

# Northern Ireland Quarterly Index of Services

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Theme: Economy

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Quarter 3 (July - September) 2018

## 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 IOS indices along with other published quarterly indices and unpublished agricultural output data are used to generate the Northern Ireland Composite Economic Index (NICEI). NICEI provides a proxy measure of total economic output in 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 3,400, covering all private service sector businesses with 100 or more employees and a representative sample of smaller businesses.

- Services output in NI, in real terms, decreased in Quarter 3 (July – September) by 0.6% and increased over the year by 1.4%. This is the first quarterly decrease in the services index since Quarter 2 (April – June) 2017 and is 3.8% lower than the highest point (Quarter 4 2006) since the series began.
- The UK IOS reported growth in output over both the quarter and year, by 0.4% and 1.7% respectively.
- When the most recent four quarters are compared to the previous four quarters, both the NI and UK services sectors showed annualised growth of 1.5%.
- The quarterly decrease in NI services output has been driven by decreases in the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service (0.8%); Transport, storage, information and communications (1.7%); and Other services (0.1%) sectors.
- Similarly, the annual increase in NI services output has been driven by increases in the Transport, storage, information and communications (8.6%); Business services and finance (2.1%); and Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service (0.3%) sectors.

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### **National Statistics**

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

National Statistics status means that official statistics meet the highest standards of trustworthiness, quality and public value.

All official statistics should comply with all aspects of the Code of Practice for Official Statistics. They are awarded National Statistics status following an assessment by the Authority's regulatory arm. The Authority considers whether the statistics meet the highest standards of Code compliance, including the value they add to public decisions and debate.

It is a producer's responsibility to maintain compliance with the standards expected of National Statistics. If we become concerned about whether these statistics are still meeting the appropriate standards, we will discuss any concerns with the Authority promptly. National Statistics status can be removed at any point when the highest standards are not maintained, and reinstated when standards are restored.

