

---

# Northern Ireland Private Sector Output Indices

*Q3 2011 Update*

Issued January 2012

*Richard Ramsey*

*Chief Economist Northern Ireland*

*[richard.ramsey@ulsterbankcm.com](mailto:richard.ramsey@ulsterbankcm.com)*

# Summary Table

## 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	100.7	101.9	93.1	109.8	54.3
Q2	101.7	103.9	94.7	106.6	56.7
Q3	104.6	107.4	94.6	112.4	54.4
Q4	105.1	107.2	96.2	113.7	57.9
2007 Q1	103.7	104.0	97.4	114.2	58.2
Q2	105.5	106.9	98.4	113.6	55.9
Q3	105.1	106.2	101.2	108.5	57.9
Q4	104.6	103.8	105.6	106.2	52.5
2008 Q1	102.4	102.3	103.1	102.4	47.9
Q2	102.3	101.0	103.8	105.0	45.0
Q3	99.1	99.3	100.0	96.7	37.3
Q4	95.8	97.4	93.1	96.0	33.2
2009 Q1	94.8	98.2	87.9	93.8	34.0
Q2	92.9	96.3	85.9	92.2	40.8
Q3	91.7	94.9	85.4	90.1	46.2
Q4	92.0	95.2	85.8	89.7	49.3
2010 Q1	92.2	96.6	86.3	84.9	44.5
Q2	91.8	96.0	87.2	82.5	46.3
Q3	90.7	94.0	87.9	81.7	44.9
Q4	89.7	92.5	89.4	77.5	42.2
2011 Q1	89.3	91.0	91.9	76.4	47.0
Q2	88.5	91.5	90.3	70.9	46.2
Q3	90.9	93.2	95.0	71.5	43.7
Q4	...	...	...	...	48.0
Latest Quarter Q/Q % Change	<b>2.7%</b>	<b>1.9%</b>	<b>5.2%</b>	<b>0.8%</b>	<b>N.A</b>
Latest Quarter Y/Y % Change	<b>0.3%</b>	<b>-0.8%</b>	<b>8.2%</b>	<b>-12.5%</b>	<b>N.A</b>
Last 4 quarters Y/Y % Change	<b>-2.3%</b>	<b>-3.6%</b>	<b>5.6%</b>	<b>-12.6%</b>	<b>N.A</b>
Q3 2011 % Change relative to peak	<b>-13.9% (Q2 07)</b>	<b>-13.2% (Q3 06)</b>	<b>-10.0% (Q4 07)</b>	<b>-37.4% (Q1 07)</b>	<b>N.A</b>

Source: DFP indices of production, construction(\*rebased 2008=100) and services; Ulster Bank Private Sector Output Composite index & Ulster Bank PMI.

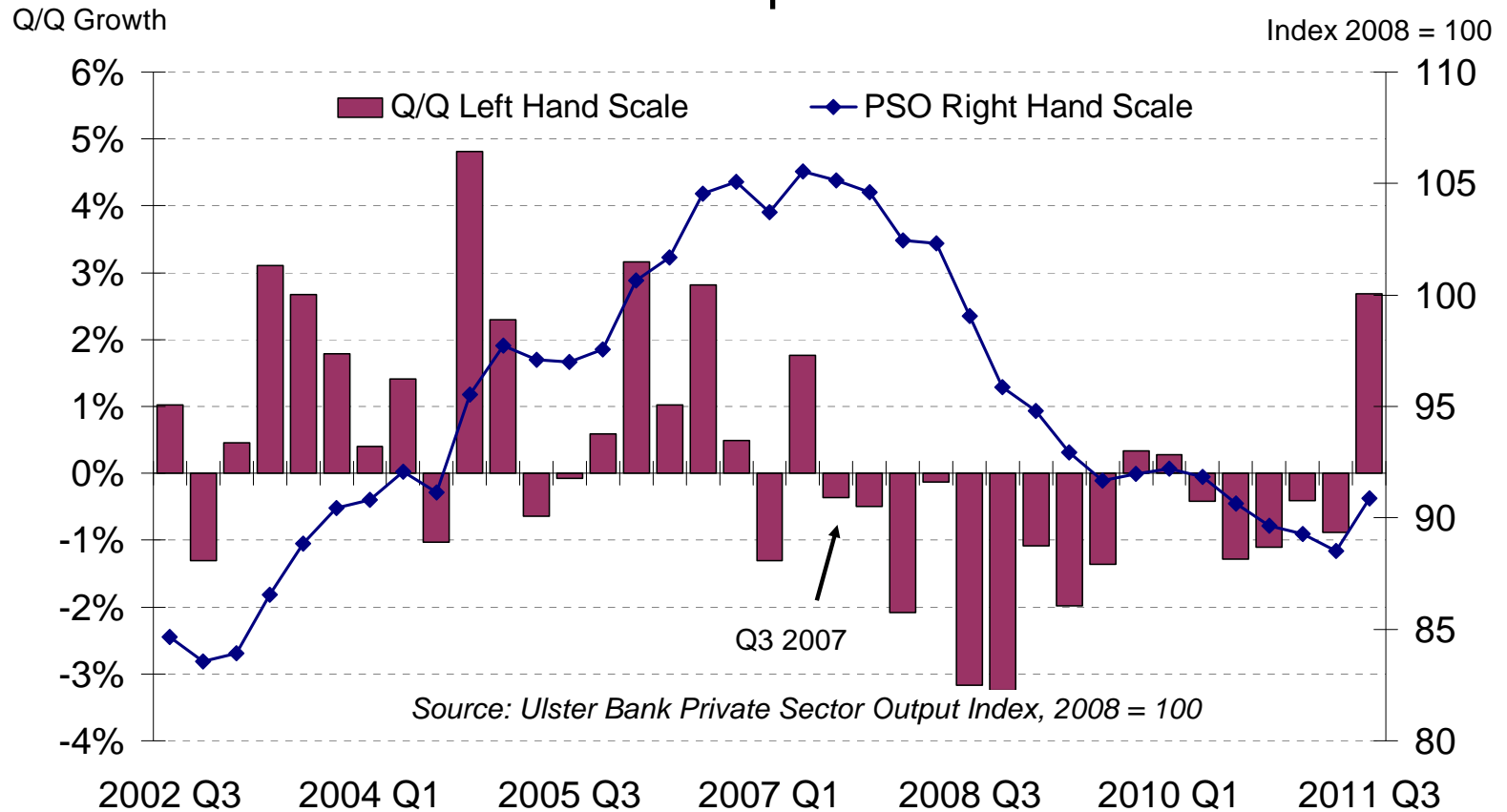
---

# *Private Sector Output*

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

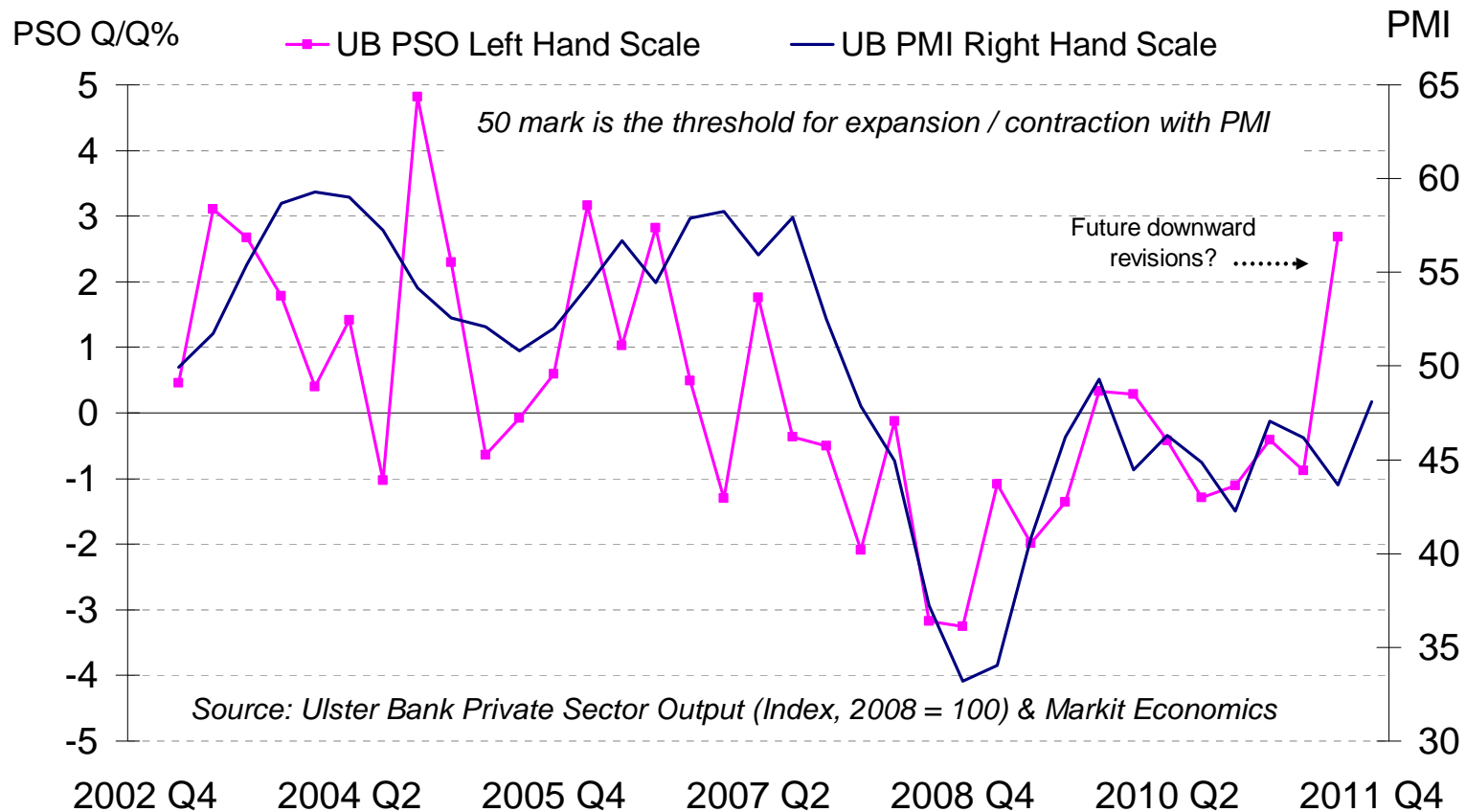
# NI private sector output rises at its fastest rate in 5 years

## NI Private Sector Output Levels & Growth



But private sector output index shows its largest deviation with PMI in Q3 since the series began

