

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 down at sharpest rate in six months

February data from Ulster Bank indicated a marked reduction in Northern Ireland private sector activity, mainly in response to lower levels of incoming new business. Consequently, backlogs of work continued to fall, which in turn led to another month of job shedding. Meanwhile, companies recorded a renewed decrease in output charges, in spite of a further strong rise in average costs.

Activity and new work fall at faster rates

Northern Ireland private sector output fell again in February, with the pace of reduction accelerating to the fastest in six months. This contrasted with growth registered at the UK-wide level. Three of the four monitored sectors recorded a reduction in business activity from one month earlier, with retail the exception.

A steep decline in new order intakes was behind the latest decrease in private sector output. In line with the trend for activity, the pace of reduction in new work was the sharpest since August last year. Where a decline in new orders was signalled, companies commented on weak underlying demand conditions.

Solid reduction in employment

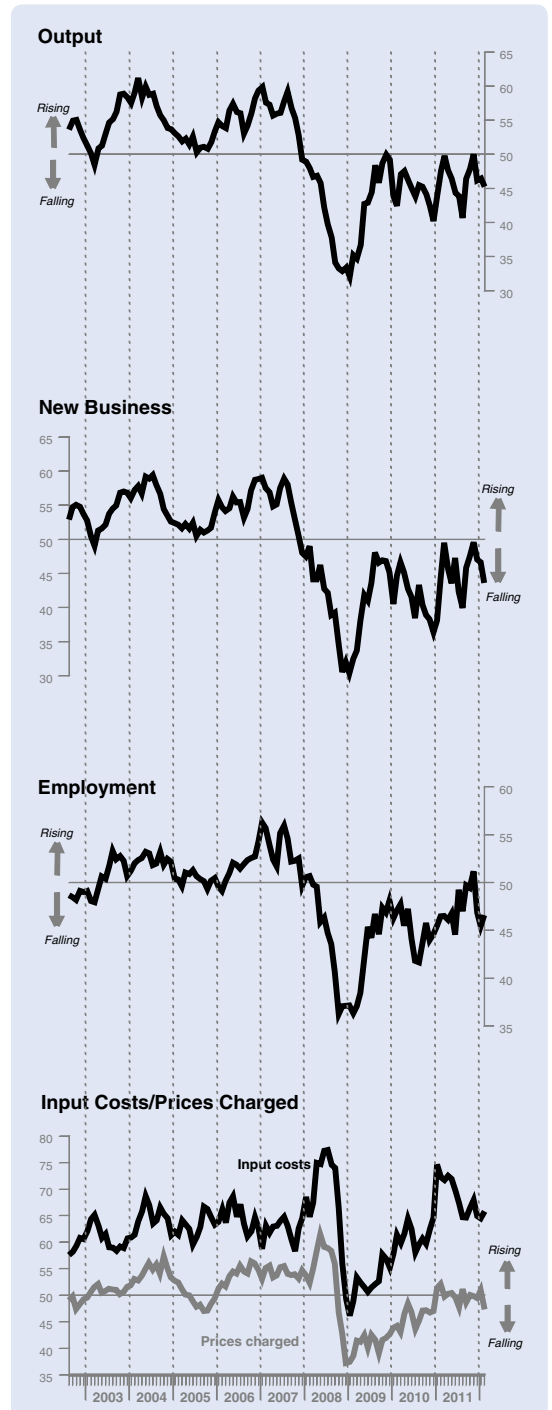
Spare capacity remained evident in the Northern Ireland private sector, with volumes of work-in-hand (but not yet completed) decreasing at the sharpest rate in six months. Anecdotal evidence from survey respondents suggested that backlog depletion reflected a lack of incoming new work at their units.

Consequently, companies reduced their staff numbers in February, as has been the case in each of the past three months. The rate of job shedding was solid, and the second-fastest since June 2011.

Input costs rise substantially

Input costs faced by Northern Ireland private sector firms rose in February, extending the current period of inflation to three years. The latest rise in average costs was substantial, and much stronger than that seen across the UK economy as a whole. Panellists commented on higher energy, fuel and raw material prices.

Prices charged by Northern Ireland private sector firms fell in February, following a rise in the preceding month. The rate of output price discounting was moderate, albeit the sharpest since December 2010. Companies that reported a decline in output prices mentioned attempts to retain existing clients and attract new business. For the fifth month in succession, manufacturers and retailers recorded an increase in average tariffs, while both service providers and construction firms noted a decline.



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.

