

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.

Ulster Bank Limited.
Registered in Northern Ireland.
Registration Number R733

Registered Office:
11-16 Donegall Square East,
Belfast BT1 5UB.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and entered on the Financial Services Register (Registration Number 122315).

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.ulstereconomix.com
Twitter: @UB_Economics

IHS Markit

Henley on Thames
Oxon RG9 1HG, UK

Tel: +44 1491 461000
Fax: +44 1491 461001

e-mail: economics@ihsmarkit.com

The Ulster Bank Northern Ireland PMI® 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 IHS Markit acknowledge the support of CIPS in the production of this report.



The intellectual property rights to the Northern Ireland PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS 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 IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Ulster Bank use the above marks under license. IHS Markit is a registered trade mark of IHS Markit Limited.

Output growth eases again in February, but remains solid

The Northern Ireland private sector continued to record solid growth of output during February, despite the rate of expansion easing further from the high seen at the end of last year. Both new orders and employment rose at sharper rates, with growth of each broadly in line with the UK average. Meanwhile, inflation of both input costs and output prices remained elevated.

Activity rises at solid, but weaker pace

The headline seasonally adjusted Business Activity Index remained above the 50.0 no-change mark in February. At 53.5, the index signalled a solid monthly expansion in output, albeit one that was weaker than seen in January (54.2). The latest expansion at Northern Ireland companies was broadly in line with the UK average. For the first time since March 2016, all four sectors saw output increase as construction returned to growth. The fastest expansion was again at retailers.

Panellists linked the rise in activity to higher new orders and marketing efforts. The rate of growth in new orders quickened in February. Sharper rises were seen in manufacturing and services, while construction posted a first increase in 11 months.

New export orders continued to rise sharply amid higher new business from clients in the Republic of Ireland. This was despite the rate of expansion easing for the third month running.

Faster increase in employment

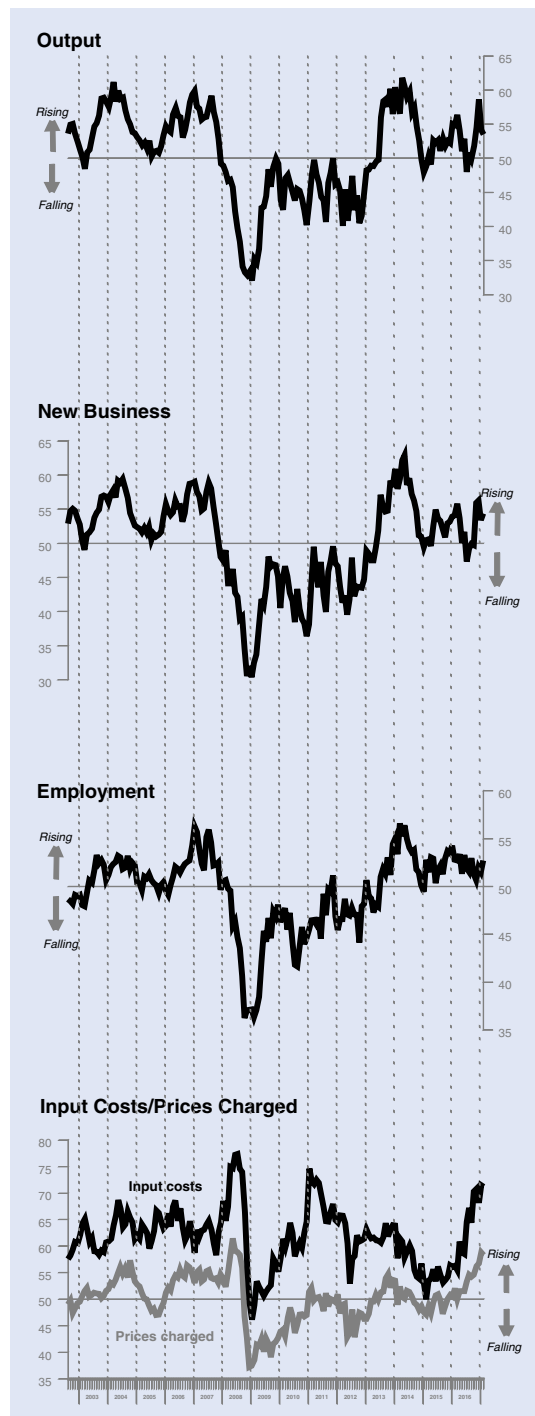
The rate of job creation quickened to a five-month high in February as companies reacted to higher new order levels. Employment increased across all four monitored sectors.

