

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
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Third successive rise in Northern Ireland business activity

Strong growth of private sector output was maintained in Northern Ireland during September as new business continued to increase. As a result of rising workloads, firms took on extra staff for the third month running. The rate of input cost inflation accelerated, but improving demand meant that companies responded by raising their output prices at the fastest pace in five years.

Sharp growth of output sustained

Northern Ireland companies recorded a third consecutive increase in activity during September. The rate of expansion remained sharp and the fastest since August 2007. Panellists reported that higher new orders had contributed to growth as economic sentiment improved. Strong growth was recorded across each of the four sectors, led by retail and manufacturing.

Although the rate of growth in new business slowed in September, latest data continued to point to a solid expansion. Respondents partly linked the rise to the launch of new products and increased marketing activity. Construction joined the three other sectors in posting higher new business, following a decline in the previous month, with retail seeing the strongest overall expansion. New export orders also increased, extending the current sequence of growth to three months.

Employment continues to rise

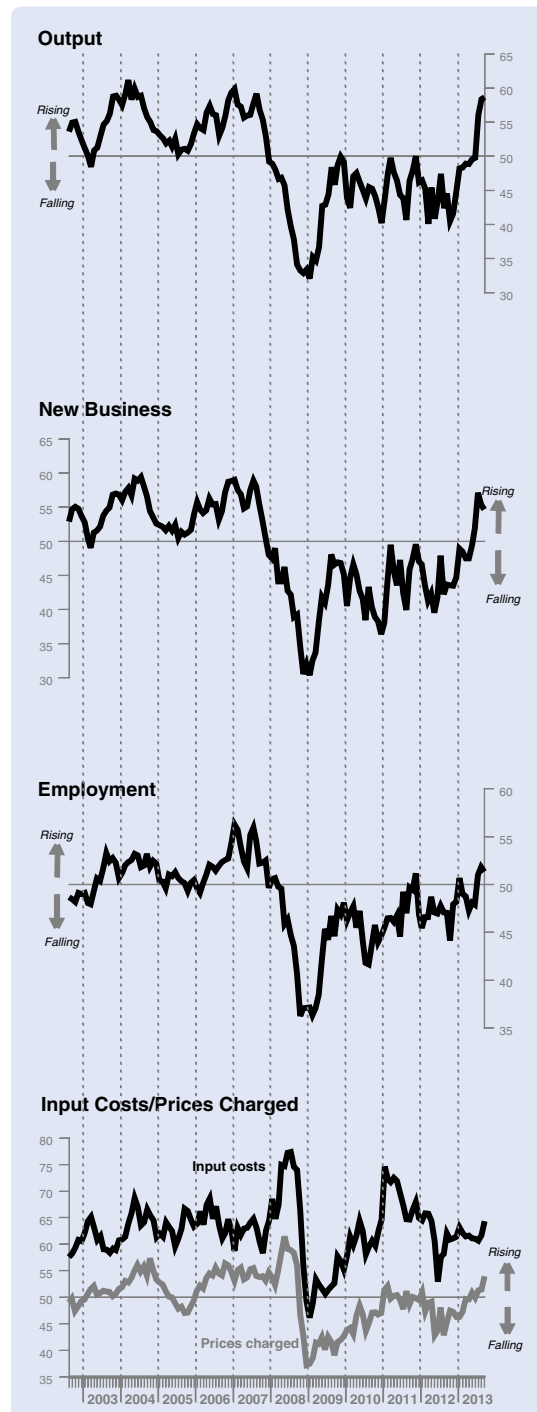
Companies in Northern Ireland recorded a third successive increase in employment, in line with higher new business. The rise in staffing levels was modest, but reflected job creation across all four monitored sectors.

With growth of activity outpacing that of new orders during September, a marginal dip in backlogs of work was recorded. This followed three successive months in which outstanding business had risen.

Solid increase in output prices

Input cost inflation quickened in the Northern Ireland private sector, reaching the strongest since April 2012. Rising fuel costs and higher salary payments were mentioned by some of those companies that saw input prices increase. The fastest rate of cost inflation was recorded at manufacturing firms.

A number of respondents reported passing on higher input costs to clients during September, with an improving demand outlook reducing the need for discounting. As a result, output prices increased for the third month running, and at the fastest pace in five years. All four sectors posted rises in output prices.



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

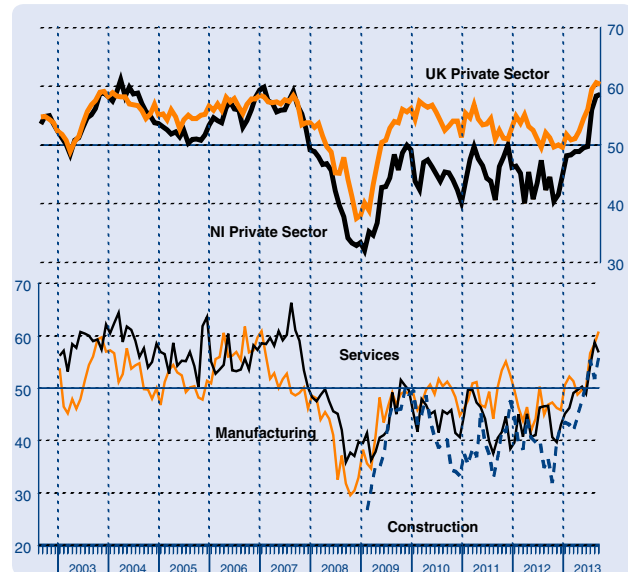
Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Apr	27.4	51.4	21.2	6.2	53.1	48.9	52.4
May	26.2	50.2	23.5	2.7	51.3	49.6	54.5
Jun	22.6	54.2	23.2	-0.5	49.7	49.8	56.1
Jul	32.8	45.9	21.3	11.5	55.7	56.1	59.5
Aug	30.0	55.4	14.7	15.3	57.6	58.4	60.6
Sep	36.0	52.5	11.5	24.4	62.2	58.7	60.4

A further rise in business activity was recorded in the Northern Ireland private sector in September, extending the current sequence of growth to three months. Moreover, the rate of expansion quickened marginally from August and was the strongest since August 2007. The rise in output in Northern Ireland was only slightly slower than that recorded across the UK economy as a whole. Where activity increased, this was linked to rising client demand amid improving confidence. All four sectors posted higher activity during September. The strongest increase was seen at retailers, followed by manufacturing firms.

By sector

		Construction	Manufacturing	Services
'13 Jul		55.4	56.7	54.3
Aug		51.9	58.5	58.8
Sep		56.2	60.9	56.8



New Business

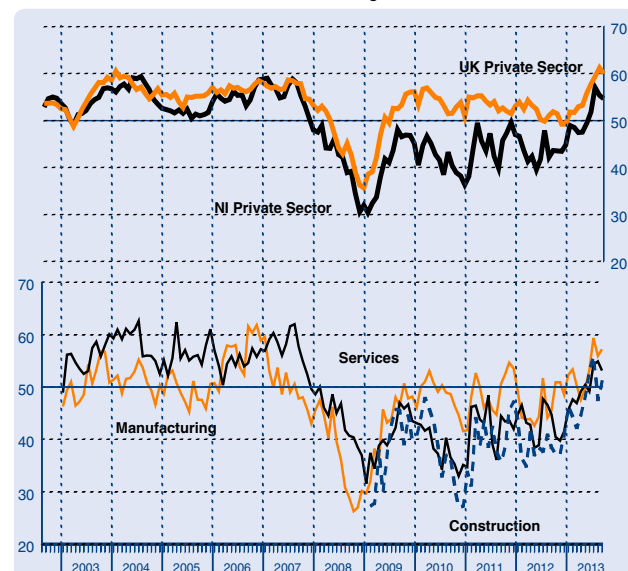
Q. Is the level of new orders or incoming new business at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Apr	25.2	52.0	22.8	2.4	51.2	47.5	53.3
May	26.4	48.4	25.2	1.2	50.6	49.5	56.0
Jun	28.6	47.5	24.0	4.6	52.3	51.9	57.9
Jul	28.0	53.2	18.9	9.1	54.6	57.1	59.4
Aug	28.5	51.2	20.3	8.1	54.1	55.4	61.3
Sep	30.2	57.6	12.2	18.0	59.0	54.7	60.0

September data pointed to a fourth successive increase in new business at Northern Ireland companies. The rate of expansion was solid, but slowed for the second month running and was much weaker than the average for the UK as a whole. Anecdotal evidence suggested that the introduction of new products and increased marketing activity had helped companies to take advantage of improved confidence in the economy, leading to growth of new business. As with activity, retail posted the strongest rise in new orders, followed by manufacturing. Meanwhile, construction recorded a slight increase in new business after posting a decline in August.

By sector

		Construction	Manufacturing	Services
'13 Jul		55.9	59.4	54.3
Aug		47.5	56.0	55.0
Sep		51.2	57.3	53.2



Backlogs

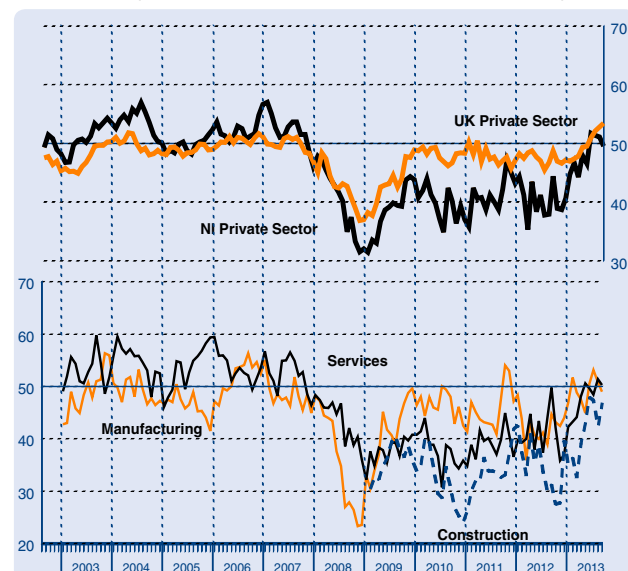
Q. Is the level of business outstanding (i.e. work not yet commenced or completed) at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Apr	17.0	68.5	14.5	2.5	51.3	48.0	49.4
May	15.5	61.5	23.0	-7.4	46.3	46.6	49.6
Jun	20.8	67.9	11.3	9.5	54.7	51.8	51.0
Jul	17.6	63.0	19.4	-1.8	49.1	51.4	52.1
Aug	16.8	63.9	19.3	-2.5	48.8	51.2	52.8
Sep	19.4	66.5	14.0	5.4	52.7	49.6	53.5

After rising in three consecutive months, backlogs of work decreased marginally during September. The fall in Northern Ireland contrasted with a solid accumulation of outstanding business across the UK as a whole. Some respondents indicated that higher new orders had led backlogs of work to increase, but others reported that growth of new business had failed to keep pace with that of activity, thereby leading outstanding business to be depleted. Reductions in backlogs of work were registered in the construction and manufacturing sectors during the month, while service providers posted a marginal increase.

By sector

		Construction	Manufacturing	Services
'13 Jul		47.4	53.2	48.5
Aug		42.4	50.9	51.4
Sep		46.8	49.0	50.3



Employment

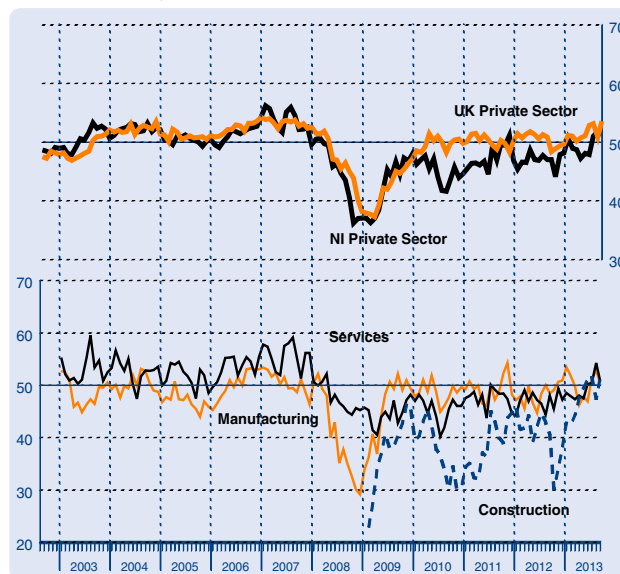
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 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	53.2
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	53.6

Northern Ireland private sector firms raised their staffing levels for the third successive month in September, with the rate of job creation only slightly slower than registered in August. The UK as a whole also saw employment increase, and at a solid pace. According to respondents, the latest rise in staffing levels was largely reflective of higher new business. Exactly 15% of panellists reported a rise in employment, against 12% that posted a fall. Each of the four monitored sectors recorded marginal rates of job creation. The fastest rises were seen at retail and construction companies.

By sector

	Construction	Manufacturing	Services
'13 Jul	51.7	51.3	50.4
Aug	47.5	52.8	54.3
Sep	51.9	50.5	50.8



Input Costs

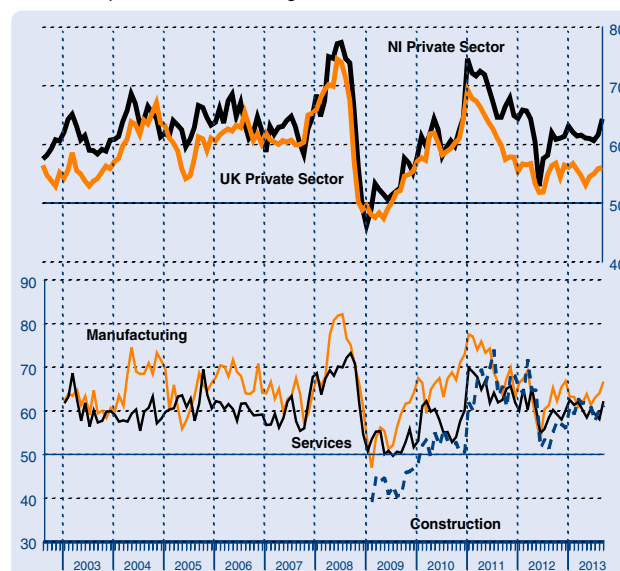
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 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	53.2
Jun	26.5	71.1	2.4	24.0	62.0	61.0	54.6
Jul	20.9	76.9	2.2	18.7	59.4	60.7	55.0
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

The rate of input cost inflation at firms in Northern Ireland remained well above the UK average in September. The pace of increase in input prices quickened for the second month in a row and was the sharpest since April 2012. Higher fuel costs were mentioned by a number of respondents, while others indicated that increased salary payments had contributed to rising average input prices. Around one-third of panellists recorded an increase in input costs, against 3% that saw a decrease. The fastest rise in input prices was seen at manufacturers, where inflation quickened to a nine-month high. In fact, costs rose at sharper rates across all monitored sectors.

By sector

	Construction	Manufacturing	Services
'13 Jul	57.7	63.1	59.3
Aug	60.8	64.1	58.1
Sep	61.2	66.8	62.3



Prices Charged

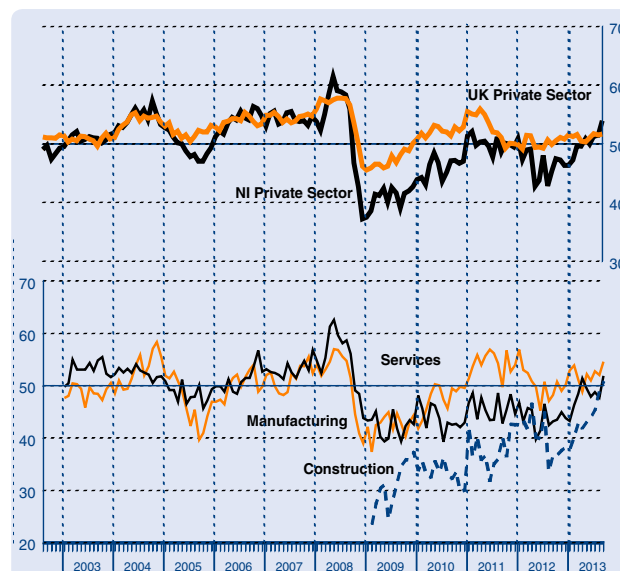
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 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
Sep	11.8	83.5	4.6	7.2	53.6	54.0	51.7

Output prices increased in the Northern Ireland private sector for the third month running in September. Moreover, the rate of inflation was solid and the fastest in five years. The rise in prices charged in Northern Ireland was sharper than the UK average. Respondents indicated that higher input costs had been passed on to clients during the month, with greater confidence in work volumes reducing the need for discounting. Each of the four sectors raised output prices in September, led by retail and manufacturing. Services companies increased their charges for the first time in five months, while charge inflation at constructors was signalled for the first time in the series history.

By sector

	Construction	Manufacturing	Services
'13 Jul	45.5	52.8	48.8
Aug	49.2	52.1	47.8
Sep	50.8	54.7	51.9



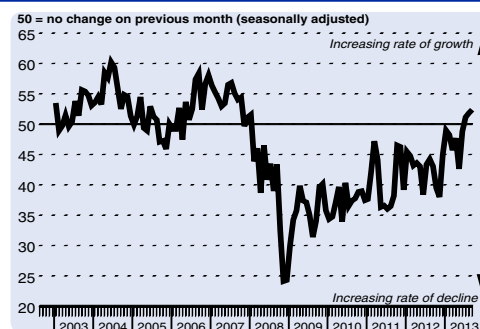
New Export Business*

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

Northern Ireland Companies

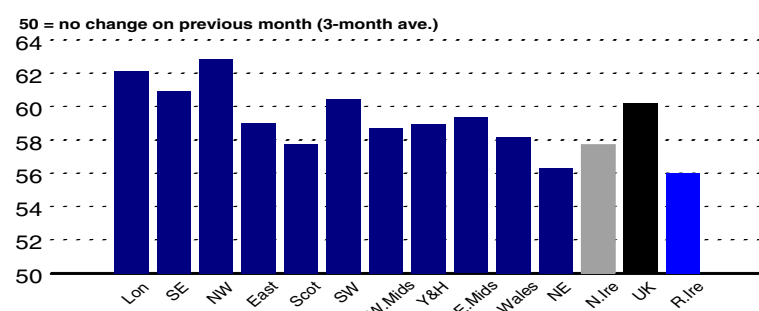
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Apr	18.8	63.8	17.4	1.3	50.7	47.7
	May	6.8	68.8	24.5	-17.7	41.2	42.7
	Jun	17.9	67.6	14.4	3.5	51.8	48.8
	Jul	14.3	71.7	14.0	0.3	50.2	51.2
	Aug	23.4	56.6	20.0	3.3	51.7	51.9
	Sep	27.1	54.2	18.8	8.3	54.1	52.4

A third successive monthly increase in new export orders was recorded in September, and the rate of expansion picked up to the fastest in close to six years. There were reports of higher tourist numbers, as well as increased new business from some emerging markets.



Regional Comparisons: Output / Business Activity

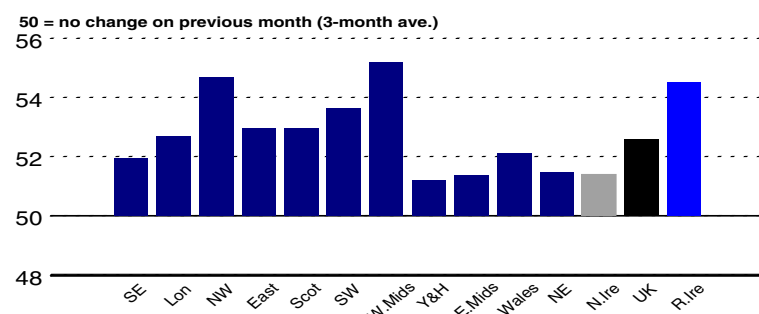
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded higher levels of private sector output on average over the third quarter of 2013. The fastest rates of business activity growth were in the North West and London. Companies operating in the Republic of Ireland also saw a robust expansion of output in the three months to September.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	55.2	62.2	62.9
South East	(14.7%)	54.3	60.9	60.7
North West	(9.5%)	54.7	62.9	62.3
East of England	(8.7%)	53.3	59.0	58.5
Scotland	(8.3%)	53.8	57.8	58.3
South West	(7.7%)	53.1	60.5	60.5
West Midlands	(7.3%)	53.1	58.7	58.2
Yorks & Humber	(7.0%)	54.7	58.9	59.8
East Midlands	(6.4%)	53.5	59.3	61.0
Wales	(3.6%)	55.3	58.2	59.2
North East	(3.2%)	51.3	56.3	56.2
N.Ireland	(2.2%)	49.5	57.7	58.7
UK	(100.0%)	53.9	60.2	60.4
Rep. of Ireland	n/a	53.2	56.0	55.7

Regional Comparisons: Employment

The graph below shows the regional PMI Employment Indexes for the UK. An average of the latest three months is used (see also the table to the right). Job creation was recorded over the three months to September in all 12 UK regions. Employment growth was strongest in the West Midlands and weakest in Yorkshire & Humber. Solid rises in staffing levels were also seen across the Republic of Ireland in the third quarter of 2013.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.7	52.0	53.4
London	(12.3%)	50.9	52.7	53.9
North West	(10.9%)	50.8	54.7	55.3
East of England	(9.6%)	51.6	53.0	52.9
Scotland	(8.7%)	51.5	53.0	53.4
South West	(8.6%)	51.2	53.6	53.8
West Midlands	(8.6%)	52.5	55.2	55.6
Yorks & Humber	(8.2%)	50.4	51.2	52.0
East Midlands	(7.3%)	51.2	51.4	51.2
Wales	(4.6%)	51.2	52.1	53.0
North East	(3.9%)	49.9	51.5	50.1
N.Ireland	(2.7%)	48.9	51.4	51.4
UK	(100.0%)	51.1	52.6	53.6
Rep. of Ireland	n/a	52.6	54.5	54.8

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*

September 2013 Survey Update

Issued 14th October 2013

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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.

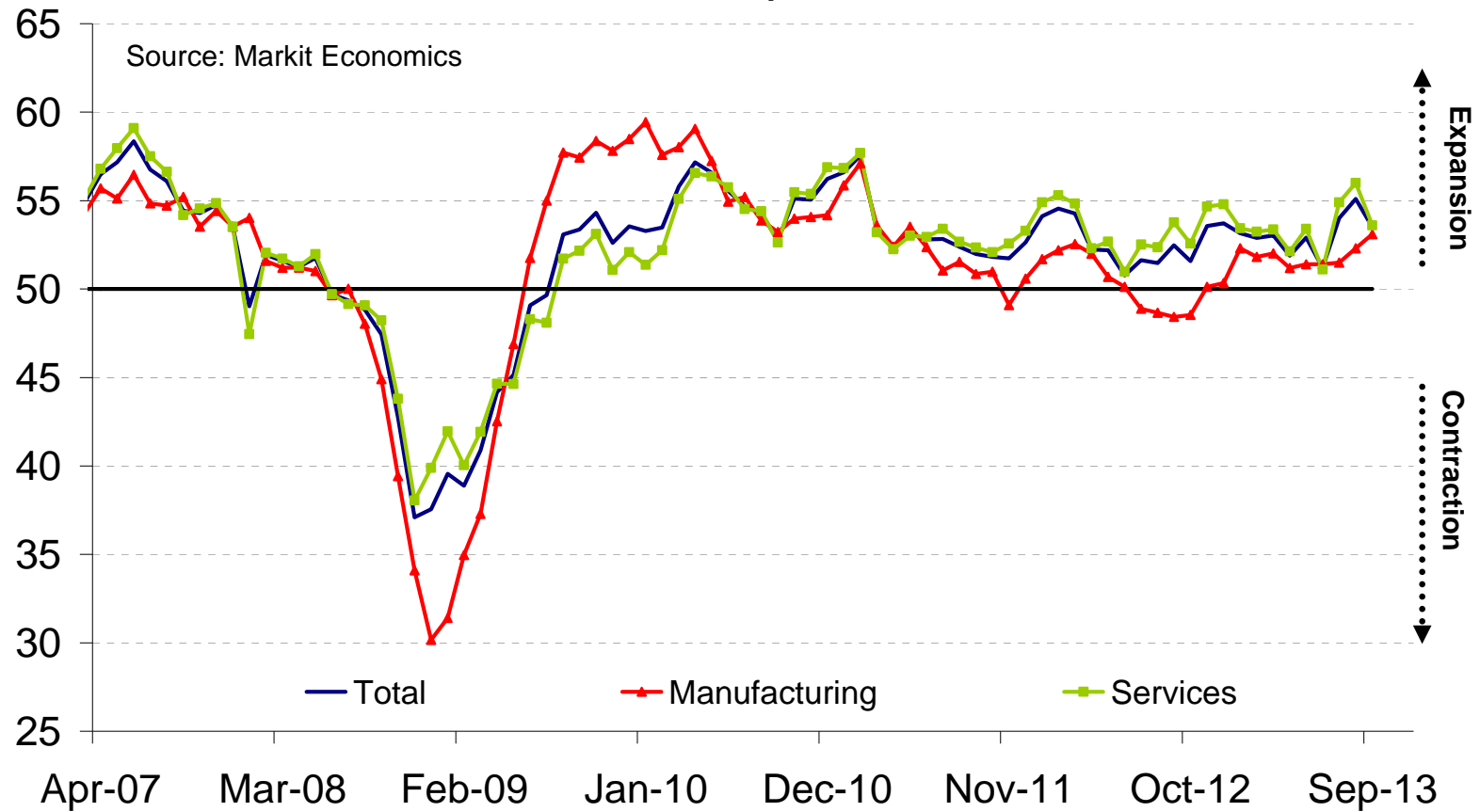
Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline on the previous month. These indices vary from 0 to 100 with readings of 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below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

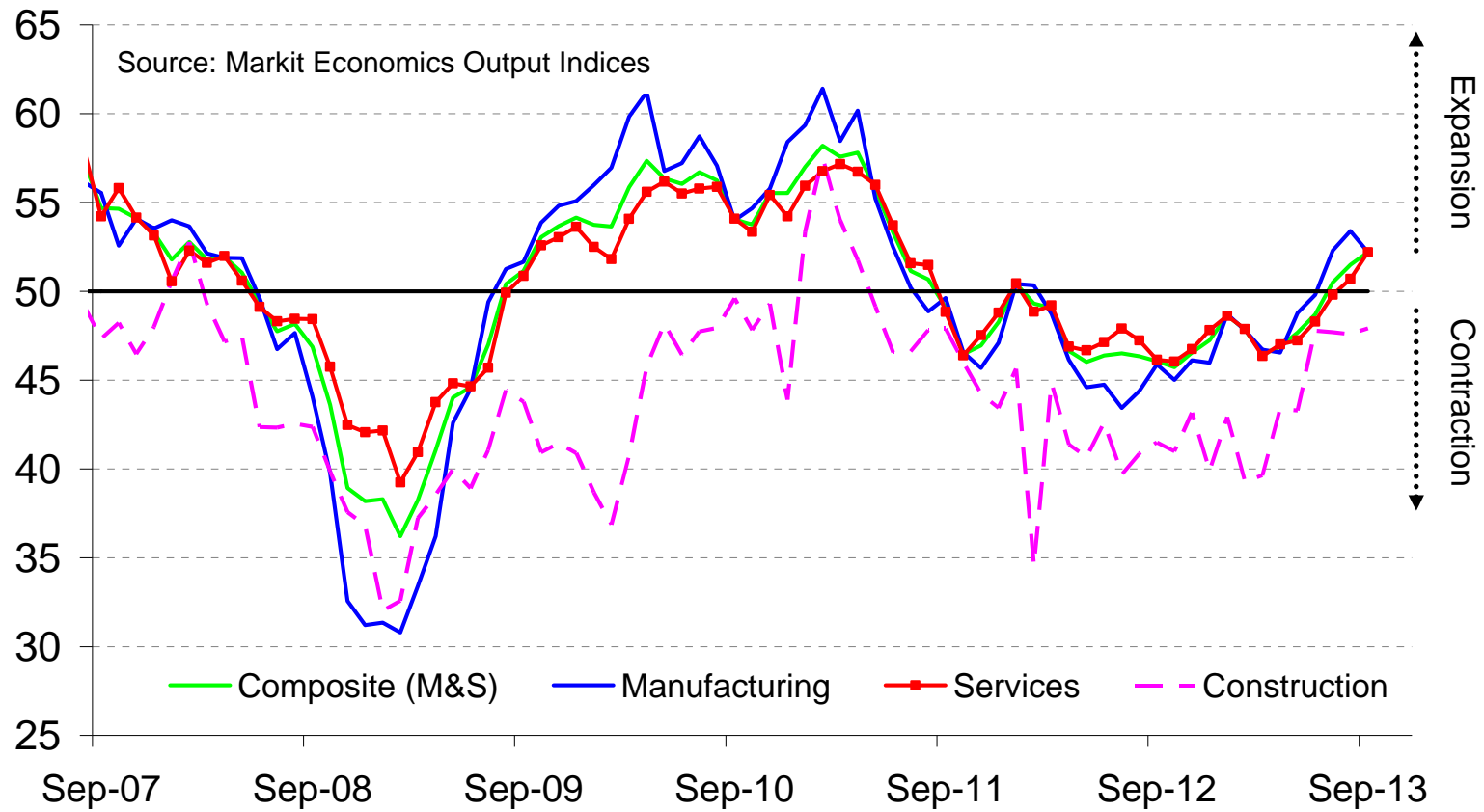
Global output growth slows in September due to the services sector...

