



Danske Bank
Oxford Economics
Quarterly Sectoral
Forecasts Quarter 2
2013

Executive Summary

A slow revival...

Despite downward revisions to growth forecasts for 2013, we still expect a gradual recovery to develop, with UK growth accelerating to 2% in 2014. The likelihood that further QE will push the pound lower means that we now expect a stronger contribution from exports, while inflation is likely to remain higher for longer, thus restraining the consumer recovery. The risks are still skewed slightly to the downside, with the heavily indebted consumer sector the prime concern.

The UK budget caused the usual criticisms, however there were some small announcements which should have a positive impact upon Northern Ireland. An extra £94m is being made available for capital spending by the Executive which could help boost the construction sector, though it is unclear whether there are any "shovel ready" projects awaiting funding. A further 1% reduction in the UK corporation tax rate was also announced (20% from 2015). Though no firm decision is expected regarding devolution of corporation tax powers to Northern Ireland until after the Scottish referendum (Autumn 2014). For Northern Ireland the changes to the tax thresholds should be broadly favourable given the lower average wage in the region.

Northern Ireland continues to face a number of challenges. The wider issues of changes to welfare benefits and austerity present the major challenges over the months ahead. Faced with such steady headwinds, below UK rates of growth are unfortunately now the norm and the Danske Bank quarterly forecast confirms this will be the case throughout the forecast period. **The central forecast remains that GVA will grow at 0.4% in 2013 and 1.7% in 2014.**

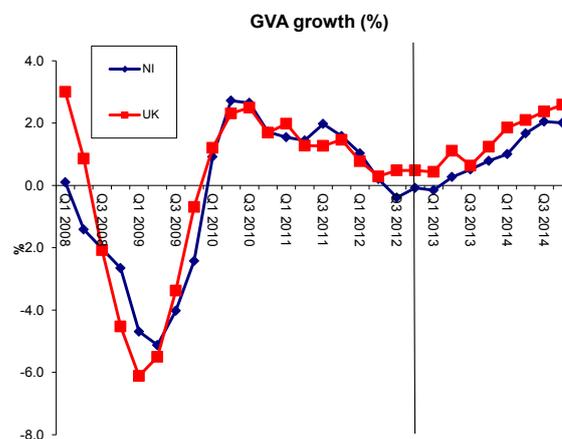
| GVA growth rates - NI | | | |
|-----------------------|---------------|---------------|---------------|
| | Q on Q growth | Y on Y growth | Annual growth |
| Q1 2012 | 0.0 | 1.0 | |
| Q2 2012 | -0.2 | 0.2 | 0.2 |
| Q3 2012 | -0.1 | -0.4 | |
| Q4 2012 | 0.2 | -0.1 | |
| Q1 2013 | 0.0 | -0.2 | |
| Q2 2013 | 0.2 | 0.3 | 0.4 |
| Q3 2013 | 0.2 | 0.5 | |
| Q4 2013 | 0.5 | 0.8 | |
| Q1 2014 | 0.2 | 1.0 | |
| Q2 2014 | 0.9 | 1.7 | 1.7 |
| Q3 2014 | 0.5 | 2.1 | |
| Q4 2014 | 0.4 | 2.0 | |

| GVA growth rates - UK | | | |
|-----------------------|---------------|---------------|---------------|
| | Q on Q growth | Y on Y growth | Annual growth |
| Q1 2012 | -0.1 | 0.5 | |
| Q2 2012 | -0.4 | 0.0 | 0.3 |
| Q3 2012 | 0.9 | 0.4 | |
| Q4 2012 | -0.3 | 0.2 | |
| Q1 2013 | 0.3 | 0.2 | |
| Q2 2013 | 0.3 | 0.9 | 0.7 |
| Q3 2013 | 0.3 | 0.4 | |
| Q4 2013 | 0.4 | 1.1 | |
| Q1 2014 | 0.5 | 1.6 | |
| Q2 2014 | 0.5 | 1.8 | 1.9 |
| Q3 2014 | 0.6 | 2.0 | |
| Q4 2014 | 0.6 | 2.2 | |

Source: Oxford Economics

Source: Oxford Economics

Note: Year on year growth is calculated using the growth from say Q1 2010 to Q1 2011

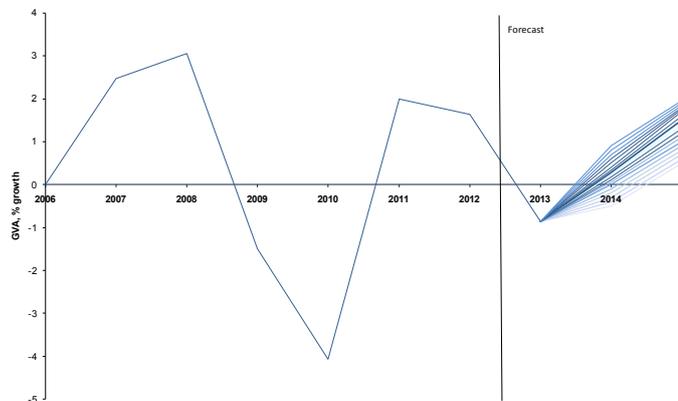


Uncertainty remains high

We currently attribute a 60% probability to our baseline forecast, up from 50% last quarter. The risks to our forecast are still skewed to the downside, although less so than in December. Eurozone breakup remains the most serious medium-term threat to which we assign a 15% probability, lower than our Q1 report. However, over the medium term, there remains a risk that some countries will need to leave the Eurozone.

| Outcome | % | 2013 | 2014 | 2015 |
|---|----|--------------|-----------|------|
| Lower scenario | | | | |
| Disorderly unwinding of QE | | -0.2 to -1.0 | 0.5 - 1.2 | |
| Multiple Eurozone exits | 10 | | | |
| Faster upturns in US & Ems | | | | |
| Below Main | | | | |
| | 15 | 0.4 to -0.2 | 1.2 - 1.7 | |
| Main scenario | | | | |
| | 60 | 0.4 | 1.7 | 2.3 |
| Above main | | | | |
| | 10 | 0.4-1.0 | 1.7 - 2.0 | |
| Upper scenario | | | | |
| Stronger global recovery | | 1.0 + | 2.0 + | |
| Stronger export performance | | | | |
| Increased private sector investment | 5 | | | |
| Rapidly improving public finances supporting confidence | | | | |

GVA growth (%)



Global and UK Overview

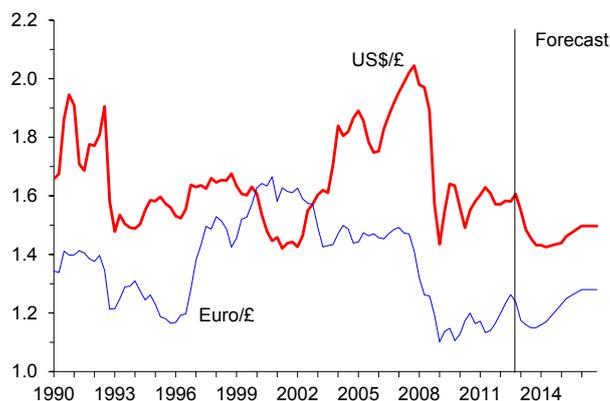
Did the chancellor reduce the risk of recession?

Previous Budgets have seen the Chancellor conjure up a large number of policy measures without loosening the overall fiscal stance and his most recent Budget was no different. The Chancellor announced 41 new policy changes to add to the 24 already announced since the 2012 Budget, but the net fiscal impact of the measures over the five-year forecast horizon was zero. The package does offer some solid assistance to struggling sectors, such as housing and construction. Northern Ireland will benefit from an additional £94m of capital spending over the next two years which could help improve the construction sector. Though it is unclear whether there are any “shovel ready” projects awaiting funding. The local housing market will also welcome measures to help first time buyers to get onto the property ladder. Overall the budget remained consistent with the Chancellor’s aim of improving the attractiveness of the UK as a place to do business.

Will the fall in sterling boost the UK’s recovery?

The pound has weakened significantly since the beginning of 2013, falling by about 6% against the dollar and 4% versus the euro.

UK: Exchange rates



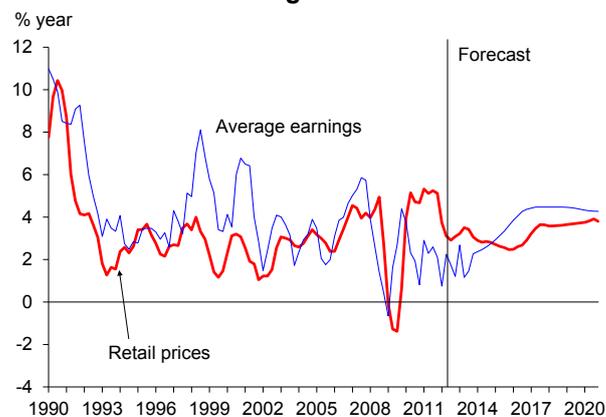
Source: Oxford Economics

The fall is the consequence of a number of factors, including a decline in investor confidence, expectations of further monetary easing and weak relative growth prospects.

These factors suggest that the pound will continue depreciating over the course of 2013, as investor demand shifts towards the US dollar, in particular, and away from sterling. By 2013Q4 we expect the pound to be worth \$1.43, a drop of around 6% from current levels and nearly 12% lower than a year earlier. This is around half of the depreciation in sterling witnessed in 2008/09.

