

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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August sees rise in output following decline in July

The Northern Ireland private sector saw activity increase in August following the previous month's decline. That said, new orders decreased for the second successive month. The rate of input cost inflation accelerated to the fastest since November 2011 and firms also raised their output prices at a sharper pace.

Business activity returns to growth

The headline seasonally adjusted Business Activity Index moved back above the 50.0 no-change mark during August, posting 50.8 from 48.0 in July. This signalled a marginal monthly rise in private sector output in Northern Ireland. Three of the four monitored sectors saw activity increase, led by manufacturing. Services saw a return to growth following a decline in July. Meanwhile, the construction sector recorded a return to growth for the fifth month running.

While output returned to growth in August, new order levels continued to fall, albeit at a weaker pace than in July. Both the services and construction sectors registered declines in new business, while expansions were seen in the manufacturing and retail sectors. The reduction in new work in Northern Ireland contrasted with an increase across the UK as a whole.

The fall in overall new orders was recorded in spite of a rise in new export business, the second in as many months.

Slight rise in employment

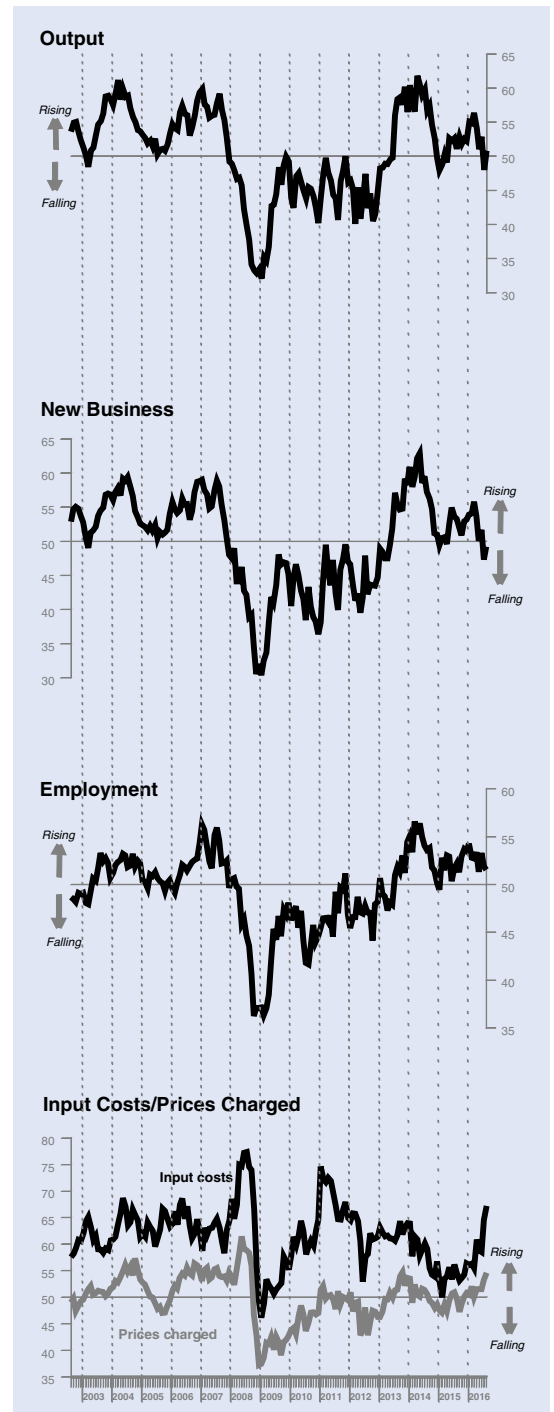
Northern Ireland companies took on extra staff again in August, the nineteenth successive month in which that has been the case. That said, the rate of job creation eased for the second month running as some respondents mentioned not replacing departing staff. Service providers recorded a fall in employment for the first time in 39 months.

August data pointed to a modest reduction in backlogs of work, linked to a decrease in new business following the EU referendum result.

Sharper rate of cost inflation

Rates of inflation of both input costs and output prices accelerated during August, largely reflective of the weakness of sterling following the result of the EU referendum. The rise in input prices was the fastest since November 2011, with manufacturing firms recording the sharpest increase since April 2011. All four sectors saw the rate of cost inflation quicken.

Northern Ireland companies raised their output prices to the greatest extent in 34 months. As was the case with input costs, the manufacturing sector posted the fastest increase in charges as the rate of inflation quickened to the sharpest since the series began in January 2003.



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.

