

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



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## Business activity down at the sharpest rate in nearly three years

March data highlighted a steep and accelerated decline in Northern Ireland private sector activity, largely in response to lower levels of incoming new business. This was also cited by panellists as the main factor behind a considerable reduction in backlogs of work and a fourth successive month of job shedding. Meanwhile, strong cost inflation was again absorbed by businesses as charges were reduced for the second month in a row.

### Sharp decline in business activity

Northern Ireland private sector firms registered another sharp decrease in business activity at their units during March, with the pace of contraction the fastest in almost three years. The latest decline in private sector output was the fourth in as many months, and contrasted with growth at the UK-wide level. Sector data showed business activity falling across all four monitored sectors in March, with the sharpest decline seen in construction. Where a reduction in output was recorded, survey participants commented on falling new business.

The rate of reduction in new orders was the sharpest since August 2011, and mainly reflected a general reluctance among clients to commit to new projects in the face of tough economic conditions.

### Job shedding persists

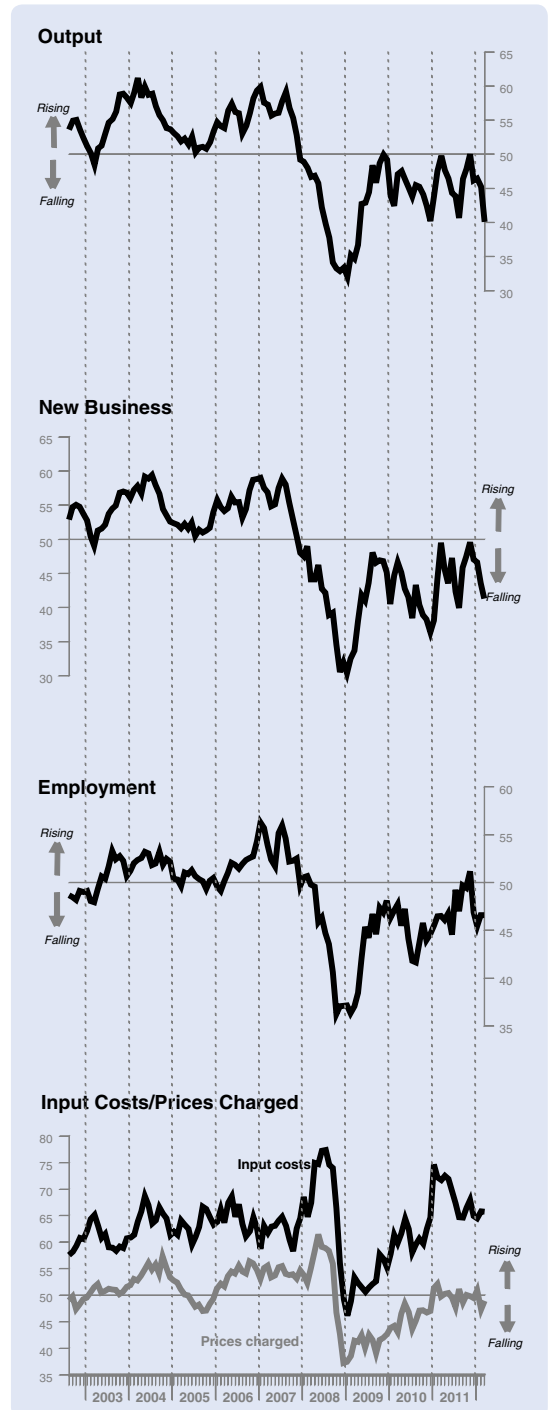
A further fall in new business enabled companies to complete work-in-hand (but not yet completed) in March. The rate of backlog depletion was substantial, and accelerated to the steepest in 20 months. Moreover, the month-on-month decline in the index measuring trends in outstanding business was the largest recorded by the series to date.

Companies responded to lower workloads by shedding jobs at a solid rate in March. In contrast, employment growth was recorded across the UK economy as a whole. By sector, construction firms again recorded the sharpest pace of job shedding.

### Input cost inflation remains strong

Average input costs rose strongly in March, with the rate of inflation little-changed on February's three-month high. Anecdotal evidence provided by survey respondents suggested that higher fuel costs were the main driver of inflation in the latest survey period.

In spite of higher input costs, output prices set by Northern Ireland private sector firms fell for a second successive month in March. Companies that reported a decrease in selling prices commented on ongoing efforts to stimulate new business. However, the rate of output price discounting was marginal, and slower than one month previously.



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.

