

# Ulster Bank Northern Ireland PMI<sup>®</sup>

The Ulster Bank Northern Ireland PMI<sup>®</sup> (Purchasing Managers' Index<sup>®</sup>) 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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## Business activity falls at slowest rate in current eight-month period of decline

July data from Ulster Bank showed a much slower decline in business activity than in June, largely reflecting a less marked reduction in new order intakes. Backlogs of work continued to fall at a substantial rate nonetheless, while jobs were shed for the eighth month in a row. On the price front, the rate of output charge discounting eased to the weakest in three months, while input price inflation remained muted in the context of historic data.

### Activity down at slower rate

Business activity in the Northern Ireland private sector decreased further during July. However, the rate of decline eased to the weakest in the current eight-month period of contraction. Three of the four monitored sectors noted a decline in output, with manufacturing the exception.

Behind the slower decline in business activity was a less pronounced reduction in new work received by private sector firms. The latest decrease in new orders was only modest and the least marked in eight months. This contrasted with the sharp pace of reduction registered in June. Underlying demand weakness and the uncertain economic outlook were cited by panellists as the main factors contributing to the overall decline in new work during the latest survey period.

### Job shedding eases

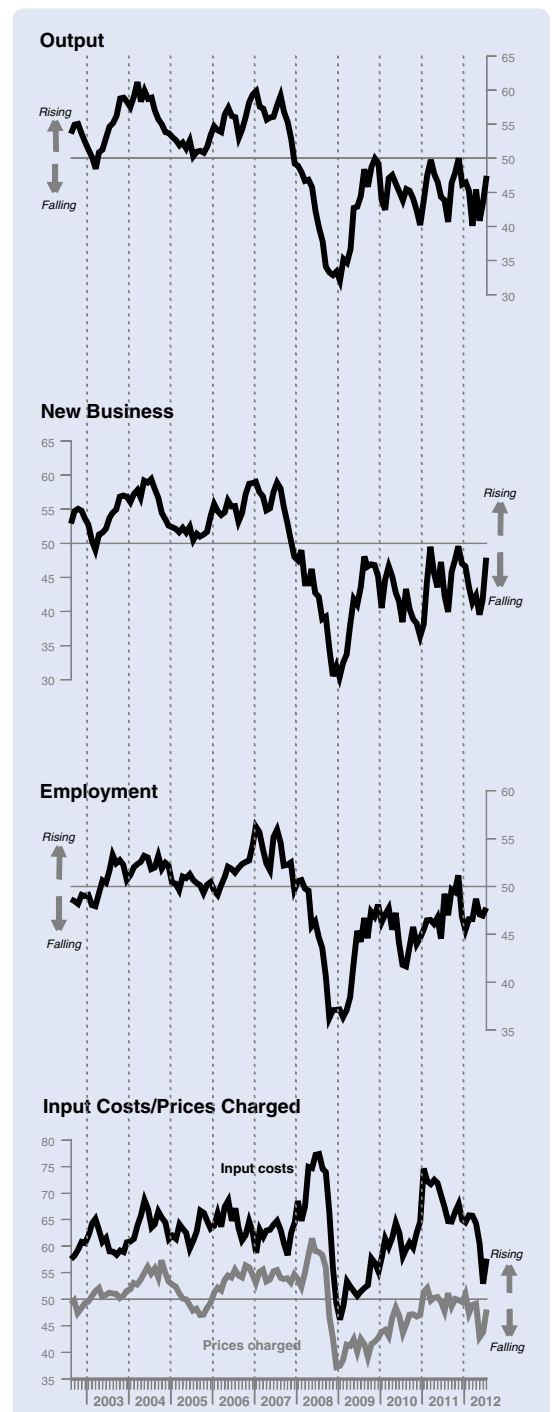
Backlogs of work decreased sharply in July, and at the steepest rate since March. Companies commented on lower intakes of new business and corresponding spare capacity. The latest decrease in volumes of work-in-hand (but not yet completed) was the fifty-seventh in as many months.

Staff numbers in the Northern Ireland private sector decreased again during July, extending the current period of decline to eight months. The rate of job shedding was only modest, however, and the weakest in three months. Survey respondents generally noted that they remained hesitant with regards to staff hiring amid ongoing new order book weakness.

### Output price discounting slows

Average input costs faced by Northern Ireland private sector firms rose in July at a stronger rate than seen during the previous month. Companies commented on higher prices paid for energy and fuel. However, the overall rate of input price inflation remained weak in the context of historic data.