A weaker currency means that import prices, for instance for commodities denominated in US dollars, rise or do not fall as much as would have been the case with a stable currency. Consequently, local goods and services become more attractive while exports become more competitive. Indeed, while we expect oil prices in dollar terms to decline over the course of 2013, the consequent drop in oil prices in sterling terms is envisaged to be much smaller. As a result, despite the high degree of spare capacity in the UK, we expect inflation to remain elevated throughout the year, averaging 2.8% in 2013 as a whole. Higher inflation will squeeze consumers’ real incomes and damage their purchasing power.

UK: Prices and earnings



Source: Oxford Economics

Although currency devaluation should improve the UK’s cost competitiveness and therefore increase exports, we expect a positive impact of the weaker pound on the UK economy to be relatively limited. Around half of UK exports go to the Eurozone and we expect the pound to depreciate by less against the euro because of enduring concerns about the sustainability of the Eurozone. Eurozone demand is also expected to remain weak for a prolonged period, so the scope for firms to take advantage will be restricted. Furthermore, the UK is highly dependent

on service exports, which are less price-sensitive, which will also dull the impact of a weaker currency. As such, we expect exports to fall by 0.1% in 2013 and anticipate only a modest improvement in the current account deficit to 3.1% of GDP in 2013, from 3.7% in 2012, driven mainly by weaker imports.

Our analysis, based on simulations run on the Oxford Economics' model, suggests that a fall in sterling will have a positive impact on the economy by boosting exports, more than offsetting the effects of higher inflation. However certain features of the economy, such as the high degree of dependence on service exports and the focus of UK exports on slow-growing advanced economies, implies that the benefits of a weaker currency are more limited for the UK than for other countries such as Germany, France and Italy.

NI Overview

NI - labour market weaknesses persist

It has been a difficult twelve months for the Northern Ireland economy. Despite pockets of good news, particularly inward investment announcements, the headline data depicts an economy in virtual standstill. Employee job data recorded an increase of nearly 1,000 jobs in the year to December 2012 (0.1%), one of the weakest regional performances across the UK. The final quarter showed relatively strong growth but this is merely a seasonal pattern. This picture is not entirely corroborated by other data sources. Claimant count unemployment rose by 4,400 for example in the year to December 2012 and this data source has the advantage of not being survey based.

| Employee growth (last quarter, last year) | | | | |
|---|-----------------|------|-----------------|------|
| | Dec 11 - Dec 12 | | Sep 12 - Dec 12 | |
| | 000's | % | 000's | % |
| South East | 69.0 | 1.8 | 0.0 | 0.0 |
| London | 108.0 | 2.5 | 35.0 | 0.8 |
| East | -47.0 | -1.9 | 9.0 | 0.4 |
| South West | 36.0 | 1.6 | 7.0 | 0.3 |
| West Midlands | 39.0 | 1.7 | -1.0 | 0.0 |
| East Midlands | 11.0 | 0.6 | 7.0 | 0.4 |
| Yorkshire & Humber | 20.0 | 0.9 | 22.0 | 1.0 |
| North West | 4.0 | 0.1 | 3.0 | 0.1 |
| North East | -1.0 | -0.1 | -2.0 | -0.2 |
| Wales | 48.0 | 4.2 | 4.0 | 0.3 |
| Scotland | 38.0 | 1.7 | -5.0 | -0.2 |
| Northern Ireland | 1.0 | 0.1 | 6.8 | 1.0 |
| United Kingdom | 329.0 | 1.2 | 81.0 | 0.3 |

Jobs losses continue across the economy

The employee data, even allowing for volatility, shows a labour market contracting across a wide range of sectors. In volume terms the biggest annual losses have been in construction, retailing and manufacturing. The sectoral pattern also suggests that austerity is beginning to shrink the public sector, with both public admin and education recording a contraction in the year to December 2012. This is consistent with the recently published Northern Ireland Economic Composite Index (NIECI) which showed that despite the private sector expanding by 0.6 per cent over 2012, the public sector contracted by 0.6 per cent. Nonetheless, the rate of decline in public services employment is slightly slower than in other parts of the UK.

Encouragingly growth has returned to a number of sectors, with administration and support services reporting an impressive annual increase of 2,600 jobs (6.5%). Health and accommodation & food services

have been other sectors in which employee levels have increased during the very challenging 2012.

| Employee growth (last quarter, last year) | | | | |
|---|-----------------|------|-----------------|------|
| | Dec 11 - Dec 12 | | Sep 12 - Dec 12 | |
| | 000's | % | 000's | % |
| Agriculture, forestry and fishing | 0.7 | 5.5 | 0.0 | -0.2 |
| Mining and quarrying | -0.1 | -2.3 | 0.0 | 0.0 |
| Manufacturing | -1.1 | -1.5 | -0.7 | -0.9 |
| Electricity, gas, & steam | 0.1 | 10.5 | 0.0 | 2.8 |
| Water supply; sewerage, waste management | 0.0 | 0.9 | 0.0 | 0.0 |
| Construction | -1.7 | -5.5 | -1.1 | -3.6 |
| Wholesale and retail trade | -1.1 | -0.9 | 5.2 | 4.3 |
| Transportation and storage | 0.2 | 0.7 | 0.4 | 1.4 |
| Accommodation and food service activities | 1.3 | 3.1 | 0.3 | 0.8 |
| Information and communication | 0.6 | 3.4 | 0.3 | 1.8 |
| Financial and insurance activities | -0.5 | -2.8 | -0.2 | -1.2 |
| Real estate activities | -0.1 | -0.8 | -0.1 | -1.8 |
| Professional, scientific and technical activities | 0.8 | 3.4 | 0.1 | 0.6 |
| Administrative and support service activities | 2.6 | 6.5 | 0.7 | 1.7 |
| Public administration and defence | -0.5 | -0.9 | 0.1 | 0.2 |
| Education | -1.0 | -1.4 | 1.9 | 2.8 |
| Human health and social work activities | 1.2 | 1.0 | 0.4 | 0.3 |
| Arts, entertainment and recreation | -0.2 | -1.5 | -0.3 | -1.9 |
| Other service activities | -0.1 | -0.5 | -0.3 | -1.8 |
| Total | 1.0 | 0.1 | 6.8 | 1.0 |

Quarterly sectoral data is subject to higher margins of error but the rapid job growth of nearly 7,000 in Quarter 4 2012 was dominated by the usual Christmas retail spike which accounted for over 5,000 of the increase. Education also expanded strongly reflecting the usual 'bounce' from a low Q3 when temporary or short-term employment contracts finish for the summer months.

The challenges remain for the Northern Ireland Economy. Employment data for 2012 suggests NI continues to lag behind the UK average and claimant count unemployment has continued to rise. This recent data for NI gives little reason to suggest any significant change in the broad outlook, with below UK levels of growth. Northern Ireland continues to suffer from a relatively limited export base which is unable to fully offset the difficulties in the public and domestic sectors.

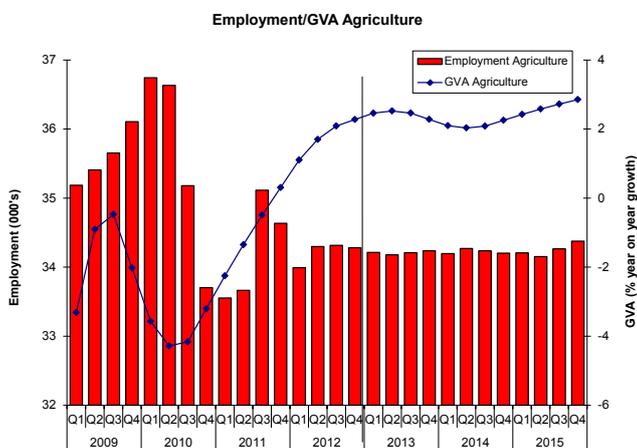
The latest Danske Bank Consumer Confidence Survey reveals a fall in Northern Ireland's consumer confidence. The results suggest that confidence was hit hardest among those in lower socio-economic groups, with concerns about imminent changes to the welfare system a plausible explanation. The survey also reveals a significant gap between the confidence levels of people who are either unskilled manual workers or unemployed and those in higher socio-economic groups. Given the outlook is for unemployment to remain relatively high and growth will be focused around skilled professional services, these challenges are likely to remain for lower socio-economic groups. As an extension to this, pockets of deprivation are likely to remain and prove particularly stubborn.

Sectoral Analysis

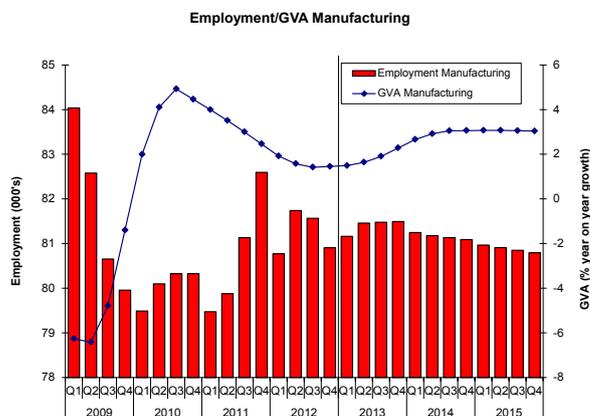
Production

The **agriculture** sector continues to exhibit somewhat surprising resilience in the face of harsh headwinds – the employment level remained at 34,000 jobs in Q4 2012 for a second consecutive quarter. With the harsh weather throughout last winter and the start of this year leaving many farmers without electricity and ‘cut off’ from their livestock inducing significant losses, and rising input costs (particularly feed) continuing to take their toll, widespread job losses in the sector would have been expected. The recent horse meat scandal has damaged the reputation of various retailers and food manufacturers, consumers instead placing an increased emphasis on higher quality and safer produce with farmers benefiting from supplying local butchers whose sales have improved vastly. Furthermore, the continued weakening of the Sterling exchange rate versus the Euro has eroded the rate of Single Farm Payments (SFP) on which farmers are so reliant (especially at a time when output prices remain disappointing). Though in the short term conditions are likely to remain perilous for the sector, we see employment levels remaining fairly stable up to Q4 2015 with GVA growth picking up over the course of 2013 remaining in the range of 2-3% year on year over the entire forecast period. The sector’s fortunes remain heavily reliant on any policy changes over that time as well as exchange rate movements which impact on export volumes.

