

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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First rise in business activity since November 2007

Northern Ireland business activity returned to expansion in July, ending a five-and-a-half year period without growth. Moreover, the rate of expansion was substantial, boosted by a marked acceleration of new order growth. Improving demand encouraged firms to increase their staffing levels during the month. Meanwhile, input costs continued to increase sharply and firms raised their output prices for the second time in three months.

Strong expansion of activity

The headline seasonally adjusted Business Activity Index rose substantially in July, posting 56.1, up from 49.8 in June. This signalled the first rise in Northern Ireland output since November 2007 and the strongest reading in close to six years. Higher new business amid improved client confidence was reported, while the recent heatwave was also mentioned as having contributed to rising activity. All four sectors posted increases in output, led by manufacturing.

Growth of new business accelerated to the strongest since August 2007, although the rise in Northern Ireland was still weaker than the UK average. Respondents indicated that the UK market had been a key source of strength. In line with the trends for activity, new business rose at all four monitored sectors. Meanwhile, new export orders increased modestly, ending a 65-month sequence of contraction.

First rise in employment for six months

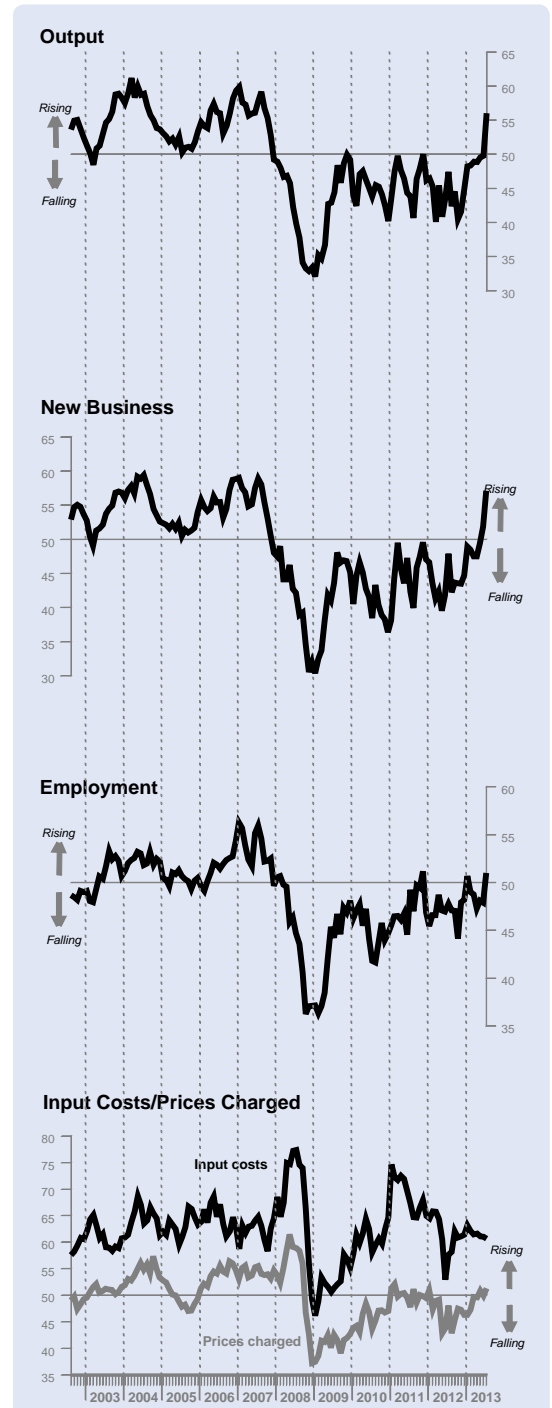
Higher workloads, and the prospect of further growth in coming months, led companies to increase employment in July. The rise in staffing levels was the first in six months. Job creation was recorded in the construction, manufacturing and service sectors.

Backlogs of work rose for a second successive month, and at a broadly similar pace to June. Outstanding business at manufacturing firms was accumulated at a solid rate that was the sharpest since October 2011.

Cost inflation remains marked

Although easing marginally from that seen in the previous month, the rate of input price inflation in Northern Ireland was marked in July. The increase in costs was again much sharper than seen across the UK economy as a whole. Higher prices for fuel and raw materials were reported by panellists.

In response to higher input costs, and encouraged by improving demand, some companies raised their output prices. Charges have now increased in two of the past three months. Output prices rose in the manufacturing and retail sectors, but constructors and service providers continued to lower their 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.

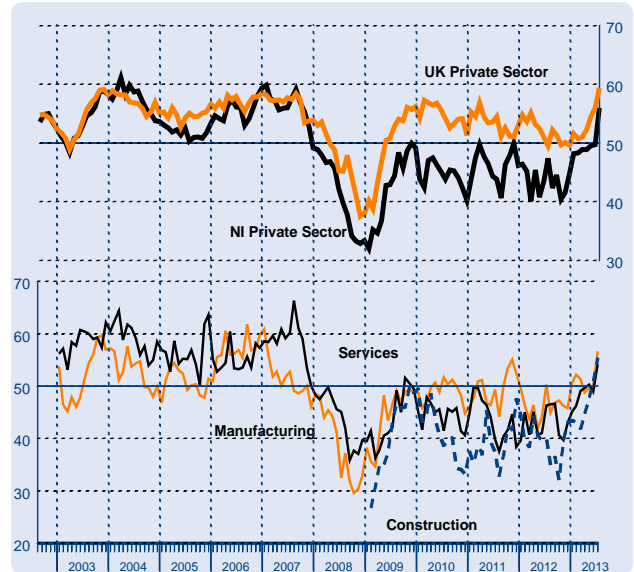
Output / Business Activity

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	S.Adj'd Index
2013 Feb	22.2	55.2	22.6	-0.4	49.8	48.4	50.8
Mar	27.2	52.2	20.6	6.7	53.3	48.9	51.1
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

Business activity in Northern Ireland rose for the first time since November 2007. Moreover, the rate of expansion was sharp and the fastest in 70 months. Respondents linked the increase in activity in part to the recent heatwave, while improved client confidence across the UK was also reportedly a factor. The UK as a whole posted substantial growth in activity, with the rate of expansion faster than in Northern Ireland. All four monitored sectors saw growth of output during the month, led by manufacturing. Construction and retail each registered expansions for the second month running, while services posted a solid increase.

By sector				
		Construction	Manufacturing	Services
'13 May		47.8	49.7	50.3
Jun		50.9	50.2	48.9
Jul		55.4	56.7	54.3



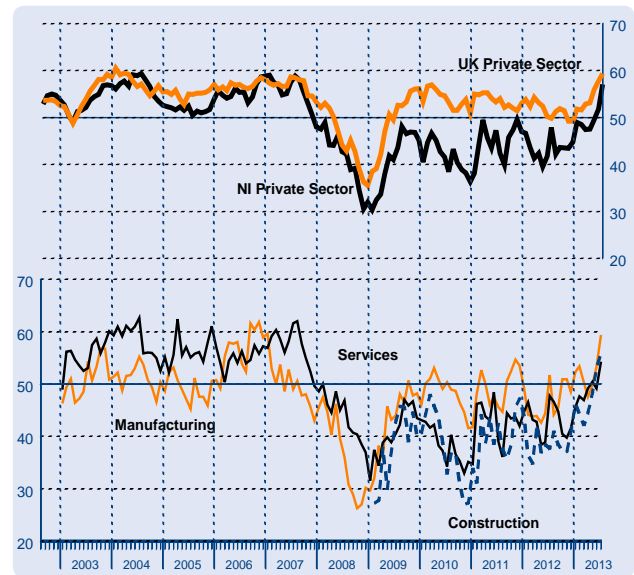
New Business

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 Feb	23.0	55.2	21.8	1.2	50.6	48.5	51.7
Mar	24.2	48.5	27.2	-3.0	48.5	47.5	53.0
Apr	25.2	52.0	22.8	2.4	51.2	47.5	53.2
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	57.8
Jul	28.0	53.2	18.9	9.1	54.6	57.1	59.4

New business increased for the second successive month in Northern Ireland, and the rate of growth quickened markedly to the sharpest since August 2007. That said, the expansion in Northern Ireland was slightly weaker than the UK average. Panellists reported that the UK market was a key source of growth, with the recent unusually hot weather partly a factor. The increase in total new business was much faster than the rise in new export orders. As with activity, all four sectors registered growth of new orders. The sharpest expansion was seen at manufacturing firms, where the rise was the steepest in six-and-a-half years.

By sector				
		Construction	Manufacturing	Services
'13 May		48.4	49.9	50.4
Jun		53.4	53.4	49.2
Jul		55.9	59.4	54.3



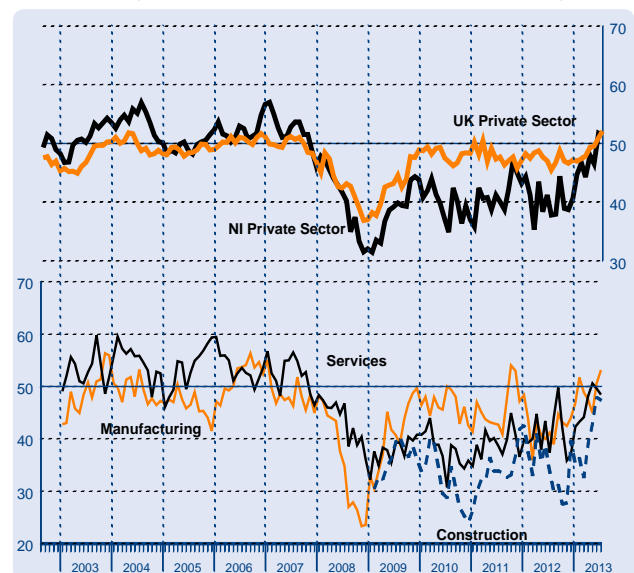
Backlogs

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 Feb	13.4	65.8	20.7	-7.3	46.4	46.7	47.4
Mar	13.4	63.7	22.9	-9.4	45.3	44.3	47.9
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

Strong growth of new orders led to a build-up of outstanding business in July, the second consecutive month in which that has been the case. The slight accumulation of backlogs was broadly similar to that seen in June, but marginally slower than recorded at the UK level. Backlogs of work increased at a solid pace in the manufacturing sector. The second successive accumulation was the strongest since October 2011. Both the services and construction sectors continued to see outstanding business decrease during the month, with the respective rates of accumulation quickening slightly from June.

By sector				
		Construction	Manufacturing	Services
'13 May		43.1	45.0	50.6
Jun		47.9	50.5	49.7
Jul		47.4	53.2	48.5



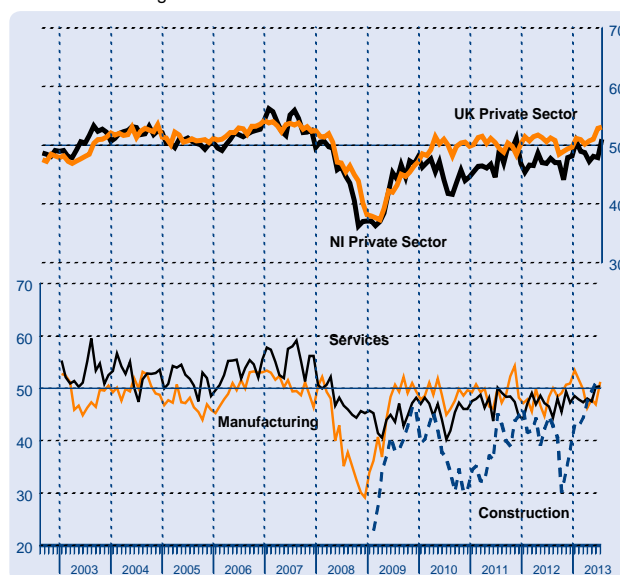
Employment

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 Feb	4.7	85.8	9.5	-4.8	47.6	49.0	51.0
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	53.2

Northern Ireland private-sector firms took on extra staff in July, ending a five-month sequence of falling employment. Although only slight, the increase in staffing levels was the fastest since November 2011. Employment also increased across the UK as a whole, and at a sharper pace than in Northern Ireland. Anecdotal evidence suggested that higher workloads had been the principal factor leading to increased staffing levels, with some respondents also anticipating further growth in coming months. Employment rose in the construction, manufacturing and services sectors, while retail posted a slight reduction.

By sector				
		Construction	Manuf-acturing	Services
'13	May	49.6	47.9	47.6
	Jun	51.3	47.0	50.3
	Jul	51.7	51.3	50.4



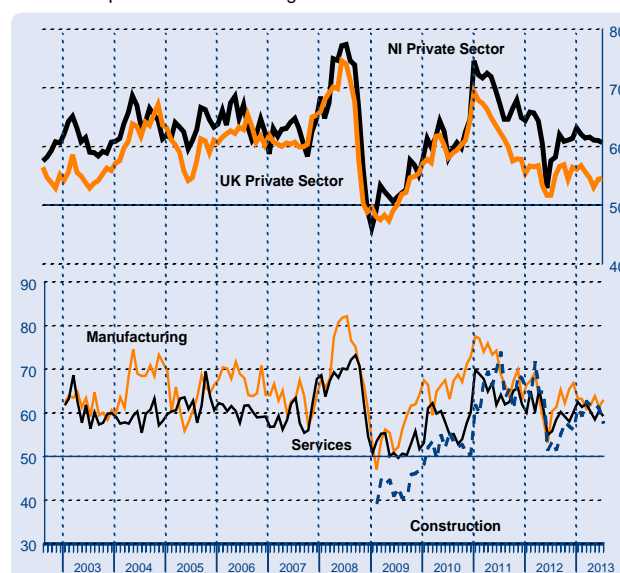
Input Costs

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 Feb	26.9	71.9	1.3	25.6	62.8	62.1	56.8
Mar	31.5	66.3	2.2	29.4	64.7	61.5	55.7
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	54.4
Jul	20.9	76.9	2.2	18.7	59.4	60.7	54.7

July data signalled a further sharp increase in input costs at Northern Ireland companies, with the rate of inflation easing only slightly over the month. That said, the latest rise in cost burdens was the slowest in 11 months. The rate of inflation in Northern Ireland remained much sharper than seen across the UK as a whole. Respondents largely attributed higher input prices to increased costs for fuel and raw materials. The strongest inflation was again seen in the manufacturing sector, followed closely by retail. Costs increased at slower rates in construction and services, although the rises remained marked in each case.

By sector				
		Construction	Manuf-acturing	Services
'13	May	62.0	63.9	58.6
	Jun	61.1	61.4	60.4
	Jul	57.7	63.1	59.3



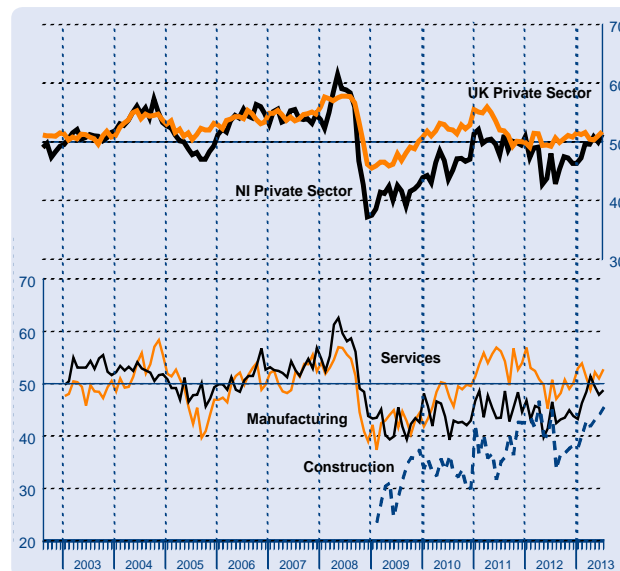
Prices Charged

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 Feb	11.4	79.0	9.6	1.8	50.9	47.3	51.3
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

Respondents indicated that higher input costs had led them to increase their output prices in July. Charges rose for the second time in the past three months, albeit only slightly. A modest increase in output prices was also recorded at the UK level. Differing trends were recorded between the four monitored sectors. Manufacturing and retail each posted rising output prices, with the respective rates of inflation quickening since June. On the other hand, companies in the construction and services sectors posted further reductions in prices charged. The sharpest fall was in construction, although the reduction was the slowest since April 2012.

By sector				
		Construction	Manuf-acturing	Services
'13	May	43.1	52.3	49.5
	Jun	44.1	51.1	47.9
	Jul	45.5	52.8	48.8



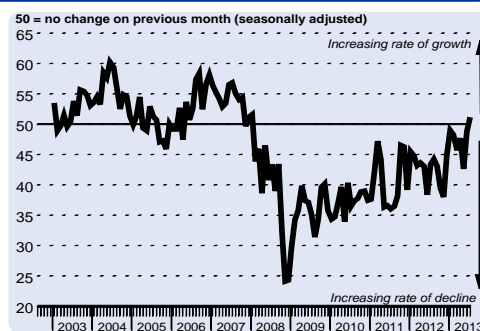
New Export Business*

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

Northern Ireland Companies

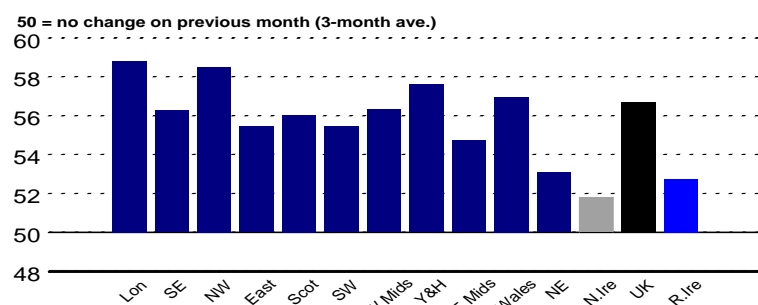
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Feb	16.4	66.2	17.4	-0.9	49.5	48.3
	Mar	12.4	64.9	22.7	-10.3	44.8	45.8
	Apr	18.8	63.8	17.4	1.3	50.7	47.7
	May	6.8	68.8	24.5	-17.7	41.2	42.7
	Jun	17.9	67.6	14.4	3.5	51.8	48.8
	Jul	14.3	71.7	14.0	0.3	50.2	51.2

New export orders returned to growth in July, the first increase since January 2008. Around 14% of panellists reported a rise in new business from abroad, and partly attributed this to increased marketing activities.



Regional Comparisons: Output / Business Activity

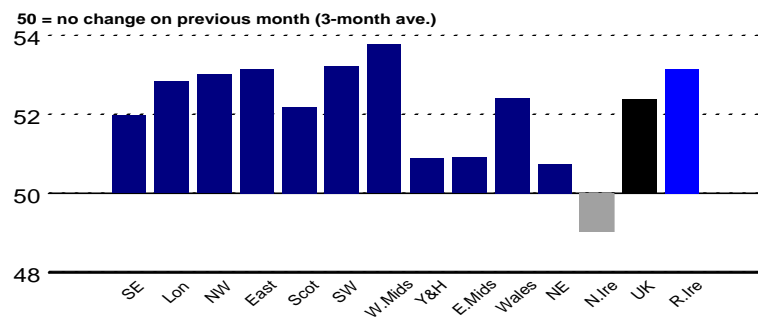
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). A return to growth in Northern Ireland meant that all 12 UK regions recorded an expansion of business activity on average in the three months to July. London posted the fastest rise in output levels, followed closely by the North West. Meanwhile, a solid expansion of 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%)	53.8	58.8	61.8
South East	(14.7%)	52.6	56.3	59.5
North West	(9.5%)	52.9	58.5	62.3
East of England	(8.7%)	52.3	55.4	59.1
Scotland	(8.3%)	52.4	56.0	56.7
South West	(7.7%)	51.2	55.4	58.9
West Midlands	(7.3%)	52.2	56.3	58.8
Yorks & Humber	(7.0%)	53.9	57.6	59.8
East Midlands	(6.4%)	52.1	54.7	57.3
Wales	(3.6%)	54.2	57.0	57.6
North East	(3.2%)	50.1	53.1	56.4
N.Ireland	(2.2%)	47.0	51.8	56.1
UK	(100.0%)	52.4	56.7	59.5
Rep. of Ireland	n/a	52.3	52.8	55.1

Regional Comparisons: Employment

The graph below shows the regional PMI Employment Indexes for the UK. An average of the latest three months is used (see also the table to the right). Staffing levels increased in 11 of the 12 UK regions on average during the three months to July, with Northern Ireland the exception. Companies in the West Midlands posted the strongest pace of job creation, followed by those operating in the South West. The Republic of Ireland posted solid growth of employment.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.4	52.0	52.3
London	(12.3%)	50.3	52.8	53.4
North West	(10.9%)	49.9	53.0	55.4
East of England	(9.6%)	51.0	53.1	53.7
Scotland	(8.7%)	51.0	52.2	52.1
South West	(8.6%)	50.3	53.2	54.1
West Midlands	(8.6%)	51.9	53.8	54.9
Yorks & Humber	(8.2%)	50.2	50.9	51.3
East Midlands	(7.3%)	51.8	50.9	52.7
Wales	(4.6%)	50.9	52.4	53.2
North East	(3.9%)	49.4	50.7	53.4
N.Ireland	(2.7%)	48.1	49.0	51.0
UK	(100.0%)	50.7	52.4	53.2
Rep. of Ireland	n/a	52.0	53.2	55.2

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

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.

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.

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

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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*

July 2013 Survey Update

Issued 12th August 2013

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PMI Surveys

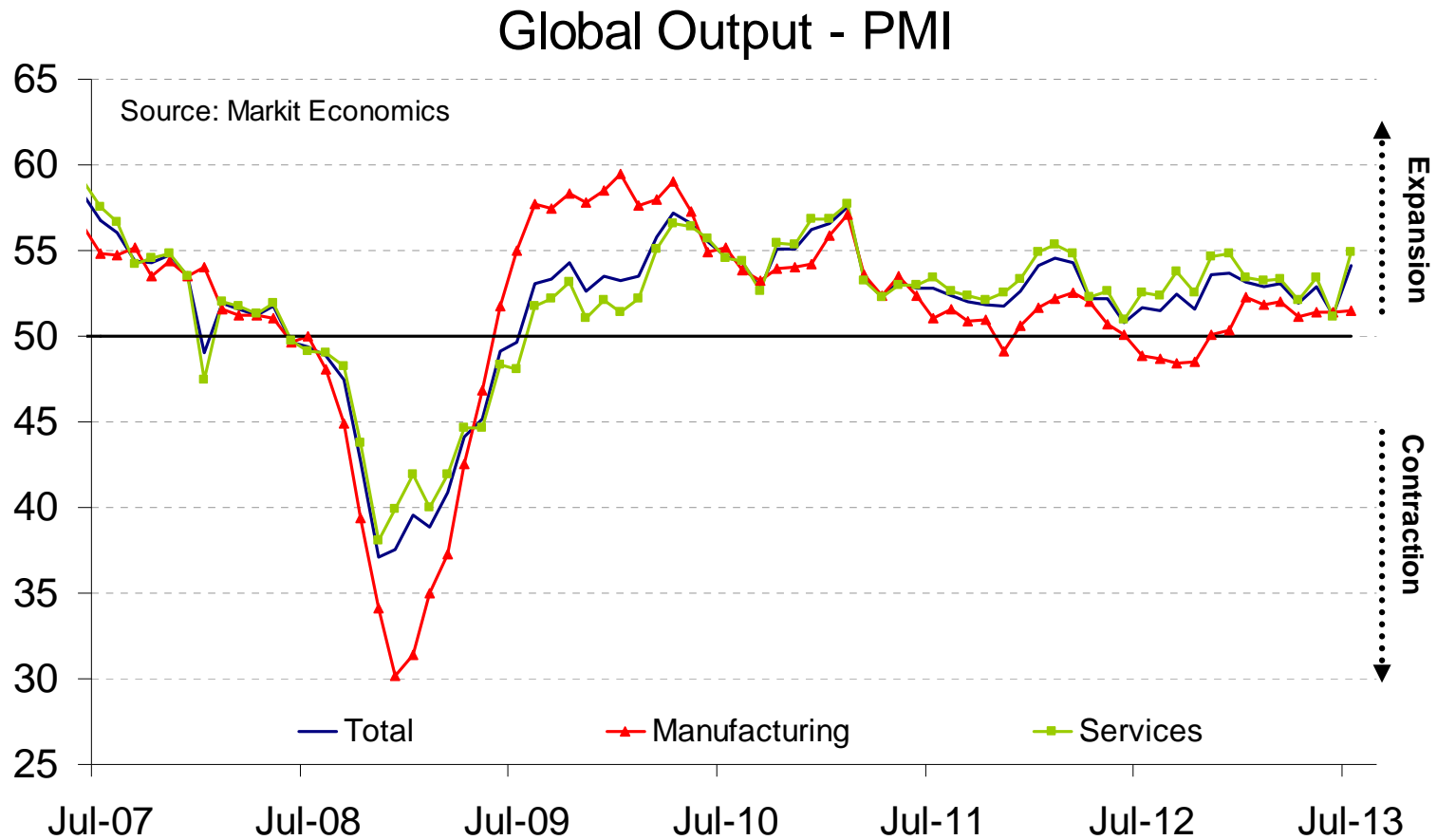
Purchasing Managers' Indexes (PMIs) are monthly surveys of private sector companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices across different sectors.