Firms continued to lower their output charges in July, despite higher average costs. Where a drop in tariffs was signalled, companies mostly mentioned strong competition for new work. The rate of output price discounting was only modest, however, and the slowest in three months.



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.

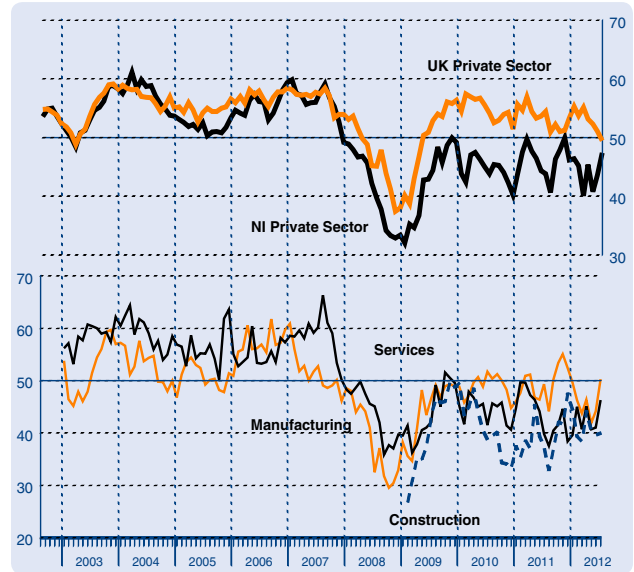
**Output / Business Activity**

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 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	52.4
Jun	17.2	52.9	29.9	-12.6	43.7	43.6	51.1
Jul	12.7	56.7	30.6	-17.8	41.1	47.4	49.5

After adjusting for seasonal variation, the Business Activity Index signalled a further reduction in Northern Ireland private sector output. Despite easing to the slowest in the current eight-month period of contraction, the rate of decline in overall activity was stronger than the UK economy average. Almost 31% of panellists noted a decrease in output since the month before, with many attributing this to lower levels of new work. There were also reports of heightened market uncertainty. Activity levels fell across three of the four monitored sectors, with manufacturing the exception. Construction firms noted the sharpest decline in activity during the month.

By sector				
		Construction	Manufacturing	Services
'12 May		40.6	41.9	40.7
Jun		39.7	44.2	41.0
Jul		40.0	50.3	46.3



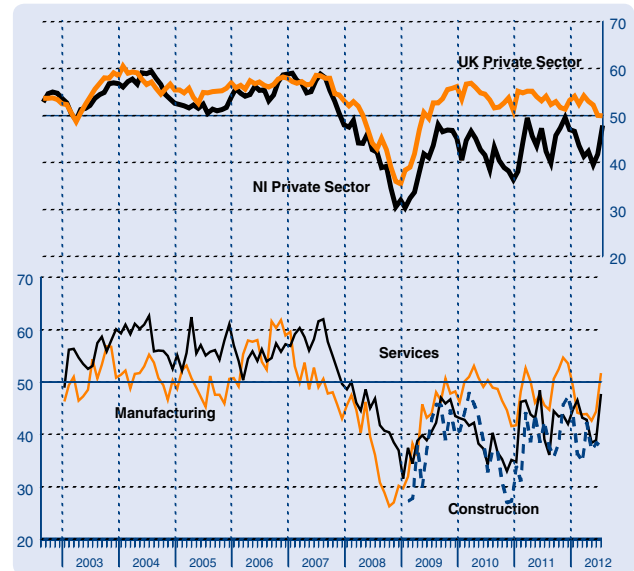
**New Business**

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 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	50.1
Jul	16.4	54.1	29.6	-13.2	43.4	47.9	50.0

New orders fell again in July, with the seasonally adjusted New Business Index posting below the 50.0 no-change mark for the fifty-sixth month in succession. The latest index reading was nonetheless consistent with only a modest rate of decline in new work that was the slowest since November 2011. At the UK-wide level, new business volumes stagnated in July. Anecdotal evidence provided by survey respondents suggested that new order book weakness reflected subdued underlying client demand. Manufacturing was the only sector to record a rise in new business. Construction firms noted a particularly marked pace of reduction.

