

Ulster Bank Northern Ireland PMI[®]

The Ulster Bank Northern Ireland PMI[®] (Purchasing Managers' Index[®]) is produced by Markit Economics.

The report features original survey data collected from a representative panel of companies based in Northern Ireland and operating in the manufacturing, service, construction and retail/wholesale sectors.

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Activity increases sharply, albeit at weakest pace in five months

Although growth in the Northern Ireland private sector eased in the latest survey period, August still saw sharp rises in activity and new business levels, while firms continued to increase their staffing numbers. A further marked rise in input costs was recorded, but the rate of output price inflation was only marginal.

Slower rise in activity

The headline seasonally adjusted Business Activity Index posted 56.7 in August, down from 59.8 in July and signalling the weakest expansion of activity since March. However, the rate of growth remained sharp and output in the Northern Ireland private sector has now increased in 14 successive months. Northern Ireland activity rose at a slower pace than the UK average for the first time in five months. Weaker increases in activity were recorded in the services and retail sectors, but manufacturers and construction firms saw growth pick up.

Panellists indicated that improving economic conditions and stronger confidence among clients had helped to support growth of output. This was also in evidence with regards to new business which increased for a fifteenth straight month. Some respondents indicated that new clients had been secured. That said, the rate of expansion in new orders also eased and was the slowest since last October. Meanwhile, new export orders rose at a modest pace.

Solid increase in employment

A further solid rise in staffing levels was recorded in August, with the rate of job creation only slightly slower than seen in July. All four sectors posted increases in employment, led by manufacturing.

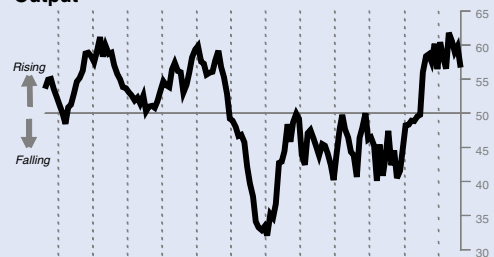
Backlogs of work also continued to increase during the month, extending the current sequence of accumulation to 11 months. The rise in outstanding business in Northern Ireland was faster than the UK average, and was led by a marked rise in backlogs at construction companies.

Charges raised only slightly

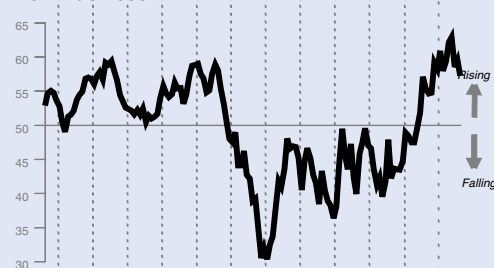
Input prices increased sharply, with anecdotal evidence linking part of the latest rise to higher staff costs. The rate of cost inflation in Northern Ireland remained much stronger than seen across the UK as a whole. The fastest rise in input prices was recorded in the construction sector.

Although companies in Northern Ireland continued to raise their output prices in August, the rate of inflation was only marginal and the weakest in three months. Three of the four monitored sectors posted increases in charges, the exception being manufacturing where output prices fell for the third time in the past four months.

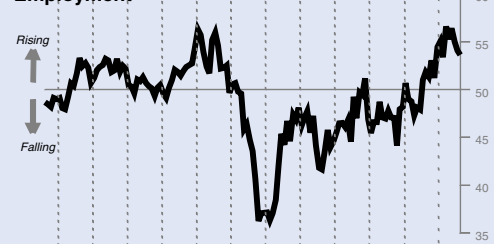
Output



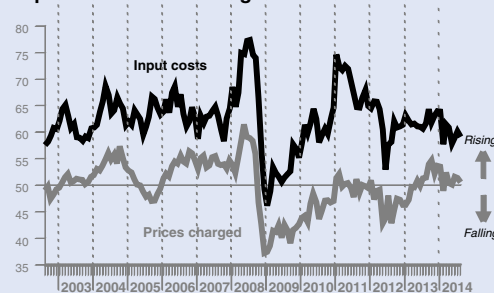
New Business



Employment



Input Costs/Prices Charged



The above charts plot the seasonally adjusted indicators of business conditions in Northern Ireland. Index readings above 50.0 signal an increase on the previous month while readings below 50.0 signal a decrease.

Output / Business Activity

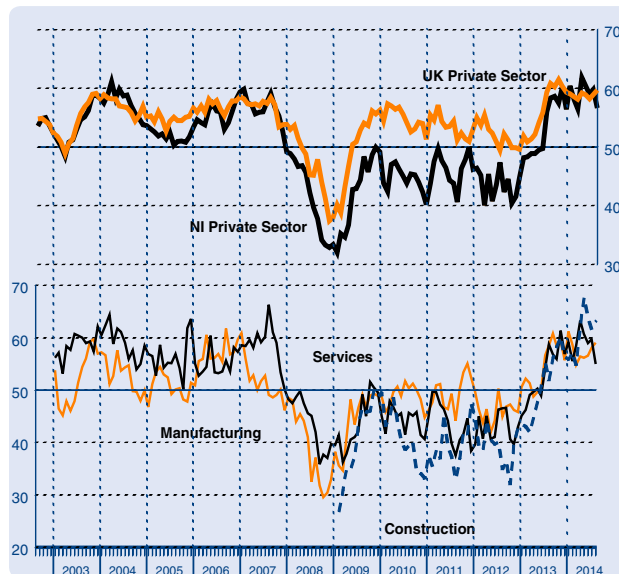
Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies						All UK	
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2014	Mar	29.2	59.2	11.5	17.7	58.8	56.6
	Apr	41.5	53.9	4.6	36.9	68.5	61.9
	May	29.6	61.8	8.6	21.0	60.5	60.6
	Jun	28.4	57.3	14.4	14.0	57.0	59.0
	Jul	25.7	56.4	17.9	7.8	53.9	59.8
	Aug	21.0	59.0	20.0	1.0	50.5	56.7

Business activity at Northern Ireland companies increased sharply again during August, extending the current sequence of rising output to 14 months. That said, the rate of expansion slowed from July to the weakest since March. Growth at Northern Ireland firms was also slower than the UK average, the first time this has been the case in five months. Where activity rose, this was sometimes linked by panellists to improving economic conditions and an associated strengthening of client confidence. Construction firms posted the sharpest increase in activity, followed by manufacturers. Slowdowns in growth were seen in the services and retail sectors.

By sector

		Construction	Manufacturing	Services
'14	Jun	63.9	56.7	59.0
	Jul	61.7	58.2	59.7
	Aug	63.3	59.1	55.0



New Business

Q. Is the level of new orders or incoming new business at your company higher, the same or lower this month than one month ago?

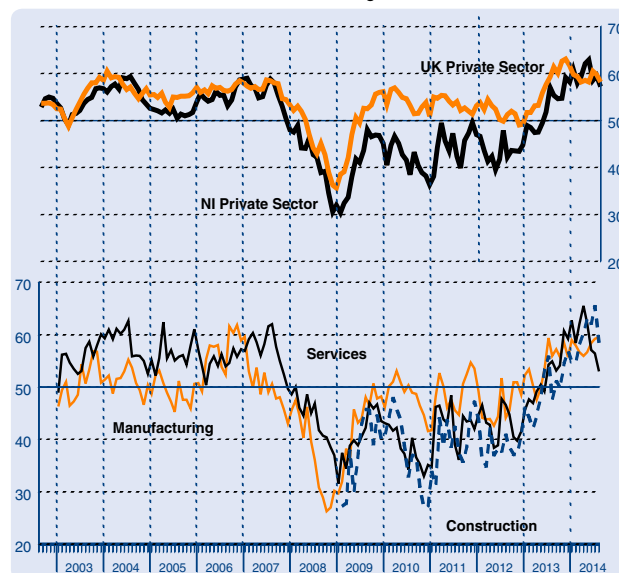
Northern Ireland Companies						All UK	
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2014	Mar	34.8	53.3	11.9	22.9	61.4	59.5
	Apr	42.1	49.1	8.8	33.3	66.6	62.2
	May	32.8	58.6	8.6	24.1	62.1	62.9
	Jun	31.4	51.4	17.3	14.1	57.1	58.6
	Jul	25.6	57.8	16.6	9.0	54.5	59.5
	Aug	23.4	56.6	20.0	3.4	51.7	57.2

As has been the case in each of the past 15 months, new business at Northern Ireland companies rose during August. The rate of growth was marked, but eased to the weakest since October last year. The rise in new business in Northern Ireland was also slower than seen across the UK as a whole. Some panellists attributed higher new orders to the securing of new clients, while others pointed to strength in the construction sector.

Data showed that construction new orders rose sharply again during August. A substantial increase in new business was also recorded at manufacturing firms, while slower rises were seen at services and retail companies.

By sector

		Construction	Manufacturing	Services
'14	Jun	62.1	58.4	57.1
	Jul	65.6	59.2	56.5
	Aug	58.5	59.5	53.1



Backlogs

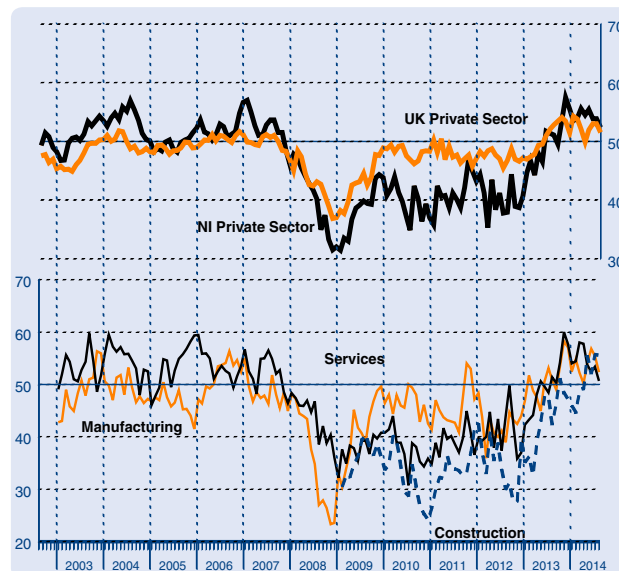
Q. Is the level of business outstanding (i.e. work not yet commenced or completed) at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies						All UK	
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2014	Mar	25.7	62.0	12.3	13.4	56.7	55.6
	Apr	24.4	66.3	9.3	15.2	57.6	54.5
	May	21.5	67.1	11.5	10.0	55.0	55.5
	Jun	22.0	66.0	12.0	10.0	55.0	53.9
	Jul	17.3	68.9	13.8	3.6	51.8	53.9
	Aug	16.8	64.8	18.4	-1.6	49.2	52.4

Backlogs of work continued to increase in August, with panellists mainly linking the latest accumulation to growth of new business. Outstanding business has now increased in each of the past 11 months. The latest rise in backlogs of work was solid despite slowing from the previous month, and remained stronger than the UK average. A marked accumulation in outstanding business was seen at construction companies, with the rate of expansion unchanged from July. Elsewhere, backlogs of work rose at weaker rates, with the marginal rate of accumulation in the service sector the slowest since September 2013.

By sector

		Construction	Manufacturing	Services
'14	Jun	52.1	56.9	52.5
	Jul	55.7	55.5	53.4
	Aug	55.7	52.4	50.8



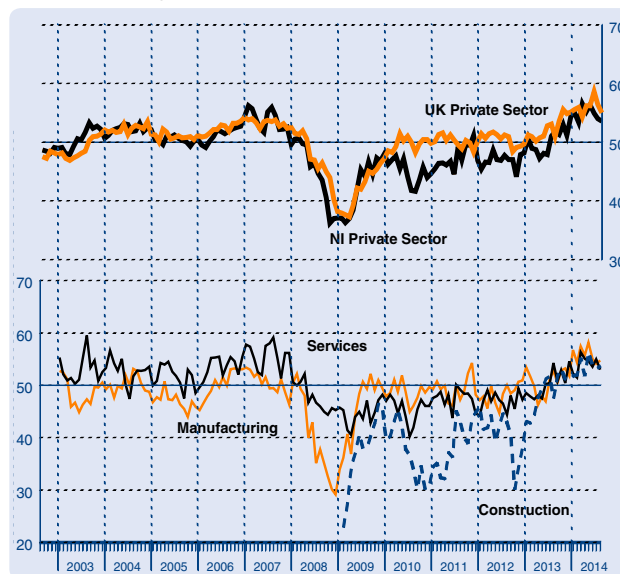
Employment

Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2014 Mar	19.4	74.2	6.4	13.1	56.5	56.6	54.4
Apr	14.9	80.6	4.5	10.4	55.2	55.3	56.2
May	17.0	79.9	3.1	13.9	57.0	56.4	56.3
Jun	13.1	83.1	3.8	9.3	54.7	55.0	58.7
Jul	12.2	83.8	4.0	8.2	54.1	54.1	56.5
Aug	10.8	85.7	3.5	7.3	53.7	53.7	55.1

Northern Ireland companies responded to further growth of new work by increasing their staffing levels again in August. Employment has now risen in each of the past 14 months. The latest round of hiring was solid and little-changed from that seen in July. However, the rate of job creation in Northern Ireland remained weaker than that registered across the UK economy as a whole. Solid increases in employment were recorded across each of the four monitored sectors. The sharpest rise was at manufacturing firms, where the rate of job creation quickened. The only sector to see a slower rise in employment was services.

By sector			
	Construction	Manufacturing	Services
'14 Jun	53.8	55.1	53.6
Jul	53.1	54.2	55.0
Aug	53.7	54.8	53.0



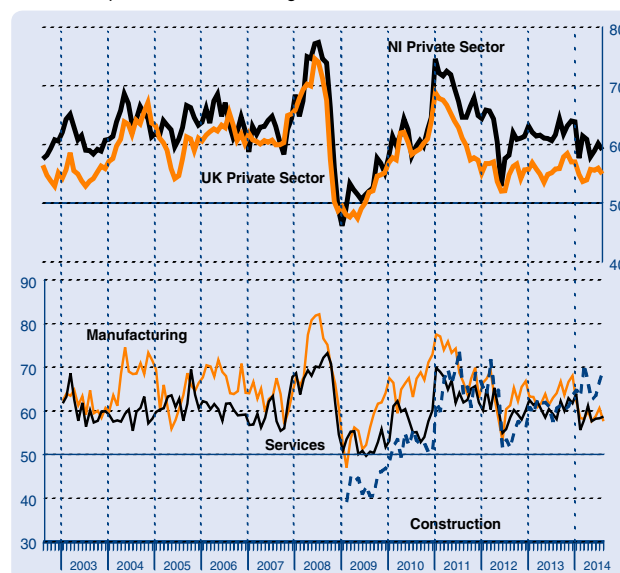
Input Costs

Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2014 Mar	31.3	67.1	1.6	29.7	64.8	61.5	53.8
Apr	26.8	72.1	1.1	25.6	62.8	60.9	54.0
May	20.8	76.2	2.9	17.9	59.0	57.9	55.8
Jun	23.4	72.8	3.8	19.6	59.8	59.0	55.7
Jul	22.1	74.5	3.3	18.8	59.4	60.2	56.0
Aug	18.1	77.5	4.4	13.7	56.9	59.1	55.0

Input costs continued to rise at a sharp pace at Northern Ireland companies in August. Although the rate of inflation eased slightly from the previous month, the rise in Northern Ireland remained much stronger than the UK economy average. According to respondents, higher staff costs had been the main factor leading input prices to increase. The construction sector posted the sharpest rise in input costs again in August as the rate of inflation hit a five-month high. The increase at service providers was also faster than recorded in the previous month, but elsewhere costs rose at slower rates than in July.

By sector			
	Construction	Manufacturing	Services
'14 Jun	63.6	58.8	58.3
Jul	66.9	60.6	58.4
Aug	69.8	57.7	58.7



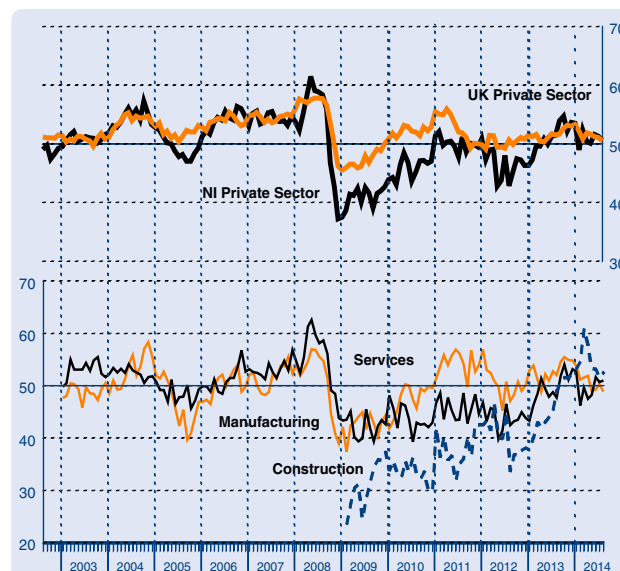
Prices Charged

Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2014 Mar	14.1	78.1	7.8	6.3	53.1	52.4	50.8
Apr	11.3	81.7	7.0	4.3	52.1	50.4	51.9
May	9.7	83.7	6.5	3.2	51.6	50.1	51.7
Jun	9.6	85.2	5.2	4.4	52.2	51.6	51.2
Jul	9.0	83.1	7.9	1.0	50.5	51.4	51.1
Aug	5.3	86.7	8.0	-2.7	48.6	50.6	50.6

A slight increase in output prices was recorded at Northern Ireland companies during August. Prices charged have now risen in each of the past six months, but the rate of inflation slowed to the weakest since May. The increase in output prices in Northern Ireland was the same as that registered across the UK as a whole. Those panellists that recorded a rise in output prices linked this to higher input costs. Three of the four monitored sectors posted an increase in charges, with the fastest rise at retailers. On the other hand, manufacturing firms lowered their charges for the third time in the past four months.

By sector			
	Construction	Manufacturing	Services
'14 Jun	53.2	49.3	51.7
Jul	51.6	50.3	50.7
Aug	52.6	48.9	51.1



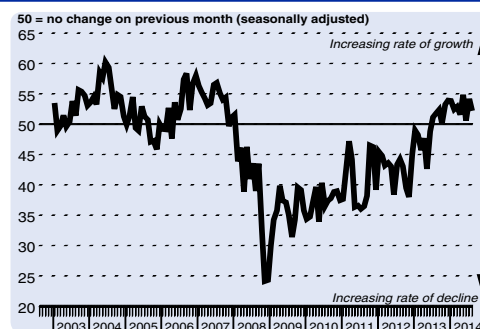
New Export Business*

Is the level of new export business at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies

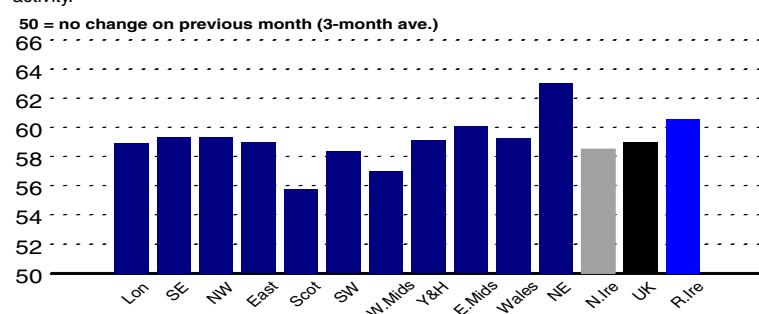
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2014	Mar	19.4	64.6	16.0	3.4	51.7	52.9
	Apr	14.2	76.6	9.2	5.1	52.5	51.6
	May	27.6	59.2	13.2	14.4	57.2	54.9
	Jun	18.0	66.0	16.0	2.0	51.0	50.7
	Jul	20.2	64.9	14.9	5.2	52.6	54.2
	Aug	17.8	64.6	17.6	0.2	50.1	52.2

Northern Ireland companies recorded an increase in new export business for the fourteenth successive month during August. However, the rate of expansion was only modest, having slowed from that recorded in July.



Regional Comparisons: Output / Business Activity

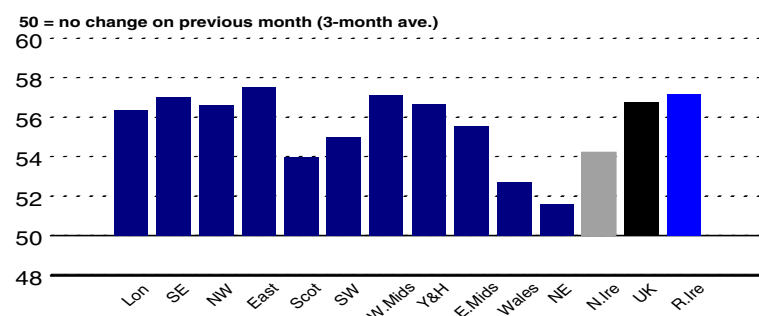
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Robust rates of output expansion were recorded in all 12 regions monitored by the survey. Companies in the North East posted the fastest rise in business activity during the three months to August, followed by those in the East Midlands. Meanwhile, the Republic of Ireland continued to register strong growth of activity.



	Share of UK GVA, 2012 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.8%)	60.5	58.9	58.7
South East	(14.9%)	60.2	59.4	59.4
North West	(9.6%)	59.2	59.4	61.2
East of England	(8.6%)	59.1	59.0	60.2
Scotland	(7.8%)	56.0	55.8	54.6
South West	(7.5%)	59.9	58.4	57.8
West Midlands	(7.2%)	58.9	57.0	57.7
Yorks & Humber	(6.9%)	57.8	59.1	60.8
East Midlands	(5.9%)	59.8	60.1	60.0
Wales	(3.5%)	59.0	59.3	58.5
North East	(3.1%)	59.3	63.0	60.4
N.Ireland	(2.2%)	58.8	58.5	56.7
UK	(100.0%)	59.4	59.0	59.8
Rep. of Ireland	n/a	58.6	60.6	61.7

Regional Comparisons: Employment

The graph below shows the regional PMI Employment Indexes for the UK. An average of the latest three months is used (see also the table to the right). Payroll numbers increased in all 12 regions on average during the three months to August. Job creation was strongest in the East of England, followed by the West Midlands and the South East. A sharp increase in employment was seen in the Republic of Ireland.



	Share of UK GVA, 2012 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.8%)	56.4	56.3	53.5
South East	(14.9%)	55.6	57.0	53.9
North West	(9.6%)	56.4	56.6	54.0
East of England	(8.6%)	55.8	57.5	54.6
Scotland	(7.8%)	53.5	54.0	54.5
South West	(7.5%)	55.6	55.0	55.2
West Midlands	(7.2%)	54.6	57.1	56.6
Yorks & Humber	(6.9%)	54.8	56.7	55.2
East Midlands	(5.9%)	53.5	55.5	54.2
Wales	(3.5%)	53.0	52.7	53.6
North East	(3.1%)	52.1	51.6	48.1
N.Ireland	(2.2%)	54.1	54.2	53.7
UK	(100.0%)	55.7	56.8	55.1
Rep. of Ireland	n/a	56.4	57.2	57.6

PMI® Survey Methodology

The Purchasing Managers' Index® (or PMI®) surveys are monthly surveys of carefully selected companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices across both manufacturing and service sectors. Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline on the previous month. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration. The greater the divergence from 50.0, the greater the rate of change (expansion or contraction) signalled. The indices are

seasonally adjusted to take into consideration expected variations for the time of year, such as summer shutdowns and national holidays.

Sector data published in the Ulster Bank Northern Ireland PMI report are intended to give an indication of underlying trends in the manufacturing, services and construction industries within the Northern Ireland private sector economy. Data at the sector level are more volatile than the headline total private sector economy figures, and month-on-month movements in the sector data should therefore be treated with a degree of caution.

*Exports are defined as sales outside of the United Kingdom.

Ulster Bank and Markit Economics

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Our focus is firmly centred on our customers. Every business customer benefits from access to a dedicated, professional and highly trained relationship manager. Their role is to gain a genuine understanding of our customers' business needs and provide dedicated financial information and assistance.

We work together to achieve business success, no matter how simple or complex our customers' requirements. A combination of size, financial strength

and wide ranging capability means we can deliver for our customers, whatever their business may be.

Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI) series, which is now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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Ulster Bank Northern Ireland Purchasing Managers Index (PMI)

*Includes analysis of Global, Eurozone, UK, UK Regions, NI &
Republic of Ireland economic performance by sector*

August 2014 Survey Update

Issued 8th September 2014

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PMI Surveys

Purchasing Managers' Indexes (PMIs) are monthly surveys of private sector companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices across different sectors.

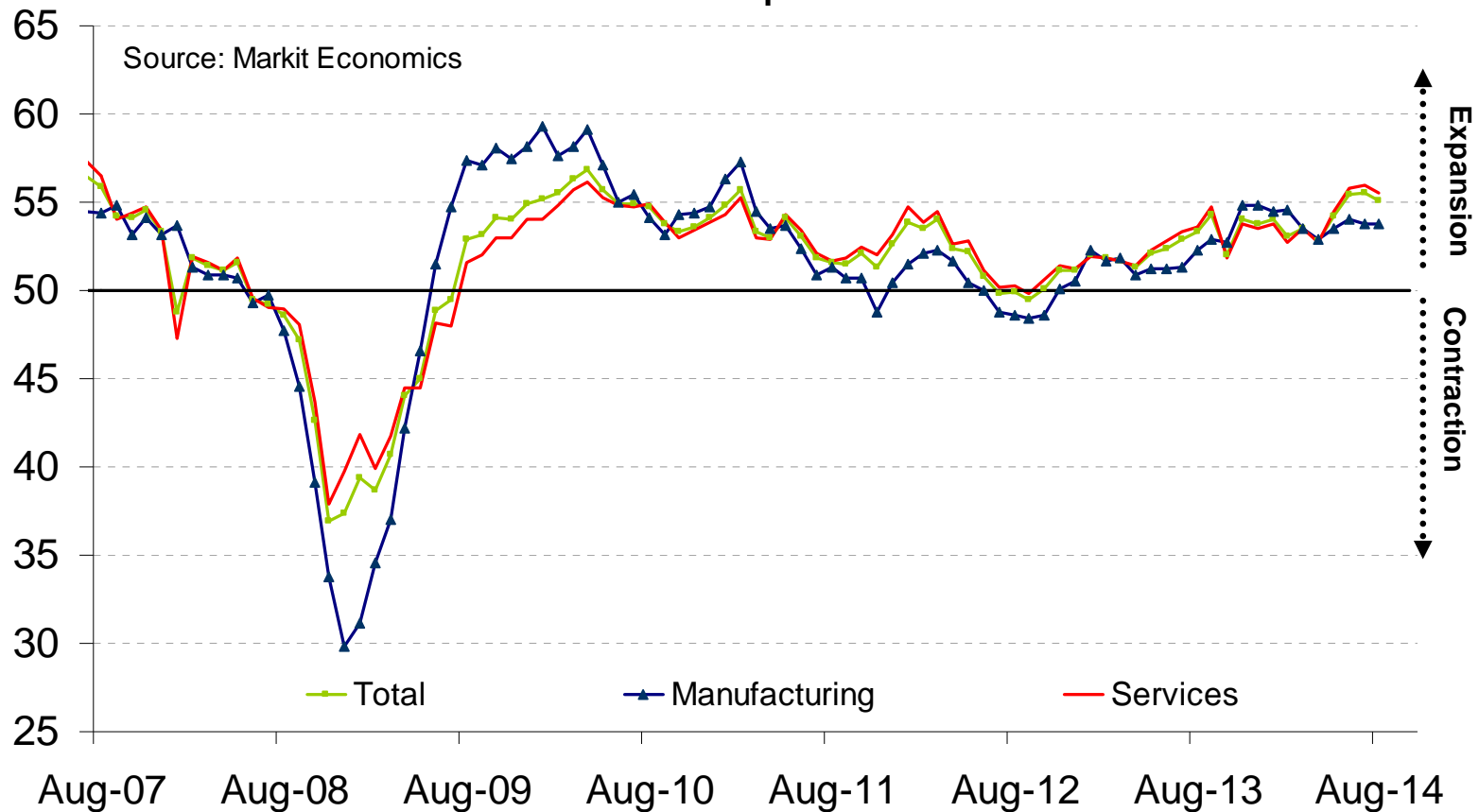
Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline on the previous month. These indices vary from 0 to 100 with readings of 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration. The greater the divergence from 50.0 the greater the rate of change (expansion or contraction). The indices are seasonally adjusted to take into consideration expected variations for the time of year, such as summer shutdowns or holidays.

