

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 sharpest rate in three months

August data from Ulster Bank showed Northern Ireland private sector output and new business both falling at accelerated rates. Spare capacity remained evident, with backlogs of work decreasing sharply, which in turn contributed to another month of job shedding. On the price front, output charges fell sharply in August, despite a stronger rise in average input costs.

Activity down sharply

Business activity in the Northern Ireland private sector decreased for the ninth month running in August, with the pace of reduction accelerating markedly since July. Moreover, the latest decline in activity was steep, and the sharpest in three months. Behind the overall drop in private sector output was a continued fall in new order intakes. The rate of decline in new work was sharp, and the fastest since June. Where a reduction in new order levels was recorded, survey respondents commented on fragile underlying demand conditions.

Job shedding continues

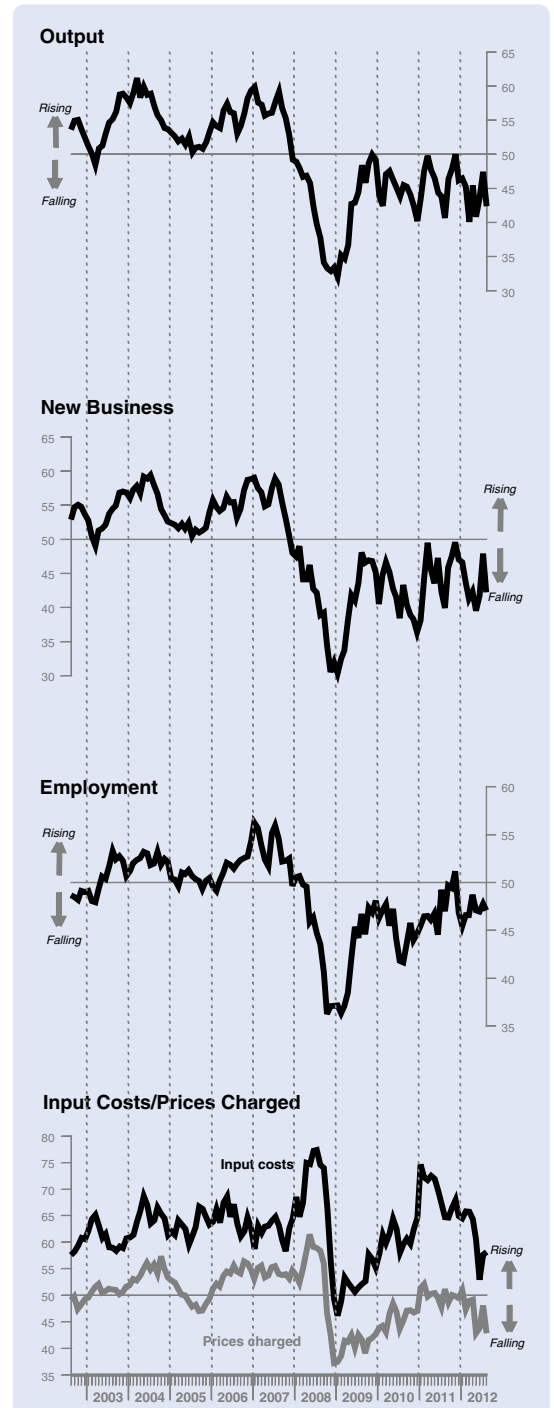
Northern Ireland private sector companies reported a ninth successive monthly reduction in staff numbers, with the rate of contraction little-changed since July. Job shedding was primarily achieved through the both non-replacement of departing staff and redundancies, according to survey respondents.

August data signalled a further decline in outstanding business volumes held at private sector firms, with the rate of backlog depletion remaining sharp and faster than the UK economy average. Where a fall in work-in-hand (but not yet completed) was reported, panellists linked this to reduced new order intakes and corresponding spare capacity.

Input cost inflation accelerates

Average cost burdens faced by Northern Ireland private sector companies increased again in August, extending the current period of inflation to 42 months. Additionally, the latest increase was sharp, and the strongest since May. Almost one-quarter of survey respondents reported a rise in costs, which many attributed to higher prices paid for a range of raw materials. There were also reports of increased fuel costs.