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

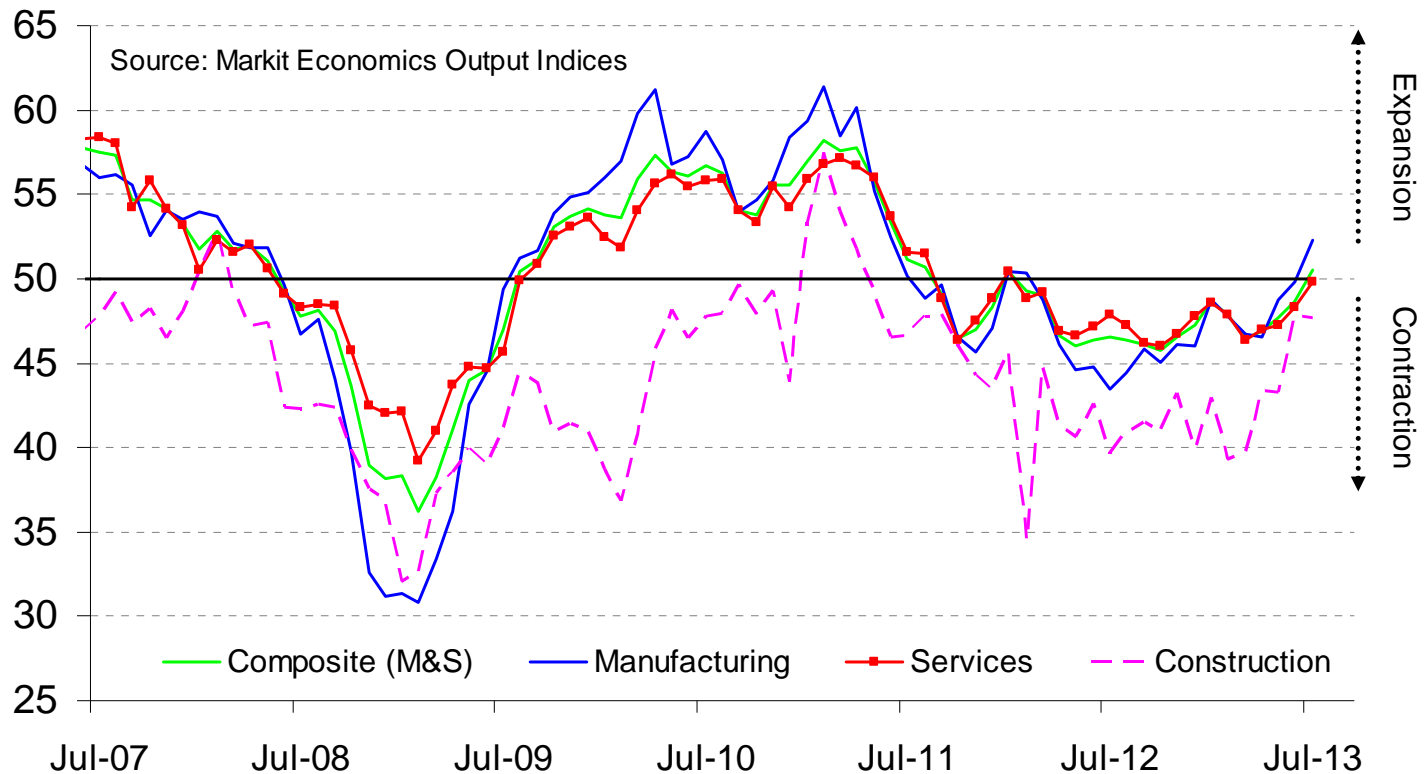
*Data at a sector level are more volatile and **3-month moving averages** have been used to more accurately identify the broad trends.*

Global output growth accelerates in July...

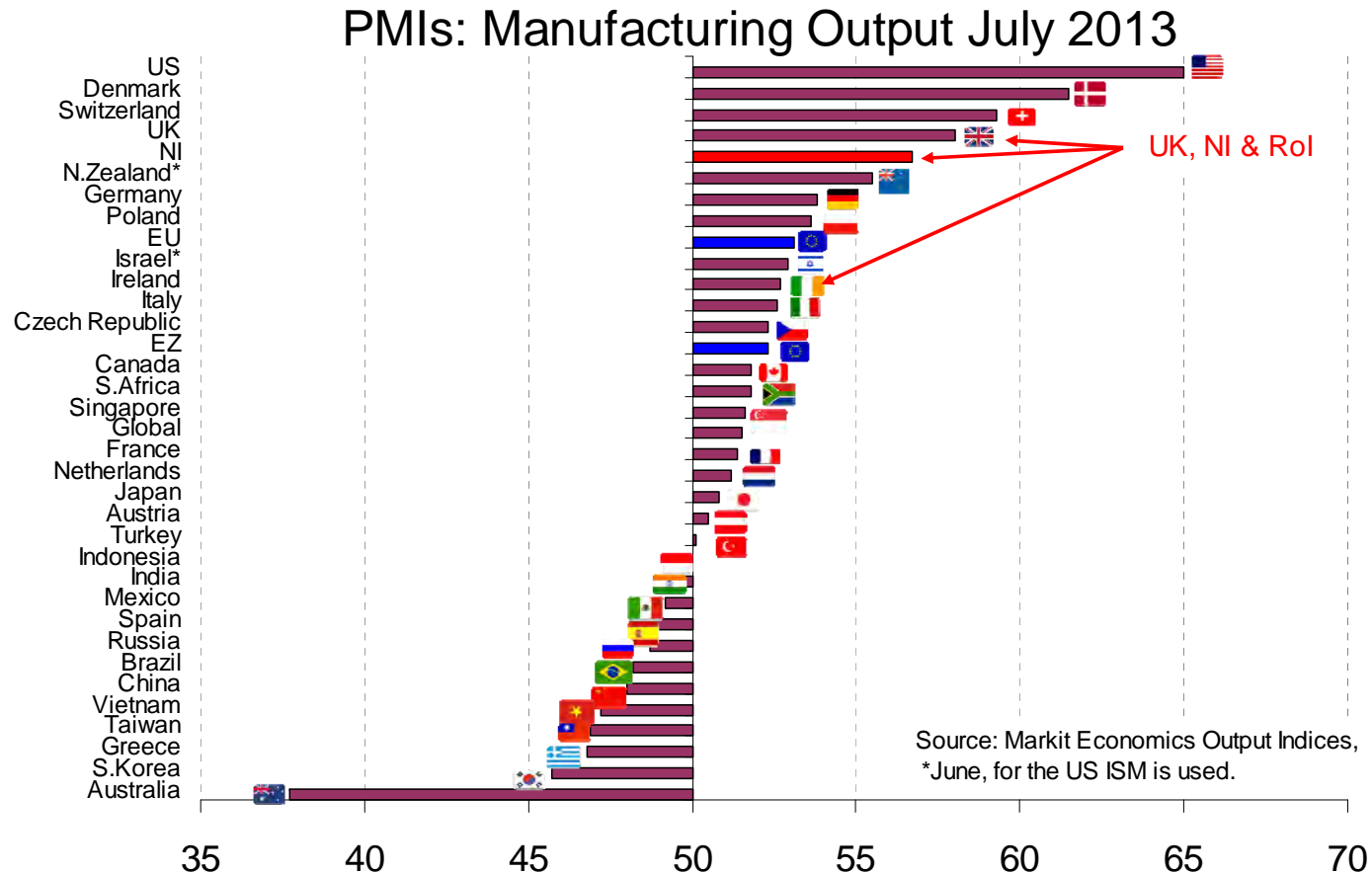


... but manufacturing is the only sector within the Eurozone posting positive growth

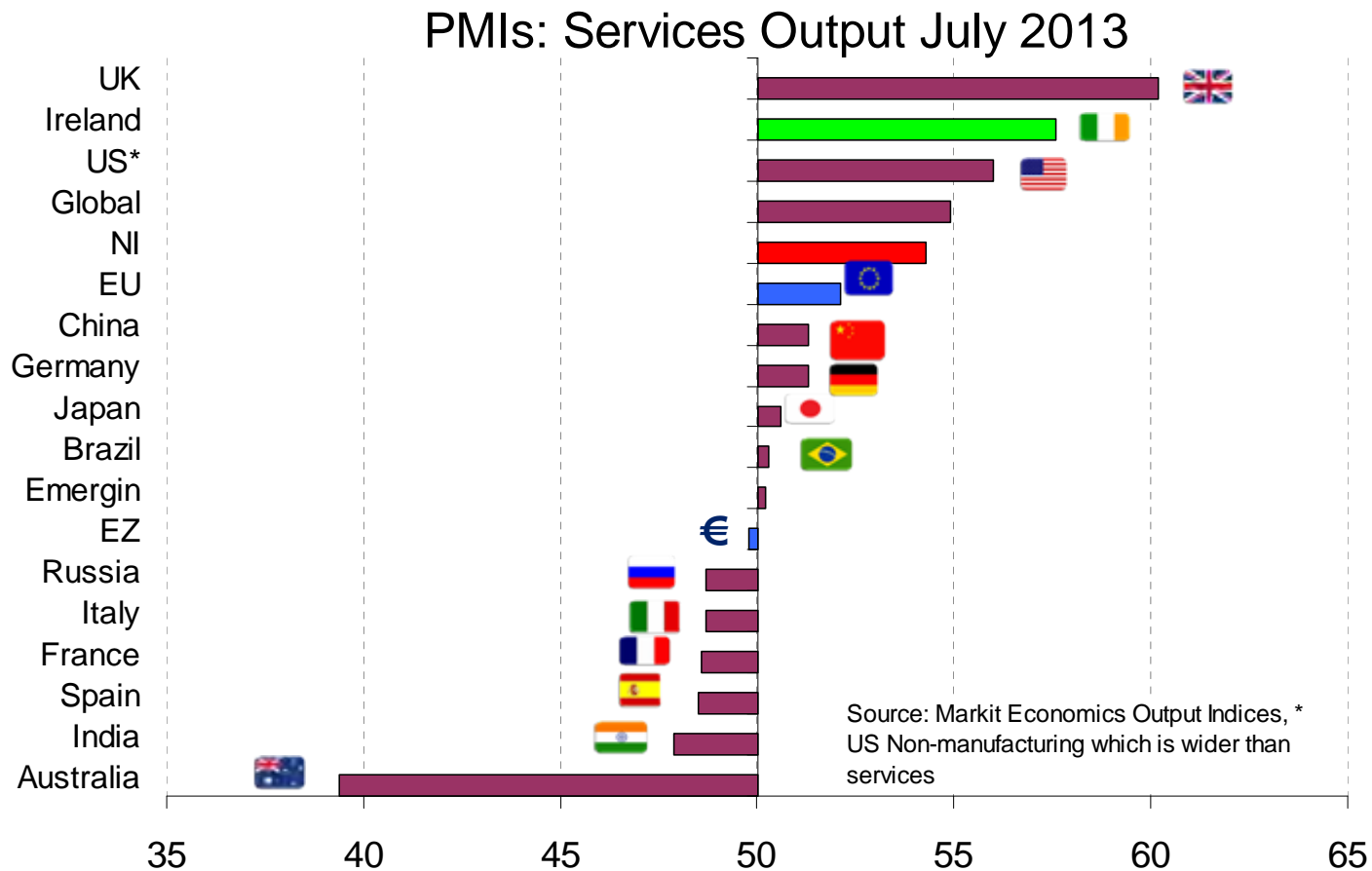
Eurozone PMIs: Output



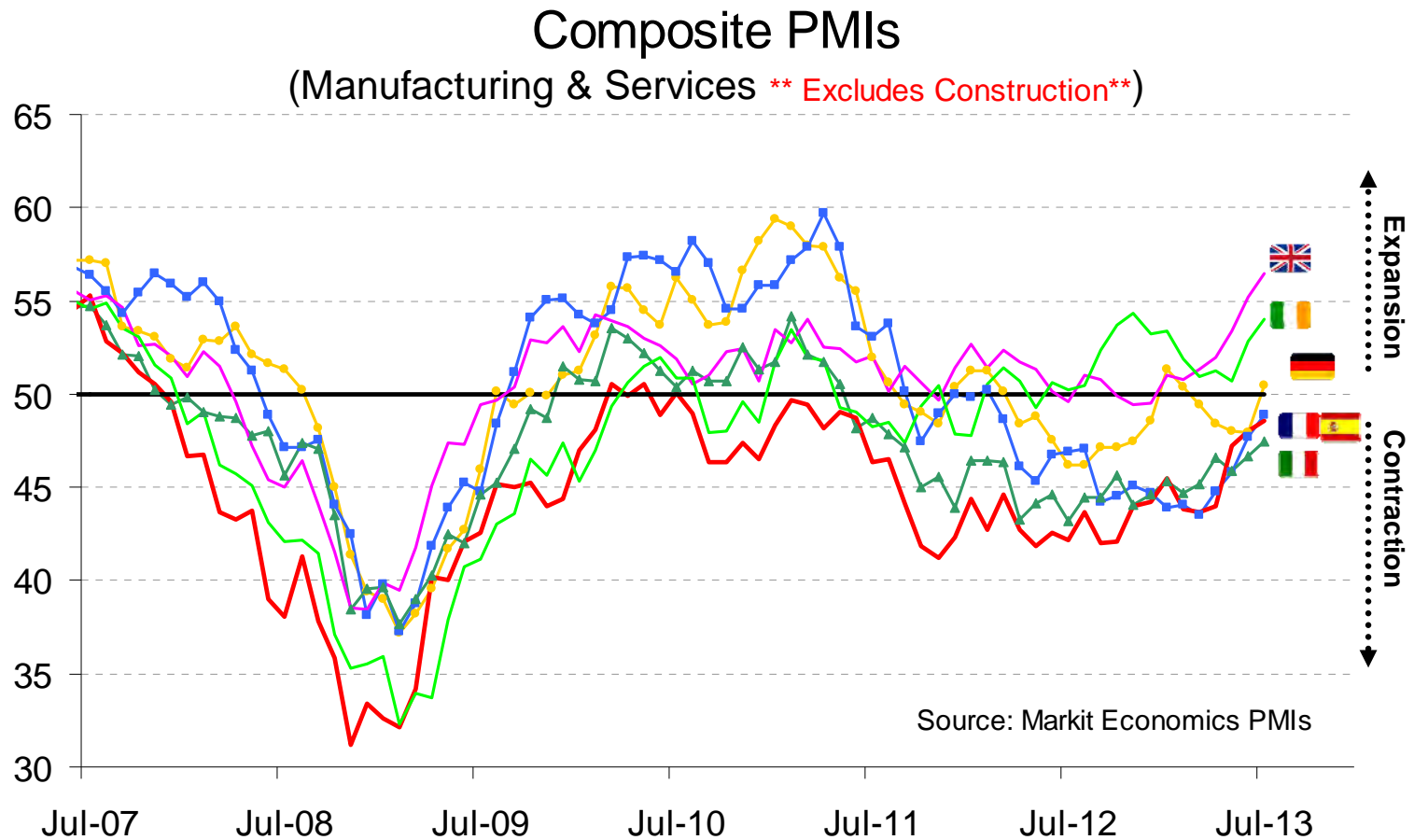
Top performers within manufacturing incl. US, Denmark, UK & NI. Underperformers incl. BRICs /Asia, Greece & Australia



The UK & Ireland post the fastest rate of service sector growth in July

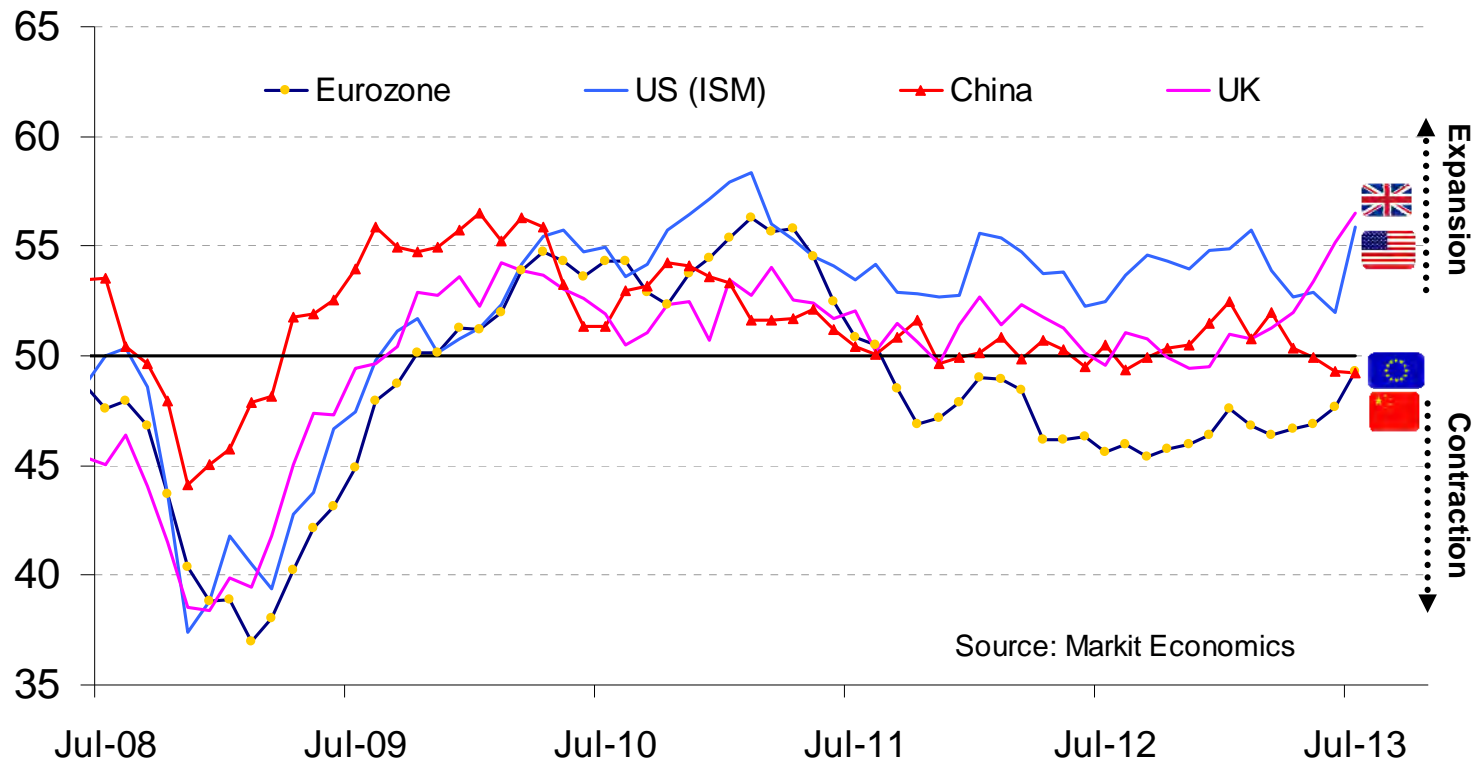


Three of the four largest economies within the eurozone are still contracting



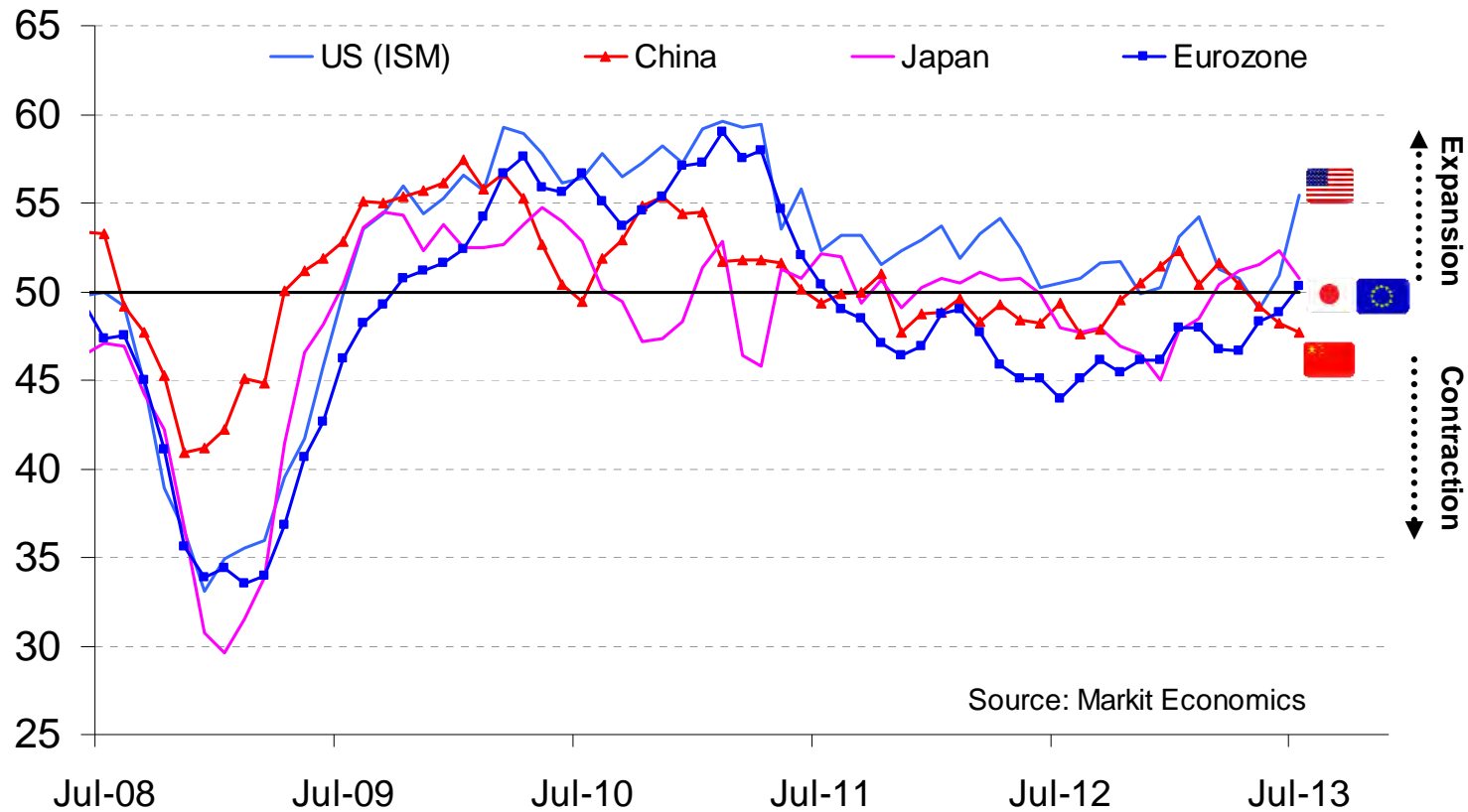
Acceleration in growth for the US & UK with China and the Eurozone in contraction mode...

