

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



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## Record rises in output and new orders

The Northern Ireland private sector built on recent improvements in April by posting record rises in both output and new orders over the month. Employment also continued to increase sharply. On the price front, input costs rose markedly again but prices charged increased only slightly.

### Sharpest rise in activity since survey began

Output at companies in Northern Ireland rose for the tenth consecutive month in April, and at a substantial pace. Moreover, the rate of expansion was the fastest since the survey began in August 2002, surpassing the previous record set in March 2004. Growth in Northern Ireland was also sharper than the UK average. Where activity increased, panellists mainly linked this to improving sales amid stronger client confidence. Sharper rises in activity were seen across three of the four monitored sectors, with the fastest expansion at services companies.

New business also increased at a series-record pace during April, with anecdotal evidence suggesting a general improvement in market confidence. As with activity, the service sector was the best-performing sector. New export orders also rose, albeit only modestly.

### Marked increase in employment

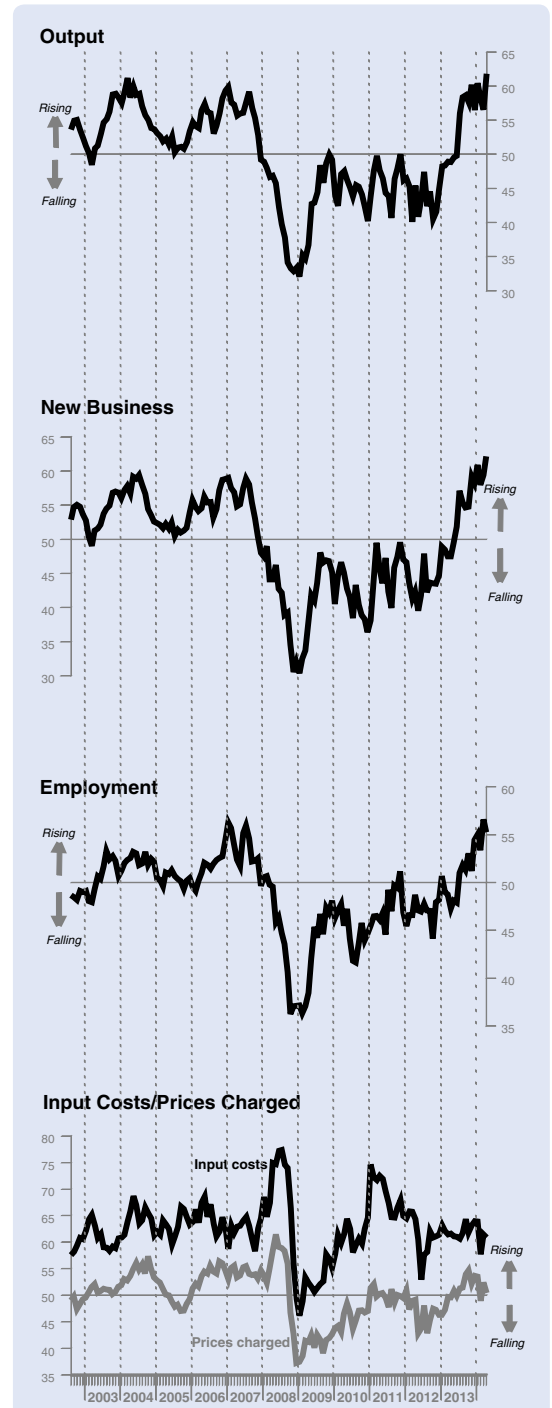
Strong growth of new work contributed to a build-up of outstanding business. Backlogs of work increased for the seventh successive month and at a marked pace. The accumulation of work-in-hand at Northern Ireland companies contrasted with a stabilisation across the UK economy.

Companies in Northern Ireland responded to strong rises in workloads by continuing to take on extra staff during the month. The rate of job creation remained sharp, despite easing from the previous month. Retail posted the fastest rise in employment, with the slowest increase in the construction sector.

### Cost inflation remains sharp

The rate of input price inflation in Northern Ireland was marked in April, and remained much faster than the UK average. A number of panellists indicated that higher salary payments had been a key driver of increased input costs. The construction sector posted the fastest rate of input price inflation for the fourth consecutive month, while inflation picked up in the manufacturing and service sectors.

Despite the rate of cost inflation remaining strong, Northern Ireland companies raised their output prices at only a slight pace in April. Charges rose most quickly in the construction sector, with services companies recording a third consecutive monthly decline.



