

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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Slowest decline in activity for 16 months in March

A further modest decline in activity was seen in the Northern Ireland private sector in March, completing a quarter in which the rate of output contraction slowed from the sharp rate seen at the end of last year. That said, rates of decline in both new business and employment quickened over the month. Meanwhile, cost inflation remained elevated and companies lowered their output prices only slightly.

Slower reduction in activity

Although activity continued to decrease in March, the headline seasonally adjusted Business Activity Index rose for the fifth successive month to 48.9, signalling only a modest rate of decline that was the weakest in the current 16-month sequence of falling output. The fall in Northern Ireland compared with a slight rise in activity across the UK economy as a whole. Activity increased at manufacturing firms, but fell across the other three sectors covered by the survey. Where output decreased, this was partly linked to an ongoing lack of confidence among clients.

Client uncertainty also had a negative impact on new business, according to respondents. New orders fell at a solid pace that was the fastest in three months. New export orders, meanwhile, decreased at a marked and accelerated pace.

Steep fall in backlogs of work

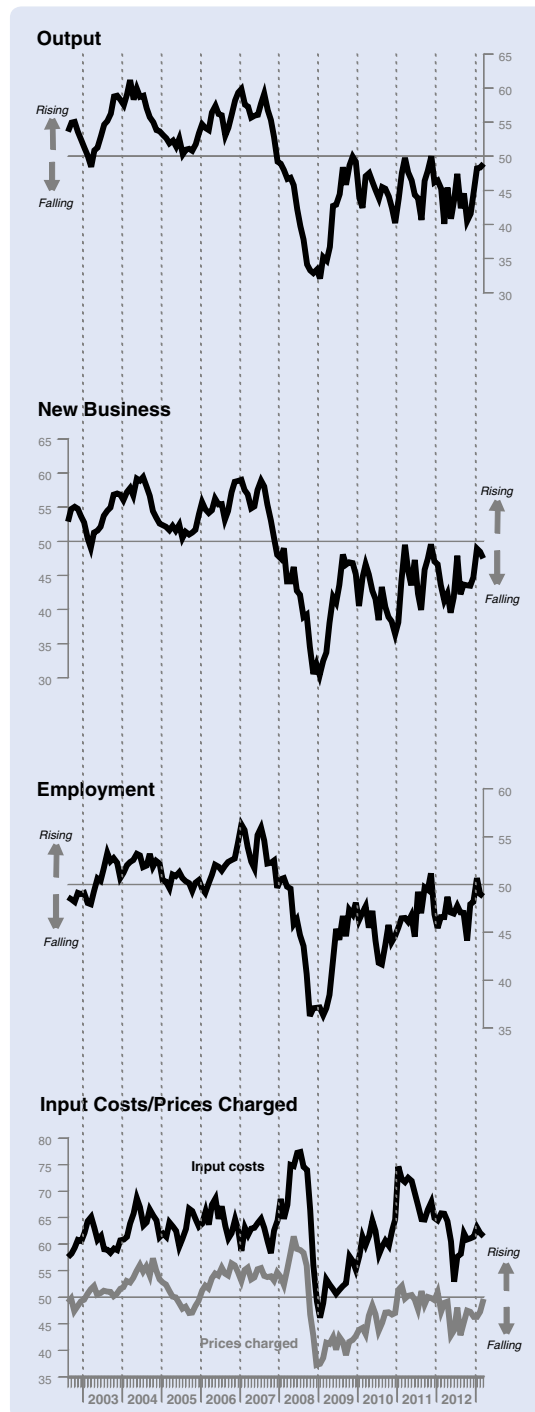
With new work decreasing again in March, companies in Northern Ireland continued to work through outstanding business. Moreover, the rate of backlog depletion quickened to the fastest in 2013 so far. All four sectors recorded falling outstanding business, led by construction.

