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UK dole queue rises for 9th month in a row

The UK posted its ninth consecutive monthly rise in unemployment, using the claimant count measure, in November. An additional 3,000 joined the unemployment register last month, which was below City analysts' expectations (13,700). 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 1.599 million in November which is less than 2% below the peak of 1.625 million posted in October 2009. Meanwhile, the UK's claimant count rate remained unchanged at 5.0%.

NI's dole queue remains just below 61,000 mark

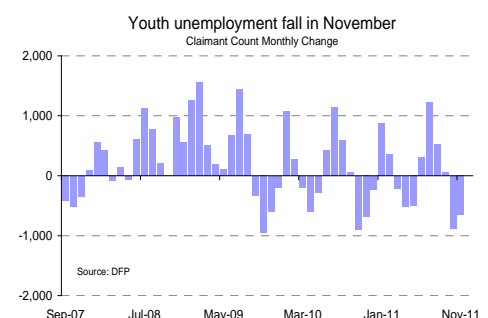
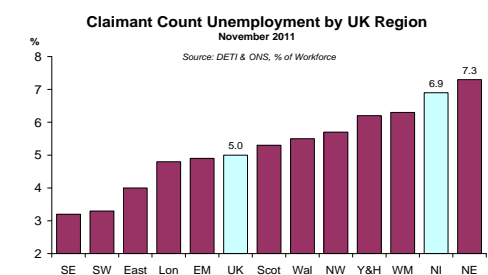
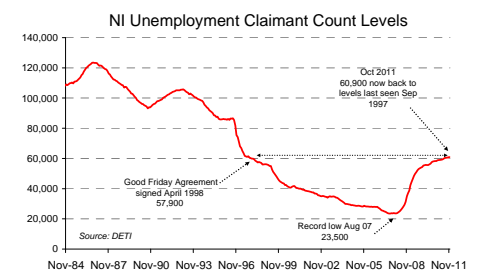
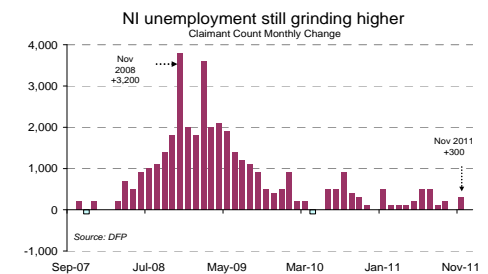
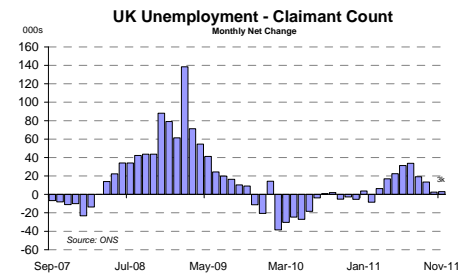
The number of unemployed pushed through the 60,000 mark in July for the first time since 1997. However, during the five consecutive months, the dole queue has lengthened by only 600. Following revisions to earlier data, last month saw NI's dole queue rise by just 300 to 60,900, which represents the highest figure since September 1997. Since the credit crunch began in August 2007, NI's unemployment register has risen by 37,400 or 159%. 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. 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 6.9%

NI's seasonally adjusted claimant count rate stood at 6.9% in November and was the second highest amongst the 12 UK regions (*North East = 7.3%*). This compares with 5.0% for the UK and remains the highest rate since April 1999. Last month NI's claimant count level increased by just 0.5% which was higher than the UK rise 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 – increased to 24.8% in November 2011.

Youth unemployment falls for 2nd consecutive month

The number of claimants under the age of 25 years, 'youth claimant count', fell for the second consecutive month in August. The decrease of 655 in November followed the fall of 880 in the previous month. The number of under 25s actively seeking work, but unable to find any, currently stands at 18,016. This represents 30.3% of the total claimant count. Since the credit crunch began in August 2007, NI's youth unemployment has risen by 9,681 or 116%. The current level of youth unemployment remains over one quarter above (27%) the levels that prevailed when the GFA was signed in 1998.

