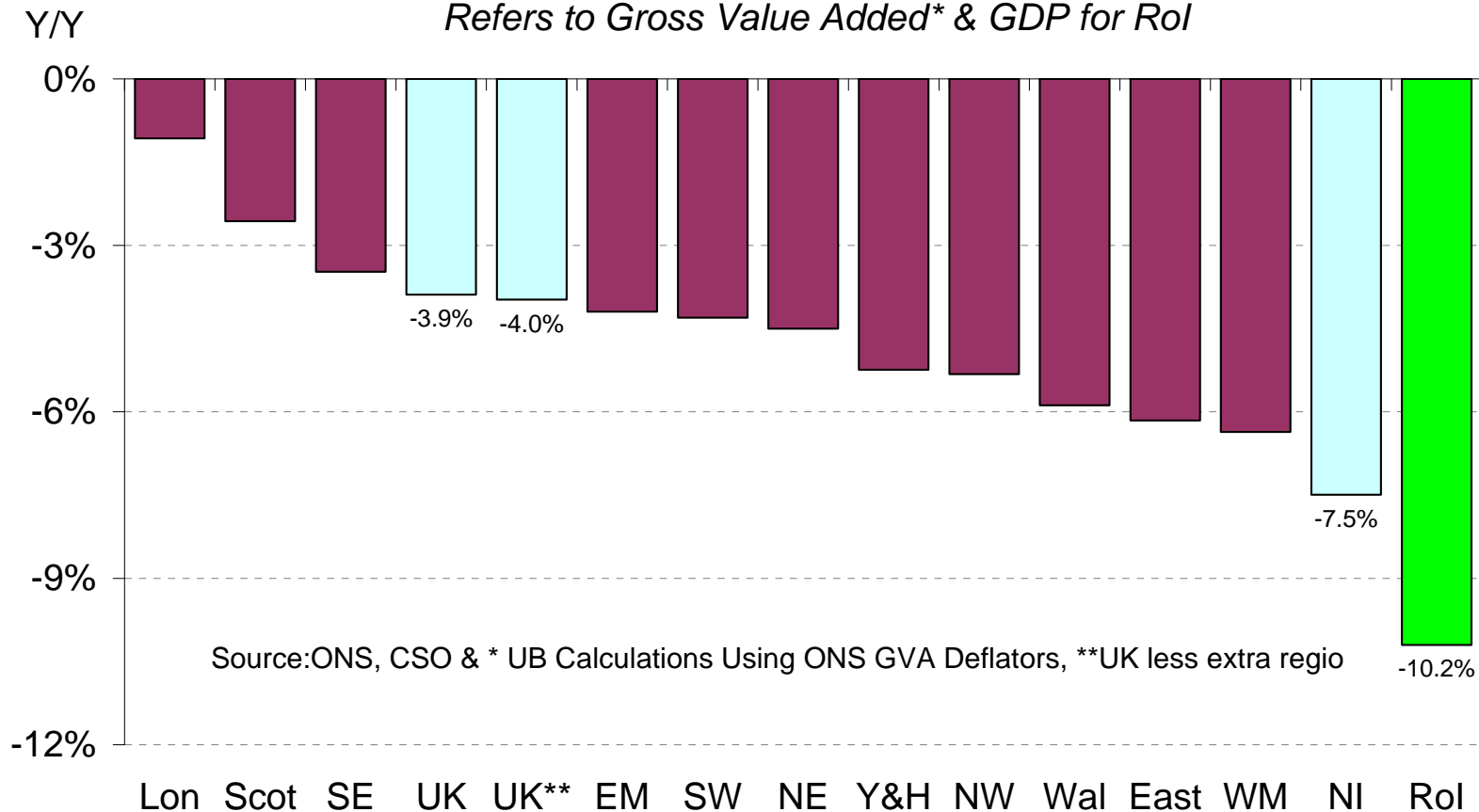
# And in NI no private sector recovery according to the PMI



# Despite growth, NI still has lots of ground to catch up

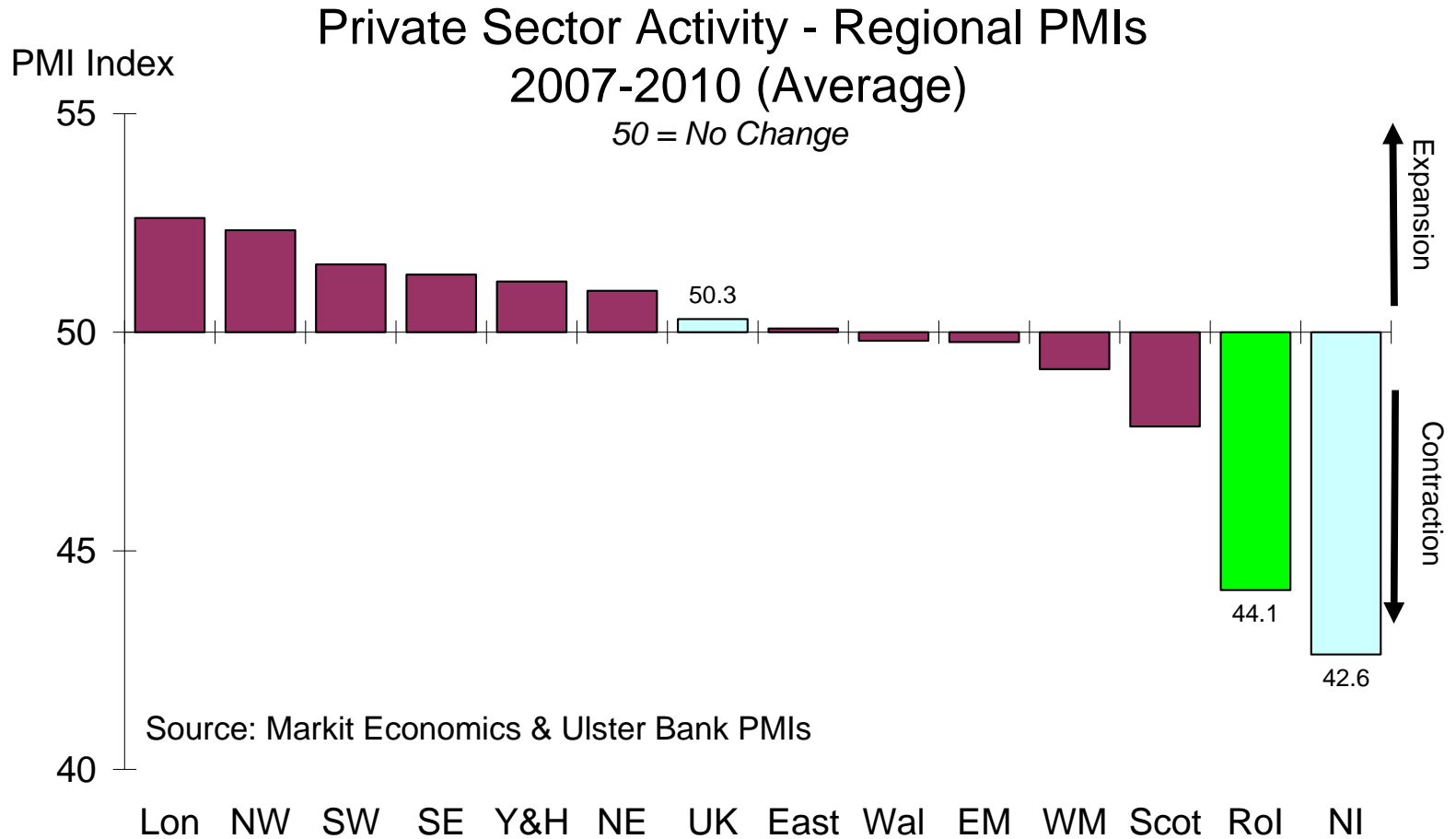
## Annual Economic Growth in Real Terms 2007-2010

*Refers to Gross Value Added\* & GDP for Rol*



Source: ONS, CSO & \* UB Calculations Using ONS GVA Deflators, \*\*UK less extra regio