Staffing levels fell for the second successive month, with the pace of reduction slightly faster than in February. The overall decline was driven by the construction and service sectors, while retailers took on extra staff and manufacturers left employment broadly unchanged.

Input costs rise sharply

The rate of input cost inflation in Northern Ireland remained much faster than the UK average in March, despite easing for the second month running. Higher fuel costs were mentioned by a number of respondents, while there were some reports that the weakness of sterling had resulted in increased prices for imported items.

Northern Ireland companies cut their output prices marginally in March, with the rate of decline the slowest in the current 14-month sequence of discounting. Those respondents that lowered their charges linked this to attempts to boost demand. Constructors and service providers reduced their charges, while increases were seen at manufacturers and retailers.



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.

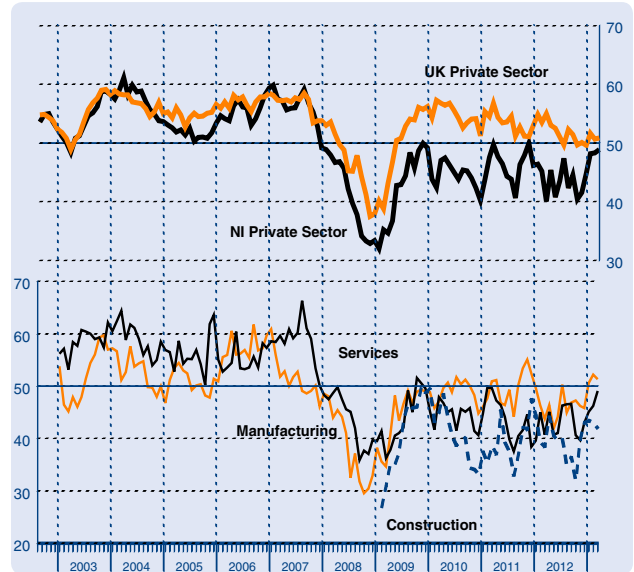
Output / Business Activity

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	Oct	14.0	55.7	30.3	-16.4	41.8	40.5	49.7
	Nov	16.8	51.4	31.8	-14.9	42.5	41.6	50.1
	Dec	19.5	52.4	28.1	-8.6	45.7	44.8	49.6
2013	Jan	21.0	44.9	34.0	-13.0	43.5	48.3	51.7
	Feb	22.2	55.2	22.6	-0.4	49.8	48.4	50.7
	Mar	27.2	52.2	20.6	6.7	53.3	48.9	50.9

Business activity at Northern Ireland private sector companies decreased again in March. That said, the rate of contraction was only slight, having eased for the fifth month running to the slowest in the current 16-month sequence of decline. Where activity fell, this was linked to fragile client confidence and difficult economic conditions, while poor weather was mentioned by some respondents. The reduction in activity in Northern Ireland compared with a slight rise at the UK level. The manufacturing sector was again the only area to see growth of output during the month, with construction posting the sharpest decline in activity.

By sector				
		Construction	Manufacturing	Services
'13	Jan	43.5	50.6	45.1
	Feb	43.1	52.3	46.2
	Mar	41.9	51.4	49.1



