

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.

Ulster Bank Ireland Limited,
Registered in Republic of Ireland
No 25766 Registered Office:

Ulster Bank Group Centre
George's Quay
Dublin 2

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For further information please contact:

Richard Ramsey
Chief Economist, Northern Ireland
Ulster Bank Group
Tel: +44 (0)28 9027 6354
Mobile: +44 (0)7881 930955
Email: richard.ramsey@ulsterbankcm.com
Web: www.ulsterbankcapitalmarkets.com

Markit Economics

Henley on Thames
Oxon RG9 1HG, UK

Tel: +44 1491 461000
Fax: +44 1491 461001

e-mail: economics@markit.com

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Ulster Bank and Markit Economics
acknowledge the support of CIPS in the
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Growth of Northern Ireland business activity at six-year high

The Northern Ireland private sector recorded further growth of activity during August, and even saw the rate of expansion accelerate to a six-year high. New business continued to increase, leading to a rise in backlogs of work and a further improvement in employment. The rate of input cost inflation picked up, while some companies were able to raise their output prices in response.

Output growth accelerates

Business activity in Northern Ireland increased at a substantial pace in August. The rate of expansion quickened from that seen in July and was the sharpest since August 2007. All four monitored sectors posted rising activity. The fastest expansion was at retailers, while strong growth was also recorded at manufacturers and service providers.

The rise in activity was supported by higher new business, which extended the current period of expansion to three months. The rate of growth remained marked, but eased slightly over the month and was weaker than the UK average. As with activity, retail posted the fastest rise, while only construction saw a fall in new business. New export orders, meanwhile, increased modestly for the second month running.

Second successive rise in employment

Rising workloads contributed to increases in backlogs of work and employment in Northern Ireland during August. Outstanding business was accumulated for a third consecutive month, albeit at only a modest pace.

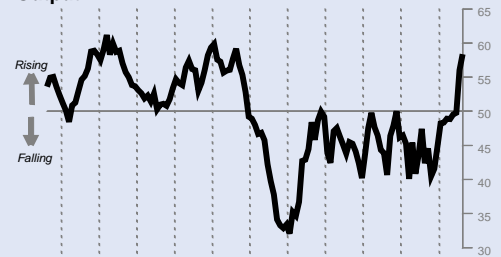
Meanwhile, employment rose for the second month running, the first instance of back-to-back monthly increases in staffing levels since early-2008. Although remaining modest, the rate of job creation in Northern Ireland was stronger than the UK economy average. Sector data suggested that the overall increase in employment was largely centred on the manufacturing and services sectors, as staffing levels decreased in construction and retail.

Cost inflation quickens

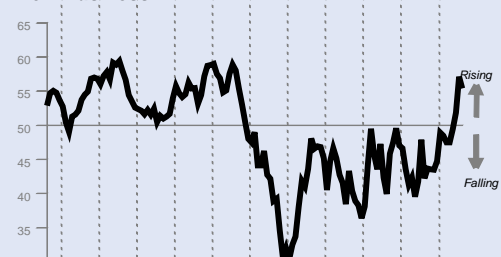
The rate of input price inflation accelerated for the first time since April. Where input costs rose, this was linked by respondents to higher fuel costs and increased salary payments. Manufacturers posted the fastest rise in input prices during the month.

Some panellists indicated that improving client demand had made it easier to pass on higher input costs to clients. Output prices were raised for the third time in the past four months, with the rate of inflation picking up marginally and broadly in line with the average seen across the UK economy as a whole.

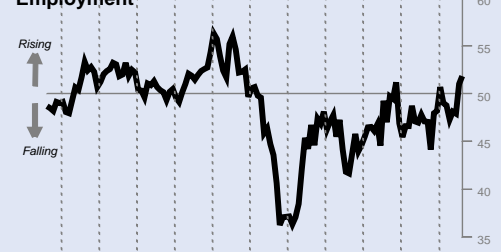
Output



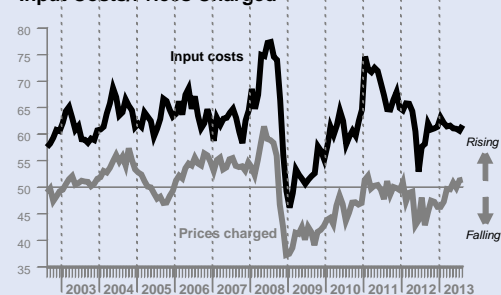
New Business



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

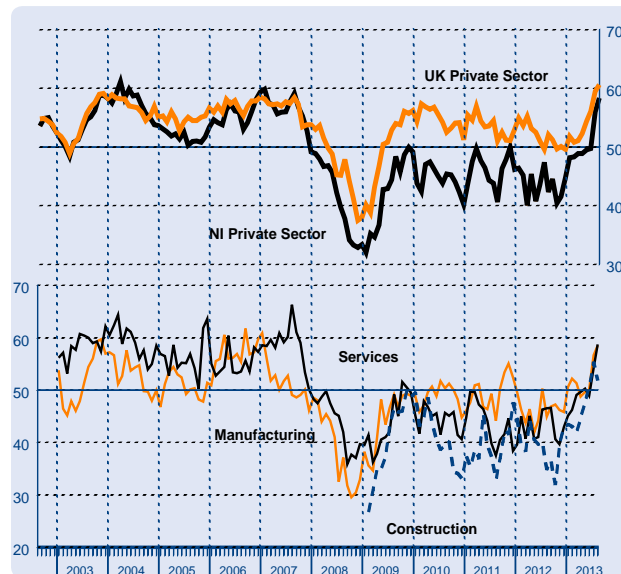
Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Mar	27.2	52.2	20.6	6.7	53.3	48.9
	Apr	27.4	51.4	21.2	6.2	53.1	48.9
	May	26.2	50.2	23.5	2.7	51.3	49.6
	Jun	22.6	54.2	23.2	-0.5	49.7	49.8
	Jul	32.8	45.9	21.3	11.5	55.7	56.1
	Aug	30.0	55.4	14.7	15.3	57.6	58.4

Northern Ireland posted a second successive monthly increase in activity during August. Furthermore, the rate of expansion was substantial and quickened from that seen in July. That said, the rise in output in Northern Ireland was still slower than the UK average. The signing of new contracts was signalled by a number of respondents, while the unusually good summer weather had reportedly supported growth. The retail sector posted the strongest increase in activity, while faster rises were also registered at manufacturers and services companies. The rate of expansion in construction activity slowed, but growth has now been recorded in three months running.

By sector

		Construction	Manufacturing	Services
'13	Jun	50.9	50.2	48.9
	Jul	55.4	56.7	54.3
	Aug	51.9	58.5	58.8



New Business

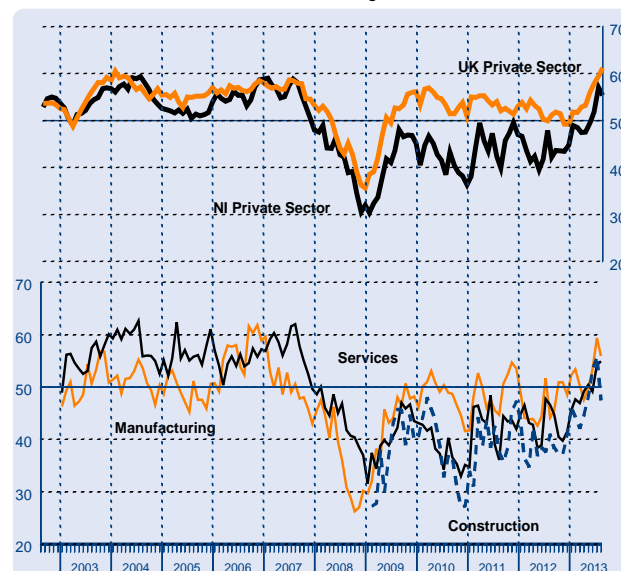
Q. Is the level of new orders or incoming new business at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Mar	24.2	48.5	27.2	-3.0	48.5	47.5
	Apr	25.2	52.0	22.8	2.4	51.2	47.5
	May	26.4	48.4	25.2	1.2	50.6	49.5
	Jun	28.6	47.5	24.0	4.6	52.3	51.9
	Jul	28.0	53.2	18.9	9.1	54.6	57.1
	Aug	28.5	51.2	20.3	8.1	54.1	55.4

New orders increased in Northern Ireland for the third consecutive month in August. The rate of expansion was marked, but slowed from that seen in July and was weaker than the average registered across the UK economy as a whole. Where new orders increased, this was linked by respondents to signs of improving client demand. Around 29% of panellists recorded a rise in new business, against 20% that posted a fall. As with activity, retail posted the fastest increase in new orders, followed by manufacturing and services. Construction was the only sector to see a reduction in new orders during August, ending a two-month sequence of expansion.

By sector

		Construction	Manufacturing	Services
'13	Jun	53.4	53.4	49.2
	Jul	55.9	59.4	54.3
	Aug	47.5	56.0	55.0



Backlogs

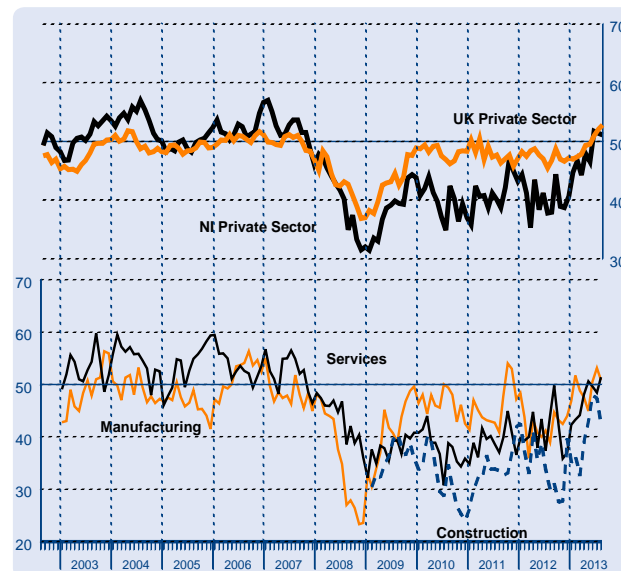
Q. Is the level of business outstanding (i.e. work not yet commenced or completed) at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Mar	13.4	63.7	22.9	-9.4	45.3	44.3
	Apr	17.0	68.5	14.5	2.5	51.3	48.0
	May	15.5	61.5	23.0	-7.4	46.3	46.6
	Jun	20.8	67.9	11.3	9.5	54.7	51.8
	Jul	17.6	63.0	19.4	-1.8	49.1	51.4
	Aug	16.8	63.9	19.3	-2.5	48.8	51.2

As has been the case in each of the past three months, backlogs of work at Northern Ireland companies increased in August. The rate of accumulation remained modest, and was little-changed from the previous two months. Some panellists indicated that payment delays had contributed to an increase in outstanding business, but others reported that the completion of projects led to a depletion of backlogs. Modest accumulations of outstanding business were registered in the manufacturing and service sectors. Meanwhile, construction backlogs fell at a sharp and accelerated pace.

By sector

		Construction	Manufacturing	Services
'13	Jun	47.9	50.5	49.7
	Jul	47.4	53.2	48.5
	Aug	42.4	50.9	51.4



Employment

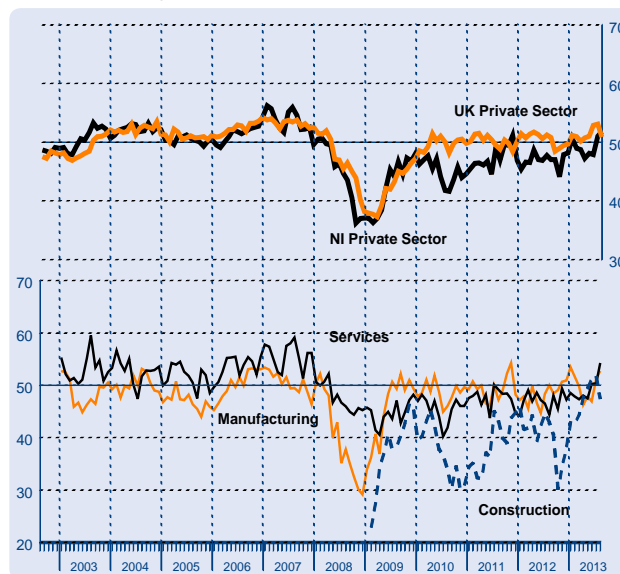
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Mar	7.7	81.7	10.7	-3.0	48.5	48.8	50.2
Apr	9.9	76.0	14.1	-4.2	47.9	47.3	50.8
May	11.2	75.8	13.1	-1.9	49.0	48.1	51.1
Jun	9.2	79.2	11.6	-2.4	48.8	47.9	52.9
Jul	15.9	72.3	11.8	4.1	52.0	51.0	53.1
Aug	14.4	75.7	9.9	4.5	52.3	51.8	50.9

Employment increased for the second month running in August, the first instance of back-to-back job creation since early-2008. Moreover, the pace at which staffing levels rose picked up slightly over the month and was the strongest in 69 months. The increase in employment at Northern Ireland companies was also faster than the UK economy average. Respondents indicated that additional staff had been required in order to meet higher workloads. Differing trends were recorded across the four sectors. Manufacturing and services posted higher employment, while construction and retail signalled lower staffing levels.

By sector

		Construction	Manufacturing	Services
'13 Jun		51.3	47.0	50.3
Jul		51.7	51.3	50.4
Aug		47.5	52.8	54.3



Input Costs

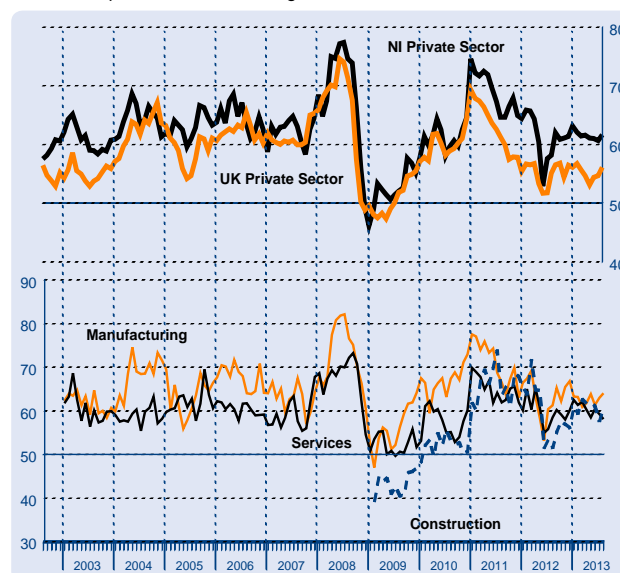
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Mar	31.5	66.3	2.2	29.4	64.7	61.5	55.8
Apr	27.3	72.1	0.6	26.6	63.3	61.6	54.7
May	27.9	70.0	2.1	25.7	62.9	61.1	53.1
Jun	26.5	71.1	2.4	24.0	62.0	61.0	54.5
Jul	20.9	76.9	2.2	18.7	59.4	60.7	54.7
Aug	24.4	73.7	2.0	22.4	61.2	61.7	56.2

Northern Ireland companies recorded a further sharp rise in input costs during August, with cost pressures remaining more pronounced than across the UK as a whole. Moreover, the rate of inflation quickened from July and was the strongest since February. That said, the latest increase was slightly slower than the series average. According to respondents, higher fuel costs had been a key factor behind increased input prices, while rising salary payments were also signalled. The fastest rate of inflation was seen at manufacturing firms, followed closely by retail. The slowest increase was in services, where the rise was the weakest in nine months.

By sector

		Construction	Manufacturing	Services
'13 Jun		61.1	61.4	60.4
Jul		57.7	63.1	59.3
Aug		60.8	64.1	58.1



Prices Charged

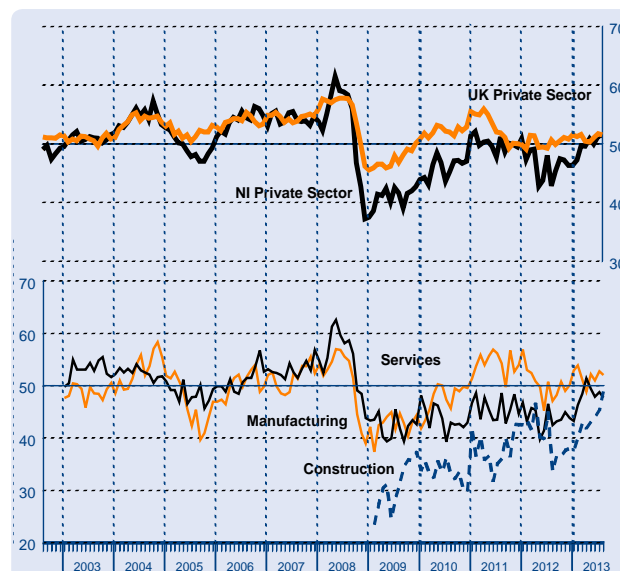
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Mar	11.6	78.6	9.8	1.8	50.9	49.7	51.7
Apr	15.1	75.4	9.5	5.6	52.8	49.6	50.5
May	15.8	76.4	7.8	8.0	54.0	50.9	50.4
Jun	6.7	85.6	7.7	-1.0	49.5	50.0	51.1
Jul	10.0	80.3	9.7	0.3	50.1	51.3	51.8
Aug	9.3	83.8	6.9	2.4	51.2	51.5	51.6

Output prices increased in August, as had been the case in the previous month. The rate of inflation remained modest despite picking up fractionally from July. The increase in prices charged in the Northern Ireland private sector was broadly in line with that recorded across the UK as a whole. More than 9% of respondents raised their output prices, with rising demand making it easier for firms to pass on higher input costs to their clients. On the other hand, 7% of panellists lowered their charges. Output prices increased in the retail and manufacturing sectors, but fell at services and construction companies.

By sector

		Construction	Manufacturing	Services
'13 Jun		44.1	51.1	47.9
Jul		45.5	52.8	48.8
Aug		49.2	52.1	47.8



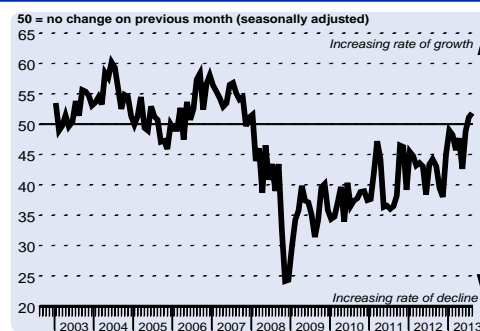
New Export Business*

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

Northern Ireland Companies

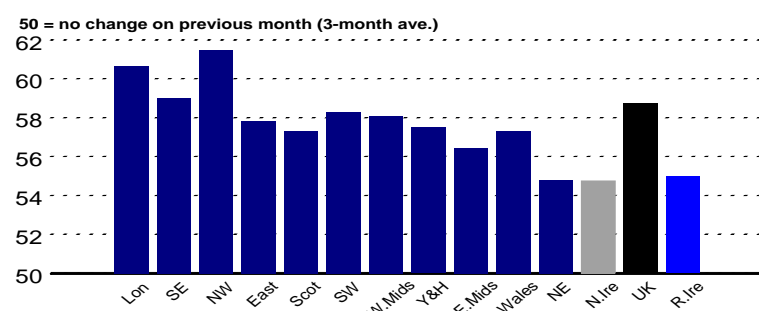
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Mar	12.4	64.9	22.7	-10.3	44.8	45.8
	Apr	18.8	63.8	17.4	1.3	50.7	47.7
	May	6.8	68.8	24.5	-17.7	41.2	42.7
	Jun	17.9	67.6	14.4	3.5	51.8	48.8
	Jul	14.3	71.7	14.0	0.3	50.2	51.2
	Aug	23.4	56.6	20.0	3.3	51.7	51.9

A second successive increase in new export orders was seen in August, and the rate of expansion quickened slightly from July. More than 23% of panellists recorded an expansion of new business from abroad.



Regional Comparisons: Output / Business Activity

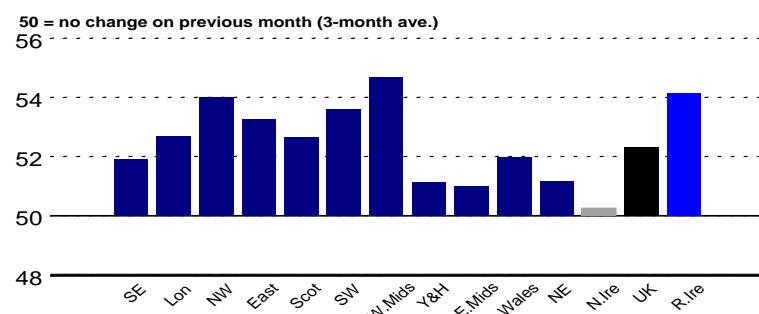
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All nine English regions and Wales recorded output growth on average over the three months to August. Growth of business activity was strongest in the North West, closely followed by London. Meanwhile, a marked rise in activity was seen in the Republic of Ireland.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	54.3	60.7	61.9
South East	(14.7%)	53.5	59.0	62.7
North West	(9.5%)	53.9	61.5	64.0
East of England	(8.7%)	52.9	57.8	59.4
Scotland	(8.3%)	53.1	57.3	58.3
South West	(7.7%)	52.2	58.3	61.9
West Midlands	(7.3%)	52.6	58.1	59.2
Yorks & Humber	(7.0%)	54.1	57.5	57.3
East Midlands	(6.4%)	52.8	56.4	59.6
Wales	(3.6%)	54.8	57.3	57.7
North East	(3.2%)	50.8	54.8	56.3
N.Ireland	(2.2%)	48.3	54.8	58.4
UK	(100.0%)	53.1	58.8	60.7
Rep. of Ireland	n/a	52.9	55.0	57.2

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). Increased staffing levels were recorded in all nine English regions and Wales during the three months to August. The West Midlands posted the fastest rate of job creation, followed by the North West. Firms in the Republic of Ireland increased employment at a solid pace.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.2	51.9	50.1
London	(12.3%)	50.2	52.7	50.8
North West	(10.9%)	50.2	54.0	53.4
East of England	(9.6%)	51.2	53.3	52.4
Scotland	(8.7%)	51.2	52.7	53.4
South West	(8.6%)	50.6	53.6	53.0
West Midlands	(8.6%)	52.1	54.7	55.1
Yorks & Humber	(8.2%)	50.2	51.1	50.3
East Midlands	(7.3%)	51.4	51.0	50.2
Wales	(4.6%)	50.8	52.0	50.1
North East	(3.9%)	49.6	51.2	50.9
N.Ireland	(2.7%)	48.5	50.3	51.8
UK	(100.0%)	50.7	52.3	50.9
Rep. of Ireland	n/a	52.3	54.1	53.6

PMI® Survey Methodology

Purchasing Managers' Indexes® (or PMIs®) 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 2013 Survey Update

Issued 9th September 2013

Richard Ramsey

Chief Economist Northern Ireland

richard.ramsey@ulsterbankcm.com

PMI Surveys

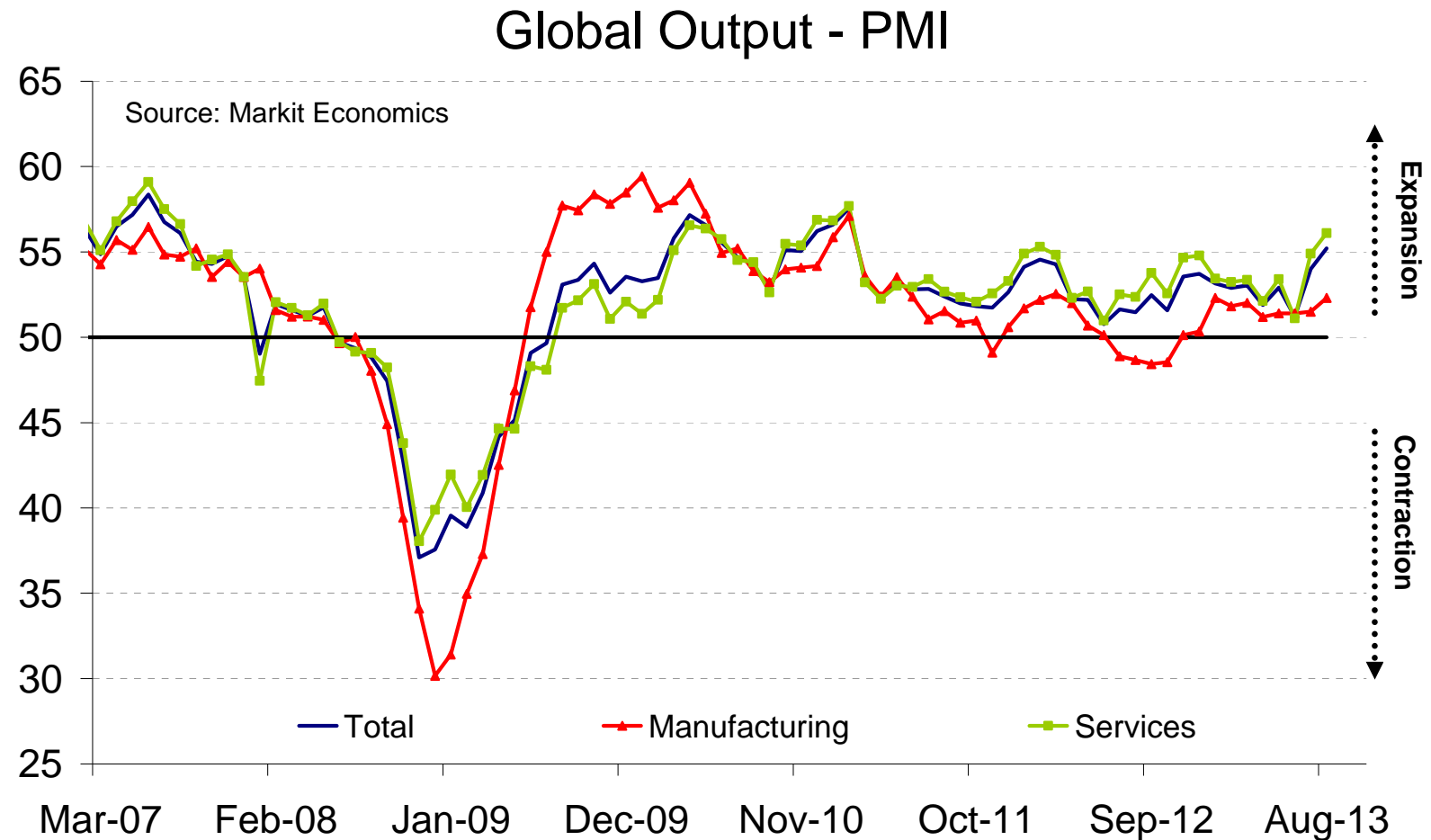
Purchasing Managers' Indexes (PMIs) are monthly surveys of private sector companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices across different sectors.