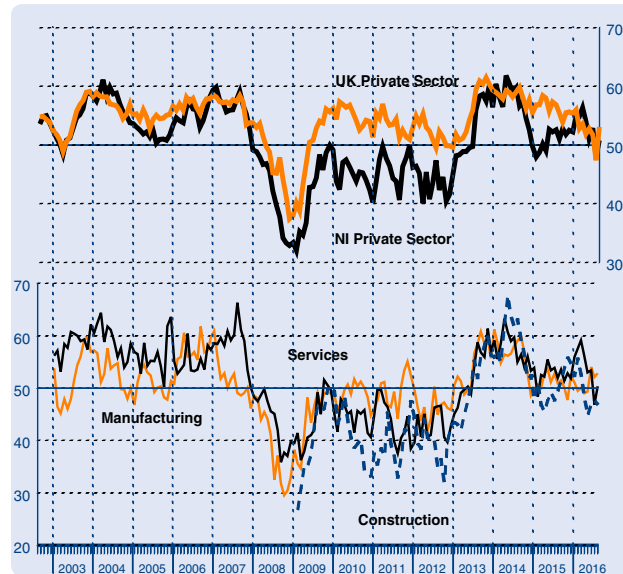
Output / Business Activity

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	Mar	29.9	58.9	11.2	18.8	59.4	56.4	53.6
	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
	Jul	19.1	51.9	29.0	-9.9	45.0	48.0	47.4
	Aug	22.5	53.0	24.6	-2.1	49.0	50.8	53.2

After having decreased for the first time in 15 months during July, business activity in Northern Ireland returned to growth in August. That said, the rate of expansion was only marginal and weaker than that seen across the UK economy as a whole. Some panellists reported seeing an improvement in new business which led them to increase their output. In contrast to the overall picture, construction output decreased for the fifth month running during August. Services activity returned to growth during the month, albeit only marginally. Meanwhile, further increases were recorded in the manufacturing and retail sectors.

By sector				
		Construction	Manufacturing	Services
'16	Jun	47.3	54.0	53.5
	Jul	47.7	52.1	46.9
	Aug	46.9	52.9	50.4



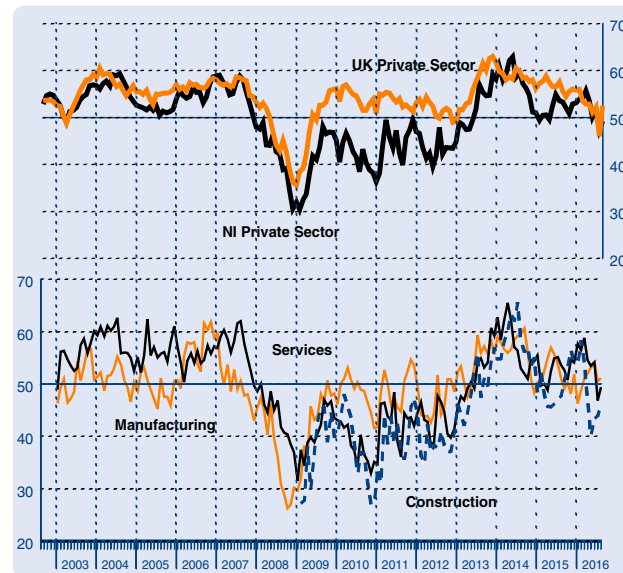
New Business

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	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	51.1
	Jun	26.3	55.3	18.5	7.8	53.9	51.7	52.3
	Jul	18.0	51.5	30.5	-12.5	43.7	47.4	46.0
	Aug	24.1	48.8	27.1	-3.1	48.5	49.3	52.6

The Northern Ireland private sector posted a reduction in new business for the second month running in August, although the rate of decline eased from that seen in July. The fall in new business in Northern Ireland contrasted with a rise at the UK level. A number of respondents mentioned delays to projects. The decrease in total new orders was recorded in spite of reports of improved new export business. Reductions in new orders were recorded in both the services and construction sectors, although the fall in services new business was only marginal. Retail new orders rose for the first time in three months, while manufacturers posted a slight rise in new work.

