

# 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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## Northern Ireland sees a further modest reduction in business activity

Northern Ireland business activity decreased again in April, with the rate of decline unchanged from that seen in March. This was also the case with new orders, which fell solidly, while jobs were cut at a faster pace. The rate of input cost inflation remained strong, and was little-changed from the previous month, while firms continued to lower their output prices in the face of strong competitive pressures.

### Slight reduction in activity

A further modest decline in Northern Ireland private sector activity was recorded in April, with the rate of contraction unchanged from the previous month. The fall in Northern Ireland contrasted with a modest rise in output across the UK as a whole. All four sectors posted a reduction in activity. Manufacturing registered a decline in output for the first time in four months. Construction continued to record the sharpest contraction in activity.

Where activity decreased, this was mainly attributed to lower new orders. The rate of decline in total new business was solid amid client caution about committing to new projects. All four sectors recorded a fall in new orders, led by retail. New export orders also continued to fall during April, albeit at a slower pace than seen in March.

### Employment falls at faster pace

Northern Ireland companies lowered their staffing levels at a solid pace in April, with the rate of job cuts the fastest since October 2012. A number of respondents mentioned the non-replacement of leaving staff. Retailers took on extra staff, but the remaining three sectors all posted declining employment.

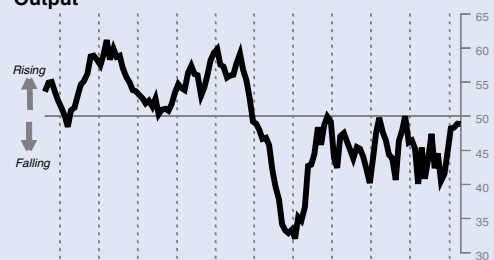
Meanwhile, backlogs of work decreased modestly as projects reached completion. The pace of reduction eased to the slowest since November 2007, but was still faster than the UK economy average.

### Cost inflation remains sharp

The rate of input price inflation at Northern Ireland companies remained sharp in April, and was little-changed from the previous month. The increase in input costs also remained much stronger than the average seen across the UK economy as a whole. Anecdotal evidence pointed to higher raw material, energy and labour costs.

Output prices fell slightly in April. Where prices charged decreased, this was linked by respondents to strong competitive pressures. On the other hand, some panellists reported passing on higher costs to their clients. Retail and service sector companies increased their charges, with the rise in service providers' output prices the first since September 2008.

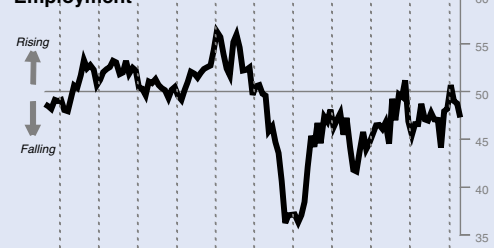
#### Output



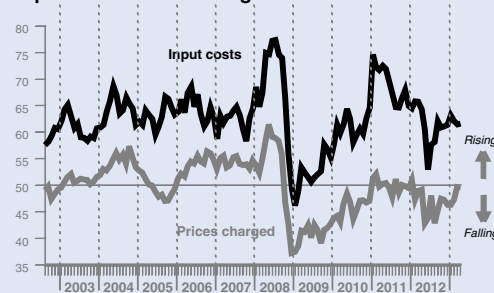
#### New Business



#### 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

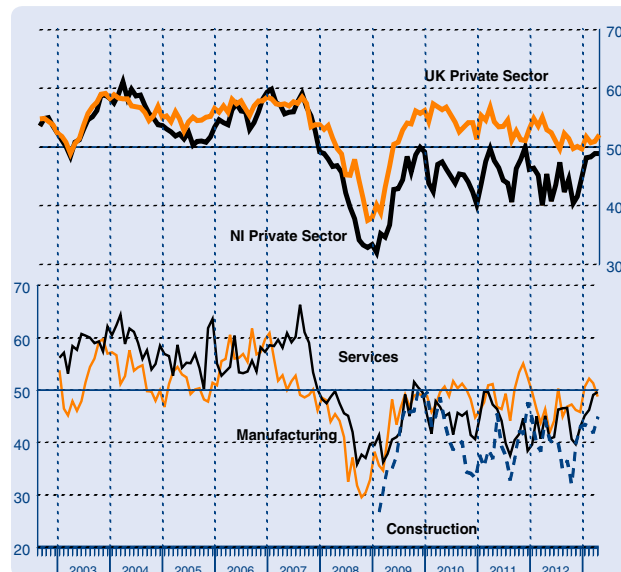
Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2012	Nov	16.8	51.4	31.8	-14.9	42.5	41.6
	Dec	19.5	52.4	28.1	-8.6	45.7	44.8
2013	Jan	21.0	44.9	34.0	-13.0	43.5	48.3
	Feb	22.2	55.2	22.6	-0.4	49.8	48.4
	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

Northern Ireland companies recorded a slight reduction in business activity during April, with the rate of contraction unchanged from the previous month. Activity has now fallen in 17 successive months. The reduction in activity at Northern Ireland companies contrasted with a modest increase across the UK economy as a whole. Panellists mainly linked lower output to ongoing declines in new orders. All four sectors posted decreasing activity, led by construction. The slowest fall was at services companies, where the rate of contraction was the least marked in more than two years. Manufacturing output fell slightly, ending a three-month sequence of growth.

## By sector

		Construction	Manufacturing	Services
'13	Feb	43.1	52.3	46.2
	Mar	41.9	51.4	49.1
	Apr	44.9	48.8	49.7



## New Business

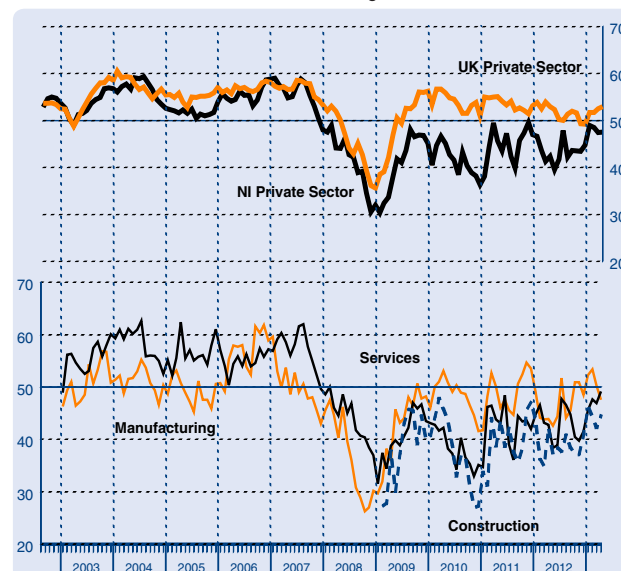
Q. Is the level of new orders or incoming new business at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2012	Nov	19.0	46.3	34.6	-15.6	42.2	43.5
	Dec	19.6	45.6	34.9	-15.3	42.4	44.8
2013	Jan	24.6	44.4	31.0	-6.4	46.8	49.0
	Feb	23.0	55.2	21.8	1.2	50.6	48.5
	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

April data signalled a further solid reduction in new business at Northern Ireland private sector firms. The rate of decline was the same as that seen in March. While new orders decreased in Northern Ireland, a solid increase was recorded across the UK as a whole. According to respondents, a general reluctance among clients to commit to new projects had been behind the latest fall in new business. Retailers posted the sharpest reduction in new orders, followed by construction firms. The slowest fall was at services companies, while manufacturers registered the first reduction in new orders in 2013 so far.

## By sector

		Construction	Manufacturing	Services
'13	Feb	44.3	53.4	47.7
	Mar	42.1	50.3	47.0
	Apr	44.7	47.6	49.2



## Backlogs

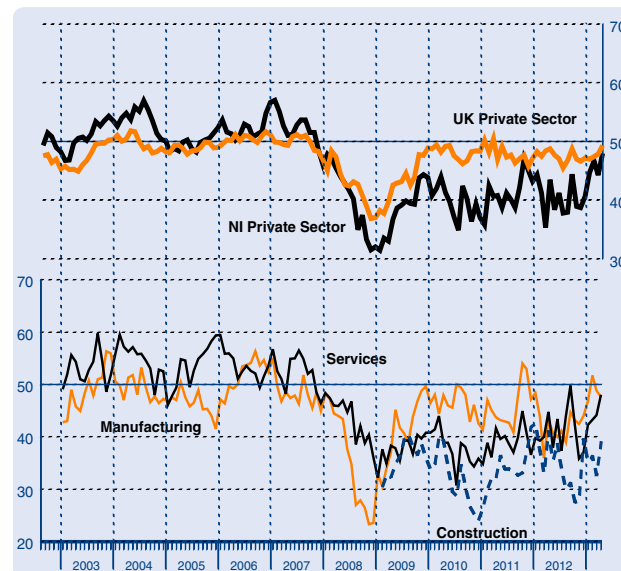
Q. Is the level of business outstanding (i.e. work not yet commenced or completed) at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2012	Nov	12.3	51.7	36.0	-23.7	38.2	38.8
	Dec	12.9	54.8	32.3	-19.3	40.3	40.7
2013	Jan	14.9	57.4	27.8	-12.9	43.6	44.7
	Feb	13.4	65.8	20.7	-7.3	46.4	46.7
	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

Backlogs of work decreased in April, as has been the case in each month since November 2007. However, the rate of depletion eased from the previous month and was the slowest in close to five-and-a-half years. The pace of reduction in outstanding business at Northern Ireland companies was still faster than the UK economy average. A number of panellists reported that backlogs had fallen as projects reached completion. All four sectors posted a drop in outstanding business, led by construction and retail. The slowest fall was seen at service providers.

## By sector

		Construction	Manufacturing	Services
'13	Feb	36.4	51.8	43.3
	Mar	32.7	48.9	44.2
	Apr	39.1	47.6	48.1



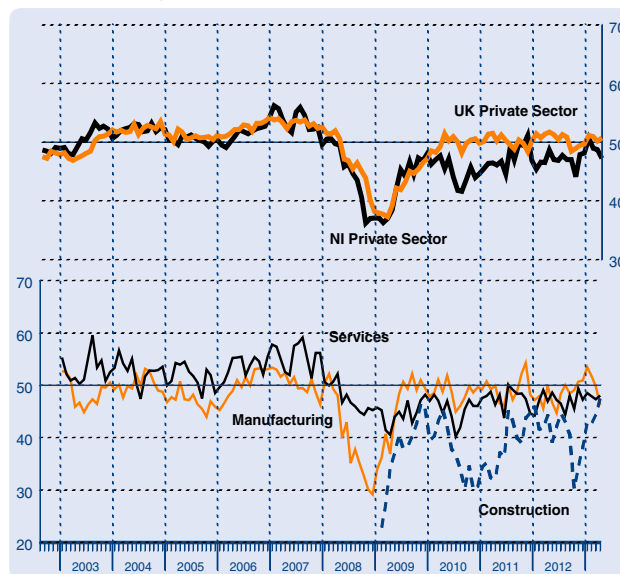
## Employment

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

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 Nov	10.1	77.0	12.9	-2.8	48.6	47.9	49.5
Dec	7.3	80.7	12.0	-4.7	47.7	48.2	49.7
2013 Jan	9.0	80.7	10.2	-1.2	49.4	50.7	51.2
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	50.7

Northern Ireland companies lowered their staffing levels for the third successive month during April, contrasting with a further increase in employment across the UK economy as a whole. Moreover, the rate of job cuts was solid and the fastest since October 2012. More than 14% of respondents lowered employment over the month, with the non-replacement of leaving staff widely mentioned. On the other hand, around 10% of panellists took on extra staff. The retail sector raised employment, while reductions were recorded across the three remaining sectors, led by manufacturing.

By sector			
	Construction	Manufacturing	Services
'13 Feb	42.8	51.8	48.0
Mar	44.5	49.9	47.4
Apr	47.7	46.2	48.1



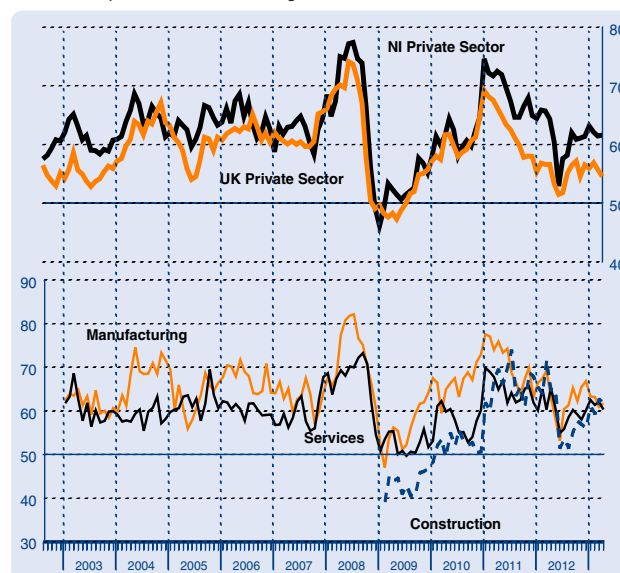
## Input Costs

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
2012 Nov	22.6	73.4	4.0	18.6	59.3	61.1	54.6
Dec	21.3	73.5	5.2	16.0	58.0	61.4	56.6
2013 Jan	29.1	67.1	3.7	25.4	62.7	63.2	56.0
Feb	26.9	71.9	1.3	25.6	62.8	62.1	56.9
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	54.6

Input costs rose sharply again at firms in Northern Ireland during April, with the rate of inflation remaining much stronger than the UK economy average. The latest increase in input costs in Northern Ireland was broadly in line with that seen in March, albeit still slightly slower than the series average. More than 27% of respondents noted a rise in input prices during the month, while just 1% posted a fall. Panellists reported higher raw material prices, as well as increases in energy and labour costs. Manufacturing and construction registered the fastest rates of cost inflation, closely followed by services and retail.

By sector			
	Construction	Manufacturing	Services
'13 Feb	59.4	63.2	61.4
Mar	62.8	60.9	62.1
Apr	61.8	61.8	60.4



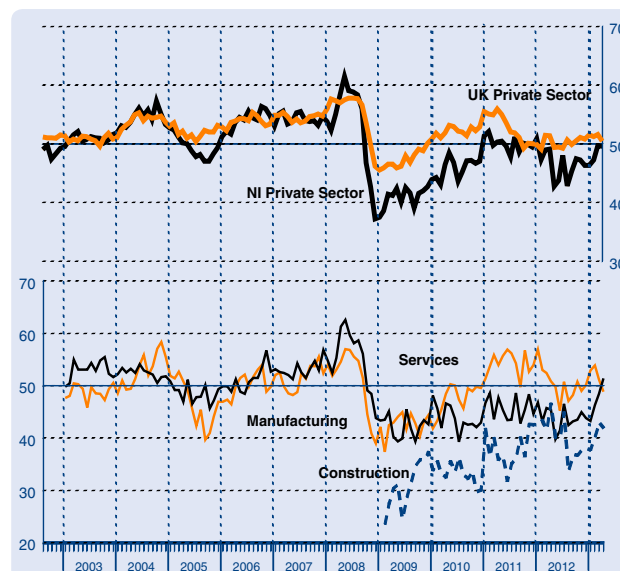
## Prices Charged

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
2012 Nov	9.4	73.5	17.1	-7.7	46.1	47.3	51.1
Dec	5.8	79.1	15.2	-9.4	45.3	46.4	50.8
2013 Jan	12.0	71.6	16.3	-4.3	47.8	46.3	51.5
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

As had been the case in the previous month, output prices fell marginally during April. Meanwhile, a slight rise in prices charged was seen across the UK economy as a whole. Those panellists that lowered their output prices indicated that this was due to attempts to remain competitive. On the other hand, some respondents reported passing on higher input costs to their clients. The retail sector posted a further increase in charges, while services registered the first rise since September 2008. Manufacturing output prices decreased, after rising in each of the four previous months, and construction firms recorded a further steep reduction in charges.

By sector			
	Construction	Manufacturing	Services
'13 Feb	40.2	53.9	46.3
Mar	43.1	51.2	48.4
Apr	42.0	48.9	51.4



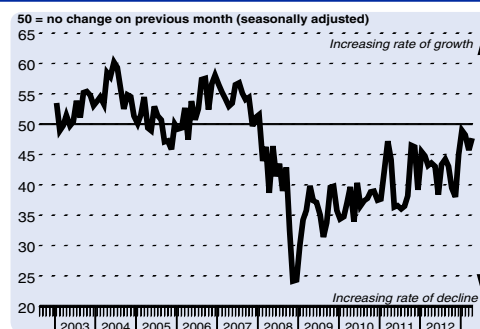
## New Export Business\*

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

## Northern Ireland Companies

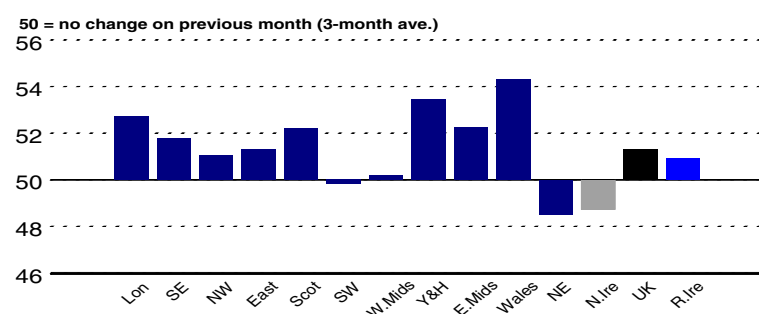
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2012	Nov	18.1	38.1	43.9	-25.8	37.1	38.1
	Dec	17.9	52.6	29.5	-11.7	44.2	45.1
2013	Jan	18.6	56.1	25.3	-6.6	46.7	49.1
	Feb	16.4	66.2	17.4	-0.9	49.5	48.3
	Mar	12.4	64.9	22.7	-10.3	44.8	45.8
	Apr	18.8	63.8	17.4	1.3	50.7	47.7

Northern Ireland companies recorded a solid fall in new export orders during April, although the rate of decline eased from that seen in March. Where new business from abroad decreased, this was largely attributed to weak demand in export markets.



## Regional Comparisons: Output / Business Activity

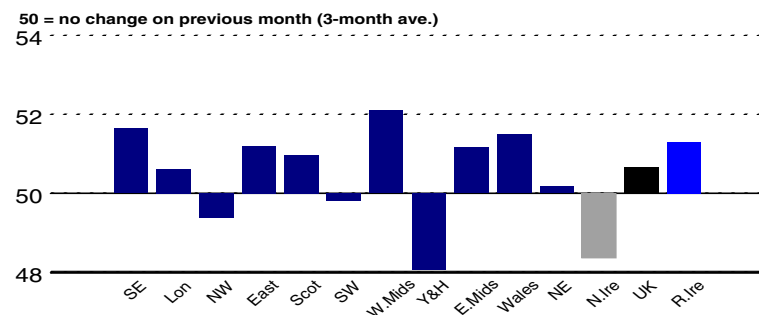
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased in nine of the twelve UK regions monitored, led by Wales and Yorkshire & Humber respectively. Only the North East, Northern Ireland and South West registered lower output on average in the three months to April. The Republic of Ireland posted a modest increase in activity.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	52.2	52.7	53.4
South East	(14.7%)	51.2	51.8	51.8
North West	(9.5%)	50.3	51.1	50.6
East of England	(8.7%)	50.7	51.3	51.5
Scotland	(8.3%)	51.3	52.3	53.1
South West	(7.7%)	50.2	49.8	51.0
West Midlands	(7.3%)	51.1	50.2	49.8
Yorks & Humber	(7.0%)	52.2	53.4	55.7
East Midlands	(6.4%)	51.8	52.2	53.6
Wales	(3.6%)	52.2	54.3	56.4
North East	(3.2%)	48.5	48.5	49.5
N.Ireland	(2.2%)	45.0	48.7	48.9
<b>UK</b>	<b>(100.0%)</b>	<b>51.0</b>	<b>51.3</b>	<b>52.1</b>
Rep. of Ireland	n/a	51.5	50.9	51.0

## 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). Jobs growth was registered in the majority of UK regions during the three months to April, with West Midlands companies posting the fastest expansion. Meanwhile, Yorkshire & Humber saw the most marked slide in workforce numbers. Further employment growth was seen in the Republic of Ireland.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.3	51.6	52.7
London	(12.3%)	49.7	50.6	49.9
North West	(10.9%)	48.7	49.4	48.5
East of England	(9.6%)	50.6	51.2	50.4
Scotland	(8.7%)	50.7	51.0	51.2
South West	(8.6%)	49.6	49.8	50.1
West Midlands	(8.6%)	51.7	52.1	52.9
Yorks & Humber	(8.2%)	50.1	48.1	47.3
East Midlands	(7.3%)	52.5	51.2	51.3
Wales	(4.6%)	50.0	51.5	52.3
North East	(3.9%)	48.7	50.2	49.1
N.Ireland	(2.7%)	47.7	48.4	47.3
<b>UK</b>	<b>(100.0%)</b>	<b>50.3</b>	<b>50.6</b>	<b>50.7</b>
Rep. of Ireland	n/a	51.2	51.3	51.0

## 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.

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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*

*April 2013 Survey Update*

Issued 13<sup>th</sup> May 2013

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## *PMI Surveys*

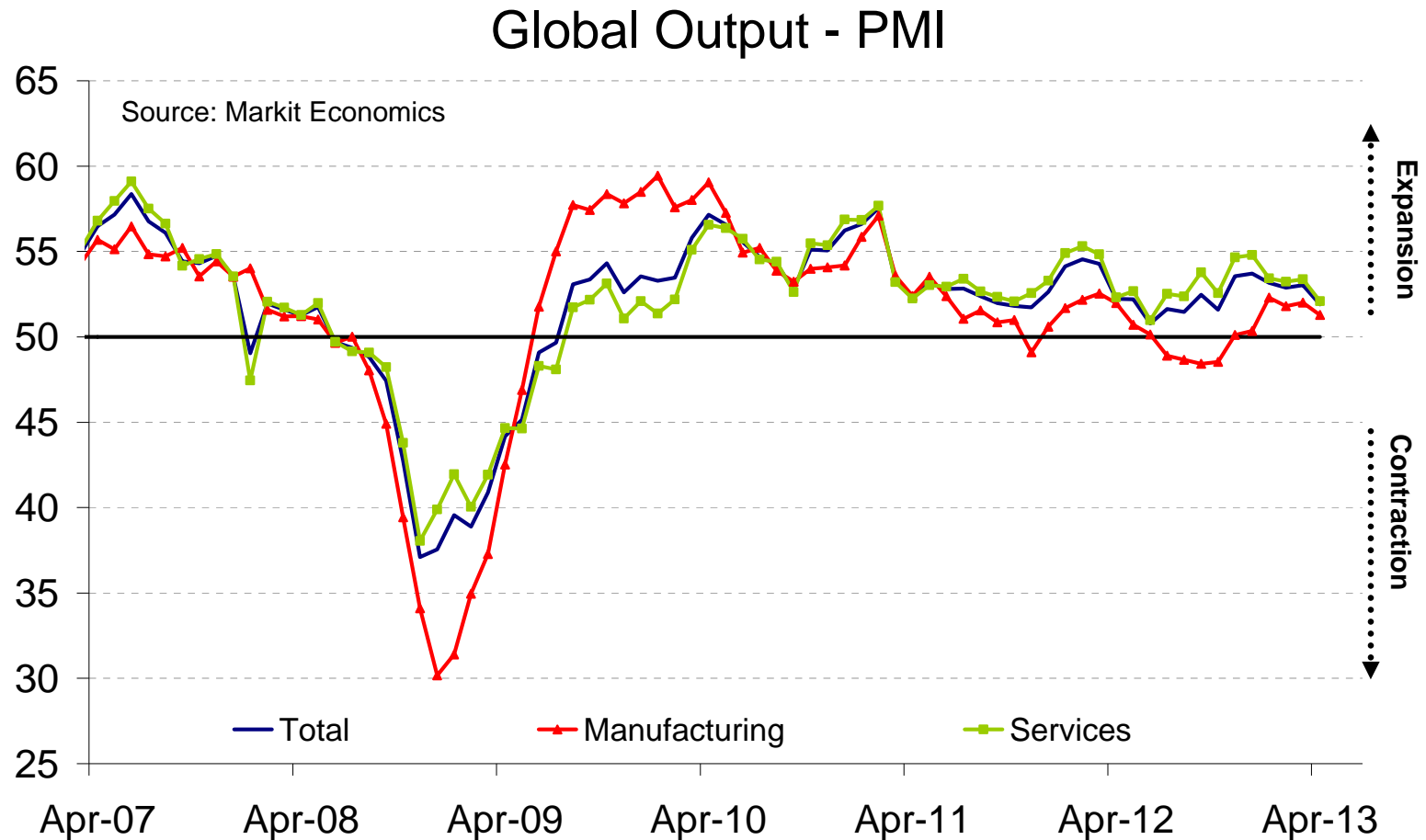
*Purchasing Managers' Indexes (PMIs) are monthly surveys of private sector companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices across different sectors.*