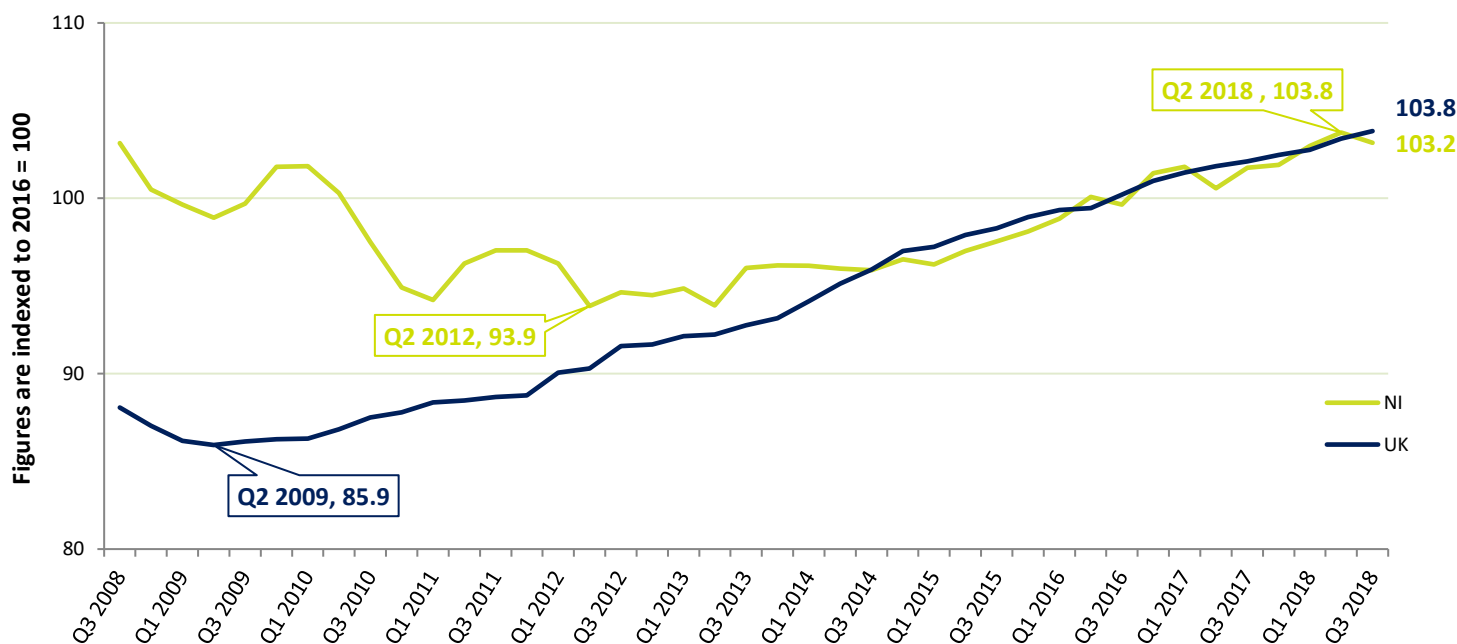
# 1 Summary of Index of Services

## 1.1 Changes in IOS

The seasonally adjusted estimate for the NI IOS for Quarter 3 2018 showed:

- decreased output by 0.6% over the quarter from the revised Quarter 2 2018 estimate.
- increased output by 1.4% over the year from the revised Quarter 3 2017 estimate.
