

# 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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## Rate of job creation quickens to fastest since August 2007

The final month of 2013 saw a further solid expansion of business activity in the Northern Ireland private sector, linked to another strong rise in new orders. Increased workloads led to an accumulation of outstanding business and the fastest rise in employment since mid-2007. Meanwhile, both input costs and output prices increased at sharper rates than seen in November.

### Business activity rises at solid pace

Activity in the Northern Ireland private sector increased for the sixth month running during December amid a further expansion of new business. The rate of growth remained solid, despite easing to the weakest since July. The rise in activity in Northern Ireland was slower than the UK average. All four sectors signalled growth of activity, with the strongest increase at retailers.

New orders continued to rise sharply, with the rate of growth dipping only slightly from November's recent high. Panellists reported that greater sales efforts and improving sentiment among clients had contributed to rising new business. New export orders also increased during December, and at the sharpest pace since October 2007.

### Rate of job creation accelerates

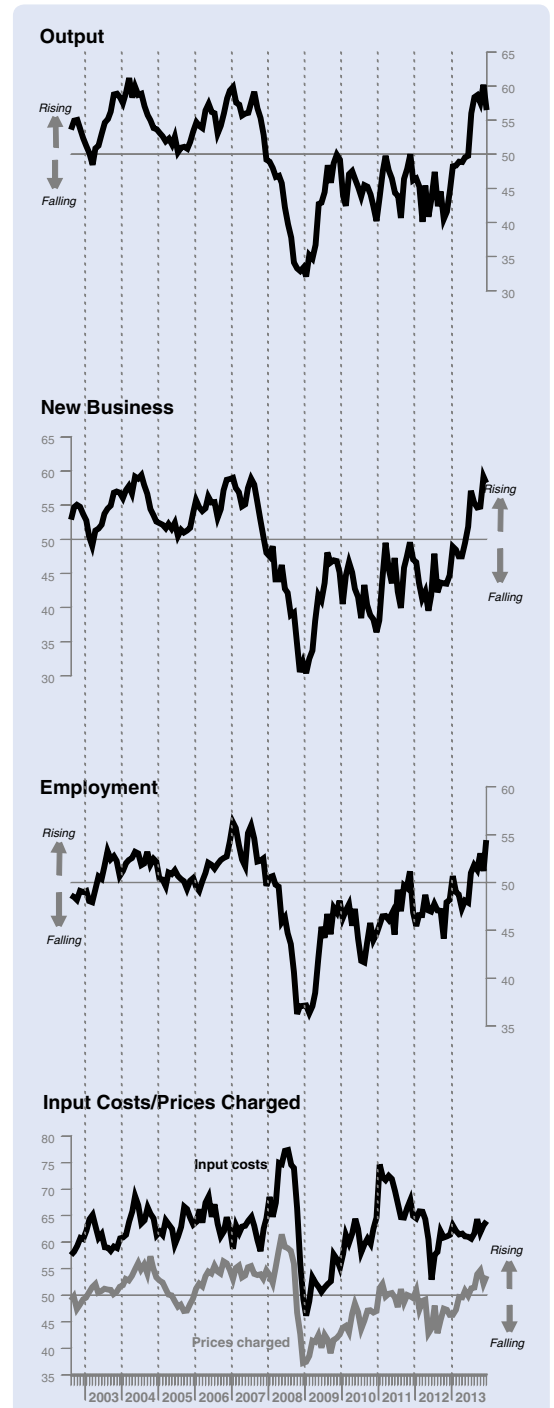
Another strong rise in new business led to a further accumulation of backlogs of work at Northern Ireland companies, with the rate of accumulation much faster than across the UK as a whole. In fact, the accumulation of outstanding business was one of the strongest in the history of the series.

Rising workloads also encouraged firms to take on extra staff in December. Employment increased for the sixth successive month and at the fastest pace since August 2007. The sharpest rises in staffing levels were seen in the retail and services sectors.

