

Northern Ireland Quarterly Index of Services

Quarter 1 (January – March) 2020

Theme: Economy

Frequency: Quarterly

Geographical Area: Northern Ireland

Date: 18 June 2020

Introduction

The quarterly Index of Services (IOS) provides a timely indicator of change in output in the private sector services industries in Northern Ireland (NI). IOS indices, along with published quarterly data and unpublished agricultural output data, are used to generate the [Northern Ireland Composite Economic Index \(NICEI\)](#). The NICEI is an experimental quarterly measure of the performance of the NI economy.

Key Points

Output estimates are calculated from the IOS aspect of the Quarterly Business Survey (QBS). The IOS has a sample size of approximately 3,500 businesses, covering all private service sector businesses with 100 or more employees and a representative sample of smaller businesses.

- Services output in NI saw a quarterly decrease of 4.2% in Quarter 1 2020, and a decrease of 4.8% over the year.
- UK IOS output decreased over both the quarter (1.9%) and the year (0.9%).
- When the most recent four quarters are compared to the previous four quarters the NI services sectors decreased by 1.1% whilst the UK services sector increased by 1.0%.
- NI services output is 5.4% lower than the highest point (Quarter 2 2019) in the past ten years, and is 6.7% lower than the highest point (Quarter 4 2006) since the series began. Services output in NI has recovered by 6.0% from the lowest point (Quarter 2 2013) since the series began.
- The quarterly decrease to Q1 2020 is the largest quarterly change in the history of the IOS (since Q1 2005) and the index is at its lowest point since Q1 2016.
- This release captures the first direct effects of the coronavirus (COVID-19) pandemic on the NI economy. The first [government advice on social distancing](#) was published on 12 March 2020, before a formal “lockdown” was announced on 23 March 2020. As this release covers the period January - March 2020, the impact of the Covid-19 pandemic on the economy is only partially reflected in these estimates.

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NATIONAL STATISTICS STATUS

National Statistics status means that our statistics meet the highest standards of trustworthiness, quality and public value, and it is our responsibility to maintain compliance with these standards. These statistics were designated as National Statistics on 5th August 2011 following a full [assessment](#) against the [Code of Practice](#).

Since the assessment by the UK Statistics Authority, we have continued to comply with the Code of Practice for Statistics, and have made the following improvements:

- Removed pre-release access to enhance trustworthiness and also brought the publication date forward as a result;
- Reduced [business burden](#) by offering the option of online data returns.

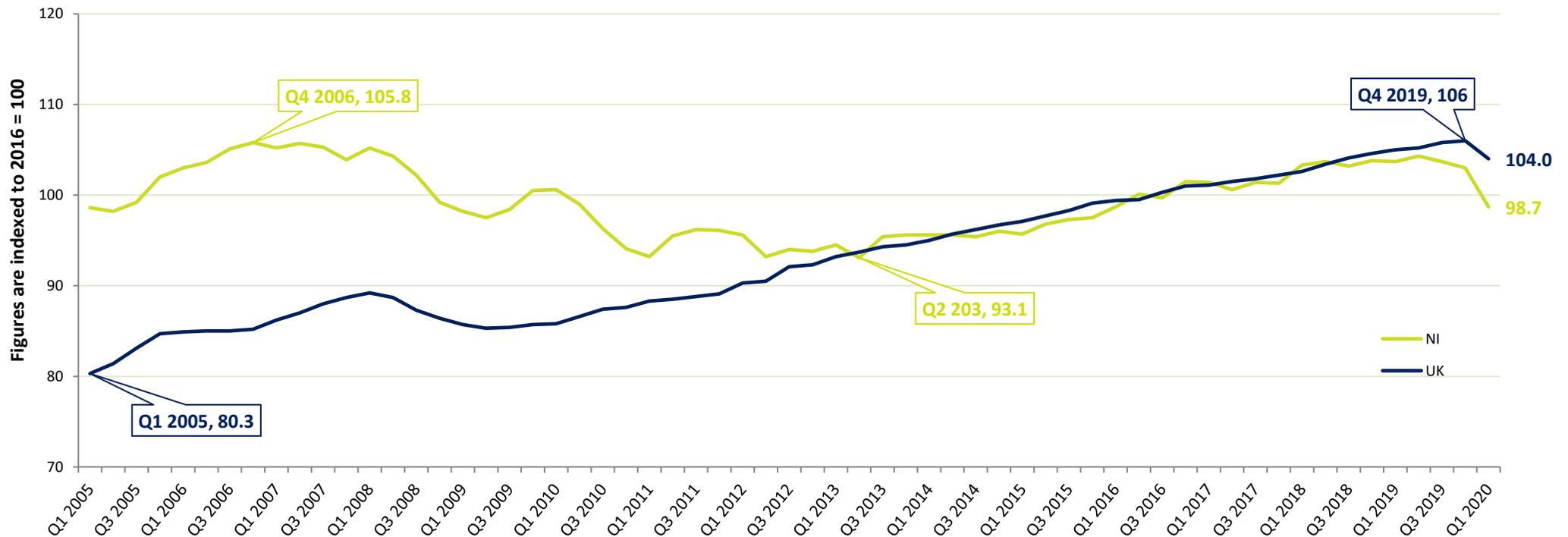
1 Summary of Index of Services

1.1 Changes in Index of Services

The seasonally adjusted estimate for the NI IOS for Quarter 1 2020 output:

- decreased by 4.2% over the quarter from the Quarter 4 2019 estimate;
- decreased by 4.8% over the year from the Quarter 1 2019 estimate; and,
- decreased by 1.1% when the most recent four quarters are compared to the previous four quarters.

Figure 1.1 IOS, NI & UK, Q1 2005 – Q1 2020



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1.2 Commentary

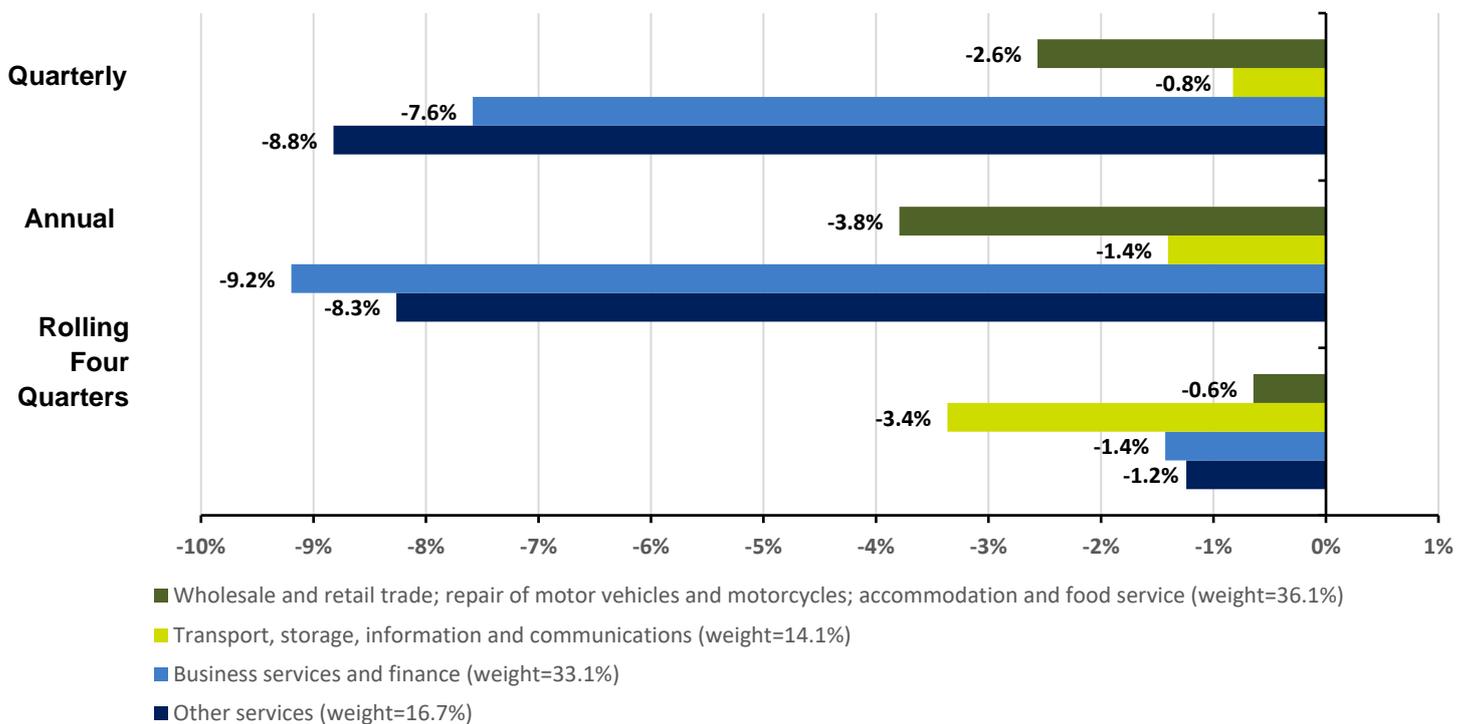
Output in the services sector decreased by 4.2% over the first quarter of 2020. NI output in this sector is 6.7% lower than the highest point (Quarter 4 2006) since the series began. NI output is 5.4% lower than the highest point (Quarter 2 2019) in the past ten years.