# PMI suggests the same

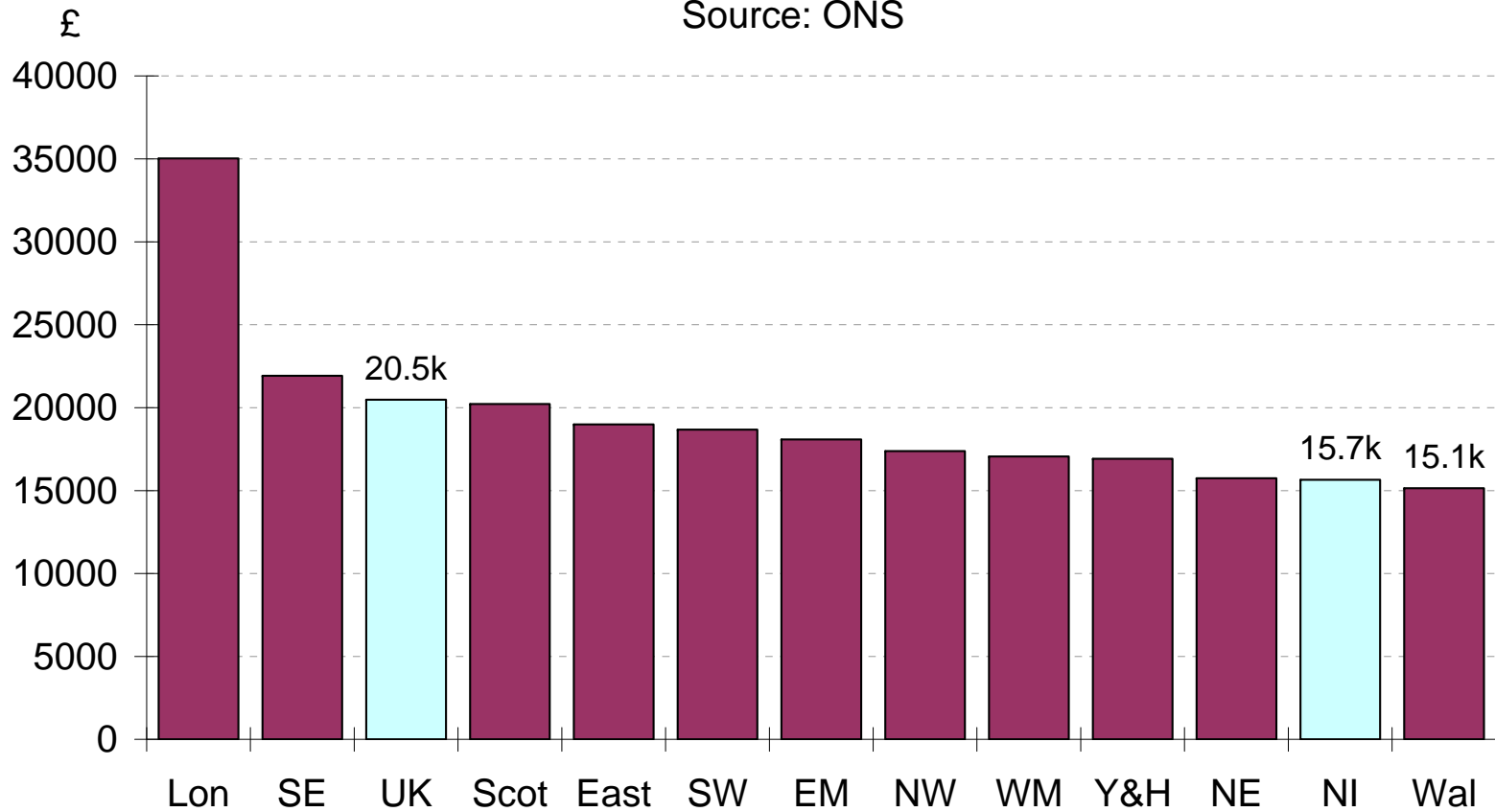


*Regional  
Economic Prosperity*

# GVA per head is a key measure of relative economic prosperity

## GVA per Head 2010

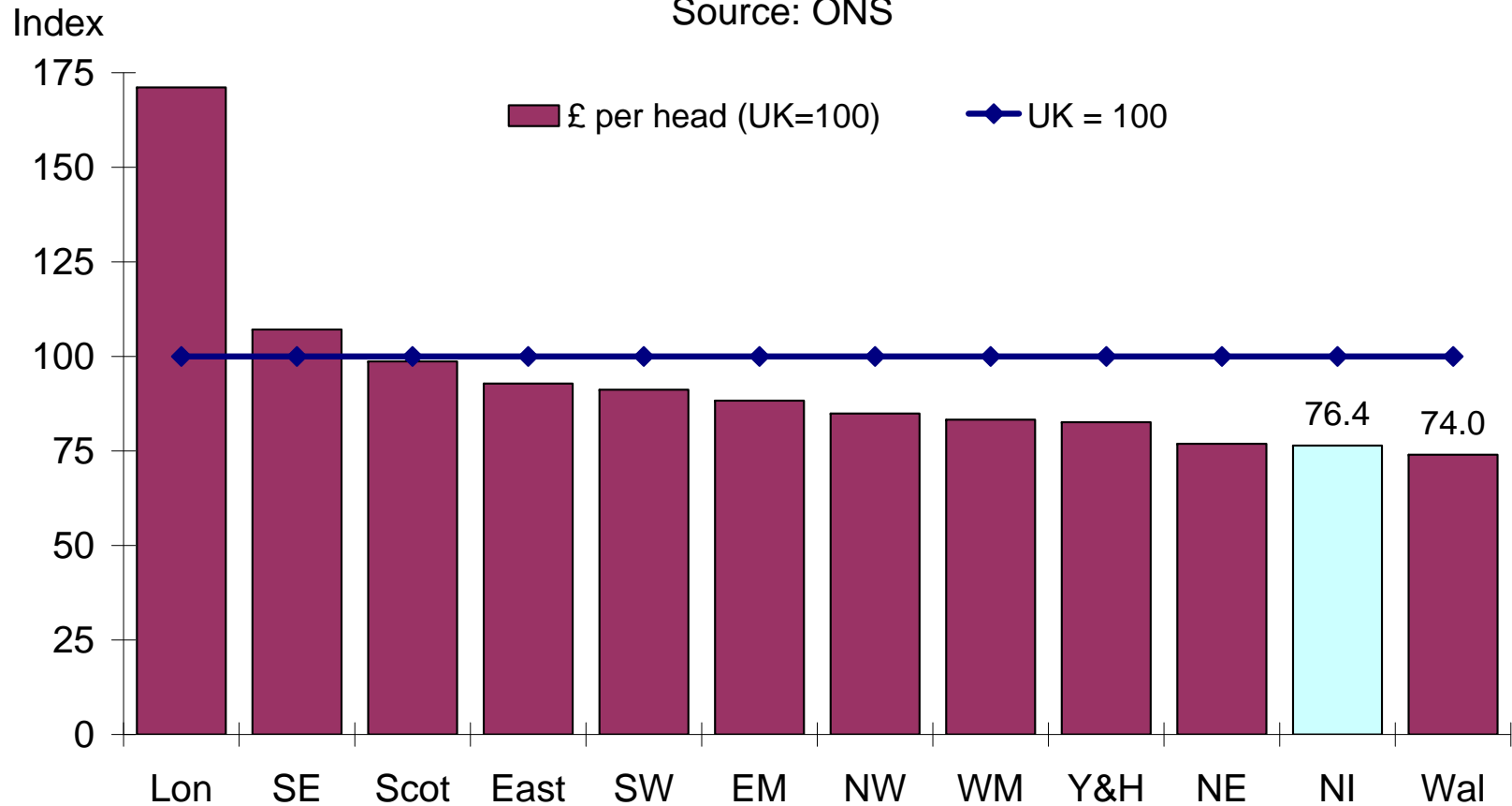
Source: ONS



# NI's GVA per head is just 76% of the UK average

## GVA per Head Index 2010 (UK=100)

Source: ONS

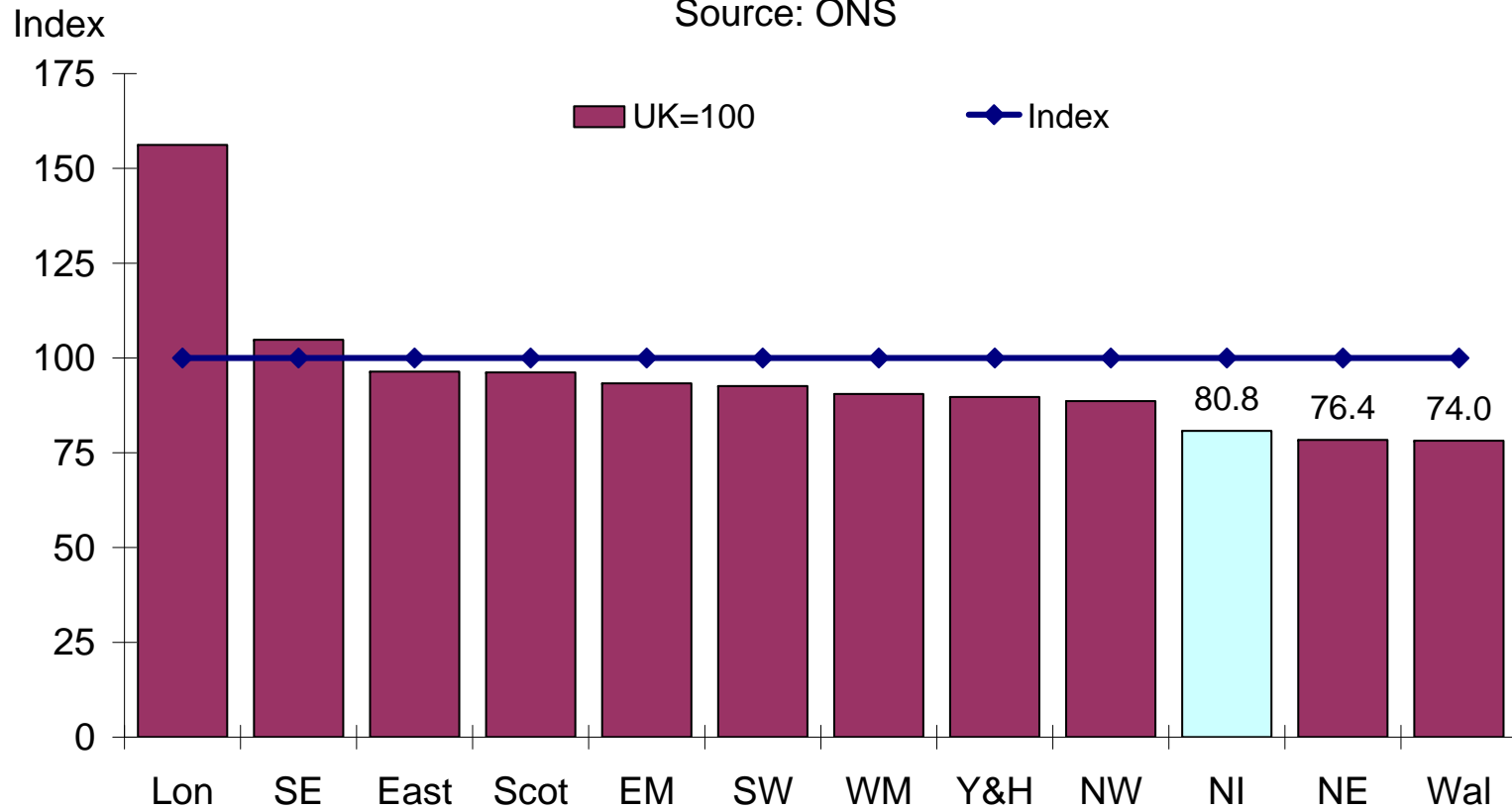




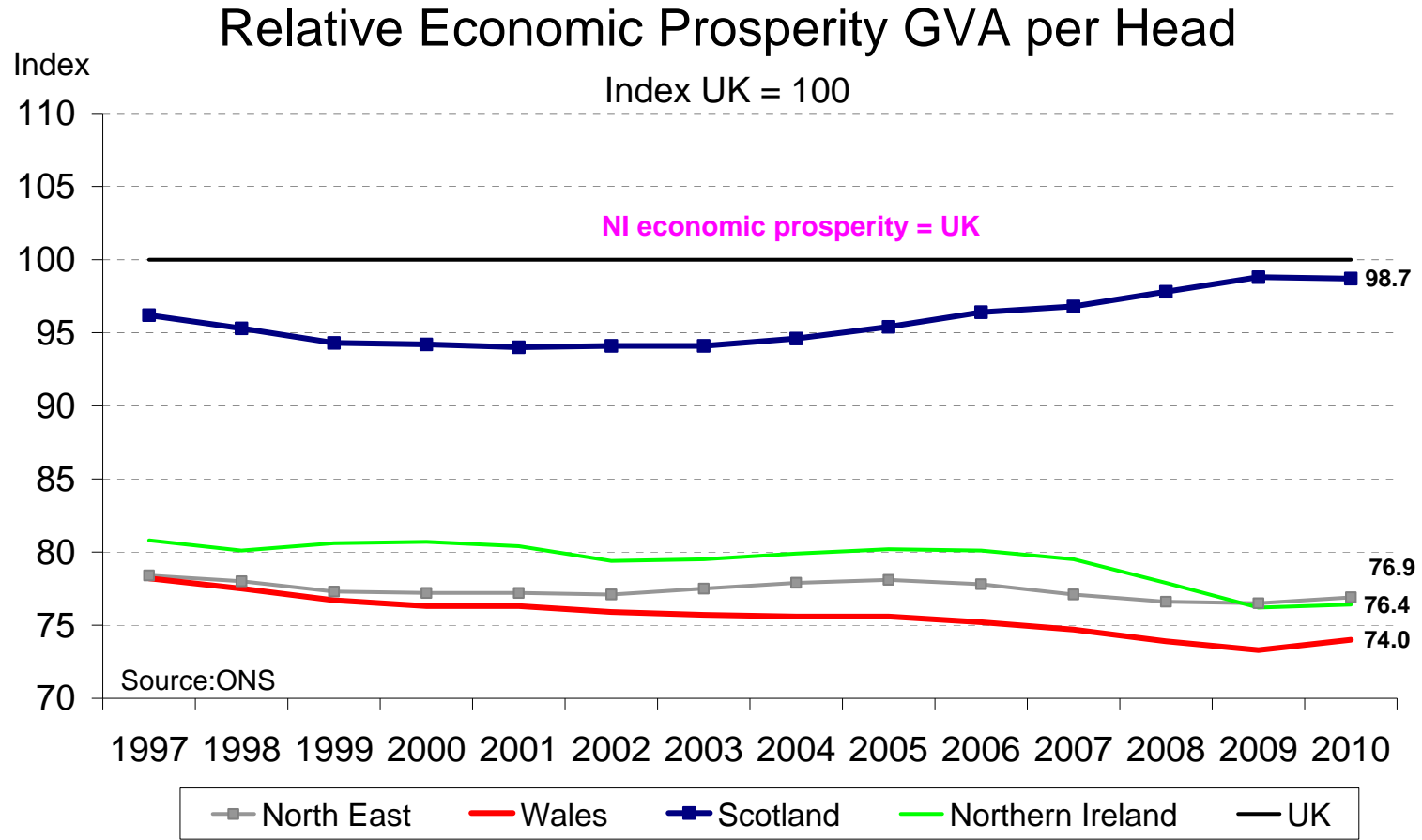
.....which compares to 80.8% back in 1997