### Faster rise in input costs

A further sharp increase in input prices was recorded during the month, with the rate of inflation picking up to the sharpest since September. The rise in input costs in Northern Ireland was again faster than the UK economy average. Some panellists indicated that higher staff costs had been the main factor leading to rising input prices.

Companies responded to higher input costs by increasing their selling prices. Prices charged rose for the sixth month running, and at a solid pace that was faster than recorded in the previous month. The sharpest increases in output prices were at retailers and manufacturers, while solid inflation was also registered in the construction and services sectors.



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.

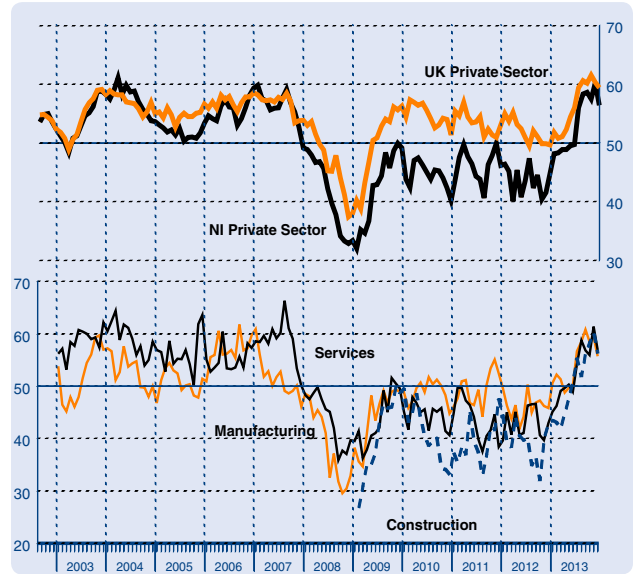
**Output / Business Activity**

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
2013	Jul	32.8	45.9	21.3	11.5	55.7	56.1
	Aug	30.0	55.4	14.7	15.3	57.6	58.4
	Sep	36.0	52.5	11.5	24.4	62.2	60.3
	Oct	30.4	59.3	10.3	20.1	60.0	57.6
	Nov	32.4	56.5	11.1	21.4	60.7	60.4
	Dec	29.9	50.7	19.4	10.5	55.2	56.5

The Northern Ireland private sector recorded a further increase in business activity during December, the sixth consecutive month in which that has been the case. The rate of expansion remained sharp, despite easing from that seen in November. Northern Ireland companies posted a weaker rise in activity than the UK economy average. Panellists largely attributed growth in activity to rising new business. Each of the four monitored sectors posted increases in activity, led by retail. That said, all sectors followed the pattern seen across the private sector as a whole and registered slower rises in activity than in the previous survey period.

By sector				
		Construction	Manufacturing	Services
'13	Oct	58.4	58.5	56.0
	Nov	60.3	59.4	61.4
	Dec	56.3	55.7	56.9



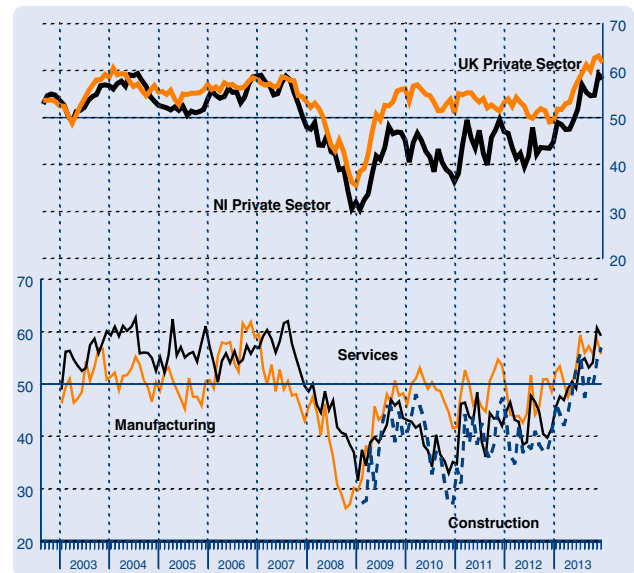
**New Business**

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
2013	Jul	28.0	53.2	18.9	9.1	54.6	57.1
	Aug	28.5	51.2	20.3	8.1	54.1	55.4
	Sep	30.2	57.6	12.2	18.0	59.0	60.1
	Oct	27.6	57.4	15.0	12.6	56.3	54.8
	Nov	35.5	50.3	14.3	21.2	60.6	59.2
	Dec	32.2	46.8	21.0	11.2	55.6	58.3