Agriculture (2.7% yoy 2013)



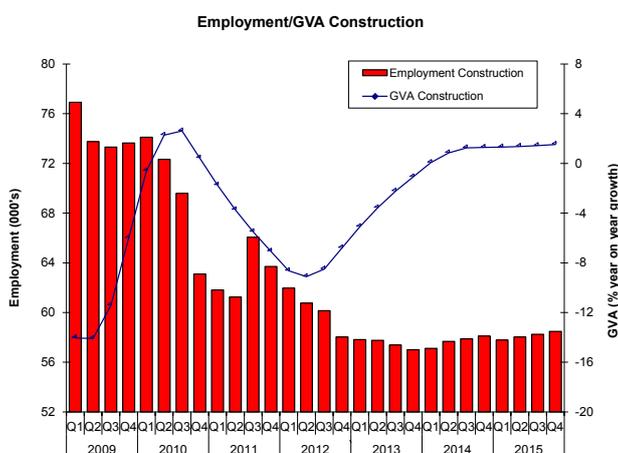
Manufacturing (1.6% yoy 2013)



Ongoing rebalancing of the **manufacturing** sector continued to impact on the employment level in Q4 2012, which fell by 700 net jobs to 80,900. Within the manufacturing of rubber & plastic products, fabricated metal products, electrical equipment and machinery & equipment sub-sectors alone, close to 1,000 job cuts were experienced over the three month period. The food processing sub-sector continued to take on people, and was the only source of marked job creation in this regard, though the recent horse meat scandal may render this trend to history. Recent research by the Utility Regulator found that energy costs for manufacturers in Northern Ireland are among the highest in Europe, higher than in the Republic of Ireland and the rest of the UK and double the prices paid in Sweden and France. Manufacturing NI said that the issue was not new but nonetheless needed addressed immediately in order to ensure the competitiveness of manufacturing firms in the region going forward. We believe the first two quarters of 2013 may see some consolidation in terms of manufacturing jobs in the region (300 net jobs created in both periods) – supporting the recent findings of the NI Purchasing Managers’ Index (PMI) which suggests that business confidence has stabilised of late largely due to improved performance in manufacturing. Beyond that however, the prospects for the sector remain bleak. The 2015 year end level of employment is expected to be 80,800, a return to current levels, suggesting that GVA year on year growth of 3% from 2014 onwards is largely the

result of increased productivity from the current workforce. At the moment, NI's manufacturing sector is hugely reliant on a small number of large firms, leaving it slightly exposed. The recent announcement by the Enterprise Minister of an extra £4m into two Invest NI Access to Finance Funds to aid the development of young businesses can only help in this respect. Better links between Higher Education and Further Education institutions and local businesses could also support future growth.

Construction (-3.3% yoy 2013)



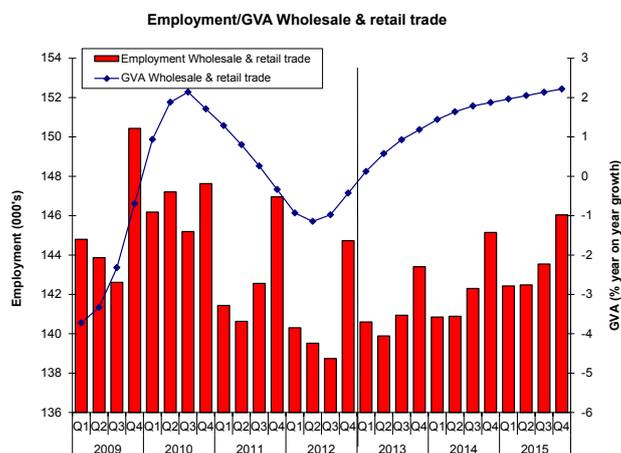
Employment in **construction** fell by 2,100 net jobs in Q4 2012, a fifth consecutive quarterly decline, meaning the level is now around the 58,000 mark, some 30,000 lower than the peak of Q3 2007. Though there has been some evidence of increased transactions in the residential property market reflecting the improvements in affordability, this has yet to transmit itself through to the construction sector with the level of new work continuing to remain low. Concerns surrounding financial fragility remain paramount, and pressures elsewhere on the public purse mean that government lacks the ability to significantly invest in large capital investment projects. The concept of 'zombie' firms is also one that can be associated with the construction sector more than any other sector in the economy. This term essentially refers to firms that are surviving on low interest rates, paying off debts only and unable to invest. Any further downturn in wider economic conditions or indeed the lack of any marked improvement in the short term would render their position untenable; although of course any upturn may help them resolve their balance sheet problems.

R3, the Association of Business Recovery Professionals estimates that 16% of NI firms are in this position, with a notable position likely to be confined to the construction sector. With this in mind, it comes as no surprise that we believe the sector faces a subdued outlook over the course of the next 3 years. In 2013 alone we forecast a further 1,000 net job losses at which stage the sector may well hit its 'floor' level. It is likely to be the middle of 2014 before GVA returns to year on year growth, while a return to more marked recovery in jobs is likely to take until well beyond 2015.

Private services:

Anecdotal evidence from the **wholesale & retail trade** sector suggested that NI firms suffered from the UK wide difficult Christmas period, exacerbated by the street protests over the union flag, with the Northern Ireland Retail Consortium (NIRC) indicating that the number of shoppers was down 1.4% in January 2013 compared to a year previous.

Wholesale & retail trade (0.7% yoy 2013)

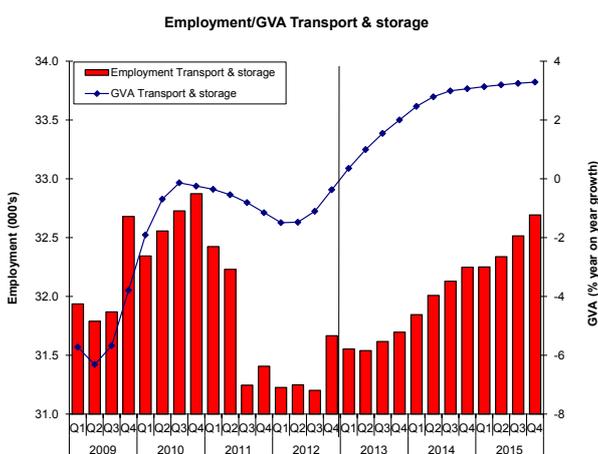


However, this is not reflected in the latest labour market release. The employment level in retail rose by 6,000 net jobs in Q4 2012, which was a higher seasonal increase than in the final quarter of either 2010 or 2011. Indeed the January 2013 edition of the Danske Bank Consumer Confidence Survey noted that local consumer confidence was higher than this time last year (despite a small fall back in December 2012) and that "confidence around spending is slowly

moving in the right direction” driven by allayed fears about job security, reduced pressure on household incomes and some albeit slow signs of recovery in the housing market. The first couple of quarters of 2013 are likely to see the usual contraction in employment as those employed for the Christmas period flow back onto the ranks of the unemployed. High profile administrations such as HMV which is to close 9 NI branches over the coming months resulting in 109 net job losses, and the news that John Lewis have pulled out of locating in the region, are unlikely to help in this regard. Beyond that however, the trend overall is for job growth, in the face of the challenges provided by on-line shopping and the recent decision to delay devolving power to Stormont to cut corporation tax until 2014 (discussed in more detail later) – a decision which the NI Independent Retail Trade Association (NIRTA) said firmly sent out the wrong message. Though it is worth noting that while a reduction to corporation tax would be helpful to all businesses in NI, it would be the high value added exporting sectors of the economy that it would stimulate most.

The **transport & storage** sector enjoyed marked job growth of 500 net jobs in Q4 2012, which came as welcome news after relative stability over the previous 5 quarters.

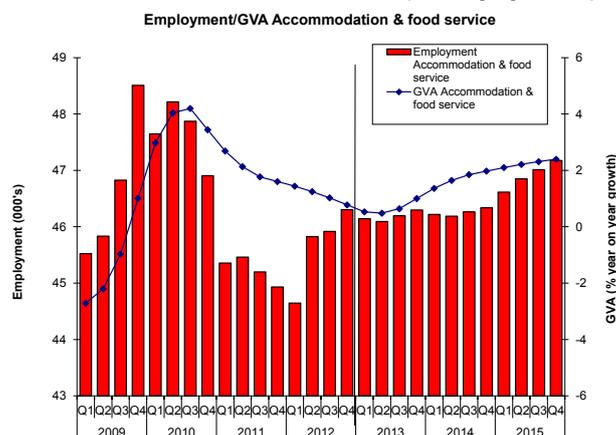
Transport & storage (1.1% yoy 2013)



Ongoing recovery for the sector is likely to be gradual and mirror the performance of the wider economy over the course of the next 3 years. GVA is set to return to year on year growth in Q1 2013 after 19 consecutive quarters of decline, while the creation of

1,000 net jobs by Q4 2015 should take the employment level fairly close to its peak of Q4 2010. The recent announcement in the 2013 Budget that September’s planned increase in petrol duty will no longer happen, saving motorists approximately £25 a year, will help to a small extent. Over the longer term, the issue of air passenger duty (APD) is likely to remain one that needs addressed; though the APD rates on NI’s only transatlantic flight to New York were reduced, there is an argument that the same should be done for domestic and European flights, in an effort to induce more business travel and higher overall tourism numbers indirectly providing net additional demand for employment (above that forecast in our baseline).