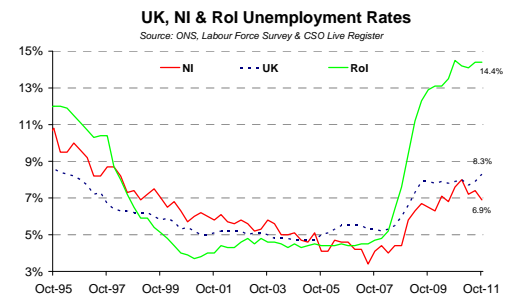
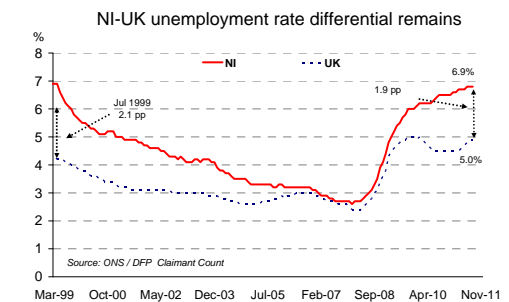
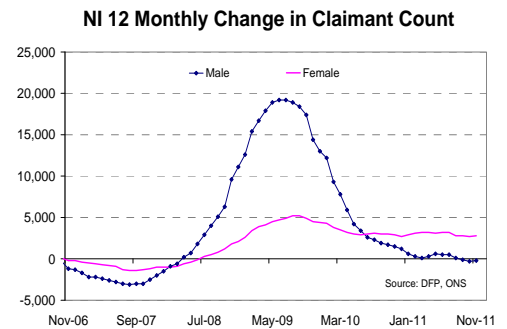
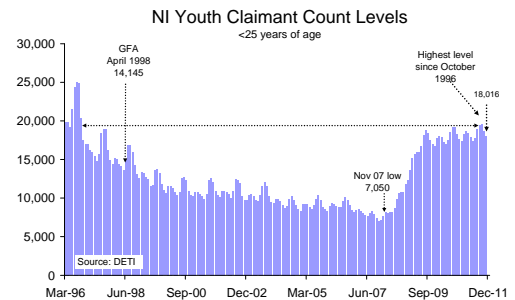


Male unemployment has stabilised but female unemployment on the rise

The driver of NI's rising unemployment has switched from males to females over the last year. Male claimants have fallen by 200 over this period. By comparison, female unemployment has risen by 2,800 over the same period. Male unemployment breached 43,000 in August 2010 and has fluctuated around this level ever since. Meanwhile, female unemployment has risen more rapidly, albeit from lower levels, with the number of females claiming the dole last month (17,700) reaching its highest level since October 1996. Over the last two years, the female claimant count has risen by 50% (*male up 3.2%*) 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.

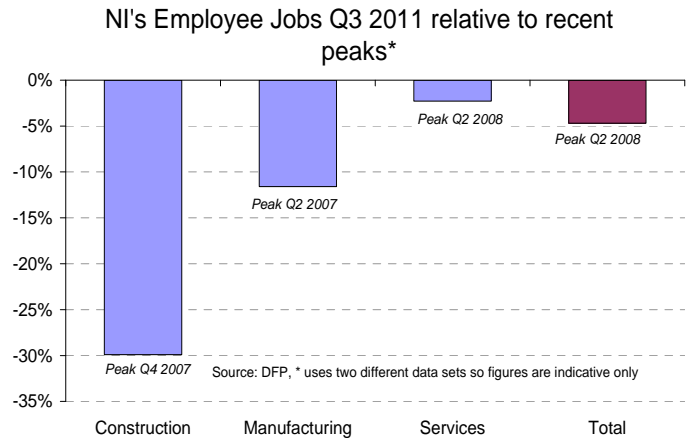
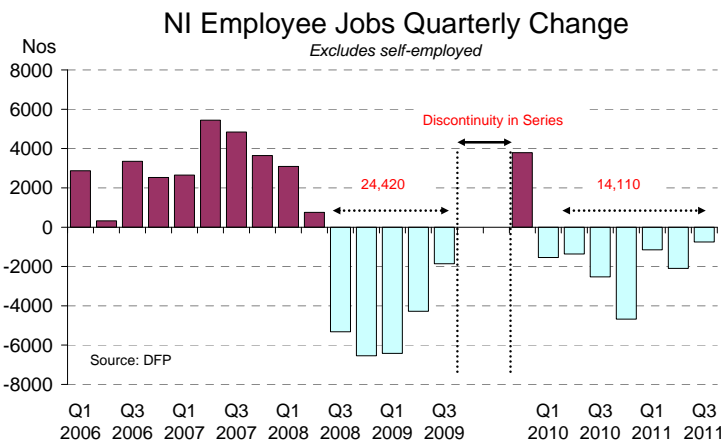
NI ILO unemployment rate falls to 6.9%

Using the wider ILO unemployment measure, this is not confined to those eligible for unemployment benefit, unemployment fell by 4,000 to 60,000 during the 3 months to October 2011 and decreased by 3,000 over the year. Meanwhile, NI's ILO unemployment rate fell from 7.4% in the three months to July to 6.9% in the three months to October. This represents the lowest rate since Q2 2010. NI's headline unemployment rate compares with 8.3% for the UK as a whole. It also compares with an October unemployment rate of 14.4% for the ROI. We are extremely sceptical of the unemployment message in the ILO survey and pay little attention to it. For example, the ILO unemployment level (*which is wider than those just claiming the dole*) is below the current claimant count level. NI's labour market is not faring better than the UK. Notwithstanding our reservations with the ILO survey for NI, it is encouraging that NI's economic activity rate / inactivity rate (73.1% / 26.9%) hit record highs / lows in the latest data.



