

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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Activity rises solidly, but new order growth eases to five-month low

A solid rise in business activity in March ended a positive first quarter of the year for the Northern Ireland private sector. Further increases were also seen in new orders and employment. Meanwhile, rates of inflation remained elevated as a result of sterling weakness.

Activity rises at faster pace

The headline seasonally adjusted Business Activity Index rose to 53.9 in March from 53.5 in February to signal a solid monthly rise in output in Northern Ireland, and one that was slightly quicker than in the previous month. Activity has now risen in each of the past six months. Retail posted the fastest expansion of the four monitored sectors, followed by services. Modest expansions were recorded in the manufacturing and construction sectors.

Where growth of activity was registered, panellists mainly linked this to higher new orders. New business rose solidly, albeit at the weakest pace in the current five-month sequence of growth. New orders increased in three of the four monitored sectors, the exception being construction where a slight fall was recorded.

Further increases in new export orders were recorded in March as sterling remained weak. That said, the rate of expansion slowed for the fourth consecutive month.

Solid increase in employment

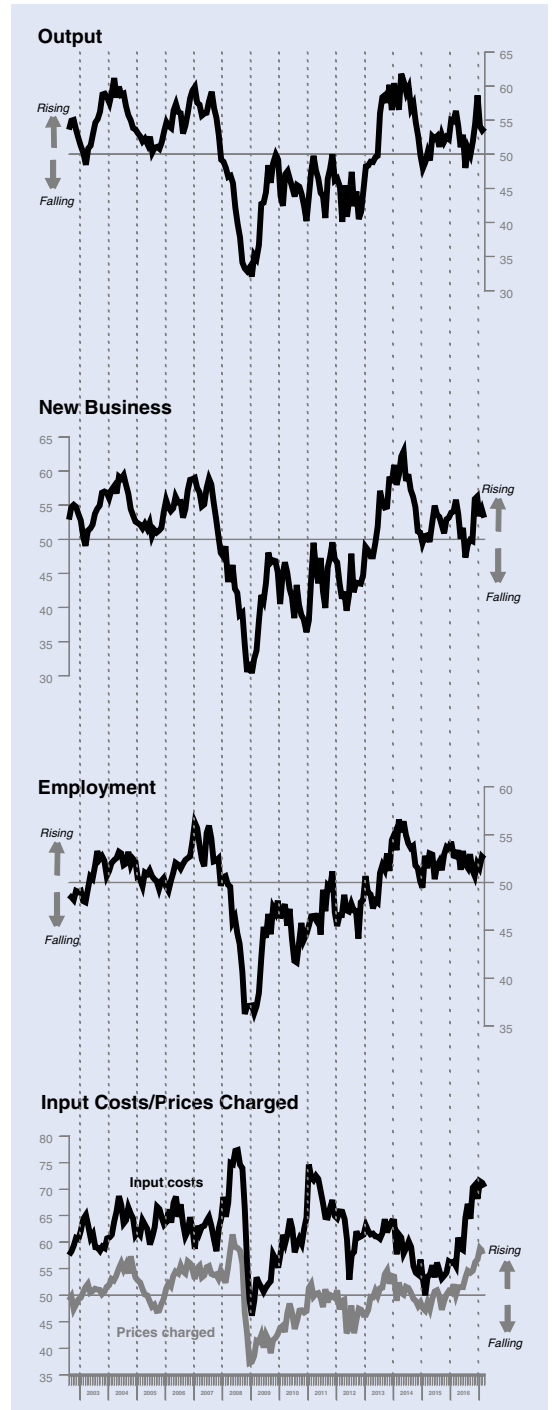
Northern Ireland companies continued to take on extra staff in March, extending the current period of job creation to 26 months. The latest rise was solid and only slightly weaker than seen in February. Firms reportedly took on extra staff in line with the launch of new products and efforts to expand operations. All four sectors posted increases in employment.

Backlogs of work decreased for the first time in five months amid a weaker rise in new business. That said, the depletion was only slight.

Output price inflation ticks up

Input prices at Northern Ireland companies continued to be impacted by sterling weakness in March. Costs were up sharply over the month, albeit to the least extent since December 2016. Manufacturers again posted the strongest pace of inflation, while service providers saw input prices rise at the fastest rate since May 2011.

