

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

Ulster Bank Ireland Limited is regulated by the Irish Financial Services Regulatory Authority.

Calls may be recorded.

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 1EL, UK

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

e-mail: economics@markit.com

The Ulster Bank Northern Ireland PMI[®] is produced by Markit Economics, an independent research company that produces highly-regarded surveys of business conditions in nations around the world.

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



The intellectual property rights to the Northern Ireland PMI provided herein is owned by Markit Economics Limited, Ulster Bank use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.

Northern Ireland private sector activity declines again in January

January data from Ulster Bank showed a further decline in Northern Ireland private sector output at the start of 2012, largely in response to reduced intakes of new business. This enabled companies to transfer resources to complete existing workloads, with backlogs of work falling at a marked rate. Meanwhile, the pace of job shedding was the sharpest in seven months. On the price front, companies raised their output charges in line with sharply higher average costs, but the marginal rate of inflation pointed to a strong squeeze on margins.

Solid reduction in business activity

Business activity in the Northern Ireland private sector fell for a second successive month during January, with the pace of reduction little changed since December. In contrast, output growth was recorded at the UK-wide level. Three of the four monitored sectors registered a fall in activity from one month ago, with retail the exception.

Companies reported a solid fall in new order intakes during the month, with survey participants largely attributing this to fragile client demand. The rate of decline in new work was the sharpest since last September, and contrasted with growth observed across the UK economy as a whole. Similar to the trend for business activity, retail was the only sector to record a rise in new orders.

Job shedding the fastest since June 2011

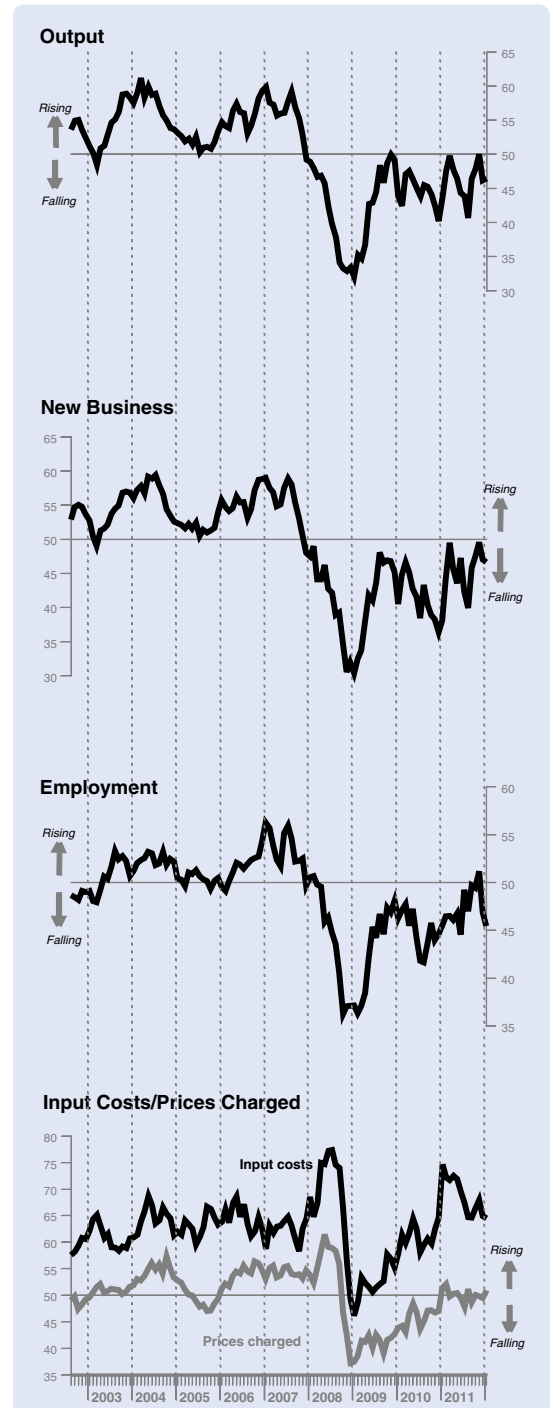
As new orders decreased in January, companies transferred spare resources to complete existing projects, leading to a further reduction in outstanding business. The rate of backlog depletion was marked, and sharper than the UK economy average.

