Ulster Bank

Ulster Bank PMI Report for Northern Ireland

The PMI® (Purchasing Managers' Index®) Northern Ireland Report is produced for Ulster Bank by NTC 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.

The Northern Ireland survey forms part of a series of regional surveys published by The Royal Bank of Scotland and NTC Research, and is derived from the highly regarded national PMI surveys produced by NTC for the Chartered Institute of Purchasing and Supply.

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NTC is an independent research company that specialises in the production and publication of high quality surveys of economic activity on a worldwide basis.

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THE CHARTERED INSTITUTE OF PURCHASING & SUPPLY

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Activity and new business growth accelerated. Employment rose at survey record pace.

January's Ulster Bank PMI® Report signalled the continued marked expansion of the Northern Ireland private sector economy. Both activity and new orders expanded at rates not seen since mid-2004, encouraging companies to add to their workforces at a survey record pace.

Input price inflation remained marked, but weakened to its lowest since September 2003, reducing the pressure slightly on companies to increase their own charges.

Output and new order growth improved

A forty-sixth successive monthly rise in business activity was signalled in January. Moreover, growth accelerated at the start of 2007 to a rate that was the highest since May 2004 and above the UK average.

Companies largely attributed the latest rise in business activity to a marked increase in new work. Volumes of new orders rose at the sharpest rate for two-and-a-half years, with companies noting higher levels of market activity and demand.

Growth of both output and new orders was marked across all sectors in January, with the sharpest rates of expansion registered by manufacturing.

Employment increased markedly

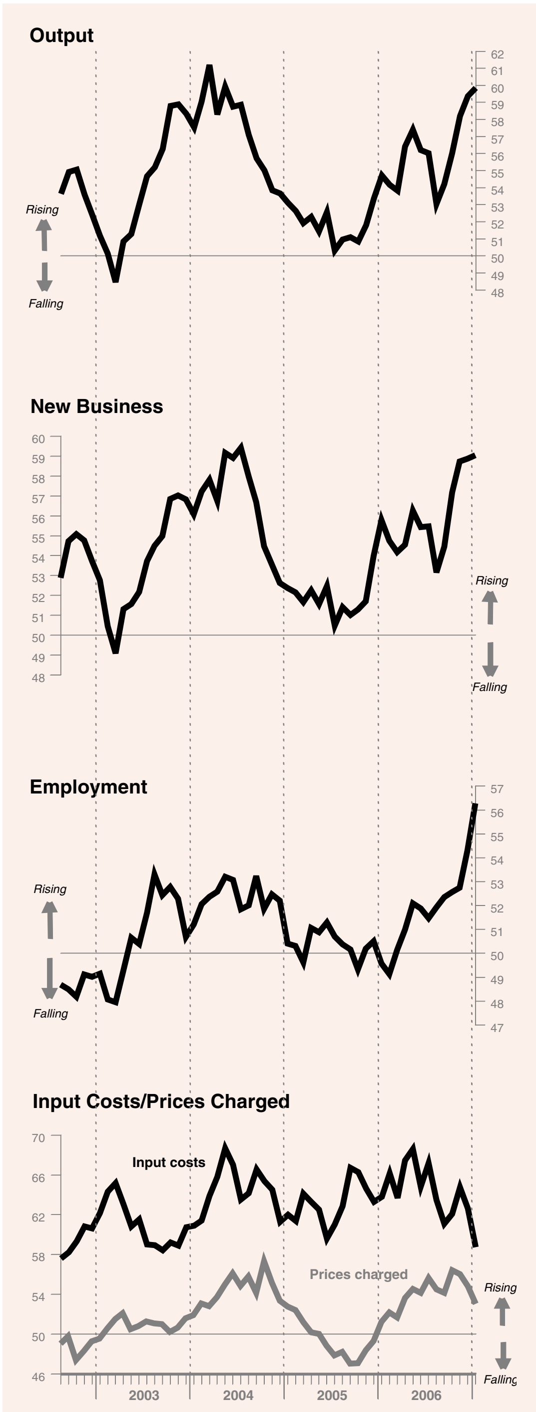
Higher volumes of sales placed further pressure on capacity at companies in January, the net result being the sharpest rise in backlogs since July 2004. A number of companies (particularly in construction) noted that the increased cost and short supply of raw materials had restricted work on some projects.

