

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 further in December, albeit at reduced rate

According to latest data from Ulster Bank, the Northern Ireland private sector remained in contraction during December, and continued to underperform relative to the UK as a whole. Further marked reductions were seen in activity and new orders, despite companies offering discounts to clients. Lower workloads and attempts to reduce costs led to a further decline in employment, albeit at a slower pace.

Slower reduction in activity

A further decrease in business activity was recorded across the Northern Ireland private sector in December, although the rate of contraction eased to the slowest in five months. The decline was still marked, however, and compared with stagnation at the UK level. All four sectors posted falling activity, led by services. Reduced client demand was mentioned by those respondents that posted a decrease in output.

Panellists reported a lack of opportunities to secure new business, leading to another decrease in incoming new orders in December. As with activity, the rate of decline eased from the previous month, but remained faster than the UK average. New export orders also fell, but at a much slower pace than in November.

Further fall in employment

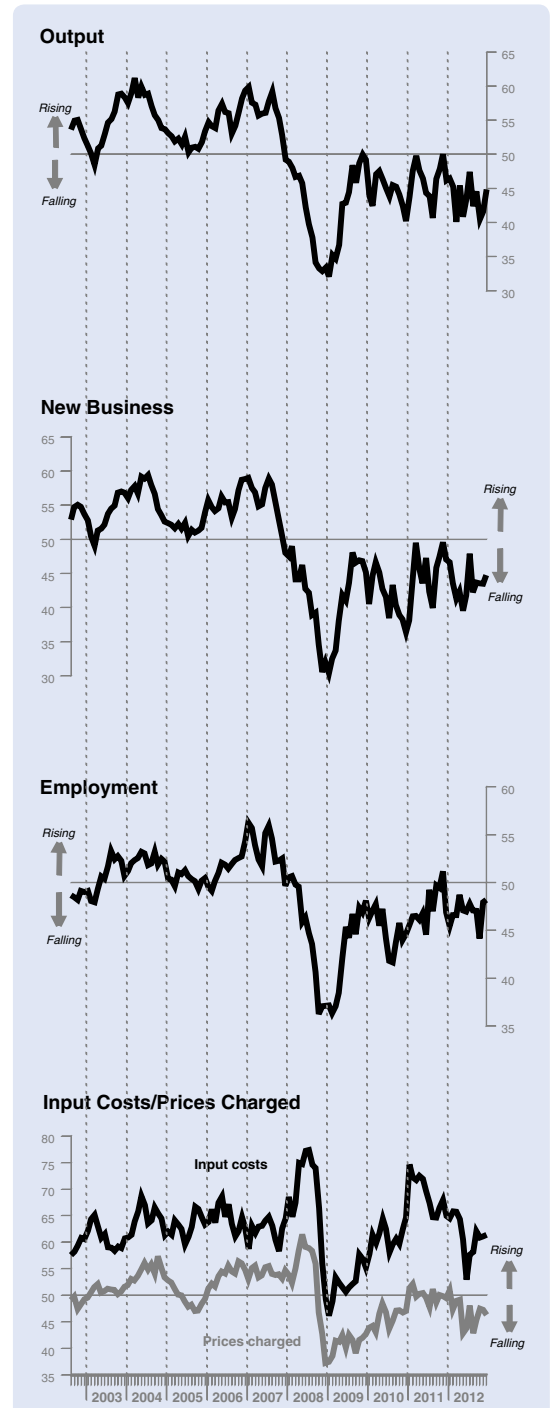
With new orders decreasing again, firms worked through their backlogs of work and lowered staffing levels. Outstanding business was depleted at a substantial pace, albeit the slowest in three months.

Panellists also reported that attempts to reduce costs had been behind the latest fall in employment. That said, the rate of job cuts eased for the second month running to the slowest since April 2012. In contrast to the overall trend, the manufacturing sector recorded an increase in staffing levels during December.

Cost inflation remains sharp

Northern Ireland companies registered another strong rise in input costs during the month. The rate of inflation quickened slightly from November, and remained well above the average for the UK economy as a whole. Higher energy and fuel prices were mentioned by respondents. On a sectoral basis, the fastest increase in input costs was at manufacturers.

Strong competitive pressure meant that companies in Northern Ireland continued to lower their output prices in December, despite further cost inflation. Moreover, the pace of reduction quickened and was the fastest in three months. The fall in prices charged in Northern Ireland contrasted with a modest increase at the UK level.



