

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

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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

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Business activity falls at slowest rate in three months

April data from Ulster Bank highlighted a further reduction in Northern Ireland private sector activity, albeit at a markedly slower rate than in March. Behind the latest decrease in business activity was a sustained drop in new order levels, which in turn contributed to another month of backlog depletion. Job shedding persisted in the private sector as a result, although the latest overall decrease in employment was only modest.

Activity down for fifth month running

Business activity in the Northern Ireland private sector economy decreased in April, extending the current period of reduction to five months. The pace of contraction eased sharply since March, but was marked nonetheless. In contrast, growth of private sector output was registered across the UK economy as a whole.

Northern Ireland private sector firms reported a continued decline in new orders placed at their units during April. The rate of reduction in new work was marked, albeit slightly slower than in March. Client demand remained weak, according to survey respondents, contributing to the latest reduction in new order intakes.

Job shedding eases

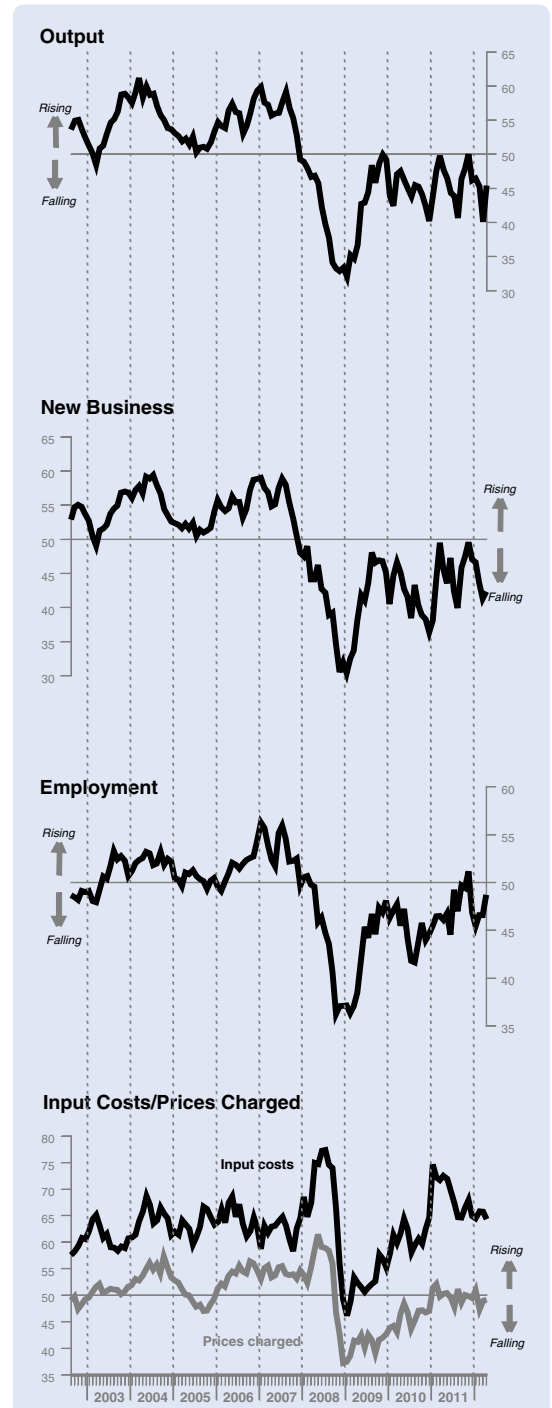
Staff numbers in the Northern Ireland private sector economy decreased for a fifth successive month during April. However, the rate of job shedding was only modest, and the weakest in that sequence. Companies that mentioned a reduction in employment predominantly linked this to a further drop in workloads.

The rate of backlog depletion in the private sector eased sharply since March, with the index measuring changes in outstanding work posting its largest month-on-month gain since data were first compiled in August 2002. That said, the latest reading signalled a marked decline in backlogs that was sharper than the long-run series average. Where volumes of work-in-hand fell, companies mentioned fewer intakes of new work and corresponding spare capacity at their units.

Input cost inflation lowest in 17 months

Northern Ireland private sector firms reported a further rise in average input costs during April. Despite easing to a 17-month low, the rate of inflation was strong, and much steeper than that seen across the UK economy as a whole. The latest increase in input prices was broad-based across all four monitored sectors. Higher fuel and raw material prices were cited as the main drivers of inflation.

