

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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Business activity declines at fastest rate since December 2010

August data from Ulster Bank revealed further steep falls in activity and new orders. Companies reduced their staff numbers as a result, while backlogs of work continued to fall at a substantial rate. On the price front, input cost inflation eased to an eight-month low, but remained above its long-run trend. Meanwhile, output charges increased for the first time since May.

Sharp decline in business activity

Northern Ireland private sector output fell for a twenty-first successive month in August, reflecting weakness across the manufacturing, services, retail and construction sectors. The rate of decline in business activity was sharp, and accelerated to the fastest in 2011 to date. In contrast, marginal output growth was recorded across the UK economy as a whole.

Underlying demand weakness was blamed for the latest reduction in output, with incoming new business falling at a steep rate. The latest decrease, which extended the current period of decline to 45 months, was the fastest since January. Widespread economic uncertainty was reported to have deterred both businesses and consumers from committing to new spending in the latest survey period.

Job shedding accelerates

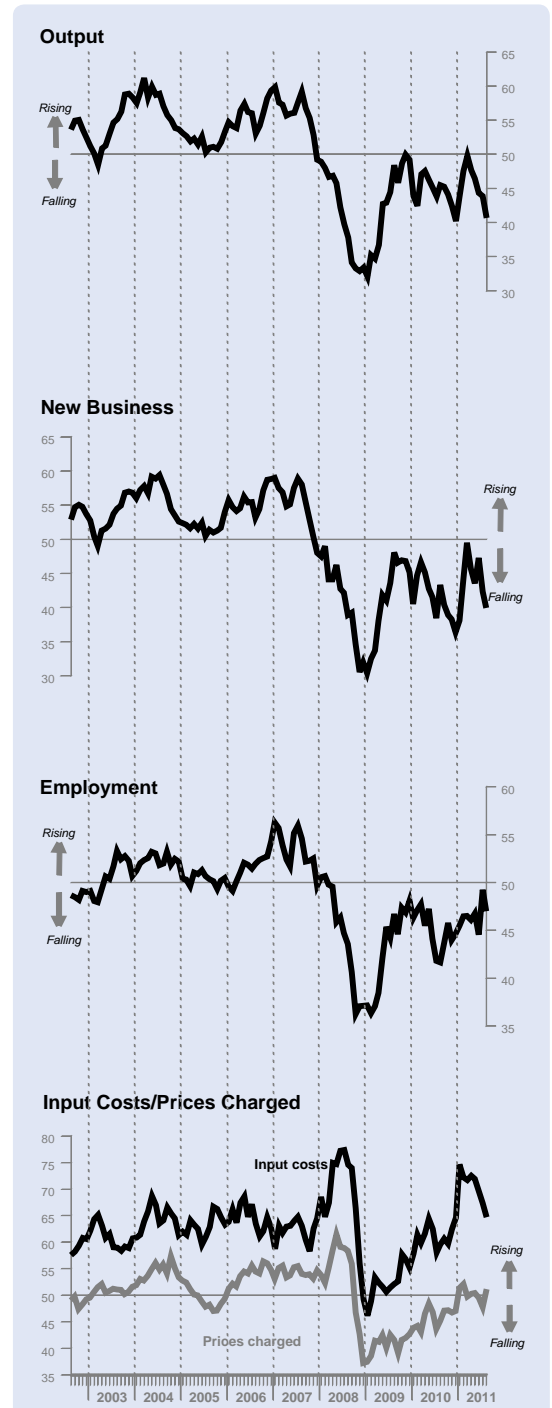
Lower levels of new business in turn contributed to a sharp erosion of existing uncompleted workloads at private sector firms, with the rate of backlog depletion accelerating to the fastest in three months.

In response to the latest reduction in total workloads, Northern Ireland private sector companies reduced their staff numbers on average. Despite accelerating from one month ago, the rate of job shedding was the second-slowest since May 2010. Both manufacturers and service providers recorded a drop in employee numbers after July's survey had shown growth across both sectors.