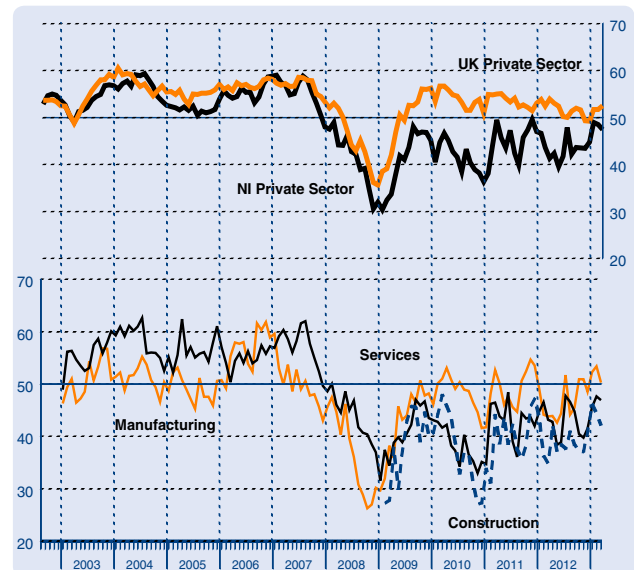
New Business

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	Oct	17.5	56.2	26.3	-8.8	45.6	43.6	51.7
	Nov	19.0	46.3	34.6	-15.6	42.2	43.5	49.3
	Dec	19.6	45.6	34.9	-15.3	42.4	44.8	49.2
2013	Jan	24.6	44.4	31.0	-6.4	46.8	49.0	51.7
	Feb	23.0	55.2	21.8	1.2	50.6	48.5	51.7
	Mar	24.2	48.5	27.2	-3.0	48.5	47.5	52.5

As has been the case in each month since December 2007, new orders declined in Northern Ireland during March. Moreover, the rate of decline was solid, and quickened to the sharpest seen in 2013 so far. The reduction in Northern Ireland contrasted with solid growth of new orders across the UK economy as a whole. A number of respondents highlighted weak client confidence. Manufacturers posted a third successive rise in new orders, although the latest increase was only marginal. Meanwhile, new business at construction and retail companies continued to fall sharply, while a solid decrease was seen at service providers.

By sector				
		Construction	Manufacturing	Services
'13	Jan	46.2	52.3	45.6
	Feb	44.3	53.4	47.7
	Mar	42.1	50.3	47.0



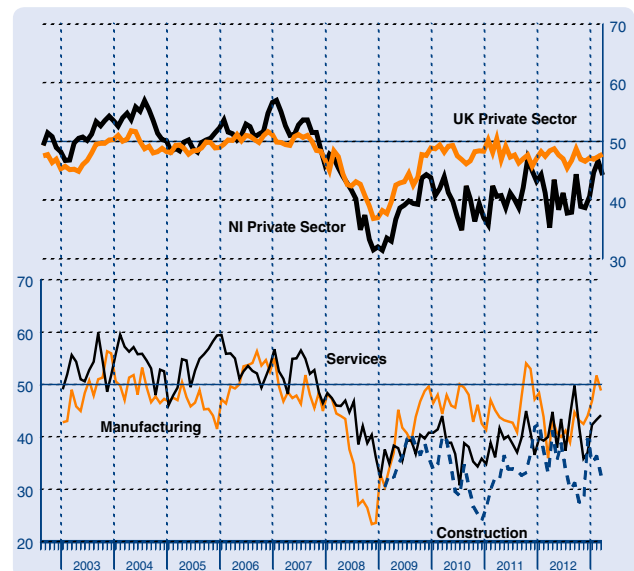
Backlogs

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	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
	Feb	13.4	65.8	20.7	-7.3	46.4	46.7	47.4
	Mar	13.4	63.7	22.9	-9.4	45.3	44.3	47.9

March data signalled a marked reduction in backlogs of work, with the rate of depletion accelerating over the month. The latest fall in outstanding business was the fastest in three months as panellists highlighted reduced new work. Close to 23% of respondents noted a fall in backlogs of work. Work-in-hand also decreased across the UK economy as a whole, but at a weaker pace than seen in Northern Ireland. Each of the four monitored sectors posted falling outstanding business, led by construction. The slowest reduction was in the manufacturing sector, where backlogs fell modestly after a rise in February.

