

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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Ulster Bank and Markit Economics acknowledge the support of CIPS in the production of this report.



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Robust output growth in February, led by ninth successive monthly rise in new business

February data signalled a further sharp increase in business activity at Northern Ireland private-sector firms, aided by another month of strong new order growth. Meanwhile, a marked easing in the rate of cost inflation was recorded, and companies lowered their output prices.

Sharp expansion in activity

Business activity at Northern Ireland companies continued to rise in February, extending the current sequence of growth to eight months. Although easing slightly from the previous month, the rate of expansion remained sharp and was broadly in line with that seen across the UK as a whole. All four monitored sectors registered growth of activity, led by retail.

Where a rise in activity was recorded (at around one-third of respondents), growth was often linked by panellists to increased new orders. New business rose for the ninth month running in February, and at a substantial pace as respondents indicated improved success in securing sales. As with activity, retail posted the strongest increase in new business. New export orders also rose again during the month, albeit at a weaker pace than overall new business.

Backlogs of work rise solidly

Further strong growth of new orders led to a solid build-up of backlogs of work during February, with the rate of accumulation slightly faster than seen at the start of the year. Outstanding business has now risen in each of the past five months.

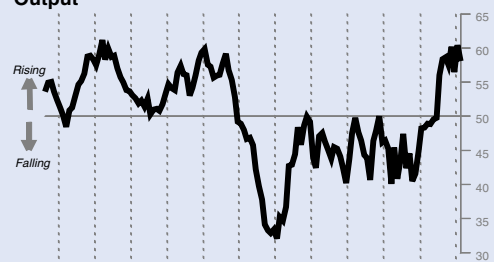
Increased backlogs of work and strong growth of new business led companies in Northern Ireland to raise their staffing levels. The latest monthly increase in employment was solid, and broad-based across the four sectors, but slower than the UK average. The sharpest job creation was seen at retailers.

Marked easing in rate of cost inflation

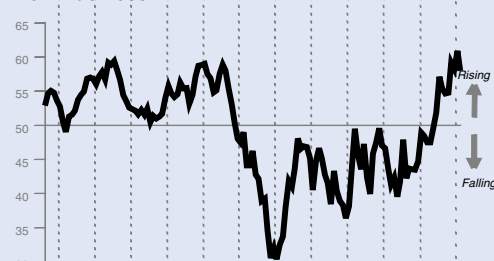
Although input prices continued to increase during February, the rate of inflation eased sharply and was well below the series average. The service sector saw the most marked slowdown in inflationary pressures, while manufacturers also posted a much weaker rise than in the previous month. Where input costs did increase, firms generally linked this to higher wage costs.

Northern Ireland companies lowered their output prices slightly, the first reduction in prices charged since April 2013. The fall mainly reflected a solid reduction in services selling prices, while the remaining three sectors all posted increased charges. Anecdotal evidence indicated that competitive pressures and attempts to stimulate client demand had led to the reduction.

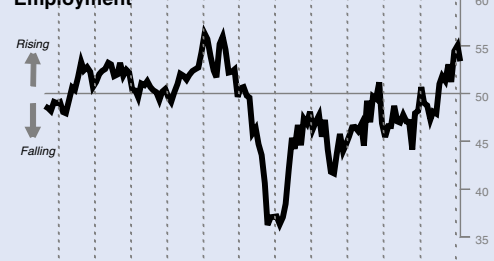
Output



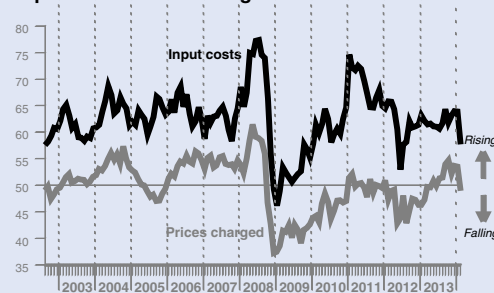
New Business



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

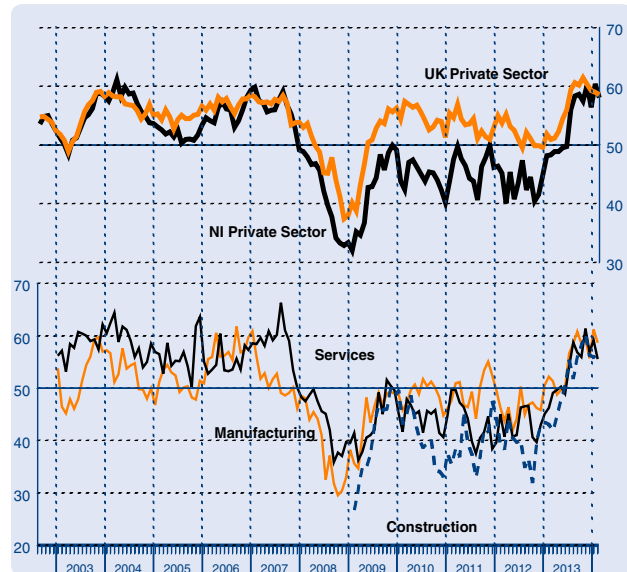
Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Sep	36.0	52.5	11.5	24.4	62.2	58.7
	Oct	30.4	59.3	10.3	20.1	60.0	57.6
	Nov	32.4	56.5	11.1	21.4	60.7	60.2
	Dec	29.9	50.7	19.4	10.5	55.2	56.5
2014	Jan	32.7	44.0	23.3	9.4	54.7	60.4
	Feb	33.5	49.6	16.9	16.6	58.3	58.1

As has been the case in each month since July 2013, business activity rose at Northern Ireland companies in February. The rate of expansion remained sharp, despite easing from that seen at the start of the year, and was broadly in line with the UK average. Around one-third of respondents indicated that activity had increased, and linked the expansion to higher new order intakes. Each of the four monitored sectors recorded growth of activity, led by retail where the pace of increase accelerated to the strongest in the series history. Construction also posted a faster pace of growth, while rates of expansion eased at manufacturers and services companies.

By sector

		Construction	Manufacturing	Services
'13	Dec	56.3	55.7	56.9
'14	Jan	55.9	61.3	59.2
	Feb	57.3	58.7	55.6



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?

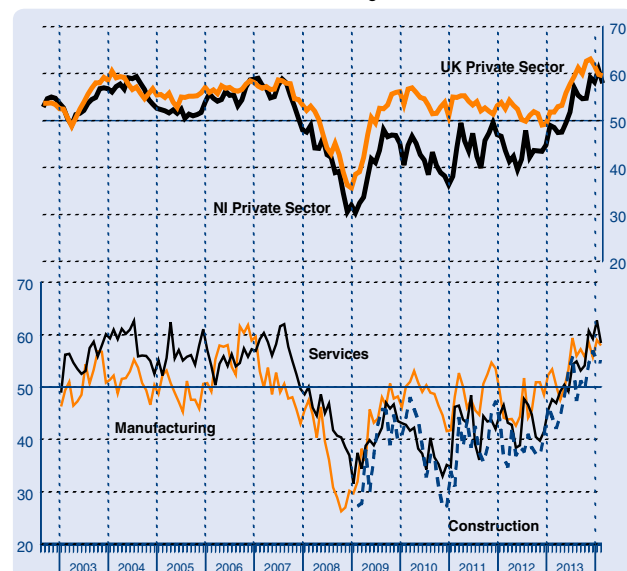
Northern Ireland Companies				All UK			
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Sep	30.2	57.6	12.2	18.0	59.0	54.7
	Oct	27.6	57.4	15.0	12.6	56.3	54.8
	Nov	35.5	50.3	14.3	21.2	60.6	59.2
	Dec	32.2	46.8	21.0	11.2	55.6	58.3
2014	Jan	31.5	50.5	18.0	13.5	56.7	60.9
	Feb	36.3	47.6	16.0	20.3	60.2	58.0

New orders continued to increase at Northern Ireland companies during February, extending the current sequence of expansion to nine months. The rate of growth remained sharp, but slowed from the previous month and was slightly weaker than the UK economy average. Panellists reported increased success in securing sales during February, with more than 36% of respondents seeing a rise in new business during the month.

As with activity, retail was the best-performing sector as growth in new orders accelerated sharply. The three remaining sectors all continued to register strong expansions in new business.

By sector

		Construction	Manufacturing	Services
'13	Dec	56.9	55.8	59.3
'14	Jan	54.9	59.0	62.8
	Feb	54.9	58.0	58.5



Backlogs

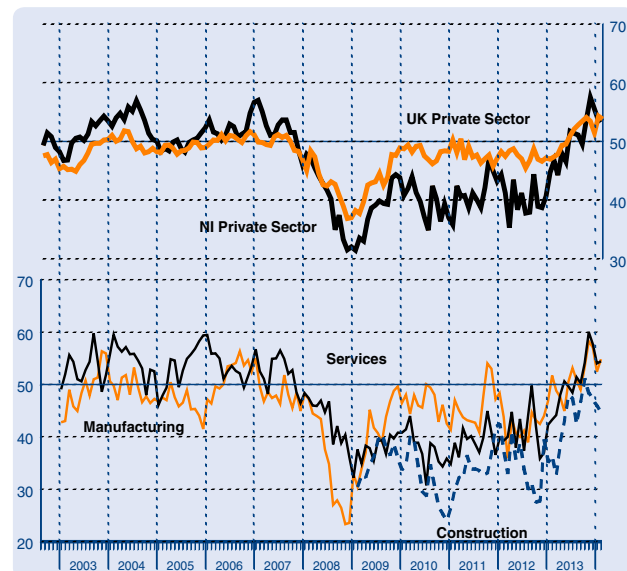
Q. Is the level of business outstanding (i.e. work not yet commenced or completed) at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Sep	19.4	66.5	14.0	5.4	52.7	49.6
	Oct	23.2	62.3	14.5	8.7	54.3	53.7
	Nov	28.6	59.0	12.5	16.1	58.0	57.5
	Dec	21.1	65.6	13.3	7.8	53.9	55.6
2014	Jan	16.5	66.0	17.4	-0.9	49.5	53.6
	Feb	22.4	64.9	12.8	9.6	54.8	54.1

Strong growth of new orders led to another accumulation of outstanding business during February. Backlogs of work have now risen in five successive months and the rate of accumulation picked up slightly from that seen in January. The increase in outstanding business at Northern Ireland companies was broadly similar to that recorded across the UK economy as a whole. Retail posted the fastest rise in work that has either not been started or is in progress, while sharper increases were seen in the manufacturing and services sectors. Meanwhile, construction continued to see falling backlogs, with the latest drop the sharpest since August 2013.

By sector

		Construction	Manufacturing	Services
'13	Dec	47.1	57.1	57.7
'14	Jan	46.0	52.5	54.1
	Feb	44.7	54.9	54.4



Employment

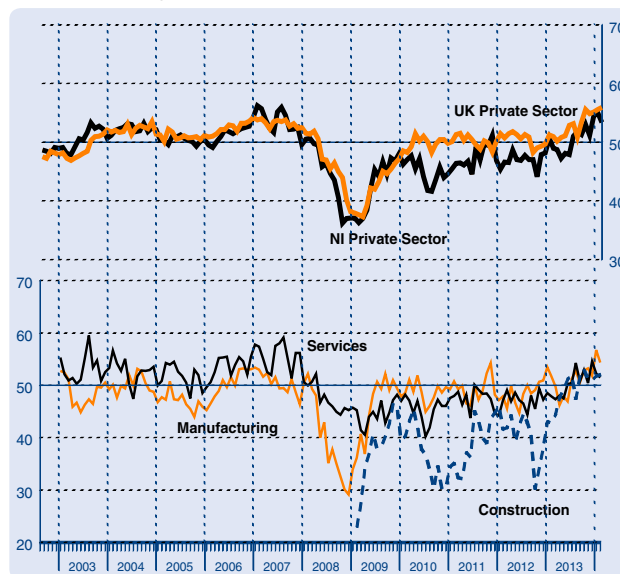
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Sep	15.0	73.4	11.6	3.4	51.7	51.4	53.5
Oct	16.8	76.4	6.8	10.0	55.0	53.1	55.6
Nov	11.5	78.2	10.2	1.3	50.7	51.2	54.9
Dec	16.8	74.4	8.8	8.0	54.0	54.5	55.2
2014 Jan	18.3	72.2	9.5	8.8	54.4	55.0	55.7
Feb	11.8	80.4	7.7	4.1	52.0	53.4	56.0

Anecdotal evidence for February suggested that the accumulation of backlogs of work, allied with rises in new orders, had led companies to take on extra staff. Employment increased for the eighth successive month, and at a solid pace. That said, the rate of job creation was the slowest in three months and weaker than the UK economy average. All four monitored sectors posted increases in employment, led by retail where the rise was substantial. Manufacturing firms and service providers saw their rates of job creation ease, while construction firms raised their staffing levels at a slightly faster pace than in January.

By sector

		Construction	Manufacturing	Services
'13 Dec		51.0	51.8	54.6
'14 Jan		51.8	56.8	52.3
Feb		52.1	54.4	51.5



Input Costs

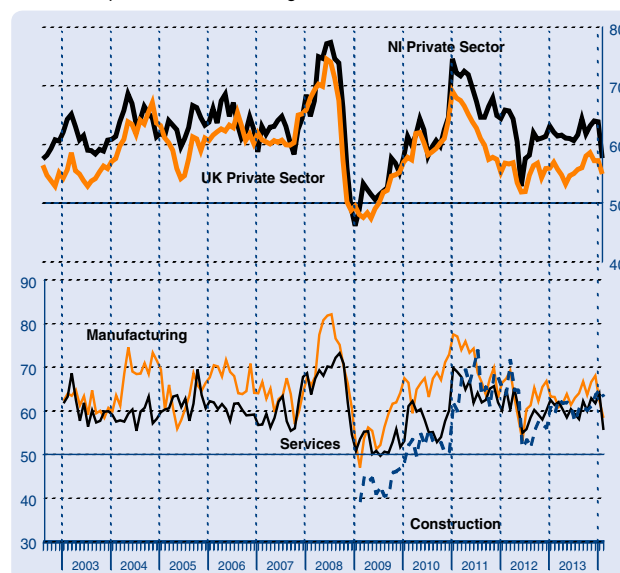
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Sep	33.1	64.0	3.0	30.1	65.1	64.4	56.1
Oct	25.1	72.2	2.7	22.4	61.2	61.9	58.1
Nov	26.4	70.3	3.3	23.1	61.5	63.2	58.6
Dec	23.8	74.0	2.3	21.5	60.8	64.0	57.3
2014 Jan	31.4	64.4	4.1	27.3	63.6	63.9	57.3
Feb	16.9	80.2	2.9	14.0	57.0	57.7	55.0

The rate of input cost inflation slowed sharply in Northern Ireland during February, and was the weakest since July 2012. The rate of inflation was also much slower than the series average. That said, input prices still rose solidly over the month and at a slightly faster pace than the UK average. Where input costs did increase, a number of respondents linked this to higher wages. The main impetus for the slowdown in inflation came from the service sector where the rise in costs was the weakest since June 2012. Manufacturers posted the slowest rise in input prices in 20 months, while inflation also eased in the construction and retail sectors.

By sector

		Construction	Manufacturing	Services
'13 Dec		63.8	68.2	61.8
'14 Jan		64.8	62.3	64.0
Feb		63.3	58.5	55.7



Prices Charged

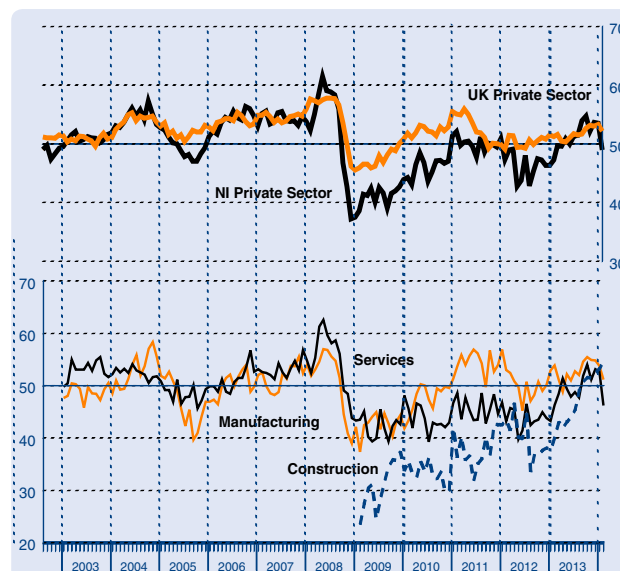
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Sep	11.8	83.5	4.6	7.2	53.6	54.0	51.7
Oct	12.5	82.4	5.1	7.5	53.7	54.7	52.7
Nov	7.6	86.1	6.4	1.2	50.6	52.2	53.2
Dec	9.7	85.6	4.7	5.1	52.5	53.7	53.1
2014 Jan	15.5	77.6	6.9	8.7	54.3	53.6	53.3
Feb	7.6	83.0	9.4	-1.8	49.1	49.0	52.2

Northern Ireland private-sector firms lowered their output prices during February, ending a seven-month sequence of inflation. Although only slight, the reduction in selling prices in Northern Ireland contrasted with a modest increase at the UK level. Panellists mentioned competitive pressures and attempts to gain more business as factors leading to the fall in output prices. Sector data suggested that the overall decrease in prices charged was largely centred on services companies where output prices fell for the first time since last August. Elsewhere, selling prices continued to rise, and even at faster rates in the construction and retail sectors.

By sector

		Construction	Manufacturing	Services
'13 Dec		52.5	54.9	53.2
'14 Jan		53.3	53.8	52.7
Feb		54.8	51.2	46.3



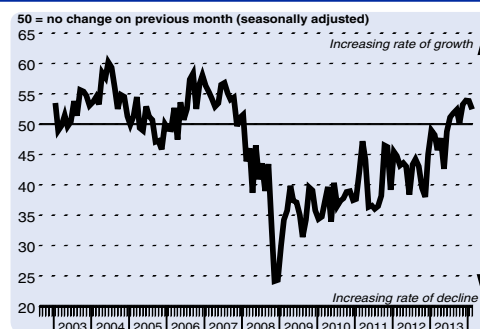
New Export Business*

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

Northern Ireland Companies

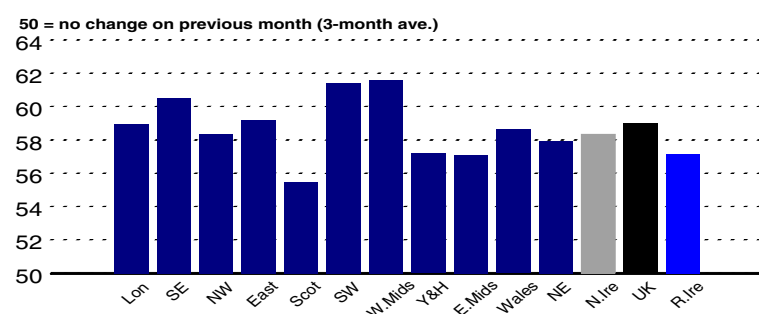
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Sep	27.1	54.2	18.8	8.3	54.1	52.4
	Oct	14.3	73.0	12.7	1.6	50.8	50.2
	Nov	23.6	62.1	14.3	9.3	54.6	53.3
	Dec	22.3	60.8	16.9	5.4	52.7	54.0
2014	Jan	18.6	69.9	11.6	7.0	53.5	53.9
	Feb	19.2	69.9	10.9	8.3	54.1	52.5

New export orders increased again at Northern Ireland companies during February, and have now risen in eight consecutive months. The rate of expansion remained solid, despite easing slightly. Panellists indicated that a general improvement in economic conditions had contributed to growth of new business from abroad.



Regional Comparisons: Output / Business Activity

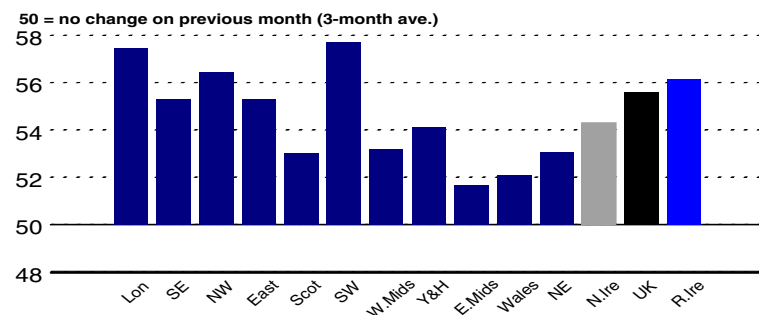
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions registered solid expansions of business activity in the three months to February. Output growth was fastest in the West Midlands and South West, while Scotland posted the slowest pace of expansion. A sharp increase in activity was recorded in the Republic of Ireland.



	Share of UK GVA, 2012 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.8%)	59.4	58.9	59.5
South East	(14.9%)	58.5	60.5	60.0
North West	(9.6%)	58.3	58.3	57.0
East of England	(8.6%)	57.0	59.2	58.1
Scotland	(7.8%)	55.4	55.5	55.2
South West	(7.5%)	58.1	61.4	59.0
West Midlands	(7.2%)	57.4	61.6	62.2
Yorks & Humber	(6.9%)	57.2	57.2	58.1
East Midlands	(5.9%)	57.3	57.1	55.7
Wales	(3.5%)	57.5	58.6	59.2
North East	(3.1%)	54.6	58.0	56.6
N.Ireland	(2.2%)	55.3	58.3	58.1
UK	(100.0%)	57.8	59.0	58.6
Rep. of Ireland	n/a	54.8	57.2	55.1

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). Higher staffing levels were recorded across all 12 UK regions on average in the three months to February. The South West registered the strongest pace of job creation, while the weakest rise in workforce numbers was in the East Midlands. The Republic of Ireland posted a faster increase in employment than the UK.



	Share of UK GVA, 2012 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.8%)	54.2	57.4	56.4
South East	(14.9%)	53.3	55.3	54.9
North West	(9.6%)	53.6	56.5	58.3
East of England	(8.6%)	53.6	55.3	56.2
Scotland	(7.8%)	52.6	53.0	55.2
South West	(7.5%)	54.3	57.7	55.7
West Midlands	(7.2%)	54.0	53.2	52.8
Yorks & Humber	(6.9%)	51.3	54.1	55.7
East Midlands	(5.9%)	51.3	51.7	52.7
Wales	(3.5%)	52.3	52.1	52.5
North East	(3.1%)	51.4	53.1	54.9
N.Ireland	(2.2%)	51.1	54.3	53.4
UK	(100.0%)	53.3	55.6	56.0
Rep. of Ireland	n/a	54.1	56.1	57.3

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*

February 2014 Survey Update

Issued 10th March 2014

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PMI Surveys

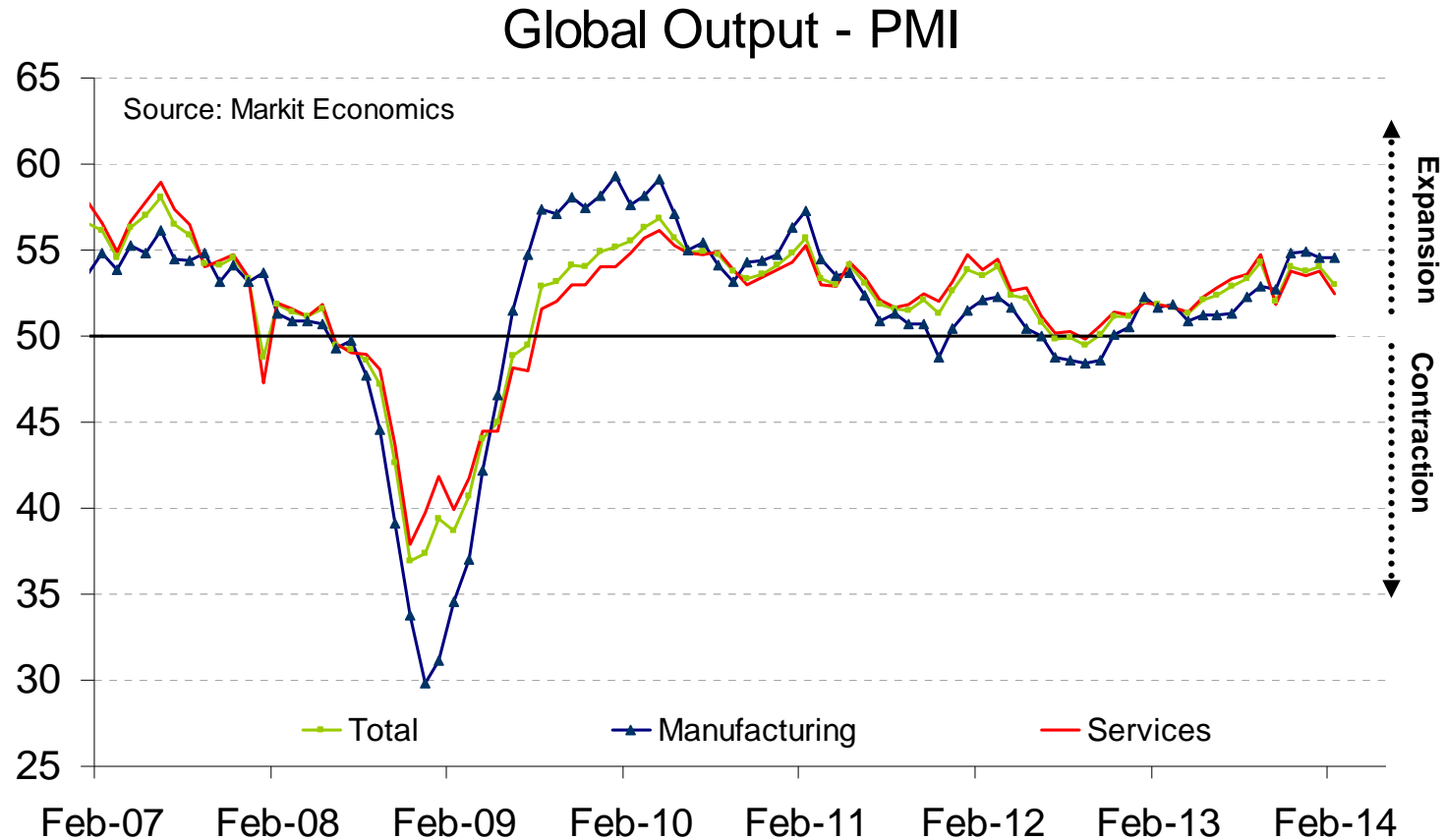
Purchasing Managers' Indexes (PMIs) are monthly surveys of private sector companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices across different sectors.

