

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.

Ulster Bank Ireland Limited,
Registered in Republic of Ireland
No 25766 Registered Office:

Ulster Bank Group Centre
George's Quay
Dublin 2

Ulster Bank Ireland Limited is regulated by the Irish Financial Services Regulatory Authority.

Calls may be recorded.

For further information please contact:

Richard Ramsey
Chief Economist, Northern Ireland
Ulster Bank Group
Tel: +44 (0)28 9027 6354
Mobile: +44 (0)7881 930955
Email: richard.ramsey@ulsterbankcm.com
Web: www.ulsterbankcapitalmarkets.com
Twitter: @UB_Economics

Markit Economics

Henley on Thames
Oxon RG9 1HG, UK

Tel: +44 1491 461000
Fax: +44 1491 461001

e-mail: economics@markit.com

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

Ulster Bank and Markit Economics acknowledge the support of CIPS in the production of this report.



The intellectual property rights to the Northern Ireland PMI® provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. Ulster Bank use the above marks under license. Markit is a registered trade mark of Markit Group Limited.

Growth of business activity at 16-month low

Latest data pointed to a slowdown of growth in the Northern Ireland private sector, with weaker rises seen for output, new orders and employment. A further slowdown in the rate of input cost inflation was also recorded, while companies lowered their output prices for the second consecutive month.

Output growth slows to 16-month low

The headline seasonally adjusted Business Activity Index dropped to 54.7 in October, down from 57.4 in September. Although the rate of expansion signalled by the index was still solid, it was the weakest in the current 16-month sequence of rising activity. Growth of output at Northern Ireland companies was also slower than the UK economy average. Where a rise in activity was recorded this was linked to higher new order levels.

However, new orders rose at the weakest pace for a year in October. As with activity, the expansion in new business at Northern Ireland companies was slower than the UK average. Strong increases in new work continued to be recorded in the manufacturing and construction sectors, but services new business rose only slightly and the retail sector posted a fall.

Slower rise in employment

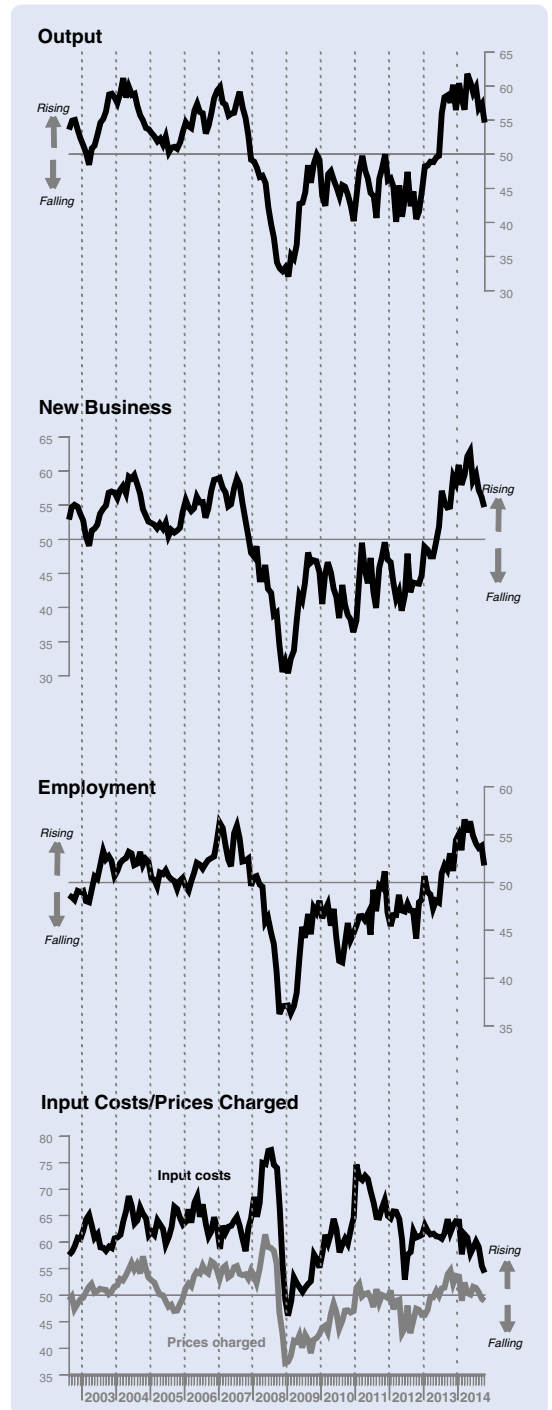
Weaker growth of new orders led to a reduction in backlogs of work, ending a 12-month sequence of accumulation. This compared with a further rise in outstanding business across the UK as a whole.

