

# 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.

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](mailto:economics@markit.com)

The Ulster Bank Northern Ireland PMI<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> and PMI<sup>®</sup> 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 trademark of Markit Group Limited.

## Growth of activity quickens in July

The Northern Ireland private sector saw a pick-up in growth of both activity and new business in July as the economic recovery continued. Companies took on extra staff at a solid pace, albeit one that was slightly reduced from June. Meanwhile, the rate of cost inflation quickened for the second month in a row, but output prices again rose only slightly.

### Faster rise in business activity

A further sharp expansion of private sector output in Northern Ireland was recorded in July as the headline seasonally adjusted Business Activity Index rose to 59.8 from 59.0 in the previous month. The thirteenth successive monthly increase in activity was faster than registered across the UK economy as a whole. Panellists attributed the rise in activity to an upturn in the domestic economy which had enabled them to secure higher levels of new business.

New order growth quickened slightly in July, with respondents reporting improving economic conditions across the UK. The construction sector posted the fastest increase in new business during the month, with the pace of expansion hitting a post-crisis high. Meanwhile, new export orders rose at a solid pace, with panellists highlighting the strength of demand from the Republic of Ireland.

### Further solid rise in employment

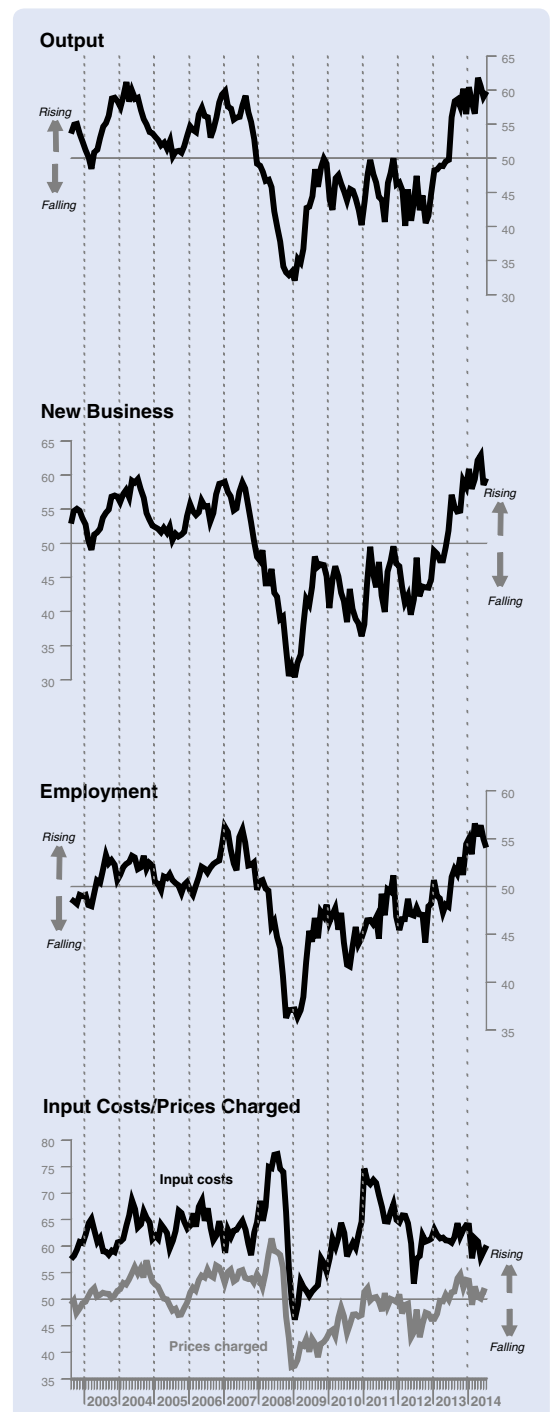
Rising new business led companies to increase their staffing levels during July. The rate of job creation remained solid but slowed to the weakest since February. The rise in employment was also slower than that recorded across the UK economy as a whole.