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

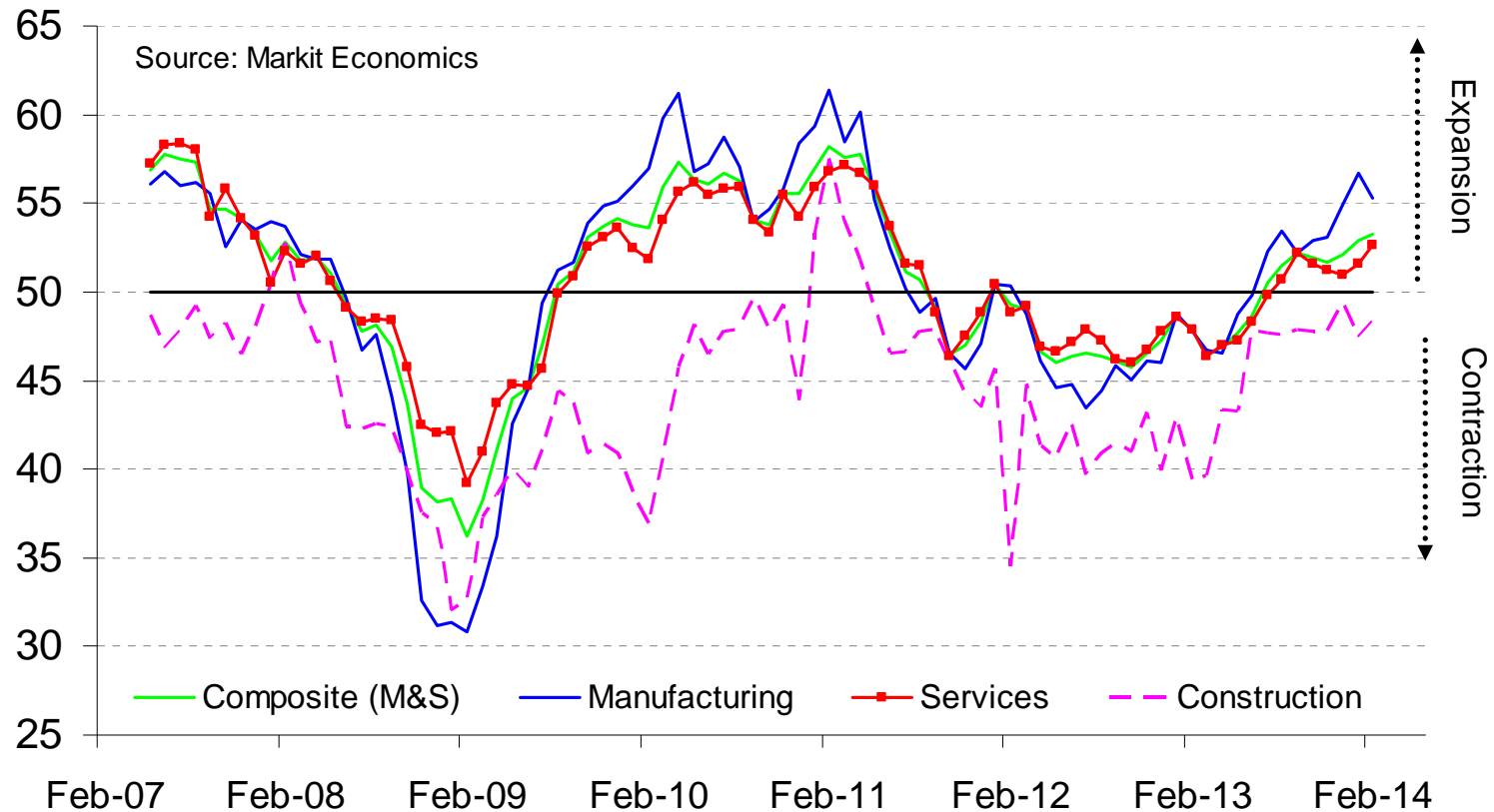
*Data at a sector level are more volatile and **3-month moving averages** have been used to more accurately identify the broad trends.*

Global output begins 2014 on a firmer footing than it started 2013 but service sector growth eases in February



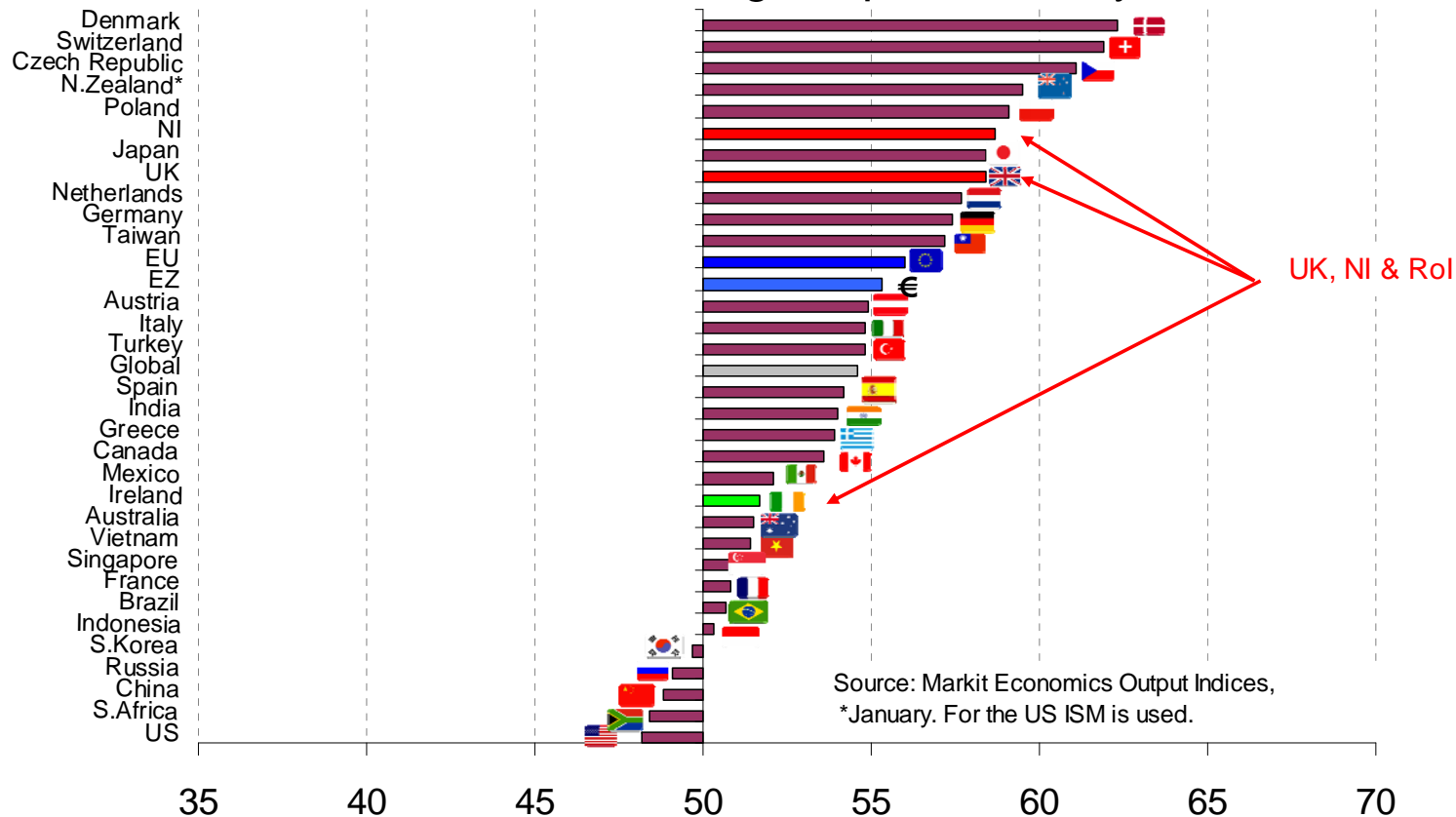
The Eurozone started 2013 with all sectors contracting
now only construction is waiting for a return to growth

Eurozone PMIs: Output



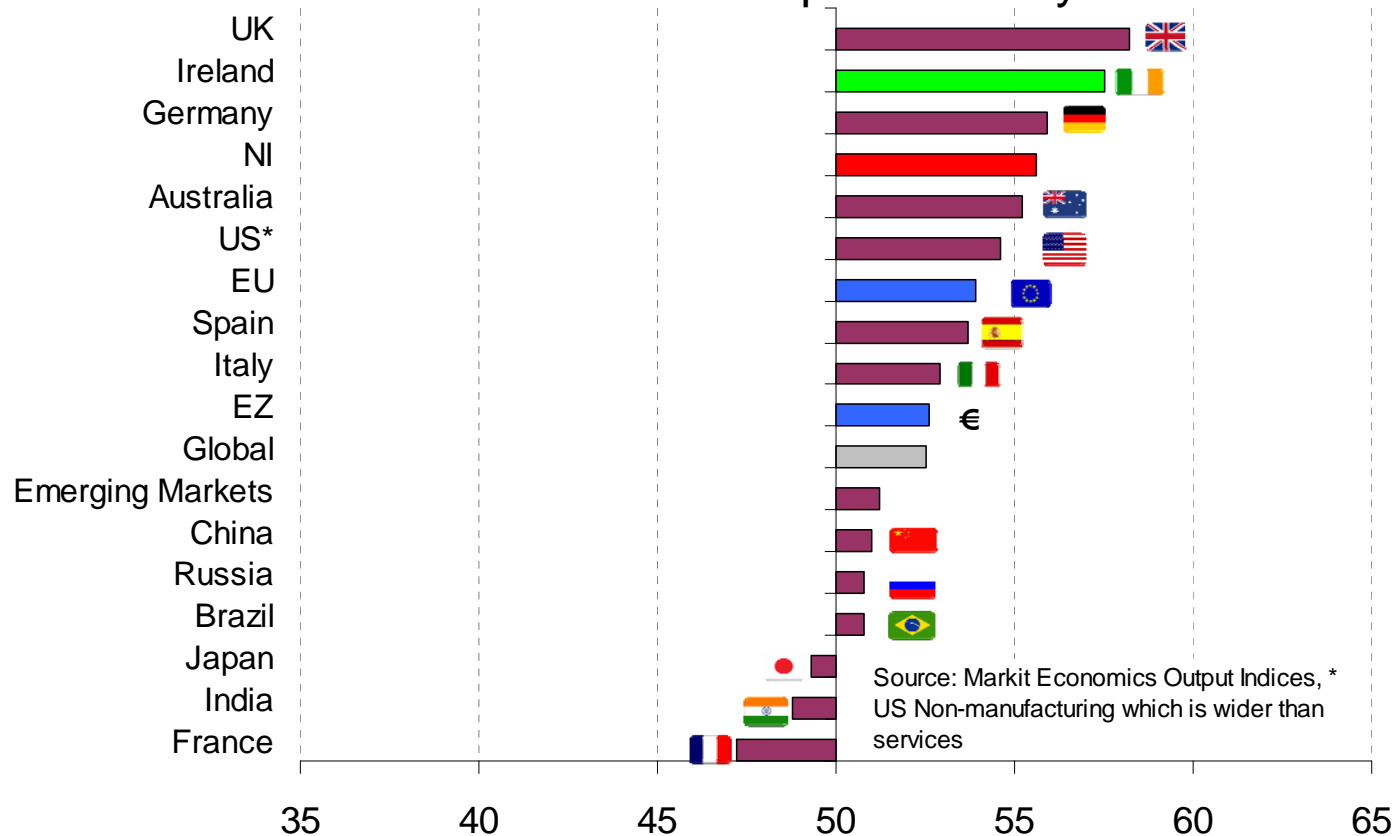
Most economies post manufacturing output growth in February with NI's growth rate faster than most

PMIs: Manufacturing Output February 2014

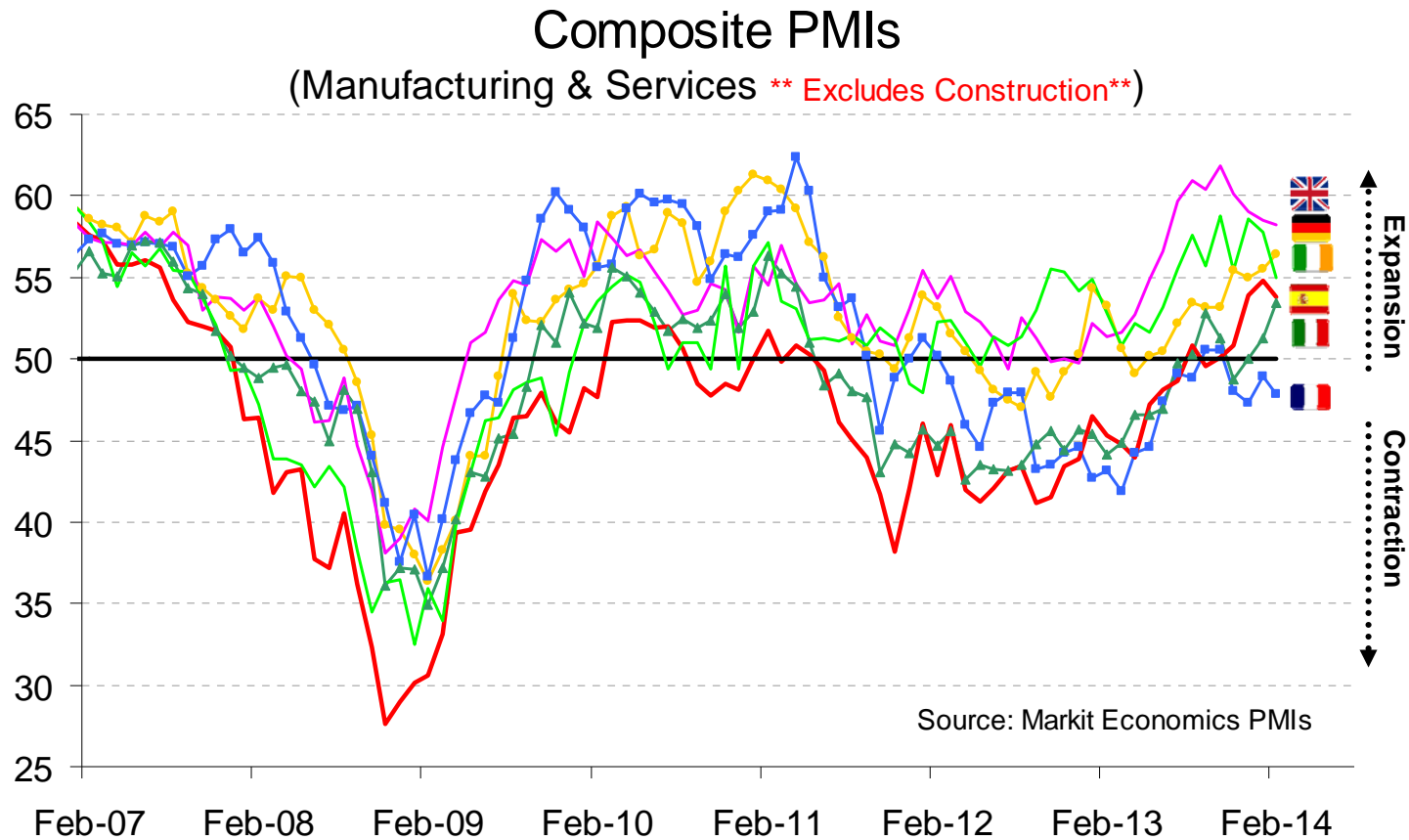


The UK & Republic of Ireland posted the fastest rates of service sector output growth in February

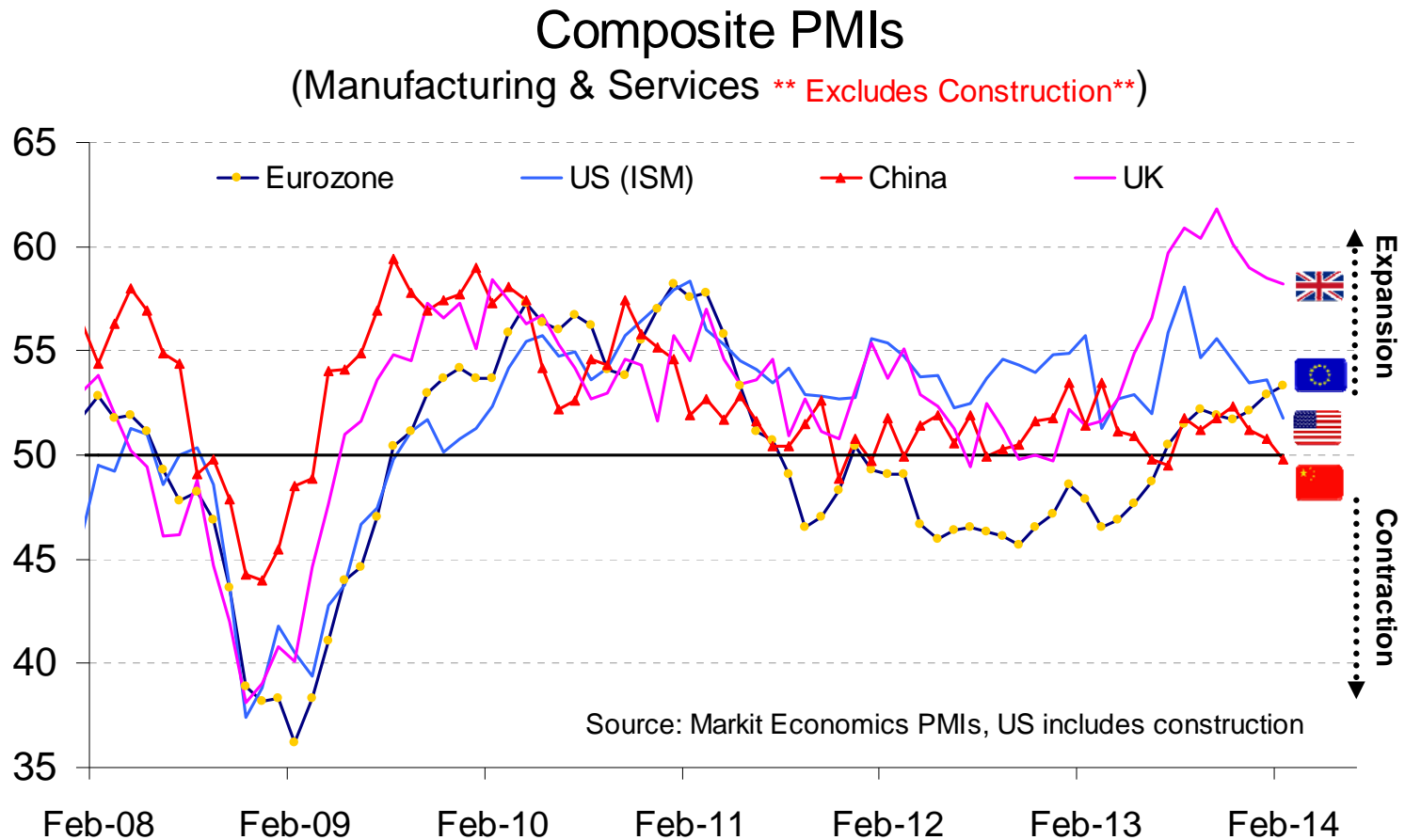
PMIs: Services Output February 2014



Germany & Italy improve in February while France sees its rate of contraction accelerate

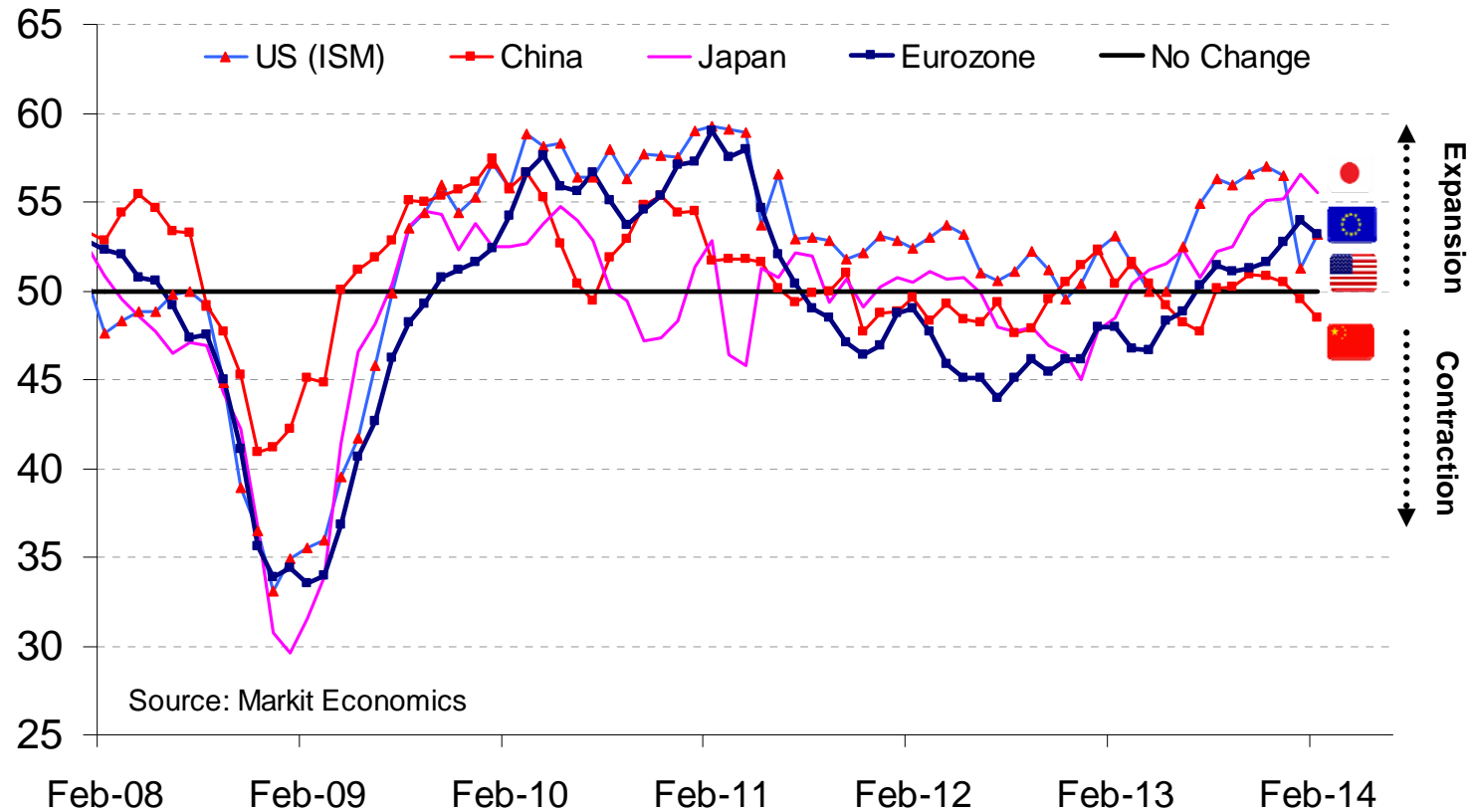


The US, UK & China saw their composite PMIs slip in February with the EZ pushing higher

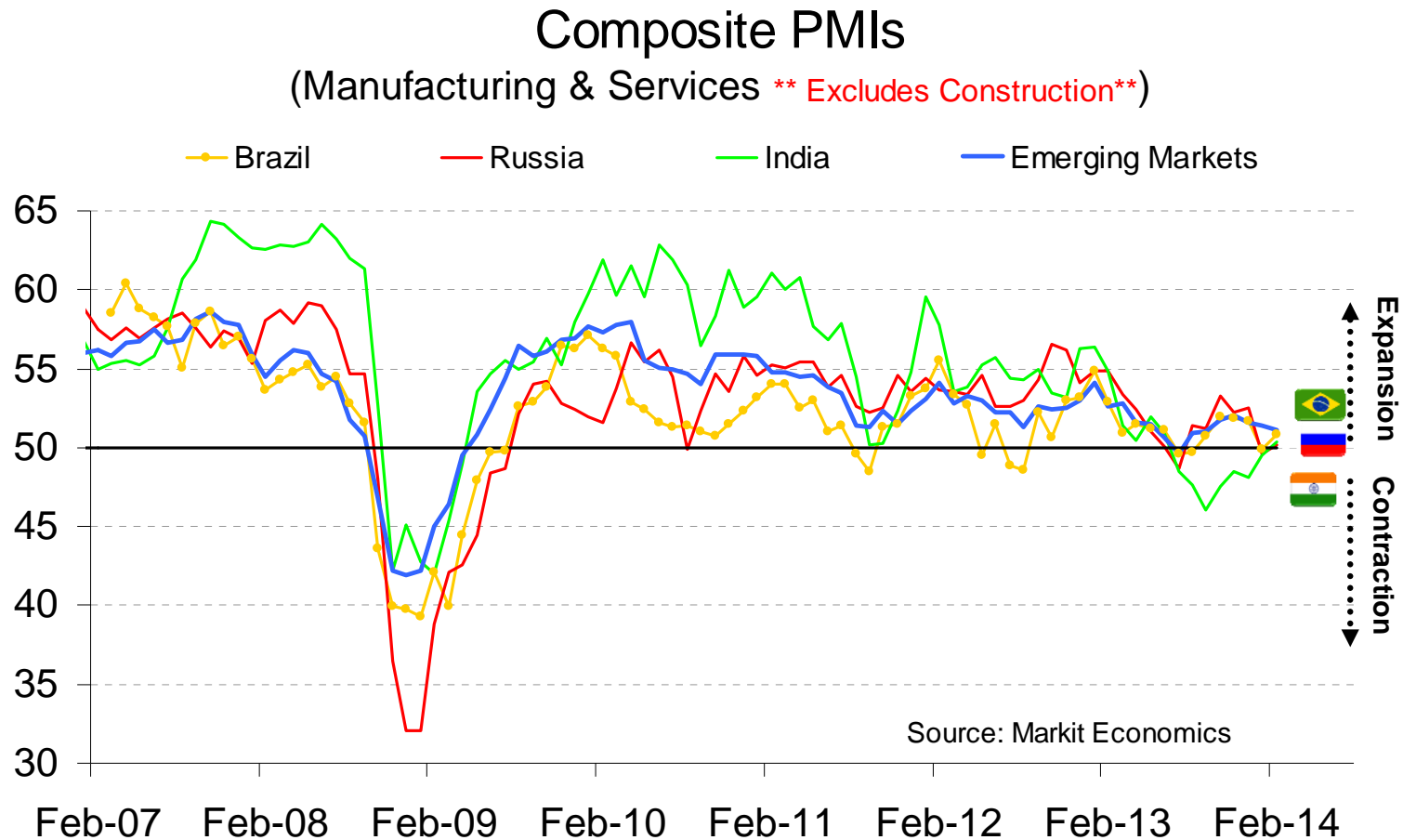


Japan & the Eurozone saw their growth rates slip in February with Chinese manufacturing sub-50

Manufacturing PMIs

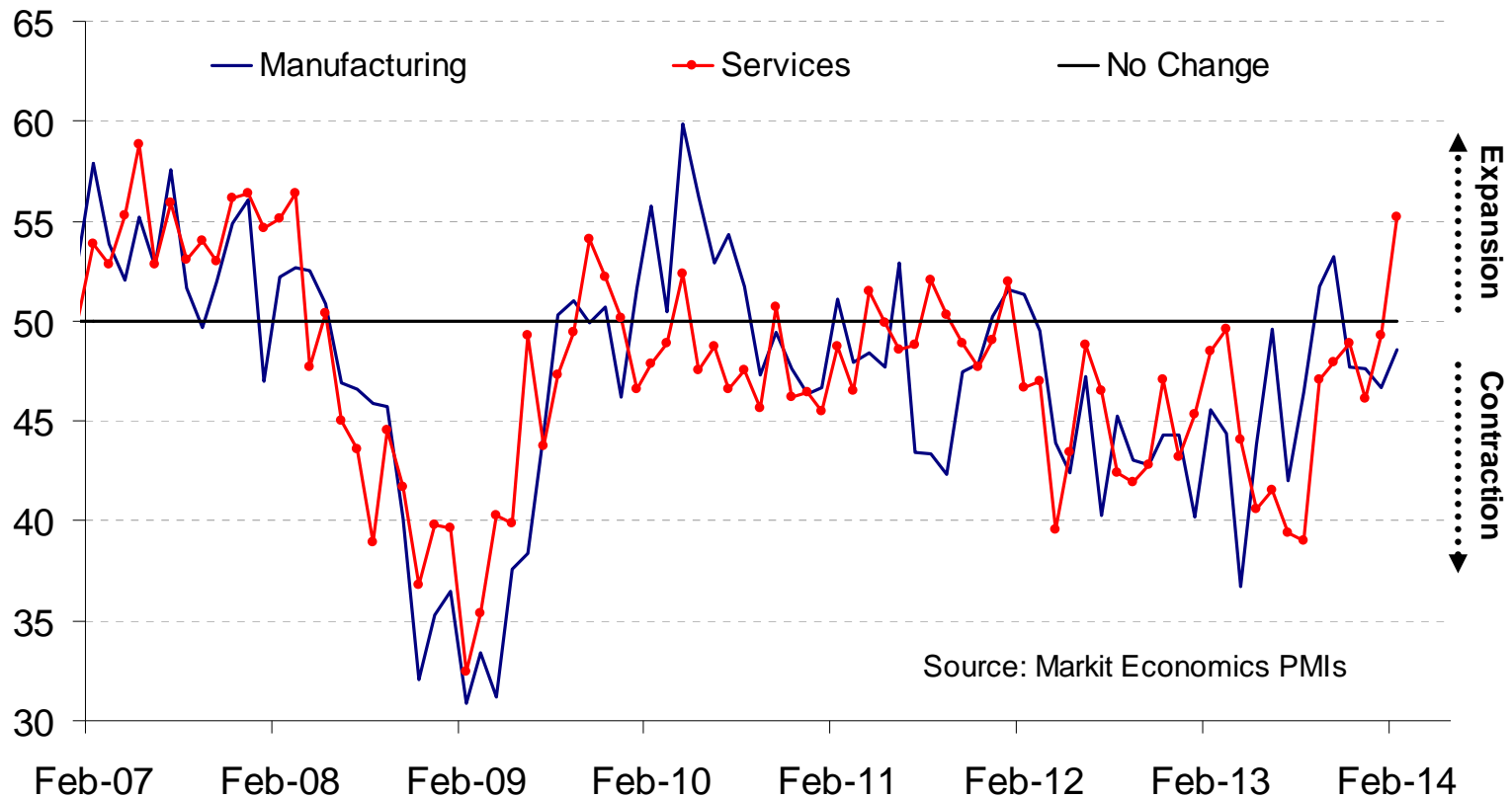


Emerging markets slowdown continues but Brazil, Russia & India post a small improvement in February...