New business rose for the seventh consecutive month during December. Moreover, the rate of growth was substantial, having eased only slightly from that recorded in November. That said, the increase in new orders in Northern Ireland was weaker than the average registered across the UK economy as a whole. Increased sales activities and improved client sentiment had reportedly been behind the latest rise in new business. The fastest rise in new orders was recorded at services companies, despite the rate of growth easing. Construction posted the strongest increase in new business since the series began in February 2009.

By sector				
		Construction	Manufacturing	Services
'13	Oct	49.8	55.8	54.2
	Nov	54.7	58.6	60.8
	Dec	56.9	55.8	59.3



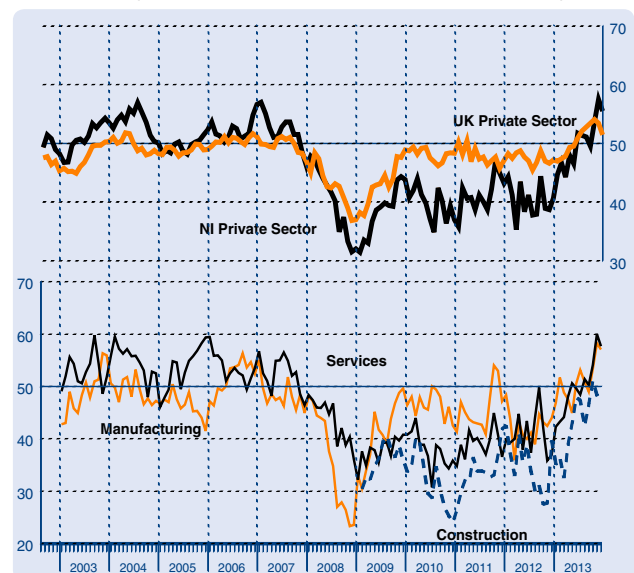
**Backlogs**

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
2013	Jul	17.6	63.0	19.4	-1.8	49.1	51.4
	Aug	16.8	63.9	19.3	-2.5	48.8	51.2
	Sep	19.4	66.5	14.0	5.4	52.7	49.6
	Oct	23.2	62.3	14.5	8.7	54.3	53.7
	Nov	28.6	59.0	12.5	16.1	58.0	57.5
	Dec	21.1	65.6	13.3	7.8	53.9	55.6

Strong new order growth contributed to another increase in backlogs of work at Northern Ireland companies, the sixth in the past seven months. The latest accumulation of outstanding business was marked, and one of the fastest in the history of the series. The rise in backlogs at Northern Ireland firms was also much sharper than the UK economy average. More than 21% of respondents signalled a rise in outstanding business, against 13% that posted a fall. The overall increase in work-in-hand was largely centred on the manufacturing and services sectors where backlogs of work rose sharply.

By sector				
		Construction	Manufacturing	Services
'13	Oct	51.1	53.4	54.2
	Nov	48.4	58.3	60.1
	Dec	47.1	57.1	57.7



