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# Ulster Bank Northern Ireland Purchasing Managers Index (PMI)

*Includes analysis of Global, Eurozone, UK, UK Regions, NI &  
Republic of Ireland economic performance by sector*

*November 2013 Survey Update*

Issued 9<sup>th</sup> December 2013

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## *PMI Surveys*

*Purchasing Managers' Indexes (PMIs) are monthly surveys of private sector 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 different sectors.*

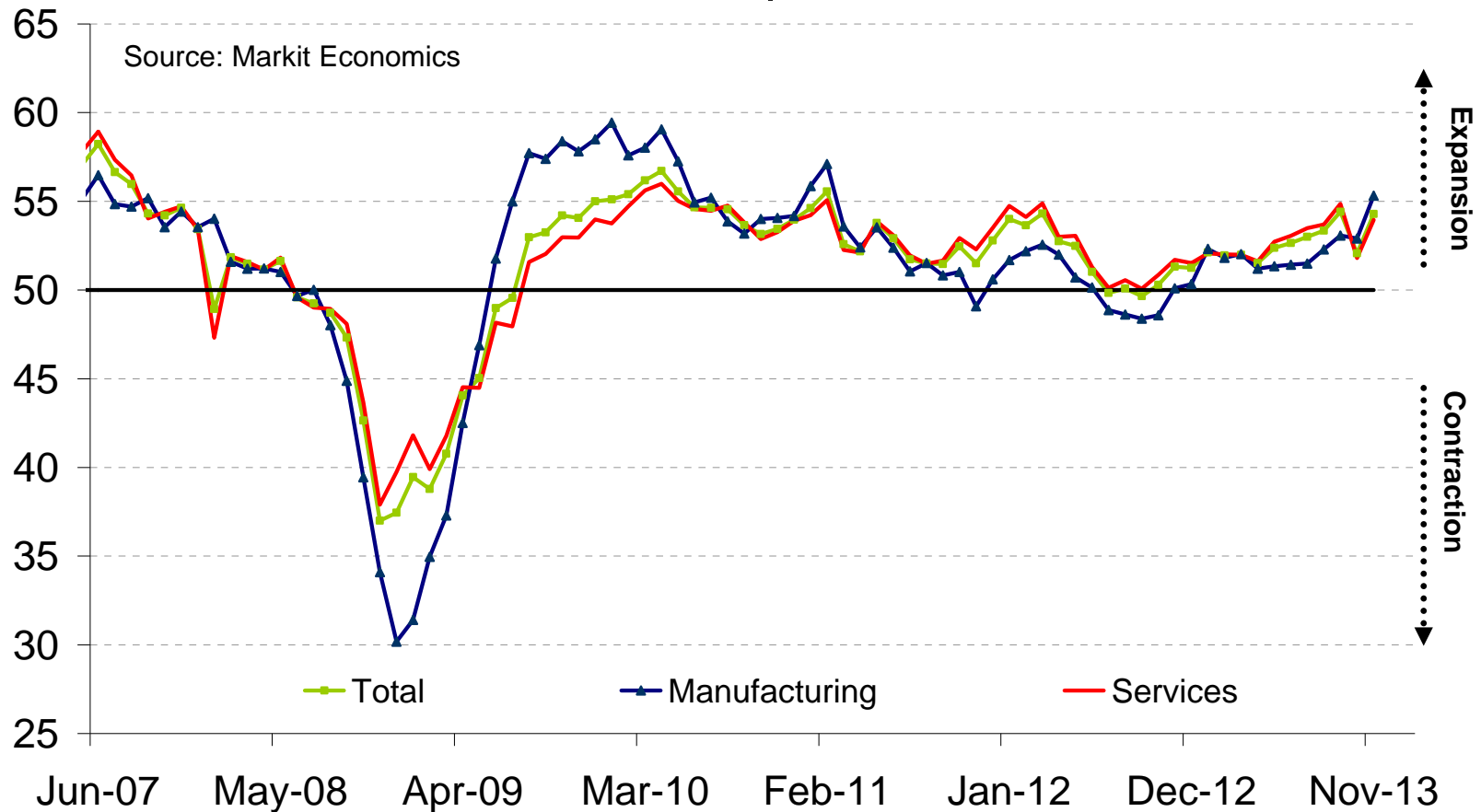
*Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline on the previous month. These indices vary from 0 to 100 with readings of 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration. The greater the divergence from 50.0 the greater the rate of change (expansion or contraction). The indices are seasonally adjusted to take into consideration expected variations for the time of year, such as summer shutdowns or holidays.*

**< 50.0 = Contraction      50.0 = No Change      > 50.0 = Expansion**

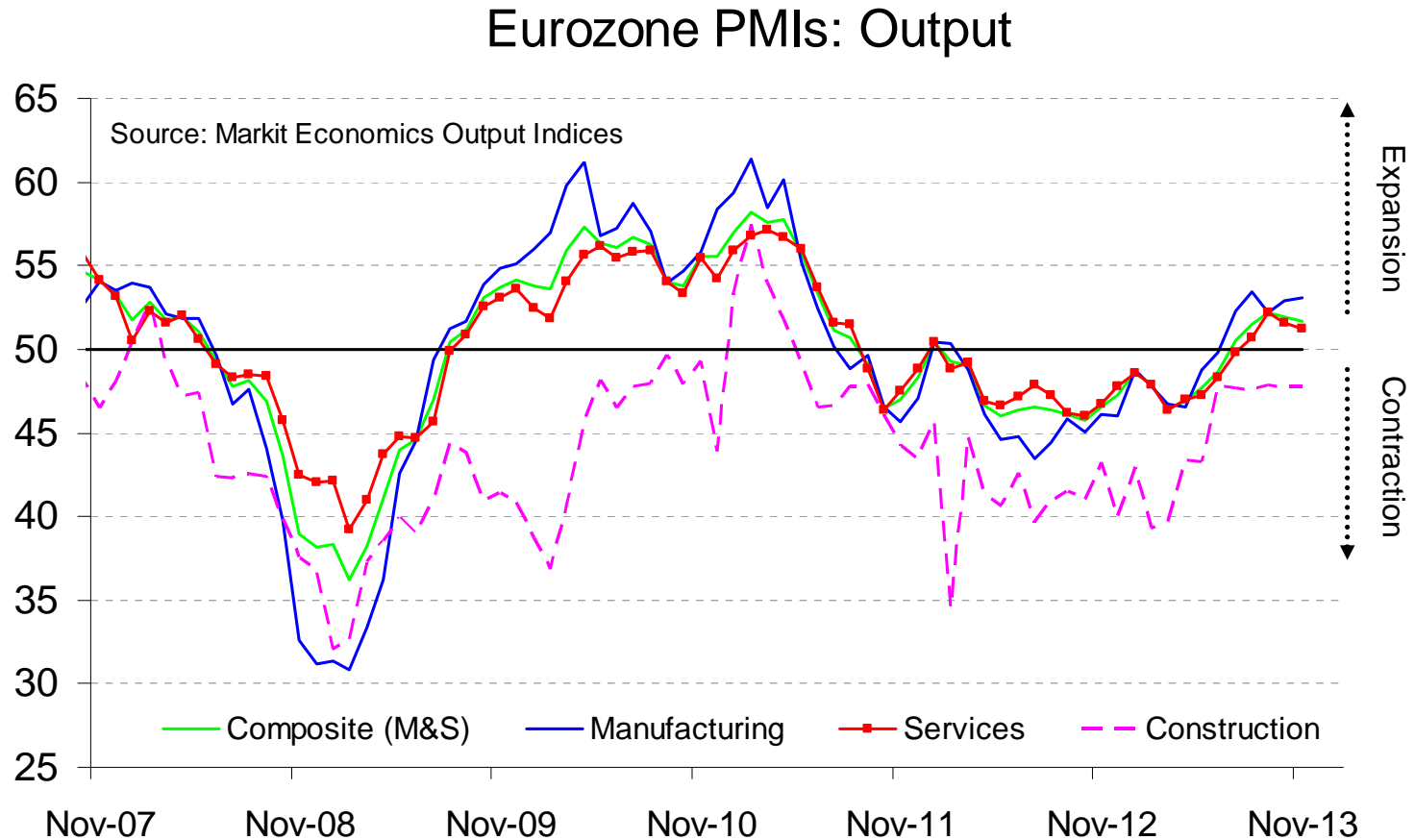
*Data at a sector level are more volatile and **3-month moving averages** have been used to more accurately identify the broad trends.*

# Global output growth accelerates in November due to both the services & manufacturing sectors

## Global Output - PMI

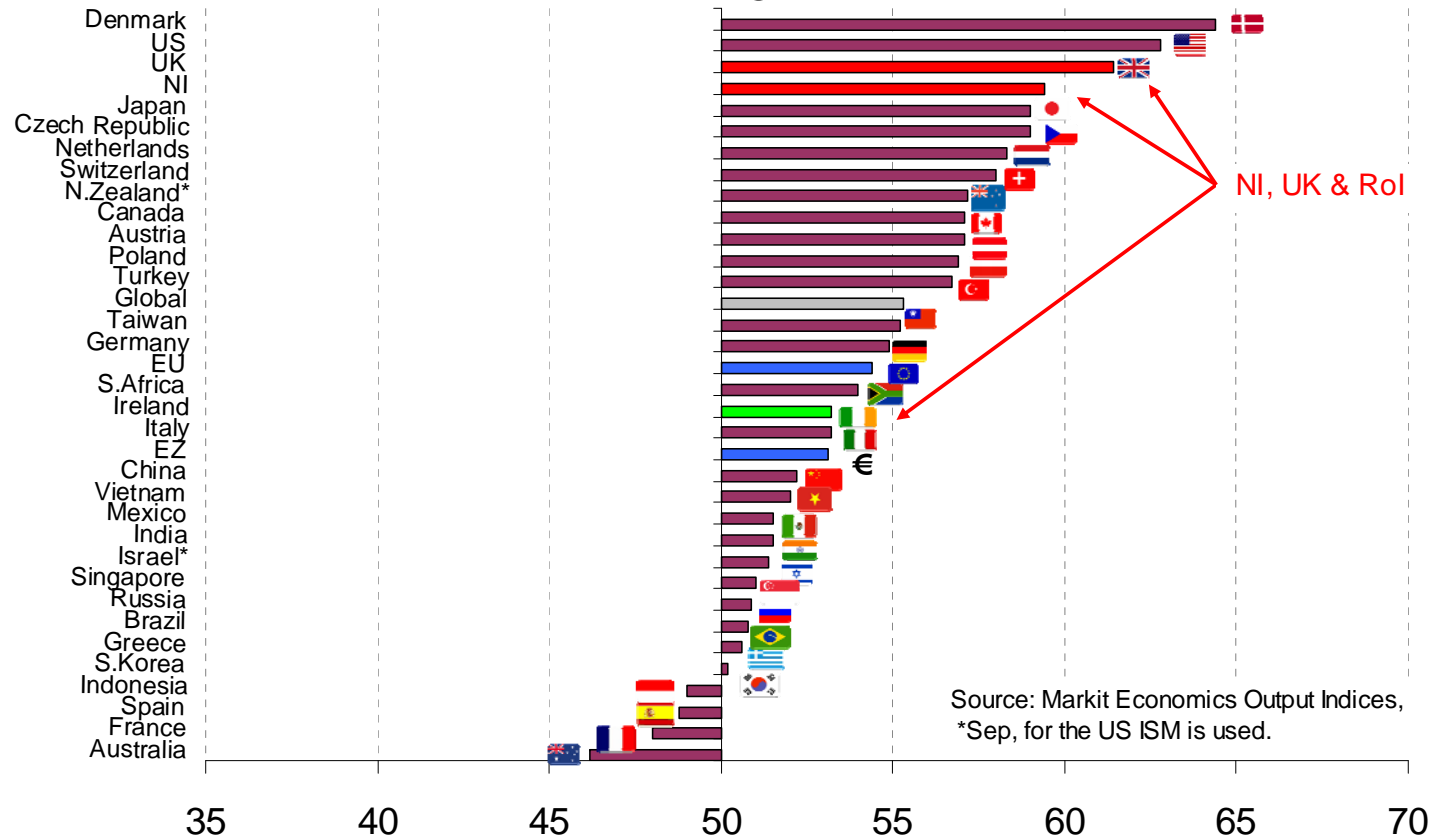


... but the Eurozone experiences a slowdown in November due to its services sector



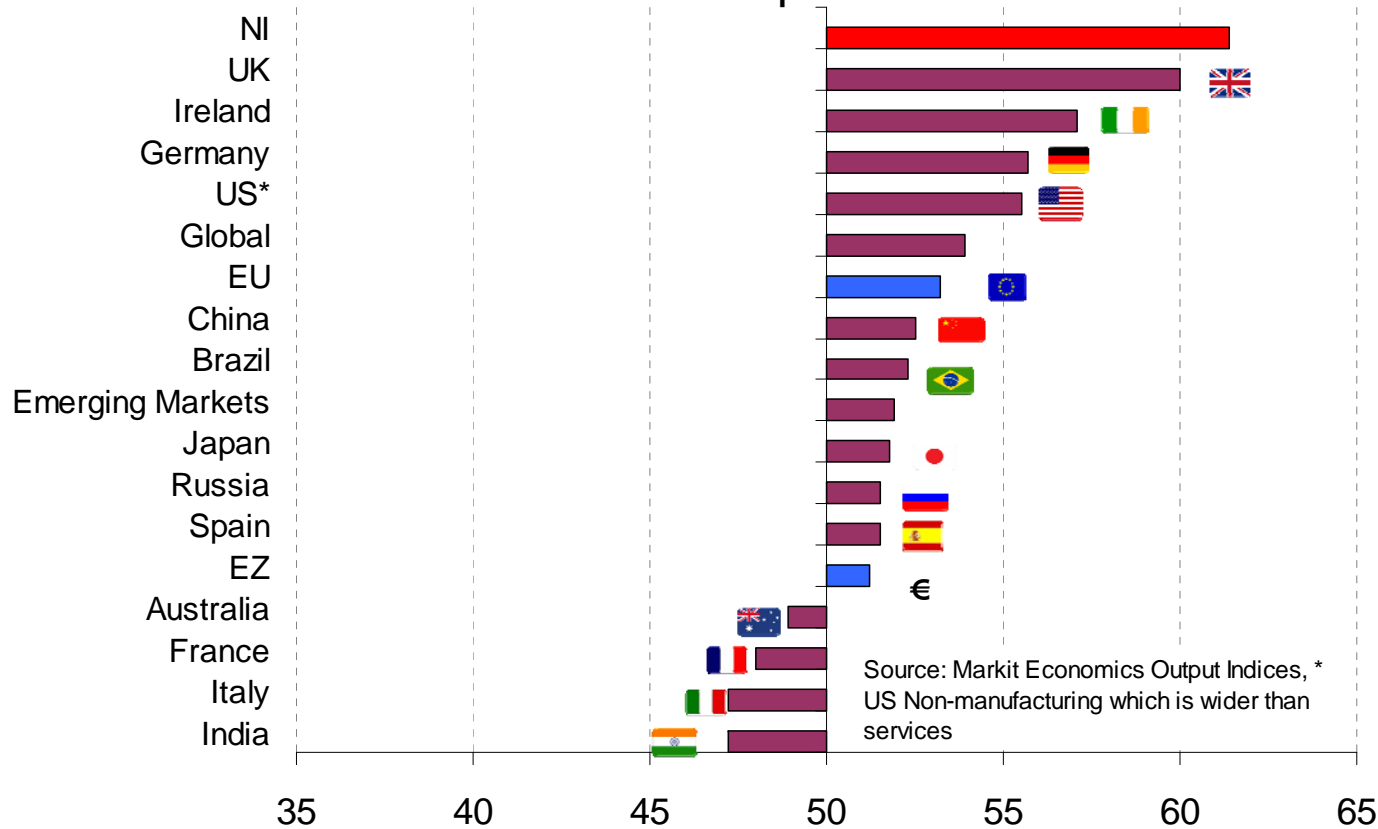
Top performers within manufacturing include Denmark, US, UK & NI. Underperformers include Australia, France & Spain

## PMIs: Manufacturing Output November 2013

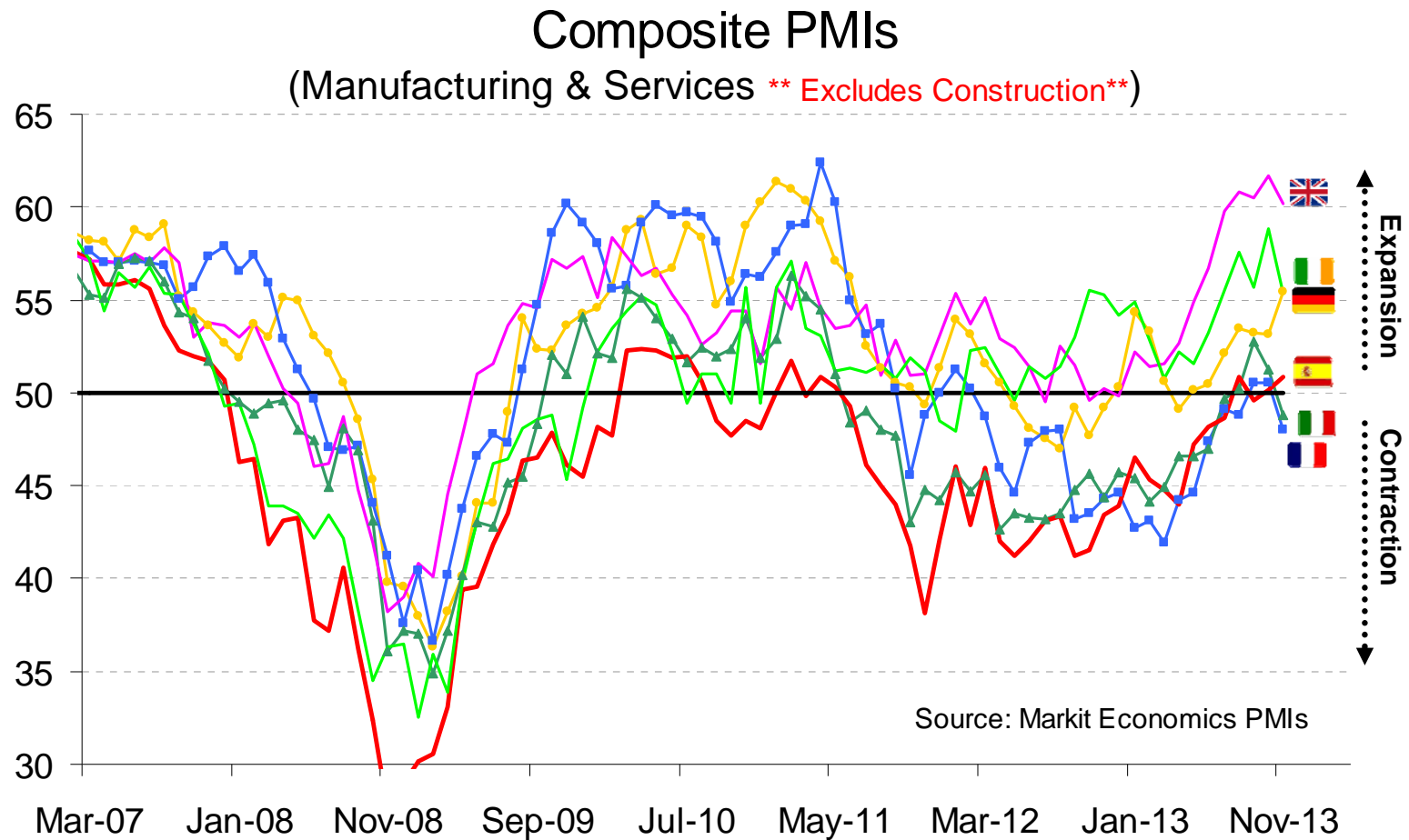


# N.Ireland, the UK & the Republic of Ireland post the fastest rates of service sector output growth in November

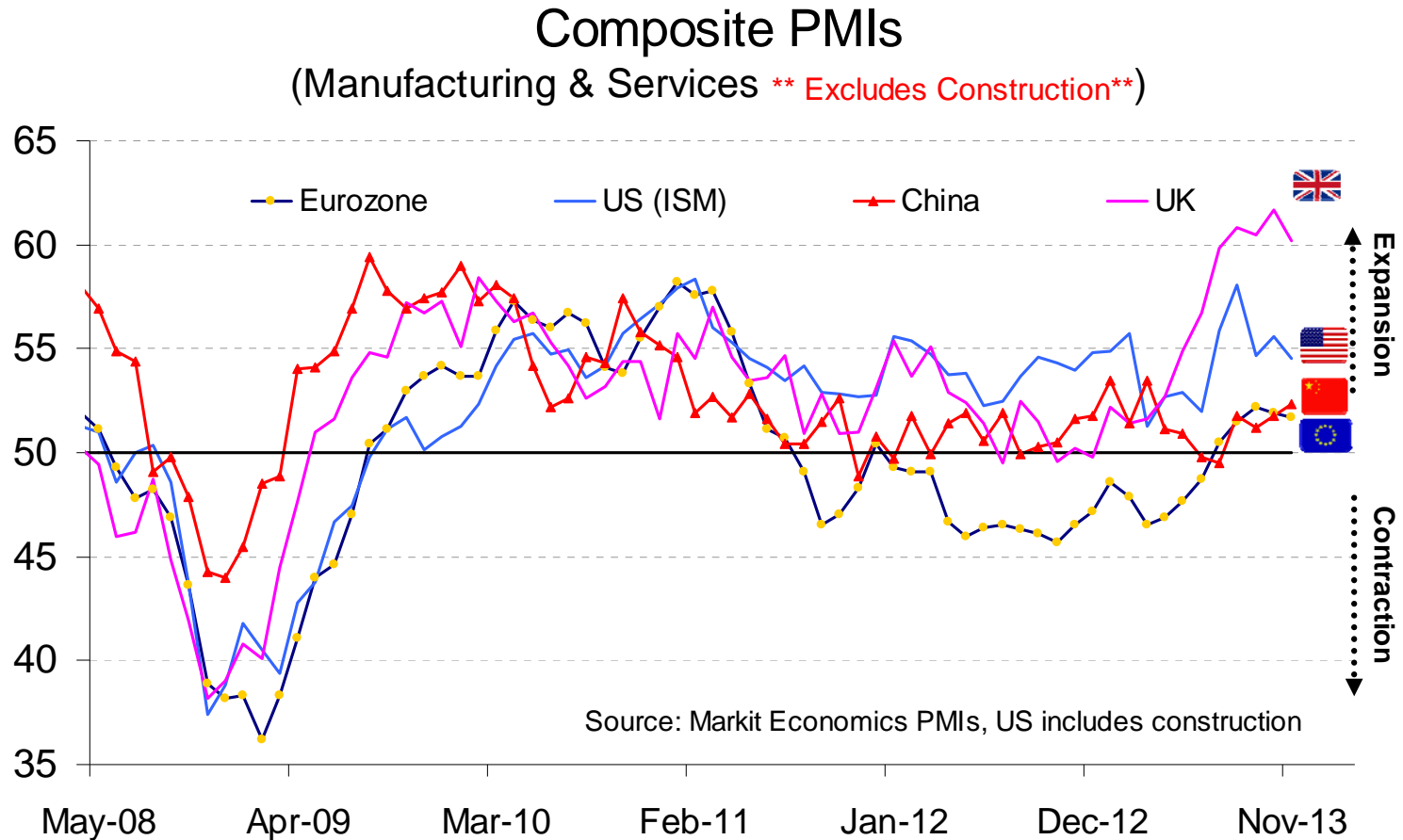
PMIs: Services Output November 2013



The 2<sup>nd</sup> & 3<sup>rd</sup> largest economies within the eurozone are contracting again with the UK & RoI still outperforming

