

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.

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

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Ulster Bank and IHS Markit acknowledge the support of CIPS in the production of this report.



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New orders rise at fastest pace in year-to-date

September saw a further sharp increase in new orders at Northern Ireland companies, supporting the fastest rise in business activity in the year-to-date. The rate of job creation also accelerated. On the price front, companies faced a sharper rise in input costs, while the rate of output price inflation eased slightly.

Fastest rise in activity in 2017 so far

The headline seasonally adjusted Business Activity Index ticked up to 55.1 in September from 55.0 in August, signalling a marked monthly rise in activity in the Northern Ireland private sector, and one that was the strongest in the year-to-date. The overall expansion was led by the retail sector, with services also seeing a sharp increase in activity.

Where output rose, panellists mentioned higher new orders (often from export markets) and positive results from marketing activities. Total new business increased substantially in September, with the rate of growth the strongest since last December.

Sterling weakness helped firms to secure greater volumes of new export orders, with new business from the Republic of Ireland mentioned in particular.

Faster increase in employment

Rising workloads fed through to a further increase in staffing levels. Moreover, the rate of job creation quickened to the sharpest since June 2014. The main driver of employment growth was services where staffing levels rose at the fastest pace in just over a decade. On the other hand, manufacturing employment fell slightly.

Despite higher capacity, backlogs of work continued to rise amid strong new order growth. The increase in Northern Ireland was faster than the UK average.

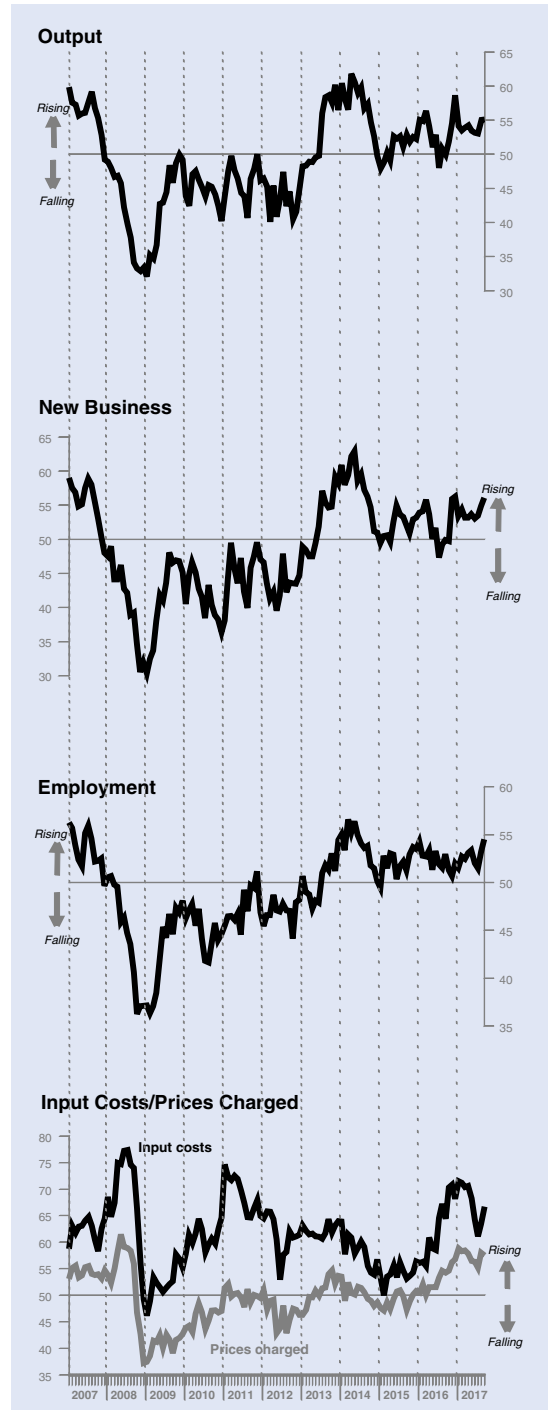
Cost inflation accelerates

The rate of input cost inflation quickened for the second month running and was the fastest since May. Panellists often linked higher input prices to sterling weakness, while increases in staff costs and fuel prices were also mentioned.

Output prices also rose sharply as companies passed on higher cost burdens to clients. That said, the rate of inflation eased slightly from August.

Business sentiment improves

The prospect of further new order growth supported optimism among companies that output will increase over the next 12 months. Moreover, sentiment improved to a four-month high.



