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Economy

Statistics Bulletin

NORTHERN IRELAND INDEX OF SERVICES (EXPERIMENTAL) QUARTER 2 2009

Published 14/10/09

This Northern Ireland Index of Services (IOS) is an experimental quarterly survey of almost 1,500 companies designed to provide a general measure of changes in the output of the private service sector industries in real terms. This publication contains seasonally adjusted NI Index of Services data on a 2005 = 100 basis.

- **Provisional results from the Index of Services for the second quarter of 2009 show that output levels remained relatively flat (-0.1%) over the quarter and fell by 2.0% compared to the same quarter one year earlier. However, revised figures for the first quarter showed the first improvement in output for nearly two years. This improvement has not been reflected in the UK figures which have reported four consecutive quarters of decline although the NI Index peaked one year earlier (second quarter of 2007) than the UK.**

- **Northern Ireland's Service sector performance remained relatively constant over the quarter compared with a decrease of 0.6% for the UK over the same period. Northern Ireland Services output decreased over the year by 2.0% compared with a decrease of 4.2% for the UK over the same period.**

- **Over the latest four quarters output decreased by 5.2% compared to the same four quarters one year earlier. This compares with a decrease of 1.9% for the UK over the same period.**

- **Over the latest quarter, the Transport, Storage & Communication (5.1%), Other Services (3.6%) and Distribution – Wholesale and Retail (1.5%) sectors reported an increase while the Business Services & Finance (-5.6%) and Hotels & Restaurants (-2.1%) sectors reported a decrease.**

Northern Ireland Statistics & Research agency

Department of Enterprise,
Trade and Investment

Northern Ireland Index of Services (Experimental) Quarter 2 2009

October 2009

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Introduction

This bulletin provides information from the Index of Services (IOS) for Northern Ireland. The IOS is a voluntary quarterly survey covering all private sector service industries and is comprised of approximately 1,500 companies in Northern Ireland. It is designed to show movements in turnover across a representative sample of service sector industries weighted to reflect their relative share of the regional Gross Value Added (GVA) estimate, published annually by ONS. The coverage of the NI IOS is restricted to private sector activity and the weights used for aggregating are estimated by multiplying the GVA for the industries making up the sector by the proportion of private sector jobs within these industries (using NI quarterly employment figures). The Index is also annually chain linked. These annual weights are more up to date and their use is in line with recommendations from the Office for National Statistics.

Turnover data used in the IOS survey are deflated using a range of price indices available at the national level and all changes in the index reflect movement in real terms.

The series has been developed to National Statistics standards but is designated as experimental to allow time to receive user feedback and to monitor performance of the Index. Further detail on the background and development of the Index is available in section 4 of this Bulletin.

This booklet contains results for the Service Sector as a whole and the Distribution, Hotels and Restaurants, Transport and Communications, Business and Finance and Other services sub sectors. It contains results from Quarter 1 2001 (revised) to Quarter 2 2009 (provisional) and uses the year 2005 as the base year against which relative change is measured. All figures contained within this publication are seasonally adjusted.

Overall Index of Services

The most recent results for Northern Ireland show that the value of total services in April - June (Quarter 2) 2009 remained relatively constant (-0.1%) over the quarter, compared with a decrease of 0.6% for the UK as a whole. Revised figures for the first quarter of 2009 indicate that there was an increase of 1.0% over the quarter. This was the first quarterly increase reported in the last seven quarters and is in line with the slowdown in the annual rate of contraction. This improvement has not been reflected in the UK figures which have reported four consecutive quarters of decline although the NI Index peaked one year earlier than the UK.

The estimated growth in the Northern Ireland Index of Services over the year of -2.0% was below that for the UK as a whole which decreased by an estimated 4.2% compared to the same quarter one year earlier.

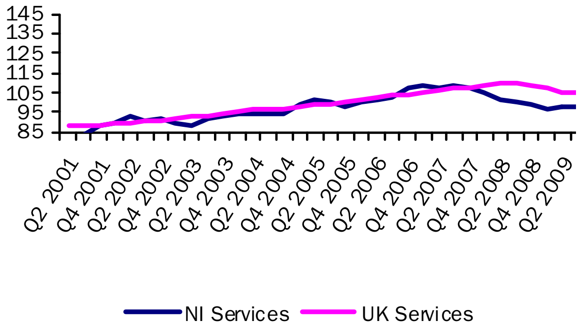
Over the latest four quarters compared to the same four quarters one year earlier the Total Services sector has decreased by 5.2% for Northern Ireland (vs a 1.9% decrease for the UK).