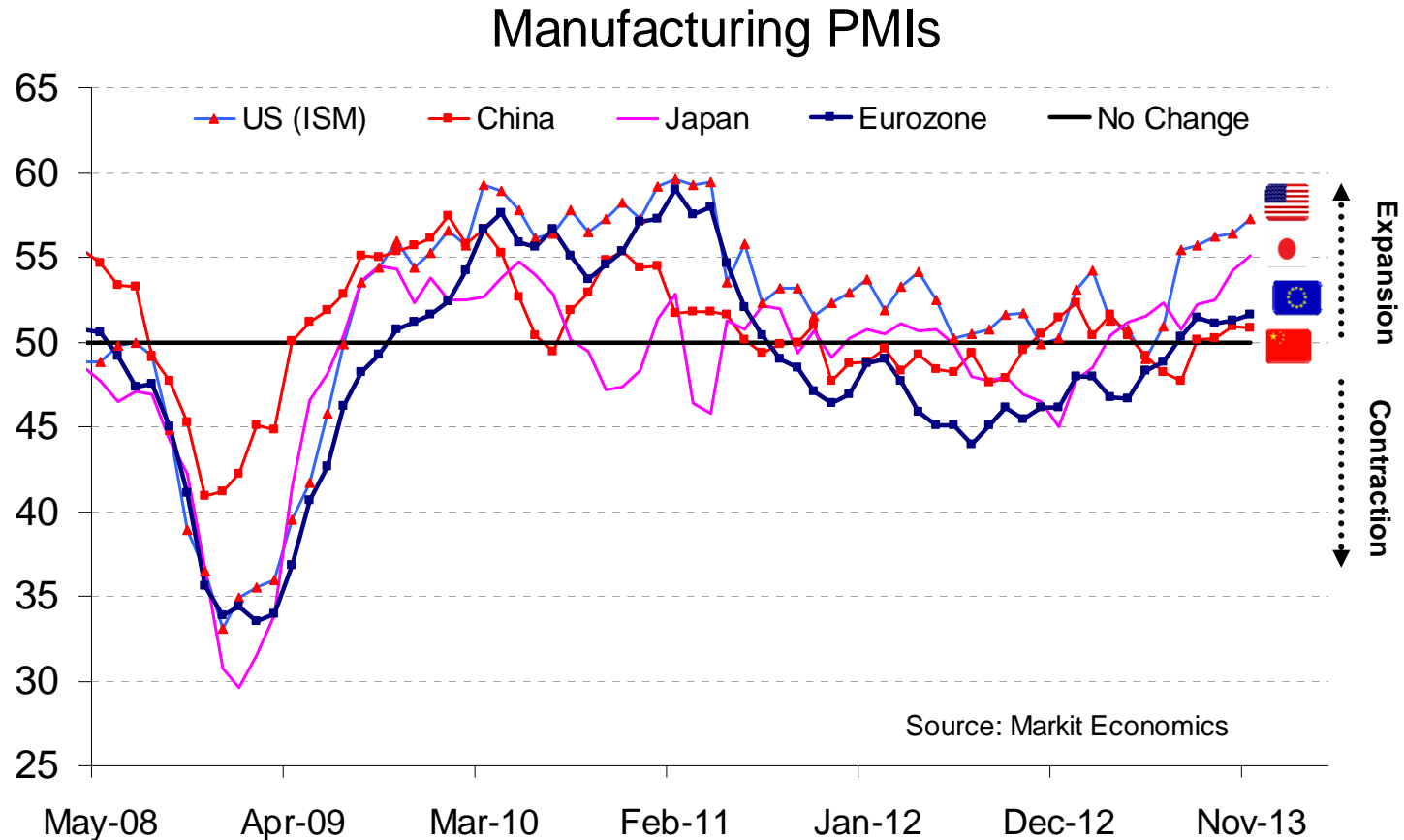


# The UK, US & EZ saw their composite PMIs slip in November while China's moved higher



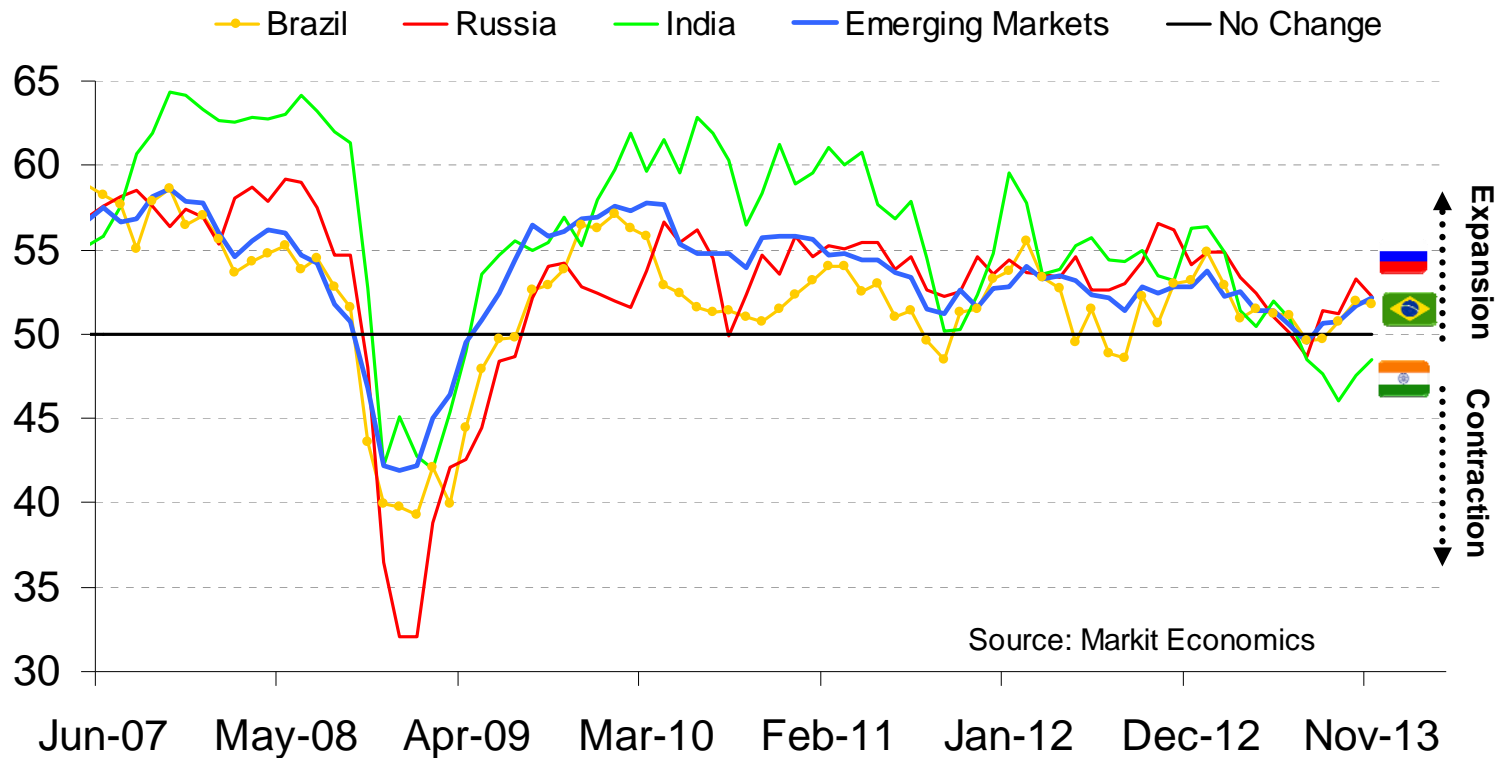


# The US, Japan & the Eurozone all posted an acceleration in manufacturing activity in November



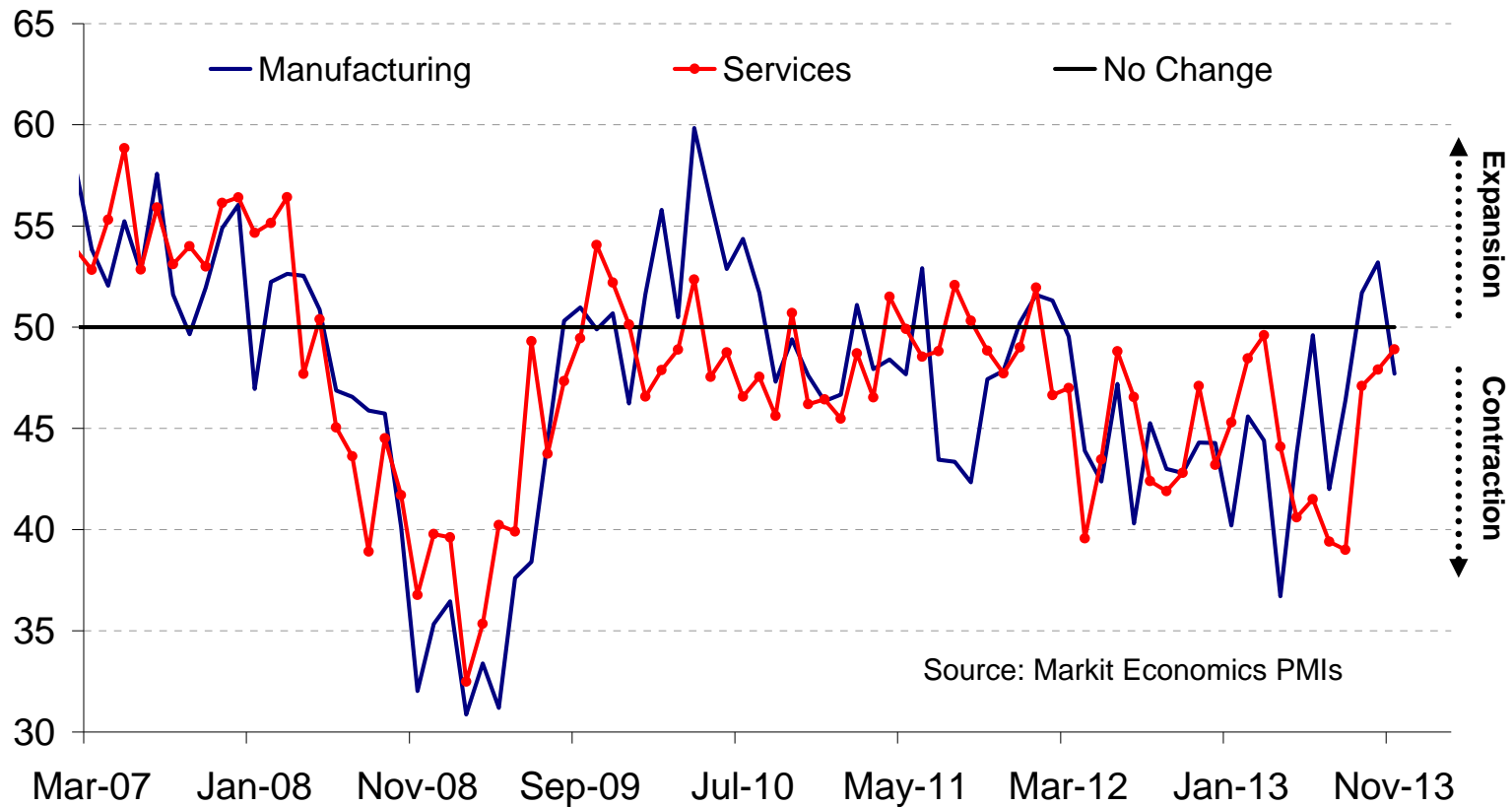
# PMIs for Russia & Brazil slipped in November but growth in Emerging Markets accelerates overall

## Composite PMIs (Manufacturing & Services \*\* Excludes Construction\*\*)



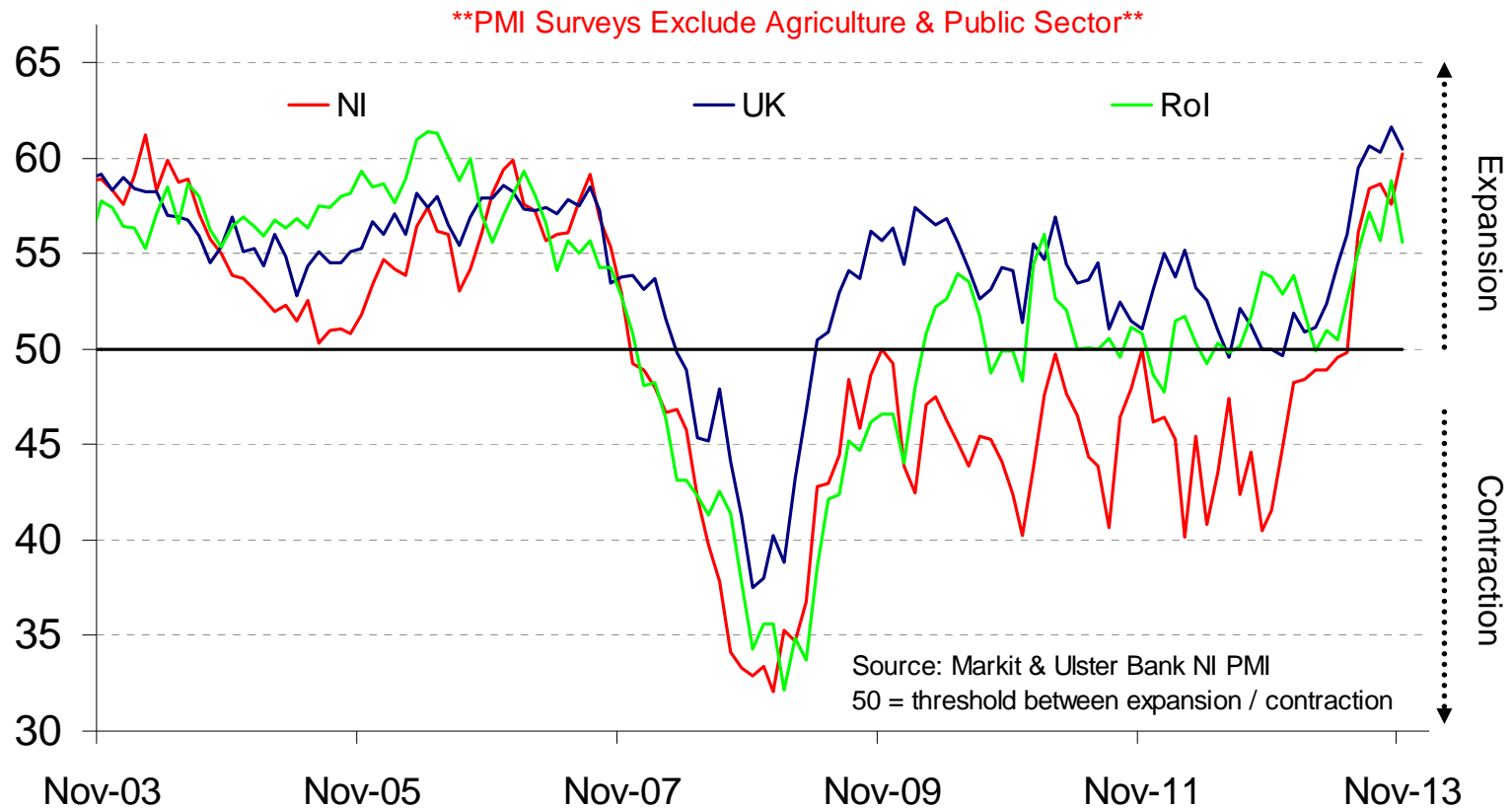
# Australia's manufacturing sector joins its services sector in contraction territory in November

## Australia - PMI



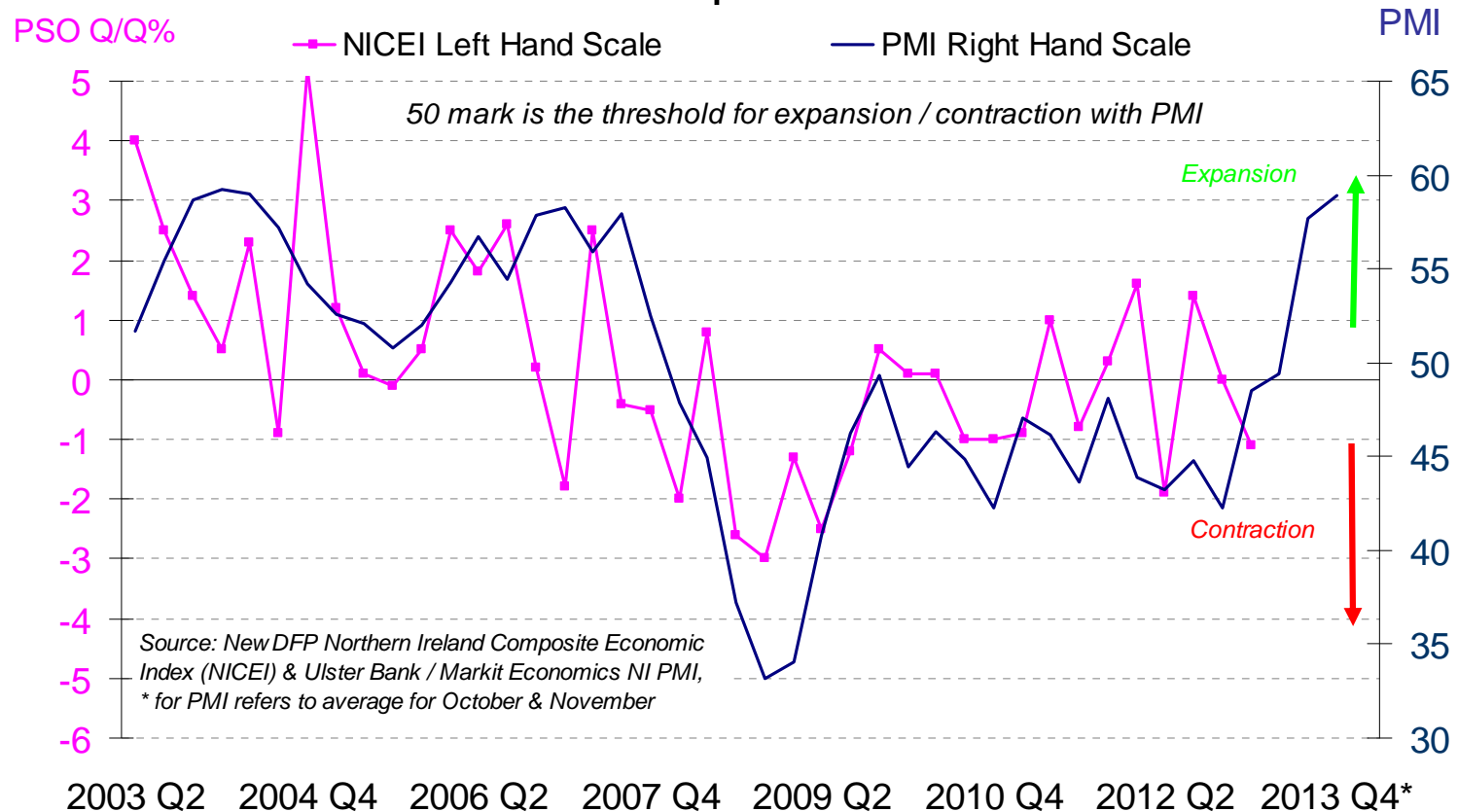
# UK & the RoI see growth rates ease in November while NI posts its fastest rate of growth since March 2004

## Private Sector Business Activity - PMIs



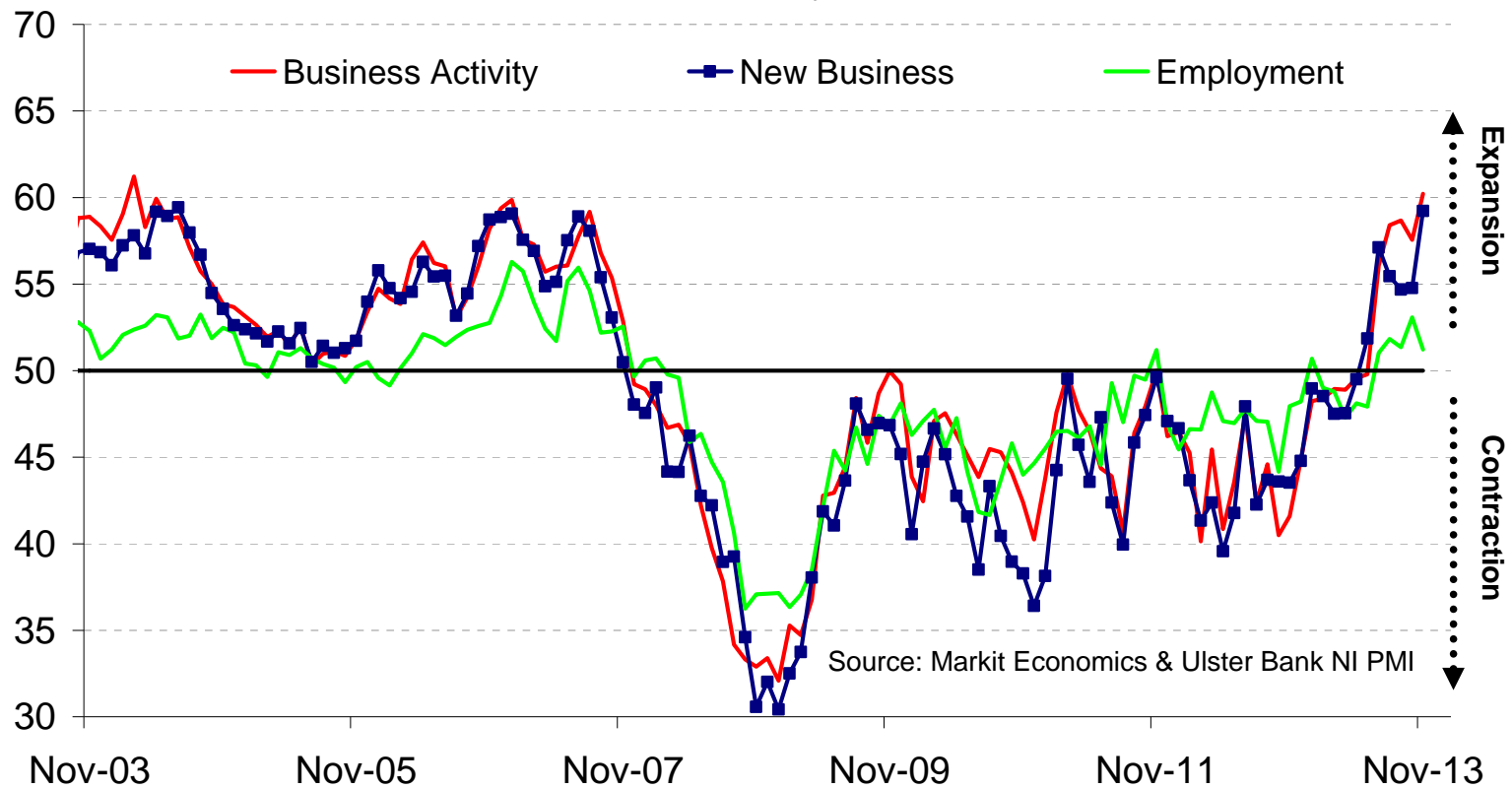
# PMI suggests growth in DFP's new private sector composite index (combines indices for construction, services, agriculture & industrial production) in Q3 & Q4

## NI Private Sector Output Index Versus NI PMI

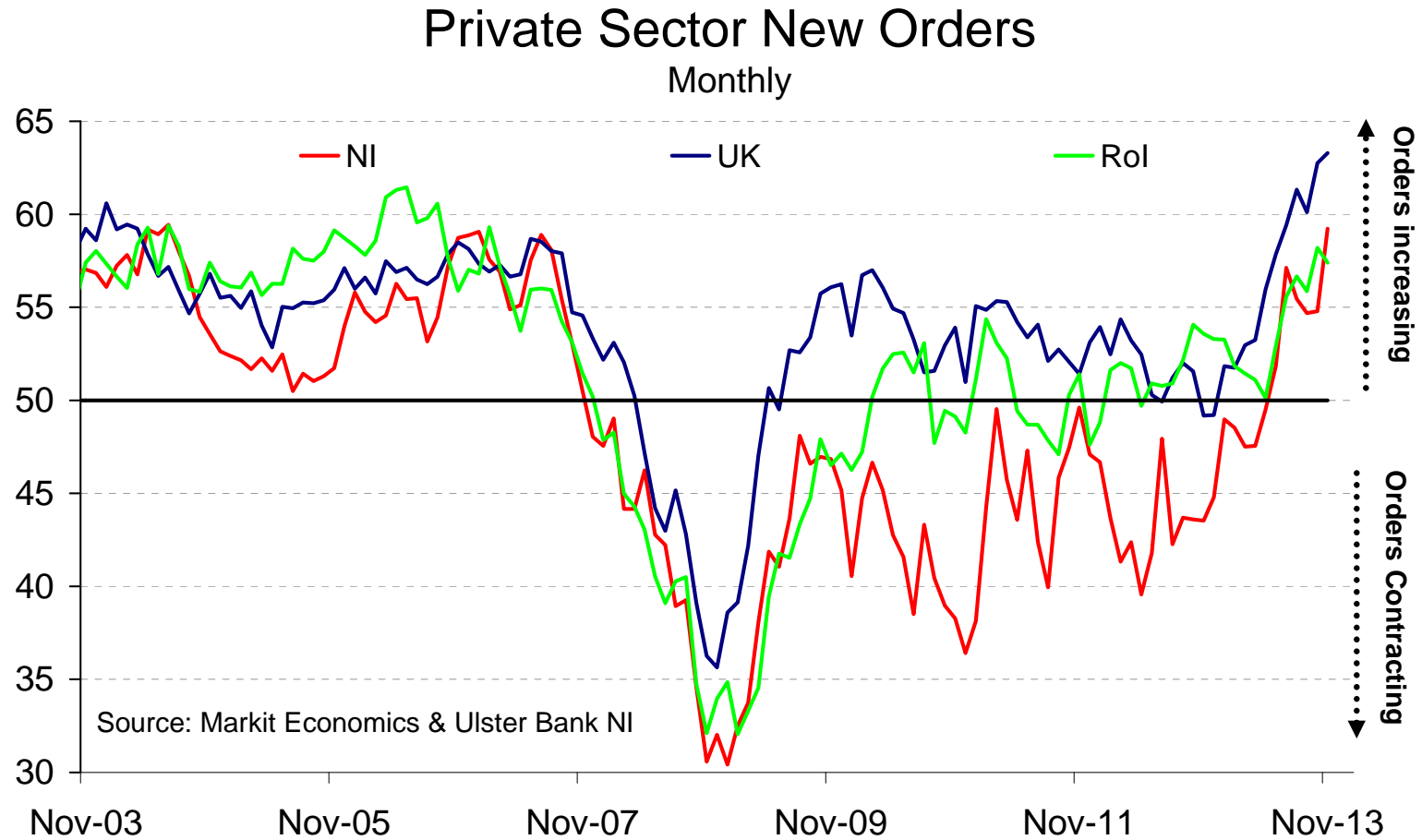


# NI firms report an acceleration in business activity & new orders growth but pace of job creation slows

## NI Private Sector Activity Monthly



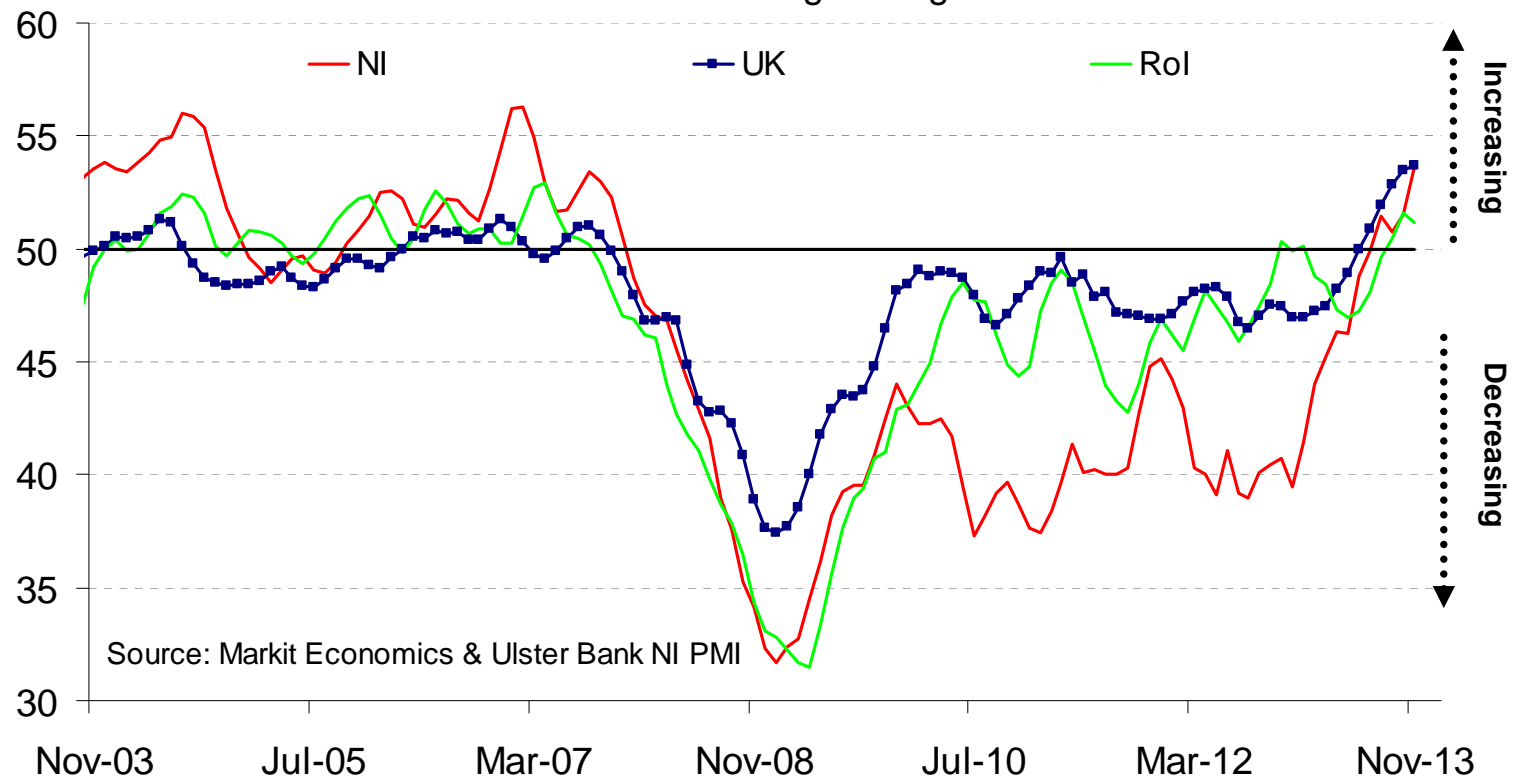
Buoyant order books suggest more growth in the months ahead. NI posts its fastest rate of growth since July 2004



