

# 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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## Second successive fall in activity as new business declines

The Northern Ireland private sector endured a difficult start to 2015 as output, new orders and employment all fell during January. The latest reduction in business activity was the strongest since the end of 2012. Cost inflation moderated as a result of falling fuel prices, while companies continued to lower their output charges in a bid to maintain competitiveness.

### Second successive fall in activity

The headline seasonally adjusted Business Activity Index dipped to 48.0 in January, following a reading of 49.8 in the previous month. This signalled a second successive monthly reduction in output at private sector companies in Northern Ireland, with the rate of decline the sharpest since December 2012. The fall in activity in Northern Ireland contrasted with an expansion across the UK economy as a whole. Three of the four monitored sectors posted falling output, led by retail. The only sector to see activity increase was services.

New business also decreased in January, ending a 19-month sequence of expansion. The weakest new business trends were recorded in the construction and retail sectors. Anecdotal evidence suggested that customer demand had weakened during the month. New export orders also decreased for the second time in the past three months.

### Staffing levels decline

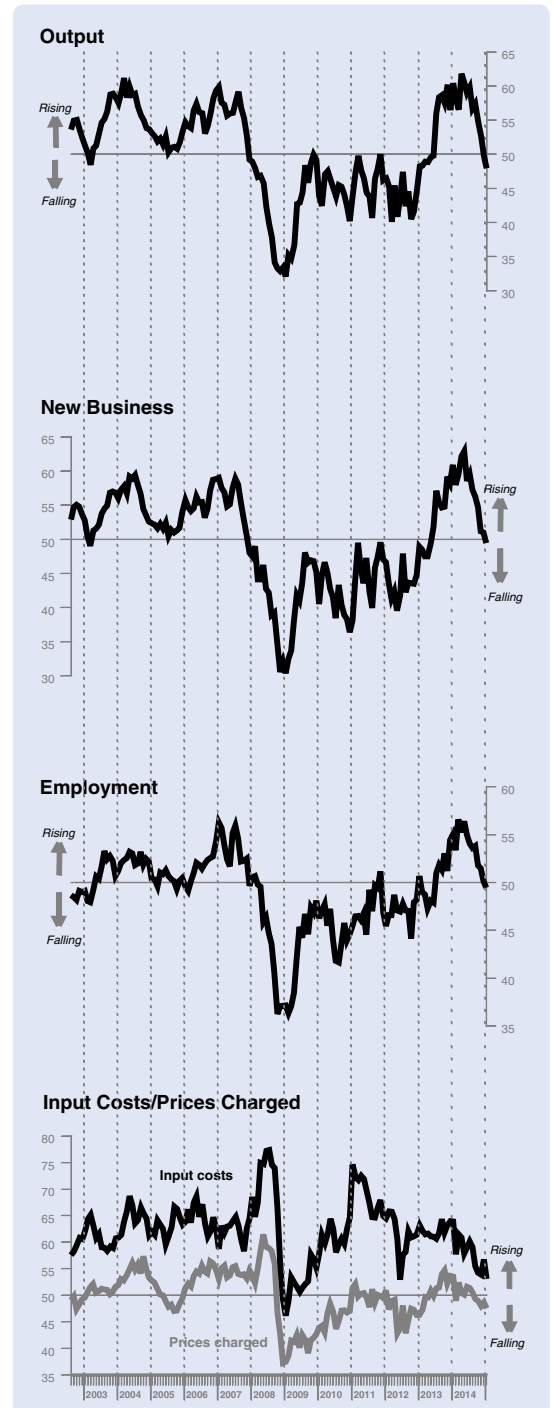
Employment fell for the first time since June 2013 amid reports of lower new work and attempts to reduce costs. This contrasted with a solid increase in staffing levels across the UK economy as a whole. Services and construction companies raised employment, while manufacturing and retail saw staffing levels fall.

With new business declining, companies were able to work through backlogs of work. Outstanding business has now fallen in four consecutive months.

### Slower rise in input prices

The rate of input cost inflation slowed in January and was the weakest since June 2012. Although some panellists reported that staff costs had increased, others indicated that declines in the oil price had led fuel costs to decrease. Slower rises in input prices were recorded at manufacturing, services and construction companies.

Northern Ireland companies lowered their output prices for the fifth successive month, with the pace of reduction quickening to the sharpest in close to two years. According to respondents, attempts to remain competitive had been behind the latest reduction in charges. Only the construction sector raised output prices.



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.