Backlogs of work continued to increase, with the rate of accumulation unchanged since June. Outstanding business has now risen in each of the past ten months.

### Input price inflation picks up

Northern Ireland companies posted another strong rise in input costs during July, with the rate of inflation much quicker than the UK economy average. Moreover, the pace at which input prices increased quickened for the second month running. Some panellists reported higher salary payments, while others mentioned increased raw material costs. Construction firms recorded the fastest increase in input prices.

A slight rise in output prices was recorded in July, with the fifth consecutive monthly increase in charges little-changed from that seen in the previous month. Those respondents that recorded a rise in output prices linked this to the passing on of higher input costs to clients, but some panellists lowered charges in the face of competitive pressures.



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.

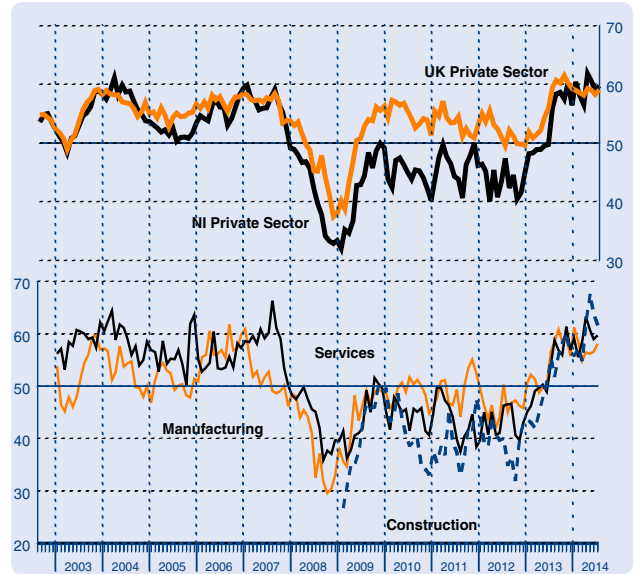
**Output / Business Activity**

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 Feb	33.5	49.6	16.9	16.6	58.3	58.1	58.6
Mar	29.2	59.2	11.5	17.7	58.8	56.6	58.2
Apr	41.5	53.9	4.6	36.9	68.5	61.9	59.3
May	29.6	61.8	8.6	21.0	60.5	60.6	59.0
Jun	28.4	57.3	14.4	14.0	57.0	59.0	58.4
Jul	25.7	56.4	17.9	7.8	53.9	59.8	59.1

The Northern Ireland private sector posted another sharp increase in output during July, with the rate of expansion picking up slightly from the previous month. Growth in Northern Ireland was also faster than seen across the UK economy as a whole. Those respondents that registered an increase in activity linked this to a general upturn in the economy which had helped them to secure greater volumes of new business. The construction sector posted the fastest expansion in activity during July, closely followed by retail. Meanwhile, rates of growth in the manufacturing and services sectors quickened from the previous month.

By sector				
		Construction	Manufacturing	Services
'14 May		67.7	56.2	60.8
Jun		63.9	56.7	59.0
Jul		61.7	58.2	59.7



