

Ulster Bank Northern Ireland PMI[®]

The Ulster Bank Northern Ireland PMI[®] (Purchasing Managers' Index[®]) is produced by IHS Markit.

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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Northern Ireland private sector sees solid rise in output in June

The end of the second quarter of the year saw growth maintained in the Northern Ireland private sector. Both output and new orders continued to rise solidly, albeit at softer rates. Employment rose further, but again, to a lesser extent than in May. The rate of input cost inflation also eased, slowing to the weakest for a year.

Growth of activity remains solid

The headline seasonally adjusted Business Activity Index posted 53.2 in June, down marginally from the reading of 53.5 in May, and continuing to signal solid monthly growth of output in the Northern Ireland private sector. Activity has now increased in each of the past nine months. Panellists indicated that higher new work volumes was the principal factor driving the latest expansion in output. Activity increased in the manufacturing and services sectors, but fell in construction and retail.

New business also rose solidly, albeit at the slowest pace in the current eight-month sequence of expansion. Some respondents reported having been able to secure new clients over the month, but others mentioned that uncertainty had dampened demand.

Meanwhile, growth of new export orders also eased and was the weakest since last September. The latest increase was still solid, however.

Modest increase in employment

The slowdown in new order growth enabled companies to work through outstanding business in June. Backlogs of work decreased for the third time in the past four months.

As has been the case in each month since February 2015, staffing levels increased, with firms linking the latest rise to higher activity requirements. The rate of job creation was modest, however, and the slowest since January.

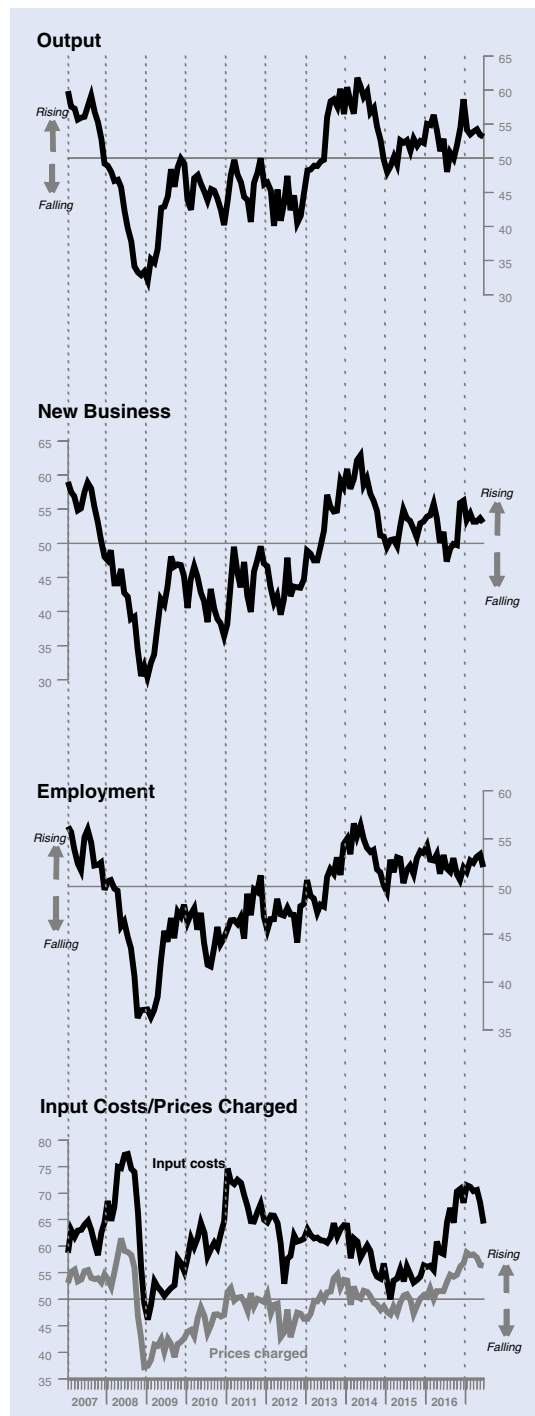
Rate of cost inflation eases

Although input prices continued to rise sharply on the back of sterling weakness and higher staff costs, the rate of inflation eased for the second month running and was the slowest for a year.

The rate of output price inflation was little-changed, meanwhile, with charges continuing to rise markedly as companies passed on higher cost burdens to their clients.

