

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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Private sector output nears stabilisation amid first services expansion since November 2009

The Northern Ireland private sector moved closer to stabilisation in May, with both activity and new orders falling only marginally over the month. Meanwhile, employment decreased for a fourth successive month, albeit at a reduced rate. The rate of input cost inflation showed little sign of slowing, while companies raised their prices charged for the first time in 16 months.

Marginal reduction in activity

The rate of decline in private sector activity in Northern Ireland slowed in May, as shown by a rise in the headline seasonally adjusted Business Activity Index to 49.6 from 48.9 in April. The latest fall in activity was the slowest in the current 18-month sequence of decline. Meanwhile, output rose solidly across the UK as a whole. On a sectoral basis, services activity increased for the first time in three-and-a-half years, while declines were recorded elsewhere.

New business also fell at a weaker rate in May, with the rate of decline the slowest since November 2011. Some panellists noted signs of improving domestic economic conditions. As with activity, service providers recorded an outright increase in new business. Meanwhile, new export orders fell at a sharp and accelerated pace during the month.

Slower fall in employment

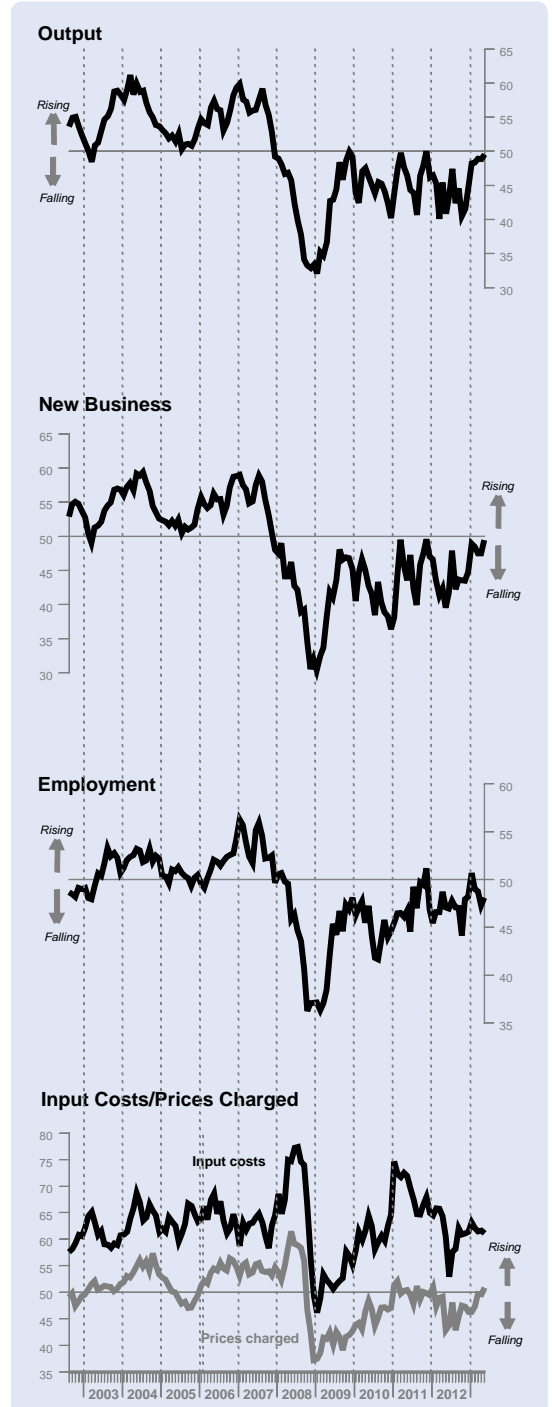
Staffing levels decreased for the fourth month running, albeit at a modest pace that was slower than in April. The fall in Northern Ireland contrasted with a slight increase in overall UK employment. A lack of new work and efforts to limit costs were mentioned by respondents.

Companies continued to work through outstanding business in May. The rate of depletion was solid, and faster than recorded in the previous month. Retail posted the sharpest reduction in backlogs, while a slight increase was seen at service providers.

Slight rise in output prices

The rate of input cost inflation at Northern Ireland companies remained marked, and was little-changed from recent months. This contrasted with another slowdown in cost inflation at the UK level. Higher fuel and staff costs were behind the increase in input prices, according to panellists. Manufacturing posted the fastest rise in input costs during the month.

In response to higher input prices, Northern Ireland companies increased their output prices in May. Although only slight, the rise in charges was the first since January 2012. Both retailers and manufacturers increased their prices charged, while falls were recorded at service providers, and particularly construction firms.



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.

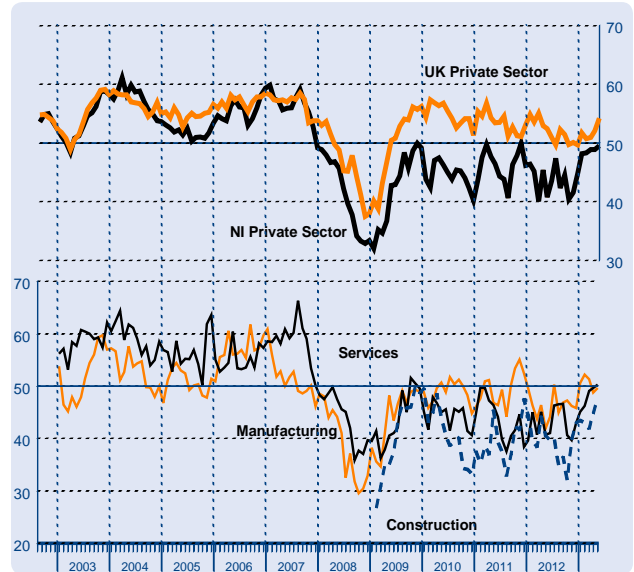
Output / Business Activity

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
2012 Dec	19.5	52.4	28.1	-8.6	45.7	44.8	49.7
2013 Jan	21.0	44.9	34.0	-13.0	43.5	48.3	51.8
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	51.0
Apr	27.4	51.4	21.2	6.2	53.1	48.9	52.1
May	26.2	50.2	23.5	2.7	51.3	49.6	54.3

Business activity at companies in Northern Ireland continued to fall in May, but the rate of decline was only marginal and the slowest in the current 18-month sequence of contraction. The fractional reduction in activity in Northern Ireland compared with solid growth across the UK economy as a whole. Services companies recorded a slight rise in activity during May, ending a 41-month period of decline. The three remaining sectors all registered lower output, led by construction and retail. That said, the rate of contraction in construction activity was the slowest in 37 months.

By sector				
		Construction	Manufacturing	Services
'13 Mar		41.9	51.4	49.1
Apr		44.9	48.8	49.7
May		47.8	49.7	50.3



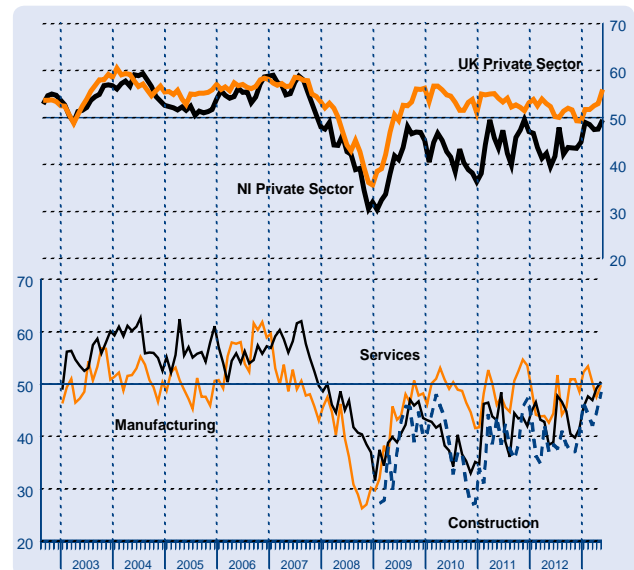
New Business

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
2012 Dec	19.6	45.6	34.9	-15.3	42.4	44.8	49.3
2013 Jan	24.6	44.4	31.0	-6.4	46.8	49.0	51.8
Feb	23.0	55.2	21.8	1.2	50.6	48.5	51.8
Mar	24.2	48.5	27.2	-3.0	48.5	47.5	52.6
Apr	25.2	52.0	22.8	2.4	51.2	47.5	53.0
May	26.4	48.4	25.2	1.2	50.6	49.5	56.0

In line with the trend seen for activity, new business fell slightly in May. The rate of contraction was the weakest since November 2011, but still contrasted with growth at the UK level. Some respondents linked falling new business to weakness in the wider economy, but others reported tentative signs of improving business conditions. Services companies posted a rise in new orders for the first time since February 2008. Meanwhile, manufacturing new business was largely unchanged. Retail recorded a sharp fall in new orders, while construction registered a modest decline that was the slowest since data were first available in February 2009.

By sector				
		Construction	Manufacturing	Services
'13 Mar		42.1	50.3	47.0
Apr		44.7	47.6	49.2
May		48.4	49.9	50.4



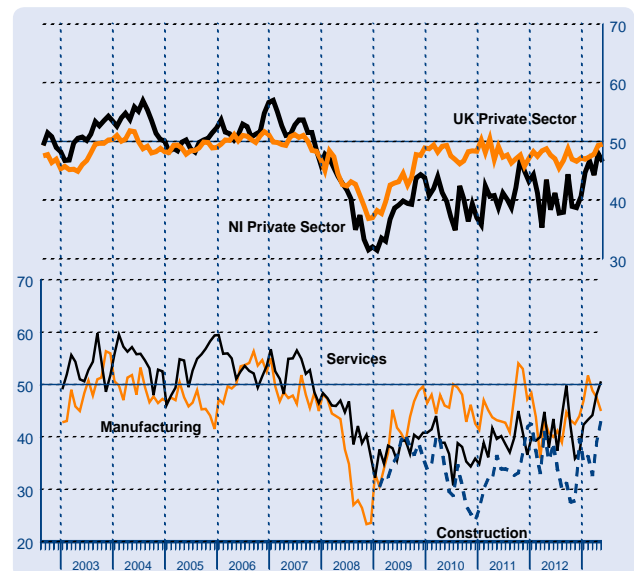
Backlogs

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
2012 Dec	12.9	54.8	32.3	-19.3	40.3	40.7	47.3
2013 Jan	14.9	57.4	27.8	-12.9	43.6	44.7	47.0
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

May data pointed to another reduction in backlogs of work at Northern Ireland companies. Outstanding business has decreased in each month since November 2007. The latest fall in work-in-hand was solid, and sharper than that seen in the previous month. The reduction in Northern Ireland also remained stronger than the UK economy average. Three of the four monitored sectors posted lower outstanding business in May, led by retail and construction. Manufacturing posted a marked fall in backlogs that was the fastest in 2013 to date. Meanwhile, services recorded a rise in outstanding business, the first since October 2007.

By sector				
		Construction	Manufacturing	Services
'13 Mar		32.7	48.9	44.2
Apr		39.1	47.6	48.1
May		43.1	45.0	50.6



Employment

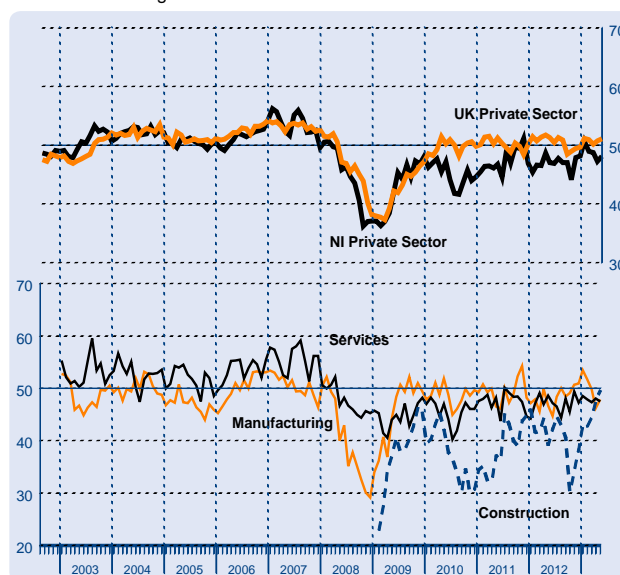
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 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
May	11.2	75.8	13.1	-1.9	49.0	48.1	51.2

Northern Ireland companies posted a decrease in employment for the fourth successive month in May. That said, the rate of job cuts was only modest and slower than in April. Meanwhile, UK companies recorded a slight rise in staffing levels. Where a decrease in employment was posted, panellists mentioned lower workloads and attempts to reduce costs. Each of the four monitored sectors registered declining staffing levels, with the sharpest reduction at services firms. Retail posted the first fall in employment since January, while construction and manufacturing each recorded further reductions in staffing levels.

By sector

	Construction	Manufacturing	Services
'13 Mar	44.5	49.9	47.4
Apr	47.7	46.2	48.1
May	49.6	47.9	47.6



Input Costs

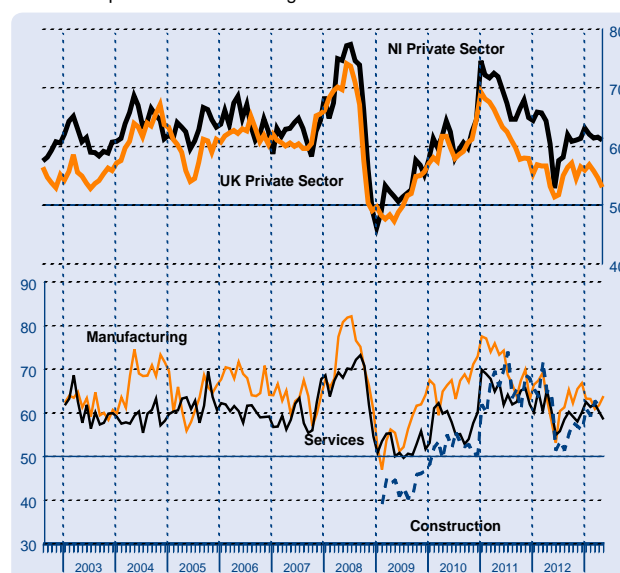
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 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	57.0
Mar	31.5	66.3	2.2	29.4	64.7	61.5	55.8
Apr	27.3	72.1	0.6	26.6	63.3	61.6	54.7
May	27.9	70.0	2.1	25.7	62.9	61.1	53.1

A further sharp increase in input prices was recorded at Northern Ireland firms in May, with the rate of inflation broadly in line with the rises seen in March and April. This has contrasted with a slowdown in inflation across the UK economy as a whole. A number of those respondents that recorded a rise in input costs mentioned higher fuel prices, while others registered increased salary payments. The sharpest increase in input costs was seen at manufacturing firms, where inflation was the fastest since December 2012. Inflation at constructors also quickened, while slower rises in input costs were recorded at services and retail companies.

By sector

	Construction	Manufacturing	Services
'13 Mar	62.8	60.9	62.1
Apr	61.8	61.8	60.4
May	62.0	63.9	58.6



Prices Charged

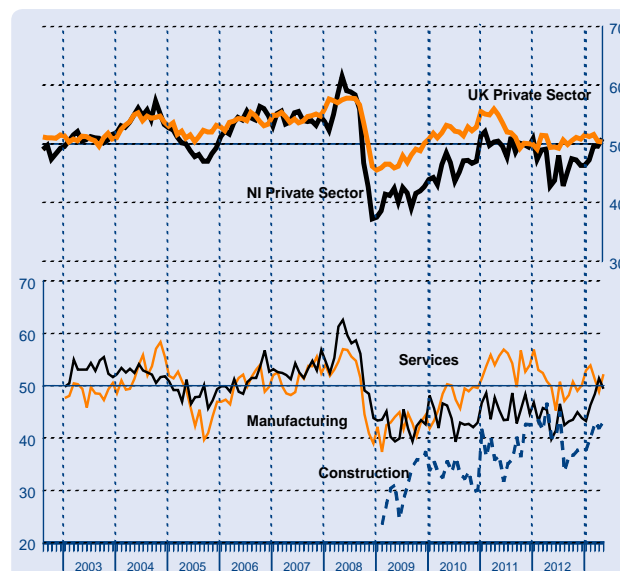
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 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
May	15.8	76.4	7.8	8.0	54.0	50.9	50.4

Output prices at Northern Ireland companies increased in May, ending a 15-month sequence of falling charges. The rate of inflation was only modest, but stronger than that seen at the UK level. According to respondents, higher charges mainly reflected the passing on of increased input costs to clients. On the other hand, some panellists reported that competitive pressures had led them to lower their output prices. Both retail and manufacturing recorded increased charges. Construction firms continued to lower their output prices at a substantial rate, while service providers cut charges following a rise in April.

By sector

	Construction	Manufacturing	Services
'13 Mar	43.1	51.2	48.4
Apr	42.0	48.9	51.4
May	43.1	52.3	49.5



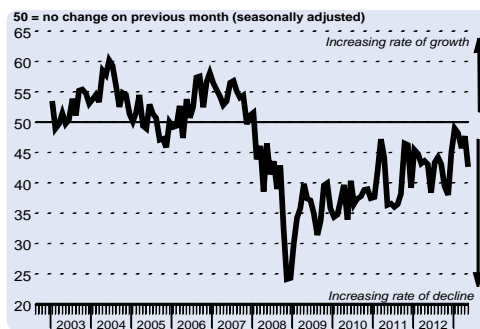
New Export Business*

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

Northern Ireland Companies

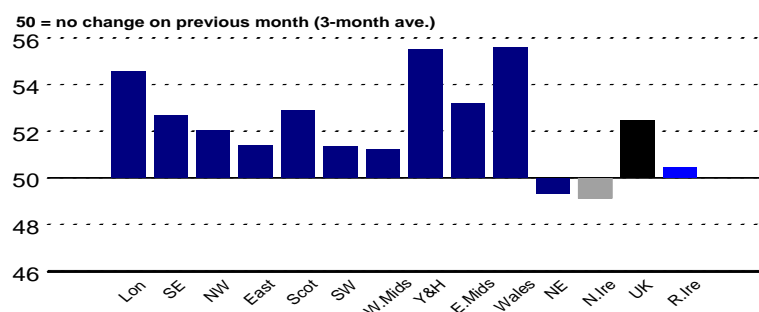
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2012	Dec	17.9	52.6	29.5	-11.7	44.2	45.1
2013	Jan	18.6	56.1	25.3	-6.6	46.7	49.1
	Feb	16.4	66.2	17.4	-0.9	49.5	48.3
	Mar	12.4	64.9	22.7	-10.3	44.8	45.8
	Apr	18.8	63.8	17.4	1.3	50.7	47.7
	May	6.8	68.8	24.5	-17.7	41.2	42.7

May data pointed to a sharp reduction in new export orders at Northern Ireland companies, with the latest decline the strongest since November last year. Some panellists mentioned signs of a slowdown in demand from the Republic of Ireland.



Regional Comparisons: Output / Business Activity

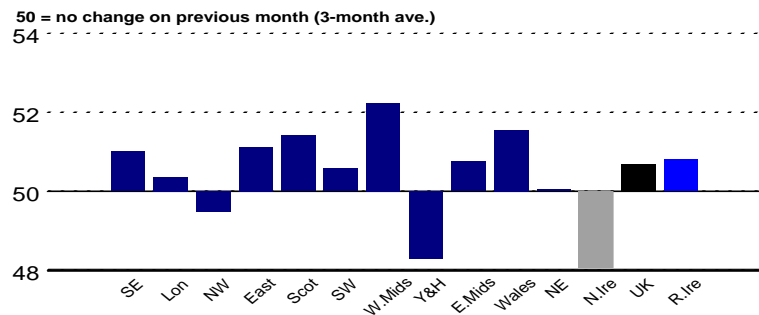
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were recorded in 10 of the 12 UK regions on average during the three months to May, with the strongest growth seen in Wales and Yorkshire & Humber. Only the North East and Northern Ireland posted a decline in activity. The Republic of Ireland posted a slight rise in output.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	52.5	54.6	56.4
South East	(14.7%)	51.4	52.7	54.5
North West	(9.5%)	50.9	52.0	55.1
East of England	(8.7%)	50.7	51.4	52.2
Scotland	(8.3%)	51.6	52.9	54.4
South West	(7.7%)	50.2	51.4	53.4
West Midlands	(7.3%)	51.1	51.2	53.9
Yorks & Humber	(7.0%)	52.8	55.5	57.6
East Midlands	(6.4%)	51.8	53.2	54.5
Wales	(3.6%)	52.7	55.6	56.7
North East	(3.2%)	48.8	49.3	51.2
N.Ireland	(2.2%)	45.7	49.1	49.6
UK	(100.0%)	51.2	52.5	54.3
Rep. of Ireland	n/a	51.6	50.5	50.5

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 the vast majority of UK regions on average in the three months to May. The West Midlands registered the fastest pace of jobs growth. Lower employment numbers were seen in Northern Ireland, the North West and Yorkshire & Humber. Meanwhile, the Republic of Ireland recorded a modest increase in staffing levels.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.0	51.0	50.3
London	(12.3%)	49.8	50.4	51.2
North West	(10.9%)	48.8	49.5	50.4
East of England	(9.6%)	50.6	51.1	52.0
Scotland	(8.7%)	50.8	51.4	52.0
South West	(8.6%)	49.7	50.6	52.0
West Midlands	(8.6%)	51.6	52.2	52.4
Yorks & Humber	(8.2%)	49.9	48.3	49.6
East Midlands	(7.3%)	52.2	50.8	49.9
Wales	(4.6%)	50.3	51.6	51.4
North East	(3.9%)	48.7	50.0	49.6
N.Ireland	(2.7%)	47.8	48.1	48.1
UK	(100.0%)	50.3	50.7	51.2
Rep. of Ireland	n/a	51.2	50.8	50.6

PMI® Survey Methodology

Purchasing Managers' Indexes® (or PMIs®) are monthly surveys of carefully selected companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices across both manufacturing and service sectors. Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline on the previous month. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration. The greater the divergence from 50.0, the greater the rate of change (expansion or contraction) signalled. The indices are

seasonally adjusted to take into consideration expected variations for the time of year, such as summer shutdowns and national holidays. Sector data published in the Ulster Bank Northern Ireland PMI report are intended to give an indication of underlying trends in the manufacturing, services and construction industries within the Northern Ireland private sector economy. Data at the sector level are more volatile than the headline total private sector economy figures, and month-on-month movements in the sector data should therefore be treated with a degree of caution.

*Exports are defined as sales outside of the United Kingdom.

Ulster Bank and Markit Economics

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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*

May 2013 Survey Update

Issued 10th June 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.

