

Northern Ireland Composite Economic Index

Quarter 2 2015

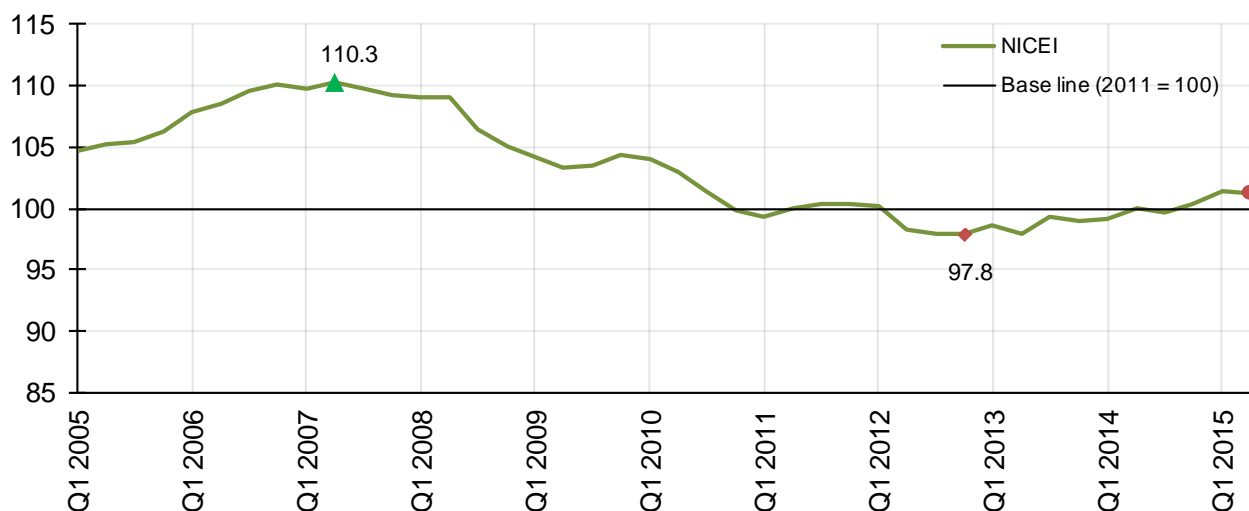


Date: 15 October 2015
Geographical Area: Northern Ireland
Theme: Economy Statistics
Frequency: Quarterly

Key points

- The Northern Ireland Composite Economic Index (NICEI) results show that NI economic activity decreased marginally (by 0.1%) in real terms between the first and second quarter of 2015.
- However, the index increased by 1.3% over the year (Quarter 2 2014 to Quarter 2 2015) in real terms.
- Annual output (averaged over the four quarters to Quarter 2 2015) also increased by 1.3% compared to the previous four quarters.
- Private sector output grew by 0.1% over the quarter to Quarter 2 2015, whilst the public sector jobs index decreased by 0.8% over the quarter. The public sector jobs index is now at the lowest level since the series began in 2002.
- The NICEI is currently 3.5% above the minimum reached in Quarter 4 2012, returning to levels previously recorded in Quarter 3 2010.

Figure 1: NI Composite Economic Index



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This Report contains the following chapters:

1. [NI Composite Economic Index Quarter 2 \(April to June\) 2015](#)
2. [Contribution to change](#)
 - Change over the quarter
 - Change over the year
 - Rolling annual average change
3. [Comparisons with UK GDP](#)
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The next publication for Quarter 3 2015 results will be in January 2016.

NI Composite Economic Index

Quarter 2 (April to June) 2015

The NICEI is an experimental quarterly measure of the performance of the Northern Ireland (NI) economy based on available official statistics. Existing published quarterly indices (i.e. Index of Services (IOS), Index of Production (IOP), Index of Construction (IOC), and public sector employee jobs data from the Quarterly Employment Survey (QES), plus unpublished agricultural output data from DARD) are weighted using ONS Regional Accounts Gross Value Added (GVA) data to provide a proxy measure of total economic output in the NI economy on a quarterly basis.

Key Results (by private and public sector indices)

NI economic activity

- decreased marginally by 0.1% in real terms from Quarter 1 2015 to Quarter 2 2015;
- but increased by 1.3% over the year (Figure 2).

Private sector output grew

- by 0.1% in real terms over the quarter; and
- by 2.1% compared to the same quarter one year ago.

In comparison, the public sector jobs index fell

- by 0.8% in real terms over the quarter; and
- by 1.1% compared to Quarter 2 2014.