The decrease over the year (4.8%) in the NI services sector was larger than the UK, which decreased by 0.9%, over the equivalent period. The NI IOS has recovered by 6.0% since the series low (Quarter 2 2013). The UK index has recovered by 11.0% over the same time period.

Prior to 2013, there were often significant differences between both indices, with greater change in the NI index. Since this point, the NI and the UK indices had seen comparable change, but there has been a marked slowdown in growth in the NI services output in recent quarters. There has been a recent divergence between the two indices, with the NI services index seeing decreases in three of the past four quarters, whilst the UK index continued to see growth in every quarter until the current quarter. The quarterly decrease seen in Q1 2020 in the NI index is the largest quarterly change in the history of the IOS (since Q1 2005) and the index is at its lowest point since Q1 2016.

Although these estimates show the beginnings of the impact of the Covid-19 crisis on the economy, as the reference period is January - March 2020, the full impact of the crisis is not reflected in these figures.

Figure 1.2 NI IOS Quarterly, Annual and Rolling Four Quarter Changes at Sector Level¹



¹ For further information on weights see Regional GVA information on page 12

1.3 Context

The IOS is an important short-term measure of change in the output of the private services sector of the economy. The contents of this report will be of interest to:

- government policymakers;
- Members of the Legislative Assembly;
- the business community;
- economic commentators;
- academics; and,
- members of the general public with an interest in the NI economy.

A [summary of usage of the NI IOS](#) is available on the NISRA website.

The Department for the Economy (DfE) [Economic Commentary \(Winter 2019\)](#) provides an overview of the NI economy, setting it in context with the UK and Republic of Ireland.

The most up-to-date official statistics on the economy and labour market are available on the [Economic Overview](#) section of the [Economic and Labour Market Statistics \(ELMS\) section of the NISRA website](#).

The IOS is published on a Standard Industrial Classification 2007 (SIC07) basis. IOS data prior to Quarter 2 2011 were collected on a SIC 2003 (SIC03) basis and have been converted to approximate the SIC07 coverage. Volatility can arise when businesses inform NISRA of SIC code changes via business surveys, the Office of National Statistics (ONS) and HM Revenue & Customs (HMRC). This new information helps to improve the industry estimates of services output but can add volatility to quarterly and annual changes.

The [Background notes](#) section of this document provides information on the methodology used to produce these statistics as well as information on the quality and accuracy of the data.

This bulletin contains results for the service sector as a whole, and the following four sectors:

- wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service;
- transport, storage, information and communication;
- business services and finance; and,
- other services.

All services sector series are seasonally adjusted on a 2016=100 basis, using X-13 ARIMA SEATS.

Comparative UK data, produced by the Office for National Statistics (ONS), are presented where these are available. The [latest UK IOS results](#) are published on the ONS website.

This publication provides three measures of growth for all indices.

1. **Quarter-on-quarter change** provides the most recent measure of how the sector is changing. It is appropriate to compare consecutive quarters as the indices are seasonally adjusted to remove the effects of changes in output as a result of the time of the year;
2. **Year-on-year change** compares the current quarter with the same quarter one year ago; and
3. **Rolling four quarter change** compares the most recent twelve months with the twelve months before. This comparison is useful for identifying changes in output over a longer time period than the other two approaches.

1.4 Revisions

Results are provisional and subject to revision, which can be made for a variety of reasons. The most common include:

- late responses to surveys,
- estimates being replaced by actual data,
- revisions to seasonal adjustment factors,
- methodological changes, and
- changes to business classifications.

Only rarely are there avoidable ‘errors’ such as human or system failures, and such mistakes are made quite clear when they do occur.

This release captures the first direct effects of the coronavirus (COVID-19) pandemic on the NI economy. The first [government advice on social distancing](#) was published on 12 March 2020, before a formal “lockdown” was announced on 23 March 2020. As this release covers the period January - March 2020, the impact of the Covid-19 pandemic on the economy is only partially reflected in these estimates.

COVID-19 impacted on the data collection and the validation of business data, which are collected on the Quarterly Business Survey. As a result, estimates for Quarter 1 2020 are likely to be subject to higher revisions than normal over the coming quarters.

2 Services output by sector

Output: turnover, the value of total sales generated from all NI based activity, excluding VAT. Turnover is rounded to the nearest thousand and is then grossed, deflated and seasonally adjusted.