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



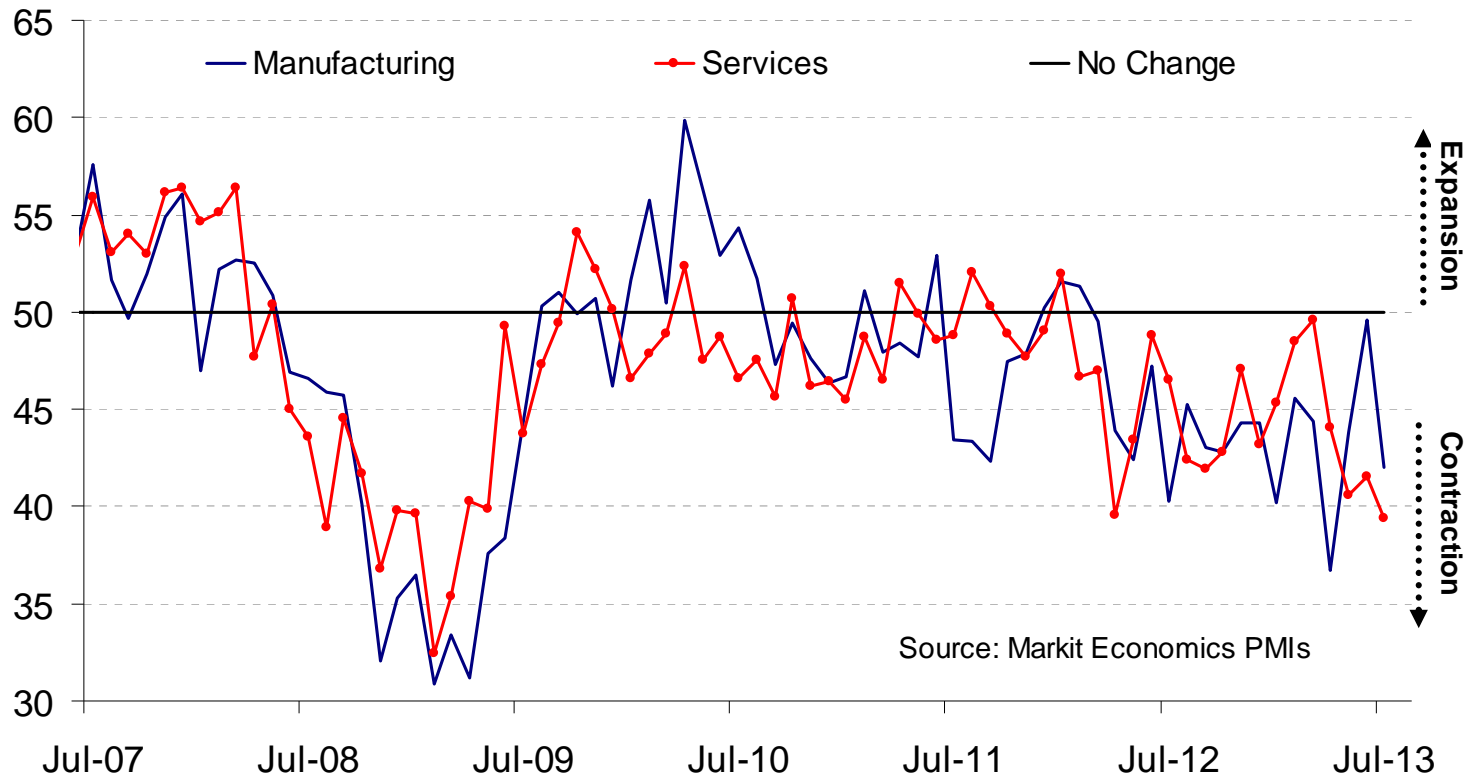
China's manufacturing slowdown contrasts with strong growth in the US

Manufacturing PMIs



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

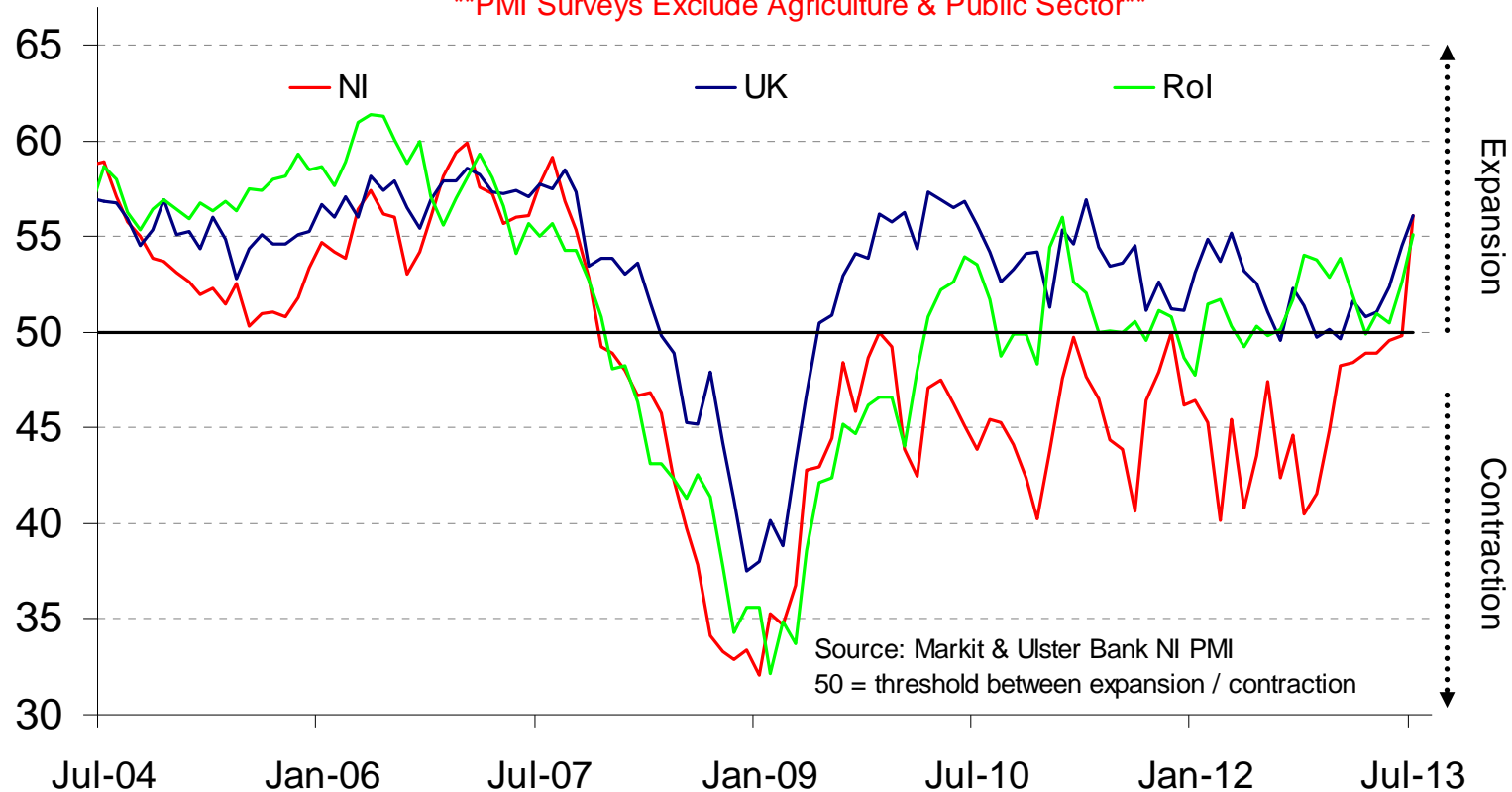
Australia - PMI



NI, UK & the RoI all post strong rates of growth in July. NI crosses the 50 threshold for the first time since Nov-07

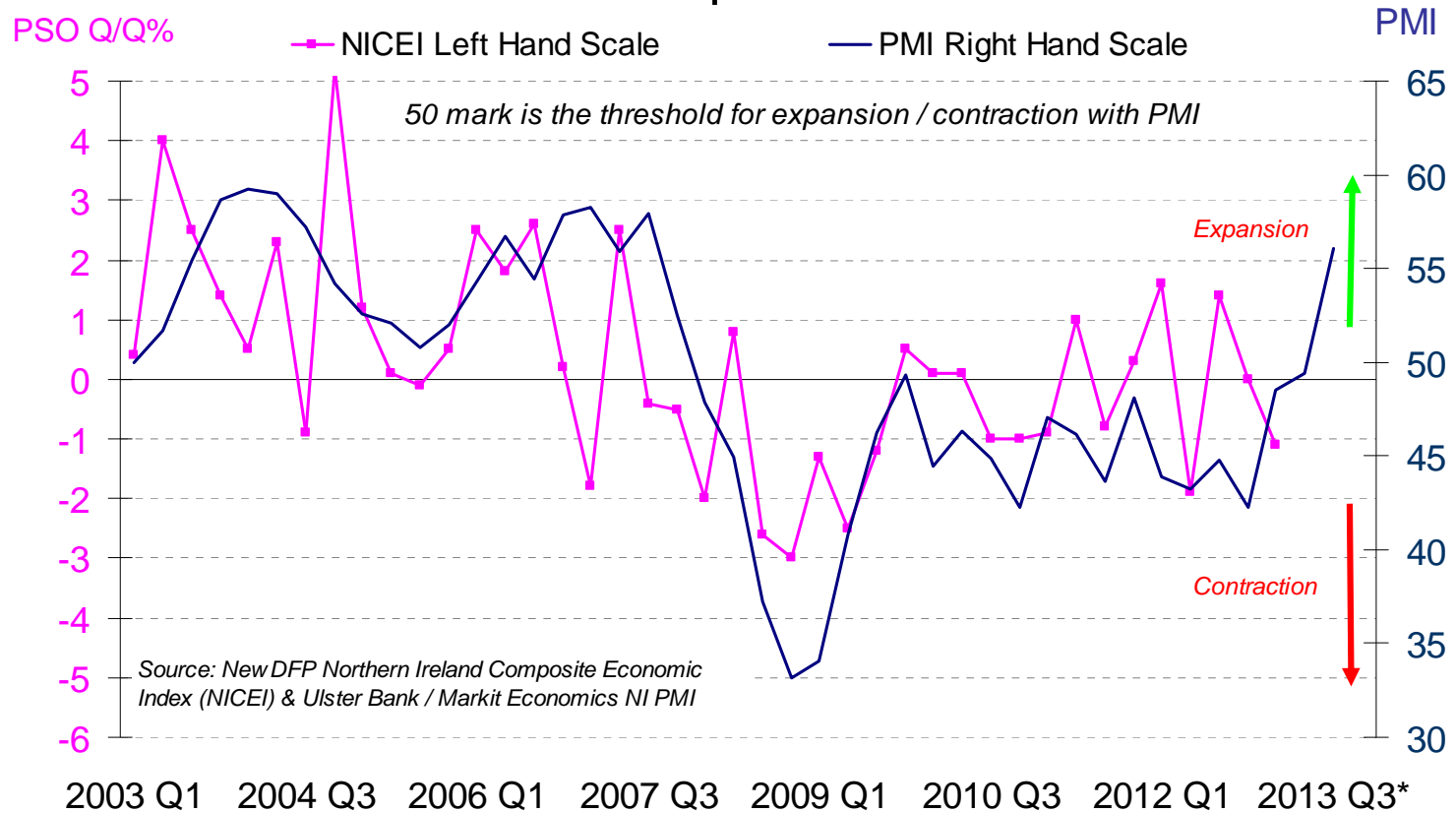
Private Sector Business Activity - PMIs

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

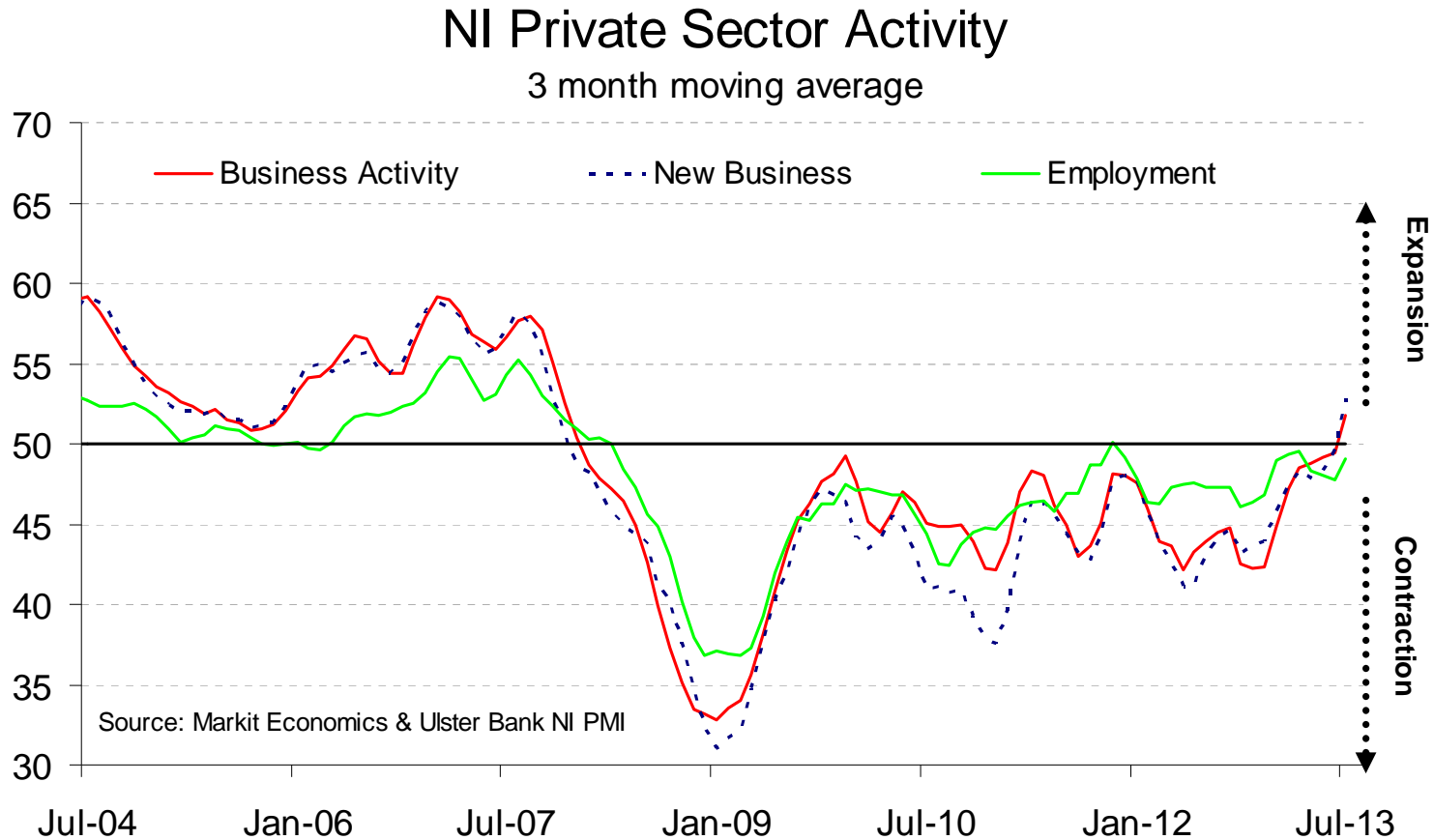


PMI suggests growth in DFP's new private sector composite index (combines indices for construction, services, agriculture & industrial production) in Q2/Q3 2013

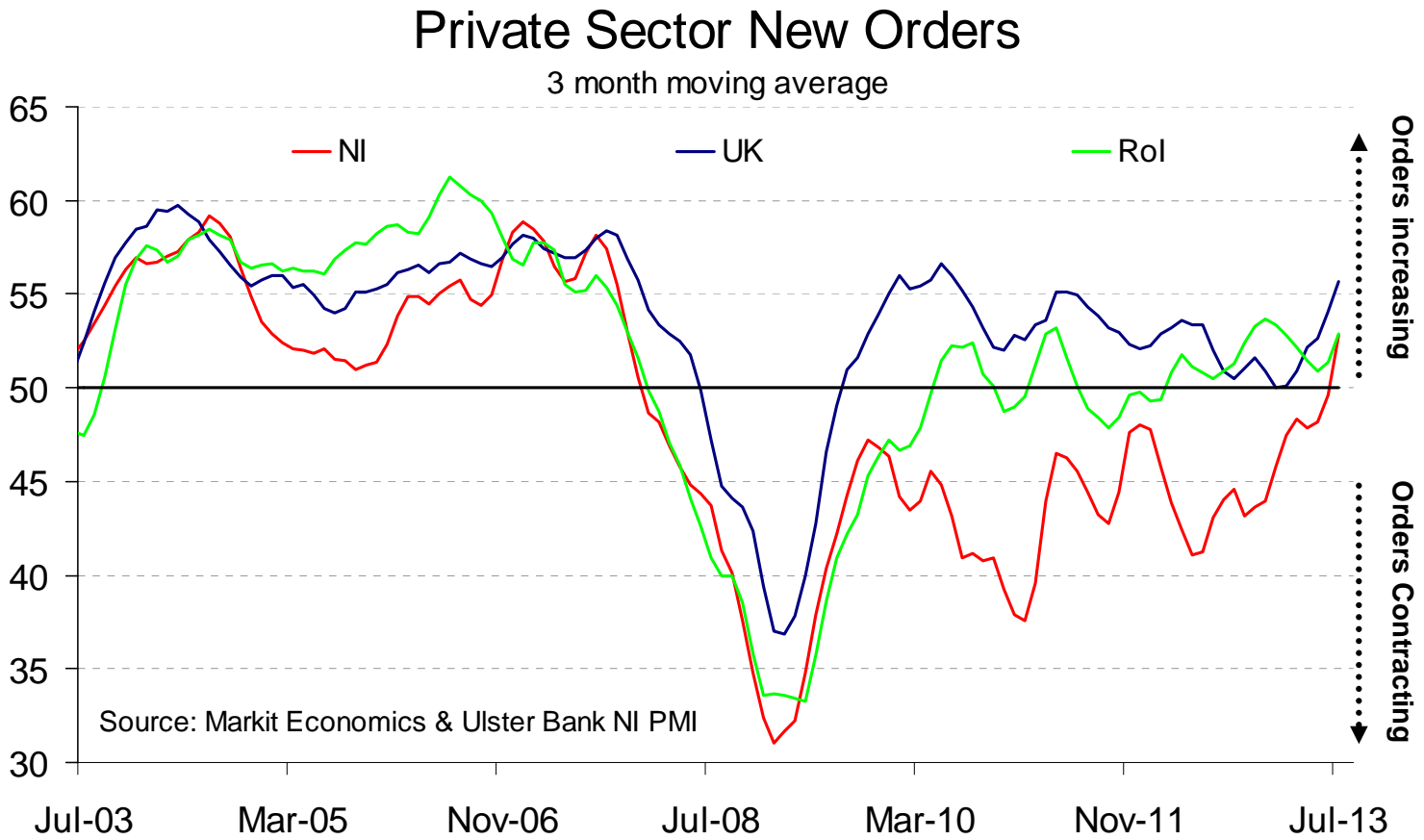
NI Private Sector Output Index Versus NI PMI



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

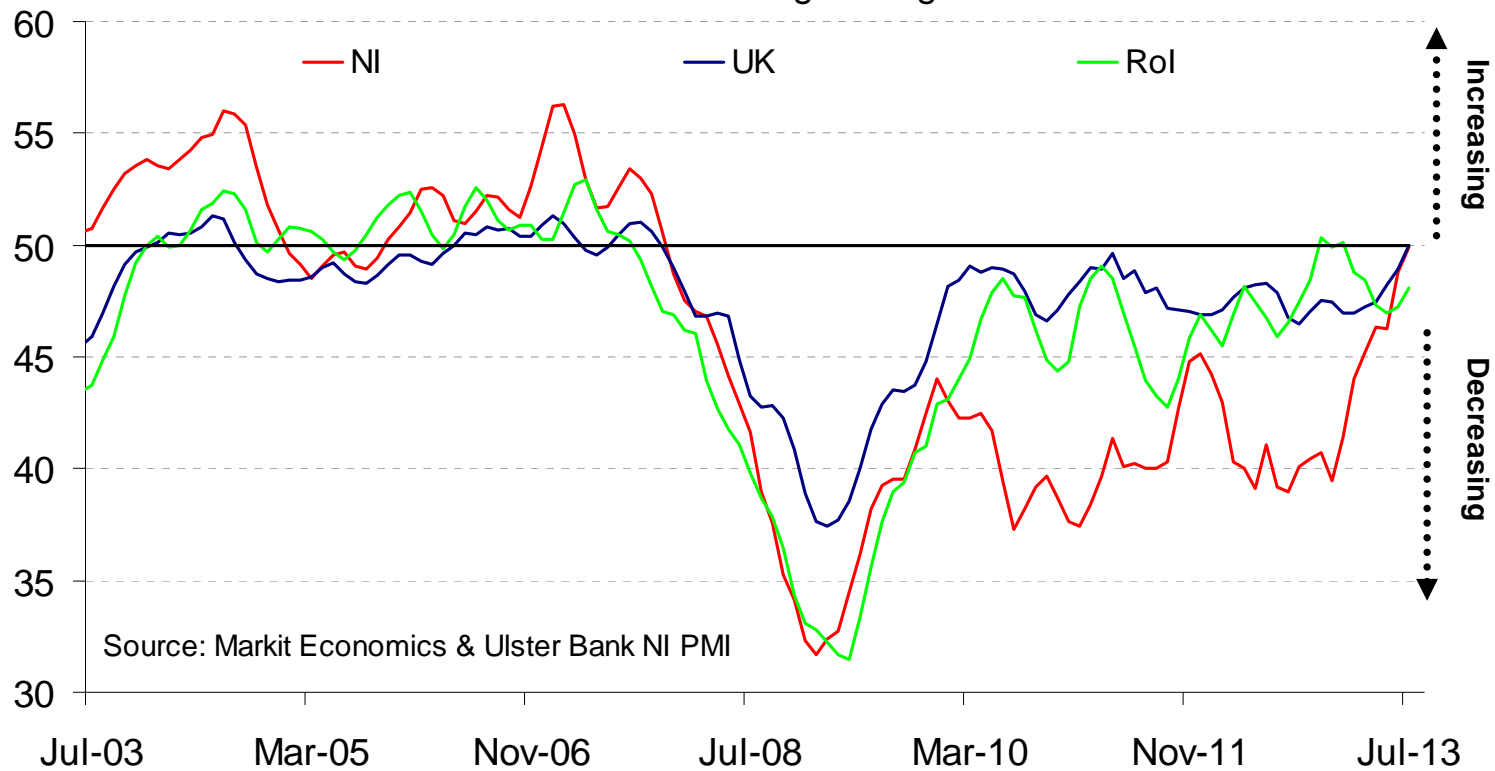


The UK, RoI and NI all post an increase in new orders for the first time since late 2007



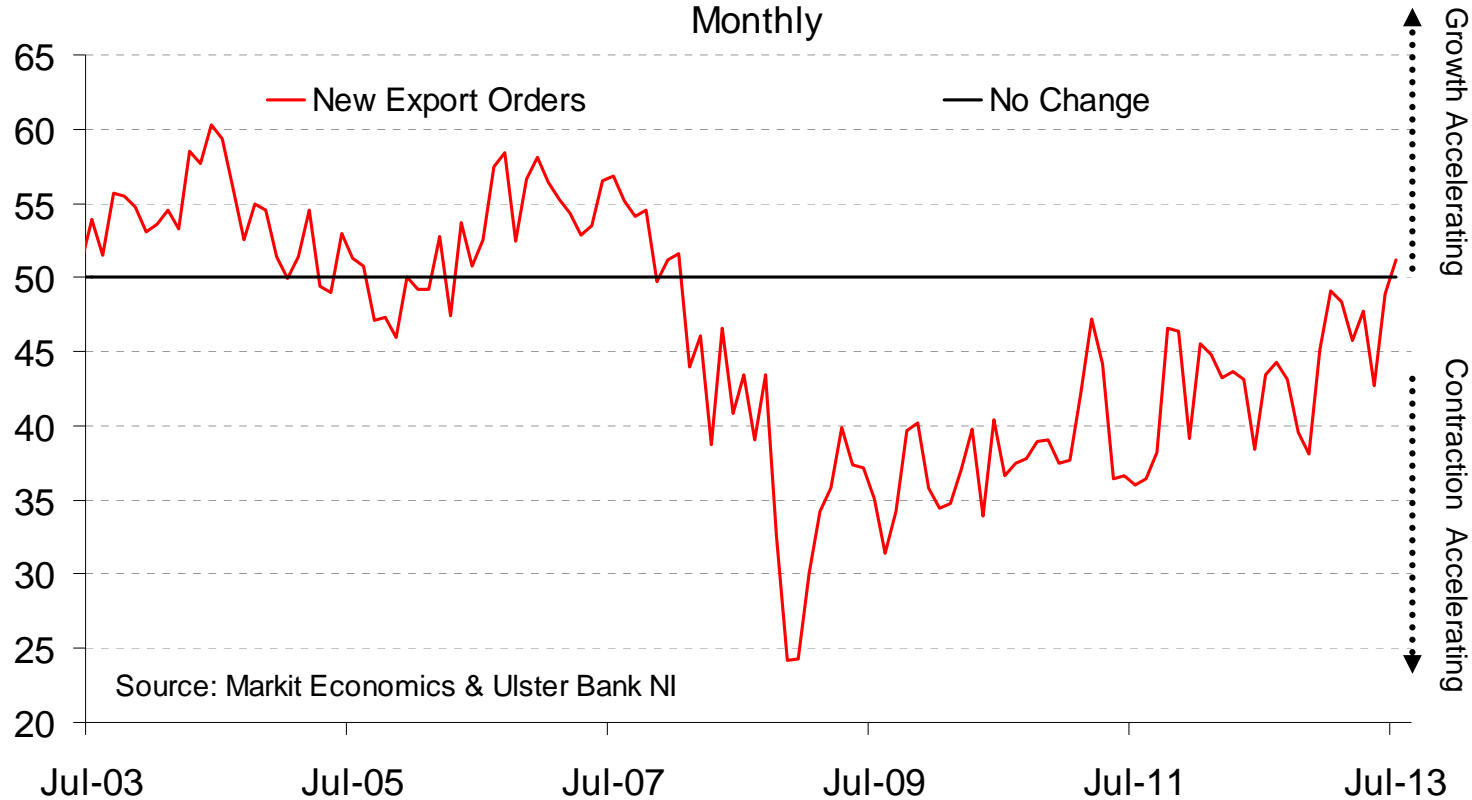
NI's levels of outstanding work remains flat

