

# Northern Ireland Quarterly Index of Services

Theme: Economy

Frequency: Quarterly

Geographical Area: Northern Ireland

Date: 19<sup>th</sup> December 2019

Quarter 3 (July – September) 2019

## Introduction

The quarterly Index of Services (IOS) provides a timely indicator of growth in the output of the private sector services industries in Northern Ireland (NI). IOS indices along with other published quarterly data and unpublished agricultural output data are used to generate the [Northern Ireland Composite Economic Index \(NICEI\)](#). The NICEI provides a proxy measure of the total economic output of the NI economy on a quarterly basis.

## 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, covering all private service sector businesses with 100 or more employees and a representative sample of smaller businesses.

- Services output in NI decreased in Quarter 3 by 0.1% but increased by 0.6% over the year. NI services output is 0.1% lower than the highest point (Quarter 4 2018) over the past ten years, and is 1.6% lower than the highest point (Quarter 4 2006) since the series began. Services output in NI has recovered 11.8% since the lowest point (Quarter 2 2013) since the series began.
- The UK IOS reported growth in output over both the quarter (0.4%) and the year (1.4%).
- When the most recent four quarters are compared to the previous four quarters, the NI and UK services sectors showed annualised growth (1.0% and 2.0% respectively).
- The quarterly decrease in NI services output has been driven by decreases in the Business services and finance (0.6%), Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service (0.3%) and Transport, storage, information and communications (0.2%) sectors. This decrease was partially offset by an increase in the Other services (3.3%) sector.
- The annual increase in NI services output has been driven by increases in the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service (1.5%) and the Other services (2.4%) sectors. Both and the Transport, storage, information and communications (4.6%) and Business services and finance (0.1%) sectors saw decreases.

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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 5<sup>th</sup> 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.