Rising current workloads and expectations of continued growth encouraged companies to add to their workforces in January. Latest data signalled that the rate at which employment rose was the sharpest in the survey's history.

Input and output price inflation slowed

With reports of higher commodity prices and increased wage pressures, input price inflation remained marked in January. However, there was some indication of increased price competitiveness amongst suppliers, which helped reduce inflation to its lowest since September 2003.

Partly reflecting weaker pressure on margins following the decline in input price inflation, companies in Northern Ireland raised their output charges at a solid, but slower rate in January. Latest data showed that output prices increased at their weakest pace since March 2006.

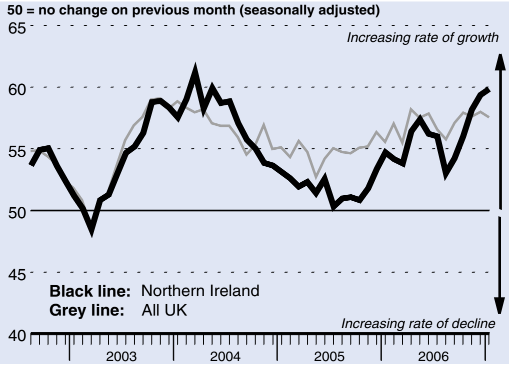


The above charts plot the seasonally adjusted indicators of business conditions in Northern Ireland. Index readings above 50.0 signal an increase on the previous month while readings below 50.0 signal a decrease.

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
2006	May	31.8	51.9	16.3	15.4	57.7	**57.4**	**57.5**
	Jun	27.8	52.4	19.8	8.1	54.0	**56.2**	**57.9**
	Jul	18.5	49.7	31.8	-13.2	43.4	**56.0**	**56.6**
	Aug	19.0	59.6	21.4	-2.4	48.8	**53.1**	**55.8**
	Sep	32.0	56.4	11.6	20.5	60.2	**54.2**	**57.1**
	Oct	34.8	51.8	13.4	21.4	60.7	**56.0**	**57.9**
	Nov	34.5	54.0	11.5	22.9	61.5	**58.2**	**57.6**
	Dec	34.4	54.6	11.0	23.4	61.7	**59.4**	**58.0**
2007	Jan	30.7	46.9	22.5	8.2	54.1	**59.9**	**57.6**

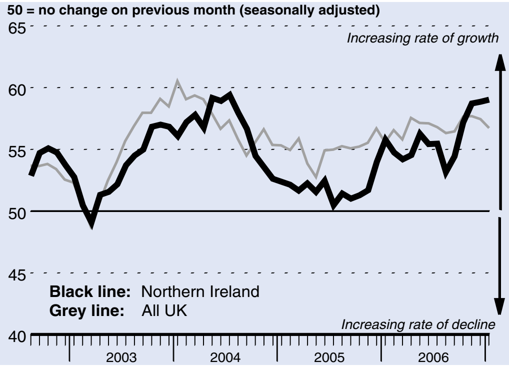


Business activity in Northern Ireland increased in January for a forty-sixth successive month. Furthermore, a rise in the seasonally adjusted Business Activity Index to 59.9, from 59.4 in December, pointed to a rate of expansion that was strong and the sharpest since May 2004. Anecdotal evidence indicated that higher workloads and increased marketing had led to the latest rise in activity. Sector data showed that growth was broad-based across the Northern Ireland private sector economy in January, with the strongest expansion signalled by manufacturers.