2.1 Key Findings:

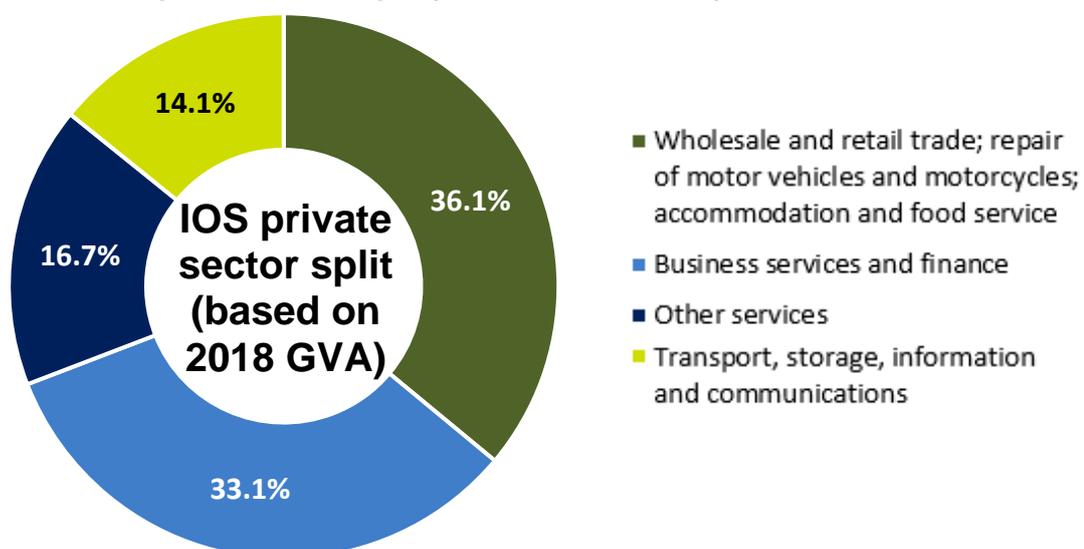
- The NI IOS decreased by 4.2% over the quarter, by 4.8% over the year and by 1.1% on a rolling four quarters basis. The NI IOS is 5.4% lower than the highest point in the past ten years (Q2 2019) and is 6.7% lower than the series high (Q4 2006).
- The quarterly decrease seen this quarter in the NI index is the largest quarterly change in the history of the IOS (since Q1 2005) and the index is at its lowest point since Q1 2016.
- The quarterly decrease in NI services output was caused by decrease in all four subsectors, with the Business services and finance sector down 7.6%; the Other services sector down 8.8%; the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector down 2.6% and the Transport, storage, information and communications sector down 0.8%.
- The annual decrease in NI services output was caused by decrease in all four subsectors, with the Business services and finance sector down 9.2%; the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector down 3.8%; the Other services sector down 8.3%; and the Transport, storage, information and communications sector down 1.4%.

The private service sector is comprised of four sectors but is dominated by the:

- (i) wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food services; and,
- (ii) business services and finance sectors.

Together these two sectors account for approximately 70% of total private services Gross Value Added (GVA) at 2018 prices. The sectors are listed in order of importance of their contribution made to the overall IOS.

Figure 2.1 IOS private sector split (based on 2018 GVA)



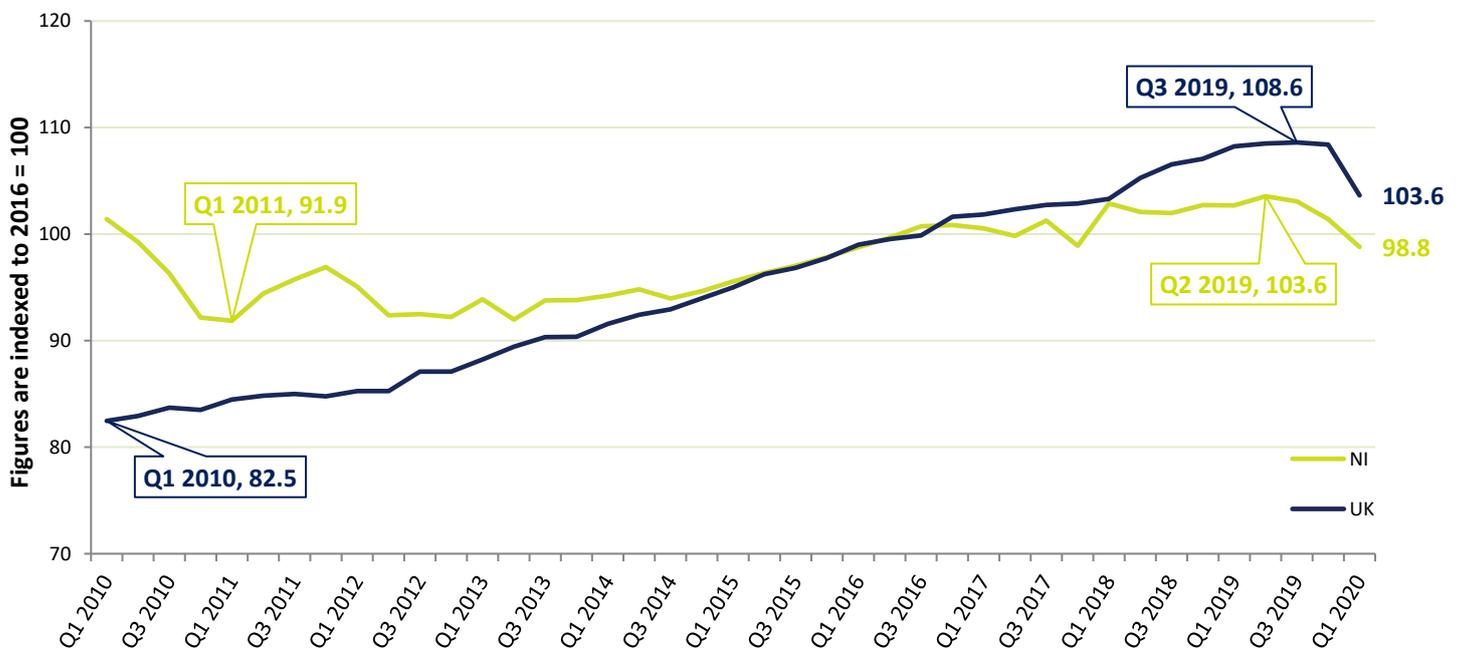
2.2 Wholesale and retail trade; repair of motor vehicles and motorcycles; Accommodation and food service sector

