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UK dole queue falls for 3rd time in 5 months

The UK posted its third monthly fall in unemployment in five months, using the claimant count measure, in November. The dole queue fell by 3,000 last month, which was better than City analysts' expectations for a rise of 7,000. 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 1.582 million in November which is 2.3% 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 claimant count jumps by another 500 in November

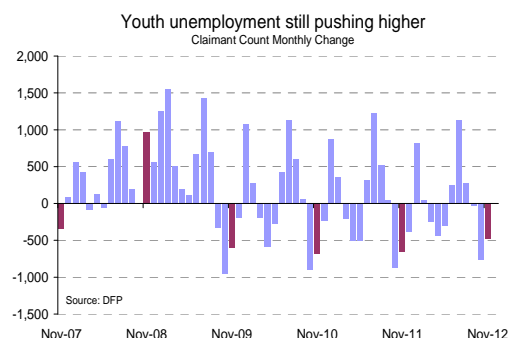
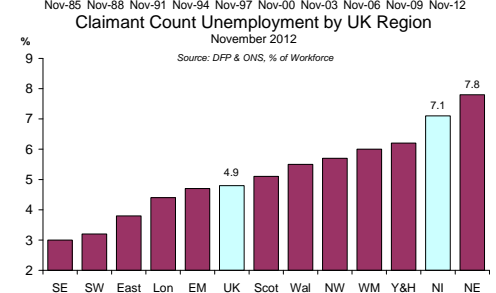
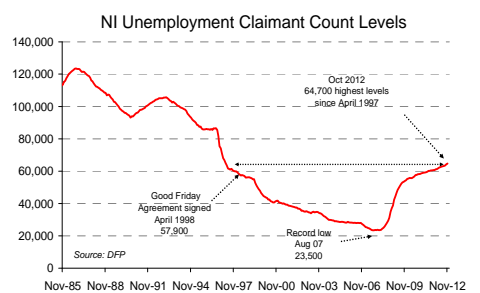
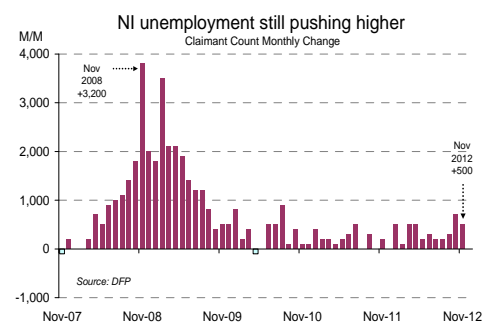
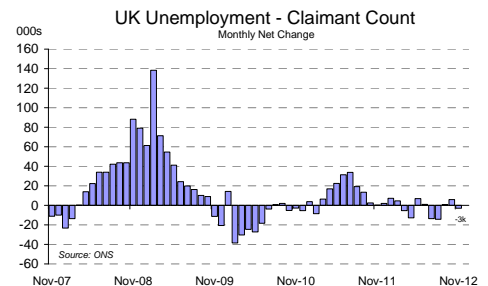
The number of unemployed continued to push higher last month with an additional 500 individuals joining the dole queue. This follows the increase of 700 in October. During the last three months Northern Ireland's (NI's) claimant count has risen by 1,500. This marks the largest three monthly increase since September 2010. Over the last 12 months, NI's claimant count has risen by 4,000 bringing the total to 64,700 – the highest reading since April 1997. Nevertheless, the claimant count still remains half the level that prevailed during the mid-1980s. Since the credit crunch began in August 2007, NI's unemployment register has risen by 41,200 or 175%.

NI's claimant count unemployment rate remains at 6.9%

NI's seasonally adjusted claimant count rate stood at 7.1% in November and was the second highest amongst the 12 UK regions (*North East = 7.8%*). This compares with 4.8% for the UK and remains the highest rate since December 1998. Last month represented the 32nd consecutive month that NI had the highest or second highest UK regional unemployment rate. The increase in NI's claimant count over the last 12 months (+6.6%) was the highest among the UK regions (*the UK posted an annual decrease of 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 – stood at 25.9% last month (UK= 27.3%).