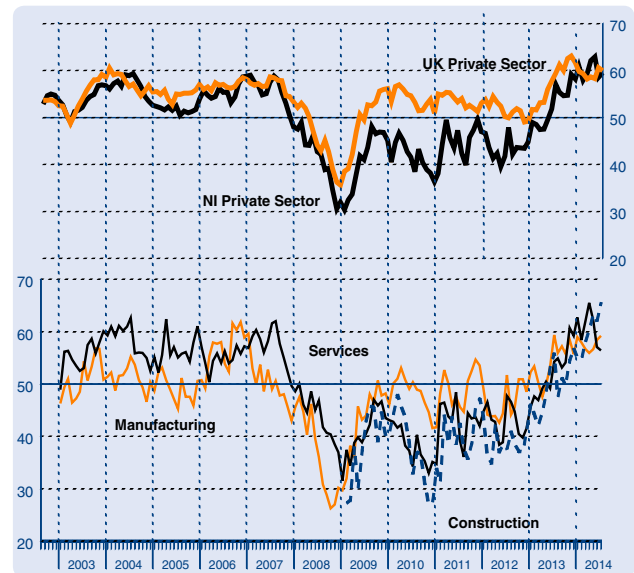
**New Business**

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 Feb	36.3	47.6	16.0	20.3	60.2	58.0	59.4
Mar	34.8	53.3	11.9	22.9	61.4	59.5	58.3
Apr	42.1	49.1	8.8	33.3	66.6	62.2	58.7
May	32.8	58.6	8.6	24.1	62.1	62.9	58.3
Jun	31.4	51.4	17.3	14.1	57.1	58.6	60.7
Jul	25.6	57.8	16.6	9.0	54.5	59.5	60.0

July data pointed to a fourteenth consecutive monthly increase in new business at Northern Ireland companies. Although marginally weaker than the UK average, the rate of growth in Northern Ireland was substantial and quicker than recorded in June. Respondents indicated that they had benefited from improving economic conditions across the UK. As with activity, the fastest rise in new orders was recorded in the construction sector where the rate of expansion was the sharpest since the series began in February 2009. Manufacturers also saw a sharper increase in new business during the month.

By sector				
		Construction	Manufacturing	Services
'14 May		63.4	56.7	62.2
Jun		62.1	58.4	57.1
Jul		65.6	59.2	56.5



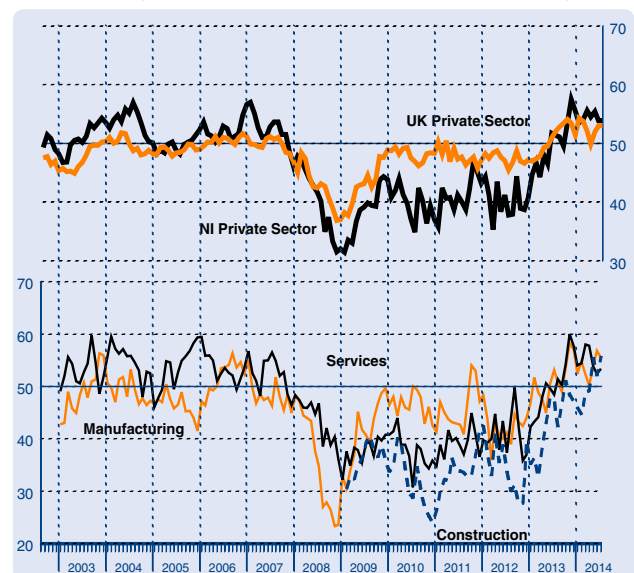
**Backlogs**

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 Feb	22.4	64.9	12.8	9.6	54.8	54.1	53.9
Mar	25.7	62.0	12.3	13.4	56.7	55.6	52.2
Apr	24.4	66.3	9.3	15.2	57.6	54.5	49.9
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

Rising new business led to a build up of capacity pressure at some Northern Ireland companies. Backlogs of work increased for the tenth successive month and at a solid pace. Northern Ireland saw a slightly faster rise in outstanding business than the UK as a whole. More than 17% of panellists reported a rise in backlogs, against 14% that posted a fall. All four monitored sectors posted increases in outstanding work, led by retail. Faster rises in backlogs were recorded in the services and construction sectors while manufacturers posted a slightly slower accumulation of work-in-hand.