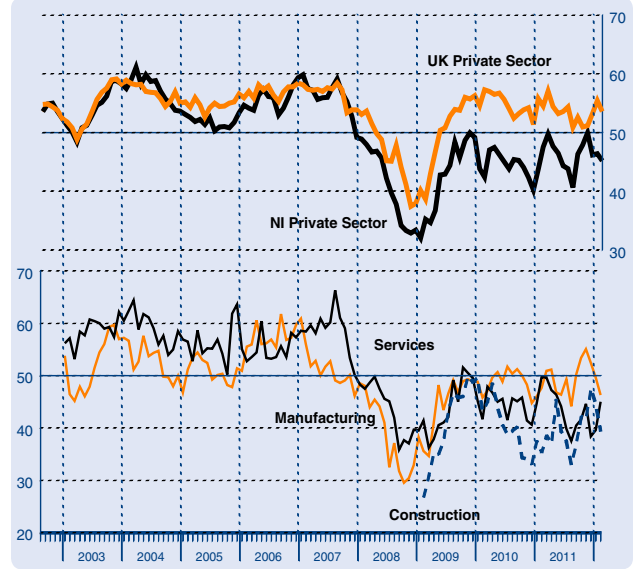
Output / Business Activity

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 Sep	29.0	39.4	31.6	-2.6	48.7	46.4	52.6
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	53.2
2012 Jan	15.5	48.5	36.0	-20.6	39.7	46.4	55.5
Feb	21.0	49.3	29.7	-8.7	45.6	45.3	53.6

After adjusting for seasonal factors, the Business Activity Index remained below the neutral 50.0 threshold, signalling a continued decline in Northern Ireland private sector output. The index dipped to a six-month low in February, a level indicative of a marked rate of decline. The latest decrease in output, which was the third in as many months, contrasted with growth recorded across the UK economy as a whole. Companies that mentioned a fall in business activity linked this to reduced intakes of new work. Three of the four monitored sectors noted lower activity levels since the preceding month, with retail the exception.

By sector				
		Construction	Manufacturing	Services
'11 Dec		47.6	52.5	38.5
'12 Jan		44.5	49.7	39.6
Feb		39.4	46.3	45.1



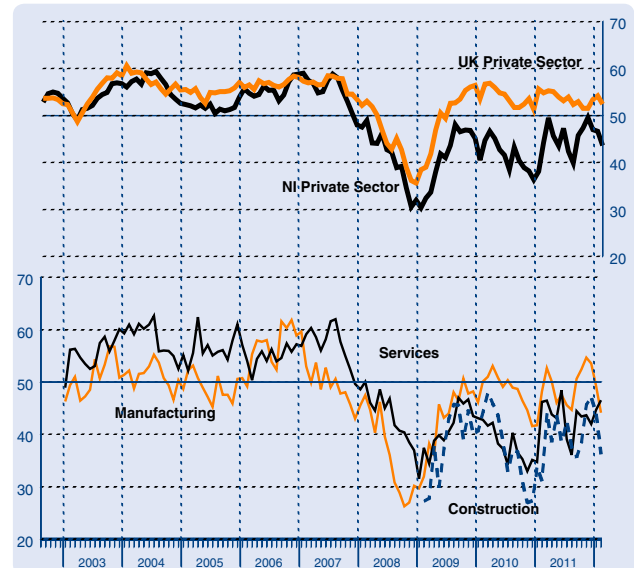
New Business

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 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
Nov	24.6	46.8	28.6	-4.1	48.0	49.6	51.6
Dec	17.1	53.8	29.1	-12.0	44.0	47.1	53.5
2012 Jan	14.7	50.6	34.7	-20.0	40.0	46.7	54.2
Feb	19.1	50.6	30.4	-11.3	44.4	43.7	52.5

The level of new business placed at Northern Ireland private sector firms fell in February, as has been the case in each of the past 51 months. The rate of decline in new work was sharp, and the steepest since August last year. In contrast, growth of new work was recorded across the UK economy as a whole. Around 30% of survey participants signalled a drop in new orders since the preceding month, citing underlying demand weakness amid concerns surrounding the economic outlook. All four monitored sectors registered a decline in new business since January, with construction firms recording by far the sharpest pace of reduction.

