

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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New business increases at fastest pace in survey's history

The recovery in the Northern Ireland private sector gathered momentum at the start of 2014 as growth of new business reached a survey-record high. This in turn contributed to faster rises in output and employment. On the price front, both input costs and output prices rose at similar rates to those seen at the end of 2013.

Record rise in new orders

Companies in Northern Ireland posted the strongest rise in new business since the survey began in August 2002 during January, reflecting improved success in securing new contracts. Moreover, the rate of growth in Northern Ireland was faster than seen across the UK as a whole. Services companies posted the strongest rise in new business, while only construction saw the rate of expansion ease from December. New export orders also continued to increase, with the rate of growth little-changed from December's solid pace.

A strong expansion in new orders contributed to another monthly rise in activity in January. The rate of expansion was the sharpest since March 2004, while Northern Ireland outperformed the UK average for the first time in more than six years. Output rose across all sectors, led by retail and manufacturing.

Rate of job creation quickens

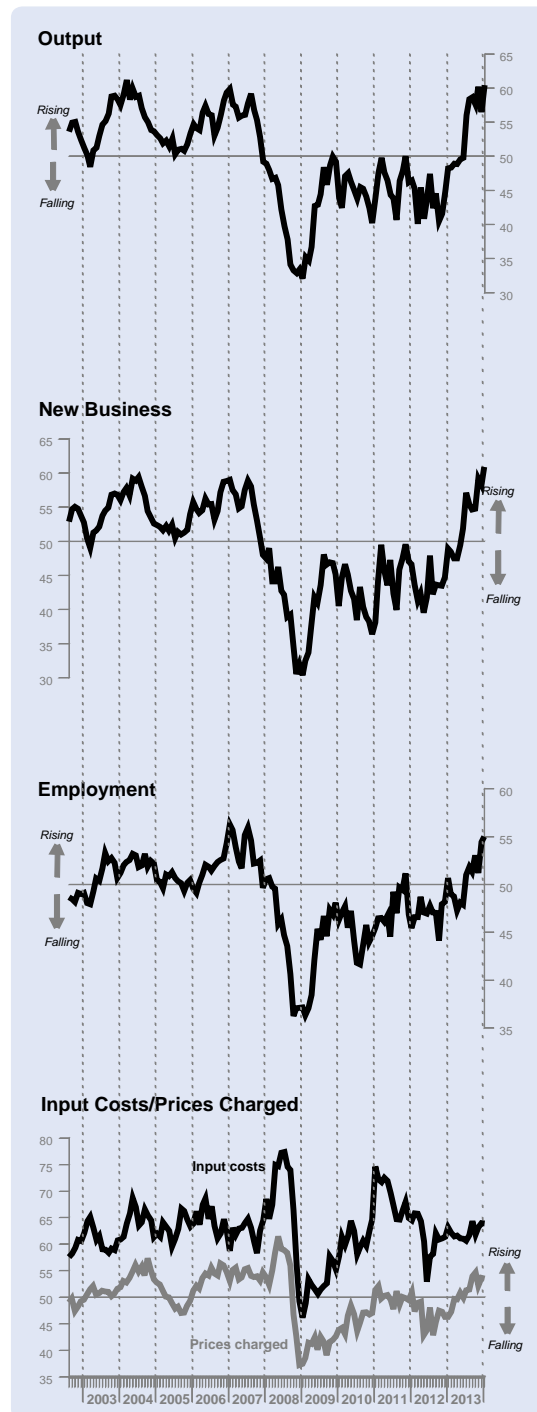
Rising workloads led to a seventh successive monthly increase in employment at Northern Ireland companies. The rate of job creation was marked, and accelerated for the second month running to the strongest since July 2007. The manufacturing and retail sectors posted the sharpest rises in staffing levels.

Despite this increase in capacity, the rise in new orders was such that backlogs of work continued to accumulate in January. Although the latest increase was the weakest in the current four-month period of rising outstanding business, it was still solid.

Rates of inflation little-changed

Both input prices and output charges rose at broadly similar rates to those recorded at the end of 2013 in January. Panellists reported that the latest increase in input prices reflected both higher salary payments and rising raw material costs. Each of the four monitored sectors posted strong rises in input costs, led by construction and services.

Attempts to pass on higher input costs to customers led to a seventh consecutive rise in selling prices in Northern Ireland. Retailers and manufacturers led the overall increase in prices charged, while construction firms posted the strongest rise since data were first available in February 2009.



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

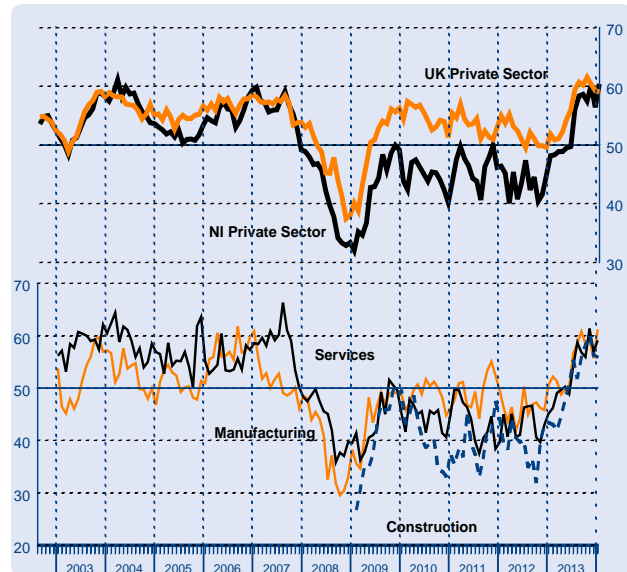
Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Aug	30.0	55.4	14.7	15.3	57.6	58.4
	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

Business activity in the Northern Ireland private sector rose sharply again in January. Furthermore, the rate of expansion was the fastest since March 2004. Activity has now increased in each of the past seven months, with the latest rise faster than the UK average. Where growth was recorded, panellists often linked this to improved client confidence. Around one-third of respondents raised output during the month. The strongest increases in activity were seen in the retail and manufacturing sectors, with manufacturing production expanding at the sharpest pace since September 2006. Growth of services activity also quickened.

By sector

		Construction	Manufacturing	Services
'13	Nov	60.3	59.4	61.4
	Dec	56.3	55.7	56.9
'14	Jan	55.9	61.3	59.2



New Business

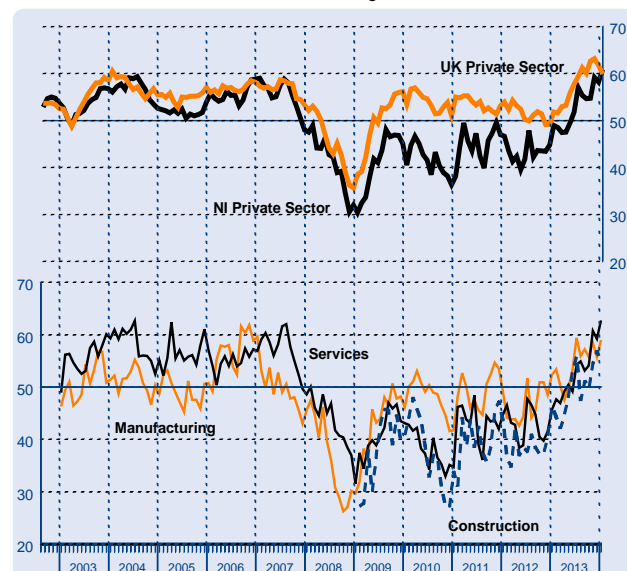
Q. Is the level of new orders or incoming new business at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Aug	28.5	51.2	20.3	8.1	54.1	55.4
	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

January data pointed to the fastest monthly increase in new business at Northern Ireland companies since the survey began in August 2002. The eighth consecutive rise in new orders was also quicker than that recorded across the UK economy as a whole. Panellists reported having more success in securing new contracts during the month. The service sector was the strongest performing sector at the start of 2014, posting its sharpest monthly rise in new business in the series history. Manufacturers and retailers also posted faster rises in new orders, with only construction seeing a slower rate of expansion.

By sector

		Construction	Manufacturing	Services
'13	Nov	54.7	58.6	60.8
	Dec	56.9	55.8	59.3
'14	Jan	54.9	59.0	62.8



Backlogs

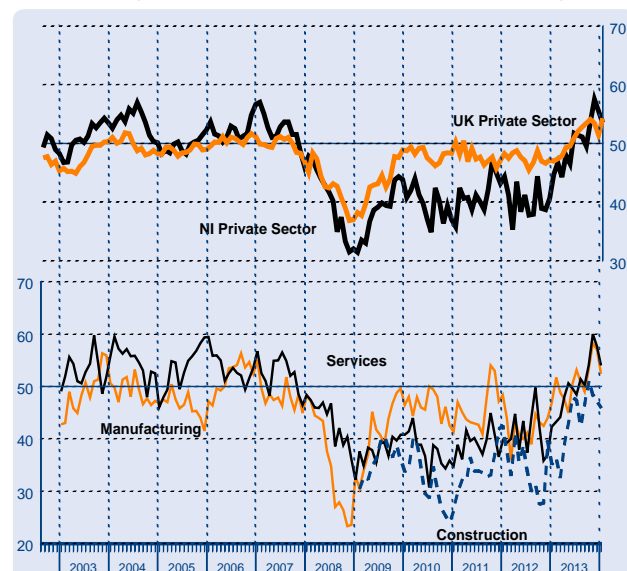
Q. Is the level of business outstanding (i.e. work not yet commenced or completed) at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Aug	16.8	63.9	19.3	-2.5	48.8	51.2
	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

Rising new orders led to another increase in backlogs of work during January, extending the current sequence of accumulation to four months. The latest rise was solid, although weaker than those seen in the previous three months and slower than the UK economy average. Further rises in outstanding business in the manufacturing, services and retail sectors contrasted with a decrease at construction companies. Although continuing to increase, manufacturers and service providers each posted slower accumulations of backlogs than in December.

By sector

		Construction	Manufacturing	Services
'13	Nov	48.4	58.3	60.1
	Dec	47.1	57.1	57.7
'14	Jan	46.0	52.5	54.1



Employment

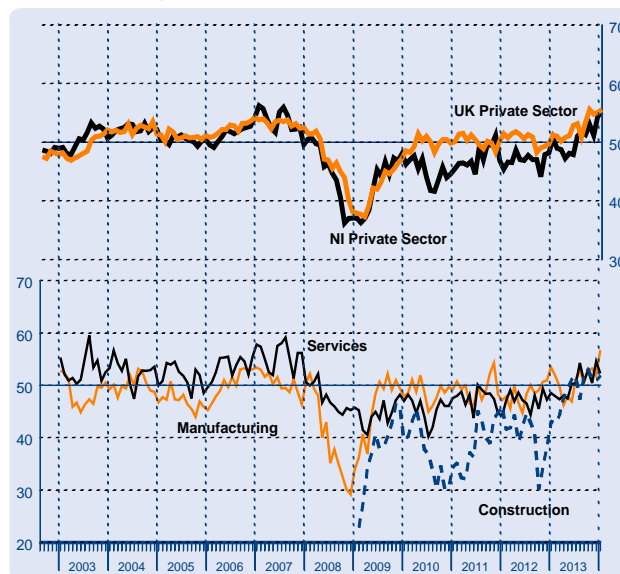
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Aug	14.4	75.7	9.9	4.5	52.3	51.8	50.9
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	55.6

Staffing levels continued to rise in the Northern Ireland private sector during January. Moreover, the rate of job creation picked up for the second month running to the strongest since July 2007. The rise in employment in Northern Ireland was broadly similar to the average across the UK as a whole. More than 18% of panellists increased their staffing levels in January, largely as a result of rising workloads.

In contrast, around 10% of respondents lowered employment. All four sectors posted job creation, with the sharpest rises at manufacturers and retailers.

By sector				
		Construction	Manufacturing	Services
'13 Nov		51.3	53.3	50.5
Dec		51.0	51.8	54.6
'14 Jan		51.8	56.8	52.3



Input Costs

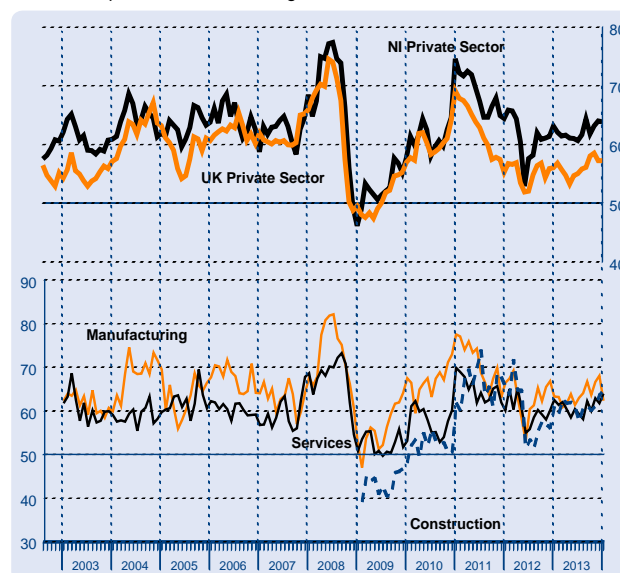
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Aug	24.4	73.7	2.0	22.4	61.2	61.7	55.9
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

Northern Ireland companies registered a further increase in input prices at the start of the year, with the rate of inflation little-changed from that seen at the end of 2013. The pace at which cost burdens increased in Northern Ireland was again much faster than the UK average. Some panellists indicated that salary increases had contributed to higher input costs, while others reported rising prices for raw materials. Construction posted the strongest rate of cost inflation, closely followed by services.

Meanwhile, manufacturers posted the slowest rise in input prices in seven months. Input costs in the retail sector rose at a broadly similar pace to December.

By sector				
		Construction	Manufacturing	Services
'13 Nov		61.1	66.7	63.0
Dec		63.8	68.2	61.8
'14 Jan		64.8	62.3	64.0



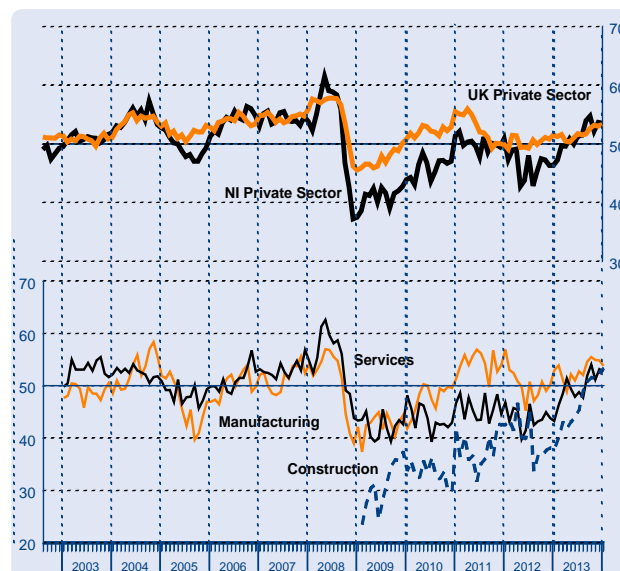
Prices Charged

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 Aug	9.3	83.8	6.9	2.4	51.2	51.5	51.6
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

Output prices continued to rise in January, with respondents highlighting efforts to pass on increased input costs to clients. Selling prices have now risen in each of the past seven months. The rate of inflation was solid at the start of 2014, and was broadly unchanged from the previous month. The rise in Northern Ireland was also in line with the average for the UK as a whole. Retail posted the strongest increase in output prices of the four monitored sectors, as had been the case in December. Inflation slowed at manufacturing and services companies, but accelerated for the second month running to a record high among construction firms.

By sector				
		Construction	Manufacturing	Services
'13 Nov		51.5	55.0	51.2
Dec		52.5	54.9	53.2
'14 Jan		53.3	53.8	52.7



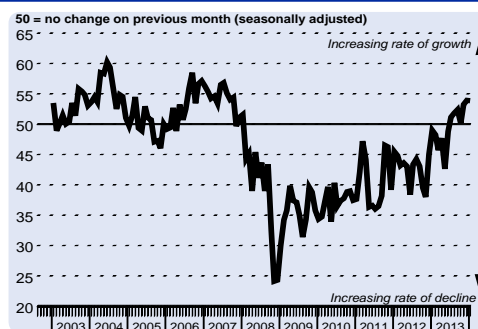
New Export Business*

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

Northern Ireland Companies

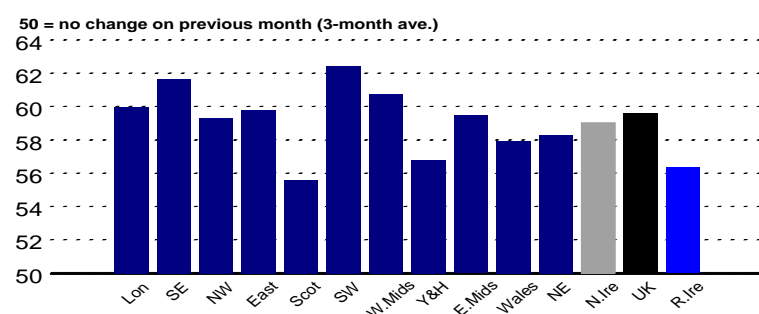
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Aug	23.4	56.6	20.0	3.3	51.7	51.9
	Sep	27.1	54.2	18.8	8.3	54.1	52.4
	Oct	14.3	73.0	12.7	1.6	50.8	50.2
	Nov	23.6	62.1	14.3	9.3	54.6	53.3
	Dec	22.3	60.8	16.9	5.4	52.7	54.0
2014	Jan	18.6	69.9	11.6	7.0	53.5	53.9

Another solid increase in new export orders was registered in January, with the rate of growth little-changed from December's recent peak. New business from abroad has risen continuously since July last year.



Regional Comparisons: Output / Business Activity

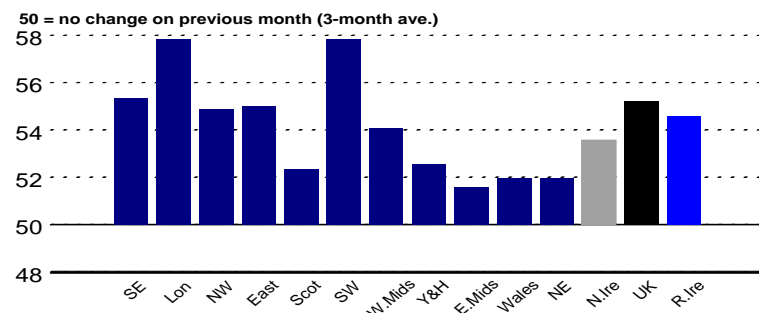
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong output growth was recorded across all 12 UK regions on average in the three months to January. Companies in the South West and South East posted the fastest rates of expansion respectively. Growth in the Republic of Ireland was solid, but below that seen in the UK.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	58.7	60.0	57.0
South East	(14.7%)	57.9	61.6	61.5
North West	(9.5%)	57.9	59.3	58.9
East of England	(8.7%)	56.5	59.8	59.9
Scotland	(8.3%)	55.5	55.6	57.2
South West	(7.7%)	57.3	62.4	62.8
West Midlands	(7.3%)	56.5	60.7	60.9
Yorks & Humber	(7.0%)	56.6	56.8	57.6
East Midlands	(6.4%)	57.0	59.5	56.2
Wales	(3.6%)	57.0	57.9	58.2
North East	(3.2%)	54.0	58.3	56.8
N.Ireland	(2.2%)	54.5	59.0	60.4
UK	(100.0%)	57.1	59.6	59.1
Rep. of Ireland	n/a	54.3	56.3	54.8

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). Net job hiring was recorded in all 12 UK regions monitored by the survey in the three months to January. London and the South West registered the steepest increases in employment numbers. The East Midlands, North East and Wales posted the least marked rises in staffing levels. The Republic of Ireland posted a solid rise in employment.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	53.1	55.3	54.3
London	(12.3%)	53.9	57.9	58.5
North West	(10.9%)	52.9	54.9	56.6
East of England	(9.6%)	53.2	55.0	55.3
Scotland	(8.7%)	52.2	52.4	52.3
South West	(8.6%)	53.8	57.9	58.9
West Midlands	(8.6%)	53.9	54.1	53.5
Yorks & Humber	(8.2%)	50.7	52.6	55.0
East Midlands	(7.3%)	51.1	51.6	50.9
Wales	(4.6%)	52.2	52.0	52.3
North East	(3.9%)	50.9	52.0	53.3
N.Ireland	(2.7%)	50.8	53.6	55.0
UK	(100.0%)	52.9	55.2	55.6
Rep. of Ireland	n/a	53.4	54.6	52.9

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

Ulster Bank is a member of The Royal Bank of Scotland Group. Ulster Bank acts as a full service institution to its customer base, providing an extensive range of retail banking, business banking, investment banking and capital markets services to corporate, personal and institutional clients.

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*

January 2014 Survey Update

Issued 10th February 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.

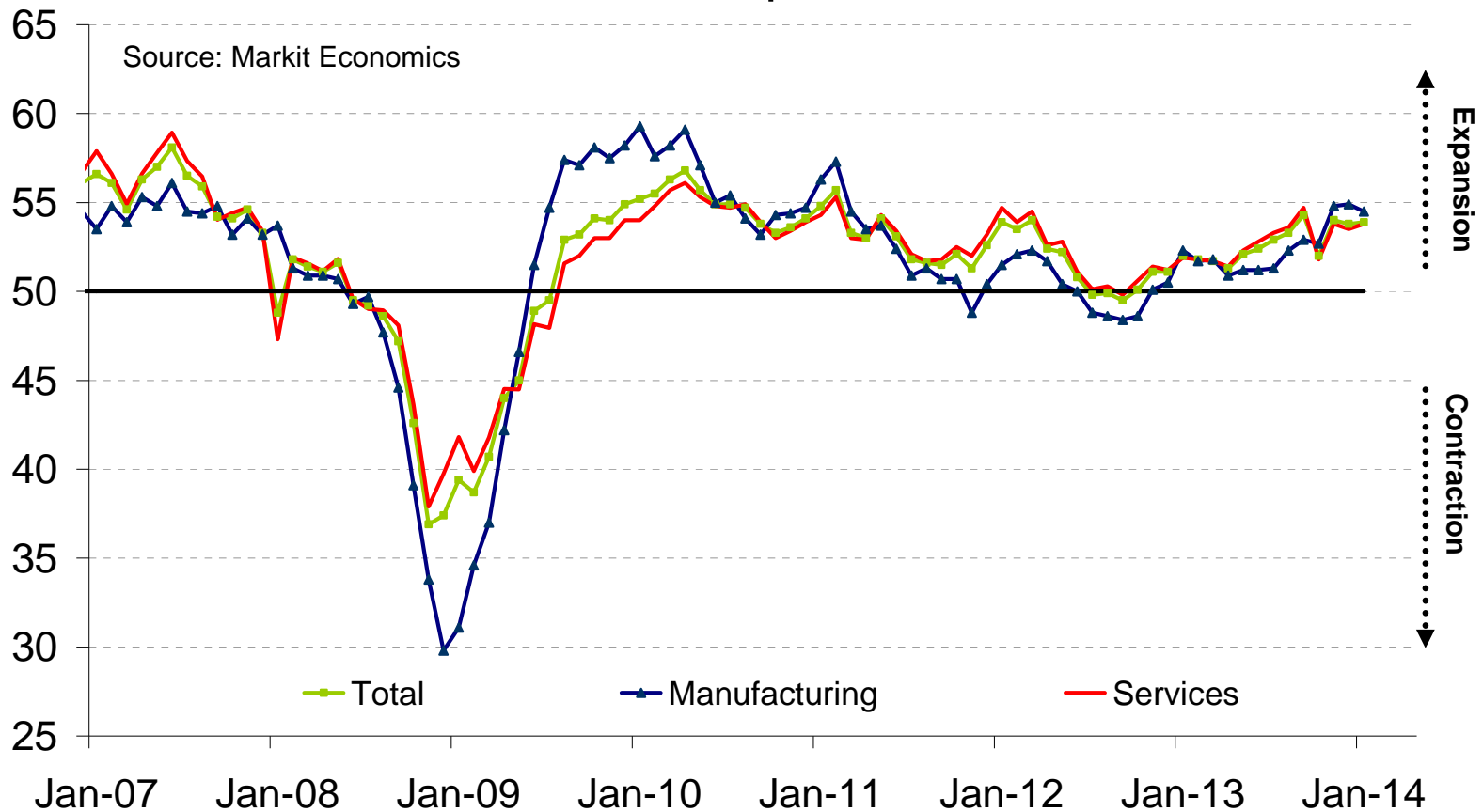
Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline on the previous month. These indices vary from 0 to 100 with readings of 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 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.*

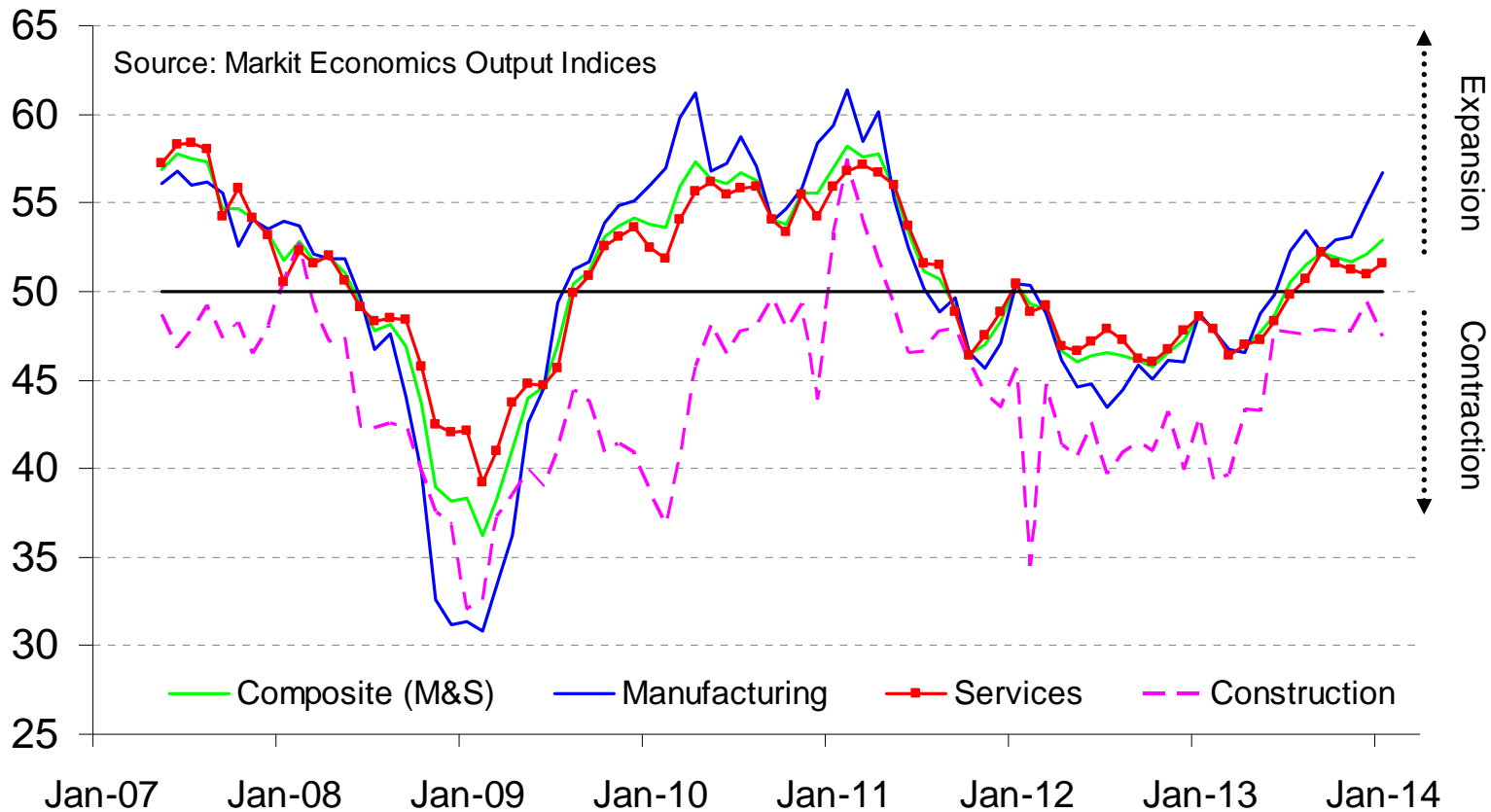
Global output growth begins 2014 on a firmer footing than it started 2013

