

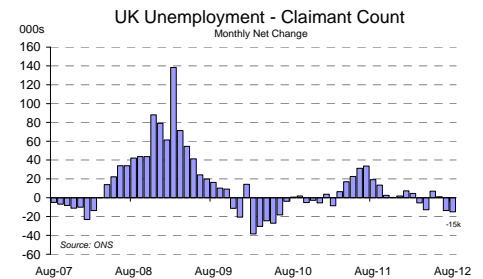
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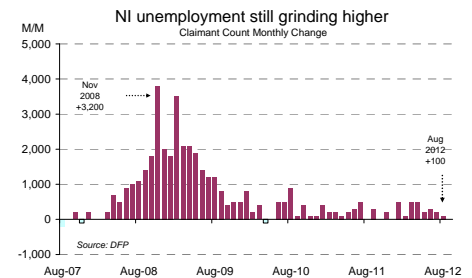
### UK dole queue falls for 2<sup>nd</sup> time in 3 months

The UK posted its second monthly fall in unemployment in three months, using the claimant count measure, in August. The dole queue fell by 15,000 last month, which was better than City analysts' expectations for a flat reading. 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 1.575 million in August which is 3% below the peak of 1.619 million posted in October 2009. Meanwhile, the UK's claimant count rate remained unchanged at 4.8%.



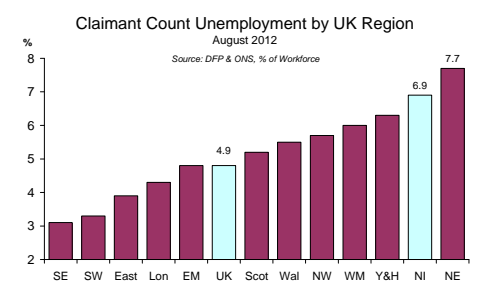
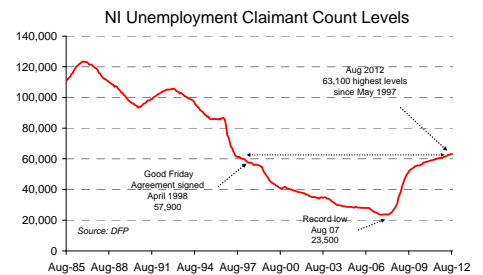
### NI's dole queue still grinding higher but by only 100 in August

The number of unemployed continued to push higher last month with an additional 100 individuals joining the dole queue. The current claimant count now stands at 63,100. 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 39,600 or 169%. 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.



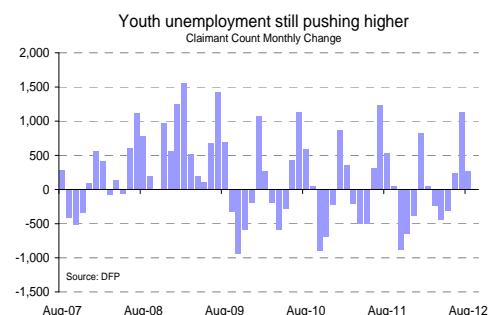
### NI's claimant count unemployment rate remains at 6.9%

NI's seasonally adjusted claimant count rate stood at 6.9% in August and was the second highest amongst the 12 UK regions (*North East = 7.7%*). This compares with 4.8% for the UK and remains the highest rate since February 1999. Last month NI's claimant count level increased by just 0.2% which compared with a 0.9% decline for the UK. The increase in NI's claimant count over the last 12 months (+4.8%) was the second highest among the UK regions (*the UK posted an annual decrease of 0.2%*). Meanwhile, NI's long-term unemployment rate – defined as the proportion of the unemployed who have been out of work for over 12 months – stood at 25.0% last month.