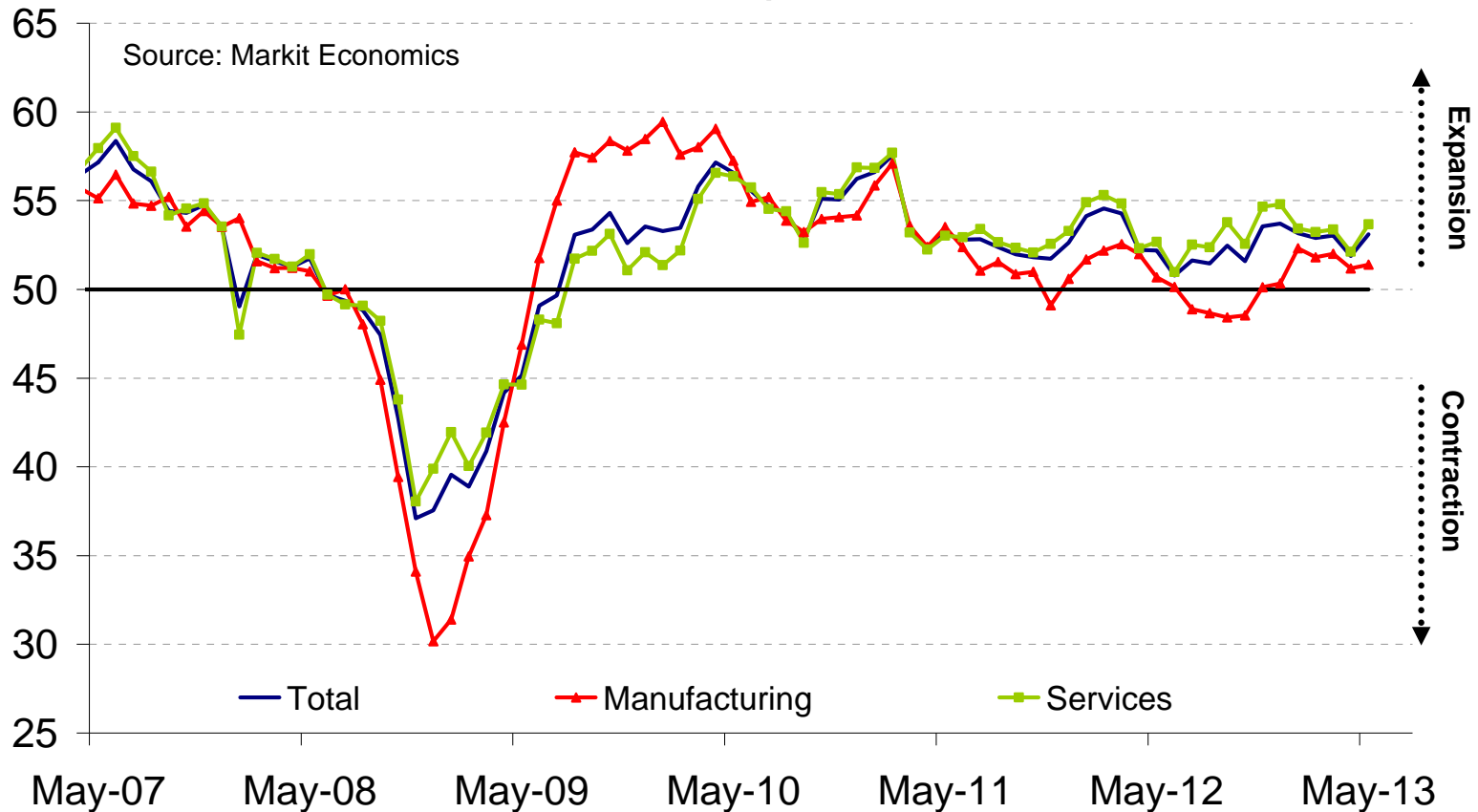
Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline on the previous month. These indices vary from 0 to 100 with readings of 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below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

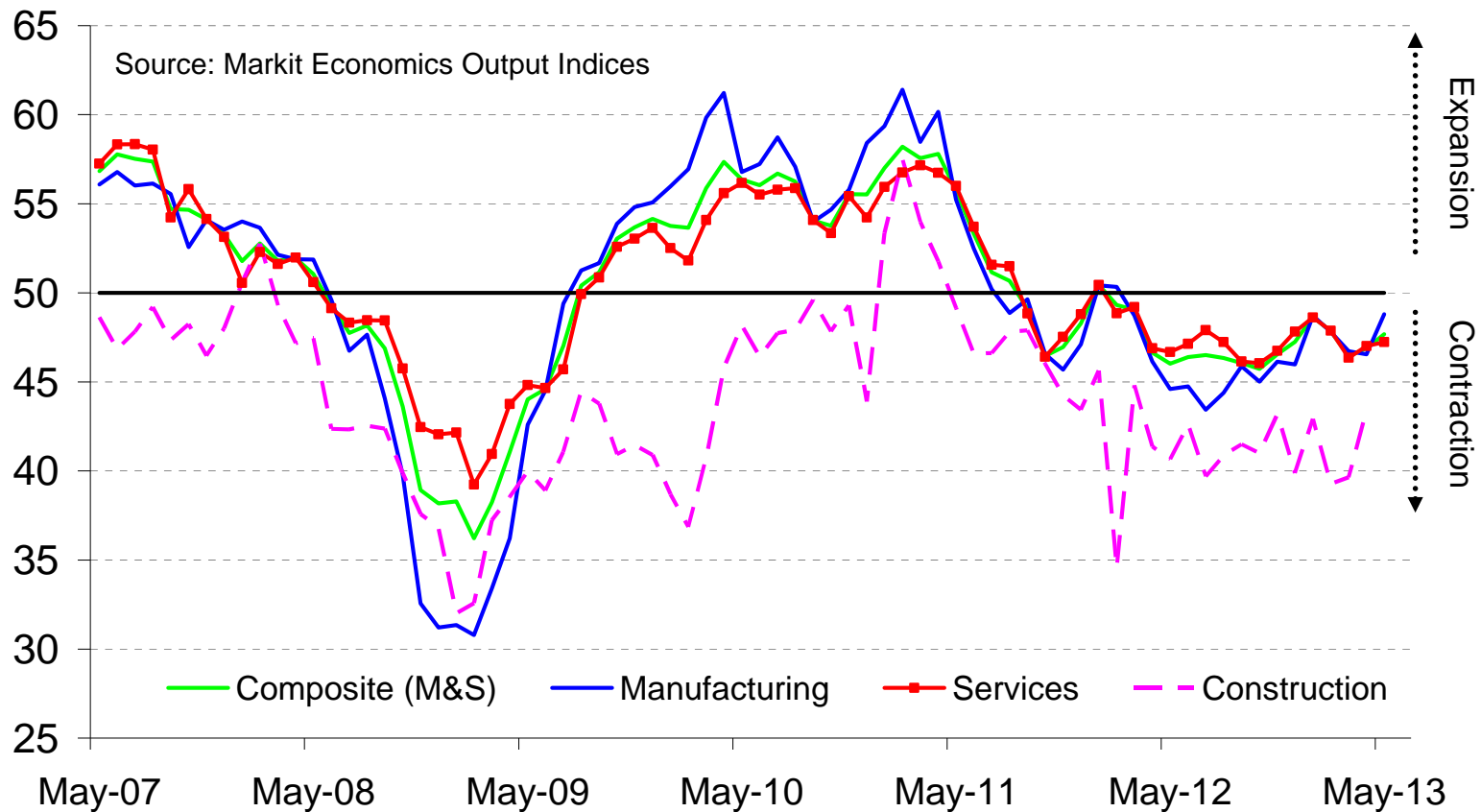
Global output growth accelerates in May...

Global Output - PMI



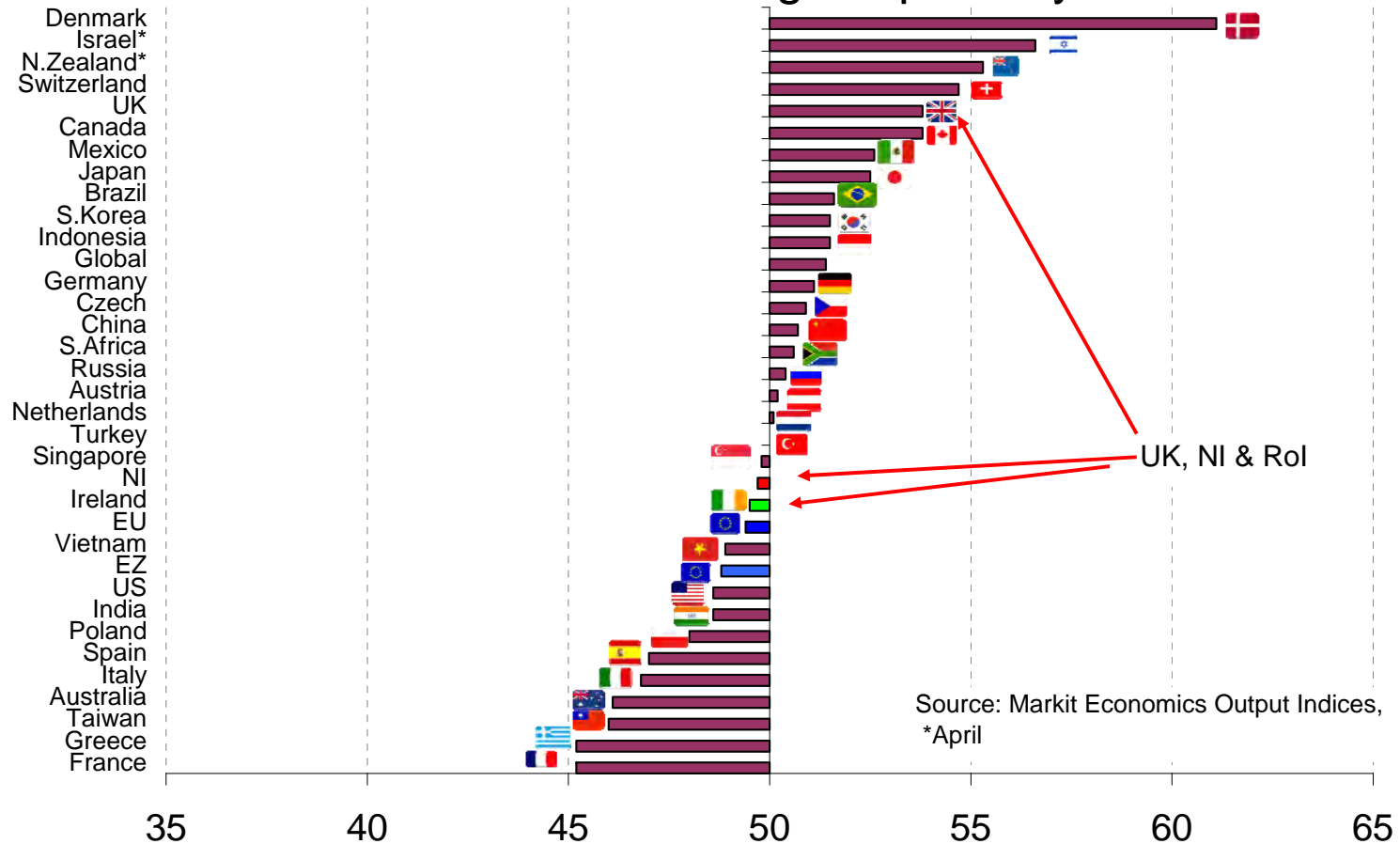
... but all sectors within the Eurozone are still contracting

Eurozone PMIs: Output



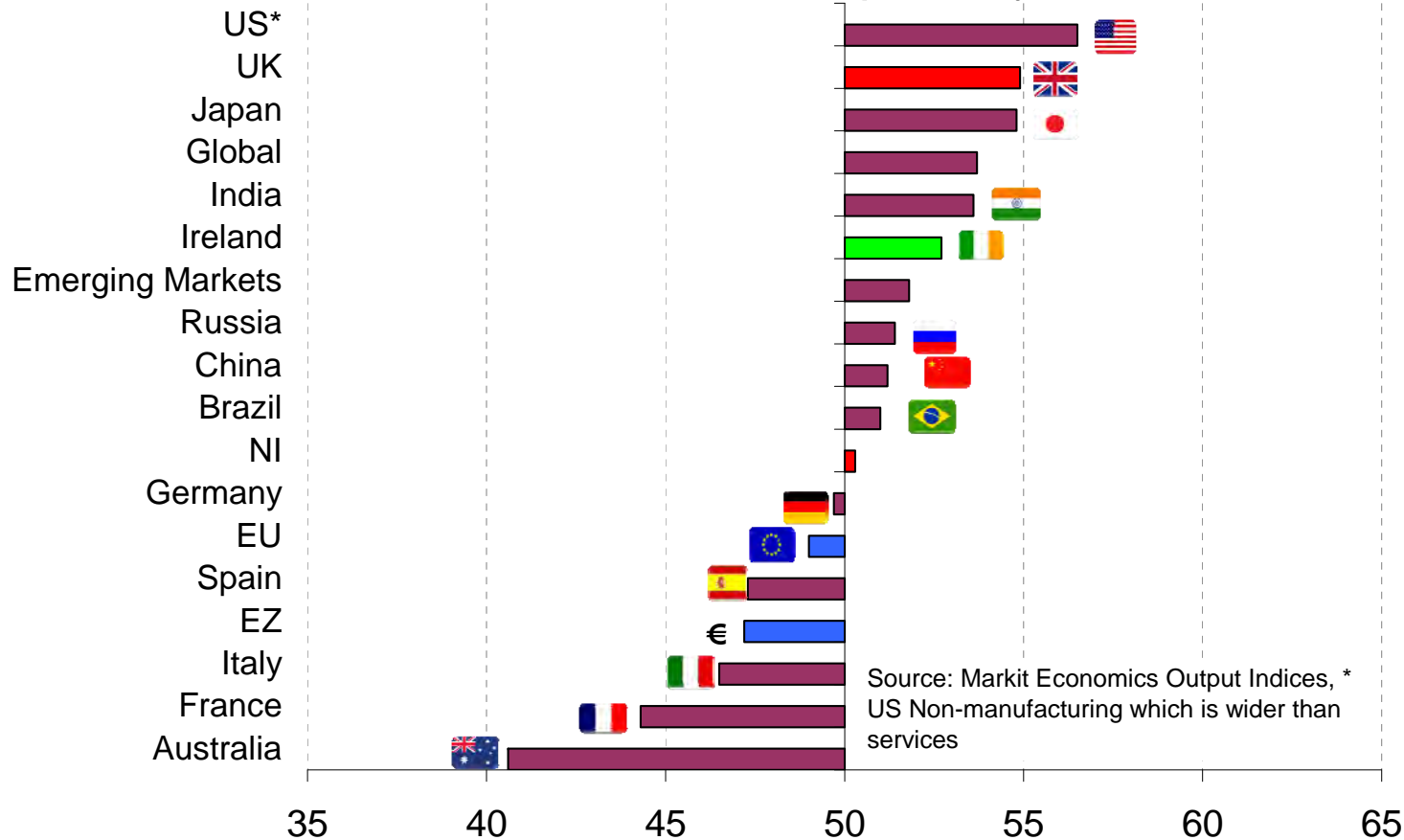
France, Greece & Taiwan post the steepest falls in manufacturing output. Denmark posts strongest gain

PMIs: Manufacturing Output May 2013

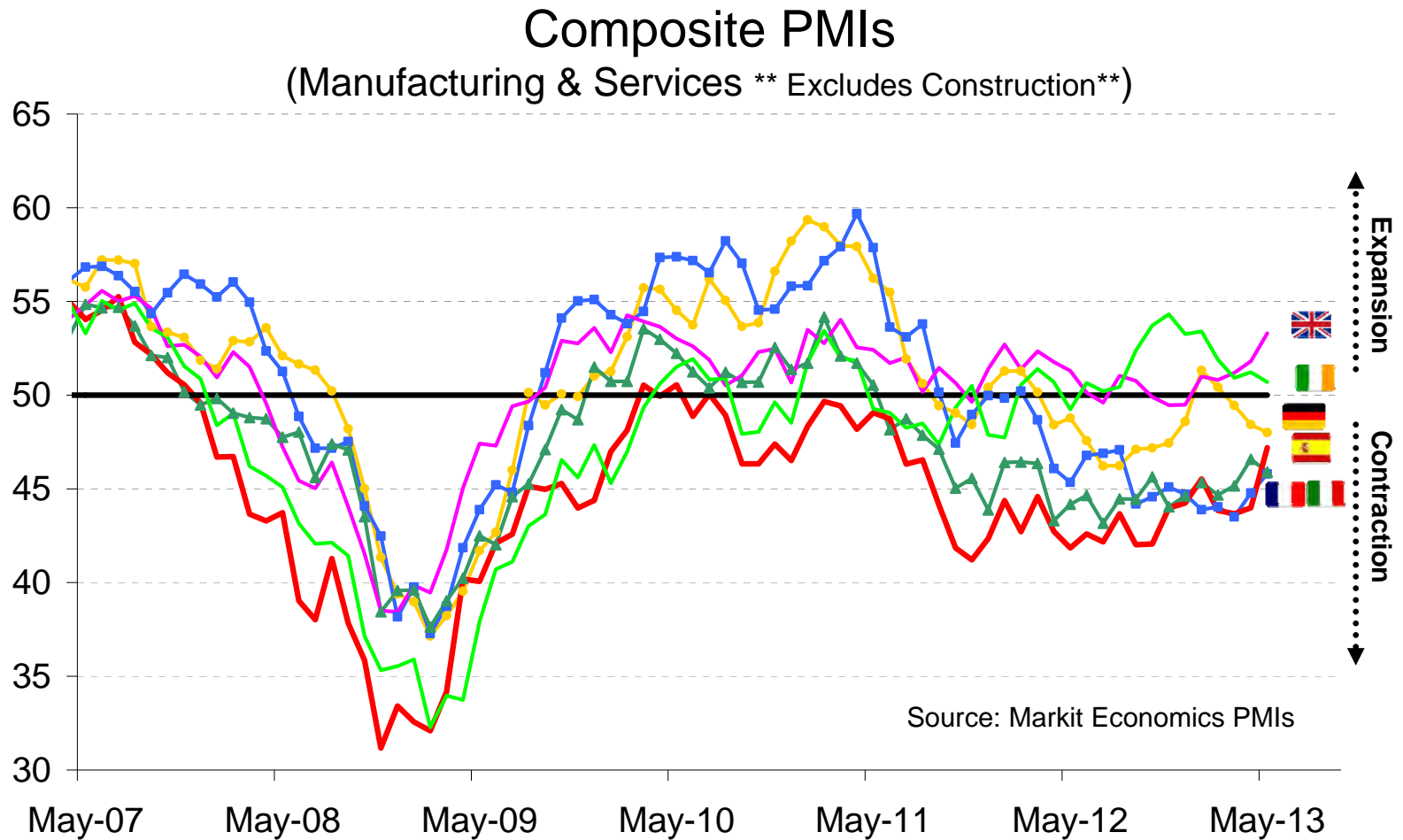


Services output expanding for BRICs, US, Japan, UK, NI & RoI. Australia, France & Italy post the steepest declines

PMIs: Services Output May 2013

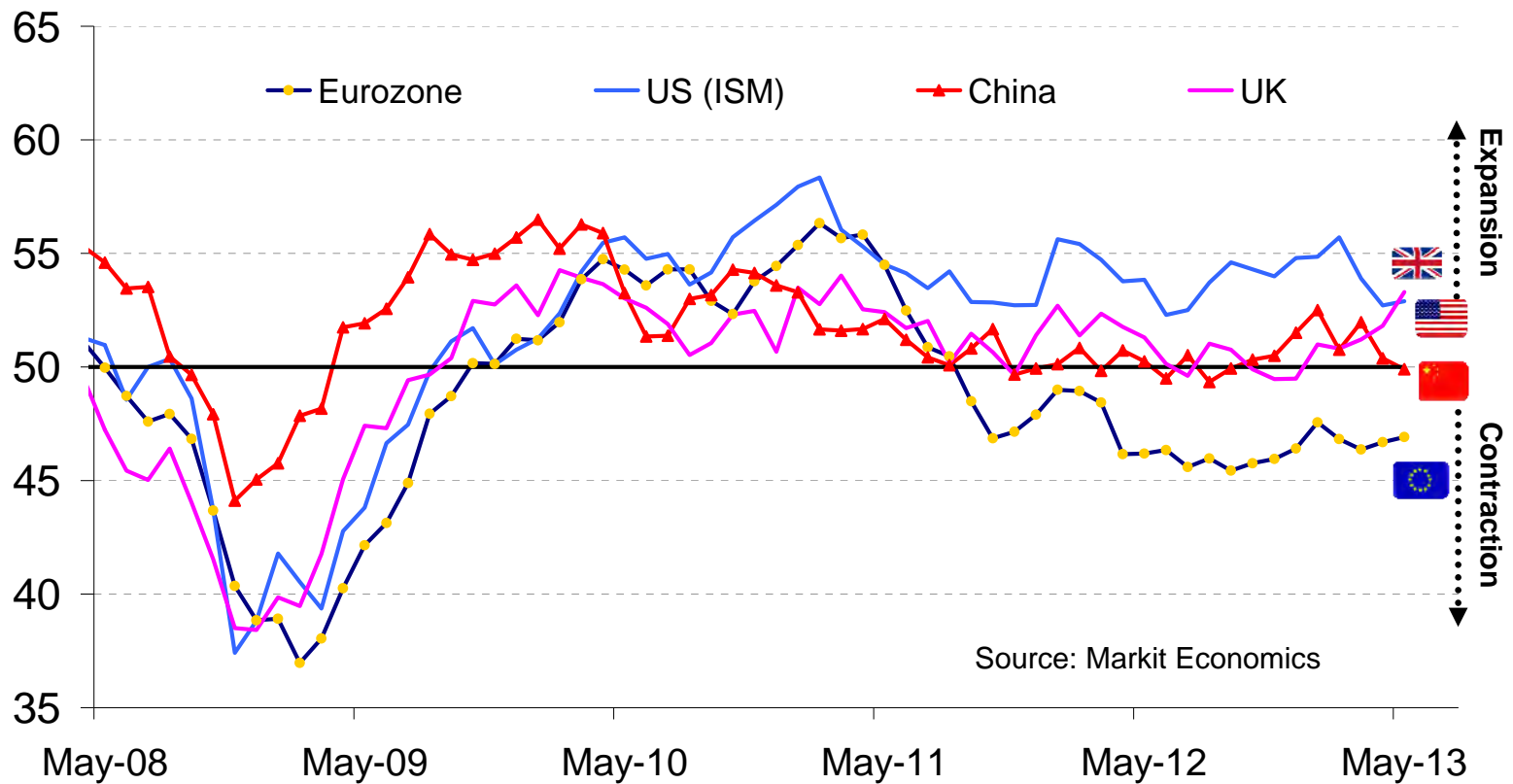


The four largest economies within the eurozone are still contracting



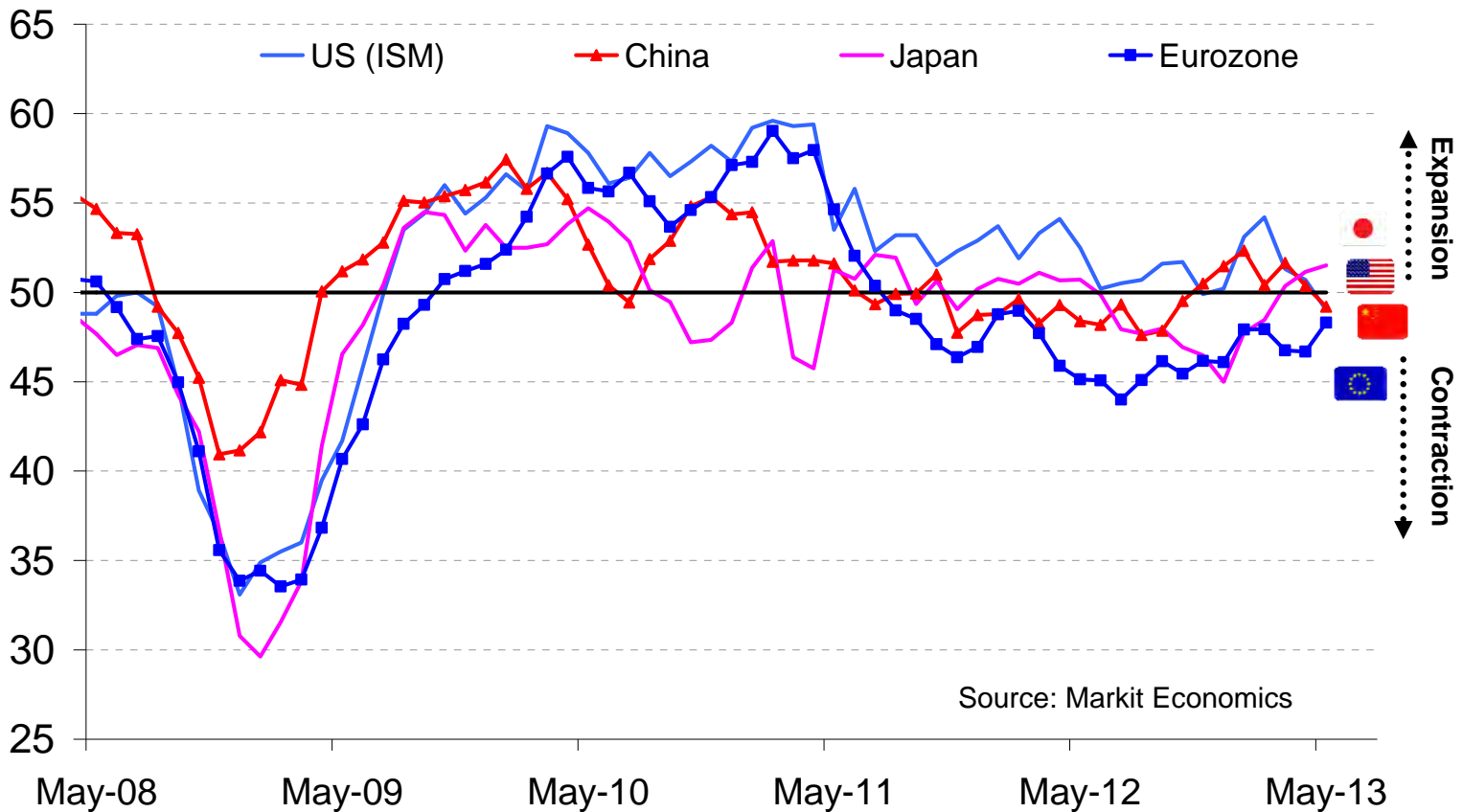
China signals a loss in momentum in May

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



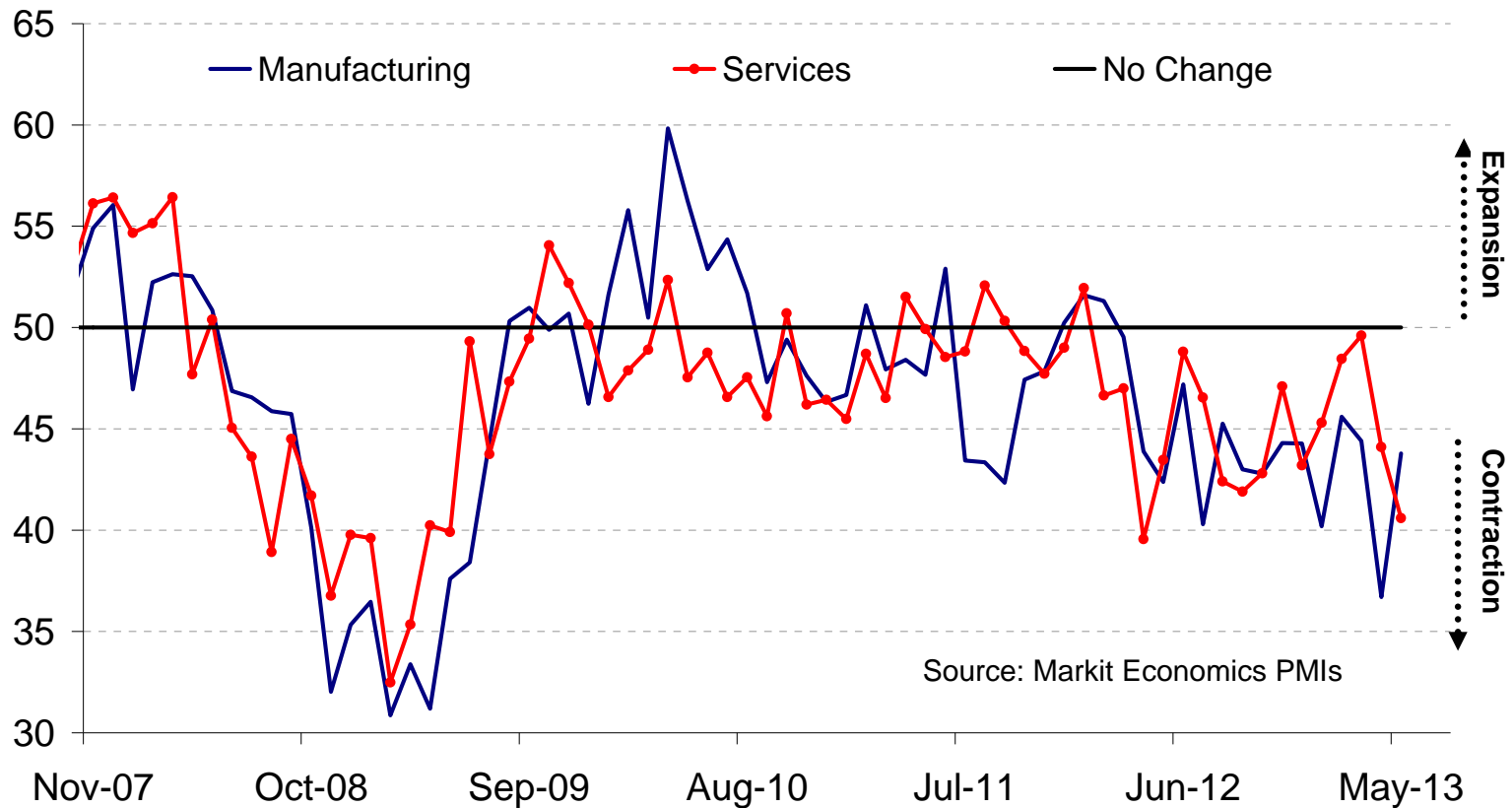
... but Japan's PMI overtakes the US and China. A depreciating yen is aiding Japanese manufacturing...