Australia's services sector posts its first reading above 50 since January 2012

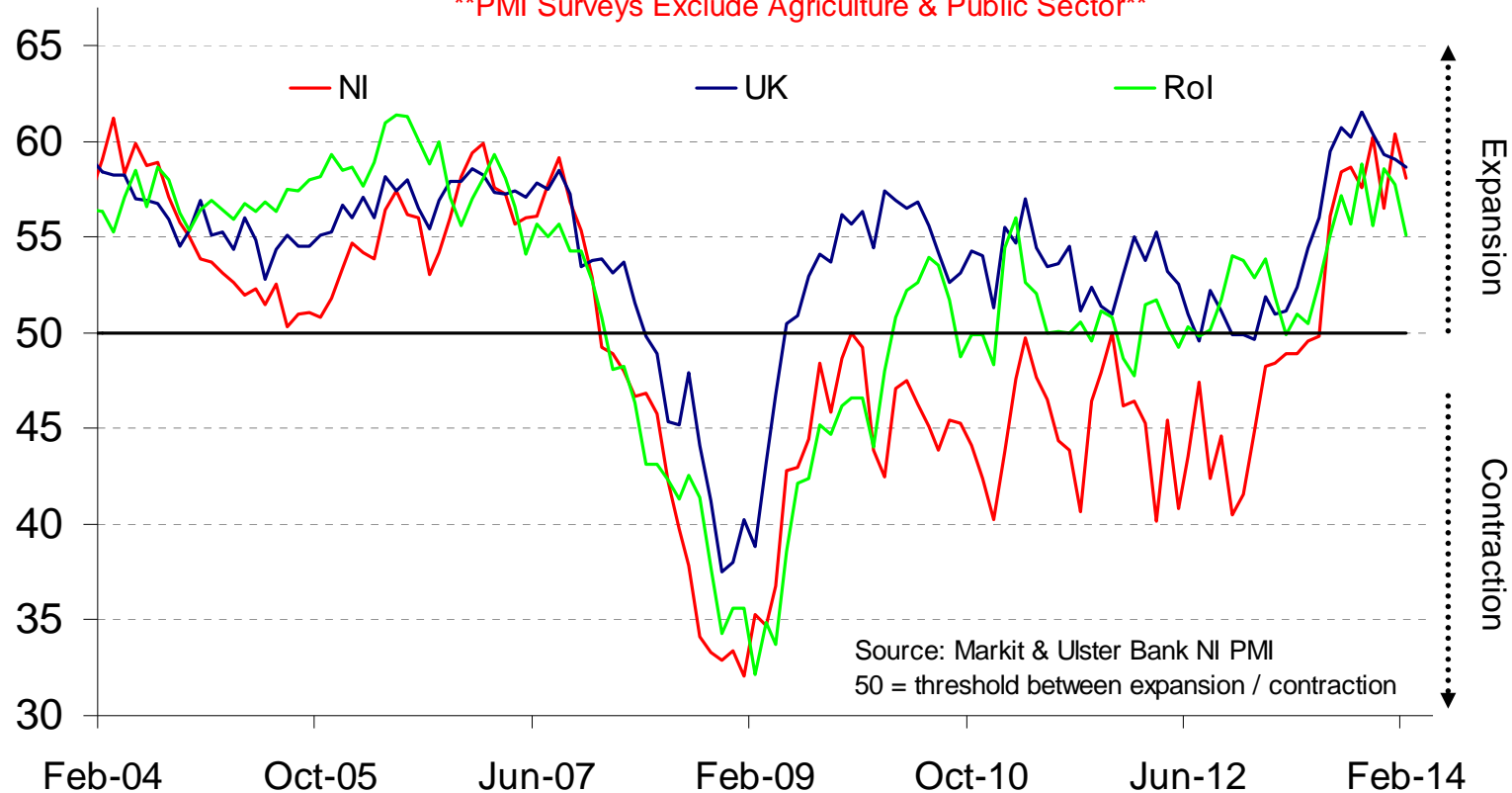
Australia - PMI



The UK, NI & RoI see growth rates ease in February but the rates of growth still remain very strong

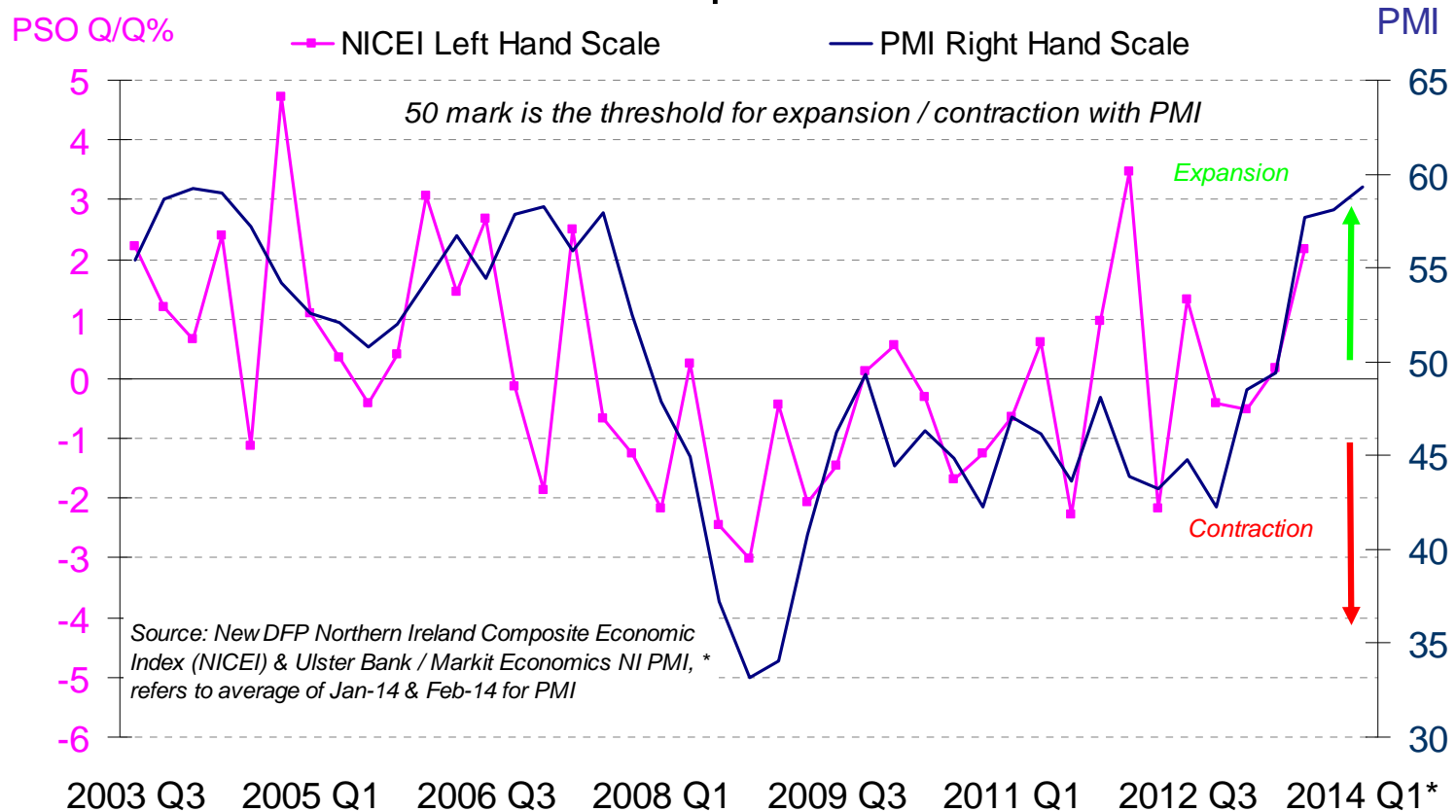
Private Sector Business Activity - PMIs

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



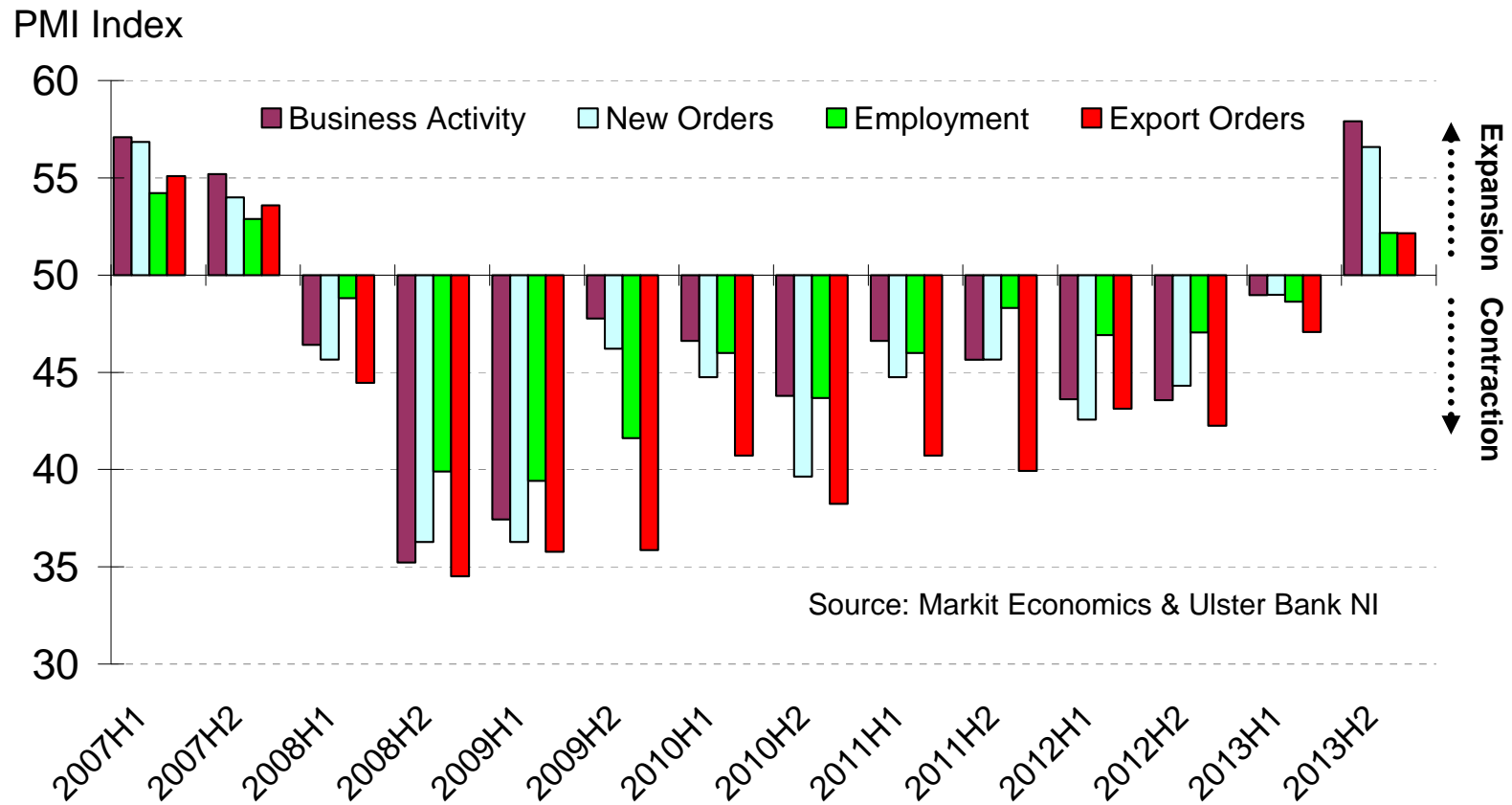
PMI suggests growth in DFP's new private sector composite index (combines indices for construction, services, agriculture & industrial production) in Q4 & Q1-14

NI Private Sector Output Index Versus NI PMI



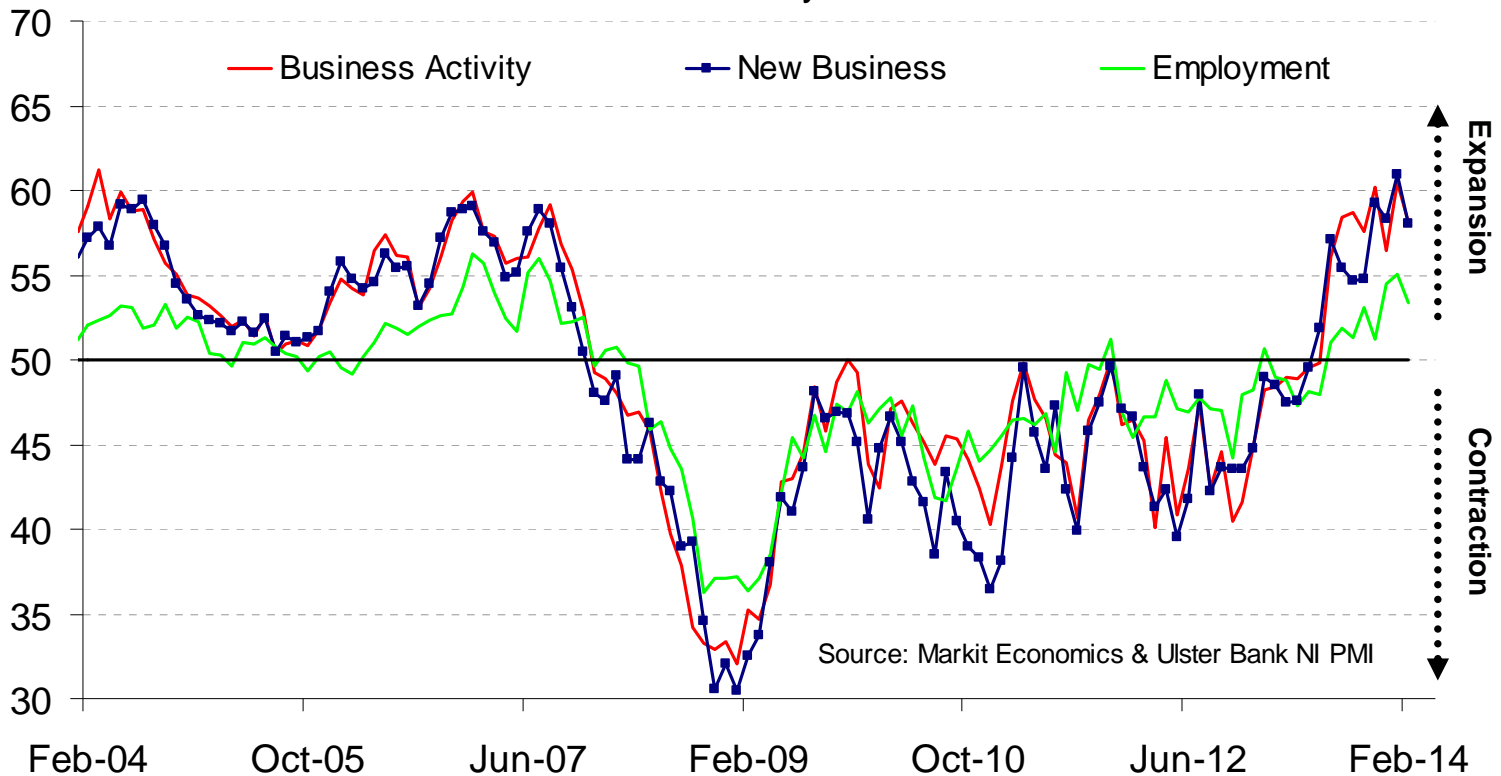
NI's recovery took hold in the second half (H2) of 2013

NI Private Sector Performance (PMI)

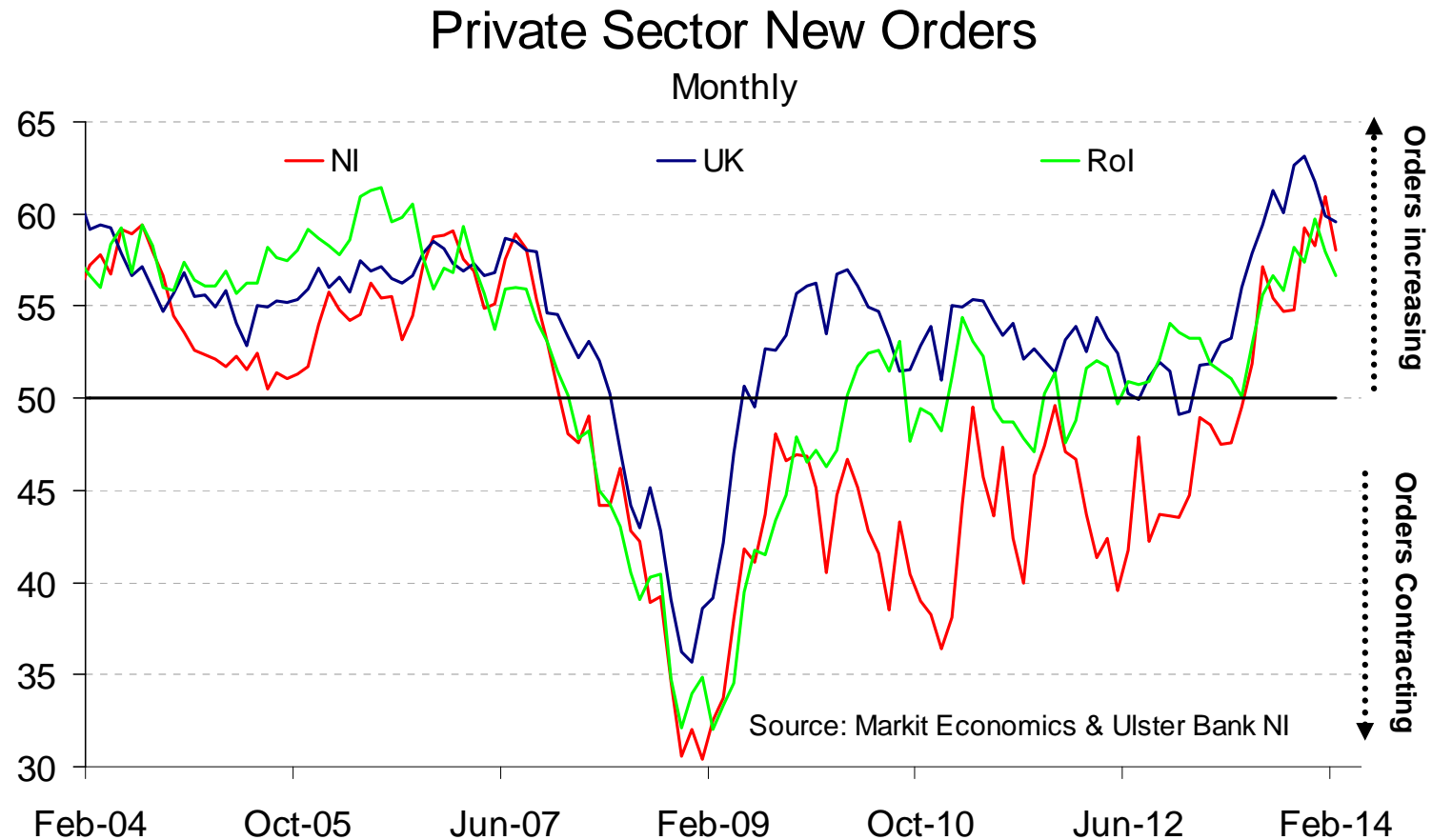


NI firms reporting an easing in rates of growth from multi-year / survey highs in employment, output & orders

NI Private Sector Activity Monthly

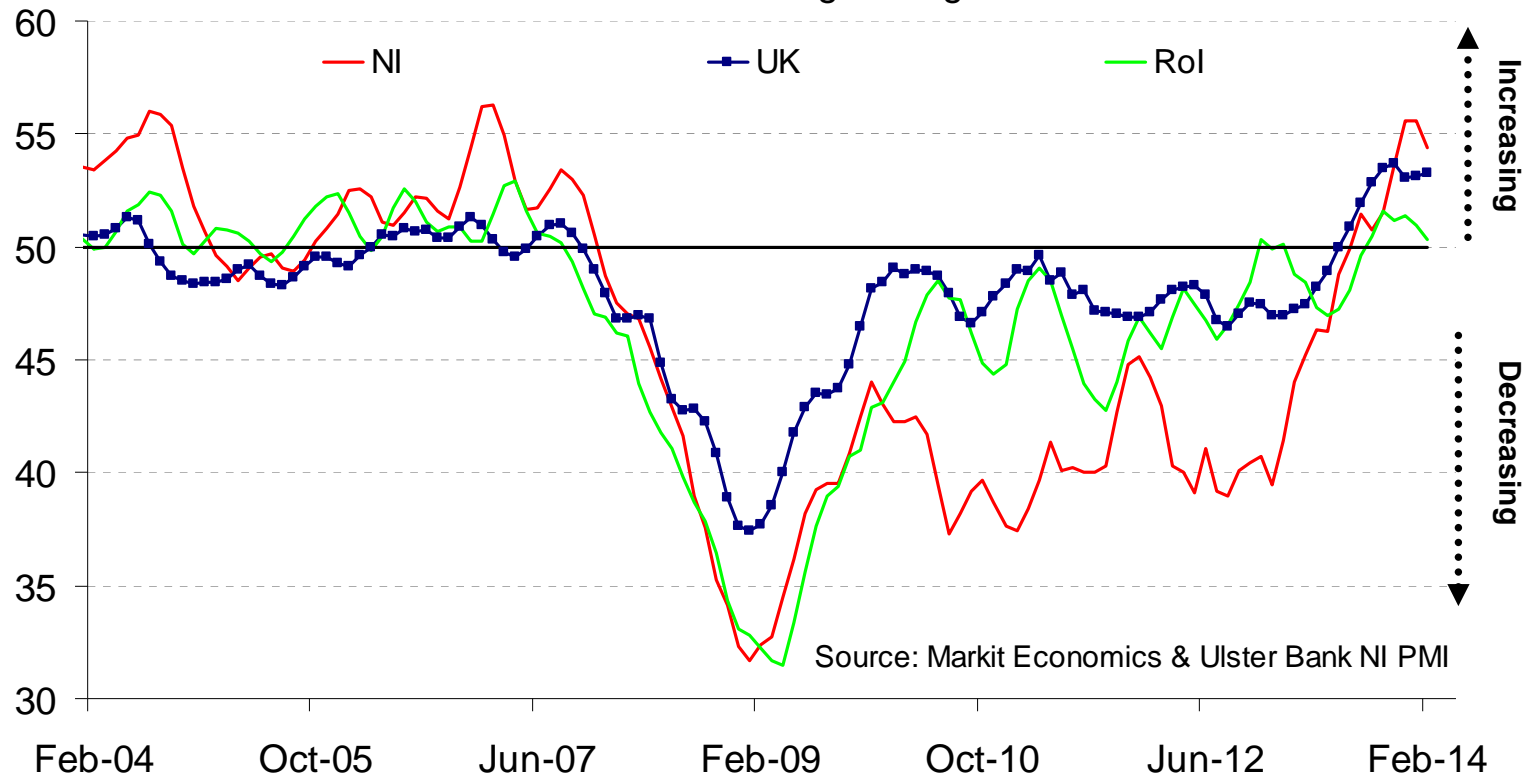


Buoyant order books suggest more growth in the months ahead. But pace of growth is slowing from a strong position



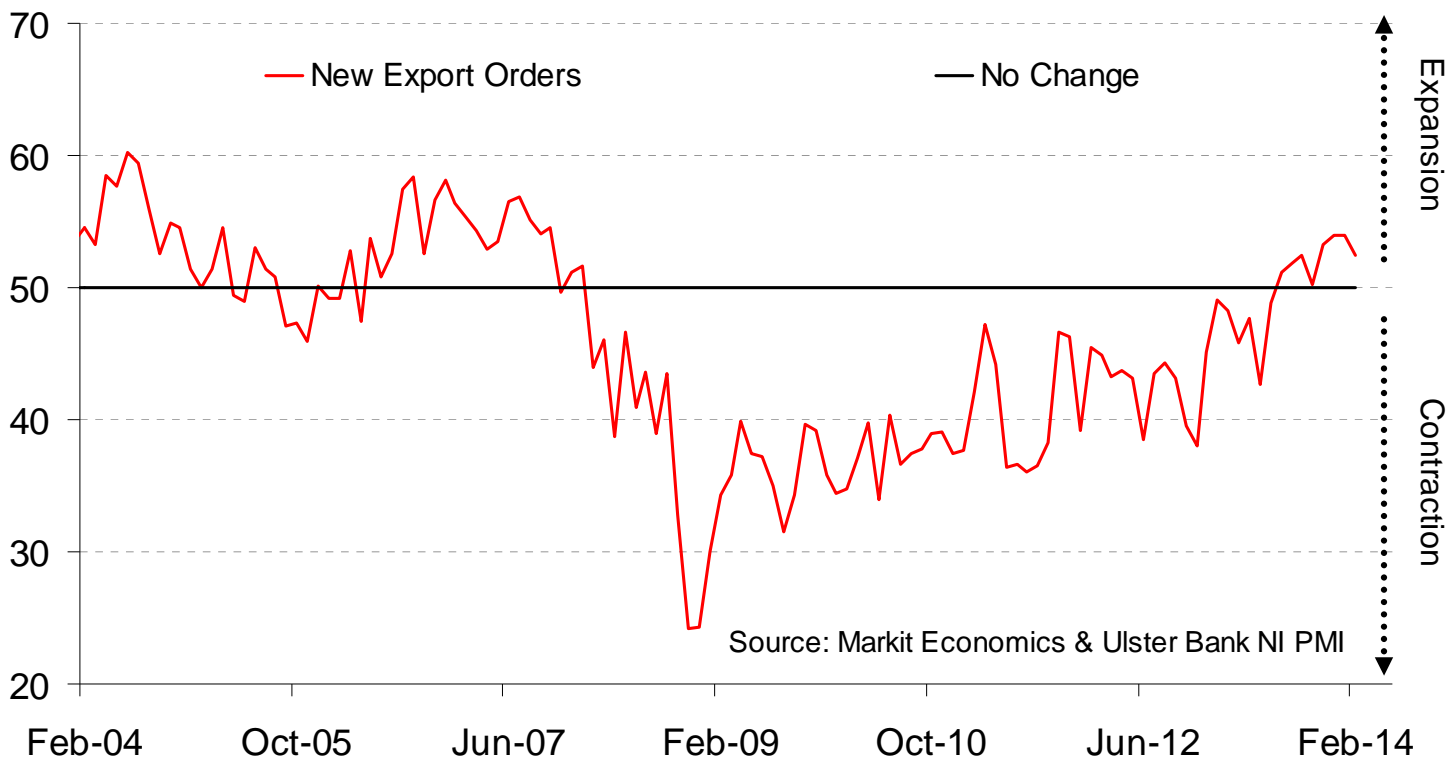
Surge in demand has led to backlogs of work particularly within the UK & NI

