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UK dole queue rises for 12th month in a row

The UK posted its twelfth consecutive monthly rise in unemployment, using the claimant count measure, in February. An additional 7,200 joined the unemployment register last month, which was above City analysts' expectations (+5k). 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 1.611 million in February which is closing in on 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 still grinding higher but by only 200 in February

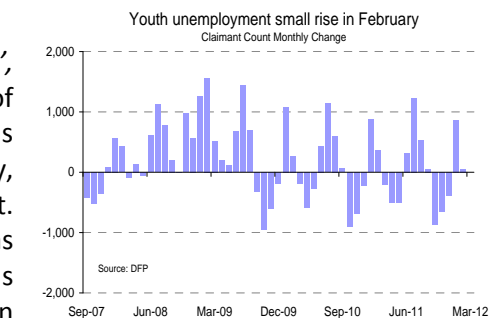
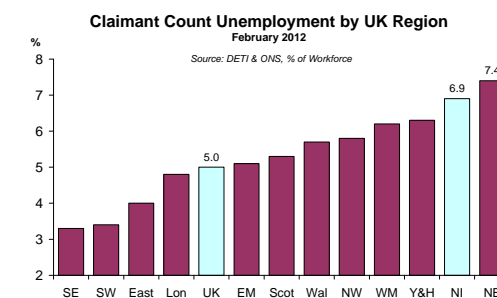
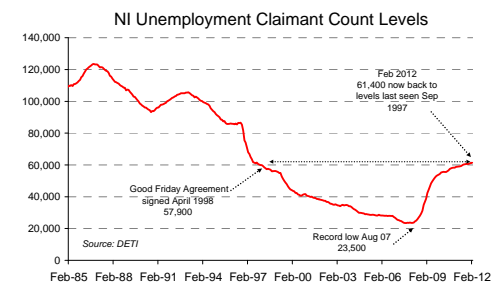
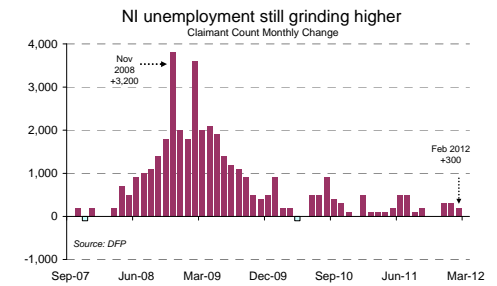
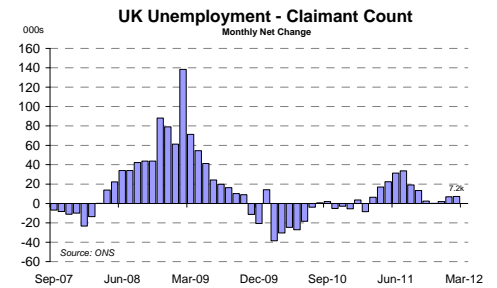
The number of unemployed continued to push higher last month with an additional 200 individuals joining the dole queue. The current claimant count now stands at 61,400. The rate of increase has continued to be much weaker than expected. Nevertheless, while the claimant count remains half the level that prevailed during the mid-1980s, it still marks the highest level since July 1997. Since the credit crunch began in August 2007, NI's unemployment register has risen by 37,900 or 161%. 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 November and was the second highest amongst the 12 UK regions (*North East = 7.4%*). 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 0.3% which was lower than the UK rise of 0.4%. The increase in NI's claimant count over the last 12 months (+4.2%) was also the second lowest among the UK regions (*the annual increase in the UK was 11.2%*). Meanwhile, NI's long-term unemployment rate – defined as the proportion of the unemployed who have been out of work for over 12 months – remains close to, but below, December's high of 25.1% at 24.6% in February.

Youth unemployment rises for 2nd consecutive month

The number of claimants under the age of 25 years, 'youth claimant count', increased marginally for the second consecutive month in February. The rise of 52 in February followed the more substantial increase of 870 in the previous month. The number of under 25s actively seeking work, but unable to find any, currently stands at 18,552. This represents 30.2% of the total claimant count. Since the credit crunch began in August 2007, NI's youth unemployment has risen by 10,217 or 123%. The current level of youth unemployment remains close to one third above the levels that prevailed when the GFA was signed in April 1998.