Manufacturing PMIs



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

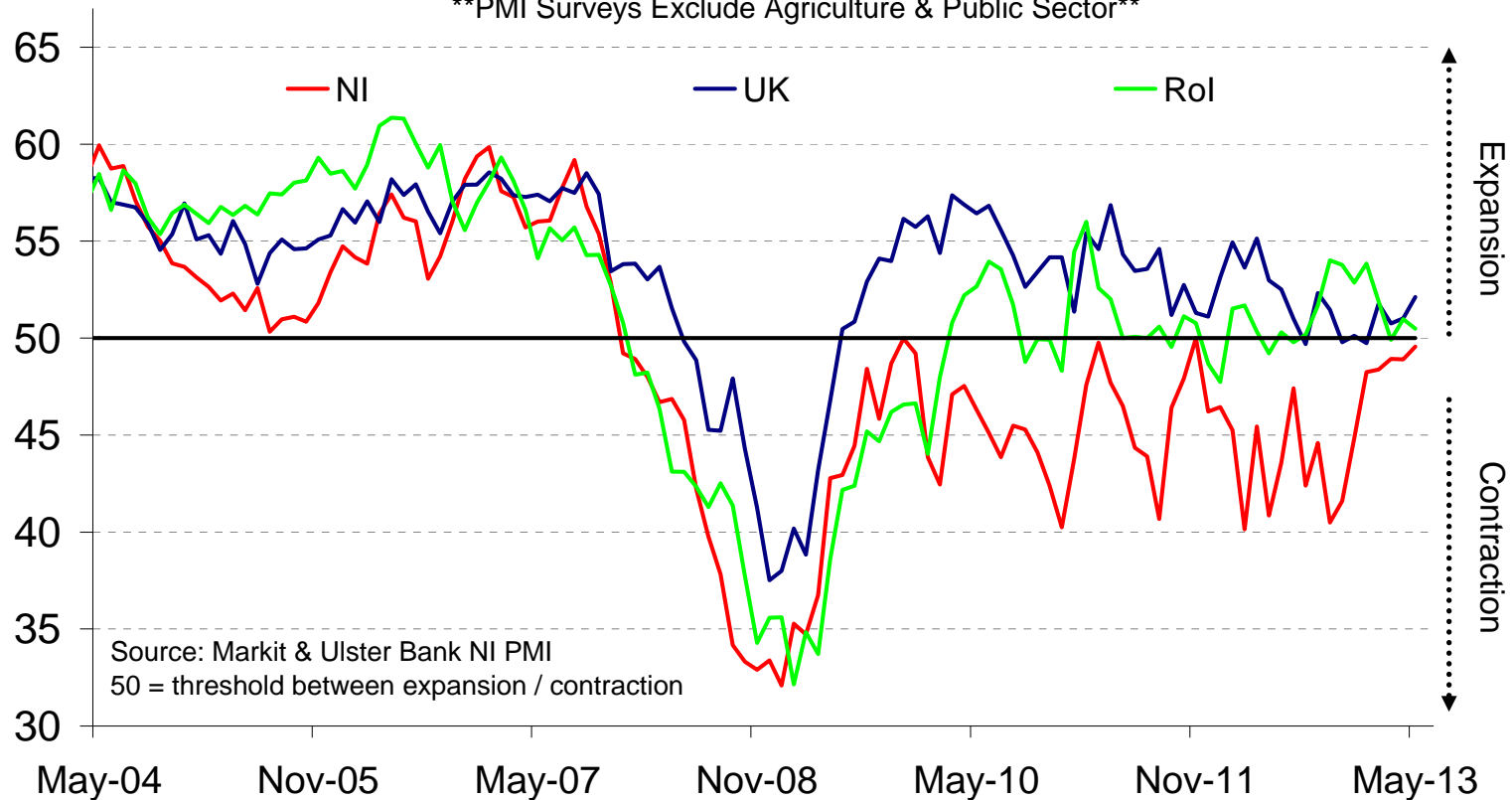
Australia - PMI



UK posts a pick-up in business activity in May whilst the rate of contraction eases again for NI

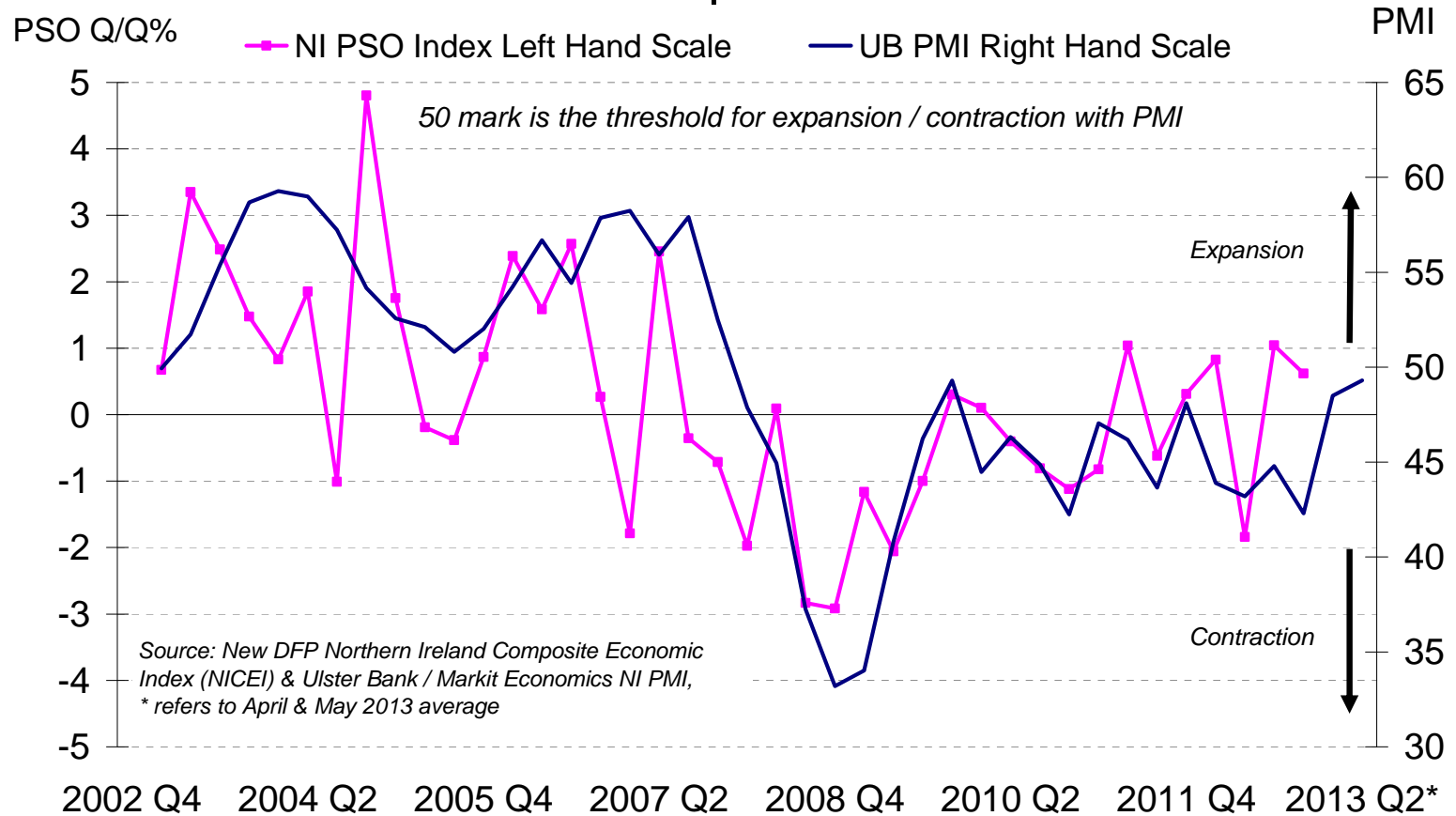
Private Sector Business Activity - PMIs

PMI Surveys Exclude Agriculture & Public Sector



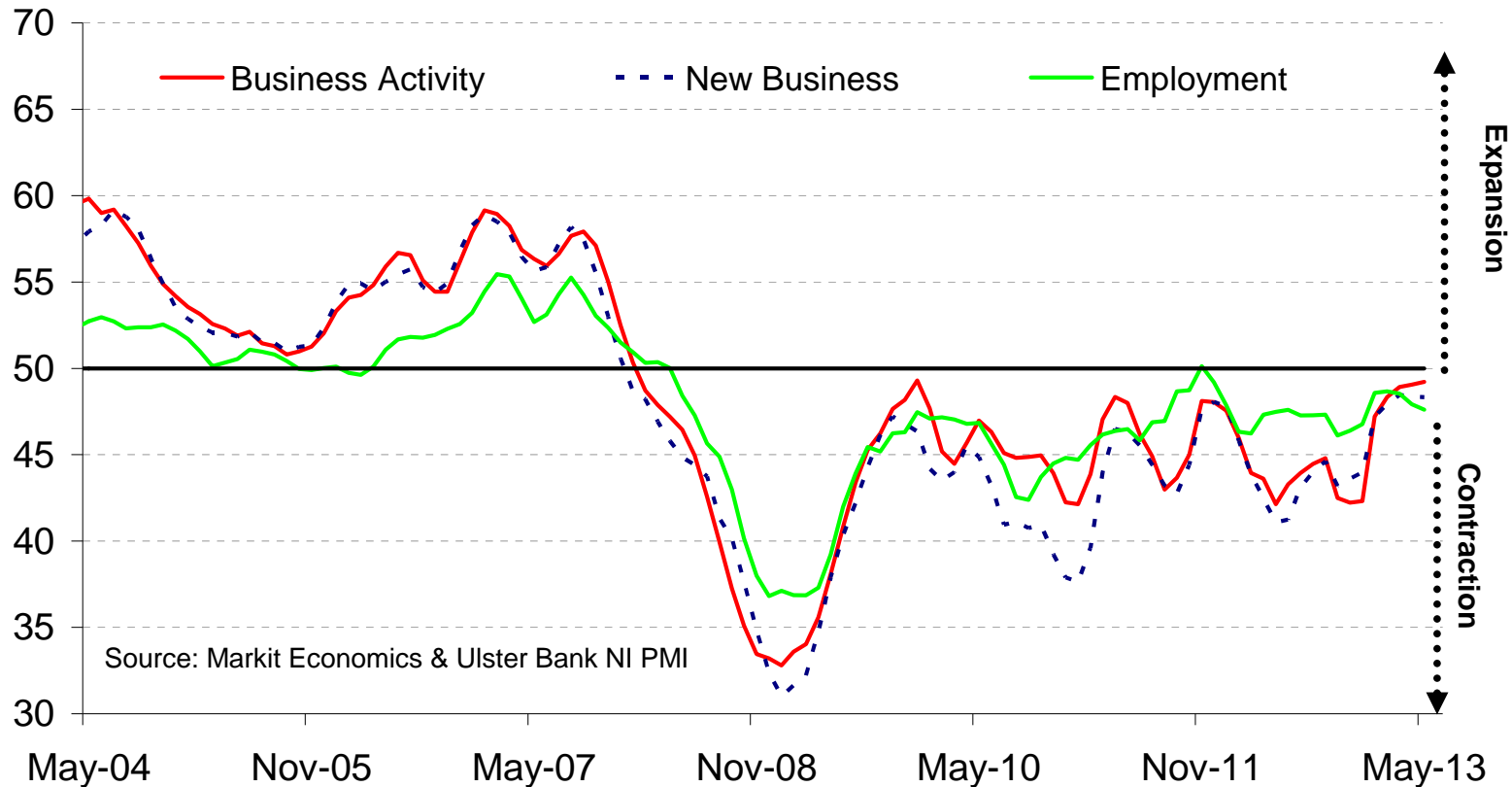
PMI suggests growth in DFP's new private sector composite index (combines DFP indices for construction, services, agriculture & industrial production) in Q2 2013

NI Private Sector Output Index Versus NI PMI

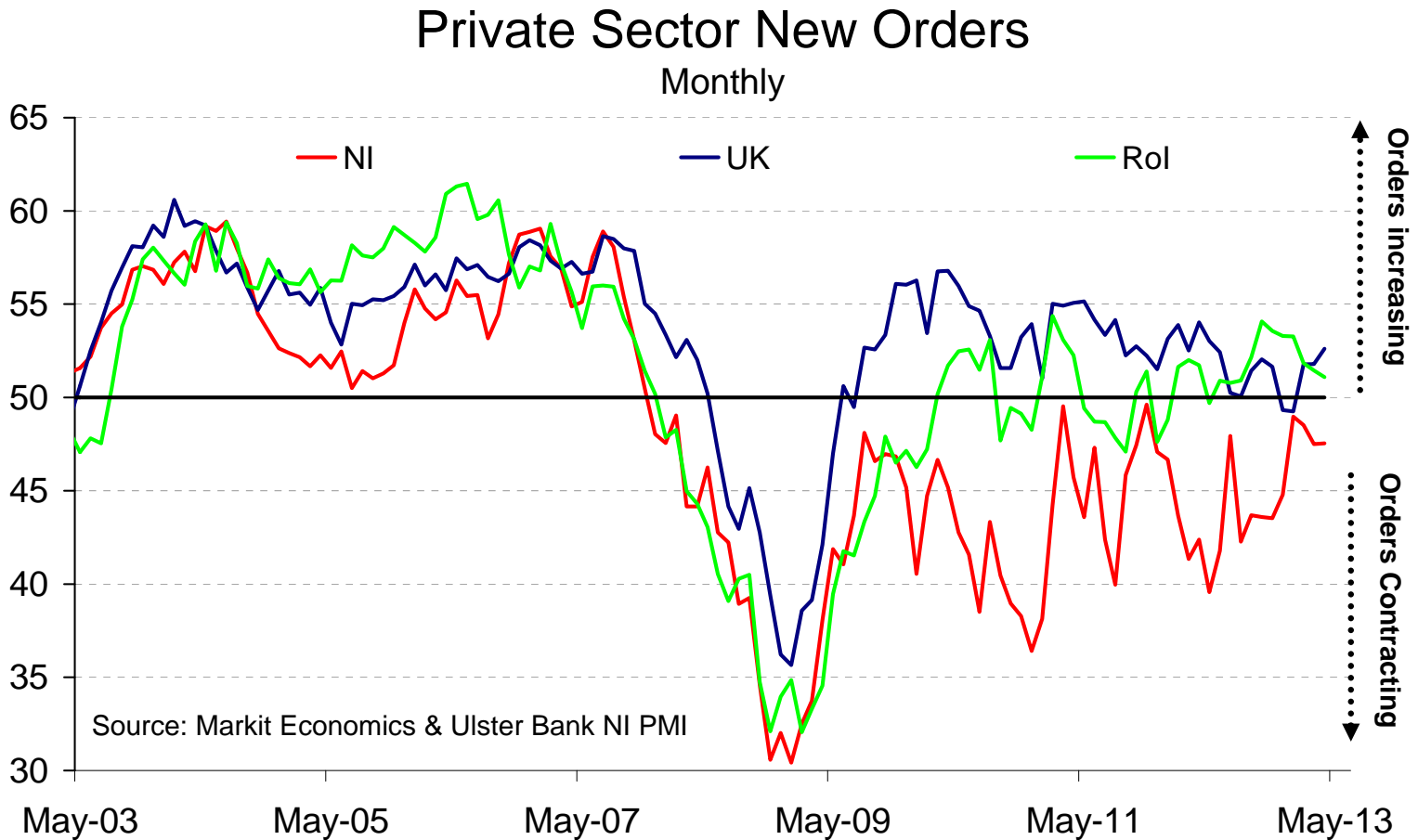


NI output, new orders and employment all post contractions over the last 3 months

NI Private Sector Activity 3 month moving average

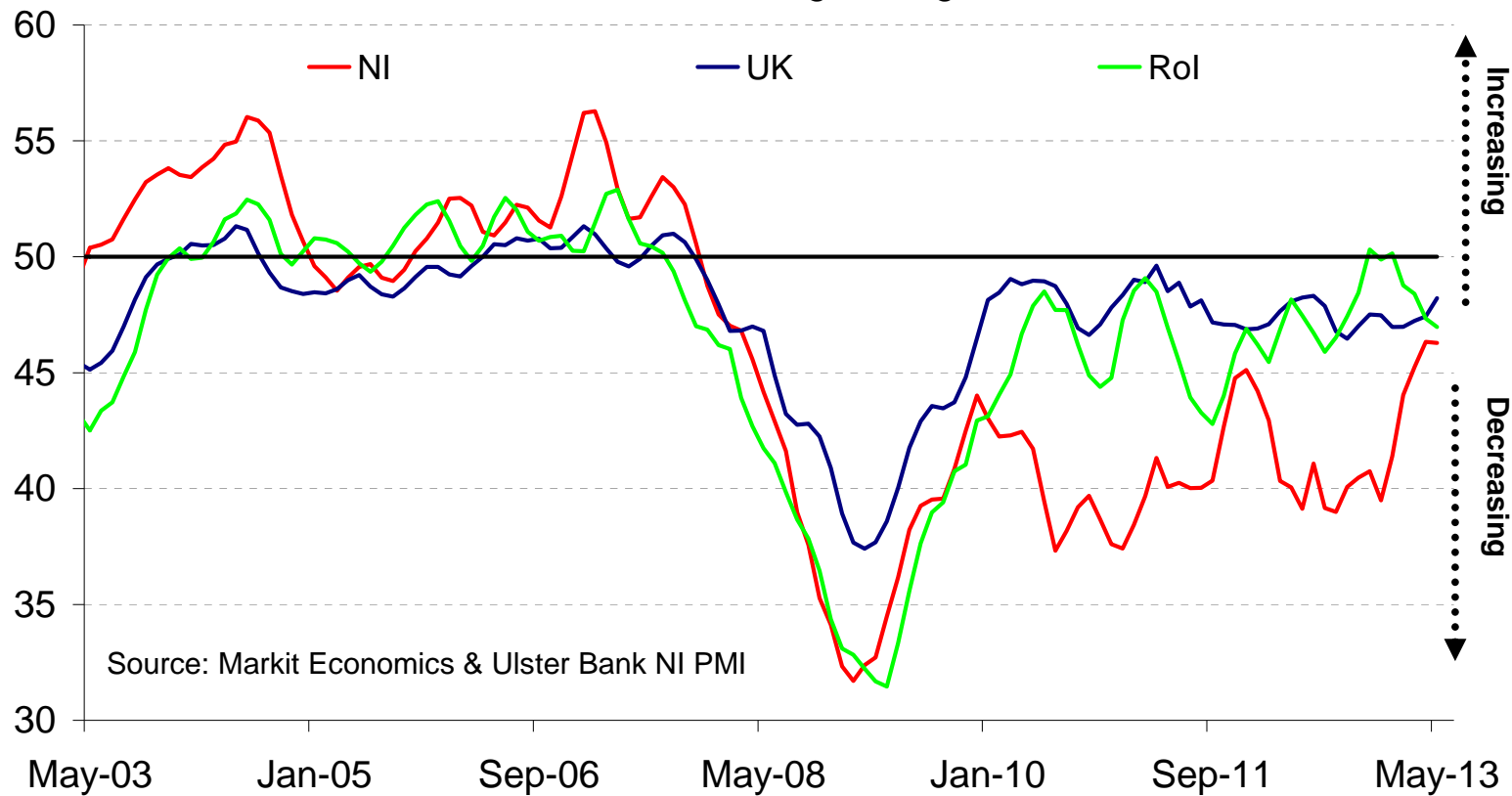


Pace of contraction in NI new orders continues. Rate of growth eases in RoI & accelerates in the UK



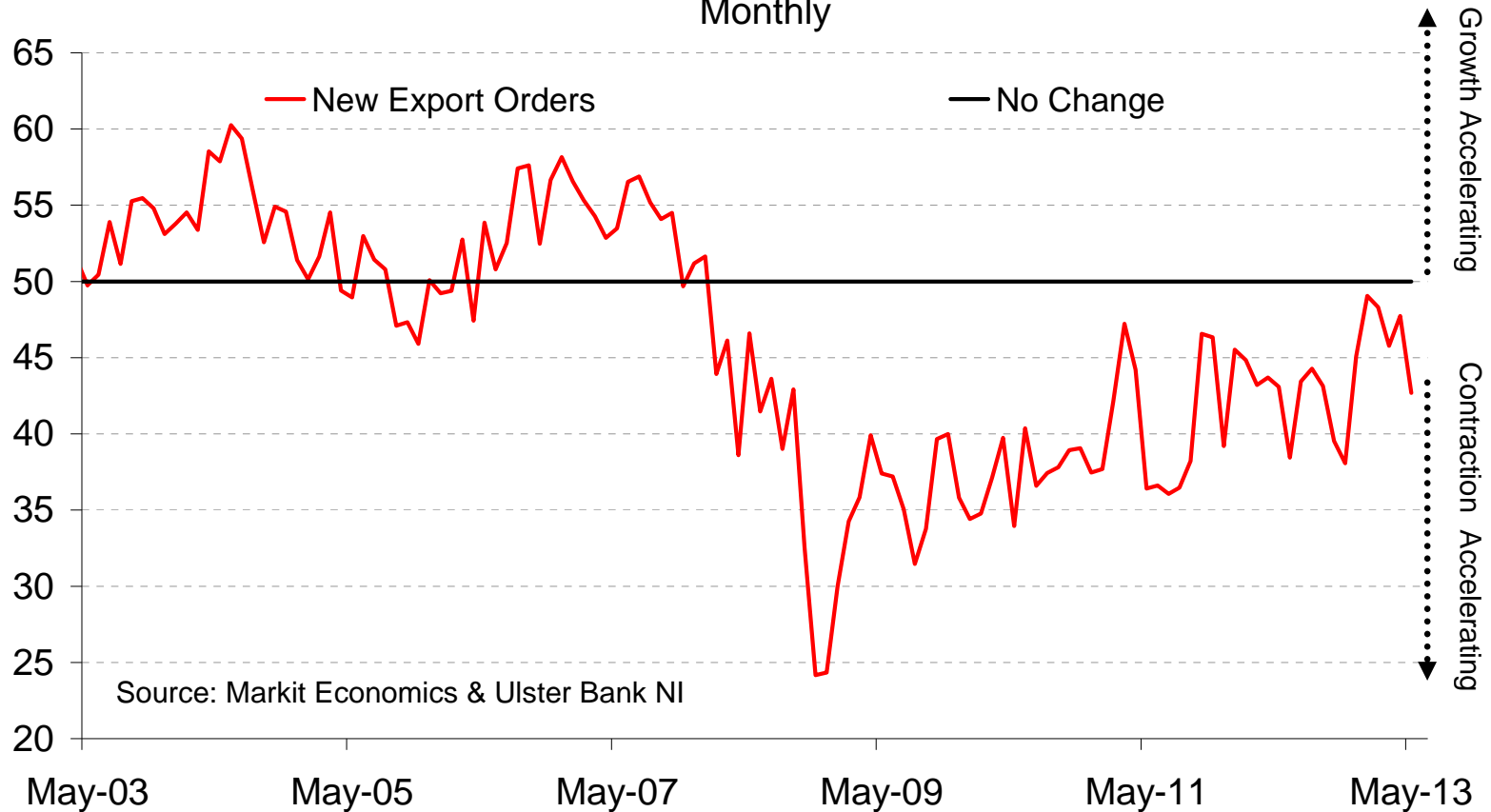
NI's levels of outstanding work are still falling