Private Sector Backlogs
3 month moving average

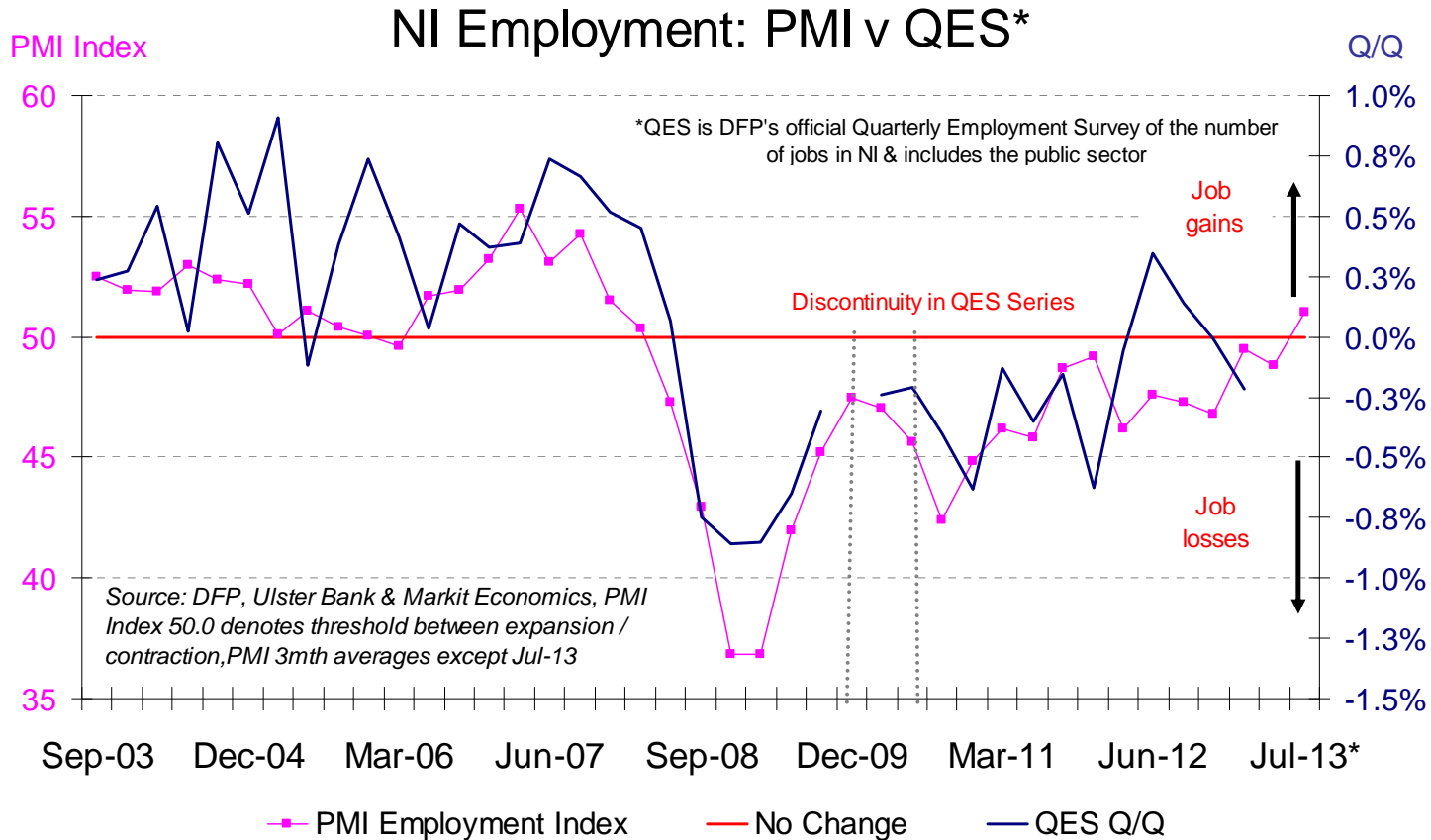


NI firms post the first increase in export orders since January 2008

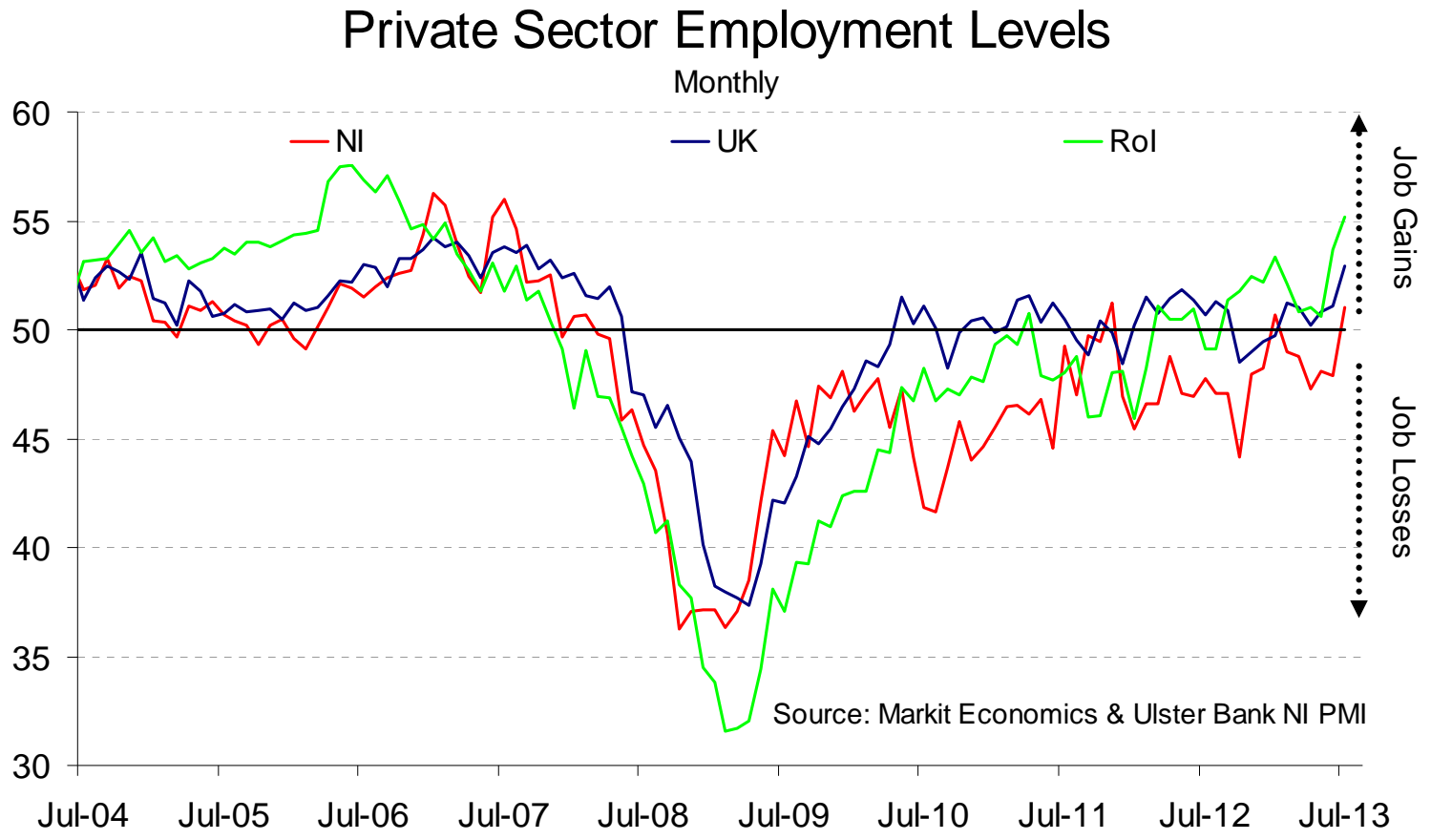
NI New Export Business Monthly



PMI underestimated job gains in 2012 (relative to official jobs survey).
 PMI signals a flat Q1 2013 with marginal declines in Q2 2013

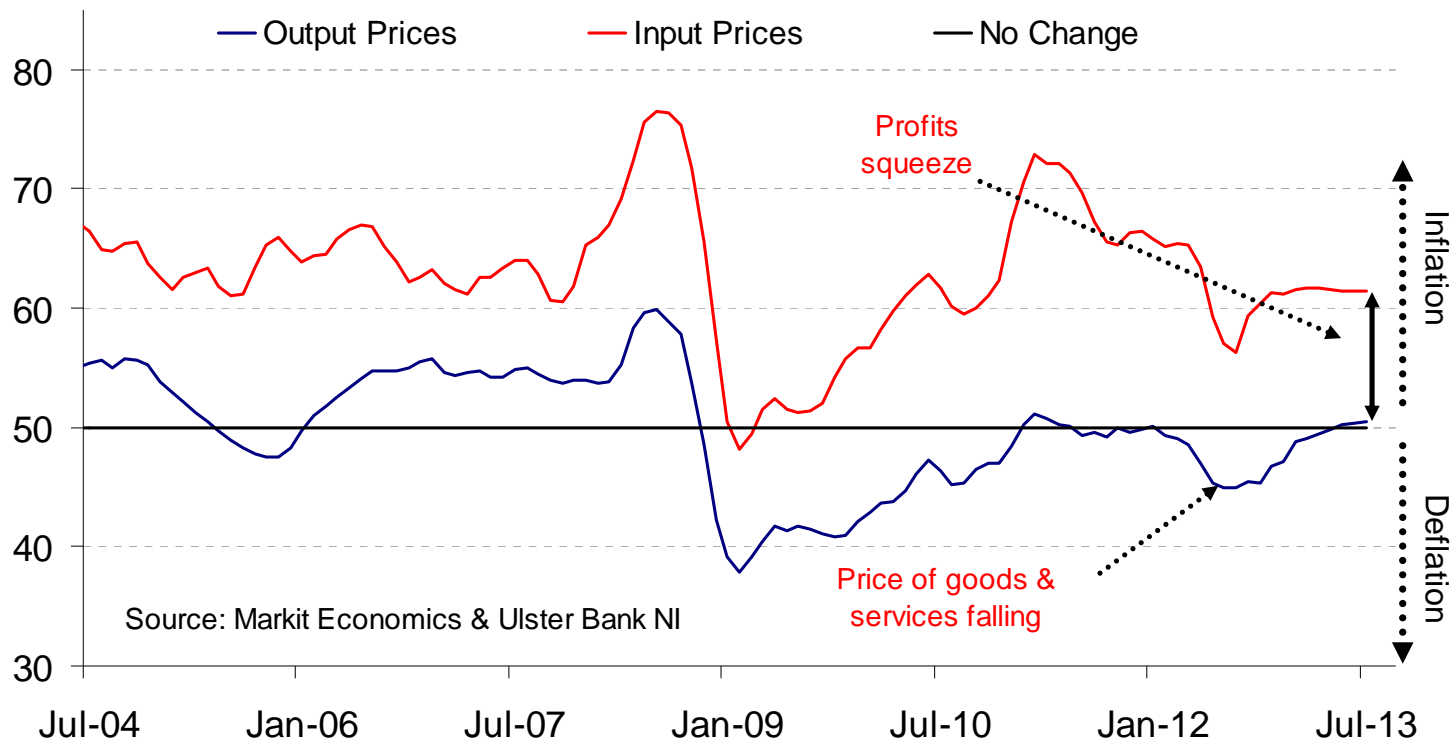


Firms within the UK, RoI & NI all post strong employment gains in July



Private sector's profitability squeeze eases

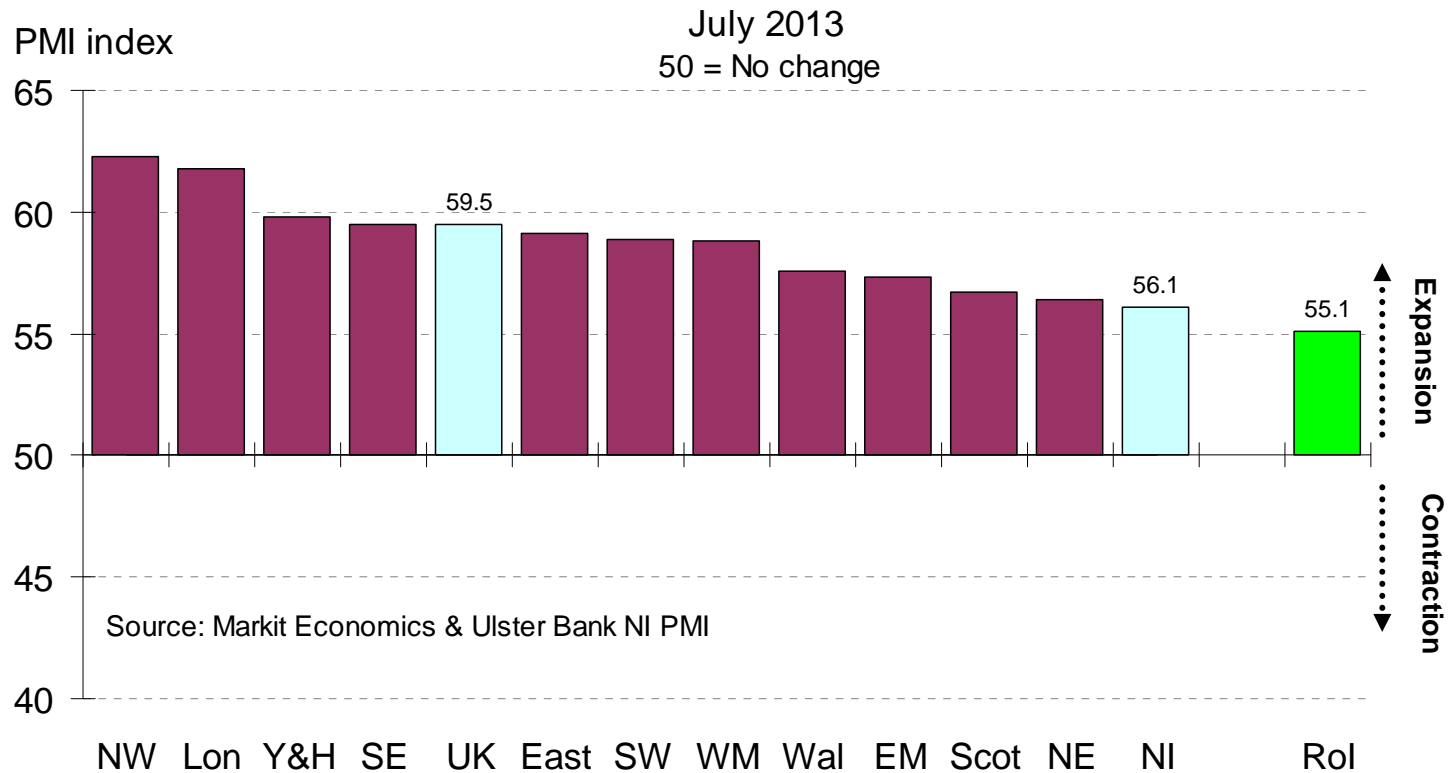
NI Private Sector Profit Squeeze 3 Month Moving Average



*Regional
Comparisons*

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

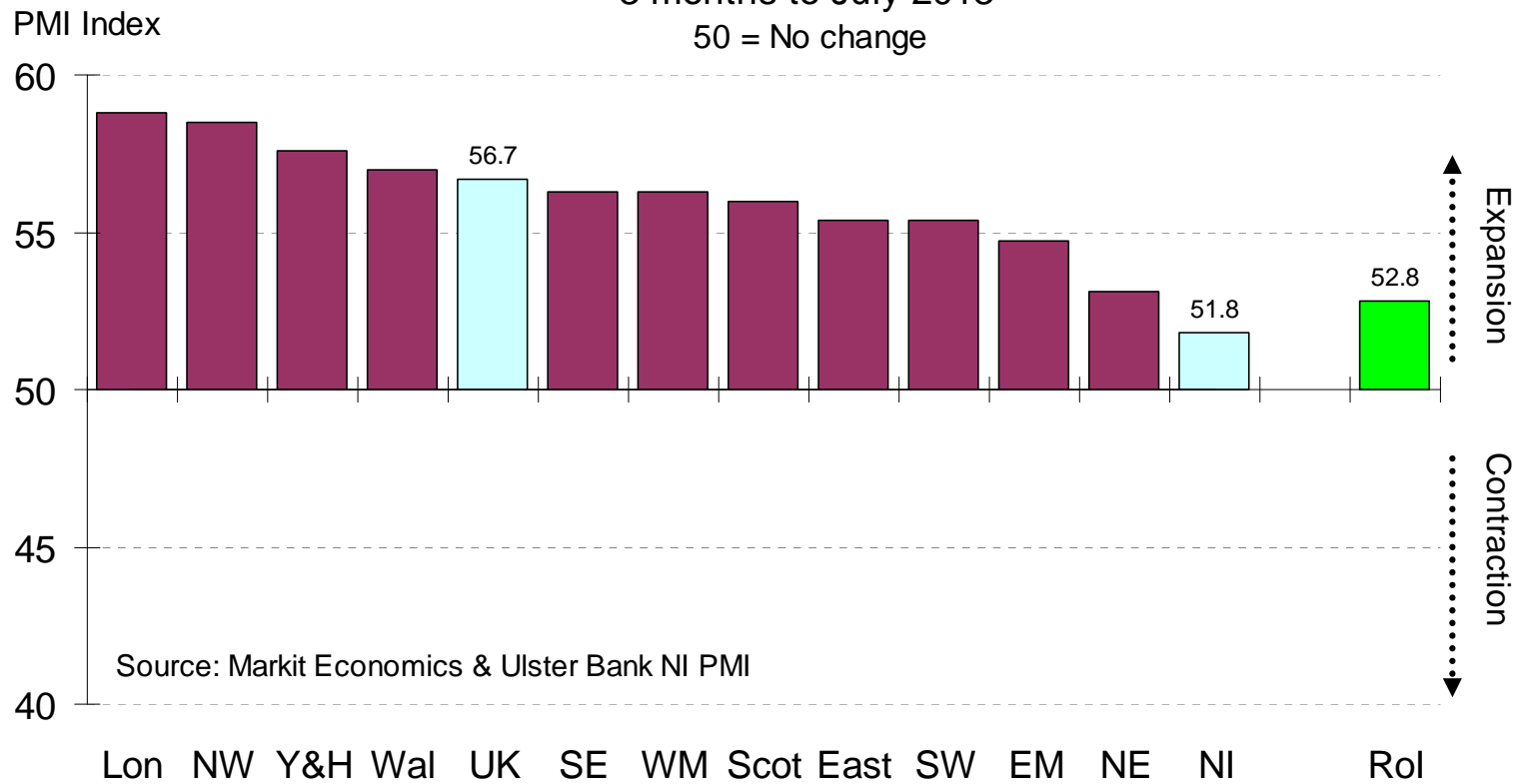
Output / Business Activity



... all the UK regions post growth over the last 3 months with N.Ireland's performance solely due to a strong July

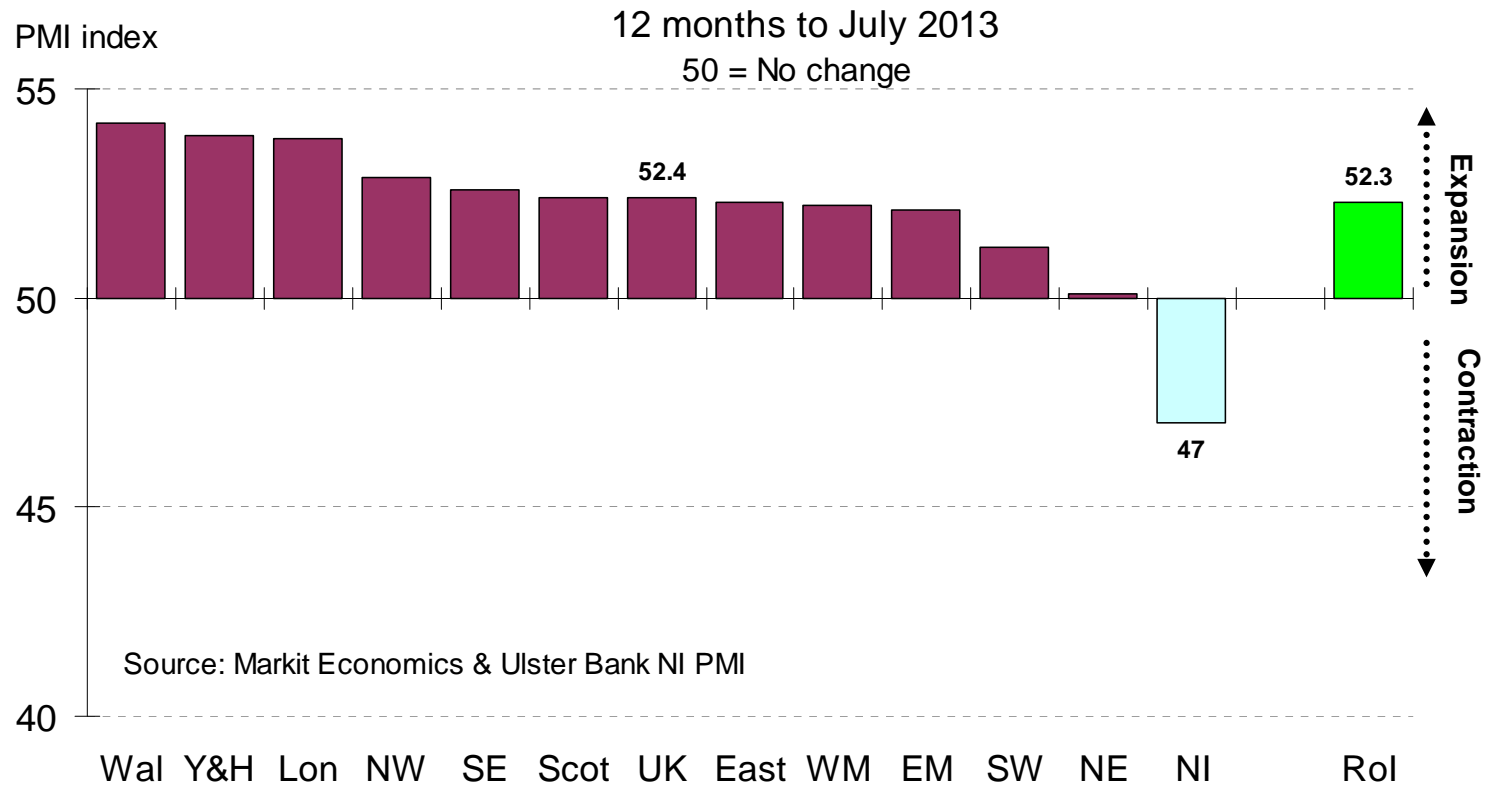
Output / Business Activity

3 months to July 2013
50 = No change



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

Output / Business Activity

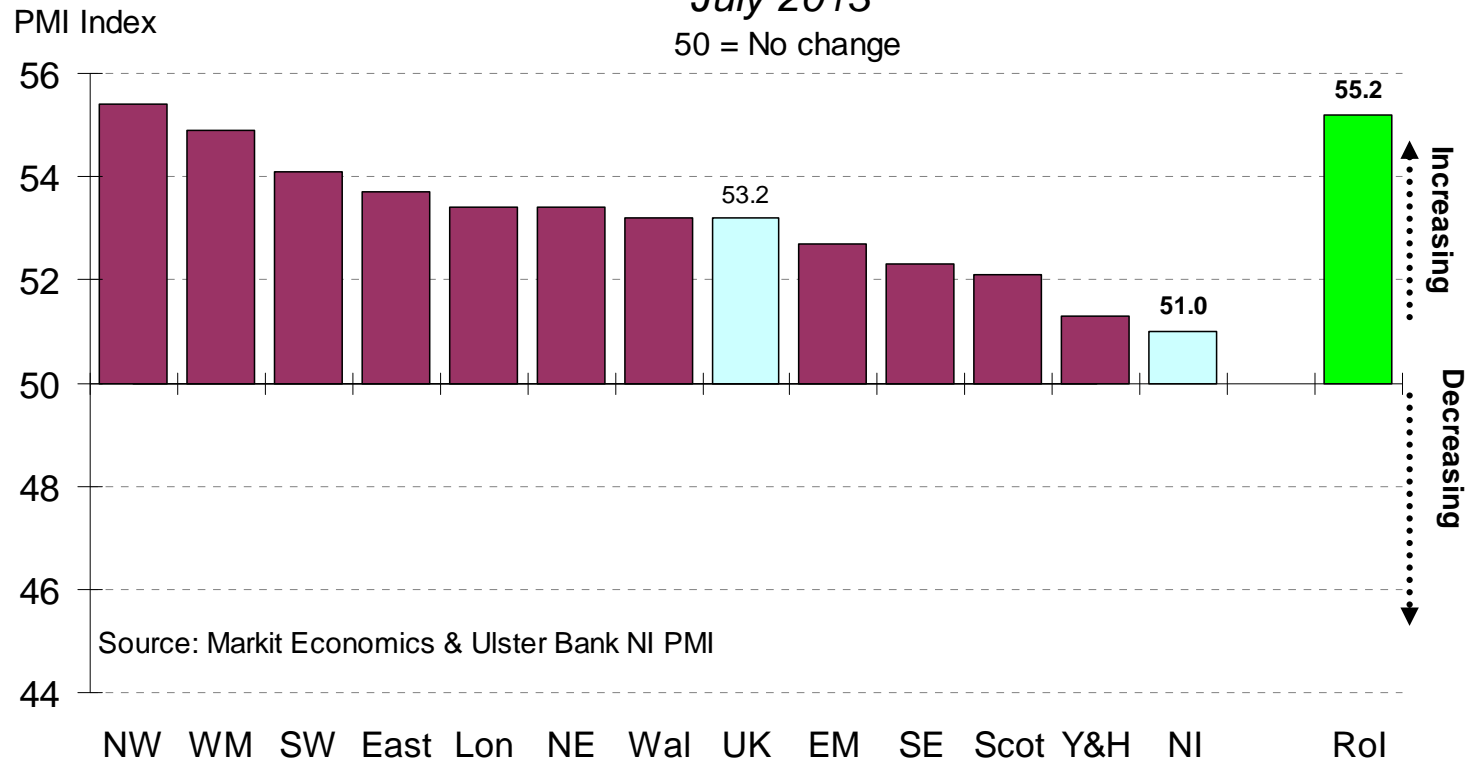


All the UK regions and the Republic of Ireland post employment growth in July ...