Youth unemployment falls for 3rd consecutive month

The number of claimants under the age of 25 years, 'youth claimant count', fell for third consecutive month in November. These falls tend to be seasonal; however, the November outturn is 140 less than the same period in 2011. The number of under-25s actively seeking work, but unable to find any, currently stands at 17,876. Youth claimants now represent 27.6% of the total claimant count which is the lowest proportion since December 2003. Since the credit crunch began in August 2007, NI's youth unemployment has risen by 9,541 or 114%. The current level of youth unemployment is almost one third above the levels that prevailed when the GFA was signed in April 1998.

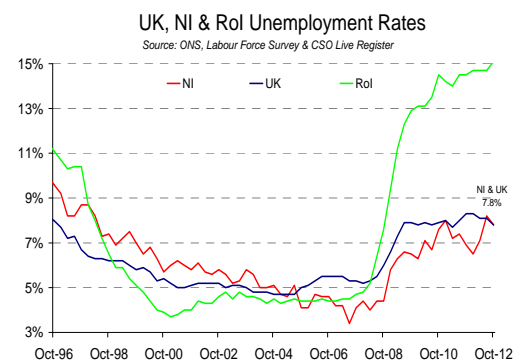
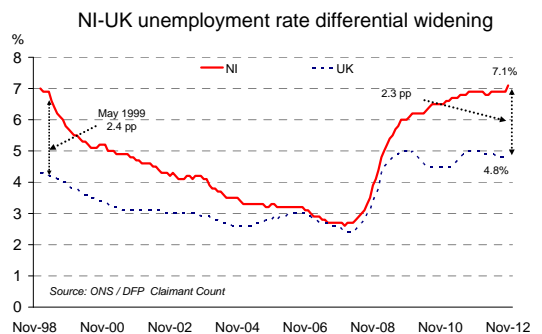
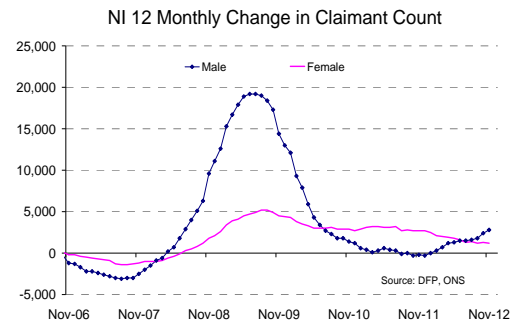
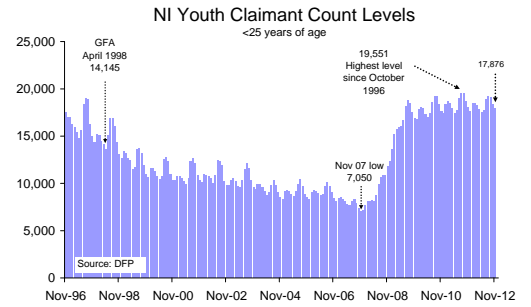


70% of the rise in claimant count in November is due to males

In 2011 the rise in the claimant count was due entirely to females. Indeed, the number of males on the claimant count fell by 300 whereas the female claimant count rose by 2,700. This year has seen the trend switch again with 70% of the rise in the claimant count due to males. Over the last 12 months, male claimants increased by 2,800, more than double the rise for females (1,200). The number of males claiming the dole is now at its highest level (45,900) since February 1998. Meanwhile the corresponding figure for females (18,800) is at its highest level since September 1996. 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. 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.

Both NI & UK ILO unemployment rates at 7.8%

Using the wider ILO unemployment measure, this is not confined to those eligible for unemployment benefit, unemployment fell by 3,000 to 68,000 during the 3 months to October 2012. This decline saw the unemployment rate fall from 8.2% to 7.8%. Conversely, the equivalent unemployment figures for the UK saw the number of unemployed fall by 49,000 (-1.9%) over the three months to October with the unemployment rate decreasing from 8.0% to 7.8%. Both the UK and NI rates are now in line with each other. **However, these ILO unemployment figures should be treated with caution.** For example, the more accurate claimant count increased by 1,200 in the 3 months to October. Northern Ireland's unemployment rate still compares favourably with the EU average (10.6%) and the Republic of Ireland (15.1%). Finally, NI's main labour market concern remains creating sufficient employment opportunities for the next generation. The youth unemployment rate (*those aged 18-24*) has been volatile but is now currently at 19.2% (UK=19.4%). This compares with a recent high of 23.5%.

