

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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New orders decline at the sharpest rate in 16 months

May data from Ulster Bank signalled another month of reduced activity across the Northern Ireland private sector. New orders and outstanding business both fell at accelerated rates, while jobs were cut for a sixth month in a row. On the price front, input cost inflation eased since April, while the pace of output price discounting was the fastest in 29 months.

Activity down sharply in May

Business activity in the Northern Ireland private sector decreased for a sixth successive month in May, with the latest decline broad-based across all four monitored sectors. The pace of reduction in private sector output was sharp, and among the steepest seen in the past three years. In contrast, activity growth was recorded at the UK-wide level.

Behind the overall reduction in activity was a sustained decline in new order volumes. The rate of decline in new work was strong, and the sharpest in 16 months. The latest reduction was the fifty-fourth in as many months. Companies generally commented on weak demand conditions.

Job shedding continues

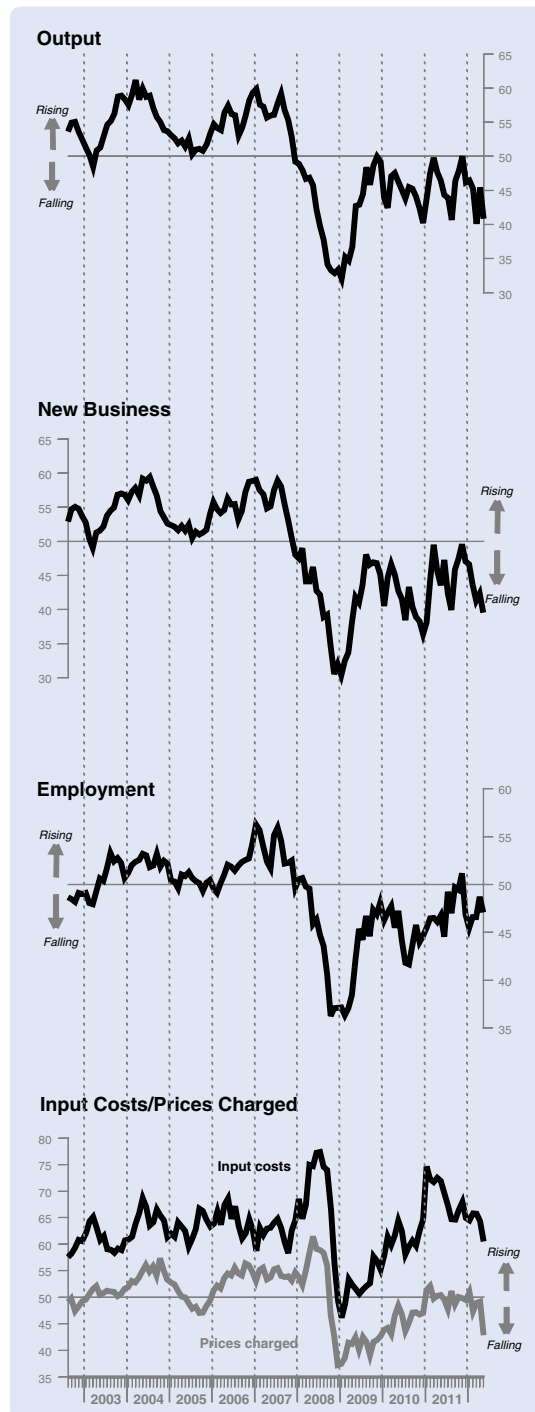
Companies reported a further reduction in staff numbers on balance, with the pace of job shedding accelerating since April. Staff numbers in the sector have now fallen in each month since December 2011. All four monitored sectors recorded a reduction in employment, with construction firms noting by far the sharpest pace of decline.

The level of outstanding business in the Northern Ireland private sector continued to decrease in May, largely reflective of falling new orders and corresponding spare capacity. The rate of backlog depletion was strong, and the second-sharpest in 16 months.

Output charge discounting accelerates

Output prices set by Northern Ireland private sector firms fell again in May, extending the current period of decline to four months. The rate at which companies reduced their average tariffs was sharp, and the fastest in 29 months. Survey participants attributed output price discounting to competitive pressures and attempts to retain existing clients. There were also some reports of client requests for lower charges.