## NI Private Sector Output Index Versus NI PMI



# Private sector output remains 14% below 2007 Q2 peak

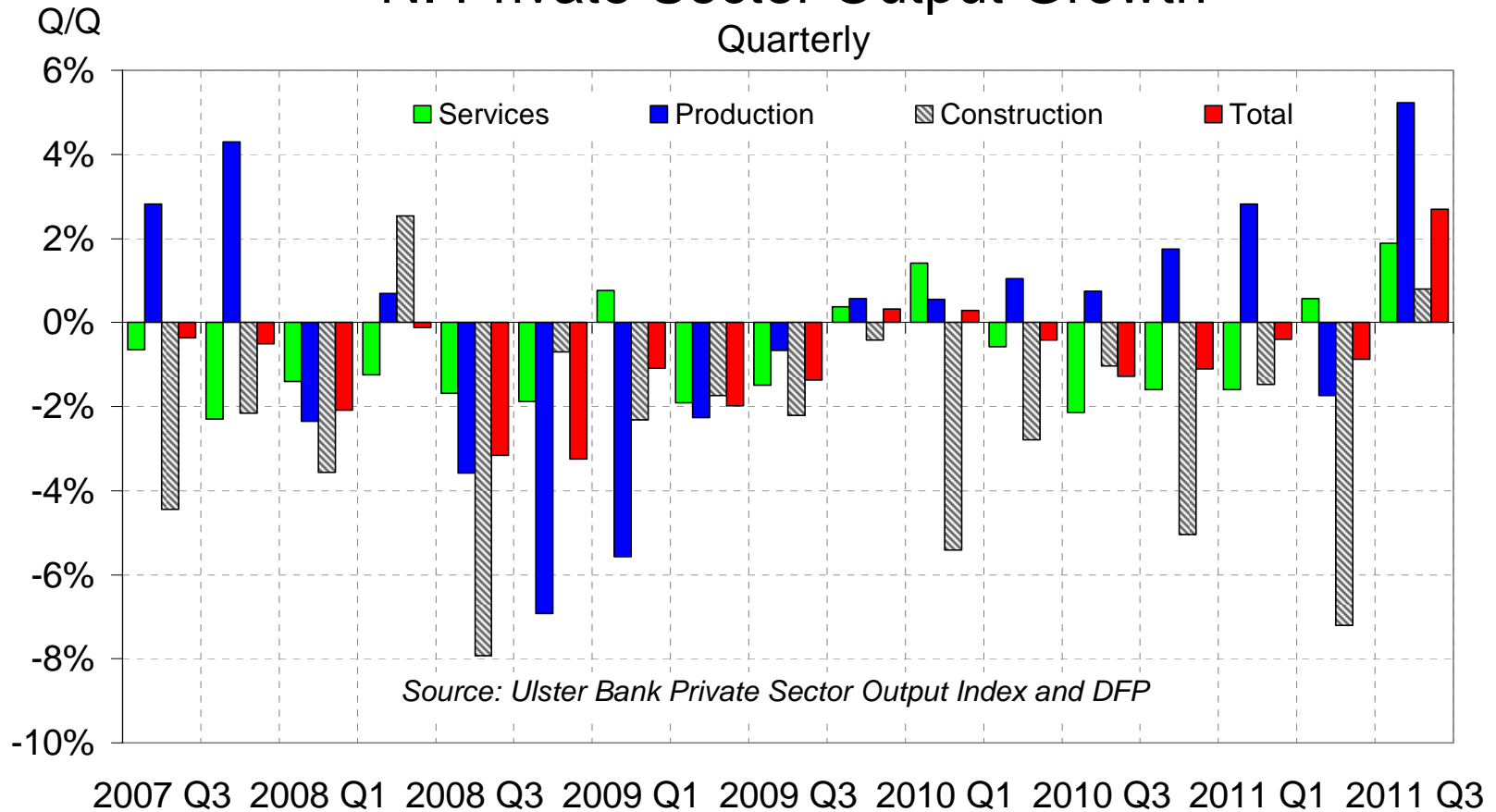
## NI Private Sector Output Levels

*Composite of construction, production and services sectors*

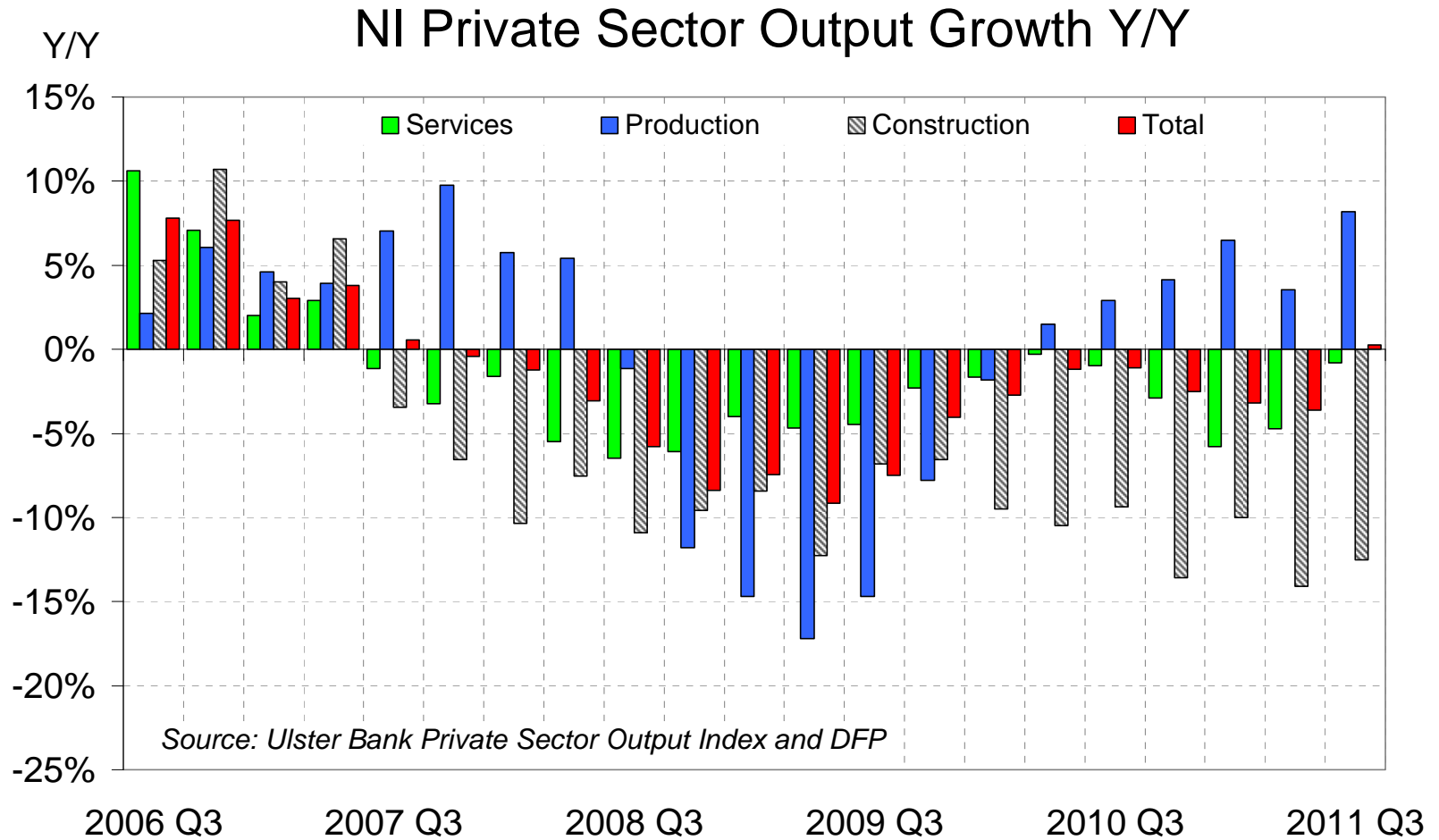


# Private sector output posts fastest rate of growth since Q3 2006 with all three sectors rising for first time in 5 yrs

## NI Private Sector Output Growth



# Sustained growth in industrial output leads to first y/y rise in overall private sector output since Q3 2007

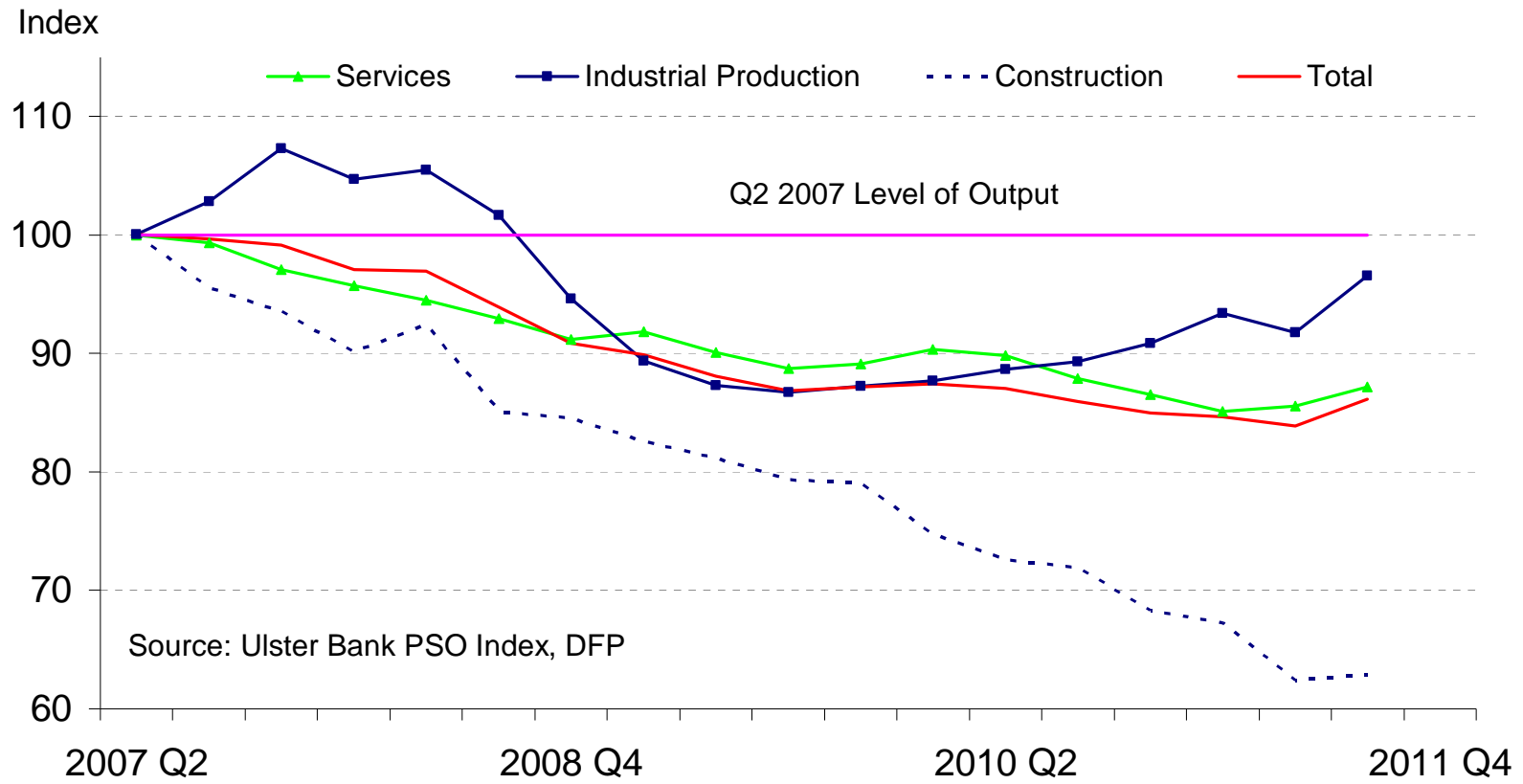




# Industrial sector was last sector to go into downturn and the first industry to come out of it

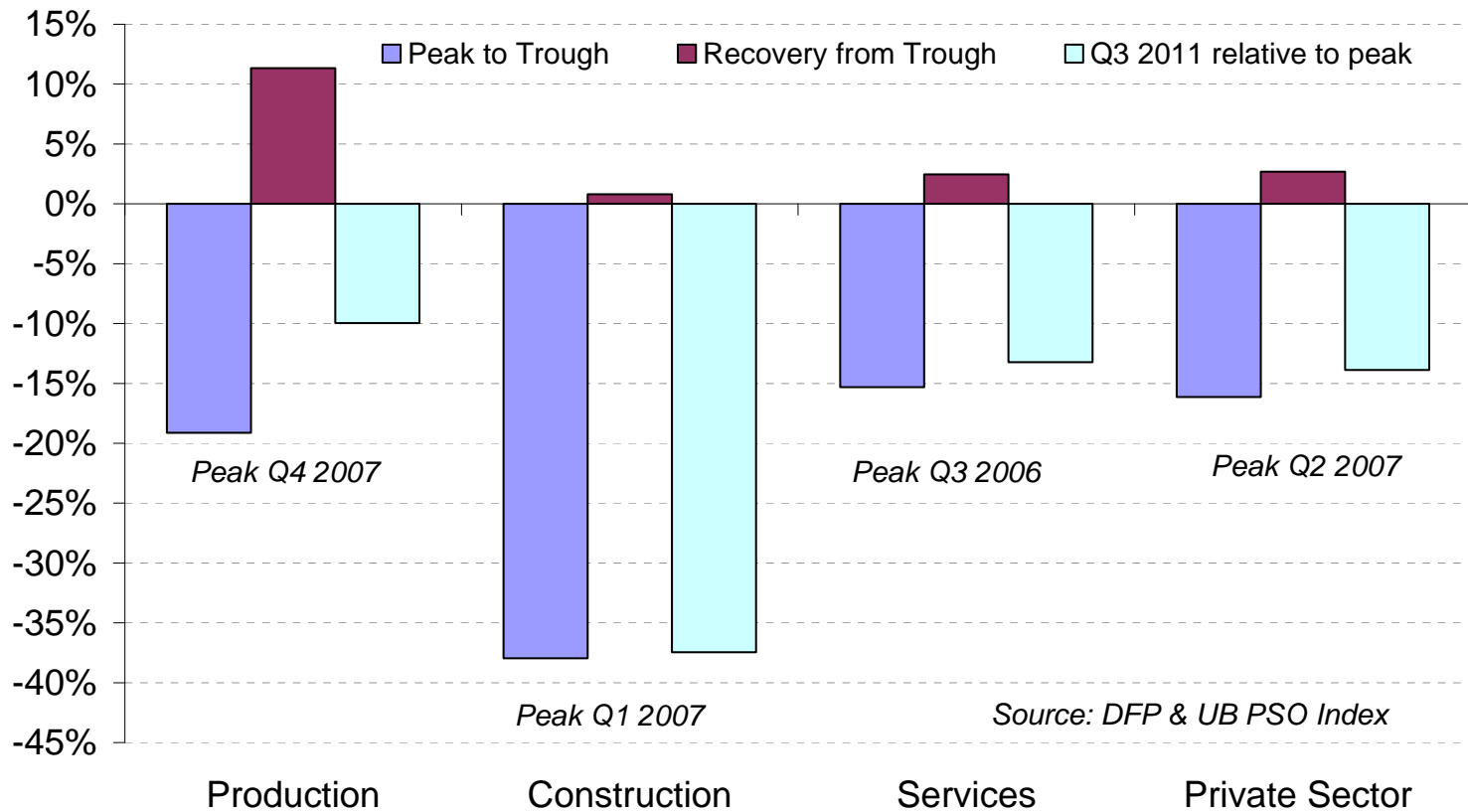
## NI Private Sector Output Levels

Index Q2 2007 = 100



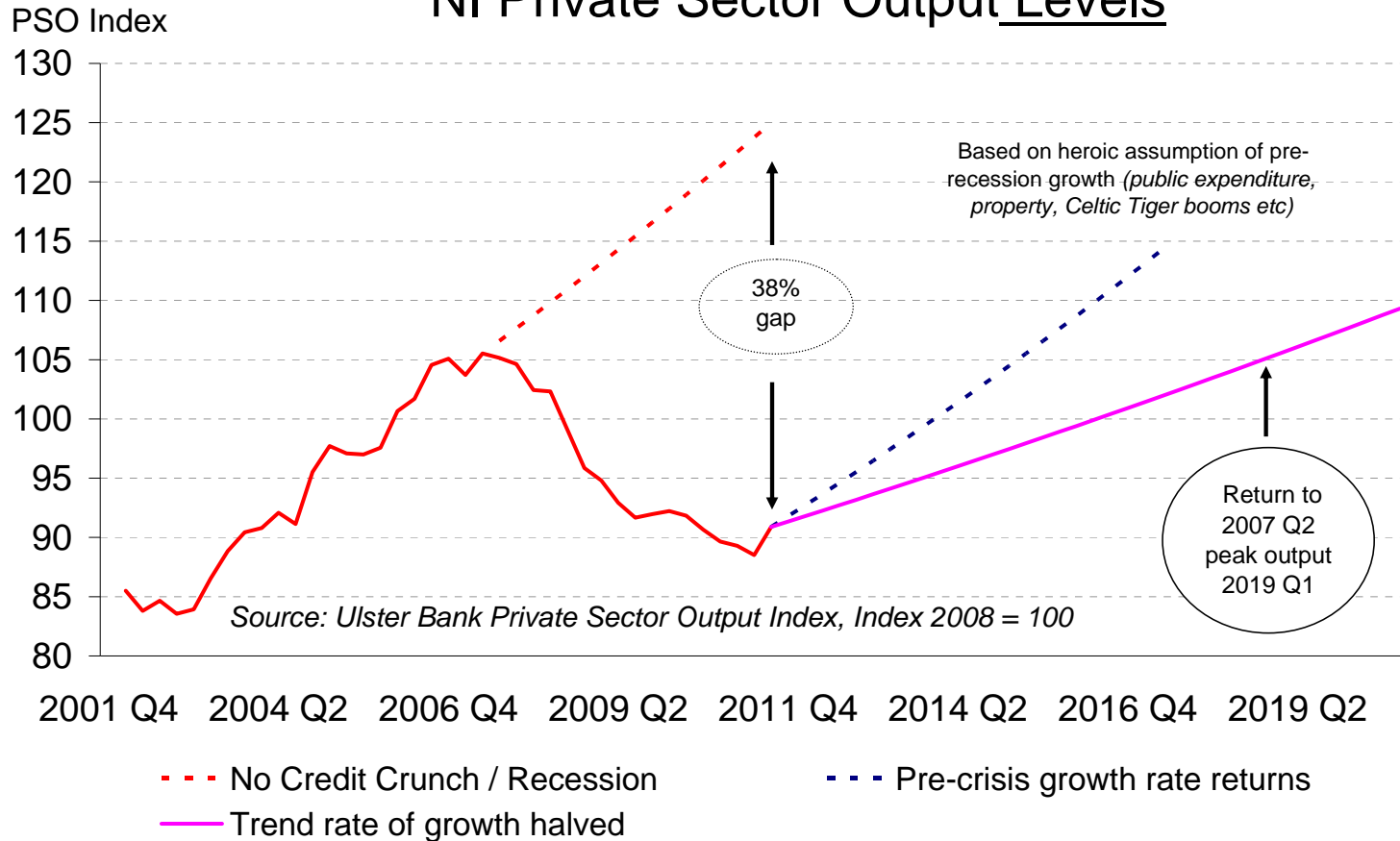
# Peak to trough, Recovery & Q3 2011 Net Position

## NI's Private Sector Output



# Northern Ireland will not be returning to 2007 peak anytime soon

## NI Private Sector Output Levels



---

*Private Sector  
Services Output*

# Summary Table of Private Sector Services Output Data

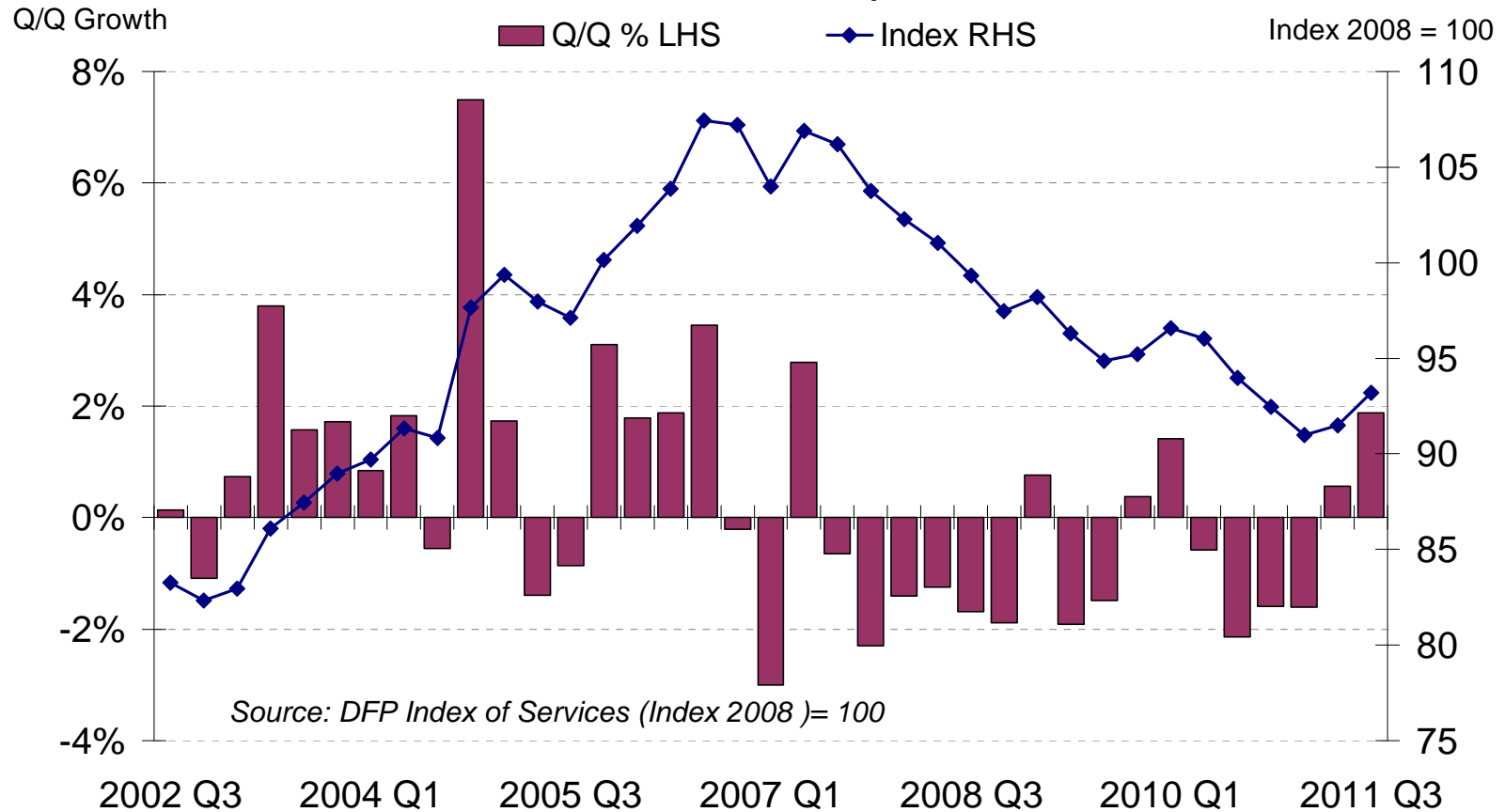
## NI & UK Private Service Sector Output

Service Sector Category	Q/Q Change Q3 2011		Y/Y Change Q3 2011		Change since peak* 2006 Q3 - 2011 Q3	
	NI	UK	NI	UK	NI	UK
Wholesale, Retail, Repair, Accommodation & Food Service	5.4%	0.3%	1.1%	0.2%	-6.5%	-5.3%
Transport, Storage, Information & Communication	3.2%	0.3%	2.2%	0.8%	11.4%	2.4%
Other Services**	1.6%	0.4%	5.5%	2.1%	14.9%	7.0%
Business Services & Finance	-1.1%	1.2%	-7.5%	1.9%	-38.5%	4.4%
<b>Total Services</b>	<b>1.9%</b>	<b>0.7%</b>	<b>-0.8%</b>	<b>1.3%</b>	<b>-13.2%</b>	<b>-1.8%</b>

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

# NI posts second consecutive rise in services output

## NI Private Sector Services Output Levels & Growth

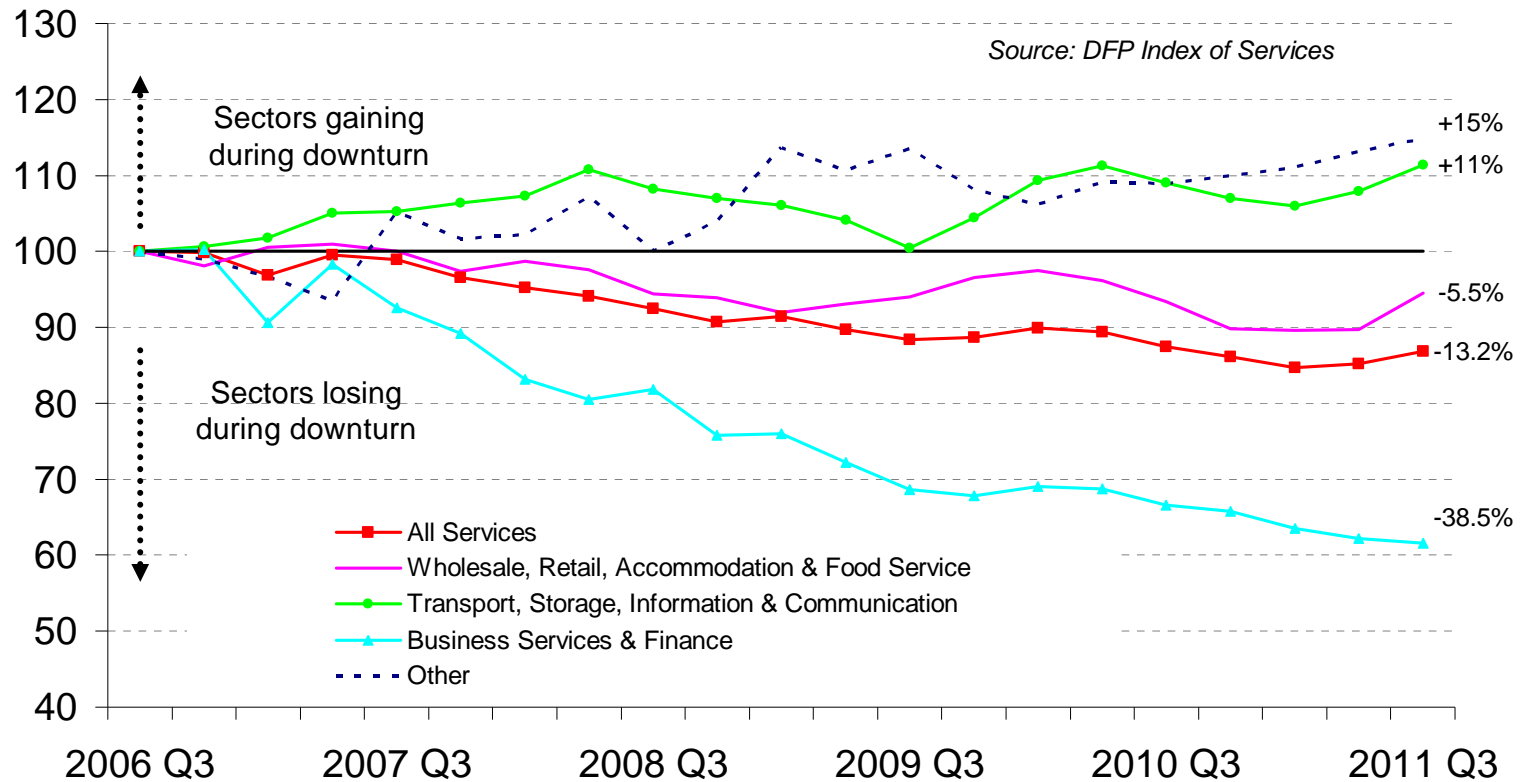


# Two service sub-sectors experiencing higher levels of output post-downturn

## NI Private Sector Services Output Levels

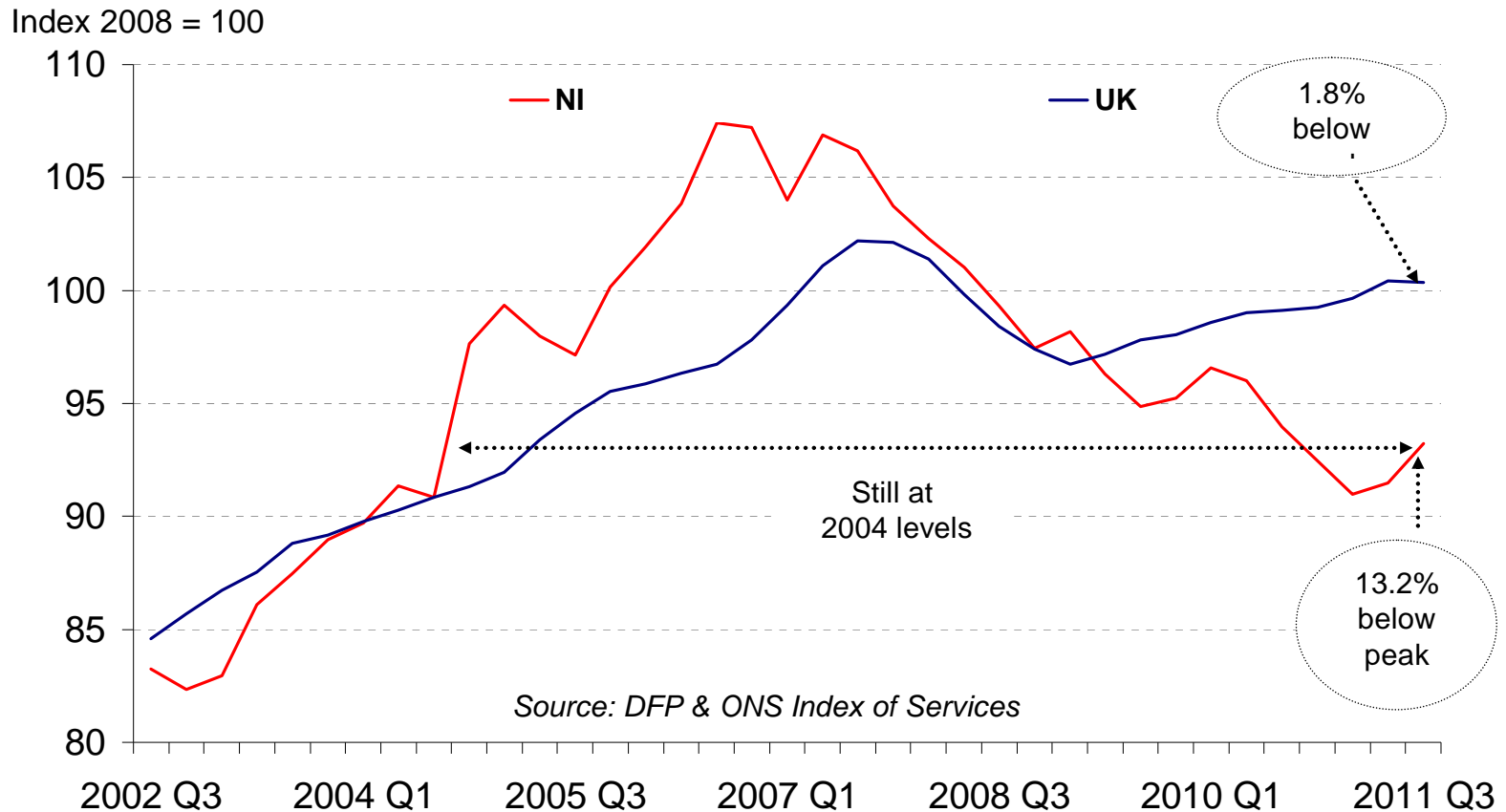
relative to 2006 Q3 service sector peak

Index 2007 Q3 = 100



# Significant NI-UK divergence still apparent within private sector services

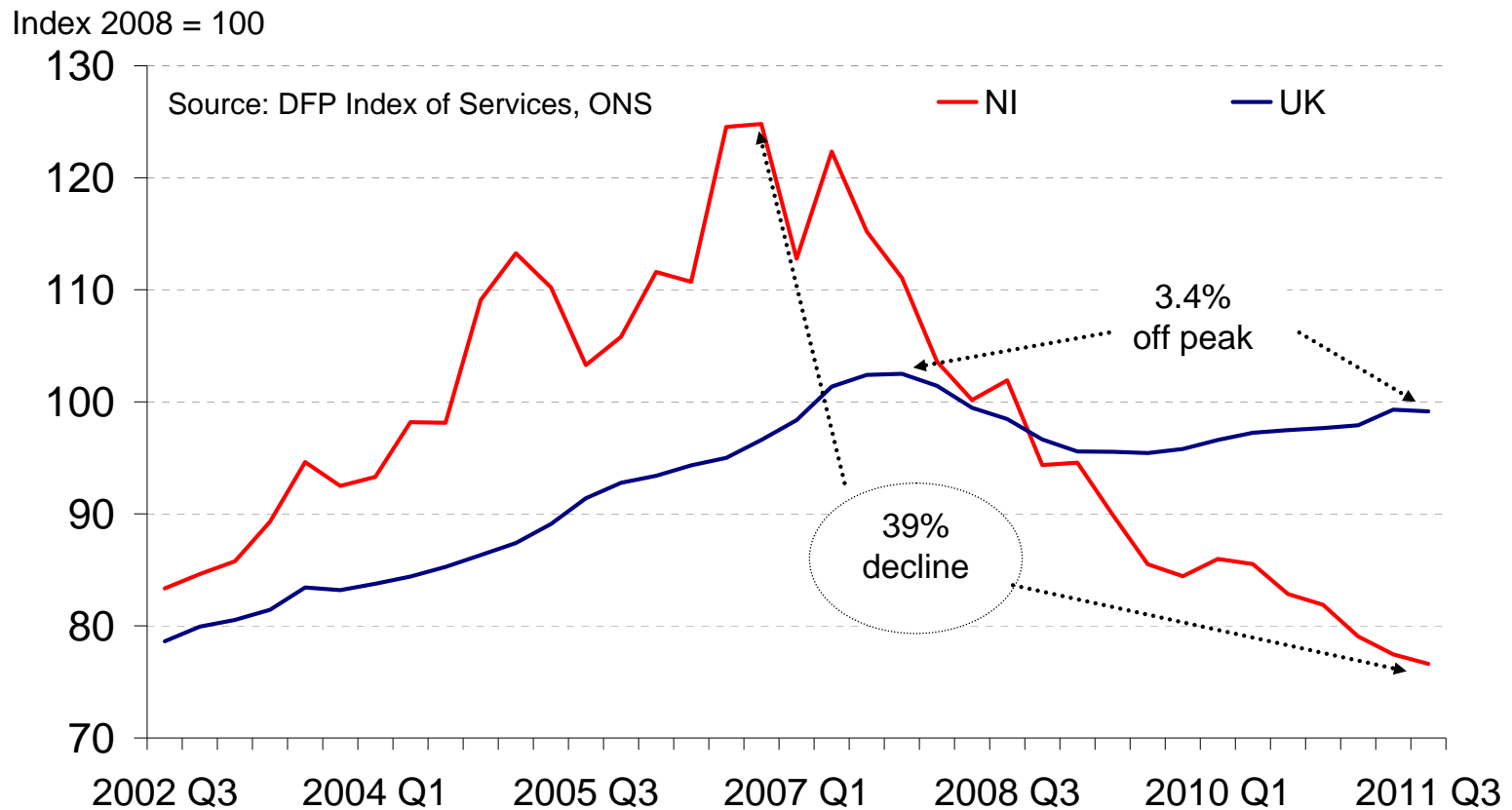
## Private Sector Services Output Levels