Employment Levels

July 2013

50 = No change

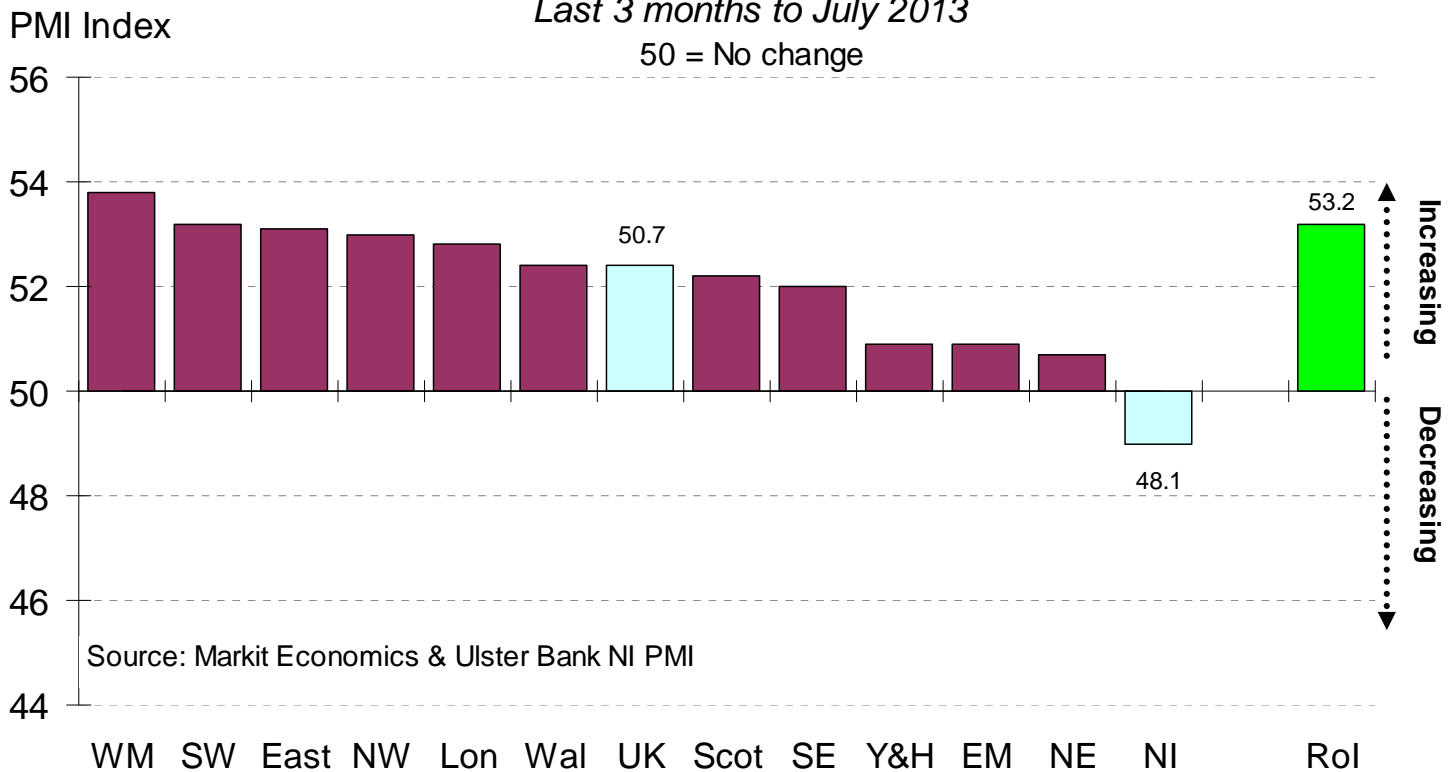


... with only Northern Ireland posting job losses over the last 3 months...

Employment Levels

Last 3 months to July 2013

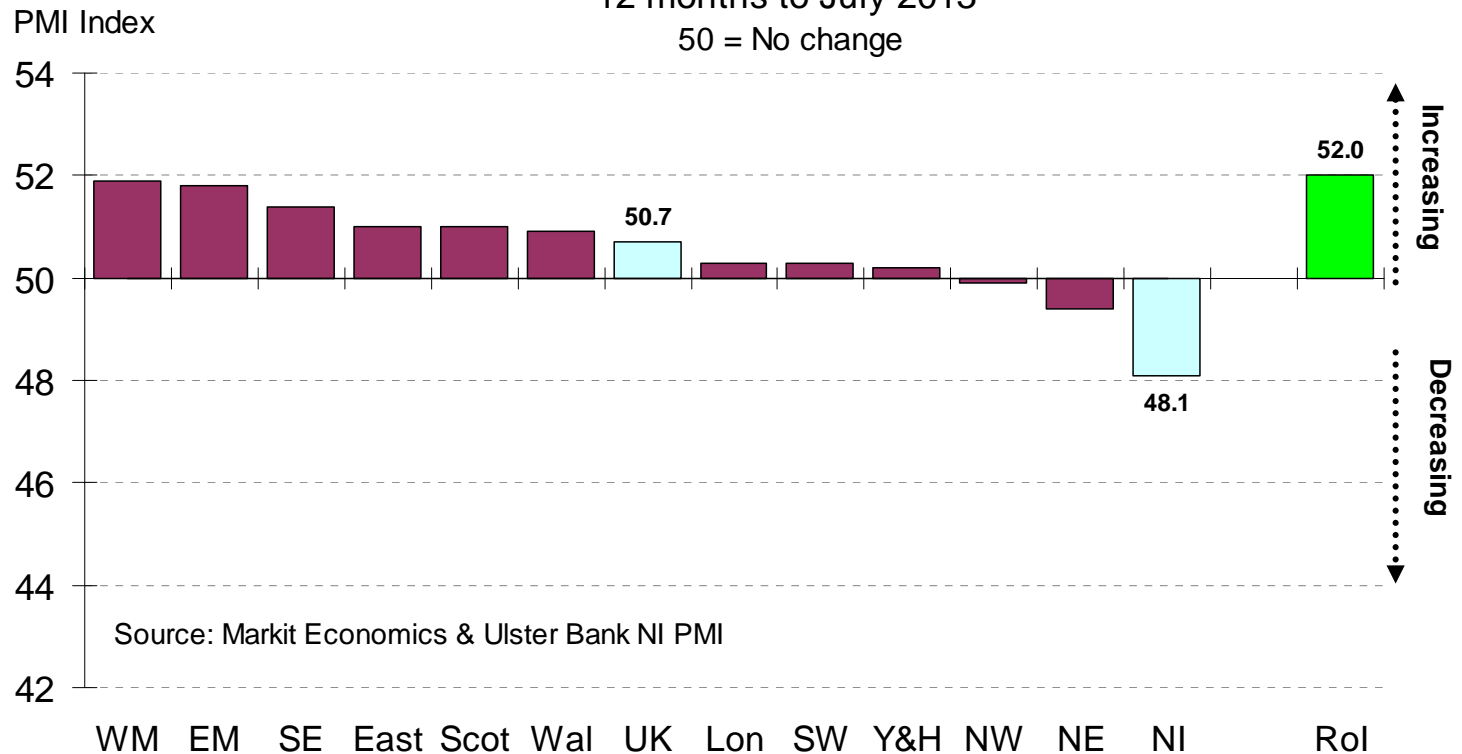
50 = No change



NI posts the steepest decline in employment over the last 12 months

Employment Levels

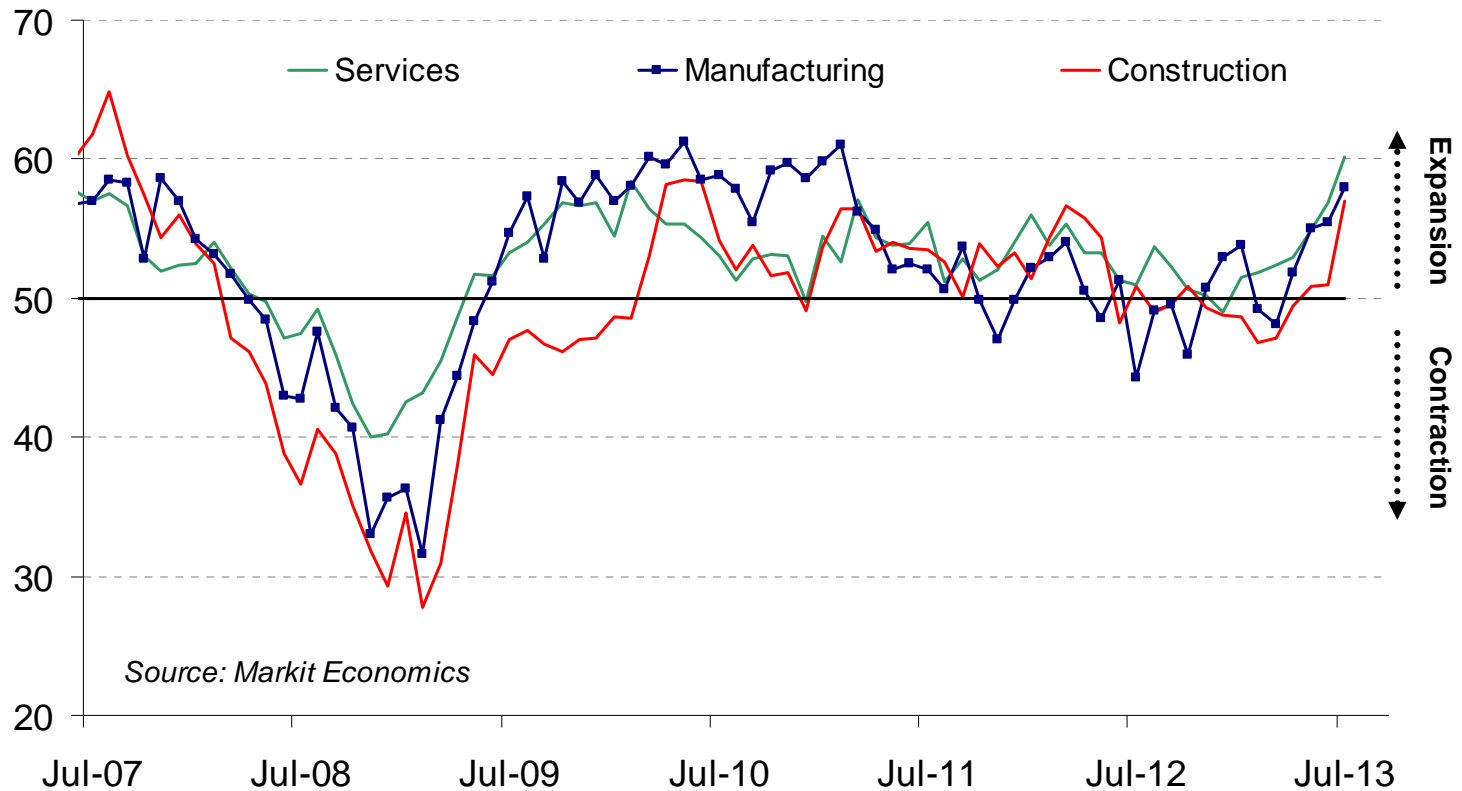
12 months to July 2013
50 = No change



Sectoral Comparisons

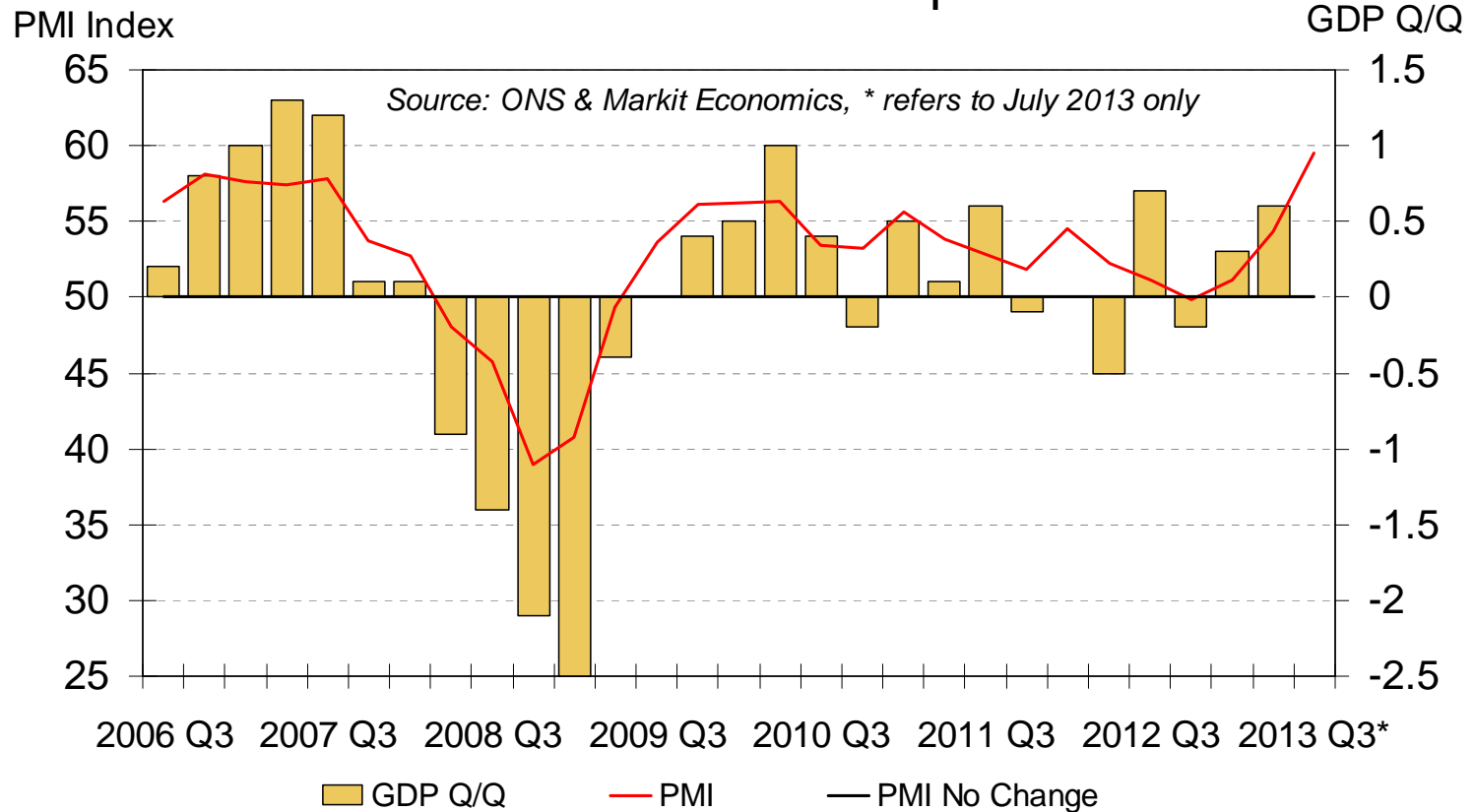
All three broad UK sectors witness a marked acceleration in output growth in July

UK Business Activity / Output - PMIs

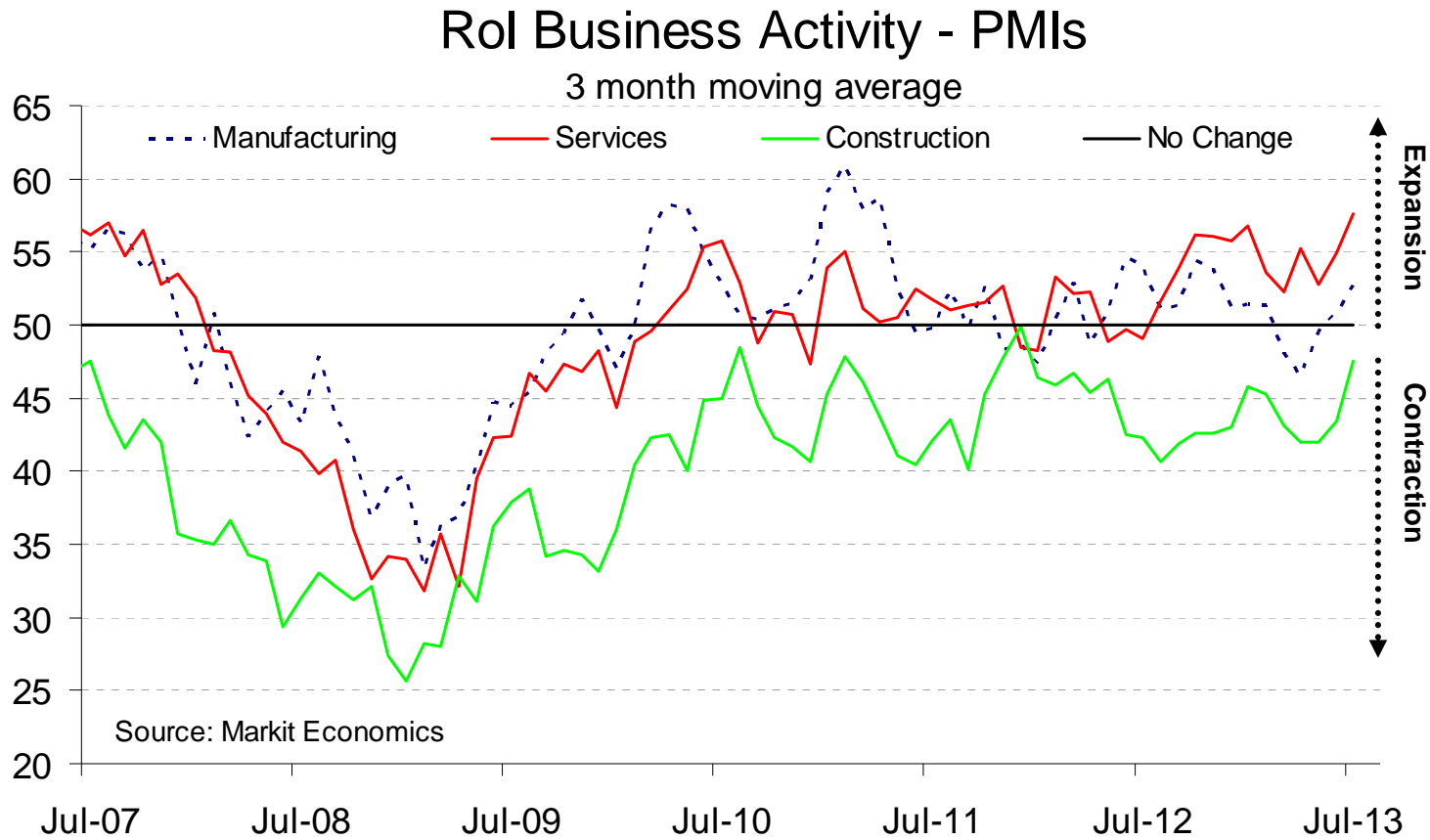


Revised GDP figures show even a 'double-dip recession' was avoided. Growth accelerates in Q2 & Q3

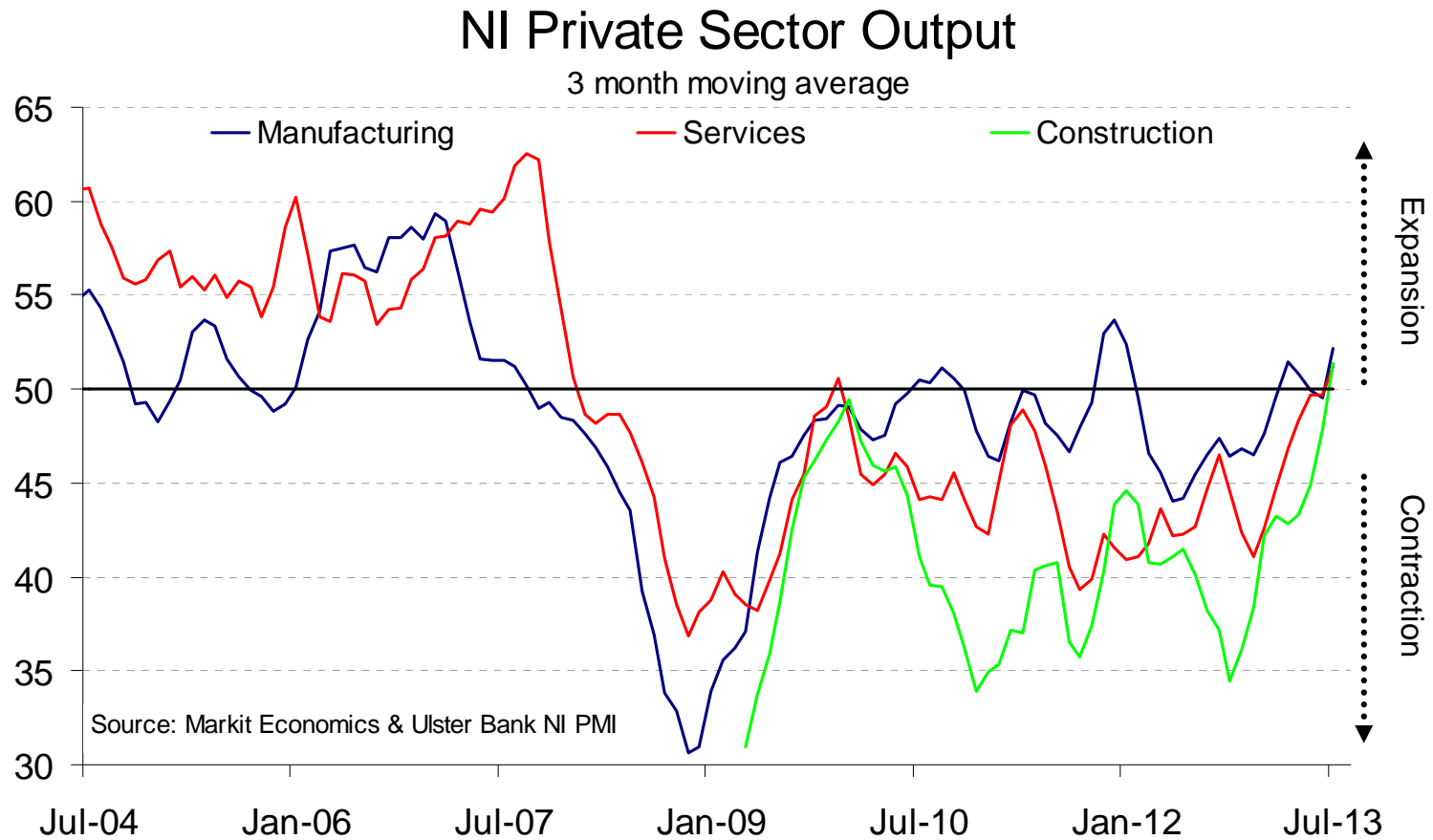
UK GDP versus UK Composite PMI



Rol's services & manufacturing sectors see an acceleration in output growth while construction remains sub-50

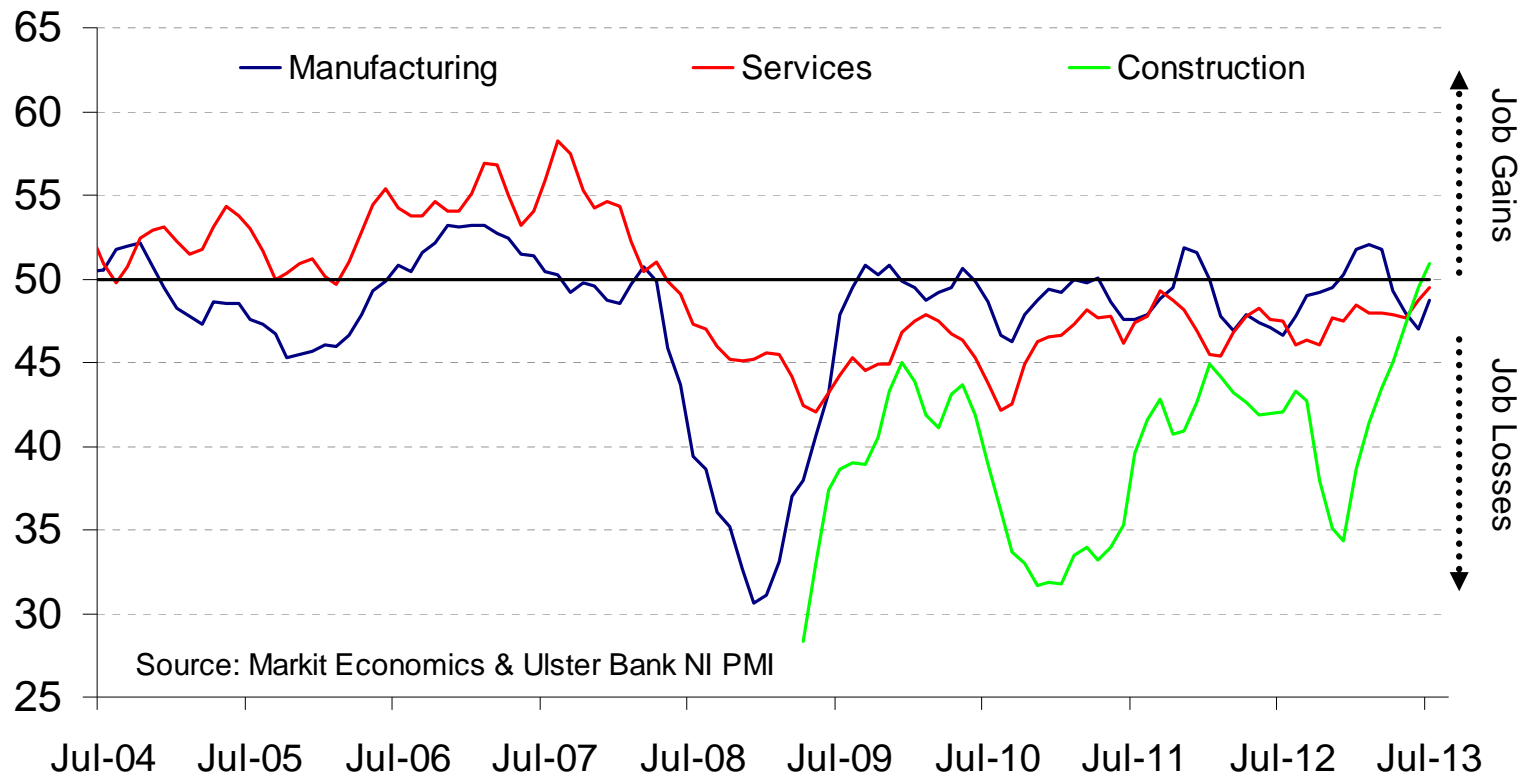


All three broad sectors reported increased levels of business activity in the 3 months to July 2013...

