

Ulster Bank Northern Ireland PMI[®]

The Ulster Bank Northern Ireland PMI[®] (Purchasing Managers' Index[®]) is produced by Markit Economics.

The report features original survey data collected from a representative panel of companies based in Northern Ireland and operating in the manufacturing, service, construction and retail/wholesale sectors.

Ulster Bank Ireland Limited,
Registered in Republic of Ireland
No 25766 Registered Office:

Ulster Bank Group Centre
George's Quay
Dublin 2

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

Calls may be recorded.

For further information please contact:

Richard Ramsey
Chief Economist, Northern Ireland
Ulster Bank Group
Tel: +44 (0)28 9027 6354
Mobile: +44 (0)7881 930955
Email: richard.ramsey@ulsterbankcm.com
Web: www.ulsterbankcapitalmarkets.com

Markit Economics

Henley on Thames
Oxon RG9 1EL, UK

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

e-mail: economics@markit.com

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

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



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

Stagnation of business activity brings end to 23-month period of contraction

November data from Ulster Bank showed a stagnation of Northern Ireland private sector activity. Meanwhile, incoming new orders fell marginally and companies added to their staff numbers on average. On the price front, companies recorded virtually unchanged output charges, in spite of another strong increase in average input costs.

Marginal fall in new business

Northern Ireland private sector firms reported no change in business activity since the preceding month. Despite bringing an end to a 23-month period of contraction, the index has now failed to signal outright expansion of output for four years. The latest survey findings revealed that manufacturing was the only sector to record activity growth in the latest survey period.

Incoming new orders received by private sector firms fell again during November, although the rate of decline was just marginal. Moreover, the latest decrease was the slowest in the current four-year period of reduction. Companies reported that muted demand had contributed to the overall decline in new orders.

Jobs growth recorded

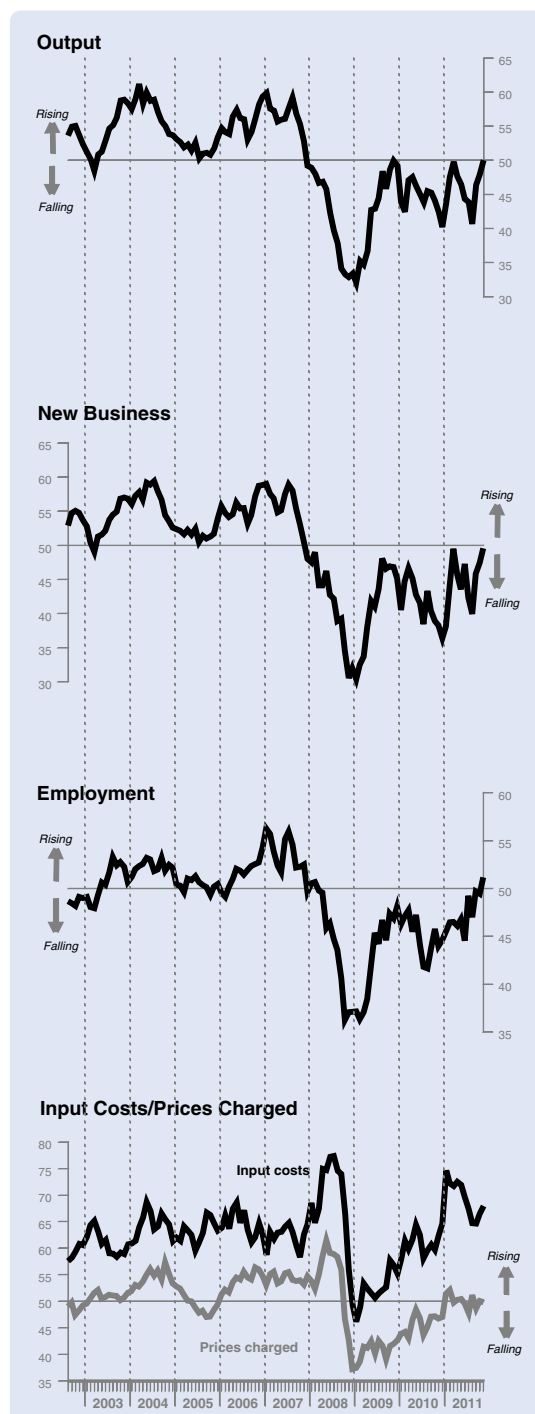
Spare capacity persisted in the Northern Ireland private sector, with outstanding business falling at a solid rate during November. Despite accelerating since October, the rate of backlog depletion was the second-slowest in 44 months.