By sector				
		Construction	Manufacturing	Services
'16	Jun	43.4	53.9	54.2
	Jul	44.0	50.6	46.9
	Aug	46.1	51.1	49.5



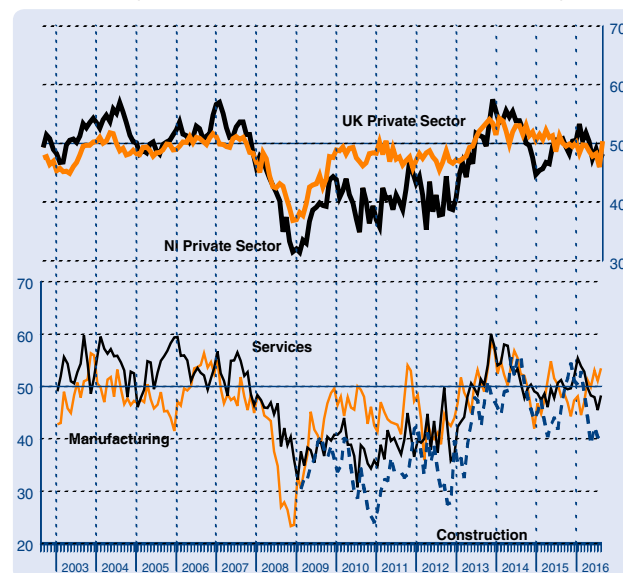
Backlogs

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
2016	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
	Jul	14.1	63.7	22.2	-8.1	46.0	47.1	46.0
	Aug	15.6	62.9	21.5	-5.9	47.0	48.3	50.4

Backlogs of work decreased for the fourth consecutive month in August. The pace of reduction was modest, having slowed from that seen in the previous month. Anecdotal evidence suggested that falling new orders in the wake of the EU referendum result had contributed to the reduction in outstanding business. Meanwhile, backlogs of work increased across the UK as a whole. The only monitored sector to record a rise in work-in-hand was manufacturing where the rate of accumulation was a 15-month high. The fastest fall in outstanding business was in the construction sector where a sharp decline was registered.

By sector				
		Construction	Manufacturing	Services
'16	Jun	42.3	53.1	48.0
	Jul	40.4	51.1	45.6
	Aug	41.0	53.5	48.3



Employment

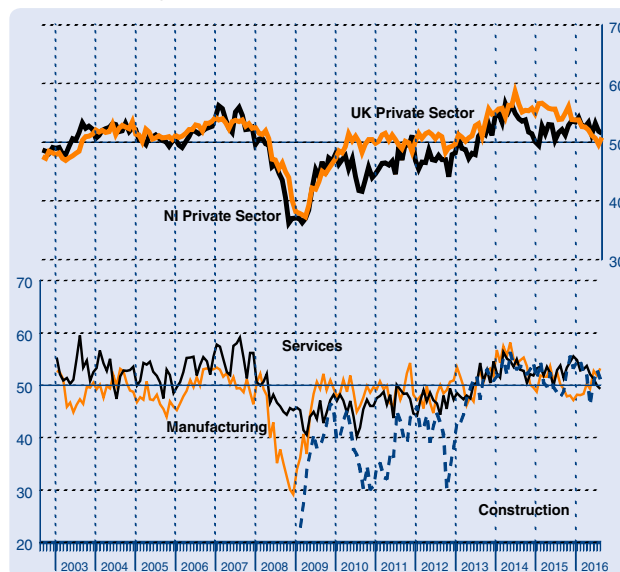
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2016 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
Jul	9.9	84.2	5.8	4.1	52.0	51.9	49.6
Aug	11.8	80.3	7.8	4.0	52.0	51.6	50.8

Northern Ireland companies continued to raise their staffing levels during August, extending the current sequence of job creation to 19 months. However, the latest increase in employment was modest and the weakest since May. While some panellists took on extra staff in order to support output growth, others mentioned the non-replacement of leavers. The manufacturing, retail and construction sectors all saw staffing levels increase in August, with rates of job creation quickening in manufacturing and retail. Services employment decreased for the first time since May 2013.

By sector

	Construction	Manufacturing	Services
'16 Jun	50.8	52.8	51.3
Jul	53.0	51.9	50.0
Aug	51.2	53.3	49.4



