

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 and employment both return to contraction in December

December data from Ulster Bank showed a renewed contraction of private sector activity in Northern Ireland. New and outstanding business both fell at sharper rates, while companies reduced their staff numbers at a solid pace. On the price front, output price discounting was recorded for a second successive month, in spite of a further strong increase in average costs.

Solid decline in business activity

Business activity in Northern Ireland's private sector decreased during December, following no change in November. This contrasted with growth seen across the UK economy as a whole. The pace of reduction was solid, and the steepest in four months. There were clear divergences by sector. Retailers and manufacturers noted growth of business activity over the month, while service providers and construction companies recorded further declines.

A continued decline in new orders was behind the overall contraction of business activity, according to anecdotal evidence. The pace of reduction in new work was only modest, however, and slower than those rates seen throughout much of the past four years.

Job shedding the fastest since June

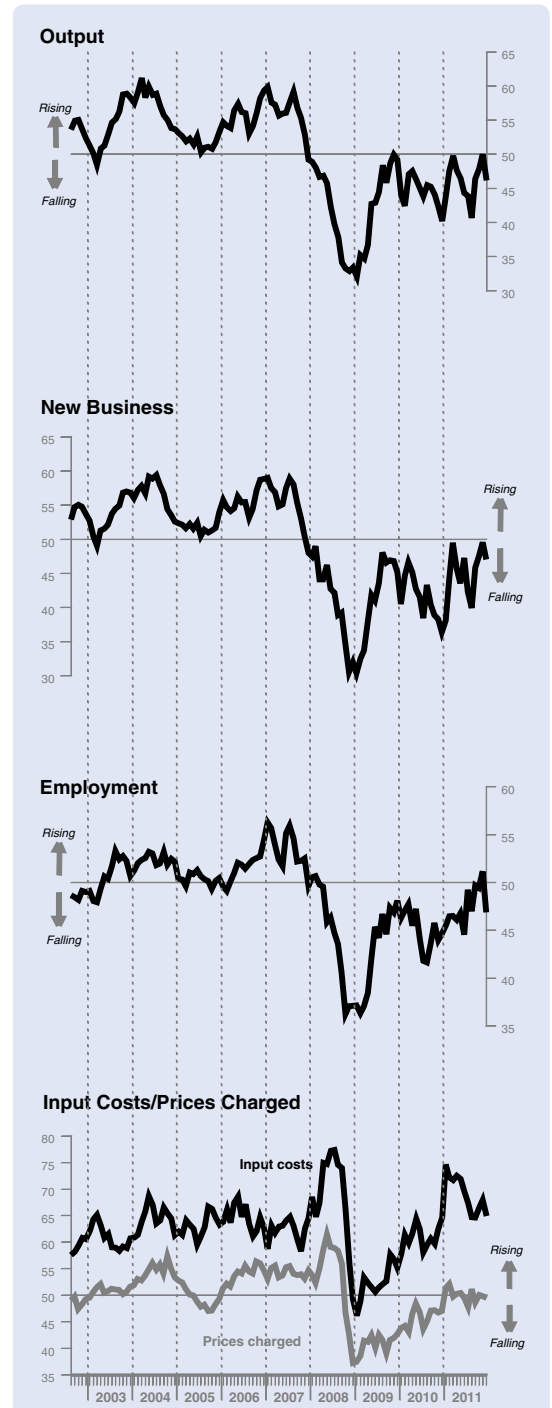
Companies reported a renewed decline in staff numbers over the month, with the rate of contraction the fastest since June. Moreover, the month-on-month decline in the index measuring employment was the second-largest since data were first compiled in August 2002. Job shedding was primarily achieved through the non-replacement of departing staff and redundancies.

December data signalled a further decline in outstanding business volumes held at private sector firms, with backlog depletion accelerating to a marked rate that was faster than the UK economy average. Where a fall in work-in-hand was reported, panellists linked this to reduced new order intakes.