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.

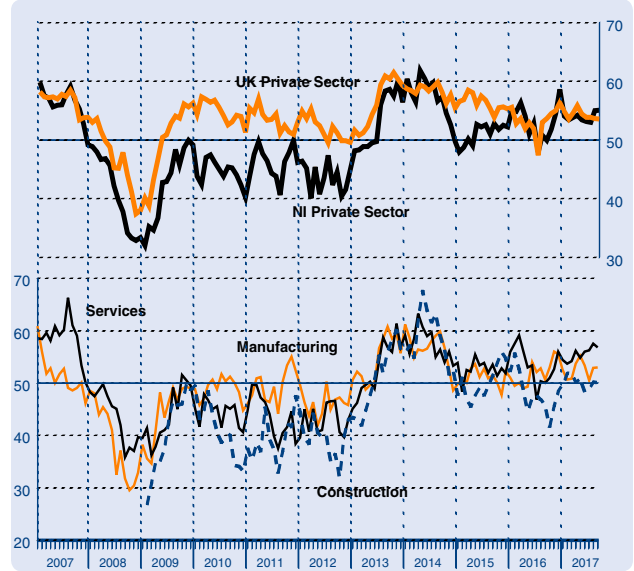
Output / Business Activity

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 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
Jul	20.5	59.9	19.6	0.9	50.5	53.1	53.9
Aug	23.4	59.4	17.1	6.3	53.1	55.0	53.7
Sep	30.1	58.0	12.0	18.1	59.1	55.1	53.6

The Northern Ireland private sector continued to record marked growth of business activity during September, with the latest rise the strongest in 2017 so far. The rate of expansion in Northern Ireland remained faster than the UK average. Output has now risen on a monthly basis throughout the past year. Among the factors supporting increases in activity were higher new orders, marketing activities and growth of new export business. Retail saw a sharp and accelerated increase in activity, while growth remained strong in the service sector. Manufacturing production increased at a solid pace, while construction activity was broadly unchanged.

By sector				
		Construction	Manufacturing	Services
'17 Jul		49.1	50.6	56.3
Aug		50.2	52.9	57.6
Sep		50.1	53.1	56.9



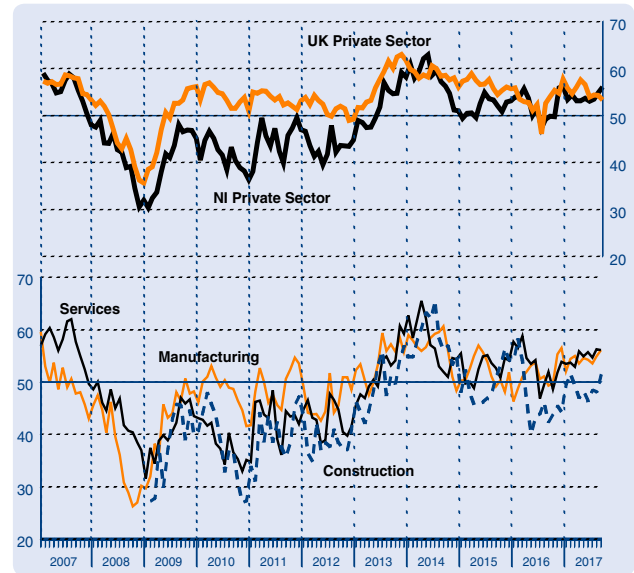
New Business

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 Apr	23.4	65.1	11.5	11.9	55.9	53.2	57.6
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	54.0
Jul	20.7	61.5	17.8	2.8	51.4	53.5	54.4
Aug	25.6	55.6	18.8	6.9	53.4	54.9	54.4
Sep	32.4	55.7	11.9	20.5	60.2	56.1	53.3

Growth of new business gathered further momentum at the end of the third quarter of the year. The latest expansion in total new work was sharp, and the fastest since last December. Some panellists reported improving client demand, while a number of respondents highlighted the impact of new export orders. For the first time since February, all four monitored sectors posted increases in new business. The fastest rise was among retailers where the rate of growth accelerated sharply. Marked expansions were also recorded in manufacturing and services, while construction saw a return to growth following six months of contraction.