Average tariffs fell marginally in April, despite the strong increase in average costs. Output price discounting mainly reflected efforts by companies to retain existing clients and attract new business.



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.

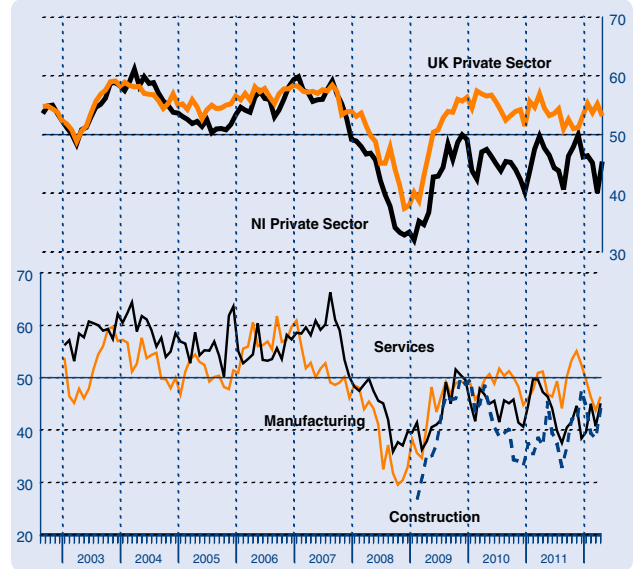
Output / Business Activity

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	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	55.2
	Apr	24.4	47.5	28.1	-3.7	48.2	45.4	53.2

In line with the trend observed since December 2011, business activity in the Northern Ireland private sector decreased during April. Despite climbing to a three-month high, the latest seasonally adjusted Business Activity Index was at a level indicative of a marked pace of reduction. In contrast, growth of private sector output was registered across the UK economy as a whole. Around 28% of companies recorded a reduction in business activity, which the majority attributed to fewer intakes of new business. Activity levels fell across all four monitored sectors in April, with retailers recording the sharpest decline in 25 months.

By sector				
		Construction	Manufacturing	Services
'12	Feb	39.4	46.3	45.1
	Mar	38.4	43.7	40.8
	Apr	44.3	46.4	45.1



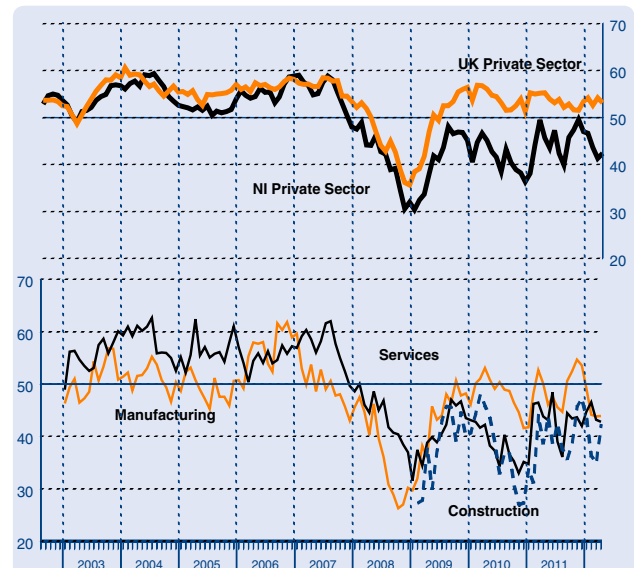
New Business

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	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	44.4	52.6
	Mar	17.5	49.3	33.2	-15.7	42.2	41.3	54.2
	Apr	19.2	53.6	27.2	-8.1	46.0	42.4	53.2

After adjusting for seasonal factors, the New Business Index highlighted another reduction in new orders placed at Northern Ireland private sector firms during April. The pace of reduction in new work eased for the first time in five months, but remained strong nonetheless. Conversely, growth of incoming new business was registered at the UK-wide level. Anecdotal evidence provided by survey respondents suggested that reduced intakes of new orders reflected underlying demand weakness. Latest figures showed new order volumes decreasing across all four monitored sectors, with retail recording by far the steepest pace of reduction.

