

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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Business activity rises solidly in June

Growth was maintained in the Northern Ireland private sector at the end of the second quarter, with sharper expansions of output, new orders and employment recorded. A further marked increase in input costs was registered, but charge inflation remained modest.

Solid rise in business activity

The headline seasonally adjusted Business Activity Index rose to 52.9 in June from 51.1 in the previous month. This pointed to a solid monthly expansion in output that was faster than that seen in May. Activity has now increased in each of the past 14 months, with the latest expansion sharper than the UK economy average. According to respondents, effective marketing and good weather had contributed to rises in activity.

The rate of expansion in new orders also picked up, but remained modest. Both the manufacturing and service sectors saw new business increase, while declines were recorded in construction and retail.

In contrast to the picture for total new business, new export orders decreased in June. This ended a four-month sequence of expansion.

Rate of job creation quickens

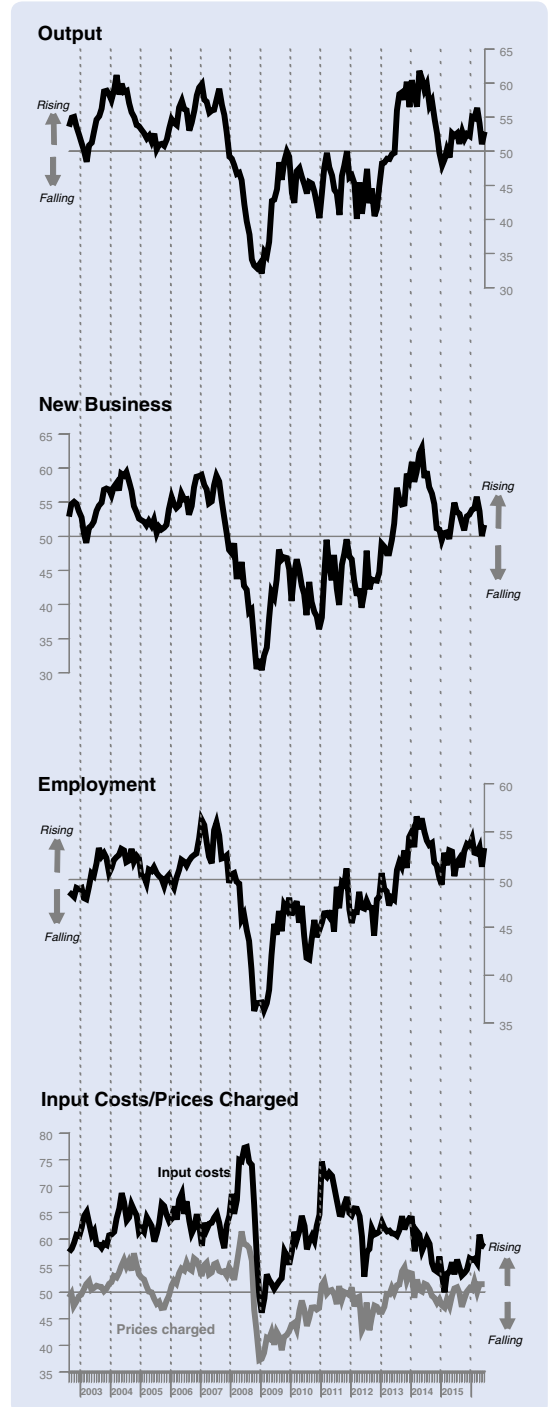
Staffing levels increased for the seventeenth successive month in June, with panellists linking the rise to higher output requirements. The rate of job creation was solid and sharper than seen in May. The increase in employment at companies in Northern Ireland was faster than the UK economy average.

Backlogs of work decreased for the second successive month, albeit only slightly and to a lesser extent than in May. Manufacturing was the only sector to register a rise in outstanding business, with the sharpest fall at construction companies.