By sector				
		Construction	Manufacturing	Services
'17 Jul		48.5	53.6	54.7
Aug		48.2	54.9	56.3
Sep		51.5	56.2	56.2



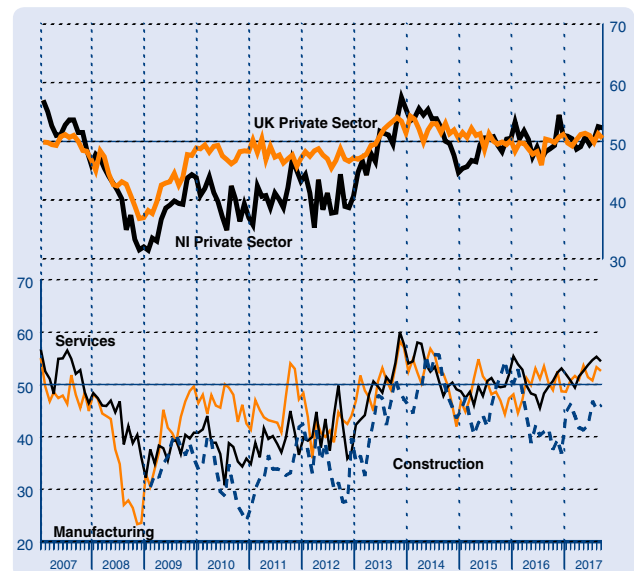
Backlogs

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 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
Jul	15.7	70.2	14.0	1.7	50.9	50.4	49.9
Aug	18.3	69.9	11.8	6.5	53.3	52.5	51.4
Sep	19.8	66.3	13.9	5.8	52.9	52.3	50.6

September data pointed to a third consecutive monthly increase in backlogs of work at Northern Ireland companies. The rate of accumulation was solid and broadly in line with that seen in August. Anecdotal evidence suggested that higher new orders was the main factor leading outstanding business to rise. Close to one-in-five respondents noted a rise in backlogs, against 14% that posted a fall. Both the manufacturing and service sectors saw work-in-hand increase, with the pace of growth faster in the latter. Further declines were recorded in the construction and retail categories.

By sector				
		Construction	Manufacturing	Services
'17 Jul		46.8	50.8	54.7
Aug		45.3	53.3	55.4
Sep		46.1	52.7	54.5



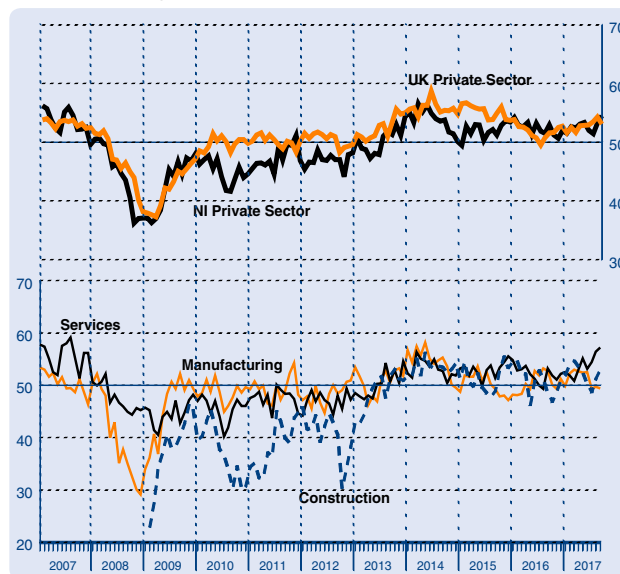
Employment

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
2017 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	53.0
Jul	11.0	82.0	7.0	3.9	52.0	51.5	53.6
Aug	13.3	82.6	4.1	9.1	54.6	53.2	54.3
Sep	17.7	76.6	5.7	12.0	56.0	54.5	53.1

As has been the case in each of the past 32 months, employment increased during September. Moreover, the rate of job creation quickened for the second month running and was the fastest since June 2014. The rise in staffing levels in Northern Ireland was faster than the UK average for the first time in four months. According to respondents, extra staff were taken on to deal with increasing workloads. Service providers raised employment at the fastest pace in just over a decade. Meanwhile, solid increases were seen at construction and retail companies. Manufacturers, on the other hand, saw staffing levels decrease for the third month running.