Average input costs faced by private sector firms rose for a thirty-ninth month running in May. Although sharp and above the UK-wide trend, the rate of input cost inflation was the slowest in 19 months. Moreover, the latest rise in input prices was slower than the long-run series average. Higher prices paid for energy, fuel and raw materials were cited as the main drivers of inflation in May.



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

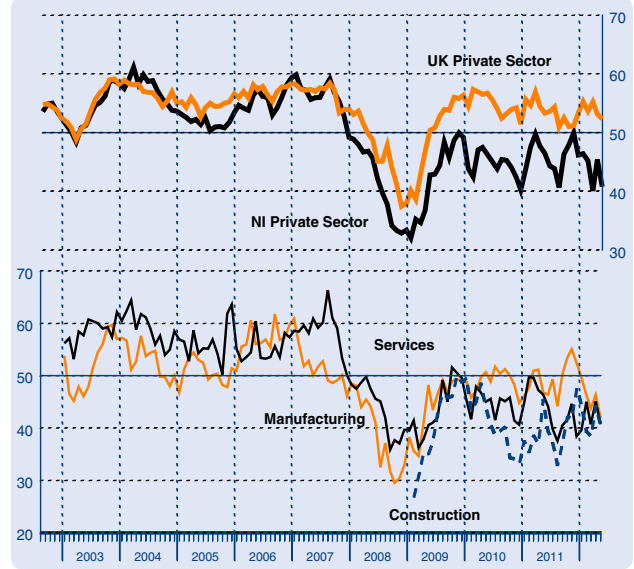
Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

| Northern Ireland Companies | | | | | All UK | | |
|----------------------------|----------|--------|---------|---------|-----------------|---------------|---------------|
| | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S.Adj'd Index | S.Adj'd Index |
| 2011 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 | 53.7 |
| 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 |
| May | 18.4 | 47.2 | 34.4 | -16.0 | 42.0 | 40.9 | 52.3 |

Business activity in the Northern Ireland private sector economy decreased again in May, with approximately 34% of survey respondents recording a fall from one month ago. This compared to 18% that noted an increase. The rate of decline in private sector output accelerated since April, and was among the sharpest recorded by the survey in the past three years. Where a decline in activity levels was signalled, survey participants frequently linked this to fewer intakes of new business.

All four monitored sectors recorded a decline in output during the month, with the most pronounced pace of reduction recorded in retail.

| By sector | | | | |
|-----------|--|--------------|---------------|----------|
| | | Construction | Manufacturing | Services |
| '12 Mar | | 38.4 | 43.7 | 40.8 |
| Apr | | 44.3 | 46.4 | 45.1 |
| May | | 40.6 | 41.9 | 40.7 |



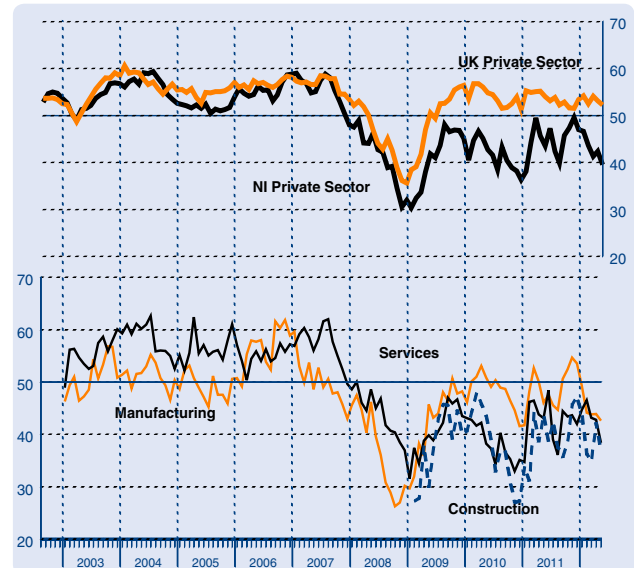
New Business

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 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 | 52.6 |
| 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 | 53.1 |
| May | 17.4 | 46.3 | 36.3 | -19.0 | 40.5 | 39.6 | 52.3 |