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

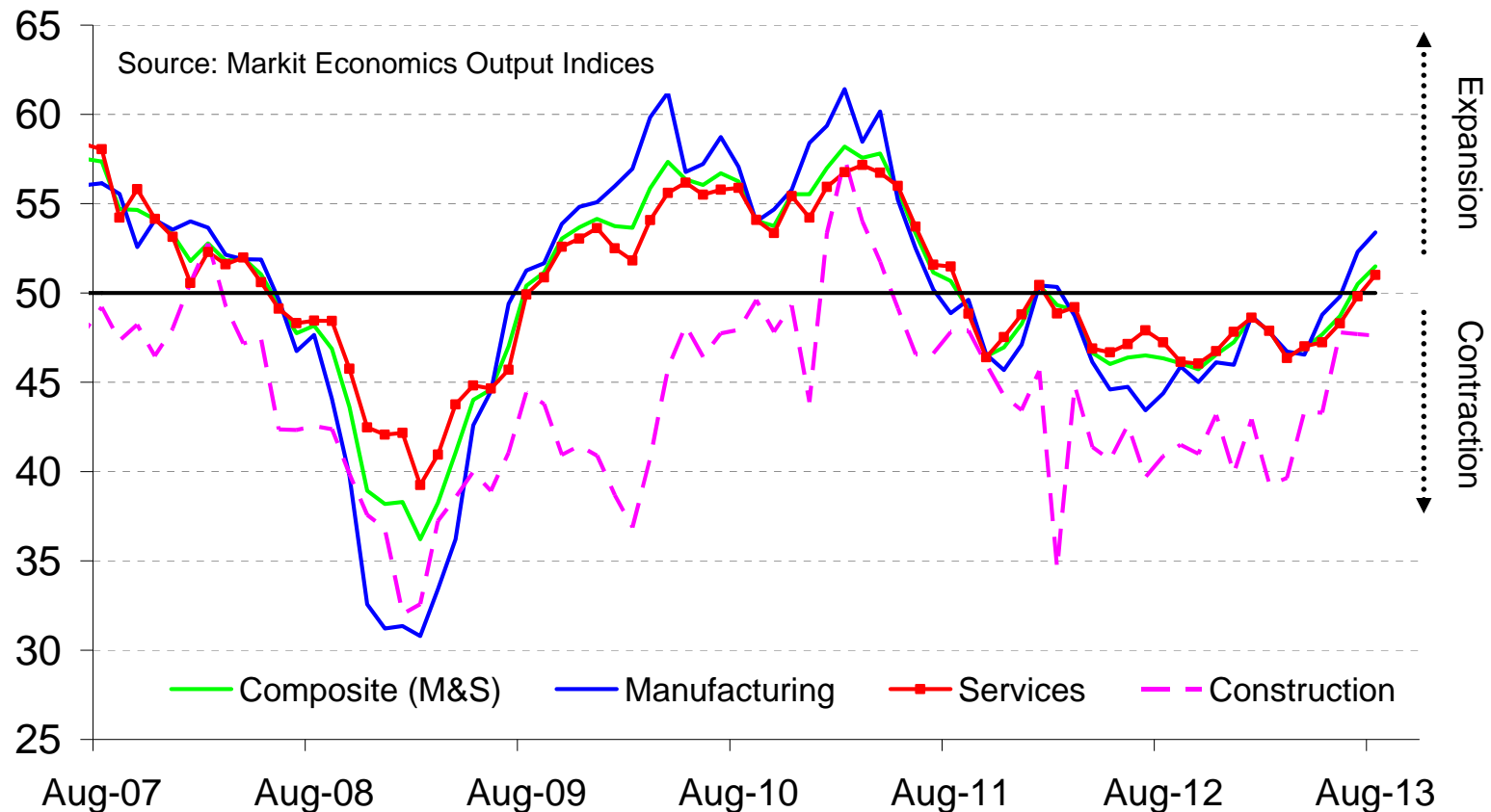
*Data at a sector level are more volatile and **3-month moving averages** have been used to more accurately identify the broad trends.*

Global output growth accelerates in August...

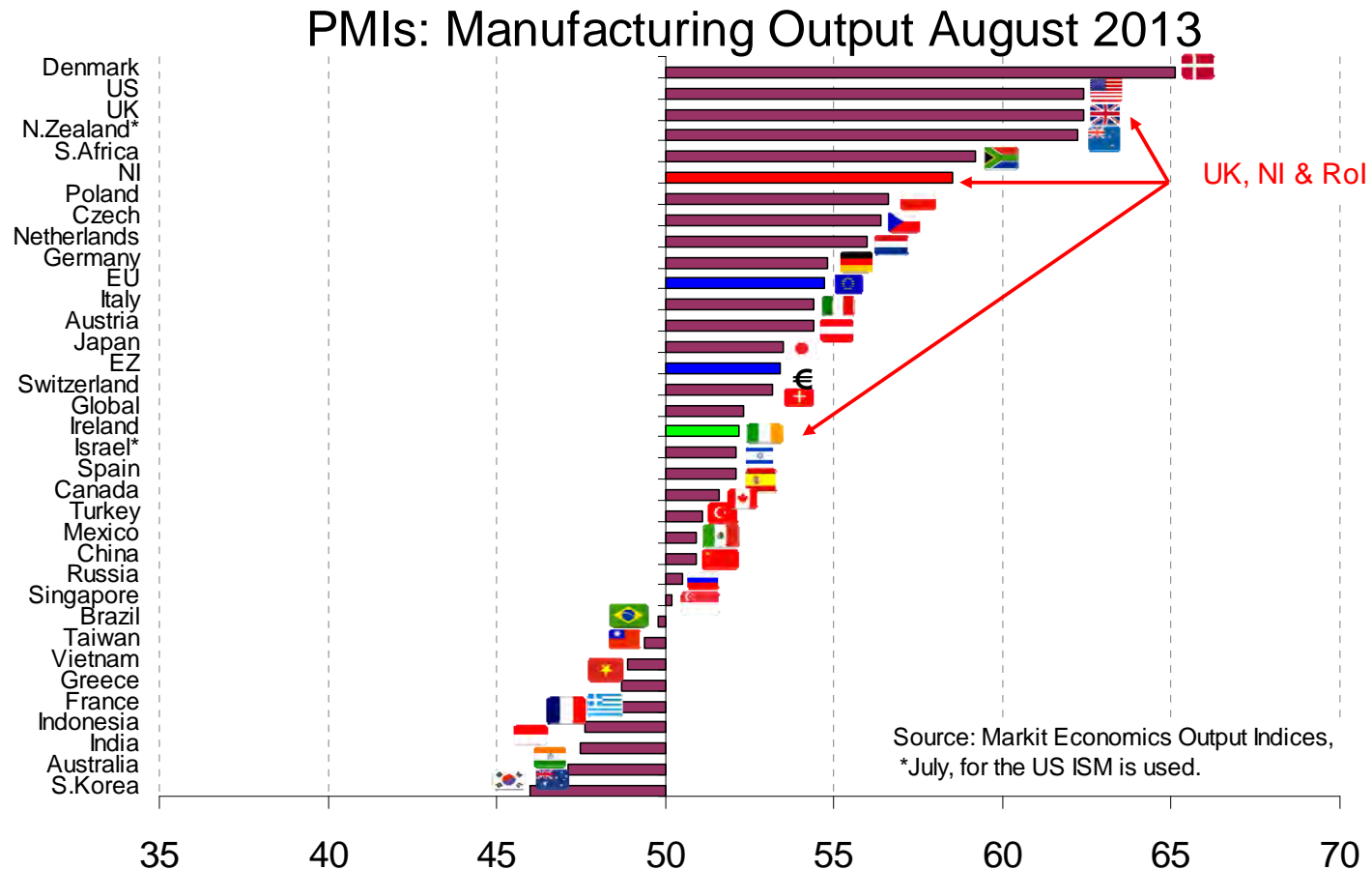


... with both manufacturing & services sectors posting growth in the Eurozone

Eurozone PMIs: Output

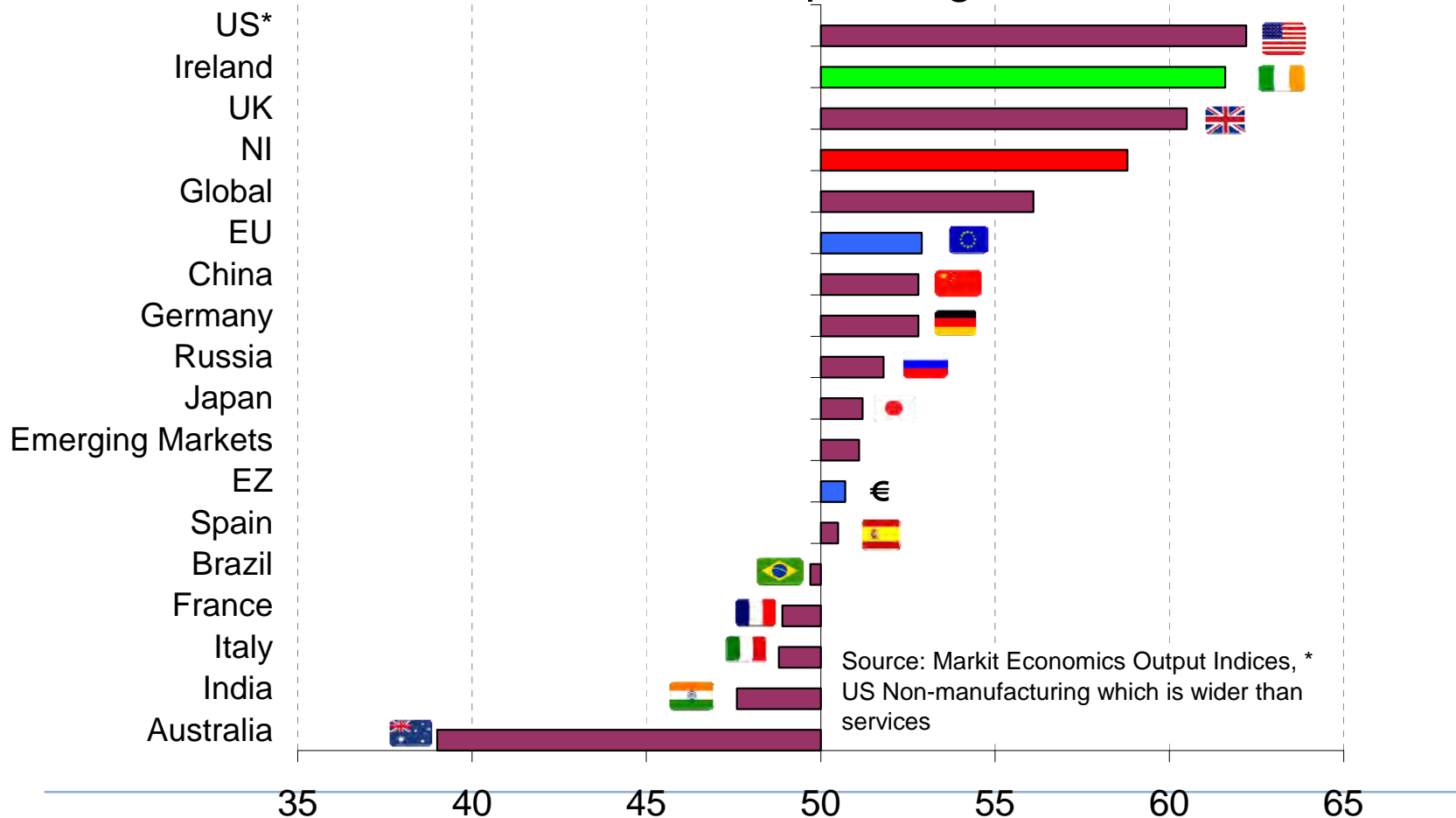


Top performers within manufacturing incl. US, Denmark, UK & NI. Underperformers incl. BRICs /Asia, Greece & Australia



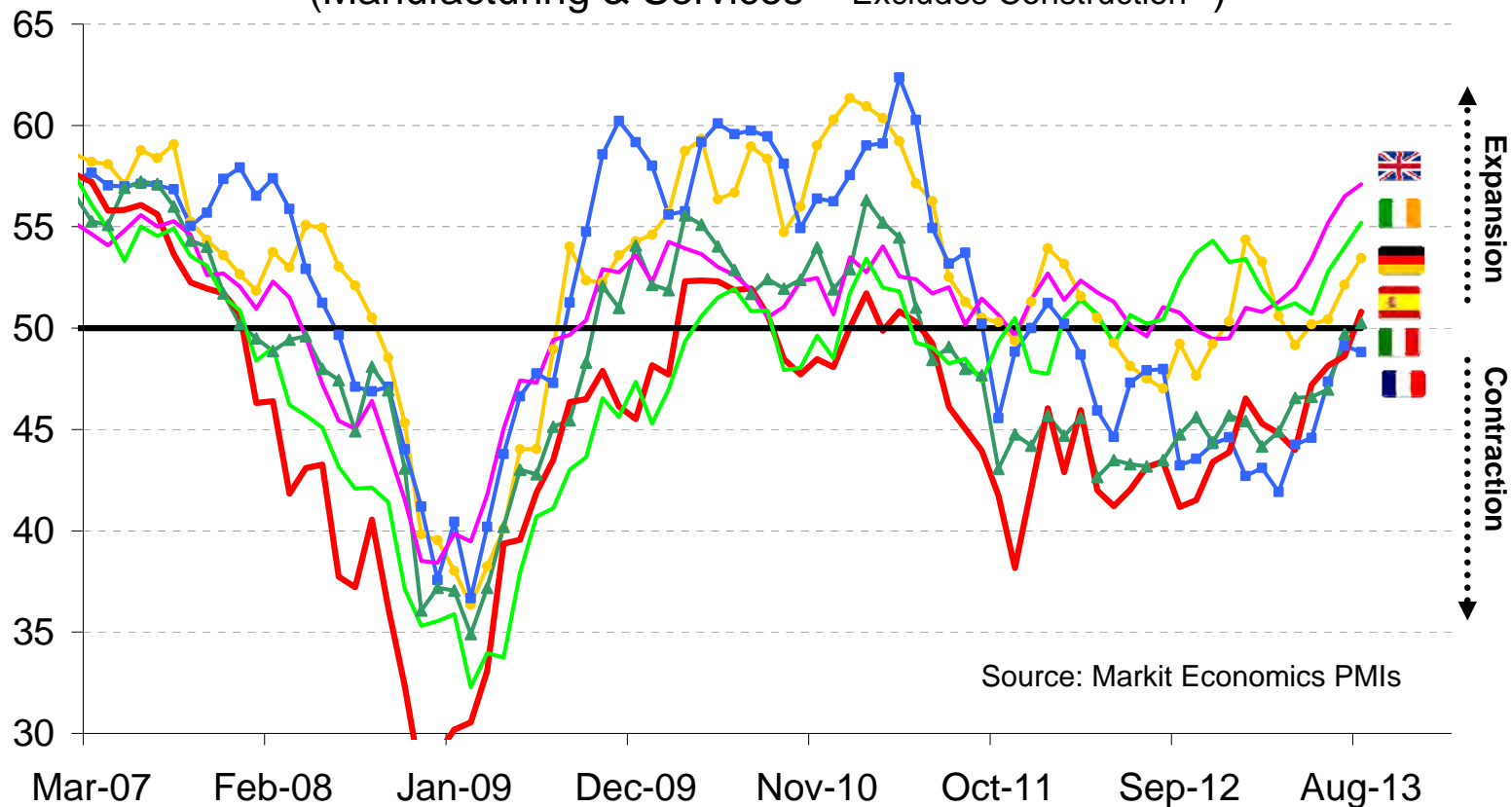
The US, UK & Ireland post the fastest rate of service sector output growth in August

PMIs: Services Output August 2013



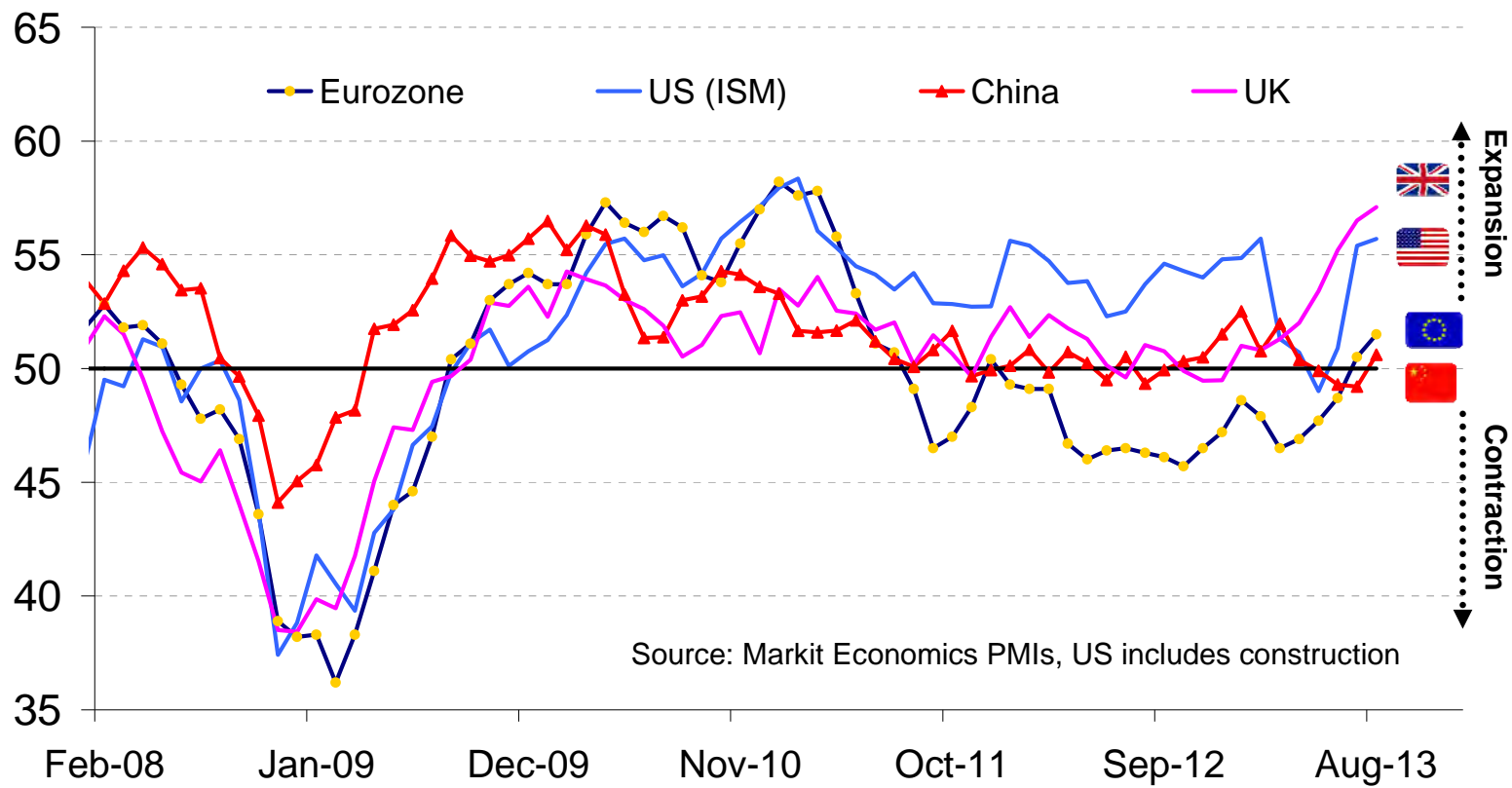
Three of the four largest economies within the eurozone are now expanding

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



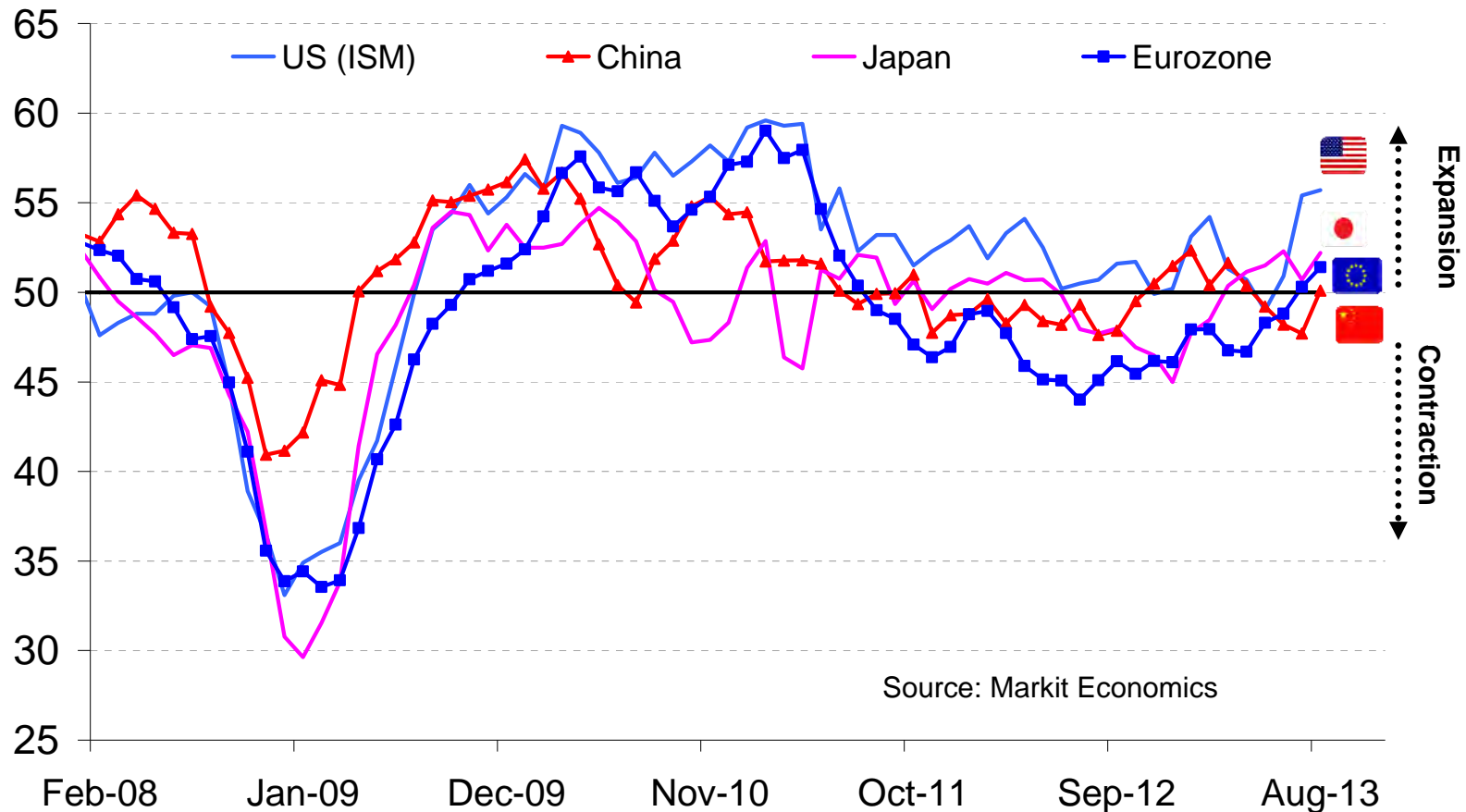
Acceleration in growth for the US, UK, China & the Eurozone

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



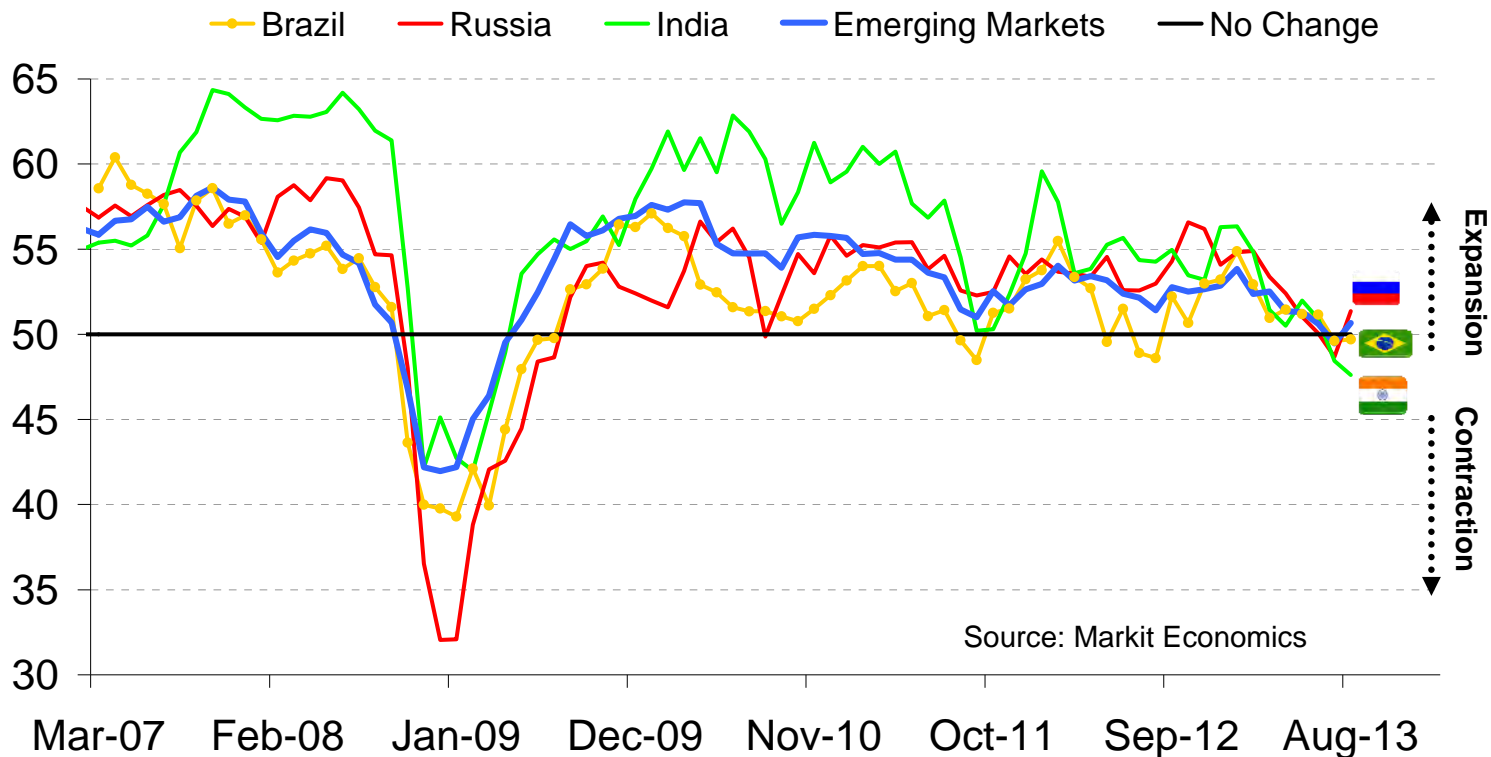
All major economies posting an improvement in August