*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**

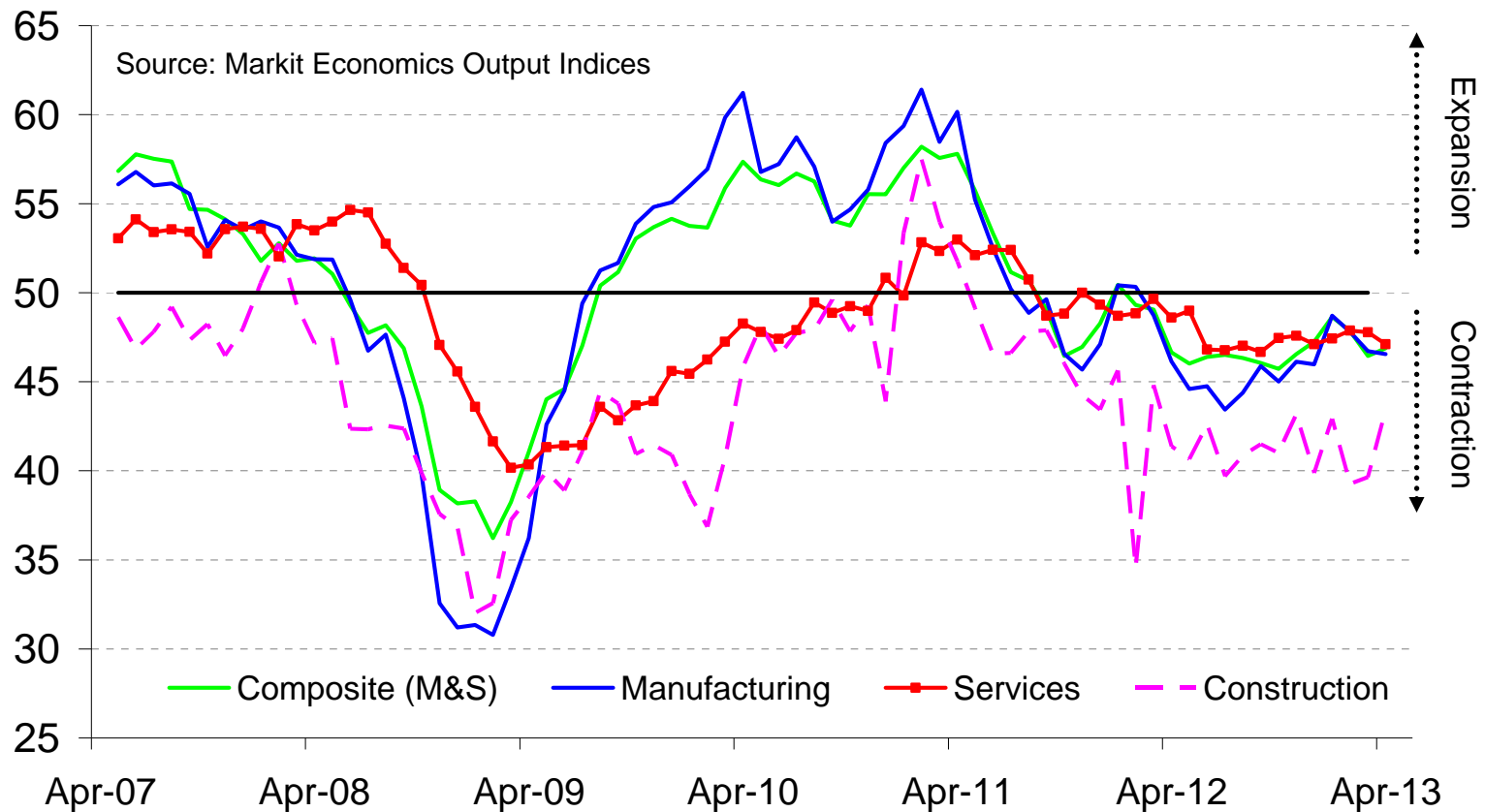
*Data at a sector level are more volatile and **3-month moving averages** have been used to more accurately identify the broad trends.*

## Global output growth eases in April...



... but all sectors within the Eurozone are still contracting

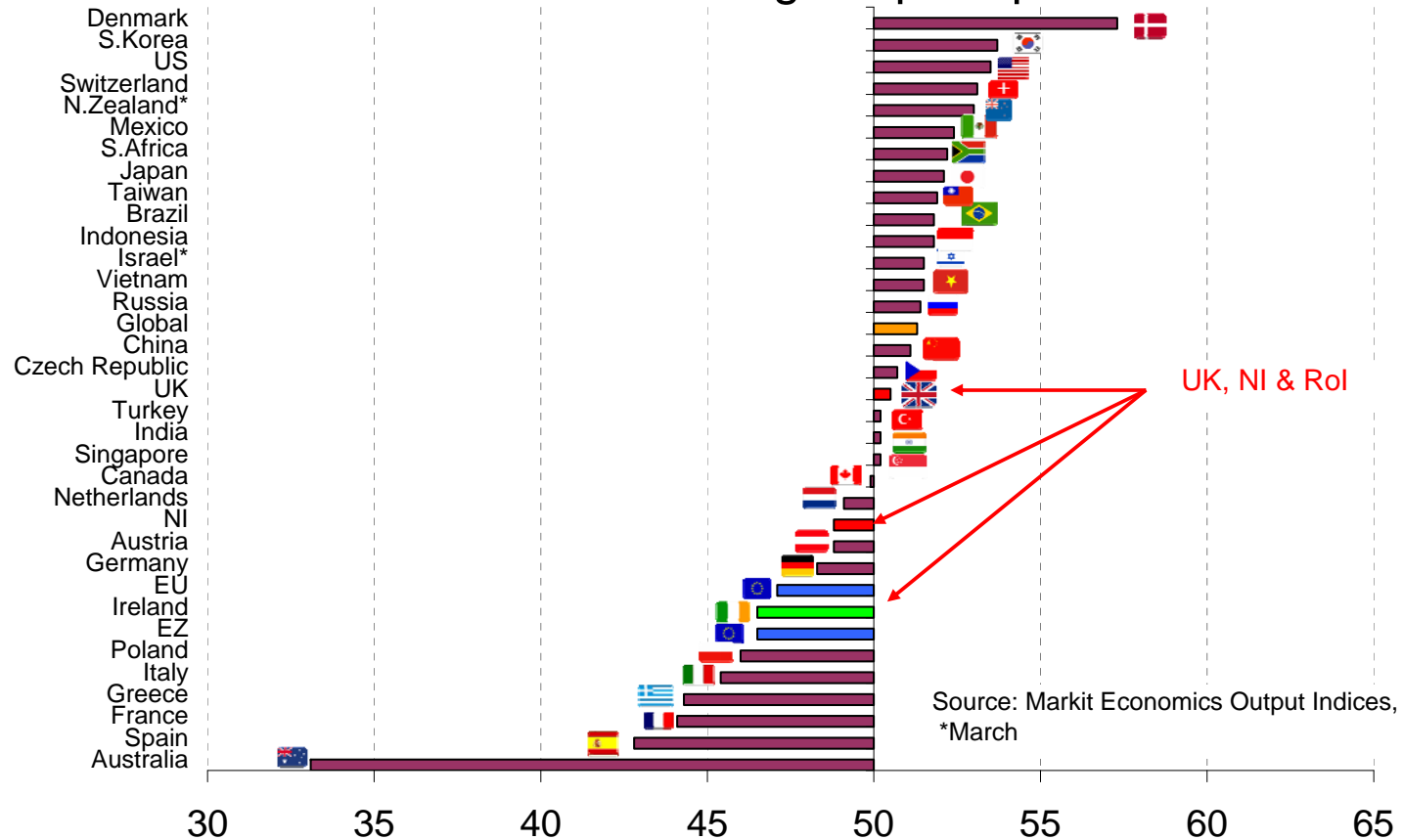
## Eurozone PMIs: Output



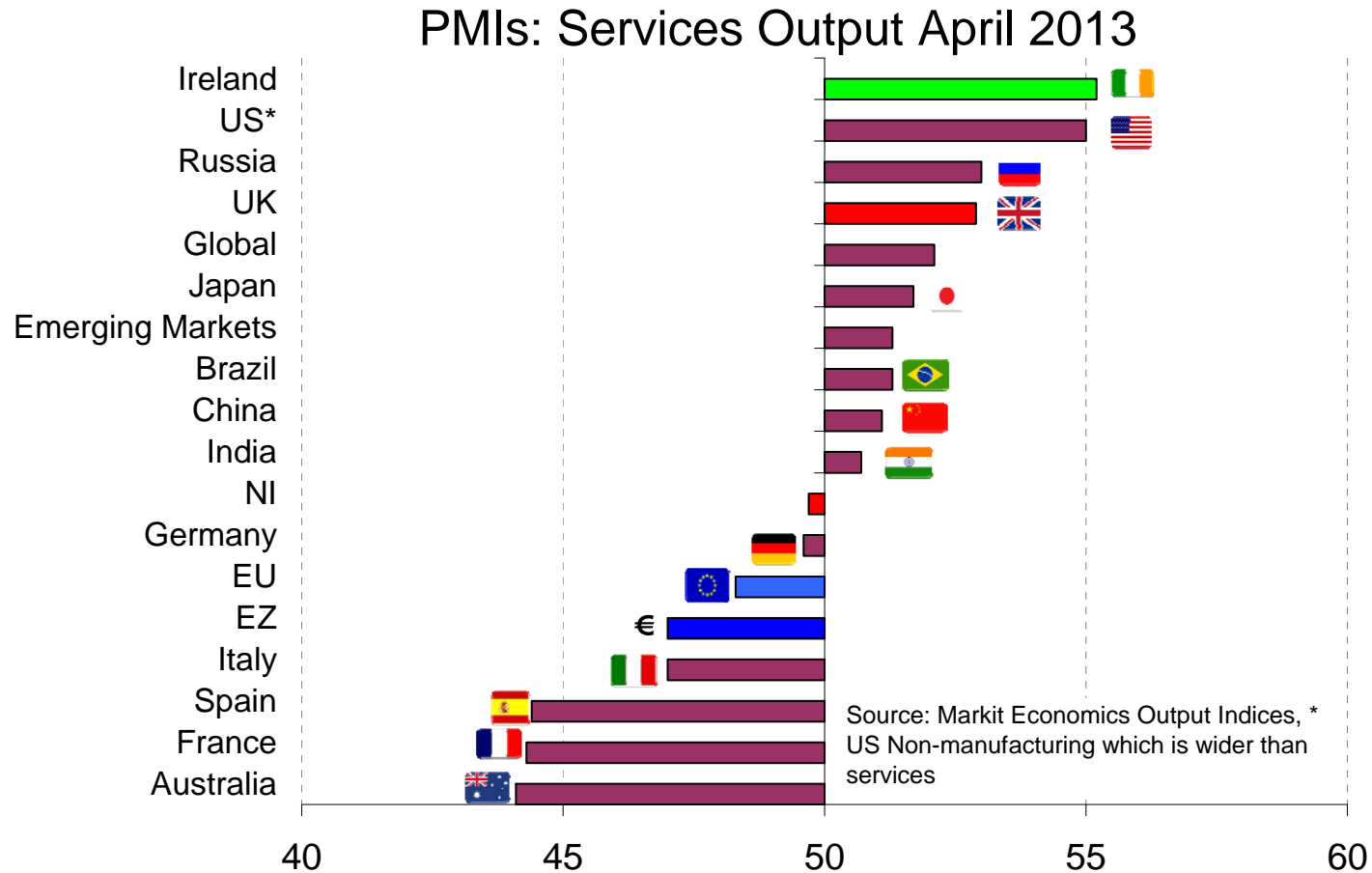


# Australia, Spain & France post the steepest falls in manufacturing output. Denmark posts strongest gain

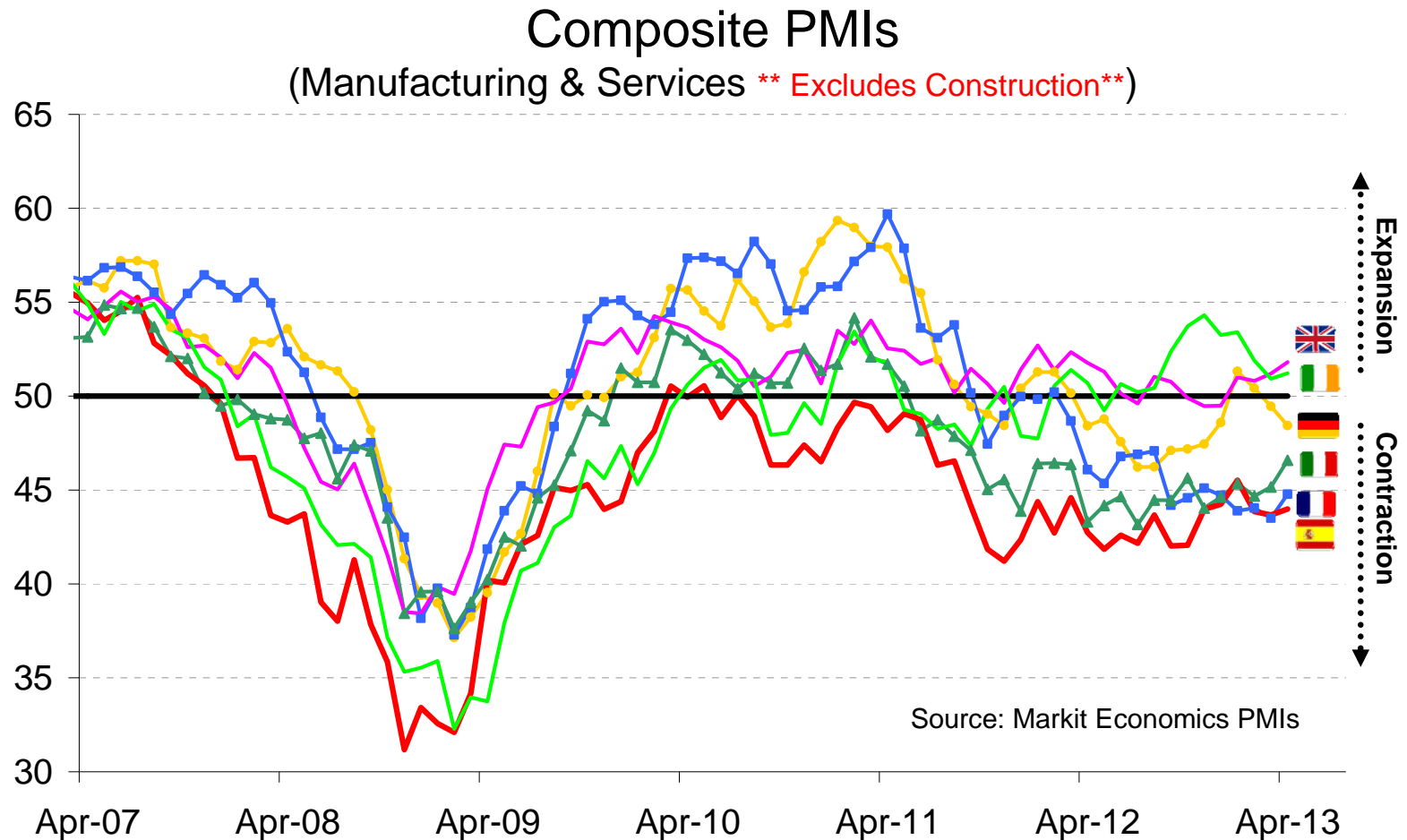
PMIs: Manufacturing Output April 2013



# Services output expanding for BRICs, US, Japan, UK & Ireland. Australia, France & Spain post the steepest declines

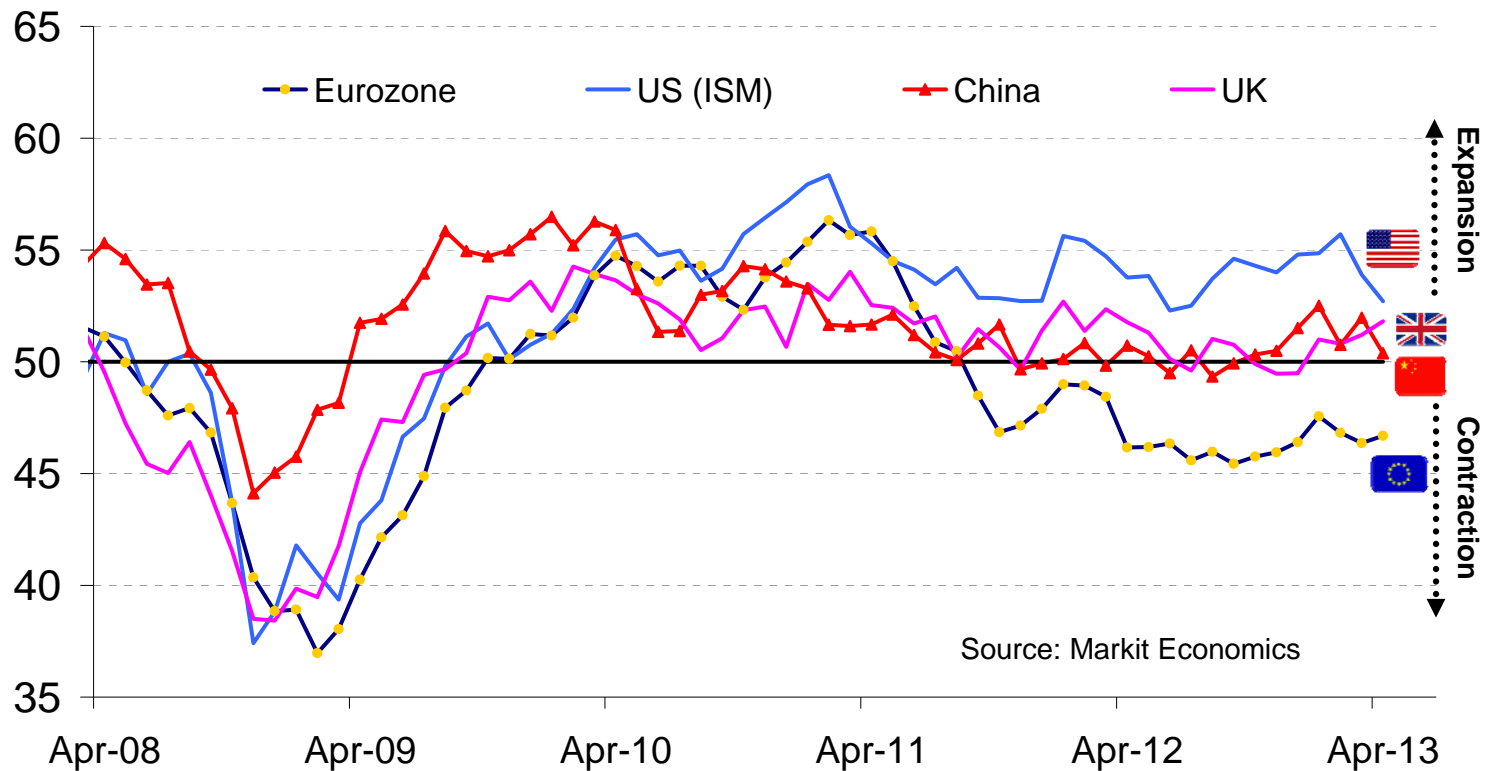


# The four largest economies within the eurozone are now contracting



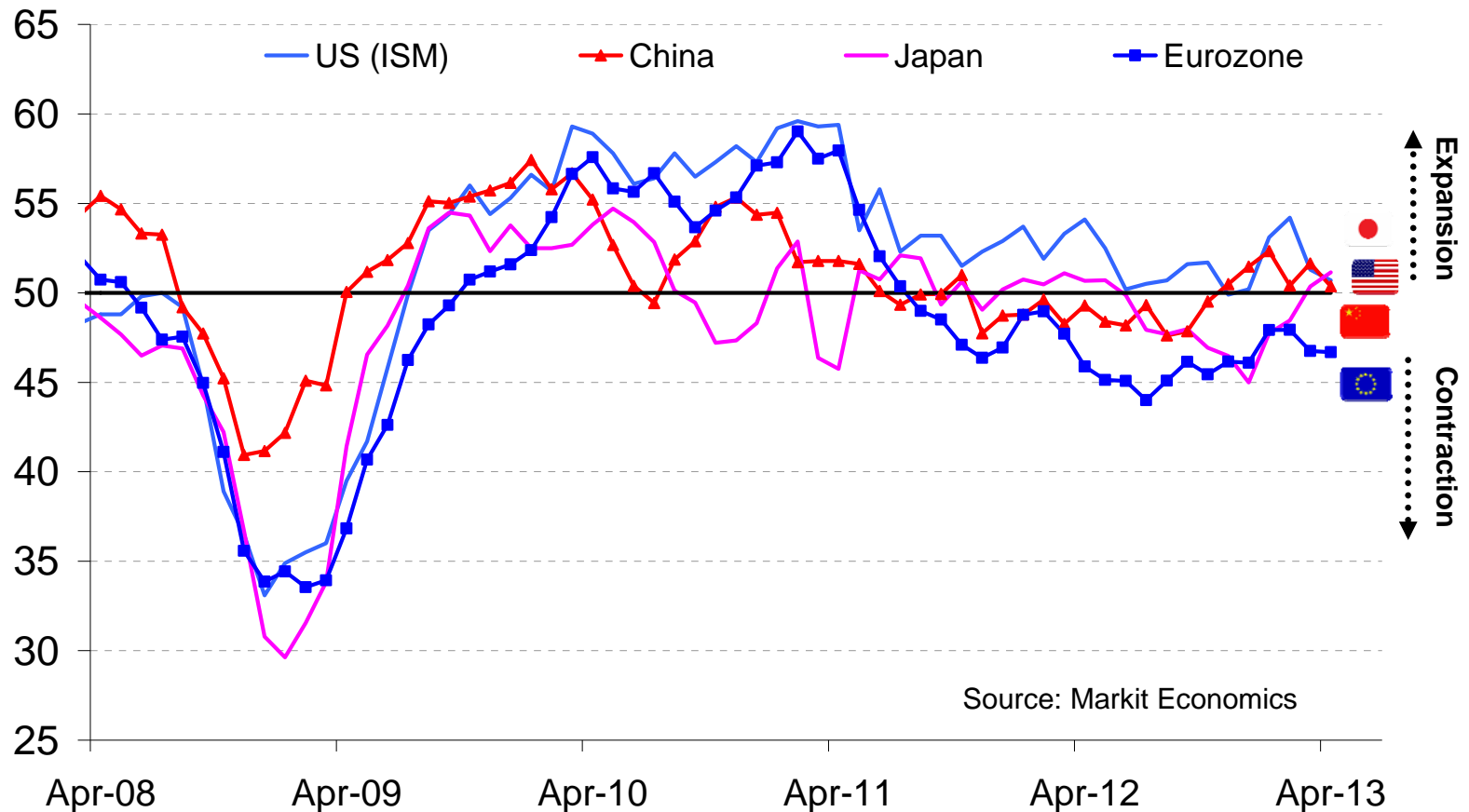
# The US & China signal a loss in momentum in April

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



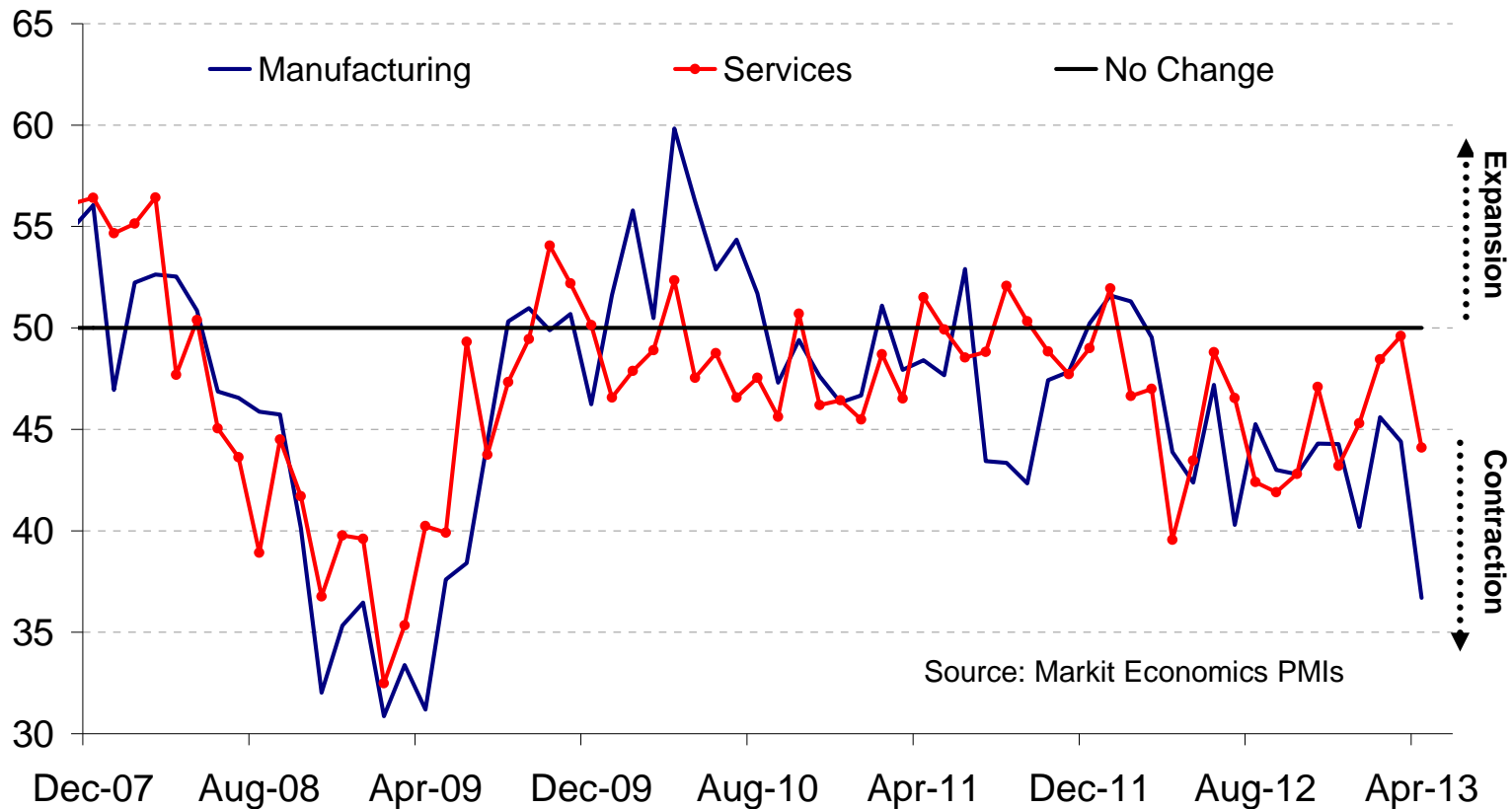
... but Japan's PMI overtakes the US and China. A depreciating yen is aiding Japanese manufacturing...