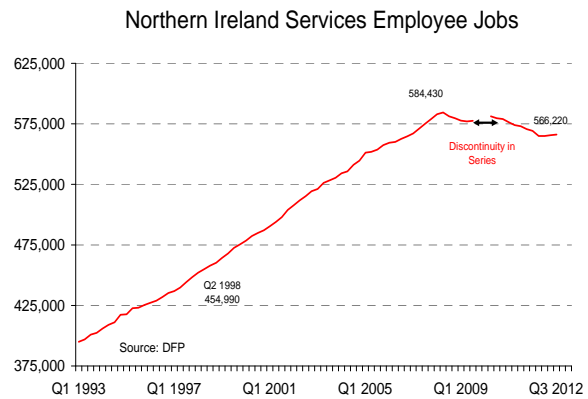
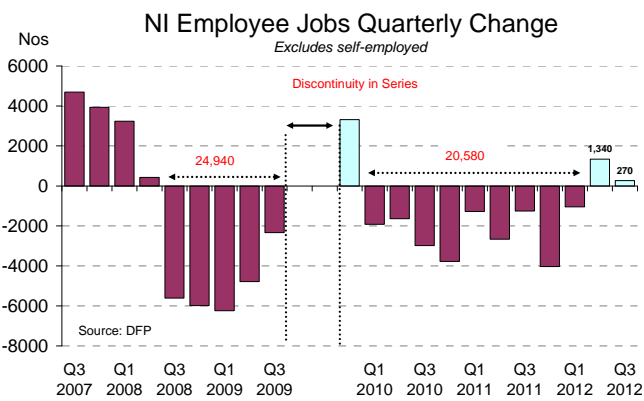
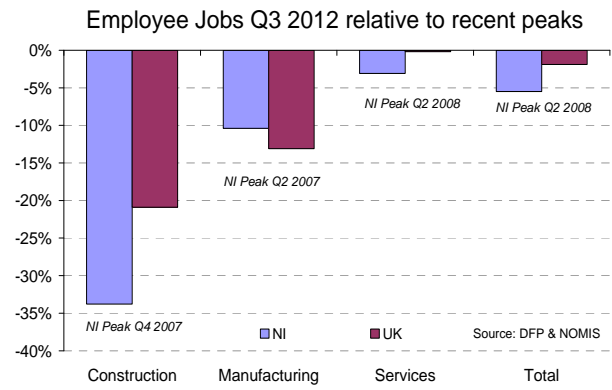
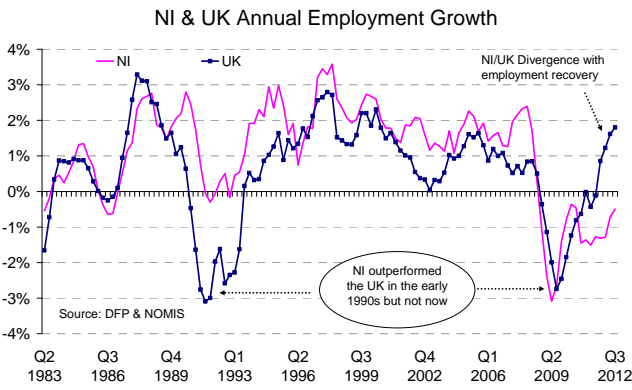


Employment stabilises in Q3 2012 according to the latest Quarterly Employment Survey (QES)