The volume of incoming new orders placed at Northern Ireland private sector firms decreased further in May. In contrast, growth of new orders was recorded across the UK economy as a whole. Anecdotal evidence provided by survey respondents suggested that new order book weakness reflected fragile demand conditions. The seasonally adjusted New Business Index was at a level indicative of a steep rate of decline in new orders. Moreover, the latest index reading was the lowest in 16 months. New orders declined sharply across all four monitored sectors in the latest survey period, with the most marked reduction recorded in retail.

| By sector | | | | |
|-----------|--|--------------|---------------|----------|
| | | Construction | Manufacturing | Services |
| '12 Mar | | 34.8 | 43.8 | 43.2 |
| Apr | | 42.3 | 44.0 | 42.8 |
| May | | 37.0 | 42.6 | 38.5 |



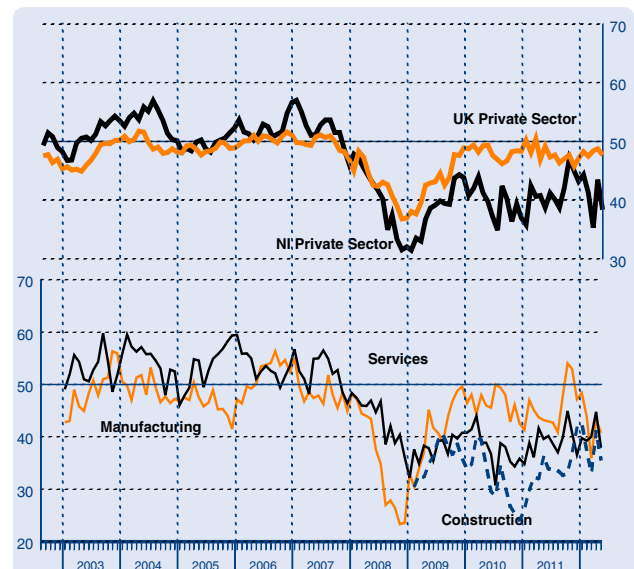
Backlogs

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 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 |
| May | 9.0 | 59.1 | 31.9 | -22.9 | 38.5 | 38.4 | 47.7 |

Northern Ireland private sector firms recorded a sharp and accelerated decline in volumes of outstanding business during May. Companies commented on falling new orders and corresponding spare capacity at their units. The seasonally adjusted Backlogs of Work Index fell more than five points from one month earlier, to post the second-lowest reading in 16 months. The index has remained below the neutral 50.0 threshold, signalling contraction, in each of the past 55 months. Steep and accelerated rates of backlog depletion were recorded across all four monitored sectors in May. Retailers noted the sharpest reduction overall.

| By sector | | | | |
|-----------|--|--------------|---------------|----------|
| | | Construction | Manufacturing | Services |
| '12 Mar | | 33.1 | 35.9 | 40.0 |
| Apr | | 41.1 | 43.3 | 44.8 |
| May | | 35.6 | 40.9 | 37.9 |



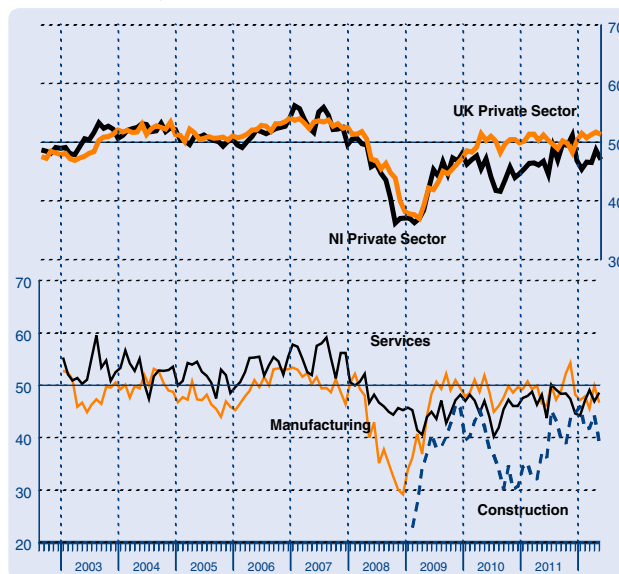
Employment

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 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 | 51.3 |
| Apr | 8.1 | 83.0 | 9.0 | -0.9 | 49.6 | 48.7 | 51.8 |
| May | 9.5 | 75.9 | 14.6 | -5.1 | 47.4 | 47.1 | 51.4 |