# Surge in demand is leading to backlogs of work with NI index posting a record high in November

## Private Sector Backlogs

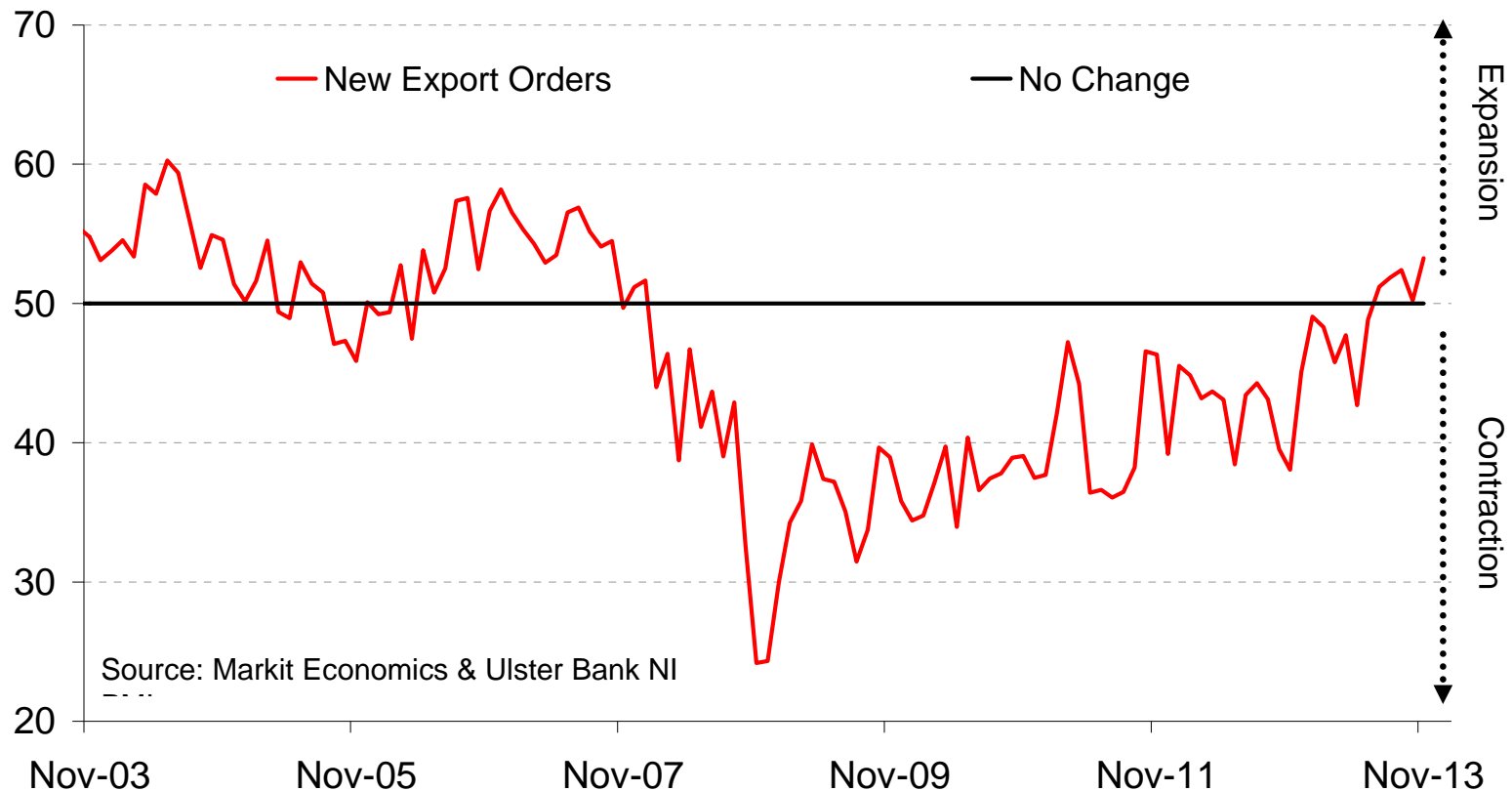
3 month moving average



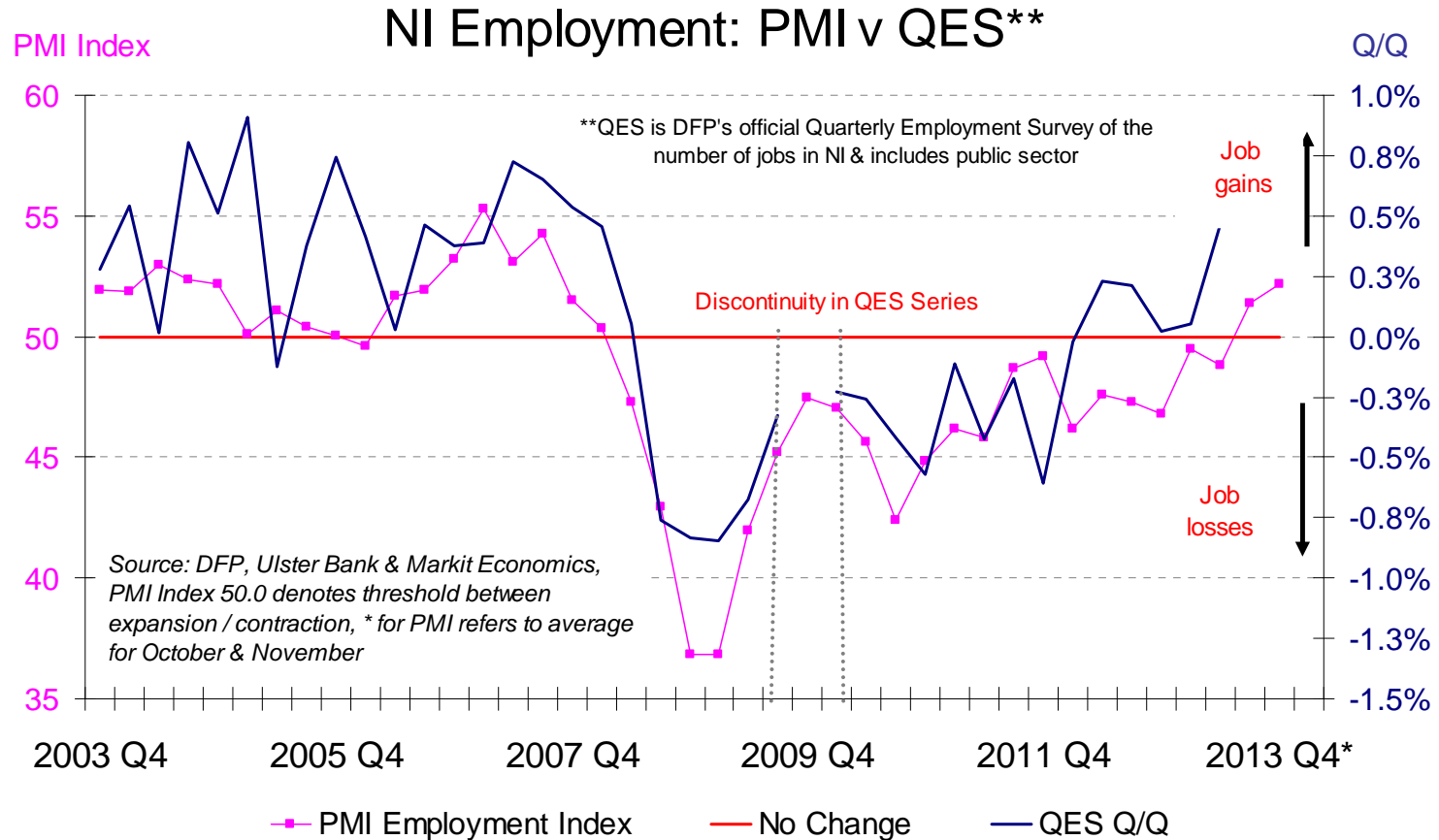


# NI firms post their 5<sup>th</sup> successive increase in export orders in November

## NI New Export Business



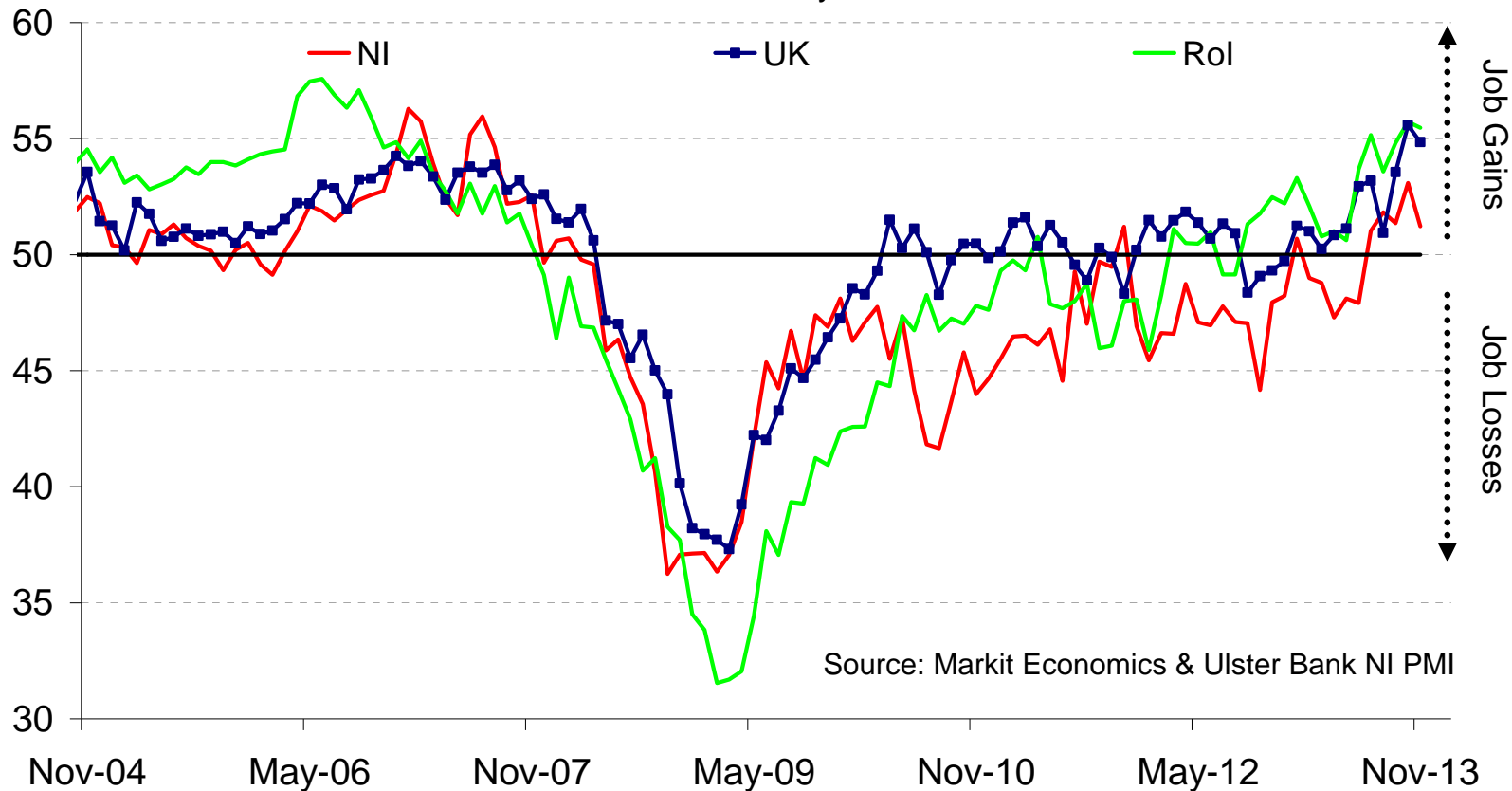
PMI underestimated QES job gains in 2012. PMI for Q3 signals fastest rate of jobs growth since Q4 2007 with even stronger growth in Q4



# UK, RoI & NI firms all experienced jobs growth in November albeit at a weaker rate than October

## Private Sector Employment Levels

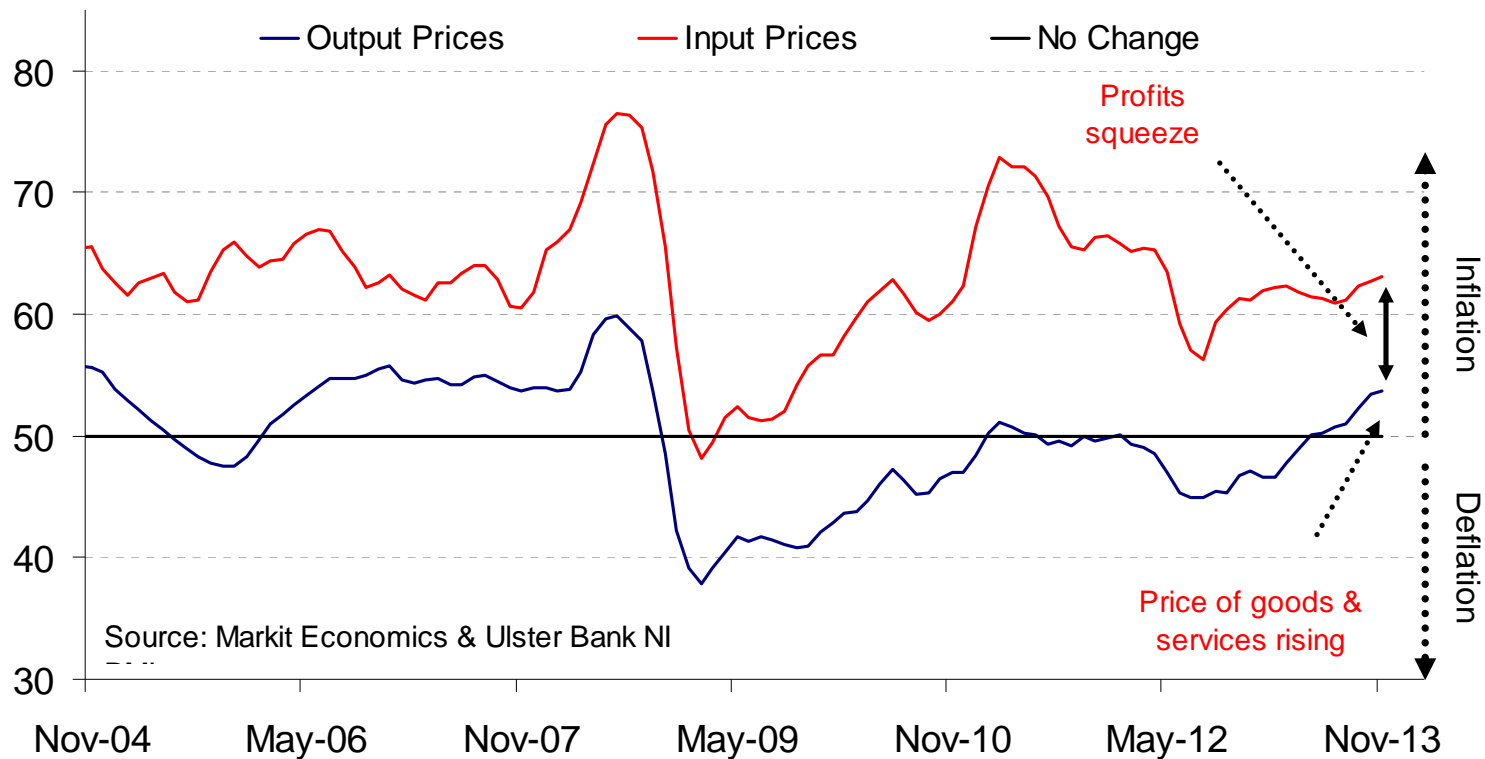
Monthly



# Private sector's profitability squeeze remains but pricing power is on the rise

## NI Private Sector Profit Squeeze

3 Month Moving Average



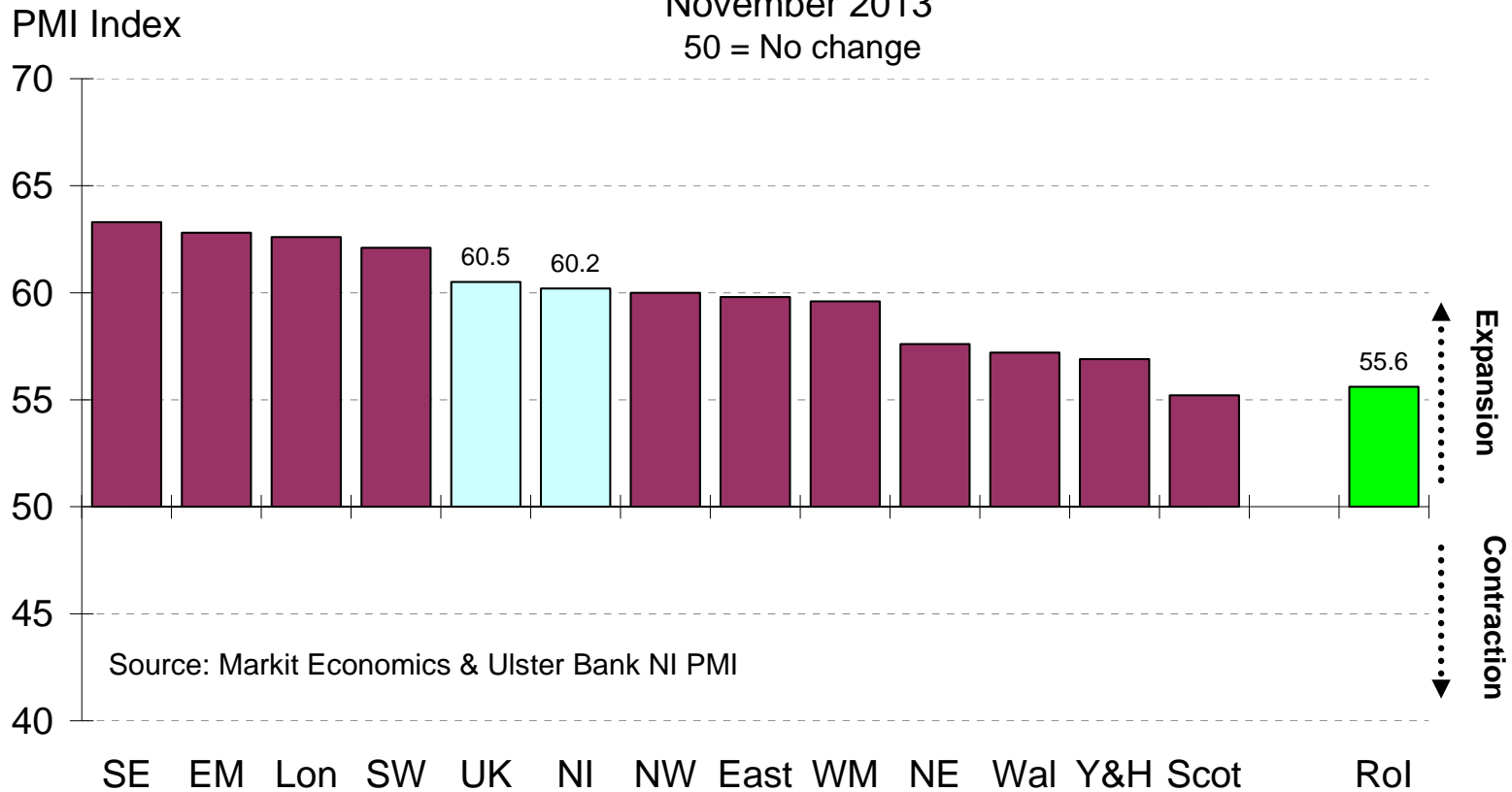
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# *Regional Comparisons*