Global Output - PMI



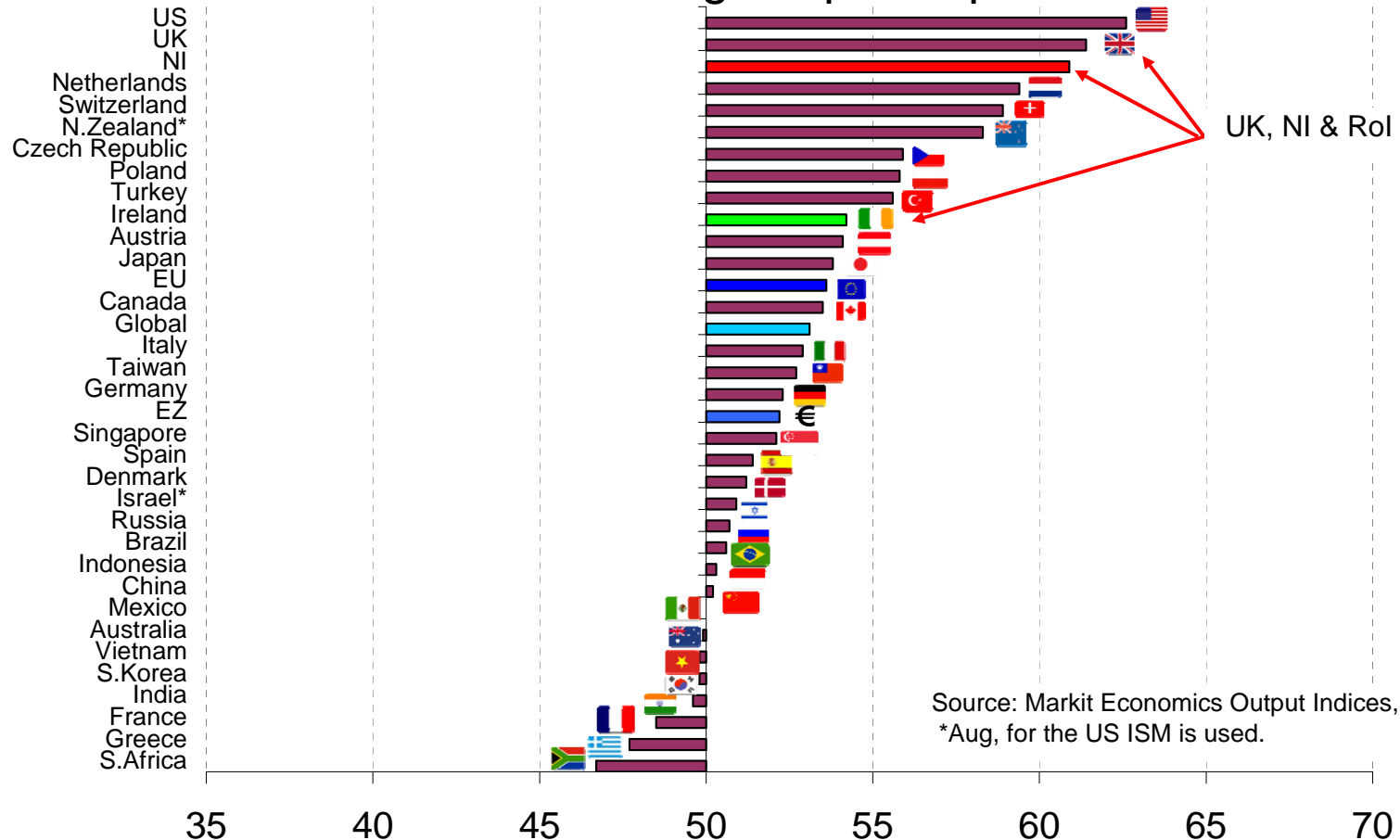
... but the Eurozone experiences an acceleration in service sector activity with manufacturing growth slowing

Eurozone PMIs: Output



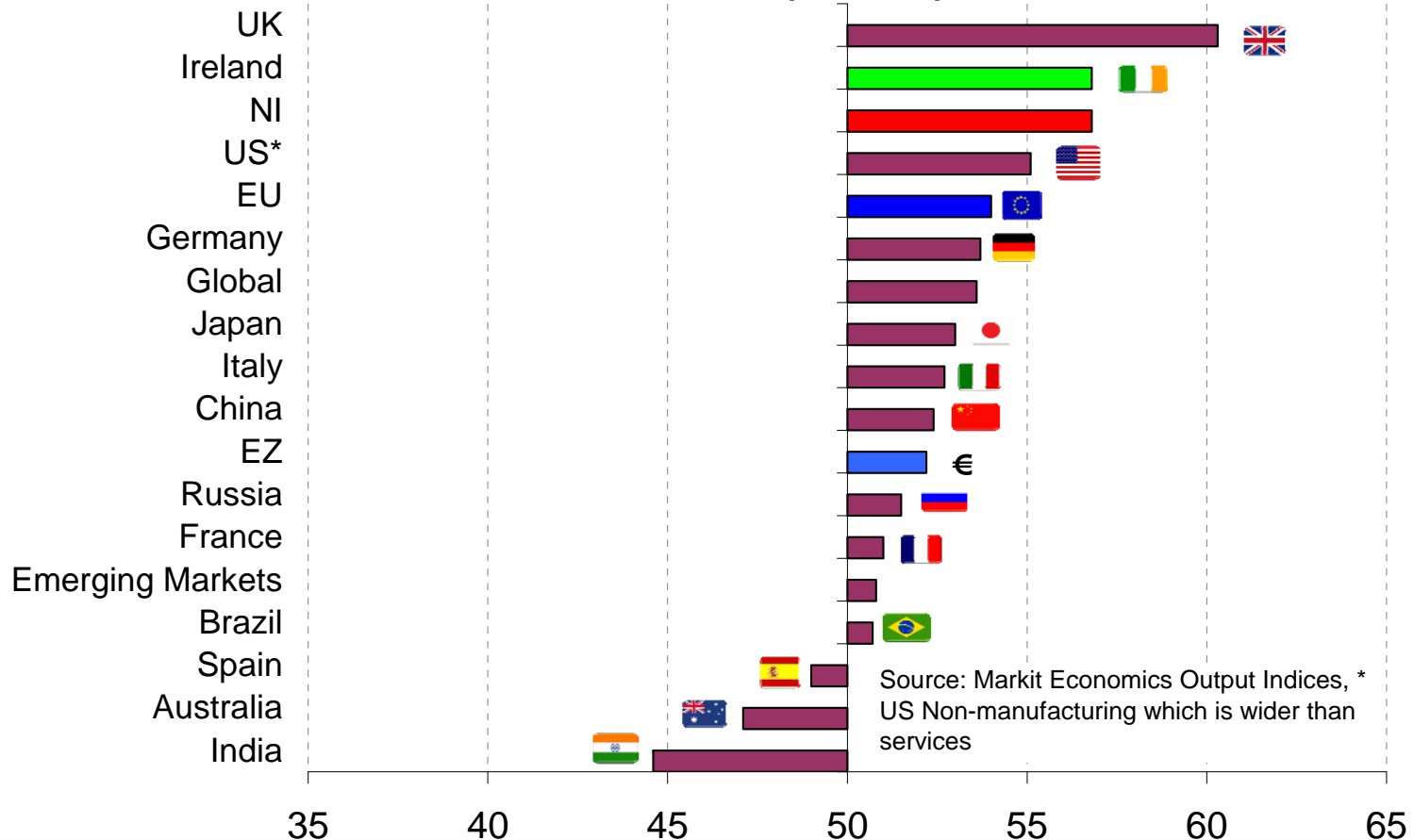
Top performers within manufacturing incl. US, UK & NI. Underperformers incl. France, S.Africa, Greece & India

PMIs: Manufacturing Output September 2013



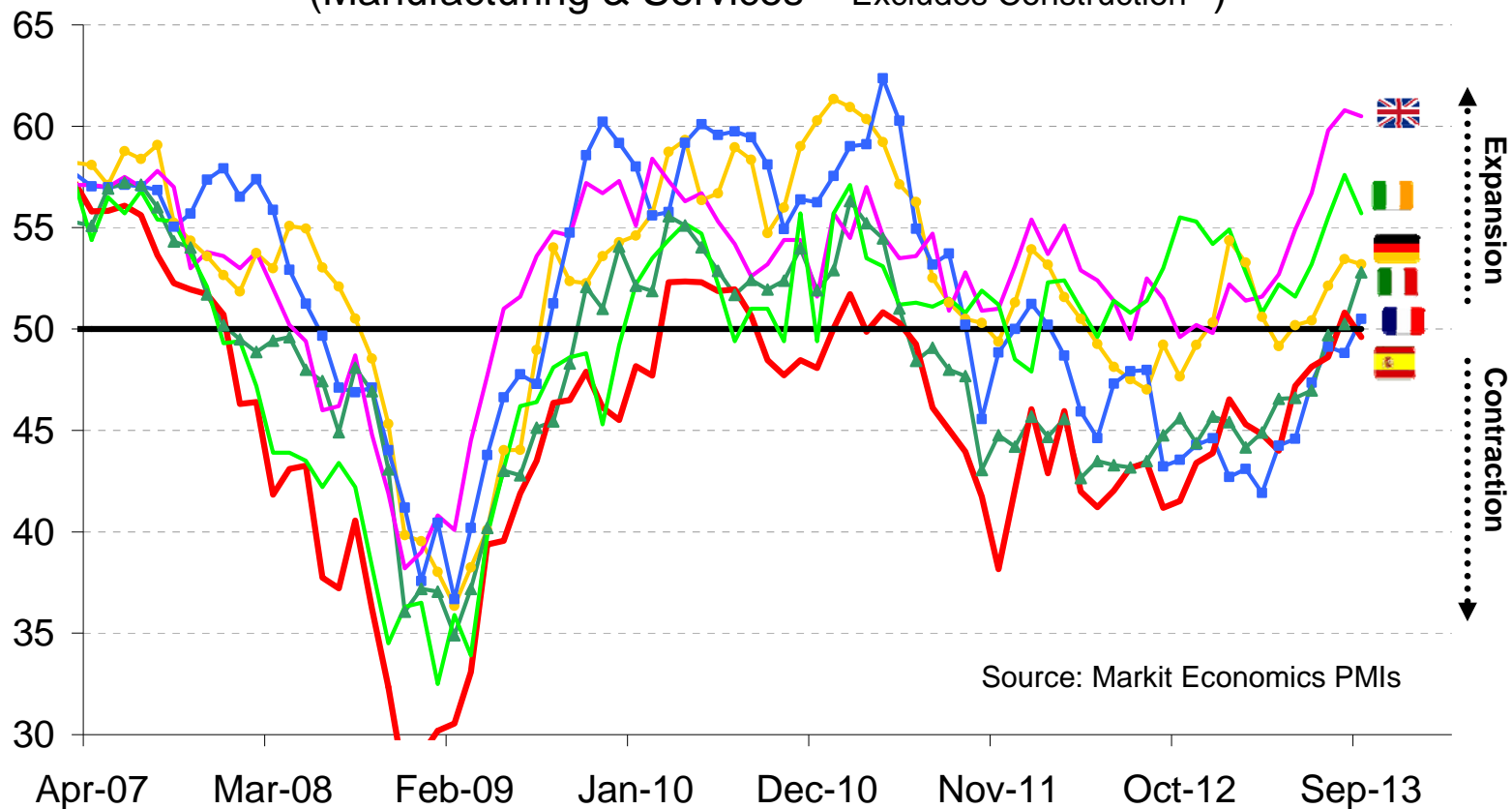
The UK, NI & Ireland post the fastest rate of service sector output growth in September

PMIs: Services Output September 2013



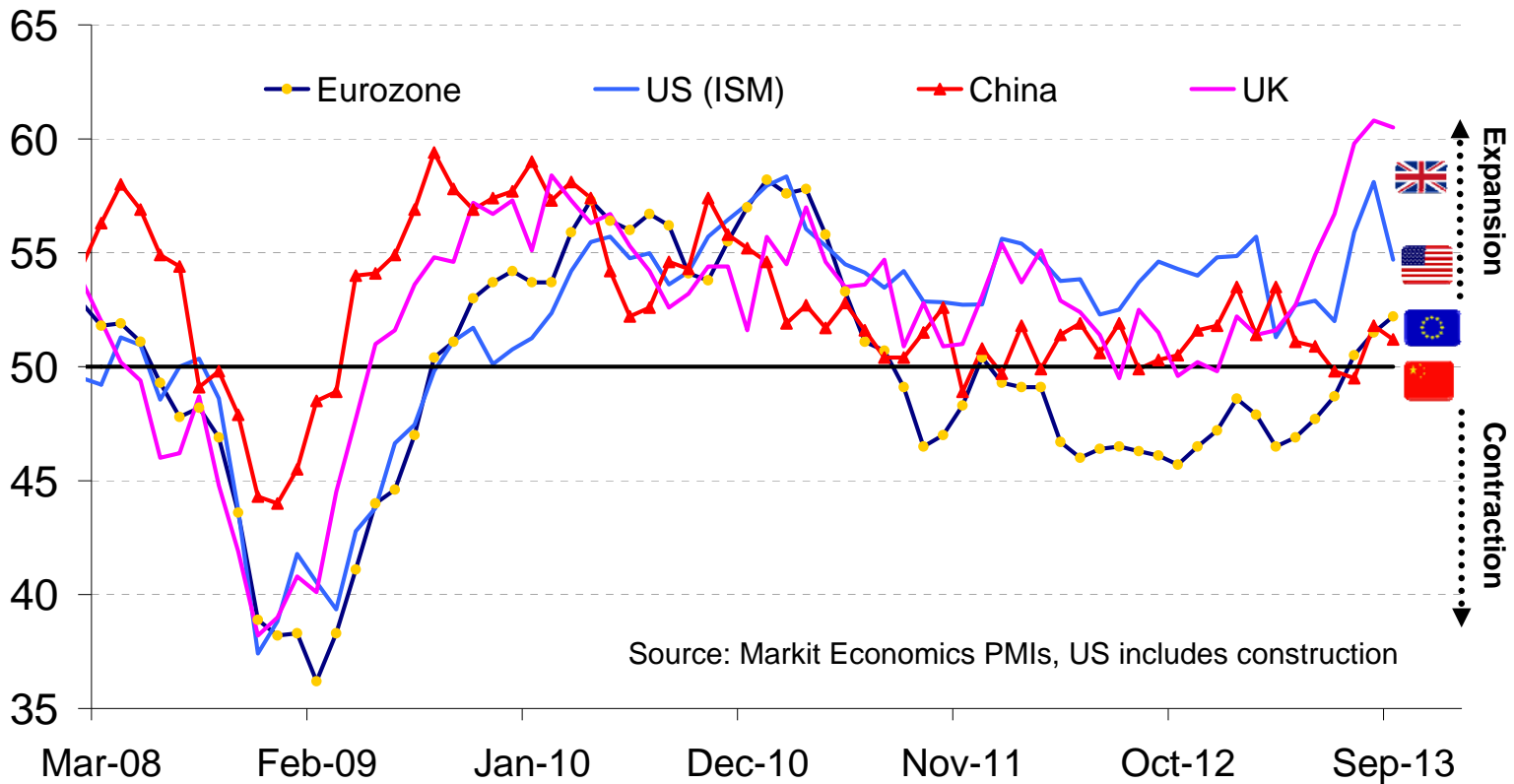
Three of the four largest economies within the eurozone are now expanding

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

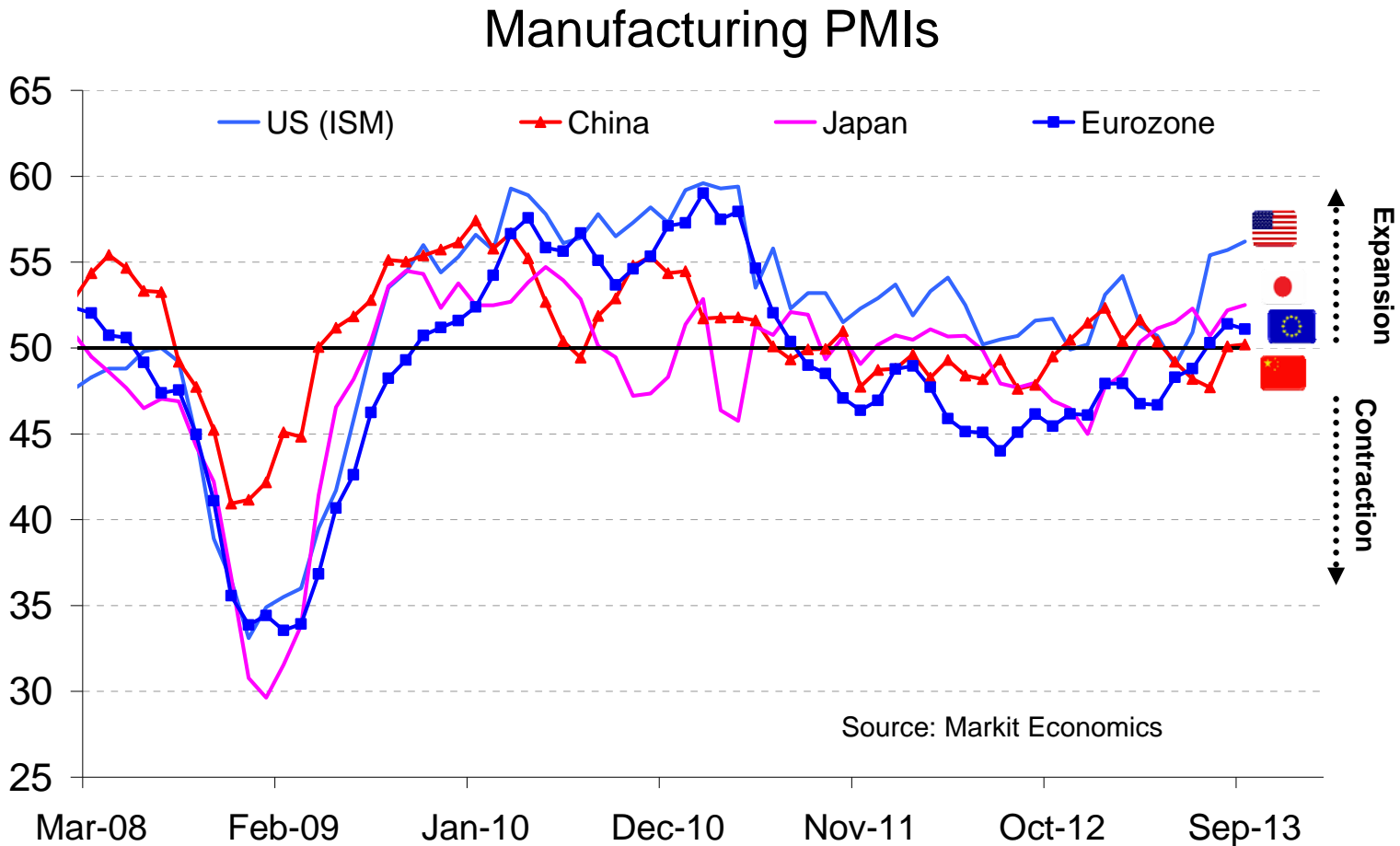


Deceleration in the growth rates of China, UK, & the US with the rate of growth picking up in the Eurozone

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

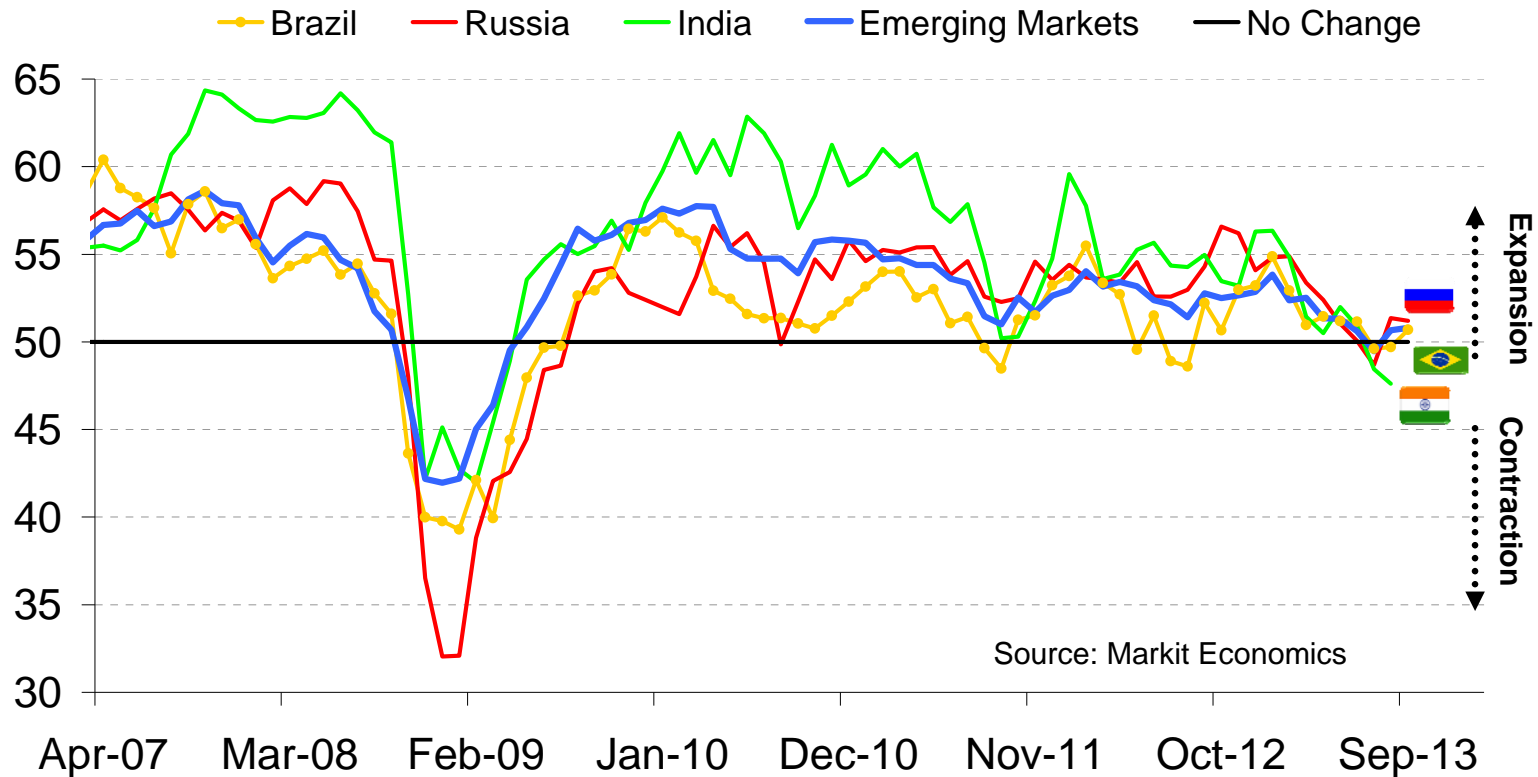


The US & Japan posted an acceleration in manufacturing activity in September



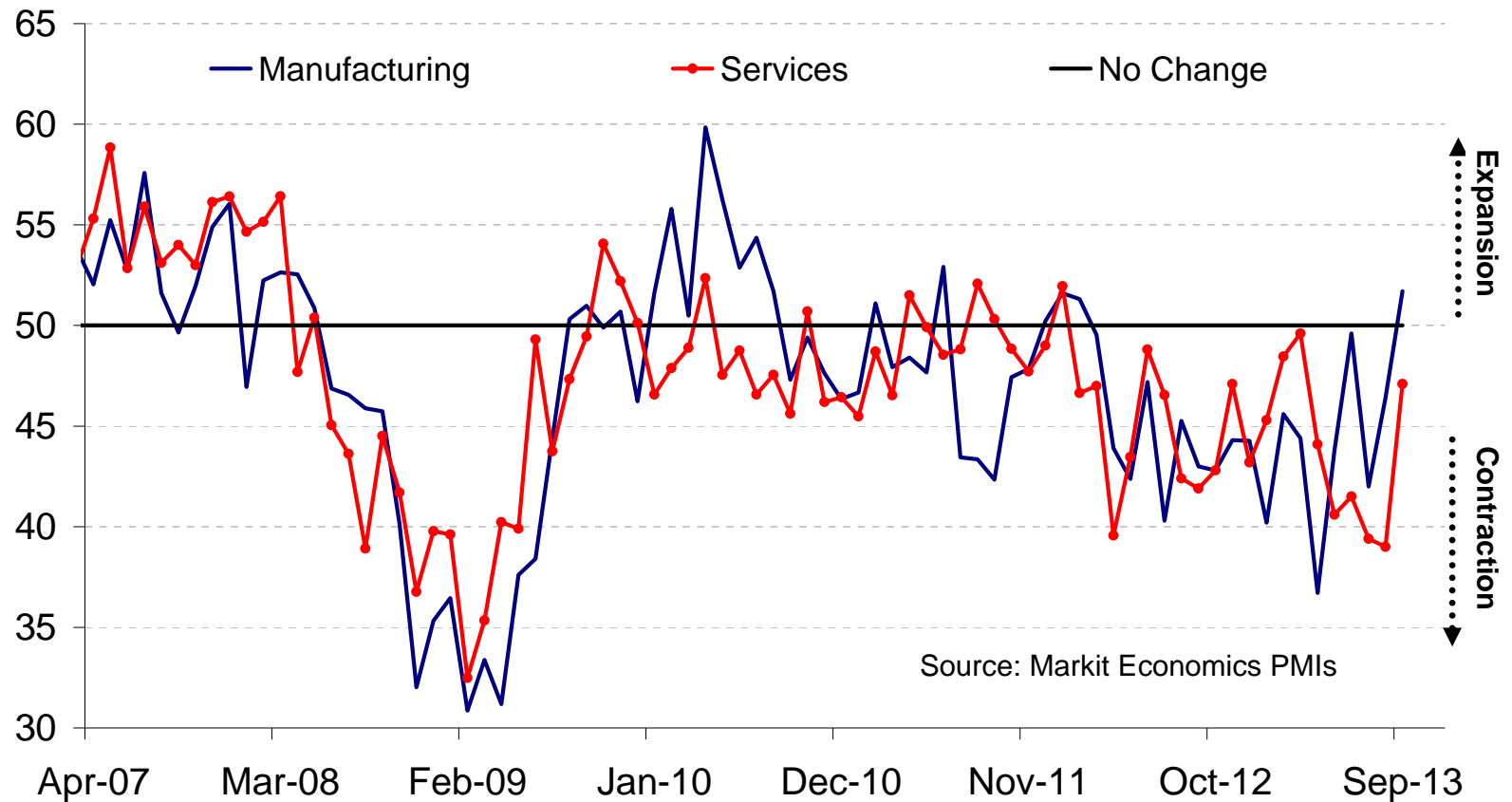
Russia & Brazil post expansion but pace of contraction accelerates in India

