

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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First rise in new business since November 2007

The Northern Ireland private sector saw a broad stabilisation in activity during June, while both new business and backlogs of work returned to growth. Firms continued to lower their staffing levels, however. Meanwhile, the rate of input cost inflation remained sharp, but companies left their output prices unchanged.

New orders return to growth

The headline seasonally adjusted Business Activity Index posted 49.8 in June, up from 49.6 in May and signalling that activity decreased only fractionally during the month. However, this compared with a sharp rise in output across the UK economy as a whole. Growth in activity was seen at manufacturers, construction firms and retailers, while services companies recorded a modest decline.

New business increased in June, ending a five-and-a-half year period of contraction. Panellists reported that signs of improving client confidence had helped them to secure new contracts. Meanwhile, new export orders continued to fall, albeit at a much slower pace than seen in the previous month.

Backlogs of work increase

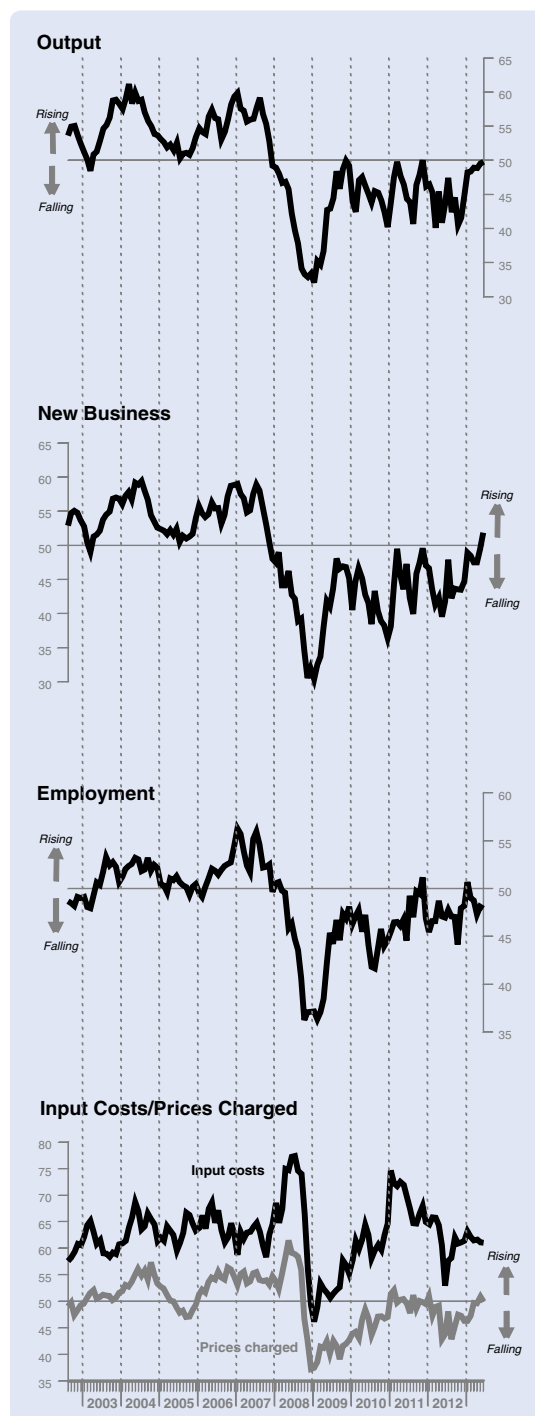
A return to growth in new business led to an accumulation of work-in-hand during June. This was the first rise in outstanding business since October 2007. Moreover, the accumulation of unfinished business in Northern Ireland was slightly faster than the UK economy average. Backlogs of work increased across the manufacturing sector, but fell at services and construction companies.

Despite higher new orders and backlogs of work, companies in the Northern Ireland private sector continued to lower their employment numbers during June. Some respondents linked this to the non-replacement of leaving staff. The rate of job cuts was slightly faster than seen in May.

Cost inflation remains marked

June data signalled a further sharp increase in input prices at Northern Ireland companies, with panellists largely attributing the latest rise to higher utility costs. The rate of inflation was again much faster than the average for the UK as a whole. Marked increases in input prices were seen across all four monitored sectors.

Prices charged were unchanged at Northern Ireland private sector firms during June, following a slight increase in May. Some panellists had been able to pass on higher input costs to clients, but competitive pressures led others to lower their charges. Average prices charged rose at retailers and manufacturers, but fell at services and construction companies.



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.

