



Northern Bank
Oxford Economics
Quarterly Sectoral
Forecasts Quarter 3
2012.

Make it straightforward

Northern Bank

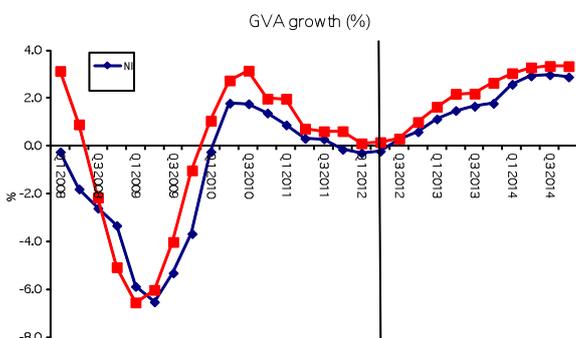
Executive Summary

Economy continues to flat line...

The recent data for Northern Ireland gives little reason to suggest any significant change in the broad outlook. The economy has continued to flat line and is almost at the same point as it was 18 months ago. The recent UK GDP data suggests that the national economy has contracted by 0.7 per cent in Quarter 2 and European debt problems continue to weigh down on investment and confidence levels.

The latest data from the Society of Motor Manufacturers (SMMT) reveals a drop in car sales in Northern Ireland. Spending on items such as cars is usually one of the first things to fall when consumers are under pressure and therefore can be used as a good insight into the prevailing mood.

However, the Jubilee celebrations coupled with many tourism events including the Titanic Belfast Festival, the Irish Open golf tournament at Royal Portrush and the opening of the new visitor information centre at the Giant's Causeway, should provide optimism. In addition, local manufacturing companies are looking to emerging markets for export business and this augurs well for future economic growth.



GVA growth rates - NI			
	Q on Q growth	Y on Y growth	Annual growth
Q1 2011	-0.1	0.9	
Q2 2011	0.1	0.3	
Q3 2011	-0.2	0.3	0.3
Q4 2011	0.2	-0.2	
Q1 2012	-0.3	-0.3	
Q2 2012	0.1	-0.2	
Q3 2012	0.3	0.3	0.1
Q4 2012	0.5	0.6	
Q1 2013	0.2	1.1	
Q2 2013	0.5	1.5	
Q3 2013	0.5	1.7	1.5
Q4 2013	0.6	1.8	

GVA growth rates - UK			
	Q on Q growth	Y on Y growth	Annual growth
Q1 2011	0.3	2.0	
Q2 2011	0.0	0.7	
Q3 2011	0.6	0.6	1.0
Q4 2011	-0.4	0.5	
Q1 2012	-0.3	-0.1	
Q2 2012	-0.7	-0.8	
Q3 2012	0.6	-0.8	-0.3
Q4 2012	0.7	0.3	
Q1 2013	0.4	1.0	
Q2 2013	0.6	2.3	
Q3 2013	0.8	2.5	2.1
Q4 2013	0.8	2.6	

Source: Oxford Economics

Source: Oxford Economics

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

The latest UK GDP data reveals that the double dip recession is slightly deeper than previously reported, with the ONS first estimate suggesting a contraction of -0.7% for Quarter 2. Northern Ireland's limited export base and exposure to the eurozone crisis mean its revisions to growth are more modest than for the UK. As always, quarterly estimates of growth at a regional level are very volatile and subject to the performances of individual large firms but the current projection for Q3 growth in NI is a fairly anaemic 0.1%.

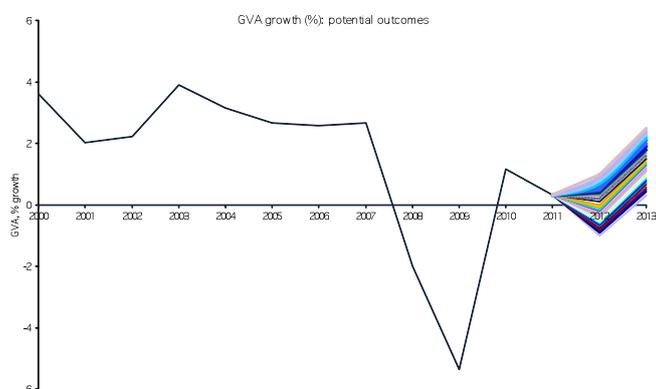
The outlook for NI continues to be export-led growth in response to a pickup in global demand. However, the regions small export base is likely to hamper the pace of the recovery. Although policy is focussed on boosting exports, this will be challenging without specific weapons such as lower corporation tax to help stimulate private sector activity. As yet, no decision has been made on whether NI will be able to adopt a rate similar to the Republic of Ireland. Prolonged austerity measures will continue to act as a drag on growth. The Northern Bank central forecast is for GVA to grow at 0.1% in 2012 and 1.5% in 2013

Risks

The central forecast assumes that the eurozone will remain intact as policymakers implement measures to stabilise the financial markets. Uncertainty remains high, thus we currently assign a 45% probability to our baseline forecast. The risks to the outlook continue to remain heavily skewed on the downside, with a eurozone break-up presenting the greatest risk. A weaker euro will adversely impact export competitiveness to NI’s biggest market outside GB.

Outcome	%	2012	2013
Lower scenario			
Uncertainty over fiscal stance in US			
Multiple Eurozone exits			
Sharper correction in Chinese property	15	-0.5 to -1.0	0.3 to 1.0
Sustained low confidence impacting investment & spending			
Below Main	25	0. to -0.5	1.0 to 1.5
Main scenario	45	0.1	1.5
Above main	10	0.1 to 0.5	1.5 to 2.0
Upper scenario			
Stronger global recovery			
Stronger export performance			
Increased private sector investment	5	0.5 to 1	2.0 to 2.5
Rapidly improving public finances supporting confidence			

There are also some upside risks related to cash piles accumulated by businesses in a number of countries, which, given the right economic and policy environment, could be spent faster than we currently envisage.

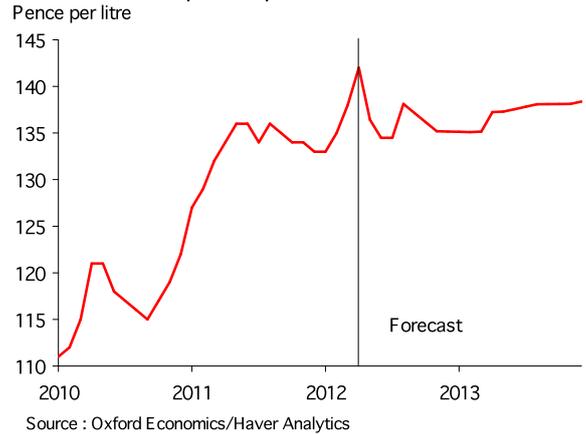


Global and UK Overview

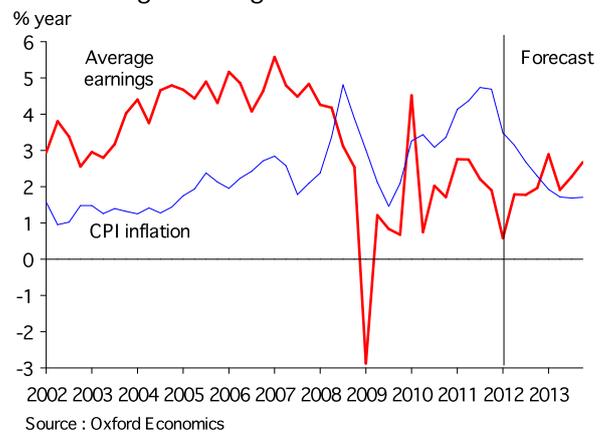
Outlook remains fragile

Financial tensions in the eurozone have flared up again having subsided somewhat during 2012 Q1. Most attention has been focused on instability in Greece and Spain. In Greece, a pro-austerity coalition has been formed but severe doubts remain about its ability or willingness to stick to the terms of Greece's agreement with international lenders. In Spain, eurozone governments' have pledged a loan of up to €100bn to banks but this has done little to reduce the government's cost of borrowing. Our baseline forecast assumes that Greece and all other current members stay in the eurozone and that measures are taken to restore stability in the region.