On a slightly longer timeframe, the NICEI results show that annual output averaged over the four quarters to Quarter 2 2015 increased by 1.3% in real terms.

- Over the same period the private sector index increased by 2.1%;
- the public sector jobs index decreased by 1.0%.

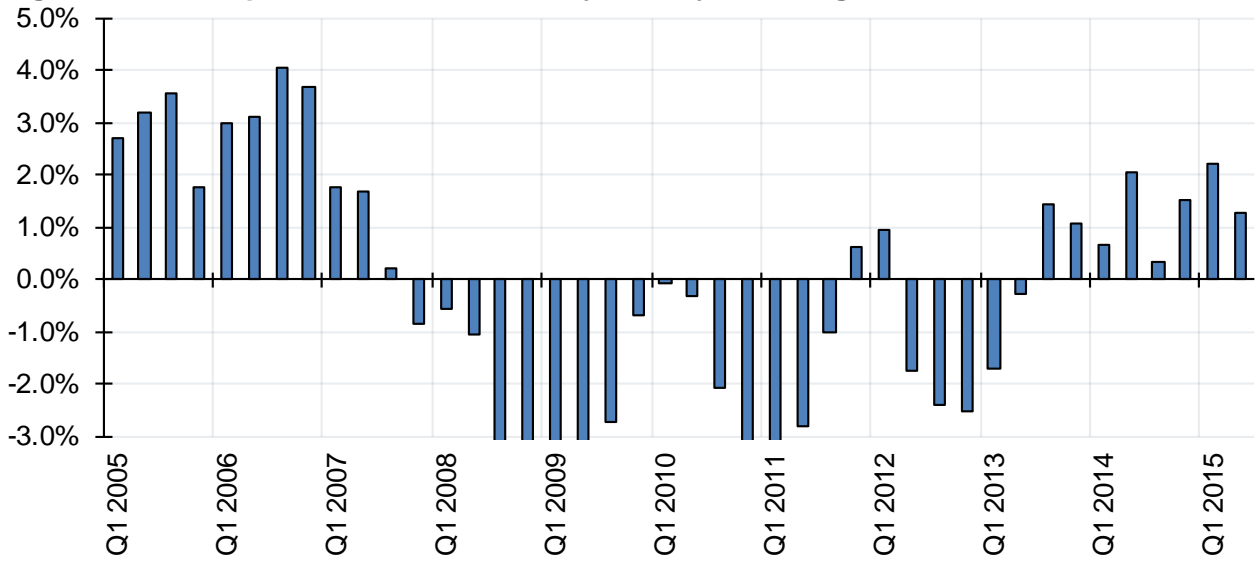
Table 1 provides a summary of changes over the quarter, year and rolling four quarters for the NICEI and its private and public sector jobs sub-indices.

Table 1: Overview of performance of Northern Ireland Economy, Quarter 2 2015

	Index 2011=100	Change on quarter	Change on year	Rolling annual average change
NICEI	101.3	-0.1%	1.3%	1.3%
NI Private Sector	103.1	0.1%	2.1%	2.1%
NI Public Sector jobs	96.1	-0.8%	-1.1%	-1.0%

Figure 2 overleaf provides an overview of the year on year changes in the NICEI from 2005-2015.

Figure 2: NI Composite Economic Index, year on year change



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Contribution to change

Change over the quarter

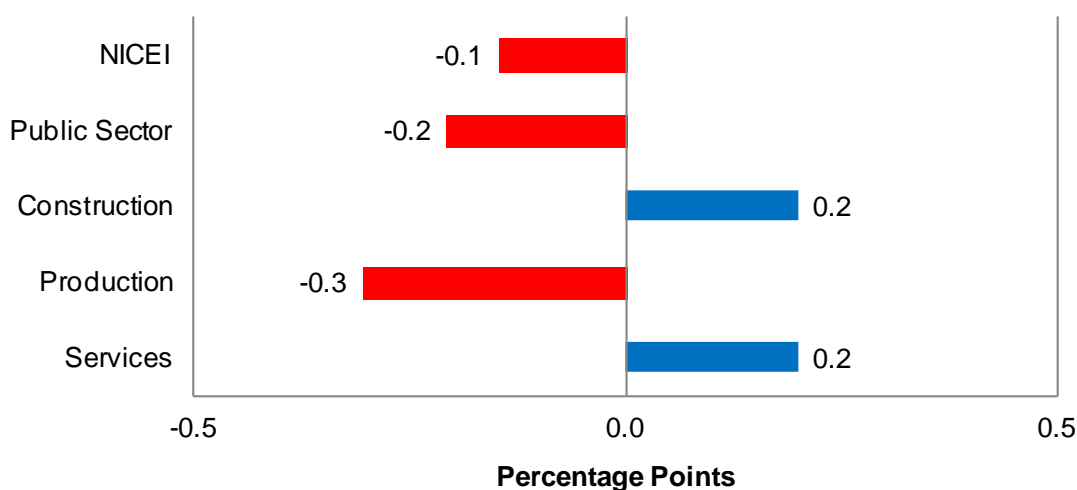
The marginal decrease in the NICEI over the quarter (-0.1%) was driven jointly by decreases in the:

- production sector (a contribution of -0.3 percentage points); and
- public sector jobs index (a contribution of -0.2 percentage points).

These decreases were offset by increases in the services and construction sectors (a contribution of 0.2 percentage points each).

The changes in each of these individual series can be found in Table 2 at the end of this document.

Figure 3: Contributions of component indices to quarterly change in the NICEI Q2 2015¹



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Change over the year

The NI Composite Economic Index (NICEI) results for the period April-June 2015 show that over the year (Quarter 2 2014 to Quarter 2 2015):

- NI economic activity increased by 1.3%;
- the private sector index experienced growth over the year 2.1%; and
- the index for the public sector jobs decreased over the year by 1.1%.

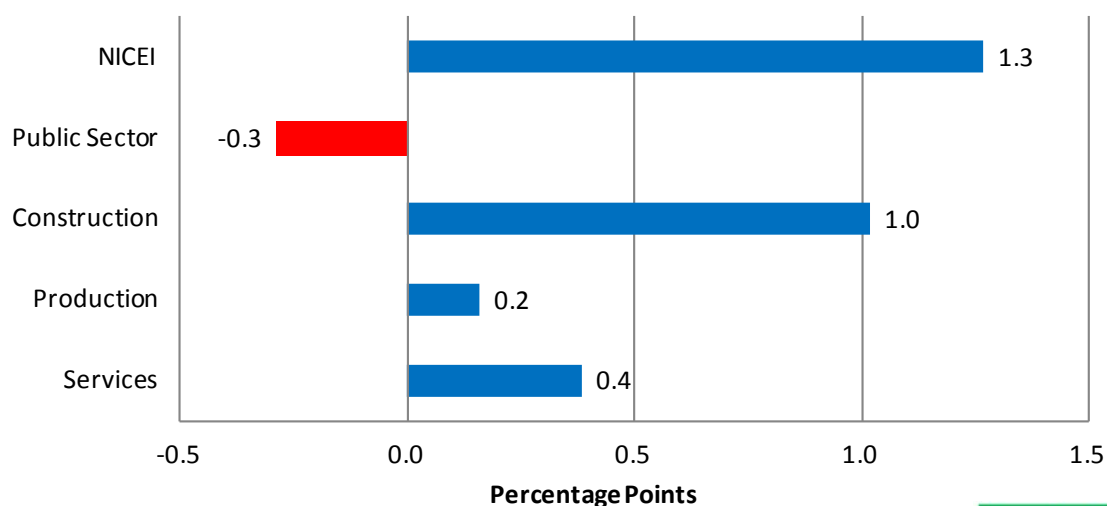
The increase in the NICEI over the year (1.3%) was driven by increases in:

- the construction sector (a contribution of 1.0 percentage points);
- the services sector (a contribution of 0.4 percentage points); and
- the production sector (a contribution of 0.2 percentage points).

These increases were offset by a decrease in the public sector jobs (-0.3 percentage points).

¹ Please note figures may not sum due to rounding

Figure 4: Contributions of component indices to annual change in the NICEI Q2 2015²



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Rolling annual average change

