

Northern Ireland Quarterly Index of Services

Quarter 3 (July – September) 2020

Theme: Economy

Frequency: Quarterly

Geographical Area: Northern Ireland

Date: 17 December 2020

Introduction

The quarterly Index of Services (IOS) provides a timely indicator of change in output within 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 IOS indices, along with published quarterly data and unpublished agricultural output data, are used to generate the [Northern Ireland Composite Economic Index \(NICEI\) \(opens in a new window\)](#). 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. All estimates are compared to the revised Quarter 2 2020 estimates.

- Services output in NI saw a quarterly increase of 22.5% in Quarter 3 2020, and a decrease of 3.9% over the year. This follows respective decreases of 18.0% and 22.8% over the quarter and the year to Quarter 2 2020.
- UK IOS output experienced a smaller increase over the quarter (14.2%), with a larger decrease over the year (10.0%). This follows decreases of 19.3% and 20.8% respectively over both the quarter and the year to Quarter 2 2020.
- When the most recent four quarters are compared to the previous four quarters the NI services sector decreased by 8.3% whilst the UK services sector decreased by 7.8%.
- NI services output is 5.4% lower than the highest point (Quarter 2 2019) in the past ten years, and is 7.0% lower than the highest point (Quarter 4 2006) since the series began.
- The quarterly change to Quarter 3 2020 is the largest quarterly change in the history of the NI IOS. This follows a decrease of 18.0% in Quarter 2 2020, which at the time had been the largest change seen in the NI IOS. Quarter 2 2020 was the lowest point in the NI IOS since the series began.
- The annual decrease to Quarter 3 2020 (3.9%) was the fourth successive annual decrease in the NI series. This followed seven successive quarters of annual growth in the NI index between Quarter 1 2018 and Quarter 3 2019.

Contents

1. Summary of Index of Services	3
1.1 Changes in the Index of Services	3
1.2 Commentary	4
1.3 Context	5
1.4 Revisions	6
2. Services output by sector	7
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
3 Background notes	12
4 Index of Tables	14

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 5th August 2011 following a full [assessment \(opens in a new window\) \(103KB\)](#) against the [Code of Practice \(opens in a new window\)](#).

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 \(opens in a new window\) \(1.13MB\)](#) by offering the option of online data returns.