Northern Ireland companies continued to increase their staffing levels during October, extending the current period of job creation to 16 months. That said, the pace at which employment increased was only modest, and the slowest since November last year. Weaker employment growth was registered across each of the four monitored sectors.

Rate of cost inflation eases

Input prices increased at a weaker pace for the third successive month in October, with the rate of cost inflation the slowest since June 2012. While some panellists reported higher staff costs, others noted falls in commodity and fuel prices. A sharp rise in input costs was seen in the construction sector, but elsewhere rates of increase were relatively modest.

Output prices decreased for the second month running in the Northern Ireland private sector. The pace of reduction remained marginal, but accelerated slightly from the previous month. Charges decreased in the manufacturing and retail sectors, but rose modestly 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.

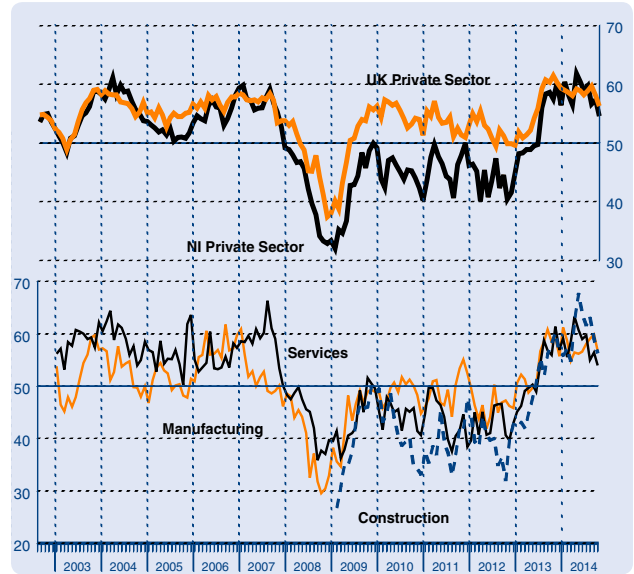
Output / Business Activity

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
2014	May	29.6	61.8	8.6	21.0	60.5	60.6	58.9
	Jun	28.4	57.3	14.4	14.0	57.0	59.0	58.2
	Jul	25.7	56.4	17.9	7.8	53.9	59.8	59.0
	Aug	21.0	59.0	20.0	1.0	50.5	56.7	59.8
	Sep	29.2	58.2	12.6	16.5	58.3	57.4	58.1
	Oct	21.3	59.0	19.7	1.7	50.8	54.7	56.4

Although business activity at Northern Ireland companies continued to rise in October, the rate of growth slowed to the weakest in the current 16-month sequence of expansion. The rise in output in Northern Ireland was also slower than the UK average. Those respondents that posted an increase in activity noted a further rise in new orders. On the other hand, some panellists reported a slowdown in enquiries. Weaker growth in activity was recorded in the construction, manufacturing and service sectors, with the sharpest overall increase at manufacturing firms. Meanwhile, retail activity decreased, and at a sharper pace.

By sector				
		Construction	Manufacturing	Services
'14	Aug	63.3	59.1	55.0
	Sep	59.1	59.9	56.4
	Oct	56.4	56.8	54.0