# NI's Business Services & Finance output hits a series low and some 39% below peak

## Business Services & Finance Output Levels

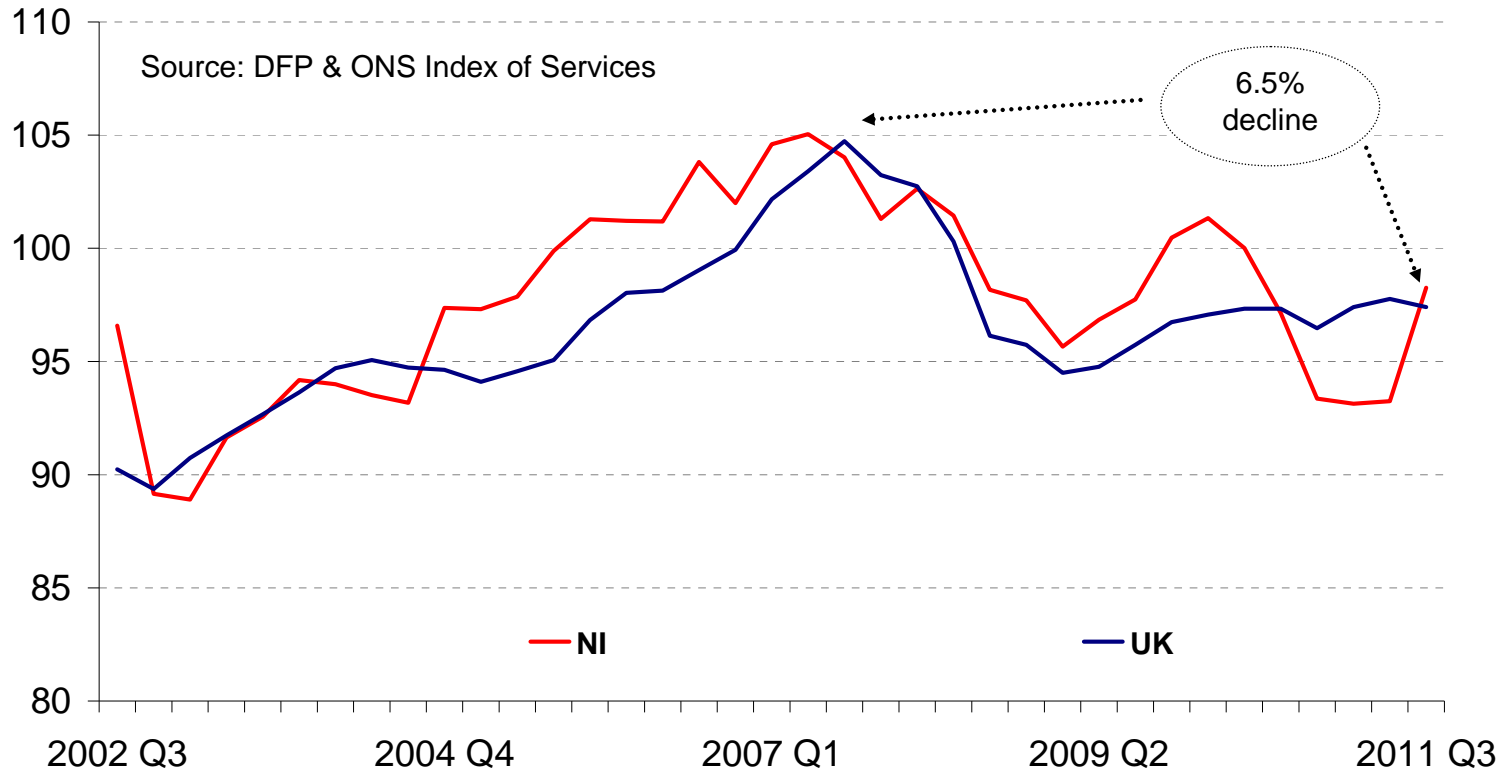


# NI's Distribution, Accommodation & Food Services posts strong rebound in Q3? *(runs counter to PMI)*

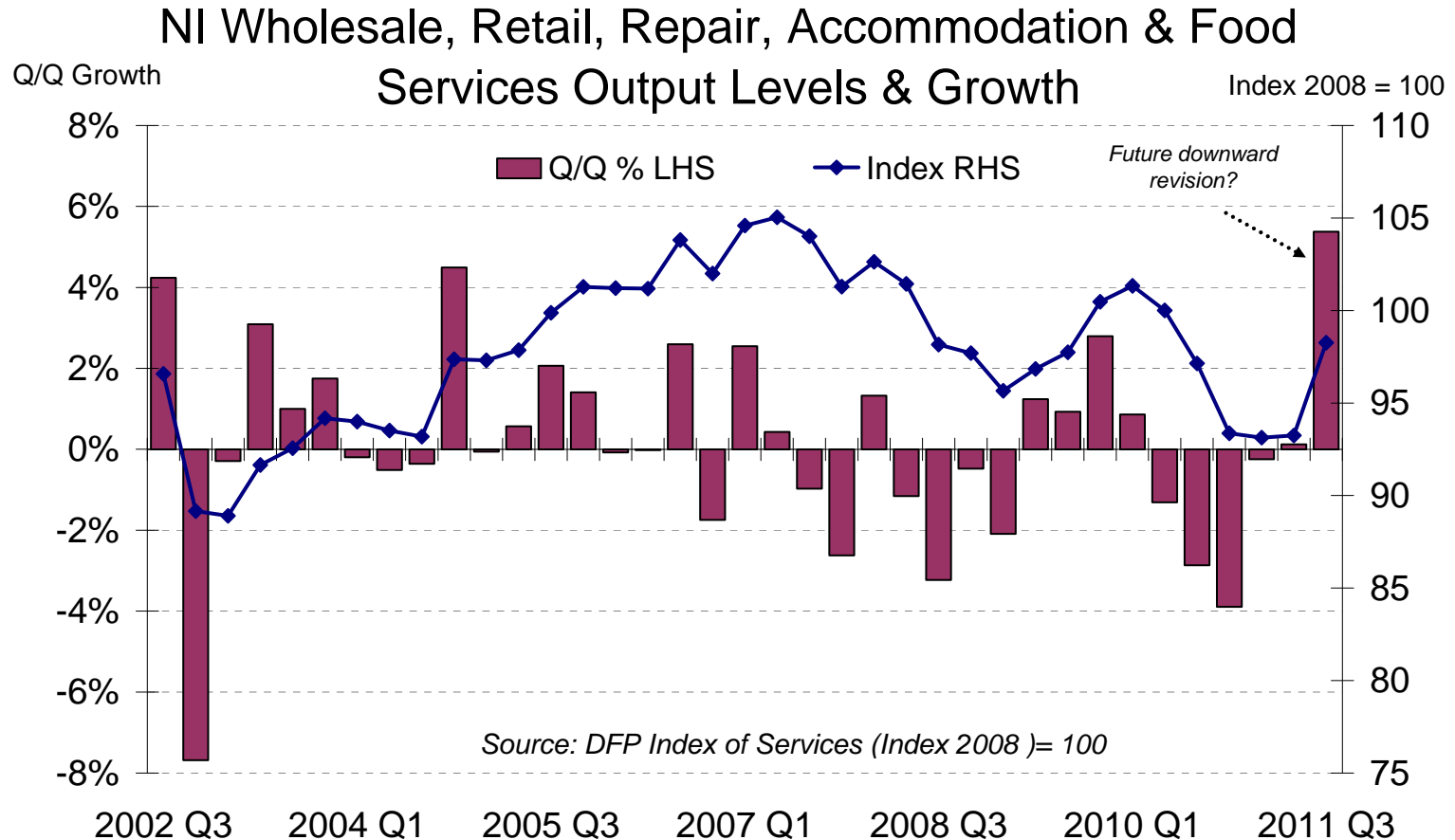
## Distribution, Accommodation & Food Services Output

(includes Retail, Hotels & Restaurants, Car Sales)

Index 2008 = 100

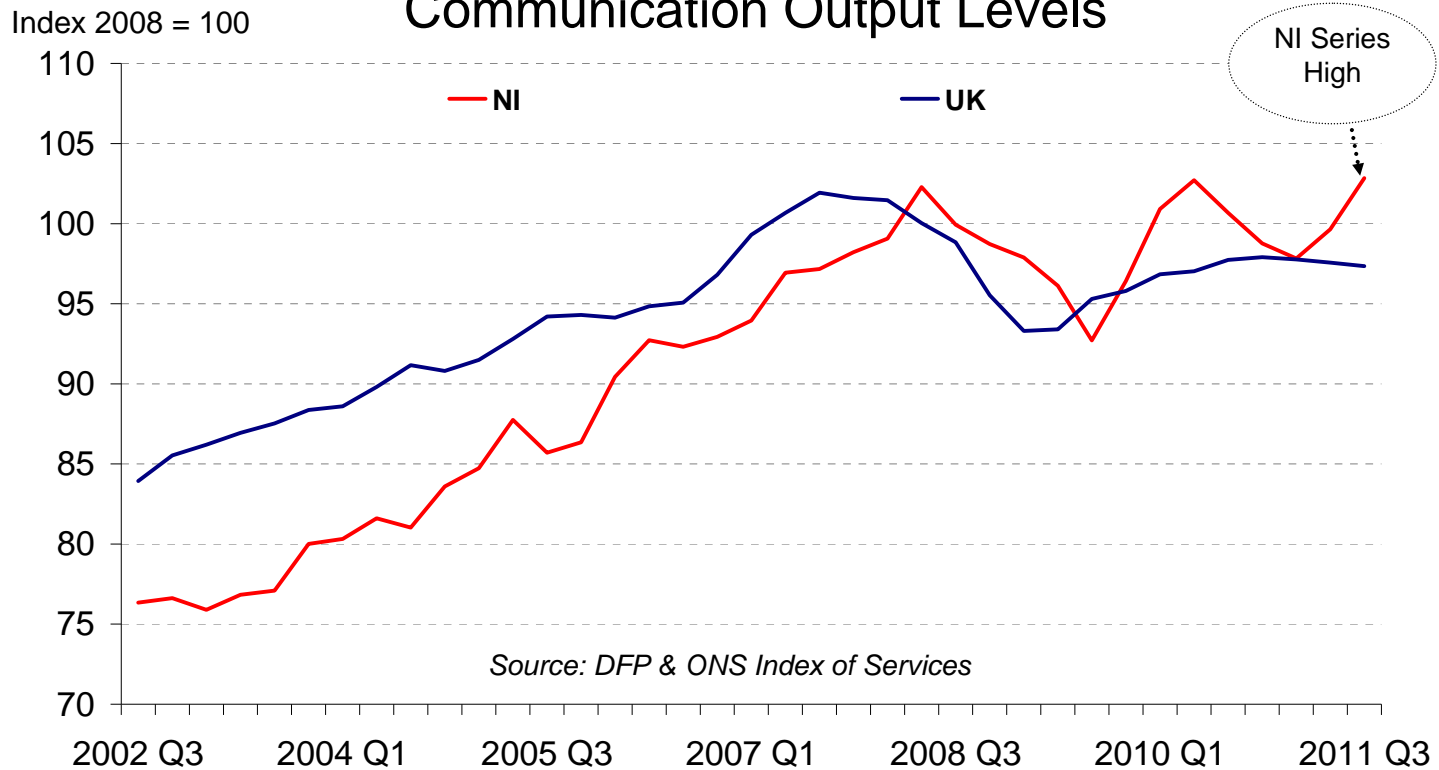


The record rise in this consumer sensitive sector appears odd and was 18x the increase for the UK (0.3%)



# Some NI service sectors experiencing record output levels which is at odds with equivalent UK sector

## Transport, Storage, Information & Communication Output Levels



---

*Industrial  
Production  
Output*

## Summary Table of latest Industrial Output Data

### NI & UK Industrial Output

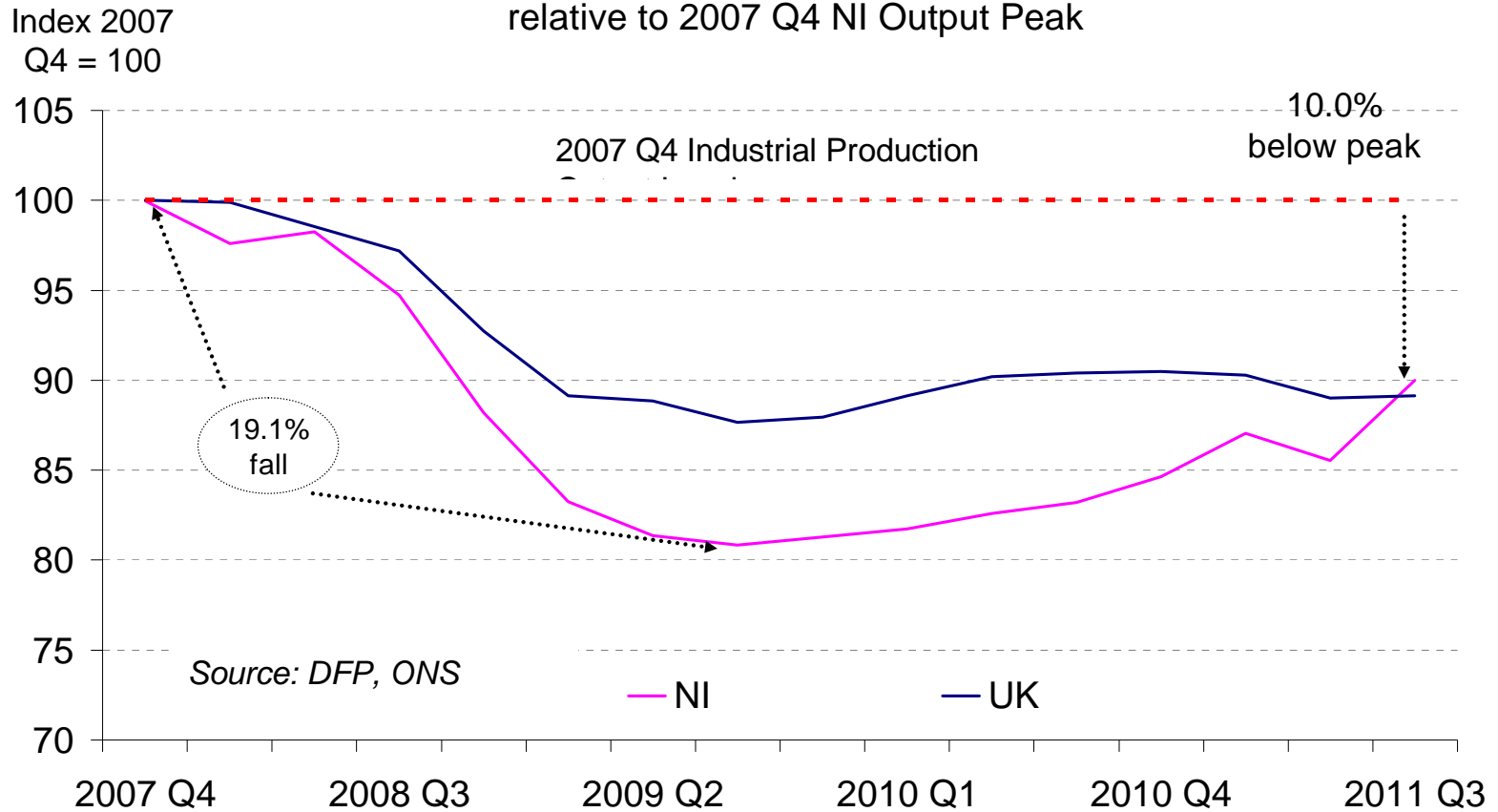
Industrial Production Category (NI Weights in brackets)	Q/Q Change Q3 2011		Y/Y Change Q3 2011		Change since peak* 2007 Q4 - 2011 Q3	
	NI	UK	NI	UK	NI	UK
Manufacturing ( <i>weight 83.6%</i> )	5.7%	0.0%	10.3%	1.5%	-12.2%	-6.6%
Electricity, Gas, Steam & Air Conditioning Supply ( <i>weight 5.9%</i> )	0.2%	2.2%	-1.0%	1.5%	6.8%	-6.1%
Water Supply, Sewerage & Waste Management ( <i>weight 7.7%</i> )	6.9%	-0.5%	2.3%	0.7%	0.2%	-9.4%
Mining & Quarrying ( <i>weight 2.8%</i> )	-1.7%	-0.3%	-13.8%	-16.6%	-27.1%	-31.4%
<b>Total Production</b>	<b>5.2%</b>	<b>0.1%</b>	<b>8.2%</b>	<b>-1.4%</b>	<b>-10.0%</b>	<b>-10.9%</b>