Staff numbers continued to fall at the start of 2012, with the rate of job shedding the fastest since June 2011. Where a decline in headcounts was reported, this was linked to falling new business and ongoing economic uncertainty.

Cost inflation eases, but remains sharp

January data indicated a sharp rise in average input prices, extending the current period of higher costs to 35 months. Despite easing to the weakest since November 2010, the pace of input price inflation was much stronger than that recorded across the UK economy as a whole. Higher raw material and fuel costs were cited by panellists as the main drivers of inflation. By sector, retailers continued to see the steepest rise in average input prices.

Average tariffs rose at a marginal rate at the start of 2012. Companies that noted an increase in output charges mentioned the passing on of higher costs to clients. Where output price discounting was recorded, panellists linked this to strong competitive pressures.



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.

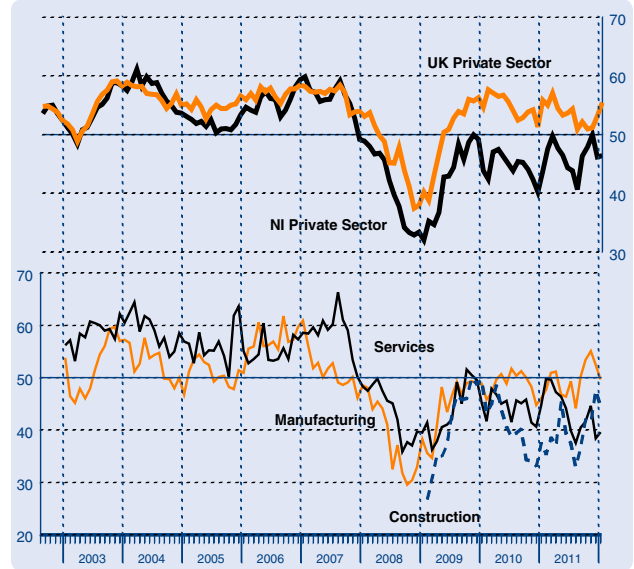
Output / Business Activity

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
2011	Aug	17.2	45.3	37.5	-20.3	39.9	40.7	51.0
	Sep	29.0	39.4	31.6	-2.6	48.7	46.4	52.2
	Oct	25.8	48.4	25.8	0.0	50.0	47.9	51.0
	Nov	23.1	50.7	26.2	-3.1	48.4	50.0	51.2
	Dec	18.5	51.7	29.8	-11.3	44.4	46.2	53.2
2012	Jan	15.5	48.5	36.0	-20.6	39.7	46.4	55.5

Northern Ireland private sector companies reported a further decrease in business activity at their units, with the pace of reduction little changed since December. The latest decrease in private sector output was the second in as many months. In contrast, activity growth was recorded at the UK-wide level. Of those survey participants that registered a decrease in business activity (exactly 36%), the majority linked this to reduced new order intakes. Three of the four monitored sectors noted a reduction in activity since the preceding month, with retail the exception. Service providers recorded a particularly marked contraction of output.

By sector				
		Construction	Manufacturing	Services
'11	Nov	41.7	55.1	44.6
	Dec	47.6	52.5	38.5
'12	Jan	44.5	49.7	39.6