< 50.0 = Contraction 50.0 = No Change > 50.0 = Expansion

*Data at a sector level are more volatile and **3-month moving averages** have been used to more accurately identify the broad trends.*

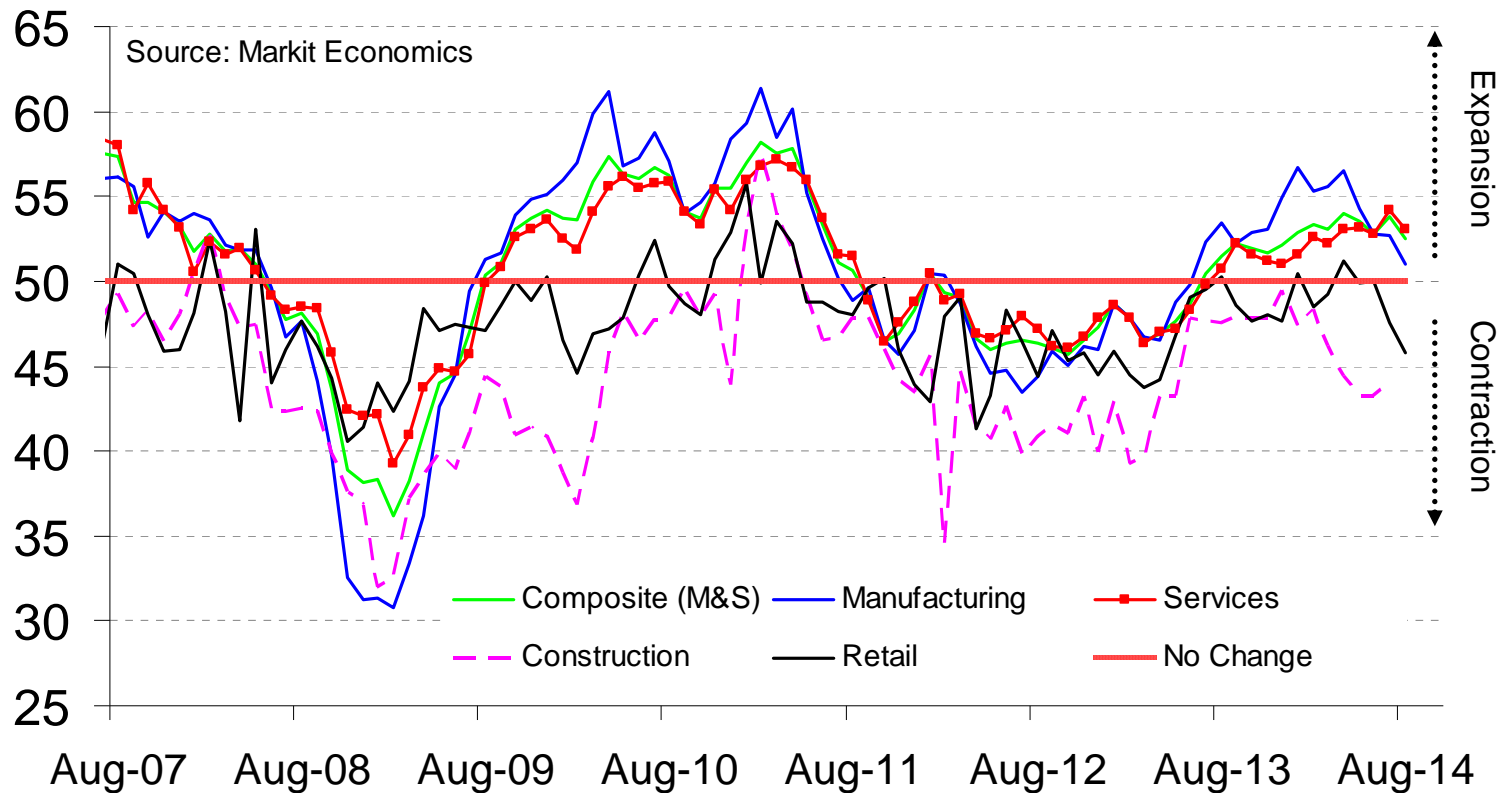
Global manufacturing & services output growth continues at a robust rate in August

Global Output - PMI



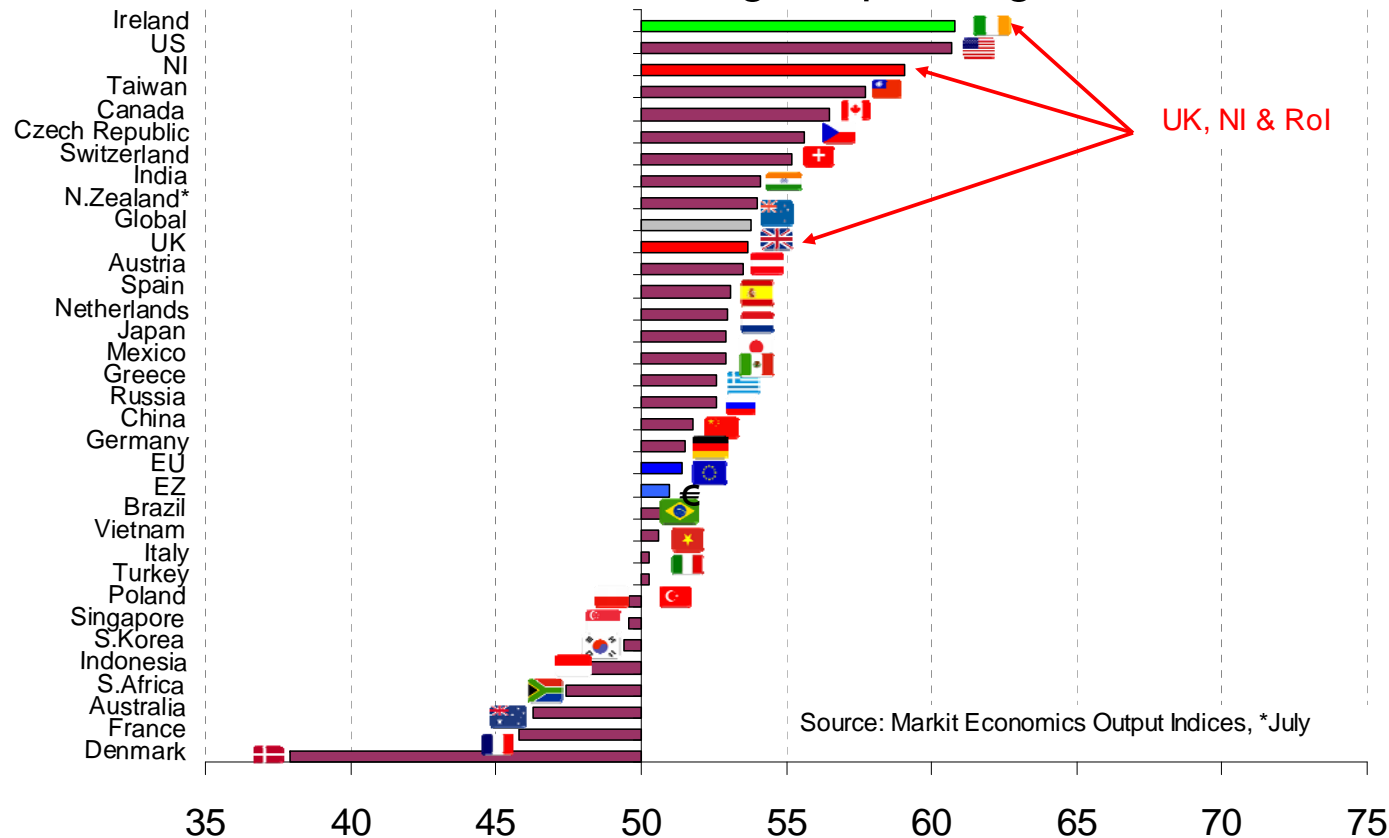
The EZ's services & manufacturing sectors lose momentum with retail & construction still contracting

Eurozone PMIs: Output



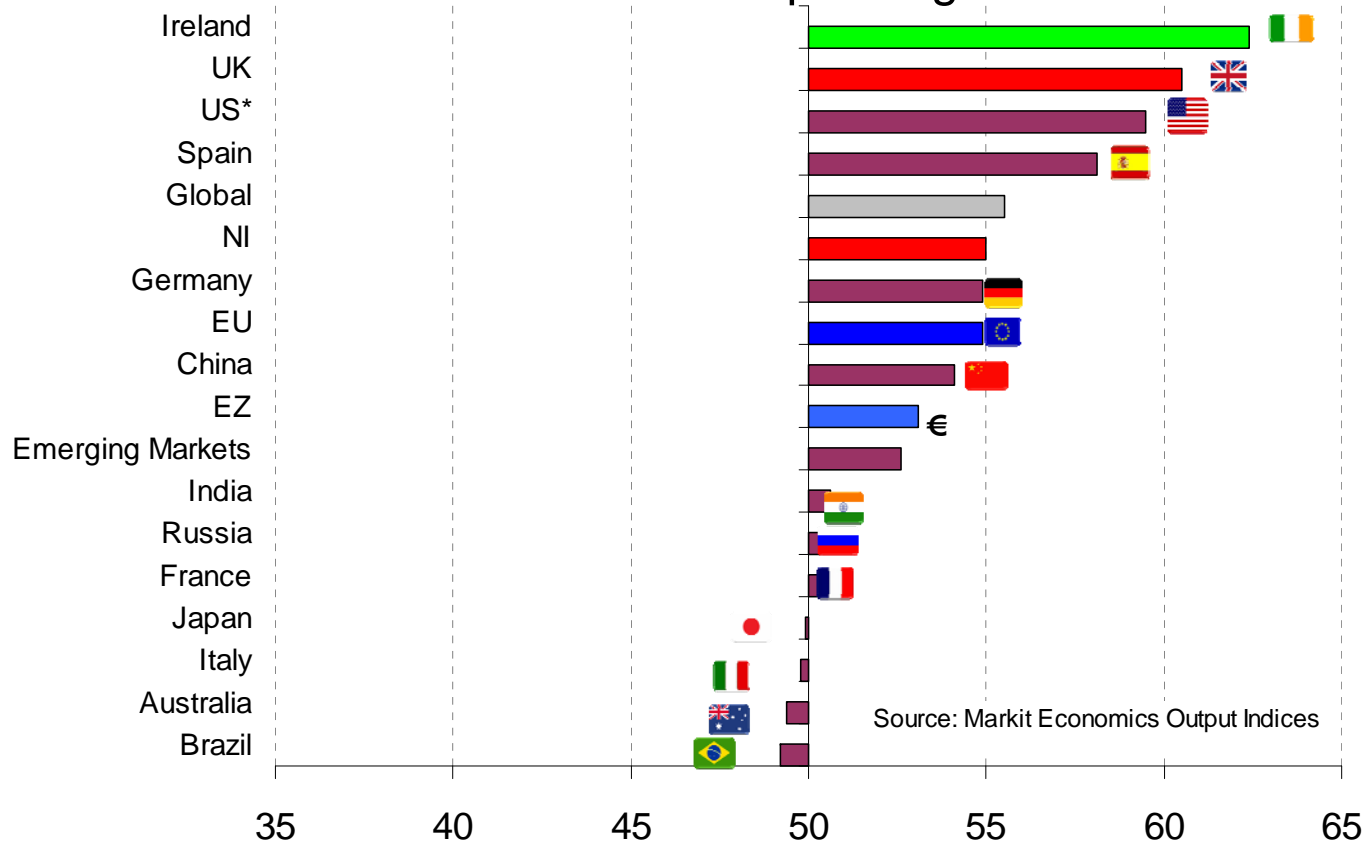
The Republic of Ireland, the US and NI posted the fastest rates of manufacturing output growth in August

PMIs: Manufacturing Output August 2014



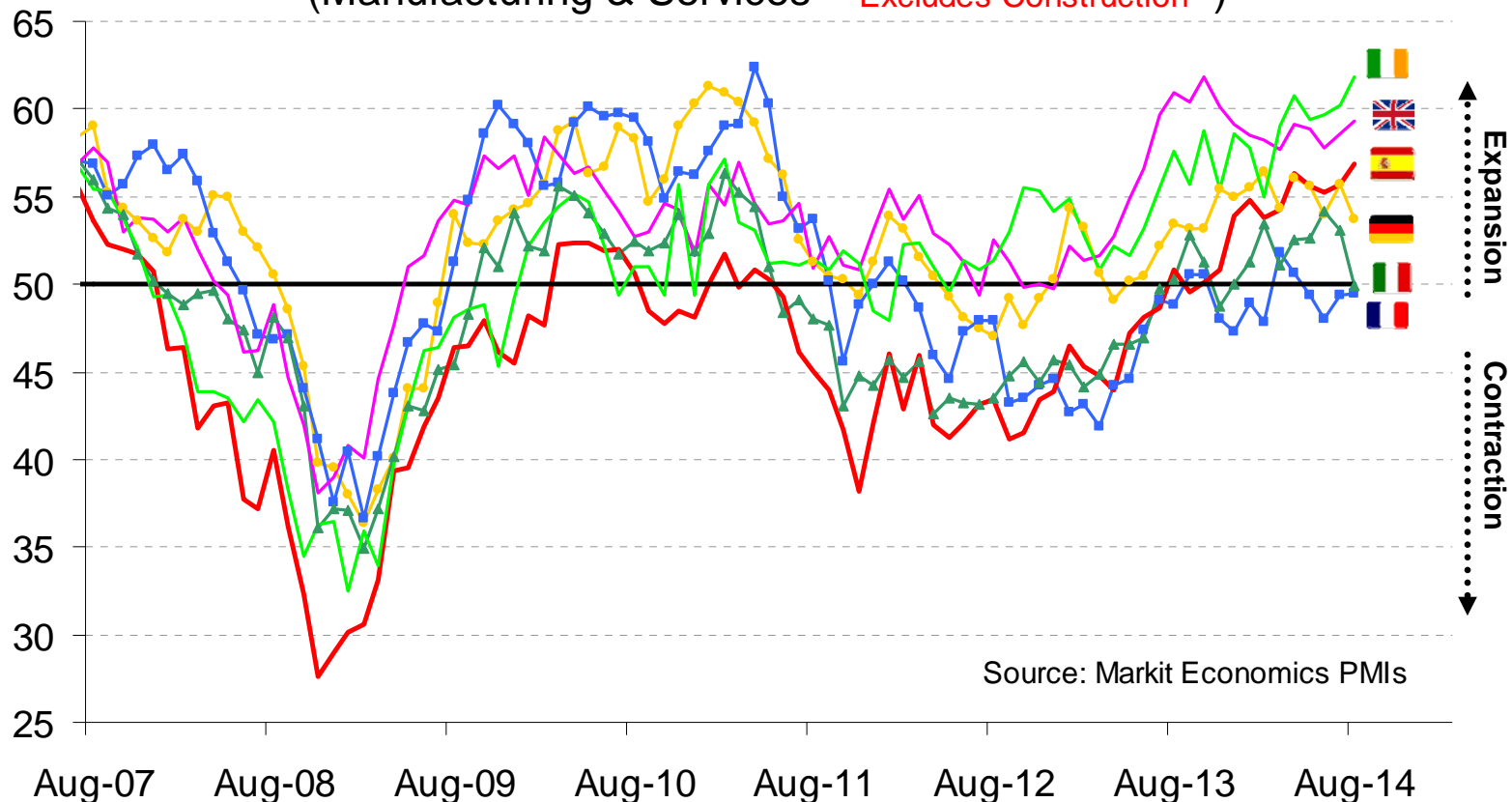
The Republic of Ireland, the UK & the US posted the fastest rates of service sector output growth in August

PMIs: Services Output August 2014

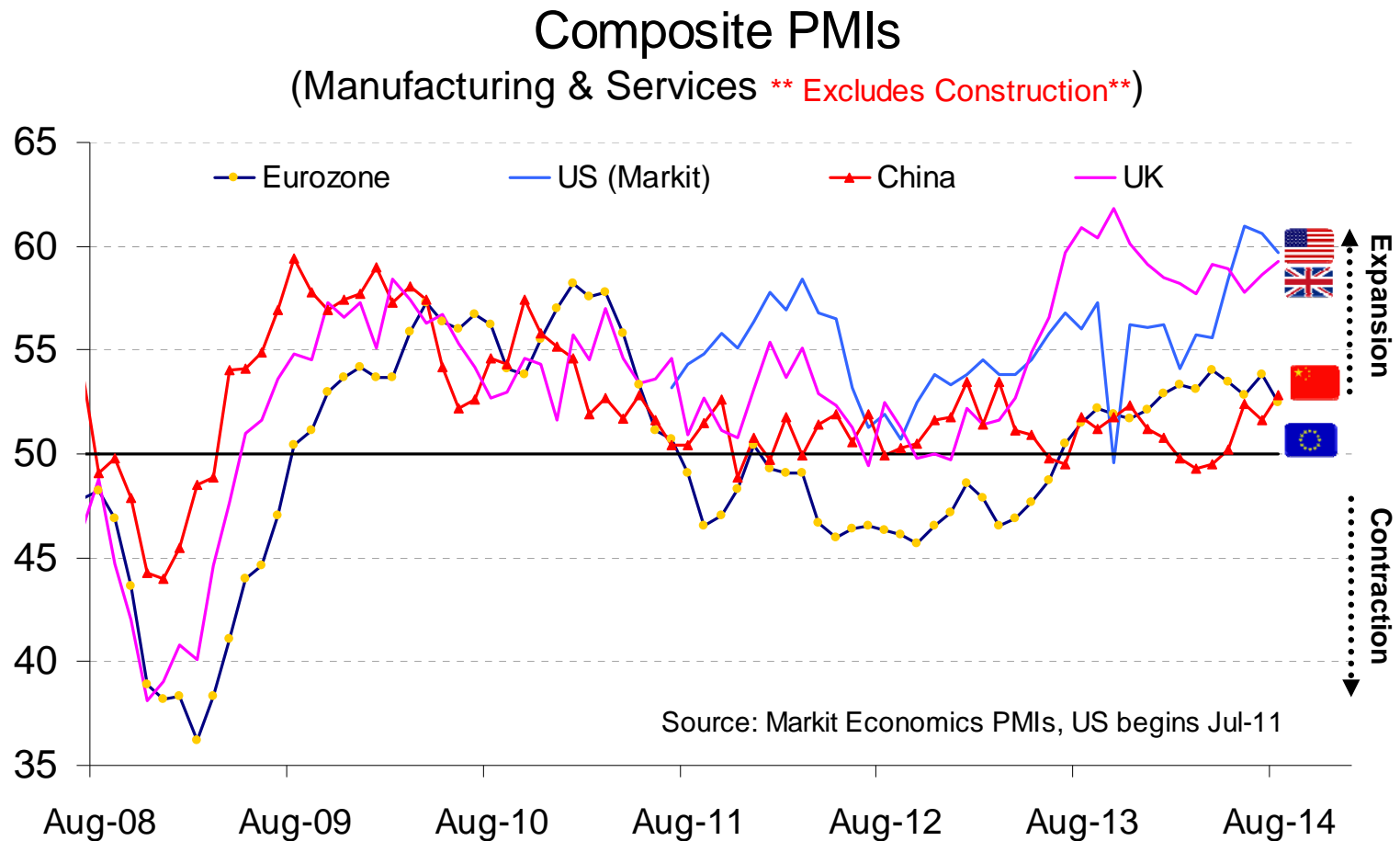


German growth slowing, Italy & France contracting and Spain, Ireland & the UK posting an acceleration in growth

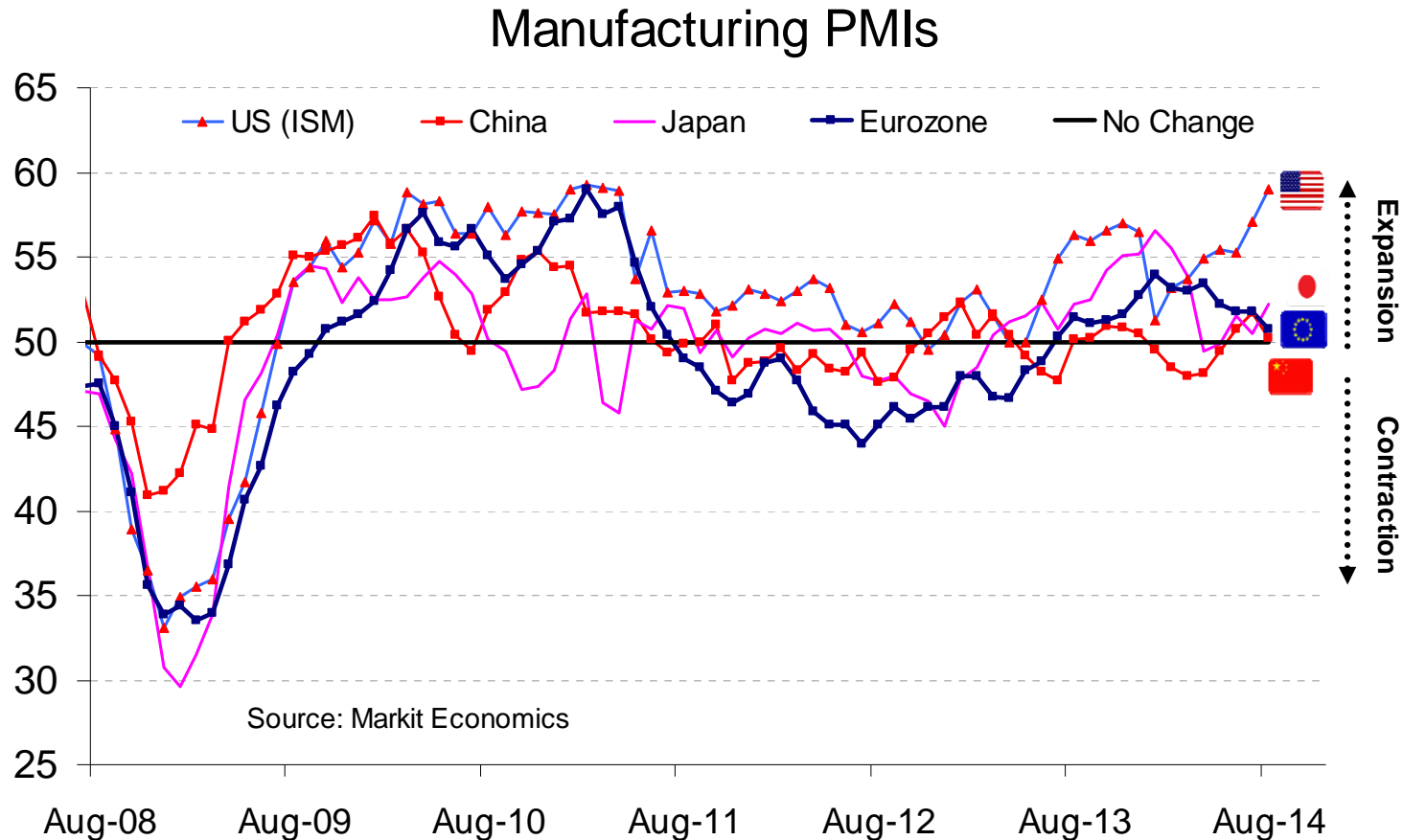
Composite PMIs
(Manufacturing & Services ** Excludes Construction**)



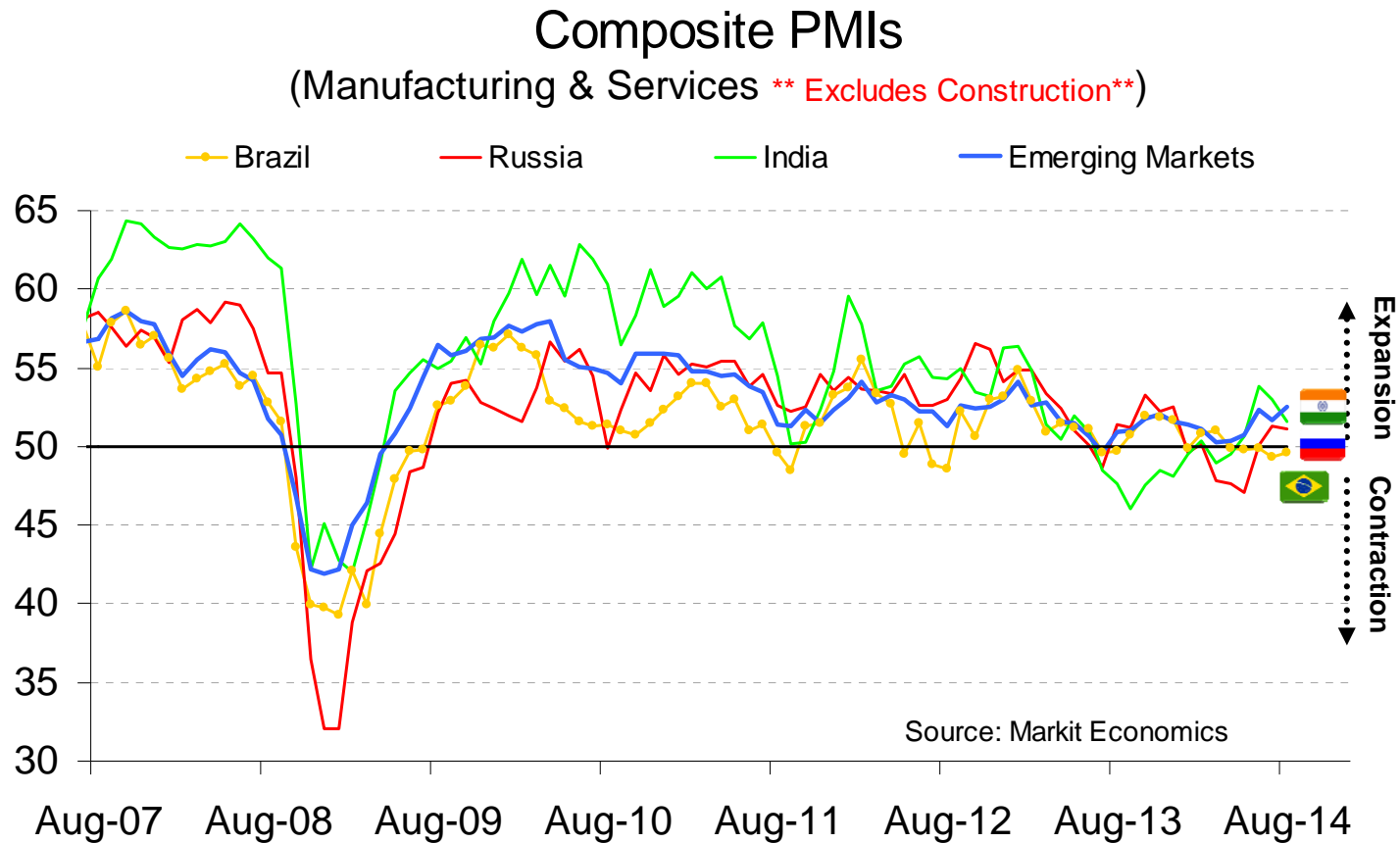
The UK & Chinese Composite PMIs improve in August