Accommodation & food service (0.3% yoy 2013)



Growth of 400 net jobs in Q4 2012 capped a strong year for the **accommodation & food service** sector, at least in labour market terms. The current employment level of 46,300 is 1,700 net jobs higher than at the end of Q1 2012, and just 2,200 net jobs (or 4.5%) lower than the peak reached in Q4 2009. This is evidence of the fact that events like the Irish Open golf tournament, Titanic and the opening of the Giant’s Causeway Visitor Centre had the desired effect. Statistics show that occupancy rates in hotels in the Greater Belfast area experienced strong growth, outperforming every other major city in Great Britain, with Belfast ranked in the Top 10 Traveller’s Choice Destinations for 2012 by Trip Advisor in their European Rise Awards. We believe there may be a small fall back in the employment level in Q1 2013, in no small part due to the ongoing protests over the Union flag, with the Europa stating that their occupancy rates in January 2013 were down 75% compared to the same month last year amid fears of

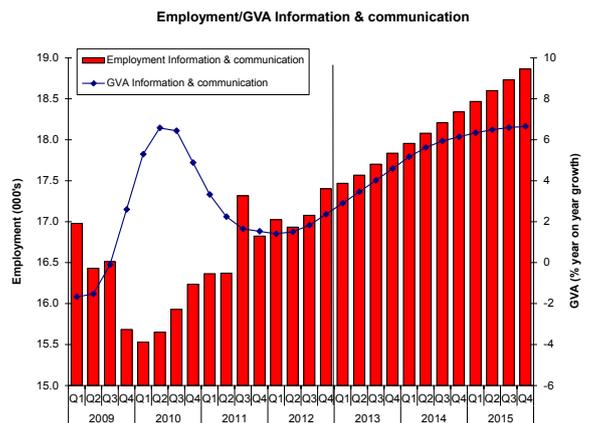
violence. Beyond that, we forecast 2013 and 2014 will see employment levels remain relatively stable before picking up again in 2015. The issue going forward remains in ensuring that other areas in the region besides Belfast enjoy a share of the benefits, though the City of Culture 2013 in Derry and the G8 Summit in June 2013 in Fermanagh should give areas outside Belfast a window to showcase themselves offering immediate and short term gains to local businesses. The end to the beer duty escalator and a penny reduction, announced by the UK Chancellor in his 2013 Budget, should aid the competitiveness of bars and restaurants and allow them the means to take on staff with the savings made.

The **information & communication** sector enjoyed a 13th consecutive quarter of GVA year on year growth as well as further employment creation of 300 net jobs in Q4 2012, returning the total level to its peak reached in early 2008. The new major contract centre opened by BT has already created 100 job opportunities, with more in the pipeline. A significant boost was provided with the recent announcement that the TV show Game of Thrones is to film a 4th series in NI. The first 3 series have been estimated to provide a £65m impact and the potential remains to attract more international projects on the back of it and spur local talent in the industry. By taking advantage of domestic growth and FDI, and by availing of the abundance of infrastructure that has been invested in over the last few years, the opportunities for the sector are considerable. Accordingly, we forecast consistent job growth over the entire forecast period, taking employment to a level 1,500 jobs (or close to 9%) higher than it is currently. Rates of GVA year on year growth could reach close to 7% by the end of 2015, a return to those last experienced in 2010.

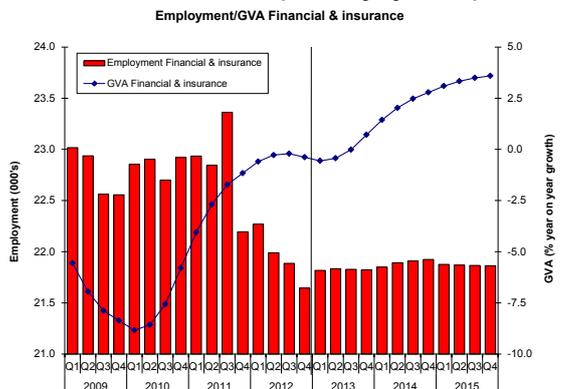
The employment level in the **financial & insurance** sector fell in Q4 2012 by 300 net jobs, marking a third quarter in a row it has done so. The finance sector is hugely reliant on public policy and the recent decision to delay devolving the power to set corporation tax to Stormont until after the Scottish Referendum in 2014 is likely to impact this sector more than most. Though it was announced in the 2013 Budget that the UK rate was to be cut to 21% in April 2014 and 20% in April 2015, this is still some way above the 12.5% in the

Republic of Ireland that is being proposed for NI. After any cuts to the corporation tax rate are made, it is still likely to take 4-5 years before the direct impacts are felt, and thus this prompts the question over whether new policies are needed or other forms of tax variation should be implemented by local government. The outlook for the financial & insurance sector is subdued and the risks remain skewed to the downside. Rationalisation in retail banking, ongoing Eurozone difficulties and well documented pressures associated with many of our local and national banks are likely to mean no notable job growth over the short term. Any opportunities that do present themselves are likely to continue to be back-office activities within risk management and securities and trading, taking advantage of the comparative advantage NI has in these activities.

Information & communication (3.5% yoy 2013)

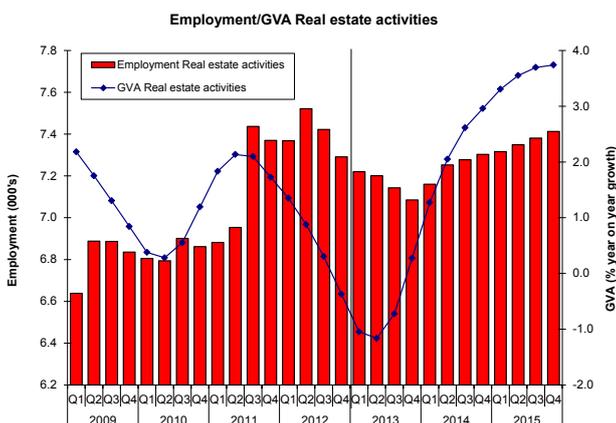


Financial & insurance (-0.7% yoy 2013)



Real estate activities: While an increase in rental activity as a response to need has sheltered the real estate activities sector from job losses up to now, a fall of 100 net jobs in Q4 2012 suggests this may be a trend confined to history.

Real estate activities (-1.7% yoy 2013)

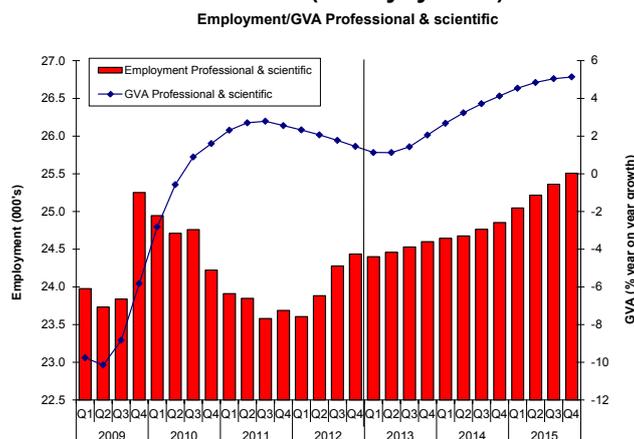


The fortunes of the sector are inherently linked to the commercial and residential property markets. The most up-to-date analysis for the latter is quite mixed in its findings. According to the new NI Residential Property Price Index published by NISRA/LPS, the mean house price in NI is £111,240 in Q4 2012, which represents a 9.1% year on year fall and is close to 52% below its pre-recession peak. However, the number of sales in 2012 was 18% higher than in 2011, while Q4 2012 saw a 6th consecutive quarter of over 3,000 property sales. This suggests while activity is improving, this has yet to be translated to prices. The correction in the housing market has been a blessing for some, with the average house price to earnings ratio (a sign of affordability) now around 3.5, the lowest level since early 2005. On the other hand, the Council of Mortgage Lenders (CML) found that NI households have the highest level of negative equity of any UK region (a figure of 35% being more than double the rate of the next closest region, the North East). Recent studies and anecdotal evidence has found that more people in the region are in rent arrears and are struggling to pay households rates, all signs of ongoing recessionary effects. With this in mind, our outlook for the real estate sector is for a very protracted recovery that is only likely to gain momentum in the longer term. By Q4 2015 our baseline indicates the employment level will only be marginally higher than

it is currently, while it is likely to be 2014 before GVA returns to year on year growth.

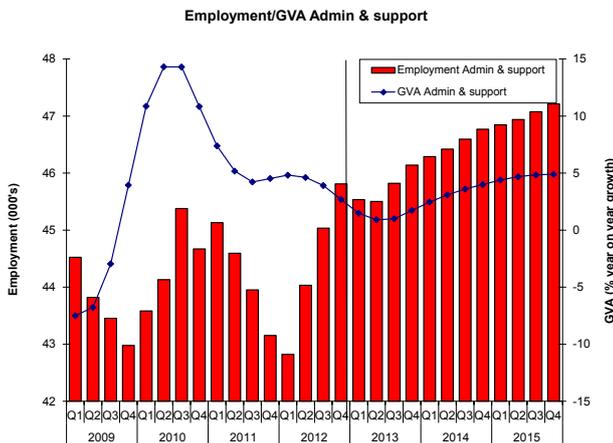
Professional & scientific: The professional & scientific sector stemmed the flow of job losses throughout 2012, with performance in Q4 2012 (increase of 100 net jobs) being equally as strong. This is hugely important as the sector has important knock-on effects for other sectors through supply chain linkages and is a key employer of graduates and young people at a time when opportunities for them elsewhere are sparse. Professional services is pinpointed to be a key contributor towards job growth at a regional level throughout the forecast period – by Q4 2015, the jobs level are expected to reach 25,500, which would be higher than the level at the end of 2007. In order to ensure this happens, a number of downside risks must be overcome - notably the stagnation in the housing market which puts pressure on lawyers and architects, and the cuts to public spending which dampens demand for outsourced private sector consultancy procurement. Nonetheless, NI has comparative advantage over other regions in terms of its availability of high quality and vacant office space at affordable rents, sound telecoms infrastructure, and critical mass of highly skilled and cheap labour. Though macro conditions will play its role and we expect the sector to contract in 2013.