In historical terms, Northern Ireland Services have increased by 19.9% from Quarter 1 2001 to Quarter 2 2009, compared with an estimated increase of 19.5% for the UK as a whole over the same period.

Index of Services in NI and UK

(2005 =100)

Figure 1

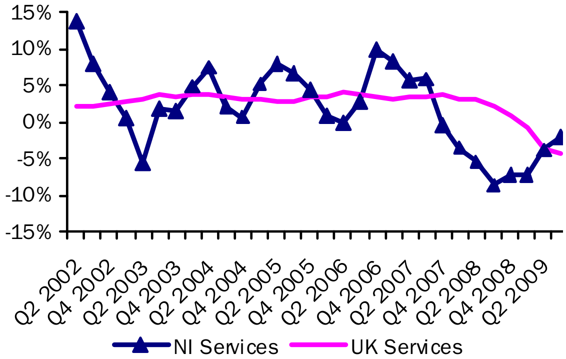


Services – trend

Figure 2 illustrates the annual percentage change in the service sector. In Q1 2002 the annual percentage growth in the service sector was 14%, it then declined to -6% in Q1 2003, then from Q2 2003 to Q2 2007, when the index reached its highest level since the series began in 2001, there has been mostly positive annual growth. There has been only one annual decline in this period (-0.1% in the first quarter of 2006). Over the last nine quarters, annual growth rates have fallen from 5.9% to -2.0%. Revised figures indicate that the peak of the NI Index has remained at the second quarter of 2007.

All Services - Percentage change on a year earlier

Figure 2



Services Subsections

The most recent IOS results are examined over the quarter, year and rolling four quarters. The sub sectors of the service industry are listed in the order of importance of the contribution made to the relevant change in the overall Index of Services.

Over the quarter, the sub sectors which contributed most to the decrease in the Index were Business Services & Finance (-5.6%) and Hotels & Restaurants (-2.1%).

Over the same period the Transport, Storage & Communication (5.1%), Other Services (3.6%) and Distribution – Wholesale and Retail (1.5%) sectors reported an increase.

Over the year, the largest contribution to the negative change in the Index was driven by the following industries: Business Services & Finance (-8.8%), Hotels & Restaurants (-9.0%) and the Other Services sector (-1.8%).

Over the same period the Distribution - Wholesale & Retail (1.0%) sector reported an increase, while the Transport, Storage & Communication sector remained constant.

Over the latest four quarters, compared to the same period one year earlier (i.e. Q3 2007 – Q2 2008 to Q3 2008 – Q2 2009), the weakest performing sectors which showed estimated decreases were Business Services and Finance (-10.5%) Distribution - Wholesale & Retail (-2.9%), Other Services (-2.4%) and Hotels & Restaurants (-2.8%).

Over the same period the Transport, Storage and Communication (0.8%) sector reported an increase.

Date of Next publication

The Northern Ireland Index of Services for Quarter 3 2009 will be published on 20th January 2010.

Table 1 Northern Ireland Index of Services – Seasonally Adjusted (2005 = 100)

Sector	All Services	Distribution – Wholesale and Retail	Hotels & Restaurants	Transport, Storage & Communication	Business Services & Finance	Other Services
2005 = 100	G - O	G	H	I	J & K	M, N & O
Weights*	1000	264.4	54.6	128.8	404.8	147.3
2001 Q1	81.5	82.8	97.8	84.4	77.9	63.4
Q2	83.8	83.5	95.0	95.7	82.6	81.3
Q3	87.9	86.1	102.4	91.6	90.0	73.1
Q4	89.3	89.1	91.3	85.2	90.1	81.0
2002 Q1	92.9	92.0	110.5	94.3	85.2	82.7
Q2	90.5	91.9	106.2	100.6	80.7	77.4
Q3	91.6	95.3	106.4	97.2	76.7	76.5
Q4	89.8	91.5	98.9	86.3	79.2	81.5
2003 Q1	87.7	89.1	96.2	88.2	77.8	78.2
Q2	92.1	91.9	97.1	90.6	86.7	83.2
Q3	93.0	94.1	91.7	95.9	85.0	79.8
Q4	94.2	94.5	91.7	91.7	86.9	93.4
2004 Q1	94.3	96.5	90.2	84.0	87.6	91.8
Q2	94.2	94.7	91.2	88.7	92.2	90.1
Q3	93.7	94.5	92.6	92.3	91.1	87.6
Q4	99.2	97.6	95.4	91.5	101.4	101.9
2005 Q1	101.8	98.7	97.0	93.3	107.0	100.1
Q2	100.4	98.9	98.0	95.2	105.0	89.7
Q3	97.9	100.6	99.1	117.1	93.1	97.4
Q4	100.0	101.8	106.0	94.4	94.9	112.9
2006 Q1	101.7	101.8	98.6	99.3	101.6	102.7
Q2	103.1	103.8	95.2	99.9	101.0	118.7
Q3	107.7	103.6	101.1	104.6	117.7	105.1
Q4	108.4	105.4	98.4	100.1	118.9	110.8
2007 Q1	107.6	107.6	99.6	99.7	109.0	102.0
Q2	109.2	104.5	101.3	118.5	120.5	95.7
Q3	107.2	106.2	100.5	113.9	110.2	113.9
Q4	104.6	104.8	94.9	109.7	107.0	114.4
2008 Q1	101.8	102.8	100.8	110.9	98.2	112.7
Q2	99.8	102.1	102.6	114.2	92.5	115.2
Q3	99.4	100.1	99.1	117.1	98.1	109.9
Q4	97.0	99.3	99.7	112.1	93.0	113.1
2009 Q1	97.9	101.5	95.3	108.6	89.4	109.1
Q2	97.8	103.1	93.4	114.2	84.4	113.0