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
2006	May	29.4	56.3	14.3	15.1	57.5	**56.3**	**57.2**
	Jun	28.1	52.6	19.3	8.7	54.4	**55.4**	**57.1**
	Jul	16.4	58.2	25.4	-9.0	45.5	**55.5**	**56.8**
	Aug	19.0	60.4	20.6	-1.7	49.2	**53.2**	**56.3**
	Sep	31.4	55.0	13.6	17.8	58.9	**54.5**	**56.5**
	Oct	32.1	58.1	9.8	22.3	61.2	**57.2**	**57.7**
	Nov	33.0	54.8	12.2	20.8	60.4	**58.7**	**57.7**
	Dec	28.0	61.5	10.5	17.5	58.8	**58.9**	**57.5**
2007	Jan	29.3	51.8	18.8	10.5	55.3	**59.1**	**56.8**

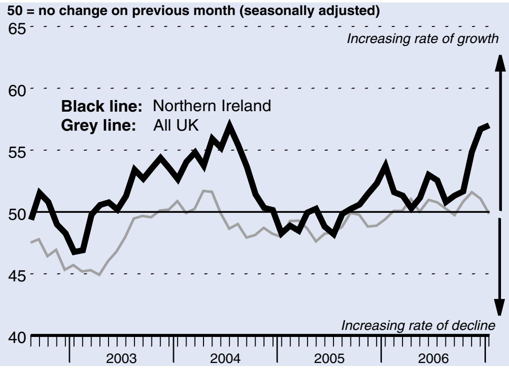


The seasonally adjusted New Business Index maintained its recent upward trend in January, rising for a fifth successive month to reach its highest level for two-and-a-half years. The index posted 59.1, up from 58.9 in December, to signal a substantial rate of growth that was comfortably above the UK average in January. Panellists commented on increased market demand and activity at the start of 2007, with growth rates strong across the private sector. Those firms operating in manufacturing and retail signalled the sharpest rises in new business in the latest survey period.

Backlogs

Q. Is the level of business outstanding (i.e. work not yet commenced or completed) at your company higher, the same of 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
2006	May	19.7	68.3	12.0	7.8	53.9	**51.2**	**50.0**
	Jun	22.0	65.1	12.9	9.0	54.5	**53.0**	**51.0**
	Jul	16.1	66.3	17.6	-1.5	49.3	**52.6**	**50.8**
	Aug	19.4	65.6	15.0	4.4	52.2	**50.8**	**50.2**
	Sep	21.6	68.3	10.1	11.5	55.7	**51.3**	**49.8**
	Oct	16.7	70.2	13.1	3.6	51.8	**51.7**	**50.8**
	Nov	26.6	61.3	12.1	14.5	57.3	**54.8**	**51.6**
	Dec	21.9	69.1	9.0	12.9	56.5	**56.7**	**51.1**
2007	Jan	21.1	61.2	17.7	3.4	51.7	**57.0**	**49.9**

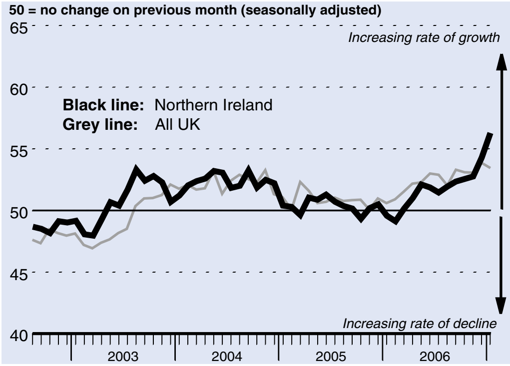


In line with the recent trend, volumes of work outstanding continued to increase markedly in January, rising for a seventeenth successive month. Growth was the strongest of this sequence, as signalled by the seasonally adjusted Backlogs Index posting 57.0 – its highest reading since July 2004. There were reports that rising sales volumes had tested capacity, while the short supply and high cost of raw materials restricted work on some projects (particularly in construction). The sharp increase in backlogs signalled in Northern Ireland contrasted markedly to the negligible fall recorded for the UK overall.