# PMIs Indian summer continues with strong growth everywhere & NI moving up the PMI league table...

## Output / Business Activity

November 2013  
50 = No change

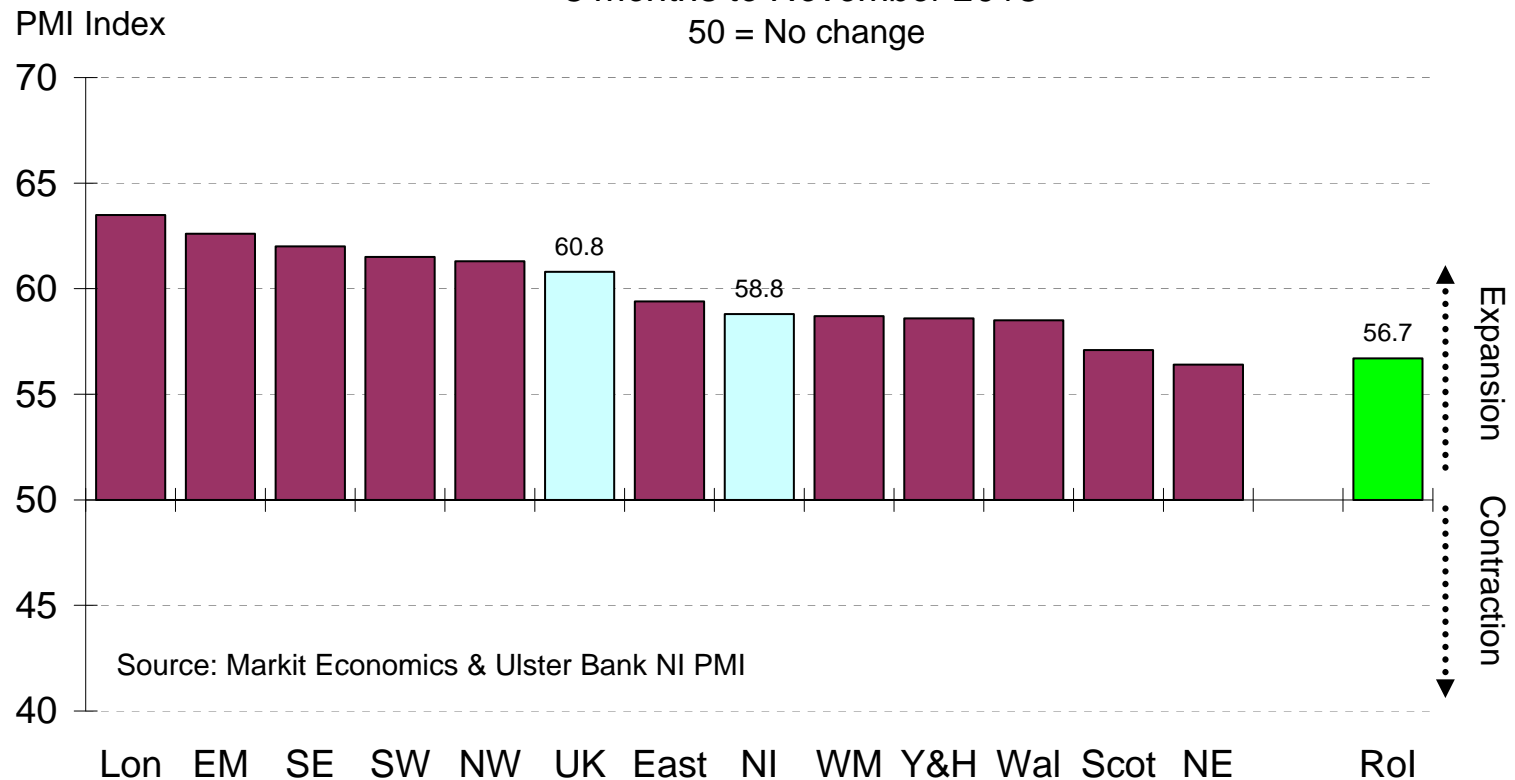


...all the UK regions post growth over the last 3 months

## Output / Business Activity

3 months to November 2013

50 = No change

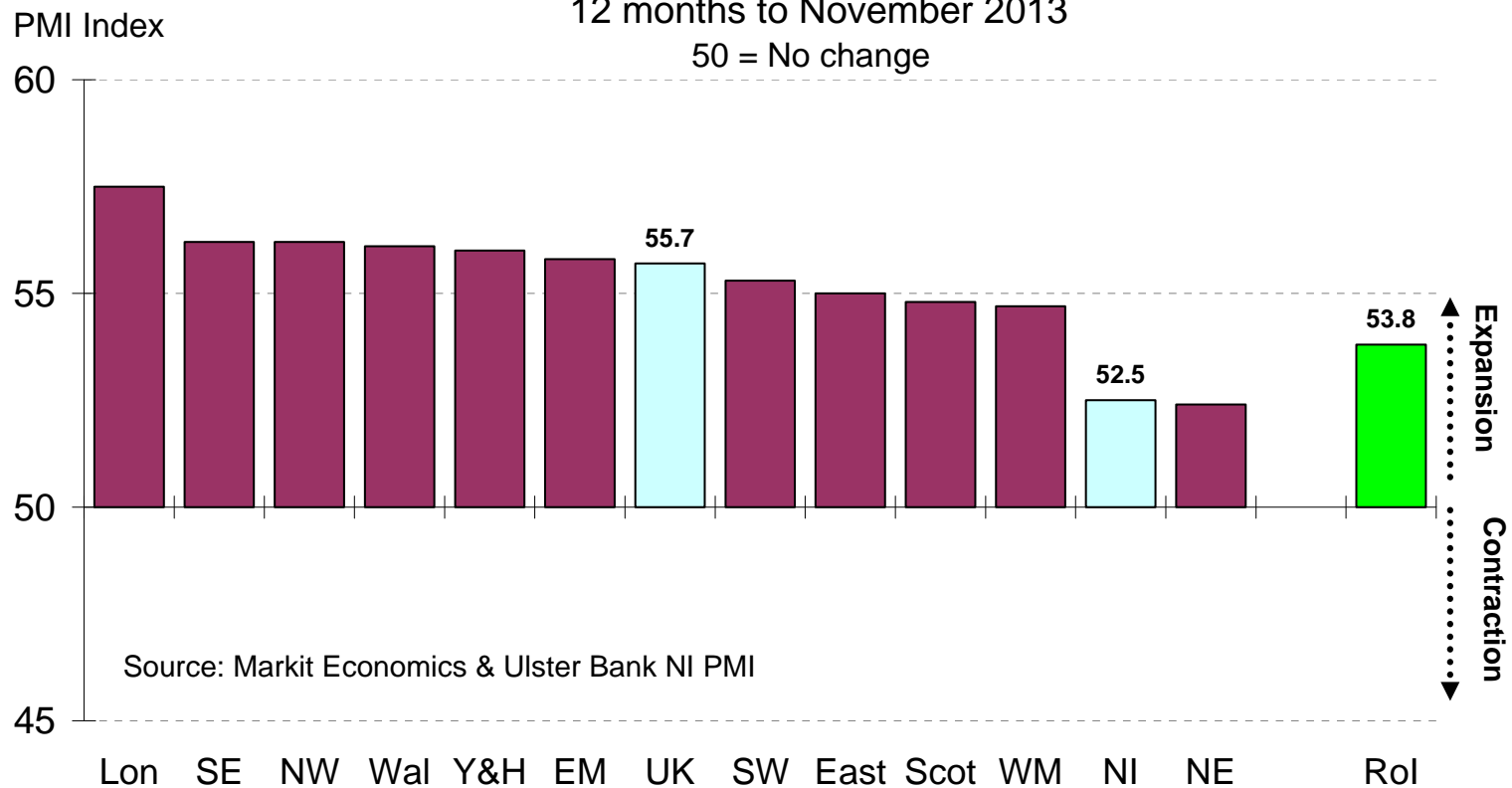


... and over the last 12 months

## Output / Business Activity

12 months to November 2013

50 = No change



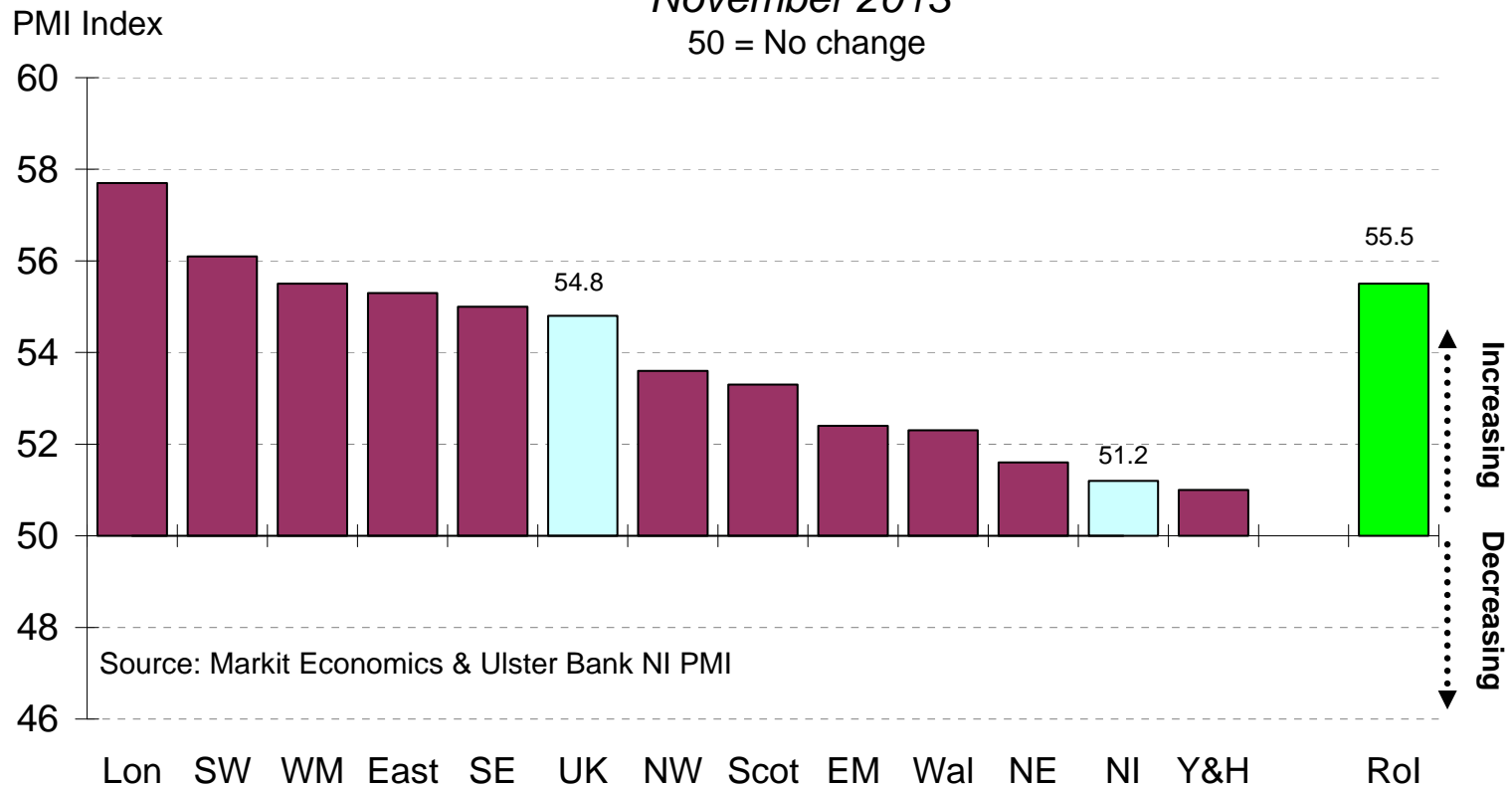


# All the UK regions and the Republic of Ireland post employment growth in November ...

## Employment Levels

November 2013

50 = No change



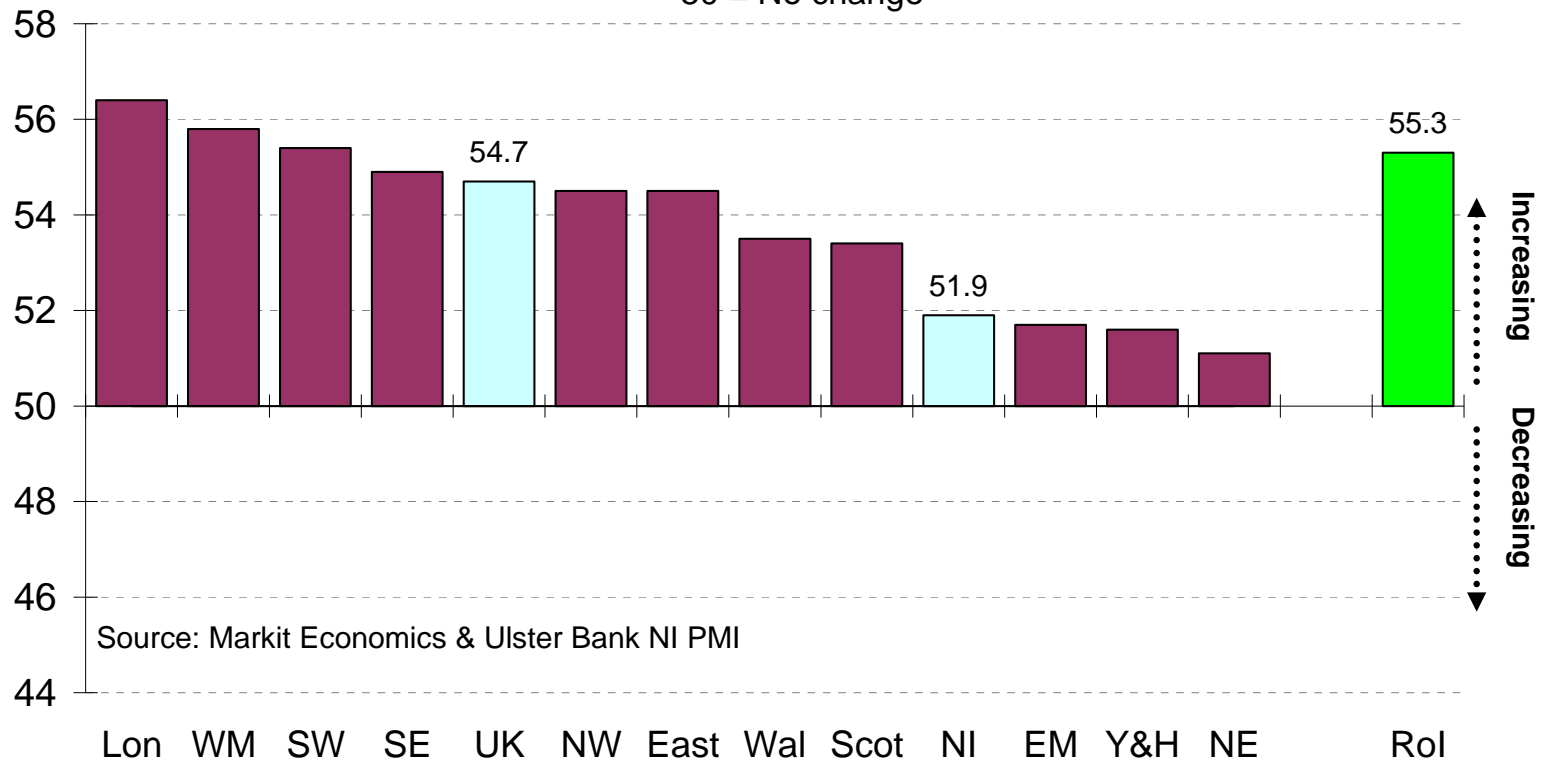
... and over the last 3 months to November

## Employment Levels

3 months to November 2013

50 = No change

PMI Index



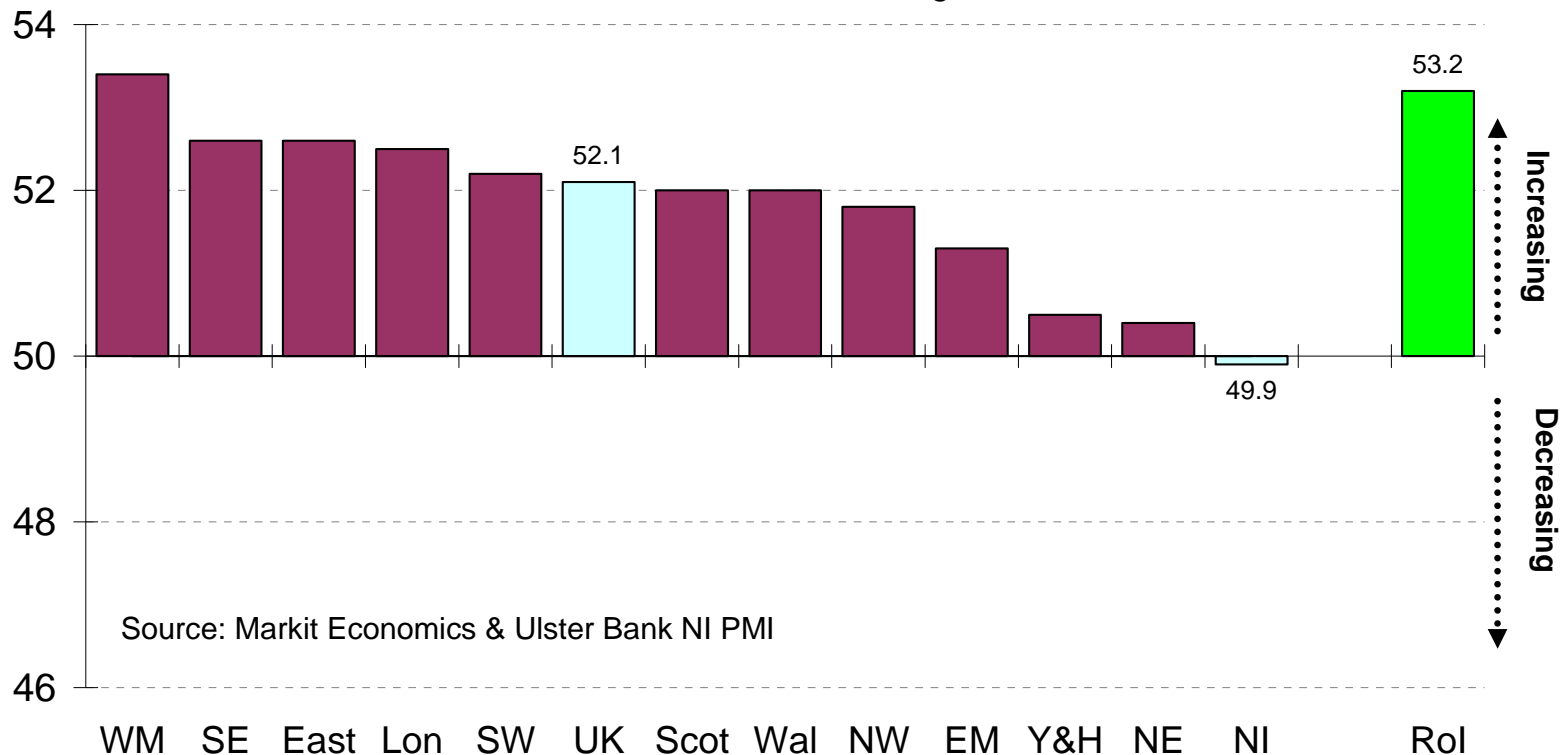
# NI posts a marginal decline in employment with the West Midlands & Rol the sharpest rise over the last 12 months

## Employment Levels

12 months to November 2013

50 = No change

PMI Index

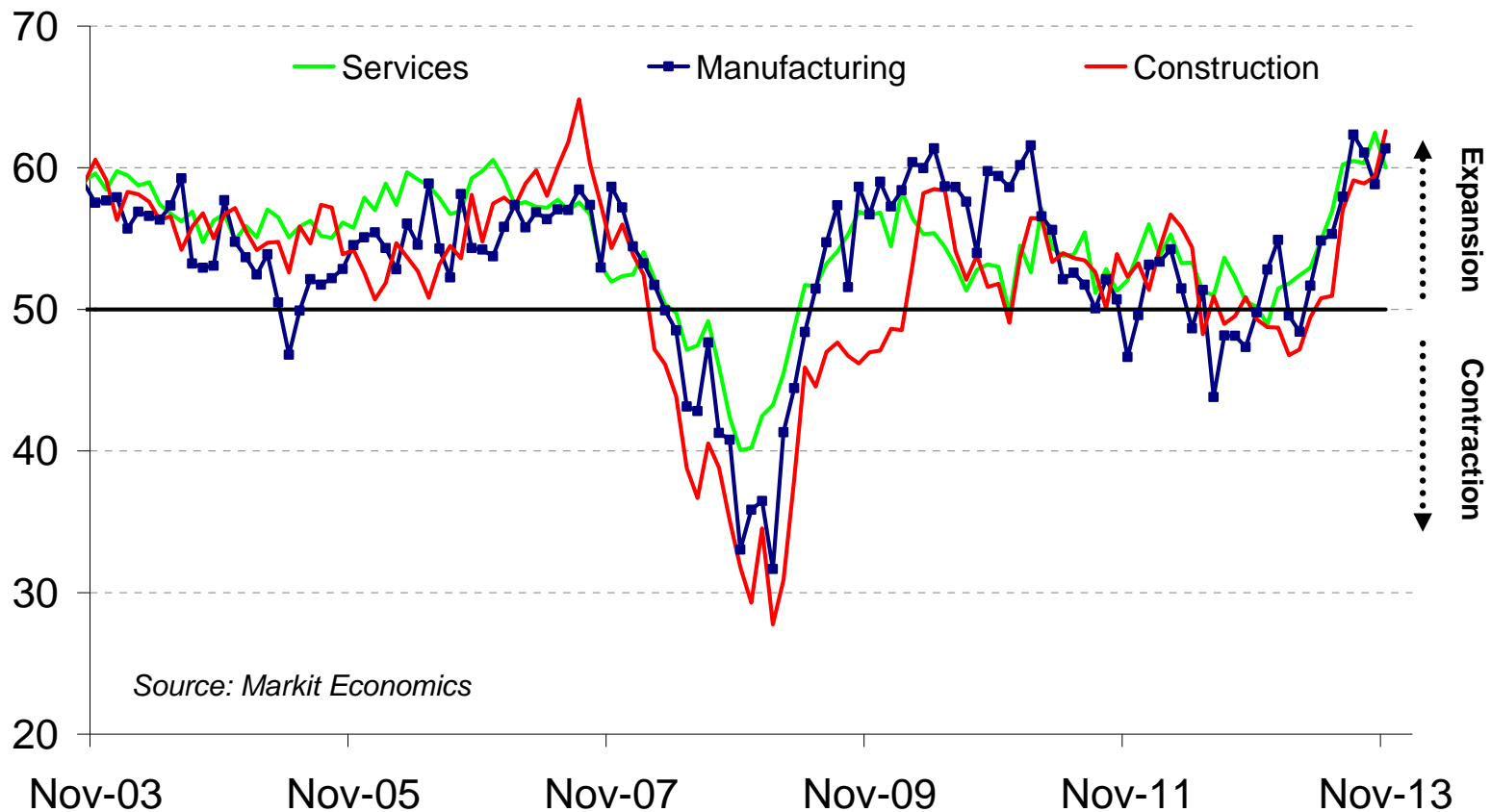


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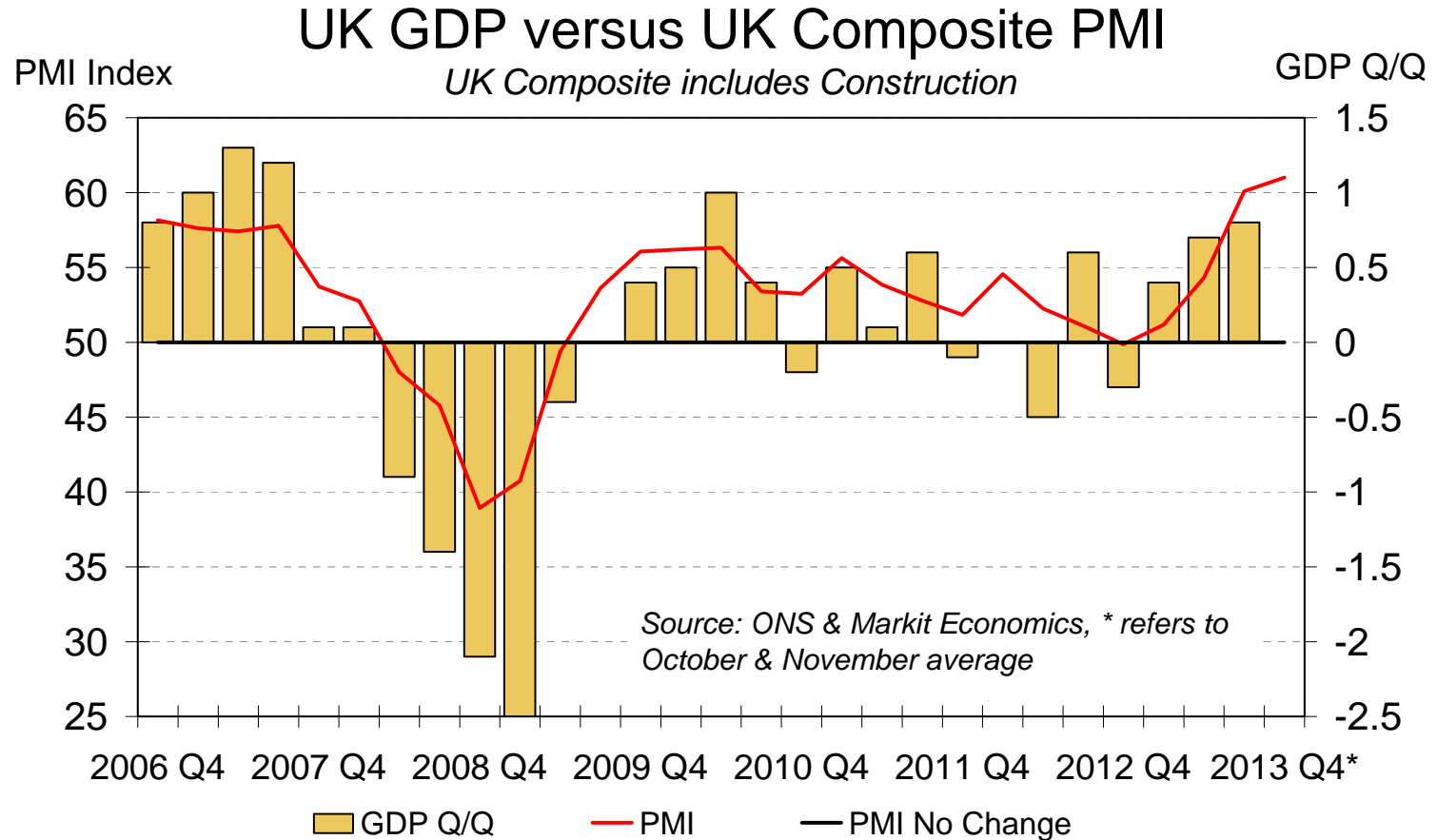
# *Sectoral Comparisons*

# All 3 UK sectors maintain strong rates of growth in November with services still close to its 16-year high

## UK Business Activity / Output - PMIs

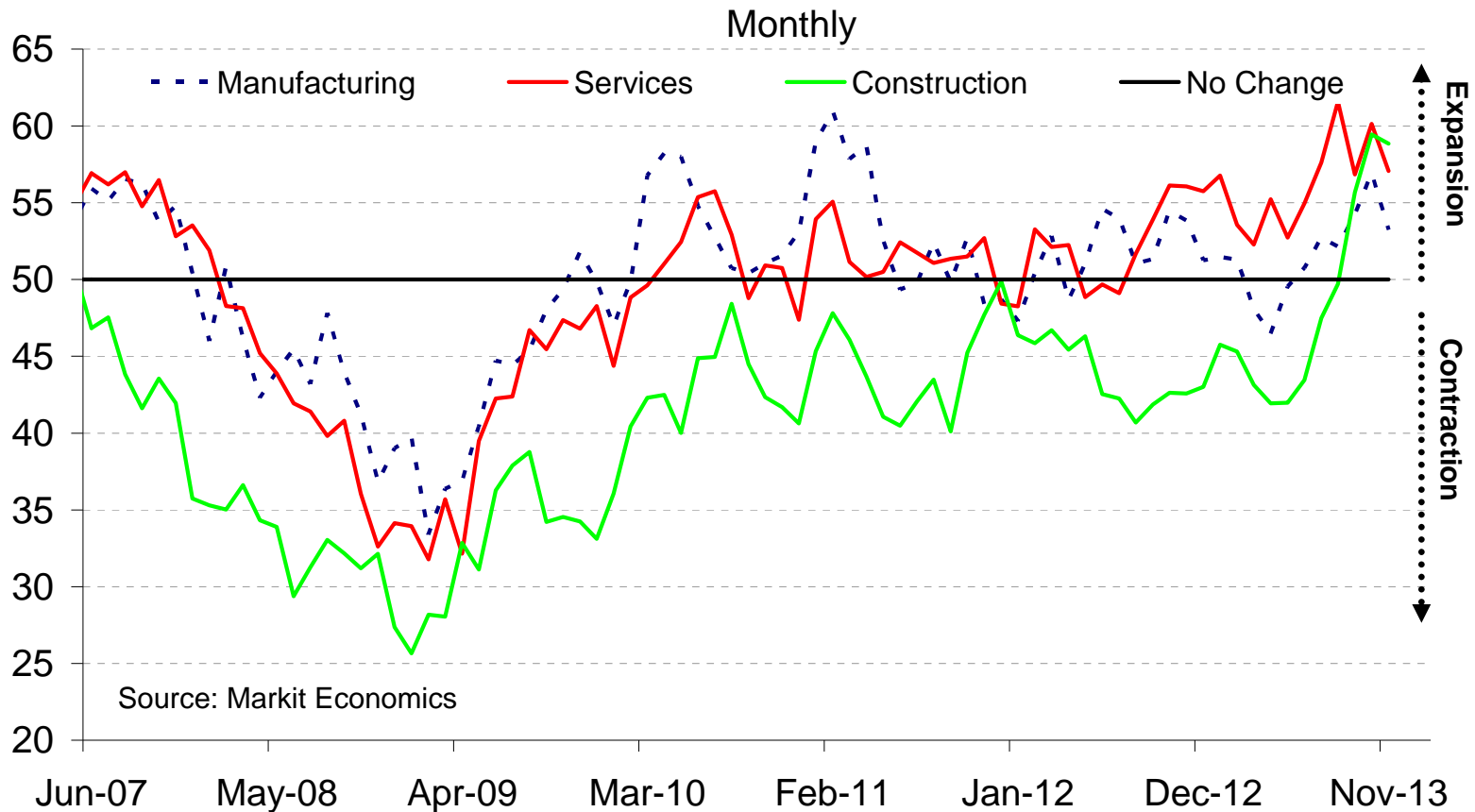


## UK economic growth accelerates in Q2, Q3 & Q4



# The RoI's manufacturing & service sectors experience a slowdown in their growth rates in November

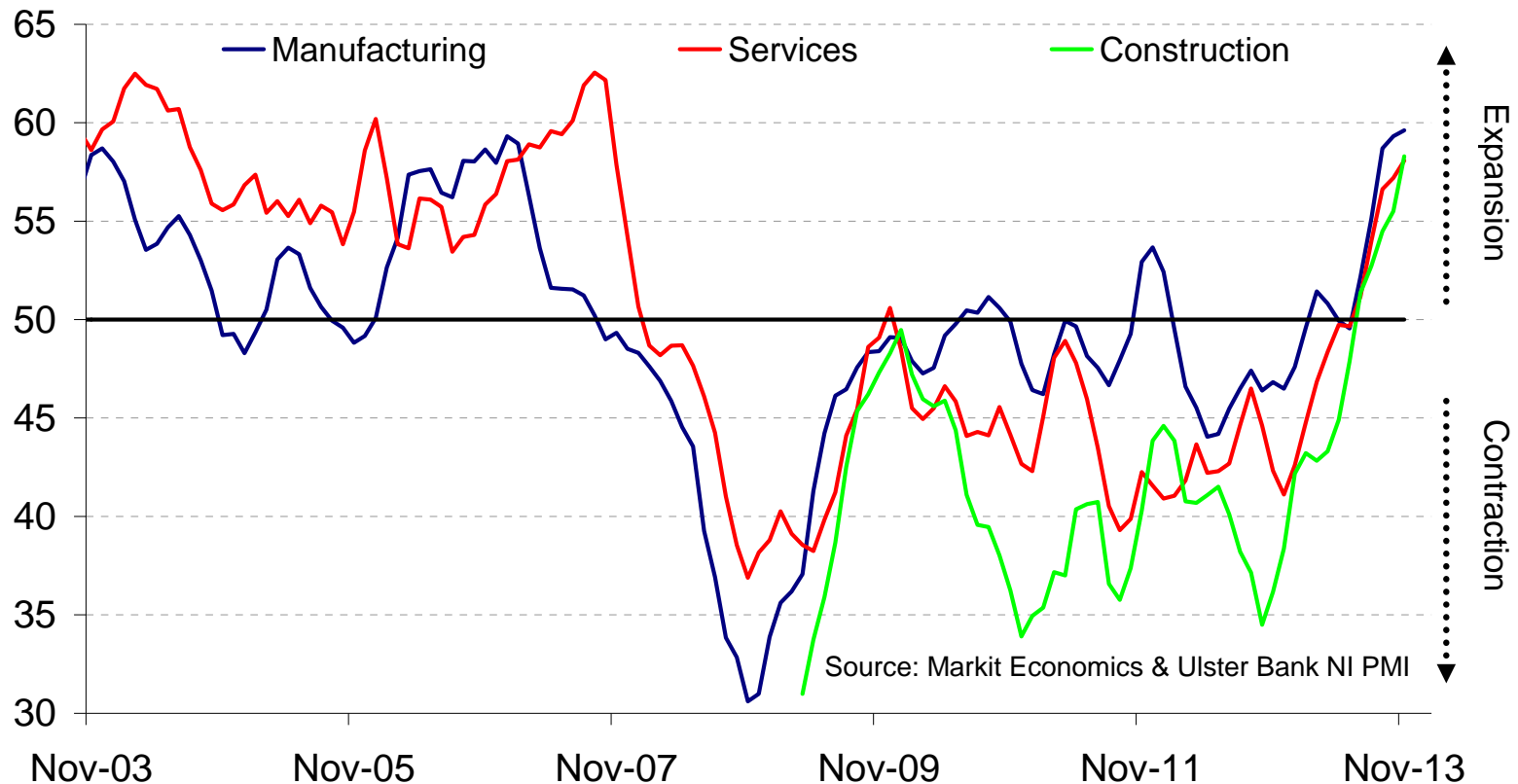
## Rol Business Activity - PMIs



All 3 broad sectors within NI saw their rates of growth in output accelerate over the last 3 months