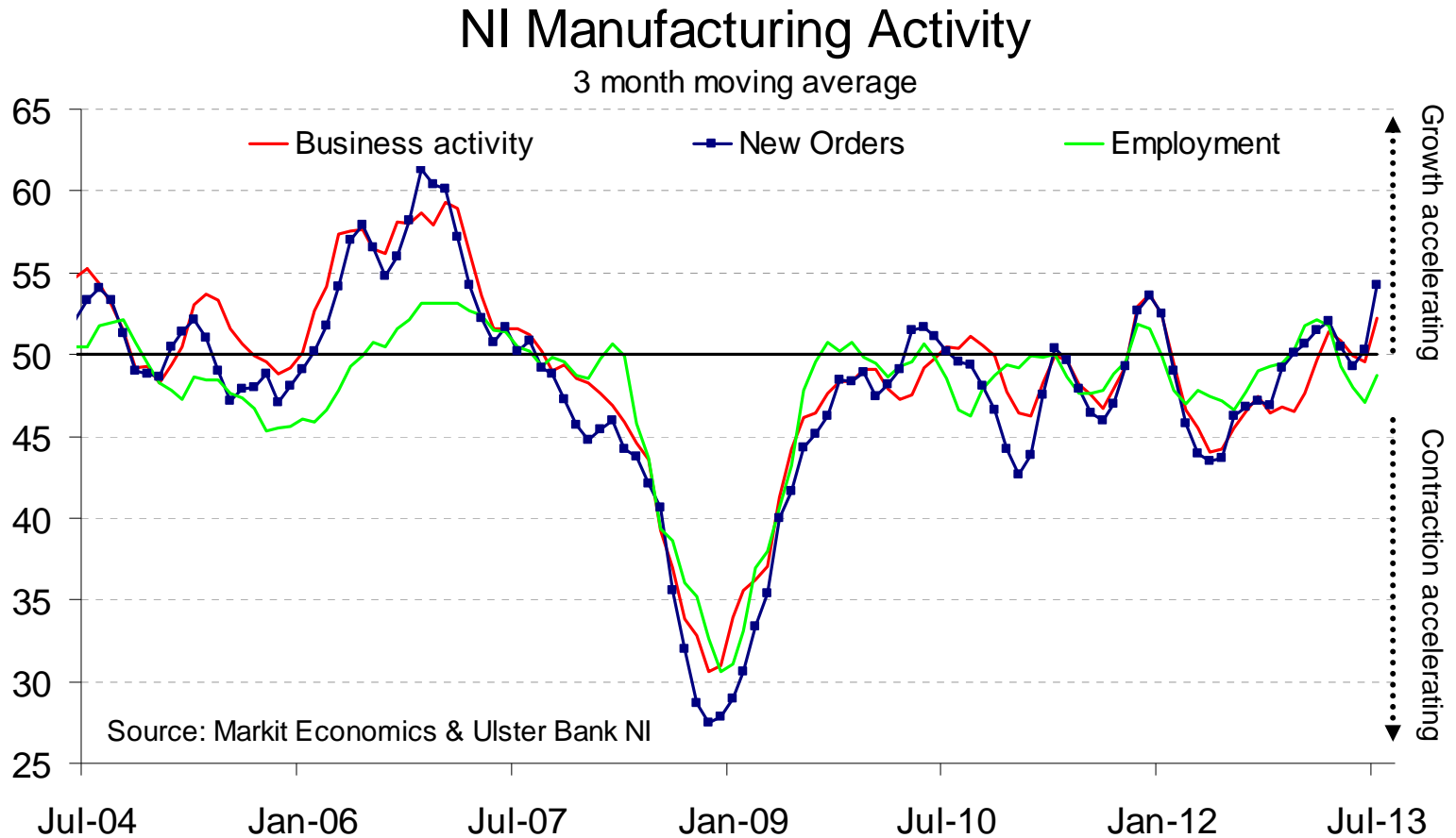


...with all sectors reporting job gains in July but only construction has averaged gains over the last 3 months

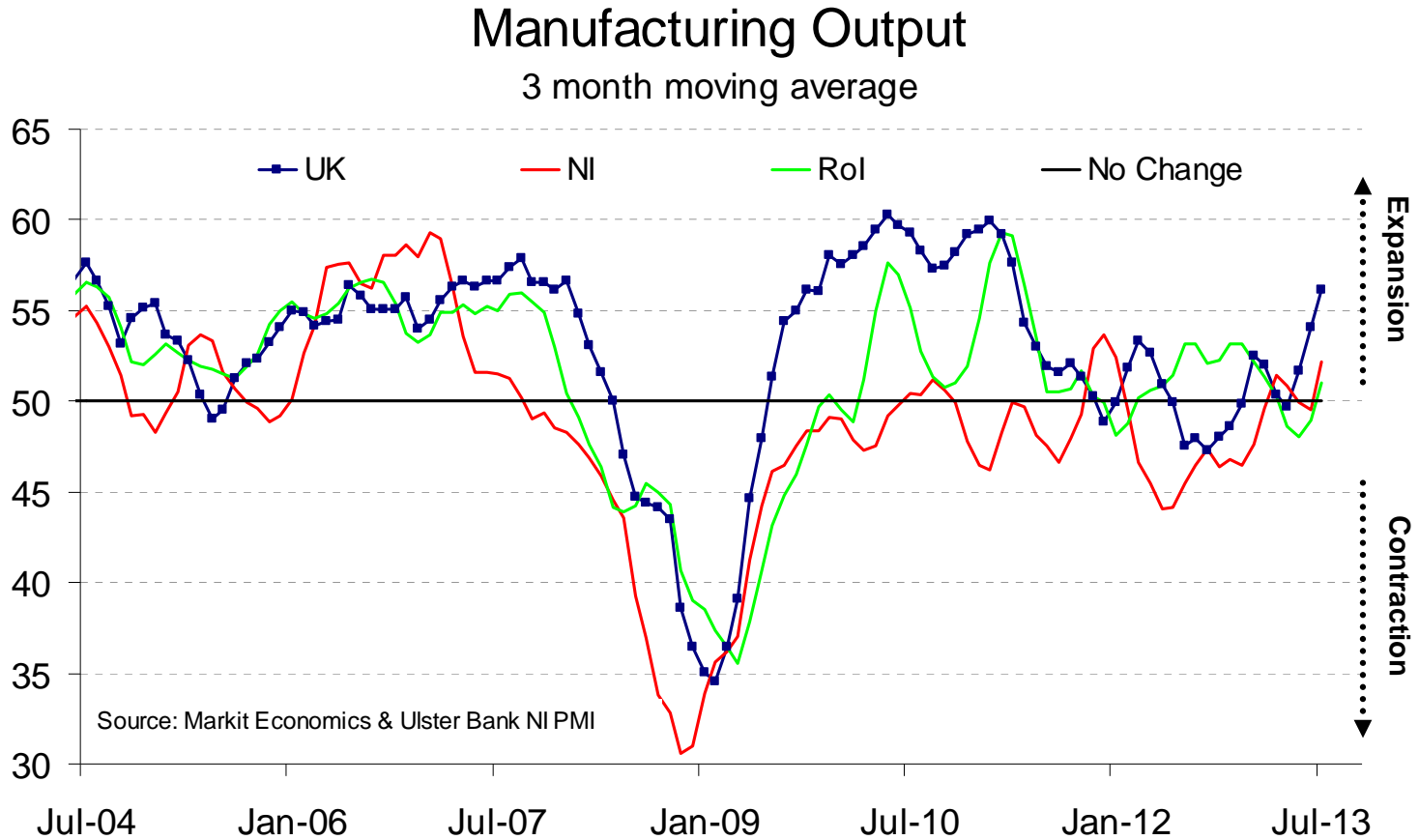
NI PMI - Employment Index
3 month moving average



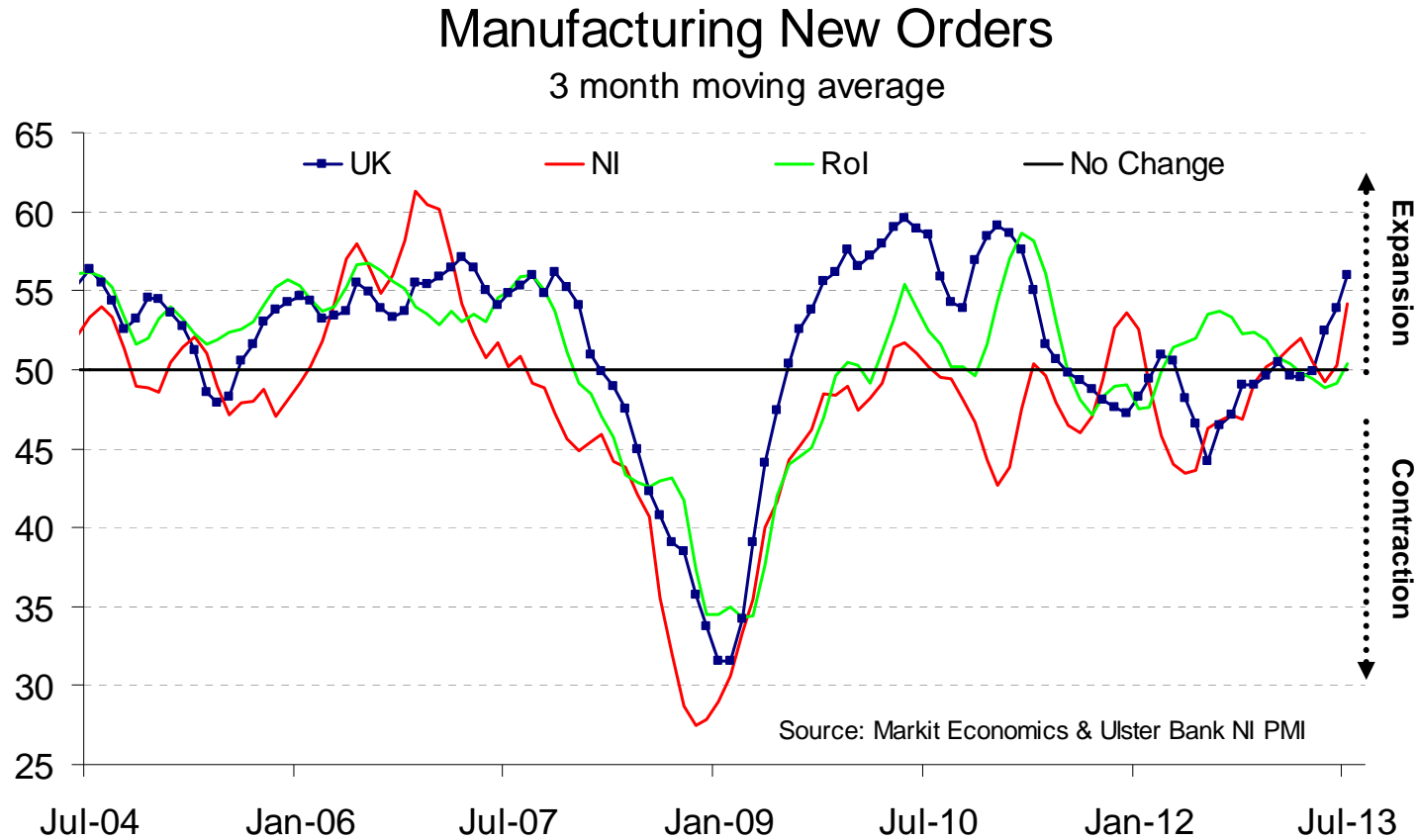
NI's manufacturing sector posts a robust increase in business activity & new orders over the last 3 months



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

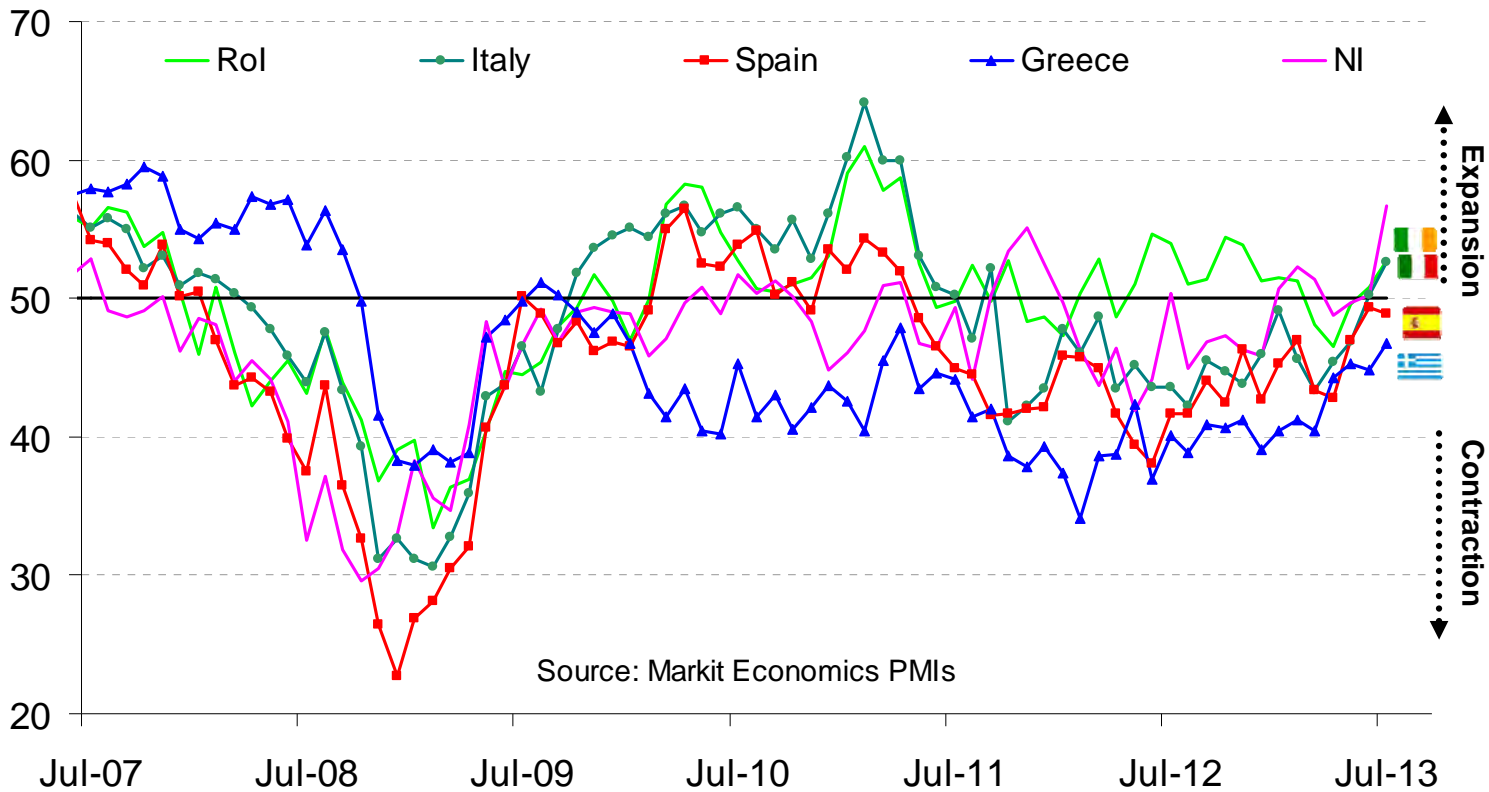


The UK posts the strongest growth in new orders



N.Ireland is outperforming its European competitors

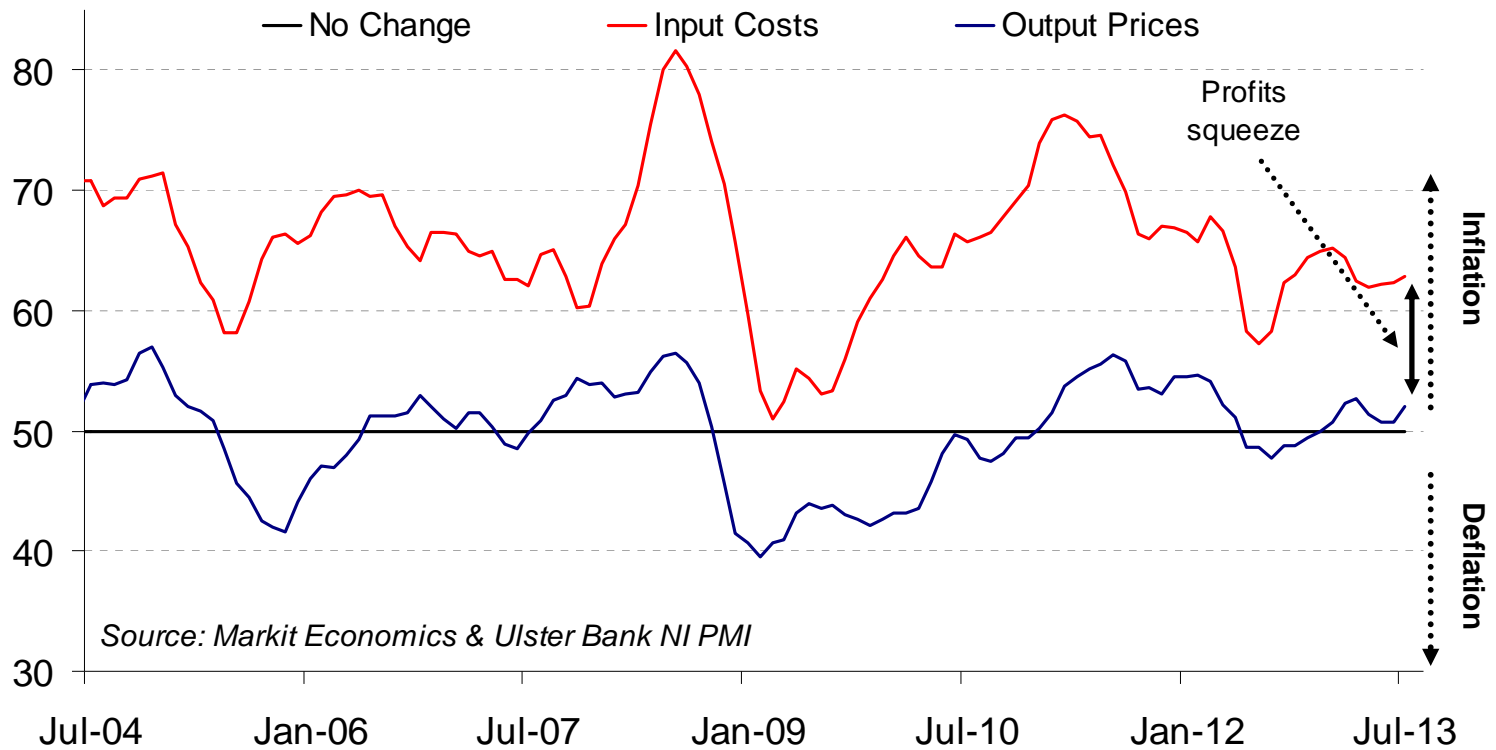
Manufacturing Output - PMI



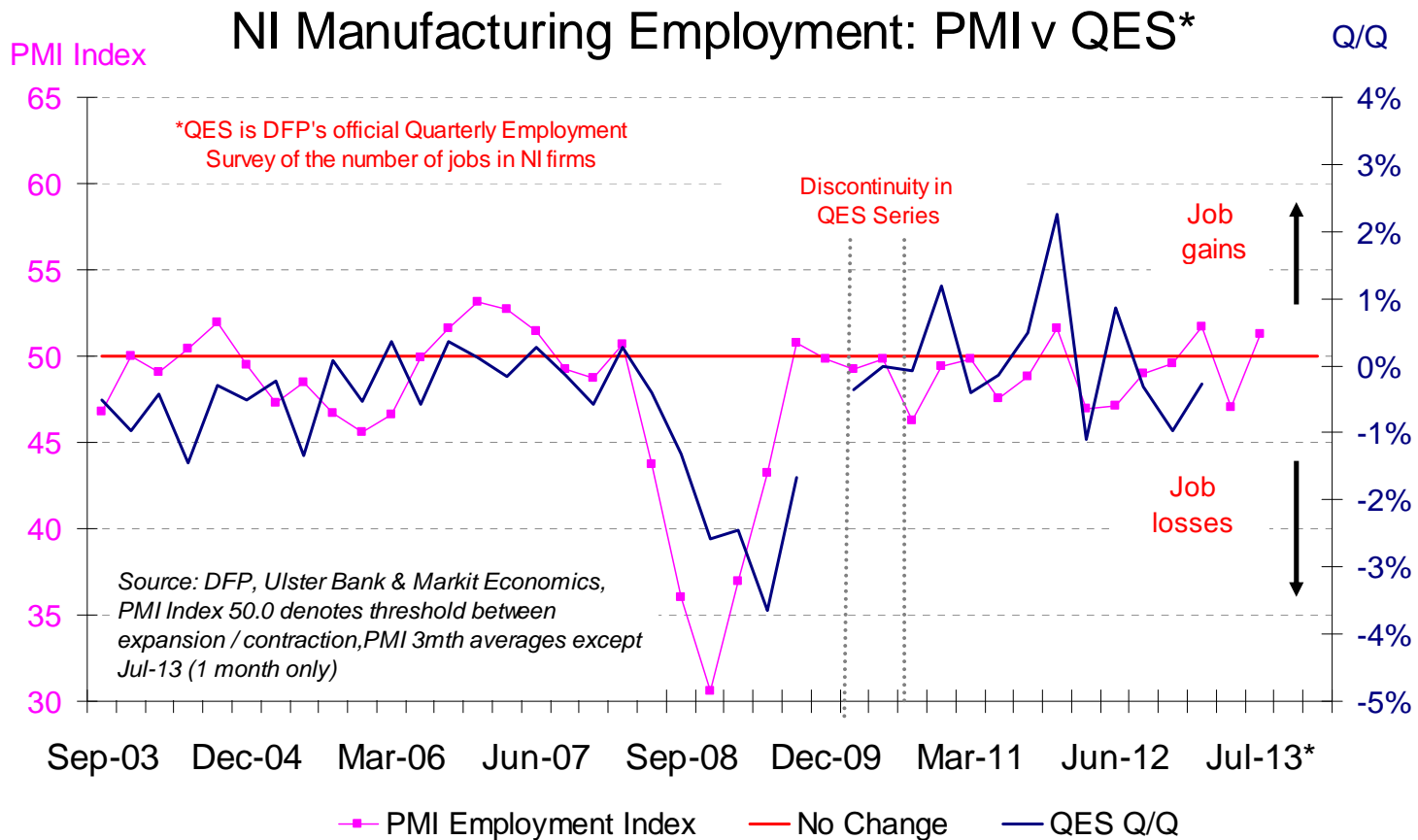
Cost price inflation remains for local manufacturing firms but pricing power is returning