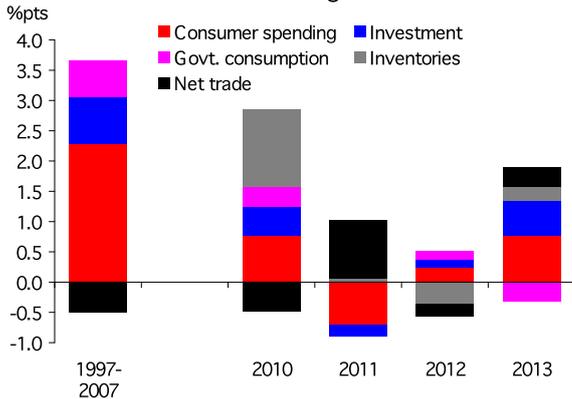
UK: Unleaded petrol prices



UK: Average earnings & inflation



UK: Contributions to GDP growth



We expect a gradual recovery to take hold of the UK economy over the second half of the year, although headline growth rates will remain bumpy because of the Diamond Jubilee and the hosting of the Olympics.

Oil prices fell back in Quarter 2 and thus inflation should resume its descent. Lower inflation should ease the squeeze on household finances, with real income growth expected to return in the latter part of 2012. This should help to support the recovery in consumer spend as should the increased tourism associated with the Olympics. Greater stability in the eurozone would support business confidence and strengthen export demand, aiding the recovery gathering pace.

Uncertainty remains very high

Our baseline forecast carries a 45% probability with risks significantly skewed to the downside. Downside risks include the possibility of countries exiting the eurozone, a sharper correction in the Chinese property and construction sectors than we currently envisage and uncertainty over the fiscal stance in the US next year, with the possibility that fiscal policy is tightened substantially more than assumed in our baseline forecast.

By far the most serious threat to the global economy at the moment stems from the eurozone and the potential for one country or more to exit. The new Greek government only enjoys a slim majority and could fall should the burden of austerity demanded by the bailout package prove unacceptable. This would trigger a Greek exit which would be very difficult to contain. Financial contagion could spread throughout the eurozone and potentially lead to multiple exits. Unprecedented uncertainty would all but halt investment and recruitment.

Northern Ireland Overview

Jobs losses continue across the economy

Employee job data recorded a loss of nearly 8,000 jobs in the year to March 2012, one of the weakest regional performances across the UK. Growth has returned to the majority of the UK regional labour markets driven primarily by professional services, transportation and wholesale and retailing whereas NI has continued to struggle.

Employee growth (last quarter, last year)				
	Mar 11 - Mar 12	Mar 12	Dec 11 - Mar 12	Mar 12
	000s	%	000s	%
South East	97.0	2.7	78.0	2.1
London	160.0	3.8	72.0	1.7
East	42.0	1.8	6.0	0.2
South West	0.0	0.0	25.0	1.2
West Midlands	45.0	2.0	17.0	0.7
East Midlands	62.0	3.4	21.0	1.1
Yorkshire & Humber	26.0	1.2	-4.0	-0.2
North West	-39.0	-1.3	-76.0	-2.6
North East	16.0	1.6	18.0	1.8
Wales	40.0	3.5	14.0	1.2
Scotland	-15.0	-0.7	18.0	0.8
Northern Ireland	-7.5	-1.1	-6.4	-0.9
United Kingdom	426.5	1.6	182.6	0.7

Note: Cells highlighted in red represent the areas with the biggest declines. Cells highlighted in blue represent the areas with the biggest increase

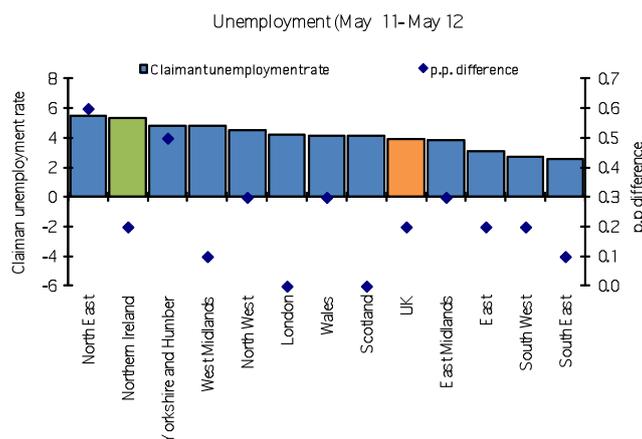
The employee data reveals contraction across a wide range of sectors. In volume terms, the biggest annual losses have been in retail and construction, suggesting that household finances continue to feel the squeeze. Public services continued to shrink indicating that austerity measures are starting to impact, though the recent quarter reveals a reversal of this trend. Growth is only recorded in a few sectors such as recreation activities and information and communications, however, recent announcements such as ASDA and Teleperformance are encouraging signs and our expectation is that labour market growth will return in 2013.

Employee growth (last quarter, last year)				
	Mar 11 - Mar 12	Mar 12	Dec 11 - Mar 12	Mar 12
	000s	%	000s	%
Agriculture, forestry and fishing	0.3	2.5	0.0	0.0
Mining and quarrying	-0.1	-5.5	0.0	0.0
Manufacturing	0.3	0.5	-1.5	-1.9
Electricity, gas, & steam	0.2	11.6	0.0	0.0
Water supply; sewerage, waste management	0.2	4.6	0.1	1.0
Construction	-2.0	-6.1	-0.1	-0.2
Wholesale and retail trade	-2.2	-1.7	-5.1	-3.9
Transportation and storage	-0.5	-1.8	-0.2	-0.8
Accommodation and food service activities	0.4	1.0	-0.4	-0.8
Information and communication	0.5	3.4	0.2	1.0
Financial and insurance activities	-0.5	-2.8	0.0	0.1
Real estate activities	0.1	1.1	0.0	-0.5
Professional, scientific and technical activities	0.2	0.9	0.2	0.7
Administrative and support service activities	-1.6	-3.9	-0.5	-1.2
Public administration and defence	-1.5	-2.7	-0.1	-0.1
Education	-0.9	-1.3	0.1	0.2
Human health and social work activities	-1.2	-1.1	0.8	0.7
Arts, entertainment and recreation	0.9	6.1	0.2	1.1
Other service activities	-0.1	-0.5	-0.1	-0.7
Total	-7.5	-1.1	-6.4	-0.9

Note: The volatility of the employee job series needs to be borne in mind when drawing conclusions.

Little cheer for job seekers

Unemployment in Northern Ireland has risen again, on both official measures with the number of people claiming job seekers allowance in June increasing by 400 to 62,900. The claimant rate of 6.9% is the second highest in the UK. Despite this, the rate of increase over the last 12 months has slowed. Spatially the challenges are significant with unemployment as high as 8% in some parts of Northern Ireland.