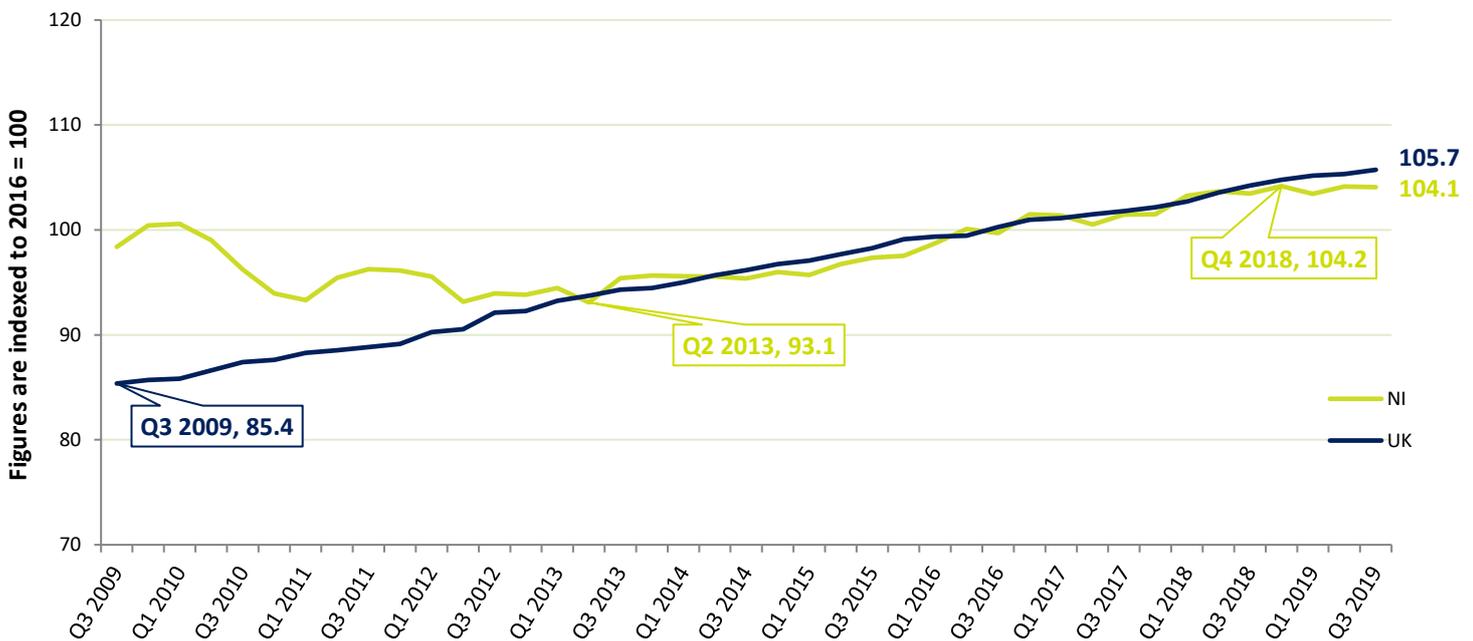
# 1 Summary of Index of Services

## 1.1 Changes in Index of Services

The seasonally adjusted estimate for the NI IOS for Quarter 3 2019 showed:

- output decreased by 0.1% over the quarter from the Quarter 2 2019 estimate;
- output increased by 0.6% over the year from the Quarter 3 2018 estimate;
- output increased by 1.0% when the most recent four quarters are compared to the previous four quarters.

Figure 1.1 IOS, NI & UK, Q3 2009 – Q3 2019



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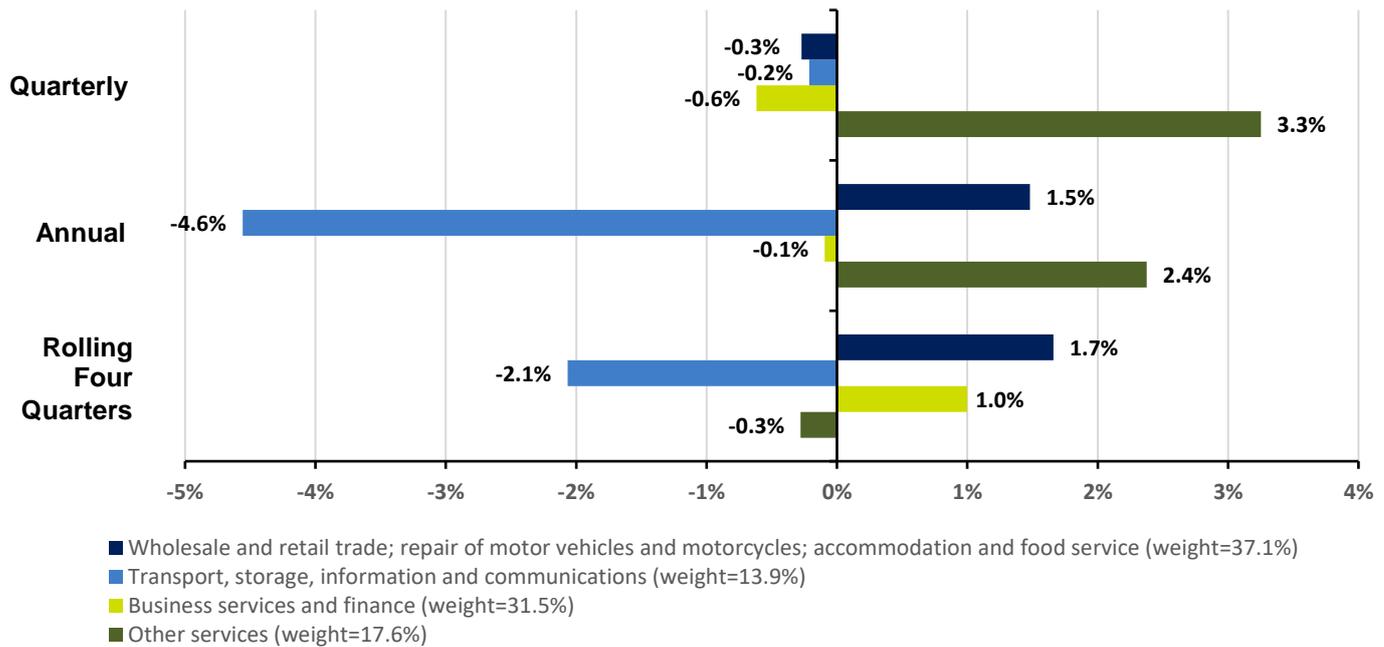
## 1.2 Commentary