Private Sector Backlogs
3 month moving average

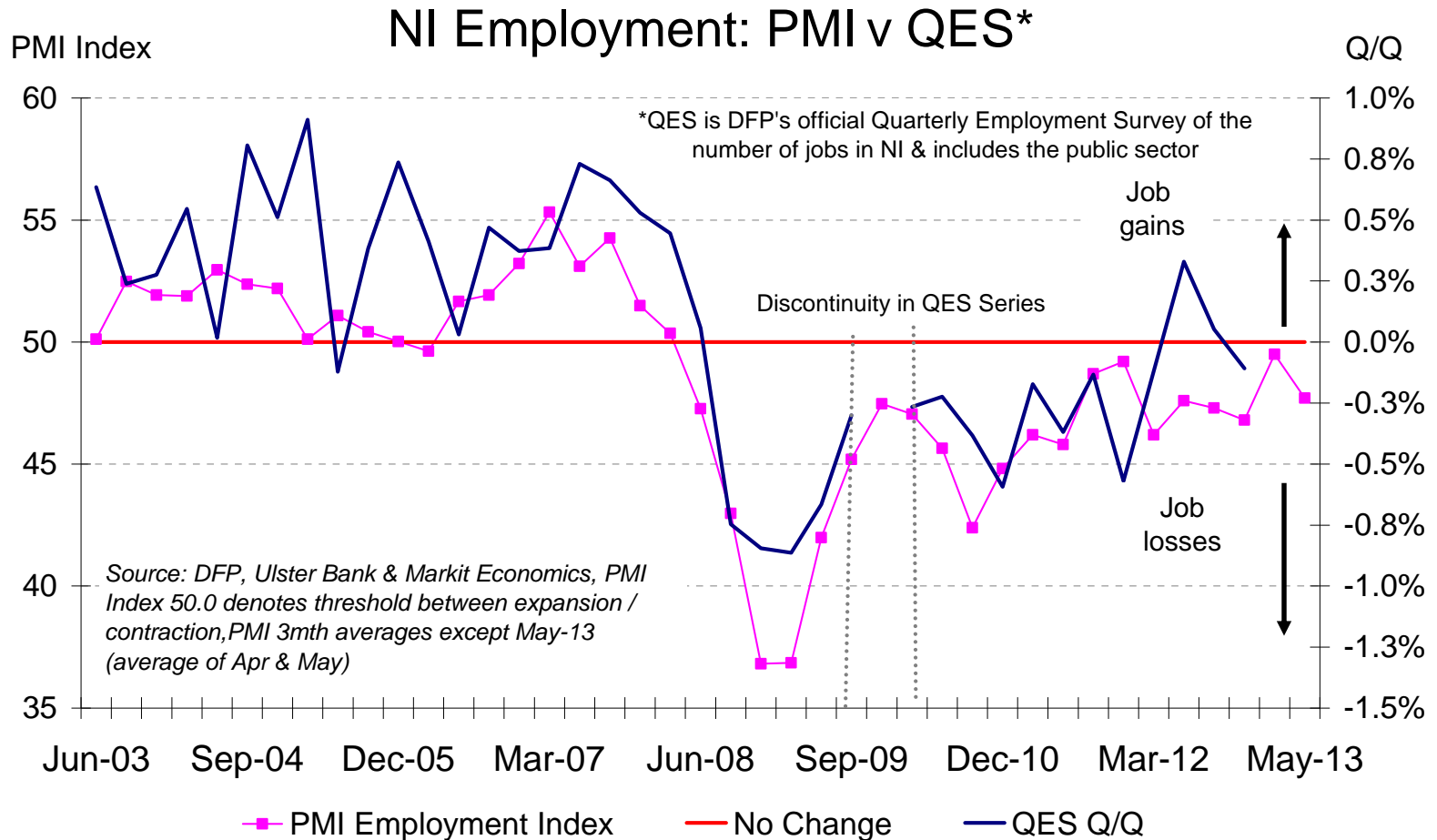


The pace of decline in export orders accelerated in May

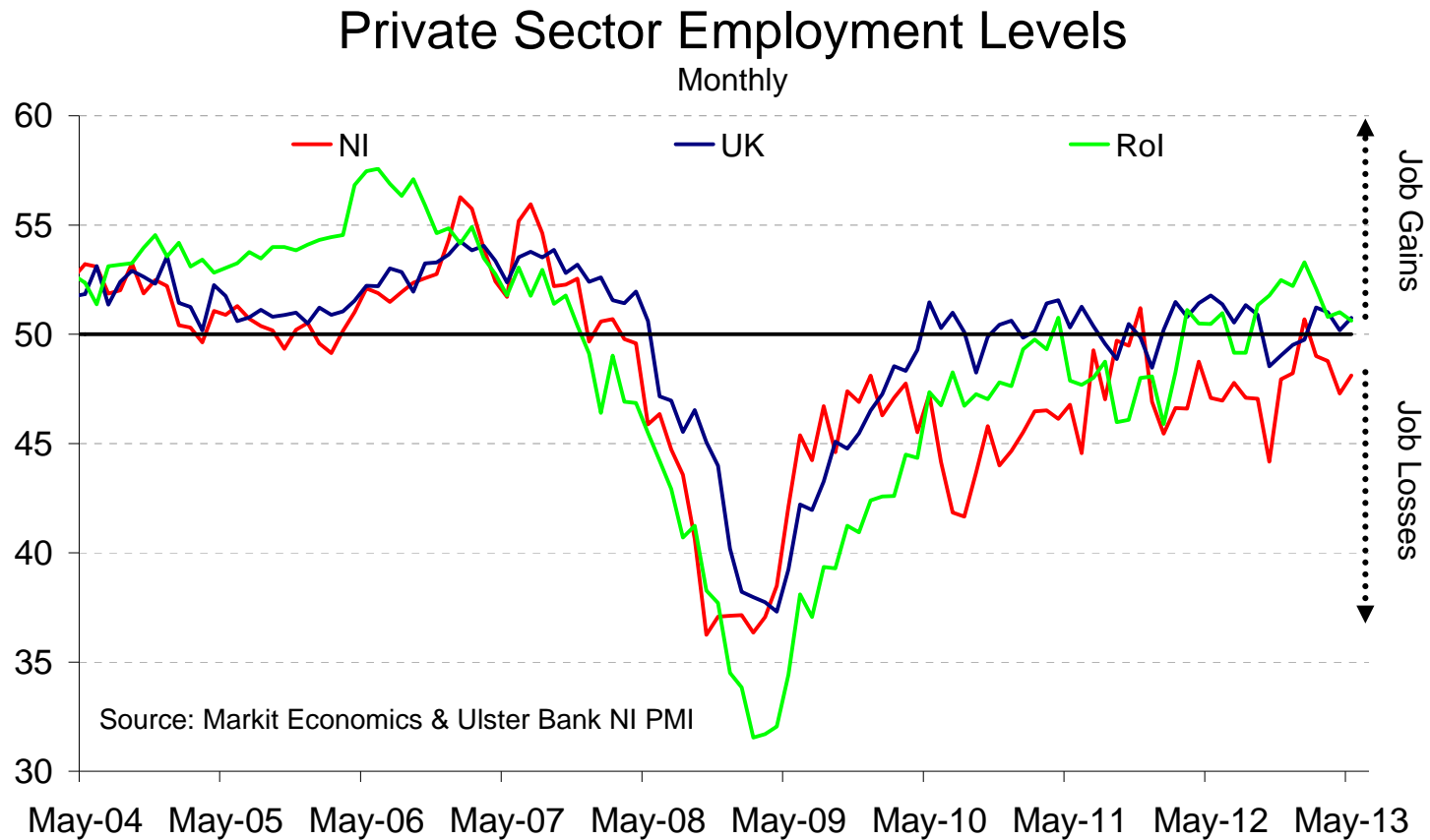
NI New Export Business Monthly



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

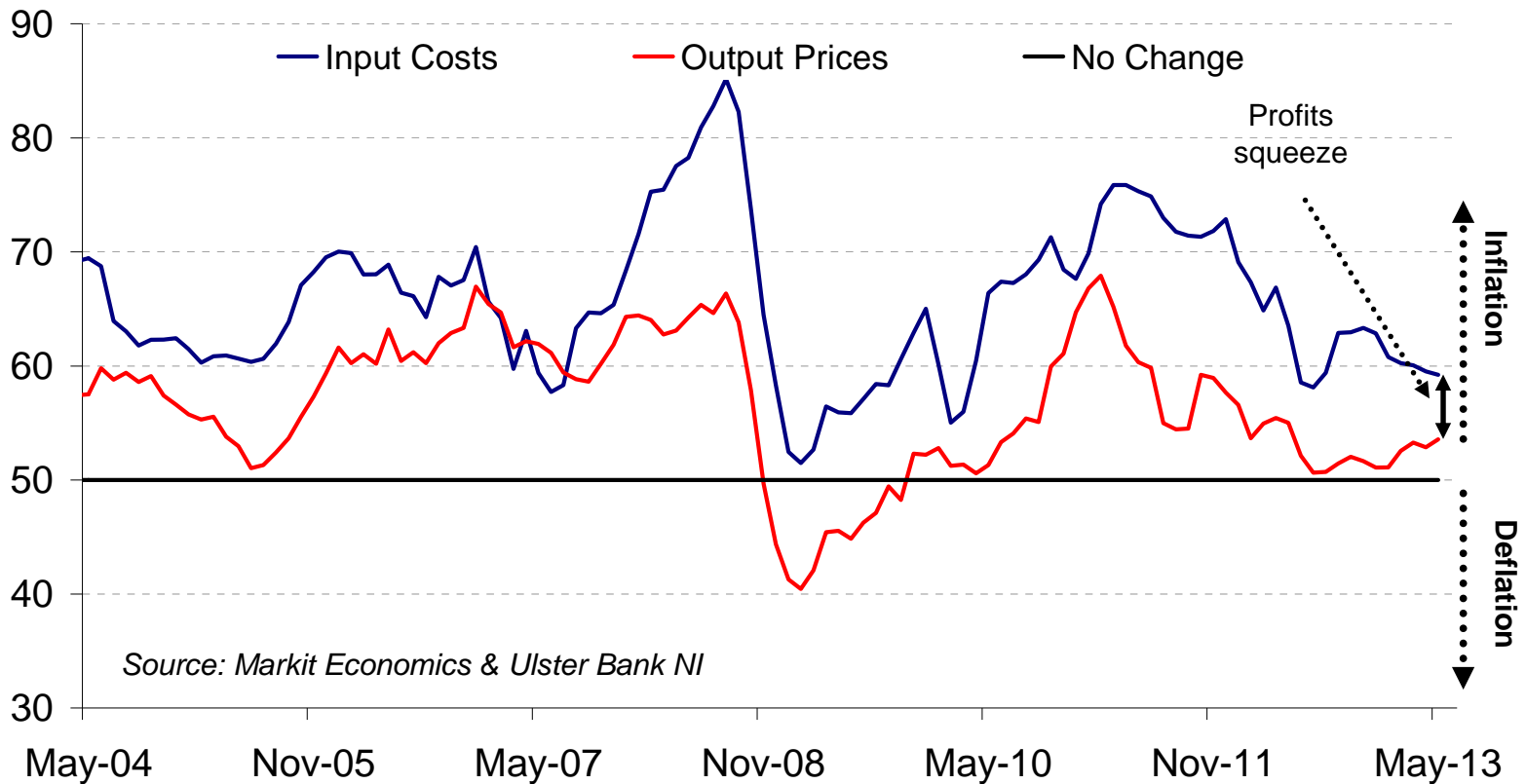


The UK & the RoI record further job gains in April. Conversely, firms in NI report a fall in employment levels



Retail sector's profitability squeeze eases

NI Retail Input & Output Inflation
3 month moving average



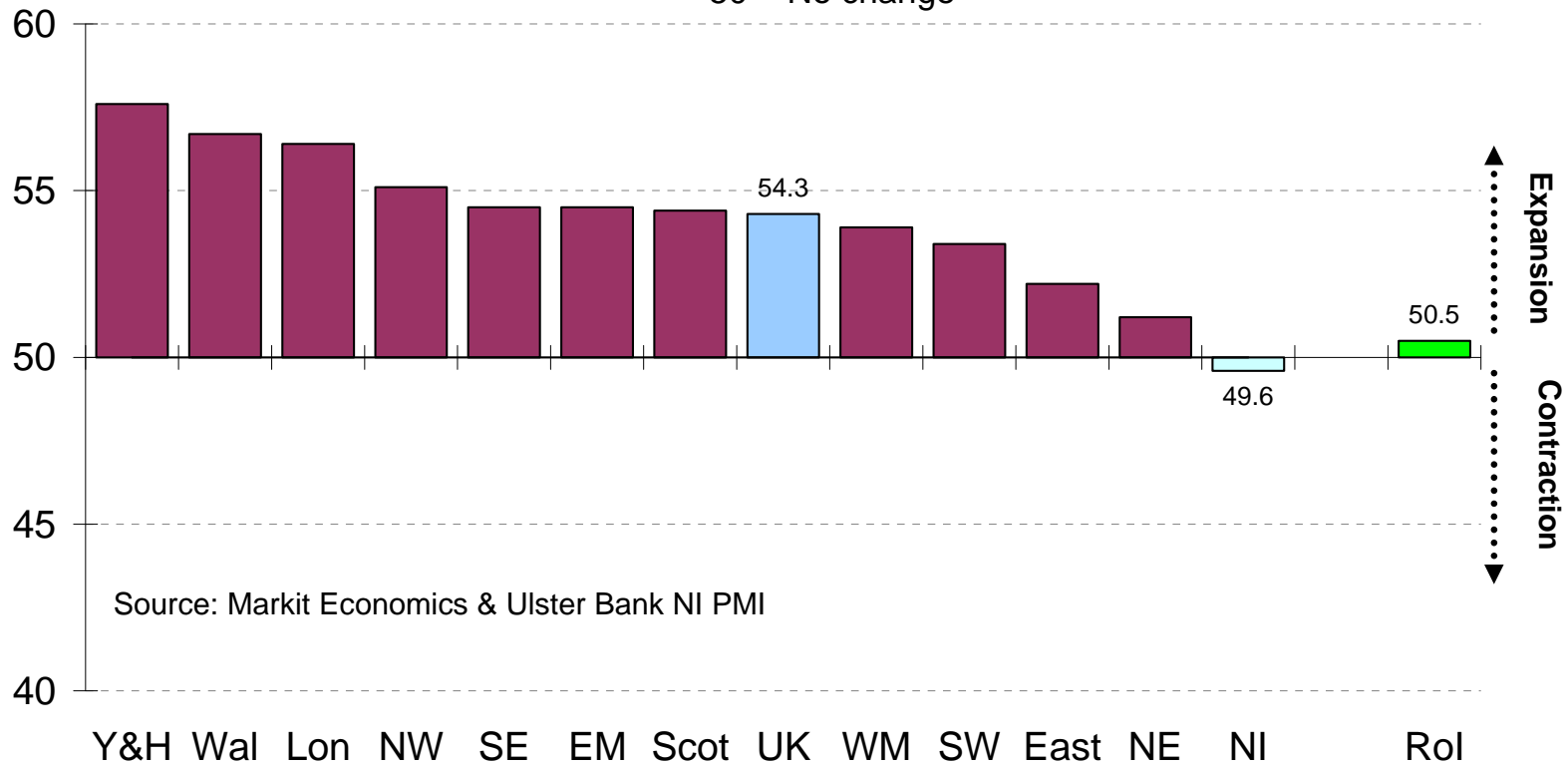
*Regional
Comparisons*

NI is the only region still waiting to cross the 50 mark

Output / Business Activity

May 2013
50 = No change

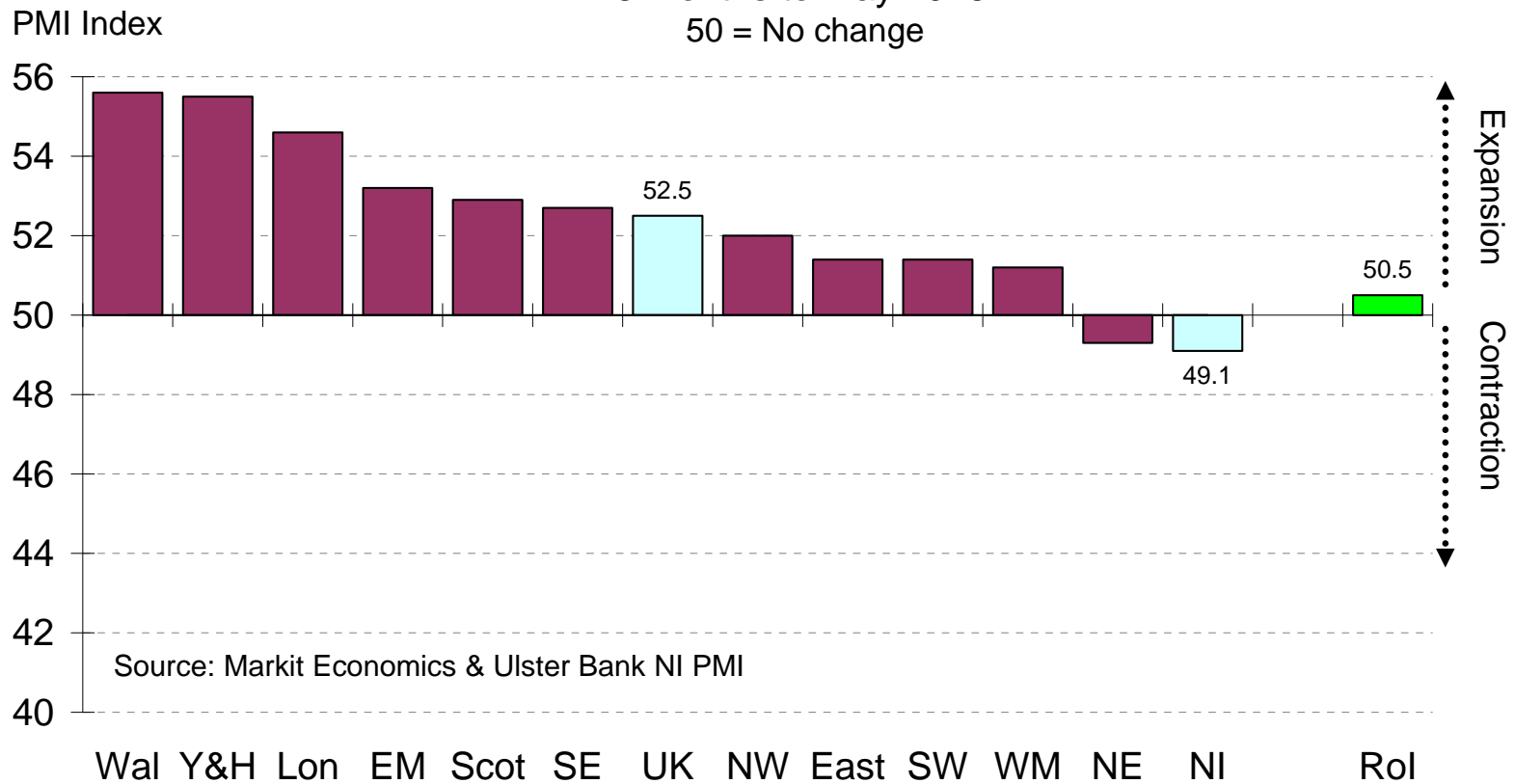
PMI index



N.Ireland and the North East are the only two regions to contract over the last 3 months ...

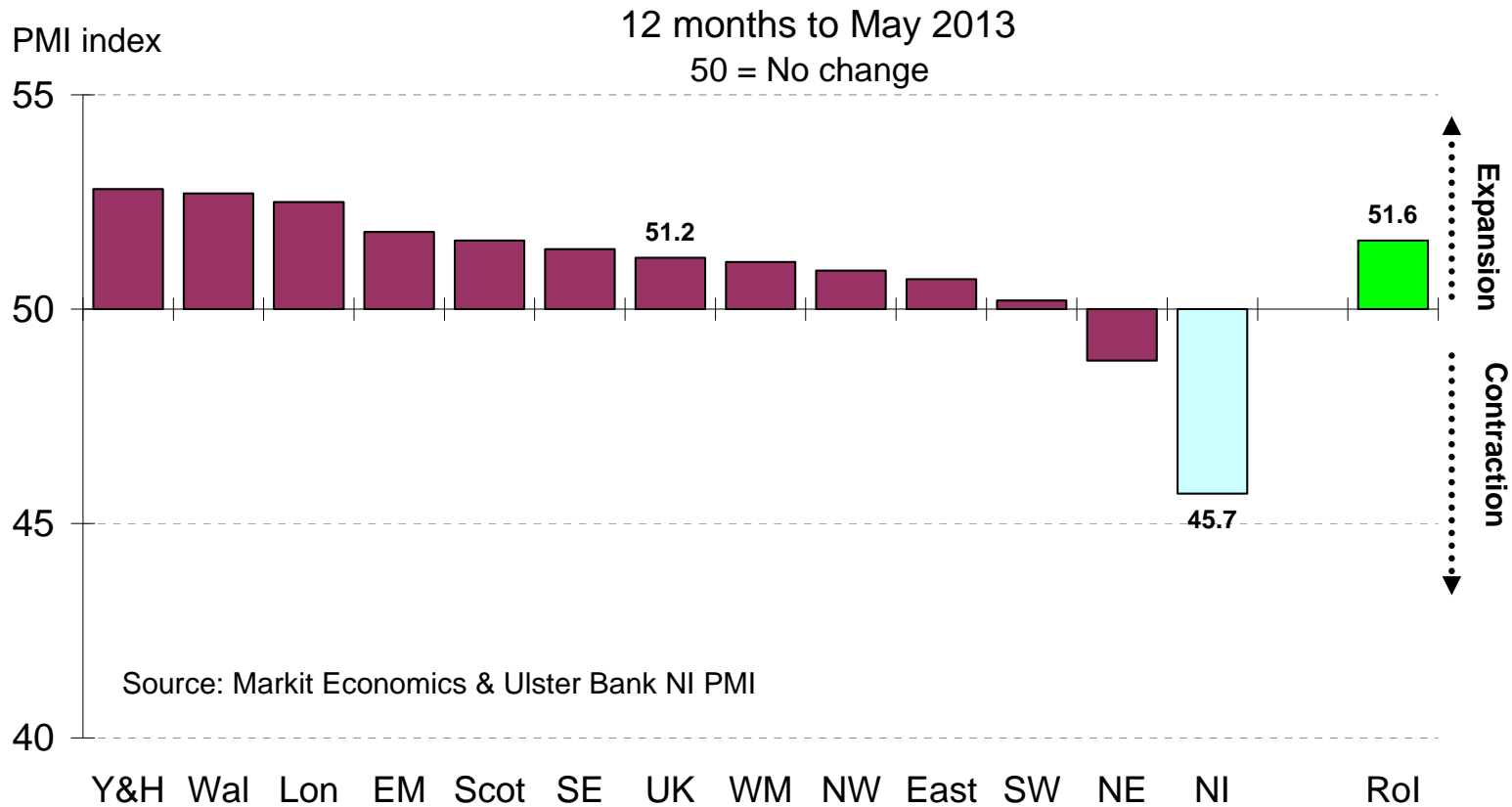
Output / Business Activity

3 months to May 2013
50 = No change



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

Output / Business Activity

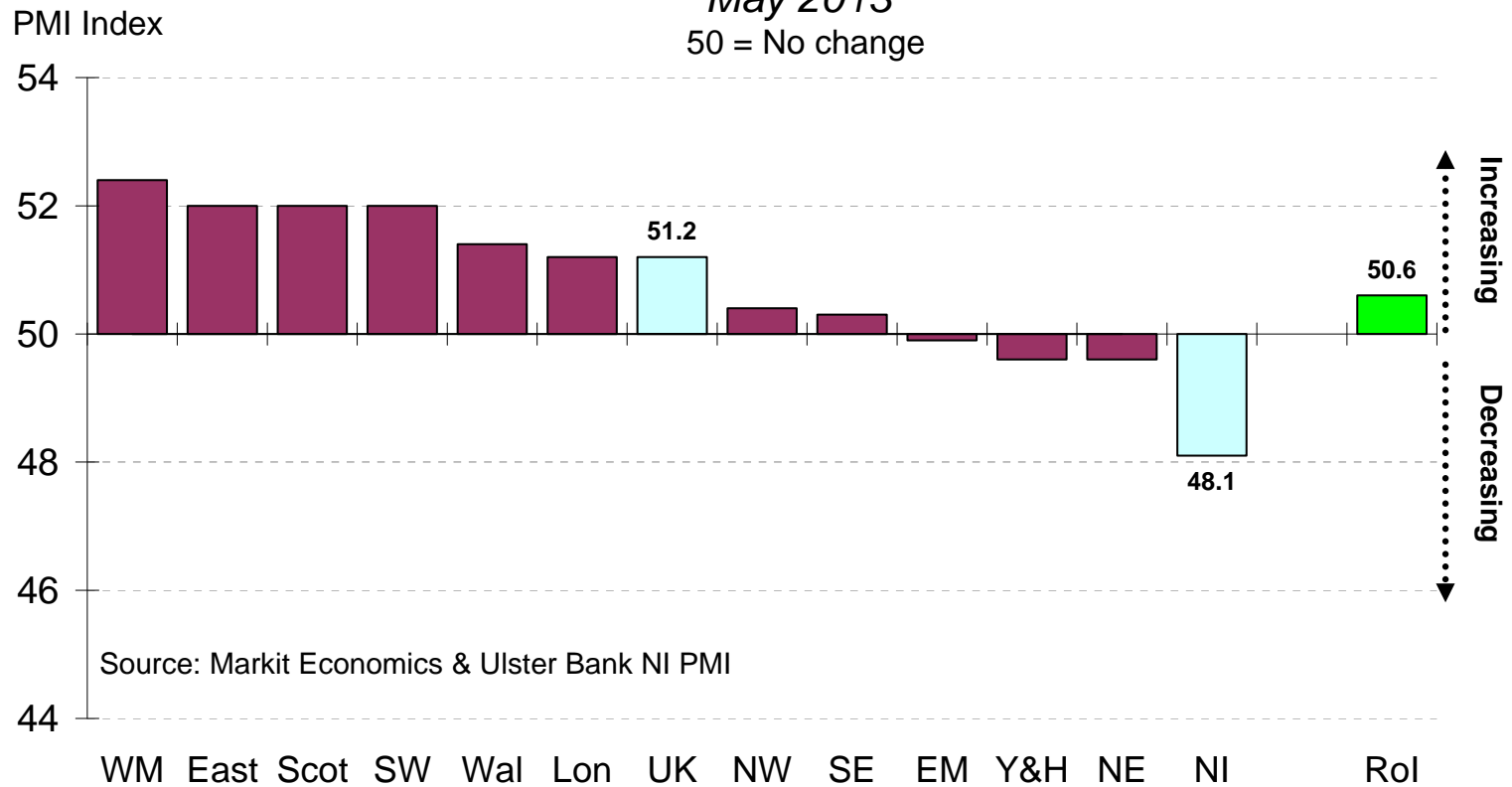


Three English regions & NI report falling employment levels in May ...