NI Manufacturing Input & Output Inflation

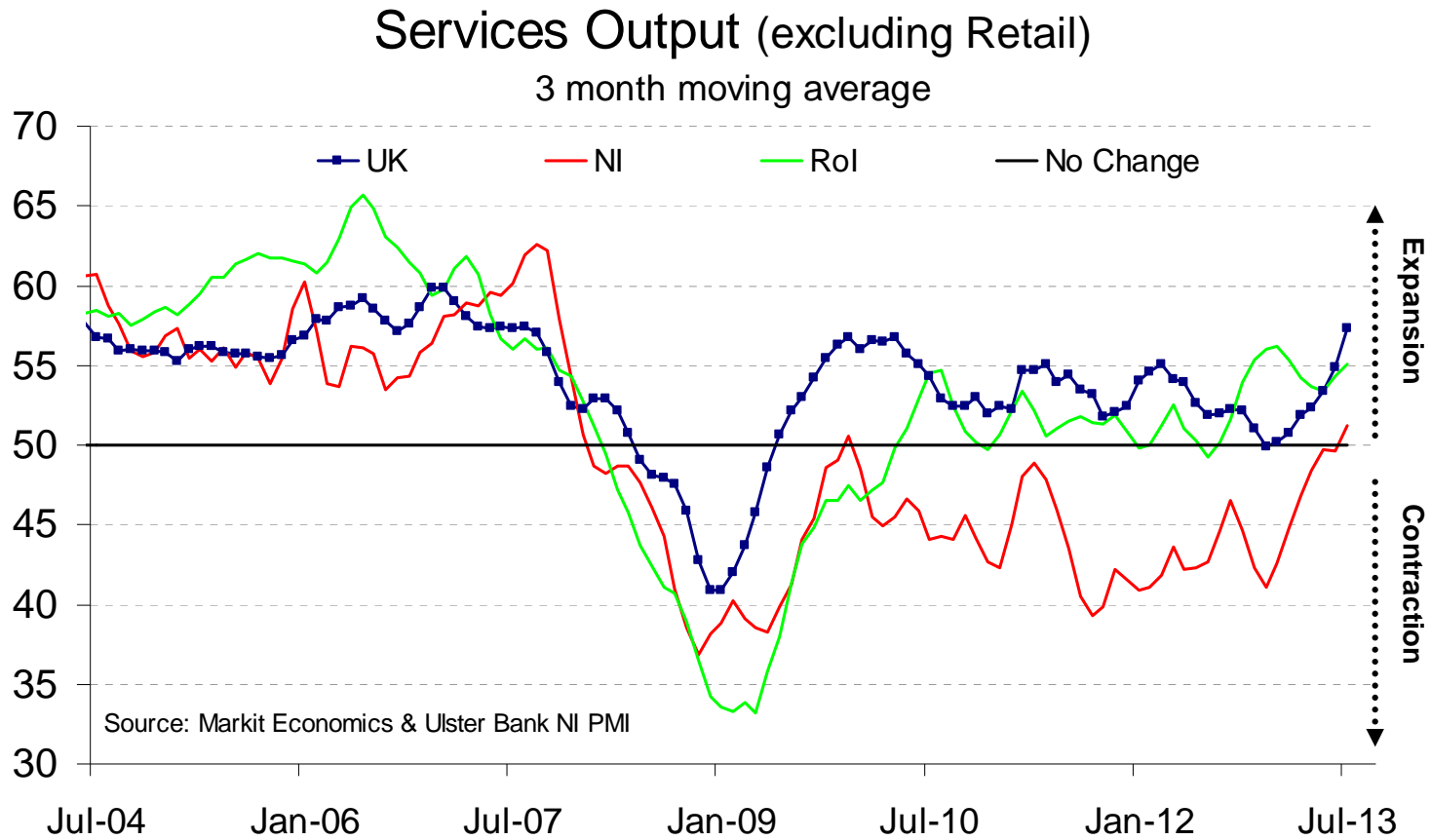
3 month moving average



PMI signals job gains in Q1 2013 followed by a fall in employment levels in Q2 2013. July posts a rise



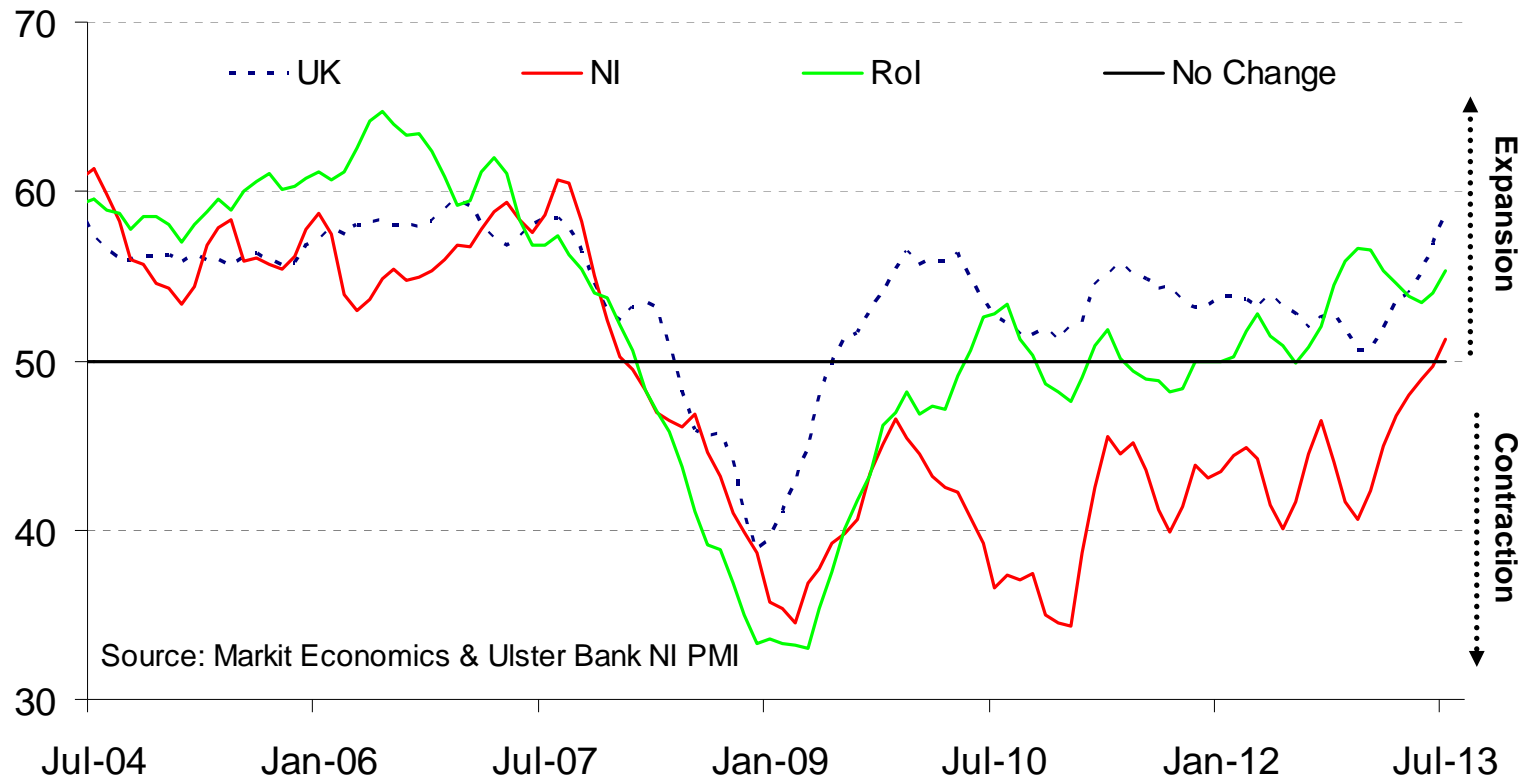
All three economies post output growth for the first time since 2007...



... and new orders growth in the same three economies for the first time since 2007

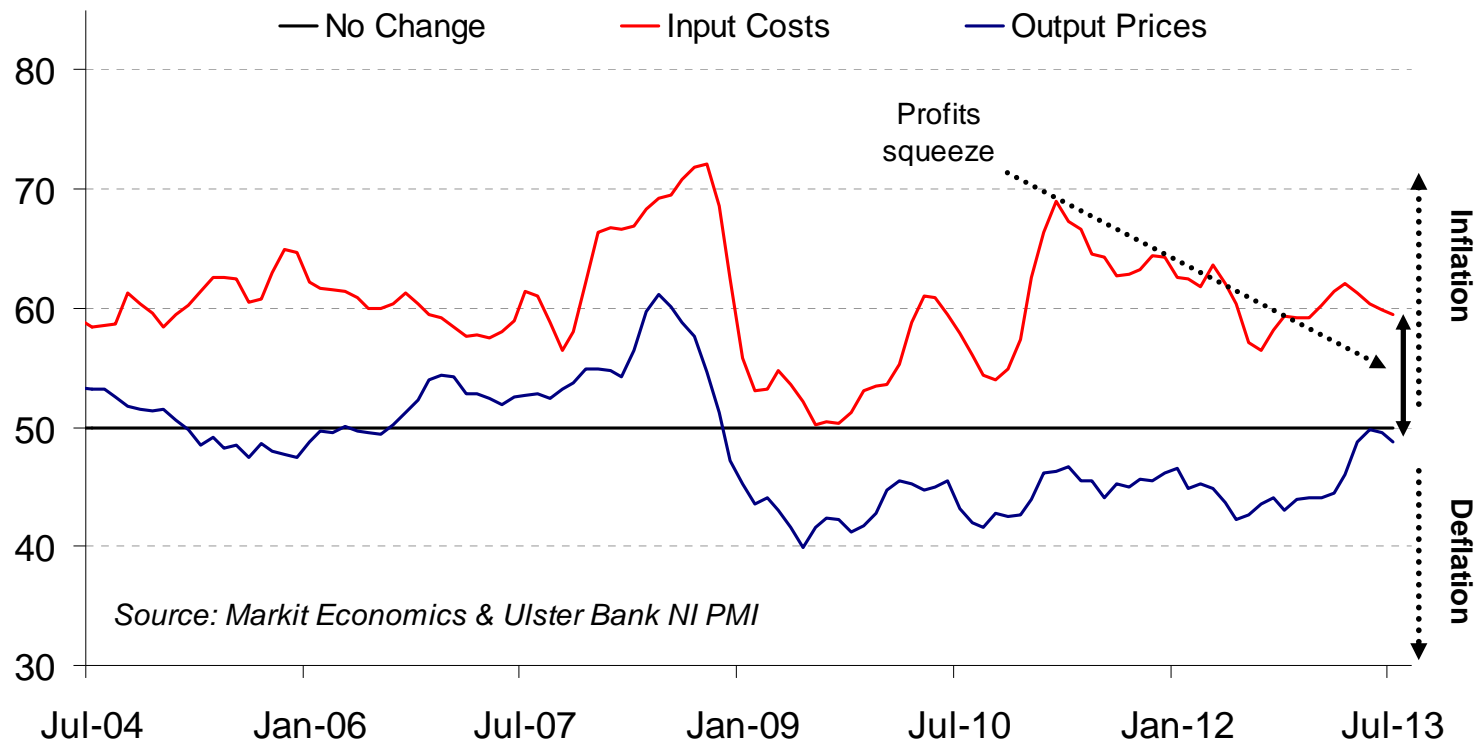
Services New Orders (*excluding Retail*)

3 month moving average

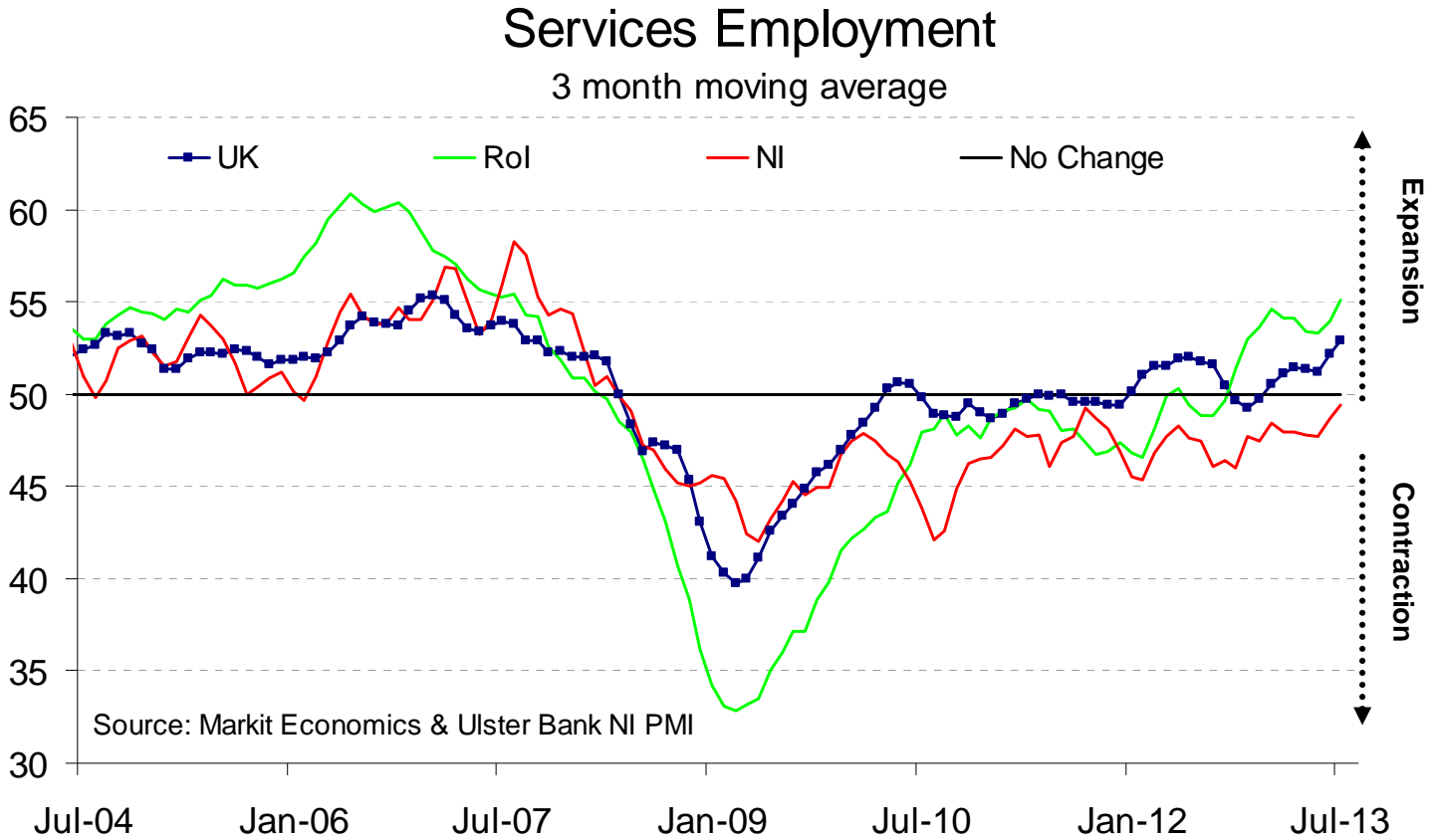


NI's services sector sees inflationary pressures ease

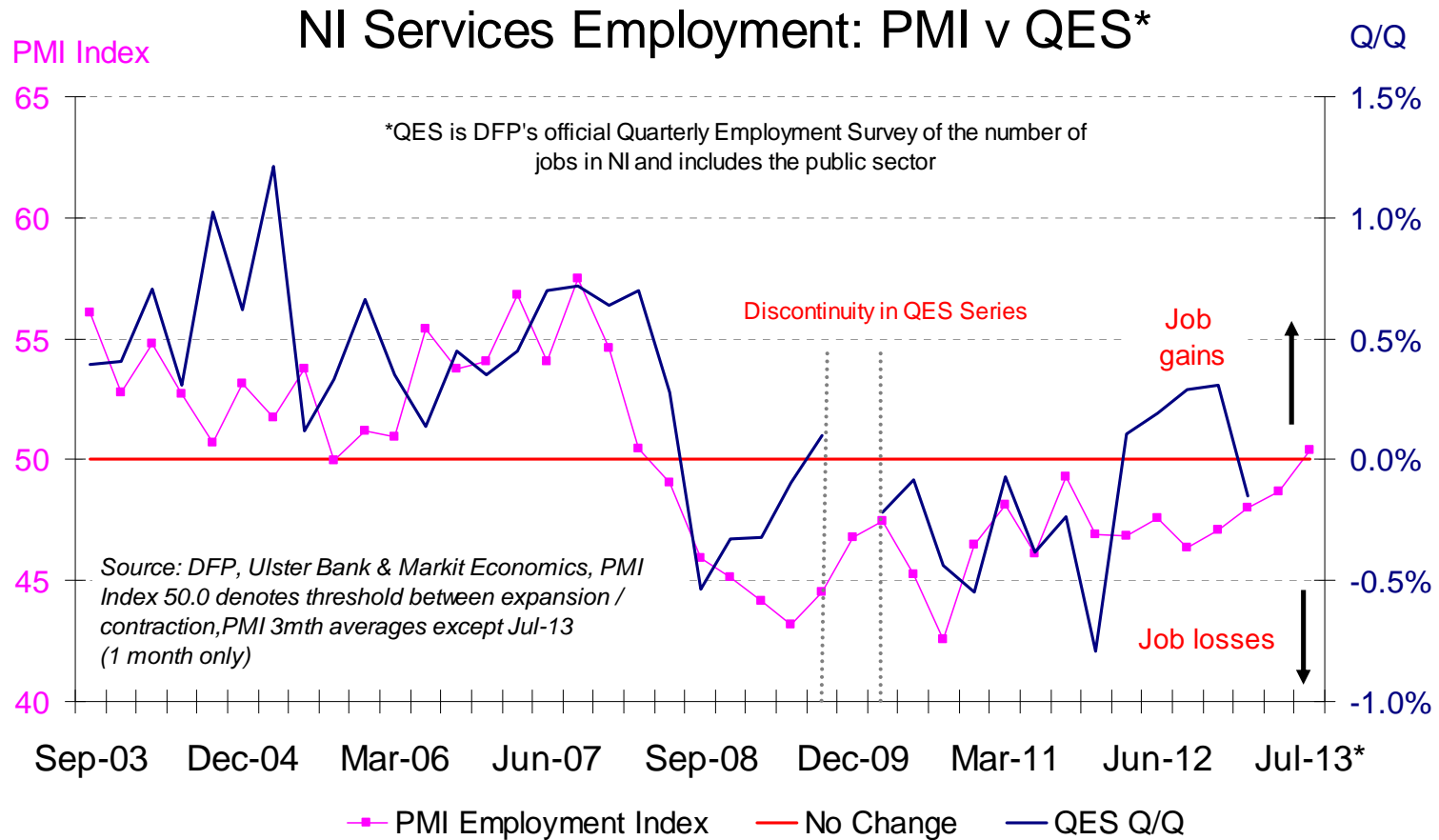
NI Services Input & Output Inflation
3 month moving average



...with employment levels still falling in NI over the last three months (albeit growth returned in July)



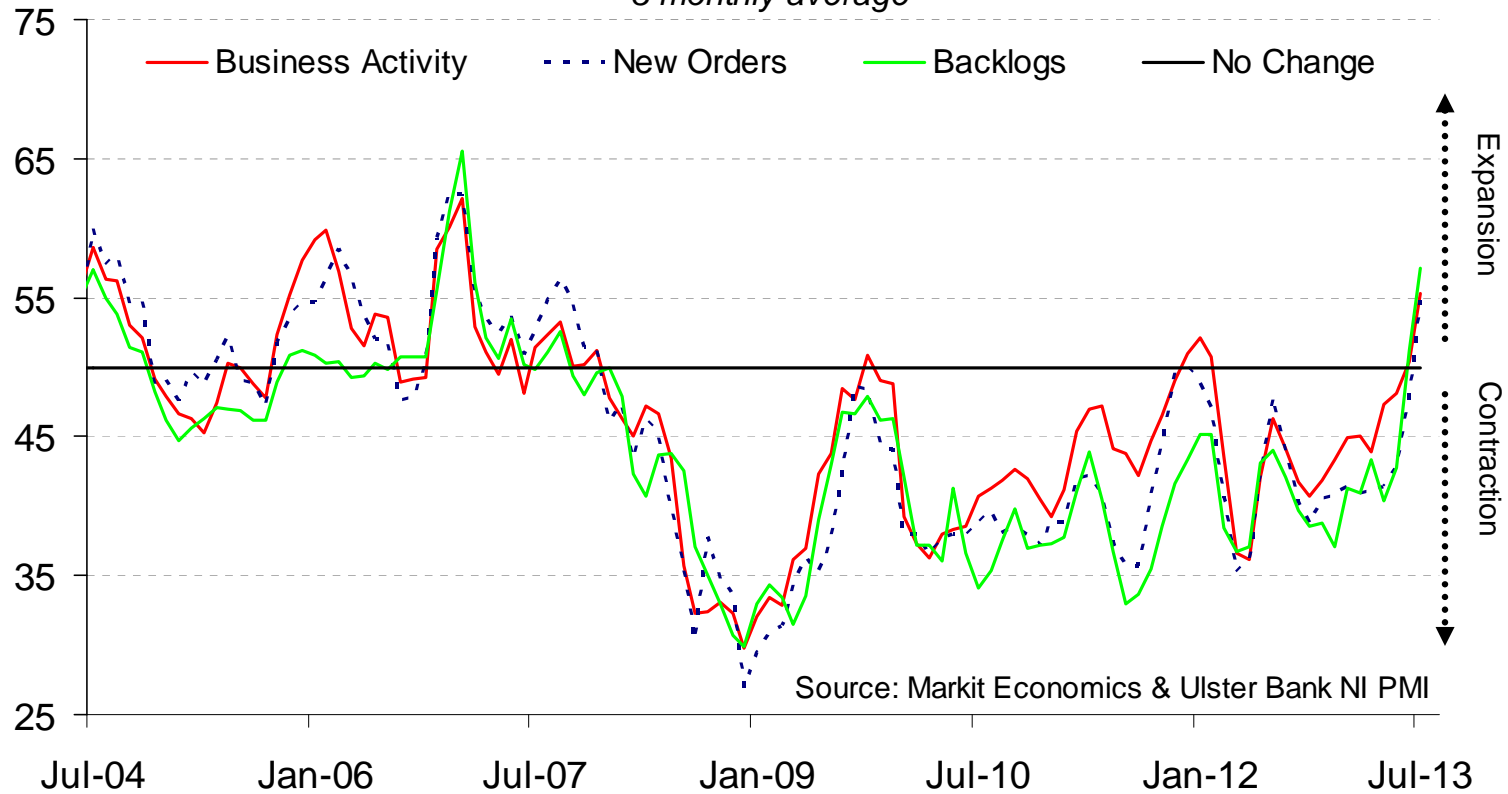
The services PMI underestimated modest employment gains in Q2-Q4 & signals a modest decline in H1 2013



Local retailers experience a retail boom in July

Northern Ireland Retail PMI

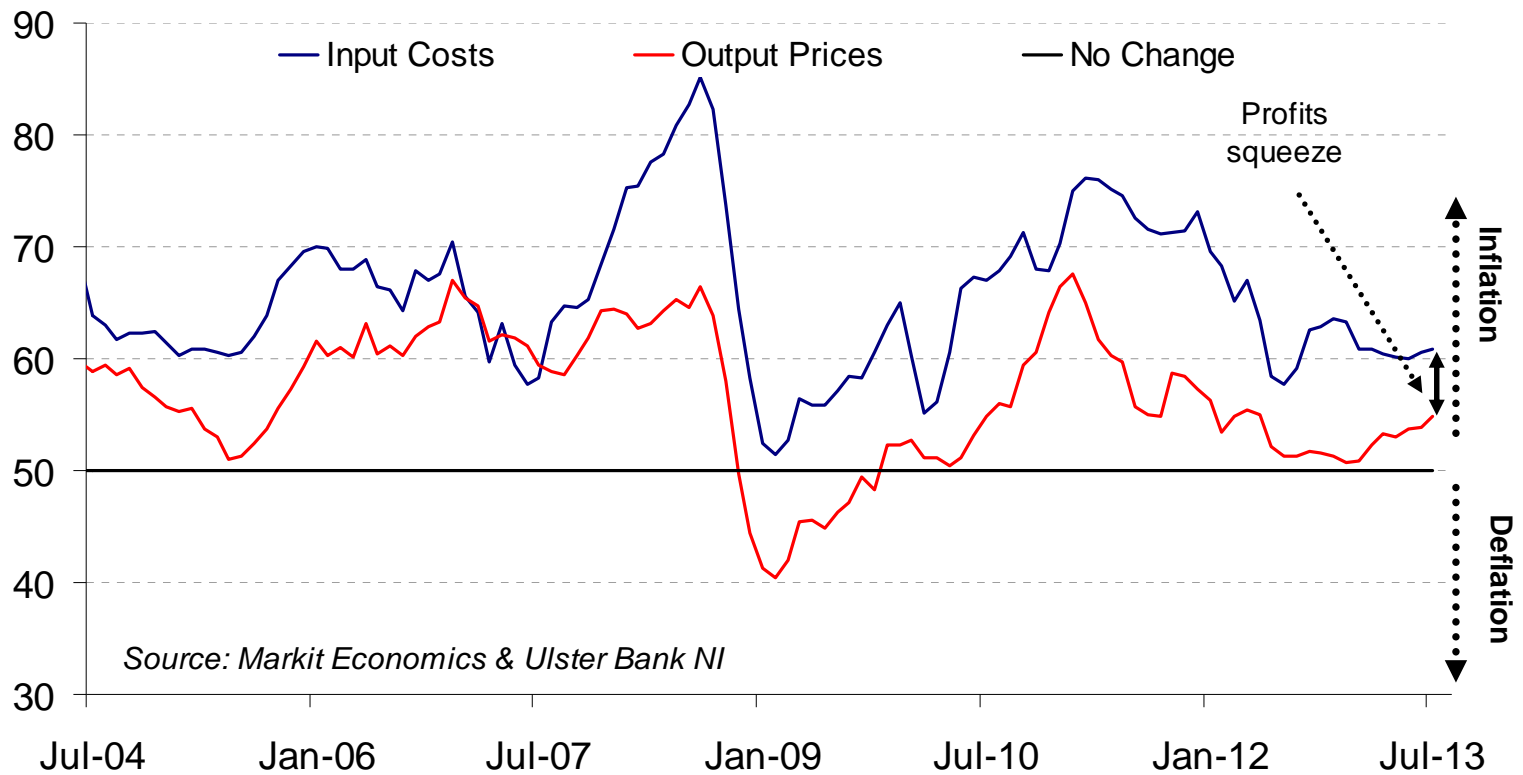
3 monthly average



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

NI Retail Input & Output Inflation

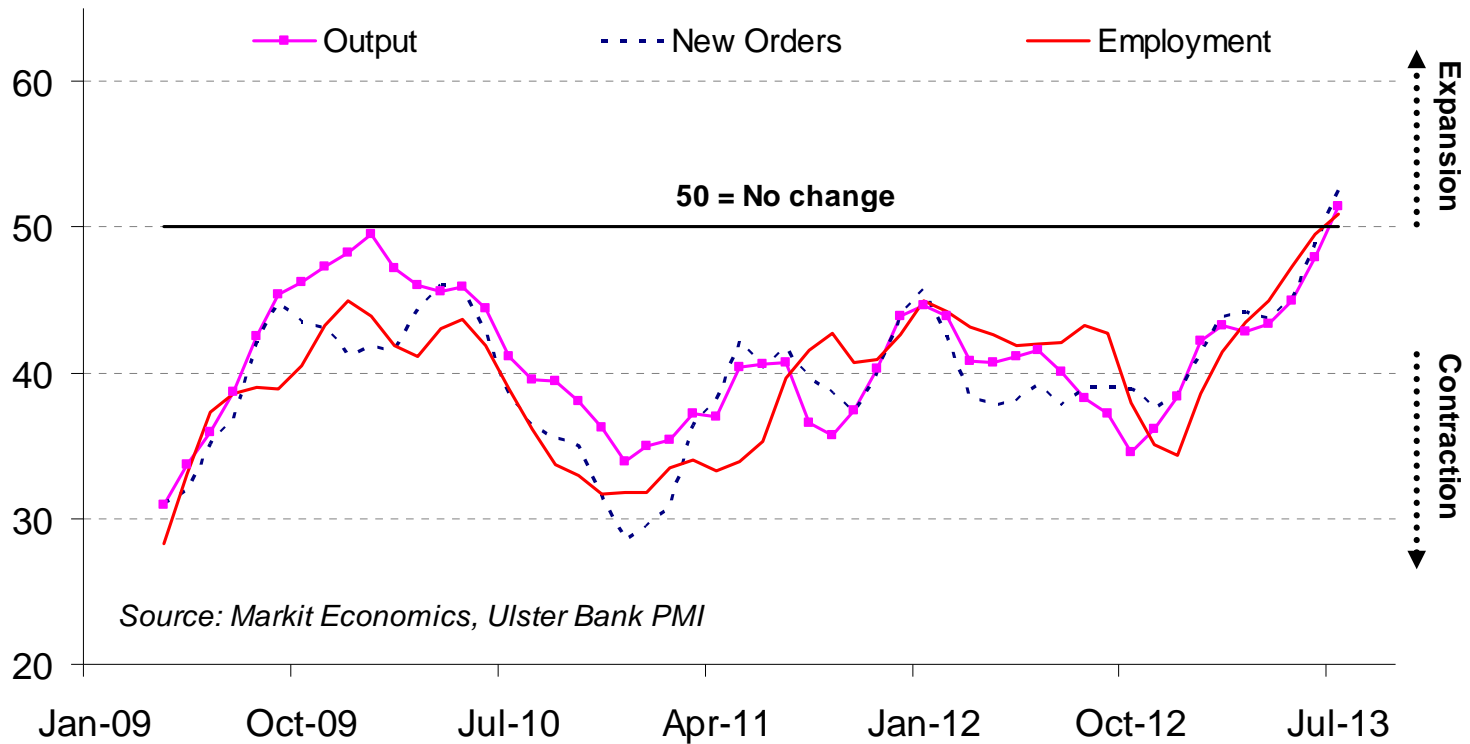
3 month moving average



NI construction sector finally reports growth in output, orders & employment...