Input price inflation eases

Northern Ireland private sector companies signalled another month of sharp input price inflation in August, although the latest increase was the slowest since December 2010. Higher raw material prices, rising fuel costs and increased wages were among the factors driving overall inflation during the latest survey period.

In response to higher input costs, companies increased their selling prices for the first time in three months. Although only modest, the pace of output charge inflation was the fastest since February.



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.

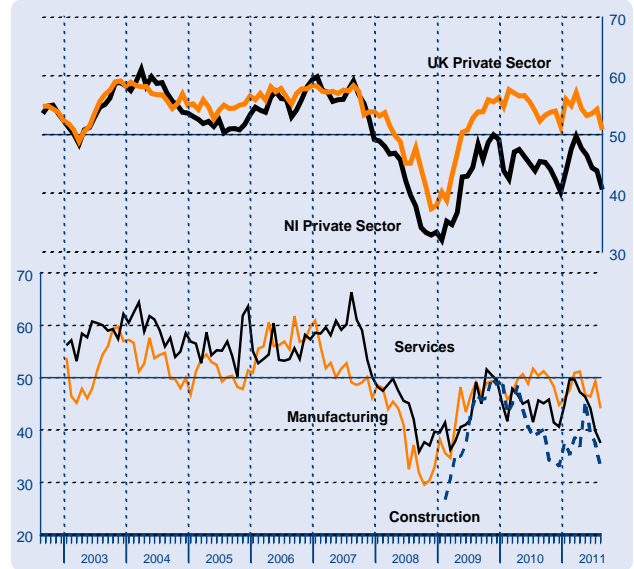
Output / Business Activity

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	Mar	30.1	44.9	25.0	5.2	52.6	49.8	57.2
	Apr	24.0	50.8	25.2	-1.2	49.4	47.7	54.5
	May	21.3	57.3	21.4	-0.1	49.9	46.5	53.2
	Jun	20.1	48.8	31.1	-11.0	44.5	44.3	53.6
	Jul	14.4	47.5	38.1	-23.6	38.2	43.9	54.3
	Aug	17.2	45.3	37.5	-20.3	39.9	40.7	50.9

After accounting for seasonal factors, the Business Activity Index dropped to an eight-month low during August, signalling a sharp rate of decline in Northern Ireland private sector output. Moreover, the month-on-month decline in the index was the fifth in as many months, as well as the largest since January 2010. Of those survey respondents that recorded a decrease in business activity (almost 38%), the majority attributed this to lower levels of incoming new work. Activity levels fell at faster rates across all four sectors monitored by the survey, with construction companies recording the sharpest pace of reduction.

By sector				
		Construction	Manufacturing	Services
'11	Jun	39.4	46.4	44.2
	Jul	37.4	49.4	39.9
	Aug	33.0	44.2	37.5



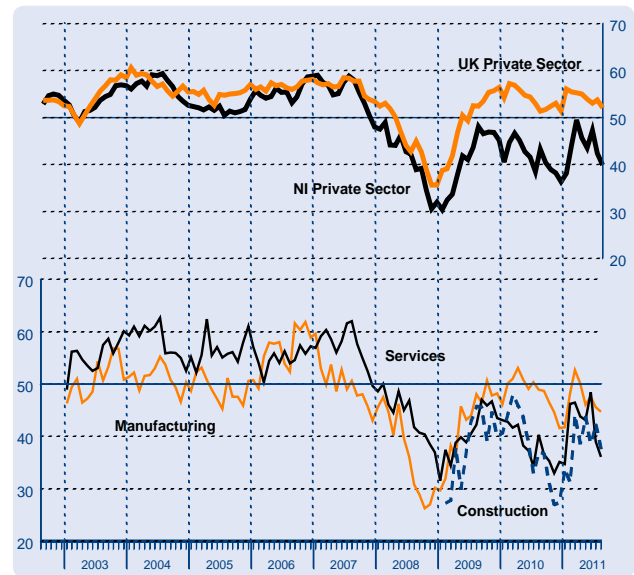
New Business

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	Mar	31.1	41.0	27.9	3.2	51.6	49.5	55.3
	Apr	20.8	51.0	28.3	-7.5	46.3	45.7	55.1
	May	17.0	54.7	28.3	-11.2	44.4	43.6	54.0
	Jun	23.9	44.5	31.5	-7.6	46.2	47.3	53.1
	Jul	16.1	41.5	42.4	-26.4	36.8	42.4	53.8
	Aug	17.7	42.7	39.7	-22.0	39.0	40.0	52.1