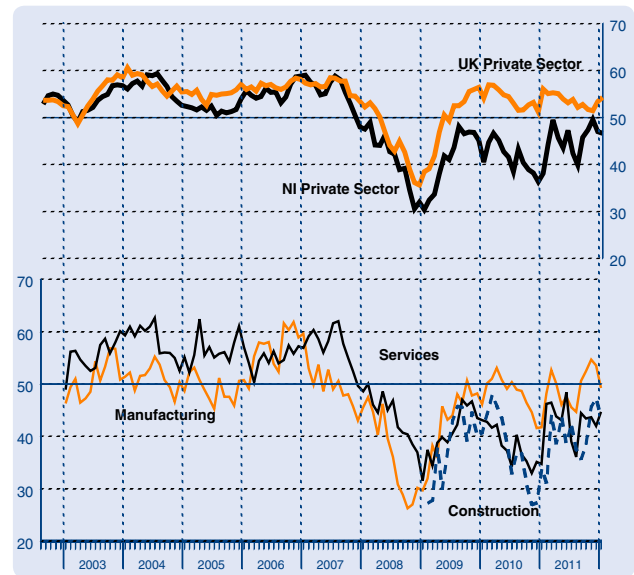
New Business

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

Northern Ireland Companies					All UK			
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011	Aug	17.7	42.7	39.7	-22.0	39.0	40.0	52.2
	Sep	31.9	40.9	27.1	4.8	52.4	45.8	52.8
	Oct	22.6	51.7	25.7	-3.1	48.5	47.4	51.8
	Nov	24.6	46.8	28.6	-4.1	48.0	49.6	51.5
	Dec	17.1	53.8	29.1	-12.0	44.0	47.1	53.4
2012	Jan	14.7	50.6	34.7	-20.0	40.0	46.7	54.3

January data signalled a further fall in the level of new business received by Northern Ireland private sector firms, with almost 35% of panellists signalling a decline since the preceding month. This compared to around 15% that noted a rise. The pace of decline in new orders was solid, and the sharpest since September last year. This contrasted with growth recorded across the UK economy as a whole. Companies that noted a drop in new work generally attributed this to weak client demand. Retail was the only monitored sector to record a rise in new business, with particularly marked declines registered in construction and services.

By sector				
		Construction	Manufacturing	Services
'11	Nov	45.8	54.7	43.7
	Dec	47.3	53.6	42.0
'12	Jan	43.9	49.3	44.8



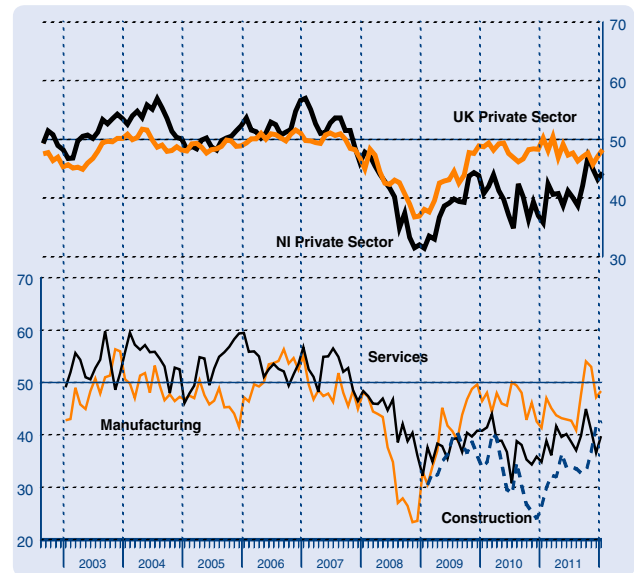
Backlogs

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

Northern Ireland Companies					All UK			
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011	Aug	11.4	52.1	36.4	-25.0	37.5	38.7	46.4
	Sep	18.4	53.1	28.5	-10.1	44.9	42.2	47.1
	Oct	16.8	60.9	22.3	-5.5	47.3	47.1	47.7
	Nov	16.8	55.1	28.1	-11.3	44.3	45.0	45.8
	Dec	11.0	60.4	28.6	-17.7	41.2	43.2	47.2
2012	Jan	13.9	55.3	30.8	-16.9	41.6	44.4	48.3

Reduced intakes of new business meant that companies transferred spare resources to completing existing workloads at the start of 2012. The rate of backlog depletion was marked, and faster than the long-run trend for the survey. Additionally, the latest decrease in outstanding business was stronger than the UK economy average. Almost 31% of companies reported a reduction in unfinished work from one month earlier, around twice the proportion that signalled an increase. All four monitored sectors recorded a decrease in work-in-hand (but not yet completed) during the month, with service providers recording the sharpest pace of decline.