In line with the trend observed since February, prices charged by private sector firms decreased in August. The rate of output price discounting was strong, and markedly quicker than in July. This occurred despite strong cost rises, as competition for new business continued to limit firms' pricing power.



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.

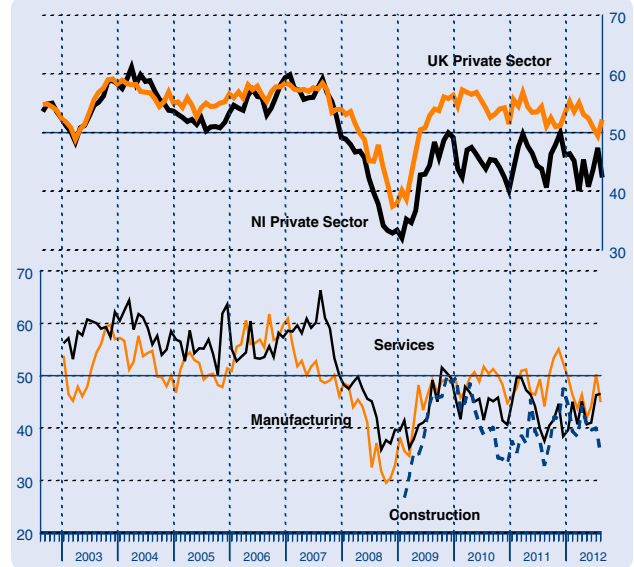
Output / Business Activity

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 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 | 53.1 |
| May | 18.4 | 47.2 | 34.4 | -16.0 | 42.0 | 40.9 | 52.5 |
| Jun | 17.2 | 52.9 | 29.9 | -12.6 | 43.7 | 43.6 | 51.0 |
| Jul | 12.7 | 56.7 | 30.6 | -17.8 | 41.1 | 47.4 | 49.5 |
| Aug | 18.1 | 46.4 | 35.5 | -17.4 | 41.3 | 42.4 | 52.2 |

Business activity in the Northern Ireland private sector decreased further during August, with almost 36% of survey respondents signalling a reduction since the month before. This compared to 18% that noted an increase. The seasonally adjusted Business Activity Index was at a level indicative of a sharp rate of decline in private sector output that was the steepest since May. Where a drop in business activity was recorded, survey participants commonly mentioned falling new orders. Activity levels decreased across all four sectors monitored by the survey, with construction firms again registering the sharpest rate of decline overall.

| By sector | | | |
|-----------|--------------|---------------|----------|
| | Construction | Manufacturing | Services |
| '12 Jun | 39.7 | 44.2 | 41.0 |
| Jul | 40.0 | 50.3 | 46.3 |
| Aug | 34.9 | 45.0 | 46.6 |



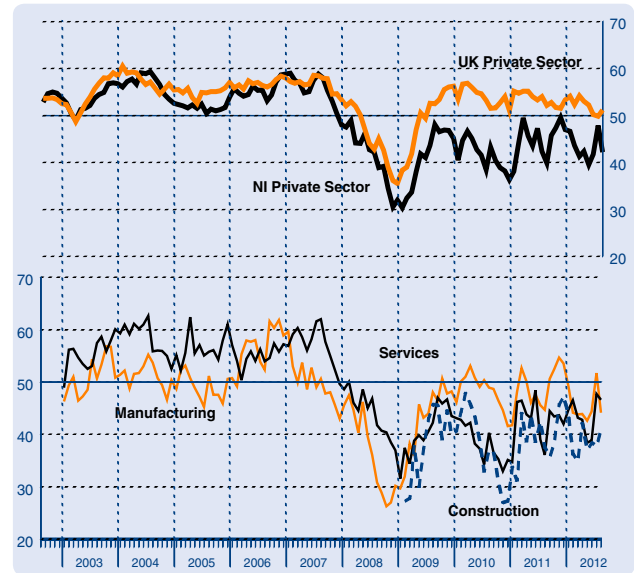
New Business

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 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 |
| Jul | 16.4 | 54.1 | 29.6 | -13.2 | 43.4 | 47.9 | 49.9 |
| Aug | 18.4 | 45.7 | 35.9 | -17.5 | 41.2 | 42.3 | 51.3 |

