

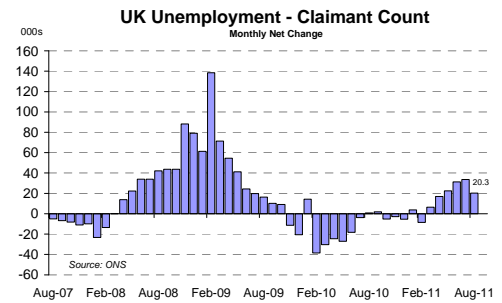
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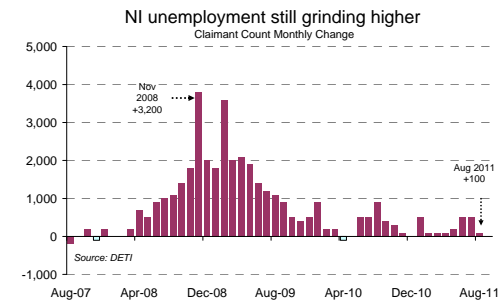
### UK dole queue rises for 6<sup>th</sup> month in a row

The UK posted its sixth consecutive monthly rise in unemployment, using the claimant count measure, in August. An additional 20,300 joined the unemployment register last month, which was below City analysts' expectations. The increases over recent months 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 1.58 million in August which is almost 3% below the peak of 1.625 million posted in October 2009. Meanwhile, the UK's claimant count rate remained unchanged at 4.9%.



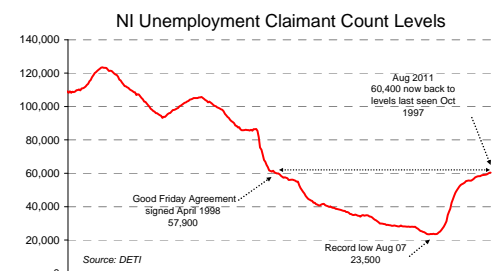
### NI's dole queue remains just above 60,000 mark

The number of unemployed pushed through the 60,000 mark in July for the first time since 1997. Last month saw NI's dole queue rise by just 100 to 60,400, which represents the highest figure since October 1997. Since the credit crunch began in August 2007, NI's unemployment register has risen by 36,900 or 157%. 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. The construction sector and industries sensitive to consumer spending will be the main sources of job losses in the months ahead. It is worth noting that despite the significant increase in local unemployment, NI's current claimant count remains less than half the level that prevailed during the mid-1980s.



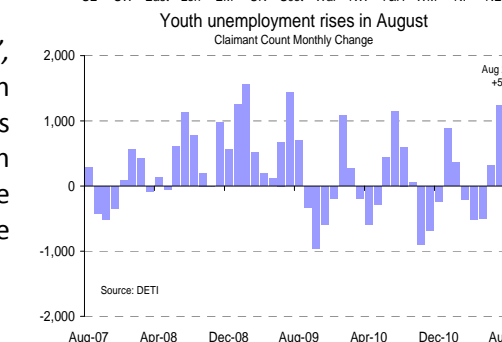
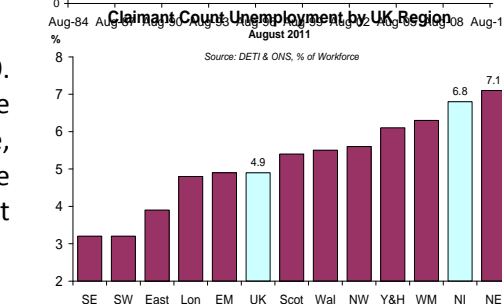
### NI's claimant count unemployment rate remains at 6.8%

NI's seasonally adjusted claimant count rate stood at 6.8% in August and was the second highest amongst the 12 UK regions (*North East = 7.1%*). This compares with 4.9% for the UK and remains the highest rate since April 1999. Last month NI's claimant count level increased by just 0.2% which was the smallest monthly increase amongst the 12 regions (*UK=1.3%*). Meanwhile, NI's long-term unemployment rate – defined as the proportion of the unemployed who have been out of work for over 12 months – remained at 23.6% in August 2011.



### Youth unemployment hits highest level since October 1996

The number of claimants under the age of 25 years, 'youth claimant count', rose for the third consecutive month in August. The rise of 528 took NI's youth unemployment to its highest level (19,500) since October 1996. This represents 31.6% of the total claimant count. Since the credit crunch began in August 2007, NI's youth unemployment has risen by 11,165 or 134%. The current level of youth unemployment remains over one third above (38%) the levels that prevailed when the GFA was signed in 1998.