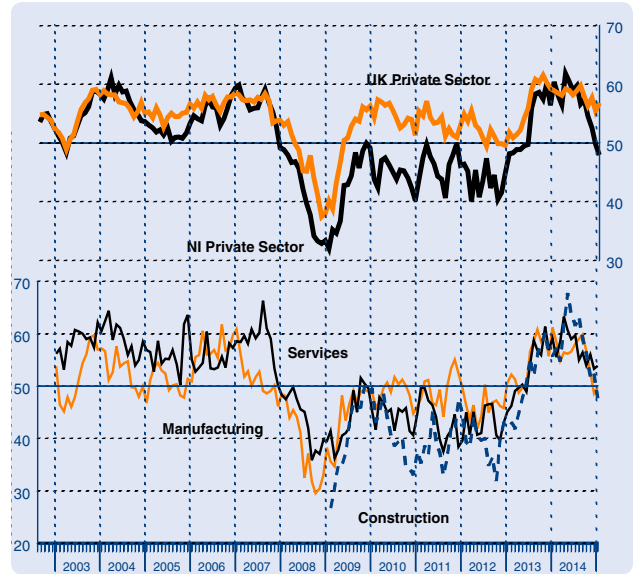
**Output / Business Activity**

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	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
	Nov	22.5	54.9	22.5	0.0	50.0	52.6	57.8
	Dec	19.3	56.4	24.3	-5.0	47.5	49.8	55.5
2015	Jan	17.4	51.1	31.5	-14.1	42.9	48.0	56.9

Private sector companies in Northern Ireland posted a second successive monthly reduction in business activity during January. Moreover, the rate of contraction was stronger than that seen at the end of 2014. The fall in output in Northern Ireland contrasted with solid growth across the UK economy as a whole. Where a reduction in activity was recorded, panellists mentioned reduced customer demand. Three of the four monitored sectors registered declines in output, with the sharpest fall at retailers. Construction activity decreased for the first time since May 2013. The only sector to see activity increase was services, where the rate of growth was solid.

By sector				
		Construction	Manufacturing	Services
'14	Nov	51.7	52.7	56.1
	Dec	52.5	48.6	53.3
'15	Jan	47.7	49.8	53.9



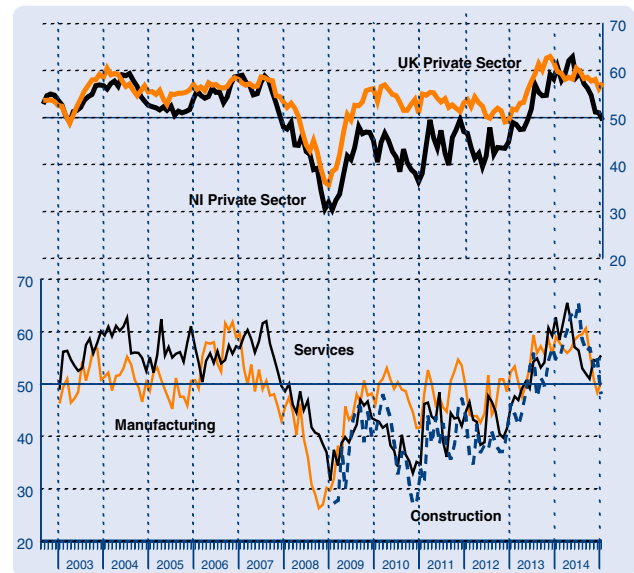
**New Business**

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
2014	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
	Nov	20.0	52.8	27.3	-7.3	46.4	51.2	58.2
	Dec	18.8	58.5	22.7	-3.9	48.1	51.0	56.2
2015	Jan	20.8	49.5	29.7	-8.9	45.5	49.4	57.4

New business at companies in Northern Ireland decreased in January, ending a 19-month sequence of expansion. Although the pace of reduction was only marginal, the fall contrasted with a marked increase in new business at the UK level. Anecdotal evidence suggested that a reluctance to commit to spending by customers had been the main factor leading new orders to decrease. Both the retail and construction sectors posted lower new business. The best-performing sector was services, where the rate of growth in new work accelerated to the sharpest since last July. Meanwhile, manufacturing new orders rose marginally.