The passing on of higher input costs to clients led to a further substantial monthly rise in output prices. Moreover, the rate of inflation quickened marginally from that seen in February. The sharpest rises in selling prices were in the retail and manufacturing sectors. Meanwhile, services was the only area to see the rate of charge inflation quicken.



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.

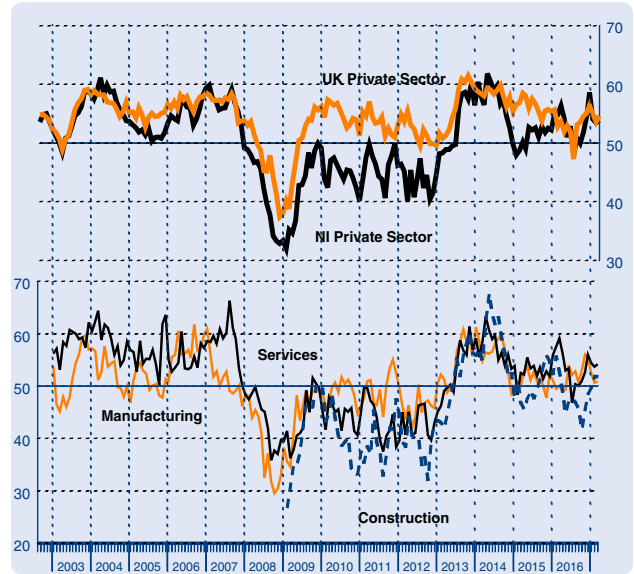
Output / Business Activity

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	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	55.0
	Feb	22.4	63.4	14.2	8.2	54.1	53.5	53.7
	Mar	27.8	59.4	12.9	14.9	57.4	53.9	54.7

Business activity in the Northern Ireland private sector rose for the sixth month running during March. The rate of expansion was solid, and quickened slightly from February. That said, the rise in Northern Ireland was slower than the average across the UK as a whole. A number of panellists reported having been able to secure new work, while there were also mentions of improvements related to the housing market. Construction activity rose for the second month running, but the fastest expansion overall continued to be in retail. Services business activity rose solidly, while manufacturing production was up only slightly.

By sector				
		Construction	Manufacturing	Services
'17	Jan	49.8	52.5	54.5
	Feb	51.9	50.7	53.7
	Mar	51.8	50.9	54.3



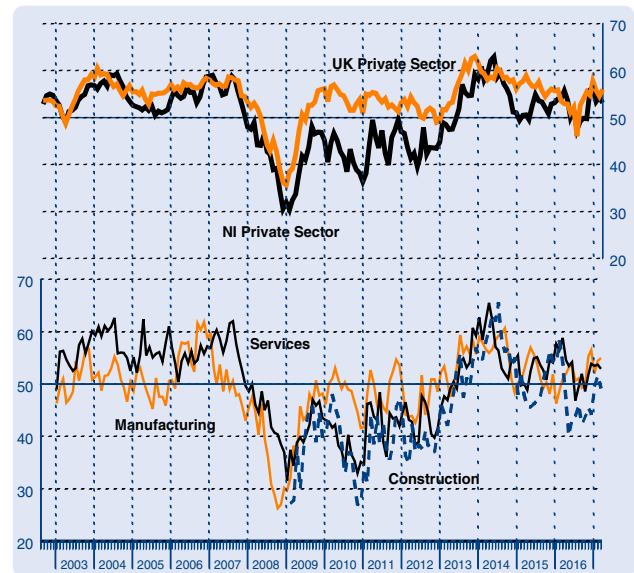
New Business

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	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	57.8
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
	Mar	24.8	59.7	15.6	9.2	54.6	53.2	56.0

March data pointed to a solid monthly rise in new orders at Northern Ireland companies, extending the current sequence of expansion to five months. That said, the rate of growth eased and was the slowest in the current period of rising new work. The increase was also below the UK average. Panellists reported greater sales to both new and existing clients. Three of the four monitored sectors posted rises in new orders, led by retail. Solid growth was recorded across both the manufacturing and services sectors. The only area to see a drop in new business was construction, where a slight reduction followed a rise in February.