In line with the trend observed since December 2011, staff numbers in the Northern Ireland private sector fell during May. The rate of job shedding was solid, and sharper than in April. Around 15% of respondents to the latest survey noted a decrease in employment since April, compared with 10% that recorded a rise. Behind the latest decrease in staffing levels was a further reduction in workloads. Companies also attributed the latest round of job cuts to widespread economic uncertainty. Although all four sectors saw headcounts fall in May, the overall reduction in employment was largely centred on construction firms.

| By sector | | | | |
|-----------|--|--------------|----------------|----------|
| | | Construction | Manuf-acturing | Services |
| '12 Mar | | 41.9 | 45.6 | 49.1 |
| Apr | | 44.4 | 49.9 | 47.0 |
| May | | 39.2 | 46.7 | 48.6 |



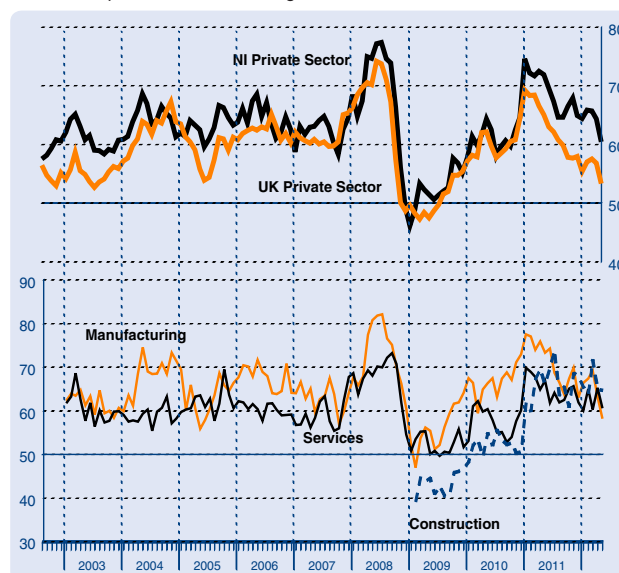
Input Costs

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 Dec | 24.0 | 72.0 | 4.0 | 20.0 | 60.0 | 65.0 | 58.0 |
| 2012 Jan | 26.6 | 70.2 | 3.2 | 23.4 | 61.7 | 64.5 | 55.4 |
| Feb | 38.6 | 58.0 | 3.4 | 35.1 | 67.6 | 65.9 | 57.1 |
| 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 | 56.9 |
| May | 29.2 | 65.6 | 5.3 | 23.9 | 62.0 | 60.5 | 53.4 |

The seasonally adjusted Input Costs Index indicated a sharp rise in average cost burdens in the Northern Ireland private sector economy. However, the latest reading signalled that the rate of inflation eased for the third month running to its lowest since October 2010. Higher input costs were recorded in all four areas of the economy monitored by the survey in May, and the overall pace of inflation remained much stronger than the UK average. Construction companies recorded the steepest rate of input cost inflation in May, followed by retailers. Manufacturers posted the least marked rise in cost burdens, and the rate of inflation hit a 33-month low.

| By sector | | | | |
|-----------|--|--------------|----------------|----------|
| | | Construction | Manuf-acturing | Services |
| '12 Mar | | 71.8 | 69.2 | 60.3 |
| Apr | | 64.8 | 63.2 | 65.4 |
| May | | 64.8 | 58.3 | 60.7 |



