

Northern Ireland Private Sector Output Q4 2011

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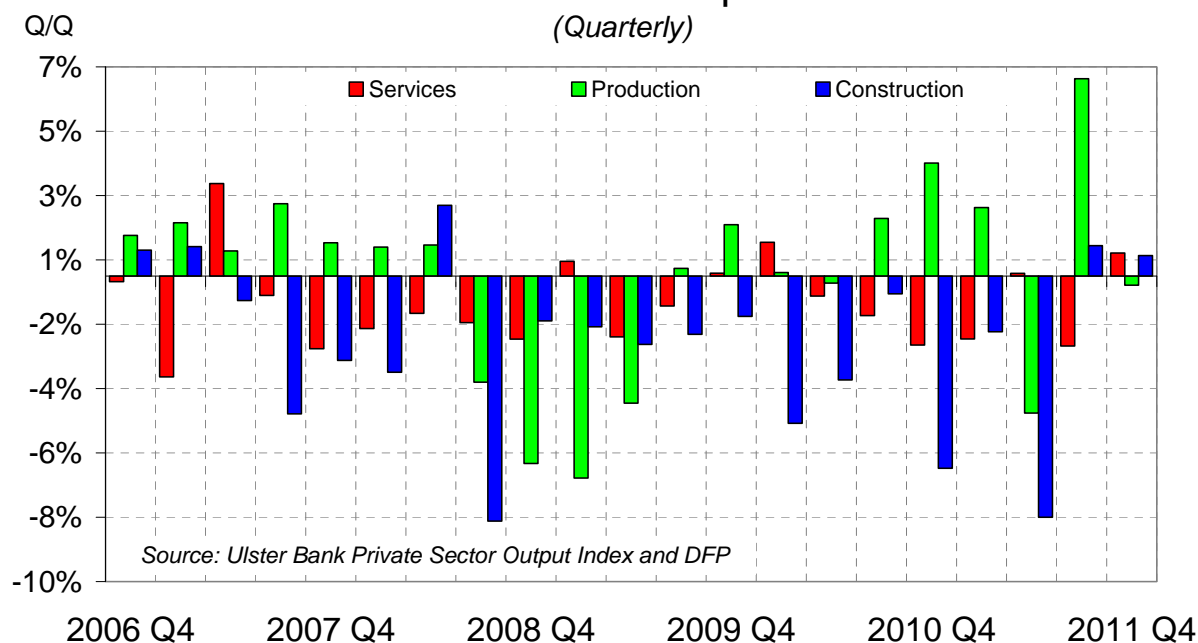
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Services & Construction sectors post growth in Q4 2011

Last month 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 fourth quarter (Q4) of 2011. 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, included significant revisions to some of the surveys - notably services. Indeed, the private sector services recorded a decline in Q3 of 2.2% and not the increase of 1.9% services posted back in January 2012. Nevertheless, Northern Ireland's largest sector posted a 0.7% q/q rise in Q4 2011. Meanwhile, the construction sector saw output increase for the second consecutive month with 0.6% q/q in Q4 2011. There was an upward revision in the other direction for the manufacturing and industrial production output figures for Q3 2011. Industrial production expanded at a rate of 6.2% q/q, some 1% higher than was flagged back in January. The latest survey for Q4 2011 reveals that industrial production fell by 0.3% q/q and manufacturing posted a decline of 0.9% q/q. However, the latter follows a spectacular increase of 6.7% in manufacturing output. This was driven by a 9.5% q/q increase within the engineering sector. This probably reflects a huge sale / order within one of Northern Ireland's flagship exporters. Meanwhile, NI's largest manufacturing sector – *Food, Drink & Tobacco* – continues to report healthy gains and the *Chemicals and Chemical Products* sector (pharmaceuticals (*e.g. Randox, Almac & Norbrook*)) posted a record high in Q4 2011.

NI Private Sector Output Growth (Quarterly)