* The most recent regional GVA weights relate to 2006.

Services by Broad Industry Groups

2

This chapter focuses on the overall service sector split into individual industry categories. The private service sector is dominated by the Business Services & Finance industries and Distribution (Wholesale and Retail). Together these account for approximately 70% of the sector's total private Gross Value Added at 2006.

Business Services & Finance
(Weight = 40%)

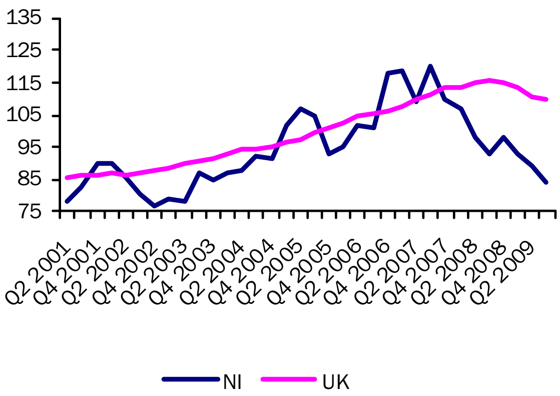
The Business Services & Finance sector reflects the activity of all financial institutions and also Real Estate, Renting and other Business activities.

The Business Services & Finance index decreased by 5.6% over the quarter compared to a decrease of 0.7% in the UK.

Over the year, the NI Business Services & Finance sector decreased by 8.8% compared to a decrease of 4.9% in the UK. (See figure 3)

Over the latest four quarters, compared to the same period one year earlier, the sector decreased by an estimated 10.5% compared to a decrease of 1.7% in the UK.

Business Services & Finance
(2005 =100)
Figure 3



Distribution (Wholesale & Retail)
(Weight = 26%)

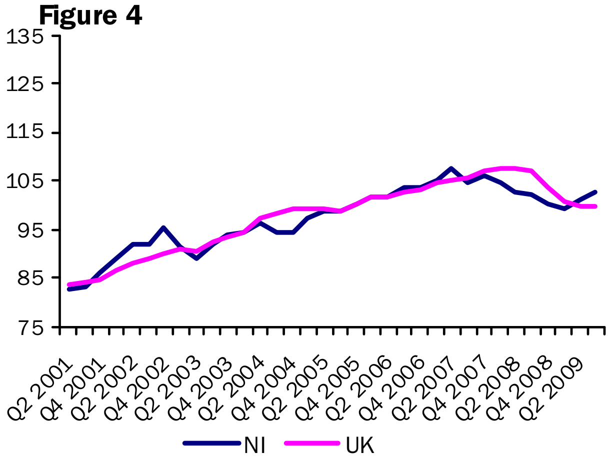
The Distribution sector reflects the activity of the Wholesale and Retail trade; Repair of Motor Vehicles and Personal and Household goods.

The Distribution sector index increased by an estimated 1.5% over the quarter, compared to a decrease of 0.2% in the UK. The quarterly increase experienced this quarter is the second rise after five consecutive quarterly falls from the fourth quarter of 2007.

Over the year, the NI Distribution Sector increased by 1.0% compared to a decrease of 7.2% in the UK. (See figure 4)

Over the latest four quarters compared to the same period one year earlier, the sector decreased by an estimated 2.9% compared to a decrease of 6.0% in the UK.