### GVA per Head Index 1997 (UK=100)

Source: ONS

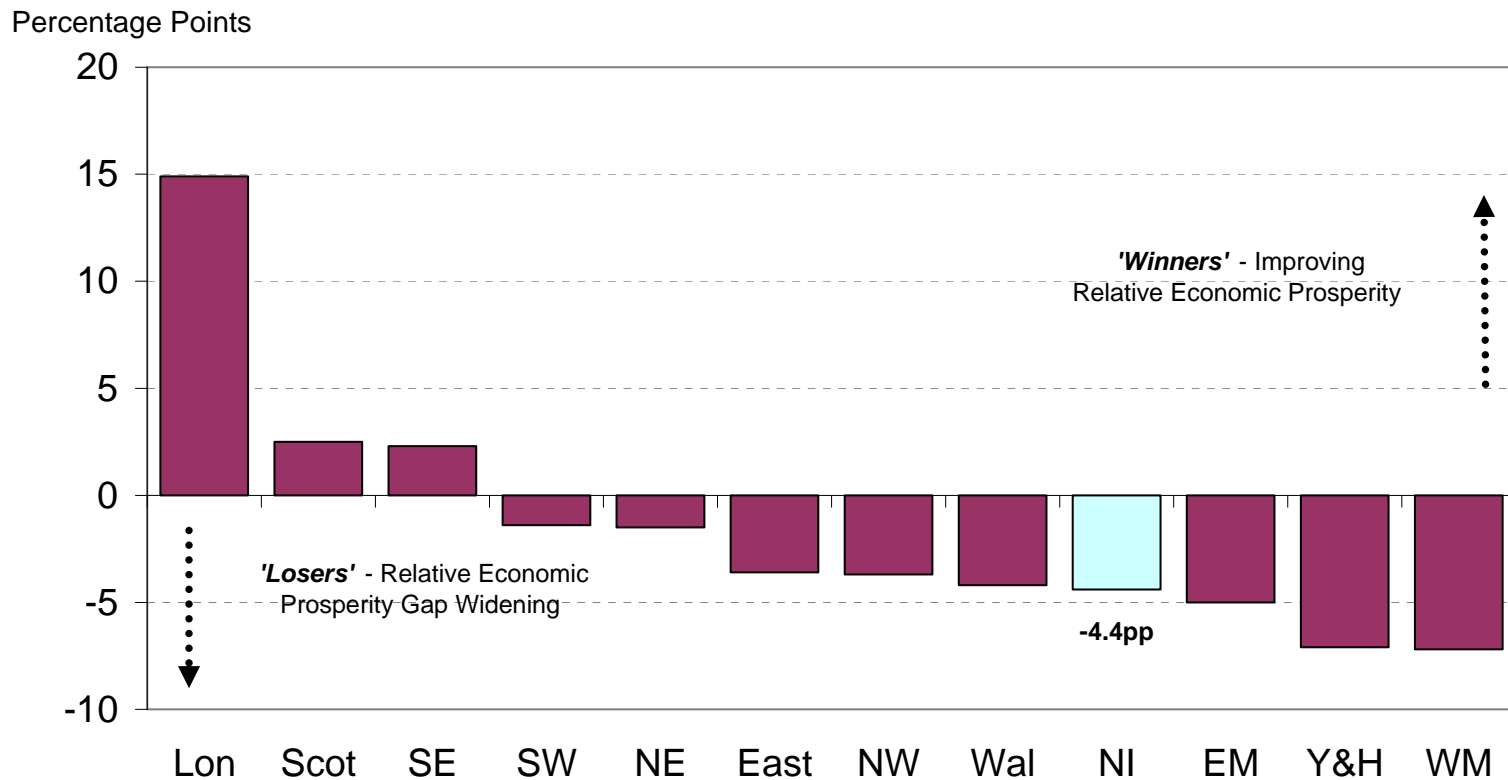


# NI's economic prosperity gap relative to UK has widened during the recession and back to the pre-1997 differential

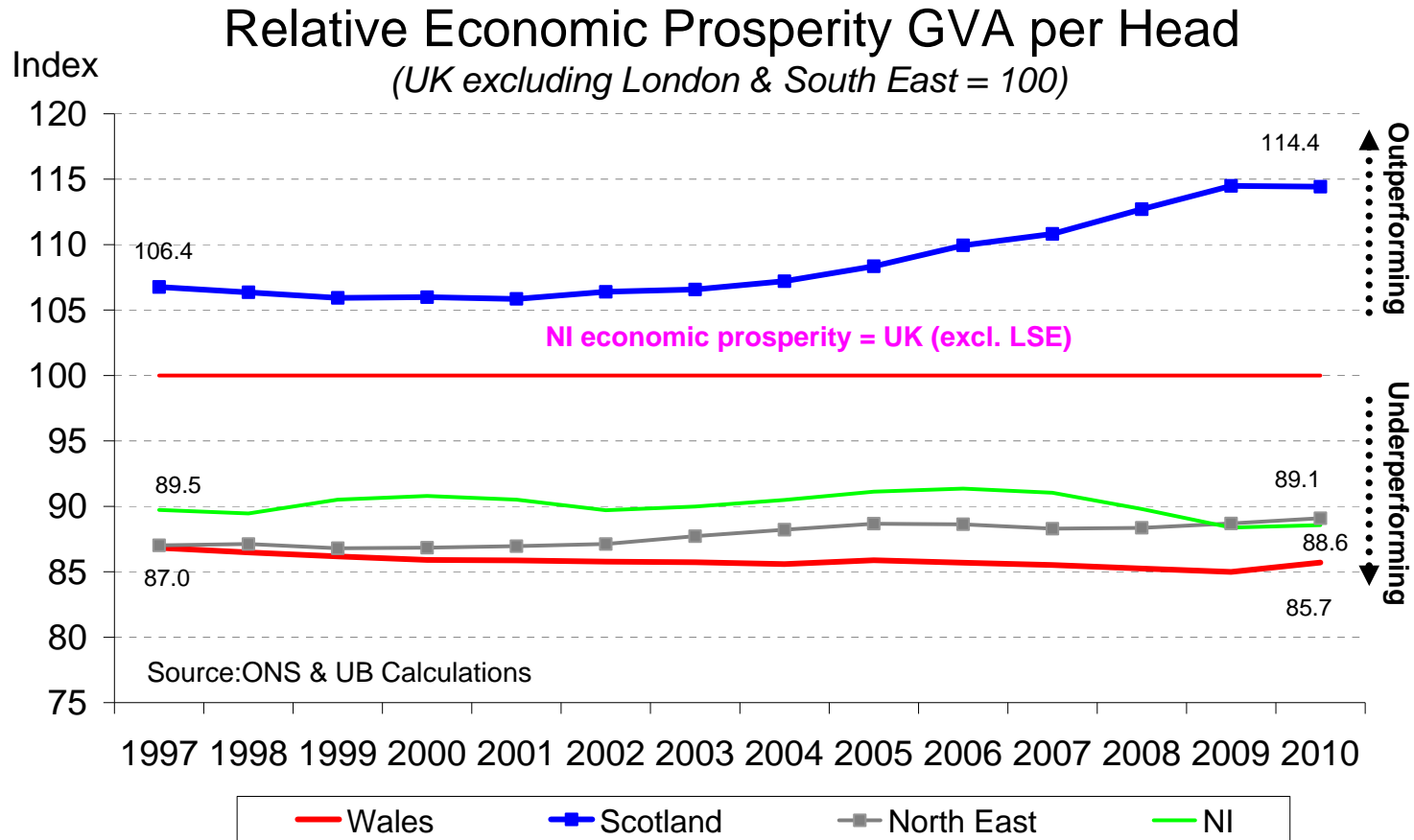


# Most UK regions have seen their economic prosperity relative to the UK average fall between 1997-2010

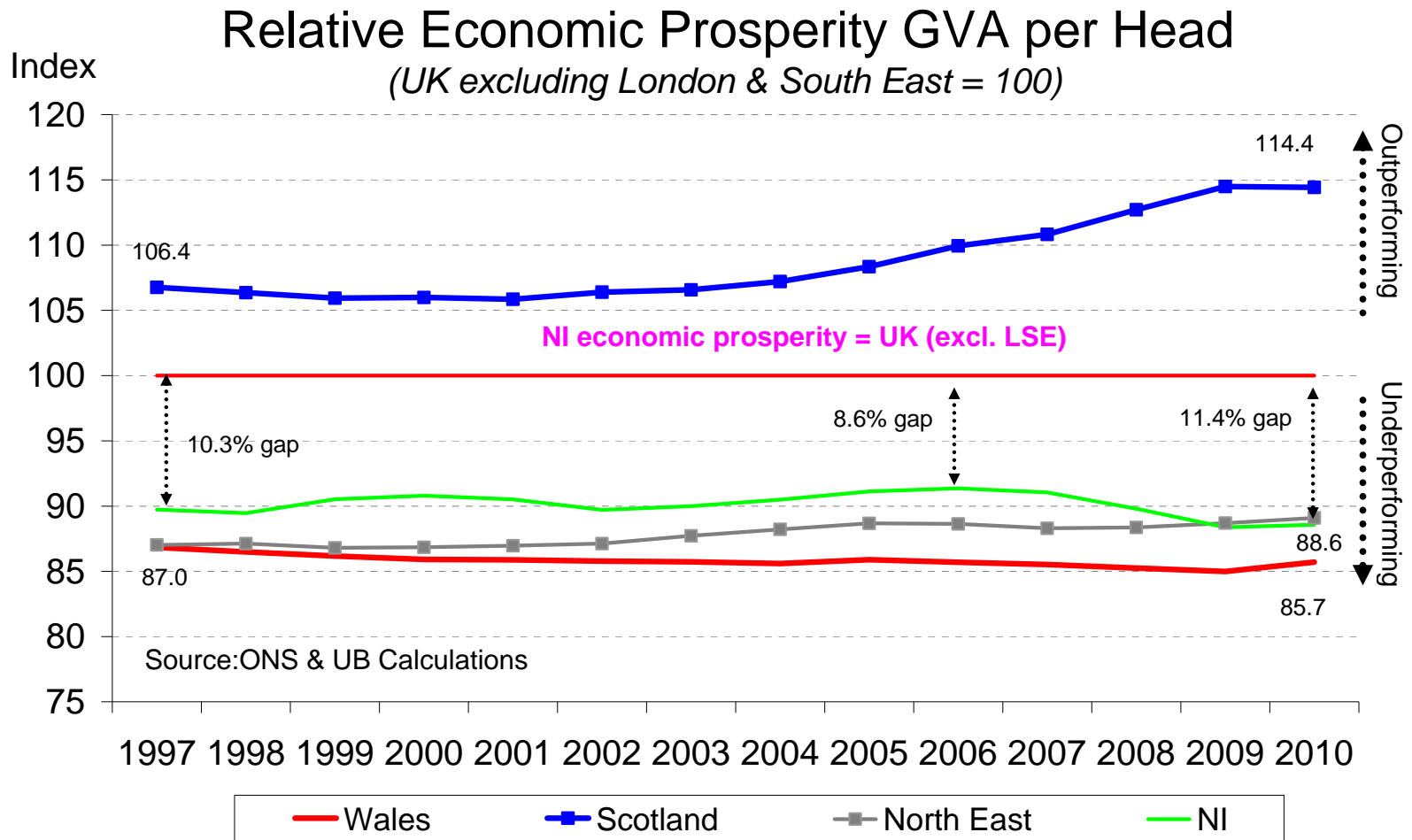
Change in GVA per head 1997-2010 Relative to UK  
(UK=100)



But London & the South East distort the picture so best to look at the UK (excluding London & South East). It too is widening

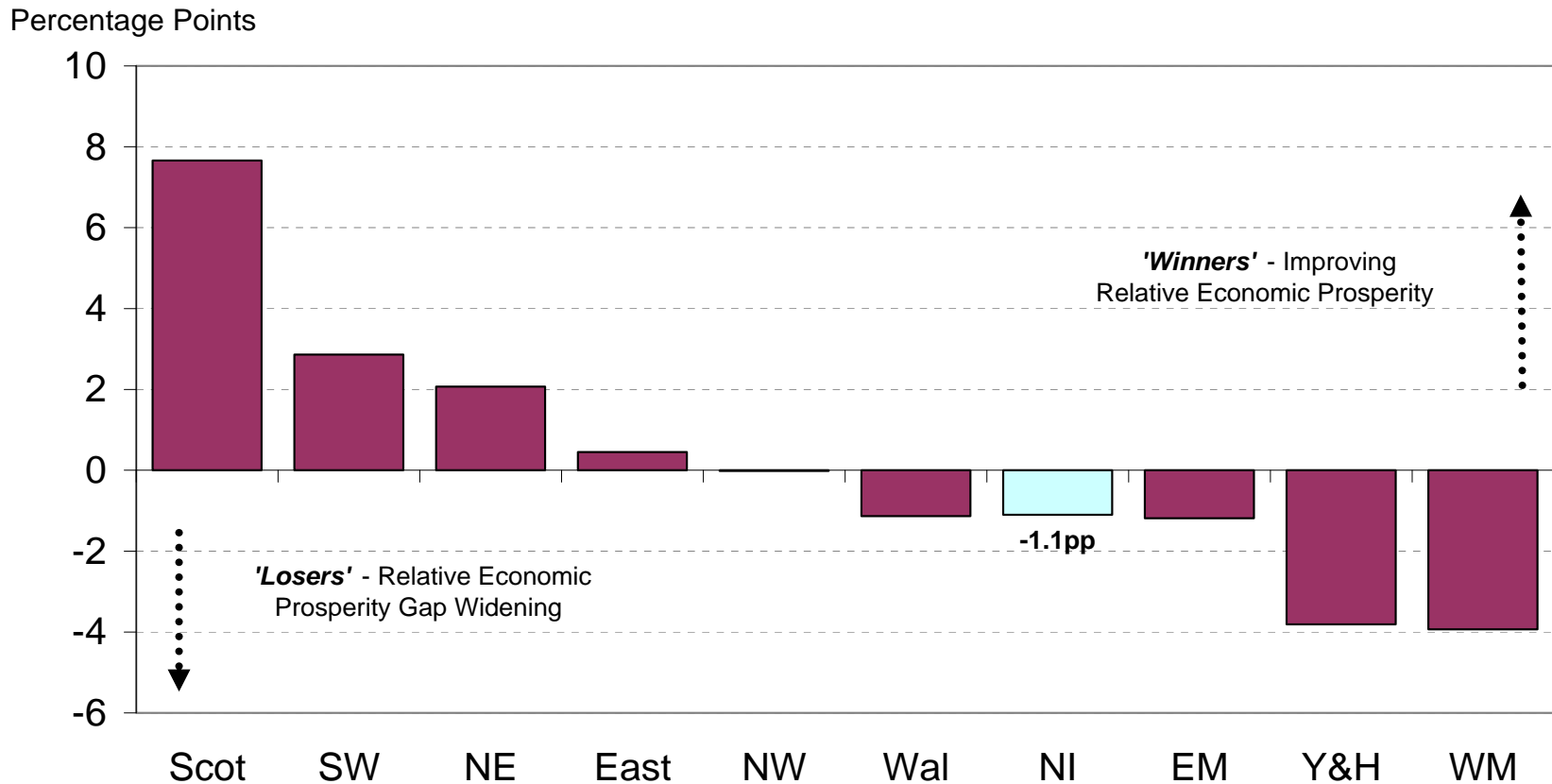


# Scotland again is the best performer and the gap between NI and UK (excluding London & South East) is wider now than in 1997