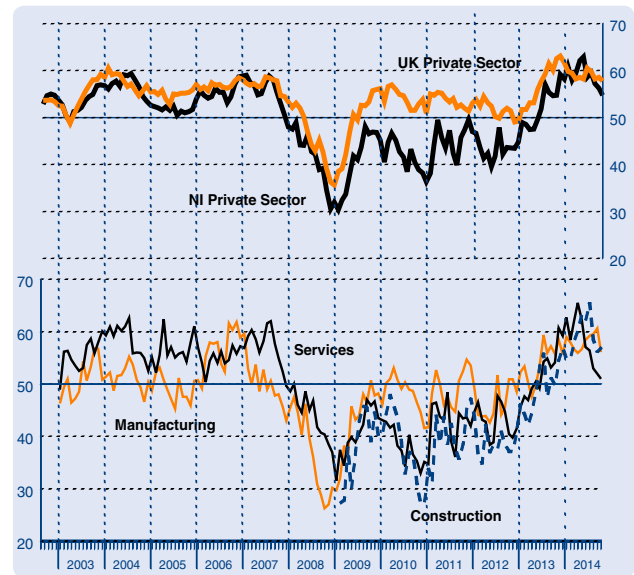
New Business

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
2014	May	32.8	58.6	8.6	24.1	62.1	62.9	58.2
	Jun	31.4	51.4	17.3	14.1	57.1	58.6	60.6
	Jul	25.6	57.8	16.6	9.0	54.5	59.5	59.8
	Aug	23.4	56.6	20.0	3.4	51.7	57.2	58.3
	Sep	29.0	56.0	15.0	14.0	57.0	56.3	58.6
	Oct	25.1	55.2	19.8	5.3	52.6	54.8	57.8

October data signalled a solid rise in new orders at Northern Ireland companies, extending the current period of growth to 17 months. However, the rate of expansion slowed for the third successive month, and was the weakest for a year. The increase in Northern Ireland was also below the UK average. Some respondents were able to secure new customers during the month, but others signalled that a slowdown in demand had led new orders to fall. The manufacturing and construction sectors continued to register strong rises in new business. Meanwhile, the rate of expansion in the service sector slowed to a slight pace, and retail new orders decreased.

By sector				
		Construction	Manufacturing	Services
'14	Aug	58.5	59.5	53.1
	Sep	56.2	60.7	52.0
	Oct	57.0	56.2	51.0



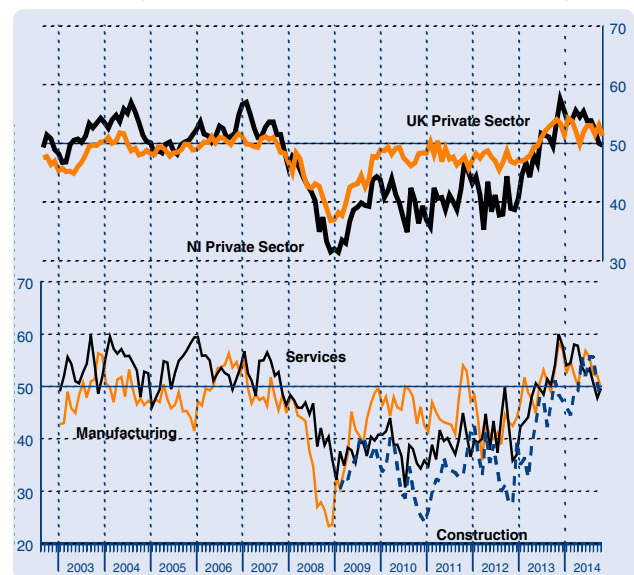
Backlogs

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
2014	May	21.5	67.1	11.5	10.0	55.0	55.5	52.0
	Jun	22.0	66.0	12.0	10.0	55.0	53.9	53.0
	Jul	17.3	68.9	13.8	3.6	51.8	53.9	53.1
	Aug	16.8	64.8	18.4	-1.6	49.2	52.4	51.6
	Sep	20.0	61.1	19.0	1.0	50.5	50.1	53.2
	Oct	16.5	64.2	19.3	-2.8	48.6	49.7	51.4

Backlogs of work decreased marginally in October, ending a 12-month sequence of rising outstanding business. The fall in Northern Ireland compared with a slight accumulation of backlogs across the UK economy as a whole. Where a fall in work-in-hand was recorded, this was mainly linked to a slowdown in new order growth. Some panellists continued to see backlogs accumulate, however, as new orders rose. Each of the four monitored sectors recorded falls in outstanding business. Marginal declines in the manufacturing and service sectors compared with stronger falls at construction and retail companies.