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.

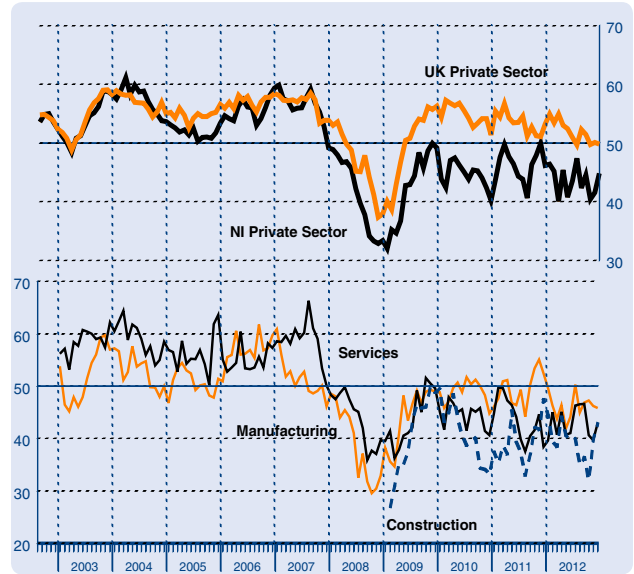
Output / Business Activity

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 Jul	12.7	56.7	30.6	-17.8	41.1	47.4	49.7
Aug	18.1	46.4	35.5	-17.4	41.3	42.4	52.3
Sep	19.1	54.9	26.1	-7.0	46.5	44.6	51.5
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	50.1
Dec	19.5	52.4	28.1	-8.6	45.7	44.8	49.9

Northern Ireland private sector firms posted a further decline in activity during December, extending the current sequence of reduction to 13 months. The rate of contraction eased for the second month running to the slowest since July. However, the reduction at Northern Ireland firms was still marked, and compared with stagnation across the UK economy as a whole. Where activity decreased, this was mainly linked to weakening client demand. All four monitored sectors posted falling activity in December, led by services. The slowest reduction was in manufacturing, although this was the only sector to see a sharper decline than in November.

By sector			
	Construction	Manufacturing	Services
'12 Oct	32.1	47.3	40.7
Nov	39.9	46.3	39.7
Dec	43.1	45.9	43.0



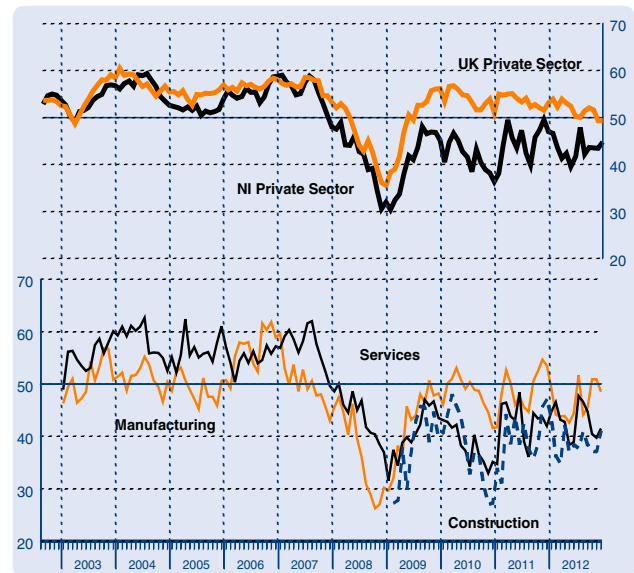
New Business

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 Jul	16.4	54.1	29.6	-13.2	43.4	47.9	50.0
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

As has been the case in each month since December 2007, new business decreased in Northern Ireland during December 2012. The rate of decline remained marked, despite easing slightly to the slowest in five months. The fall in Northern Ireland was much faster than the UK average. Panellists highlighted a lack of opportunities to secure new business, and the need to offer discounts. Close to 35% of respondents noted a decline in new orders, against 20% that posted an increase. Manufacturers registered a first reduction in new business in three months, although the pace of decline was much weaker than in the three remaining sectors.