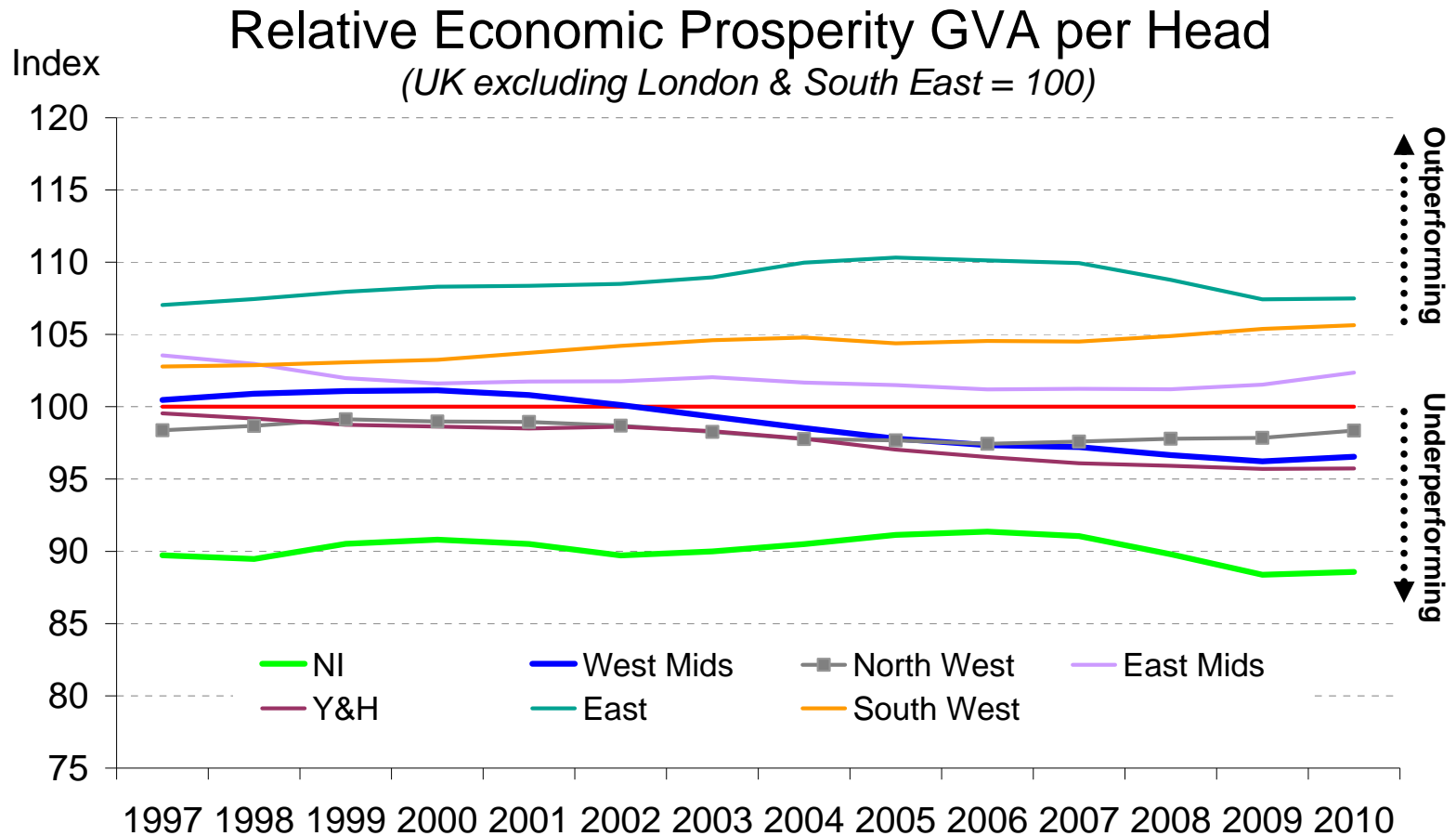


# Some regions have gained over 1997-2010 period but not NI

## Change in GVA per head 1997-2010 Relative to UK (excluding London & the South East)

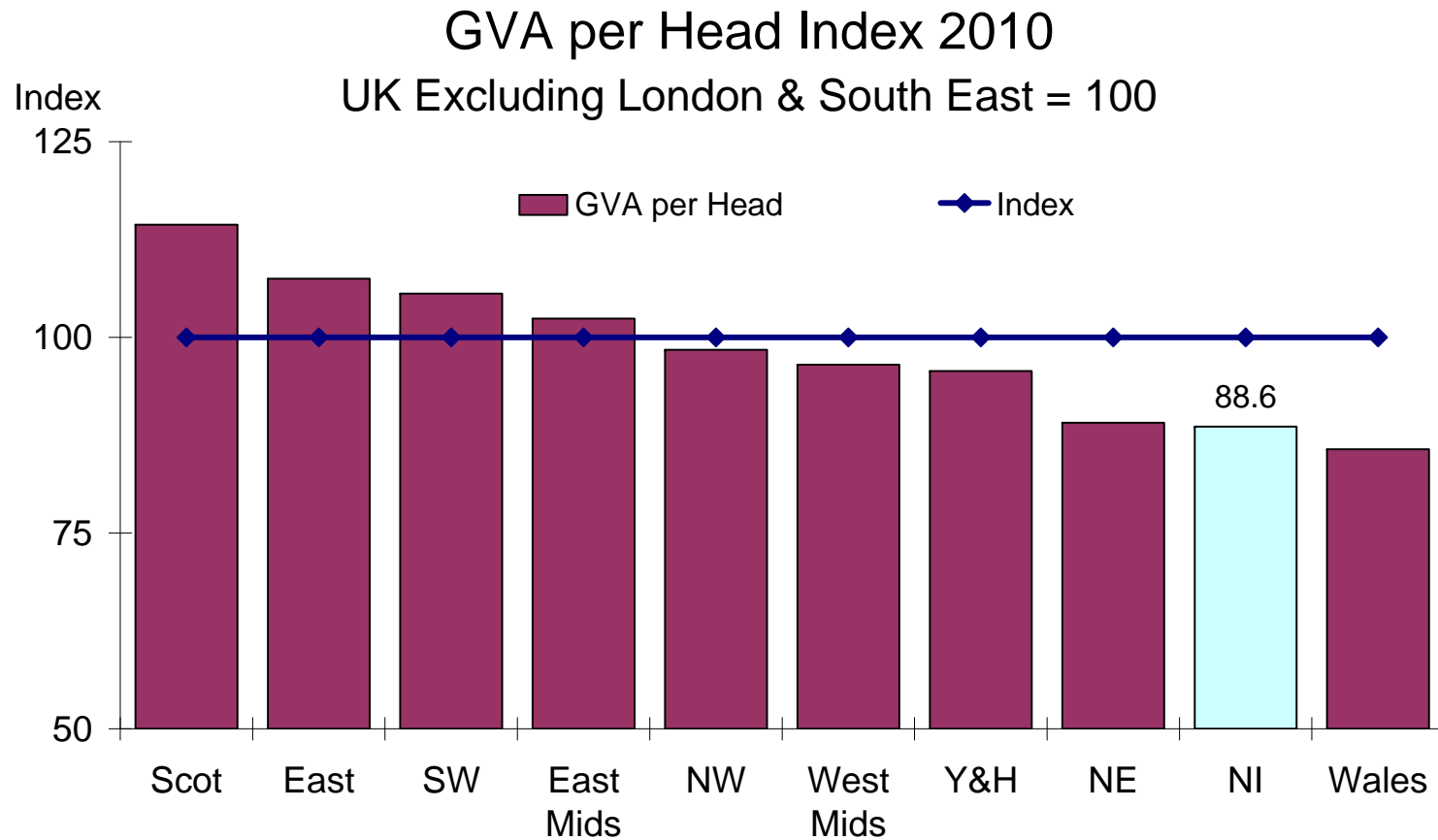


# The South West is another winner with the West Midlands and Yorkshire & Humber the biggest losers



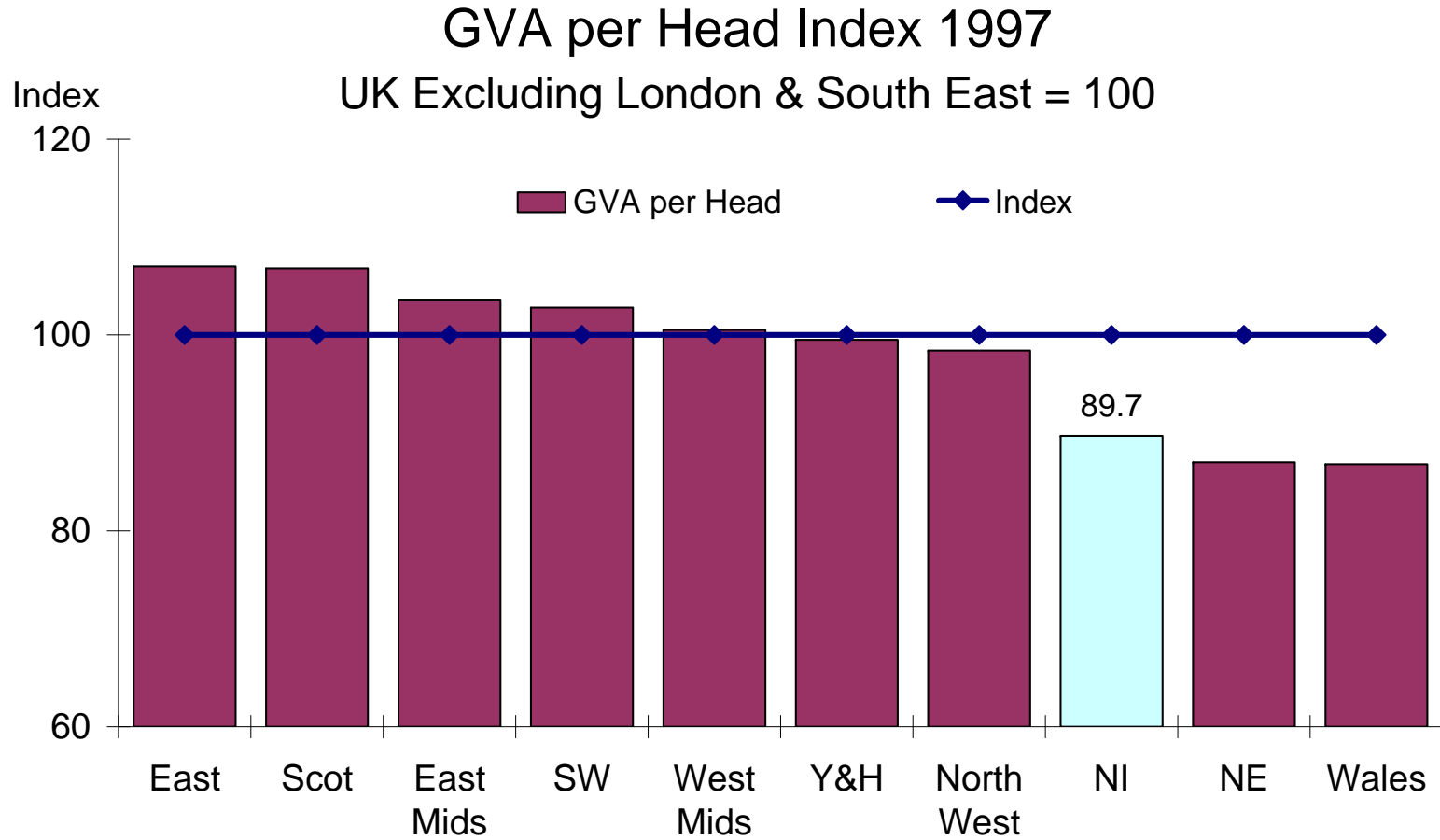
# NI's relative economic prosperity is >11% below the UK (excluding LSE) in 2010

*(excluding LSE) in 2010*





# The gap was just over 10% in 1997



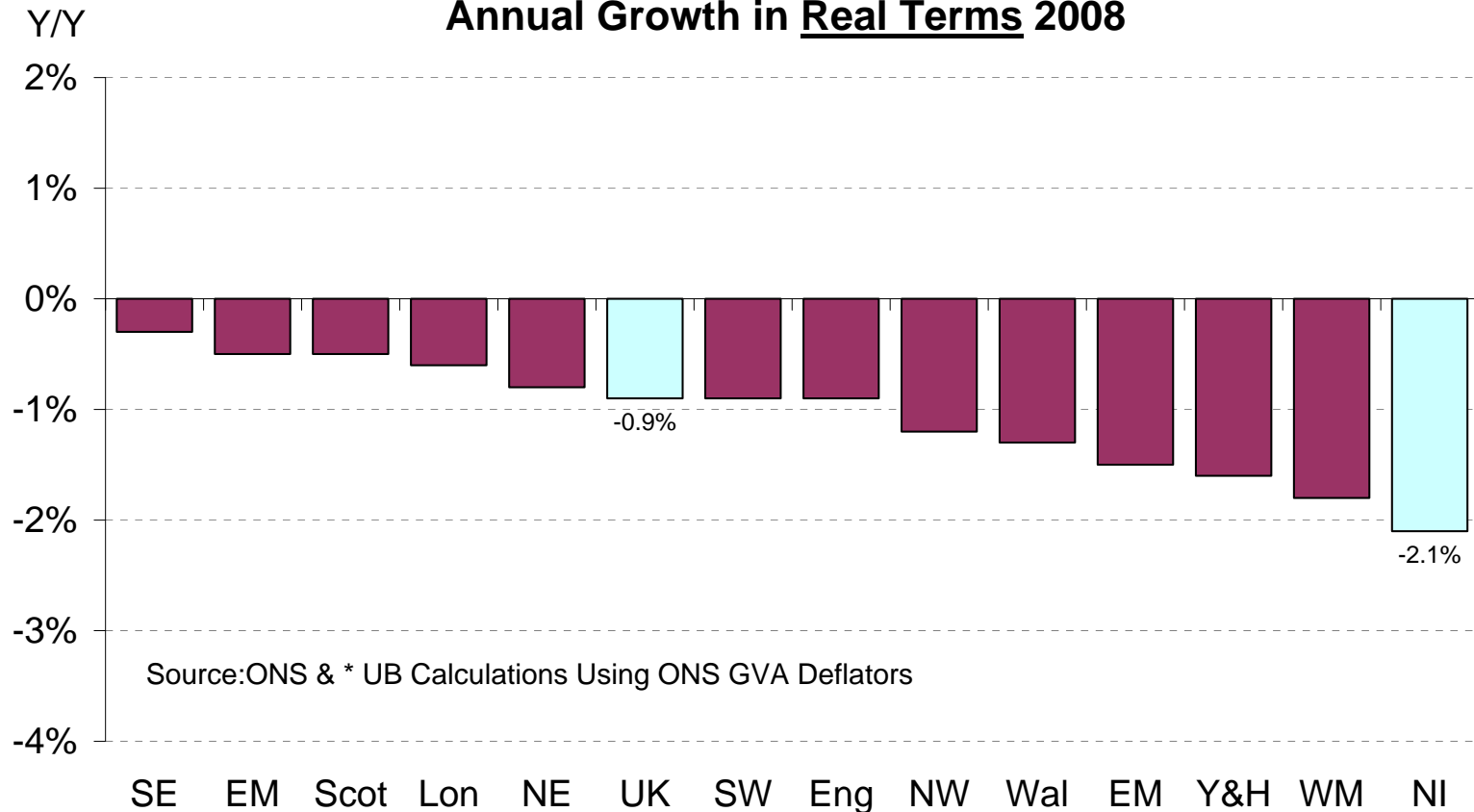
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# *GVA Breakdown*