Sentiment dips

Companies in Northern Ireland displayed optimism regarding the potential for output growth over the next 12 months, often reflecting business expansion plans. That said, sentiment was the lowest since March amid market uncertainty.



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.

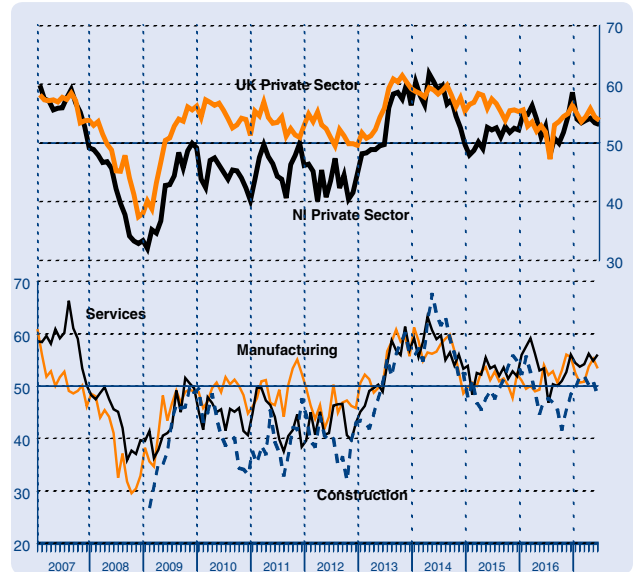
Output / Business Activity

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
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
	Mar	27.8	59.4	12.9	14.9	57.4	53.9	54.6
	Apr	26.4	61.8	11.8	14.7	57.3	54.3	55.9
	May	23.6	61.5	14.9	8.7	54.3	53.5	54.5
	Jun	23.5	63.2	13.3	10.3	55.1	53.2	53.9

Business activity continued to increase in the Northern Ireland private sector during June. The rate of expansion was solid, edging down marginally from that seen in May. The rise in output in Northern Ireland was slightly weaker than the UK average. Rising new work and advertising were among the factors leading to the increase in activity. Differing trends were recorded across the four sectors covered by the survey. Growth was recorded in both the manufacturing and services categories, with services activity rising sharply. Meanwhile, both construction firms and retailers posted reductions in activity, the first in five and 18 months respectively.

By sector				
		Construction	Manufacturing	Services
'17	Apr	50.1	53.8	56.2
	May	51.0	55.3	54.9
	Jun	48.3	53.4	56.1



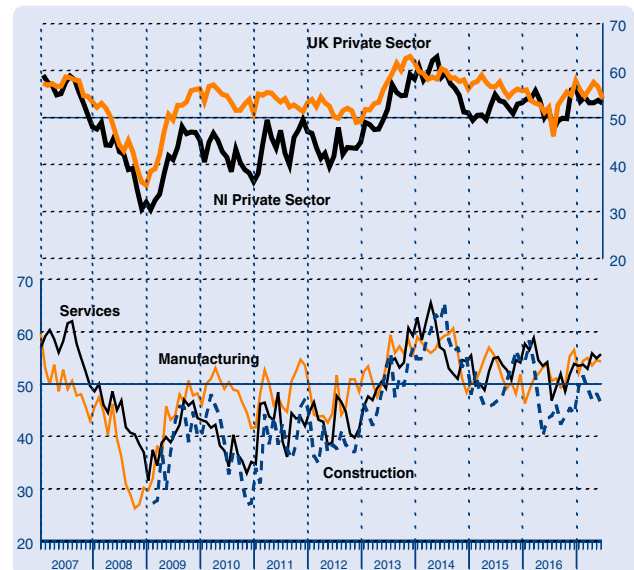
New Business

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
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
	Apr	23.4	65.1	11.5	11.9	55.9	53.2	57.5
	May	26.8	56.9	16.3	10.5	55.3	53.7	56.6
	Jun	25.5	58.6	15.9	9.5	54.8	53.1	54.1

As was the case with business activity, new orders rose at a solid, but reduced pace in June. In fact, the eighth successive monthly increase was the slowest in this sequence. A number of respondents mentioned having secured new clients over the month, thereby leading to growth of new business. There were some reports, however, of reduced consumer confidence and political uncertainty. In line with the trends for output, new order growth was centred on the manufacturing and services sectors, with the rate of expansion faster in the latter. Meanwhile, the construction and retail sectors posted declines in new business.

