

# 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.

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## New order growth at four-month high

The end of 2015 saw further growth of output in the Northern Ireland private sector as the rate of expansion in new business accelerated. This encouraged firms to take on extra staff. Meanwhile, the rate of cost inflation quickened to the fastest for a year.

### Activity rises for eighth month running

The headline seasonally adjusted Business Activity Index posted 52.3 in December, down marginally from 52.6 in November but continuing to signal a solid expansion in private sector output in Northern Ireland. Activity has now risen in each of the past eight months. According to respondents, improving market conditions and rising new export business had contributed to the increase in activity. Manufacturing production returned to growth following a fall in November, with only retail seeing a reduction in activity in the latest survey period.

Total new business rose for the eighth consecutive month in December. Moreover, the rate of growth quickened for the second month running and was the fastest since August. That said, the increase in new orders at Northern Ireland companies was slower than the UK average.

After having been unchanged in the previous month, new export business rose at a solid pace. New export orders have increased in three of the past four months.

### Further solid rise in employment

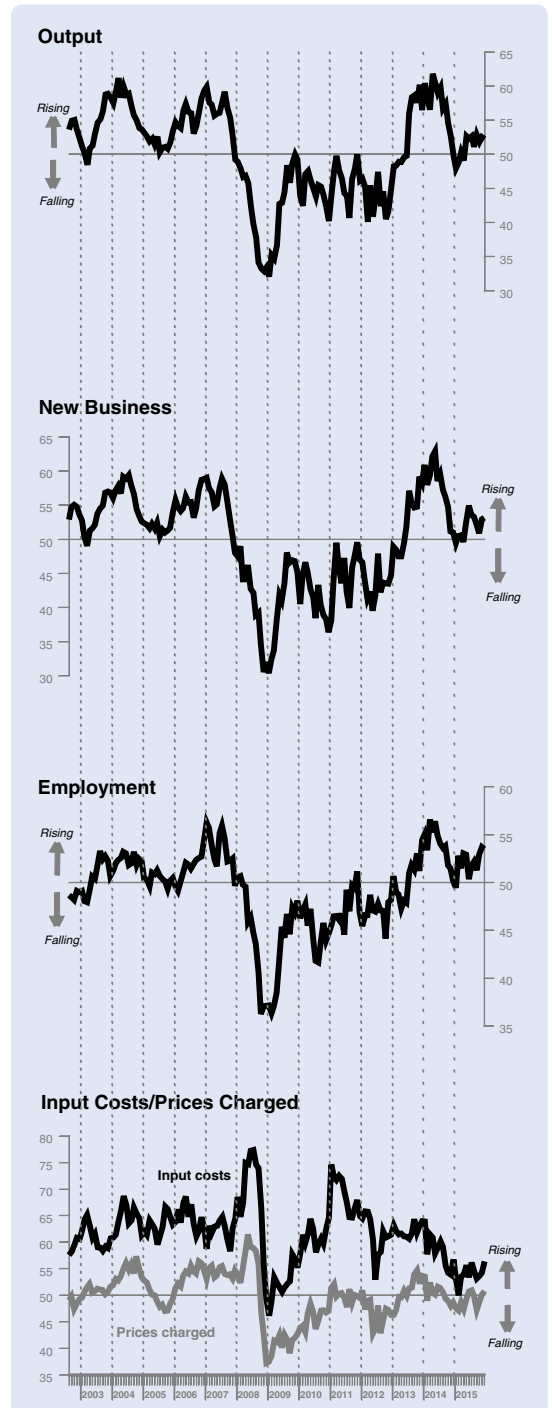
Higher new business led to a build-up of backlogs of work, the second in as many months. That said, the rate of accumulation was only marginal.

Northern Ireland firms increased their staffing levels for the eleventh successive month during December, and at a solid pace that was only fractionally weaker than seen in November. Three of the four monitored sectors posted higher employment, the exception being manufacturing where job cuts were recorded for the fourth month running.