New order growth also led to a further increase in backlogs of work, the fourth in as many months. That said, the rate of accumulation was marginal and the slowest in the current sequence of rising outstanding business.

Rates of inflation remain elevated

February data signalled a further substantial monthly rise in input prices at Northern Ireland companies, with the rate of inflation only marginally slower than January's 68-month high. Sterling weakness was again the main factor behind higher input costs. Manufacturers posted a record rise in input prices.

Record increases in prices charged were seen in both the manufacturing and retail sectors. The rise across the private sector as a whole was at a near-record pace, having eased only slightly from January's eight-and-a-half year high. Panellists indicated that the passing on of increased input costs to clients was the main factor leading them to raise charges.



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.

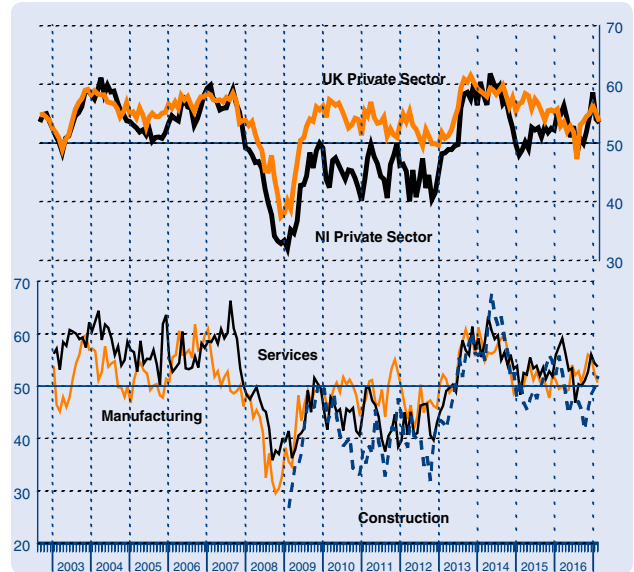
Output / Business Activity

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	Sep	21.7	63.1	15.2	6.5	53.2	50.0	53.7
	Oct	22.2	58.9	18.9	3.3	51.6	51.9	54.6
	Nov	25.1	62.2	12.7	12.4	56.2	54.5	55.1
	Dec	32.0	53.5	14.5	17.5	58.8	58.7	56.5
2017	Jan	13.8	63.4	22.9	-9.1	45.5	54.2	55.1
	Feb	22.4	63.4	14.2	8.2	54.1	53.5	53.7

Business activity continued to increase at Northern Ireland companies during February, the fifth consecutive month in which growth has been recorded. The rate of expansion was solid, but eased for the second month in a row to the weakest since October last year. The rise in output at Northern Ireland companies was broadly in line with that recorded across the UK economy as a whole. Where higher activity was registered, panellists linked this to higher new orders and marketing efforts. All four monitored sectors saw activity rise, led by retail. Construction activity returned to growth, ending a ten-month sequence of contraction.

By sector				
		Construction	Manufacturing	Services
'16	Dec	48.6	55.6	56.1
'17	Jan	49.8	52.5	54.5
	Feb	51.9	50.7	53.7



