

# Northern Ireland Quarterly Index of Services

Quarter 2 (April – June) 2020

Theme: Economy

Frequency: Quarterly

Geographical Area: Northern Ireland

Date: 17 September 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 IOS indices, along with published quarterly data and unpublished agricultural output data, are used to generate the [Northern Ireland Composite Economic Index \(NICEI\)](#).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 17.7% in Quarter 2 2020, and a decrease of 23.5% over the year.
- UK IOS output also experienced similar decreases over both the quarter (19.9%) and the year (21.2%).
- When the most recent four quarters are compared to the previous four quarters the NI services sector decreased by 7.1% whilst the UK services sector decreased by 4.9%.
- NI services output is 24.3% lower than the highest point (Quarter 3 2019) in the past ten years, and is 24.5% lower than the highest point (Quarter 4 2006) since the series began.
- The quarterly decrease to Quarter 2 2020 is the largest quarterly change in the history of the NI IOS. The NI IOS is at its lowest point since the series began (Quarter 1 2005).
- This release captures the direct effects of the coronavirus (COVID-19) pandemic and measures taken to reduce transmission of the virus. The most significant was the introduction of restrictions in movement, which began on 23 March 2020. Quarter 2 2020 is the first quarter that has been affected from start to finish.

# Contents

<b>1. Summary of Index of Services</b>	<b>3</b>
1.1 Changes in the Index of Services	3
1.2 Commentary	4
1.3 Context	5
1.4 Revisions	6
<b>2. Services output by sector</b>	<b>7</b>
2.1 Key findings	7
2.2 Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector	8
2.3 Business services and finance sector	9
2.4 Other services sector	10
2.5 Transport, storage, information & communications sector	11
<b>3 Background notes</b>	<b>12</b>
<b>4 Index of Tables</b>	<b>14</b>