Global Output - PMI



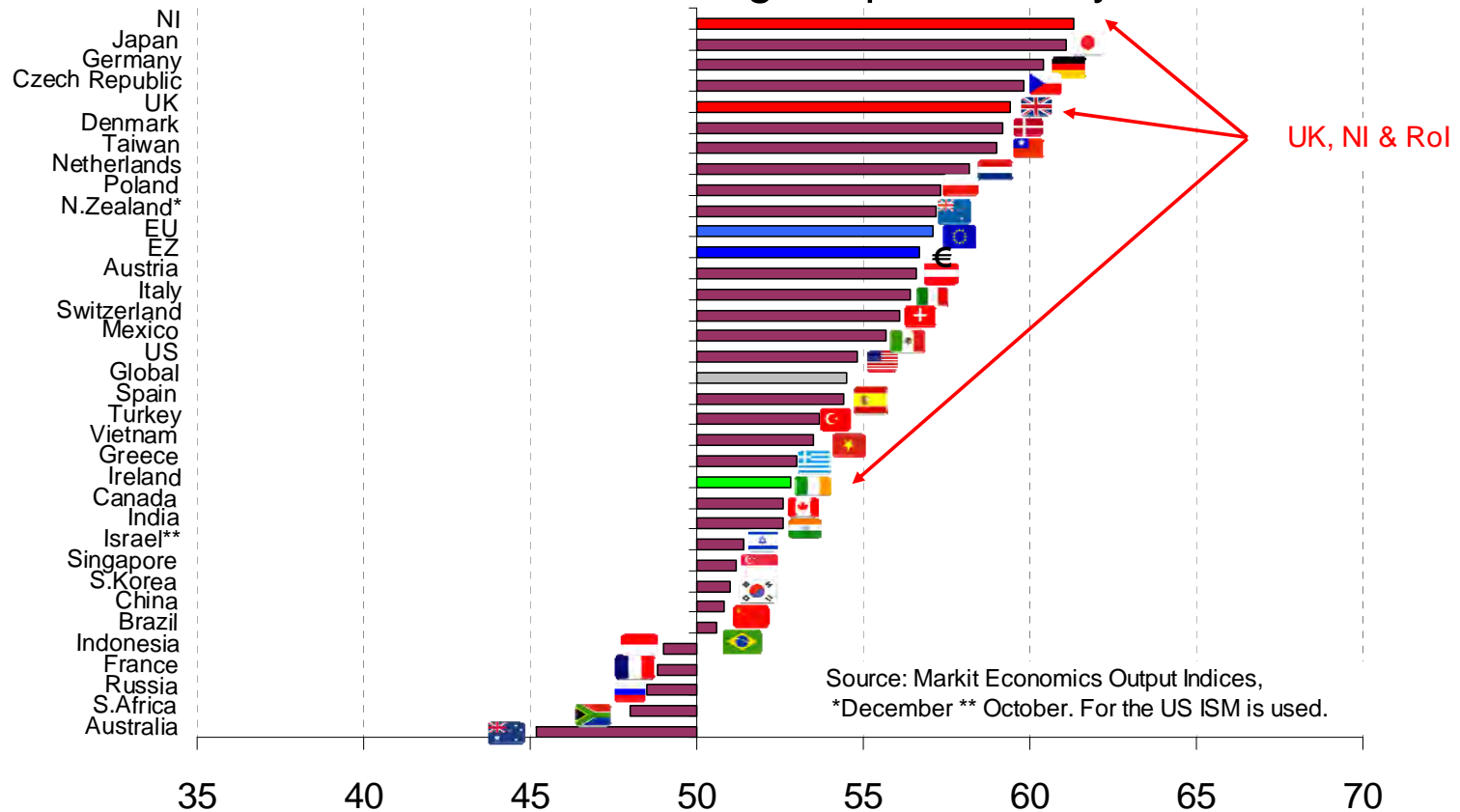
The Eurozone started 2013 with all sectors contracting now only construction is waiting for a return to growth

Eurozone PMIs: Output

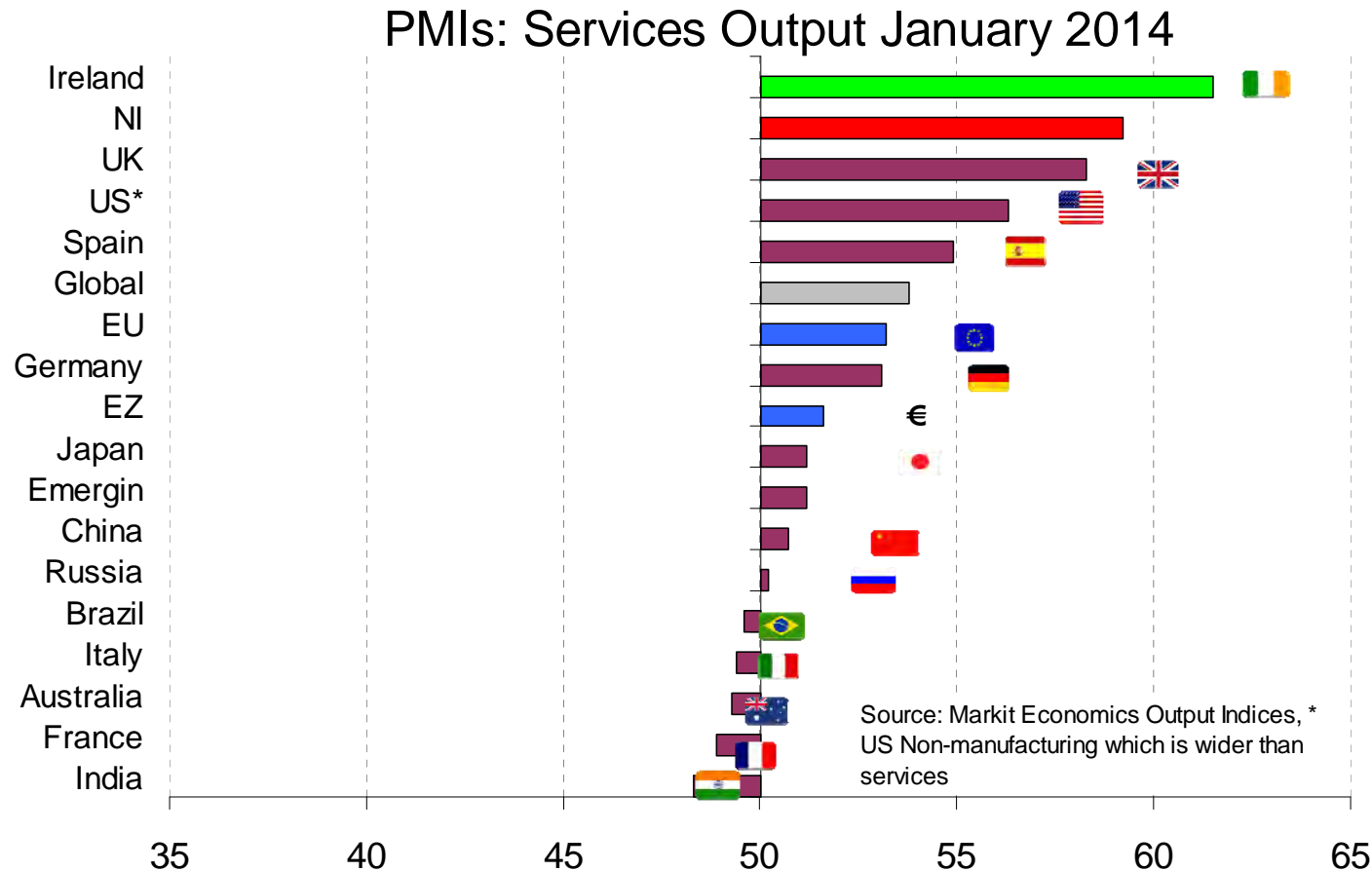


Northern Ireland manufacturing firms posted the fastest rate of output growth in January 2014!

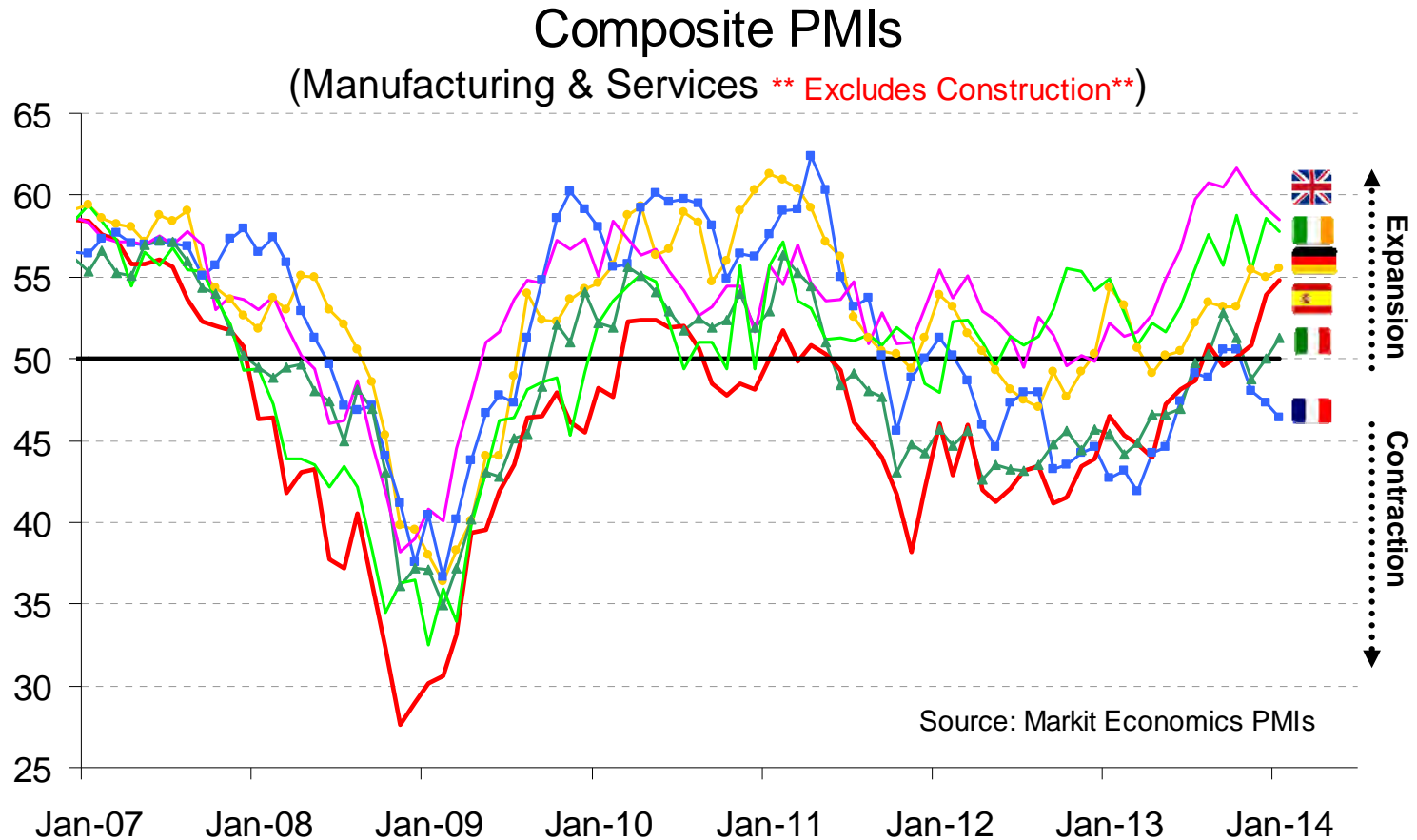
PMIs: Manufacturing Output January 2014



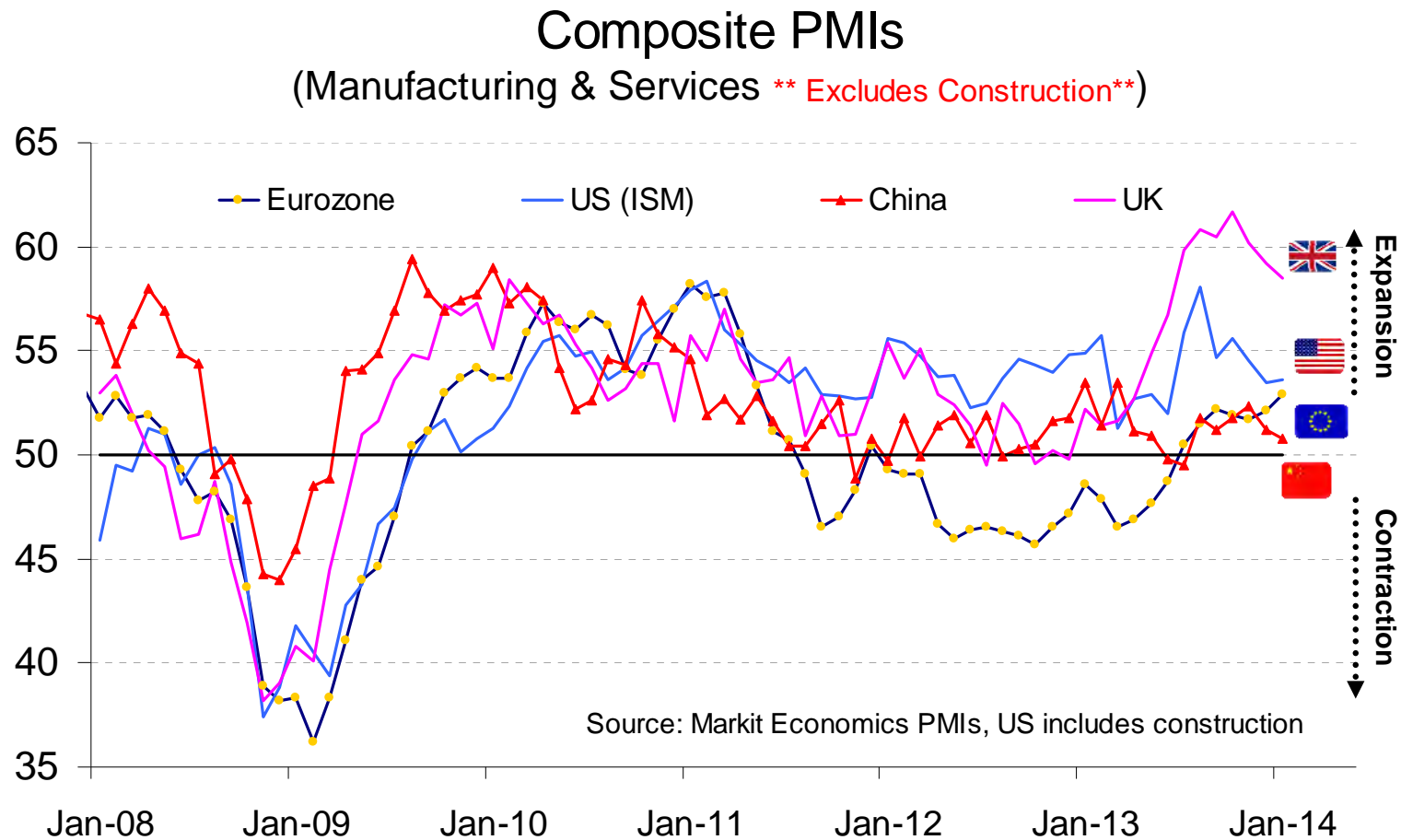
The Republic of Ireland, N.Ireland and the UK posted the fastest rates of service sector output growth in January



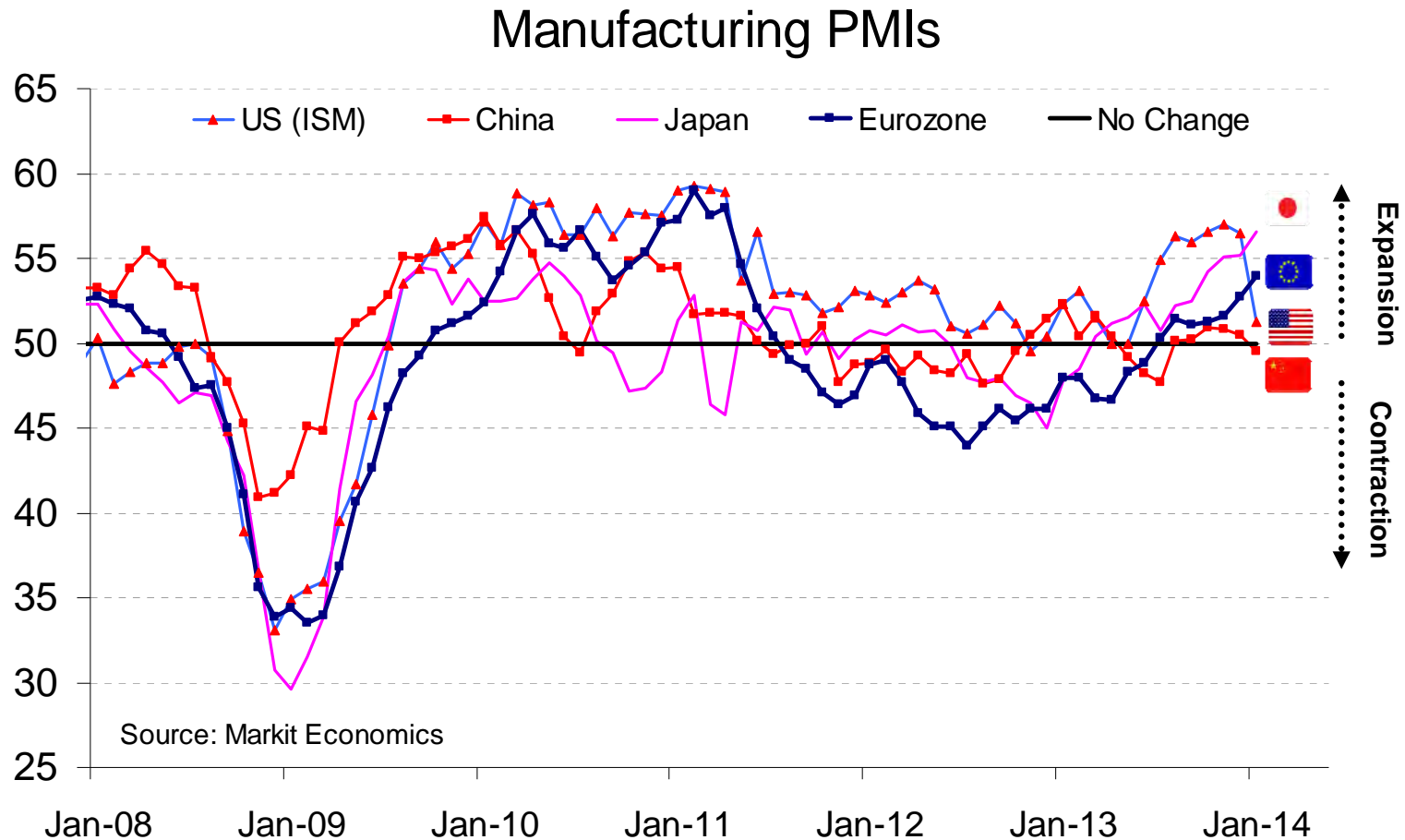
Germany, Spain & Italy all improve in January while France sees its rate of contraction accelerate



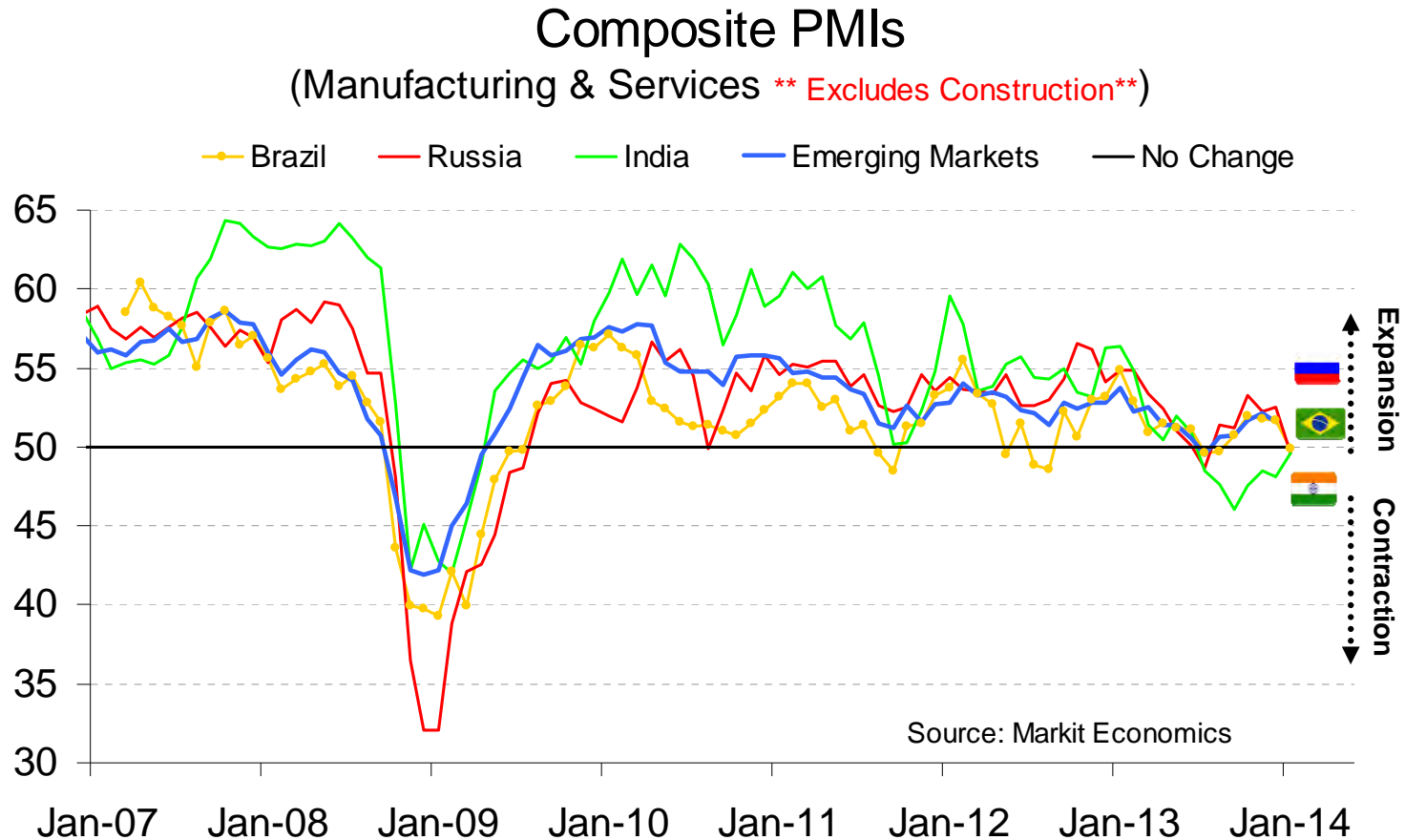
The UK & China saw their composite PMIs slip in January, the US stayed broadly the same & EZ moved higher



Japan & the Eurozone on the rise in January whilst the US & China move in the opposite direction

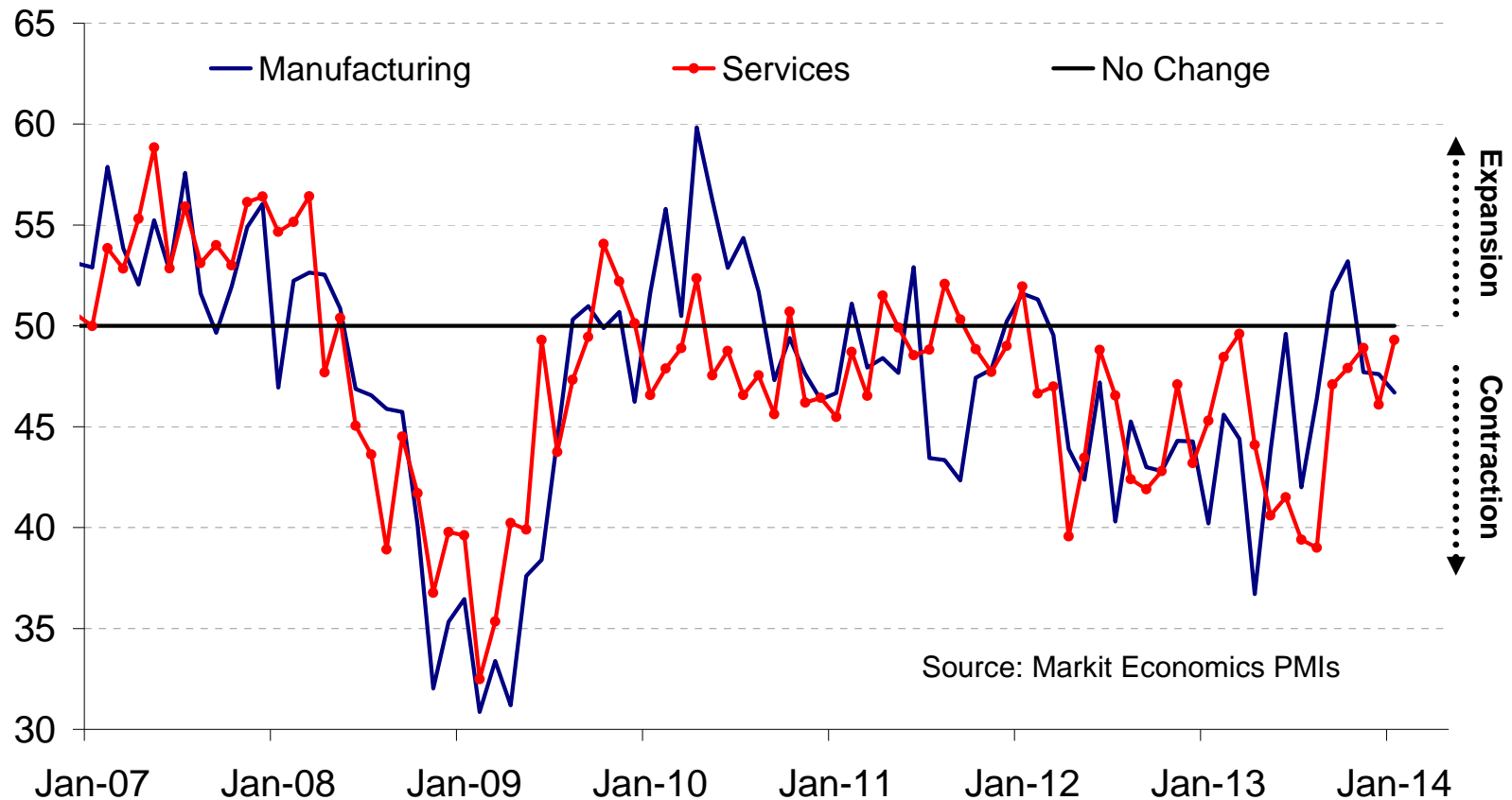


Emerging markets slowdown continues...