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
2006	May	15.3	76.2	8.4	6.9	53.4	**52.1**	**52.3**
	Jun	11.3	81.5	7.2	4.2	52.1	**51.9**	**53.0**
	Jul	10.1	80.4	9.5	0.6	50.3	**51.5**	**52.9**
	Aug	8.9	89.0	2.1	6.9	53.4	**51.9**	**52.1**
	Sep	13.8	80.3	5.9	7.9	54.0	**52.4**	**53.3**
	Oct	13.0	77.7	9.4	3.6	51.8	**52.6**	**53.1**
	Nov	8.5	87.2	4.3	4.2	52.1	**52.8**	**53.1**
	Dec	11.1	87.1	1.8	9.3	54.7	**54.3**	**53.9**
2007	Jan	13.8	83.7	2.5	11.3	55.7	**56.3**	**53.4**

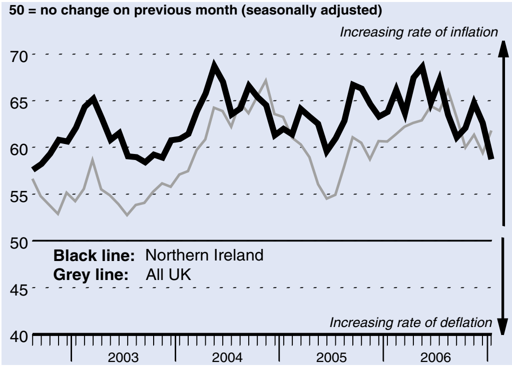


With workloads rising, and in many cases expected to continue to grow, Northern Ireland companies added to their workforces in January at a survey record rate. The seasonally adjusted Employment Index recorded 56.3, a new series high and up from 54.3 in December. Growth was also well above the UK average, which fell slightly at the start of the new year. Rising levels of employment were recorded across the private sector economy in January, with growth particularly marked in the construction and services categories.

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
2006	May	39.8	58.4	1.8	38.0	69.0	**68.6**	**62.9**
	Jun	32.6	65.2	2.2	30.4	65.2	**64.8**	**64.5**
	Jul	31.5	65.8	2.6	28.9	64.4	**67.2**	**64.0**
	Aug	28.3	68.7	3.0	25.3	62.7	**63.5**	**66.1**
	Sep	27.8	68.7	3.6	24.2	62.1	**61.1**	**63.2**
	Oct	29.8	66.4	3.8	26.1	63.0	**62.1**	**60.0**
	Nov	30.9	64.8	4.2	26.7	63.4	**64.8**	**61.4**
	Dec	26.7	70.0	3.3	23.4	61.7	**62.7**	**59.4**
2007	Jan	23.1	73.3	3.6	19.5	59.7	**58.8**	**61.8**

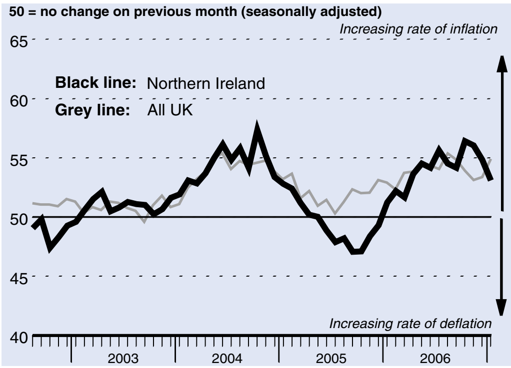


Input cost inflation fell for a second successive month in January to its lowest since September 2003. Some companies noted that a strong currency had led to cheaper imported items, while others commented on increased price competitiveness amongst suppliers. The rate at which average input costs rose was nonetheless marked, highlighted by a seasonally adjusted Input Costs Index reading of 58.8. There were reports that the prices of commodities remained high and that wage pressures had increased. Construction companies registered the strongest rise in total input costs.