### Youth unemployment rises for 3<sup>rd</sup> consecutive month

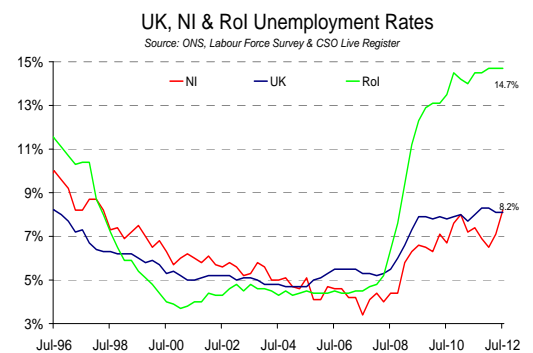
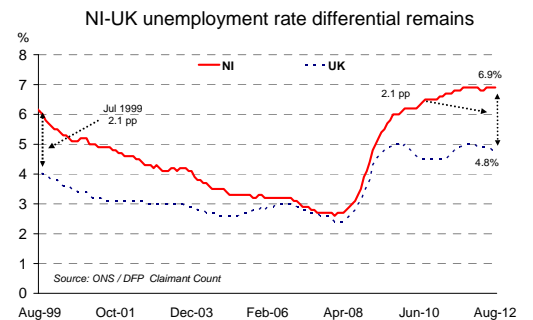
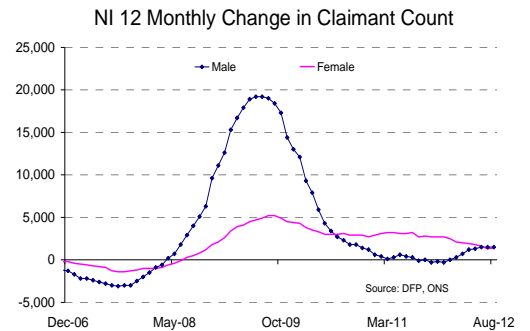
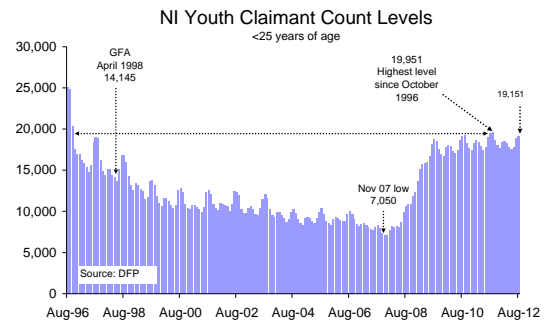
The number of claimants under the age of 25 years, 'youth claimant count', increased for the third consecutive month in August. The rise of 274 in August followed increases of 1,130 and 245 in the previous two months. The number of under 25s actively seeking work, but unable to find any, currently stands at 19,151 and is just 400 shy of last September's 15-yr high. Youth claimants represent 29.6% of the total claimant count. Since the credit crunch began in August 2007, NI's youth unemployment has risen by 10,816 or 130%. The current level of youth unemployment is 35% above the levels that prevailed when the GFA was signed in April 1998.