Professional & scientific (1.4% yoy 2013)



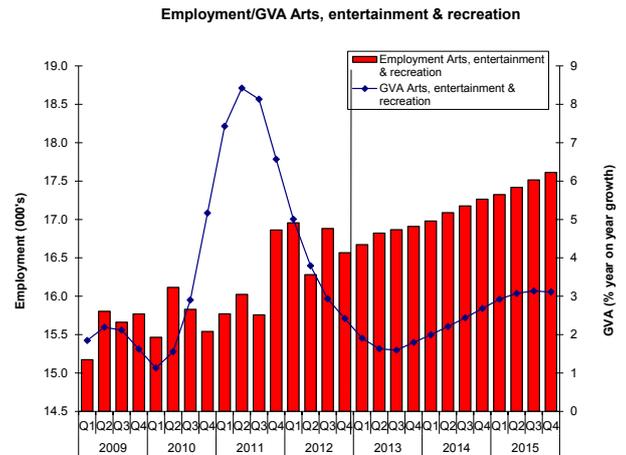
Private Administration & support: The admin & support sector enjoyed a third consecutive strong rise in its employment level in Q4 2012, with the creation of 800 net jobs over the quarter taking the level close to the 46,000 mark and above any figure reached in the last 4 years. The outlook for the sector remains optimistic and is set to track the performance of the wider UK economy. The first half of 2013 could see some consolidation (probably as much due to the 3,000 jobs created between Q2-Q4 2012 being unsustainable) with job growth in every quarter thereafter. The 1,400 net jobs created over the course of the forecast period could be well suited to the current profile of the unemployed, and thus policy implementation to support its continued growth would seem well placed.

Admin & support (0.8 % yoy 2013)

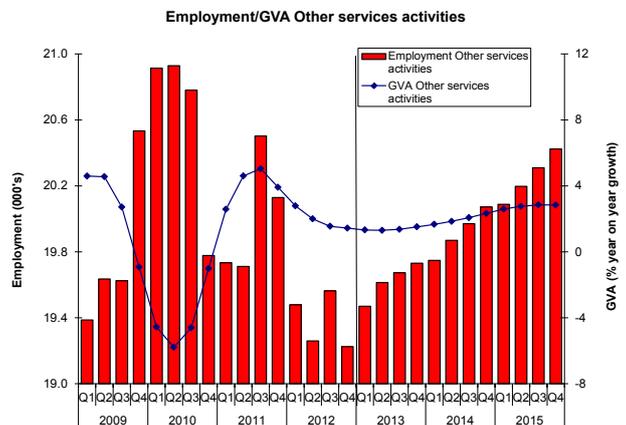


The **arts, entertainment & recreation** and **other services activities** sectors both experienced a fall in their employment levels in Q4 2012, of 300 and 400 net jobs respectively. While the January 2013 edition of the Danske Bank Consumer Confidence Survey noted that local consumer confidence did fall slightly over the quarter, it is notably higher than this time last year, and so it would suggest these falls in employment should be short lived. Events like the World Police and Fire Games, G8 Summit and City of Culture 2013 should all provide boosts to the two sectors throughout the course of 2013, while the longer term outlook is also strong as household budgets become less squeezed and consumer confidence levels continue to improve. With this in mind, our baseline forecast estimates an approximate a collective 2,220 net job creation across the two sectors in the next three years.

Arts, entertainment & recreation (1.4% yoy 2013)



Other services activities (1.3% yoy 2013)



Public services

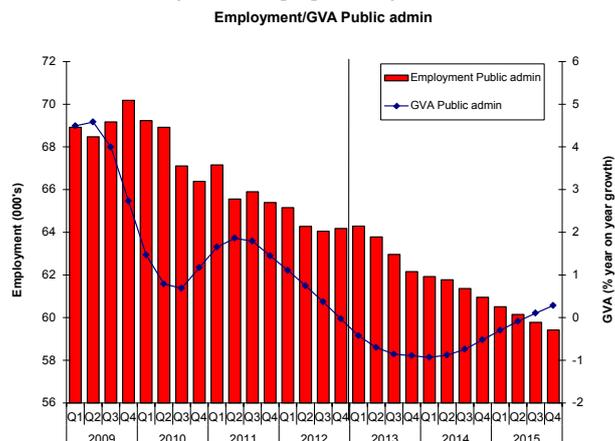
The labour market results for Q4 2012 would appear to indicate some respite for the public sector, with all three public services experiencing net job creation over that time. The employment levels in **public admin** and **health** rose by 200 and 500 net jobs respectively, while the **education** sector experienced a larger than normal seasonal bounce-back of 2,000 net jobs. These positive findings are supported by the ONS Public Sector Employment series for Q4 2012, which indicated that NI was one of 9 regions to experience net job creation in the last 3 months of 2012, while also experiencing the lowest rate of job loss over the year up to that point (-1.1% compared to the UK average of -5.2%). Indeed the public spending cuts appear to have been less high profile in NI than elsewhere in the UK, despite the size of the employment base here. Any job losses that have

occurred seem to have been the consequence of natural wastage rather than forced redundancies. This view is supported by the trend towards bringing activities back 'in-house' to deal with budget cuts rather than increasing outsourcing.

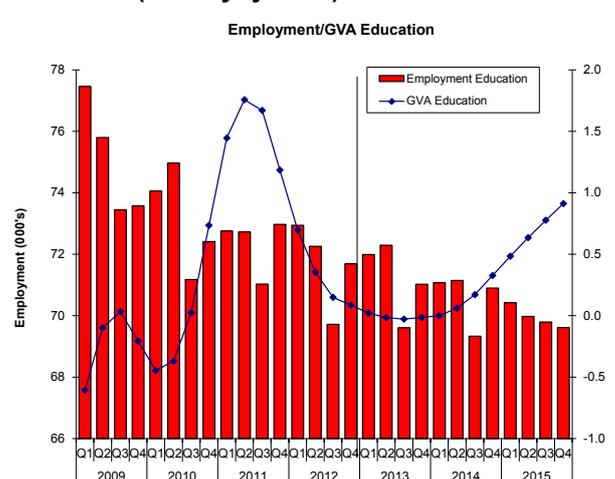
We have slightly downgraded our medium term outlook for the public sector since our previous quarterly report. We forecast a collective 8,300 net job losses until Q4 2015 – 2,100 in the education sector, 1,500 in the health sector, and 4,800 in public admin. The rationale behind this downgrade lies in the recent 2013 Budget, in which the UK Chancellor confirmed that he wants further cuts from Whitehall in the next two years. Most departments will see their budgets cut by 1% in the next 24 months in the wake of large under-spends, while a further £1.5 billion of cuts is being sought by the Chancellor in his next spending review. In general however, health and education remained largely protected by the Budget, which explains why almost 60% of the job losses over the forecast period are concentrated in public admin alone. The Budget did however announce further measures relating to public sector wage freezes, which could act as a measure to cope with spending cuts rather than recruitment freezes/job cuts. The recent announcement that 120 NI soldiers could lose jobs in the next 18 months as part of the wider army restructuring plan is evidence of how the region is unlikely to continue to be sheltered from public sector cuts to the extent it has up to now.

In truth, the future of the public sector is uncertain and hugely dependent on the volume and timing of future spending cuts, and how these are tackled. With the decision to delay devolving power to Stormont to cut corporation tax until 2014, a cut to the block grant at the moment seems some way off, and subsequently more substantial job cuts than our current baseline seem at the moment to be quite unlikely.

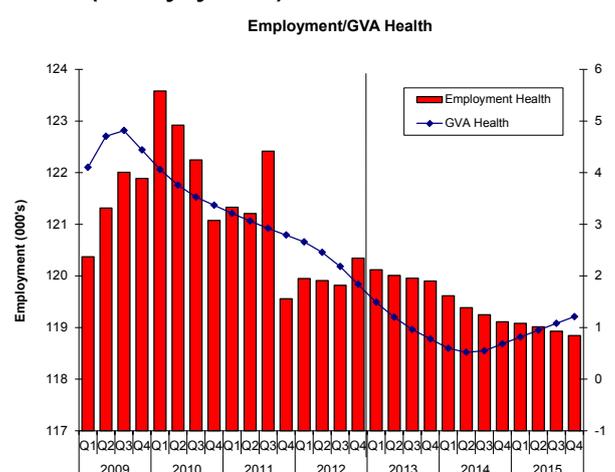
Public admin (-0.75 % yoy 2012)



Education (-0.0% yoy 2013)



Health (1.2% yoy 2013)



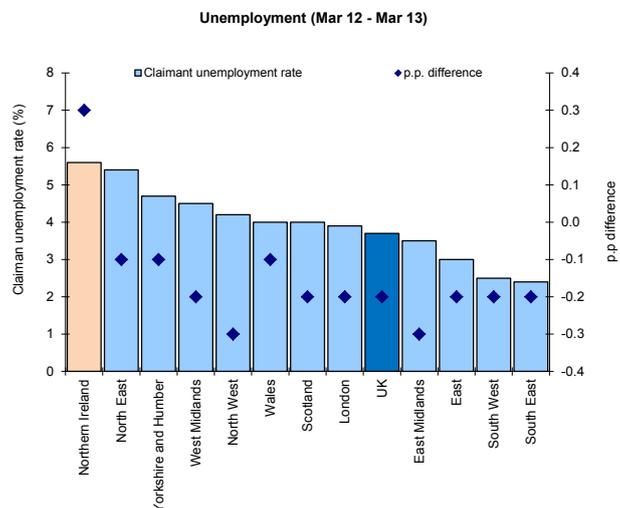
Wage inflation

The announcement by the Chancellor of an increase in the income tax personal allowance from £8,105 to £9,440 in April and then to £10,000 next April will provide a very welcomed boost to disposable incomes, with the gains being concentrated at the lower end of the earnings scale where households spend most of their income. However, the changes to welfare reforms are likely to mitigate some of this effect. The scrapping of further rises in fuel duty was also good news for local consumers as NI motorists pay some of the highest fuel prices in the UK.