In contrast to the UK economy average, August data revealed a further steep month-on-month fall in new orders placed at Northern Ireland private sector firms. With almost 40% of panellists reporting a drop in new work, compared to 18% that recorded a rise, the latest reduction was the sharpest since January. Survey respondents reported a reluctance among clients to commit to new projects at a time of heightened economic uncertainty. Of the four monitored sectors, retail recorded the sharpest pace of decline in new orders. Meanwhile, service providers and construction firms also registered particularly marked reductions during the latest survey period.

By sector				
		Construction	Manufacturing	Services
'11	Jun	38.6	47.6	48.5
	Jul	42.5	45.6	39.0
	Aug	37.6	44.7	36.1



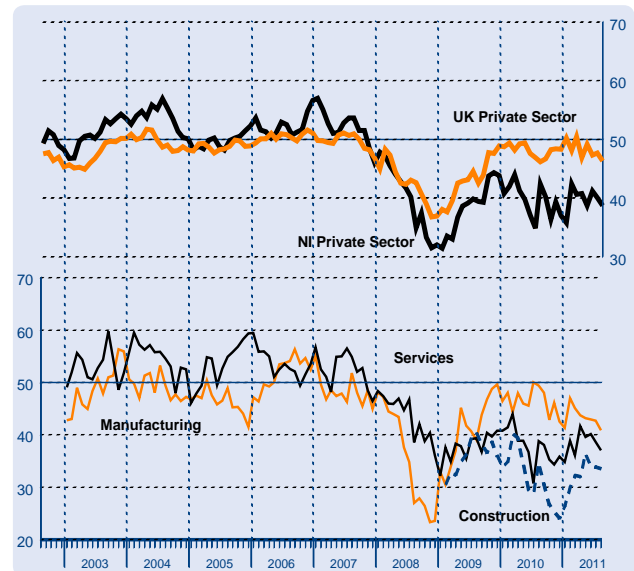
Backlogs

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	Mar	18.2	46.5	35.3	-17.1	41.5	40.7	50.5
	Apr	14.5	54.4	31.1	-16.6	41.7	40.8	46.9
	May	10.9	57.1	32.0	-21.1	39.4	38.7	49.2
	Jun	12.2	59.1	28.7	-16.4	41.8	41.2	47.4
	Jul	15.9	46.8	37.4	-21.5	39.3	40.1	47.8
	Aug	11.4	52.1	36.4	-25.0	37.5	38.7	46.4

The seasonally adjusted Backlogs of Work Index remained below the critical 50.0 no-change value for the forty-sixth successive month in August. The index was at a level indicative of a substantial rate of backlog depletion that was the fastest in three months. Northern Ireland continued to register a steeper rate of decline in unfinished work than that recorded across the UK economy as a whole. Panellists reported that sharply reduced volumes of incoming new business had allowed spare resources to be dedicated to the clearance of existing contracts. By sector, work-in-hand fell at the sharpest rate in retail, followed by construction.

By sector				
		Construction	Manufacturing	Services
'11	Jun	33.9	43.0	40.2
	Jul	33.9	42.7	38.6
	Aug	33.6	40.9	37.0