By sector				
		Construction	Manuf-acturing	Services
'17 Jul		48.7	49.4	54.5
Aug		51.4	49.8	56.4
Sep		53.1	49.4	57.3



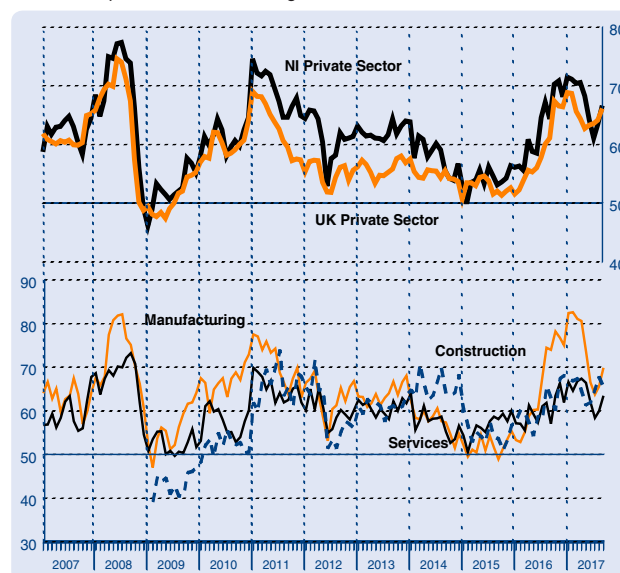
Input Costs

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 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	63.4
Jul	23.1	75.5	1.5	21.6	60.8	61.1	63.6
Aug	30.1	68.7	1.2	28.9	64.4	63.5	64.2
Sep	37.6	62.1	0.3	37.3	68.7	66.7	66.2

Northern Ireland companies continued to experience rising cost burdens during September. Furthermore, the rate of inflation accelerated for the second month running and was the fastest since May. The increase in input costs in Northern Ireland was slightly sharper than the average across the UK as a whole. There were widespread reports that sterling weakness had been the main factor behind rising input prices, with higher staff costs and fuel prices also mentioned. Sharp increases in input costs were registered across all four monitored sectors, with the fastest rise at retailers. Inflation quickened in all categories except construction.

By sector				
		Construction	Manuf-acturing	Services
'17 Jul		65.0	63.8	58.5
Aug		67.8	65.7	60.0
Sep		65.5	69.9	63.5



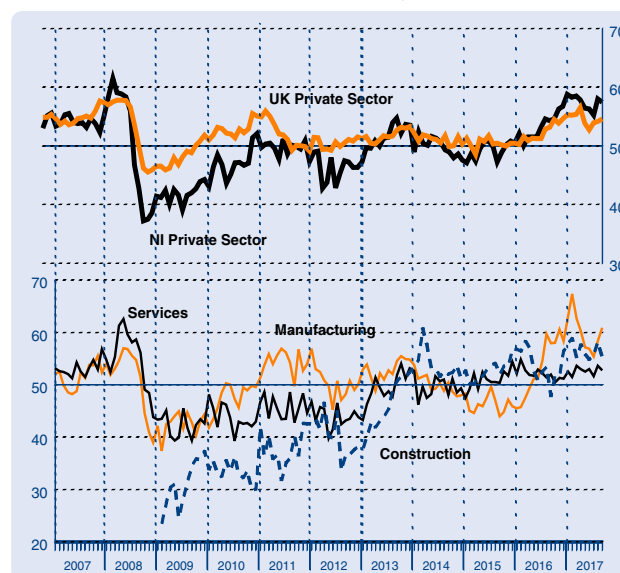
Prices Charged

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 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
Jul	14.5	81.5	4.0	10.5	55.2	55.2	54.0
Aug	19.0	77.7	3.3	15.7	57.8	58.0	54.2
Sep	18.3	76.7	5.0	13.3	56.7	57.5	54.7

Inflationary pressures linked to the exchange rate resulted in further increases in prices charged by companies in Northern Ireland. The rate of output price inflation was sharp, having eased only slightly from August's five-month high. The increase in charges in Northern Ireland was sharper than the UK average. More than 18% of panellists reported a rise in output prices, against 5% that posted a fall. Sharp and accelerated increases were seen in the manufacturing and retail sectors, with the former registering the fastest inflation since March. Charges also rose in the construction and service sectors, albeit at more moderate rates.