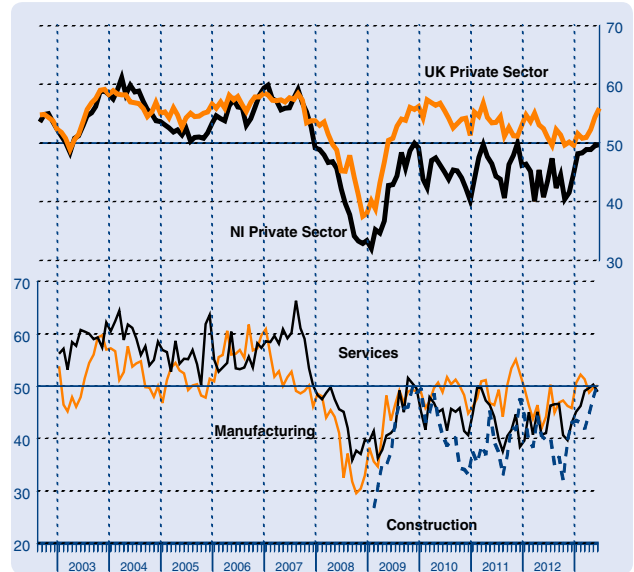
Output / Business Activity

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
2013	Jan	21.0	44.9	34.0	-13.0	43.5	48.3	51.6
	Feb	22.2	55.2	22.6	-0.4	49.8	48.4	50.8
	Mar	27.2	52.2	20.6	6.7	53.3	48.9	51.0
	Apr	27.4	51.4	21.2	6.2	53.1	48.9	52.3
	May	26.2	50.2	23.5	2.7	51.3	49.6	54.4
	Jun	22.6	54.2	23.2	-0.5	49.7	49.8	56.0

Business activity at Northern Ireland companies was broadly unchanged in June, as the rate of decline eased for the second successive month. That said, Northern Ireland still underperformed relative to the UK as a whole, where marked growth of output was recorded. Those respondents that recorded an increase in activity often linked this to higher new orders. However, some panellists indicated that the completion of projects had led to a drop in output. A return to growth of activity was recorded in the manufacturing, construction and retail sectors. Meanwhile, services output fell modestly, following an increase in the previous month.

By sector				
		Construction	Manufacturing	Services
'13	Apr	44.9	48.8	49.7
	May	47.8	49.7	50.3
	Jun	50.9	50.2	48.9



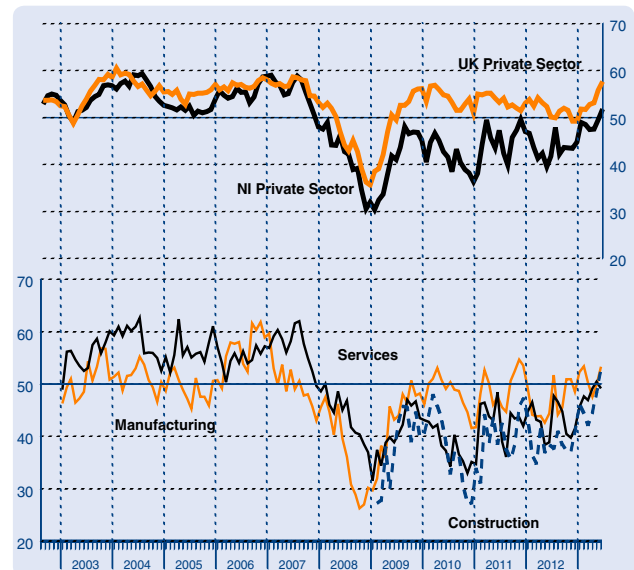
New Business

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
2013	Jan	24.6	44.4	31.0	-6.4	46.8	49.0	51.8
	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	52.8
	Apr	25.2	52.0	22.8	2.4	51.2	47.5	53.1
	May	26.4	48.4	25.2	1.2	50.6	49.5	55.8
	Jun	28.6	47.5	24.0	4.6	52.3	51.9	57.7

New orders increased across the Northern Ireland private sector during June, ending a five-and-a-half year sequence of contraction. That said, the modest rate of expansion was much weaker than the UK economy average. A number of panellists reported having secured new contracts during the month amid signs of improving client confidence. The overall rise in new orders was driven by growth at manufacturers and construction companies. The rise in construction new business was the first since data were first available in February 2009. Meanwhile, services and retail companies posted modest reductions in new orders.