By sector				
		Construction	Manufacturing	Services
'11 Dec		47.3	53.6	42.0
'12 Jan		43.9	49.3	44.8
Feb		36.3	44.1	46.6



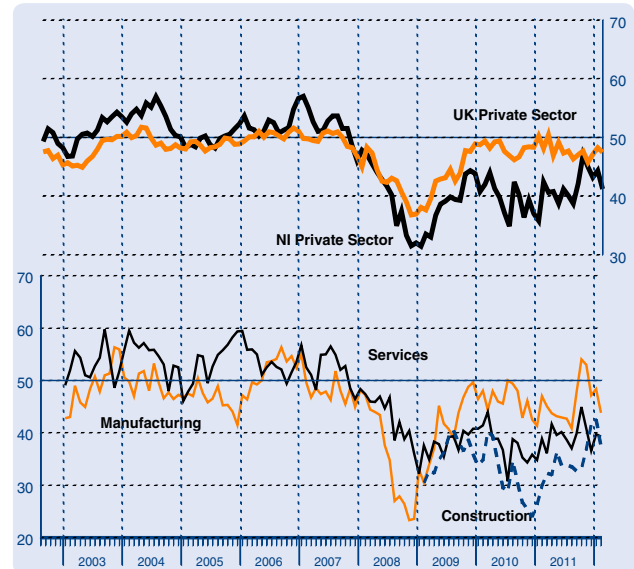
Backlogs

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 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
2012 Jan	13.9	55.3	30.8	-16.9	41.6	44.4	48.3
Feb	9.4	62.5	28.1	-18.7	40.7	41.2	47.5

Backlogs of work in the Northern Ireland private sector fell again during February, with around 28% of panellists signalling a decline from one month earlier. This compared to 9% that saw a rise. The seasonally adjusted Backlogs of Work Index was at a level indicative of a steep pace of backlog depletion. Moreover, the latest index reading was the lowest in six months, and below the UK equivalent (47.5). Companies cited lower levels of new business as the main reason behind the latest decline in work-in-hand (but not yet completed). Service providers and construction firms recorded particularly marked rates of decline in unfinished work.

By sector				
		Construction	Manufacturing	Services
'11 Dec		41.9	47.2	36.6
'12 Jan		42.5	48.4	39.8
Feb		37.4	43.9	39.3



Employment

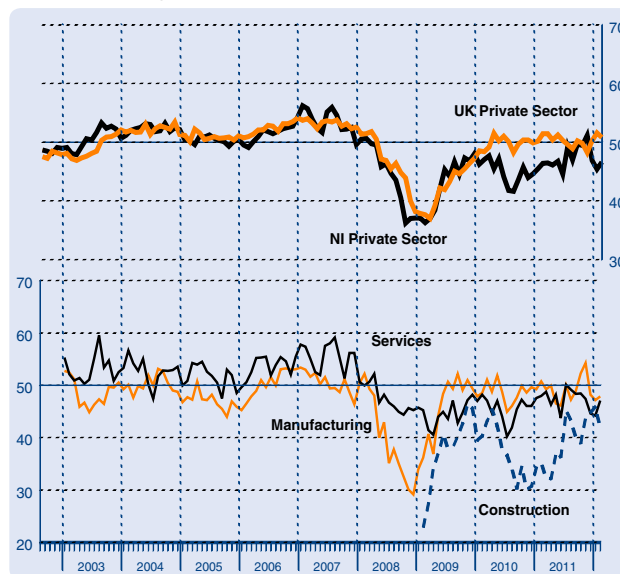
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Sep	10.8	78.0	11.2	-0.4	49.8	49.7	50.3
Oct	12.1	75.4	12.4	-0.3	49.9	49.5	49.9
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	50.3
2012 Jan	6.1	74.7	19.2	-13.1	43.5	45.5	51.6
Feb	4.6	82.7	12.8	-8.2	45.9	46.6	50.8

The size of Northern Ireland's private sector workforce contracted in February, with the seasonally adjusted Employment Index posting below the 50.0 no change value for the third month in succession. The rate of job shedding was solid, and faster than the long-run series average. Anecdotal evidence provided by survey respondents suggested that reduced employment reflected falling new business. Job shedding was achieved through the non-replacement of voluntary leavers and, in some cases, redundancies. Latest data showed staff numbers falling across all four monitored sectors, with construction firms noting the sharpest pace of decline.