Output in the services sector decreased in real terms (0.1%) over the third quarter of 2019. NI output in this sector remains 1.6% lower than the highest point (Quarter 4 2006) since the series began. NI output is 0.1% lower than the highest point (Q4 2018) in the past ten years.

The increase over the year (0.6%) in the NI services sector was lower than the UK which experienced growth (1.4%) over the equivalent period (Quarter 3 2018 to Quarter 3 2019). The NI IOS has recovered by 11.8% since the series low (Quarter 2 2013). The UK index has recovered by 12.8% over the same time period.

Prior to Quarter 2 2014, there were often significant differences between both indices, with greater volatility in the NI index. Since Quarter 2 2014, the NI and the UK indices have followed very similar trajectories and have seen comparable change.

**Figure 1.2 NI IOS Quarterly, Annual and Rolling Four Quarter Changes at Sector Level<sup>1</sup>**



### 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 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, 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 the statistics as well as information on the quality and accuracy of the data.

<sup>1</sup> For further information on weights see Regional GVA information on page 11

This bulletin contains results for:

- the service sector as a whole,
- 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 sub-sectors.

All services sector series are seasonally adjusted on a 2016=100 basis, using X-13 ARIMA SEATS, giving data up to the most recent available quarter.

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 the index.

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.

## 2 Services output by sector

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

### 2.1 Key Findings:

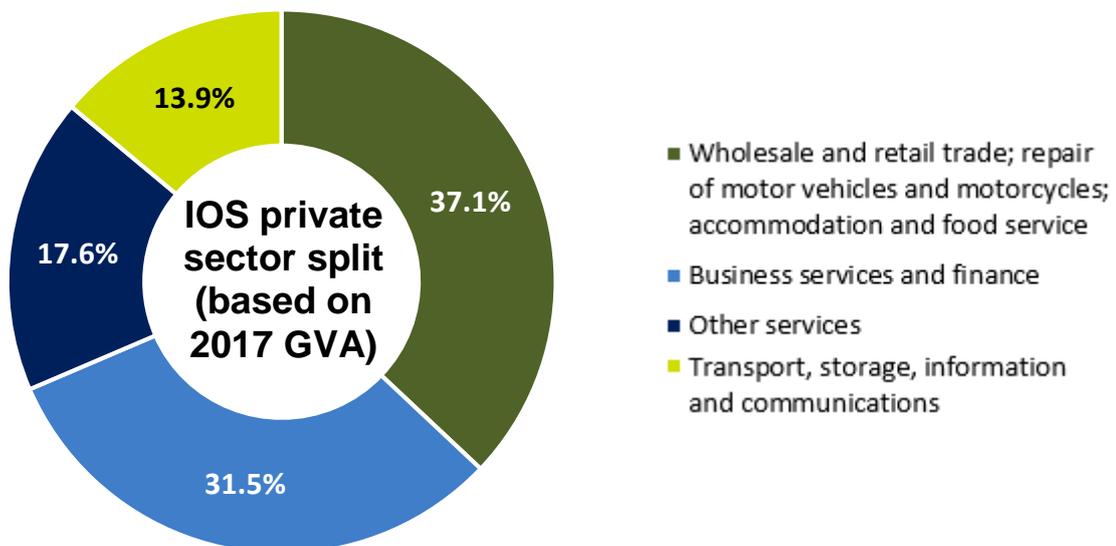
- The NI IOS decreased by 0.1% over the quarter, but increased by 0.6% over the year and by 1.0% on a rolling four quarter basis.
- The NI IOS is 0.1% lower than the highest point in the past ten years (Q4 2018) and is 1.6% lower than the series high (Quarter 4 2006).
- The quarterly decrease in the NI IOS has been driven by decreases in the business services and finance (0.6%); wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service (0.3%) and transport, storage, information and communications (0.2%) sectors. This decrease was partially offset by an increase in the other services (3.3%) sector.
- Similarly, the annual increase in the NI IOS has been driven by increases in the wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service (1.5%) and other services (2.4%) sectors. This increase was partially offset by decreases in the transport, storage, information and communication (4.6%) and business services (0.1%) sectors.