Further sharp increase in input costs

Despite easing slightly for the second month running, the rate of input cost inflation remained marked in June and was faster than the UK economy average. A number of respondents mentioned higher staff costs, while there were also reports that a weaker sterling had led the prices of imported items to rise. The manufacturing sector posted the fastest increase in input costs as the rate of inflation quickened to a 23-month high.

The passing on of higher input prices to clients led to another monthly rise in charges at Northern Ireland companies. The rate of inflation was modest and little-changed from the previous month amid reports of competitive pressures. All four monitored sectors posted increased selling prices, led by services and retail.



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.

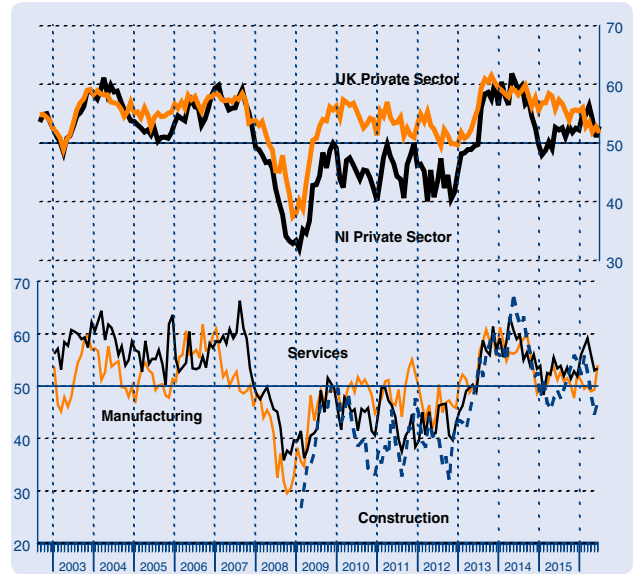
Output / Business Activity

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
2016	Jan	25.6	51.9	22.4	3.2	51.6	55.1	56.1
	Feb	28.3	54.9	16.7	11.6	55.8	54.9	52.9
	Mar	29.9	58.9	11.2	18.8	59.4	56.4	53.7
	Apr	24.0	60.9	15.1	8.9	54.4	54.2	51.9
	May	17.5	66.0	16.4	1.1	50.6	51.1	52.9
	Jun	24.4	60.3	15.3	9.1	54.5	52.9	51.8

Northern Ireland companies recorded an increase in business activity for the fourteenth month running in June. The rate of expansion was solid and faster than that seen in the previous month. The rise in output in Northern Ireland was also sharper than the UK average. Some panellists indicated that effective marketing campaigns had helped them to secure sales, leading to higher output. There were also mentions of good weather conditions boosting activity. Three of the four monitored sectors saw output increase, led by manufacturing where production rose for the first time in three months. Construction activity decreased in June.

By sector				
		Construction	Manufacturing	Services
'16	Apr	48.8	49.1	56.2
	May	44.7	49.4	53.0
	Jun	47.3	54.0	53.5



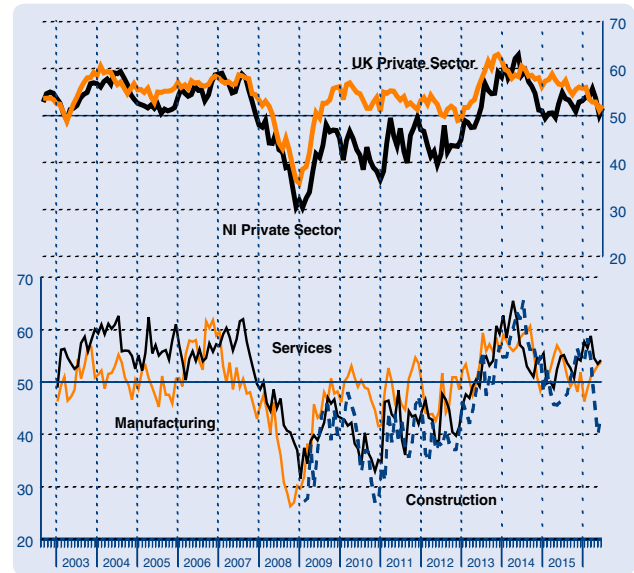
New Business

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
2016	Jan	21.1	54.8	24.1	-3.0	48.5	54.0	56.0
	Feb	27.4	55.6	17.0	10.4	55.2	54.1	53.5
	Mar	29.7	57.9	12.4	17.3	58.6	55.8	52.9
	Apr	26.2	56.9	17.0	9.2	54.6	53.7	52.9
	May	22.0	57.7	20.3	1.7	50.9	50.1	51.2
	Jun	26.3	55.3	18.5	7.8	53.9	51.7	52.2

