

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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Activity falls at slowest pace in current 14-month sequence of decline

While the Northern Ireland private sector remained in contraction at the start of 2013, rates of decline in both activity and new business slowed markedly over the month and employment increased. The rate of input cost inflation remained sharp, but companies continued to lower their output prices amid weak client demand.

Decline in activity slows

Business activity in Northern Ireland decreased modestly in January, extending the current sequence of contraction to 14 months. However, the latest reduction was the weakest in this sequence as manufacturing firms recorded growth of output. The fall in activity in Northern Ireland contrasted with an increase across the UK as a whole.

In line with the trend for activity, new business fell at a much weaker pace at the start of 2013, supported by growth at manufacturing firms. The latest overall reduction was the slowest since November 2011, but respondents still noted subdued demand from both domestic and external markets. New business from abroad, nonetheless, decreased at the slowest pace in the current five-year sequence of contraction.

Staffing levels increase

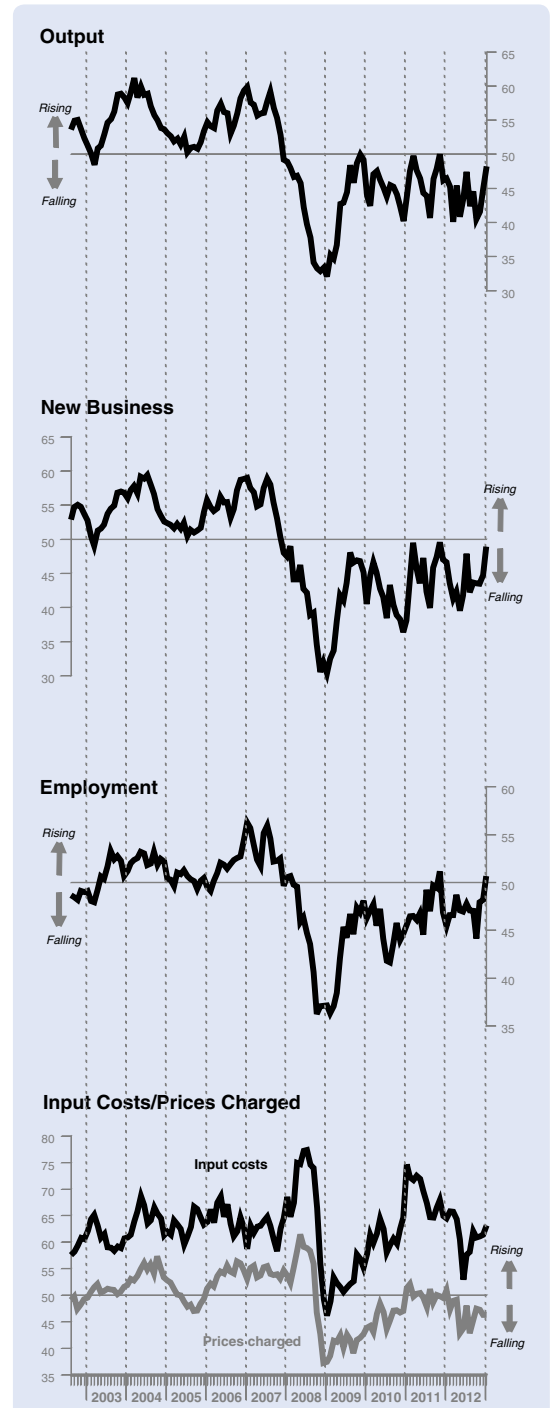
Private sector employment in Northern Ireland rose in January, ending a 13-month sequence of job shedding. That said, the rate of job creation was only slight. Some panellists reported that extra staff had been taken on in anticipation of new business in 2013. The overall rise in employment was driven by the manufacturing sector.

Backlogs of work continued to fall in January, with panellists highlighting a further reduction in new work as the main factor. The rate of depletion was marked, albeit the slowest since November 2011.