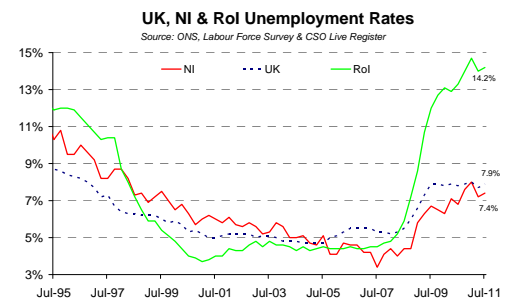
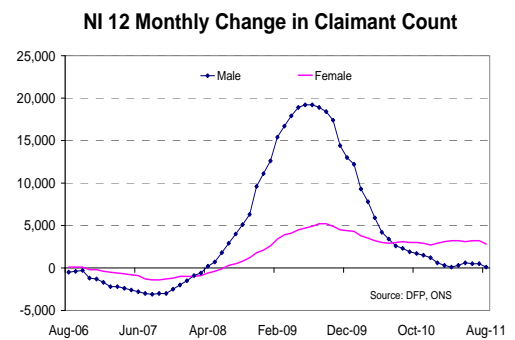
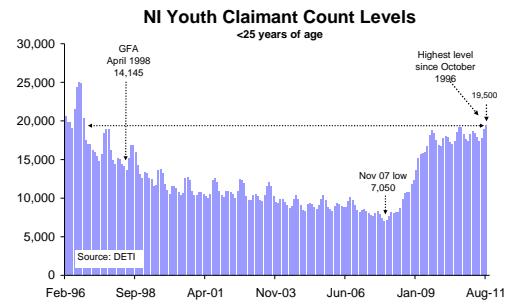


### Male unemployment has stabilised but female unemployment on the rise

The driver of NI's rising unemployment has switched from males to females over the last year. Male claimants have risen by just 100 or 0.2% over this period. By comparison, female unemployment has risen by 2,800, or almost 97% of the total rise in the unemployment register. Male unemployment breached 43,000 in August 2010 and has fluctuated around this level over the last 12 months. Meanwhile, female unemployment has risen more rapidly, albeit from lower levels, with the number of females claiming the dole last month (17,200) reaching its highest level since October 1996. Over the last two years, the female claimant count has risen by 52% (*male up 6%*) and more than trebled since the credit crunch began 4 years ago. A key reason for the recent rise 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 actually 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.

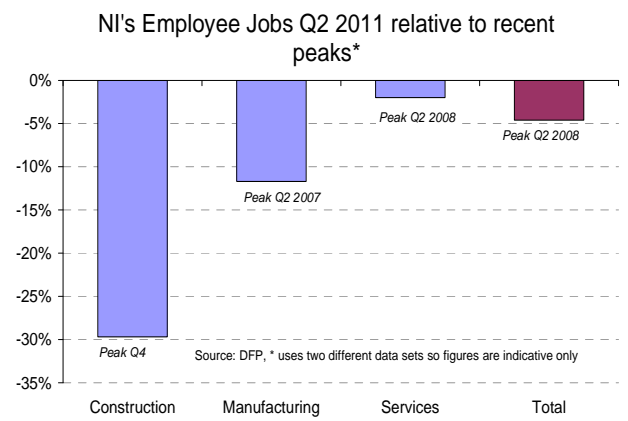
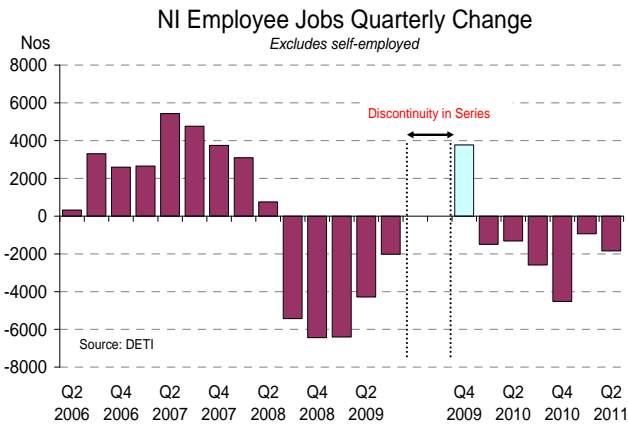
### NI ILO unemployment rate rises to 7.4%

Using the wider ILO unemployment measure, this is not confined to those eligible for unemployment benefit, unemployment rose by 3,000 to 64,000 during the 3 months to July 2011 and up 7,000 over the year. Meanwhile, NI's ILO unemployment rate rose from 7.1% in the three months to April to 7.4% in the three months to July. NI's headline unemployment rate compares with 7.9% for the UK as a whole. It also compares with a June unemployment rate of 14.2% for the RoI.