Input costs rise at above-trend rate

Average input costs faced by private sector companies continued to rise sharply during December. The rate of inflation was stronger than both the long-run series average, and that seen across the UK economy as a whole. Increased energy, raw material and labour-related costs were all cited by panellists as having driven inflation in the latest survey period.

Northern Ireland private sector firms lowered their average tariffs for the second successive month during December, in spite of higher cost burdens. Strong competition for new business was the main reason given by companies that recorded a reduction in output charges. However, the rate of output price discounting was only marginal.



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.

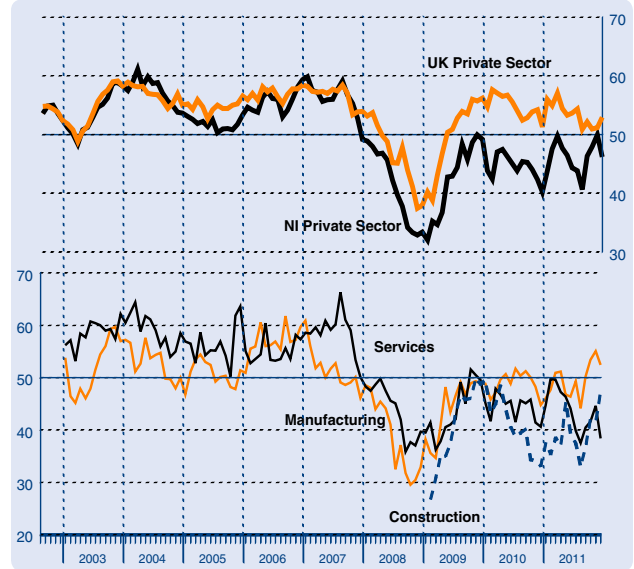
Output / Business Activity

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 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	51.2
Dec	18.5	51.7	29.8	-11.3	44.4	46.2	53.0

Business activity in Northern Ireland's private sector decreased during December, following no change in November. With almost 30% of survey participants signalling a drop in activity, compared to 19% that recorded an increase, the pace of reduction was solid. Moreover, the latest seasonally adjusted Business Activity Index reading was the lowest in four months. In contrast, activity growth was registered at the UK-wide level. There were clear divergences by sector. Retailers and manufacturers noted growth of business activity over the month, while service providers and construction companies recorded continued declines.

By sector				
		Construction	Manufacturing	Services
'11 Oct		42.2	53.4	41.6
Nov		41.7	55.1	44.6
Dec		47.6	52.5	38.5



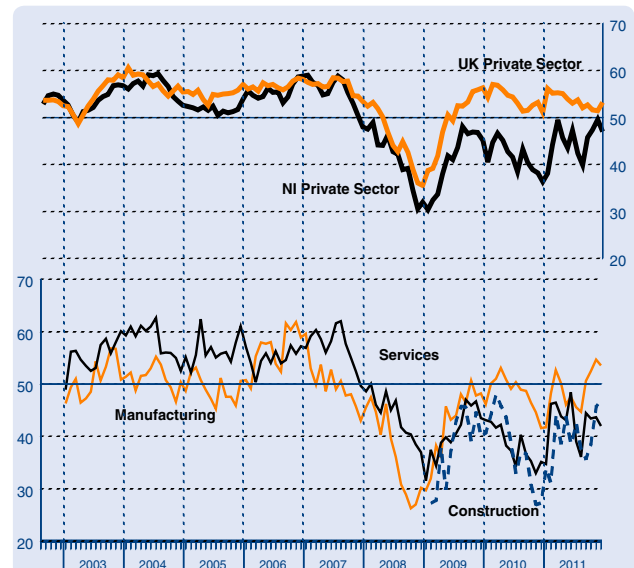
New Business

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 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
Sep	31.9	40.9	27.1	4.8	52.4	45.8	52.8
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	51.5
Dec	17.1	53.8	29.1	-12.0	44.0	47.1	53.2

After adjusting for seasonal variation, the New Business Index posted below the neutral 50.0 threshold for the forty-ninth successive month in December, signalling a further reduction in new order volumes. Conversely, growth of new work was recorded at the UK-wide level. The pace of decline was solid, but slower than rates seen throughout much of the past four years. Where a drop in new order levels was recorded, this was linked to unfavourable market conditions. Manufacturing firms and retailers saw an increase in new business, while service providers and construction firms noted falls in the latest survey period.