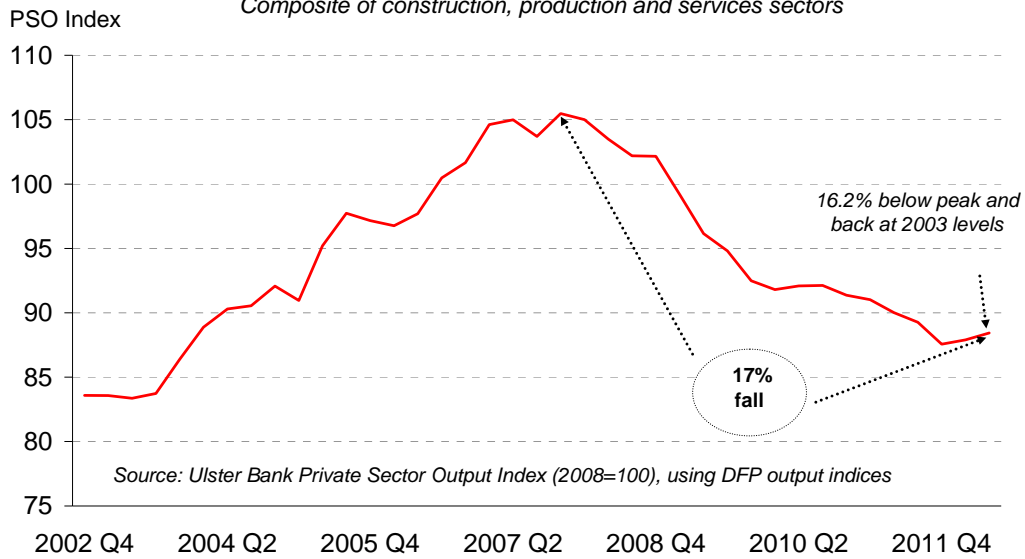


Northern Ireland Private Sector Output increased by 0.6% in Q4 2011

In the absence of quarterly GDP figures, which are not available for Northern Ireland, the three aforementioned surveys can be compiled into a single composite index to provide a useful estimate for local private sector output. This Ulster Bank composite index excludes agriculture and the public sector. According to the latest estimates, Northern Ireland's private sector output increased by 0.4% in Q3 2011 (*not the staggering 2.7% rise indicated in the first estimate*) and 0.6% q/q in Q4 2011. In our view, these latest estimates are also vulnerable to downward revisions in due course. Irrespective of whether these revisions occur or not it is important to consider the level of output as opposed to growth. Private sector output remains over 16% below its Q2 2007 peak and is back at mid-2003 levels.

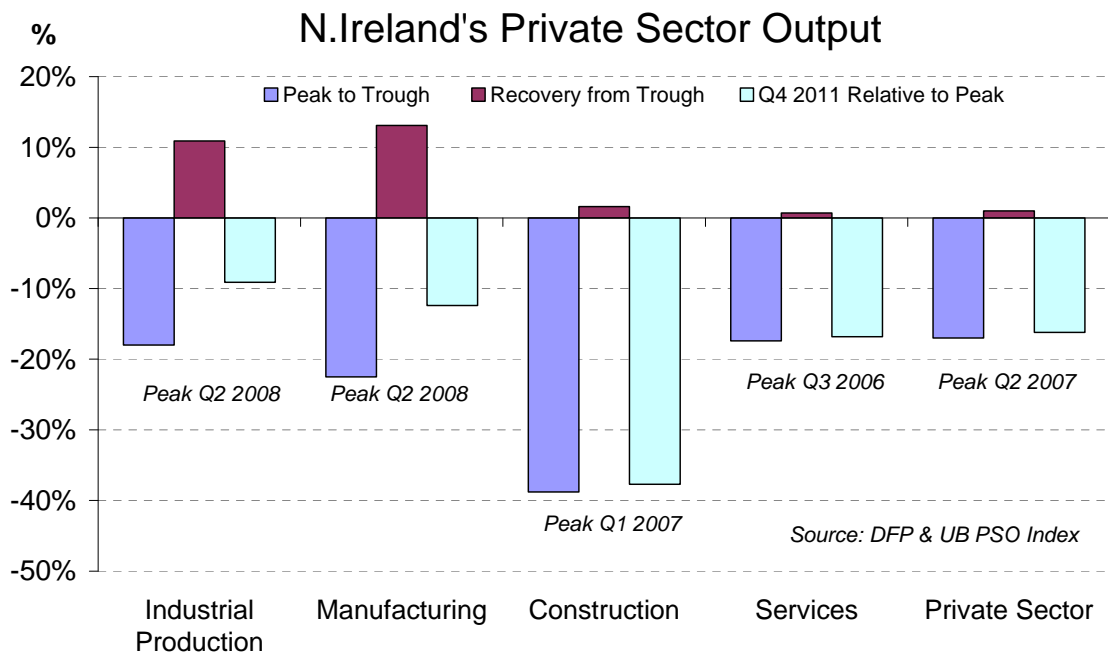
NI Private Sector Output Levels

Composite of construction, production and services sectors



Manufacturing rebound evident, but services and construction seeing no meaningful recovery

Both the scale of the recession and subsequent recovery has been sector specific. Manufacturing output fell 22.5% from its pre-downturn peak (Q2 2008) to a trough in Q2 2009. Since then, however, manufacturing production has risen in four of the last six quarters. Cumulatively output has increased by 13% with the sector recouping almost half (45%) of the output lost during the recession. Meanwhile, the construction and services sectors remain even further adrift from their pre-downturn peaks with no meaningful recovery yet taking hold. Private sector services output decreased by over 17% between Q3 2006 and Q3 2011. Subsequently, services output has rebounded by just 0.7%. As a result only 1/30th of the output lost during the recession has been recovered. The peak to trough declines in output, and lack of a recovery, is also stark within the construction sector. Northern Ireland's construction output remains almost 38% below its Q1 2007 peak.



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