By sector				
		Construction	Manufacturing	Services
'13	Apr	44.7	47.6	49.2
	May	48.4	49.9	50.4
	Jun	53.4	53.4	49.2



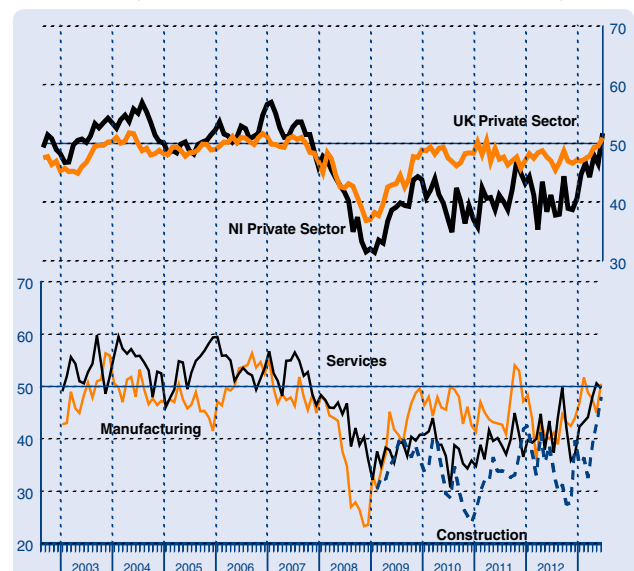
Backlogs

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
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
	Apr	17.0	68.5	14.5	2.5	51.3	48.0	49.4
	May	15.5	61.5	23.0	-7.4	46.3	46.6	49.6
	Jun	20.8	67.9	11.3	9.5	54.7	51.8	51.0

According to respondents, higher new orders led to an accumulation of backlogs of work during June, the first time a rise in outstanding business had been recorded since October 2007. The increase in backlogs in Northern Ireland was also slightly faster than that seen across the UK economy as a whole. Work-in-hand (but not yet completed) increased marginally at manufacturing firms, ending a three-month sequence of decline. Backlogs of work were broadly unchanged at services companies, while construction posted a much weaker reduction in outstanding business than seen in May.

By sector				
		Construction	Manufacturing	Services
'13	Apr	39.1	47.6	48.1
	May	43.1	45.0	50.6
	Jun	47.9	50.5	49.7



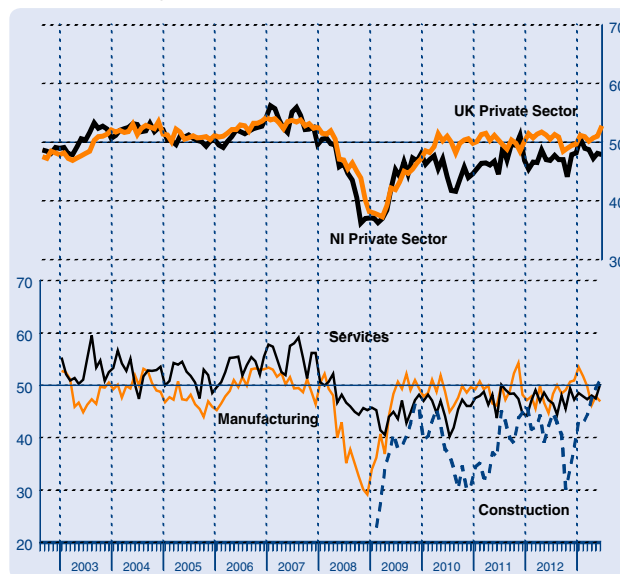
Employment

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
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	50.2
Apr	9.9	76.0	14.1	-4.2	47.9	47.3	50.8
May	11.2	75.8	13.1	-1.9	49.0	48.1	51.0
Jun	9.2	79.2	11.6	-2.4	48.8	47.9	52.8

Despite seeing growth of new business in June, Northern Ireland companies continued to lower their staffing levels over the month. The rate of job cuts was broadly in line with that registered in May. The fall in employment in Northern Ireland contrasted with job creation at the whole-UK level. Around 12% of panellists reported a drop in staffing levels, which they linked to the non-replacement of leavers. On the other hand, around 9% of respondents increased employment. Staffing levels rose at service providers and construction firms, but fell at manufacturers and retailers.