Marketing was also mentioned as a factor behind an increase in new business at Northern Ireland companies in June. New orders rose for the fourteenth consecutive month. The rate of expansion was modest, but picked up from the fractional pace seen in May. New business in Northern Ireland grew at a slightly slower pace than across the UK as a whole. Manufacturers and service providers recorded increases in new business. In fact, manufacturing new orders rose at the fastest pace since July last year. In contrast, construction and retail each saw new business decrease in June. The decline in retail new orders was the first in 2016 so far.

By sector				
		Construction	Manufacturing	Services
'16	Apr	46.8	52.0	54.6
	May	40.2	53.2	53.5
	Jun	43.4	53.9	54.2



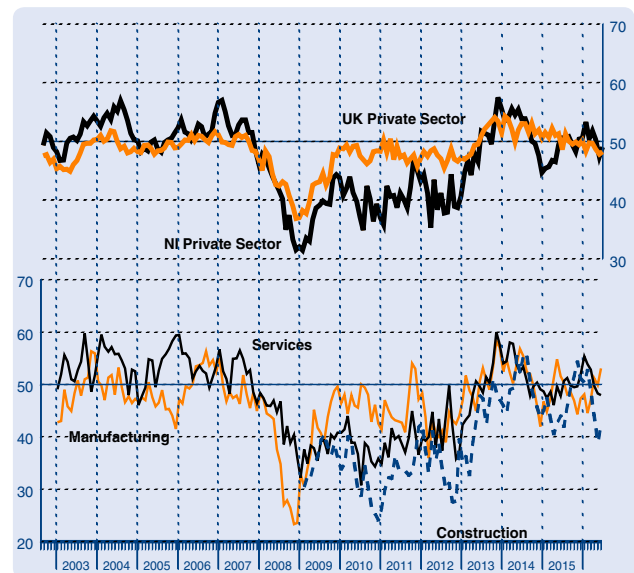
Backlogs

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
2016	Jan	17.2	68.6	14.2	3.0	51.5	53.4	48.3
	Feb	16.2	67.0	16.7	-0.5	49.8	50.5	49.8
	Mar	19.8	66.1	14.1	5.8	52.9	51.9	49.7
	Apr	14.9	69.6	15.4	-0.5	49.7	50.4	48.7
	May	14.8	65.0	20.1	-5.3	47.4	47.4	47.8
	Jun	17.6	64.9	17.5	0.0	50.0	49.1	48.3

In spite of a further rise in new business, backlogs of work continued to fall in the Northern Ireland private sector in June. Outstanding business decreased for the second month running, albeit to a lesser extent than in May. The reduction in backlogs of work in Northern Ireland was slightly weaker than the average for the UK as a whole. Manufacturing was the only sector to see work-in-hand increase, the second time in the past three months that an accumulation has been registered. The three remaining sectors all posted falling outstanding business, with the sharpest reduction at construction companies.