Employment Levels

May 2013

50 = No change

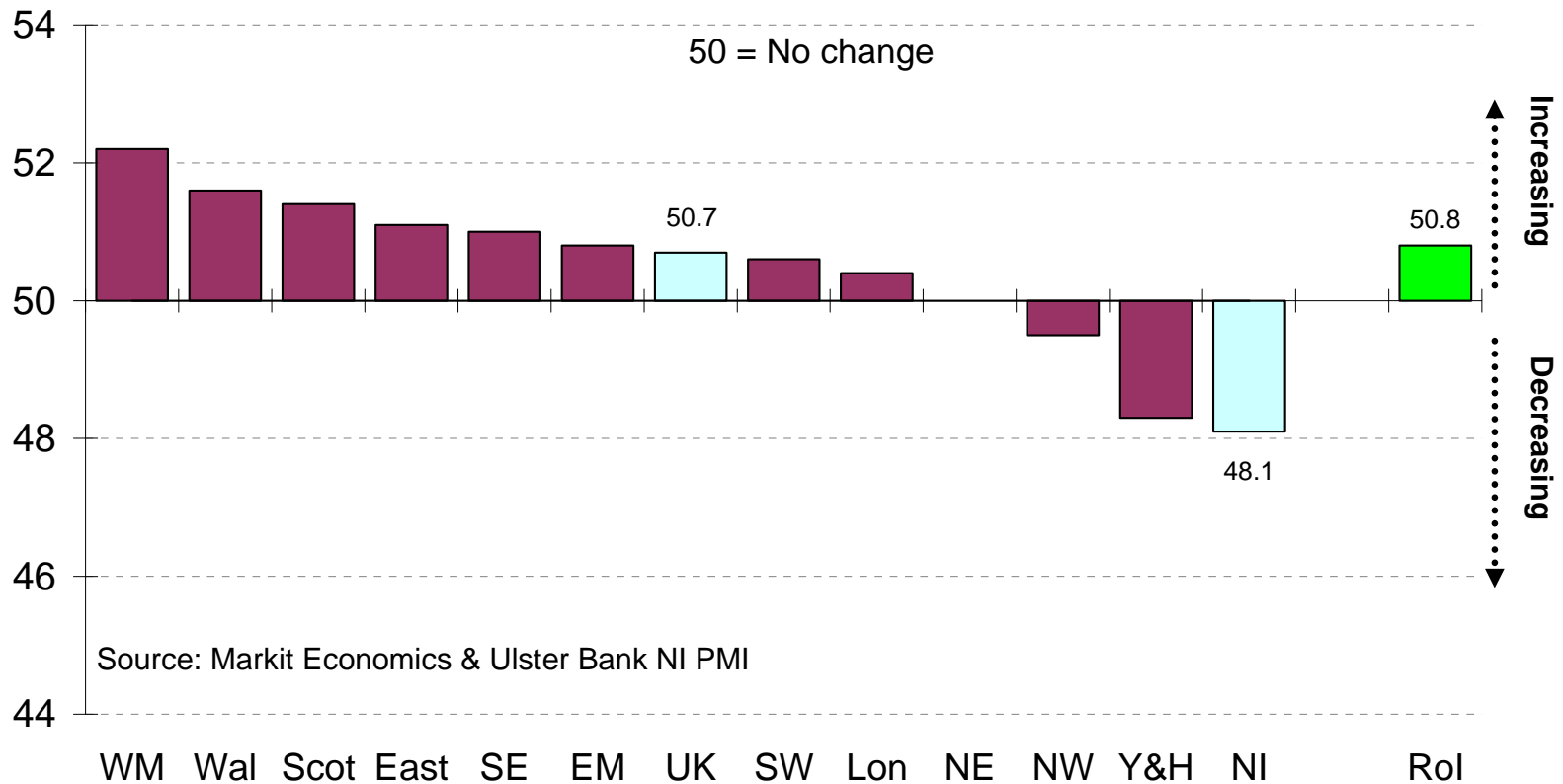


... with 3 UK regions (*incl. NI*) posting job losses over last 3 months...

Employment Levels

Last 3 months to May 2013

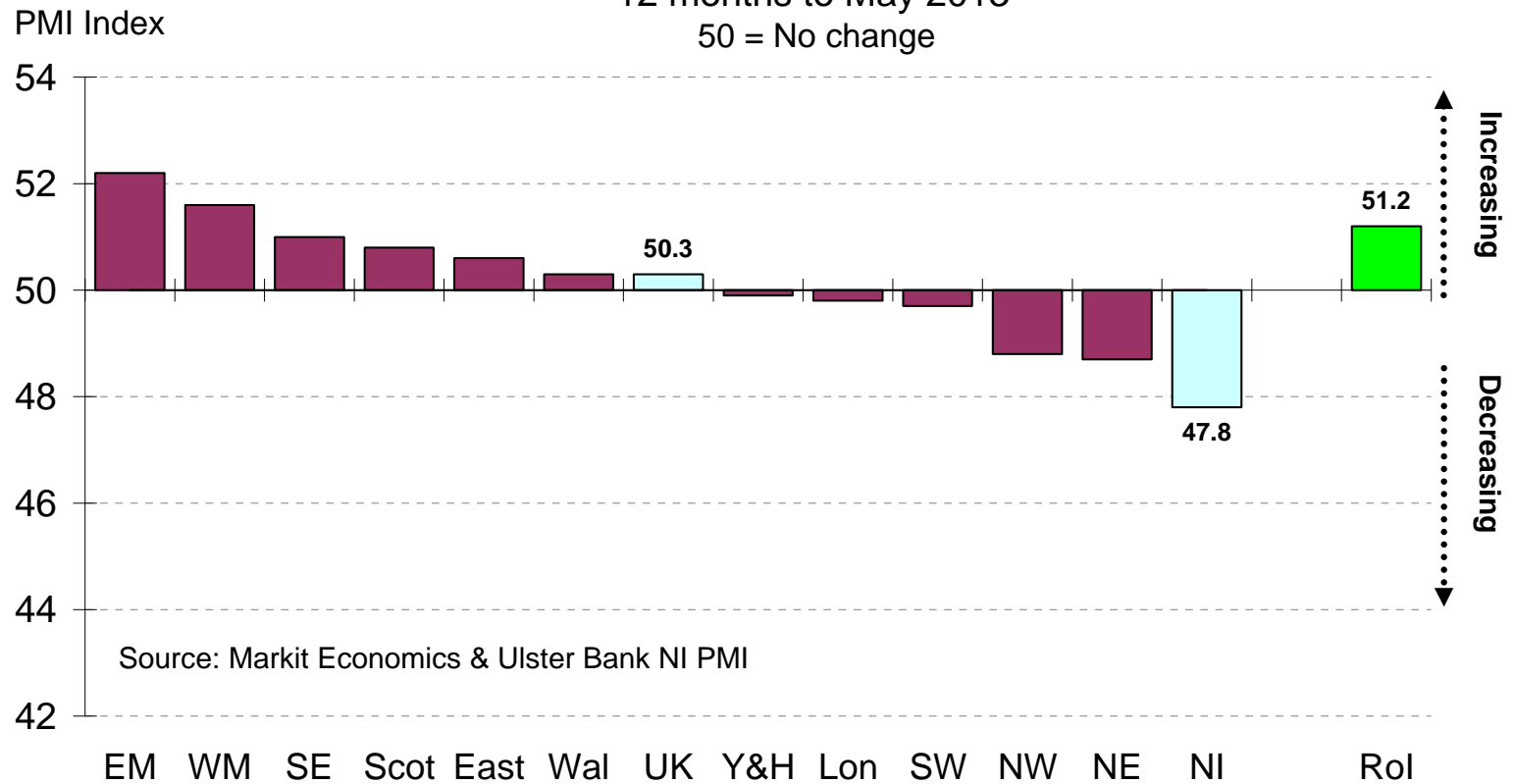
PMI Index



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

Employment Levels

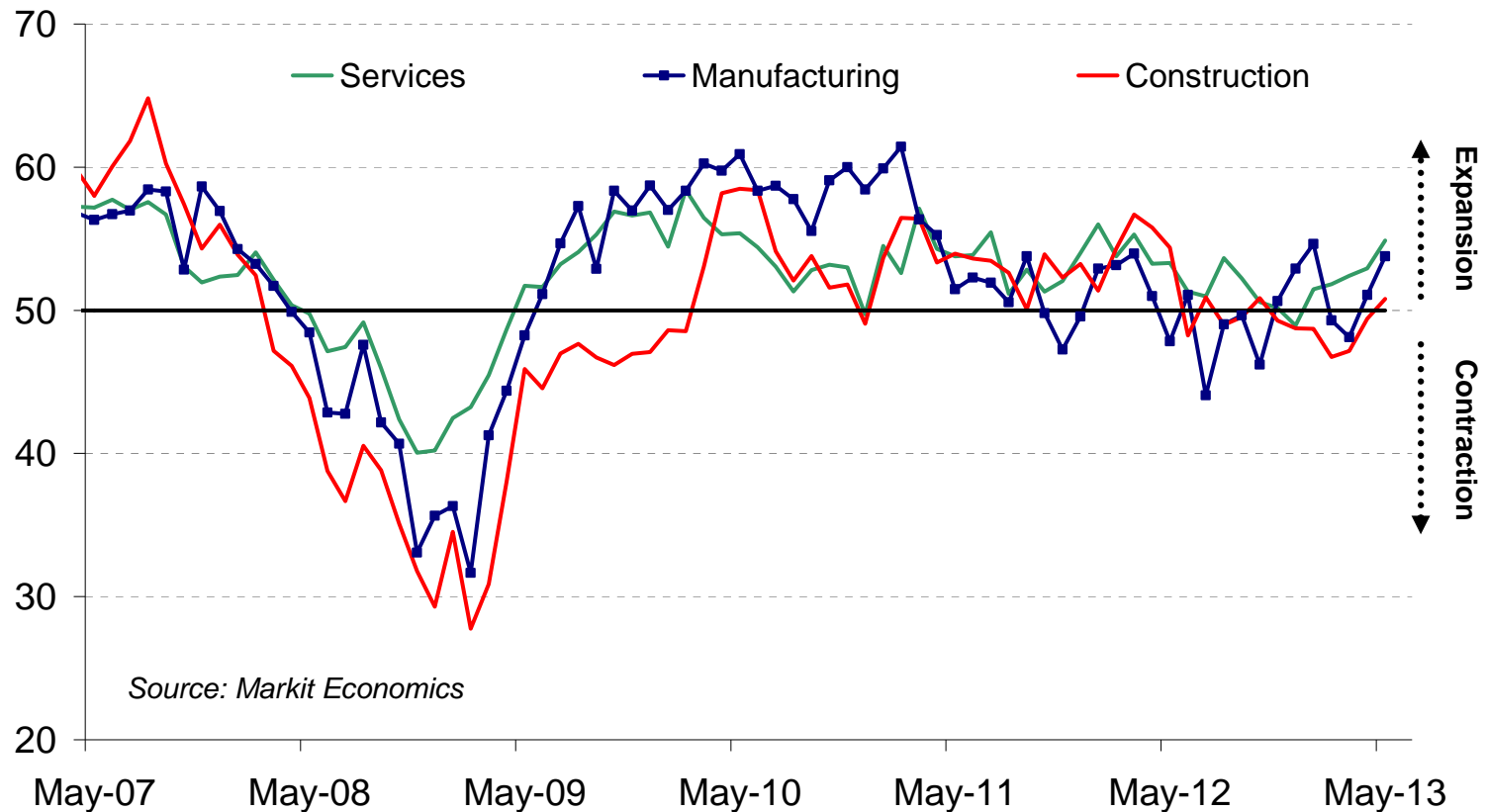
12 months to May 2013
50 = No change



Sectoral Comparisons

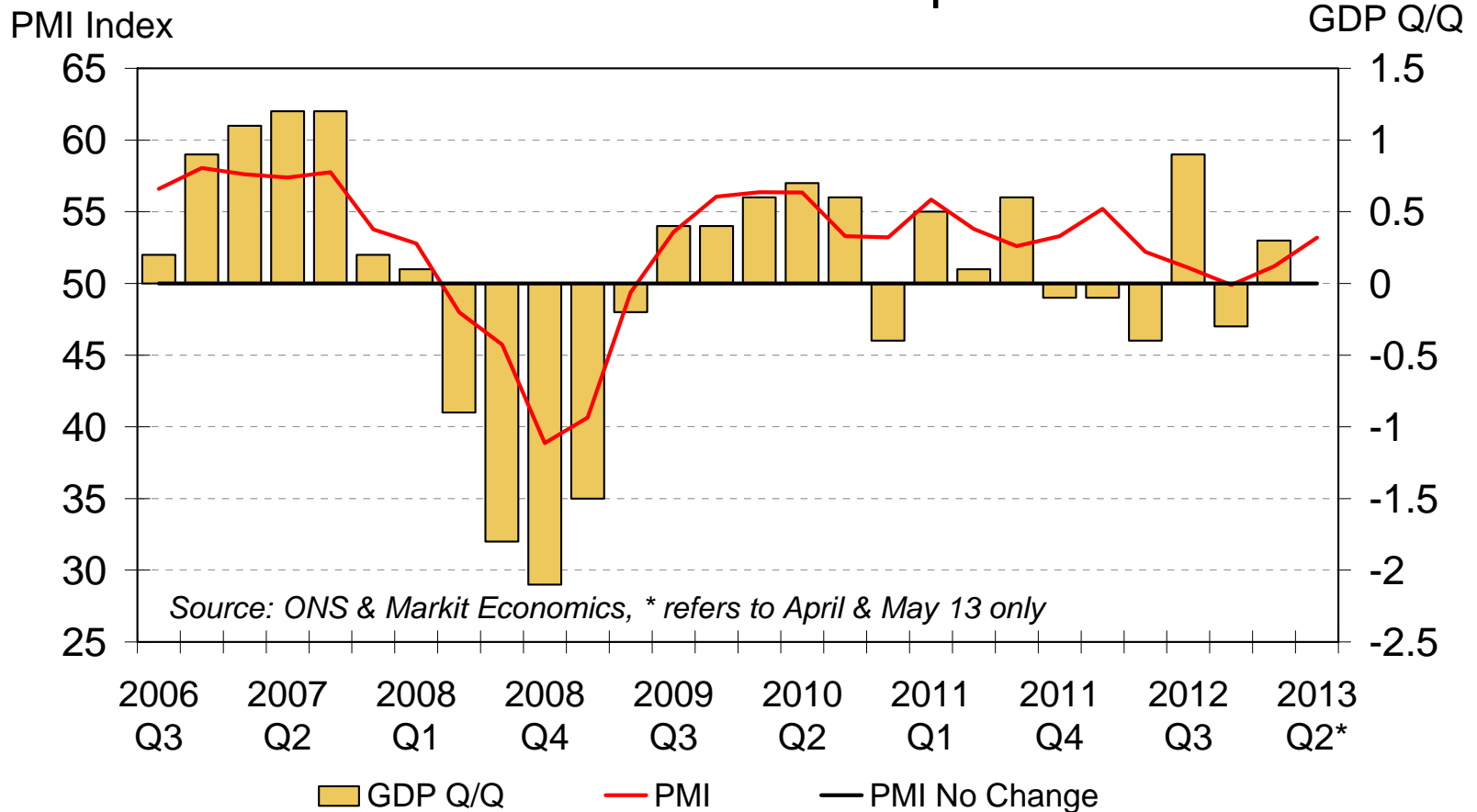
UK manufacturing & service sector growth accelerate in May with construction back above the 50 threshold

UK Business Activity / Output - PMIs

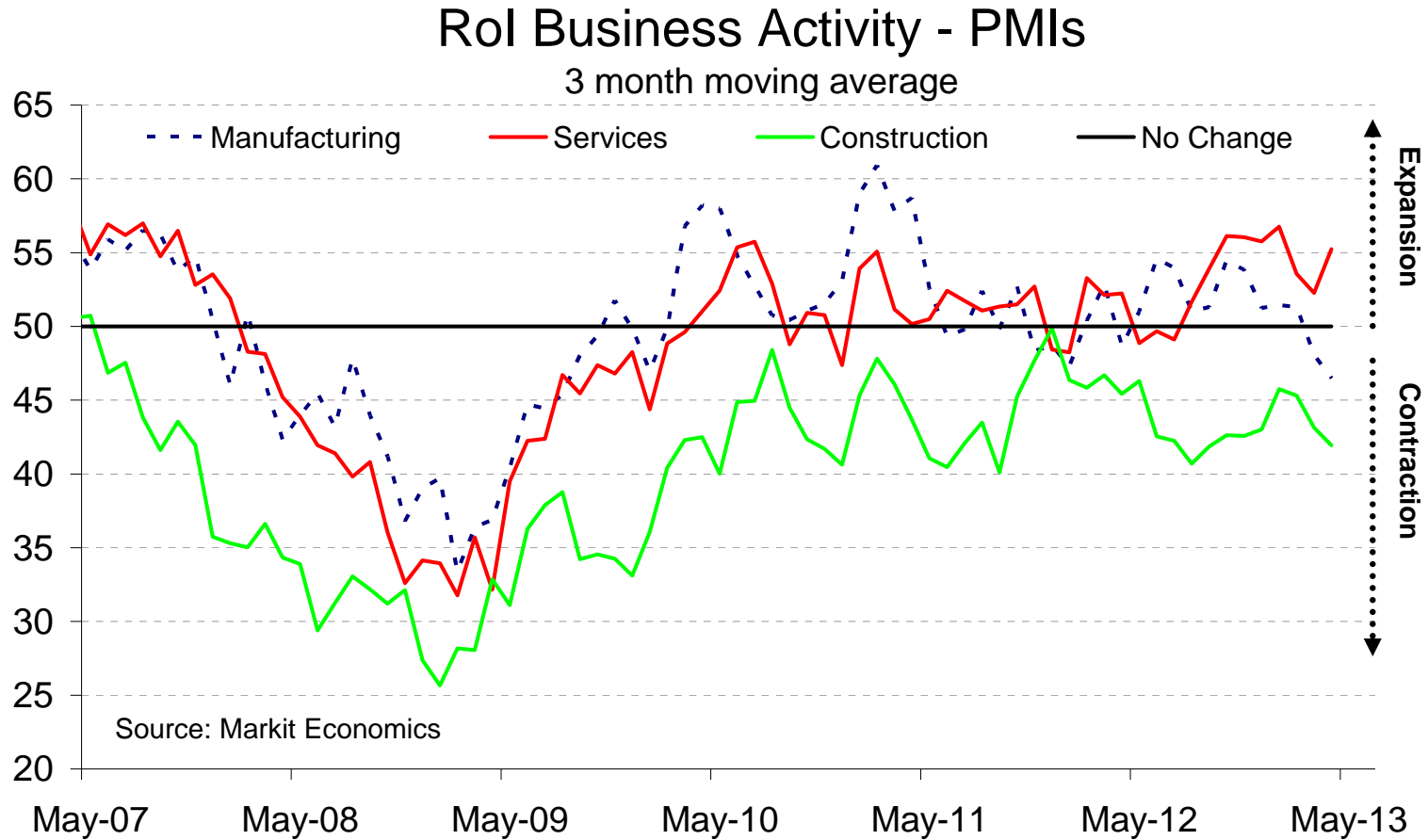


'Triple-dip' recession avoided. UK composite PMI for April & May suggests growth rate to accelerate in Q2

UK GDP versus UK Composite PMI



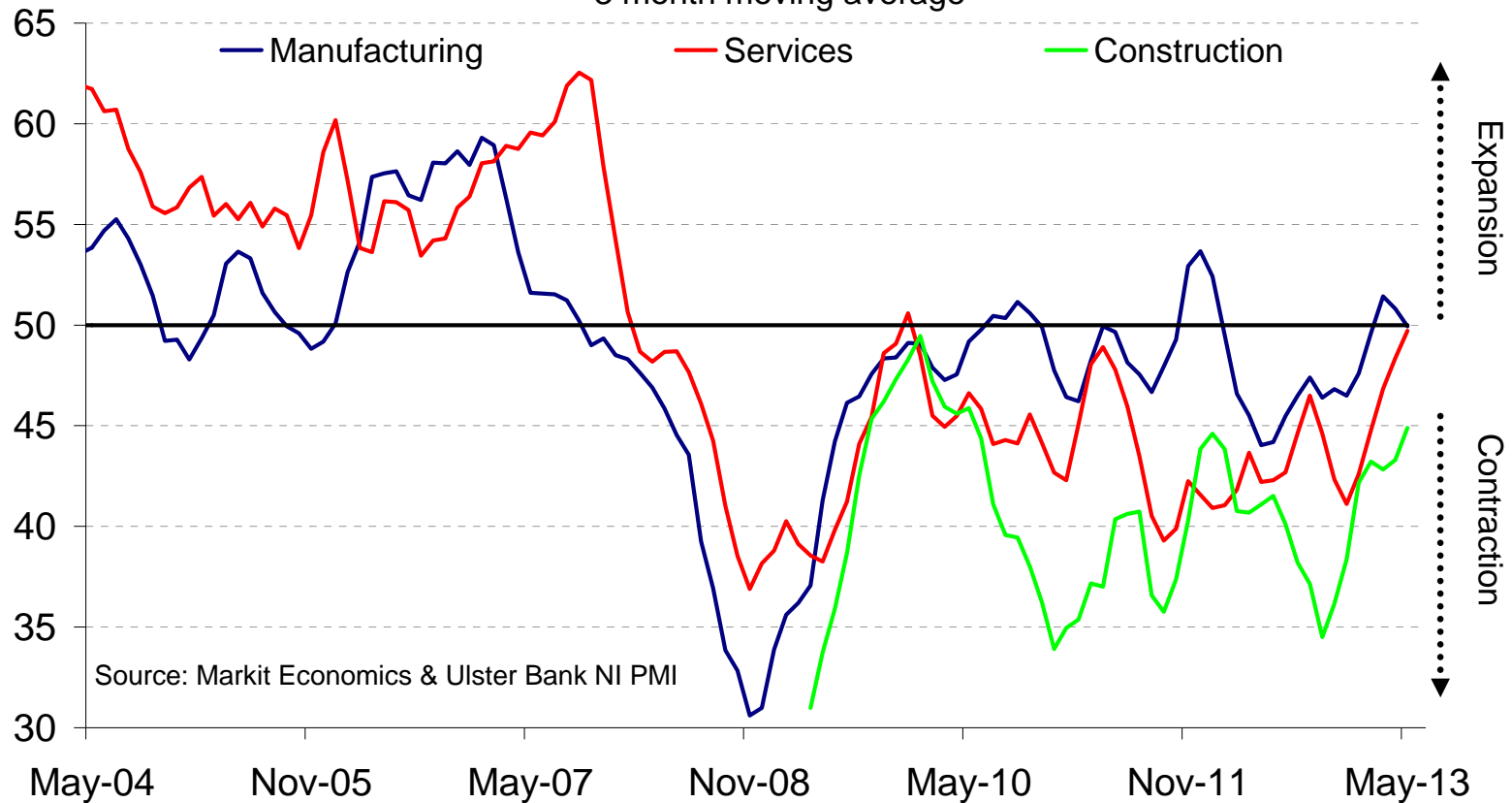
Rol's services sector sees a pick up in growth but the rate of decline accelerates for construction & manufacturing



NI construction sector still contracting with manufacturing and services broadly flat over last 3 months