Wholesale and retail trade; repair of motor vehicles and motorcycles; Accommodation and food service sector (SIC 07 Section GI) – (weight = 36.1% of IOS): includes the wholesale and retail sale and the supply of services incidental to the sale of merchandise as well as the repair of motor vehicles and motorcycles. This sector also includes the provision of short-stay accommodation for visitors and the provision of complete meals and drinks fit for immediate consumption.

Key Findings:

- The NI seasonally adjusted figures:
 - decreased by 2.6% over the quarter;
 - decreased by 3.8% over the year; and,
 - decreased by 0.6% on a rolling four quarter basis.
- The UK seasonally adjusted figures:
 - decreased by 4.4% over the quarter;
 - decreased by 4.3% over the year; and,
 - increased by 0.5% on a rolling four quarter basis.
- The NI series is out-performing the UK series across both the quarterly and annual measures but the UK performed better than NI on the rolling four quarter basis.
- NI output is now 4.6% lower than the highest recorded over the past ten years (Quarter 2 2019).
- NI output this quarter is 6.0% below the series high (Quarter 1 2007).
- NI output is 7.6% above the series low (Quarter 1 2011).

Figure 2.2 Wholesale and retail trade; repair of motor vehicles and motorcycles; Accommodation and food service sector, NI & UK, Q1 2010 – Q1 2020



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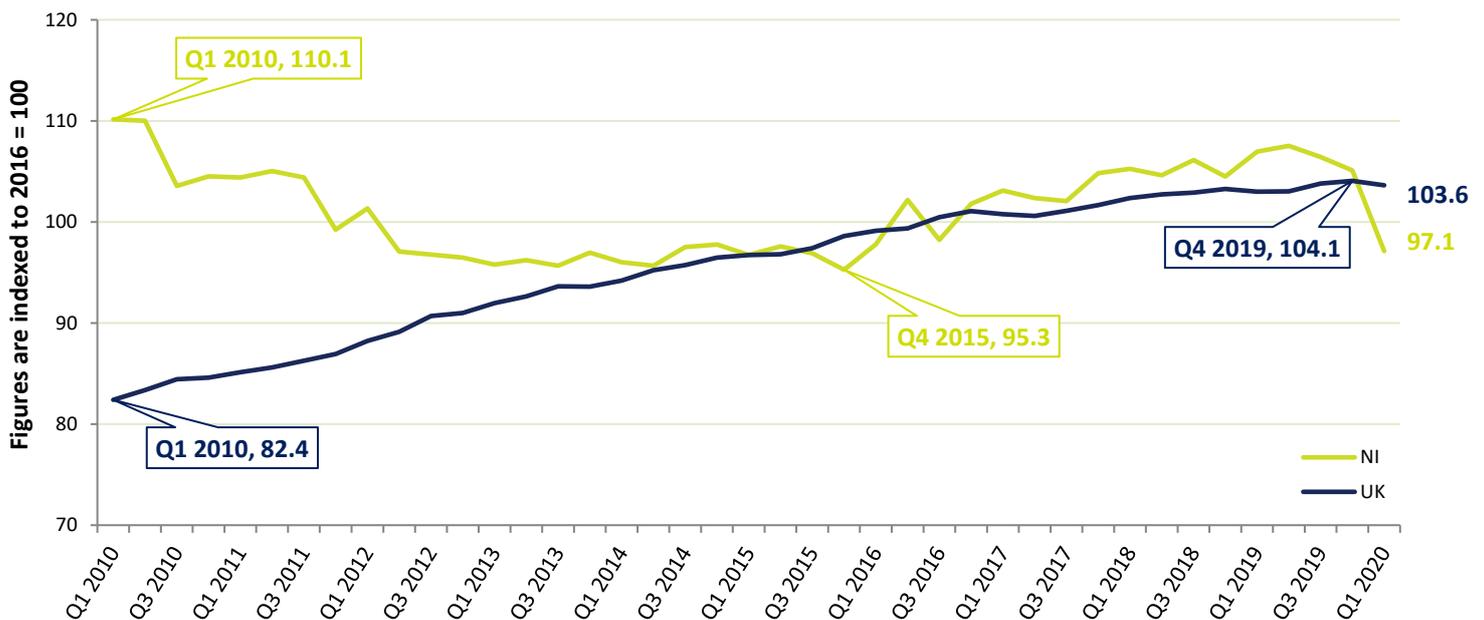
2.3 Business services and finance sector