By sector				
		Construction	Manufacturing	Services
'16	Apr	44.2	51.3	49.9
	May	39.0	49.9	48.3
	Jun	42.3	53.1	48.0



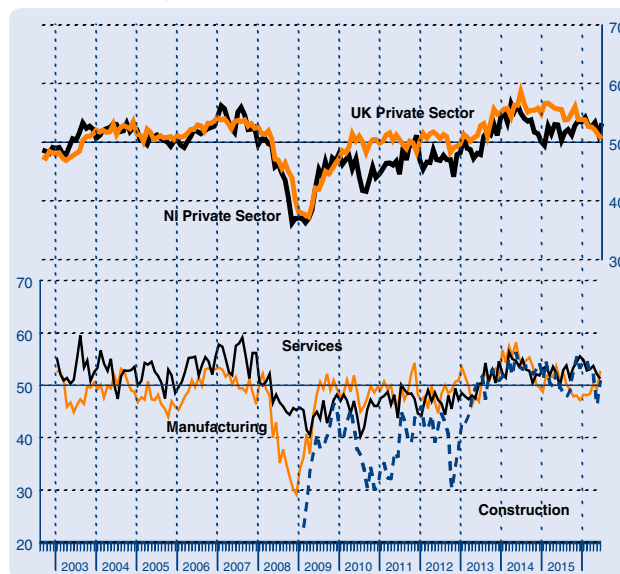
Employment

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
2016 Jan	11.9	82.4	5.7	6.2	53.1	54.3	53.8
Feb	10.6	81.2	8.2	2.3	51.2	52.8	52.7
Mar	10.9	83.0	6.1	4.9	52.4	52.7	52.6
Apr	12.4	83.8	3.8	8.6	54.3	53.4	52.1
May	11.3	79.7	9.0	2.3	51.1	51.3	51.2
Jun	14.7	78.6	6.8	7.9	54.0	53.3	50.7

June data pointed to another monthly rise in employment at companies in Northern Ireland, extending the current sequence of job creation to 17 months. Moreover, the pace at which staffing levels increased was solid and faster than in the previous month. Northern Ireland firms raised employment at a sharper pace than the UK average which signalled a slowdown in the rate of job creation. Respondents indicated that higher output requirements had been the key driver of increased staffing levels. All four monitored sectors raised employment, with manufacturing and construction seeing returns to hiring following job cuts in May.

By sector			
	Construction	Manufacturing	Services
'16 Apr	52.3	50.3	53.8
May	46.3	49.4	52.2
Jun	50.8	52.8	51.3



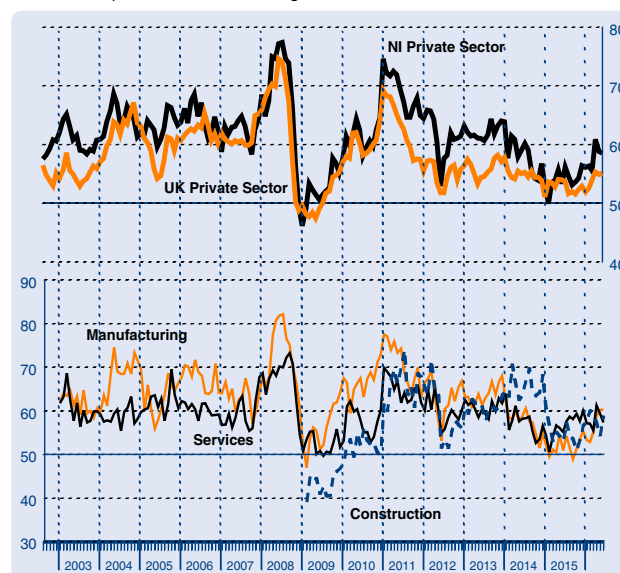
Input Costs

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
2016 Jan	16.2	78.2	5.5	10.7	55.4	56.2	52.0
Feb	19.8	73.6	6.6	13.2	56.6	56.3	52.6
Mar	18.1	78.9	3.0	15.1	57.6	55.6	54.0
Apr	29.7	68.4	1.9	27.8	63.9	60.9	55.4
May	23.7	74.4	1.9	21.9	60.9	58.9	55.0
Jun	18.7	79.7	1.6	17.1	58.5	58.5	55.2

The rate of input cost inflation remained sharp in June and was only marginally weaker than that recorded in May. That said, the latest increase was slower than the series average. While some respondents indicated a rise in staff costs, others mentioned the impact of sterling weakness on the prices of imported goods. Around 19% of panellists reported an increase in input costs, against just 2% that posted a decrease. The sharpest rise in cost burdens was at manufacturing firms, closely followed by retailers. Marked inflationary pressures were also seen in the service and construction sectors, with inflation in the latter at a three-month high.