## 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.

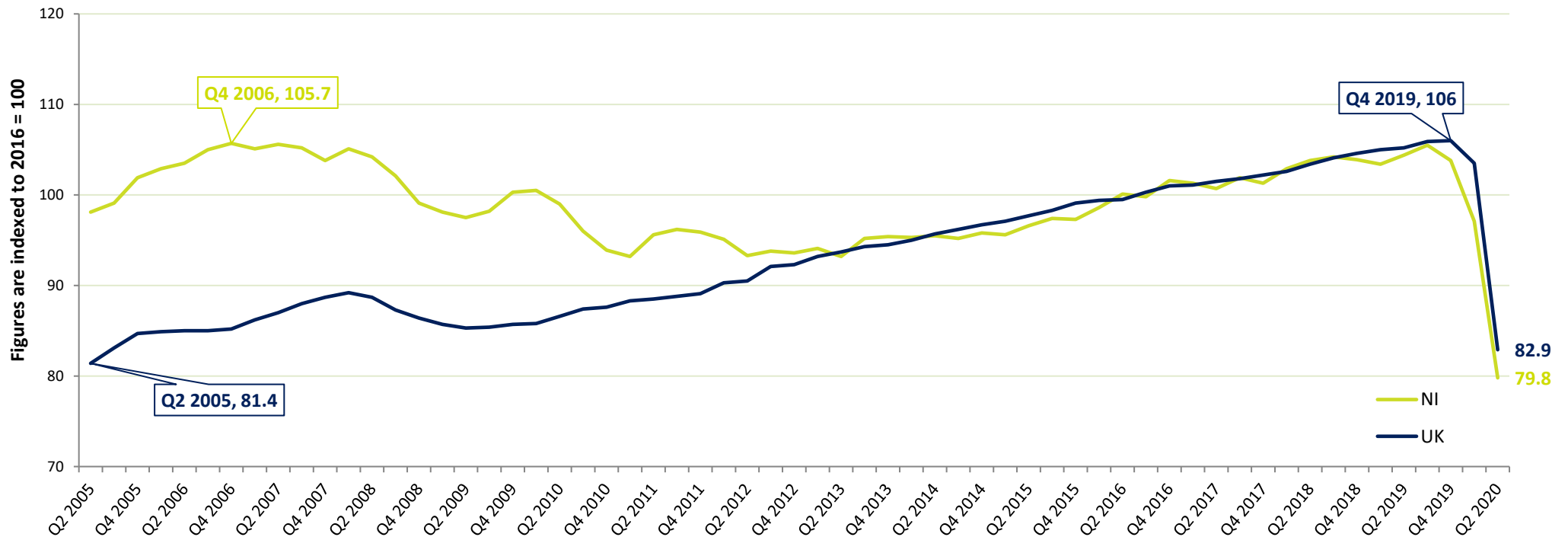
# 1 Summary of Index of Services

## 1.1 Changes in Index of Services

The seasonally adjusted estimate for the NI IOS for Quarter 2 2020 output:

- decreased by 17.7% over the quarter from the revised Quarter 1 2020 estimate;
- decreased by 23.5% over the year from the revised Quarter 2 2019 estimate; and,
- decreased by 7.1% when the most recent four quarters are compared to the previous four quarters.

Figure 1.1 IOS, NI & UK, Q1 2005 – Q2 2020



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## 1.2 Commentary