The level of new business placed at Northern Ireland private sector firms continued to decrease during August. The seasonally adjusted New Business Index dropped sharply from July's eight-month high, to signal a substantial rate of decline in new orders. In contrast, growth of new work was recorded across the UK economy as a whole. Anecdotal evidence provided by survey respondents suggested that the latest decrease in new business reflected fragile market demand. Latest data showed new order volumes falling across all monitored sectors. Construction firms noted a particularly sharp decline, while a renewed fall was seen in manufacturing.

| By sector | | | |
|-----------|--------------|---------------|----------|
| | Construction | Manufacturing | Services |
| '12 Jun | 38.4 | 44.4 | 38.9 |
| Jul | 37.7 | 51.7 | 47.8 |
| Aug | 41.0 | 44.2 | 46.7 |



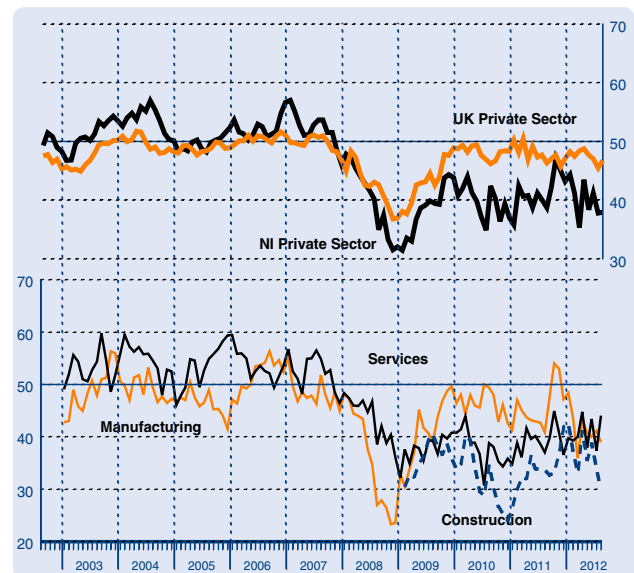
Backlogs

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 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 |
| Aug | 10.5 | 53.3 | 36.2 | -25.8 | 37.1 | 37.9 | 46.8 |

After adjusting for seasonal variation, the Backlogs of Work Index posted below the neutral level of 50.0 in August, signalling a fifty-eighth successive month of backlog depletion. The rate of decline in outstanding business was substantial, and little changed since the month before. In addition, the latest decrease in work-in-hand was much stronger than at the UK-wide level. Companies commented on lower levels of incoming new business and corresponding spare capacity at their units. The rate of backlog depletion in the construction sector was particularly strong during the month, according to latest sector data.

| By sector | | | |
|-----------|--------------|---------------|----------|
| | Construction | Manufacturing | Services |
| '12 Jun | 38.8 | 40.1 | 43.4 |
| Jul | 33.8 | 41.2 | 37.4 |
| Aug | 30.1 | 39.0 | 44.1 |