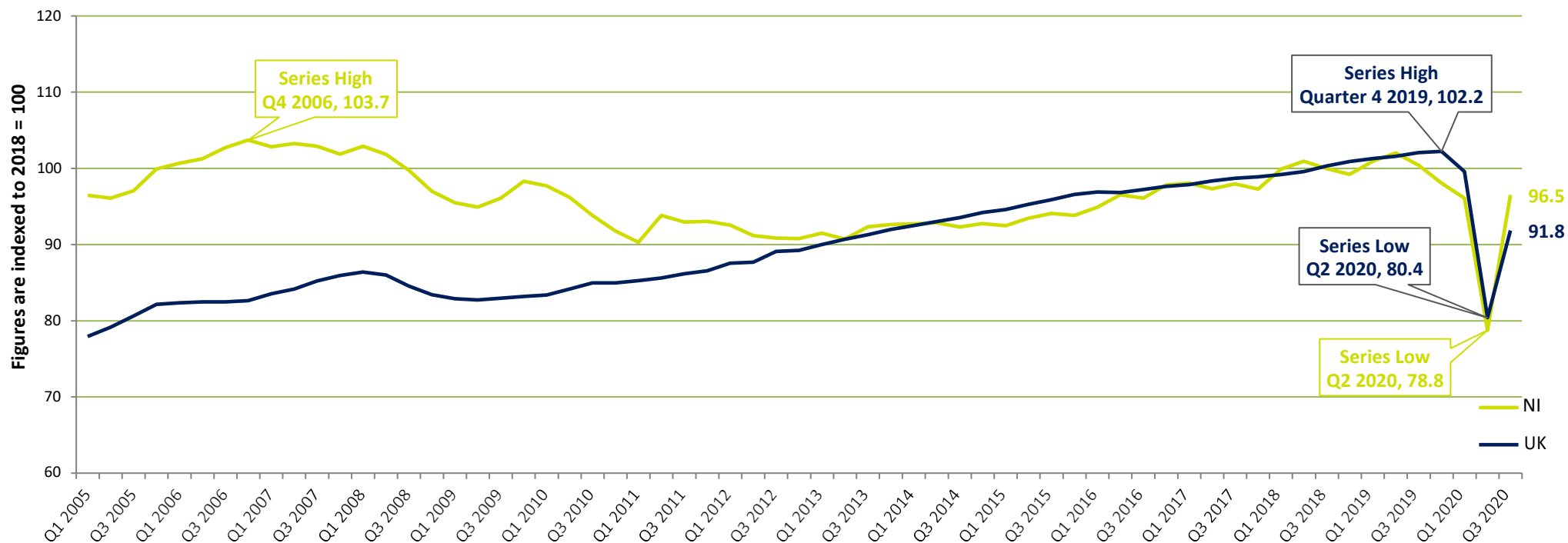
1 Summary of Index of Services

1.1 Changes in Index of Services

The seasonally adjusted estimate for the NI IOS for Quarter 3 2020 output:

- increased by 22.5% over the quarter from the Quarter 2 2020 estimate, following an 18.0% decrease to the revised Quarter 2 estimate;
- decreased by 3.9% over the year from the Quarter 3 2019 estimate; following a 22.8% decrease over the year to the to the revised Quarter 2 estimate, and,
- decreased by 8.3% when the most recent four quarters are compared to the previous four quarters.

Figure 1.1 IOS, NI & UK, Q1 2005 – Q3 2020



[Download in Excel \(498KB\) \(opens in a new window\)](#)

1.2 Commentary