By sector				
		Construction	Manufacturing	Services
'11	Nov	37.0	53.0	40.8
	Dec	41.9	47.2	36.6
'12	Jan	42.5	48.4	39.8



Employment

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

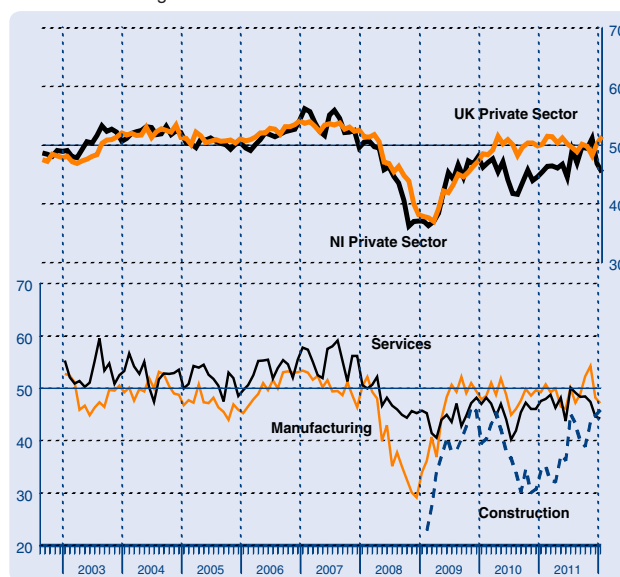
Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Aug	9.1	76.7	14.3	-5.2	47.4	47.0	48.9
Sep	10.8	78.0	11.2	-0.4	49.8	49.7	50.2
Oct	12.1	75.4	12.4	-0.3	49.9	49.5	49.8
Nov	15.7	70.1	14.2	1.5	50.8	51.2	48.3
Dec	5.7	78.5	15.8	-10.1	44.9	46.9	50.3
2012 Jan	6.1	74.7	19.2	-13.1	43.5	45.5	51.6

In contrast to that observed at the UK-wide level, Northern Ireland private sector companies reported another decline in staff numbers during the first month of 2012. The seasonally adjusted Employment Index was at a level indicative of a solid rate of reduction that was the fastest since June 2011. Where a decline in employee numbers was signalled, companies linked this to reduced intakes of new business and economic uncertainty.

Job shedding was achieved through the non-replacement of departing staff and, in some cases, redundancies. By sector, service providers recorded the steepest drop in staffing levels, followed closely by retail.

By sector

		Construction	Manufacturing	Services
'11 Nov		43.9	54.3	47.5
Dec		44.9	48.2	44.7
'12 Jan		46.0	47.2	44.3



Input Costs

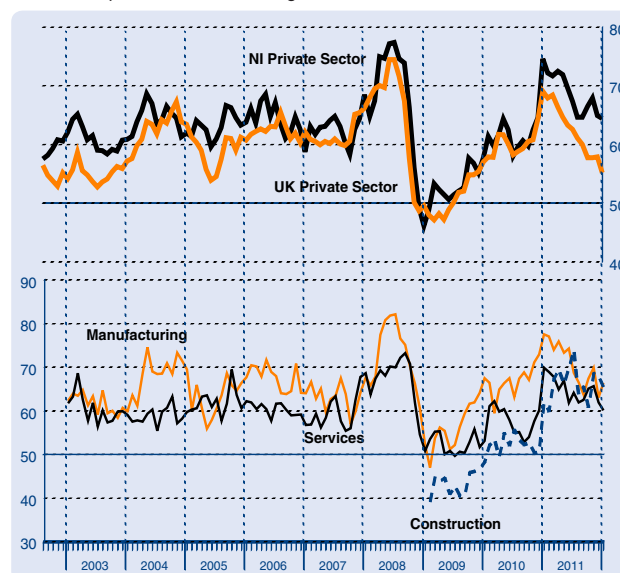
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Aug	28.8	68.8	2.3	26.5	63.3	64.7	61.1
Sep	35.3	60.1	4.6	30.7	65.3	64.7	60.0
Oct	36.4	61.7	1.9	34.6	67.3	66.5	57.8
Nov	35.1	61.8	3.0	32.1	66.1	67.9	57.8
Dec	24.0	72.0	4.0	20.0	60.0	65.0	58.0
2012 Jan	26.6	70.2	3.2	23.4	61.7	64.5	55.2

The rate of input price inflation in the Northern Ireland private sector moderated to a 14-month low in January, but remained strong nonetheless. The latest increase in average cost burdens was again much stronger than at the UK-wide level. Higher input prices were recorded by approximately 27% of companies, compared to just 3% that registered a reduction. Anecdotal evidence provided by survey respondents suggested that input cost inflation reflected higher fuel and raw material costs. Latest figures showed input prices increasing across all four monitored sectors, with retailers again recording the most pronounced rate of inflation.