Australia's manufacturing and services sectors remain in contraction territory in January

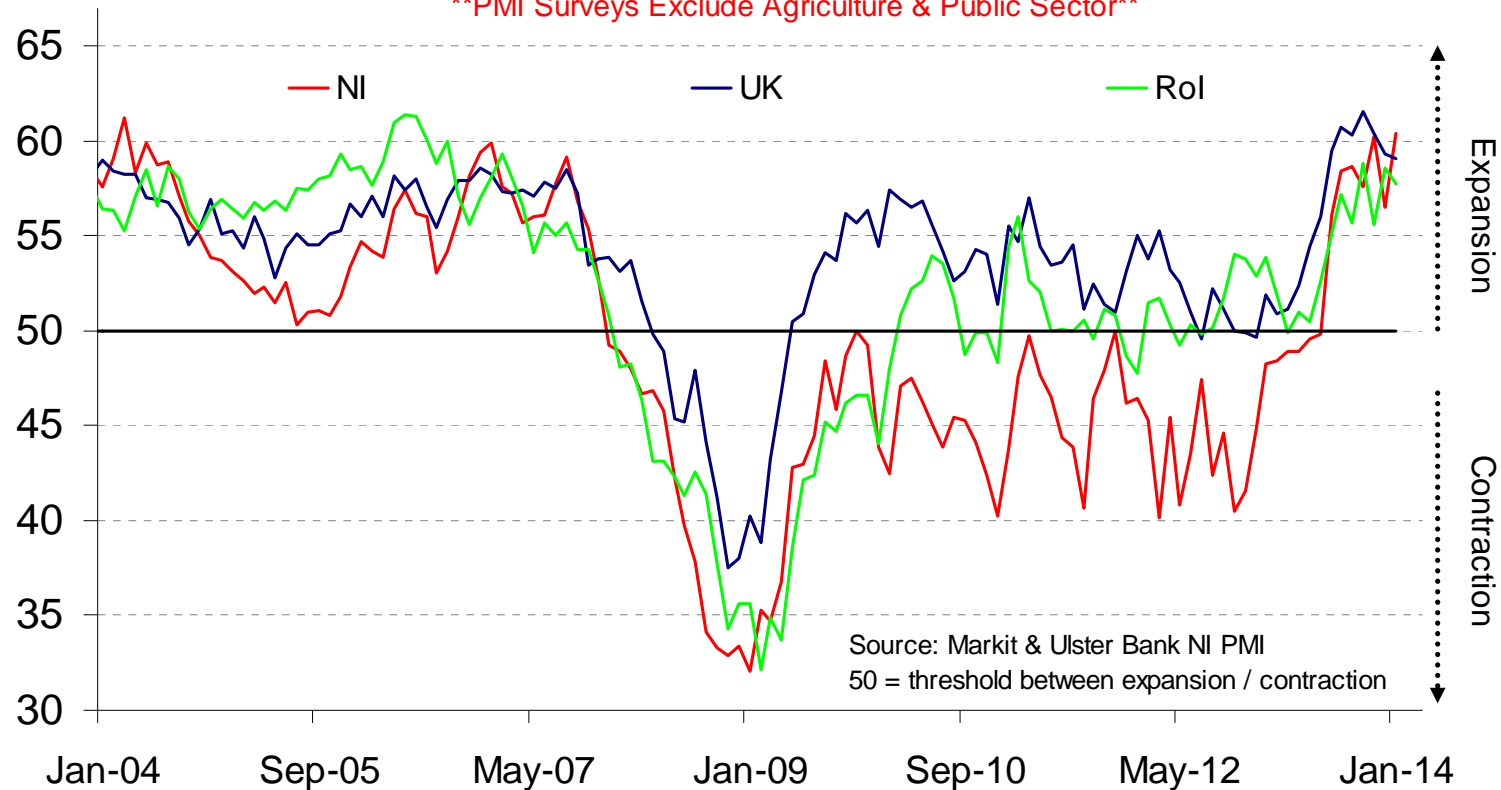
Australia - PMI



The UK & RoI see growth rates ease in January while NI posts its fastest rate of growth in almost 10 years

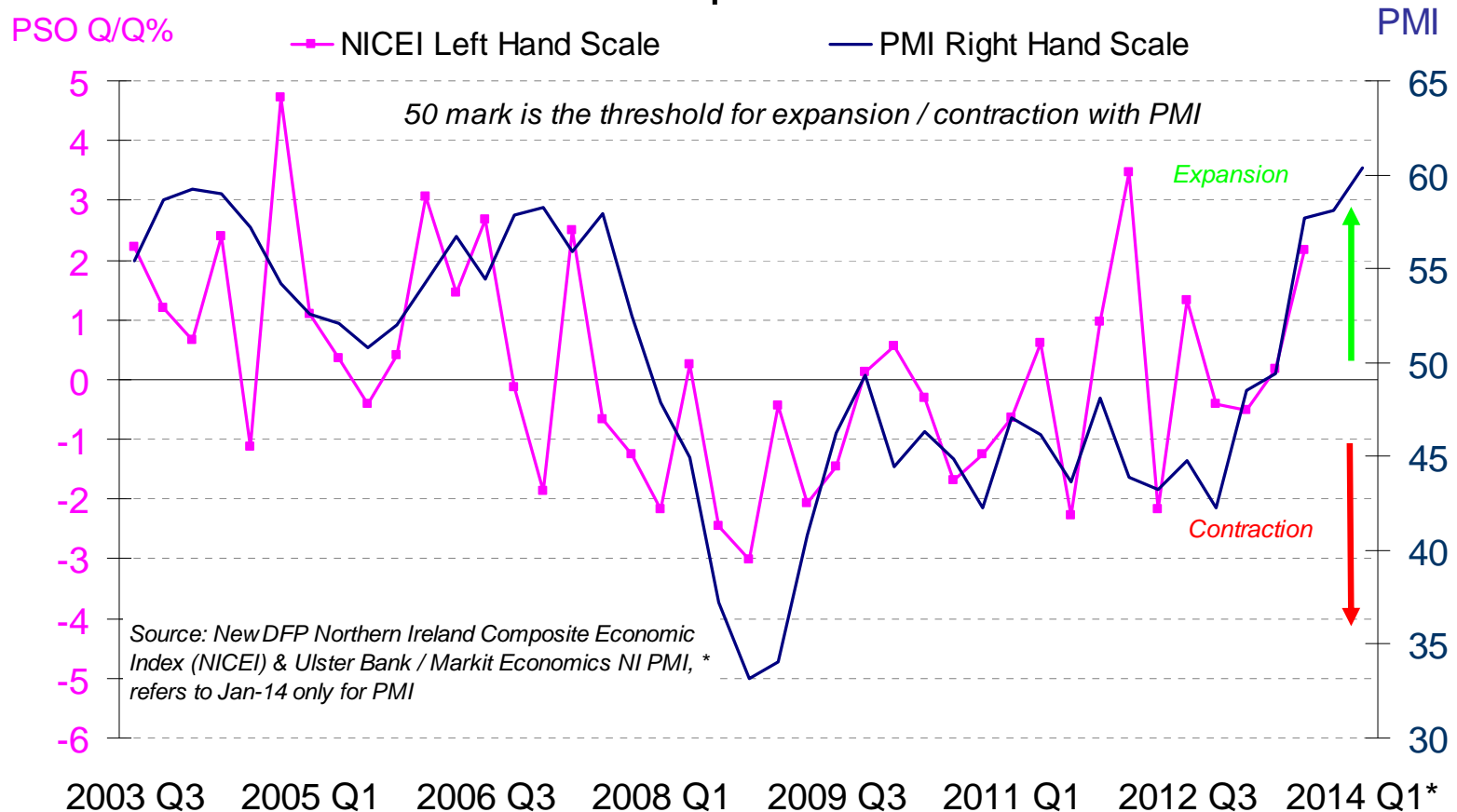
Private Sector Business Activity - PMIs

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



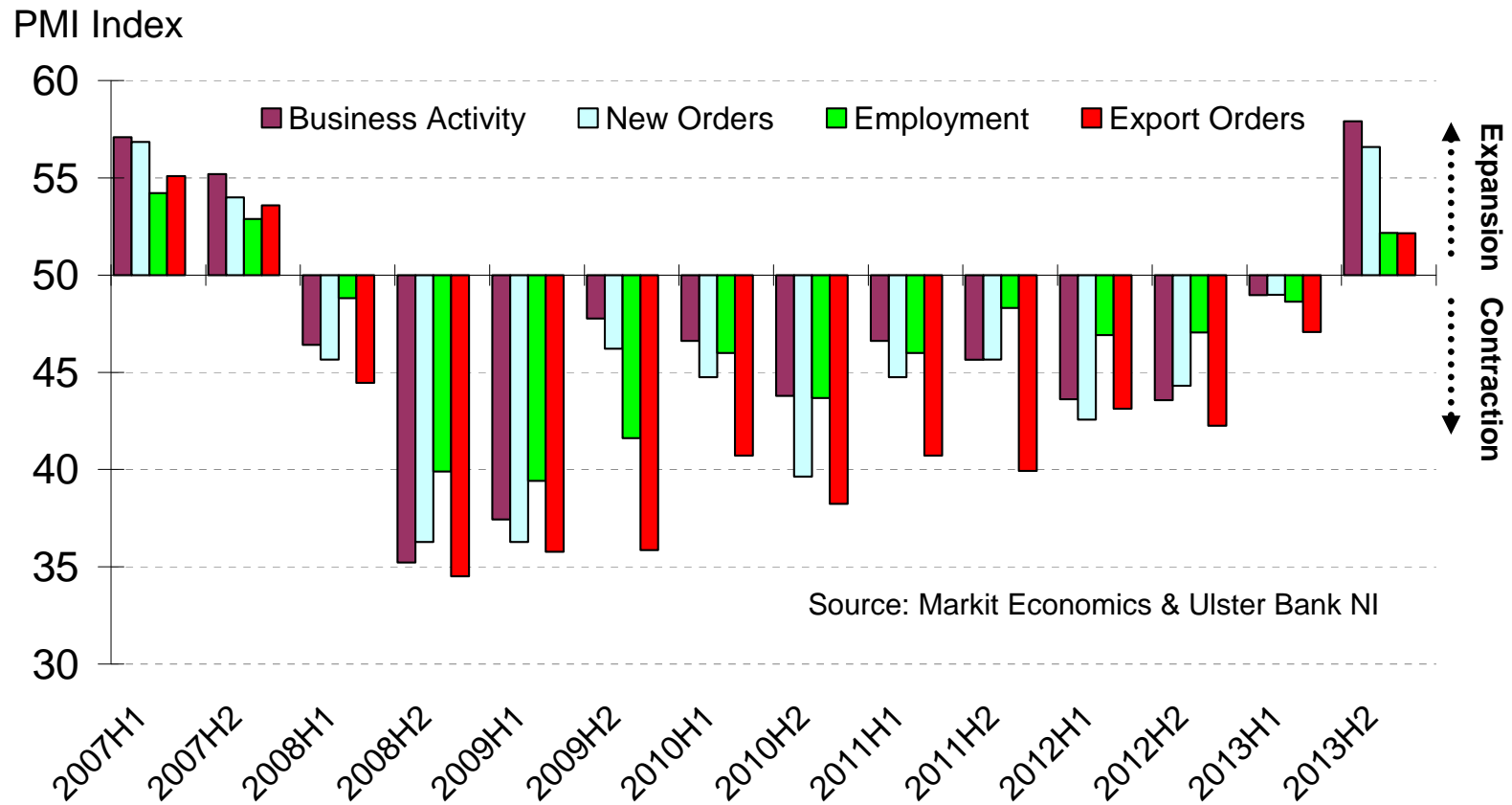
PMI suggests growth in DFP's new private sector composite index (combines indices for construction, services, agriculture & industrial production) in Q3 & Q4

NI Private Sector Output Index Versus NI PMI



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

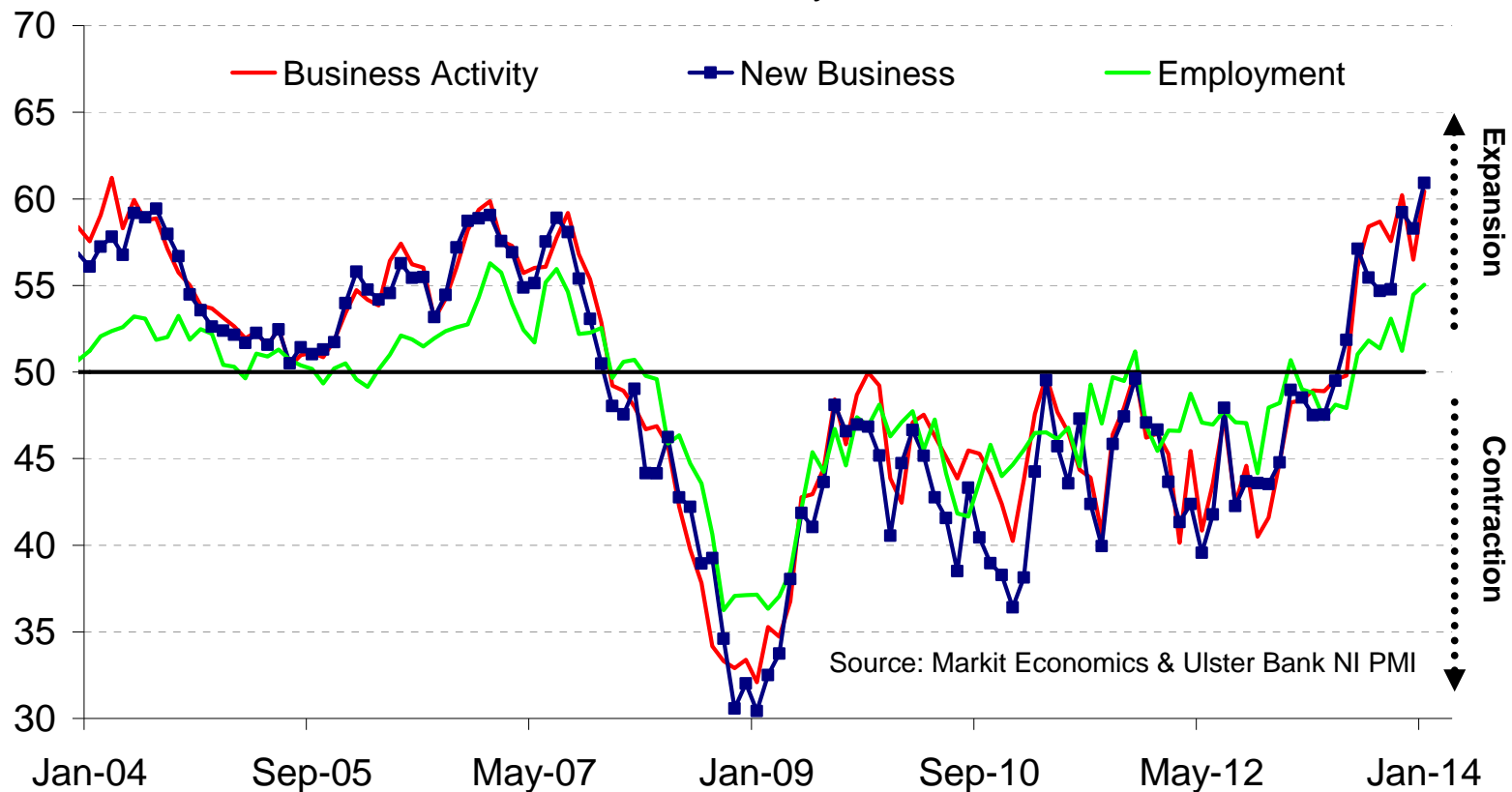
NI Private Sector Performance (PMI)



2014 has started well with NI firms reporting an acceleration in job creation, output & new orders

NI Private Sector Activity

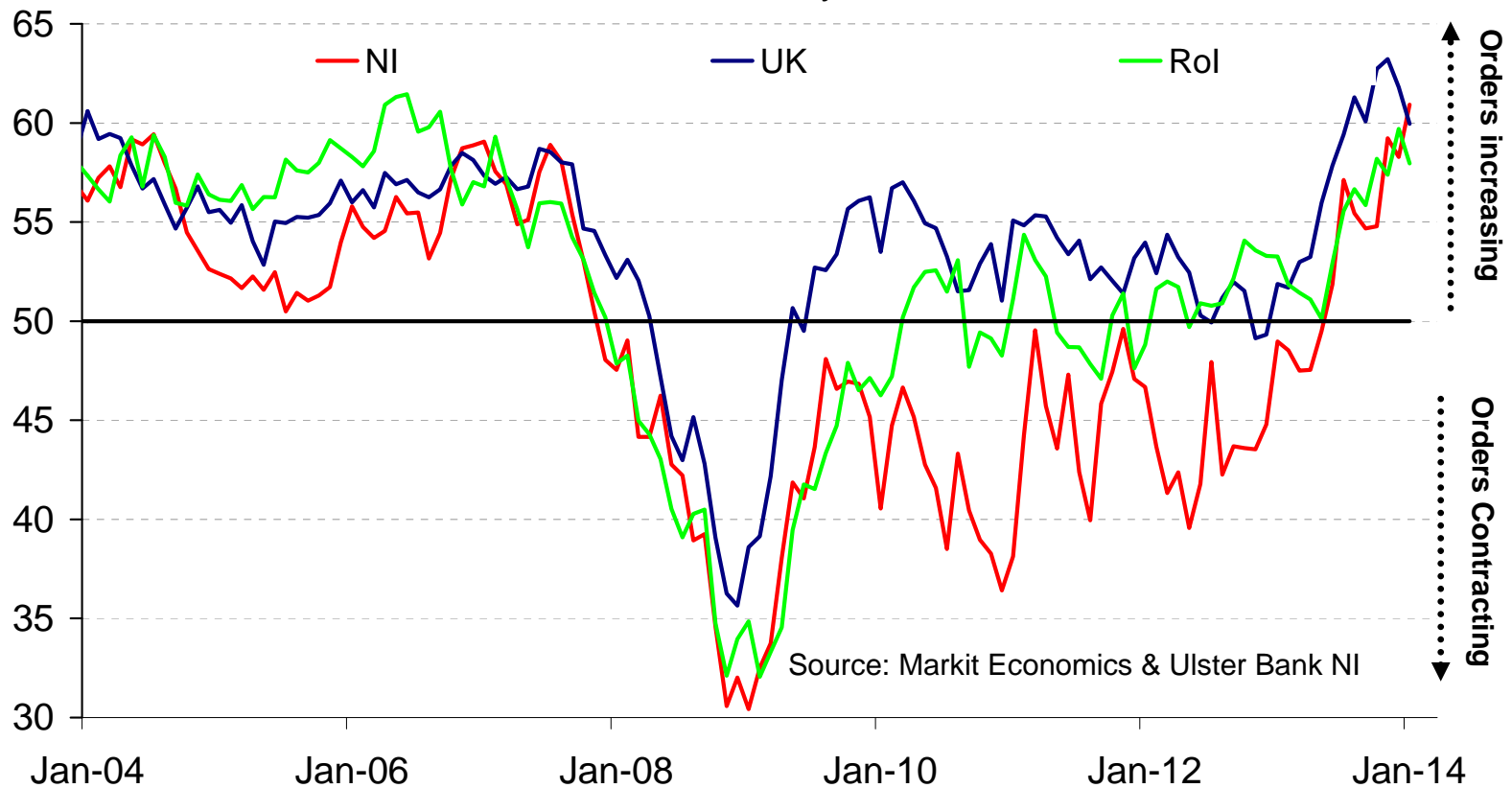
Monthly



Buoyant order books suggest more growth in the months ahead. NI's new orders index hits a record high

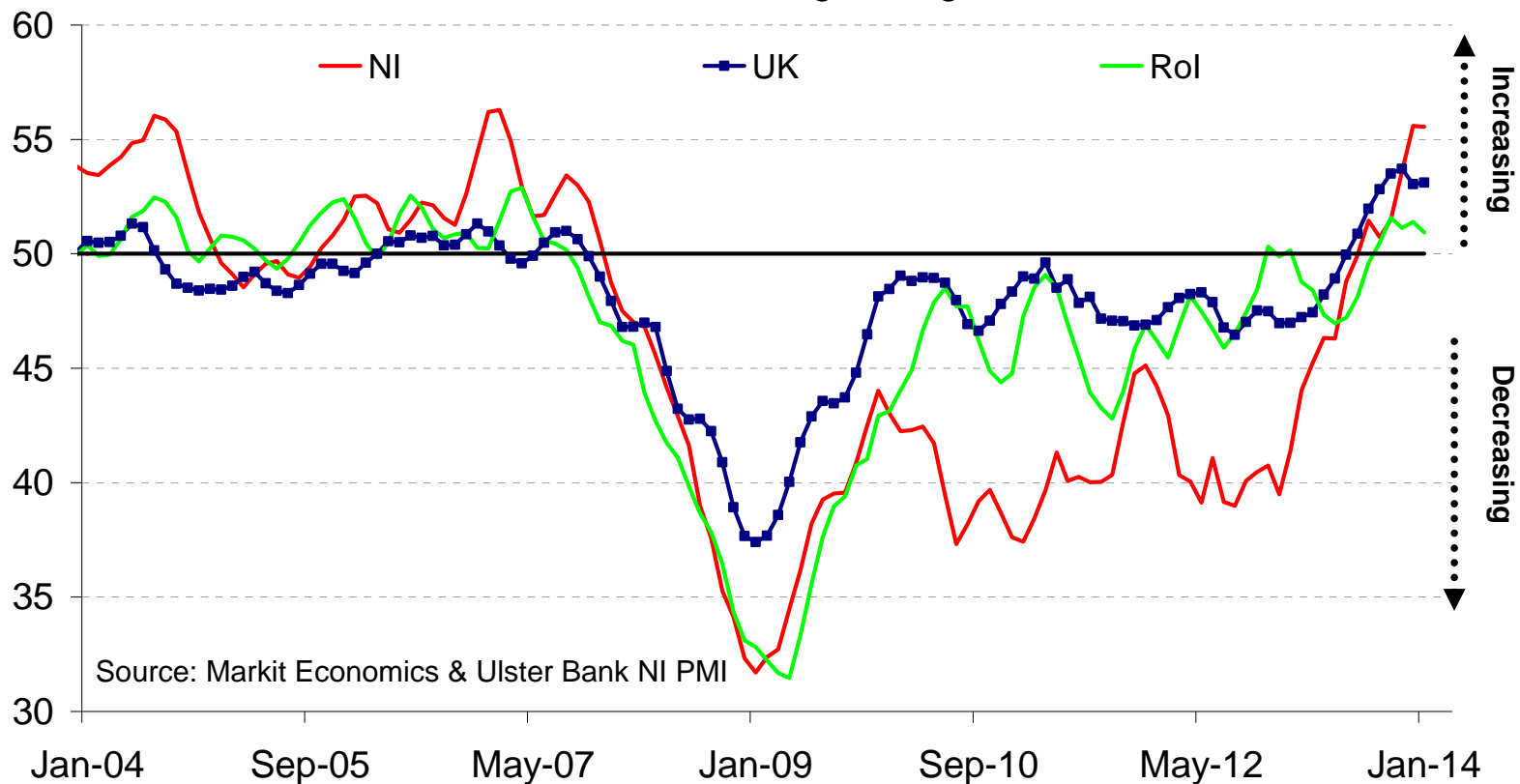
Private Sector New Orders

Monthly



Surge in demand is leading to backlogs of work with NI index accelerating rapidly in recent months