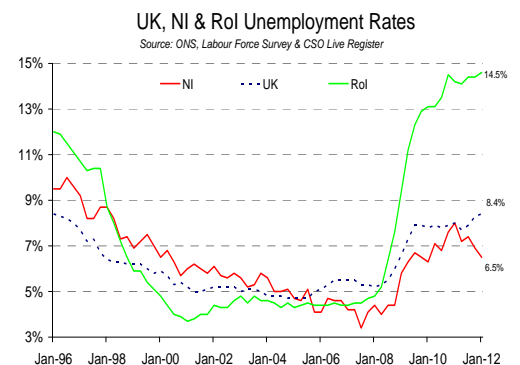
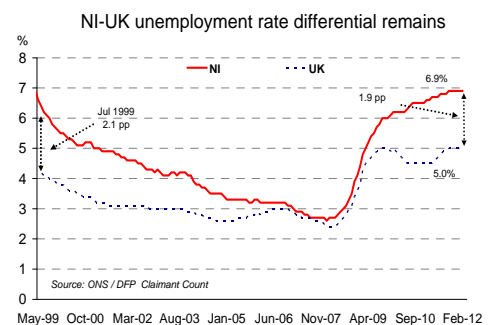
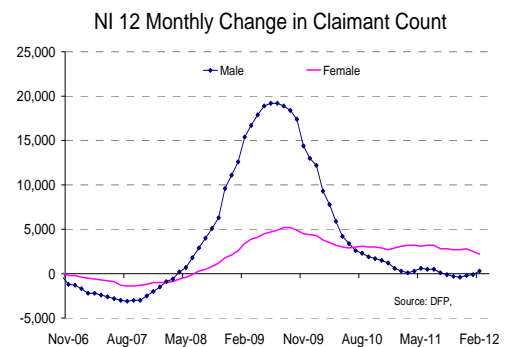
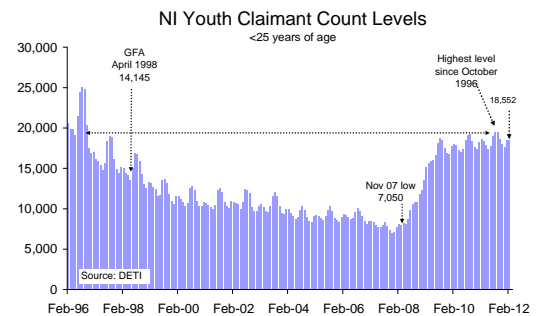


Male unemployment has stabilised but female unemployment on the rise

The driver of NI's rising unemployment has switched from males to females over the last year. Male claimants have increased by only 300 over this period. By comparison, female unemployment has risen by 2,200 (13.9%). 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 reaching its highest level since October 1996 last month (18,000). Over the last two years, the female claimant count has risen by 42% (Males +1.7%) and more than trebled over the last 4 years. 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 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.

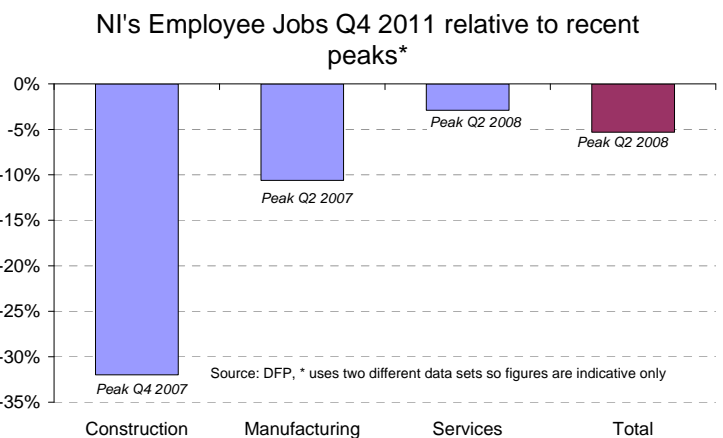
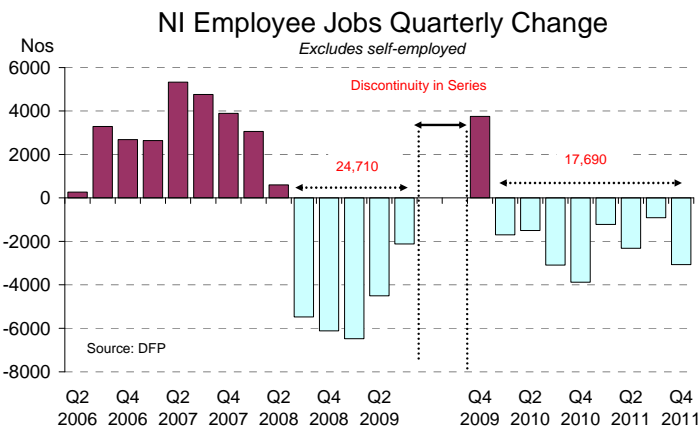
NI ILO unemployment rate falls to 6.5% but treat headline with caution