By sector

		Construction	Manufacturing	Services
'11 Nov		68.6	69.9	65.7
Dec		67.9	63.1	62.0
'12 Jan		65.5	66.5	60.1



Prices Charged

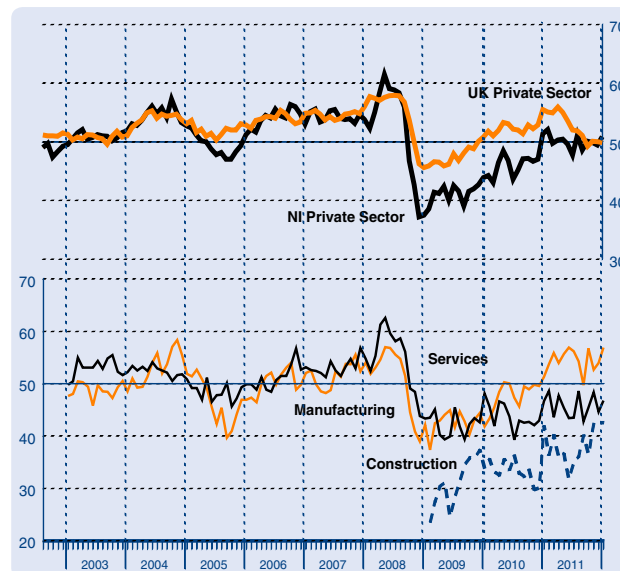
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Aug	14.8	73.0	12.1	2.7	51.4	51.2	51.9
Sep	13.0	69.9	17.1	-4.1	48.0	48.7	51.2
Oct	13.3	70.9	15.8	-2.5	48.7	50.1	49.3
Nov	11.7	75.0	13.3	-1.5	49.2	49.9	50.2
Dec	6.9	79.5	13.6	-6.7	46.6	49.5	50.1
2012 Jan	15.5	73.2	11.3	4.2	52.1	50.9	49.9

Output prices set by Northern Ireland private sector firms increased during January, with the seasonally adjusted Prices Charged Index posting above the neutral 50.0 threshold for the first time in three months. The latest index reading nonetheless signalled only a marginal rate of inflation. Average tariffs were broadly unchanged at the UK-wide level. Where a rise in output charges was registered, this was attributed by survey participants to the passing on of higher input costs to clients. For the fourth month running, manufacturers and retailers recorded a rise in average tariffs, while both service providers and construction firms noted a decline.

By sector

		Construction	Manufacturing	Services
'11 Nov		42.7	52.7	48.4
Dec		42.6	54.0	44.6
'12 Jan		42.6	57.0	46.8



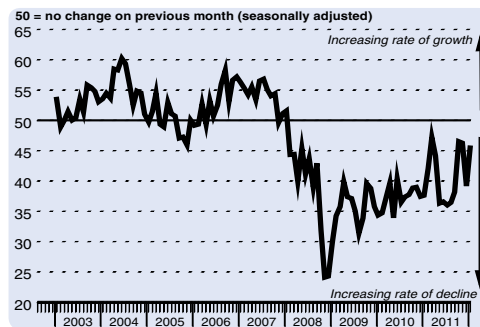
New Export Business*

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
2011	Aug	9.7	50.2	40.2	-30.5	34.8	36.5
	Sep	14.9	51.2	34.0	-19.1	40.4	38.2
	Oct	22.5	49.7	27.8	-5.3	47.4	46.6
	Nov	21.5	47.8	30.8	-9.3	45.4	46.3
	Dec	10.0	45.6	44.3	-34.3	32.9	39.2
2012	Jan	19.3	48.4	32.3	-13.0	43.5	45.5

