

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 private sector activity falls at slowest rate since March

October data from Ulster Bank showed business activity in the Northern Ireland private sector economy decreasing at the slowest rate since March. Falling new orders contributed to another decline in backlogs of work, although rates of contraction moderated in both cases. Meanwhile, companies reduced their staff numbers at a marginal rate. On the price front, output charges increased at a negligible pace, despite an acceleration of input cost inflation to a three-month high.

Moderate drop in business activity

Private sector output in Northern Ireland fell further during October, although the pace of reduction eased to the slowest since March. In contrast, activity growth was registered across the UK economy as a whole. Falling new business was cited by panellists as the main reason behind the latest contraction. However, similar to the trend for activity, the rate of decline in new work eased to the slowest in seven months. Where a reduction in new orders was recorded, this was commonly linked to muted client demand. Incoming new work and activity both fell across three of the four sectors monitored by the survey, with manufacturing the exception.

Job shedding remains marginal

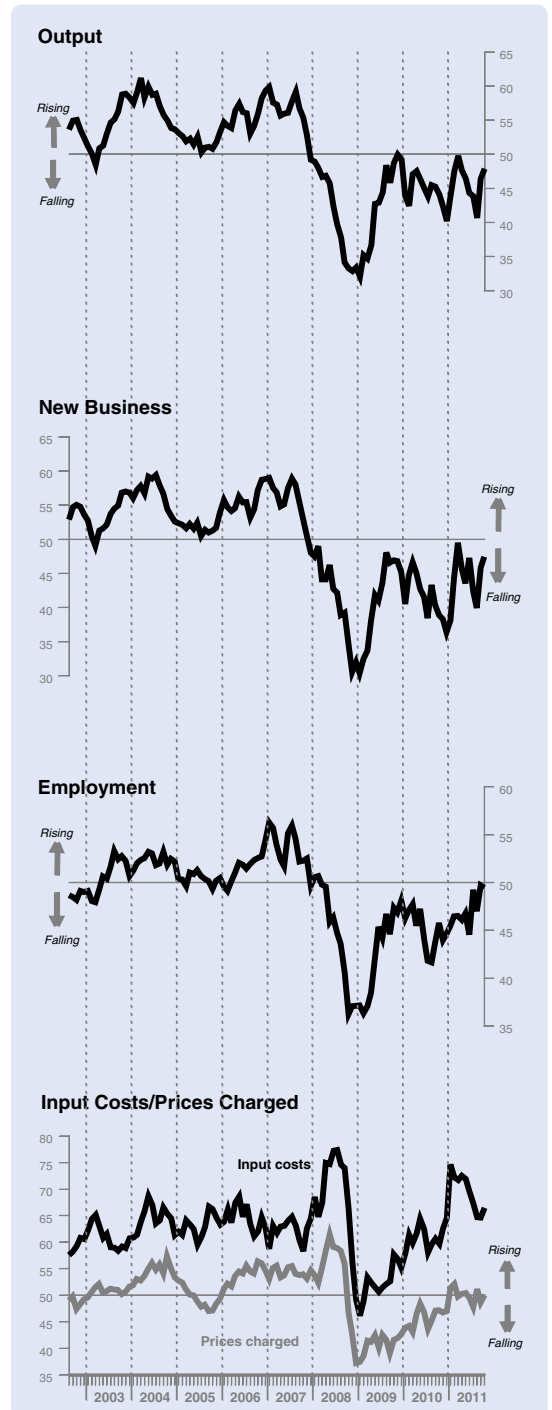
The level of outstanding business in the Northern Ireland private sector fell for the forty-eighth consecutive month during October. Further backlog depletion predominantly reflected fewer intakes of new business and a lack of pressure on operating capacity. Nonetheless, the rate at which firms reduced their backlogs of work eased to the weakest since February 2008.

Consequently, companies continued to reduce their workforce numbers on average. The latest decrease extends the current period of job shedding to 44 months. However, the rate of decline was only marginal. Manufacturing was the only sector not to record a fall in staff levels during the latest survey period.

Input cost inflation hits three-month high

Input cost inflation accelerated in October, with higher fuel and energy costs the main factors behind the latest rise. The increase in input costs was the steepest in three months, and faster than the UK economy average.

Despite the increase in average costs, October data signalled a negligible rise in output prices set by Northern Ireland private sector firms. Charge inflation has been recorded in six of the past ten months. Panellists attributed weak pricing power to strong competition for new business. Retailers and manufacturers recorded a rise in average tariffs since September, while construction firms and service providers saw a decrease.