Using the wider ILO unemployment measure, this is not confined to those eligible for unemployment benefit, unemployment fell by 4,000 to 56,000 during the 3 months to January 2012. Interestingly, the number of economically inactive rose by 6,000 over the same period. Meanwhile, NI's ILO unemployment rate fell from 6.9% in the three months to October to 6.5% in the three months to January 2012. This represents the lowest unemployment rate in almost 2 years. NI's headline unemployment rate compares with a UK rate of 8.4% and is the same rate as the South East of England! At a country level, it is closing in on Germany's unemployment rate and compares with 14.5% for the RoI. We remain 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 over 5,000 below the current claimant count level. Whilst the headline unemployment rate provides a positive headline, our policy makers would swap NI's labour market conditions with the UK in a heart beat. NI's labour market is not faring better than the UK. This is highlighted in terms of economic inactivity rates, productivity performance and the latest Quarterly Employment Survey.



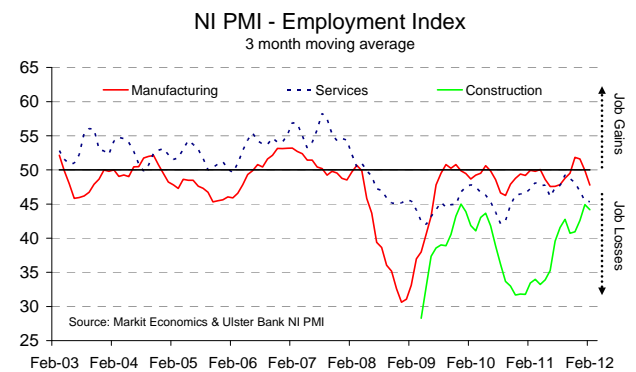
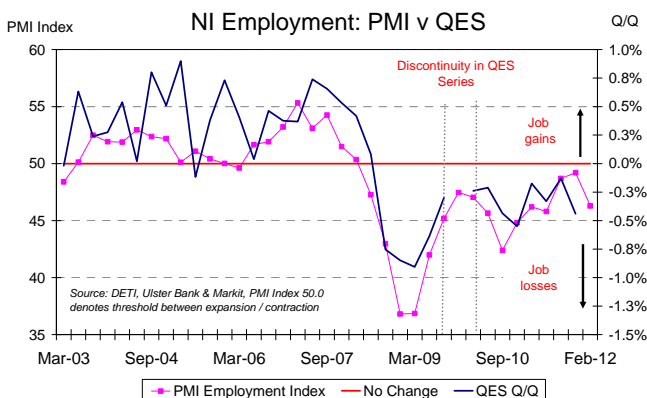
The Quarterly Employment Survey signals 8th successive quarterly decline in employment

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 Q4 2011 signalled the eighth consecutive decline in the number of jobs. Looking at the two different series below it is clear that NI has experienced 13 quarterly declines during the last 14 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 38,650 (5.3%) to 694,420 in Q4 2011. This broadly takes the number of jobs back to late-2004 levels. In Q4 2011, the number of employee jobs decreased by 3,070 q/q (-0.4%), its sharpest quarterly decline in four quarters. Furthermore, the number of jobs in Q4 2011 was 7,520 (1.1%) below the corresponding quarter in Q4 2010. Within the employment figures it is noted that the number of jobs in the private sector decreased by 2,220 or -0.5% q/q in Q4 2011. Meanwhile, the public sector posted a similar percentage decline over the latest quarter (-980 jobs). The public sector employment total of 215,060 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 Q4 2011 and includes all sectors within the economy. Meanwhile, the Purchasing Managers Index, or PMI, has signalled that the rate of job losses has accelerated in Q1 2012 (*3 months to February*). The PMI signals that all sectors witnessed job losses in the three months to February with the steepest declines remaining within the construction and services industries. 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