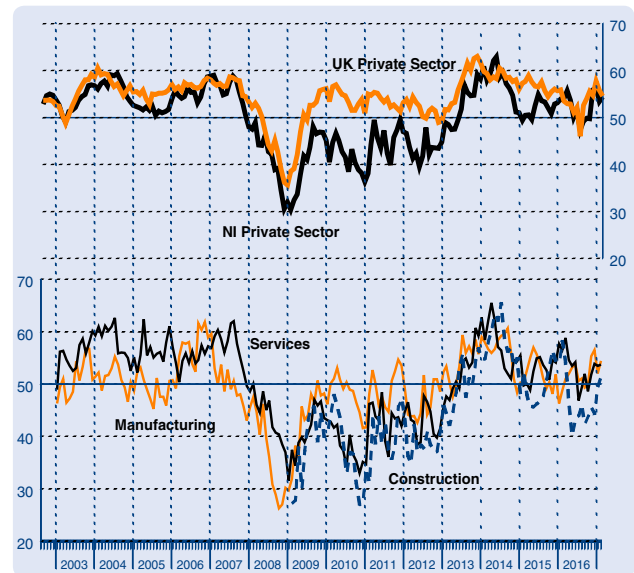
New Business

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
2016	Sep	19.9	65.6	14.5	5.4	52.7	49.9	54.1
	Oct	21.4	54.3	24.3	-3.0	48.5	49.8	55.5
	Nov	26.5	61.1	12.4	14.1	57.0	55.9	54.8
	Dec	28.0	53.2	18.8	9.3	54.6	56.3	57.9
2017	Jan	17.8	61.3	20.9	-3.1	48.5	53.5	55.8
	Feb	26.8	59.9	13.3	13.6	56.8	54.4	54.6

New orders increased for the fourth consecutive month in February, and at a solid pace that was faster than seen at the start of the year. As with activity, growth of new business in Northern Ireland was broadly in line with that seen at the UK level. Some panellists reported that marketing efforts had borne fruit during the month, while others mentioned improving workloads in the construction sector. Construction new business increased for the first time in 11 months during February. Elsewhere, rates of expansion quickened in manufacturing and services, but eased marginally at retailers. That said, retail continued to post the sharpest expansion overall.

By sector				
		Construction	Manufacturing	Services
'16	Dec	44.4	56.6	53.9
'17	Jan	49.6	52.1	53.5
	Feb	51.6	54.5	53.8



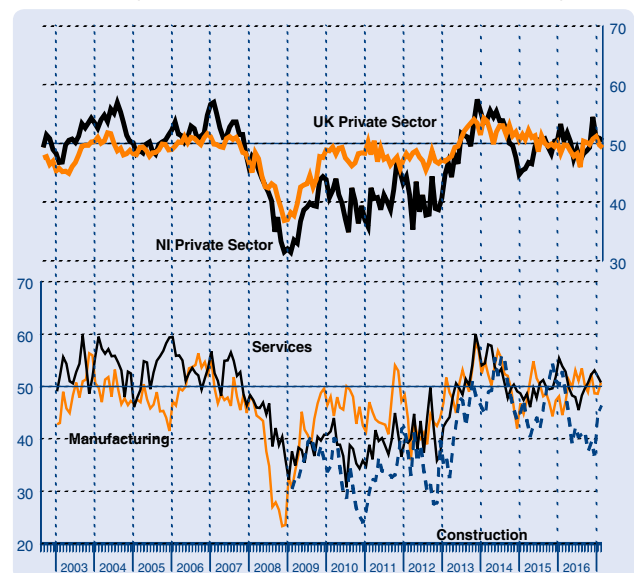
Backlogs

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	Sep	16.2	67.5	16.2	0.0	50.0	48.8	50.2
	Oct	13.9	69.2	16.9	-3.0	48.5	49.3	49.9
	Nov	21.3	68.7	10.1	11.2	55.6	54.6	50.8
	Dec	14.4	69.8	15.8	-1.3	49.3	51.1	51.2
2017	Jan	11.0	75.3	13.7	-2.7	48.6	50.9	49.8
	Feb	15.3	70.5	14.2	1.0	50.5	50.5	49.3

Northern Ireland companies posted a fourth consecutive monthly increase in backlogs of work during February. However, the rate of accumulation was only marginal and the weakest in the current sequence of rising work-in-hand. The increase in backlogs in Northern Ireland contrasted with a slight fall across the UK as a whole. Anecdotal evidence suggested that higher backlogs mainly reflected new order growth. Three of the four monitored sectors saw outstanding business rise, led by retail. The only category to post a drop in backlogs was construction, although the pace of depletion was the weakest since March 2016.