Private Sector Backlogs
3 month moving average

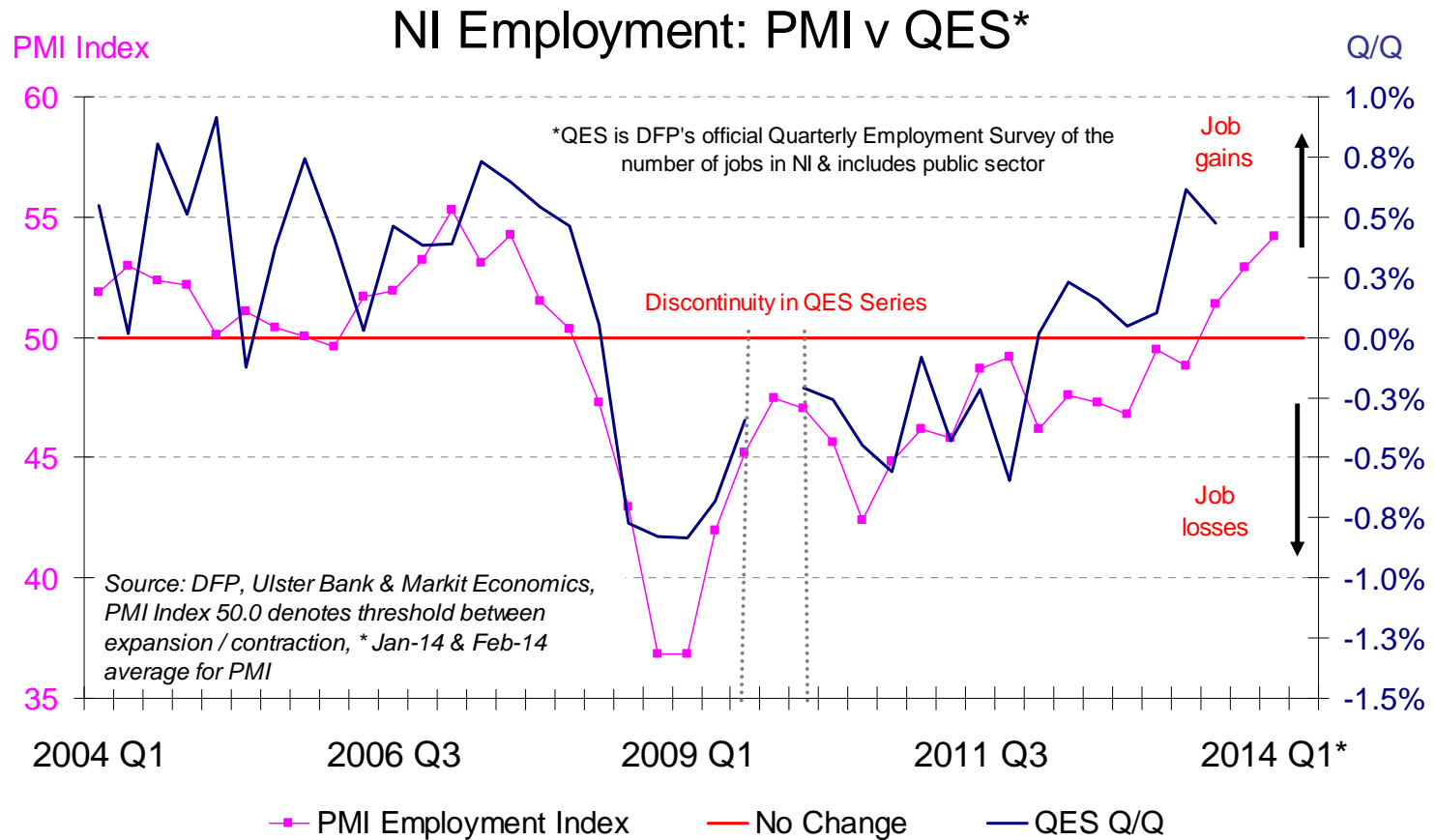


NI firms post their 8th successive rise in export orders

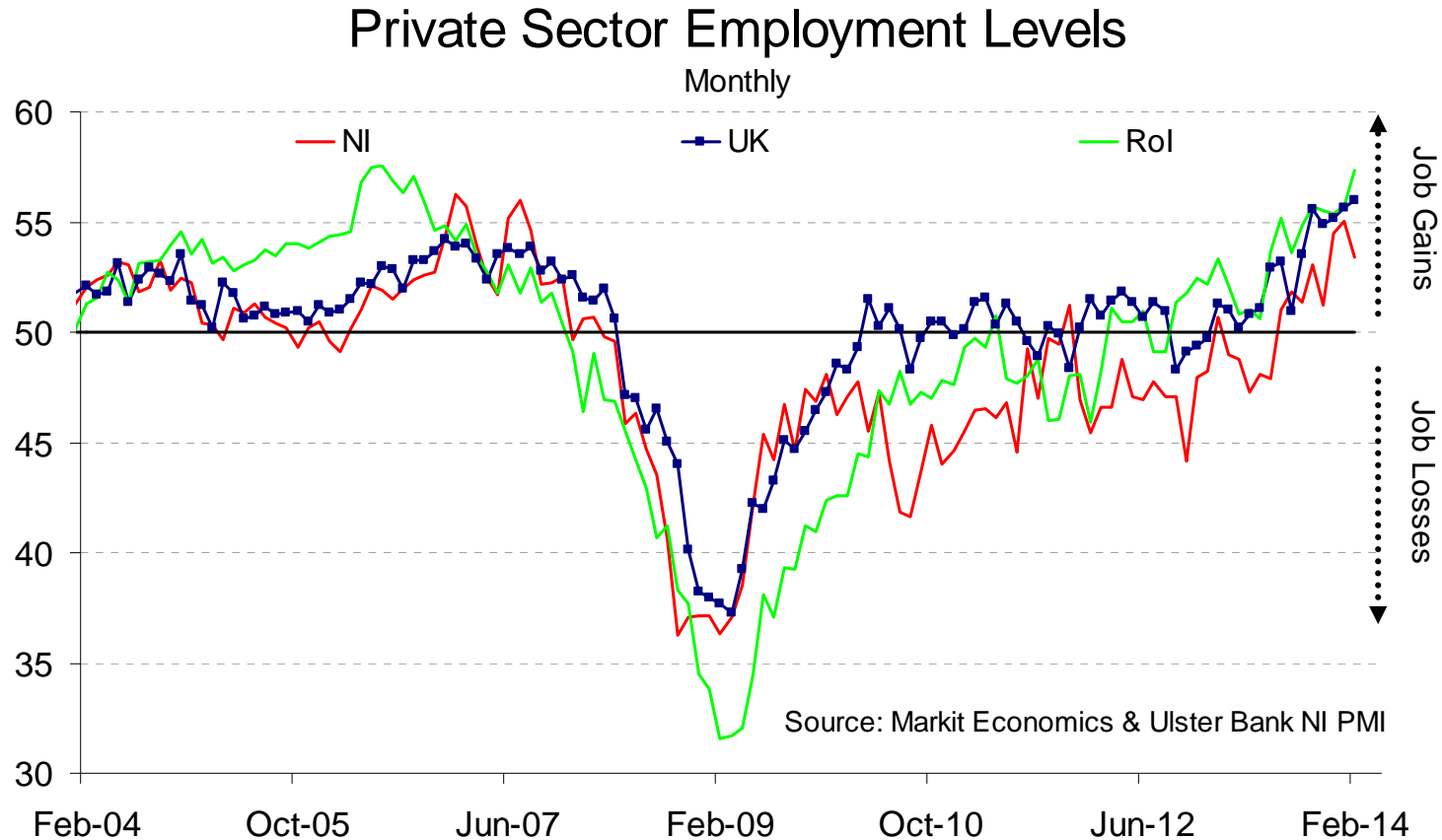
NI New Export Business



PMI underestimated QES job gains in 2012. PMI for Q3 signals fastest rate of jobs growth since Q4 2007 with even stronger growth in Q4/Q1



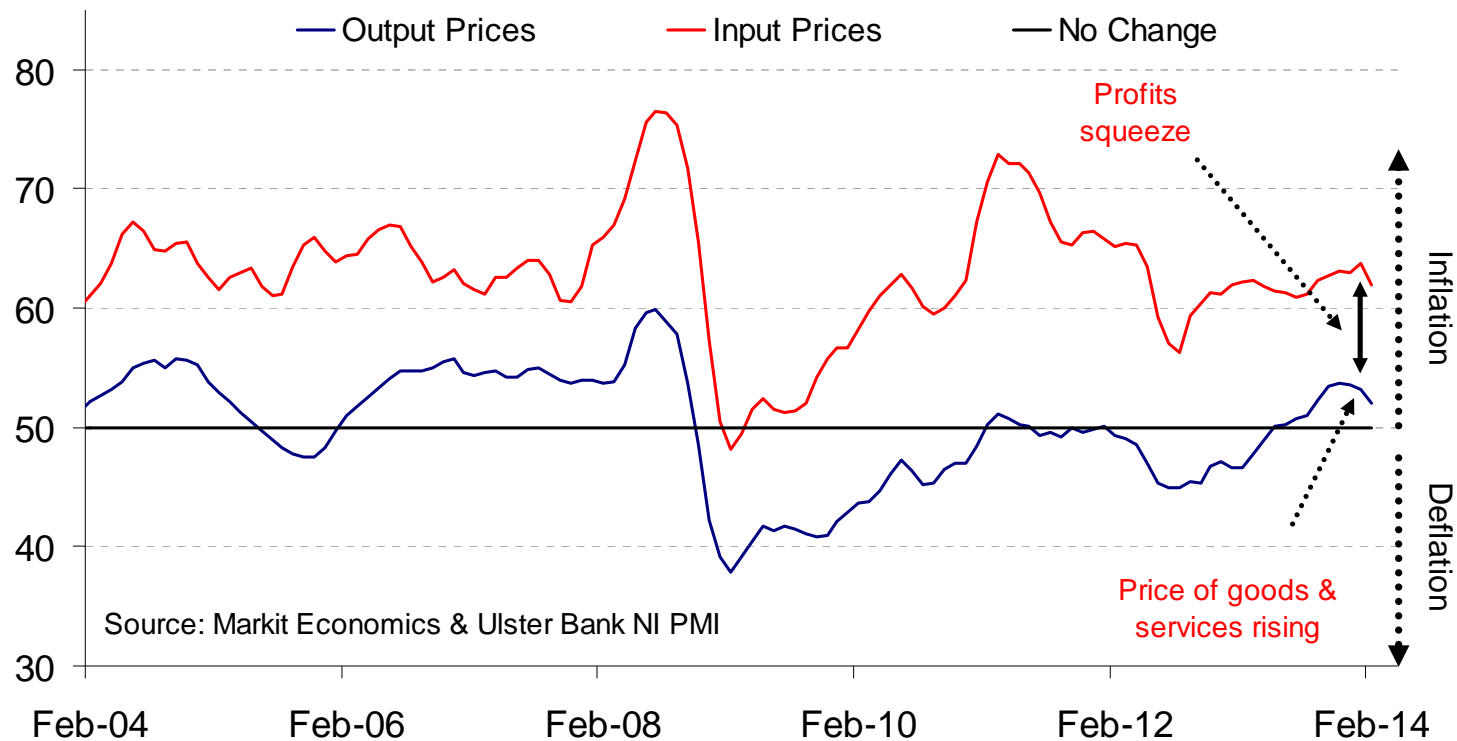
UK & RoI firms saw job creation accelerate in February while NI firms saw an easing in the pace of jobs growth



Input & output cost inflation eases in February with output prices falling for the 1st time in 10 months

NI Private Sector Profit Squeeze

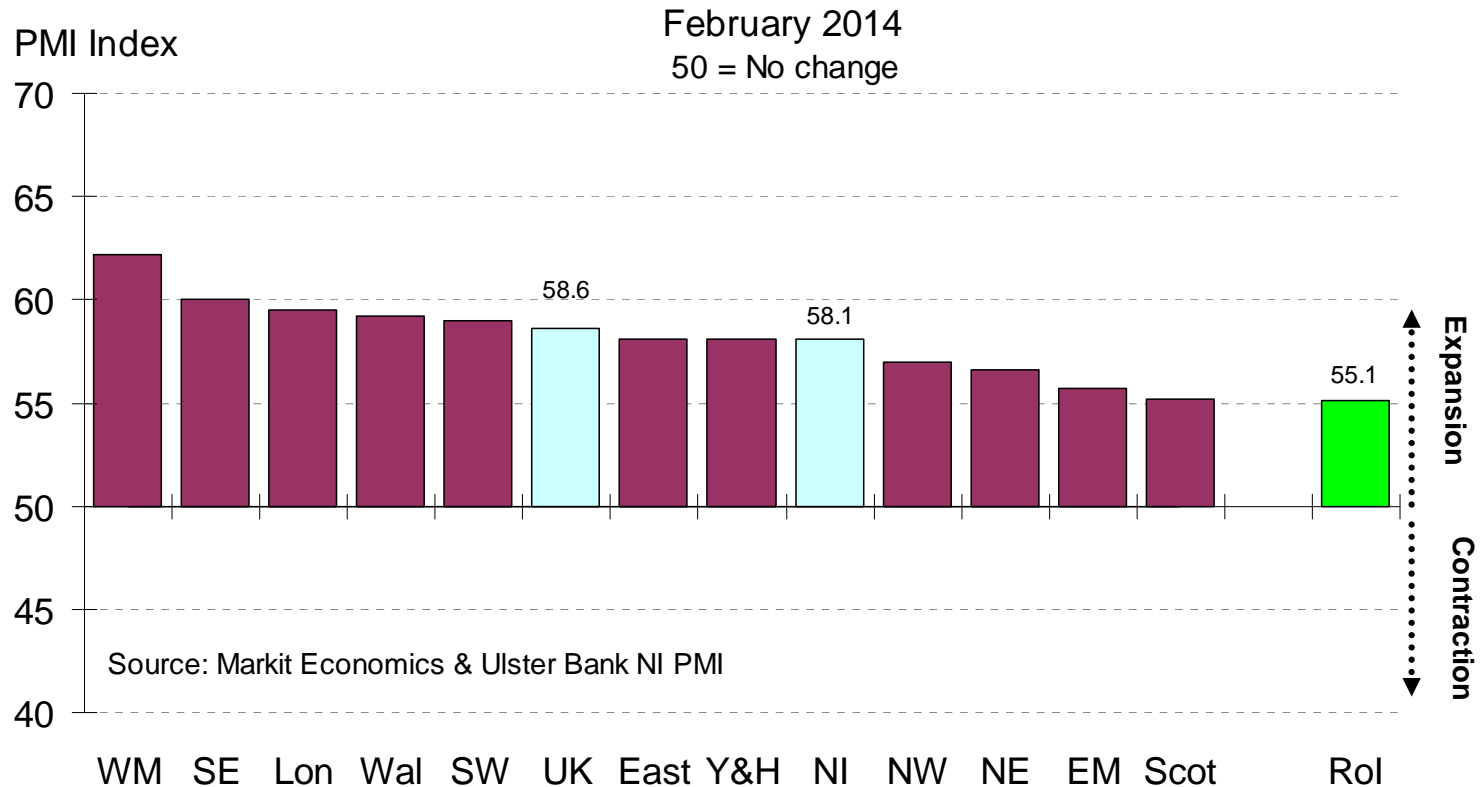
3 Month Moving Average



Regional Comparisons

Strong growth across all UK regions and the Rol in February with NI mid-table in February

Output / Business Activity

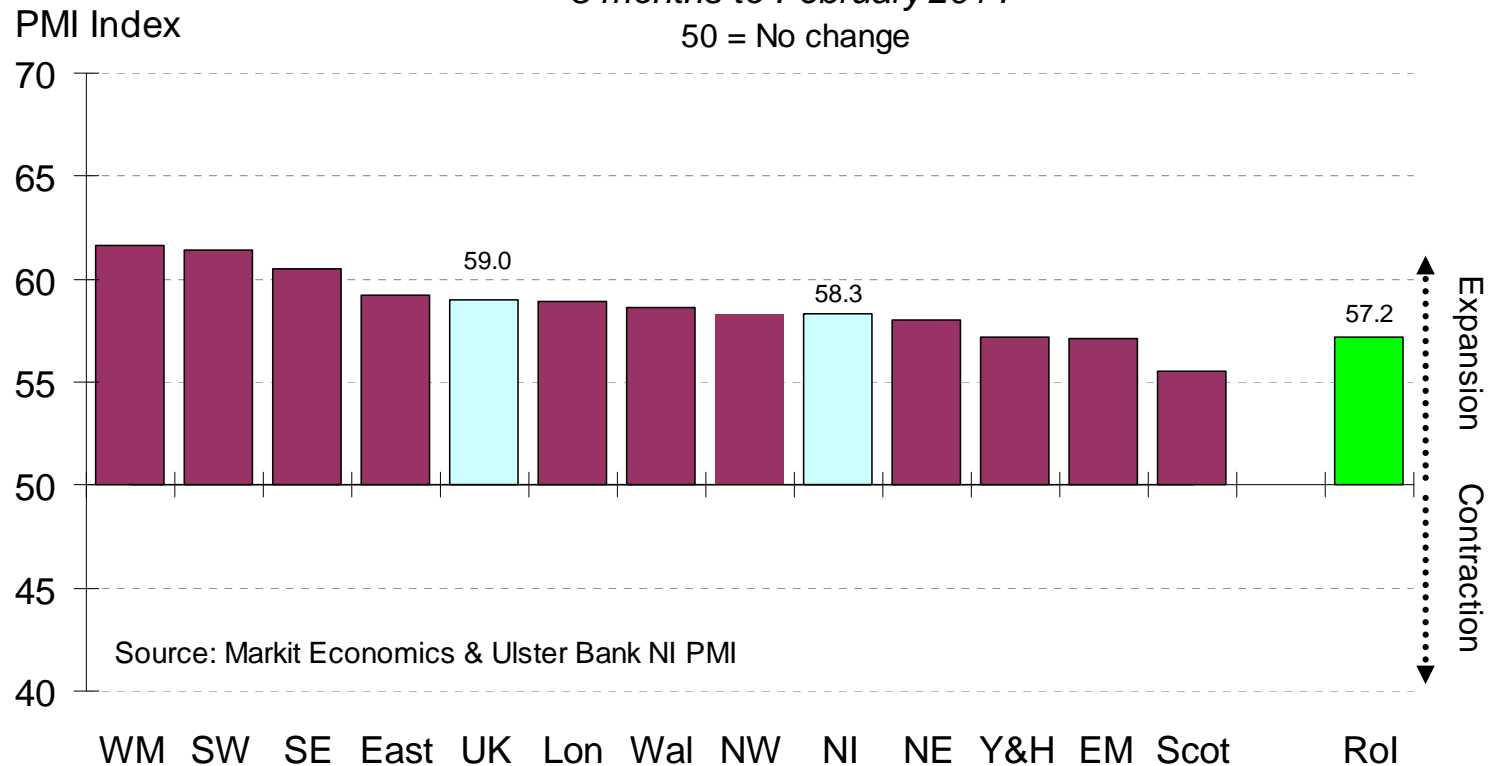


...all the UK regions & the Rol post strong rates of growth over the last 3 months...

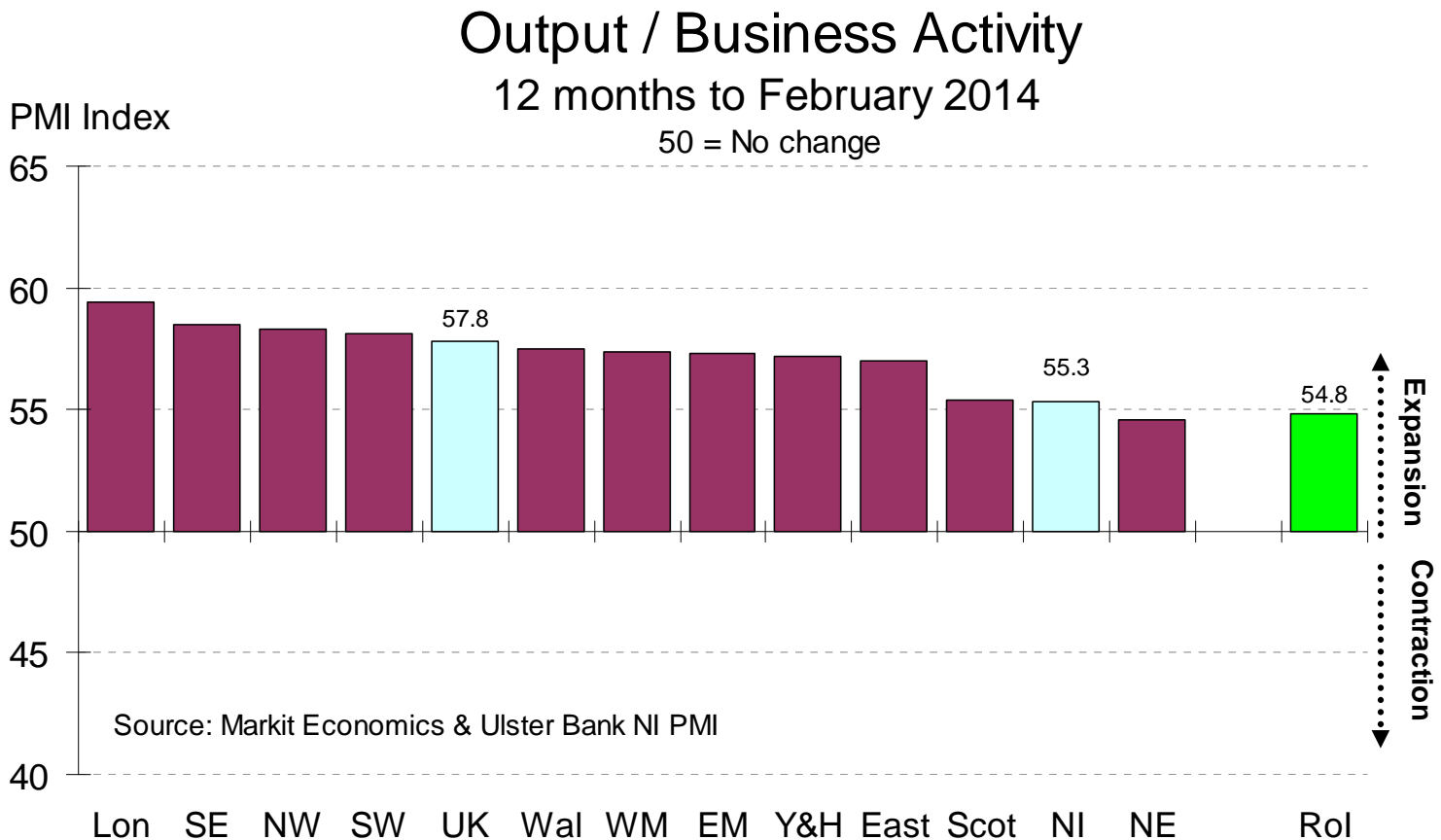
Output / Business Activity

3 months to February 2014

50 = No change



... and over the last 12 months



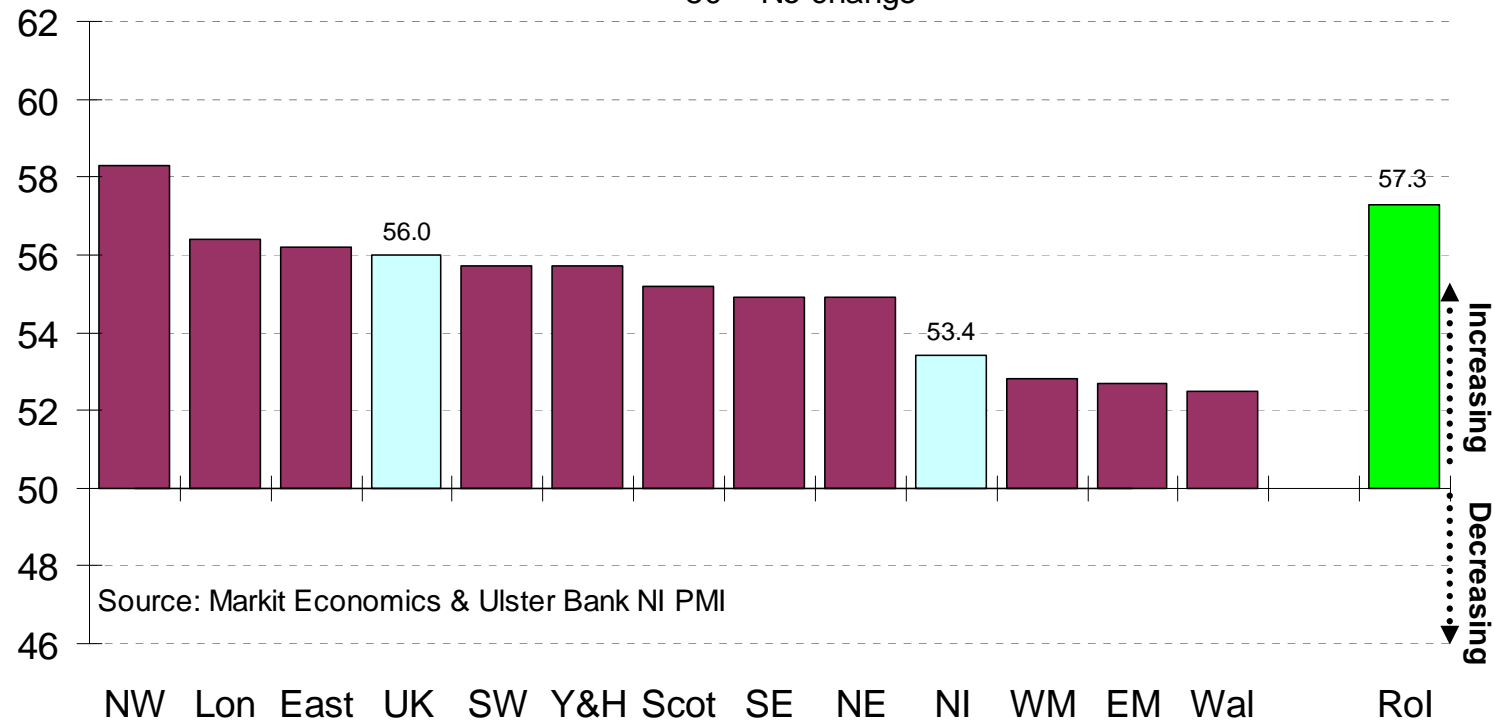
All UK regions post jobs growth in February with the RoI posting its fastest rate of job creation since June 2006