Further strong rise in input costs

The rate of input cost inflation at Northern Ireland companies quickened for the third month running during the month, and was the fastest since April last year. The rate of inflation in Northern Ireland remained faster than the UK economy average. Those respondents that signalled a rise in input prices pointed to higher costs for oil and raw materials.

Output prices, meanwhile, were reduced again amid pressure from clients for discounts and strong competition for new work. The rate of decline was solid, and broadly in line with that seen at the end of 2012. There were divergent trends between the monitored sectors, with services and construction posting lower output prices while manufacturers and retailers increased their charges.



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.

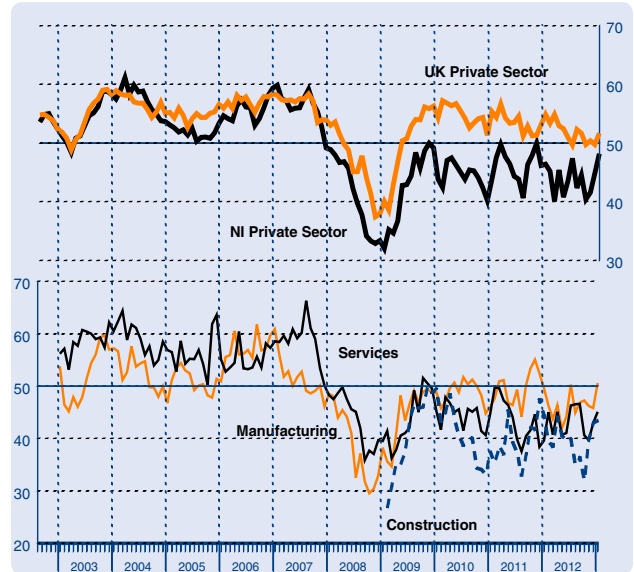
Output / Business Activity

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	Aug	18.1	46.4	35.5	-17.4	41.3	42.4	52.4
	Sep	19.1	54.9	26.1	-7.0	46.5	44.6	51.7
	Oct	14.0	55.7	30.3	-16.4	41.8	40.5	49.8
	Nov	16.8	51.4	31.8	-14.9	42.5	41.6	50.4
	Dec	19.5	52.4	28.1	-8.6	45.7	44.8	49.8
2013	Jan	21.0	44.9	34.0	-13.0	43.5	48.3	51.7

Business activity at Northern Ireland companies decreased again in January. However, the rate of contraction was only modest, having eased for the third month running to the slowest in the current 14-month sequence of decline. The fall in output in Northern Ireland contrasted with a return to growth across the UK economy as a whole. A number of panellists reported a slow start to the year, with client demand remaining weak. Contrasting with the overall trend, manufacturing output rose in January, ending a five-month period of contraction. The remaining sectors all continued to post reductions in activity, led by construction.

By sector				
		Construction	Manufacturing	Services
'12	Nov	39.9	46.3	39.7
	Dec	43.1	45.9	43.0
'13	Jan	43.5	50.6	45.1