By sector				
		Construction	Manufacturing	Services
'17	Apr	47.1	53.6	55.9
	May	48.2	54.6	54.9
	Jun	46.4	54.3	55.8



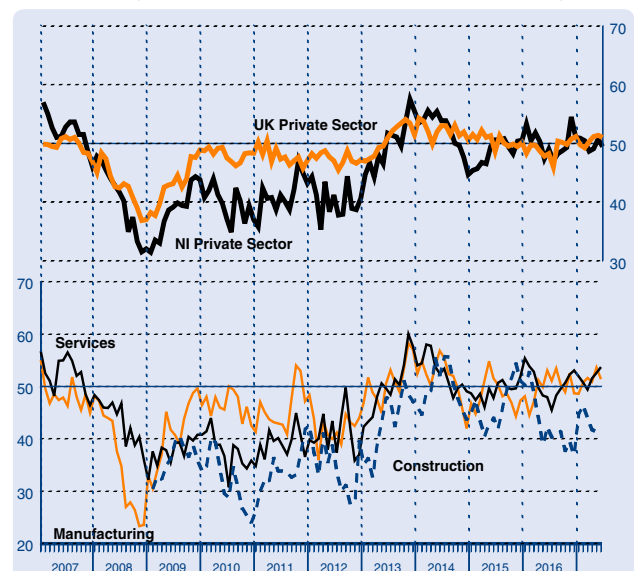
Backlogs

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
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
	Apr	14.6	73.0	12.4	2.2	51.1	49.1	51.2
	May	21.4	65.9	12.7	8.7	54.3	50.8	51.4
	Jun	12.3	73.4	14.3	-2.0	49.0	49.5	51.0

Backlogs of work decreased for the third time in the past four months during June, the exception being a slight rise in May. Although only marginal, the reduction in outstanding business in Northern Ireland contrasted with an accumulation across the UK economy as a whole. Anecdotal evidence suggested that a slowdown in new order growth had enabled firms to work through outstanding business. The overall reduction in orders either in progress or not yet started reflected sharp falls in the construction and retail sectors. Meanwhile, manufacturing and services posted solid increases in backlogs.

By sector				
		Construction	Manufacturing	Services
'17	Apr	41.8	51.0	51.6
	May	41.3	53.7	52.7
	Jun	42.2	51.5	53.8



Employment

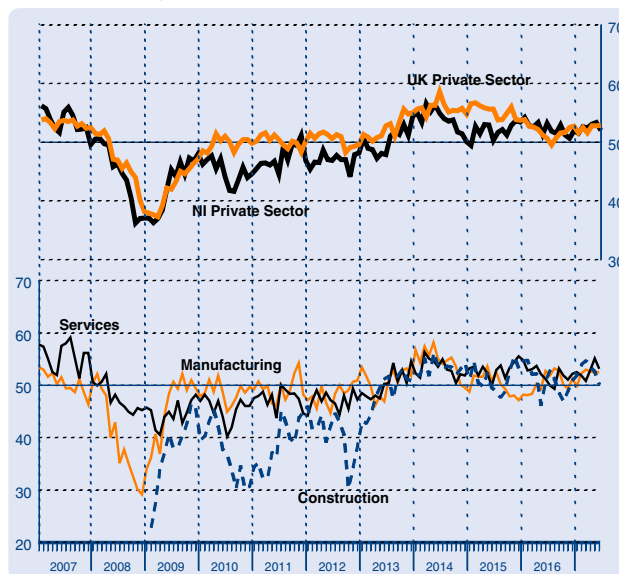
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
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
Apr	14.0	80.2	5.7	8.3	54.2	53.1	52.9
May	13.5	81.8	4.7	8.8	54.4	53.4	52.9
Jun	11.1	82.6	6.4	4.7	52.3	52.0	52.9

Companies in Northern Ireland continued to raise their staffing levels at the end of the second quarter, extending the current sequence of job creation to 29 months. That said, the latest rise was modest, having eased from May's 13-month high to the slowest since January. The increase in staffing levels in Northern Ireland was weaker than the UK average, where the rate of job creation held steady. Those respondents that took on extra staff linked this to increased output requirements. Employment rose across each of the four monitored sectors, led by services. The weakest rate of jobs growth was in construction, where staffing levels increased fractionally.