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

# NI has recouped almost half of the output lost during the recession

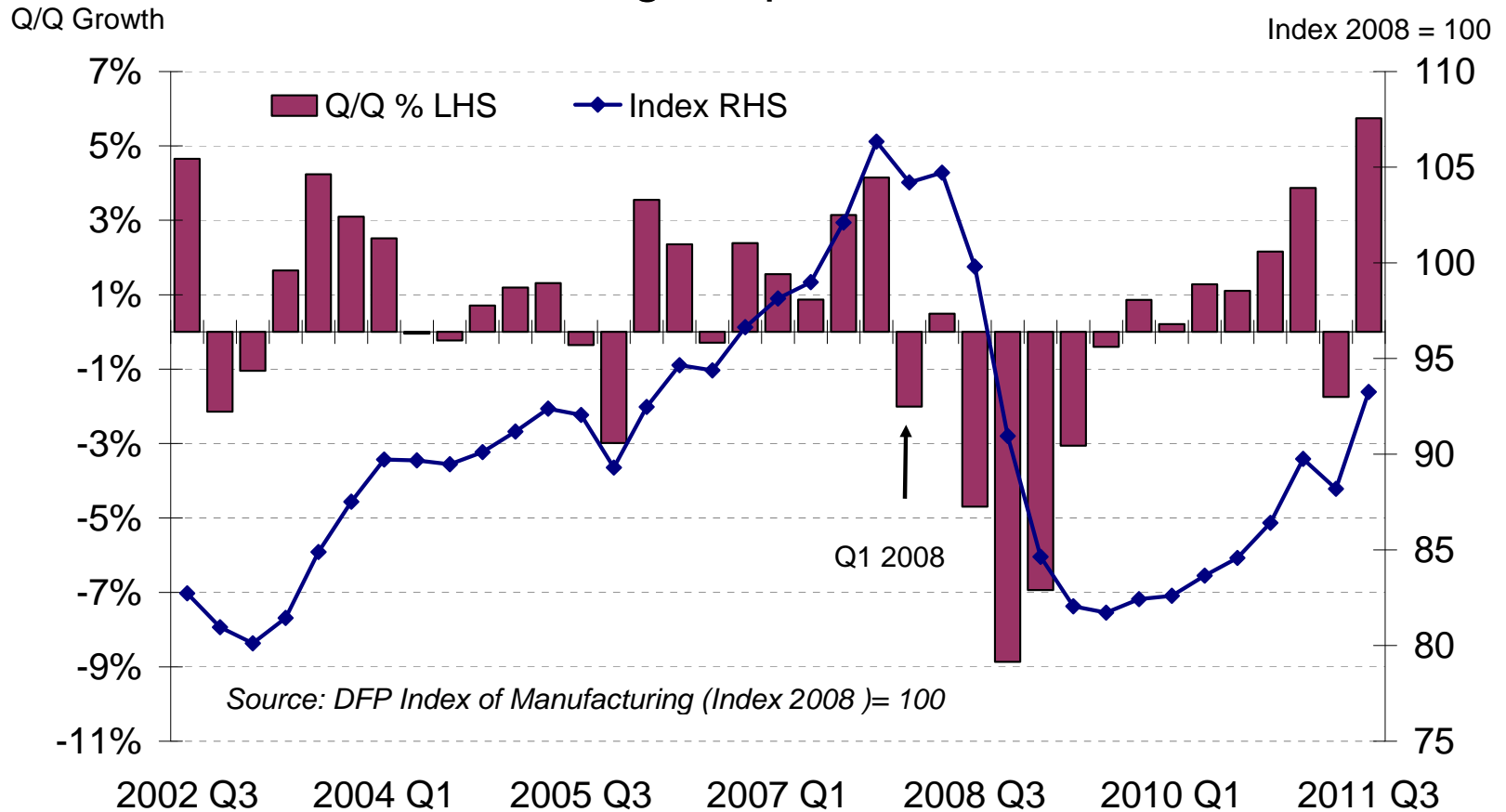
## NI & UK Industrial Output Levels

relative to 2007 Q4 NI Output Peak



# NI manufacturing output rises for 7<sup>th</sup> time in 8 quarters

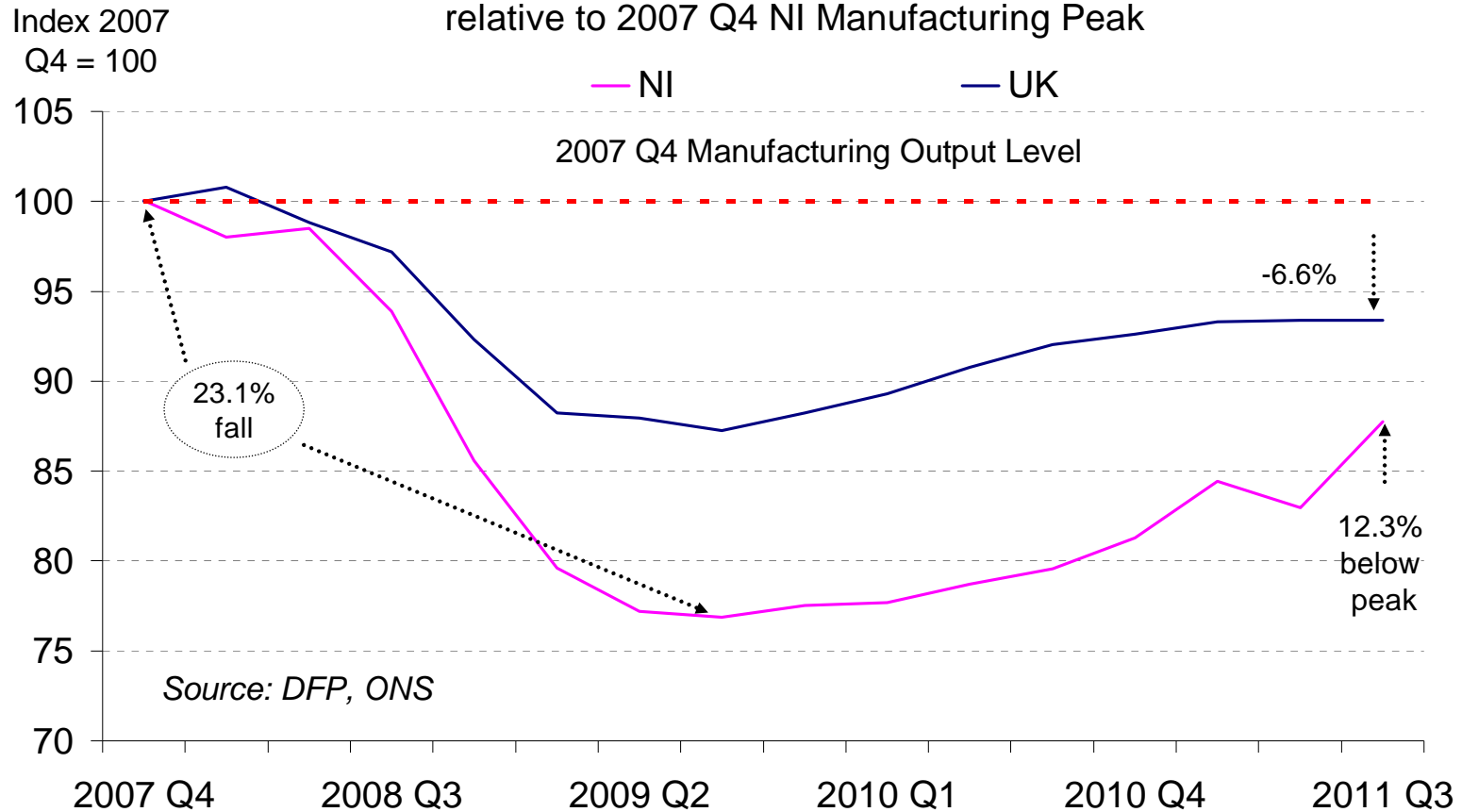
## NI Manufacturing Output Levels & Growth



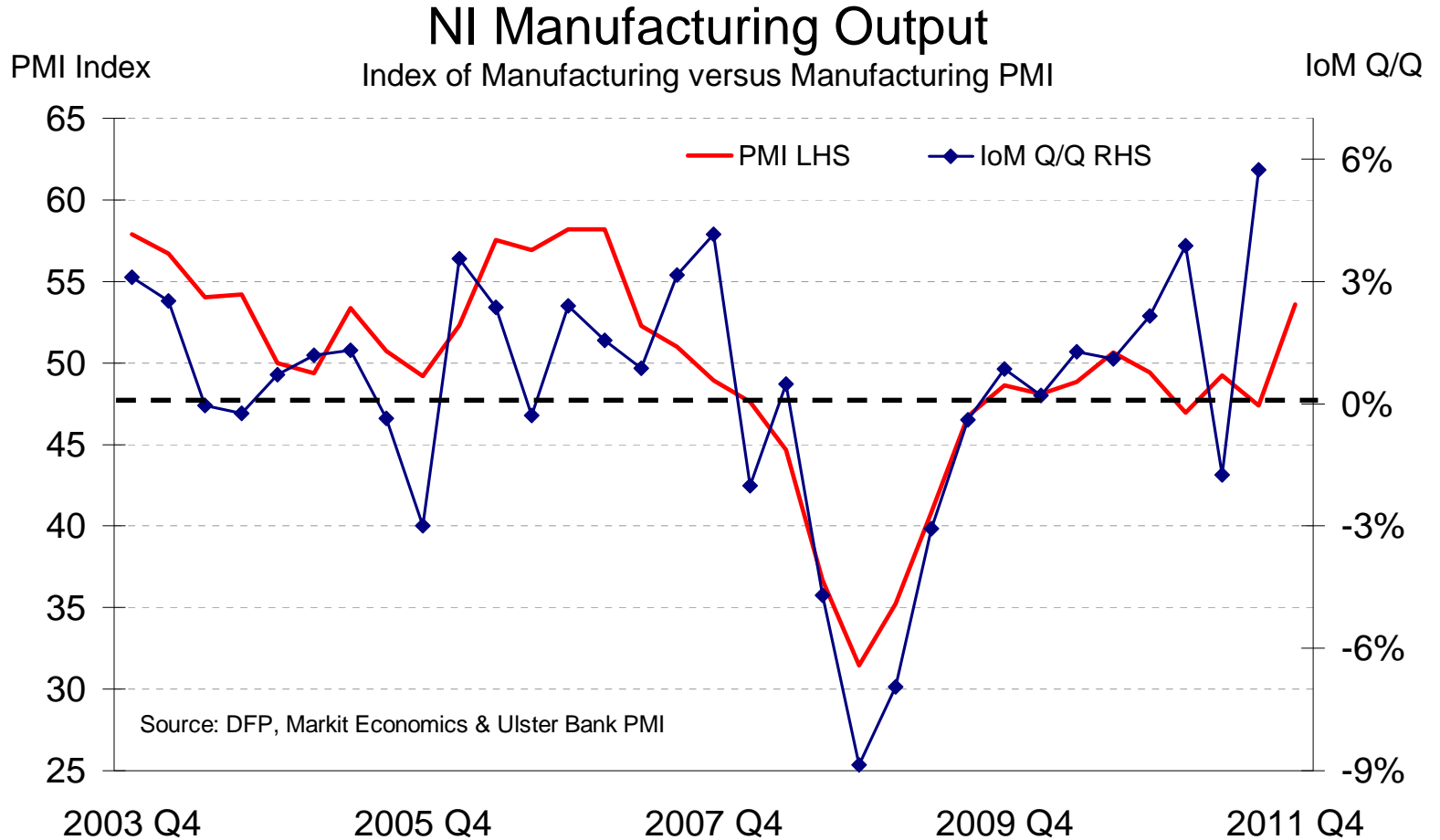


# NI manufacturing has recouped almost 50% of its output lost during the recession

## Manufacturing Output Levels relative to 2007 Q4 NI Manufacturing Peak



# Manufacturing output much stronger than suggested by NI PMI



## Summary Table of latest Manufacturing Output Data

---

*Manufacturing Sub-sector data has not been released within the latest survey and is due to be released at a later date.*

---

# *Construction Output*

## Summary Table of Latest Construction Output Data

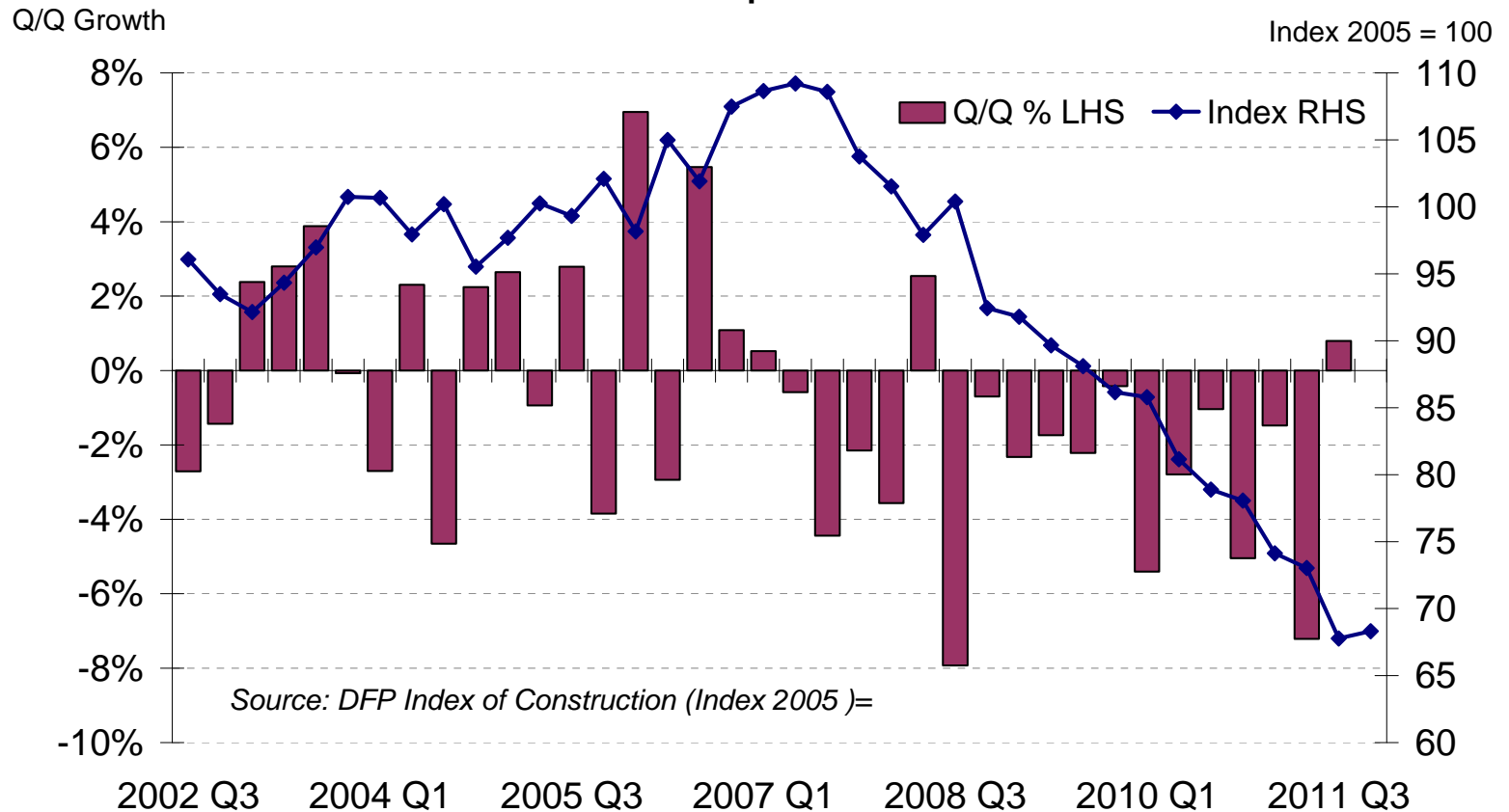
### NI & GB Construction Output

Construction Sub-Sector Category	Quarterly Change Q3 2011		Year-on-Year Change Q3 2011		Change since NI construction peak Q1 2007 - Q3 2011	
	NI	GB	NI	GB	NI	GB
Housing	-3.3%	-3.0%	-23.1%	1.2%	-55.2%	-24.1%
Infrastructure	19.5%	-0.2%	-3.6%	13.6%	12.8%	89.3%
Repair & Maintenance	3.6%	-0.3%	10.5%	-5.4%	13.6%	-6.7%
Other (e.g. commercial & industrial)	1.5%	1.2%	-6.7%	-4.9%	-32.2%	-9.5%
New Work	-1.8%	-0.1%	-19.3%	-0.3%	-47.3%	-4.8%
<b>Total Construction</b>	<b>0.8%</b>	<b>0.3%</b>	<b>-12.5%</b>	<b>0.2%</b>	<b>-37.5%</b>	<b>-6.4%</b>

Source: DFP Construction Bulletin & ONS

# NI's construction sector posts its first rise in Q3 2011 in 13 quarters

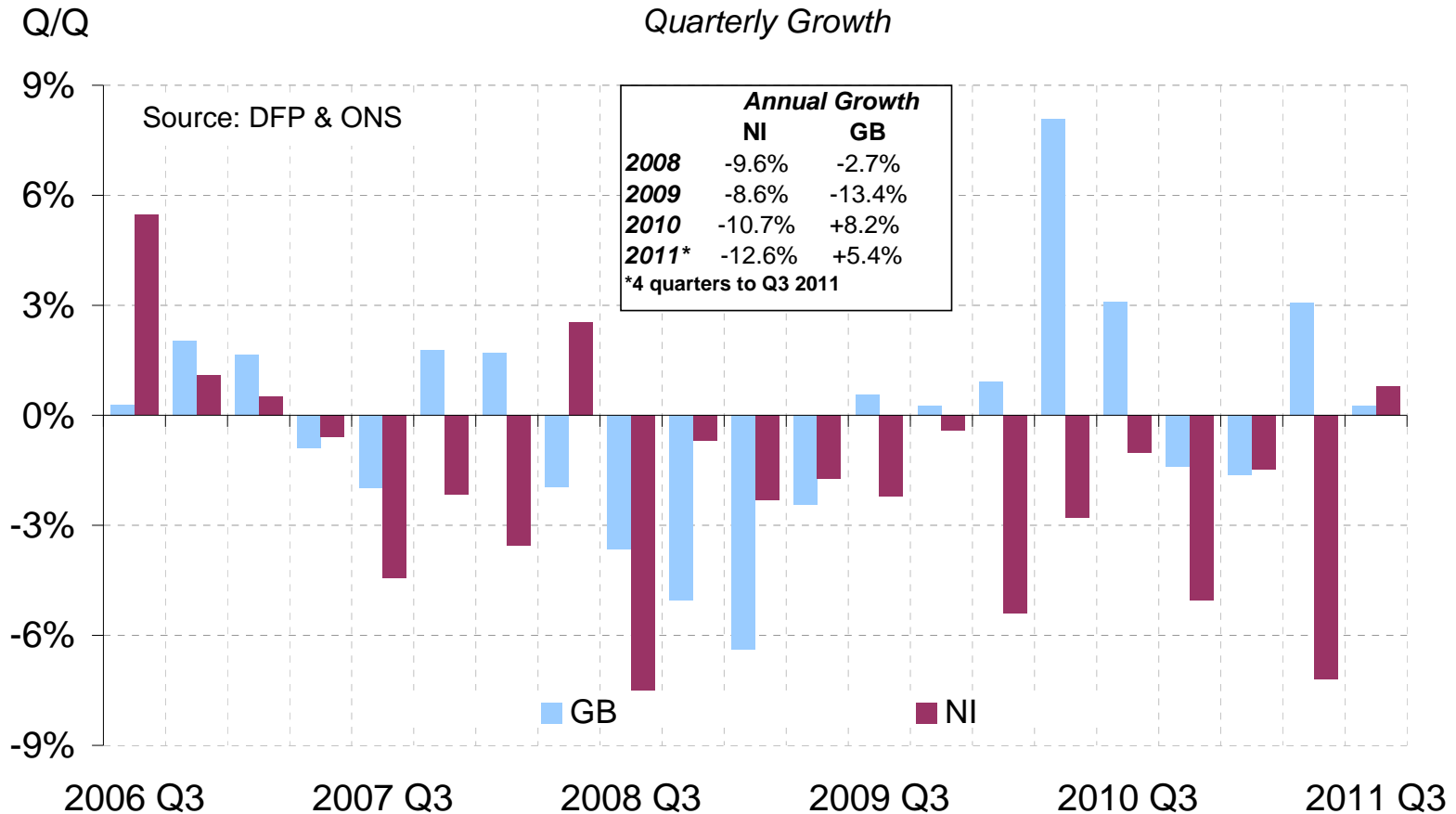
## NI Construction Output Levels & Growth



# NI's construction sector posted a faster rate of growth than its GB counterparts in Q3 2011

## Construction Output

Quarterly Growth

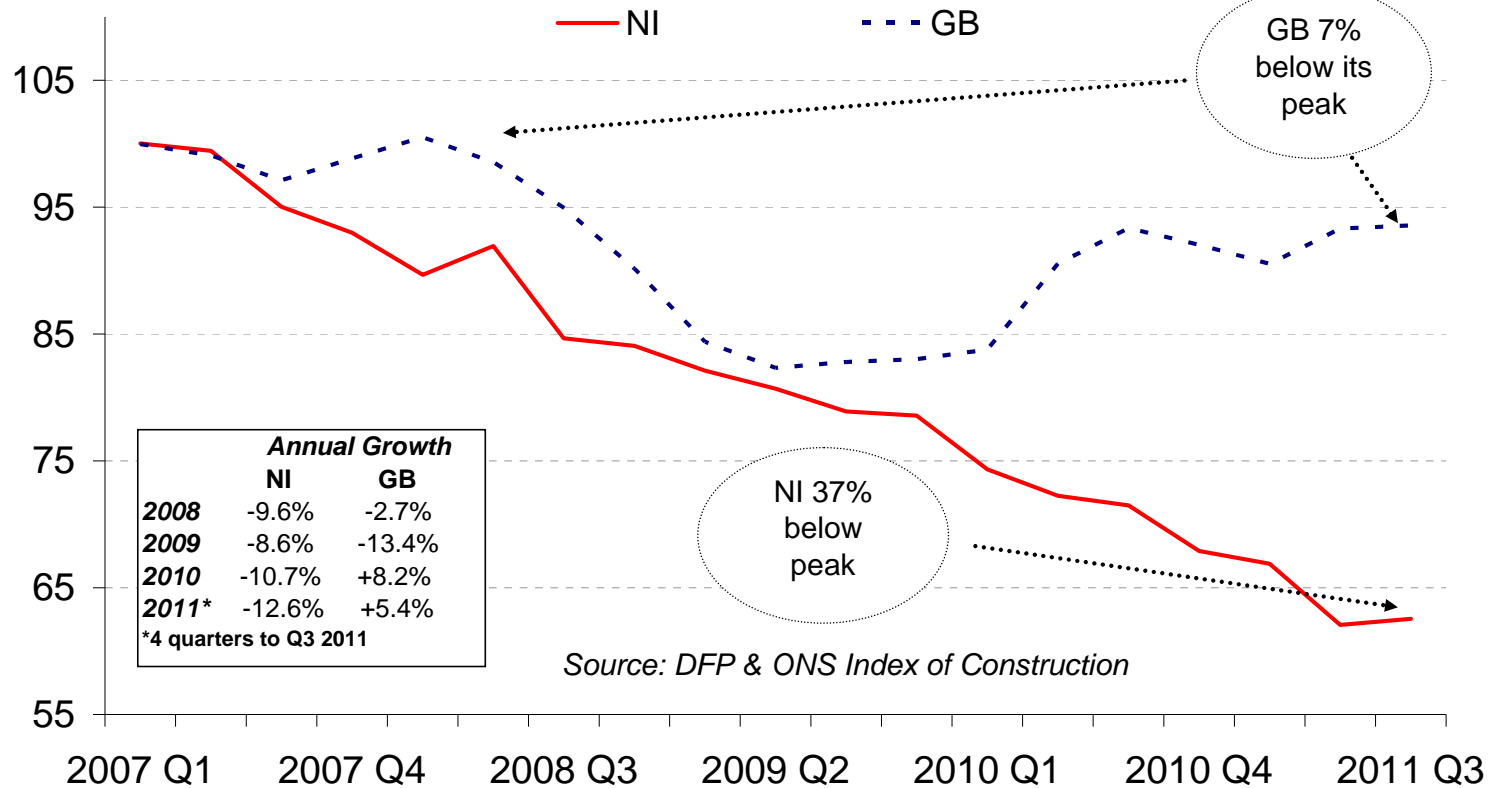


# Despite growth in Q3 NI's output remains some 37% below its Q1 2007 peak

## Levels of Construction Output

Relative to NI's Peak (Q1 2007)