The US recovery accelerates with Japan also reporting a quickening in manufacturing activity

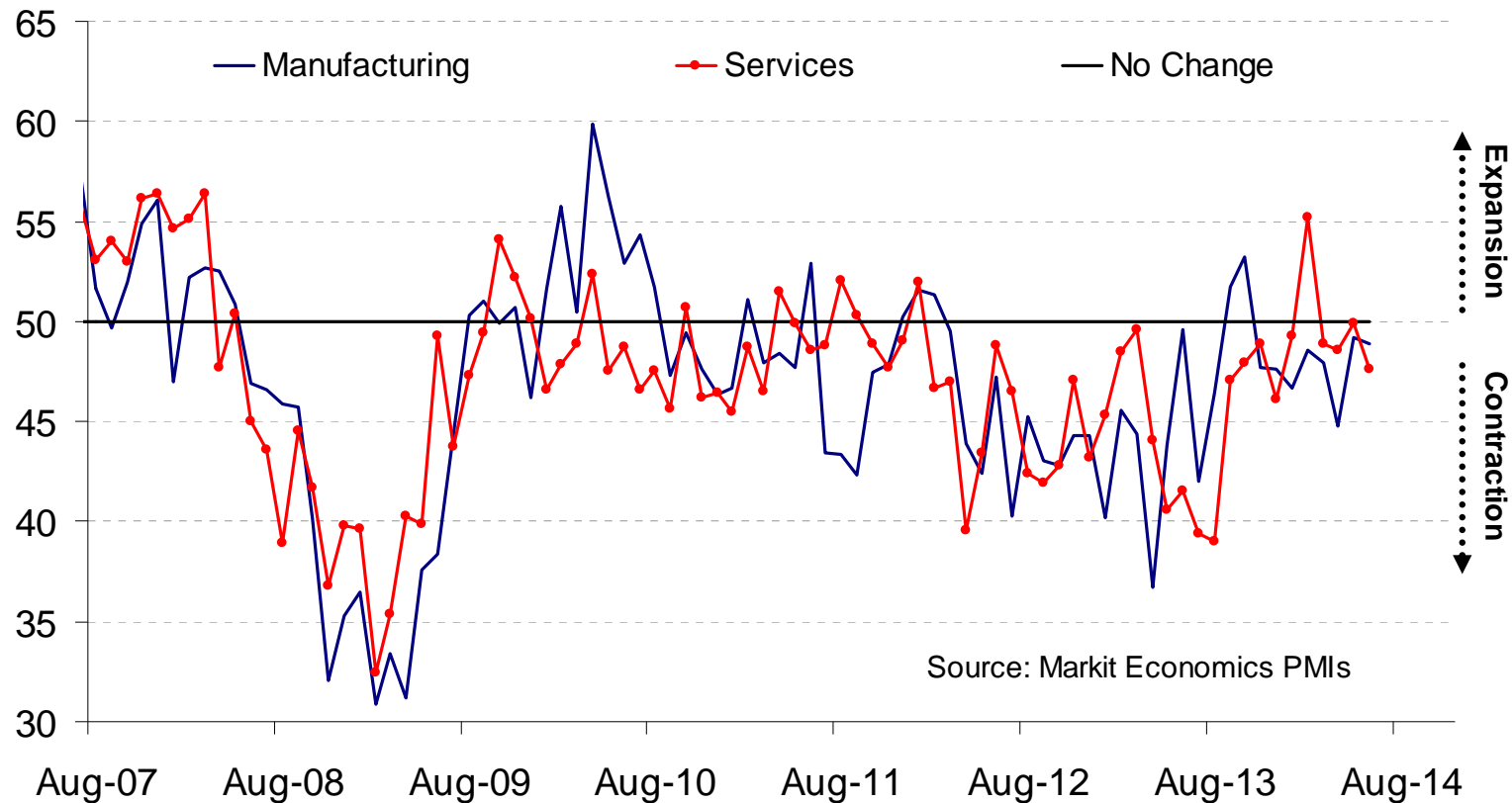


Emerging markets post their strongest rate of growth in 17 months due primarily to a pick-up in China



Australia's services & manufacturing sectors remain 'Down Under' the 50 threshold in August

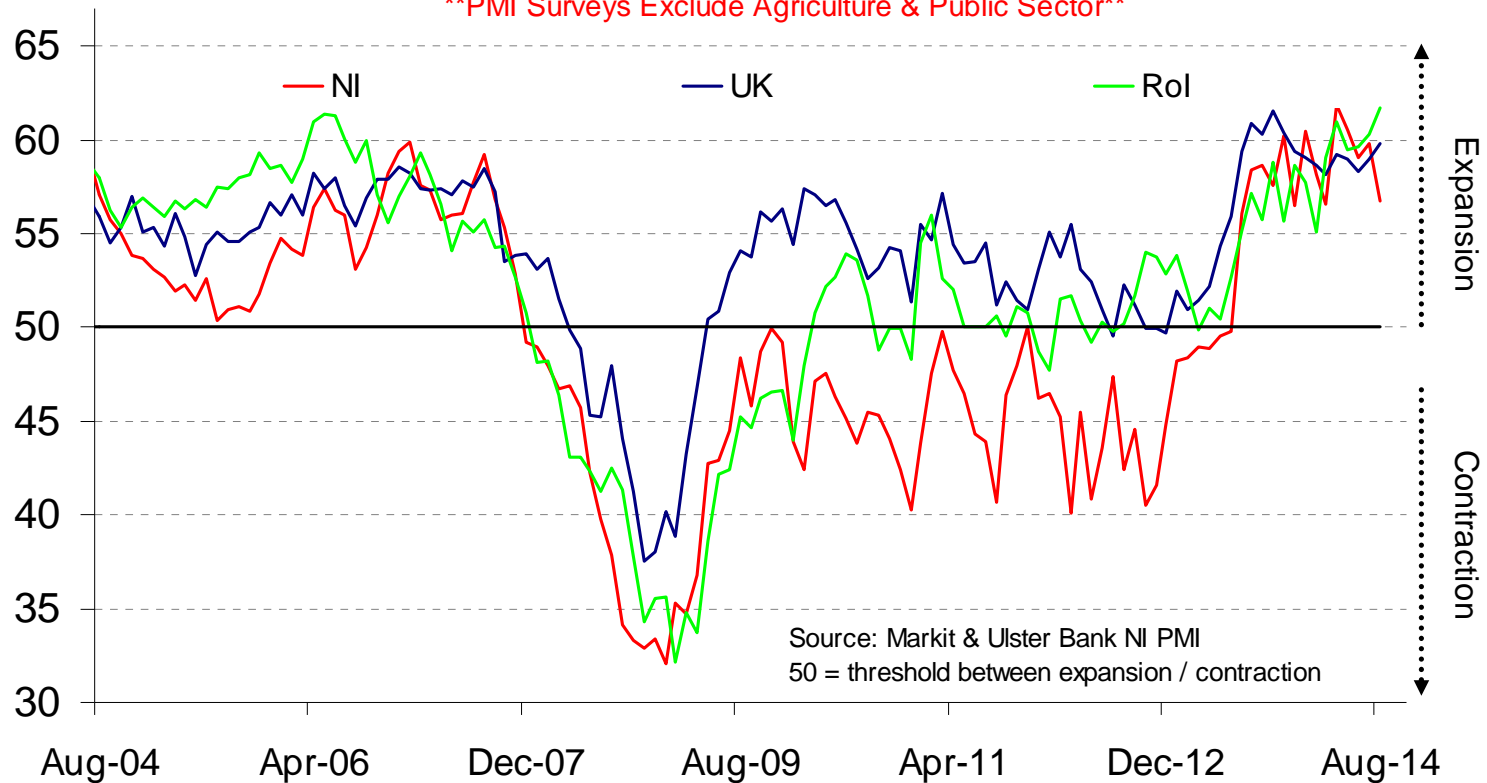
Australia - PMI



Firms in the UK & RoI signal an acceleration in their rates of growth in output but NI's pace of growth eases

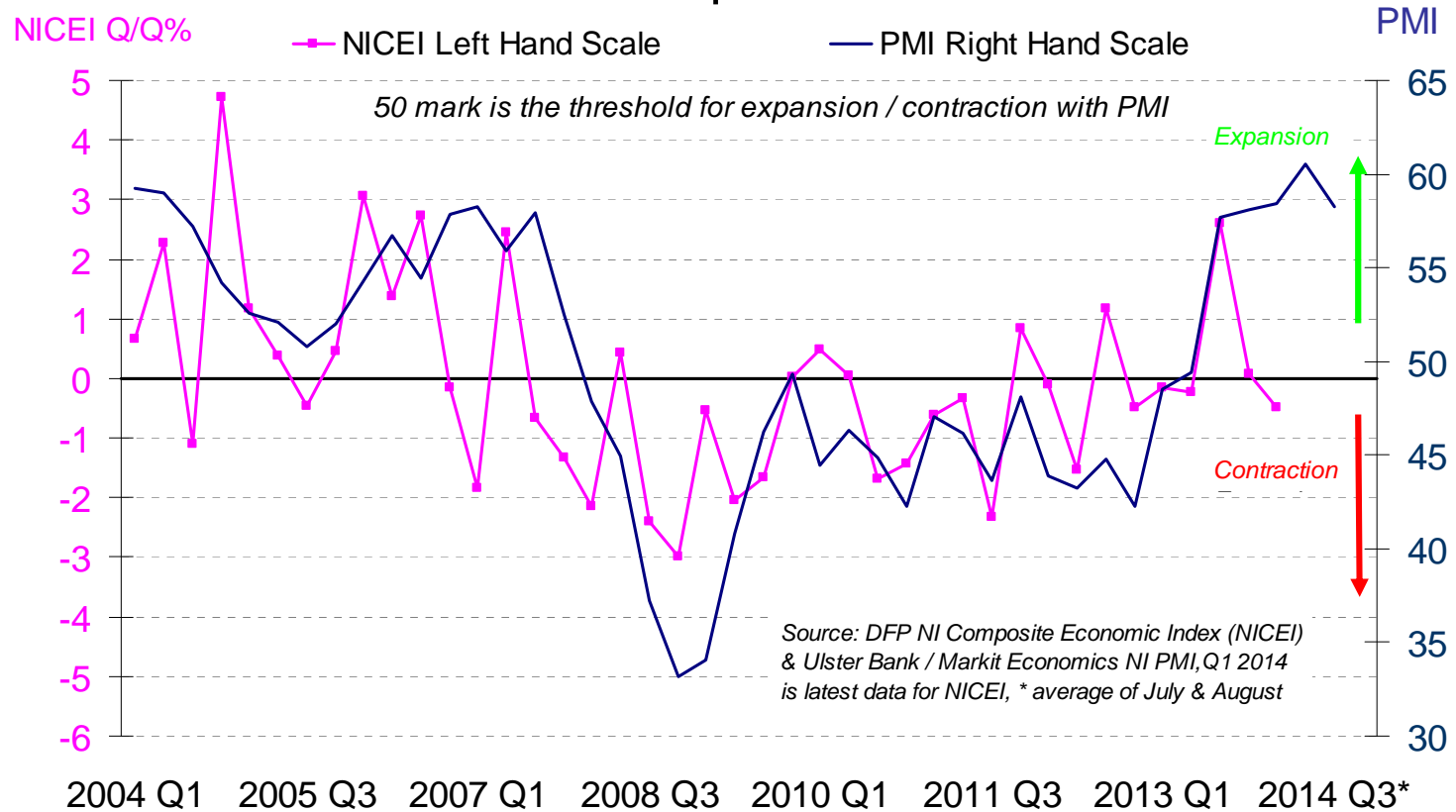
Private Sector Business Activity - PMIs

****PMI Surveys Exclude Agriculture & Public Sector****



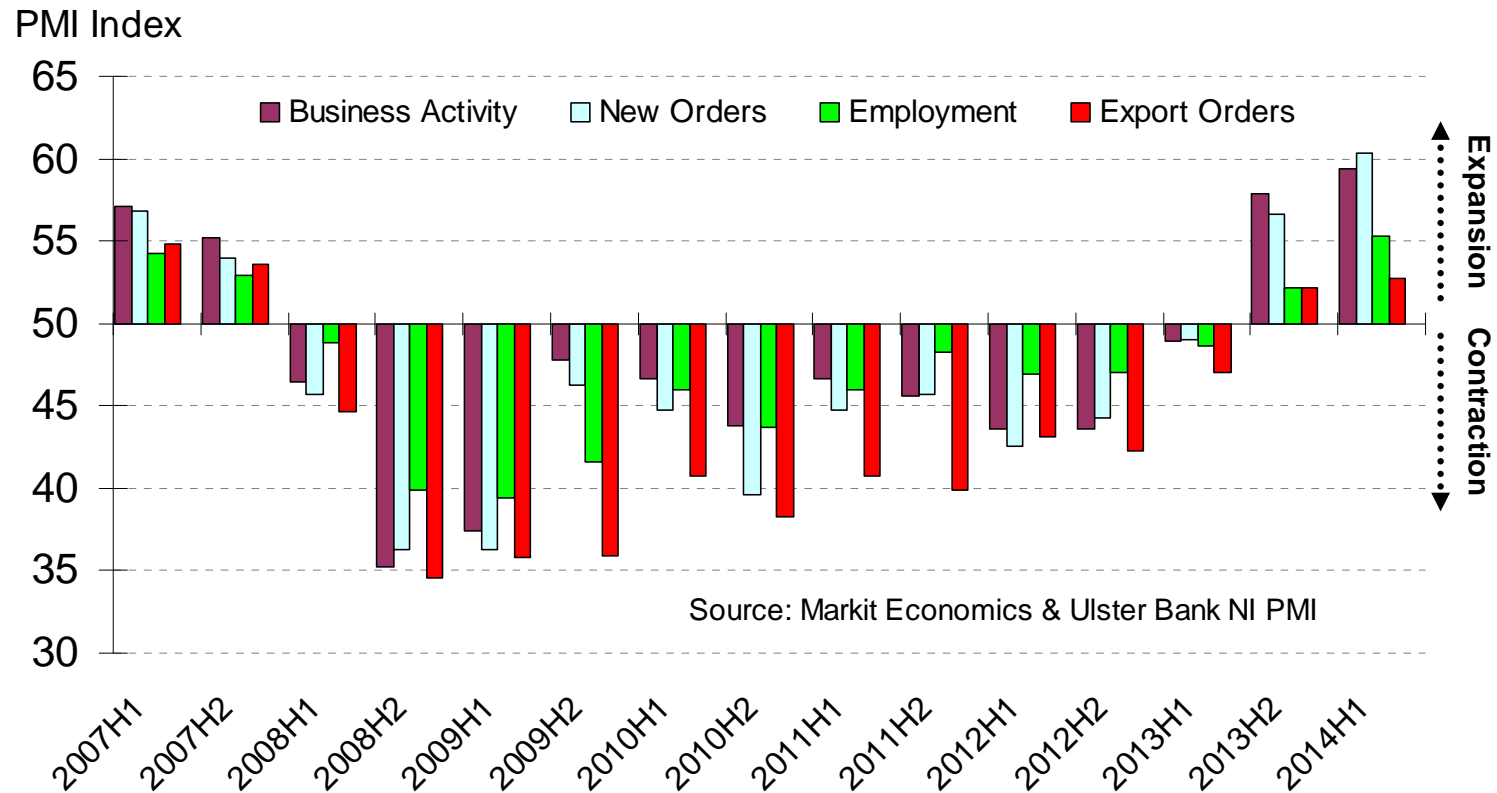
PMI suggests growth in DFP's private sector composite index *(combines indices for construction, services, agriculture & industrial production)* in Q1-Q3 2014

NI Private Sector Output Index Versus NI PMI



NI's recovery took hold in the second half (H2) of 2013 with all indicators improving in (H1) 2014

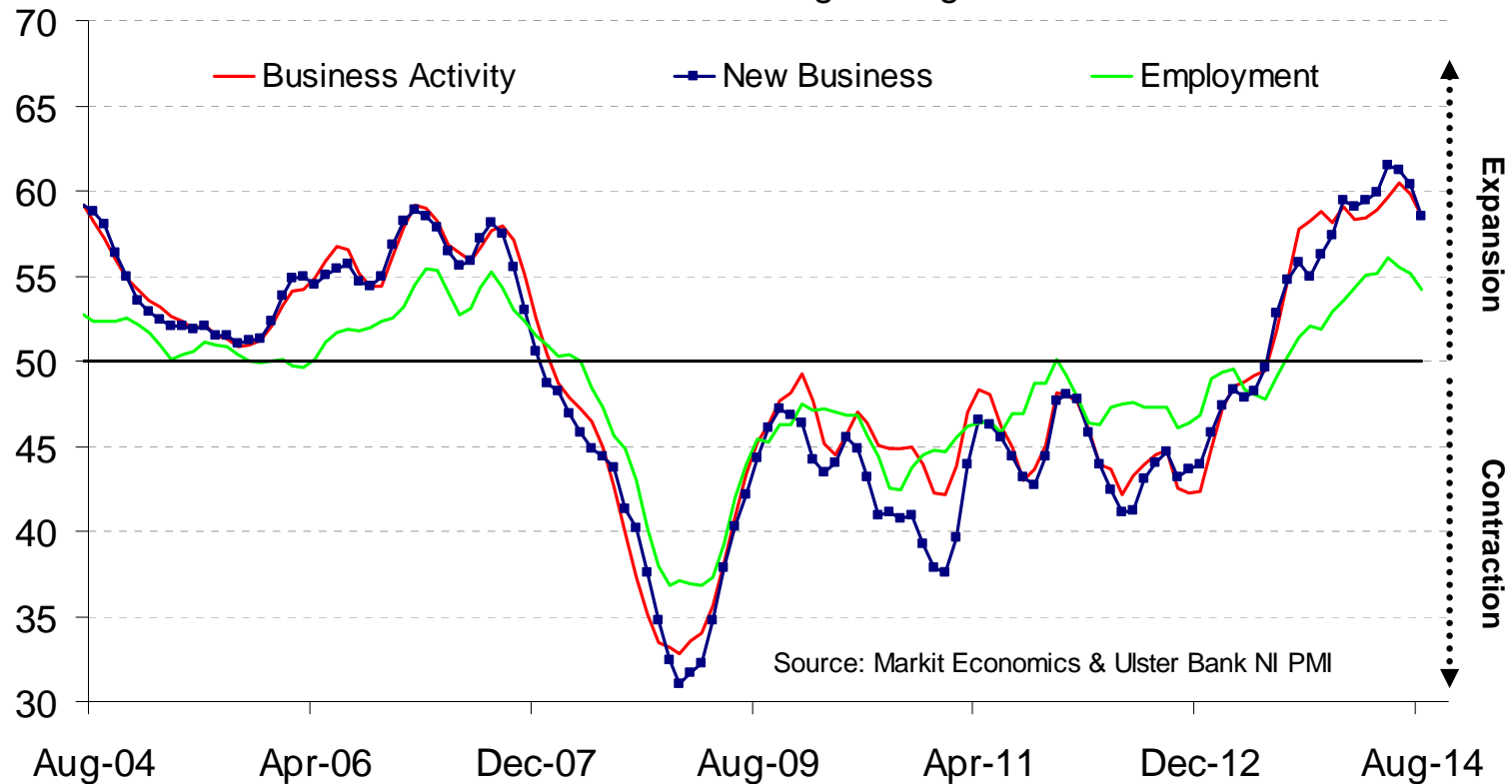
NI Private Sector Performance (PMI)



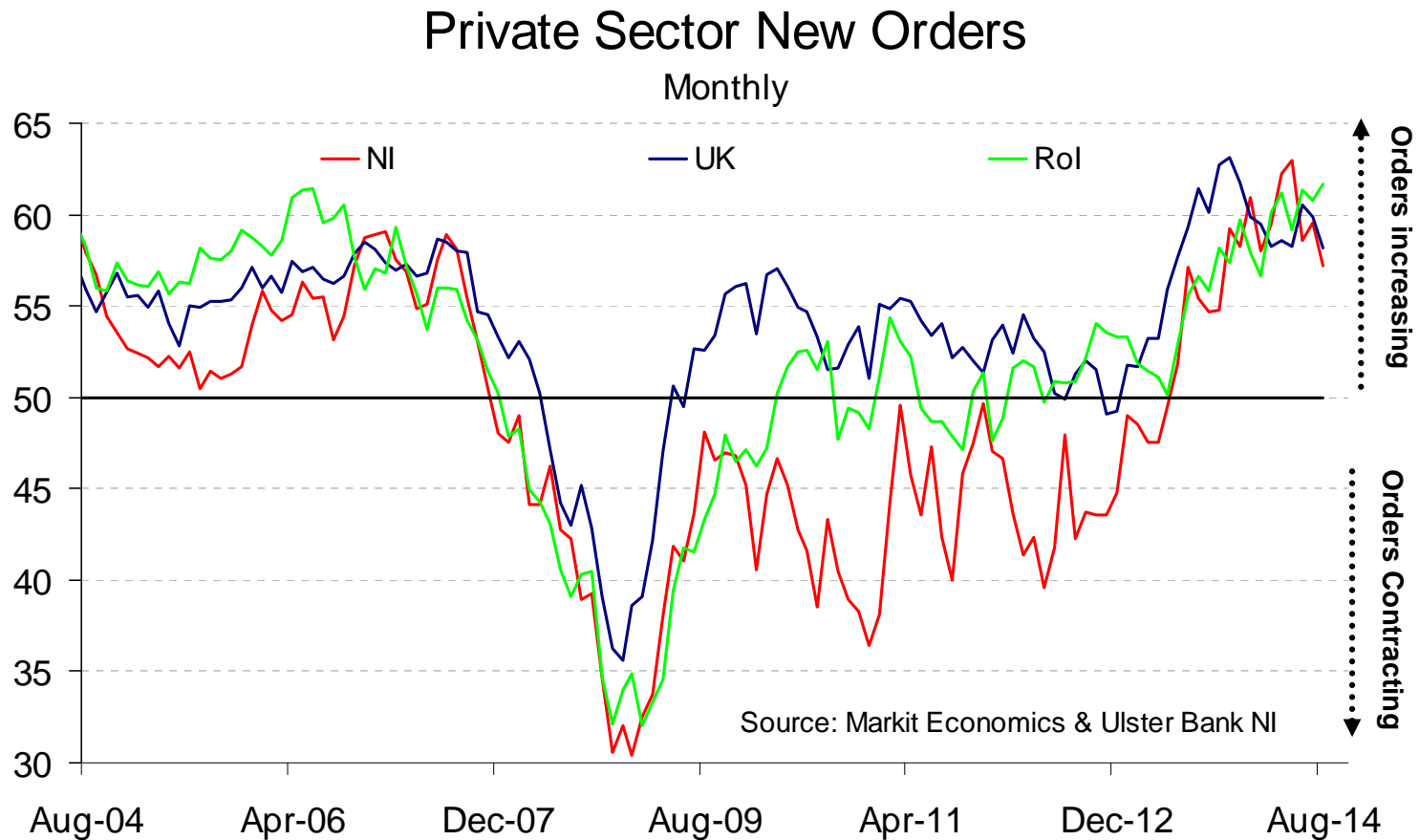
The pace of growth in employment, new orders & output amongst NI firms eased in August from its recent highs

NI Private Sector Activity

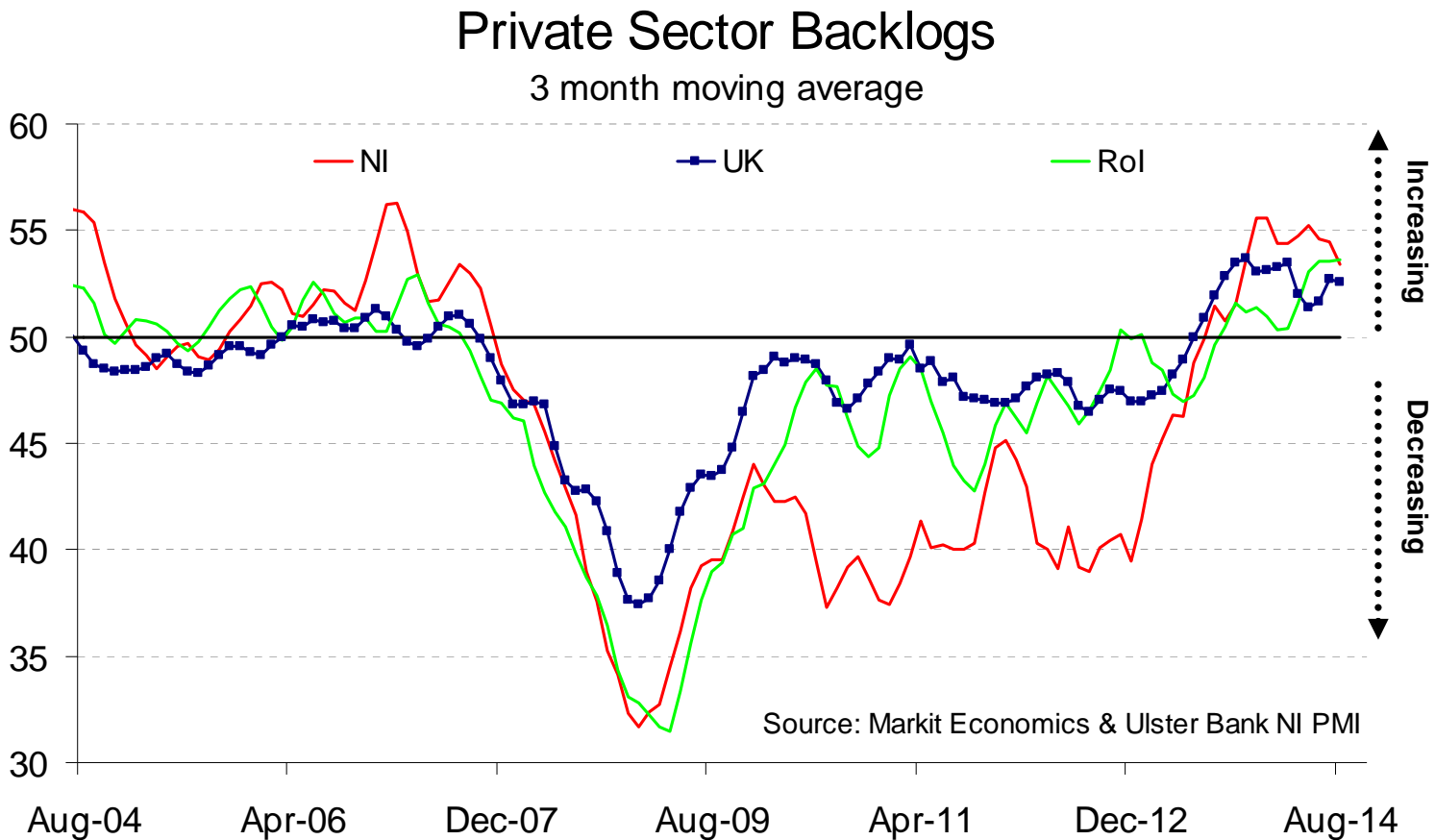
3 month moving average



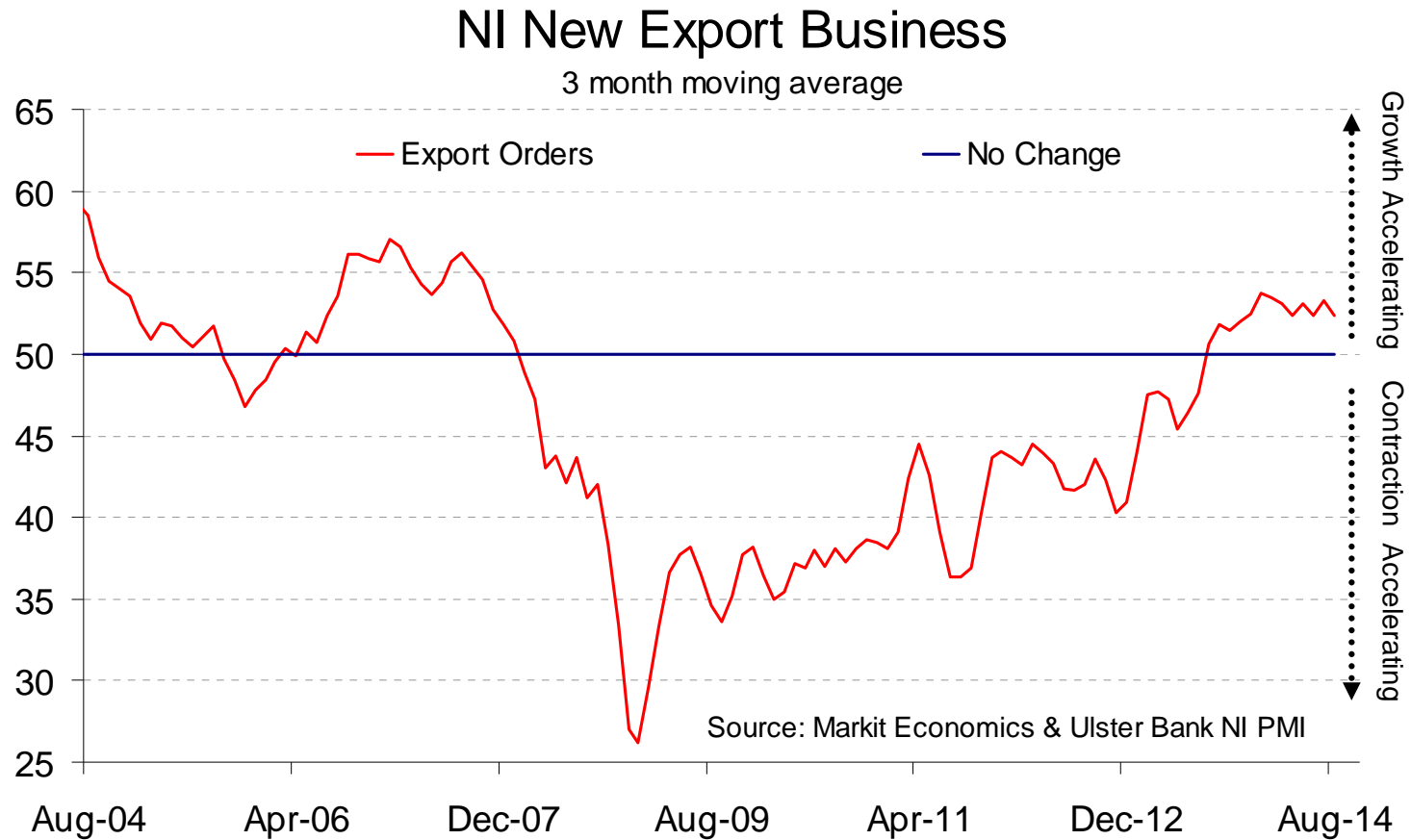
NI order books were growing at a record rate in May but the pace of growth has eased since then