Distribution - Wholesale & Retail
(2005 =100)
Figure 4



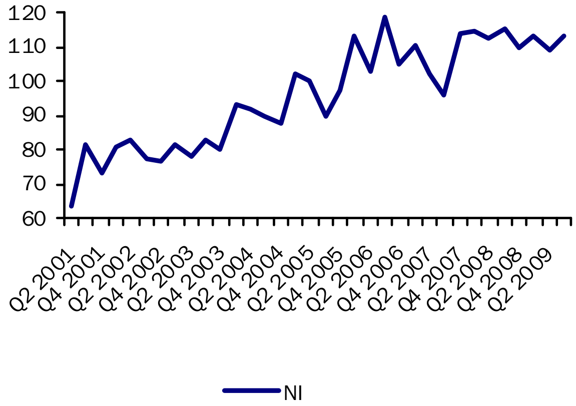
Other Services
(Weight = 15%)

The “Other Services” sector is comprised of Education, Health & Social Work and Other Community, Social and Personal Service activities.

Over the quarter, the Other Services index increased by an estimated 3.6%, while over the year it decreased by 1.8%. (See figure 5)

The sector decreased by an estimated 2.4% when measured over the latest four quarters compared to the same four quarters one year earlier. There are no comparable UK figures for Other Services.

Other Services
(2005 =100)
Figure 5



Transport, Storage & Communication
(Weight = 13%)

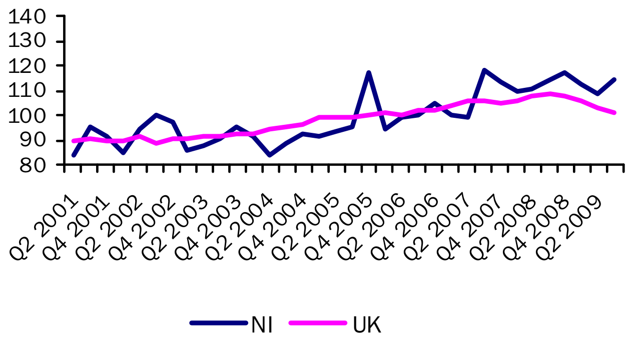
The Transport, Storage & Communication sector reflects the activity of Land, Air & Sea transport operators along with Travel Agencies and Post & Telecommunications businesses.

The Transport, Storage & Communication sector increased by an estimated 5.1% over the quarter compared to a decrease of 1.7% in the UK.

Over the year, the NI Transport, Storage & Communication sector remained constant while the UK reported a decrease of 6.9%. (See figure 6)

Over the latest four quarters compared to the same period one year earlier, the sector increased by an estimated 0.8% whereas the UK figure decreased by an estimated 2.3%.

Transport, Storage & Communication
(2005 =100)
Figure 6



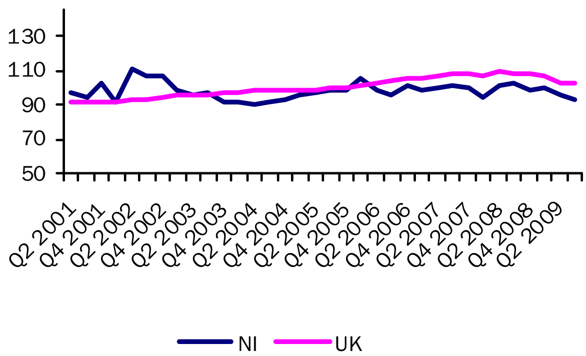
Hotels & Restaurants
(Weight = 5%)

Over the quarter, the Hotels & Restaurants index decreased by an estimated 2.1% in NI, this compares with the UK which decreased by 1.2% over the same period. (See figure 7)

Over the year the sector decreased by an estimated 9.0% compared to a decrease of 5.1% in the UK.

Over the latest four quarters compared to the same period one year earlier, the sector decreased by an estimated 2.8% while the UK figure decreased by an estimated 3.0%.

Hotels & Restaurants
(2005 =100)
Figure 7



Quarterly/ Annual/ Rolling Annual Average Changes

3

Table 2 – Northern Ireland Index of Services – Quarterly, Annual and Rolling Annual average[*1] changes by sector
Seasonally Adjusted (2005 = 100)