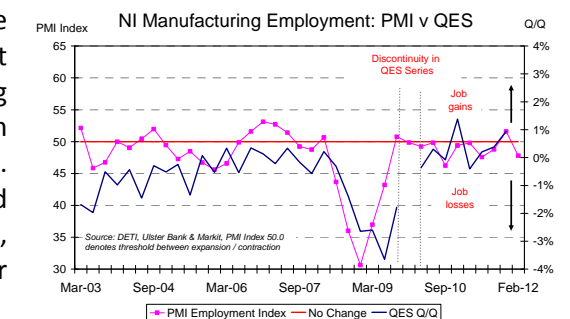
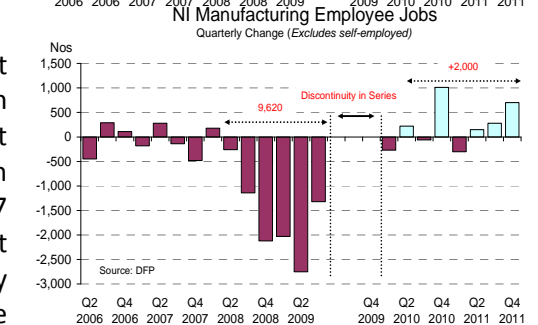
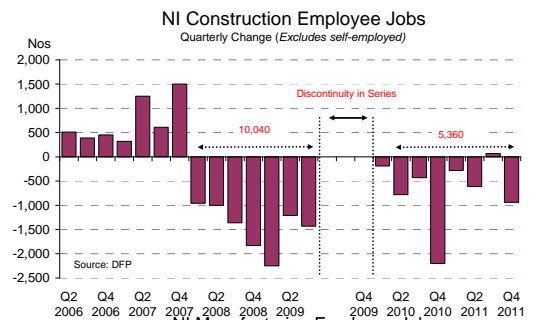
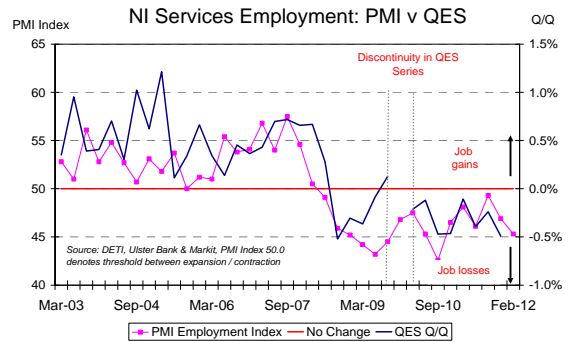
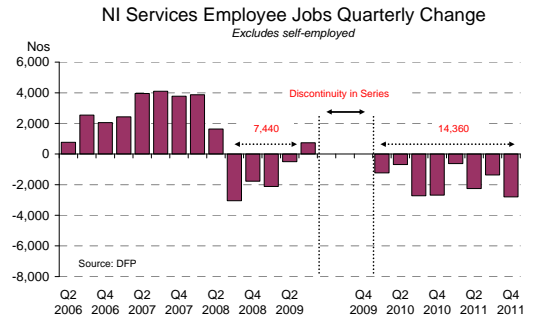
NI's services sector posted its 8th consecutive quarterly fall in employment in Q4 2011. The latest survey reported a decrease of 2,800 jobs q/q (-0.5%) – its steepest decline since Q3 2008. Service sector employment decreased by 7,030 jobs (-1.2%) relative to Q4 2010. Using the two QES data series (which aren't strictly comparable) for indicative purposes only, it is noted there have been 17,130 service sector jobs lost during the downturn. However, this still only takes employment back to early 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 loses almost another 1,000 jobs in Q4 2011

The latest QES reveals that the construction industry lost a further 940 jobs (-2.9%) in Q4 2011. This represented the steepest decline in four quarters with construction employment some 5.2% (-1,760 jobs) below the level in Q4 2010. Overall, employment within the construction sector (excluding self-employed) has fallen by almost one third relative to its Q4 2007 peak. As a result, 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 continues to buck the trend with jobs growth