By sector				
		Construction	Manufacturing	Services
'14 May		55.6	54.0	53.8
Jun		52.1	56.9	52.5
Jul		55.7	55.5	53.4



## Employment

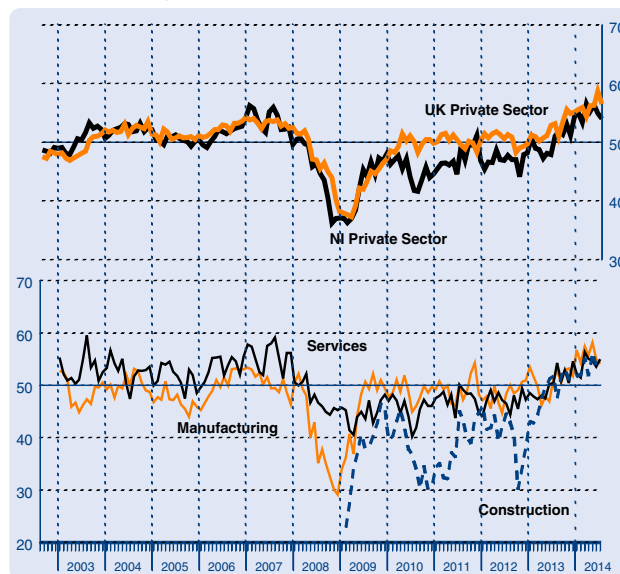
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2014 Feb	11.8	80.4	7.7	4.1	52.0	53.4	56.0
Mar	19.4	74.2	6.4	13.1	56.5	56.6	54.4
Apr	14.9	80.6	4.5	10.4	55.2	55.3	56.3
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	56.6

Northern Ireland companies posted a solid increase in employment during July, extending the current sequence of job creation to 13 months. That said, the pace at which staffing levels rose was the slowest since February and weaker than the average seen across the UK economy as a whole. Anecdotal evidence suggested that extra staff had been taken on in response to greater workloads. The service sector posted the sharpest rise in employment during the month as the rate of job creation quickened to the sharpest in three months. Elsewhere, staffing levels continued to rise but at slower rates.

### By sector

	Construction	Manufacturing	Services
'14 May	56.3	58.2	54.7
Jun	53.8	55.1	53.6
Jul	53.1	54.2	55.0



## Input Costs

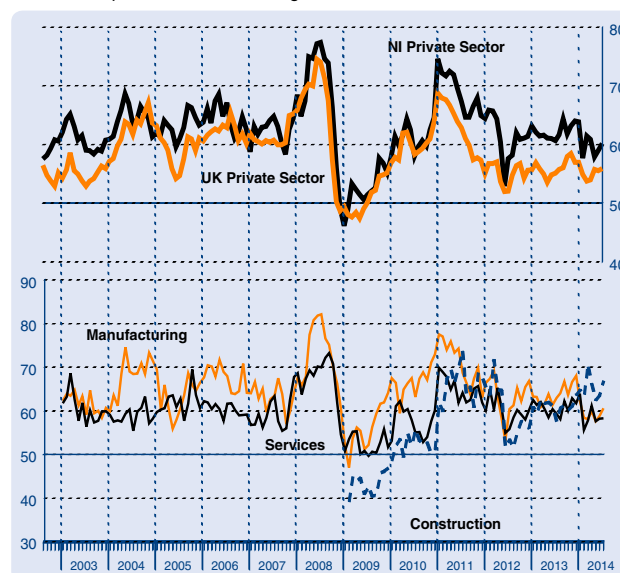
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2014 Feb	16.9	80.2	2.9	14.0	57.0	57.7	55.0
Mar	31.3	67.1	1.6	29.7	64.8	61.5	53.8
Apr	26.8	72.1	1.1	25.6	62.8	60.9	54.0
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	55.6
Jul	22.1	74.5	3.3	18.8	59.4	60.2	56.0

Northern Ireland companies recorded a sharp increase in input prices during July. Furthermore, the rate of inflation quickened for the second successive month and was much sharper than the UK average. Some panellists indicated that higher salary payments had contributed to increased input costs, while others mentioned that raw material prices had risen. More than 22% of panellists reported a rise in input costs, against just 3% that signalled a fall. The construction sector posted the sharpest rise in costs during July, followed by manufacturing. All four sectors posted faster rises in input prices than in the previous month.