By sector				
		Construction	Manufacturing	Services
'17	Jan	49.6	52.1	53.5
	Feb	51.6	54.5	53.8
	Mar	49.3	55.0	53.0



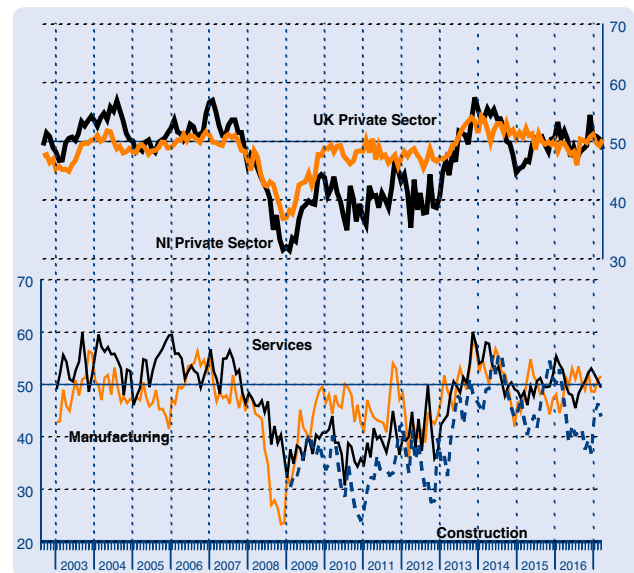
Backlogs

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	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
	Mar	14.6	69.3	16.1	-1.5	49.3	48.7	50.3

Backlogs of work decreased during March, thereby ending a four-month sequence of accumulation. That said, the reduction was only slight. The decrease in outstanding business in Northern Ireland contrasted with a marginal increase across the UK economy as a whole. While some companies saw backlogs rise in line with higher new orders, others mentioned that a slowdown in growth of new business had enabled them to deplete levels of work-in-hand. Backlogs of work fell in the services and construction sectors, while modest rises were registered in manufacturing and retail.

By sector				
		Construction	Manufacturing	Services
'17	Jan	44.9	48.7	52.0
	Feb	46.4	50.8	50.8
	Mar	44.0	51.7	49.5



Employment

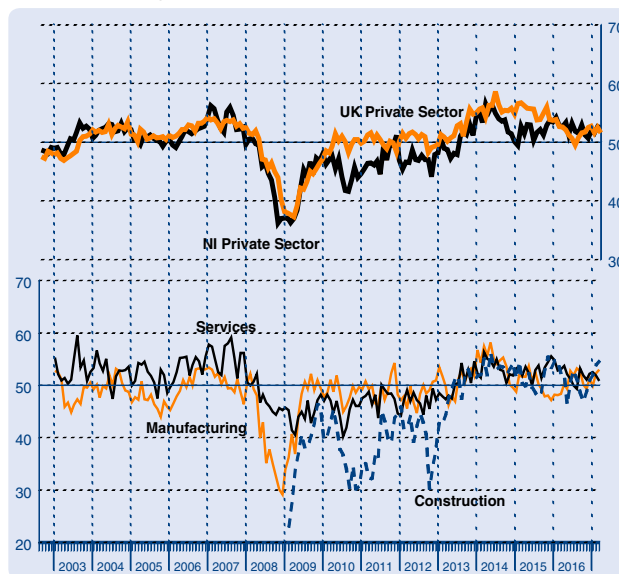
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2016 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	52.8
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	52.6
Mar	11.4	82.2	6.4	5.0	52.5	52.5	51.7

As has been the case in each of the past 26 months, staffing levels rose at Northern Ireland companies during March. Although easing fractionally from the previous month, the rate of job creation remained solid and was faster than the average for the UK as a whole. The launch of new products and services as well as efforts to expand operations reportedly contributed to the rise in employment. Staffing levels increased across each of the four broad sectors, led by retail.

Construction employment rose at the fastest pace since February 2016, while manufacturing job creation was at a seven-month high.

By sector			
	Construction	Manufacturing	Services
'17 Jan	52.0	49.9	52.6
Feb	54.0	52.3	51.9
Mar	54.7	53.0	50.9