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



... with Australia's service sector still contracting though manufacturing returned to growth

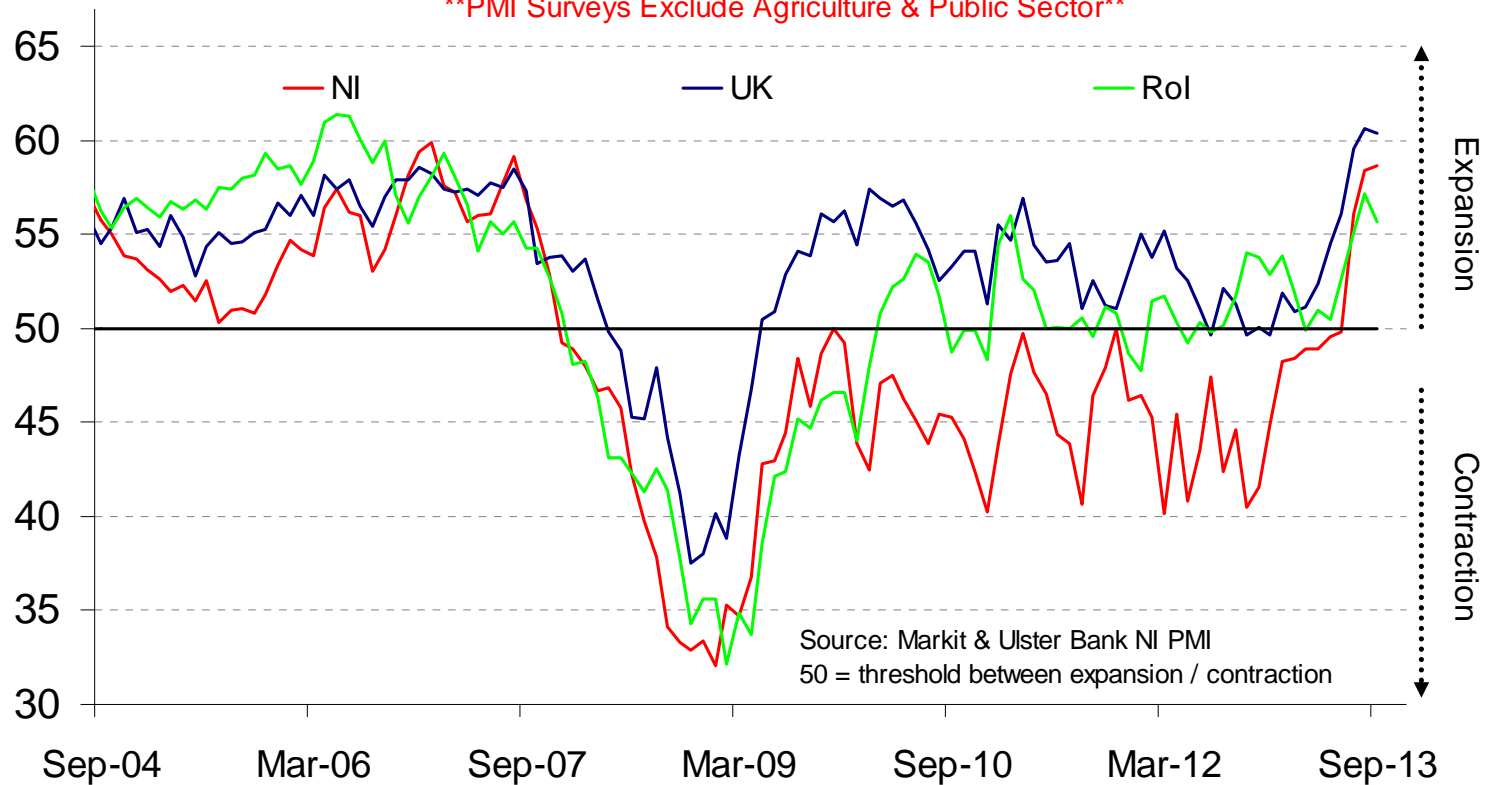
Australia - PMI



NI, UK & the RoI all post strong rates of growth in September

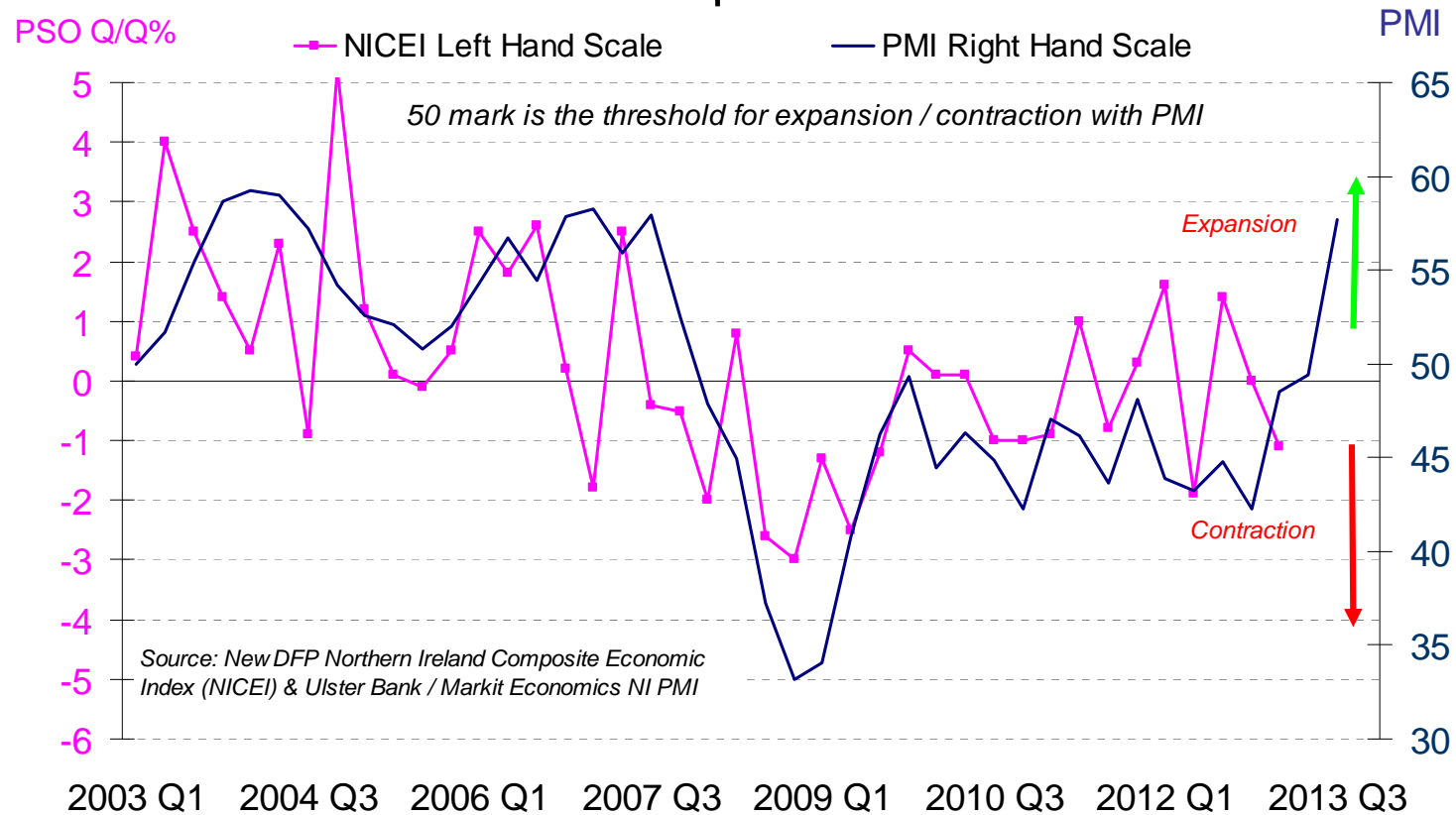
Private Sector Business Activity - PMIs

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



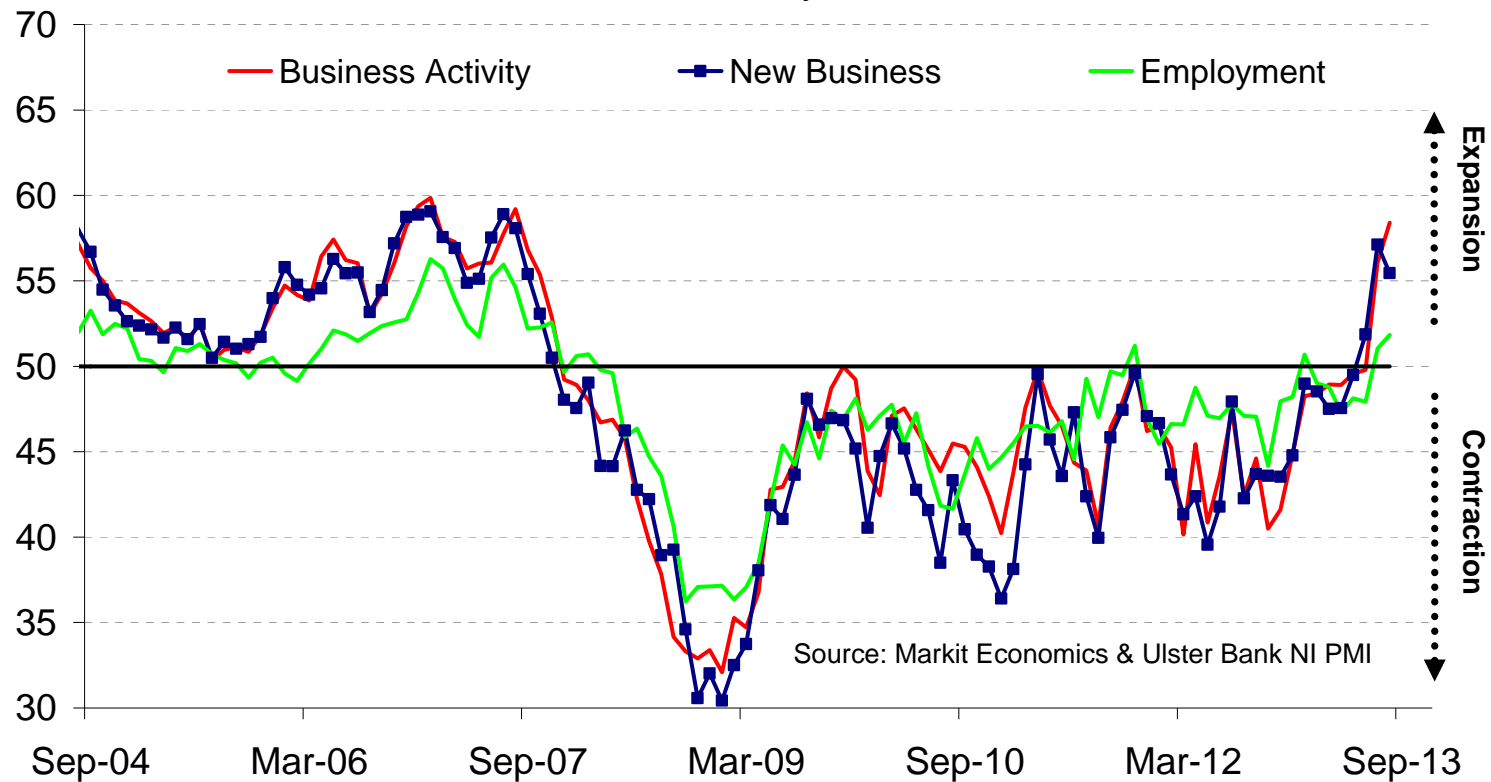
PMI suggests growth in DFP's new private sector composite index (combines indices for construction, services, agriculture & industrial production) in Q2 & Q3 2013

NI Private Sector Output Index Versus NI PMI

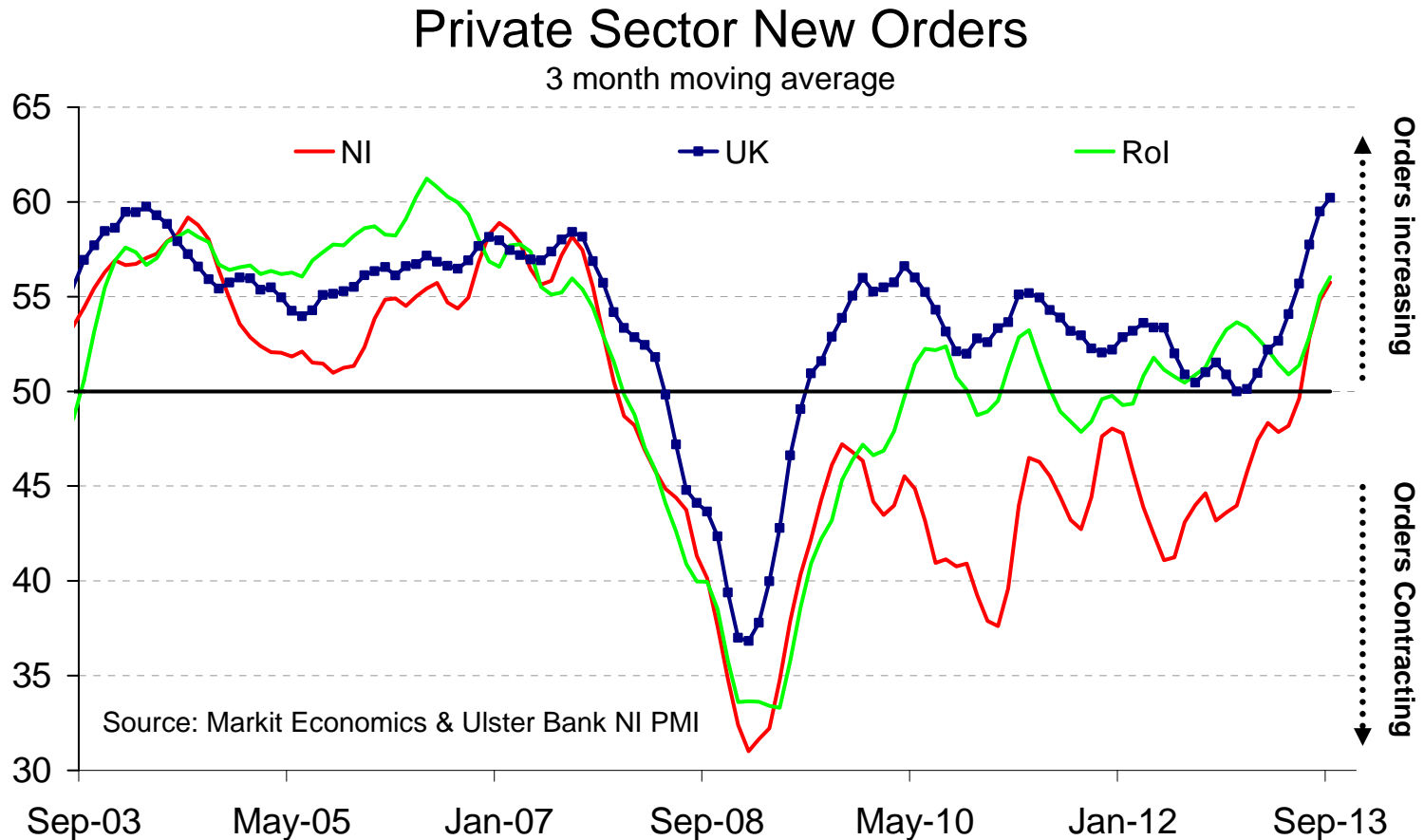


NI firms report an increase in business activity, new orders & employment in September

NI Private Sector Activity Monthly



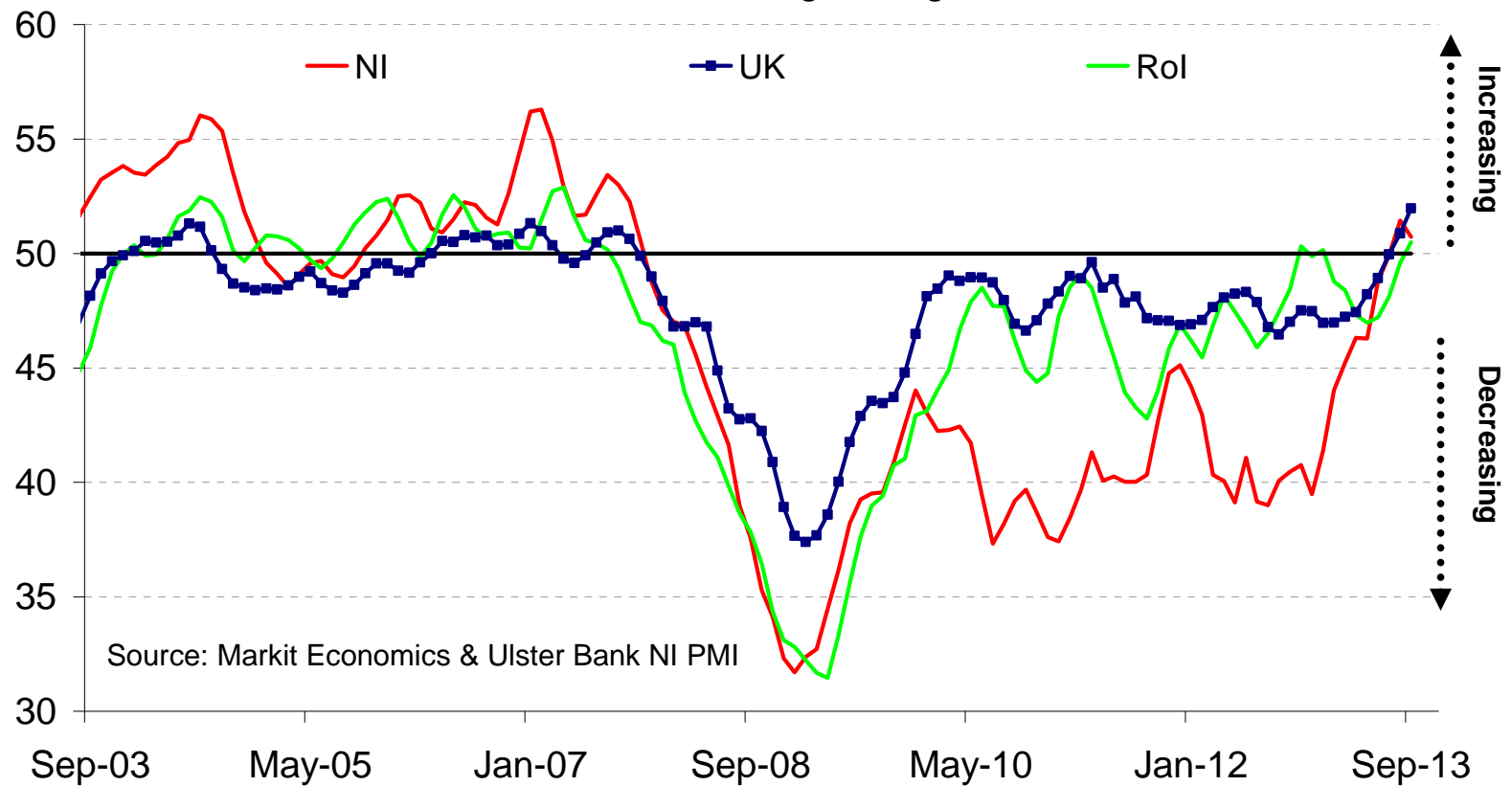
Forward looking indicators suggest more growth in all three economies in the months ahead



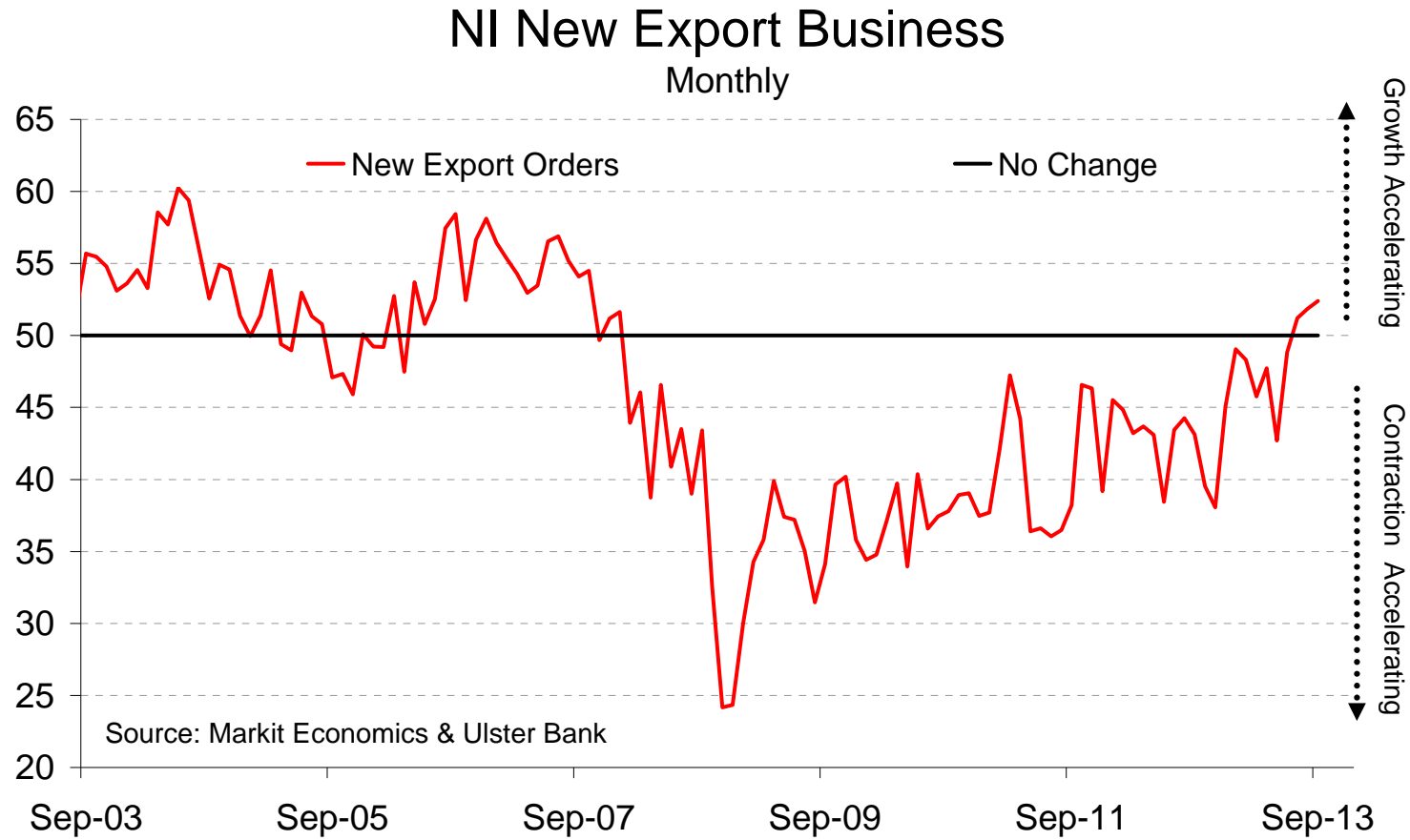
Surge in demand is leading to backlogs of work