By sector				
		Construction	Manufacturing	Services
'14	Nov	53.3	51.1	54.6
	Dec	55.0	48.4	54.4
'15	Jan	48.2	50.4	55.5



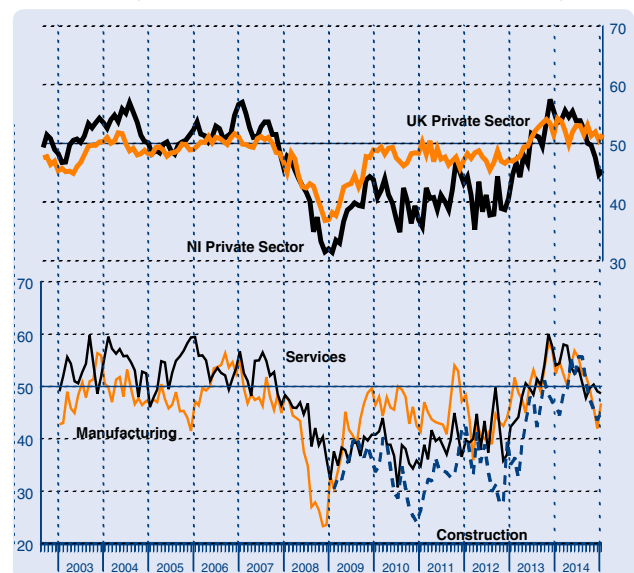
**Backlogs**

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
2014	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
	Nov	14.2	62.0	23.9	-9.7	45.1	47.6	52.0
	Dec	9.5	65.0	25.5	-16.0	42.0	44.7	50.5
2015	Jan	13.2	61.1	25.7	-12.4	43.8	45.4	51.6

Falling new orders enabled companies to work through outstanding business during January. As a result, backlogs of work continued to decline, extending the current sequence of depletion to four months. The latest reduction was solid, and only slightly slower than that seen in the previous month. Meanwhile, outstanding work continued to rise across the UK as a whole. All four monitored sectors posted declining backlogs, led by retail. Both the manufacturing and construction sectors posted weaker falls than in the previous month, while the pace of depletion in the service sector accelerated slightly.

By sector				
		Construction	Manufacturing	Services
'14	Nov	45.7	46.0	50.4
	Dec	43.7	42.0	49.1
'15	Jan	45.1	46.8	48.7



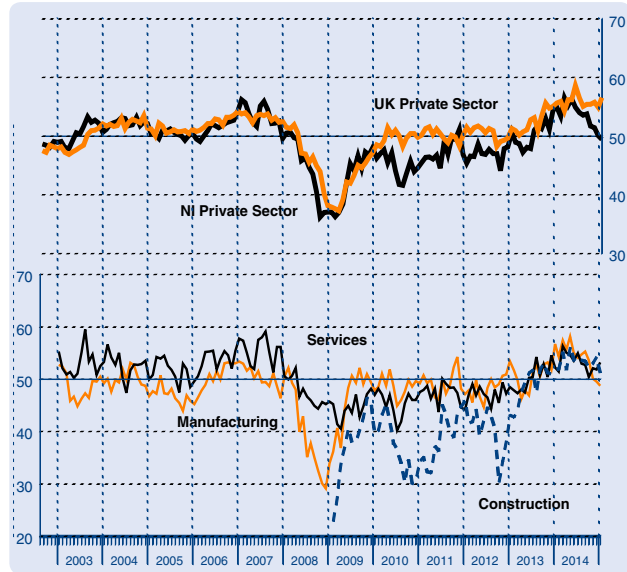
Employment

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 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	55.5
Oct	5.1	90.5	4.4	0.7	50.3	51.8	55.5
Nov	10.5	82.5	7.0	3.5	51.7	51.5	55.9
Dec	9.3	79.9	10.8	-1.5	49.2	50.1	55.0
2015 Jan	7.0	83.4	9.6	-2.6	48.7	49.5	56.6

January data pointed to a marginal reduction in employment at Northern Ireland companies, the first drop in staffing levels since June 2013. Some panellists reported that lower new work and attempts to reduce costs had led to the non-replacement of leaving staff during the month. The retail and manufacturing sectors posted falling employment, in each case for the second survey running. Service providers saw a pick-up in the rate of job creation, with the latest increase the strongest since July 2014. Meanwhile, construction employment rose only slightly, and at the slowest pace in 13 months.

By sector				
		Construction	Manufacturing	Services
'14 Nov		53.2	50.2	52.2
Dec		54.3	49.6	51.9
'15 Jan		51.3	48.8	53.3