Manufacturing PMIs



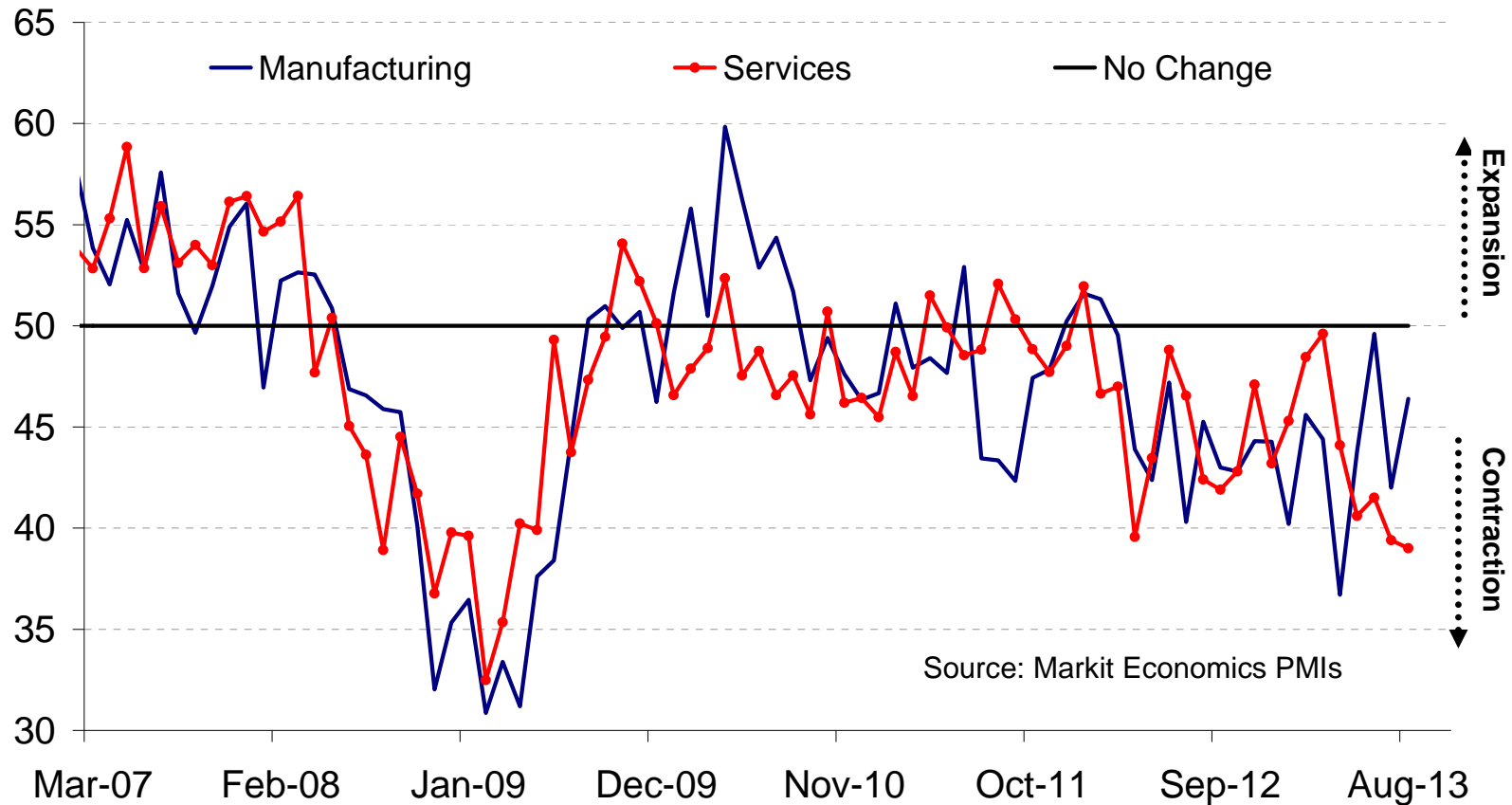
But outside of China, Russia is the only one of the BRIC economies in expansion mode (> 50.0)

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



... with a strong Aussie \$ and a slowdown in Asia is pushing Australia 'Down Under' too

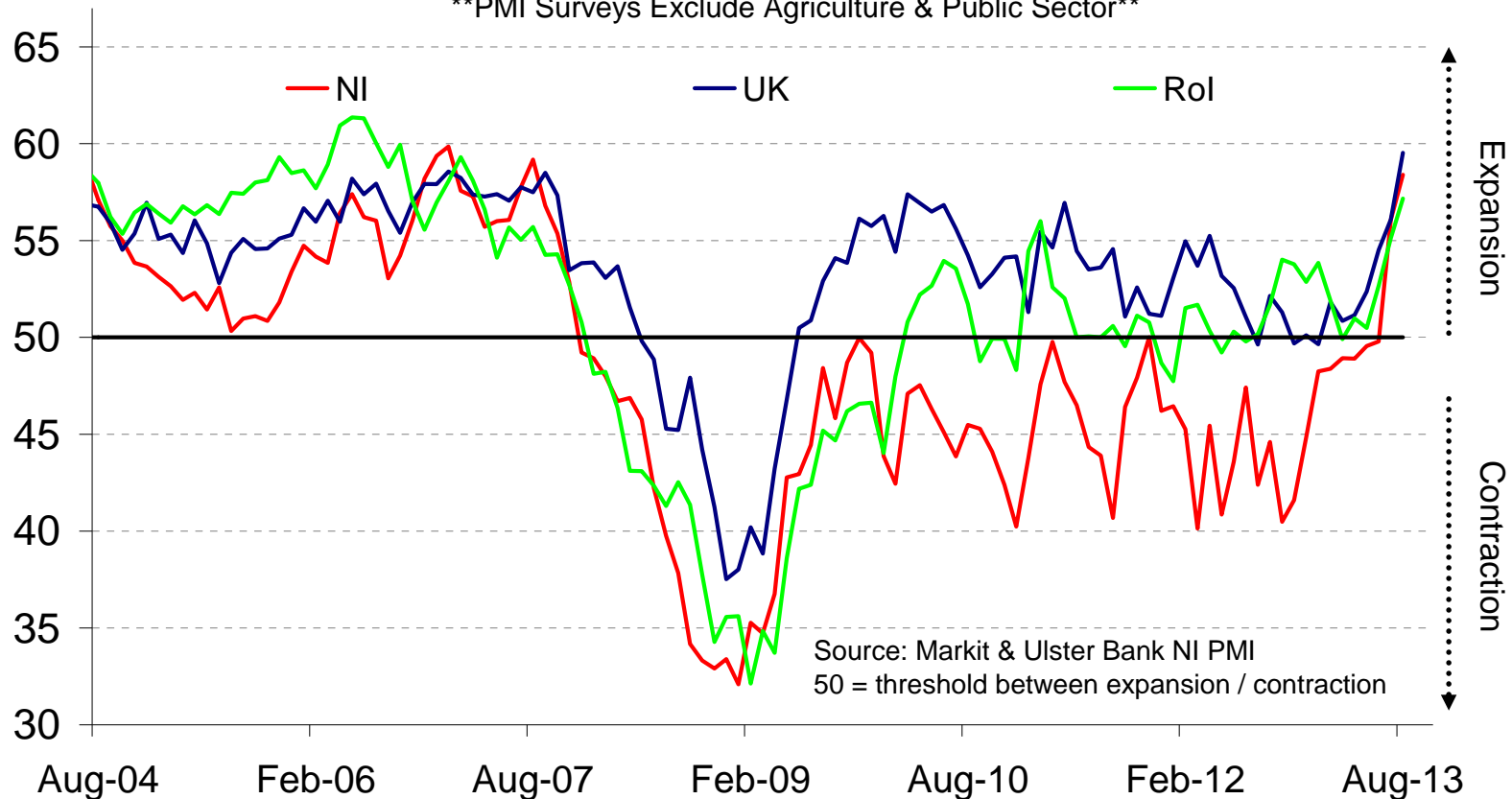
Australia - PMI



NI, UK & the RoI all post strong rates of growth in August. NI firms record their fastest rate of growth since March 2007

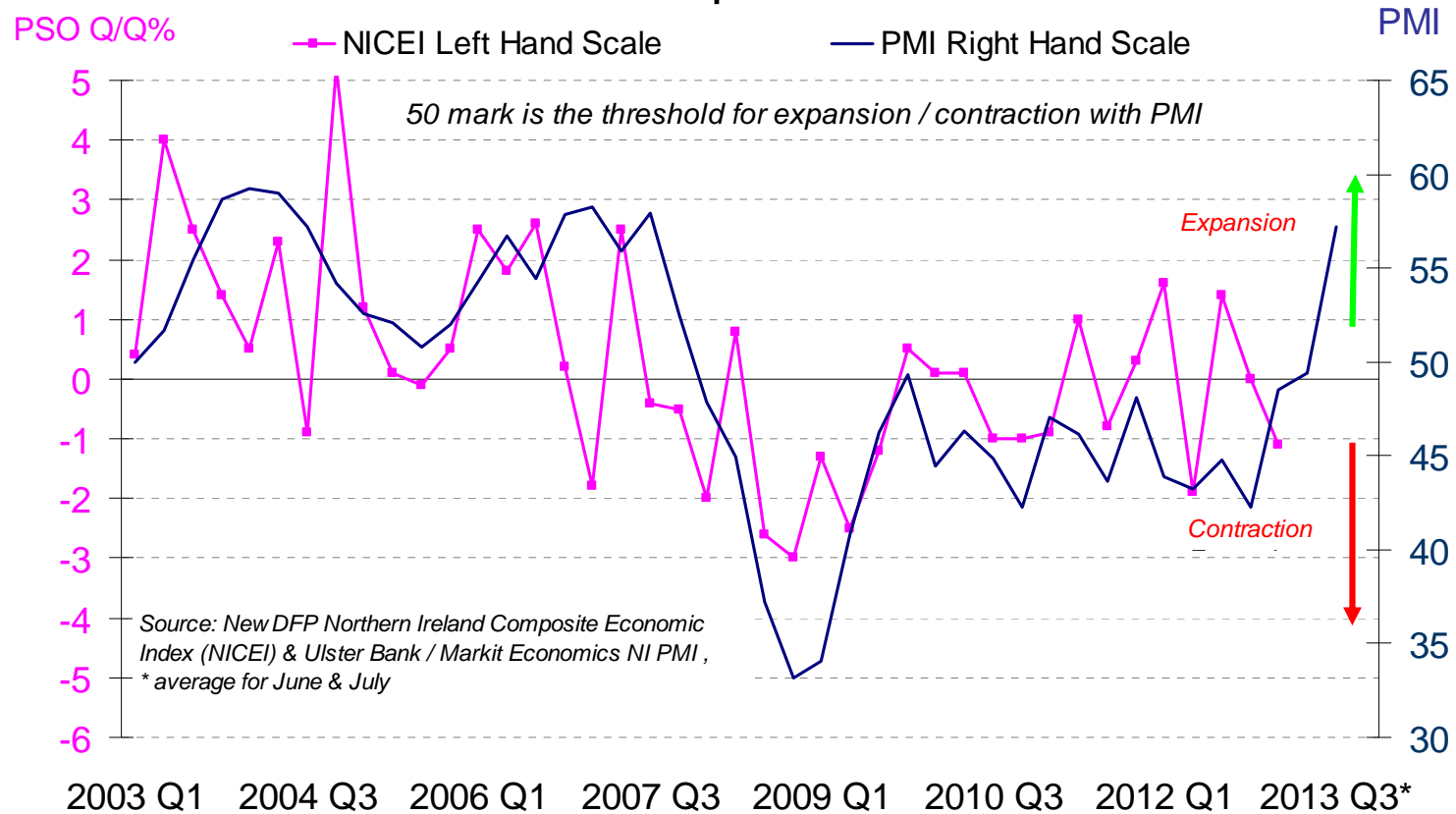
Private Sector Business Activity - PMIs

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



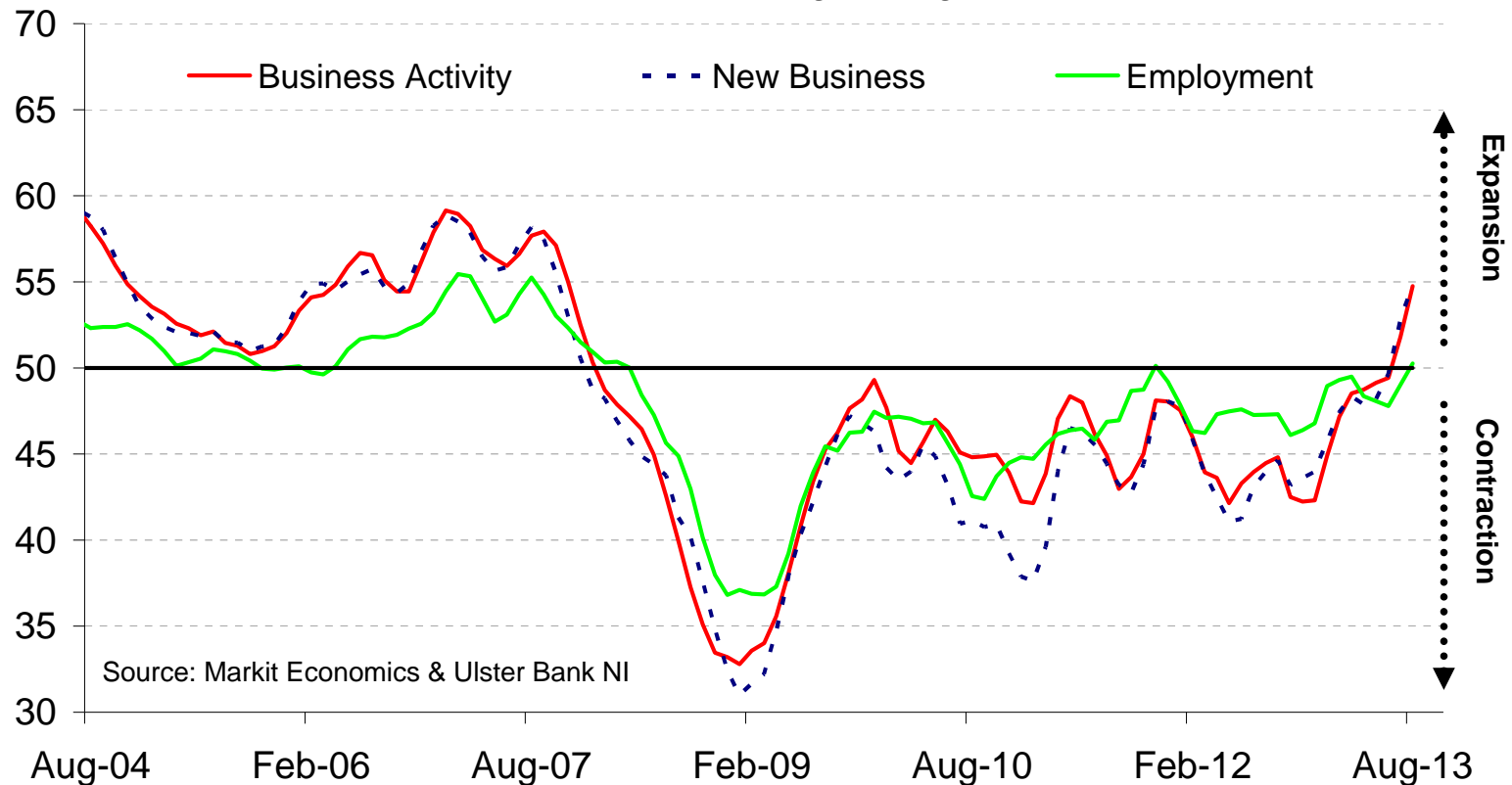
PMI suggests growth in DFP's new private sector composite index (combines indices for construction, services, agriculture & industrial production) in Q2/Q3 2013

NI Private Sector Output Index Versus NI PMI



NI firms report an increase in business activity, new orders & employment over the last 3 months

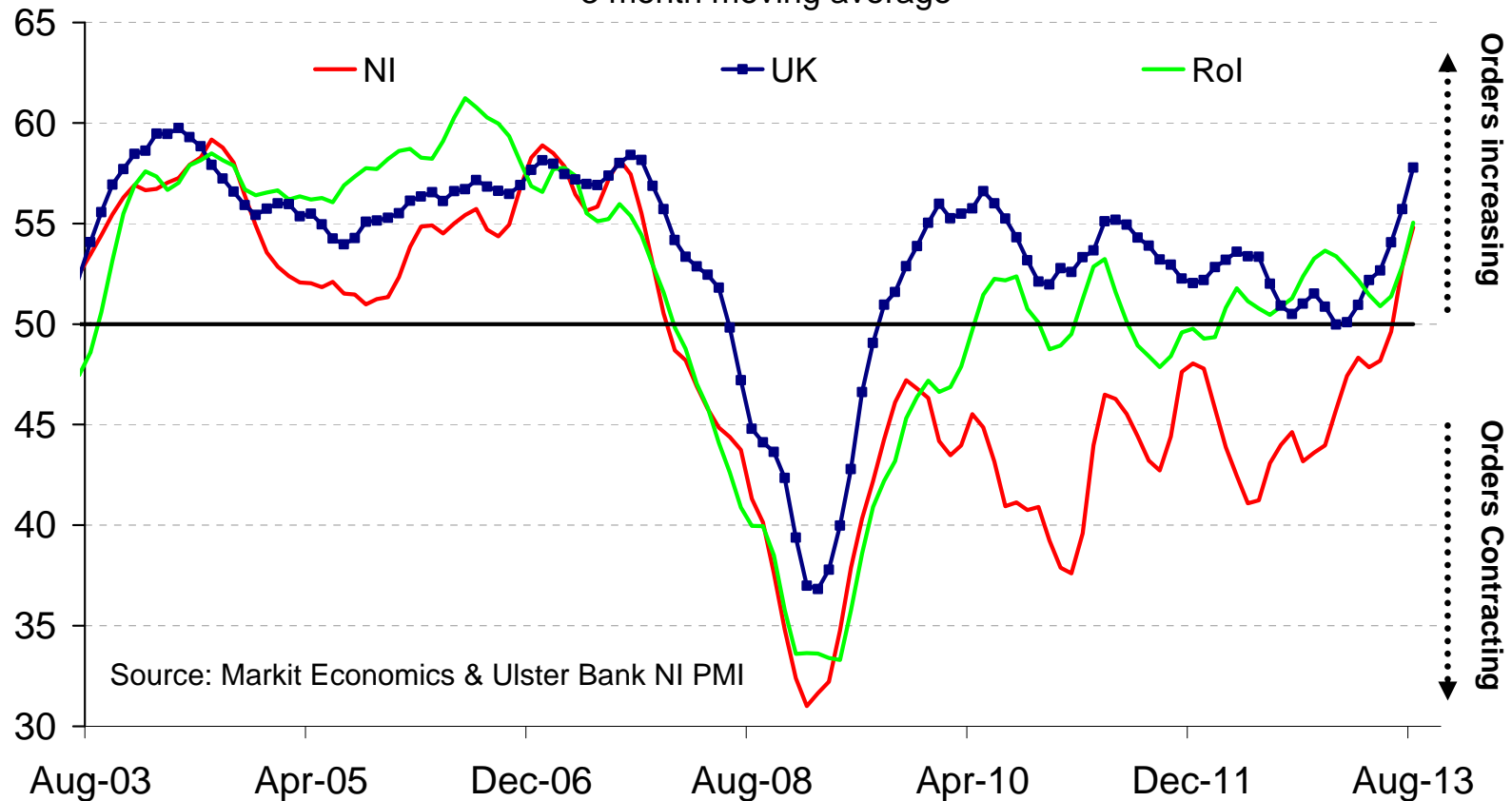
NI Private Sector Activity 3 month moving average



Forward looking indicators suggest more growth in all three economies in the months ahead

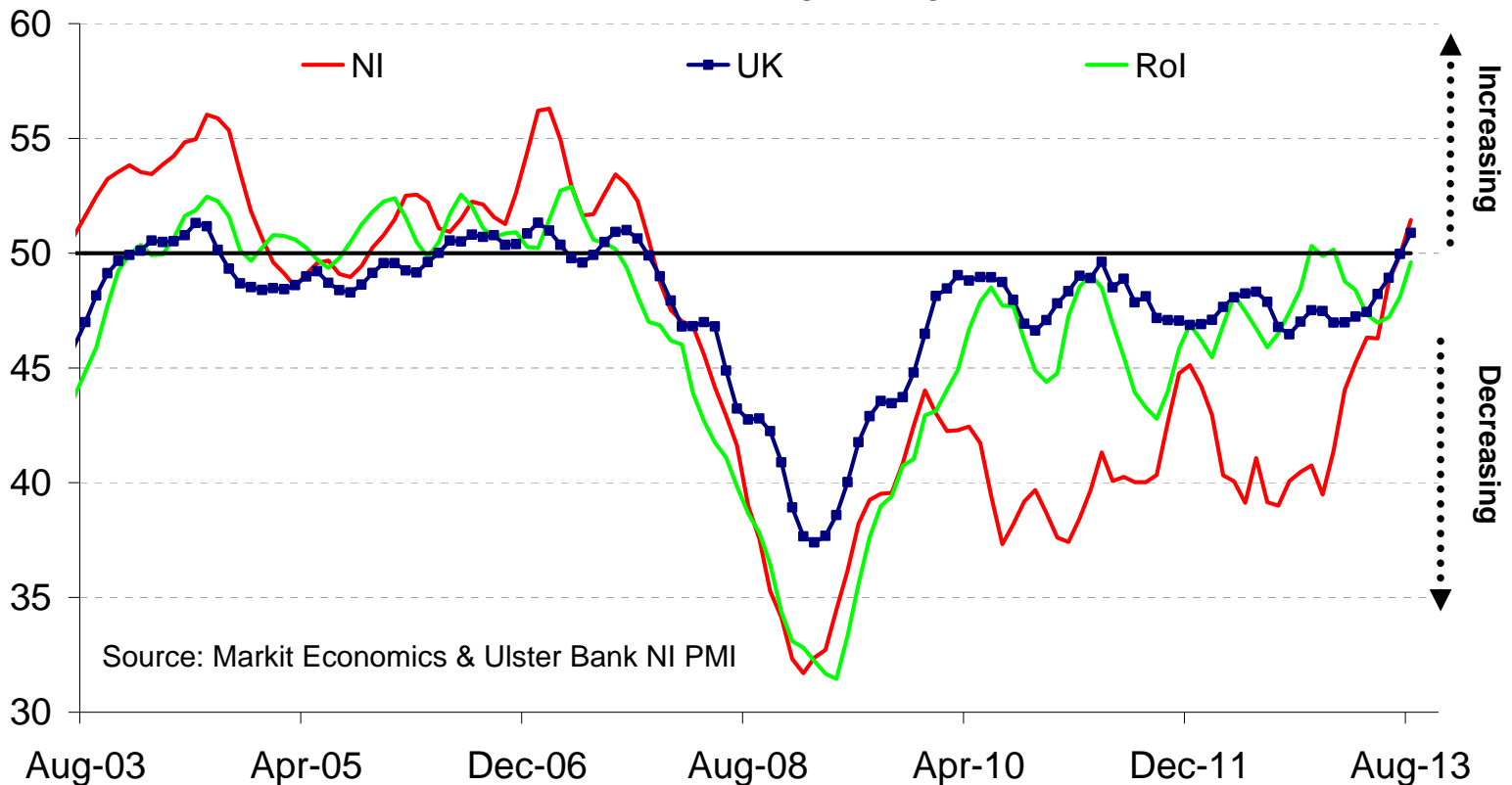
Private Sector New Orders

3 month moving average

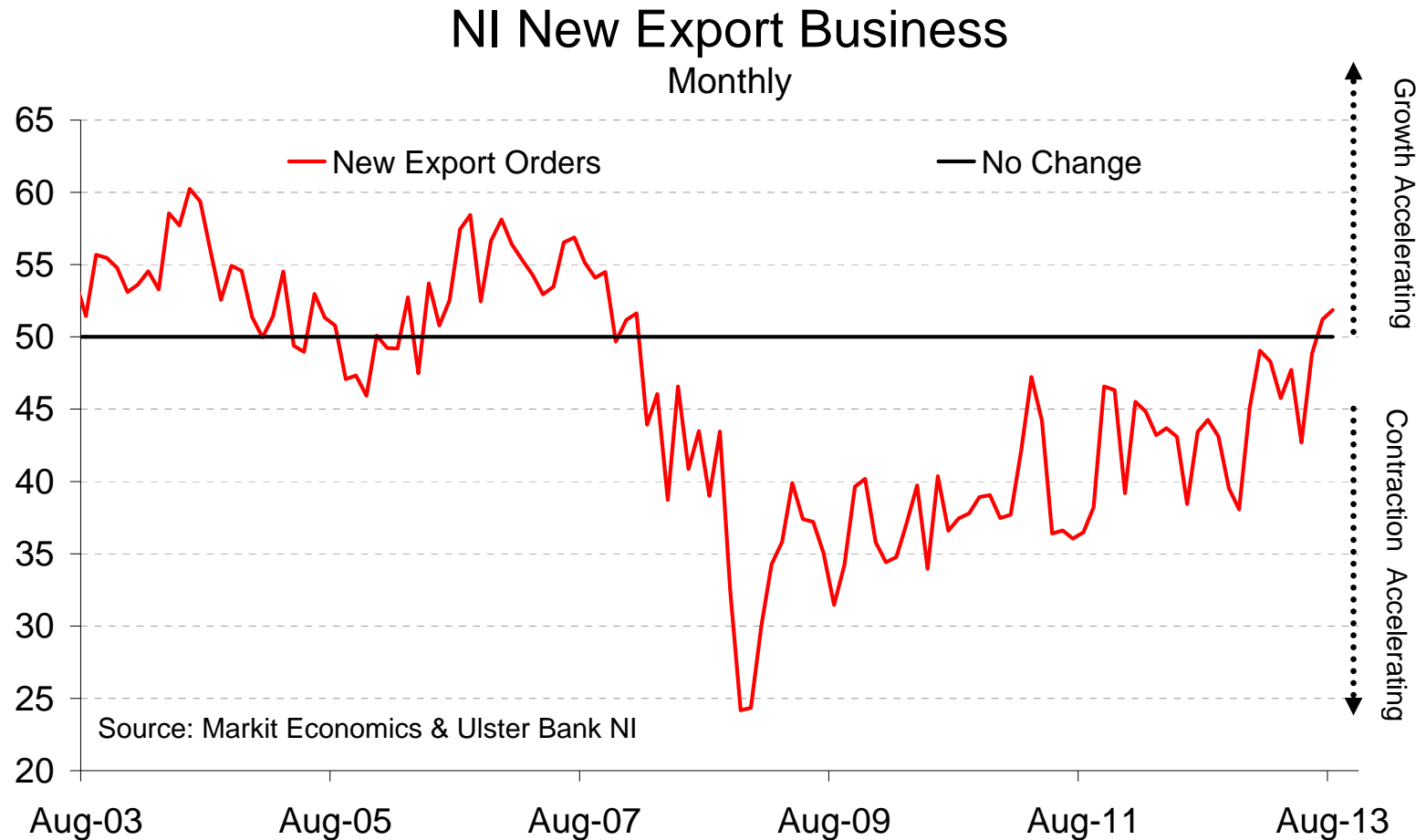


Surge in demand is leading to backlogs of work in NI & the UK

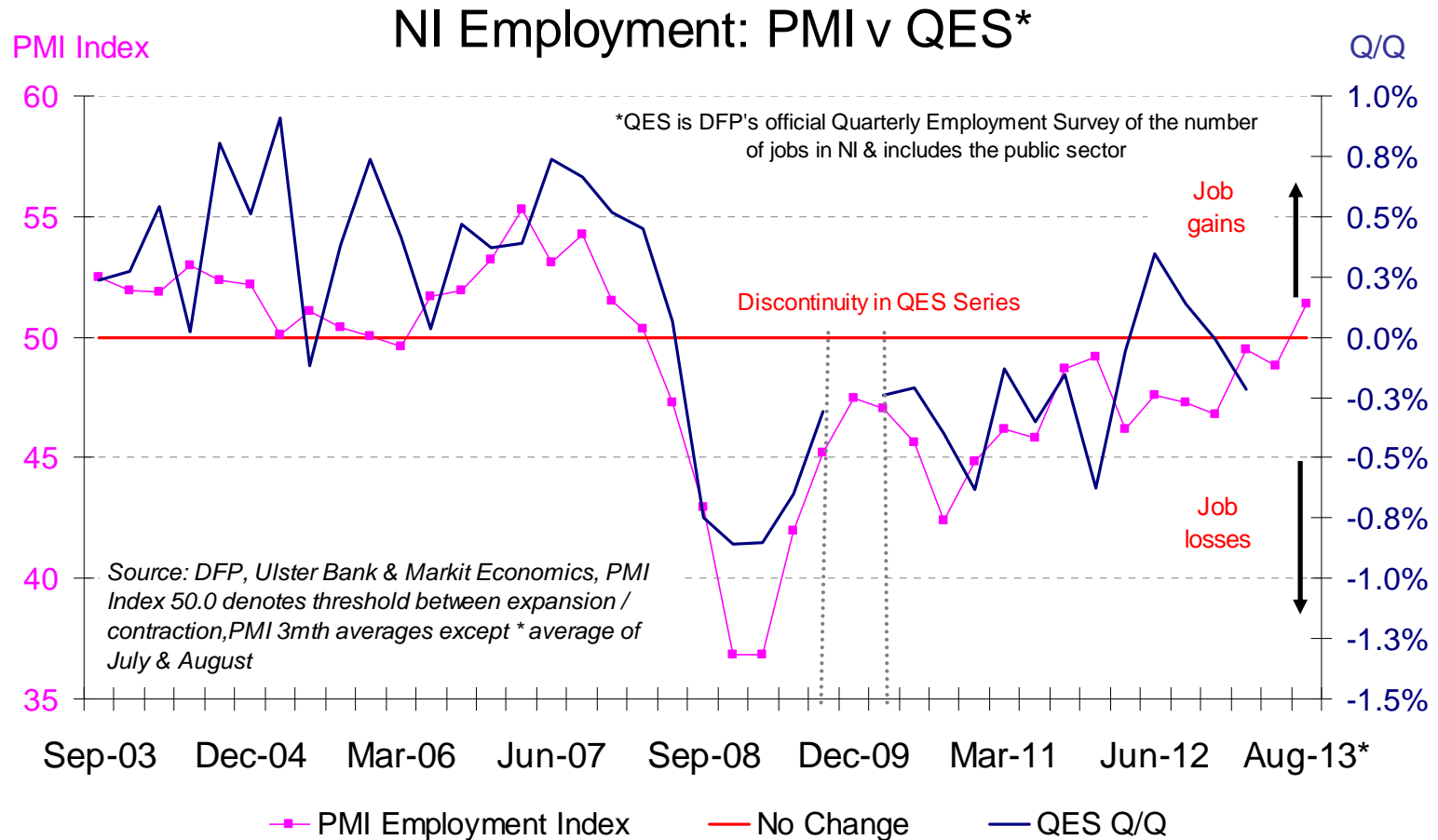
Private Sector Backlogs
3 month moving average