Employment Levels

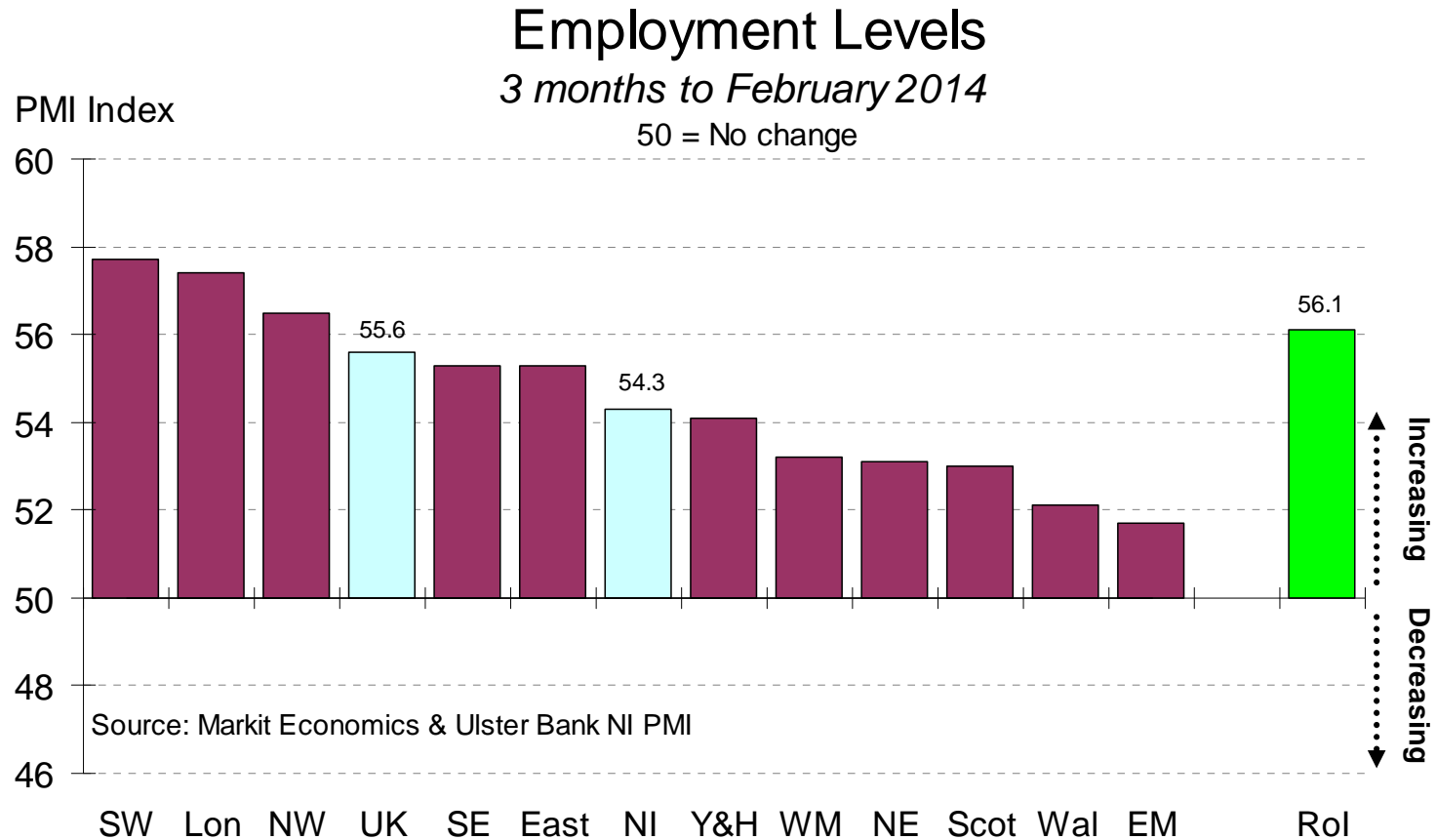
February 2014

50 = No change

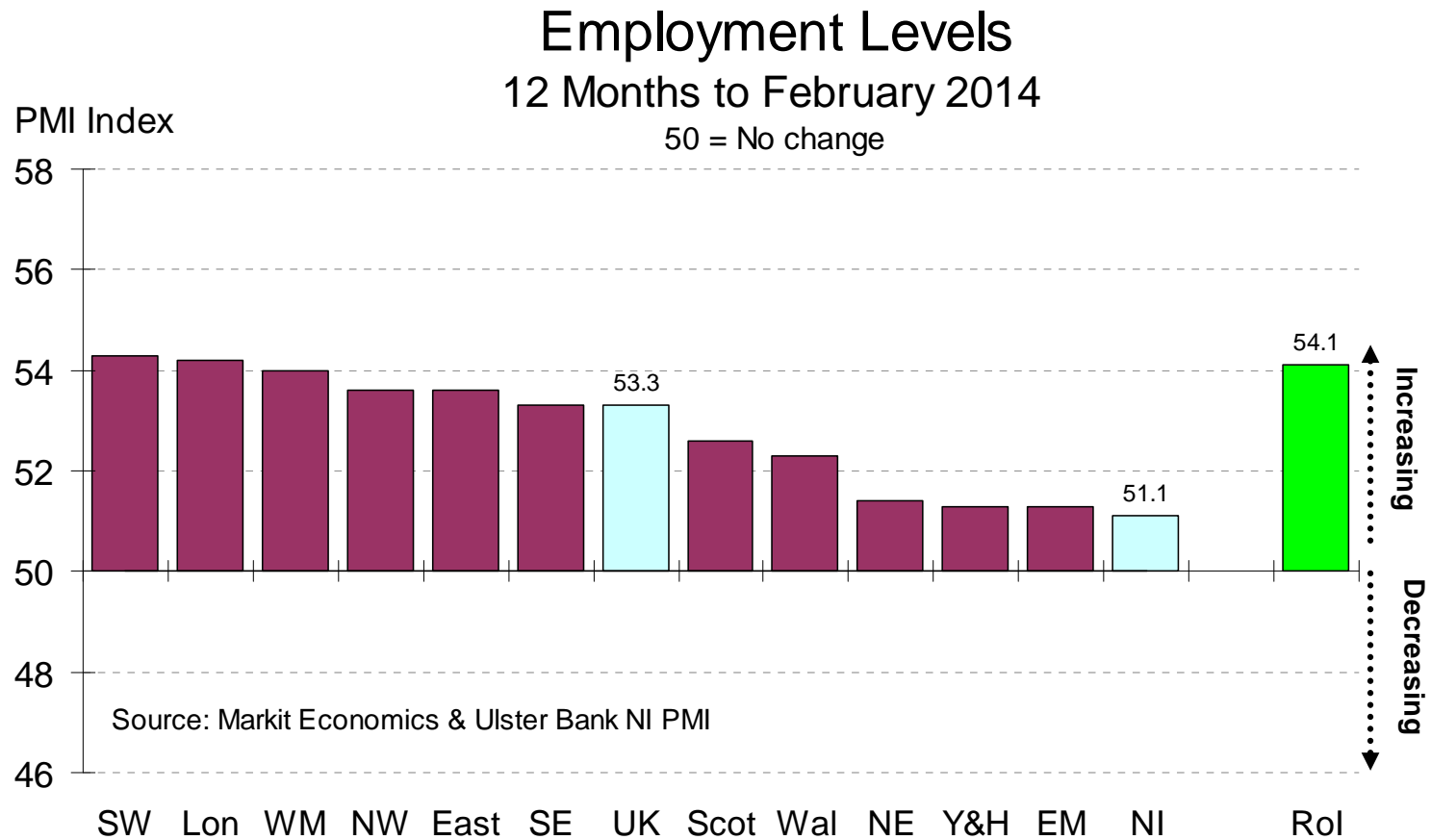
PMI Index



All UK regions and the RoI post jobs growth over the last 3 months



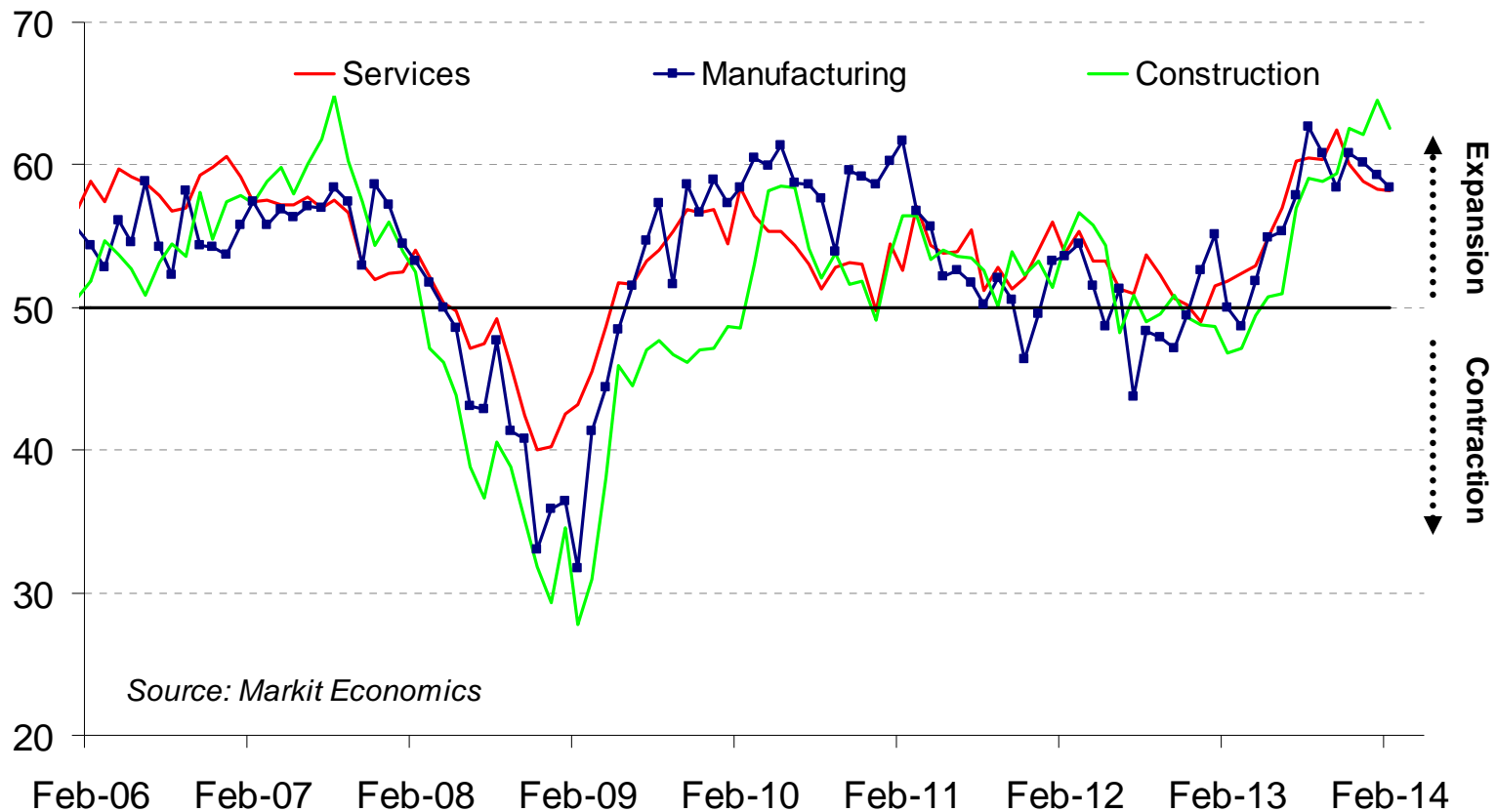
In 2013 NI posted its 1st annual increase in private sector employment since 2007 with trend continuing in 2014



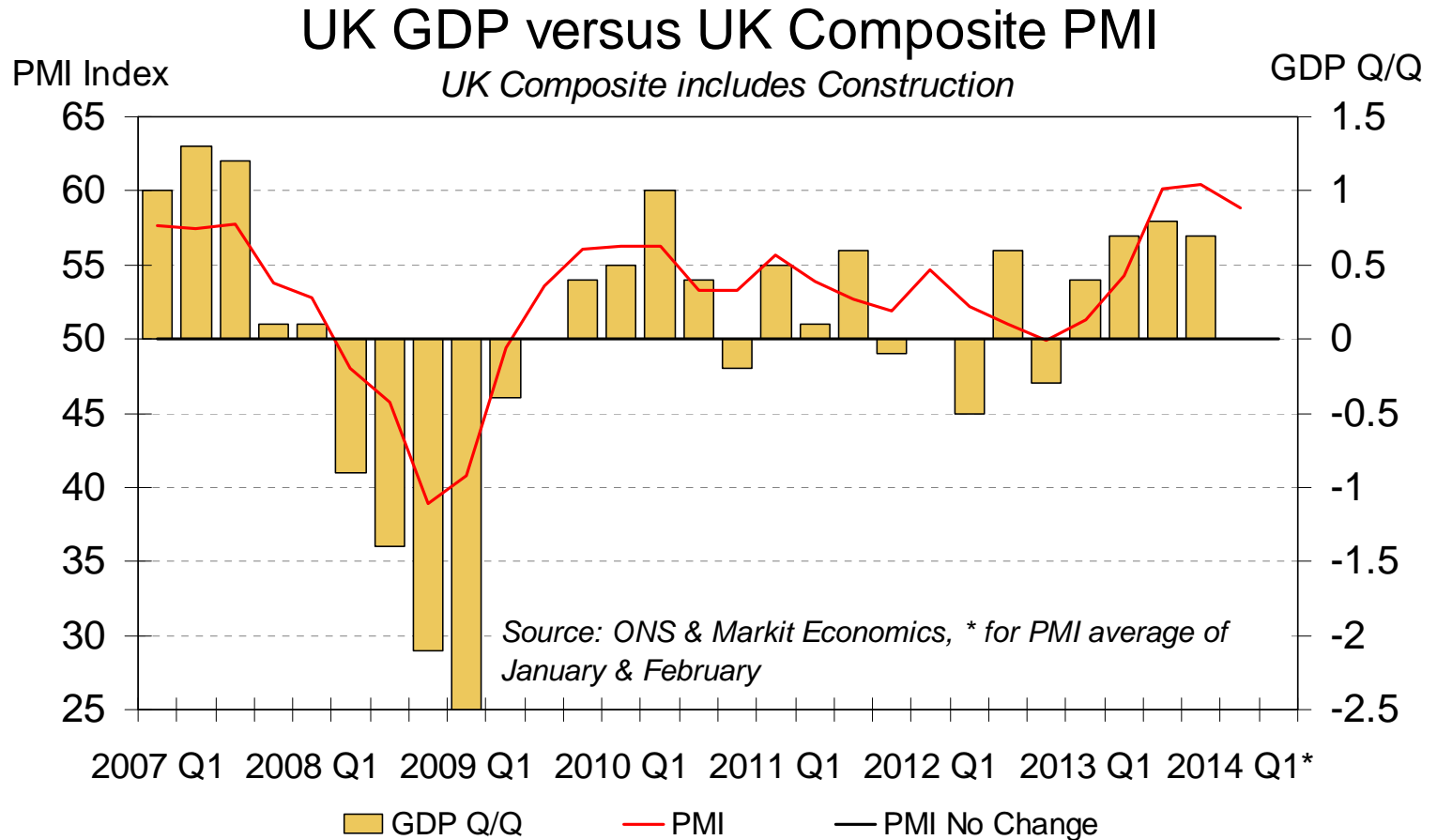
Sectoral Comparisons

All sectors post strong growth with construction recently expanding at its fastest rate in six-and-a-half years

UK Business Activity / Output - PMIs

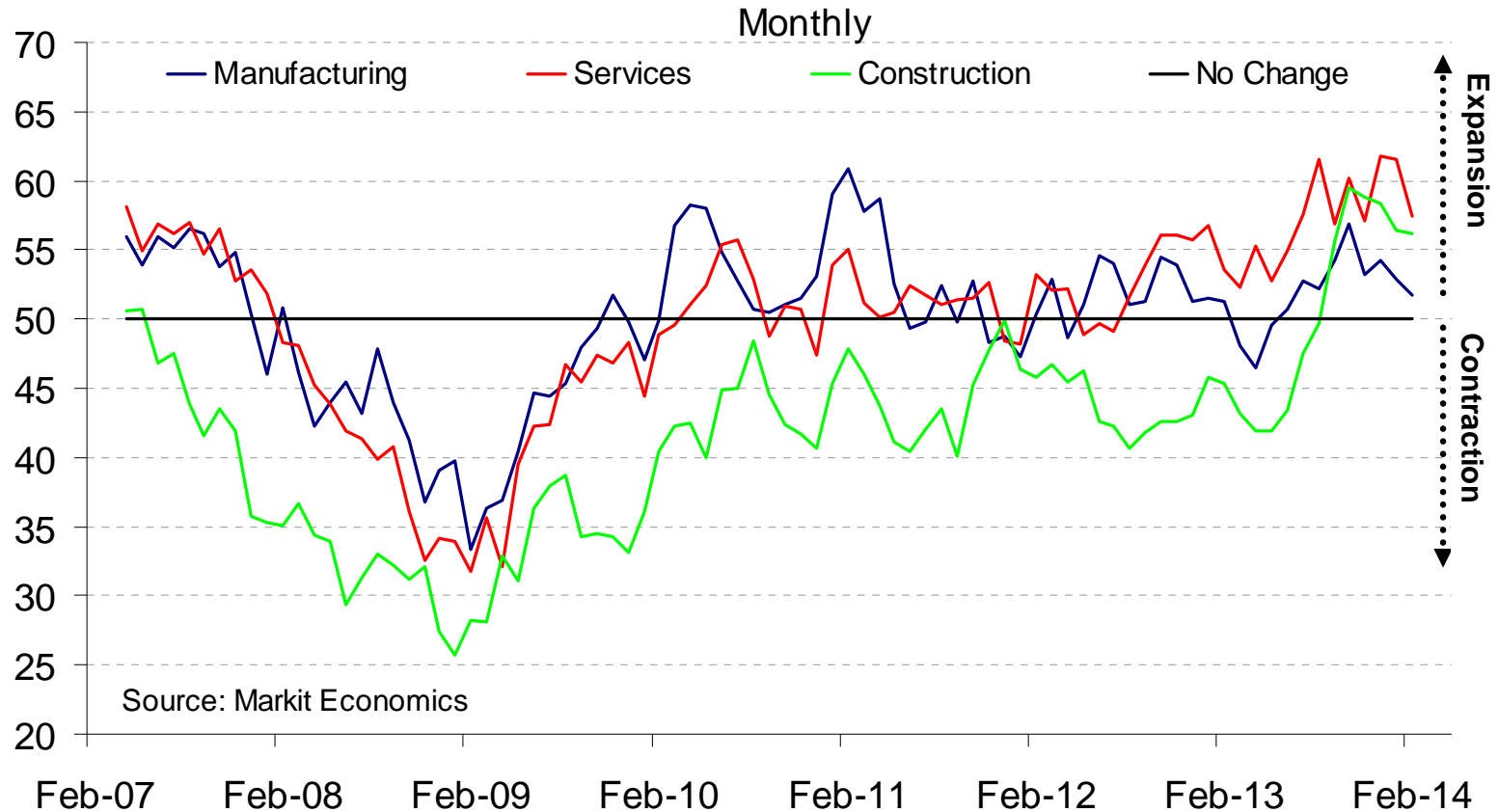


UK posts strong rates of economic growth in Q2-Q4 with further growth expected in Q1 2014

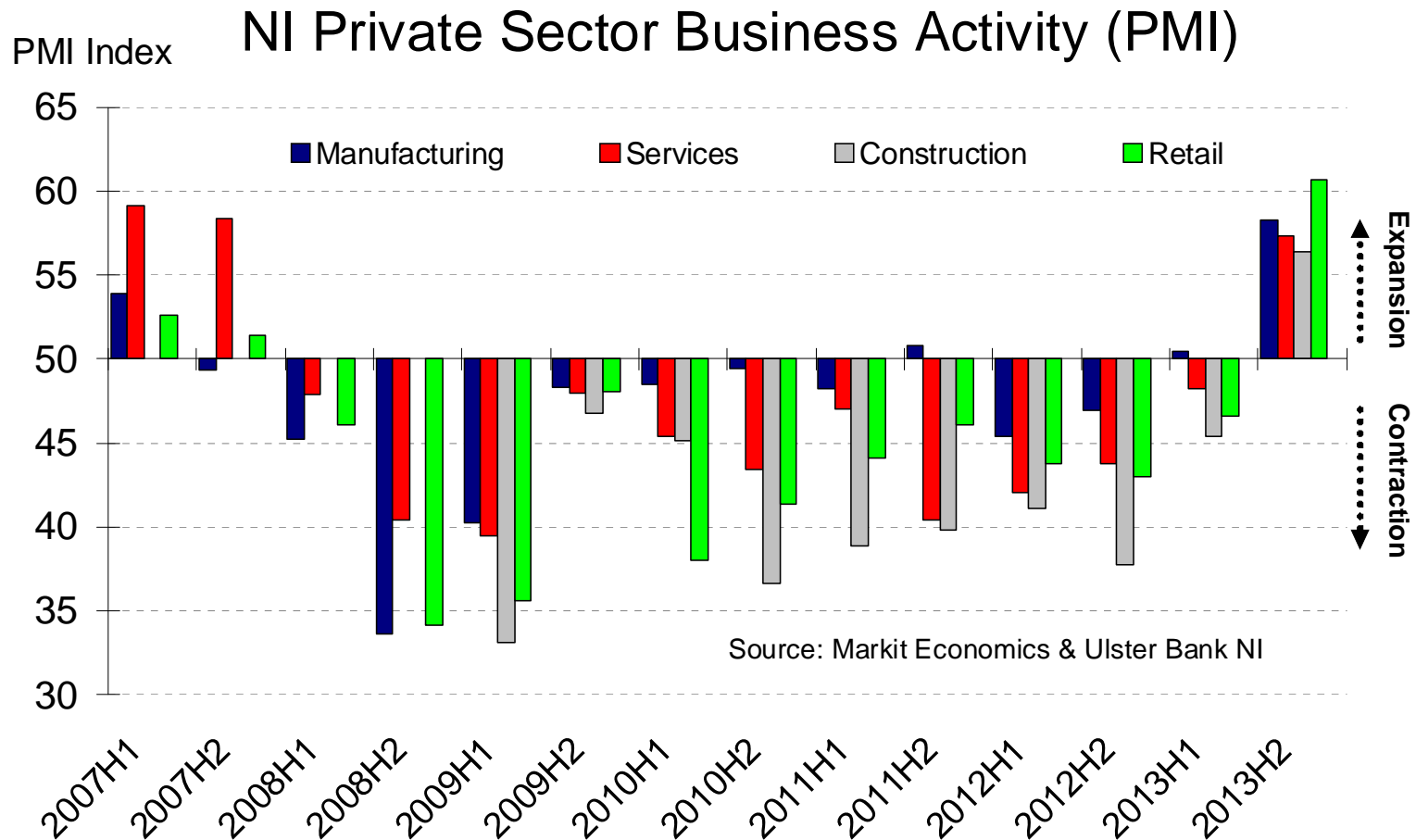


Rol output growth eases across all sectors in February, but services and construction remain at healthy levels

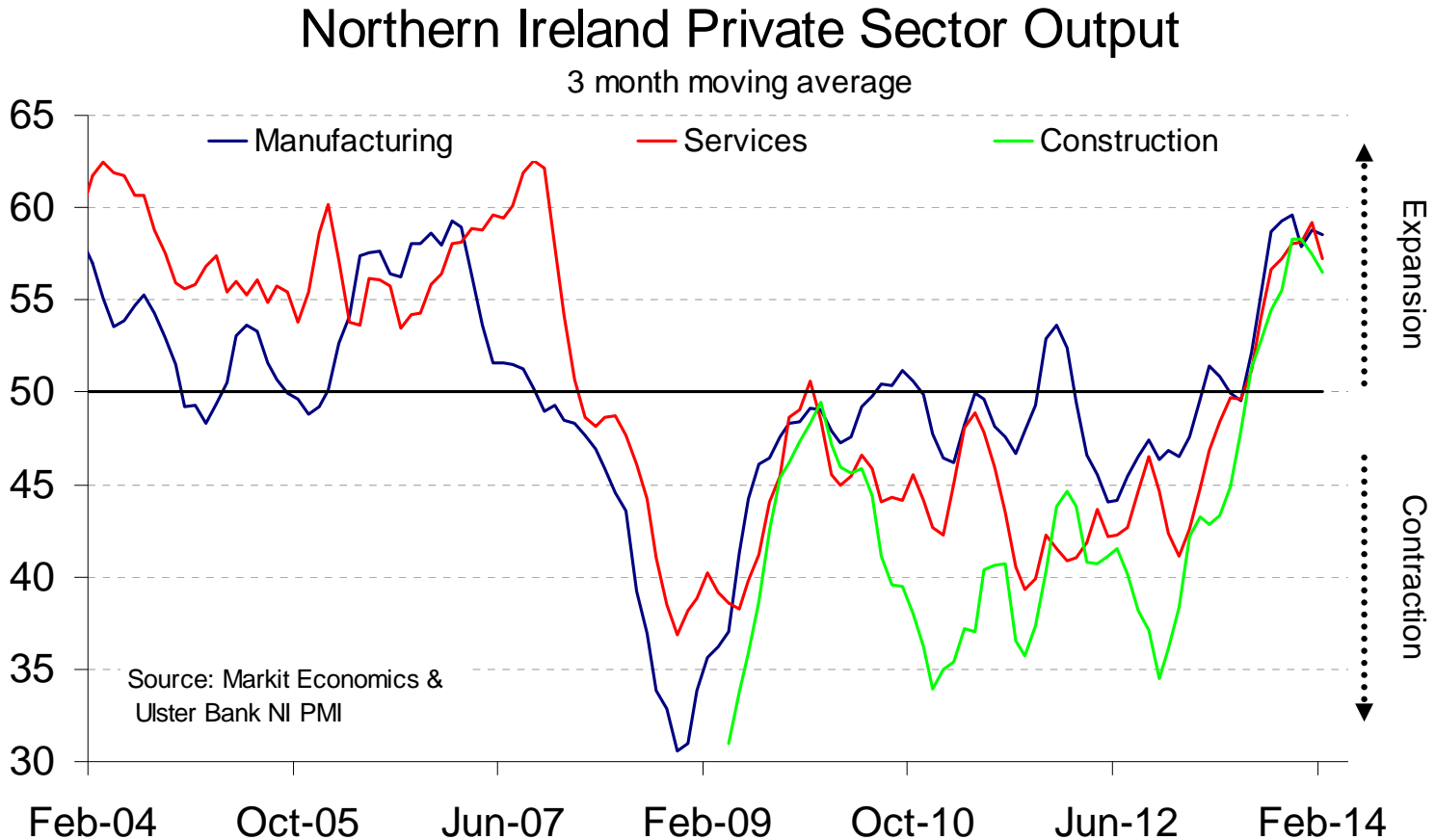
Rol Business Activity - PMIs



All 3 broad sectors within NI saw a marked turnaround in business activity in H2 2013