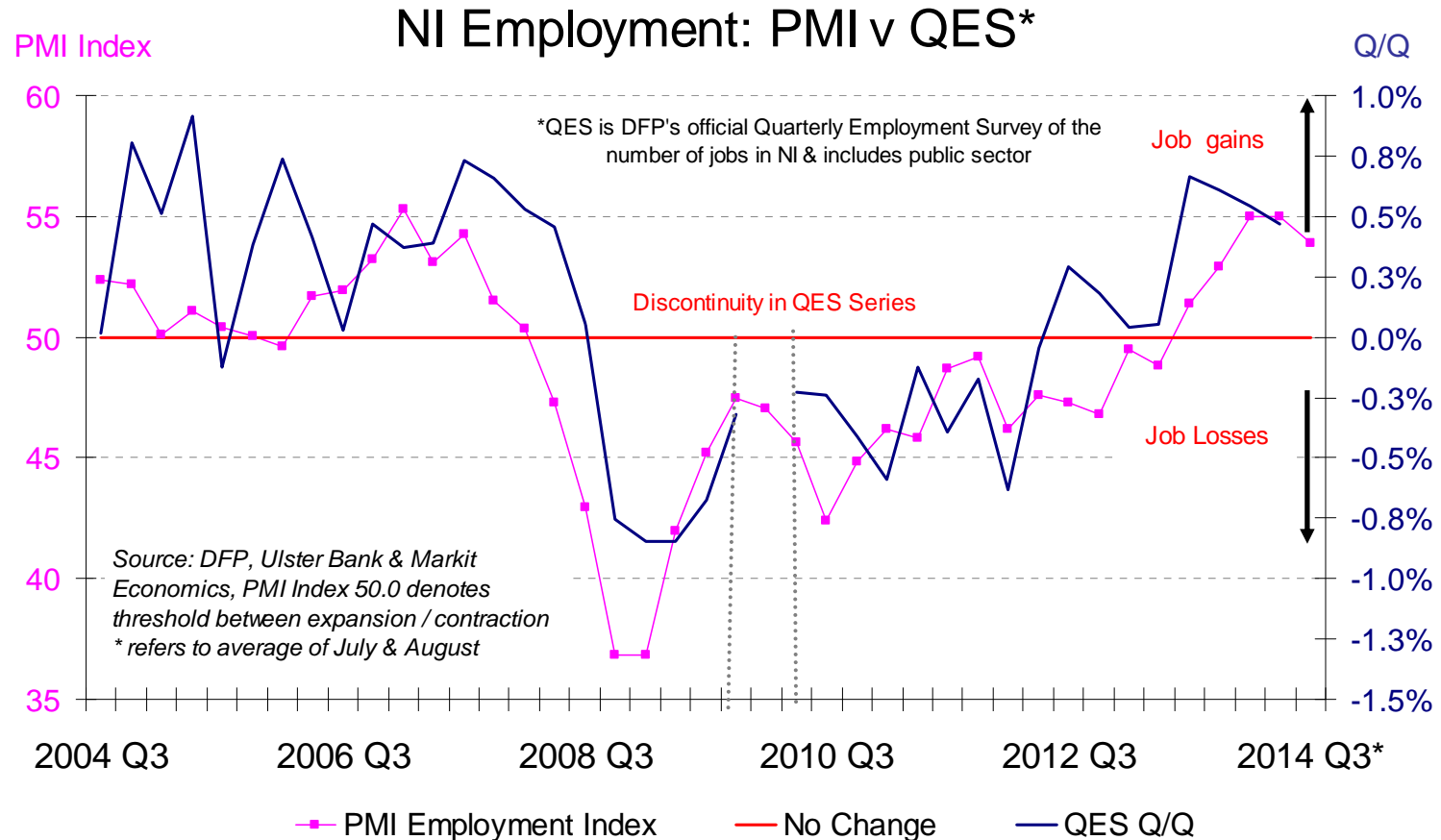
Surge in demand has led to rising backlogs of work notably within NI although rates of growth is now easing



NI firms post their 14th successive monthly rise in export orders in August but the pace of growth slows

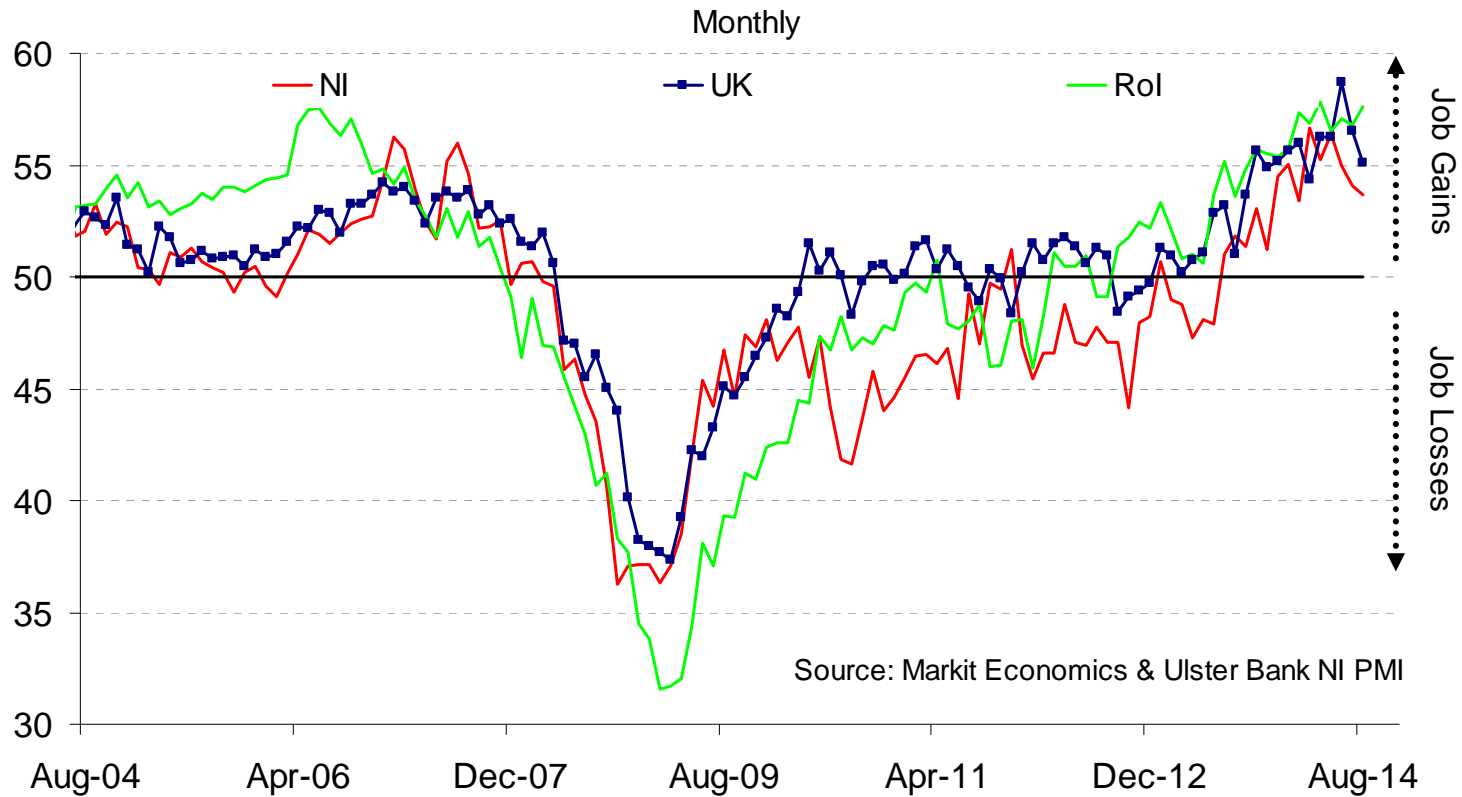


PMI signals the fastest rate of jobs growth in 7 years in Q2 with the pace of job creation easing in Q3



Job creation accelerates in the RoI with the pace of employment growth easing in NI & the UK

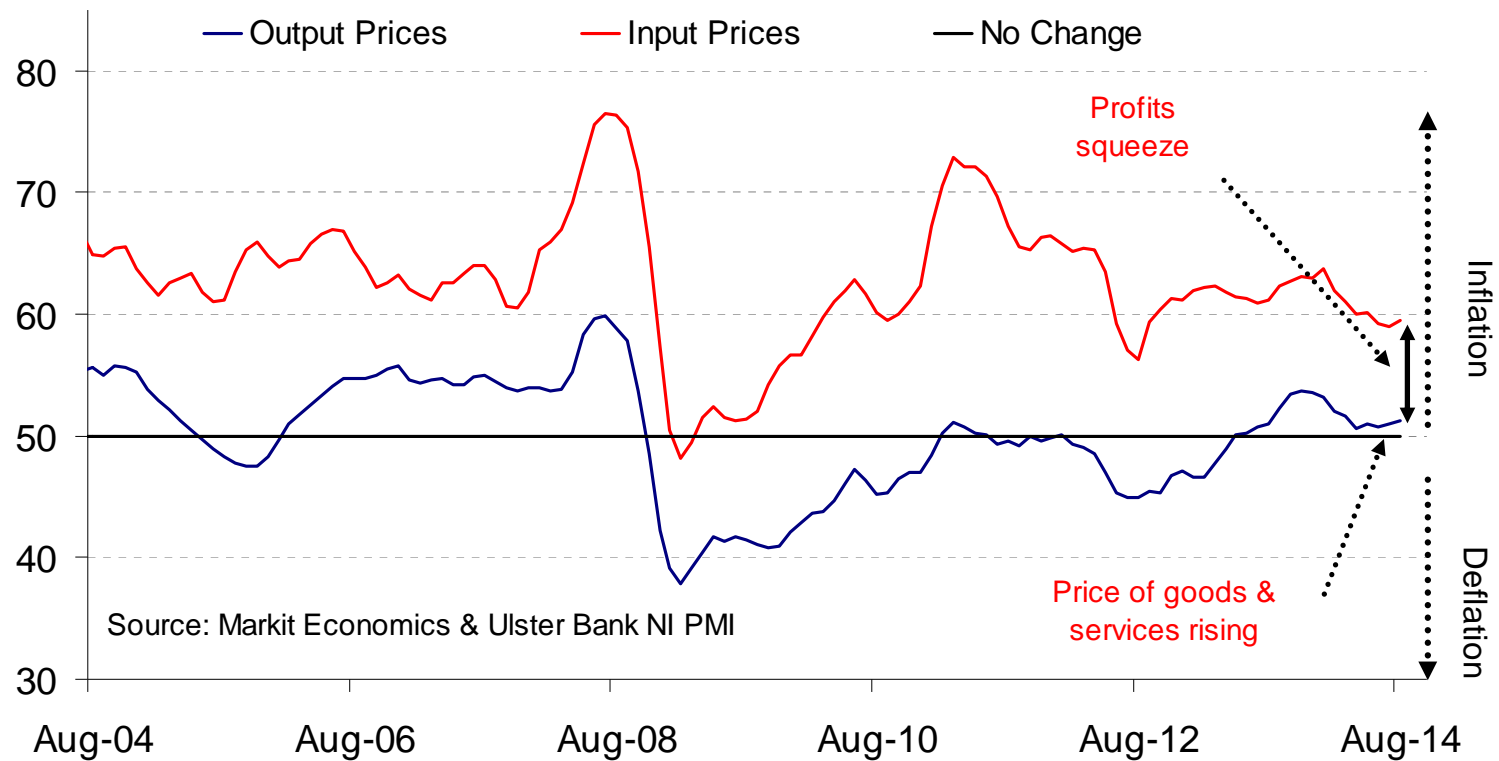
Private Sector Employment Levels



Output cost inflation remains subdued

NI Private Sector Profit Squeeze

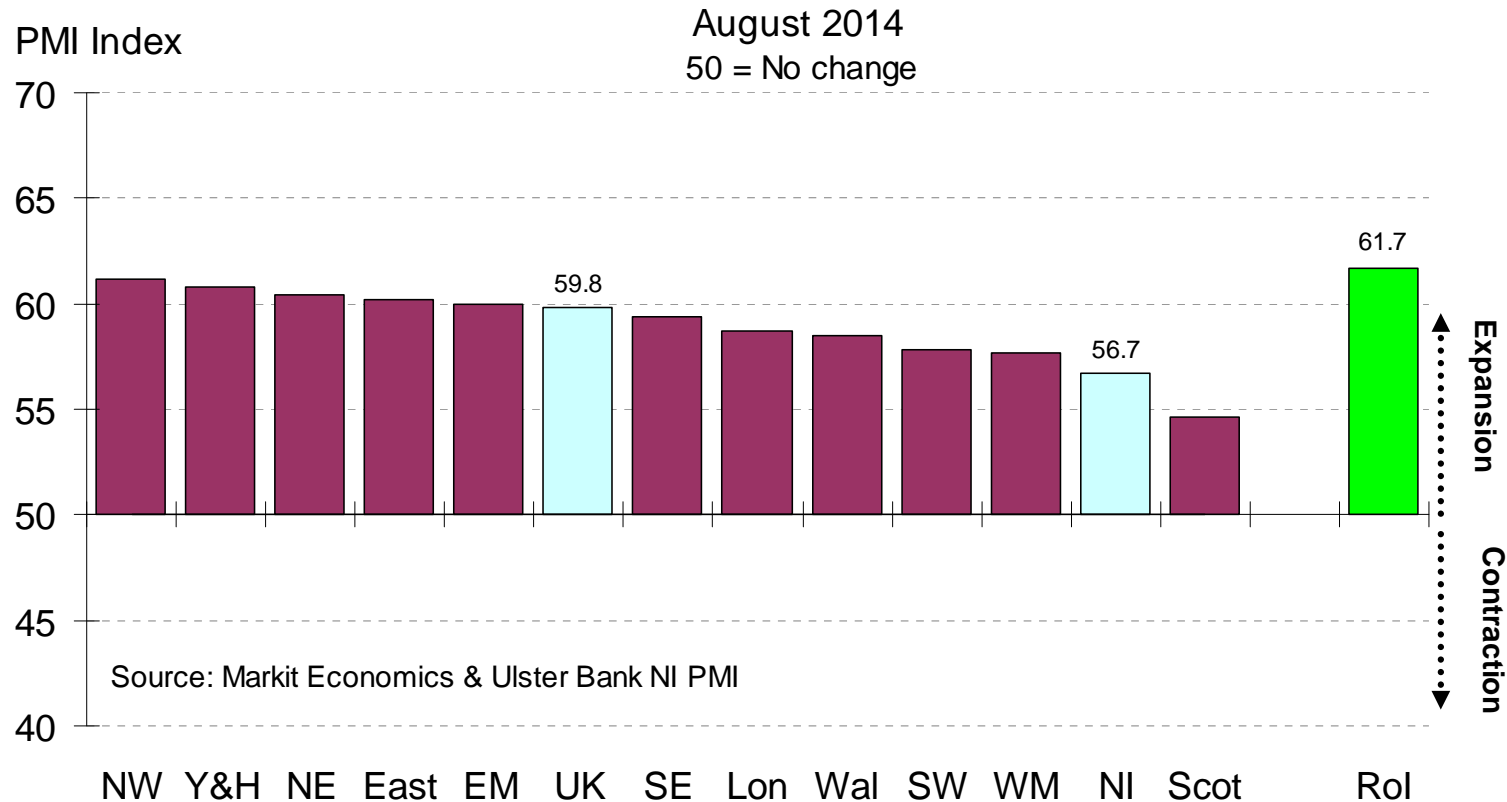
3 Month Moving Average



Regional Comparisons

Strong growth across all UK regions & the Rol in August

Output / Business Activity



...all the UK regions & the Rol post strong rates of growth over the last 3 months...

Output / Business Activity

3 months to August 2014

50 = No change

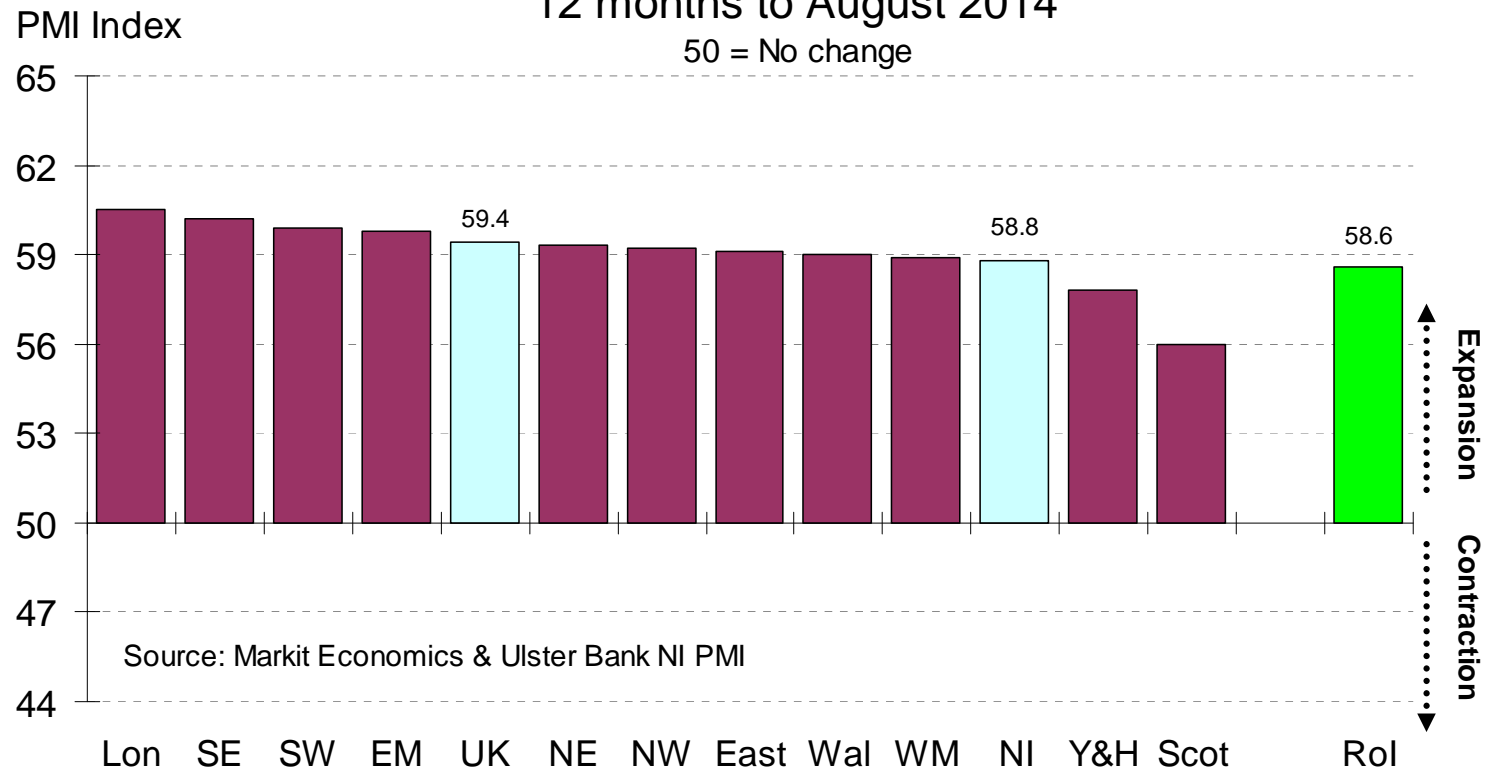


... and over the last 12 months

Output / Business Activity

12 months to August 2014

50 = No change

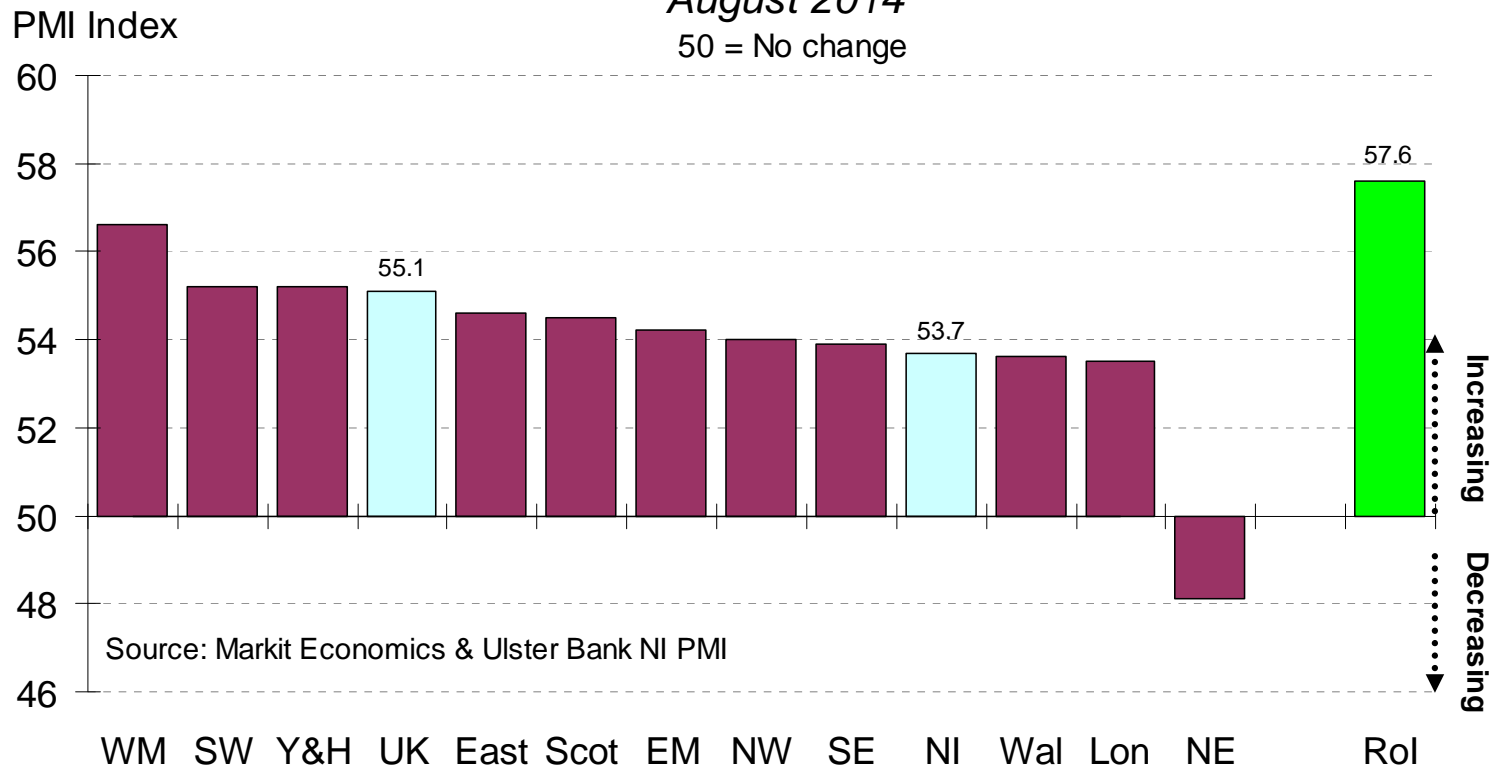


NI posts further job gains in August but rate of employment growth lags behind the UK and the RoI

