

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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Input price inflation eases to slowest rate since September 2009

June data from Ulster Bank signalled a marked decline in Northern Ireland private sector activity, albeit a slower pace of contraction than in May. Behind the latest decline in total output was a continued fall in new orders, which in turn contributed to further reductions in backlogs of work and employment. There was a more positive development on the price front, with the rate of input price inflation easing sharply to a 33-month low. Companies meanwhile continued to reduce their average tariffs at a sharp rate in the face of strong competitive pressures.

Activity down at marked rate

Business activity in the Northern Ireland private sector decreased for a seventh successive month during June. Despite easing from the month before, the rate of decline in private sector output was marked. In contrast, growth of activity was recorded at the UK-wide level.

The latest decline in business activity largely reflected a further reduction in new orders. The rate of decline in new business was sharp, albeit slower than in May. All four monitored sectors recorded reductions in new work, with construction firms noting the strongest fall. Where a drop in new order levels was signalled, companies often mentioned fragile demand conditions in both domestic and external markets.

Job losses continue

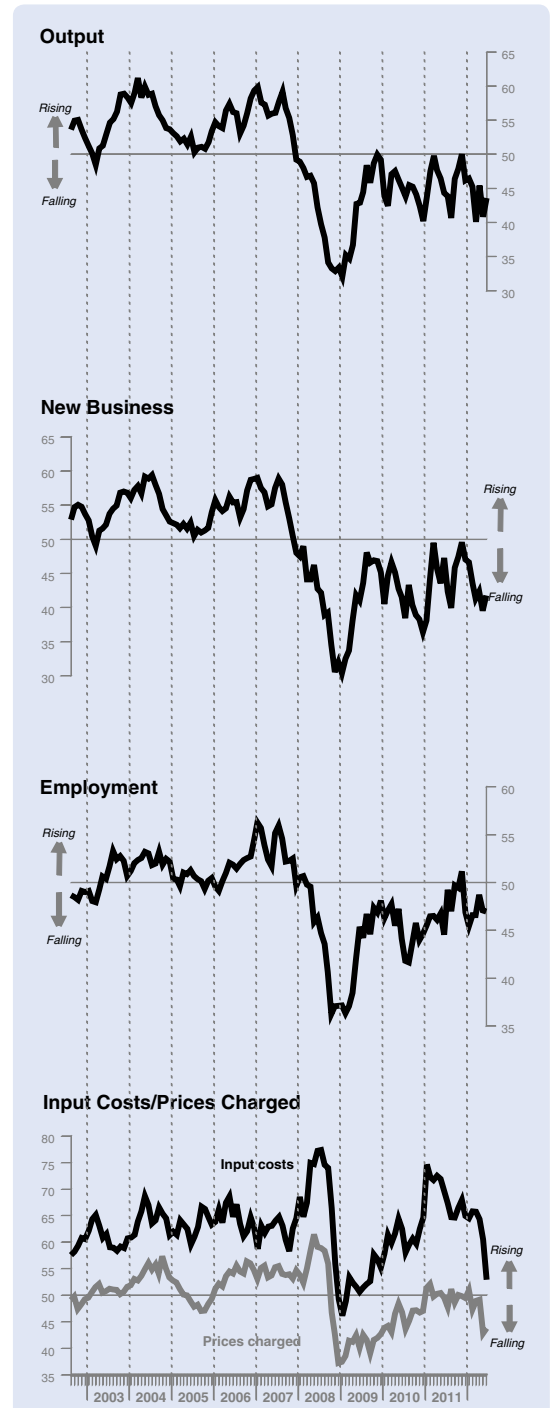
In line with the trend observed since December 2011, private sector firms reduced their employee numbers on average. The rate of job shedding was moderate, and broadly similar to that seen in May. Reduced workloads were cited by panellists as the main reason behind the latest drop in staffing levels. There were also reports of uncertainty regarding the future path of economic growth.

With new orders falling, capacity levels were little-tested in June. Backlogs of work decreased as a result, with the pace of decline remaining substantial.

Output charge discounting accelerates

The downward movement in the index measuring trends in input prices was the most positive survey finding for June. The index posted its second-largest month-on-month decline in the series history, with the fall only surpassed by that seen in November 2008. Remaining above 50.0, the index pointed to the weakest rise in average costs since September 2009.