With limited opportunities in the labour market, school leavers and university graduates are finding it increasingly difficult to find a job. Around 50,000 people are expected to leave school/university now at the end of the academic year.

The recent survey by *High Fliers Research* reveals the extent of the competition, with results suggesting that every graduate post receives around 52 applications. Sectors with the toughest competition are banking and finance, retailing, consumer-goods manufacturers and investment banks, where employers received at least 80 applications per graduate post. Furthermore, statistics reveal that the number of new UK graduates working in jobs like cleaning or bar work has almost doubled to 10,000 in five years. Accordingly, young people could, in the longer run, become disillusioned with the return to education, with the graduate unemployment rate currently at a 15 year high. This sets the policy challenge in stark contrast, as yet there is little in the way of solutions to tackle these issues.

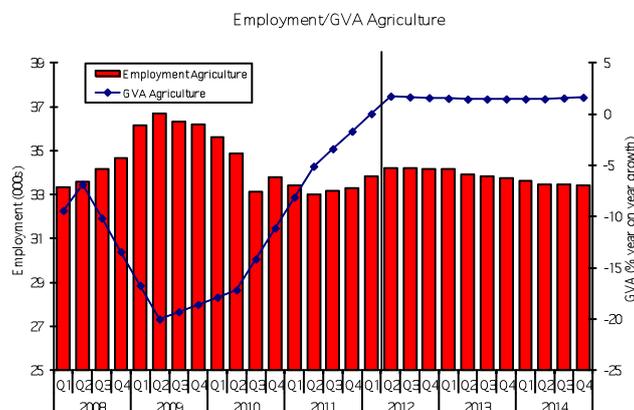
Sectoral analysis: Production

The performance of the **agriculture sector** is hard to fully assess given that official data is out of sync with both wider macro-economic trends and observed experiences. According to the labour market data, employment levels increased again in Q1 2012 marking a 3rd consecutive quarterly rise. This comes despite input prices remaining high and milk prices falling, both serving to reduce farmers' profit margins. While economic forecasting is difficult on the back of the data being so volatile, it is our belief that the sector may struggle over the short term. The level of employment could remain fairly flat throughout the remainder of 2012, before contracting thereafter. GVA growth is expected to return in 2012 and thus it appears obvious that any increased profits are being kept or re-invested in technology, with a view to increasing productivity rather than investing in workers. The downside risks for agriculture remain the eurozone crisis as any further weakening of the euro would hit export volumes. The lengthy and on-going debate over the common agricultural policy and cuts to subsidies to farms still casts a shadow over the sector's prospects.

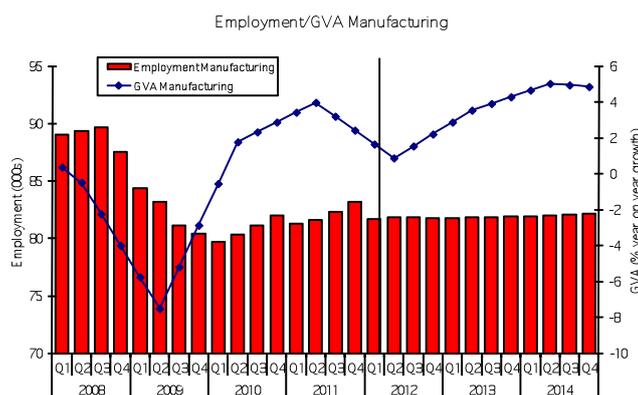
Manufacturing employment fell by 1,500 in Q1 2012, serving to offset the consistent job creation in the sector over the past year. This contraction highlighted how hard manufacturing firms are finding the current environment. The on-going problems associated with rebalancing from lower to higher value added activities, the fragility of the eurozone (a key trading partner), and subdued levels of domestic demand as a result of a return to double dip recession in the UK, are all combining to adversely impact on sectoral performance. The short term outlook for the sector is for GVA growth rather than labour market recovery, suggesting manufacturing firms are calling for increased productivity from their current workforce. Indeed, at the time of writing, FG Wilson has just announced they are to shed some 260 jobs from their three facilities in the region. The fortunes of the sector going forward are likely to be affected by policy support, InvestNI funding and R&D to help develop export potential. Bombardier could also benefit in the longer term,

with the recent announcement by Boeing that it is increasing its 20-year prediction for worldwide airplane sales to 34,000 jets, which would be enough to double the size of the world's fleet.

Agriculture 1.8% yoy 2012)



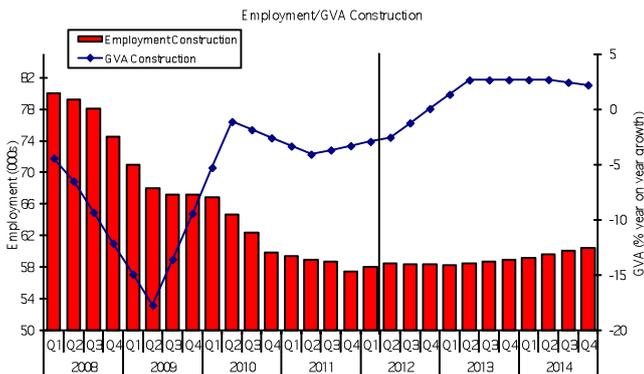
Manufacturing (0.9% yoy 2012)



The increase in **construction** employment over the last quarter, though small (600 jobs), seems to indicate that the sector has hit its 'floor' level, having already returned to a size consistent with the long term average in the UK and wider developed economies. There are currently approximately 58,000 jobs in the region's construction sector, meaning it is about 27.5% smaller than it was in Q1 2008. The prospects for the sector are inherently linked to both the housing and commercial property market. Though interest rates remain low and pent up demand from the last four years have fuelled some increase in activity, weak earnings growth means affordability remains a concern, particularly for first time buyers. Should the cut in corporation tax in the region get passed, it is clear that the current provision of office space, despite some of it lying vacant, is insufficient to

house many of the firms that would look to locate here. As such, the construction sector may benefit from having to build new office space, which could trigger an improved labour market outlook above our current baseline (which predicts fairly modest growth).

Construction (-2.5% yoy 2012)