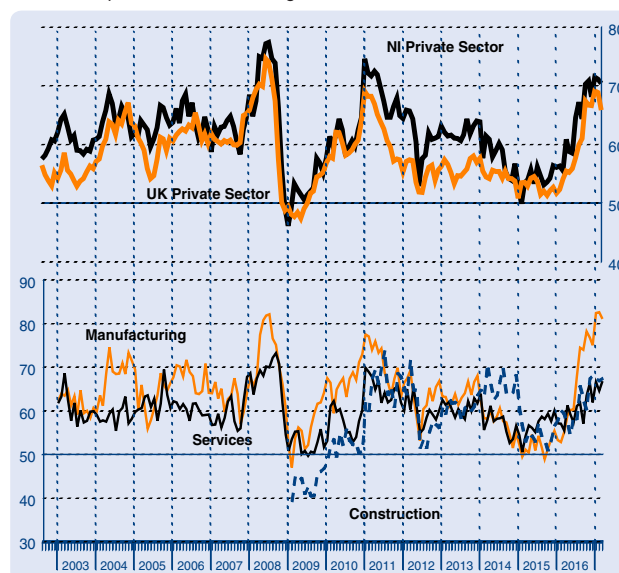
Input Costs

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 Oct	39.8	58.5	1.6	38.2	69.1	70.3	67.5
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	69.2
Feb	43.7	54.8	1.4	42.3	71.1	71.2	68.9
Mar	46.4	52.2	1.4	45.0	72.5	70.4	65.9

The rate of input cost inflation remained substantial at the end of the first quarter of 2017, despite easing for the second month running. The increase in input prices at Northern Ireland companies remained faster than the UK average. Sterling weakness was again the main factor leading to higher input costs, exacerbating the impacts of rising prices for fuel and raw materials. For the third month running, manufacturing posted the sharpest rise in input prices of the four sectors, despite being the only category to see the rate of inflation slow. Services companies registered the strongest cost inflation since May 2011.

By sector			
	Construction	Manufacturing	Services
'17 Jan	67.3	82.5	66.7
Feb	67.0	82.7	64.7
Mar	67.5	81.2	66.9



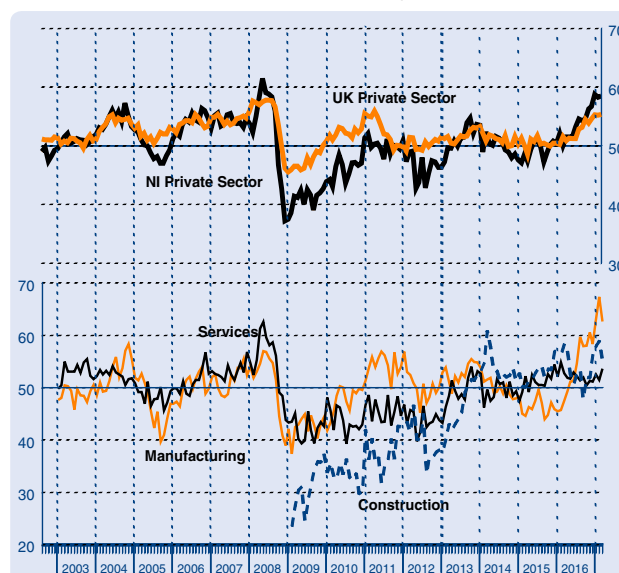
Prices Charged

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 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
Mar	22.9	73.6	3.5	19.4	59.7	58.5	55.4

Companies in the Northern Ireland private sector increased their output prices sharply during March as rising input costs were passed on to customers. The rate of inflation quickened marginally from that seen in February. The rise in output prices in Northern Ireland was faster than the UK average. Sharp rates of inflation were recorded in the manufacturing and retail sectors. Construction posted a marked rise in charges, albeit one that was much weaker than in February. The only sector to see a pick-up in the rate of inflation was services, where the increase was the fastest since February 2016.

By sector			
	Construction	Manufacturing	Services
'17 Jan	58.0	63.1	52.5
Feb	59.0	67.4	51.5
Mar	55.2	62.7	53.7