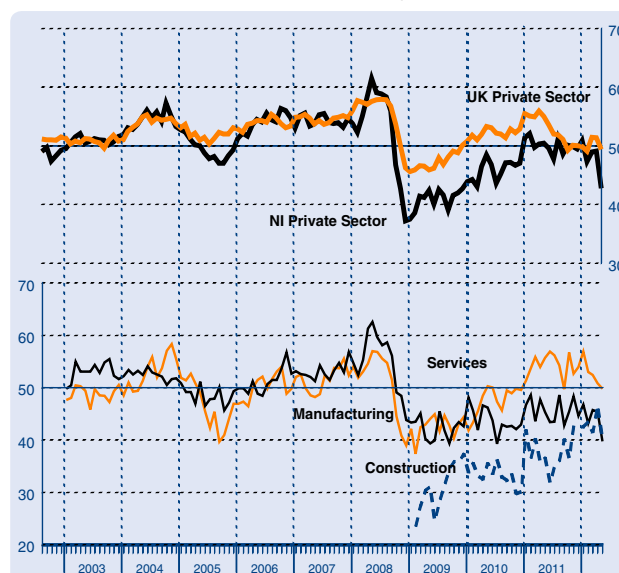
Prices Charged

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 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 |
| May | 9.6 | 68.5 | 21.9 | -12.3 | 43.8 | 42.8 | 49.4 |

After adjusting for seasonal factors, the Prices Charged Index signalled another decline in output prices set by Northern Ireland private sector firms. The pace of output charge discounting was sharp, and accelerated to the fastest in 29 months. In fact, the month-on-month decline in the index was the largest since October 2008. Of those companies that noted a decline in average tariffs (around 22%), many linked this to competitive pressures and attempts to retain existing clients. There were also some reports of client requests for lower charges. Retail was the only sector to record a rise in charges during the month.

| By sector | | | | |
|-----------|--|--------------|----------------|----------|
| | | Construction | Manuf-acturing | Services |
| '12 Mar | | 41.5 | 52.5 | 45.7 |
| Apr | | 46.7 | 50.9 | 45.4 |
| May | | 40.2 | 49.8 | 39.8 |



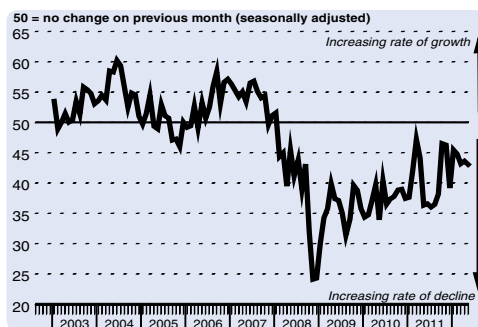
New Export Business*

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

Northern Ireland Companies

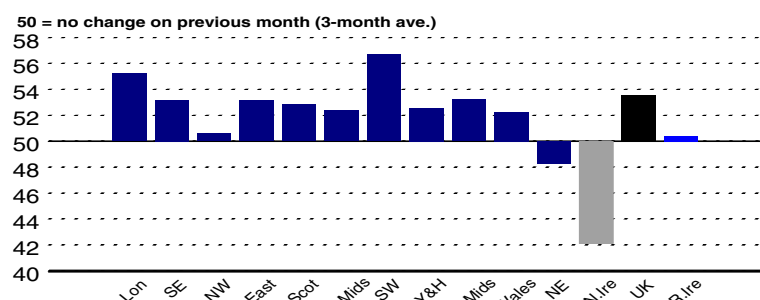
| | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S.Adj'd Index |
|----------|----------|--------|---------|---------|-----------------|---------------|
| 2011 Dec | 10.0 | 45.6 | 44.3 | -34.3 | 32.9 | 39.2 |
| 2012 Jan | 19.3 | 48.4 | 32.3 | -13.0 | 43.5 | 45.5 |
| Feb | 22.9 | 46.2 | 30.9 | -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 |
| May | 17.2 | 49.9 | 33.0 | -15.8 | 42.1 | 43.1 |

Latest survey findings showed a sharp decline in the volumes of new export orders placed at Northern Ireland private sector firms. Indeed, the rate of contraction was the fastest in five months. Anecdotal evidence provided by survey respondents suggested that falling export sales reflected weak demand from external markets.