1. Compensation of Employees (58% of GVA)  
*(wages, salaries & headcount)*
2. Gross Operating Surpluses / Mixed Income (42% of GVA)  
*(profits / losses & self-employment income)*

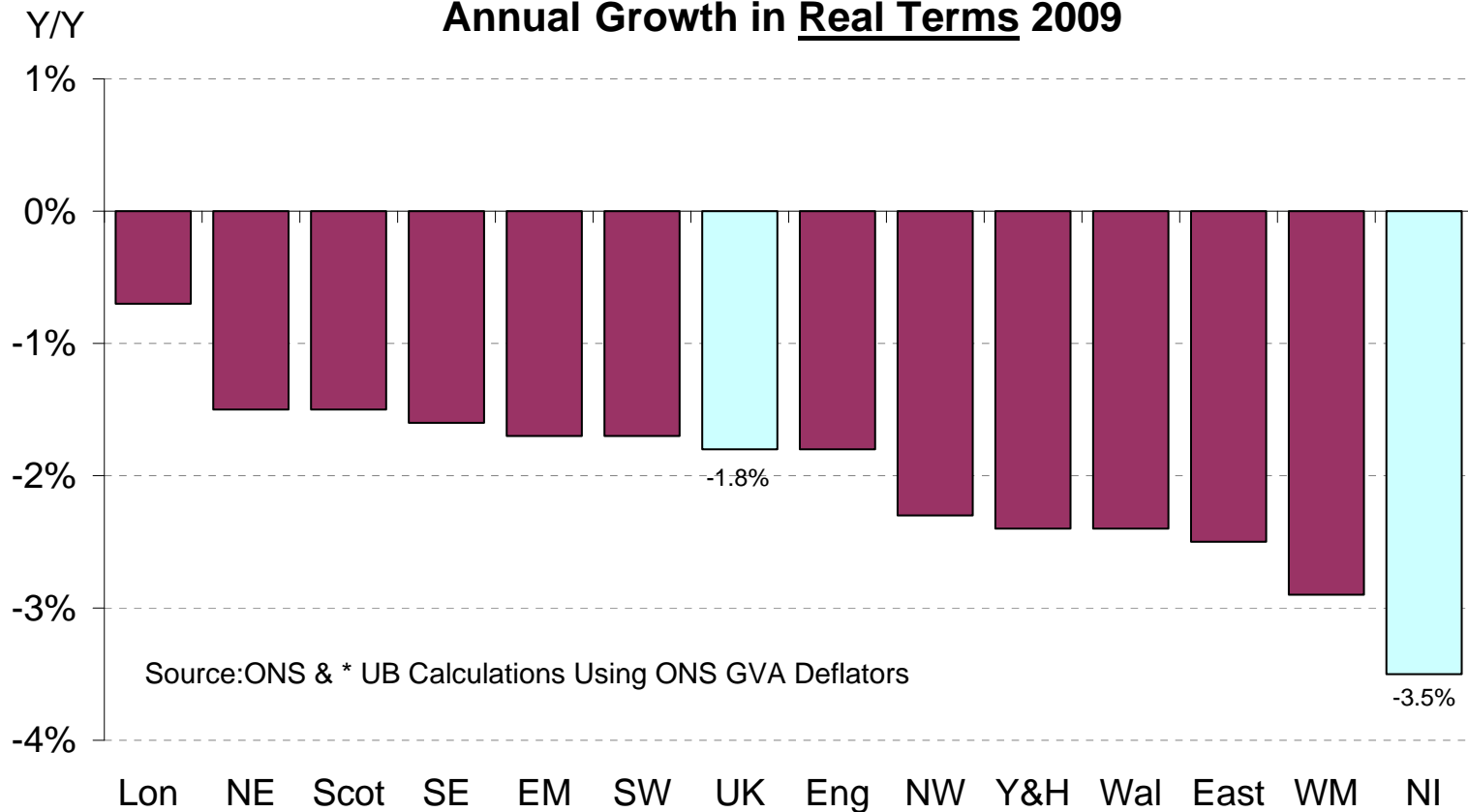
## Northern Ireland posts sharpest decline in 2008

### Compensation of Employees GVA Annual Growth in Real Terms 2008



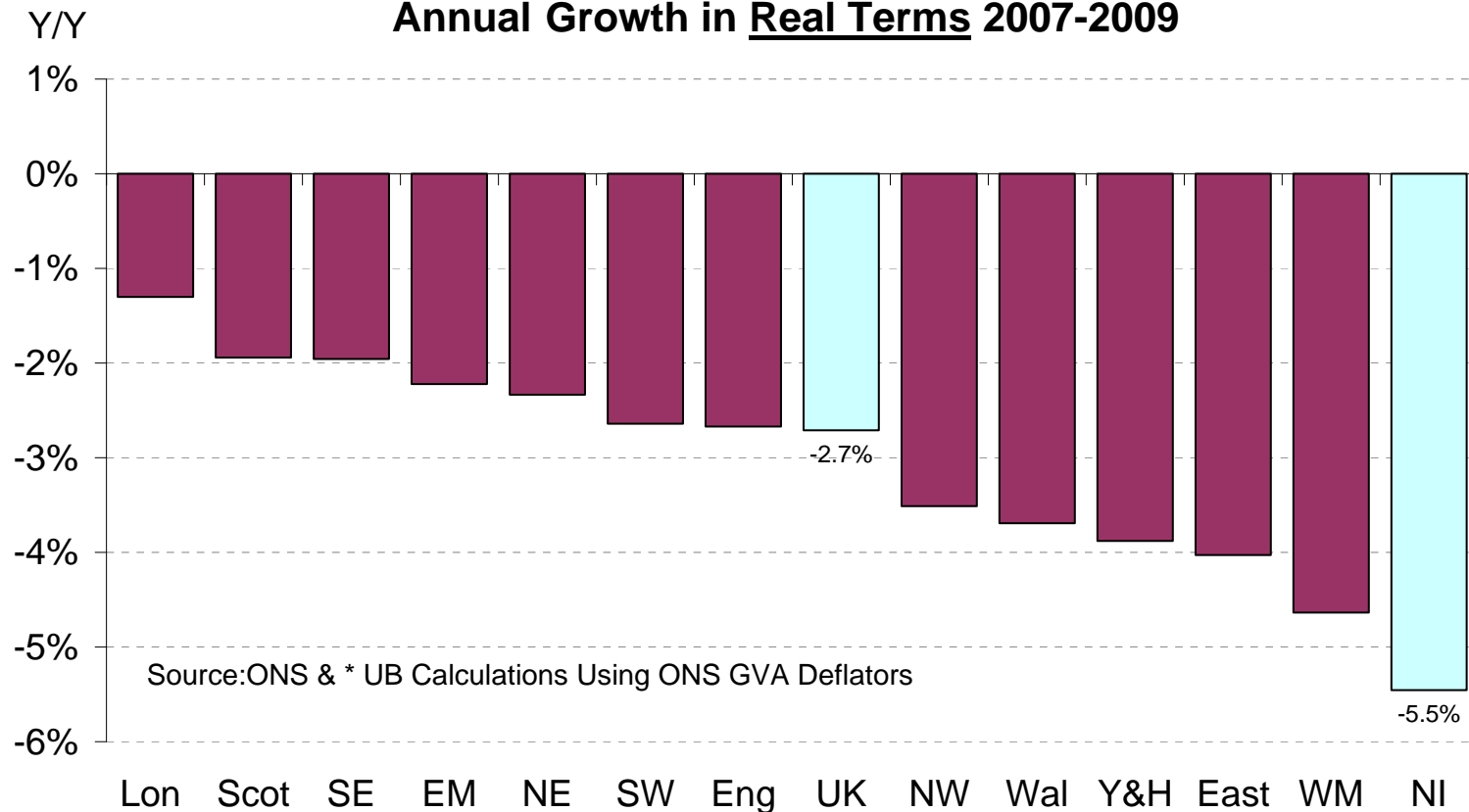
...and 2009

**Compensation of Employees GVA**  
**Annual Growth in Real Terms 2009**



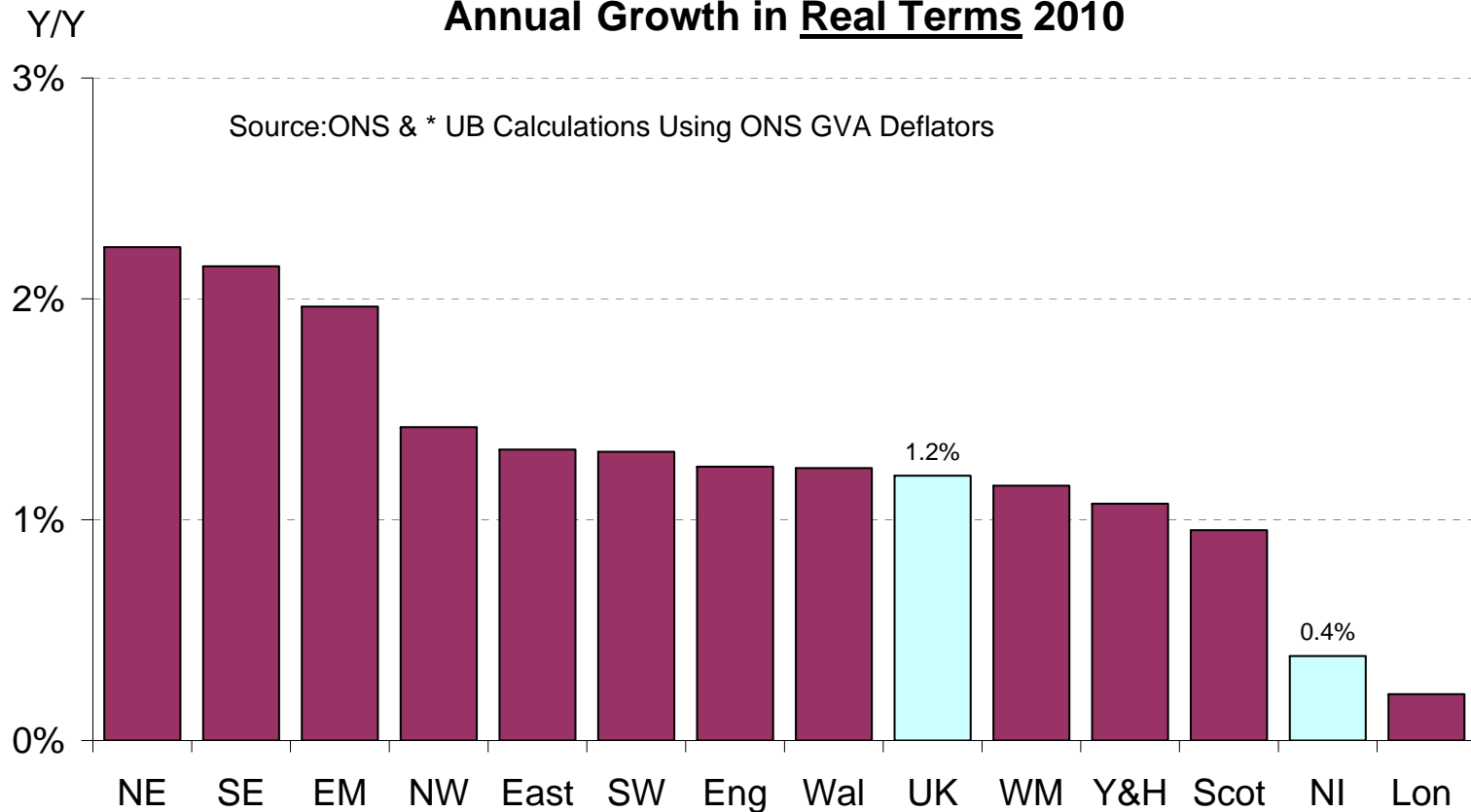
# As a result, NI records sharpest decline in CoE GVA in 2007-09