November data showed that companies added to their staff numbers for the first time since February 2008. Although the pace of expansion was only modest, it contrasted with job shedding across the UK economy as a whole.

Input cost inflation at five-month high

Average input costs faced by private sector companies increased sharply during November, with the rate of inflation accelerating to the strongest in five months. Moreover, the latest increase in average costs was sharper than the UK-wide figure to the greatest extent since data were first compiled in August 2002. Respondents to the latest survey noted that cost inflation reflected a combination of higher raw material and labour-related costs. There were also reports of rising energy prices.

November data signalled that firms kept their output prices broadly unchanged in an attempt to attract new business amid strong competition. Some survey participants mentioned client requests for lower prices. Where a rise in average tariffs was signalled, this was linked to the passing on of higher costs to clients. Latest sector data indicated that increased charges were largely confined to manufacturing and retail.



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?

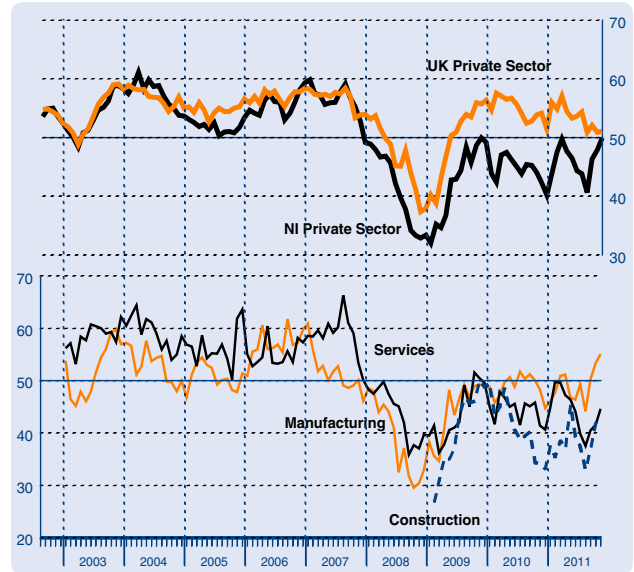
Northern Ireland Companies				All UK				
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011	Jun	20.1	48.8	31.1	-11.0	44.5	44.3	53.7
	Jul	14.4	47.5	38.1	-23.6	38.2	43.9	54.4
	Aug	17.2	45.3	37.5	-20.3	39.9	40.7	51.0
	Sep	29.0	39.4	31.6	-2.6	48.7	46.4	52.2
	Oct	25.8	48.4	25.8	0.0	50.0	47.9	51.0
	Nov	23.1	50.7	26.2	-3.1	48.4	50.0	51.1

November data showed no difference in Northern Ireland private sector output compared to the preceding month. Although the stagnation of output brought an end to a 23-month period of contraction, the seasonally adjusted Business Activity Index has failed to signal outright growth for four years. In contrast, private sector output increased across the UK economy as a whole. According to survey respondents, the stagnation of activity reflected muted market

By sector

		Construction	Manufacturing	Services
'11	Sep	37.0	50.2	40.5
	Oct	42.2	53.4	41.6
	Nov	41.7	55.1	44.6

conditions. Manufacturing was the only sector to record an increase in business activity from one month earlier, with the pace of expansion the fastest since February 2007.



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?