Private Sector Backlogs

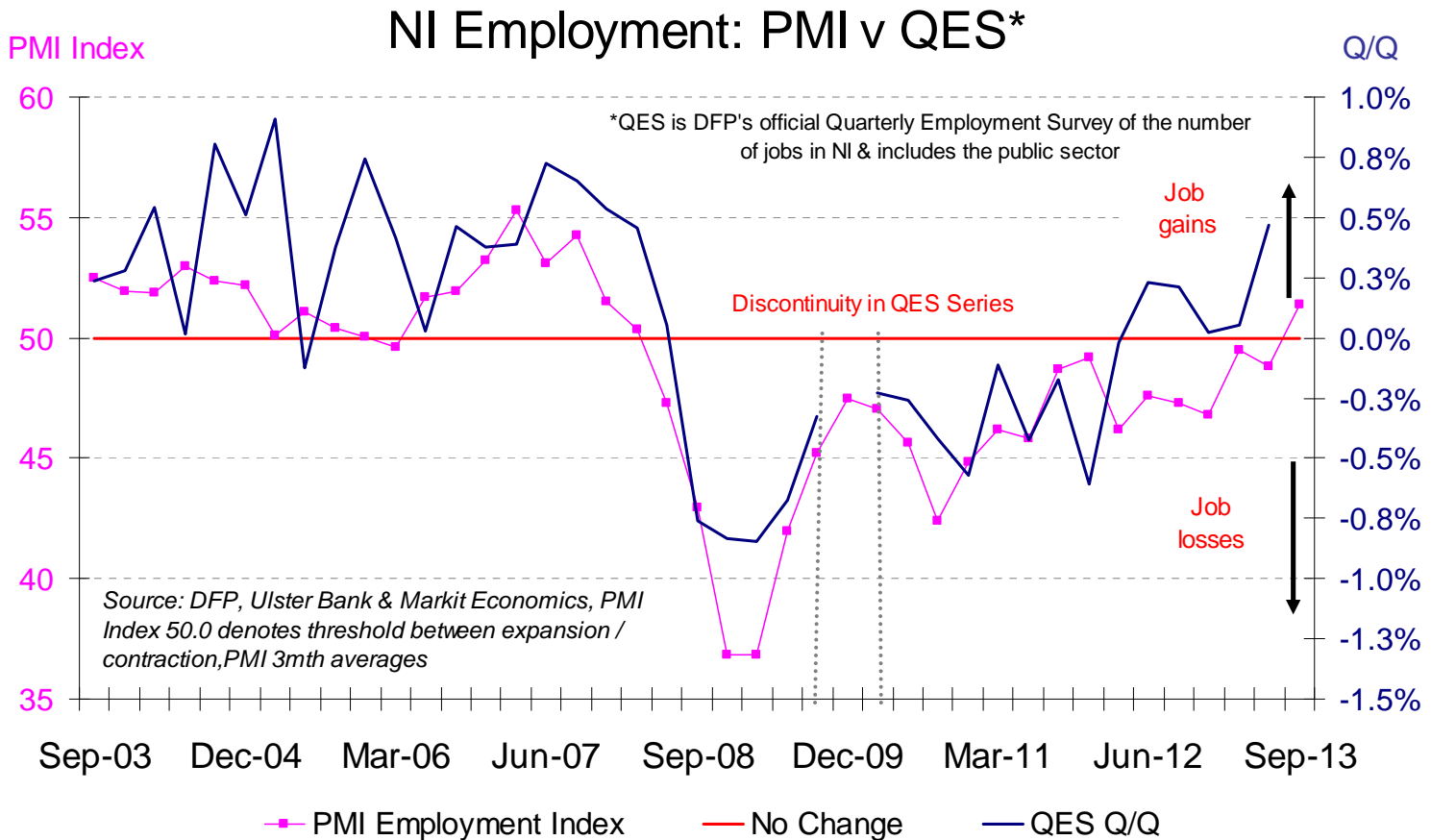
3 month moving average



NI firms post their 3rd successive increase in export orders in September

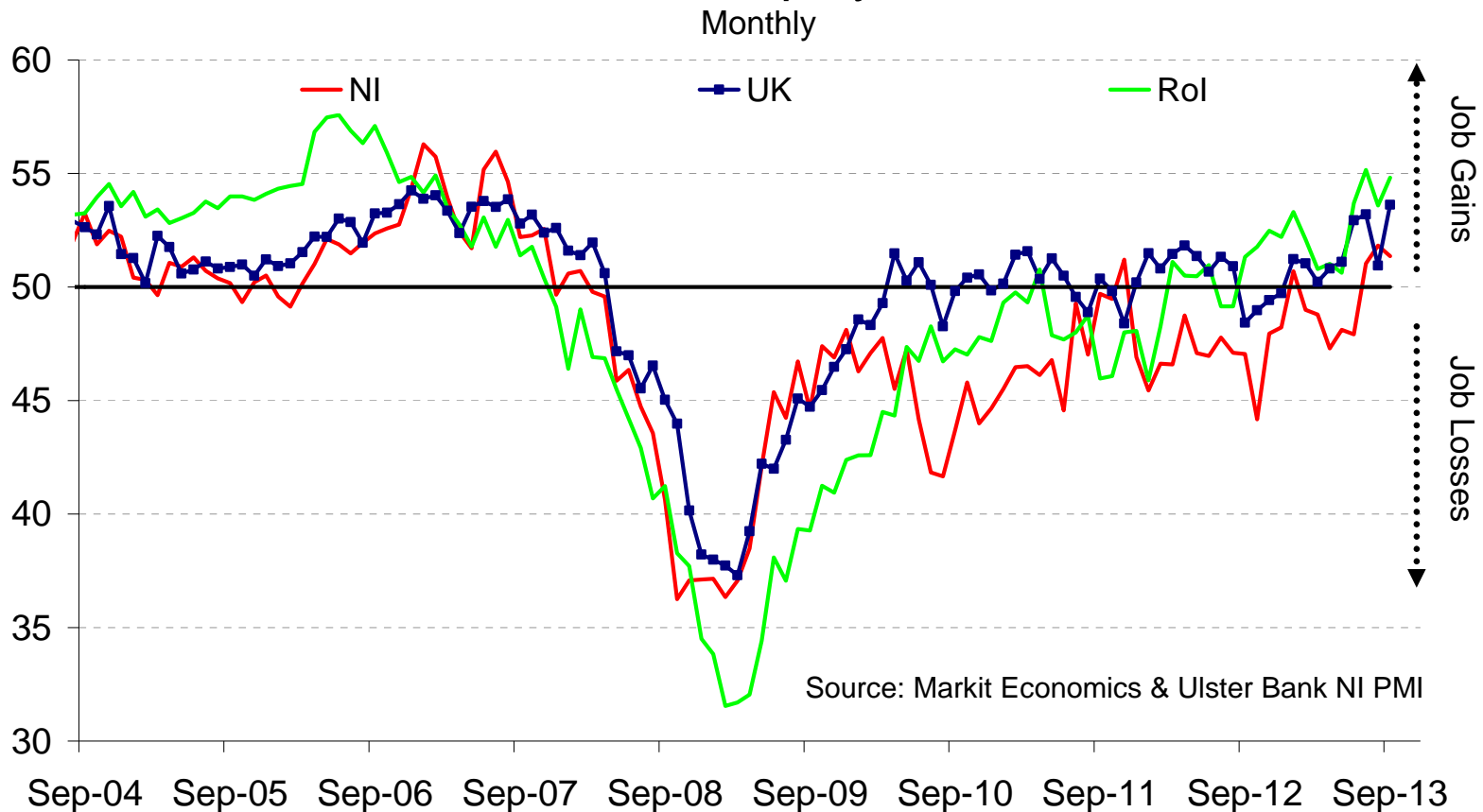


PMI underestimated job gains in 2012 (relative to official jobs survey).
PMI signals another quarter of employment growth in Q3 2013



Firms within the UK, RoI & NI all experience job gains in September but the pace of growth eases for NI

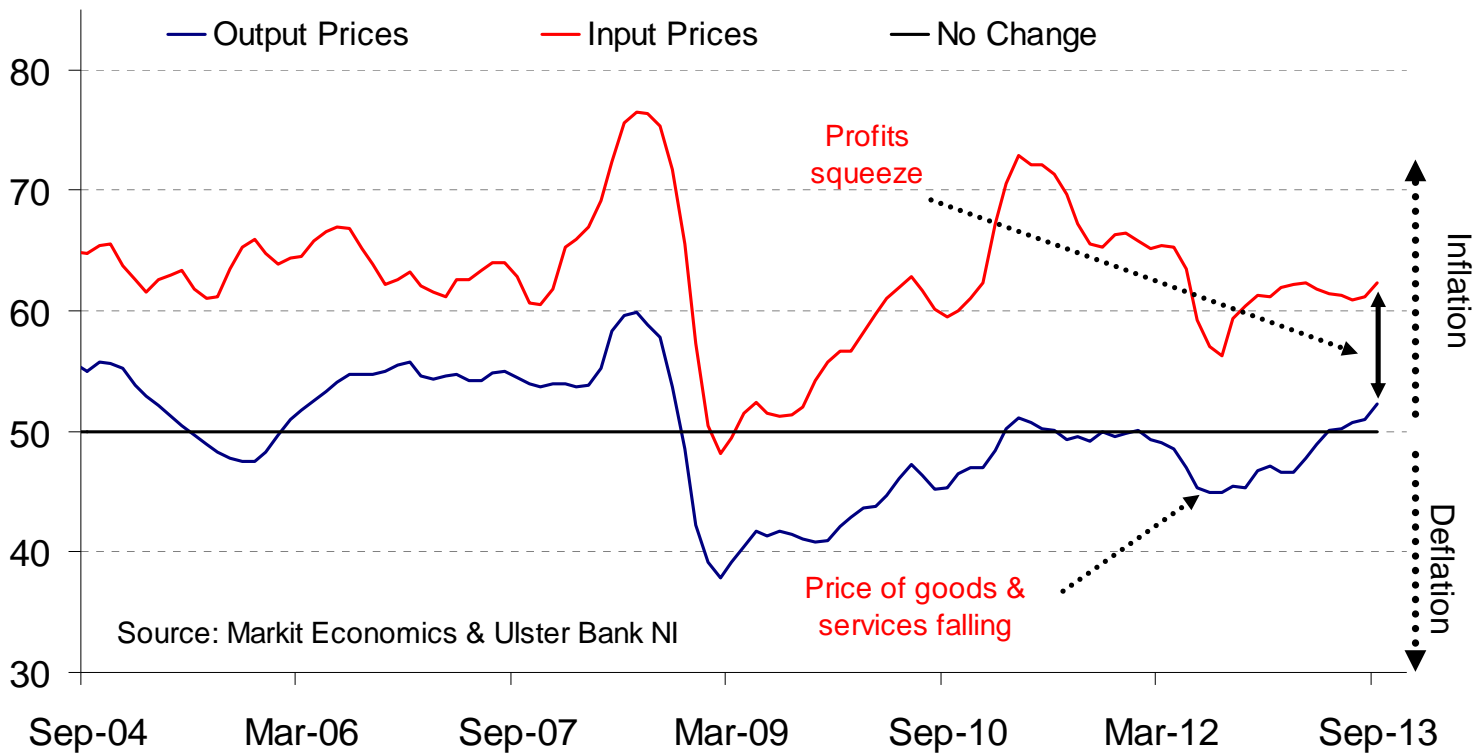
Private Sector Employment Levels



Private sector's profitability squeeze remains

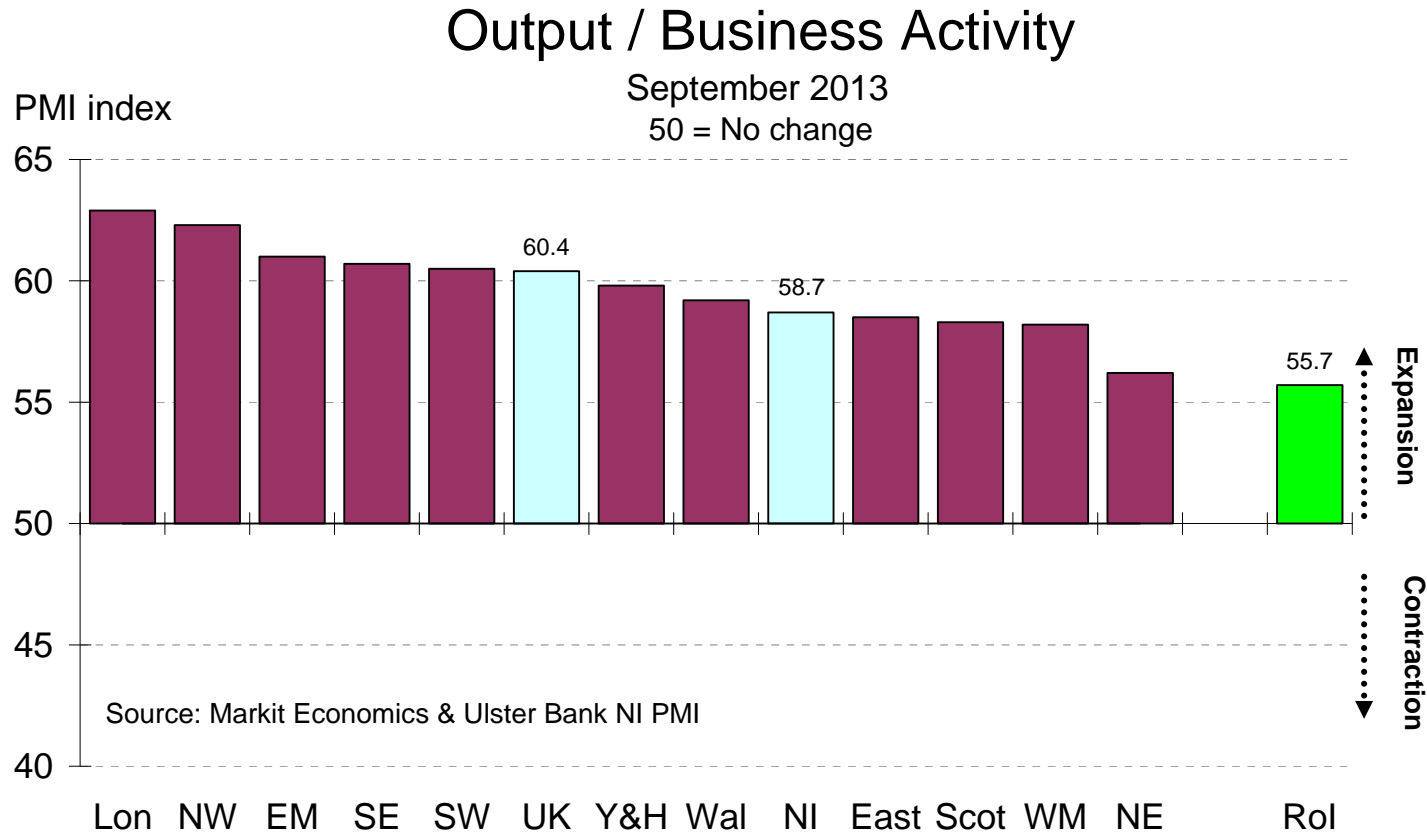
NI Private Sector Profit Squeeze

3 Month Moving Average

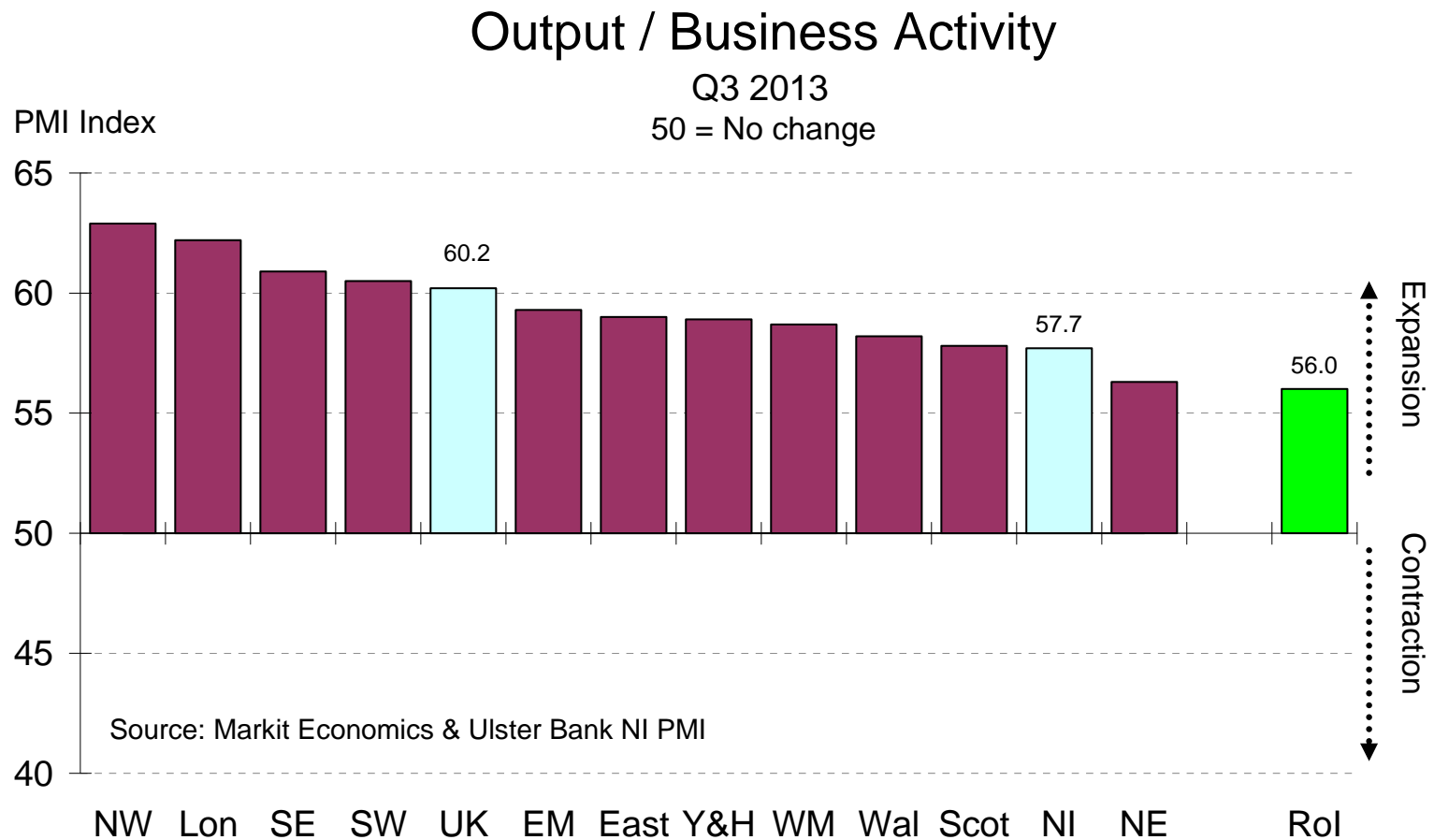


Regional Comparisons

PMIs experience an Indian summer in September with strong growth reported everywhere...

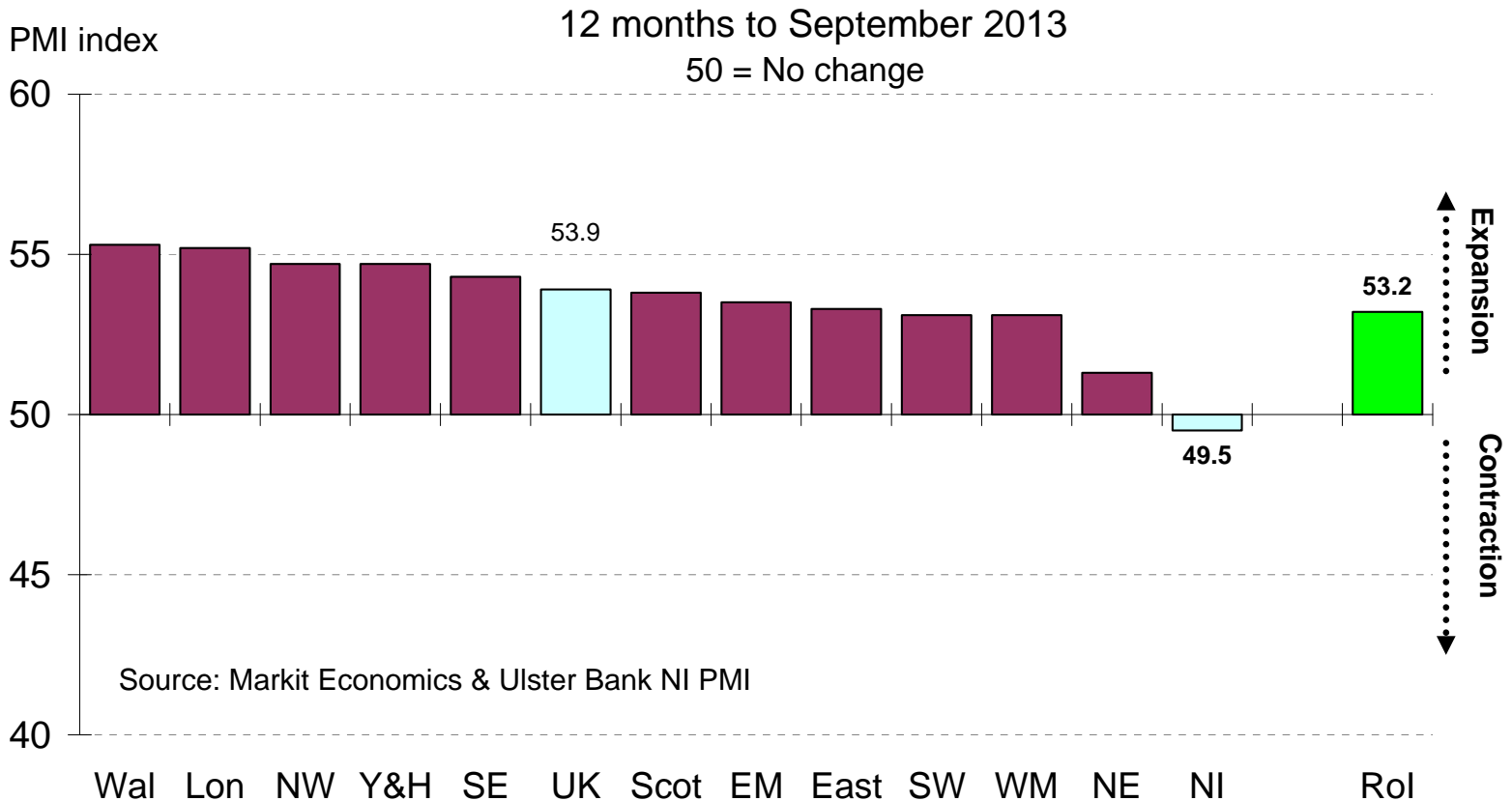


... all the UK regions post growth over the last 3 months



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

Output / Business Activity



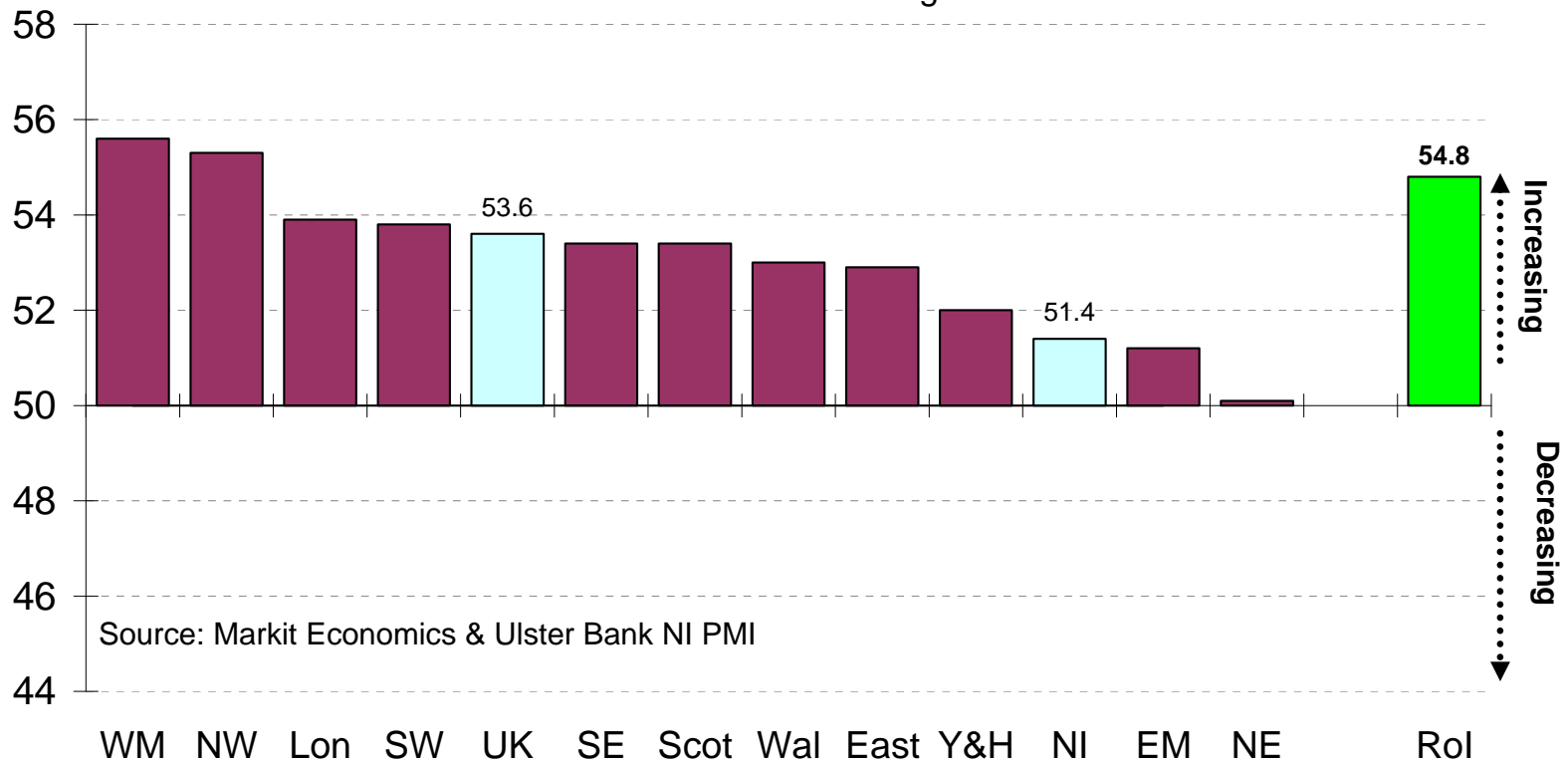
All the UK regions and the Republic of Ireland post employment growth in September ...