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.

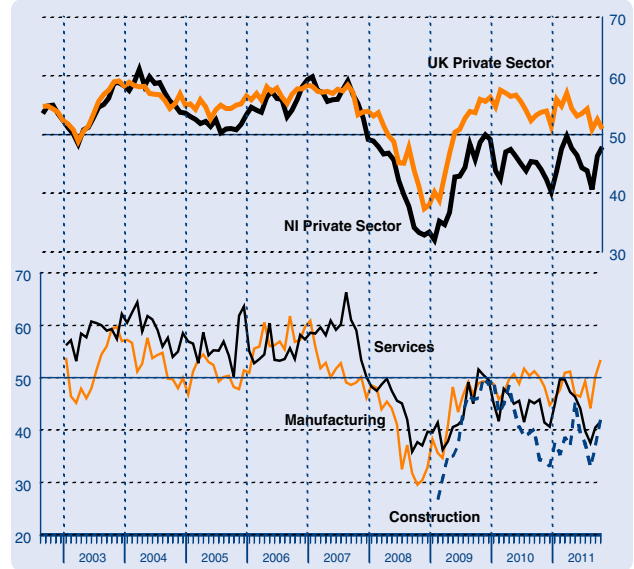
Output / Business Activity

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	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	54.4
	Aug	17.2	45.3	37.5	-20.3	39.9	40.7	50.9
	Sep	29.0	39.4	31.6	-2.6	48.7	46.4	52.7
	Oct	25.8	48.4	25.8	0.0	50.0	47.9	51.0

After adjusting for seasonal trends, the latest Business Activity Index reading signalled a further decline in Northern Ireland private sector output during October. The index has remained below the neutral 50.0 threshold, indicating contraction, for almost two years. However, the pace of reduction eased for the second month running to the slowest since March. Where a decline in business activity was signalled, this was commonly linked to falling new orders. Three of the four monitored sectors recorded a drop in output since September, with manufacturing the exception. Service providers registered the sharpest pace of decline.

By sector				
		Construction	Manufacturing	Services
'11	Aug	33.0	44.2	37.5
	Sep	37.0	50.2	40.5
	Oct	42.2	53.4	41.6



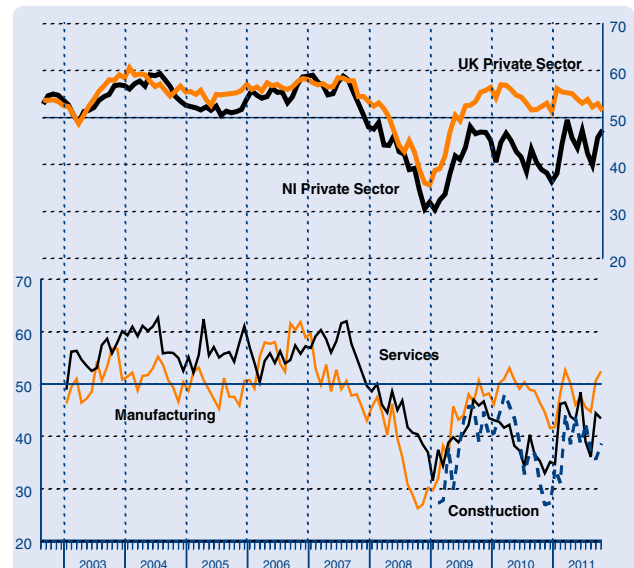
New Business

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	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	53.9
	Aug	17.7	42.7	39.7	-22.0	39.0	40.0	52.3
	Sep	31.9	40.9	27.1	4.8	52.4	45.8	53.0
	Oct	22.6	51.7	25.7	-3.1	48.5	47.4	51.5

Similar to the trend for business activity, new orders received by Northern Ireland private sector firms declined at a slower rate in October, with the latest decrease the weakest since March. Subdued demand conditions were cited by panellists as the main factor contributing to the overall reduction. In contrast, growth of incoming new work was registered across the UK economy as a whole. Almost 26% of companies reported a decline in new orders since September, compared to 23% that signalled a rise. Manufacturing was the only sector not to record a fall in new orders during the latest survey period. Construction firms saw the steepest pace of reduction.