By sector				
		Construction	Manufacturing	Services
'14	Aug	55.7	52.4	50.8
	Sep	50.6	52.1	47.8
	Oct	47.9	49.8	49.7



Employment

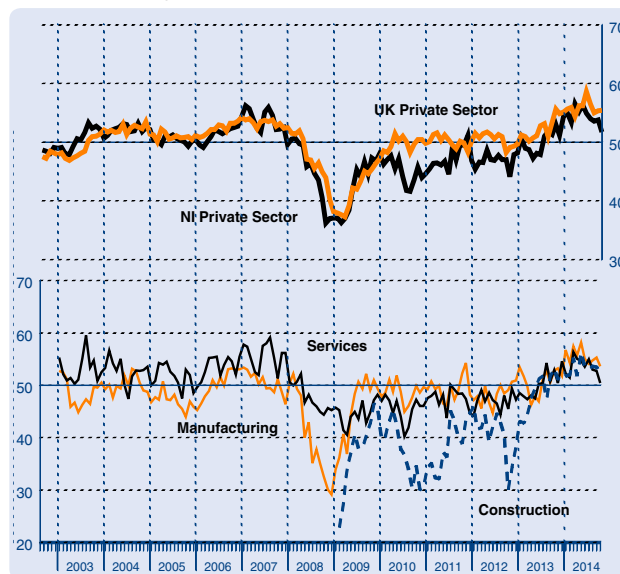
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2014 May	17.0	79.9	3.1	13.9	57.0	56.4	56.3
Jun	13.1	83.1	3.8	9.3	54.7	55.0	58.7
Jul	12.2	83.8	4.0	8.2	54.1	54.1	56.5
Aug	10.8	85.7	3.5	7.3	53.7	53.7	55.1
Sep	14.5	78.8	6.7	7.8	53.9	53.8	55.4
Oct	5.1	90.5	4.4	0.7	50.3	51.8	55.4

Northern Ireland private-sector firms raised employment in October. Staffing levels have now increased in each of the past 16 months. However, the rate of job creation was only modest, and the weakest in nearly a year. The increase in employment in Northern Ireland was slower than the UK average, as has been the case in each month since June. Although some respondents indicated that they had taken

on new apprentices, others reported the non-replacement of voluntary leavers. Slower rises in staffing levels were recorded across each monitored sector. The fastest job creation was at manufacturing firms.

By sector			
	Construction	Manufacturing	Services
'14 Aug	53.7	54.8	53.0
Sep	53.5	55.4	52.8
Oct	52.2	53.7	50.5



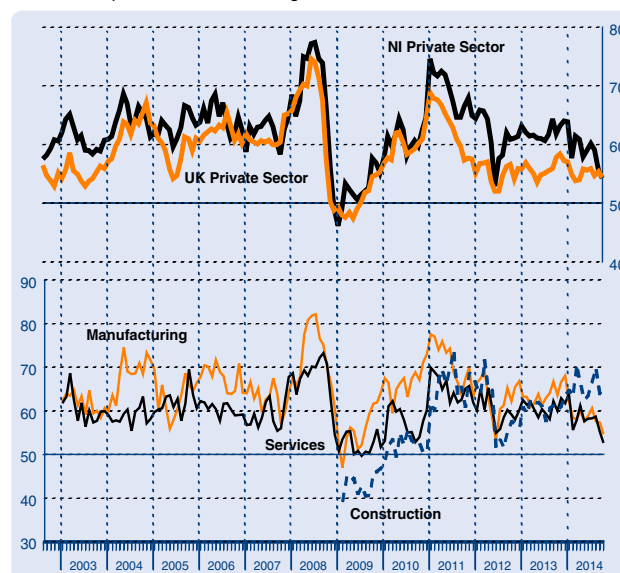
Input Costs

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
2014 May	20.8	76.2	2.9	17.9	59.0	57.9	55.8
Jun	23.4	72.8	3.8	19.6	59.8	59.0	55.7
Jul	22.1	74.5	3.3	18.8	59.4	60.2	56.0
Aug	18.1	77.5	4.4	13.7	56.9	59.1	54.7
Sep	16.7	78.7	4.6	12.2	56.1	55.6	55.5
Oct	15.1	75.9	9.0	6.0	53.0	54.3	54.5

The rate of input cost inflation eased in October, the third successive month in which that has been the case. The increase in input prices was the slowest since June 2012 and broadly in line with the UK average. Where input prices increased, this was partly linked to higher salary payments. On the other hand, reduced commodity prices and lower fuel costs were mentioned by a number of respondents. The construction sector continued to record strong rises in input prices, but relatively modest inflation was seen in the three remaining sectors. Manufacturing input prices rose at the weakest pace since June 2012.