2005 = 100	All Services				Distribution – Wholesale and Retail				Hotels & Restaurants				Transport, Storage & Communication				Business Services & Finance				Other Services			
	G - O				G				H				I				J & K				M,N & O			
	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)
Weights[*2]	**1000**				**264.4**				**54.6**				**128.8**				**404.8**				**147.3**			
2001 Q1	**81.5**	-	-	-	**82.8**	-	-	-	**97.8**	-	-	-	**84.4**	-	-	-	**77.9**	-	-	-	**63.4**	-	-	-
Q2	**83.8**	2.7%	-	-	**83.5**	0.8%	-	-	**95.0**	-2.8%	-	-	**95.7**	13.4%	-	-	**82.6**	6.1%	-	-	**81.3**	28.3%	-	-
Q3	**87.9**	4.9%	-	-	**86.1**	3.1%	-	-	**102.4**	7.8%	-	-	**91.6**	-4.3%	-	-	**90.0**	8.9%	-	-	**73.1**	-10.1%	-	-
Q4	**89.3**	1.6%	-	-	**89.1**	3.4%	-	-	**91.3**	-10.9%	-	-	**85.2**	-7.1%	-	-	**90.1**	0.1%	-	-	**81.0**	10.9%	-	-
2002 Q1	**92.9**	4.0%	13.9%	-	**92.0**	3.3%	11.0%	-	**110.5**	21.0%	13.0%	-	**94.3**	10.7%	11.7%	-	**85.2**	-5.5%	9.4%	-	**82.7**	2.1%	30.5%	-
Q2	**90.5**	-2.6%	8.0%	-	**91.9**	-0.1%	10.0%	-	**106.2**	-3.9%	11.8%	-	**100.6**	6.7%	5.1%	-	**80.7**	-5.2%	-2.3%	-	**77.4**	-6.4%	-4.8%	-
Q3	**91.6**	1.3%	4.2%	-	**95.3**	3.7%	10.6%	-	**106.4**	0.2%	3.9%	-	**97.2**	-3.4%	6.0%	-	**76.7**	-4.9%	-14.7%	-	**76.5**	-1.3%	4.6%	-
Q4	**89.8**	-2.0%	0.5%	6.5%	**91.5**	-3.9%	2.7%	8.5%	**98.9**	-7.1%	8.3%	9.2%	**86.3**	-11.2%	1.3%	6.0%	**79.2**	3.2%	-12.1%	-5.5%	**81.5**	6.5%	0.5%	6.5%

[*1] The change in the rolling annual average measures the change in the average of the latest four quarters against the same four quarters one year previous.
[*2] The most recent regional GVA weights relate to 2006.

Table 2 continued – Northern Ireland Index of Services – Quarterly, Annual and Rolling Annual average*1 changes by sector
Seasonally Adjusted (2005 = 100)