Private Sector Backlogs 3 month moving average

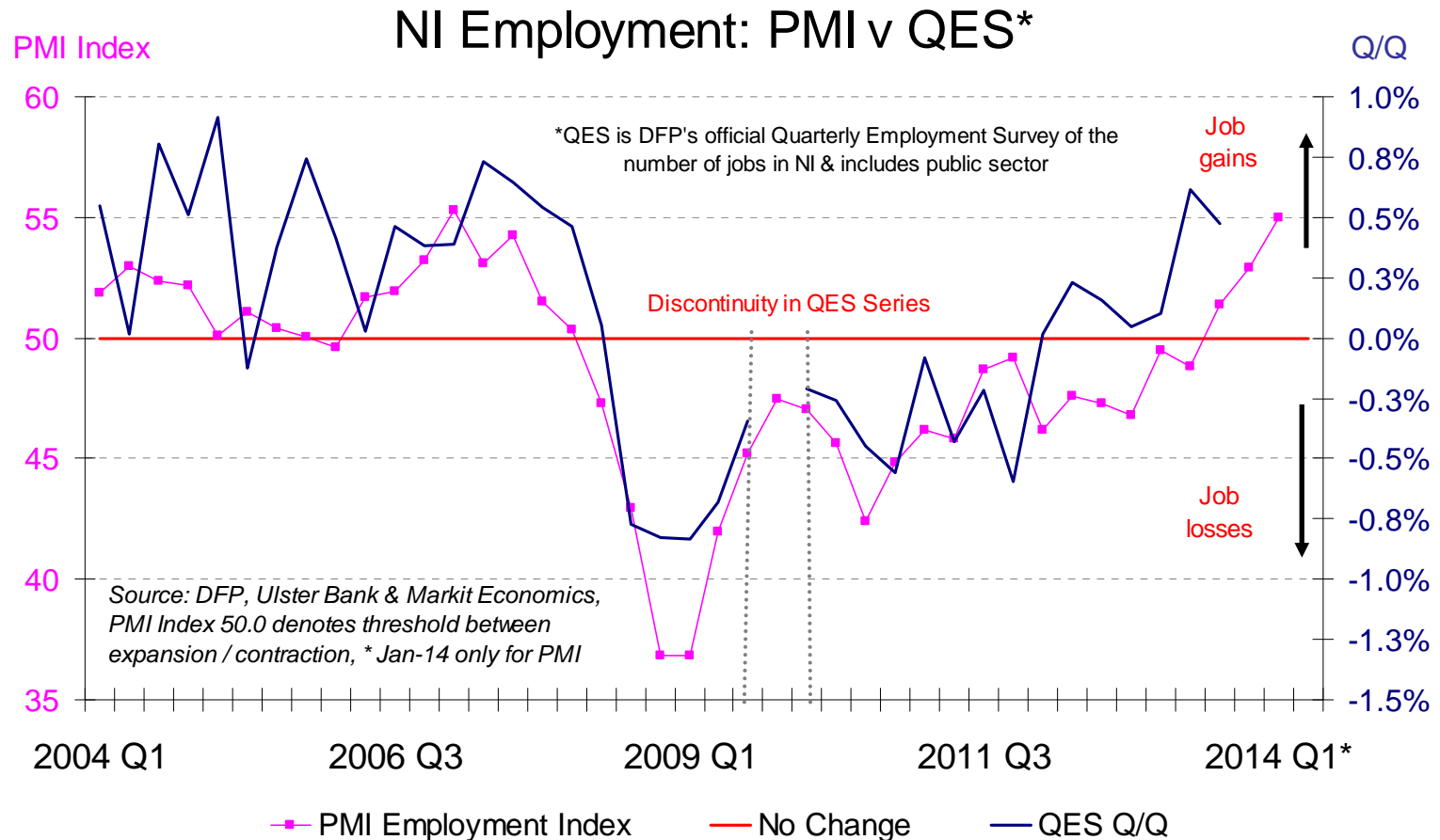


NI firms post their 7th successive rise in export orders

NI New Export Business

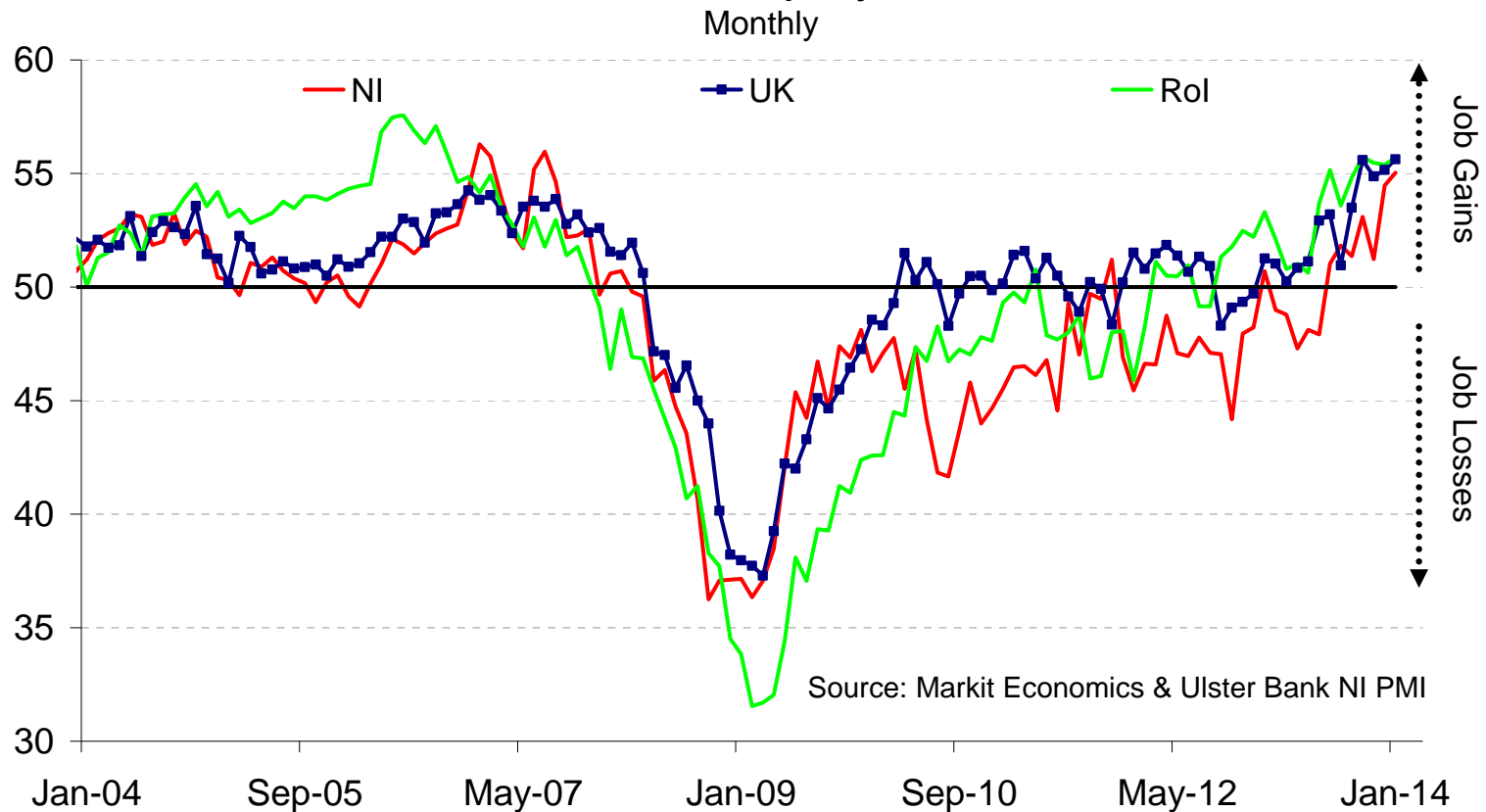


PMI underestimated QES job gains in 2012. PMI for Q3 signals fastest rate of jobs growth since Q4 2007 with even stronger growth in Q4/Q1



UK, RoI & NI firms all saw job creation accelerate in January

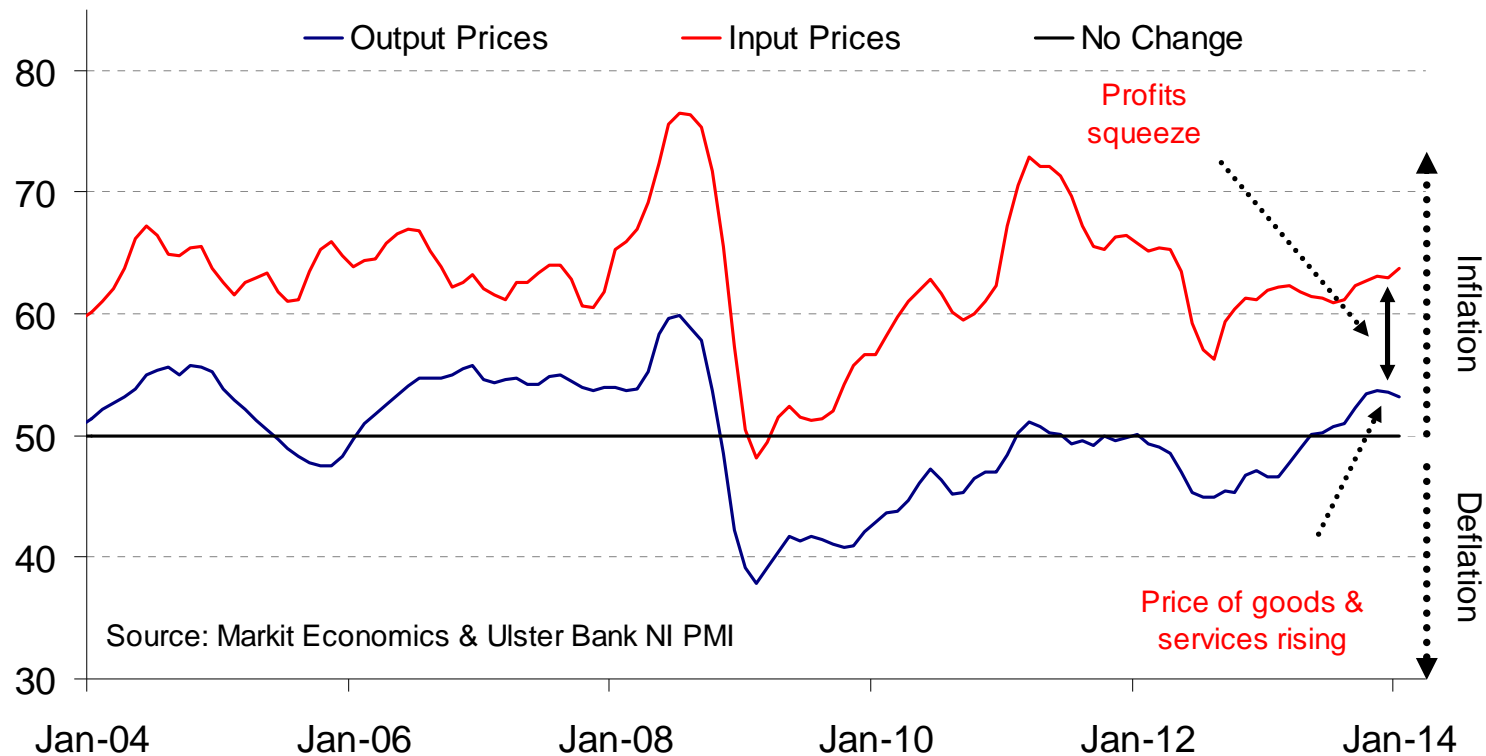
Private Sector Employment Levels



Private sector's profitability squeeze remains but pricing power has been on the rise for 9 months

NI Private Sector Profit Squeeze

3 Month Moving Average

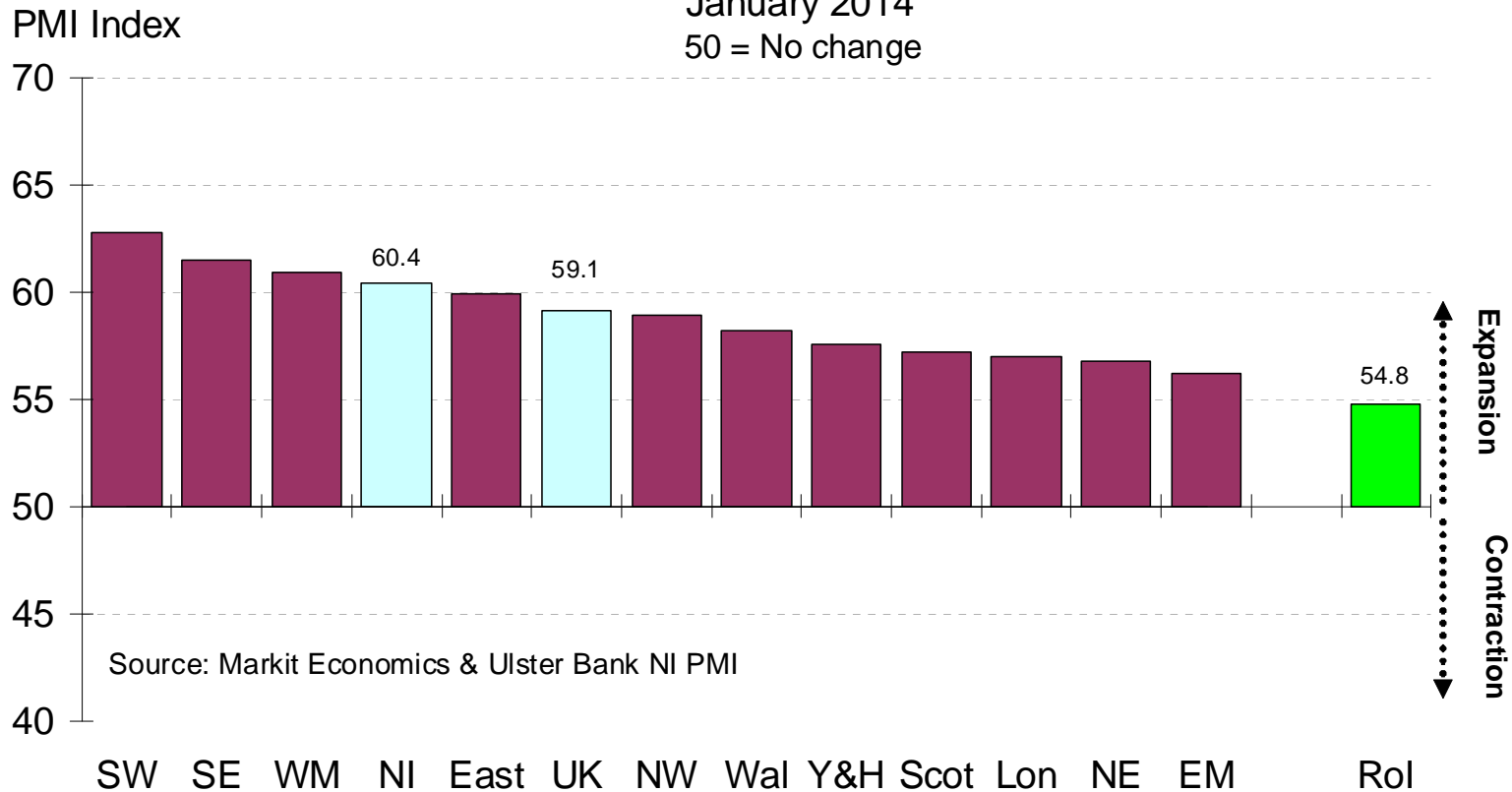


Regional Comparisons

Strong growth across all UK regions and the RoI in January with NI posting the 4th fastest rate of growth in UK

Output / Business Activity

January 2014
50 = No change



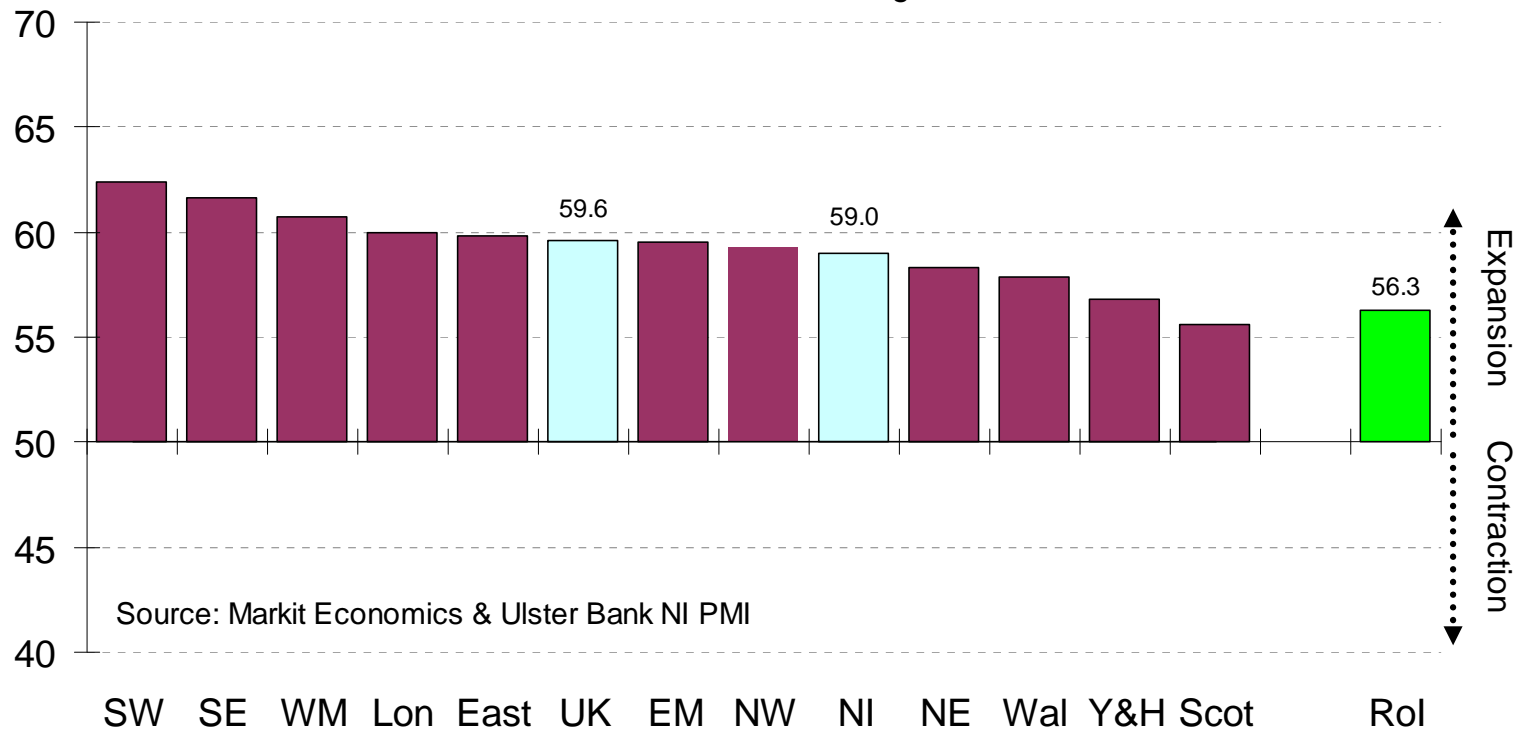
...all the UK regions & the RoI post growth over the last 3 months

Output / Business Activity

3 months to January 2014

50 = No change

PMI Index



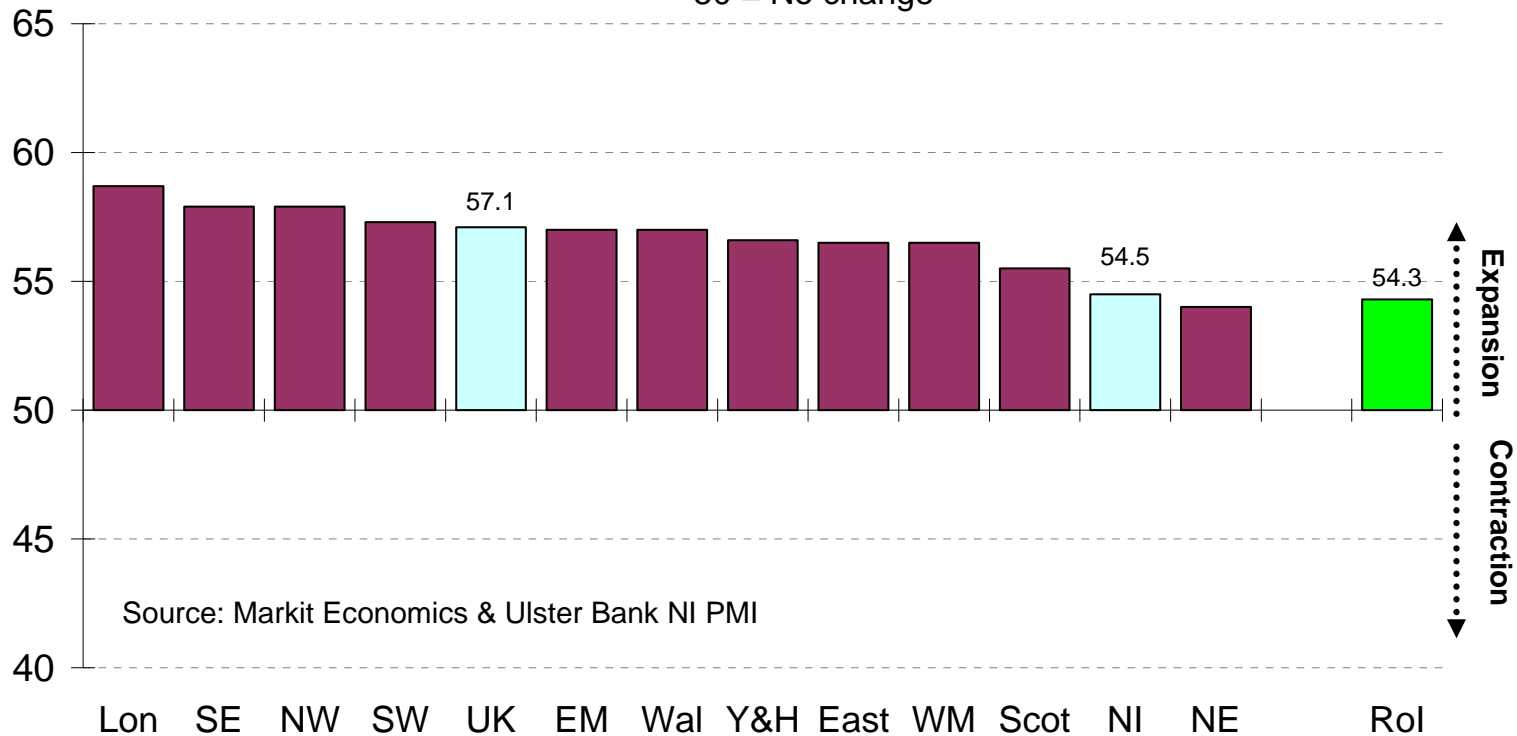
... and over the last 12 months

Output / Business Activity

12 months to January 2014

50 = No change

PMI Index



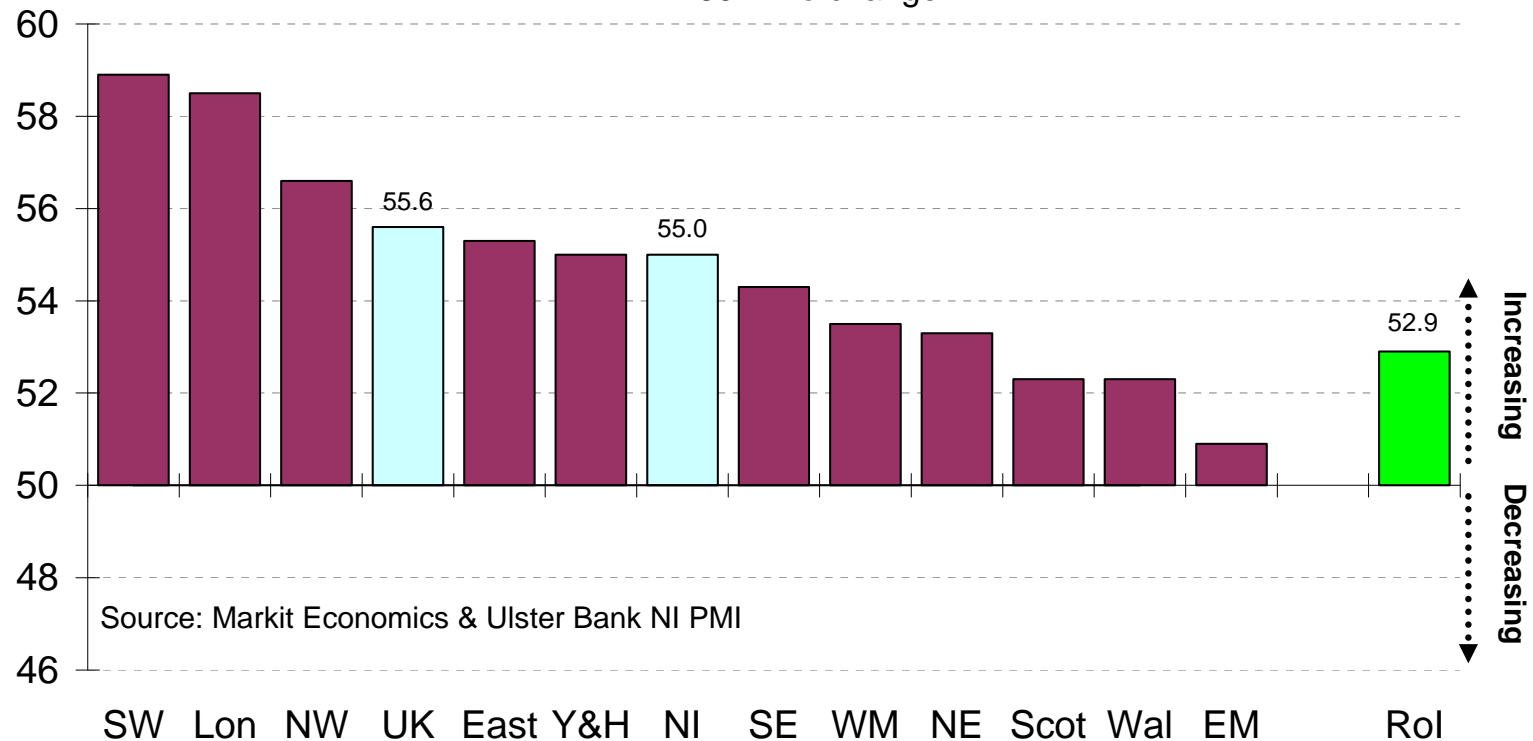
All the UK regions and the Republic of Ireland post employment growth in January ...