By sector			
	Construction	Manufacturing	Services
'12 Oct	37.2	50.9	40.5
Nov	37.2	51.0	39.8
Dec	40.9	48.5	41.5



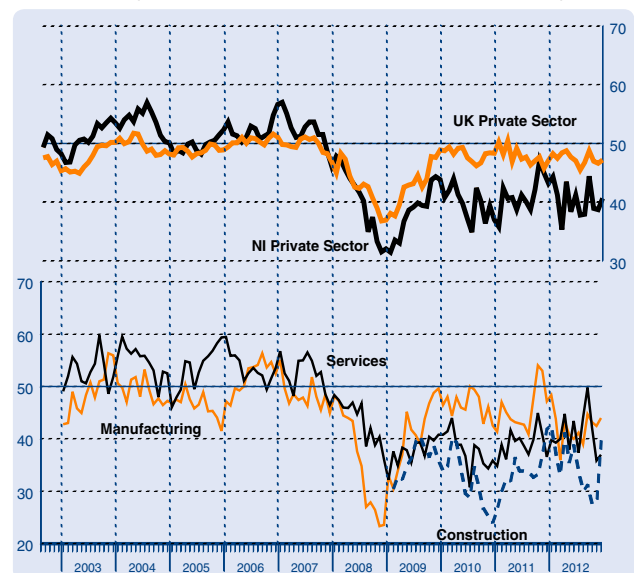
Backlogs

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 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
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

According to respondents in December, falling new orders was again a key factor leading to a depletion of outstanding business. The Northern Ireland private sector recorded a substantial reduction in backlogs of work, albeit the slowest in three months. The fall in outstanding business in Northern Ireland remained steeper than that seen at the UK level. Work-in-hand (but not yet completed) has now decreased in each of the past 62 months. All four monitored sectors posted declining backlogs, with the sharpest fall at service providers. Manufacturers registered the weakest reduction in outstanding business.

By sector			
	Construction	Manufacturing	Services
'12 Oct	27.6	43.2	42.2
Nov	27.8	42.5	35.9
Dec	39.6	44.0	37.0



Employment

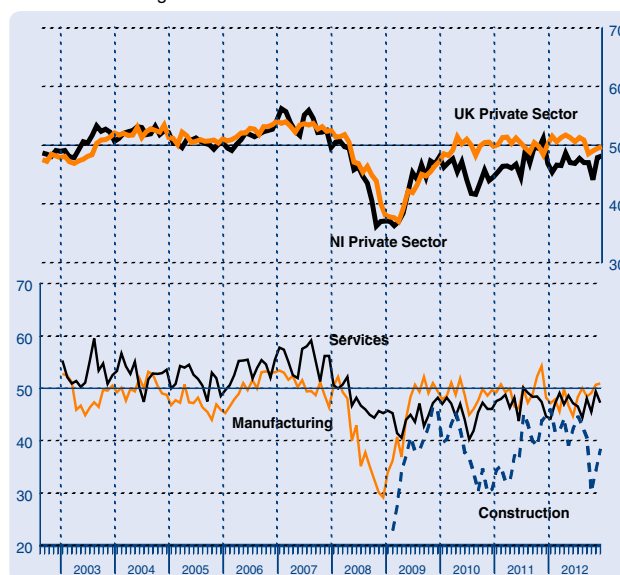
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2012 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	48.6
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	49.8

December data pointed to a further reduction in employment at Northern Ireland companies. However, the rate of job cuts slowed for the second successive month, and was the weakest since April 2012. The rate of decline in staffing levels in Northern Ireland remained faster than the UK economy average, where job shedding also eased during December. Respondents indicated that lower workloads had partly

led to the latest reduction in employment, while attempts to cut costs were also mentioned. The only sector to increase staffing levels was manufacturing, where employment rose for the second month running.