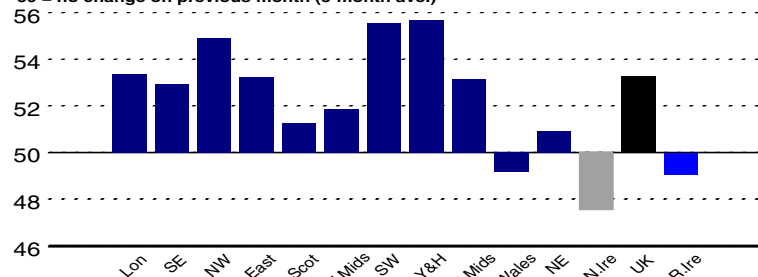
The seasonally adjusted New Export Business Index remained below the no-change mark of 50.0 in January, indicating a marked decline in new work received from export markets. However, the index regained most of the ground lost last month, to signal a much slower pace of reduction than in December. Anecdotal evidence suggested that falling new export orders reflected weak demand from the Republic of Ireland.



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). Higher levels of business activity were recorded in ten of the twelve UK regions during the three months to January, with Northern Ireland and Wales the exceptions. The strongest rates of expansion were in Yorkshire & Humber and the West Midlands respectively. Northern Ireland private sector firms saw a solid fall in output, with the rate of decline faster than in the Republic of Ireland.

50 = no change on previous month (3-month ave.)

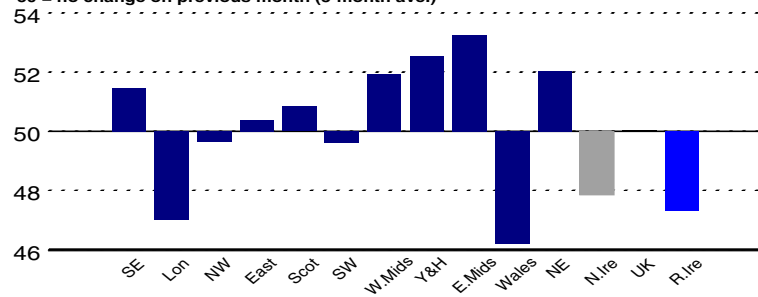


	Share of UK GVA, 2009 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	54.6	53.3	57.5
South East	(14.3%)	54.1	52.9	57.3
North West	(9.6%)	54.1	54.9	57.5
East of England	(8.7%)	52.7	53.2	55.0
Scotland	(8.3%)	52.8	51.2	51.4
South West	(7.7%)	52.7	51.9	50.4
West Midlands	(7.4%)	55.0	55.5	58.8
Yorks & Humber	(7.1%)	54.1	55.7	55.7
East Midlands	(6.3%)	54.1	53.2	56.4
Wales	(3.6%)	50.9	49.2	51.2
North East	(3.3%)	53.0	50.9	53.4
N.Ireland	(2.3%)	46.5	47.6	46.4
UK	(100.0%)	53.5	53.3	55.5
Rep. of Ireland	n/a	50.8	49.1	47.7

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). Staffing levels rose in seven of the twelve UK regions monitored by the survey during the three months to January, led by the East Midlands and Yorkshire & Humber. The fastest reductions in workforce numbers were seen in Wales and London. Northern Ireland saw a moderate fall in staff numbers that was broadly similar to that seen across the Republic of Ireland.

50 = no change on previous month (3-month ave.)



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.8	51.5	53.2
London	(12.3%)	50.0	47.0	49.4
North West	(10.9%)	50.3	49.7	50.4
East of England	(9.6%)	51.9	50.4	52.1
Scotland	(8.7%)	50.5	50.8	50.8
South West	(8.6%)	50.9	49.6	51.1
West Midlands	(8.6%)	53.9	51.9	55.1
Yorks & Humber	(8.2%)	50.9	52.5	55.0
East Midlands	(7.3%)	53.4	53.3	52.9
Wales	(4.6%)	47.9	46.2	48.5
North East	(3.9%)	52.6	52.0	53.4
N.Ireland	(2.7%)	47.5	47.9	45.5
UK	(100.0%)	50.3	50.0	51.6
Rep. of Ireland	n/a	48.0	47.3	45.9

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

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

Our focus is firmly centred on our customers. Every business customer benefits from access to a dedicated, professional and highly trained relationship manager. Their role is to gain a genuine understanding of our customers' business needs and provide dedicated financial information and assistance.

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

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

Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI) series, which is now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

Disclaimer

The Northern Ireland PMI® is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every

care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.