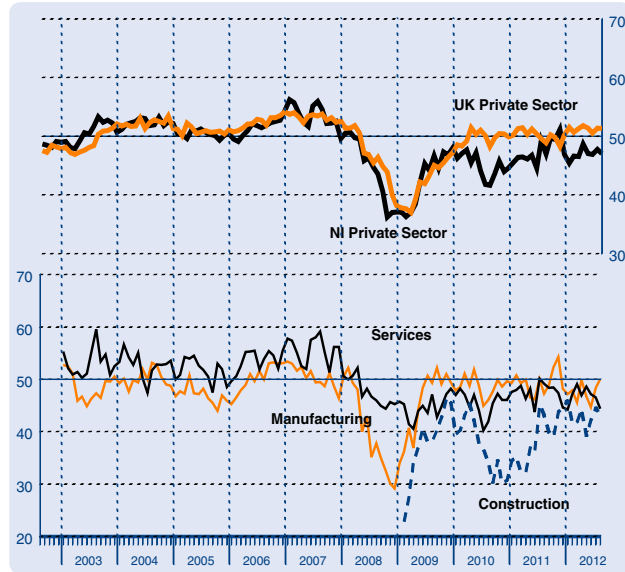
Employment

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 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 | 50.5 |
| Jul | 5.5 | 83.6 | 11.0 | -5.5 | 47.3 | 47.8 | 51.4 |
| Aug | 9.2 | 76.8 | 14.0 | -4.8 | 47.6 | 47.1 | 51.4 |

Staff numbers in the Northern Ireland private sector declined in August, with seasonally adjusted Employment posting below the neutral 50.0 threshold for the ninth month running. In contrast, jobs growth was recorded across the UK economy as a whole. The rate of job shedding was moderate, but quickened since July. Of those firms that recorded a decline in employment since the month before (exactly 14%), many linked this to falling new work. Employee numbers fell in three of the four monitored sectors, with manufacturing the exception. Even here, however, employment was little-changed since July.

| By sector | | | |
|-----------|--------------|----------------|----------|
| | Construction | Manuf-acturing | Services |
| '12 Jun | 42.3 | 44.8 | 47.2 |
| Jul | 44.7 | 48.4 | 46.6 |
| Aug | 42.9 | 50.1 | 44.4 |



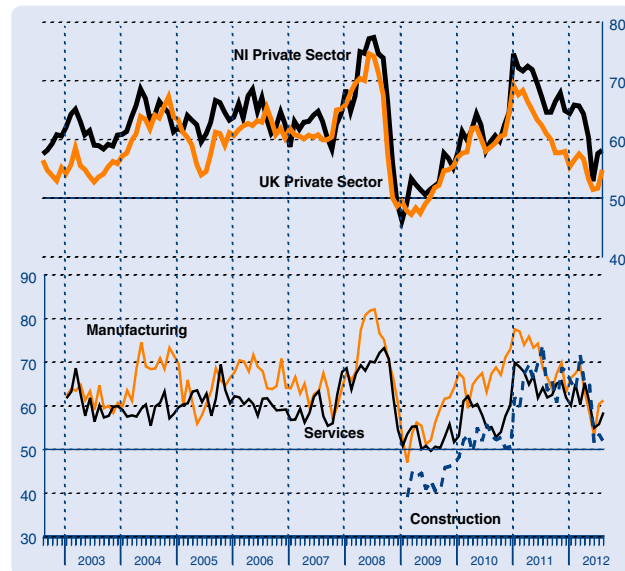
Input Costs

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 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 | 56.7 |
| 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 | 51.5 |
| Jul | 21.7 | 68.7 | 9.7 | 12.0 | 56.0 | 57.7 | 51.7 |
| Aug | 24.7 | 66.3 | 9.1 | 15.6 | 57.8 | 58.2 | 54.8 |

Average input costs faced by Northern Ireland private sector firms rose for another month in August. Despite accelerating to a three-month high, and remaining stronger than the UK-wide trend, the rate of input price inflation was slower than the long-run series average. Almost one-quarter of respondents to the latest survey reported a rise in costs, which some linked to higher prices paid for raw materials. There were also reports of increased fuel costs. All four sectors registered higher average costs over the month, with goods producers recording the steepest increase. The rate of inflation in construction was only modest in comparison.

| By sector | | | |
|-----------|--------------|----------------|----------|
| | Construction | Manuf-acturing | Services |
| '12 Jun | 51.5 | 53.2 | 55.0 |
| Jul | 53.4 | 60.4 | 55.8 |
| Aug | 51.5 | 61.3 | 58.5 |