The coronavirus (COVID-19) pandemic and subsequent measures taken to reduce the transmission of the virus impacted on the economy in Quarter 1 and Quarter 2 of 2020. Quarter 2 2020 is the first quarter that has been affected from start to finish by the Coronavirus (COVID-19) pandemic.

Output in the services sector decreased by 17.7% over the second quarter of 2020. NI services sector output is 24.3% lower than the highest point in the past ten years (Quarter 3 2019) and 24.5% lower than the highest point since the series began (Quarter 4 2006). The NI IOS is at the lowest point since the series began (Quarter 1 2005).

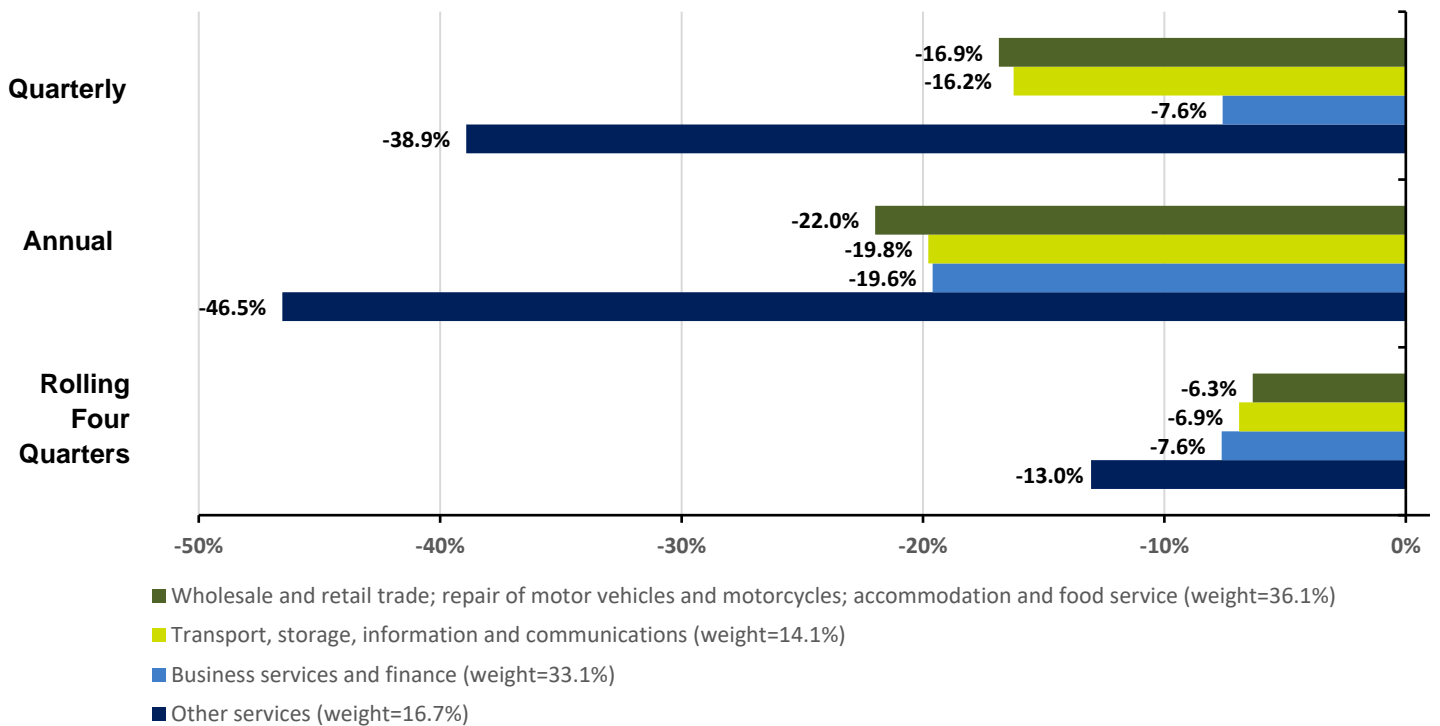
Prior to the decreases seen in 2020, the previous series low in the NI IOS was in Quarter 2 2013 and this quarter the NI index is 14.3% below that point.