NI Construction PMI

3 month moving average

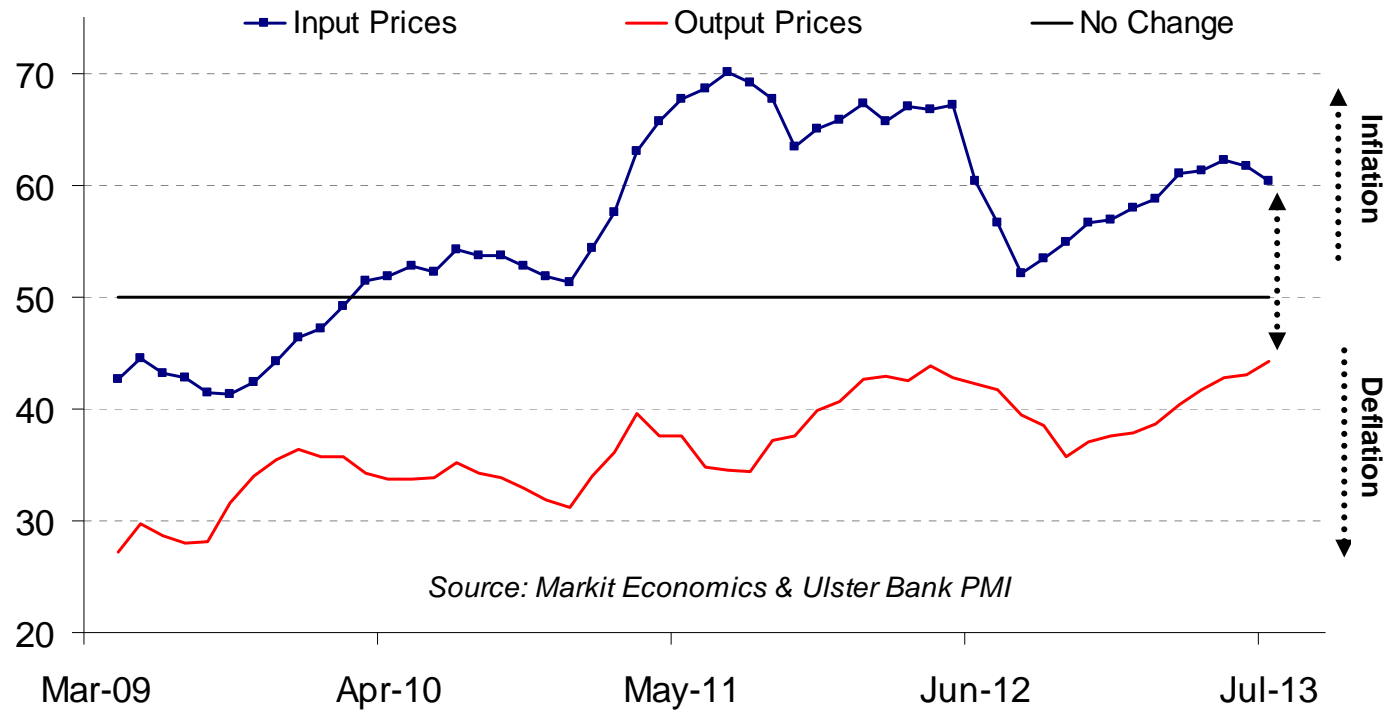


...but the profits squeeze continues

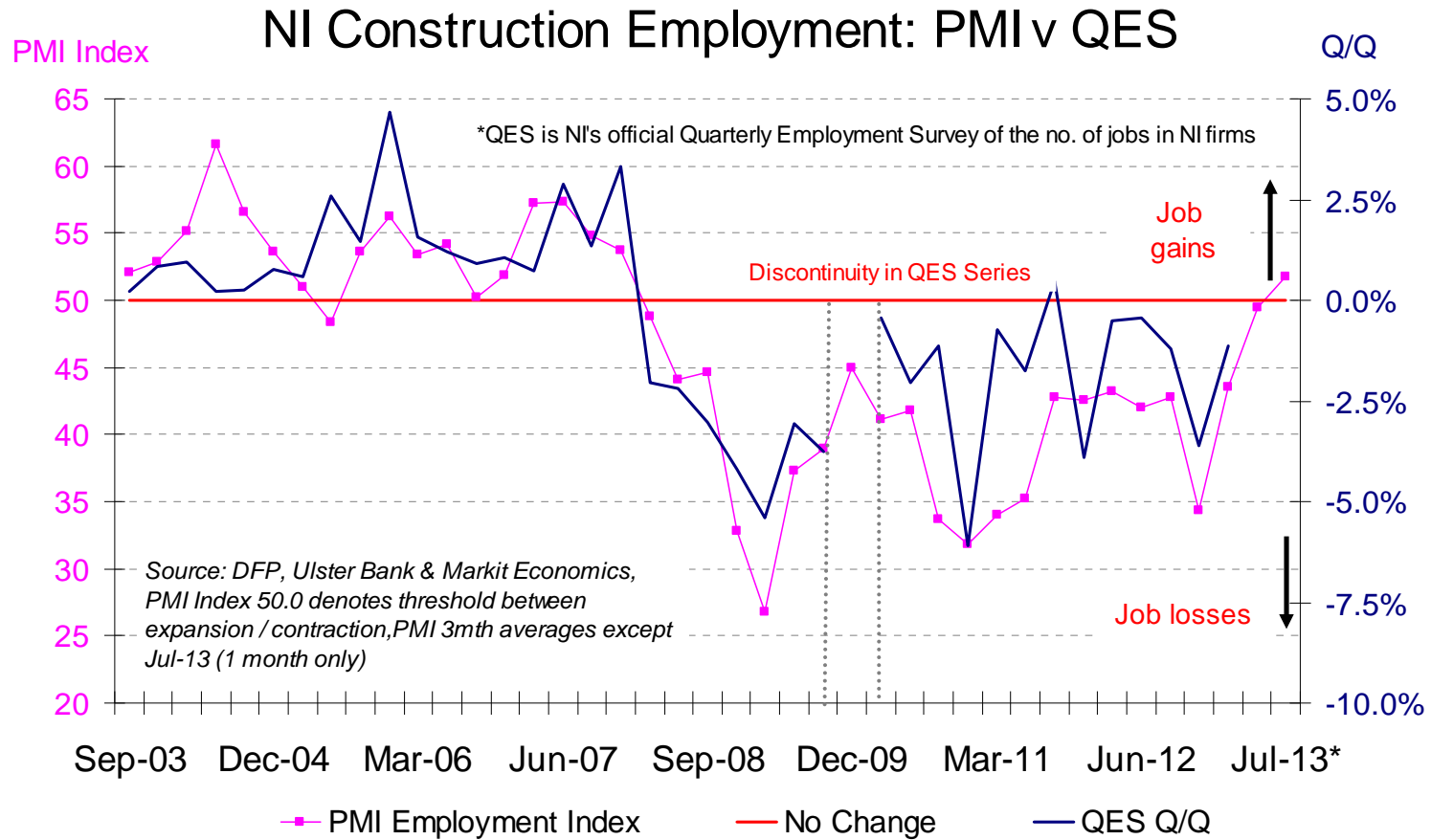
NI Construction Sector Profits Squeeze

3 month moving average

PMI Index



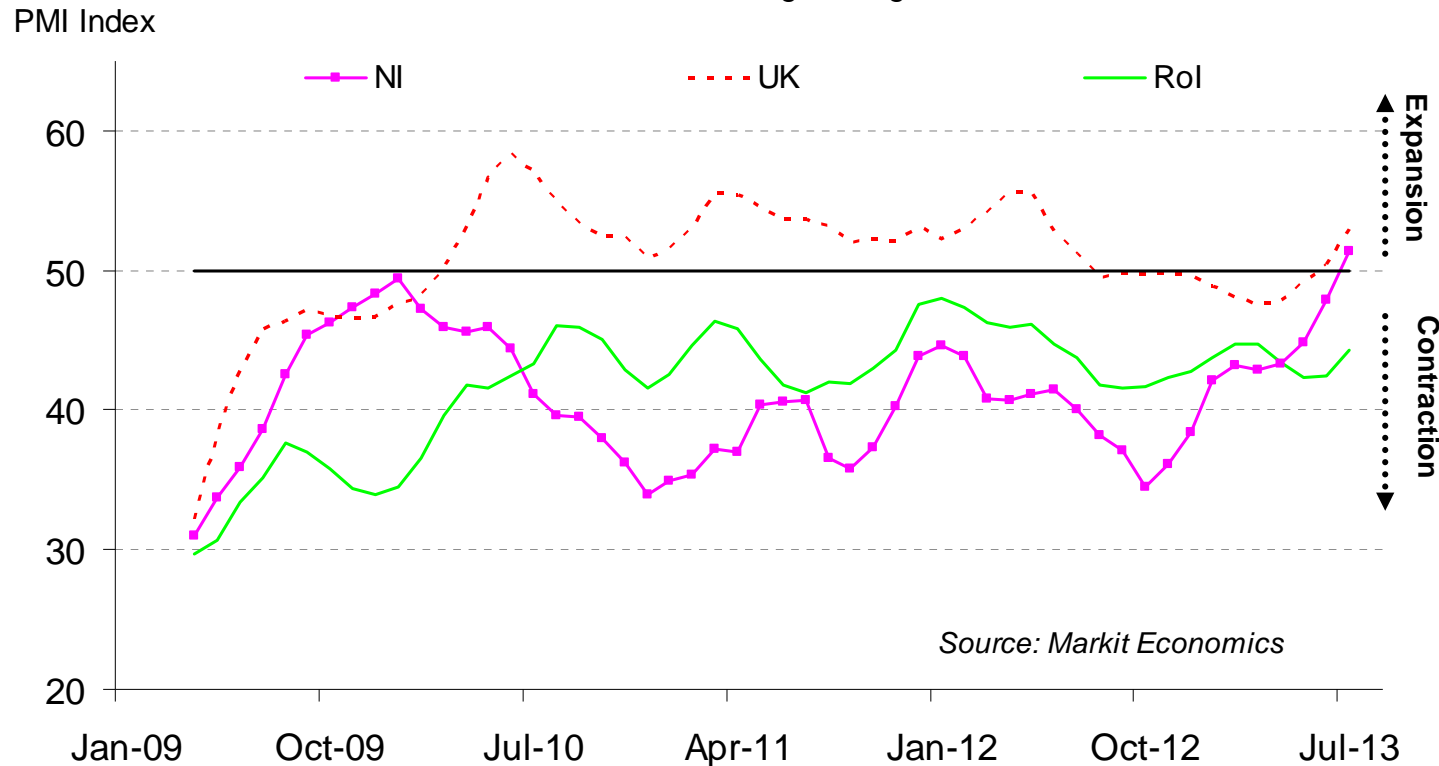
NI PMI has been a reasonably good predictor of actual job losses in the official employment surveys (QES)



UK (57.0) & NI (55.4) construction sectors post healthy rates of growth in July. But RoI still contracting (47.5)

Construction Sector Output - PMI

3 month moving average

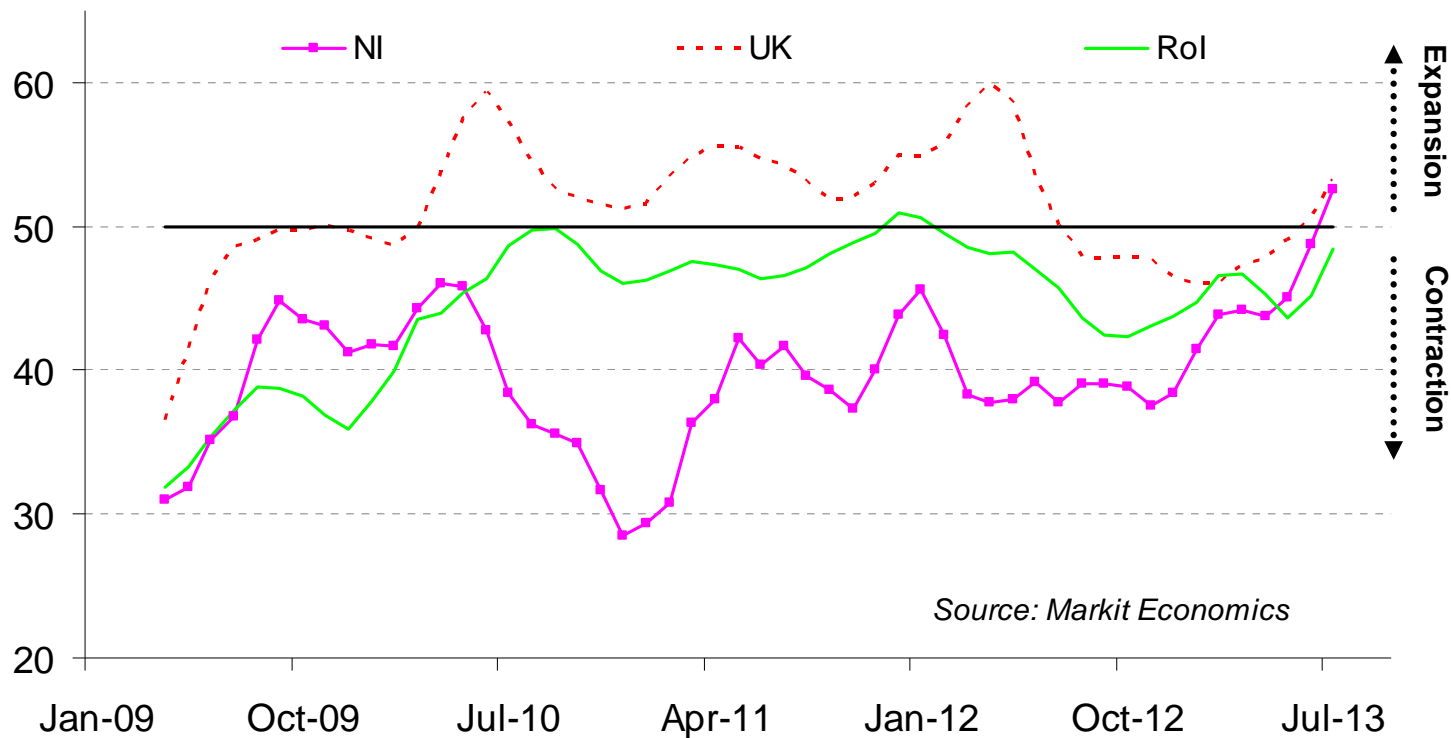


New orders in the UK & NI are also rising rapidly

Construction Sector New Orders - PMI

3 month moving average

PMI Index

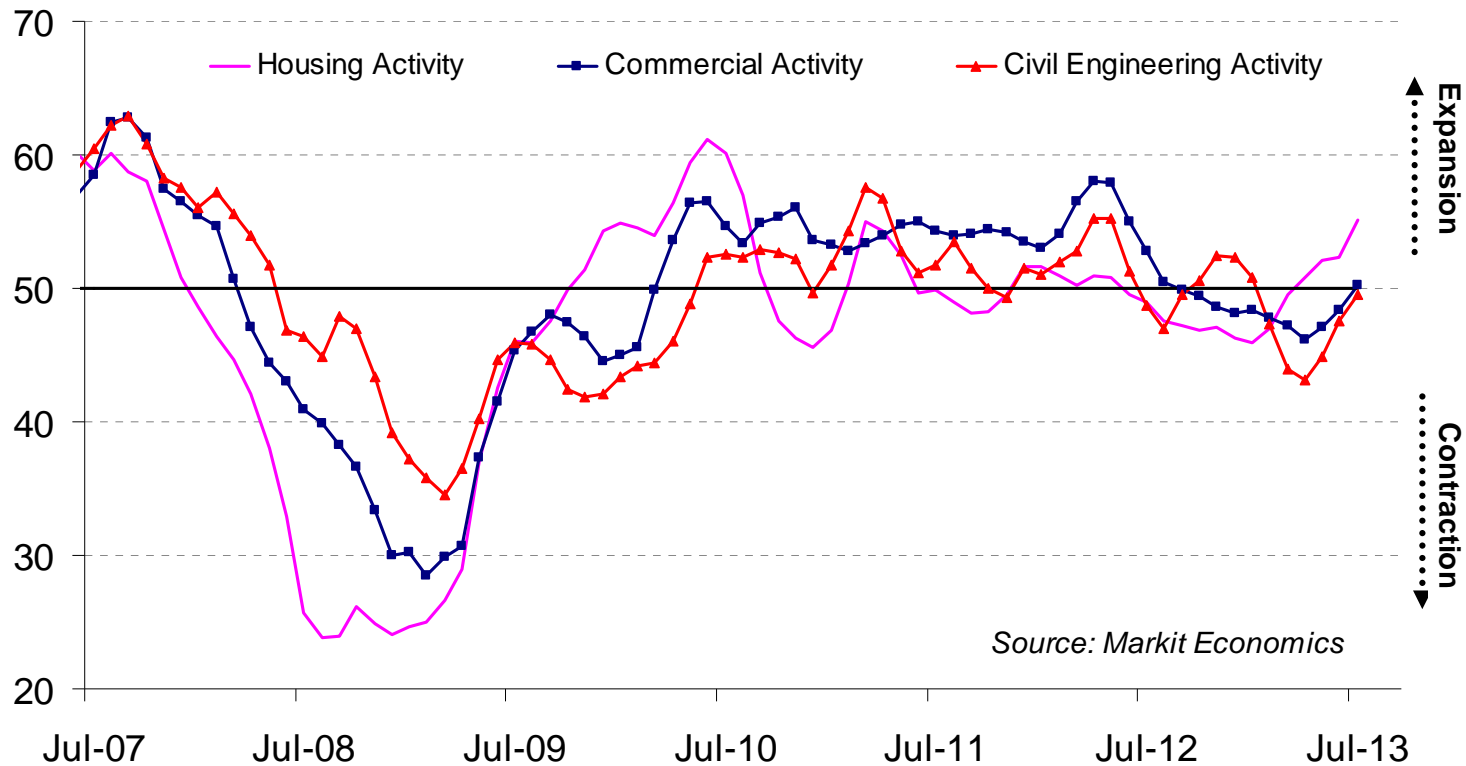


Source: Markit Economics

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

UK Construction Activity - PMIs

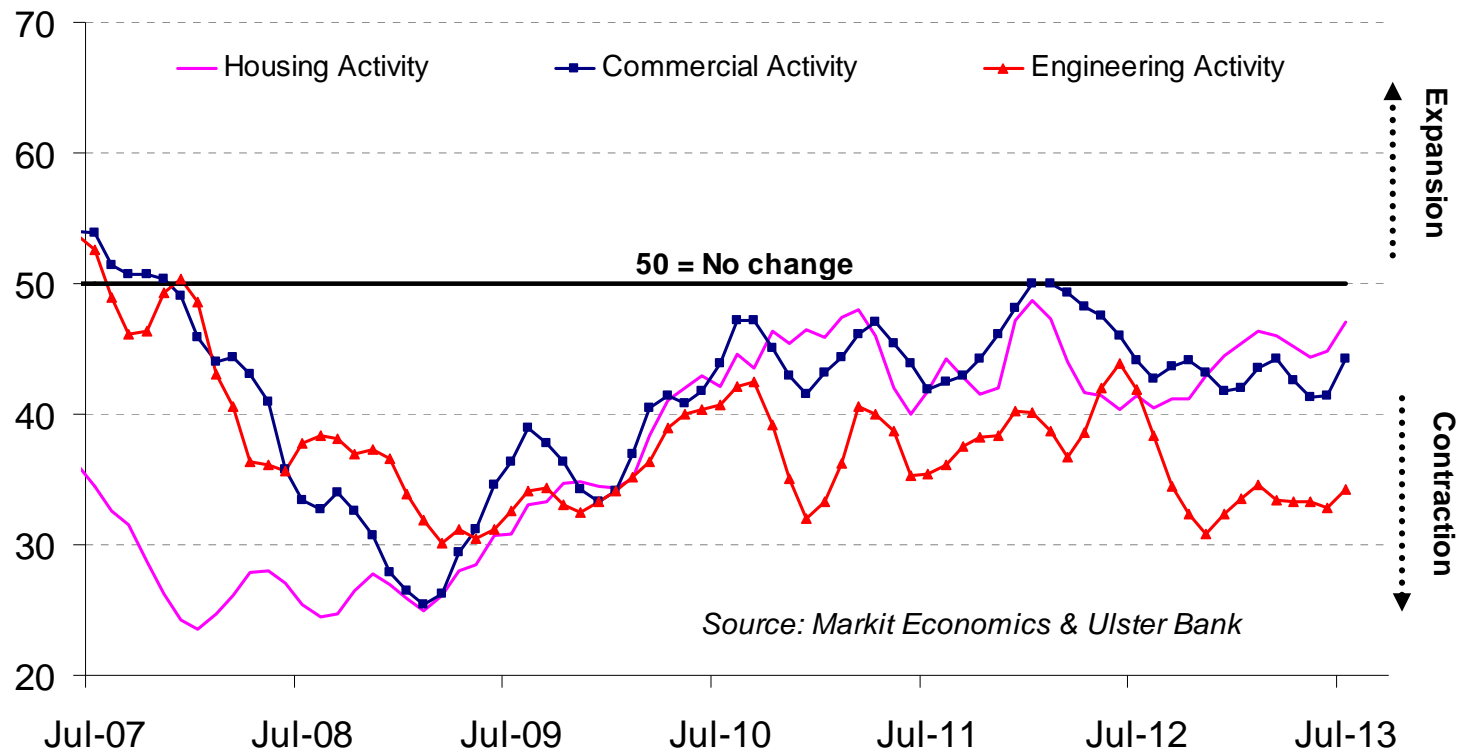
3 month moving average



...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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