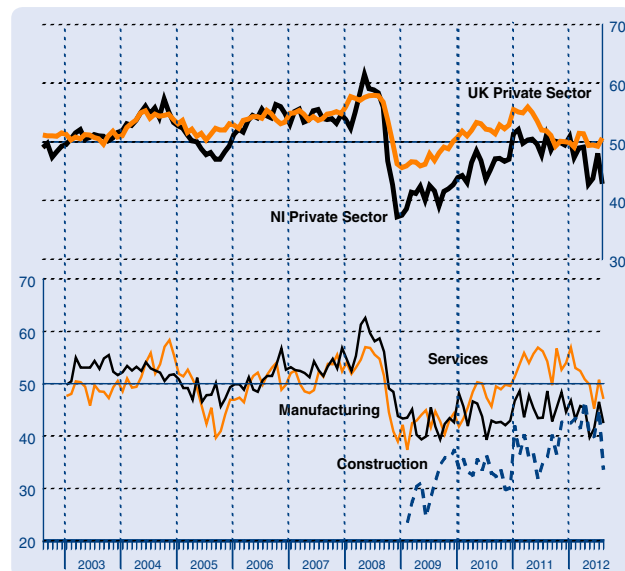
Prices Charged

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 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 |
| Aug | 2.6 | 78.7 | 18.7 | -16.1 | 42.0 | 42.9 | 50.7 |

Private sector firms in Northern Ireland continued to reduce their output charges over the month, in spite of a further strong increase in average costs. The rate of output price discounting was sharp, and the fastest in three months. Marginal prices charged inflation was recorded at the UK-wide level. Anecdotal evidence suggested that reduced average tariffs mainly reflected strong competition for new business. Some companies also mentioned client requests for lower charges. Retail was the only sector to record a rise in selling prices, albeit marginal. Moreover, construction firms again reported a substantial decline in average tariffs.

| By sector | | | |
|-----------|--------------|----------------|----------|
| | Construction | Manuf-acturing | Services |
| '12 Jun | 39.9 | 45.3 | 41.4 |
| Jul | 44.9 | 50.8 | 46.6 |
| Aug | 33.7 | 47.1 | 42.5 |



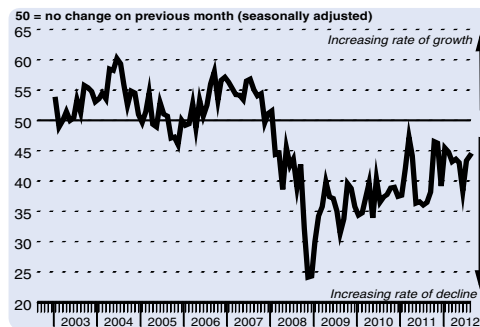
New Export Business*

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

Northern Ireland Companies

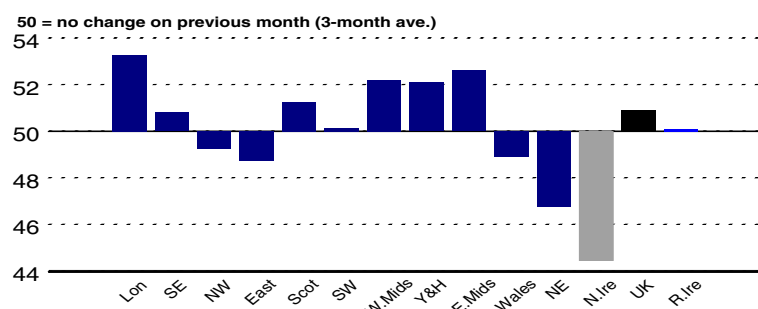
| | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S.Adj'd Index |
|----------|----------|--------|---------|---------|-----------------|---------------|
| 2012 Mar | 11.7 | 61.2 | 27.1 | -15.4 | 42.3 | 43.2 |
| Apr | 17.8 | 53.0 | 29.2 | -11.3 | 44.3 | 43.7 |
| May | 17.2 | 49.9 | 33.0 | -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 |
| Aug | 12.8 | 60.8 | 26.4 | -13.7 | 43.2 | 44.3 |

The level of new export business placed at Northern Ireland private sector firms decreased further during August. Despite easing to the weakest in six months, the rate of decline in new export orders was sharp, and stronger than the long-run trend for the survey.



