

NI Employment falls in Q1 2012 & unemployment nudging higher

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

richard.ramsey@ulsterbankcm.com

Hwww.ulsterbankcapitalmarkets.com

UK dole queue rises for 1st time in 3 months

The UK posted its first monthly rise in unemployment in three months, using the claimant count measure, in May. An additional 8,100 joined the unemployment register last month, which was above City analysts' expectations for a decrease of 4k. The increases over the last year have largely been linked to welfare reforms which are shifting individuals (*e.g. lone parents*) from the inactivity register into active job search (*economic activity*). The UK's claimant count stood at 1.599 million in May which is 1.6% below the peak of 1.625 million posted in October 2009. Meanwhile, the UK's claimant count rate remained unchanged at 4.9%.

NI's dole queue still grinding higher but by only 300 in May

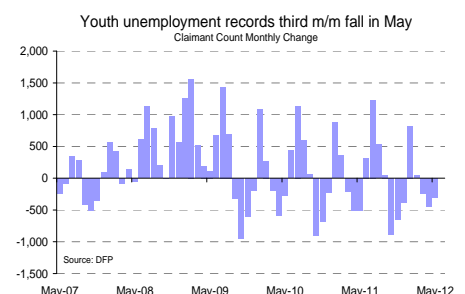
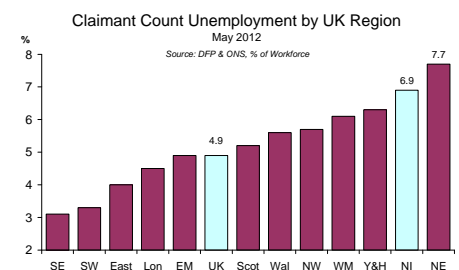
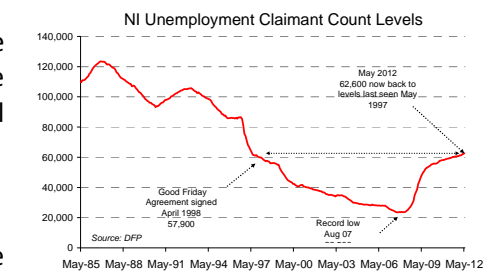
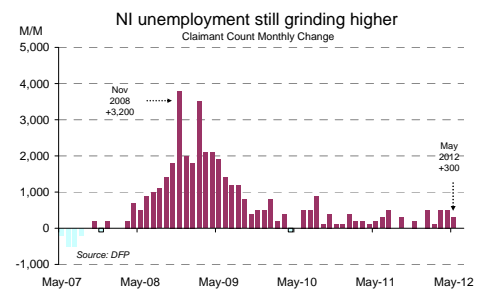
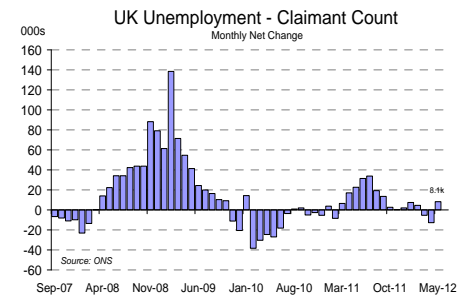
The number of unemployed continued to push higher last month with an additional 300 individuals joining the dole queue. The current claimant count now stands at 62,600. However, the rate of increase has continued to be much weaker than expected. Nevertheless, while the claimant count remains half the level that prevailed during the mid-1980s, it still marks the highest level since May 1997. Since the credit crunch began in August 2007, NI's unemployment register has risen by 39,100 or 166%. To put this figure into perspective, this rise in unemployment is almost equivalent to the entire working age population within either Ballymena or Fermanagh District Council Areas.

NI's claimant count unemployment rate remains at 6.9%

NI's seasonally adjusted claimant count rate stood at 6.9% in May and was the second highest amongst the 12 UK regions (*North East = 7.7%*). This compares with 4.9% for the UK and remains the highest rate since February 1999. Last month NI's claimant count level increased by just 0.5% which was in line with the rise in the UK. The increase in NI's claimant count over the last 12 months (+5.4%) was the fifth lowest among the UK regions (*the annual increase in the UK was 6.4%*). Meanwhile, NI's long-term unemployment rate – defined as the proportion of the unemployed who have been out of work for over 12 months – posted a fresh high of 25.4% last month.

