

# 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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The Ulster Bank Northern Ireland PMI<sup>®</sup> is produced by Markit Economics, an independent research company that produces highly-regarded surveys of business conditions in nations around the world.

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## Northern Ireland output declines again in September

Latest data from Ulster Bank showed Northern Ireland private sector activity falling sharply again in September as new business continued to decline. Trends in Northern Ireland pointed to ongoing underperformance relative to the UK average. Meanwhile, the rate of input cost inflation accelerated, but strong competition for new business led to a further reduction in output prices during the month.

### Activity continues to fall

As has been the case in each month since last December, business activity at firms in Northern Ireland decreased in September. The pace of reduction was substantial, despite easing since the previous month. The fall in output at Northern Ireland companies contrasted with modest growth at the UK level. Those respondents that posted a decline in activity signalled that this was mainly due to lower new business.

New orders decreased for the fifty-eighth successive month in September, with panellists reporting subdued client demand. The rate of contraction remained substantial as around one-quarter of survey respondents indicated that new business had decreased since August. New export orders also fell during the month, and at a slightly faster pace.

### Solid reduction in employment

With workloads falling, firms used the non-replacement of leaving staff to reduce employment levels. Job cuts were recorded for the tenth month in a row, and at a broadly similar pace to that seen in August. The fall in employment in Northern Ireland was faster than the UK economy average.

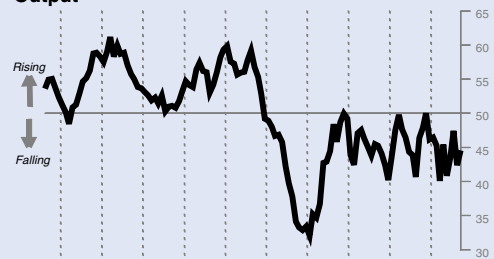
Lower new orders also led companies to work through existing projects during September. As a result, backlogs of work decreased. The rate of depletion slowed over the month to the weakest since November 2011, but remained marked.

### Cost inflation accelerates

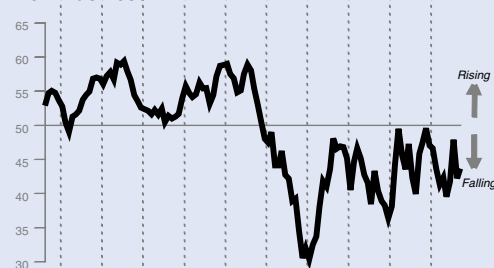
Input prices at Northern Ireland firms rose sharply in September, and at a faster pace than the UK economy average. Moreover, the rate of inflation accelerated to the steepest since April. Respondents highlighted increased fuel costs as the main reason for the rise in input prices.

Despite increased cost burdens, companies continued to lower their output prices during the month amid strong competition for scarce new business. Although slowing from the previous month, the rate of decline in prices charged was still marked. Output prices at Northern Ireland firms have decreased in each month since February, suggesting an ongoing squeeze on operating margins.

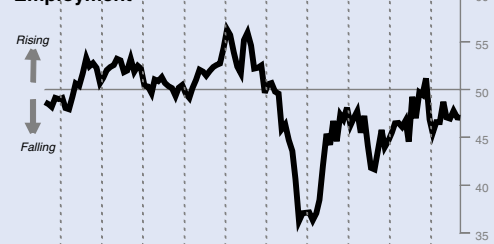
### Output



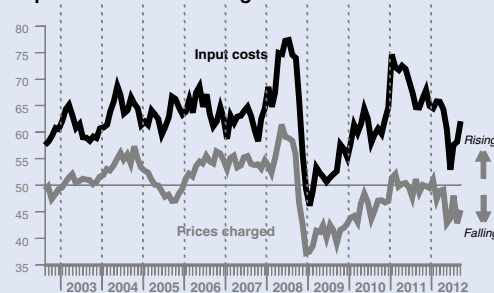
### New Business



### Employment



### Input Costs/Prices Charged



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.