By sector

		Construction	Manuf-acturing	Services
'11 Dec		44.9	48.2	44.7
'12 Jan		46.0	47.2	44.3
Feb		41.6	47.9	47.1



Input Costs

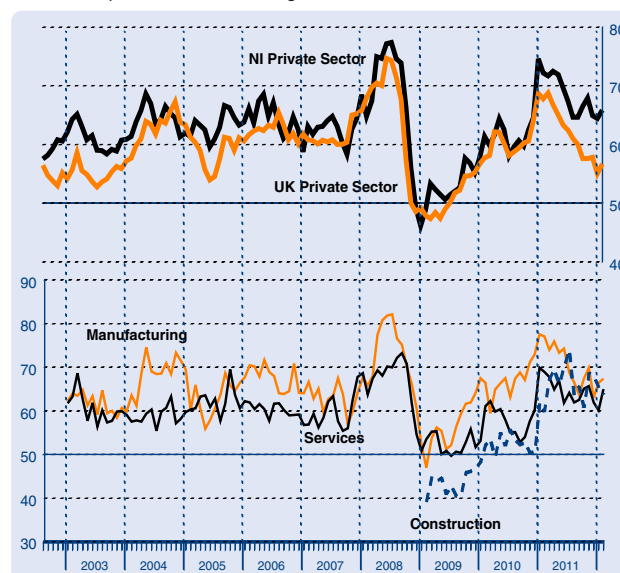
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Sep	35.3	60.1	4.6	30.7	65.3	64.7	60.1
Oct	36.4	61.7	1.9	34.6	67.3	66.5	57.6
Nov	35.1	61.8	3.0	32.1	66.1	67.9	57.6
Dec	24.0	72.0	4.0	20.0	60.0	65.0	57.8
2012 Jan	26.6	70.2	3.2	23.4	61.7	64.5	55.1
Feb	38.6	58.0	3.4	35.1	67.6	65.9	56.7

The rate of input cost inflation in the Northern Ireland private sector remained strong in February, and much sharper than that seen at the UK-wide level. Input prices have now risen continuously for three years. Almost 39% of survey participants noted an increase in average costs from one month earlier, compared to just 3% that recorded a decrease. Higher prices paid for energy, fuel and raw materials were cited by companies as the main drivers of inflation. There were also reports of increased labour-related costs. Sector data revealed that retailers recorded the steepest rise in average input prices during the latest survey period.

By sector

		Construction	Manuf-acturing	Services
'11 Dec		67.9	63.1	62.0
'12 Jan		65.5	66.5	60.1
Feb		63.8	67.5	65.1



Prices Charged

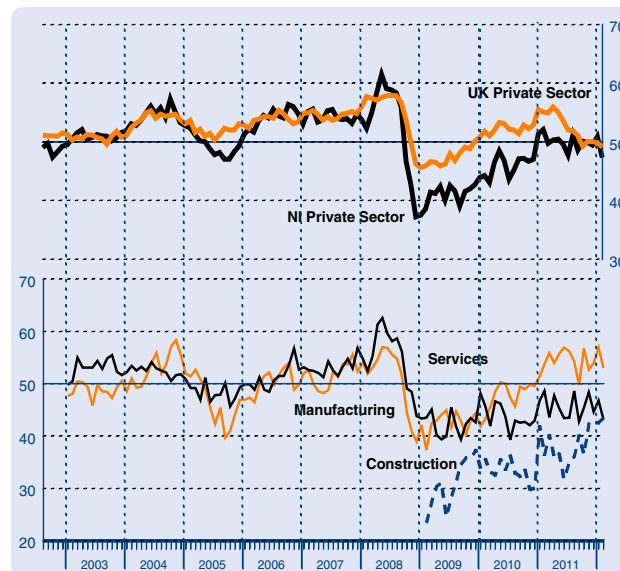
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 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
2012 Jan	15.5	73.2	11.3	4.2	52.1	50.9	49.9
Feb	12.6	66.4	21.0	-8.3	45.8	47.4	49.2

February data signalled a renewed decline in output prices set by Northern Ireland private sector firms. Anecdotal evidence suggested that reduced output charges reflected attempts to attract new business and secure existing clients. The rate at which companies reduced their average tariffs was moderate, and the sharpest in 14 months. Moreover, the latest decrease in output prices was stronger than that recorded across the UK economy as a whole. In a continuation of the trend observed since October last year, manufacturers and retailers recorded an increase in average tariffs, while both service providers and construction firms noted a decline.