## Manufacturing PMIs



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

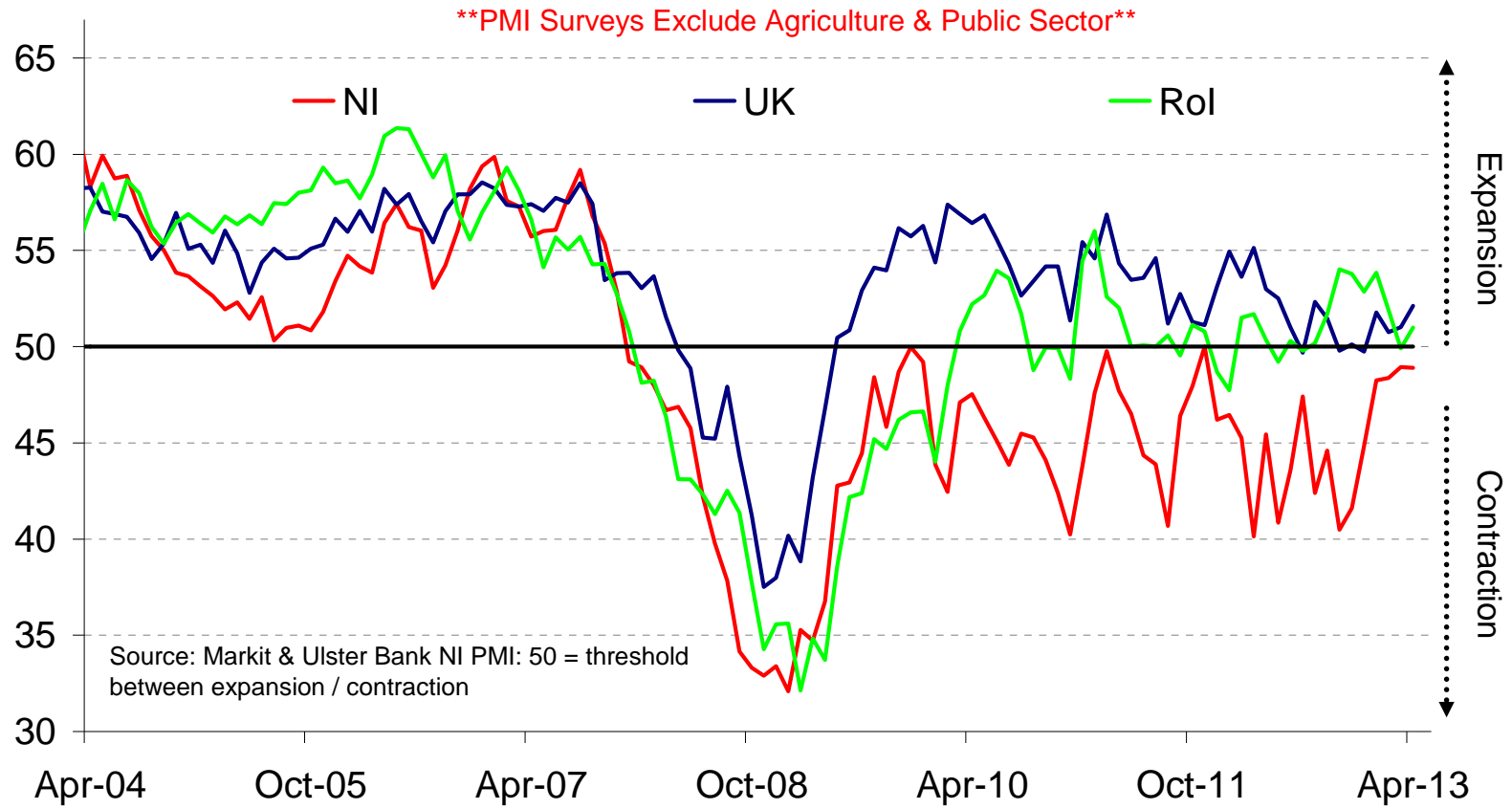
## Australia - PMI





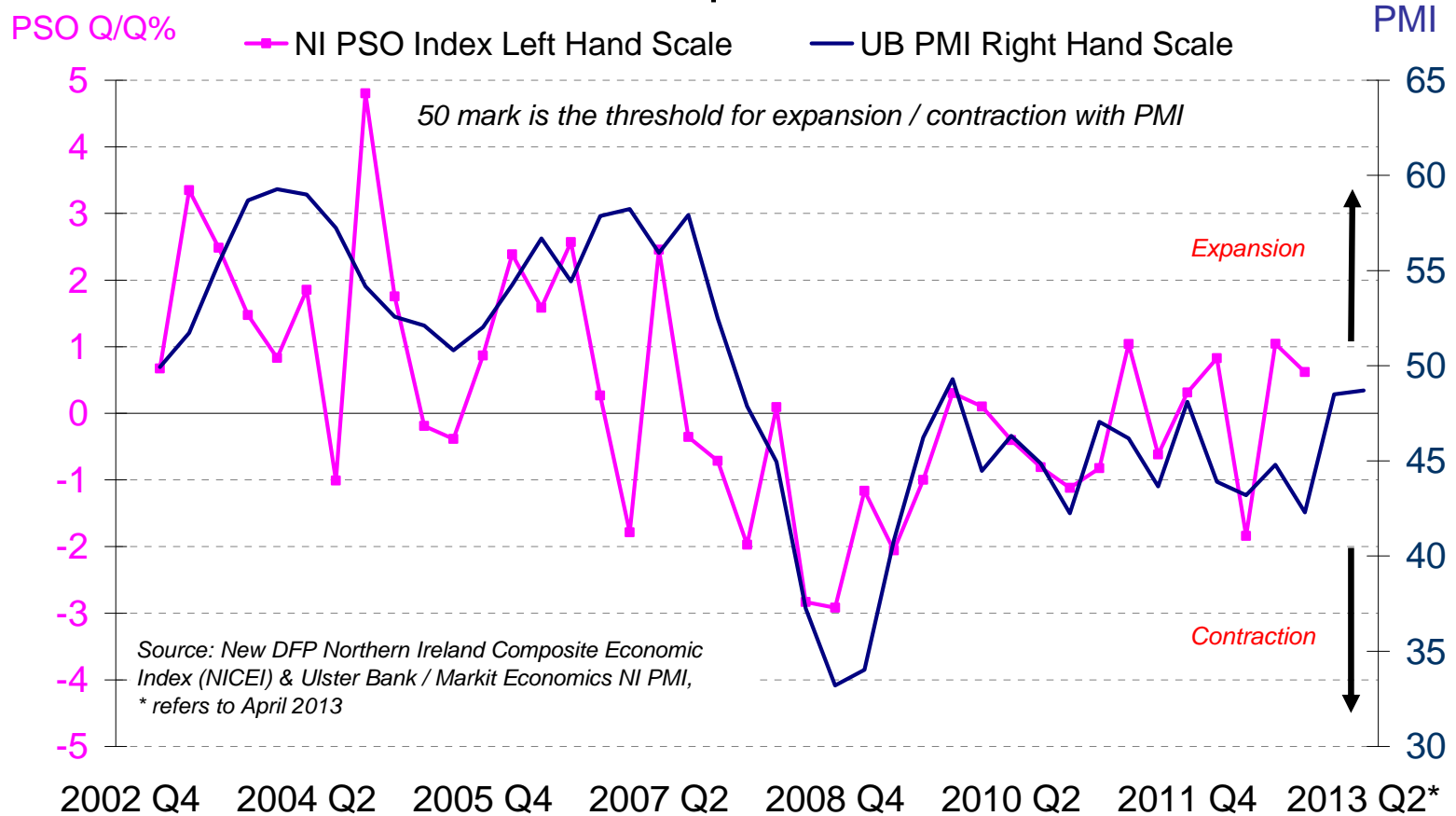
# UK & the RoI post a pick-up in business activity in April whilst the rate of contraction remains unchanged for NI

## Private Sector Business Activity - PMIs



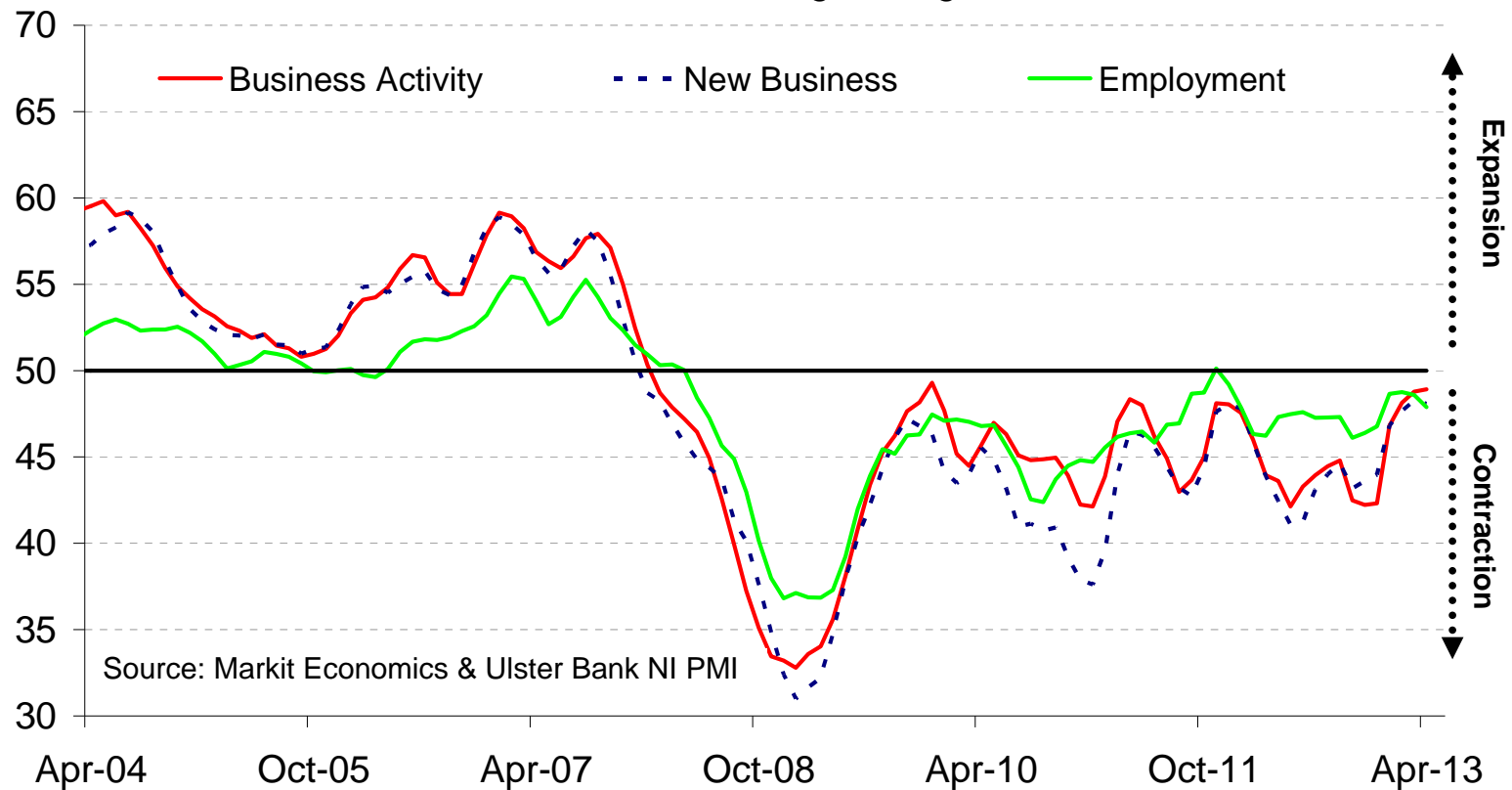
PMI is more negative than DFP's new private sector composite index suggests *(combines DFP indices for construction, services, agriculture & industrial production)*

## NI Private Sector Output Index Versus NI PMI

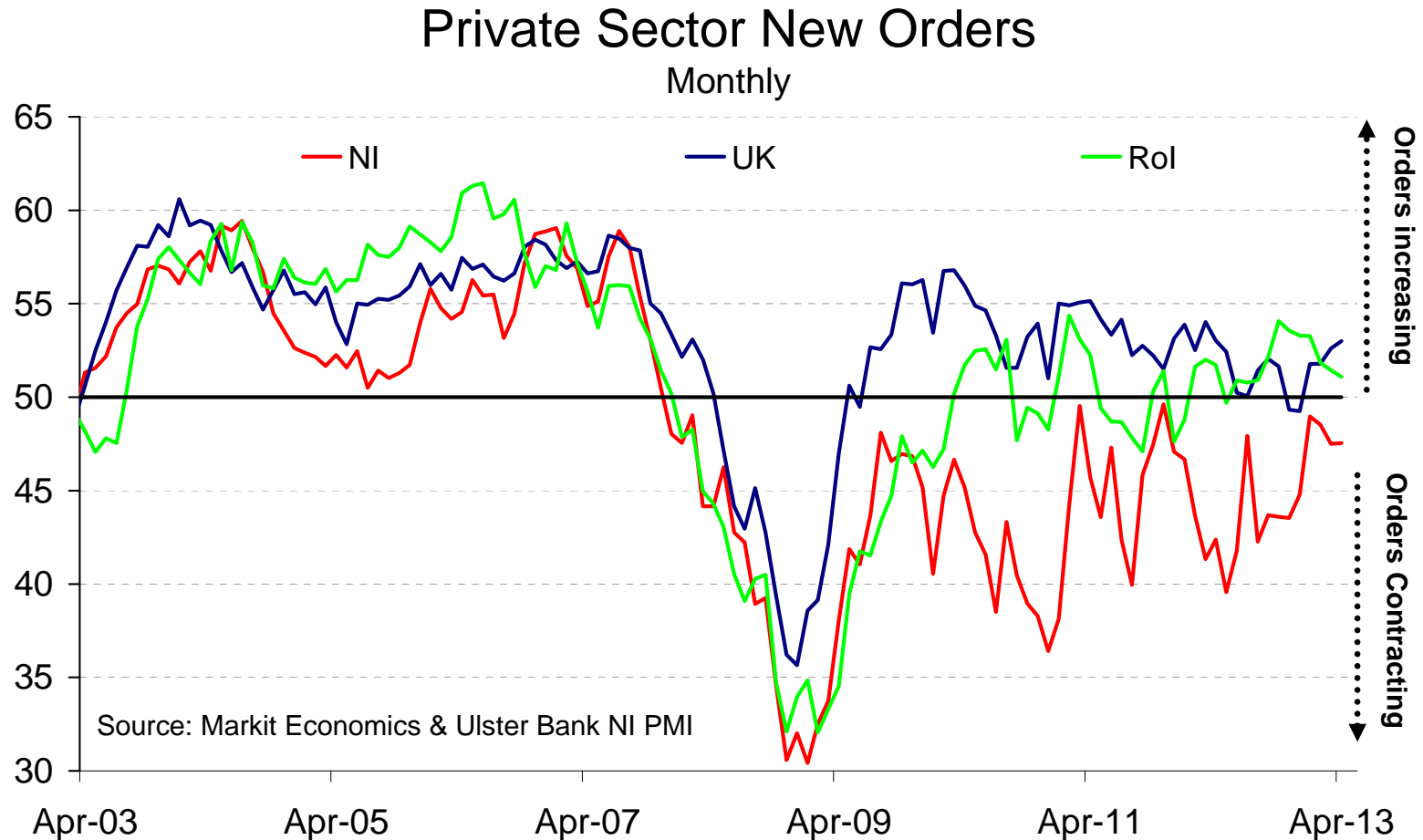


# NI output, new orders and employment all post modest contractions over the last 3 months

## NI Private Sector Activity 3 month moving average

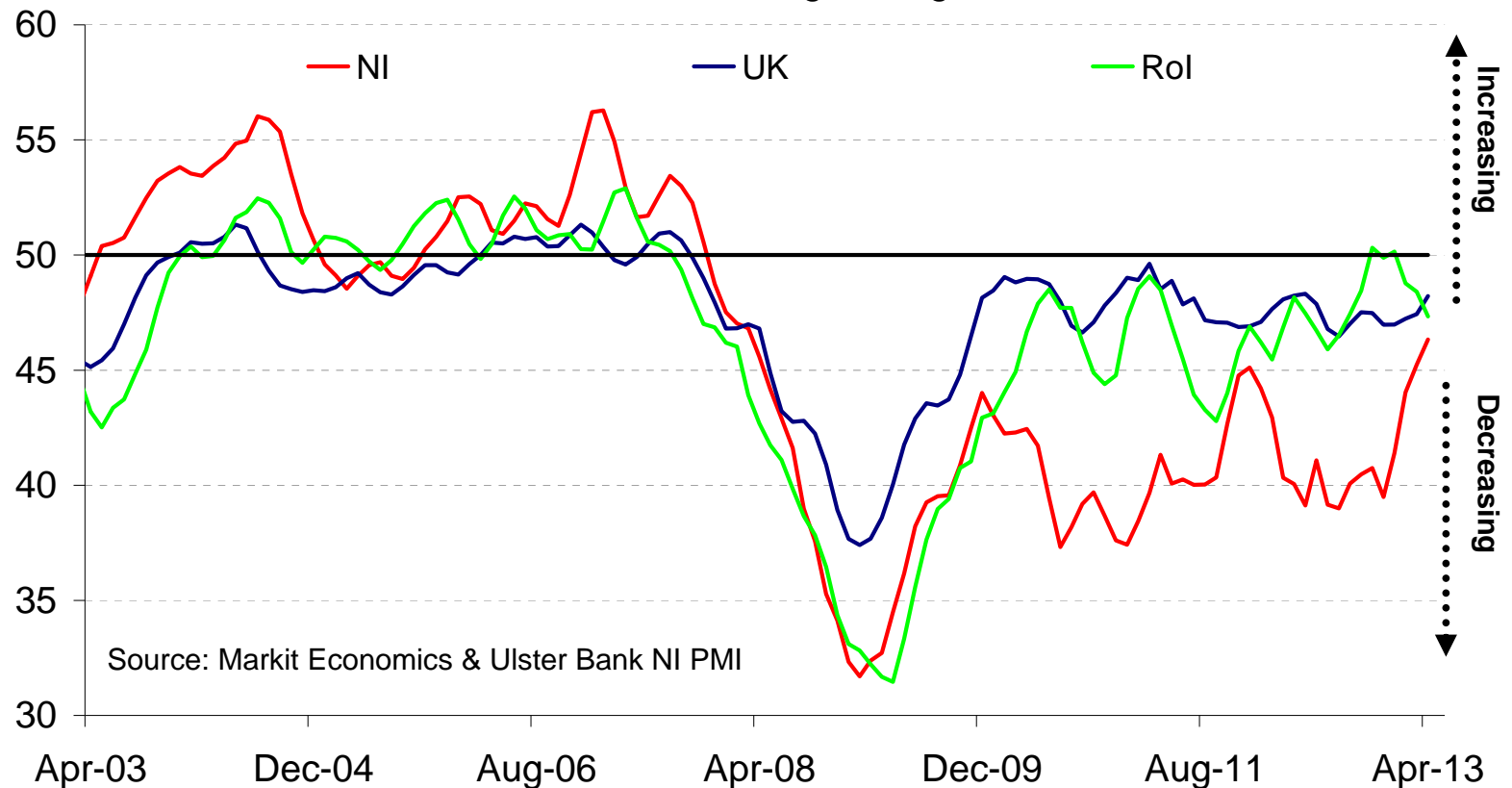


Pace of contraction in NI new orders continues. Rate of growth eases in Rol & accelerates in the UK



# NI's levels of work outstanding sees its pace of decline ease markedly over the last 3 months

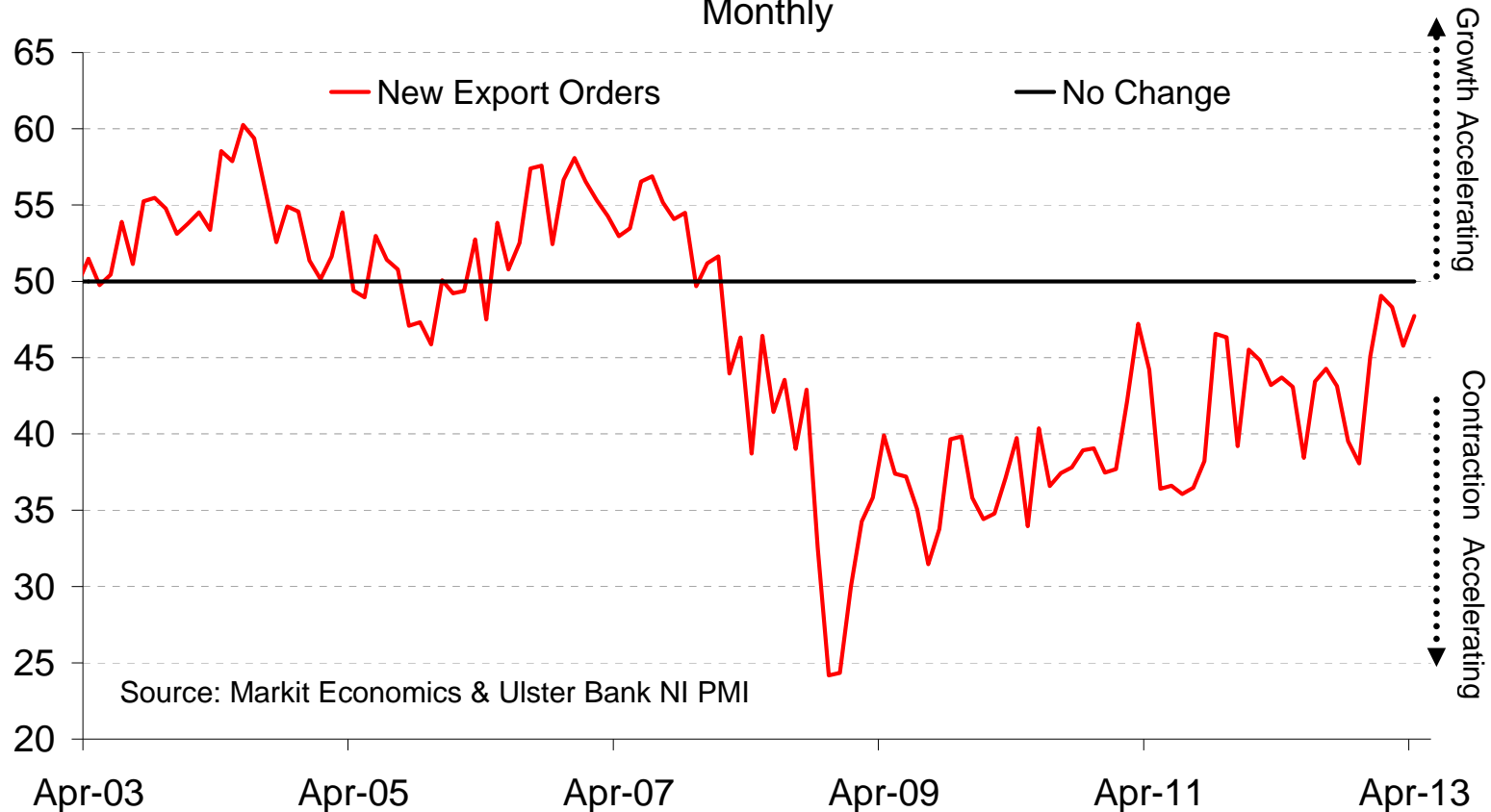
## Private Sector Backlogs 3 month moving average