By sector

	Construction	Manufacturing	Services
'17 Apr	53.6	52.8	53.0
May	52.6	52.5	55.2
Jun	50.2	52.6	53.2



Input Costs

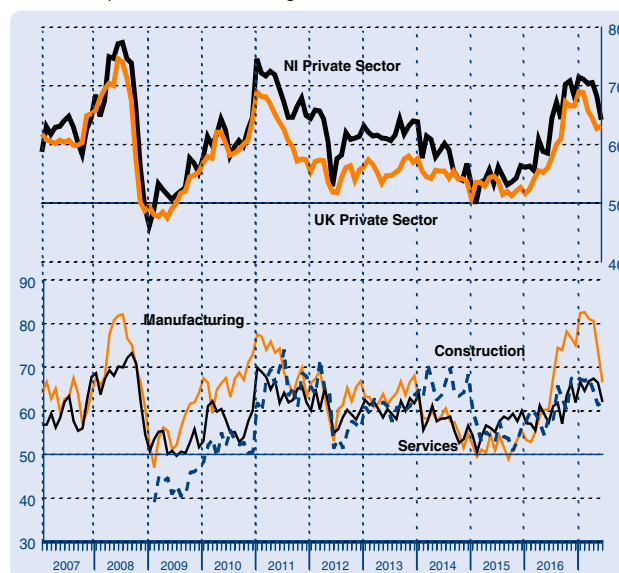
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
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	68.9
Mar	46.4	52.2	1.4	45.0	72.5	70.4	65.8
Apr	48.9	50.0	1.1	47.7	73.9	70.6	64.5
May	37.9	60.5	1.7	36.2	68.1	68.3	62.8
Jun	31.3	64.2	4.5	26.7	63.4	64.3	63.2

The rate of input cost inflation eased for the second month running in June, with the latest increase in input prices the slowest for a year. Cost burdens continued to rise sharply, however, with the increase in Northern Ireland stronger than the UK average. Sterling weakness was widely mentioned as being the principal cause of rising input prices, while higher staff costs were also reported. The strongest rate of cost inflation was in the retail sector. Manufacturing input prices continued to rise sharply, although the pace of increase slowed to the weakest since June 2016. Marked rates of cost inflation were recorded at service providers and construction firms.

By sector

	Construction	Manufacturing	Services
'17 Apr	64.7	80.6	67.4
May	61.4	73.8	66.5
Jun	62.0	66.5	62.1



Prices Charged

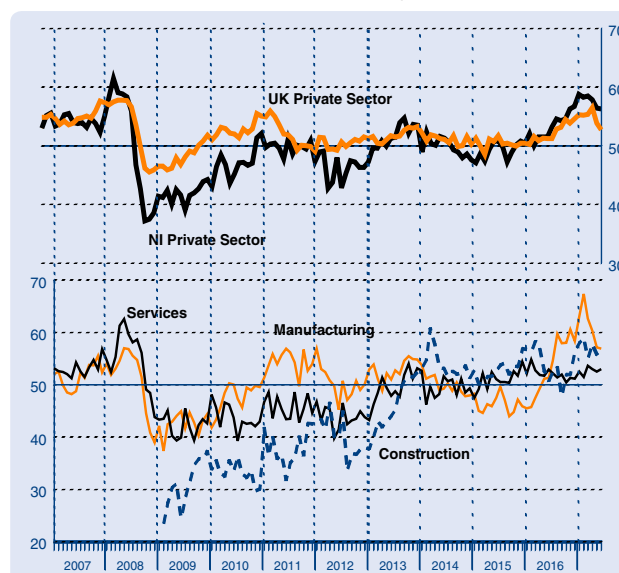
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
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
Apr	22.1	74.3	3.6	18.5	59.2	57.9	56.5
May	16.3	76.7	7.0	9.3	54.6	56.5	53.9
Jun	17.2	79.5	3.3	14.0	57.0	56.4	52.8

Northern Ireland companies recorded a further marked monthly rise in output prices during June, with the rate of inflation little-changed from that seen in May. The increase in charges in Northern Ireland was again much faster than the UK economy average. According to respondents, higher selling prices mainly reflected the passing on of increased input costs to clients. All four monitored sectors saw output prices rise, but to varying degrees. Sharp increases were recorded in the retail and manufacturing categories. Inflation was more modest in services and construction, by comparison, but solid nonetheless.