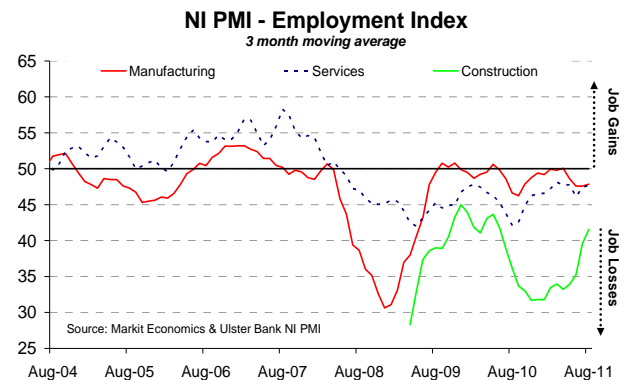
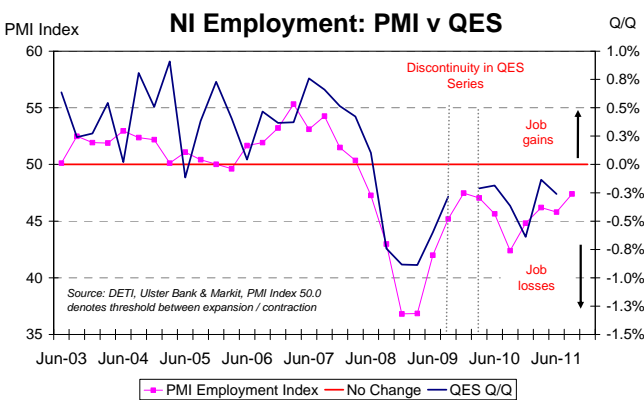
*The Quarterly Employment Survey signals 6<sup>th</sup> successive quarterly decline in employment*

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. 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 will provide 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 Q2 2011 signalled the sixth consecutive decline in the number of jobs. Looking at the two different series below it is clear that NI has experienced 11 quarterly declines during the last 12 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 33,510 (4.6%) to 699,650 in Q2 2011. This broadly takes the number of jobs back to late-2005 levels. In Q2 2011, the number of employee jobs decreased by 1,830 q/q (-0.3%) and are some 9,890 (1.4%) below the corresponding quarter in Q2 2010.



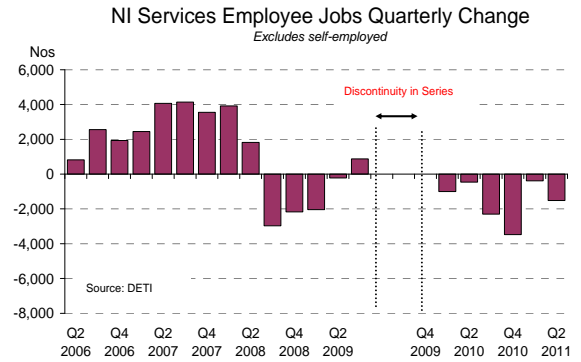
*Further job losses expected in the months ahead*

The latest QES survey relates to Q2 2011 and includes all sectors within the economy. Meanwhile, the Purchasing Managers Index, or PMI, has signalled further job losses in July and August. The PMI covers just the private sector and excludes agriculture. Nevertheless, the PMI has been a reasonably good predictor of the QES. Its recent surveys for July and August suggest there will be further job losses in Q3 across all sectors. Going forward, it should be noted that going forward the PMI may actually underestimate future job losses as it does not cover the public sector.



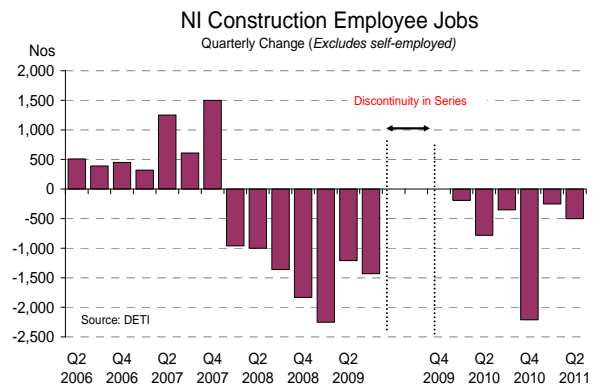
### Services sector shedding jobs ahead of public sector job losses

NI's services sector posted its 6<sup>th</sup> consecutive quarterly fall in employment in Q2 2011. The latest survey reported a decrease of 1,520 jobs q/q (-0.3%) and 7,690 jobs (-1.3%) relative to Q2 2010. Using the two QES data series (which aren't strictly comparable) for indicative purposes only, it is noted there have been almost 12,000 service sector jobs lost during the downturn. However, this only takes employment back to 2007 levels. Looking ahead, the shrinking of the public sector and job losses within consumer sensitive sectors should push service sector employment back to 2005 levels in due course.