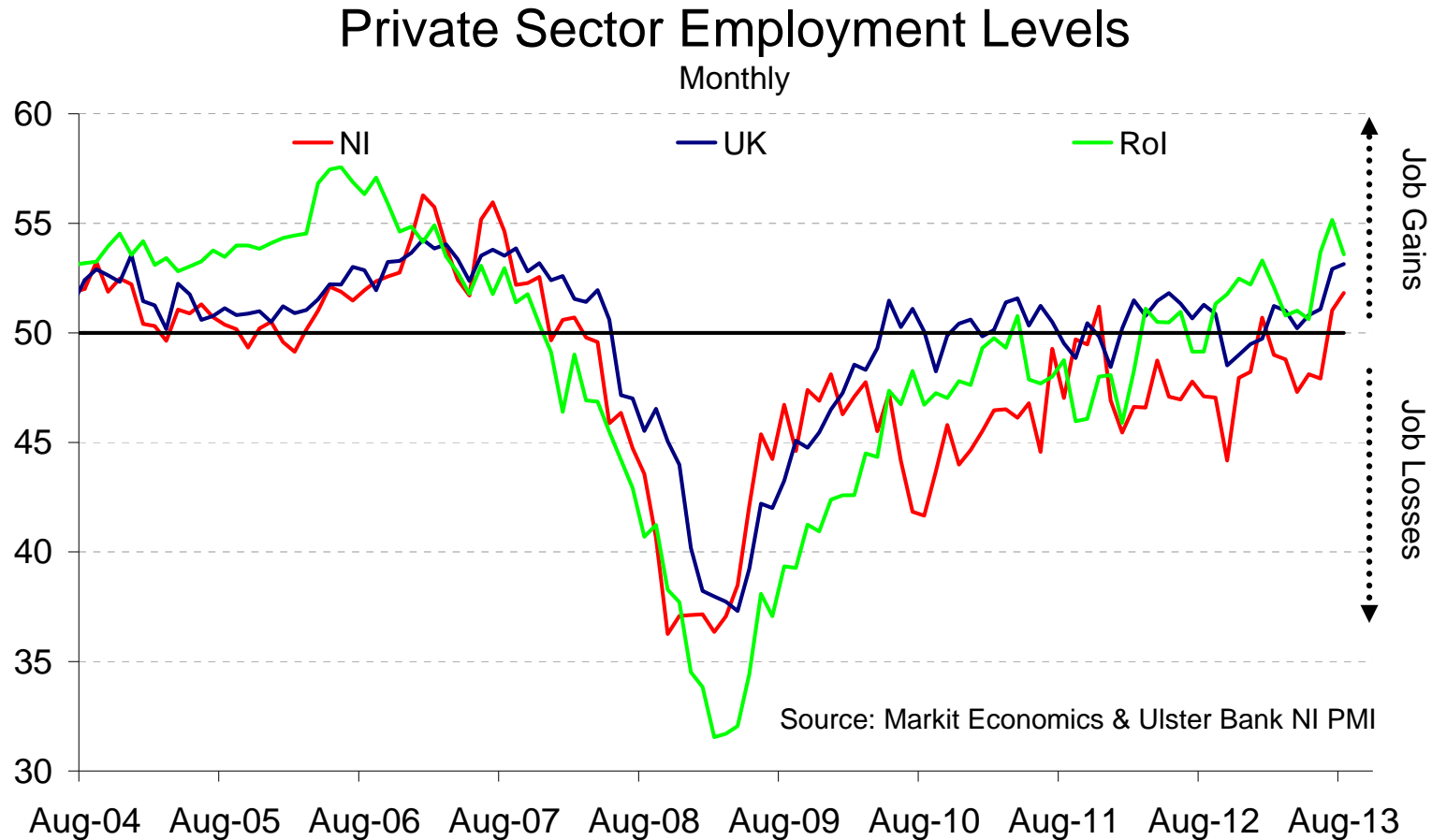
NI firms post the first increase in export orders since October 2007



PMI underestimated job gains in 2012 (relative to official jobs survey).
PMI signals a return to employment growth in Q3 2013



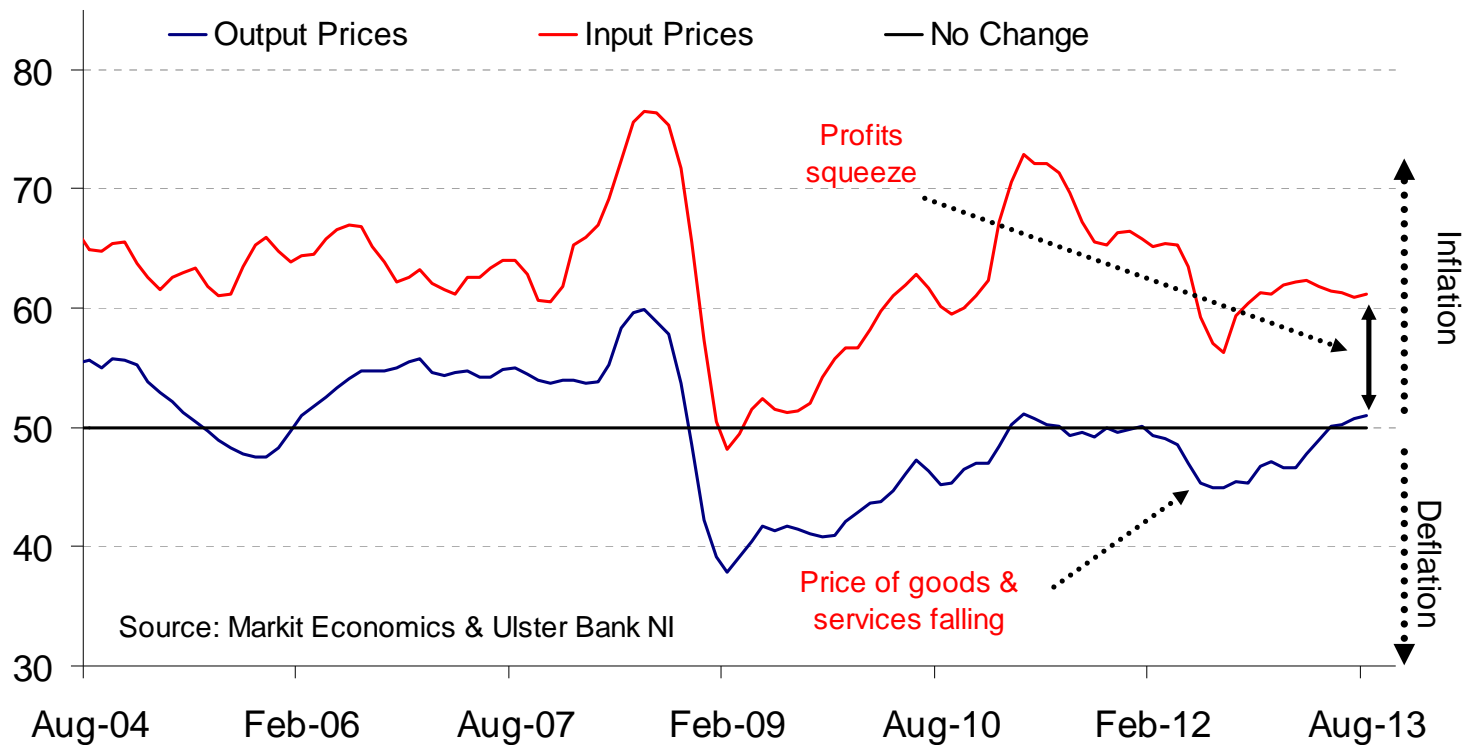
Firms within the UK, RoI & NI all post strong employment gains in August



Private sector's profitability squeeze eases

NI Private Sector Profit Squeeze

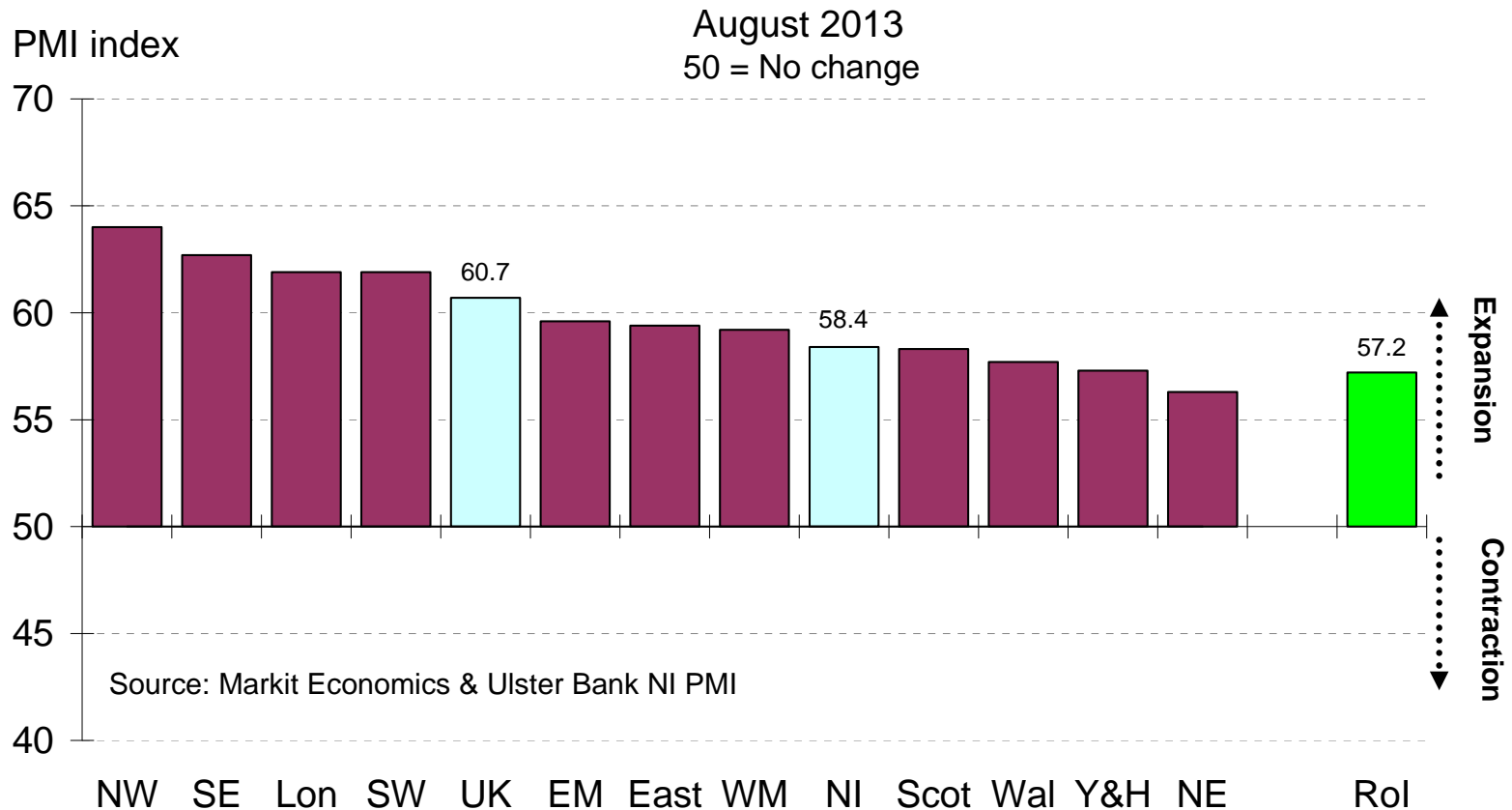
3 Month Moving Average



Regional Comparisons

PMIs experience a heatwave in August with strong growth reported everywhere...

Output / Business Activity



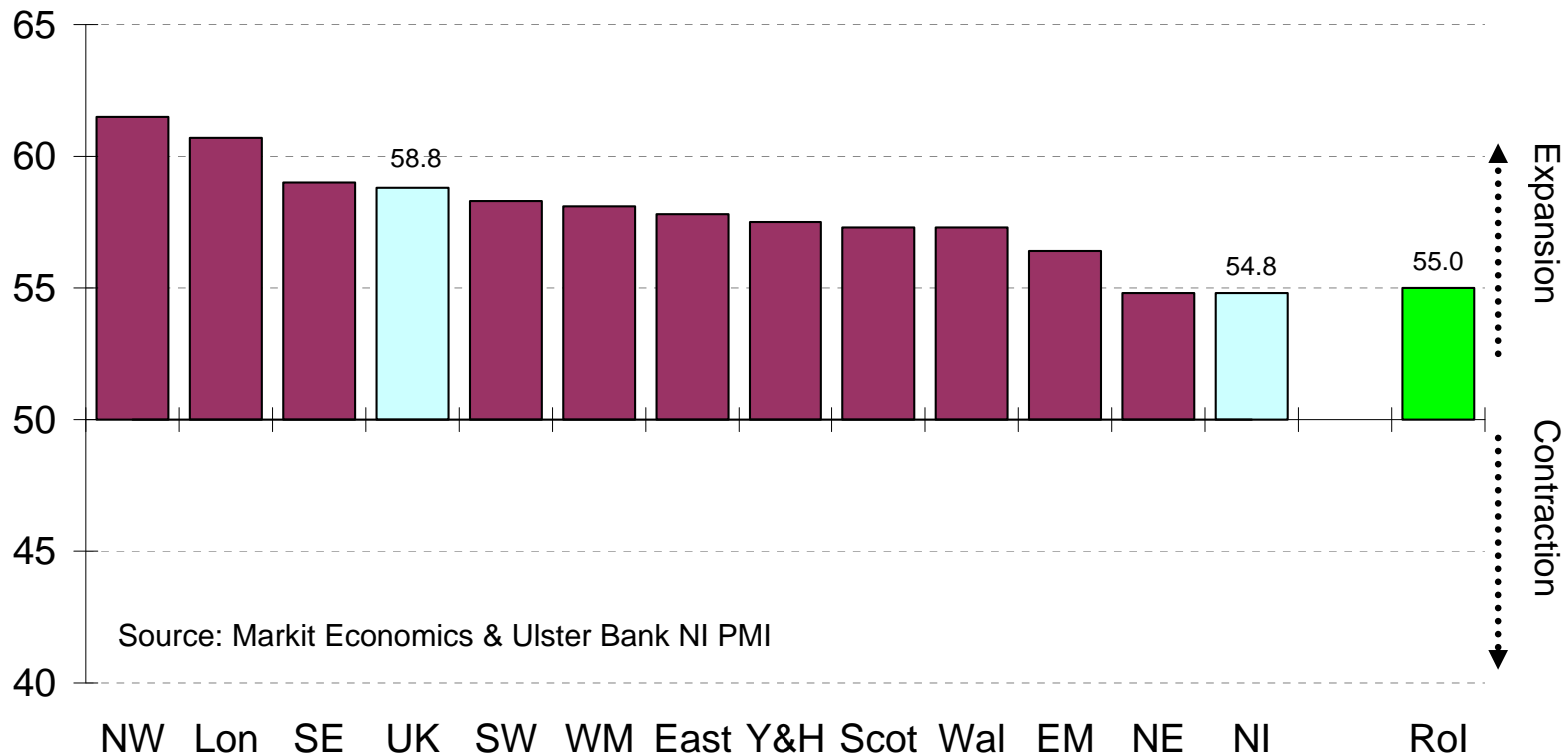
... all the UK regions post growth over the last 3 months

Output / Business Activity

3 months to August 2013

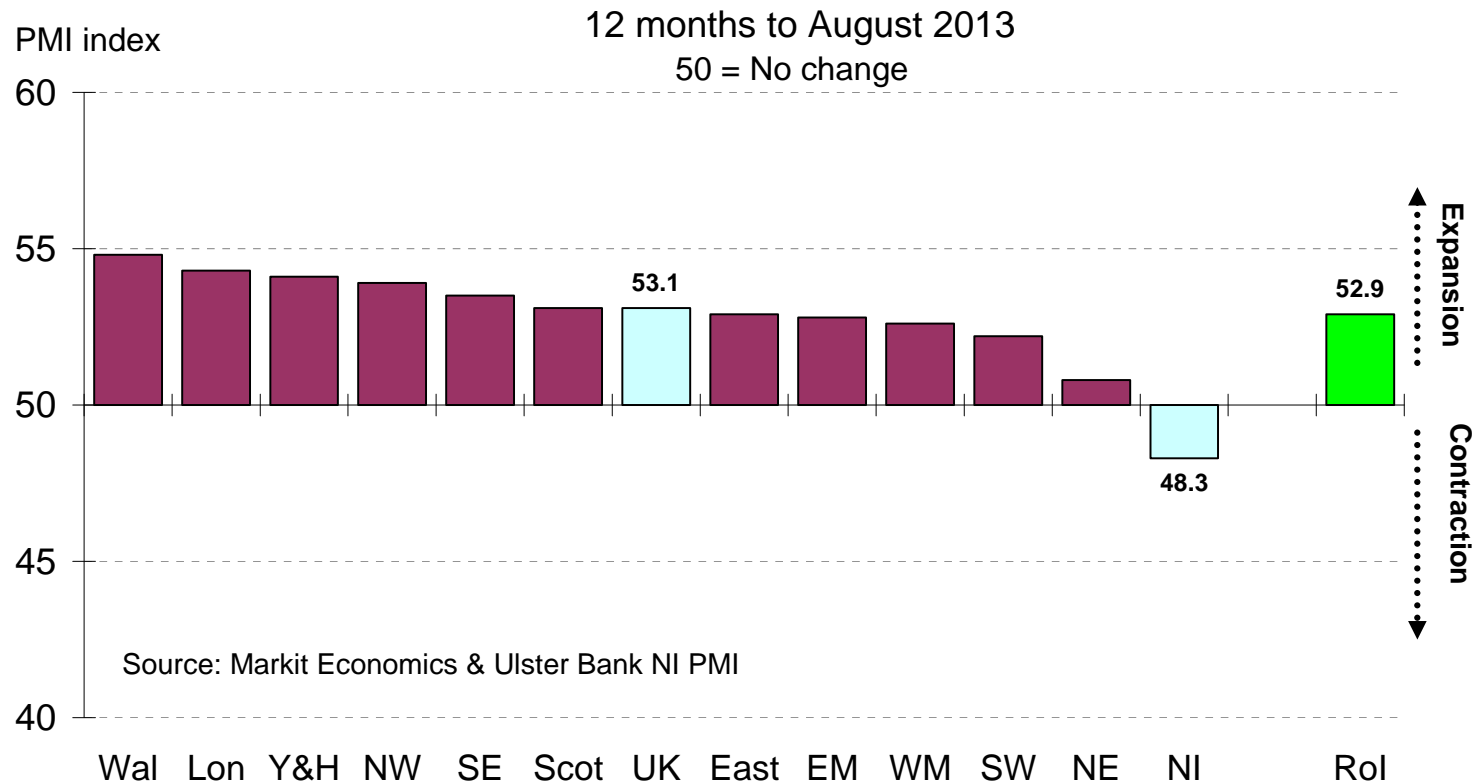
50 = No change

PMI Index

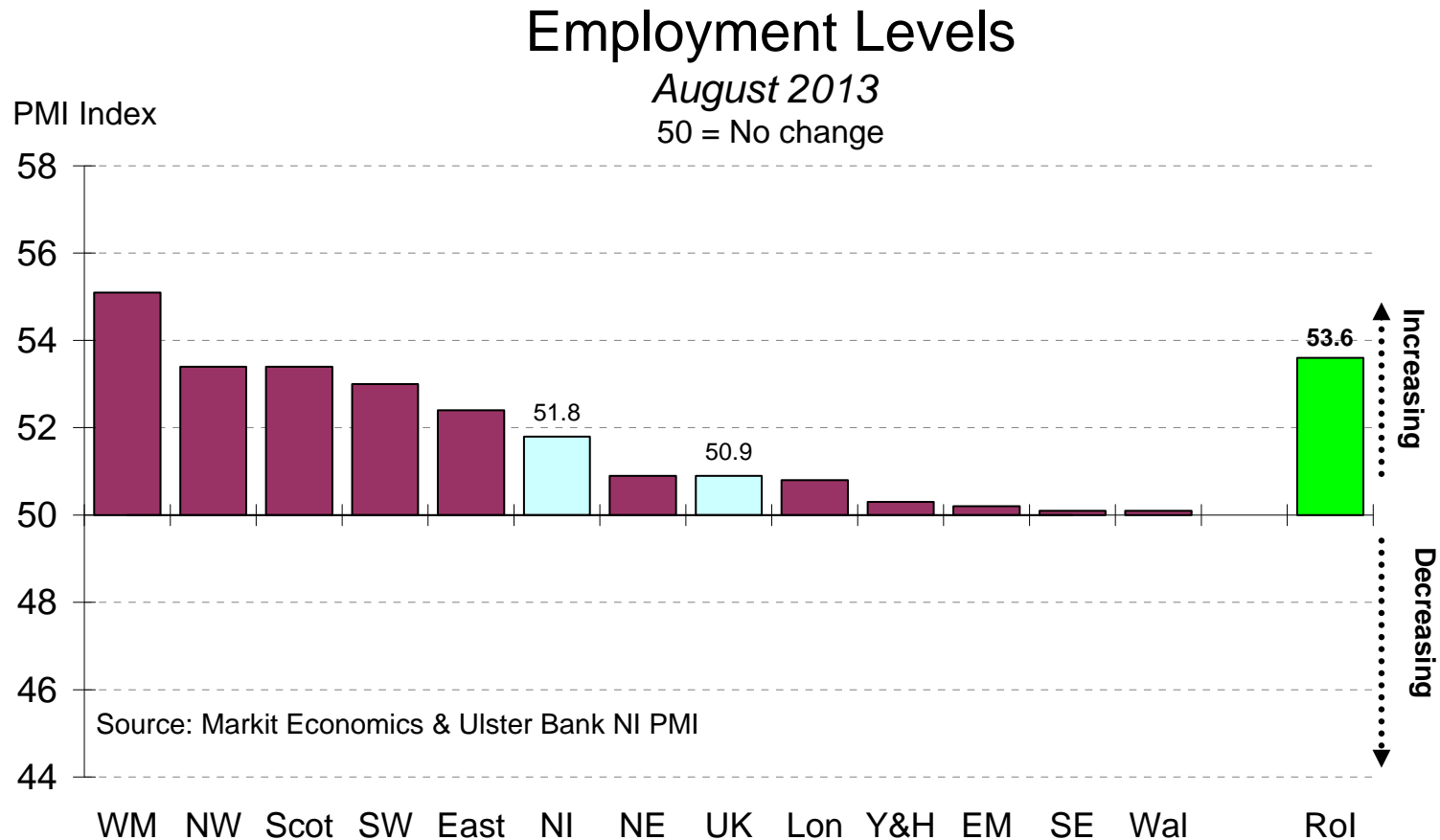


...but NI is the only UK region to post a decline in output over the last 12 months