## Northern Ireland Private Sector Output

3 month moving average

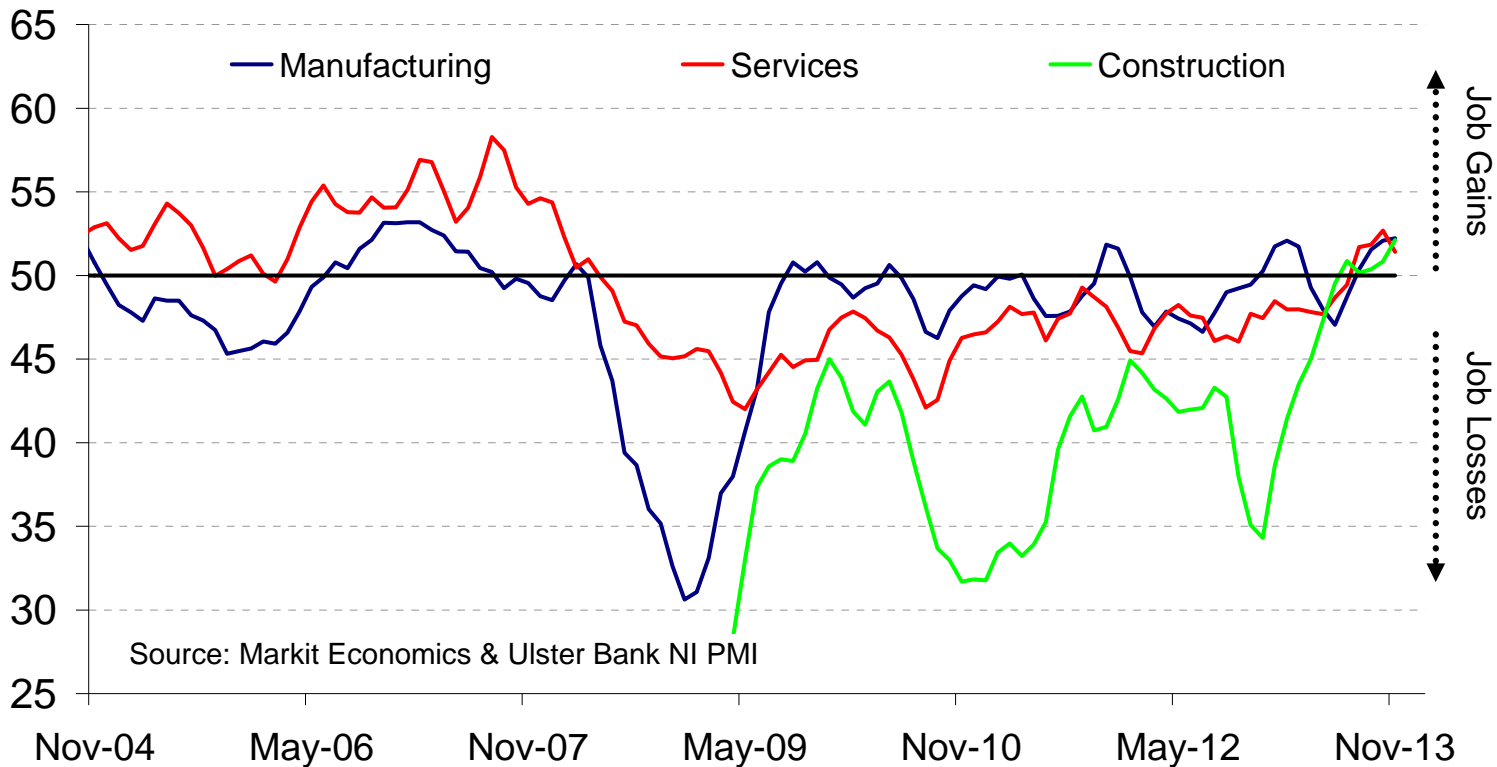




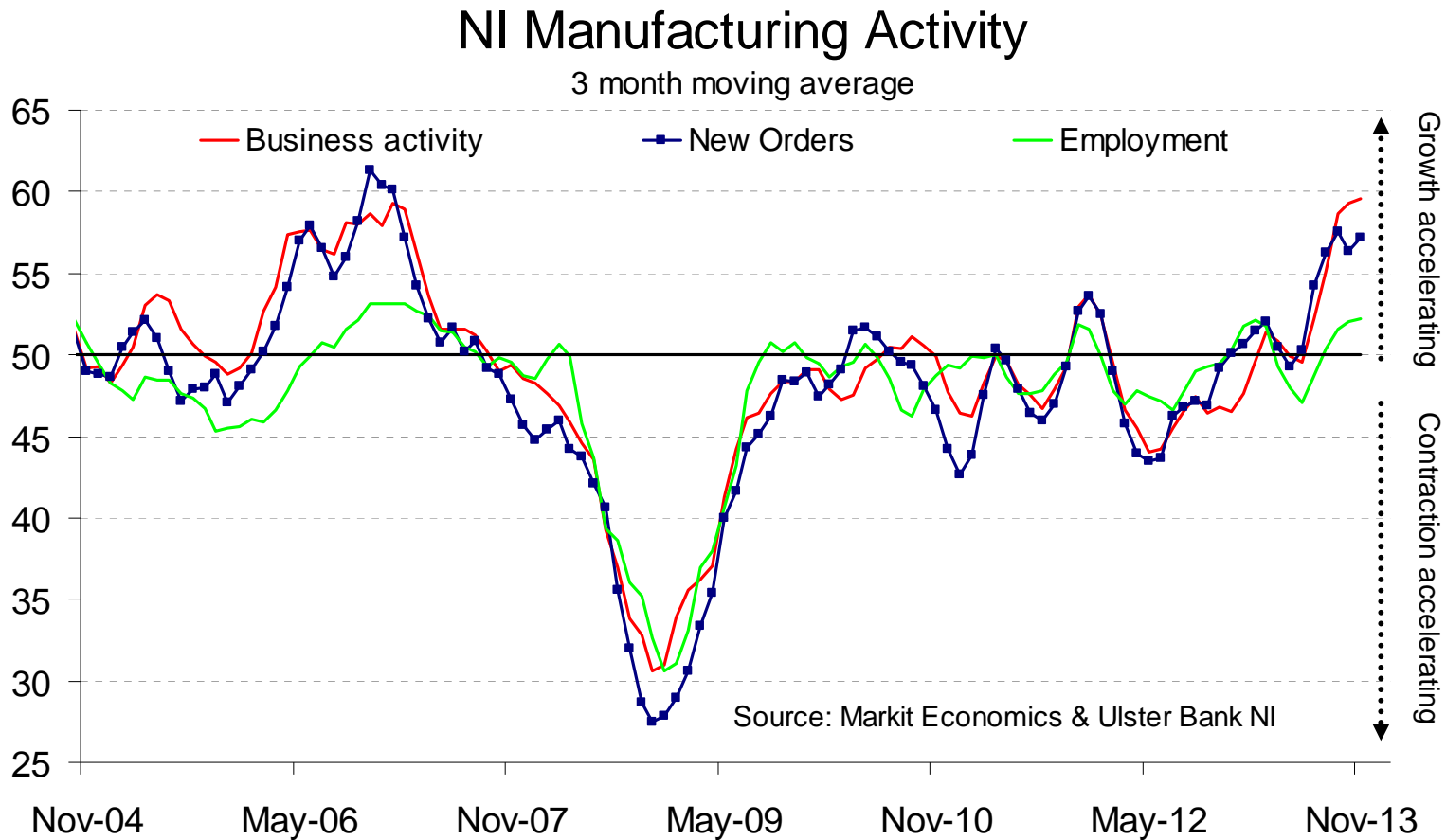
...with all sectors also reporting job gains over the last 3 months

## NI PMI - Employment Index

3 month moving average

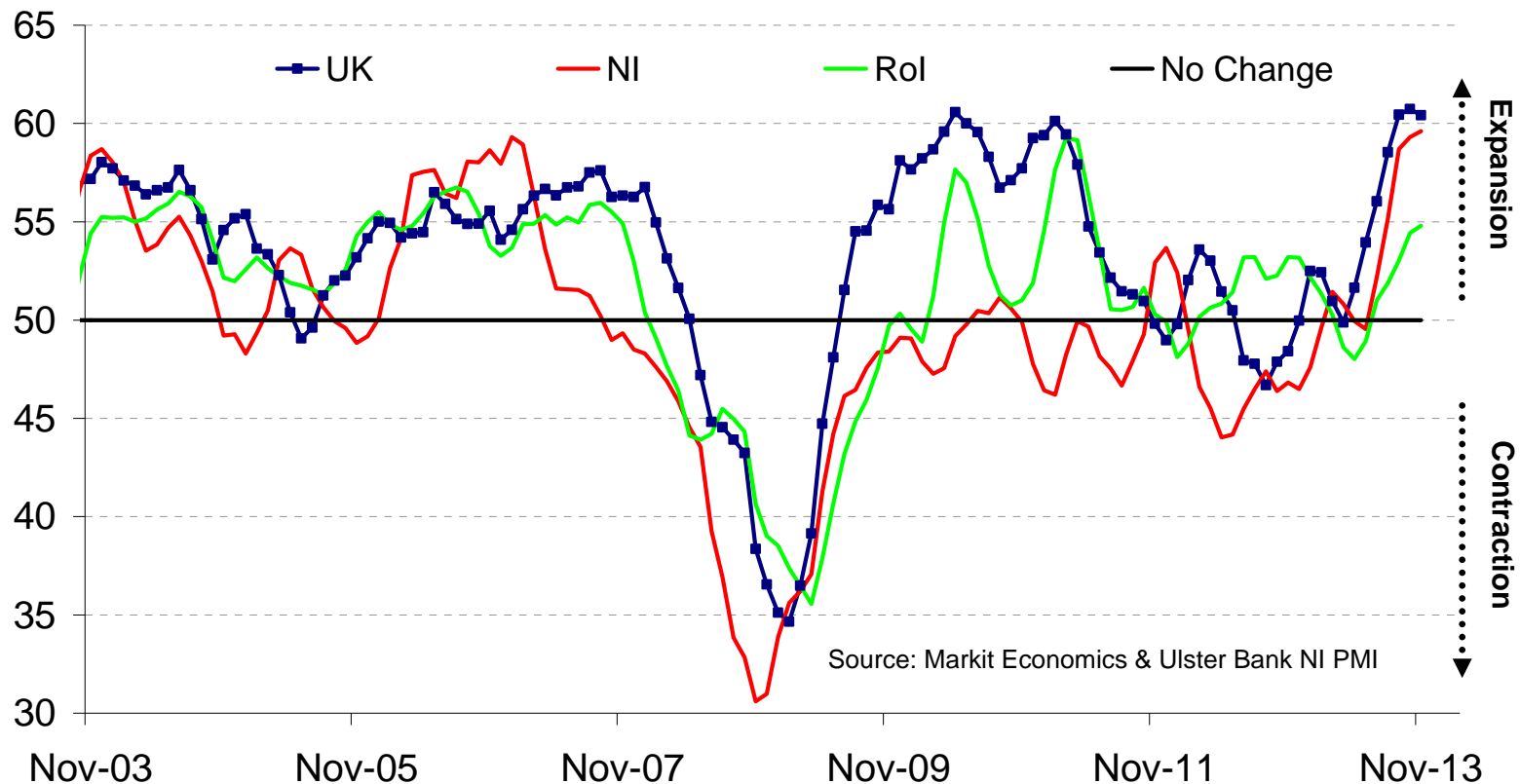


# NI's manufacturing sector posts an acceleration in orders, employment & output growth over the last 3 months



# UK & NI manufacturing firms signal very strong rates of growth in output during the last 3 months

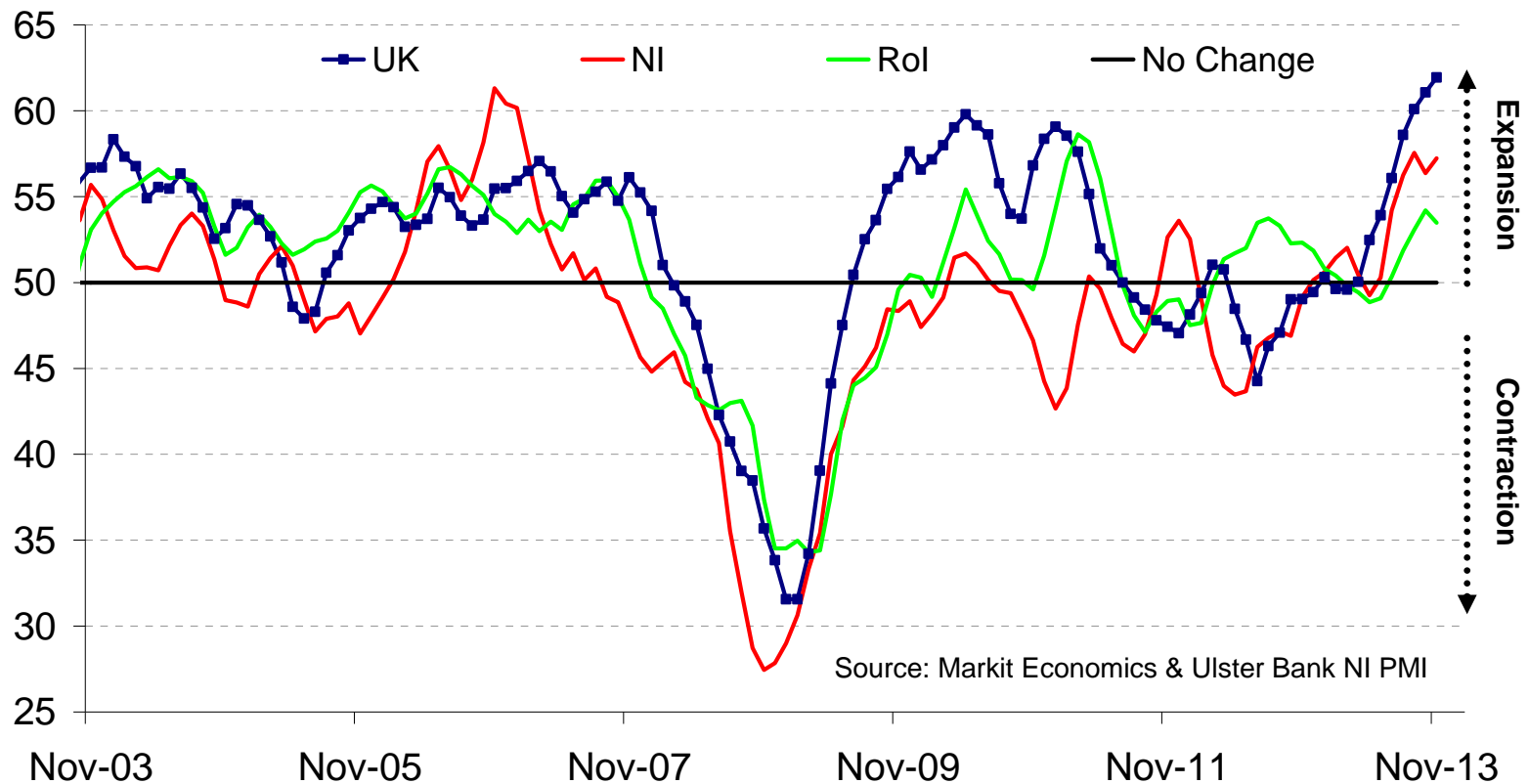
Manufacturing Output  
3 month moving average