By sector				
		Construction	Manufacturing	Services
'12	Feb	36.3	44.1	46.6
	Mar	34.8	43.8	43.2
	Apr	42.3	44.0	42.8



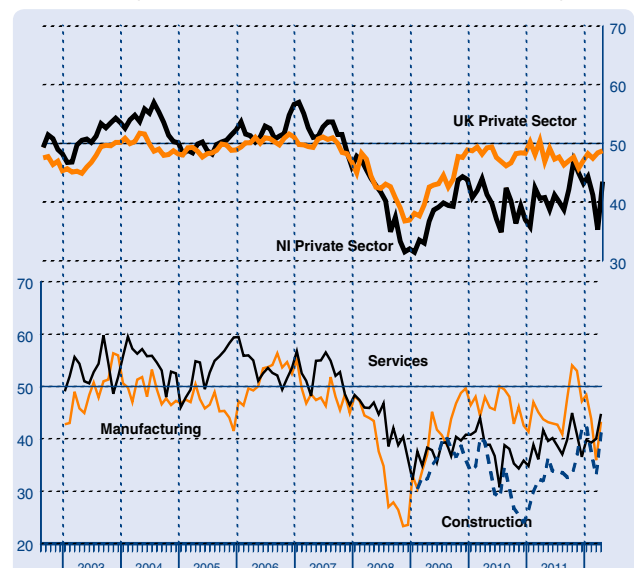
Backlogs

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	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
	Apr	18.6	57.5	23.9	-5.3	47.3	43.6	48.8

With new business falling sharply in April, spare capacity remained evident in the sector, with backlogs of work falling at a marked rate. This occurred despite the seasonally adjusted Outstanding Business Index posting its largest month-on-month gain since data were first compiled in August 2002. The latest decrease in unfinished business was the fifty-fourth in as many months. Backlog depletion was also recorded at the UK-wide level, albeit to a lesser extent than in Northern Ireland. Volumes of work-in-hand fell across all four monitored sectors in April. Rates of decline eased in manufacturing, services and construction, but accelerated slightly in retail.

By sector				
		Construction	Manufacturing	Services
'12	Feb	37.4	43.9	39.3
	Mar	33.1	35.9	40.0
	Apr	41.1	43.3	44.8



Employment

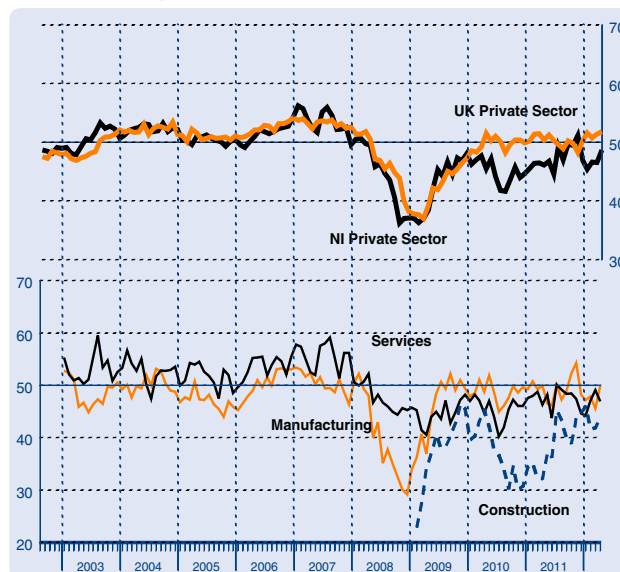
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Nov	15.7	70.1	14.2	1.5	50.8	51.2	48.3
2011 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
Apr	8.1	83.0	9.0	-0.9	49.6	48.7	51.9

Staff numbers in the Northern Ireland private sector decreased again in April, extending the current period of contraction to five months. The rate of job shedding in the sector was the weakest in that sequence, however, and only modest. The vast majority of panellists (exactly 83%) reported no change in employee numbers since the preceding month. Companies that mentioned a reduction in employment predominantly linked this to a further drop in workloads. Staffing levels decreased across three of the four monitored sectors, with manufacturing the exception. Goods producers reported that employee numbers were little changed since March.