Output / Business Activity



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

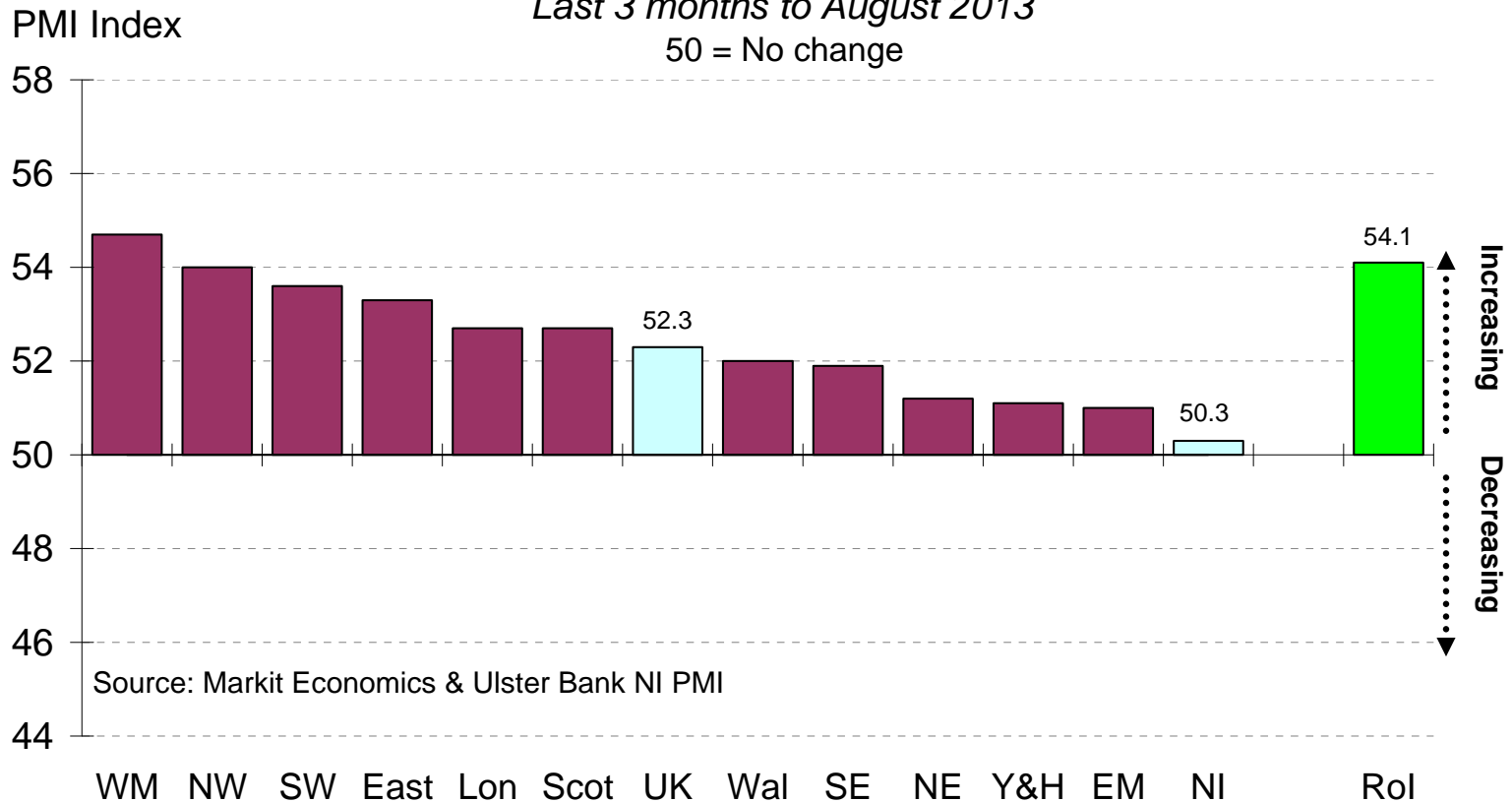


... and over the last 3 months to August

Employment Levels

Last 3 months to August 2013

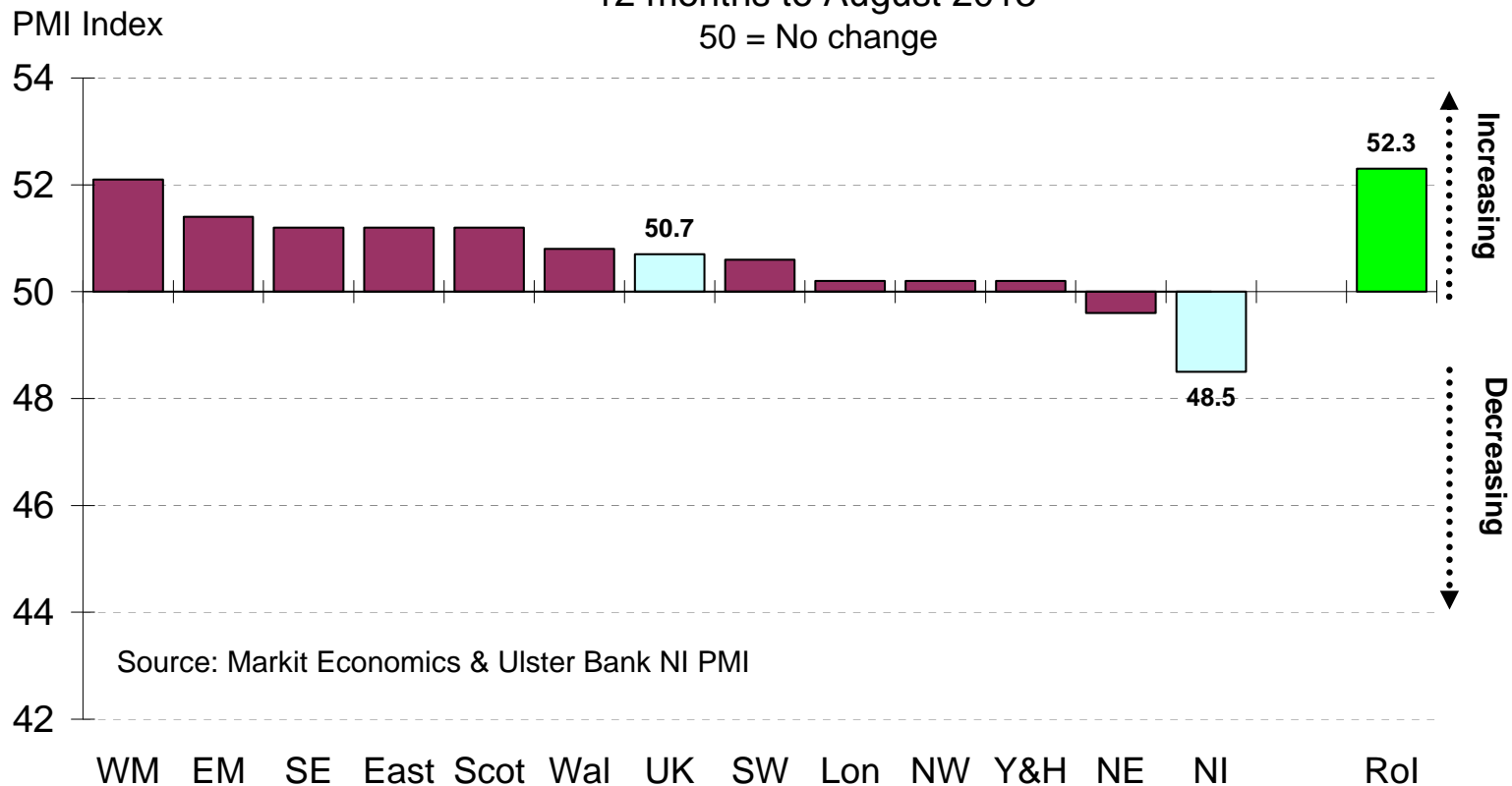
50 = No change



NI posts the steepest decline in employment & Rol the sharpest rise over the last 12 months

Employment Levels

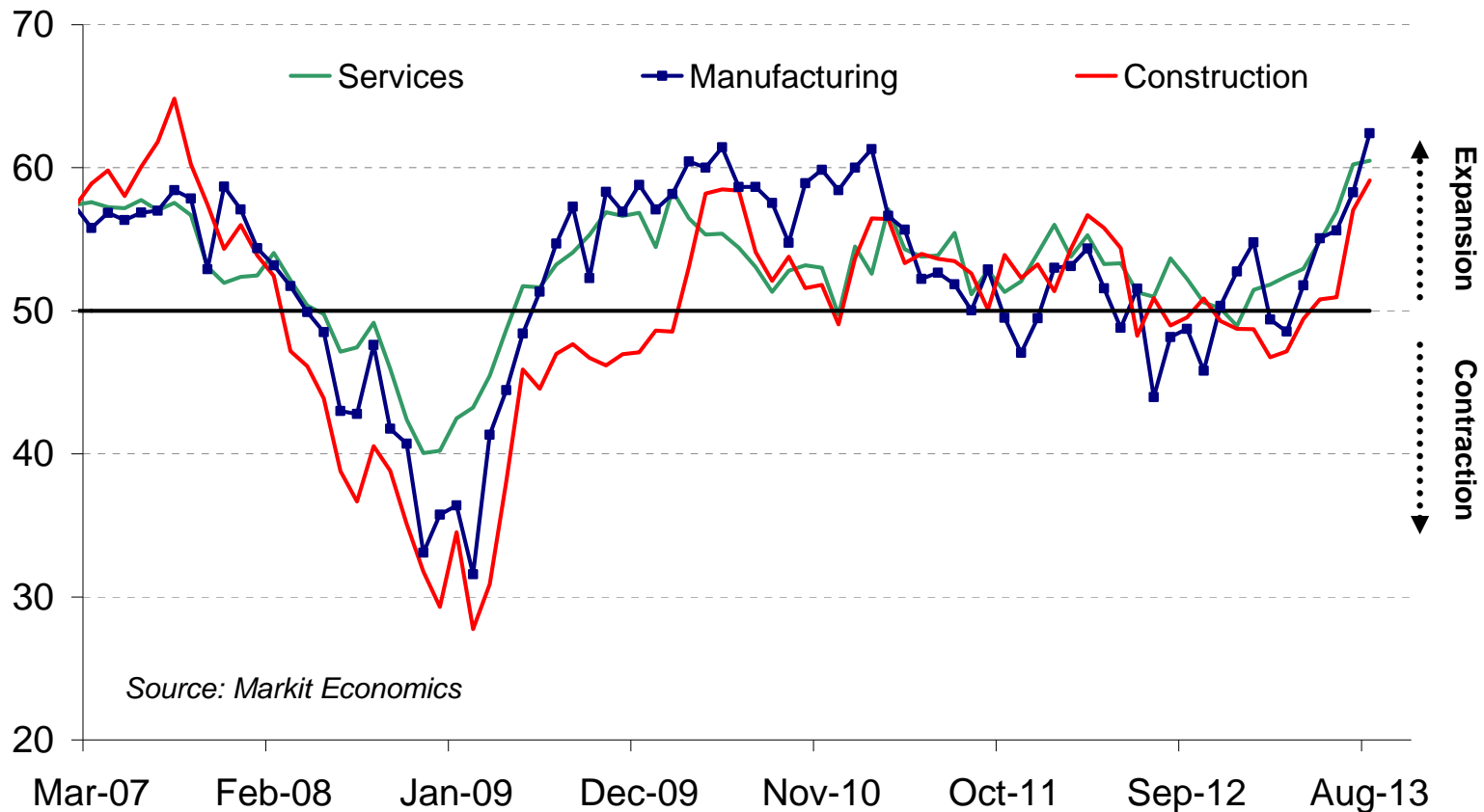
12 months to August 2013
50 = No change



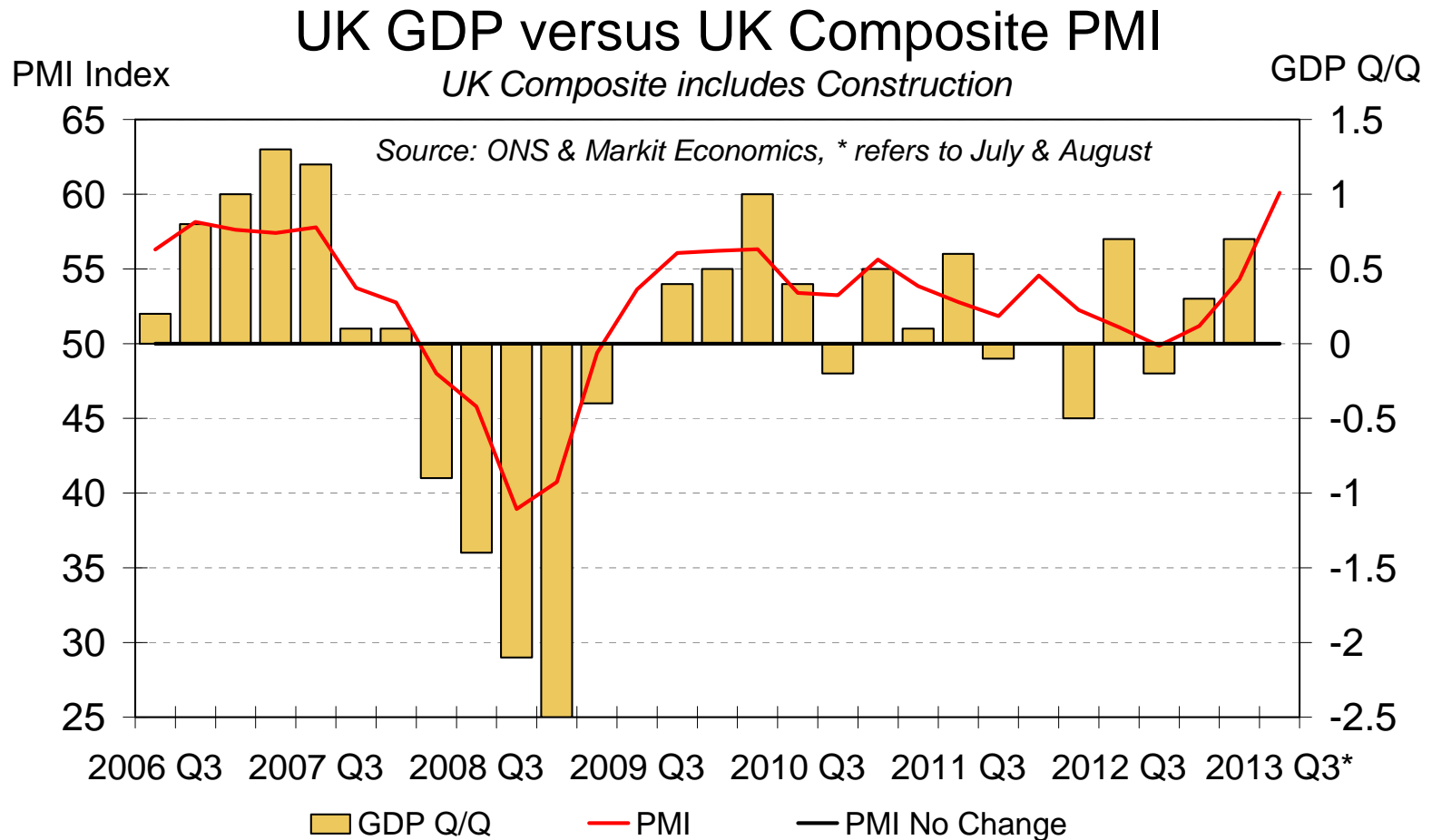
Sectoral Comparisons

All three broad UK sectors witness a marked acceleration in output growth in August

UK Business Activity / Output - PMIs



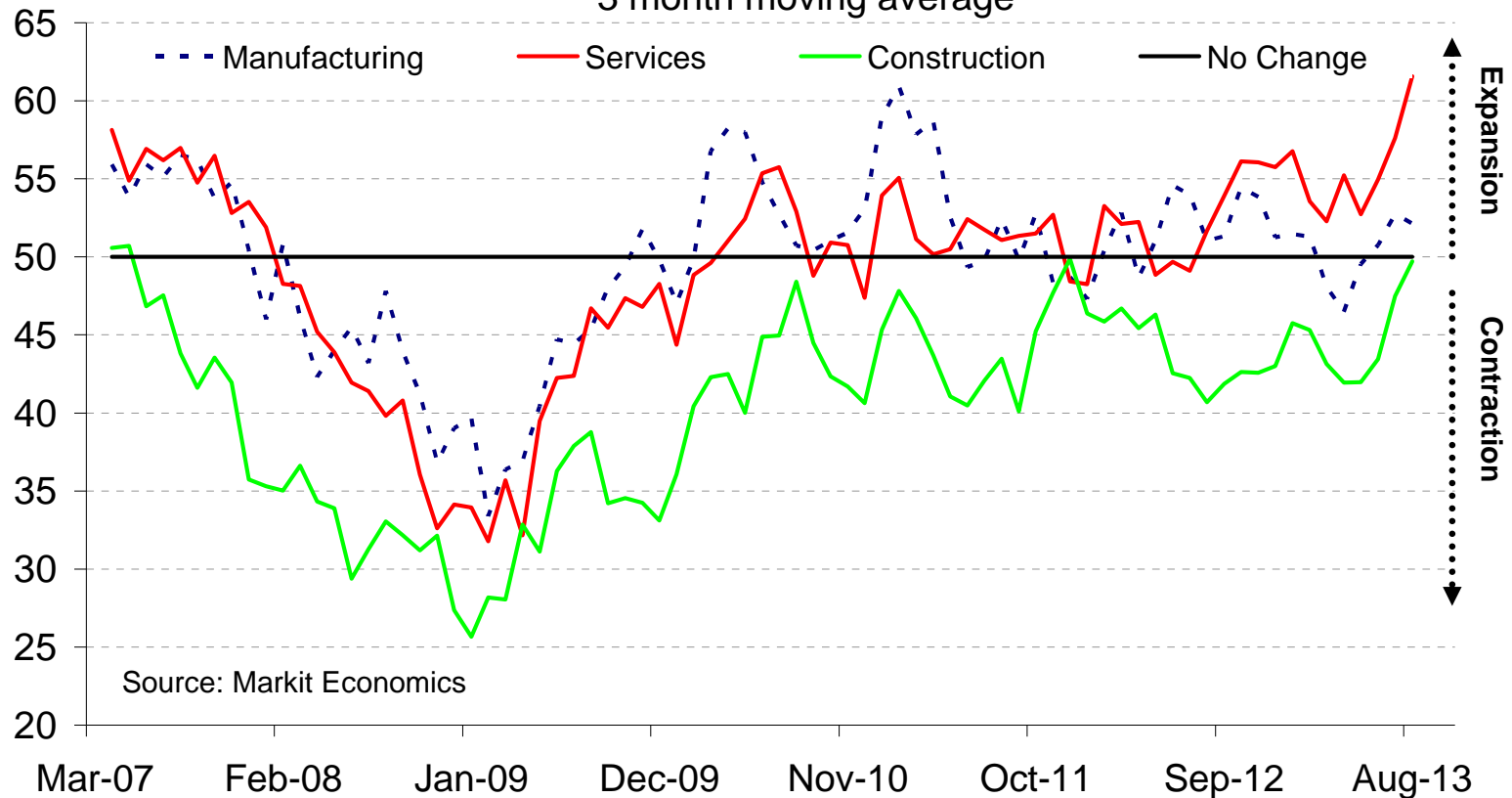
UK economic growth accelerates in Q2 & Q3



Rol's services sectors an acceleration in output growth while construction remains sub-50 – but only just

Rol Business Activity - PMIs

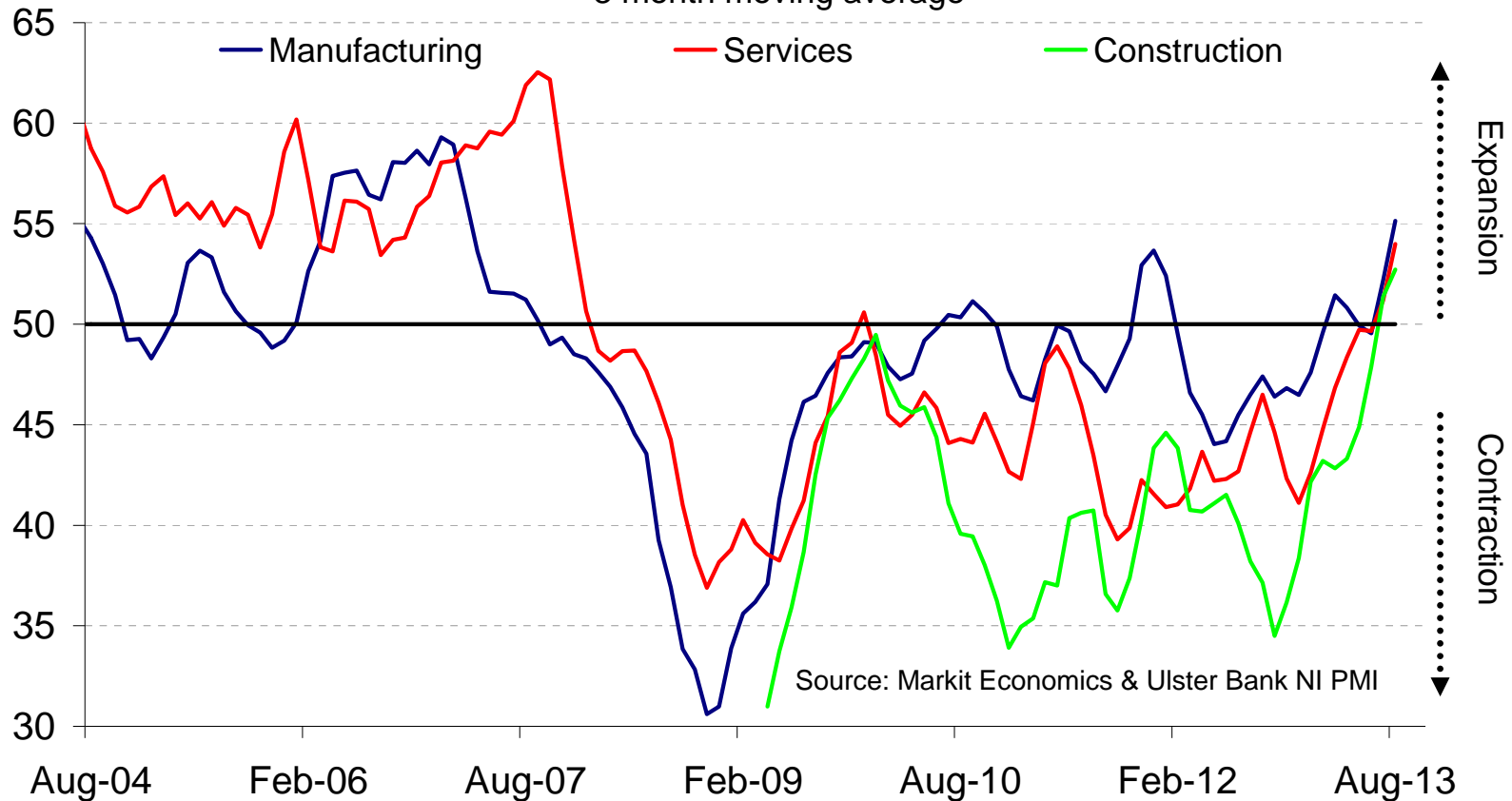
3 month moving average



All three broad sectors reported increased levels of business activity in the 3 months to August 2013...