By sector				
		Construction	Manufacturing	Services
'11 Oct		38.6	52.5	43.5
Nov		45.8	54.7	43.7
Dec		47.3	53.6	42.0



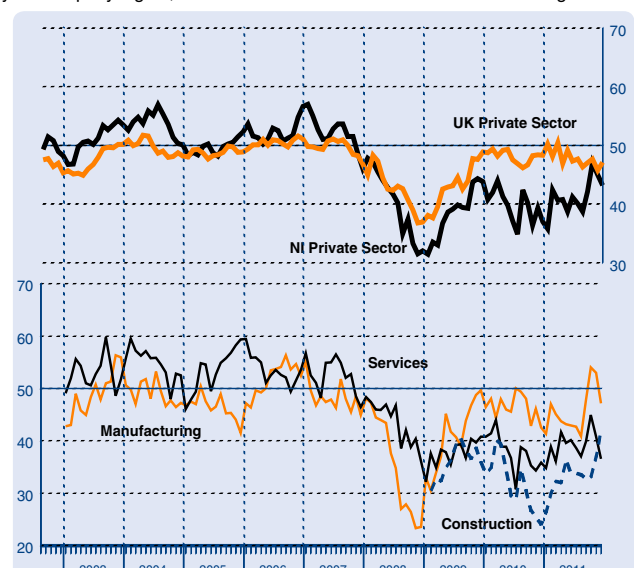
Backlogs

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 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
Dec	11.0	60.4	28.6	-17.7	41.2	43.2	47.2

Reflecting reduced new order intakes, outstanding business decreased again during December, with the seasonally adjusted Backlogs of Work Index posting below the neutral level of 50.0 for the fiftieth month in succession. The latest index reading was the lowest for three months and below the long-run trend for the series. Companies continued to reduce their volumes of work-in-hand (but yet completed) at a sharper rate than the UK economy average. Unfinished work decreased across all four monitored sectors, with service providers recording the steepest pace of reduction in the latest survey period.

By sector				
		Construction	Manufacturing	Services
'11 Oct		33.1	54.1	45.0
Nov		37.0	53.0	40.8
Dec		41.9	47.2	36.6



Employment

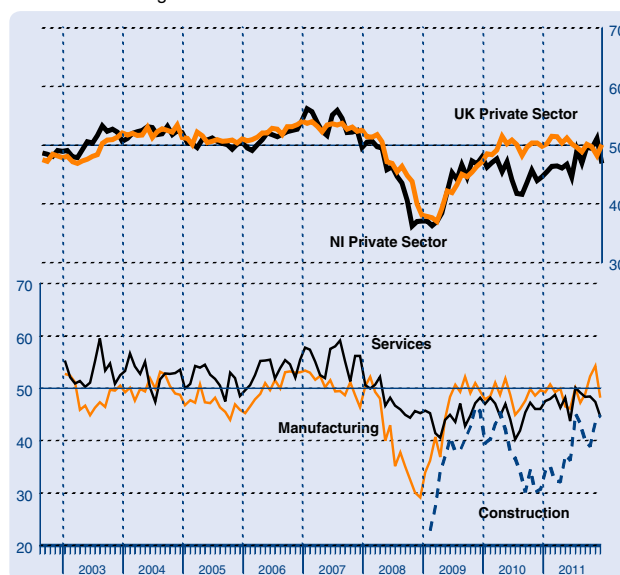
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 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	48.9
Sep	10.8	78.0	11.2	-0.4	49.8	49.7	50.2
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	48.3
Dec	5.7	78.5	15.8	-10.1	44.9	46.9	50.1

Private sector companies in Northern Ireland reported a renewed reduction in staff numbers on average, with almost 16% signalling a decline from one month ago. This compared to 6% that noted a rise. The rate of decline was solid, and the fastest in six months. Additionally, the month-on-month decline in the seasonally adjusted Employment Index was the second-largest since data were first compiled in August 2002. Job shedding was primarily achieved through the non-replacement of departing staff and redundancies. Staff numbers fell across all four sectors, with service providers and construction firms recording particularly marked rates of decline.