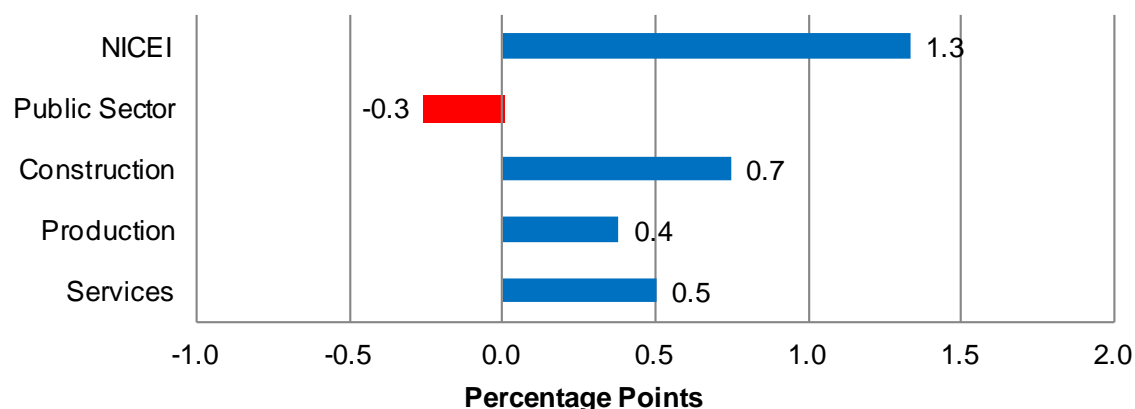
Annual output (averaged over the four quarters to Quarter 2 2015) compared to the average of the previous four quarters increased in real terms by 1.3%.

This was a combination of increases in:

- the construction sector (contribution of 0.7 percentage points);
- the services sector (contribution of 0.5 percentage points); and
- the production sector (contribution of 0.4 percentage points).

These increases were offset by a decrease in the public sector jobs (contribution of -0.3 percentage points).

Figure 5: Contributions of component indices to rolling annual average change in the NICEI, Q2 2015³



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² Please note figures may not sum due to rounding

³ Please note figures may not sum due to rounding

The NICEI is not equivalent to the Office for National Statistics (ONS) quarterly measure of change in Gross Domestic Product (GDP) for the whole UK economy. This is because the ONS measure is based on a broader range of sources including output, income and expenditure estimates of economic activity, whereas the NICEI is based on output and employee jobs data. However, when applied to the equivalent UK data sources, the NICEI methodology has been shown to provide a close short term approximation to the UK GDP series (see [NICEI Methodology Paper](#)).

Although the measures are not produced on a fully equivalent basis, comparisons with the UK show that NI output decreased marginally over the quarter (-0.1%) whilst the UK GDP⁴ increased by 0.7% from Quarter 1 to Quarter 2 2015. The UK economy also grew by 2.4% over the year to Quarter 2 2015 whilst NI output increased by 1.3%.

In Quarter 2 2015 the NICEI was 3.5% above the minimum reached in Quarter 4 2012 but is still 8.2% below the pre-economic downturn peak recorded in Q2 2007. In Quarter 2 2015, UK GDP was estimated to have been 5.9% higher than the pre-economic downturn peak of Quarter 1 2008, having first exceeded this peak in Quarter 2 2013, returning to pre-downturn levels one quarter earlier than previously published.

Average GDP growth for the four quarters to Quarter 2 2015 for the UK was 2.7%⁵ compared to the previous four quarters. The NI growth rate was 1.3% over the same period.

Most recent results show that Scottish GDP grew marginally by 0.1% during the second quarter of 2015 and increased by 1.9% over the year compared to Quarter 2 2014. The average growth for the four quarters to Quarter 2 2015 compared to the previous four quarters was 2.7%.

Looking at the Republic of Ireland Quarterly National Accounts, the Irish economy has been growing at faster pace than the UK, reporting GDP growth of 1.9% over the quarter to Quarter 2 2015. Over the year to Quarter 2 2015 GDP increased by 7.3%, with an average annual growth of 5.9% (latest four quarters compared to the previous four quarters).

Please note that a table showing a comparison of the NI Composite Economic Index and GDP for the UK, Scotland and Republic of Ireland can be found at the [NICEI webpage](#).

⁴ [ONS Quarterly National Accounts, Quarter 2 \(April to June\) 2015](#) (The measure of GDP referred to is the chained volume index of GDP at market prices)

⁵ Calculated from published UK GDP figures

Results for the NICEI indicate that in real terms growth between 2012 and 2013 was essentially flat (0.1% increase), though the growth rate increased to 1.1% between 2013 and 2014. More recently annual average output (averaged over the four quarters to Quarter 2 2015) compared to the average of the previous four quarters (to Quarter 2 2014) increased by 1.3%. However, the most recent quarterly rate of growth has seen a marginal decrease between Quarter 1 and Quarter 2 2015 (-0.1%).

Although the sources are not fully comparable, there is some evidence that the annual average rate of growth in the NI economy (1.3%) to Quarter 2 2015 continues to lag behind that of the UK (2.7%)⁶.

However, it is important to note that NI private sector growth in the four quarters to Quarter 2 2015 averaged 2.1% compared to the previous period, outstripping growth for the NI economy as a whole.