## The pace of decline in export orders eases in April

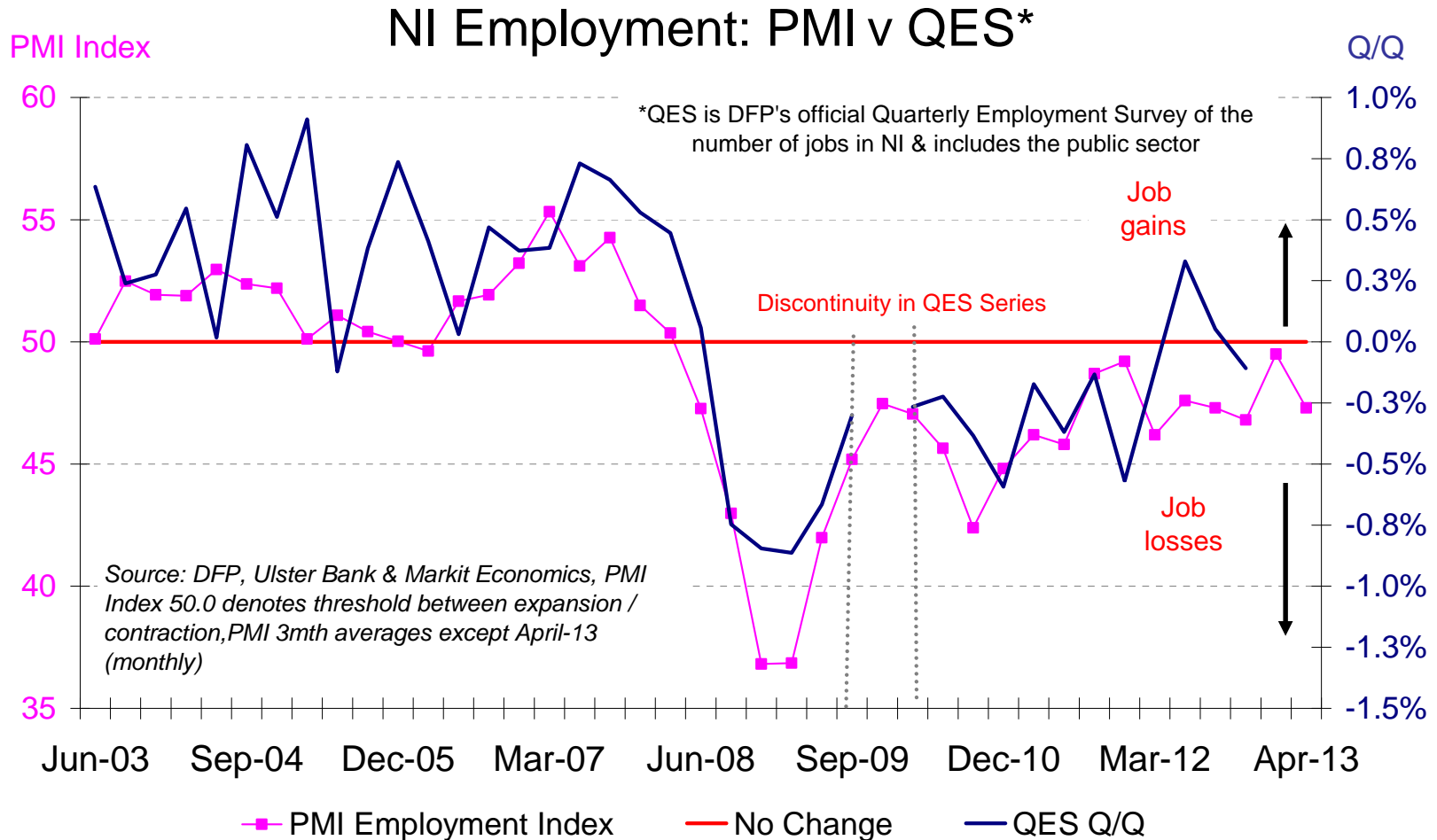
### NI New Export Business

Monthly





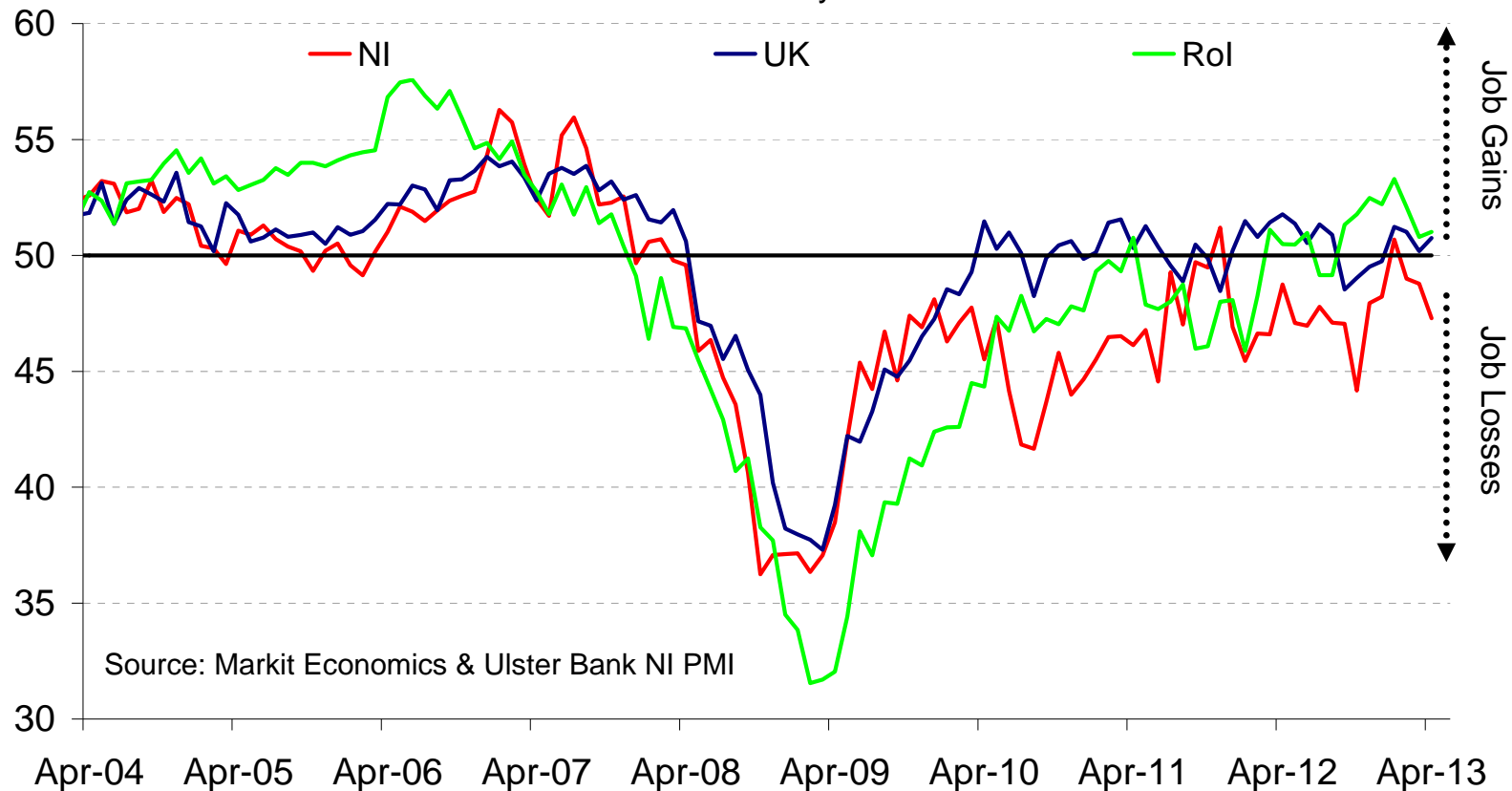
PMI underestimated job gains in Q2 & Q3 (relative to official jobs survey) marginal job losses in Q4 2012. PMI signals a flat Q1 2013



The UK & the RoI record further job gains in April.  
Conversely, firms in NI report a fall in employment levels

## Private Sector Employment Levels

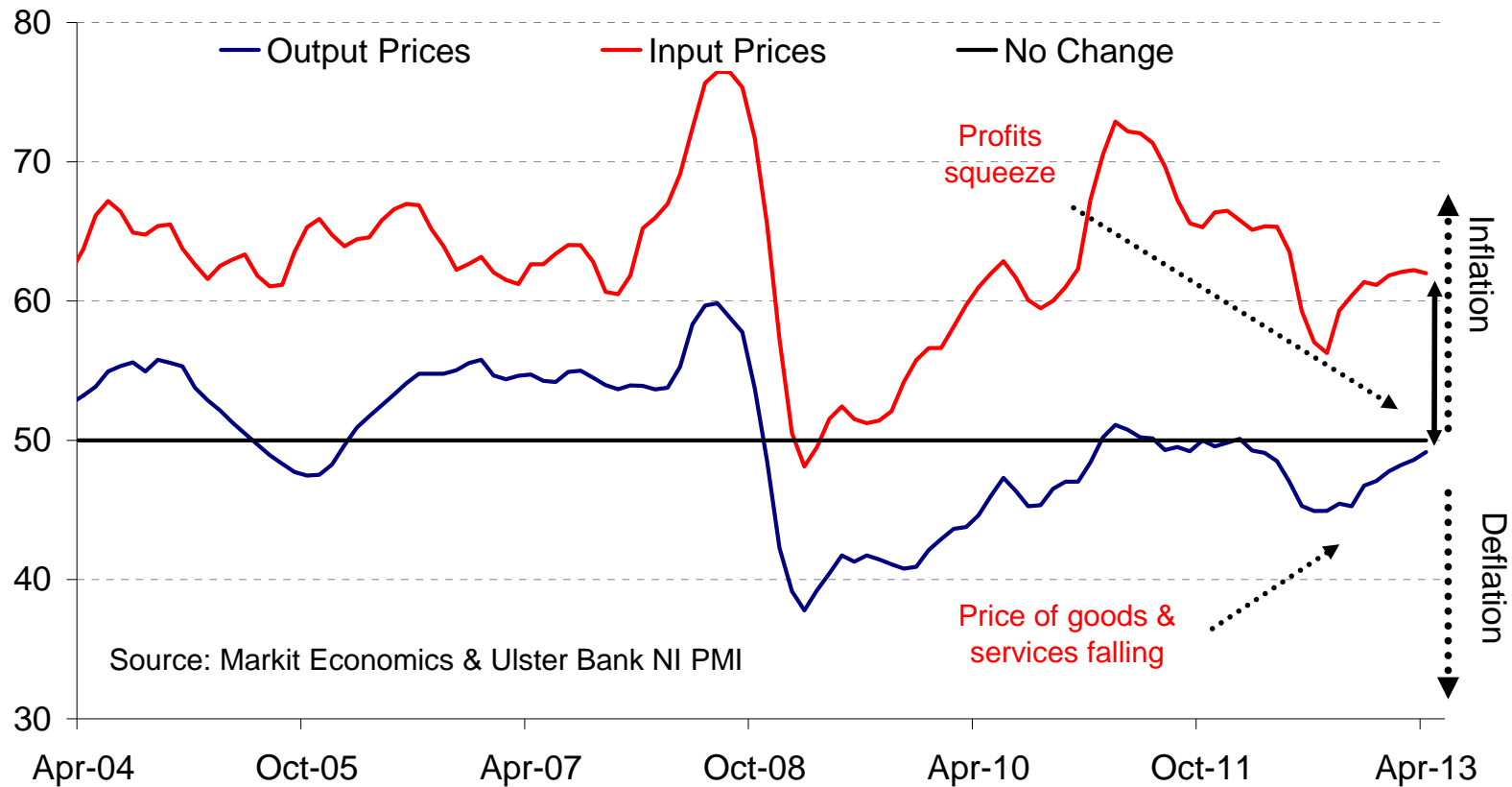
Monthly



# Strong input cost inflation coupled with output price deflation means the profitability squeeze continues

## NI Private Sector Profit Squeeze

3 Month Moving Average



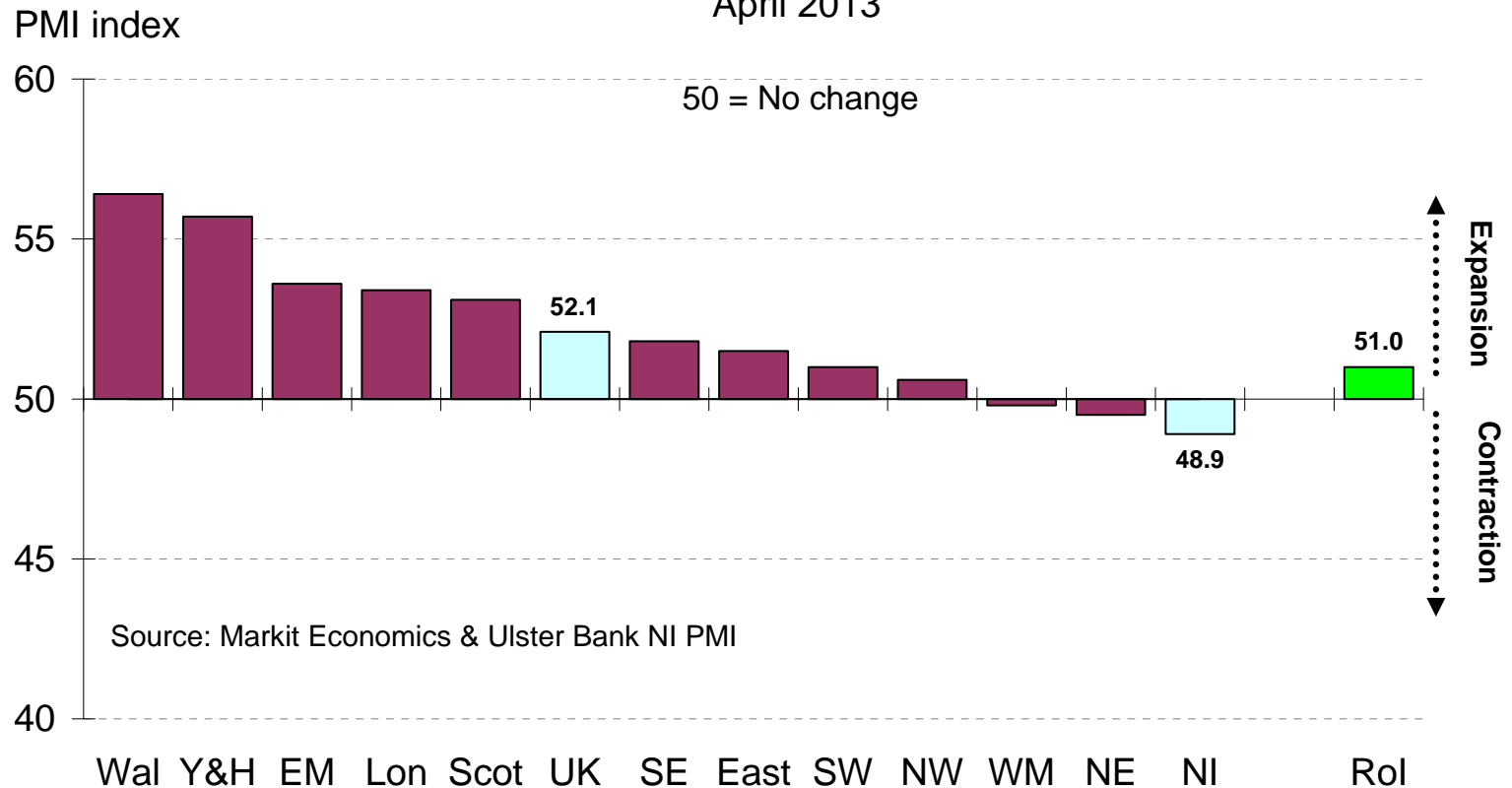
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# *Regional Comparisons*

## 3 UK regions post a contraction in business activity

### Output / Business Activity

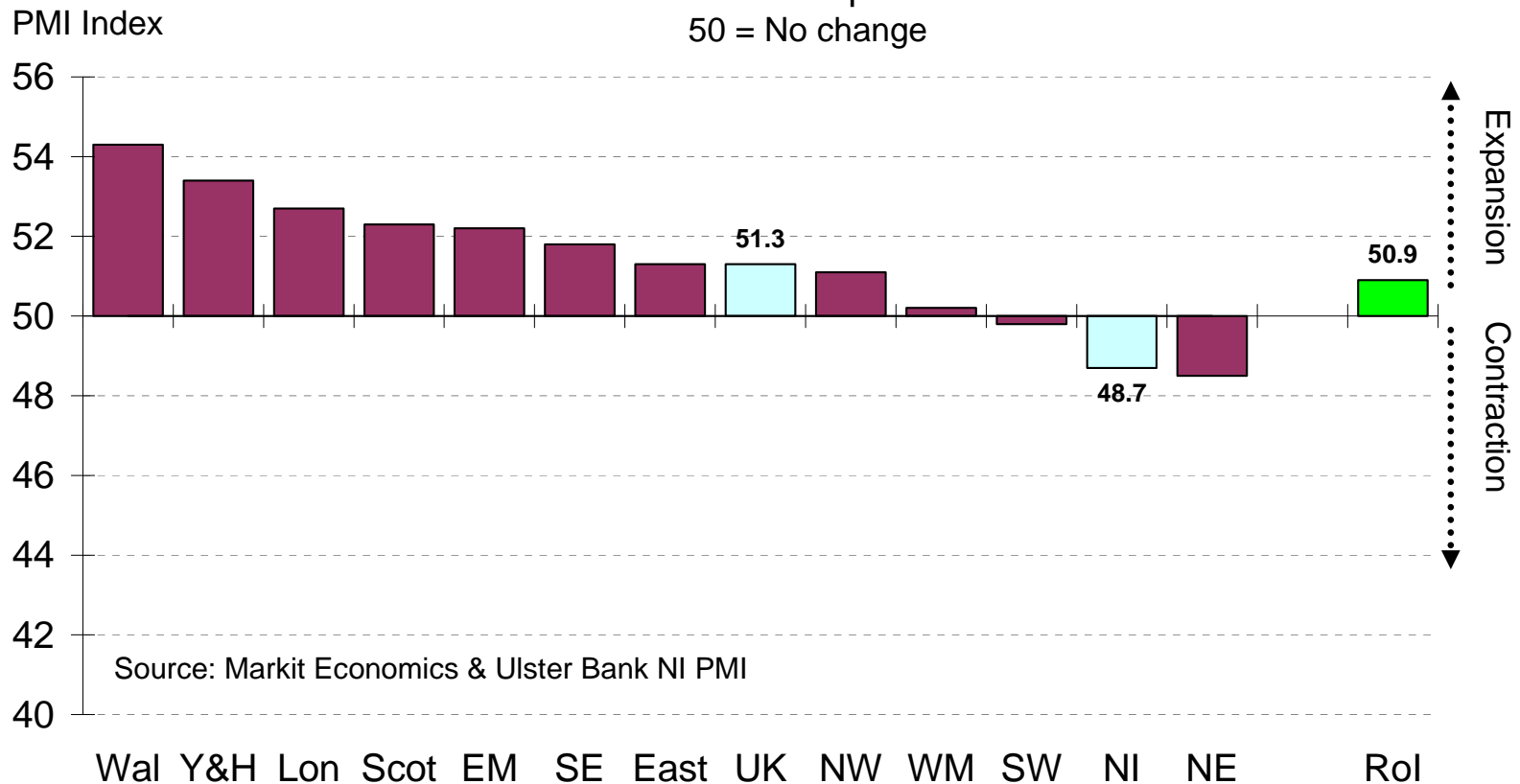
April 2013



# The North East posts the sharpest rate of decline over the last 3 months followed by NI...

## Output / Business Activity

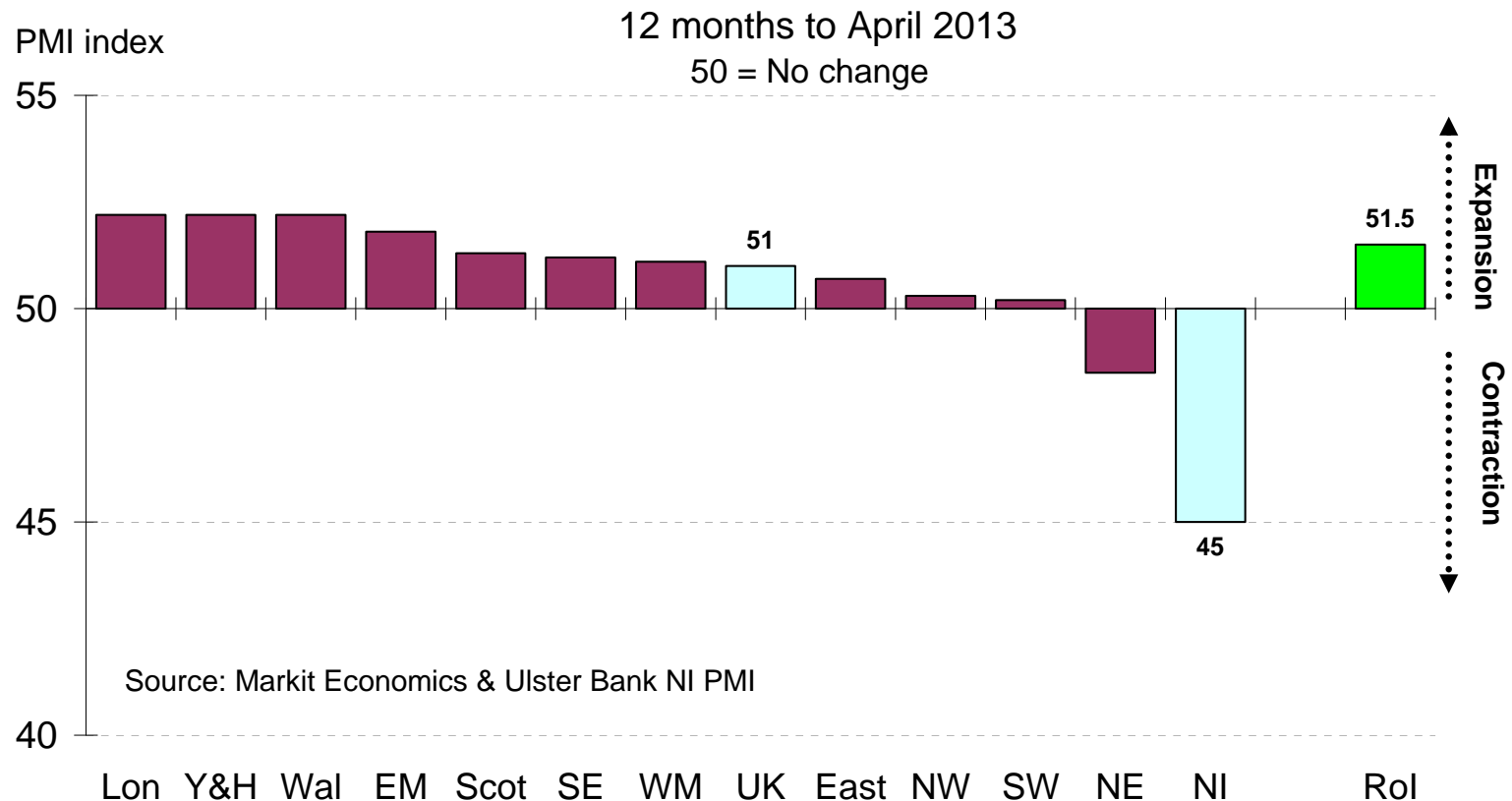
3 months to April 2013  
50 = No change



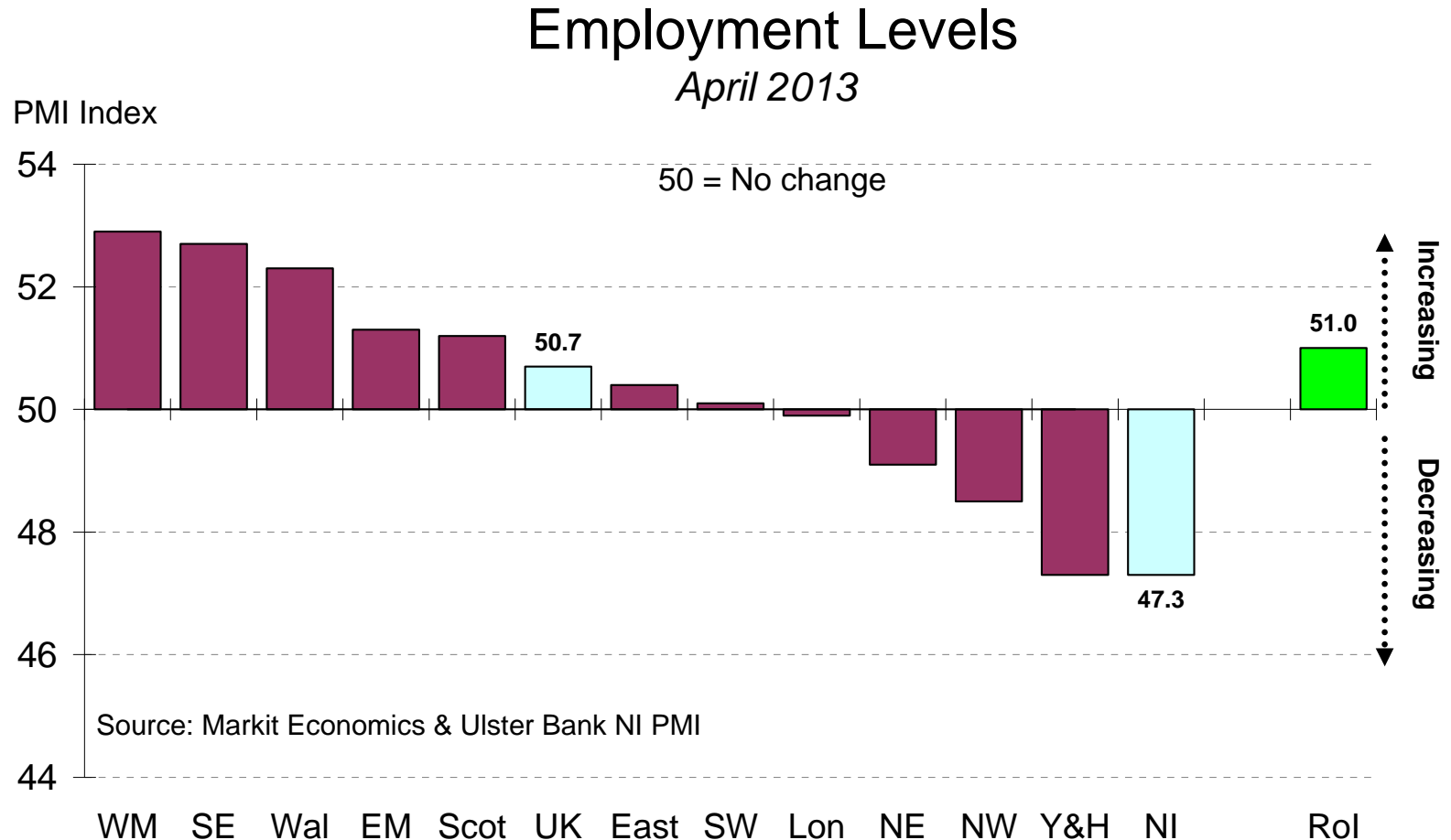


...but NI has posted the steepest decline over the last 12 months

## Output / Business Activity



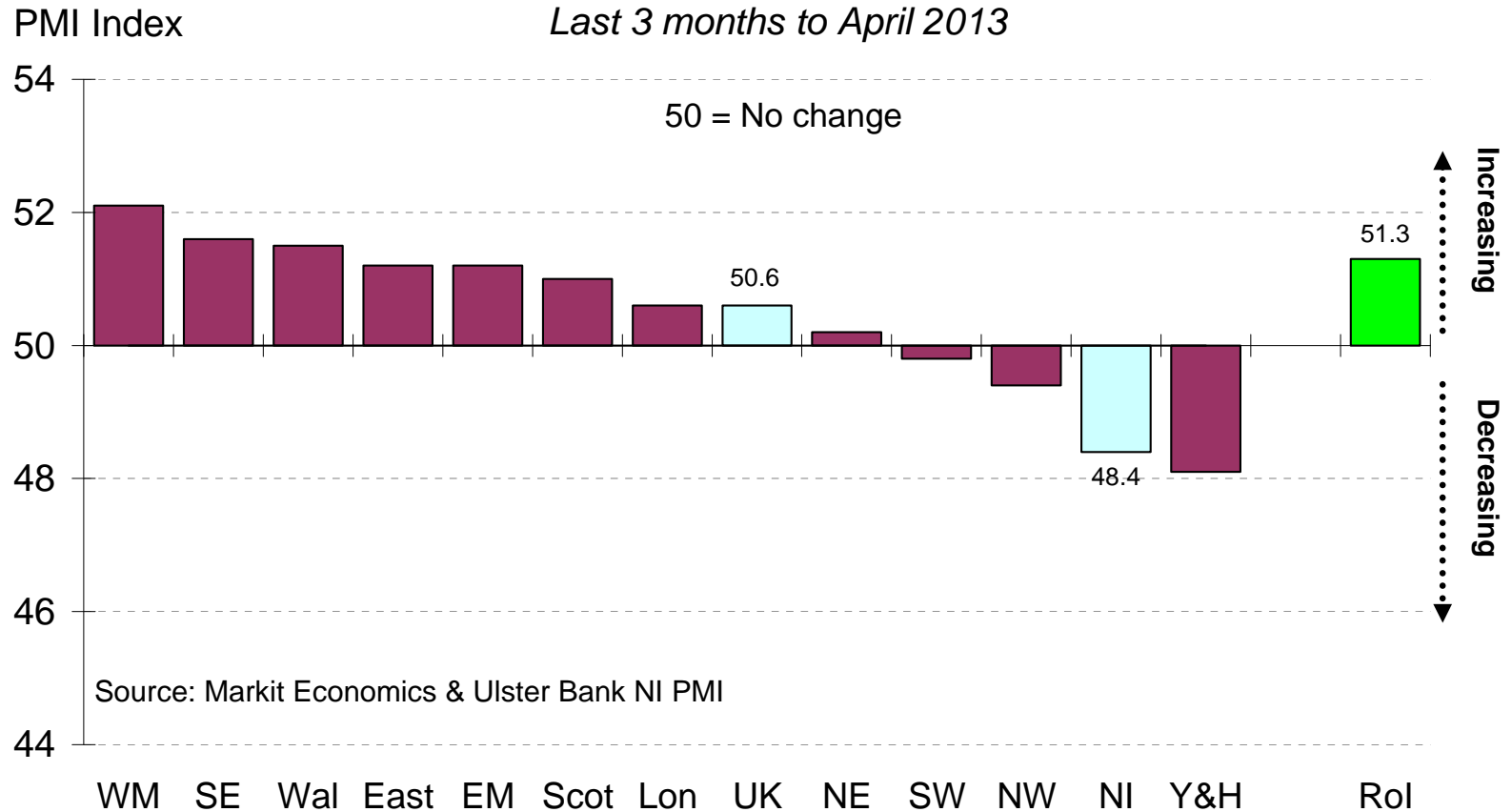
# Four English regions & NI report falling employment levels in March ...