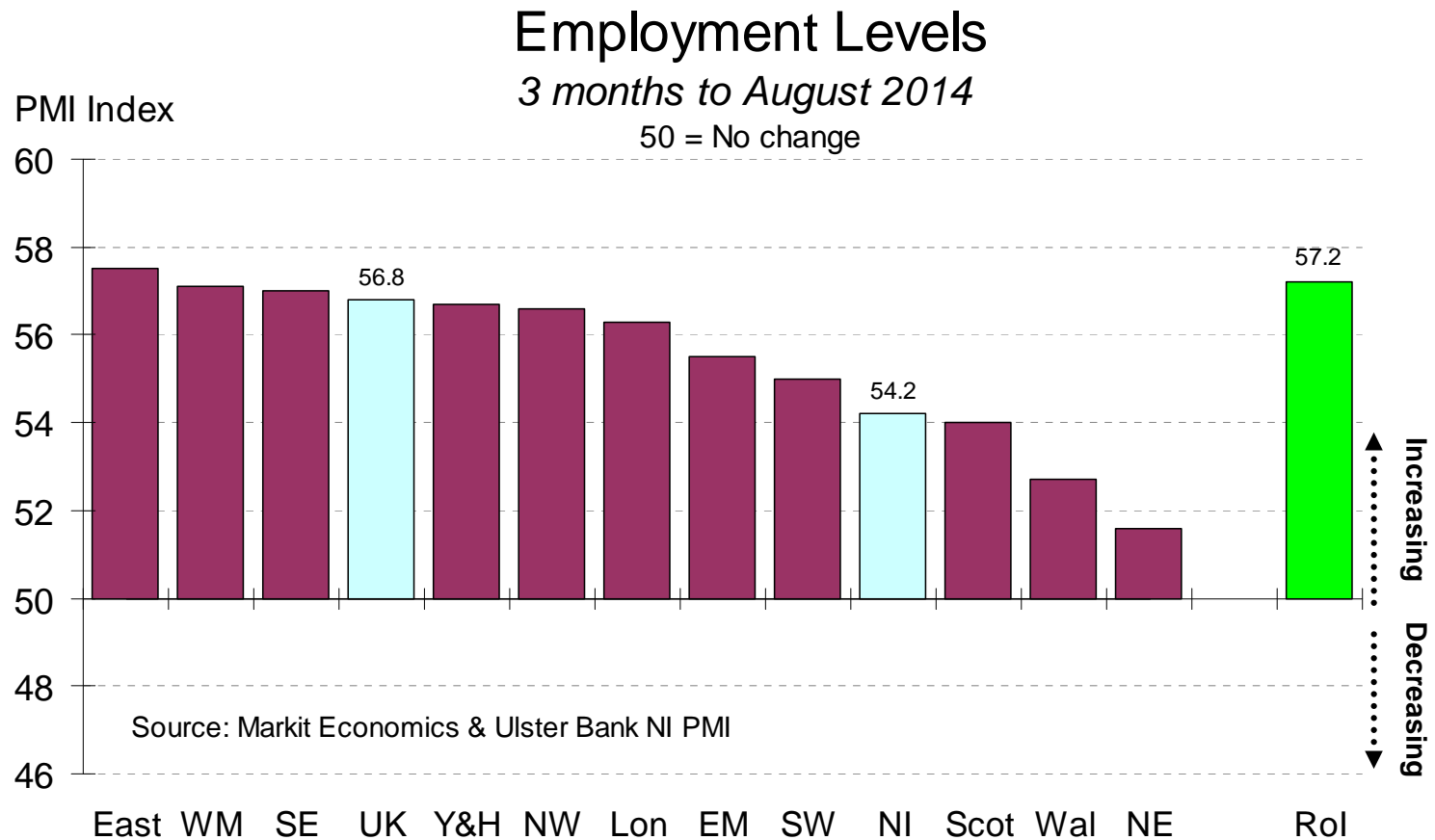
Employment Levels

August 2014

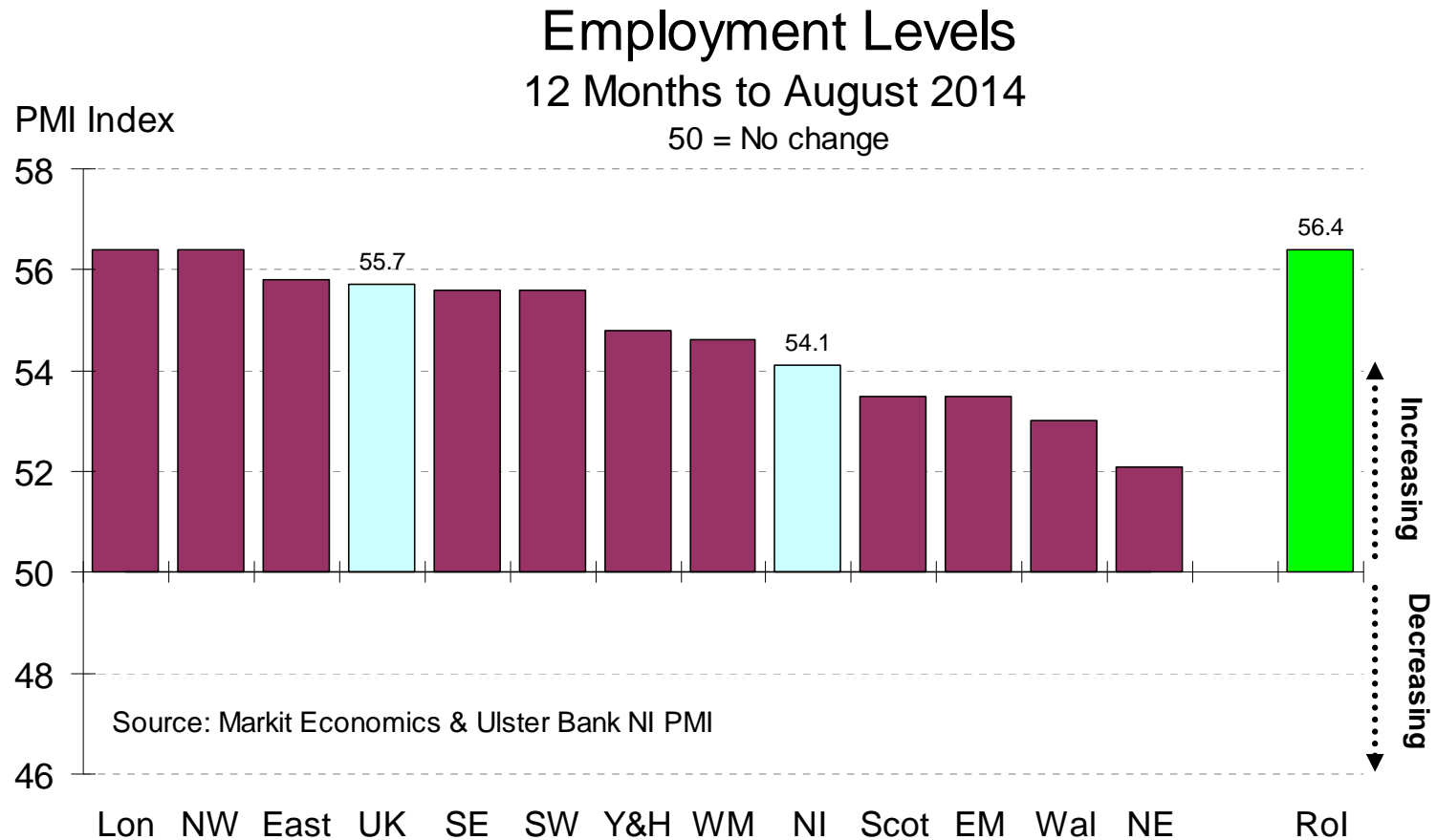
50 = No change



Most UK regions (including NI) and the RoI post strong rates of employment growth over the last 3 months



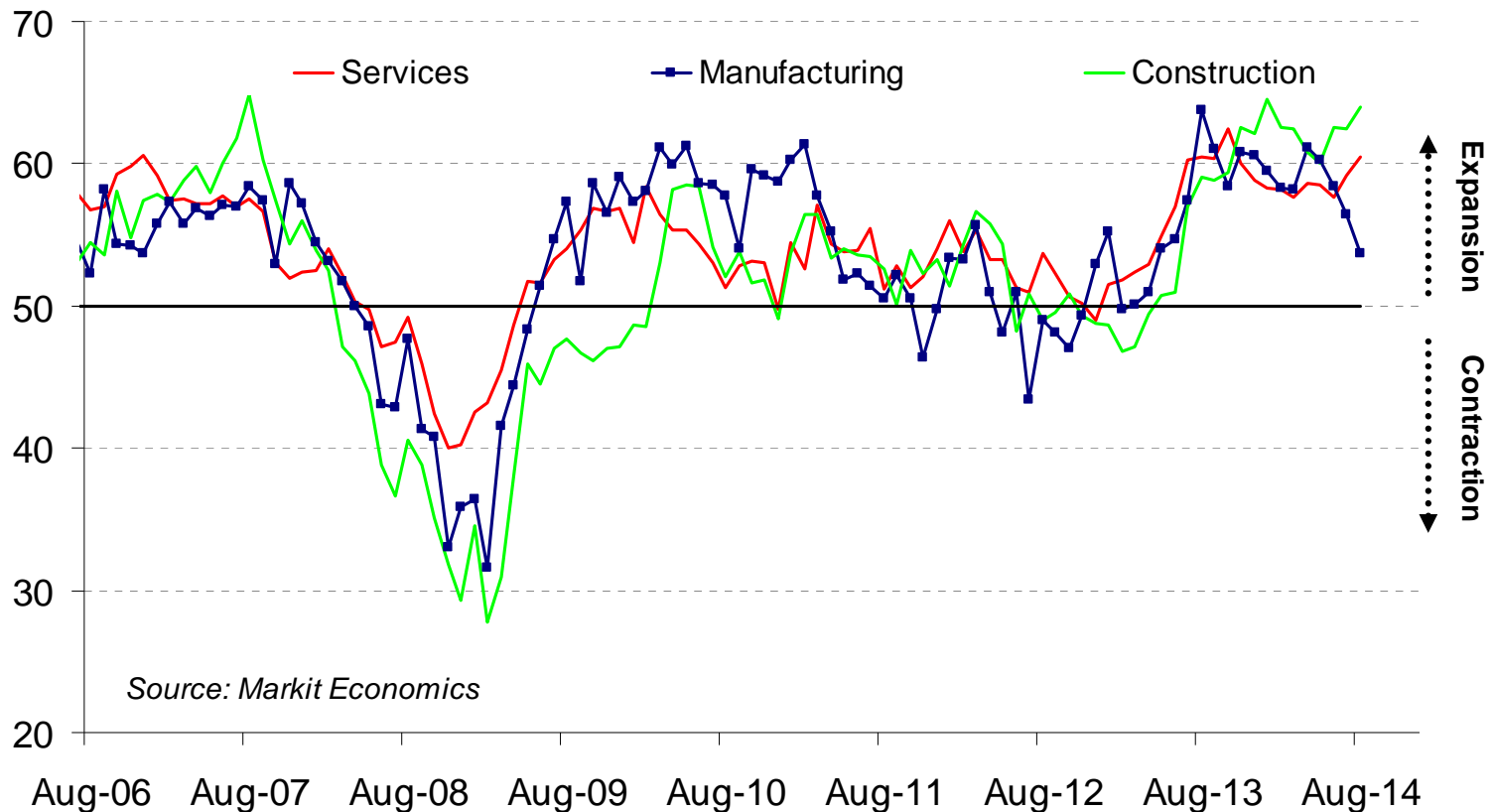
The Rol, London & the North West posted the sharpest rise in employment levels over the last year



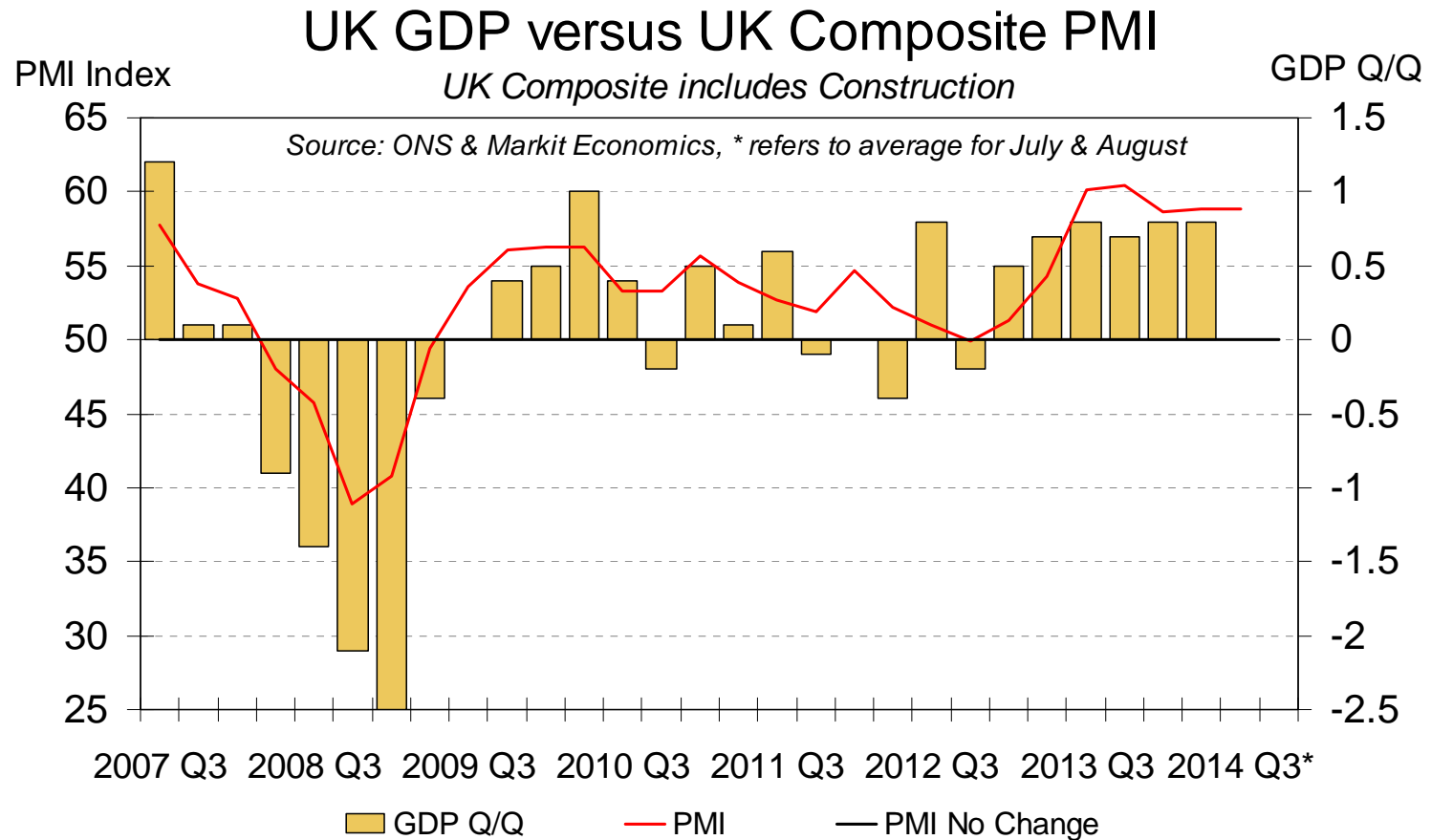
Sectoral Comparisons

UK services & construction sectors exceed expectations with growth accelerating. But manufacturing disappoints

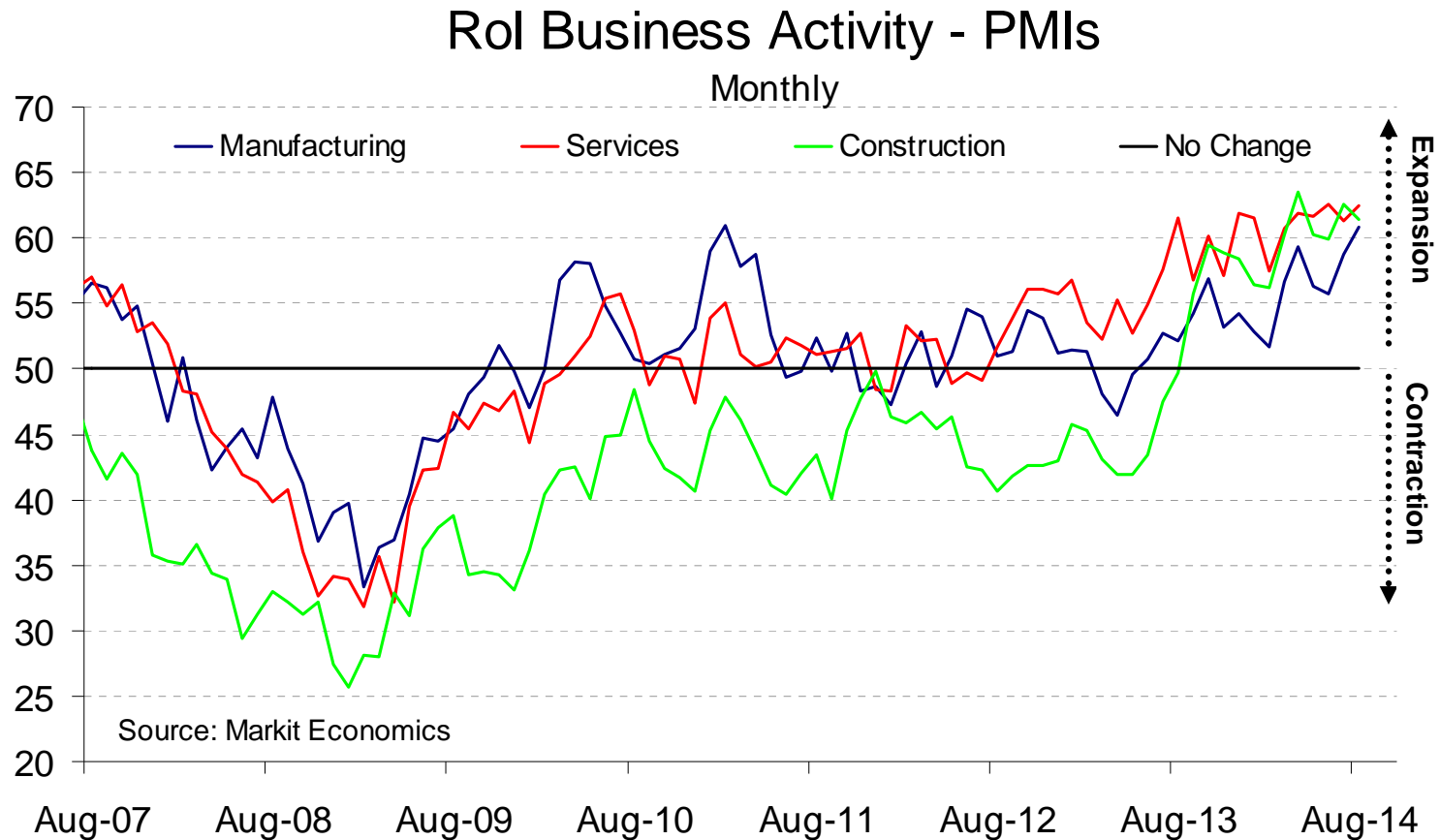
UK Business Activity / Output - PMIs



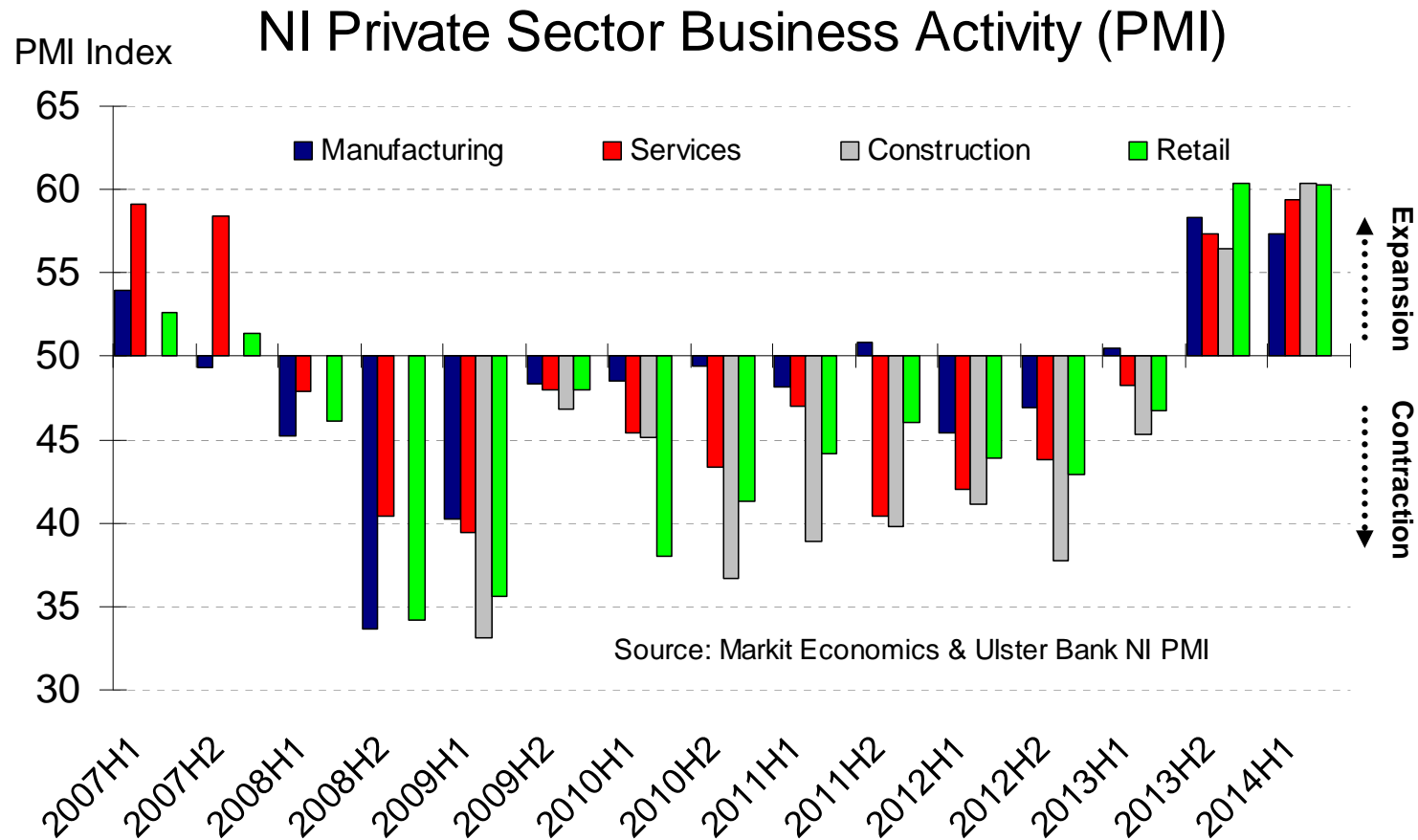
UK posts strong rates of economic growth between Q2 2013 & Q2 2014 with further growth expected in Q3



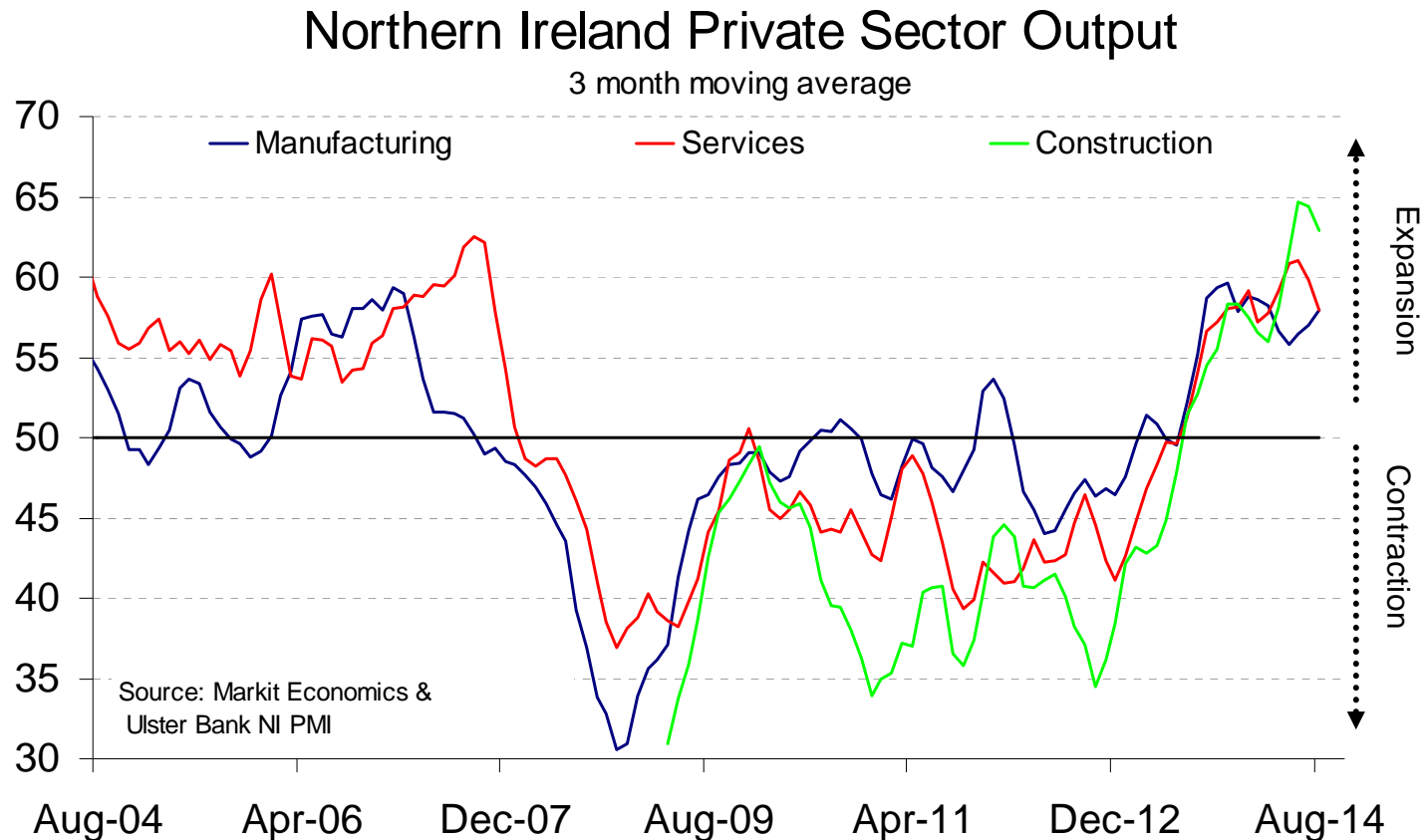
Rol output growth accelerates within services & manufacturing but eases within the construction sector



NI's services & construction firms reported stronger rates of growth in output in H1 2014 relative to H2 2013