In a bid to maintain competitiveness, companies again lowered their average tariffs during June. The pace of output price discounting was sharp, and much steeper than that recorded across the UK economy as a whole. Retail was the only sector to record a rise in average charges during the latest survey period.



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.

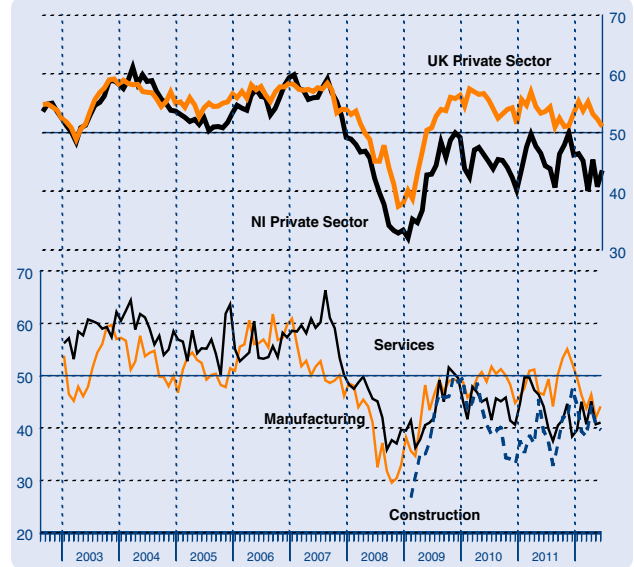
Output / Business Activity

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
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
	May	18.4	47.2	34.4	-16.0	42.0	40.9	52.3
	Jun	17.2	52.9	29.9	-12.6	43.7	43.6	51.1

In contrast to that seen at the UK-wide level, business activity in the Northern Ireland private sector decreased during June. The latest decline extended the current period of contraction to seven months. Moreover, the seasonally adjusted Business Activity Index has now failed to signal outright growth for 55 months in succession. The rate of decline in private sector output was marked, albeit weaker than in May. Reduced activity mainly reflected lower levels of new business, according to survey respondents. All four monitored sectors recorded a decrease in activity levels, with construction firms noting the sharpest pace of reduction.

By sector				
		Construction	Manufacturing	Services
'12	Apr	44.3	46.4	45.1
	May	40.6	41.9	40.7
	Jun	39.7	44.2	41.0



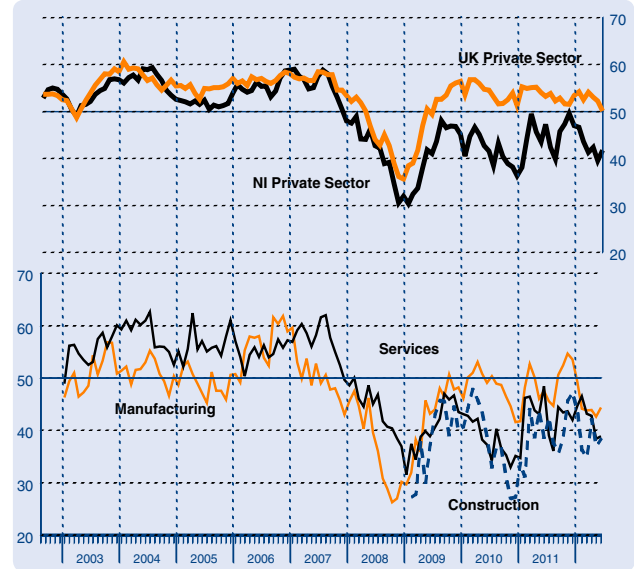
New Business

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
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
	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
	Jun	19.9	43.2	36.9	-17.1	41.5	41.8	50.2

The volume of incoming new business placed at Northern Ireland private sector companies decreased during June, with the seasonally adjusted New Business Index posting below the neutral 50.0 mark for the fifty-fifth month in a row. In contrast, new work was broadly unchanged at the UK-wide level. Additionally, the index was at a level indicative of a sharp rate of decline in new business. Behind the latest decrease in new order volumes were reports from survey respondents of underlying demand weakness. Service providers and construction firms reported particularly sharp reductions in new orders during the latest survey period.