By sector				
		Construction	Manufacturing	Services
'16	Dec	37.0	48.8	53.1
'17	Jan	44.9	48.7	52.0
	Feb	46.4	50.8	50.8



Employment

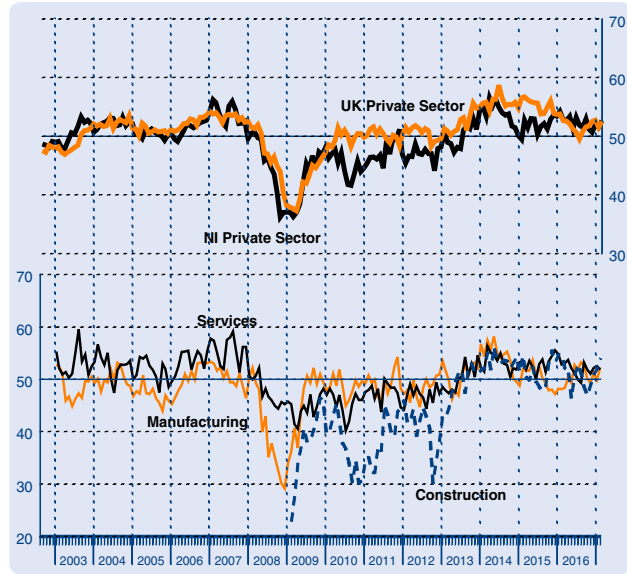
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2016 Sep	15.4	75.4	9.1	6.3	53.2	53.0	51.6
Oct	10.1	80.6	9.3	0.8	50.4	51.3	51.8
Nov	8.6	84.0	7.4	1.2	50.6	50.7	52.6
Dec	9.5	84.7	5.7	3.8	51.9	52.0	52.7
2017 Jan	11.8	77.9	10.3	1.5	50.7	51.5	51.6
Feb	12.9	80.7	6.4	6.5	53.3	52.7	52.5

Rising new business encouraged companies to increase employment during February, with some panellists also mentioning having taken on additional sales staff. As a result, job creation was recorded in Northern Ireland for the twenty-fifth successive month. Moreover, the rate of employment growth quickened to the fastest since September last year. The rise in staffing levels in Northern Ireland was broadly similar to the UK average.

Faster increases were seen in the construction and retail sectors, while manufacturing job creation was recorded following stagnation in January. Services staffing levels rose modestly.

By sector				
		Construction	Manuf-acturing	Services
'16 Dec		51.0	51.3	52.3
'17 Jan		52.0	49.9	52.6
Feb		54.0	52.3	51.9



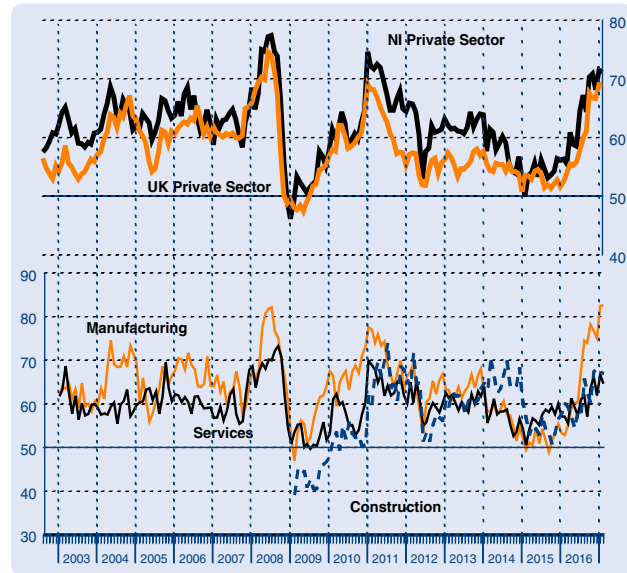
Input Costs

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 Sep	29.5	69.9	0.6	28.9	64.4	64.4	61.1
Oct	39.8	58.5	1.6	38.2	69.1	70.3	67.6
Nov	40.0	59.7	0.4	39.6	69.8	70.9	66.8
Dec	34.9	64.4	0.7	34.2	67.1	68.2	66.7
2017 Jan	45.7	52.7	1.6	44.1	72.0	71.5	69.1
Feb	43.7	54.8	1.4	42.3	71.1	71.2	69.1

The rate of input cost inflation remained elevated in February and was only marginally weaker than the 68-month high seen in the previous month. The rise in input prices in Northern Ireland remained faster than the UK economy average. Respondents continued to link increasing input prices to sterling weakness, while there were also some reports of higher staff costs. Manufacturing input cost inflation quickened to a new series record for the second month in a row in February, while retailers saw the sharpest rise in input prices since September 2008. Rates of cost inflation eased slightly in the services and construction sectors.