- increased output by 1.5% when the most recent four quarters are compared to the previous four quarters.

Figure 1.1 IOS, NI & UK, Q3 2008 – Q3 2018



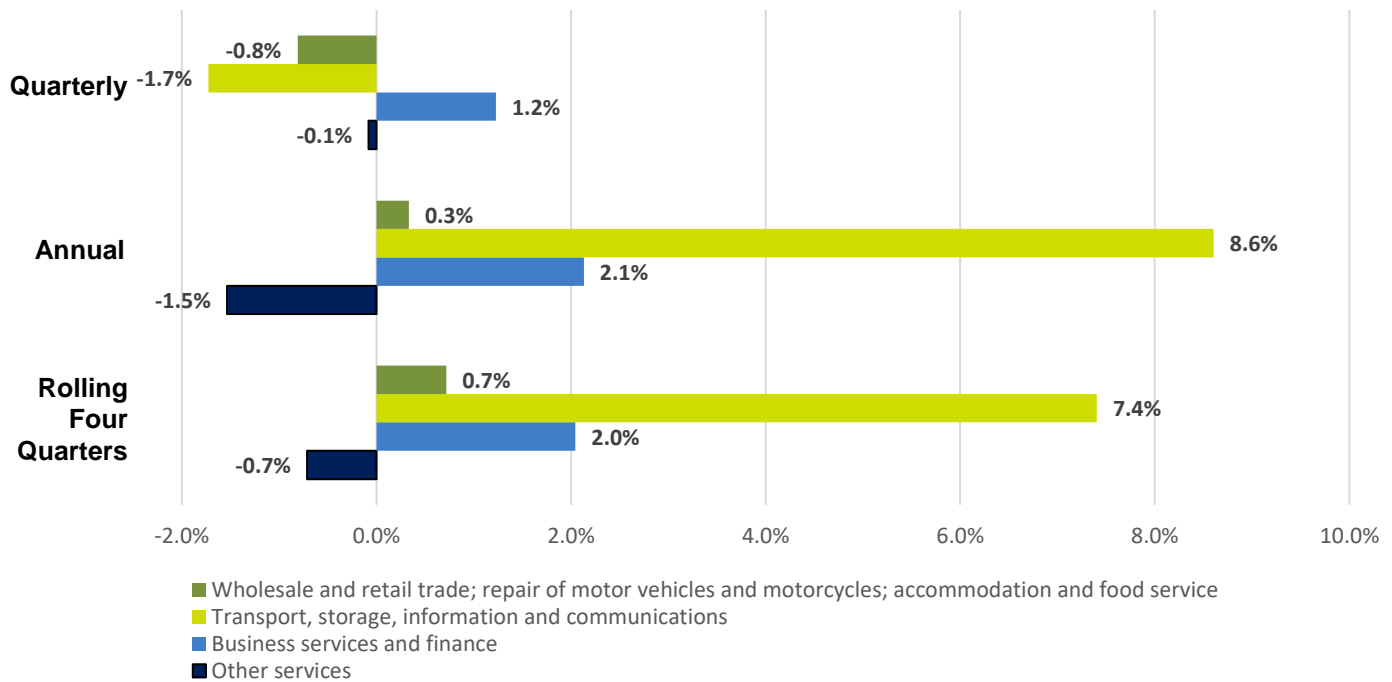
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## 1.2 Commentary