By sector				
		Construction	Manufacturing	Services
'12	Apr	42.3	44.0	42.8
	May	37.0	42.6	38.5
	Jun	38.4	44.4	38.9



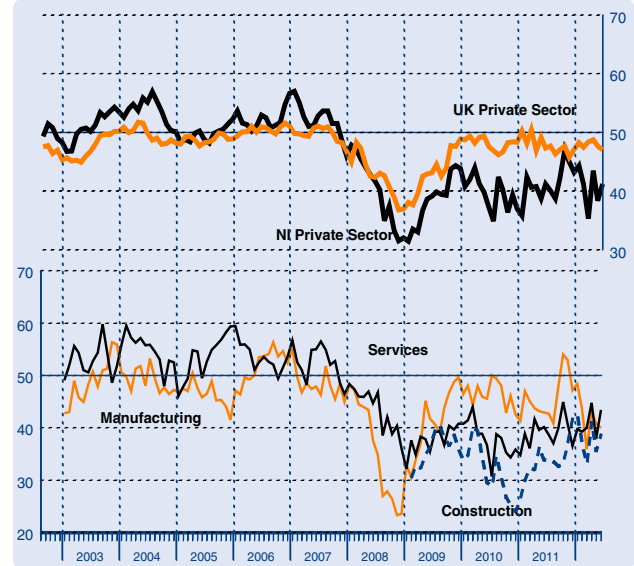
Backlogs

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
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
	Jun	12.3	58.6	29.1	-16.8	41.6	41.2	47.1

Lower levels of incoming new business meant that capacity levels were little-tested in June. Backlogs of work decreased as a result, with around 29% of survey participants reporting a decrease from the month before. This compared to 12% that noted an increase. Despite easing since May, the rate at which companies depleted their volumes of work-in-hand (but not yet completed) remained sharp. Additionally, the latest decrease in outstanding business was stronger than the UK economy average. Backlogs of work decreased across all four monitored sectors in June, with construction firms again reporting the sharpest pace of reduction.

By sector				
		Construction	Manufacturing	Services
'12	Apr	41.1	43.3	44.8
	May	35.6	40.9	37.9
	Jun	38.8	40.1	43.4



Employment

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

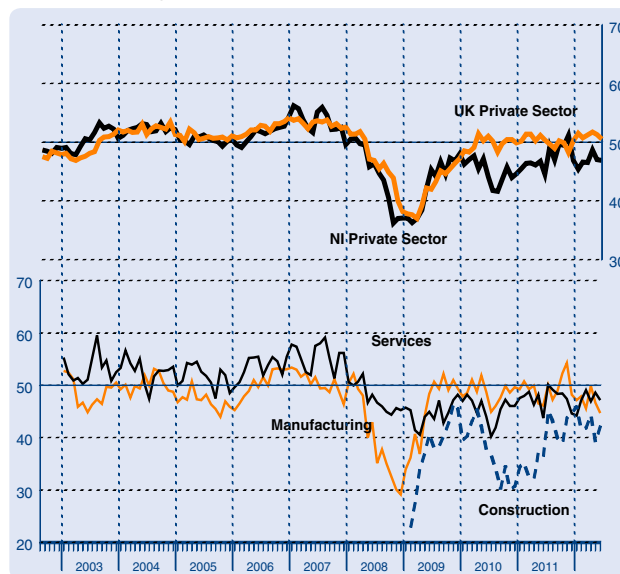
Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 Jan	6.1	74.7	19.2	-13.1	43.5	45.5	51.6
Feb	4.6	82.7	12.8	-8.2	45.9	46.6	50.8
Mar	7.1	79.4	13.5	-6.5	46.8	46.6	51.3
Apr	8.1	83.0	9.0	-0.9	49.6	48.7	51.8
May	9.5	75.9	14.6	-5.1	47.4	47.1	51.3
Jun	8.4	79.3	12.4	-4.0	48.0	47.0	50.6

After adjusting for seasonal factors, the Employment Index posted below the neutral level of 50.0 in June, signalling a month-on-month contraction in the size of the Northern Ireland private sector workforce. The rate of job shedding was solid, and the fastest in three months. Conversely, employment growth was recorded at the UK-wide level. Around 12% of panellists reported a decline in staff numbers from the month before, which the majority attributed to falling new business and concerns regarding the economic outlook.

Job shedding was recorded across all four sectors monitored by the survey, with construction firms reporting the strongest reduction.