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 2017 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 2017 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 = 37.1% 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 showed a decrease of 0.3% over the quarter and increases of 1.5% over the year and 1.7% on a rolling four quarter basis.
- The UK seasonally adjusted figures showed increases of 0.1% over the quarter, 1.8% over the year and 3.3% on a rolling four quarter basis.
- The NI series is underperforming the UK series across all three measures.
- Last quarter (Quarter 2 2019), NI output was at the highest point recorded over the past ten years but output is now 0.3% below this point.
- Output this quarter is 1.5% below the series high (Quarter 1 2007).
- NI output is 12.7% 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, Q3 2009 – Q3 2019**



[Download in Excel](#)

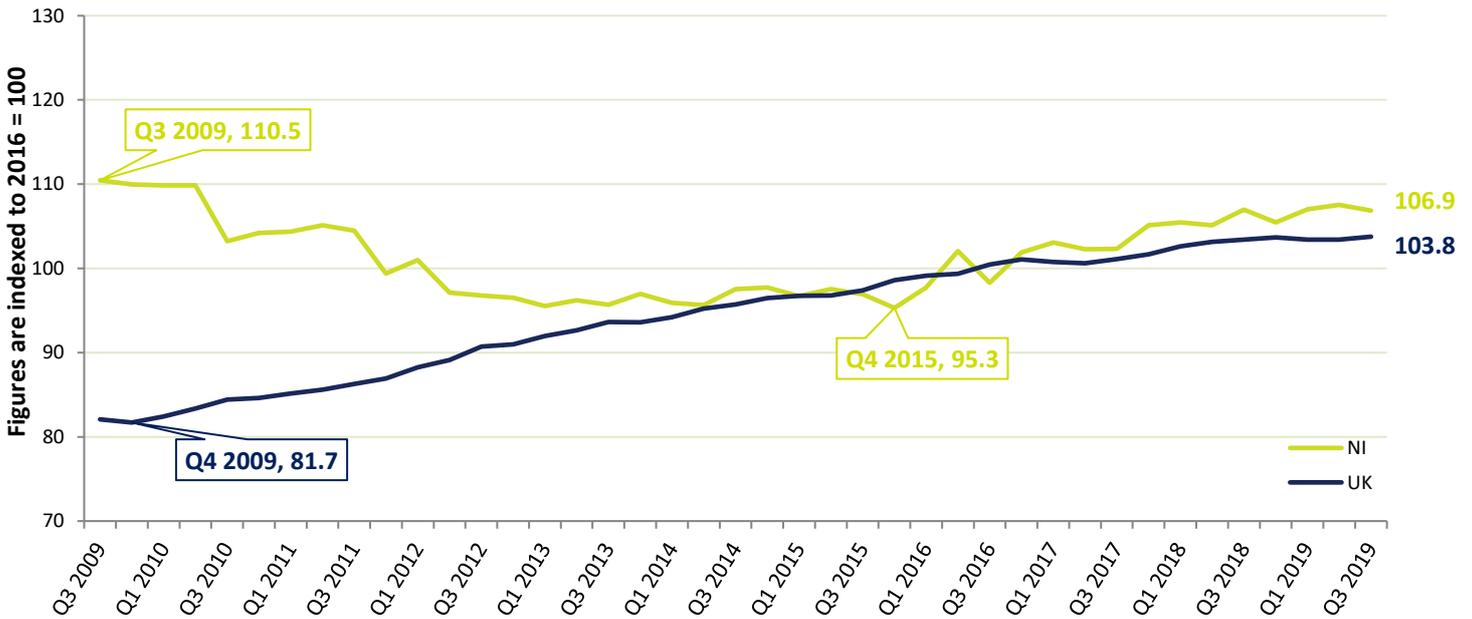
### 2.3 Business services and finance sector