### Cost inflation accelerates

Input prices increased at the fastest pace for a year at the end of 2015, with a number of respondents highlighting rising staff costs. The service sector posted the strongest rate of inflation, with the latest increase the fastest since April 2014.

Output prices at Northern Ireland companies rose for the second month running in December. The rate of inflation was slight and broadly in line with that seen across the UK economy as a whole. Increases in output prices were centred on the service and construction sectors, with the rise in services charges the strongest since September 2008.



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**

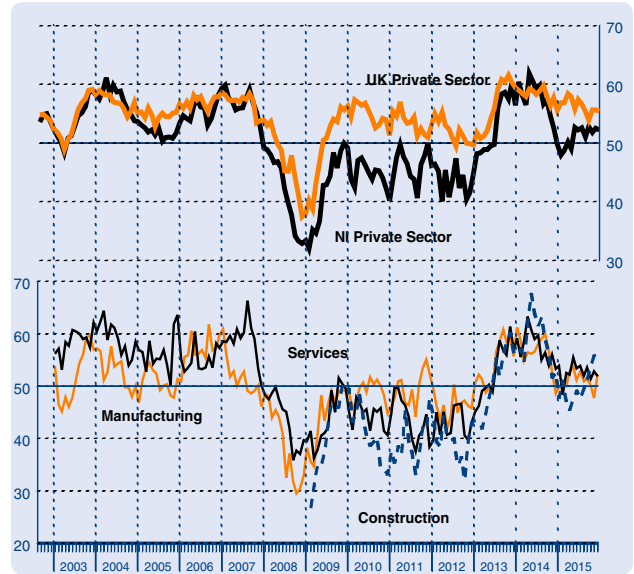
Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2015 Jul	20.8	62.4	16.8	4.1	52.0	52.6	56.7
Aug	24.7	47.1	28.2	-3.5	48.2	51.1	55.4
Sep	27.5	57.7	14.8	12.6	56.3	52.9	53.9
Oct	22.2	55.5	22.3	0.0	50.0	51.8	55.7
Nov	24.8	55.8	19.4	5.4	52.7	52.6	55.7
Dec	24.7	50.7	24.7	0.0	50.0	52.3	55.5

Northern Ireland companies increased their output for an eighth consecutive month in December. The rate of expansion remained solid, slowing only marginally from the previous month. That said, the rise in activity in Northern Ireland was slower than the UK economy average. Improving market conditions and higher new export orders were among the factors mentioned by those panellists that saw an increase in output. Construction posted the fastest

rise in activity, while manufacturing output rebounded following a fall in November. The only sector to record a decline in activity was retail.

By sector			
	Construction	Manufacturing	Services
'15 Oct	53.9	50.1	51.4
Nov	55.9	47.8	52.8
Dec	54.7	52.3	51.9



**New Business**

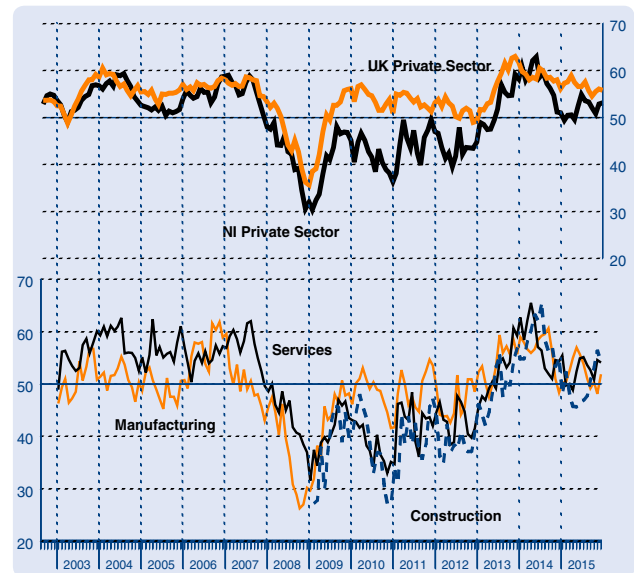
Q. Is the level of new orders or incoming new business at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2015 Jul	20.7	63.5	15.9	4.8	52.4	53.6	57.6
Aug	27.2	49.4	23.4	3.8	51.9	53.3	55.7
Sep	23.6	62.3	14.1	9.6	54.8	52.1	54.6
Oct	25.0	52.0	23.0	2.0	51.0	50.9	55.6
Nov	24.8	51.8	23.4	1.4	50.7	52.9	56.1
Dec	28.0	48.3	23.7	4.3	52.1	53.2	55.8