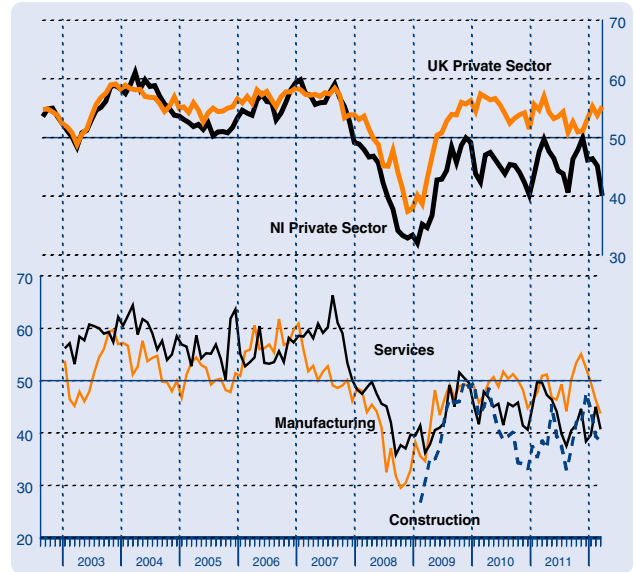
**Output / Business Activity**

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	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	53.3
2012	Jan	15.5	48.5	36.0	-20.6	39.7	46.4	55.3
	Feb	21.0	49.3	29.7	-8.7	45.6	45.3	53.8
	Mar	16.5	48.6	34.8	-18.3	40.9	40.1	55.3

Business activity in the Northern Ireland private sector fell sharply in March, with almost 35% of panellists noting a decline from one month ago. This compared to 17% that recorded a rise. Consequently, the latest seasonally adjusted Business Activity Index reading signalled the steepest pace of reduction in nearly three years. Anecdotal evidence provided by survey respondents suggested that reduced private sector output reflected lower levels of new work. Sector data showed activity falling across all four monitored sectors, with the sharpest decline seen in construction. Retailers meanwhile recorded the first fall in activity since last November.

By sector				
		Construction	Manufacturing	Services
'12	Jan	44.5	49.7	39.6
	Feb	39.4	46.3	45.1
	Mar	38.4	43.7	40.8



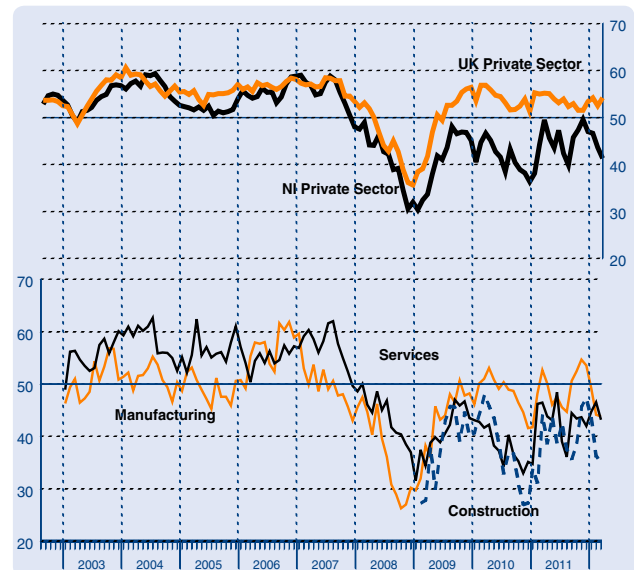
**New Business**

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	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	54.3
	Feb	19.1	50.6	30.4	-11.3	44.4	43.7	52.6
	Mar	17.5	49.3	33.2	-15.7	42.2	41.3	54.3

After adjusting for seasonal factors, the New Business Index posted below the neutral 50.0 threshold in March, signalling a steep drop in new orders placed at Northern Ireland private sector firms. Moreover, the latest index reading was the lowest since August last year. In contrast, growth of new business was recorded across the UK economy as a whole. Panellists mentioned that clients were reluctant to commit to new projects in the face of poor economic conditions. For the second month in succession, all four monitored sectors recorded lower levels of new business. Construction firms again registered by far the sharpest rate of contraction.