Index 2005=100

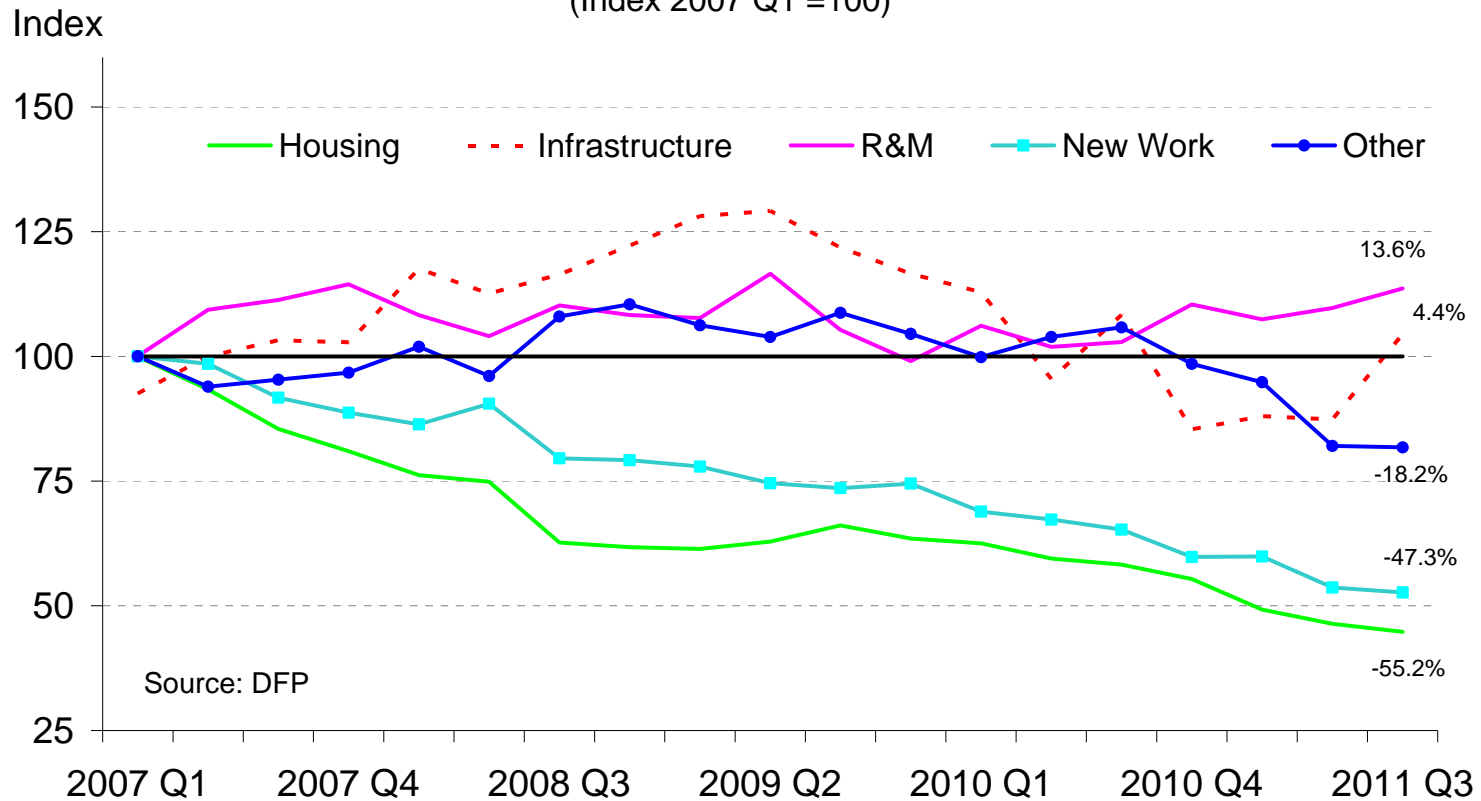




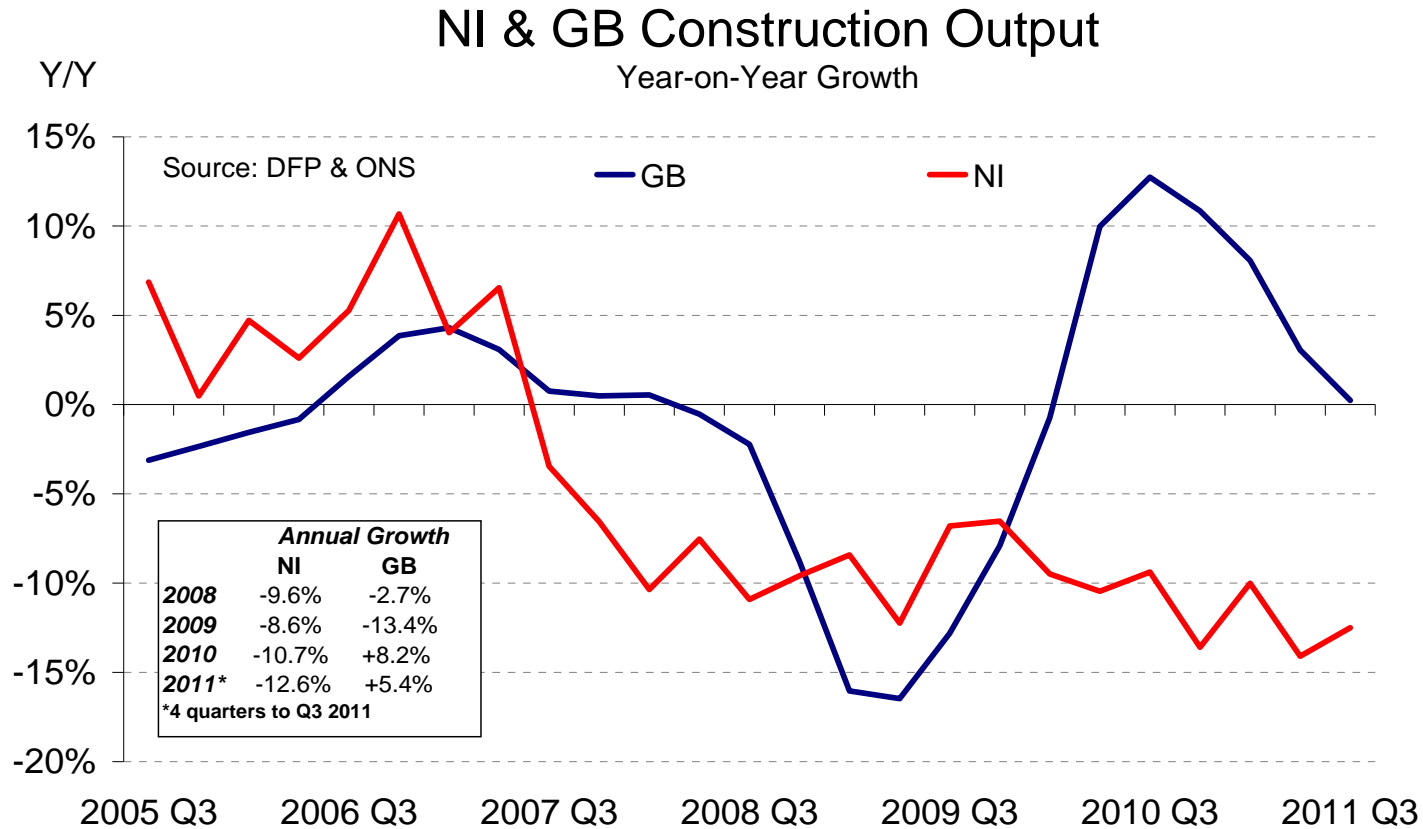
# NI's construction downturn would have been worse without public spending (*Infrastructure and Repair & Maintenance*)

## NI Construction Output Relative to 2007 Peak

(Index 2007 Q1 = 100)

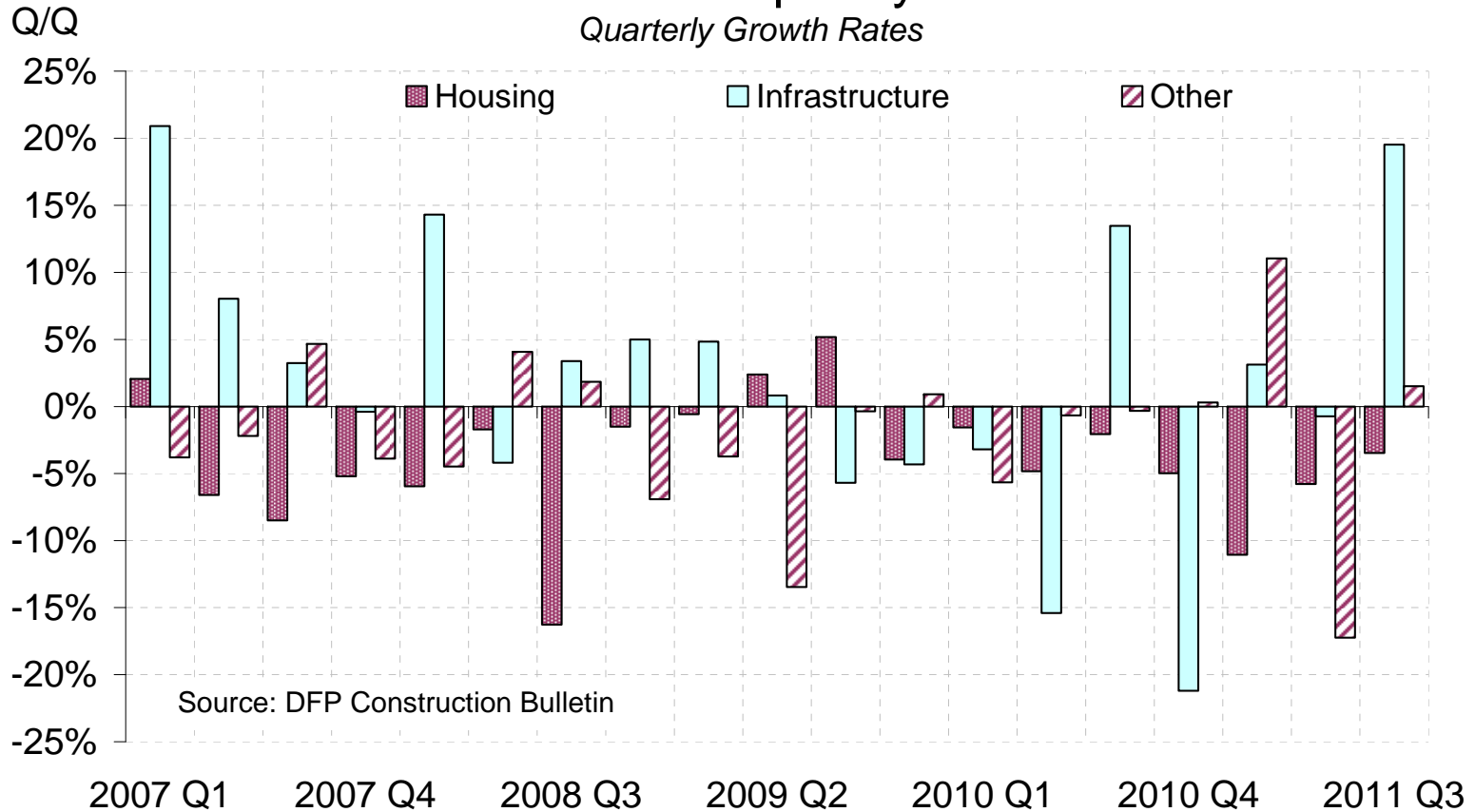


# GB construction sector has witnessed a reasonable recovery whereas NI has not

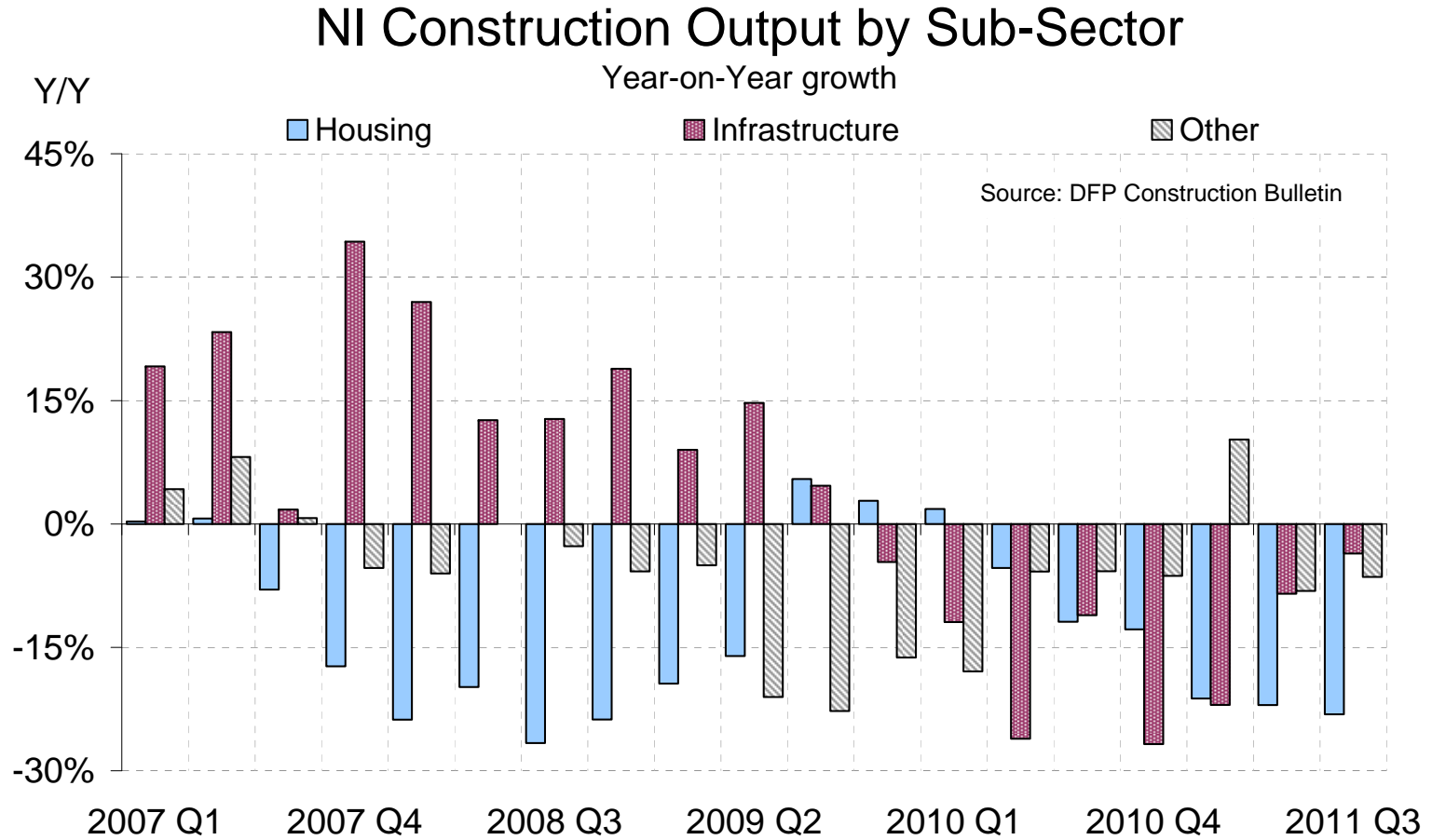


# NI posts strong quarterly rise in infrastructure output in Q3 2011

## NI Construction Output by Sub-Sector



All 3 key areas of construction output had lower levels in Q3 2011 relative to the same period one year previous

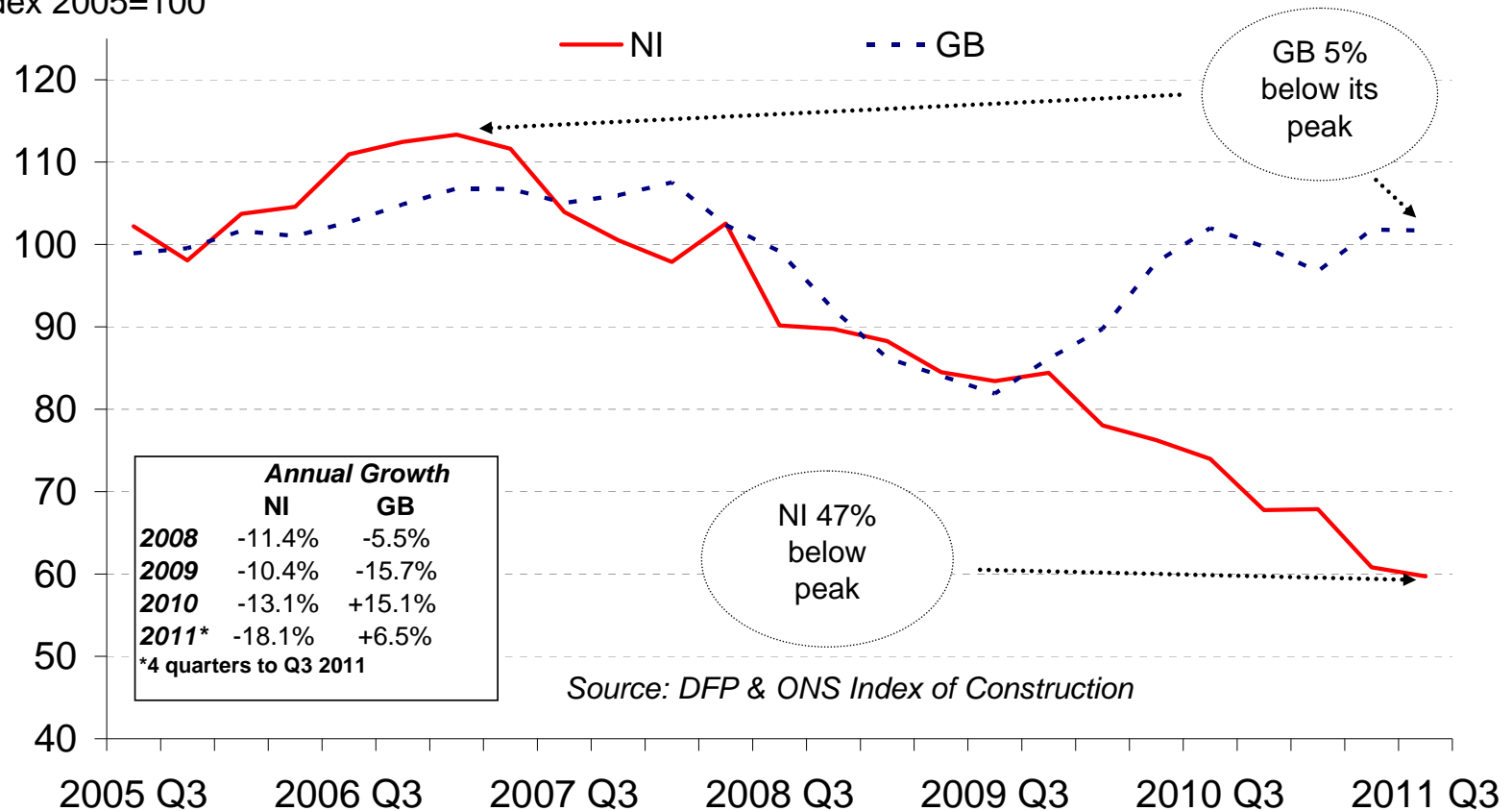


# Forward looking indicators (*New Work*) highlight that a meaningful construction recovery is not imminent

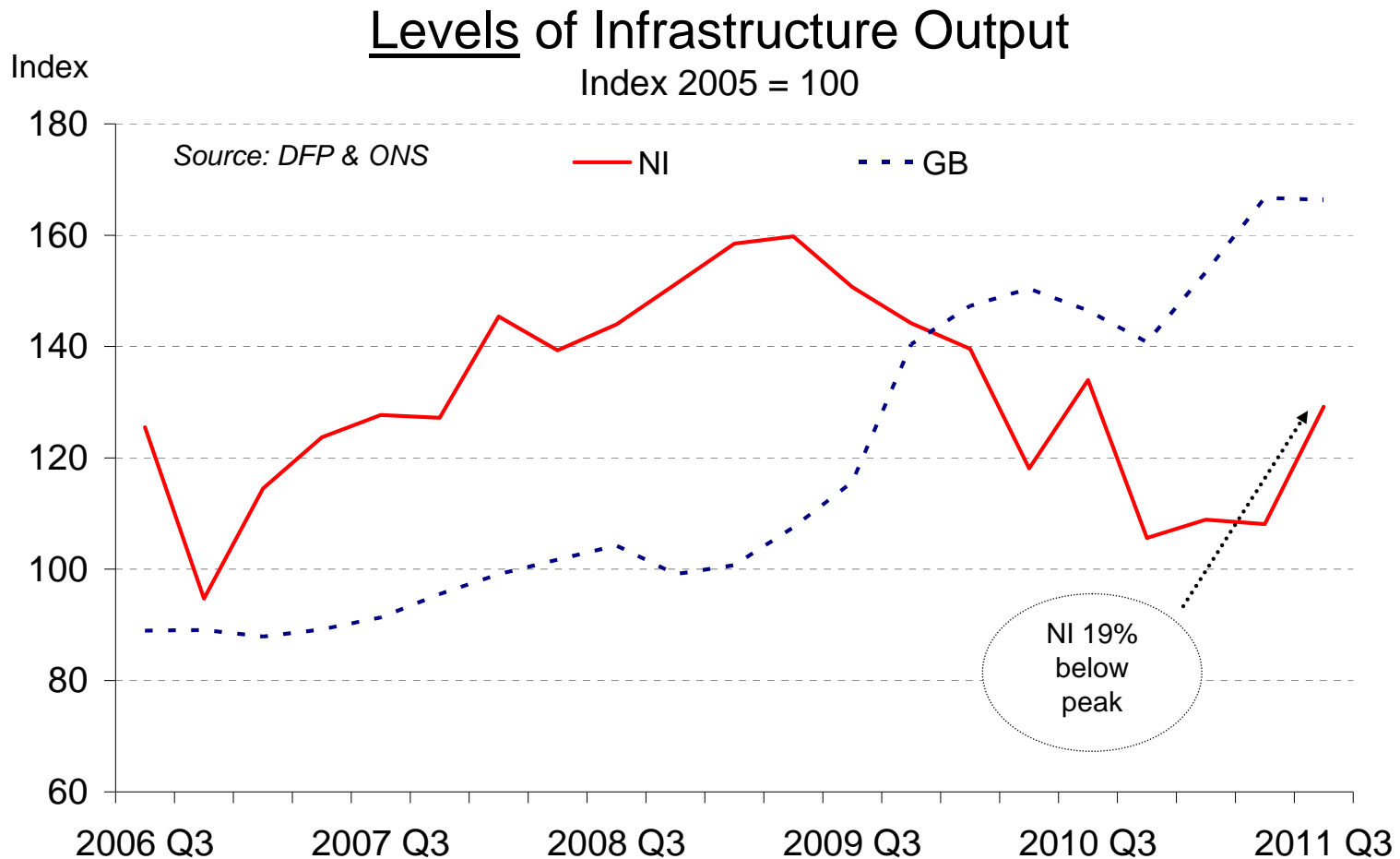
## Levels of New Work Construction Output

Relative to NI's Peak (Q1 2007)