Employment Levels

January 2014

50 = No change

PMI Index



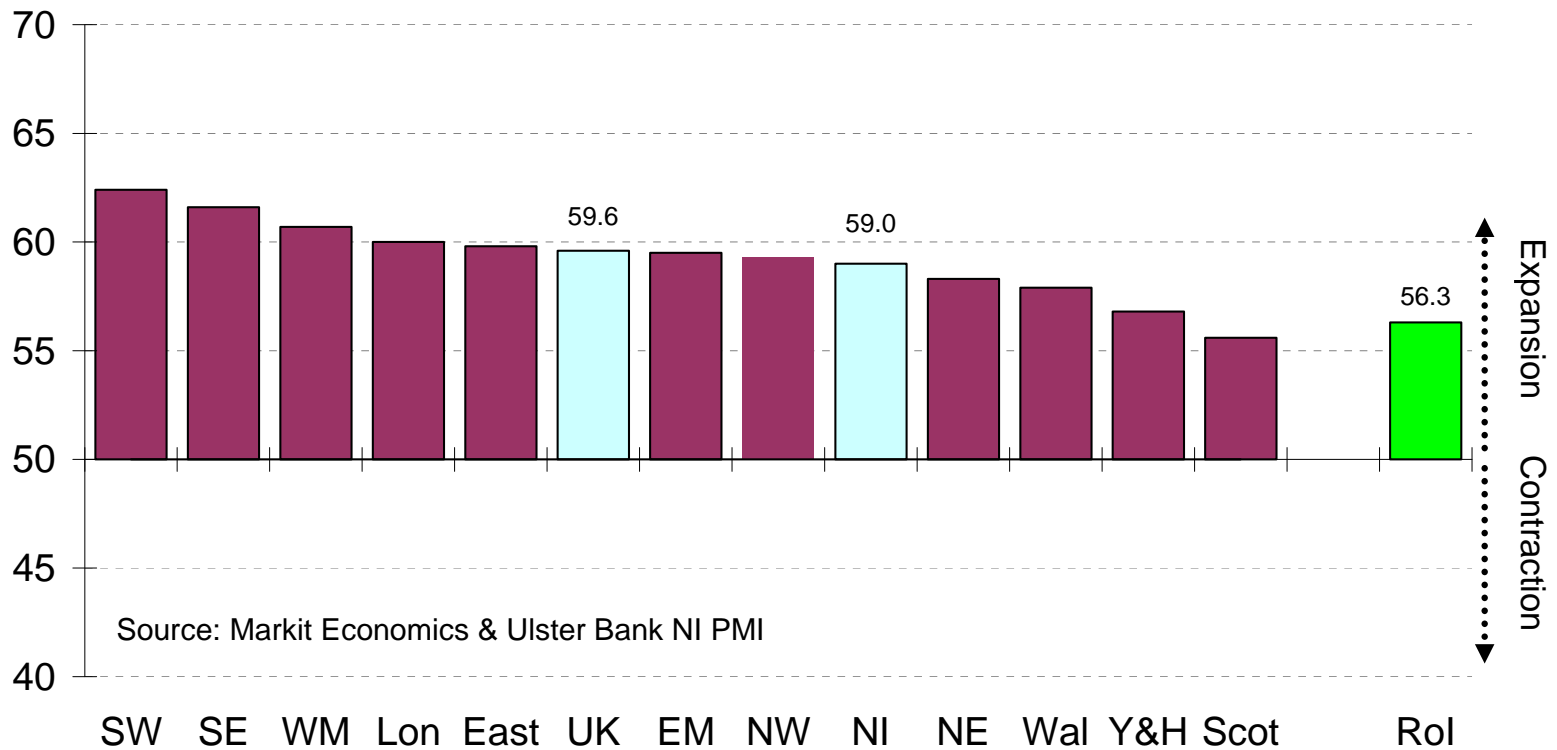
... and over the last 3 months

Output / Business Activity

3 months to January 2014

50 = No change

PMI Index



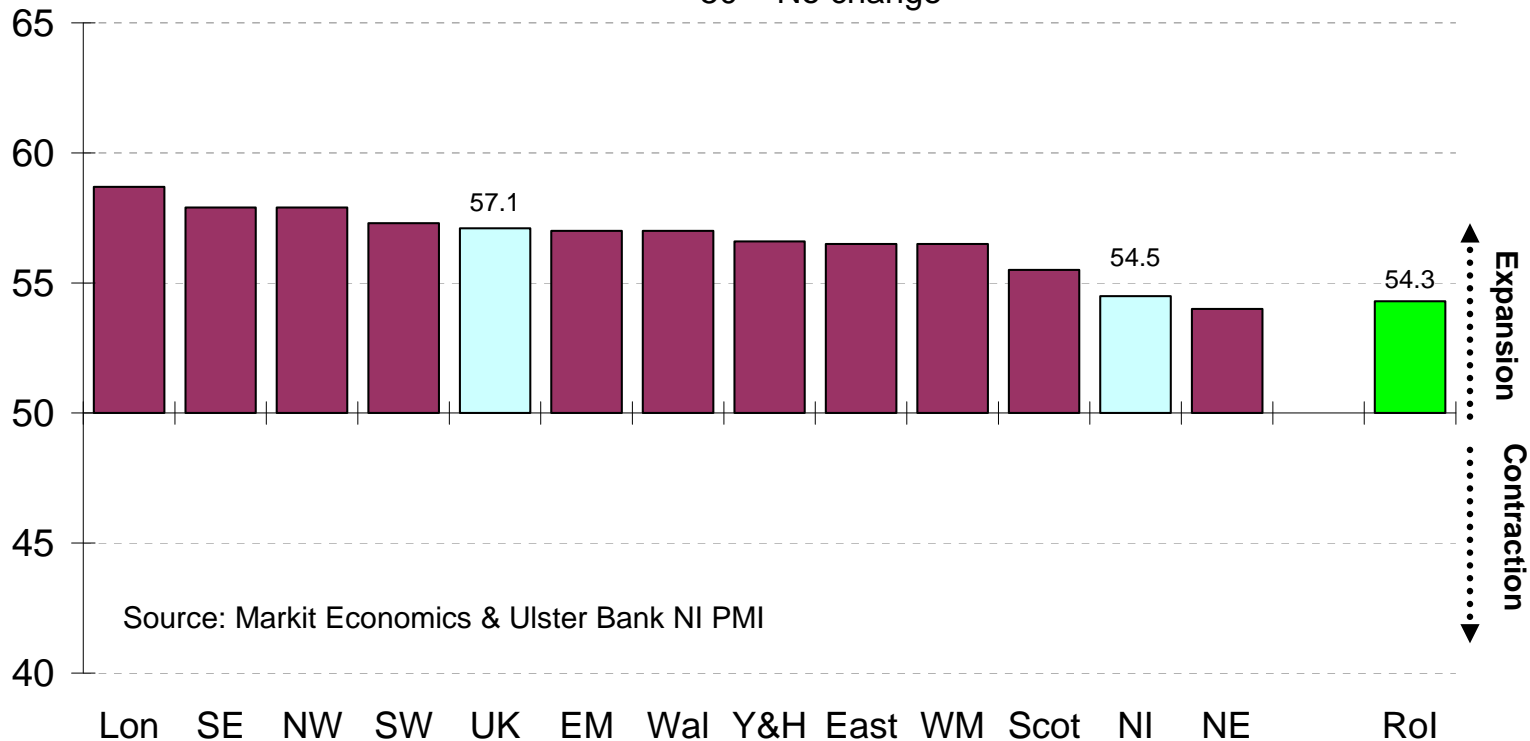
In 2013 NI posts its 1st annual increase in private sector employment since 2007 with trend continuing in January

Output / Business Activity

12 months to January 2014

50 = No change

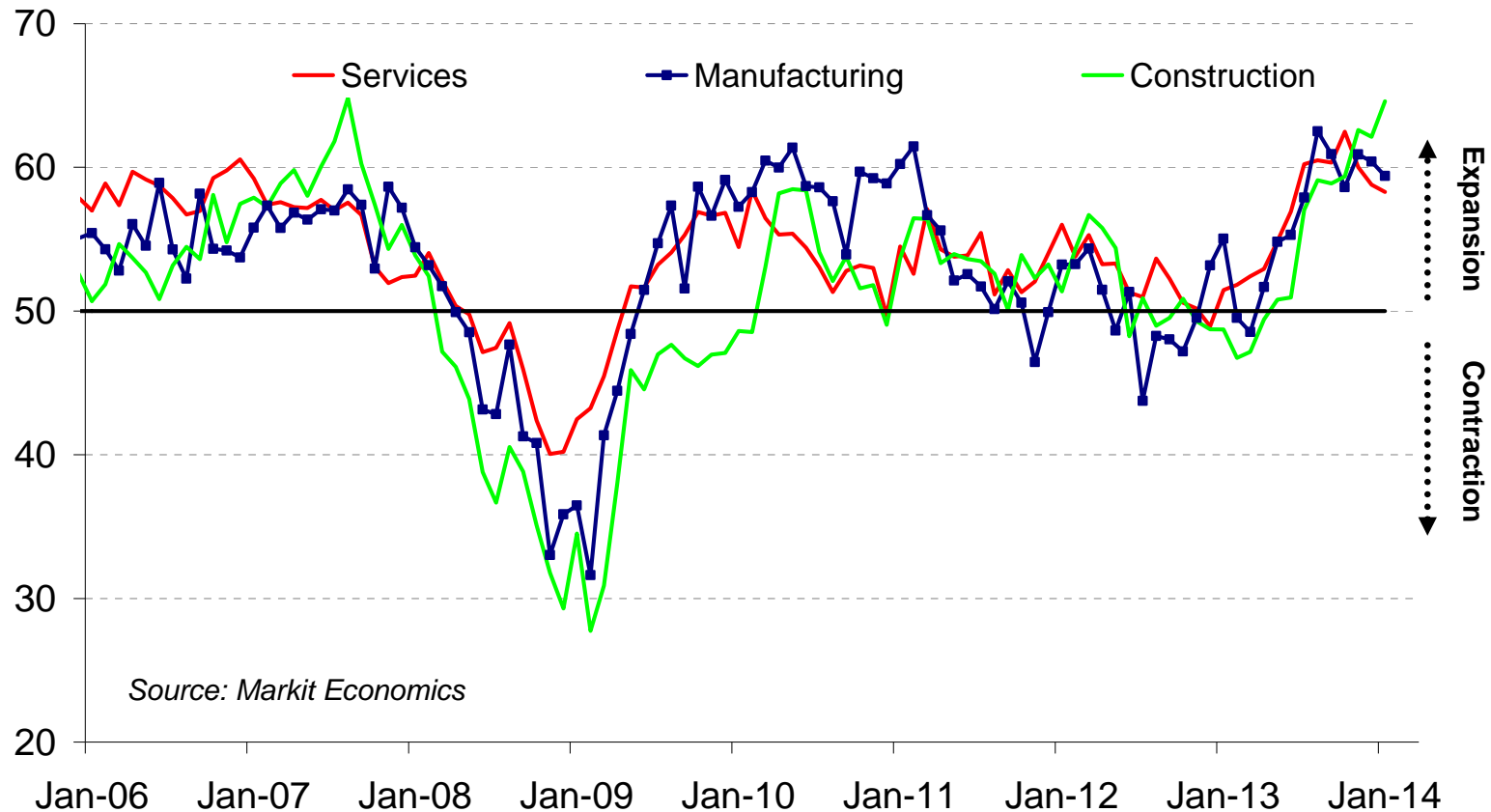
PMI Index



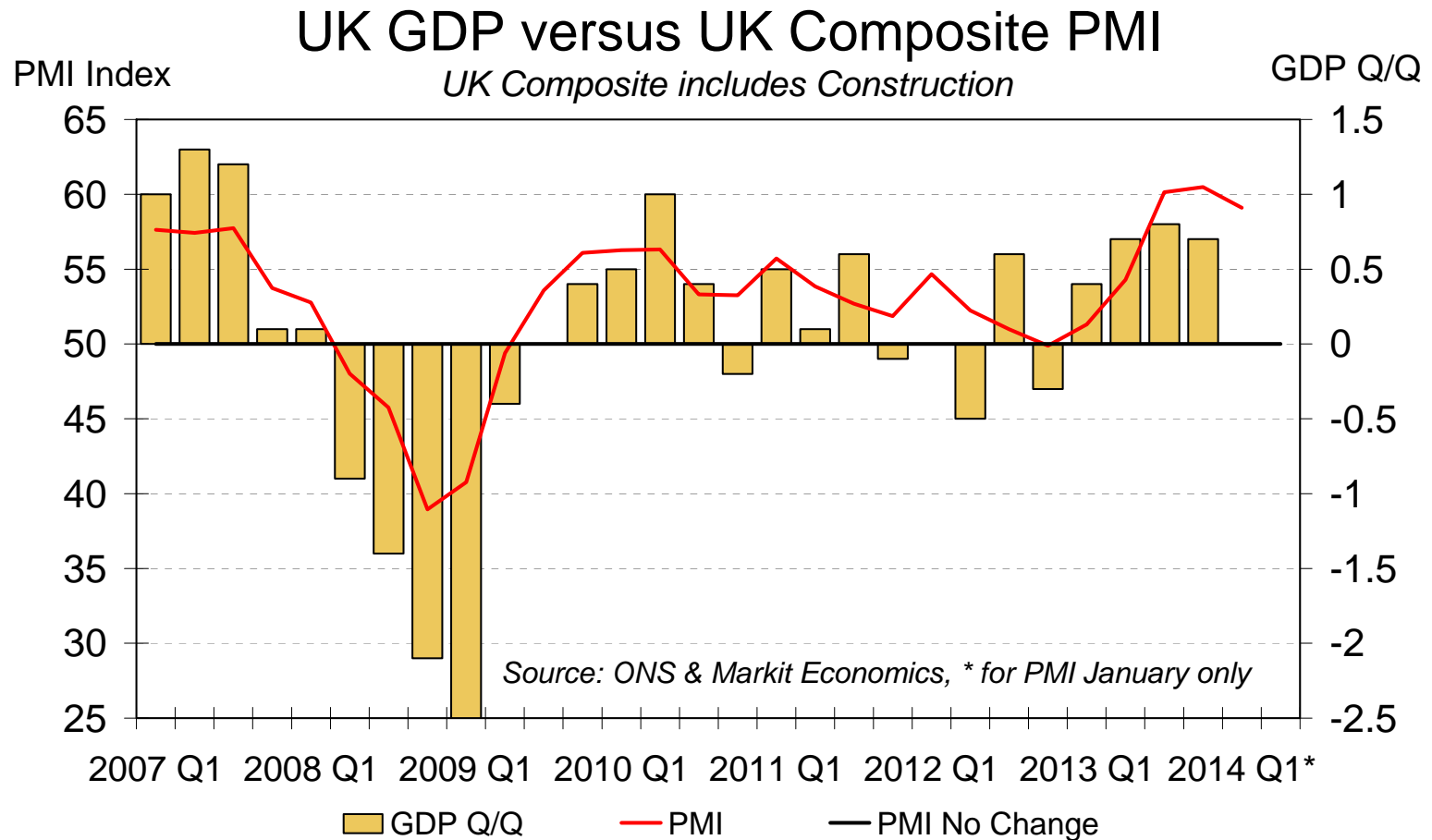
Sectoral Comparisons

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

UK Business Activity / Output - PMIs

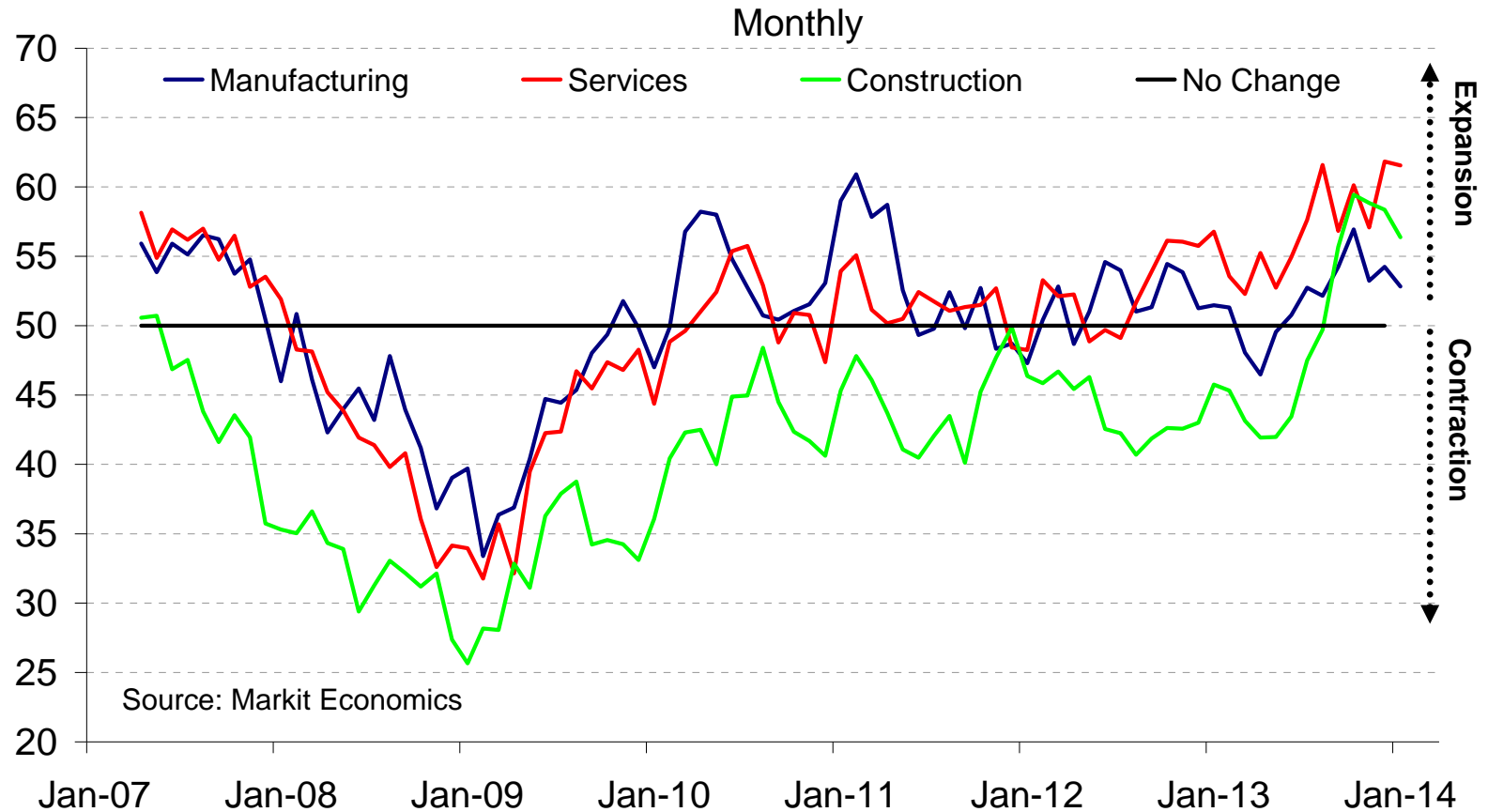


UK posts strong rates of economic growth in Q2-Q4

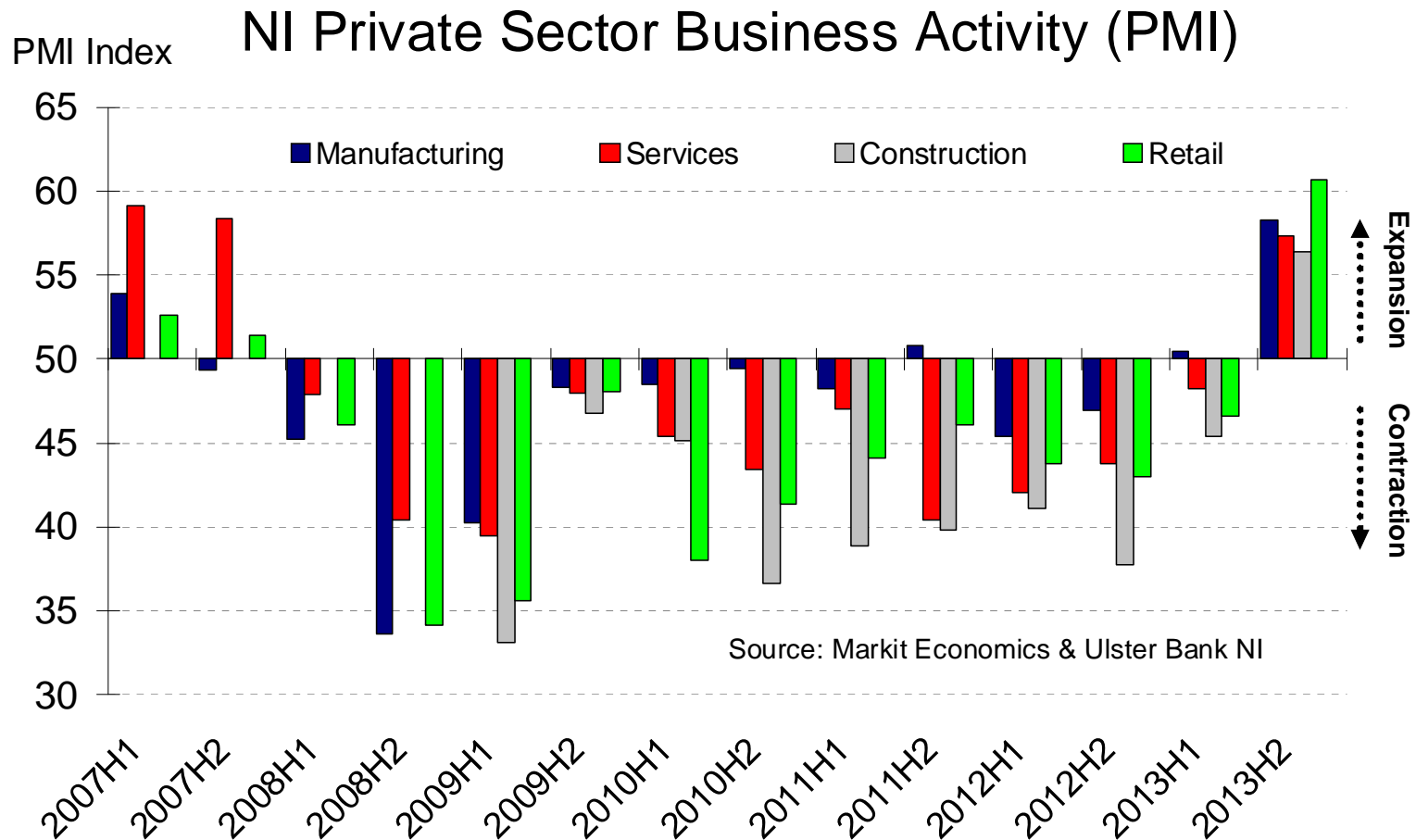


Rol output growth eases across all sectors in January but remains at healthy levels

Rol Business Activity - PMIs



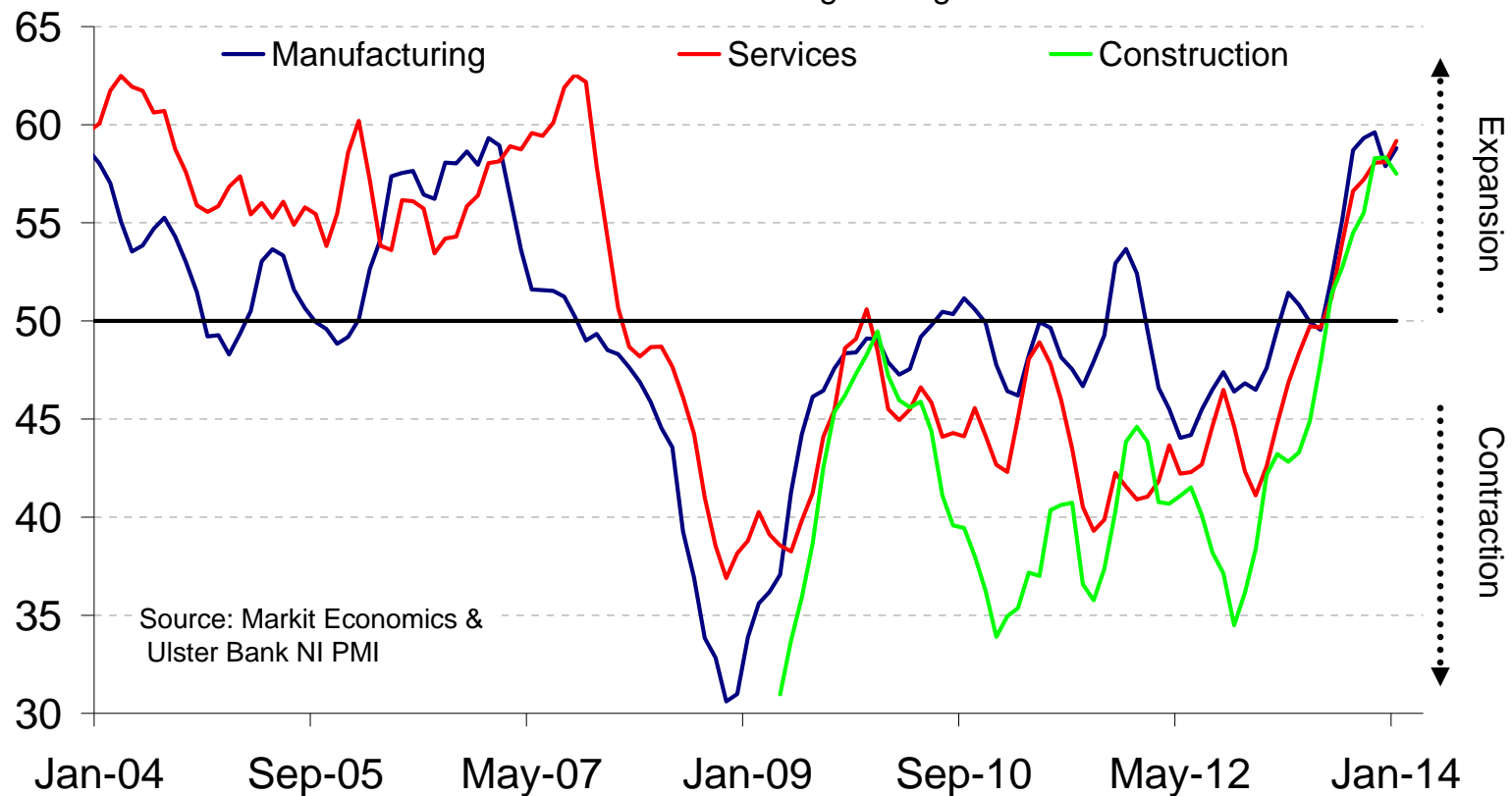
All 3 broad sectors within NI saw a marked turnaround in business activity in H2 2013



All 3 broad sectors within NI continue to report robust rates of output growth at the start of 2014