By sector			
	Construction	Manufacturing	Services
'14 Aug	69.8	57.7	58.7
Sep	64.0	57.4	55.3
Oct	63.5	54.7	52.7



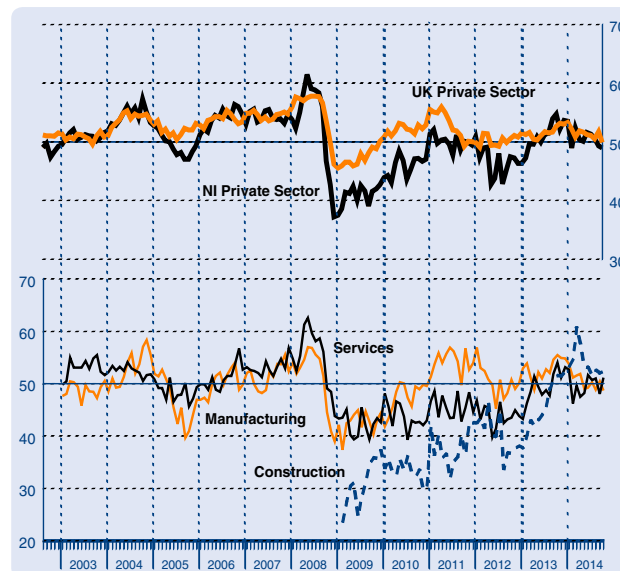
Prices Charged

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
2014 May	9.7	83.7	6.5	3.2	51.6	50.1	51.7
Jun	9.6	85.2	5.2	4.4	52.2	51.6	51.2
Jul	9.0	83.1	7.9	1.0	50.5	51.4	51.1
Aug	5.3	86.7	8.0	-2.7	48.6	50.6	50.6
Sep	4.3	87.0	8.6	-4.3	47.9	49.4	51.8
Oct	5.6	84.9	9.5	-3.9	48.1	49.0	49.9

As had been the case in the previous month, output prices decreased during October. The pace of reduction quickened from that seen in September, but remained only marginal. Meanwhile, companies across the UK left their selling prices broadly unchanged. Falling agricultural and dairy prices were mentioned by some firms that lowered output prices during the month. Declines in output prices were recorded in the manufacturing and retail sectors, while modest rises in charges were seen at services and construction companies. The fall in manufacturing output prices was the fastest since September 2012.

By sector			
	Construction	Manufacturing	Services
'14 Aug	52.6	48.9	51.1
Sep	52.1	50.5	48.1
Oct	52.4	48.7	51.2



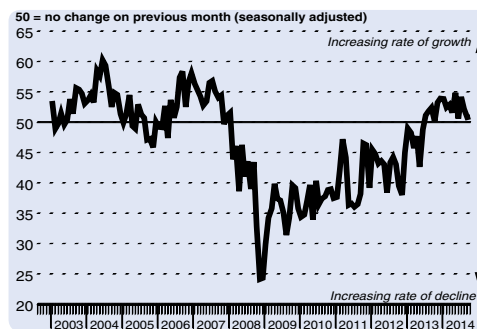
New Export Business*

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

Northern Ireland Companies

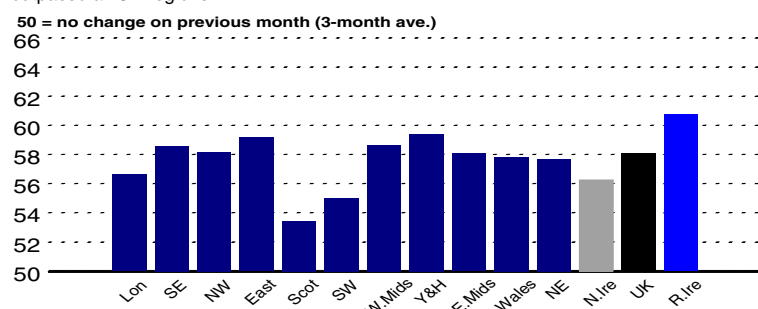
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2014	May	27.6	59.2	13.2	14.4	57.2	54.9
	Jun	18.0	66.0	16.0	2.0	51.0	50.7
	Jul	20.2	64.9	14.9	5.2	52.6	54.2
	Aug	17.8	64.6	17.6	0.2	50.1	52.2
	Sep	17.5	68.5	14.0	3.5	51.8	50.8
	Oct	15.4	68.3	16.3	-0.9	49.6	50.9