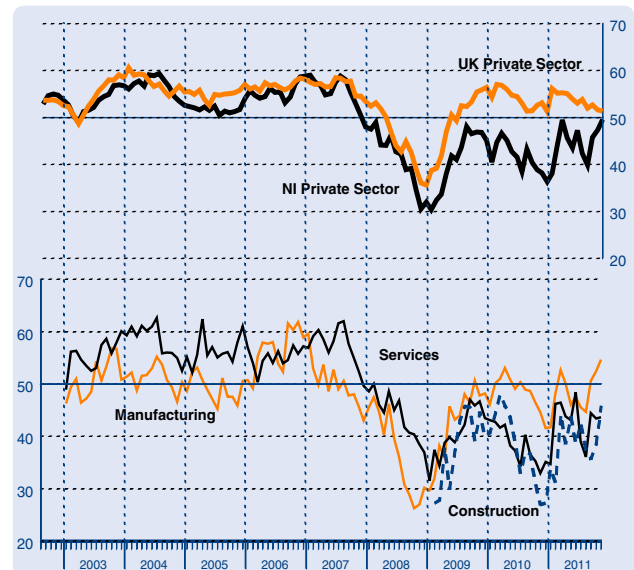
Northern Ireland Companies				All UK				
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011	Jun	23.9	44.5	31.5	-7.6	46.2	47.3	53.1
	Jul	16.1	41.5	42.4	-26.4	36.8	42.4	53.9
	Aug	17.7	42.7	39.7	-22.0	39.0	40.0	52.0
	Sep	31.9	40.9	27.1	4.8	52.4	45.8	52.7
	Oct	22.6	51.7	25.7	-3.1	48.5	47.4	51.7
	Nov	24.6	46.8	28.6	-4.1	48.0	49.6	51.4

The level of new business received by Northern Ireland private sector firms continued to fall during November, with almost 29% of panellists signalling a decline from one month earlier. This compared to around 25% that indicated a rise. The seasonally adjusted New Business Index was nonetheless consistent with only a marginal rate of reduction that was the weakest in the current period of contraction, which now stretches to four years. Panellists linked falling new orders to subdued demand

By sector

		Construction	Manufacturing	Services
'11	Sep	35.7	50.7	44.5
	Oct	38.6	52.5	43.5
	Nov	45.8	54.7	43.7

conditions. Manufacturers and retailers saw a rise in new work since October, while service providers and construction firms recorded continued declines.



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?

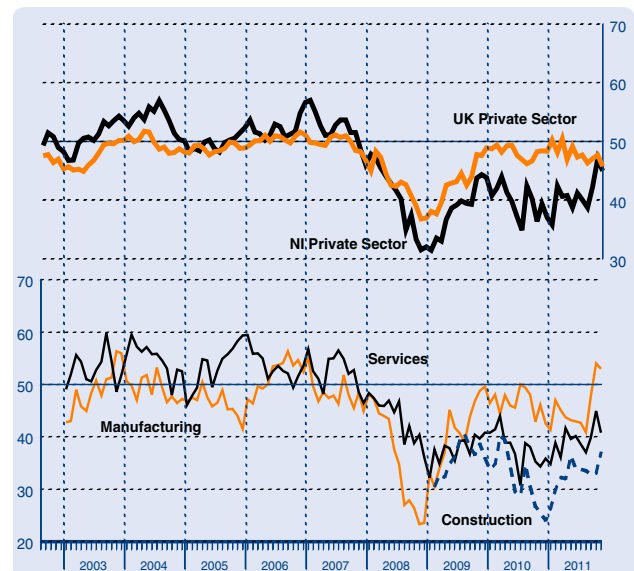
Northern Ireland Companies				All UK				
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011	Jun	12.2	59.1	28.7	-16.4	41.8	41.2	47.4
	Jul	15.9	46.8	37.4	-21.5	39.3	40.1	47.8
	Aug	11.4	52.1	36.4	-25.0	37.5	38.7	46.4
	Sep	18.4	53.1	28.5	-10.1	44.9	42.2	47.1
	Oct	16.8	60.9	22.3	-5.5	47.3	47.1	47.7
	Nov	16.8	55.1	28.1	-11.3	44.3	45.0	45.8

Northern Ireland private sector companies reported another decline in outstanding business during November. Despite accelerating since October, and remaining faster than at the UK-wide level, the rate of backlog depletion was the second-slowest in 44 months. Around 28% of panellists recorded a decline in unfinished work, compared to almost 17% that noted a rise. Companies attributed the latest decline in work-in-hand to falling new orders and corresponding spare capacity.