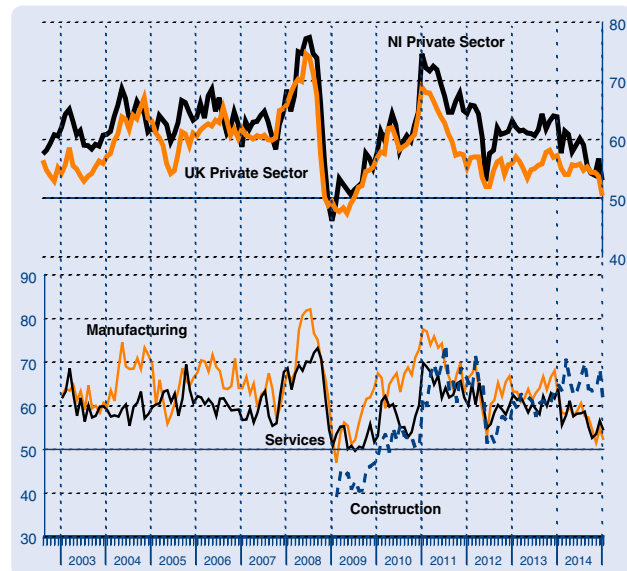
Input Costs

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
2014 Aug	18.1	77.5	4.4	13.7	56.9	59.1	54.8
Sep	16.7	78.7	4.6	12.2	56.1	55.6	55.4
Oct	15.1	75.9	9.0	6.0	53.0	54.3	54.5
Nov	14.4	75.7	9.8	4.6	52.3	54.0	54.5
Dec	20.1	69.6	10.4	9.7	54.9	56.8	53.8
2015 Jan	16.6	72.7	10.8	5.8	52.9	53.1	50.5

Although input prices continued to rise in January, the rate of inflation slowed from the previous month and was the weakest since June 2012. That said, the rise in input costs was still faster than the UK economy average. Some panellists reported that higher staff costs had led input prices to rise. On the other hand, recent falls in the price of oil had resulted in lower fuel costs. The strongest increase in input costs was at construction firms, although the rate of inflation in the sector eased to the weakest since October 2013. Slower rises in input prices were also recorded in the manufacturing and service sectors, while retailers saw little change in the rate of cost inflation.

By sector				
		Construction	Manufacturing	Services
'14 Nov		64.3	51.6	53.5
Dec		68.3	54.8	56.6
'15 Jan		60.5	52.2	54.4



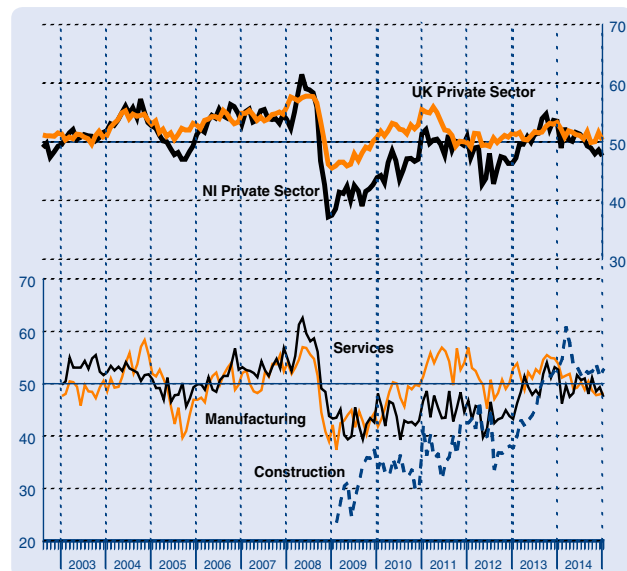
Prices Charged

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
2014 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
Nov	8.0	77.7	14.4	-6.4	46.8	48.0	50.1
Dec	8.3	78.1	13.6	-5.4	47.3	48.7	51.6
2015 Jan	9.4	77.9	12.6	-3.2	48.4	47.6	50.4

Northern Ireland companies continued to lower their output prices during January. Moreover, the rate of decline quickened from the previous month and was the strongest since February 2013. Selling prices have now decreased in each of the past five months, while the UK as a whole posted a marginal increase in charges. Those respondents that lowered their output prices indicated that the fall was as part of attempts to maintain competitiveness. The only sector to record a rise in charges was construction. The sharpest reduction was at service providers, where the rate of decline was the strongest since last April.

By sector				
		Construction	Manufacturing	Services
'14 Nov		53.7	47.9	48.5
Dec		51.4	48.0	49.4
'15 Jan		52.8	48.3	47.5