The coronavirus (COVID-19) pandemic and subsequent measures taken to reduce the transmission of the virus impacted on the economy in 2020. June 2020 saw the reopening of non-essential retail and other businesses in NI which was part of the [five-stage plan for easing the COVID-19 lockdown in Northern Ireland \(opens in new window\) \(2.70MB\)](#), published by the Executive. Throughout Quarter 3 2020, there were a number of localised restrictions which impacted on the ability of businesses to operate.

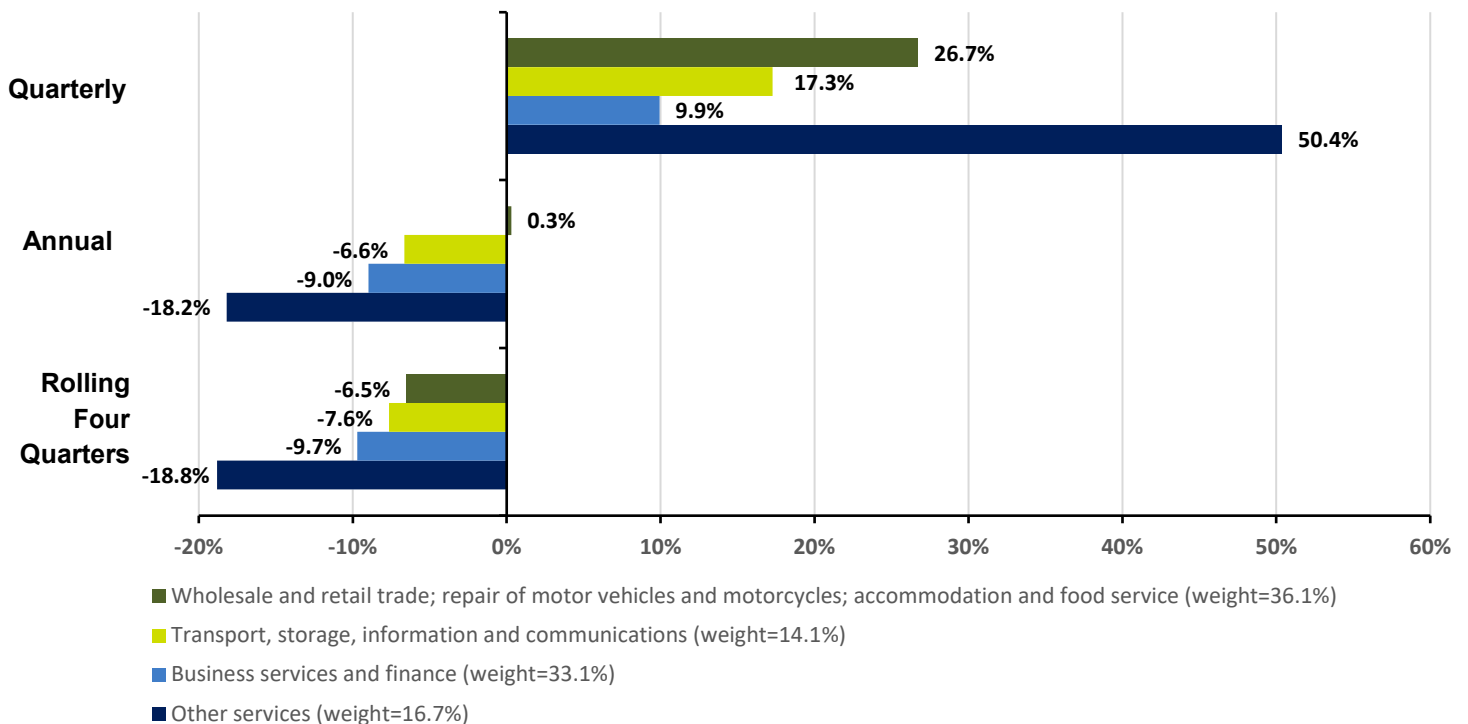
Output in the services sector increased by 22.5% over the third quarter of 2020, from the series low seen in Quarter 2 2020. NI services sector output is now 5.4% lower than the highest point in the past ten years (Quarter 2 2019).