By sector

		Construction	Manufacturing	Services
'11	Sep	32.7	47.8	39.9
	Oct	33.1	54.1	45.0
	Nov	37.0	53.0	40.8

Backlogs of work fell across three of the four monitored sectors, with manufacturing the exception. Construction firms recorded the sharpest pace of reduction.



Employment

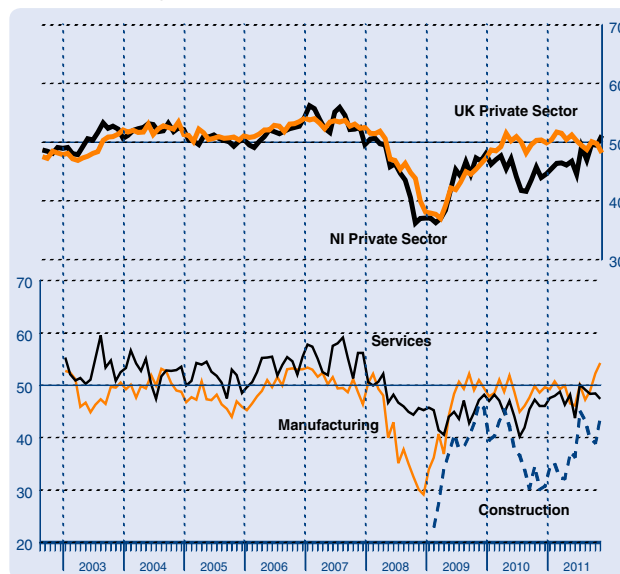
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 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	49.5
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
Nov	15.7	70.1	14.2	1.5	50.8	51.2	48.2

After adjusting for seasonal variation, the Employment Index registered above the neutral 50.0 threshold during November, signalling an increase in Northern Ireland private sector employment for the first time since February 2008. That said, the rate of job creation was only modest. In contrast, staffing levels fell across the UK economy as a whole. Employment growth was registered despite continued declines in new orders and outstanding workloads. However, growth was not broad-based across sectors. Both manufacturers and retailers reported adding to their workforce numbers on average, while service providers and construction firms registered declines.

By sector

	Construction	Manufacturing	Services
'11 Sep	39.9	48.9	48.4
Oct	39.0	52.3	48.5
Nov	43.9	54.3	47.5



Input Costs

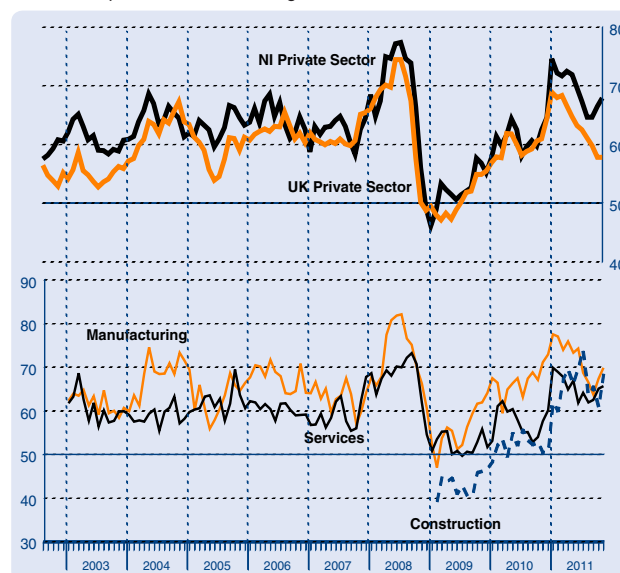
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Jun	43.3	55.0	1.7	41.7	70.8	69.7	63.3
Jul	36.7	57.0	6.2	30.5	65.3	67.4	62.6
Aug	28.8	68.8	2.3	26.5	63.3	64.7	61.1
Sep	35.3	60.1	4.6	30.7	65.3	64.7	59.9
Oct	36.4	61.7	1.9	34.6	67.3	66.5	57.9
Nov	35.1	61.8	3.0	32.1	66.1	67.9	57.8

The rate of input price inflation in the Northern Ireland private sector accelerated to a five-month high in November, and was much stronger than across the UK economy as a whole. Average costs have now risen continuously since March 2009. Of those survey participants that signalled an increase in input prices since the preceding month (approximately 35%), this was attributed to a combination of increased fuel, energy and labour-related costs. Rates of input price inflation were sharp across all sectors monitored by the survey, but remained strongest in retail.