Both the quarterly (17.7%) and annual (23.5%) decreases in the NI services sector are in line with the UK, which saw decreases of 19.9% over the quarter and 21.2% over the year.

The quarterly decreases seen in Quarter 1 2020 were the largest witnessed for both the NI (6.5%) and the UK (2.4%) indices up to that point. This trend has continued in Quarter 2 2020 and the quarterly decreases for both NI (17.7%) and the UK (19.9%) were significantly larger than the decreases seen in Quarter 1.

Prior to the decreases seen in Quarter 1 (6.5%) and Quarter 2 (17.7%) 2020, the previous largest quarterly decrease in the NI index was seen in Quarter 4 2008 (2.9%).

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



<sup>1</sup> 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 \(Summer 2020\)](#) 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.

Quarter 2 2020 is the first quarter that has been affected from start to finish by the coronavirus (COVID-19) pandemic. The first [government advice on social distancing](#) was published on 12 March 2020, before a formal “lockdown” was announced on 23 March 2020.

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 2 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:

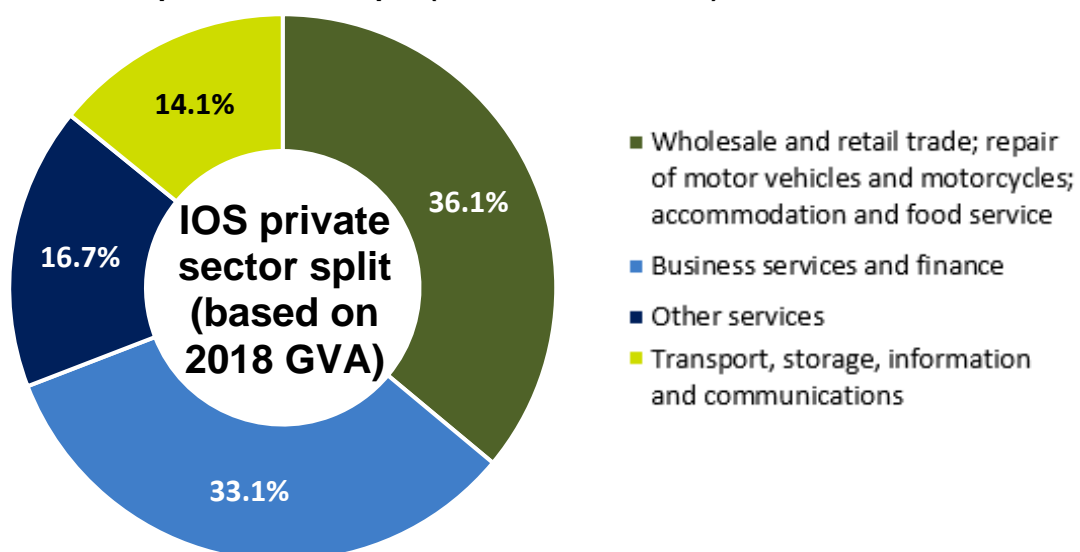