## Employment

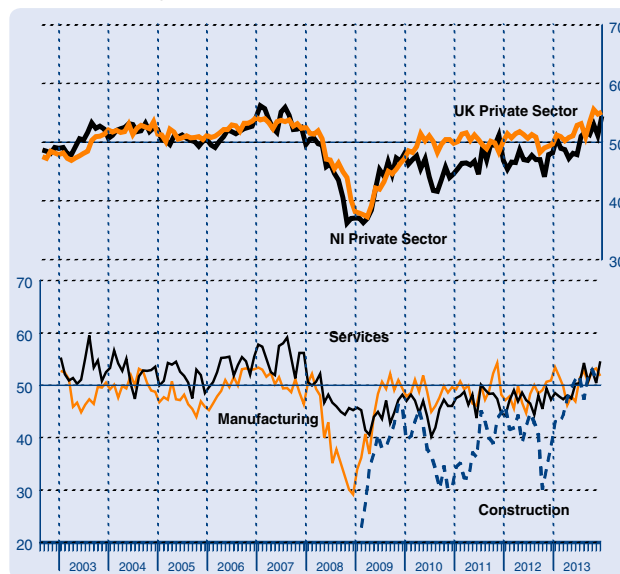
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Jul	15.9	72.3	11.8	4.1	52.0	51.0	53.2
Aug	14.4	75.7	9.9	4.5	52.3	51.8	50.9
Sep	15.0	73.4	11.6	3.4	51.7	51.4	53.5
Oct	16.8	76.4	6.8	10.0	55.0	53.1	55.6
Nov	11.5	78.2	10.2	1.3	50.7	51.2	54.9
Dec	16.8	74.4	8.8	8.0	54.0	54.5	55.2

December data pointed to a solid expansion in employment at Northern Ireland private-sector firms. Moreover, the rate of job creation accelerated from the modest pace seen in November and was the sharpest since August 2007. Anecdotal evidence suggested that new staff had been recruited in response to additional workloads. Close to 17% of panellists reported that employment had increased over the month, roughly twice the proportion that signalled a decrease. Employment rose across all four monitored sectors, with the strongest rates of job creation at retailers and service providers.

### By sector

		Construction	Manufacturing	Services
'13 Oct		53.1	52.9	52.9
Nov		51.3	53.3	50.5
Dec		51.0	51.8	54.6



## Input Costs

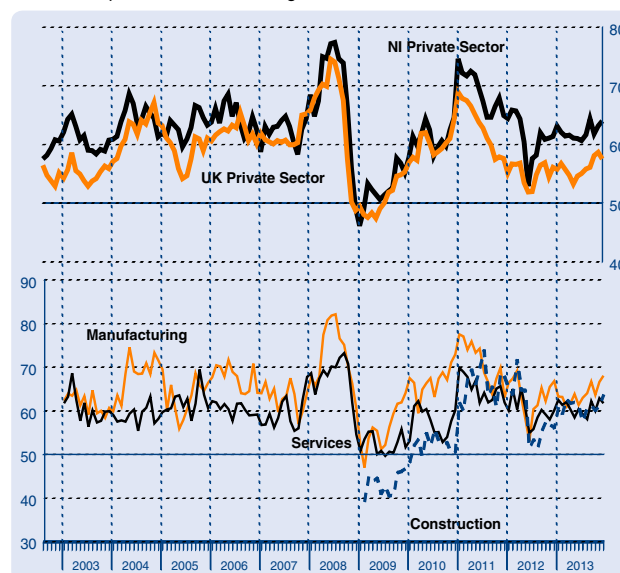
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Jul	20.9	76.9	2.2	18.7	59.4	60.7	55.1
Aug	24.4	73.7	2.0	22.4	61.2	61.7	55.9
Sep	33.1	64.0	3.0	30.1	65.1	64.4	56.2
Oct	25.1	72.2	2.7	22.4	61.2	61.9	58.2
Nov	26.4	70.3	3.3	23.1	61.5	63.2	58.7
Dec	23.8	74.0	2.3	21.5	60.8	64.0	57.6

The rate of input cost inflation at Northern Ireland companies accelerated for the second month in a row during December and was the fastest since September. The latest rise in input prices was sharper than the series average, and well above that recorded across the UK economy as a whole. A number of respondents indicated that higher staff costs had been the main driver of input price inflation. Manufacturers posted the sharpest increase in input costs, with the rate of inflation the strongest in 21 months. Inflation also quickened in the construction and retail sectors, but slowed among services companies.