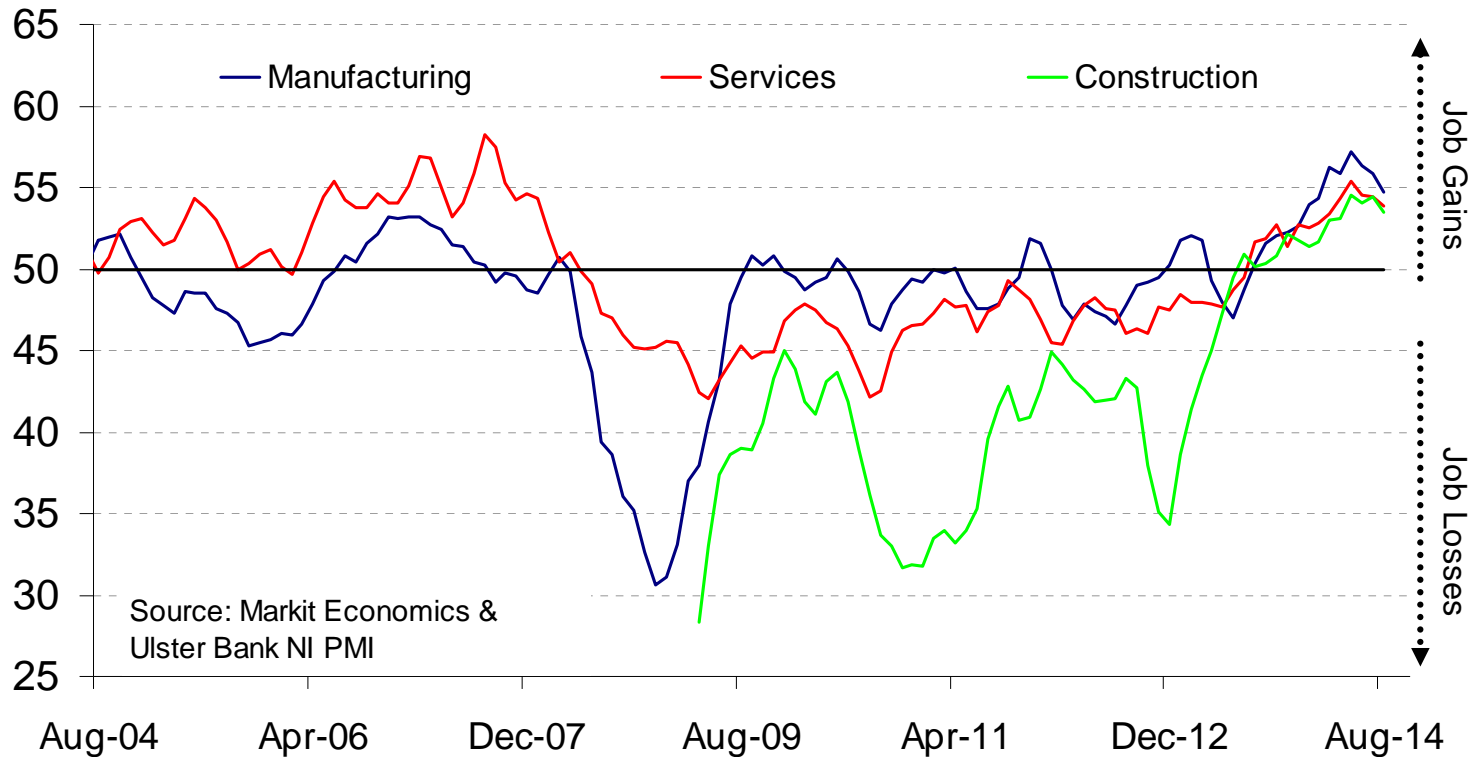


NI's services and construction sectors saw output accelerate in Q2 relative to Q1 but Q3 set to be weaker



...with all sectors reporting an easing in the rates of employment growth over the last 3 months

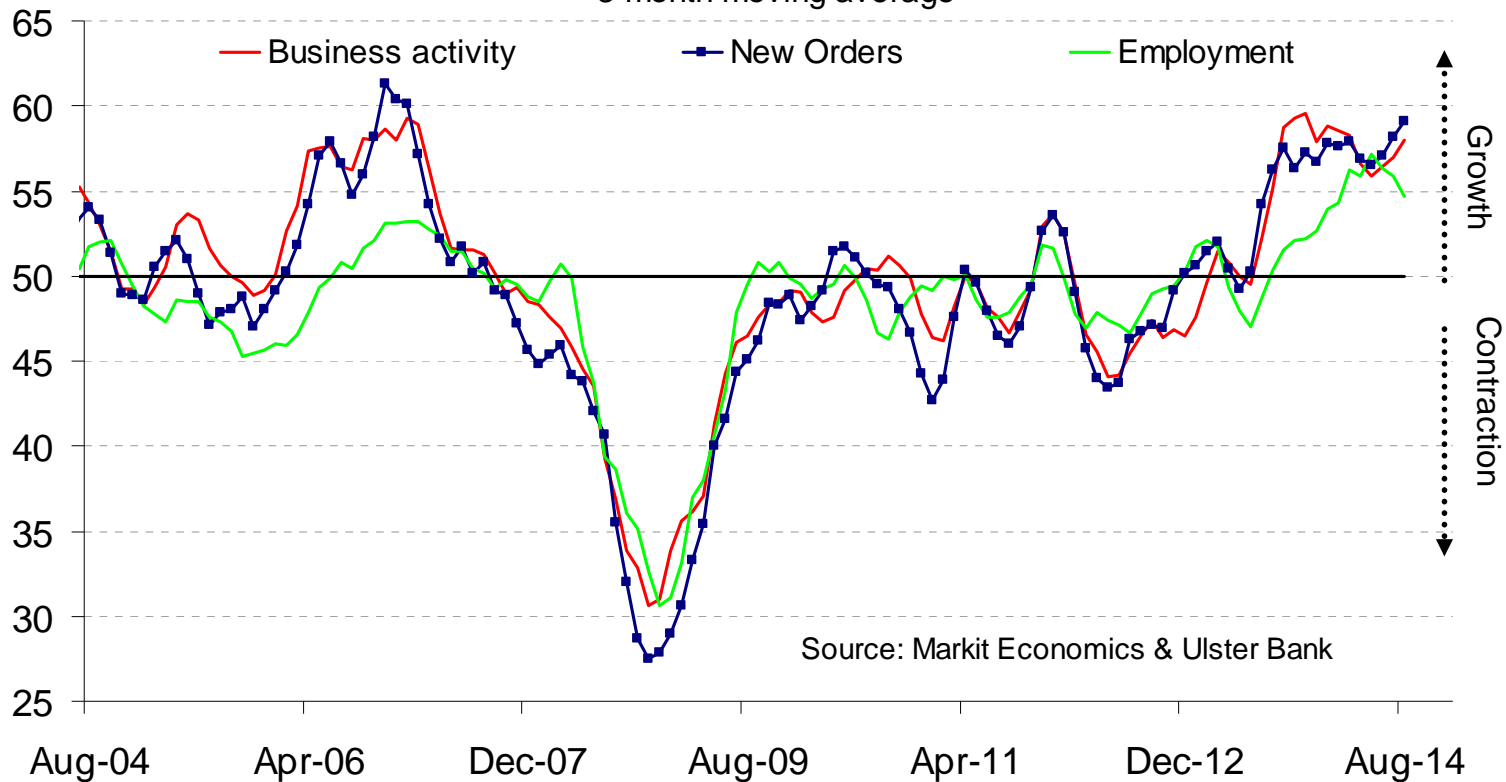
NI PMI - Employment Index
3 month moving average



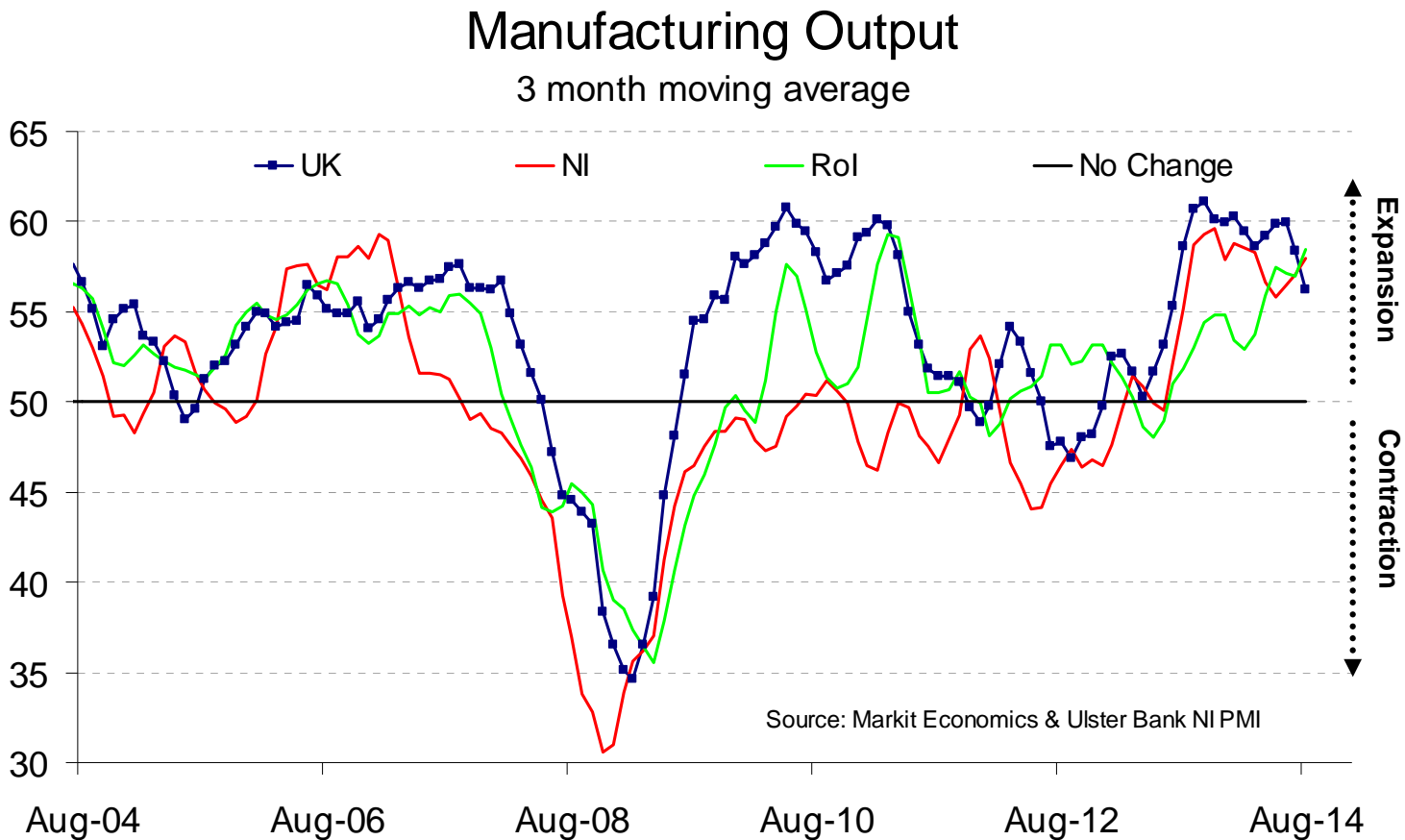
Local firms report strong rates of growth in output & orders. Pace of jobs growth eases from recent record high

NI Manufacturing Activity - PMI

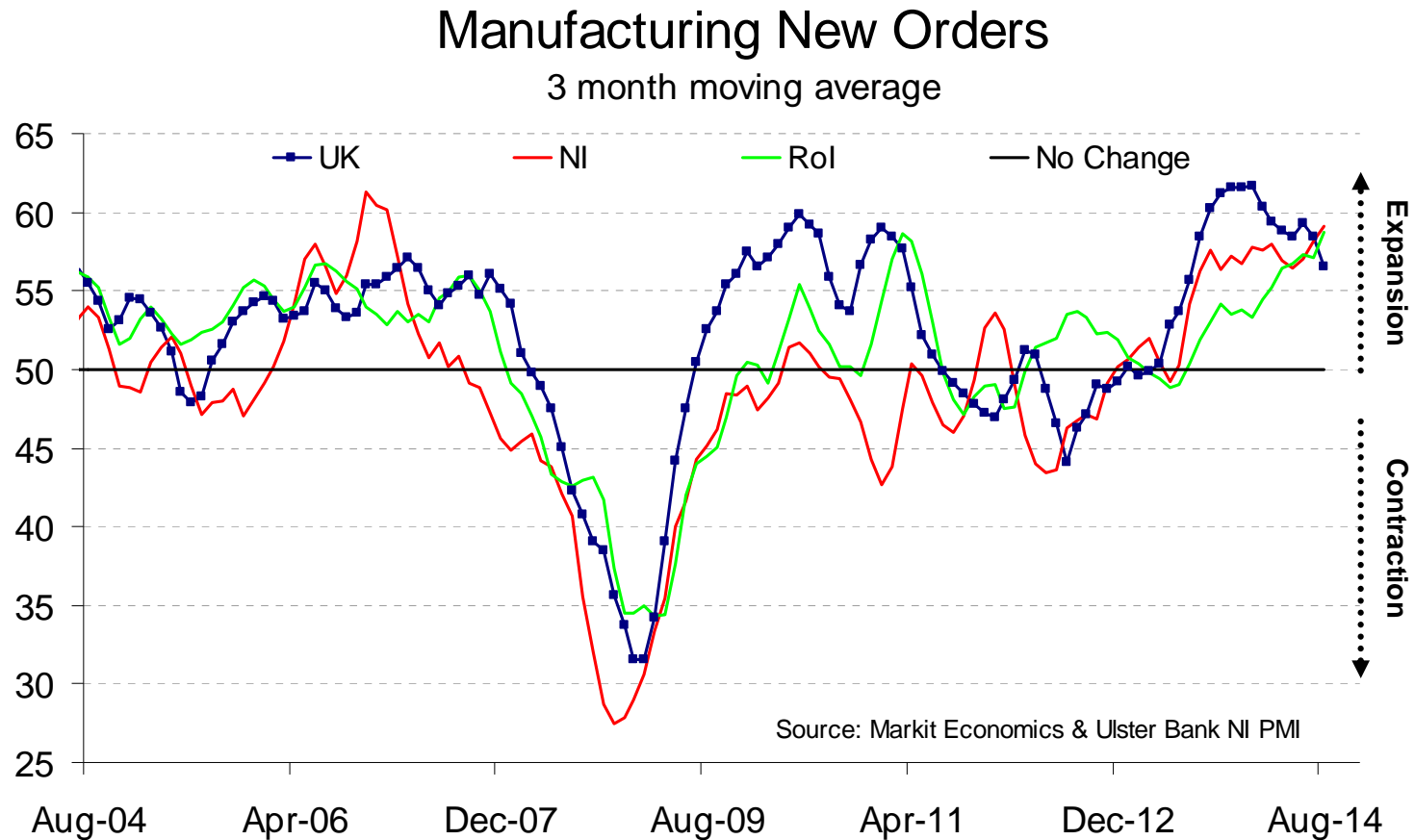
3 month moving average



NI & RoI post a pick-up in their manufacturing output growth rates in Q3 while the pace of growth eases in the UK

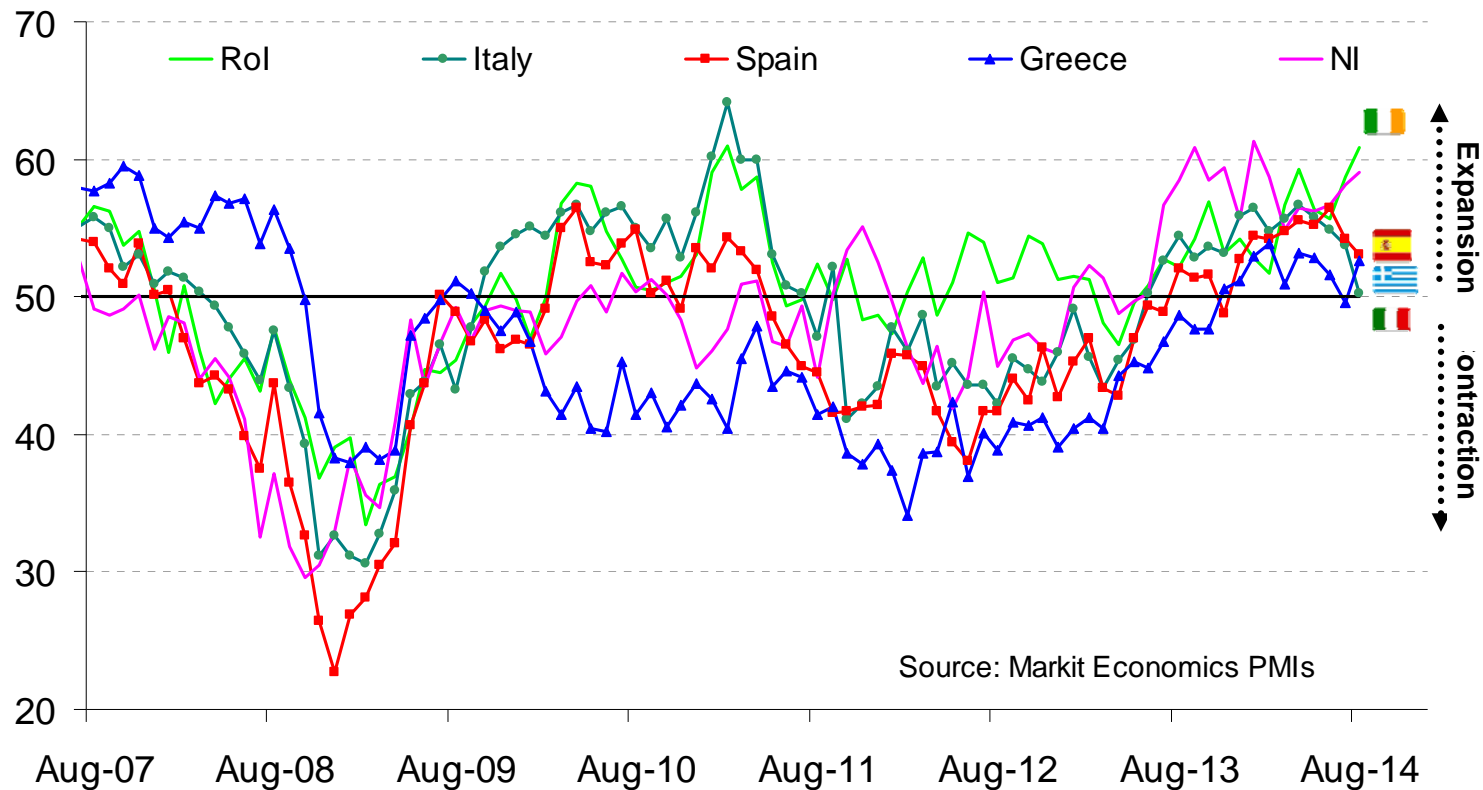


NI & the RoI post a pick-up in their manufacturing new orders growth rates in Q3

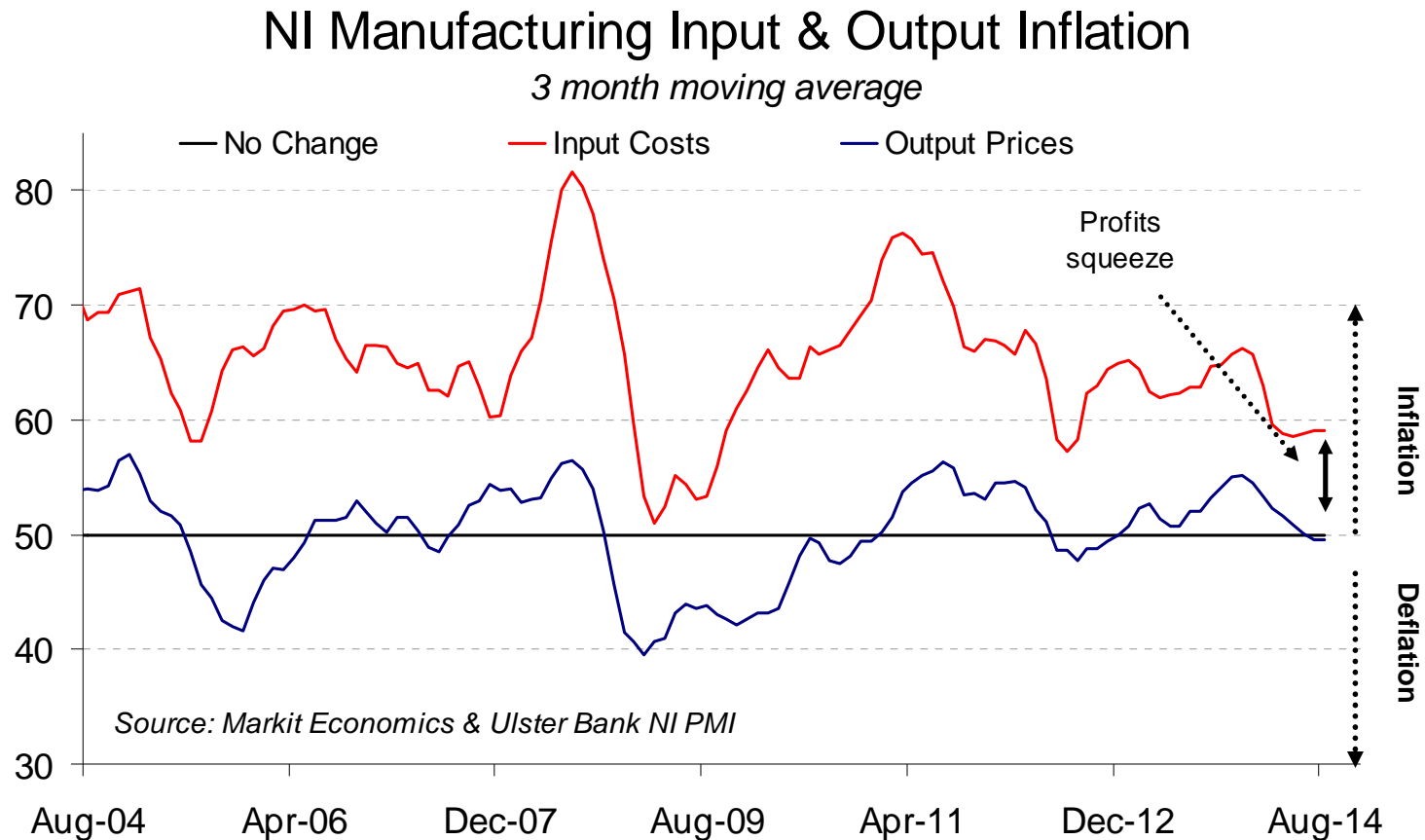


NI has been outperforming some of its European competitors for most of the last 12 months

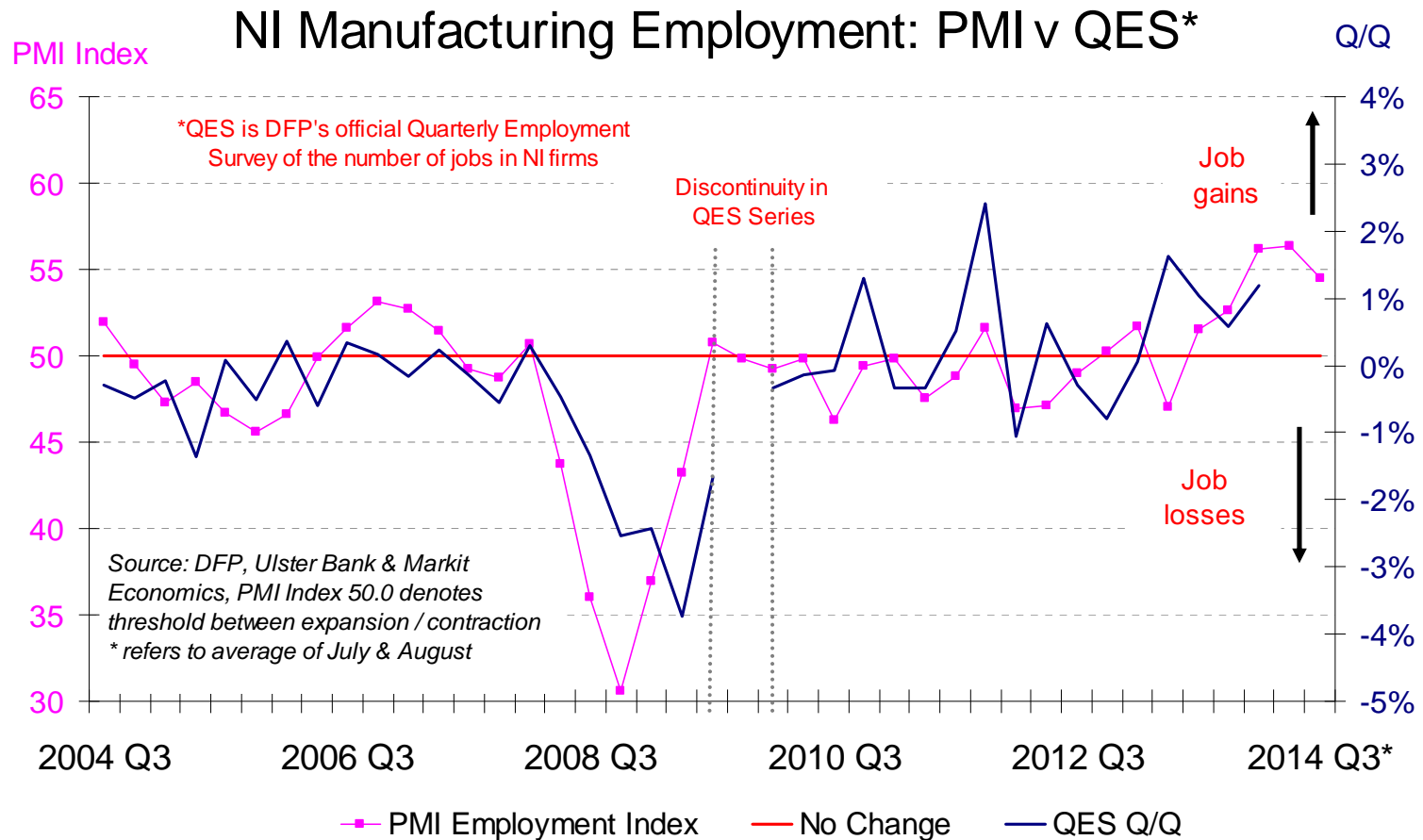
Manufacturing Output - PMI



Pricing power eases as NI manufacturing firms report the weakest output price inflation since 2012



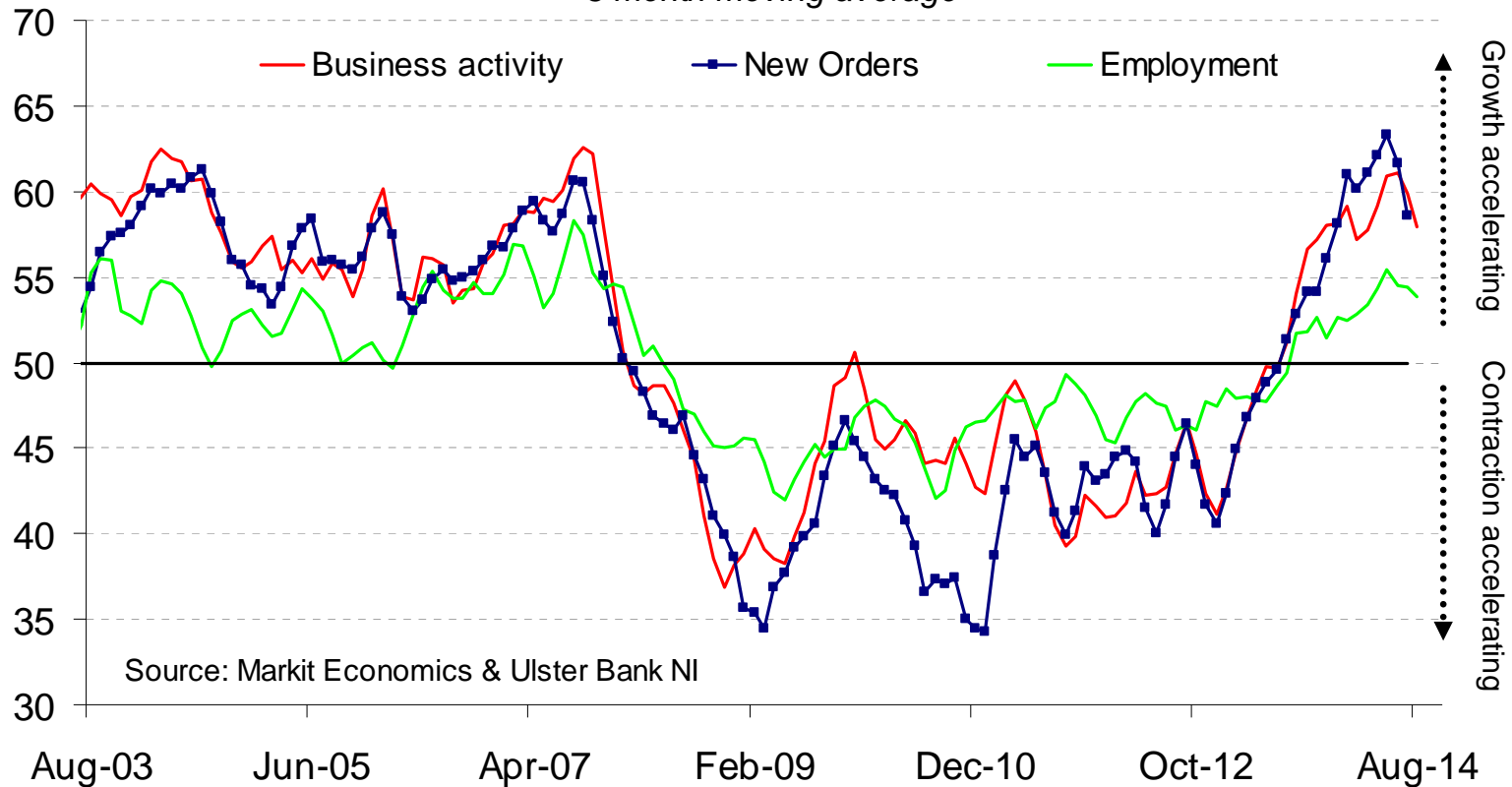
The PMI is signalling the fastest rate of manufacturing employment growth in Q1 & Q2 since the PMI began