By sector			
	Construction	Manufacturing	Services
'16 Apr	57.3	58.9	61.3
May	54.4	60.3	59.3
Jun	58.9	60.4	57.4



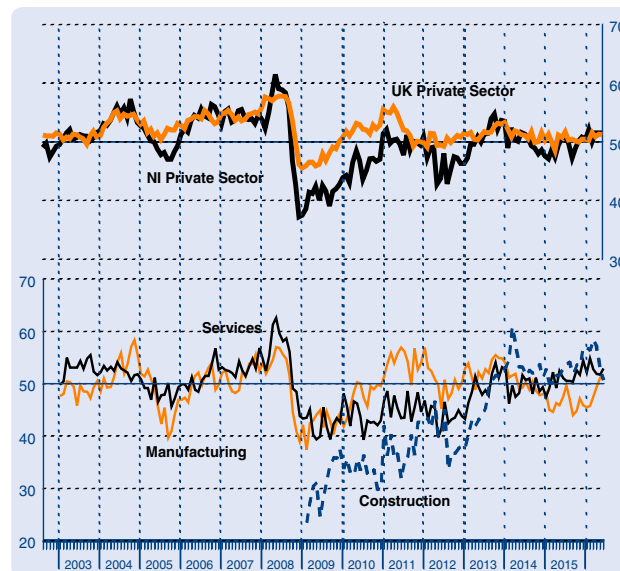
Prices Charged

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
2016 Jan	7.0	87.9	5.1	1.9	50.9	50.5	50.5
Feb	10.3	82.1	7.6	2.7	51.3	52.1	50.3
Mar	7.2	85.5	7.3	-0.1	49.9	50.1	51.6
Apr	12.4	81.8	5.8	6.6	53.3	51.5	50.9
May	11.8	83.1	5.1	6.7	53.3	51.6	51.4
Jun	11.5	82.3	6.2	5.2	52.6	51.5	51.3

Output prices rose for the eighth successive month in June, with the rate of inflation little-changed from the previous month. The rise in charges in Northern Ireland was also broadly in line with that registered across the UK economy as a whole. A number of respondents mentioned passing on higher input costs to their clients. On the other hand, there were also reports of competitive pressures. All four monitored sectors saw selling prices increase. Services charges rose solidly, as did those at retailers where selling prices increased for the first time since August last year. More modest inflation was recorded in the manufacturing and construction sectors.

By sector			
	Construction	Manufacturing	Services
'16 Apr	57.1	49.4	52.0
May	52.7	51.2	51.8
Jun	50.8	51.3	52.9