### Rise in claimant count in August due to females

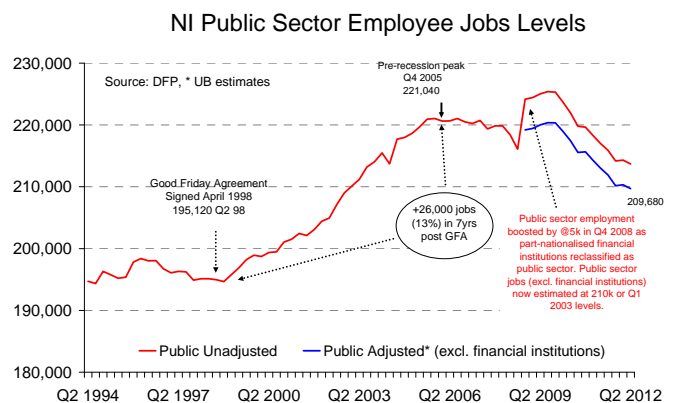
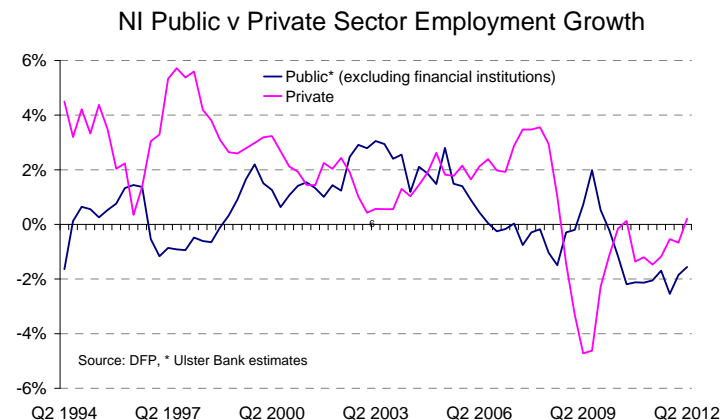
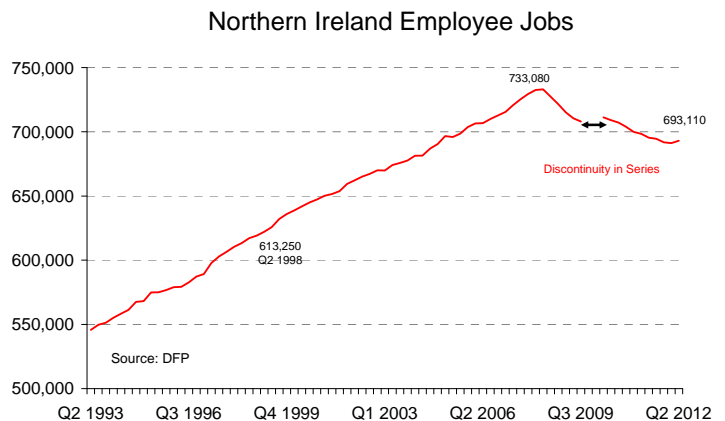
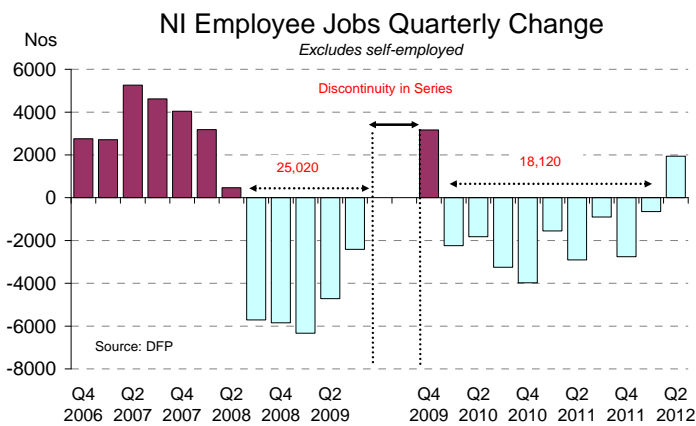
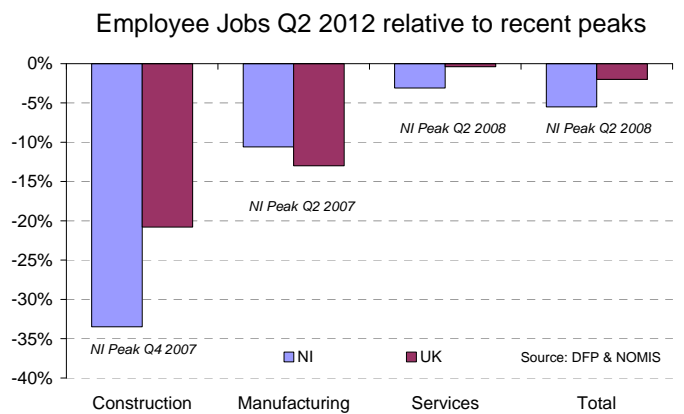
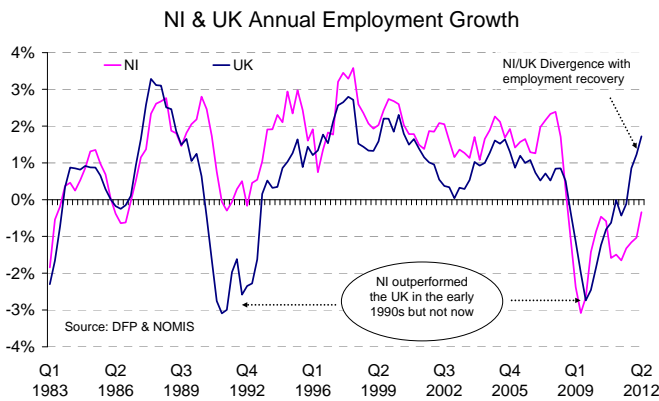
The driver of NI's rising unemployment over the last 2 years had switched from males to females. Male claimants have increased by 1,400 (+3%) over this period. By comparison, female unemployment has risen by 4,100 (+29%). Male unemployment breached 44,000 in April 2012 and reached 44,600 last month. Meanwhile, female unemployment has risen more rapidly, albeit from lower levels, with the number of females claiming the dole reaching its highest level since September 1996 last month (18,500). 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 jumps to 8.2% & Youth unemployment hits 23.5%**  
Using the wider ILO unemployment measure, this is not confined to those eligible for unemployment benefit, unemployment rose by 10,000 to 71,000 during the 3 months to July 2012. This steep rise saw NI's unemployment rate jump from 7.1% in the three months to April to 8.2% in the three months to July 2012. Conversely, the equivalent unemployment figures for the UK saw the number of unemployed fall by 7,000 (-0.3%) over the three months to July with the unemployment rate remaining at 8.1%. Northern Ireland's unemployment rate is now back above the UK average and to peak at 10% in around 18 months time. This would broadly bring the Northern Ireland unemployment rate closer in line with the current EU average of 10.4%. The latest unemployment rate for the Republic of Ireland is 14.7% (*August*) using the Live Register. Finally, NI's main labour market concern remains creating sufficient employment opportunities for the next generation. If ever there was a statistic that was calling out for a lower corporation tax rate it is the latest youth unemployment figures. Northern Ireland's youth unemployment rate (*those aged 18-24*) hit a new 17-year high during the three months to July 2012. NI's current youth unemployment rate of 23.5% compares with a UK rate of 19.6%.