By sector

		Construction	Manufacturing	Services
'12 Feb		41.6	47.9	47.1
Mar		41.9	45.6	49.1
Apr		44.4	49.9	47.0



Input Costs

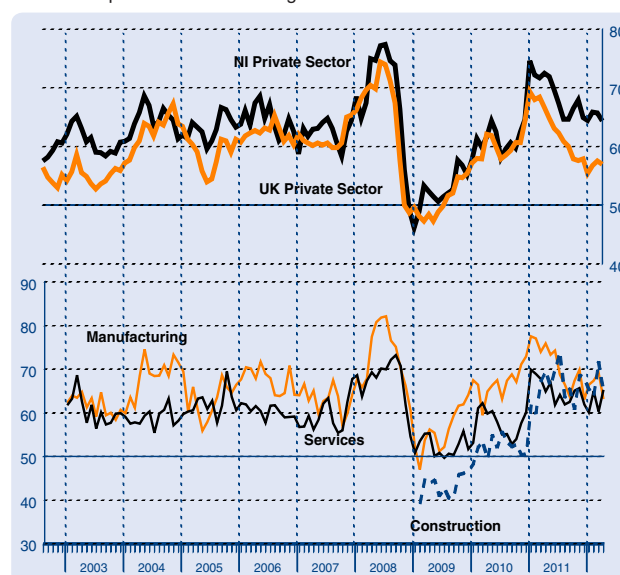
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Nov	35.1	61.8	3.0	32.1	66.1	67.9	57.7
2011 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	55.5
Feb	38.6	58.0	3.4	35.1	67.6	65.9	56.8
Mar	38.0	58.5	3.5	34.5	67.3	65.7	57.6
Apr	35.5	61.9	2.6	33.0	66.5	64.4	57.0

Average input prices faced by Northern Ireland private sector firms increased further in April, with the seasonally adjusted Input Costs Index posting above the neutral level of 50.0 for the thirty-eighth month in succession. Although at a level indicative of a strong rate of inflation that was sharper than the UK average, the latest index reading was the lowest in 17 months. Higher average costs were signalled by almost 36% of survey participants, compared to just 3% that saw a decrease. Companies widely commented on higher fuel costs. Rates of input price inflation were broadly similar across all four monitored sectors in the latest survey period.

By sector

		Construction	Manufacturing	Services
'12 Feb		63.8	67.5	65.1
Mar		71.8	69.2	60.3
Apr		64.8	63.2	65.4



Prices Charged

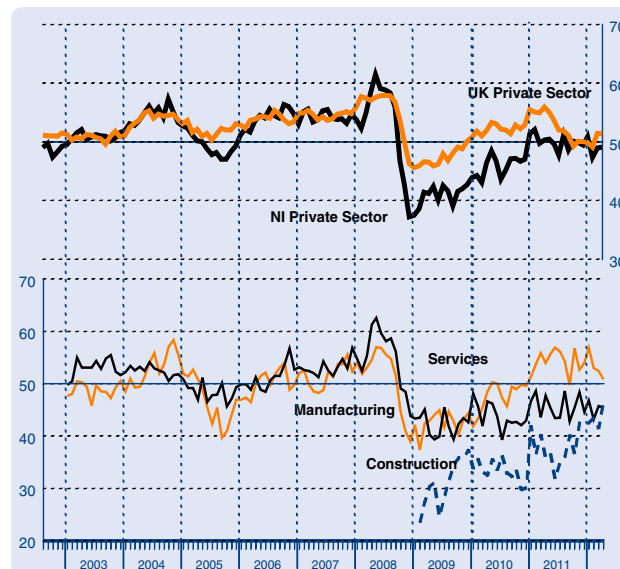
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2011 Nov	11.7	75.0	13.3	-1.5	49.2	49.9	50.2
2011 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
Apr	14.1	75.2	10.8	3.3	51.6	49.2	51.4

Output prices set by Northern Ireland private sector firms fell for the third successive month in April, although the rate of decline was the slowest in that sequence. Moreover, the latest seasonally adjusted Prices Charged Index reading was consistent with a marginal pace of output price discounting. In contrast, a further rise in average tariffs was recorded across the UK economy as a whole. Companies reported reducing their selling prices in an attempt to attract new business and retain existing clients. As has been the case in each of the past seven months, retailers and manufacturers raised their average tariffs, while service providers and construction firms noted a fall.