### Construction employment has fallen for 13 successive quarters

The latest QES reveals the 13<sup>th</sup> consecutive quarter of job losses within the construction industry. This has reduced employment within the construction sector (excluding self-employed) by around 30% relative to its Q4 2007 peak. As a result, construction employment is back at levels last seen in 1999. In Q2 2011, the employee jobs figures for construction decreased by 500 jobs (1.5%) relative to Q1 2011 and by 3,310 (9,860) relative to the corresponding quarter last year. 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 a modest jobs recovery

At a sector level, NI's local manufacturing firms continue to buck the wider employment trend. Indeed, NI's manufacturing firms have recorded employment growth in three of the last six quarters. In Q2 2011 there were 74,260 jobs within the local manufacturing sector. This represented a modest increase of 70 jobs (0.1%) on the previous quarter and 960 (+1.2%) relative to Q2 2010. Despite these recent gains, manufacturing employment remains almost 12% (9,840 jobs) below the recent 2007 peak. Looking ahead, the fortunes of the sector will very much depend on the scale of the ongoing global slowdown. Indeed, the NI PMI has been indicating manufacturing job losses in recent months.



## Northern Ireland Employees Jobs (Seasonally Adjusted)

|                             | Construction                        | Services       | Manufacturing                       | Total          |
|-----------------------------|-------------------------------------|----------------|-------------------------------------|----------------|
| 2005 Q1                     | 37,770                              | 551,210        | 85,290                              | 696,690        |
| Q2                          | 38,750                              | 551,870        | 84,150                              | 695,890        |
| Q3                          | 39,310                              | 553,750        | 84,190                              | 698,570        |
| Q4                          | 41,150                              | 557,360        | 83,780                              | 703,670        |
| 2006 Q1                     | 41,790                              | 559,290        | 84,060                              | 706,530        |
| Q2                          | 42,300                              | 560,110        | 83,600                              | 706,850        |
| Q3                          | 42,690                              | 562,670        | 83,870                              | 710,150        |
| Q4                          | 43,010                              | 564,600        | 84,020                              | 712,740        |
| 2007 Q1                     | 43,590                              | 567,050        | 83,830                              | 715,390        |
| Q2                          | 44,710                              | 571,120        | 84,100                              | 720,820        |
| Q3                          | 45,320                              | 575,260        | 83,930                              | 725,580        |
| Q4                          | 46,820                              | 578,810        | 83,510                              | 729,320        |
| 2008 Q1                     | 45,860                              | 582,730        | 83,680                              | 732,410        |
| Q2                          | 44,860                              | 584,550        | 83,390                              | 733,160        |
| Q3                          | 43,500                              | 581,580        | 82,210                              | 727,730        |
| Q4                          | 41,670                              | 579,410        | 80,180                              | 721,290        |
| 2009 Q1                     | 39,420                              | 577,370        | 78,130                              | 714,890        |
| Q2                          | 38,210                              | 577,150        | 75,340                              | 710,610        |
| Q3                          | 36,780                              | 578,020        | 73,990                              | 708,590        |
|                             | ↑ Old Series ↑                      |                | ↑ Old Series ↑                      |                |
|                             | <b>DISCONTINUITY IN DATA SERIES</b> |                | <b>DISCONTINUITY IN DATA SERIES</b> |                |
|                             | ↓ New Series ↓                      |                | ↓ New Series ↓                      |                |
| Q4                          | 37,190                              | 581,870        | 73,490                              | 712,360        |
| 2010 Q1                     | 37,000                              | 580,870        | 73,190                              | 710,860        |
| Q2                          | 36,220                              | 580,410        | 73,370                              | 709,540        |
| Q3                          | 35,870                              | 578,110        | 73,300                              | 706,950        |
| Q4                          | 33,660                              | 574,630        | 74,470                              | 702,430        |
| 2011 Q1                     | 33,410                              | 574,240        | 74,190                              | 701,490        |
| Q2                          | 32,910                              | 572,720        | 74,260                              | 699,650        |
| Latest Quarter Q/Q % Change | -1.5%                               | -0.3%          | 0.1%                                | -0.3%          |
| Latest Quarter Y/Y % Change | -9.1%                               | -1.3%          | 1.2%                                | -1.4%          |
| Fall from peak - Nos*       | <b>-13,910</b>                      | <b>-11,830</b> | <b>-9,840</b>                       | <b>-33,510</b> |
| Fall from peak % Change*    | <b>-29.7%</b>                       | <b>-2.0%</b>   | <b>-11.7%</b>                       | <b>-4.6%</b>   |

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

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**14 September 2011**

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