# The UK posts the strongest rate of growth in new orders

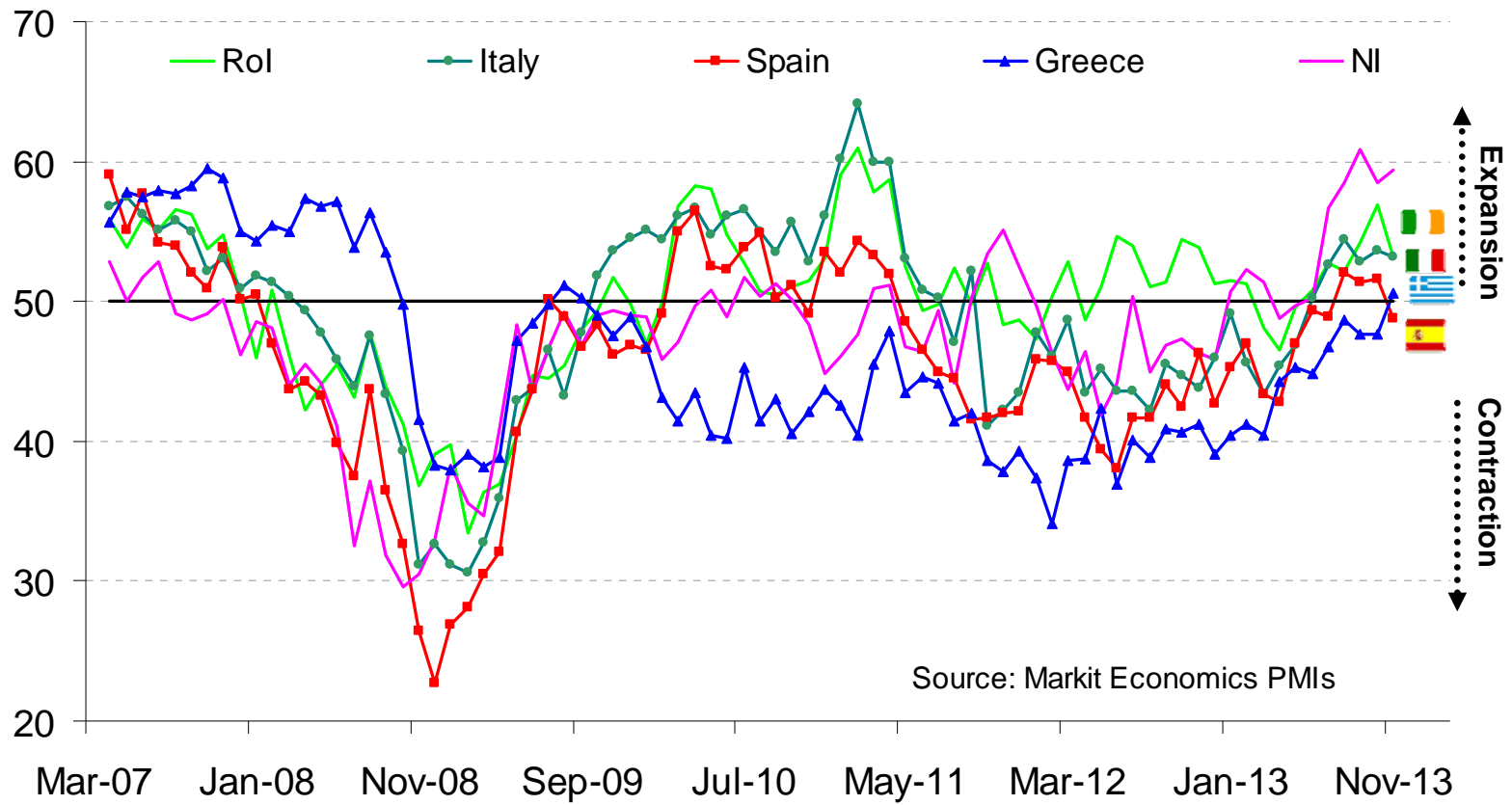
## Manufacturing New Orders

3 month moving average

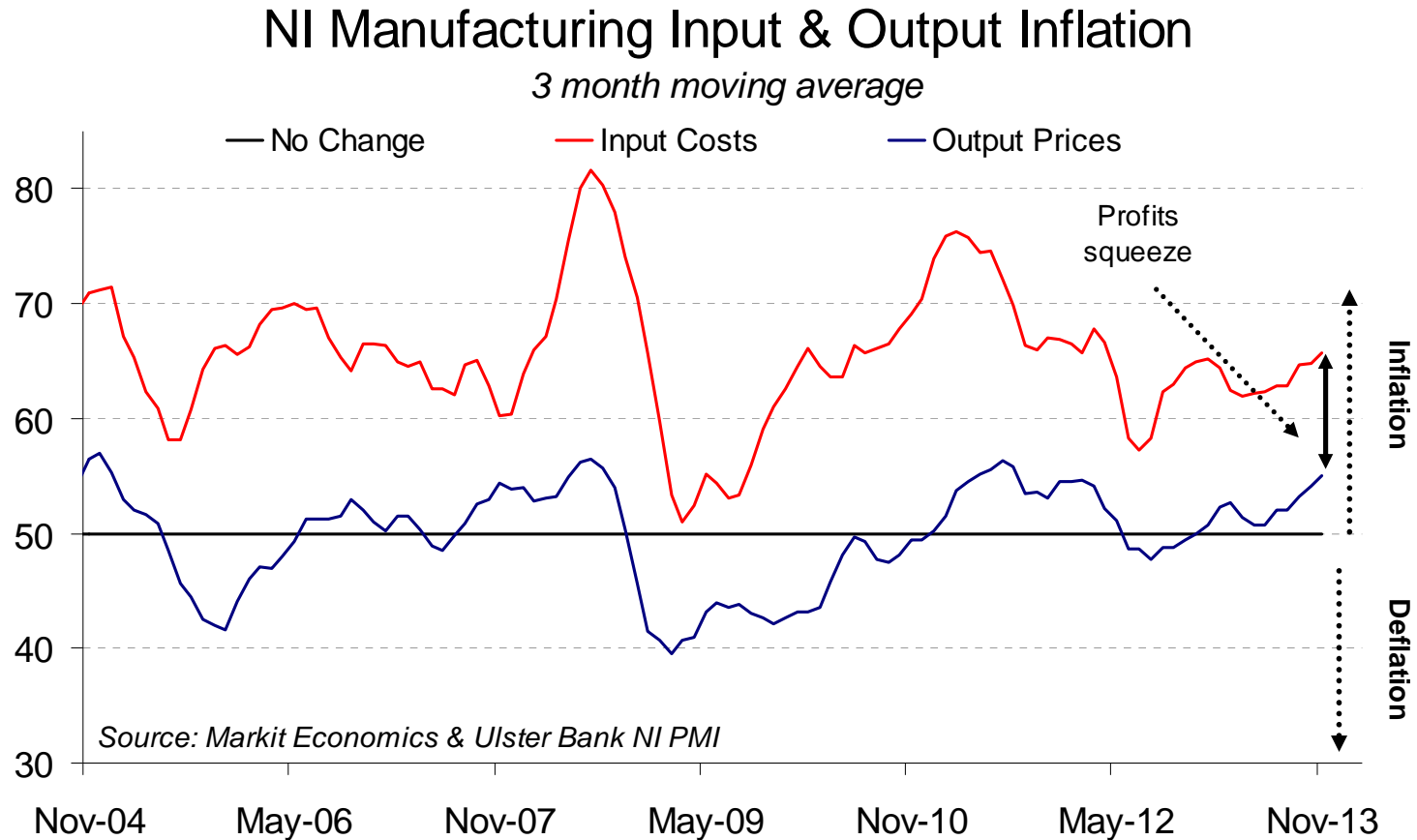


# N.Ireland is outperforming its European competitors

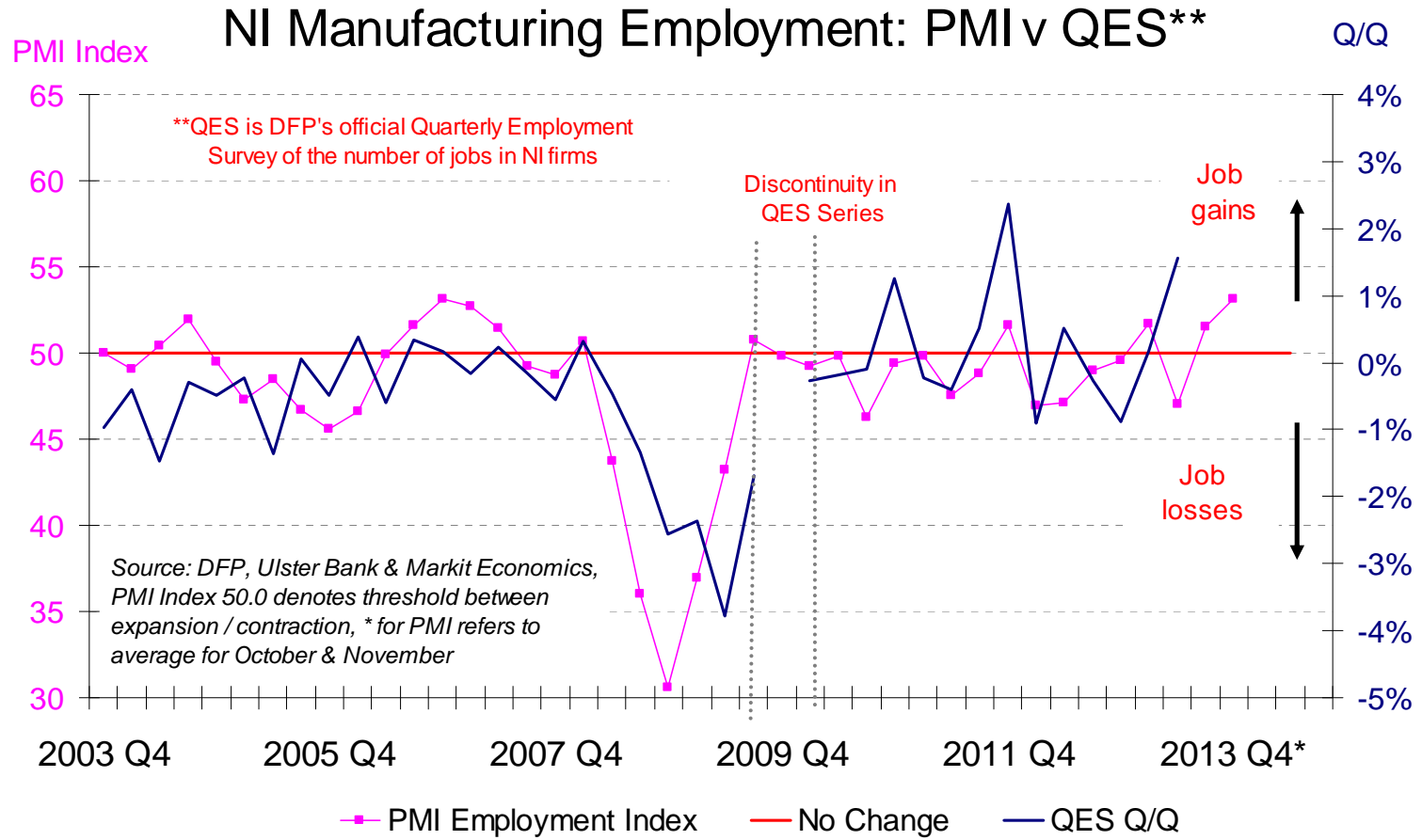
## Manufacturing Output - PMI



# Cost price inflation remains for local manufacturing firms but pricing power is improving due to increased demand



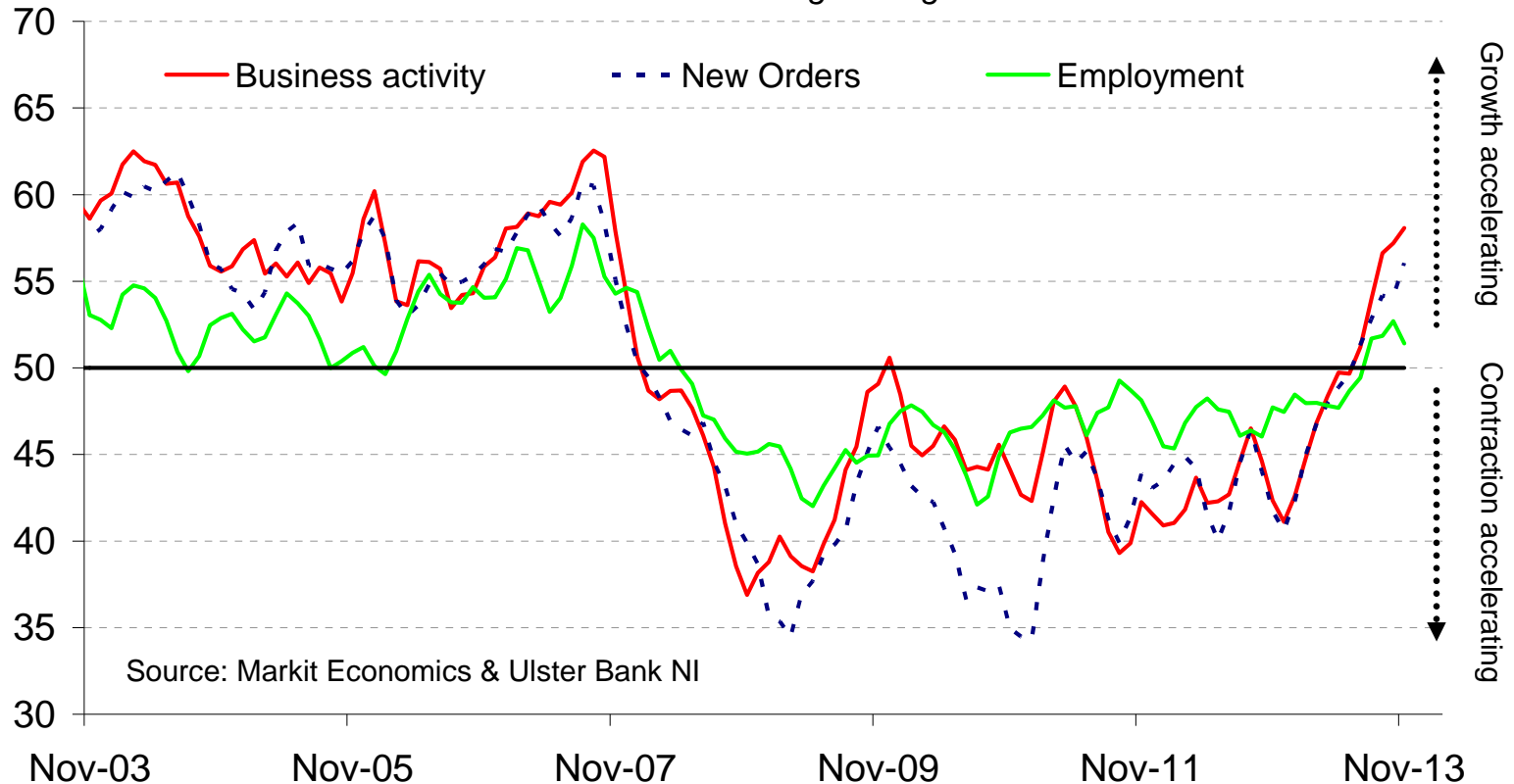
# PMI underestimated manufacturing job surge in Q2. But PMI suggests further job gains in Q3 & Q4 2013



Recent growth in NI service sector output has fed through into higher levels of employment...

## NI Service Sector (excludes Retail)

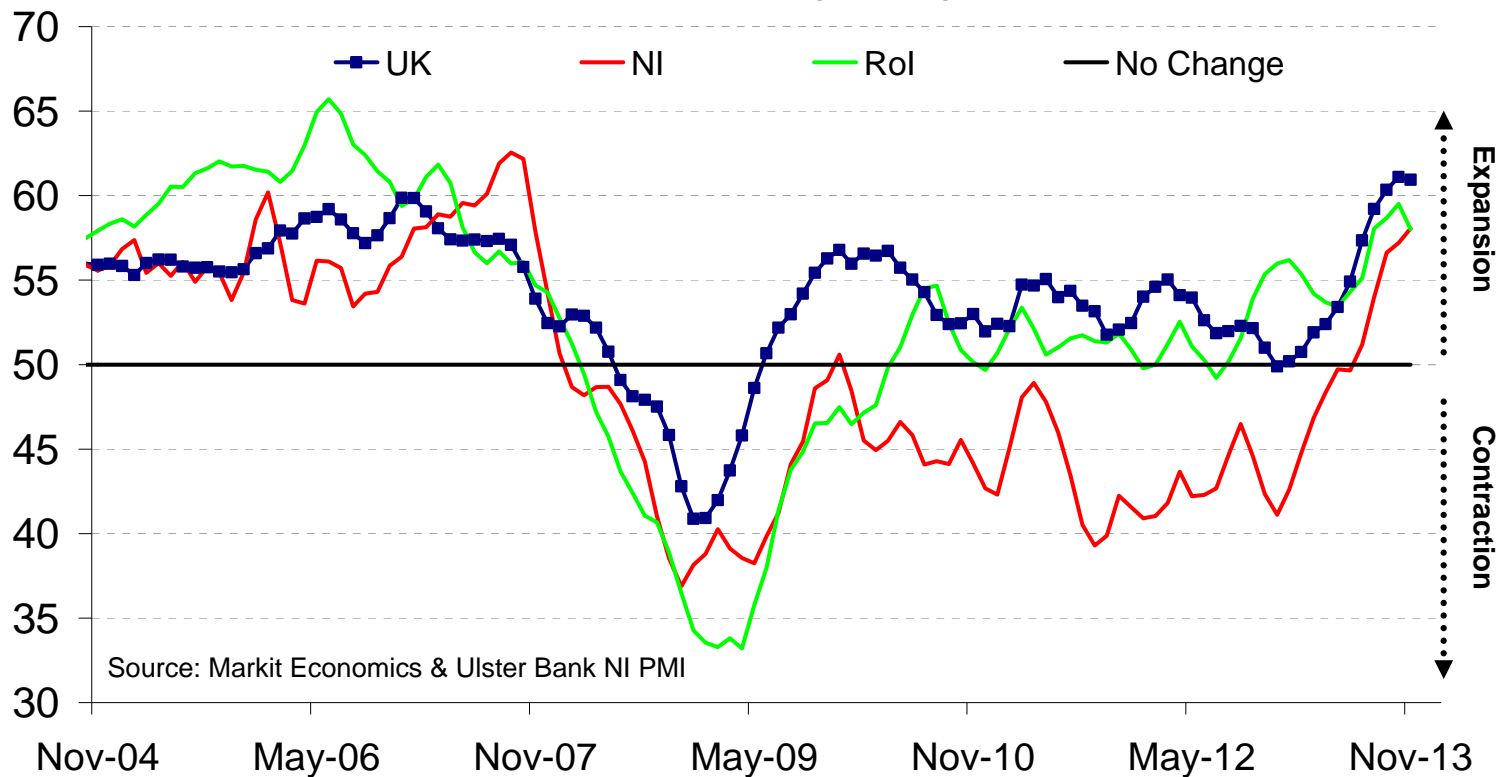
3 month moving average





# All 3 economies post strong growth in services output in November with NI activity accelerating...

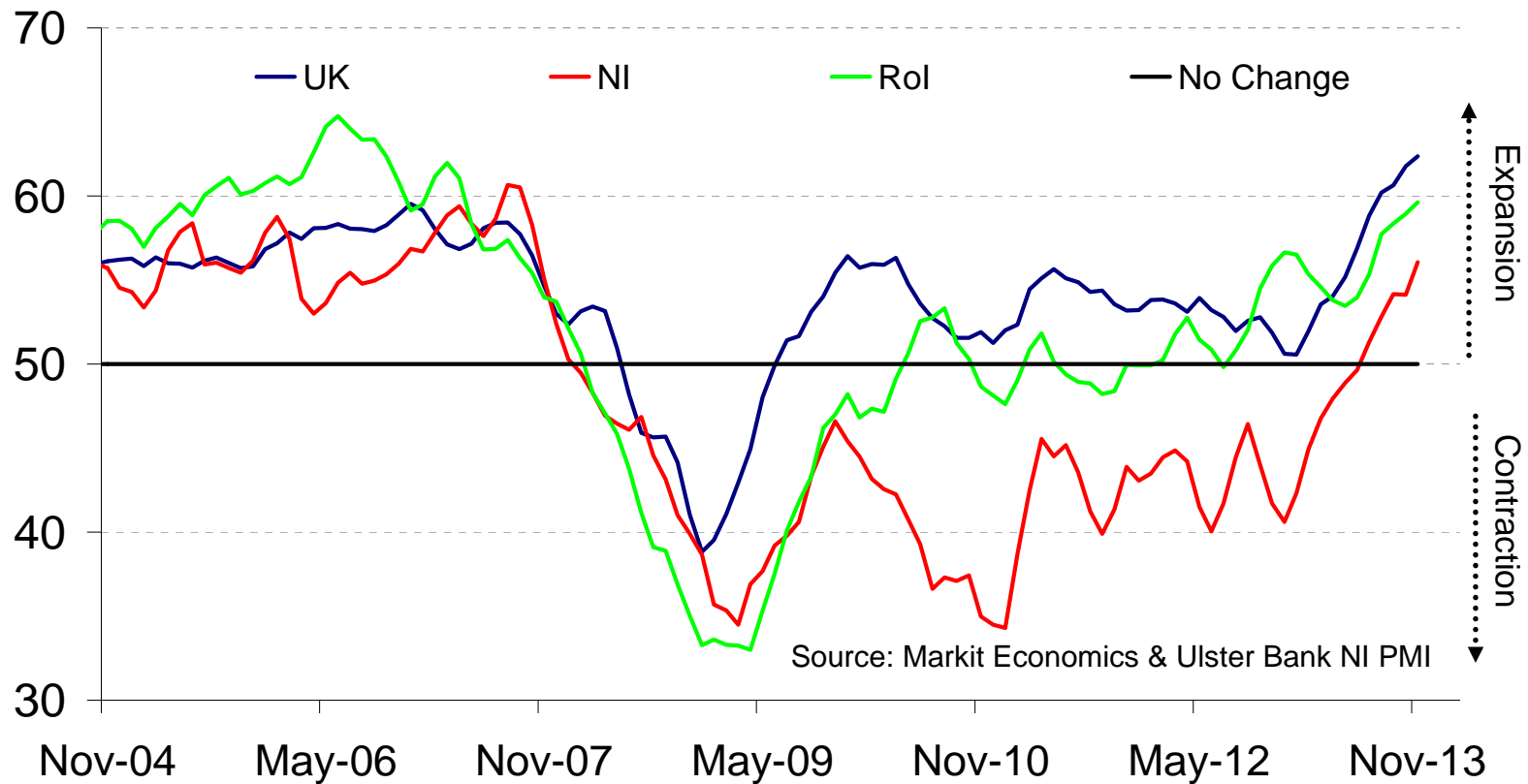
Services Output (excluding Retail)  
3 month moving average



... and an acceleration in new orders growth too

## Services New Orders (*excluding Retail*)

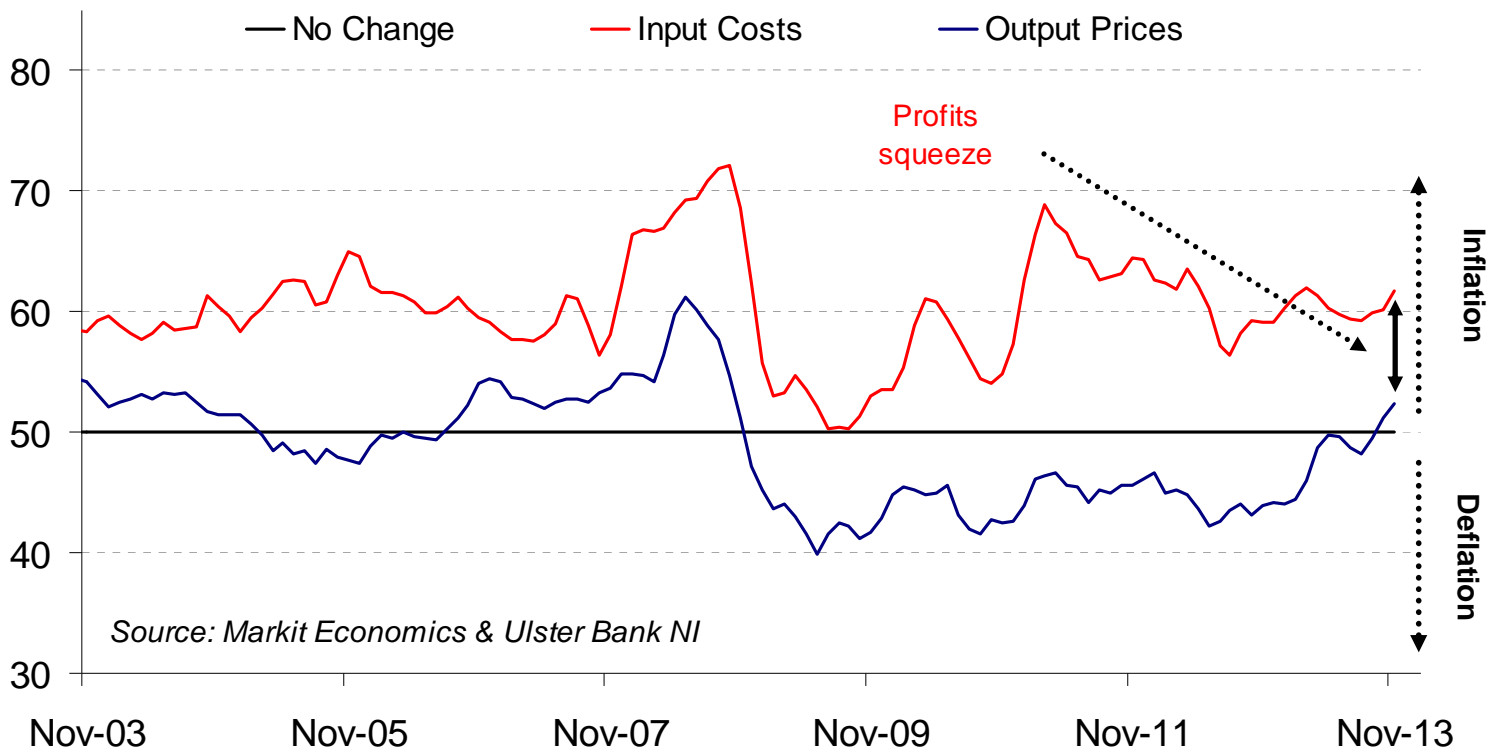
3 month moving average



# Output prices within service sector firms over the last 3 months rise at their fastest rate in over 5 years

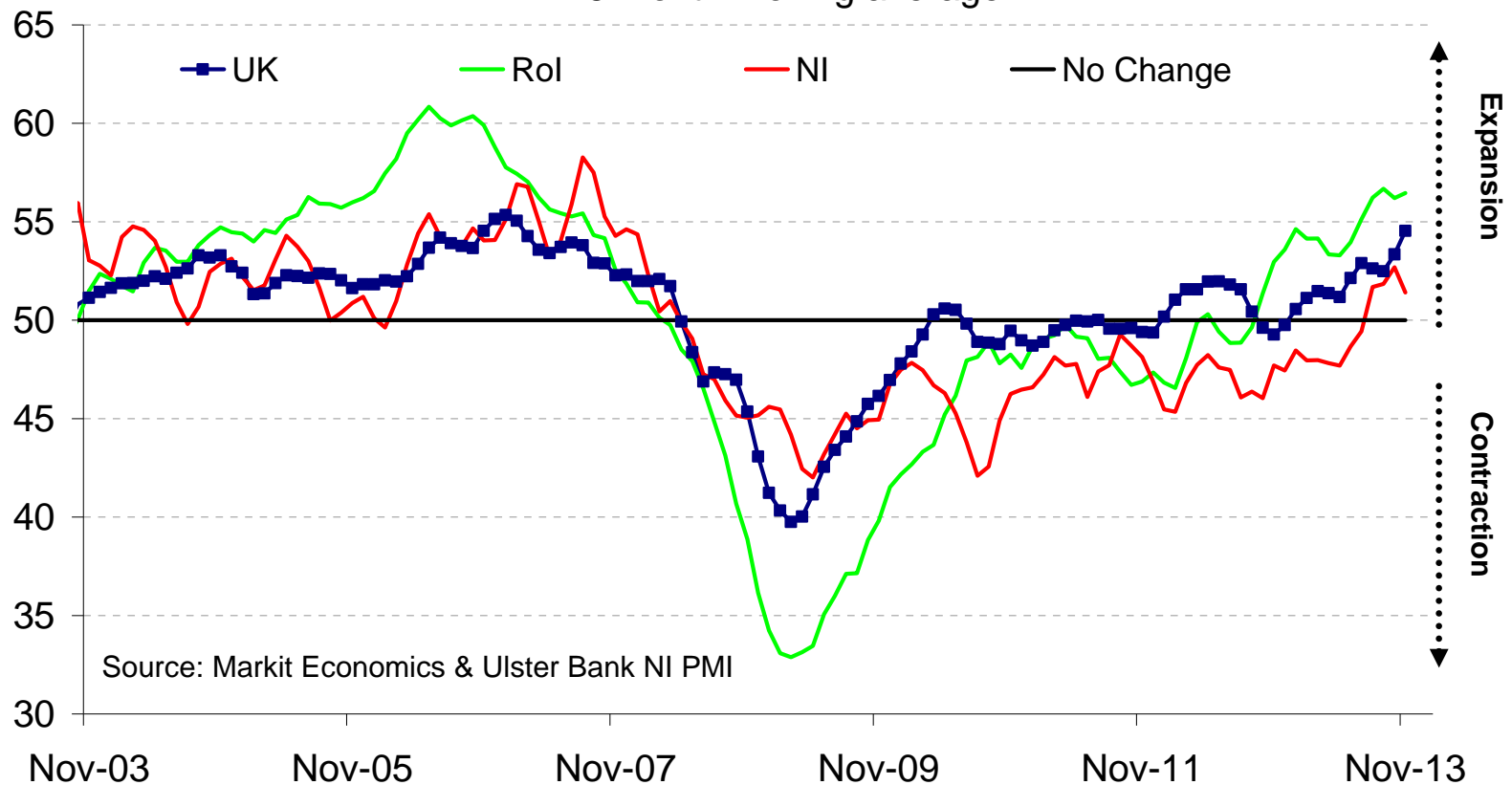
## NI Services Input & Output Inflation

3 month moving average

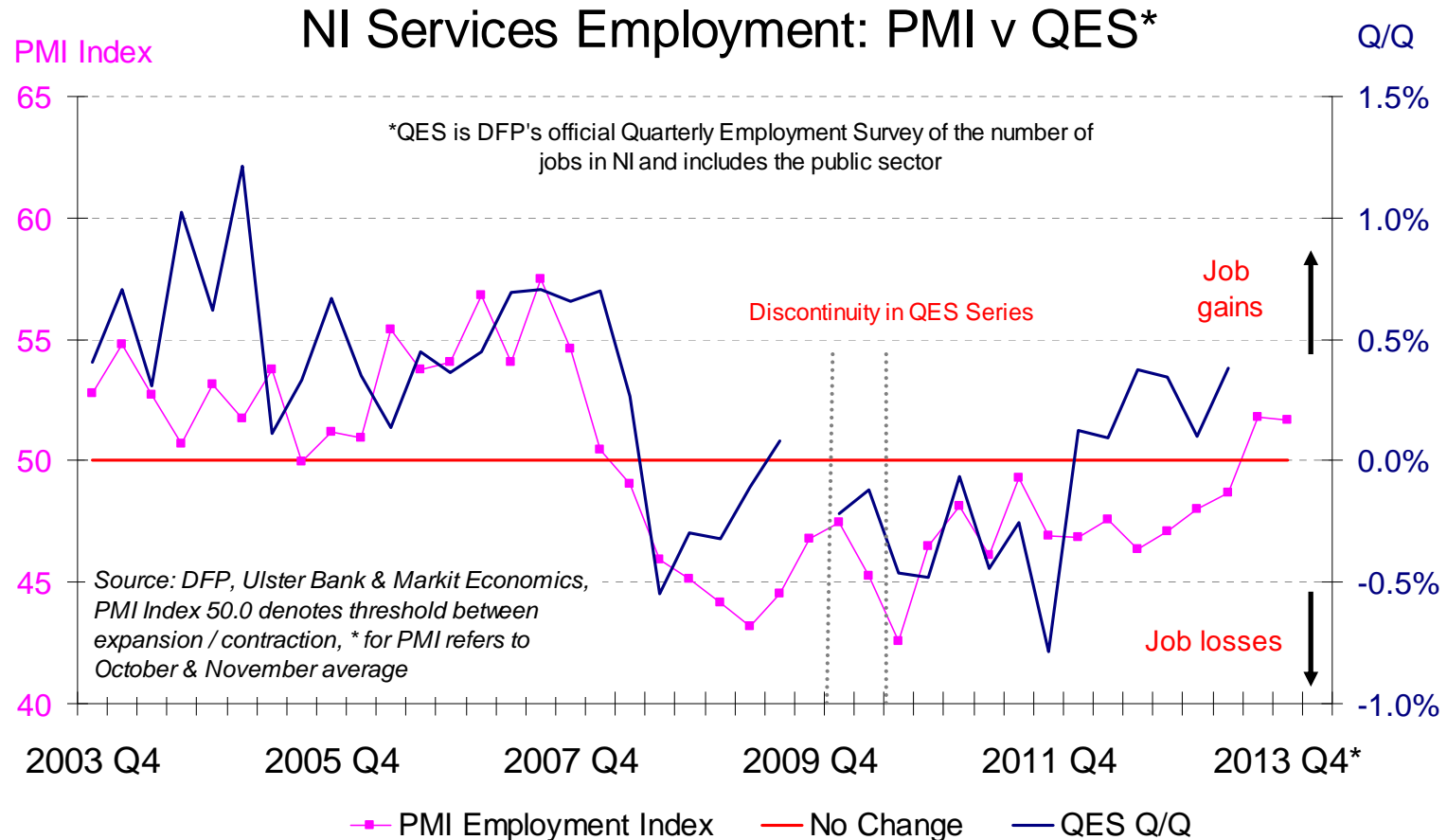


# Employment growth is accelerating in the UK but NI firms signal a slowdown in service sector jobs growth

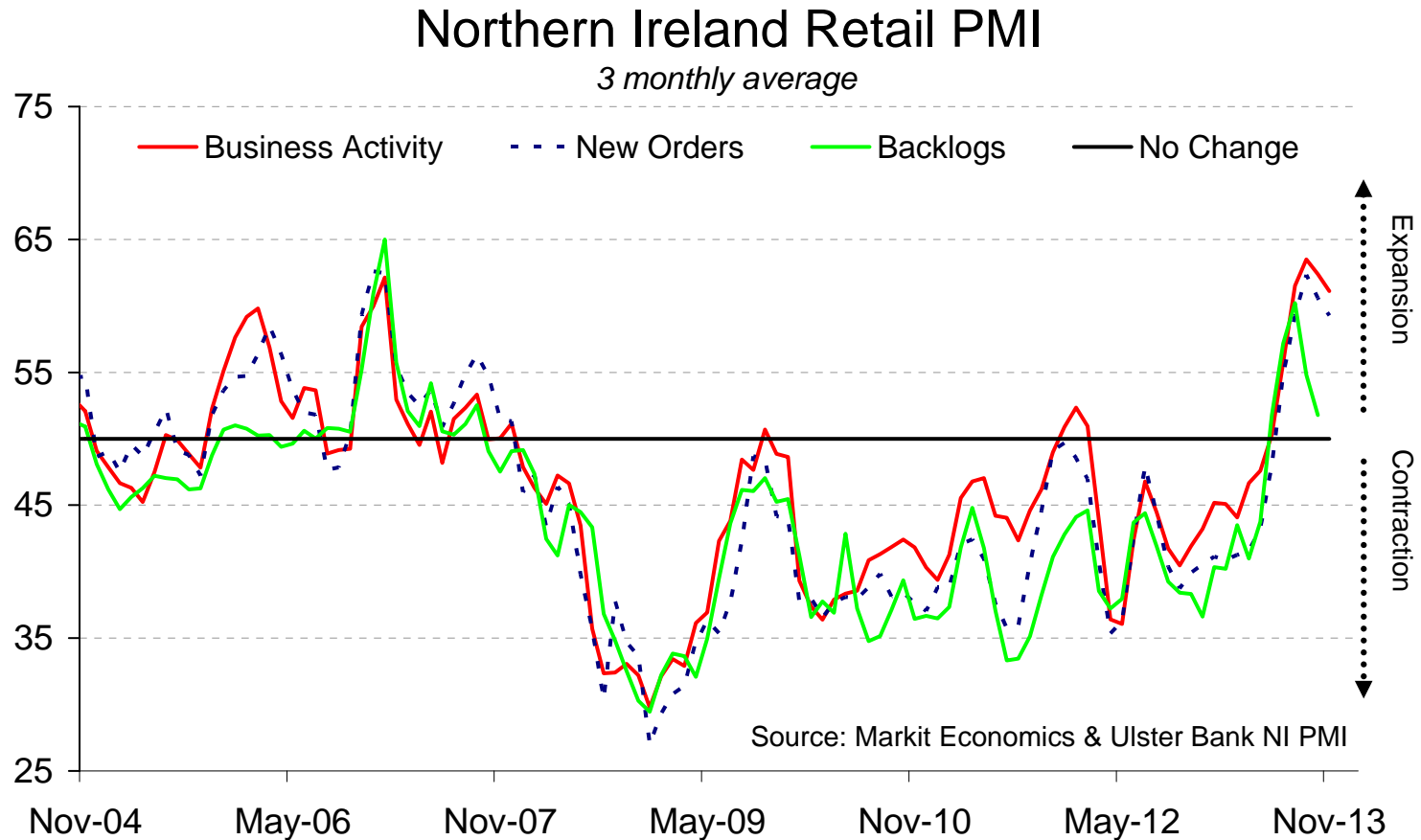
## Services Employment 3 month moving average