Output in the services sector decreased in real terms (0.6%) over the third quarter of 2018, a slight fall from the previous quarter (Quarter 2 (April – June) 2018), which was the highest point in ten years. NI output in this sector remains 3.8% lower than the highest point (Quarter 4 2006) since the series began. Growth over the year (1.4%) in the NI sector was slightly lower than UK growth (1.7%) over the equivalent period (Quarter 3 2017 to Quarter 3 2018). The NI IOS has recovered by 9.9% since the recent minimum value recorded in Quarter 2 (April - June) 2012. The UK index has recovered by 15.0% over the same time period.

Since Quarter 3 2014, the NI and the UK indices have followed very similar trajectories and have seen comparable change. Prior to Quarter 3 2014, there were often large differences between both indices, with greater volatility in the NI index, but both series have become much more closely aligned over the past four years.

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



### Change over the quarter

Comparing the seasonally adjusted NI IOS for Quarter 3 2018 to the Quarter 2 2018 estimate showed:

- an increase in output in the business services and finance sector by 1.2%;
- a decrease in output in the other services sector by 0.1%;
- a decrease in output in the transport, storage, information and communications sector by 1.7%; and,
- a decrease in output in the wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector by 0.8%.

### Change over the year

Comparing the seasonally adjusted NI IOS for Quarter 3 2018 to the Quarter 3 2017 estimate showed:

- an increase in output in the transport, storage, information and communications sector by 8.6%;
- an increase in output in the business services and finance sector by 2.1%;
- an increase in output in the wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector by 0.3%; and,
- a decrease in output in the other services sector by 1.5%.

### Change on a rolling four quarter basis

Comparing the seasonally adjusted NI IOS for Quarter 4 2017 - Quarter 3 2018 to the Quarter 4 2016 - Quarter 3 2017 estimate showed:

- an increase in output in the transport, storage, information and communications sector by 7.4%;
- an increase in output in the business services and finance sector by 2.0%;
- an increase in output in the wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector by 0.7%; and,
- a decrease in output in the other services sector by 0.7%.

### **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 recent uses is available [here](#).

The Department for the Economy (DfE) [Economic Commentary \(Autumn 2018\)](#) 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.

The background notes (section 3) provide information on the methodology used to produce the statistics as well as information on the quality and accuracy of the data. This bulletin contains results for the service sector as a whole, for wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service, for transport, storage, information and communication, for business services and finance and for 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 (Quarter 3 2018).

Comparative UK data, produced by the Office for National Statistics (ONS), are presented where these are available. Click [here](#) to see the latest UK IOS results.

This publication provides three measures of growth for the index.

1. The 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. Comparisons with the same quarter one year ago; and
3. A comparison of the most recent twelve months with the twelve months before. The quarterly comparison over the year provides an additional control on the seasonal effects. The comparison of the rolling annual average 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.