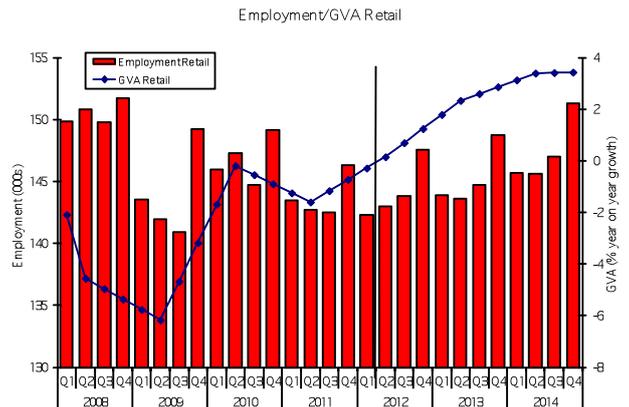


Private services

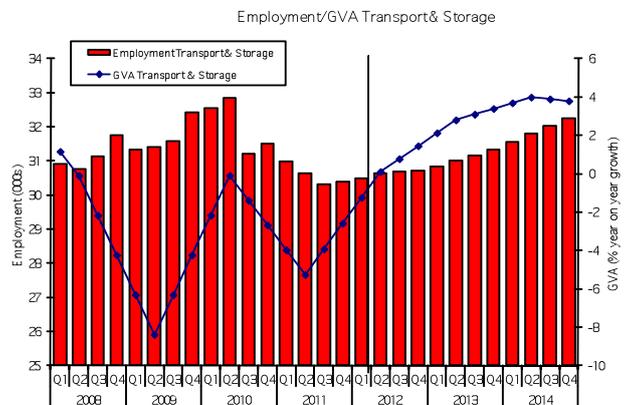
The **retail** sector experienced its traditional fall in employment in the first quarter of 2012, as those employed in temporary Christmas roles moved back onto the ranks of the unemployed. It is important to note however that the reduction in employment from Q4 2011 of 4,000 jobs was smaller than in both 2009 and 2011. Nonetheless, the visual impact of the recession and subsequent tightening of households' budgets is still very apparent with a large amount of unoccupied retail floor space. A report compiled by Oxford Economics last year suggested Bow Street Mall contained 6 vacant units while Victoria Square had 15 vacant units at that time. The next quarter should see some bounce-back in the employment level, with Asda opening in Portadown creating 450 new jobs and as events like the Titanic Belfast Festival and the Irish Open golf tournament provide a boost to the sector. However, how much the latter actually benefited local retailers in Portrush is debateable, with many commenting that the tournament prompted their quietest week on record by turning it into a ghost town. The labour market and outlooks forecasts for the sector up to Q4 2014 are largely positive. While the on-going eurozone difficulties and prospects

of a continually weakening euro, as well as ongoing job uncertainty and squeezed personal incomes may provide downside risks for growth, events like the Olympics and City of Culture 2013 and improvements in the housing market from next year, could see the Q4 2014 employment total returning close to the peak reached in Q4 2008.

Wholesale & retail trade (0.2% yoy 2012)



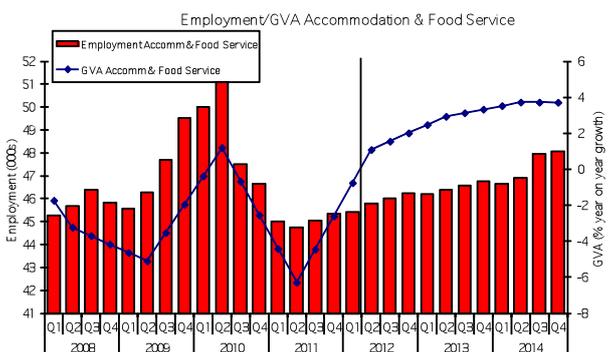
Transport & storage (0.1% yoy 2012)



After experiencing what was very much a late recession from mid-2010 onwards, data over the last two quarters seems to suggest that the **transport and storage** sector has stemmed the flow of job losses. Recent falls in global oil prices should start to filter, helping to mitigate against the recent adverse conditions in manufacturing on which the transport sector is so dependent. The performance of the sector over the short term is likely to mirror the wider economy, with GVA returning to year on year growth and employment rising consistently

(albeit relatively slowly). The ‘New Approach to Regional Transportation’, which aims at delivering existing plans for transport, with improved infrastructure and supporting investment in buses and trains, should help in this respect. The transport sector is likely to be key over the longer term in both ensuring the increased internalisation of Northern Ireland to support export-led growth, as well as aiding the tourism sector in providing easy access to the region for people looking to take advantage of the increased offering. It is for this reason that the recent news from BMI Baby that it was to close 10 of its routes (only keeping the Heathrow flight) from June was so concerning, especially in light of the fact that approximately 420,000 people passengers used the airline in 2011 alone.

Accommodation & food service (1.1% yoy 2012)

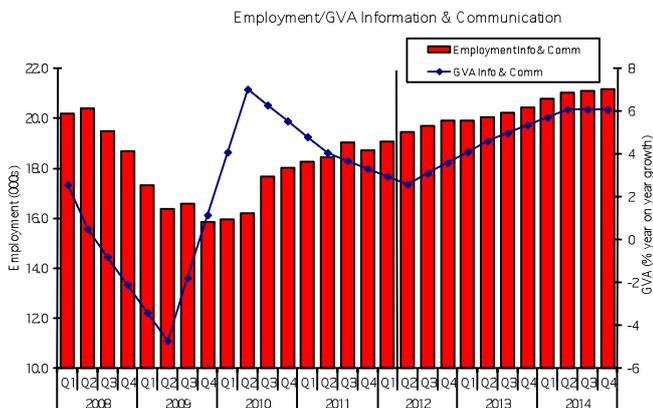


Like transport, the accommodation & food service activities sector experienced a fairly delayed labour market recession between mid-2010 and mid-2011 as domestic and corporate traveller numbers and spend fell and persistent food price inflation impacted on restaurants’ margins. Since the middle of last year, the sector has stabilised somewhat with modest growth in jobs numbers. Data for Q1 2012 suggests total employment in the sector has reached a level of 45,400, some 10% below its peak of Q2 2010. The recent performance is fairly encouraging, especially in light of the findings of DETI’s NI Passenger Survey, which stated that the number of business visitors and those visiting family and friends had fallen in Q1, but the number of holiday/leisure visitors (who have a higher average spend than those visiting

friends/family) actually rose modestly over the last year.

Stronger employment growth and a return to year on year GVA growth is forecast for Q2, on the back of the events like the Titanic Belfast Festival and Irish Open golf tournament. The outlook for late 2012 and beyond is for domestically led growth, as pressures on household incomes become less pronounced and as confidence returns on the back of GVA growth, triggering job announcements across the forecast period.

Information & communication (2.6% yoy 2012)

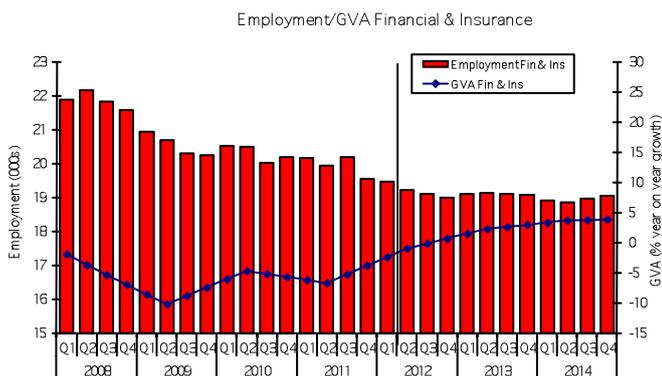


The information and communication sector has been a key driver of overall economic recovery in the region over the past 24 months. More recently, an increase of 400 jobs during Q1 2012 have recovered the loss of Q4 2011 and built on the consistently strong gains since Q4 2009. GVA growth has also stabilised over the past year, at levels of approximately 2.6% year on year. Firms in the sector are particularly attractive to work for, with figures suggesting the GVA per job is approximately £57,000 per annum, translating to wages a third above the NI private sector average. The outlook for the sector is equally as positive, with recent job announcements from Teleperformance UK (400 jobs) and Chicago Mercantile Exchange group (100 jobs) likely to filter through in the next couple of financial quarters, building on indigenous and foreign investment from firms like First Derivatives and NYSE Euronext. As well

as this, a recent report, jointly written by Oxford Economics, suggests that adoption of a new technology strategy on cloud computing could create 16,000 total jobs and £1.2bn of GVA in the NI economy by 2020. The challenges for the region lie in aligning the skills of the workforce with those needed to work in these higher value added roles, making sure InvestNI funding continues to be available to attract foreign investment and ensuring further improvements are made to the already highly developed telecoms infrastructure.