Youth unemployment falls for 3rd consecutive month

The number of claimants under the age of 25 years, '*youth claimant count*', fell for the third consecutive month in May. The decrease of 308 in May followed decreases of 440 and 245 in the previous two months. The number of under 25s actively seeking work, but unable to find any, currently stands at 17,502 and marks the lowest level in 12 months. Youth claimants represent 28.4% of the total claimant count. Since the credit crunch began in August 2007, NI's youth unemployment has risen by 9,167 or 110%. The current level of youth unemployment remains close to one quarter above the levels that prevailed when the GFA was signed in April 1998.

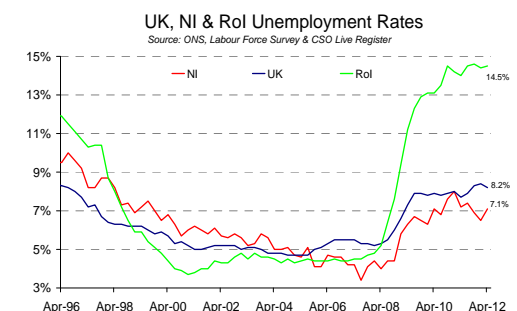
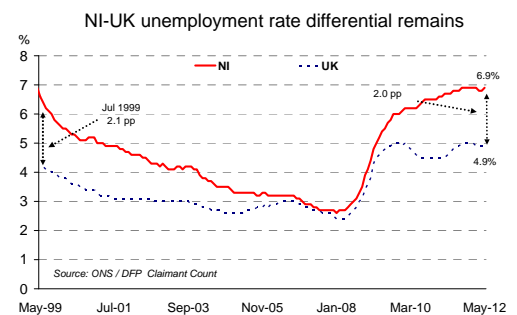
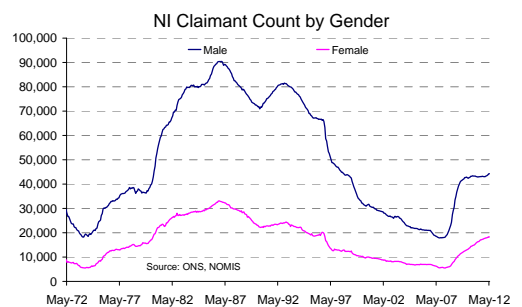
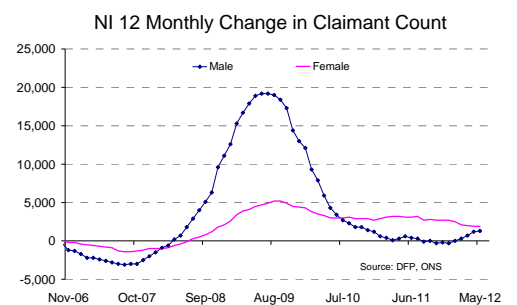
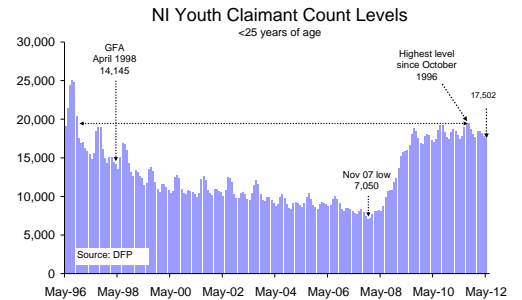


Male & female unemployment nudging higher

The driver of NI's rising unemployment has switched from males to females over the last 2 years. Male claimants have increased by 1,700 (+4%) over this period. By comparison, female unemployment has risen by 4,900 (+37%). Male unemployment breached 44,000 in April 2012 and is currently at 44,300. Meanwhile, female unemployment has risen more rapidly, albeit from lower levels, with the number of females claiming the dole reaching its highest level since October 1996 last month (18,300). A key reason for the recent rise in female unemployment has been welfare reform. Changes in welfare benefits has led to lone parents, for example, switching status from being economically inactive (*in receipt of benefits*) to the Jobseekers allowance (*specifically unemployment benefit*). As a result, they have moved from one welfare benefit register to another and the official unemployment register has risen in the process. Therefore much of the rise in the claimant count has been nothing to do with deteriorating economic conditions. In light of this, NI's labour market has shown more resilience than the headlines suggest. As welfare reform continues, the claimant count is expected to witness a significant rise, possibly running into tens of thousands. However, this does not mean tens of thousands of job losses and will have nothing to do with deteriorating economic conditions.