By sector				
		Construction	Manuf-acturing	Services
'12 Oct		30.2	49.1	45.6
Nov		34.4	50.7	49.5
Dec		38.3	51.0	47.3



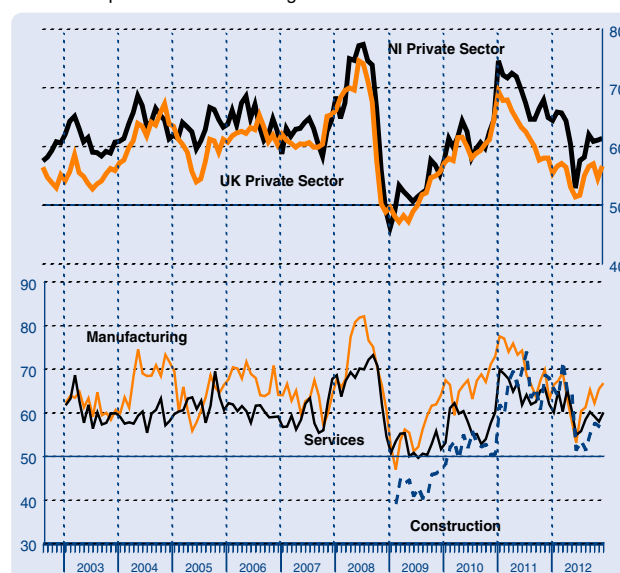
Input Costs

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 Jul	21.7	68.7	9.7	12.0	56.0	57.7	51.8
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	56.6
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	56.7

Northern Ireland companies posted a further sharp increase in input costs during December. The rate of inflation was sharper than that seen across the UK economy as a whole, as has been the case in each month throughout the past two years. The latest rise was marginally quicker than seen in the previous month, and the sharpest since September. Those panellists that recorded an increase in input prices mainly linked this to higher energy costs, with fuel also reportedly up in price. Inflation quickened at manufacturers and service providers, but eased marginally in the construction and retail sectors.

By sector				
		Construction	Manuf-acturing	Services
'12 Oct		57.7	62.2	59.2
Nov		56.9	65.5	58.0
Dec		56.1	66.8	60.2



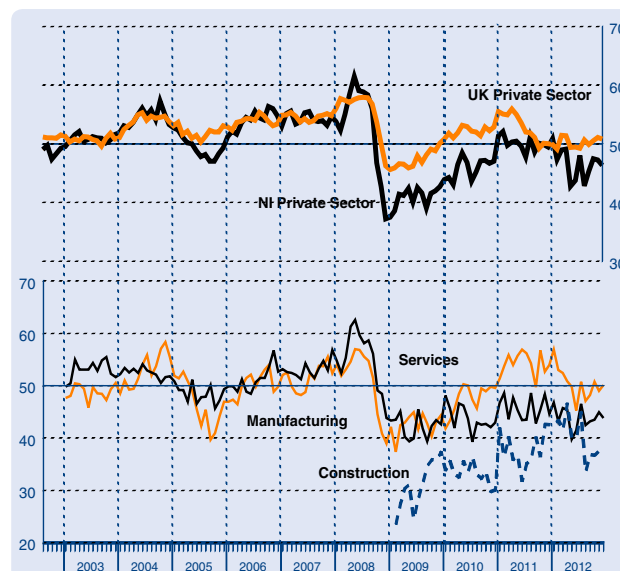
Prices Charged

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 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
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

Output prices continued to decrease during December, extending the current sequence of falling charges to 11 months. Furthermore, the latest decline was solid, and the fastest in three months. The fall in output prices at Northern Ireland companies contrasted with a slight increase at the UK level. According to panellists, strong competitive pressure was the main reason for the latest decline in output prices. Divergent trends between the four monitored sectors were registered in December. Sharp reductions in charges were seen in services and construction, while manufacturing and retail increased their output prices slightly.

By sector				
		Construction	Manuf-acturing	Services
'12 Oct		36.8	50.8	43.5
Nov		37.7	49.0	44.9
Dec		38.1	50.2	43.9