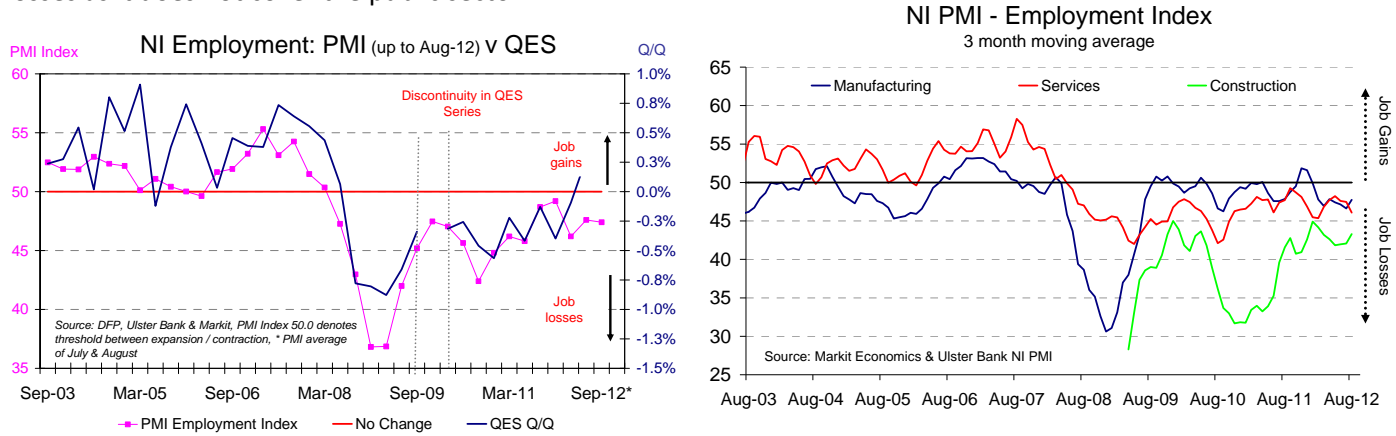
*The Quarterly Employment Survey signals the first rise in employee jobs since Q2 2008*

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. It was encouraging to see the number of jobs in Q2 2012 increased by almost 2,000 over the quarter. Furthermore, there were more than 2,700 job gains within the private sector which more than compensated for the 600+ job losses within the public sector. The rise in overall employment levels marked the first quarterly rise since Q2 2008. By comparison, the UK has witnessed employment growth in 6 quarters over the same period. Despite the gain in jobs, employment remains some 40,000 jobs (5.5%) below its Q2 2008 peak of 733,080. Meanwhile UK employment levels in Q2 2012 were just 2% below their respective 2008 peak. Whilst the latest quarterly job numbers are encouraging it is perhaps somewhat premature to view this as a turning point and the start of a sustainable employment recovery. The Northern Ireland economy, like economies elsewhere, faces formidable challenges in the shape of a slowing global economy and the deterioration in economic conditions within the eurozone. Furthermore, the public sector is expected to be a source of job losses for the foreseeable future.