...and 4 UK regions (*incl. NI*) post job losses over last 3 months...

## Employment Levels

*Last 3 months to April 2013*

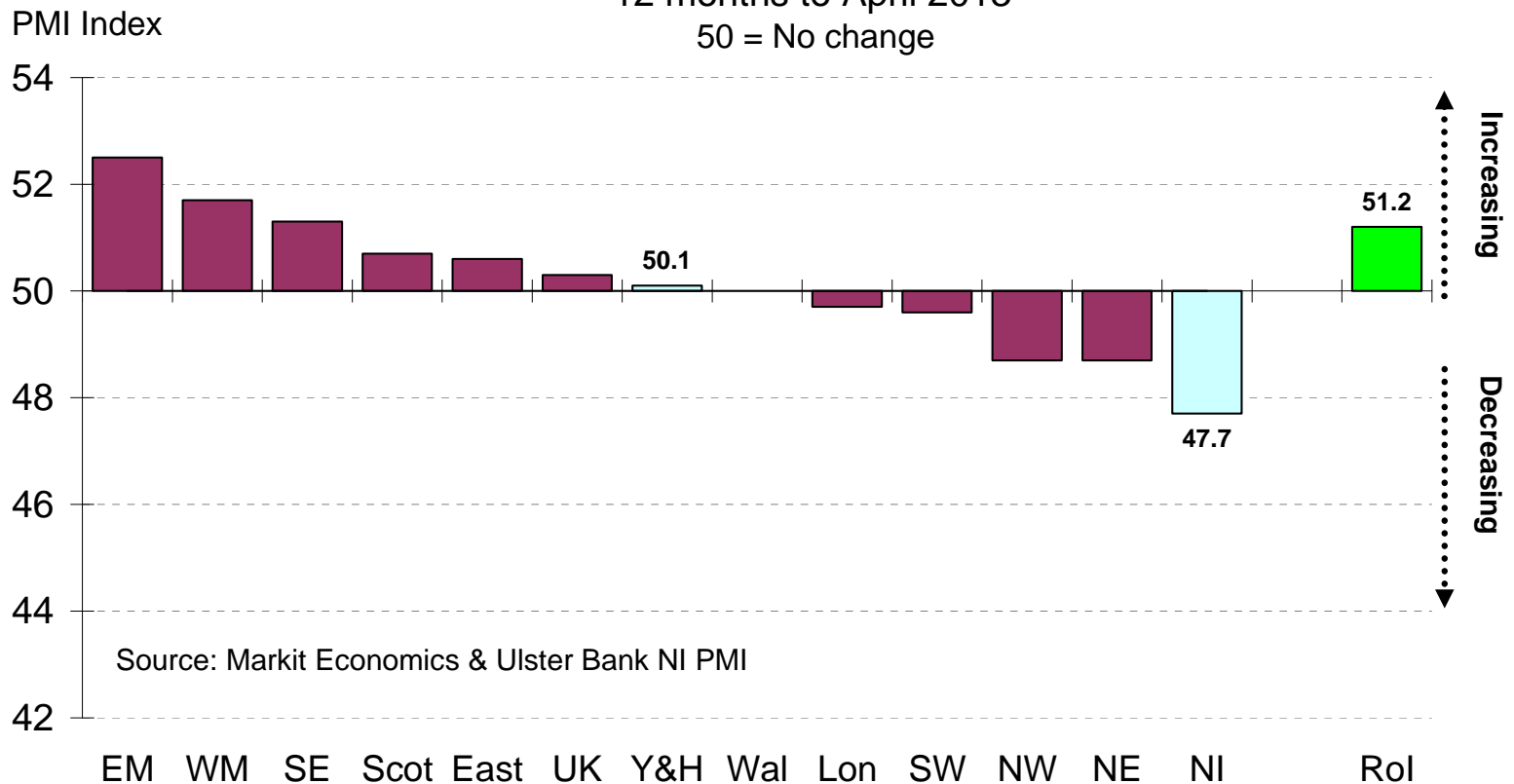


# NI posts the steepest decline in employment over the last 12 months

## Employment Levels

12 months to April 2013

50 = No change

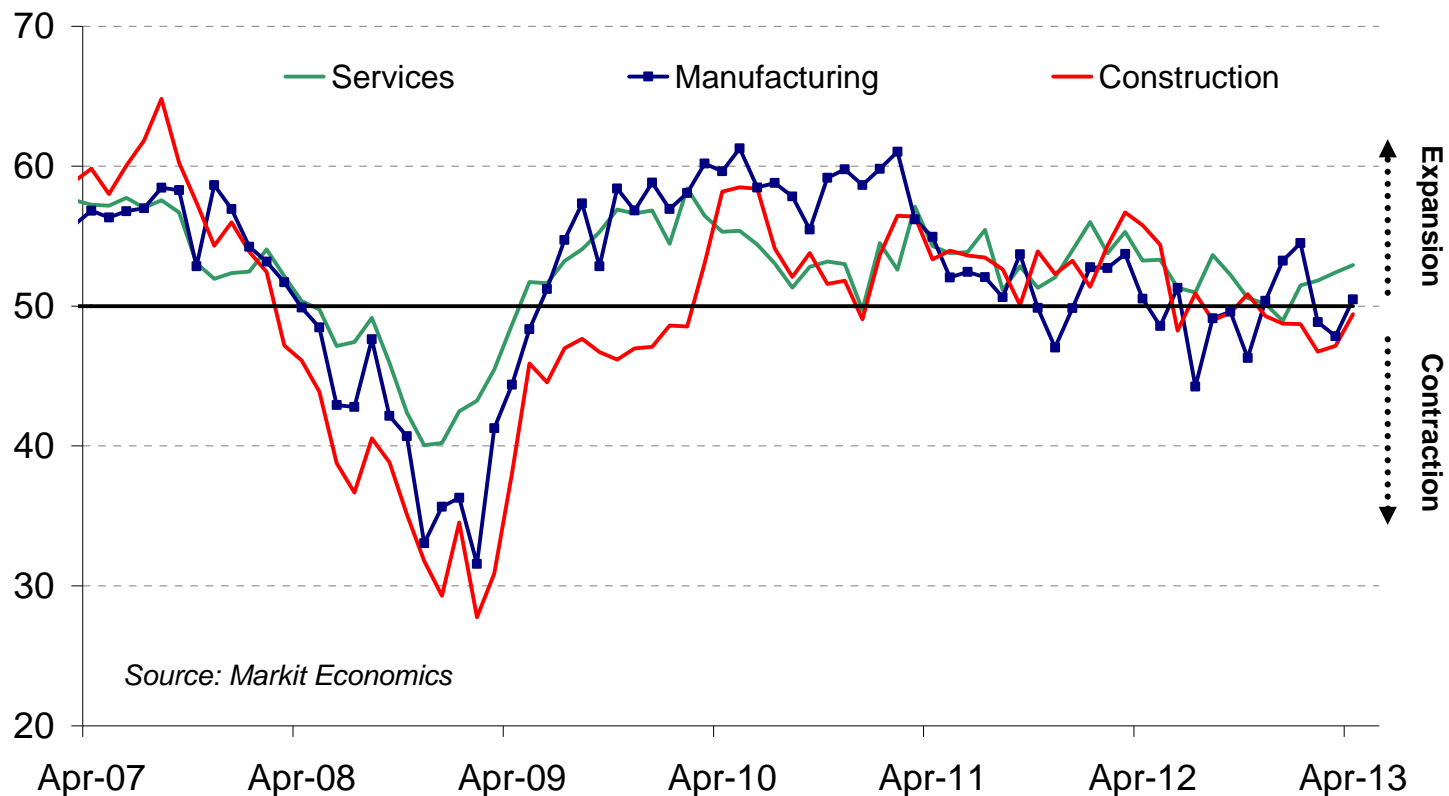


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# *Sectoral Comparisons*

# UK service sector growth accelerates in April with manufacturing back above the 50 threshold

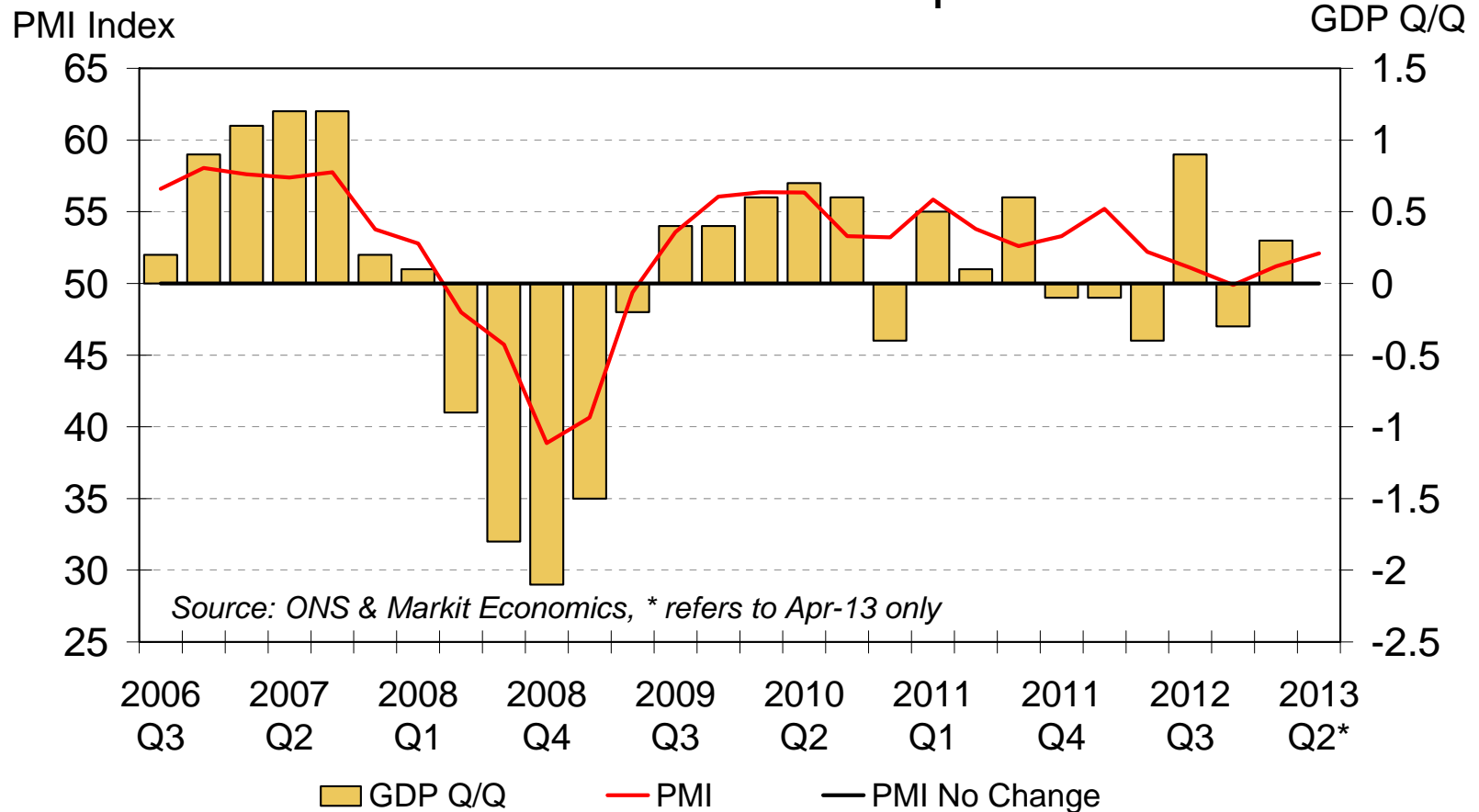
## UK Business Activity / Output - PMIs





# ‘Triple-dip’ recession avoided. UK composite PMI for April suggests further growth in Q2

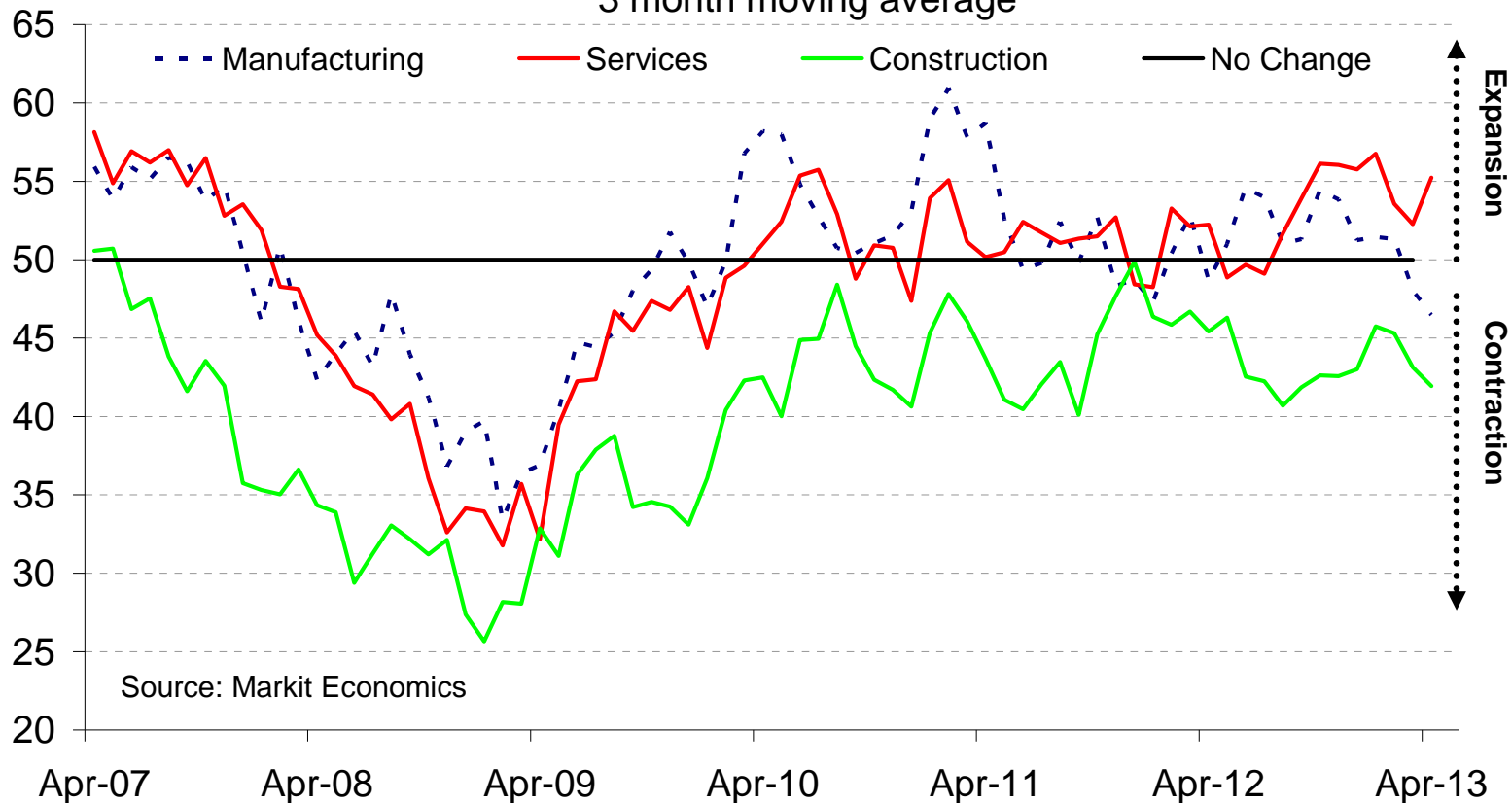
## UK GDP versus UK Composite PMI



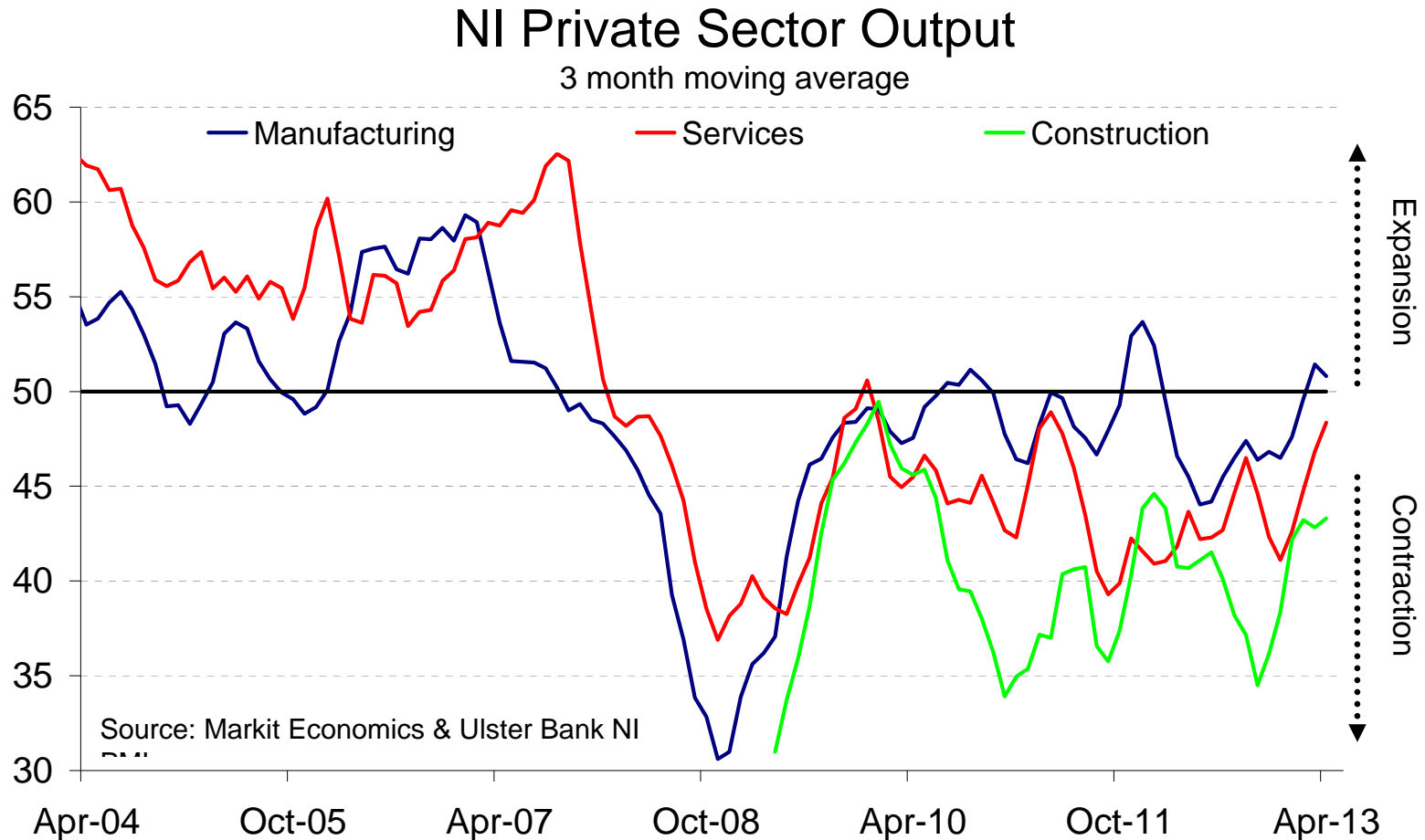
# Rol's services sector sees a pick up in growth but the rate of decline accelerates for construction & manufacturing

## Rol Business Activity - PMIs

3 month moving average



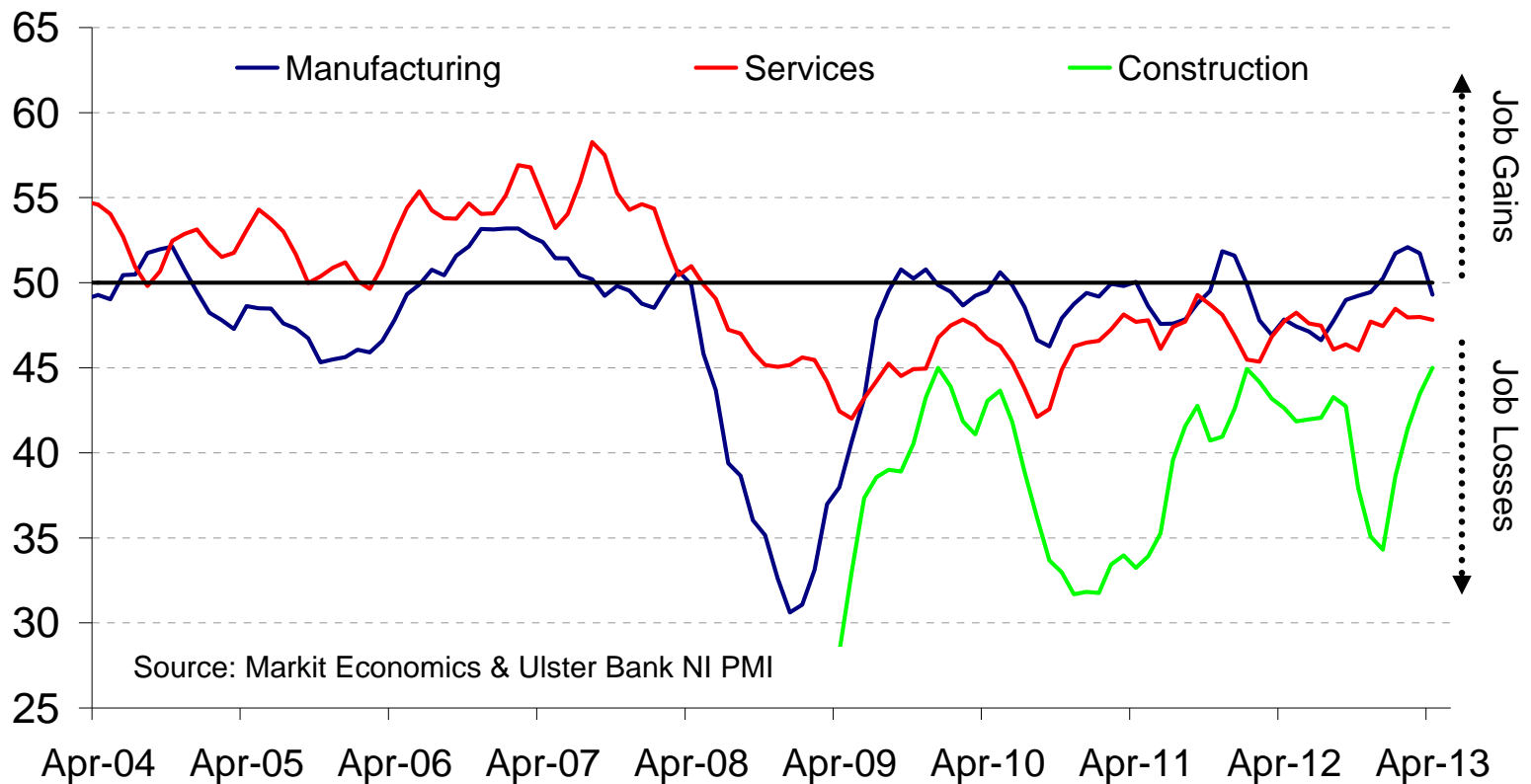
# NI services & construction sectors contracting but manufacturing is growing