Regional Comparisons: Output / Business Activity

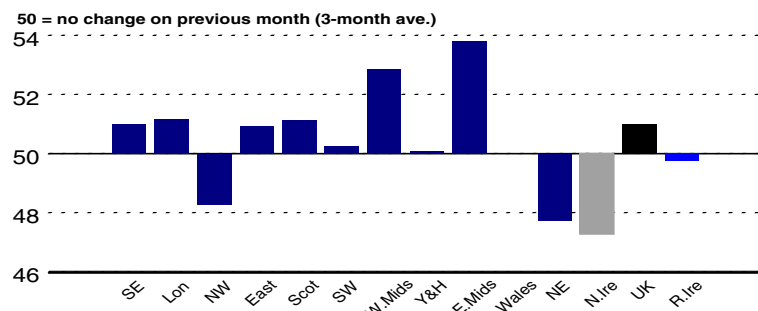
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). London posted the strongest growth of private sector business activity during the three months to August. This was followed by the East Midlands and West Midlands. Northern Ireland and the North East recorded the steepest falls in output levels.



| | Share of UK GVA, 2010 (National Statistics) | Last 12 months | PMI Output Index Latest 3 months | Latest month |
|-----------------|---|----------------|----------------------------------|--------------|
| London | (21.5%) | 53.8 | 53.3 | 54.9 |
| South East | (14.7%) | 52.1 | 50.8 | 52.2 |
| North West | (9.5%) | 52.4 | 49.3 | 51.5 |
| East of England | (8.7%) | 51.7 | 48.8 | 51.6 |
| Scotland | (8.3%) | 51.7 | 51.3 | 50.3 |
| South West | (7.7%) | 51.5 | 50.1 | 50.5 |
| West Midlands | (7.3%) | 55.0 | 52.2 | 54.2 |
| Yorks & Humber | (7.0%) | 53.7 | 52.1 | 54.3 |
| East Midlands | (6.4%) | 53.3 | 52.6 | 51.2 |
| Wales | (3.6%) | 50.0 | 48.9 | 50.3 |
| North East | (3.2%) | 49.3 | 46.8 | 48.6 |
| N.Ireland | (2.2%) | 45.2 | 44.5 | 42.4 |
| UK | (100.0%) | 52.6 | 50.9 | 52.2 |
| Rep. of Ireland | n/a | 50.1 | 50.1 | 50.2 |

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). The East Midlands remained the best performing region in terms of private sector jobs growth during the three months to August. Northern Ireland, the North East and North West were the only parts of the UK that saw a drop in private sector staffing levels.



| | Contribution to UK Employment, 2008 (National Statistics) | Last 12 months | PMI Employment Index Latest 3 months | Latest month |
|-----------------|---|----------------|--------------------------------------|--------------|
| South East | (14.6%) | 51.4 | 51.0 | 51.7 |
| London | (12.3%) | 49.4 | 51.2 | 51.8 |
| North West | (10.9%) | 49.4 | 48.3 | 49.9 |
| East of England | (9.6%) | 51.4 | 50.9 | 50.5 |
| Scotland | (8.7%) | 51.0 | 51.1 | 50.4 |
| South West | (8.6%) | 50.4 | 50.3 | 49.4 |
| West Midlands | (8.6%) | 52.9 | 52.8 | 52.9 |
| Yorks & Humber | (8.2%) | 51.2 | 50.1 | 50.3 |
| East Midlands | (7.3%) | 53.7 | 53.8 | 54.5 |
| Wales | (4.6%) | 48.2 | 50.0 | 51.0 |
| North East | (3.9%) | 50.4 | 47.7 | 48.8 |
| N.Ireland | (2.7%) | 47.8 | 47.3 | 47.1 |
| UK | (100.0%) | 50.8 | 51.1 | 51.4 |
| Rep. of Ireland | n/a | 48.6 | 49.8 | 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.

Ulster Bank and Markit Economics

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