The quarterly increase seen to Quarter 3 2020 in NI is the first quarterly increase in five quarters (Quarter 2 2019), whilst the increase in the UK index Quarter 3 2020 was the first increase following two successive quarterly decreases.

The quarterly increase to Quarter 3 2020 in the NI index is the largest quarterly increase in the history of the series and is larger than the decrease seen in the previous quarter. This is the third quarter which has been impacted by the coronavirus pandemic.

The annual decrease to Quarter 3 2020 (3.9%) was the fourth successive annual decrease in the NI series. This followed seven successive quarters of annual growth in the NI index between Quarter 1 2018 and Quarter 3 2019.

Figure 1.2 NI IOS Quarterly, Annual and Rolling Four Quarter Changes at Sector Level¹



¹ 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 \(opens in a new window\)](#) is available on the NISRA website.

The Department for the Economy (DfE) [Economic Commentary \(opens in a new window\)](#) 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 \(opens in a new window\)](#) dashboard on the [Economic and Labour Market Statistics \(ELMS\) section of the NISRA website \(opens in a new window\)](#).

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) or 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 2018=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 \(opens in a new window\)](#) 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.

Coronavirus 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 3 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:

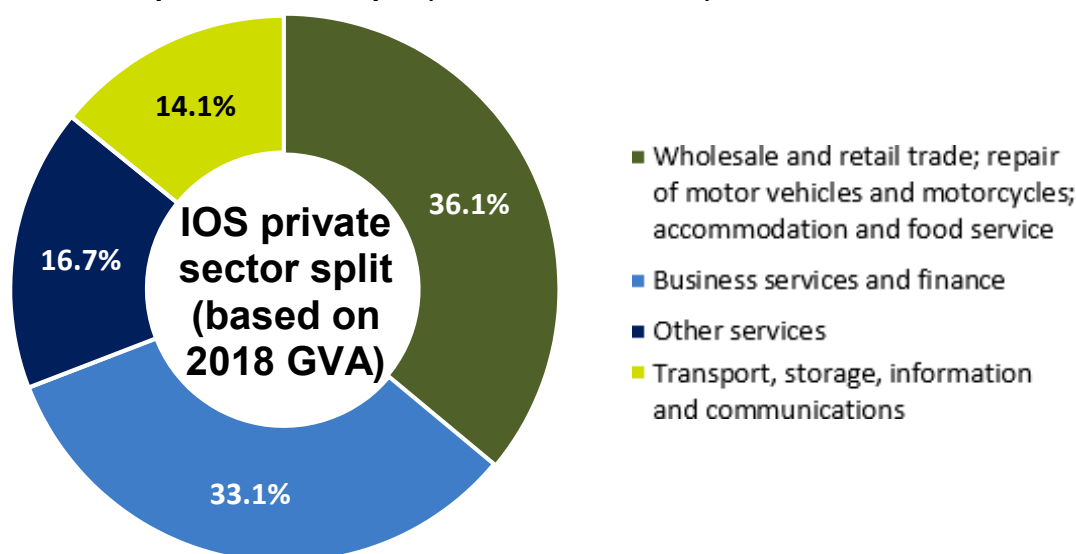
- The NI IOS increased by 22.5% over the quarter, decreased by 3.9% over the year and by 8.3% on a rolling four quarters basis. The NI IOS is 5.4% lower than the highest point in the past ten years (Quarter 2 2019) and is 7.0% lower than the series high (Quarter 4 2006).
- This is the largest quarterly change in the history of the NI IOS and follows the largest quarterly decrease (18.0%) which was seen in Quarter 2 2020.
- The quarterly increase in NI services output reflected increases in all four subsectors, with the Other services sector up 50.4%; the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector up 26.7%; the Transport, storage, information and communications sector up 17.3%; and the Business services and finance sector up 9.9%.
- The annual decrease in NI services output was caused by decreases in three of the four subsectors, with the Other services sector down 18.2%; the Business services and finance sector down 9.0%; and the Transport, storage, information and communications sector down 6.6%. These decreases were partially offset by a 0.3% increase in the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector.

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 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)



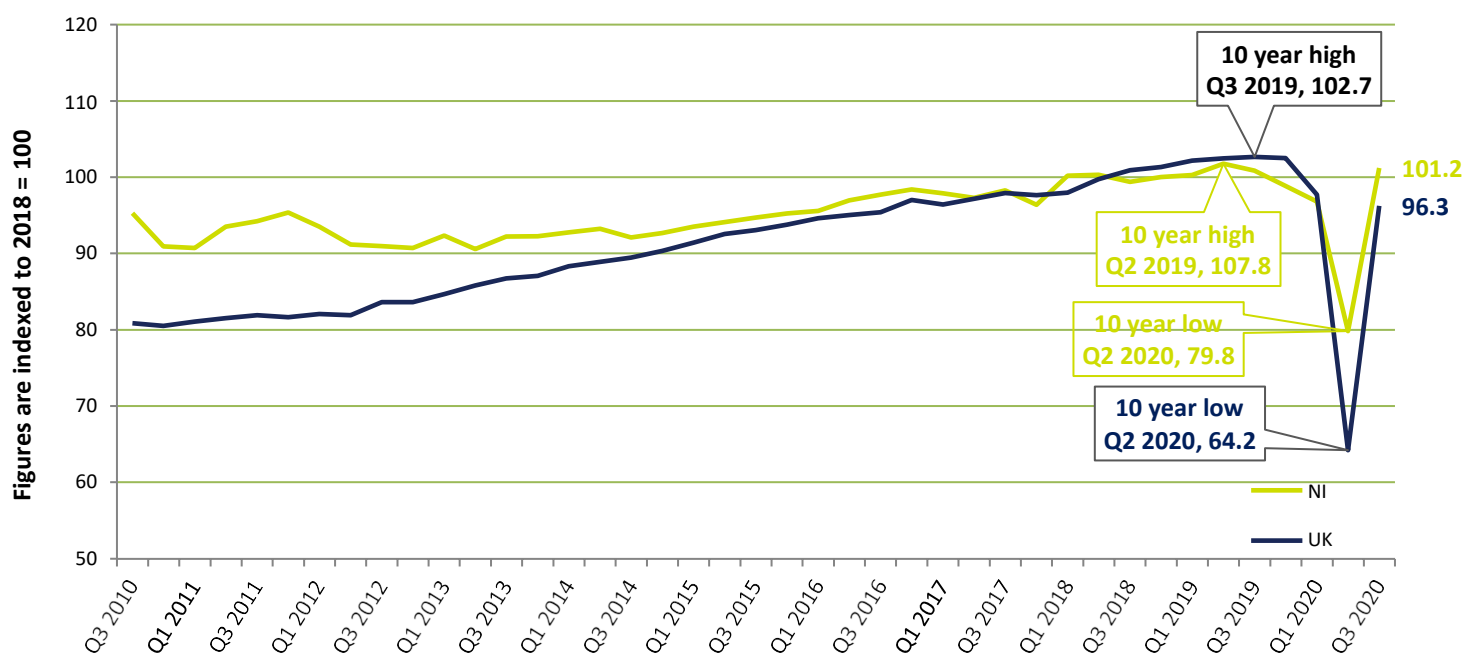
2.2 Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector

(SIC 07 Section G1) – (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:
 - increased by 26.7% over the quarter, which compares to the 17.5% decrease seen the previous quarter;
 - increased by 0.3% over the year; and,
 - decreased by 6.5% on a rolling four quarter basis.
- The UK seasonally adjusted figures:
 - increased by 49.9% over the quarter, which compares to the 34.3% decrease seen the previous quarter;
 - decreased by 6.2% over the year, which compares to the 37.3% decrease seen over the year to Quarter 2 2020; and,
 - decreased by 11.7% on a rolling four quarter basis.
- NI output in Quarter 3 2020 is 26.7% higher than the lowest point recorded since the series began (Quarter 2 2020).
- The quarterly change in the NI series is the largest recorded since the series began.
- NI output this quarter is 2.6% below the series high (Quarter 1 2007) and is 0.6% below the ten year high (Quarter 2 2019).

Figure 2.2 Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector, NI & UK, Q3 2010 – Q3 2020



[Download in Excel \(498KB\) \(opens in a new window\)](#)

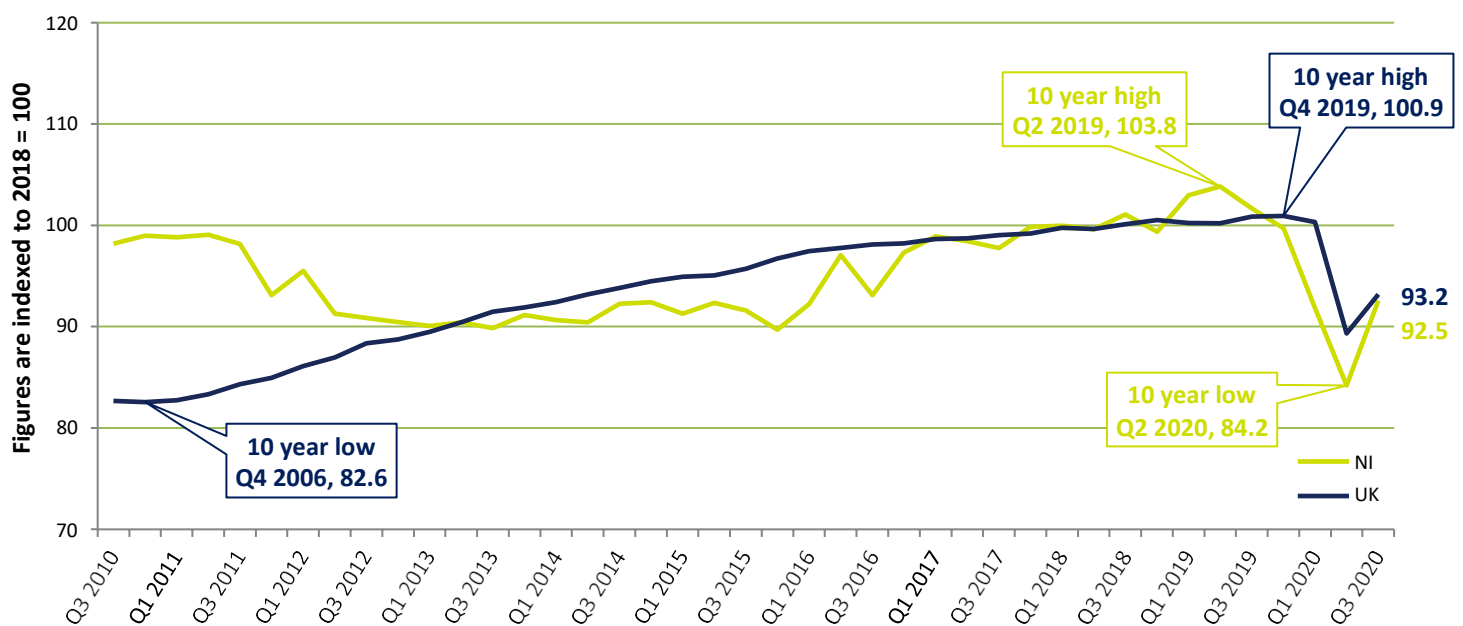
2.3 Business services and finance sector