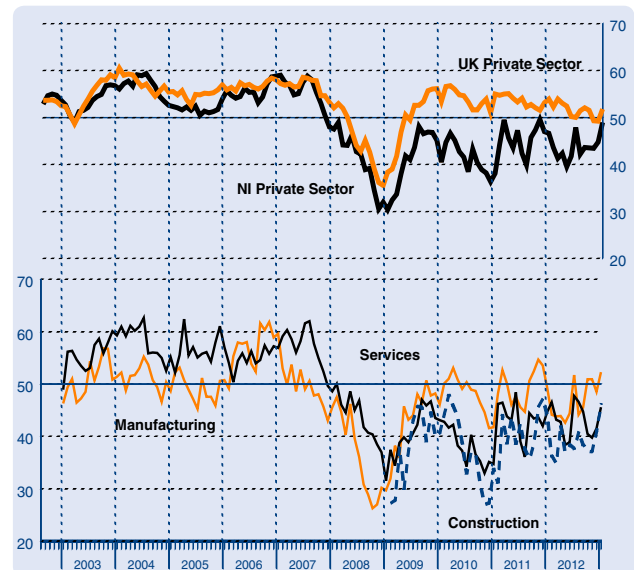
New Business

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
2012	Aug	18.4	45.7	35.9	-17.5	41.2	42.3	51.5
	Sep	19.2	56.1	24.7	-5.4	47.3	43.7	52.1
	Oct	17.5	56.2	26.3	-8.8	45.6	43.6	51.6
	Nov	19.0	46.3	34.6	-15.6	42.2	43.5	49.4
	Dec	19.6	45.6	34.9	-15.3	42.4	44.8	49.3
2013	Jan	24.6	44.4	31.0	-6.4	46.8	49.0	51.8

Although new business at Northern Ireland private sector firms decreased again in January, the rate of decline slowed sharply over the month and was only slight. The latest fall in new orders was the slowest in 14 months. Decreasing new business in Northern Ireland compared with a modest expansion at the UK level. Exactly 31% of respondents noted a drop in new orders during the month, with sales reportedly lower in both domestic and external markets. However, manufacturing firms registered growth of new orders for the third time in the past four months. The other three sectors all posted further reductions in new business, with the sharpest fall in retail.

By sector				
		Construction	Manufacturing	Services
'12	Nov	37.2	51.0	39.8
	Dec	40.9	48.5	41.5
'13	Jan	46.2	52.3	45.6



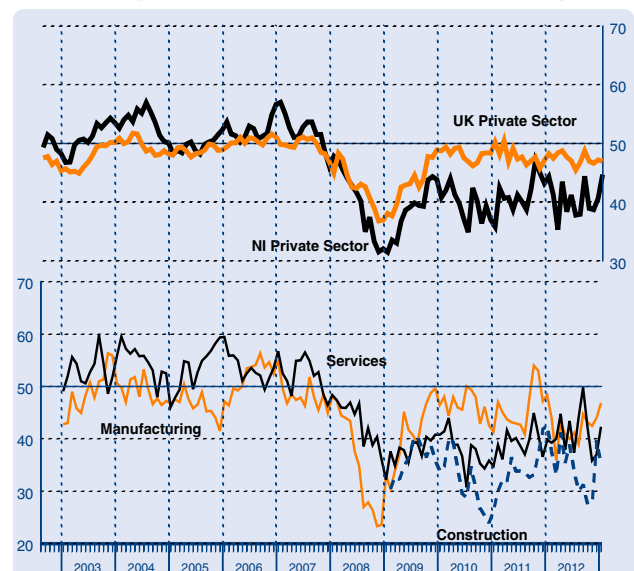
Backlogs

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	Aug	10.5	53.3	36.2	-25.8	37.1	37.9	46.8
	Sep	17.4	64.6	18.0	-0.6	49.7	44.5	48.8
	Oct	10.1	54.9	35.0	-24.9	37.5	39.0	47.0
	Nov	12.3	51.7	36.0	-23.7	38.2	38.8	46.7
	Dec	12.9	54.8	32.3	-19.3	40.3	40.7	47.3
2013	Jan	14.9	57.4	27.8	-12.9	43.6	44.7	47.0

January data signalled a further marked reduction in backlogs of work at Northern Ireland companies. Work-in-hand has now fallen in 63 successive months. That said, the rate of depletion slowed, and was the weakest since November 2011. The reduction in outstanding business in Northern Ireland remained faster than the UK economy average. Panellists reported that lower new orders had resulted in spare capacity, enabling them to work through existing projects. Backlogs of work decreased across all four monitored sectors, led by construction. The slowest decline in outstanding business was at manufacturing firms.

