
Northern Ireland Private Sector Output Indices

Q3 2012 Update

Issued 28th January 2013

Richard Ramsey

Chief Economist Northern Ireland

richard.ramsey@ulsterbankcm.com

Summary Table – NI Private Sector Output

Northern Ireland Private Sector Output

	Private Sector Output Index	Index of Services (excludes public sector)	Index of Production	Index of Construction*	PMI Index
2006 Q1	108.5	105.8	107.5	119.8	54.3
Q2	109.9	107.8	110.3	116.8	56.7
Q3	113.2	111.6	111.1	123.3	54.4
Q4	113.4	111.3	111.7	124.2	57.9
2007 Q1	111.9	107.9	114.0	124.5	58.2
Q2	113.8	111.0	114.5	124.4	55.9
Q3	113.4	110.2	117.2	119.1	57.9
Q4	111.9	107.7	118.6	116.0	52.5
2008 Q1	108.3	106.2	119.5	111.6	47.9
Q2	108.4	104.9	120.6	115.1	45.0
Q3	105.2	103.2	117.0	106.4	37.3
Q4	101.9	101.2	109.6	104.9	33.2
2009 Q1	102.0	102.0	102.5	101.8	34.0
Q2	99.6	100.1	98.3	101.0	40.8
Q3	98.8	98.8	99.0	99.4	46.2
Q4	99.2	99.1	100.2	98.0	49.3
2010 Q1	99.2	100.5	100.1	91.9	44.5
Q2	98.5	99.8	100.1	90.5	46.3
Q3	97.9	97.7	102.4	90.2	44.9
Q4	97.0	96.1	105.4	84.7	42.2
2011 Q1	96.5	94.9	107.6	81.4	47.0
Q2	96.6	98.1	103.0	76.8	46.2
Q3	96.5	94.6	109.8	77.6	43.7
Q4	97.4	96.3	109.2	78.2	48.0
2012 Q1	97.9	96.0	109.9	82.1	43.9
Q2	95.8	96.5	104.3	75.4	43.3
Q3	96.6	98.4	104.2	71.8	44.8
Q4	...	...	...	...	44.8
Latest Quarter Q/Q % Change	0.8%	2.0%	-0.1%	-4.8%	N.A
Latest Quarter Y/Y % Change	0.1%	4.0%	-5.1%	-7.5%	N.A
Last 4 quarters Y/Y % Change	0.3%	0.9%	0.4%	-4.1%	N.A
Q3 2012 % Change relative to peak	-15.2% (Q2 07)	-11.8% (Q3 06)	-13.6% (Q2 08)	-42.3% (Q1 07)	N.A

Source: DFP indices of production, construction (*rebased 2009=100) and services; Ulster Bank Private Sector Output Composite Index & Ulster Bank PMI.

‘Winners’ during the downturn...

Change in NI Private Sector Output Q2 2007 - Q3 2012

Industrial Group	% Change
<i>Recession Winners</i>	↑↑↑
Other Services	50.0%
Chemicals & Pharmaceutical Products	26.8%
Utilities (<i>Electricity & Gas</i>)	10.1%
Transport, Storage & Communications	7.3%
Food, Drink & Tobacco	5.8%
Wholesale & Retail Distribution, Accommodation & Food Service	1.2%
Agriculture (<i>Gross annual output in real terms 2007-11</i>)	0.5%

Source: DFP Indices of Production, Services and Construction, DARD & Ulster Bank calculations

....outnumbered by 'losers' & 'big losers'

Change in NI Private Sector Output Q2 2007 - Q3 2012

Industrial Group	% Change
<i>Recession Losers</i>	
Utilities (Water Supply & Waste Management)	-1.4%
Engineering & Allied Industries	-6.5%
All Production Industries	-9.0%
All Manufacturing	-11.4%
All Private Sector Services	-11.4%
Total Private Sector Output (Construction + Production + Private Services)	-15.2%
<i>Recession Big Losers</i>	
Basic Metals & Fabricated Metal Products	-23.4%
Textiles & Textile Products	-23.7%
Total Other Manufacturing	-32.7%
Mining & Quarrying	-33.3%
Wood & Paper Products	-35.1%
Rubber, Plastics & non-metal Products	-41.1%
Construction	-42.2%
Business Services & Finance	-48.2%

Construction /
property
related



Construction /
property
related



Source: DFP Indices of Production, Services and Construction, DARD & Ulster Bank calculations

Quarter-on-Quarter Risers & Fallers

Quarterly Change in Private Sector Output Q2 2012 - Q3 2012

Industrial Group	NI	UK
Quarter-on-Quarter Risers	↑↑↑	
Food, Drink & Tobacco	4.4%	0.3%
Wholesale & Retail Distribution, Accommodation & Food Service	4.0%	1.9%
Chemicals & Pharmaceutical Products	3.9%	0.1%
Business Services & Finance	2.9%	0.9%
Transport, Storage & Communications	2.4%	0.2%
All Private Sector Services	2.0%	1.2%
Utilities (<i>Electricity & Gas</i>)	1.4%	-2.3%
Total Private Sector Output (Construction + Production + Private Services)	0.8%	N.A
Quarter-on-Quarter Fallers	↓↓↓	
All Production Industries	-0.1%	0.7%
All Manufacturing	-0.3%	0.7%
Other Services	-0.5%	1.6%
Engineering & Allied Industries	-1.1%	1.6%
Textiles & Textile Products	-2.2%	-2.3%
Total Other Manufacturing	-2.7%	0.3%
Utilities (<i>Water Supply & Waste Management</i>)	-3.4%	2.5%
Mining & Quarrying	-3.7%	2.0%
Wood & Paper Products	-4.0%	-0.3%
Rubber, Plastics & non-metal Products	-4.4%	-0.4%
Construction	-4.7%	-2.6%
Basic Metals & Fabricated Metal Products	-8.7%	3.3%

Source: ONS, DFP Indices of Production, Services and Construction & Ulster Bank calculations

Year-on-Year Risers & Fallers

Annual Change in Private Sector Output Q3 2011 - Q3 2012

Industrial Group	NI	UK
Year-on-Year Risers		↑↑↑
Chemicals & Pharmaceutical Products	16.8%	-7.0%
Other Services	8.6%	2.8%
Wholesale & Retail Distribution, Accommodation & Food Service	7.1%	1.5%
All Private Sector Services	4.0%	1.2%
Wood & Paper Products	1.5%	-7.9%
Total Private Sector Output (Construction + Production + Private Services)	0.1%	N.A
Year-on-Year Fallers		↓↓↓
Utilities (<i>Electricity & Gas</i>)	-0.6%	-1.1%
Business Services & Finance	-1.0%	1.0%
Transport, Storage & Communications	-1.2%	-1.5%
Engineering & Allied Industries	-3.6%	5.0%
Mining & Quarrying	-3.9%	-6.4%
Food, Drink & Tobacco	-4.1%	-2.1%
All Production Industries	-5.1%	-1.8%
Utilities (<i>Water Supply & Waste Management</i>)	-5.5%	1.3%
All Manufacturing	-5.6%	-1.5%
Basic Metals & Fabricated Metal Products	-6.7%	3.0%
Construction	-7.5%	-11.3%
Textiles & Textile Products	-11.6%	-3.8%
Total Other Manufacturing	-12.0%	-5.9%
Rubber, Plastics & non-metal Products	-16.7%	-6.9%

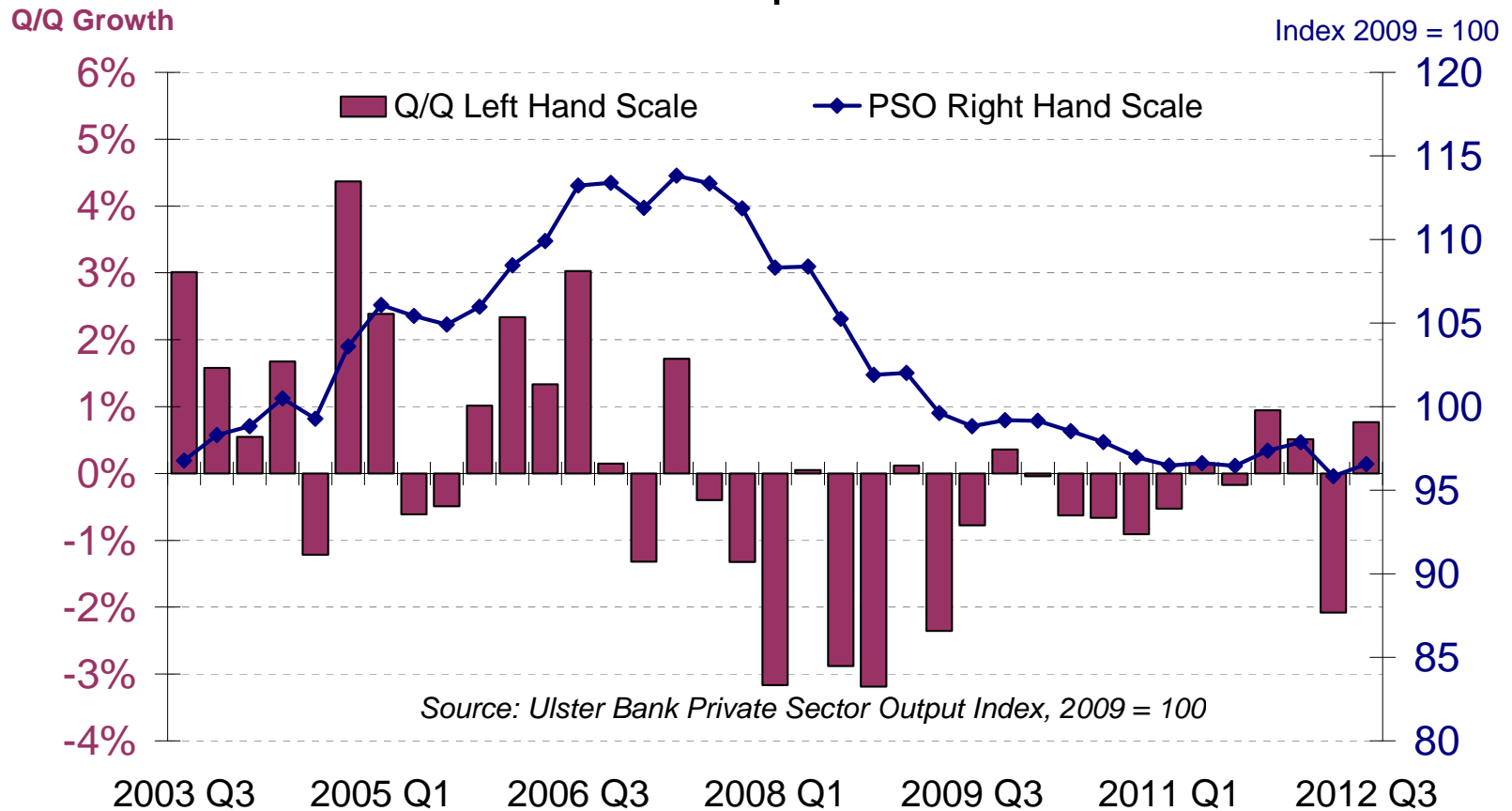
Source: ONS, DFP Indices of Production, Services and Construction & Ulster Bank calculations

Private Sector Output

*Compiles official Indices of Construction,
Production & Private Sector Services into a
single composite index*

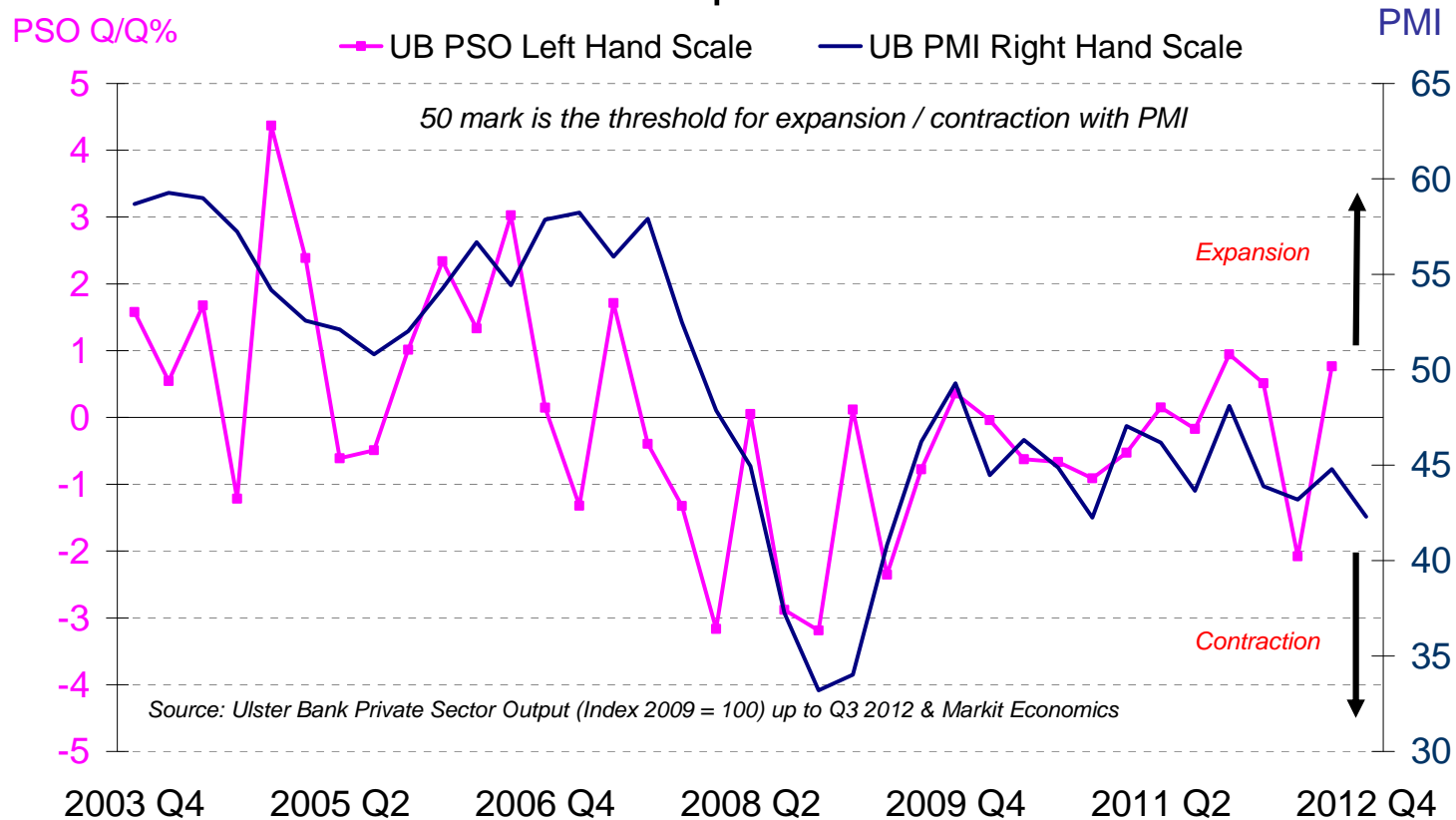
Q3 posts rebound after Q2 marked the steepest quarterly decline in private sector output since Q2 2009

NI Private Sector Output Levels & Growth



The PMI signalled a contraction in Q3 2012 whereas the Private Sector Output index posts a rise

NI Private Sector Output Index Versus NI PMI

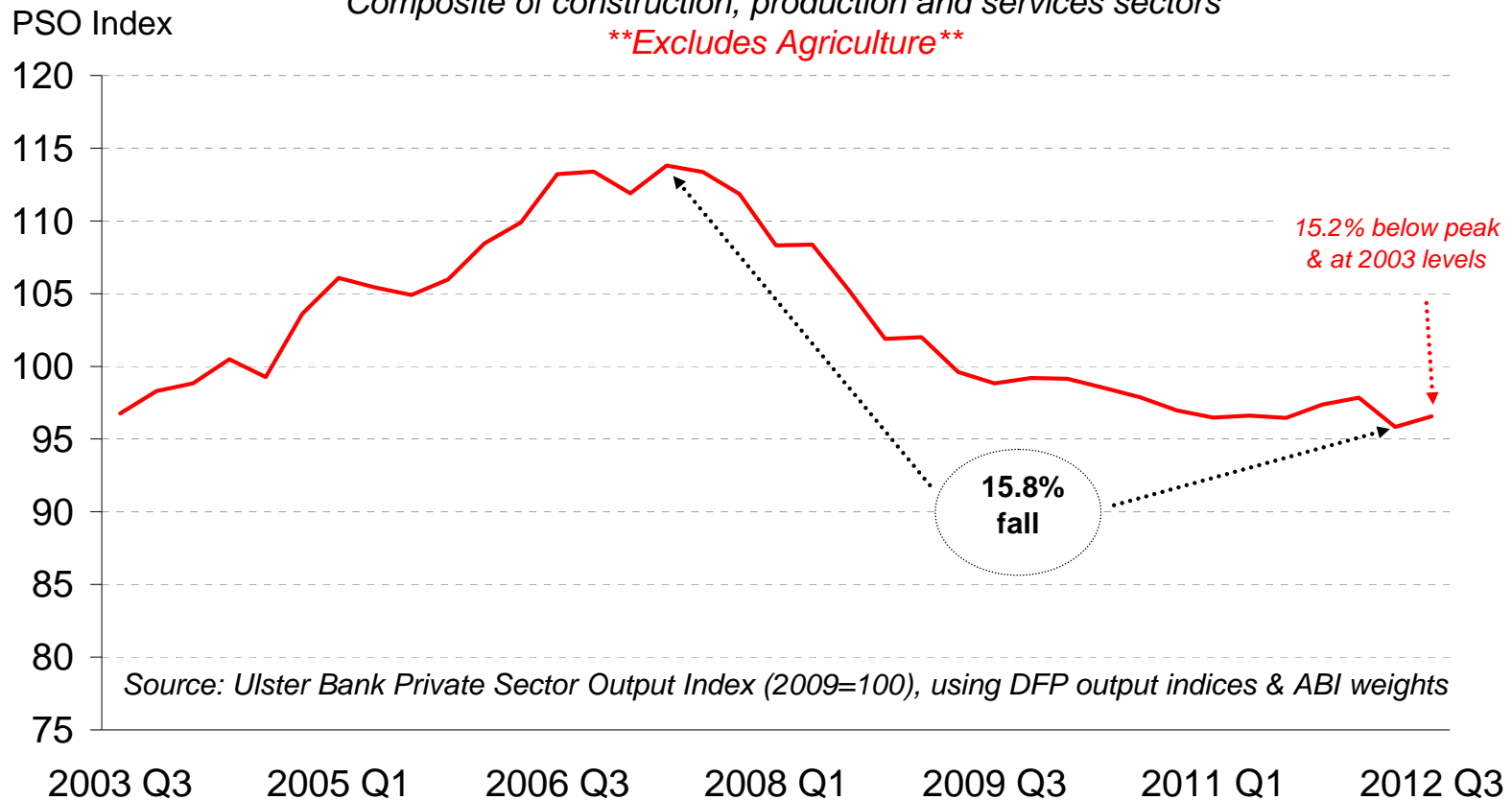


Remember its levels of output not growth rates that are important - private sector output still at 2003 levels

NI Private Sector Output Levels

Composite of construction, production and services sectors

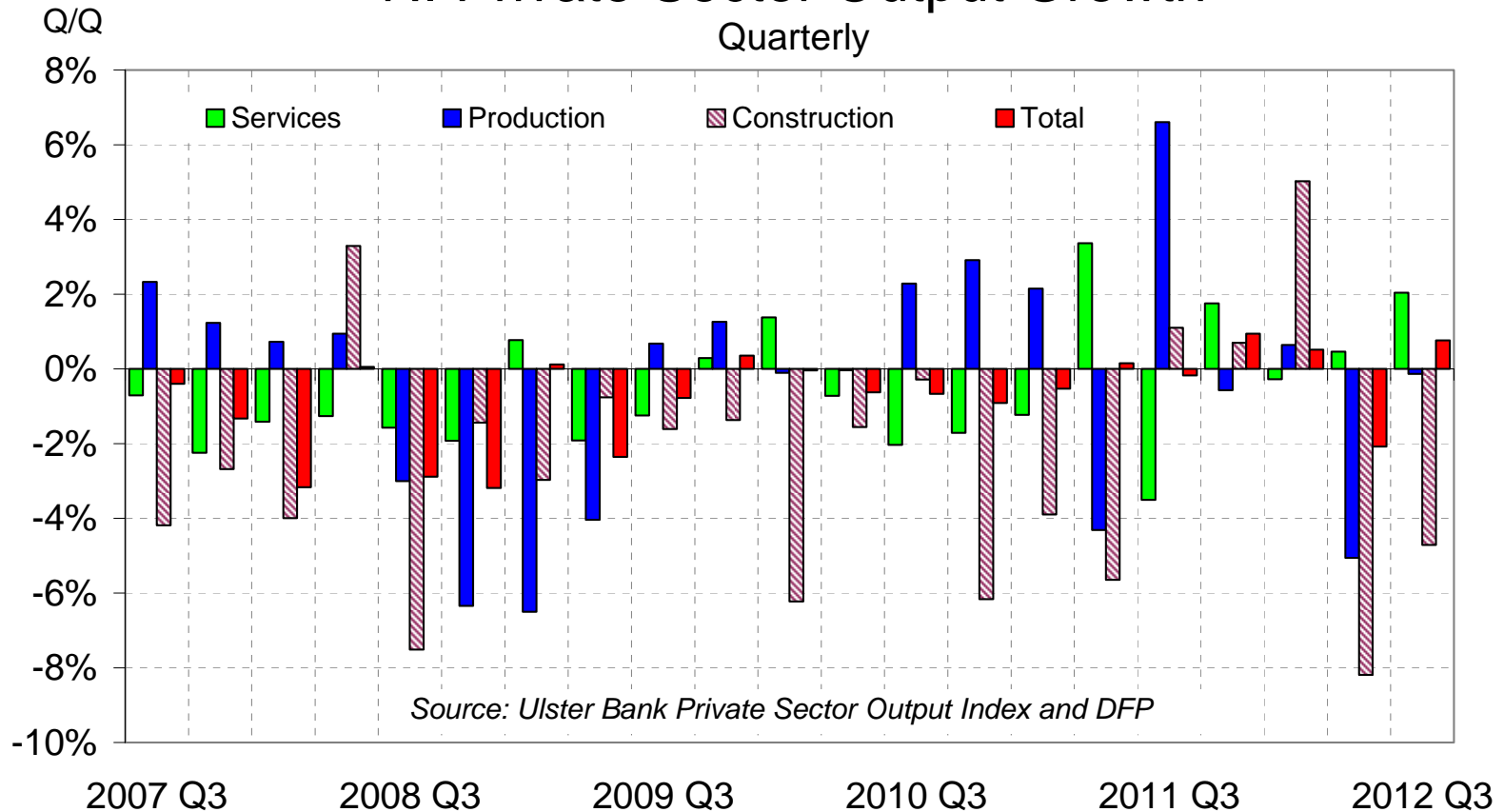
****Excludes Agriculture****



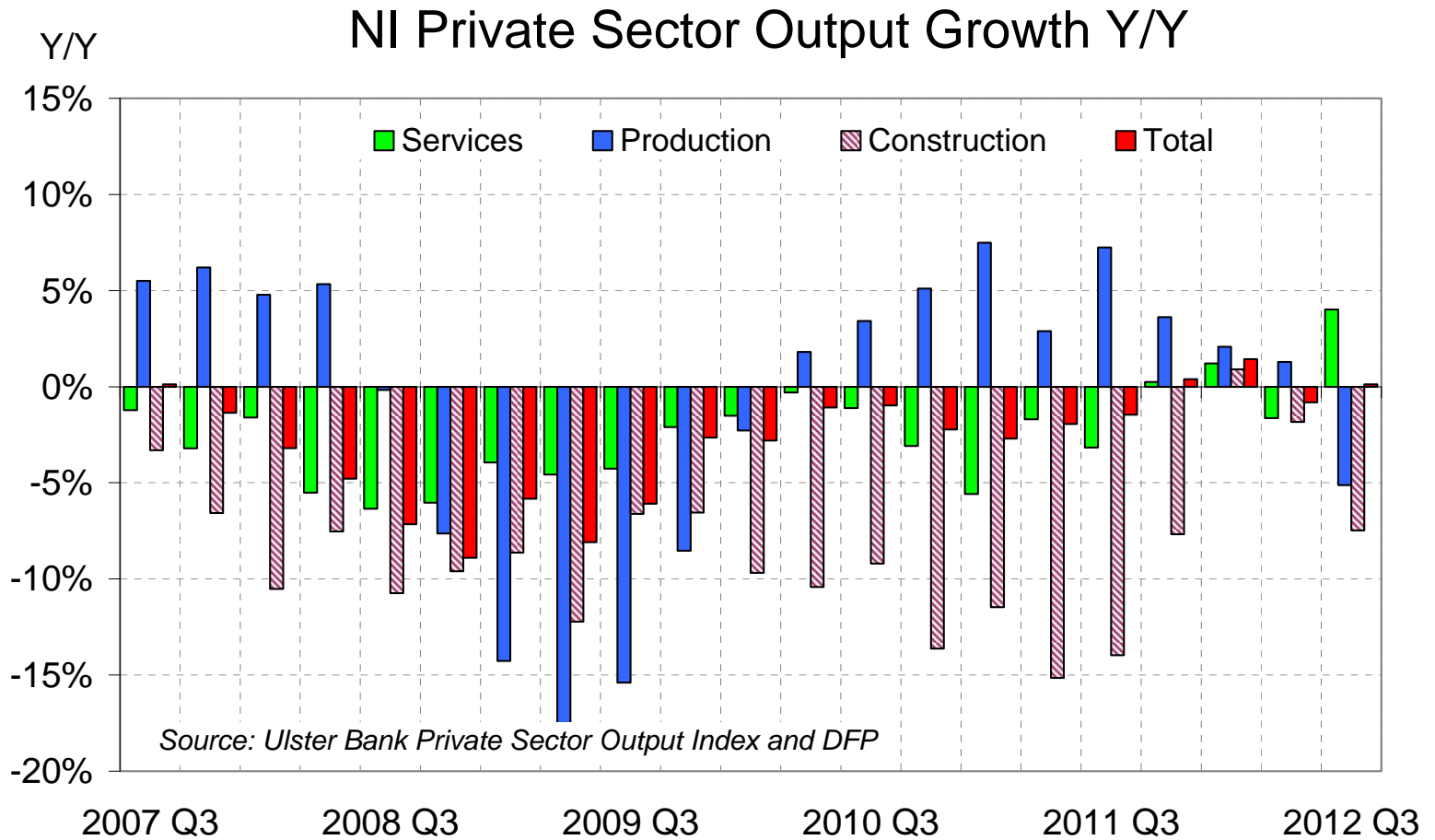
Strong growth in services more than compensates for steep fall in construction output in Q3 2012