In Q3 the services PMI shows quarterly jobs growth for the 1st time since Q1 2008 with further growth in Q4



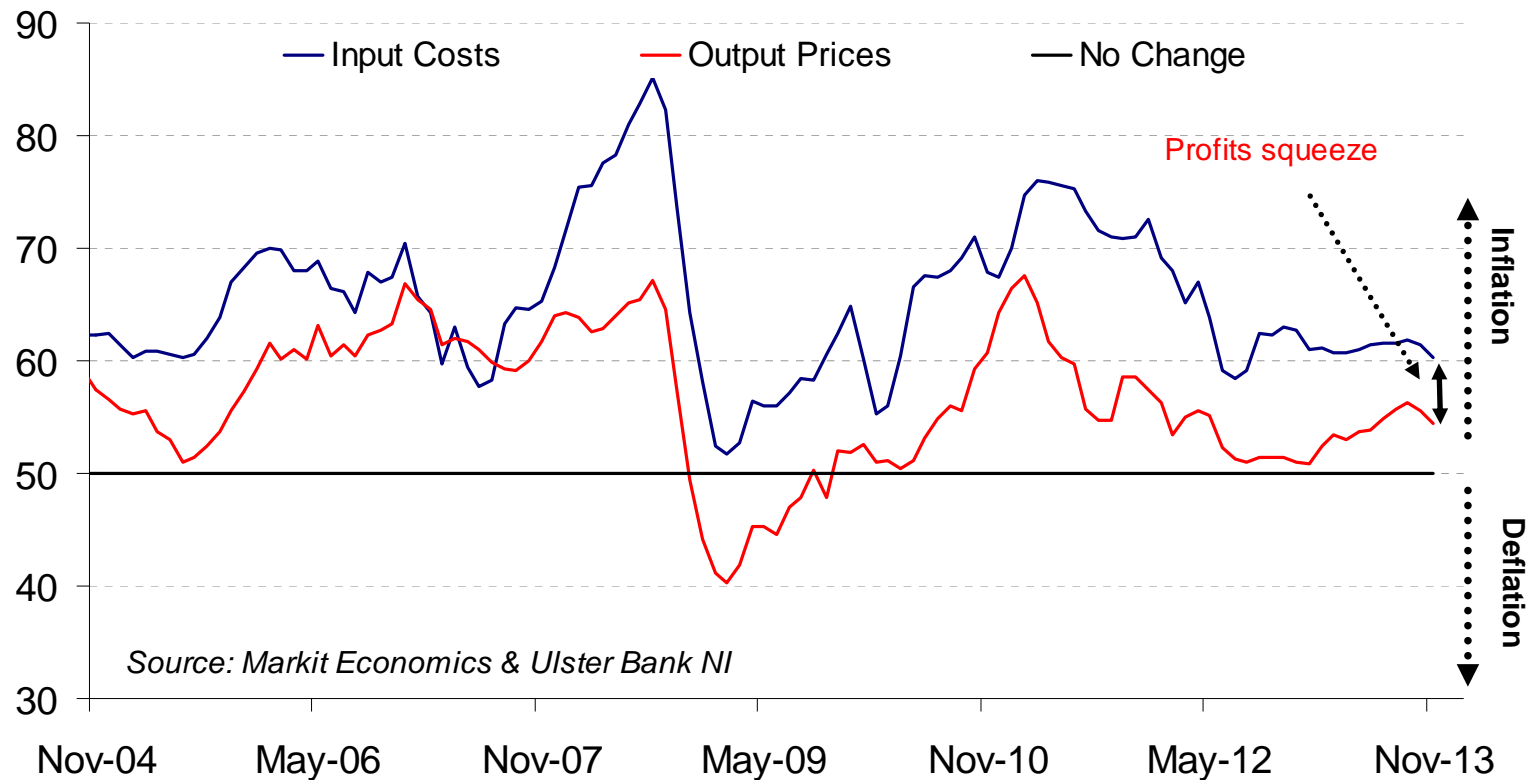
# Retailers summer boom extends into November but pace of growth has slowed



# Local retailers maintain pricing power in November

## NI Retail Input & Output Inflation

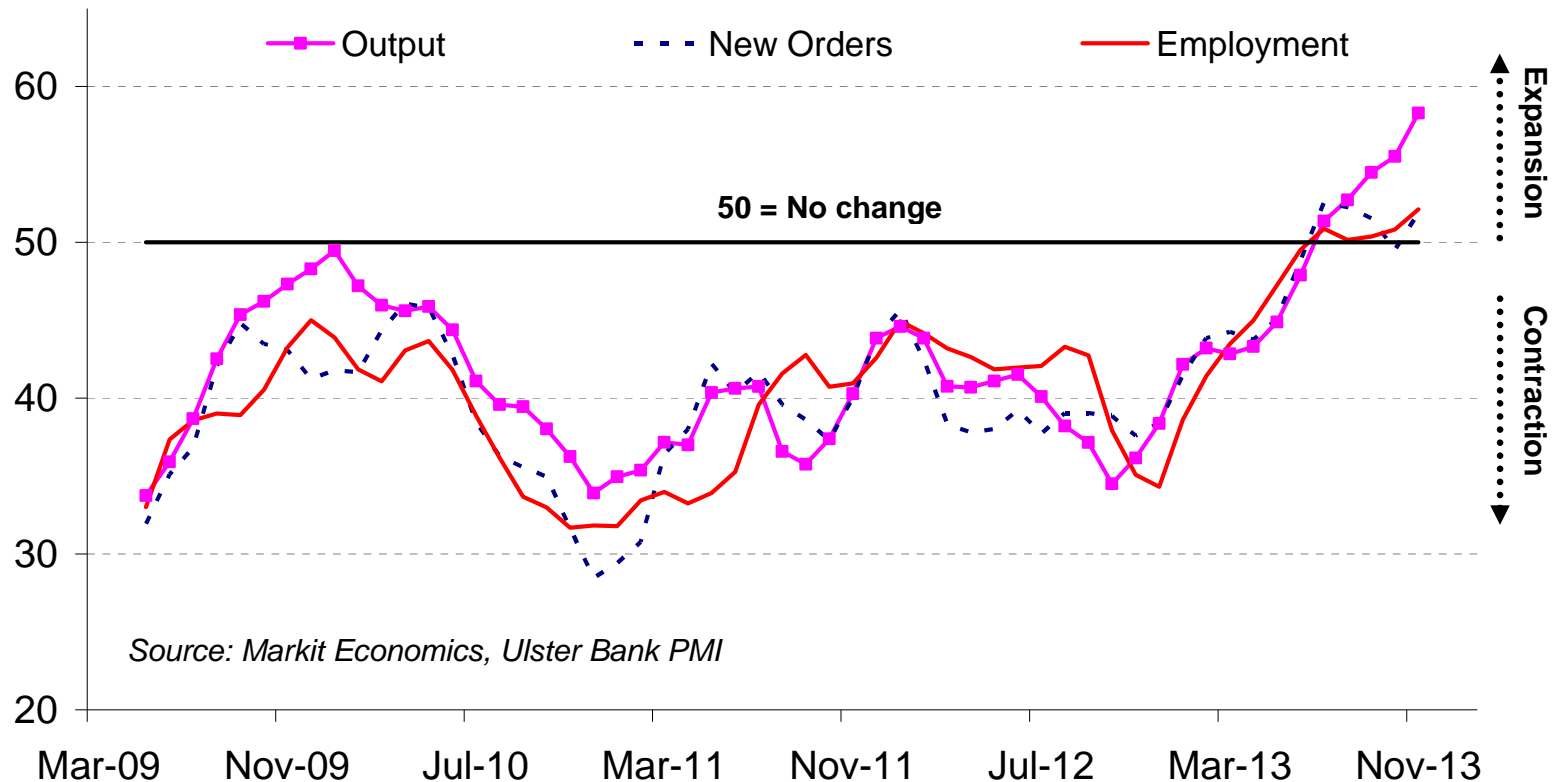
3 month moving average



# NI construction sector reports growth in output, new orders & employment over the last 3 months...

## NI Construction PMI

3 month moving average



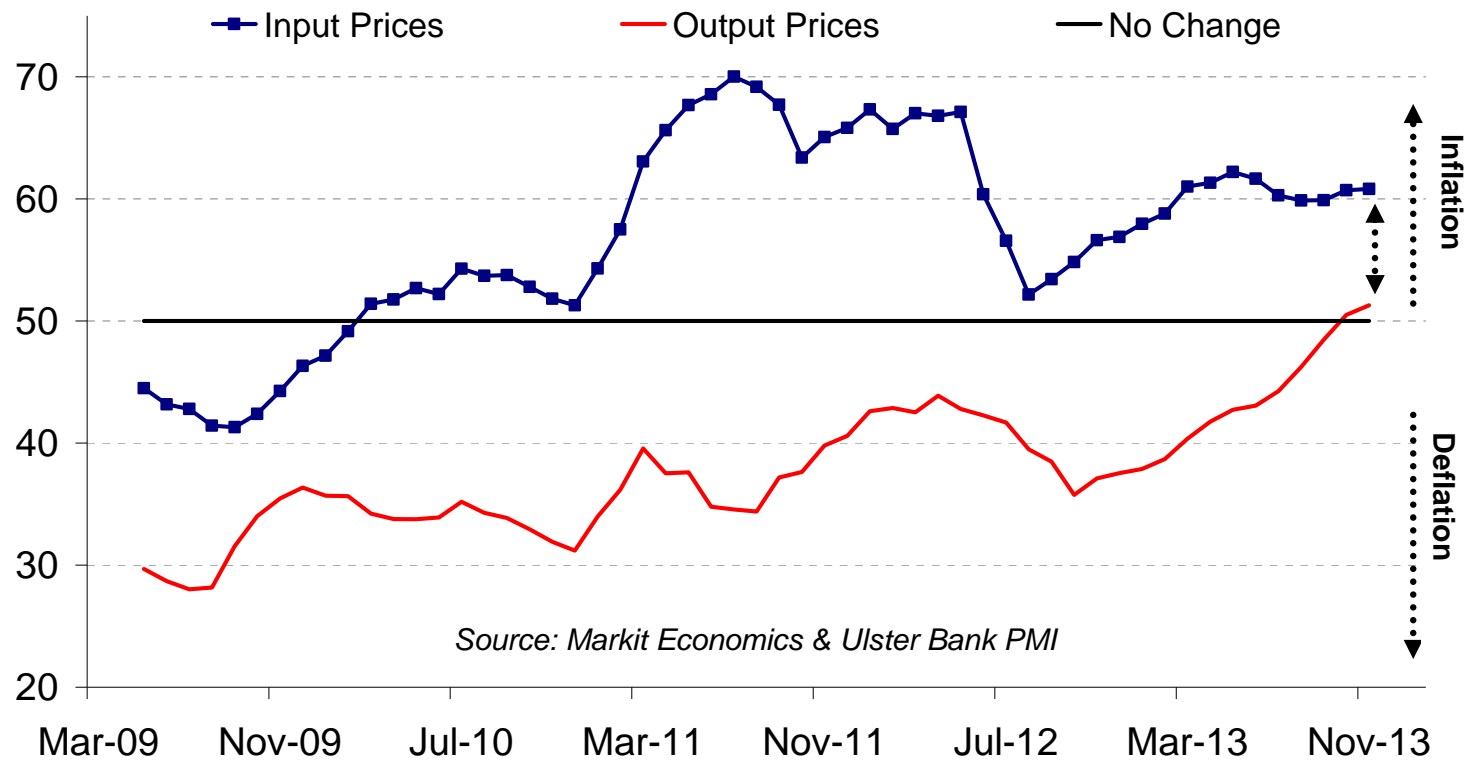


...and output prices have been rising

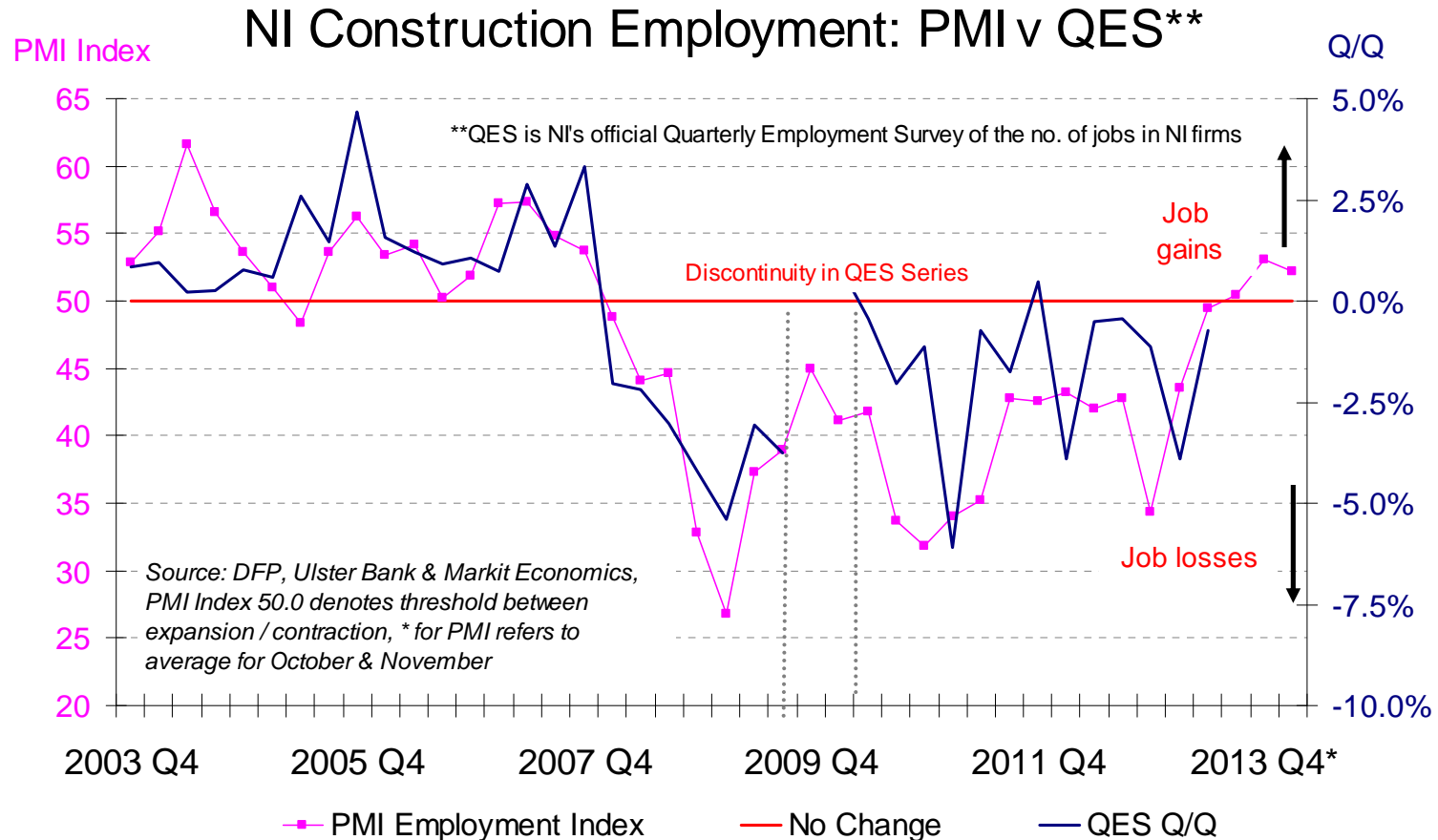
## NI Construction Sector Profits Squeeze

3 month moving average

PMI Index



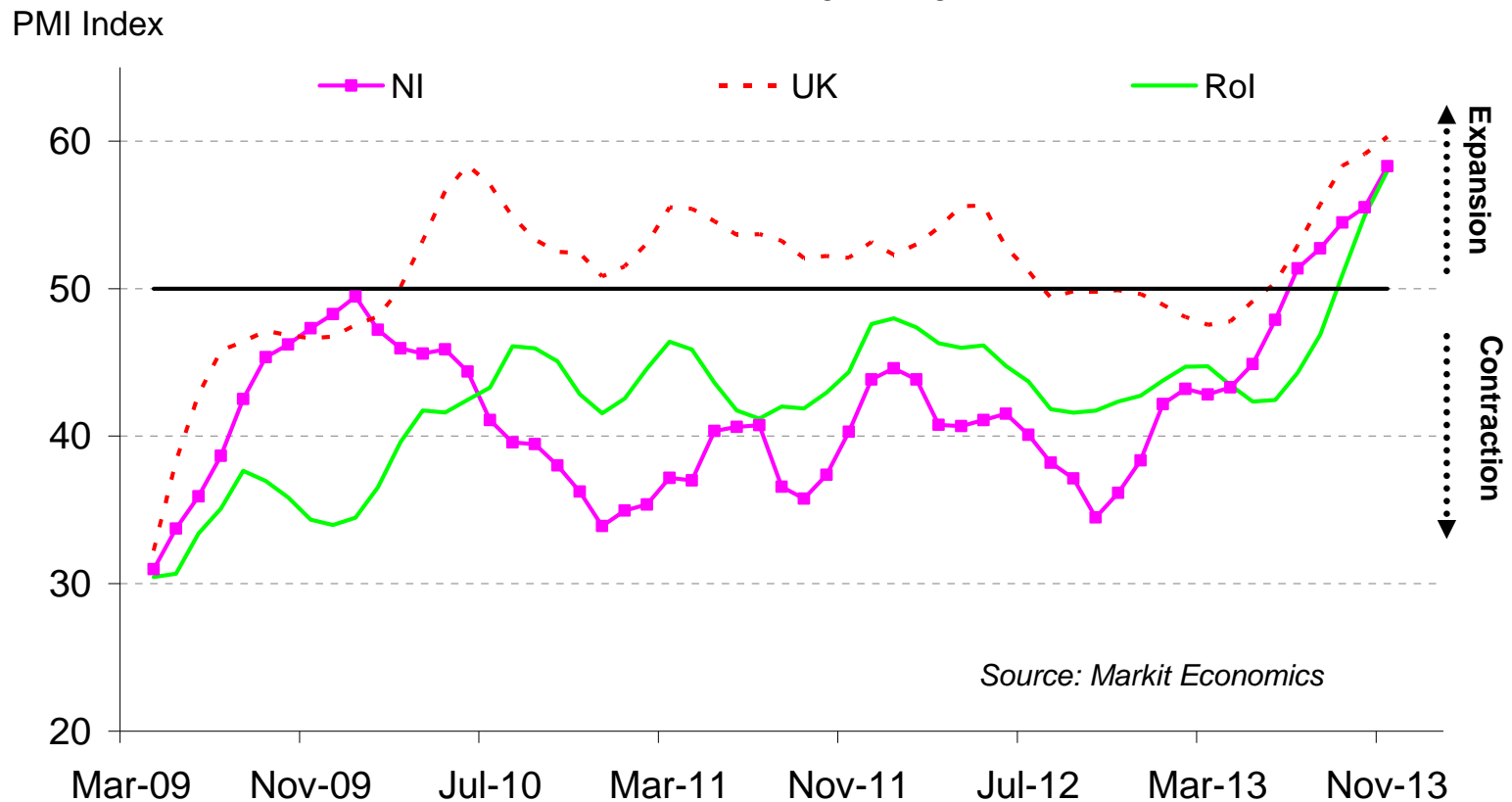
# NI's construction PMI posted its 1<sup>st</sup> quarter of jobs growth in Q3 2013 since Q4 2007 with further growth in Q4