NI Private Sector Output

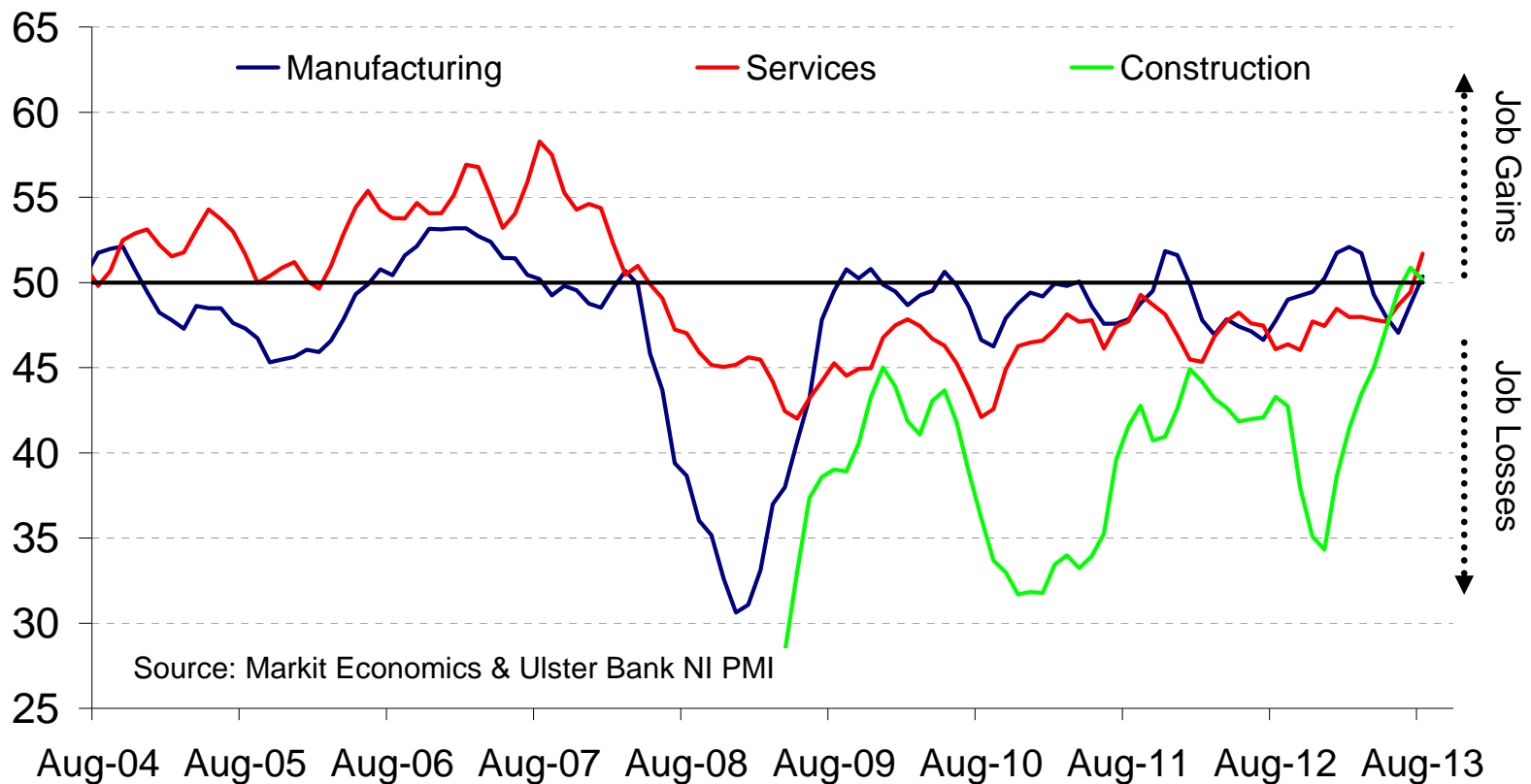
3 month moving average



...with all sectors reporting job gains over the last 3 months

NI PMI - Employment Index

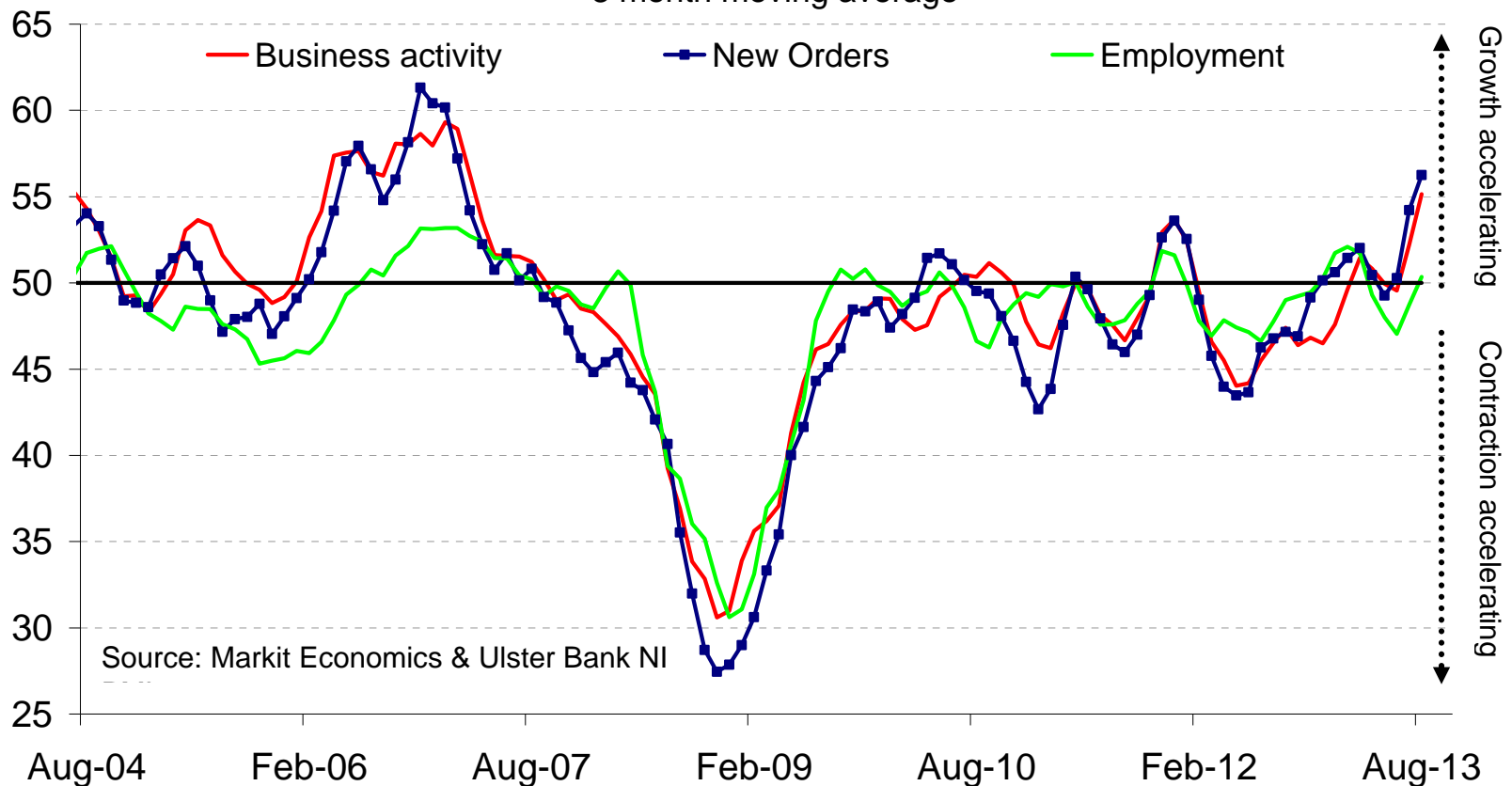
3 month moving average



NI's manufacturing sector posts an acceleration in business growth & new orders over the last 3 months

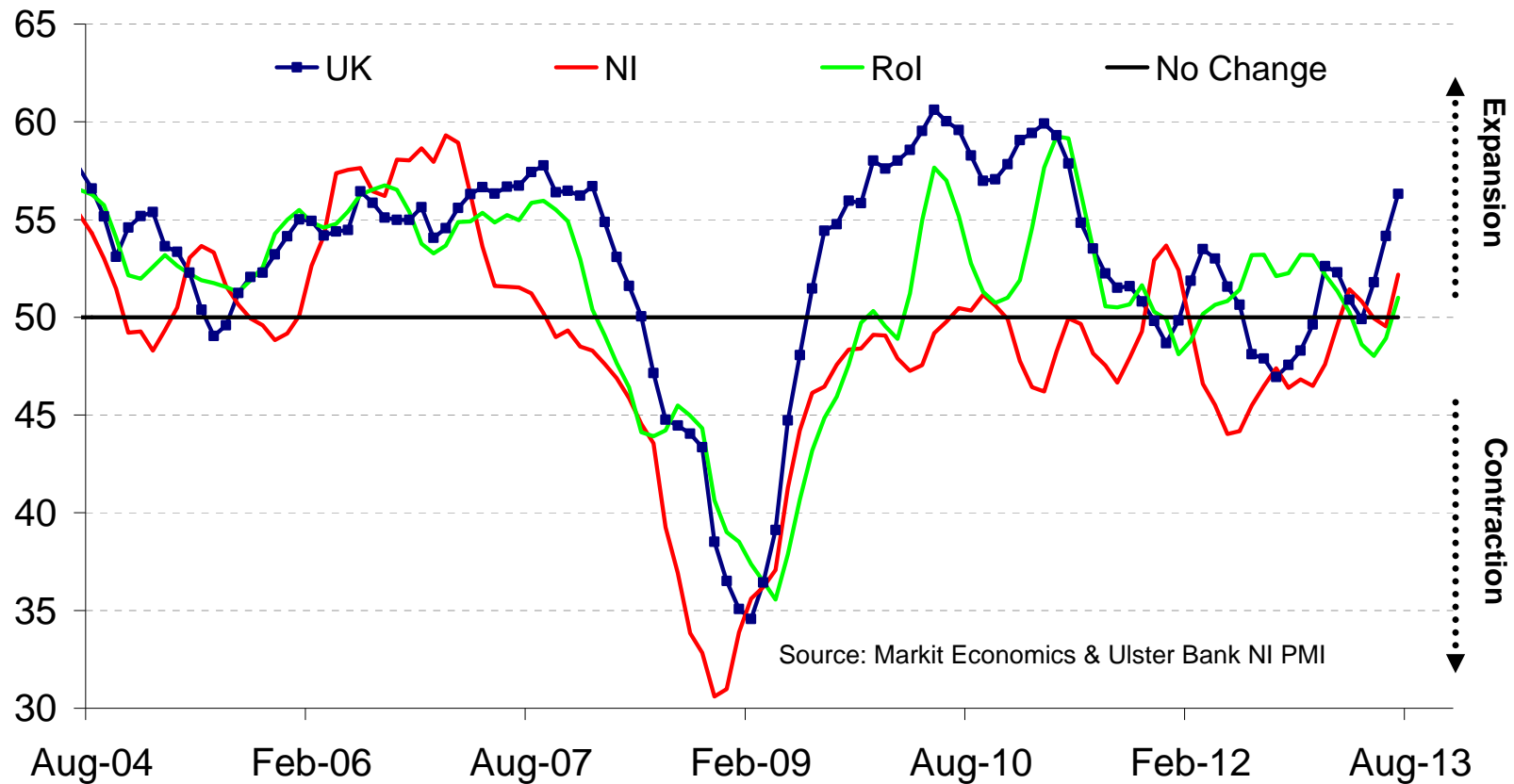
NI Manufacturing Activity

3 month moving average

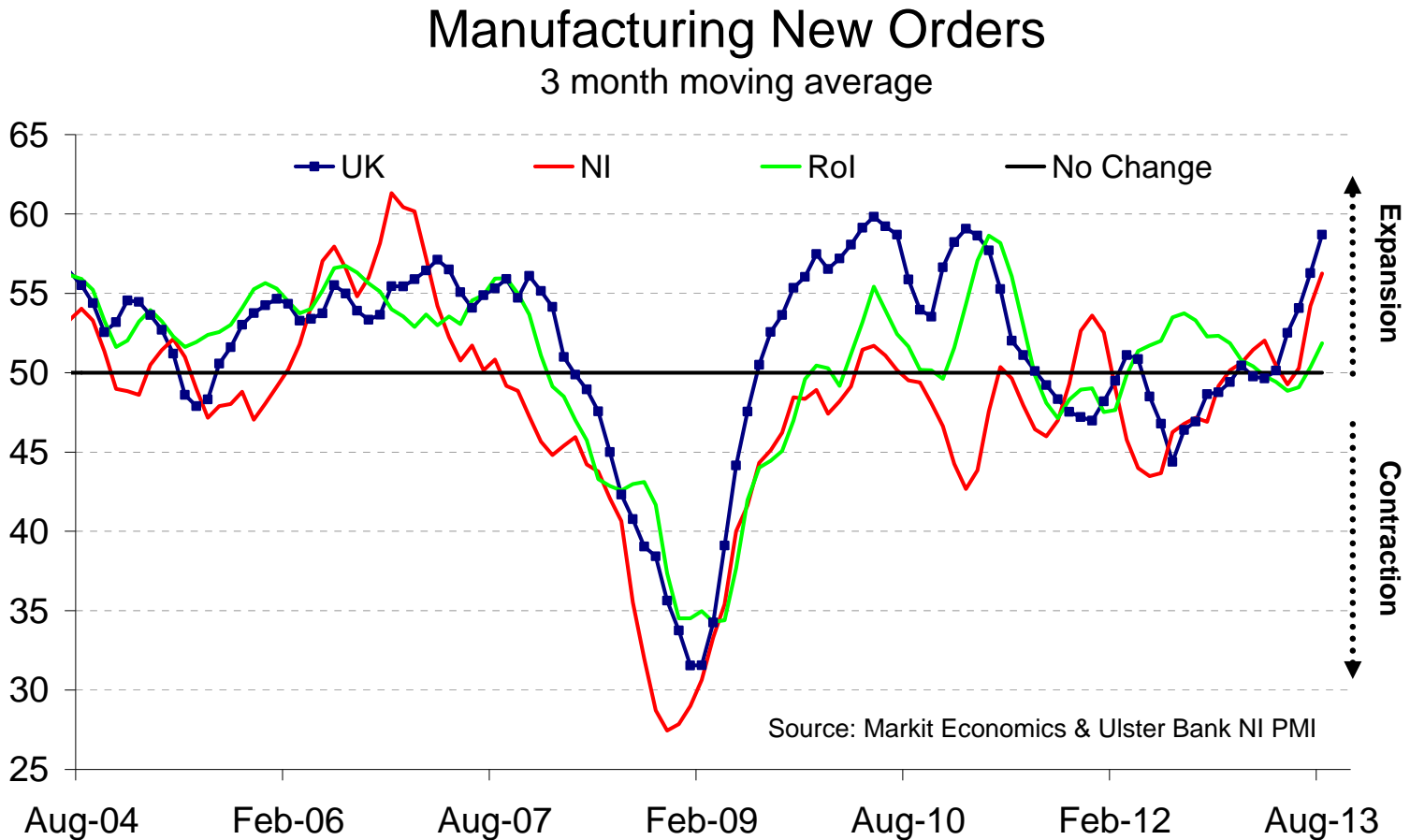


The UK, RoI and NI all witness an acceleration in manufacturing output during the last 3 months

Manufacturing Output 3 month moving average

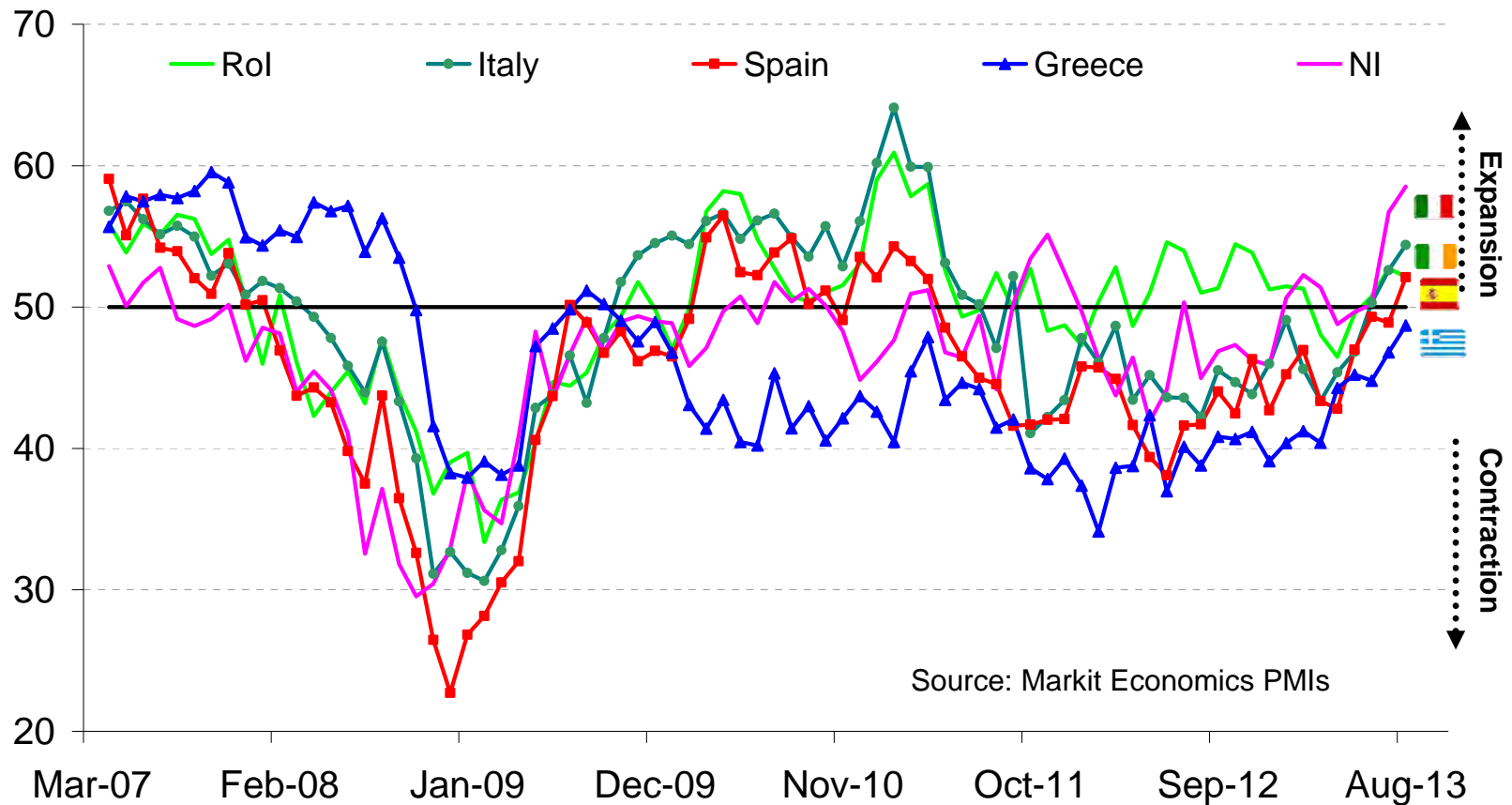


The UK posts the strongest growth in new orders



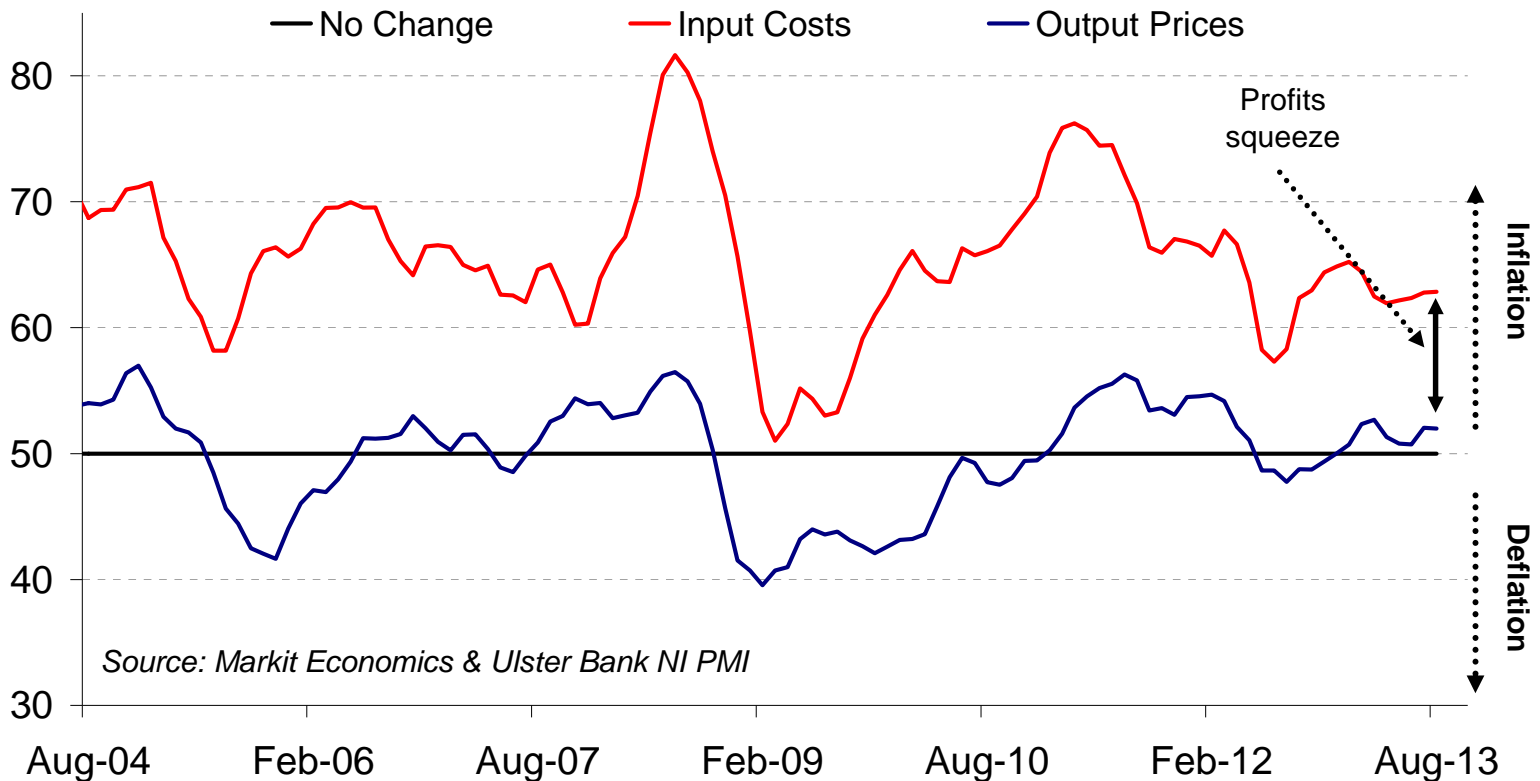
N.Ireland is outperforming its European competitors

Manufacturing Output - PMI

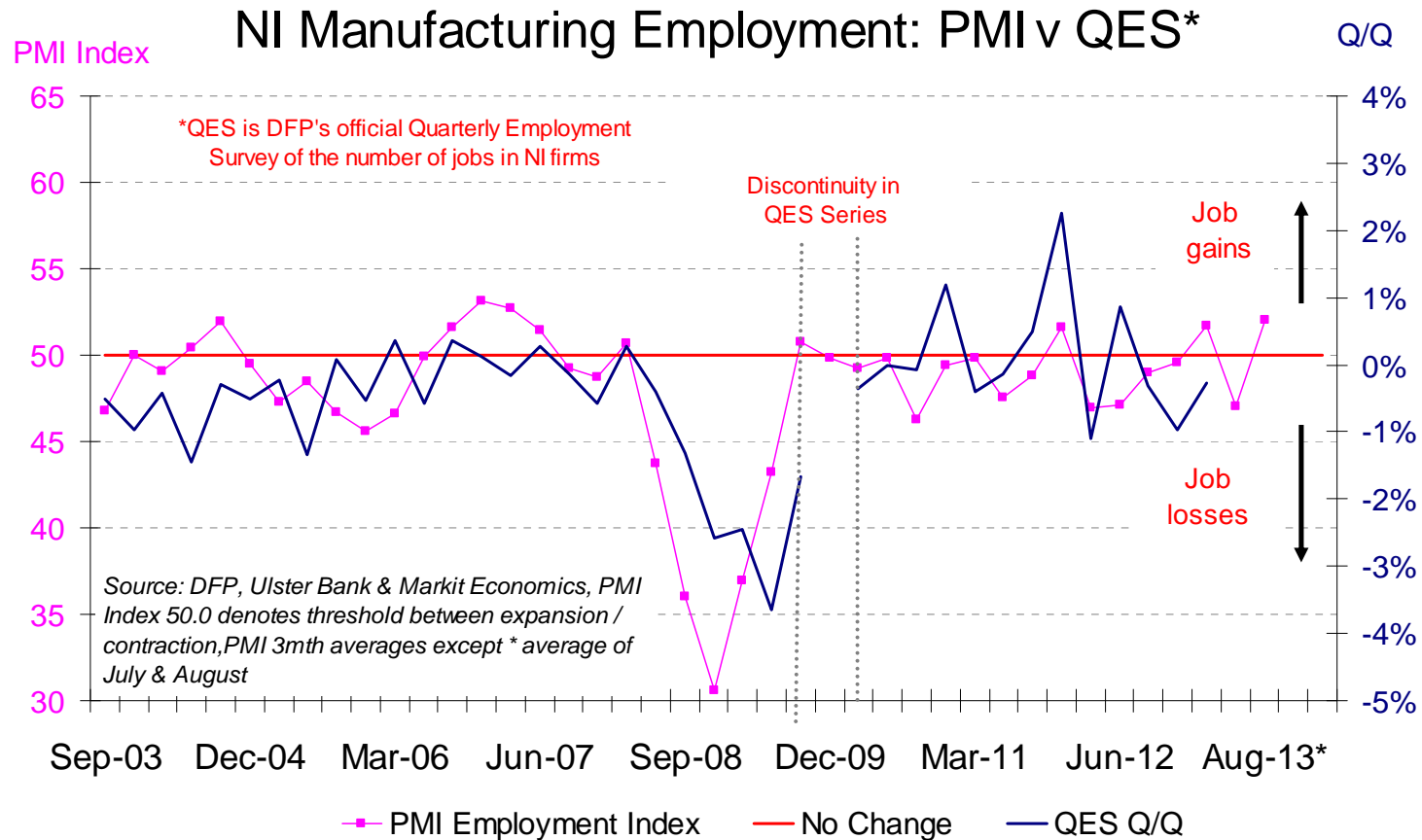


Cost price inflation remains for local manufacturing firms but pricing power is returning

NI Manufacturing Input & Output Inflation 3 month moving average



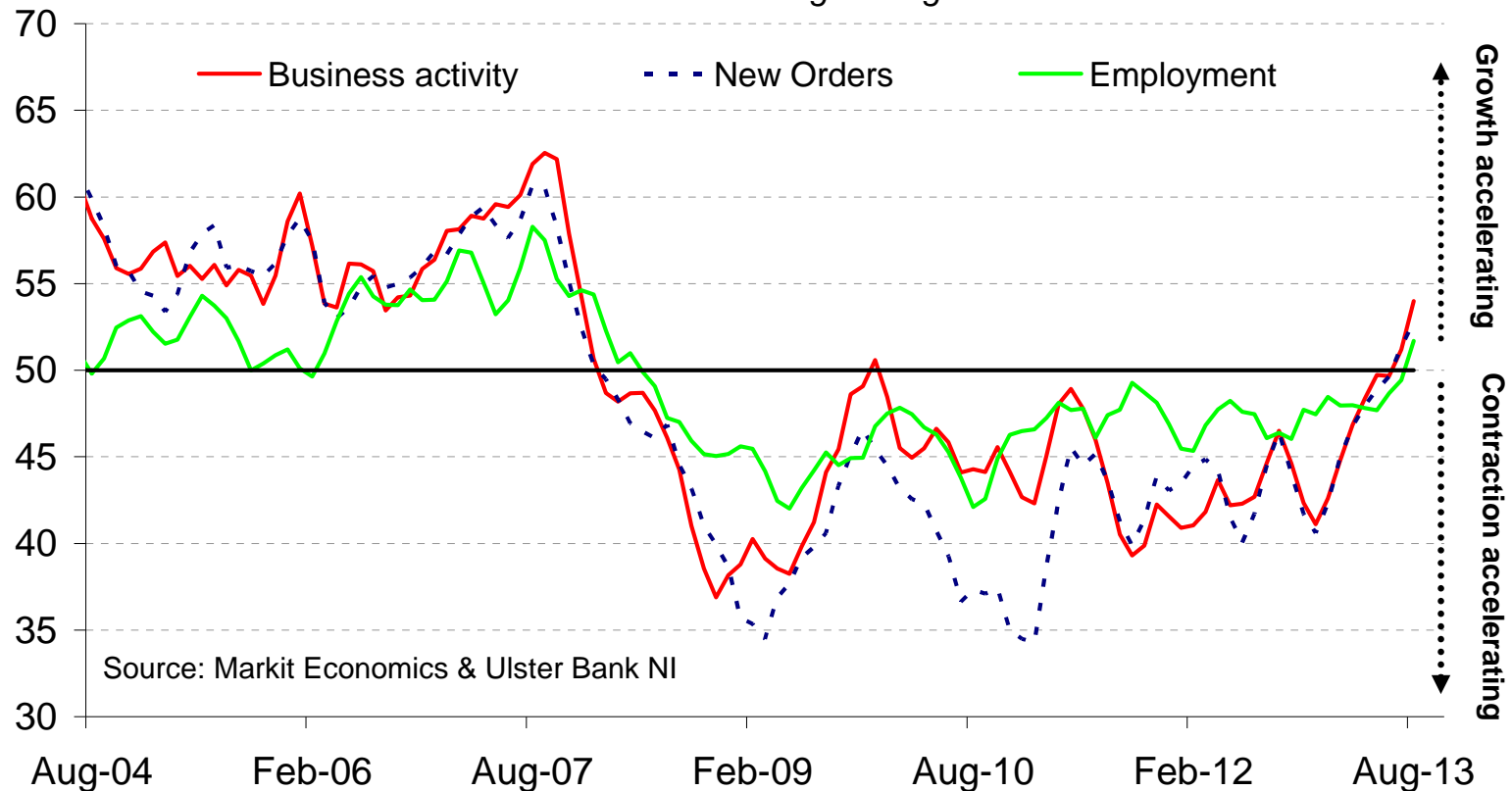
PMI signals job gains in Q1 2013 followed by a fall in in Q2 2013 and another rise in Q3



Recent growth in NI service sector output / orders is feeding through into higher levels of employment...