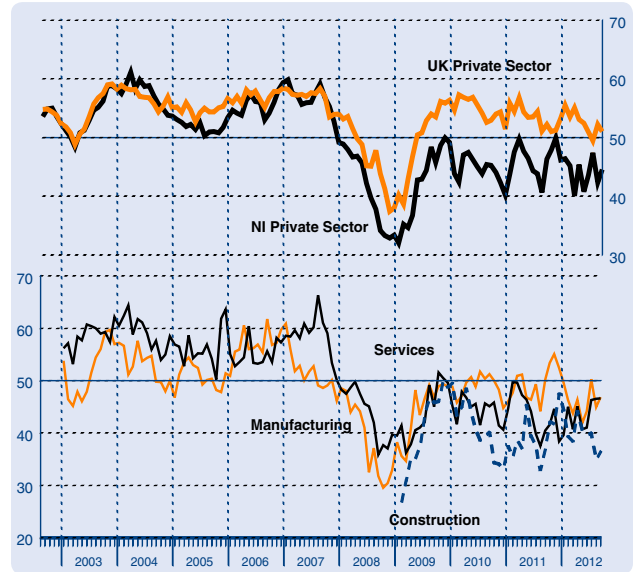
**Output / Business Activity**

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 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          |
| Sep                        | 19.1     | 54.9   | 26.1    | -7.0    | 46.5            | 44.6          | 51.1          |

September data pointed to a marked reduction in activity at firms in the Northern Ireland private sector. This was despite the rate of contraction easing over the month from August's three-month high. The fall in activity in Northern Ireland compared with a slight rise in output registered across the UK as a whole. Those respondents that signalled a decrease in output mainly linked this to declining new order levels. More than 26% of panellists reported lower activity, against 19% that posted a rise. All four monitored sectors posted falling activity, with the strongest reduction seen at construction firms.

| By sector |              |               |          |
|-----------|--------------|---------------|----------|
|           | Construction | Manufacturing | Services |
| '12 Jul   | 40.0         | 50.3          | 46.3     |
| Aug       | 34.9         | 45.0          | 46.6     |
| Sep       | 36.5         | 46.9          | 46.6     |



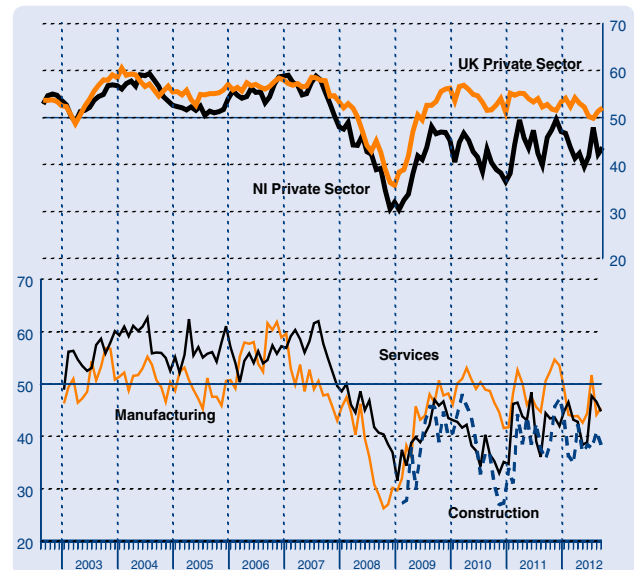
**New Business**

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 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          | 50.3          |
| 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          | 51.4          |
| Sep                        | 19.2     | 56.1   | 24.7    | -5.4    | 47.3            | 43.7          | 52.1          |

As has been the case in each month since December 2007, new orders at companies in Northern Ireland decreased in September. Although slightly weaker than in the previous month, the rate of decline remained substantial. In contrast, new business rose for the second successive month at the UK level. According to respondents, client demand remained subdued, leading to delays and a lack of tender opportunities. Almost one-quarter of respondents registered a contraction in new orders during the month. In line with the trend for activity, all four sectors saw decreasing new business, led by constructors.

| By sector |              |               |          |
|-----------|--------------|---------------|----------|
|           | Construction | Manufacturing | Services |
| '12 Jul   | 37.7         | 51.7          | 47.8     |
| Aug       | 41.0         | 44.2          | 46.7     |
| Sep       | 38.4         | 45.5          | 44.8     |