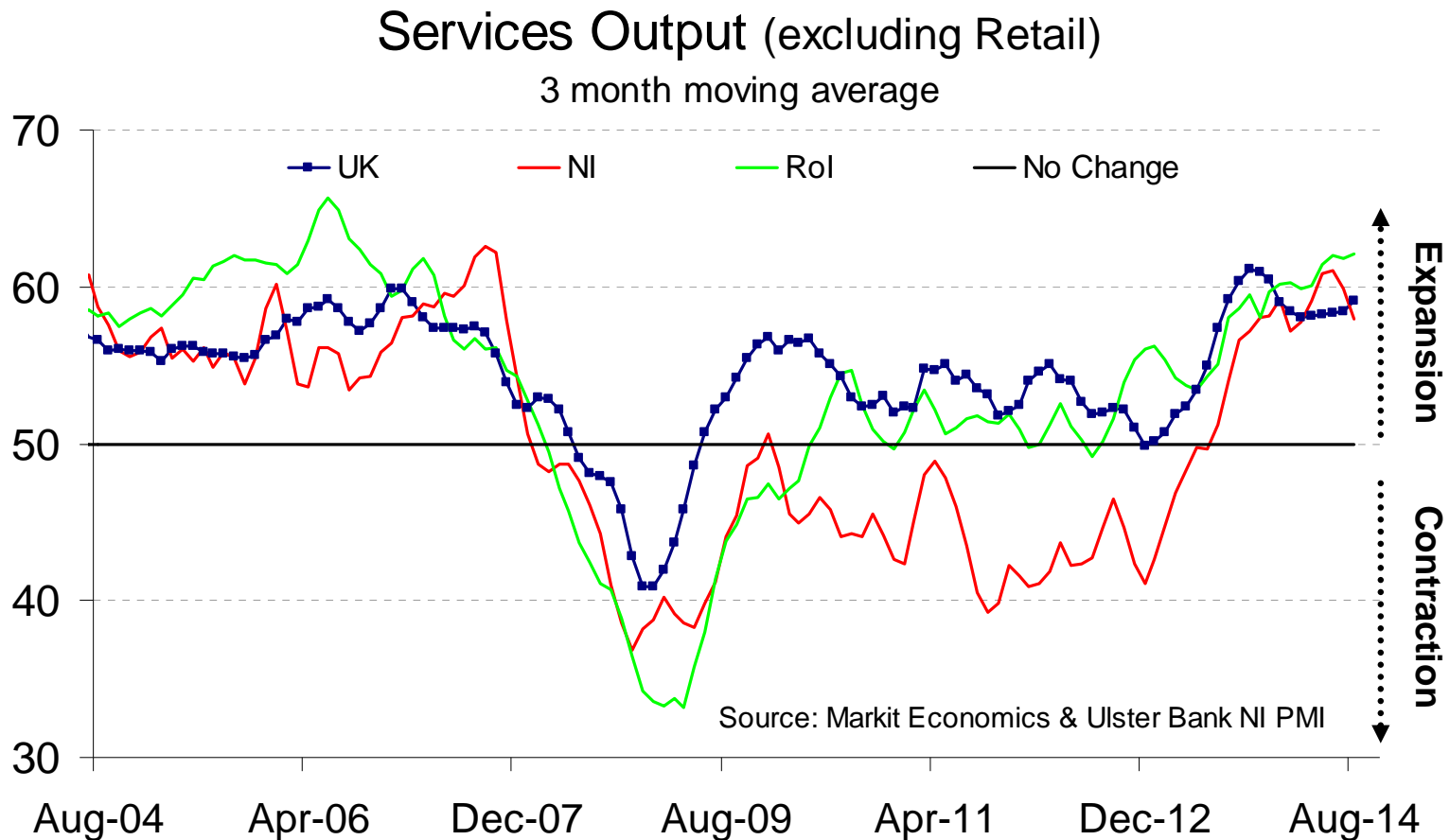
Service sector experiences a slowdown in its rates of growth in output, employment & new orders in Q3

NI Service Sector (excludes Retail)

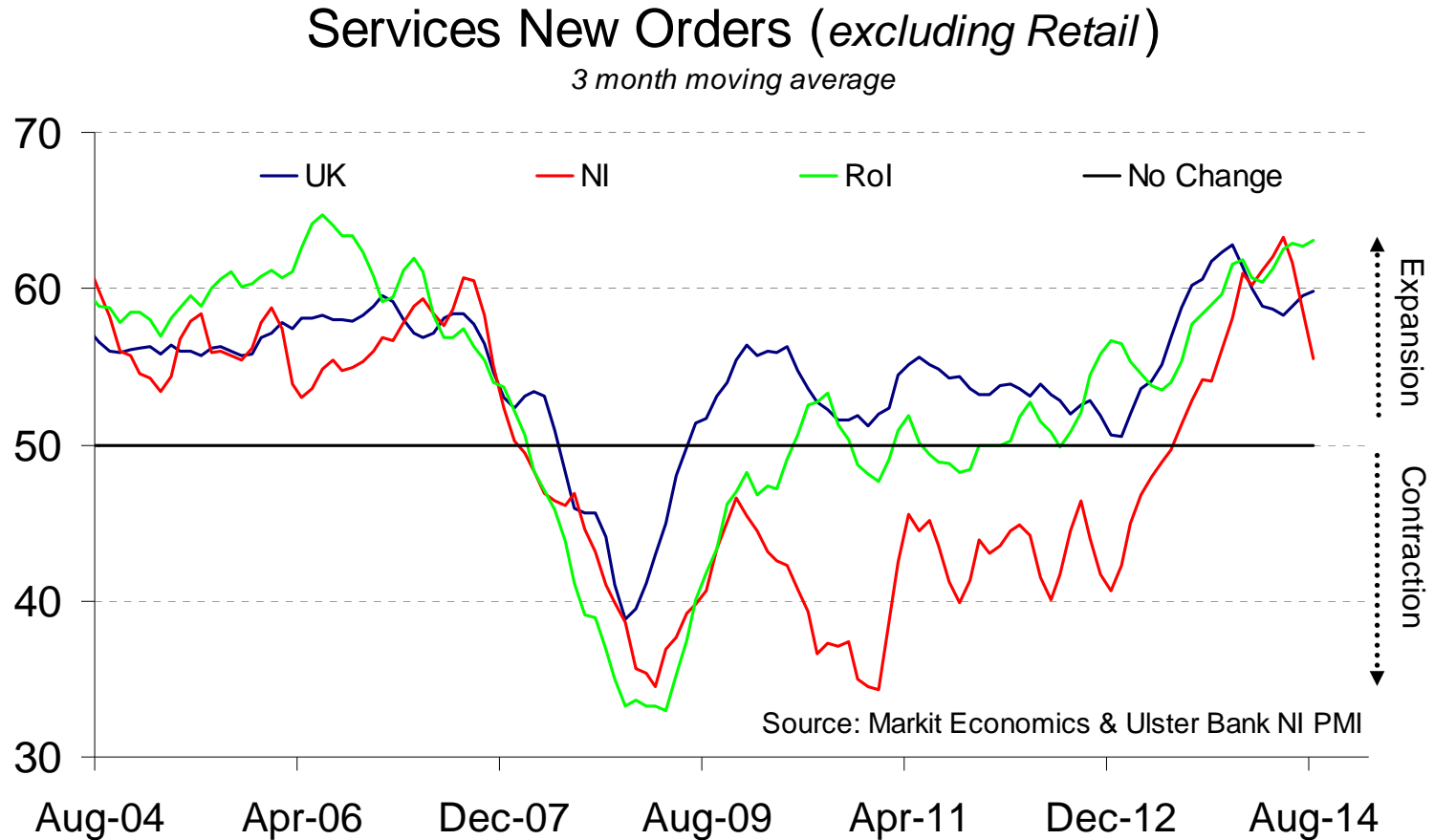
3 month moving average



UK & RoI firms report an acceleration in their rates of output growth whilst output growth for NI firms eases

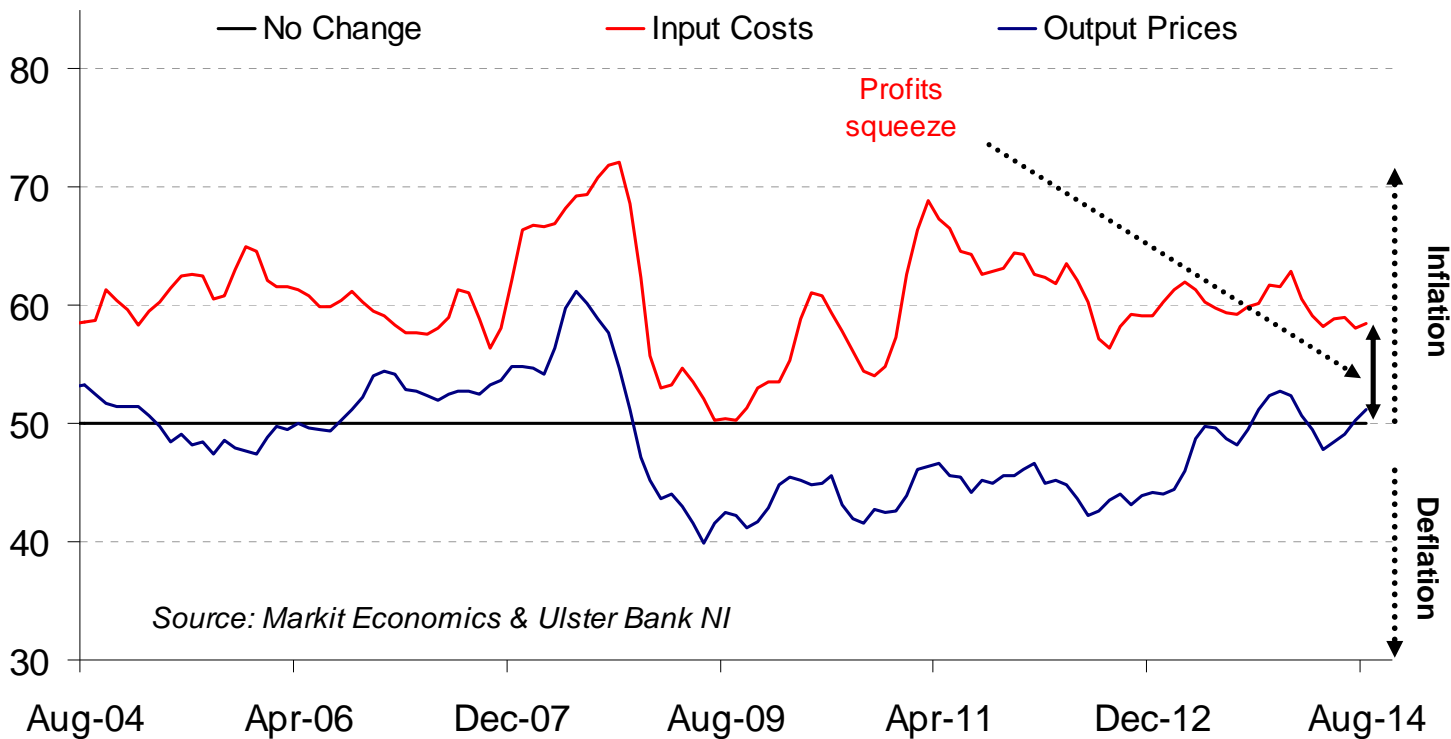


...but NI firms report a marked slowdown in the rate of new orders growth in Q3



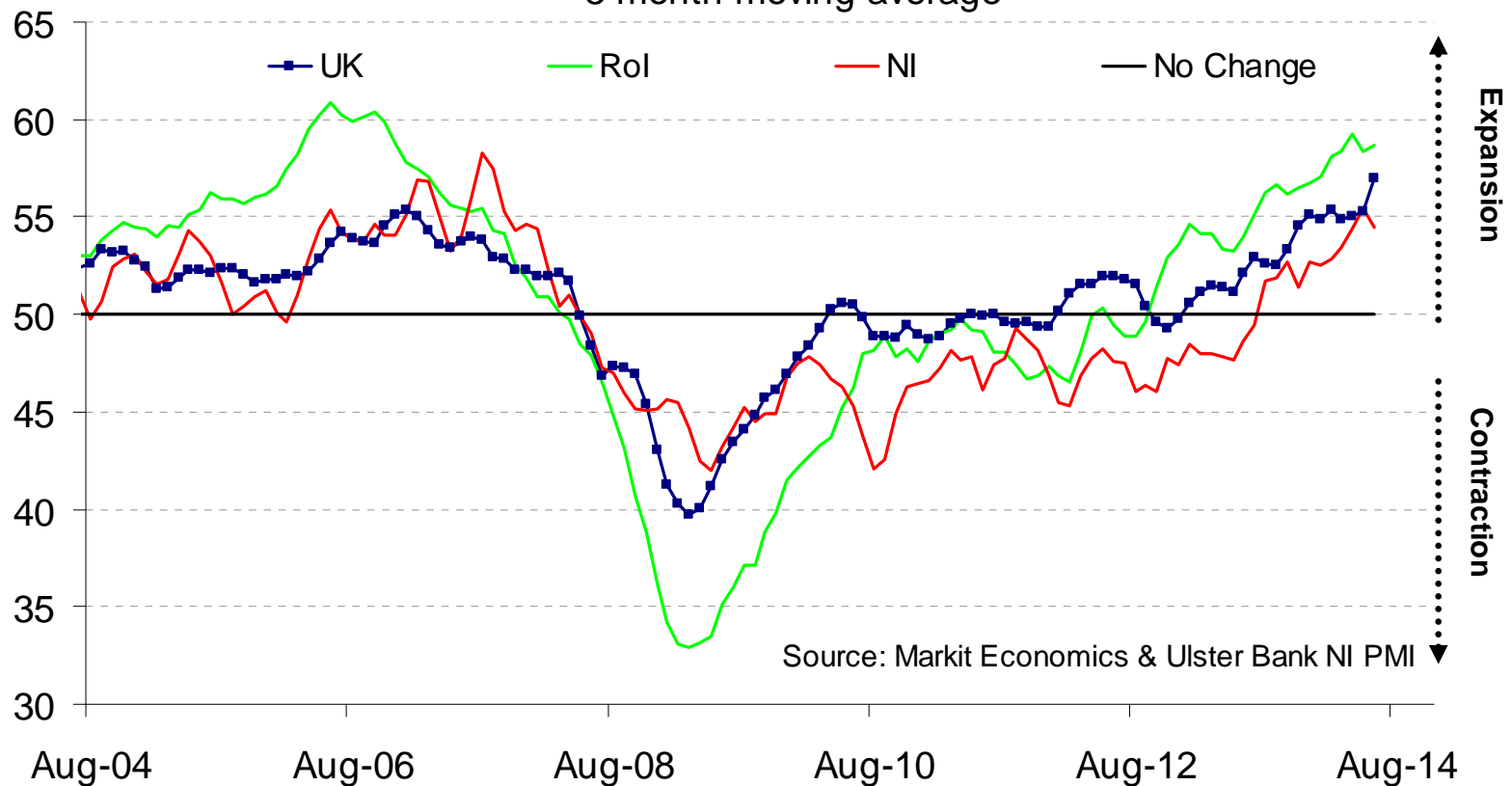
Service sector posts its 3rd successive monthly rise in output prices in August

NI Services Input & Output Inflation 3 month moving average

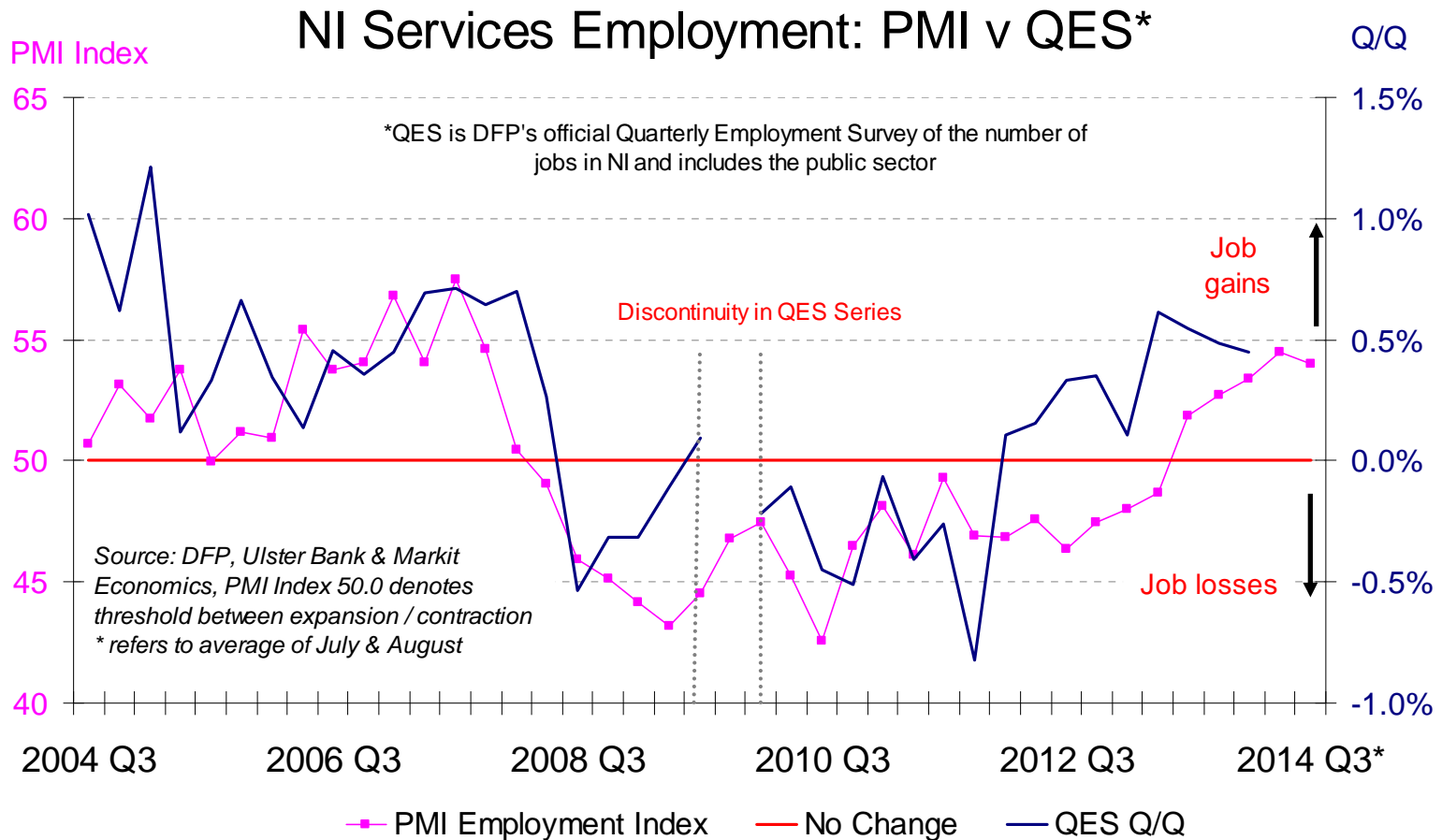


Service sector employment growth remains strong across all 3 economies with NI jobs growth easing

Services Employment
3 month moving average



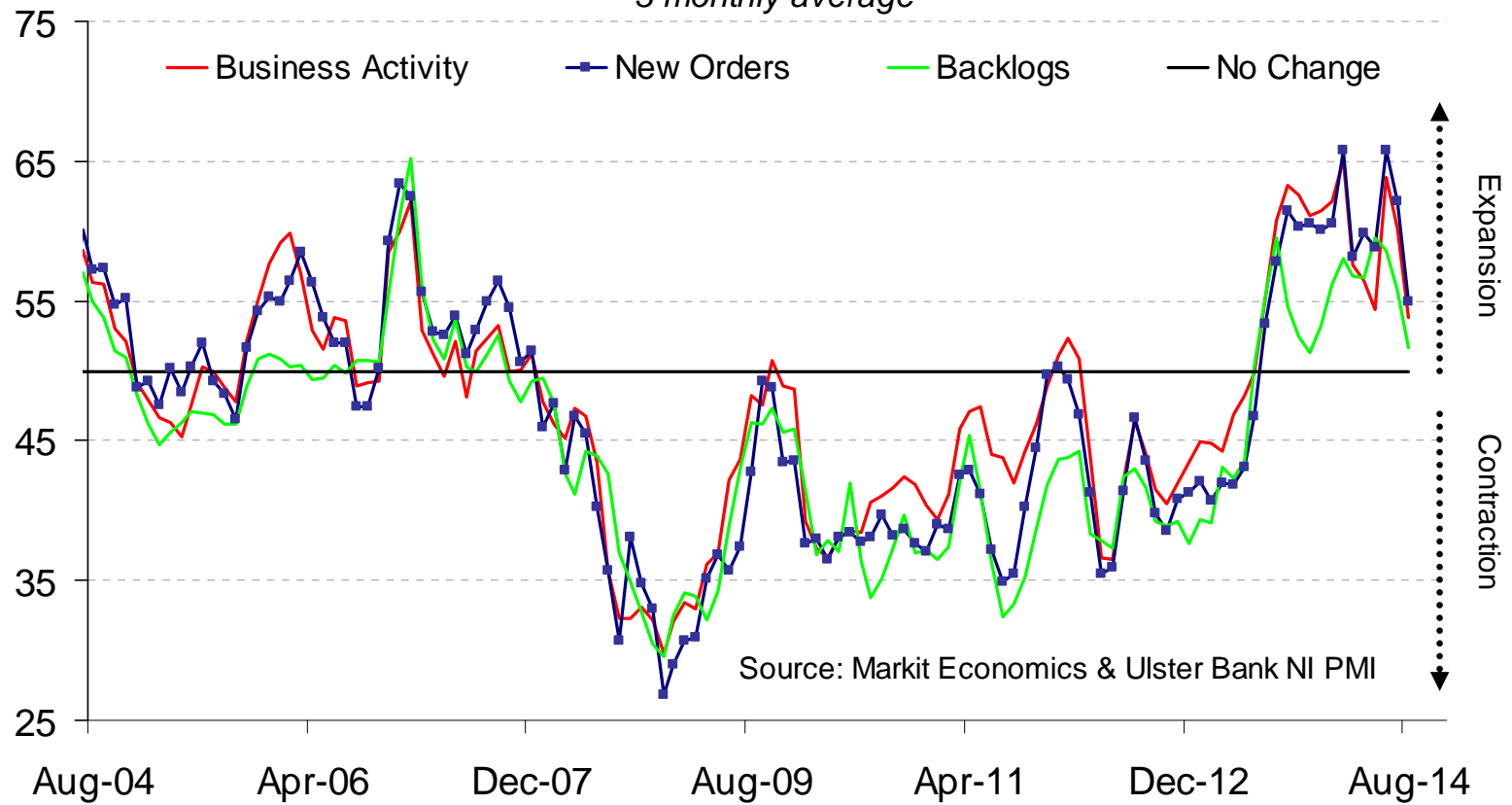
In Q2 the services PMI showed its fastest rate of jobs growth since Q4 2007. Pace of job creation eases in Q3



NI retailers report a much weaker Q3 relative to a bumper Q2 (*boosted by Giro D'Italia*)

Northern Ireland Retail PMI

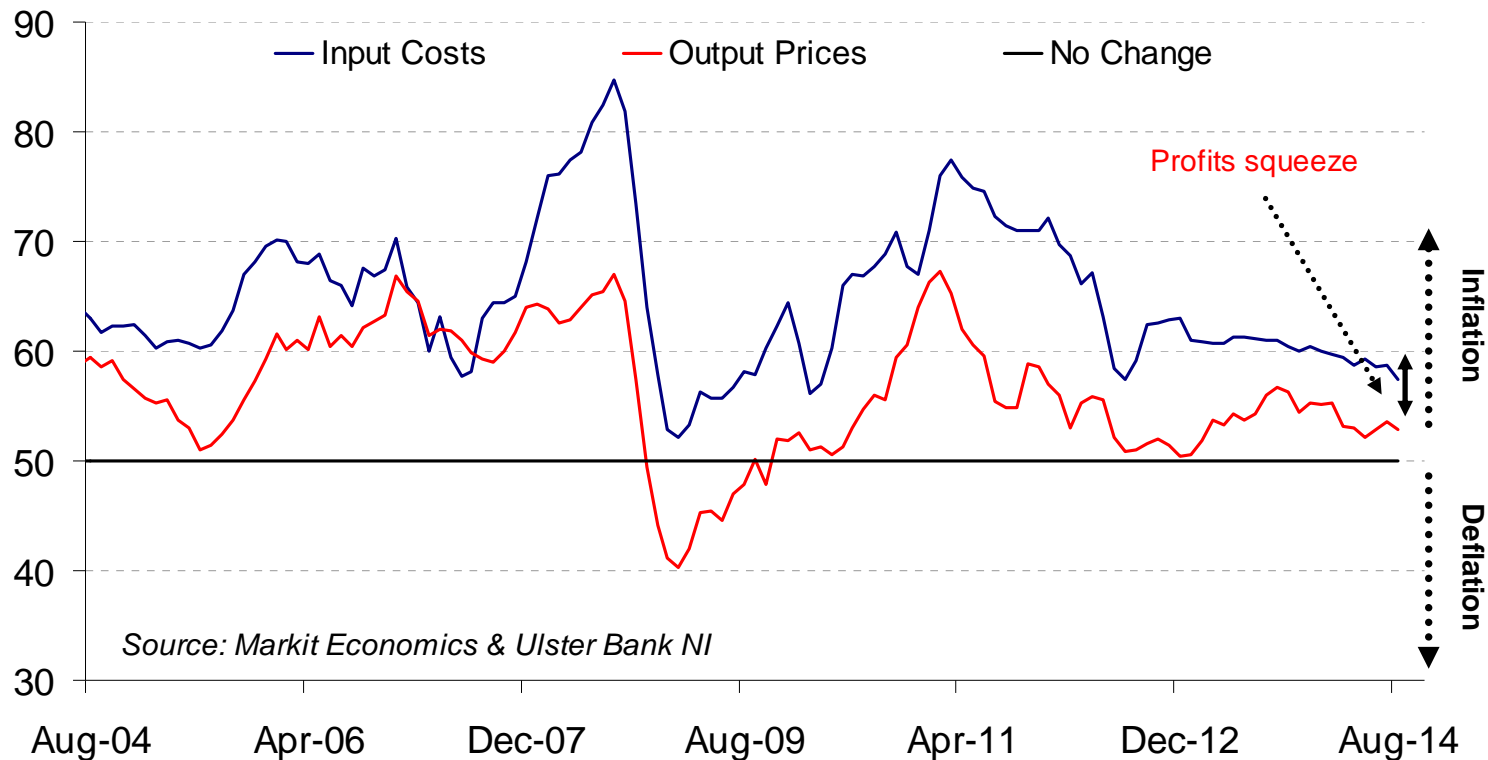
3 monthly average



Local retailers report an easing in rates of output cost inflation and input price inflation