(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:
 - increased by 9.9% over the quarter, which compares to the 8.3% decrease seen the previous quarter;
 - decreased by 9% over the year; and,
 - decreased by 9.7% on a rolling four quarter basis.
- The UK seasonally adjusted figures:
 - increased by 4.3% over the quarter, which compares to the 11.0% decrease seen the previous quarter;
 - decreased by 7.6% over the year; which compares to the 10.8% decrease seen over the year to Quarter 2 2020; and,
 - decreased by 4.5% on a rolling four quarter basis.
- NI output in Quarter 3 2020 is 10.9% below the highest point (Quarter 2 2019) recorded over the past ten years and is 31.1% below the highest point since the series began (Quarter 3 2006).

Figure 2.3 Business services and finance sector, NI & UK, Q3 2010 – Q3 2020



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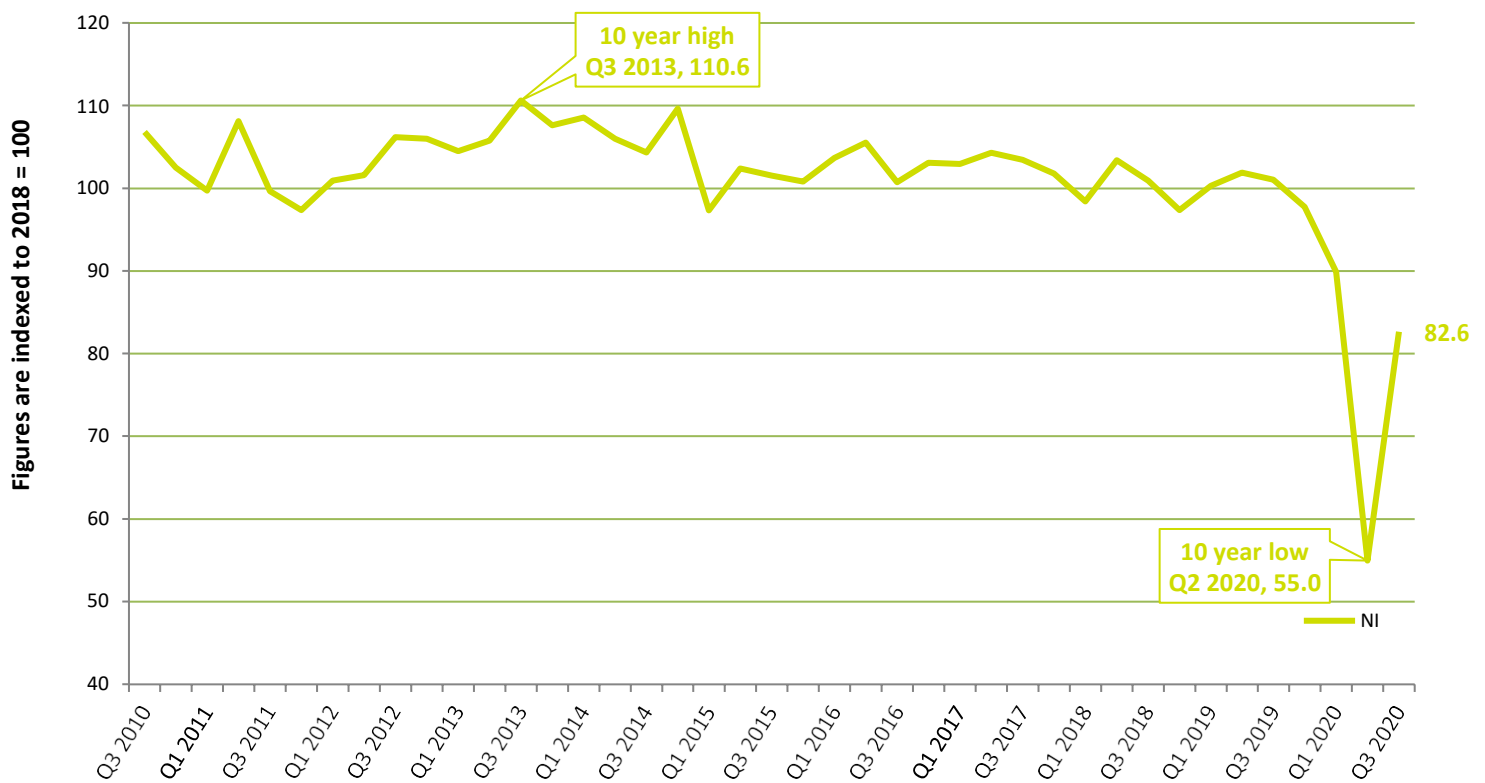
2.4 Other services sector²