Employment Levels

September 2013

50 = No change

PMI Index



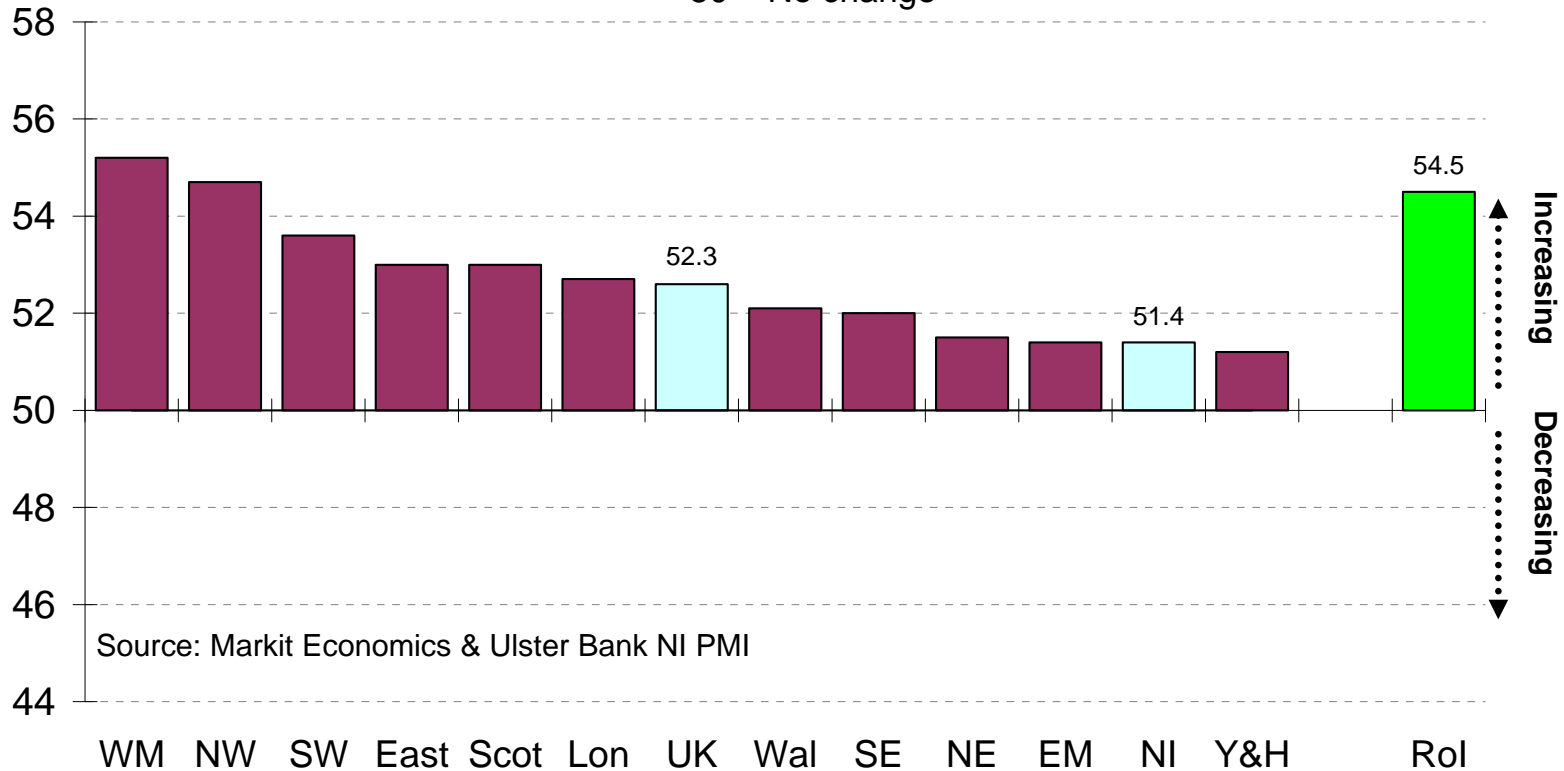
... and over the last 3 months to September

Employment Levels

Q3 2013

50 = No change

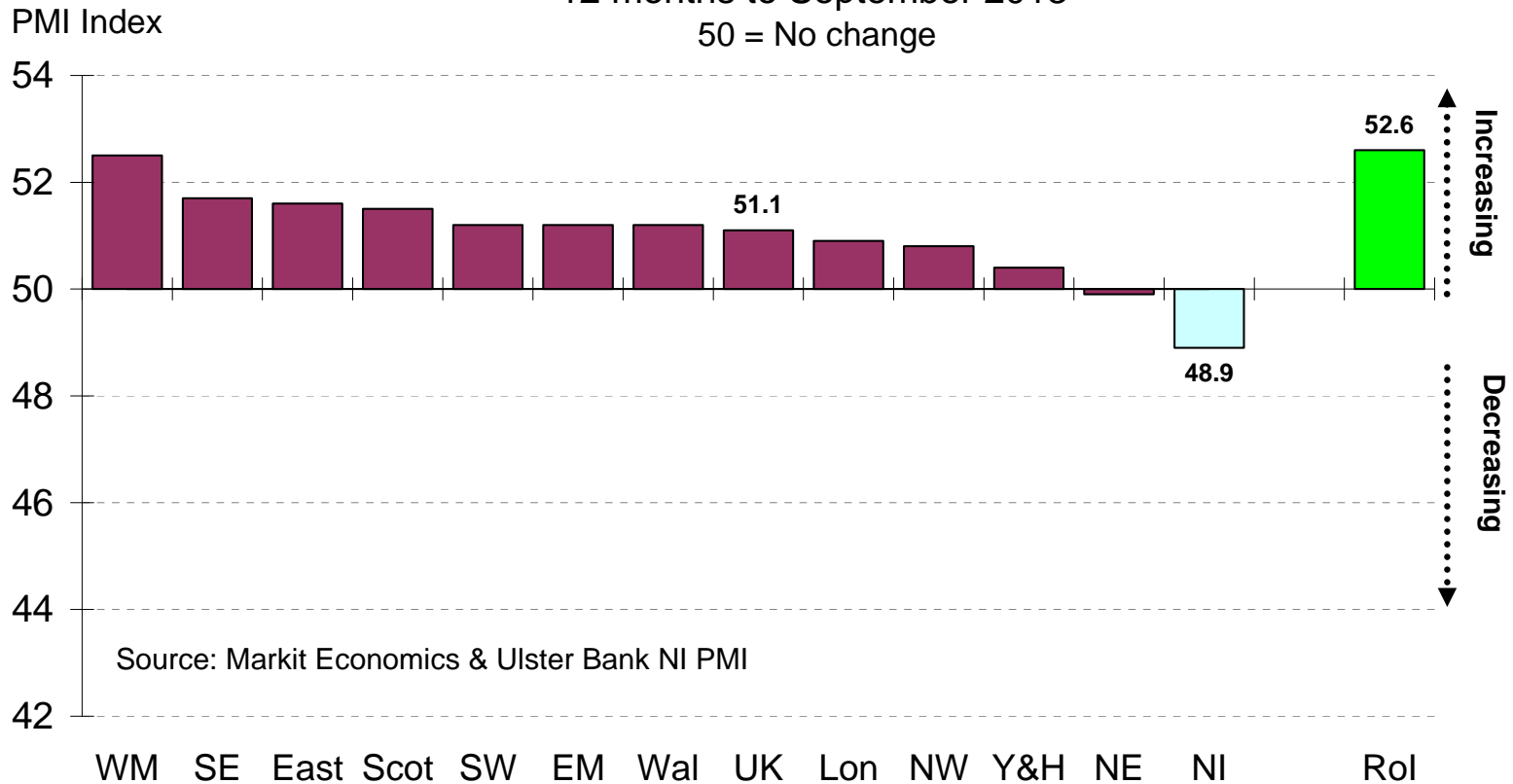
PMI Index



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

Employment Levels

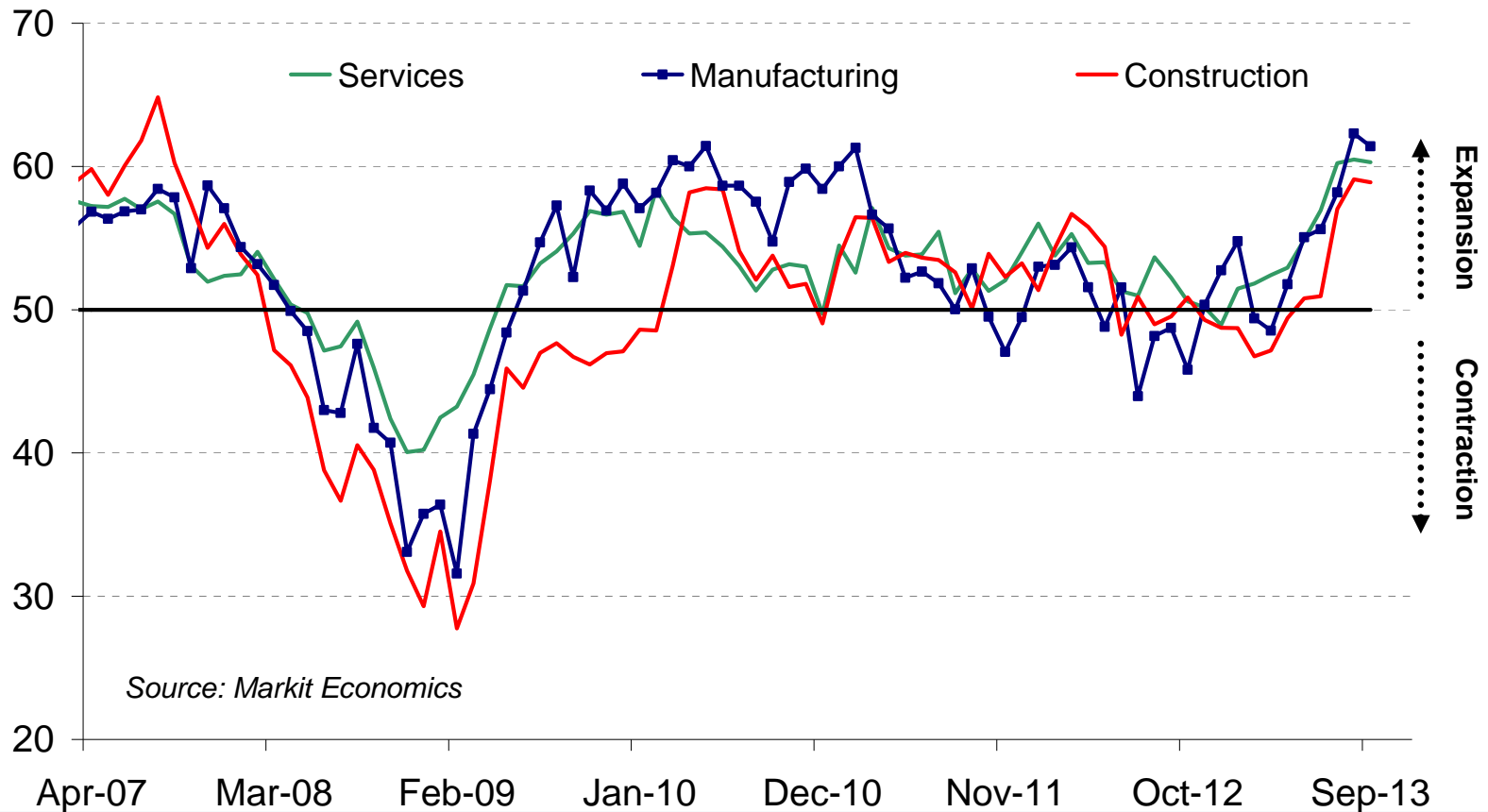
12 months to September 2013
50 = No change



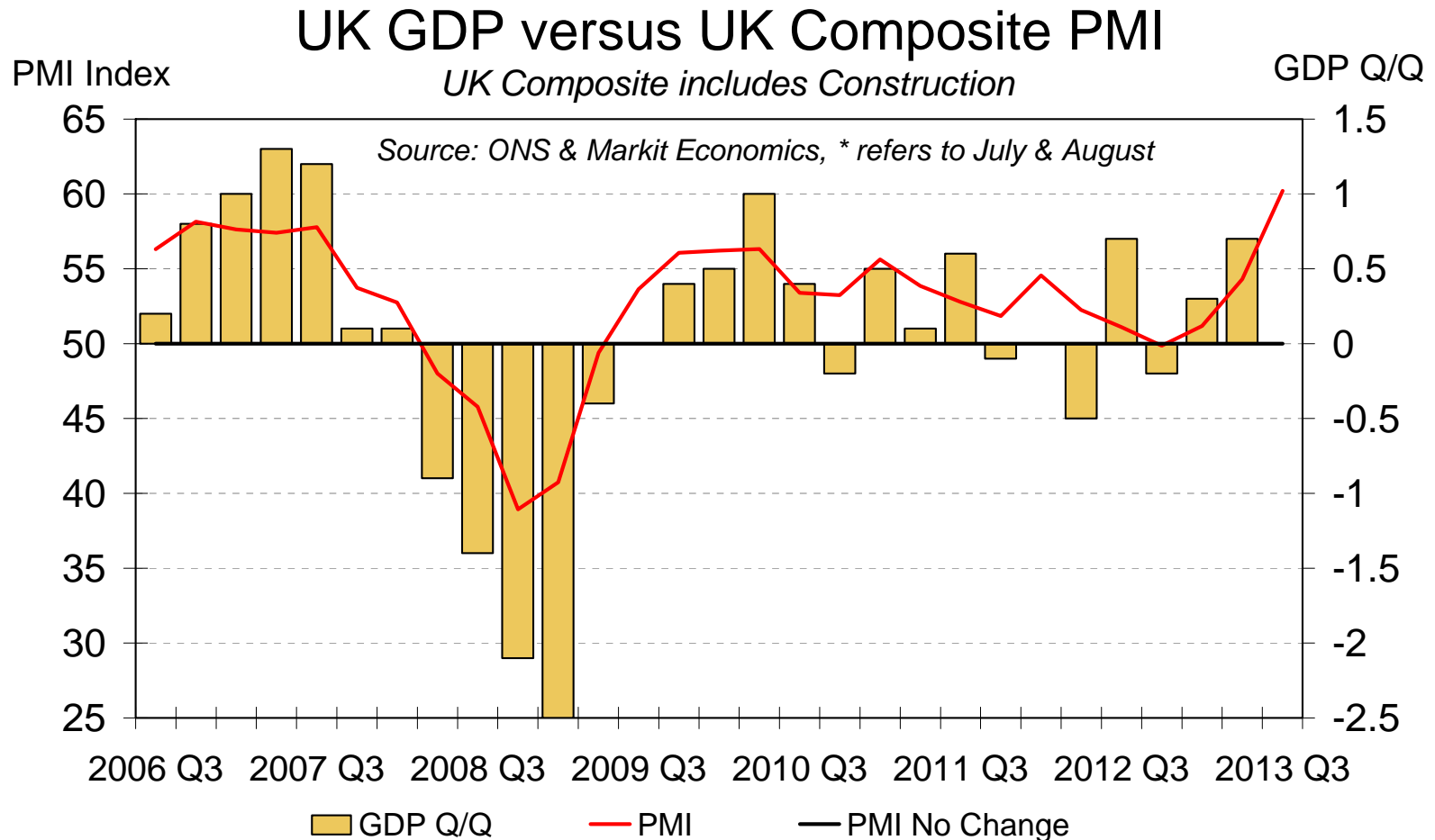
Sectoral Comparisons

All three broad UK sectors maintain strong rates of growth in September

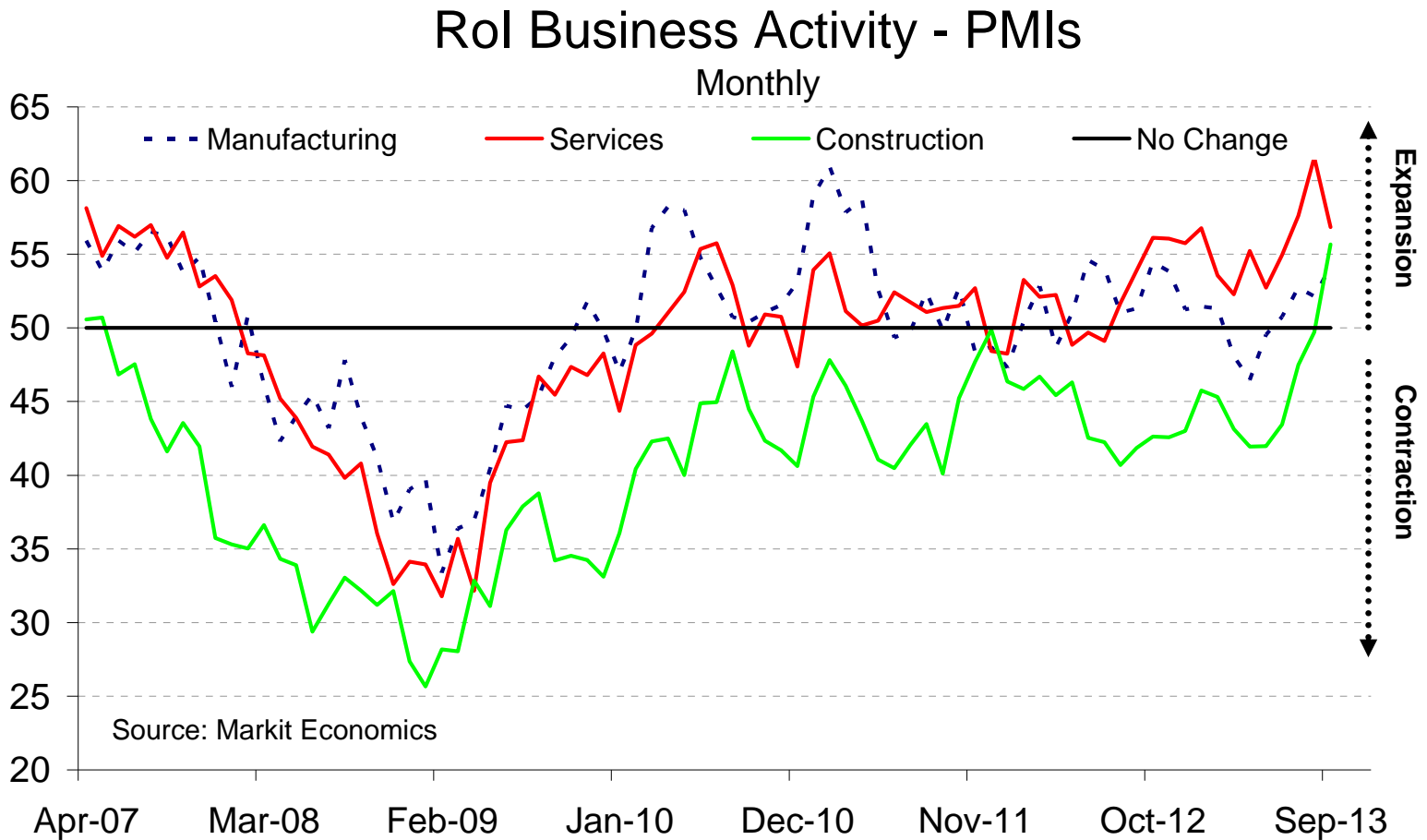
UK Business Activity / Output - PMIs



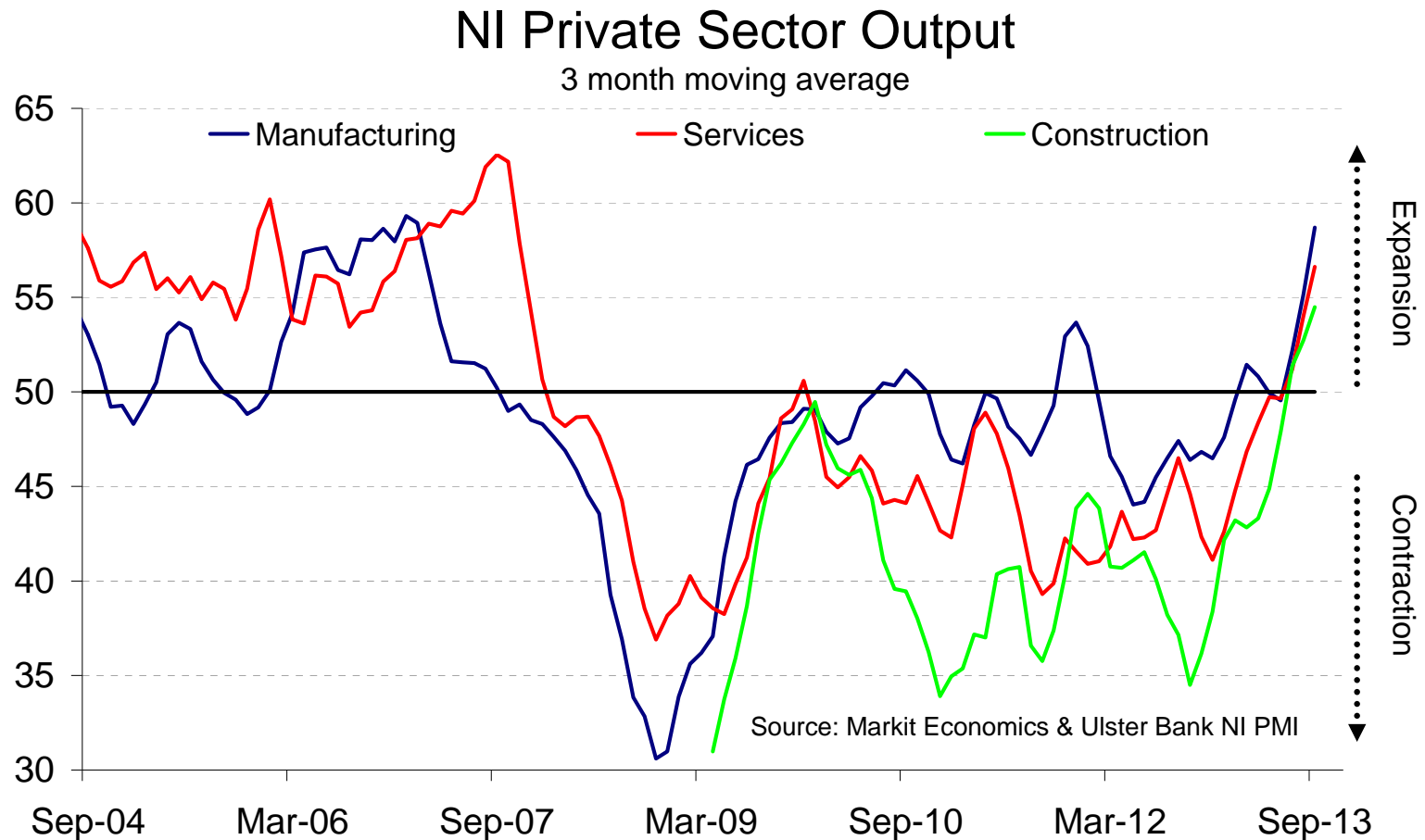
UK economic growth accelerates in Q2 & Q3



All three sectors of the RoI economy post growth (>50) for the first time since May 2007



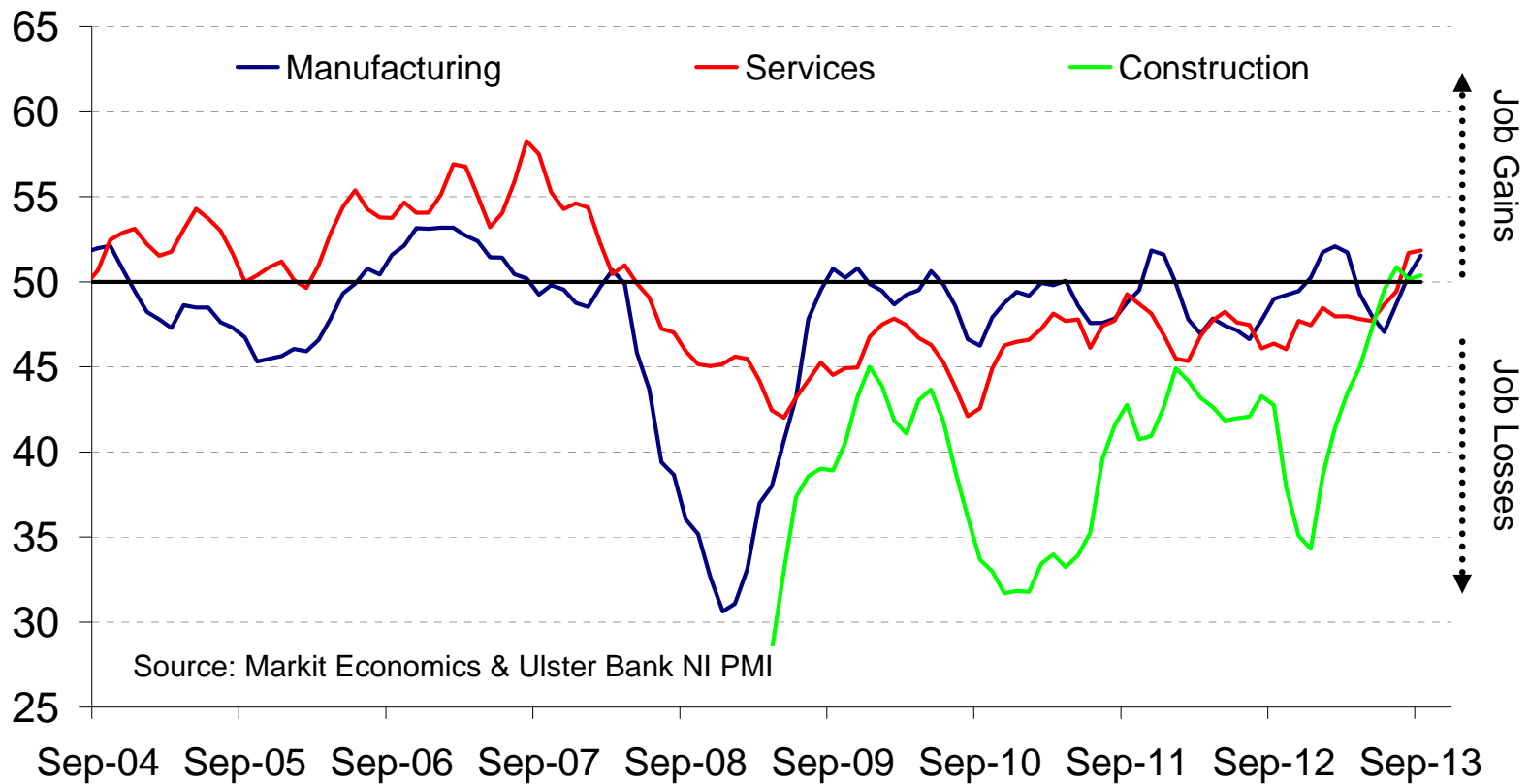
All three broad sectors in NI reported increased levels of business activity in Q3...