...with all three sectors reporting falling employment levels

## NI PMI - Employment Index

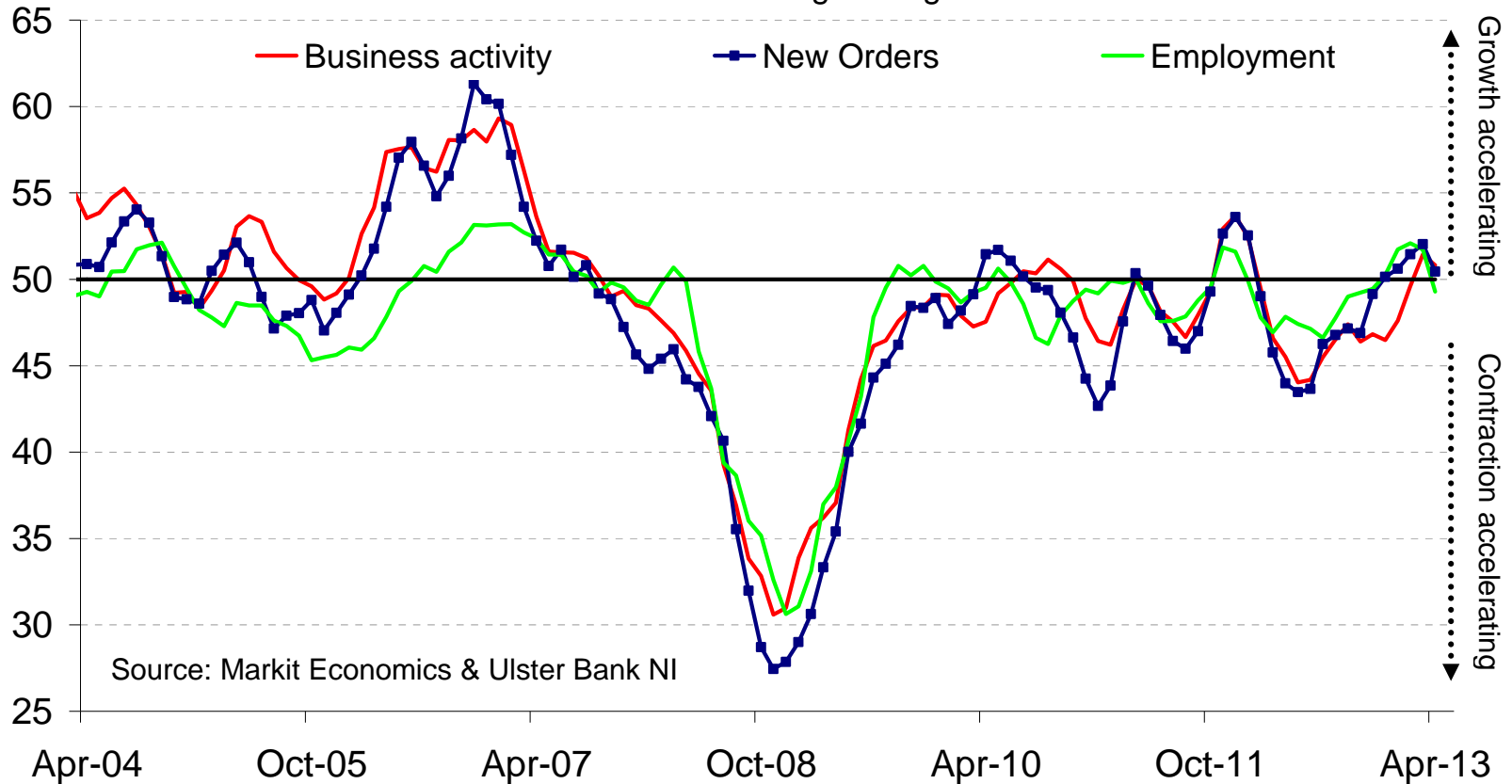
3 month moving average



# Manufacturing posts output & new orders growth over the last three months with modest fall in employment

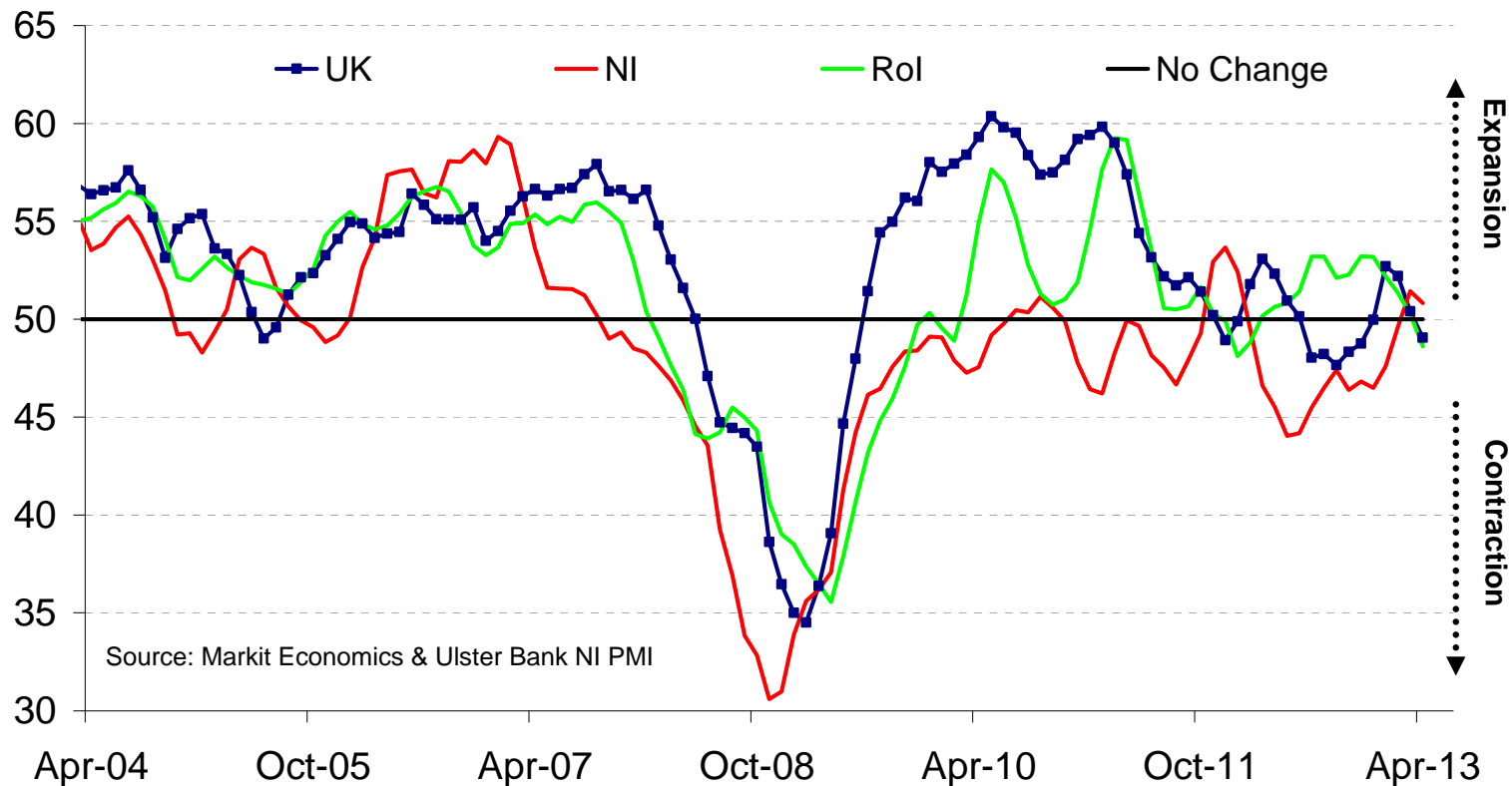
## NI Manufacturing Activity

3 month moving average

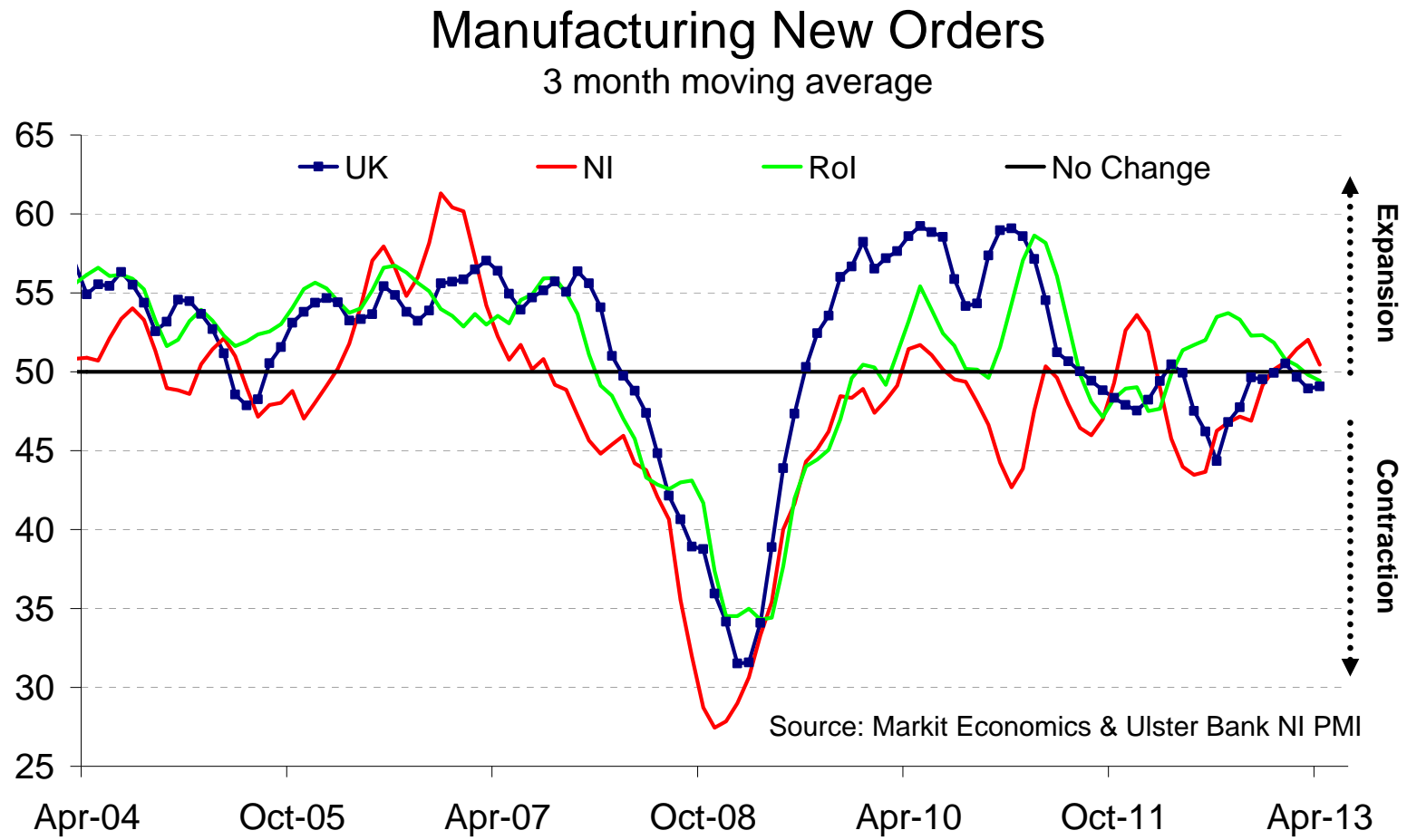


# NI outperforming the UK and the RoI in terms of manufacturing output growth

Manufacturing Output  
3 month moving average

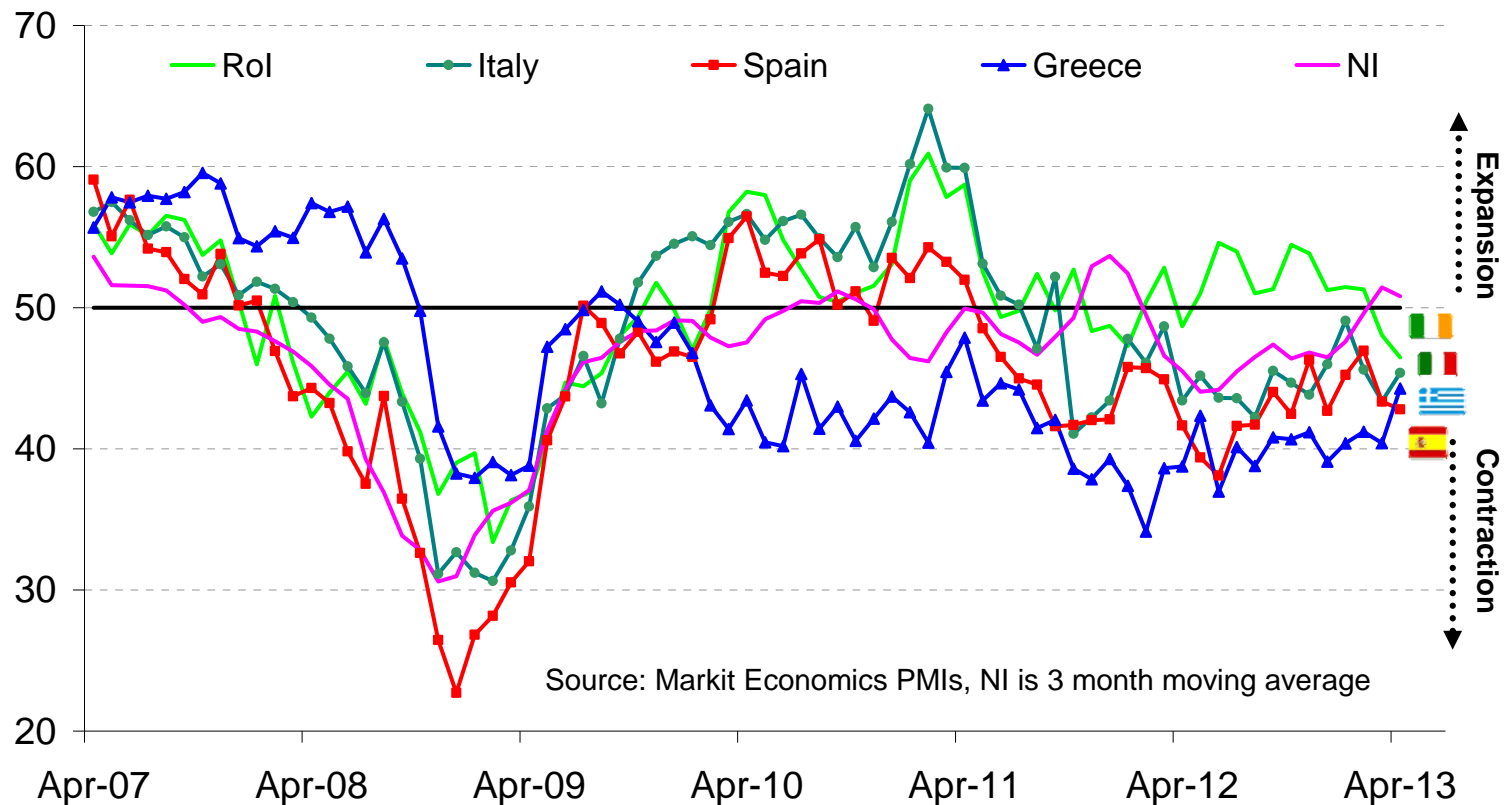


# NI posts the strongest growth in new orders



# N.Ireland is outperforming its European competitors, aided by sterling's ongoing weakness

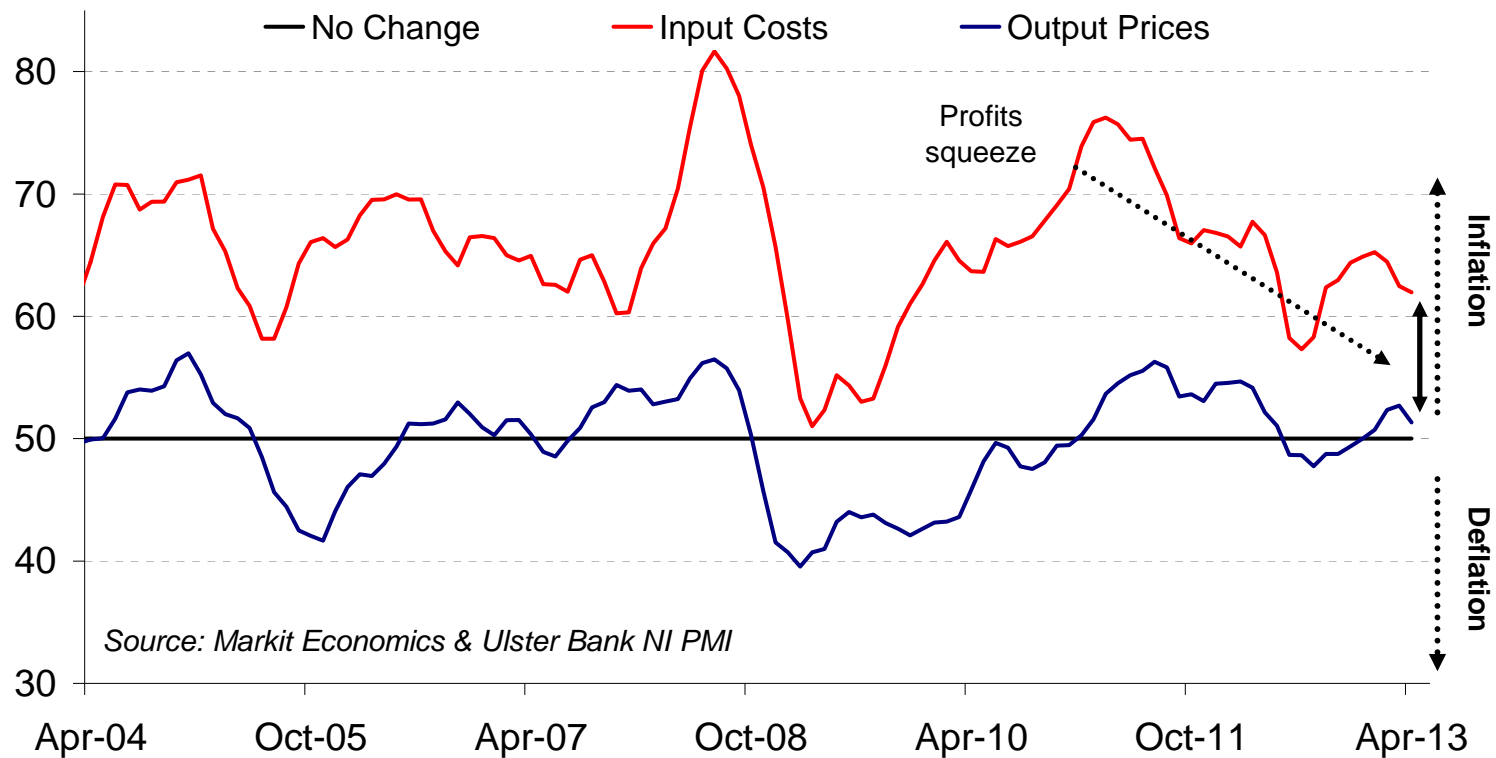
## Manufacturing Output - PMI



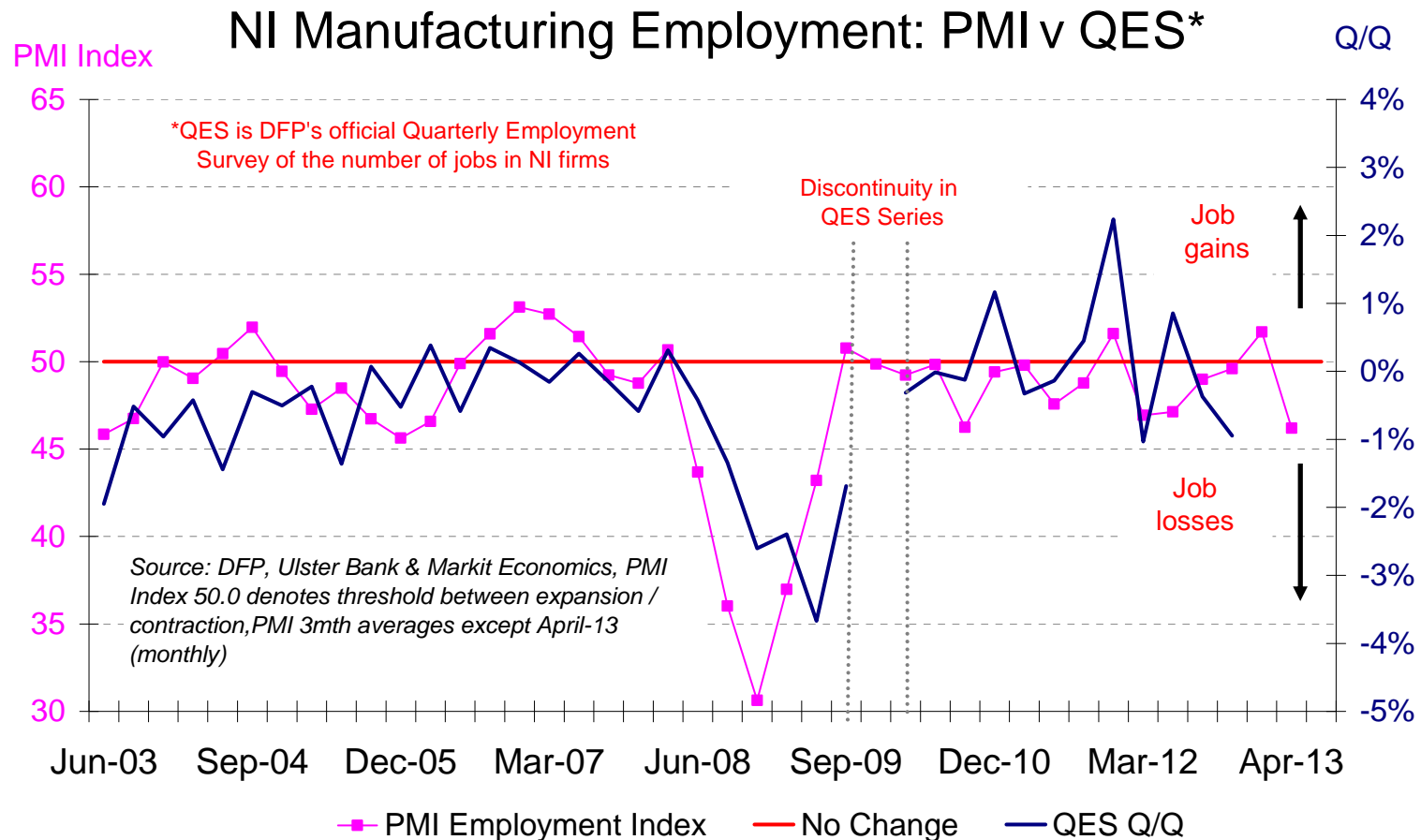


# Cost price inflation easing for local manufacturing firms and output prices are rising (*return of pricing power*)

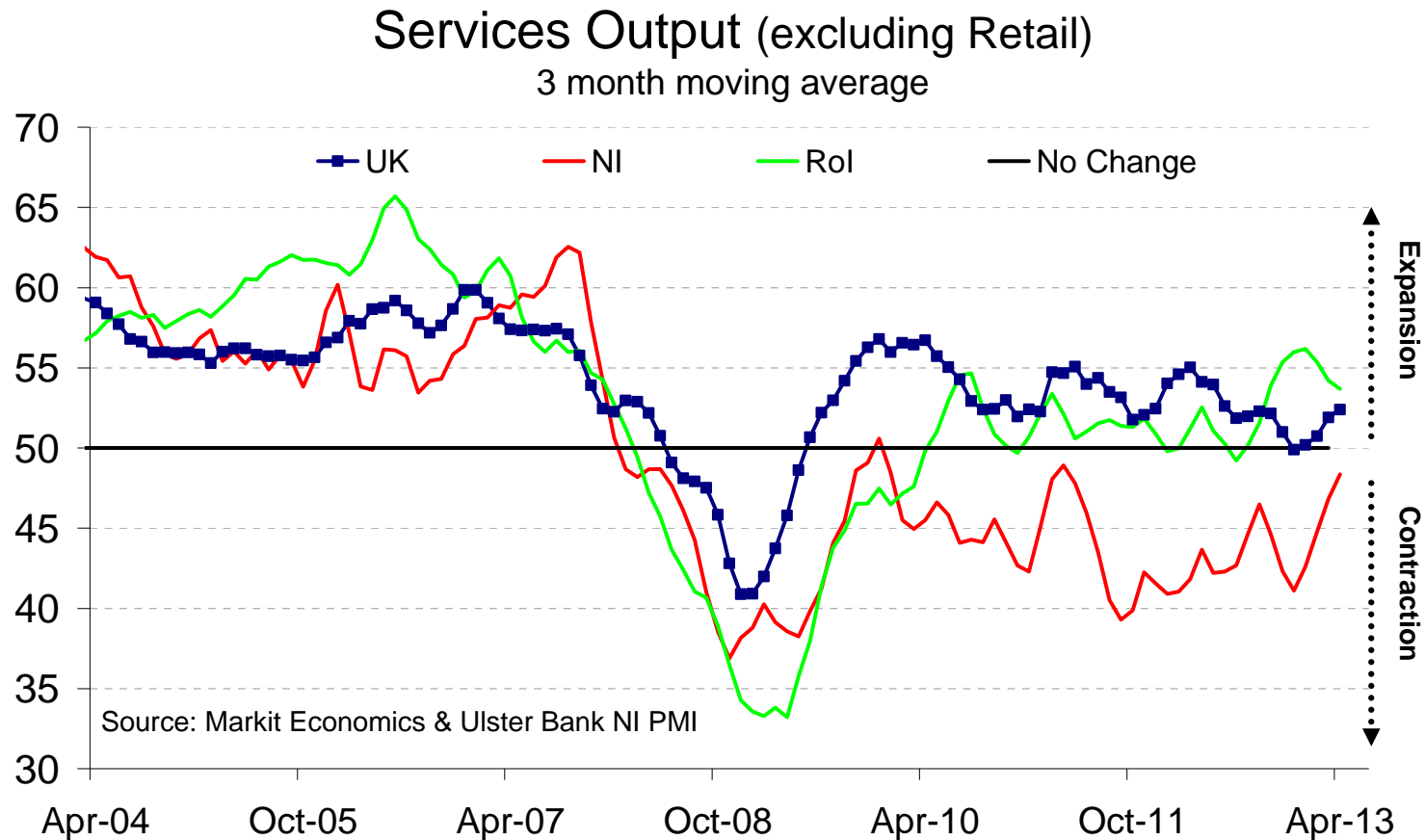
## NI Manufacturing Input & Output Inflation 3 month moving average