## 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:

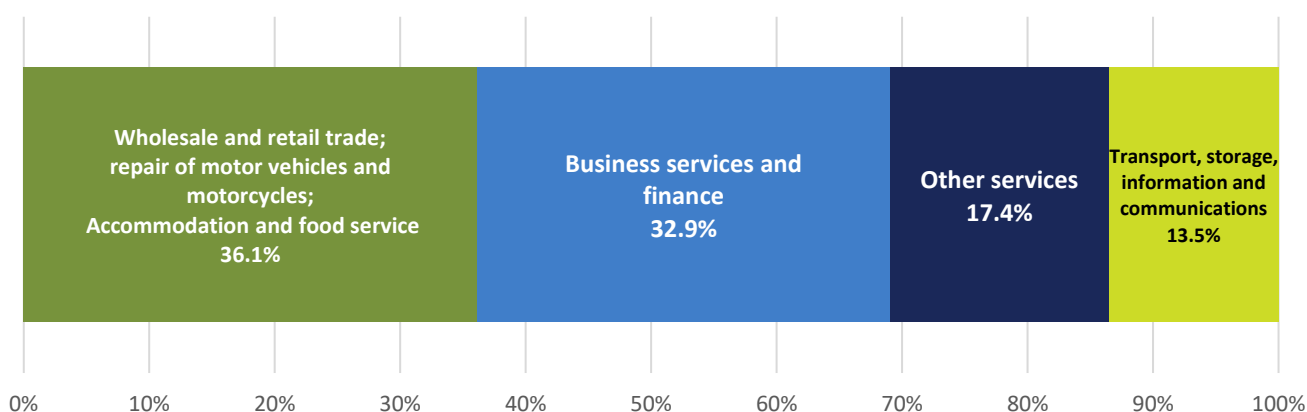
- The NI IOS decreased by 0.6% over the quarter, increased by 1.4% over the year and increased by 1.5% on a rolling four quarter basis.
- The NI IOS is now 0.6% below the highest point in ten years (Quarter 2 (April – June) 2018) and is 3.8% lower than the highest point (Quarter 4 2006) since the series began.
- The quarterly decrease in the NI IOS has been largely driven by decreases in the wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service (0.8%), the transport, storage, information and communications (1.7%) and the other services (0.1%) sectors.
- Similarly, the annual increase in the NI IOS has been driven by increases in the transport, storage, information and communications (8.6%), the business services and finance (2.1%) and the wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sectors (0.3%).

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 sector; and,
- (ii) business services and finance sector.

Together these two sectors account for approximately 70% of total private services Gross Value Added (GVA) at 2016 prices. The sectors are listed in order of importance of their contribution made to the overall IOS.

**Figure 2.1 IOS private sector split, by sector (based on 2016 GVA)**



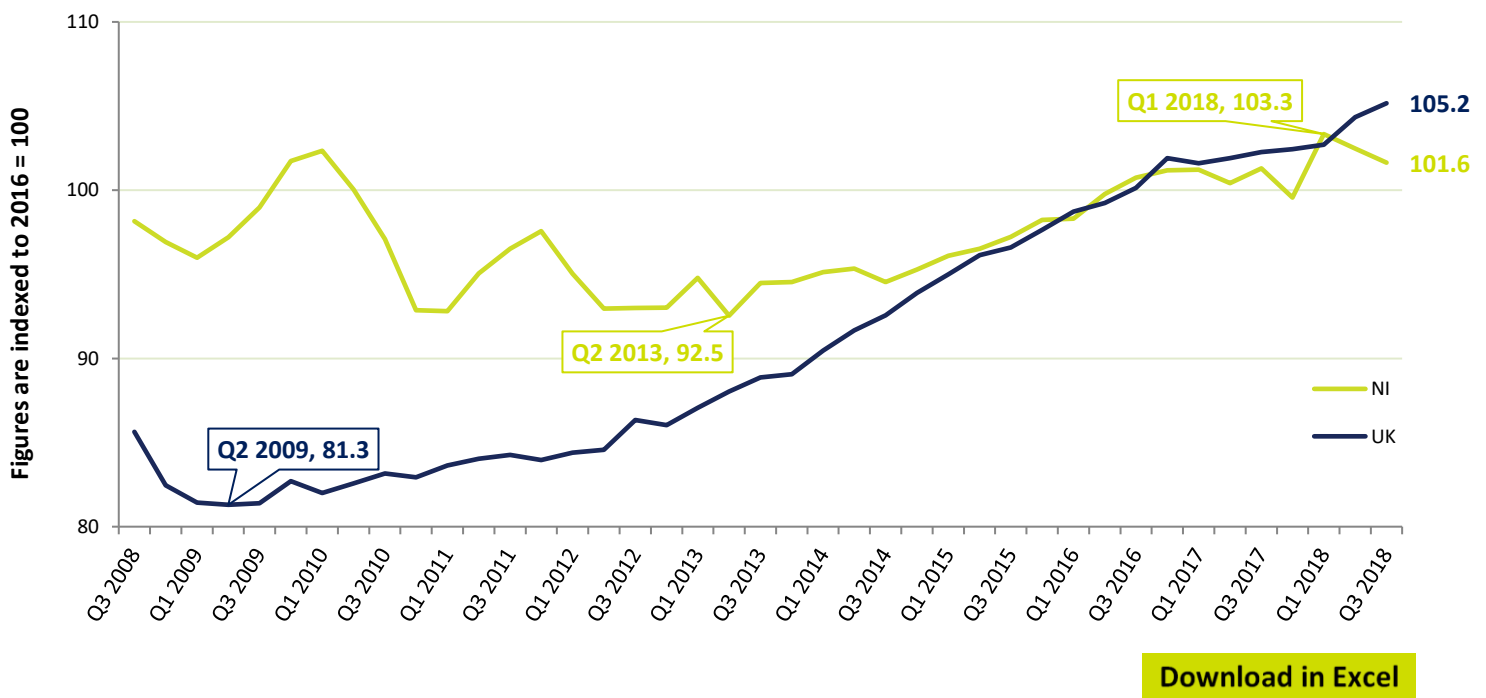
**2.2 Wholesale and retail trade; repair of motor vehicles and motorcycles; Accommodation and food service sector**