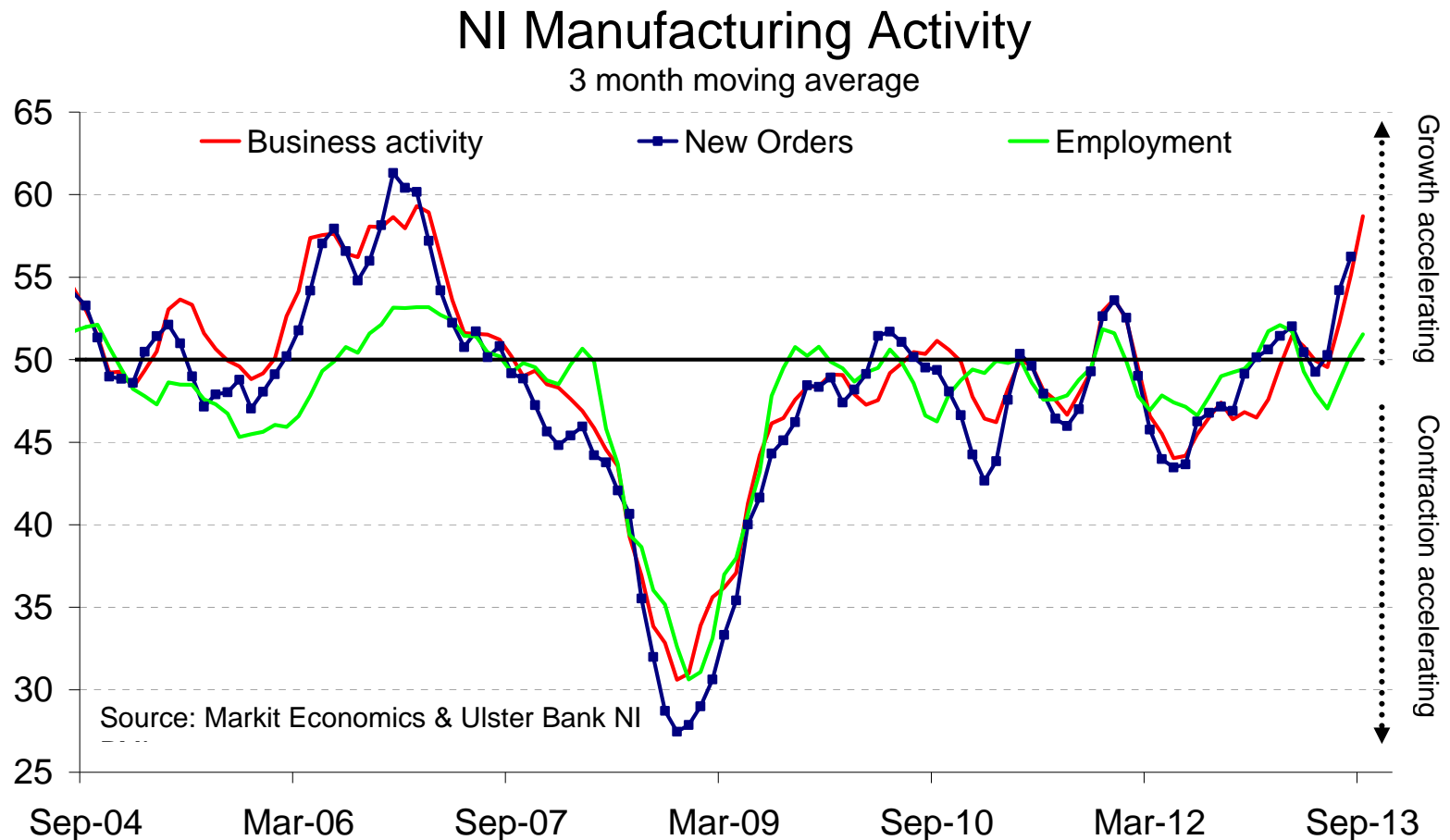
...with all sectors also reporting job gains over the last 3 months

NI PMI - Employment Index

3 month moving average

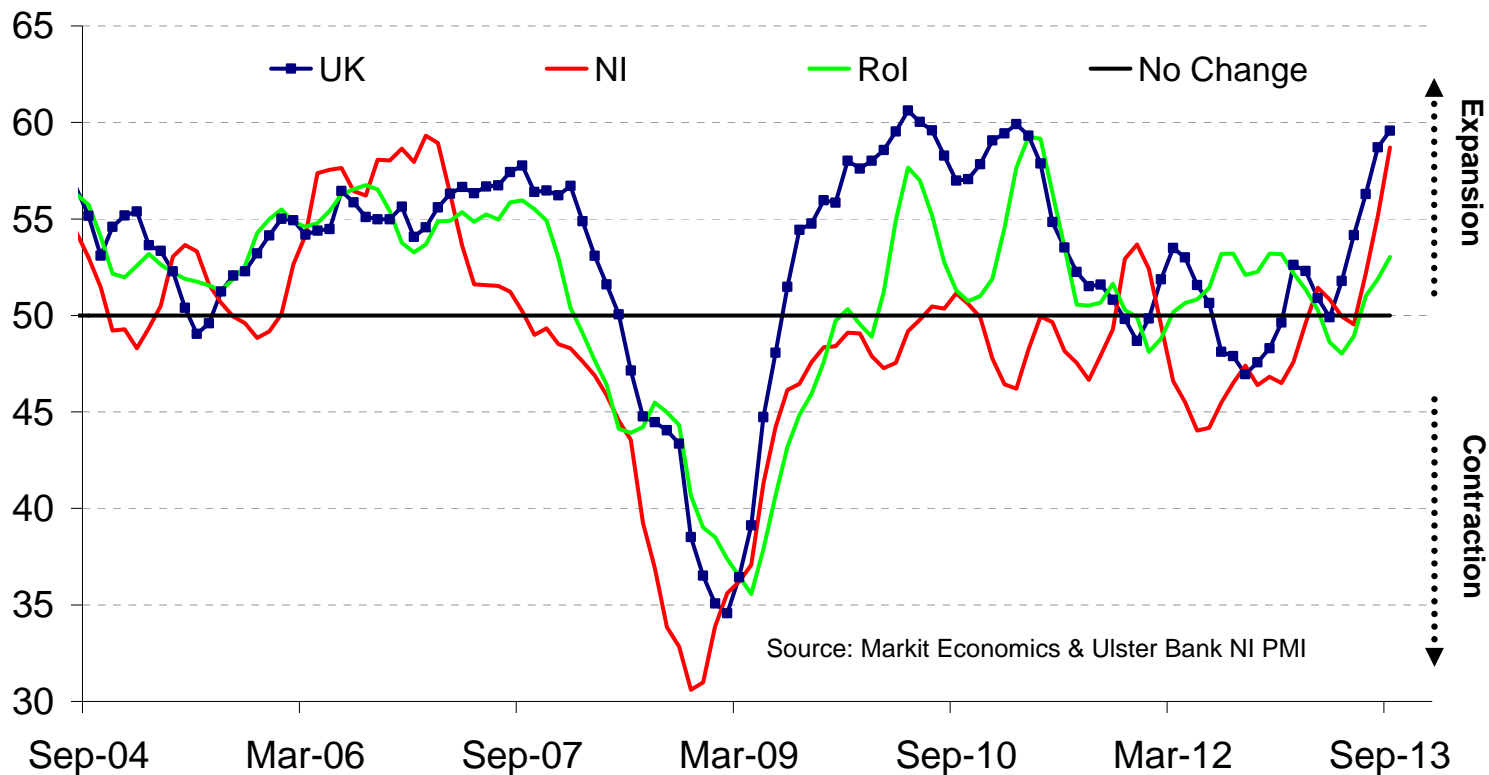


NI's manufacturing sector posts an acceleration in jobs growth, output & new orders over the last 3 months



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

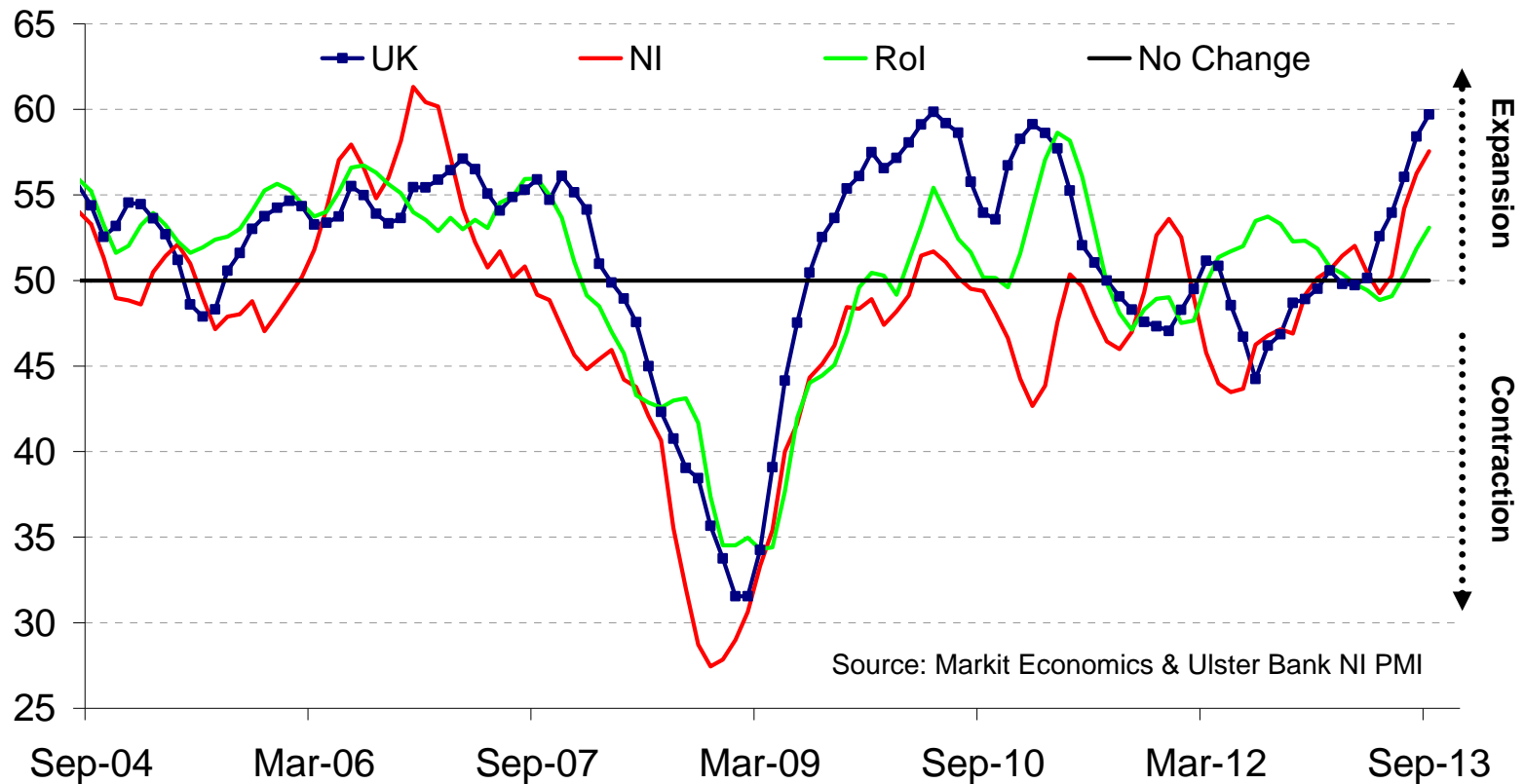
Manufacturing Output
3 month moving average



The UK posts the strongest growth in new orders

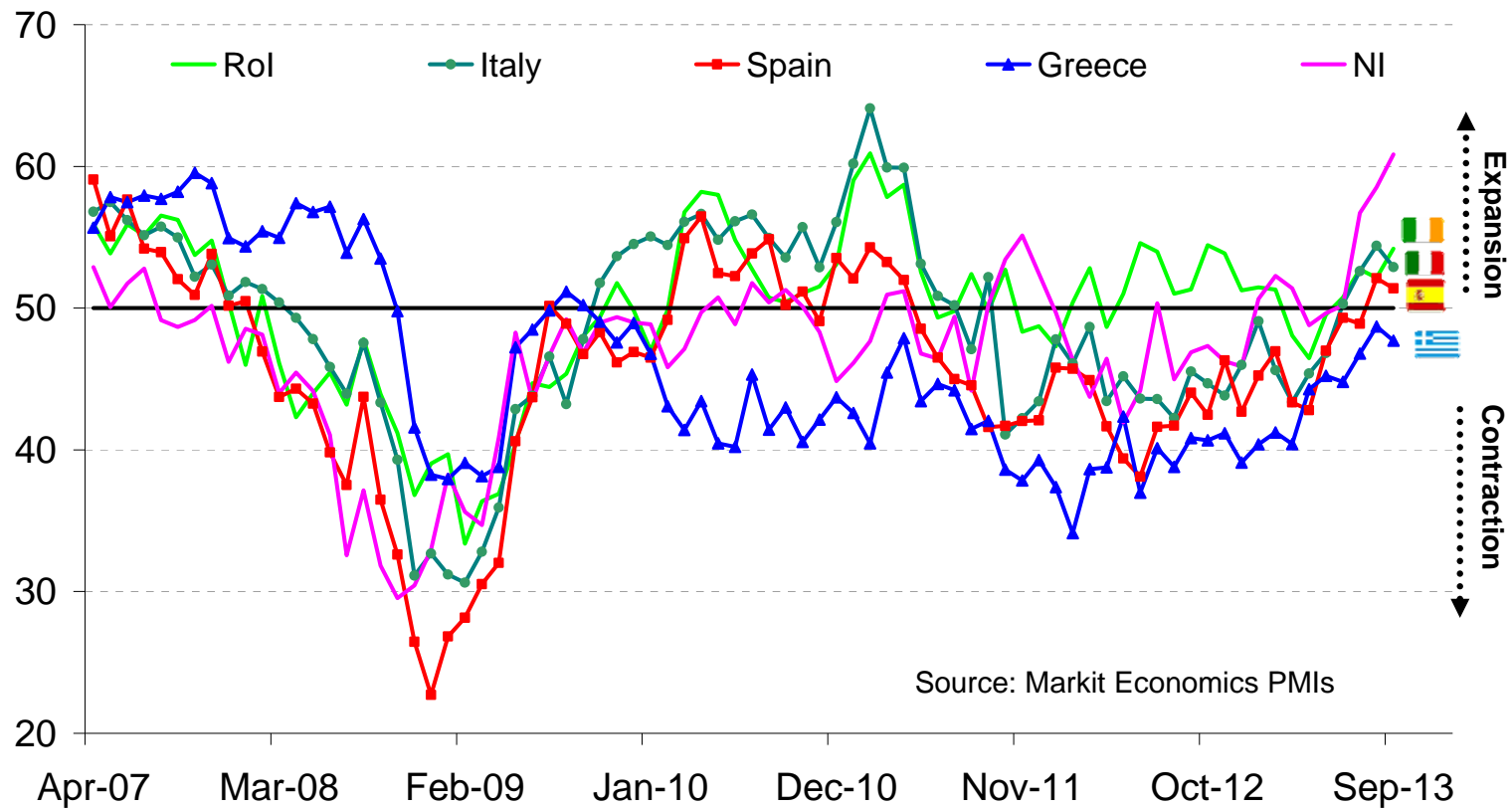
Manufacturing New Orders

3 month moving average



N.Ireland is outperforming its European competitors

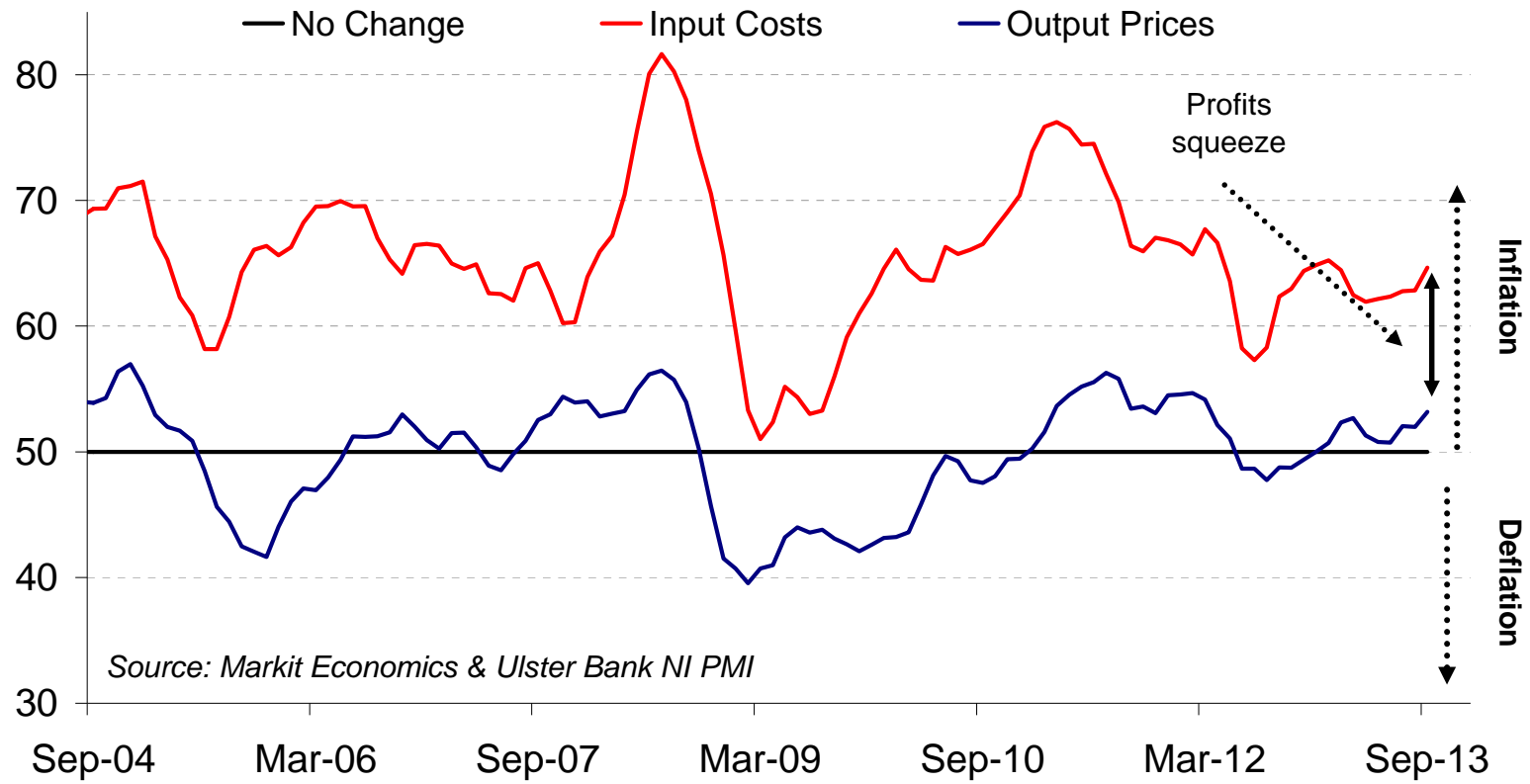
Manufacturing Output - PMI



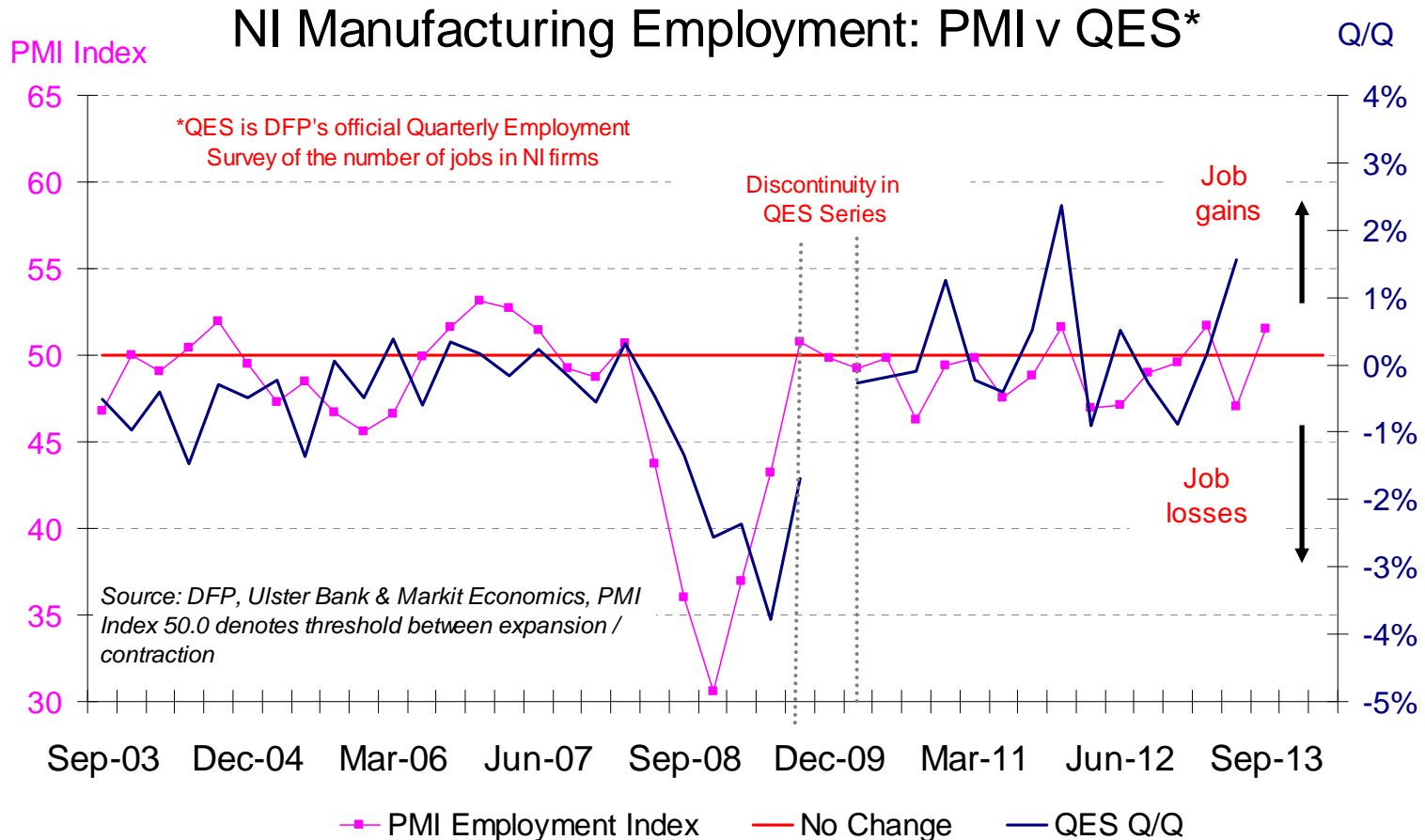
Cost price inflation remains for local manufacturing firms but pricing power is improving too

NI Manufacturing Input & Output Inflation

3 month moving average



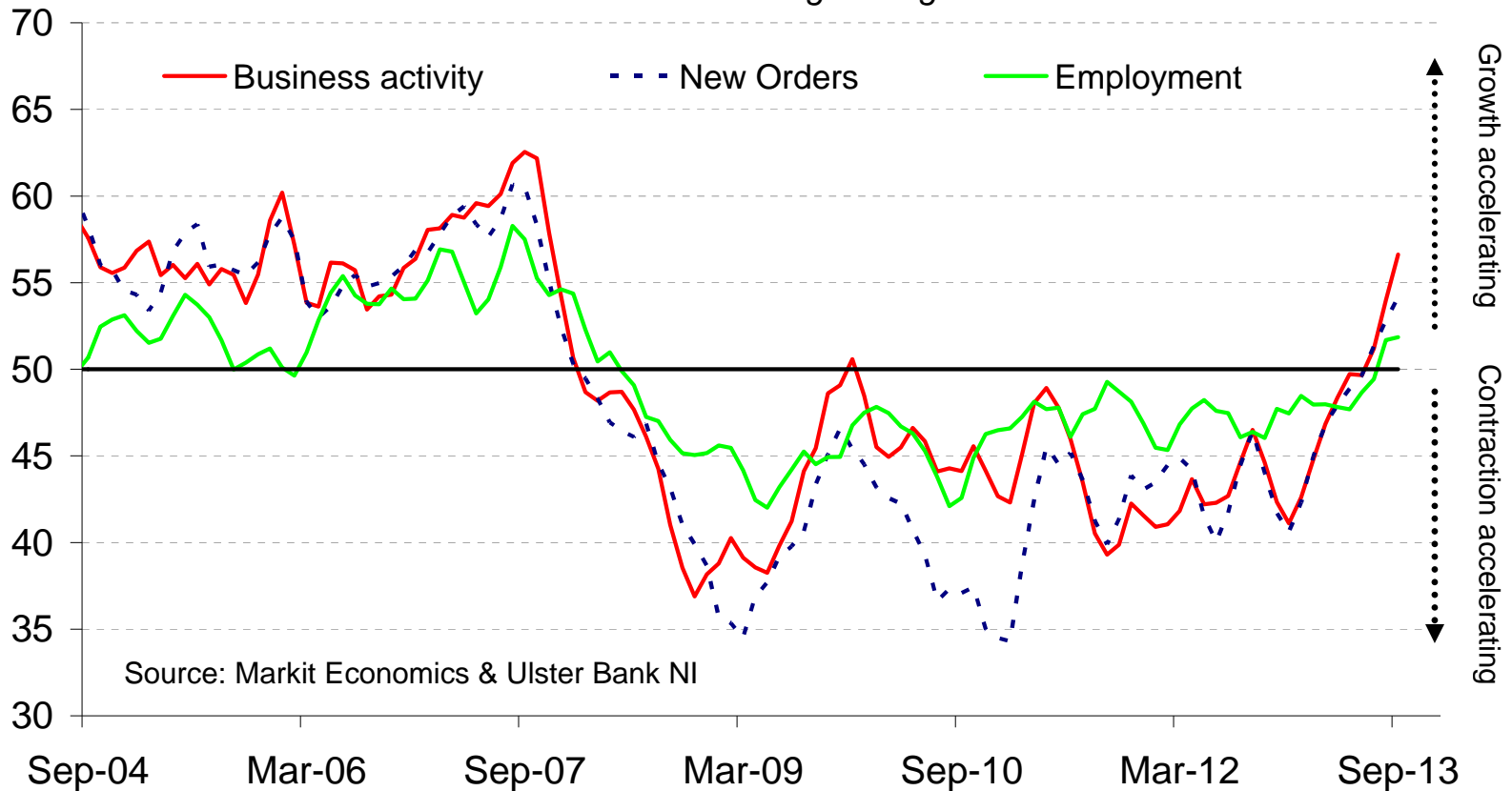
PMI underestimated manufacturing job surge in Q2. PMI suggests further job gains in Q3 2013



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

NI Service Sector (excludes Retail)

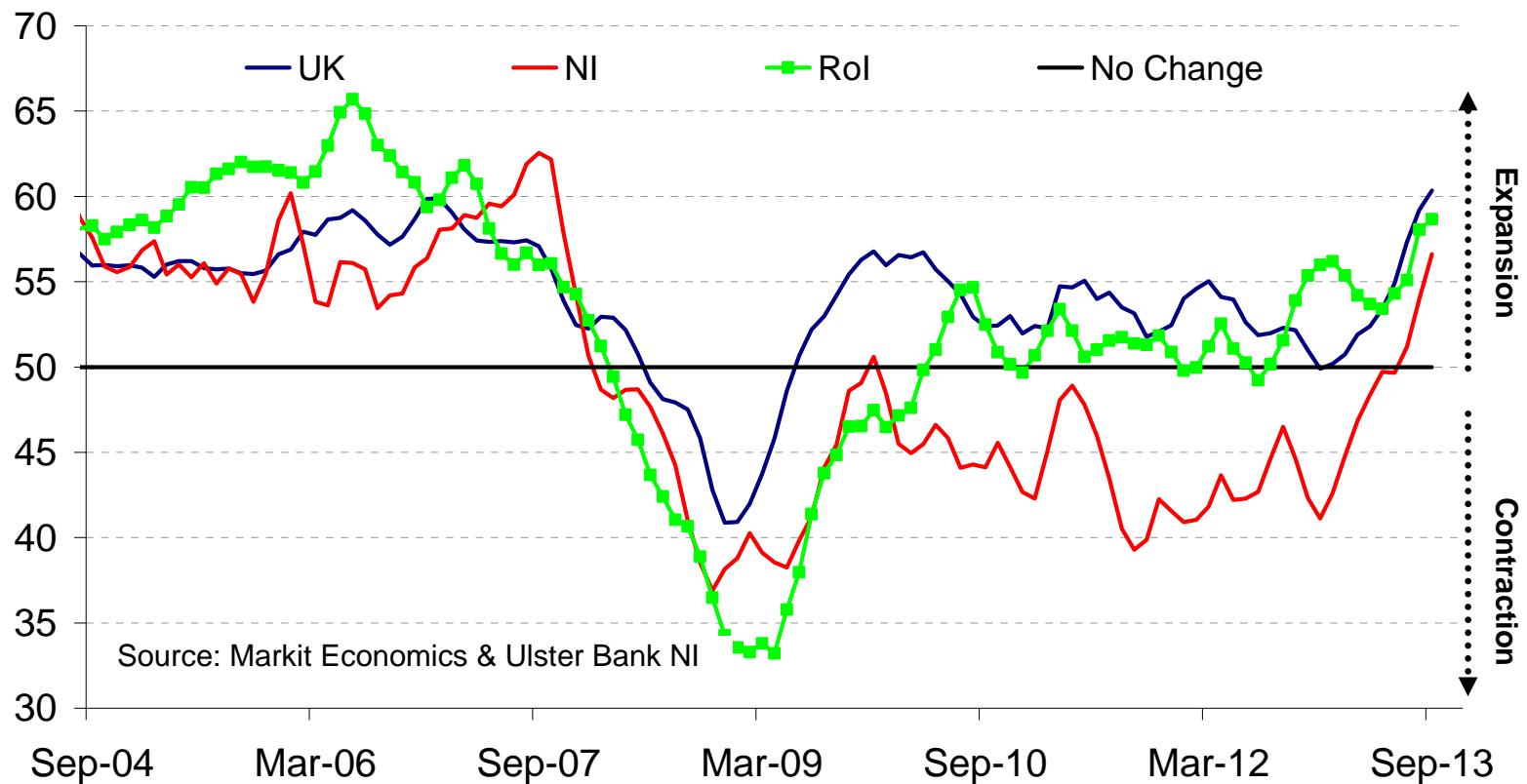
3 month moving average



All three economies post an acceleration in output growth in Q3 2013...