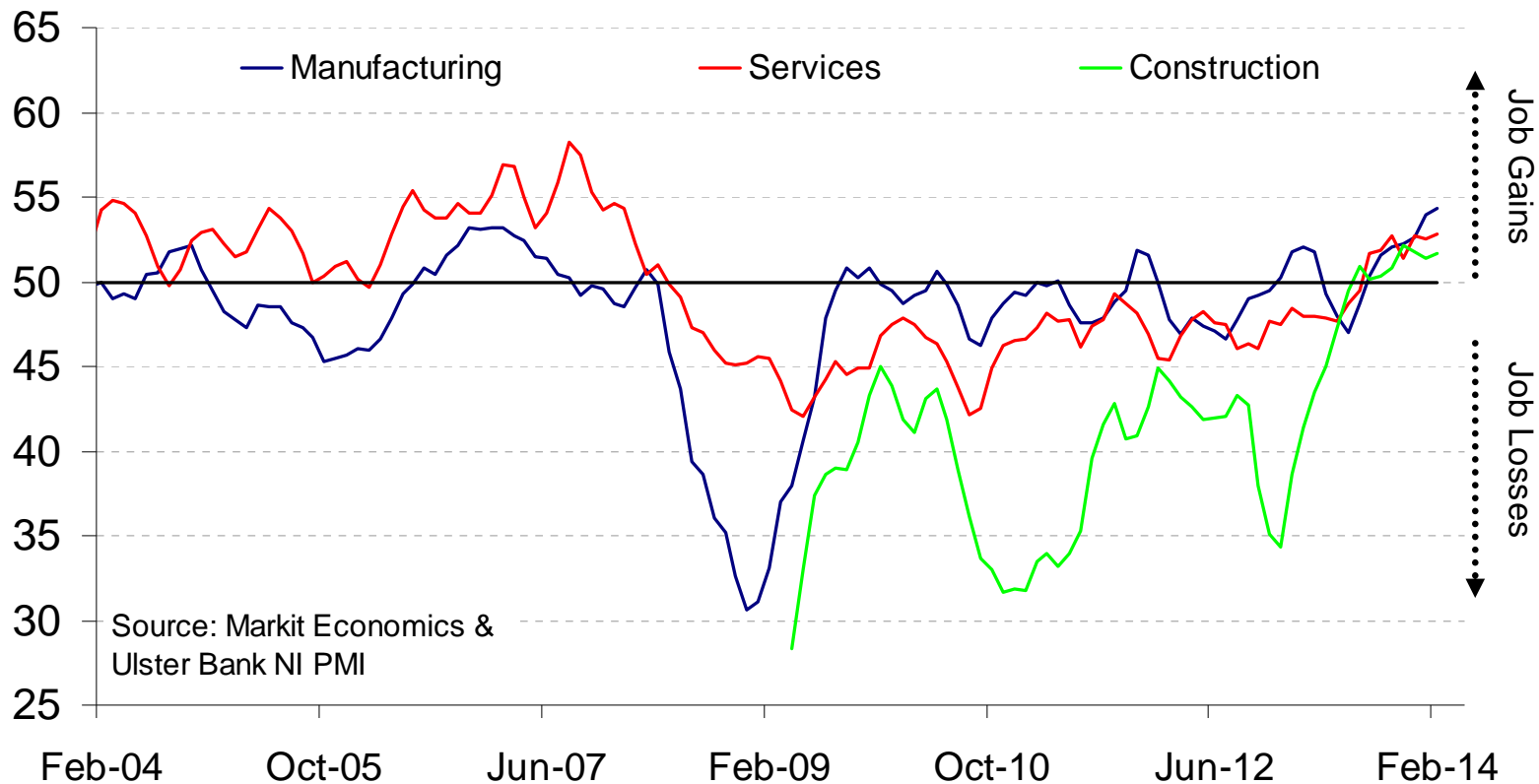
All 3 broad sectors within NI continue to report robust rates of output growth in early-2014



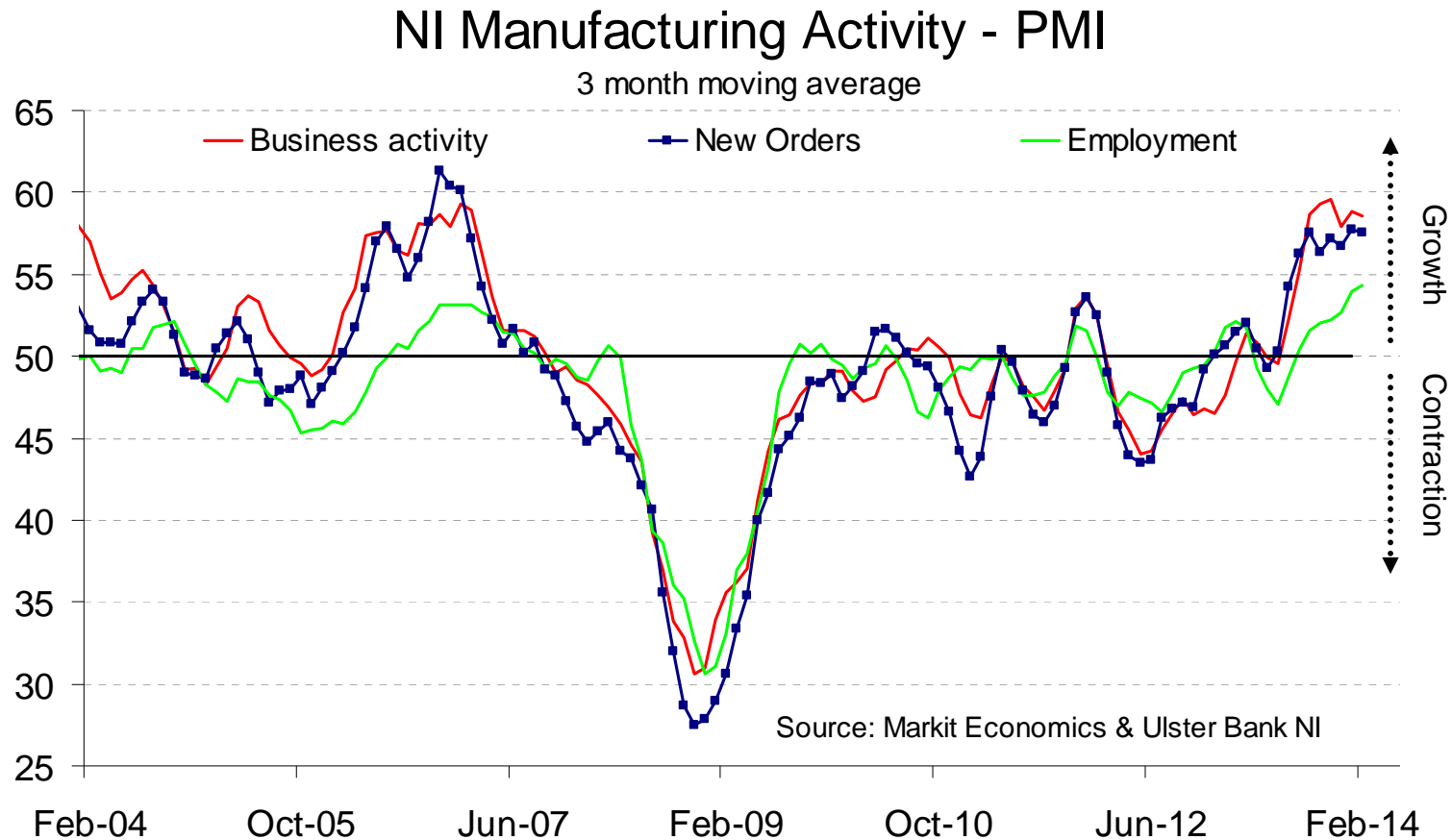
...with all sectors also reporting employment growth over the last 3 months with manufacturing at a record rate

NI PMI - Employment Index

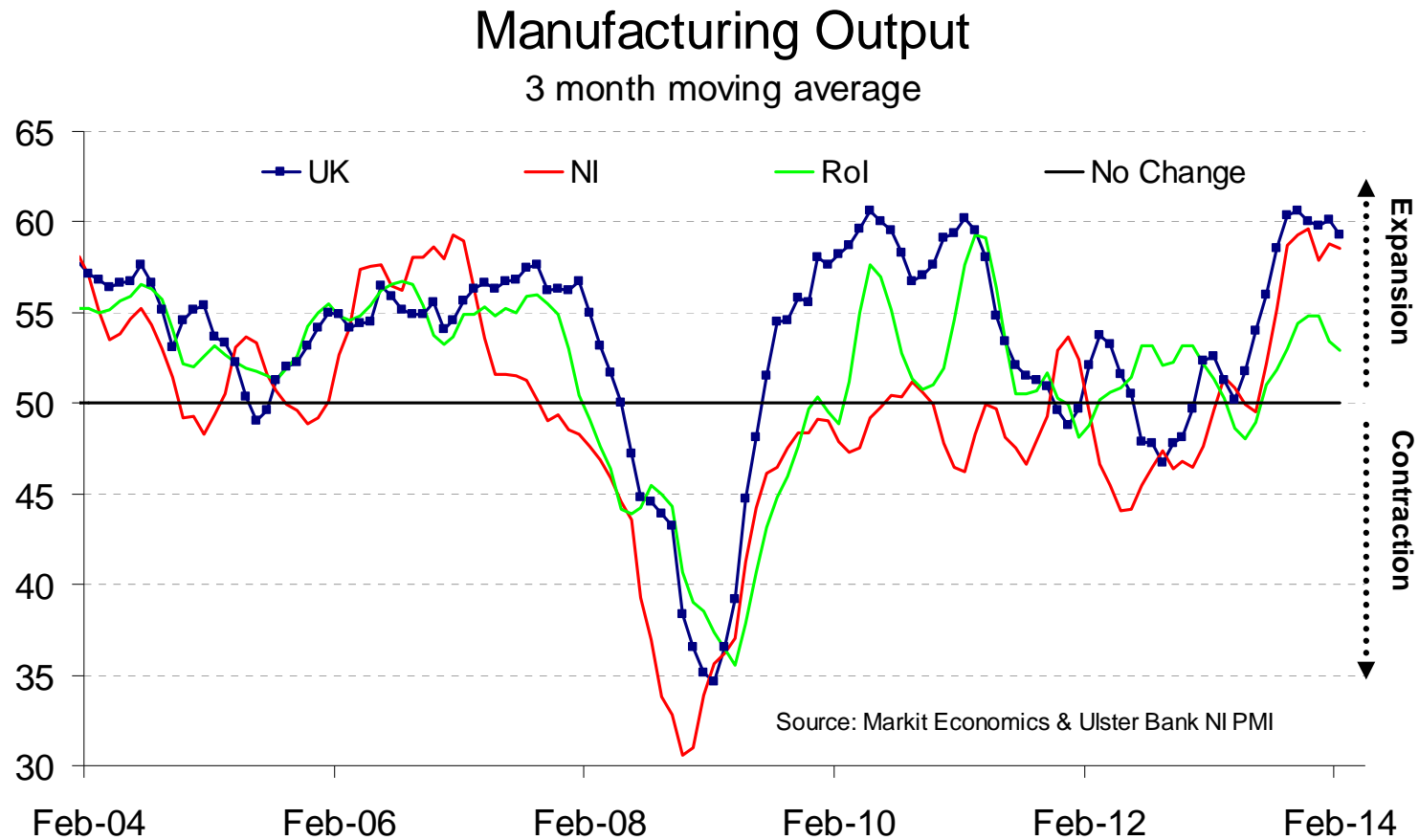
3 month moving average



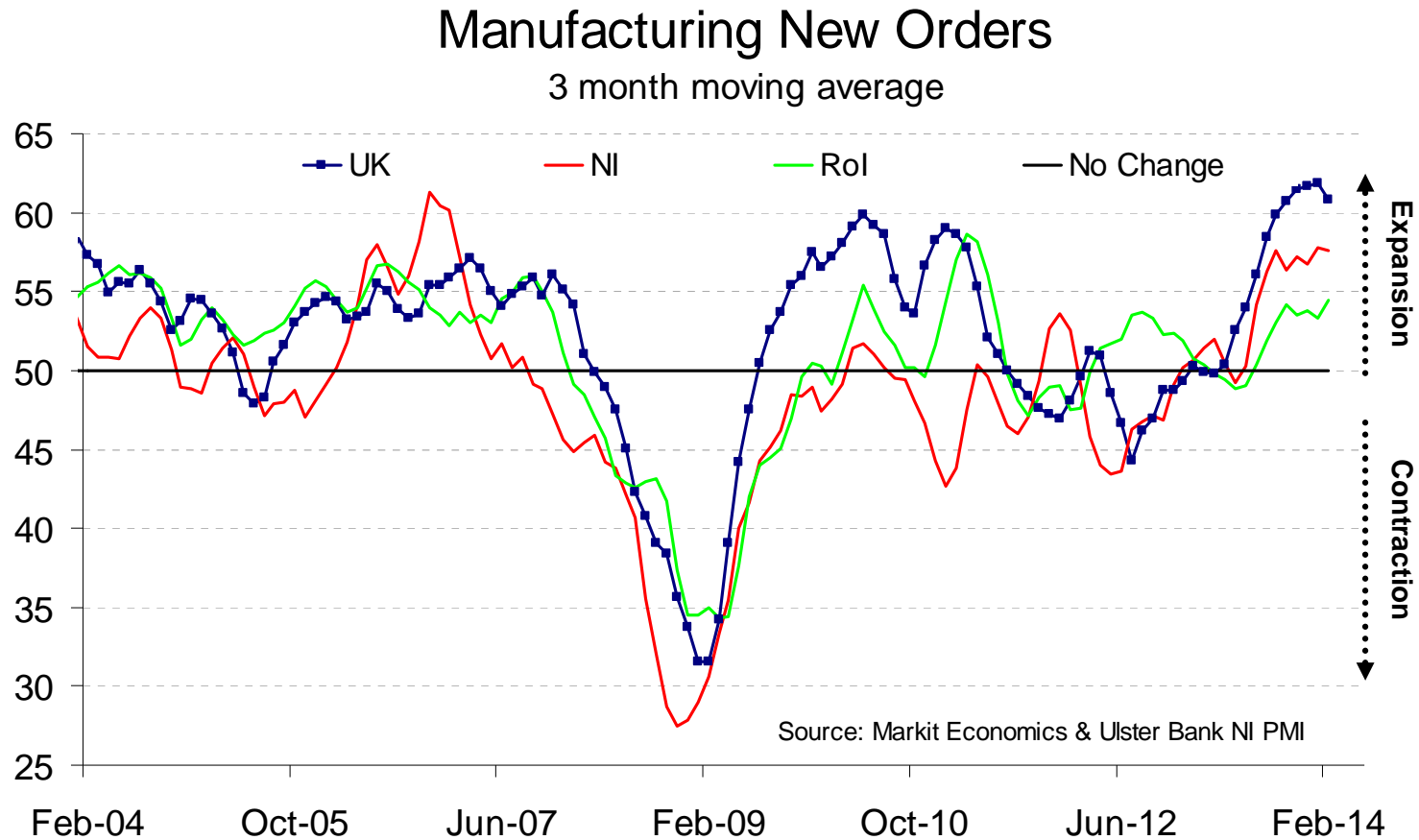
NI manufacturers continue to report strong rates of growth in orders, employment & output over the last 3 months



UK & NI manufacturing firms continue to post strong rates of growth in output during the last 3 months

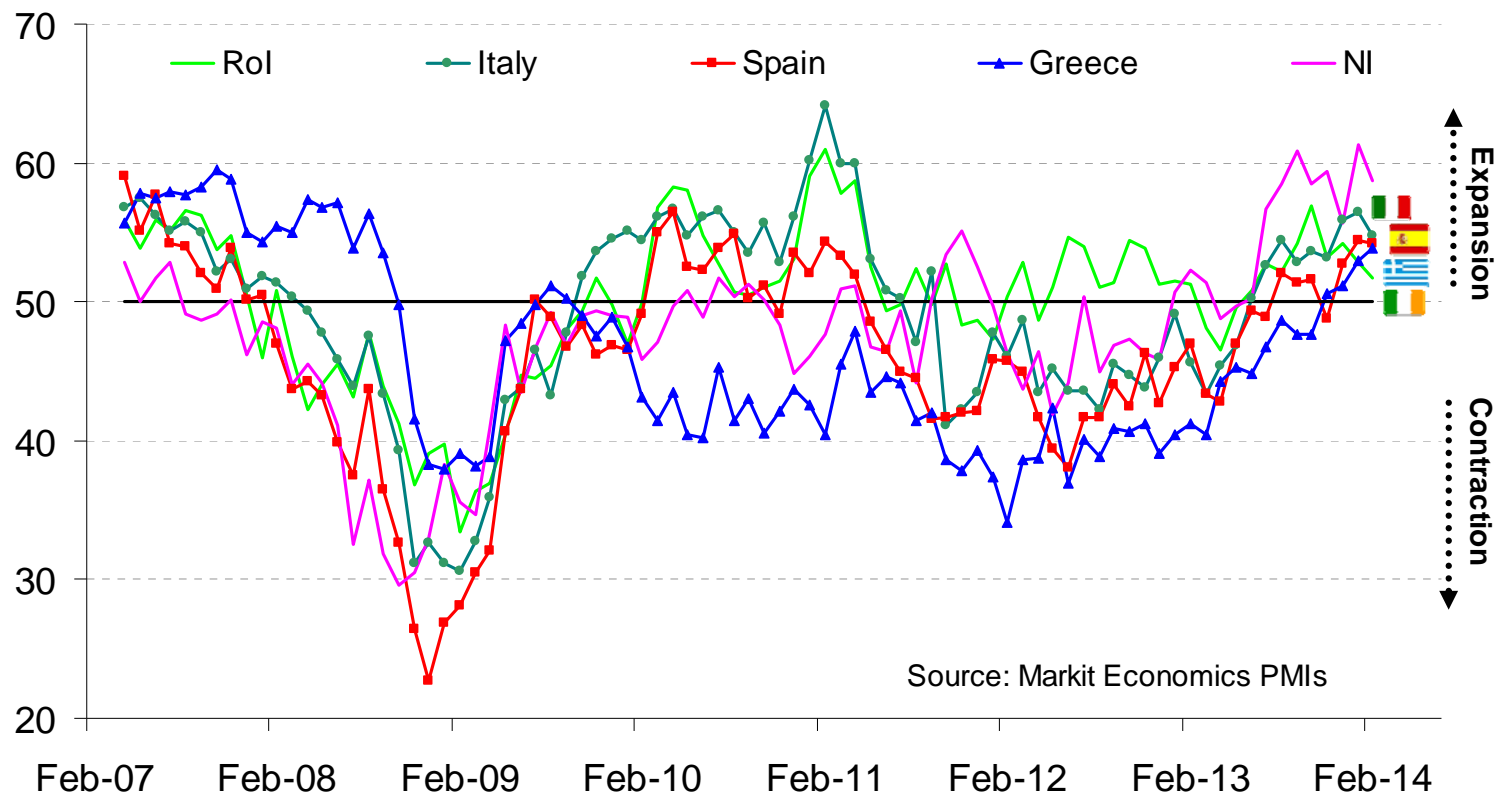


The UK posts the strongest rate of growth in new orders

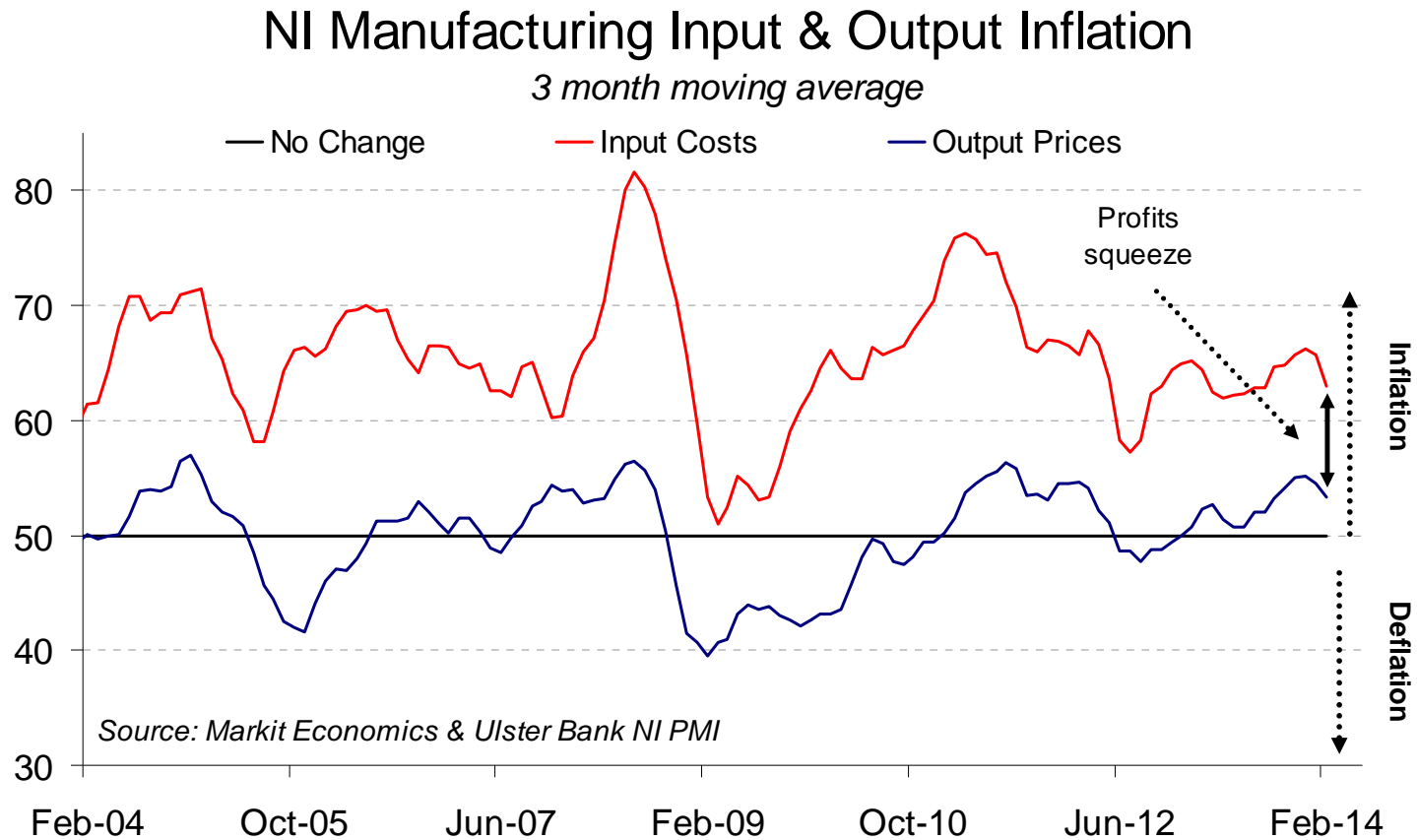


NI has been outperforming its European competitors

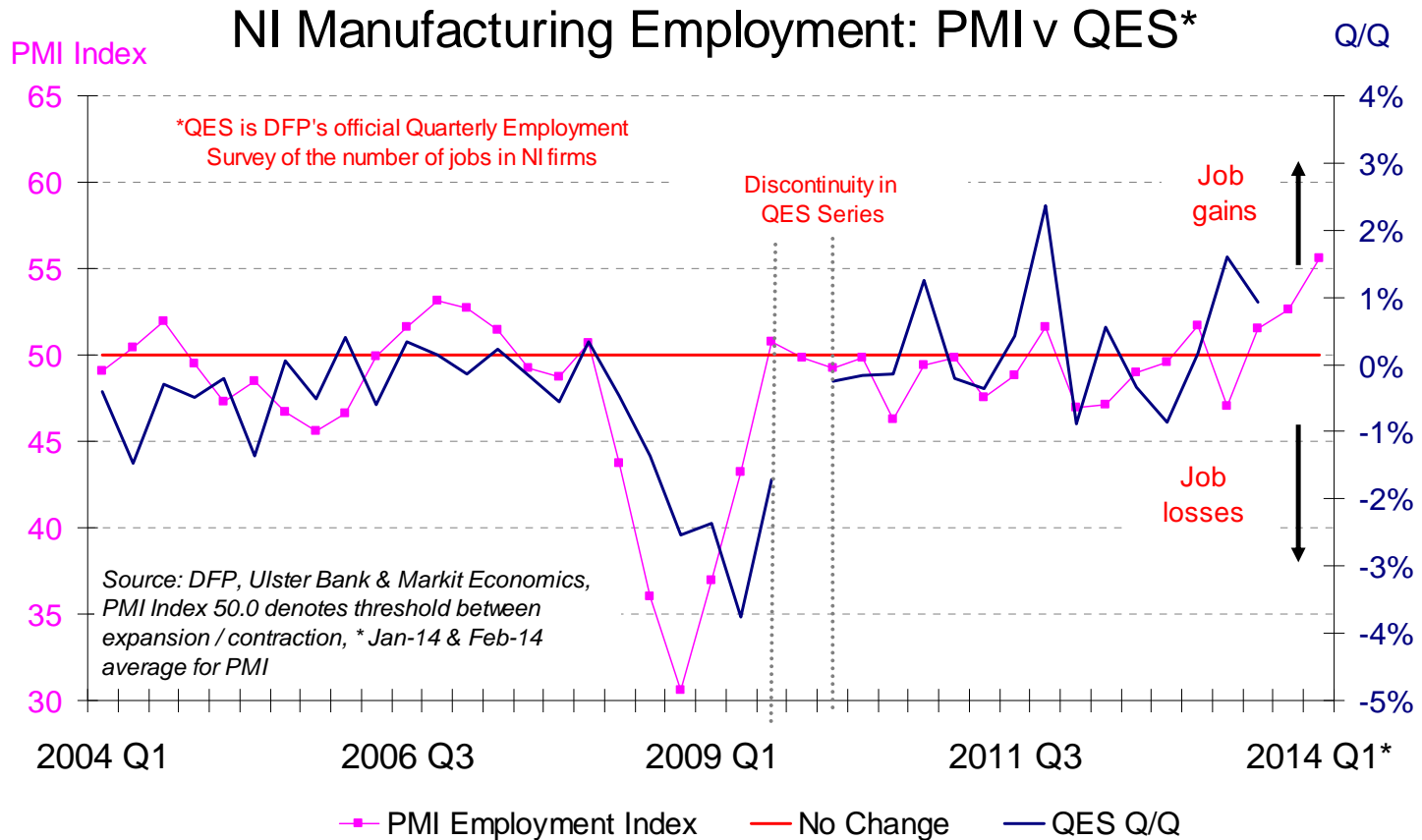
Manufacturing Output - PMI



NI manufacturers post the slowest rate of input cost inflation in 20 months



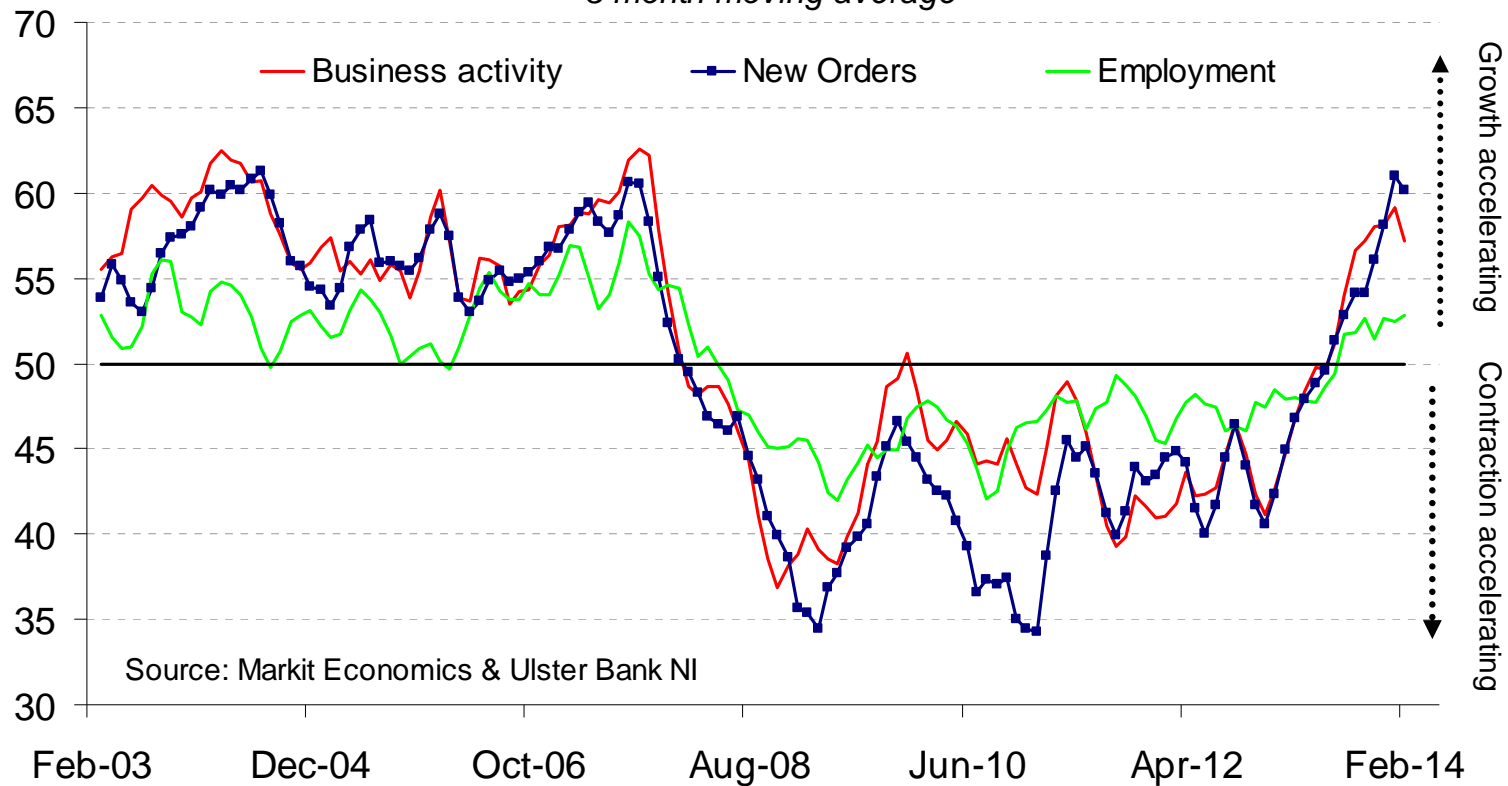
PMI underestimated jobs surge in Q2. Following further job creation in Q3, PMI suggests more of the same in Q4/Q1