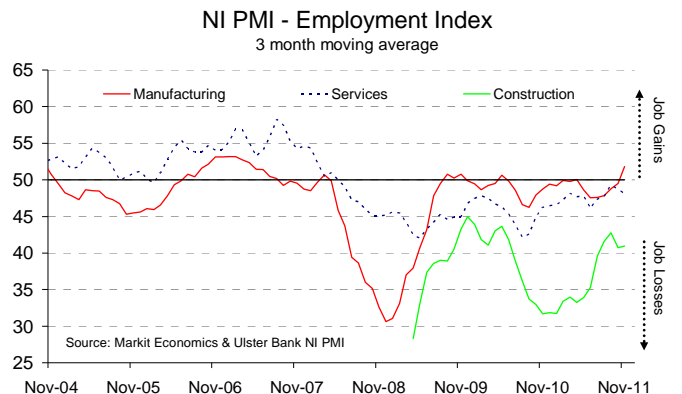
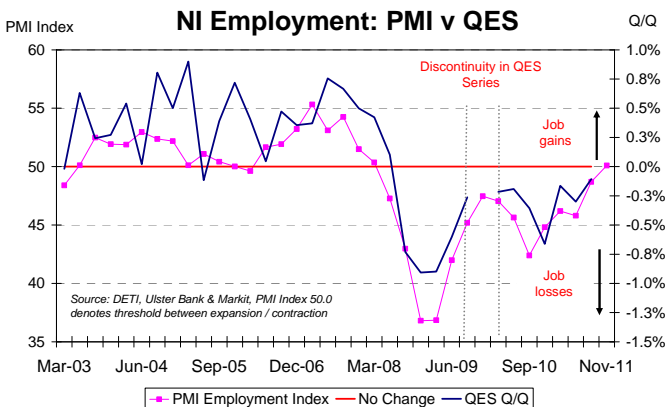
The Quarterly Employment Survey signals 7th successive quarterly decline in employment

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 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 Q3 2011 signalled the seventh consecutive decline in the number of jobs. Looking at the two different series below it is clear that NI has experienced 12 quarterly declines during the last 13 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 34,740 (4.7%) to 698,390 in Q3 2011. This broadly takes the number of jobs back to late-2005 levels. In Q3 2011, the number of employee jobs decreased by 750 q/q (-0.1%) and are some 8,680 (1.2%) below the corresponding quarter in Q3 2010. Within the employment figures it is noted that the number of jobs in the private sector increased by 1,120 or +0.2% q/q in Q3 2011. However, this was more than offset by job losses within the public sector – 1,910 or -0.9% q/q. The public sector employment total of 215,970 includes around 4,000 (*estimate*) of employees within part-nationalised financial institutions classed as public sector employment. We anticipate that public sector employment will return to the levels that prevailed in the late 1990s (*i.e. sub 200,000*) during the next 4/5 years.



Further job losses expected in the months ahead

The latest QES survey relates to Q3 2011 and includes all sectors within the economy. Meanwhile, the Purchasing Managers Index, or PMI, has signalled that the rate of job losses may have eased further in Q4 (*3 months to November*). However, according to the PMI, this is largely down to the manufacturing sector. Both the services and construction sectors are expected to witness further job losses in the New Year. The PMI covers just 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 public sector job losses