**Business services and finance sector – (SIC 07 Section KLMN) - (weight = 31.5% 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 showed decreases of 0.6% over the quarter, 0.1% over the year and an increase of 1.0% on a rolling four quarter basis.
- The UK seasonally adjusted figures showed increases of 0.4% over both the quarter and over the year. The UK index increased by 0.8% on a rolling four quarter basis.
- NI output is 3.2% below the highest point (Quarter 3 2009) recorded over the past ten years and is 23.2% below the highest point since the series began (Q3 2006).
- NI output is 12.2% above the series low (Quarter 4 2015).

**Figure 2.3 Business services and finance sector, NI & UK, Q3 2009 – Q3 2019**



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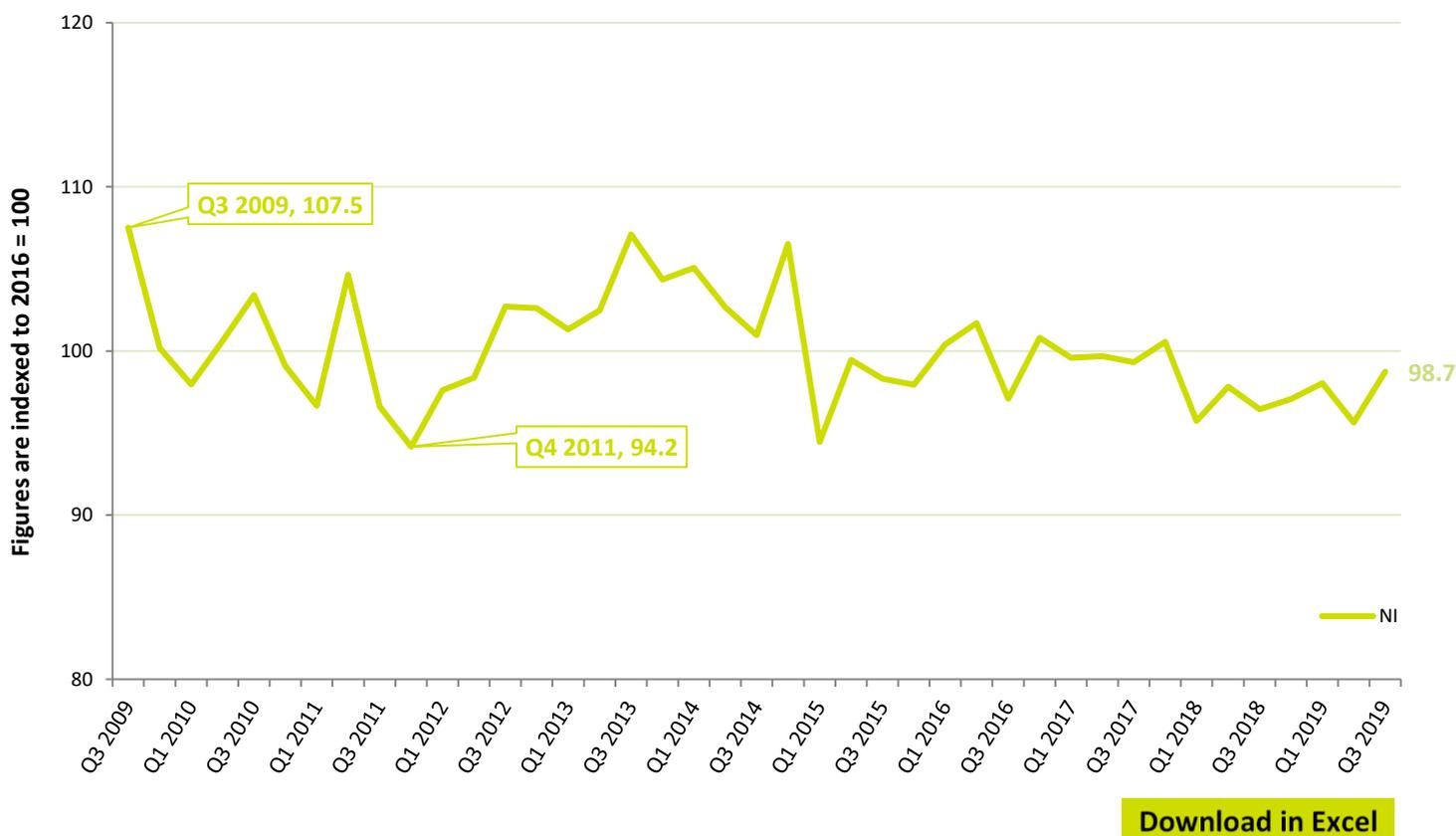
## 2.4 Other services sector<sup>2</sup>