## Compensation of Employees GVA Annual Growth in Real Terms 2007-2009



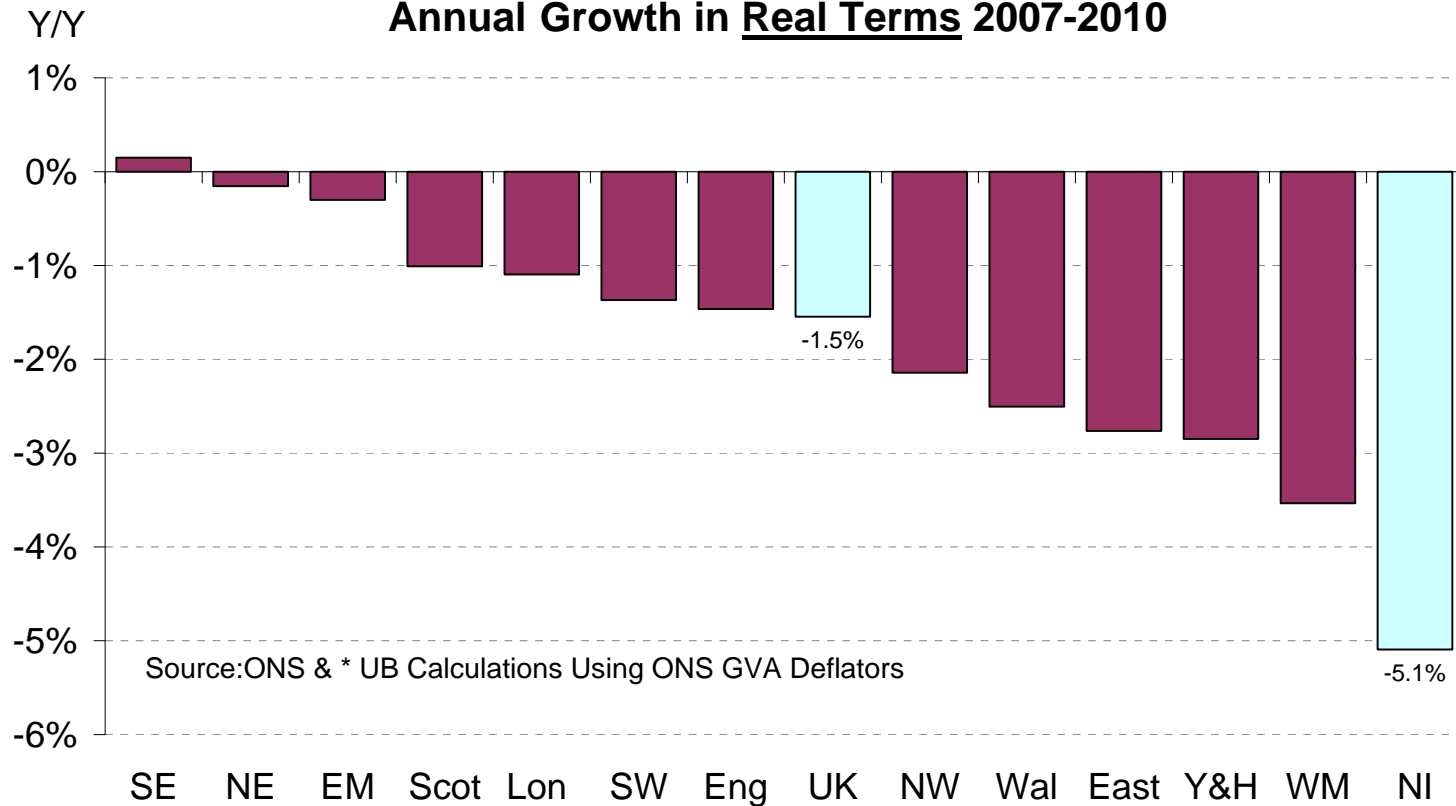
# A modest rebound in 2010 with only London posting a weaker growth rate

## Compensation of Employees GVA Annual Growth in Real Terms 2010



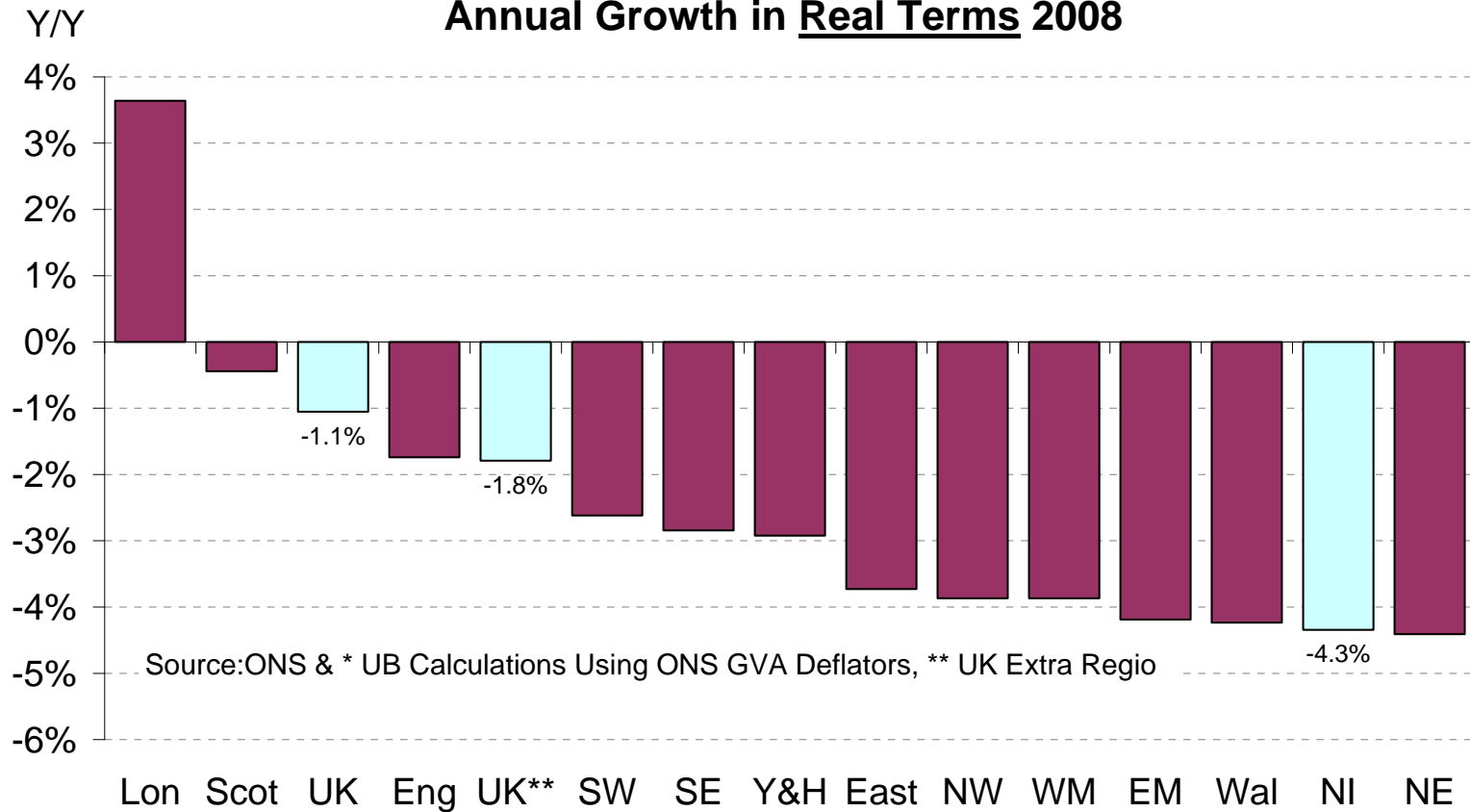
# NI fall in CoE GVA in 2007-10 over 3 times more than UK average

## Compensation of Employees GVA Annual Growth in Real Terms 2007-2010



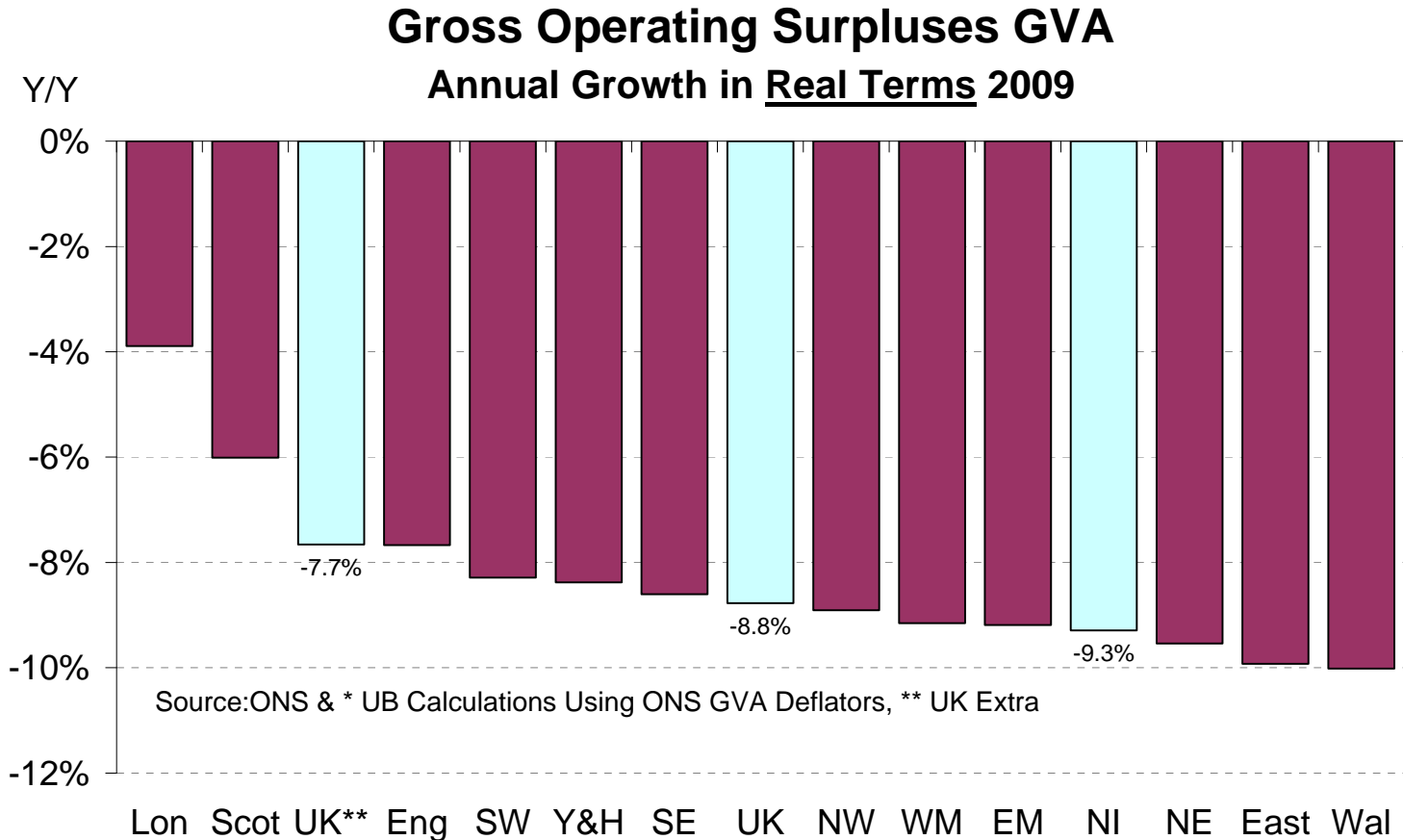
# A much weaker performance in terms of profits in 2008 too