The employment decline in **finance and insurance** from Q2 2008 onwards continued in Q1 2012, with a loss of 100 jobs, as the sector continues to be adversely impacted by the restructuring of the retail banking element. With technological improvements and the sector struggling to cut costs, we expect further job and GVA declines over the coming months. Towards the end of the forecast period (2013 and 2014), there should be some semblance of stabilisation in employment and a return to GVA year on year growth, as the housing market begins to improve and opportunities continue to present themselves in risk management and financial regulation activities and back office securities and trading roles. Should corporation tax cuts be passed, the finance sector would be better placed than most to benefit.

Financial & insurance (-1.0% yoy 2012)



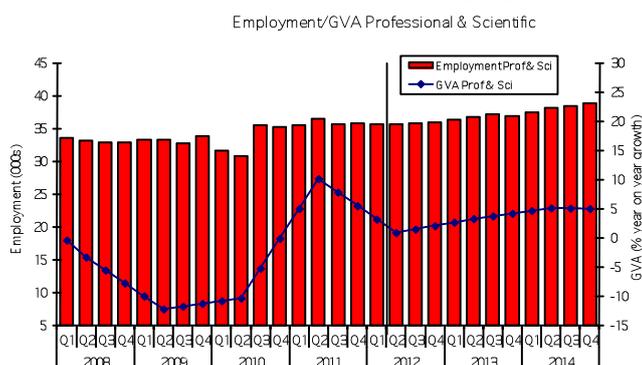
While GVA growth in the **real estate sector** has remained fairly stable over the last 3 quarters, the employment level has remained fairly flat since Q3 2010 which is reflective of the fairly stagnant state of the housing market over the last year.

Real estate (0.2% yoy 2012)



Nonetheless, the total jobs figure currently lies at 8,300, some 18% below its peak in Q2 2010. While house sales transactions remain low, rental activity has risen in response to need. People have preferred to rent over the last couple of years rather than buy property given the falling prices. The outlook for the sector seems to suggest it has hit its 'minimum' in terms of employment. The recovery in the housing market from next year should filter through to job creation in real estate, though by the end of the forecast period (Q4 2014), total employment may only have reached 8,900 jobs, still significantly below peak. Any marked recovery is at best a longer term realisation.

Professional & scientific (0.9% yoy 2012)

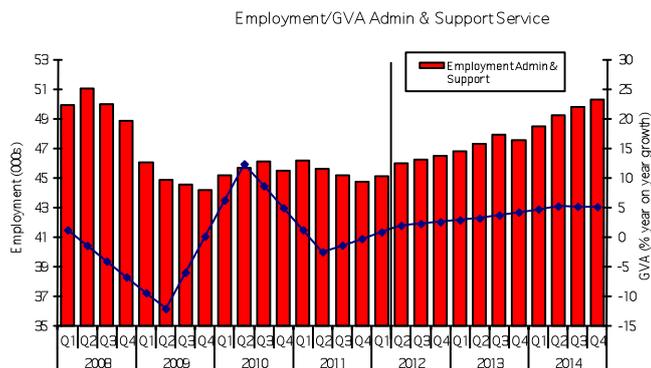


The **professional and scientific services** sector has been another strong performer over the course of the recession, with the only really marked contractions in total employment coming in the first six months of 2010. Recent performance has been relatively steady with job levels remaining broadly unchanged since Q3 2011. This is particularly pleasing given that the sector has important knock-on effects for the rest of the economy (through supply chain

spending) and is a key employer of graduates at a time where youth unemployment is high. The sector has a fairly strong outlook, though several downside risks may limit growth until 2013. Professional and scientific services is a sector with great export potential, but with just one direct transatlantic flight, NI is not developed enough to fully realise this potential at the moment. The huge cuts in public sector consultancy spend are likely to continue to bite, while the lack of any real activity in the housing market before 2013 could continue to put pressure on those working in architecture and legal professions. Job creation is however forecast from the beginning of next year, with our baseline suggesting growth of around 3,000 jobs by the end of 2014. The increased internalisation of the sector would be aided by any cut in corporation tax, with international organisations in legal and accountancy services and R&D attracted to the region by the excellent universities, cheap labour costs, telecoms infrastructure and availability of some good quality office space in desirable locations like the Waterfront and Titanic Quarter at increasingly affordable rents.

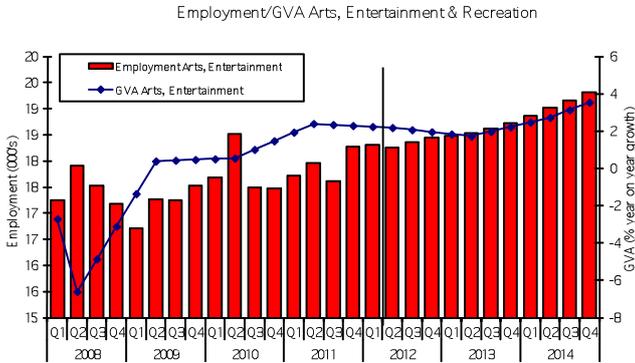
After falling throughout 2011, employment in the **admin and support services** sector increased in Q1 2012 by 400 jobs. Nonetheless, the jobs level remains close to 10% lower than its pre-recession peak in Q2 2008, showing the scale of recessionary effects in the sector, as firms reigned back on spending and increased savings. The prospects for the sector are however quite bright, with job creation throughout the forecast period and consistently strong GVA growth. The sector will undoubtedly continue to look towards further expansion of the call centre market, where it has a proven track record, to drive this growth. Though jobs in the sector are predominantly lower value added and lower paid, the economic downturn has very much installed a mantra of ‘beggars can’t be choosers’ among the population. Indeed, the jobs in some of the admin and support services activities may well be suited to the current profile of the unemployment claimants, with the stock suitable for such roles likely to increase further if and when welfare reform occurs.

Admin & support (2.0% yoy 2012)



The **arts, entertainment & recreation and other services activities sectors** are hugely reliant on consumer spending and consumer confidence, though the latest data suggests the latter has struggled to a greater extent of late. The strong performance of the arts, entertainment & recreation sector is particularly encouraging when put in context of the economic headwinds facing it. With households budgets squeezed, one would have thought that this sector would have been one of the first to face cutbacks in both jobs and GVA. Indeed, whereas the Q1 2012 employment levels in retail and accommodation & food services are 3% and 11% below their respective peak, employment in the arts sector is only 1% below peak and forecast to return to it by the middle of next year. The labour market outlook for both sectors is relatively strong, though it is forecast to be 2013 before total employment in the other services sector begins to occur. To help ensure this growth, there must be a push on marketing on what is a strong tourism offering in terms of the recent opening of the Giants Causeway visitors’ centre and ongoing development in Belfast’s Cathedral Quarter.