**Other services sector – (SIC 07 Section PQRS) - (weight 17.6% 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 showed increases of 3.3% over the quarter and 2.4% over the year and a decrease of 0.3% on a rolling four quarter basis.
- NI output is 8.2% below the highest point (Quarter 3 2009) since the series began.
- NI output is 4.9% above the lowest point (Quarter 4 2011) recorded over the past ten years and is 19.7% above the lowest point (Quarter 2 2005) recorded since the series began.

**Figure 2.4 Other services sector, NI, Q3 2009 – Q3 2019**



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

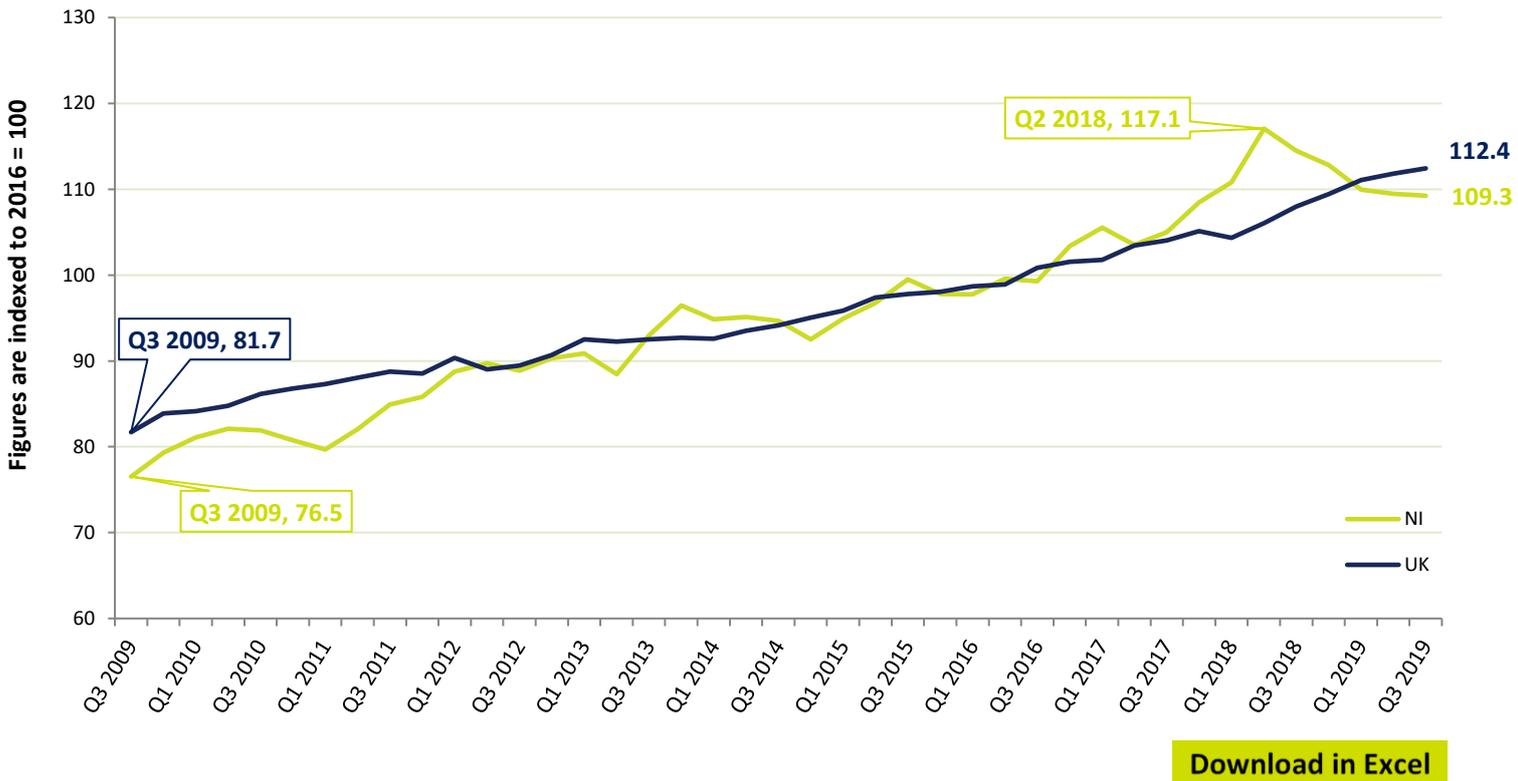
## 2.5 Transport, storage, information and communications sector