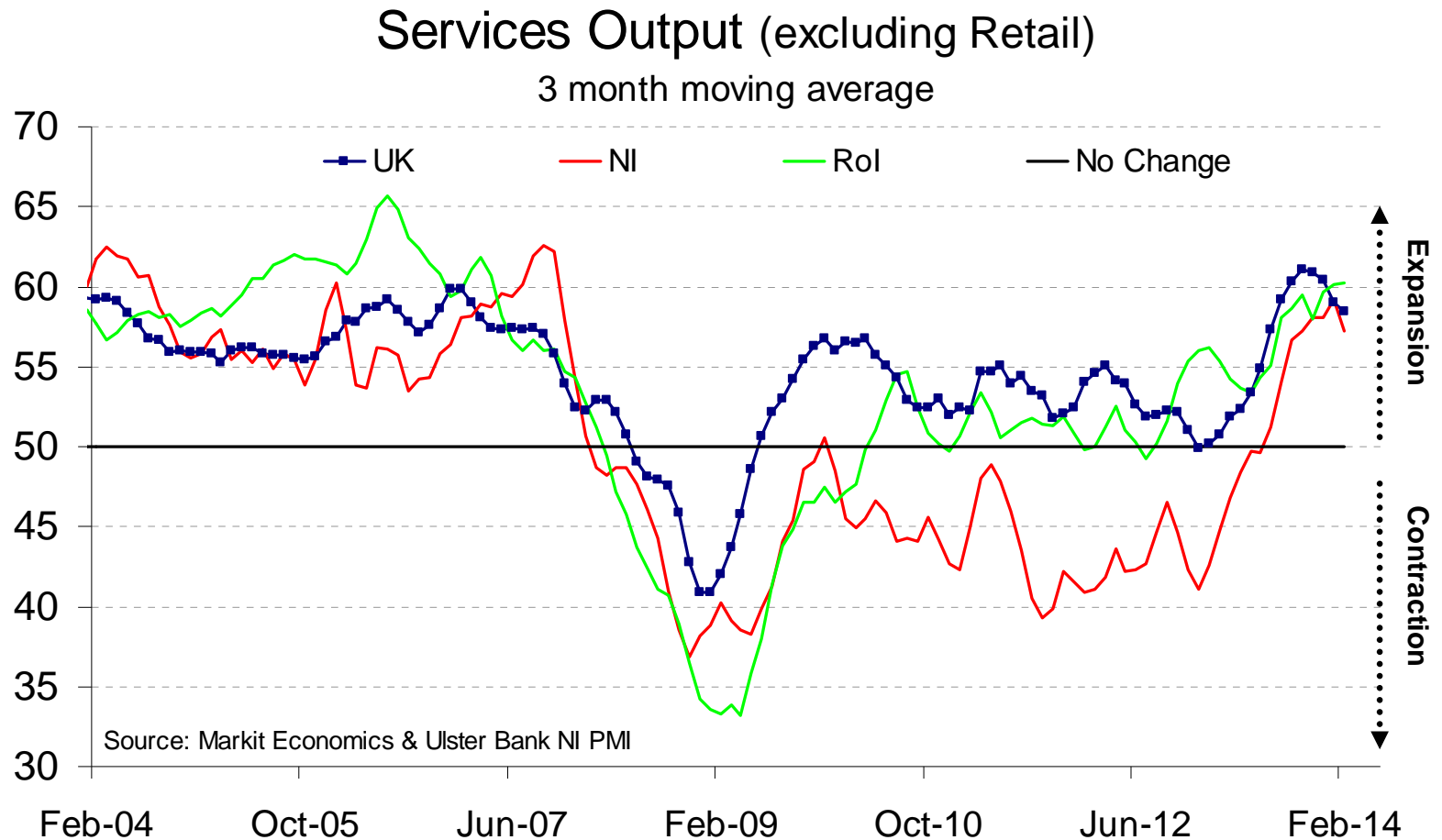
Service sector recovery well underway with new orders growth easing from its recent record high in January

NI Service Sector (excludes Retail)

3 month moving average



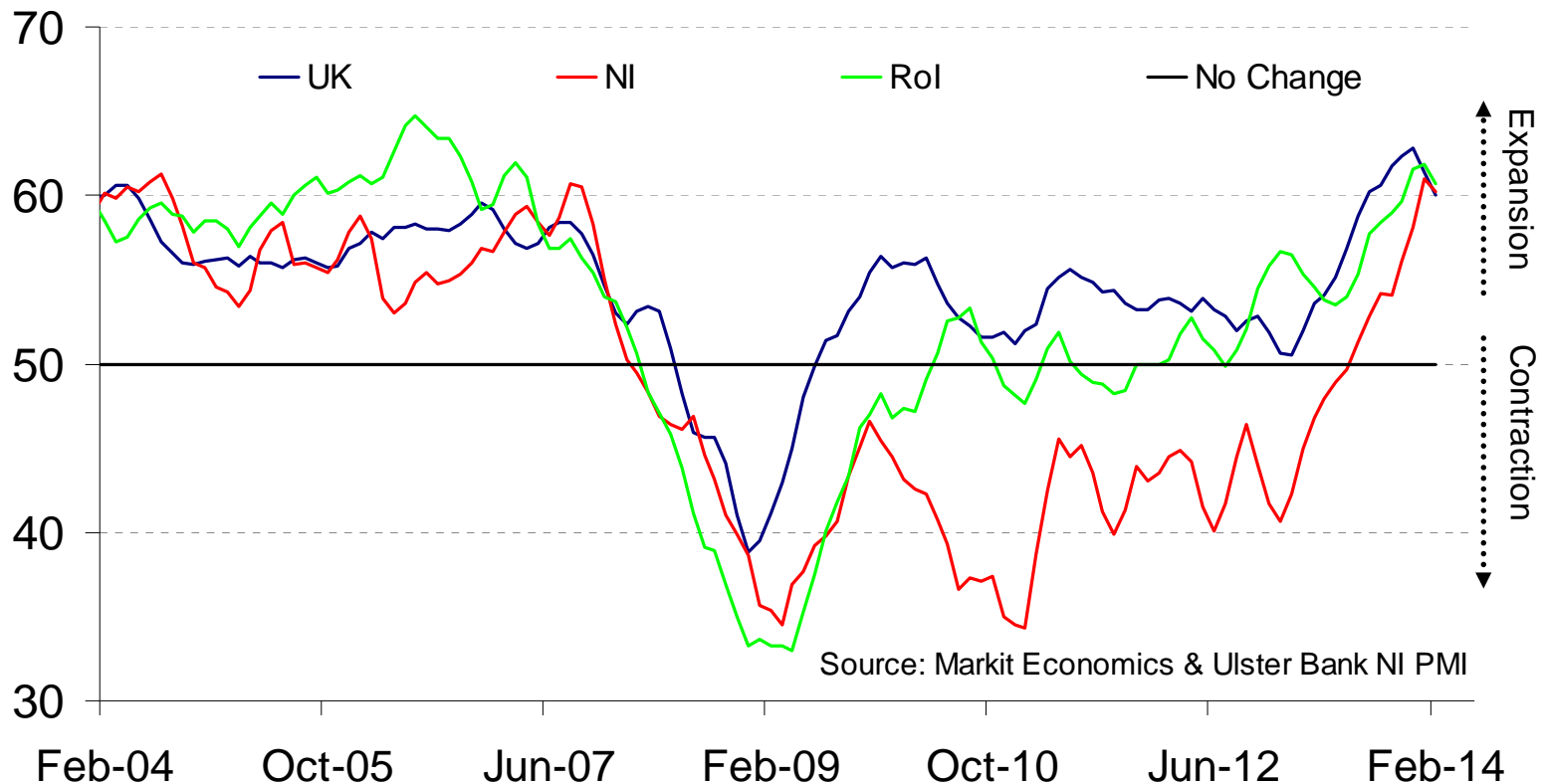
All 3 economies post strong rates of growth in services output in February with RoI leading the way ...



... and new orders growth easing from recent highs

Services New Orders (*excluding Retail*)

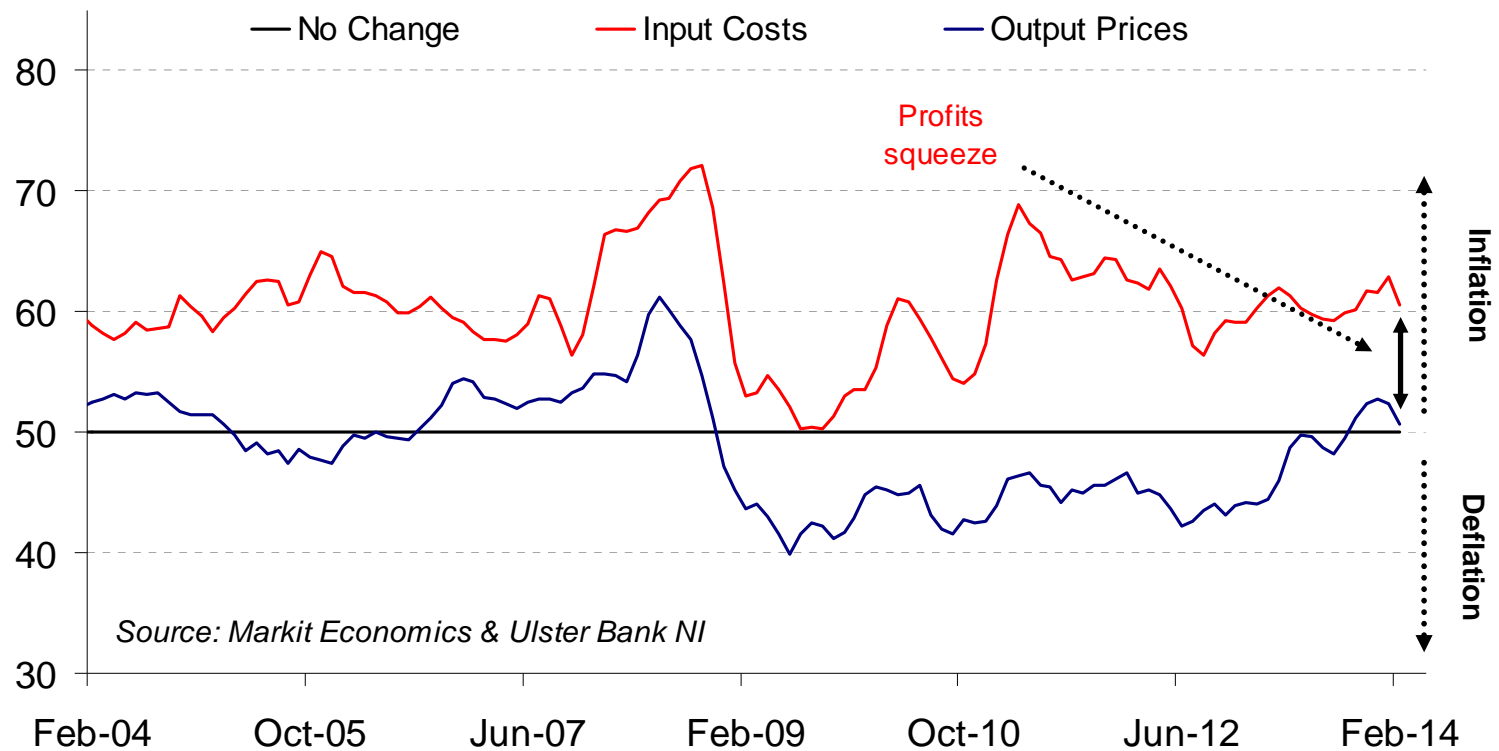
3 month moving average



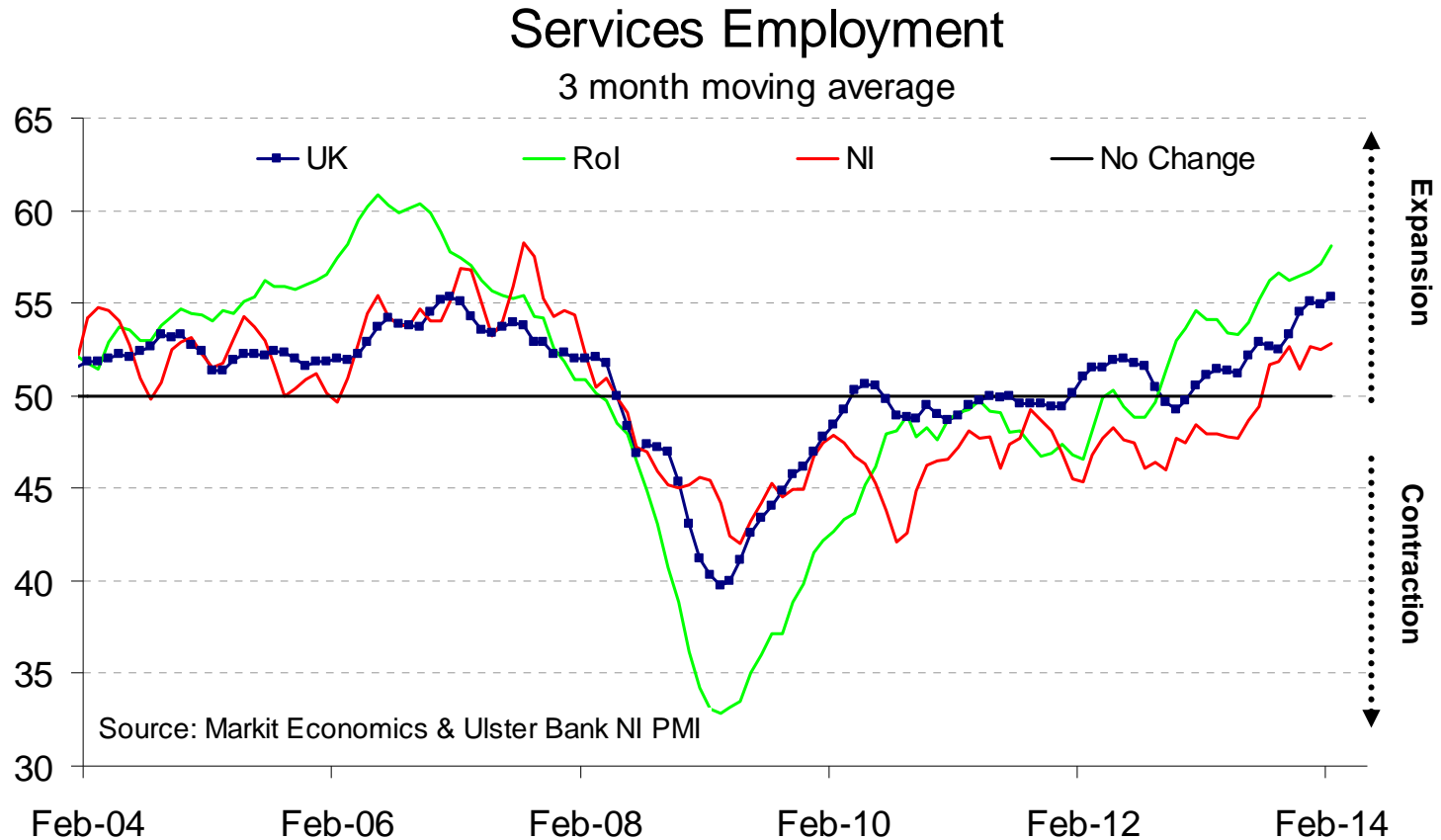
Both input cost and output price inflation ease within service sector firms in February

NI Services Input & Output Inflation

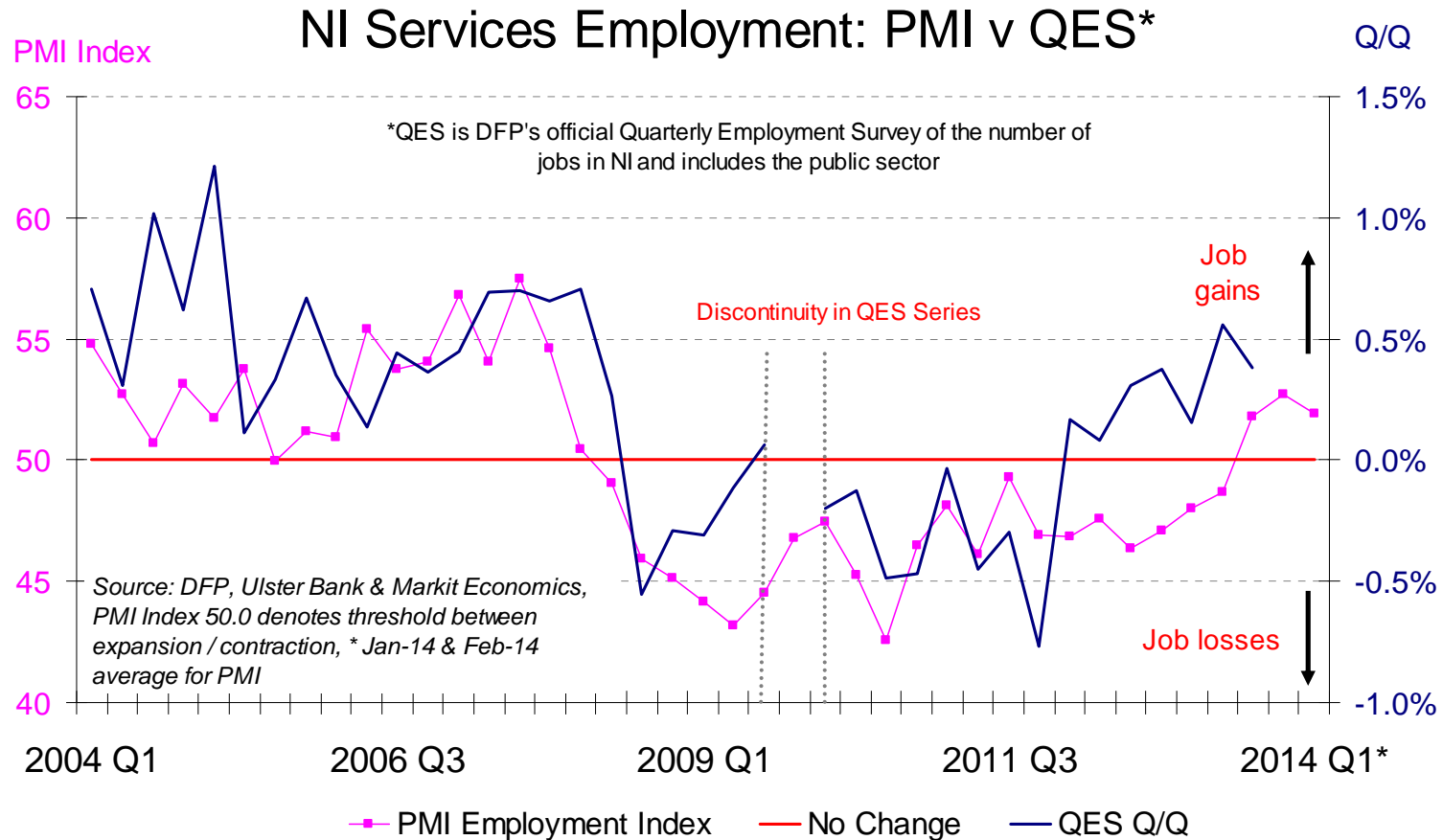
3 month moving average



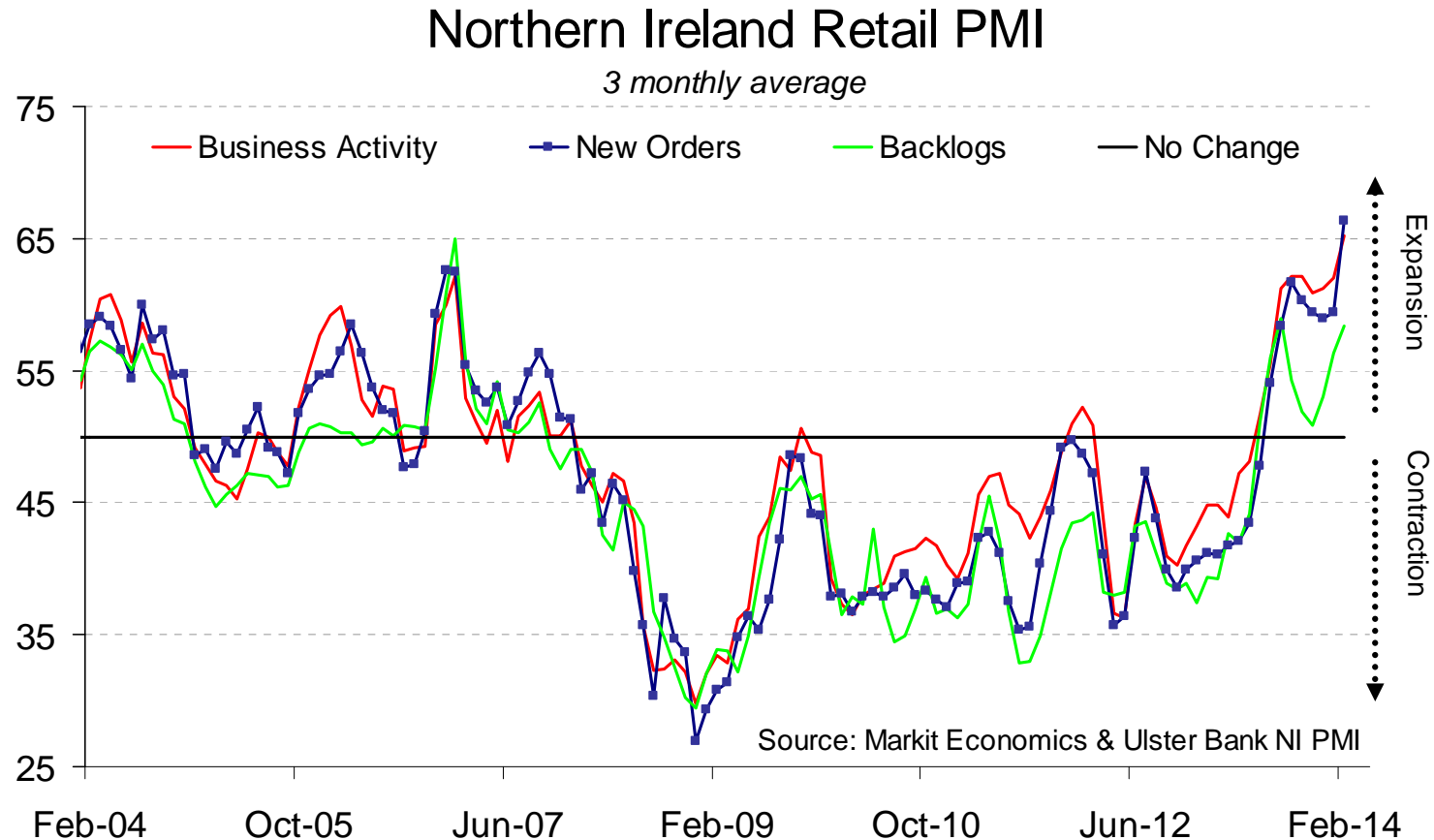
Service sector employment growth accelerates within in the UK, RoI & NI over the last 3 months to February



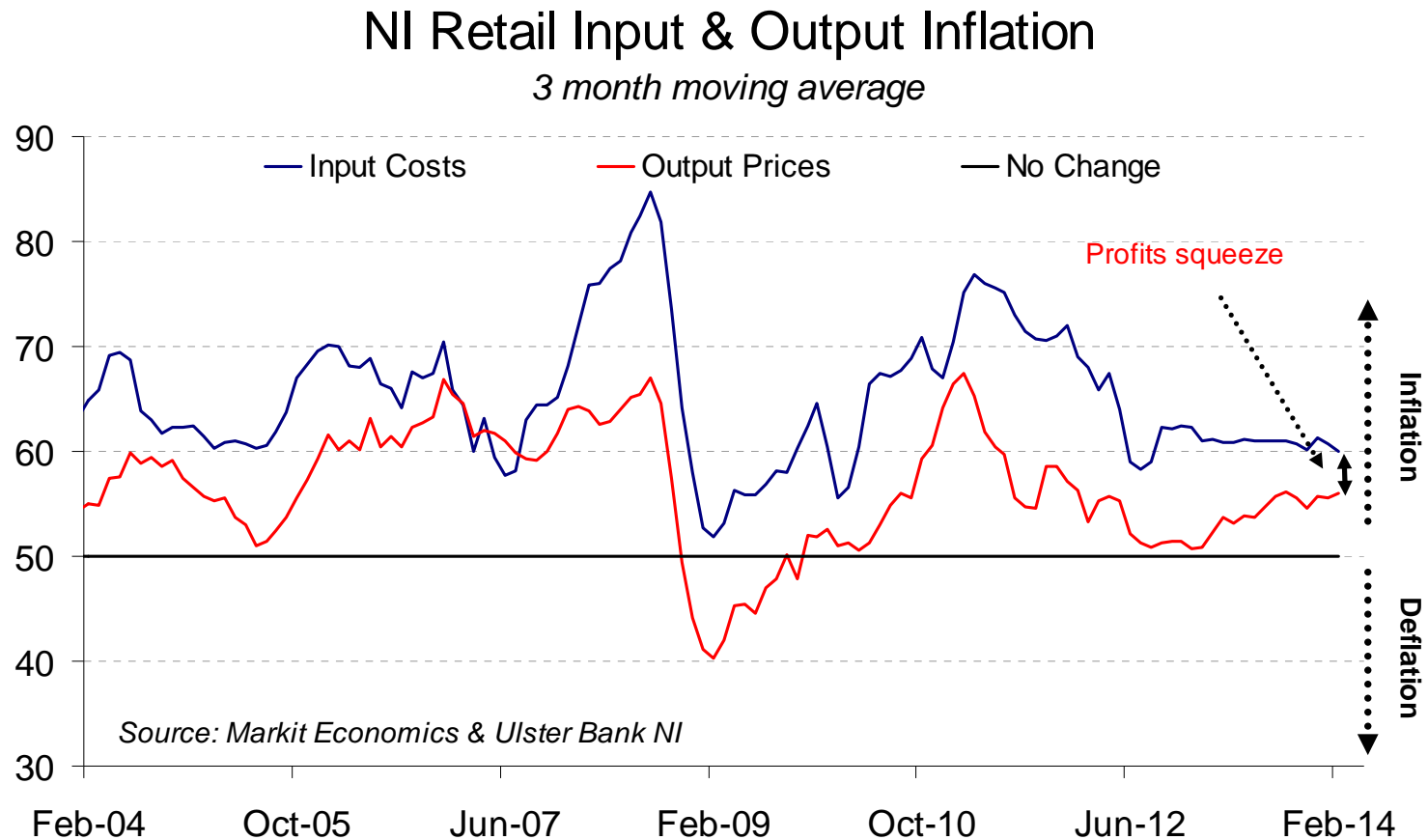
In Q4 the services PMI showed its fastest rate of jobs growth since Q4 2007 but growth has eased in Q1 2014