NI Retail Input & Output Inflation

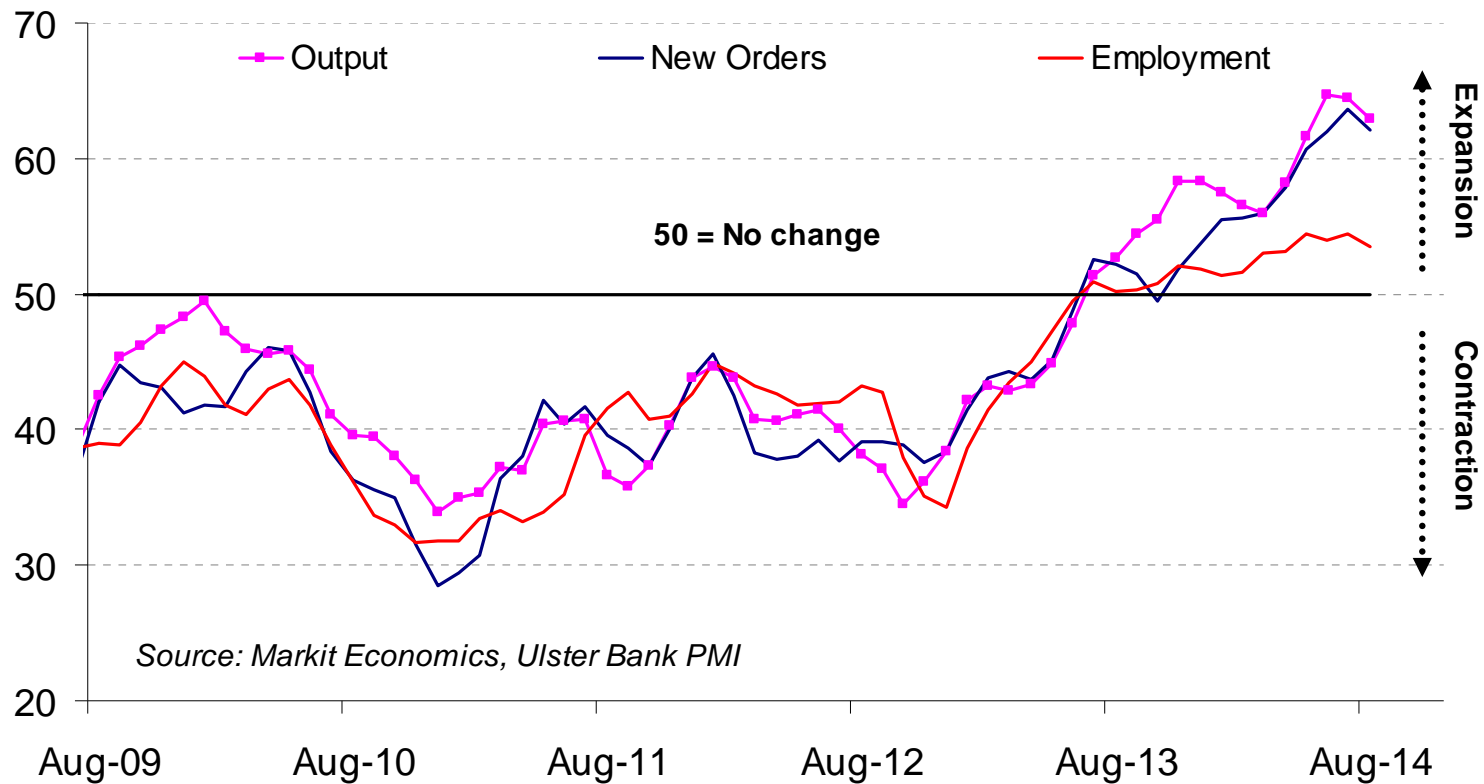
3 month moving average



Following Q2's record rates of growth, NI's construction firms report a slight easing in their rates of growth in Q3

NI Construction PMI

3 month moving average

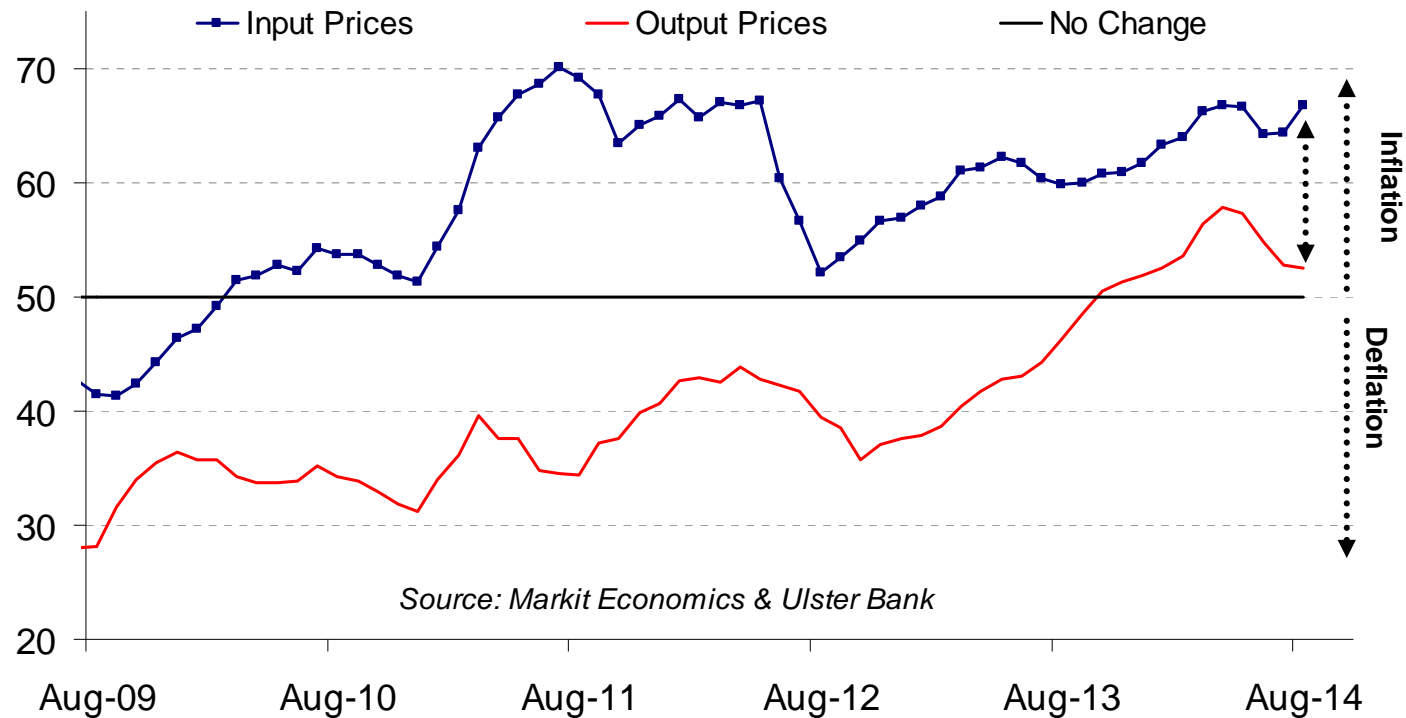


...and output price inflation has eased while input cost inflation has accelerated in Q3

NI Construction Sector Profits Squeeze

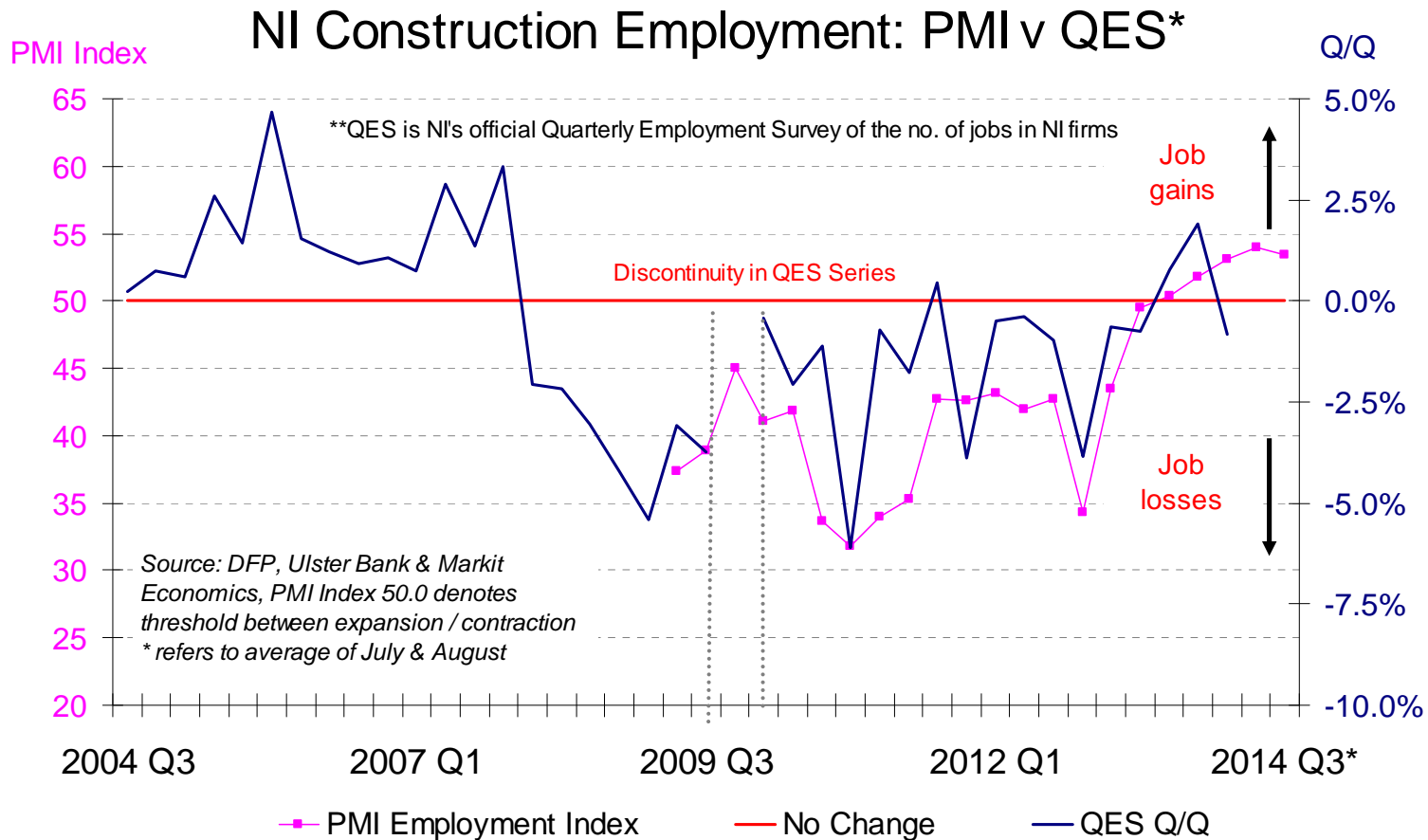
3 month moving average

PMI Index



Source: Markit Economics & Ulster Bank

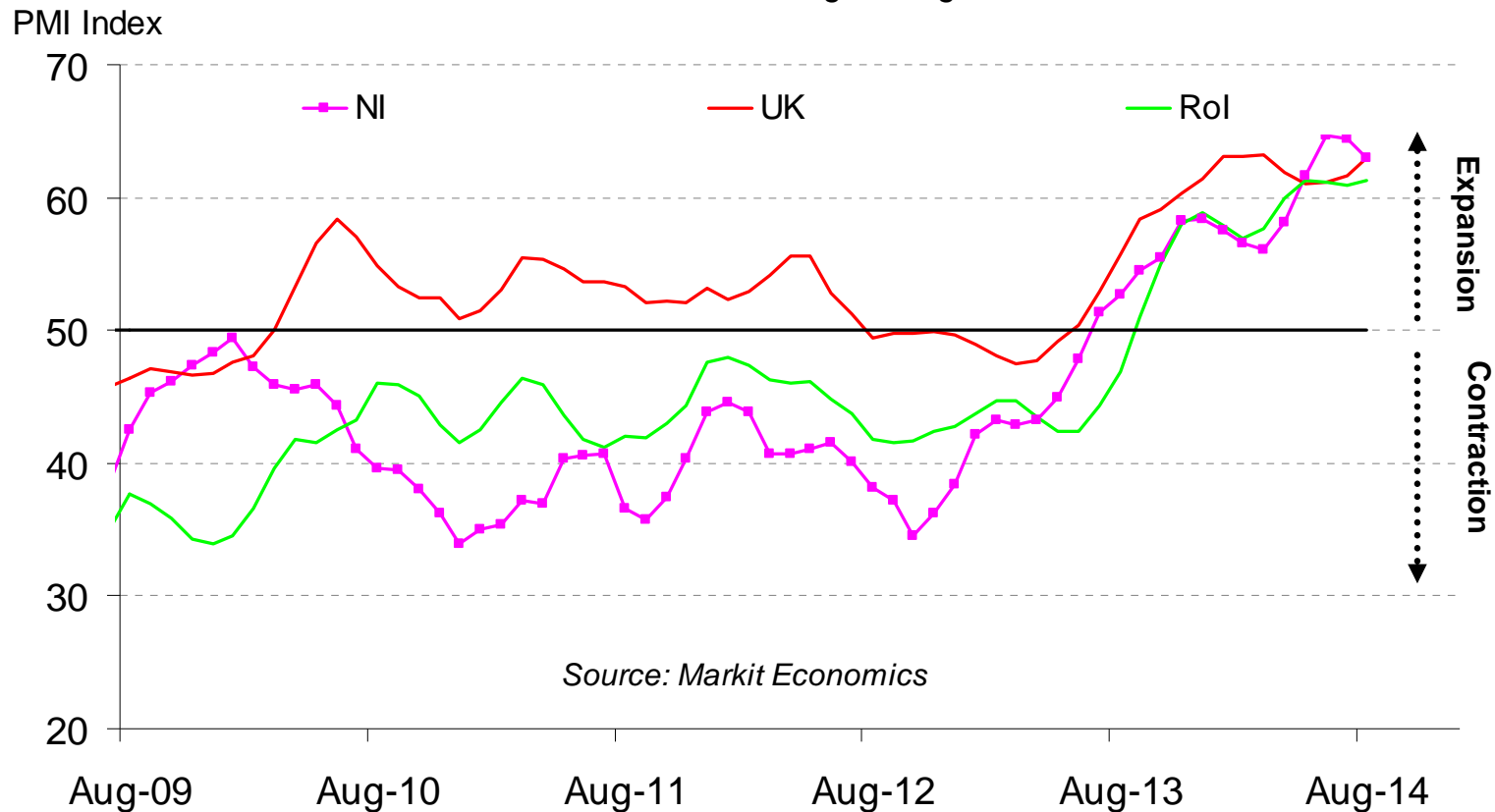
NI's construction PMI posts its 5th successive quarterly rise in employment in Q3*but QES shows a fall in Q1



Construction output growth remains strong in all three economies in Q3

Construction Sector Output - PMI

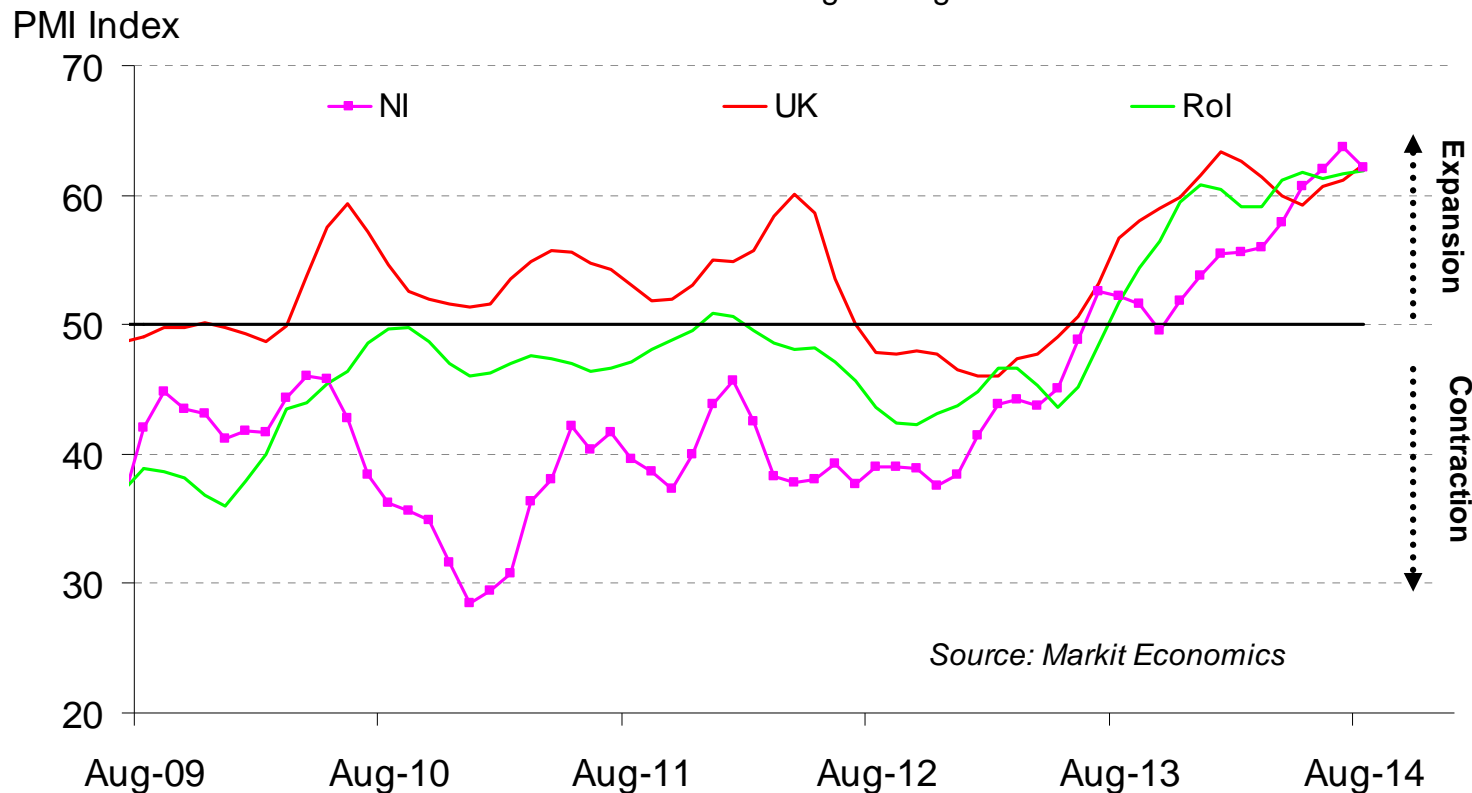
3 month moving average



NI new orders growth hits a record high in Q2 & remains strong in Q3 suggesting significant work in the pipeline

Construction Sector New Orders - PMI

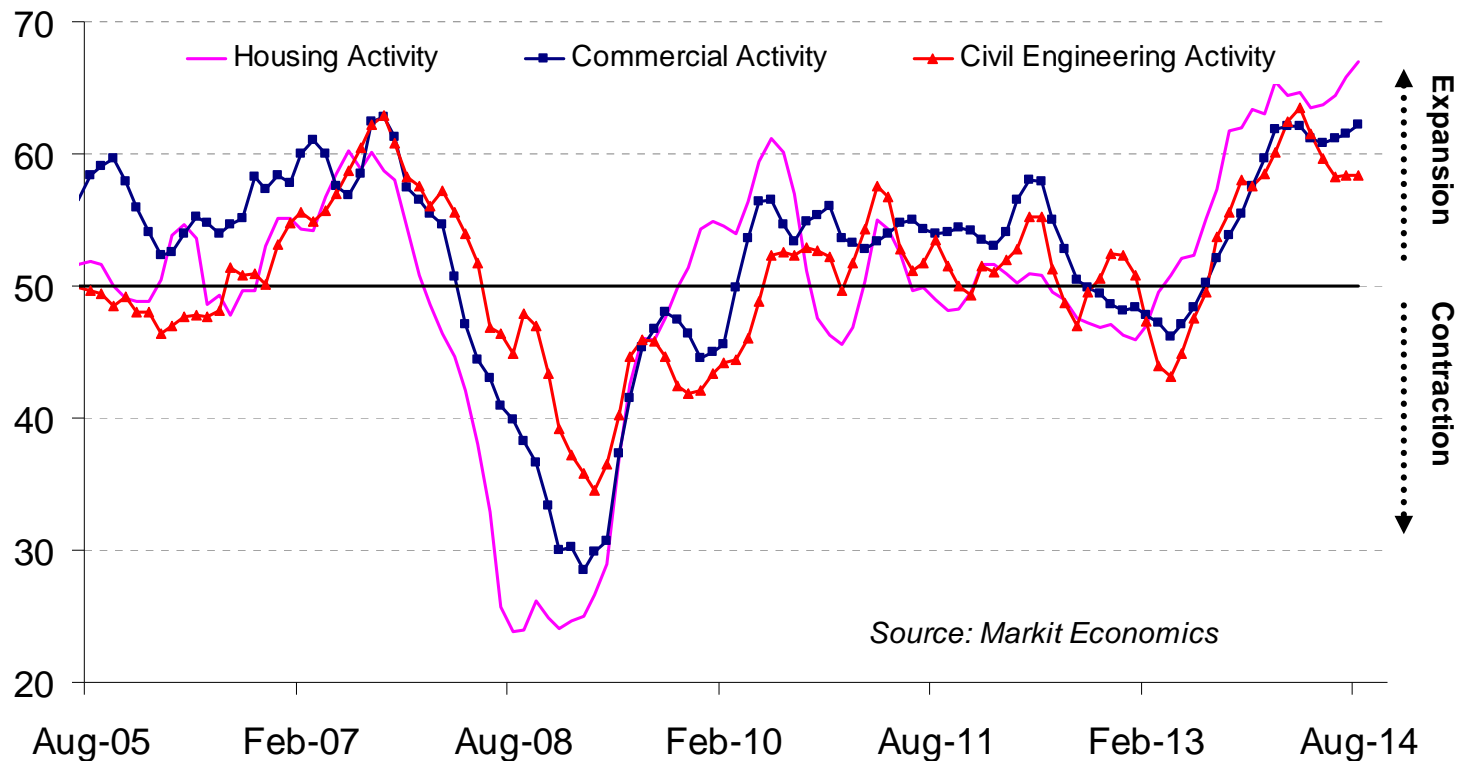
3 month moving average



Opportunities for NI firms. Housing activity has increased over the last 3 months at its fastest rate since June 1997

UK Construction Activity - PMIs

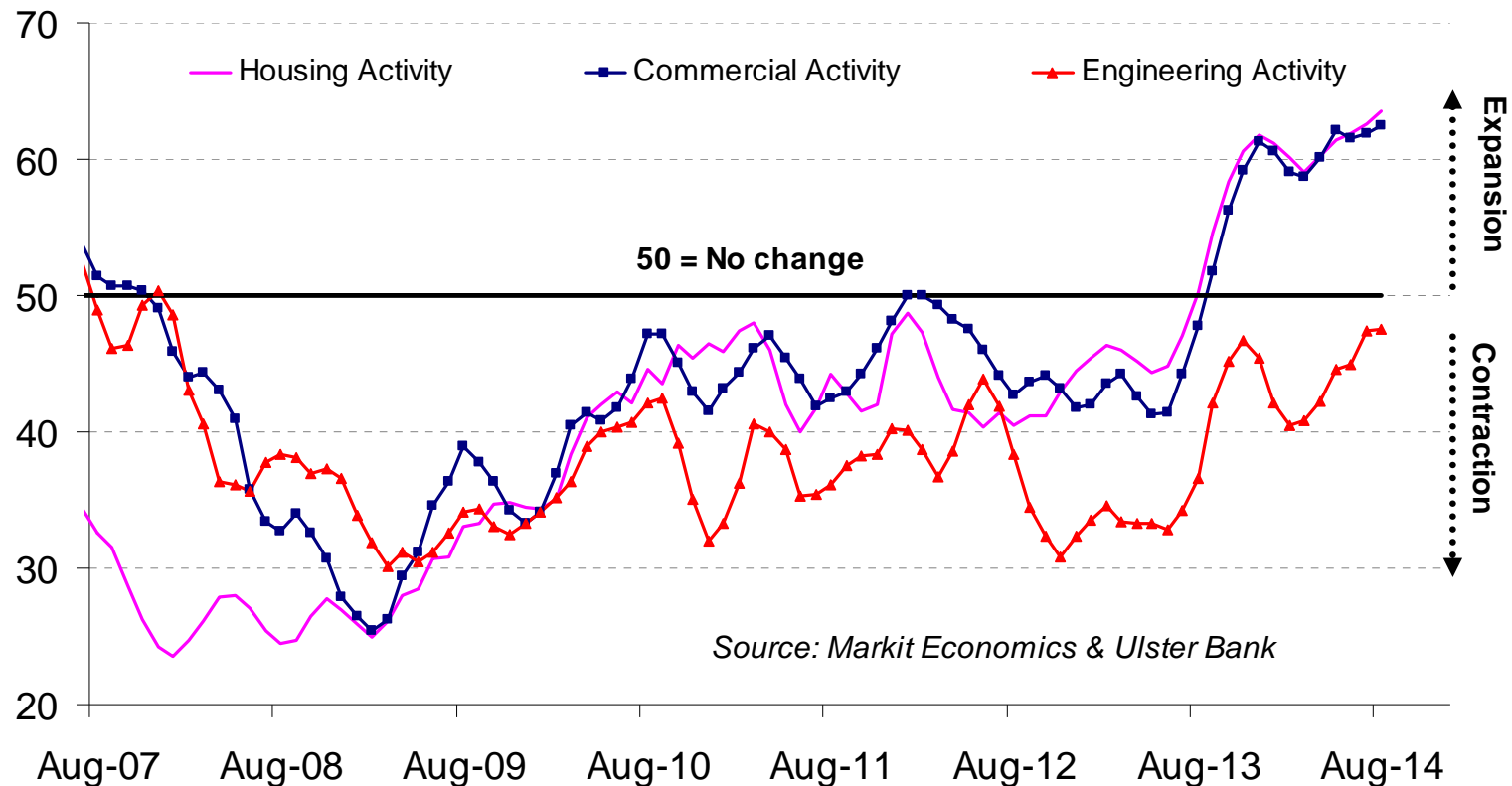
3 month moving average



...with opportunities returning within the RoI too

Republic of Ireland Construction Activity - PMI

3 month moving average



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