NI Private Sector Output Growth

Quarterly

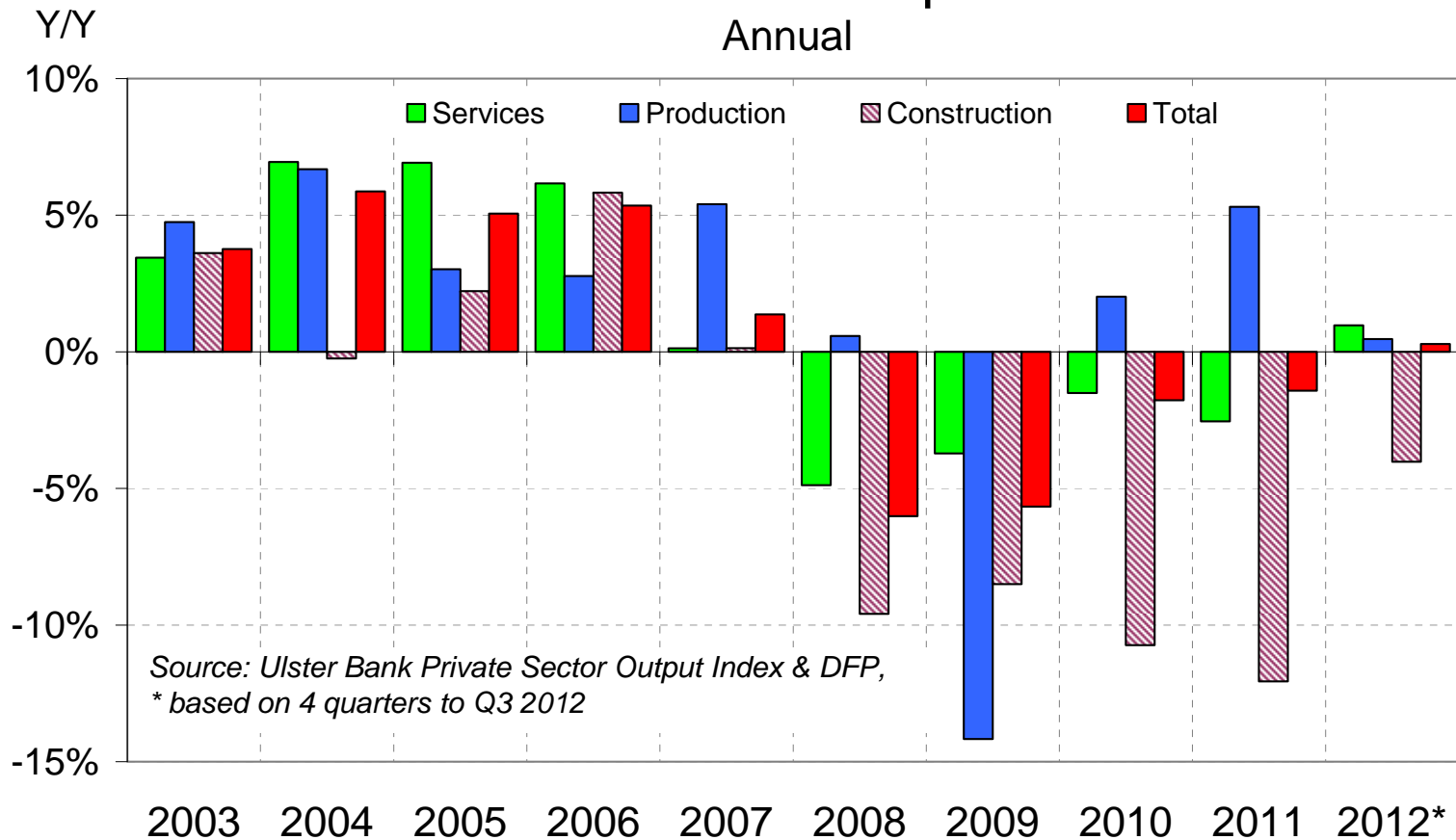


Private sector services is the only sector posting year-on-year growth in Q3 2012



Services & total private sector output post first annual growth since 2007

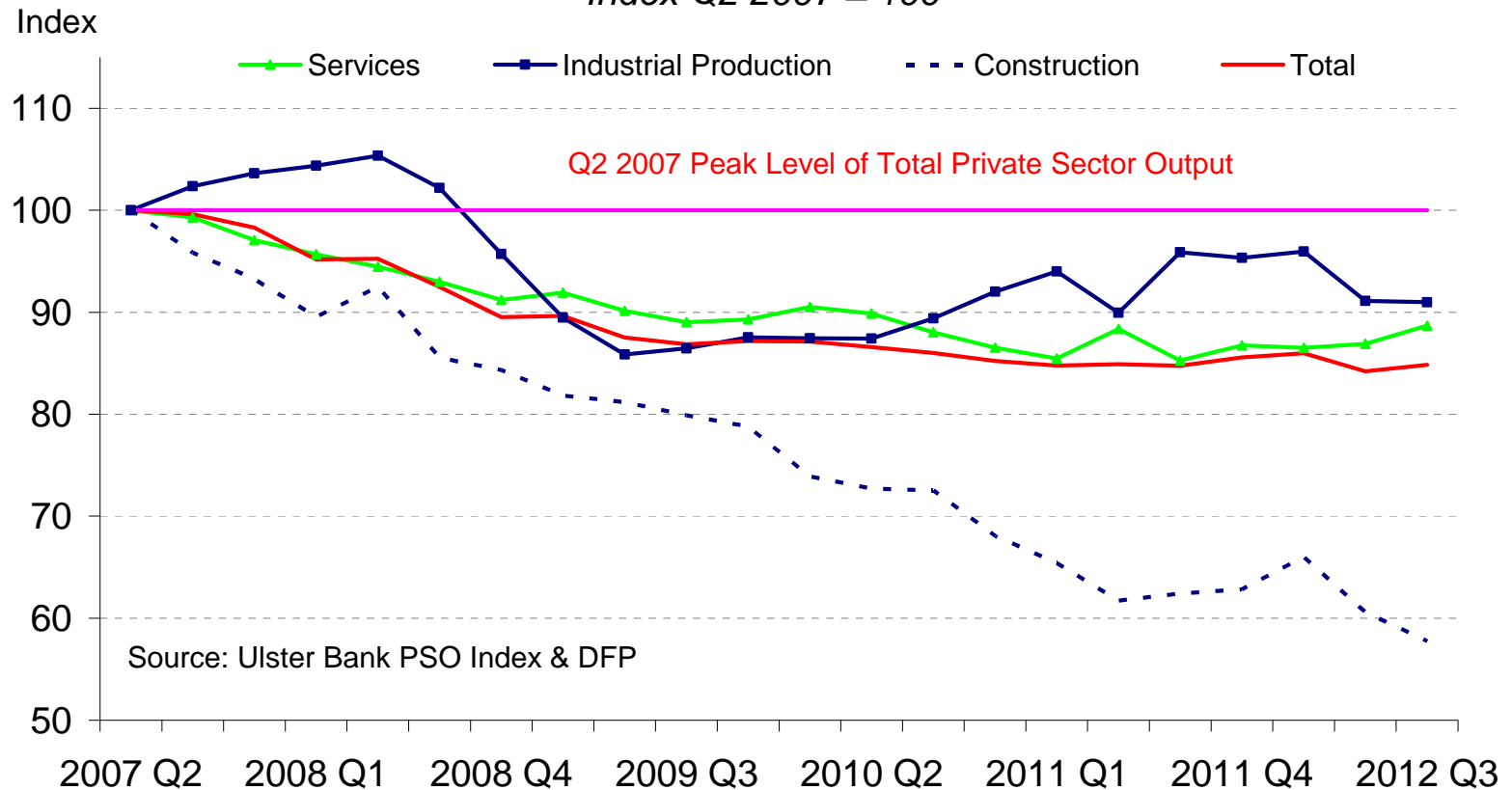
NI Private Sector Output Growth



Industrial sector was last sector to go into downturn & the first industry to come out of it. But IP recovery has stuttered

NI Private Sector Output Levels

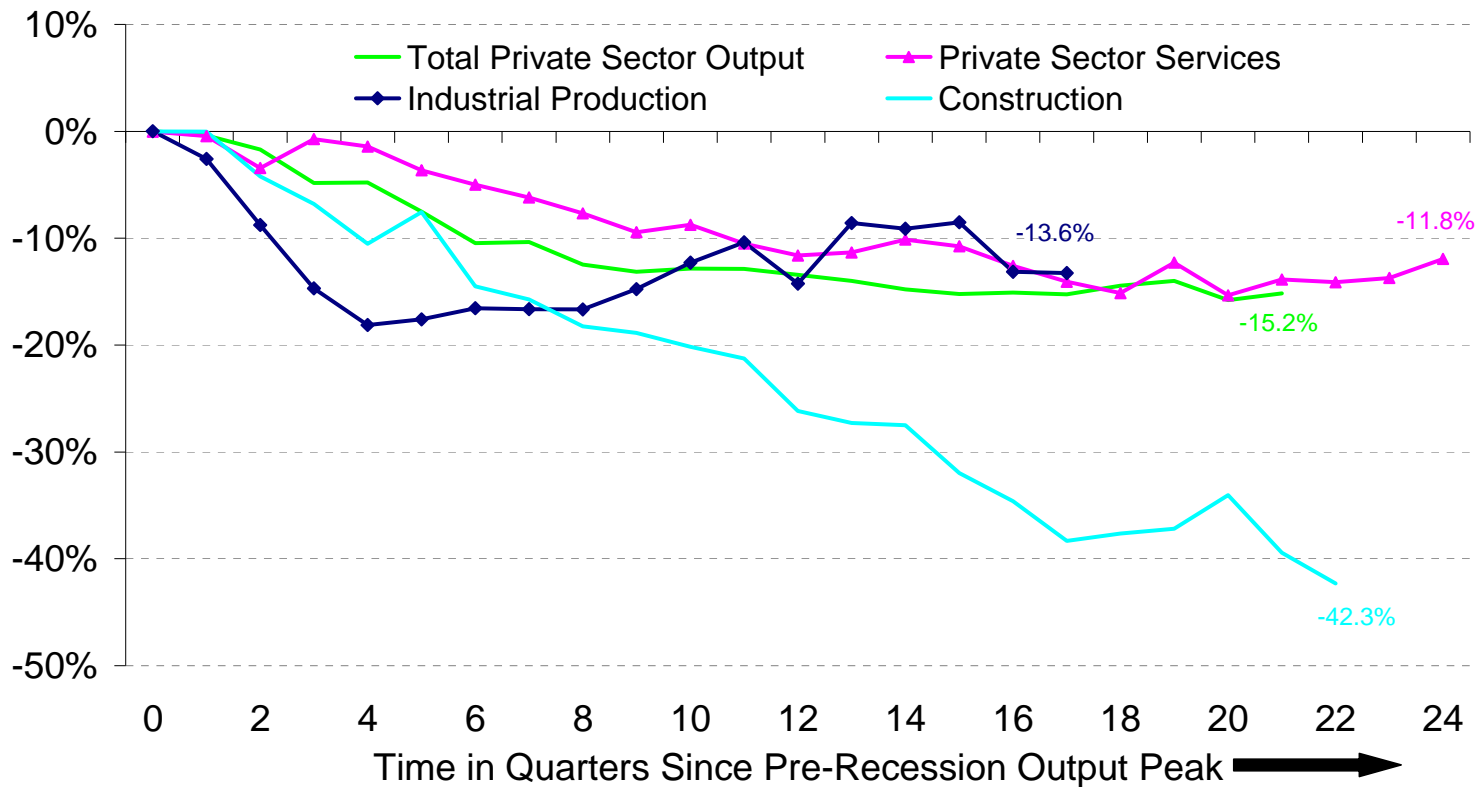
Index Q2 2007 = 100



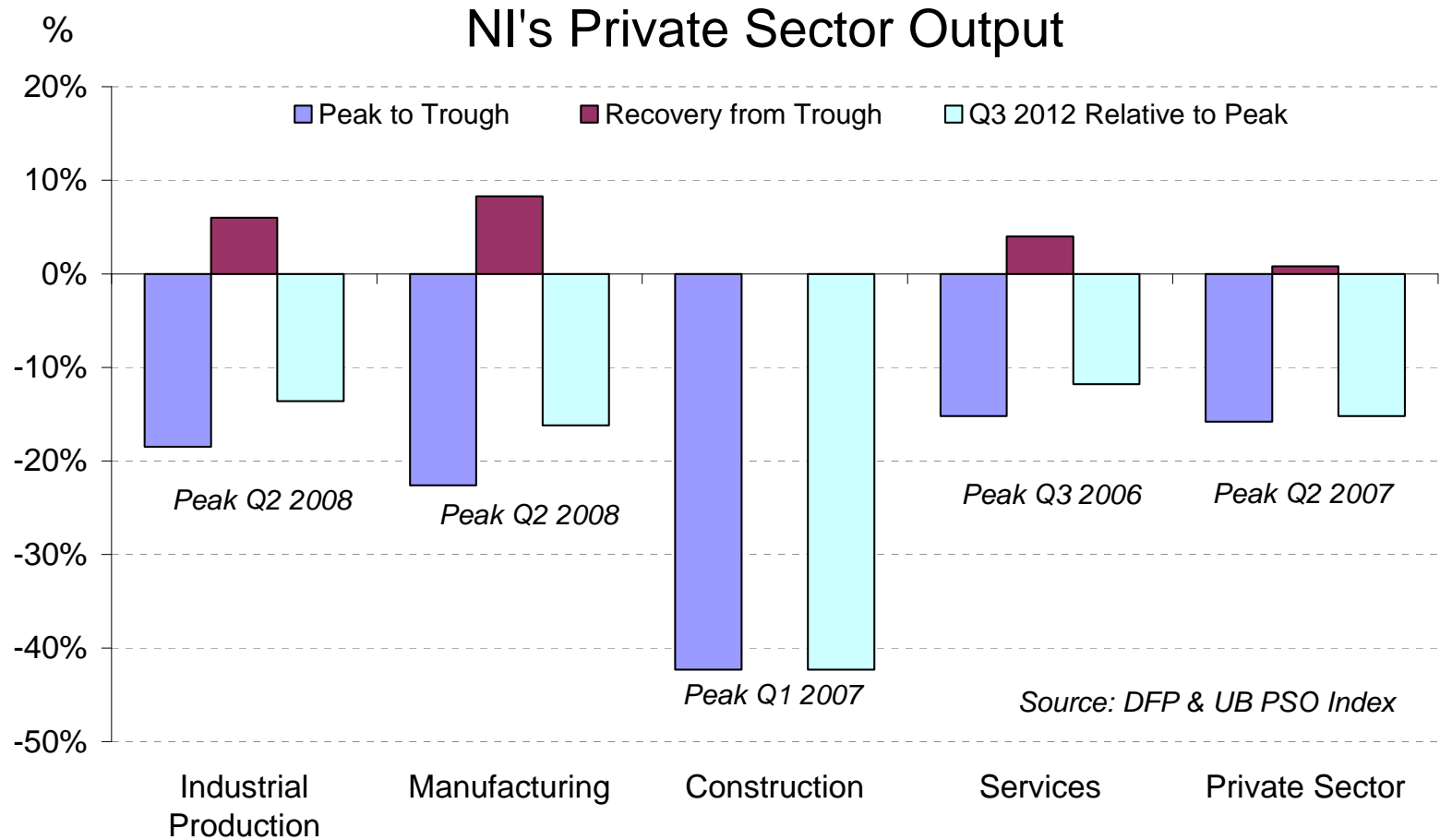
Services sector output has now been below its pre-downturn peak for 24 quarters or 6 years

NI Private Sector Output Relative to Pre-Recession Peaks

As of Q3 2012 (Peak = 0)

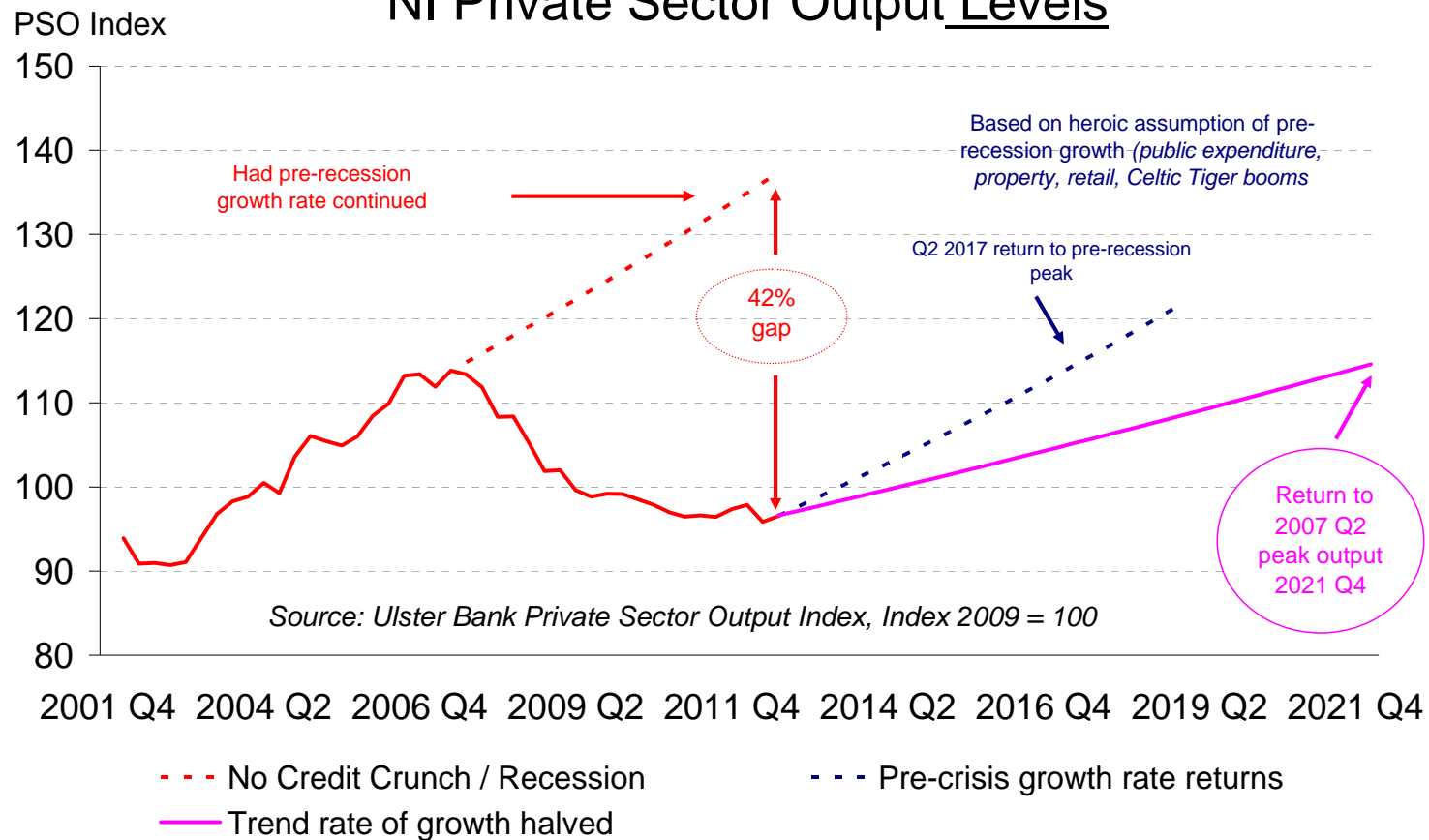


Construction remains the only sector that has experienced no recovery in output whatsoever



Northern Ireland will not be returning to 2007 peak anytime soon – 2021 if trend rate of growth is halved

NI Private Sector Output Levels



*Private Sector
Services Output*

Summary Table - Private Sector Services Output

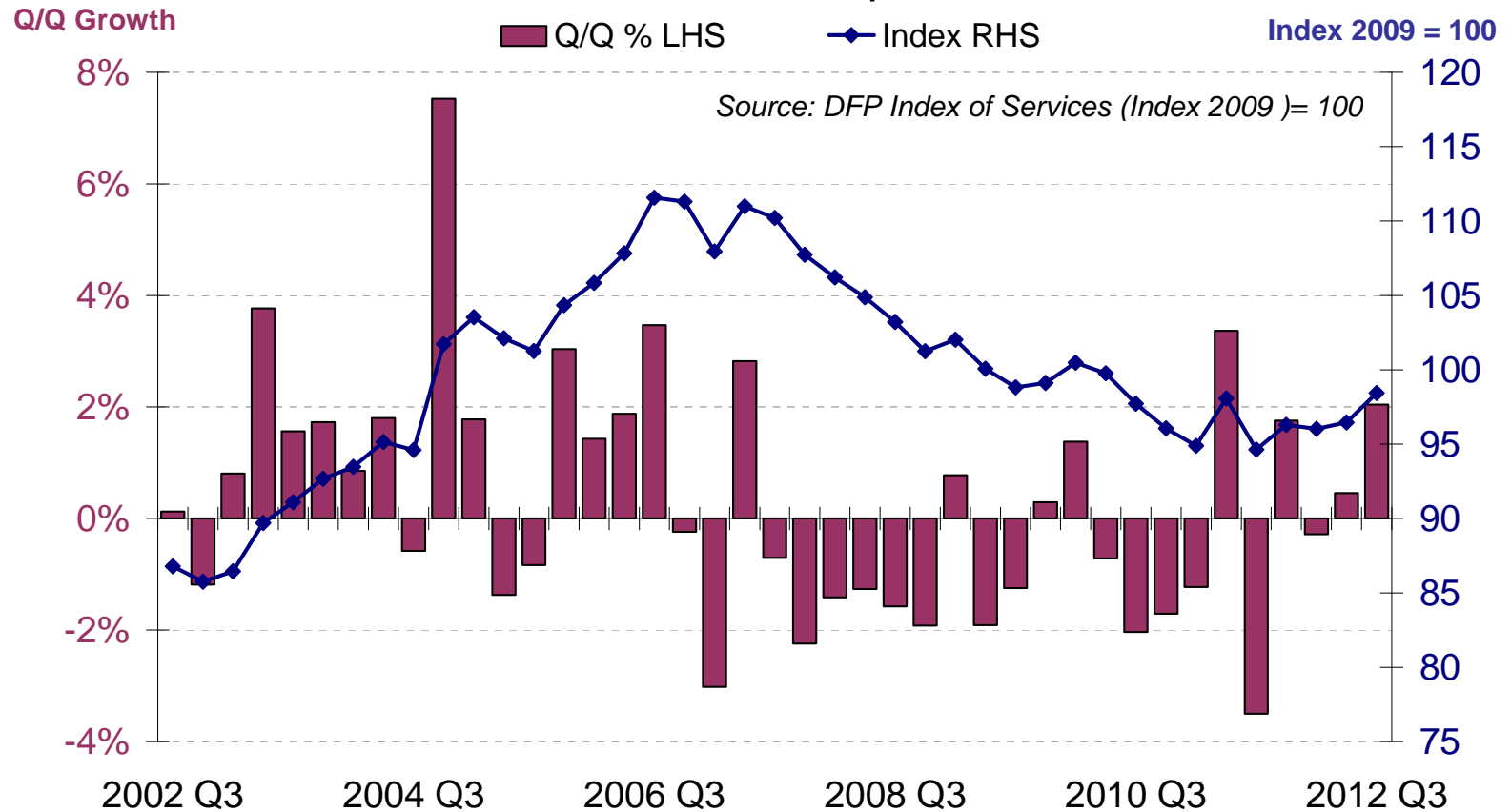
NI & UK Private Service Sector Output

Service Sector Category	Q/Q Change Q3 2012		Y/Y Change Q3 2012		Change since peak* 2006 Q3 - 2012 Q3	
	NI	UK	NI	UK	NI	UK
Wholesale, Retail, Repair, Accommodation & Food Service	4.0%	1.9%	7.1%	1.5%	2.4%	2.4%
Transport, Storage, Information & Communication	2.4%	0.2%	-1.2%	-1.5%	12.5%	2.2%
Other Services**	-0.5%	1.6%	8.6%	2.8%	40.4%	9.2%
Business Services & Finance	2.9%	0.9%	-1.0%	1.0%	-49.2%	8.2%
Total Services	2.0%	1.2%	4.0%	1.2%	-11.8%	6.5%

Source: ONS & DFP Index of Services, * NI peak was Q3 2006 whereas UK peak was Q4 2007, **NI & UK have a different coverage