2005 = 100	All Services				Distribution – Wholesale and Retail				Hotels & Restaurants				Transport, Storage & Communication				Business Services & Finance				Other Services			
	G - O				G				H				I				J & K				M,N & O			
	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)
Weights*2	1000				264.4				54.6				128.8				404.8				147.3			
2003 Q1	**87.7**	-2.3%	-5.5%	1.6%	**89.1**	-2.7%	-3.2%	4.9%	**96.2**	-2.8%	-13.0%	2.1%	**88.2**	2.2%	-6.5%	1.5%	**77.8**	-1.8%	-8.7%	-9.6%	**78.2**	-4.0%	-5.4%	-1.4%
Q2	**92.1**	5.0%	1.8%	0.2%	**91.9**	3.1%	0.0%	2.4%	**97.1**	0.9%	-8.6%	-2.9%	**90.6**	2.7%	-10.0%	-2.6%	**86.7**	11.4%	7.4%	-7.4%	**83.2**	6.4%	7.5%	1.6%
Q3	**93.0**	1.0%	1.5%	-0.4%	**94.1**	2.4%	-1.3%	-0.5%	**91.7**	-5.5%	-13.8%	-7.4%	**95.9**	5.9%	-1.3%	-4.3%	**85.0**	-1.9%	10.8%	-1.2%	**79.8**	-4.1%	4.4%	1.6%
Q4	**94.2**	1.3%	4.9%	0.6%	**94.5**	0.5%	3.3%	-0.3%	**91.7**	0.0%	-7.3%	-10.8%	**91.7**	-4.4%	6.3%	-3.2%	**86.9**	2.2%	9.7%	4.5%	**93.4**	17.0%	14.7%	5.2%
2004 Q1	**94.3**	0.1%	7.5%	3.9%	**96.5**	2.1%	8.3%	2.5%	**90.2**	-1.6%	-6.2%	-9.1%	**84.0**	-8.4%	-4.8%	-2.7%	**87.6**	0.8%	12.6%	10.1%	**91.8**	-1.7%	17.4%	11.1%
Q2	**94.2**	-0.1%	2.2%	4.0%	**94.7**	-1.8%	3.1%	3.3%	**91.2**	1.1%	-6.1%	-8.5%	**88.7**	5.7%	-2.0%	-0.5%	**92.2**	5.3%	6.4%	9.8%	**90.1**	-1.9%	8.2%	11.2%
Q3	**93.7**	-0.5%	0.7%	3.8%	**94.5**	-0.3%	0.4%	3.7%	**92.6**	1.6%	1.0%	-4.7%	**92.3**	4.1%	-3.8%	-1.2%	**91.1**	-1.2%	7.1%	8.9%	**87.6**	-2.7%	9.7%	12.4%
Q4	**99.2**	5.9%	5.3%	3.9%	**97.6**	3.3%	3.2%	3.7%	**95.4**	2.9%	4.0%	-1.9%	**91.5**	-0.9%	-0.2%	-2.7%	**101.4**	11.4%	16.7%	10.7%	**101.9**	16.3%	9.1%	11.0%
2005 Q1	**101.8**	2.6%	7.9%	4.1%	**98.7**	1.1%	2.2%	2.3%	**97.0**	1.7%	7.6%	1.5%	**93.3**	2.0%	11.1%	1.0%	**107.0**	5.5%	22.1%	13.1%	**100.1**	-1.8%	9.0%	9.0%
Q2	**100.4**	-1.4%	6.6%	5.1%	**98.9**	0.2%	4.4%	2.6%	**98.0**	1.0%	7.5%	5.0%	**95.2**	2.0%	7.2%	3.3%	**105.0**	-1.9%	13.8%	15.0%	**89.7**	-10.4%	-0.4%	6.8%
Q3	**97.9**	-2.5%	4.4%	6.1%	**100.6**	1.8%	6.5%	4.1%	**99.1**	1.1%	6.9%	6.5%	**117.1**	23.1%	26.8%	11.3%	**93.1**	-11.3%	2.2%	13.6%	**97.4**	8.7%	11.2%	7.2%
Q4	**100.0**	2.2%	0.8%	4.9%	**101.8**	1.2%	4.4%	4.4%	**106.0**	7.0%	11.1%	8.3%	**94.4**	-19.4%	3.1%	12.2%	**94.9**	1.9%	-6.4%	7.4%	**112.9**	15.8%	10.8%	7.7%
2006 Q1	**101.7**	1.7%	-0.1%	2.8%	**101.8**	0.0%	3.2%	4.6%	**98.6**	-6.9%	1.7%	6.8%	**99.3**	5.2%	6.4%	10.9%	**101.6**	7.0%	-5.1%	0.7%	**102.7**	-9.0%	2.6%	6.1%
Q2	**103.1**	1.4%	2.7%	1.9%	**103.8**	1.9%	4.9%	4.7%	**95.2**	-3.4%	-2.8%	4.1%	**99.9**	0.7%	5.0%	10.3%	**101.0**	-0.6%	-3.8%	-3.4%	**118.7**	15.7%	32.5%	13.8%
Q3	**107.7**	4.4%	10.0%	3.3%	**103.6**	-0.1%	3.0%	3.9%	**101.1**	6.2%	2.1%	3.0%	**104.6**	4.6%	-10.7%	0.3%	**117.7**	16.6%	26.4%	2.1%	**105.1**	-11.5%	7.8%	12.9%
Q4	**108.4**	0.7%	8.4%	5.2%	**105.4**	1.7%	3.5%	3.7%	**98.4**	-2.6%	-7.1%	-1.7%	**100.1**	-4.3%	6.0%	1.0%	**118.9**	1.0%	25.3%	9.8%	**110.8**	5.4%	-1.9%	9.3%

*1 The change in the rolling annual average measures the change in the average of the latest four quarters against the same four quarters one year previous.
*2 The most recent regional GVA weights relate to 2006.