By sector				
		Construction	Manufacturing	Services
'12 May		37.0	42.6	38.5
Jun		38.4	44.4	38.9
Jul		37.7	51.7	47.8



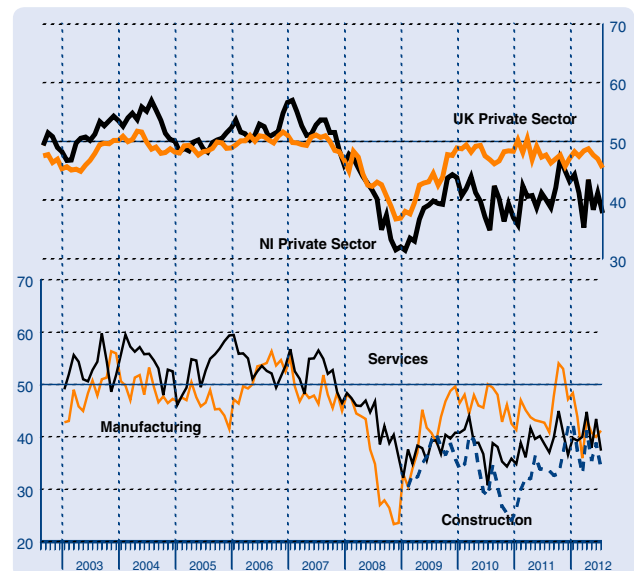
**Backlogs**

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
2012 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
Jul	8.4	57.2	34.5	-26.1	36.9	37.8	45.5

With new business falling further in July, Northern Ireland private sector companies transferred spare resources to focus on work outstanding. The seasonally adjusted Backlogs of Work Index was at a level indicative of a substantial rate of backlog depletion. Moreover, the latest index reading was the lowest in four months, and much weaker than the UK economy average. Volumes of work-in-hand (but not yet completed) have now fallen for 57 months in succession. Backlogs of work declined across all sectors monitored by the survey, with construction firms registering the sharpest reduction overall.

By sector				
		Construction	Manufacturing	Services
'12 May		35.6	40.9	37.9
Jun		38.8	40.1	43.4
Jul		33.8	41.2	37.4



## Employment

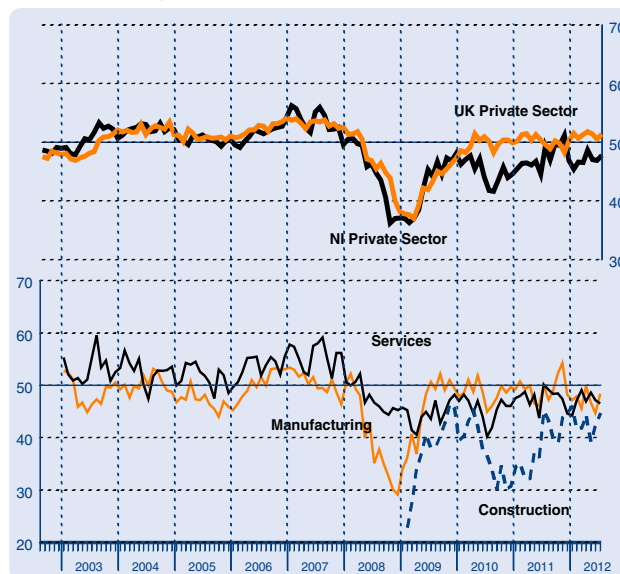
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 Feb	4.6	82.7	12.8	-8.2	45.9	46.6	50.7
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	51.8
May	9.5	75.9	14.6	-5.1	47.4	47.1	51.4
Jun	8.4	79.3	12.4	-4.0	48.0	47.0	50.6
Jul	5.5	83.6	11.0	-5.5	47.3	47.8	51.5

Staff numbers in the Northern Ireland private sector continued to decrease during July, with 11% of survey participants indicating a reduction since the month before. In contrast, employment growth was recorded across the UK economy as a whole. The rate of job shedding was only modest, however, and the weakest in three months. Companies generally noted that they remained hesitant with regards to hiring amid new order book weakness. Latest data showed staff numbers falling across all monitored sectors, with construction firms recording the most pronounced rate of job shedding.