By sector				
		Construction	Manufacturing	Services
'11	Aug	37.6	44.7	36.1
	Sep	35.7	50.7	44.5
	Oct	38.6	52.5	43.5



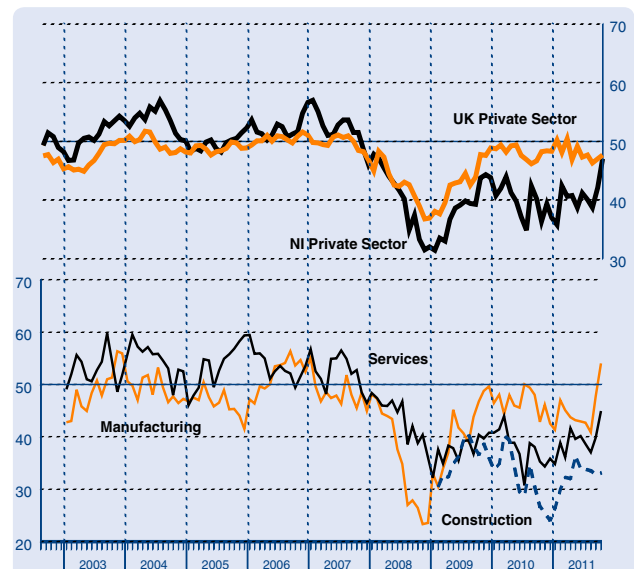
Backlogs

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	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
	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

Falling new business contributed to an erosion of work-in-hand (but not yet completed) at private sector firms during October. Backlogs of work have now fallen continuously for four years. Nonetheless, the rate at which firms reduced their work outstanding eased to the weakest since February 2008. Moreover, the latest seasonally adjusted Backlogs of Work Index reading was only slightly below that registered at the UK-wide level. Sector data showed unfinished business falling at three of the four monitored sectors, with manufacturing the exception. Retailers and construction firms registered particularly marked rates of backlog depletion.

By sector				
		Construction	Manufacturing	Services
'11	Aug	33.6	40.9	37.0
	Sep	32.7	47.8	39.9
	Oct	33.1	54.1	45.0



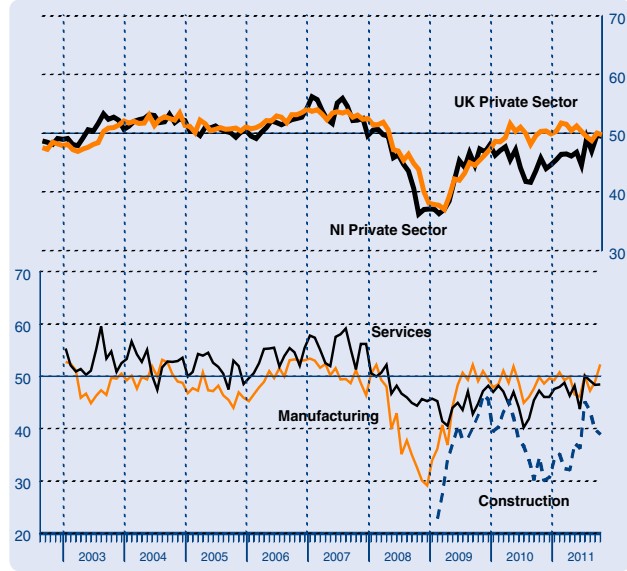
Employment

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 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	50.4
Jul	12.1	76.0	11.9	0.3	50.1	49.3	49.5
Aug	9.1	76.7	14.3	-5.2	47.4	47.0	48.8
Sep	10.8	78.0	11.2	-0.4	49.8	49.7	50.1
Oct	12.1	75.4	12.4	-0.3	49.9	49.5	49.8

The seasonally adjusted Employment Index posted below the neutral 50.0 threshold for the forty-fourth month running in October, signalling a decline in Northern Ireland private sector employment. However, the latest index reading was at a level indicative of only a slight rate of contraction. The majority of panellists (around 75%) signalled no difference in staff levels since September. According to respondents, reduced employment reflected falling new work. Manufacturing was the only sector to record a rise in workforce numbers, though only marginal falls were registered in services and retail. Construction firms again recorded the sharpest rate of job shedding.