**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 showed a decrease of 0.8% over the quarter to Quarter 3 2018, an increase of 0.3% over the year and an increase of 0.7% on a rolling four quarter basis.
- The UK seasonally adjusted figures showed an increase of 0.8% over the quarter to Quarter 3 2018, an increase of 2.8% over the year and an increase of 1.7% on a rolling four quarter basis.
- Overall, the UK series is outperforming NI, with increases in output over the quarterly, annual and rolling four quarter time periods.
- NI output is 1.6% below its highest point (Quarter 1 2018) recorded over the past ten years, and this is the second consecutive quarterly decrease.
- NI output is 9.8% above its lowest point (Quarter 2 2013) recorded over the past ten years.

**Figure 2.2 Wholesale and retail trade; repair of motor vehicles and motorcycles; Accommodation and food service sector, NI & UK, Q3 2008 – Q3 2018**



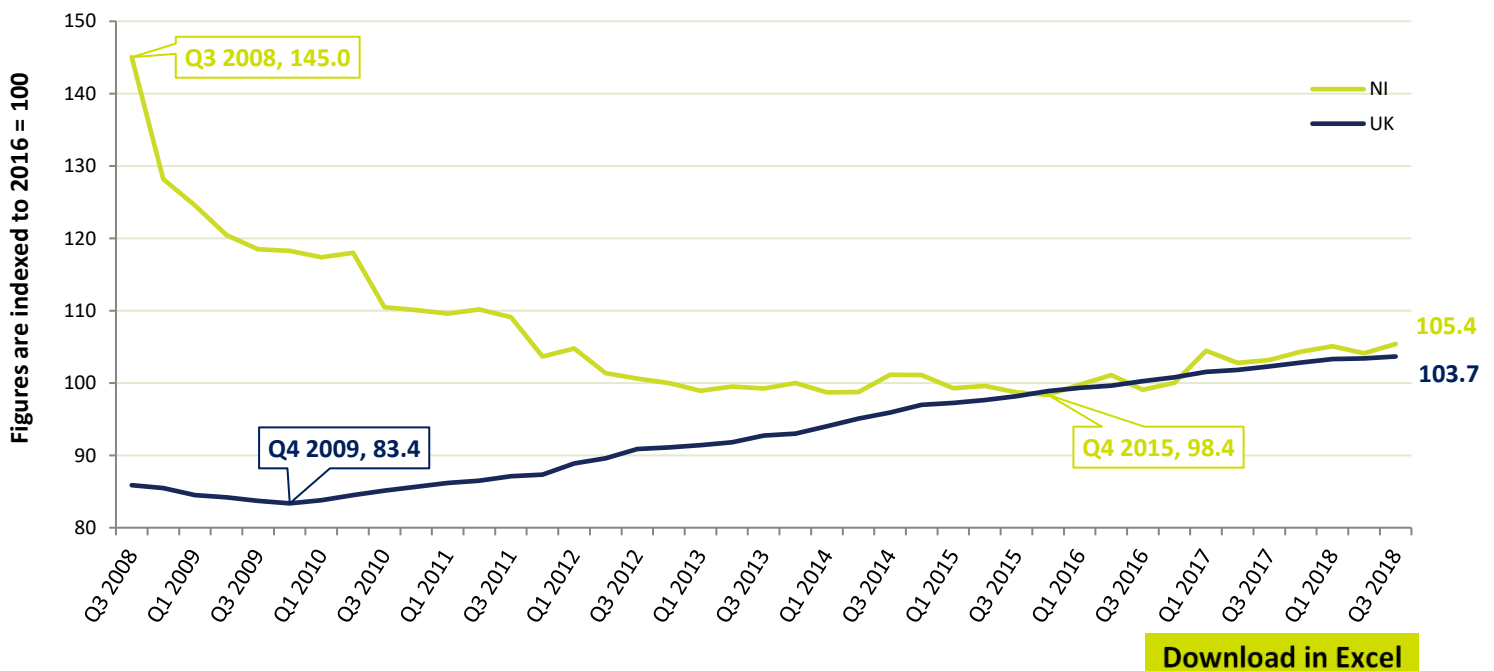
## 2.3 Business services and finance sector

**Business services and finance sector – (SIC 07 Section KLMN) - (weight = 32.9% 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 an increase of 1.2% over the quarter to Quarter 3 2018, an increase of 2.1% over the year and an increase of 2.0% on a rolling four quarter basis.
- The UK seasonally adjusted figures showed smaller increases of 0.3% over the quarter to Quarter 3 2018, of 1.3% over the year and 1.7% on a rolling four quarter basis.
- The NI series is showing stronger growth compared to the UK over all three measures.
- NI output is 27.3% below its highest point (Quarter 3 2008) recorded over the past ten years.
- NI output is 7.2% above its lowest point (Quarter 4 2015) recorded over the past ten years.