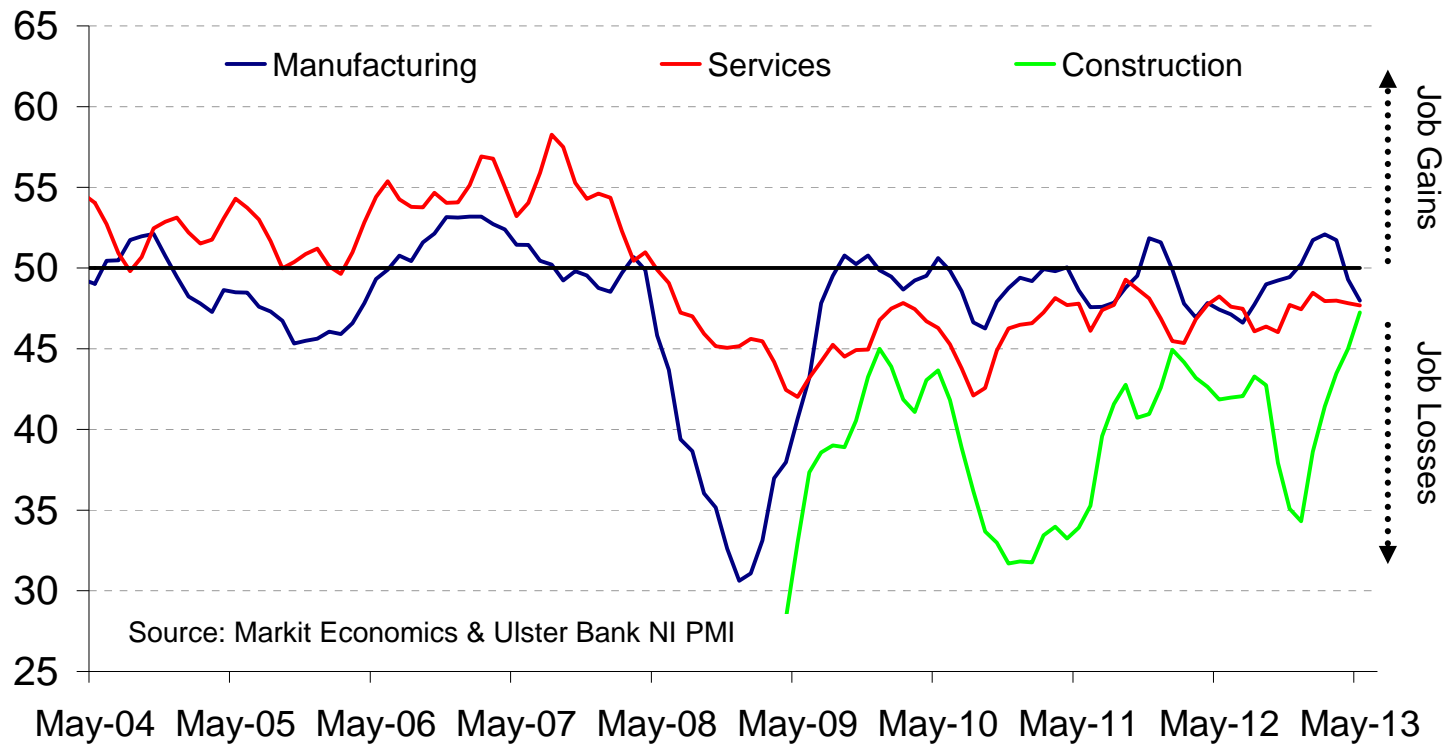
NI Private Sector Output

3 month moving average

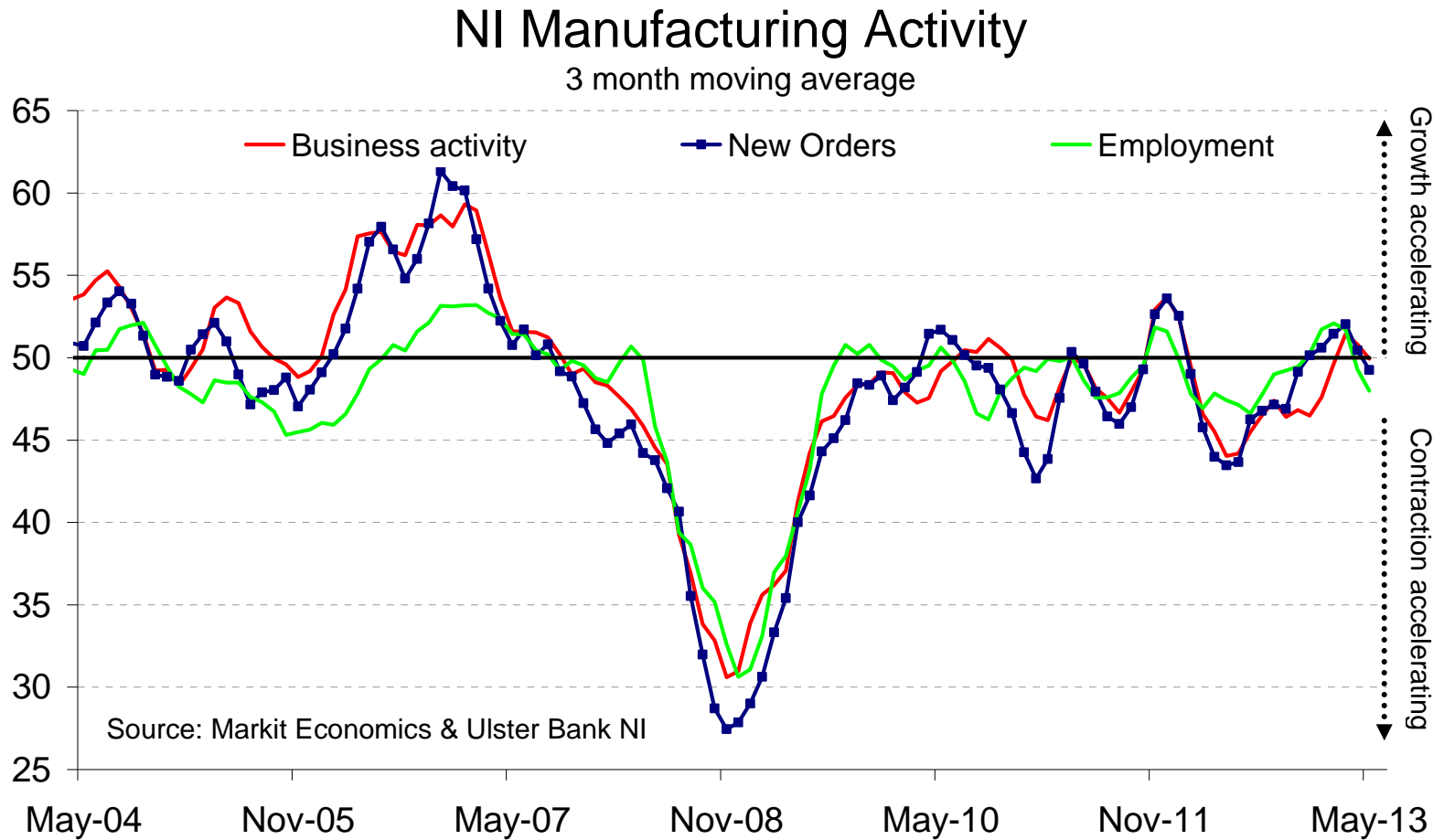


...with all sectors reporting falling employment levels over the last 3 months

NI PMI - Employment Index
3 month moving average

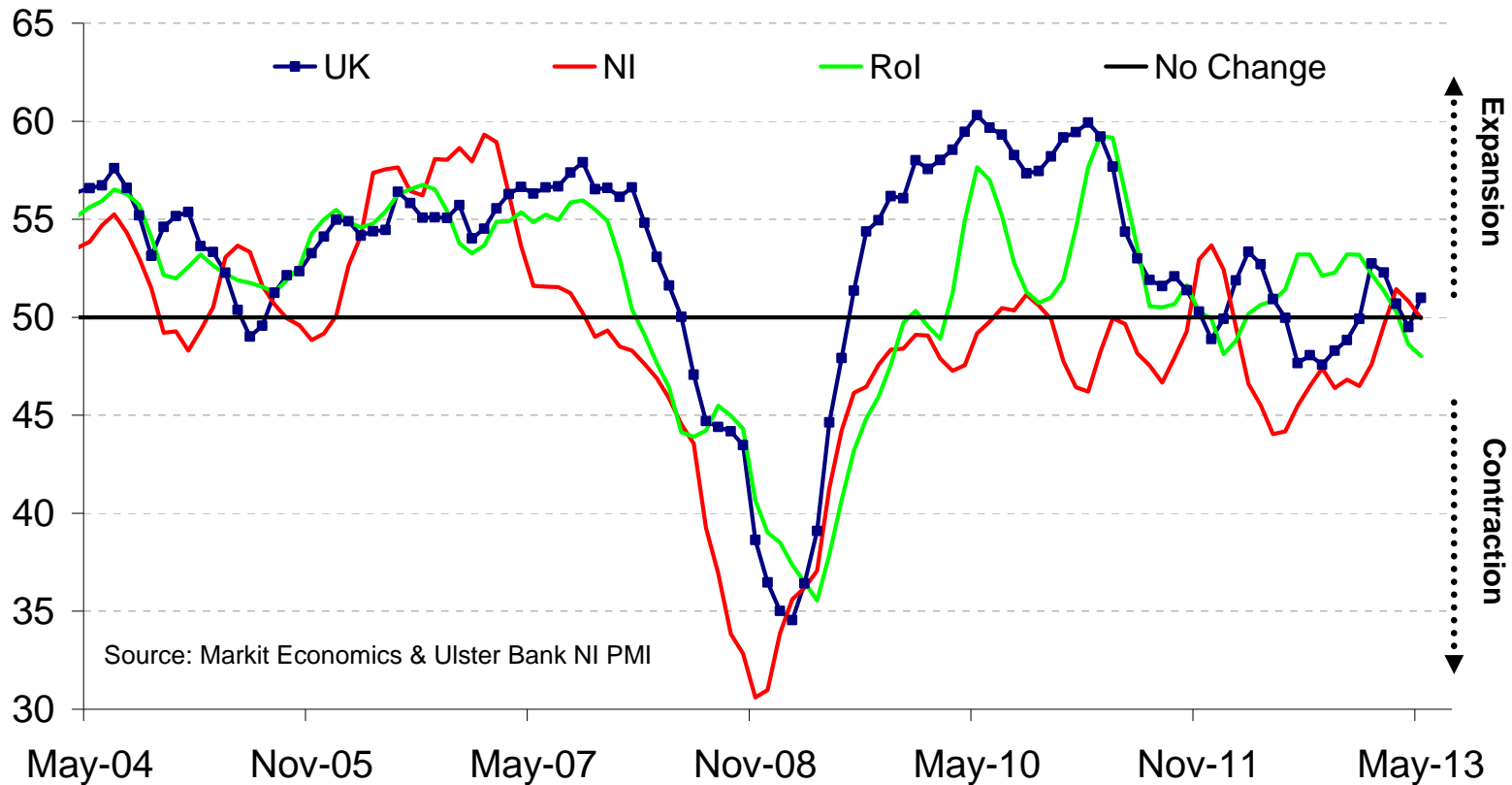


NI's manufacturing sector posts declines in orders & employment following recent purple patch



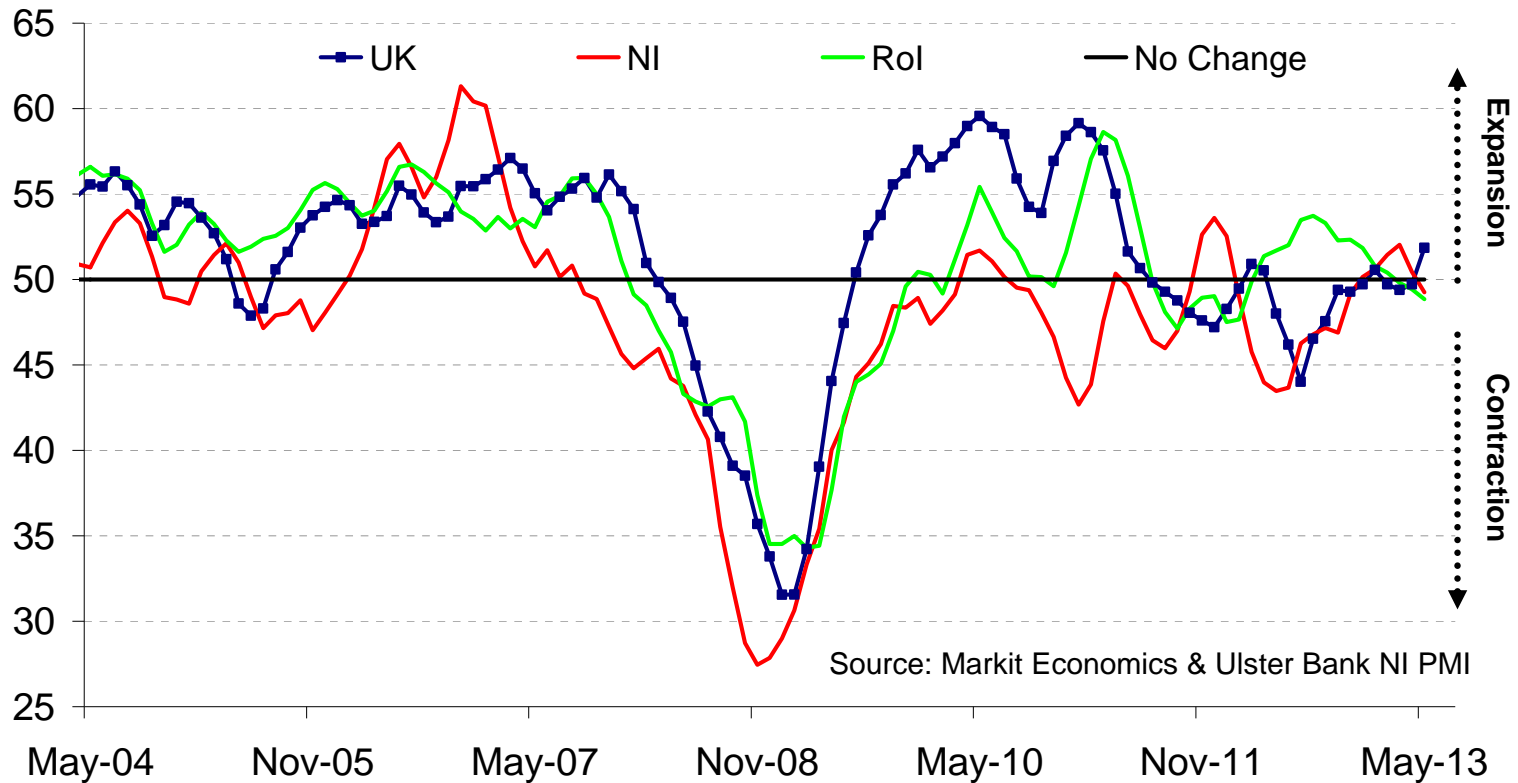
NI's manufacturing output growth eases from recent outperformance relative to the UK and the RoI

Manufacturing Output
3 month moving average



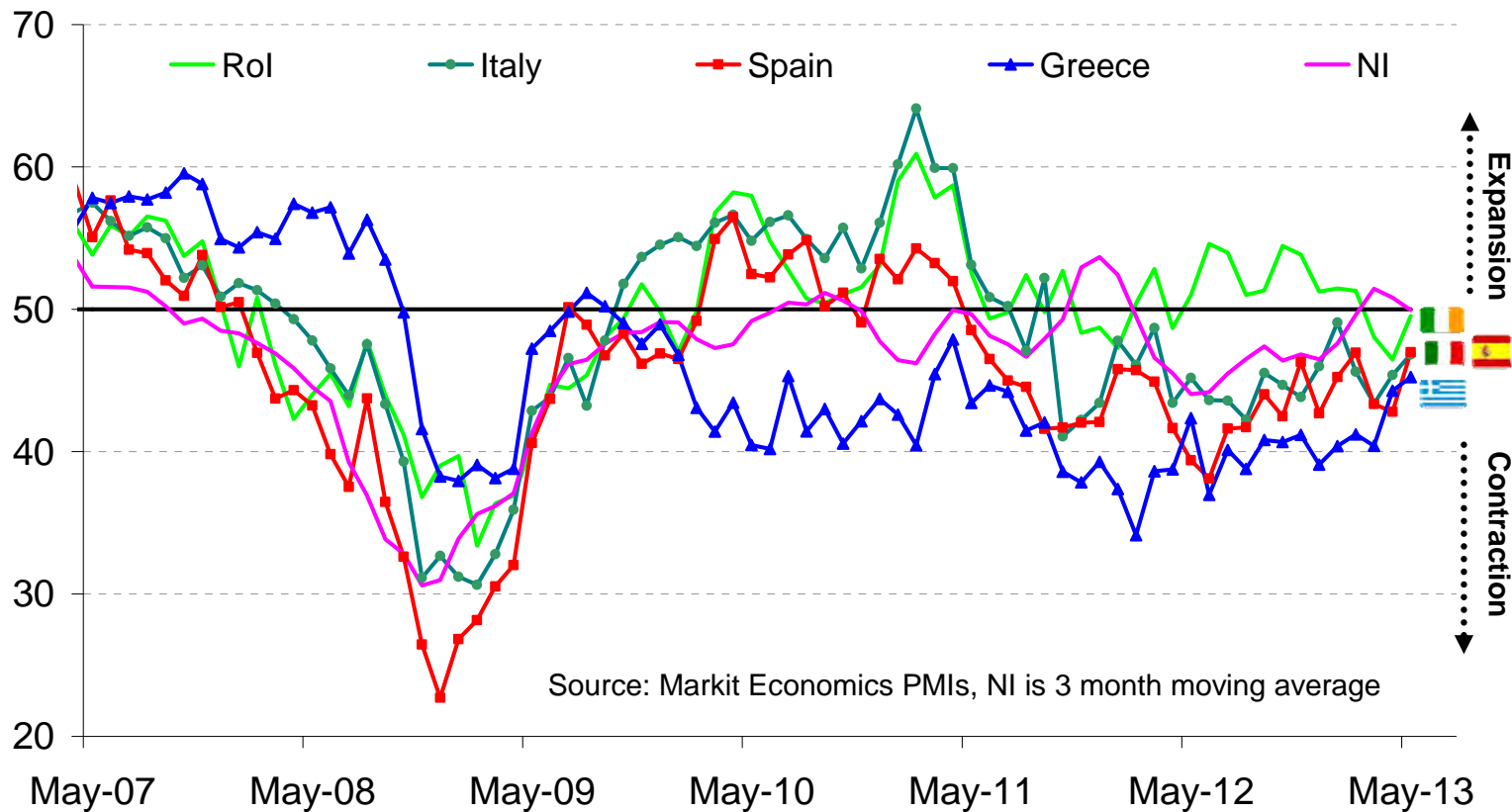
The UK posts the strongest growth in new orders

Manufacturing New Orders
3 month moving average



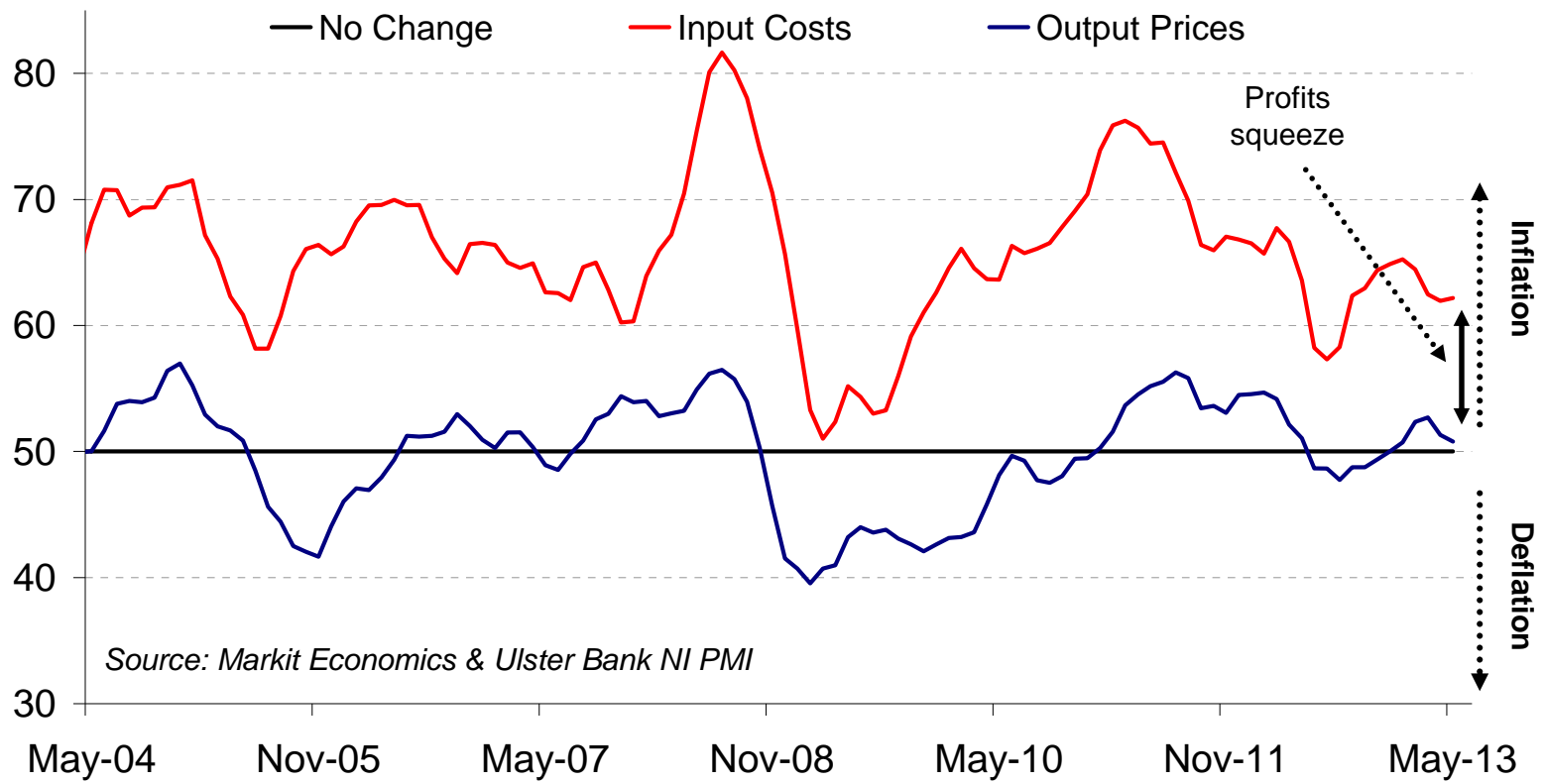
N.Ireland is outperforming its European competitors, aided by sterling's ongoing weakness

Manufacturing Output - PMI

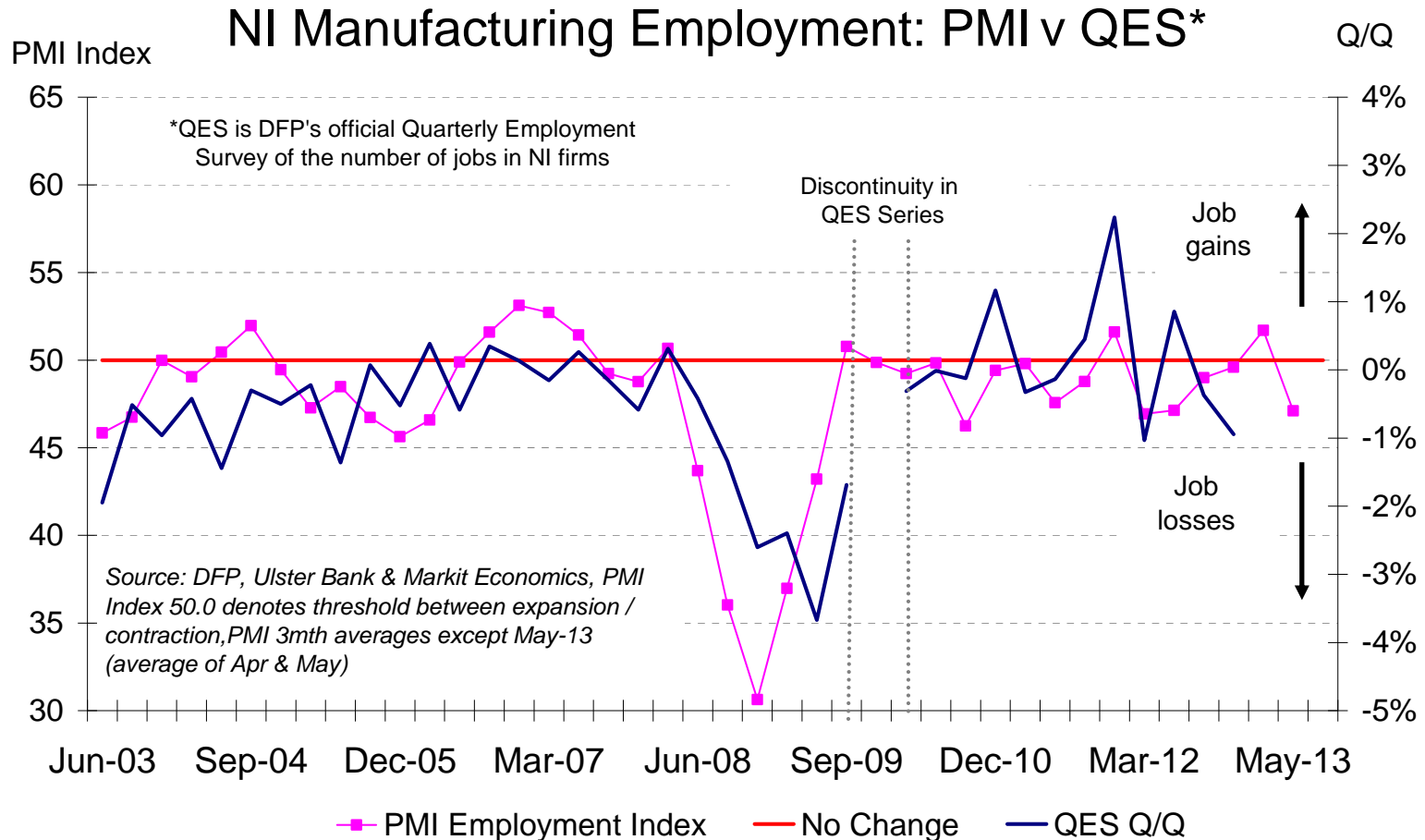


Cost price inflation remains for local manufacturing firms and output price inflation eases

NI Manufacturing Input & Output Inflation 3 month moving average

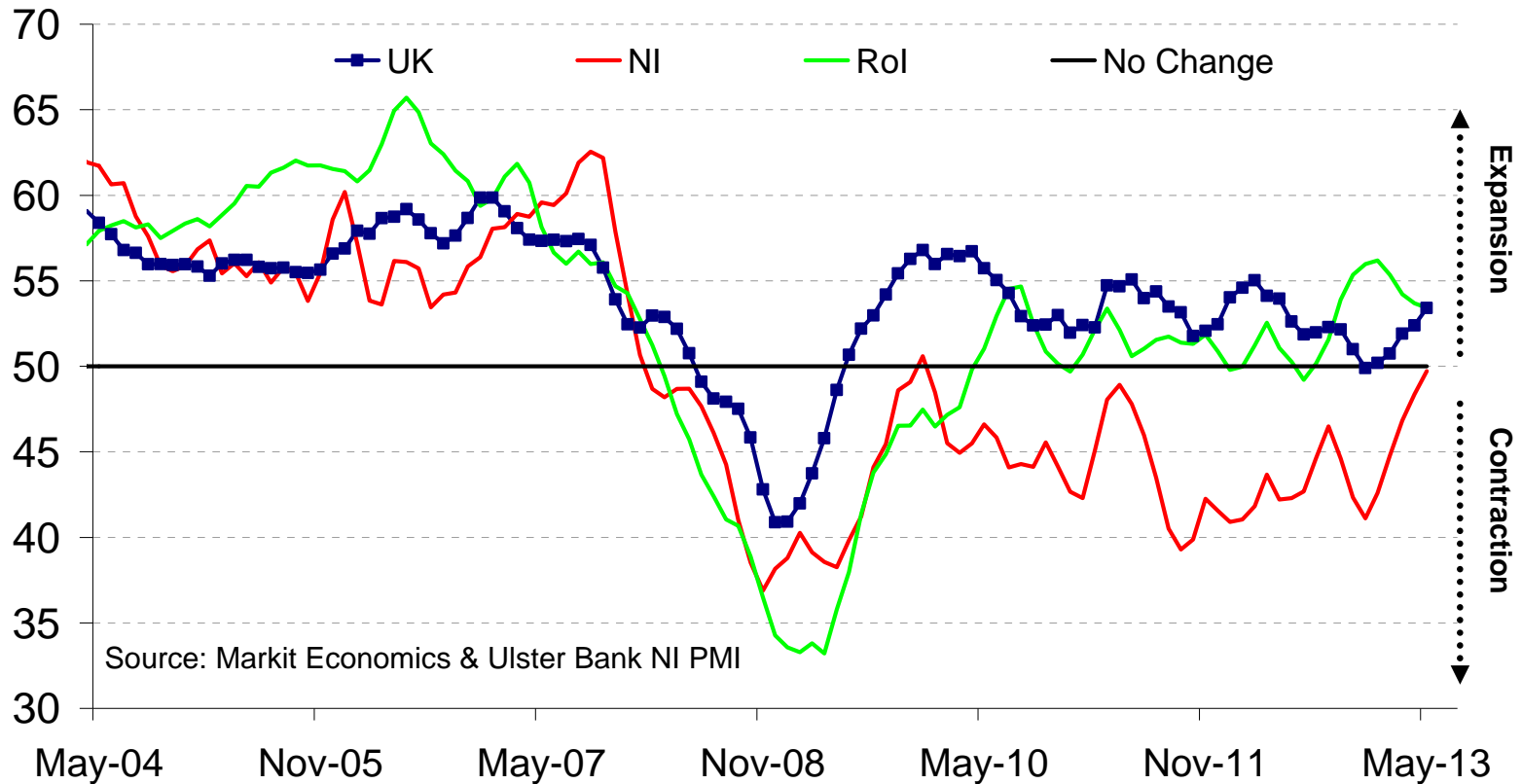


PMI signals job gains in Q1 2013 followed by a fall in employment levels in Q2 2013