By sector			
	Construction	Manufacturing	Services
'11 Aug	43.2	47.3	49.2
Sep	39.9	48.9	48.4
Oct	39.0	52.3	48.5



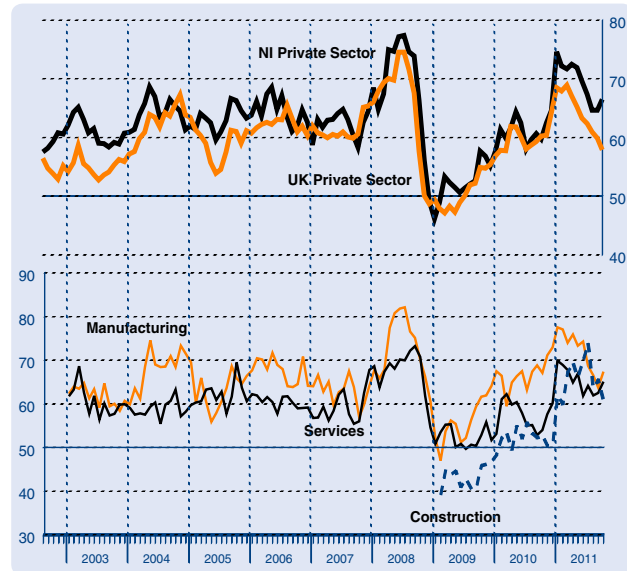
Input Costs

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 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	63.4
Jul	36.7	57.0	6.2	30.5	65.3	67.4	62.4
Aug	28.8	68.8	2.3	26.5	63.3	64.7	61.0
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	57.9

Average input costs faced by Northern Ireland private sector firms increased sharply during October, with the pace of inflation reaching a three-month high. Additionally, the latest rise in input prices was stronger than that registered across the UK economy as a whole. Higher average costs were recorded by around 36% of survey participants, while just 2% signalled a fall in input prices since September. Sources of rising cost pressures included fuel, energy, wages and raw materials. All four sectors monitored by the survey recorded an increase in input prices over the month, with the sharpest rate of inflation recorded in retail.

By sector			
	Construction	Manufacturing	Services
'11 Aug	63.6	66.6	61.9
Sep	65.6	63.8	62.6
Oct	60.9	67.5	65.1



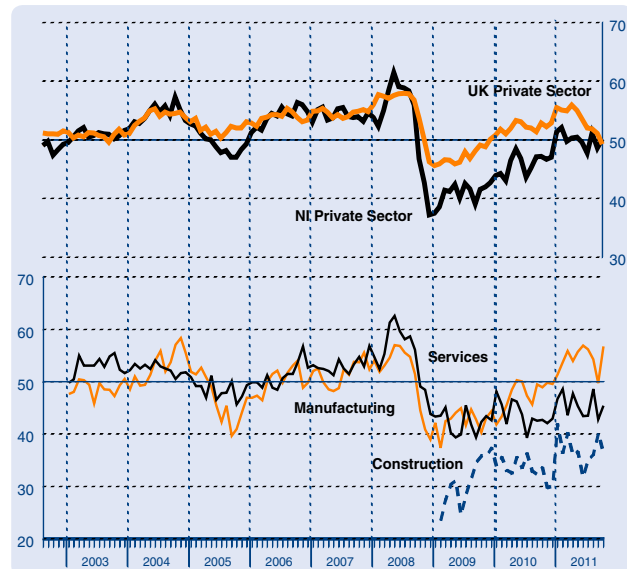
Prices Charged

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 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
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

A negligible rise in output prices set by Northern Ireland private sector firms was recorded in October, with the majority of panellists reporting no change in average tariffs since the preceding month. The seasonally adjusted Prices Charged Index has posted above the neutral 50.0 threshold in six of the past ten months. Where panellists reported a rise in output charges, this was often linked to the passing on of higher input costs to clients. Panellists that mentioned reducing output charges cited strong competitive pressures. Retailers and manufacturers recorded a rise in average tariffs, while construction firms and service providers saw a decrease.

By sector			
	Construction	Manufacturing	Services
'11 Aug	36.1	54.3	48.7
Sep	40.2	49.8	42.8
Oct	36.5	56.8	45.4