By sector

	Construction	Manufacturing	Services
'11 Sep	65.6	63.8	62.6
Oct	60.9	67.5	65.1
Nov	68.6	69.9	65.7



Prices Charged

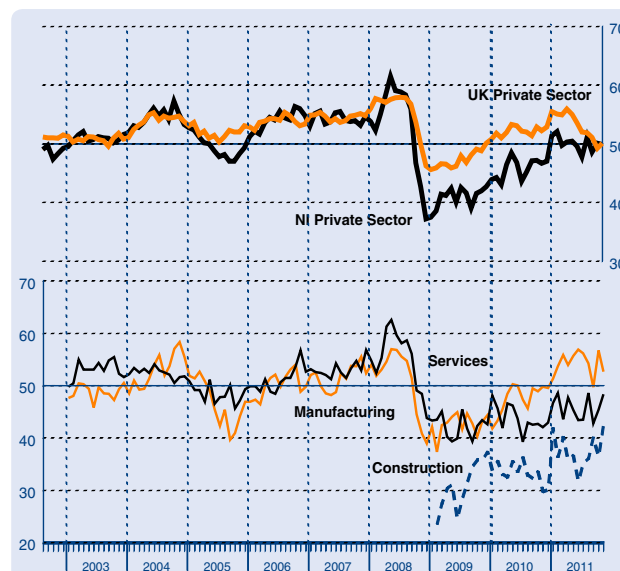
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 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
Nov	11.7	75.0	13.3	-1.5	49.2	49.9	50.2

November data showed a renewed decline in average tariffs set by Northern Ireland private sector firms. However, the rate of output price discounting was negligible, with exactly three-quarters of panellists signalling no difference in charges since October. Anecdotal evidence suggested that competitive pressures had contributed to the overall reduction in output prices. There were also reports of client requests for lower tariffs. Where a rise in prices charged was signalled, this was linked to the passing on of higher costs to clients. For the second straight month, manufacturers and retailers raised their charges, while construction firms and service providers recorded a fall.

By sector

	Construction	Manufacturing	Services
'11 Sep	40.2	49.8	42.8
Oct	36.5	56.8	45.4
Nov	42.7	52.7	48.4



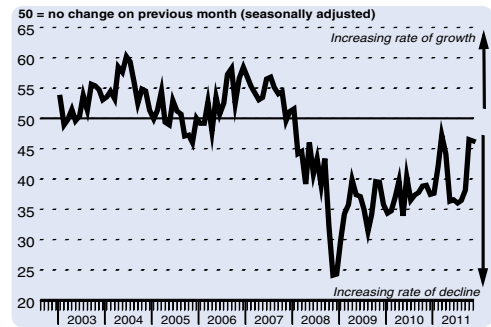
New Export Business*

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

Northern Ireland Companies

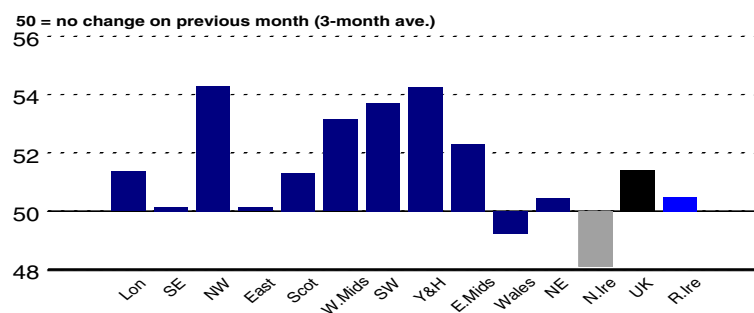
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2011	Jun	13.5	48.7	37.7	-24.2	37.9	36.6
	Jul	6.4	47.4	46.2	-39.8	30.1	36.1
	Aug	9.7	50.2	40.2	-30.5	34.8	36.5
	Sep	14.9	51.2	34.0	-19.1	40.4	38.2
	Oct	22.5	49.7	27.8	-5.3	47.4	46.6
	Nov	21.5	47.8	30.8	-9.3	45.4	46.3