A slight rise in new export orders was seen in October, with the rate of expansion little-changed from the previous month. Some respondents indicated an increased focus on expanding into new markets.



Regional Comparisons: Output / Business Activity

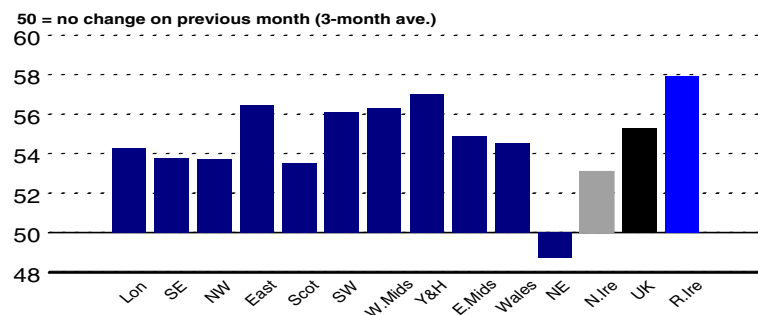
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Private sector output growth was maintained across all 12 UK regions on average in the three months to October. Yorkshire & Humber posted the fastest pace of expansion, followed by the East of England. Scotland registered the slowest rise in output levels. The rate of expansion in the Republic of Ireland outpaced all UK regions.



	Share of UK GVA, 2012 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.8%)	59.1	56.6	54.4
South East	(14.9%)	59.7	58.6	58.6
North West	(9.6%)	58.4	58.2	55.7
East of England	(8.6%)	59.0	59.2	56.9
Scotland	(7.8%)	55.1	53.4	54.2
South West	(7.5%)	58.6	55.0	52.5
West Midlands	(7.2%)	59.1	58.7	59.8
Yorks & Humber	(6.9%)	57.7	59.4	58.3
East Midlands	(5.9%)	59.0	58.1	57.4
Wales	(3.5%)	58.7	57.8	58.8
North East	(3.1%)	59.4	57.7	55.6
N.Ireland	(2.2%)	58.5	56.3	54.7
UK	(100.0%)	58.8	58.1	56.4
Rep. of Ireland	n/a	59.1	60.8	60.4

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 private sector employment were recorded in 11 of the 12 UK regions on average in the three months to October, with the North East the exception. Yorkshire & Humber registered the steepest rise in staffing levels. Meanwhile, employment increased sharply in the Republic of Ireland.



	Share of UK GVA, 2012 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.8%)	56.2	54.3	56.1
South East	(14.9%)	55.4	53.8	53.0
North West	(9.6%)	56.2	53.7	52.4
East of England	(8.6%)	56.4	56.4	57.1
Scotland	(7.8%)	53.4	53.5	52.2
South West	(7.5%)	55.9	56.1	55.9
West Midlands	(7.2%)	54.7	56.3	55.2
Yorks & Humber	(6.9%)	55.7	57.0	57.9
East Midlands	(5.9%)	54.1	54.9	55.9
Wales	(3.5%)	53.1	54.5	55.0
North East	(3.1%)	51.8	48.7	49.5
N.Ireland	(2.2%)	54.2	53.1	51.8
UK	(100.0%)	55.8	55.3	55.4
Rep. of Ireland	n/a	56.9	57.9	58.3

PMI® Survey Methodology

The Purchasing Managers' Index® (or PMI®) surveys 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

Ulster Bank is a member of The Royal Bank of Scotland Group. Ulster Bank acts as a full service institution to its customer base, providing an extensive range of retail banking, business banking, investment banking and capital markets services to corporate, personal and institutional clients.

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

Disclaimer

The Northern Ireland PMI® is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the

preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.