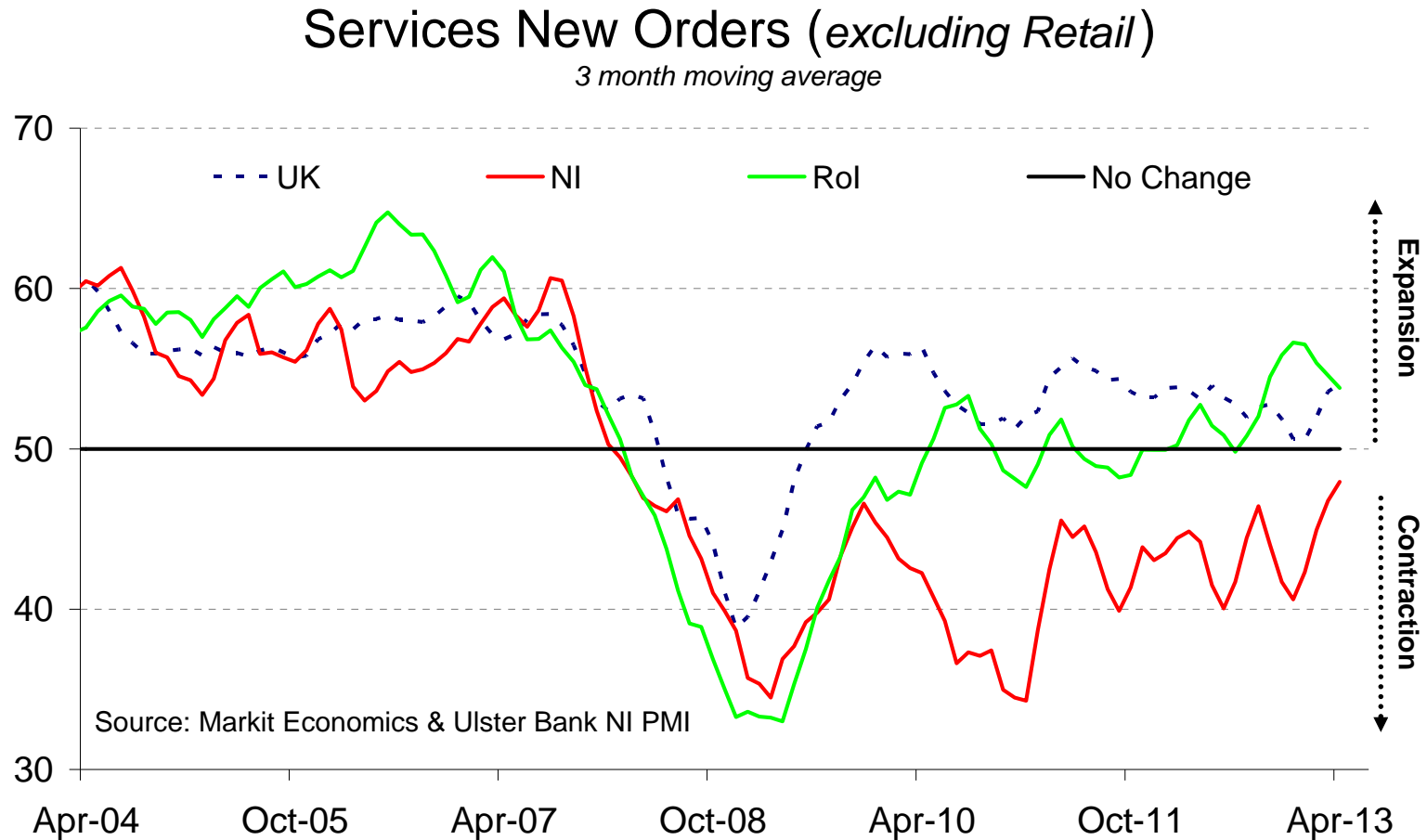
# PMI signals job gains in Q1 2013 followed by a fall in employment levels in April



# Rol & UK growth continues while NI's pace of decline eases

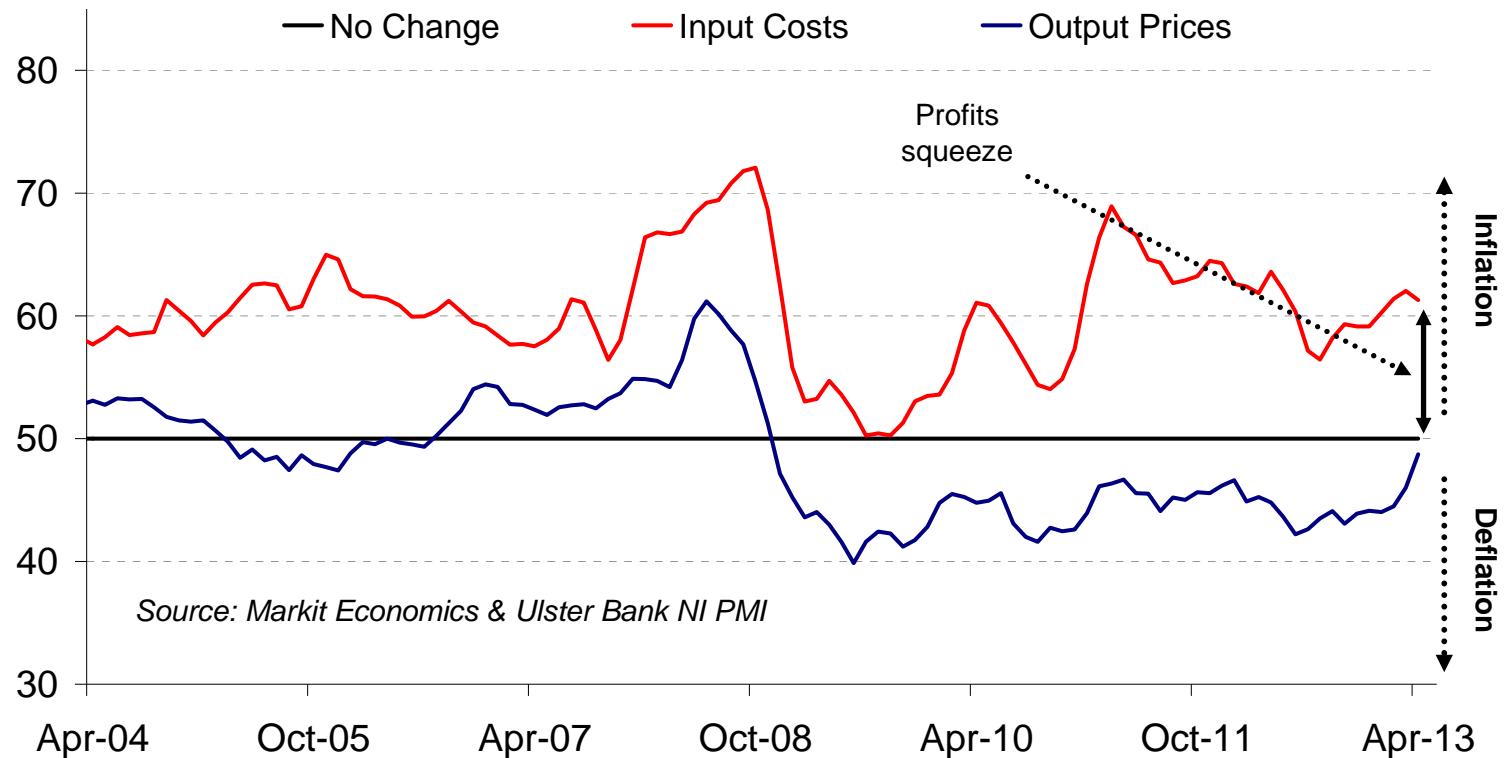


New orders growth slowing in the RoI & picking up in the UK. Meanwhile NI is still contracting albeit at a weaker rate

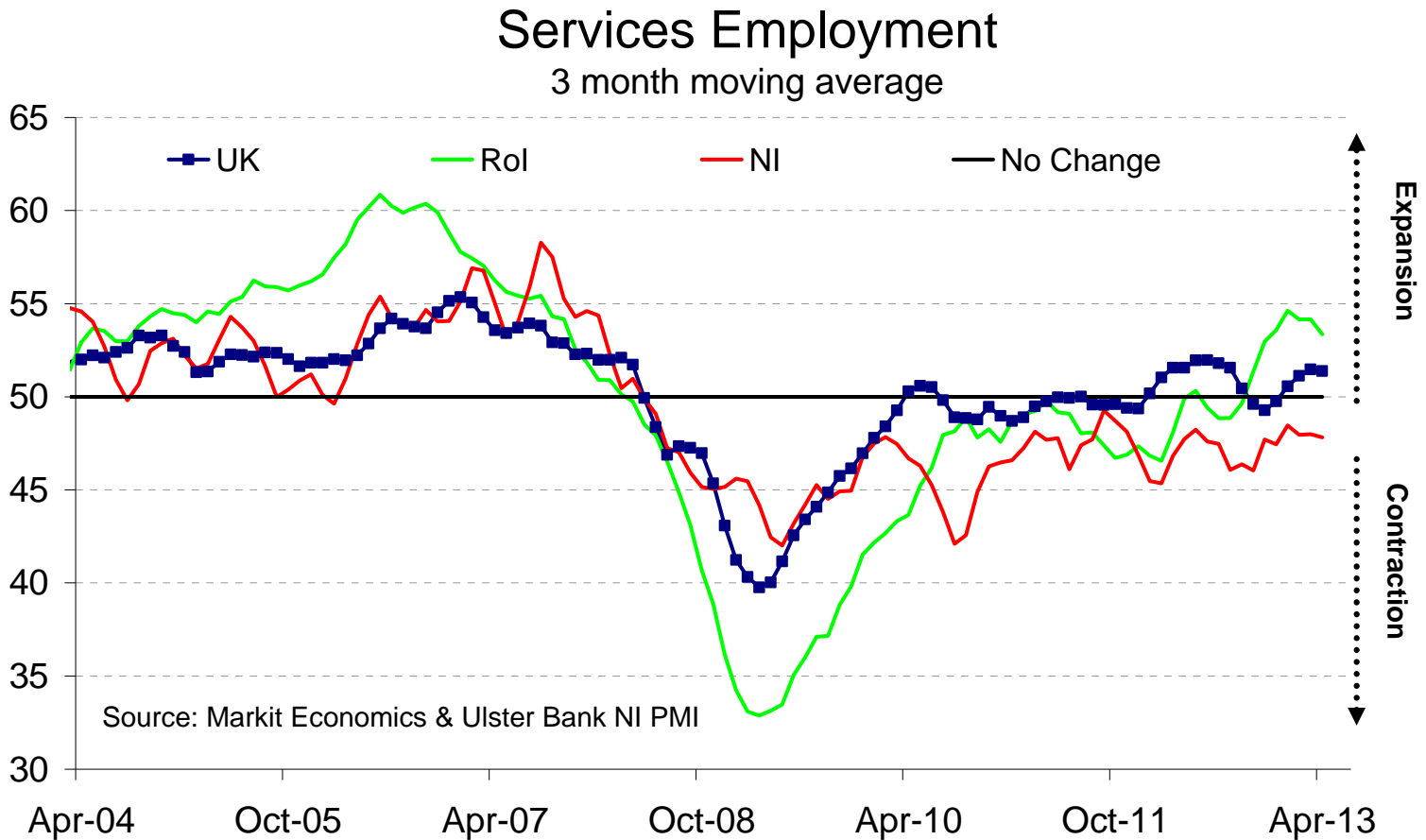


# NI's services sector raised prices for its goods & services in April for the first time since September 2008

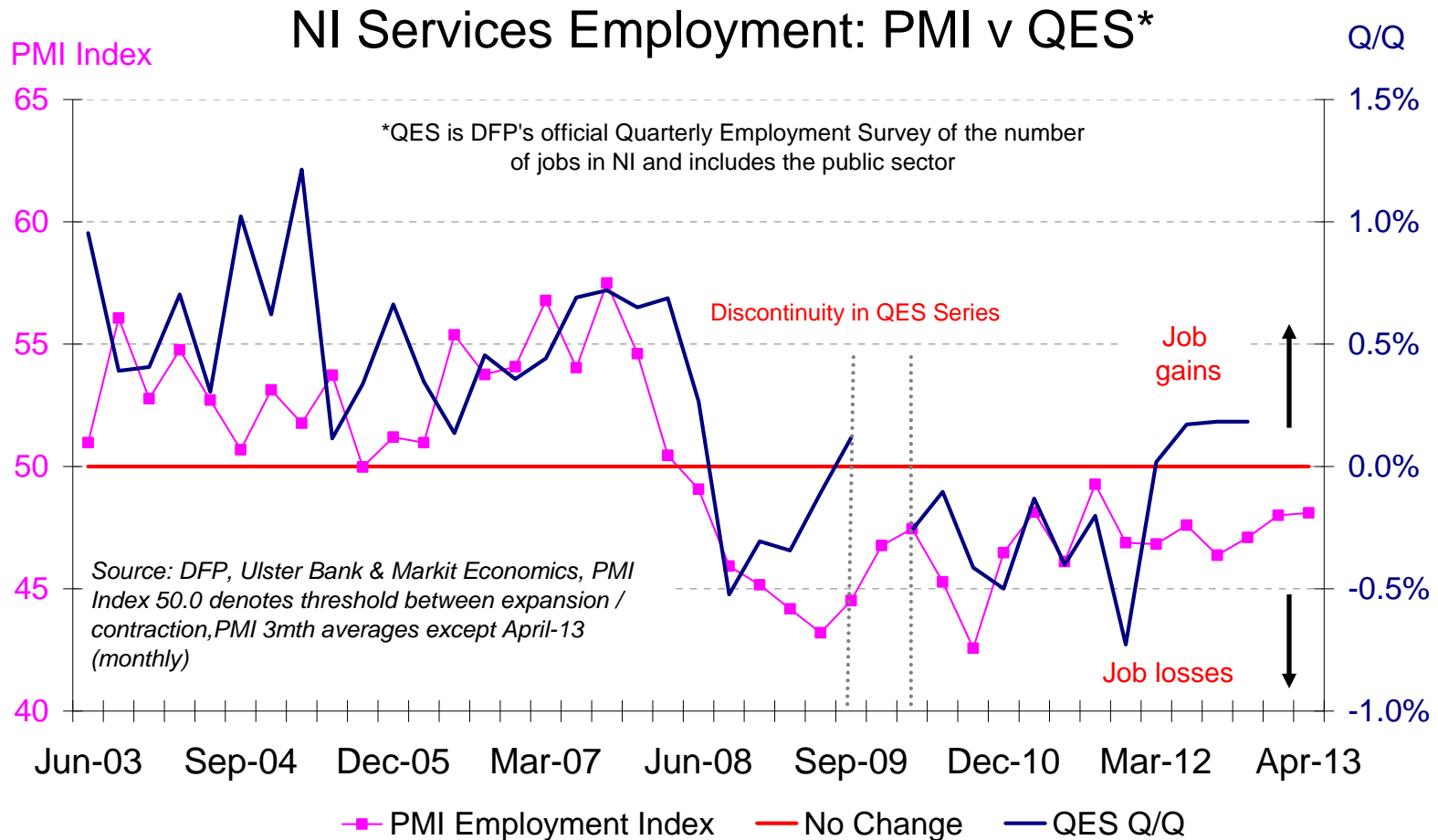
## NI Services Input & Output Inflation 3 month moving average



...with employment levels still falling in NI over the last three months



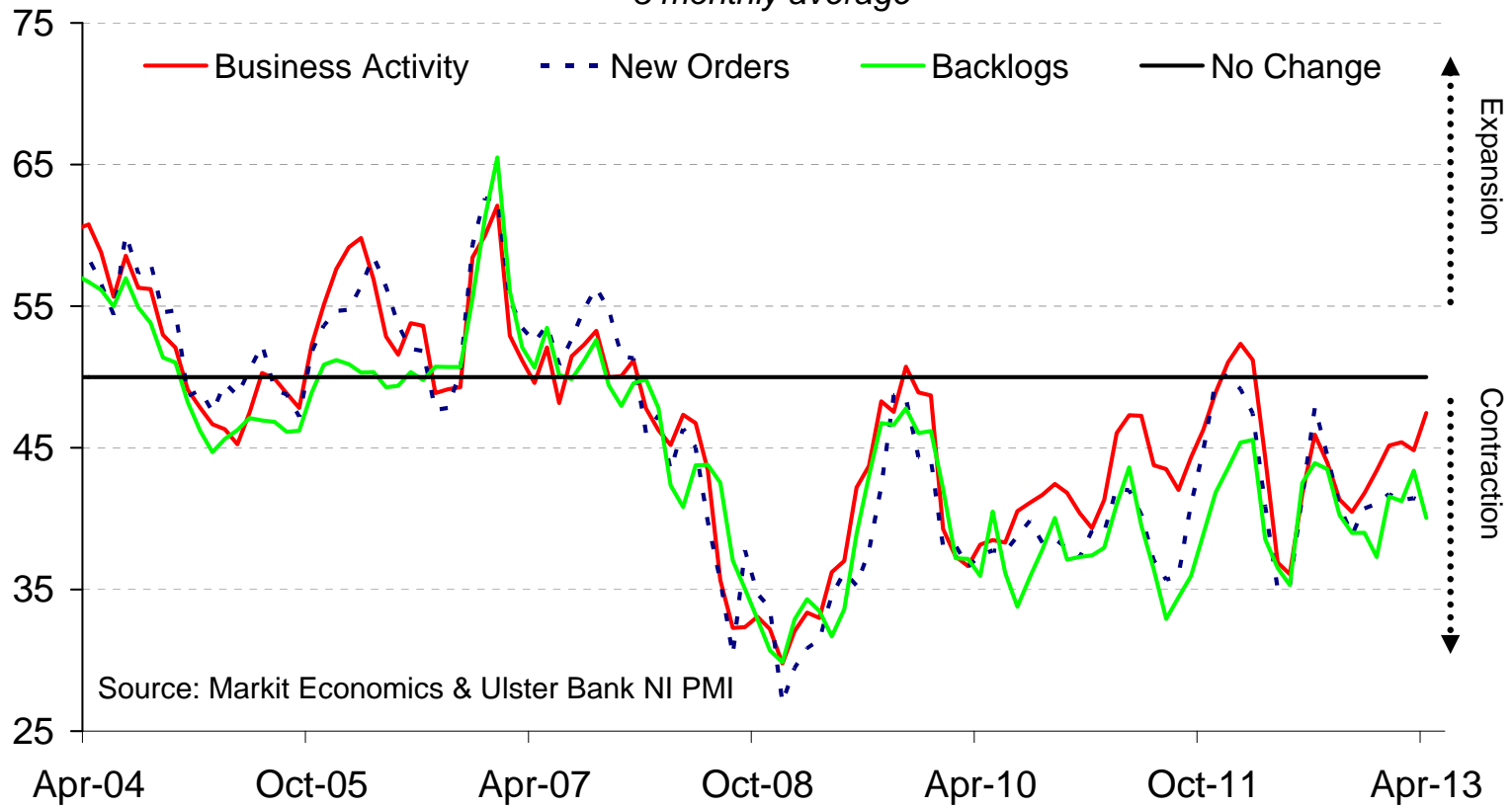
# The services PMI underestimated modest employment gains in Q2-Q4 & signals modest decline in Q1 2013



## Local retailers still reporting falling orders & activity

### Northern Ireland Retail PMI

3 monthly average

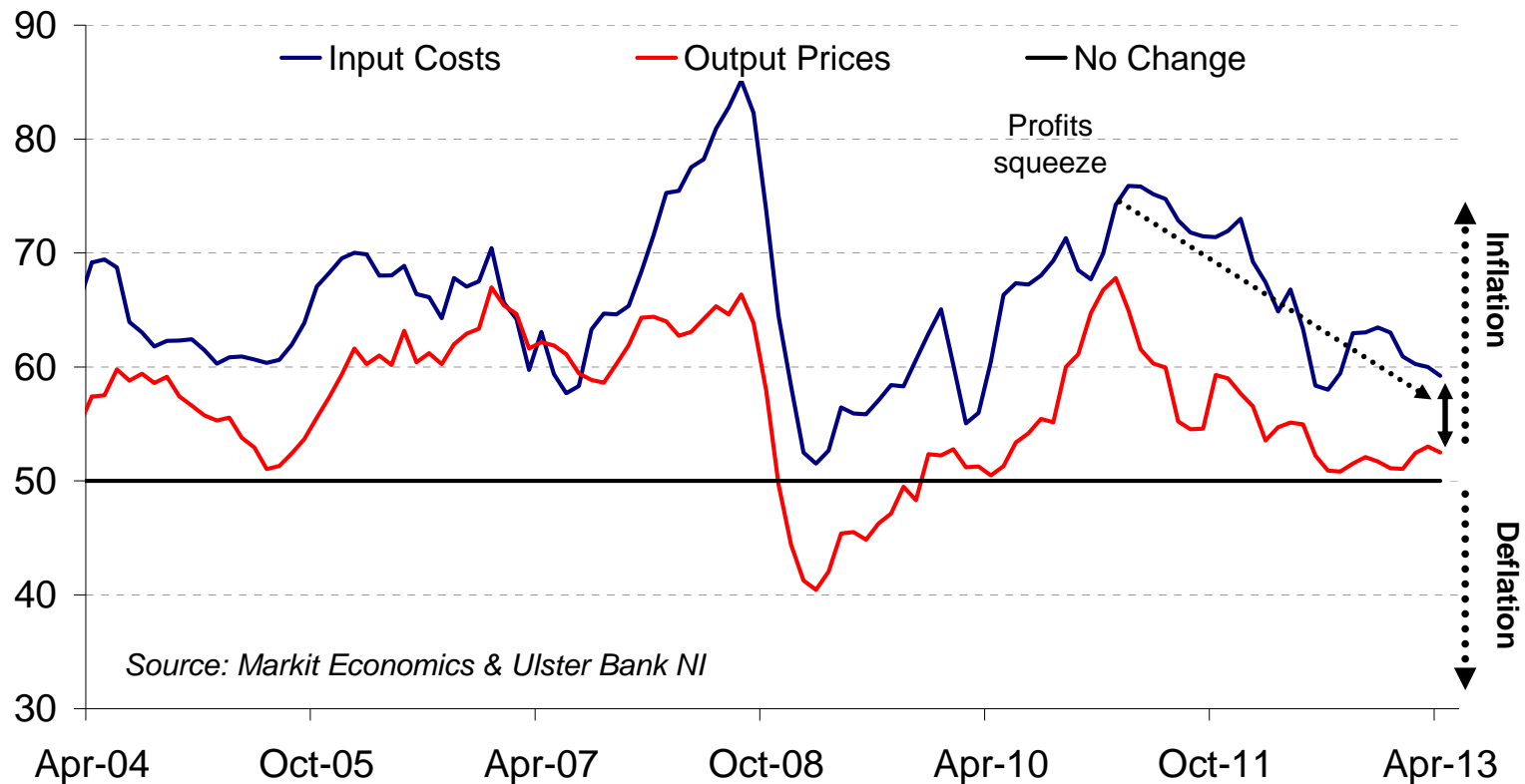




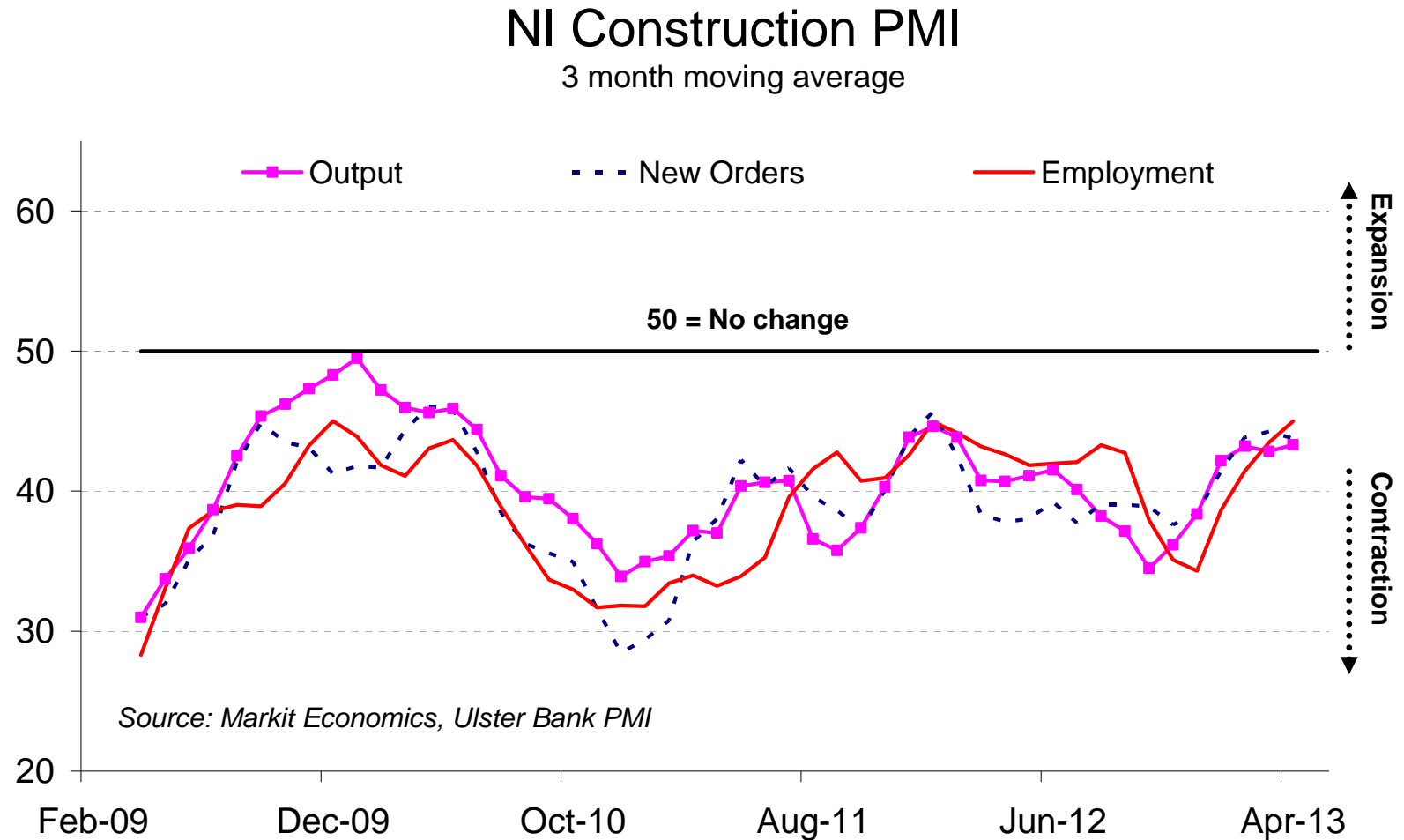
# Profits squeeze on local retailers appears to be easing