Apart from the public sector jobs index, annual growth (Q2 2015 v Q2 2014) has been reported in the Construction, Services and Production sectors, with the Construction sector making the largest contribution to growth over the year to June 2015.

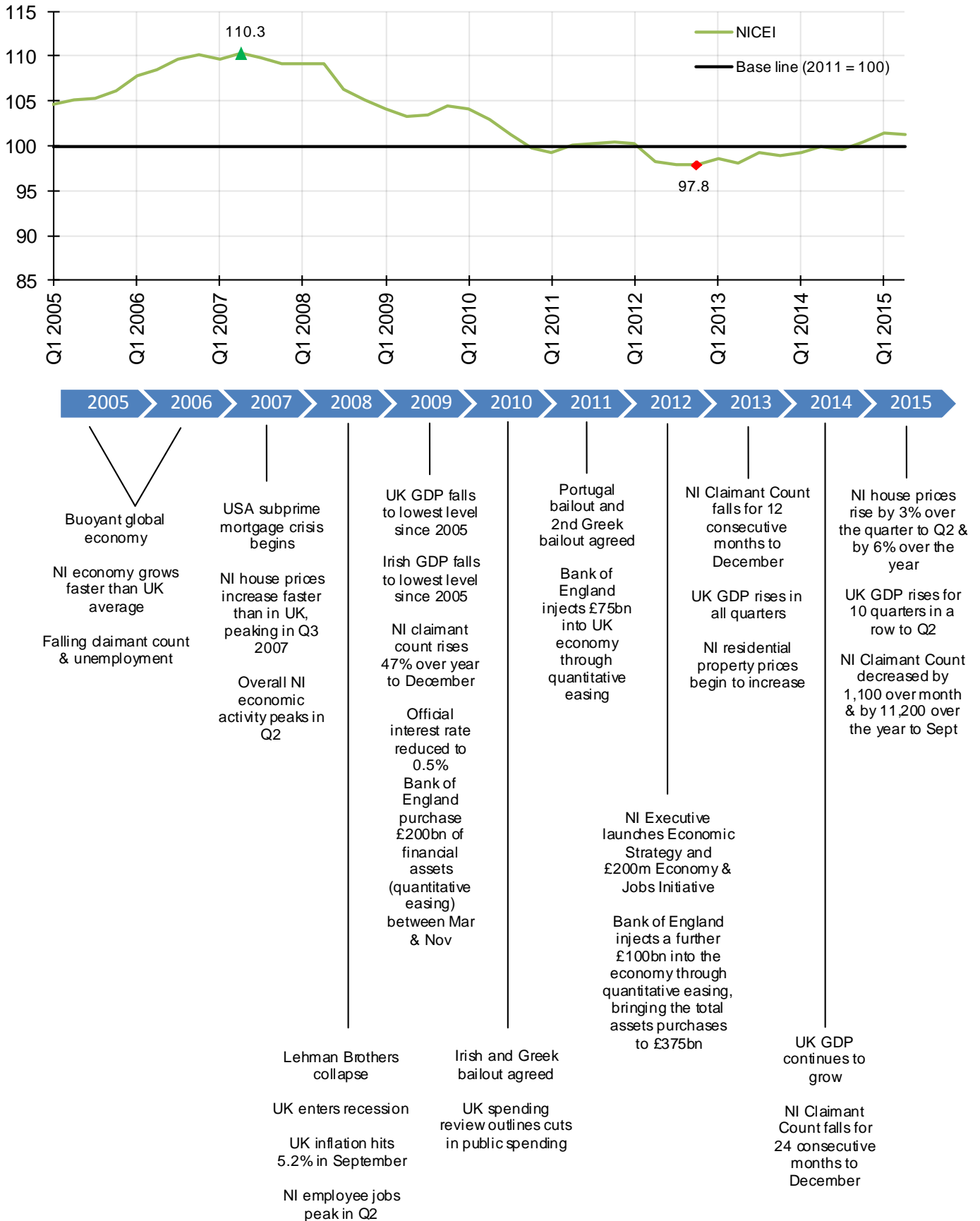
Northern Ireland employment (all persons aged 16 and over), taken from the Labour Force Survey, has increased markedly from 788,000 persons in early 2013 to 816,000 persons in June – August 2015, representing a change of 3.6% (despite a slight fall over the most recent year). The unemployment rate has also seen a noticeable decrease in the medium term from a peak of 8.2% in early 2013 to 6.0% in June - August 2015. In addition, the number of people claiming unemployment related benefits has fallen by 24,000 since the most recent peak in February 2013.