Input Costs

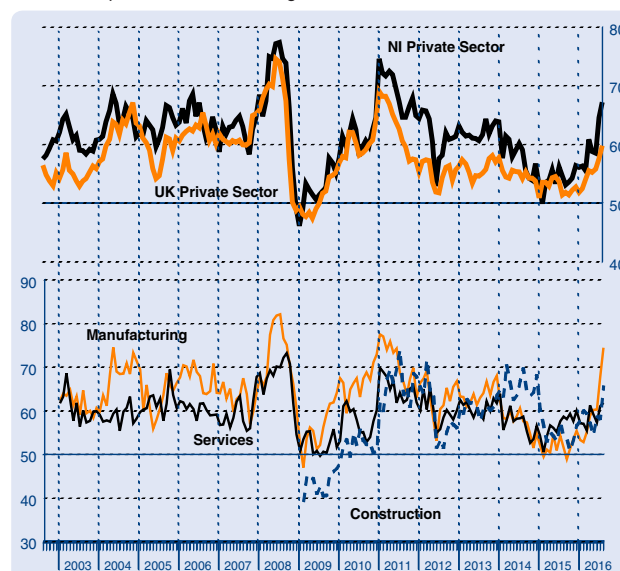
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2016 Mar	18.1	78.9	3.0	15.1	57.6	55.6	54.1
Apr	29.7	68.4	1.9	27.8	63.9	60.9	55.6
May	23.7	74.4	1.9	21.9	60.9	58.9	55.3
Jun	18.7	79.7	1.6	17.1	58.5	58.5	55.9
Jul	34.6	64.2	1.2	33.3	66.7	64.6	57.7
Aug	33.4	66.6	0.0	33.4	66.7	67.3	59.9

The rate of input cost inflation quickened for the second month running in August and was the fastest since November 2011. Around one-third of respondents saw input prices increase during the month, while none reported a fall in cost burdens. Input prices rose much more quickly in Northern Ireland than the UK average. The key factor behind the latest increase in input costs was the weakness of sterling following the EU referendum result. The sharpest rise in input prices was in the manufacturing sector where the rate of inflation was the strongest since April 2011. Services input costs increased at the fastest pace in 31 months.

By sector

	Construction	Manufacturing	Services
'16 Jun	58.9	60.4	57.4
Jul	58.2	67.8	61.1
Aug	65.7	74.5	61.9



Prices Charged

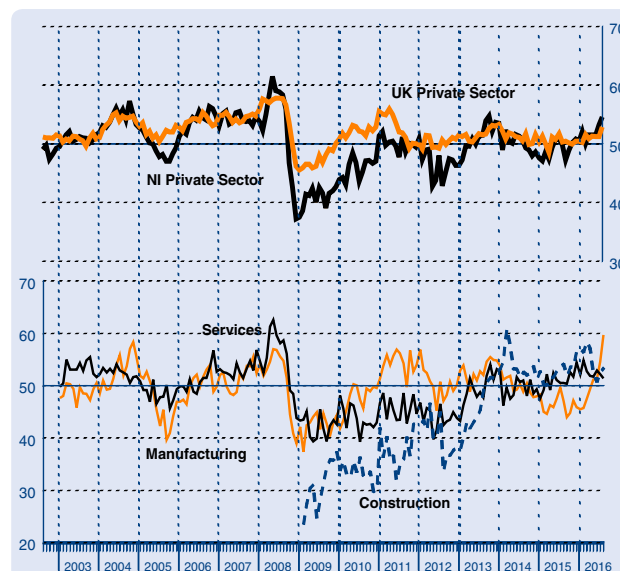
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2016 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
Jul	16.1	75.7	8.2	7.8	53.9	53.3	51.3
Aug	14.8	78.9	6.3	8.4	54.2	54.6	52.9

In response to increasing input prices, Northern Ireland companies raised their charges during August. Furthermore, the rate of inflation accelerated for the second consecutive month and was the sharpest since October 2013. Output prices have now increased in each of the past ten months, with the latest rise faster than that seen across the UK as a whole. As was the case with input costs, the manufacturing sector posted the fastest pace of charge inflation as selling prices rose at the sharpest rate in the history of the series which began in January 2003. Rates of inflation also quickened in the construction and retail sectors.

By sector

	Construction	Manufacturing	Services
'16 Jun	50.8	51.3	52.9
Jul	52.7	54.6	52.3
Aug	53.4	59.7	51.5