By sector				
		Construction	Manufacturing	Services
'13	Jan	35.3	46.9	42.3
	Feb	36.4	51.8	43.3
	Mar	32.7	48.9	44.2



Employment

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

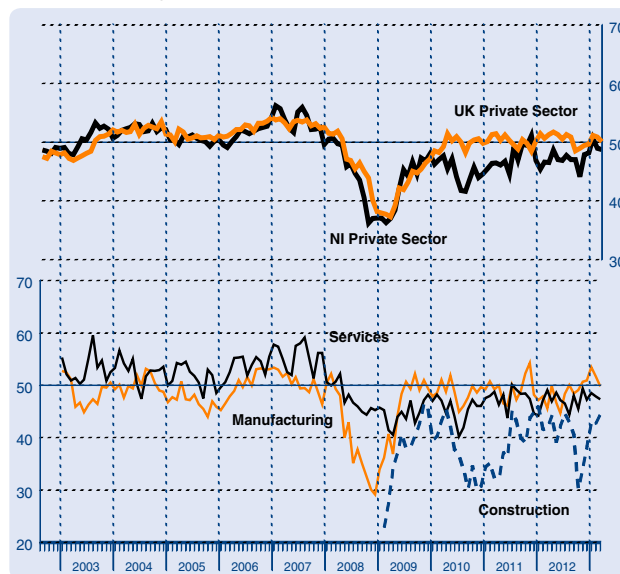
Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 Oct	4.1	80.7	15.2	-11.0	44.5	44.2	49.0
Nov	10.1	77.0	12.9	-2.8	48.6	47.9	49.5
Dec	7.3	80.7	12.0	-4.7	47.7	48.2	49.7
2013 Jan	9.0	80.7	10.2	-1.2	49.4	50.7	51.2
Feb	4.7	85.8	9.5	-4.8	47.6	49.0	51.0
Mar	7.7	81.7	10.7	-3.0	48.5	48.8	50.1

Staffing levels in Northern Ireland decreased for the second month running in March. The rate of job cuts was slight, and little-changed from the previous month. Meanwhile, employment was broadly unchanged at the UK level. Anecdotal evidence suggested that the reduction in staffing levels was partly reflective of attempts to improve efficiency as new order growth remained elusive. Employment was largely unchanged in the

By sector

	Construction	Manufacturing	Services
'13 Jan	43.1	53.5	48.6
Feb	42.8	51.8	48.0
Mar	44.5	49.9	47.4

manufacturing sector, while retail posted a second successive rise. Meanwhile, further reductions in staffing levels were seen in the services and construction sectors.



Input Costs

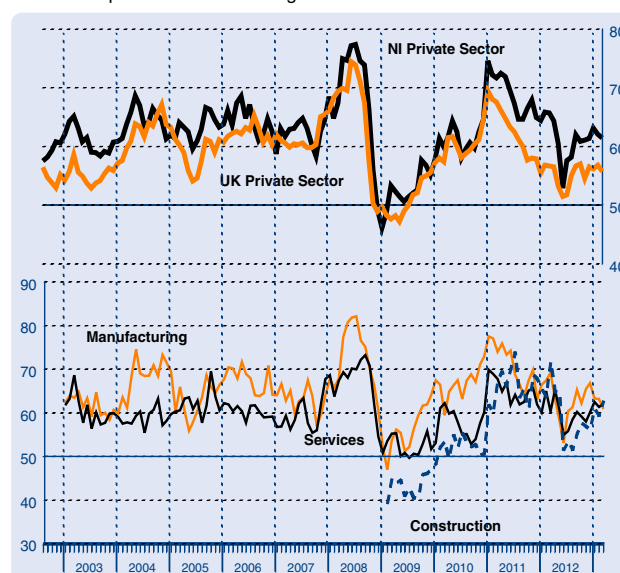
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 Oct	27.8	65.4	6.9	20.9	60.5	60.9	57.1
Nov	22.6	73.4	4.0	18.6	59.3	61.1	54.6
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
Feb	26.9	71.9	1.3	25.6	62.8	62.1	56.9
Mar	31.5	66.3	2.2	29.4	64.7	61.5	55.8

Northern Ireland companies recorded a further sharp increase in input prices during March. Although the rate of inflation dipped slightly from the previous month, it remained much faster than the average for the UK as a whole. Panellists mainly linked rising input costs to higher fuel prices, while there were some reports that sterling weakness had contributed to higher costs for imported items. Approximately 32% of respondents noted a rise in input costs during the month, compared with just 2% that posted a fall. All four sectors registered strong input price inflation, led by construction and services where rates of inflation accelerated.