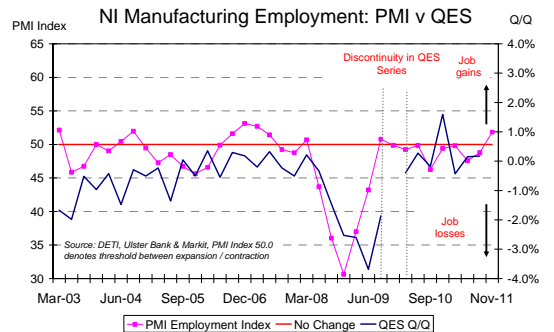
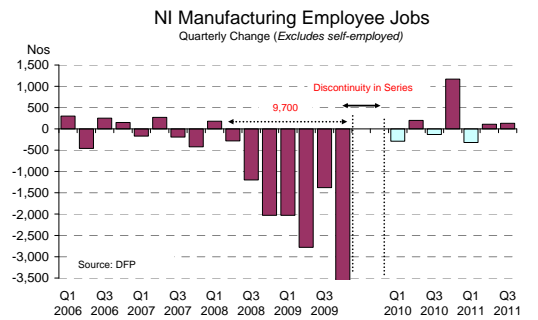
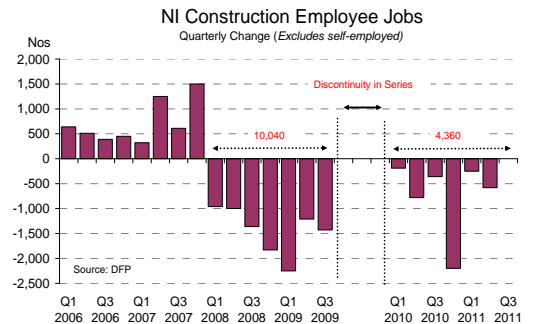
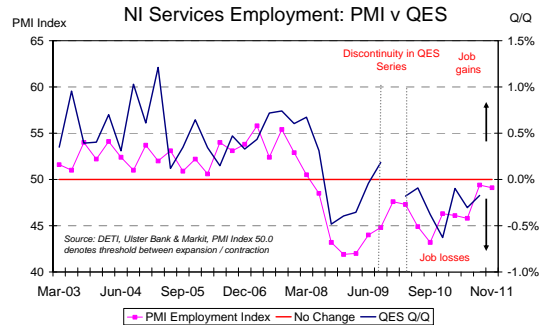
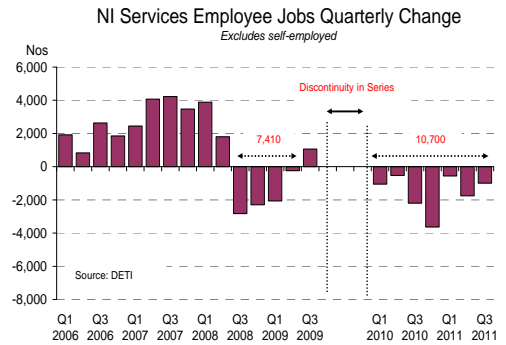
NI's services sector posted its 7th consecutive quarterly fall in employment in Q3 2011. The latest survey reported a decrease of 990 jobs q/q (-0.2%) and 6,930 jobs (-1.2%) relative to Q3 2010. Using the two QES data series (which aren't strictly comparable) for indicative purposes only, it is noted there have been 13,170 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 stabilises after 13 quarters of decline

The latest QES reveals that the 13 quarter losing streak of job losses within the construction industry came to an end (temporarily) in Q3 2011. 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 Q3 2011, the employee jobs figures for construction remained unchanged relative to Q2 but were 3,030 (-8.4%) less than the corresponding quarter in 2010. 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 Q3 2011 there were 74,350 jobs within the local manufacturing sector. This represented a modest increase of 130 jobs (0.2%) on the previous quarter and 1,090 (+1.5%) relative to Q3 2010. Despite these recent gains, manufacturing employment remains almost 12% (9,760 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	551,200	85,290	696,690
Q2	38,750	551,860	84,150	695,880
Q3	39,310	553,780	84,190	698,600
Q4	41,150	557,350	83,770	703,650
2006 Q1	41,790	559,270	84,070	706,520
Q2	42,300	560,100	83,610	706,840
Q3	42,690	562,730	83,860	710,190
Q4	43,140	564,580	84,010	712,720
2007 Q1	43,460	567,030	83,840	715,370
Q2	44,710	571,100	84,110	720,810
Q3	45,320	575,330	83,920	725,650
Q4	46,820	578,800	83,500	729,290
2008 Q1	45,860	582,690	83,680	732,380
Q2	44,860	584,500	83,400	733,130
Q3	43,500	581,680	82,200	727,810
Q4	41,670	579,390	80,170	721,270
2009 Q1	39,420	577,330	78,140	714,850
Q2	38,210	577,090	75,360	710,570
Q3	36,780	578,150	73,980	708,710
↑ Old Series ↑				
DISCONTINUITY IN DATA SERIES		DISCONTINUITY IN DATA SERIES		
↓ New Series ↓				
Q4	37,190	582,030	73,480	712,500
2010 Q1	37,000	580,980	73,190	710,960
Q2	36,220	580,450	73,390	709,600
Q3	35,860	578,260	73,260	707,070
Q4	33,660	574,630	74,430	702,390
2011 Q1	33,410	574,070	74,110	701,240
Q2	32,830	572,320	74,220	699,140
Q3	32,830	571,330	74,350	698,390
Latest Quarter Q/Q % Change	0.0%	-0.2%	0.2%	-0.1%
Latest Quarter Y/Y % Change	-8.4%	-1.2%	1.5%	-1.2%
Fall from peak - Nos*	-13,990	-13,170	-9,760	-34,740
Fall from peak % Change*	-29.9%	-2.3%	-11.6%	-4.7%

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

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