Over a similar period the NICEI results show that economic output for Northern Ireland increased by 2.7% in real terms (from Q1 2013 to Q2 2015, see Annex 1). Private sector output increased by 4.9% over the same timeline whereas the public sector jobs index decreased by 3.2%.

An overview of the NICEI time series alongside an economic timeline of key world, European, UK and NI events to help place the performance of the NICEI into context is provided overleaf.

⁶ [Quarterly National Accounts, Quarter 1 \(Jan to Mar\) 2015](#) [Q2 2014 – Q1 2015 vs Q2 2013 – Q1 2014]
NI Composite Economic Index Statistical Bulletin published 15th October 2015

Figure 6: Overview of the performance of the NICEI alongside a timeline of key economic events, 2005-15



Further information on the state of the Northern Ireland economy, setting it in context with the UK and Republic of Ireland can be found in the latest Department of Enterprise, Trade and Investment (DETI) [Economic Commentary](#).

Labour Market

Recent information from the ([NI Labour Market Report, October 2015](#)) indicates that the two measures of unemployment in NI show a decrease in the most recent period and continue to show decreases over the year.

- The number of people claiming unemployment related benefits (from NI Jobs and Benefits Offices) decreased by 1,100 over the month to September and decreased by 11,200 over the year to 40,700 in September 2015. This is the largest annual percentage decrease (21.6%) since April 2000. UK claimant count levels increased over the month to September 2015;
- The latest NI unemployment rate (16+) in Northern Ireland (as measured by the Labour Force Survey) decreased by 0.3 percentage points (pps) over the quarter to the end of August and fell over the year (by 0.1pps), to 6.0%. The UK rate was 5.4%;
- The LFS employment rate (working age 16-64 year olds) increased from a low point of 66.2% in December - February 2013 to 67.9% in June - August 2015. This was greater than the statistical margin of error (+/-1.9 percentage points) associated with the survey and is likely to reflect a real change (despite a slight fall over the year);
- There was no change in the employment rate over the quarter to August 2015; and
- Economic inactivity rates have remained relatively constant in the medium term.

The latest NISRA Economic and Labour Market Statistics can be found at our [Economic Overview](#) webpage.

Housing

The following section provides detail on recent activity in the housing market in NI which is considered to be an indicator of the state of the economy.

- ***New Dwellings***

Land and Property Services released statistics on new dwelling starts and completions in August 2015⁷ which show that from April to June (Quarter 2) 2015, 1,828 new dwellings were started. This represents a 10% rise compared with the same period in 2014.

- ***House Prices***

The most recent results from the NI Residential Property Price Index⁸ show that between Quarter 1 and Quarter 2 2015 residential property prices increased by 3%, with an increase of 6% over the year to Quarter 2 2015. This is the seventh quarter in a row where the index has experienced an annual increase (i.e. current quarter compared to the same quarter one year previous, Q2 2015 v Q2 2014).

- ***House price to earnings ratio***

The median residential property sale price in 2014 was four and a half times the median annual gross full time earnings as measured by the Annual Survey of Hours and Earnings (ASHE). This

⁷ [LPS New Dwelling Statistics Q2 2015](#)

⁸ [NI Residential Property Price Index Q2 2015](#)

suggests a return towards more affordable housing given that in 2005 median house prices were around five and a half times a median annual full time salary, and in 2007 at the peak of the market, prices were more than nine times the median salary.

- ***Lending***

The Council of Mortgage Lenders (CML)⁹ (a non-official statistics source) reported that the number of house purchase loans declined in the second quarter of 2015 compared with the second quarter of 2014 (-9%). Similarly, the value of house loans declined over the year (6%). However, remortgage lending increased by a third year on year and quarterly remortgage activity is the highest since 2011 in Northern Ireland.

- ***Repossessions***

The NI Courts and Tribunals Service reported that there were 283 mortgage cases (writs and originating summonses issued which commence the legal process for an order of possession for property) received during April to June 2015, a 62% decrease from the same period in 2014 (741)¹⁰.

⁹ [Council of Mortgage Lenders Press Release, 26th August 2015](#)

¹⁰ [NI Courts and Tribunals Service – Mortgages: Actions for Possession bulletin April – June 2015](#)

Coverage

Together the existing IOS, IOP and IOC indices cover their respective elements of the private sector economy. Output data currently provided by DARD is unpublished and as such we are not able to disclose this data. No appropriate output data for the Public sector is collected in Northern Ireland and as a best available proxy public sector employment from the Quarterly Employment Survey (QES) was used, as recommended by ONS.