## NI Retail Input & Output Inflation

3 month moving average



# NI construction sector still in the midst of a severe downturn

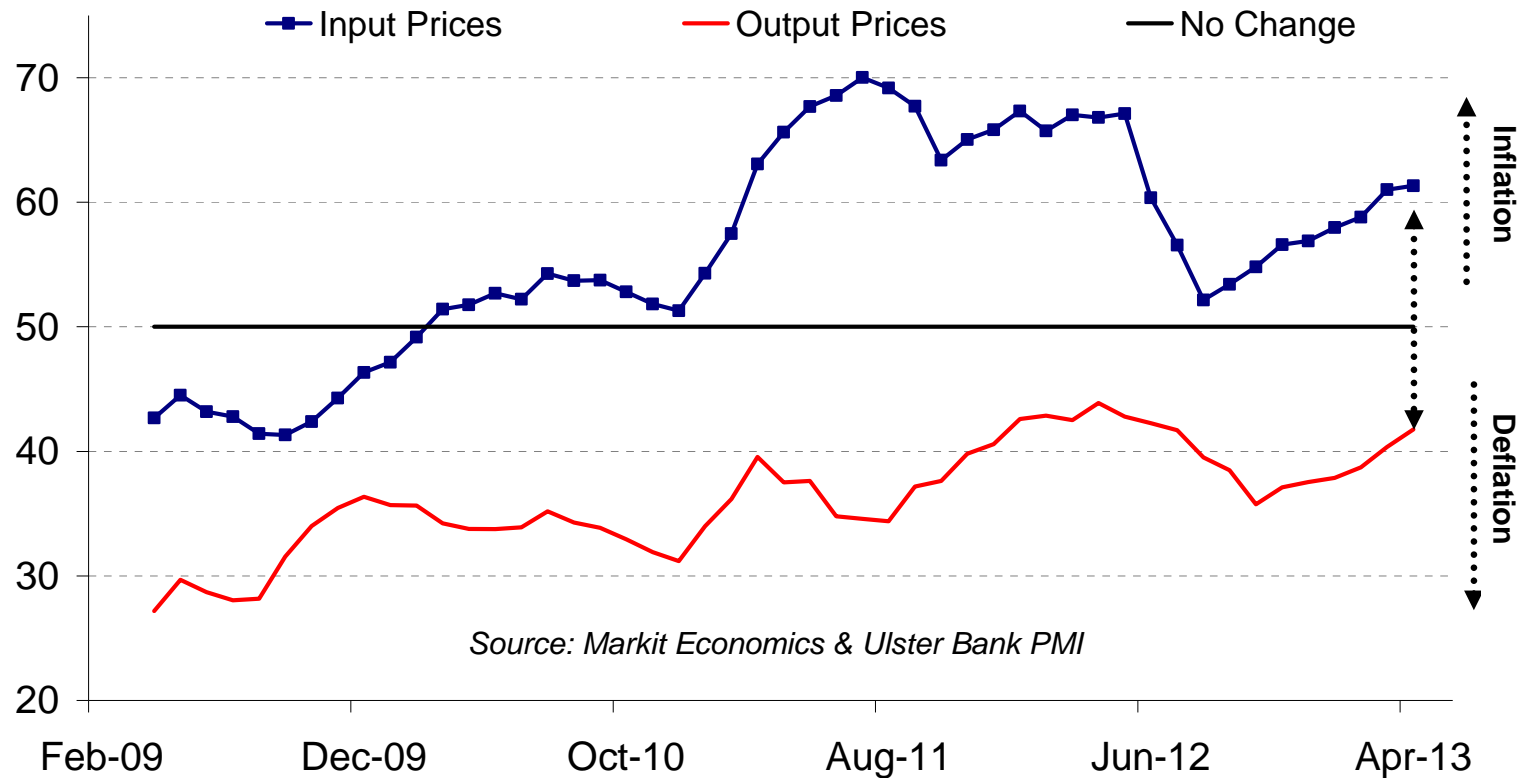


...with profits squeeze continuing

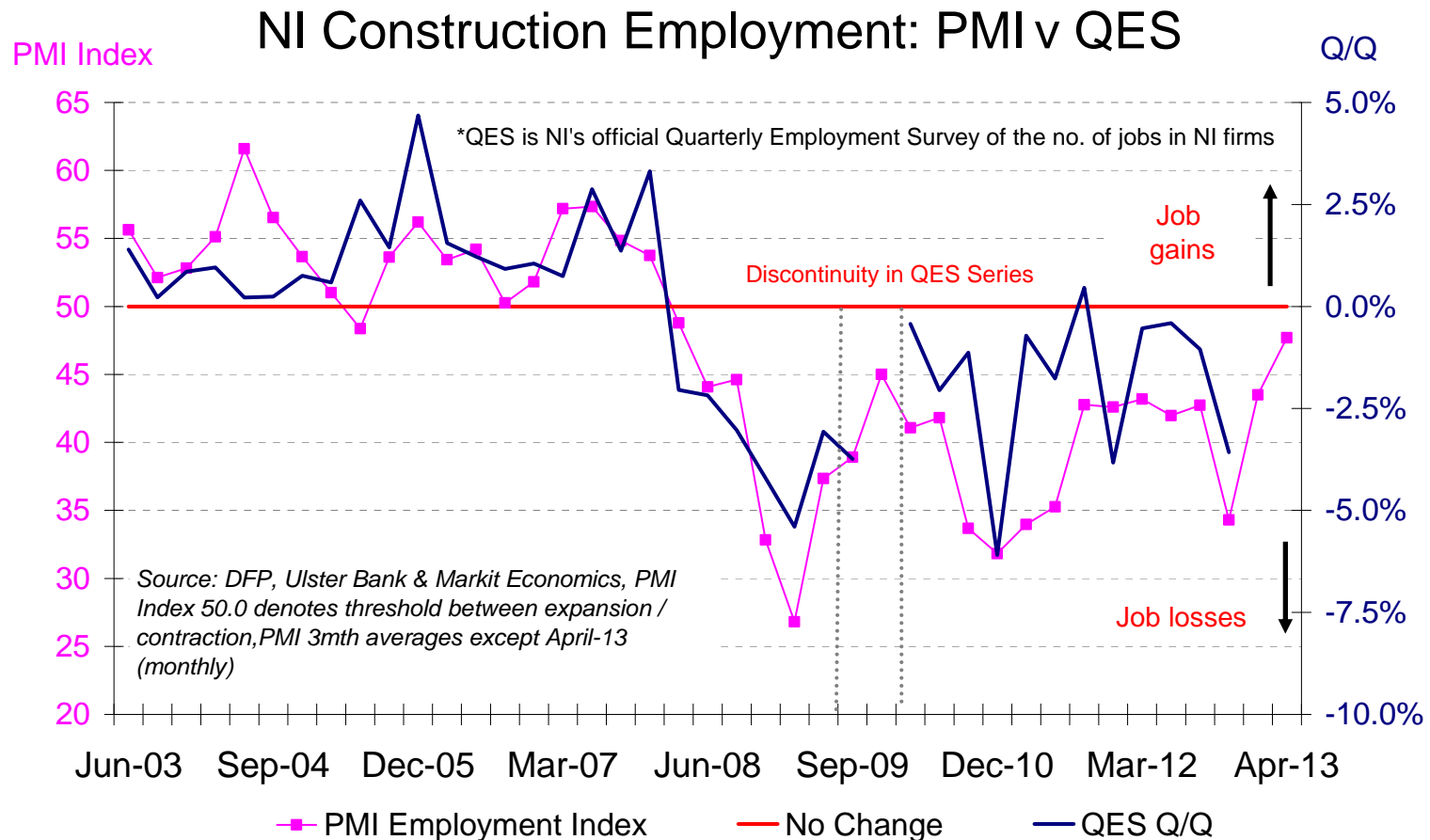
## NI Construction Sector Profits Squeeze

3 month moving average

PMI Index



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

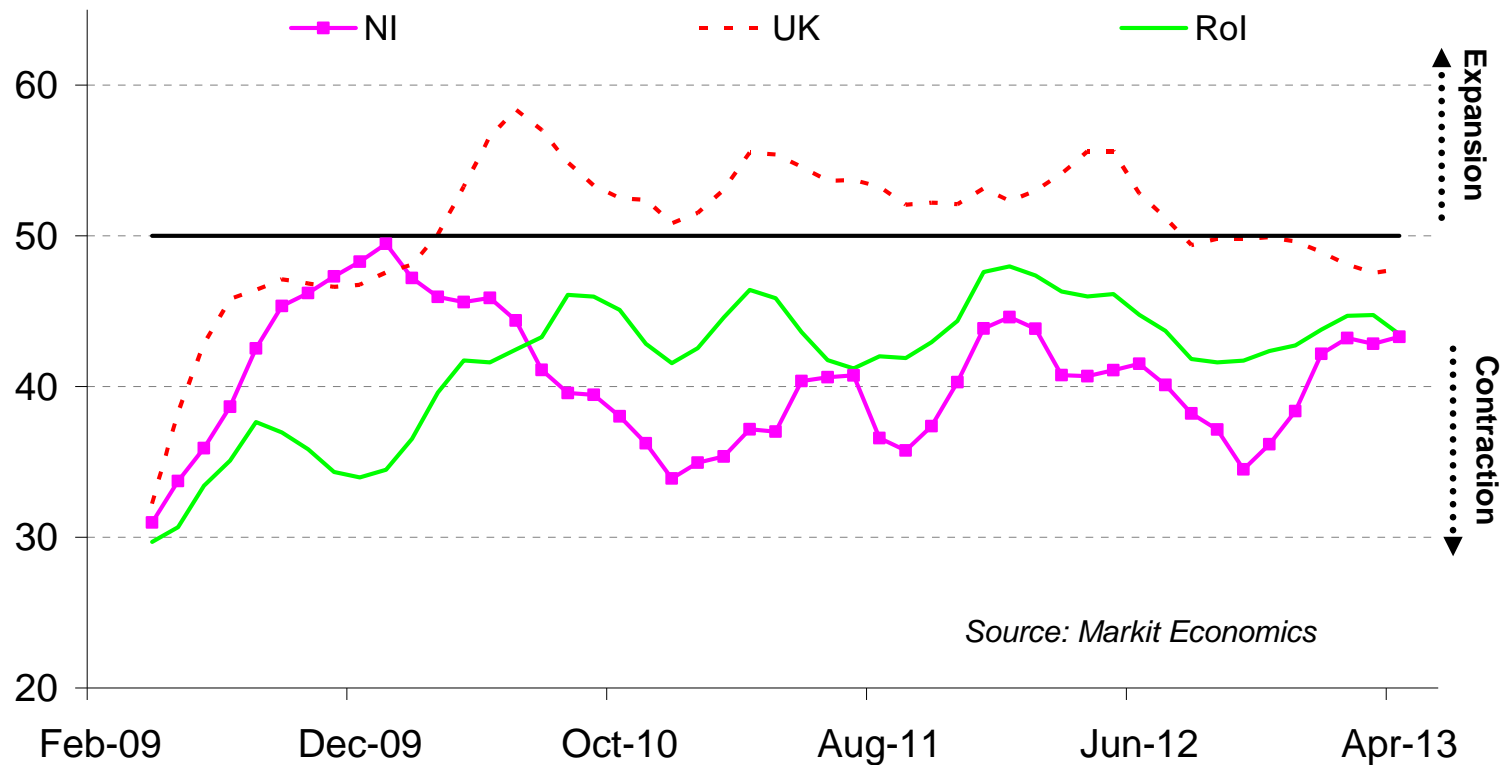


# UK, RoI & NI all post contractions in construction output

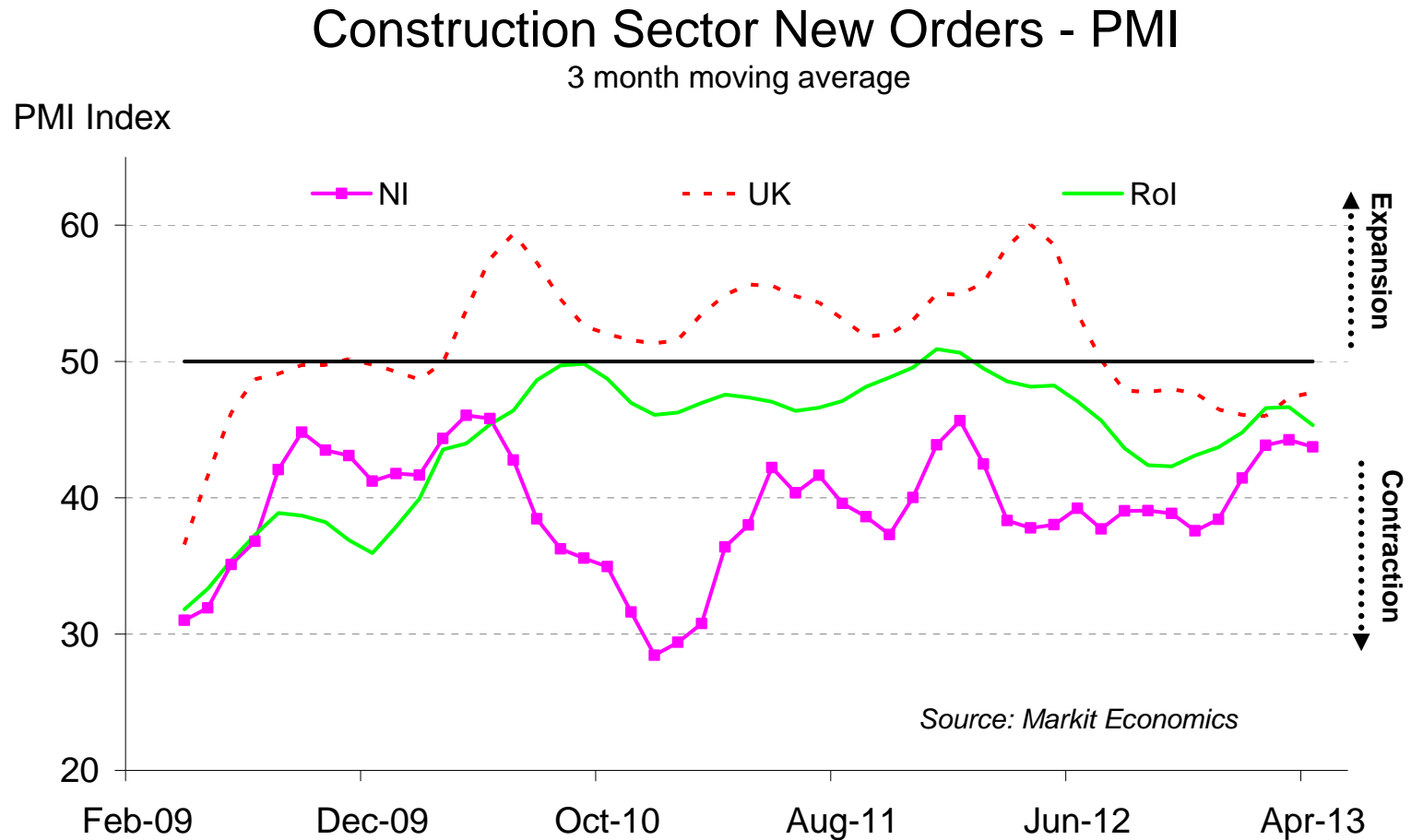
## Construction Sector Output - PMI

3 month moving average

PMI Index



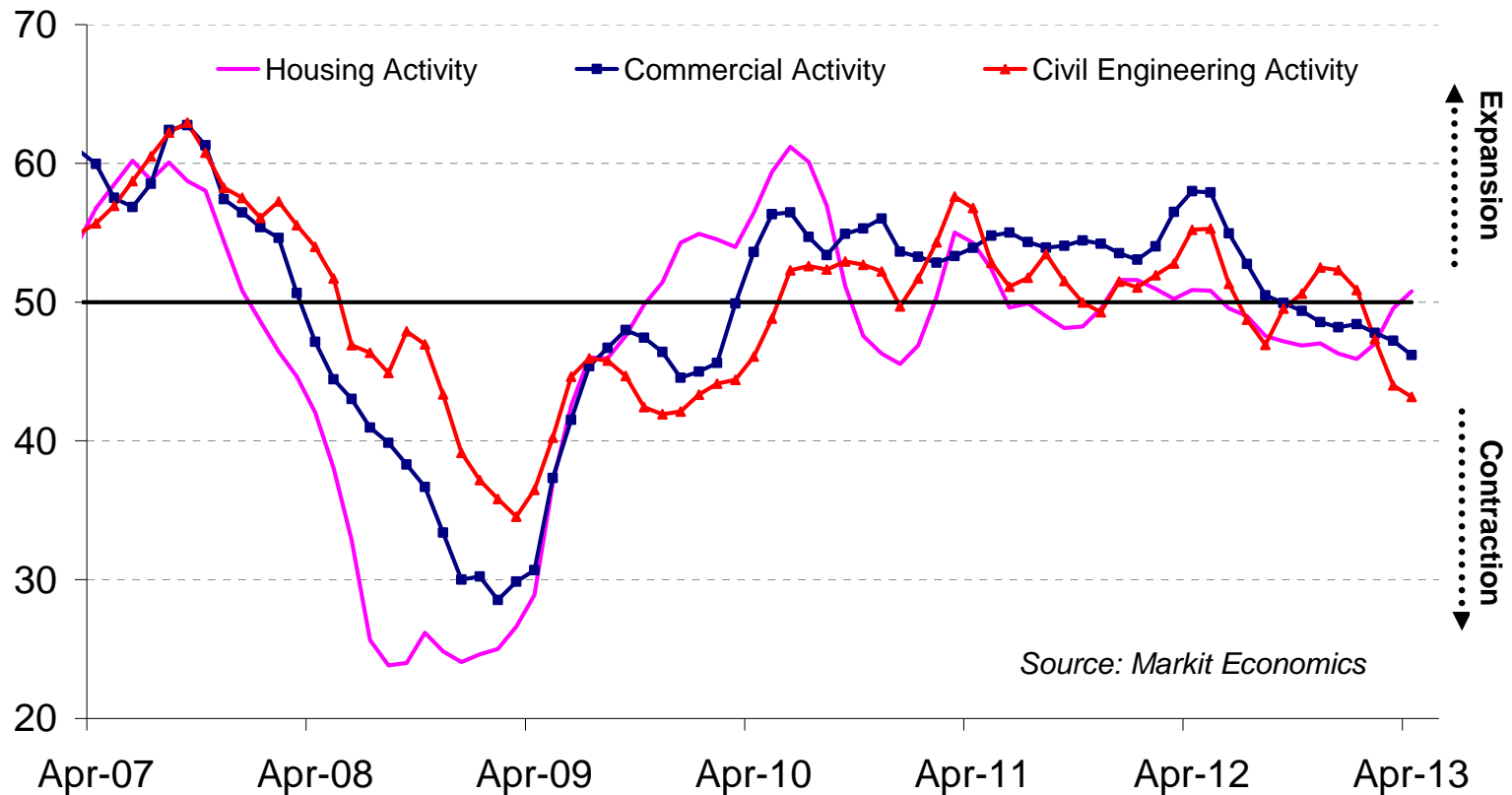
... and with new orders falling in NI, UK & RoI



# Growth opportunities for NI firms within GB will wane as activity eases

## UK Construction Activity - PMIs

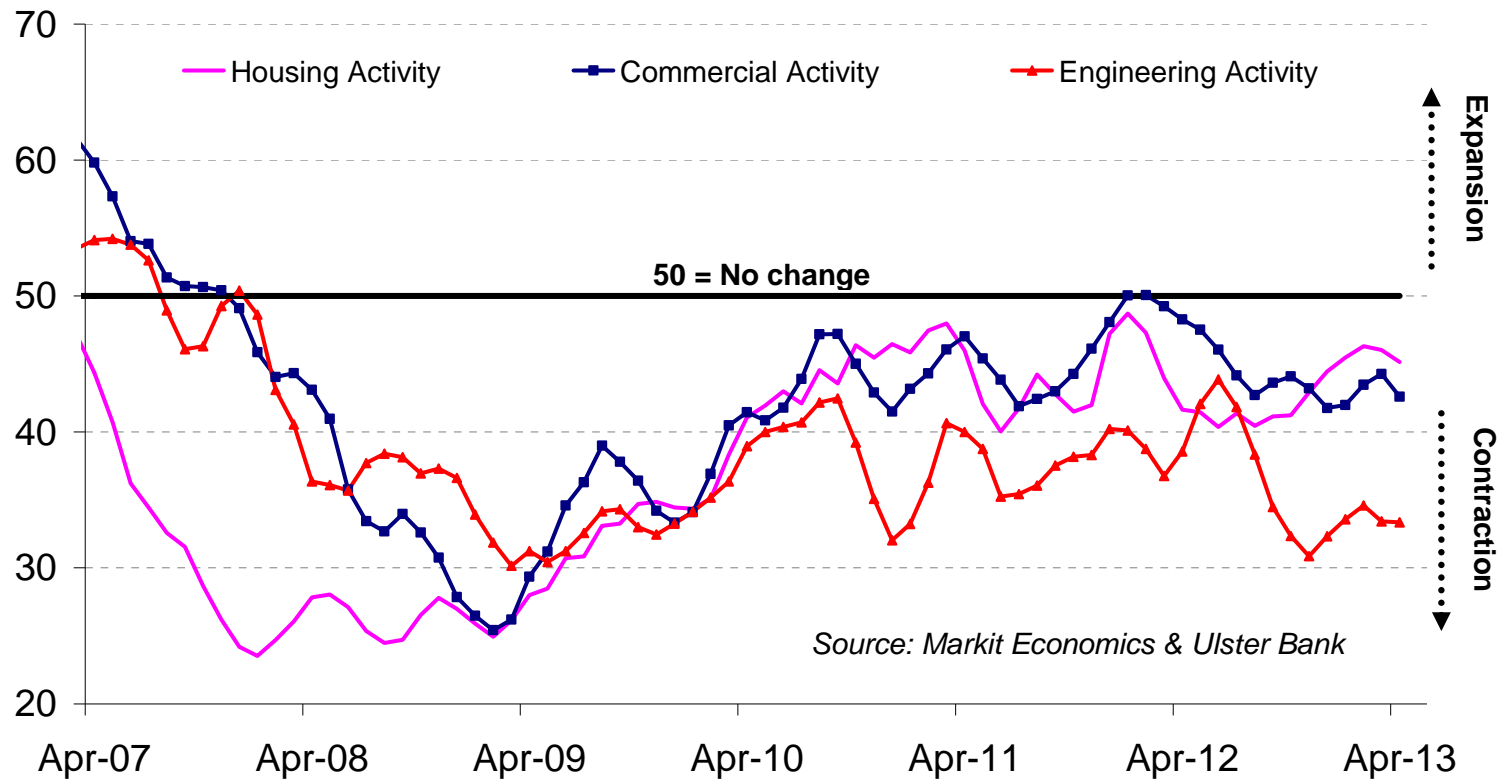
3 month moving average



# Lack of opportunities in the RoI with all construction sub-sectors declining in April

## Republic of Ireland Construction Activity - PMI

3 month moving average





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