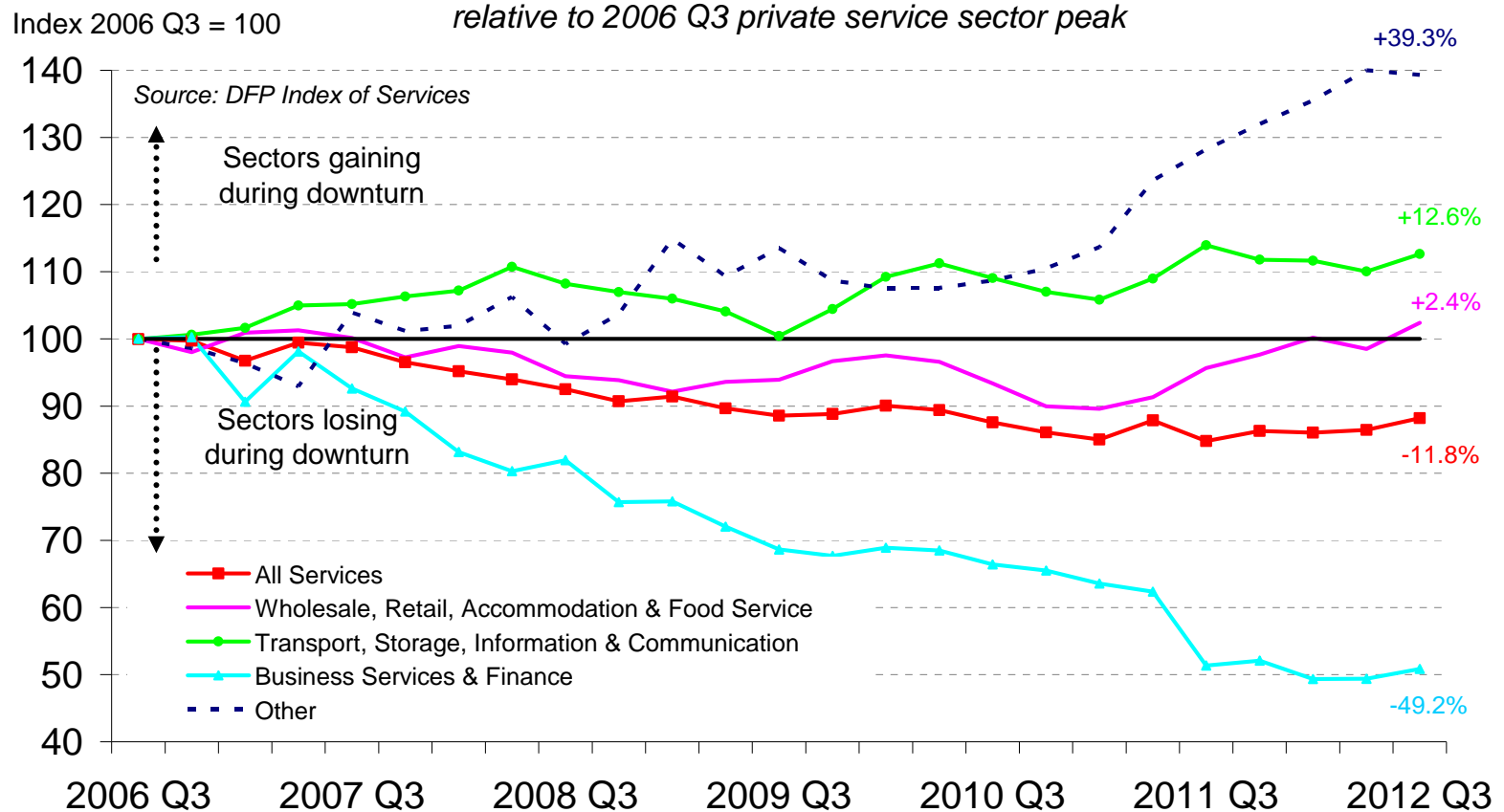
Private sector services output rises (albeit from a low base) for the 2nd consecutive quarter in Q3 2012

NI Private Sector Services Output Levels & Growth



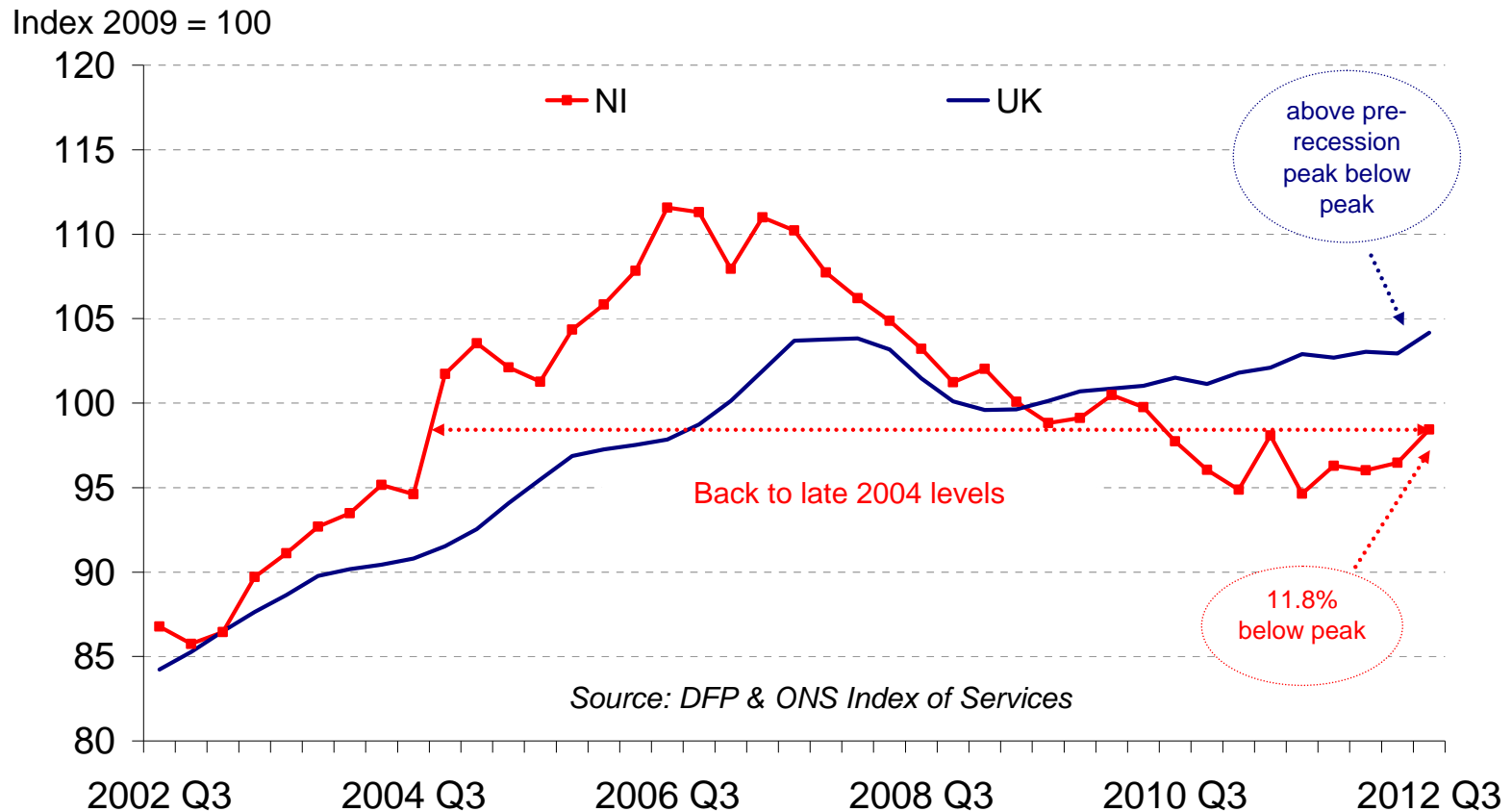
Three service sub-sectors experienced higher levels of output in Q3 2012 relative to pre-downturn peak

NI Private Sector Services Output Levels



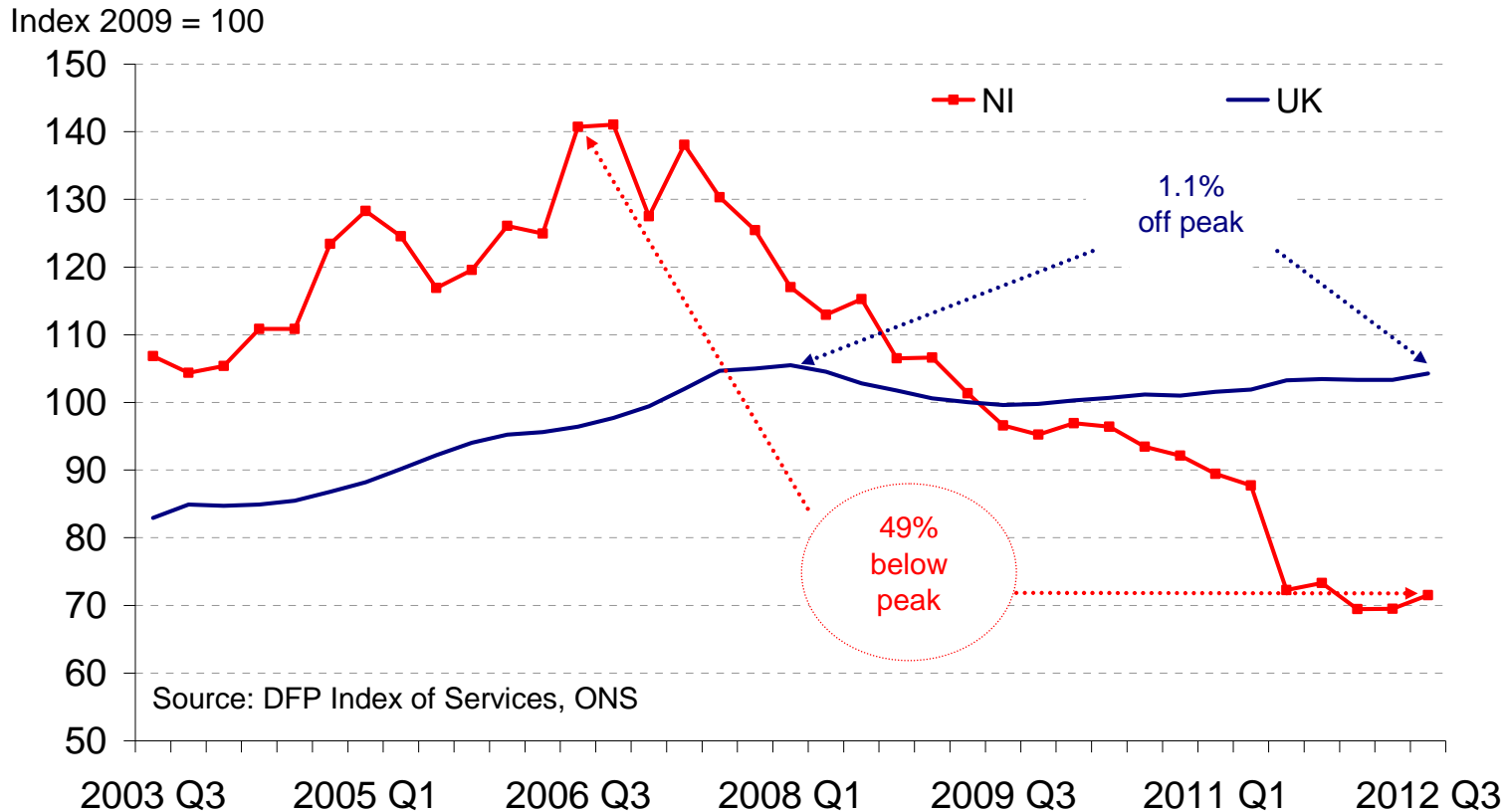
UK services output is now back above its pre-downturn peak. NI remains almost 12% below its pre-downturn high

Private Sector Services Output Levels



NI's Business Services & Finance output remains almost 50% below its Q3 2006 high

Business Services & Finance Output Levels

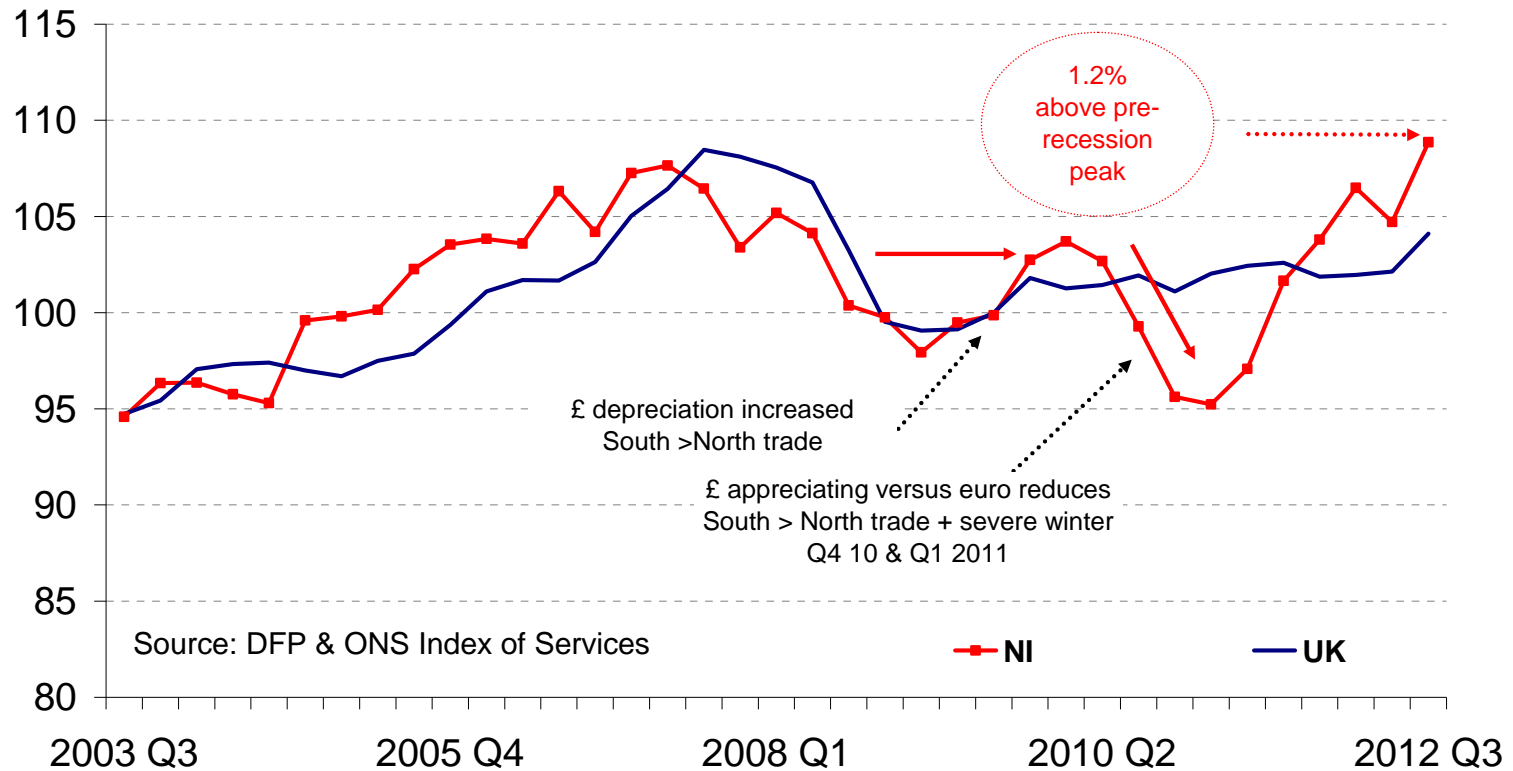


NI's Distribution, Accommodation & Food Services output back above pre-downturn peak. Hotel occupancy rates at record highs

Distribution, Accommodation & Food Services Output

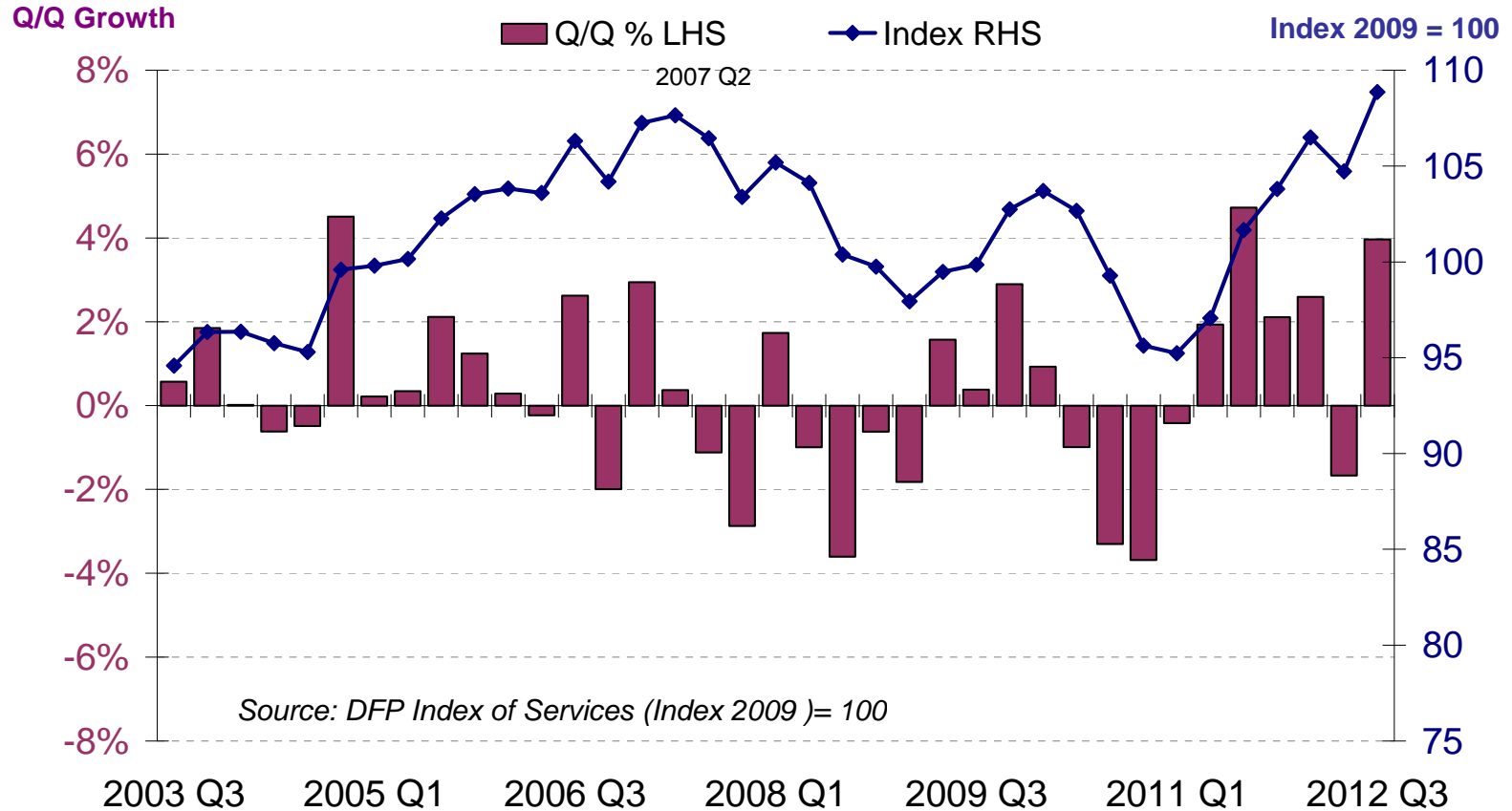
Index 2009 = 100

(includes Retail, Hotels & Restaurants, Car Sales)

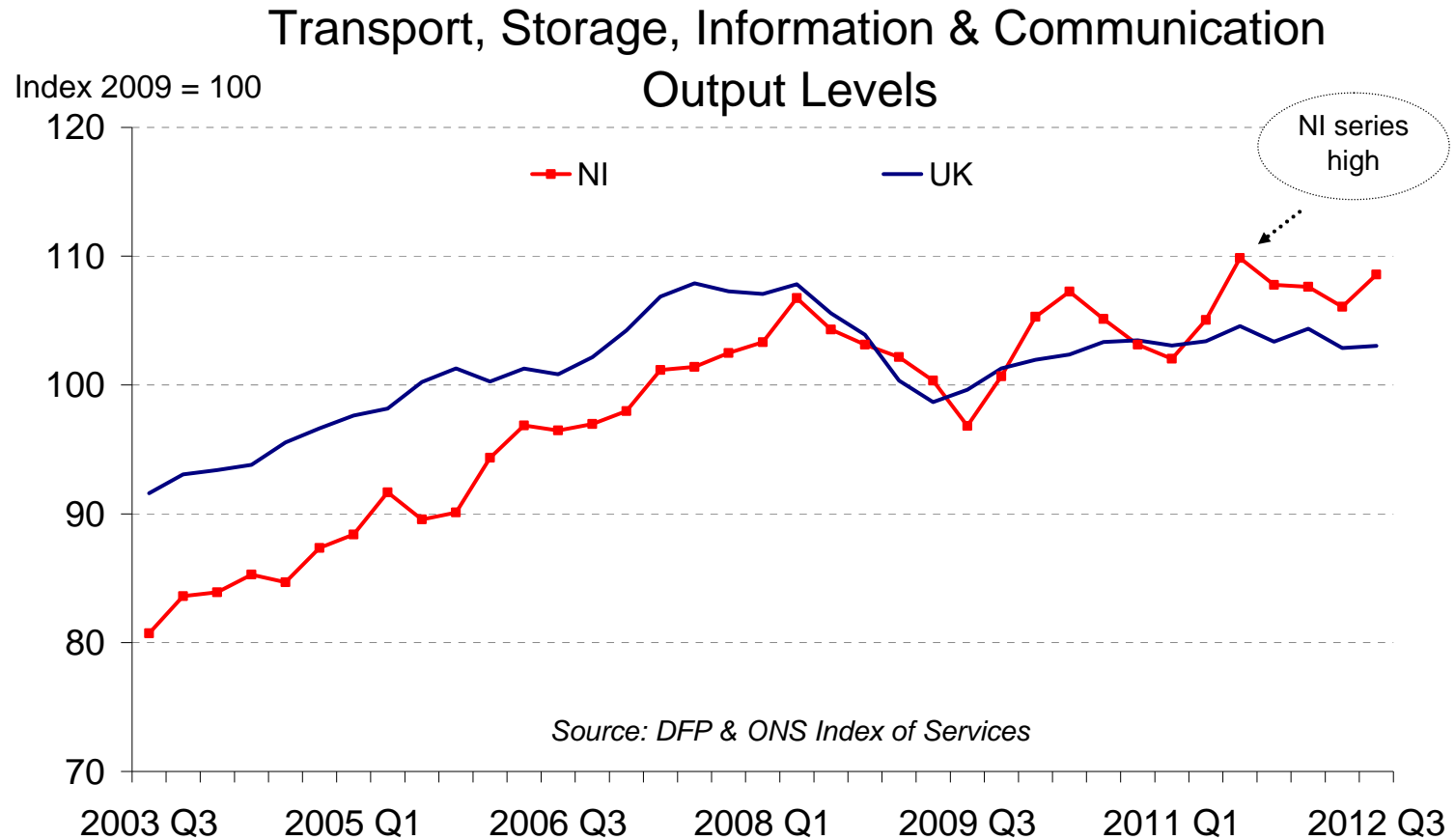


The strength of the rebound in this consumer sensitive sector appears odd but has been boosted by tourism industry

NI Distribution, Accommodation & Food Services



Some NI service sectors have benefited from an uplift in external trade



*Industrial
Production
Output*

Summary Table – NI & UK Industrial Output

NI & UK Industrial Output

Industrial Production Category (NI Weights in brackets)	Q/Q Change Q3 2012		Y/Y Change Q3 2012		Change since peak* 2008 Q2 - 2012 Q3	
	NI	UK	NI	UK	NI	UK
Manufacturing (<i>weight 85.0%</i>)	-0.3%	0.7%	-5.6%	-1.5%	-16.2%	-7.1%
Electricity, Gas, Steam & Air Conditioning Supply (<i>weight 5.1%</i>)	1.4%	-2.3%	-0.6%	-1.1%	-2.7%	-7.5%
Water Supply, Sewerage & Waste Management (<i>weight 7.6%</i>)	-3.4%	2.5%	-5.5%	1.3%	-1.9%	-4.4%
Mining & Quarrying (<i>weight 2.3%</i>)	-3.7%	2.0%	-3.9%	-6.4%	-24.8%	-32.8%
Total Production	-0.1%	0.7%	-5.1%	-1.8%	-13.6%	-10.8%