By sector				
		Construction	Manuf-acturing	Services
'16 Dec		68.1	75.1	62.0
'17 Jan		67.3	82.5	66.7
Feb		67.0	82.7	64.7



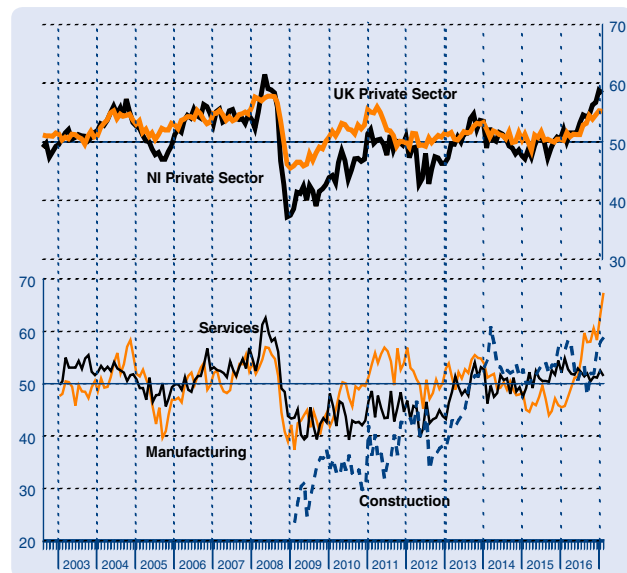
Prices Charged

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 Sep	11.1	85.3	3.6	7.5	53.7	54.3	53.2
Oct	11.3	84.7	4.0	7.2	53.6	54.6	54.5
Nov	17.0	77.1	5.9	11.1	55.6	56.3	53.9
Dec	17.1	78.0	4.9	12.2	56.1	56.8	54.7
2017 Jan	25.1	69.4	5.4	19.7	59.9	58.8	55.3
Feb	19.1	76.0	4.8	14.3	57.1	58.3	55.3

After having quickened to an eight-and-a-half year high in January, the rate of output price inflation eased marginally in February, but was still among the sharpest in the survey's history. The rise in charges at companies in Northern Ireland was faster than the UK average. According to respondents, the principal cause of higher output prices was the passing on of higher input costs to their clients. Both the manufacturing and retail sectors posted record rises in output prices, with construction charges increasing to the greatest extent since March 2014. Services output prices rose only slightly, and at a weaker pace than in January.

By sector				
		Construction	Manuf-acturing	Services
'16 Dec		56.5	58.4	51.2
'17 Jan		58.0	63.1	52.5
Feb		59.0	67.4	51.5



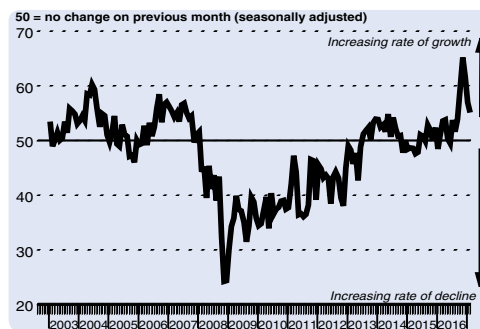
New Export Business*

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

Northern Ireland Companies

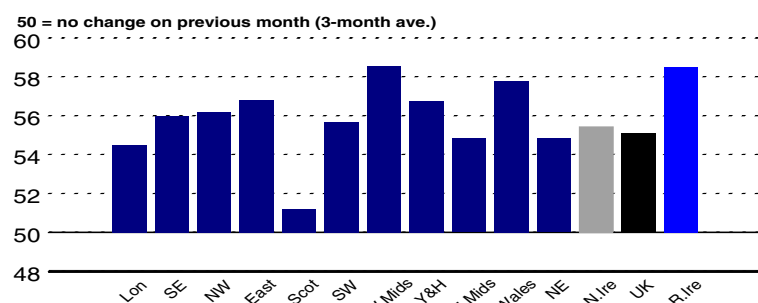
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2090	Sep	22.1	70.3	7.6	14.4	57.2	53.9
	Oct	31.2	60.5	8.3	22.9	61.4	60.0
	Nov	33.0	62.0	5.0	28.0	64.0	65.2
	Dec	22.3	66.4	11.3	11.0	55.5	61.6
2094	Jan	10.6	75.8	13.6	-3.0	48.5	57.0
	Feb	22.0	65.3	12.6	9.4	54.7	55.1