By sector			
	Construction	Manufacturing	Services
'13 Apr	47.7	46.2	48.1
May	49.6	47.9	47.6
Jun	51.3	47.0	50.3



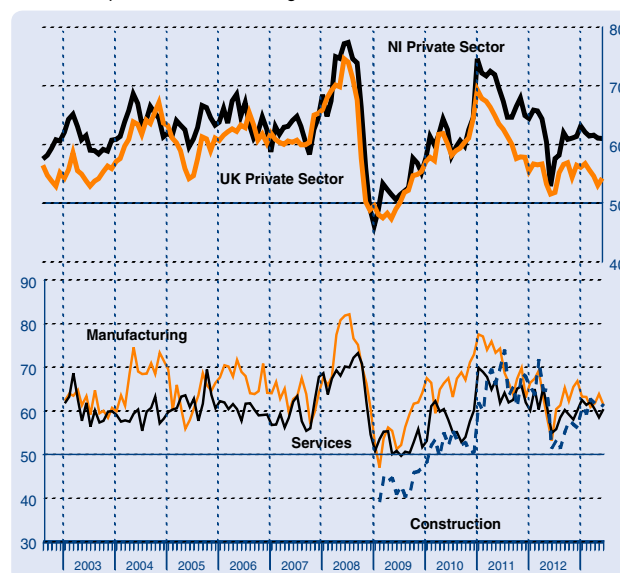
Input Costs

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
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	56.8
Mar	31.5	66.3	2.2	29.4	64.7	61.5	55.7
Apr	27.3	72.1	0.6	26.6	63.3	61.6	54.7
May	27.9	70.0	2.1	25.7	62.9	61.1	53.1
Jun	26.5	71.1	2.4	24.0	62.0	61.0	54.3

Input prices at Northern Ireland companies increased sharply in June, with the rate of inflation little-changed from the previous month. The increase in input costs in Northern Ireland was again much sharper than the UK economy average. Anecdotal evidence suggested that higher utility costs had been the main driver of inflation, while some panellists reported rising average staff costs. Around 27% of panellists signalled cost inflation, against just 2% that posted a fall in prices. All four monitored sectors posted sharp increases in input costs, led by manufacturing and construction.

By sector			
	Construction	Manufacturing	Services
'13 Apr	61.8	61.8	60.4
May	62.0	63.9	58.6
Jun	61.1	61.4	60.4



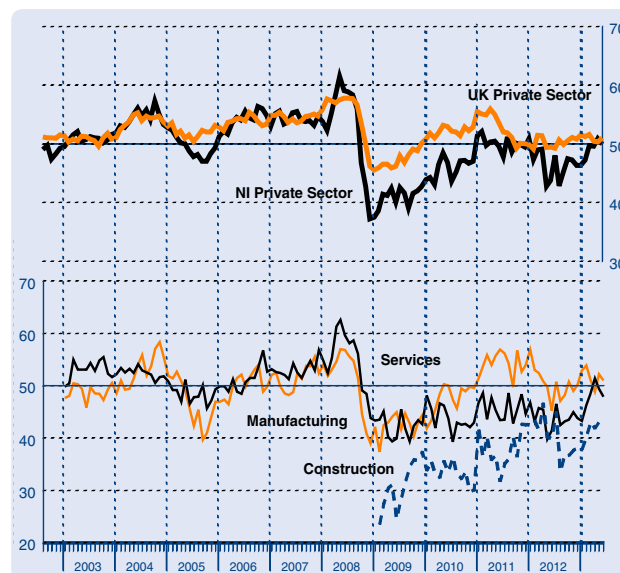
Prices Charged

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
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
Apr	15.1	75.4	9.5	5.6	52.8	49.6	50.5
May	15.8	76.4	7.8	8.0	54.0	50.9	50.4
Jun	6.7	85.6	7.7	-1.0	49.5	50.0	51.1

Output prices were unchanged in June, following a marginal increase in the previous month. This compared with a slight rise in charges at the UK-wide level. Where an increase in output prices was recorded, this was mainly linked to the passing on of higher input costs to clients. On the other hand, competitive pressures had led some panellists to lower their charges. A solid increase in retail prices was recorded, with the rate of inflation quickening in June. Manufacturers also posted a rise in charges. Construction firms lowered their output prices at a marked pace again, while the pace of decline at services companies was solid.