Arts, entertainment & recreation (2.2% yoy 2012)



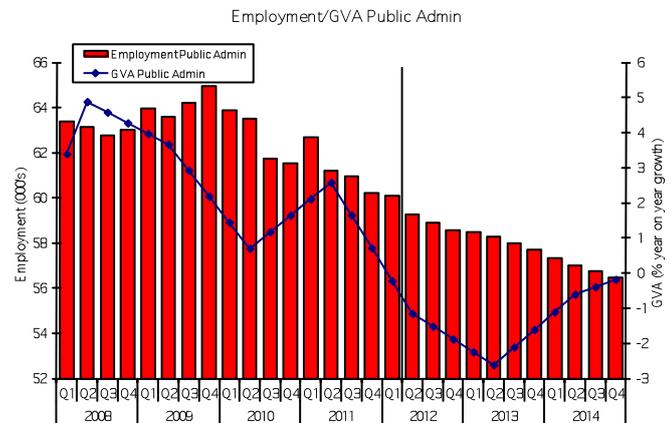
Other services activities (-0.9% yoy 2012)



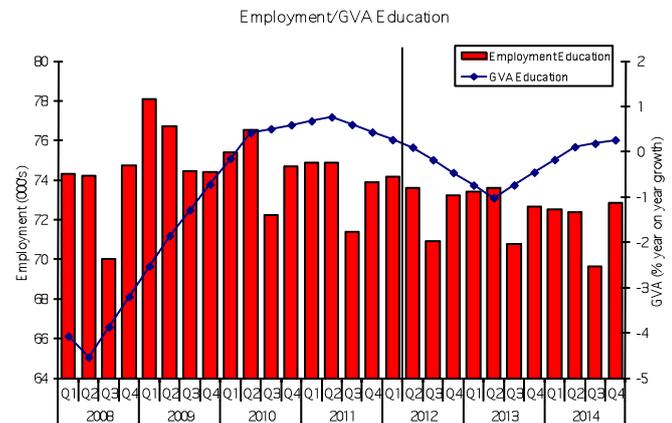
Public services

While the latest employment data for Q1 2012 shows some improvements for the **education** (300 jobs) and **health** (1,300 jobs) sectors, this is likely to be short lived and unlikely to mitigate against the job losses across the public sector, particularly public admin, over the forecast period. Indeed the **public admin** sector alone is forecast to lose 3,600 jobs between now and Q4 2014, accounting for 60% of the overall job losses in the public sector during that time. The education sector is likely to only face muted job losses, with the seasonal drops in Q3 of each year perhaps less pronounced than over the historical period. Employment in health is forecast to remain largely flat, buoyed by the opening of the hospital in Enniskillen and to cater for the increased demand for healthcare from an ageing population. Times are likely to remain tough for those training to be doctors and teachers and hoping for work in these professions in the short term, which could serve to exacerbate the problems of rising youth unemployment and the 'brain-drain' already so evident throughout the region. In reality, the future of the public sector, especially beyond 2014, is uncertain and largely dependent on further spending cuts and how these are tackled; either through recruitment freezes or wage freezes.

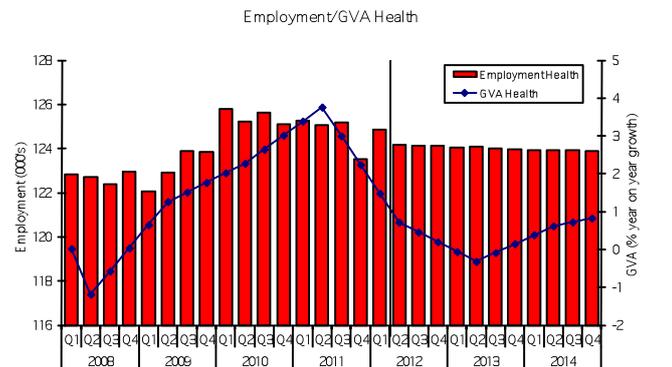
Public admin (-1.3% yoy 2012)



Education (-0.6% yoy 2012)



Health (1.2% yoy 2012)



Wage inflation

Wage pressures remain muted, though firms may begin to feel pressure from beleaguered employees to provide some increases in salary. Given that oil prices fell back in Quarter 2, inflation should resume its descent. Lower inflation should ease the squeeze on household finances, with real income growth expected to return in the latter part of 2012.

Given the fragile nature of the wider economy, the focus for many will continue to be job retention rather than pushing for pay increases. The outlook is for wage inflation to be modestly low at 1.2%. Average wage increases for most employees in the private sector will be very modest indeed.

Unemployment

Unemployment is forecast to continue to rise in the short run, peaking at almost 64,000 in 2013, similar to the level experienced in 1997. The outlook suggests that unemployment will remain above the recent low levels enjoyed at the peak of the boom given a less dynamic labour market and economic recovery.

Welfare reform presents considerable uncertainty for NI in terms of incomes effects on households and labour market effects. The reassessment of people in receipt of sickness and disability related benefits could move a large number of people across onto the unemployment register. If UK pilot schemes are indicative of the actual outcome NI could experience, it would translate through to a possible increase of over 20,000 people – pushing the unemployment up to over 10%.

Table 1: GVA (£m2008)