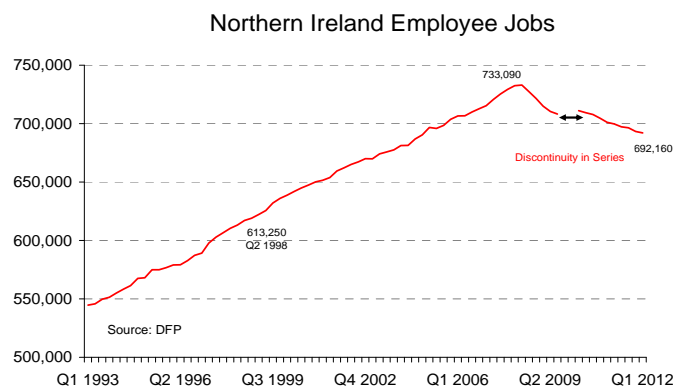
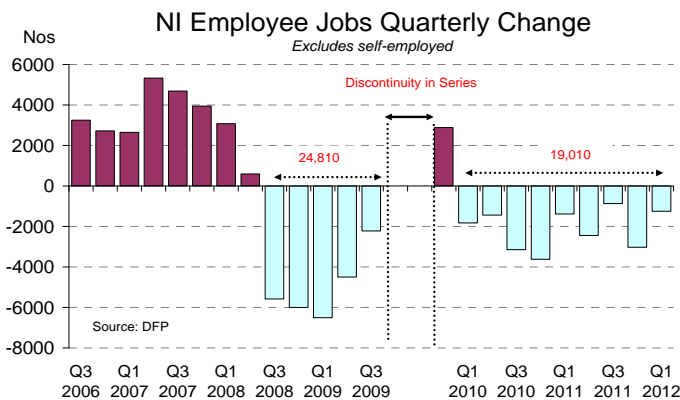
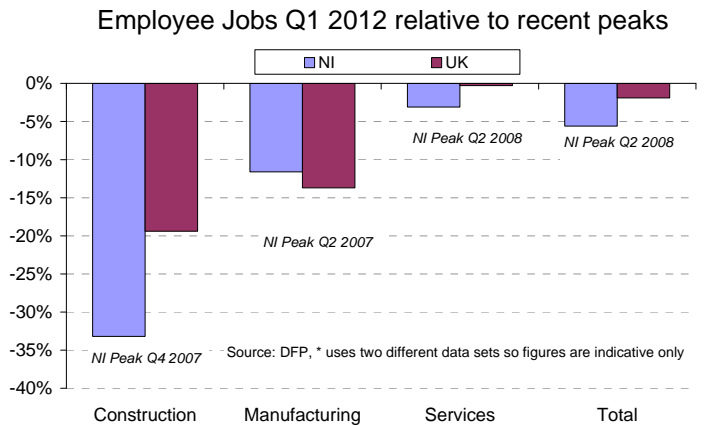
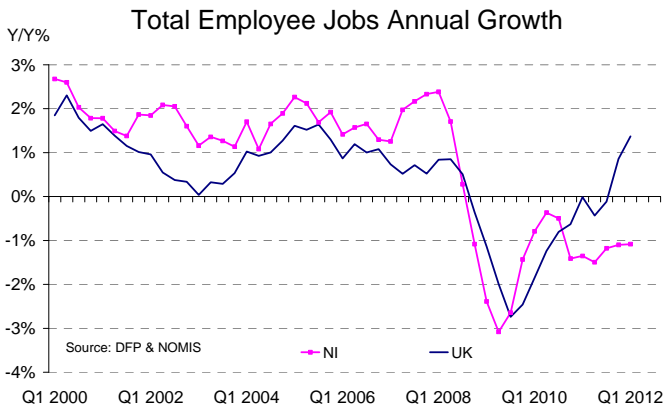
NI ILO unemployment rate rises to 7.1% but treat headline with caution