By sector			
	Construction	Manufacturing	Services
'13 Apr	42.0	48.9	51.4
May	43.1	52.3	49.5
Jun	44.1	51.1	47.9



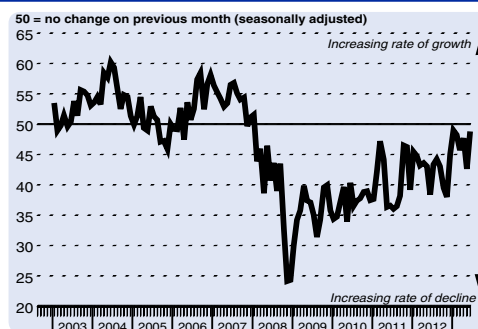
New Export Business*

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

Northern Ireland Companies

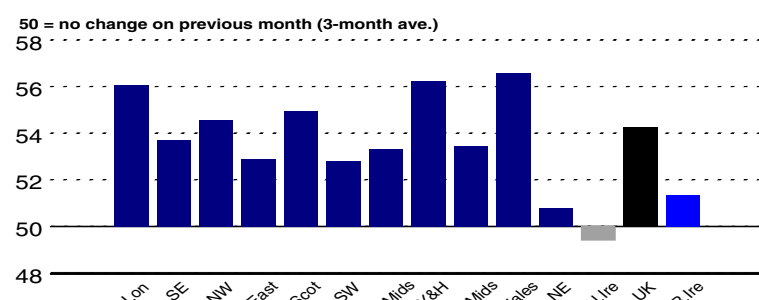
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Jan	18.6	56.1	25.3	-6.6	46.7	49.1
	Feb	16.4	66.2	17.4	-0.9	49.5	48.3
	Mar	12.4	64.9	22.7	-10.3	44.8	45.8
	Apr	18.8	63.8	17.4	1.3	50.7	47.7
	May	6.8	68.8	24.5	-17.7	41.2	42.7
	Jun	17.9	67.6	14.4	3.5	51.8	48.8

Although new export orders continued to decrease in June, the rate of contraction was only modest, having slowed markedly from May. The fall was the weakest since January.



Regional Comparisons: Output / Business Activity

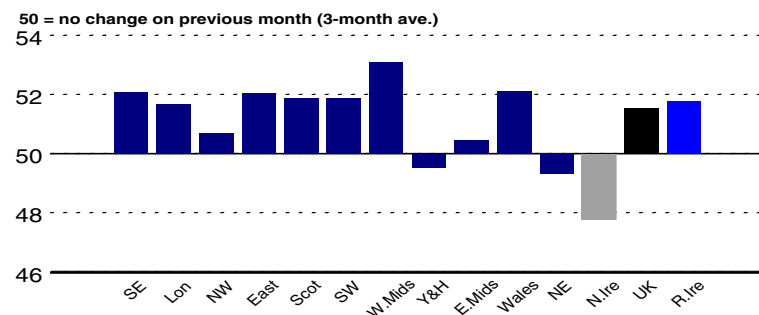
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Output growth was recorded in 11 of the 12 UK regions on average in the second quarter of 2013. Only Northern Ireland posted lower levels of private sector activity. Wales and Yorkshire & Humber registered the fastest rates of output expansion, while the Republic of Ireland posted a modest increase in activity.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	53.1	56.1	58.3
South East	(14.7%)	51.6	53.7	54.8
North West	(9.5%)	51.6	54.6	58.1
East of England	(8.7%)	51.1	52.9	55.0
Scotland	(8.3%)	52.0	54.8	57.0
South West	(7.7%)	50.4	52.8	54.1
West Midlands	(7.3%)	51.5	53.3	56.3
Yorks & Humber	(7.0%)	53.0	56.3	55.5
East Midlands	(6.4%)	51.8	53.5	52.3
Wales	(3.6%)	53.3	56.6	56.7
North East	(3.2%)	49.2	50.8	51.7
N.Ireland	(2.2%)	46.3	49.4	49.8
UK	(100.0%)	51.6	54.2	56.0
Rep. of Ireland	n/a	51.8	51.4	52.7

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). Higher levels of employment were recorded in the majority of UK regions on average during the three months to June. The West Midlands posted the fastest rise in workforce numbers, while Northern Ireland saw the most marked drop in staffing levels. Job creation in the Republic of Ireland was slightly faster than in the UK.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	51.2	52.1	53.3
London	(12.3%)	50.1	51.7	53.9
North West	(10.9%)	49.3	50.7	53.2
East of England	(9.6%)	50.8	52.0	53.8
Scotland	(8.7%)	50.9	51.9	52.5
South West	(8.6%)	50.0	51.9	53.7
West Midlands	(8.6%)	51.8	53.1	54.0
Yorks & Humber	(8.2%)	50.0	49.5	51.7
East Midlands	(7.3%)	52.0	50.5	50.1
Wales	(4.6%)	50.5	52.1	52.6
North East	(3.9%)	49.0	49.3	49.2
N.Ireland	(2.7%)	47.8	47.8	47.9
UK	(100.0%)	50.5	51.6	52.8
Rep. of Ireland	n/a	51.5	51.8	53.7

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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