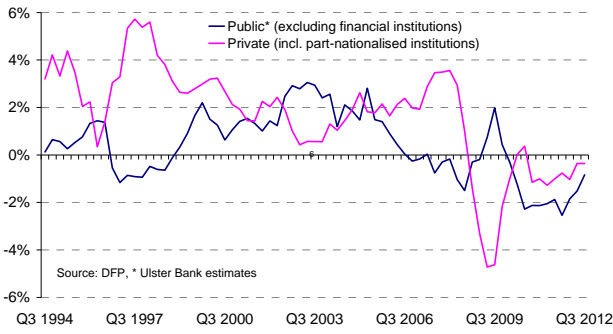
Whilst the focus is normally on the monthly unemployment figures, the spotlight shifted this month to the Quarterly Employment Survey or QES. This measures the number of jobs, termed 'employee jobs', as opposed to the number of individuals in employment and excludes those classed as self-employed. It 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. The latest figures for Q3 2012 saw a marginal increase in the total number of jobs (+260 jobs) in NI. However, in percentage terms the increase was broadly flat. The latest statistics represent the second consecutive quarter that employment has not fallen.

The NI economy has not managed to replicate the labour market recovery experienced within the UK as a whole. Relative to its pre-recession peak, UK employment initially fell by 3.8%. Since Q4 2010, however, half of these job losses have been recouped. As a result, UK employment (excluding self-employment) has risen by 2% and is now 1.9% below its pre-recession peak (Q3 2008). If the self-employed are included it is noted that total UK employment is less than 0.5% below its pre-recession employment peak. By comparison, NI has experienced a jobs recovery one tenth of that recorded in the UK. It is noted that the number of jobs in NI (excluding the self-employed) remains 5.5%, or 40,590 jobs, below its pre-recession employment peak (Q2 2008). One key reason why NI's economic recovery is diverging with the UK is its exposure to the Republic of Ireland's economy. Putting NI's job losses into perspective, it is noted that the Republic of Ireland has experienced a fall in employment around three times that of NI. That is total employment in the Republic of Ireland is over 15% below its Q3 2008 peak.

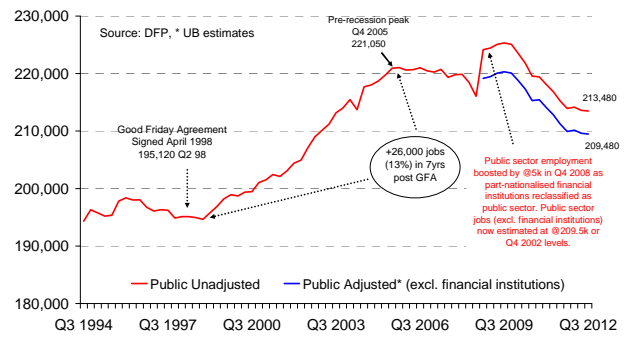
Whilst the latest quarterly job numbers suggested some stabilisation in employment, further job losses are anticipated. Indeed, there are a number of high profile redundancy announcements that have yet to filter through into the employment numbers (e.g. FG Wilson / Caterpillar & Pattons). The local economy, 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.



NI Public v Private Sector Employment Growth



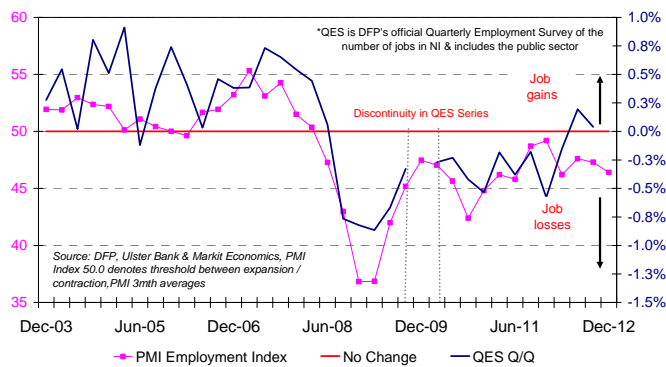
NI Public Sector Employee Jobs Levels



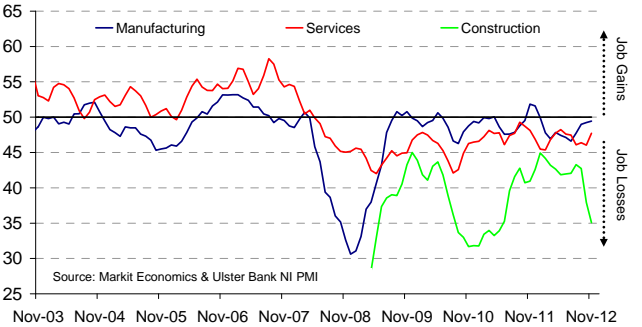
The PMI has been a relatively good predictor of employment

The latest QES survey relates to Q3 2012 and includes all sectors within the economy. Meanwhile, the Purchasing Managers Index, or PMI, has signalled that job losses have continued into Q4 2012 (up to November). The PMI signals that all sectors witnessed job losses in the three months to November 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.