Using the wider ILO unemployment measure, this is not confined to those eligible for unemployment benefit, unemployment rose by 5,000 to 60,000 during the 3 months to April 2012. Interestingly, the number of economically inactive rose by 9,000 over the same period. Meanwhile, NI's ILO unemployment rate jumped from 6.5% in the three months to January to 7.1% in the three months to April 2012. Conversely, the equivalent unemployment figures for the UK saw the number of unemployed fall by 51,000 (1.9%) over the three months to April with the unemployment rate decreasing from 8.4% to 8.2%. At face value, NI's headline unemployment rate compares favourably with the current UK rate and 14.5% for the Republic of Ireland. Meanwhile the corresponding unemployment rate for the European Union is 10.2%. However, NI's ILO unemployment rate should be treated with caution. One of the reasons why NI appears to have a lower unemployment rate is the high level of economically inactive, these are people neither in work or looking for work. NI continues to have the highest economic inactivity rate of all the UK regions – 27.7% versus 23.0% for the UK. Finally, whilst acknowledging the erratic figures within the ILO Labour Force Survey, it is noted that youth unemployment jumped 5pp to 21.0% in the three months to April relative to the previous quarter. This compares unfavourably with the equivalent UK rate of 19.9% and is below the record high of 22.5% back in Q4 2010.



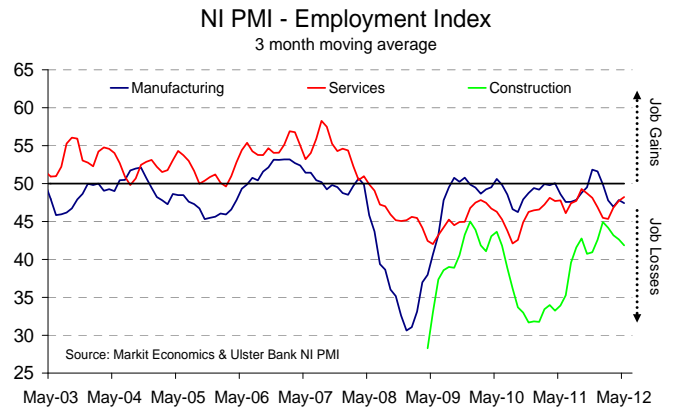
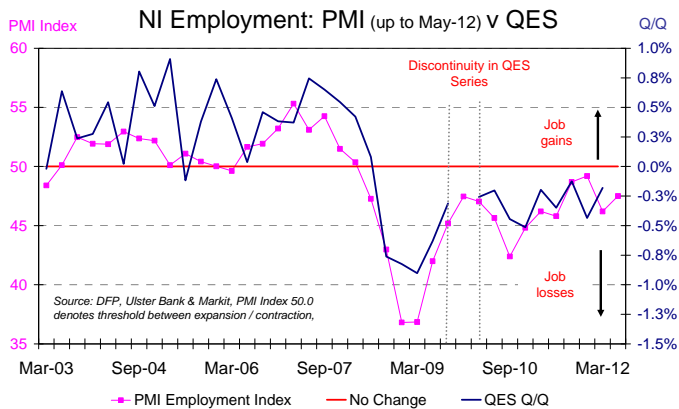
The Quarterly Employment Survey signals 9th successive quarterly decline in employment

Whilst the focus is normally on the monthly unemployment figures, the spotlight shifted this month to the quarterly employee jobs survey (QES). This measures the number of jobs as opposed to the number of individuals in employment. The QES excludes the self-employed. It is noted that the QES coverage and methodology used to estimate the number of jobs in NI has changed (*explaining the rise in Q4 2009*). The expanded coverage provides a more reliable and accurate reflection of the employment situation in NI. However, the downside is that there is no longer a consistent series for the number of jobs during the recession as there is now a discontinuity (*since Q3 2009*) between the old and new series. As a result, unfortunately, we now cannot say with any consistency how many jobs have actually been lost during the NI recession using the QES as the yardstick for measuring the impact has changed. The latest QES survey for Q1 2012 signalled the ninth consecutive decline in the number of jobs. Looking at the two different series below it is clear that NI has experienced 14 quarterly declines during the last 15 quarters. Using these two data sets (*not comparable data but used for indicative purposes only*) it is clear that NI's employment peak was in Q2 2008. Since then, the number of employee jobs has fallen by 40,930 or 5.6% (UK = 1.9%) to 692,160 in Q1 2012. This broadly takes the number of jobs back to late-2004 levels. In Q1 2012, the number of employee jobs decreased by 1,250 q/q (-0.2%), which is half the rate of decline recorded in the previous quarter. Furthermore, the number of jobs in Q1 2012 was 7,590 (1.1%) below the corresponding quarter in Q1 2011. The equivalent UK figures posted a 1.1% q/q increase in Q1 2012 and were 1.4% higher y/y.