Wage inflation remains extremely modest in the Northern Ireland economy and below the rate of general inflation. In the recent 2013 Budget, the Chancellor announced that pay rises across the public sector, for doctors, teachers and civil servants alike, are to be limited for a further year to 1% in 2015-16 while the Chancellor is looking to make substantial savings from what's called 'progression pay', which are annual rises in the pay of some parts of the public sector. Given Northern Ireland's larger public sector, we expect wage inflation to remain slightly below the UK average.

Unemployment

The latest claimant count figures for NI suggest a continued rise in unemployment, with the current level standing at 64,800. The rate of claimant unemployment in NI of 5.6% is the highest of any of the UK regions. The number of redundancies in NI in 2012 totalled 3,344, twice the total of 2011. The first month of 2013 shows the highest number of redundancies (185) for January since 2009. High profile job cuts announced recently such as HMV and Thales, will have contributed to the rising level of unemployment.



Although the increase in the claimant count has been slowing down, there appears to be potential for a further rise. Welfare reform has already transferred some people from long term benefits to Jobseeker's Allowance (with the probable reduction in the amount of benefit) and this process is likely to continue. Our estimates suggest that the level of unemployment could easily top 80,000 relatively quickly. This could reduce consumer spending, keep wage levels low on low skilled jobs as more compete for scarce job opportunities.

The labour market forecasts give no indication that unemployment has peaked, as such 2013 will be another challenging year in which jobs remain sadly elusive for many in Northern Ireland.

Annex Tables

| Table 1: GVA (£m2009) | | | | | | | | | | | | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2011 | | | | 2012 | | | | 2013 | | | | 2014 | | | | 2015 | | | |
| | Q1 | Q2 | Q3 | Q4 |
| Agriculture, forestry and fishing | 280 | 289 | 317 | 323 | 296 | 309 | 313 | 316 | 313 | 316 | 318 | 320 | 321 | 323 | 324 | 324 | 325 | 325 | 333 | 341 |
| Mining and quarrying | 96 | 91 | 91 | 88 | 85 | 82 | 80 | 79 | 78 | 76 | 75 | 74 | 74 | 73 | 72 | 71 | 70 | 68 | 68 | 67 |
| Manufacturing | 4401 | 4450 | 4507 | 4569 | 4516 | 4566 | 4579 | 4533 | 4559 | 4629 | 4640 | 4652 | 4686 | 4741 | 4785 | 4829 | 4834 | 4877 | 4931 | 4985 |
| Electricity, gas, & steam | 273 | 265 | 261 | 265 | 273 | 280 | 282 | 284 | 280 | 281 | 283 | 285 | 285 | 286 | 288 | 290 | 291 | 292 | 294 | 296 |
| Water supply; sewerage, waste management | 378 | 382 | 376 | 371 | 370 | 371 | 373 | 378 | 376 | 381 | 383 | 386 | 383 | 385 | 388 | 391 | 390 | 393 | 396 | 400 |
| Construction | 2116 | 2149 | 2179 | 2092 | 2004 | 1945 | 1889 | 1834 | 1850 | 1836 | 1855 | 1874 | 1822 | 1864 | 1894 | 1924 | 1858 | 1888 | 1916 | 1944 |
| Wholesale and retail trade | 3701 | 3722 | 3704 | 3723 | 3706 | 3606 | 3608 | 3717 | 3627 | 3630 | 3710 | 3775 | 3648 | 3709 | 3774 | 3862 | 3744 | 3787 | 3844 | 3924 |
| Transportation and storage | 1049 | 1045 | 1017 | 1016 | 1025 | 1010 | 1007 | 1015 | 1011 | 1018 | 1034 | 1040 | 1045 | 1053 | 1059 | 1065 | 1080 | 1085 | 1092 | 1100 |
| Accommodation and food service activities | 826 | 838 | 837 | 837 | 835 | 849 | 846 | 854 | 851 | 846 | 845 | 853 | 868 | 874 | 853 | 858 | 869 | 876 | 887 | 897 |
| Information and communication | 939 | 938 | 972 | 994 | 965 | 969 | 975 | 986 | 999 | 1003 | 1021 | 1008 | 1045 | 1052 | 1076 | 1090 | 1096 | 1120 | 1148 | 1177 |
| Financial and insurance activities | 1273 | 1263 | 1273 | 1230 | 1268 | 1252 | 1260 | 1263 | 1263 | 1236 | 1248 | 1260 | 1252 | 1266 | 1288 | 1310 | 1290 | 1311 | 1333 | 1356 |
| Real estate activities | 2072 | 2065 | 2057 | 2058 | 2078 | 2084 | 2095 | 2085 | 2063 | 2055 | 2046 | 2037 | 2071 | 2085 | 2105 | 2125 | 2141 | 2161 | 2184 | 2207 |
| Professional, scientific and technical activities | 1127 | 1139 | 1143 | 1157 | 1143 | 1161 | 1176 | 1186 | 1171 | 1179 | 1182 | 1197 | 1206 | 1207 | 1227 | 1246 | 1258 | 1267 | 1290 | 1313 |
| Administrative and support service activities | 1005 | 1005 | 1023 | 1038 | 1050 | 1073 | 1087 | 1097 | 1068 | 1076 | 1091 | 1106 | 1109 | 1110 | 1124 | 1137 | 1159 | 1172 | 1179 | 1185 |
| Public administration and defence | 2866 | 2888 | 2937 | 2962 | 2927 | 2911 | 2939 | 2978 | 2923 | 2884 | 2894 | 2962 | 2905 | 2905 | 2882 | 2859 | 2873 | 2880 | 2890 | 2899 |
| Education | 2429 | 2455 | 2407 | 2399 | 2470 | 2471 | 2380 | 2400 | 2471 | 2500 | 2365 | 2385 | 2451 | 2462 | 2411 | 2398 | 2415 | 2424 | 2456 | 2489 |
| Human health and social work activities | 3162 | 3161 | 3191 | 3127 | 3255 | 3256 | 3257 | 3207 | 3316 | 3315 | 3293 | 3205 | 3325 | 3331 | 3319 | 3207 | 3284 | 3306 | 3341 | 3376 |
| Arts, entertainment and recreation | 411 | 421 | 420 | 435 | 437 | 430 | 441 | 439 | 437 | 433 | 449 | 452 | 446 | 446 | 455 | 463 | 457 | 465 | 470 | 475 |
| Other service activities | 393 | 403 | 411 | 399 | 393 | 407 | 423 | 411 | 395 | 415 | 424 | 421 | 401 | 423 | 432 | 429 | 416 | 437 | 444 | 437 |
| Total | 28798 | 28972 | 29123 | 29084 | 29095 | 29031 | 29010 | 29061 | 29051 | 29110 | 29158 | 29291 | 29343 | 29596 | 29756 | 29879 | 29851 | 30135 | 30497 | 30868 |
| Year on Year Growth (%) | | | | | | | | | | | | | | | | | | | | |
| Agriculture, forestry and fishing | -13.2 | -7.3 | 5.5 | 11.3 | 5.7 | 6.9 | -1.3 | -2.3 | 5.9 | 2.1 | 1.6 | 1.4 | 2.4 | 2.4 | 1.8 | 1.1 | 1.5 | 0.6 | 3.0 | 5.3 |
| Mining and quarrying | -17.2 | -21.4 | -17.8 | -15.7 | -11.4 | -9.9 | -11.8 | -10.8 | -7.9 | -6.7 | -5.9 | -5.6 | -5.7 | -4.1 | -4.3 | -4.4 | -5.9 | -6.3 | -5.9 | -5.4 |
| Manufacturing | 4.0 | 3.1 | 3.3 | 3.8 | 2.6 | 2.6 | 1.6 | -0.8 | 0.9 | 1.4 | 1.3 | 2.6 | 2.8 | 2.4 | 3.1 | 3.8 | 3.1 | 2.9 | 3.1 | 3.2 |
| Electricity, gas, & steam | 0.5 | -1.9 | -2.8 | -1.7 | 0.0 | 5.5 | 8.0 | 7.5 | 2.5 | 0.6 | 0.4 | 0.2 | 1.6 | 1.7 | 1.7 | 1.6 | 2.2 | 2.2 | 2.2 | 2.2 |
| Water supply; sewerage, waste management | 4.1 | 5.7 | 2.4 | 0.8 | -2.2 | -3.0 | -0.7 | 1.8 | 1.6 | 2.7 | 2.6 | 2.1 | 1.9 | 1.3 | 1.4 | 1.4 | 1.8 | 2.0 | 2.1 | 2.2 |
| Construction | -6.7 | -4.8 | -2.6 | -1.4 | -5.3 | -9.5 | -13.3 | -12.3 | -7.7 | -5.6 | -1.8 | 2.1 | -1.5 | 1.5 | 2.1 | 2.7 | 2.0 | 1.3 | 1.1 | 1.0 |
| Wholesale and retail trade | 1.6 | 1.5 | 0.9 | -0.5 | 0.2 | -3.1 | -2.6 | -0.2 | -2.1 | 0.7 | 2.8 | 1.6 | 0.6 | 2.2 | 1.7 | 2.3 | 2.6 | 2.1 | 1.9 | 1.6 |
| Transportation and storage | 1.6 | 1.1 | -2.0 | -2.5 | -2.3 | -3.4 | -1.1 | -0.1 | -1.4 | 0.8 | 2.7 | 2.5 | 3.4 | 3.4 | 2.4 | 2.4 | 3.3 | 3.1 | 3.2 | 3.3 |
| Accommodation and food service activities | 2.2 | 2.6 | 1.6 | 1.4 | 1.1 | 1.3 | 1.0 | 2.1 | 1.9 | -0.4 | -0.1 | -0.1 | 2.0 | 3.3 | 0.9 | 0.7 | 0.2 | 0.3 | 3.9 | 4.5 |
| Information and communication | 2.1 | -0.7 | 2.1 | 3.6 | 2.8 | 3.3 | 0.4 | -0.8 | 3.5 | 3.4 | 4.7 | 2.3 | 4.6 | 4.9 | 5.4 | 8.1 | 4.9 | 6.5 | 6.7 | 8.0 |
| Financial and insurance activities | -3.5 | -1.9 | -0.2 | -3.5 | -0.4 | -0.9 | -1.0 | 2.7 | -0.4 | -1.3 | -0.9 | -0.2 | -0.8 | 2.4 | 3.2 | 4.0 | 3.0 | 3.6 | 3.5 | 3.5 |
| Real estate activities | 5.0 | 4.6 | 1.5 | -1.0 | 0.3 | 0.9 | 1.9 | 1.3 | -0.7 | -1.4 | -2.3 | -2.3 | 0.4 | 1.5 | 2.9 | 4.3 | 3.4 | 3.6 | 3.7 | 3.8 |
| Professional, scientific and technical activities | 3.0 | -0.8 | 4.4 | 5.7 | 1.5 | 1.9 | 2.9 | 2.5 | 2.5 | 1.6 | 0.5 | 0.9 | 2.9 | 2.4 | 3.8 | 4.1 | 4.3 | 4.9 | 5.1 | 5.4 |
| Administrative and support service activities | 7.6 | 2.8 | 1.9 | 3.6 | 4.4 | 6.7 | 6.2 | 5.6 | 1.8 | 0.3 | 0.4 | 0.8 | 3.8 | 3.1 | 3.0 | 2.9 | 4.5 | 5.6 | 4.9 | 4.2 |
| Public administration and defence | -0.1 | 1.0 | 3.2 | 4.4 | 2.1 | 0.8 | 0.1 | 0.5 | -0.1 | -0.9 | -1.5 | -0.5 | -0.6 | 0.7 | -0.4 | -3.5 | -1.1 | -0.9 | 0.3 | 1.4 |
| Education | 2.1 | 2.2 | 3.0 | 1.3 | 1.7 | 0.6 | -1.1 | 0.0 | 0.0 | 1.2 | -0.6 | -0.6 | -0.8 | -1.5 | 1.9 | 0.5 | -1.5 | -1.6 | 1.9 | 3.8 |
| Human health and social work activities | 3.6 | 3.4 | 3.8 | 1.5 | 2.9 | 3.0 | 2.1 | 2.5 | 1.9 | 1.8 | 1.1 | -0.1 | 0.3 | 0.5 | 0.8 | 0.1 | -1.2 | -0.8 | 0.7 | 5.3 |
| Arts, entertainment and recreation | 10.2 | 9.8 | 8.1 | 10.7 | 6.4 | 2.2 | 5.1 | 0.8 | 0.0 | 0.7 | 1.8 | 3.2 | 2.1 | 3.1 | 1.2 | 2.4 | 2.3 | 4.2 | 3.4 | 2.6 |
| Other service activities | 1.9 | 8.5 | 8.1 | 6.4 | 0.1 | 0.9 | 2.9 | 3.1 | 0.4 | 2.0 | 0.3 | 2.4 | 1.7 | 1.9 | 1.8 | 1.8 | 3.6 | 3.4 | 2.6 | 1.9 |
| Total | 1.5 | 1.4 | 2.0 | 1.6 | 1.0 | 0.2 | -0.4 | -0.1 | -0.2 | 0.3 | 0.5 | 0.8 | 1.0 | 1.7 | 2.1 | 2.0 | 1.7 | 1.8 | 2.5 | 3.3 |