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?

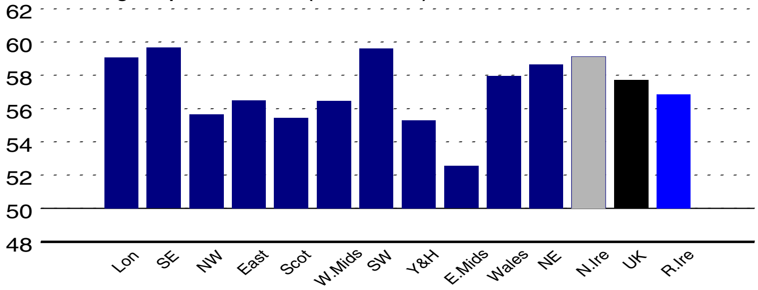
		Northern Ireland Companies						All UK
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2006	May	15.1	80.8	4.1	11.0	55.5	**54.5**	**54.3**
	Jun	15.3	78.7	6.1	9.2	54.6	**54.2**	**54.3**
	Jul	16.4	73.5	10.1	6.2	53.1	**55.6**	**54.1**
	Aug	12.7	81.7	5.5	7.2	53.6	**54.5**	**55.4**
	Sep	11.7	83.7	4.5	7.2	53.6	**54.2**	**54.9**
	Oct	20.3	71.6	8.1	12.2	56.1	**56.4**	**53.9**
	Nov	16.4	76.8	6.8	9.6	54.8	**56.1**	**53.1**
	Dec	14.5	79.1	6.4	8.1	54.0	**54.8**	**53.4**
2007	Jan	14.6	79.6	5.9	8.7	54.4	**53.1**	**54.9**



Northern Ireland companies indicated a further increase in their average prices charged in January, extending the current period of inflation to thirteen successive months. Panellists comented that they had raised tariffs to protect margins following a further marked increase in operating costs. At 53.1, the seasonally adjusted Prices Charged Index registered a reading that was indicative of a solid increase in output charges, but nonetheless the weakest since March 2006. Construction and retail companies signalled the sharpest rates of inflation in January.

Regional Comparisons: Output / Business Activity

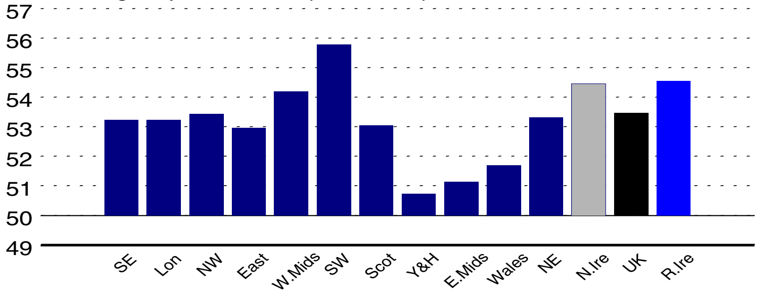
The chart below shows the PMI Output Indexes for the UK regions and the Republic of Ireland. An average of the latest three months is used (see also table on right). In line with the recent trend, all twelve UK regions registered increased levels of output in the three months to January. The South East posted the most marked growth of output, closely followed by the South West, London and Northern Ireland. The lowest output growth was again recorded by the East Midlands. Growth of output in Northern Ireland was above the average for the Republic of Ireland in the latest three-month period.