- The NI IOS decreased by 17.7% over the quarter, by 23.5% over the year and by 7.1% on a rolling four quarters basis. The NI IOS is 24.3% lower than the highest point in the past ten years (Quarter 3 2019) and is 24.5% lower than the series high (Quarter 4 2006).
- This is the largest quarterly change in the history of the NI IOS (since Quarter 1 2005) and the index is at its lowest point.
- The quarterly decrease in NI services output was caused by decreases in all four subsectors, with the Other services sector down 38.9%; the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector down 16.9%; the Transport, storage, information and communications sector down 16.2%; and the Business services and finance sector down 7.6%.
- The annual decrease in NI services output was caused by decreases in all four subsectors, with the Other services sector down 46.5%; the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector down 22.0%; the Transport, storage, information and communications sector down 19.8%; and the Business services and finance sector down 19.6%.

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

- wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food services; and,
- 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)



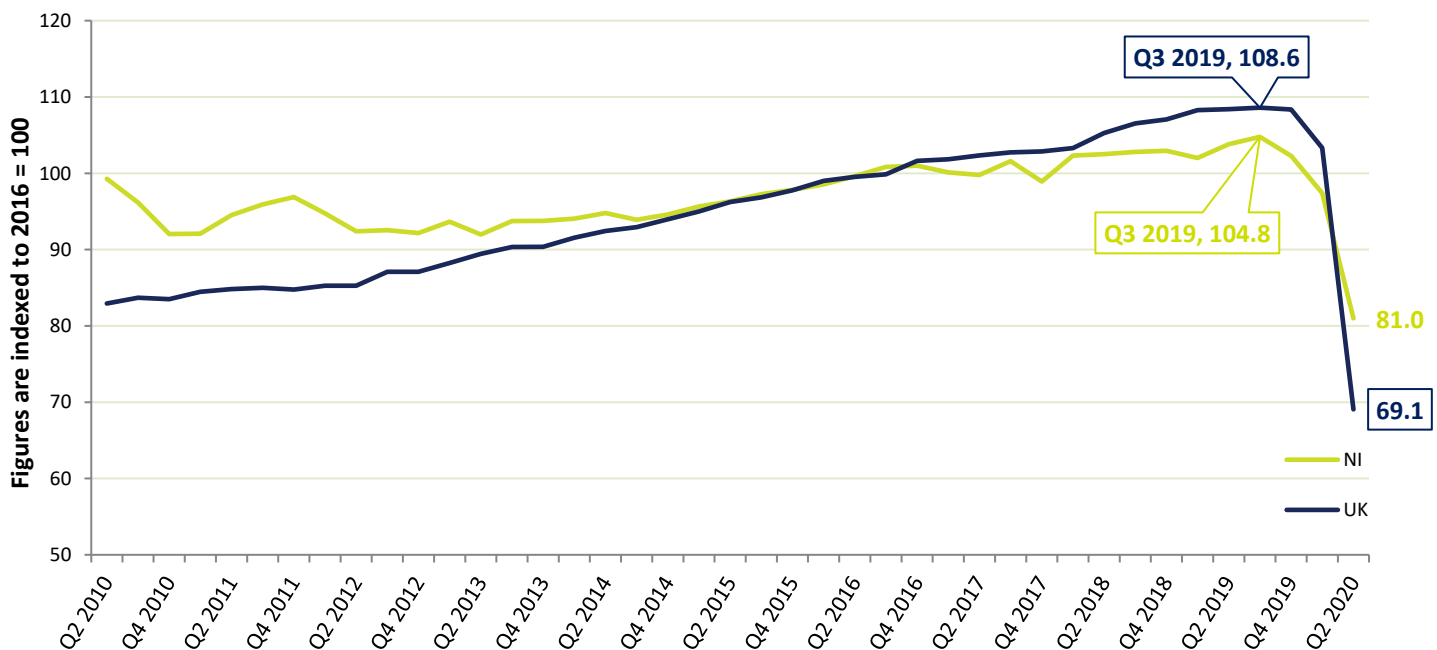
## 2.2 Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector

**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 16.9% over the quarter;
  - decreased by 22.0% over the year; and,
  - decreased by 6.3% on a rolling four quarter basis.
- The UK seasonally adjusted figures:
  - decreased by 33.2% over the quarter;
  - decreased by 36.3% over the year; and,
  - decreased by 9.5% on a rolling four quarter basis.
- The NI series is out-performing the UK series across all three measures.
- NI output in Quarter 2 2020 is at the lowest point recorded since the series began (Quarter 1 2005).
- The quarterly change in the NI series is the largest recorded since the series began (Quarter 1 2005).
- NI output this quarter is 23.0% below the series high (Quarter 1 2007) and is 22.7% below the ten year high (Quarter 3 2019).
- Both the NI index and the UK index experienced series highs in Q3 2019.

**Figure 2.2 Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector, NI & UK, Q2 2010 – Q2 2020**



[Download in Excel](#)



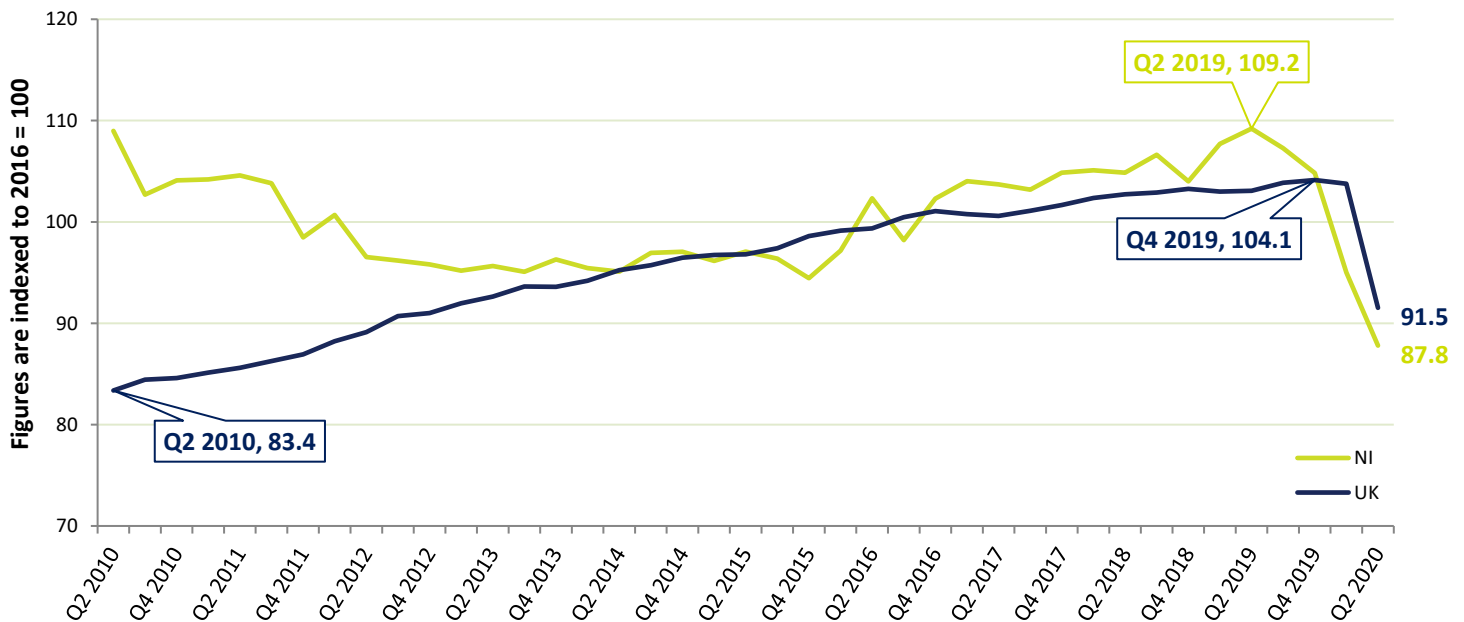
### 2.3 Business services and finance sector