New business continued to increase in the Northern Ireland private sector during December. Moreover, the rate of expansion quickened for the second month running and was the strongest since August. New orders have now risen in each of the past eight months. Anecdotal evidence highlighted a general rise in market activity. Solid increases in new business were seen in both the service and construction sectors during December. Manufacturers posted a modest

rise in new orders, reversing the decline from November. In contrast, retailers recorded a further reduction in new business, and the fastest since April.

By sector			
	Construction	Manufacturing	Services
'15 Oct	53.3	50.4	50.9
Nov	56.5	48.2	54.6
Dec	54.3	51.9	54.2



**Backlogs**

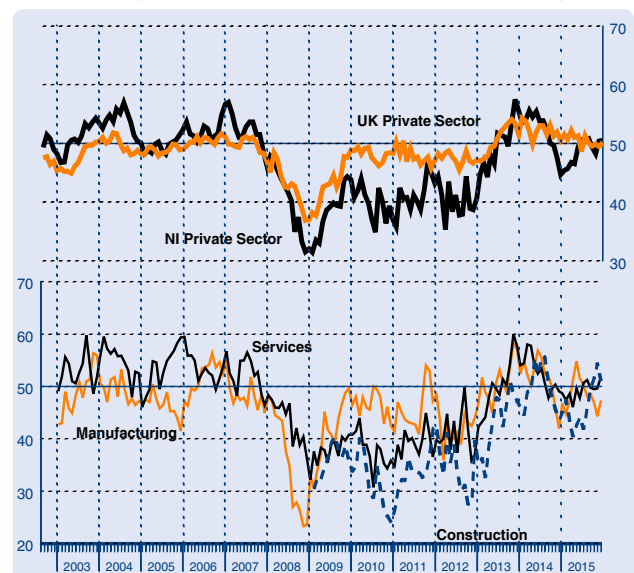
Q. Is the level of business outstanding (i.e. work not yet commenced or completed) at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2015 Jul	16.1	66.6	17.3	-1.3	49.4	50.6	51.4
Aug	18.7	62.4	18.9	-0.2	49.9	50.9	50.1
Sep	14.5	70.6	14.9	-0.4	49.8	49.5	49.5
Oct	16.6	62.5	20.9	-4.3	47.8	48.3	49.9
Nov	20.0	61.8	18.2	1.8	50.9	50.4	49.5
Dec	18.8	62.3	19.0	-0.2	49.9	50.6	50.2

As had been the case in the previous month, backlogs of work increased at Northern Ireland companies in December. That said, the rate of accumulation remained only marginal. Firms in Northern Ireland registered a slightly sharper increase in backlogs than the UK economy average. Where work-in-hand rose, this was linked by panellists to higher new business. Backlogs rose in the construction, retail and service sectors, with services

outstanding business increasing for the first time in four months. Manufacturers recorded a further solid depletion of backlogs, the fifth in as many months.

By sector			
	Construction	Manufacturing	Services
'15 Oct	51.7	47.0	49.5
Nov	54.4	44.3	49.7
Dec	51.1	47.4	51.9