Regional Comparisons: Output / Business Activity

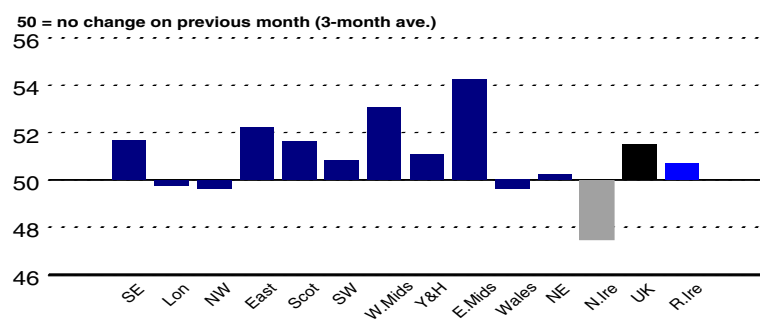
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Output growth was recorded in all UK regions except the North East and Northern Ireland during the three months to May. The West Midlands posted the fastest expansion of business activity, followed by London.



| | Share of UK GVA, 2010 (National Statistics) | Last 12 months | PMI Output Index Latest 3 months | Latest month |
|-----------------|---------------------------------------------|----------------|----------------------------------|--------------|
| London | (21.5%) | 54.7 | 55.2 | 53.3 |
| South East | (14.7%) | 52.7 | 53.2 | 52.4 |
| North West | (9.5%) | 52.9 | 50.6 | 48.4 |
| East of England | (8.7%) | 52.5 | 53.1 | 52.3 |
| Scotland | (8.3%) | 52.2 | 52.8 | 50.8 |
| South West | (7.7%) | 51.5 | 52.4 | 53.4 |
| West Midlands | (7.3%) | 55.3 | 56.7 | 53.9 |
| Yorks & Humber | (7.0%) | 53.4 | 52.6 | 51.1 |
| East Midlands | (6.4%) | 53.6 | 53.2 | 54.4 |
| Wales | (3.6%) | 50.8 | 52.3 | 51.0 |
| North East | (3.2%) | 50.4 | 48.2 | 47.9 |
| N.Ireland | (2.2%) | 44.8 | 42.1 | 40.9 |
| UK | (100.0%) | 53.1 | 53.6 | 52.3 |
| Rep. of Ireland | n/a | 50.1 | 50.4 | 49.2 |

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). Staffing levels increased in eight of the twelve UK regions monitored by the survey during the three months to May. The East Midlands and West Midlands saw the strongest rises in private sector employment, while Northern Ireland posted the steepest decline.



| | Contribution to UK Employment, 2008 (National Statistics) | Last 12 months | PMI Employment Index Latest 3 months | Latest month |
|-----------------|-----------------------------------------------------------|----------------|--------------------------------------|--------------|
| South East | (14.6%) | 51.3 | 51.7 | 53.2 |
| London | (12.3%) | 49.4 | 49.8 | 50.3 |
| North West | (10.9%) | 49.4 | 49.7 | 49.7 |
| East of England | (9.6%) | 51.6 | 52.2 | 52.2 |
| Scotland | (8.7%) | 50.7 | 51.6 | 50.0 |
| South West | (8.6%) | 50.4 | 50.8 | 50.4 |
| West Midlands | (8.6%) | 53.3 | 53.1 | 53.2 |
| Yorks & Humber | (8.2%) | 50.7 | 51.1 | 51.2 |
| East Midlands | (7.3%) | 53.6 | 54.2 | 54.1 |
| Wales | (4.6%) | 47.8 | 49.6 | 48.2 |
| North East | (3.9%) | 51.8 | 50.2 | 49.1 |
| N.Ireland | (2.7%) | 47.7 | 47.5 | 47.1 |
| UK | (100.0%) | 50.4 | 51.5 | 51.4 |
| Rep. of Ireland | n/a | 48.2 | 50.7 | 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.

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