Northern Ireland Private Sector Output

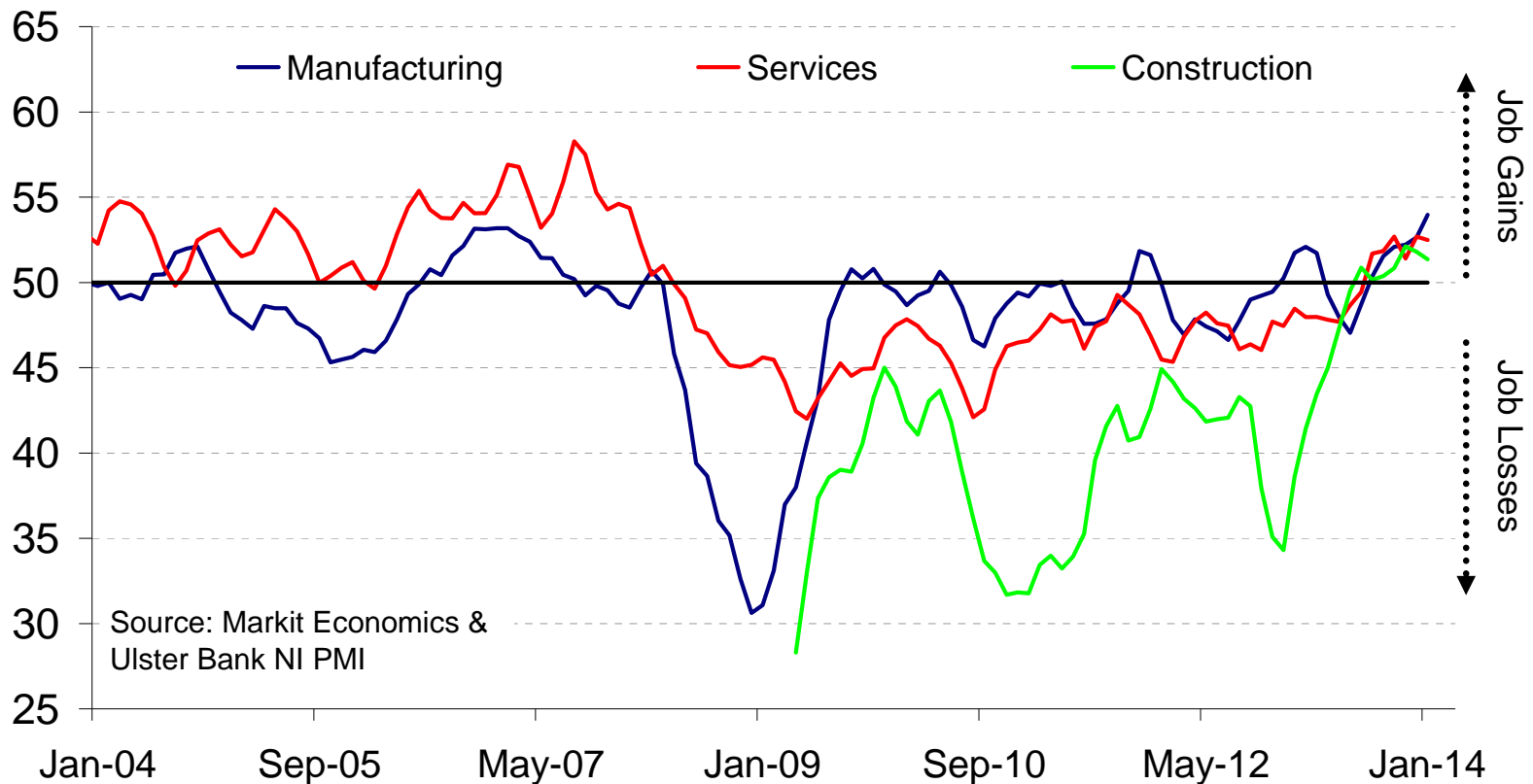
3 month moving average



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

NI PMI - Employment Index

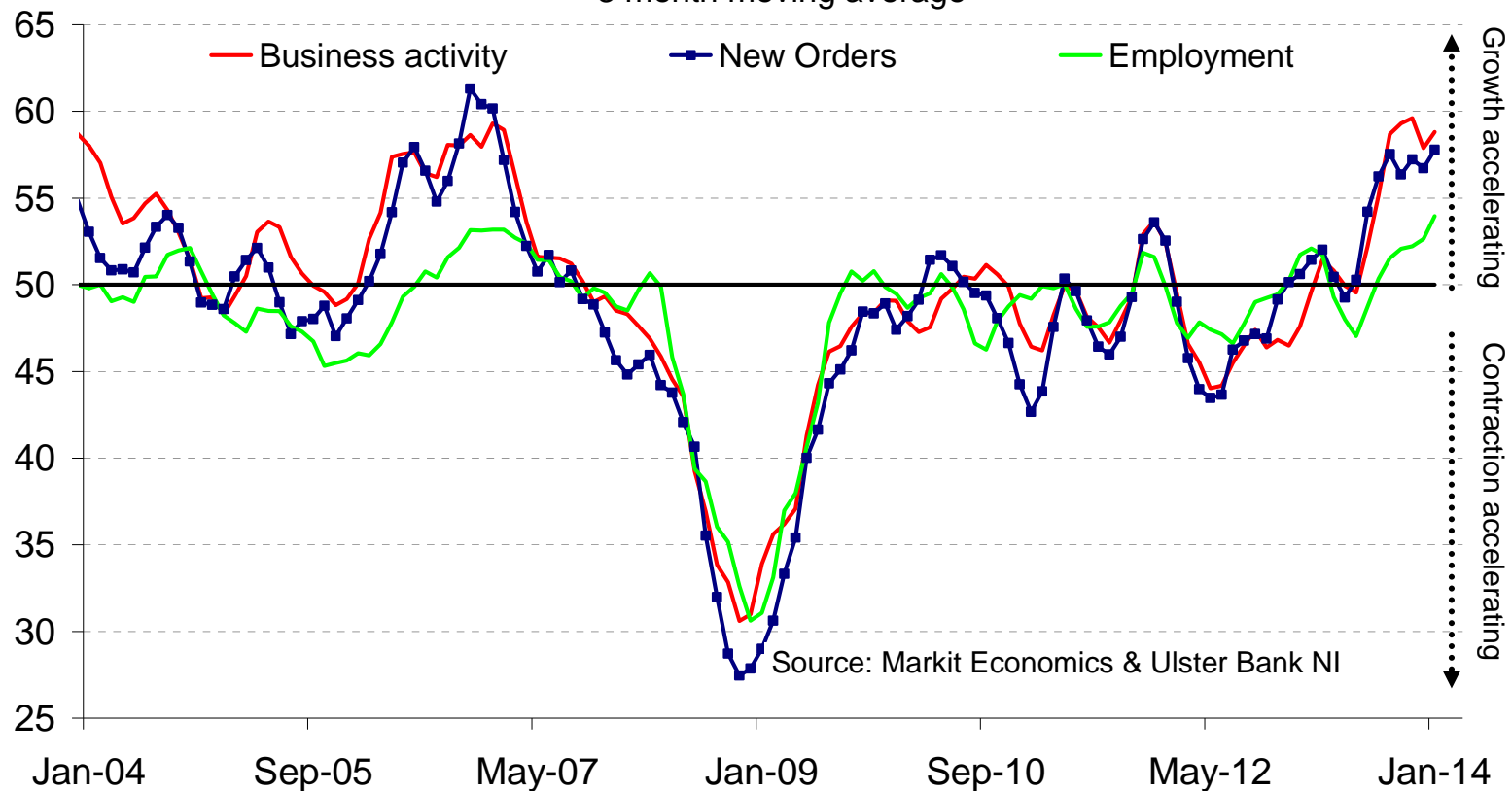
3 month moving average



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

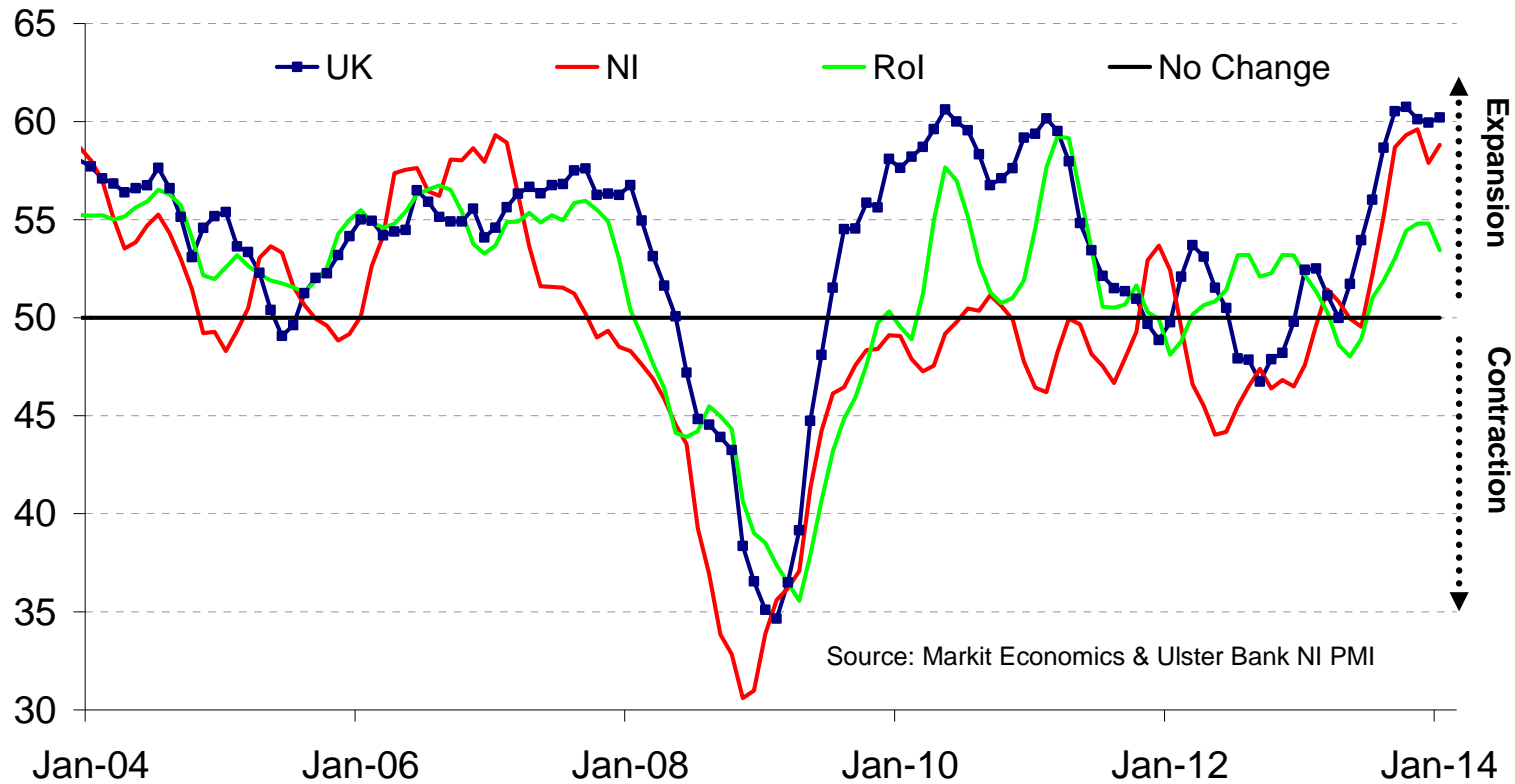
NI Manufacturing Activity

3 month moving average



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

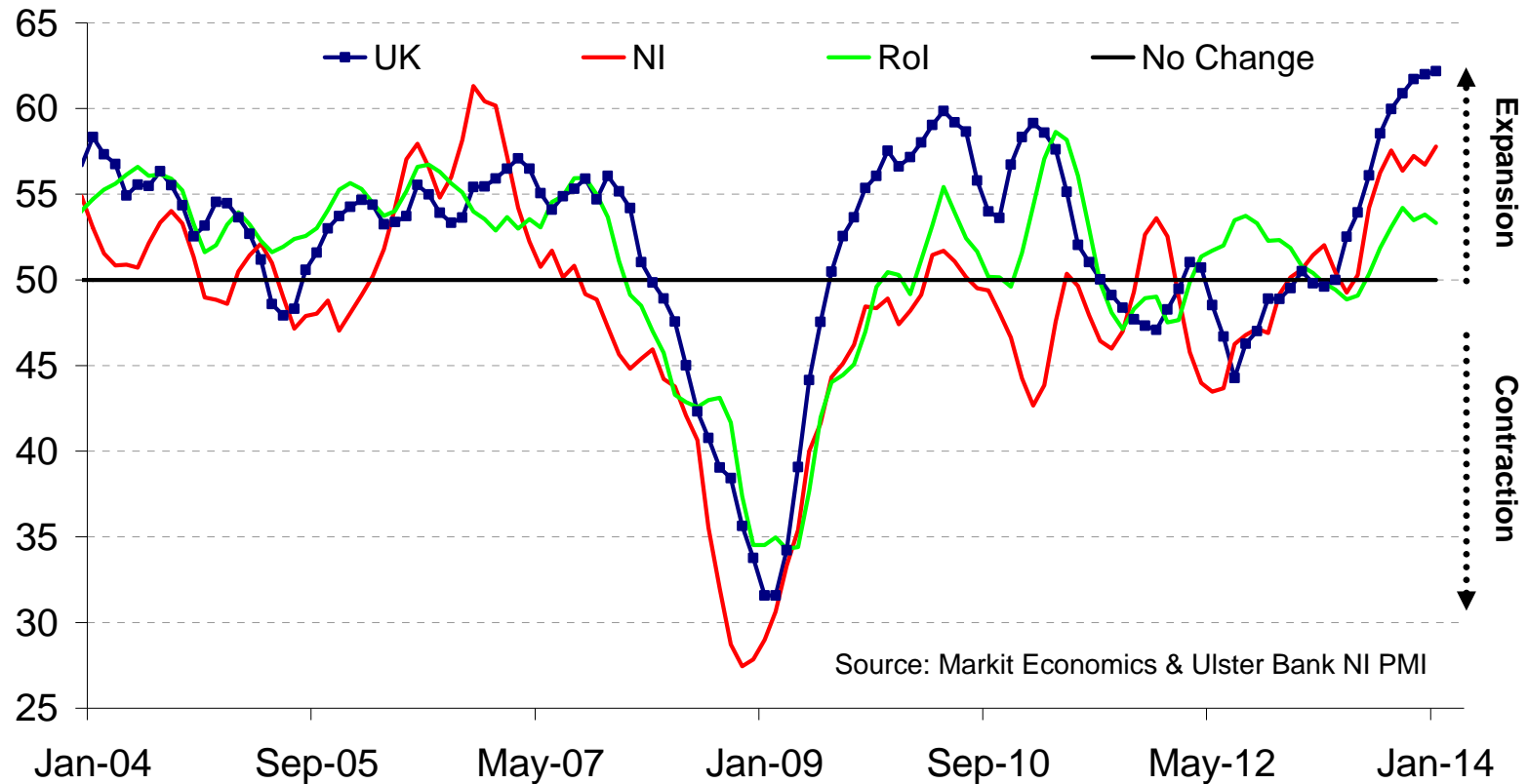
Manufacturing Output
3 month moving average



The UK posts the strongest rate of growth in new orders

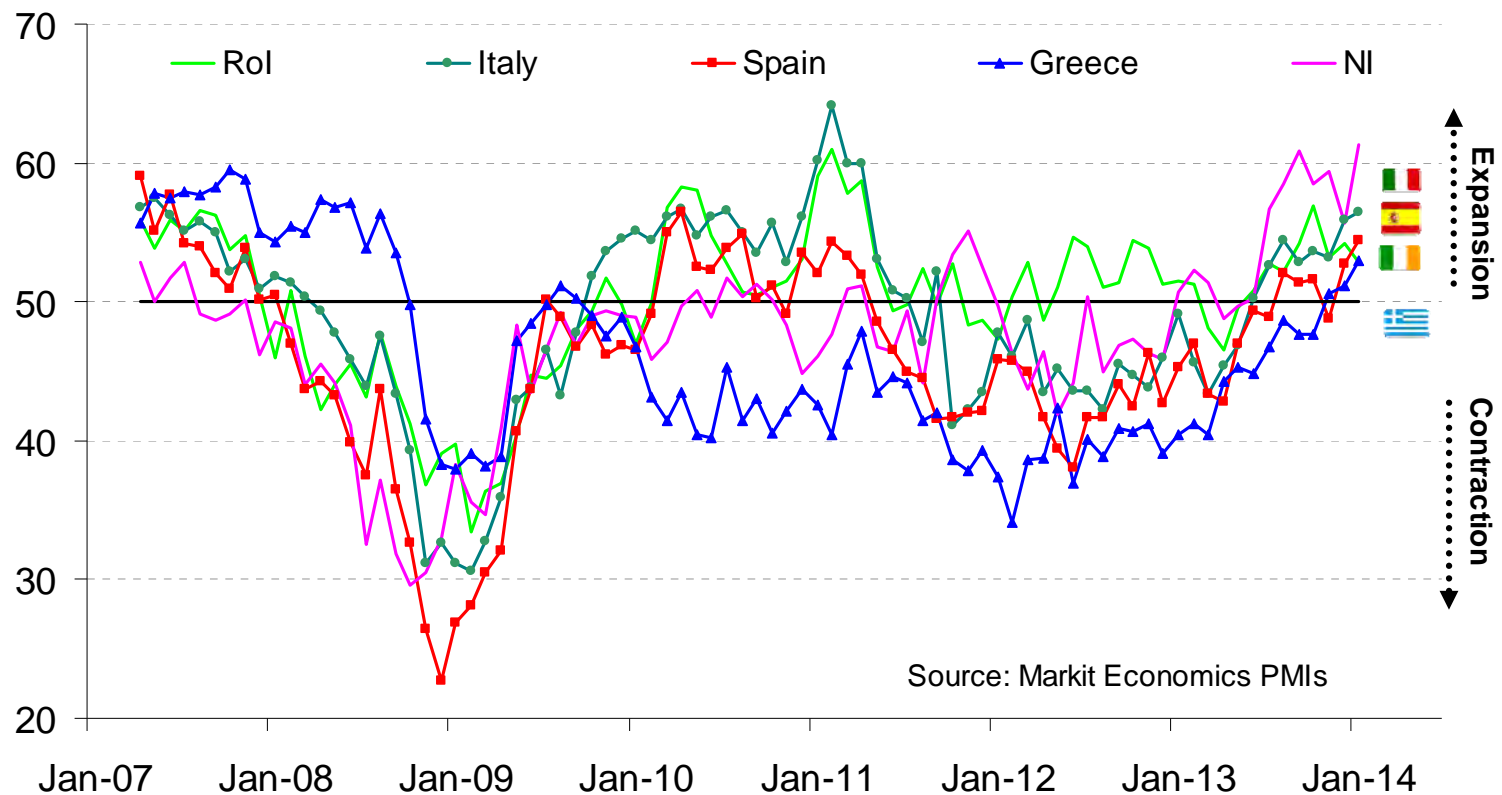
Manufacturing New Orders

3 month moving average



NI has been outperforming its European competitors

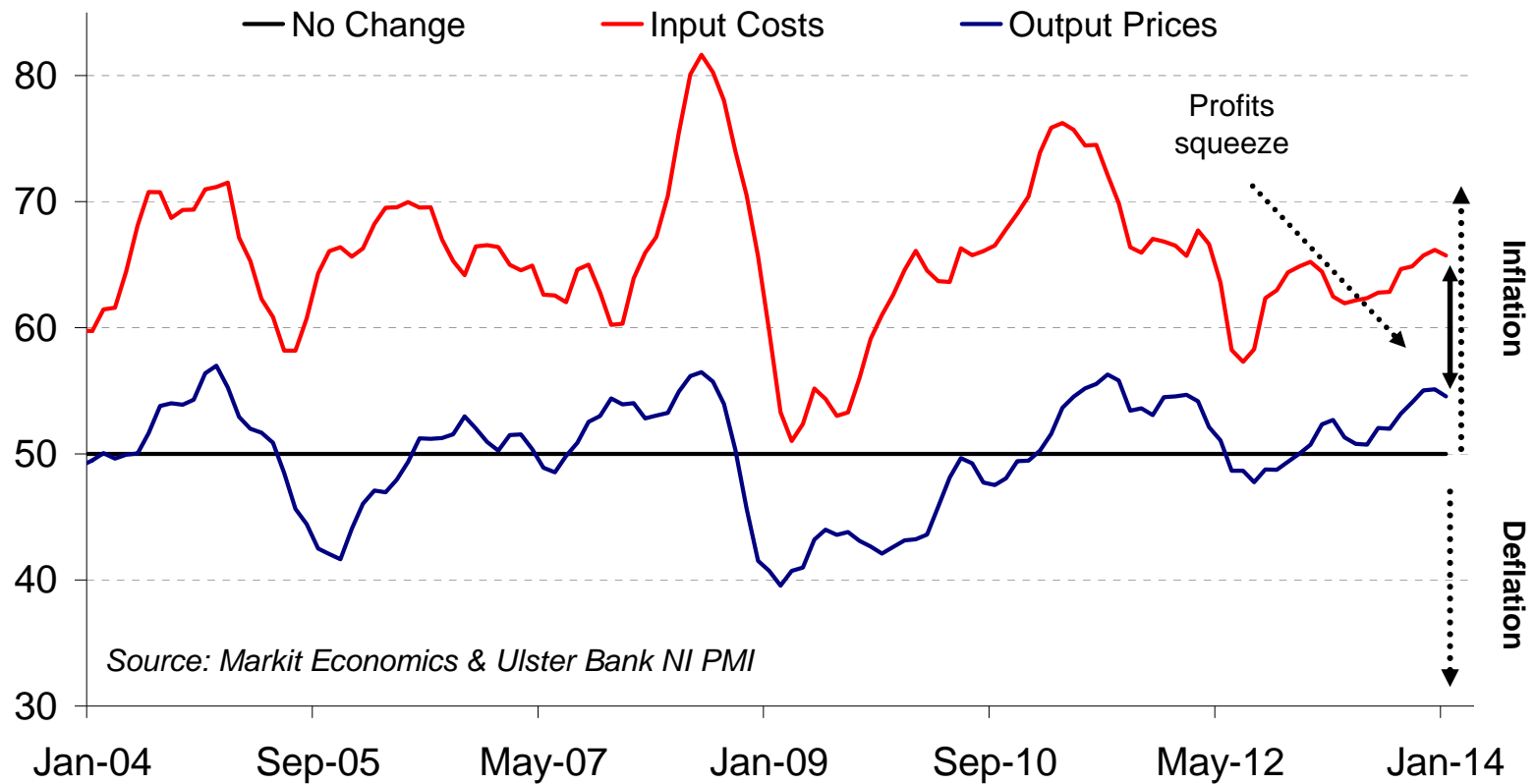
Manufacturing Output - PMI



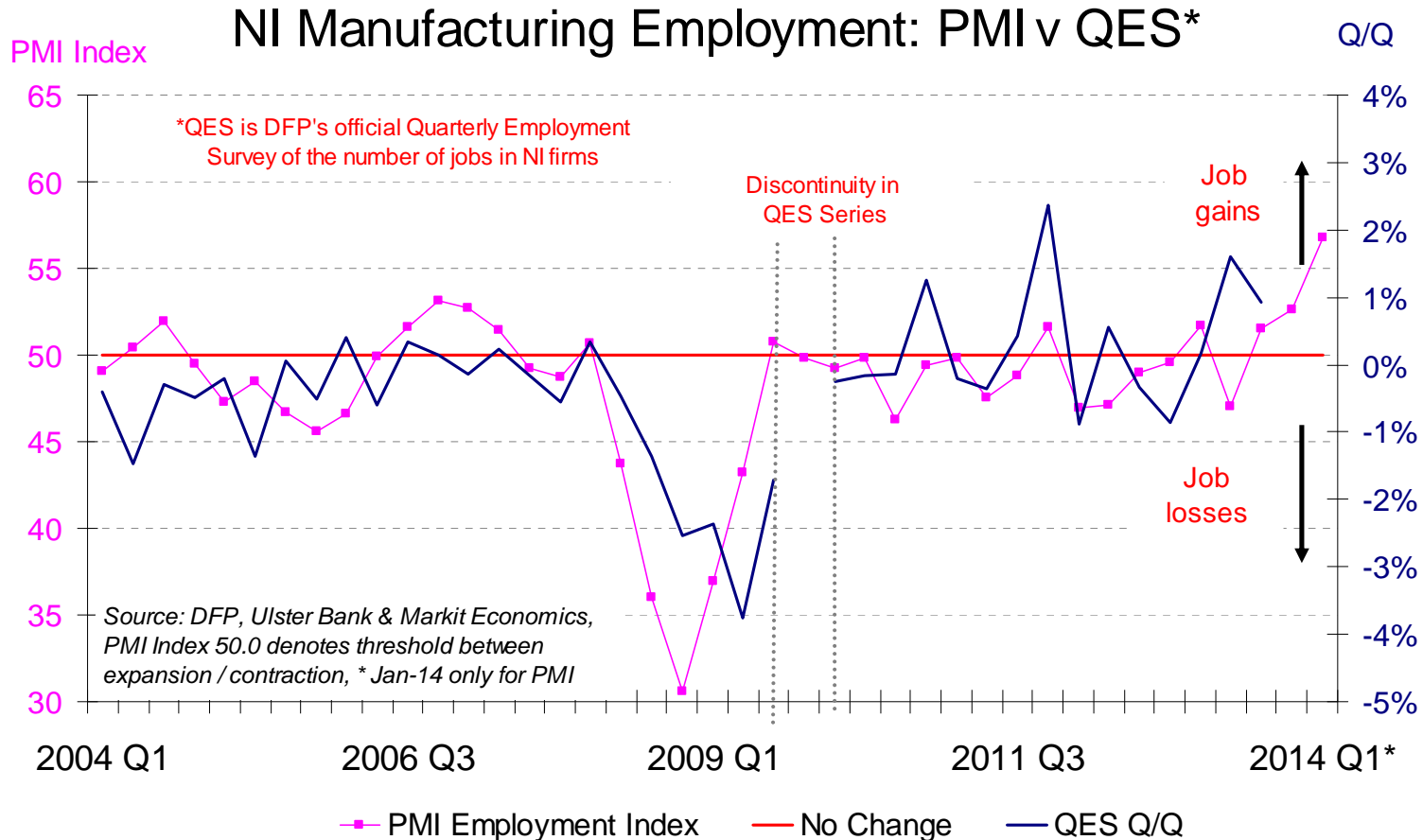
Cost price inflation remains for local manufacturing firms but pricing power is improving due to increased demand

NI Manufacturing Input & Output Inflation

3 month moving average



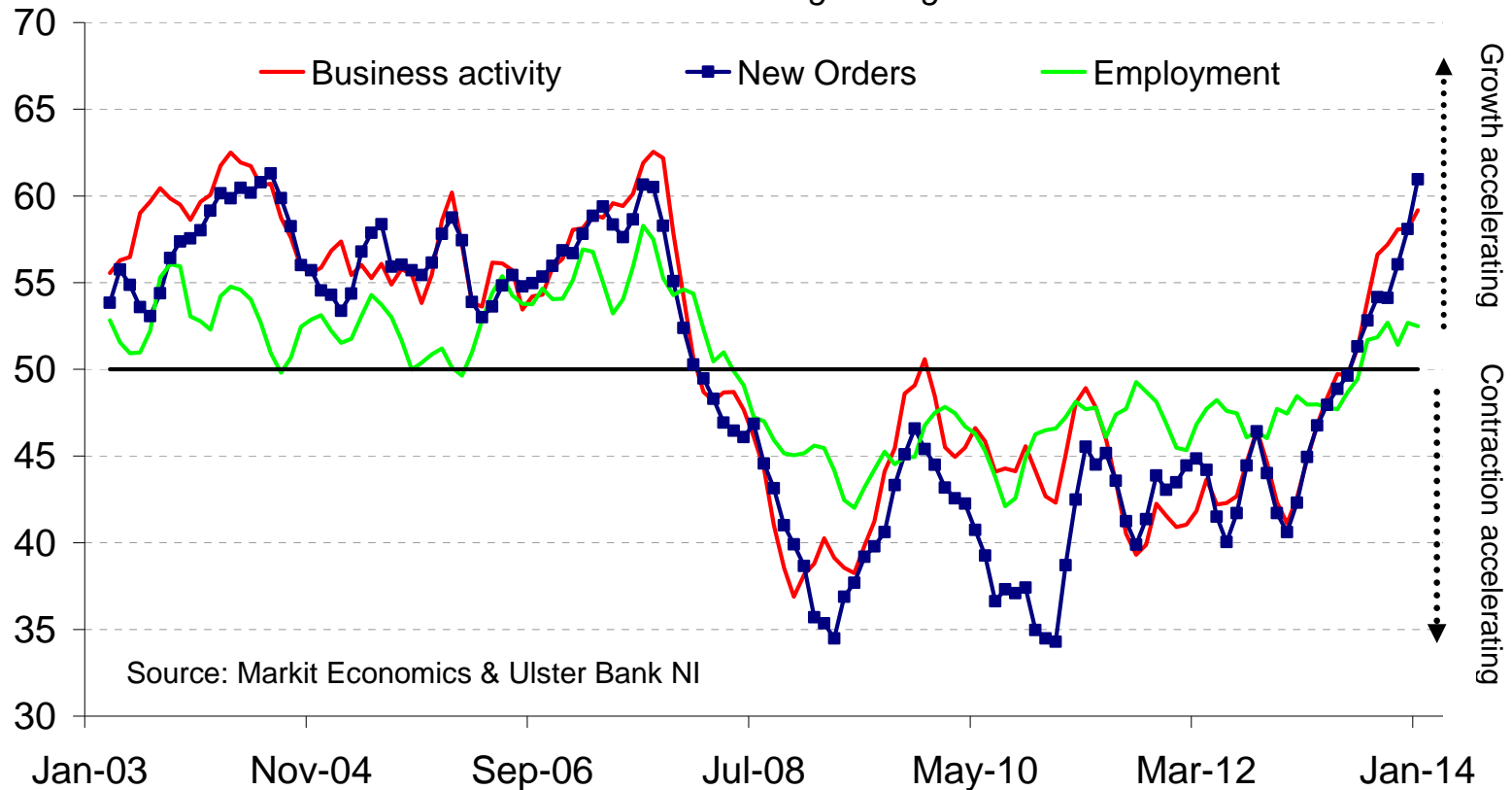
PMI underestimated jobs surge in Q2. Following further job creation in Q3, PMI suggests more of the same in Q4/Q1