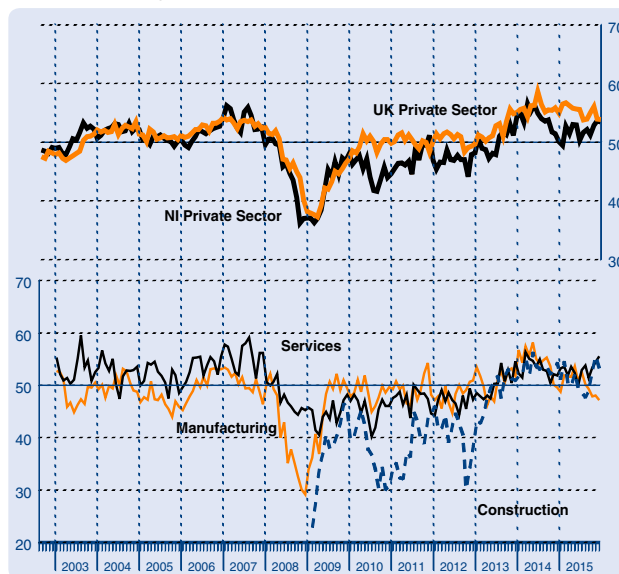
## Employment

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
2015 Jul	12.4	81.8	5.8	6.6	53.3	51.7	53.9
Aug	13.5	79.4	7.1	6.4	53.2	52.2	54.0
Sep	14.7	73.2	12.1	2.6	51.3	51.3	55.1
Oct	15.5	76.4	8.1	7.5	53.7	52.9	56.2
Nov	18.0	74.7	7.3	10.6	55.3	53.7	54.0
Dec	14.1	78.2	7.7	6.4	53.2	53.5	53.9

With workloads increasing, companies boosted their staffing levels again in December. Employment has risen continuously since last February, with the rate of job creation remaining solid and only slightly slower than that seen across the UK as a whole. As well as larger current workloads, panellists indicated that higher employment partly reflected anticipated increases in requirements for next year. Three of the four monitored sectors recorded job creation, led by retail. Conversely, manufacturing staffing levels decreased for the fourth month running, and at the sharpest pace since June 2013.

By sector				
		Construction	Manuf-acturing	Services
'15 Oct		52.9	48.0	53.4
Nov		55.6	48.1	54.5
Dec		53.3	47.2	55.6



## Input Costs

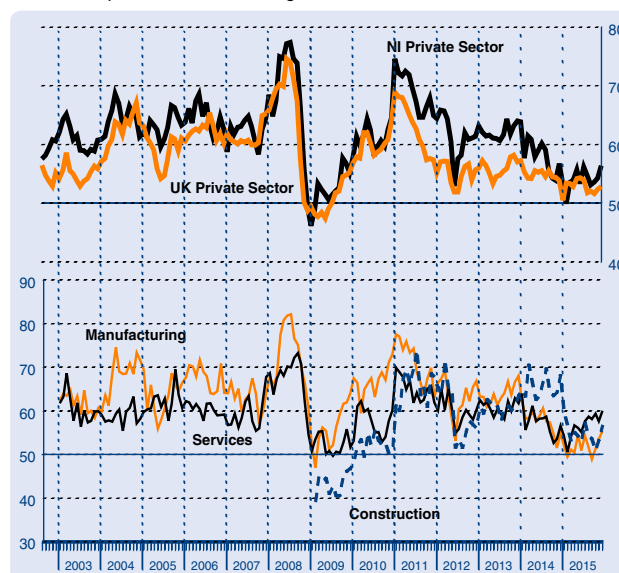
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2015 Jul	19.6	76.2	4.1	15.5	57.7	56.2	54.0
Aug	16.7	73.4	9.9	6.9	53.4	54.7	51.8
Sep	16.4	74.4	9.3	7.1	53.6	53.2	52.1
Oct	12.2	80.6	7.2	5.0	52.5	53.7	51.6
Nov	14.0	78.9	7.1	7.0	53.5	54.3	52.4
Dec	20.7	73.8	5.5	15.2	57.6	56.4	52.9

December data pointed to another monthly increase in input costs in the Northern Ireland private sector. Furthermore, the rate of inflation quickened to the fastest for a year, and was also much sharper than the UK economy average. According to respondents, the main factor leading input prices to increase was higher staff costs. The service sector posted a substantial rise in input prices that was the strongest since April 2014. Faster increases in input costs were also registered in manufacturing and construction.