Further information on the main input data is presented below:

IOP: The quarterly NI Index of Production is currently based on a sample of around 1,000 businesses, which covers approximately 93% of the turnover of the population at the time of selection and a response rate of almost 90%. This includes a **census of all companies employing 40 or more employees as well as those employing 0 to 39 employees and having a turnover of £10 million or more**. The new sample has been designed to have a minimum precision of 10% for each of the production subsectors.

IOS: The quarterly NI Index of Services is currently based on a sample of around 3,300 businesses out of a population of c. 37,000. The sample consists of a census of dominant companies and a Neyman stratified random sample of the remaining companies and covers approximately 72% of turnover. The **census element consists of all companies employing 100 or more employees as well as those employing 0 to 99 employees and having a turnover of £10 million or more**.

IOC: From a sampling universe of approximately 10,000 firms, a disproportionate sample of 700 construction firms is randomly selected to take part in the NI Quarterly Construction Enquiry. The sample is disproportionately stratified (into six strata) using IDBR turnover as the stratification variable. This includes a **census of all companies with a turnover of £5.25m or greater**. Further information on the IOC sample coverage and methodology can be found [here](#).

Weighting and Combining the Data

The output series were produced as weighted aggregates of the above input series, where the weights were based on Gross Value Added (GVA)¹¹ by industry obtained for Northern Ireland from Regional Accounts produced by ONS.

Please note that the latest available GVA by industry published in December 2014 refers to the year 2012 (although total GVA is available for the following year 2013).

Annual Chain-Linking

Annual chain-linking was used to combine the private Services, Production, Construction and Agriculture sectors to produce an index for the Private sector, which was then combined with the index for the Public sector to give an overall index for the economy. Use of annual chain-linking is standard National Accounts practice.

¹¹ Please note that a glossary of national accounts terms and definitions can be found [here](#).
NI Composite Economic Index Statistical Bulletin published 15th October 2015

Seasonal Adjustment of the Indices

The indirect method of seasonal adjustment was employed. Seasonally adjusted figures were input (where possible) and when the combined output series were tested for seasonality there was no residual seasonality found, therefore no seasonal adjustment was required.

Base and reference year

As part of the Blue Book process (UK National Accounts), and in line with Eurostat guidance, the base year and reference year for chained volume estimates are moved forward by one year so that the estimates better reflect the industrial structures and prices currently seen within the economy. Re-referencing on its own does not cause revisions to real growth rates, but the rebasing process, taking on as it does new Gross Value Added and product weights from the supply and use balancing process, will cause revisions to the growth rates of chained volume components.

Public Sector Employees

The public sector employee jobs figures used in our analysis are sourced from the Office for National Statistics who compile the figures to produce their [Public Sector Employment publications](#). The public sector comprises central government, local government and public corporations as defined for the UK National Accounts. The public sector comprises central government, local government and public corporations as defined for the UK National Accounts.

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Annex 1: Index Tables

The table below provides an overview of the index tables for the Composite Economic Index and its constituent indices. The arrows in the cells indicate whether the index has increased/decreased/remained constant from the previous quarter.