Employment

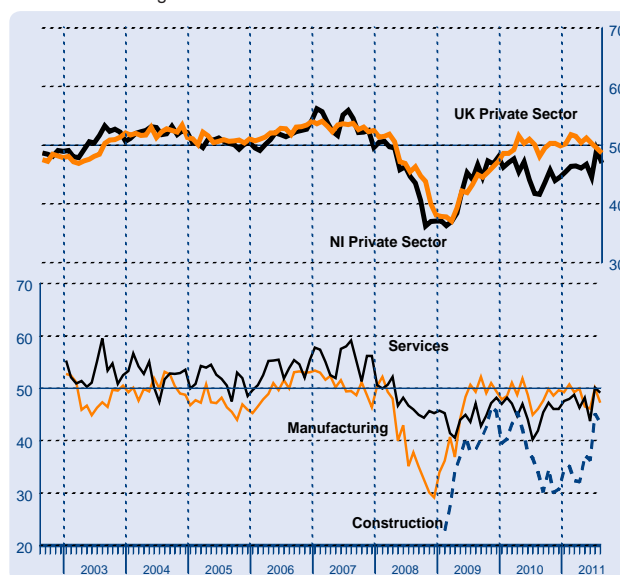
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Mar	7.1	76.8	16.1	-9.0	45.5	46.5	51.6
Apr	11.3	70.8	18.0	-6.7	46.6	46.1	50.5
May	10.4	74.9	14.7	-4.4	47.8	46.8	51.3
Jun	10.1	70.7	19.2	-9.1	45.4	44.6	50.3
Jul	12.1	76.0	11.9	0.3	50.1	49.3	49.6
Aug	9.1	76.7	14.3	-5.2	47.4	47.0	48.7

Staffing levels in the Northern Ireland private sector continued to decline in August, extending the current period of job shedding to 42 months. Despite accelerating from one month ago, the pace at which firms reduced their employee numbers was the second-slowest since May 2010. Companies streamlined their workforces through the non-replacement of leavers and redundancies, in line with falling workloads and in order to reduce costs.

Both manufacturers and service providers recorded a renewed fall in staff numbers during the latest survey period. Meanwhile, marked rates of job shedding were recorded in construction and retail.

By sector			
	Construction	Manufacturing	Services
'11 Jun	36.4	46.1	43.7
Jul	45.1	50.1	50.2
Aug	43.2	47.3	49.2



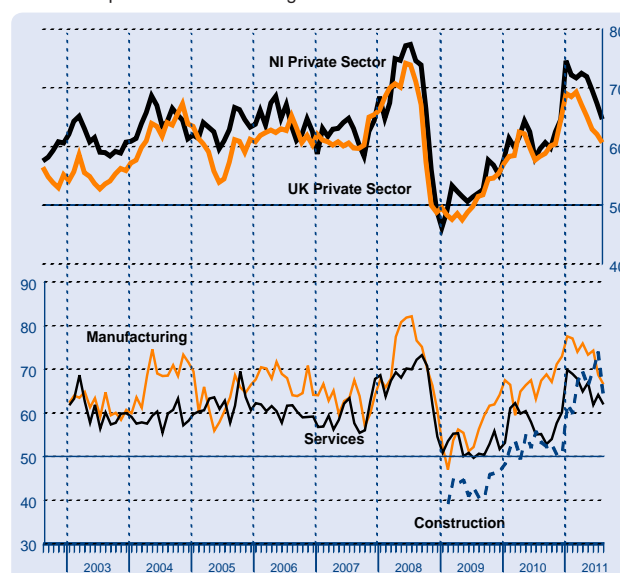
Input Costs

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 Mar	47.8	48.2	4.0	43.8	71.9	71.7	69.3
Apr	55.7	39.6	4.7	51.0	75.5	72.5	67.2
May	50.4	46.7	2.9	47.4	73.7	71.9	65.2
Jun	43.3	55.0	1.7	41.7	70.8	69.7	63.0
Jul	36.7	57.0	6.2	30.5	65.3	67.4	62.1
Aug	28.8	68.8	2.3	26.5	63.3	64.7	60.7

Despite easing to the slowest in eight months, the rate of input price inflation remained sharp during August, and faster than the long-run trend for the survey. Additionally, the latest increase in average costs was steeper than that recorded across the UK economy as a whole. The seasonally adjusted Input Costs Index has posted above the neutral 50.0 threshold, signalling inflation, for two-and-a-half years. Higher raw material prices, rising fuel costs and increased wages were among the factors driving overall inflation during the latest survey period. Rates of input price inflation eased across all four monitored sectors, but remained strong across the board.