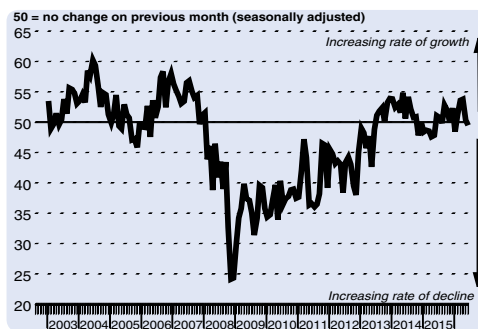
New Export Business*

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

Northern Ireland Companies

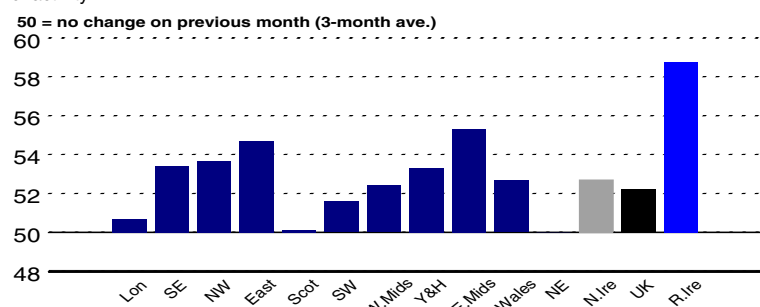
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2016	Jan	18.3	56.0	25.7	-7.4	46.3	48.5
	Feb	24.8	63.7	11.6	13.2	56.6	51.2
	Mar	18.8	68.6	12.6	6.2	53.1	53.7
	Apr	22.7	62.2	15.1	7.6	53.8	53.8
	May	15.2	63.9	20.9	-5.7	47.2	50.4
	Jun	14.3	73.5	12.2	2.1	51.1	49.5

New export business at Northern Ireland companies decreased in June, ending a four-month sequence of expanding new orders from abroad. That said, the rate of contraction was only marginal.



Regional Comparisons: Output / Business Activity

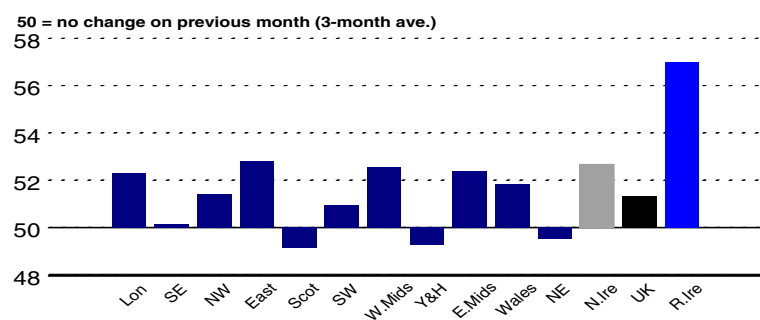
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The East Midlands recorded the strongest growth of business activity in the three months to June, followed by the East of England. The worst performing region was the North East, where business activity stagnated, followed by Scotland. Meanwhile, the Republic of Ireland continued to record strong growth of activity.



	Share of UK GVA, 2014 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.9%)	54.8	50.7	48.4
South East	(15.1%)	54.8	53.4	53.6
North West	(9.4%)	53.3	53.7	55.5
East of England	(8.7%)	56.0	54.7	54.5
Scotland	(7.8%)	50.1	50.1	50.5
South West	(7.6%)	53.0	51.6	53.4
West Midlands	(7.2%)	54.6	52.4	51.9
Yorks & Humber	(6.7%)	53.9	53.3	54.0
East Midlands	(6.0%)	56.0	55.3	54.8
Wales	(3.4%)	54.3	52.7	53.3
North East	(3.0%)	51.5	50.0	52.5
N. Ireland	(2.2%)	53.1	52.7	52.9
UK	(100.0%)	54.3	52.2	51.8
Rep. of Ireland	n/a	59.6	58.8	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 rose in nine out of the 12 regions monitored by the survey during the second quarter, led by the East of England. Scotland, Yorkshire & Humber and the North East all recorded decreases in staff numbers, albeit modest. The rise in employment in the Republic of Ireland was much faster than seen in the UK.



	Share of UK GVA, 2014 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.9%)	54.7	52.3	50.8
South East	(15.1%)	52.9	50.2	49.4
North West	(9.4%)	51.9	51.4	52.9
East of England	(8.7%)	55.6	52.8	51.0
Scotland	(7.8%)	49.8	49.1	49.7
South West	(7.6%)	52.3	51.0	49.8
West Midlands	(7.2%)	53.8	52.6	52.2
Yorks & Humber	(6.7%)	51.6	49.3	49.3
East Midlands	(6.0%)	53.3	52.4	52.6
Wales	(3.4%)	52.2	51.9	52.5
North East	(3.0%)	49.8	49.5	49.1
N. Ireland	(2.2%)	52.8	52.7	53.3
UK	(100.0%)	53.3	51.3	50.7
Rep. of Ireland	n/a	57.9	57.0	56.1

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

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and wide ranging capability means we can deliver for our customers, whatever their business may be.

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