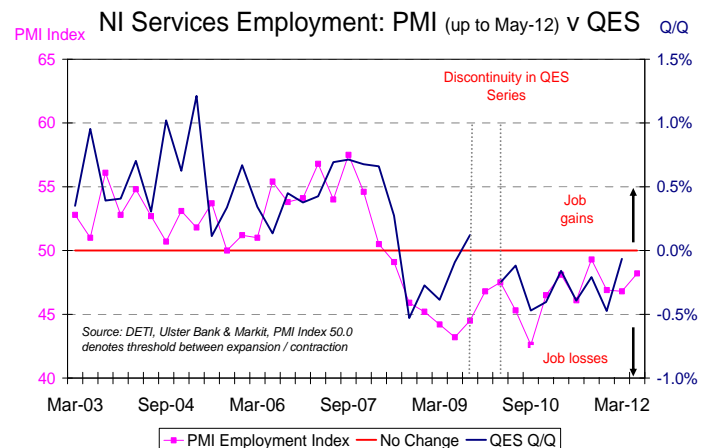
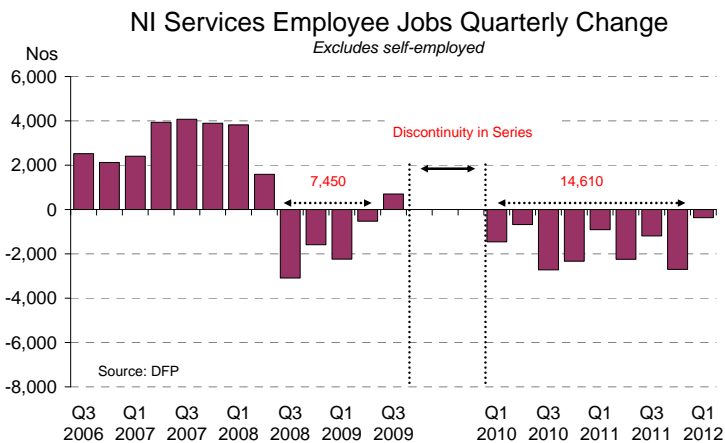
The PMI has been a good predictor of employment

The latest QES survey relates to Q1 2012 and includes all sectors within the economy. Meanwhile, the Purchasing Managers Index, or PMI, has signalled that job losses have continued into Q2 2012 (*up to May*). The PMI signals that all sectors witnessed job losses in the three months to May with the steepest declines remaining within the construction industry. The PMI covers the private sector and excludes agriculture. Nevertheless, the PMI has been a reasonably good predictor of the QES. Going forward, it should be noted that the PMI will underestimate future job losses as it does not cover the public sector.



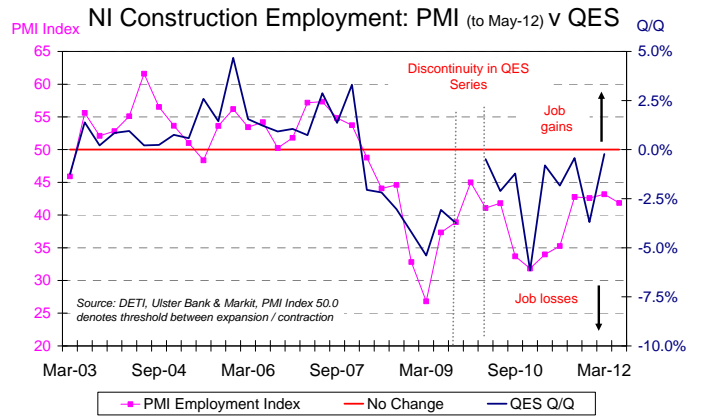
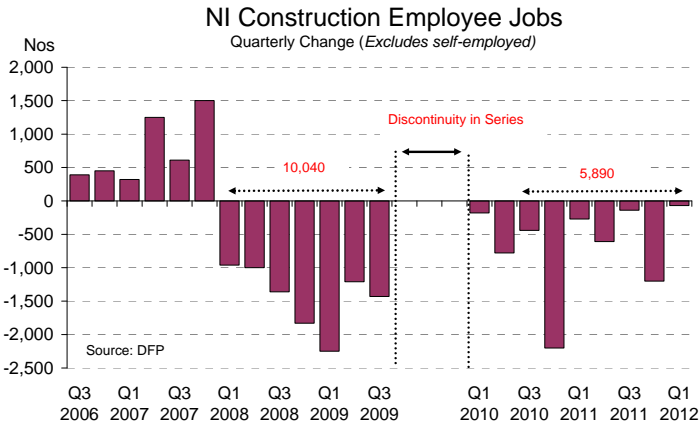
Services shedding jobs ahead of significant public sector job losses