By sector				
		Construction	Manufacturing	Services
'12	Nov	27.8	42.5	35.9
	Dec	39.6	44.0	37.0
'13	Jan	35.3	46.9	42.3



Employment

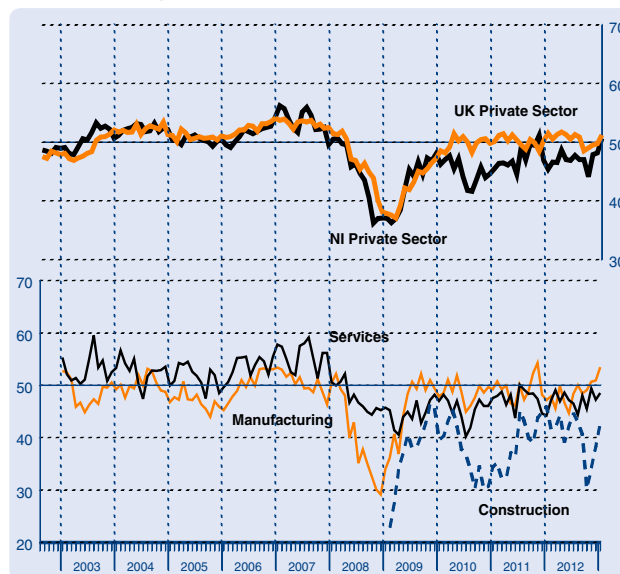
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 Aug	9.2	76.8	14.0	-4.8	47.6	47.1	50.9
Sep	7.7	79.0	13.2	-5.5	47.2	47.0	48.6
Oct	4.1	80.7	15.2	-11.0	44.5	44.2	49.1
Nov	10.1	77.0	12.9	-2.8	48.6	47.9	49.5
Dec	7.3	80.7	12.0	-4.7	47.7	48.2	49.8
2013 Jan	9.0	80.7	10.2	-1.2	49.4	50.7	51.3

Employment in Northern Ireland increased for the first time in 14 months during January, although the rate of job creation was slower than seen across the UK economy as a whole. Some panellists suggested that they had taken on extra staff in line with expected additional business during 2013. The slight overall increase in staffing levels was centred on the manufacturing sector, which posted solid growth of employment that was the fastest since November 2011. The remaining three sectors all continued to record falling staffing levels, however, led by construction firms.

By sector

		Construction	Manufacturing	Services
'12 Nov		34.4	50.7	49.5
Dec		38.3	51.0	47.3
'13 Jan		43.1	53.5	48.6



Input Costs

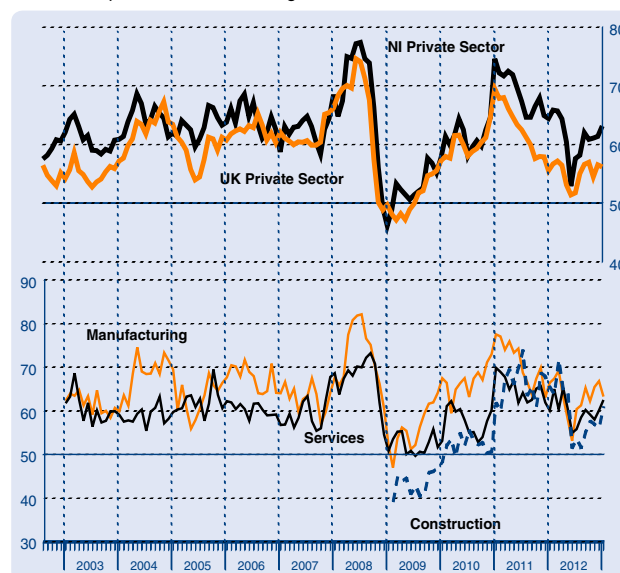
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 Aug	24.7	66.3	9.1	15.6	57.8	58.2	55.1
Sep	28.5	68.4	3.1	25.4	62.7	62.1	56.7
Oct	27.8	65.4	6.9	20.9	60.5	60.9	57.0
Nov	22.6	73.4	4.0	18.6	59.3	61.1	54.5
Dec	21.3	73.5	5.2	16.0	58.0	61.4	56.6
2013 Jan	29.1	67.1	3.7	25.4	62.7	63.2	56.2

As has been the case in each month since March 2009, input costs at Northern Ireland companies increased during January. Furthermore, the rate of inflation quickened to the fastest in nine months and was broadly in line with the series average. The rise in input costs at Northern Ireland companies was again sharper than the UK economy average. Those respondents that posted higher input costs linked this to increased raw material costs and rising oil prices. The retail sector posted the steepest rise in input costs during the month, closely followed by manufacturing. All four sectors posted sharp input price inflation.