	Share of UK GVA, 2004 (National Statistics)	PMI Output Index Last 12 months	Latest 3 months	Latest month
London	(16.4%)	59.6	59.1	59.1
South East	(15.7%)	58.4	59.7	60.9
North West	(10.1%)	57.9	55.7	53.3
Eastern England	(10.0%)	56.8	56.5	56.0
Scotland	(8.2%)	55.8	55.4	54.9
West Midlands	(8.1%)	57.0	56.5	54.7
South West	(7.8%)	58.2	59.6	59.7
Yorks & H'Side	(7.5%)	55.0	55.3	53.8
East Midlands	(6.5%)	52.5	52.6	54.3
Wales	(3.9%)	56.9	58.0	56.0
North East	(3.4%)	57.8	58.7	56.9
N.Ireland	(2.3%)	56.2	59.1	59.9
UK	**(100.0%)**	**57.2**	**57.7**	**57.6**
Rep. of Ireland	n/a	58.9	56.9	58.1

Regional Comparisons: Employment

The chart below shows the PMI Employment Indexes for the UK regions and the Republic of Ireland. An average of the latest three months is used (see also table on right). Higher employment levels were registered across the UK in the three months to January. The South West continued to record the strongest increase in job creation, followed by Northern Ireland and then the West Midlands. The lowest growth of employment was registered in Yorkshire & Humberside. The increase in employment registered in Northern Ireland was in line with that recorded for the Republic of Ireland.



	Contribution to UK Employment, 2005 (National Statistics)	PMI Employment Index Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	52.7	53.2	54.4
London	(12.3%)	55.0	53.2	53.2
North West	(10.9%)	51.8	53.4	51.8
Eastern England	(9.6%)	52.1	53.0	52.0
West Midlands	(8.7%)	51.0	54.2	53.9
South West	(8.6%)	54.3	55.8	54.9
Scotland	(8.6%)	52.5	53.0	53.2
Yorks & H'Side	(8.3%)	49.6	50.7	50.5
East Midlands	(7.2%)	50.4	51.1	52.7
Wales	(4.6%)	51.7	51.7	51.7
North East	(3.9%)	52.6	53.3	53.1
N.Ireland	(2.6%)	52.2	54.5	56.3
UK	**(100.0%)**	**52.6**	**53.5**	**53.4**
Rep. of Ireland	n/a	55.9	54.5	54.2

PMI Survey Methodology

PMI surveys
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. The PMI surveys are based on fact, not opinion, and are the first indicators of economic conditions each month. The data is collected using identical methods in all countries and regions so that accurate comparisons may be made.

Questionnaires are completed in the latter half of each month and are collected and processed by economists at NTC Research. Respondents are asked to state whether business conditions for a number of variables have improved, deteriorated or stayed the same compared with the previous month.

Index numbers
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 on the previous month; readings below 50.0 signal a decline or deterioration on the previous month. The greater the divergence from 50.0, the greater the rate of change (expansion or contraction) signalled.

Reasons given by survey respondents for any changes are analysed to provide insight into the causes of movements in the indices and are also used to adjust for expected seasonal variations. The indices are seasonally adjusted to take into consideration expected variations for the time of year, such as summer holiday shutdowns and national holidays such as Christmas.

Further information on the PMI surveys can be obtained from www.ntc-research.com.

Disclaimer

Warning

Ulster Bank and NTC

Ulster Bank is a member of The Royal Bank of Scotland Group which is the largest provider of banking services to medium and large businesses in the UK*, the second largest banking group in Europe and fifth largest in the world by market capitalisation**. 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.

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.

Sources: *PH survey - Jan. 2004, Greenwich Associates - Dec. 2003;
**Datastream - Dec. 2003. Correct as at 12 February 2007
Website: www.ulsterbank.com

NTC Research is one of the world's largest specialist providers of business research information, operating business surveys on behalf of many blue chip clients. Current research includes continuous surveys providing original data on economic conditions in the UK, Germany, France, Italy, Spain, Netherlands, Austria, Ireland, Greece, Russia, Poland, the Czech Republic, Turkey, Japan, India, China and Hong Kong. NTC surveys are widely used by governments, businesses and financial markets. Please visit www.ntc-research.com for further information.