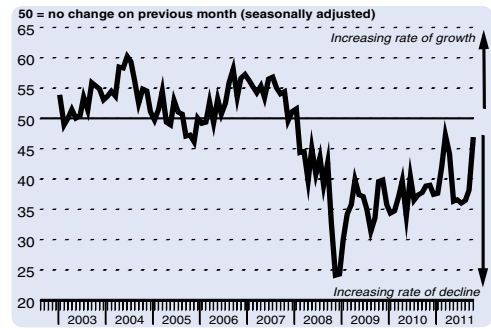
New Export Business*

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

Northern Ireland Companies

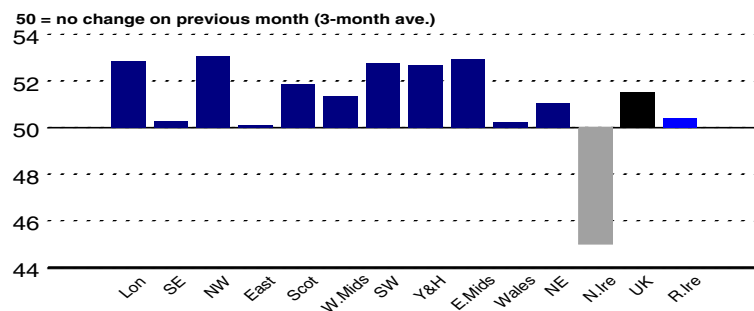
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2011	May	12.9	47.0	40.1	-27.2	36.4	36.4
	Jun	13.5	48.7	37.7	-24.2	37.9	36.6
	Jul	6.4	47.4	46.2	-39.8	30.1	36.1
	Aug	9.7	50.2	40.2	-30.5	34.8	36.5
	Sep	14.9	51.2	34.0	-19.1	40.4	38.2
	Oct	22.5	49.7	27.8	-5.3	47.4	46.6

October data showed new export business falling further during October. However, the pace of reduction eased sharply, with the seasonally adjusted New Export Business Index posting its largest month-on-month gain in the series history. Anecdotal evidence suggested that the latest decrease in new export orders reflected subdued client demand from the Republic of Ireland.



Regional Comparisons: Output / Business Activity

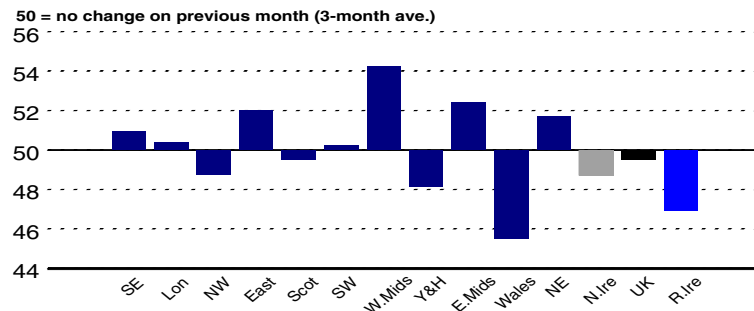
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The majority of the UK regions registered only moderate output growth in the three months to October. Business activity rose at the fastest pace in the North West, followed by the East Midlands. Only Northern Ireland recorded a decline in private sector output in the three months to October. In contrast, activity growth was recorded across the Republic of Ireland, albeit marginal.



	Share of UK GVA, 2009 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	54.9	52.8	50.4
South East	(14.3%)	54.2	50.3	48.3
North West	(9.6%)	53.8	53.1	55.6
East of England	(8.7%)	52.8	50.1	49.1
Scotland	(8.3%)	51.9	51.9	51.0
South West	(7.7%)	53.9	51.3	53.7
West Midlands	(7.4%)	55.2	52.7	53.4
Yorks & Humber	(7.1%)	54.2	52.7	55.2
East Midlands	(6.3%)	54.6	52.9	51.6
Wales	(3.6%)	52.0	50.3	47.6
North East	(3.3%)	53.8	51.1	50.6
N.Ireland	(2.3%)	45.1	45.0	47.9
UK	(100.0%)	53.7	51.5	51.0
Rep. of Ireland	n/a	51.2	50.4	51.1

Regional Comparisons: Employment

The graph below shows the regional PMI Employment Indexes for the UK. An average of the latest three months is used (see also the table to the right). Seven of the twelve UK regions recorded a rise in private sector staffing levels during the three months to October. The fastest rate of job creation was in the West Midlands. Wales posted the steepest drop in employment, followed by Yorkshire & Humber. Meanwhile, Northern Ireland private sector firms recorded a modest decline in staff numbers, with the rate of job shedding weaker than 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%)	51.7	50.9	51.4
London	(12.3%)	50.7	50.4	50.3
North West	(10.9%)	50.5	48.8	50.6
East of England	(9.6%)	52.2	52.0	51.5
Scotland	(8.7%)	49.9	49.5	49.7
South West	(8.6%)	51.5	50.3	50.3
West Midlands	(8.6%)	54.1	54.2	52.5
Yorks & Humber	(8.2%)	51.3	48.1	50.1
East Midlands	(7.3%)	53.1	52.4	52.7
Wales	(4.6%)	49.0	45.5	44.3
North East	(3.9%)	53.1	51.7	51.8
N.Ireland	(2.7%)	46.7	48.7	49.5
UK	(100.0%)	50.4	49.5	49.8
Rep. of Ireland	n/a	48.2	46.9	46.1

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.

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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