Rol & UK growth continues while NI's pace of decline eases with May marking the first NI rise since Nov-09

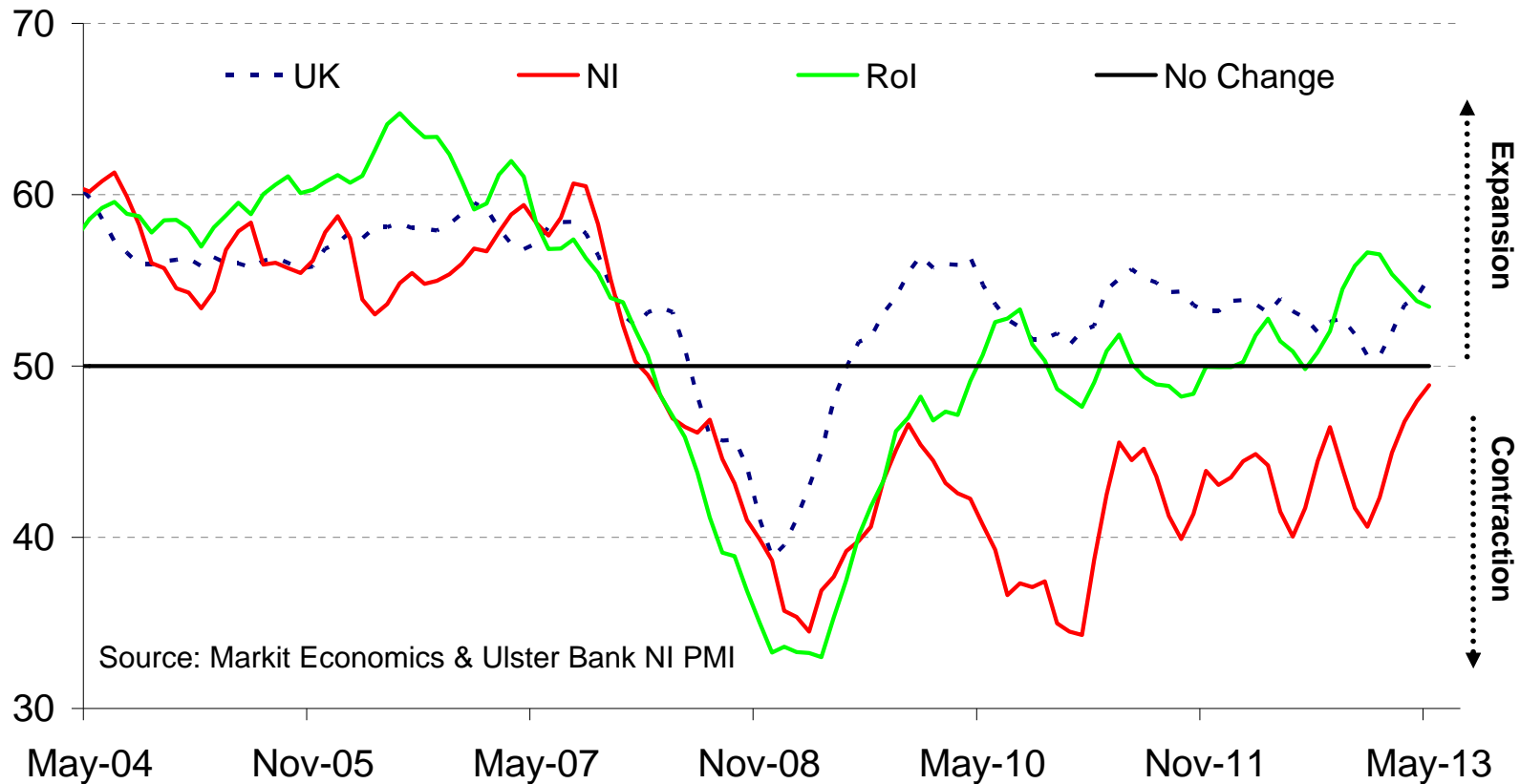
Services Output (excluding Retail)
3 month moving average



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

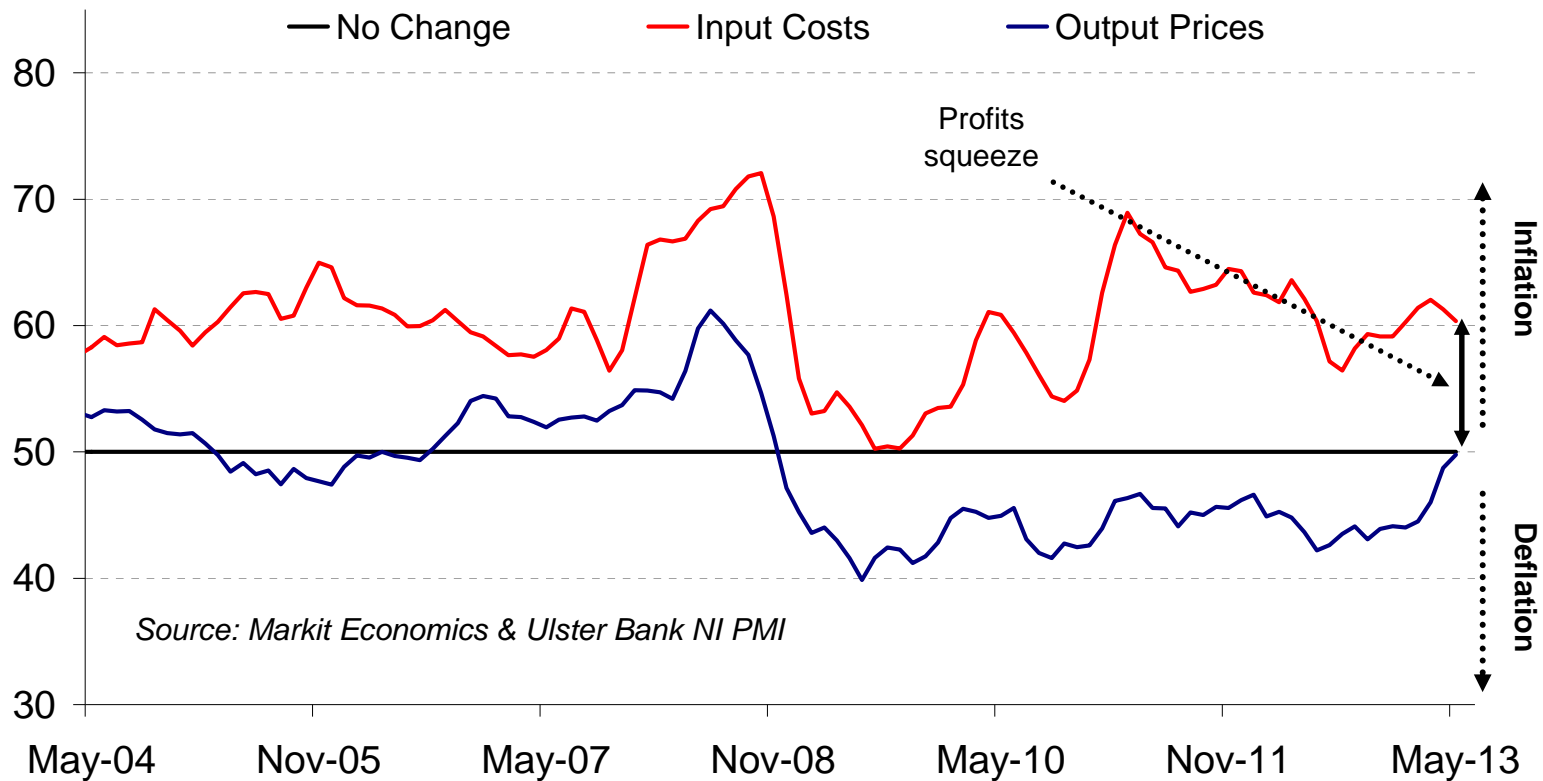
Services New Orders (*excluding Retail*)

3 month moving average



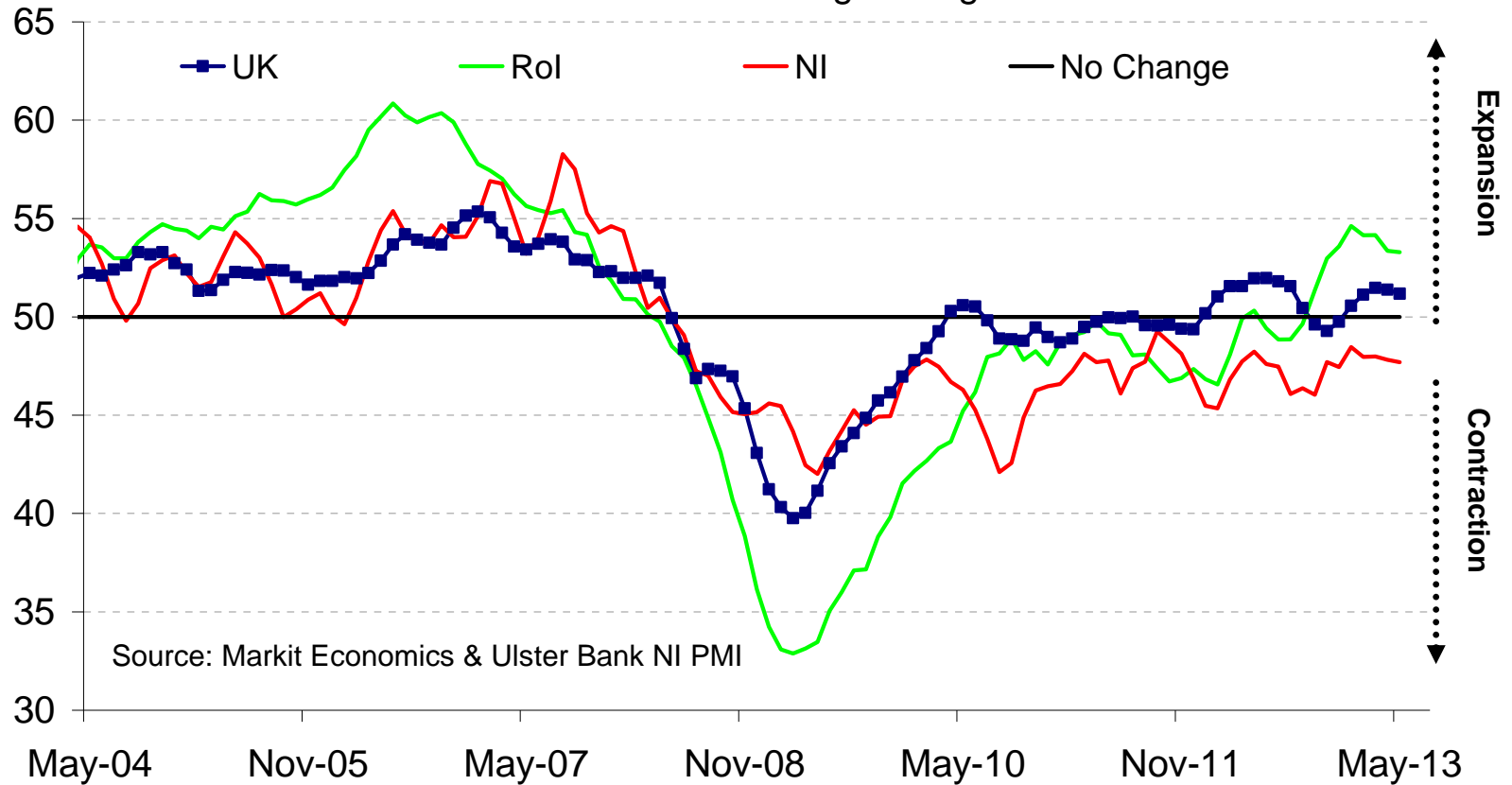
NI's services sector sees inflationary pressures ease

NI Services Input & Output Inflation 3 month moving average

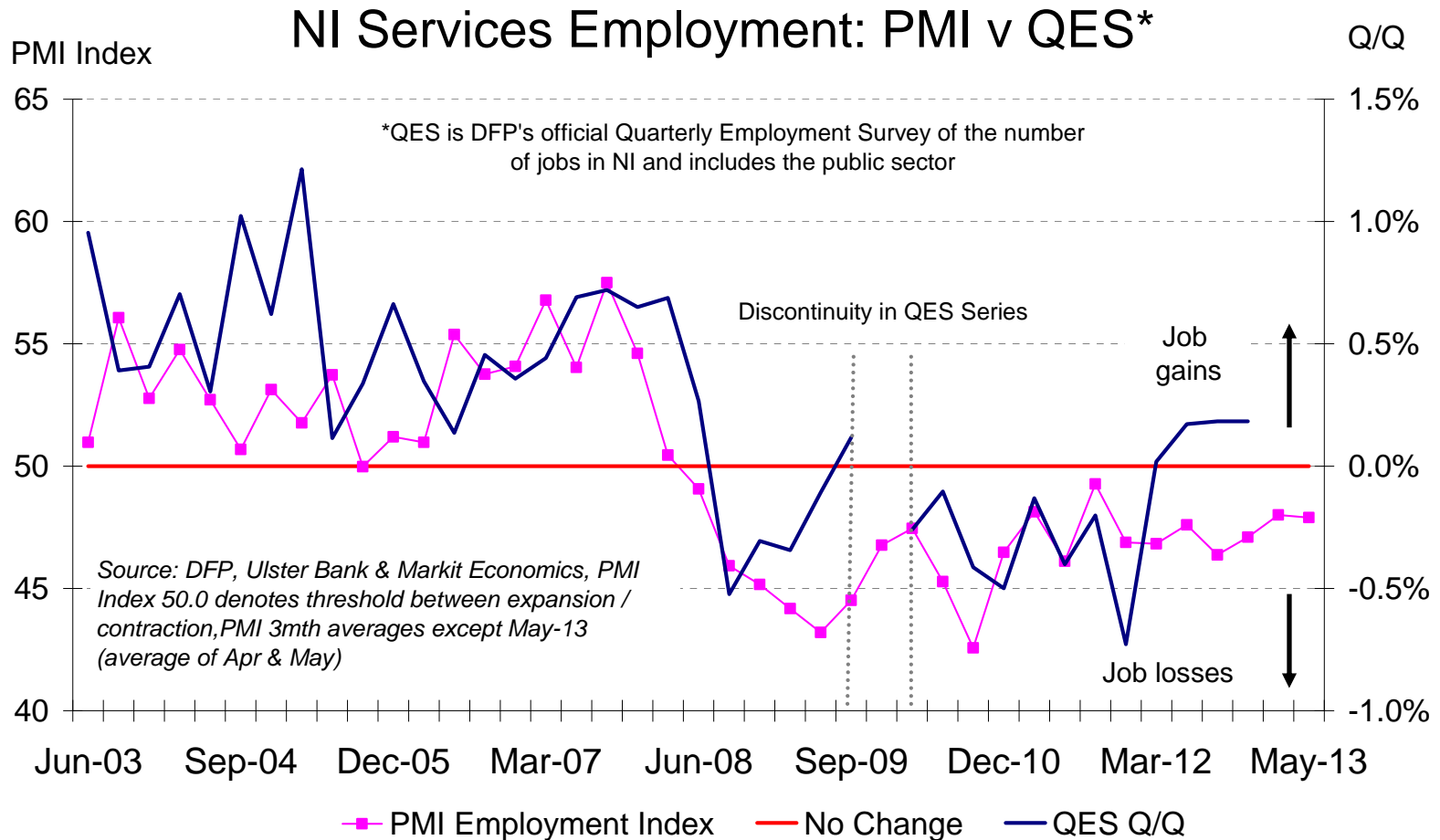


...with employment levels still falling in NI over the last three months

Services Employment 3 month moving average



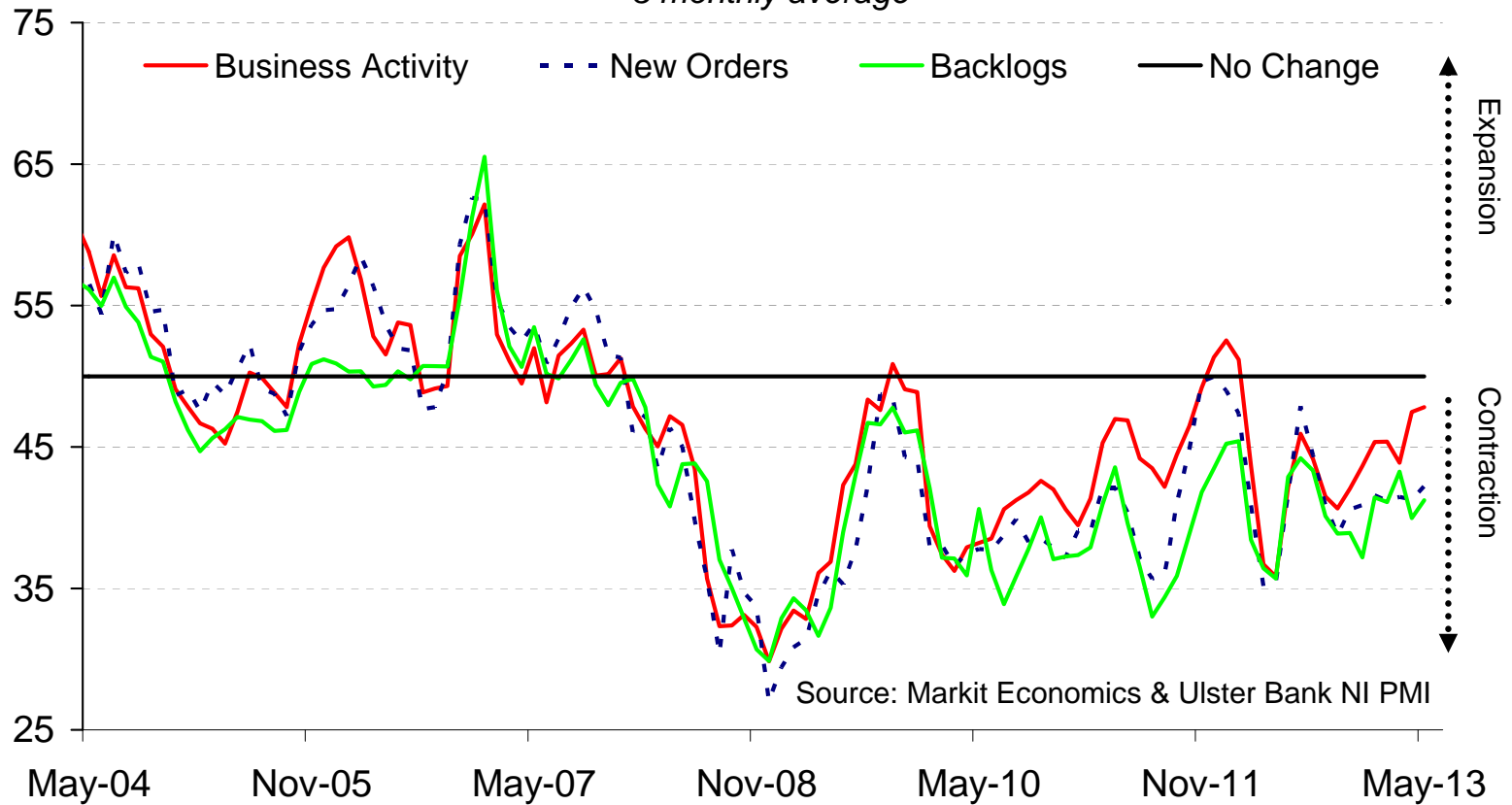
The services PMI underestimated modest employment gains in Q2-Q4 & signals a modest decline in H1 2013



Local retailers still reporting falling orders & activity

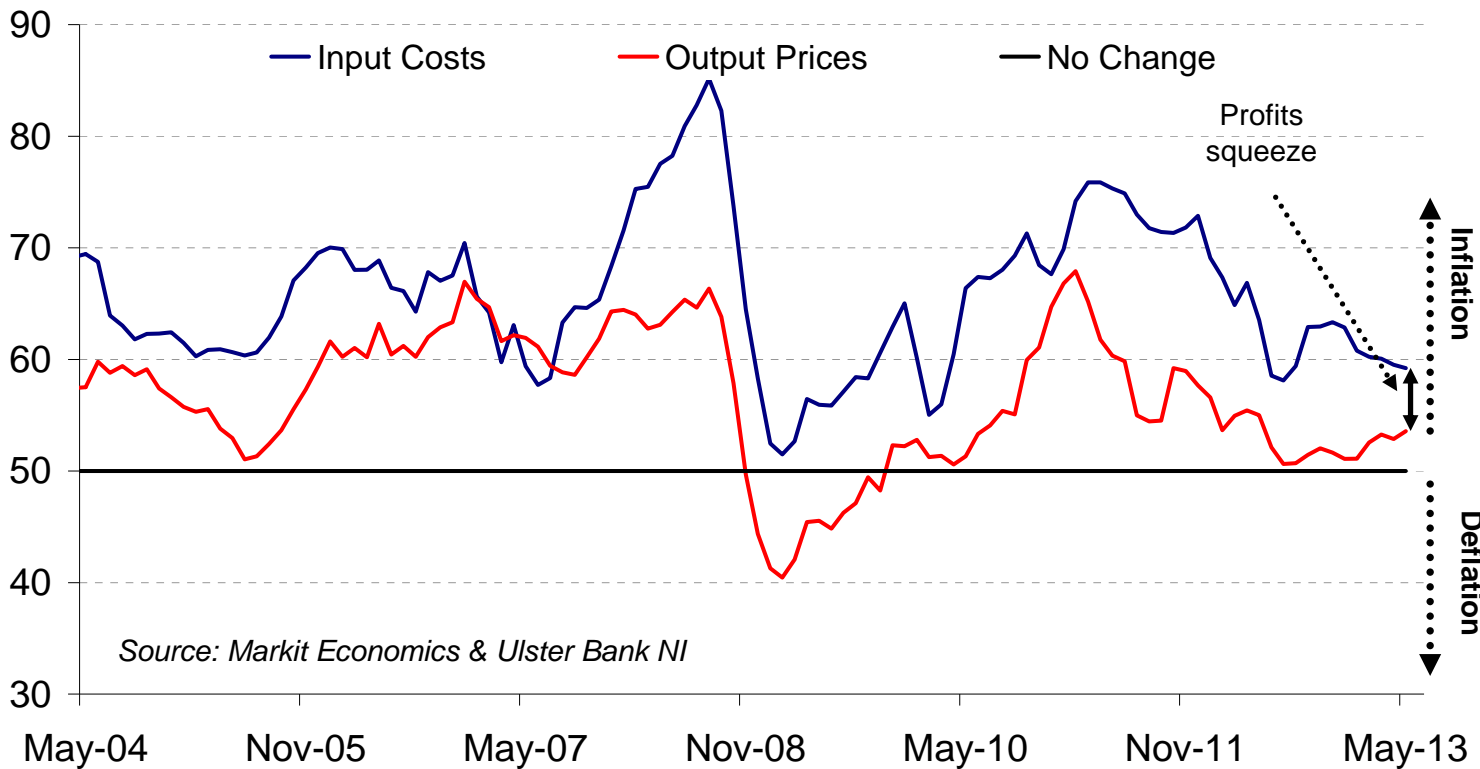
Northern Ireland Retail PMI

3 monthly average



Profits squeeze on local retailers appears to be easing

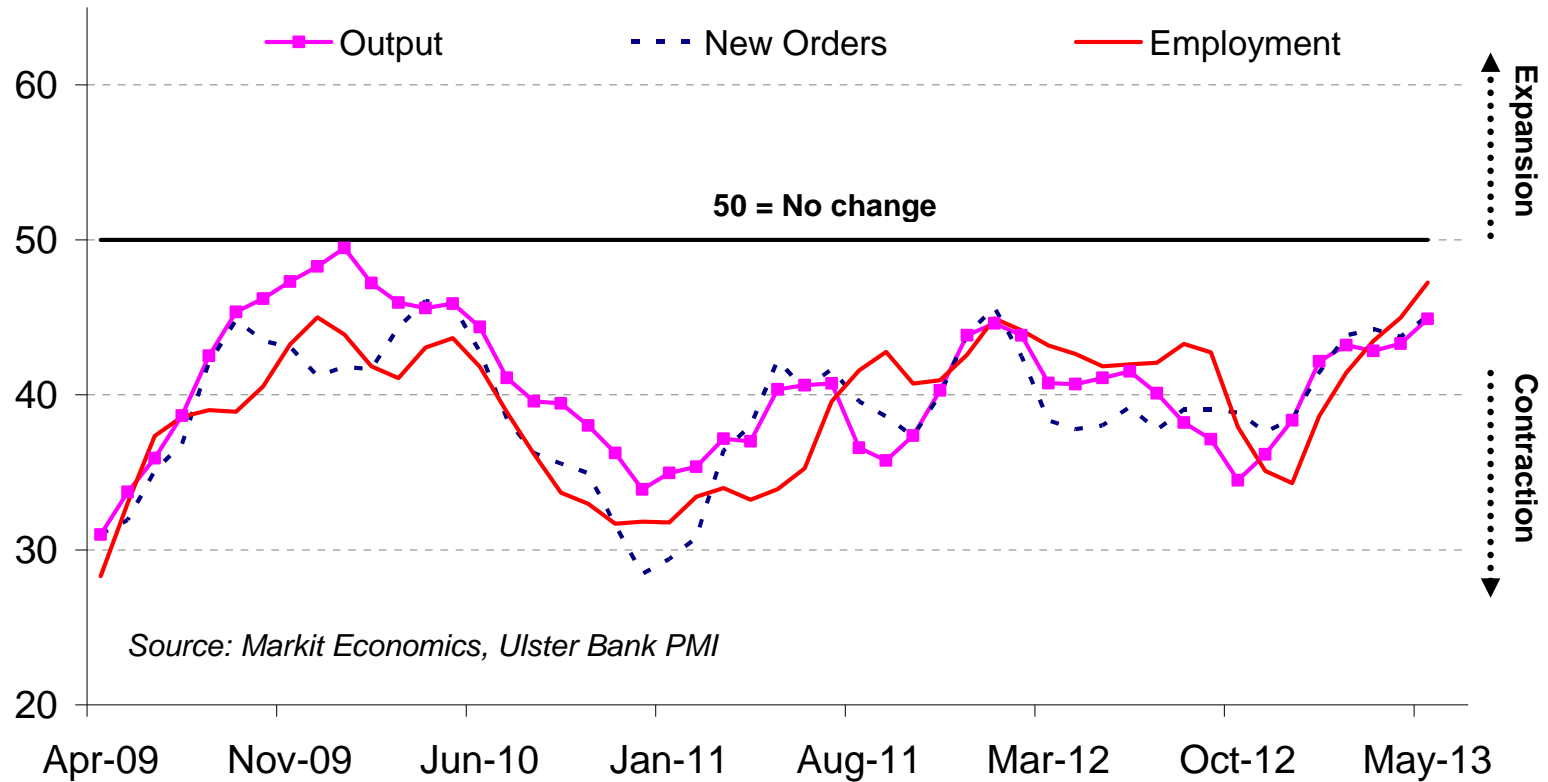
NI Retail Input & Output Inflation 3 month moving average