**Transport, storage, information and communications sector – (SIC 07 Section HJ) - (weight 13.9% 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 showed decreases of 0.2% over the quarter, 4.6% over the year and 2.1% on a rolling four quarter basis.
- The UK seasonally adjusted figures showed increases of 0.6% over the quarter, 4.1% over the year and 5.0% on a rolling four quarter basis.
- NI output is 6.7% below the highest point (Quarter 2 2018) since the series began.
- NI output is 42.8% above the lowest point (Quarter 3 2009) recorded over the past ten years and 60.0% above the lowest point (Q1 2005) since the series began.

**Figure 2.5 Transport, storage, information and communication, NI & UK, Q3 2009 – Q3 2019**



## 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 employee jobs, in 2017 these private sector service industries accounted for 61% of all service sector Regional GVA. For further information please see the [Methodology for the NI Index of Services \(IOS\)](#).

### Gross Value Added (GVA)

From Quarter 4 2017, weighting has been 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 see [Regional GVA information](#). Figures in this publication are weighted using 2017 GVA which became available on 12<sup>th</sup> December 2018.

### Deflation

All series, unless otherwise quoted, are measured at a constant market price (2016 = 100). Deflators adjust the value series to take out the effect of price change to give the volume series. The deflators used in this bulletin were sent directly by ONS on 10<sup>th</sup> December 2019. 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 conducted in November 2018 changes have been made to some regressors and models 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 free of charge 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 to download free of charge from 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.

### Next publication

The next bulletin is due to be published on 19<sup>th</sup> March 2020.

The [ELMS Publication Schedule](#) is available on the NISRA website.

### If you require any further information please contact:

Niall Kelly  
Economic and Labour Market Statistics  
Branch,  
Floor 1,  
Colby House,

Stranmillis Court,  
Belfast BT9 5RR  
Tel: (028) 9052 9432  
Email: [economicstats@nisra.gov.uk](mailto:economicstats@nisra.gov.uk)  
Twitter: [@NISRA](#)

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