Index of Production Methodological Note to Explain Differences in Published Series (Q2, 2013 to Q3, 2013) due to revised Regional GVA by ONS

The overall Index of Production (IOP) is calculated by weighting together industry level indices using relative shares of GVA data from the most recent Regional Accounts, which is currently 2011.

The back series of figures in the IOP publication at quarter 3 2013 reflect the move to using 2011 GVA, (published in Dec 2013) which include a new ONS methodology for calculating sub-sectoral breakdowns of the GVA for manufacturing.

The ONS regional GVA 2011 estimates include several methodological changes, namely: the move to cease smoothing estimates of regional GVA; improved estimation of corporate profits and imputed rents; and the independent measurement of workplace- and residence- based regional GVA. Further information regarding the calculation of the regional GVA estimates and the recent methodological changes can be found on the ONS web site at the following link: http://www.ons.gov.uk/ons/rel/regional-accounts/regional-gross-value-added--income-approach-/december-2013/stb-regional-gva-2012.html

These methodological changes have altered the estimates of GVA for Northern Ireland as well as the weighting of individual sub-sections of the manufacturing section. The impact of these changes on the whole NI Index of Production series, particularly the earlier years, is illustrated below.

The table below shows the workplace-based regional GVA estimates as at December 2012 and December 2013.

Standard Industrial Classification 2007 (SIC07)	**Workplace based GVA by industry groups at current basic prices**		
	2010 (Dec 2012)	**2010 (Dec 2013)**	**2011 (Dec 2013)**
Mining and quarrying (B)	122	52	46
Manufacturing (C)	4,469	3,929	3,776
of which			
CA: Food products, beverages and tobacco	742	1,188	1,029
CB: Textiles, wearing apparel and leather products	180	149	147
CC: Wood and paper products and printing	222	226	229
CD: Coke and refined petroleum products	19	8	4
CE: Chemicals and chemical products	208	137	132
CF: Basic pharmaceutical products and preparations	70	217	246
CG: Rubber and plastic products	465	499	385
CH: Basic metals and metal products	763	307	299
CI: Computer, electronic and optical products	241	225	235
CJ: Electrical equipment	155	187	222
CK: Machinery and equipment not elsewhere classified	349	205	230
CL: Transport equipment	535	455	469
CM: Other manufacturing and repair	520	126	150
Electricity, gas, steam and air-conditioning supply (D)	267	271	280
Water supply; sewerage and waste management (E)	398	267	293
Total for Production Sector	5,256	4,519	4,396

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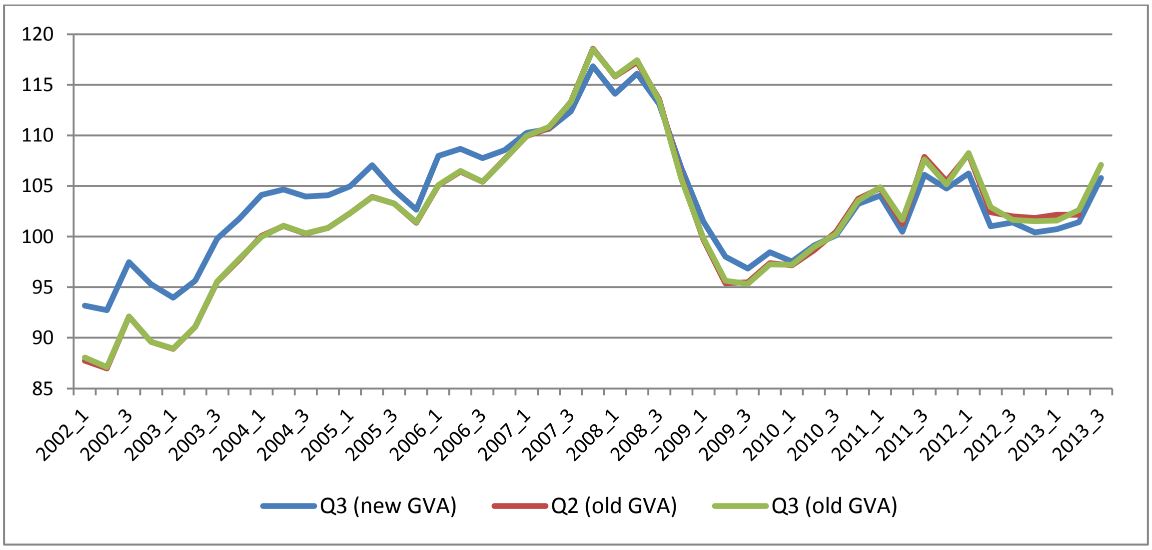
The largest impact has been on CA (Food products, beverages and tobacco) and the table below shows the values of GVA used in the calculation of the Q2, 2013 compared to those used in the Q3, 2013 published indices.

Year	**GVA estimate as at December 2012** (used for calculation of Q2, 2013 index)	**GVA estimate as at December 2013** (used for calculation of Q3, 2013 index)
2001	598	1,020
2002	586	925
2003	589	1,045
2004	602	1,018
2005	635	1,130
2006	667	1,042
2007	700	995
2008	696	1,034
2009	682	1,052
2010	742	1,188
2011		1,029

In order to illustrate the effects of the change to the IOP series, 3 scenarios are presented in the graph below:

1. The IOP series at Q3 2013, calculated with 2011 (new methodology) regional GVA and sub-sectional breakdown of manufacturing sector (blue line);
2. The IOP series at Q2 2013, calculated with 2010 (old methodology) regional GVA and sub-sectional breakdown of manufacturing section as published in October 2013 (red line); and
3. The IOP series at Q3 2013, but calculated with 2010 (old methodology) regional GVA and sub-sectional breakdown of manufacturing sector (green line).

In all three scenarios the data, deflators and seasonal adjustment procedures are the same.



The reader should note that scenarios 2 (red line) and 3 (green line) are almost identical, which helps to demonstrate that the shift in the current index is primarily down to the changes in regional GVA estimates including revised methodology in December 2013.