Figure 2.3 Business services and finance sector, NI & UK, Q3 2008 – Q3 2018





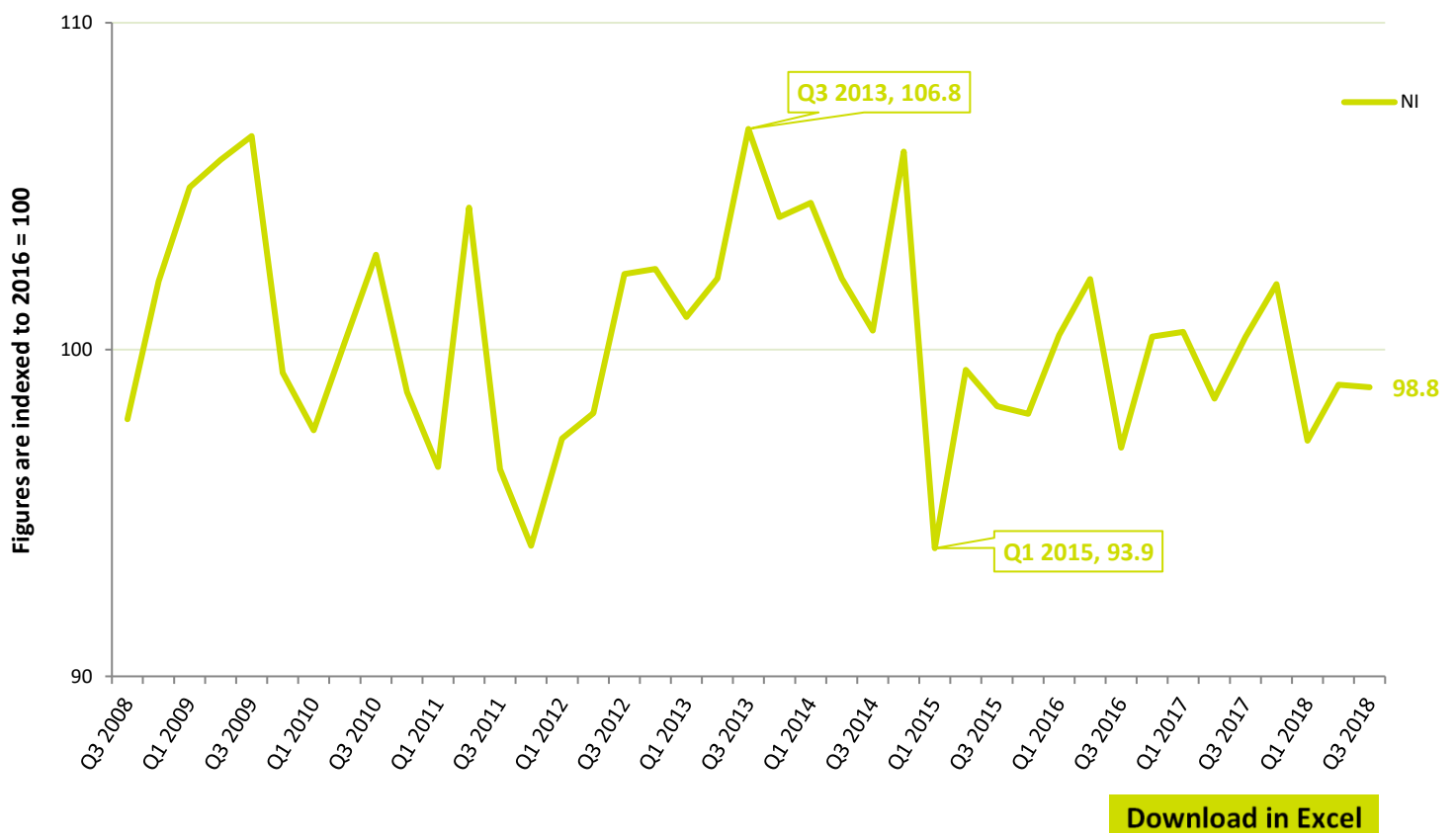
## 2.4 Other services sector<sup>1</sup>

**Other services sector – (SIC 07 Section PQRS) - (weight 17.4% 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 a decrease of 0.1% over the quarter to Quarter 3 2018, a larger decrease of 1.5% over the year and a decrease of 0.7% on a rolling four quarter basis.
- NI output is 7.4% below the highest point (Quarter 3 2013) since the series began.
- NI output is 5.2% above its lowest point (Quarter 1 2015) recorded over the past ten years.

Figure 2.4 Other services sector, NI, Q3 2008 – Q3 2018



<sup>1</sup> The UK does not publish results on the same basis as NI so there are no UK results to compare against.