**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 19.6% over the year; and,
  - decreased by 7.6% on a rolling four quarter basis.
- The UK seasonally adjusted figures:
  - decreased by 11.8% over the quarter;
  - decreased by 11.2% over the year; and,
  - decreased by 2.2% on a rolling four quarter basis.
- NI output in Quarter 2 2020 is 19.6% below the highest point (Quarter 2 2019) recorded over the past ten years and is 36.5% below the highest point since the series began (Quarter 3 2006).
- NI output in Quarter 2 2020 is at the lowest point recorded since the series began (Quarter 1 2005).

**Figure 2.3 Business services and finance sector, NI & UK, Q2 2010 – Q2 2020**



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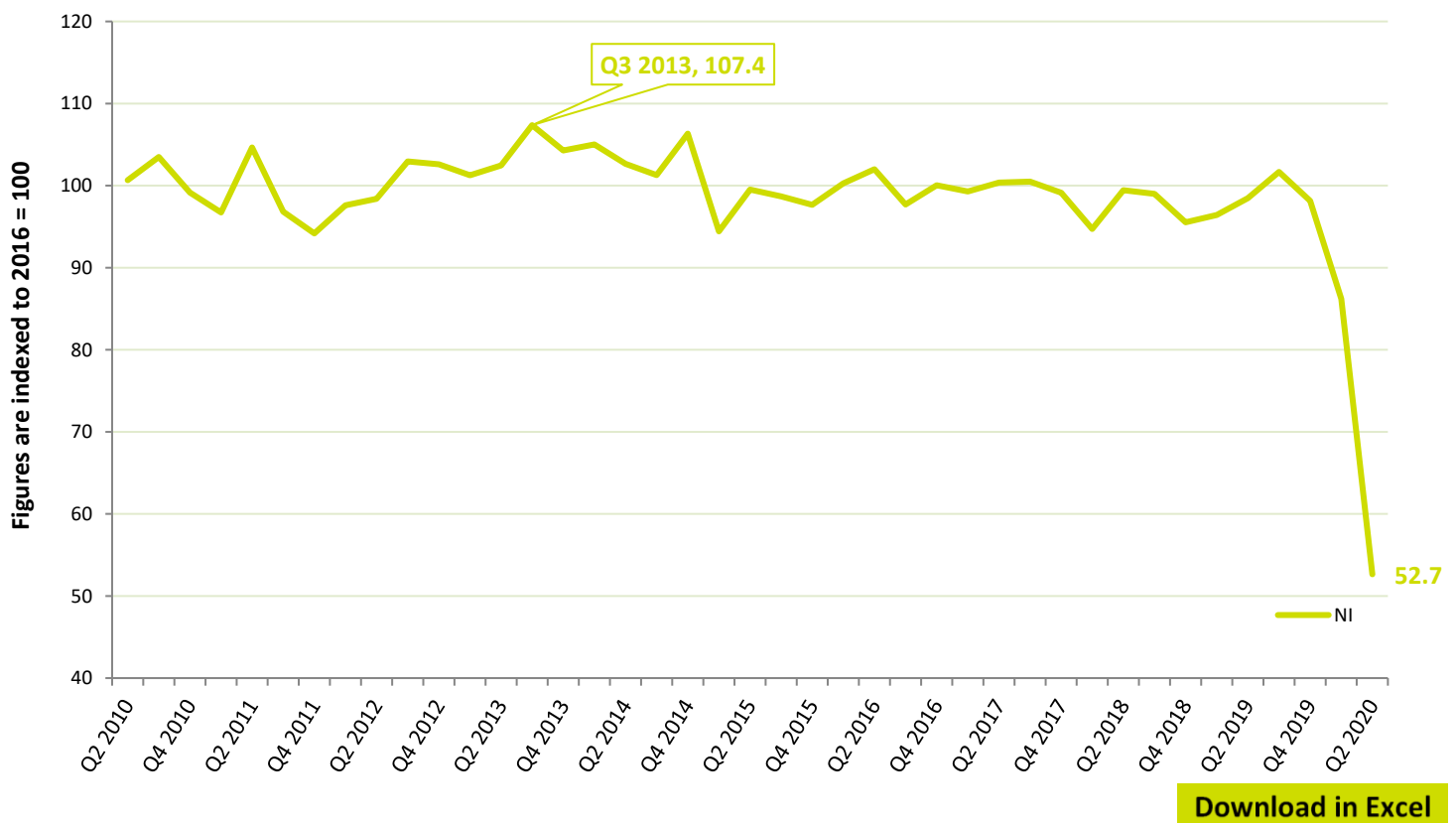
## 2.4 Other services sector<sup>2</sup>