By sector

	Construction	Manuf-acturing	Services
'12 Apr	44.4	49.9	47.0
May	39.2	46.7	48.6
Jun	42.3	44.8	47.2



Input Costs

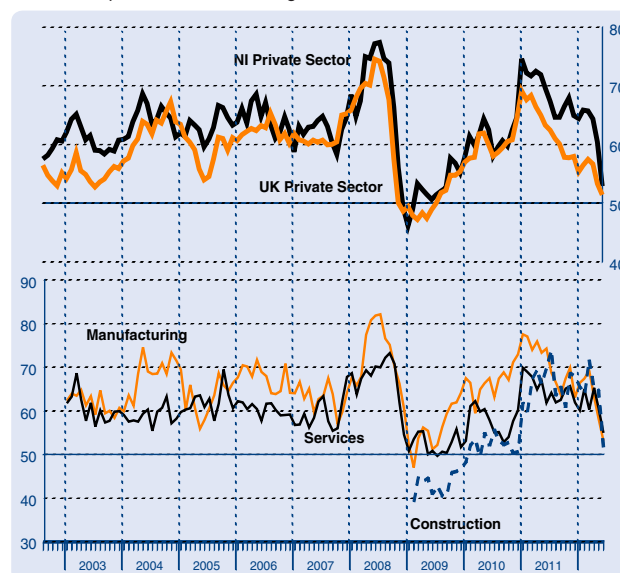
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
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	56.5
Mar	38.0	58.5	3.5	34.5	67.3	65.7	57.5
Apr	35.5	61.9	2.6	33.0	66.5	64.4	56.8
May	29.2	65.6	5.3	23.9	62.0	60.5	53.4
Jun	16.5	74.4	9.0	7.5	53.7	53.0	51.4

The rate of input price inflation in the Northern Ireland private sector economy eased sharply during June, with the seasonally adjusted Input Prices Index posting its second-greatest month-on-month decrease in the series history. The index has only fallen to a greater extent in November 2008. The rate of inflation was the least pronounced since September 2009, but remained stronger than that recorded across the UK economy as a whole. Latest survey findings showed input cost inflation easing across all four monitored sectors in the latest survey period, with the moderation in construction particularly steep.

By sector

	Construction	Manuf-acturing	Services
'12 Apr	64.8	63.2	65.4
May	64.8	58.3	60.7
Jun	51.5	53.2	55.0



Prices Charged

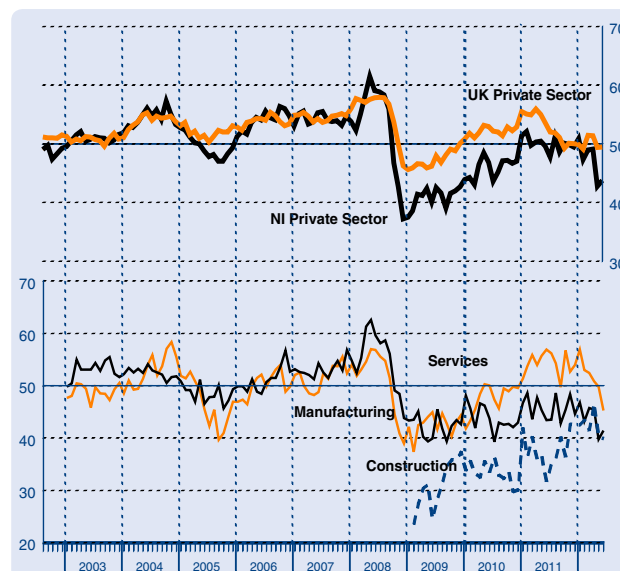
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
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
Jun	6.4	75.9	17.7	-11.3	44.4	43.8	49.5

June data pointed to another decline in output prices set by Northern Ireland private sector firms. Almost 18% of survey respondents recorded a drop in average tariffs from the month before, compared with 6% that signalled a rise. The rate at which firms lowered their output charges was marked, and much sharper than at the UK-wide level. Moreover, the latest seasonally adjusted Prices Charged Index was only slightly higher than May's near two-year low. Where selling prices fell, companies mentioned efforts to attract new business and retain existing clients. Retail was the only sector to record a rise in their charges during the latest survey period.