### By sector

	Construction	Manufacturing	Services
'14 May	62.5	57.6	57.7
Jun	63.6	58.8	58.3
Jul	66.9	60.6	58.4



## Prices Charged

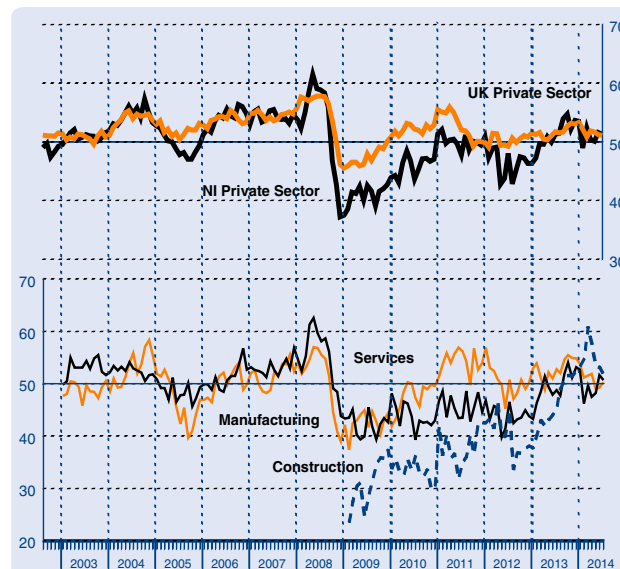
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2014 Feb	7.6	83.0	9.4	-1.8	49.1	49.0	52.2
Mar	14.1	78.1	7.8	6.3	53.1	52.4	50.8
Apr	11.3	81.7	7.0	4.3	52.1	50.4	51.9
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

Output prices in the Northern Ireland private sector increased slightly during July. The fifth successive monthly rise in charges was broadly in line with that recorded in the previous month and marginally quicker than the UK average. However, the increase in output prices was again much slower than seen for input costs. Where a rise in charges was recorded, this was linked to the passing on of higher input prices to clients. However, some respondents lowered their charges in an effort to remain competitive. Output prices increased across all four sectors, with the sharpest inflation at retailers. Manufacturers raised charges for the first time in three months.

### By sector

	Construction	Manufacturing	Services
'14 May	53.3	49.1	48.3
Jun	53.2	49.3	51.7
Jul	51.6	50.3	50.7



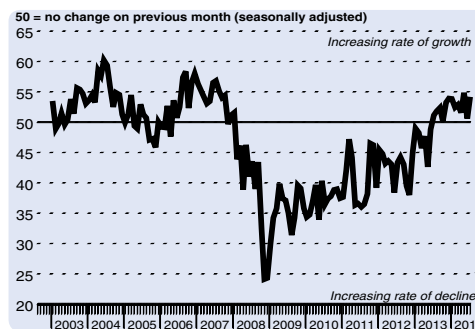
**New Export Business\***

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

**Northern Ireland Companies**

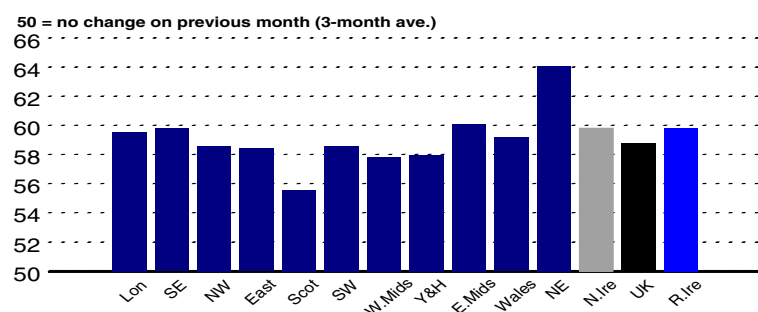
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2014	Feb	19.2	69.9	10.9	8.3	54.1	52.5
	Mar	19.4	64.6	16.0	3.4	51.7	52.9
	Apr	14.2	76.6	9.2	5.1	52.5	51.6
	May	27.6	59.2	13.2	14.4	57.2	54.9
	Jun	18.0	66.0	16.0	2.0	51.0	50.7
	Jul	20.2	64.9	14.9	5.2	52.6	54.2