**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 38.9% over the quarter;
  - decreased by 46.5% over the year; and,
  - decreased by 13.0% on a rolling four quarter basis.
- NI output in Quarter 2 2020 is 51.0% below the highest point (Quarter 3 2013) recorded over the past ten years and is 51.1% below the highest point since the series began (Quarter 3 2009).
- NI output in Quarter 2 2020 is at the lowest point recorded since the series began (Quarter 1 2005).
- The quarterly change in the NI series is the largest recorded since the series began (Quarter 1 2005).

**Figure 2.4 Other services sector, NI, Q2 2010 – Q2 2020**



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

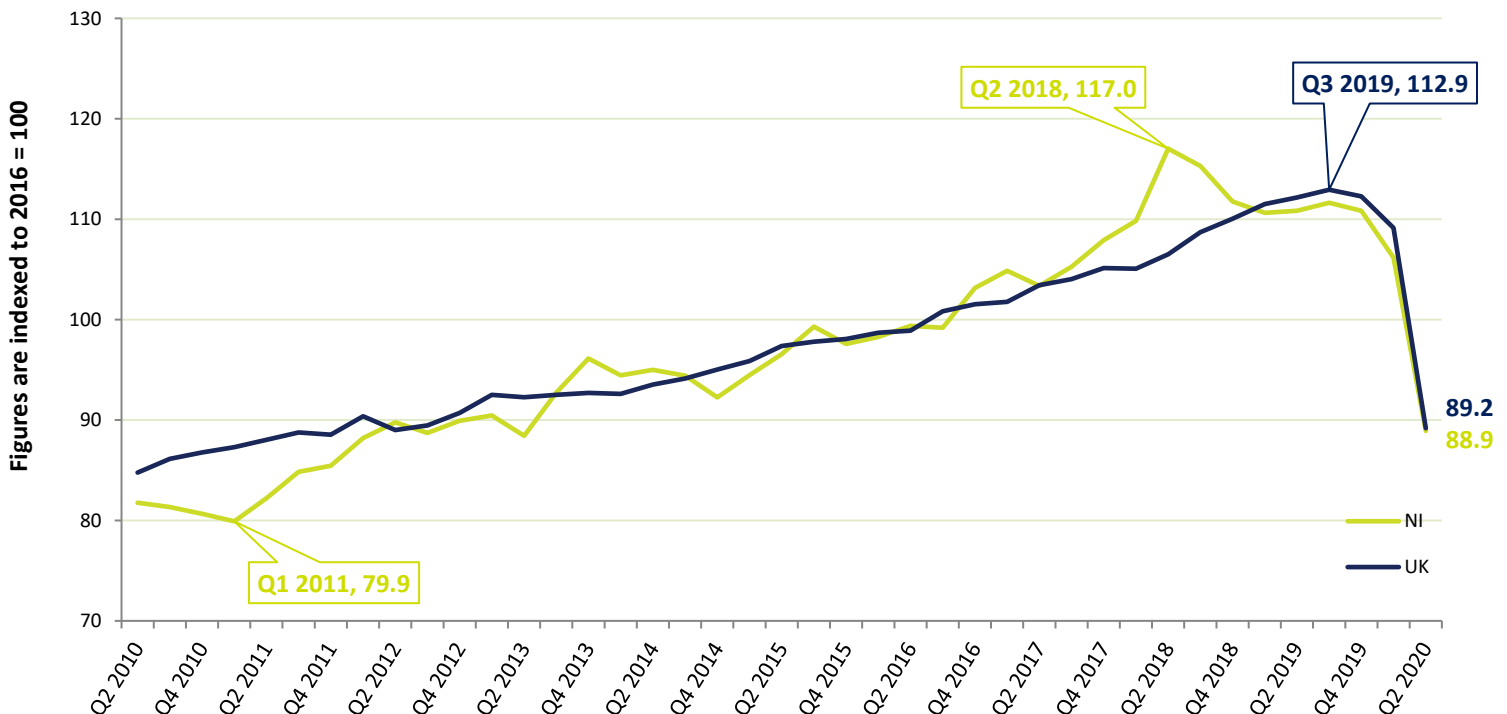
## 2.5 Transport, storage, information and communications sector

**Transport, storage, information and communications sector – (SIC 07 Section HJ) - (weight 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 16.2% over the quarter;
  - decreased by 19.8% over the year; and,
  - decreased by 6.9% on a rolling four quarter basis.
- The UK seasonally adjusted figures:
  - decreased by 18.3% over the quarter;
  - decreased by 20.5% over the year; and,
  - decreased by 4.3% 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 in Quarter 2 2020 is 20.4% below the highest point (Quarter 2 2018) since the series began.
- NI output in Quarter 2 2020 is 11.3% above the lowest point (Quarter 1 2011) recorded over the past ten years and is 30.6% above the lowest point (Quarter 1 2005) recorded since the series began.

**Figure 2.5 Transport, storage, information and communications, NI & UK, Q2 2010 – Q2 2020**



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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 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 2 2020:

	Quarter 2 2020	2019 (median*)
Coverage response rate ( <i>returned turnover</i> )	57%	78%

\*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 rates in both Quarter 1 and Quarter 2 2020 when compared to 2019 figures, primarily due to the restrictions in place for businesses. As a result, the estimates for this 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 19<sup>th</sup> 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 11<sup>th</sup> September 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 December 2020.

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## 4 Index of Tables

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- [4.1](#) [IOS percentage change, NI and UK](#)
- [4.2](#) [IOS percentage change by Broad Industry Group, NI](#)
- [4.3](#) [Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service percentage change, NI and UK](#)
- [4.4](#) [Business services and finance percentage change, NI and UK](#)
- [4.5](#) [Other services percentage change, NI](#)
- [4.6](#) [Transport, storage, information & communication percentage change, NI and UK](#)
- [4.7](#) [IOS – Quarterly, Annual and Rolling Annual average changes by sector \(Seasonally Adjusted\), NI](#)