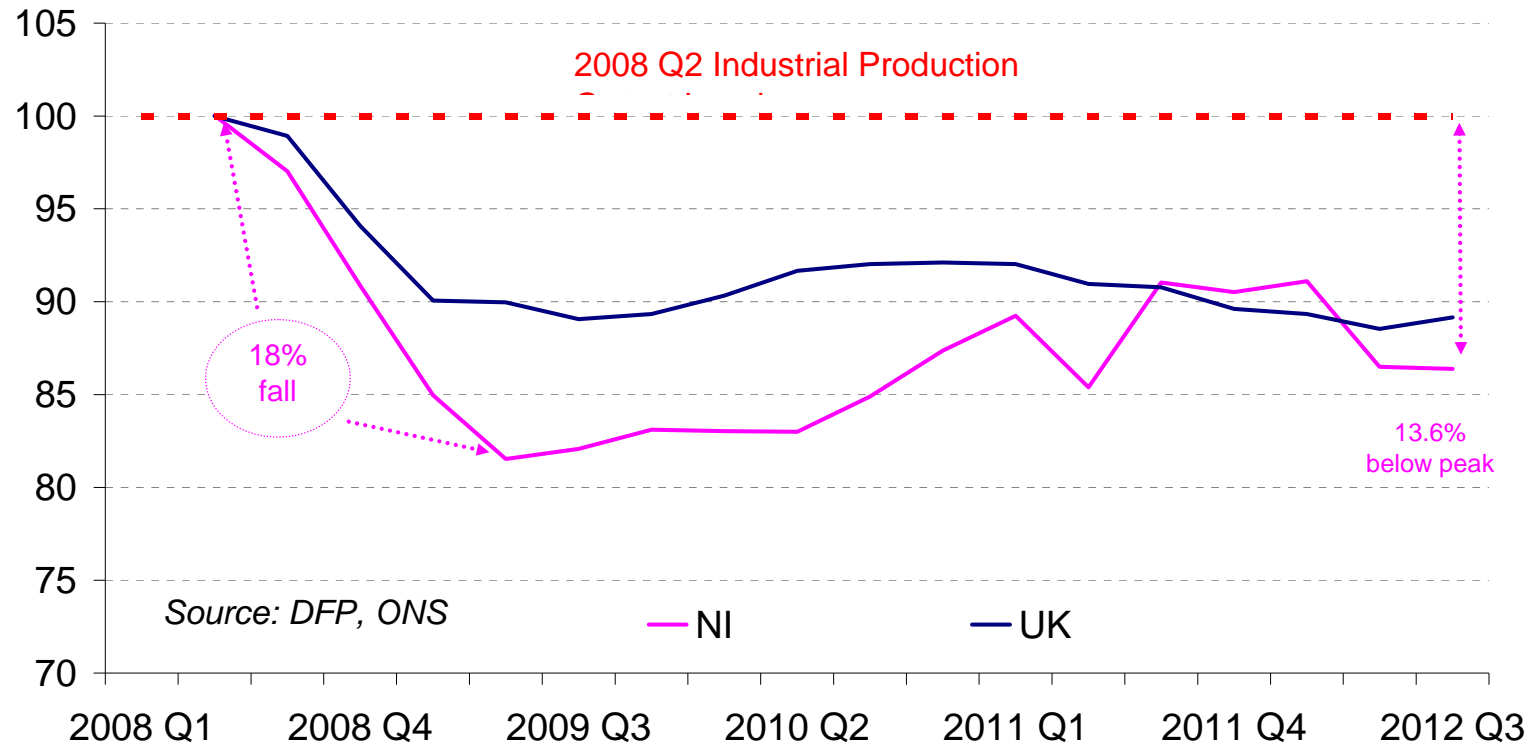
Source: ONS & DFP Index of Production, *peak referred to is NI industrial output peak not the UK's which was 2008 Q1

NI has recovered just over one quarter of the industrial output lost during the recession (*UK has recorded 0%*)

NI & UK Industrial Output Levels

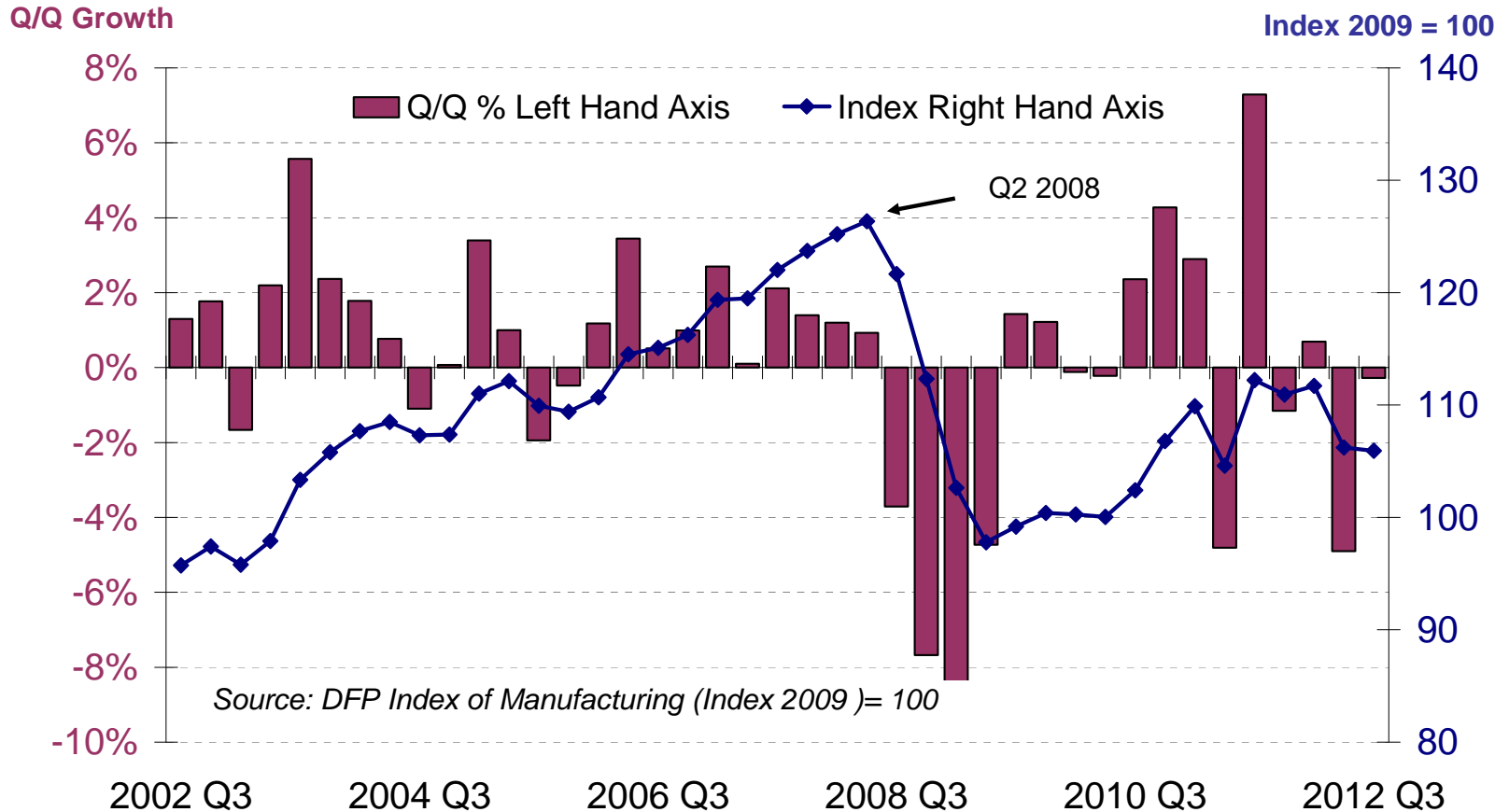
relative to NI's peak in Industrial Output 2008 Q2

Index 2008
Q2 = 100



In Q3 2012 NI manufacturing posts its third quarterly fall in four quarters

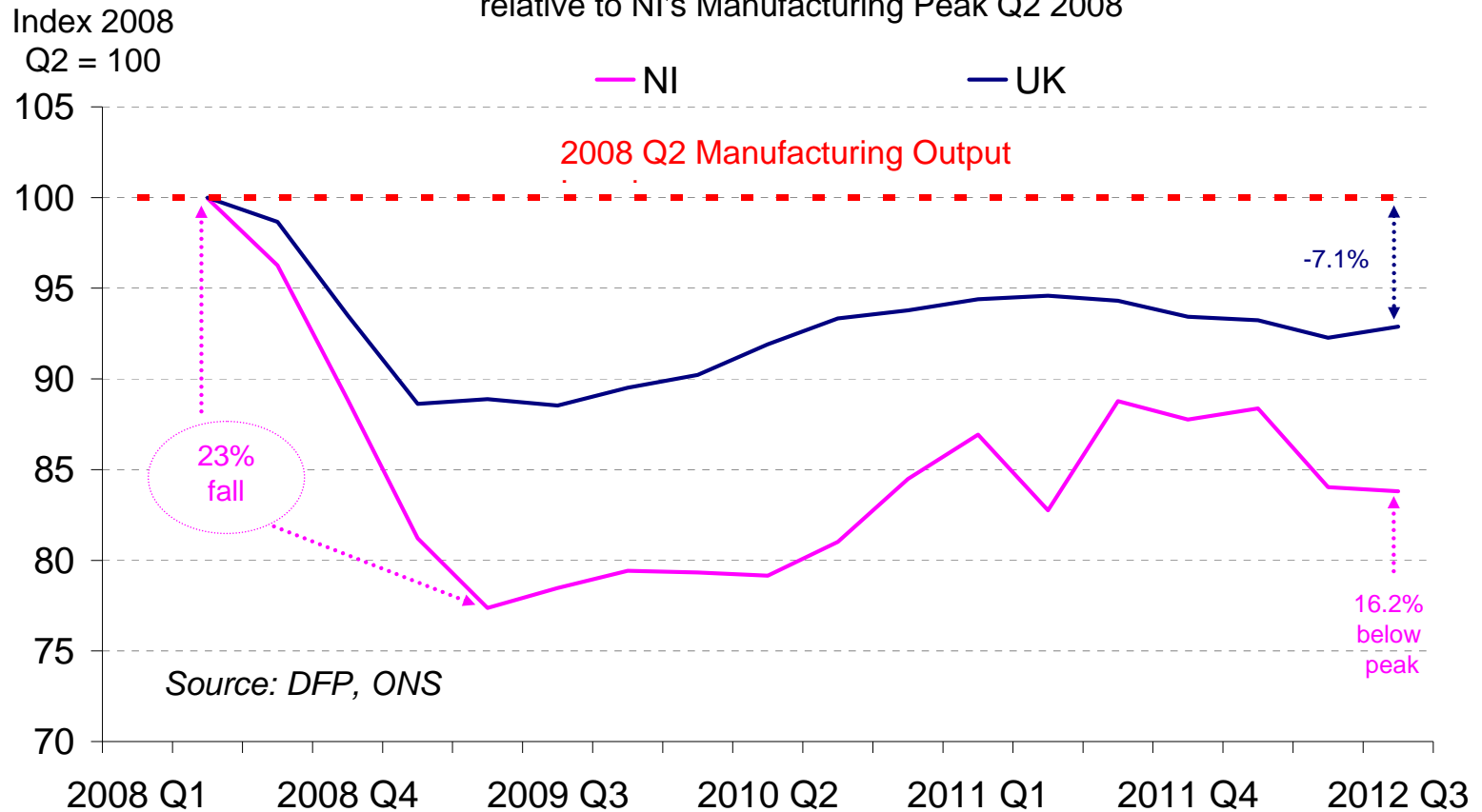
NI Manufacturing Output Levels & Growth



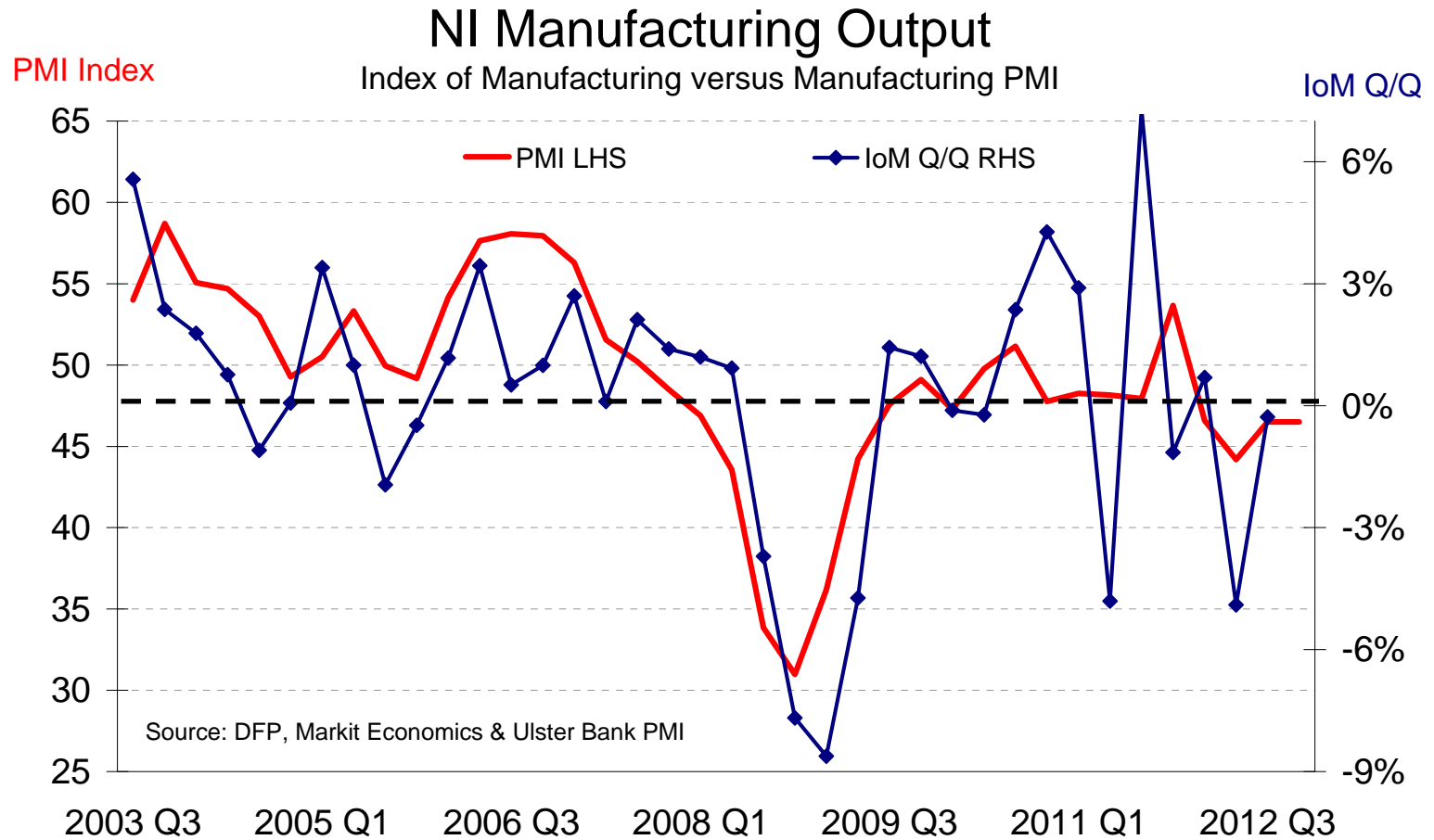
NI manufacturing has recouped just over 1/4 of the output lost during the recession (*UK over 1/3rd*)

NI & UK Manufacturing Output Levels

relative to NI's Manufacturing Peak Q2 2008



Manufacturing output falling in line with PMI in Q3 2012



Summary Table - Manufacturing Output by Sub-sector

NI & UK Manufacturing Output by Sub-sector

Manufacturing Category (NI Weights in brackets)	Q/Q Change Q3 2012		Y/Y Change Q3 2012		Change since peak* 2008 Q2 - 2012 Q3	
	NI	UK	NI	UK	NI	UK
Engineering & Allied Industries (weight 24.4%)	-1.1%	1.6%	-3.6%	5.0%	-16.8%	5.5%
Total Other Manufacturing (weight 23.3%)	-2.7%	0.3%	-12.0%	-5.9%	-31.5%	-17.5%
Basic & Fabricated Metal Products (weight 14.5%)	-8.7%	3.3%	-6.7%	3.0%	-31.9%	-13.3%
Food Products, Beverages & Tobacco (weight 14.1%)	4.4%	0.3%	-4.1%	-2.1%	-0.1%	5.7%
Rubber, Plastics & Non-metallic Mineral Products (weight 8.9%)	-4.4%	-0.4%	-16.7%	-6.9%	-38.5%	-21.3%
Chemical & Pharmaceutical Products (weight 5.3%)	3.9%	0.1%	16.8%	-7.0%	22.1%	-21.1%
Textiles, Leather & Related Products (weight 3.4%)	-2.2%	-2.3%	-11.6%	-3.8%	-7.5%	-10.4%
Total Manufacturing	-0.3%	0.7%	-5.6%	-1.5%	-16.2%	-7.1%

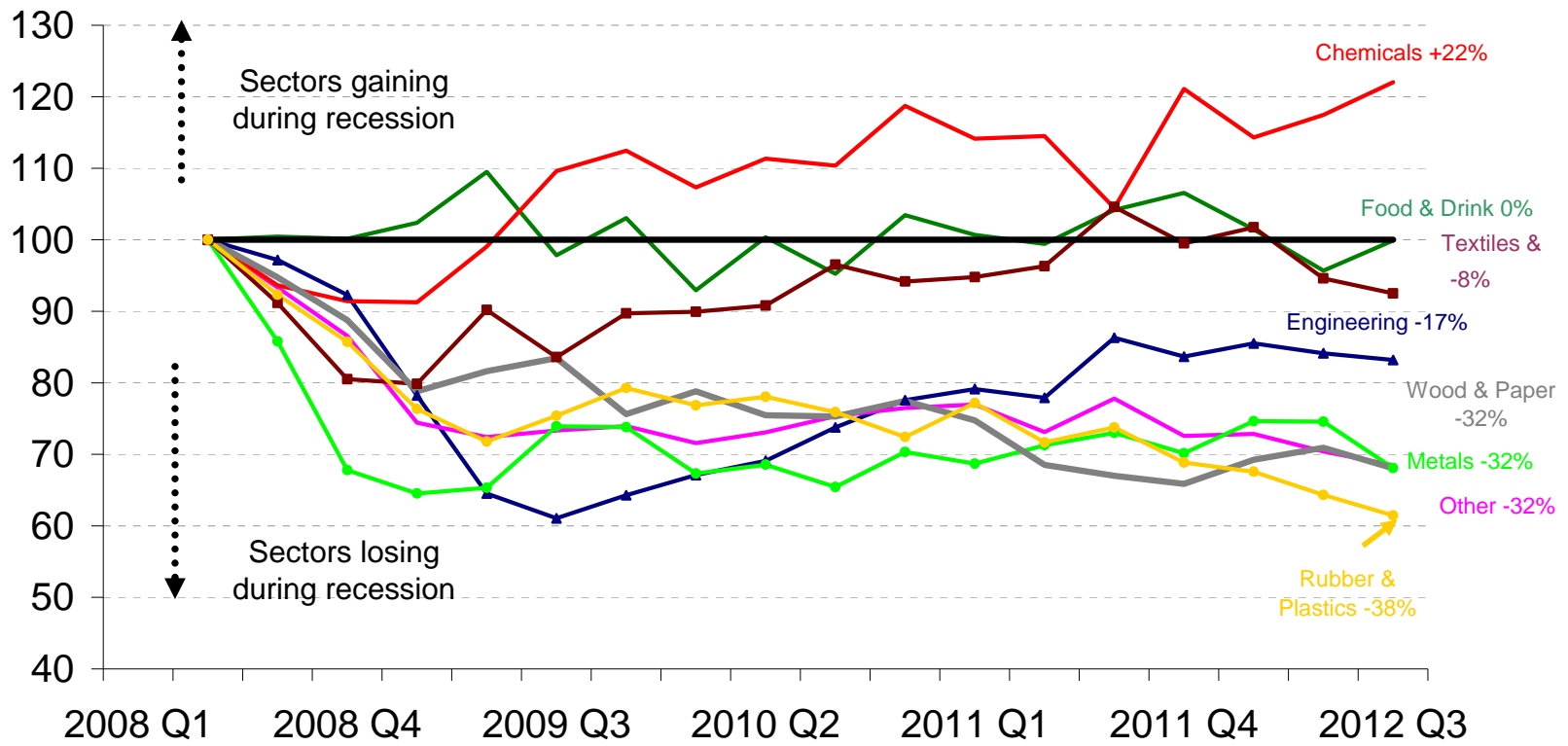
Source: ONS & DFP Index of Production, *peak referred to is NI industrial output peak not the UK's which was 2008 Q1

Still only 1 sector posted higher output levels in 2012 Q3 relative to the pre-downturn manufacturing peak

Northern Ireland Manufacturing Output Levels

relative to 2008 Q2 Manufacturing Output Peak

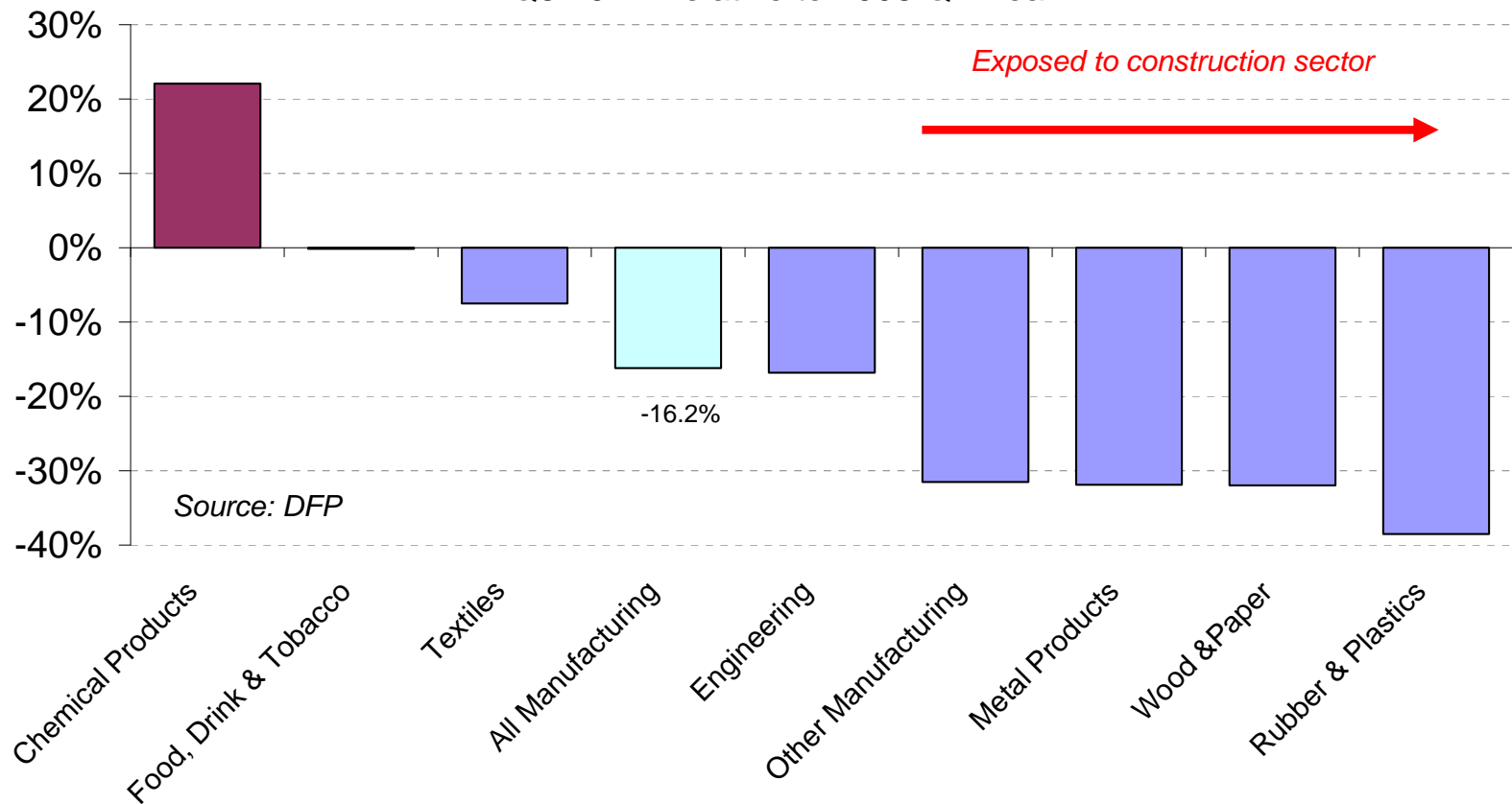
Index 2008
Q2 = 100



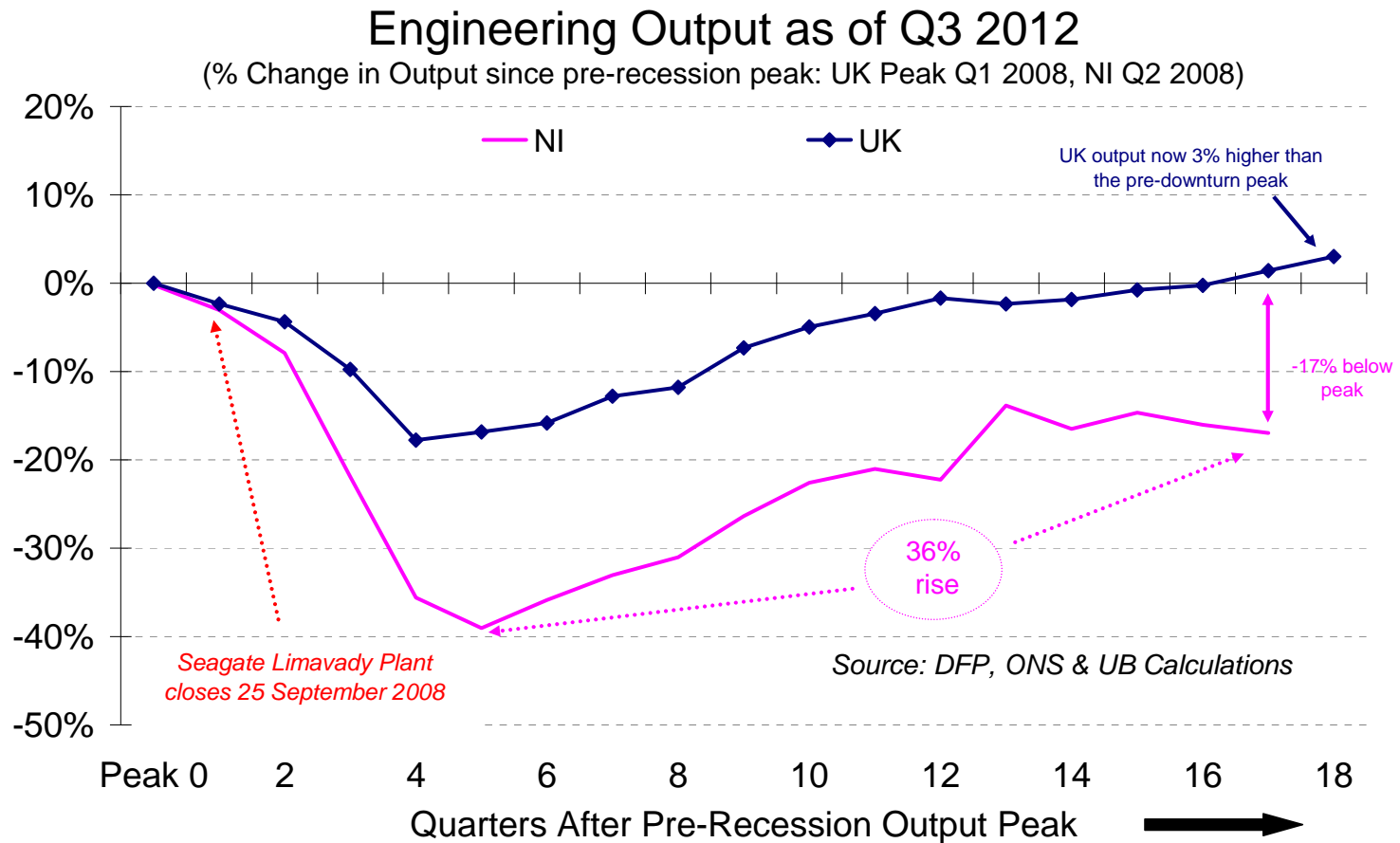
Those sectors exposed to construction industry (NI, UK & RoI) remain the furthest below their pre-recession peaks