NI's services sector posted its 9th consecutive quarterly fall in employment in Q1 2012. However, the latest quarterly fall of 370 jobs (-0.1%) was the smallest decline in the nine quarter series. Service sector employment decreased by 6,510 jobs (-1.1%) relative to Q1 2011. Meanwhile the UK labour market has posted employment gains of 1.1% q/q and 1.5% y/y. Looking at the two QES data series for Northern Ireland (*which aren't strictly comparable*) for indicative purposes only, it is noted there have been 31,360 service sector jobs lost during the downturn. NI's service sector employment is now 3.1% below its Q2 2008 peak, which is 10 times the corresponding decline (*net position*) in the UK. Nevertheless, this still only takes Northern Ireland's service sector employment back to late-2006 levels. Looking ahead, the shrinking of the public sector and job losses within consumer sensitive sectors should push service sector employment back to 2004/05 levels in due course.



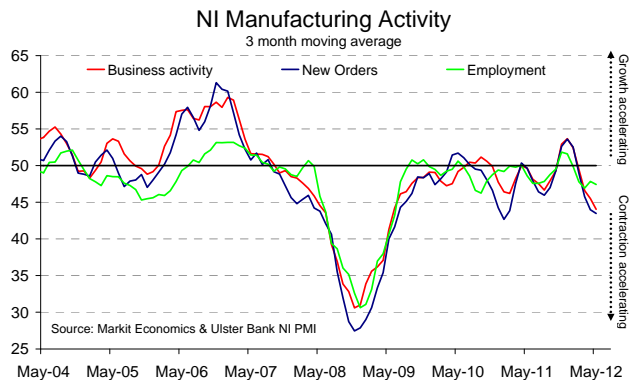
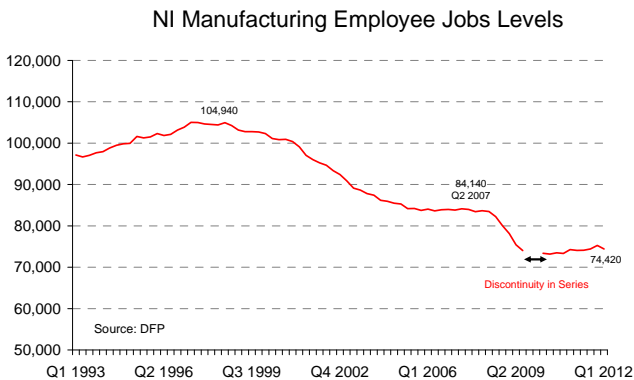
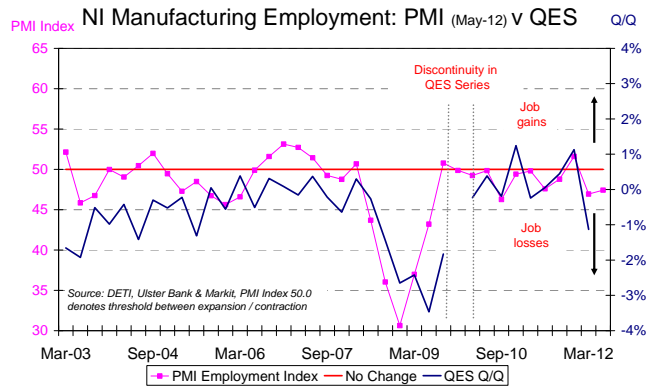
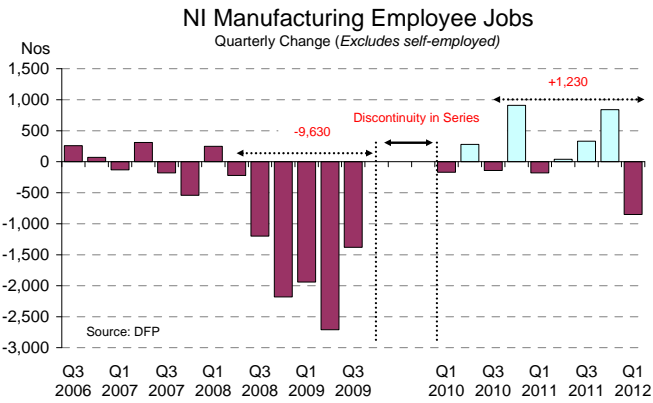
Construction sector loses jobs for 16th consecutive quarter