At a sector level, NI's local manufacturing firms continue to buck the wider employment trend by posting their third consecutive quarter of employment growth. Northern Ireland's manufacturing sector last strung together three successive quarters of employment growth in 1997. Indeed, NI's manufacturing firms have recorded employment growth in five of the last seven quarters and have created 2,000 jobs in the process. Again this is a feat not achieved since 1997. Back in 1997 (Q2), however, the level of manufacturing employment stood at 105,040. Since then, the number of manufacturing jobs has fallen by 28% (29,900 jobs). The latest figures for Q4 2011 indicated that there were 75,170 jobs within the local manufacturing sector. Despite the recent gains over the last 7 quarters, manufacturing employment remains almost 11% (8,930 jobs) below the recent 2007 peak. 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. Indeed, the NI PMI has been indicating a return to falling output and manufacturing job losses in Q1 2012. Within manufacturing, however, the Food & Drink and pharmaceuticals sectors offer the potential for long-term employment growth.



Northern Ireland Employees Jobs (Seasonally Adjusted)

| | Construction | Services | Manufacturing | Total |
|-----------------------------|------------------------------|----------|------------------------------|---------|
| 2005 Q1 | 37,770 | 551,230 | 85,280 | 696,700 |
| Q2 | 38,750 | 551,850 | 84,150 | 695,880 |
| Q3 | 39,310 | 553,720 | 84,210 | 698,550 |
| Q4 | 41,150 | 557,390 | 83,770 | 703,690 |
| 2006 Q1 | 41,790 | 559,310 | 84,050 | 706,550 |
| Q2 | 42,300 | 560,080 | 83,600 | 706,820 |
| Q3 | 42,690 | 562,620 | 83,890 | 710,110 |
| Q4 | 43,140 | 564,670 | 84,000 | 712,790 |
| 2007 Q1 | 43,460 | 567,100 | 83,820 | 715,430 |
| Q2 | 44,710 | 571,060 | 84,100 | 720,760 |
| Q3 | 45,320 | 575,160 | 83,960 | 725,520 |
| Q4 | 46,820 | 578,940 | 83,480 | 729,410 |
| 2008 Q1 | 45,860 | 582,810 | 83,660 | 732,470 |
| Q2 | 44,860 | 584,440 | 83,400 | 733,070 |
| Q3 | 43,500 | 581,390 | 82,260 | 727,590 |
| Q4 | 41,670 | 579,620 | 80,140 | 721,470 |
| 2009 Q1 | 39,420 | 577,500 | 78,110 | 714,990 |
| Q2 | 38,210 | 577,000 | 75,360 | 710,480 |
| Q3 | 36,780 | 577,740 | 74,040 | 708,360 |
| | ↑ Old Series ↑ | | ↑ Old Series ↑ | |
| | DISCONTINUITY IN DATA SERIES | | DISCONTINUITY IN DATA SERIES | |
| | ↓ New Series ↓ | | ↓ New Series ↓ | |
| Q4 | 37,190 | 581,670 | 73,440 | 712,110 |
| 2010 Q1 | 37,000 | 580,440 | 73,170 | 710,410 |
| Q2 | 36,220 | 579,750 | 73,390 | 708,910 |
| Q3 | 35,790 | 577,020 | 73,330 | 705,820 |
| Q4 | 33,590 | 574,340 | 74,340 | 701,940 |
| 2011 Q1 | 33,310 | 573,720 | 74,040 | 700,720 |
| Q2 | 32,700 | 571,470 | 74,190 | 698,400 |
| Q3 | 32,770 | 570,110 | 74,470 | 697,490 |
| Q4 | 31,830 | 567,310 | 75,170 | 694,420 |
| Latest Quarter Q/Q % Change | -2.9% | -0.5% | 0.9% | -0.4% |
| Latest Quarter Y/Y % Change | -5.2% | -1.2% | 1.1% | -1.1% |
| Fall from peak - Nos* | -14,990 | -17,130 | -8,930 | -38,650 |
| Fall from peak % Change* | -32.0% | -2.9% | -10.6% | -5.3% |

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

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14 March 2012

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