NI Employment: PMI (up to Nov-12) v QES*



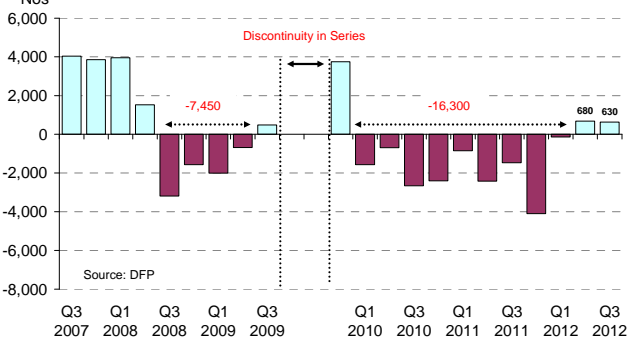
NI PMI - Employment Index 3 month moving average



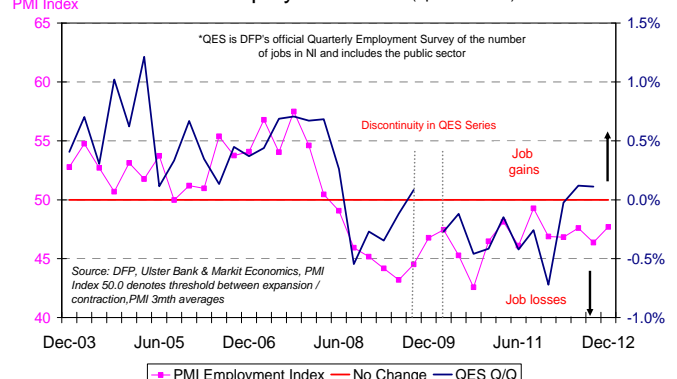
Services sector posts second successive quarter of growth with +630 job gains in Q3 2012

NI's services sector has been shedding jobs most quarters for the last four years. However, the last two quarters have seen marginal growth since the low of Q1 2012. Following the net gain of 680 jobs (+0.1%) in Q2, the service sector employment total increased by a further 630 jobs (+0.1%) in Q3 2012. The latest quarterly rise for NI compared with a 0.3% increase for the UK. Despite these recent job gains there are still 18,210 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 Q3 2012, UK service sector employment levels were just 0.2% below their peak levels of Q2 2008. The PMI suggests that Q4 will see a return to service sector job losses, albeit marginal. 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. However, Invest NI has been successful in bringing in new service sector firms (e.g. software, legal & financial services) over the last 18 months or so. Without these employment gains the employment picture for Northern Ireland would have been significantly worse.