NI Service Sector (excludes Retail)

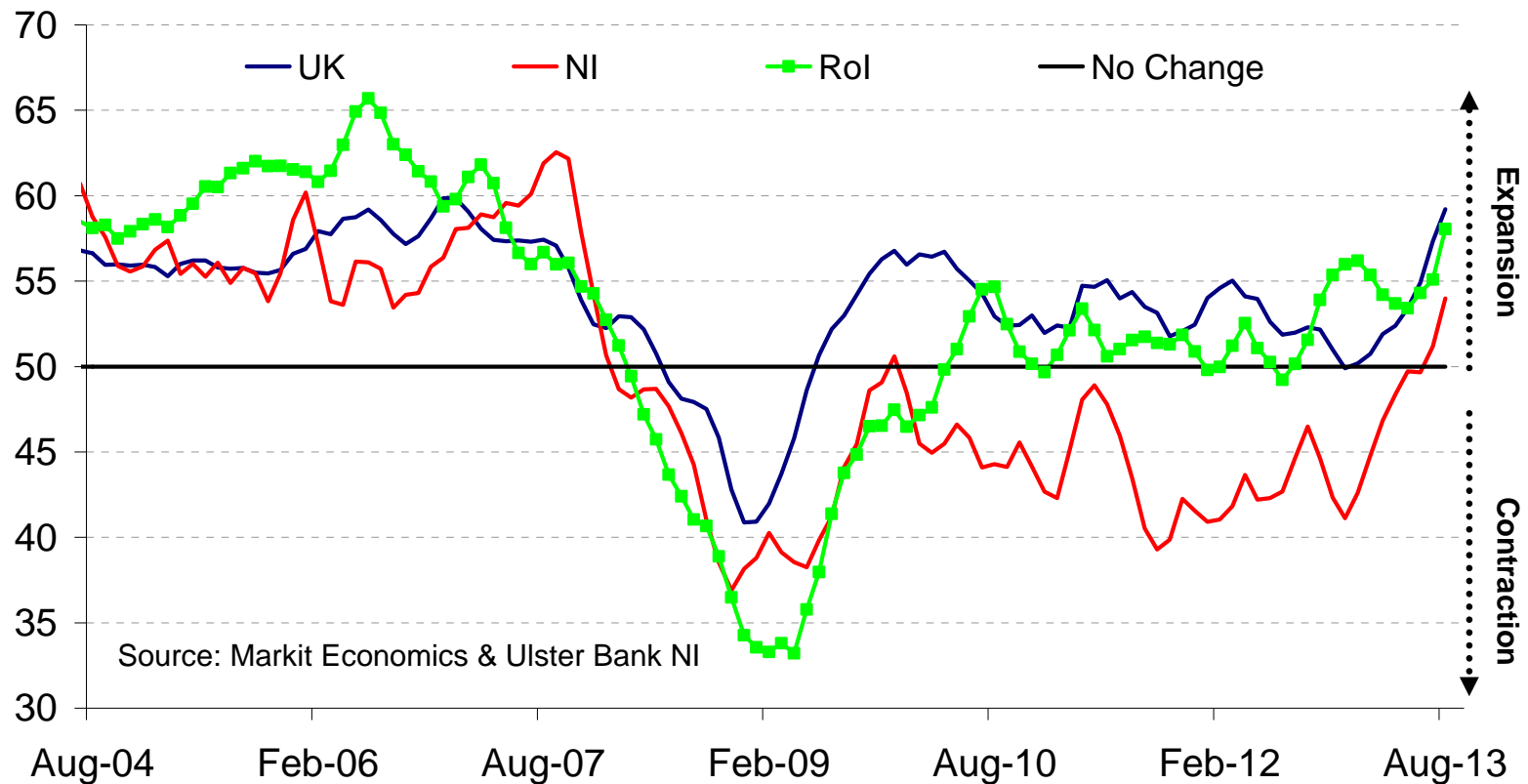
3 month moving average



In July, all three economies post output growth for the first time since 2007. Growth accelerates in August...

Services Output

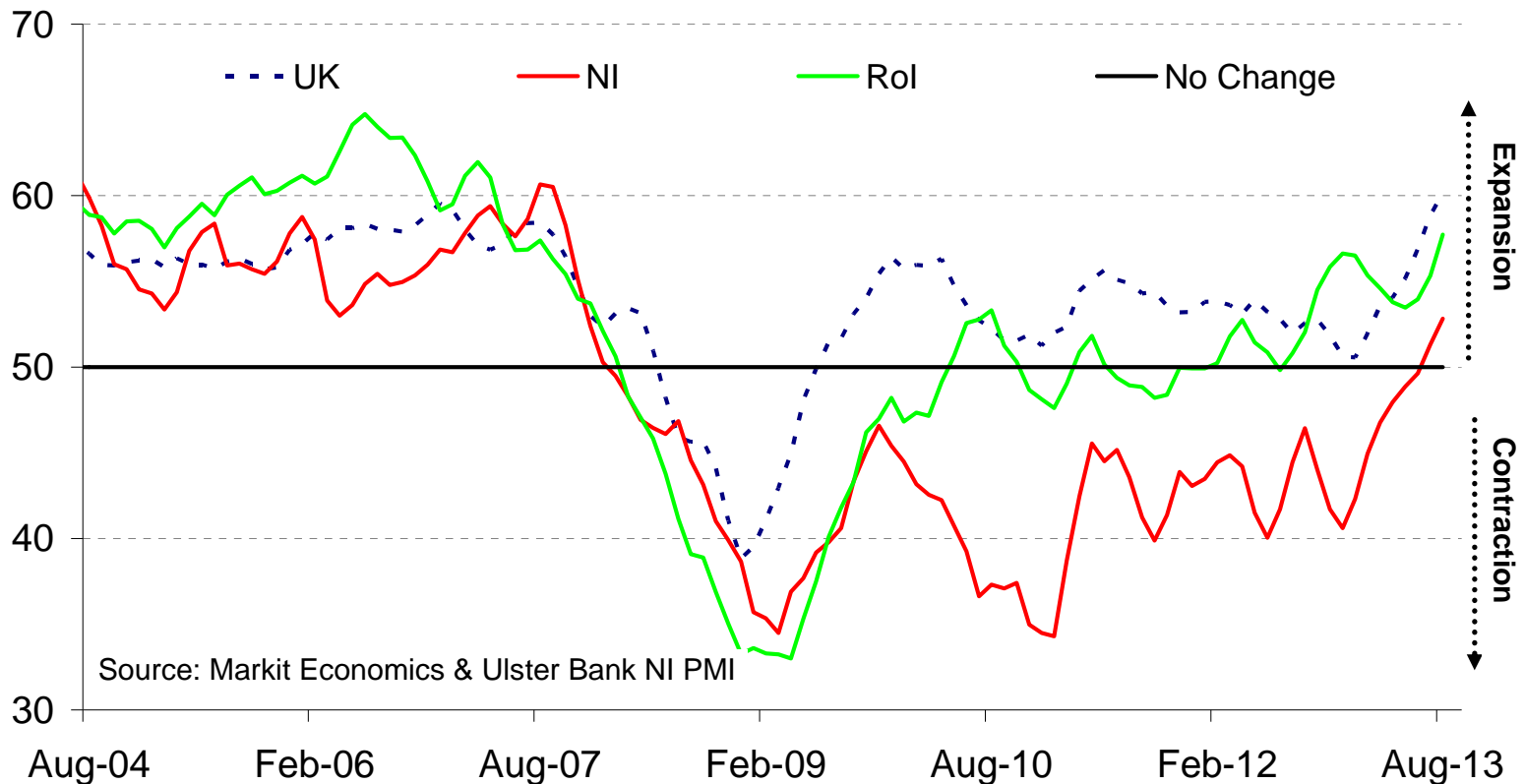
3 month moving average



... and strong new orders growth in the same three economies

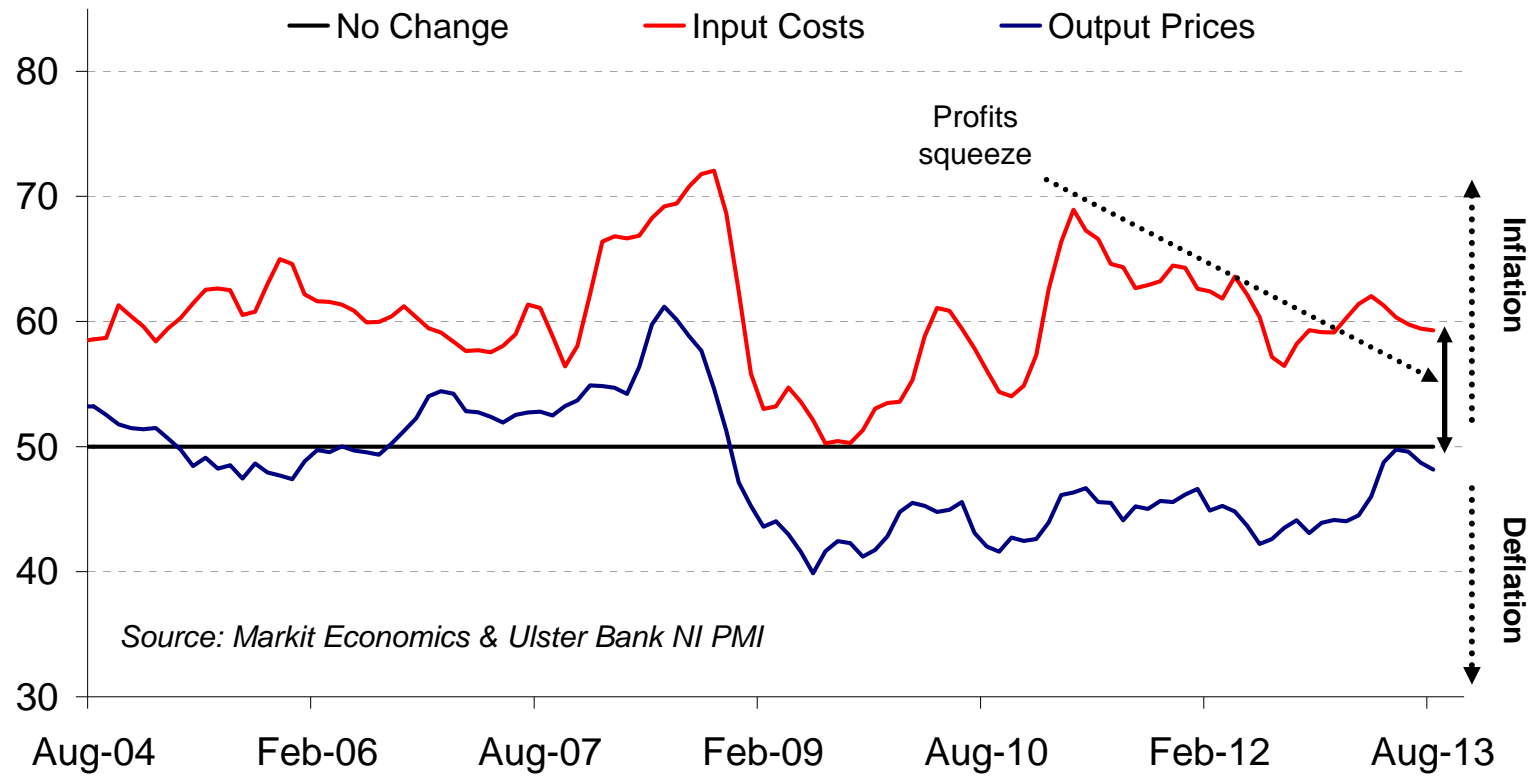
Services New Orders (*excluding Retail*)

3 month moving average

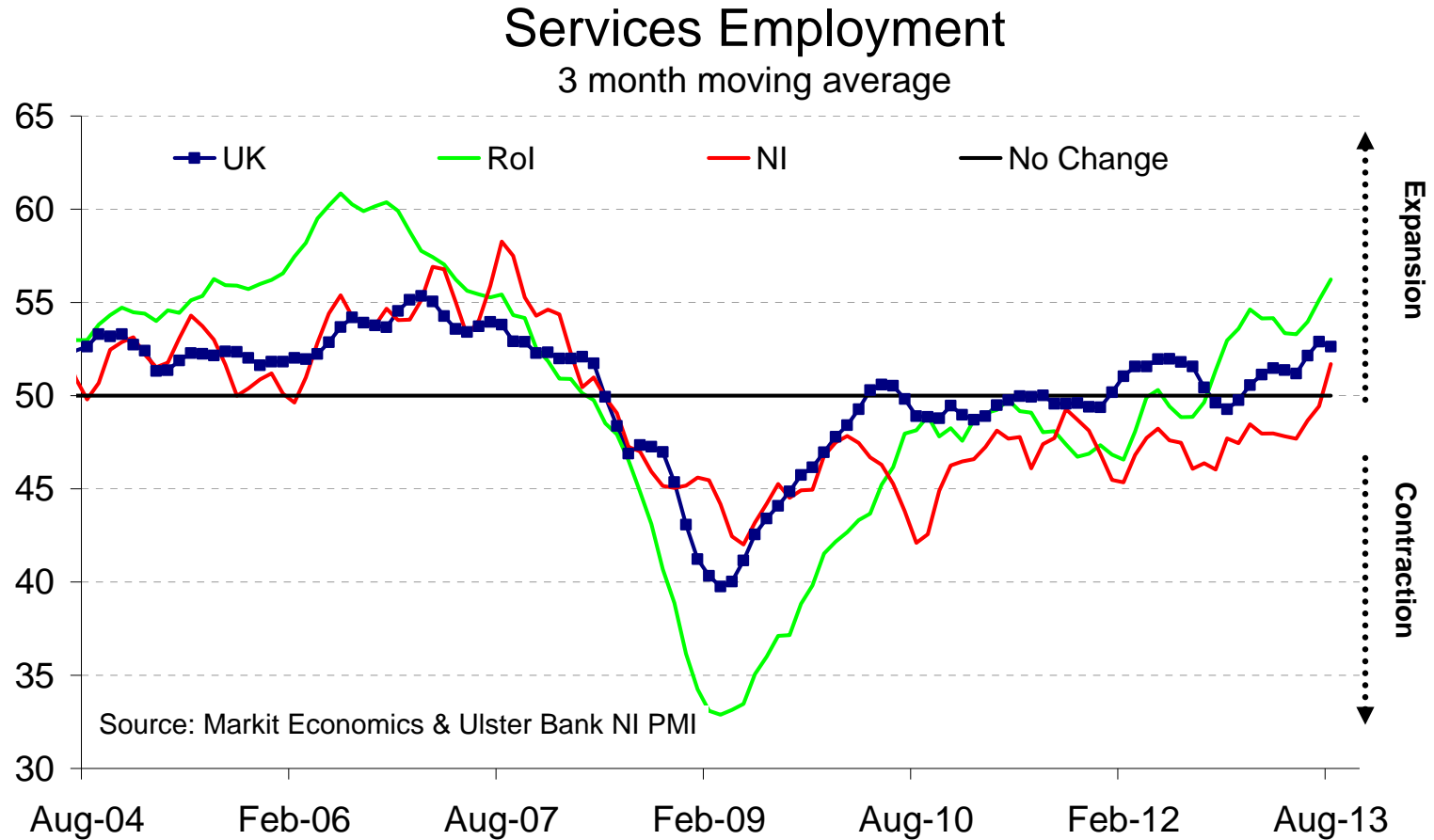


NI's services sector sees inflationary pressures ease

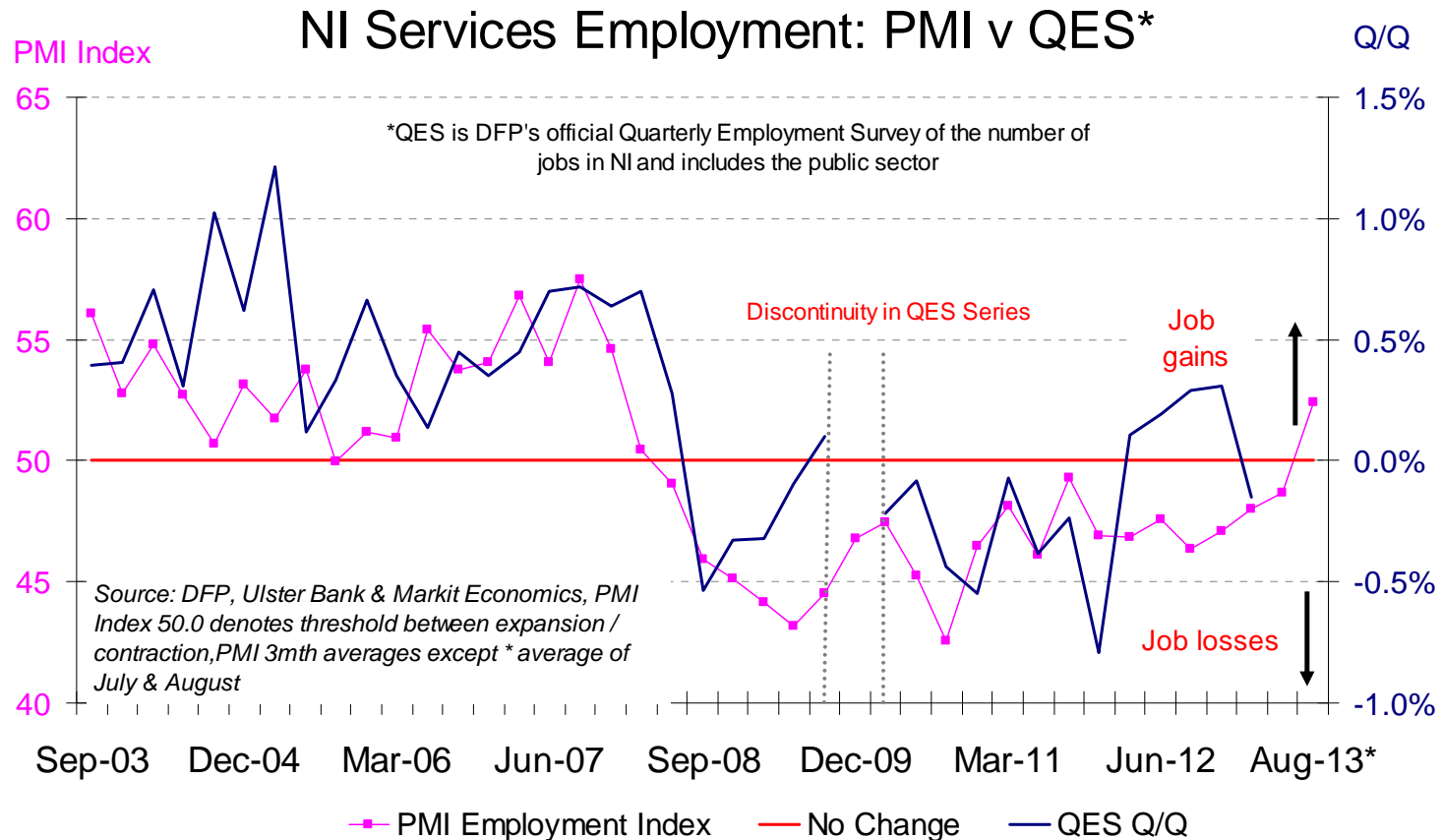
NI Services Input & Output Inflation 3 month moving average



...with employment levels picking up in July & August in N.Ireland



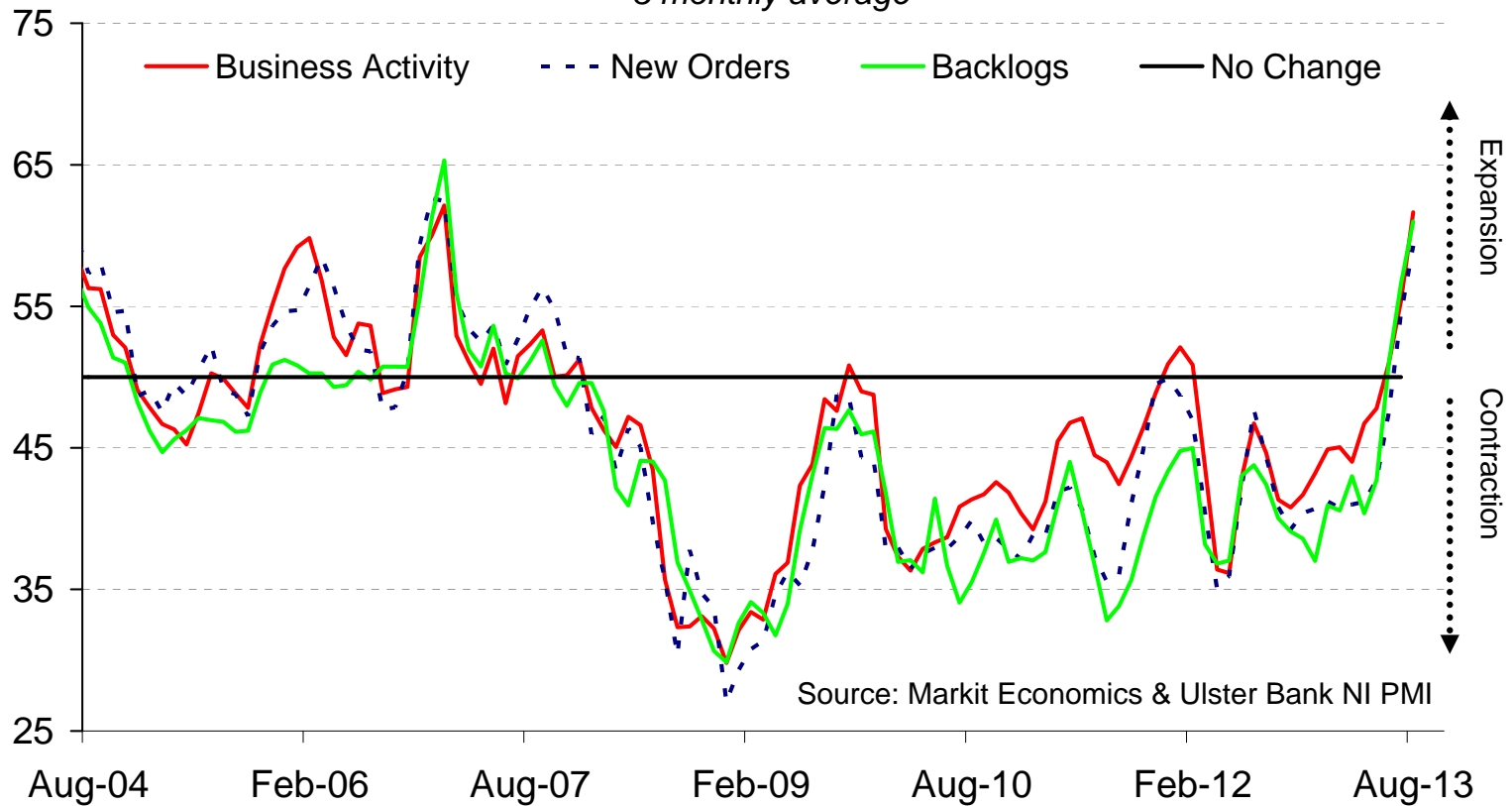
The services PMI finally shows employment growth after 5 years of decline



Retailers experience a retail boom in July & August

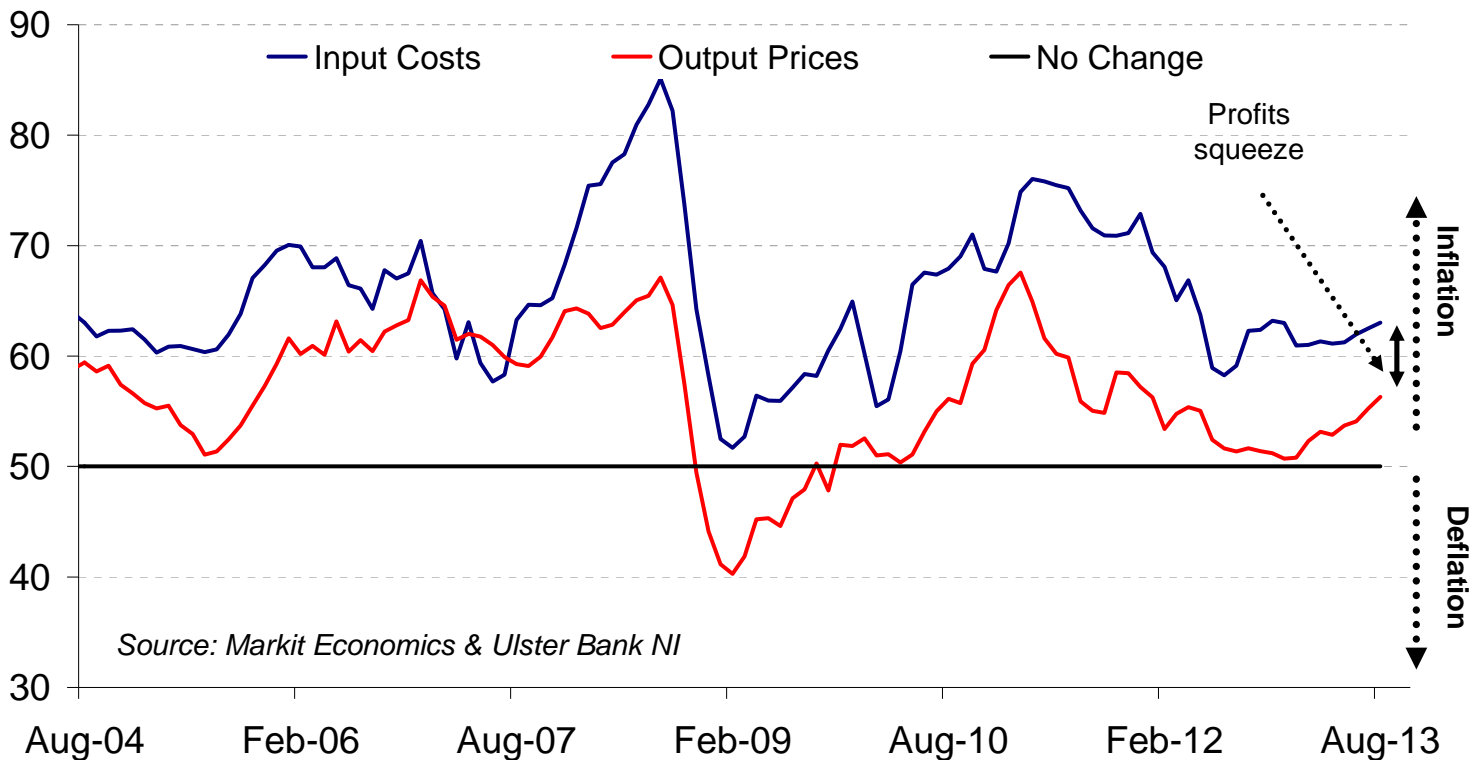
Northern Ireland Retail PMI

3 monthly average



Profits squeeze on local retailers eases significantly due to increased pricing power