(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:
 - increased by 50.4% over the quarter, which compares to the 38.8% decrease seen the previous quarter;
 - decreased by 18.2% over the year; and,
 - decreased by 18.8% on a rolling four quarter basis.
- NI output in Quarter 3 2020 is 25.3% below the highest point (Quarter 3 2013) recorded over the past ten years and is 25.4% below the highest point since the series began (Quarter 3 2009).
- The quarterly change in the NI series is the largest recorded since the series began and is larger than the previous record change reported, a 38.3% decrease seen in Quarter 2 2020.

Figure 2.4 Other services sector, NI, Q3 2010 – Q3 2020



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

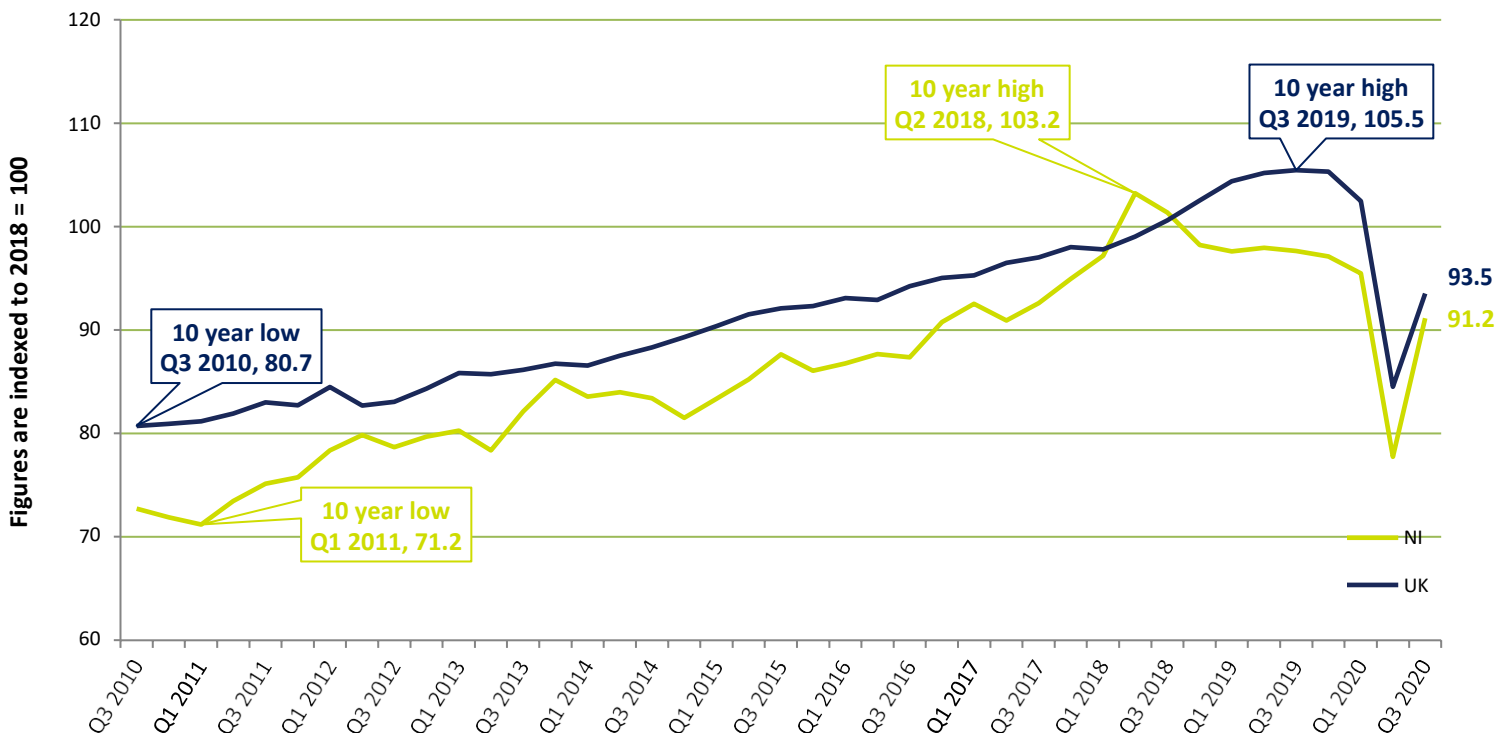
2.5 Transport, storage, information and communications sector