By sector

	Construction	Manuf-acturing	Services
'12 Apr	46.7	50.9	45.4
May	40.2	49.8	39.8
Jun	39.9	45.3	41.4



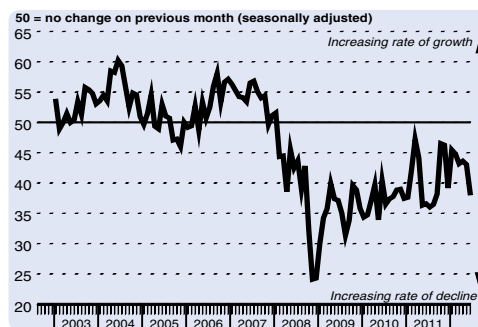
New Export Business*

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
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
	Jun	15.1	44.0	40.9	-25.7	37.1	38.4

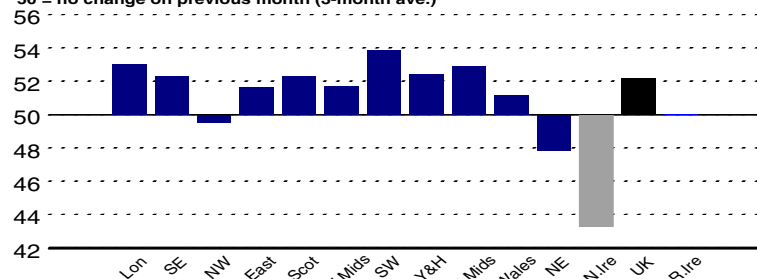
June data signalled a sharp decline in the volume of new export orders placed at Northern Ireland private sector firms. Indeed, the rate of contraction was the fastest in nine months. Anecdotal evidence provided by survey respondents suggested that falling export sales reflected weak demand from external 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). Higher levels of business activity were recorded in nine of the twelve UK regions on average in Q2 2012. Growth was strongest in the West Midlands, followed by London. Meanwhile, the Republic of Ireland recorded no change in activity during the latest three-month period. Lower output was seen in the North East, North West and Northern Ireland in the second quarter.

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

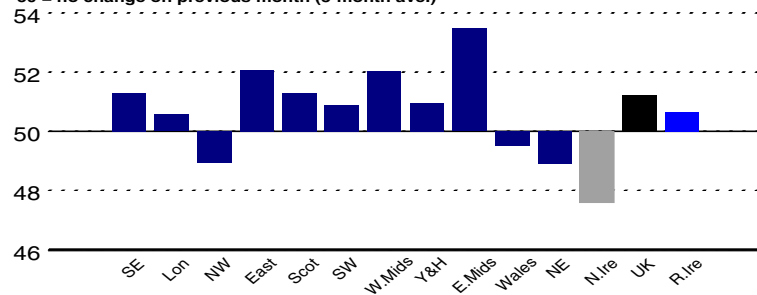


	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	54.2	53.0	51.6
South East	(14.7%)	52.5	52.3	52.4
North West	(9.5%)	52.6	49.5	50.0
East of England	(8.7%)	52.3	51.7	49.3
Scotland	(8.3%)	52.1	52.3	52.5
South West	(7.7%)	51.5	51.7	51.3
West Midlands	(7.3%)	55.0	53.8	51.4
Yorks & Humber	(7.0%)	53.5	52.4	53.1
East Midlands	(6.4%)	53.5	52.9	53.0
Wales	(3.6%)	50.5	51.2	49.0
North East	(3.2%)	50.0	47.8	46.9
N.Ireland	(2.2%)	44.7	43.3	43.6
UK	(100.0%)	52.9	52.2	51.1
Rep. of Ireland	n/a	50.1	50.0	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). Staffing levels increased in the majority of UK regions on average during Q2 2012, with the East Midlands posting the fastest rate of job creation. Northern Ireland recorded the steepest workforce cuts, followed by the North East and North West. In contrast, the Republic of Ireland reported a rise in employment during the three months to June.

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%)	51.3	51.3	50.8
London	(12.3%)	49.3	50.6	51.0
North West	(10.9%)	49.1	48.9	47.3
East of England	(9.6%)	51.5	52.1	51.3
Scotland	(8.7%)	50.8	51.3	51.4
South West	(8.6%)	50.4	50.9	51.0
West Midlands	(8.6%)	53.0	52.0	51.7
Yorks & Humber	(8.2%)	50.7	51.0	50.4
East Midlands	(7.3%)	53.4	53.5	52.3
Wales	(4.6%)	47.8	49.5	50.3
North East	(3.9%)	51.2	48.9	46.4
N.Ireland	(2.7%)	47.9	47.6	47.0
UK	(100.0%)	50.4	51.2	50.6
Rep. of Ireland	n/a	48.5	50.6	51.0

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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