By sector

		Construction	Manufacturing	Services
'12 Nov		56.9	65.5	58.0
Dec		56.1	66.8	60.2
'13 Jan		60.9	63.3	62.6



Prices Charged

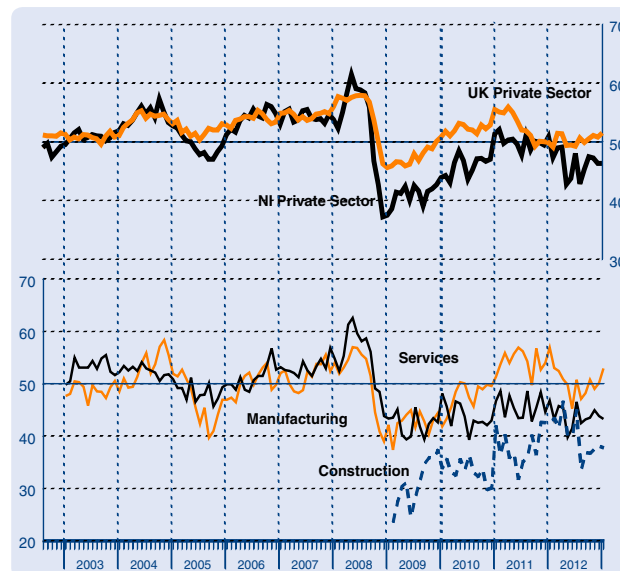
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 Aug	2.6	78.7	18.7	-16.1	42.0	42.9	50.7
Sep	7.7	74.5	17.8	-10.2	44.9	45.4	50.0
Oct	7.8	77.2	15.0	-7.2	46.4	47.5	50.6
Nov	9.4	73.5	17.1	-7.7	46.1	47.3	51.1
Dec	5.8	79.1	15.2	-9.4	45.3	46.4	50.8
2013 Jan	12.0	71.6	16.3	-4.3	47.8	46.3	51.5

Northern Ireland private sector firms continued to lower their output prices during January, with the rate of decline little-changed from that registered in the previous month. Panellists indicated that in some cases clients had requested discounts, while competitive pressures also contributed to reduced charges. The fall in output prices in Northern Ireland contrasted with a modest increase in charges at the UK level. The construction sector posted the fastest reduction in output prices during the month, while service providers also lowered charges. Meanwhile, output prices increased in both the retail and manufacturing sectors.

By sector

		Construction	Manufacturing	Services
'12 Nov		37.7	49.0	44.9
Dec		38.1	50.2	43.9
'13 Jan		37.8	53.0	43.3



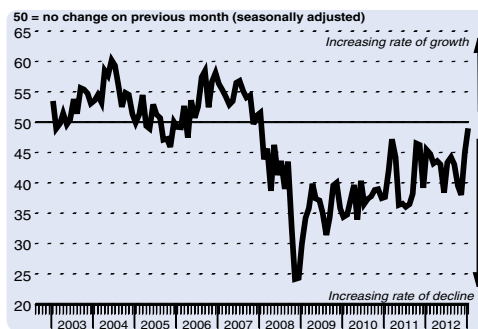
New Export Business*

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	Aug	12.8	60.8	26.4	-13.7	43.2	44.3
	Sep	12.3	64.1	23.6	-11.3	44.4	43.1
	Oct	13.2	53.0	33.9	-20.7	39.7	39.5
	Nov	18.1	38.1	43.9	-25.8	37.1	38.1
	Dec	17.9	52.6	29.5	-11.7	44.2	45.1
2013	Jan	18.6	56.1	25.3	-6.6	46.7	49.1