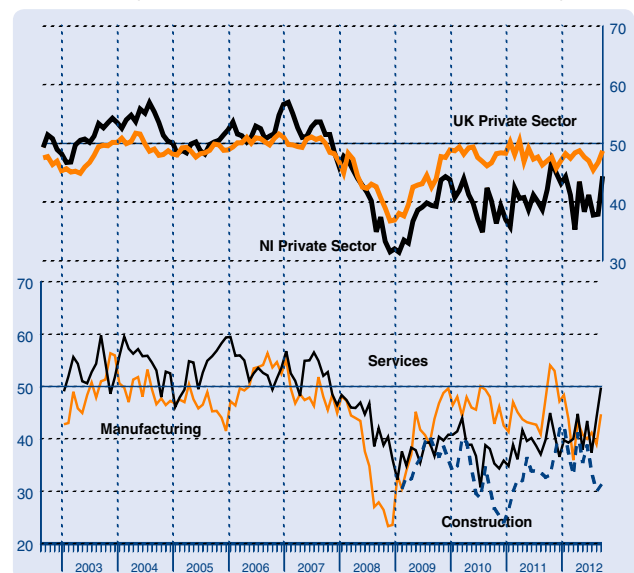
**Backlogs**

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 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          |
| Sep                        | 17.4     | 64.6   | 18.0    | -0.6    | 49.7            | 44.5          | 48.8          |

Firms in the Northern Ireland private sector worked through outstanding business again in September, with anecdotal evidence suggesting that the depletion of backlogs was largely reflective of falling new orders. Work-in-hand has now decreased in each of the past 59 months. That said, the pace of depletion slowed for the second month running, and was the weakest since November 2011. The fall in outstanding business in Northern Ireland was still much faster than the UK average. The construction and manufacturing sectors posted marked declines in backlogs, while work-in-hand at service providers was broadly unchanged.

| By sector |              |               |          |
|-----------|--------------|---------------|----------|
|           | Construction | Manufacturing | Services |
| '12 Jul   | 33.8         | 41.2          | 37.4     |
| Aug       | 30.1         | 39.0          | 44.1     |
| Sep       | 31.3         | 44.7          | 49.8     |



## Employment

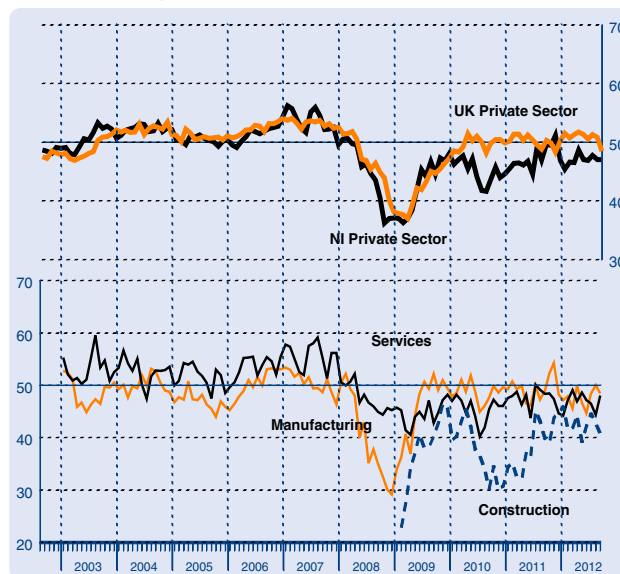
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

| Northern Ireland Companies |          |        |         | All UK  |                 |               |               |
|----------------------------|----------|--------|---------|---------|-----------------|---------------|---------------|
|                            | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S.Adj'd Index | S.Adj'd Index |
| 2012 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          | 51.3          |
| 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          | 48.5          |

Staffing levels at companies in Northern Ireland decreased in September, extending the current sequence of job cuts to ten months. In fact, employment has fallen in all but one month since March 2008. The latest reduction in staffing levels was solid, and broadly unchanged from that recorded in August. Meanwhile, total UK employment also fell during the month, but at a slower pace than in Northern Ireland.