Services Output

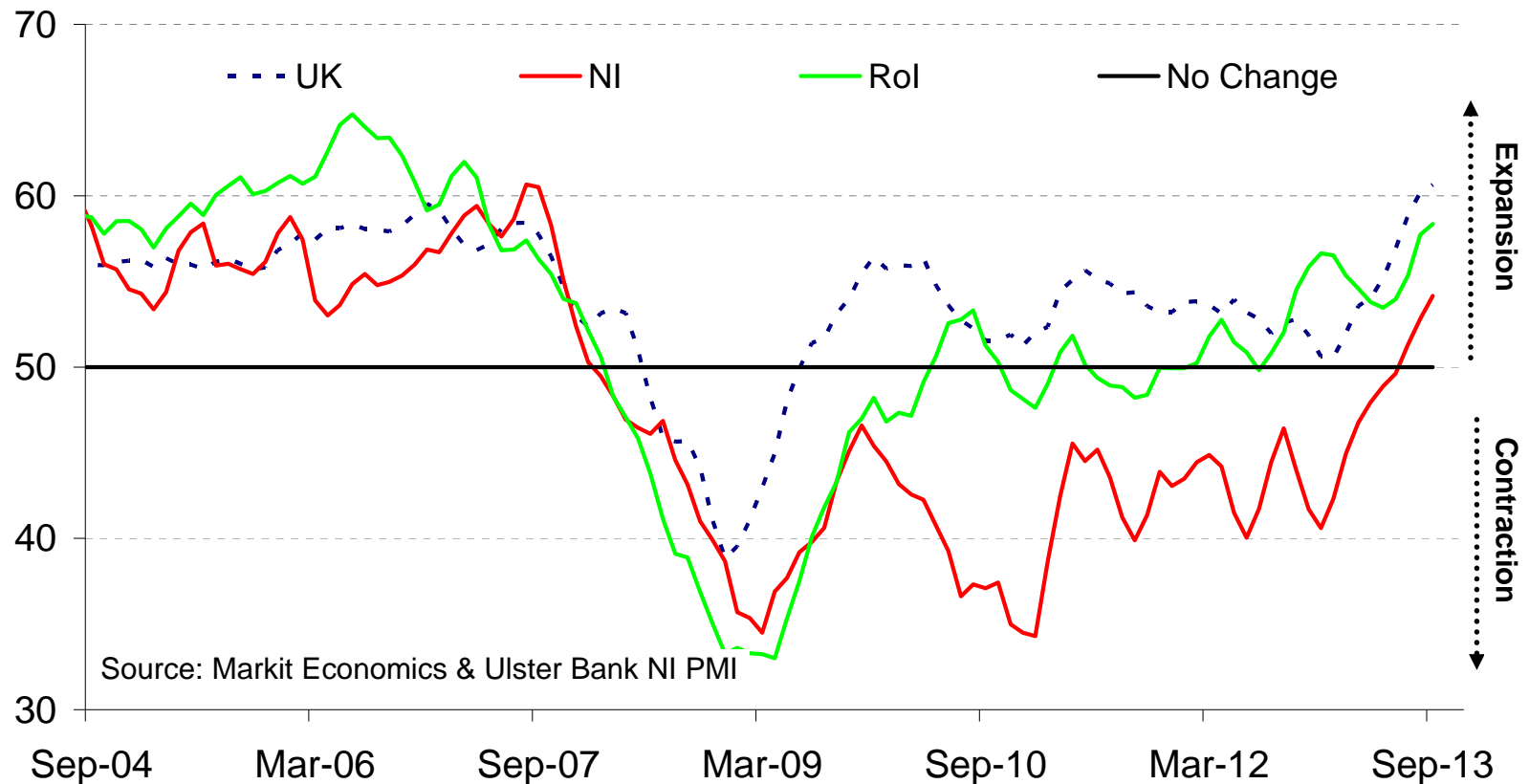
3 month moving average



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

Services New Orders (*excluding Retail*)

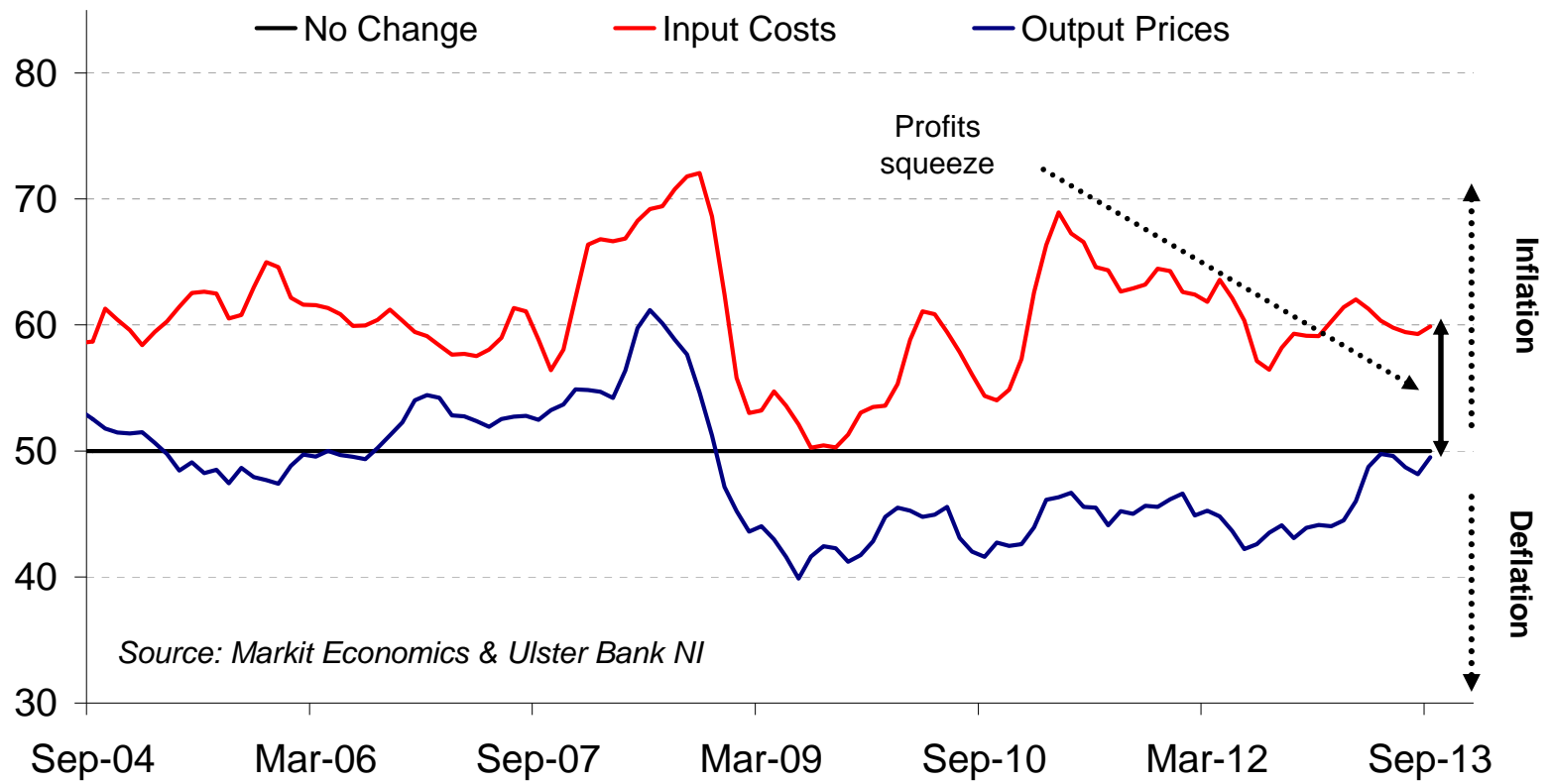
3 month moving average



Pricing power remains very weak amongst NI's services sector whilst inflationary pressures remain

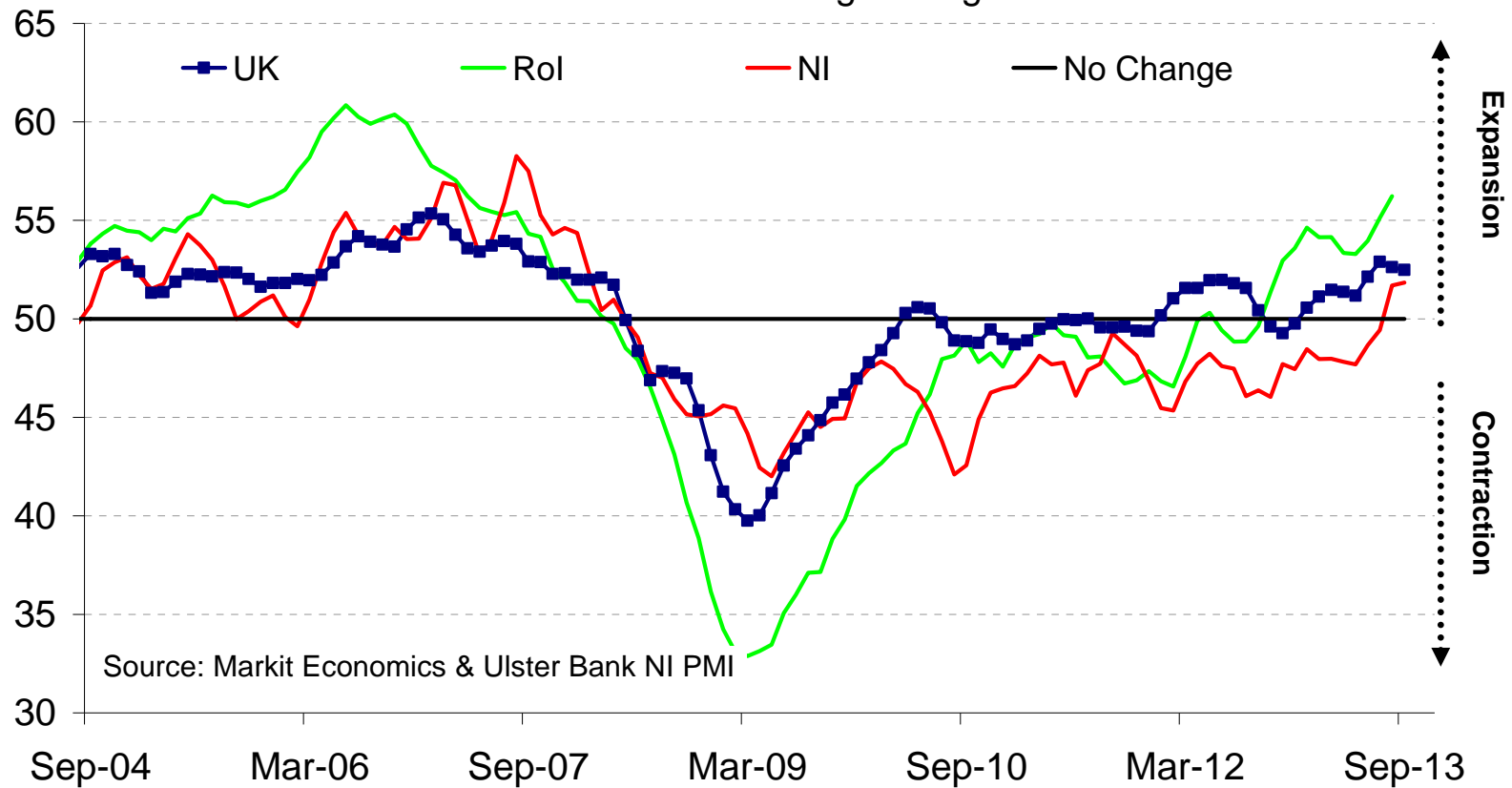
NI Services Input & Output Inflation

3 month moving average

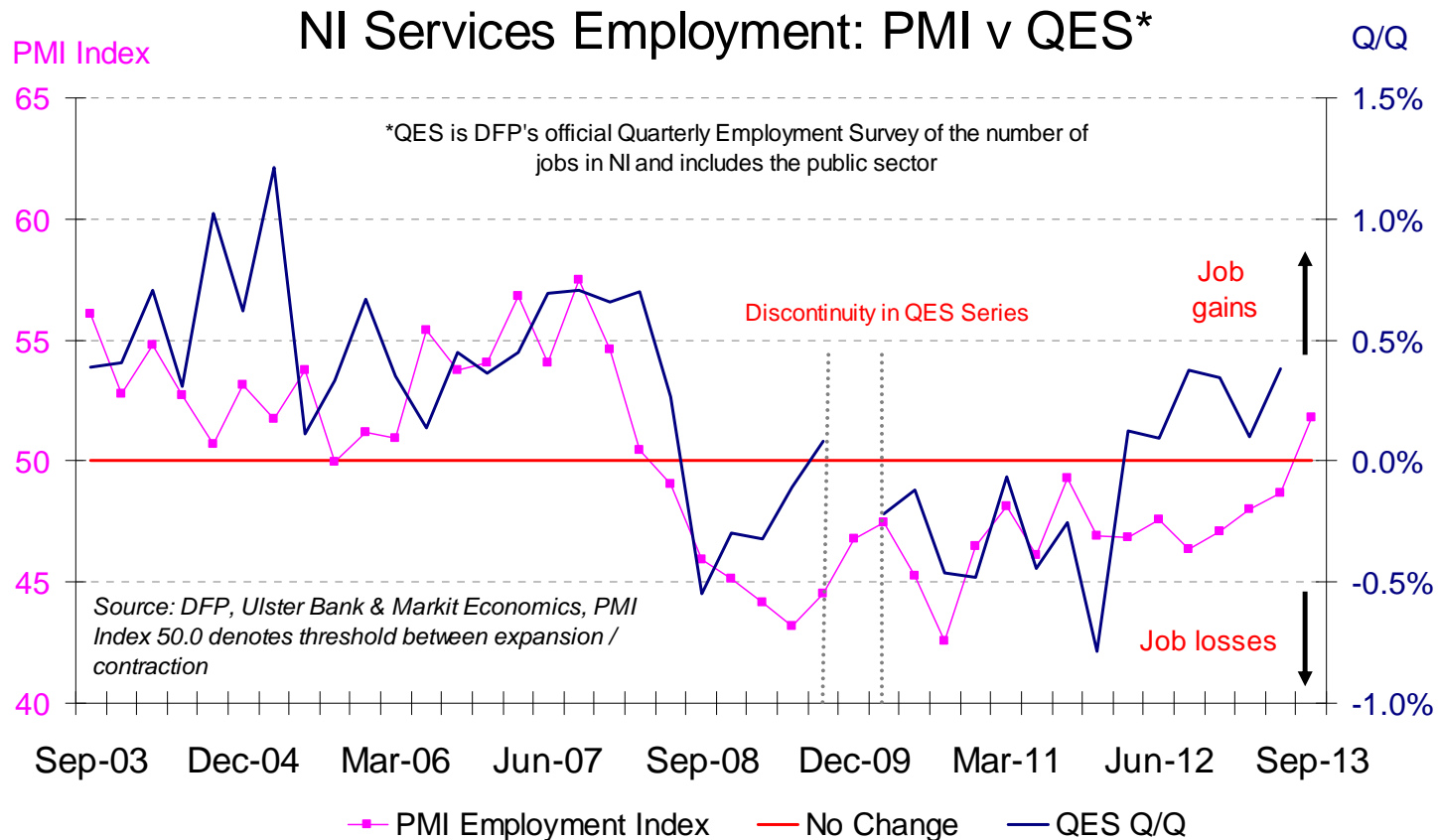


...with employment growth accelerating in the RoI and NI in Q3 2013

Services Employment 3 month moving average



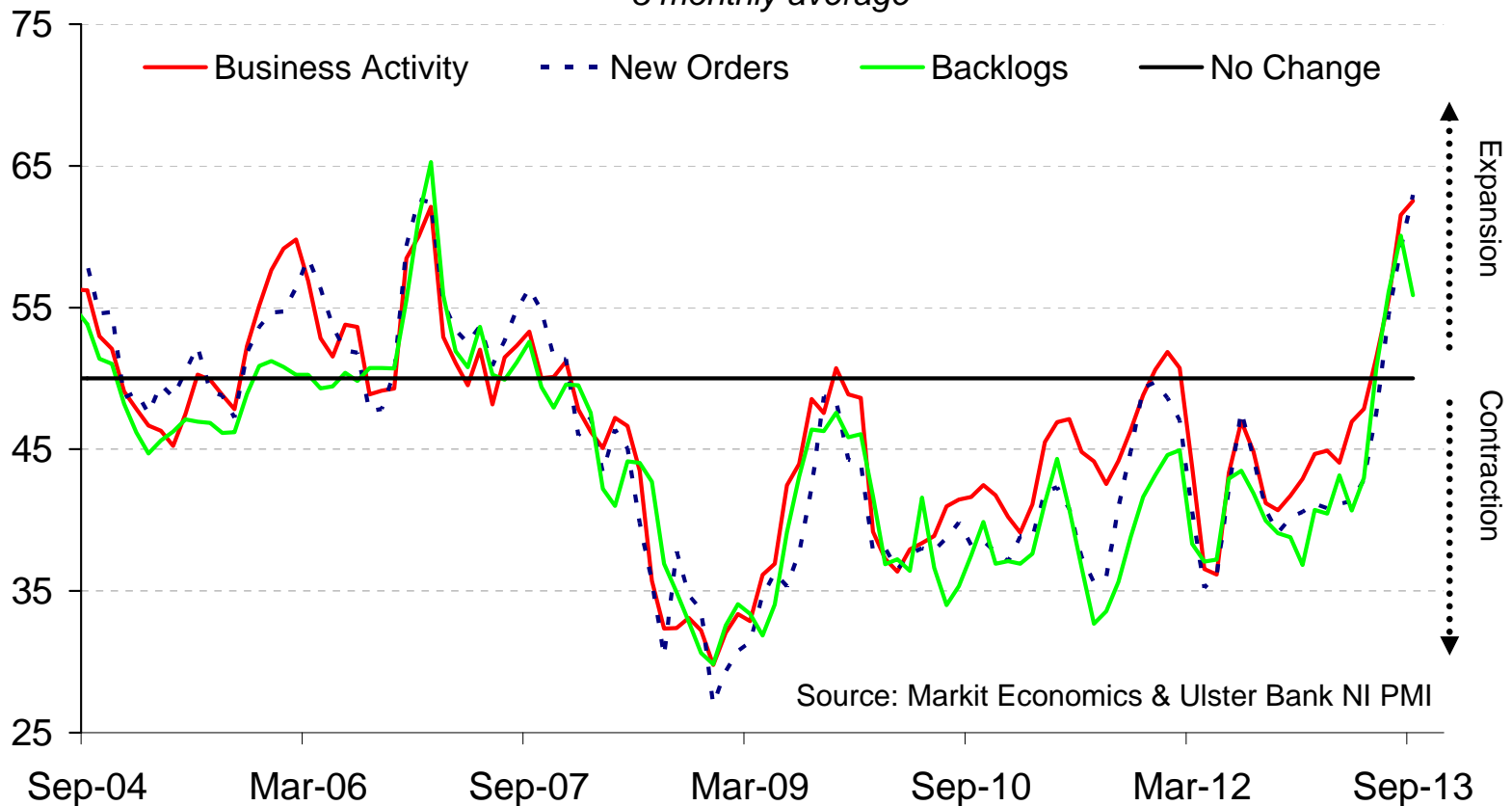
In Q3 the services PMI finally shows quarterly employment growth for the first time since Q1 2008



Retailers summer boom extends into September

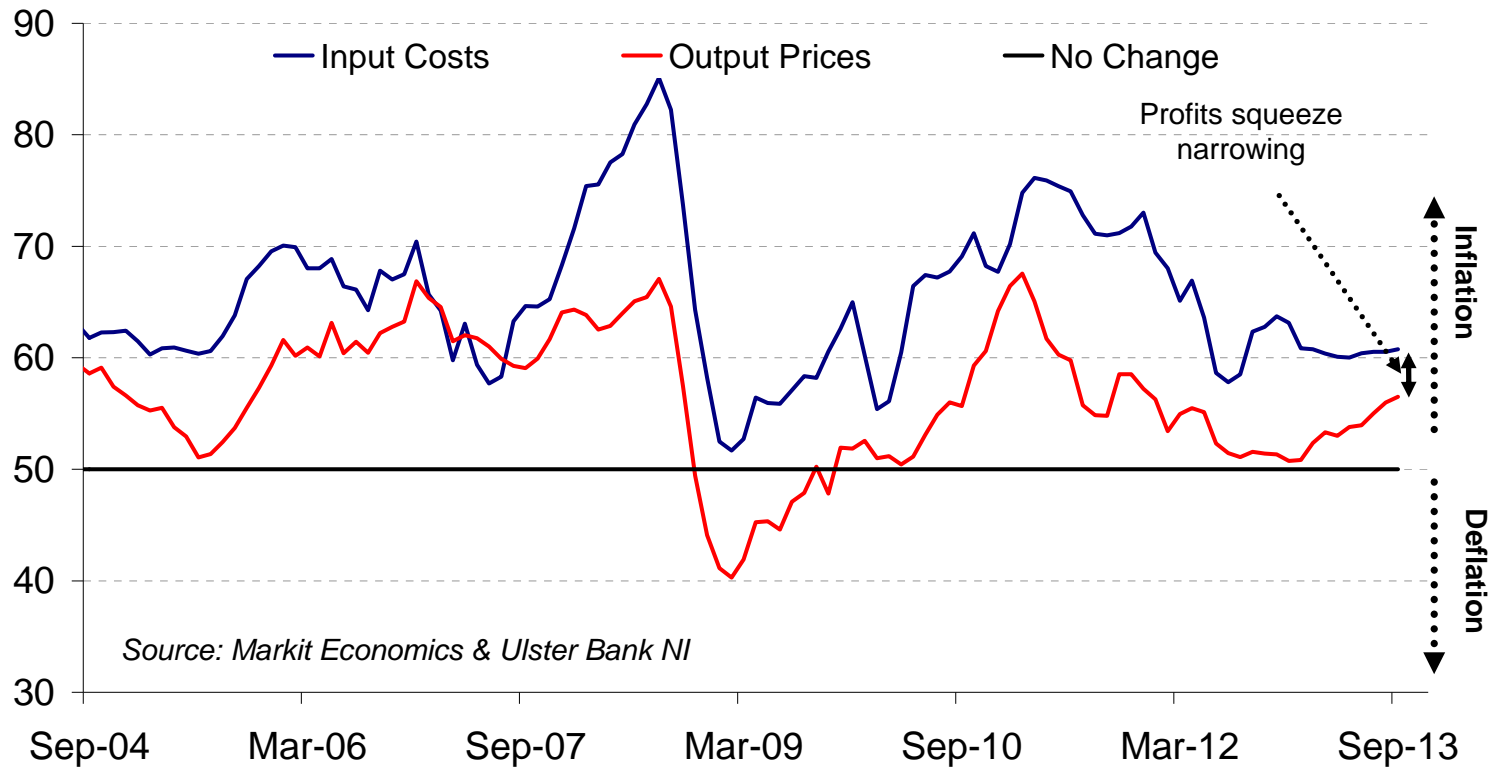
Northern Ireland Retail PMI

3 monthly average



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

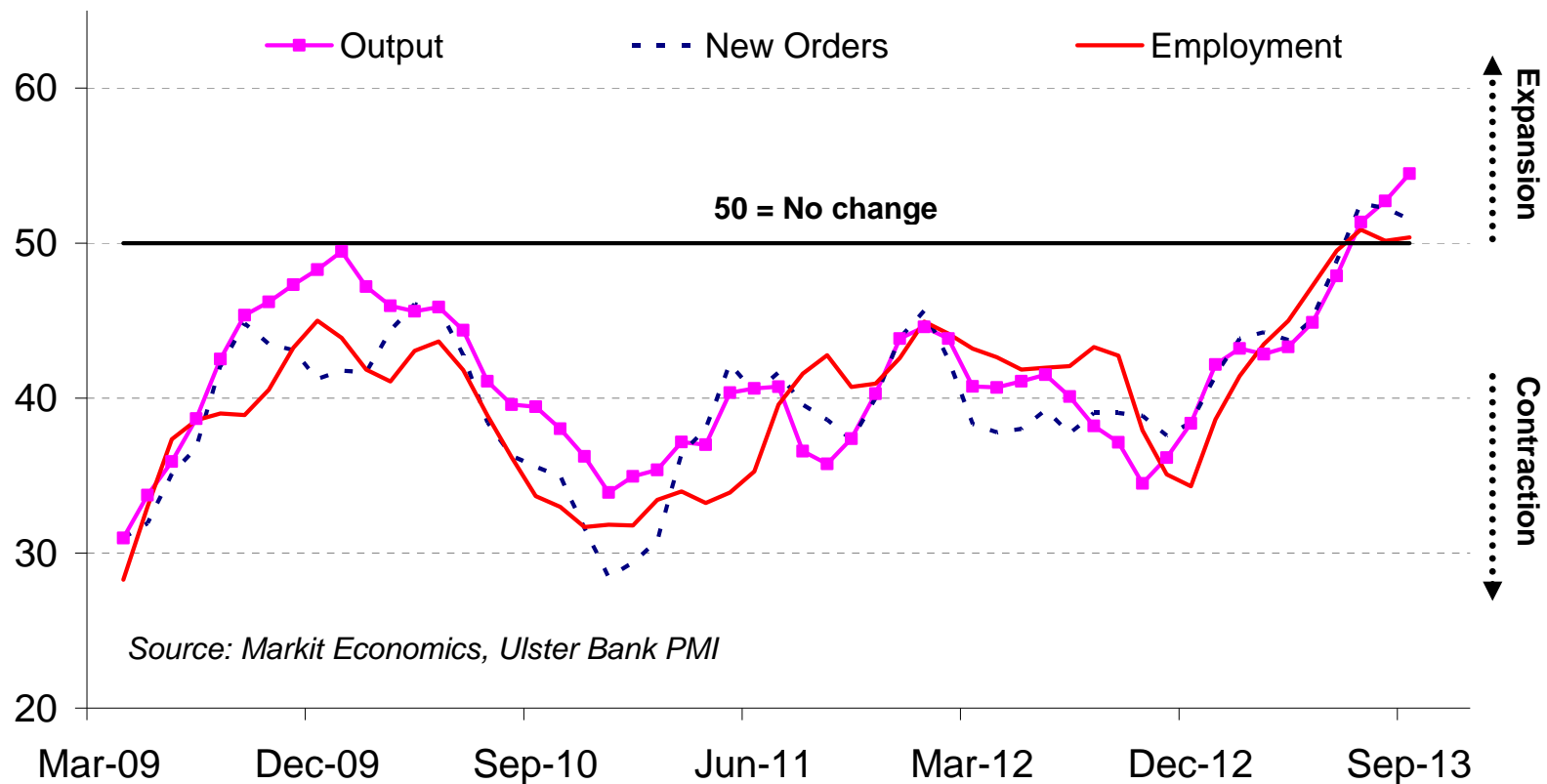
NI Retail Input & Output Inflation 3 month moving average