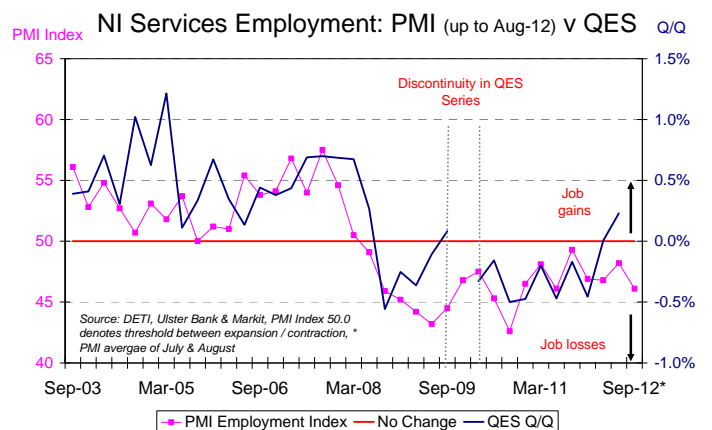
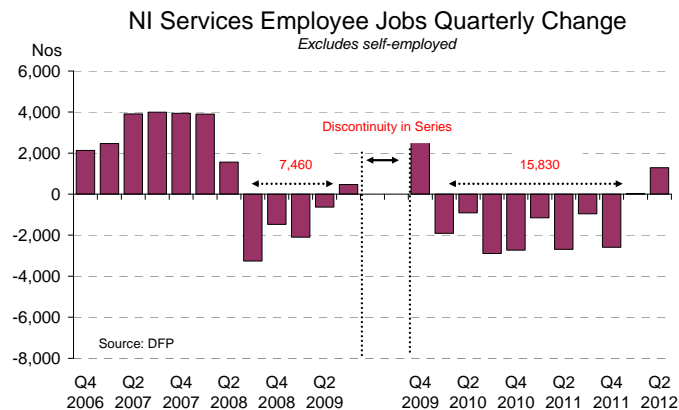
*The PMI has been a relatively good predictor of employment*

The latest QES survey relates to Q2 2012 and includes all sectors within the economy. Meanwhile, the Purchasing Managers Index, or PMI, has signalled that job losses have continued into Q3 2012 (*up to August*). The PMI signals that all sectors witnessed job losses in the three months to August 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 may underestimate future job losses as it does not cover the public sector.



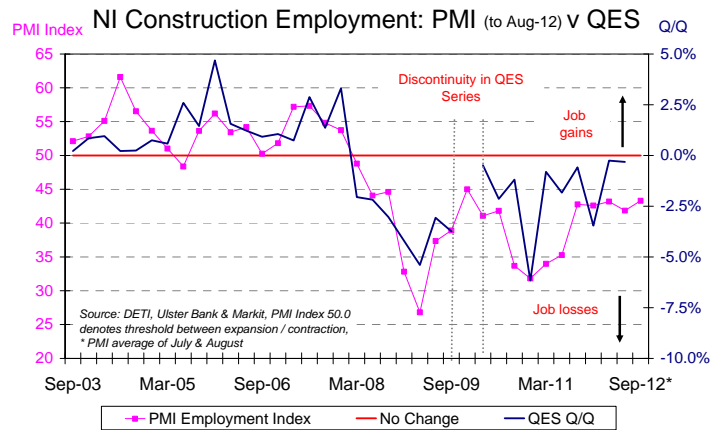
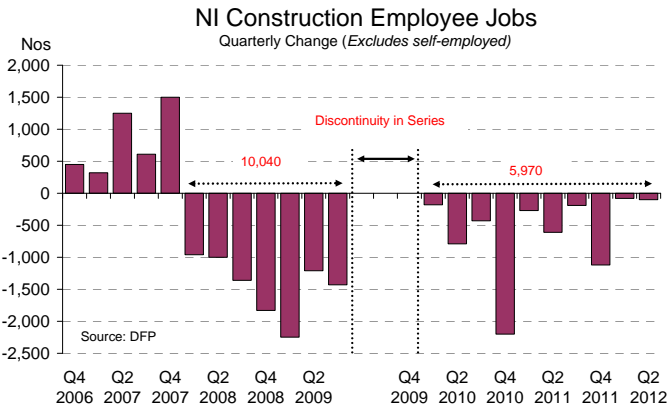
*Services sector growing again with +1,290 job gains in Q2 2012*