Panellists often linked job cuts to the non-replacement of leaving staff. Employment declined across the four monitored sectors, with the steepest job cuts at construction firms.

| By sector |  |              |                |          |
|-----------|--|--------------|----------------|----------|
|           |  | Construction | Manuf-acturing | Services |
| '12 Jul   |  | 44.7         | 48.4           | 46.6     |
| Aug       |  | 42.9         | 50.1           | 44.4     |
| Sep       |  | 40.7         | 48.5           | 48.1     |



## Input Costs

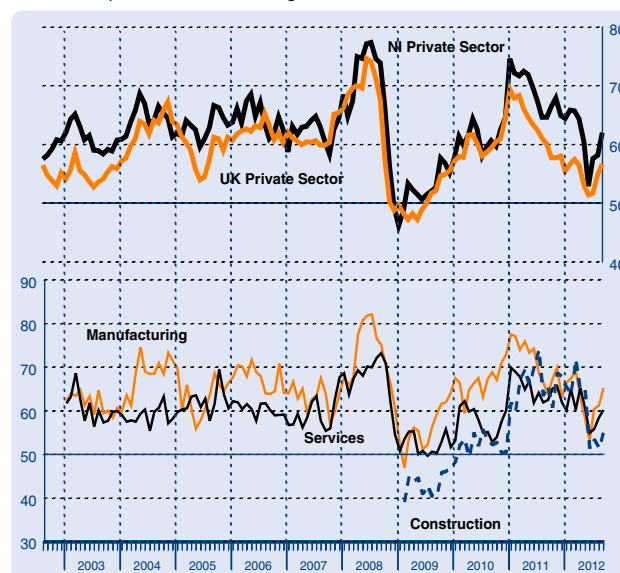
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

| Northern Ireland Companies |          |        |         | All UK  |                 |               |               |
|----------------------------|----------|--------|---------|---------|-----------------|---------------|---------------|
|                            | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S.Adj'd Index | S.Adj'd Index |
| 2012 Apr                   | 35.5     | 61.9   | 2.6     | 33.0    | 66.5            | 64.4          | 56.5          |
| May                        | 29.2     | 65.6   | 5.3     | 23.9    | 62.0            | 60.5          | 53.1          |
| 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          | 55.0          |
| Sep                        | 28.5     | 68.4   | 3.1     | 25.4    | 62.7            | 62.1          | 56.7          |

Input prices increased sharply at private sector companies in Northern Ireland during September. Furthermore, the rate of inflation accelerated for the third successive month to the sharpest since April and was broadly in line with the series average. The rise in input costs in Northern Ireland was sharper than the UK economy average. Around 29% of panellists signalled cost inflation during the month, and mainly linked this to higher fuel costs.

On the other hand, just 3% of respondents noted a fall in input costs. The sharpest rise in input prices was seen at manufacturing firms, while the slowest inflation was recorded in the construction sector.

| By sector |  |              |                |          |
|-----------|--|--------------|----------------|----------|
|           |  | Construction | Manuf-acturing | Services |
| '12 Jul   |  | 53.4         | 60.4           | 55.8     |
| Aug       |  | 51.5         | 61.3           | 58.5     |
| Sep       |  | 55.3         | 65.4           | 60.2     |



## Prices Charged

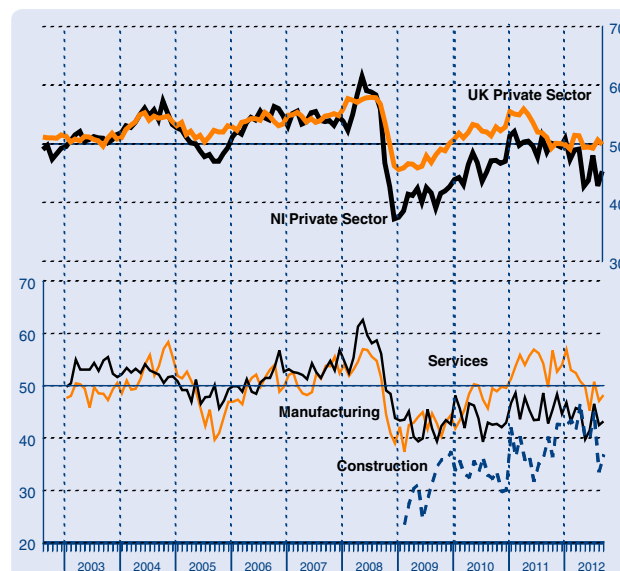
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