## Gross Operating Surpluses GVA Annual Growth in Real Terms 2008

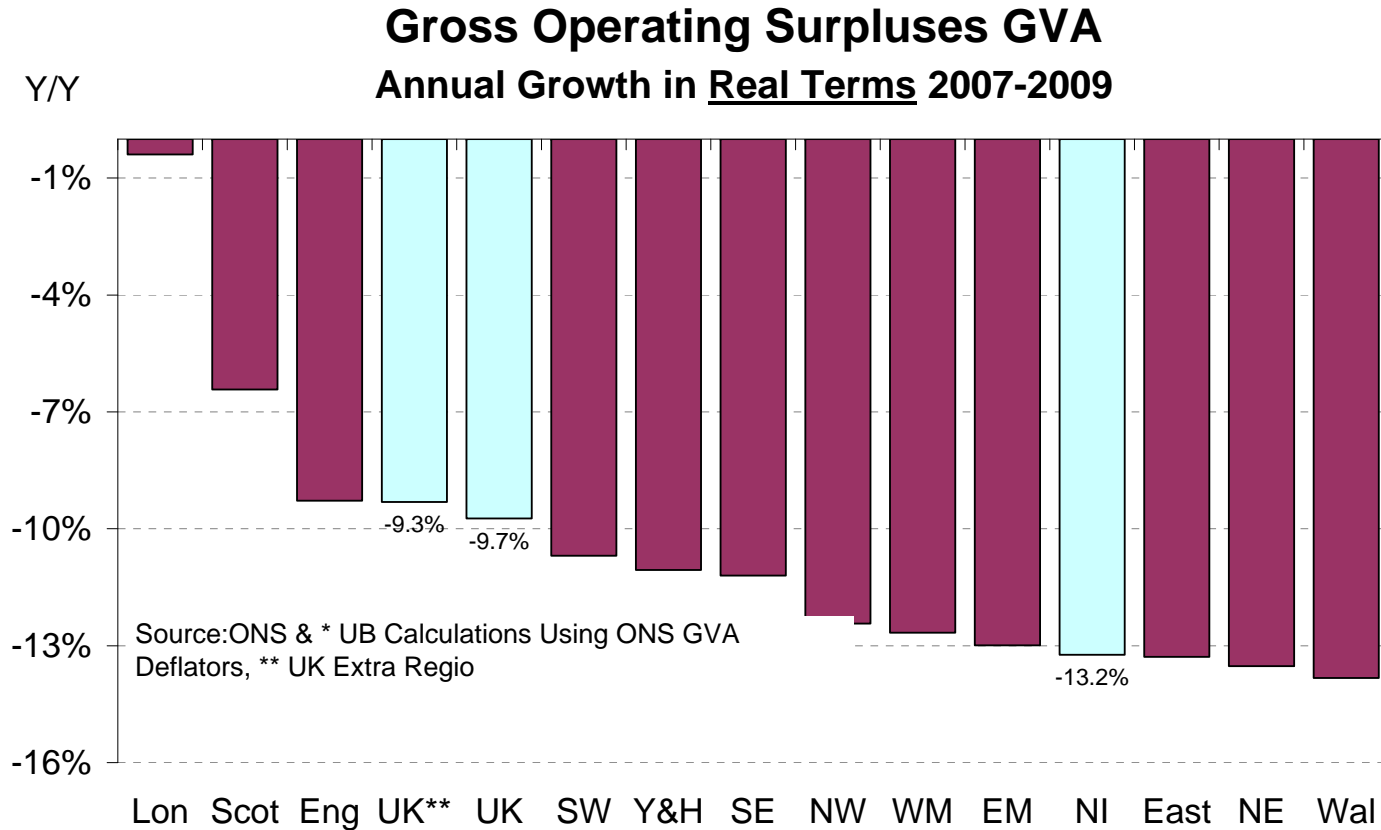




# In 2009 NI posted a decline in excess of 9%

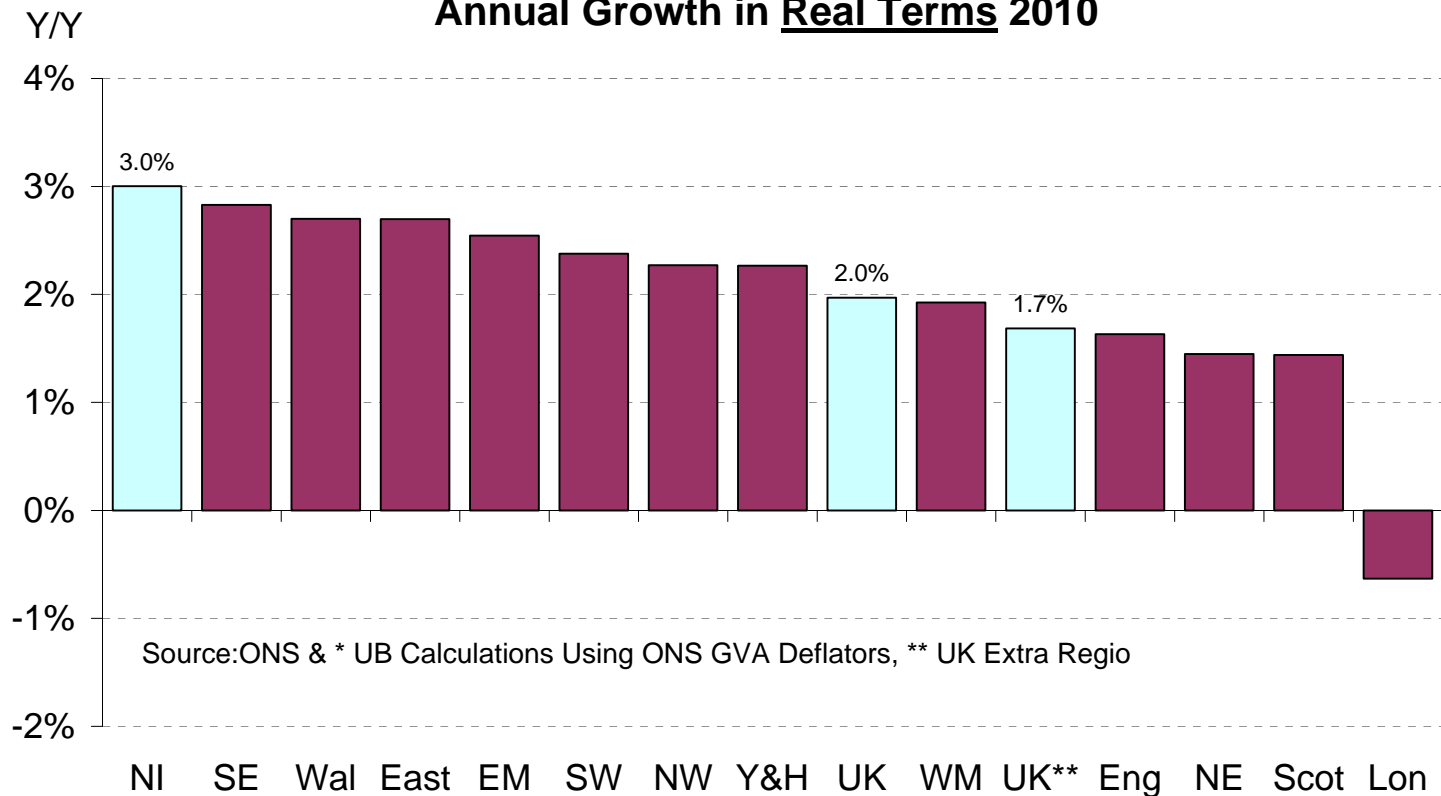


.....and 13% over the 2007-09 recessionary period

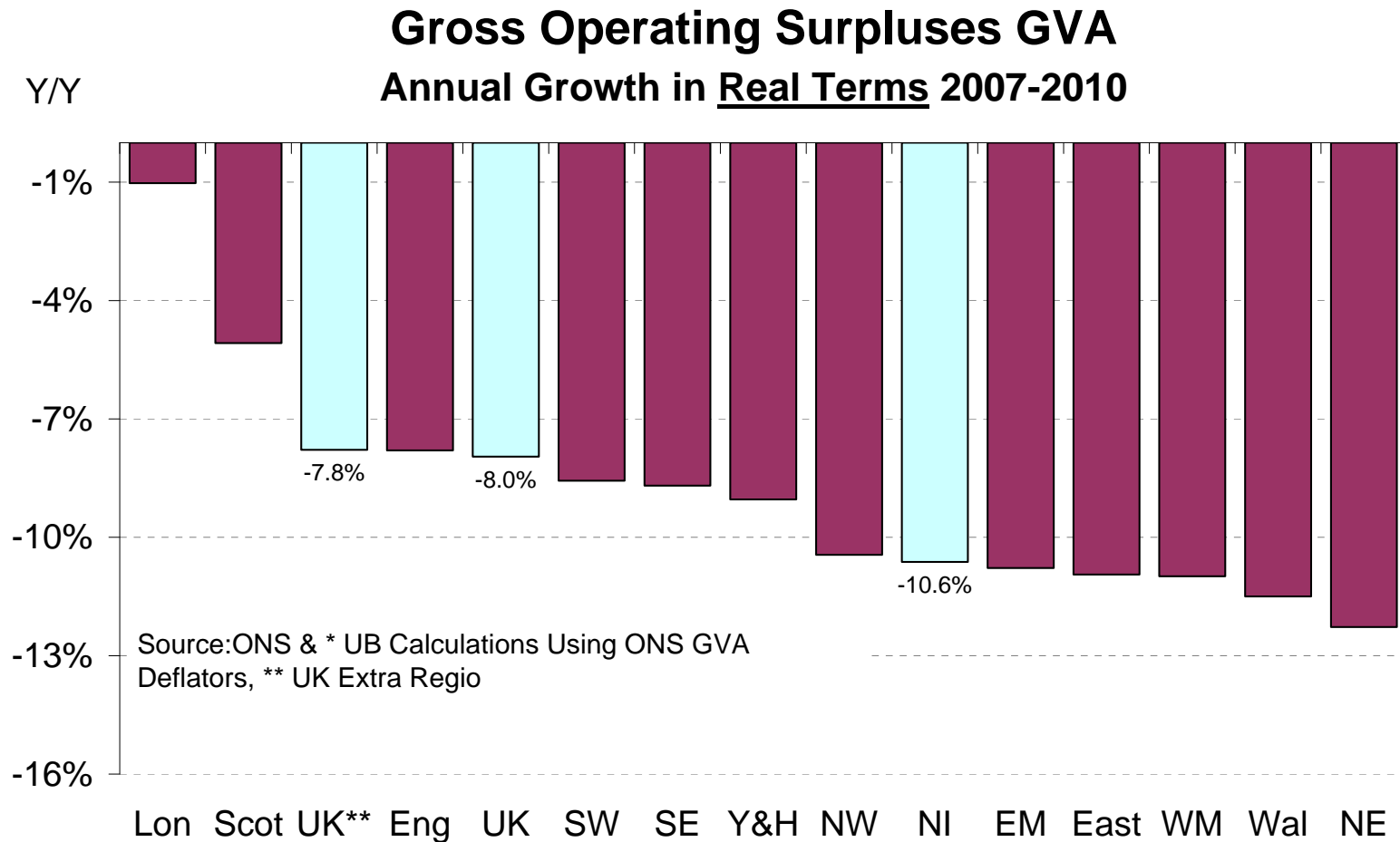


**But NI posted the strongest rise in profits growth (& self-employment income) in 2010 (but downward revisions expected in time)**