### By sector

		Construction	Manufacturing	Services
'13 Oct		60.2	63.7	60.0
Nov		61.1	66.7	63.0
Dec		63.8	68.2	61.8



## Prices Charged

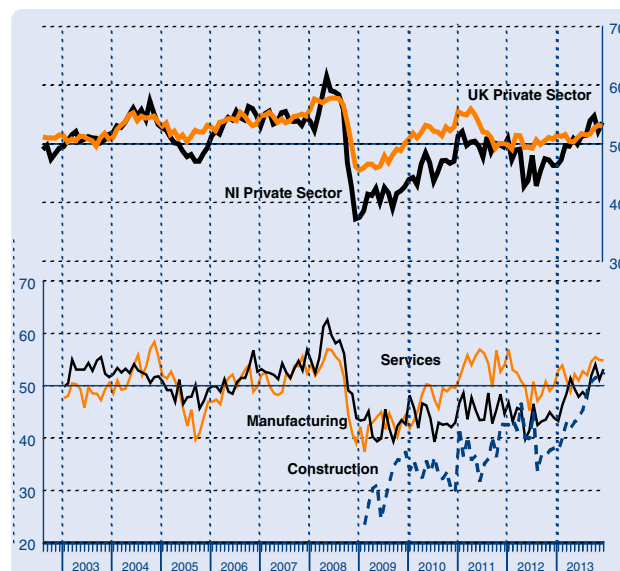
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Jul	10.0	80.3	9.7	0.3	50.1	51.3	51.8
Aug	9.3	83.8	6.9	2.4	51.2	51.5	51.6
Sep	11.8	83.5	4.6	7.2	53.6	54.0	51.7
Oct	12.5	82.4	5.1	7.5	53.7	54.7	52.7
Nov	7.6	86.1	6.4	1.2	50.6	52.2	53.2
Dec	9.7	85.6	4.7	5.1	52.5	53.7	53.1

Northern Ireland companies continued to raise their output prices in December, extending the current sequence of inflation to six months. The latest increase was solid and faster than seen in November. The rate of inflation in Northern Ireland was slightly sharper than registered at the UK level. Where a rise in selling prices was recorded, this was primarily linked to the passing on of higher input costs to clients. Retail posted the strongest rise in output prices, with the rate of inflation the fastest in three months. Manufacturers raised charges at a solid pace, while inflation quickened in both the construction and services sectors.

### By sector

		Construction	Manufacturing	Services
'13 Oct		51.6	55.5	54.0
Nov		51.5	55.0	51.2
Dec		52.5	54.9	53.2



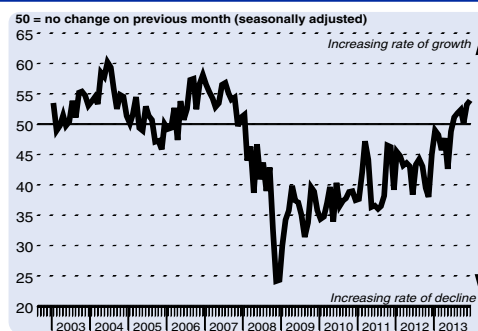
## New Export Business\*

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

## Northern Ireland Companies

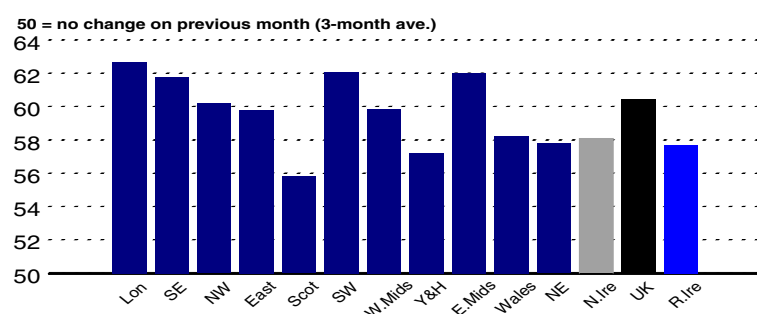
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Jul	14.3	71.7	14.0	0.3	50.2	51.2
	Aug	23.4	56.6	20.0	3.3	51.7	51.9
	Sep	27.1	54.2	18.8	8.3	54.1	52.4
	Oct	14.3	73.0	12.7	1.6	50.8	50.2
	Nov	23.6	62.1	14.3	9.3	54.6	53.3
	Dec	22.3	60.8	16.9	5.4	52.7	54.0