By sector				
		Construction	Manuf-acturing	Services
'15 Oct		51.0	51.3	59.4
Nov		53.4	53.5	57.7
Dec		56.7	55.5	60.1

The only category to see a fall in input prices was retail where the pace of reduction quickened to the fastest since the series began in January 2003.



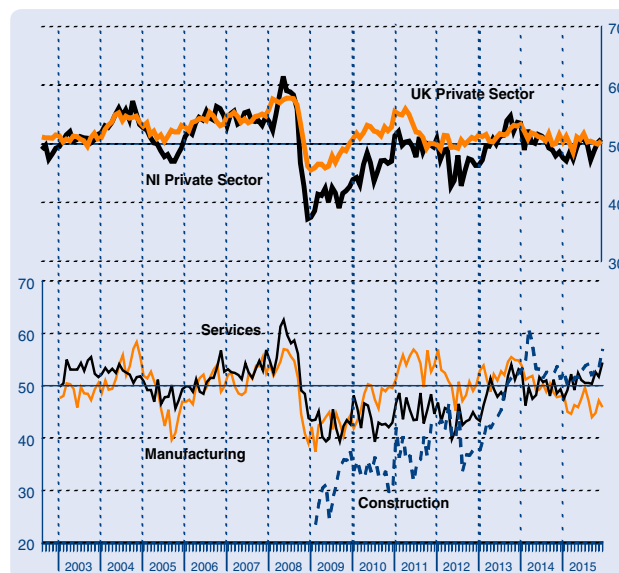
## Prices Charged

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
2015 Jul	11.7	79.3	9.0	2.7	51.4	50.9	51.8
Aug	5.3	87.3	7.4	-2.1	48.9	49.9	50.3
Sep	4.7	81.9	13.4	-8.7	45.6	47.3	50.5
Oct	5.6	88.0	6.4	-0.8	49.6	48.9	50.2
Nov	6.7	85.8	7.6	-0.9	49.6	50.2	50.0
Dec	9.2	81.7	9.0	0.2	50.1	50.9	50.5

Output prices increased for the second successive month in December. Although only slight, the rate of inflation quickened from that seen in November and was marginally faster than the UK average. While the strength of sterling against the euro had helped some companies to secure cheaper imports, others mentioned that the weakness of the euro had led the prices they charged in the euro area to increase. Both the service and construction sectors posted rising output prices, with rates of inflation at 87- and 20-month highs respectively. Meanwhile, manufacturing and retail recorded lower output prices.

By sector				
		Construction	Manuf-acturing	Services
'15 Oct		53.6	44.8	52.6
Nov		53.5	47.2	51.8
Dec		57.0	45.9	54.4



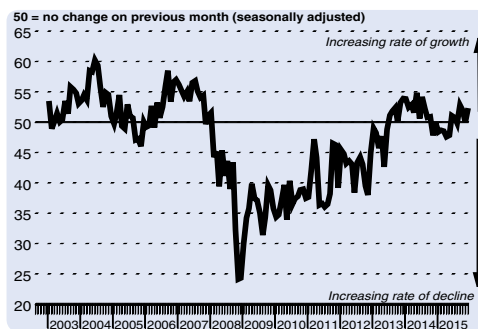
**New Export Business\***

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

**Northern Ireland Companies**

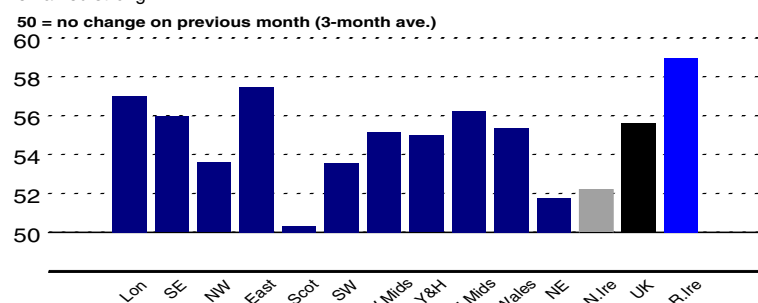
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2015	Jul	16.2	71.3	12.5	3.7	51.9	<b>50.9</b>
	Aug	16.6	64.1	19.2	-2.6	48.7	<b>49.9</b>
	Sep	29.9	58.6	11.5	18.4	59.2	<b>52.9</b>
	Oct	14.4	68.0	17.5	-3.1	48.4	<b>52.0</b>
	Nov	12.3	67.6	20.1	-7.8	46.1	<b>50.0</b>
	Dec	24.7	54.0	21.3	3.4	51.7	<b>52.4</b>