NI construction sector reports growth in output, new orders and employment over the last 3 months

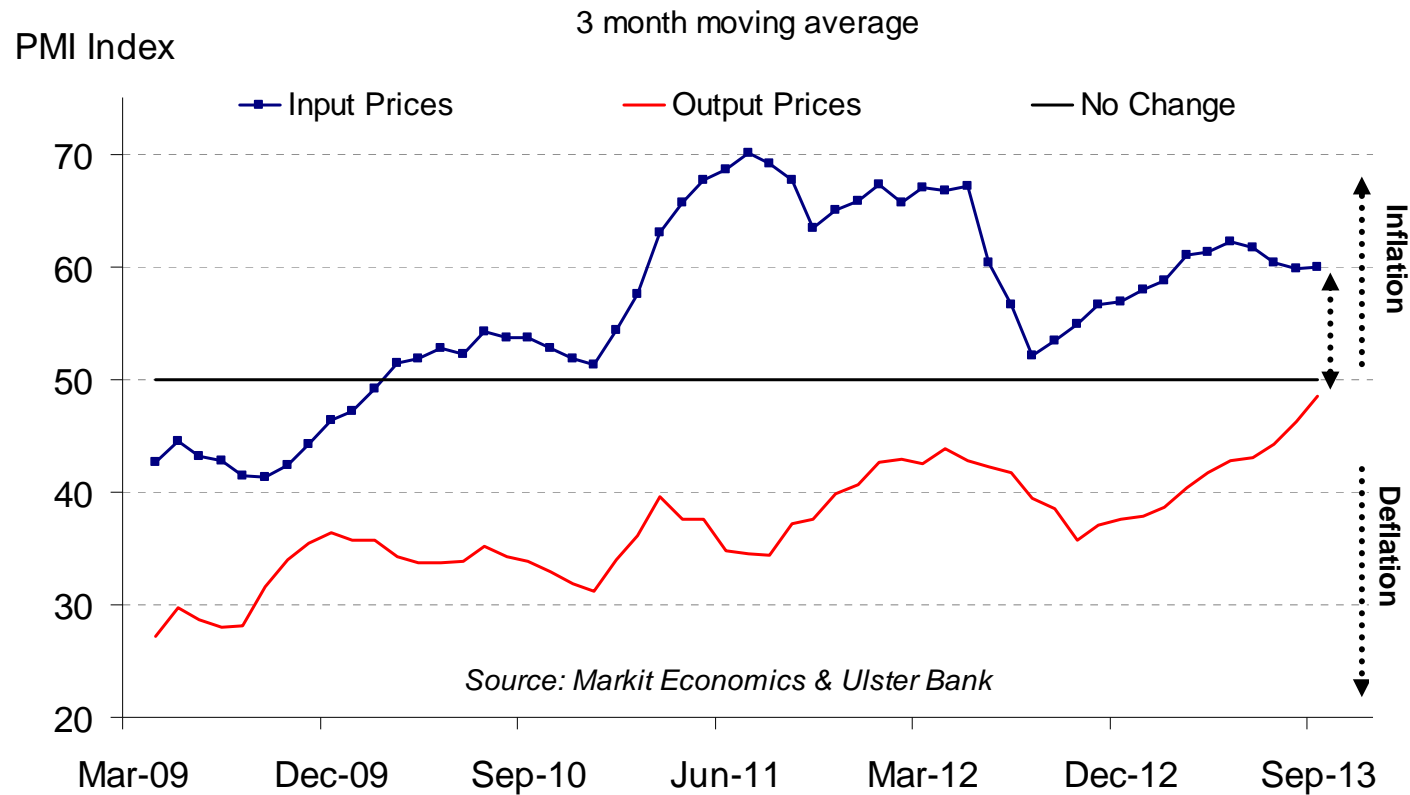
NI Construction PMI

3 month moving average

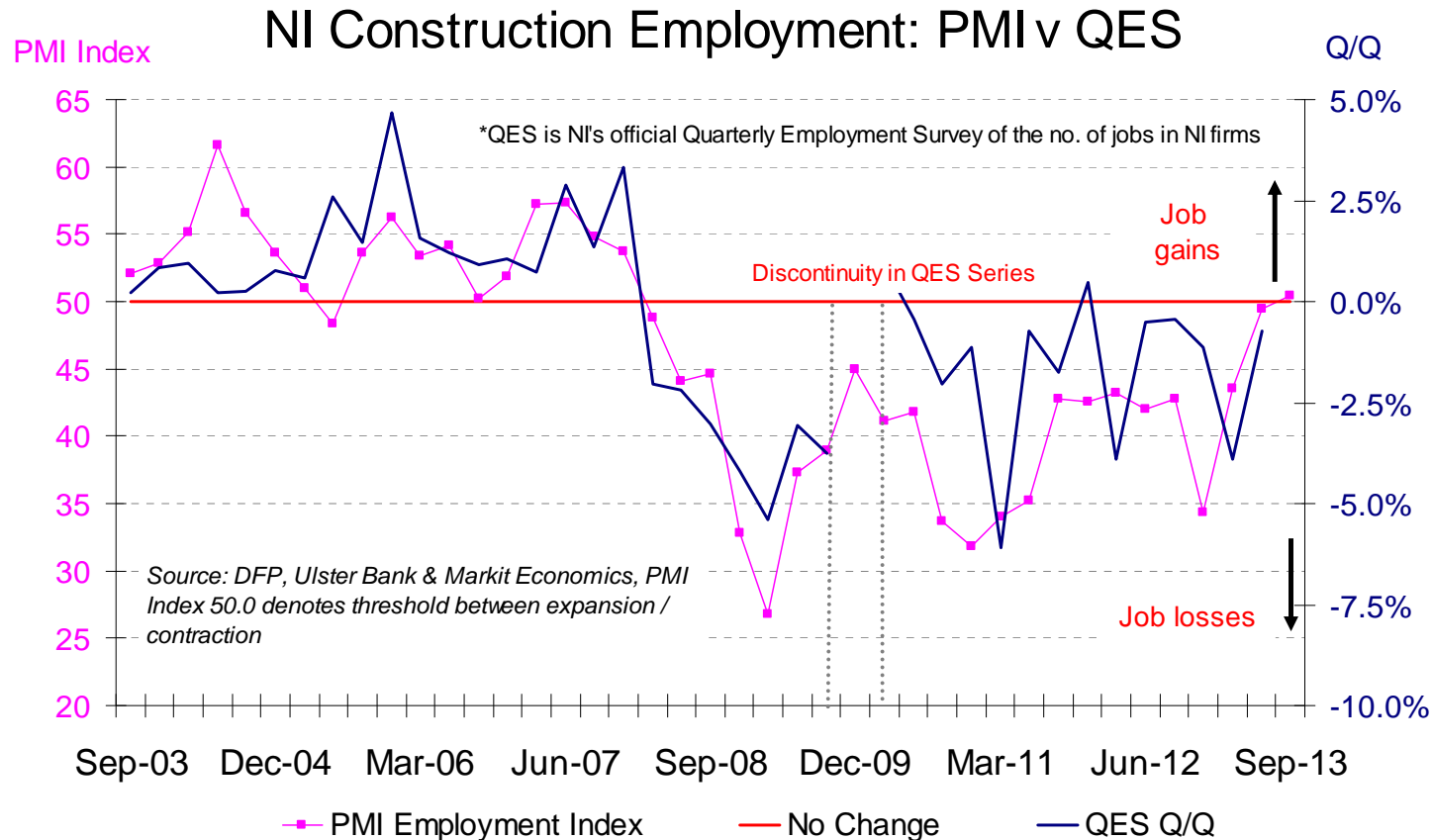


...but the profits squeeze continues

NI Construction Sector Profits Squeeze



NI's construction PMI posted its first quarter of employment growth in Q3 2013 since Q4 2007

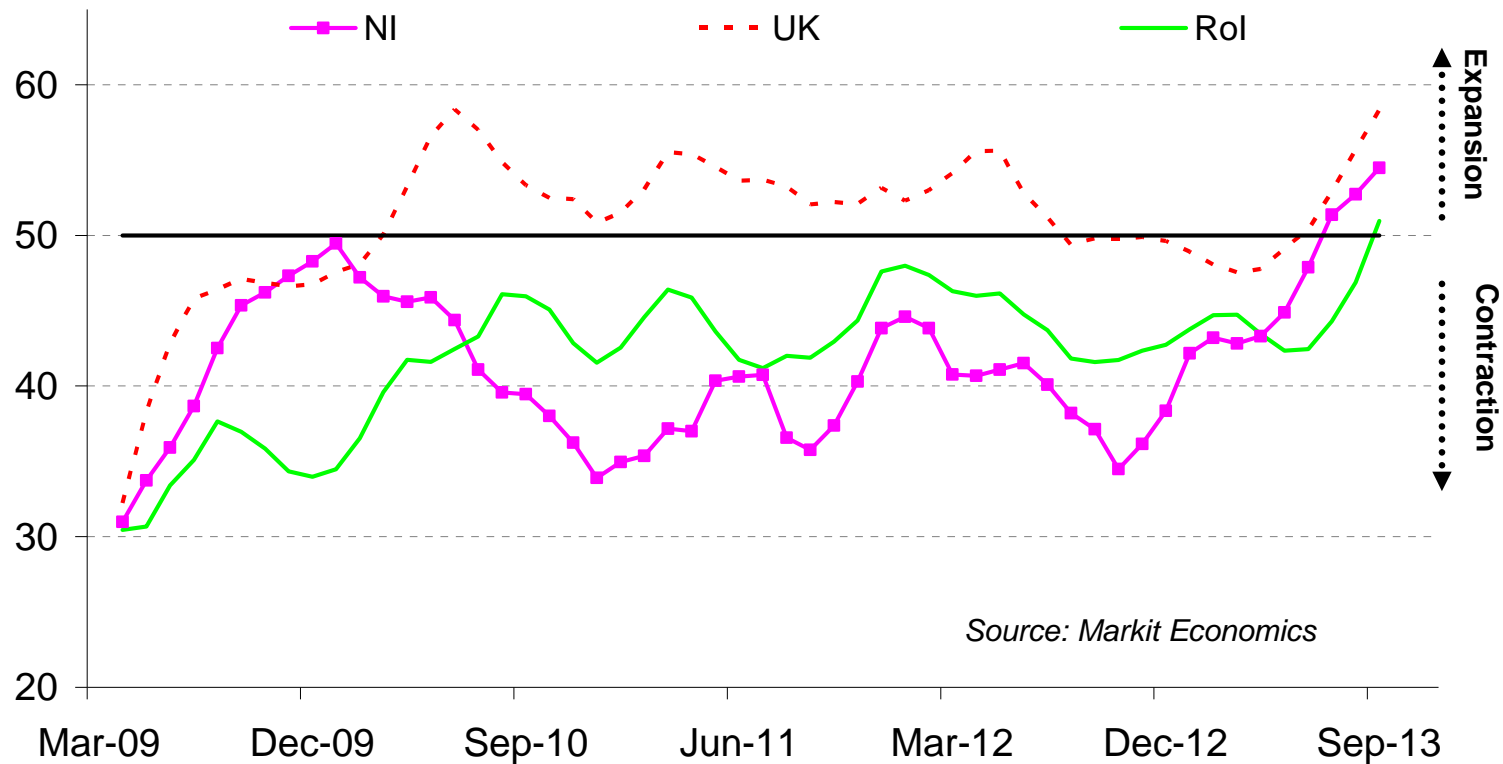


UK (58.9), NI (56.2) & RoI (55.7) construction sectors all post healthy rates of growth in September

Construction Sector Output - PMI

3 month moving average

PMI Index

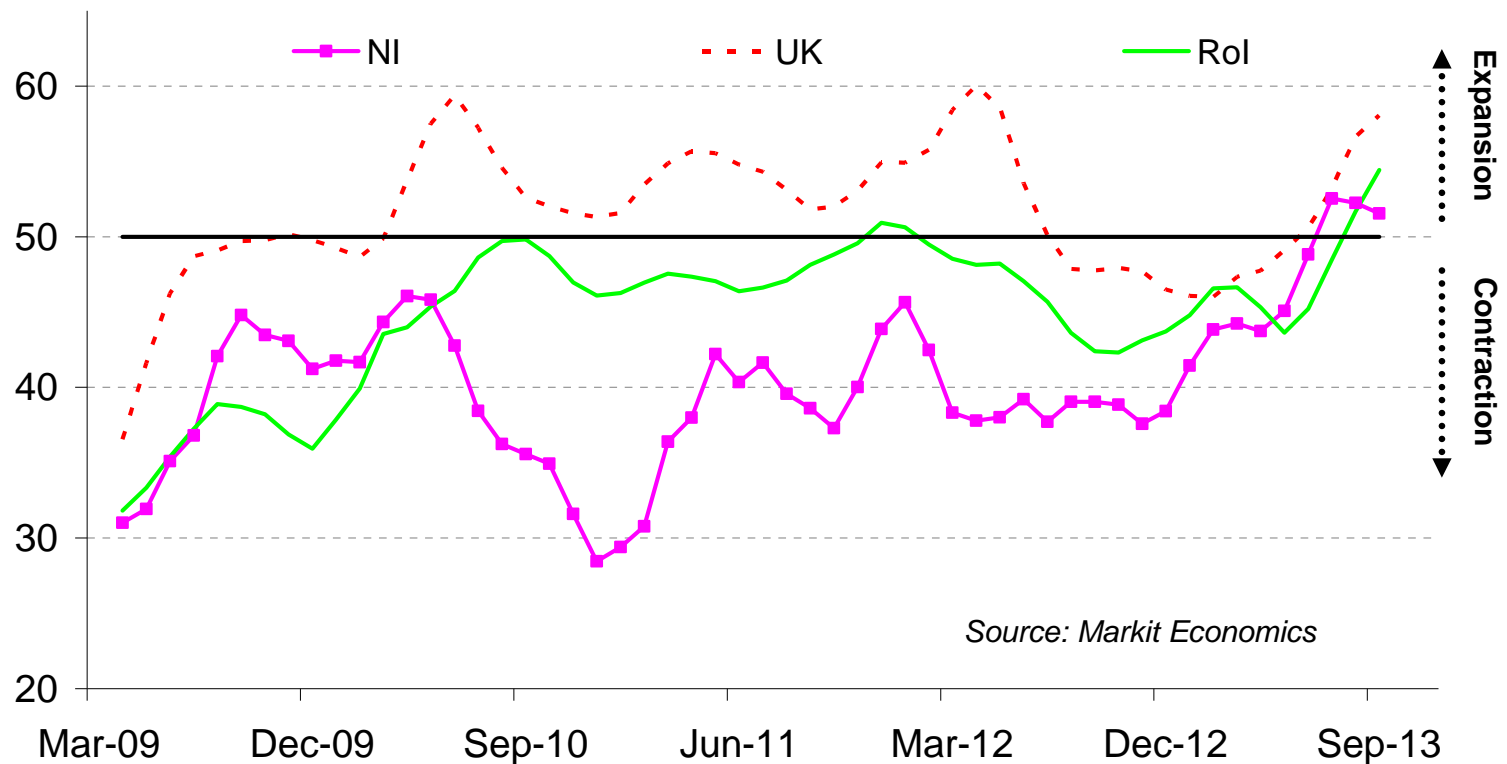


New orders rising in all three economies

Construction Sector New Orders - PMI

3 month moving average

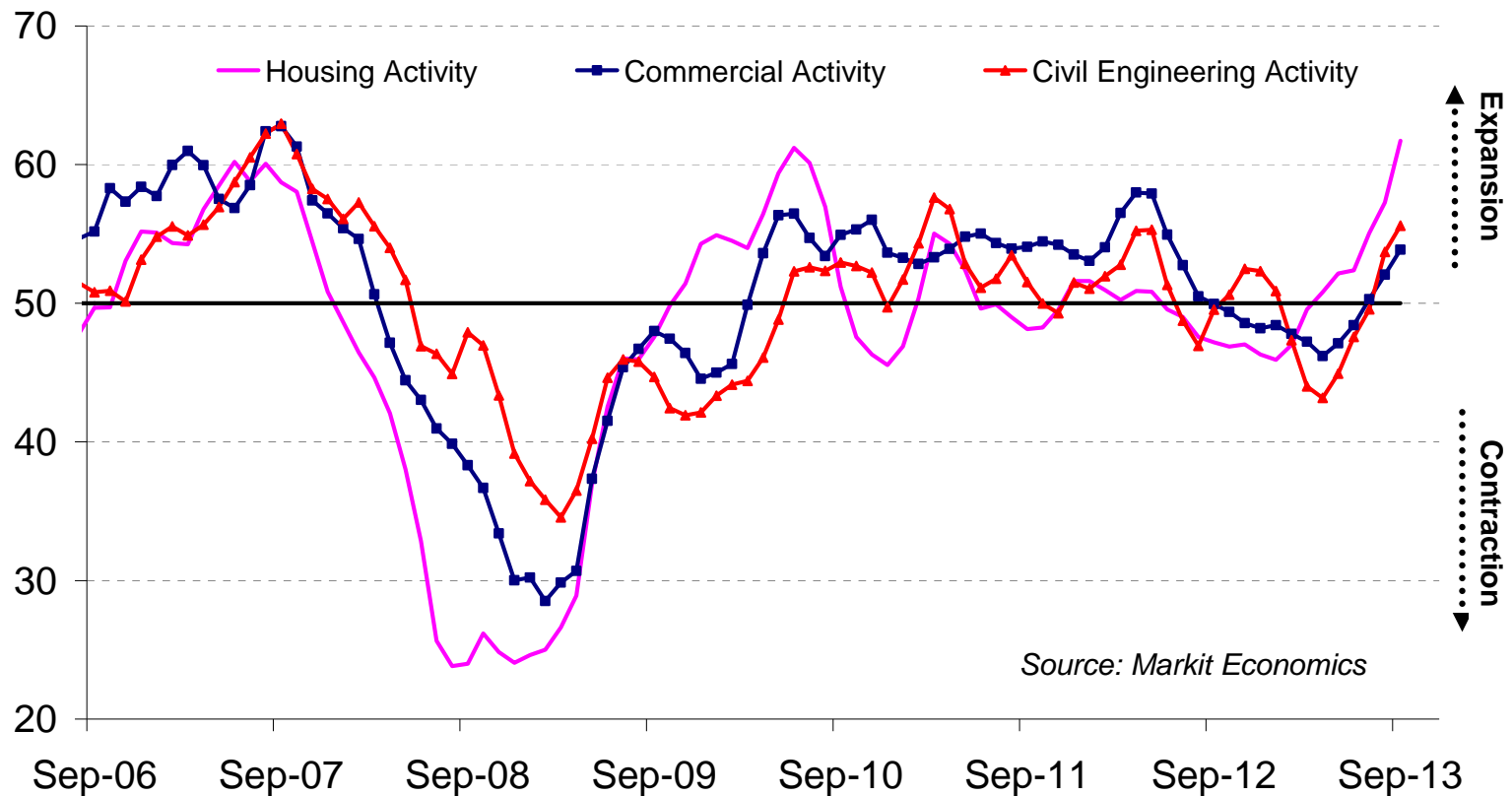
PMI Index



Opportunities for NI firms within GB market. House building sector expanding at its fastest rate in almost 10 years...

UK Construction Activity - PMIs

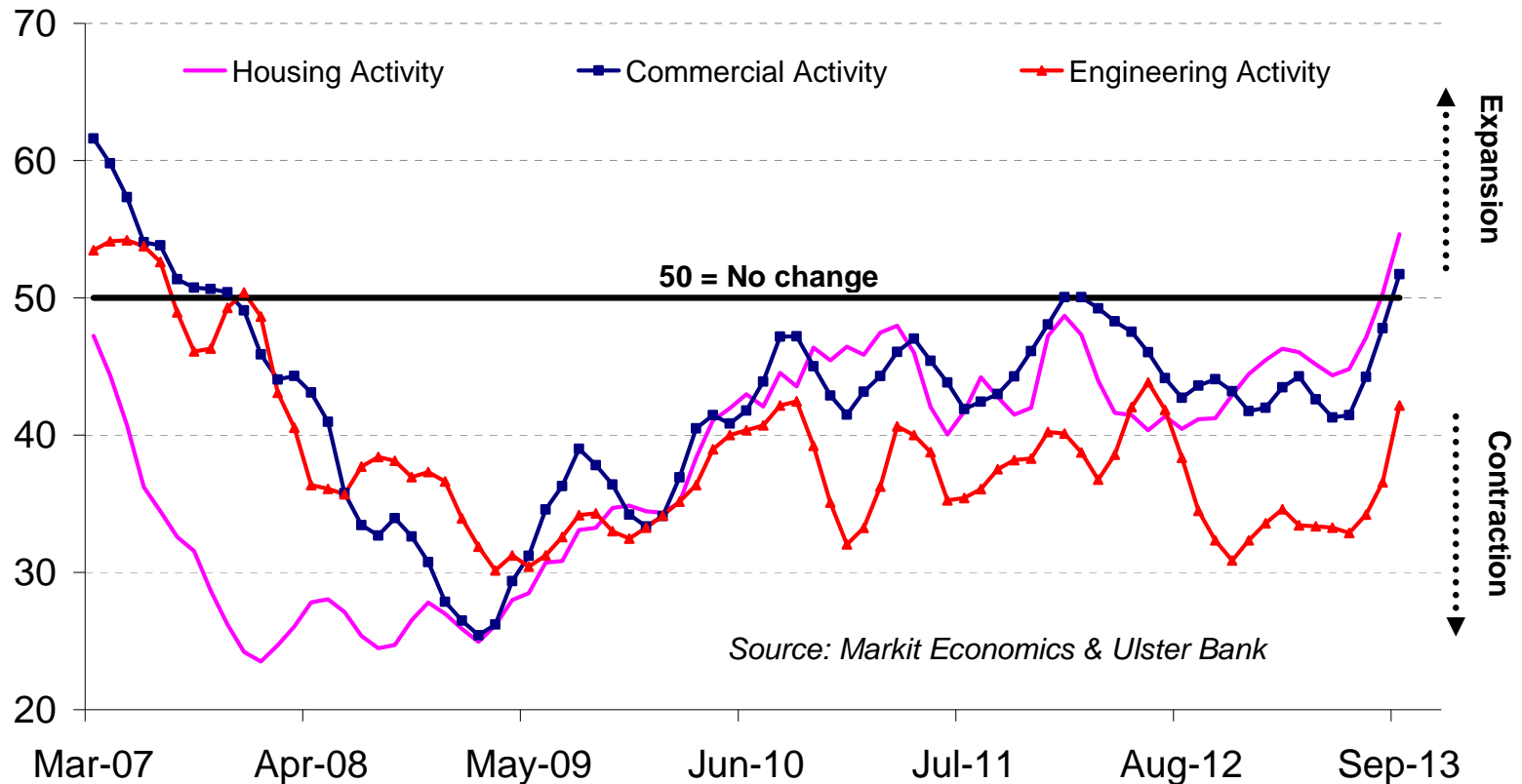
3 month moving average



...with opportunities returning within the RoI too

Republic of Ireland Construction Activity - PMI

3 month moving average



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