Index 2005=100



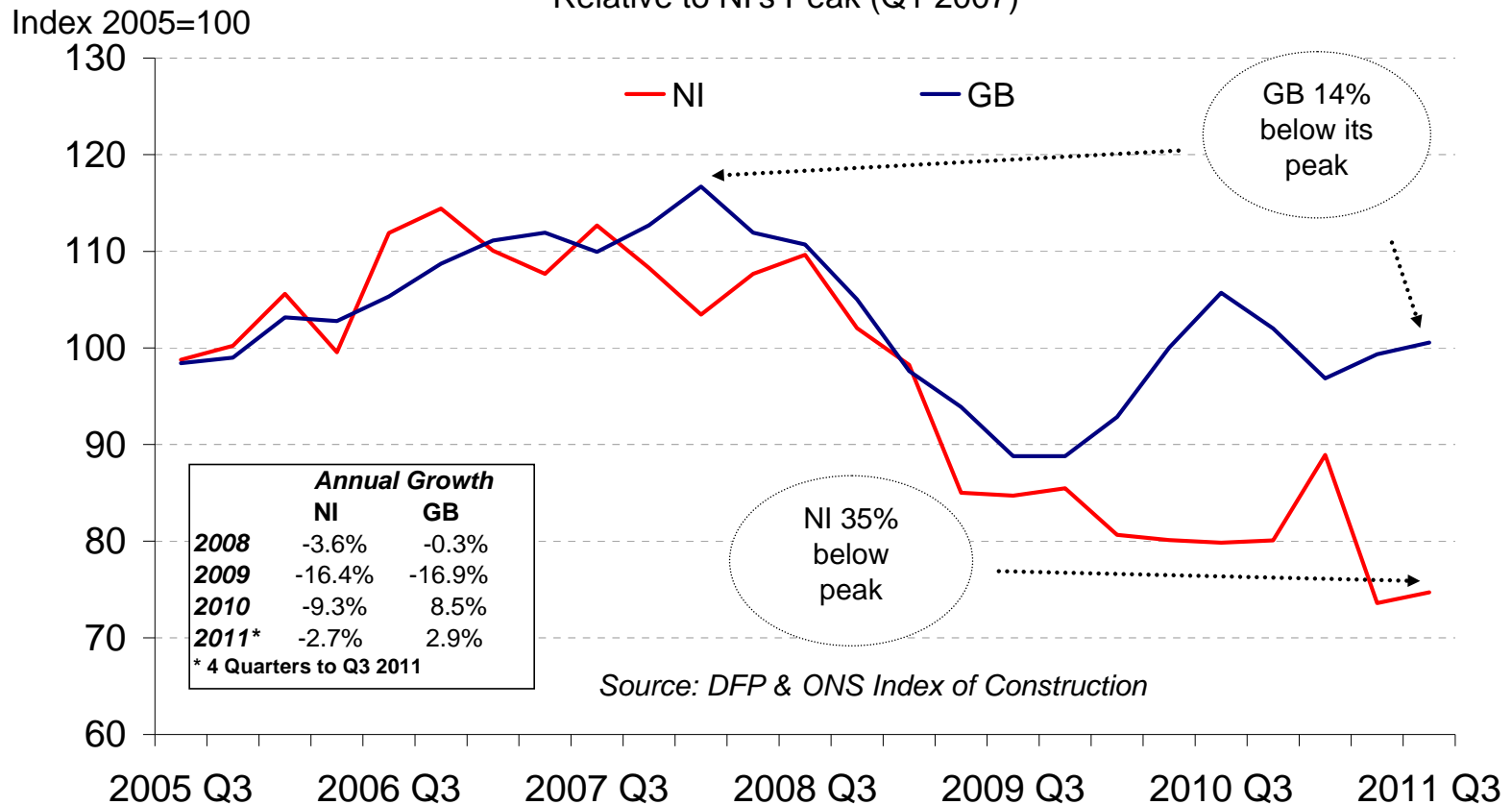
# GB infrastructure output levelling off whilst strong rise in NI output in Q3 leaves output 19% below recent peak



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

## Levels of 'Other Construction' Output

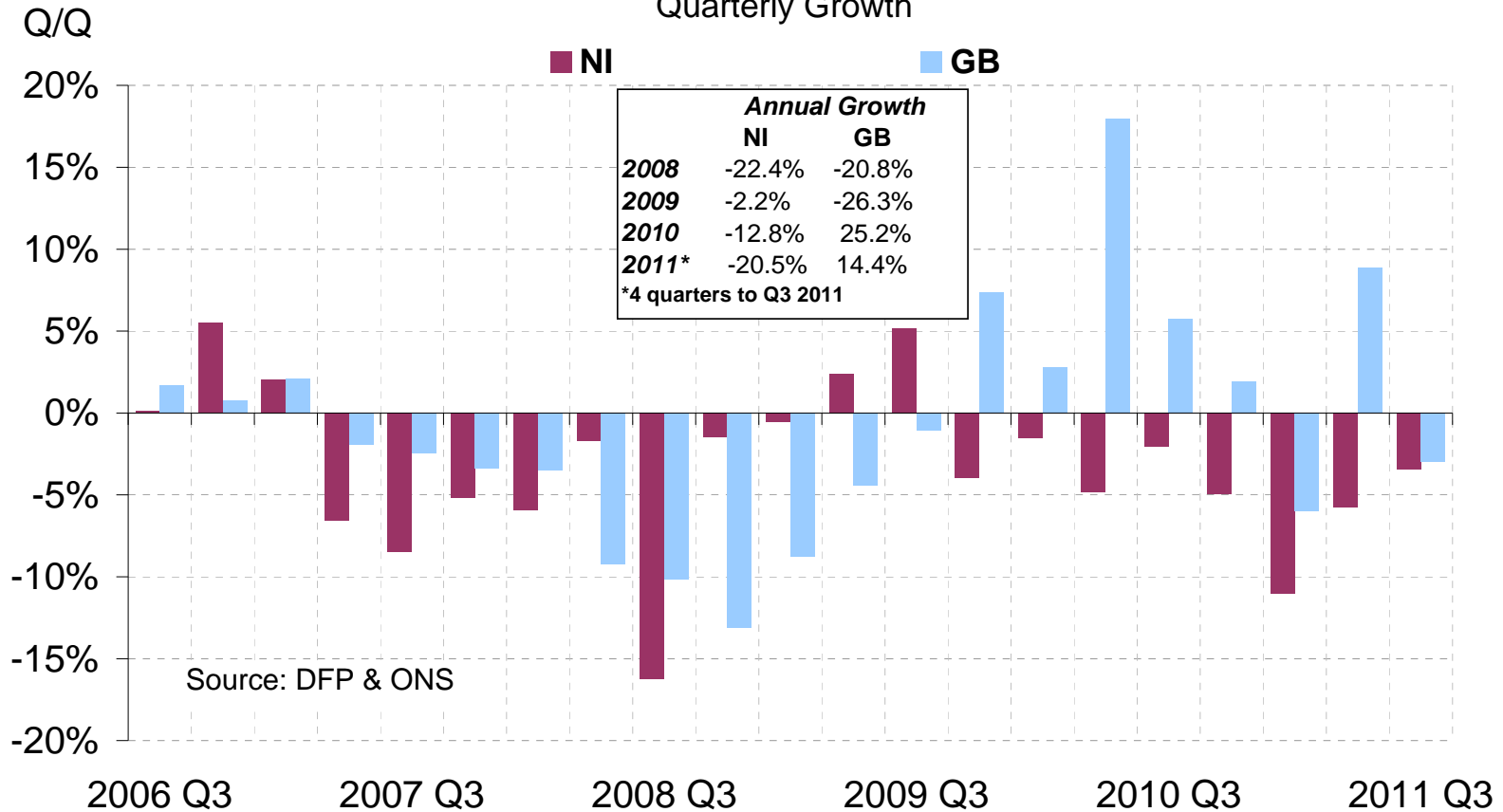
Relative to NI's Peak (Q1 2007)



# Growth in GB housing output has benefited some local construction firms but housing output still falling in NI

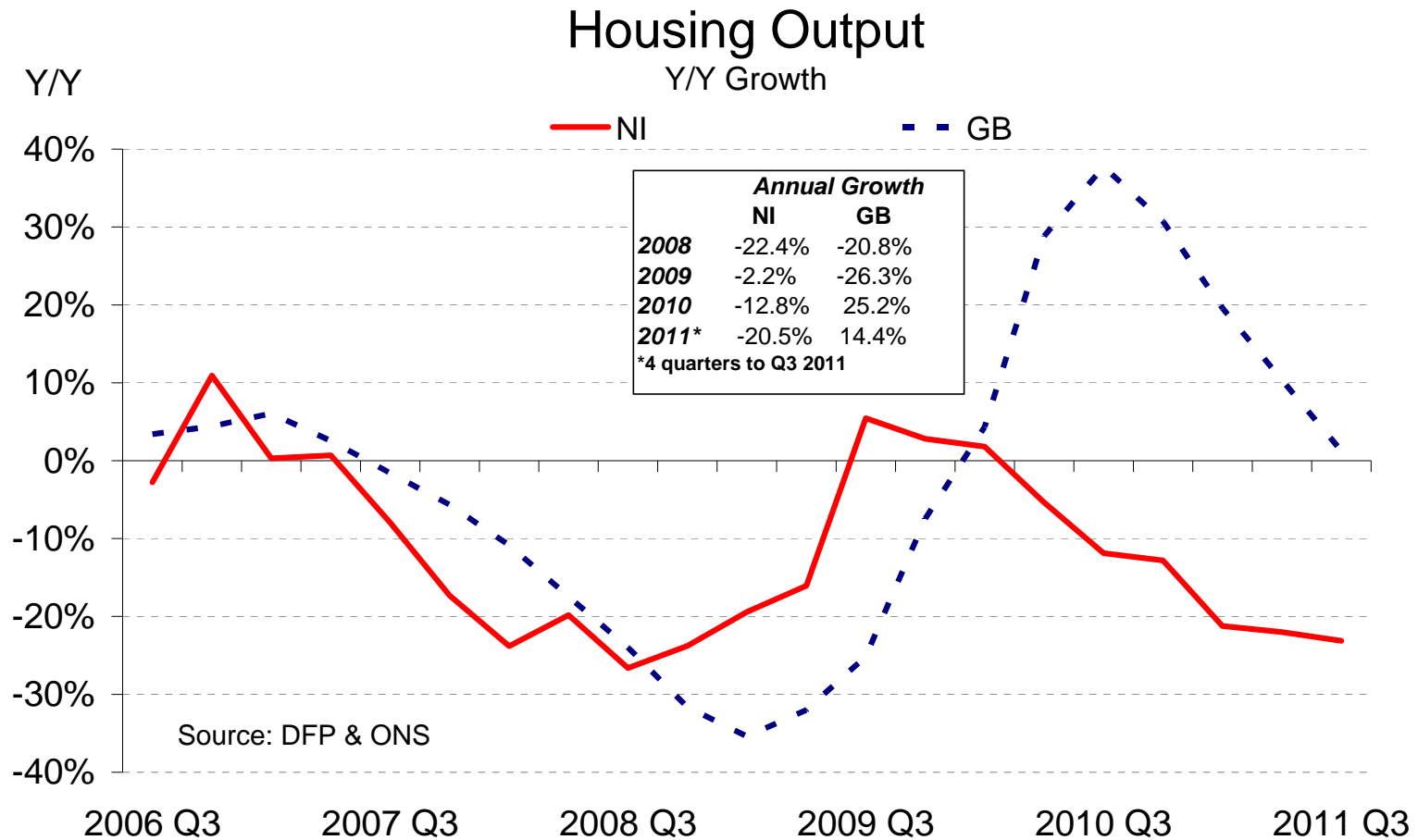
## Housing Output

Quarterly Growth

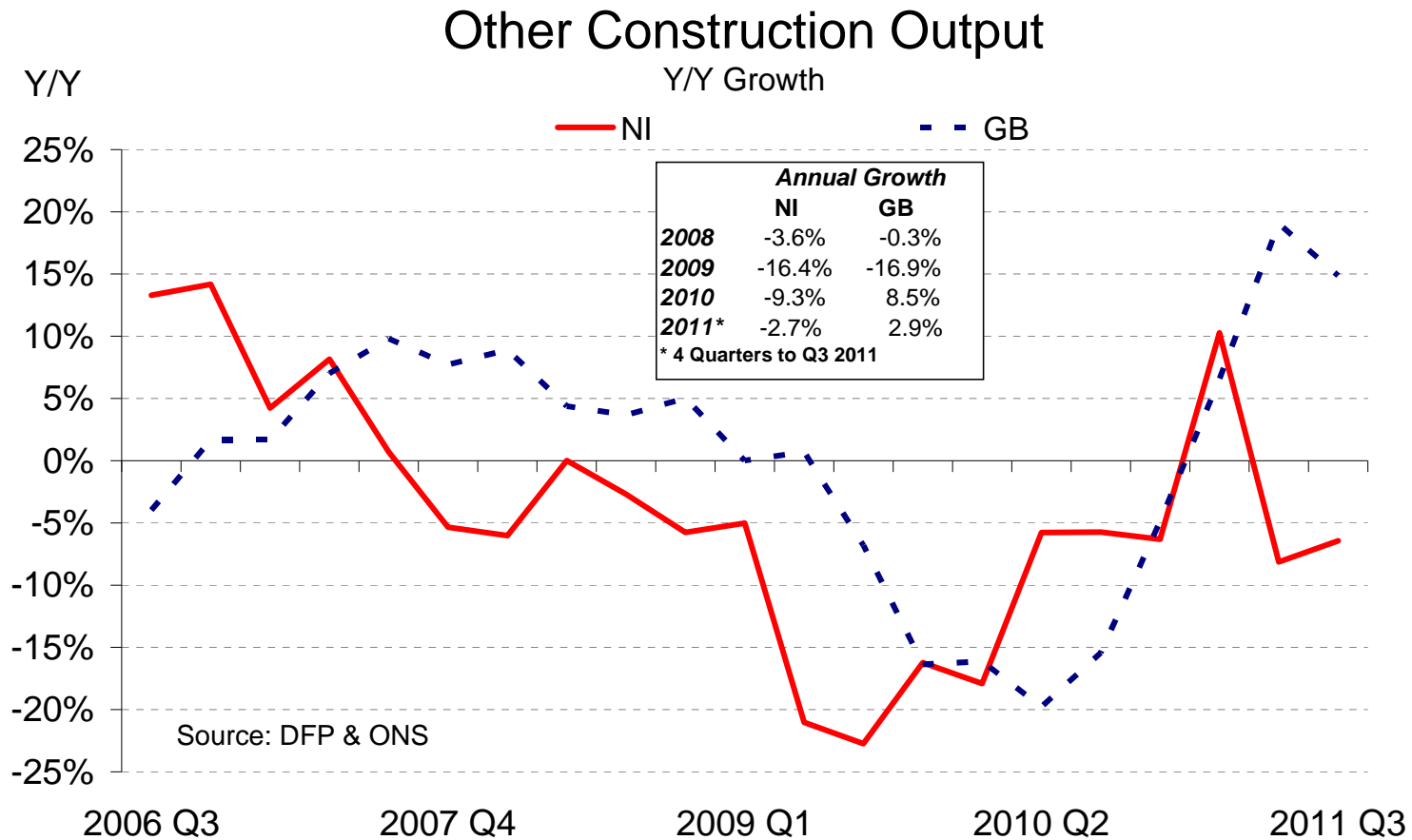




# Annual rate of GB housing output slowing dramatically but still robust growth over last 4 quarters (>14%)



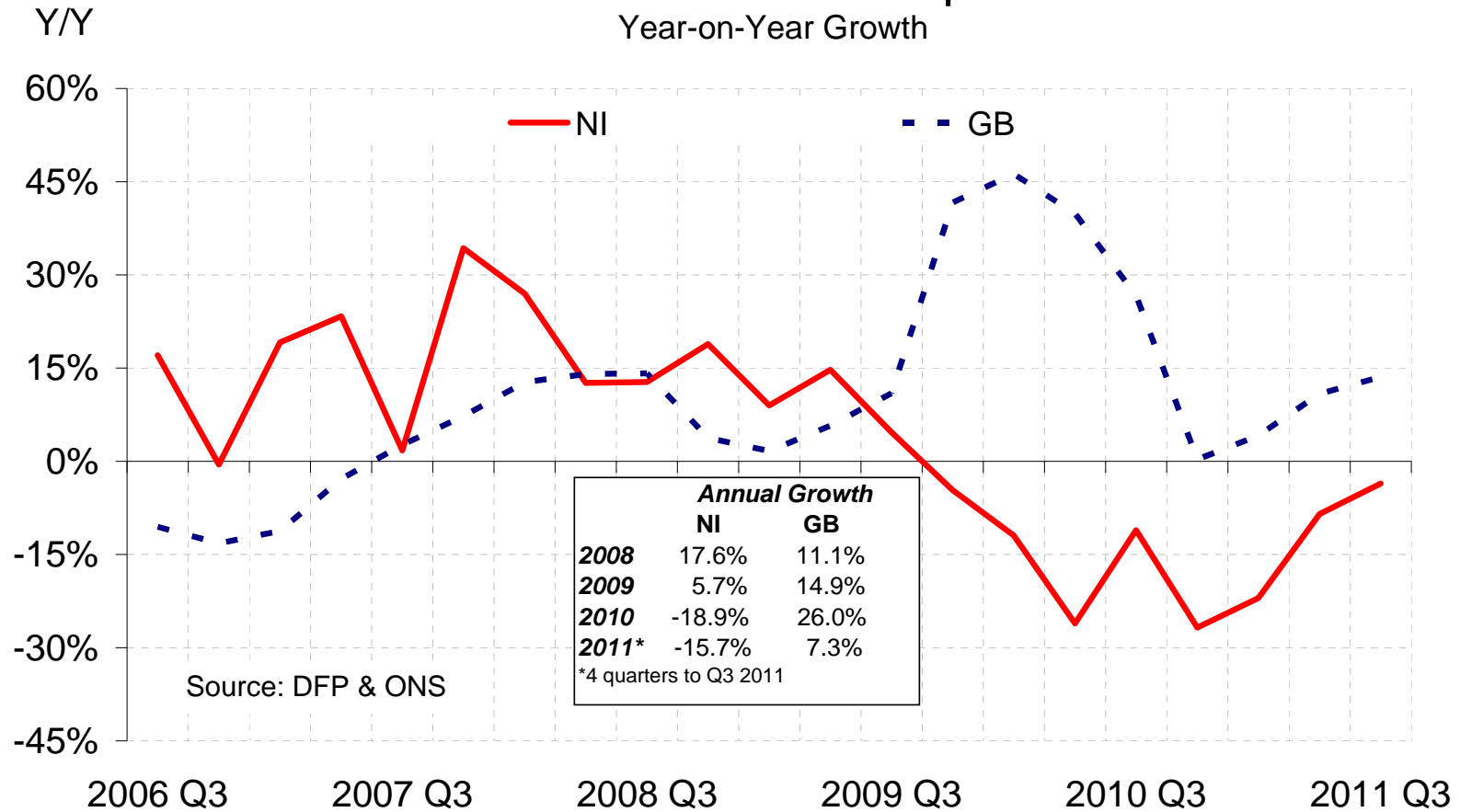
# 'Other construction' output within NI & GB followed similar growth trajectories until Q2 2011