The latest QES reveals that the construction industry lost just 70 jobs, or 0.2%, in Q1 2012 (UK = -1.2% q/q) which was the smallest decrease in employment within the 16 quarter series. Overall, employment within the construction sector (*excluding self-employed*) has fallen by one third relative to its Q4 2007 peak. This compares to a decline of 18% for the UK over the same period. As a result, NI's construction employment is back at levels last seen in 1999. A series of construction industry surveys (*e.g. RICS, PMI*) have signalled that the outlook for the sector is more of the same in the year ahead. Indeed, with the public sector's capital investment plans set to decline by 37% in real terms, relative to recent highs, further job losses are inevitable.



Manufacturing sector posts its first fall in jobs in 4 quarters

At a sector level, NI's local manufacturing firms had been bucking the wider trend over the last two years. Indeed, prior to today's Q1 2012 survey, manufacturing employment had increased in five of the previous eight quarters. This purple patch has come to an end with local manufacturing losing 850 jobs (-1.1%) in Q1 2012. NI's manufacturing industry has not shed this many jobs since Q3 2009. In contrast, UK manufacturing posted a robust 1.8% q/q rise in employment in Q1 2012. The healthy state of the automotive industry is one key difference explaining the divergence between NI/UK manufacturing. The latest figures for Q1 2012 indicated that there were 74,420 jobs within the local manufacturing sector. Despite the recent gains in employment over the last 2 years, manufacturing employment remains almost 12% (9,720 jobs) below the recent 2007 peak. By comparison, the UK is 13.5% below its employment levels in Q2 2007. Looking ahead, the fortunes of the sector will very much depend on the strength of the global economic recovery and the prospects for the euro zone. The outlook on both these fronts has been deteriorating quite rapidly. Indeed, the NI PMI has been indicating a steep fall in manufacturing output in Q2 2012. This is likely to lead to further job losses in H2 2012 from some of our major exporters.



Northern Ireland Employees Jobs (Seasonally Adjusted)

	Construction	Services	Manufacturing	Total
2005 Q1	37,770	550,930	85,290	696,710
Q2	38,750	550,400	84,170	695,890
Q3	39,310	550,270	84,210	698,530
Q4	41,150	562,530	83,740	703,690
2006 Q1	41,790	559,320	84,060	706,570
Q2	42,300	560,070	83,630	706,830
Q3	42,690	562,590	83,890	710,080
Q4	43,140	564,710	83,960	712,800
2007 Q1	43,460	567,110	83,830	715,450
Q2	44,710	571,040	84,140	720,780
Q3	45,320	575,110	83,960	725,470
Q4	46,820	579,000	83,420	729,420
2008 Q1	45,860	582,820	83,670	732,500
Q2	44,860	584,410	83,450	733,090
Q3	43,500	581,320	82,250	727,510
Q4	41,670	579,730	80,070	721,510
2009 Q1	39,420	577,490	78,130	715,000
Q2	38,210	576,960	75,420	710,590
Q3	36,780	577,660	74,040	708,280

↑ Old Series ↑

DISCONTINUITY IN DATA SERIES

↓ New Series ↓

Q4	37,150	580,850	73,360	711,170
2010 Q1	36,970	579,390	73,190	709,340
Q2	36,190	578,710	73,470	707,900
Q3	35,750	575,990	73,330	704,750
Q4	33,550	573,660	74,240	701,130
2011 Q1	33,280	572,750	74,060	699,750
Q2	32,670	570,500	74,100	697,310
Q3	32,530	569,310	74,430	696,440
Q4	31,330	566,610	75,270	693,410
2012 Q1	31,260	566,240	74,420	692,160
Latest Quarter Q/Q % Change	-0.2%	-0.1%	-1.1%	-0.2%
Latest Quarter Y/Y % Change	-6.1%	-1.1%	0.5%	-1.1%
Fall from peak - Nos*	-15,560	-18,170	-9,720	-40,930
Fall from peak % Change*	-33.2%	-3.1%	-11.6%	-5.6%

Source: DETI, **Peak to trough fall does not use comparable data and is indicative only

Richard Ramsey
Chief Economist, Northern Ireland
20 June 2012

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