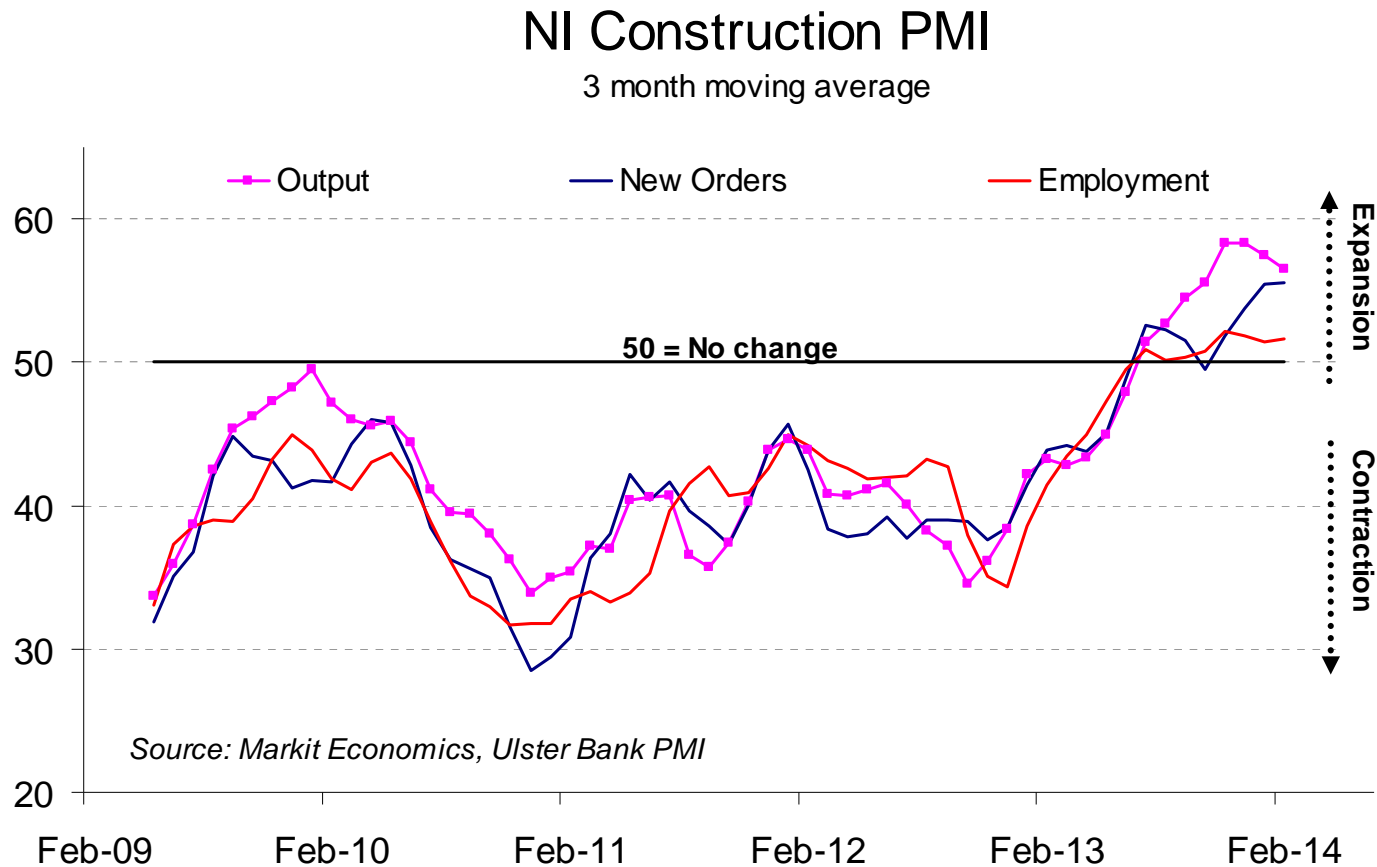
NI retailers report an acceleration in sales and new orders in February



Local retailers maintain pricing power in February



NI construction sector continues to report growth in output, new orders & employment over the last 3 months

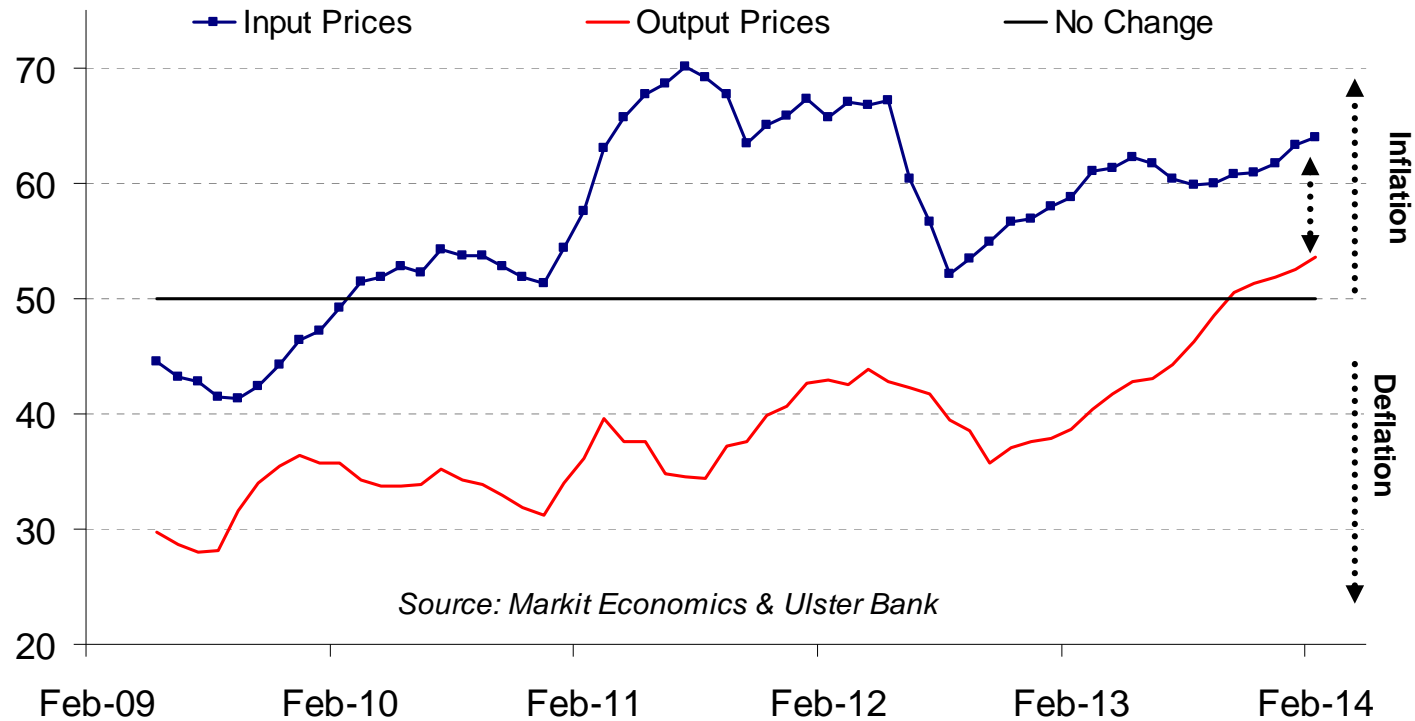


...and output prices have been rising at a record rate

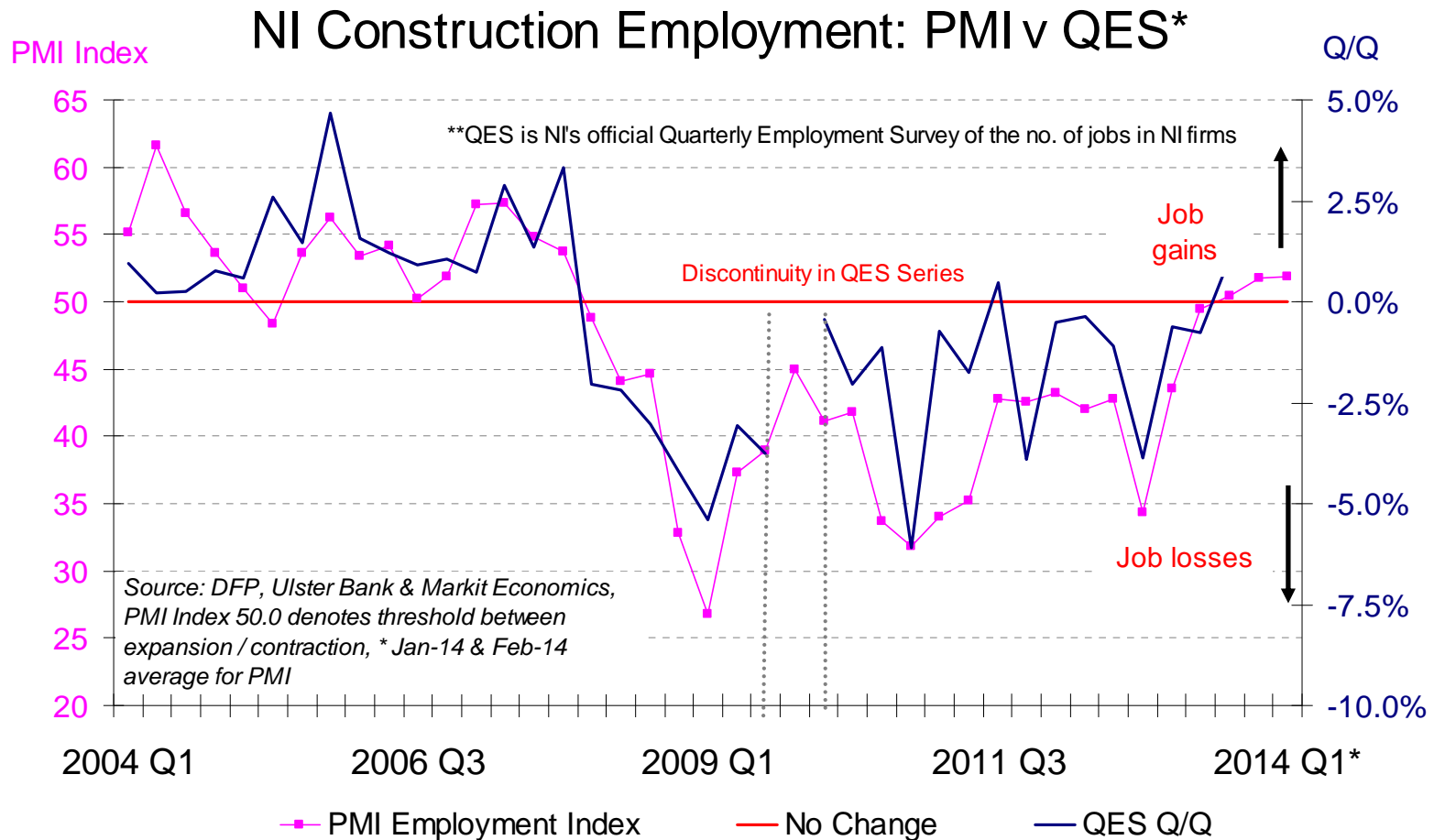
NI Construction Sector Profits Squeeze

3 month moving average

PMI Index



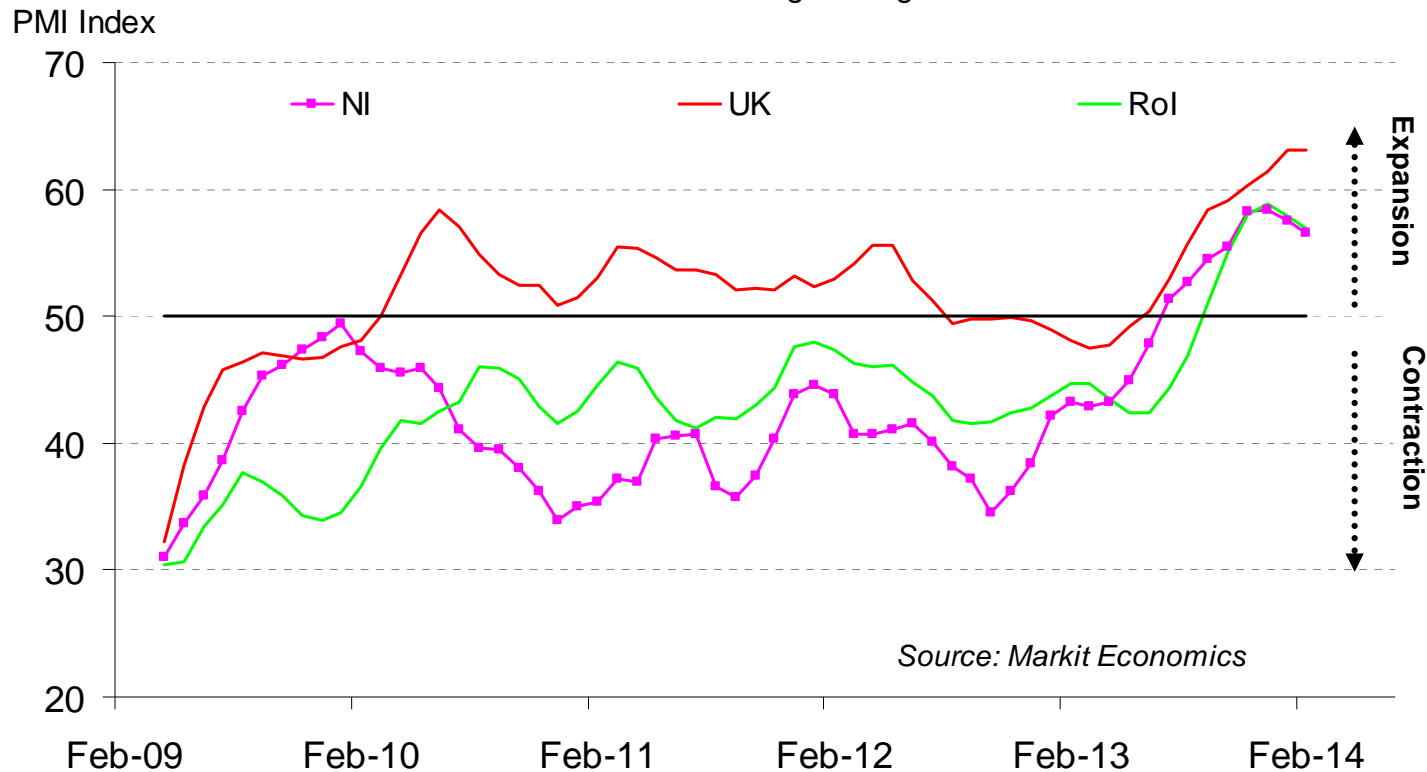
NI's construction PMI posted its 1st quarter of jobs growth in Q3 2013 since Q4 2007 with further growth in Q4/Q1



Construction output growth remains strong particularly within the UK

Construction Sector Output - PMI

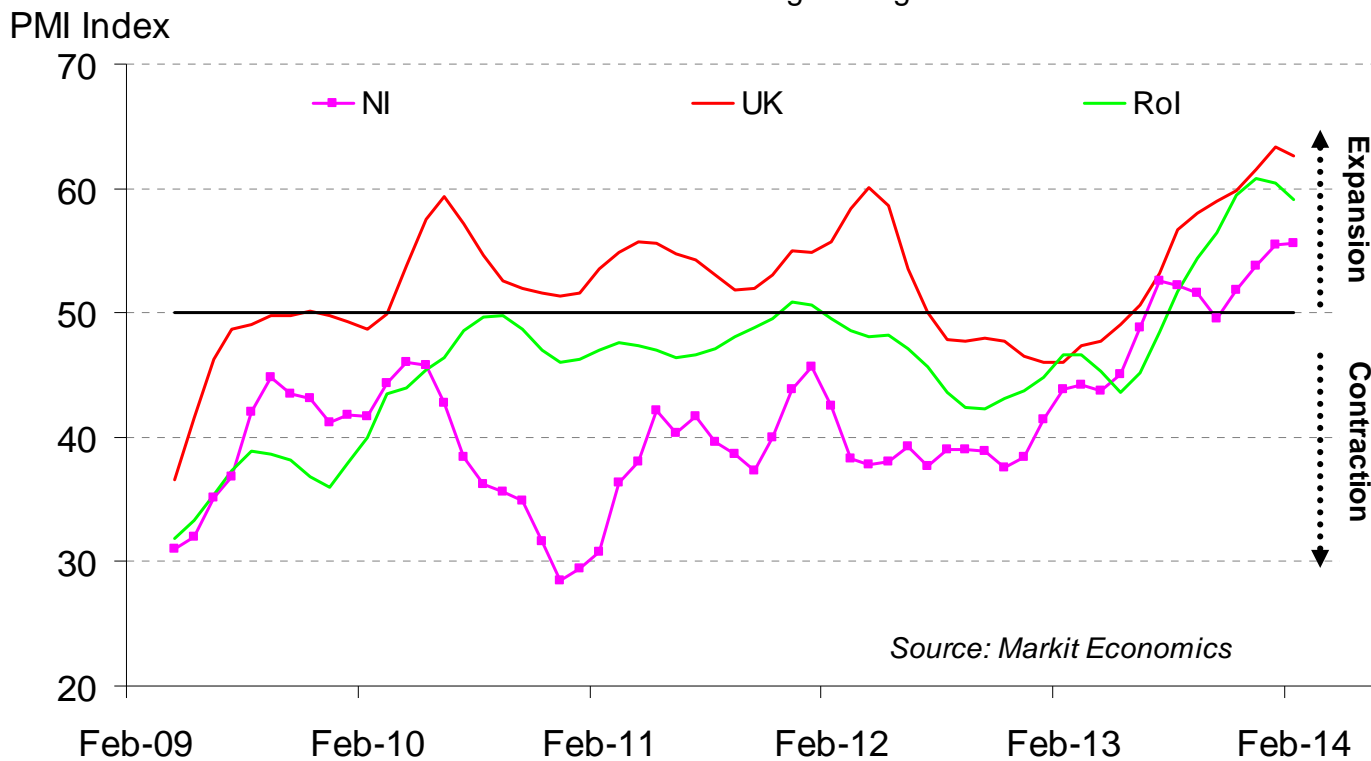
3 month moving average



New orders growth suggests significant work remains in the pipeline

Construction Sector New Orders - PMI

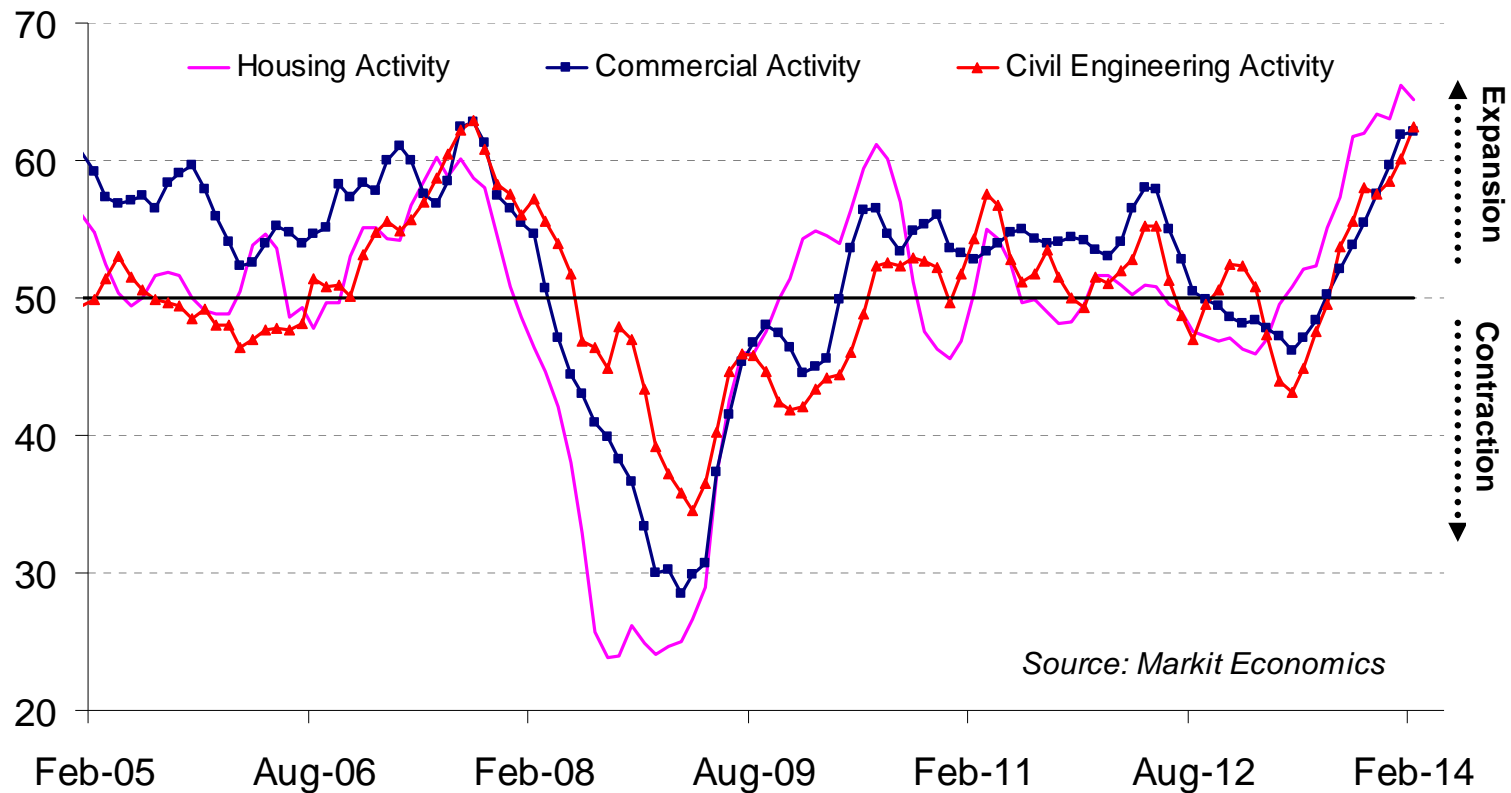
3 month moving average



Opportunities for NI firms within GB market. House building is expanding at its fastest rate in over 11 years

UK Construction Activity - PMIs

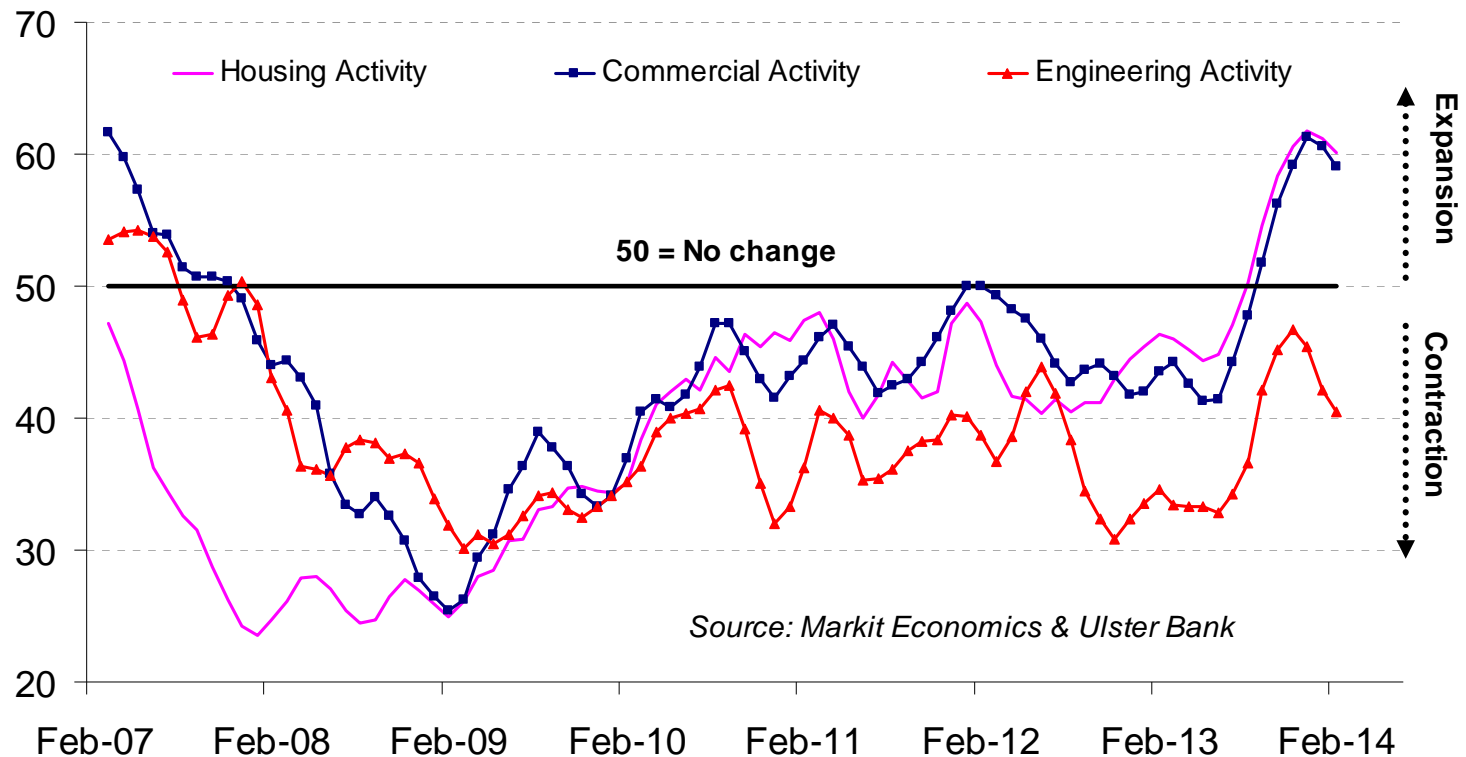
3 month moving average



...with opportunities returning within the RoI too

Republic of Ireland Construction Activity - PMI

3 month moving average



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