Table 2 continued – Northern Ireland Index of Services – Quarterly, Annual and Rolling Annual average*1 changes by sector
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	G - O				G				H				I				J & K				M,N & O			
	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)	Index	Quarter Change (%)	Annual Change (%)	Rolling Annual* Change (%)
Weights*2	1000				264.4				54.6				128.8				404.8				147.3			
2007 Q1	**107.6**	-0.7%	5.8%	6.7%	**107.6**	2.1%	5.7%	4.3%	**99.6**	1.2%	1.0%	-1.8%	**99.7**	-0.4%	0.4%	-0.4%	**109.0**	-8.3%	7.4%	13.2%	**102.0**	-7.9%	-0.7%	8.4%
Q2	**109.2**	1.4%	5.9%	7.5%	**104.5**	-2.9%	0.7%	3.2%	**101.3**	1.7%	6.4%	0.4%	**118.5**	18.9%	18.6%	2.9%	**120.5**	10.5%	19.3%	19.3%	**95.7**	-6.2%	-19.4%	-4.2%
Q3	**107.2**	-1.8%	-0.4%	4.8%	**106.2**	1.6%	2.4%	3.1%	**100.5**	-0.8%	-0.6%	-0.3%	**113.9**	-3.9%	8.9%	8.5%	**110.2**	-8.5%	-6.3%	10.5%	**113.9**	19.1%	8.4%	-3.9%
Q4	**104.6**	-2.4%	-3.5%	1.8%	**104.8**	-1.3%	-0.6%	2.0%	**94.9**	-5.6%	-3.6%	0.7%	**109.7**	-3.7%	9.6%	9.4%	**107.0**	-2.9%	-10.0%	1.7%	**114.4**	0.4%	3.3%	-2.6%
2008 Q1	**101.8**	-2.7%	-5.4%	-0.9%	**102.8**	-1.9%	-4.5%	-0.5%	**100.8**	6.2%	1.2%	0.8%	**110.9**	1.1%	11.3%	12.1%	**98.2**	-8.3%	-9.9%	-2.4%	**112.7**	-1.5%	10.5%	0.0%
Q2	**99.8**	-1.9%	-8.6%	-4.5%	**102.1**	-0.7%	-2.3%	-1.3%	**102.6**	1.8%	1.2%	-0.4%	**114.2**	3.0%	-3.6%	6.1%	**92.5**	-5.8%	-23.2%	-12.5%	**115.2**	2.2%	20.4%	10.4%
Q3	**99.4**	-0.4%	-7.3%	-6.2%	**100.1**	-1.9%	-5.7%	-3.3%	**99.1**	-3.4%	-1.4%	-0.6%	**117.1**	2.5%	2.9%	4.6%	**98.1**	6.0%	-11.0%	-13.7%	**109.9**	-4.6%	-3.5%	7.1%
Q4	**97.0**	-2.4%	-7.3%	-7.1%	**99.3**	-0.9%	-5.3%	-4.5%	**99.7**	0.6%	5.0%	1.5%	**112.1**	-4.3%	2.2%	2.9%	**93.0**	-5.2%	-13.1%	-14.5%	**113.1**	2.9%	-1.1%	5.9%
2009 Q1	**97.9**	1.0%	-3.8%	-6.8%	**101.5**	2.3%	-1.2%	-3.7%	**95.3**	-4.3%	-5.4%	-0.2%	**108.6**	-3.1%	-2.0%	-0.2%	**89.4**	-3.9%	-8.9%	-14.4%	**109.1**	-3.5%	-3.2%	2.4%
Q2	**97.8**	-0.1%	-2.0%	-5.2%	**103.1**	1.5%	1.0%	-2.9%	**93.4**	-2.1%	-9.0%	-2.8%	**114.2**	5.1%	0.0%	0.8%	**84.4**	-5.6%	-8.8%	-10.5%	**113.0**	3.6%	-1.8%	-2.4%

*1 The change in the rolling annual average measures the change in the average of the latest four quarters against the same four quarters one year previous.
*2 The most recent regional GVA weights relate to 2006.

Background Notes

4

Background

1. There has been increasing demand from economic decision makers and commentators for better short-term measures of the performance of the service sector in Northern Ireland. Leading economic centres, the Northern Ireland business community, economists and other academic professionals have expressed an interest in the development of an IOS. Users have expressed a need for an IOS to accompany the existing Index of Production (IOP) to provide an estimate of short-term change in the Service sector Industry.

2. The Service sector has grown in importance in recent years and the sector's share of total regional Gross Value Added (GVA) has risen from 58% in 1999 to 62% in 2006, whereas that of Manufacturing has declined from 20% to 15% over the same period. The experimental IOS has been developed to provide a turnover based quarterly measure of change in the service sector. The IOS is one of the earliest indicators of the performance of Northern Ireland Services and is a major step towards providing, for the service industries, the periodicity, range and quality of output indicators that have existed for the production and construction industries for many years.

3. Accordingly, DETI has developed an experimental Index of Services (IOS), which the Department released on its website for the first time on 18 May 2005. The introduction of the IOS is a major step towards providing, for the service industries, the periodicity, range and quality of output indicators that have existed for the production industries for many years.

4. The IOS series is an experimental index referenced to 2005 = 100 from this publication onwards. In line with the UK IOS the NI IOS has updated the reference year from 2003=100 to 2005=100 and combined with the introduction of new weights has lead to revisions to the IOS series as a whole. However, on the new basis the peak of the IOS index has remained constant at the second quarter of 2007 and the growth from Quarter 1 2001 to Quarter 1 2009 was 22.9% on a 2003=100 basis compared with 20.1% for 2005 = 100. The index experienced seven consecutive quarters of decline on a 2003 = 100 basis up to the first quarter of 2009 compared with six on a 2005 = 100 basis.