Business services and finance sector – (SIC 07 Section KLMN) - (weight = 33.1% of IOS): includes financial service activities, real estate activities, specialised professional, scientific and technical activities and a variety of activities that support general business operations.

Key Findings:

- The NI seasonally adjusted figures:
 - decreased by 7.6% over the quarter;
 - decreased by 9.2% over the year; and,
 - decreased by 1.4% on a rolling four quarter basis.
- The UK seasonally adjusted figures:
 - decreased by 0.4% over the quarter;
 - increased by 0.6% over the year; and,
 - increased by 0.6% on a rolling four quarter basis.
- NI output is 11.8% below the highest point (Quarter 1 2010) recorded over the past ten years and is 30.2% below the highest point since the series began (Q3 2006).
- NI output is 1.9% above the series low (Quarter 4 2015).

Figure 2.3 Business services and finance sector, NI & UK, Q1 2010 – Q1 2020



[Download in Excel](#)

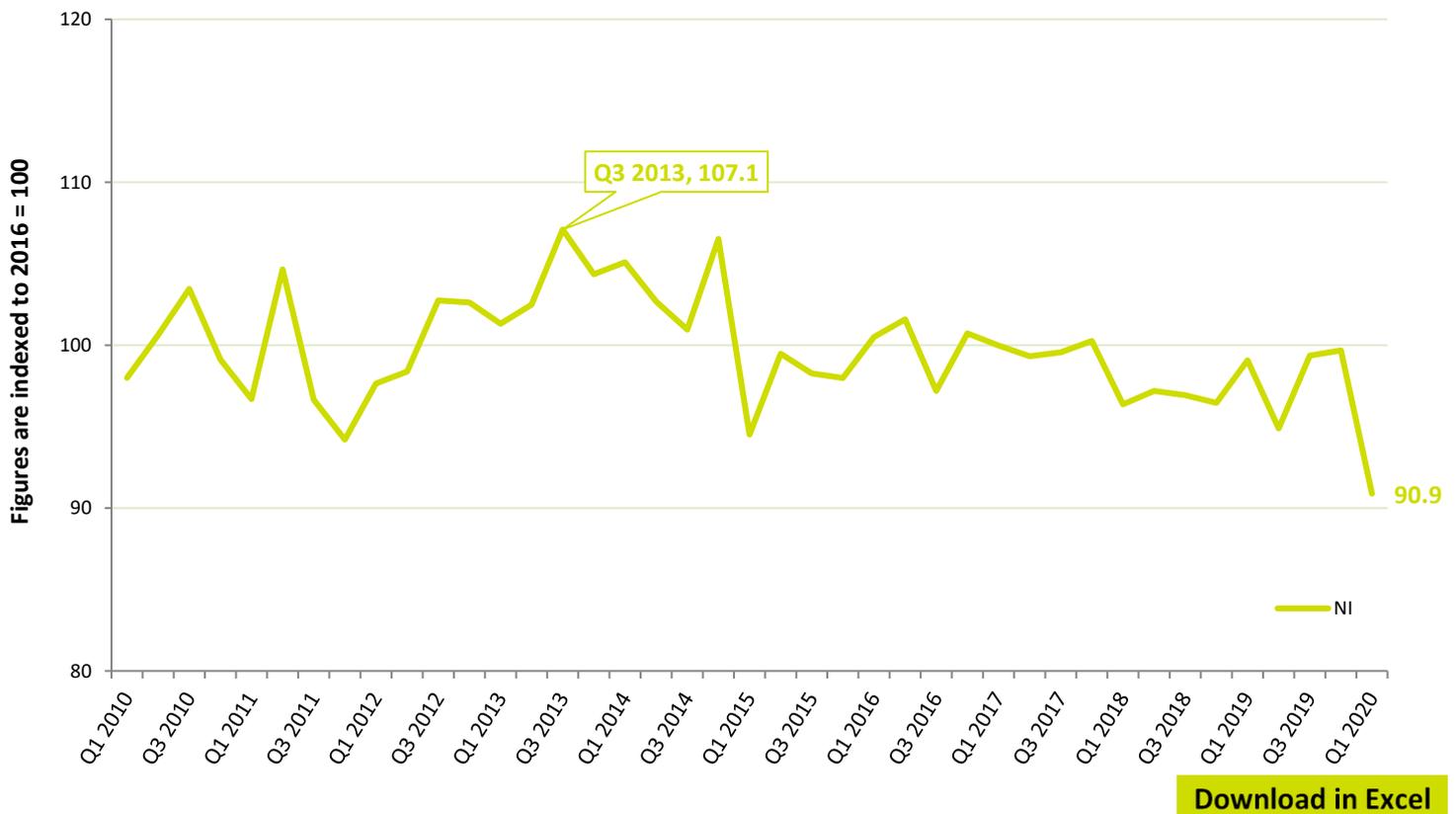