### Gross Operating Surpluses GVA Annual Growth in Real Terms 2010

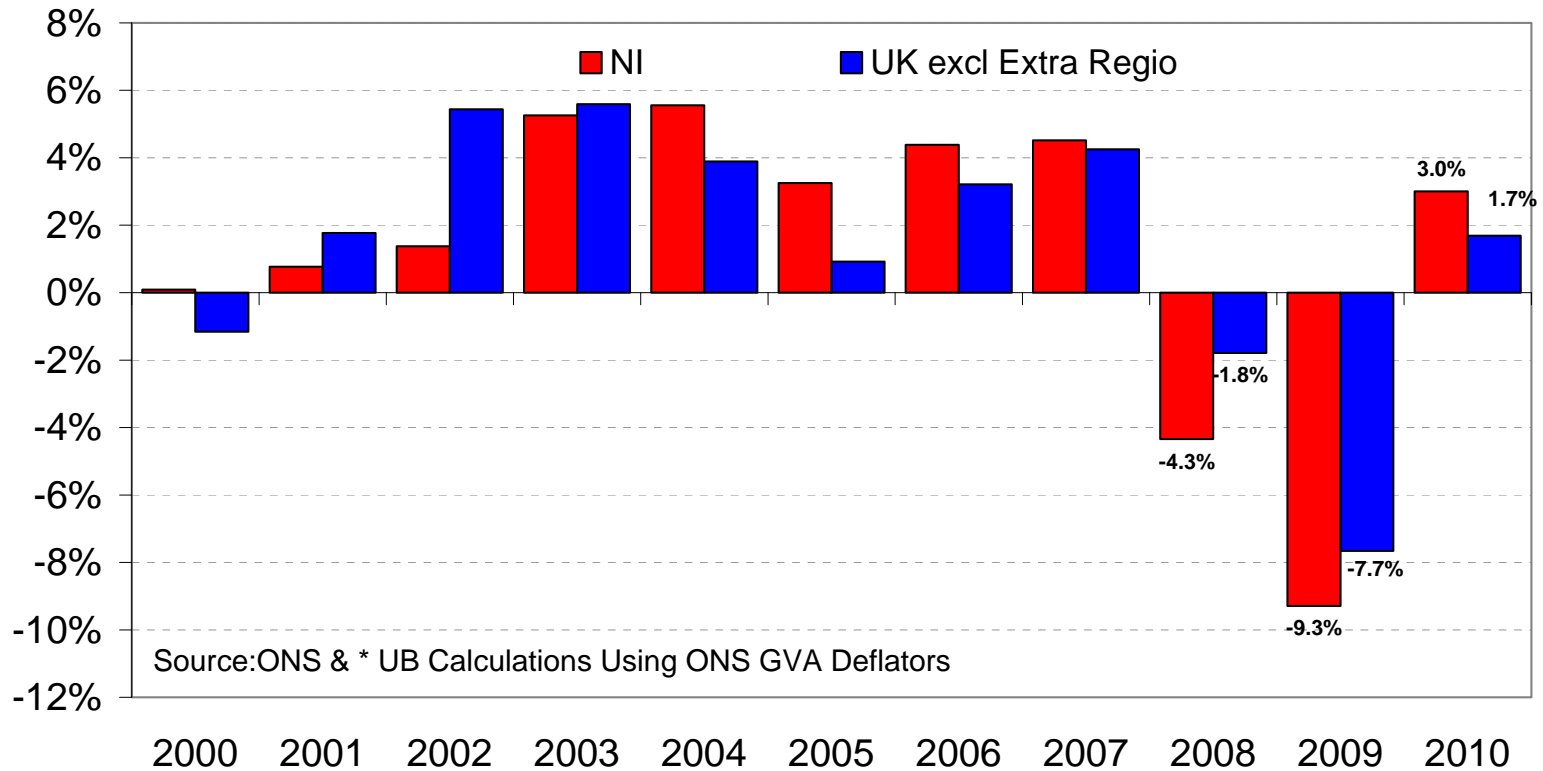


# Following 2010 growth NI GOS GVA still over 10% below 2007 peak



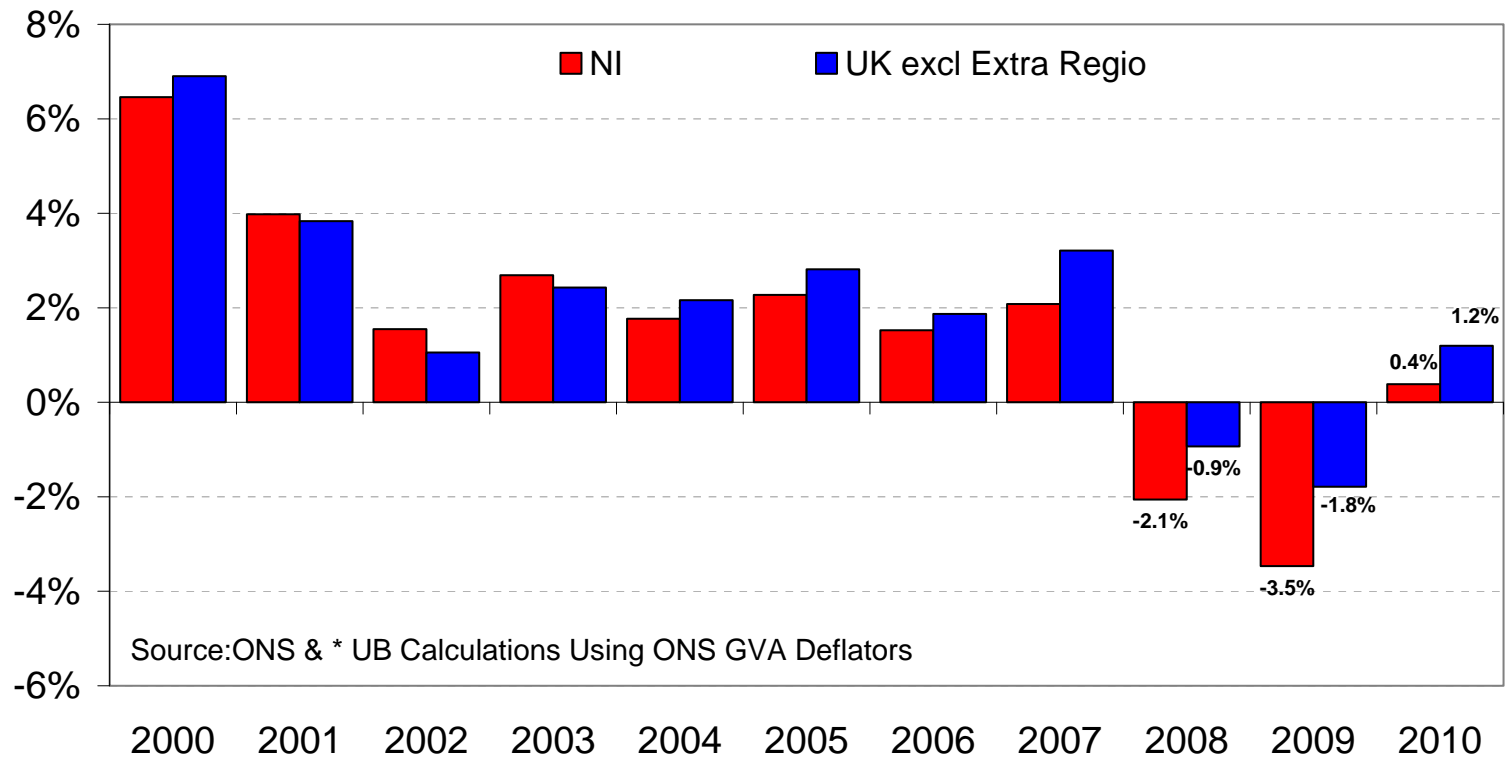
# NI outperformed UK in terms of GOS GVA growth between 2004-07 (+ve) and 2007-2009 (-ve) – property a key factor

## Annual Gross Operating Surpluses GVA Growth in Real Terms



## NI has underperformed against the UK since 2003

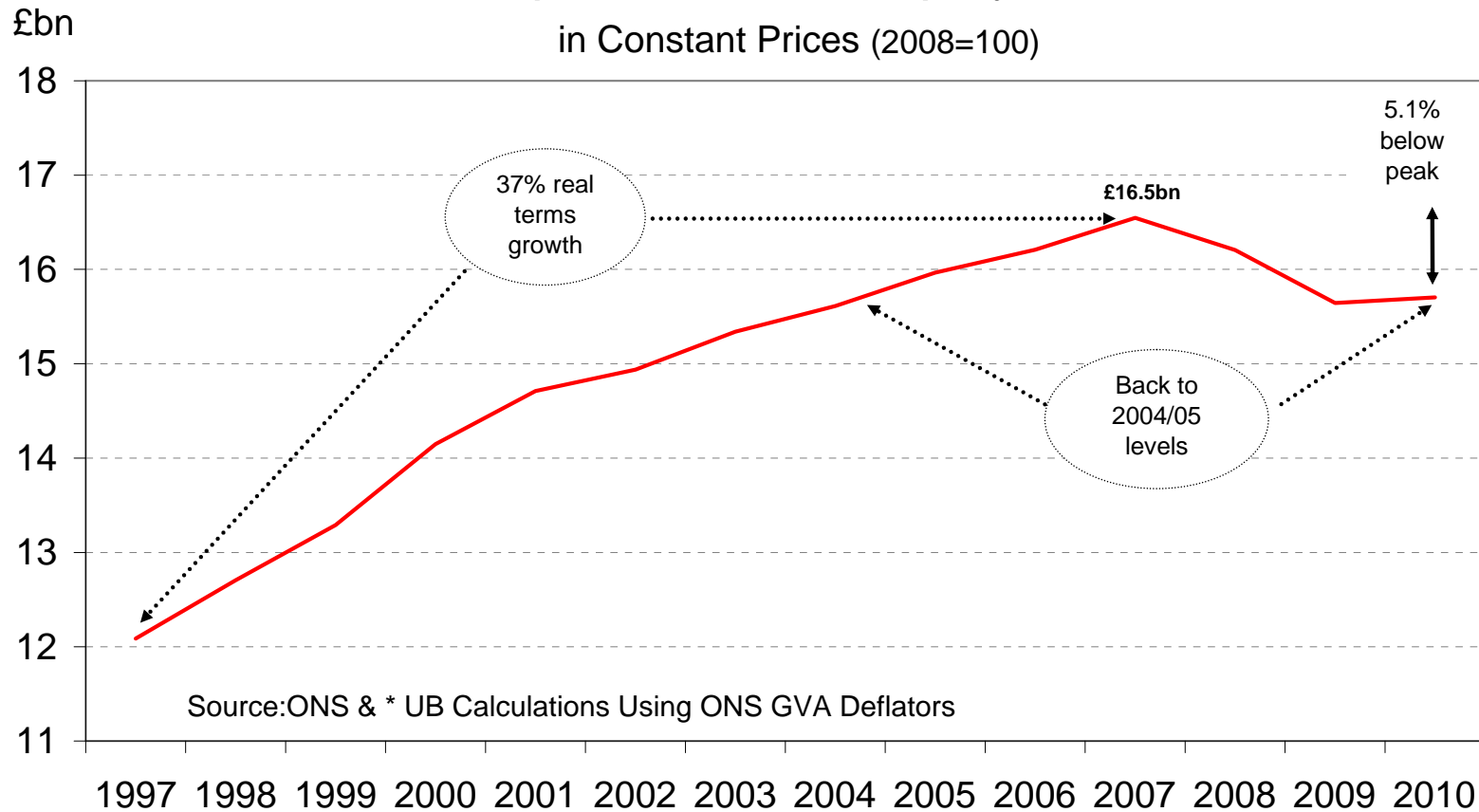
### Annual Compensation of Employees GVA Growth in Real Terms



# CoE GVA 5% below peak in 2010 and just above levels seen in 2004

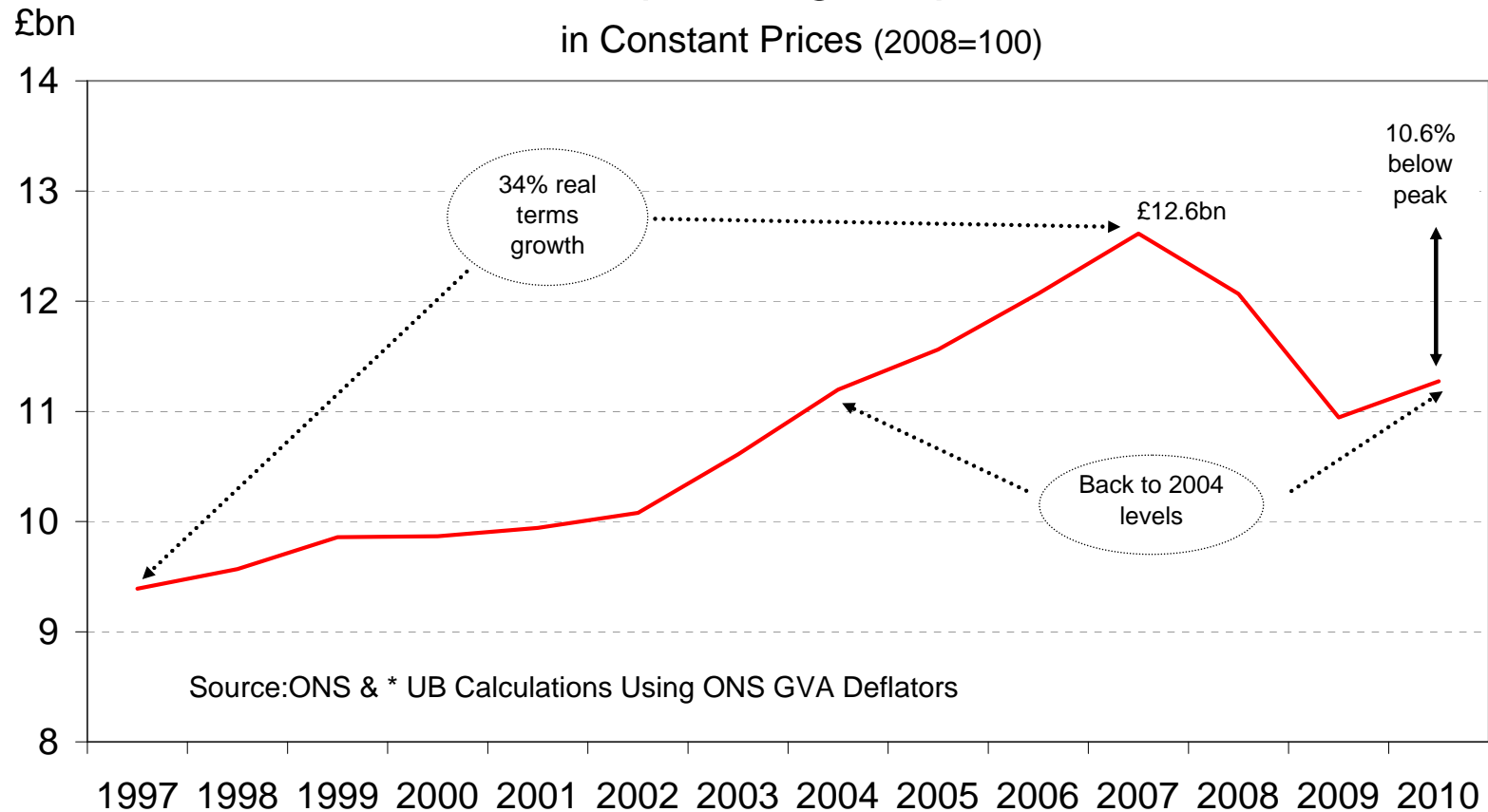
## NI Compensation of Employees GVA

in Constant Prices (2008=100)



# In 2010 GOS GVA almost 11% below 2007 peak and just above levels seen in 2004

## NI Gross Operating Surpluses GVA





# Structural Composition of NI & UK economies (2009)

Structural Composition of NI & UK Economies

Broad Industrial Group	NI	UK	NI-UK Difference
Agriculture, forestry & fishing	1.2%	0.6%	0.6pp
Mining & Quarrying	0.5%	2.1%	-1.6pp
Manufacturing	14.6%	10.1%	4.5pp
Electricity, gas, steam and air-conditioning supply	1.1%	1.7%	-0.6pp
Water Supply; sewerage, waste management	1.5%	1.2%	0.3pp
Construction	7.8%	7.0%	0.8pp
Wholesale & Retail Trade	12.5%	11.0%	1.5pp
Transport & Storage	3.8%	4.9%	-1.1pp
Accommodation & Food Service Activities	2.7%	2.8%	-0.1pp
Information & Communication	3.3%	6.1%	-2.8pp
Financial & Insurance activities	5.0%	10.1%	-5.1pp
Real Estate Activities	7.5%	7.2%	0.3pp
Professional, scientific & technical activities	4.1%	7.4%	-3.3pp
Administrative & support service activities	3.0%	4.5%	-1.5pp
Public administration & defence; compulsory social security	10.1%	5.4%	4.7pp
Education	8.5%	6.8%	1.7pp
Human health & social work activities	10.3%	7.9%	2.4pp
Arts, entertainment and recreation	1.3%	1.5%	-0.2pp
Other Service activities	1.3%	1.4%	-0.1pp
Activities of households	0.2%	0.4%	-0.2pp

Source: ONS GVA - Latest figures are for 2009

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