**GB infrastructure output has been rising y/y since 2007 Q3 whilst NI's has been falling y/y since 2009 Q4**

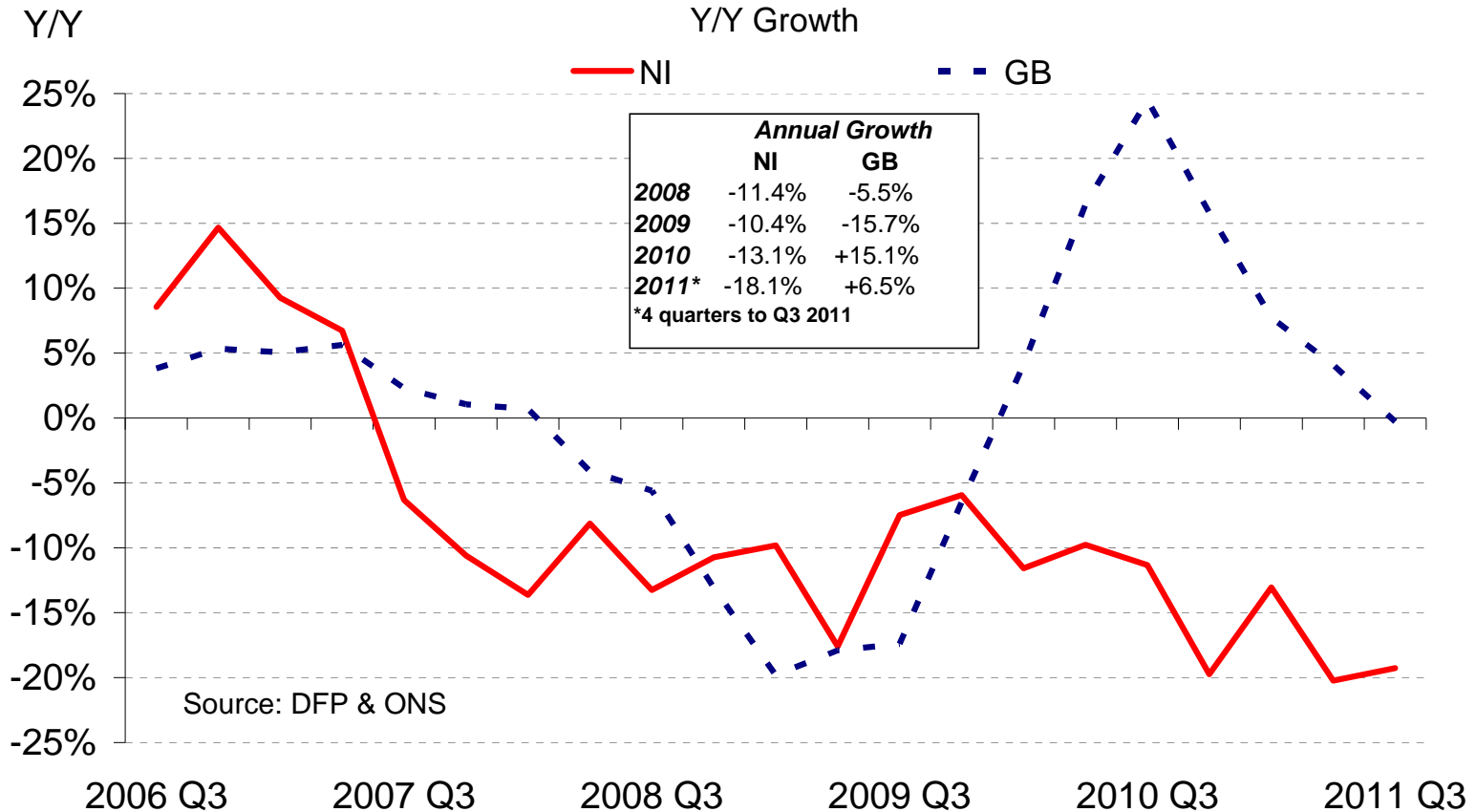
## Infrastructure Output

Year-on-Year Growth



# Significant divergence between NI & GB in terms of incoming construction orders

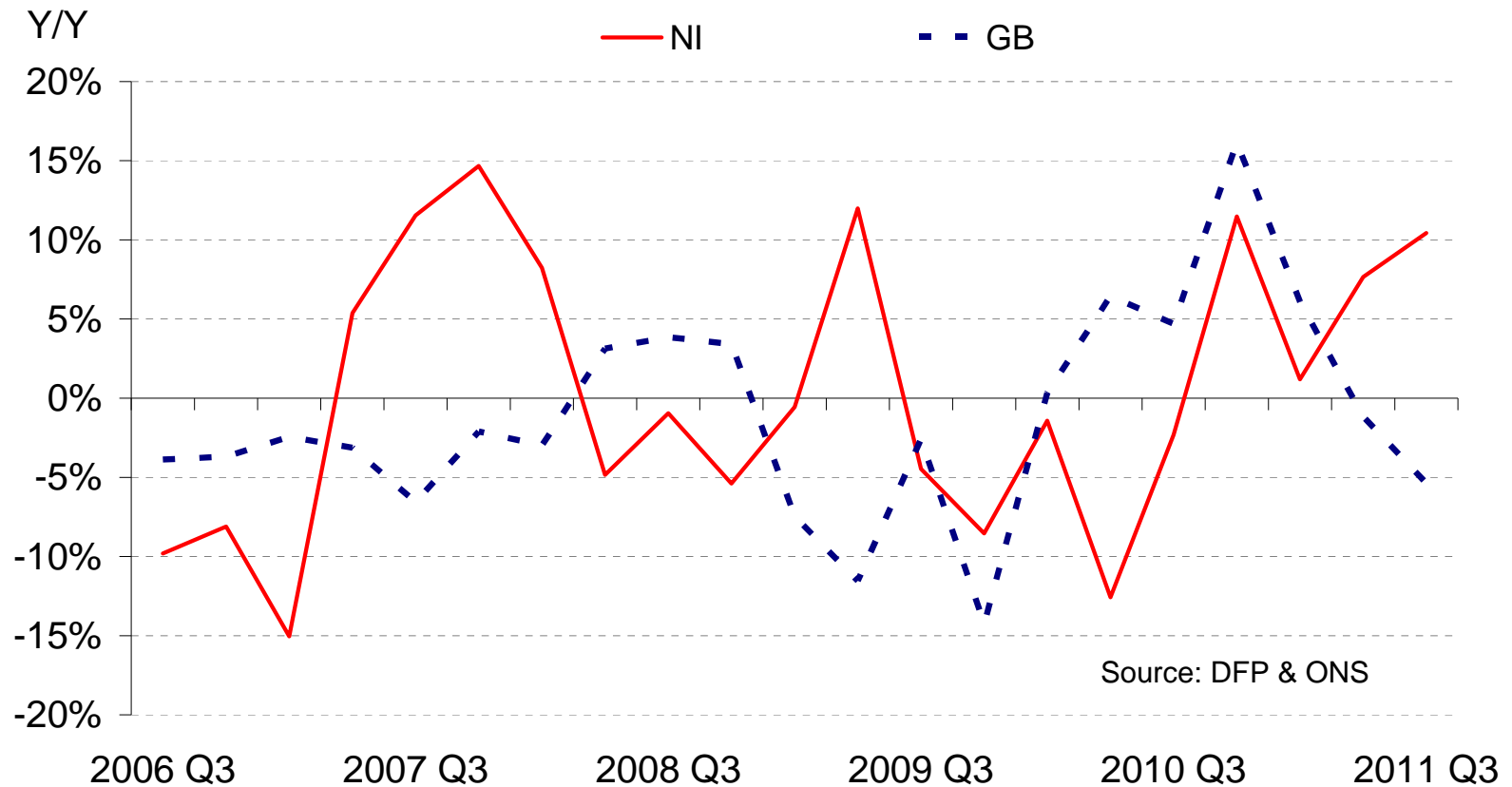
## Construction Output - New Work



# NI bucking the national trend in Repair & Maintenance output *(due to targeted public expenditure)*

## Repair & Maintenance Output

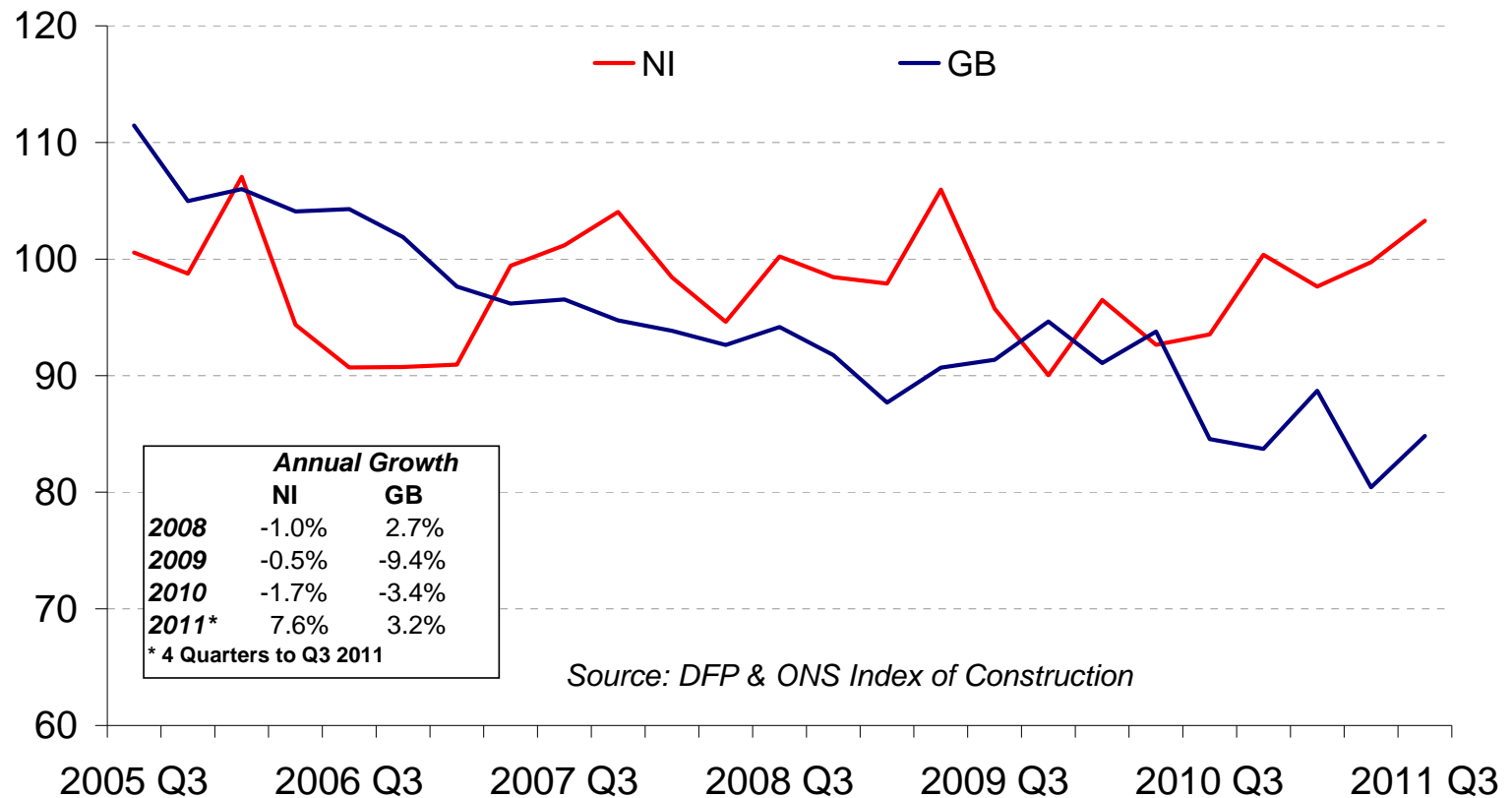
Y/Y Growth



# GB Repair & Maintenance output trending down whereas NI has maintained its broad level over last 5 years

## Levels of Repair & Maintenance Output

Index 2005=100



---

# Ulster Bank Northern Ireland Purchasing Managers Index (PMI)

*December 2011 Survey Update*

Issued 9 January 2012

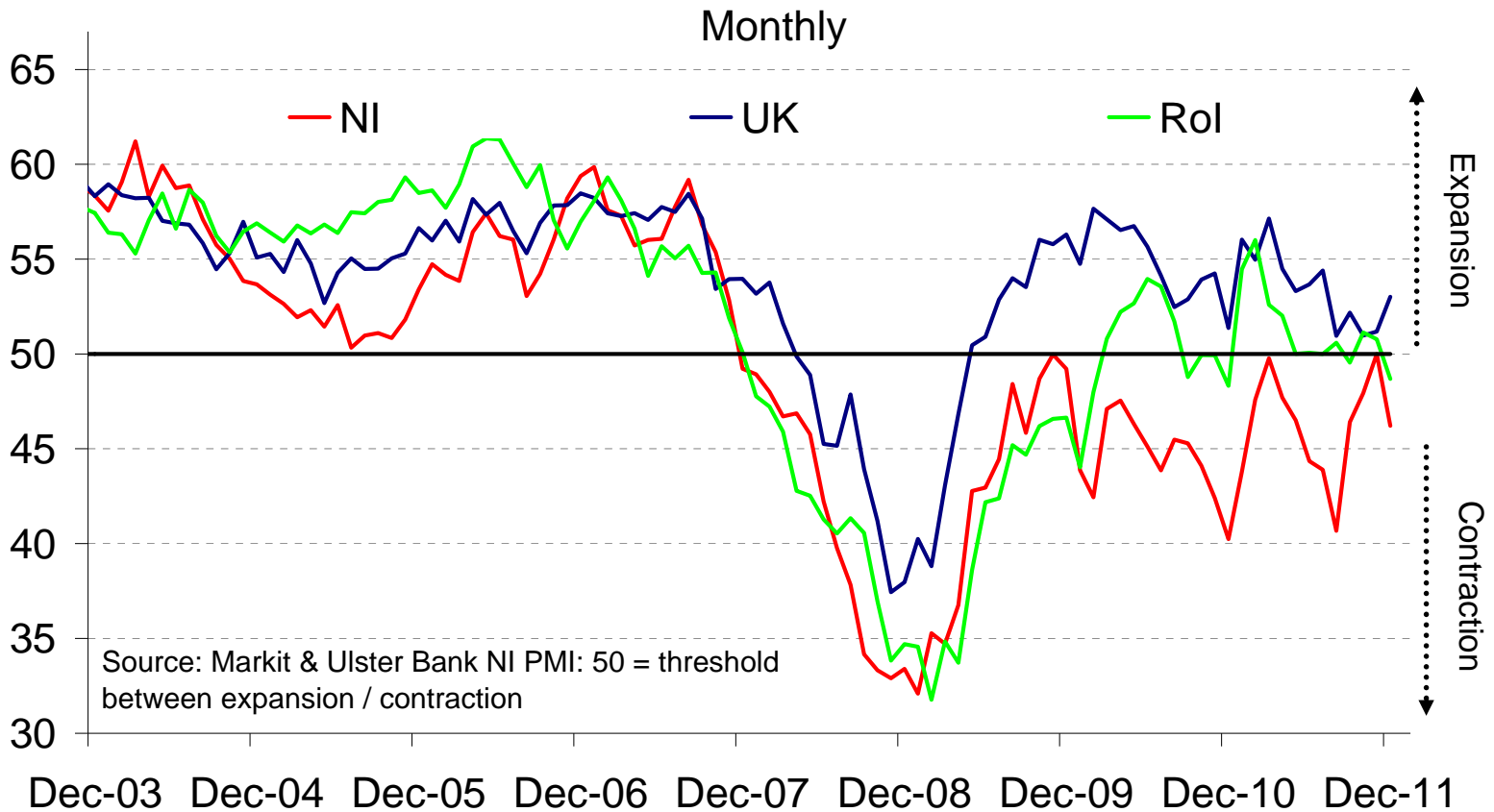
***Richard Ramsey***

***Chief Economist Northern Ireland***

***[richard.ramsey@ulsterbankcm.com](mailto:richard.ramsey@ulsterbankcm.com)***

# NI's private sector contraction resumes in December

## Private Sector Business Activity - PMIs

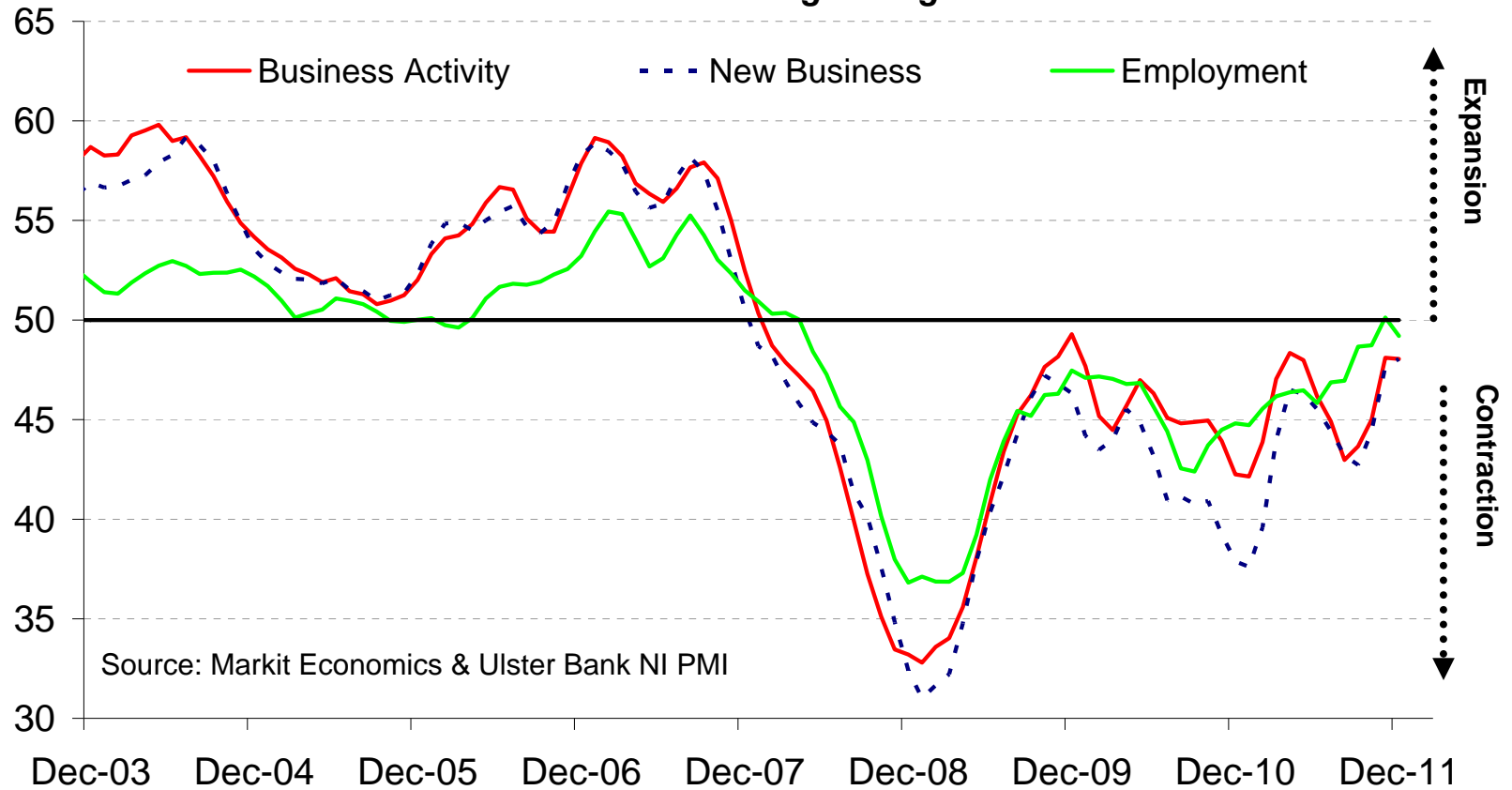




# NI output, orders and employment all contracting in Q4 2011

## NI Private Sector Activity

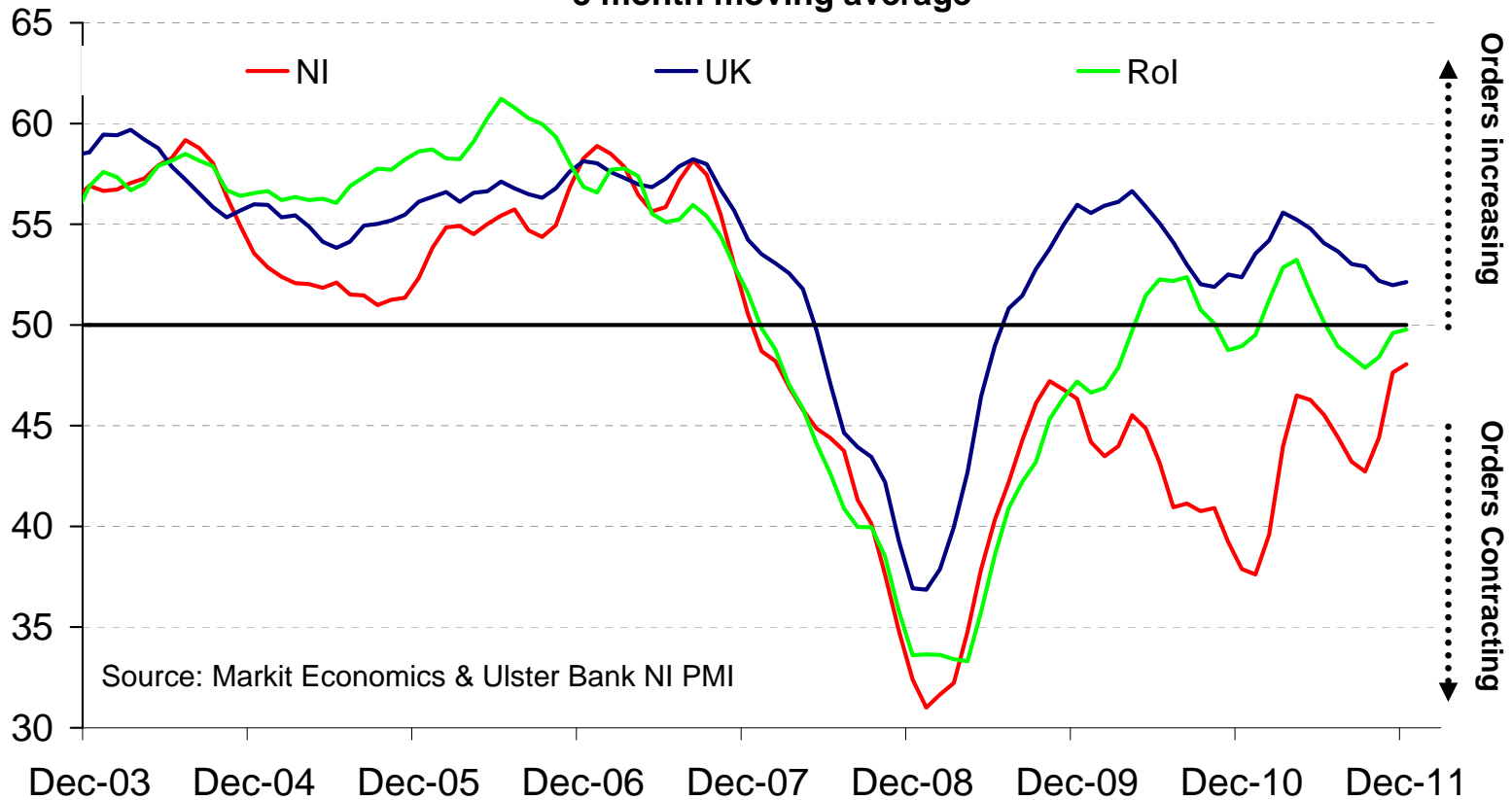