By sector

		Construction	Manuf-acturing	Services
'11 Dec		42.6	54.0	44.6
'12 Jan		42.6	57.0	46.8
Feb		43.5	53.1	43.3



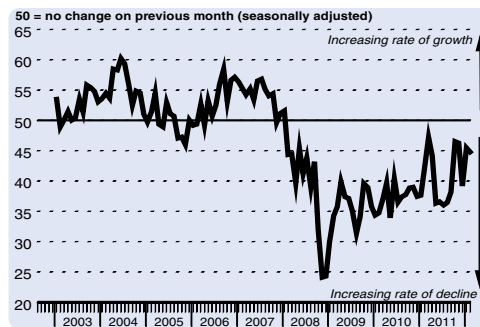
New Export Business*

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	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
2012	Jan	19.3	48.4	32.3	-13.0	43.5	45.5
	Feb	22.9	46.2	30.9	-8.0	46.0	44.8

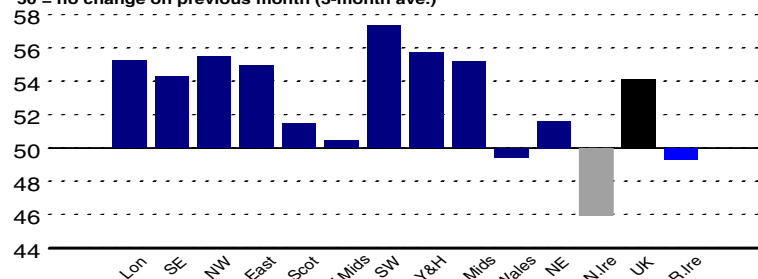
The seasonally adjusted New Export Business Index remained below the no change mark of 50.0 in February, signalling a marked decline in new work received from export markets. The rate of contraction remained solid, and stronger than the long-run series average. Companies mentioned that falling new export orders reflected weak 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). Growth of private sector output was seen in Scotland and across all nine English regions on average in the three months to February. The West Midlands and Yorkshire & Humber led the upturn. Meanwhile, Northern Ireland and Wales both posted lower business activity. The Republic of Ireland registered a marginal reduction in business activity in the three months to February.

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

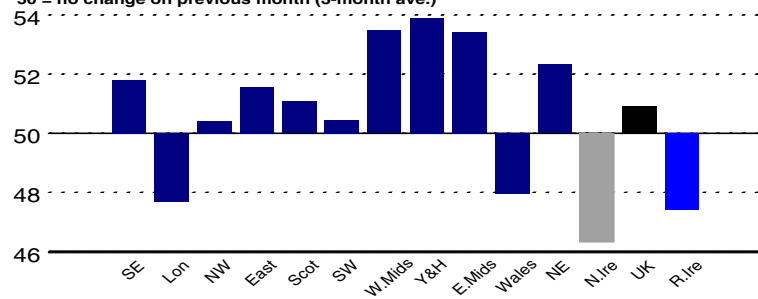


	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	54.6	55.2	55.0
South East	(14.7%)	53.9	54.3	53.8
North West	(9.5%)	54.0	55.5	55.0
East of England	(8.7%)	52.9	54.9	55.5
Scotland	(8.3%)	52.5	51.5	51.7
South West	(7.7%)	52.1	50.4	49.2
West Midlands	(7.3%)	55.1	57.3	59.2
Yorks & Humber	(7.0%)	53.8	55.7	54.3
East Midlands	(6.4%)	54.4	55.2	55.9
Wales	(3.6%)	50.6	49.4	49.7
North East	(3.2%)	52.4	51.6	50.1
N.Ireland	(2.2%)	46.3	46.0	45.3
UK	(100.0%)	53.4	54.1	53.6
Rep. of Ireland	n/a	50.4	49.3	51.5

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). Divergent employment trends were seen across the UK regions in the three months to February. Job creation was strongest in the West Midlands and Yorkshire & Humber. The fastest falls in private sector staffing levels were in Northern Ireland and London respectively. Jobs were also shed across the Republic of Ireland in the three months to February.

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



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.6	51.8	51.4
London	(12.3%)	49.8	47.7	48.0
North West	(10.9%)	50.1	50.4	50.1
East of England	(9.6%)	51.8	51.6	52.1
Scotland	(8.7%)	50.6	51.1	52.0
South West	(8.6%)	50.8	50.5	51.2
West Midlands	(8.6%)	53.7	53.5	53.1
Yorks & Humber	(8.2%)	50.9	53.9	54.6
East Midlands	(7.3%)	53.4	53.4	53.8
Wales	(4.6%)	47.9	48.0	50.7
North East	(3.9%)	52.6	52.3	51.7
N.Ireland	(2.7%)	47.5	46.3	46.6
UK	(100.0%)	50.3	50.9	50.8
Rep. of Ireland	n/a	47.9	47.4	48.3

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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