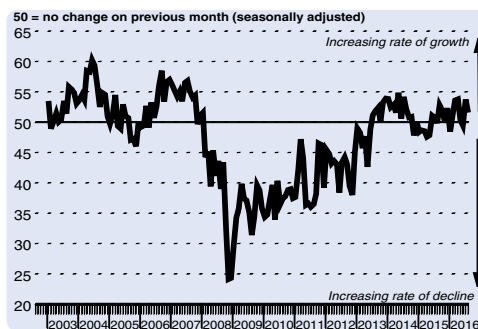
New Export Business*

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

Northern Ireland Companies

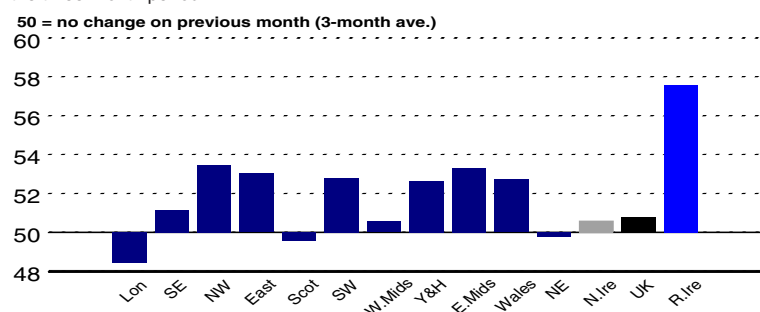
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2016	Mar	18.8	68.6	12.6	6.2	53.1	53.7
	Apr	22.7	62.2	15.1	7.6	53.8	53.8
	May	15.2	63.9	20.9	-5.7	47.2	50.4
	Jun	14.3	73.5	12.2	2.1	51.1	49.5
	Jul	26.0	58.7	15.3	10.6	55.3	53.8
	Aug	20.5	58.5	21.0	-0.5	49.8	51.6

New export orders increased for the second successive month in August, albeit at a weaker pace than seen in July. A number of respondents indicated that the weakness of sterling against the euro had helped them to secure new work from the Republic of Ireland.



Regional Comparisons: Output / Business Activity

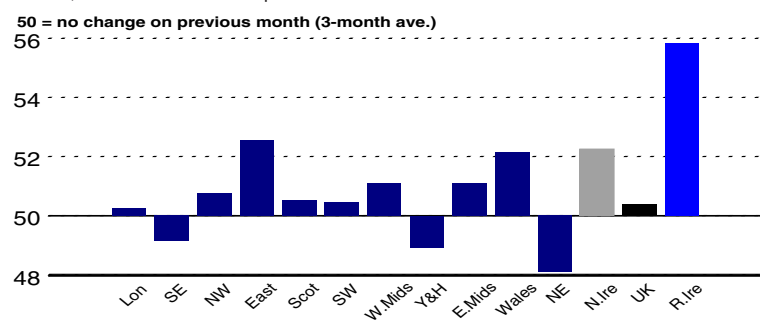
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The three months to August saw increases in business activity in nine out of the 12 regions monitored by the survey. The strongest growth in business activity was recorded in the North West, while London saw the steepest decrease. The Republic of Ireland continued to record strong growth of output over the three-month period.



	Share of UK GVA, 2014 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.9%)	53.2	48.4	52.5
South East	(15.1%)	53.9	51.2	54.3
North West	(9.4%)	53.2	53.5	55.7
East of England	(8.7%)	55.0	53.0	53.6
Scotland	(7.8%)	49.7	49.6	49.1
South West	(7.6%)	52.6	52.8	55.5
West Midlands	(7.2%)	53.7	50.6	52.4
Yorks & Humber	(6.7%)	53.4	52.6	54.1
East Midlands	(6.0%)	55.2	53.3	54.2
Wales	(3.4%)	54.0	52.7	54.9
North East	(3.0%)	50.5	49.8	50.9
N. Ireland	(2.2%)	52.7	50.6	50.8
UK	(100.0%)	53.4	50.8	53.2
Rep. of Ireland	n/a	59.0	57.6	56.9

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). The East of England was the top-performing region in terms of job creation in the latest three-month period, closely followed by Northern Ireland. However, workforce numbers fell in three regions, most notably in the North East. Employment continued to rise sharply in the Republic of Ireland, and at a much faster pace than in the UK.



	Share of UK GVA, 2014 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.9%)	53.8	50.3	52.0
South East	(15.1%)	52.1	49.2	50.2
North West	(9.4%)	51.3	50.8	48.9
East of England	(8.7%)	54.9	52.5	53.0
Scotland	(7.8%)	50.0	50.5	51.9
South West	(7.6%)	52.0	50.5	50.7
West Midlands	(7.2%)	53.3	51.1	50.5
Yorks & Humber	(6.7%)	50.9	48.9	49.6
East Midlands	(6.0%)	52.8	51.1	50.4
Wales	(3.4%)	51.9	52.1	53.5
North East	(3.0%)	49.1	48.1	46.9
N. Ireland	(2.2%)	52.7	52.3	51.6
UK	(100.0%)	52.7	50.4	50.8
Rep. of Ireland	n/a	57.4	55.8	57.0

PMI® Survey Methodology

The Purchasing Managers' Index® (or PMI®) surveys are monthly surveys of carefully selected companies which provide an advance now available for over 30 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. To learn more go to www.markit.com/product/pmi.

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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