July data signalled a solid expansion in new export business in Northern Ireland, with the rate of growth quickening from June. Panellists reported that new orders from the Republic of Ireland had driven growth in new export business.



**Regional Comparisons: Output / Business Activity**

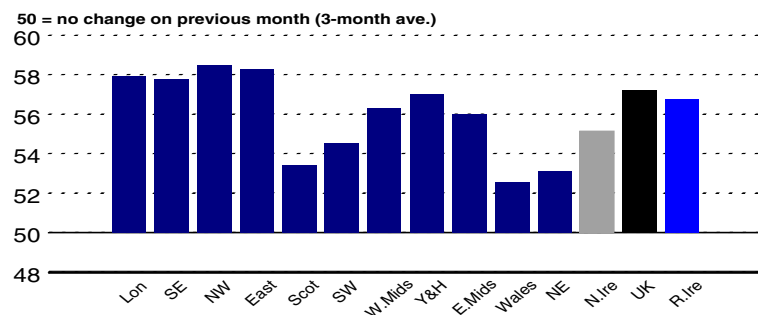
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth remained broad-based across the 12 UK regions monitored by the survey. The North East posted the fastest pace of expansion on average in the three months to July, followed by the East Midlands. Meanwhile, the Republic of Ireland recorded a sharp rise in output.



	Share of UK GVA, 2012 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.8%)	60.8	59.5	59.7
South East	(14.9%)	60.4	59.8	60.7
North West	(9.6%)	59.5	58.6	59.1
East of England	(8.6%)	59.1	58.4	57.8
Scotland	(7.8%)	56.3	55.6	56.8
South West	(7.5%)	60.2	58.6	57.8
West Midlands	(7.2%)	59.1	57.9	55.8
Yorks & Humber	(6.9%)	57.6	57.9	58.4
East Midlands	(5.9%)	59.8	60.1	61.8
Wales	(3.5%)	58.9	59.2	60.0
North East	(3.1%)	58.9	64.1	64.0
N.Ireland	(2.2%)	59.0	59.8	59.8
<b>UK</b>	<b>(100.0%)</b>	<b>59.5</b>	<b>58.8</b>	<b>59.1</b>
Rep. of Ireland	n/a	58.2	59.8	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). All 12 UK regions recorded higher levels of private sector employment in the three months to July. The pace of job creation was strongest in the North West, followed by the East of England. Employment in the Republic of Ireland rose at a broadly similar pace to the UK.



	Share of UK GVA, 2012 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.8%)	56.2	57.9	55.9
South East	(14.9%)	55.3	57.8	58.2
North West	(9.6%)	56.4	58.5	56.9
East of England	(8.6%)	55.7	58.3	58.4
Scotland	(7.8%)	53.4	53.4	53.5
South West	(7.5%)	55.4	54.5	55.5
West Midlands	(7.2%)	54.5	56.3	57.5
Yorks & Humber	(6.9%)	54.3	57.0	56.3
East Midlands	(5.9%)	53.1	56.0	56.4
Wales	(3.5%)	52.7	52.6	52.5
North East	(3.1%)	52.3	53.1	51.9
N.Ireland	(2.2%)	54.0	55.2	54.1
<b>UK</b>	<b>(100.0%)</b>	<b>55.3</b>	<b>57.2</b>	<b>56.6</b>
Rep. of Ireland	n/a	56.1	56.8	56.8

**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.