By sector				
		Construction	Manufacturing	Services
'12	Jan	43.9	49.3	44.8
	Feb	36.3	44.1	46.6
	Mar	34.8	43.8	43.2



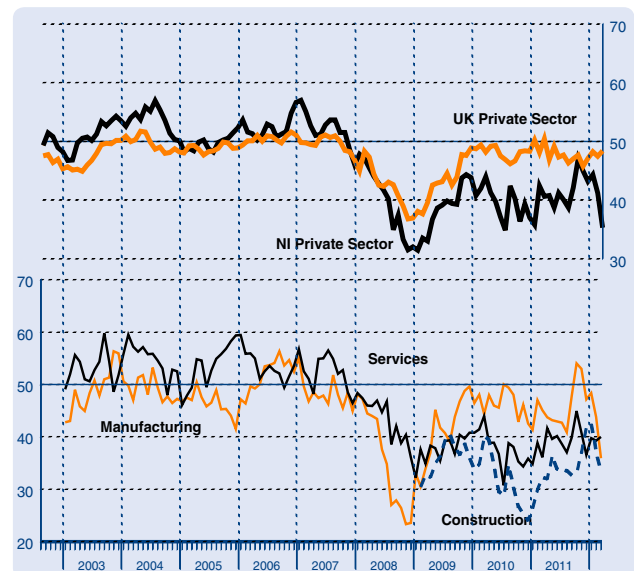
**Backlogs**

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	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
	Mar	10.9	51.6	37.5	-26.5	36.7	35.4	48.4

Lower new order levels was the key factor behind falling outstanding business in March, as spare capacity remained prevalent in the Northern Ireland private sector. Volumes of work-in-hand were depleted for the fifty-third month in succession, and at the fastest rate since July 2010. Additionally, the seasonally adjusted Backlogs of Work Index posted its largest month-on-month decline in the series history. Conversely, the rate of backlog clearance at the UK-wide level eased to only a modest rate. By sector, construction firms recorded the strongest reduction in outstanding business during the month, followed closely by manufacturers.

By sector				
		Construction	Manufacturing	Services
'12	Jan	42.5	48.4	39.8
	Feb	37.4	43.9	39.3
	Mar	33.1	35.9	40.0



## Employment

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

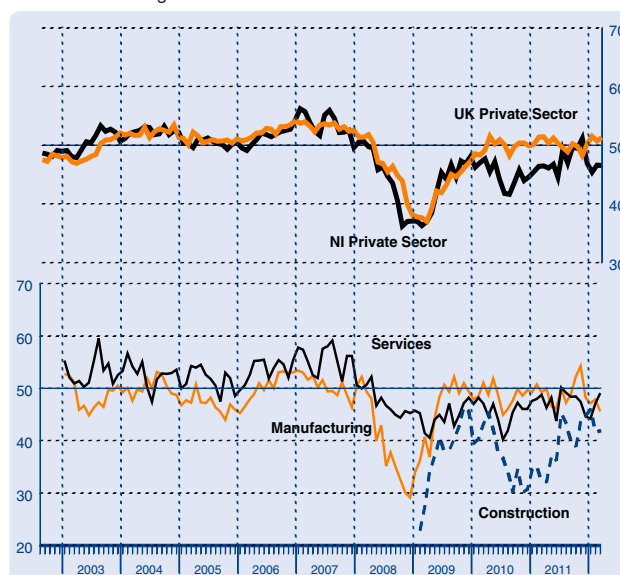
Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Oct	12.1	75.4	12.4	-0.3	49.9	49.5	49.9
Nov	15.7	70.1	14.2	1.5	50.8	51.2	48.3
Dec	5.7	78.5	15.8	-10.1	44.9	46.9	50.3
2012 Jan	6.1	74.7	19.2	-13.1	43.5	45.5	51.6
Feb	4.6	82.7	12.8	-8.2	45.9	46.6	50.8
Mar	7.1	79.4	13.5	-6.5	46.8	46.6	51.4

Companies operating in the Northern Ireland private sector reduced their staff numbers for the fourth successive month in March, and predominantly linked this to a further drop in workloads. Jobs were cut by almost 14% of survey participants, compared to 7% that noted a rise. In contrast, employment growth was recorded at the UK-wide level. The seasonally adjusted Employment Index was at a level consistent with a solid rate of job shedding. Moreover, in Q1 the index averaged its lowest quarterly reading since Q2 2011.

Construction firms noted the steepest decline in headcounts of all monitored sectors in the latest survey period.