### By sector

		Construction	Manuf-acturing	Services
'12 May		39.2	46.7	48.6
Jun		42.3	44.8	47.2
Jul		44.7	48.4	46.6



## Input Costs

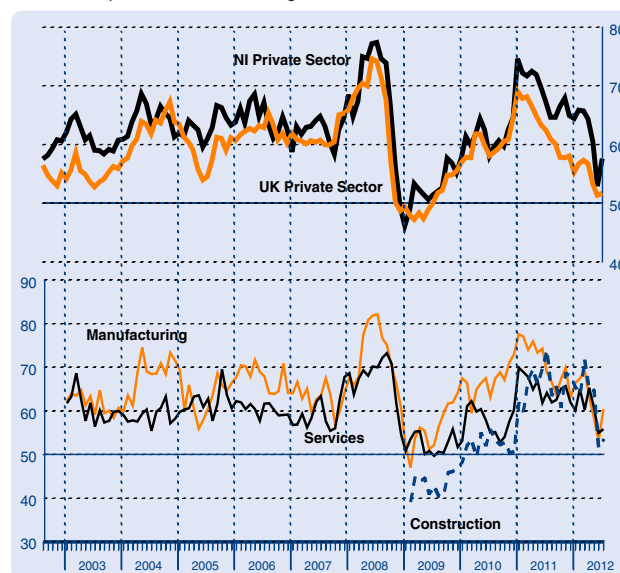
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 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	57.4
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	53.2
Jun	16.5	74.4	9.0	7.5	53.7	53.0	51.4
Jul	21.7	68.7	9.7	12.0	56.0	57.7	51.8

Average input costs faced by Northern Ireland private sector firms rose for the forty-first month running in July. Approximately 22% of survey participants signalled a rise in average costs, compared with 10% that reported a reduction. Despite accelerating since the month before, the rate of input price inflation remained muted in the context of historic data. Indeed, the latest seasonally adjusted Input Costs Index reading was the second-lowest in 31 months. Sector data showed that the acceleration in input price inflation at the headline level largely reflected a stronger rise in average costs faced by goods producers than in June.

### By sector

		Construction	Manuf-acturing	Services
'12 May		64.8	58.3	60.7
Jun		51.5	53.2	55.0
Jul		53.4	60.4	55.8



## Prices Charged

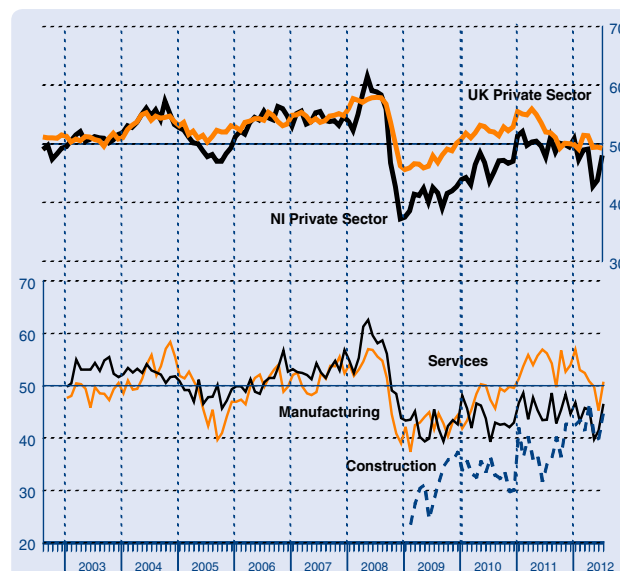
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 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
Jul	5.2	83.5	11.3	-6.1	47.0	48.1	49.3

Prices charged by Northern Ireland private sector companies decreased for the sixth consecutive month during July. Although stronger than at the UK-wide level, the rate at which companies reduced their average tariffs was only modest, and much weaker than in May and June. Of the 11% of survey participants that signalled a drop in output charges, the majority attributed this to competitive pressures and attempts to retain existing clients. Average tariffs decreased across two of the four monitored sectors, with manufacturing and retail again the exceptions. Construction firms posted the sharpest pace of price discounting.

### By sector

		Construction	Manuf-acturing	Services
'12 May		40.2	49.8	39.8
Jun		39.9	45.3	41.4
Jul		44.9	50.8	46.6