	2010				2011				2012				2013				2014			
	Q1	Q2	Q3	Q4																
Agriculture, forestry and fishing	274	257	237	248	239	237	241	246	239	245	247	249	248	248	249	250	251	251	253	255
Mining and quarrying	98	94	90	85	80	75	73	72	69	68	68	68	67	66	66	65	64	63	62	62
Manufacturing	3650	3733	3892	3906	3924	3963	3953	3947	3958	3973	3977	4019	4091	4095	4135	4173	4339	4290	4315	4382
Electricity, gas, & steam	239	235	231	228	229	219	216	211	211	204	203	203	204	204	206	207	205	206	207	209
Water supply; sewerage, waste management	352	353	351	365	341	337	339	338	340	338	339	340	339	340	342	343	343	345	347	349
Construction	2097	2057	2013	1964	1945	1968	1954	1933	1879	1938	1914	1870	1912	1970	1983	1937	1950	2007	2041	2013
Wholesale and retail trade	3284	3282	3246	3325	3213	3206	3216	3292	3203	3195	3232	3317	3222	3271	3326	3430	3302	3366	3437	3594
Transportation and storage	995	993	956	962	931	923	920	927	924	923	927	931	942	949	959	960	978	991	1001	991
Accommodation and food service activities	759	759	726	722	688	690	697	703	693	700	703	714	716	719	725	731	739	753	752	756
Information and communication	908	931	963	968	964	964	985	1010	984	1000	1014	1028	1029	1040	1064	1078	1093	1108	1128	1138
Financial and insurance activities	1146	1133	1070	1061	1046	1024	1032	1012	1036	997	1013	1028	1043	1031	1041	1051	1088	1075	1070	1086
Real estate activities	2737	2806	2842	2901	2842	2816	2788	2793	2822	2796	2811	2827	2872	2861	2865	2893	2973	3006	3008	2950
Professional, scientific and technical activities	904	930	979	961	1023	1034	1057	1041	1019	1030	1079	1065	1046	1071	1105	1109	1097	1133	1163	1159
Administrative and support service activities	811	838	840	826	818	805	807	802	801	814	831	848	828	840	856	875	866	883	904	925
Public administration and defence	2785	2779	2764	2764	2817	2836	2859	2867	2824	2800	2808	2815	2763	2747	2721	2722	2730	2730	2719	2708
Education	2302	2333	2243	2296	2334	2348	2269	2293	2331	2348	2267	2308	2328	2317	2237	2277	2308	2320	2250	2291
Human health and social work activities	2827	2818	2854	2870	2972	2965	2955	2904	2985	2985	2995	2915	2964	2974	2989	2915	2985	3001	3007	2923
Arts, entertainment and recreation	353	362	349	353	359	364	360	368	366	366	372	379	373	372	378	385	377	381	391	400
Other service activities	405	398	396	396	397	399	398	400	395	392	395	397	395	401	398	404	400	410	409	416
Total	26926	27092	27042	27201	27161	27176	27119	27160	27079	27115	27195	27319	27383	27516	27645	27804	28087	28320	28465	28604
Year on Year Growth (%)																				
Agriculture, forestry and fishing	-17.3	-16.8	-20.4	-14.0	-12.8	-7.7	2.1	-0.7	-0.1	3.5	2.4	1.2	4.0	1.0	0.7	0.3	1.0	1.3	1.7	2.1
Mining and quarrying	-18.4	-19.4	-19.1	-17.9	-18.6	-20.0	-19.1	-15.5	-13.6	-9.4	-6.4	-5.8	-3.0	-2.6	-3.1	-3.7	-4.5	-4.8	-5.0	-5.1
Manufacturing	-3.5	0.5	5.2	5.1	7.5	6.2	1.6	1.1	0.9	0.3	0.6	1.8	3.4	3.1	4.0	3.8	6.1	4.7	4.4	5.0
Electricity, gas, & steam	-8.4	-5.3	-5.6	-5.0	-4.4	-6.6	-6.4	-7.5	-7.7	-7.0	-5.9	-4.2	-3.2	0.1	1.1	2.1	0.1	0.8	0.8	0.8
Water supply; sewerage, waste management	-4.9	-3.4	-2.9	1.9	-3.3	-4.4	-3.5	-7.3	-0.4	0.3	0.1	0.5	-0.1	0.5	0.7	1.0	1.1	1.4	1.5	1.6
Construction	-2.1	1.6	-0.4	-3.5	-7.2	-4.3	-2.9	-1.6	-3.4	-1.5	-2.1	-3.3	1.7	1.6	3.6	3.6	2.0	1.9	2.9	3.9
Wholesale and retail trade	-1.0	0.3	0.4	-0.5	-2.2	-2.3	-0.9	-1.0	-0.3	-0.3	0.5	0.8	0.6	2.4	2.9	3.4	2.5	2.9	3.3	4.8
Transportation and storage	-0.1	2.3	-1.1	-1.5	-6.4	-7.1	-3.8	-3.6	-0.8	0.1	0.8	0.4	2.0	2.7	3.4	3.1	3.9	4.4	4.4	3.3
Accommodation and food service activities	3.9	4.4	-0.8	-2.6	-9.3	-9.0	-4.0	-2.5	0.6	1.4	0.9	1.5	3.4	2.8	3.1	2.4	3.2	4.7	3.7	3.4
Information and communication	3.6	7.2	8.2	9.0	6.1	3.6	2.3	4.4	2.1	3.7	2.9	1.7	4.6	4.0	5.0	4.9	6.2	6.5	6.1	5.6
Financial and insurance activities	-4.0	-2.7	-6.3	-5.9	-8.8	-9.6	-3.6	-4.6	-0.9	-2.6	-1.9	1.5	0.6	3.4	2.8	2.2	4.3	4.2	2.8	3.3
Real estate activities	10.8	12.6	11.0	10.5	3.8	0.4	-1.9	-3.7	-0.7	-0.7	0.9	1.2	1.7	2.3	1.9	2.3	3.5	5.1	5.0	2.0
Professional, scientific and technical activities	-17.0	-11.5	-4.5	-7.8	13.3	11.3	8.0	8.3	-0.5	-0.4	2.1	2.3	2.7	3.9	2.4	4.1	4.9	5.8	5.3	4.5
Administrative and support service activities	9.3	16.1	14.0	10.1	0.9	-4.0	-3.9	-2.9	-2.1	1.1	3.0	5.8	3.4	3.2	3.0	3.1	4.5	5.1	5.6	5.7
Public administration and defence	2.1	1.5	0.1	-0.8	1.1	2.0	3.4	3.7	0.3	-1.3	-1.8	-1.8	-2.2	-1.9	-3.1	-3.3	-1.2	-0.6	-0.1	-0.5
Education	-2.1	1.7	0.0	2.2	1.4	0.6	1.2	-0.1	-0.1	0.0	-0.1	0.6	-0.2	-1.3	-1.3	-1.3	-0.8	0.2	0.6	0.6
Human health and social work activities	2.9	1.6	2.0	2.5	5.1	5.2	3.5	1.2	0.5	0.7	1.4	0.4	-0.7	-0.4	-0.2	0.0	0.7	0.9	0.6	0.3
Arts, entertainment and recreation	2.4	1.0	-1.2	0.0	1.9	0.6	3.0	4.1	1.8	0.4	3.5	3.1	2.0	1.6	1.6	1.6	1.1	2.6	3.2	3.9
Other service activities	1.1	-2.3	-1.2	-3.1	-1.9	0.2	0.3	1.0	-0.6	-1.6	-0.8	-0.7	0.0	2.1	0.9	1.7	1.2	2.4	2.7	3.0
Total	-0.3	1.8	1.8	1.4	0.9	0.3	0.3	-0.2	-0.3	-0.2	0.3	0.6	1.1	1.5	1.7	1.8	2.6	2.9	3.0	2.9

Table 2: Employment (000's)