2.4 Other services sector²

Other services sector – (SIC 07 Section PQRS) - (weight 16.7% of IOS): includes other activities not covered elsewhere - education, health & social work, arts, entertainment and recreation and other services.

Key Findings:

- The NI seasonally adjusted figures:
 - decreased by 8.8% over the quarter;
 - decreased by 8.3% over the year; and,
 - decreased by 1.2% on a rolling four quarter basis.
- NI output is 15.1% below the highest point (Quarter 3 2013) recorded over the past ten years and is 15.5% below the highest point since the series began (Q3 2009).
- NI output is at the lowest point recorded over the past ten years and is 10.1% above the lowest point (Quarter 2 2005) recorded since the series began.

Figure 2.4 Other services sector, NI, Q1 2010 – Q1 2020



² The UK does not publish results on the same basis as NI so there are no UK results to compare against.

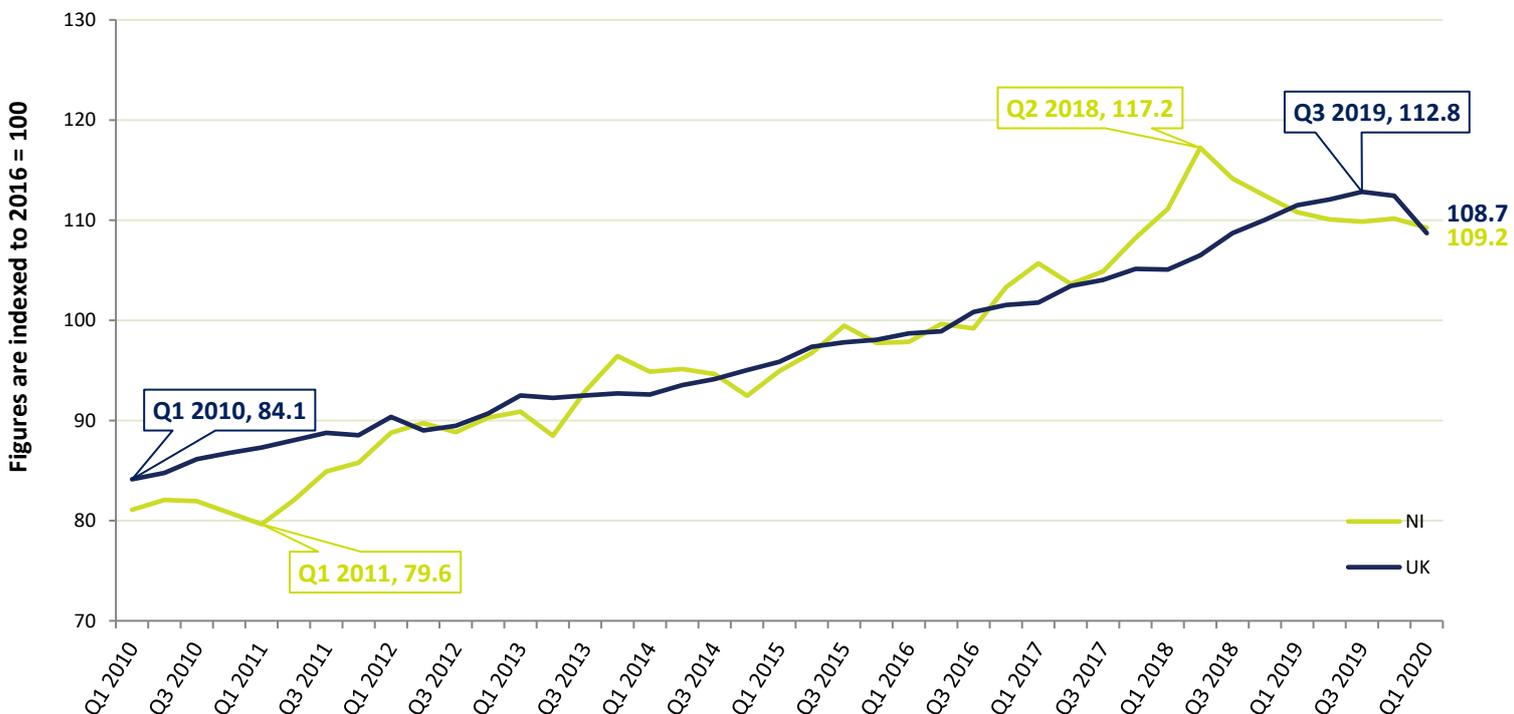
2.5 Transport, storage, information and communications sector