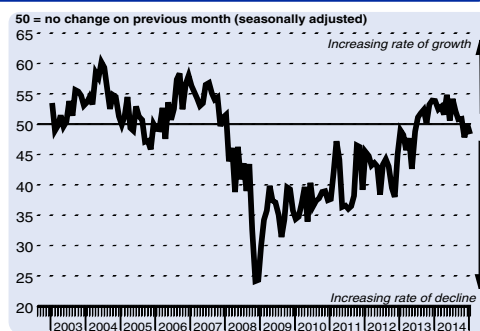
**New Export Business\***

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

**Northern Ireland Companies**

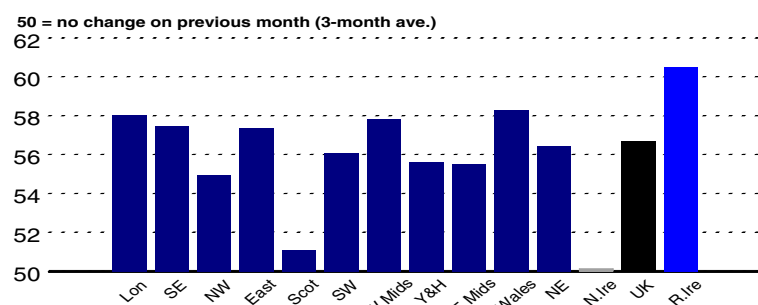
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2014	Aug	17.8	64.6	17.6	0.2	50.1	<b>52.2</b>
	Sep	17.5	68.5	14.0	3.5	51.8	<b>50.8</b>
	Oct	15.4	68.3	16.3	-0.9	49.6	<b>50.9</b>
	Nov	15.9	59.5	24.6	-8.7	45.7	<b>47.8</b>
	Dec	17.0	63.6	19.4	-2.3	48.8	<b>50.0</b>
2015	Jan	12.4	66.9	20.8	-8.4	45.8	<b>48.4</b>

After having been unchanged at the end of 2014, new export orders at Northern Ireland companies decreased in January. The modest reduction was the second in the past three months.



**Regional Comparisons: Output / Business Activity**

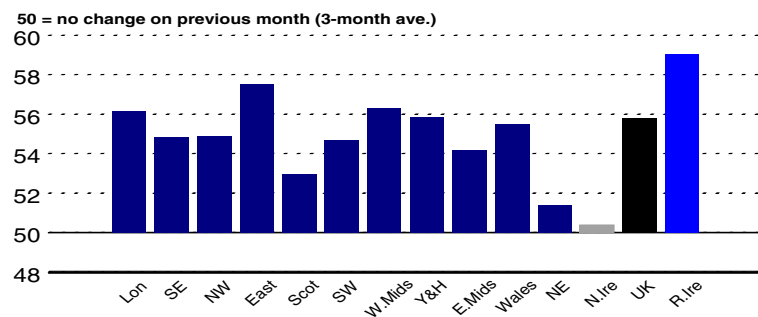
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were recorded in all 12 UK regions during the three months to January. Output growth was fastest in Wales and London, while Scotland and Northern Ireland both posted only marginal increases in business activity. Activity rose sharply in the Republic of Ireland.



	Share of UK GVA, 2012 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.8%)	58.6	58.0	59.8
South East	(14.9%)	58.6	57.5	55.8
North West	(9.6%)	57.3	55.0	55.9
East of England	(8.6%)	58.4	57.4	57.9
Scotland	(7.8%)	54.0	51.1	47.7
South West	(7.5%)	57.1	56.1	58.0
West Midlands	(7.2%)	58.4	57.8	58.9
Yorks & Humber	(6.9%)	57.4	55.6	54.2
East Midlands	(5.9%)	58.0	55.5	54.1
Wales	(3.5%)	58.8	58.3	58.3
North East	(3.1%)	58.9	56.4	54.5
N.Ireland	(2.2%)	56.3	50.1	48.0
<b>UK</b>	<b>(100.0%)</b>	<b>58.1</b>	<b>56.7</b>	<b>56.9</b>
Rep. of Ireland	n/a	59.9	60.5	60.3

**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 levels of private sector employment were recorded in all UK regions during the three months to January. East of England companies signalled the steepest rate of staff recruitment, while Northern Ireland saw the slowest rise in employment. Meanwhile, a steep expansion in staffing levels was recorded 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%)	55.8	56.2	58.3
South East	(14.9%)	55.3	54.9	56.0
North West	(9.6%)	56.2	54.9	56.4
East of England	(8.6%)	57.0	57.5	57.2
Scotland	(7.8%)	53.6	52.9	50.0
South West	(7.5%)	55.1	54.7	55.5
West Midlands	(7.2%)	55.2	56.3	57.4
Yorks & Humber	(6.9%)	56.6	55.8	56.3
East Midlands	(5.9%)	54.8	54.2	53.4
Wales	(3.5%)	54.0	55.5	55.5
North East	(3.1%)	51.6	51.4	51.1
N.Ireland	(2.2%)	53.4	50.4	49.5
<b>UK</b>	<b>(100.0%)</b>	<b>56.0</b>	<b>55.8</b>	<b>56.6</b>
Rep. of Ireland	n/a	57.8	59.1	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.

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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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