By sector

	Construction	Manufacturing	Services
'13 Jan	60.9	63.3	62.6
Feb	59.4	63.2	61.4
Mar	62.8	60.9	62.1



Prices Charged

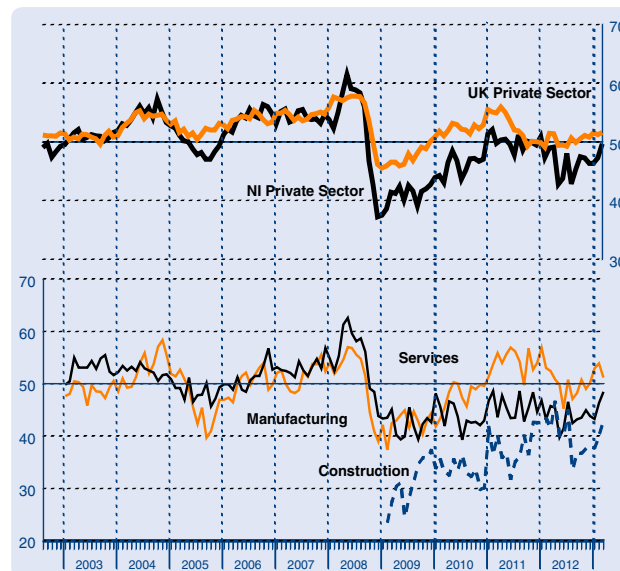
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 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
Feb	11.4	79.0	9.6	1.8	50.9	47.3	51.3
Mar	11.6	78.6	9.8	1.8	50.9	49.7	51.7

Prices charged decreased for the fourteenth consecutive month at Northern Ireland companies in March. However, the rate of decline was only marginal, and the slowest in this sequence. Meanwhile, companies across the UK as a whole raised their output prices modestly. Those respondents that lowered output prices mainly linked this to efforts to stimulate demand. Retailers and manufacturing firms continued to raise their prices charged, while further declines were seen in services and construction. The construction sector posted a particularly sharp reduction in output prices during the month.

By sector

	Construction	Manufacturing	Services
'13 Jan	37.8	53.0	43.3
Feb	40.2	53.9	46.3
Mar	43.1	51.2	48.4



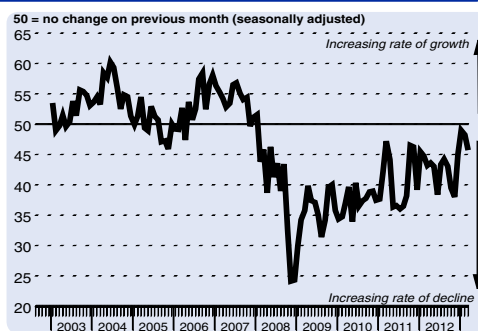
New Export Business*

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

Northern Ireland Companies

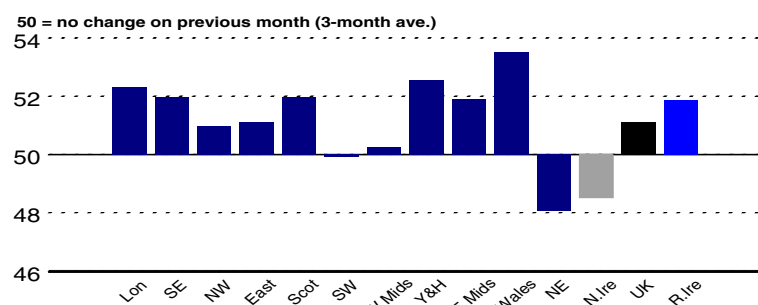
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2012	Oct	13.2	53.0	33.9	-20.7	39.7	39.5
	Nov	18.1	38.1	43.9	-25.8	37.1	38.1
	Dec	17.9	52.6	29.5	-11.7	44.2	45.1
2013	Jan	18.6	56.1	25.3	-6.6	46.7	49.1
	Feb	16.4	66.2	17.4	-0.9	49.5	48.3
	Mar	12.4	64.9	22.7	-10.3	44.8	45.8