Transport, storage, information and communications sector – (SIC 07 Section HJ) - (weight 14.1% of IOS) : includes the provision of passenger or freight transport and associated activities, postal and courier activities, the production and distribution of information and cultural products, as well as data or communications, information technology activities and the processing of data and other information service activities.

Key Findings:

- The NI seasonally adjusted figures:
 - decreased by 0.8% over the quarter;
 - decreased by 1.4% over the year; and,
 - decreased by 3.4% on a rolling four quarter basis.
- The UK seasonally adjusted figures:
 - decreased by 3.3% over the quarter;
 - decreased by 2.5% over the year; and,
 - increased by 2.1% on a rolling four quarter basis.
- The NI series is out-performing the UK series across both the quarterly and annual measures but the UK performed better than NI on the rolling four quarter basis.
- NI output is 6.8% below the highest point (Quarter 2 2018) since the series began.
- NI output is 37.2% above the lowest point (Quarter 1 2011) recorded over the past ten years and is 60.0% above the lowest point (Quarter 1 2005) recorded since the series began.

Figure 2.5 Transport, storage, information and communication, NI & UK, Q1 2010 – Q1 2020



[Download in Excel](#)

3 Background notes

Background

The quarterly IOS provides a measure of changes in the output of the private sector service industries in NI (this is defined as SIC07 sections G to S). Based on 2018 employee jobs figures, these private sector service industries accounted for 62% of all service sector Regional GVA. For further information please see the [Methodology for the NI Index of Services \(IOS\)](#).

Impact of COVID-19 on data collection and estimates

COVID-19 impacted on the data collection and the validation of turnover data, which are collected on the Quarterly Business Survey.

The following provides an overview of the coverage response rates for 2019, compared to Quarter 1 2020:

	Quarter 1 2020	2019 (median*)
Coverage response rate (<i>returned turnover</i>)	47%	79%

*median value achieved at IOS database closure of quarter 1, quarter 2, quarter 3 and quarter 4 2019.

COVID-19 has resulted in a decrease in coverage and form response rates in Quarter1 2020 when compared to 2019 figures, primarily due to the restrictions in place for businesses. As a result, the estimates for Quarter 1 2020 are likely to be subject to higher revisions than normal over the coming quarters.

Gross Value Added (GVA)

Weighting is carried out using the balanced GVA approach which balances the income and production approaches to measuring the economy into a single estimate. For more information please [Regional GVA information](#). Figures in this publication are weighted using 2018 GVA which became available on 19th December 2019.

Deflation

All series are measured at a constant market price (2016 = 100). Deflators adjust the value series, to take out the effect of price change, to create the volume series. The deflators used in this bulletin were sent directly by ONS on 8th June 2020. Details on [deflation improvements in the UK national accounts](#) can be found on the ONS website.

Seasonal adjustment Review

Following the annual seasonal adjustment review, carried out in November 2018, changes have been made to some regressors and models. They are used to seasonally adjust (where applicable) time series using X-13 ARIMA SEATS. Further information on these changes and the [impact of methodological changes on the IOS and IOP](#) are available on the NISRA website.

Publications policy

All ELMS publications are available to download from the [ELMS section of the NISRA website](#).

The IOS bulletin and tables from the current publication, which includes all the data from the start of the series in 2005, are available in Excel and Open Document format on the [IOS section of the NISRA website](#).

Future IOS publications are due to be published on the same day as the [Index of Production](#) in March, June, September and December of each year. The [ELMS Publication Schedule](#) is available on the NISRA website.

Next publication

The next bulletin is due to be published on 17 September 2020.

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