NI Services Employee Jobs Quarterly Change Excludes self-employed

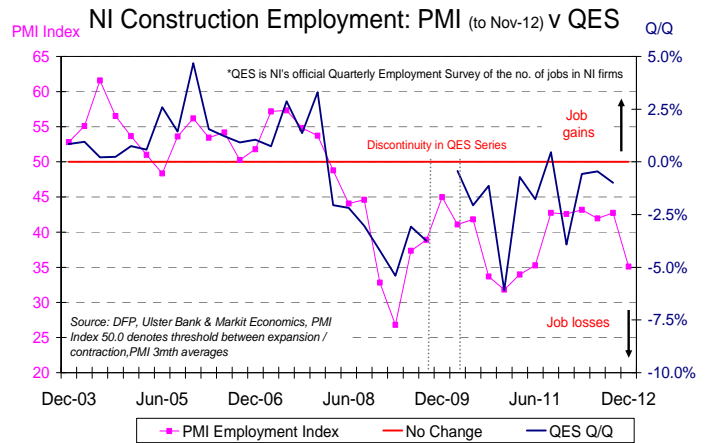
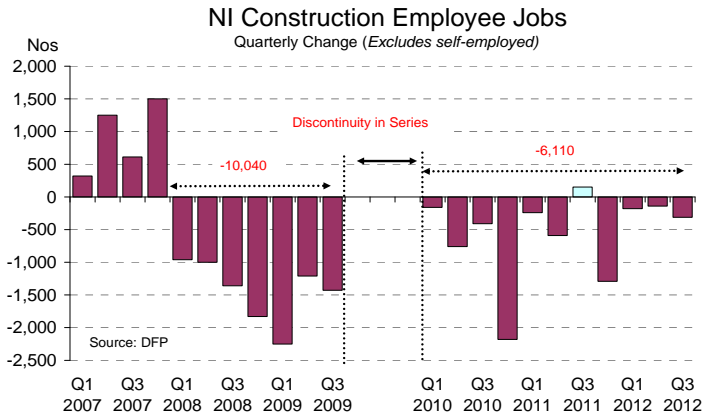


NI Services Employment: PMI (up to Nov-12) v QES*



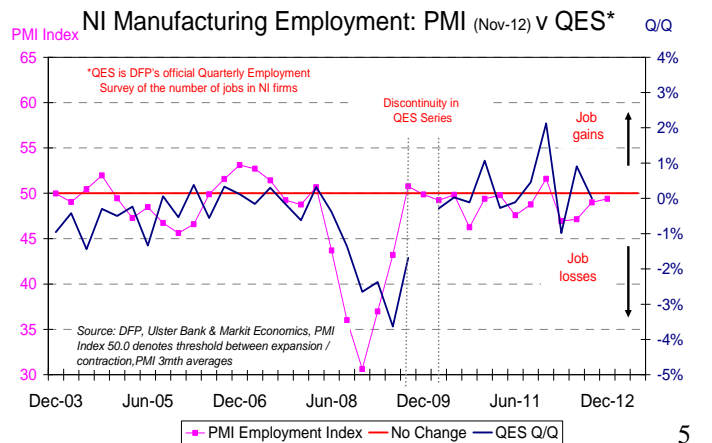
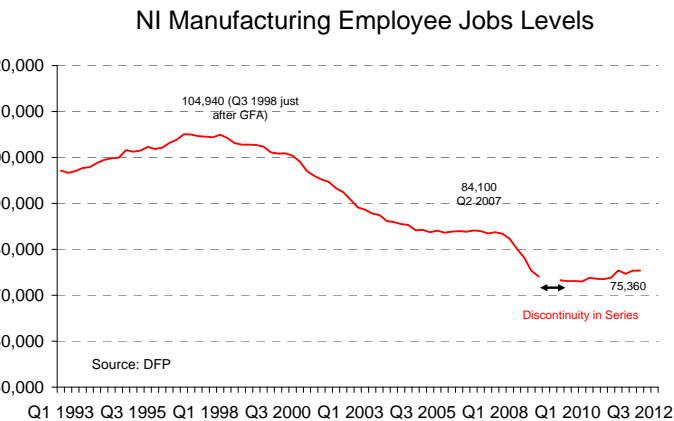
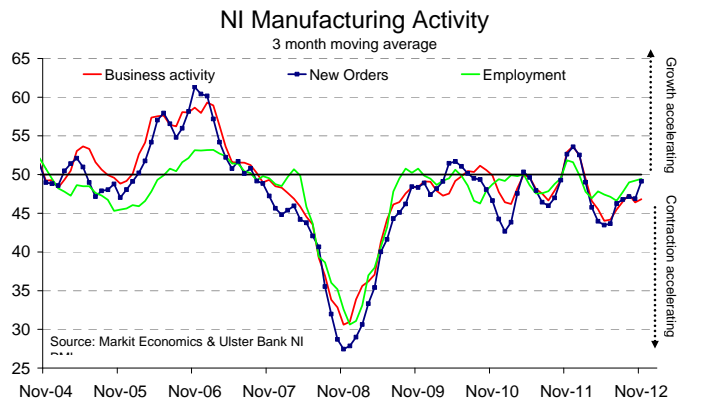
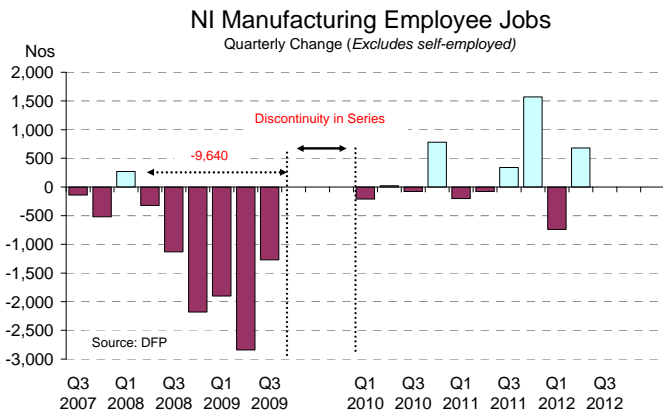
Construction sector still losing jobs in Q3