By sector

		Construction	Manuf-acturing	Services
'11 Oct		39.0	52.3	48.5
Nov		43.9	54.3	47.5
Dec		44.9	48.2	44.7



Input Costs

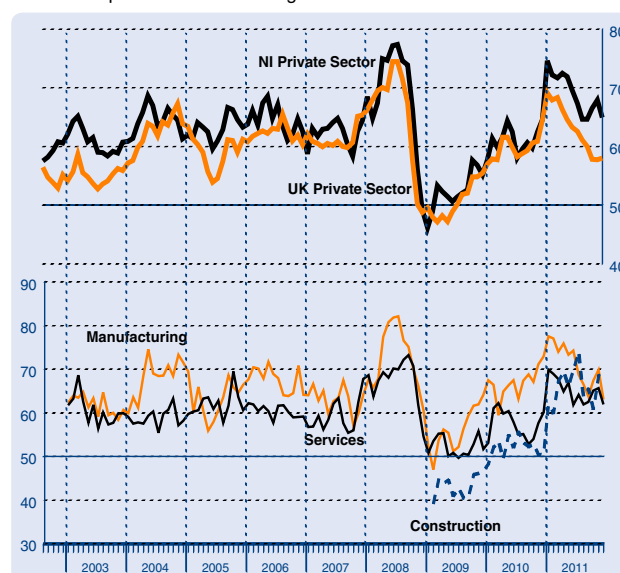
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 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	60.0
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
Dec	24.0	72.0	4.0	20.0	60.0	65.0	58.1

The rate of input price inflation in the Northern Ireland private sector eased to a three-month low, but remained strong nonetheless. Moreover, the latest increase in average costs was faster than both the long-run series average and that seen across the UK economy as a whole. Exactly 24% of survey participants noted a rise in cost burdens from one month earlier, compared to only 4% that signalled a decline. Where an increase in input prices was recorded, this was linked by companies to higher energy, raw material and labour-related costs. All four monitored sectors recorded higher average input prices, with retailers again noting the fastest rate of inflation.

By sector

		Construction	Manuf-acturing	Services
'11 Oct		60.9	67.5	65.1
Nov		68.6	69.9	65.7
Dec		67.9	63.1	62.0



Prices Charged

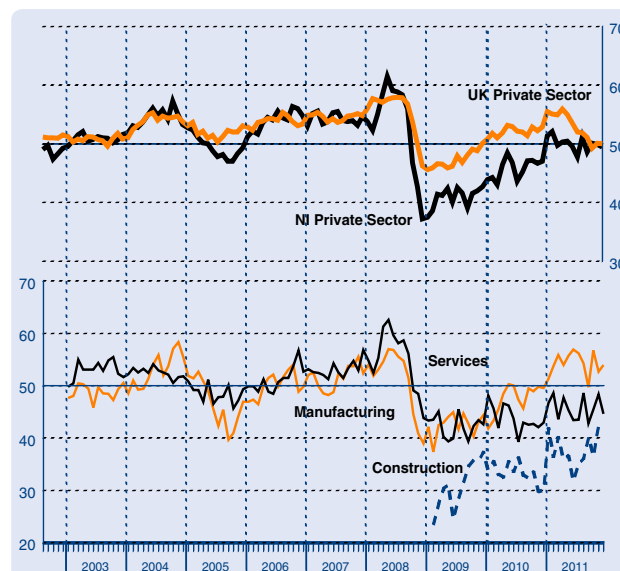
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 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
Dec	6.9	79.5	13.6	-6.7	46.6	49.5	50.1

Private sector firms in Northern Ireland continued to reduce their output charges over the month, in spite of a further strong increase in average costs. The rate of output price discounting was only marginal, however, with the majority of panellists (almost 80%) signalling no change from one month earlier. Anecdotal evidence suggested that reduced average tariffs mainly reflected strong competition for new business. Some companies also mentioned client requests for lower charges. For the third month in succession, manufacturers raised their output charges, while service providers and construction firms noted a decrease.