NI Manufacturing Output

Q3 2012 Relative to 2008 Q2 Peak



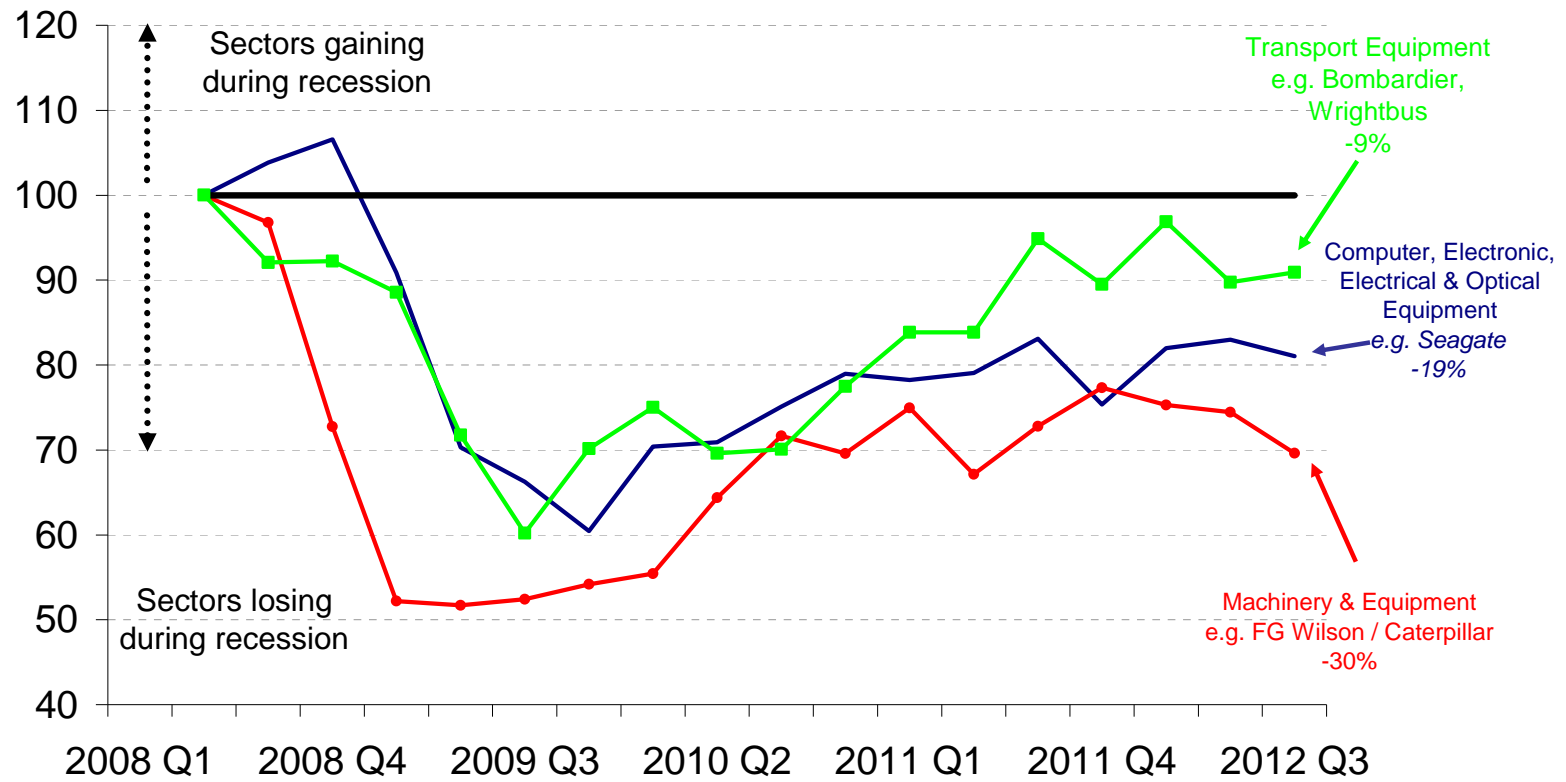
UK engineering output is now 3% higher than it was before the downturn whereas NI's is still 17% lower



Within engineering, the Transport Equipment sector is now 9% below its pre-recession peak

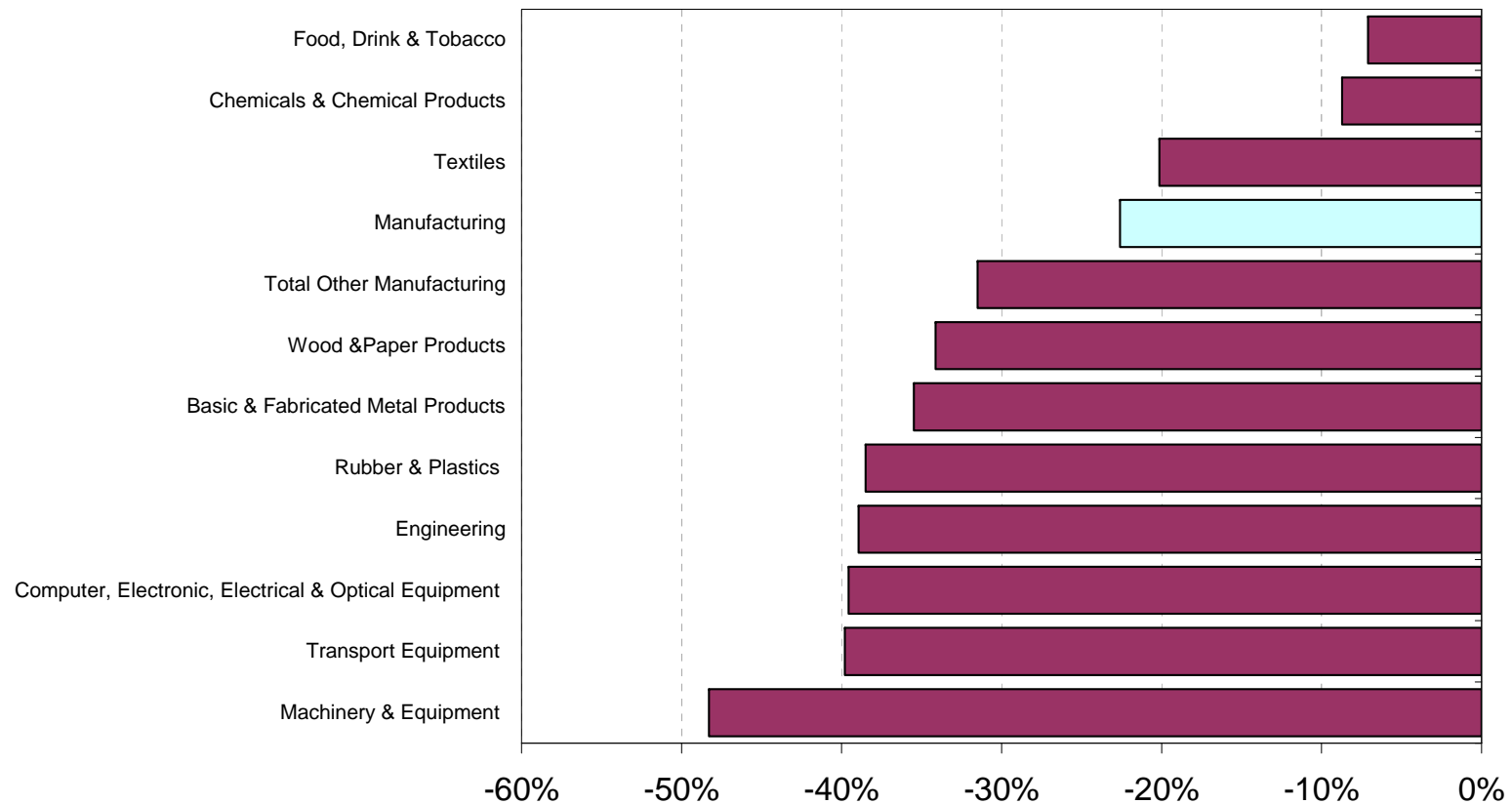
NI Engineering Output Levels relative to 2008 Q2 Manufacturing Peak

Index Q2 2008 = 100



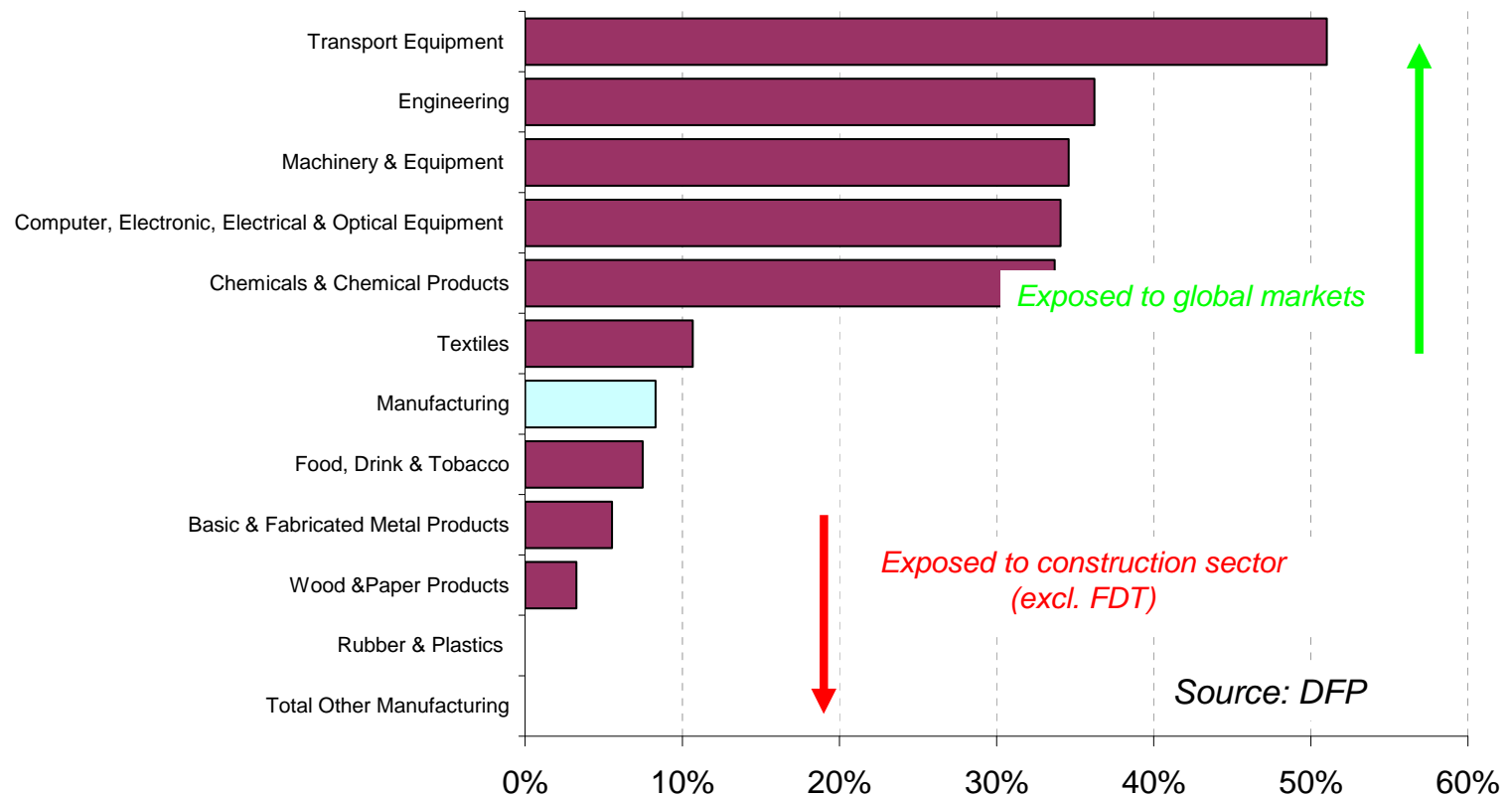
Biggest fallers within manufacturing.....

Peak to Trough Fall in Output relative to 2008 Q2 peak



...have become biggest gainers from global recovery

Recovery in NI Manufacturing Output Since Trough as of 2012 Q3



Construction Output

Summary Table - Construction Output

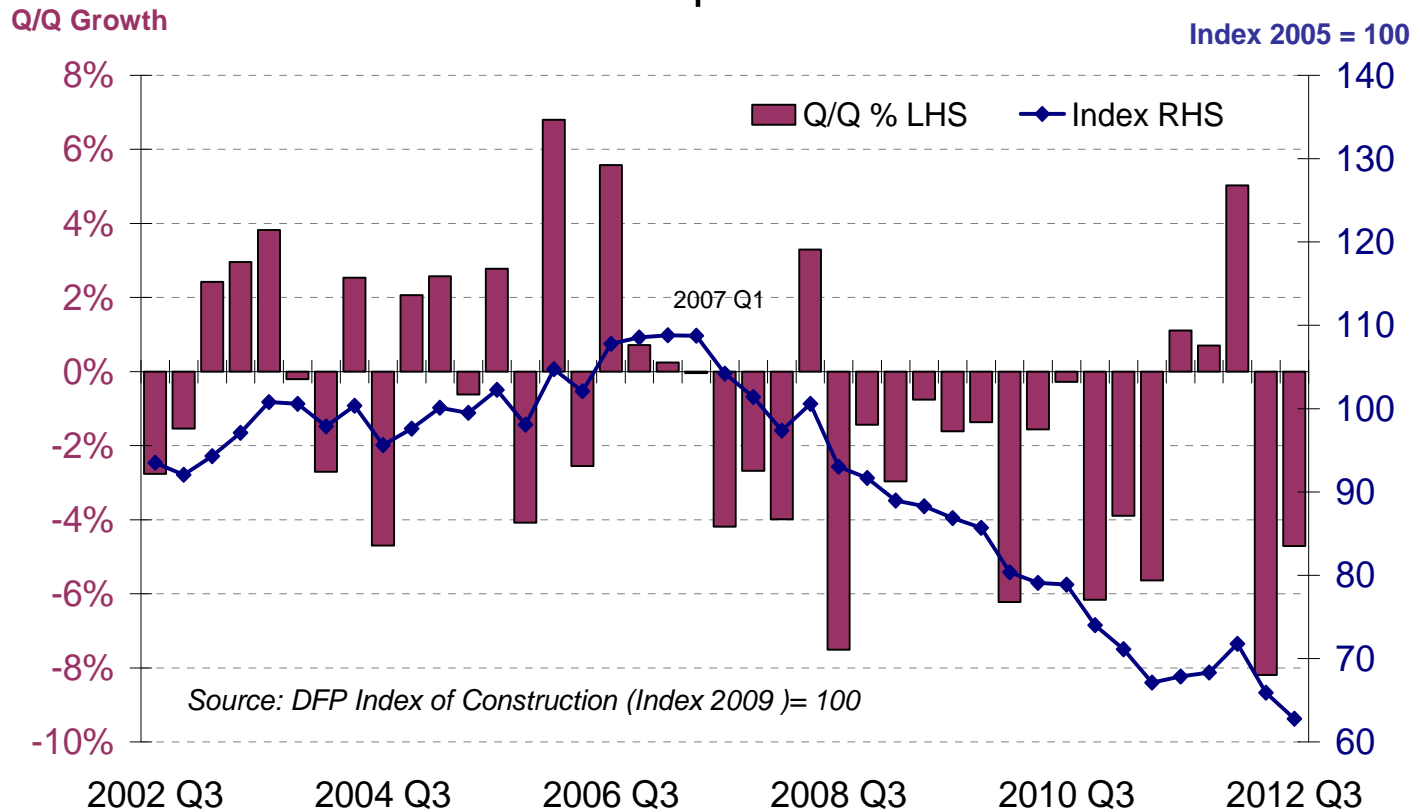
NI & GB Construction Output

Construction Sub-Sector Category	Quarterly Change Q3 2012		Year-on-Year Change Q3 2012		Change since NI construction peak Q1 2007 - Q3 2012	
	NI	GB	NI	GB	NI	GB
Housing	0.0%	-3.3%	-12.1%	-12.5%	-61.7%	-33.4%
Infrastructure	3.5%	N.A	1.0%	N.A	12.4%	N.A
Repair & Maintenance	-0.6%	-0.9%	-5.2%	0.1%	7.9%	-8.3%
Other (e.g. commercial & industrial)	-9.2%	-5.3%	-8.7%	-16.4%	-37.9%	-20.5%
New Work	-6.6%	-8.7%	-8.1%	-7.6%	-51.3%	-11.9%
Total Construction	-4.7%	-2.6%	-7.5%	-11.3%	-42.3%	-17.6%

Source: DFP Construction Bulletin & ONS, ONS presents data as Great Britain (GB) not UK

NI's construction sector still contracting 22 quarters after its pre-downturn high

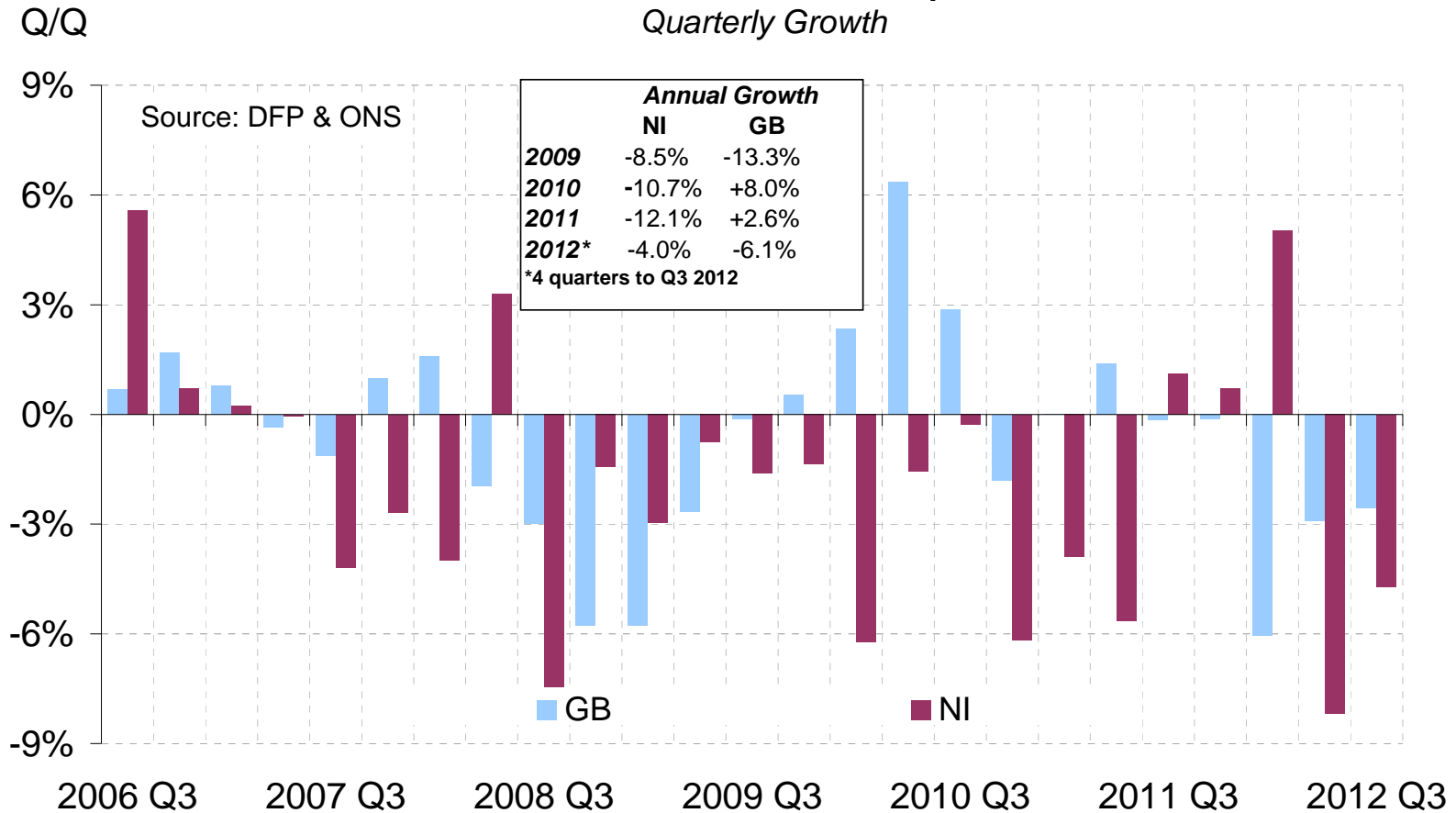
NI Construction Output Levels & Growth



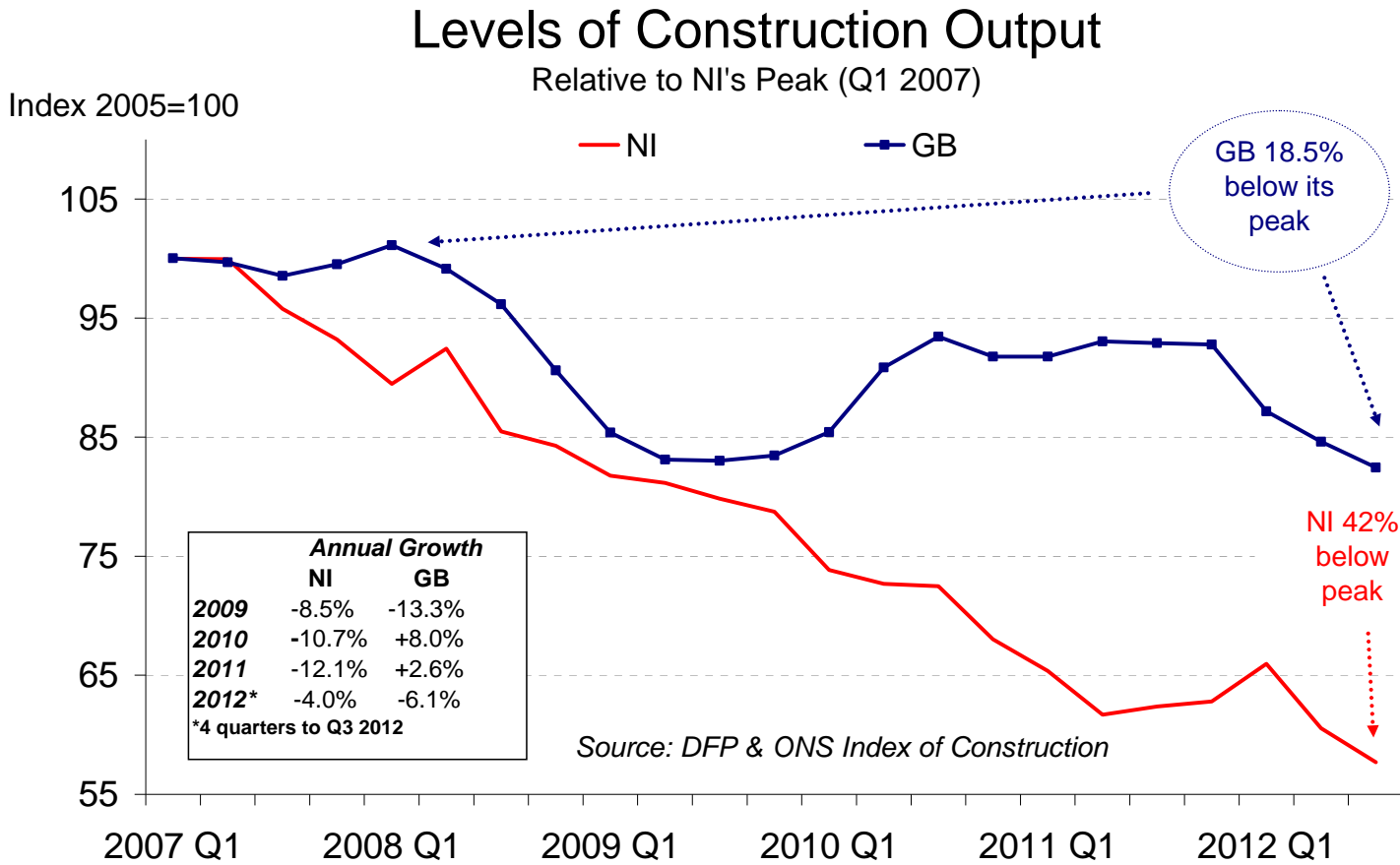
NI's construction sector posted another steep quarterly fall in output in Q3 2012