### By sector

		Construction	Manufacturing	Services
'12 Jan		46.0	47.2	44.3
Feb		41.6	47.9	47.1
Mar		41.9	45.6	49.1



## Input Costs

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

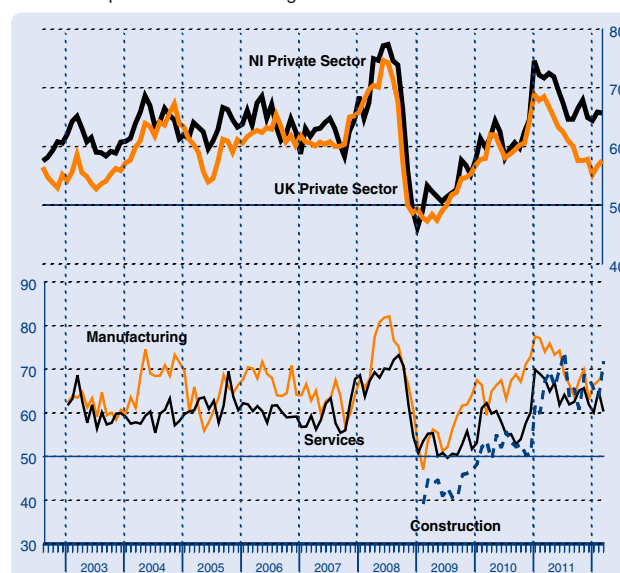
Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Oct	36.4	61.7	1.9	34.6	67.3	66.5	57.7
Nov	35.1	61.8	3.0	32.1	66.1	67.9	57.6
Dec	24.0	72.0	4.0	20.0	60.0	65.0	57.9
2012 Jan	26.6	70.2	3.2	23.4	61.7	64.5	55.2
Feb	38.6	58.0	3.4	35.1	67.6	65.9	56.7
Mar	38.0	58.5	3.5	34.5	67.3	65.7	57.6

After adjusting for seasonal factors, the seasonally adjusted Input Prices Index was little changed in March, signalling a further substantial rise in average input prices. The index was again much higher than the UK equivalent (57.6). Exactly 38% of surveyed businesses registered higher average costs from one month earlier, with a considerable proportion of these linking the increase to higher fuel costs. In comparison, just 4% of companies mentioned a reduction.

Construction firms noted a spike in input cost inflation to the highest of all monitored sectors in March. Manufacturers and retailers also recorded particularly marked rates of input price inflation.

### By sector

		Construction	Manufacturing	Services
'12 Jan		65.5	66.5	60.1
Feb		63.8	67.5	65.1
Mar		71.8	69.2	60.3



## Prices Charged

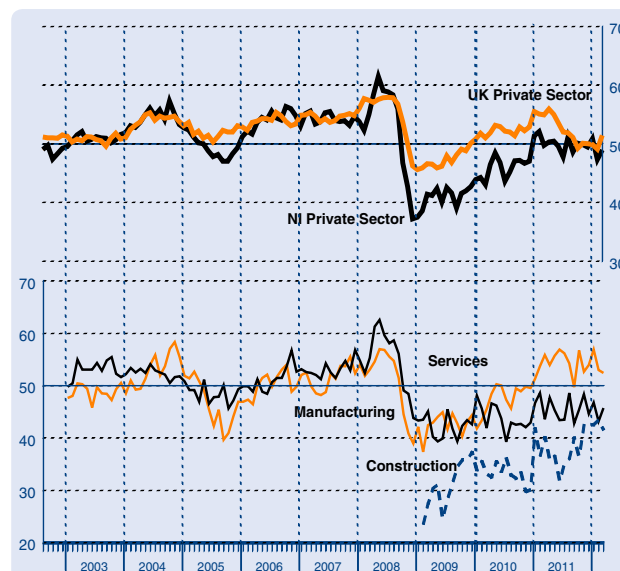
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 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
Mar	14.1	70.9	15.0	-1.0	49.5	49.0	51.5

Northern Ireland private sector companies reduced their average tariffs during March as part of ongoing efforts to stimulate new business. The reduction in output charges was the second in as many months, and contrasted with inflation recorded across the UK economy as a whole. However, with a number of survey respondents passing on at least part of input cost rises to their clients, the overall decrease in selling prices was only marginal. Construction firms and service providers recorded lower average tariffs during the month, according to latest sector data, while manufacturers and retailers reportedly raised their charges on average.