NI's services sector has been shedding jobs most quarters for the last four years. However, the latest quarter for Q2 2012 posted a healthy gain of 1,290 jobs (+0.2%) which compared with a 0.1% q/q rise for the UK services sector. Despite these recent job gains there are still 18,000 fewer service sector jobs relative to the Q2 2008 peak. This represents a fall of 3.1%. By comparison, the UK service sector has recouped practically all of the service sector employment it lost during the downturn. In Q2 2012, UK service sector employment levels were just 0.4% below their peak levels of Q2 2008. The PMI suggests that Q3 will see a return to service sector job losses. Looking ahead, the shrinking of the public sector, job losses within consumer sensitive sectors and the downsizing of the banking sector are expected to push service sector employment back to 2004/05 levels in due course. That said, Invest NI has been successful in bringing in new service sector firms over the last 18 months or so. These have included legal, software and financial services. Without these employment gains the employment picture for Northern Ireland would have been significantly worse. Further inward investment will provide a much needed offset against job losses from established indigenous service sector firms.



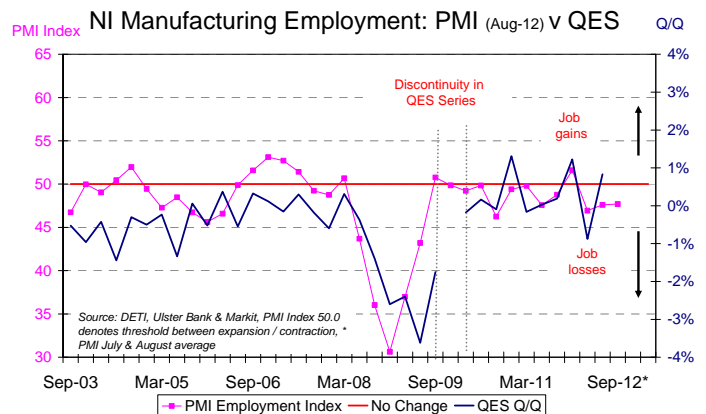
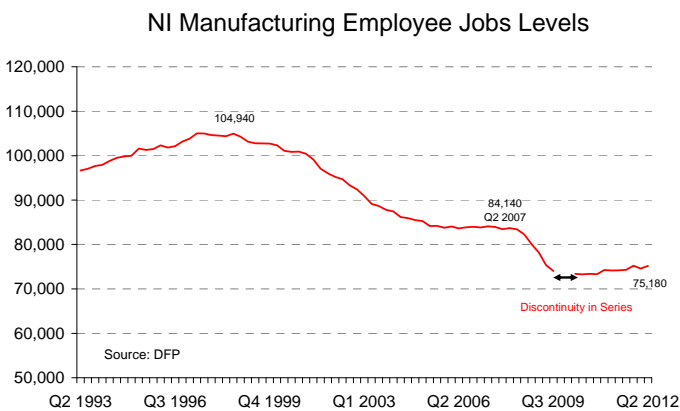
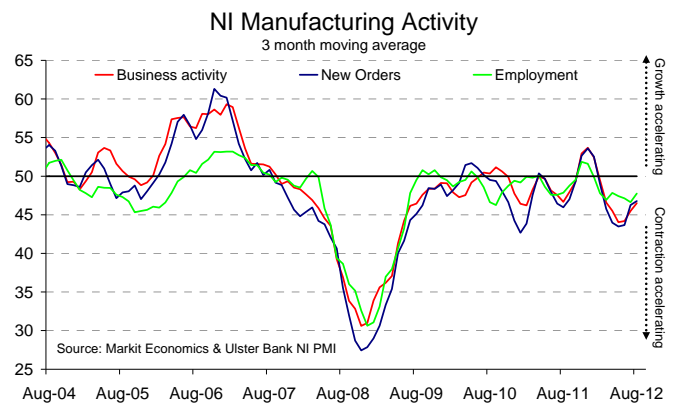
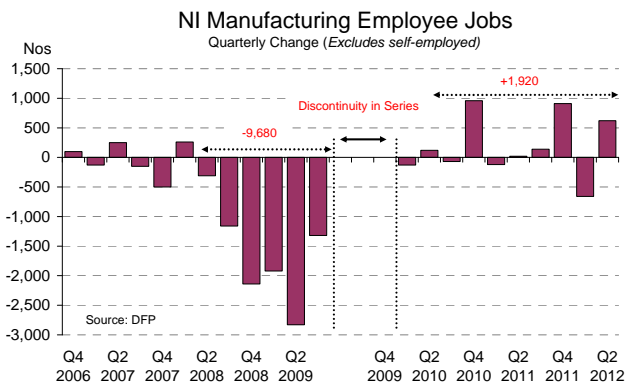
*Construction sector still losing jobs*