By sector

	Construction	Manufacturing	Services
'17 Apr	57.7	60.4	53.0
May	55.8	57.2	52.6
Jun	54.9	57.0	53.0



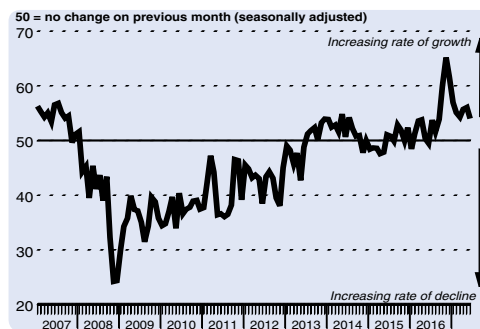
New Export Business*

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
2017	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
	Apr	24.9	68.3	6.8	18.2	59.1	55.8
	May	17.4	74.2	8.4	9.0	54.5	56.1
	Jun	21.4	64.5	14.1	7.3	53.6	54.0

As has been the case on a monthly basis throughout the past year, Northern Ireland companies posted an increase in new export orders during June. Although solid, the rate of growth was the slowest since last September. Panellists reported having secured new business from the Republic of Ireland.



Future Output

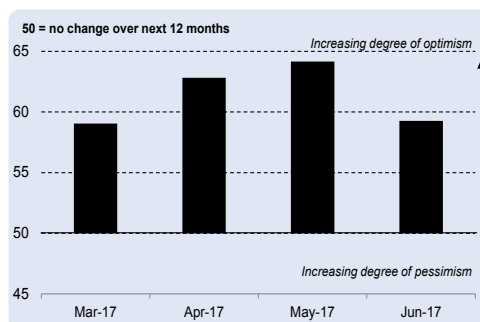
In 12 months' time do you expect the overall volume of output to be higher, the same or lower than now?

Northern Ireland Companies

All UK

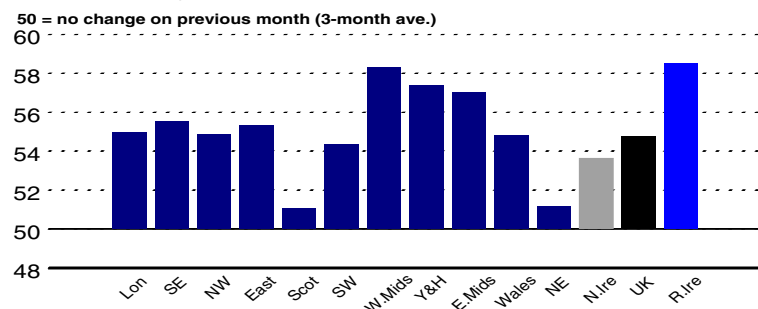
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	Index
2017	Mar	29.9	58.3	11.8	18.1	59.0	n/a	70.6
	Apr	34.7	56.3	9.0	25.6	62.8	n/a	68.3
	May	37.2	53.8	8.9	28.3	64.2	n/a	69.2
	Jun	30.6	57.3	12.0	18.6	59.3	n/a	65.1

Northern Ireland companies remained optimistic regarding the 12-month outlook for output in June, with business expansion plans set to support growth. That said, sentiment eased to the lowest in three months amid market uncertainty.



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 second quarter saw a broad-based rise in business activity, led by the West Midlands, Yorkshire & Humber and the East Midlands also recorded strong growth, while rates of expansion in Scotland and the North East were only marginal. Meanwhile, the rise in output in the Republic of Ireland was faster than all UK regions.



	Share of UK GVA, 2015 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.9%)	53.7	54.9	52.2
South East	(15.1%)	54.1	55.5	55.7
North West	(9.5%)	55.3	54.9	53.8
East of England	(8.8%)	55.6	55.3	54.5
Scotland	(7.7%)	50.5	51.0	51.1
South West	(7.6%)	54.4	54.3	52.6
West Midlands	(7.3%)	56.6	58.3	58.1
Yorks & Humber	(6.6%)	55.9	57.4	57.6
East Midlands	(5.9%)	55.0	57.0	55.4
Wales	(3.4%)	55.6	54.8	55.9
North East	(3.0%)	52.0	51.1	50.6
N. Ireland	(2.1%)	53.0	53.6	53.2
UK	(100.0%)	54.0	54.8	53.9
Rep. of Ireland	n/a	57.2	58.5	58.0

PMI® Survey Methodology

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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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