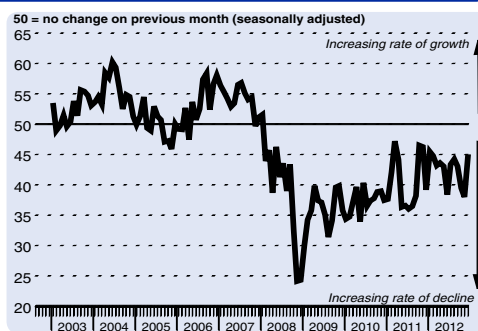
New Export Business*

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

Northern Ireland Companies

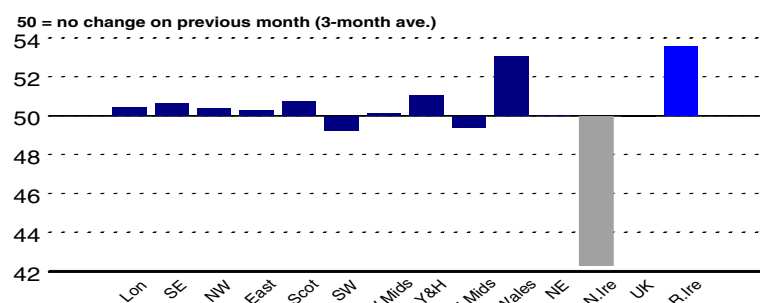
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2012	Jul	15.0	54.7	30.4	-15.4	42.3	43.4
	Aug	12.8	60.8	26.4	-13.7	43.2	44.3
	Sep	12.3	64.1	23.6	-11.3	44.4	43.1
	Oct	13.2	53.0	33.9	-20.7	39.7	39.5
	Nov	18.1	38.1	43.9	-25.8	37.1	38.1
	Dec	17.9	52.6	29.5	-11.7	44.2	45.1

Although new export orders at Northern Ireland companies decreased solidly again in December, the rate of contraction slowed markedly and was the weakest since January. Around 30% of respondents noted a decline in new business from abroad, against 18% that posted an increase.



Regional Comparisons: Output / Business Activity

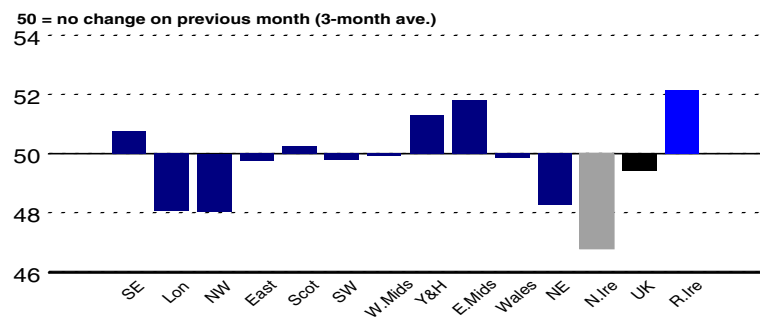
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The vast majority of UK regions were close to stagnation on average in the final quarter of 2012. Wales was the main part of the UK to outperform, posting a solid expansion. In contrast, Northern Ireland registered a further steep contraction. Meanwhile, the Republic of Ireland posted a solid increase in activity.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	53.4	50.4	50.3
South East	(14.7%)	52.1	50.6	49.1
North West	(9.5%)	51.4	50.4	47.9
East of England	(8.7%)	51.7	50.3	50.8
Scotland	(8.3%)	51.4	50.7	51.2
South West	(7.7%)	50.4	49.3	50.4
West Midlands	(7.3%)	53.9	50.1	51.8
Yorks & Humber	(7.0%)	52.5	51.0	52.5
East Midlands	(6.4%)	52.5	49.4	48.6
Wales	(3.6%)	51.3	53.1	52.0
North East	(3.2%)	49.0	50.0	49.9
N.Ireland	(2.2%)	43.6	42.3	44.8
UK	(100.0%)	51.9	49.9	49.9
Rep. of Ireland	n/a	51.1	53.6	52.9

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). Eight of the twelve UK regions posted lower staffing levels on average during Q4 2012, but the rates of decline were generally only modest. Of the regions to register higher employment in the three months to December, the fastest rise was in the East Midlands. The Republic of Ireland posted employment growth over the three-month period.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.1	50.8	51.3
London	(12.3%)	49.2	48.1	48.5
North West	(10.9%)	48.8	48.1	47.9
East of England	(9.6%)	50.9	49.8	50.2
Scotland	(8.7%)	51.0	50.3	50.6
South West	(8.6%)	50.2	49.8	49.7
West Midlands	(8.6%)	52.2	49.9	49.3
Yorks & Humber	(8.2%)	51.3	51.3	51.8
East Midlands	(7.3%)	53.3	51.8	52.2
Wales	(4.6%)	49.6	49.8	50.9
North East	(3.9%)	49.2	48.3	48.4
N.Ireland	(2.7%)	47.0	46.8	48.2
UK	(100.0%)	50.5	49.4	49.8
Rep. of Ireland	n/a	50.3	52.2	52.2

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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and wide ranging capability means we can deliver for our customers, whatever their business may be.

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.

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.

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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