Key: Maximum value reached
 Minimum value reached

Table 2: Overview of NICEI and component indices

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	Quarter	Composite Economic Index	Private sector	Public sector	Services	Production	Construction
2005	1	104.7	106.1	101.3	105.3	96.8	144.0
	2	↑ 105.2	↑ 106.5	↑ 101.8	↓ 104.7	↑ 98.8	↑ 147.9
	3	↑ 105.3	↑ 106.6	↑ 102.2	↑ 105.5	↓ 95.4	↑ 152.1
	4	↑ 106.2	↑ 107.8	↑ 102.3	↑ 108.2	↑ 96.0	↓ 143.8
2006	1	↑ 107.8	↑ 110.1	↓ 102.2	↑ 109.6	↑ 98.3	↑ 153.1
	2	↑ 108.4	↑ 110.9	→ 102.2	↑ 110.3	↑ 100.1	↑ 153.6
	3	↑ 109.6	↑ 112.5	↑ 102.3	↑ 111.6	↑ 100.5	↑ 161.5
	4	↑ 110.1	↑ 113.3	↓ 102.0	↑ 112.6	↑ 101.2	↓ 160.7
2007	1	↓ 109.7	↓ 112.8	→ 102.0	↓ 112.2	↓ 100.6	↓ 156.8
	2	↑ 110.3	↑ 113.5	↑ 102.2	↑ 112.5	↑ 101.5	↑ 162.1
	3	↓ 109.8	↓ 113.1	↓ 101.6	↓ 112.0	↑ 104.2	↓ 154.7
	4	↓ 109.2	↓ 112.1	↑ 101.7	↓ 110.2	↑ 106.7	↓ 148.2
2008	1	↓ 109.1	↓ 112.0	↑ 101.8	↑ 111.3	↓ 104.5	↓ 142.3
	2	→ 109.1	↑ 112.3	↓ 101.1	↓ 110.3	↑ 107.1	↑ 148.8
	3	↓ 106.4	↓ 108.9	↓ 100.1	↓ 108.0	↓ 103.6	↓ 137.1
	4	↓ 105.1	↓ 105.6	↑ 103.8	↓ 105.0	↓ 98.1	↓ 135.2
2009	1	↓ 104.1	↓ 104.2	↑ 103.9	↓ 104.4	↓ 94.4	↓ 132.6
	2	↓ 103.2	↓ 102.9	↑ 104.1	↓ 103.8	↓ 91.6	↓ 130.6
	3	↑ 103.5	↑ 103.2	↑ 104.4	↑ 104.6	↓ 90.7	↓ 130.1
	4	↑ 104.4	↑ 104.5	↓ 104.2	↑ 106.4	↑ 91.7	↓ 127.4
2010	1	↓ 104.0	↓ 104.3	↓ 103.4	↑ 106.5	↑ 92.7	↓ 120.0
	2	↓ 102.9	↓ 103.0	↓ 102.7	↓ 104.9	↑ 93.4	↓ 115.9
	3	↓ 101.3	↓ 101.2	↓ 101.7	↓ 101.8	↑ 94.6	↑ 116.3
	4	↓ 99.8	↓ 99.1	↓ 101.5	↓ 98.6	↑ 97.1	↓ 108.8
2011	1	↓ 99.3	↓ 98.7	↓ 101.0	↓ 97.9	↑ 98.5	↓ 104.8
	2	↑ 100.0	↑ 99.9	↓ 100.4	↑ 100.4	↑ 99.1	↓ 96.9
	3	↑ 100.3	↑ 100.5	↓ 99.7	↑ 100.7	↑ 100.9	↑ 98.9
	4	↑ 100.4	↑ 100.9	↓ 99.0	↑ 100.9	↑ 101.5	↑ 99.5
2012	1	↓ 100.3	↓ 100.7	↑ 99.2	↓ 99.9	↓ 100.3	↑ 106.3
	2	↓ 98.3	↓ 98.1	↓ 98.8	↓ 98.3	↓ 98.9	↓ 93.5
	3	↓ 97.9	↓ 97.6	↓ 98.7	↑ 98.4	↓ 97.6	↓ 90.9
	4	↓ 97.8	↓ 97.4	↑ 99.1	↑ 98.5	↓ 95.9	↑ 91.6
2013	1	↑ 98.6	↑ 98.3	↑ 99.3	↑ 99.3	↑ 96.7	↑ 92.0
	2	↓ 98.0	↓ 97.5	↑ 99.4	↓ 98.2	↑ 98.9	↓ 86.8
	3	↑ 99.3	↑ 99.3	→ 99.4	↑ 100.0	↑ 100.9	↑ 88.7
	4	↓ 98.9	↑ 99.4	↓ 97.6	↑ 100.5	↑ 101.7	↓ 82.9
2014	1	↑ 99.2	↑ 100.0	↓ 96.9	→ 100.5	↑ 102.2	↑ 88.6
	2	↑ 100.0	↑ 101.0	↑ 97.1	↑ 101.3	↑ 104.1	↑ 88.9
	3	↓ 99.6	↓ 100.6	→ 97.1	↓ 101.0	↓ 103.1	↑ 89.9
	4	↑ 100.4	↑ 101.6	↑ 97.2	↑ 101.6	↑ 103.7	↑ 94.8
2015	1	↑ 101.4	↑ 103.1	↓ 96.8	→ 101.6	↑ 107.1	↑ 104.1
	2	↓ 101.3	↑ 103.1	↓ 96.1	↑ 102.1	↓ 105.1	↑ 107.3

	NICEI	Private Sector	Public Sector	Services	Production	Construction
% change compared to previous quarter	-0.1%	0.1%	-0.8%	0.5%	-1.9%	3.1%
% change compared to same quarter one year ago	1.3%	2.1%	-1.1%	0.7%	1.0%	20.7%
% change for most recent four quarters compared to previous four quarters	1.3%	2.1%	-1.0%	1.0%	2.5%	13.5%