The latest QES reveals that the construction industry lost just 90 jobs, or 0.3%, in Q2 2012 which was a fraction of the decrease experienced for the UK as a whole (UK = -1.2% q/q). 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 almost 20% 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 4<sup>th</sup> quarterly rise in 5 quarters**

At a sector level, NI's local manufacturing firms had been bucking the wider trend over the last two years. Indeed, manufacturing employment had increased in six of the last nine quarters. The latest figures for Q2 2012 indicated that there were 75,180 jobs within the local manufacturing sector. This is 1,920 (+1.8%) higher than the recent low in Q1 2010. UK manufacturing industry has seen job losses over this same time period (-0.1%). Despite the recent gains in employment over the last 2 years, manufacturing employment remains almost 11% (8,920 jobs) below the recent 2007 peak. By comparison, the UK is 13.0% 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/Q3 2012. This is likely to lead to further job losses from some of our major exporters over the next 12 months.



## Northern Ireland Employees Jobs (Seasonally Adjusted)

	Construction	Services	Manufacturing	Total
2007 Q1	43,460	567,150	83,850	715,510
Q2	44,710	571,060	84,100	720,770
Q3	45,320	575,050	83,950	725,390
Q4	46,820	578,990	83,450	729,430
2008 Q1	45,860	582,890	83,710	732,610
Q2	44,860	584,450	83,400	733,080
Q3	43,500	581,190	82,240	727,370
Q4	41,670	579,720	80,100	721,520
2009 Q1	39,420	577,620	78,180	715,190
Q2	38,210	576,990	75,350	710,470
Q3	36,780	577,460	74,030	708,060

	Construction	Services	Manufacturing	Total
Q4	37,090	580,960	73,390	711,230
2010 Q1	36,910	579,050	73,260	708,990
Q2	36,120	578,140	73,380	707,170
Q3	35,690	575,250	73,310	703,920
Q4	33,490	572,520	74,270	699,940
2011 Q1	33,220	571,370	74,150	698,390
Q2	32,610	568,680	74,170	695,480
Q3	32,420	567,720	74,310	694,580
Q4	31,300	565,130	75,220	691,820
2012 Q1	31,220	565,160	74,560	691,170
Q2	<b>31,120</b>	<b>566,450</b>	<b>75,180</b>	<b>693,110</b>
Latest Quarter Q/Q % Change	-0.3%	0.2%	0.8%	0.3%
Latest Quarter Y/Y % Change	-4.6%	-0.4%	1.4%	-0.3%
Fall from peak - Nos*	<b>-15,700</b>	<b>-18,000</b>	<b>-8,920</b>	<b>-39,970</b>
Fall from peak % Change*	<b>-33.5%</b>	<b>-3.1%</b>	<b>-10.6%</b>	<b>-5.5%</b>

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

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12 September 2012

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