By sector			
	Construction	Manufacturing	Services
'11 Jun	70.0	74.3	61.9
Jul	73.9	68.7	64.2
Aug	63.6	66.6	61.9



Prices Charged

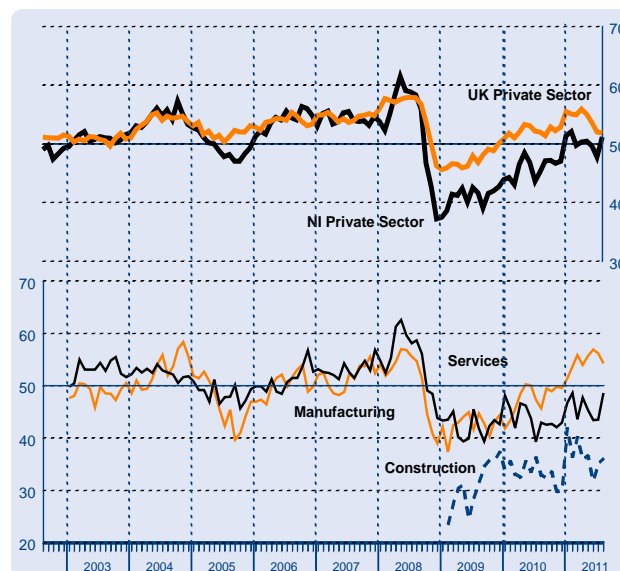
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Mar	17.9	65.1	17.1	0.8	50.4	49.8	55.0
Apr	17.8	68.2	14.0	3.8	51.9	50.3	56.0
May	21.2	65.5	13.4	7.8	53.9	50.5	55.1
Jun	17.3	65.8	16.9	0.5	50.2	49.6	53.6
Jul	14.5	64.9	20.6	-6.1	46.9	47.8	52.0
Aug	14.8	73.0	12.1	2.7	51.4	51.2	51.9

Output prices set by Northern Ireland companies rose during August, ending a two-month period of reduced charges. Despite climbing to a six-month high, the seasonally adjusted Prices Charged Index signalled only a modest rate of inflation that was slower than at the UK-wide level. Almost 15% of panellists signalled a rise in average tariffs since the preceding month, versus 12% that indicated a decline. Respondents widely reported reducing their output charges in an attempt to attract new business.

Increased output charges were confined to the manufacturing and retail sectors. Conversely, charges fell at a particularly marked rate in the construction sector.

By sector			
	Construction	Manufacturing	Services
'11 Jun	31.8	56.9	43.5
Jul	35.2	56.2	43.5
Aug	36.1	54.3	48.7



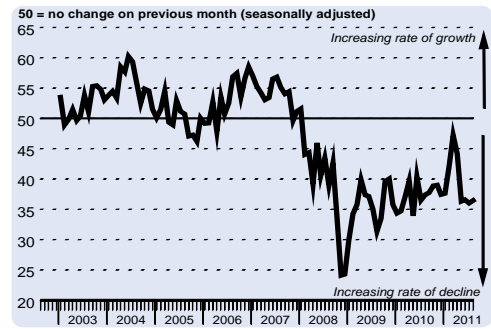
New Export Business*

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

Northern Ireland Companies

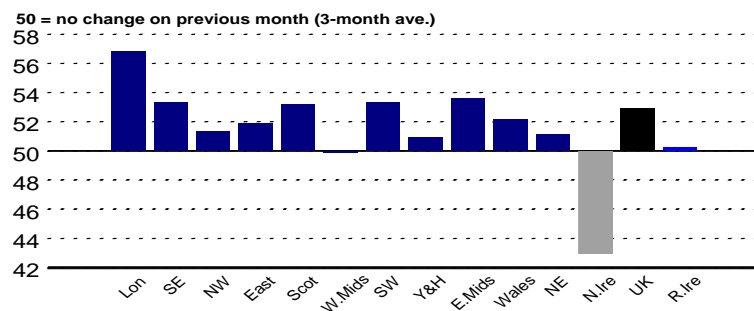
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2011	Mar	18.8	58.9	22.3	-3.5	48.3	47.2
	Apr	15.3	55.2	29.5	-14.2	42.9	44.2
	May	12.9	47.0	40.1	-27.2	36.4	36.4
	Jun	13.5	48.7	37.7	-24.2	37.9	36.6
	Jul	6.4	47.4	46.2	-39.8	30.1	36.1
	Aug	9.7	50.2	40.2	-30.5	34.8	36.5