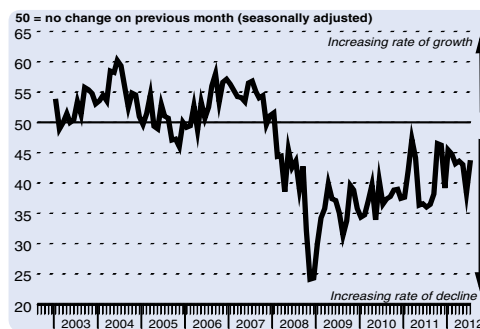
## New Export Business\*

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

## Northern Ireland Companies

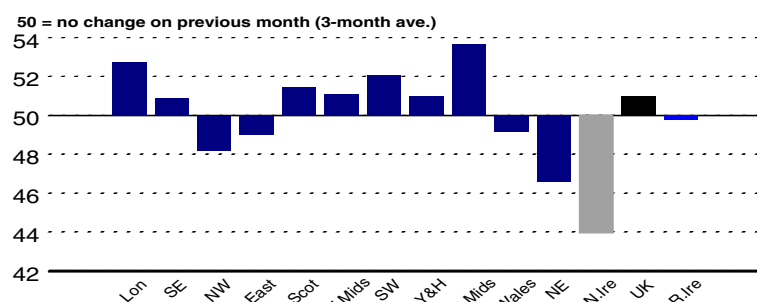
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2012	Feb	22.9	46.2	30.9	-8.0	46.0	44.8
	Mar	11.7	61.2	27.1	-15.4	42.3	43.2
	Apr	17.8	53.0	29.2	-11.3	44.3	43.7
	May	17.2	49.9	33.0	-15.8	42.1	43.1
	Jun	15.1	44.0	40.9	-25.7	37.1	38.4
	Jul	15.0	54.7	30.4	-15.4	42.3	43.4

The level of new export business placed at Northern Ireland private sector firms decreased in July, with 30% of panellists noting a reduction. This compared to 15% that recorded a rise. Despite easing since the month before, the rate of decline in new export orders was sharp.



## Regional Comparisons: Output / Business Activity

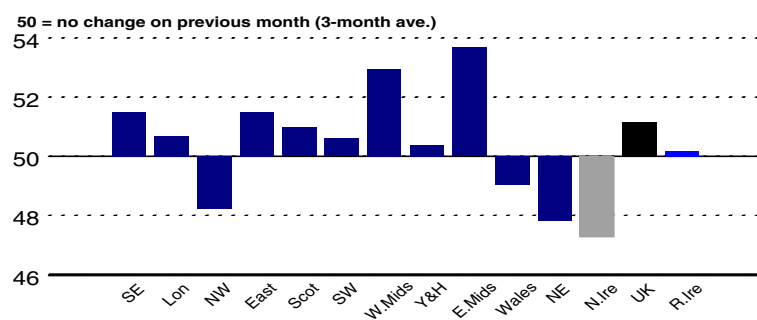
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The East Midlands and London saw the strongest growth of business activity during the three months to July. Data indicated lower private sector output in five of the twelve UK regions, with Northern Ireland recording the fastest pace of contraction.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	53.7	52.7	53.3
South East	(14.7%)	51.9	50.9	47.9
North West	(9.5%)	52.2	48.2	46.3
East of England	(8.7%)	51.6	49.0	45.4
Scotland	(8.3%)	51.9	51.4	51.0
South West	(7.7%)	51.3	51.1	48.6
West Midlands	(7.3%)	54.7	52.1	50.9
Yorks & Humber	(7.0%)	53.2	51.0	48.8
East Midlands	(6.4%)	53.4	53.7	53.6
Wales	(3.6%)	50.1	49.1	47.4
North East	(3.2%)	49.4	46.6	44.8
N.Ireland	(2.2%)	45.0	44.0	47.4
<b>UK</b>	<b>(100.0%)</b>	<b>52.5</b>	<b>51.0</b>	<b>49.5</b>
Rep. of Ireland	n/a	50.1	49.8	49.8

## 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). Subdued employment trends continued during the three months to July, with the main exception solid jobs growth across the Midlands. Eight of the twelve UK regions posted a rise in staffing levels, but the pace of expansion was generally only marginal.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.2	51.5	50.5
London	(12.3%)	49.3	50.7	50.7
North West	(10.9%)	49.1	48.2	47.8
East of England	(9.6%)	51.5	51.5	51.0
Scotland	(8.7%)	50.9	51.0	51.5
South West	(8.6%)	50.4	50.6	50.4
West Midlands	(8.6%)	53.0	52.9	54.0
Yorks & Humber	(8.2%)	50.8	50.4	49.6
East Midlands	(7.3%)	53.4	53.7	54.6
Wales	(4.6%)	47.8	49.0	48.7
North East	(3.9%)	50.7	47.8	48.1
N.Ireland	(2.7%)	47.8	47.3	47.8
<b>UK</b>	<b>(100.0%)</b>	<b>50.6</b>	<b>51.1</b>	<b>51.5</b>
Rep. of Ireland	n/a	48.6	50.2	49.1

## 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.

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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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