# Construction output accelerates in the UK, RoI and NI over the last 3 months

## Construction Sector Output - PMI

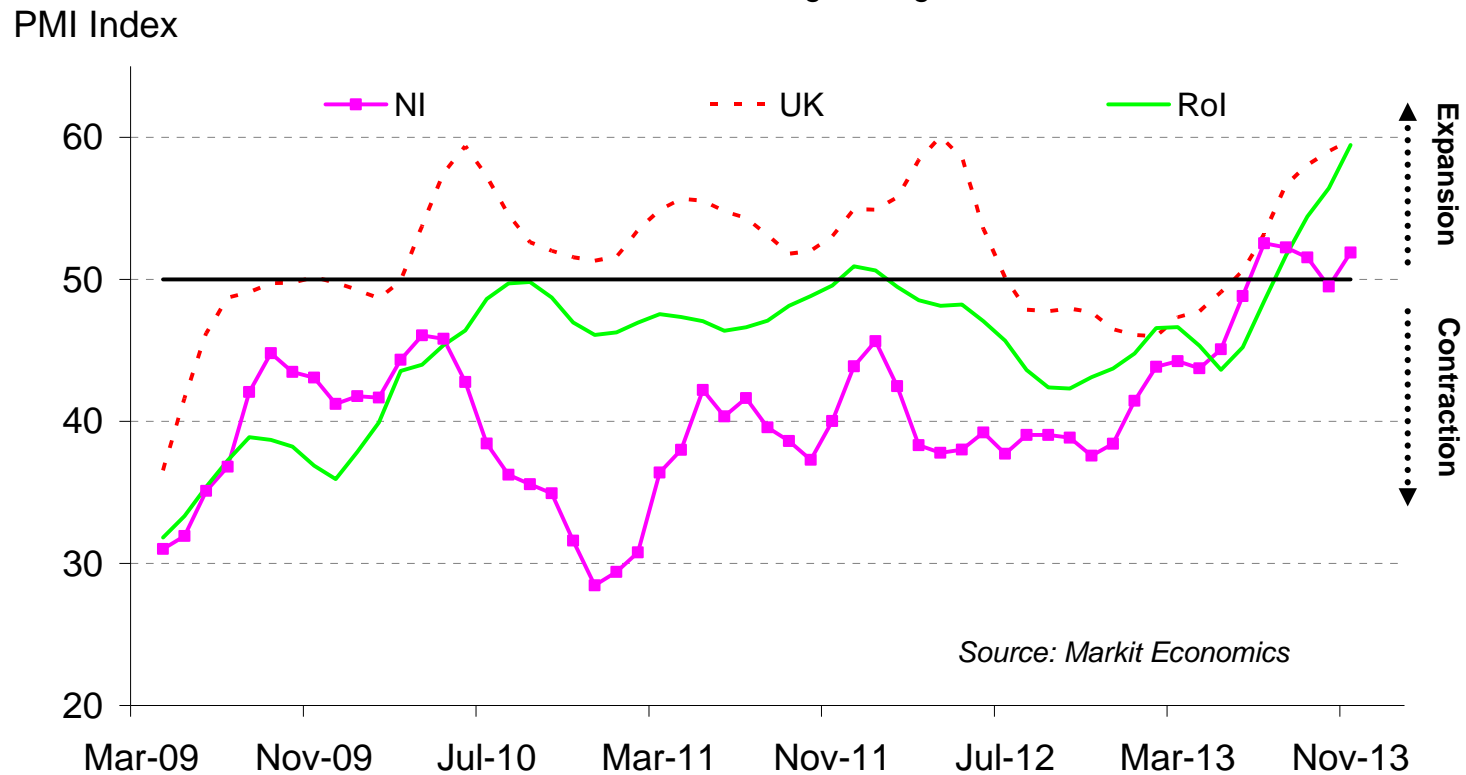
3 month moving average



# New orders growth accelerating in all 3 economies

## Construction Sector New Orders - PMI

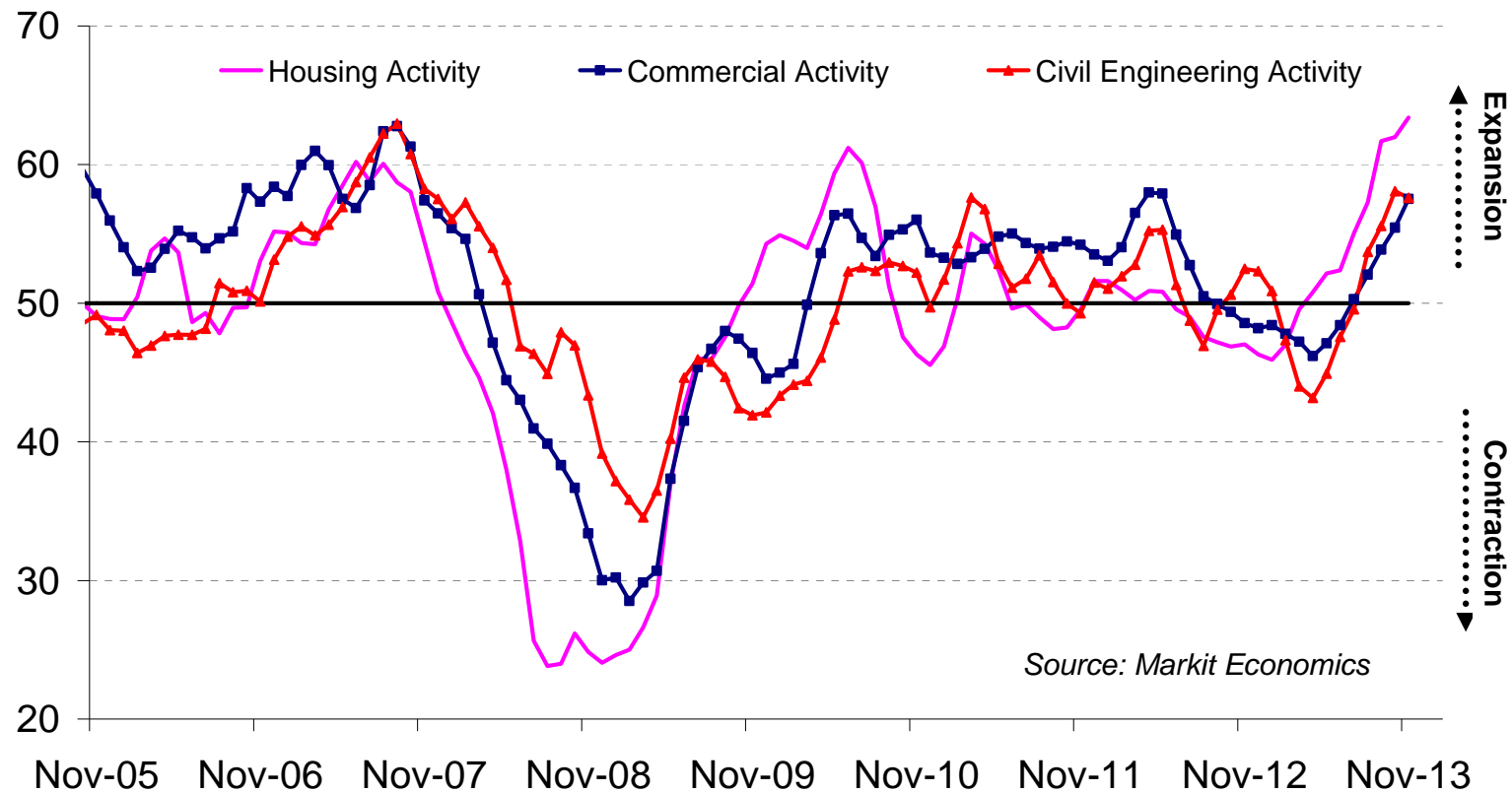
3 month moving average



# Opportunities for NI firms within GB market. House building growth hits a 10-year high...

## UK Construction Activity - PMIs

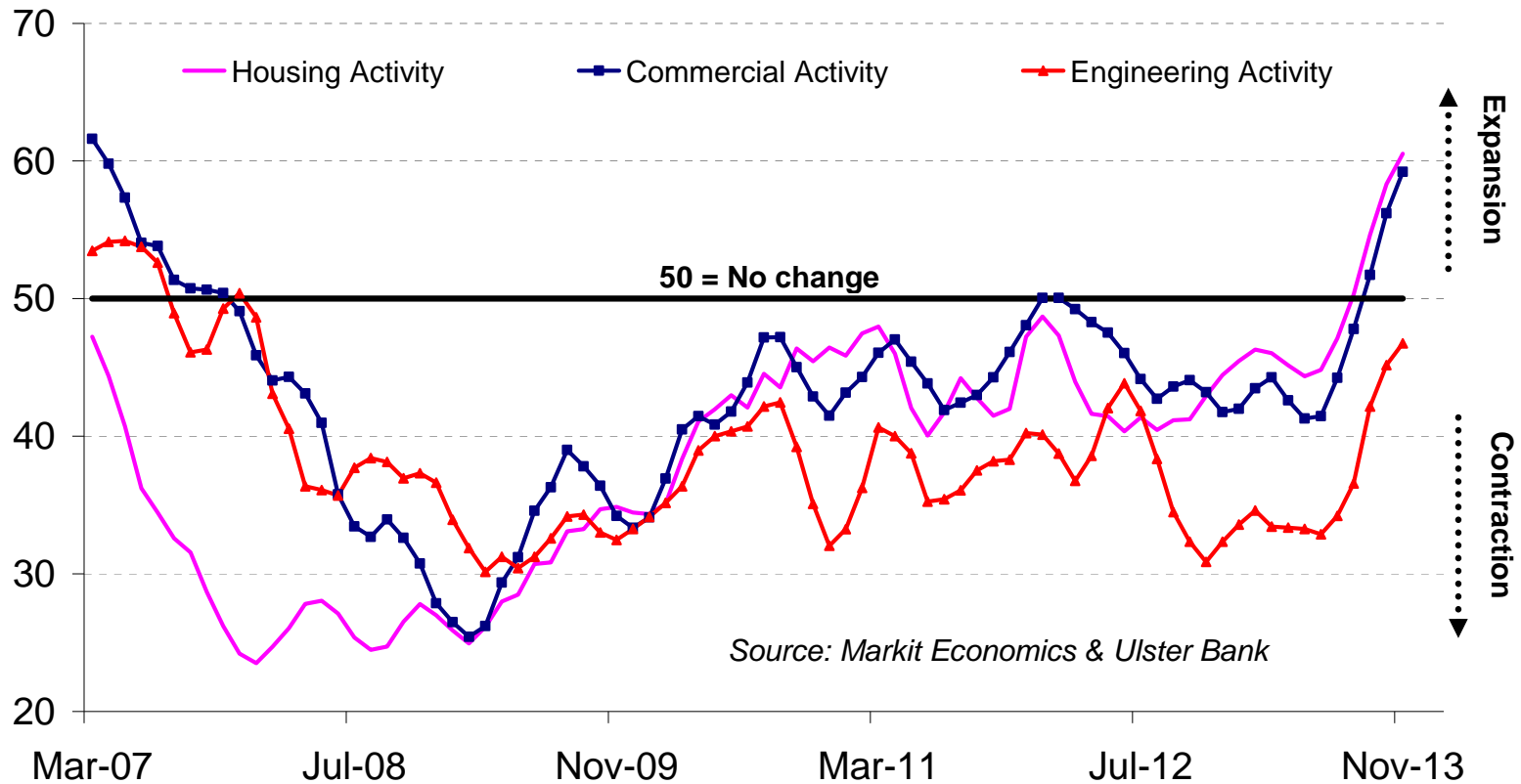
3 month moving average



...with opportunities returning within the RoI too

## Republic of Ireland Construction Activity - PMI

3 month moving average



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*Calls may be recorded.*

# Ulster Bank Northern Ireland PMI<sup>®</sup>

The Ulster Bank Northern Ireland PMI<sup>®</sup> (Purchasing Managers' Index<sup>®</sup>) 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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## Growth in activity second-fastest in survey's 11-year history

The Northern Ireland economic recovery gathered momentum in November as growth of both activity and new orders accelerated to multi-year highs. This contributed to a survey record accumulation of outstanding business, although the rate of job creation eased. Meanwhile, cost inflation picked up, remaining faster than the UK economy average.

### Sharpest rise in output since March 2004

The rate of growth in Northern Ireland private sector activity quickened in November and was the second-fastest in the survey's history, slower only than the record seen in March 2004. The increase in output in Northern Ireland was broadly in line with the UK average. The service sector posted the sharpest expansion in activity, with growth also quickening in the manufacturing and construction sectors.

Where activity rose, this was often attributed to a general uplift in the UK economy and subsequent growth of new orders. The rate of expansion in new business in Northern Ireland accelerated sharply over the month and was the fastest since July 2004. New export orders also rose at a quicker pace during November.

### Series-record rise in backlogs

Strong growth of new business led to a substantial accumulation of backlogs of work in November. Furthermore, the increase was the sharpest since the series began in August 2002 and much faster than the UK average.

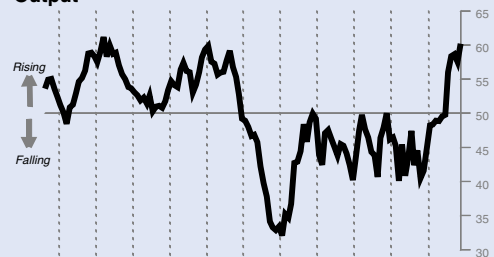
Although companies in Northern Ireland continued to raise their staffing levels in November, the rate of job creation eased from the solid pace seen in October and was the weakest in four months. Nonetheless, each of the four monitored sectors increased employment during the month.

### Further sharp increase in input costs

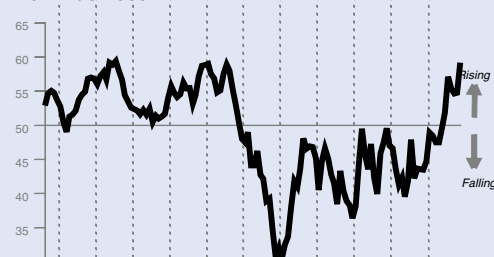
Northern Ireland companies posted another marked rise in input prices during November, with the rate of inflation picking up from that seen in the previous month. Inflation in Northern Ireland remained faster than recorded across the UK as a whole. Respondents indicated that higher salary payments and increased energy costs had been the main factors leading to rising input prices.

A fifth successive increase in output prices was registered in November. However, the rate of inflation eased to the weakest in three months. Those respondents that did increase their charges linked this to higher input costs. Manufacturers registered the fastest rise in output prices, followed by retailers.

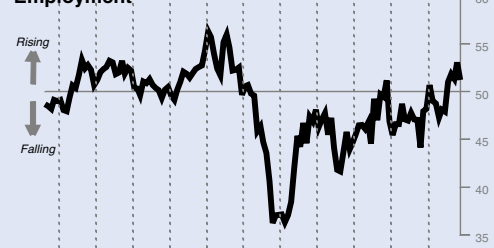
#### Output



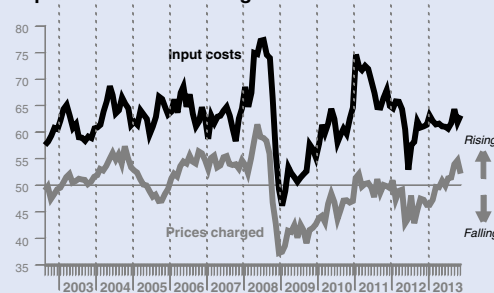
#### New Business



#### Employment



#### Input Costs/Prices Charged



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?

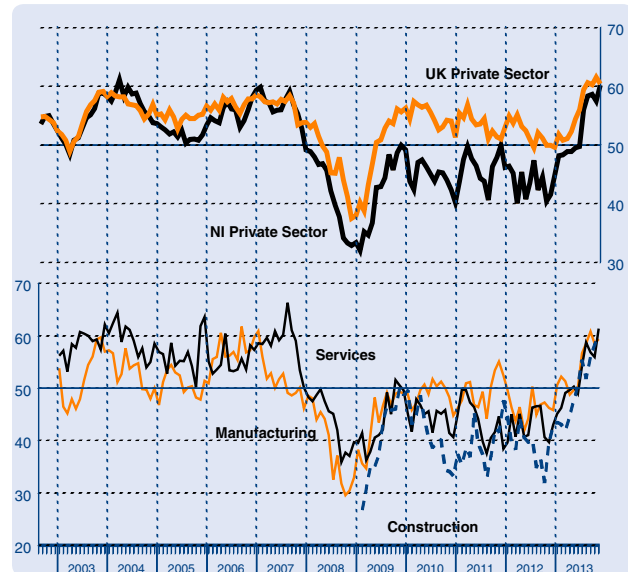
Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Jun	22.6	54.2	23.2	-0.5	49.7	49.8
	Jul	32.8	45.9	21.3	11.5	55.7	56.1
	Aug	30.0	55.4	14.7	15.3	57.6	58.4
	Sep	36.0	52.5	11.5	24.4	62.2	58.7
	Oct	30.4	59.3	10.3	20.1	60.0	57.6
	Nov	32.4	56.5	11.1	21.4	60.7	60.2

Northern Ireland companies recorded a fifth successive monthly increase in activity during November. Furthermore, the rate of expansion quickened to the steepest since March 2004. The latest rise was the second fastest since the series began just over 11 years ago. The pace of increase in output at Northern Ireland firms was broadly in line with the UK average. Higher new orders amid a general rise in demand was the main reason for the latest expansion of activity.

The sharpest rise in activity was at service providers where growth was the fastest since August 2007. Rates of expansion also quickened in the construction and manufacturing sectors.

## By sector

		Construction	Manufacturing	Services
'13	Sep	56.2	60.9	56.8
	Oct	58.4	58.5	56.0
	Nov	60.3	59.4	61.4



## 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?

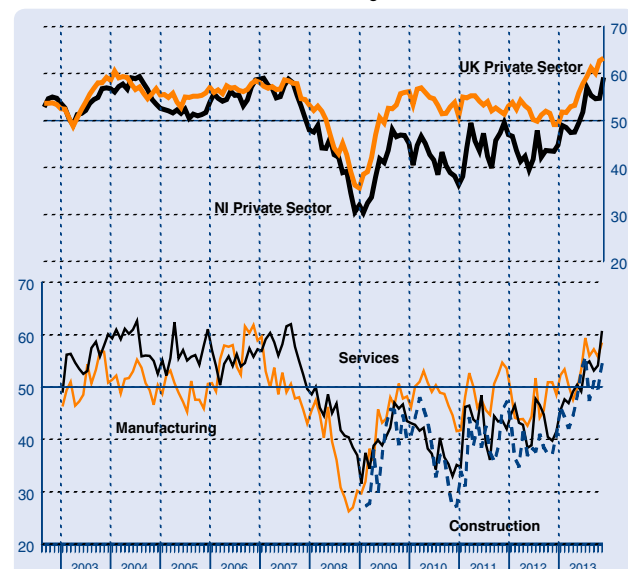
Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Jun	28.6	47.5	24.0	4.6	52.3	51.9
	Jul	28.0	53.2	18.9	9.1	54.6	57.1
	Aug	28.5	51.2	20.3	8.1	54.1	55.4
	Sep	30.2	57.6	12.2	18.0	59.0	54.7
	Oct	27.6	57.4	15.0	12.6	56.3	54.8
	Nov	35.5	50.3	14.3	21.2	60.6	59.2

The rate of growth in new business at Northern Ireland companies quickened sharply during November and was the steepest since July 2004. New orders have now increased in each of the past six months. Anecdotal evidence suggested that a general uplift in the UK market had contributed to rising new business. The rate of expansion in new orders across the UK as a whole also quickened, and was faster than seen in Northern Ireland.

Services companies posted the steepest rise in new business, with the latest expansion in the sector the strongest in more than six years. Construction posted a marked increase in new orders, following stabilisation in October.

## By sector

		Construction	Manufacturing	Services
'13	Sep	51.2	57.3	53.2
	Oct	49.8	55.8	54.2
	Nov	54.7	58.6	60.8



## Backlogs

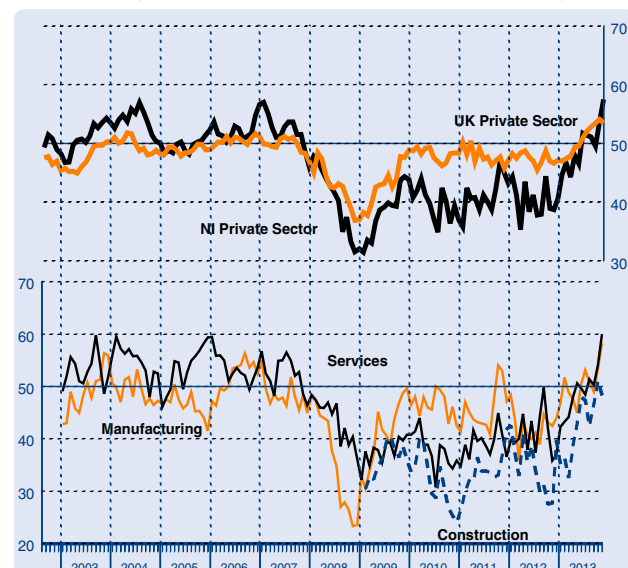
Q. Is the level of business outstanding (i.e. work not yet commenced or completed) at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Jun	20.8	67.9	11.3	9.5	54.7	51.8
	Jul	17.6	63.0	19.4	-1.8	49.1	51.4
	Aug	16.8	63.9	19.3	-2.5	48.8	51.2
	Sep	19.4	66.5	14.0	5.4	52.7	49.6
	Oct	23.2	62.3	14.5	8.7	54.3	53.7
	Nov	28.6	59.0	12.5	16.1	58.0	57.5

November data signalled a marked increase in backlogs of work at Northern Ireland companies, with respondents largely attributing the accumulation to rising new business. The rise in outstanding business in Northern Ireland was much faster than that seen at the UK level. Moreover, the rate of accumulation was the strongest in the history of the series. Around 29% of panellists posted a rise in backlogs, against 13% that signalled a fall. Strong rises in outstanding business were seen in the manufacturing and services sectors during the month. On the other hand, construction firms saw their level of work outstanding fall.

## By sector

		Construction	Manufacturing	Services
'13	Sep	46.8	49.0	50.3
	Oct	51.1	53.4	54.2
	Nov	48.4	58.3	60.1



## Employment

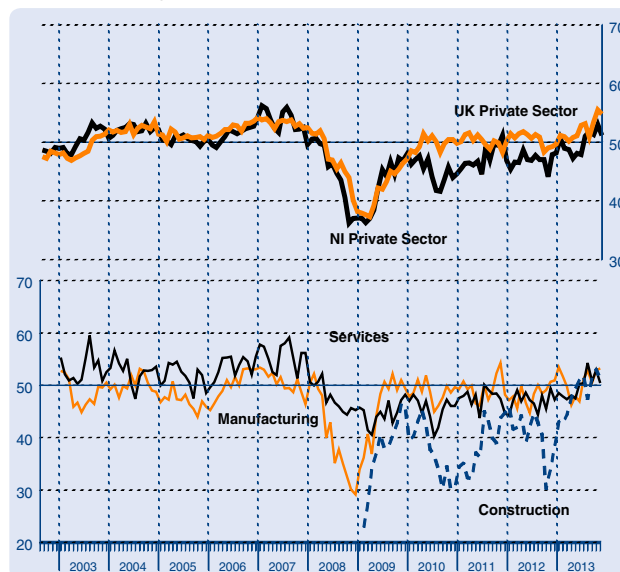
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Jun	9.2	79.2	11.6	-2.4	48.8	47.9	52.9
Jul	15.9	72.3	11.8	4.1	52.0	51.0	53.2
Aug	14.4	75.7	9.9	4.5	52.3	51.8	50.9
Sep	15.0	73.4	11.6	3.4	51.7	51.4	53.6
Oct	16.8	76.4	6.8	10.0	55.0	53.1	55.6
Nov	11.5	78.2	10.2	1.3	50.7	51.2	54.8

Northern Ireland companies increased their staffing levels for the fifth consecutive month in November. That said, the rate of job creation eased from the solid pace seen in the previous month and was the slowest since July. The rise in employment in the Northern Ireland private sector was much weaker than across the UK economy as a whole. Each of the four monitored sectors signalled increasing staffing levels, led by retail. The overall slowdown in the rate of job creation was centred on the services and construction sectors, where the respective rises were the weakest in four and three months respectively.

### By sector

		Construction	Manufacturing	Services
'13 Sep	51.9	50.5	50.8	
Oct	53.1	52.9	52.9	
Nov	51.3	53.3	50.5	



## Input Costs

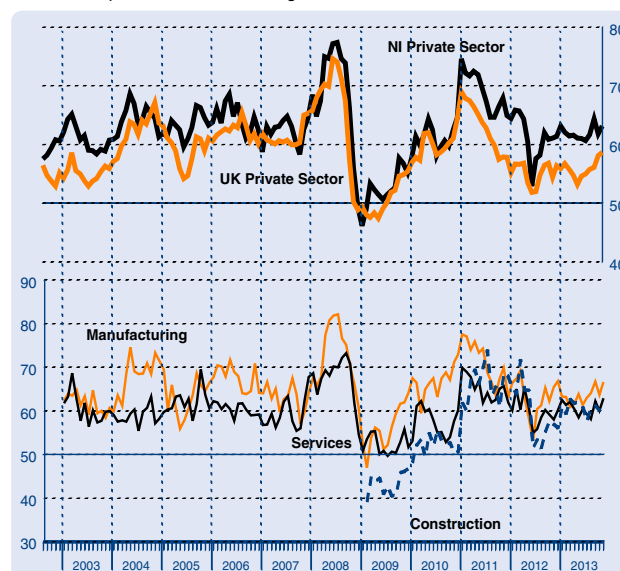
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Jun	26.5	71.1	2.4	24.0	62.0	61.0	54.7
Jul	20.9	76.9	2.2	18.7	59.4	60.7	55.0
Aug	24.4	73.7	2.0	22.4	61.2	61.7	55.8
Sep	33.1	64.0	3.0	30.1	65.1	64.4	56.1
Oct	25.1	72.2	2.7	22.4	61.2	61.9	58.1
Nov	26.4	70.3	3.3	23.1	61.5	63.2	58.7

Input prices increased sharply during November, with the rate of inflation quickening from that seen in October. The rise in input costs at Northern Ireland companies was again sharper than the UK average. More than 26% of respondents signalled an increase in input prices, linked to a combination of higher salary payments and rising energy costs. On the other hand, just 3% of panellists reported a fall in input prices during the month. Manufacturing firms posted the sharpest rise in input costs during November, followed by services companies. Retail was the only sector to see a slowdown in the rate of inflation during the month.

### By sector

		Construction	Manufacturing	Services
'13 Sep	61.2	66.8	62.3	
Oct	60.2	63.7	60.0	
Nov	61.1	66.7	63.0	



## Prices Charged

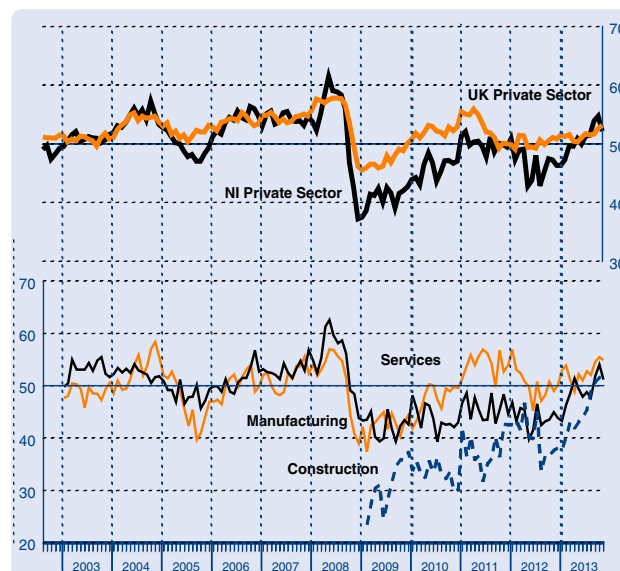
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK		
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013 Jun	6.7	85.6	7.7	-1.0	49.5	50.0	51.1
Jul	10.0	80.3	9.7	0.3	50.1	51.3	51.8
Aug	9.3	83.8	6.9	2.4	51.2	51.5	51.6
Sep	11.8	83.5	4.6	7.2	53.6	54.0	51.7
Oct	12.5	82.4	5.1	7.5	53.7	54.7	52.7
Nov	7.6	86.1	6.4	1.2	50.6	52.2	53.2

As has been the case in each month since July, output prices at Northern Ireland companies increased in November. However, the rate of inflation eased to the slowest in three months and was weaker than the series average. The rise in prices charged in Northern Ireland was also slower than that registered across the UK economy as a whole. Where output prices increased, this was mainly attributed by respondents to rising input prices. All four sectors posted rising output prices, led by manufacturing. Retail also posted a solid increase in charges, but inflation was more modest at service providers and construction firms.

### By sector

		Construction	Manufacturing	Services
'13 Sep	50.8	54.7	51.9	
Oct	51.6	55.5	54.0	
Nov	51.5	55.0	51.2	



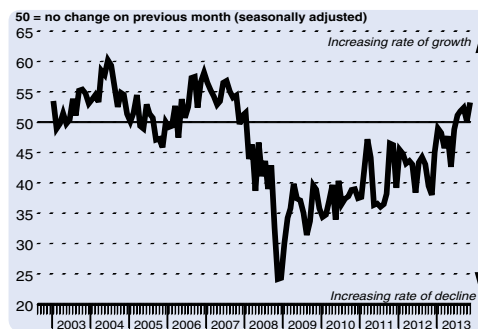
## New Export Business\*

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

## Northern Ireland Companies

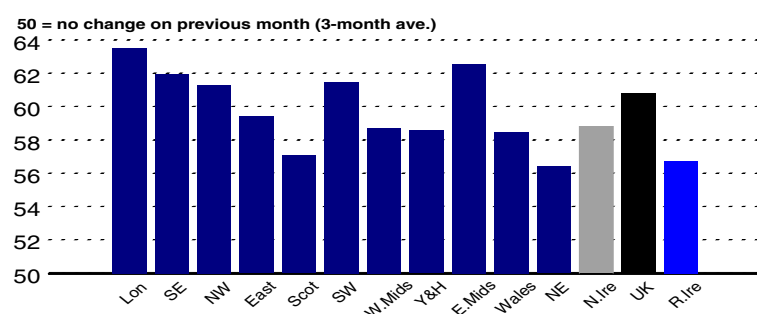
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Jun	17.9	67.6	14.4	3.5	51.8	48.8
	Jul	14.3	71.7	14.0	0.3	50.2	51.2
	Aug	23.4	56.6	20.0	3.3	51.7	51.9
	Sep	27.1	54.2	18.8	8.3	54.1	52.4
	Oct	14.3	73.0	12.7	1.6	50.8	50.2
	Nov	23.6	62.1	14.3	9.3	54.6	53.3

New export orders rose for the fifth consecutive month in November. Moreover, the rate of growth was solid, and quickened to the sharpest since October 2007. Around 24% of panellists signalled an increase in new business from abroad, against 14% that posted a decrease.



## Regional Comparisons: Output / Business Activity

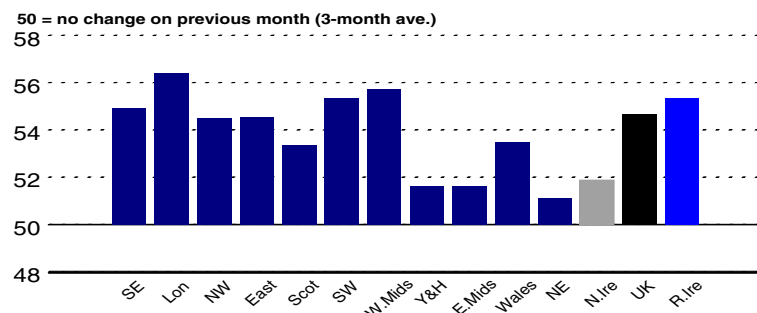
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded sharp rises in business activity on average in the three months to November. The fastest rate of expansion was in London, followed by the East Midlands. Meanwhile, output continued to increase at a marked pace across the Republic of Ireland.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	57.5	63.5	62.6
South East	(14.7%)	56.2	62.0	63.3
North West	(9.5%)	56.2	61.3	60.0
East of England	(8.7%)	55.0	59.4	59.8
Scotland	(8.3%)	54.8	57.1	55.2
South West	(7.7%)	55.3	61.5	62.1
West Midlands	(7.3%)	54.7	58.7	59.6
Yorks & Humber	(7.0%)	56.0	58.6	56.9
East Midlands	(6.4%)	55.8	62.6	62.8
Wales	(3.6%)	56.1	58.5	57.2
North East	(3.2%)	52.4	56.4	57.6
N.Ireland	(2.2%)	52.5	58.8	60.2
UK	(100.0%)	55.7	60.8	60.5
Rep. of Ireland	n/a	53.8	56.7	55.6

## 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). Higher levels of employment were indicated in all UK regions during the three months to November. Job creation was strongest in London and the West Midlands. The Republic of Ireland posted a slightly faster rise in employment than the UK.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	52.6	54.9	55.0
London	(12.3%)	52.5	56.4	57.7
North West	(10.9%)	51.8	54.5	53.6
East of England	(9.6%)	52.6	54.5	55.3
Scotland	(8.7%)	52.0	53.4	53.3
South West	(8.6%)	52.2	55.4	56.1
West Midlands	(8.6%)	53.4	55.8	55.5
Yorks & Humber	(8.2%)	50.5	51.6	51.0
East Midlands	(7.3%)	51.3	51.7	52.4
Wales	(4.6%)	52.0	53.5	52.3
North East	(3.9%)	50.4	51.1	51.6
N.Ireland	(2.7%)	49.9	51.9	51.2
UK	(100.0%)	52.1	54.7	54.8
Rep. of Ireland	n/a	53.2	55.3	55.5

## PMI® Survey Methodology

Purchasing Managers' Indexes® (or PMIs®) 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.

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