New export orders fell further in August, with around 40% of the survey panel reporting a decrease since the preceding month. Moreover, the seasonally adjusted New Export Business Index continued to signal a substantial rate of decline. Respondents suggested that fragile demand from the ROI had led to the latest reduction in new export business.



Regional Comparisons: Output / Business Activity

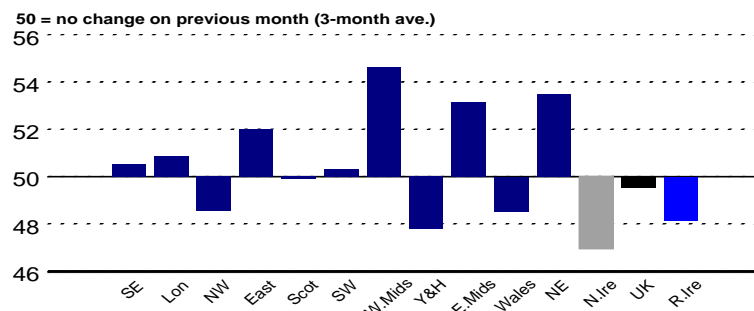
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Ten of the twelve UK regions recorded an expansion of business activity in the three months to August. London was the fastest growing region, followed by the East Midlands. In contrast, the South West saw a stagnation of output. In Northern Ireland, business activity fell sharply during the three months to August, while marginal growth was recorded across the Republic of Ireland.



	Share of UK GVA, 2009 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	55.2	56.8	53.7
South East	(14.3%)	54.6	53.3	50.0
North West	(9.6%)	53.7	51.4	49.5
East of England	(8.7%)	53.4	51.9	50.3
Scotland	(8.3%)	51.6	53.2	52.7
South West	(7.7%)	54.1	49.9	48.1
West Midlands	(7.4%)	55.4	53.3	50.9
Yorks & Humber	(7.1%)	54.2	50.9	49.5
East Midlands	(6.3%)	55.0	53.6	51.8
Wales	(3.6%)	52.4	52.2	52.0
North East	(3.3%)	54.2	51.2	49.8
N.Ireland	(2.3%)	44.7	43.0	40.7
UK	(100.0%)	54.0	52.9	50.9
Rep. of Ireland	n/a	51.1	50.2	50.6

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). Seven of the twelve UK regions reported an increase in private sector employment during the three months to August. The West Midlands again posted the sharpest jobs growth, while Northern Ireland registered the steepest fall in workforce numbers. Additionally, the rate of job shedding in the latter was faster than that seen across 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%)	51.6	50.5	49.5
London	(12.3%)	50.5	50.9	50.0
North West	(10.9%)	50.5	48.5	46.7
East of England	(9.6%)	51.9	52.0	52.2
Scotland	(8.7%)	50.0	49.9	49.4
South West	(8.6%)	51.6	50.3	49.2
West Midlands	(8.6%)	53.5	54.6	54.8
Yorks & Humber	(8.2%)	51.7	47.8	45.3
East Midlands	(7.3%)	52.4	53.1	50.2
Wales	(4.6%)	49.9	48.5	46.7
North East	(3.9%)	53.5	53.5	52.5
N.Ireland	(2.7%)	45.9	47.0	47.0
UK	(100.0%)	50.4	49.5	48.7
Rep. of Ireland	n/a	48.4	48.1	48.8

PMI® Survey Methodology

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

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

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

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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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