   The IOS is released as an experimental statistic and not a National Statistic, but it is hoped that the IOS data set will eventually become a National Statistic. This method is consistent with the National Statistic protocol on the release of data and mirrors the approach adopted during the launch of the UK Index of Services and the Welsh Index of Distribution. The IOS shows the quarterly movements in the turnover of the selected panel of 1,500 service sector companies.

5. The IOS is a voluntary quarterly survey covering all private sector service industries and is comprised of approximately 1,500 companies in Northern Ireland. The IOS is designed to show movements in turnover weighted to gross value added of the service industries (Standard Industrial Classification - section G to O). These consist of the distribution industries (section G), hotels and restaurants (section H), transport and communications (section I), business services and finance (sections J and K) and other services (sections M to O). Together with public administration, services account for approximately 72% of the total Northern Ireland Gross Value Added (GVA) in 2006. Turnover data used in the IOS survey is deflated to allow for price changes over time using a range of price indices available at the national level and further details on the methodology used can be obtained from DETI Statistics Research Branch.

6. The IOS sample is selected directly from the Inter Departmental Business Register (IDBR). The sample consists of a census of dominant companies and a Neymann stratified random sample of remaining companies. As a sample survey estimates from the IOS are subject to variation reflecting the sample design of the index. The census element consists of all companies employing more than 100 employees and those employing between 0 to 99 employees and having a turnover of £20 million or more. It is desirable to include these low employment high turnover companies in the sample in order to provide a more comprehensive picture of the overall economy.

7. Timing of IOS releases are consistent with IOP and are scheduled to be published in January, April, July and October of each year. The IOS uses 2005 as the base year and deflates the returned turnover figures using deflators from Office for National Statistics (ONS).

8. The forms are issued by and returned to Statistics Research Branch where data validation is carried out ensuring that data falls within the expected limits, contacting the company where appropriate for clarification.

For company non-returns, the data is imputed using a methodology that takes account of previous returned data and also the performance of similar sized businesses engaged in the same activities. More specifically, the imputed data is calculated using all returned turnover in the quarter for each 2 digit SIC/ employment size band and also the associated employment in each category. This enables a full series of turnover per employee ratios to be created for each 2 digit SIC/ employee size band. The ratio is then factored up dependent on the number of employees in the non-responding company to generate a total turnover for imputation. The employees figures used are taken where possible from the NI Quarterly Employment Survey (QES) and are matched with IOS by IDBR Reporting Unit reference. If no employee figure is available from the QES then the selected IDBR employee figure is used instead.

9. The overall Index of Services is calculated by weighting together industry level indices that describe the activity of an industry sector using the Standard Industrial Classification. This is done using relative shares of regional GVA on an annual basis. The annual weights from regional GVA are more up to date and their use is in line with recommendations from the Office for National Statistics.
The Northern Ireland Index of Services is annually chain-linked (Chain-linking involves the linking of growth estimates between different time periods in order to produce a continuous time series) using private sector GVA estimates derived from regional accounts using the fourth quarter of the preceding year as the link period. Inaccuracies caused by the assumption of a stable relationship between GVA and turnover are reduced using this methodology. When annual weights are used the assumption only has to be maintained from one year to the next year.

10. Statistics Research Branch has used an exponential smoothing technique when processing results from particularly volatile industrial sectors. Real Estate, Renting and Business Activities (SIC 70) is currently the most volatile of all the 2 digit SIC series which make up the index and as a result is exponentially smoothed using a methodology consistent with ONS processes and procedures.

11. All indices in this Statistics Bulletin are adjusted for seasonality. The Branch has seasonally adjusted the Index of Services series using the X11 ARIMA software package and published for the first time in April 2007. Seasonal adjustment aids interpretation by removing annually recurring variations due, for example, to the incidence of holidays and other regular seasonal patterns of behaviour or demand. Unadjusted data are available on request.

12. All figures are published to one decimal place. Figures for annual averages and percentage changes over the previous quarter and year are based on unrounded figures and may not agree with the published constituent parts.

13. Results, particularly for the latest quarter, are provisional and subject to revision as more up to date information becomes available. Data can be revised back for up to four quarters and finalised once comparisons have been made with the current year ABI returns.

14. In addition, comparisons between the Index of Services and the Annual Business Inquiry (ABI) may not necessarily match because of definitional and coverage differences. For example the Index of Services covers the dominant business activity and the ABI covers workplace activity.

For Further Information:

AN ELECTRIONIC VERSION OF THIS DOCUMENT IS AVAILABLE ON THE INDEX OF SERVICES PAGE OF THE BRANCH WEBSITE AT:

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