New export business continued to fall solidly during November, with the rate of decline broadly unchanged from that recorded in October. The seasonally adjusted New Export Orders Index has now posted below the neutral 50.0 threshold, signalling contraction, for 46 months. Almost 31% of survey participants recorded a reduction in new export orders, which the majority attributed to fragile external demand.



Regional Comparisons: Output / Business Activity

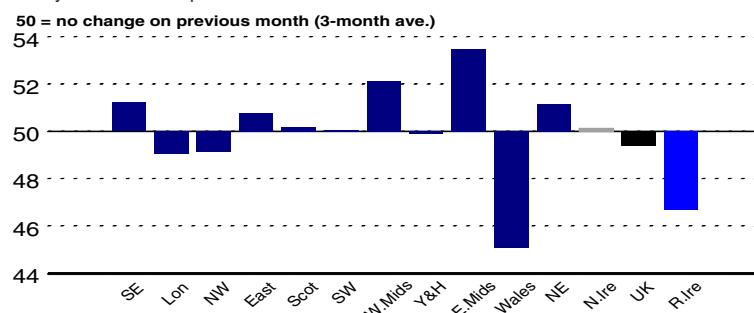
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Growth of business activity was maintained in ten of the twelve UK regions during the three months to November. In contrast, Northern Ireland and Wales recorded moderate reductions in private sector activity. Meanwhile, companies operating in the Republic of Ireland recorded a marginal rise in business activity during the three months to November.



	Share of UK GVA, 2009 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	54.5	51.4	49.3
South East	(14.3%)	53.8	50.2	49.6
North West	(9.6%)	53.7	54.3	53.2
East of England	(8.7%)	52.5	50.1	50.4
Scotland	(8.3%)	52.0	51.3	51.1
South West	(7.7%)	53.8	53.1	53.5
West Midlands	(7.4%)	55.2	53.7	53.8
Yorks & Humber	(7.1%)	54.3	54.3	54.2
East Midlands	(6.3%)	54.1	52.3	49.9
Wales	(3.6%)	51.7	49.2	49.0
North East	(3.3%)	53.4	50.5	48.0
N.Ireland	(2.3%)	45.7	48.1	50.0
UK	(100.0%)	53.4	51.4	51.1
Rep. of Ireland	n/a	51.3	50.5	50.8

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). The majority of UK regions indicated a near-stagnation of private sector staffing levels in the three months to November. The main exceptions were a marked decline in Wales and, at the other end of the spectrum, solid rises in the East Midlands and West Midlands. Northern Ireland private sector firms saw a fractional rise in employment. In contrast, staff numbers fell solidly across the Republic of Ireland in the three months to November.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.6	51.2	50.4
London	(12.3%)	50.3	49.0	45.9
North West	(10.9%)	50.2	49.1	47.8
East of England	(9.6%)	52.0	50.8	48.5
Scotland	(8.7%)	50.2	50.2	51.3
South West	(8.6%)	51.2	50.1	48.7
West Midlands	(8.6%)	53.8	52.1	48.5
Yorks & Humber	(8.2%)	51.1	49.9	50.5
East Midlands	(7.3%)	53.3	53.5	53.3
Wales	(4.6%)	48.6	45.1	45.4
North East	(3.9%)	52.8	51.2	50.8
N.Ireland	(2.7%)	47.3	50.1	51.2
UK	(100.0%)	50.2	49.4	48.2
Rep. of Ireland	n/a	48.3	46.7	48.0

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.

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

Disclaimer

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

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