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| | 2011 | | | | 2012 | | | | 2013 | | | | 2014 | | | | 2015 | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | |
| Agriculture, forestry and fishing | 33.6 | 33.7 | 35.1 | 34.6 | 34.0 | 34.3 | 34.3 | 34.3 | 34.2 | 34.2 | 34.2 | 34.2 | 34.2 | 34.3 | 34.2 | 34.2 | 34.2 | 34.2 | 34.2 | 34.3 | 34.4 |
| Mining and quarrying | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Manufacturing | 79.5 | 79.9 | 81.1 | 82.6 | 80.8 | 81.7 | 81.6 | 80.9 | 81.2 | 81.5 | 81.5 | 81.5 | 81.2 | 81.2 | 81.1 | 81.1 | 81.0 | 80.9 | 80.8 | 80.8 | 80.8 |
| Electricity, gas, & steam | 1.4 | 1.4 | 1.3 | 1.3 | 1.3 | 1.4 | 1.4 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Water supply; sewerage, waste management | 5.0 | 5.1 | 4.9 | 4.7 | 4.7 | 4.8 | 4.7 | 4.7 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.7 | 4.7 | 4.7 | 4.7 | 4.7 | 4.7 |
| Construction | 61.8 | 61.2 | 66.1 | 63.7 | 62.0 | 60.8 | 60.1 | 58.0 | 57.8 | 57.8 | 57.4 | 57.0 | 57.1 | 57.7 | 57.9 | 58.1 | 57.8 | 58.0 | 58.2 | 58.2 | 58.5 |
| Wholesale and retail trade | 141.4 | 140.6 | 142.6 | 147.0 | 140.3 | 139.5 | 138.7 | 144.7 | 140.6 | 139.9 | 140.9 | 143.4 | 140.8 | 140.9 | 142.3 | 145.1 | 142.4 | 142.5 | 143.5 | 146.0 | 146.0 |
| Transportation and storage | 32.4 | 32.2 | 31.2 | 31.4 | 31.2 | 31.2 | 31.2 | 31.7 | 31.6 | 31.5 | 31.6 | 31.7 | 31.8 | 32.0 | 32.1 | 32.2 | 32.3 | 32.3 | 32.5 | 32.7 | 32.7 |
| Accommodation and food service activities | 45.4 | 45.5 | 45.2 | 44.9 | 44.6 | 45.8 | 45.9 | 46.3 | 46.1 | 46.1 | 46.2 | 46.3 | 46.2 | 46.2 | 46.3 | 46.3 | 46.6 | 46.8 | 47.0 | 47.2 | 47.2 |
| Information and communication | 16.4 | 16.4 | 17.3 | 16.8 | 17.0 | 16.9 | 17.1 | 17.4 | 17.5 | 17.6 | 17.7 | 17.8 | 18.0 | 18.1 | 18.2 | 18.3 | 18.5 | 18.6 | 18.7 | 18.9 | 18.9 |
| Financial and insurance activities | 22.9 | 22.8 | 23.4 | 22.2 | 22.3 | 22.0 | 21.9 | 21.6 | 21.8 | 21.8 | 21.8 | 21.8 | 21.8 | 21.9 | 21.9 | 21.9 | 21.9 | 21.9 | 21.9 | 21.9 | 21.9 |
| Real estate activities | 6.9 | 7.0 | 7.4 | 7.4 | 7.4 | 7.5 | 7.4 | 7.3 | 7.2 | 7.2 | 7.1 | 7.1 | 7.2 | 7.3 | 7.3 | 7.3 | 7.3 | 7.3 | 7.4 | 7.4 | 7.4 |
| Professional, scientific and technical activities | 23.9 | 23.8 | 23.6 | 23.7 | 23.6 | 23.9 | 24.3 | 24.4 | 24.4 | 24.5 | 24.5 | 24.6 | 24.6 | 24.7 | 24.8 | 24.9 | 25.0 | 25.2 | 25.4 | 25.5 | 25.5 |
| Administrative and support service activities | 45.1 | 44.6 | 44.0 | 43.2 | 42.8 | 44.0 | 45.0 | 45.8 | 45.5 | 45.5 | 45.8 | 46.1 | 46.3 | 46.4 | 46.6 | 46.8 | 46.8 | 46.9 | 47.1 | 47.2 | 47.2 |
| Public administration and defence | 67.2 | 65.6 | 65.9 | 65.4 | 65.2 | 64.3 | 64.0 | 64.2 | 64.3 | 63.8 | 63.0 | 62.2 | 61.9 | 61.8 | 61.4 | 61.0 | 60.5 | 60.1 | 59.8 | 59.4 | 59.4 |
| Education | 72.8 | 72.7 | 71.0 | 73.0 | 72.9 | 72.3 | 69.7 | 71.7 | 72.0 | 72.3 | 69.6 | 71.0 | 71.1 | 71.1 | 69.3 | 70.9 | 70.4 | 70.0 | 69.8 | 69.6 | 69.6 |
| Human health and social work activities | 121.3 | 121.2 | 122.4 | 119.6 | 119.9 | 119.9 | 119.8 | 120.3 | 120.1 | 120.0 | 120.0 | 119.9 | 119.6 | 119.4 | 119.2 | 119.1 | 119.1 | 119.0 | 118.9 | 118.8 | 118.8 |
| Arts, entertainment and recreation | 15.8 | 16.0 | 15.8 | 16.9 | 17.0 | 16.3 | 16.9 | 16.6 | 16.7 | 16.8 | 16.9 | 16.9 | 17.0 | 17.1 | 17.2 | 17.3 | 17.3 | 17.4 | 17.5 | 17.6 | 17.6 |
| Other service activities | 19.7 | 19.7 | 20.5 | 20.1 | 19.5 | 19.3 | 19.6 | 19.2 | 19.5 | 19.6 | 19.7 | 19.7 | 19.7 | 19.9 | 20.0 | 20.1 | 20.1 | 20.2 | 20.3 | 20.4 | 20.4 |
| Total | 814.0 | 811.1 | 820.4 | 820.1 | 808.2 | 807.6 | 805.5 | 812.4 | 808.4 | 807.9 | 805.8 | 809.2 | 806.6 | 807.6 | 807.6 | 812.4 | 809.0 | 809.2 | 810.9 | 814.0 | 814.0 |
| Year on Year Growth (%) | | | | | | | | | | | | | | | | | | | | | |
| Agriculture, forestry and fishing | -8.7 | -8.1 | -0.2 | 2.8 | 1.3 | 1.9 | -2.3 | -1.0 | 0.6 | -0.3 | -0.3 | -0.1 | 0.0 | 0.3 | 0.1 | -0.1 | 0.0 | -0.3 | 0.1 | 0.5 | 0.5 |