By sector

		Construction	Manuf-acturing	Services
'11 Oct		36.5	56.8	45.4
Nov		42.7	52.7	48.4
Dec		42.6	54.0	44.6



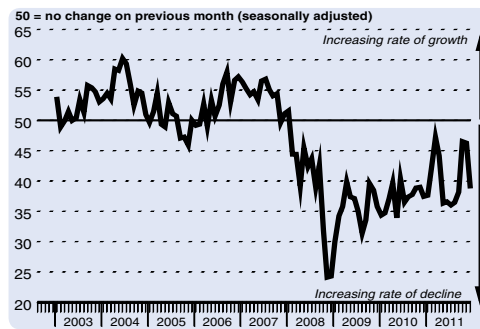
New Export Business*

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	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
	Dec	10.0	45.6	44.3	-34.3	32.9	39.2

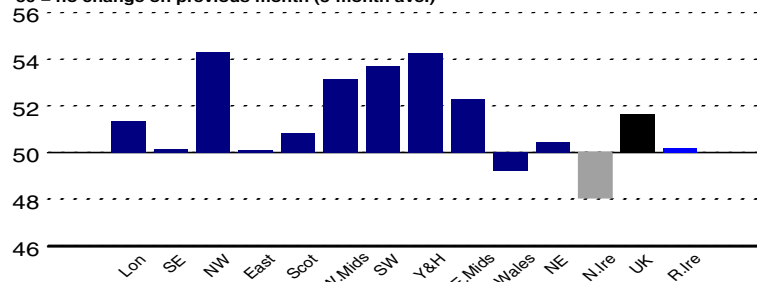
The latest survey findings signalled a steep and accelerated fall in new export business received by Northern Ireland private sector firms. Around 44% of the survey panel recorded a decrease in new export work from one month ago, which the majority attributed to subdued demand from external markets. The latest decline in foreign order levels was the forty-seventh in as many months.



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 on the right). Growth of business activity was maintained in ten of the twelve UK regions during the three months to November. Northern Ireland saw a moderate drop in activity over the three months to December, while the Republic of Ireland recorded a marginal increase.

50 = no change on previous month (3-month ave.)



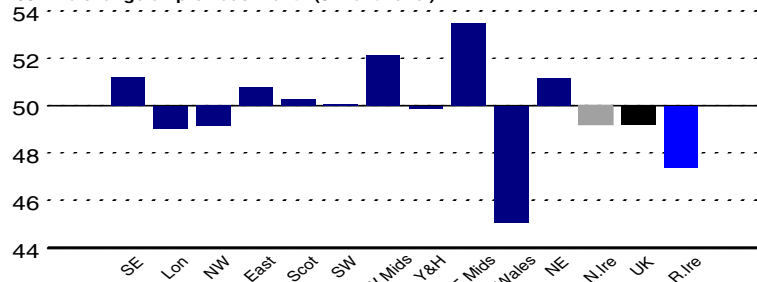
** Data for the English regions and Wales are only available until November.

	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%)	53.0	51.1	51.2
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%)	46.2	48.0	46.2
UK	(100.0%)	53.5	51.6	53.2
Rep. of Ireland	n/a	51.3	50.2	48.7

Regional Comparisons: Employment

The graph below shows the regional PMI Employment Indexes for the UK. An average for 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. Northern Ireland private sector firms saw a slight fall in employment over the three months to December, while staff numbers declined solidly across the Republic of Ireland.

50 = no change on previous month (3-month ave.)



** Data for the English regions and Wales are only available until 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%)	50.3	50.5	50.4
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%)	47.5	49.2	46.9
UK	(100.0%)	50.3	49.2	50.0
Rep. of Ireland	n/a	48.3	47.4	48.1

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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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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