Construction Output

Quarterly Growth

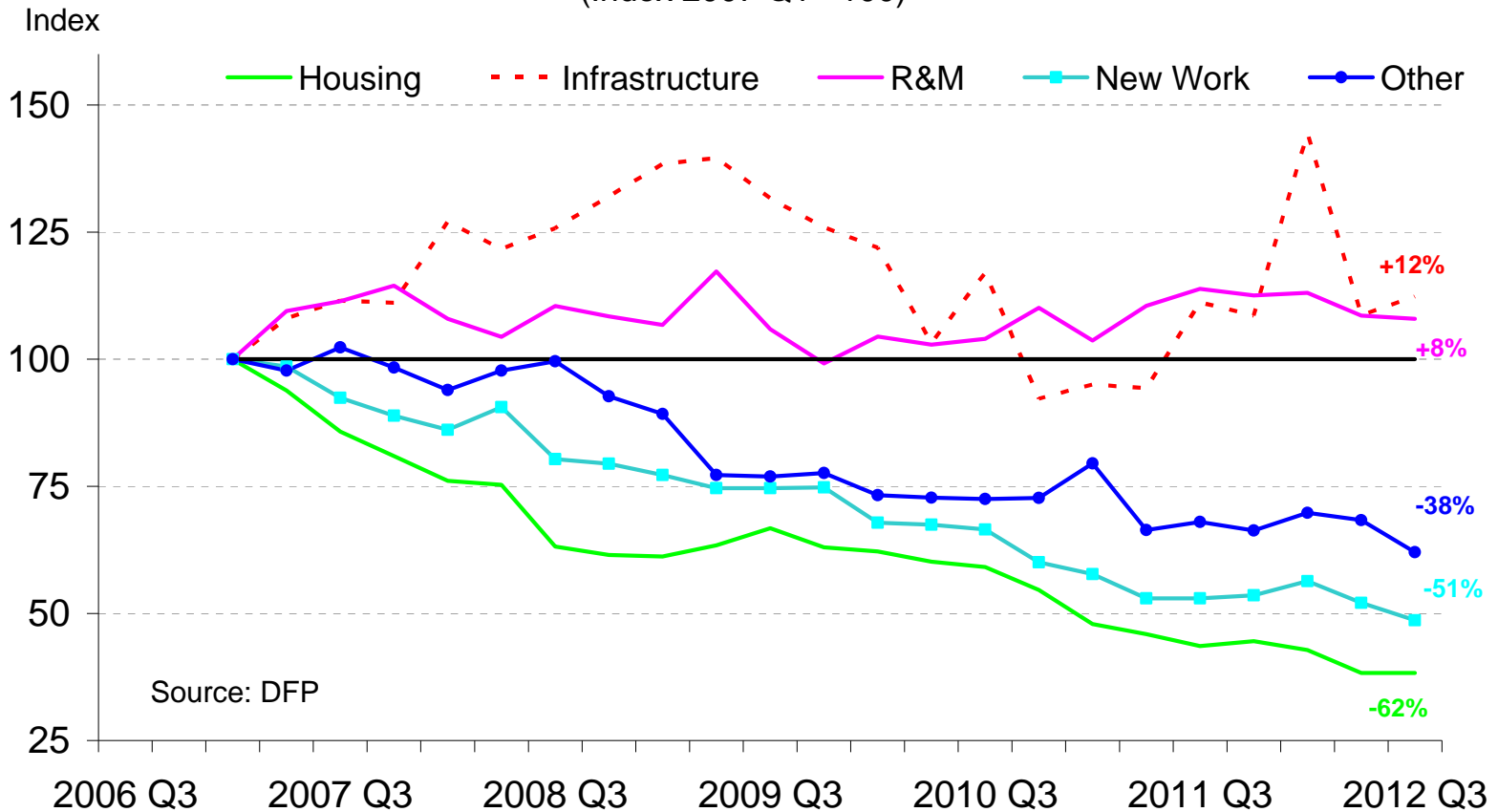


... and NI's output in Q3 2012 is now some 42% below its Q1 2007 peak



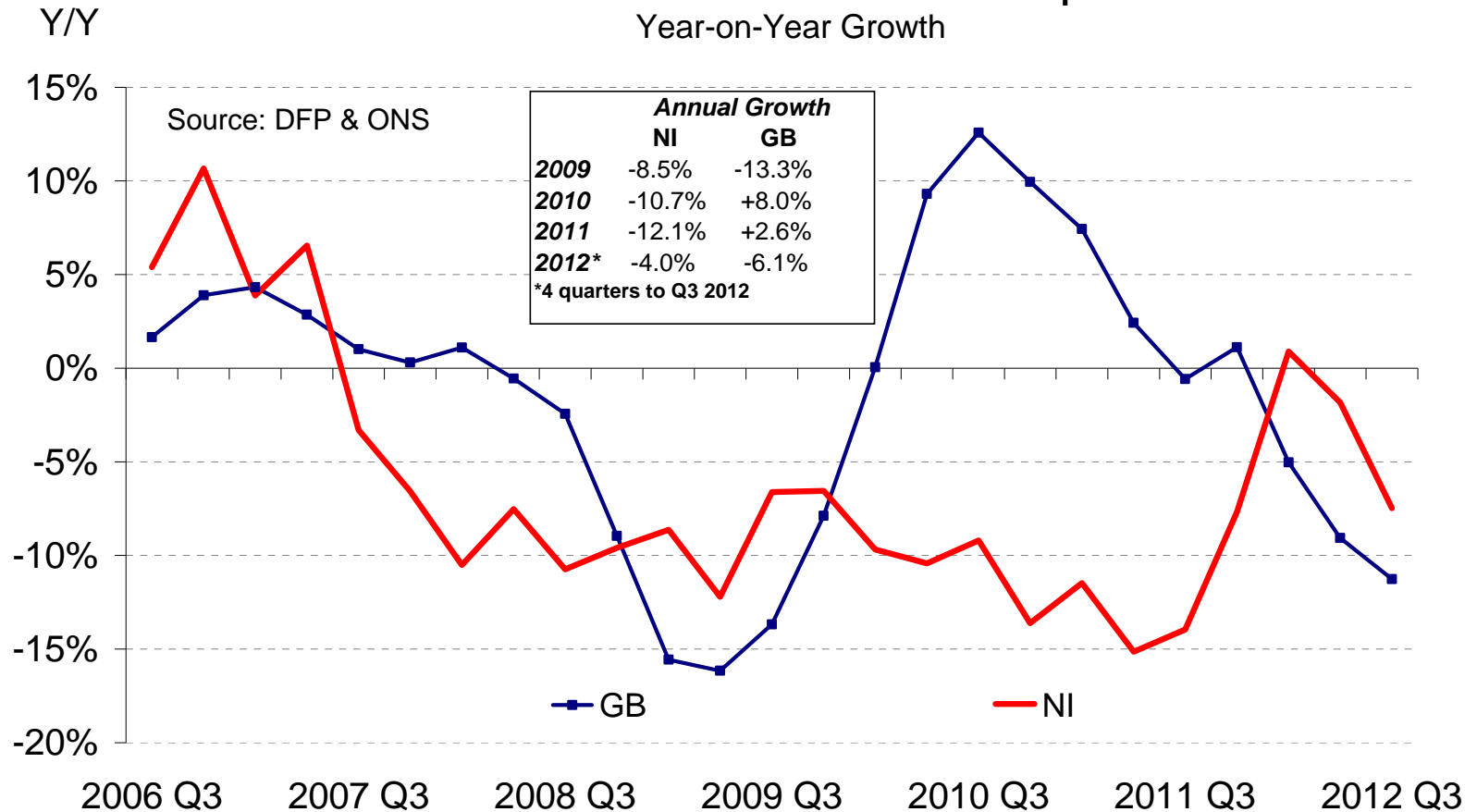
NI's construction downturn would have been worse without public spending (*Infrastructure and Repair & Maintenance*)

NI Construction Output Levels Relative to 2007 Peak (Index 2007 Q1 =100)

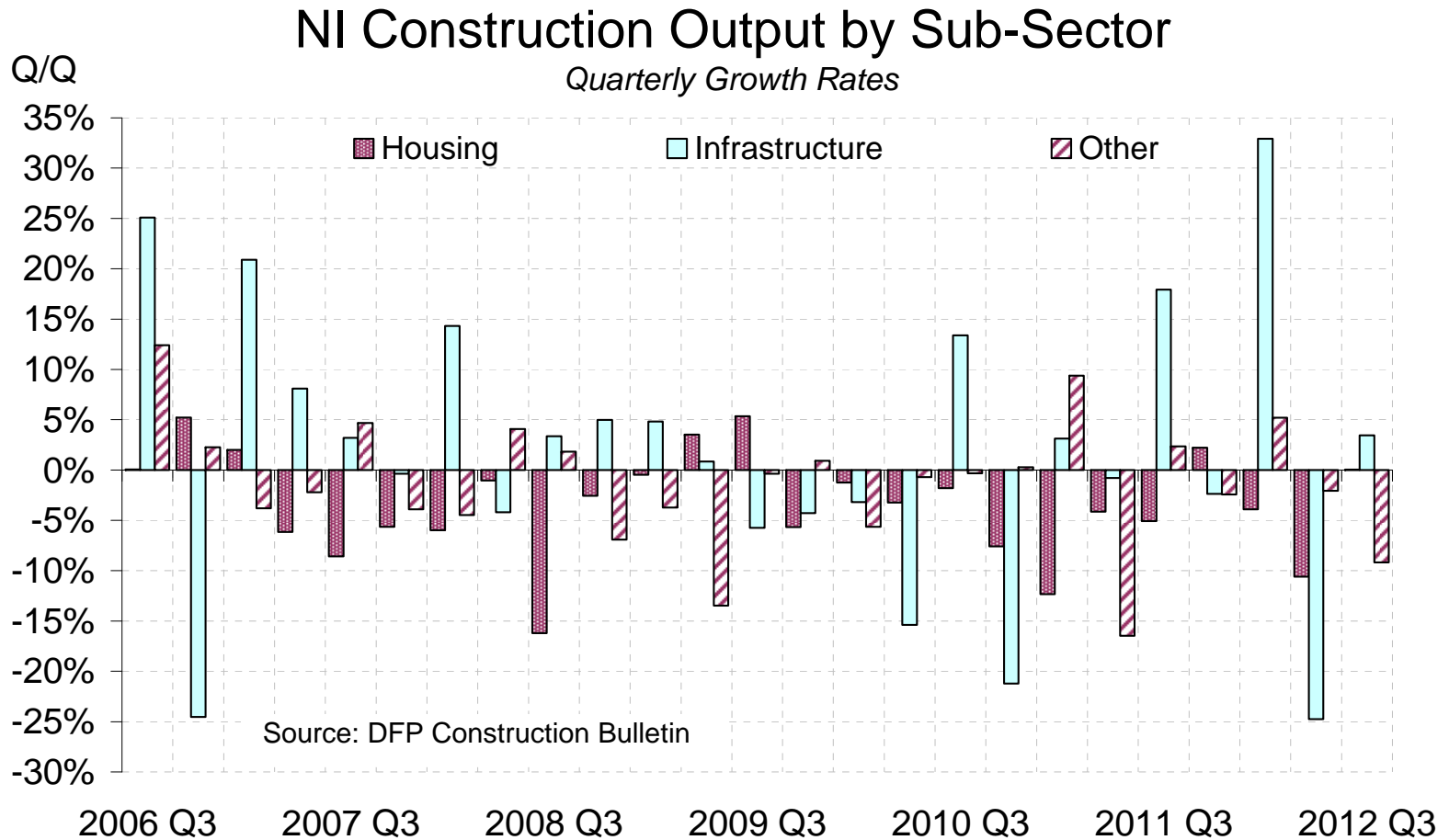


GB construction sector recovery has faltered in 2012 after growth in 2010 & 2011

NI & GB Construction Output



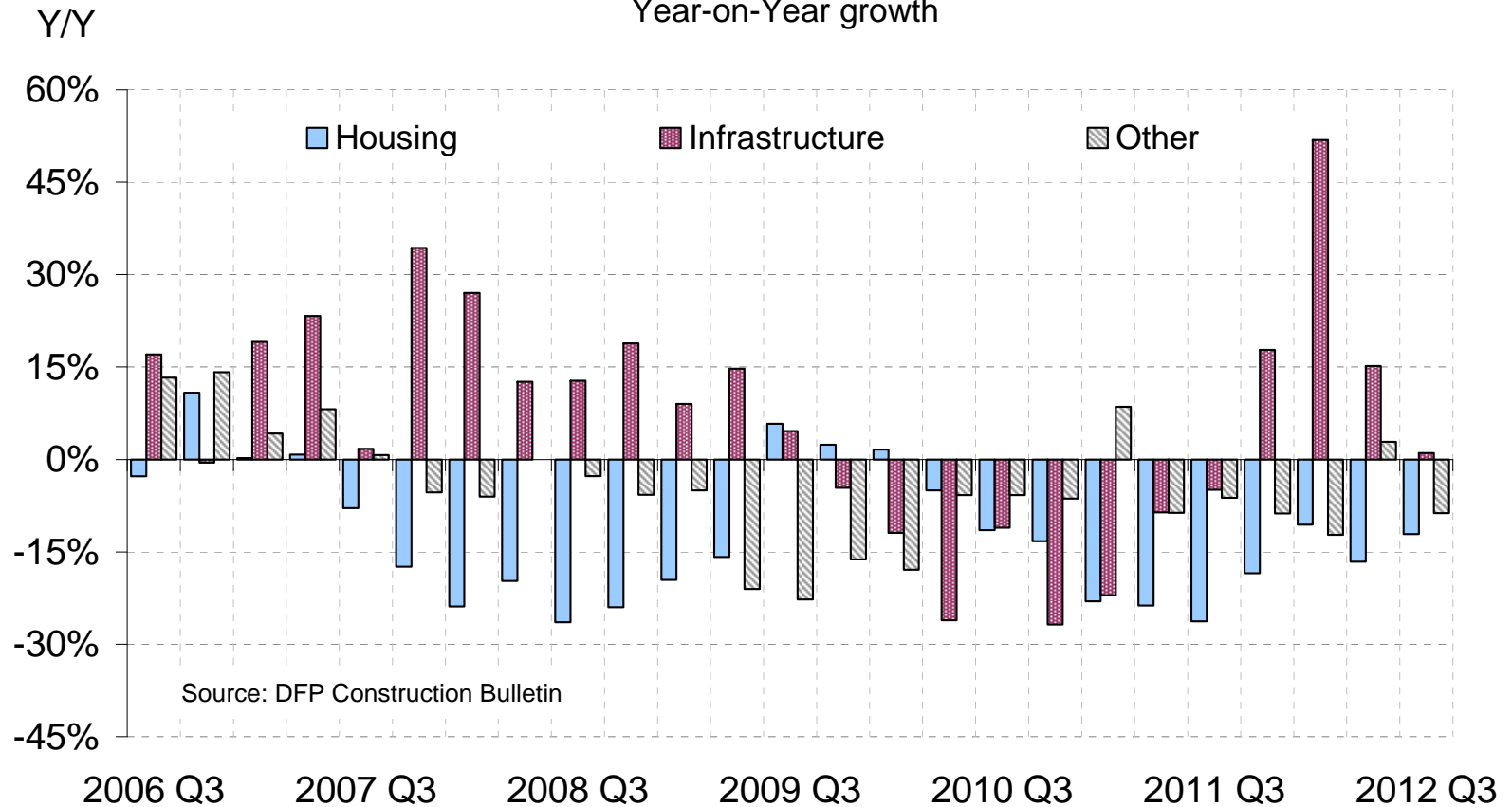
Infrastructure the only sub-sector to post growth in Q3 2012



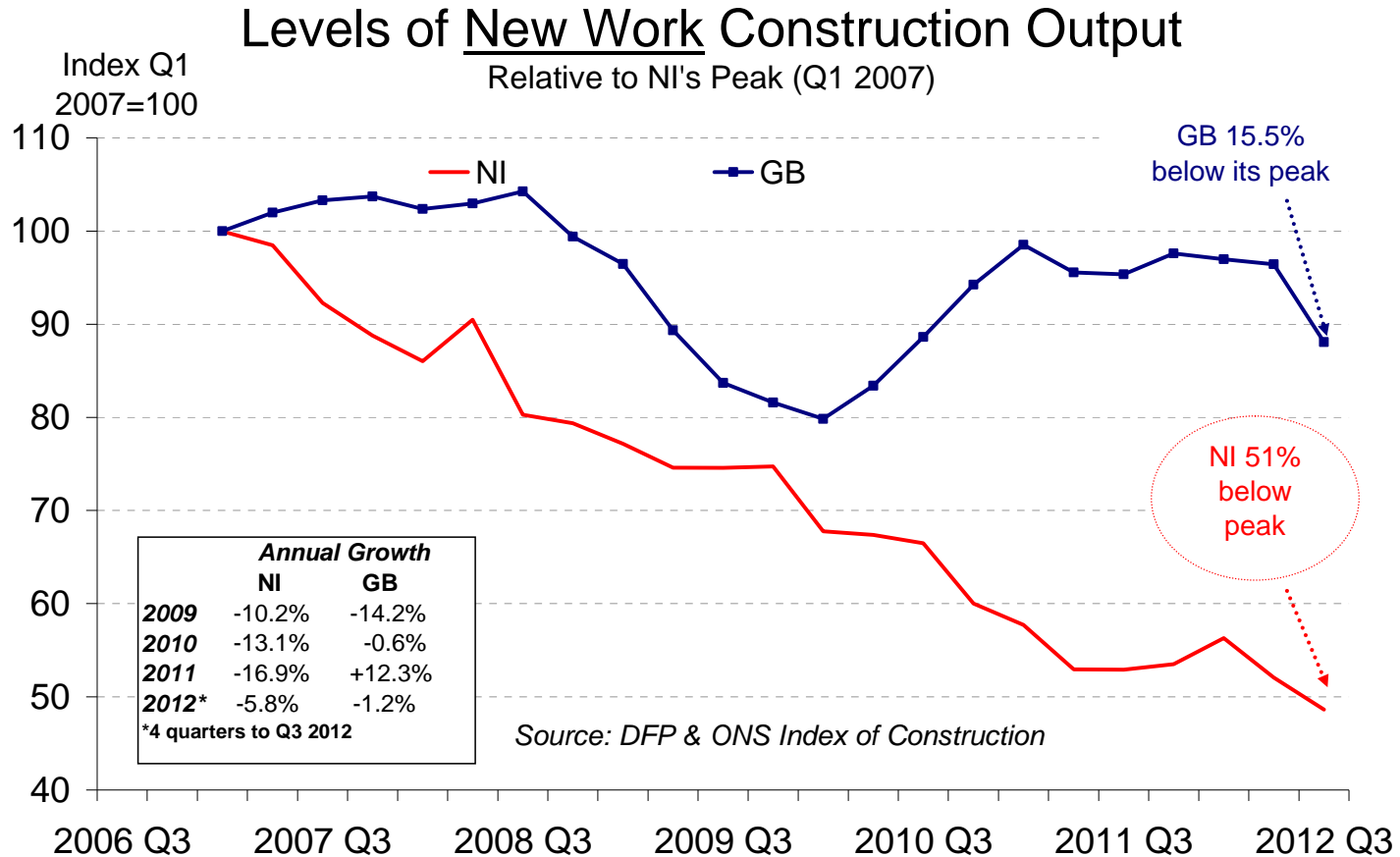
Housing & 'Other' output are still falling year-on-year

NI Construction Output by Sub-Sector

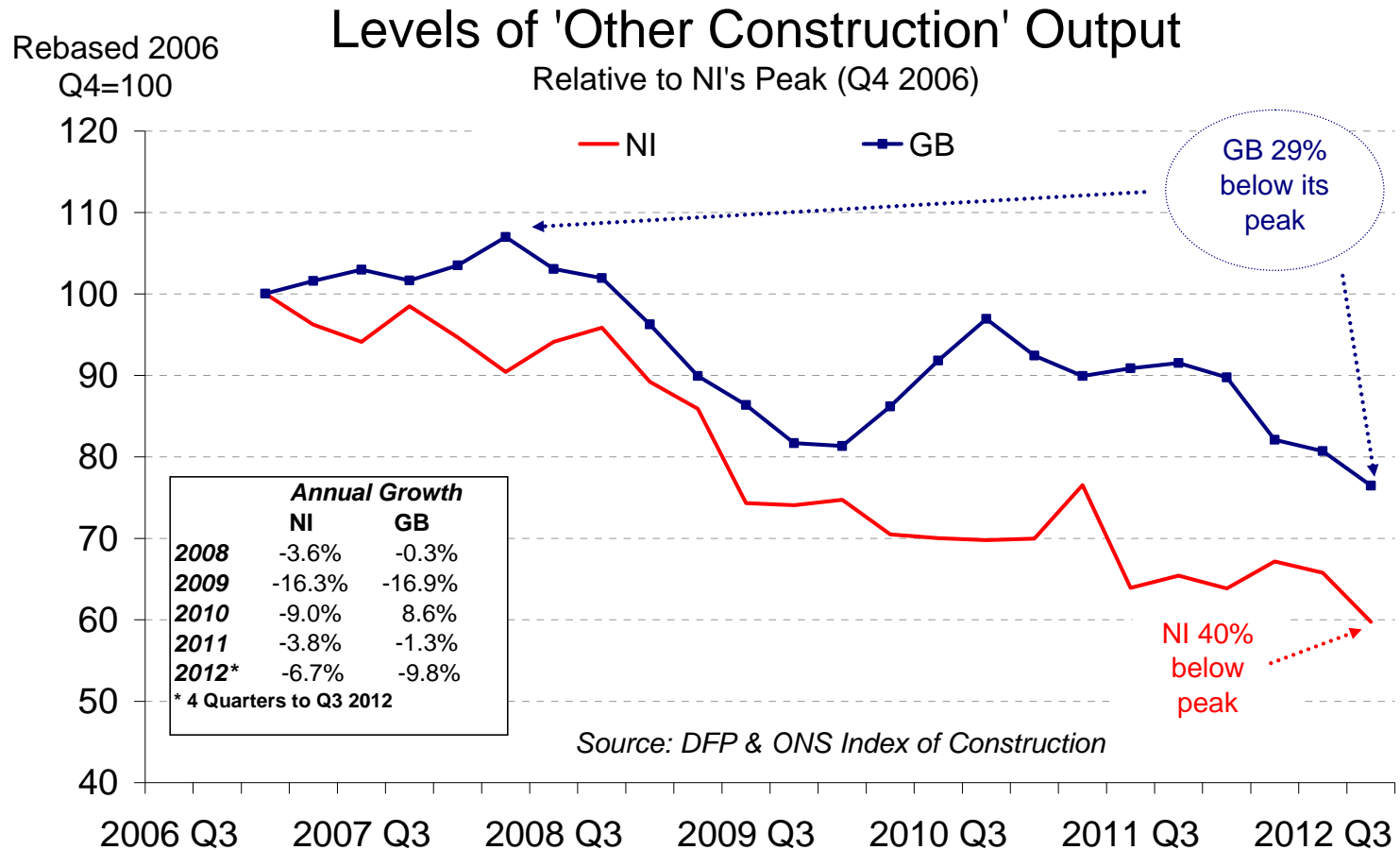
Year-on-Year growth



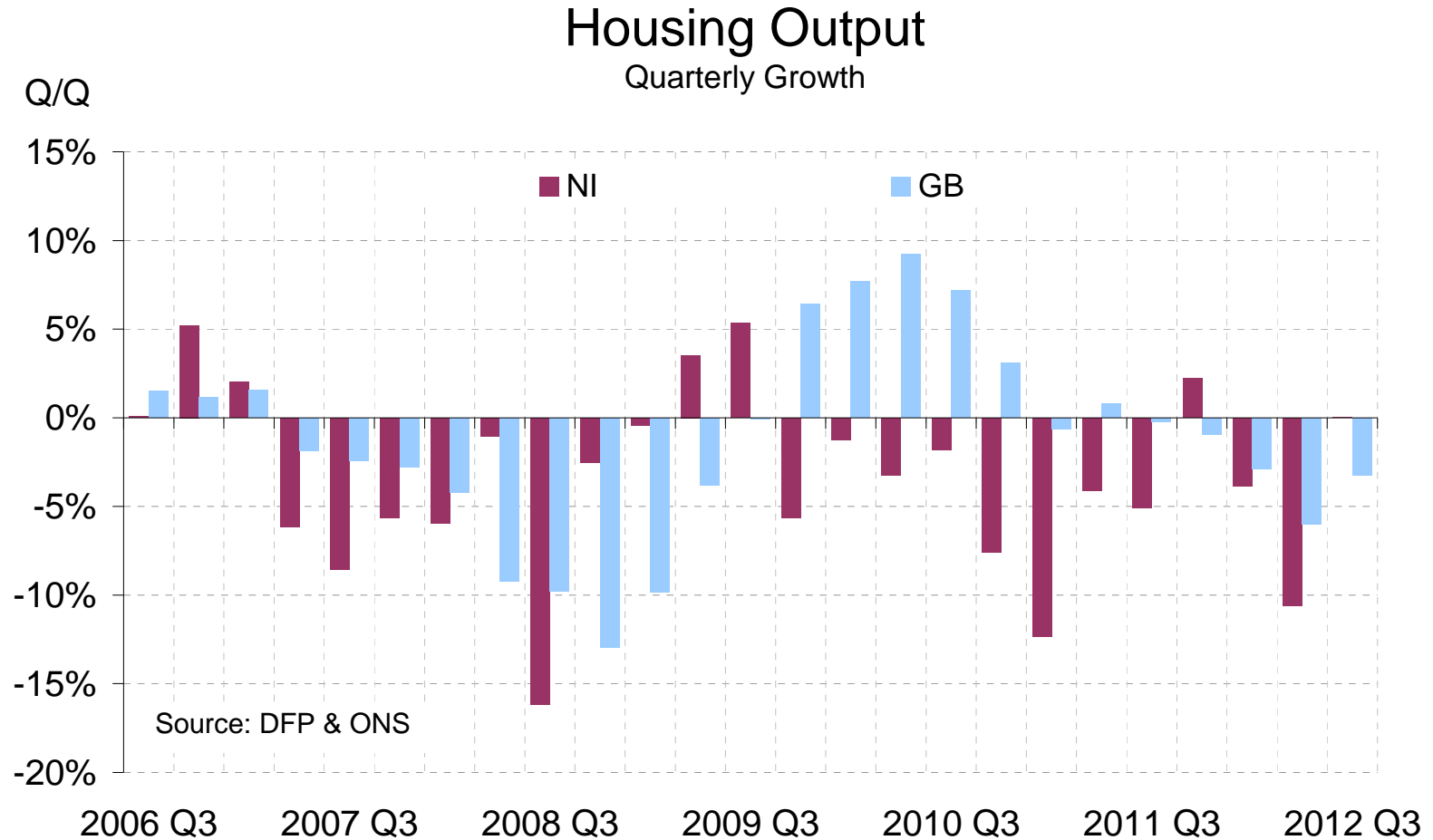
Forward looking indicators (*New Work*) highlight that a meaningful construction recovery is not imminent