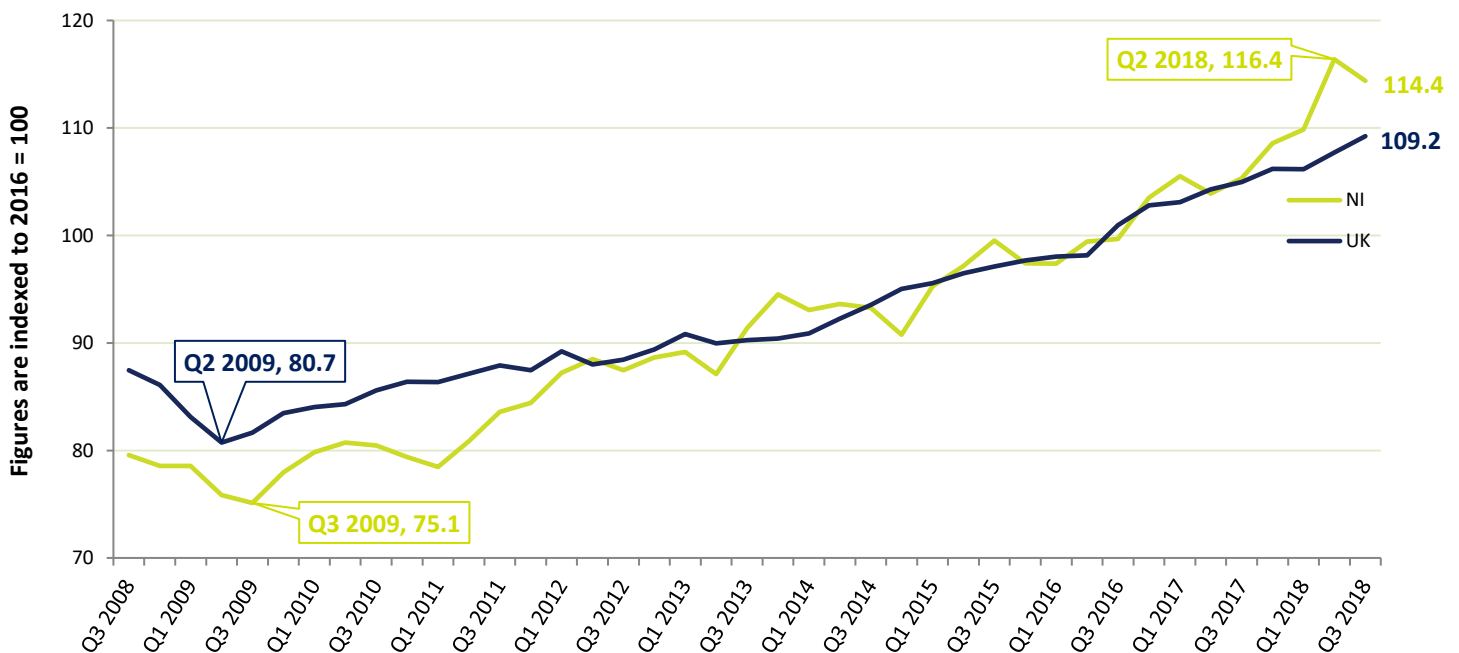
## 2.5 Transport, storage, information and communications sector

**Transport, storage, information and communications sector – (SIC 07 Section HJ) - (weight 13.5% 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 a decrease of 1.7% over the quarter to Quarter 3 2018, an increase of 8.6% over the year and an increase of 7.4% on a rolling four quarter basis.
- The UK seasonally adjusted figures showed an increase of 1.4% over the quarter to Quarter 3 2018, an increase of 4.1% over the year and an increase of 3.4% on a rolling four quarter basis.
- NI output is 1.7% below the highest point (Quarter 2 2018) since the series began.
- NI output is 52.3% above its lowest point (Quarter 3 2009) recorded over the past ten years.

**Figure 2.5 Transport, storage, information and communication, NI & UK, Q3 2008 – Q3 2018**



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## 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 2016 these private sector service industries accounted for 64% of all service sector Regional GVA. For further information please see the [Methodology for the NI Index of Services \(IOS\)](#).

### Response rate

The IOS is a statutory survey with an average response rate of 76%.

### Gross Value Added (GVA)

Up until Quarter 3 2017 indices were calculated using income based GVA for weighting purposes. From Quarter 4 2017 however, 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 see [Regional GVA information](#). Figures in this publication are weighted using 2016 GVA which became available on 20<sup>th</sup> December 2017.

### 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 4<sup>th</sup> December 2018. Details on the changes to the ONS deflators methodology can be found [here](#).

### 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 21<sup>st</sup> March 2019.

The ELMS publication schedule is available [here](#).

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

Alan Anderson  
Economic and Labour Market Statistics Branch,  
Floor 2,  
Colby House,  
Stranmillis Court,  
Belfast BT9 5RR  
Tel: (028) 9052 9494  
Email: [economicstats@nisra.gov.uk](mailto:economicstats@nisra.gov.uk)  
Twitter: [@ELMSNI](https://twitter.com/ELMSNI)

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