| Northern Ireland Companies |          |        |         | All UK  |                 |               |               |
|----------------------------|----------|--------|---------|---------|-----------------|---------------|---------------|
|                            | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S.Adj'd Index | S.Adj'd Index |
| 2012 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          |
| Sep                        | 7.7      | 74.5   | 17.8    | -10.2   | 44.9            | 45.4          | 50.0          |

In contrast to the trend for input prices, companies in Northern Ireland continued to lower their prices charged during September. The pace of reduction remained marked, despite easing from the previous month. The reduction in charges in Northern Ireland compared with no change in average tariffs across the UK economy as a whole. Those respondents that recorded a decrease in prices charged during the month indicated that this was mainly reflective of strong competition for new business.

Retail was the only sector to post a rise in output prices, with the sharpest reduction seen at construction companies.

| By sector |  |              |                |          |
|-----------|--|--------------|----------------|----------|
|           |  | Construction | Manuf-acturing | Services |
| '12 Jul   |  | 44.9         | 50.8           | 46.6     |
| Aug       |  | 33.7         | 47.1           | 42.5     |
| Sep       |  | 36.9         | 48.3           | 43.2     |



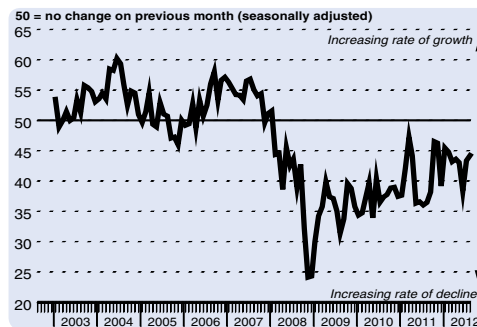
**New Export Business\***

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

**Northern Ireland Companies**

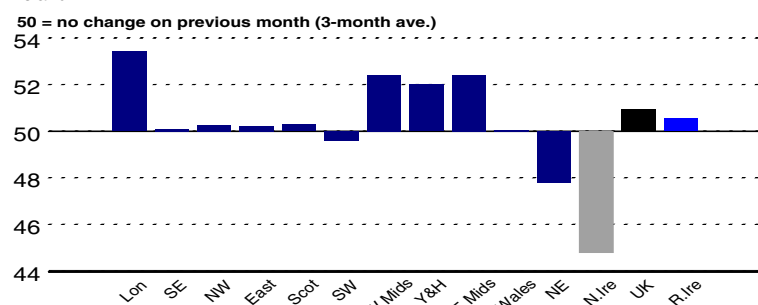
|      |     | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S.Adj'd Index |
|------|-----|----------|--------|---------|---------|-----------------|---------------|
| 2012 | Apr | 17.8     | 53.0   | 29.2    | -11.3   | 44.3            | 43.7          |
|      | May | 17.2     | 49.9   | 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          |
|      | Sep | 12.3     | 64.1   | 23.6    | -11.3   | 44.4            | 43.1          |

Northern Ireland companies recorded a further reduction in new export orders in September. The rate of decline was substantial, and slightly faster than in August. New business from abroad has now decreased in each of the past 56 months.