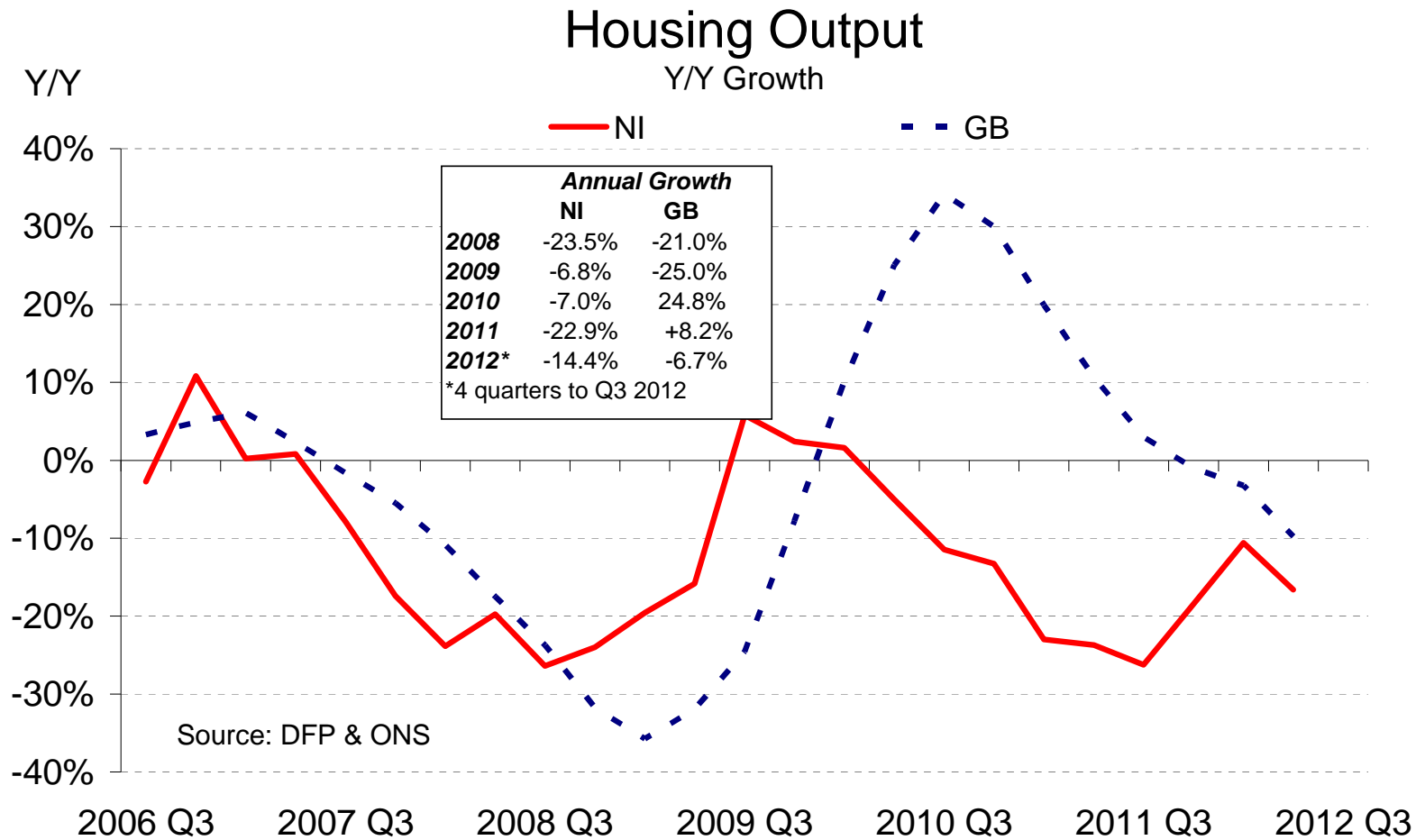
NI posts much steeper decline in 'Other construction' (commercial & retail) than GB



GB housing output posts 5th successive quarterly decline. NI housing output flat after 10 quarters of decline in 11 quarters

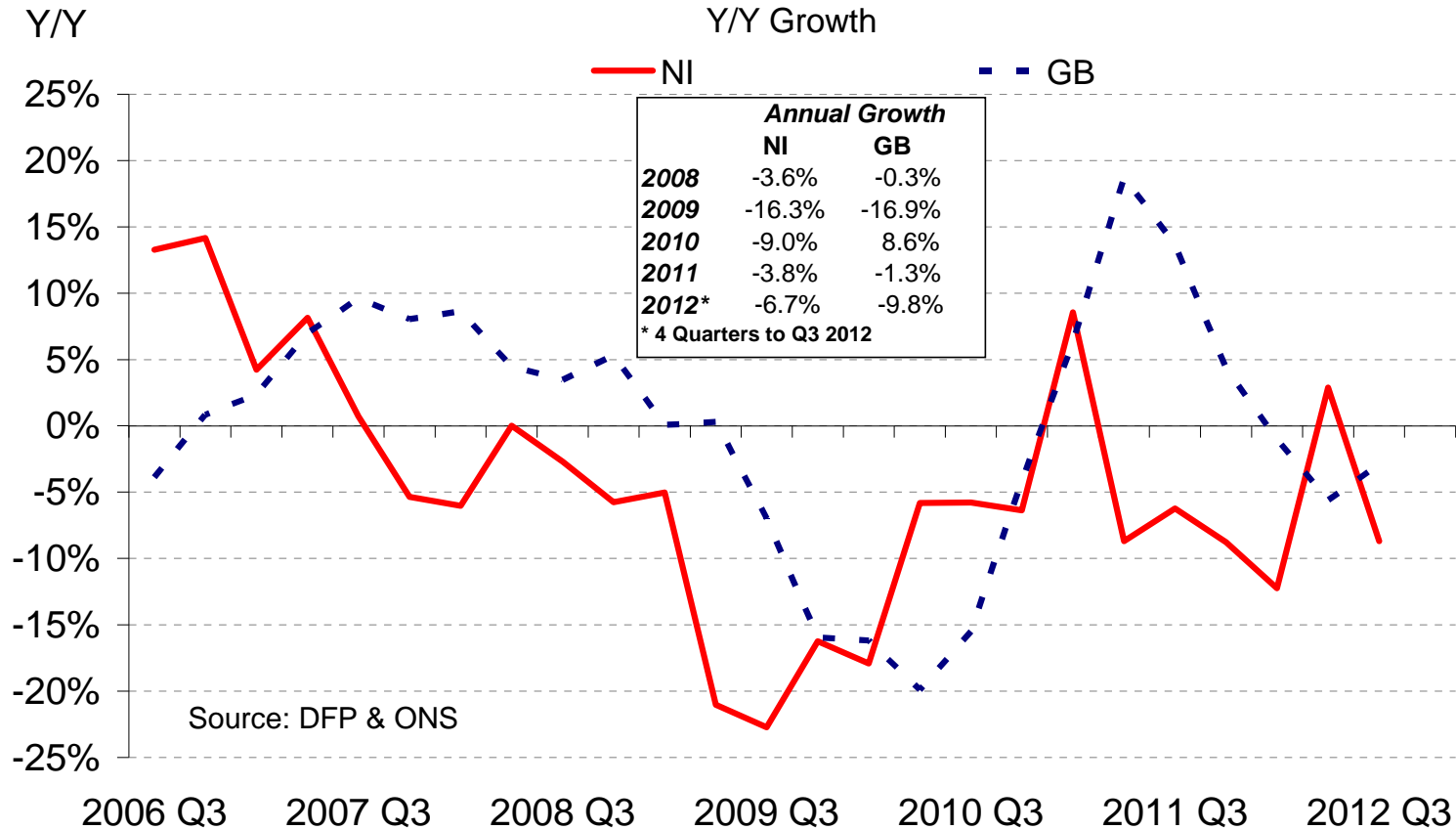


Annual rate of GB housing output now contracting again which is bad news for NI firms in this market



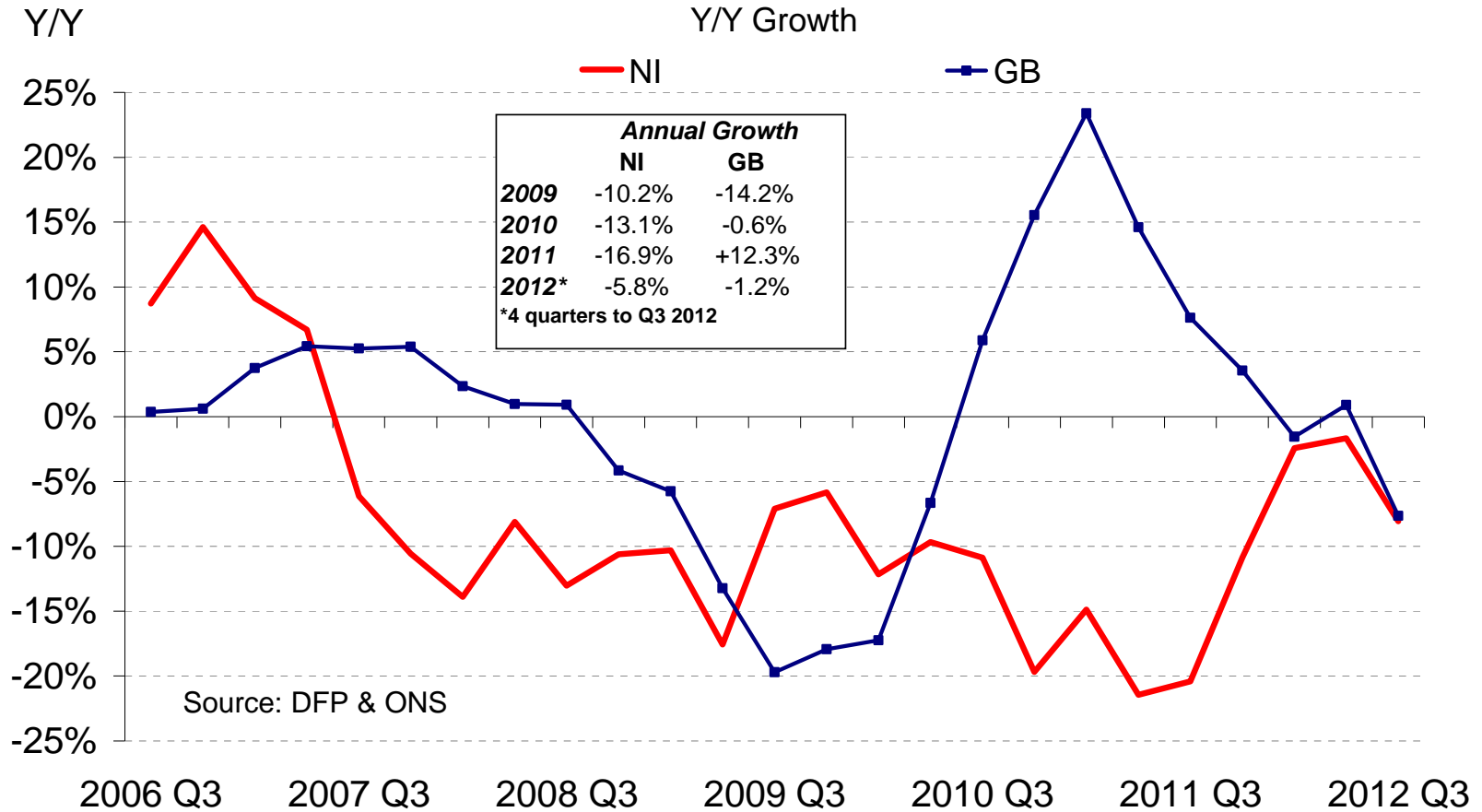
'Other construction' output within NI & GB has followed a similar growth trajectory until recently

Other Construction Output



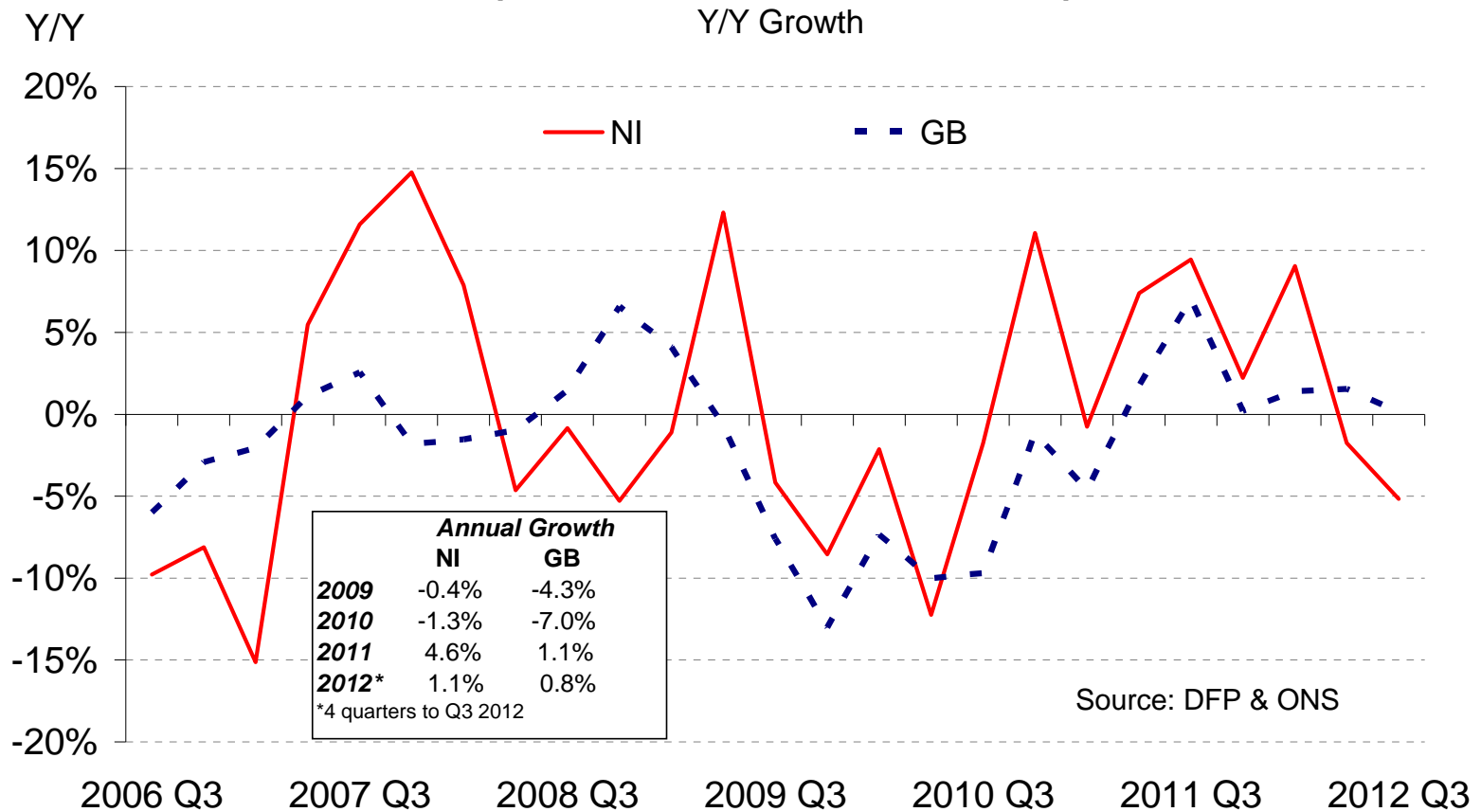
Following a period of significant divergence between NI & GB construction orders are now going in the same direction

Construction Output - New Work



NI posting growth in Repair & Maintenance output (*due to targeted public expenditure*) in 2011 & 2012

Repair & Maintenance Output



Disclaimer

This document is issued for information purposes only for clients of Ulster Bank Group who are eligible counterparties or professional customers, and does not constitute an offer or invitation to purchase or sell any instrument or to provide any service in any jurisdiction where the required authorisation is not held. Ulster Bank and/or its associates and/or its employees may have a position or engage in transactions in any of the instruments mentioned.

The information including any opinions expressed and the pricing given, is indicative, and constitute our judgement at time of publication and are subject to change without notice. The information contained herein should not be construed as advice, and is not intended to be construed as such. This publication provides only a brief review of the complex issues discussed and readers should not rely on information contained here without seeking specific advice on matters that concern them. Ulster Bank make no representations or warranties with respect to the information and disclaim all liability for use the recipient or their advisors make of the information. Over-the-counter (OTC) derivatives can involve a number of significant and complex risks which are dependent on the terms of the particular transaction and your circumstances. In the event the market has moved against the transaction you have undertaken, you may incur substantial costs if you wish to close out your position.

Ulster Bank Limited Registered Number R733 Northern Ireland. Registered Office 11-16 Donegal Square East, Belfast, BT1 5UB. Authorised and regulated by the Financial Services Authority. Member of The Royal Bank of Scotland Group.

Ulster Bank Ireland Limited, a private company limited by shares, trading as Ulster Bank, Ulster Bank Group and Bank Uladh. Registered No. 25766. Registered Office Ulster Bank Group Centre, George's Quay, Dublin 2. Ulster Bank Ireland Limited is regulated by the Central Bank of Ireland. Member of The Royal Bank of Scotland Group.

Calls may be recorded.

Northern Ireland Private Sector Output Q3 2012

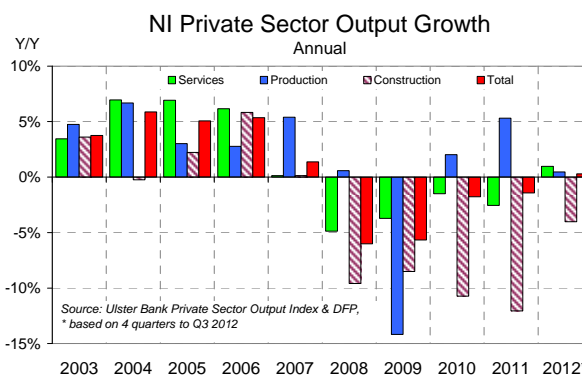
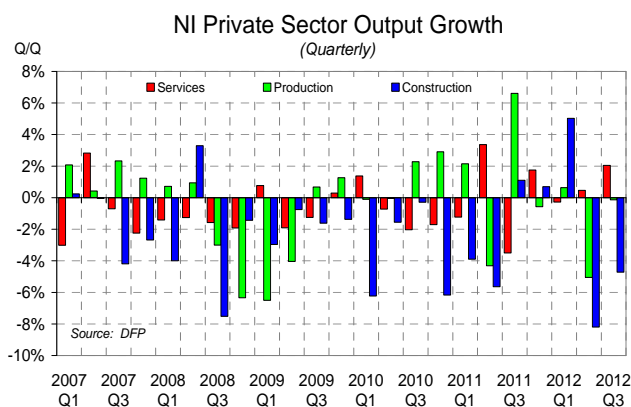
January 2013

Contact: Richard Ramsey
Chief Economist, Northern Ireland
02890 276354 or 07881 930955

Richard.ramsey@ulsterbankcm.com
www.ulsterbank.com/economics

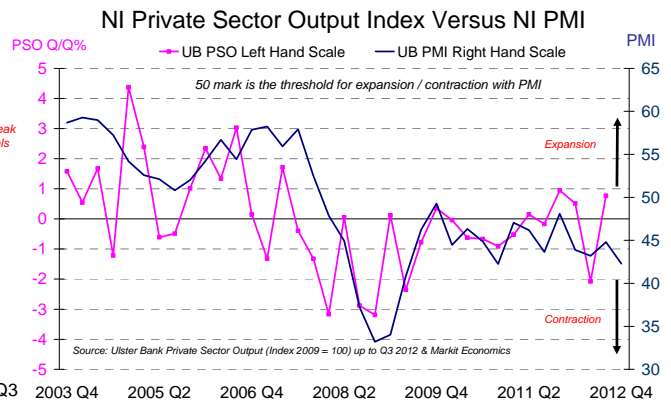
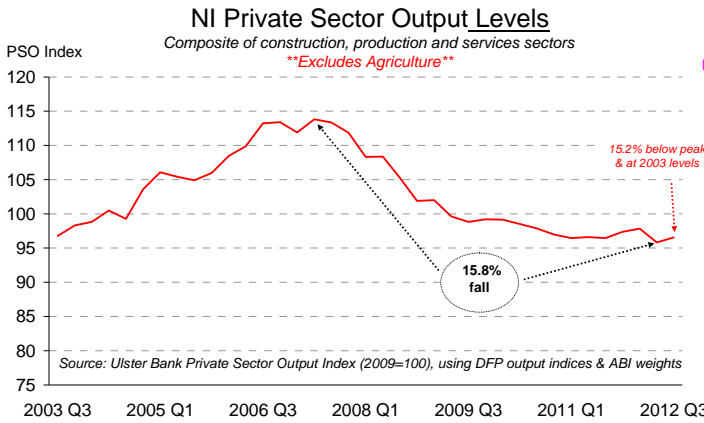
Total private sector output & services output post first annual growth in 5 years

Last week saw the release of the latest official Northern Ireland output figures for private sector services, the construction and industrial production (*mostly manufacturing*) industries for the third quarter (Q3) of 2012. These three separate surveys are produced by the Department of Finance & Personnel and are ultimately used in calculating Northern Ireland's overall annual economic output – Gross Value Added (GVA). The latest figures, albeit provisional, indicated a 0.8% rise in private sector output. However, the private services sector was the only sector to post quarter-on-quarter growth for the second successive quarter. The 2.0% q/q rise in NI's services output compared favourably with a 1.2% rise in the UK. In addition, NI's rise in service sector output more than offset the declines in output within industrial production (-0.1%) and construction (-4.7%). The private services sector has now posted growth in three of the last four quarters and as a result has posted annual growth (+1.0%) for the first time in five years. Industrial production also posted annual growth (+0.5%) for the four quarters to Q3 2012 for the third year in succession. Meanwhile NI's construction sector continues to contract with output falling by 4.0% over the last four quarters to Q3 2012. Despite the steep decline within construction, total private sector output managed to record its first annual rise (+0.3%) in five years.



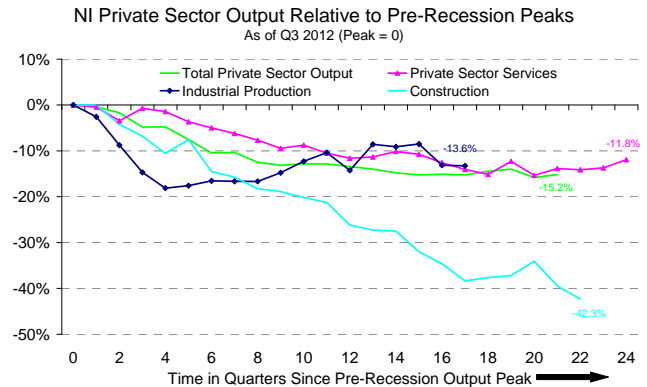
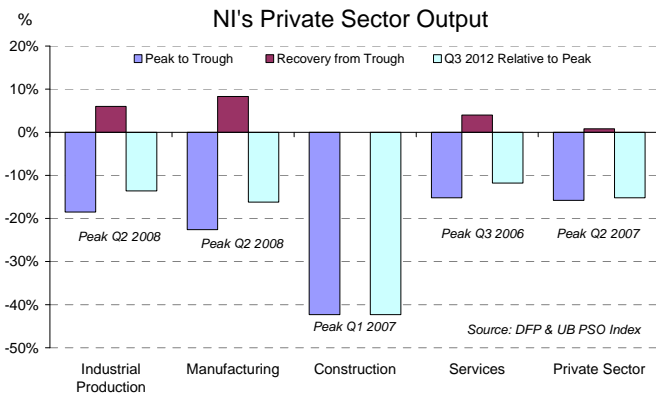
Northern Ireland Private Sector Output increased by 0.8% in Q3 2012

In the absence of quarterly GDP figures, which are not available for Northern Ireland (NI), the three aforementioned surveys can be compiled into a single composite index to provide a useful estimate for local private sector output. This Ulster Bank composite index excludes agriculture and the public sector. According to the latest estimates, NI's private sector output increased by 0.8% in Q3 2012 and followed the 2.1% decline in Q2 2012. Private sector output remains over 15% below its Q2 2007 peak and is back at late-2003 levels. A new experimental Composite Economic Index (CEI) covering the whole NI economy is due to be published by the Department of Finance and Personnel on 31 January 2013. The index uses the quarterly indices of output from the production, services and construction sectors as with the Ulster Bank composite index. In addition, however, agricultural output data and public sector employment are also included to create an economy wide measure of economic activity. This measure will be closely tracked going forward.