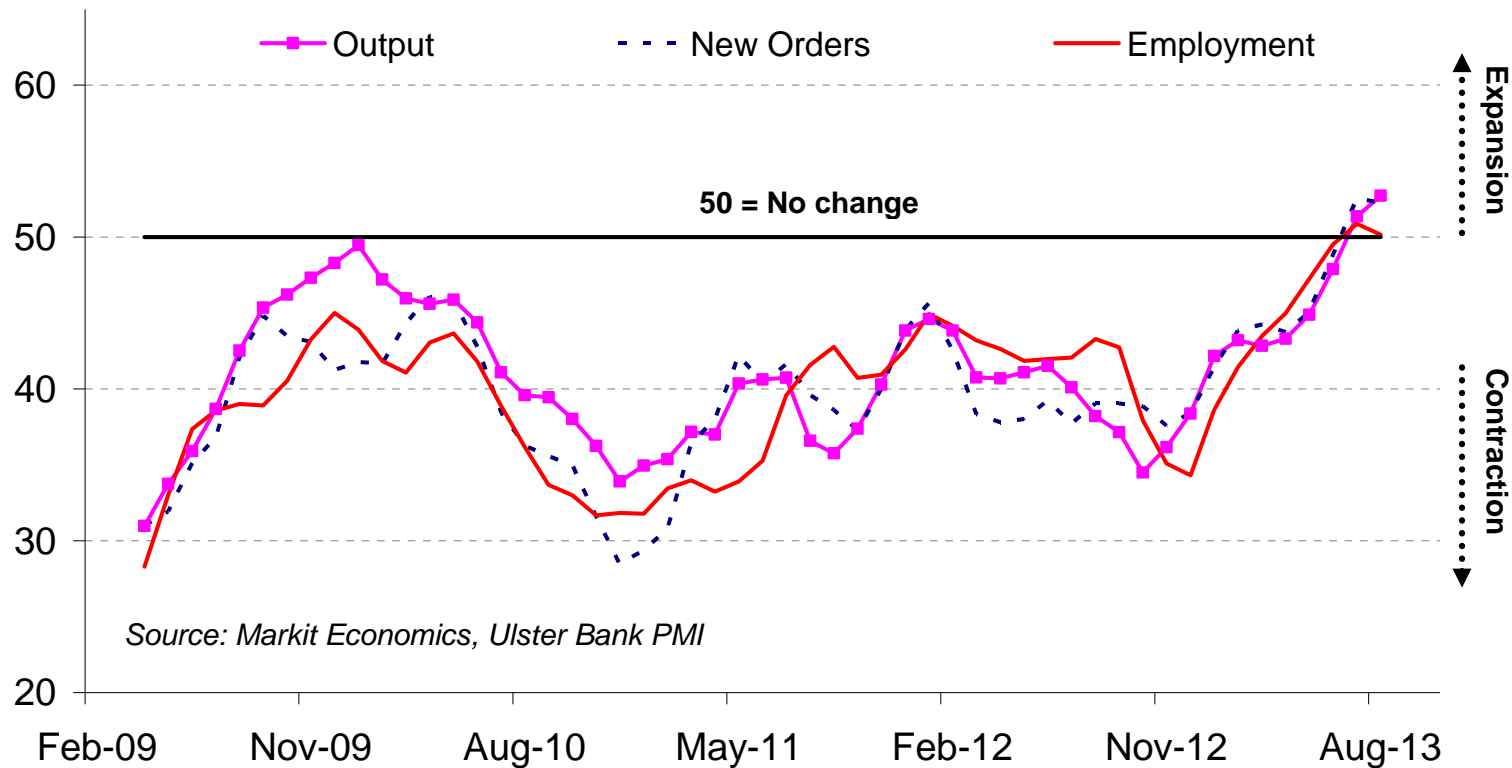
NI Retail Input & Output Inflation 3 month moving average



NI construction sector still reports growth in output and orders. But employment dips in August

NI Construction PMI

3 month moving average

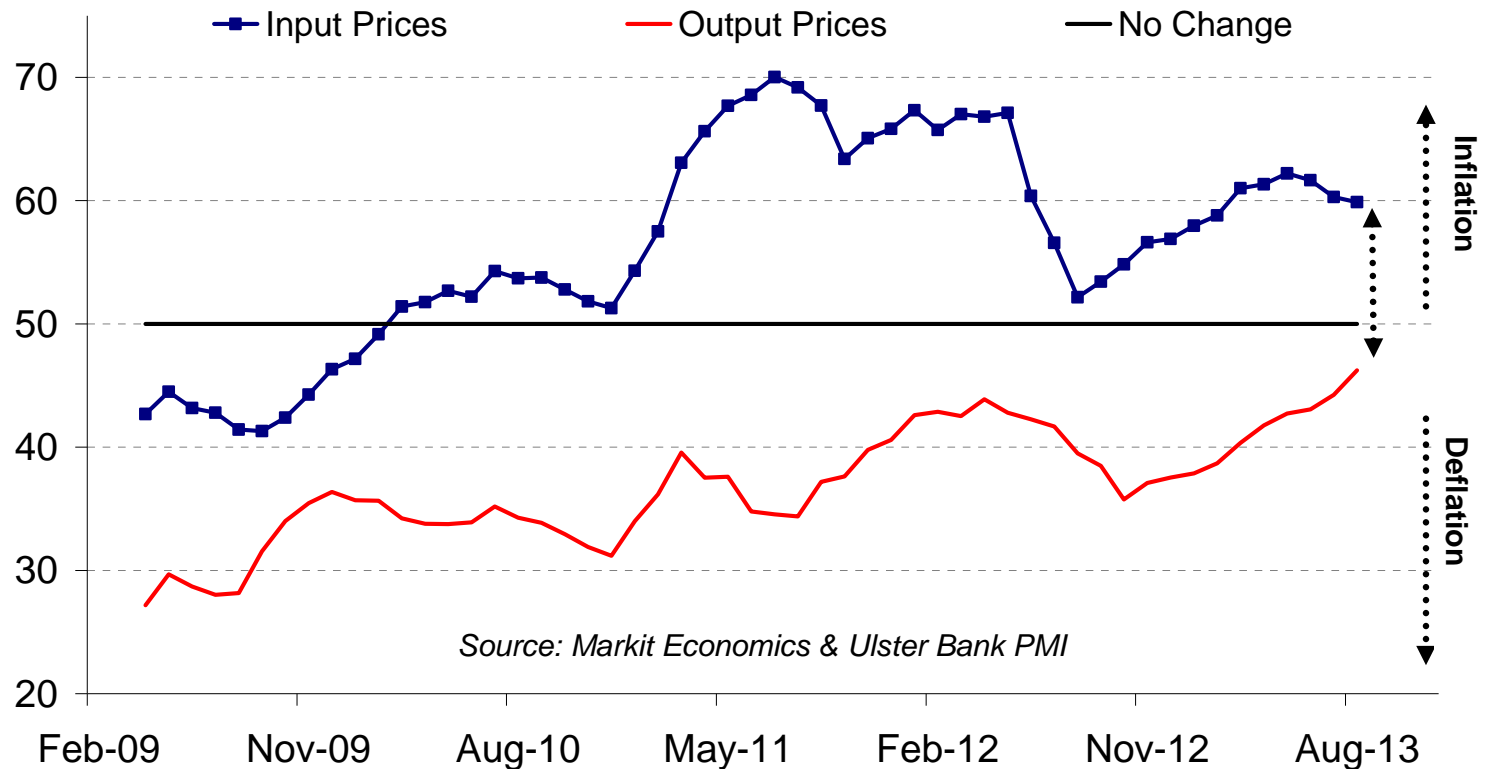


...but the profits squeeze continues

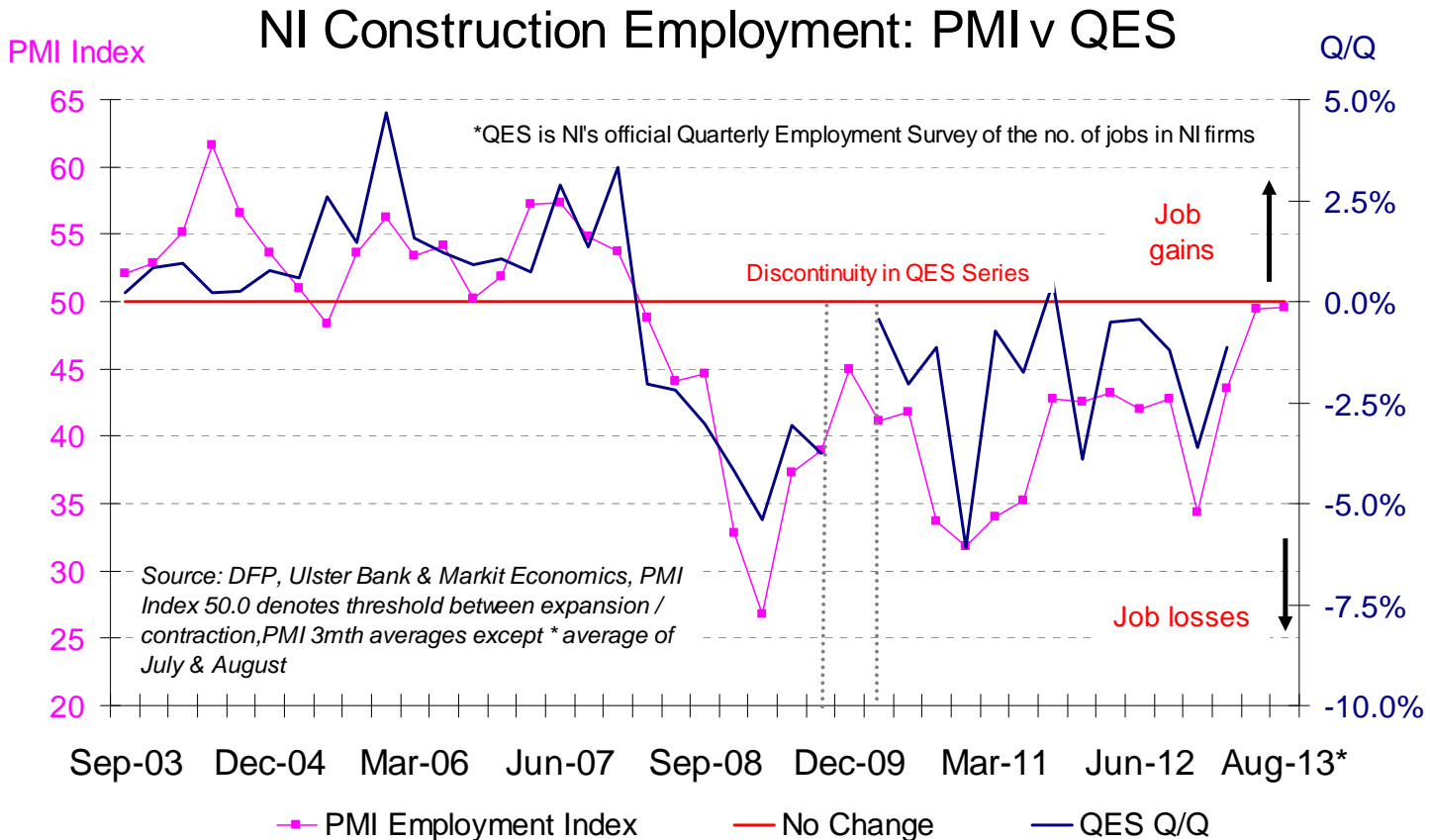
NI Construction Sector Profits Squeeze

3 month moving average

PMI Index



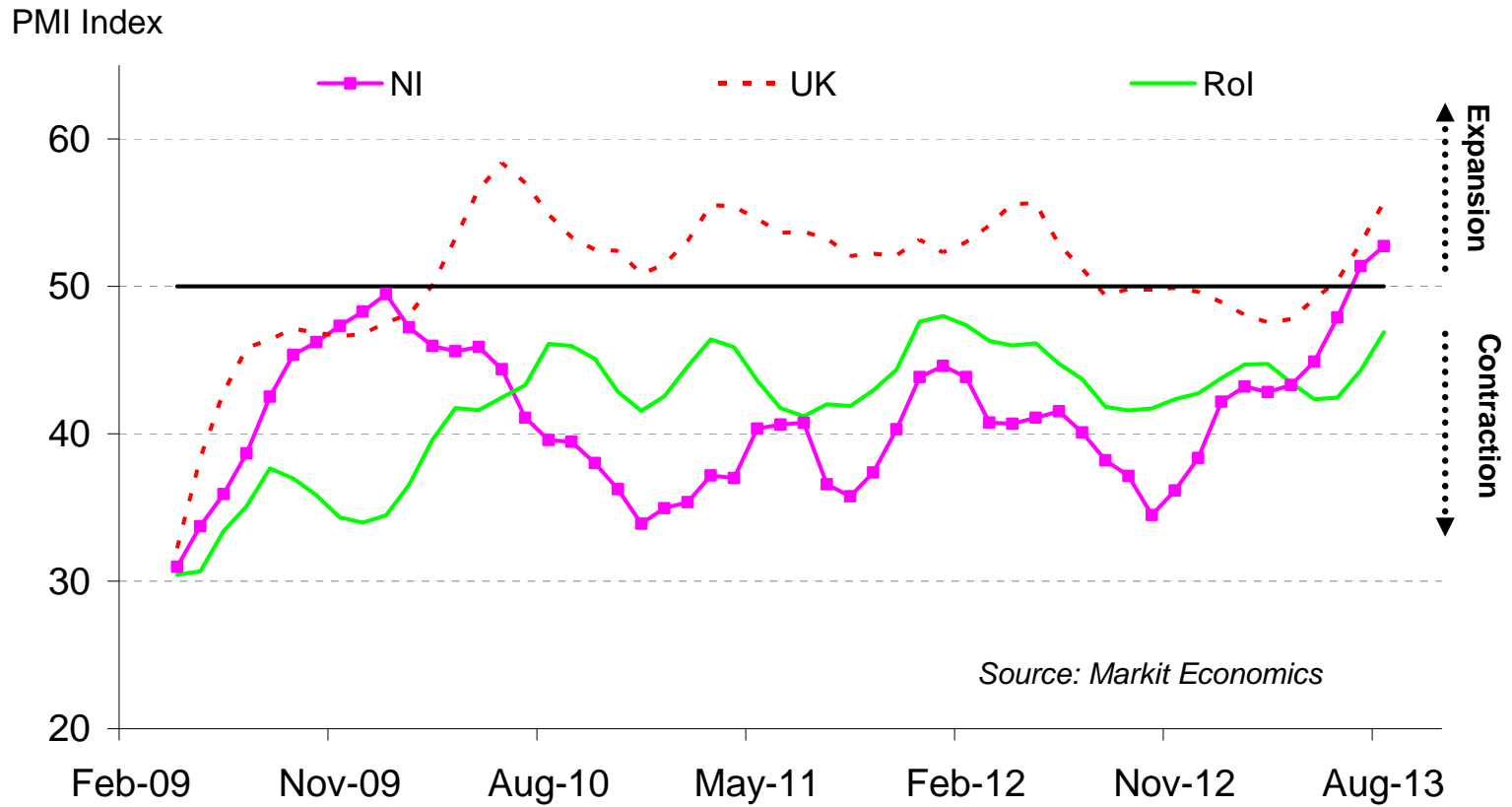
NI PMI has been a reasonably good predictor of actual job losses in the official employment surveys (QES)



UK (59.1) & NI (51.9) construction sectors post healthy rates of growth in August. With Rol almost flat (49.7)

Construction Sector Output - PMI

3 month moving average

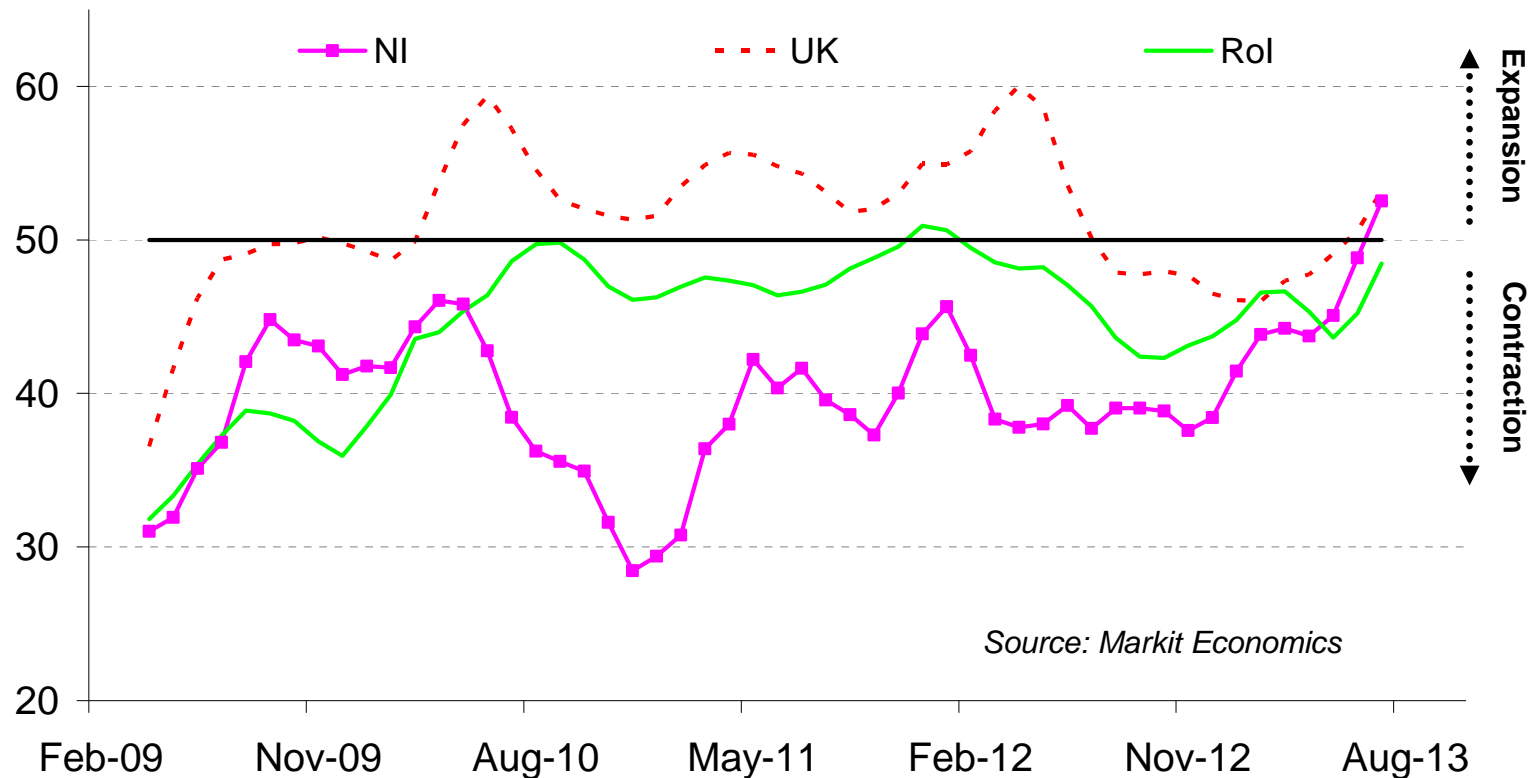


New orders in the UK & NI have been rising over the last 3 months but NI posts a dip in August (47.5)

Construction Sector New Orders - PMI

3 month moving average

PMI Index

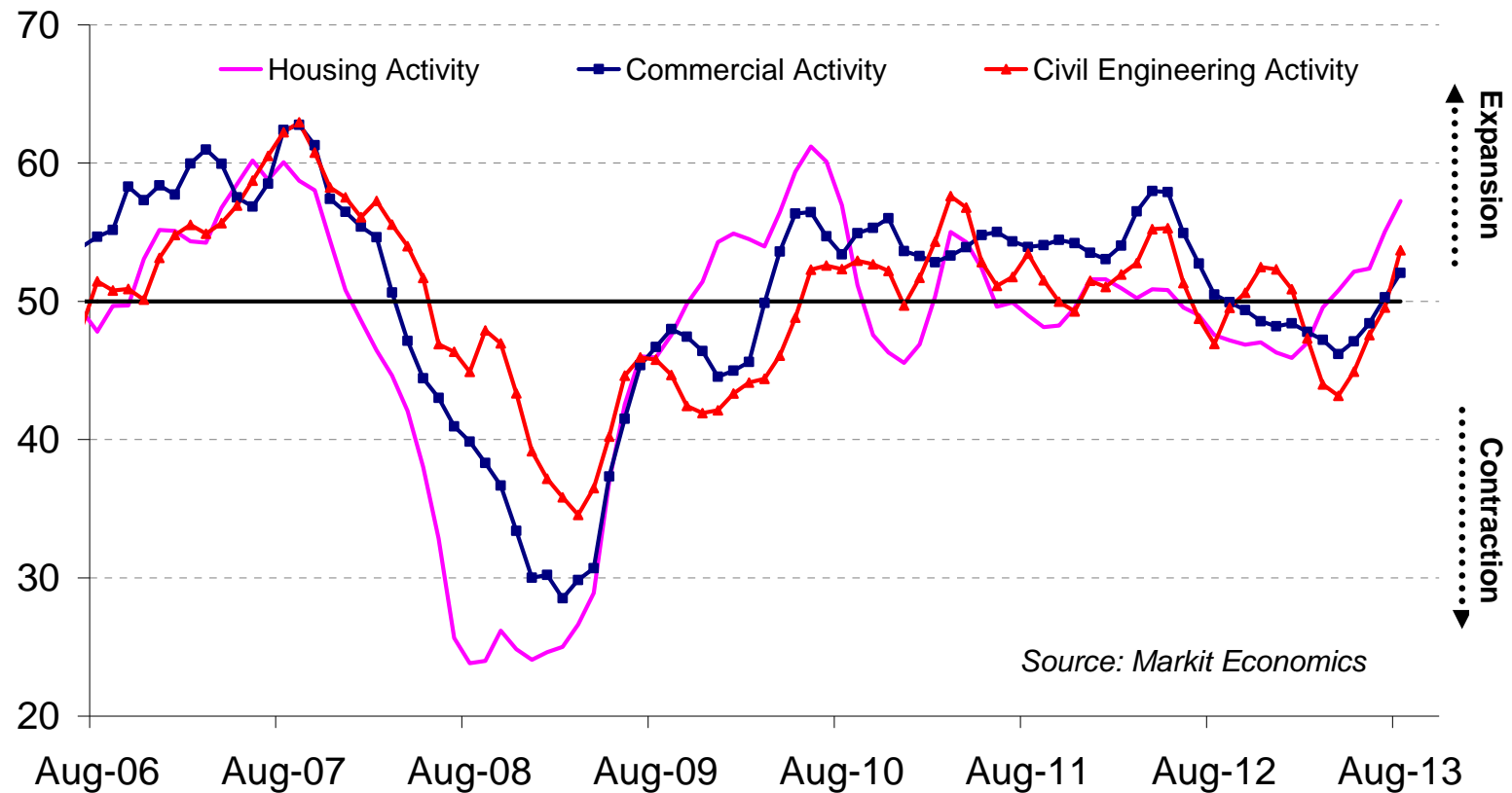


Source: Markit Economics

Growth opportunities for NI firms within GB market particularly within the house building sector...

UK Construction Activity - PMIs

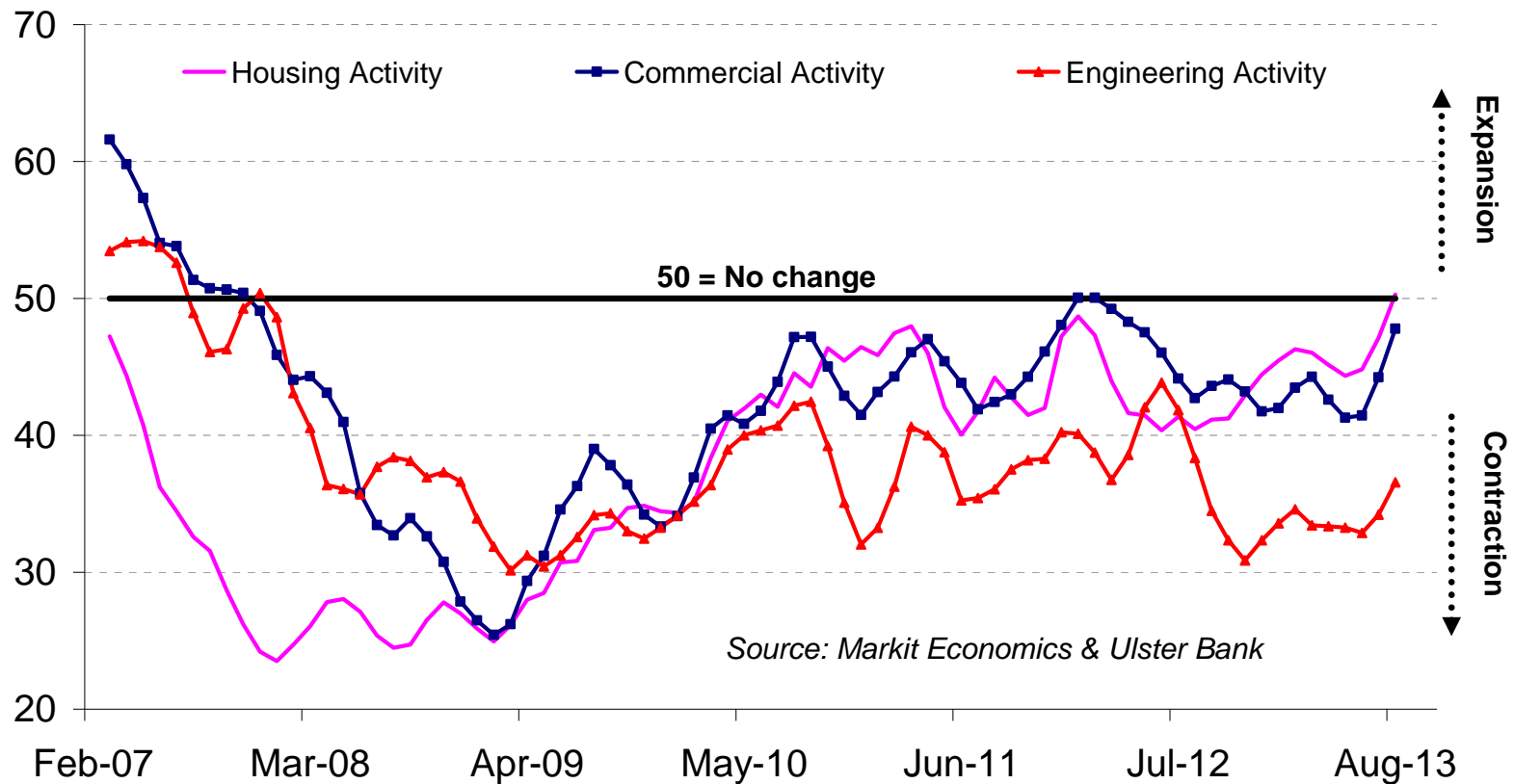
3 month moving average



...but fewer opportunities in the RoI, with civil engineering remaining particularly weak

Republic of Ireland Construction Activity - PMI

3 month moving average



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