### By sector

		Construction	Manufacturing	Services
'12 Jan		42.6	57.0	46.8
Feb		43.5	53.1	43.3
Mar		41.5	52.5	45.7



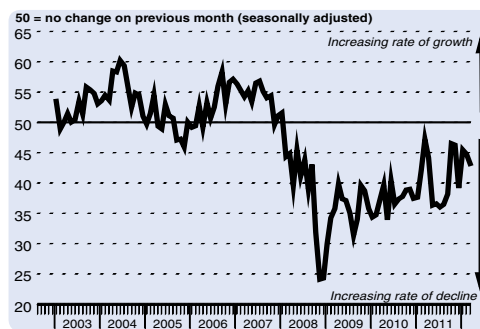
**New Export Business\***

*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	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
	Mar	11.7	61.2	27.1	-15.4	42.3	43.2

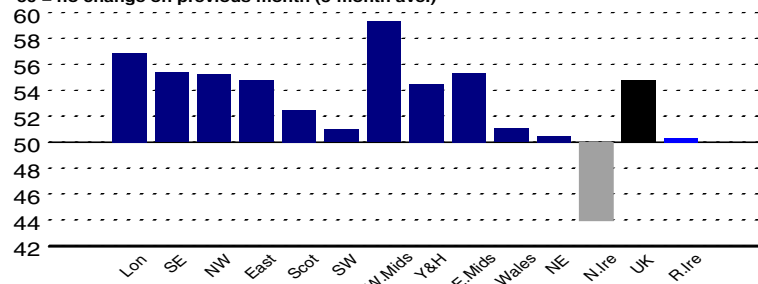
The level of new export business placed at Northern Ireland private sector firms fell further in March. Moreover, the seasonally adjusted New Export Business Index dropped to a three-month low, a level indicative of a sharp pace of reduction in new export orders. Anecdotal evidence suggested that falling export sales reflected weak demand from external markets.



**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 West Midlands was by far the best performing UK region on average in the first quarter of 2012, while London also saw a relatively strong rise in private sector output. Northern Ireland was the only UK region to record a reduction in business activity in the three months to March. Meanwhile, the Republic of Ireland registered a marginal expansion of output over the first quarter.

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

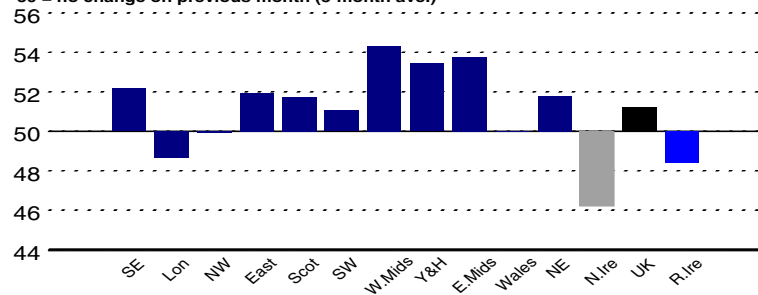


	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	54.7	56.9	58.2
South East	(14.7%)	53.5	55.4	55.1
North West	(9.5%)	53.6	55.2	53.2
East of England	(8.7%)	52.7	54.8	53.8
Scotland	(8.3%)	52.5	52.5	54.1
South West	(7.7%)	51.7	51.0	53.3
West Midlands	(7.3%)	55.4	59.3	60.0
Yorks & Humber	(7.0%)	53.4	54.5	53.5
East Midlands	(6.4%)	54.2	55.4	53.9
Wales	(3.6%)	50.5	51.1	52.3
North East	(3.2%)	51.4	50.5	48.1
N.Ireland	(2.2%)	45.5	43.9	40.1
<b>UK</b>	<b>(100.0%)</b>	<b>53.3</b>	<b>54.8</b>	<b>55.3</b>
Rep. of Ireland	n/a	50.3	50.3	51.7

**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). In line with the trend for output, jobs growth was strongest in the West Midlands during the three months to March, followed by the East Midlands. Across the UK regions, only London and Northern Ireland posted lower staffing levels. Moreover, the rate of job shedding in the latter was sharper than that seen across the Republic of Ireland in the latest three-month period.

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%)	51.5	52.2	51.9
London	(12.3%)	49.5	48.7	48.7
North West	(10.9%)	49.8	50.0	49.4
East of England	(9.6%)	51.6	52.0	51.7
Scotland	(8.7%)	50.7	51.7	52.4
South West	(8.6%)	50.6	51.1	50.9
West Midlands	(8.6%)	53.7	54.3	54.8
Yorks & Humber	(8.2%)	50.7	53.4	50.7
East Midlands	(7.3%)	53.6	53.8	54.5
Wales	(4.6%)	47.9	50.0	50.7
North East	(3.9%)	52.3	51.8	50.3
N.Ireland	(2.7%)	47.5	46.2	46.6
<b>UK</b>	<b>(100.0%)</b>	<b>50.3</b>	<b>51.2</b>	<b>51.4</b>
Rep. of Ireland	n/a	48.0	48.4	51.1

**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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