**Regional Comparisons: Output / Business Activity**

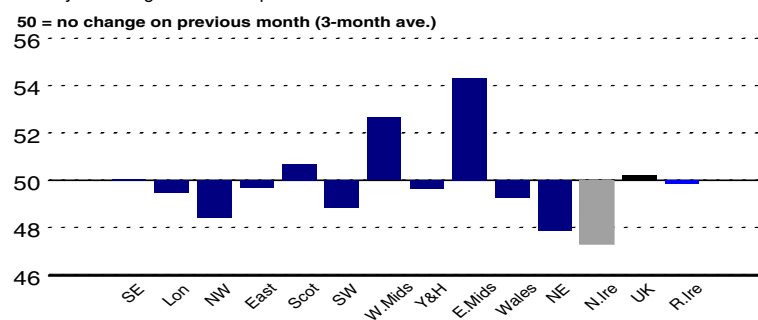
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Only three of the twelve UK regions registered a reduction of business activity on average over the third quarter, with by far the fastest decline in Northern Ireland. London posted the strongest pace of growth, followed by the East Midlands and West Midlands. Meanwhile, output rose slightly in the Republic of Ireland.



|                 | Share of UK GVA, 2010 (National Statistics) | Last 12 months | PMI Output Index Latest 3 months | Latest month |
|-----------------|---|----------------|----------------------------------|--------------|
| London          | (21.5%)                                     | 53.6           | 53.4                             | 52.1         |
| South East      | (14.7%)                                     | 51.9           | 50.1                             | 50.3         |
| North West      | (9.5%)                                      | 52.3           | 50.3                             | 53.0         |
| East of England | (8.7%)                                      | 52.0           | 50.2                             | 53.7         |
| Scotland        | (8.3%)                                      | 51.5           | 50.3                             | 49.6         |
| South West      | (7.7%)                                      | 51.3           | 49.6                             | 49.6         |
| West Midlands   | (7.3%)                                      | 54.8           | 52.4                             | 52.1         |
| Yorks & Humber  | (7.0%)                                      | 53.6           | 52.0                             | 52.9         |
| East Midlands   | (6.4%)                                      | 53.1           | 52.4                             | 52.4         |
| Wales           | (3.6%)                                      | 50.1           | 50.1                             | 52.4         |
| North East      | (3.2%)                                      | 49.0           | 47.8                             | 50.0         |
| N.Ireland       | (2.2%)                                      | 45.0           | 44.8                             | 44.6         |
| <b>UK</b>       | <b>(100.0%)</b>                             | <b>52.5</b>    | <b>51.0</b>                      | <b>51.1</b>  |
| Rep. of Ireland | n/a   | 50.3           | 50.6                             | 51.7         |

**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 only three of the twelve UK regions on average over the third quarter. The steepest rate of jobs growth was in the East Midlands. Northern Ireland and the North East meanwhile saw the most marked falls in employment numbers. Staffing levels were broadly unchanged in the Republic of Ireland.



|                 | Contribution to UK Employment, 2008 (National Statistics) | Last 12 months | PMI Employment Index Latest 3 months | Latest month |
|-----------------|---|----------------|--------------------------------------|--------------|
| South East      | (14.6%)   | 51.1           | 50.0                                 | 47.9         |
| London          | (12.3%)   | 49.0           | 49.5                                 | 45.9         |
| North West      | (10.9%)   | 49.3           | 48.4                                 | 47.6         |
| East of England | (9.6%)  | 51.0           | 49.7                                 | 47.6         |
| Scotland        | (8.7%)  | 51.0           | 50.7                                 | 50.1         |
| South West      | (8.6%)  | 50.0           | 48.9                                 | 46.8         |
| West Midlands   | (8.6%)  | 52.5           | 52.7                                 | 51.1         |
| Yorks & Humber  | (8.2%)  | 51.2           | 49.7                                 | 49.1         |
| East Midlands   | (7.3%)  | 53.7           | 54.3                                 | 53.8         |
| Wales           | (4.6%)  | 48.4           | 49.3                                 | 48.1         |
| North East      | (3.9%)  | 50.0           | 47.9                                 | 46.8         |
| N.Ireland       | (2.7%)  | 47.6           | 47.3                                 | 47.0         |
| <b>UK</b>       | <b>(100.0%)</b>   | <b>50.6</b>    | <b>50.2</b>                          | <b>48.5</b>  |
| Rep. of Ireland | n/a   | 49.1           | 49.9                                 | 51.3         |

**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.

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