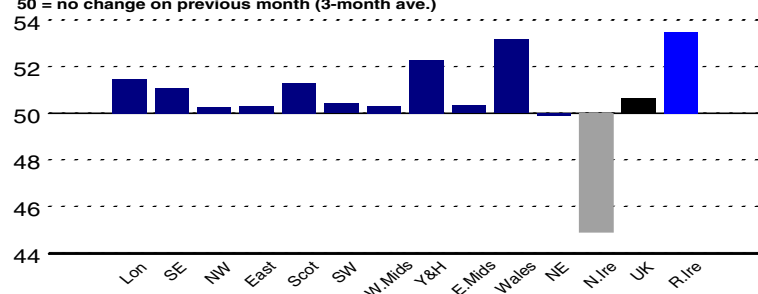
New export orders at Northern Ireland companies decreased again in January, but at a slight pace that was the slowest in the current five-year sequence of decline. Where new business from abroad fell, this was linked to weakness in European markets.



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). Business activity increased the majority of UK regions during the three months to January, with the North East and Northern Ireland the only exceptions. Wales recorded the strongest pace of output expansion, followed by Yorkshire & Humber. The Republic of Ireland recorded solid growth that was faster than any of the UK regions.

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

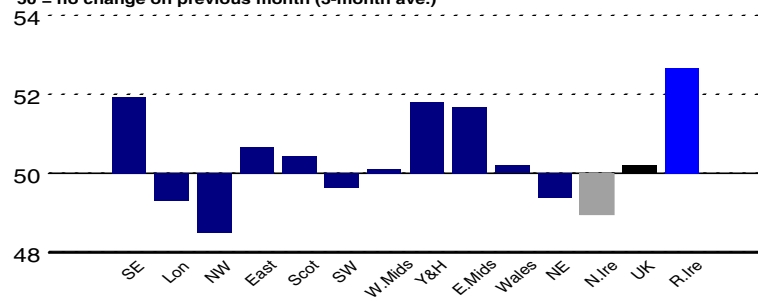


	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	53.0	51.5	52.3
South East	(14.7%)	51.7	51.1	52.4
North West	(9.5%)	50.8	50.3	50.4
East of England	(8.7%)	51.4	50.3	50.9
Scotland	(8.3%)	51.5	51.3	52.3
South West	(7.7%)	50.4	50.4	51.2
West Midlands	(7.3%)	53.2	50.3	50.1
Yorks & Humber	(7.0%)	52.3	52.3	53.1
East Midlands	(6.4%)	52.2	50.3	52.5
Wales	(3.6%)	51.6	53.2	54.1
North East	(3.2%)	48.6	49.9	48.1
N.Ireland	(2.2%)	43.7	44.9	48.3
UK	(100.0%)	51.7	50.6	51.7
Rep. of Ireland	n/a	51.6	53.5	53.8

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). Staffing numbers increased in just over half of the UK regions monitored by the survey during the three months to January, although in each case the pace of job creation was only marginal. Of those regions that saw a drop in employment, the fastest fall was in the North West. Meanwhile, the Republic of Ireland posted a solid increase in staffing levels.

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%)	51.1	51.9	53.7
London	(12.3%)	49.3	49.3	51.1
North West	(10.9%)	48.8	48.5	49.9
East of England	(9.6%)	50.8	50.7	51.8
Scotland	(8.7%)	51.0	50.4	50.7
South West	(8.6%)	49.9	49.6	48.6
West Midlands	(8.6%)	51.9	50.1	51.4
Yorks & Humber	(8.2%)	51.1	51.8	52.1
East Midlands	(7.3%)	53.2	51.7	51.7
Wales	(4.6%)	49.8	50.2	50.3
North East	(3.9%)	48.9	49.4	49.9
N.Ireland	(2.7%)	47.4	49.0	50.7
UK	(100.0%)	50.5	50.2	51.3
Rep. of Ireland	n/a	50.9	52.7	53.3

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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