By sector				
		Construction	Manuf-acturing	Services
'17 Jul		55.8	55.4	51.6
Aug		58.3	58.4	53.7
Sep		55.4	61.0	52.8



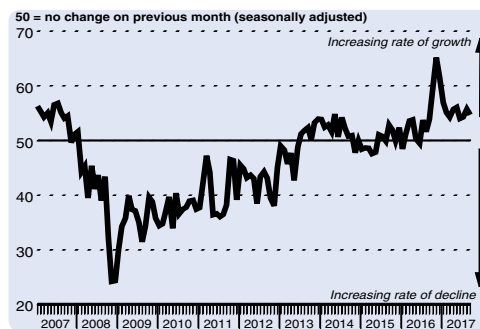
New Export Business*

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	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
	Jul	21.6	68.1	10.3	11.4	55.7	54.3
	Aug	25.7	63.2	11.2	14.5	57.2	55.8
	Sep	22.2	68.9	9.0	13.2	56.6	54.7

Companies in Northern Ireland continued to record growth of new export orders during September. Although slightly weaker than seen in August, the rate of expansion remained marked. Panellists indicated that sterling weakness was the key factor supporting growth, with new orders from the Republic of Ireland widely mentioned.



Future Output

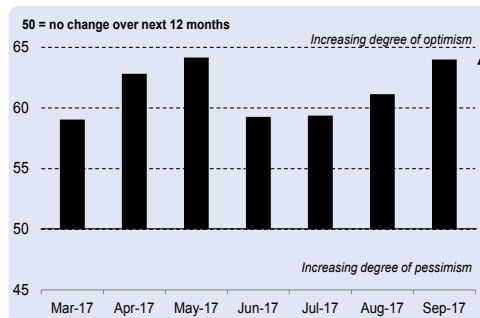
In 12 months' time do you expect the overall volume of output to be higher, the same or lower than now?

Northern Ireland Companies

All UK

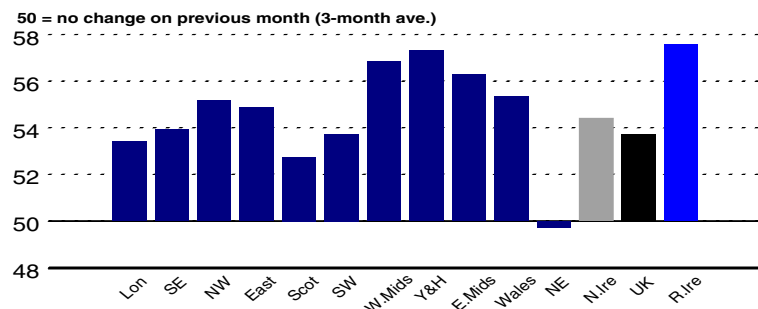
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	Index
2017	Apr	34.7	56.3	9.0	25.6	62.8	n/a	68.3
	May	37.2	53.8	8.9	28.3	64.2	n/a	69.2
	Jun	30.6	57.3	12.0	18.6	59.3	n/a	65.1
	Jul	31.8	55.2	13.0	18.8	59.4	n/a	65.2
	Aug	32.8	56.6	10.5	22.3	61.1	n/a	66.9
	Sep	35.5	57.0	7.5	28.0	64.0	n/a	65.2

Sentiment among Northern Ireland firms improved for the third successive month in September, reaching the highest since May. Optimism mainly reflected predictions of new order growth. Positive sentiment was widespread across the four monitored sectors.



Regional Comparisons: Output / Business Activity

The graph below shows the regional PMI Output Indexes for the UK and Republic of Ireland. An average of the latest three months is used (see also the table to the right). Business activity growth in the third quarter was led by Yorkshire & Humber, ahead of the West Midlands. The only UK region where output fell was the North East, though the rate of contraction was only marginal on average. Meanwhile, the Republic of Ireland posted a sharper rise in activity than the UK.



	Share of UK GVA, 2015 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.9%)	54.4	53.4	54.1
South East	(15.1%)	54.9	53.9	54.4
North West	(9.5%)	55.9	55.2	55.7
East of England	(8.8%)	56.0	54.9	55.5
Scotland	(7.7%)	51.3	52.8	52.2
South West	(7.6%)	54.6	53.7	52.9
West Midlands	(7.3%)	57.9	56.8	55.2
Yorks & Humber	(6.6%)	57.0	57.3	55.9
East Midlands	(5.9%)	55.8	56.3	55.4
Wales	(3.4%)	56.0	55.4	56.2
North East	(3.0%)	51.9	49.7	51.9
N. Ireland	(2.1%)	54.2	54.4	55.1
UK	(100.0%)	54.6	53.7	53.6
Rep. of Ireland	n/a	57.5	57.6	57.6

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 40 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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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.

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