A further rise in new export orders was recorded in December. Furthermore, the rate of growth accelerated to the fastest since October 2007. Panellists indicated that promotional success had contributed to growth of new business from abroad.



## Regional Comparisons: Output / Business Activity

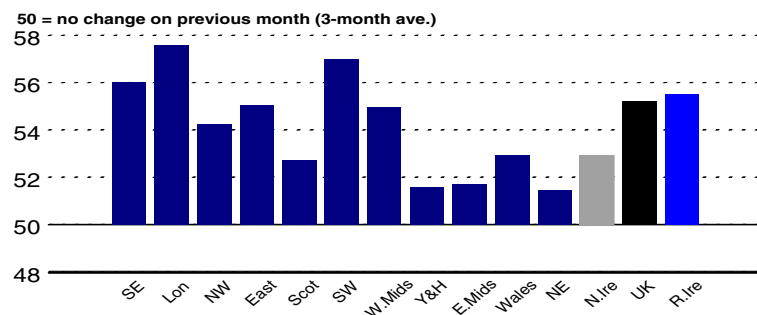
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of private sector output were recorded across all 12 UK regions monitored by the survey during the final quarter of 2013. London posted the steepest rise in business activity, while Scotland saw the slowest pace of expansion. The Republic of Ireland posted a solid expansion of output.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	58.3	62.7	60.3
South East	(14.7%)	57.1	61.8	60.1
North West	(9.5%)	57.2	60.2	59.1
East of England	(8.7%)	55.7	59.8	59.7
Scotland	(8.3%)	55.1	55.8	54.5
South West	(7.7%)	56.3	62.1	62.4
West Midlands	(7.3%)	55.6	59.9	61.7
Yorks & Humber	(7.0%)	56.3	57.2	55.8
East Midlands	(6.4%)	56.7	62.0	59.4
Wales	(3.6%)	56.6	58.2	58.4
North East	(3.2%)	53.2	57.8	60.4
N.Ireland	(2.2%)	53.4	58.1	56.5
<b>UK</b>	<b>(100.0%)</b>	<b>56.6</b>	<b>60.5</b>	<b>59.5</b>
Rep. of Ireland	n/a	54.2	57.7	58.6

## 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). Increased staffing levels were registered across all 12 UK regions on average during the final quarter of 2013. The pace of job creation was strongest in London and the South West, while the North East and Yorkshire & Humber posted the slowest rises in employment numbers. Employment rose in the Republic of Ireland at a similar pace to the UK as a whole.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	53.0	56.0	56.7
London	(12.3%)	53.2	57.6	57.4
North West	(10.9%)	52.4	54.3	54.5
East of England	(9.6%)	52.9	55.1	54.5
Scotland	(8.7%)	52.1	52.7	51.5
South West	(8.6%)	53.0	57.0	58.6
West Midlands	(8.6%)	53.7	55.0	53.3
Yorks & Humber	(8.2%)	50.5	51.6	51.8
East Midlands	(7.3%)	51.2	51.7	51.4
Wales	(4.6%)	52.0	52.9	51.4
North East	(3.9%)	50.7	51.4	51.0
N.Ireland	(2.7%)	50.4	52.9	54.5
<b>UK</b>	<b>(100.0%)</b>	<b>52.6</b>	<b>55.2</b>	<b>55.2</b>
Rep. of Ireland	n/a	53.5	55.5	55.4

## 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.

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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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