The latest QES reveals that the construction industry lost another 310 jobs (-1.0%) in Q3 2012 which compared with no change for the UK as a whole. Overall, employment within the construction sector (*excluding self-employed*) has fallen by over one third relative to its Q4 2007 peak. This compares to a decline of 21% 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.



Manufacturing sector employment unchanged in Q3

At a sector level, NI's manufacturing firms had been bucking the wider trend over the last two years. Indeed, manufacturing employment had increased in four of the last eight quarters. Whilst manufacturing employment remained unchanged in the latest quarter, at 75,360, this is 2,350 (+3.2%) higher than the recent low in Q3 2010. UK manufacturing industry has seen employment rise by 1.1% over this same period. Despite these recent gains, manufacturing employment remains 10.4% (8,740 jobs) below the recent 2007 peak. By comparison, the UK is 13.1% below its employment levels in Q2 2007. Looking ahead, the fortunes of the sector will depend on the strength of the global economic recovery and the prospects for the euro zone. The latest figures also pre-date the FG Wilson redundancies that have still to filter through. Therefore a further fall in manufacturing employment is expected in the fourth quarter. However, there have been some encouraging signs from the PMI which has signalled growth in new orders and employment in November. This appears to chime with a number of high profile announcements from our flagship exporters in recent weeks (*e.g. Bombardier and Montupet*).



Northern Ireland Employees Jobs (Seasonally Adjusted)

	Construction	Services	Manufacturing	Total
2007 Q1	43,460	567,150	83,850	715,510
Q2	44,710	571,050	84,100	720,750
Q3	45,320	575,090	83,960	725,440
Q4	46,820	578,950	83,440	729,380
2008 Q1	45,860	582,910	83,710	732,620
Q2	44,860	584,430	83,390	733,050
Q3	43,500	581,240	82,260	727,440
Q4	41,670	579,670	80,080	721,460
2009 Q1	39,420	577,660	78,180	715,220
Q2	38,210	576,980	75,340	710,440
Q3	36,780	577,460	74,070	708,110
			↑ Old Series ↑	
			↓ New Series ↓	
Q4	37,120	581,210	73,280	711,430
2010 Q1	36,960	579,640	73,070	709,510
Q2	36,200	578,950	73,090	707,870
Q3	35,790	576,290	73,010	704,890
Q4	33,610	573,890	73,790	701,120
2011 Q1	33,370	573,040	73,590	699,840
Q2	32,780	570,620	73,510	697,180
Q3	32,930	569,150	73,850	695,930
Q4	31,640	565,050	75,420	691,900
2012 Q1	31,460	564,910	74,680	690,850
Q2	31,320	565,590	75,360	692,190
Q3	31,010	566,220	75,360	692,460
Latest Quarter Q/Q % Change	-1.0%	0.1%	0.0%	0.0%
Latest Quarter Y/Y % Change	-5.8%	-0.5%	2.0%	-0.5%
Fall from peak - Nos*	-15,810	-18,210	-8,740	-40,590
Fall from peak % Change*	-33.8%	-3.1%	-10.4%	-5.5%

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

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12 December 2012

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