New export orders rose for the third time in the past four months in December, after having been unchanged in November. Close to one-quarter of respondents signalled an increase in new business from abroad, against 21% that posted a decrease.



**Regional Comparisons: Output / Business Activity**

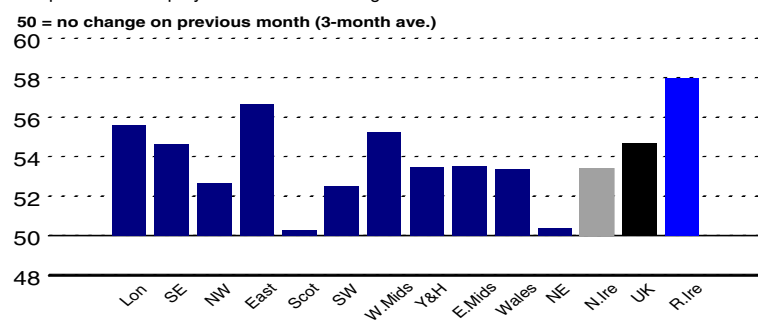
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The final quarter of 2015 saw levels of business activity rise in all 12 UK regions monitored by the survey, led by strong growth in the East of England. However, the pace of expansion in Scotland – the worst performing region – was only marginal. Meanwhile, the rate of growth in activity in the Republic of Ireland remained strong.



	Share of UK GVA, 2013 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.6%)	58.4	57.0	56.9
South East	(15.2%)	56.4	56.0	56.7
North West	(9.4%)	54.3	53.6	54.4
East of England	(8.7%)	57.1	57.5	56.8
Scotland	(7.8%)	50.3	50.3	50.3
South West	(7.6%)	55.2	53.6	54.5
West Midlands	(7.4%)	56.4	55.2	54.7
Yorks & Humber	(6.8%)	55.6	55.0	52.5
East Midlands	(5.9%)	55.8	56.3	54.4
Wales	(3.5%)	56.7	55.4	55.7
North East	(3.0%)	55.0	51.8	53.6
N. Ireland	(2.2%)	51.2	52.2	52.3
<b>UK</b>	<b>(100.0%)</b>	<b>56.4</b>	<b>55.6</b>	<b>55.5</b>
Rep. of Ireland	n/a	60.0	59.0	59.2

**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). Employment growth in the three months to December was strongest in the East of England, followed by London and then the West Midlands. Meanwhile, the weakest rates of job creation were recorded in Scotland and the North East of England respectively. The Republic of Ireland saw a sharper rise in employment than all UK regions.



	Share of UK GVA, 2013 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.6%)	56.2	55.6	54.3
South East	(15.2%)	54.8	54.7	54.5
North West	(9.4%)	54.2	52.7	52.1
East of England	(8.7%)	57.6	56.7	55.0
Scotland	(7.8%)	50.7	50.3	49.7
South West	(7.6%)	54.0	52.5	52.0
West Midlands	(7.4%)	55.5	55.3	55.6
Yorks & Humber	(6.8%)	54.8	53.5	53.1
East Midlands	(5.9%)	54.3	53.5	51.8
Wales	(3.5%)	54.5	53.4	53.0
North East	(3.0%)	52.3	50.4	51.0
N. Ireland	(2.2%)	52.1	53.4	53.5
<b>UK</b>	<b>(100.0%)</b>	<b>55.3</b>	<b>54.7</b>	<b>53.9</b>
Rep. of Ireland	n/a	58.5	58.0	56.4

**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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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.

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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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