(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:
 - increased by 17.3% over the quarter, which compares to the 18.6% decrease seen the previous quarter;
 - decreased by 6.6% over the year; and,
 - decreased by 7.6% on a rolling four quarter basis.
- The UK seasonally adjusted figures:
 - increased by 10.6% over the quarter, which compares to the 17.5% decrease seen the previous quarter;
 - decreased by 11.3% over the year, which compares to the 19.6% decrease seen over the year to Quarter 2 2020; and,
 - decreased by 7.6% on a rolling four quarter basis.
- NI output in Quarter 3 2020 is 11.7% below the highest point (Quarter 2 2018) since the series began.
- NI output in Quarter 3 2020 is 28% above the lowest point (Quarter 1 2011) recorded over the past ten years and is 49.9% above the lowest point (Quarter 1 2005) recorded since the series began.

Figure 2.5 Transport, storage, information and communications, NI & UK, Q3 2010 – Q3 2020



[Download in Excel \(498KB\) \(opens in a new window\)](#)

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 \(IOS\) \(opens in a new window\)](#).

Impact of coronavirus (COVID-19) on data collection and estimates

Coronavirus 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 3 2020:

	Quarter 3 2020	2019 (median*)
Coverage response rate (<i>returned turnover</i>)	66%	78%

*median value achieved at IOS database closure of quarter 1, quarter 2, quarter 3 and quarter 4 2019.

Coronavirus has resulted in a decrease in coverage rates when compared to 2019 figures since Quarter 1 2020, primarily due to the restrictions in place for businesses. As a result, the estimates for 2020 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 \(opens in a new window\)](#). Figures in this publication are weighted using 2018 GVA which became available on 19th December 2019.

Rebasing

Figures in this bulletin have been rebased from 2016 = 100 to 2018 = 100 in line with ONS figures. For further information on this please see the [Quarter 3 2020 Rebasing notice \(opens in new window\) \(125KB\)](#).

Deflation

All series are measured at a constant market price (2018 = 100). Deflators adjust the value series, taking out the effect of price change, to create the volume series. The deflators used in this bulletin were sent directly by ONS on 7th December 2020. Details on [deflation improvements in the UK national accounts \(opens in a new window\) \(177KB\)](#) can be found on the ONS website.

Seasonal Adjustment Review

Following the most recent 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 \(opens in a new window\) \(620KB\)](#) are available on the NISRA website.

Publications policy

All ELMS publications are available to download from the [ELMS section of the NISRA website \(opens in a new window\)](#).

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 \(opens in a new window\)](#).

Future IOS publications are due to be published on the same day as the [Index of Production \(opens in a new window\)](#) in March, June, September and December of each year. The [ELMS Publication Schedule \(opens in a new window\)](#) is available on the NISRA website.

Next publication

The next bulletin is due to be published on 18 March 2021.

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4 Index of Tables

(Links below will open in a new window)

- [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](#)