Although continuing to ease from the record high seen in November 2016, the rate of growth in new export orders remained marked in February. Panellists again reported that orders from the Republic of Ireland had driven growth of new export business.



Regional Comparisons: Output / Business Activity

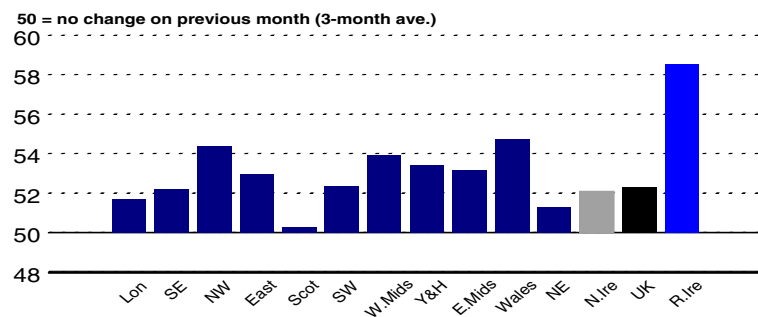
The graph below shows the regional PMI Output Indexes for the UK and Ireland. An average of the latest three months is used (see also the table to the right). The three months to February saw an increase in business activity across all areas of the UK, led by strong growth in the West Midlands. The slowest rise in business activity was recorded in Scotland. The Republic of Ireland posted a faster expansion than the UK average.



	Share of UK GVA, 2015 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.9%)	52.4	54.5	52.9
South East	(15.1%)	53.6	56.0	55.9
North West	(9.5%)	54.7	56.2	53.9
East of England	(8.8%)	55.1	56.8	54.2
Scotland	(7.7%)	50.2	51.2	51.7
South West	(7.6%)	53.6	55.7	53.5
West Midlands	(7.3%)	55.0	58.6	57.0
Yorks & Humber	(6.6%)	54.5	56.7	55.3
East Midlands	(5.9%)	54.5	54.8	55.0
Wales	(3.4%)	55.2	57.8	56.4
North East	(3.0%)	51.7	54.8	54.9
N. Ireland	(2.1%)	53.0	55.4	53.5
UK	(100.0%)	53.3	55.1	53.7
Rep. of Ireland	n/a	57.6	58.5	57.8

Regional Comparisons: Employment

The graph below shows the regional PMI Employment Indexes for the UK and Ireland. An average of the latest three months is used (see also the table to the right). Staffing levels were up across all 12 UK regions during the three months to February. Wales posted the fastest job creation, while the weakest rise was in Scotland. The Republic of Ireland saw employment increase more quickly than all UK regions.



	Share of UK GVA, 2015 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.9%)	51.7	51.7	52.2
South East	(15.1%)	51.3	52.2	52.3
North West	(9.5%)	51.8	54.4	54.0
East of England	(8.8%)	53.6	53.0	51.4
Scotland	(7.7%)	50.1	50.3	49.6
South West	(7.6%)	51.7	52.4	52.3
West Midlands	(7.3%)	52.8	54.0	56.0
Yorks & Humber	(6.6%)	51.1	53.4	54.5
East Midlands	(5.9%)	52.5	53.2	52.1
Wales	(3.4%)	52.9	54.8	55.6
North East	(3.0%)	49.3	51.3	52.9
N. Ireland	(2.1%)	52.1	52.1	52.7
UK	(100.0%)	51.7	52.3	52.5
Rep. of Ireland	n/a	56.6	58.6	57.8

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.

Ulster Bank and IHS Markit

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.

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.

We work together to achieve business success, no matter how simple or complex our customers' requirements. A combination of size, financial strength and wide ranging capability means we can deliver for our customers, whatever their business may be.

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

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.