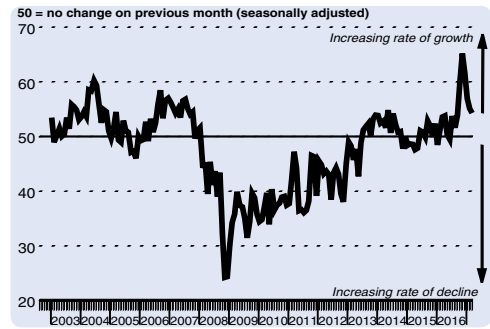
New Export Business*

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

Northern Ireland Companies

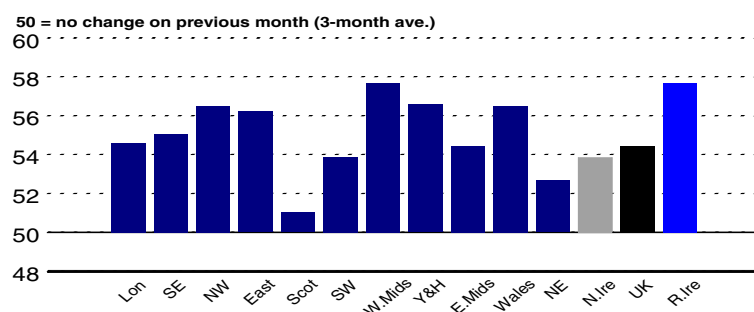
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2091	Oct	31.2	60.5	8.3	22.9	61.4	60.0
	Nov	33.0	62.0	5.0	28.0	64.0	65.2
	Dec	22.3	66.4	11.3	11.0	55.5	61.6
2094	Jan	10.6	75.8	13.6	-3.0	48.5	57.0
	Feb	22.0	65.3	12.6	9.4	54.7	55.1
	Mar	19.3	69.9	10.8	8.5	54.3	54.3

Sterling weakness continued to support growth of new export orders during March. The latest expansion was solid, but eased for the fourth consecutive month to the slowest since September last year.



Regional Comparisons: Output / Business Activity

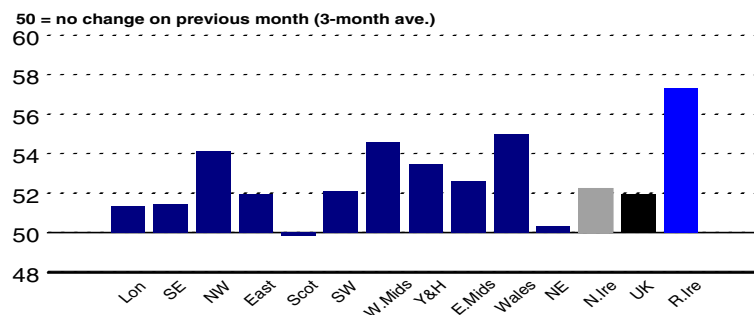
The graph below shows the regional PMI Output Indexes for the UK and Ireland. An average of the latest three months is used (see also the table to the right). The West Midlands led growth of business activity in the opening quarter of 2017, ahead of Yorkshire & Humber. Scotland saw the weakest rise in output, with the pace of growth remaining muted. Output increased sharply in the Republic of Ireland during Q1.



	Share of UK GVA, 2015 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.9%)	52.6	54.6	56.4
South East	(15.1%)	53.6	55.1	54.1
North West	(9.5%)	55.0	56.5	57.5
East of England	(8.8%)	55.4	56.2	58.0
Scotland	(7.7%)	50.3	51.0	50.1
South West	(7.6%)	53.7	53.9	53.4
West Midlands	(7.3%)	55.1	57.7	56.1
Yorks & Humber	(6.6%)	54.9	56.6	57.2
East Midlands	(5.9%)	54.5	54.4	54.8
Wales	(3.4%)	55.0	56.5	53.6
North East	(3.0%)	51.8	52.7	50.1
N. Ireland	(2.1%)	52.8	53.9	53.9
UK	(100.0%)	53.4	54.4	54.7
Rep. of Ireland	n/a	57.3	58.0	57.0

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). Wales recorded the fastest increase in staffing levels during the first quarter of the year, followed by the West Midlands. Meanwhile, Scotland posted a marginal decline in employment. The rate of job creation in the Republic of Ireland was much stronger than in the UK.



	Share of UK GVA, 2015 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.9%)	51.4	51.3	51.2
South East	(15.1%)	51.2	51.5	51.4
North West	(9.5%)	52.0	54.1	53.1
East of England	(8.8%)	53.3	51.9	51.2
Scotland	(7.7%)	50.1	49.8	50.2
South West	(7.6%)	51.7	52.1	52.3
West Midlands	(7.3%)	52.9	54.6	54.4
Yorks & Humber	(6.6%)	51.5	53.5	54.4
East Midlands	(5.9%)	52.5	52.6	52.4
Wales	(3.4%)	53.1	55.0	53.6
North East	(3.0%)	49.5	50.4	48.2
N. Ireland	(2.1%)	52.1	52.2	52.5
UK	(100.0%)	51.6	52.0	51.7
Rep. of Ireland	n/a	56.5	57.7	56.7

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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