	2010				2011				2012				2013				2014			
	Q1	Q2	Q3	Q4																
Agriculture, forestry and fishing	35.6	34.9	33.2	33.8	33.4	33.0	33.2	33.3	33.9	34.2	34.2	34.2	34.2	33.9	33.9	33.8	33.6	33.5	33.4	33.4
Mining and quarrying	1.7	1.7	1.7	1.6	1.6	1.6	1.5	1.5	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Manufacturing	79.8	80.4	81.1	82.0	81.3	81.6	82.3	83.2	81.7	81.9	81.8	81.8	81.8	81.8	81.9	81.9	81.9	82.0	82.1	82.1
Electricity, gas, & steam	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.4	1.4	1.3	1.4	1.4	1.4	1.4	1.4	1.3	1.3	1.3
Water supply; sewerage, waste management	4.5	4.6	4.8	5.7	4.8	4.9	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.8
Construction	66.9	64.7	62.3	59.8	59.4	59.0	58.7	57.5	58.0	58.4	58.4	58.3	58.2	58.5	58.7	58.9	59.2	59.7	60.0	60.4
Wholesale and retail trade	146.0	147.3	144.7	149.2	143.4	142.7	142.5	146.3	142.3	143.0	143.8	147.6	143.9	143.6	144.7	148.7	145.7	145.6	147.0	151.3
Transportation and storage	32.5	32.9	31.2	31.5	31.0	30.6	30.3	30.4	30.5	30.6	30.7	30.7	30.8	31.0	31.2	31.3	31.6	31.8	32.0	32.3
Accommodation and food service activities	50.0	51.1	47.5	46.6	45.0	44.7	45.0	45.3	45.4	45.8	46.0	46.2	46.2	46.4	46.6	46.8	46.7	46.9	47.9	48.1
Information and communication	16.0	16.2	17.7	18.0	18.3	18.4	19.0	18.7	19.1	19.5	19.7	19.9	19.9	20.0	20.2	20.4	20.8	21.0	21.1	21.2
Financial and insurance activities	20.5	20.5	20.0	20.2	20.2	19.9	20.2	19.5	19.5	19.2	19.1	19.0	19.1	19.1	19.1	19.1	18.9	18.9	18.9	19.0
Real estate activities	9.2	9.5	8.4	8.4	8.4	8.3	8.2	8.3	8.3	8.2	8.2	8.2	8.3	8.4	8.5	8.5	8.6	8.7	8.8	8.9
Professional, scientific and technical activities	31.6	30.8	35.5	35.2	35.5	36.5	35.7	35.8	35.6	35.7	35.8	35.9	36.3	36.7	37.2	36.9	37.5	38.1	38.5	38.9
Administrative and support service activities	45.2	45.7	46.1	45.5	46.1	45.6	45.2	44.7	45.1	46.0	46.2	46.5	46.8	47.3	47.9	47.5	48.5	49.2	49.8	50.3
Public administration and defence	63.9	63.5	61.7	61.5	62.7	61.2	61.0	60.2	60.1	59.3	58.9	58.6	58.5	58.3	58.0	57.7	57.3	57.0	56.7	56.5
Education	75.4	76.5	72.2	74.7	74.9	74.9	71.4	73.9	74.2	73.6	70.9	73.2	73.4	73.6	70.8	72.6	72.5	72.4	69.6	72.9
Human health and social work activities	125.8	125.2	125.6	125.1	125.3	125.1	125.2	123.5	124.8	124.2	124.1	124.1	124.1	124.1	124.0	124.0	123.9	123.9	123.9	123.9
Arts, entertainment and recreation	17.7	18.5	17.5	17.5	17.7	18.0	17.6	18.3	18.3	18.3	18.4	18.5	18.5	18.5	18.6	18.7	18.9	19.0	19.2	19.3
Other service activities	21.7	21.7	21.5	21.4	21.4	21.4	21.2	21.5	21.1	20.9	20.9	20.8	21.0	21.1	21.2	21.3	21.4	21.6	21.7	21.9
Total	845.1	846.9	834.1	839.2	831.7	828.9	824.7	828.6	825.9	826.6	825.0	831.4	828.8	830.3	830.3	836.0	834.6	837.1	838.6	848.0
Year on Year Growth (%)																				
Agriculture, forestry and fishing	-1.6	-5.0	-8.8	-6.6	-6.1	-5.3	0.0	-1.4	1.3	3.7	3.1	2.5	0.9	-0.8	-1.0	-1.1	-1.6	-1.3	-1.2	-1.1
Mining and quarrying	-14.1	-13.3	-11.2	-6.4	-4.7	-6.5	-8.4	-4.9	-4.5	-1.4	2.2	1.4	-0.7	-2.1	-2.4	-2.8	-2.3	-2.1	-2.2	-2.2
Manufacturing	-5.5	-3.4	0.0	1.9	1.9	1.5	1.5	1.5	0.6	0.3	-0.6	-1.7	0.1	0.0	0.1	0.2	0.2	0.2	0.2	0.3
Electricity, gas, & steam	6.3	3.8	3.1	6.8	2.2	5.9	11.1	9.2	5.6	-3.7	-9.1	-12.4	-6.0	-0.5	0.1	0.7	-1.3	-1.6	-1.7	-1.7
Water supply; sewerage, waste management	-2.6	-0.4	5.7	28.0	8.1	7.9	4.4	-12.8	3.4	-0.2	-1.7	-1.5	-1.3	-0.5	-0.6	-0.6	-0.8	-0.8	-0.8	-0.8
Construction	-5.8	-4.9	-7.3	-11.1	-11.1	-8.8	-5.8	-3.9	-2.3	-0.9	-0.6	1.5	0.3	0.1	0.5	1.0	1.6	2.0	2.3	2.5
Wholesale and retail trade	1.7	3.7	2.7	0.0	-1.7	-3.1	-1.5	-1.9	-0.8	0.2	0.9	0.9	1.1	0.4	0.6	0.8	1.2	1.4	1.6	1.7
Transportation and storage	3.9	4.6	-1.1	-2.8	-4.8	-6.7	-2.9	-3.5	-1.6	0.0	1.2	1.1	1.2	1.2	1.6	2.0	2.3	2.6	2.8	3.0
Accommodation and food service activities	9.7	10.4	-0.4	-5.8	-10.0	-12.4	-5.2	-2.8	0.9	2.4	2.2	2.0	1.8	1.3	1.2	1.2	1.0	1.1	2.9	2.7
Information and communication	-7.9	-1.1	6.5	13.9	14.4	13.9	7.8	3.8	4.4	5.6	3.4	6.3	4.4	2.9	2.8	2.7	4.4	5.0	4.3	3.7
Financial and insurance activities	-2.0	-1.0	-1.4	-0.2	-1.7	-2.6	0.8	-3.2	-3.5	-3.6	-5.3	-2.8	-1.8	-0.5	-0.1	0.4	-1.0	-1.4	-0.7	-0.1
Real estate activities	17.0	15.5	-0.4	-2.6	-9.6	-11.9	-2.3	-0.6	-1.1	-1.7	0.2	-1.0	0.9	2.9	3.9	2.9	3.3	3.7	3.4	5.3
Professional, scientific and technical activities	-5.2	-7.3	8.3	3.9	12.6	18.3	0.5	1.9	0.3	-2.2	0.4	0.3	1.9	3.0	3.9	2.6	3.3	3.7	3.5	5.4
Administrative and support service activities	-2.0	1.8	3.4	3.0	2.2	-0.2	-2.0	-1.7	-2.2	0.8	2.4	3.9	3.6	2.9	3.6	2.3	3.6	4.1	3.9	5.8
Public administration and defence	-0.1	-0.1	-3.8	-5.3	-1.9	-3.6	-1.2	-2.1	-4.1	-3.1	-3.4	-2.8	-2.7	-1.7	-1.6	-1.5	-2.0	-2.2	-2.1	-2.1
Education	-3.5	-0.3	-3.0	0.4	-0.7	-2.1	-1.2	-1.1	-0.9	-1.7	-0.6	-0.9	-1.0	0.0	-0.2	-0.8	-1.2	-1.6	-1.6	0.3
Human health and social work activities	3.0	1.9	1.4	1.0	-0.4	-0.1	-0.4	-1.3	-0.3	-0.7	-0.8	0.5	-0.6	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Arts, entertainment and recreation	5.7	7.2	1.4	-0.3	0.3	-3.0	0.7	4.6	3.3	1.6	4.2	1.0	1.0	1.5	1.5	1.4	2.0	2.6	2.9	3.2
Other service activities	10.2	7.4	6.1	1.2	-1.4	-1.6	-1.4	0.3	-1.0	-2.0	-1.6	-3.0	-0.8	0.9	1.6	2.3	2.0	2.2	2.4	2.7
Total	-0.1	0.9	-0.1	-0.9	-1.6	-2.1	-1.1	-1.3	-0.7	-0.3	0.0	0.3	0.4	0.5	0.6	0.6	0.7	0.8	1.0	1.4

		Table 3: Other variables																			
		2010				2011				2012				2013				2014			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unemployment		56.6	56.7	58.2	57.1	60.0	59.9	61.3	59.5	62.5	62.7	63.0	63.2	63.5	63.8	63.5	63.2	62.9	62.6	62.2	61.9
Wage inflation		-1.0	-2.2	-1.2	-0.3	-0.4	0.4	0.2	0.2	0.6	1.0	1.2	1.8	2.1	2.4	2.8	3.2	3.5	3.8	3.8	3.9
Year on Year Growth (%)																					
Unemployment		32.1	15.7	10.2	8.1	6.1	5.5	5.3	4.2	4.1	4.7	2.7	6.3	1.7	1.8	0.9	0.0	-0.9	-1.8	-2.0	-2.2

This is the opinion of Northern Bank, on occasion based upon research conducted at the time and obtained from sources believed to be reliable. This may be subject to change without notice and is not a personal recommendation.

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2012.07