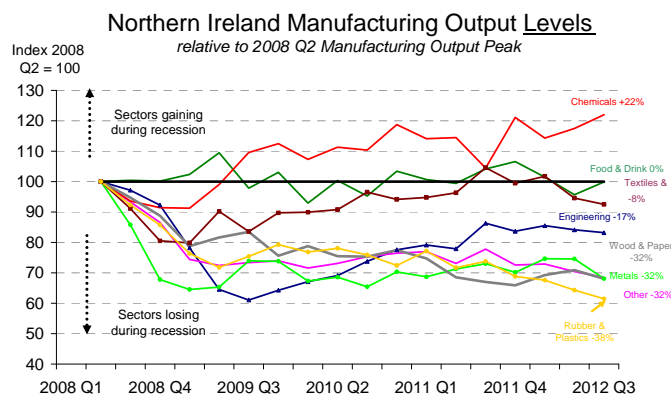
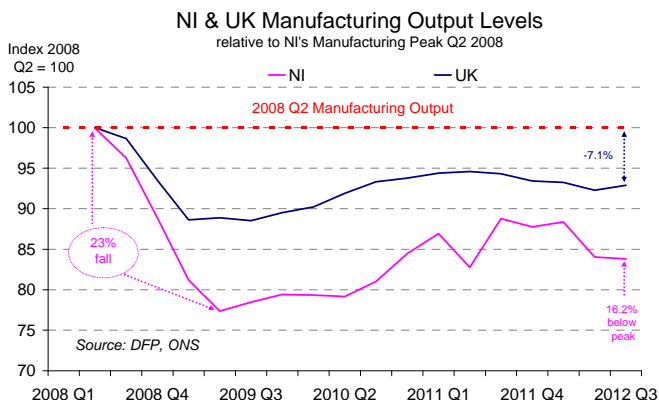
Local construction sector still experiencing no recovery whatsoever

Both the scale of the recession and subsequent recovery has been sector specific. Industrial production output fell 18.1% from its pre-downturn peak (Q2 2008) to a trough in Q2 2009. Within this sector, manufacturing output decreased by 22.6% over this period. Since then, industrial output has clawed back just over one quarter of this lost output production. As a result, industrial production remains almost 14% below its pre-downturn peak. Similarly in Q3 2012, manufacturing output remains over 16% below its pre-recession high (Q2 2008). So NI's manufacturing sector has regained just over one quarter of the output it lost during the downturn. Meanwhile the private services sector has been below its pre-downturn high for 24 quarters or 6 years. Services output has rebounded by just 4% since the trough in Q3 2011 and remains almost 12% below its Q3 2006 peak. The peak to trough declines in output, and lack of a recovery, is most stark within the construction sector. Northern Ireland's construction output remains over 42% below its Q1 2007 peak.

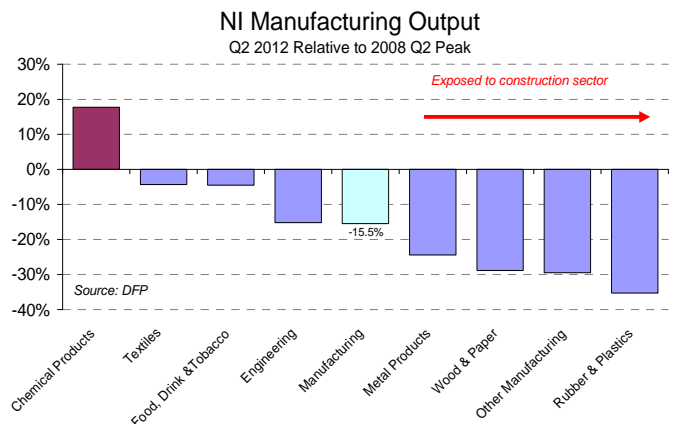
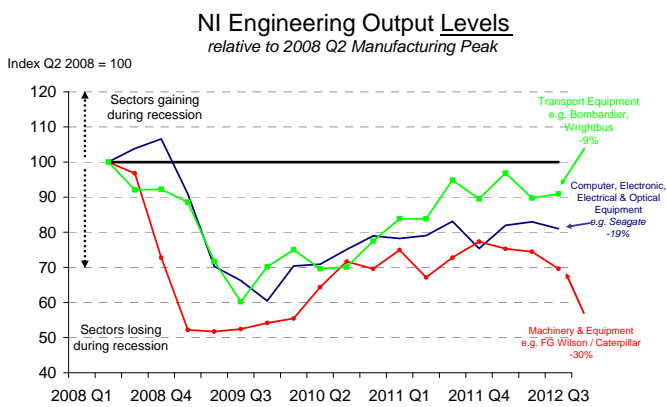
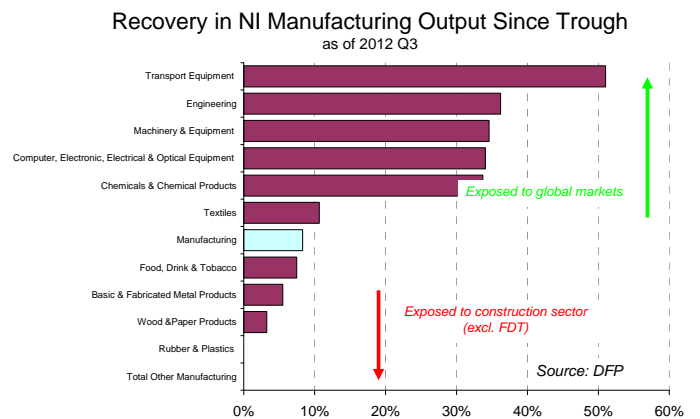
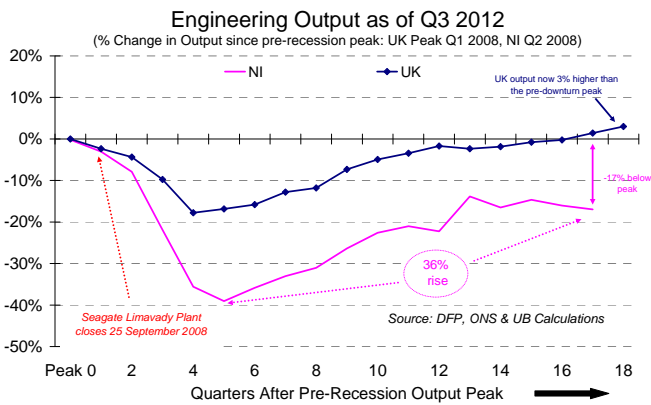


NI's manufacturing recovery lags the UK but some sub-sectors hit a record high

NI's manufacturing recession was twice as deep as the UK's in terms of the fall in output. Since the trough in output in Q2 2009, NI's manufacturing industry has recouped just over a quarter of the output lost during the recession. By comparison, UK manufacturing output, which fell by half that of NI, has regained over one third of the output it lost during the recession. Whilst total NI manufacturing output is over 16% below its Q2 2008 peak, some sub-sectors have fared better than others. In NI, like elsewhere, those industries most exposed to global markets have experienced the strongest gains in percentage terms. The *Chemicals and Pharmaceutical sector* remains NI's strongest performer. Since Q2 2008 (NI's manufacturing output peak), this sub-sector has seen output hit a record high in Q3 2012, rising by 22% in 4 years. After the pharmaceuticals sector, NI's *Food*



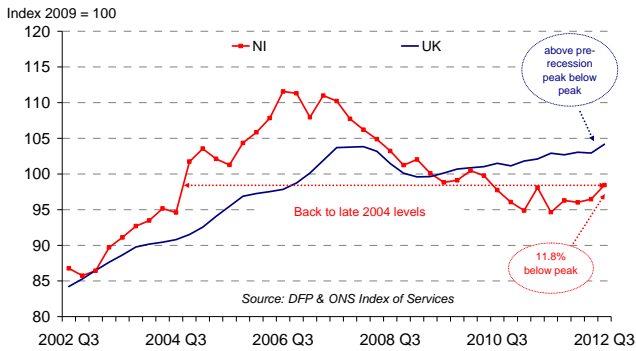
& Drink sector has been the second best manufacturing sub-sector in terms of output growth. Other sub-sectors, exposed to the RoI market and / or the construction industry have experienced much steeper declines. For example, the *Rubber, plastic & non-metallic mineral products* sector has fallen by 38% between Q2 2008 and Q3 2012. Other construction related sectors (e.g. *Basic & Fabricated Metal Products and Wood & Wood Products*) have seen output decrease by almost one third over the same period. Meanwhile, NI's largest manufacturing sector, *Engineering & Allied Industries*, has witnessed a robust recovery. Engineering output has increased by 36% since the trough of Q3 2009. Nevertheless, engineering output remains 15% below the Q2 2008 peak. Returning to this peak will be extremely challenging given that one of NI's flagship exporters at the time, Seagate Limavady, has closed and therefore this output will not return. Conversely, UK engineering output has recouped all of its output lost in the recession. Indeed, in Q3 2012 UK engineering output was 3% above its pre-recession peak. UK engineering output has also benefited from its booming car industry.



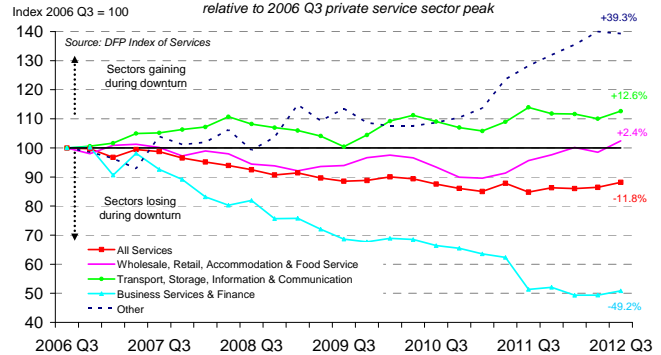
NI Services sector posts second successive quarterly rise in output

In recent years, the divergence between the growth trajectories of NI and the UK has been most apparent within the private services sector. In Q3 2012, UK private sector services output was back above its pre-downturn high. Conversely, the equivalent sector within NI has been below its Q3 2006 peak for some 6 years now. However, NI private services output has increased in four of the last six quarters. Despite this growth, services output remains almost 12% below its pre-downturn high. The major casualty is the private sector services' largest sector, until recently, *Business Services & Finance*. This sector (which includes - banking, legal services, advertising, consultancy, property related industries) has seen output more than half since Q3 2006. Since Q1 2012, there has been a pick-up in growth but output remained 49% below its pre-downturn peak in Q3 2012. By comparison, the equivalent sector in the UK is just 1% below its peak. Three sub-sectors experienced higher levels of output in Q3 2012 than in Q3 2006. These are: *Other Services* (+39%); *Transport, Storage, Information and Communication* (+12.6%); and *Wholesale, Retail, Accommodation & Food* (+2.4%).

Private Sector Services Output Levels



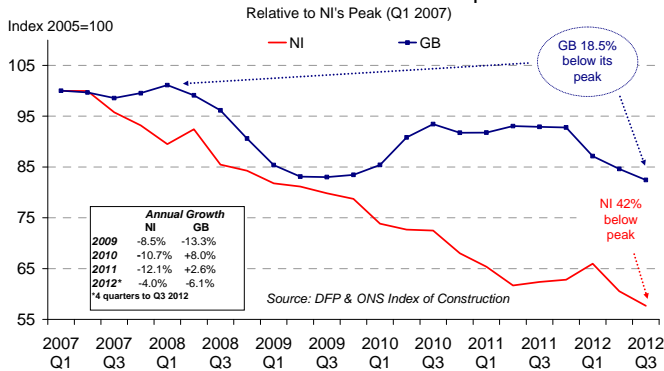
NI Private Sector Services Output Levels



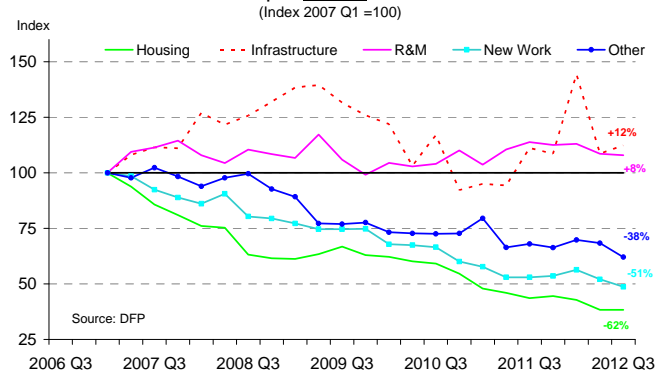
Construction sector output still falling 22 quarters after its pre-downturn high

NI's construction sector remains the one key sector of the economy that has experienced no recovery whatsoever. Northern Ireland's construction output remains over 42% below its Q1 2007 peak. This compares with less than 18% for Great Britain (GB). The forward looking *New Work* index suggests no meaningful construction recovery is imminent. In Q3 2012, NI's *New Work* index was 51% below its pre-downturn peak which compares with -15.5% for GB. NI's downturn in construction is most apparent within housing. Housing output in NI has decreased by 62% between Q1 2007 and Q3 2012. Housing output in GB has fallen by one third over the same period. The construction downturn is not simply confined to housing. The 'Other' construction output category (includes commercial & industrial) has fallen to a new low and is 40% below its Q4 2006 high.

Levels of Construction Output



NI Construction Output Levels Relative to 2007 Peak



Richard Ramsey,
28 January 2013

SUMMARY TABLES

Northern Ireland Private Sector Output

	Private Sector Output Index	Index of Services (excludes public sector)	Index of Production	Index of Construction*	PMI Index
2006 Q1	108.5	105.8	107.5	119.8	54.3
Q2	109.9	107.8	110.3	116.8	56.7
Q3	113.2	111.6	111.1	123.3	54.4
Q4	113.4	111.3	111.7	124.2	57.9
2007 Q1	111.9	107.9	114.0	124.5	58.2
Q2	113.8	111.0	114.5	124.4	55.9
Q3	113.4	110.2	117.2	119.1	57.9
Q4	111.9	107.7	118.6	116.0	52.5
2008 Q1	108.3	106.2	119.5	111.6	47.9
Q2	108.4	104.9	120.6	115.1	45.0
Q3	105.2	103.2	117.0	106.4	37.3
Q4	101.9	101.2	109.6	104.9	33.2
2009 Q1	102.0	102.0	102.5	101.8	34.0
Q2	99.6	100.1	98.3	101.0	40.8
Q3	98.8	98.8	99.0	99.4	46.2
Q4	99.2	99.1	100.2	98.0	49.3
2010 Q1	99.2	100.5	100.1	91.9	44.5
Q2	98.5	99.8	100.1	90.5	46.3
Q3	97.9	97.7	102.4	90.2	44.9
Q4	97.0	96.1	105.4	84.7	42.2
2011 Q1	96.5	94.9	107.6	81.4	47.0
Q2	96.6	98.1	103.0	76.8	46.2
Q3	96.5	94.6	109.8	77.6	43.7
Q4	97.4	96.3	109.2	78.2	48.0
2012 Q1	97.9	96.0	109.9	82.1	43.9
Q2	95.8	96.5	104.3	75.4	43.3
Q3	96.6	98.4	104.2	71.8	44.8
Q4	...	...	...	...	44.8
Latest Quarter Q/Q % Change	0.8%	2.0%	-0.1%	-4.8%	N.A
Latest Quarter Y/Y % Change	0.1%	4.0%	-5.1%	-7.5%	N.A
Last 4 quarters Y/Y % Change	0.3%	0.9%	0.4%	-4.1%	N.A
Q3 2012 % Change relative to peak	-15.2% (Q2 07)	-11.8% (Q3 06)	-13.6% (Q2 08)	-42.3% (Q1 07)	N.A

Source: DFP indices of production, construction (*rebased 2009=100) and services; Ulster Bank Private Sector Output Composite index & Ulster Bank PMI.

Quarterly Change in Private Sector Output
Q2 2012 - Q3 2012

Industrial Group	NI	UK
Quarter-on-Quarter Risers ↑↑↑		
Food, Drink & Tobacco	4.4%	0.3%
Wholesale & Retail Distribution, Accommodation & Food Service	4.0%	1.9%
Chemicals & Pharmaceutical Products	3.9%	0.1%
Business Services & Finance	2.9%	0.9%
Transport, Storage & Communications	2.4%	0.2%
All Private Sector Services	2.0%	1.2%
Utilities (<i>Electricity & Gas</i>)	1.4%	-2.3%
Total Private Sector Output (Construction + Production + Private Services)	0.8%	N.A
Quarter-on-Quarter Fallers ↓↓↓		
All Production Industries	-0.1%	0.7%
All Manufacturing	-0.3%	0.7%
Other Services	-0.5%	1.6%
Engineering & Allied Industries	-1.1%	1.6%
Textiles & Textile Products	-2.2%	-2.3%
Total Other Manufacturing	-2.7%	0.3%
Utilities (<i>Water Supply & Waste Management</i>)	-3.4%	2.5%
Mining & Quarrying	-3.7%	2.0%
Wood & Paper Products	-4.0%	-0.3%
Rubber, Plastics & non-metal Products	-4.4%	-0.4%
Construction	-4.7%	-2.6%
Basic Metals & Fabricated Metal Products	-8.7%	3.3%

Source: ONS, DFP Indices of Production, Services and Construction & Ulster Bank calculations

Annual Change in Private Sector Output
Q3 2011 - Q3 2012

Industrial Group	NI	UK
Year-on-Year Risers ↑↑↑		
Chemicals & Pharmaceutical Products	16.8%	-7.0%
Other Services	8.6%	2.8%
Wholesale & Retail Distribution, Accommodation & Food Service	7.1%	1.5%
All Private Sector Services	4.0%	1.2%
Wood & Paper Products	1.5%	-7.9%
Total Private Sector Output (Construction + Production + Private Services)	0.1%	N.A
Year-on-Year Fallers ↓↓↓		
Utilities (<i>Electricity & Gas</i>)	-0.6%	-1.1%
Business Services & Finance	-1.0%	1.0%
Transport, Storage & Communications	-1.2%	-1.5%
Engineering & Allied Industries	-3.6%	5.0%
Mining & Quarrying	-3.9%	-6.4%
Food, Drink & Tobacco	-4.1%	-2.1%
All Production Industries	-5.1%	-1.8%
Utilities (<i>Water Supply & Waste Management</i>)	-5.5%	1.3%
All Manufacturing	-5.6%	-1.5%
Basic Metals & Fabricated Metal Products	-6.7%	3.0%
Construction	-7.5%	-11.3%
Textiles & Textile Products	-11.6%	-3.8%
Total Other Manufacturing	-12.0%	-5.9%
Rubber, Plastics & non-metal Products	-16.7%	-6.9%

Source: ONS, DFP Indices of Production, Services and Construction & Ulster Bank calculations

Change in NI Private Sector Output Q2 2007 - Q3 2012

Industrial Group	% Change
<i>Recession Winners</i>	↑↑↑
Other Services	50.0%
Chemicals & Pharmaceutical Products	26.8%
Utilities (<i>Electricity & Gas</i>)	10.1%
Transport, Storage & Communications	7.3%
Food, Drink & Tobacco	5.8%
Wholesale & Retail Distribution, Accommodation & Food Service	1.2%
Agriculture (<i>Gross annual output in real terms 2007-11</i>)	0.5%

Source: DFP Indices of Production, Services and Construction, DARD & Ulster Bank calculations

Change in NI Private Sector Output Q2 2007 - Q3 2012

Industrial Group	% Change
<i>Recession Losers</i>	↓↓↓
Utilities (<i>Water Supply & Waste Management</i>)	-1.4%
Engineering & Allied Industries	-6.5%
All Production Industries	-9.0%
All Manufacturing	-11.4%
All Private Sector Services	-11.4%
Total Private Sector Output (Construction + Production + Private Services)	-15.2%
<i>Recession Big Losers</i>	↓↓↓
Basic Metals & Fabricated Metal Products	-23.4%
Textiles & Textile Products	-23.7%
Total Other Manufacturing	-32.7%
Mining & Quarrying	-33.3%
Wood & Paper Products	-35.1%
Rubber, Plastics & non-metal Products	-41.1%
Construction	-42.2%
Business Services & Finance	-48.2%

Source: DFP Indices of Production, Services and Construction, DARD & Ulster Bank calculations

NI & UK Industrial Output

Industrial Production Category (NI Weights in brackets)	Q/Q Change Q3 2012		Y/Y Change Q3 2012		Change since peak* 2008 Q2 - 2012 Q3	
	NI	UK	NI	UK	NI	UK
Manufacturing (weight 85.0%)	-0.3%	0.7%	-5.6%	-1.5%	-16.2%	-7.1%
Electricity, Gas, Steam & Air Conditioning Supply (weight 5.1%)	1.4%	-2.3%	-0.6%	-1.1%	-2.7%	-7.5%
Water Supply, Sewerage & Waste Management (weight 7.6%)	-3.4%	2.5%	-5.5%	1.3%	-1.9%	-4.4%
Mining & Quarrying (weight 2.3%)	-3.7%	2.0%	-3.9%	-6.4%	-24.8%	-32.8%
Total Production	-0.1%	0.7%	-5.1%	-1.8%	-13.6%	-10.8%

Source: ONS & DFP Index of Production, *peak referred to is NI industrial output peak not the UK's which was 2008 Q1

NI & UK Manufacturing Output by Sub-sector

Manufacturing Category (NI Weights in brackets)	Q/Q Change Q3 2012		Y/Y Change Q3 2012		Change since peak* 2008 Q2 - 2012 Q3	
	NI	UK	NI	UK	NI	UK
Engineering & Allied Industries (weight 24.4%)	-1.1%	1.6%	-3.6%	5.0%	-16.8%	5.5%
Total Other Manufacturing (weight 23.3%)	-2.7%	0.3%	-12.0%	-5.9%	-31.5%	-17.5%
Basic & Fabricated Metal Products (weight 14.5%)	-8.7%	3.3%	-6.7%	3.0%	-31.9%	-13.3%
Food Products, Beverages & Tobacco (weight 14.1%)	4.4%	0.3%	-4.1%	-2.1%	-0.1%	5.7%
Rubber, Plastics & Non-metallic Mineral Products (weight 8.9%)	-4.4%	-0.4%	-16.7%	-6.9%	-38.5%	-21.3%
Chemical & Pharmaceutical Products (weight 5.3%)	3.9%	0.1%	16.8%	-7.0%	22.1%	-21.1%
Textiles, Leather & Related Products (weight 3.4%)	-2.2%	-2.3%	-11.6%	-3.8%	-7.5%	-10.4%
Total Manufacturing	-0.3%	0.7%	-5.6%	-1.5%	-16.2%	-7.1%

Source: ONS & DFP Index of Production, *peak referred to is NI industrial output peak not the UK's which was 2008 Q1

NI & UK Private Service Sector Output

Service Sector Category	Q/Q Change Q3 2012		Y/Y Change Q3 2012		Change since peak* 2006 Q3 - 2012 Q3	
	NI	UK	NI	UK	NI	UK
Wholesale, Retail, Repair, Accommodation & Food Service	4.0%	1.9%	7.1%	1.5%	2.4%	2.4%
Transport, Storage, Information & Communication	2.4%	0.2%	-1.2%	-1.5%	12.5%	2.2%
Other Services**	-0.5%	1.6%	8.6%	2.8%	40.4%	9.2%
Business Services & Finance	2.9%	0.9%	-1.0%	1.0%	-49.2%	8.2%
Total Services	2.0%	1.2%	4.0%	1.2%	-11.8%	6.5%

Source: ONS & DFP Index of Services, * NI peak was Q3 2006 whereas UK peak was Q4 2007, **NI & UK have a different coverage

NI & GB Construction Output

Construction Sub-Sector Category	Quarterly Change Q3 2012		Year-on-Year Change Q3 2012		Change since NI construction peak Q1 2007 - Q3 2012	
	NI	GB	NI	GB	NI	GB
Housing	0.0%	-3.3%	-12.1%	-12.5%	-61.7%	-33.4%
Infrastructure	3.5%	N.A	1.0%	N.A	12.4%	N.A
Repair & Maintenance	-0.6%	-0.9%	-5.2%	0.1%	7.9%	-8.3%
Other (e.g. commercial & industrial)	-9.2%	-5.3%	-8.7%	-16.4%	-31.6%	-20.5%
New Work	-6.6%	-8.7%	-8.1%	-7.6%	-51.3%	-11.9%
Total Construction	-4.7%	-2.6%	-7.5%	-11.3%	-42.3%	-17.6%

Source: DFP Construction Bulletin & ONS, ONS presents data as Great Britain (GB) not UK

This document is issued for information purposes only for clients of Ulster Bank Group who are eligible counterparties or professional customers, and does not constitute an offer or invitation to purchase or sell any instrument or to provide any service in any jurisdiction where the required authorisation is not held. Ulster Bank and/or its associates and/or its employees may have a position or engage in transactions in any of the instruments mentioned.

The information including any opinions expressed and the pricing given, is indicative, and constitute our judgement at time of publication and are subject to change without notice. The information contained herein should not be construed as advice, and is not intended to be construed as such. This publication provides only a brief review of the complex issues discussed and readers should not rely on information contained here without seeking specific advice on matters that concern them. Ulster Bank make no representations or warranties with respect to the information and disclaim all liability for use the recipient or their advisors make of the information. Over-the-counter (OTC) derivatives can involve a number of significant and complex risks which are dependent on the terms of the particular transaction and your circumstances. In the event the market has moved against the transaction you have undertaken, you may incur substantial costs if you wish to close out your position.

Ulster Bank Limited Registered Number R733 Northern Ireland. Registered Office 11-16 Donegall Square East, Belfast, BT1 5UB. Authorised and regulated by the Financial Services Authority. Member of The Royal Bank of Scotland Group.

Ulster Bank Ireland Limited . A private company limited by shares , trading as Ulster Bank , Ulster Bank Group and Bank Uladh. Registered in Republic of Ireland. Registered No. 25766. Registered Office: Ulster Bank Group Centre, George's Quay, Dublin 2. Member of the Royal Bank of Scotland Group. Ulster Bank Ireland Limited is regulated by the Central Bank of Ireland.

Calls may be recorded.