| Mining and quarrying | -4.7 | -6.5 | 1.8 | 6.2 | 4.3 | 6.3 | -1.7 | -2.8 | -3.6 | -4.6 | -4.4 | -5.3 | -3.5 | -2.4 | -2.2 | -1.9 | -2.5 | -2.7 | -2.7 | -2.8 | -2.8 |
| Manufacturing | 0.0 | -0.3 | 1.0 | 2.8 | 1.6 | 2.3 | 0.5 | -2.0 | 0.5 | -0.3 | -0.1 | 0.7 | 0.1 | -0.3 | -0.4 | -0.5 | -0.3 | -0.3 | -0.3 | -0.4 | -0.4 |
| Electricity, gas, & steam | 2.2 | 5.9 | -5.2 | -5.7 | -3.6 | -2.8 | 11.8 | 10.6 | 11.9 | 8.1 | 5.1 | 2.2 | 0.5 | -0.6 | -0.7 | -0.8 | -0.5 | -0.5 | -0.5 | -0.6 | -0.6 |
| Water supply; sewerage, waste management | 9.8 | 9.7 | -0.4 | -4.1 | -4.4 | -5.3 | -2.6 | 1.0 | 0.7 | -0.8 | 0.9 | 0.9 | 0.1 | -0.5 | -0.7 | -0.9 | -0.7 | -0.6 | -0.7 | -0.7 | -0.7 |
| Construction | -16.6 | -15.3 | -5.1 | 1.0 | 0.2 | -0.8 | -8.9 | -8.9 | -6.7 | -4.9 | -4.6 | -1.8 | -1.2 | -0.2 | 0.9 | 1.9 | 1.2 | 0.6 | 0.6 | 0.6 | 0.6 |
| Wholesale and retail trade | -3.2 | -4.5 | -1.8 | -0.5 | -0.8 | -0.8 | -2.7 | -1.5 | 0.2 | 0.3 | 1.6 | -0.9 | 0.2 | 0.7 | 1.0 | 1.2 | 1.1 | 1.1 | 0.9 | 0.6 | 0.6 |
| Transportation and storage | 0.2 | -1.0 | -4.5 | -4.5 | -3.7 | -3.0 | -0.1 | 0.8 | 1.0 | 0.9 | 1.3 | 0.1 | 0.9 | 1.5 | 1.6 | 1.7 | 1.3 | 1.0 | 1.2 | 1.4 | 1.4 |
| Accommodation and food service activities | -4.8 | -5.7 | -5.6 | -4.2 | -1.6 | 0.8 | 1.6 | 3.1 | 3.4 | 0.6 | 0.6 | 0.0 | 0.2 | 0.2 | 0.1 | 0.1 | 0.9 | 1.4 | 1.6 | 1.8 | 1.8 |
| Information and communication | 5.4 | 4.6 | 8.7 | 3.6 | 4.0 | 3.4 | -1.4 | 3.4 | 2.6 | 3.8 | 3.7 | 2.5 | 2.8 | 2.9 | 2.9 | 2.8 | 2.8 | 2.9 | 2.9 | 2.9 | 2.9 |
| Financial and insurance activities | 0.4 | -0.3 | 2.9 | -3.2 | -2.9 | -3.7 | -6.3 | -2.5 | -2.0 | -0.7 | -0.3 | 0.8 | 0.1 | 0.3 | 0.4 | 0.5 | 0.1 | -0.1 | -0.2 | -0.3 | -0.3 |
| Real estate activities | 1.1 | 2.3 | 7.8 | 7.4 | 7.1 | 8.2 | -0.2 | -1.1 | -2.0 | -4.3 | -3.8 | -2.8 | -0.8 | 0.7 | 1.9 | 3.1 | 2.2 | 1.3 | 1.4 | 1.5 | 1.5 |
| Professional, scientific and technical activities | -4.1 | -3.5 | -4.8 | -2.2 | -1.3 | 0.1 | 3.0 | 3.2 | 3.4 | 2.4 | 1.0 | 0.7 | 1.0 | 0.9 | 1.0 | 1.0 | 1.6 | 2.2 | 2.4 | 2.6 | 2.6 |
| Administrative and support service activities | 3.6 | 1.1 | -3.1 | -3.4 | -5.1 | -1.3 | 2.5 | 6.2 | 6.3 | 3.3 | 1.7 | 0.7 | 1.7 | 2.0 | 1.7 | 1.4 | 1.2 | 1.1 | 1.0 | 0.9 | 0.9 |
| Public administration and defence | -3.0 | -4.9 | -1.8 | -1.5 | -3.0 | -2.0 | -2.8 | -1.9 | -1.3 | -0.8 | -1.7 | -3.1 | -3.7 | -3.1 | -2.5 | -1.9 | -2.3 | -2.6 | -2.6 | -2.5 | -2.5 |
| Education | -1.8 | -3.0 | -0.2 | 0.8 | 0.3 | -0.6 | -1.8 | -1.8 | -1.3 | 0.0 | -0.2 | -0.9 | -1.3 | -1.6 | -0.4 | -0.2 | -0.9 | -1.6 | 0.7 | -1.8 | -1.8 |
| Human health and social work activities | -1.8 | -1.4 | 0.1 | -1.3 | -1.1 | -1.1 | -2.1 | 0.7 | 0.1 | 0.1 | 0.1 | -0.4 | -0.4 | -0.5 | -0.6 | -0.7 | -0.4 | -0.3 | -0.3 | -0.2 | -0.2 |
| Arts, entertainment and recreation | 2.0 | -0.6 | -0.5 | 8.5 | 7.5 | 1.6 | 7.1 | -1.7 | -1.7 | 3.3 | -0.1 | 2.1 | 1.8 | 1.6 | 1.8 | 2.1 | 2.0 | 1.9 | 2.0 | 2.0 | 2.0 |
| Other service activities | -5.6 | -5.8 | -1.3 | 1.8 | -1.3 | -2.3 | -4.6 | -4.5 | 0.0 | 1.8 | 0.6 | 2.6 | 1.4 | 1.3 | 1.5 | 1.7 | 1.7 | 1.6 | 1.7 | 1.8 | 1.8 |
| Total | -3.2 | -3.8 | -1.3 | -0.3 | -0.7 | -0.4 | -1.8 | -0.9 | 0.0 | 0.0 | 0.0 | -0.4 | -0.2 | 0.0 | 0.2 | 0.4 | 0.3 | 0.2 | 0.4 | 0.2 | 0.2 |

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Table 3: Other variables

| | 2011 | | | | 2012 | | | | 2013 | | | | 2014 | | | | 2015 | | | | |
|-------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | Q1 | Q2 | Q3 | Q4 | |
| Unemployment | 60.0 | 59.9 | 61.3 | 59.5 | 62.5 | 63.0 | 64.2 | 63.5 | 64.0 | 64.6 | 65.2 | 65.8 | 66.3 | 66.9 | 66.9 | 66.9 | 66.9 | 66.9 | 66.9 | 66.8 | 66.6 |
| Wage inflation | -1.1 | -0.4 | -0.2 | -0.3 | 0.7 | 1.1 | 1.1 | 1.2 | 1.3 | 1.7 | 1.7 | 1.8 | 1.9 | 1.9 | 2.1 | 2.3 | 2.5 | 2.6 | 2.9 | 3.1 | |
| Year on Year Growth (%) | | | | | | | | | | | | | | | | | | | | | |
| Unemployment | 6.1 | 5.5 | 5.3 | 4.2 | 4.1 | 5.3 | 4.8 | 6.7 | 2.5 | 2.5 | 1.5 | 3.6 | 3.6 | 3.6 | 2.7 | 1.8 | 0.9 | 0.0 | -0.2 | -0.5 | |

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