NI construction sector still in the midst of a severe downturn

NI Construction PMI

3 month moving average

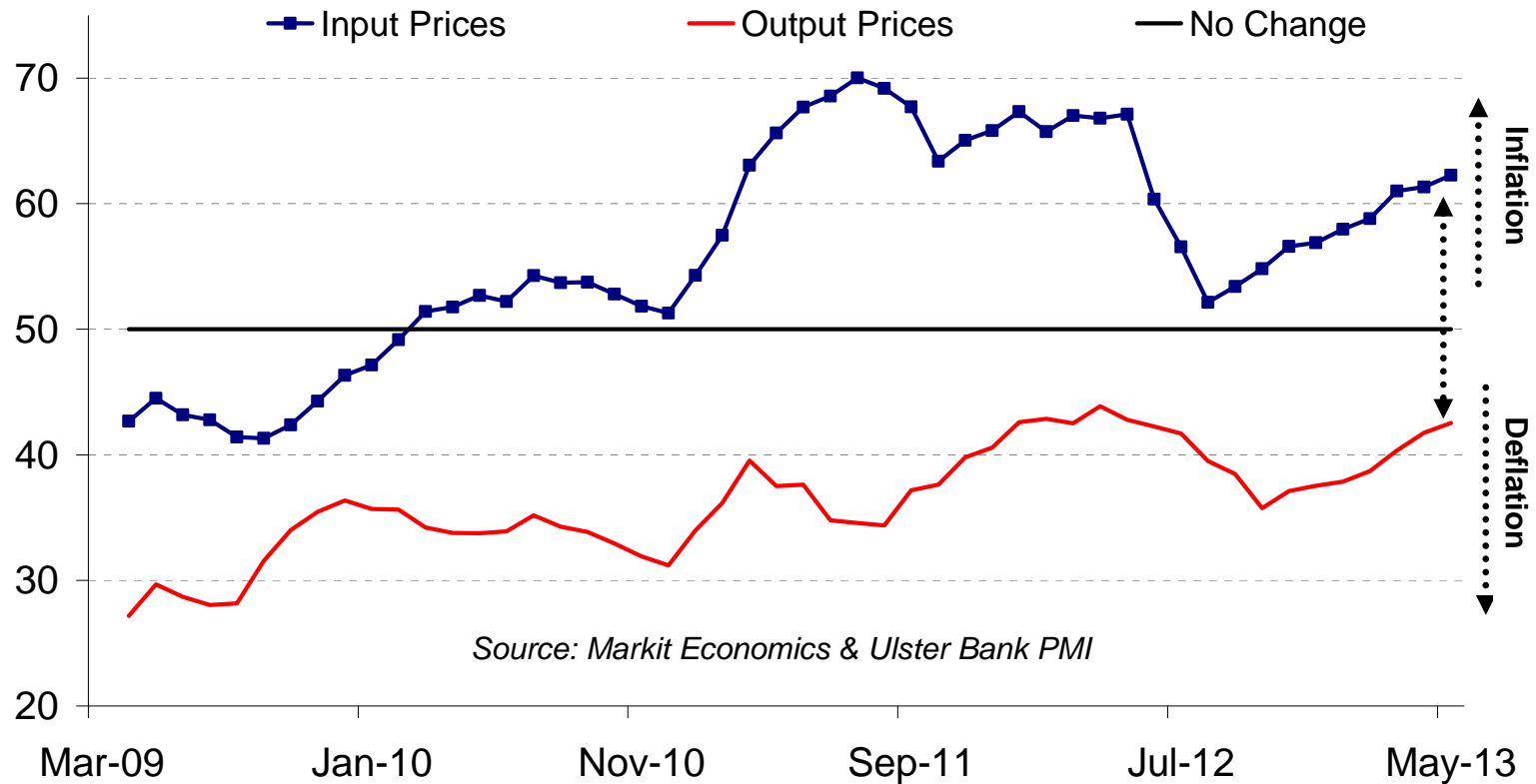


...with profits squeeze continuing

NI Construction Sector Profits Squeeze

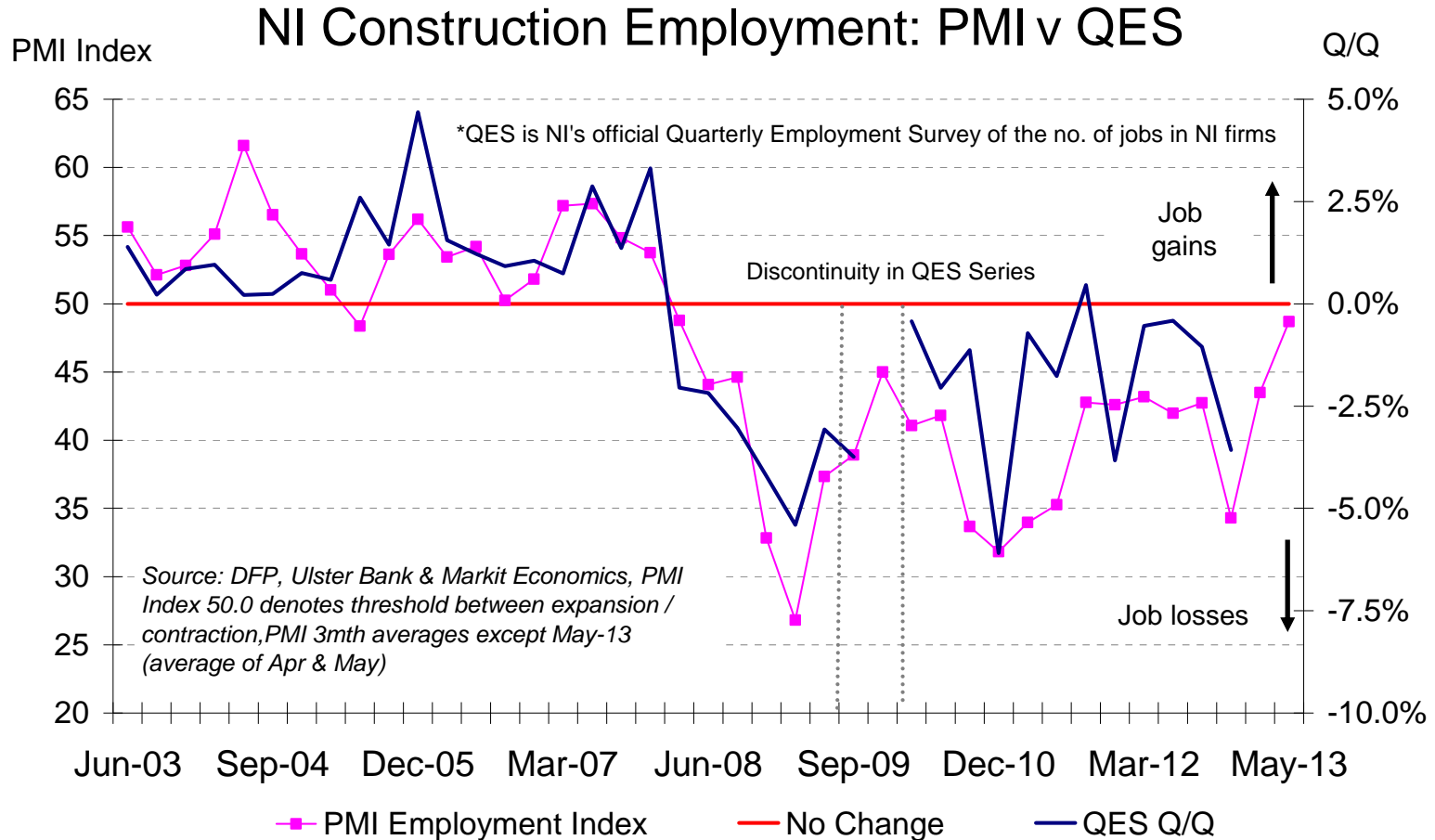
3 month moving average

PMI Index



Source: Markit Economics & Ulster Bank PMI

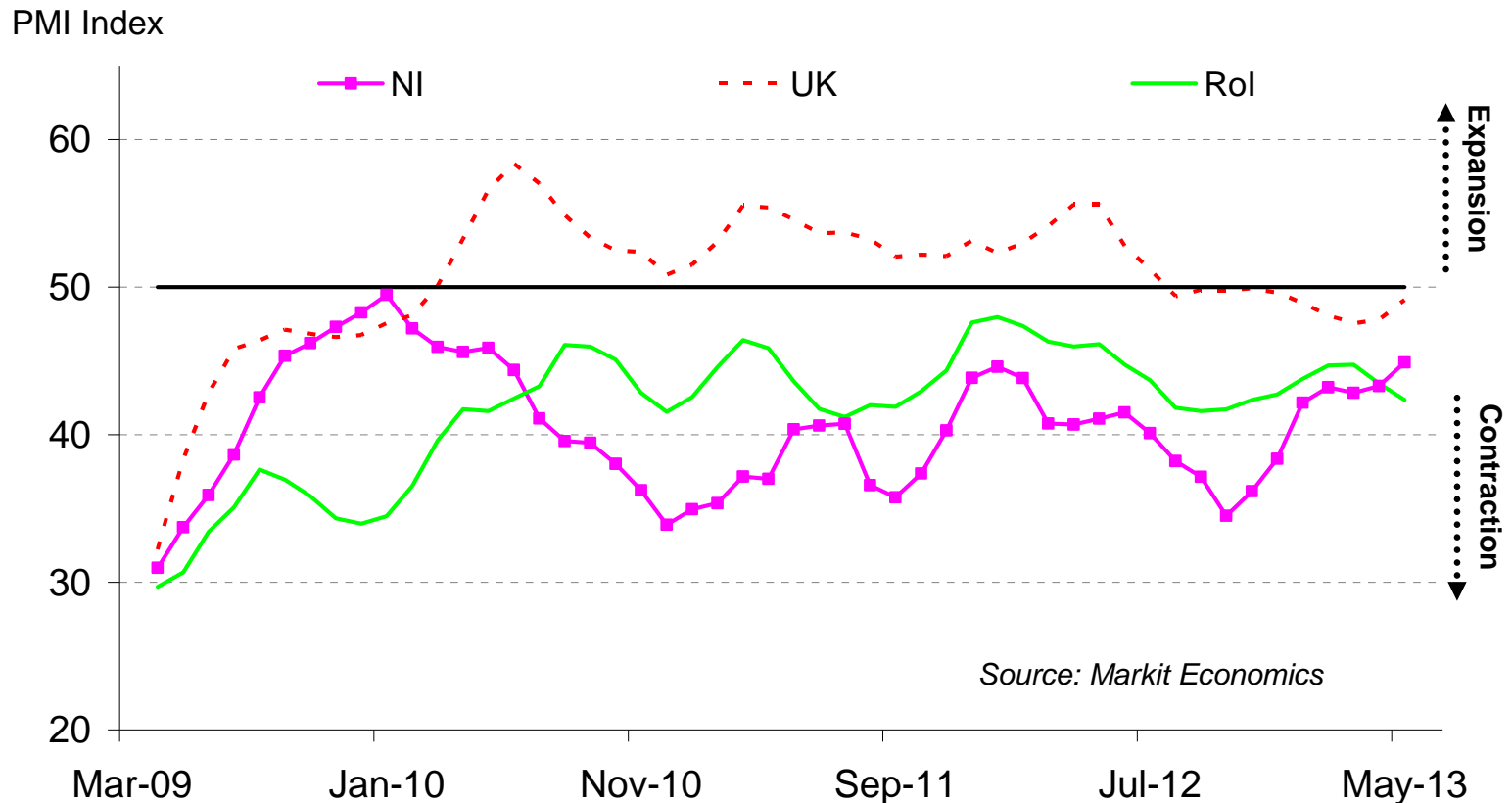
NI PMI has been a reasonably good predictor of actual job losses in the official employment surveys (QES)



UK, RoI & NI all post contractions in construction output over last 3 months but UK posts growth in May...

Construction Sector Output - PMI

3 month moving average

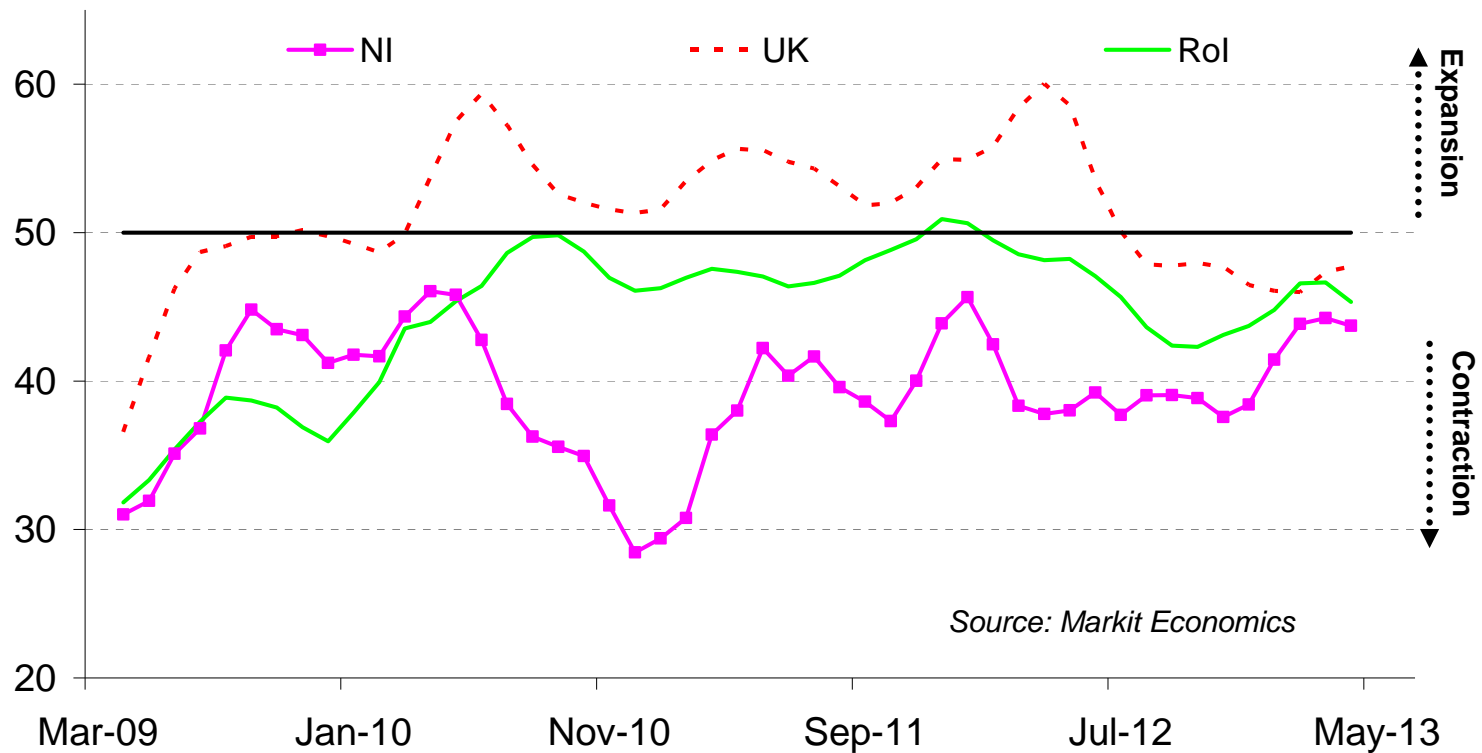


... and with new orders falling in NI, UK & RoI

Construction Sector New Orders - PMI

3 month moving average

PMI Index

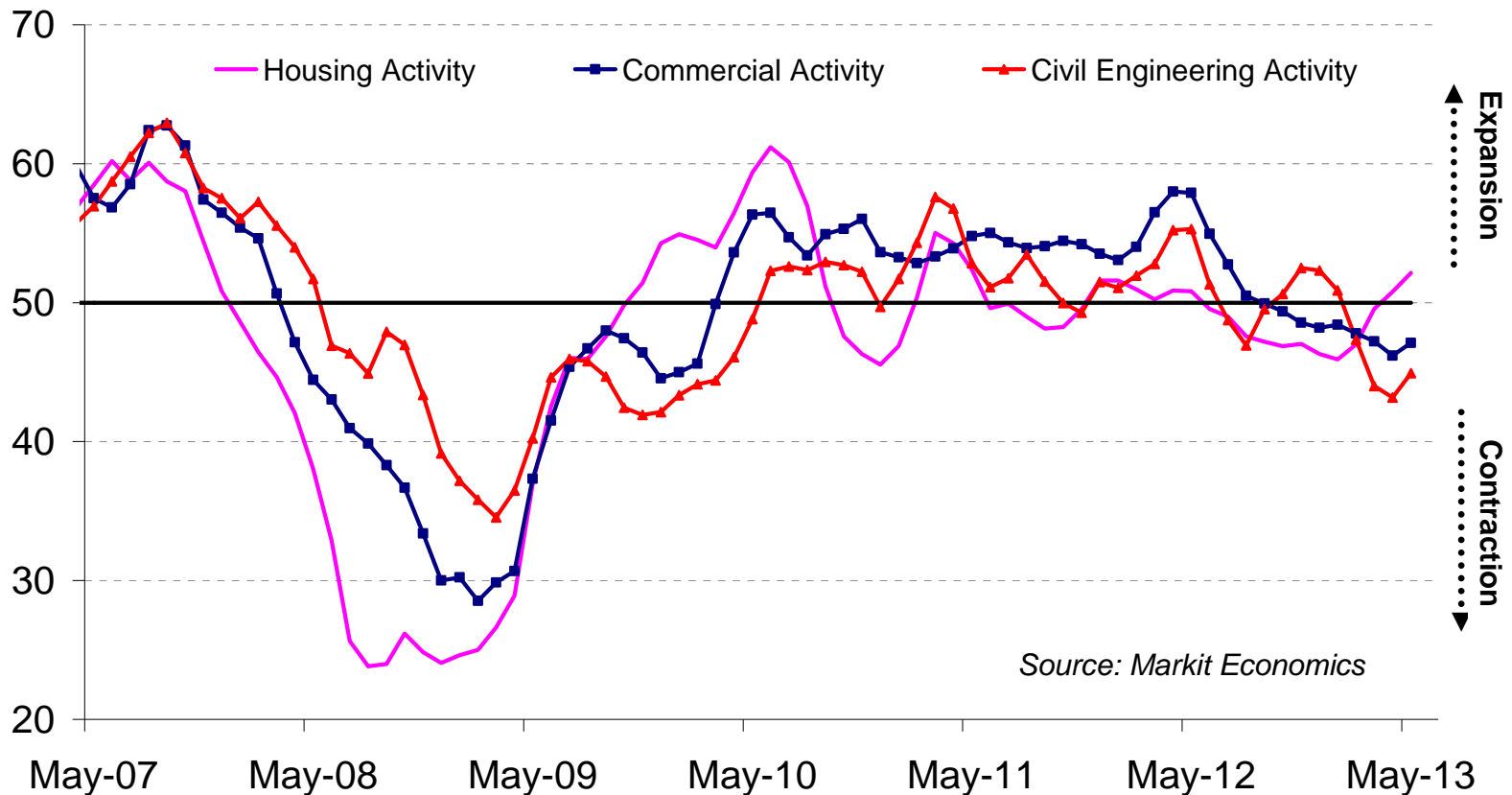


Source: Markit Economics

Growth opportunities for NI firms within GB particularly within the housing market...

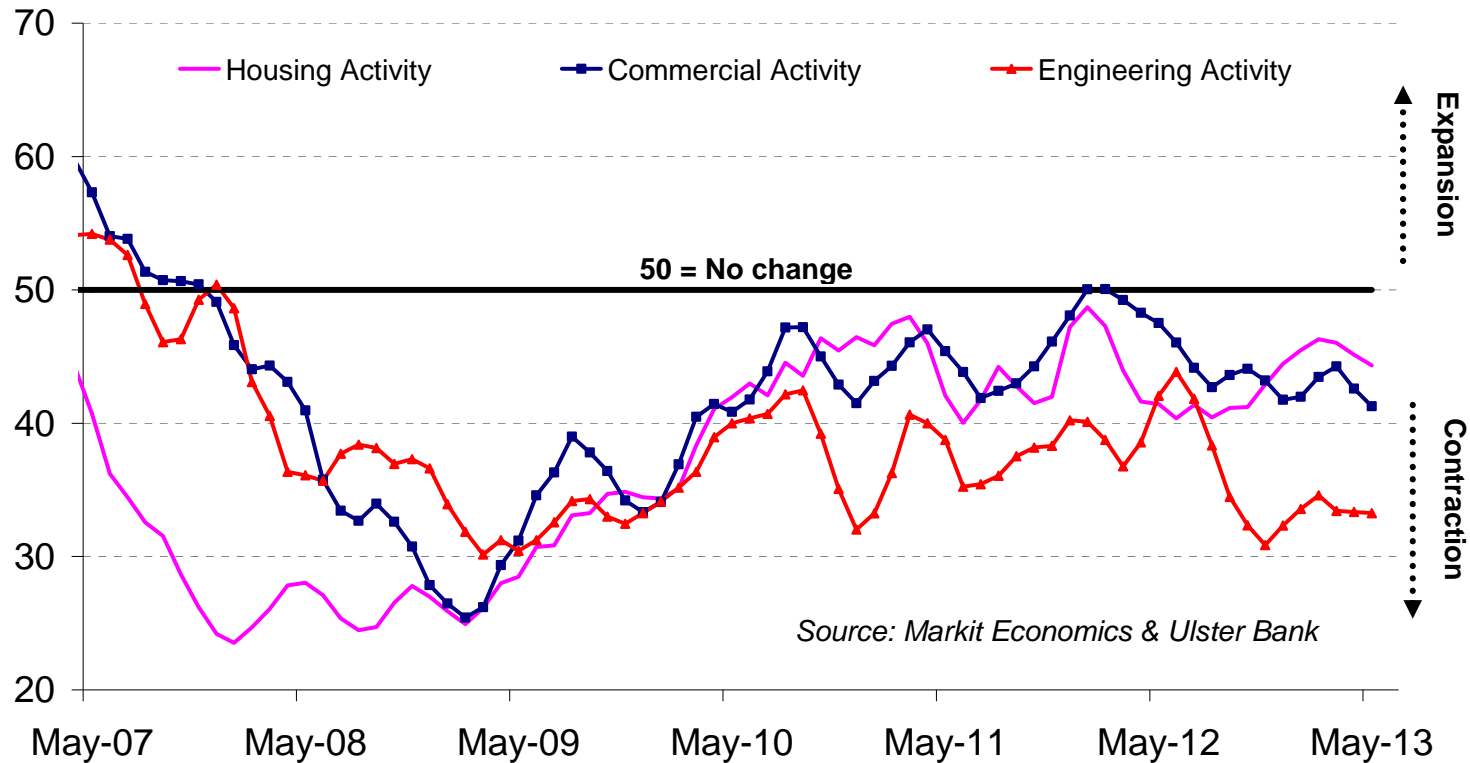
UK Construction Activity - PMIs

3 month moving average



...but lack of opportunities in the RoI, with all construction sub-sectors declining in May

Republic of Ireland Construction Activity - PMI
3 month moving average



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