3 month moving average



# Although pace of NI's decline in new orders has eased

## Private Sector New Orders

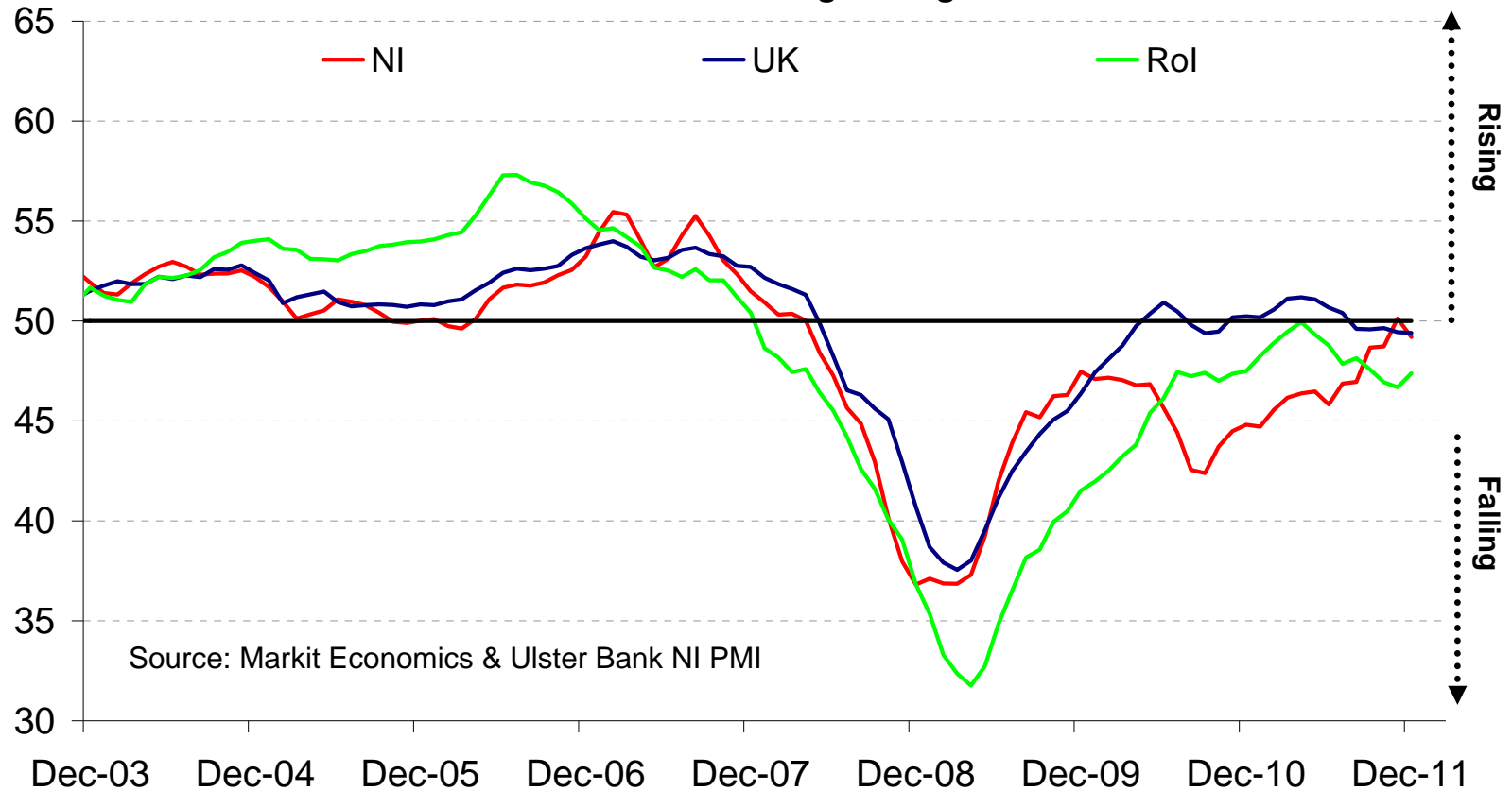
3 month moving average



# NI records employment growth for first time since February 2008 in November but followed by steep fall in December

## Private Sector Employment Levels

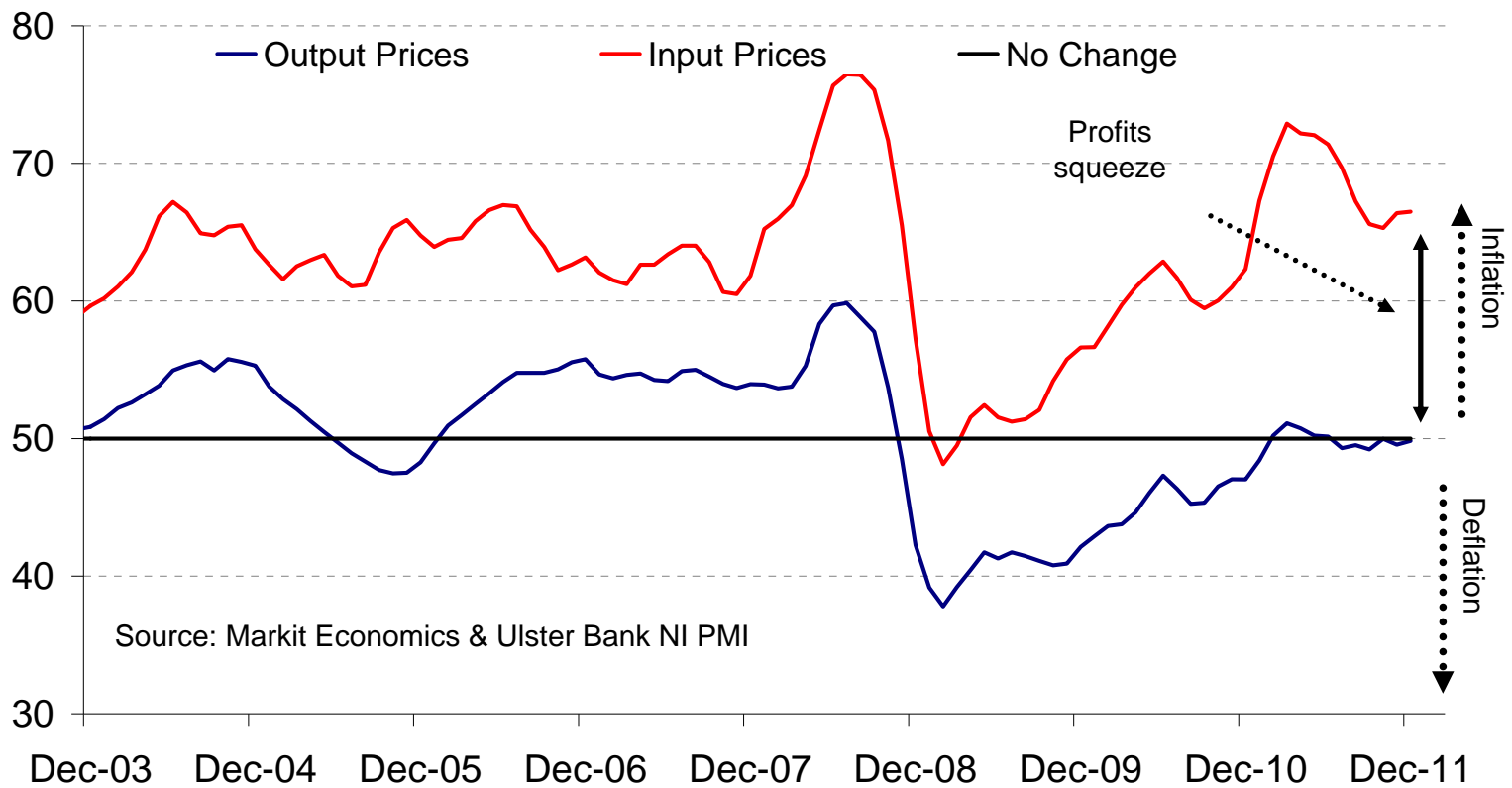
3 month moving average



# NI profit squeeze remains with pricing power broadly static

## NI Private Sector Profit Squeeze

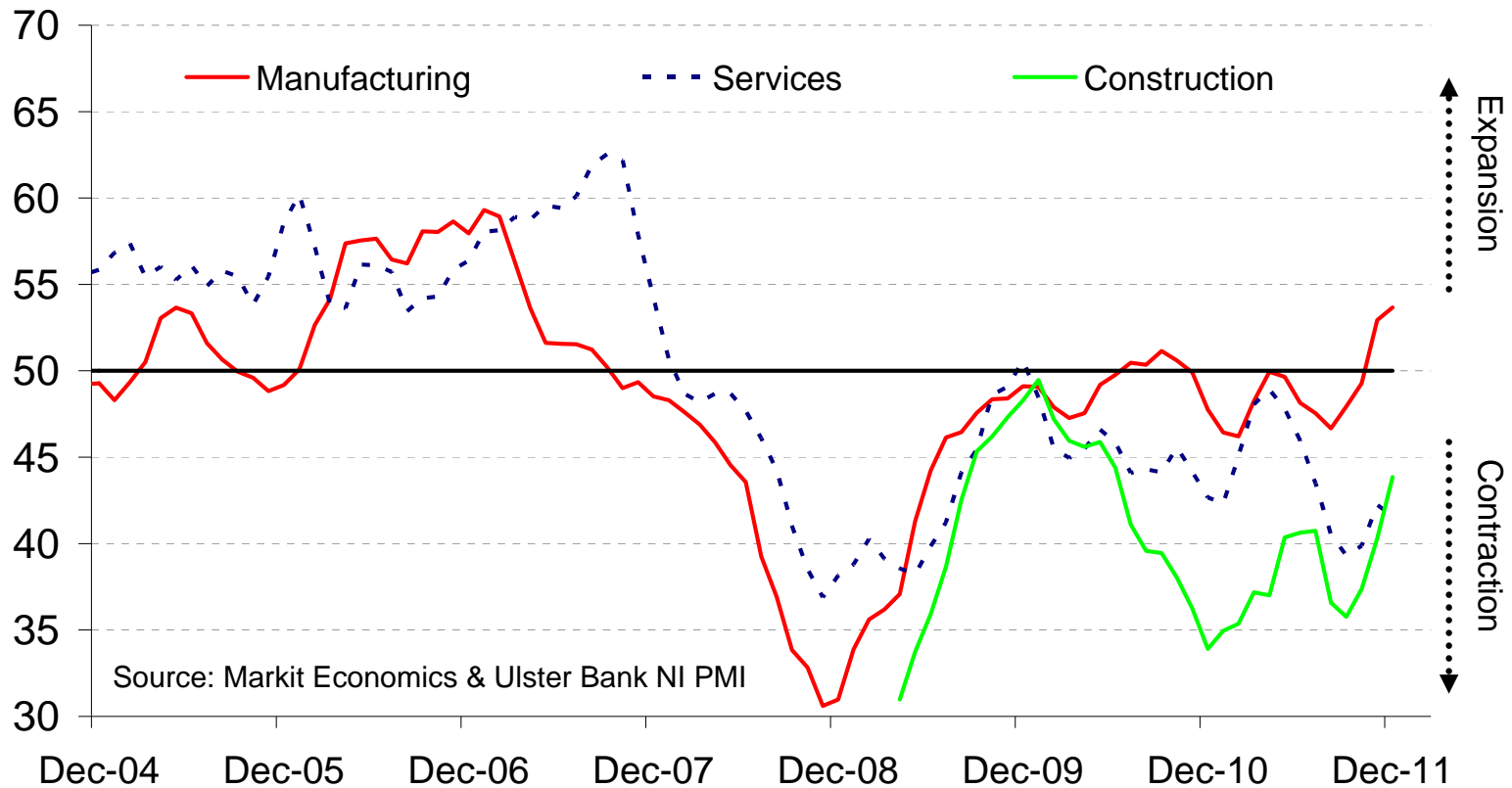
3 Month Moving Average



# Outside of manufacturing pace of contraction in construction & services remains severe over the last 3 months

## NI Private Sector Output

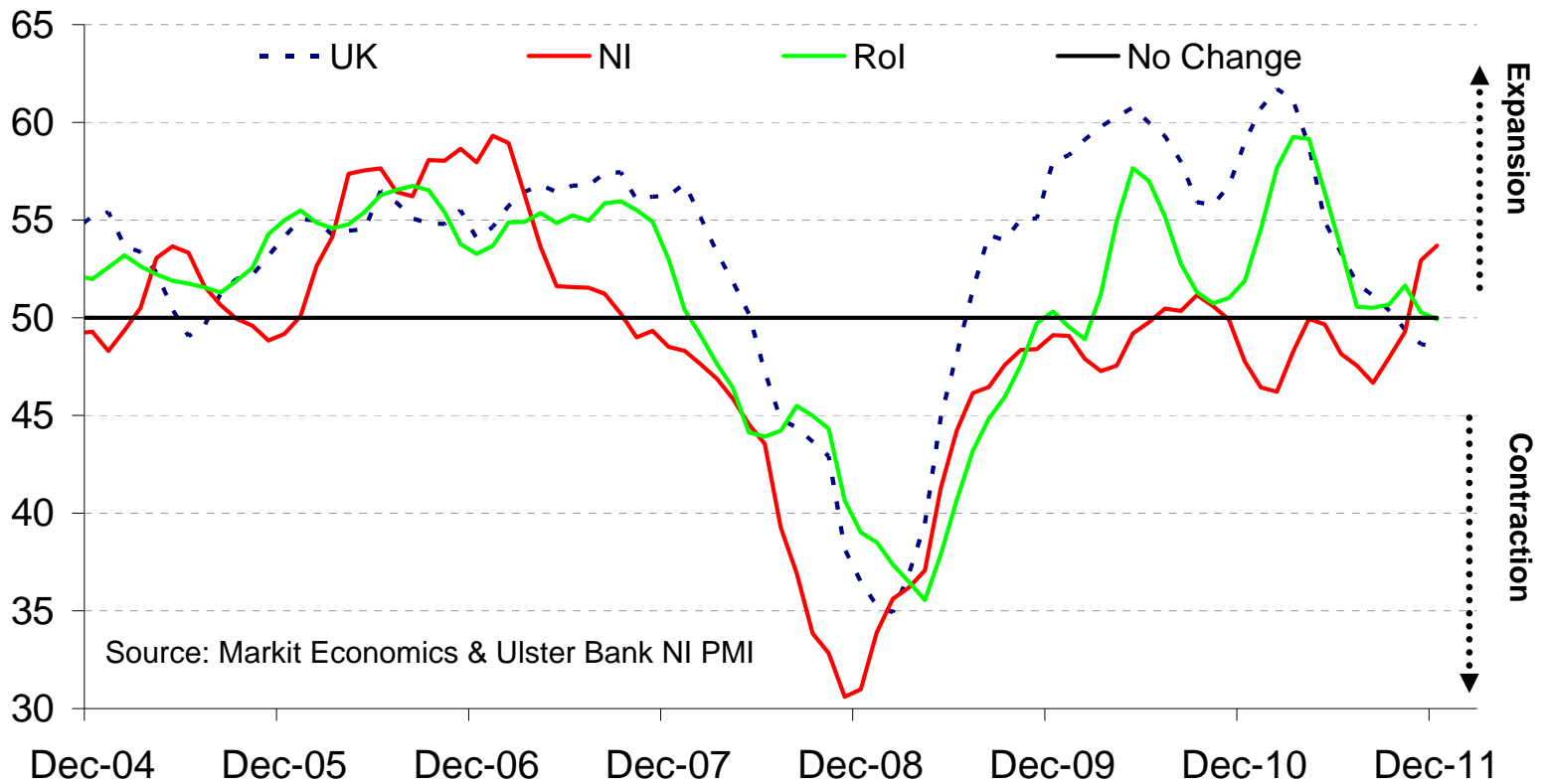
3 month moving average



# NI manufacturing outperforming RoI and UK

## Manufacturing Output

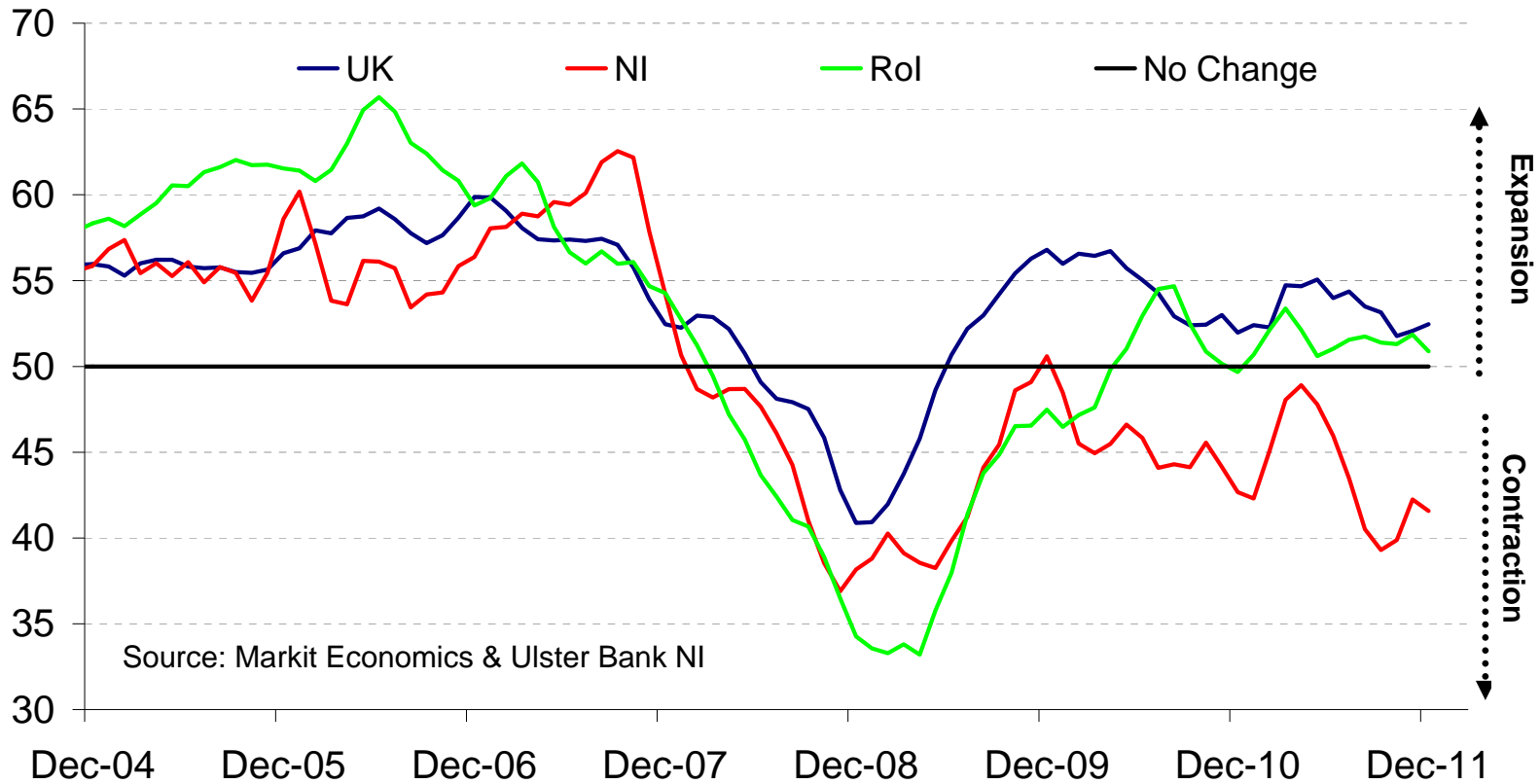
3 month moving average



# NI-UK divergence still apparent within service sector

## Services Output

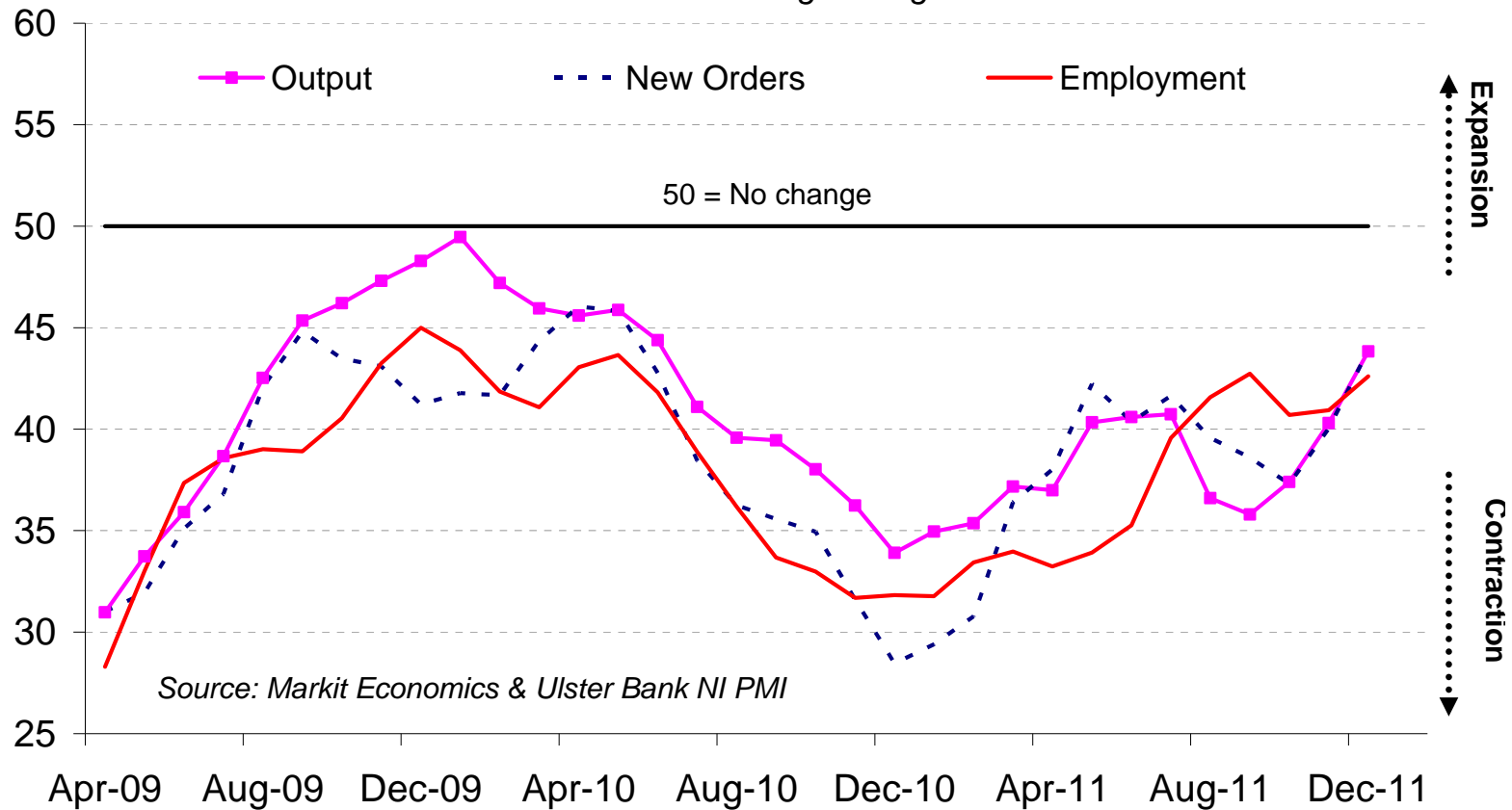
3 month moving average



# NI construction sector continues to weaken

## NI Construction PMI

3 month moving average





# 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.