By sector

		Construction	Manufacturing	Services
'12 Feb		43.5	53.1	43.3
Mar		41.5	52.5	45.7
Apr		46.7	50.9	45.4



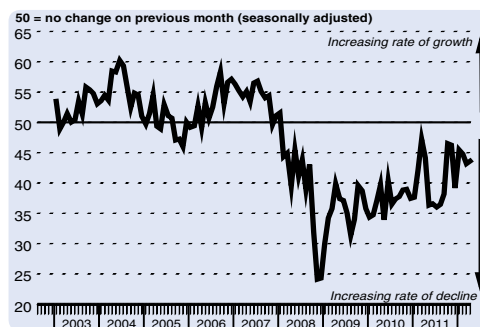
New Export Business*

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	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
	Apr	17.8	53.0	29.2	-11.3	44.3	43.7

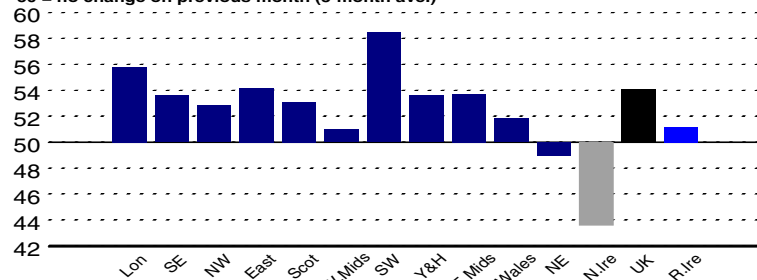
April data signalled a fifty-first month-on-month decline in new export business placed at Northern Ireland private sector firms. The pace of reduction in new export orders was marked, albeit slightly slower than in March. Anecdotal evidence provided by survey respondents suggested that falling export 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). Ten of the twelve UK regions recorded an expansion of business activity on average during the three months to April. The West Midlands and London saw the fastest rates of expansion. Only Northern Ireland and the North East registered lower output levels. The Republic of Ireland saw moderate activity growth in the three months to April.

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

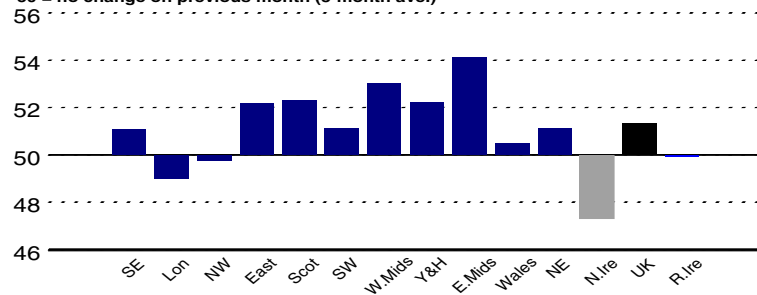


	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	54.7	55.8	54.2
South East	(14.7%)	53.0	53.6	52.0
North West	(9.5%)	53.3	52.8	50.3
East of England	(8.7%)	52.5	54.2	53.4
Scotland	(8.3%)	52.3	53.1	53.5
South West	(7.7%)	51.3	51.0	50.4
West Midlands	(7.3%)	55.3	58.5	56.3
Yorks & Humber	(7.0%)	53.3	53.6	53.1
East Midlands	(6.4%)	53.7	53.7	51.4
Wales	(3.6%)	50.7	51.8	53.4
North East	(3.2%)	50.8	48.9	48.7
N.Ireland	(2.2%)	45.3	43.6	45.4
UK	(100.0%)	53.2	54.1	53.2
Rep. of Ireland	n/a	50.2	51.2	50.3

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). UK private sector employment increased marginally in the three months to April, led by the East Midlands and West Midlands. Only London, the North West and Northern Ireland recorded lower staffing levels on average during the three months to April. Meanwhile, the Republic of Ireland recorded a stagnation of employment 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%)	51.2	51.1	49.9
London	(12.3%)	49.4	49.0	50.4
North West	(10.9%)	49.7	49.8	49.9
East of England	(9.6%)	51.7	52.2	52.7
Scotland	(8.7%)	50.9	52.3	52.5
South West	(8.6%)	50.5	51.1	51.3
West Midlands	(8.6%)	53.5	53.0	51.2
Yorks & Humber	(8.2%)	50.7	52.2	51.3
East Midlands	(7.3%)	53.6	54.1	54.0
Wales	(4.6%)	47.9	50.5	50.0
North East	(3.9%)	52.1	51.1	51.3
N.Ireland	(2.7%)	47.7	47.3	48.7
UK	(100.0%)	50.4	51.4	51.9
Rep. of Ireland	n/a	48.0	50.0	50.5

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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