New export orders continued to decrease in March. Furthermore, the rate of contraction was marked, having quickened to the sharpest since December 2012. Respondents noted a decline in client demand, particularly from Eurozone markets.



Regional Comparisons: Output / Business Activity

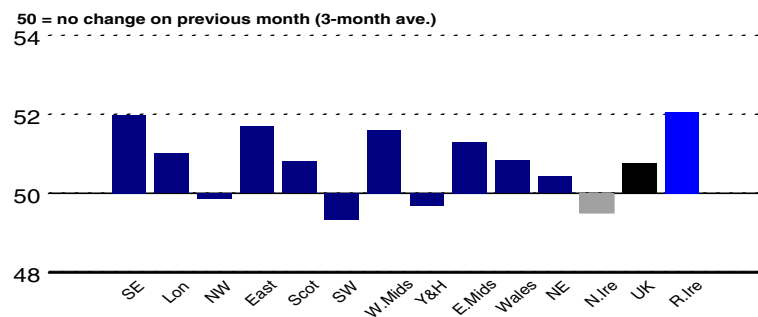
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were seen in nine of the twelve UK regions on average in the first quarter of 2013. The South West, North East and Northern Ireland were the exceptions to the overall upward trend. Activity rose modestly in the Republic of Ireland during the first quarter of the year.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	52.3	52.3	53.8
South East	(14.7%)	51.2	52.0	51.7
North West	(9.5%)	50.3	51.0	50.4
East of England	(8.7%)	50.8	51.1	50.4
Scotland	(8.3%)	51.3	52.0	51.1
South West	(7.7%)	50.1	49.9	49.7
West Midlands	(7.3%)	51.7	50.3	50.0
Yorks & Humber	(7.0%)	52.0	52.6	53.3
East Midlands	(6.4%)	51.7	51.9	51.5
Wales	(3.6%)	51.9	53.5	53.7
North East	(3.2%)	48.4	48.1	47.3
N.Ireland	(2.2%)	44.7	48.5	48.9
UK	(100.0%)	51.1	51.1	50.9
Rep. of Ireland	n/a	51.5	51.9	49.9

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). Job creation was recorded in eight of the twelve UK regions monitored by the survey in the first quarter of 2013. Employment growth was strongest in the South East, while the South West posted the most marked drop in staffing levels. The Republic of Ireland recorded further employment growth.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.0	52.0	50.0
London	(12.3%)	49.8	51.0	50.0
North West	(10.9%)	48.8	49.9	49.5
East of England	(9.6%)	50.8	51.7	51.0
Scotland	(8.7%)	50.8	50.8	51.0
South West	(8.6%)	49.7	49.3	49.7
West Midlands	(8.6%)	51.6	51.6	51.4
Yorks & Humber	(8.2%)	50.4	49.7	48.0
East Midlands	(7.3%)	52.7	51.3	51.0
Wales	(4.6%)	49.9	50.8	51.0
North East	(3.9%)	48.9	50.4	51.4
N.Ireland	(2.7%)	47.8	49.5	48.8
UK	(100.0%)	50.4	50.8	50.1
Rep. of Ireland	n/a	51.2	52.1	50.8

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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We work together to achieve business success, no matter how simple or complex our customers' requirements. A combination of size, financial strength

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