Service sector recovery well underway with new orders rising at their fastest rate since the survey began

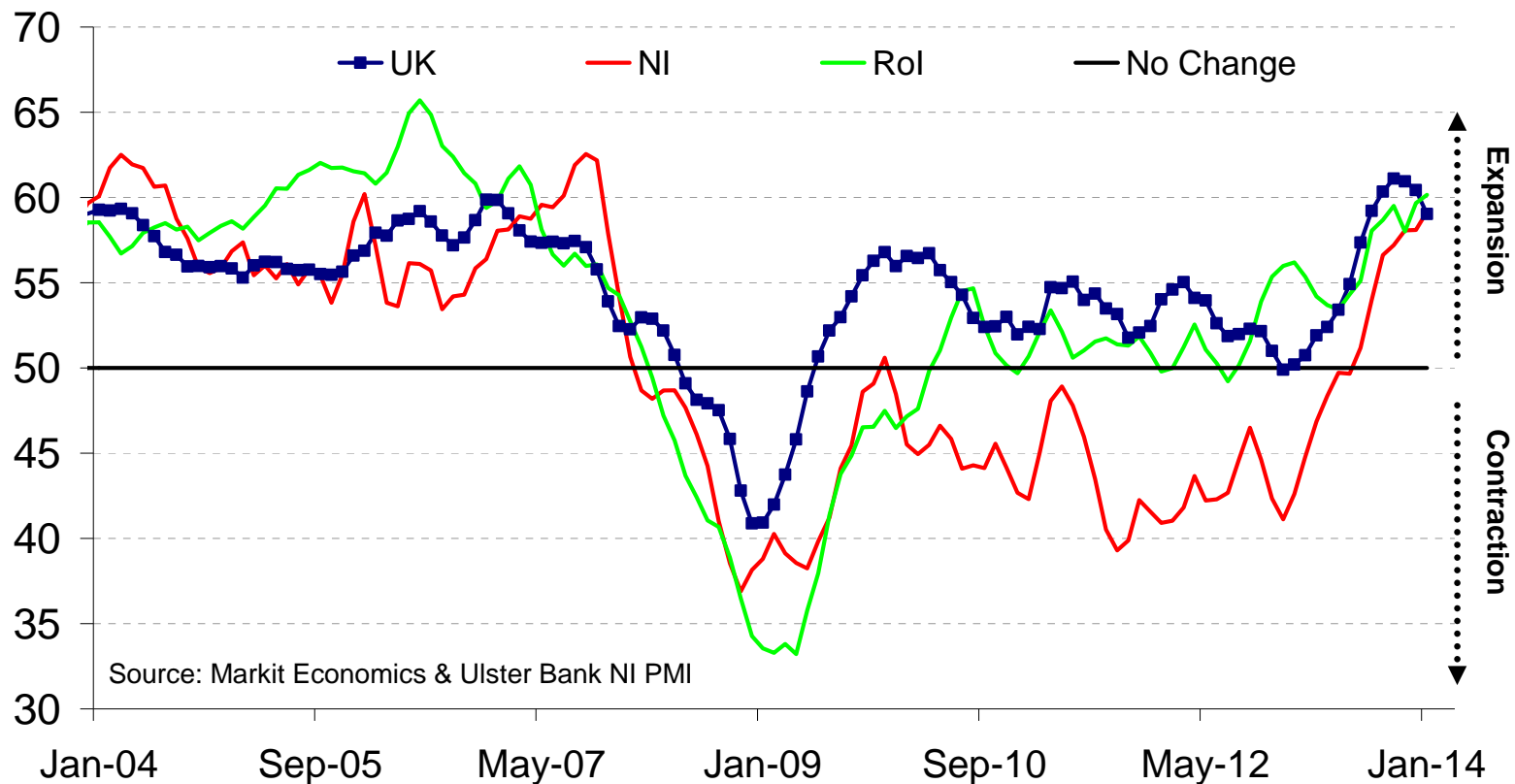
NI Service Sector (excludes Retail)

3 month moving average



All 3 economies post strong growth in services output in January with NI & RoI activity accelerating ...

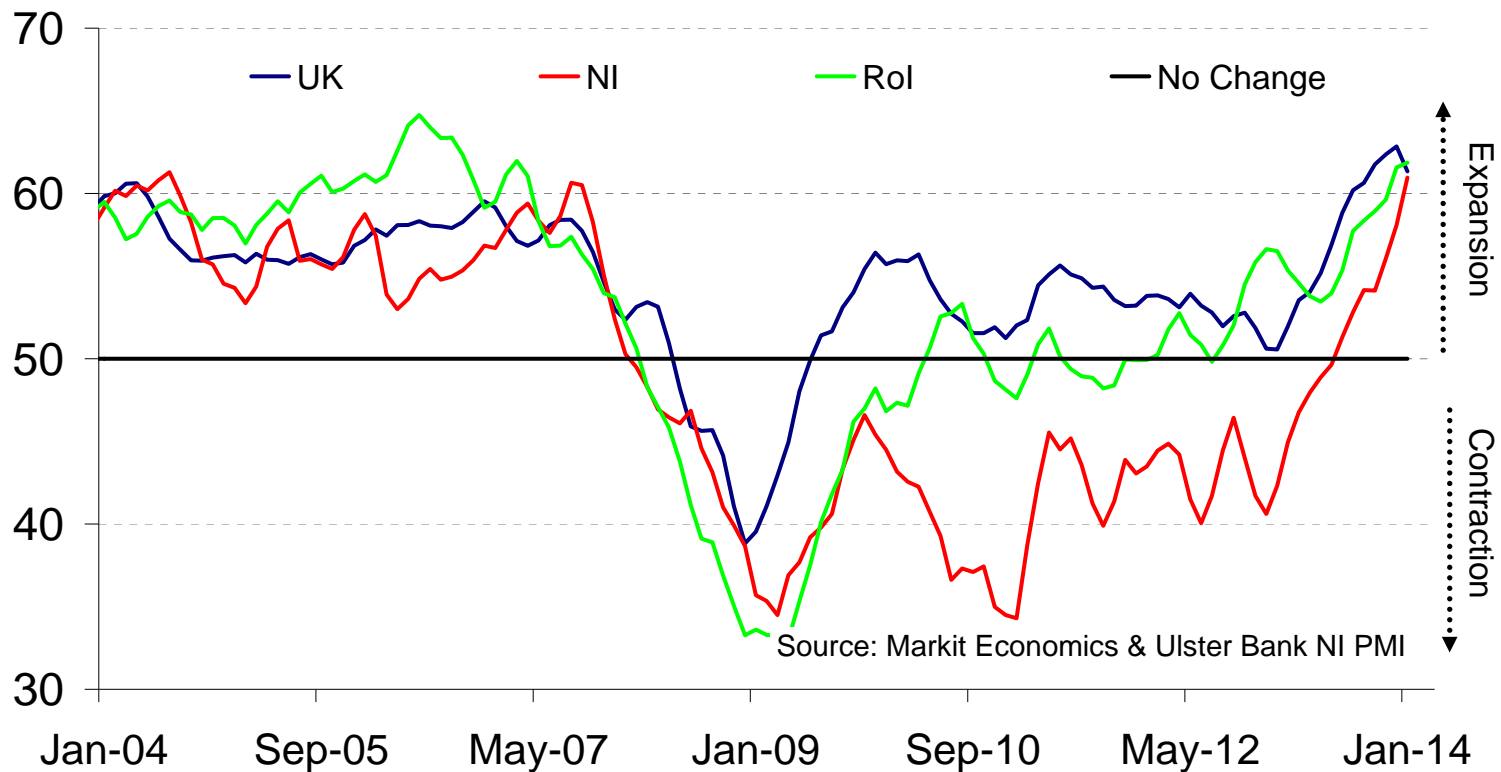
Services Output (excluding Retail)
3 month moving average



... and an acceleration in new orders growth for the RoI and NI too

Services New Orders (*excluding Retail*)

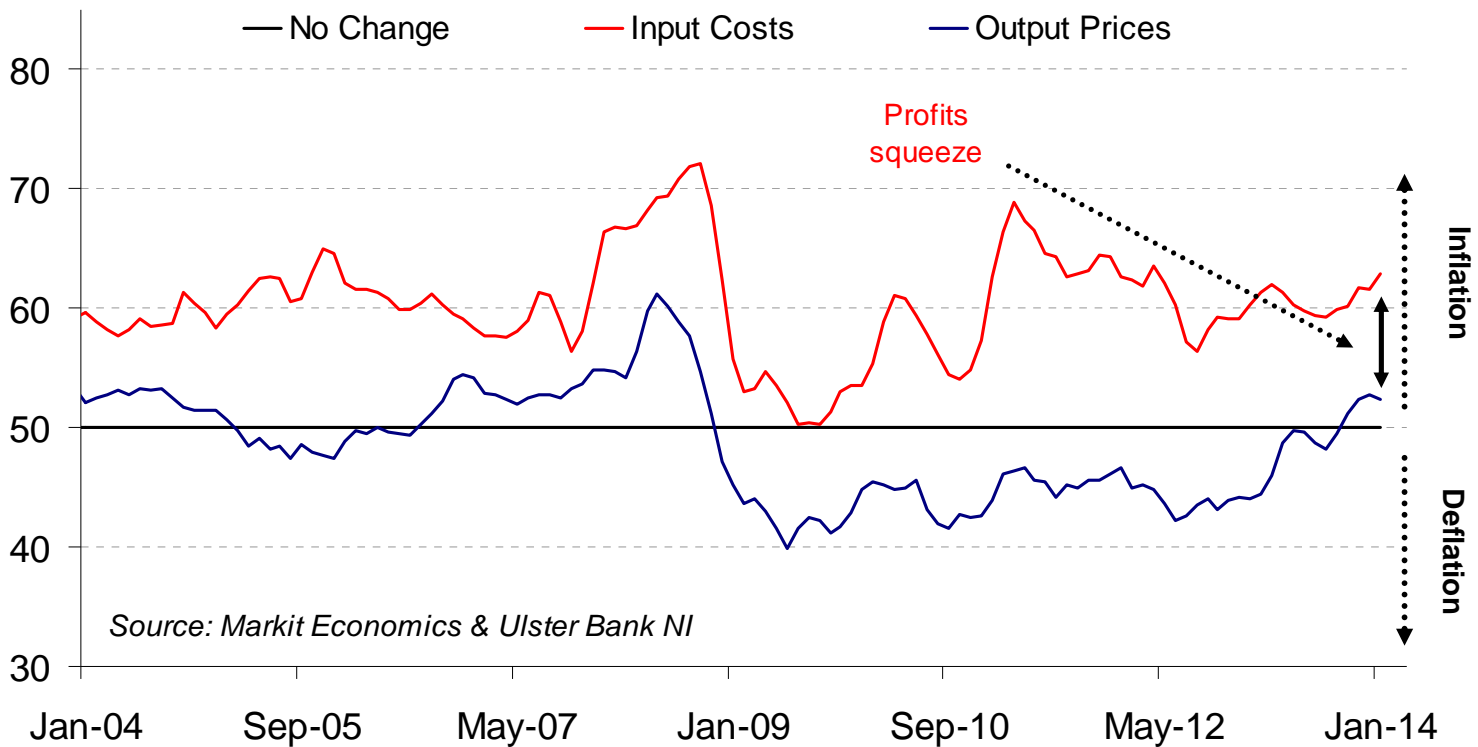
3 month moving average



Output price inflation within service sector firms eases in January from recent 5-year high

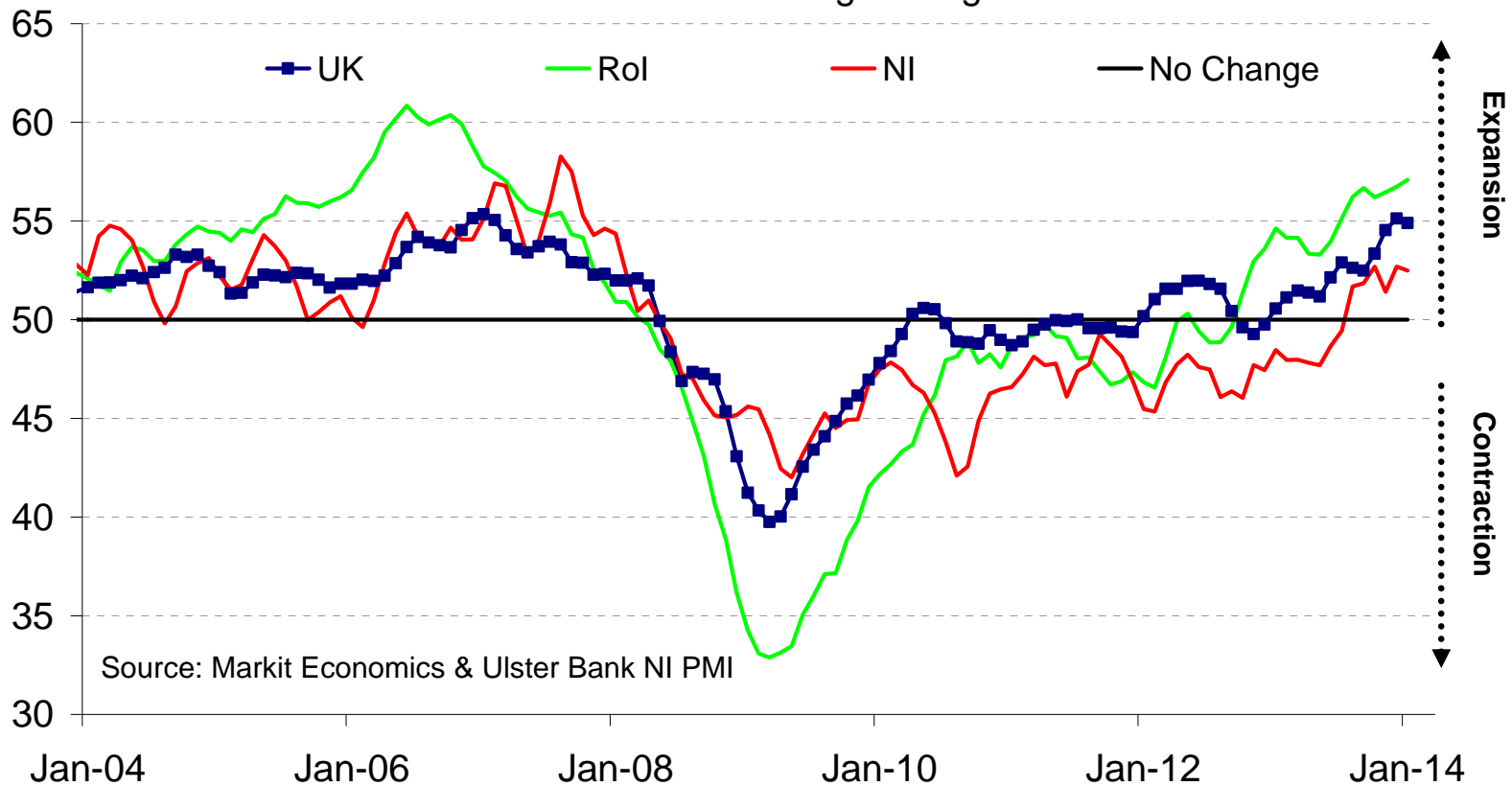
NI Services Input & Output Inflation

3 month moving average

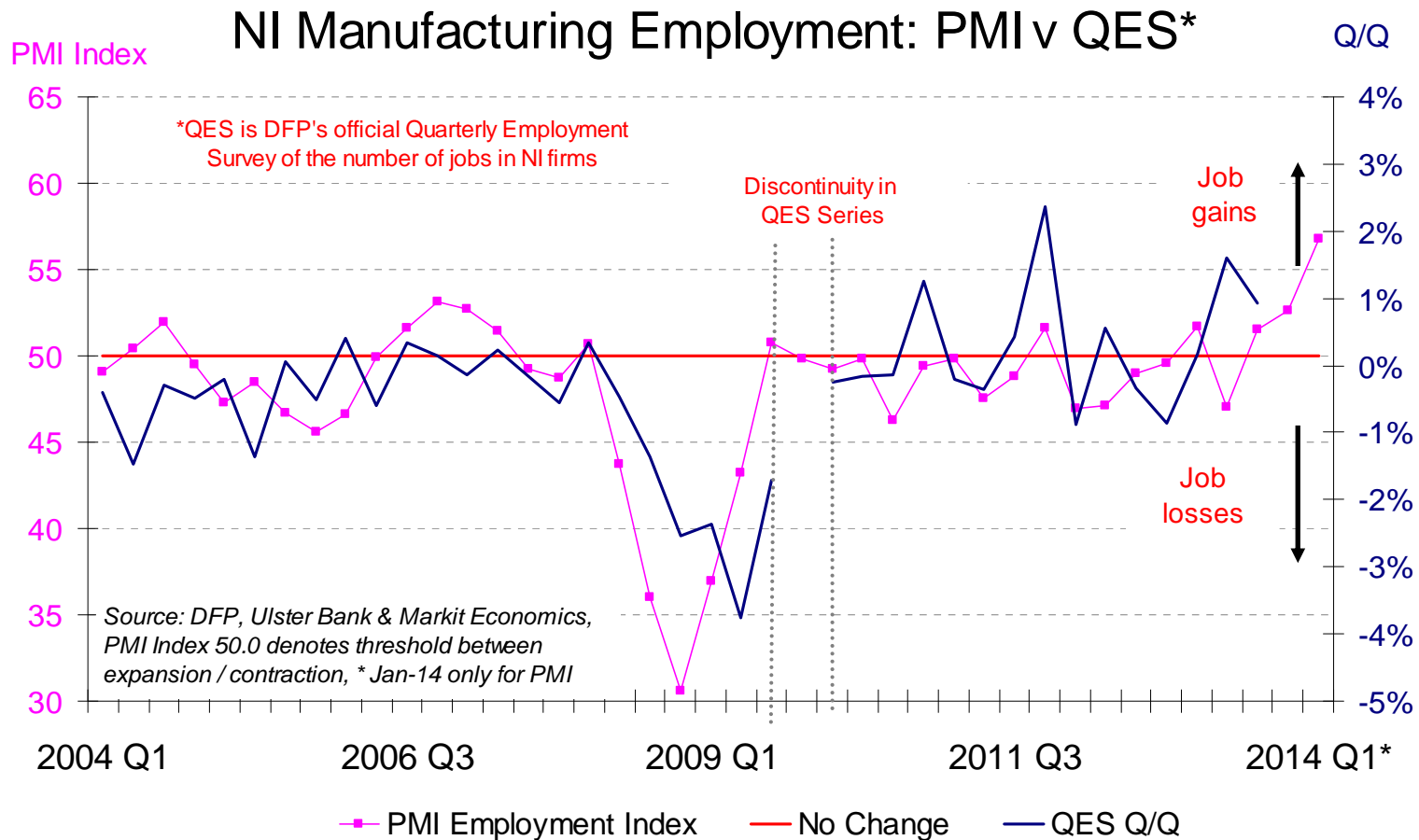


Service sector employment growth accelerates within in the RoI but eases for the UK & NI

Services Employment
3 month moving average



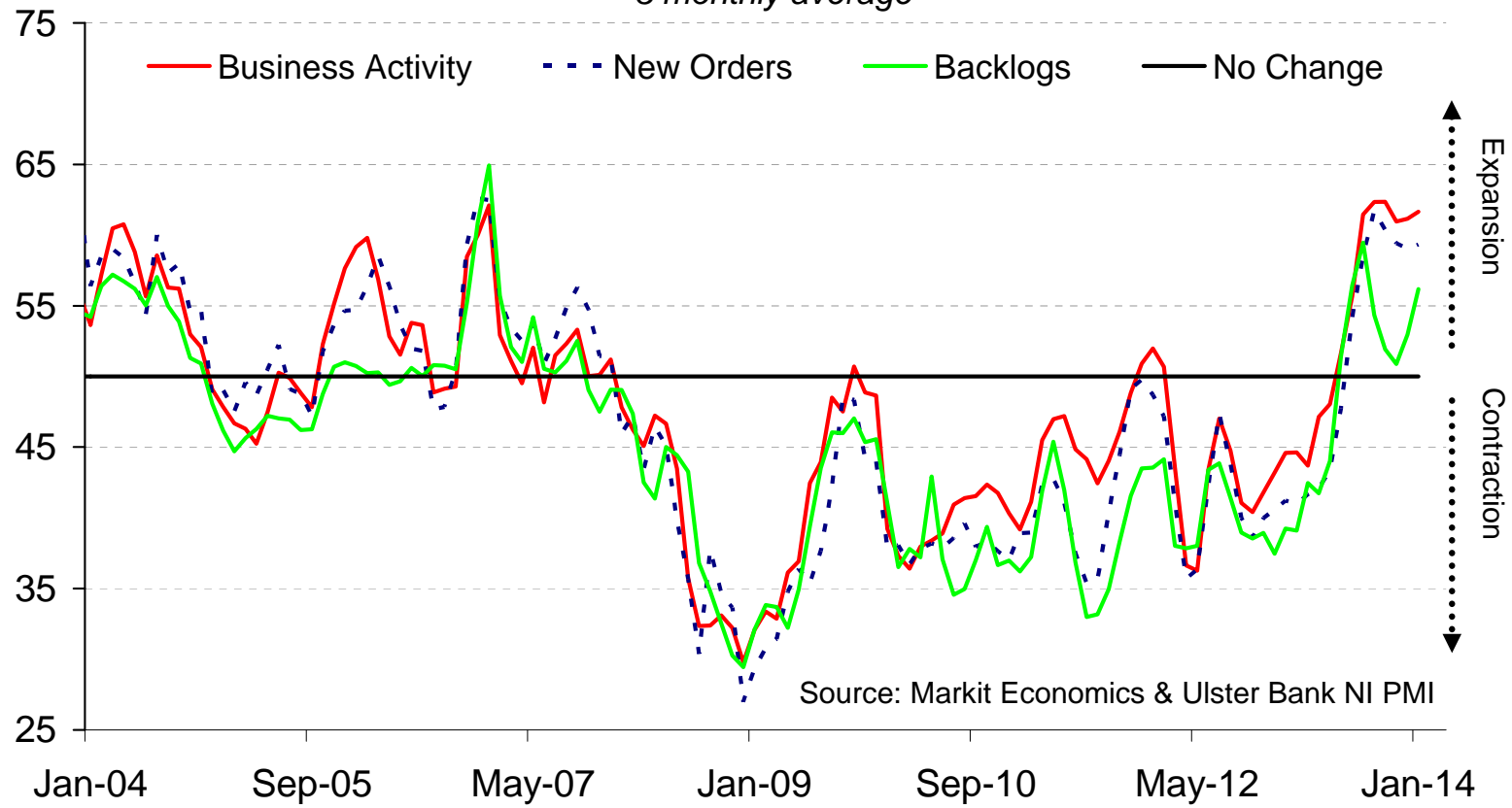
In Q4 the services PMI shows the fastest rate of quarterly jobs growth since Q4 2007 but eased in Jan-14



NI retailers continue to report strong rates of growth in business activity and new orders in January

Northern Ireland Retail PMI

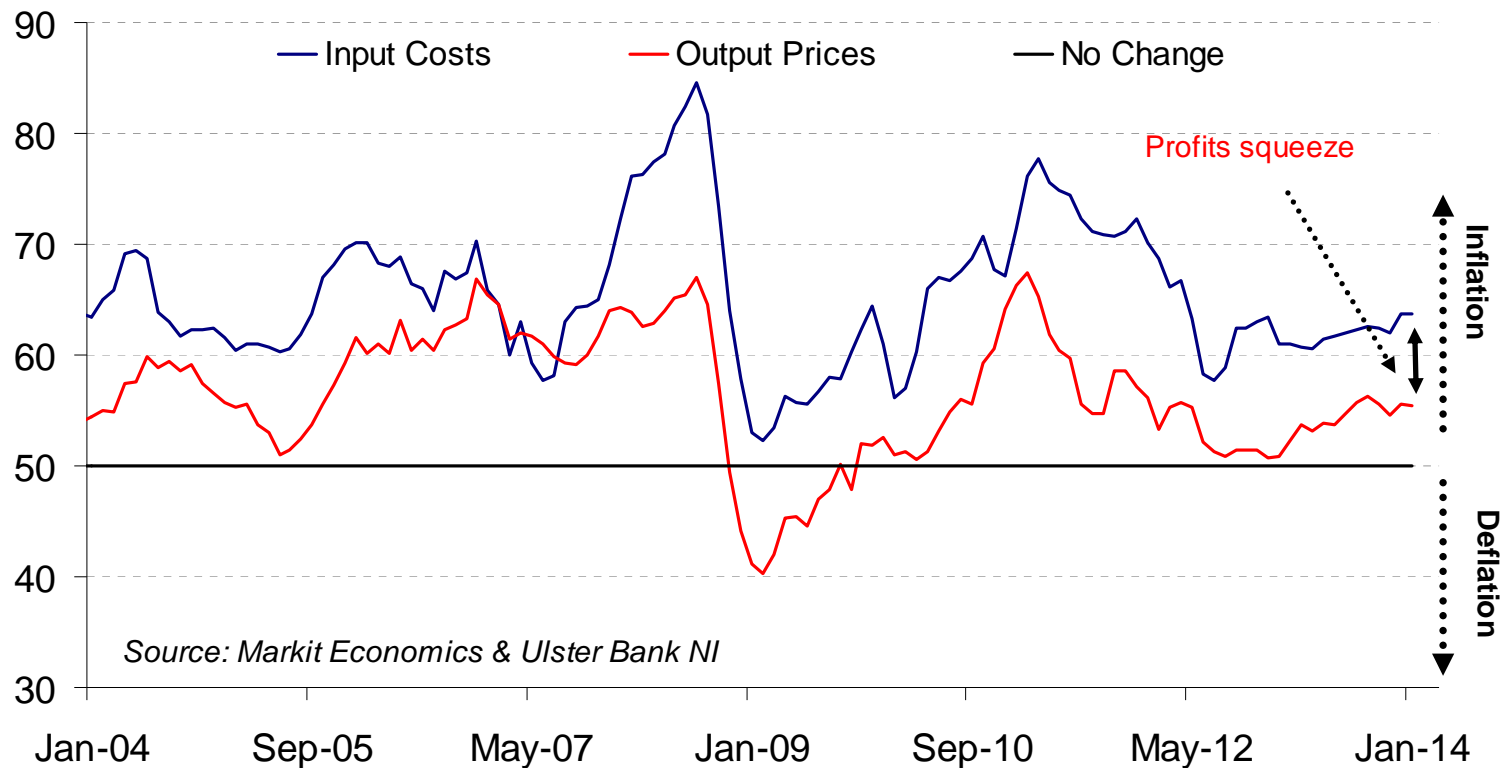
3 monthly average



Local retailers maintain pricing power in January

NI Retail Input & Output Inflation

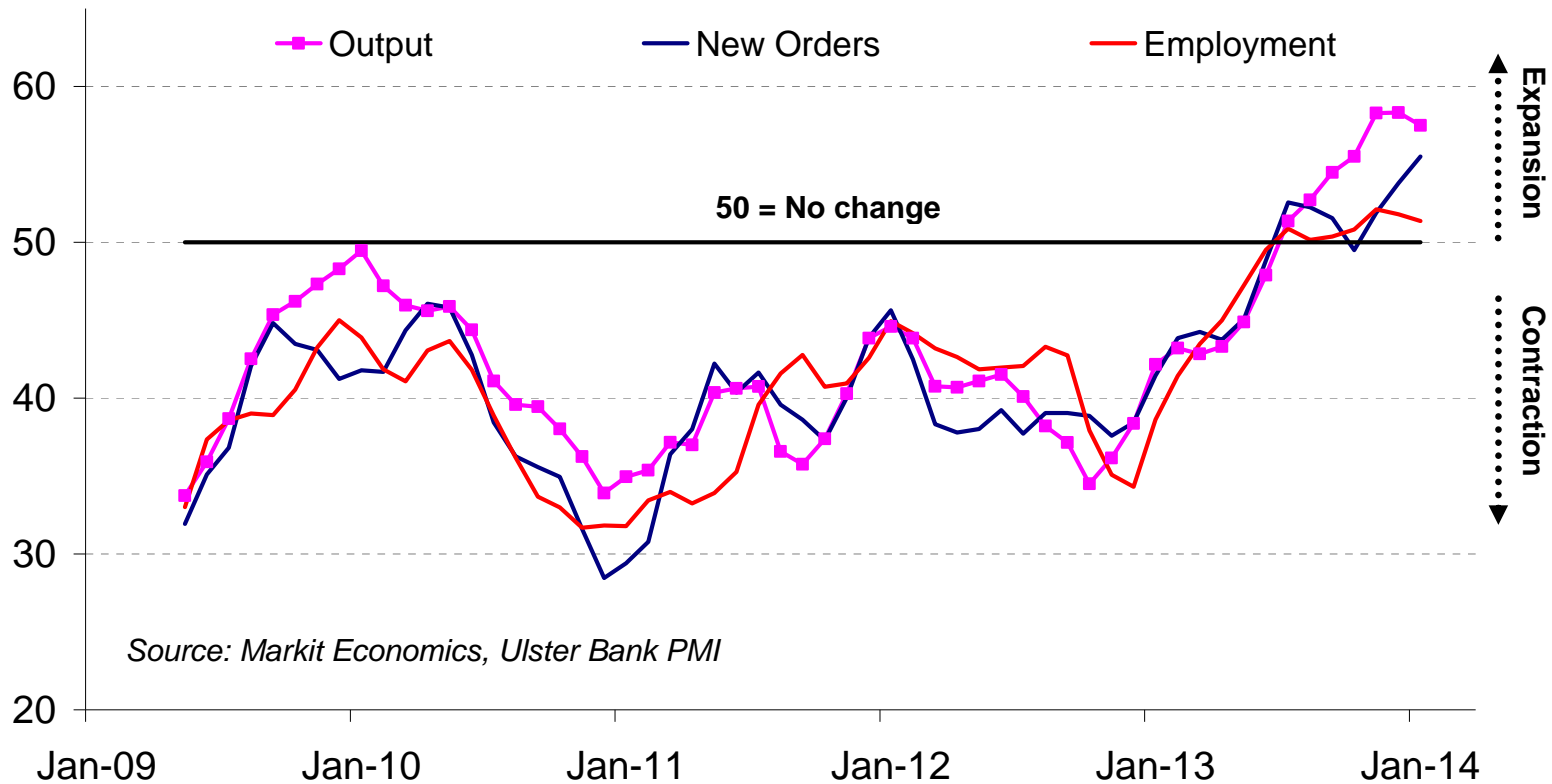
3 month moving average



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

NI Construction PMI

3 month moving average

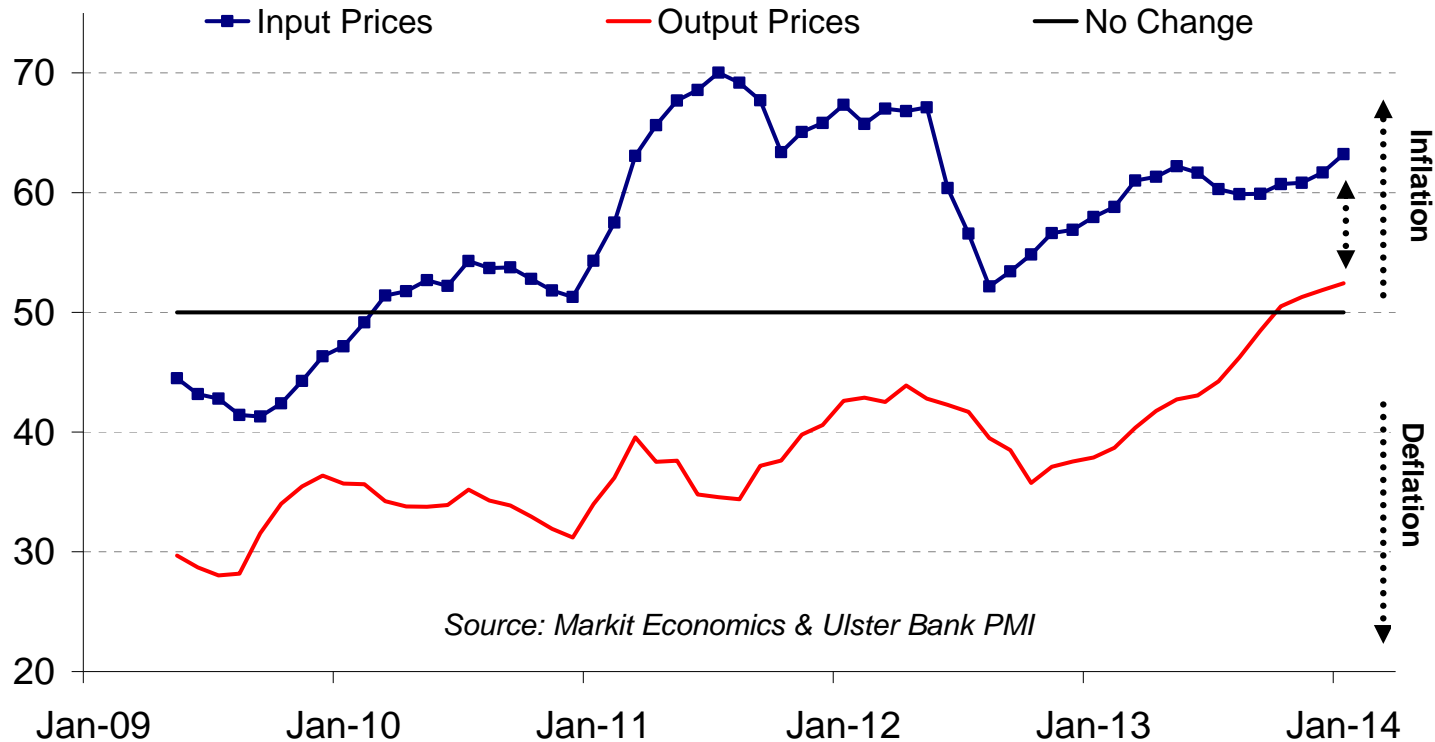


...and output prices have been rising at a record rate

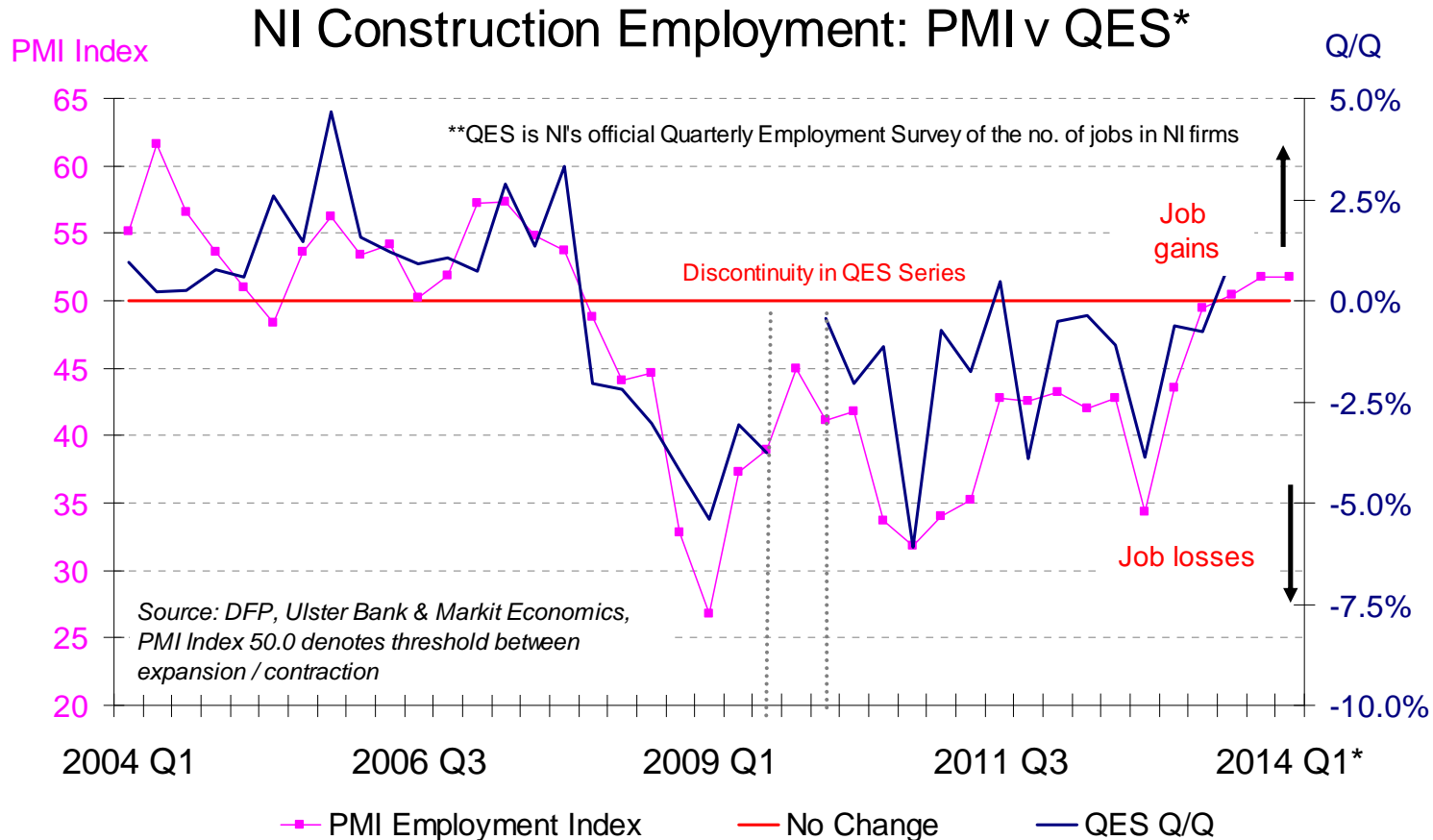
NI Construction Sector Profits Squeeze

3 month moving average

PMI Index



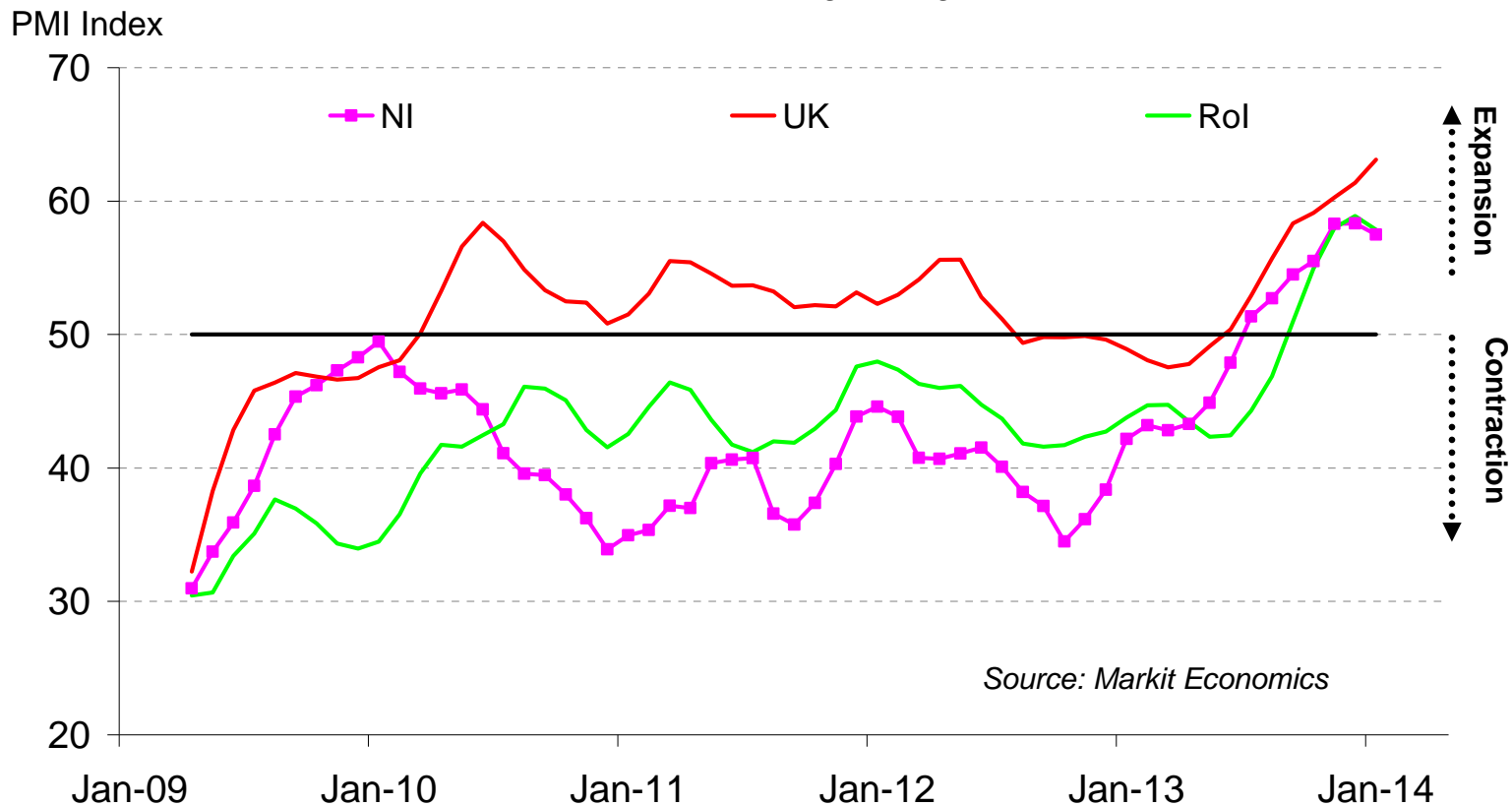
NI's construction PMI posted its 1st quarter of jobs growth in Q3 2013 since Q4 2007 with further growth in Q4/Q1



Construction output growth accelerates in the UK over the last 3 months and remains strong in both NI & RoI

Construction Sector Output - PMI

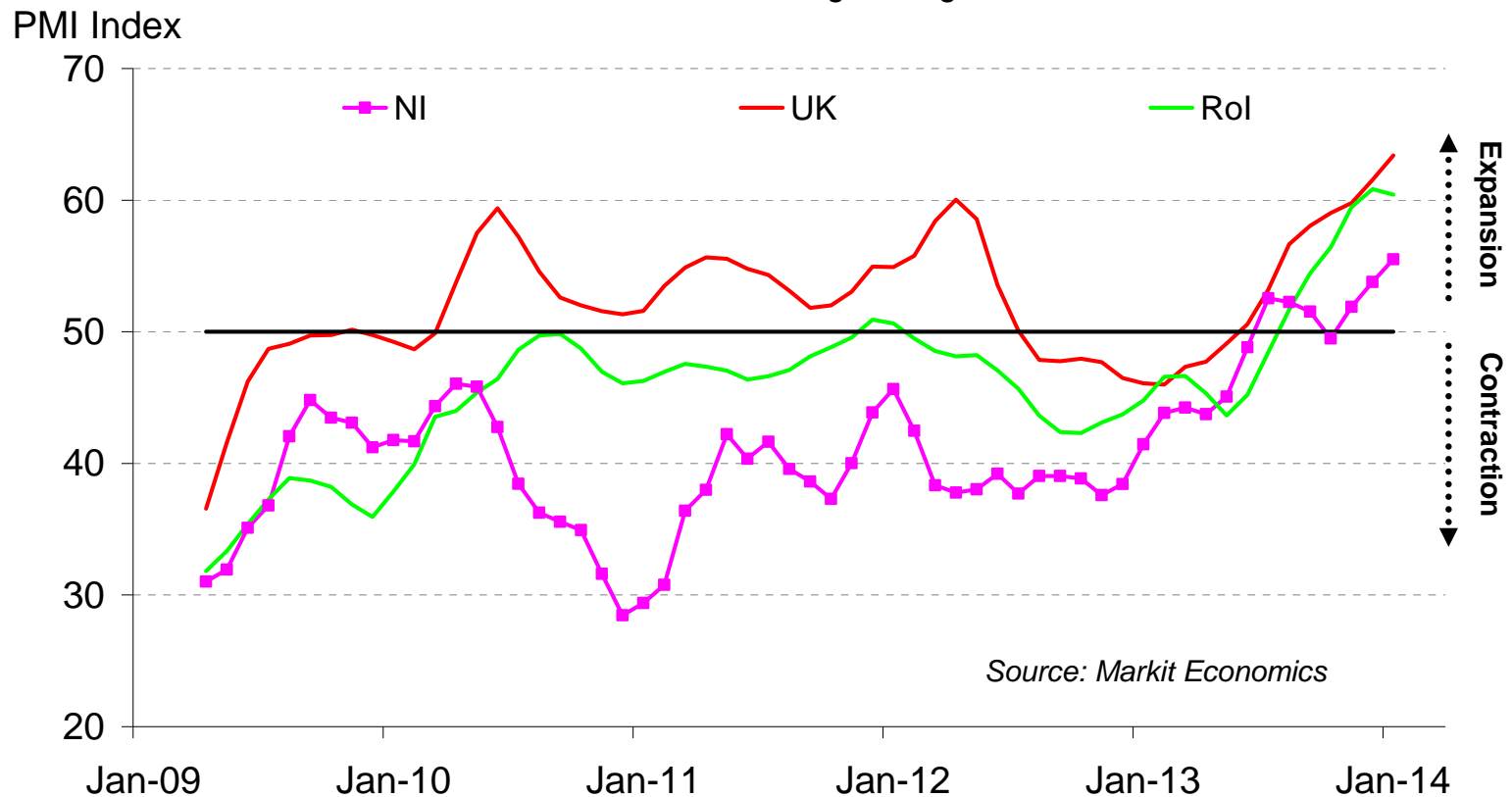
3 month moving average



New orders growth accelerating in the UK & NI and remains strong in the RoI

Construction Sector New Orders - PMI

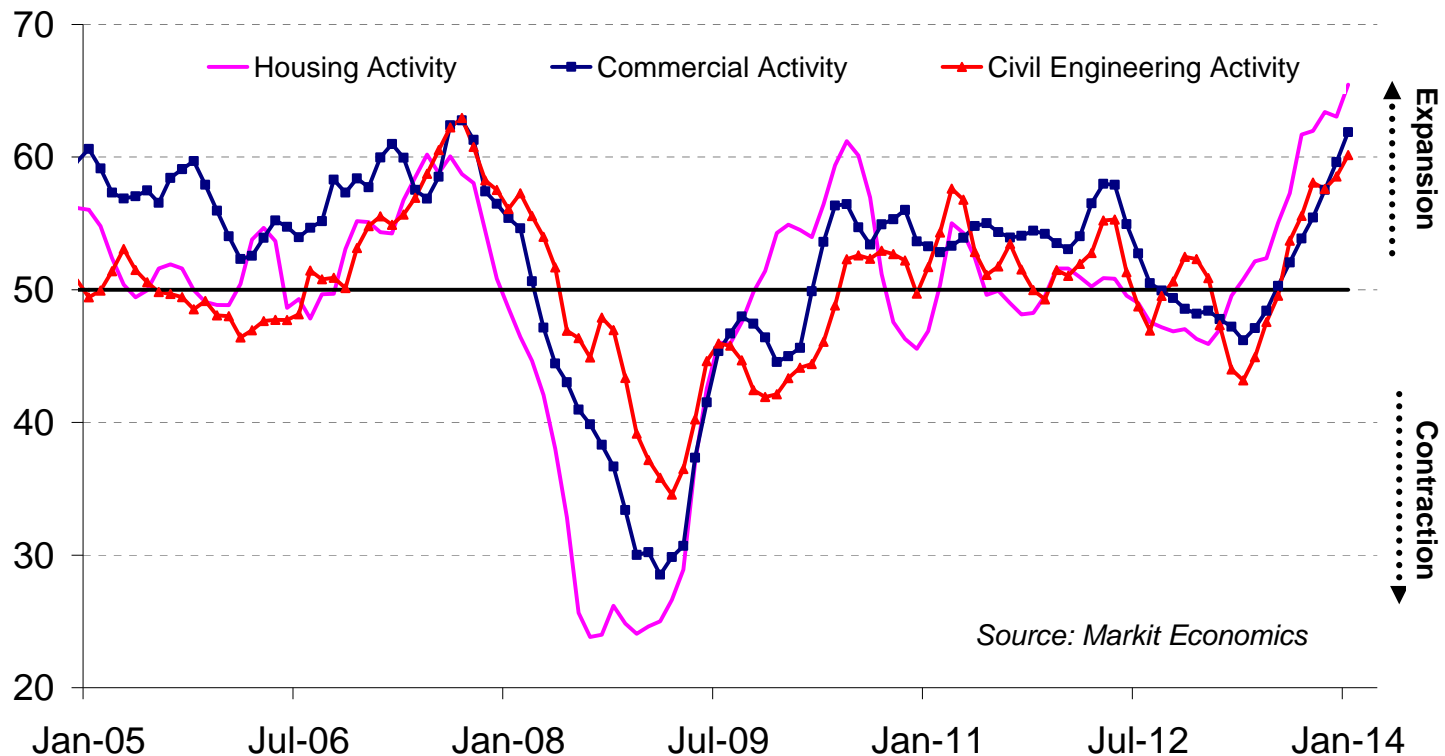
3 month moving average



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

UK Construction Activity - PMIs

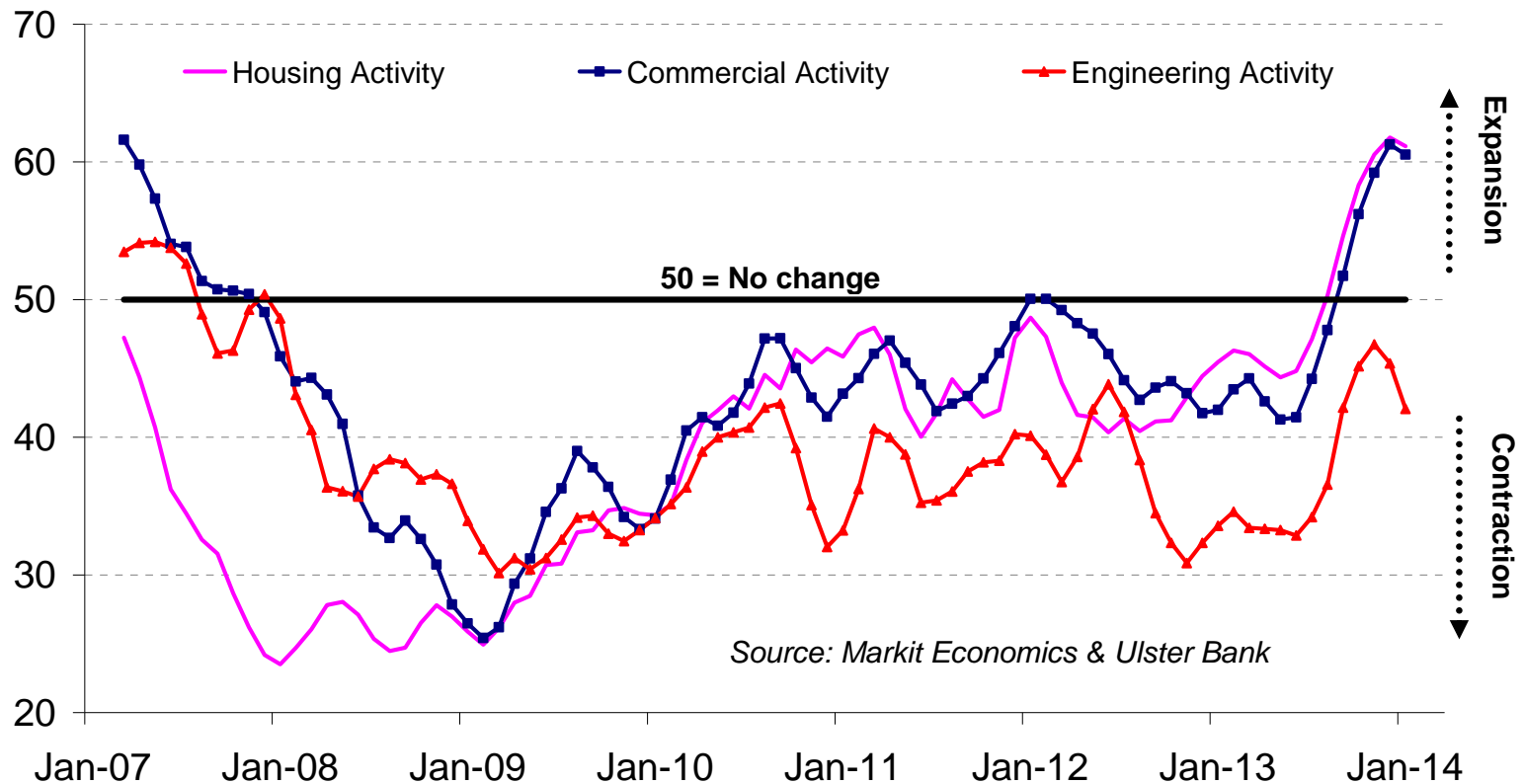
3 month moving average



...with opportunities returning within the RoI too

Republic of Ireland Construction Activity - PMI

3 month moving average



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