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**

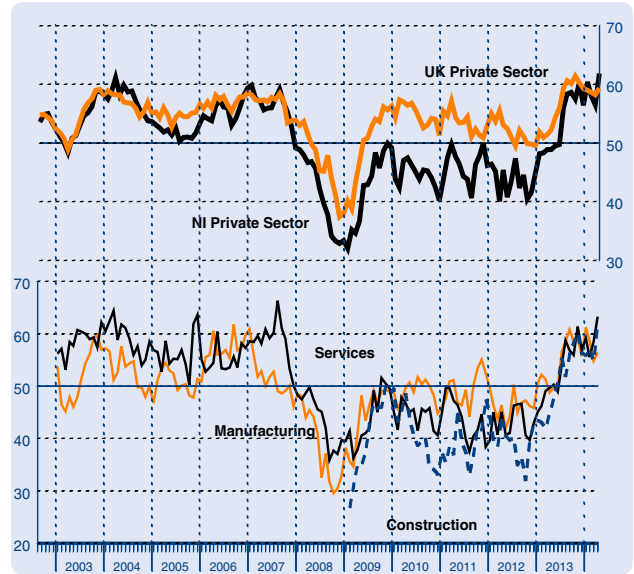
Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK				
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013	Nov	32.4	56.5	11.1	21.4	60.7	60.2	60.3
	Dec	29.9	50.7	19.4	10.5	55.2	56.5	59.3
2014	Jan	32.7	44.0	23.3	9.4	54.7	60.4	59.1
	Feb	33.5	49.6	16.9	16.6	58.3	58.1	58.7
	Mar	29.2	59.2	11.5	17.7	58.8	56.6	58.2
	Apr	41.5	53.9	4.6	36.9	68.5	61.9	59.4

Business activity in the Northern Ireland private sector rose at the sharpest pace since data were first available in August 2002, surpassing the previous record set in March 2004. The rise in output in Northern Ireland was also sharper than the UK average. Activity has now increased in each of the past ten months, with the latest expansion linked to sales success amid improving market confidence. Services posted the strongest rate of growth of the four monitored sectors,

By sector				
		Construction	Manufacturing	Services
'14	Feb	57.3	58.7	55.6
	Mar	54.9	54.8	58.5
	Apr	62.3	56.4	63.3

closely followed by construction which posted a record rise in activity (since this series began in early-2009). The manufacturing and retail sectors also registered strong expansions in activity.



**New Business**

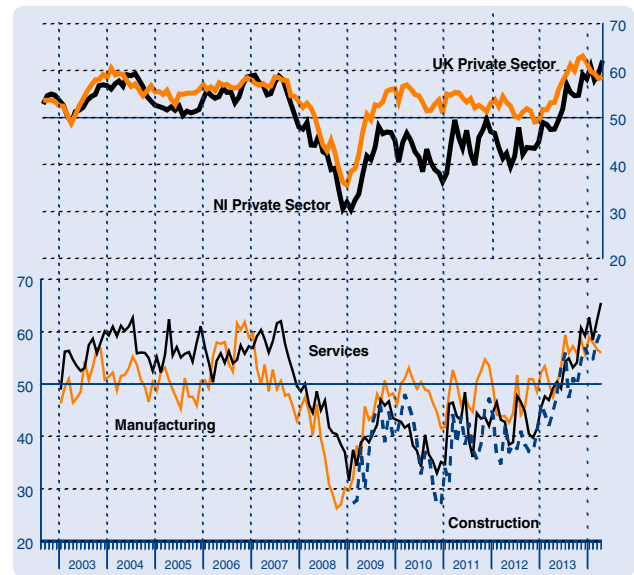
Q. Is the level of new orders or incoming new business at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK				
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013	Nov	35.5	50.3	14.3	21.2	60.6	59.2	63.1
	Dec	32.2	46.8	21.0	11.2	55.6	58.3	61.7
2014	Jan	31.5	50.5	18.0	13.5	56.7	60.9	59.8
	Feb	36.3	47.6	16.0	20.3	60.2	58.0	59.4
	Mar	34.8	53.3	11.9	22.9	61.4	59.5	58.3
	Apr	42.1	49.1	8.8	33.3	66.6	62.2	58.7

In line with the picture seen with regards to activity, new business increased at a series-record pace in April as the rate of expansion accelerated for the second consecutive month. The rate of growth in new orders at Northern Ireland firms remained sharper than the UK average. Strengthening business conditions, confidence in the economic outlook and improvements in the housing market were all reported to be factors contributing to the latest expansion.

By sector				
		Construction	Manufacturing	Services
'14	Feb	54.9	58.0	58.5
	Mar	58.2	56.7	62.1
	Apr	60.4	56.0	65.5

Services companies posted a considerable rise in new business, and one that was the fastest in the series history. Growth also quickened at construction firms and retailers.



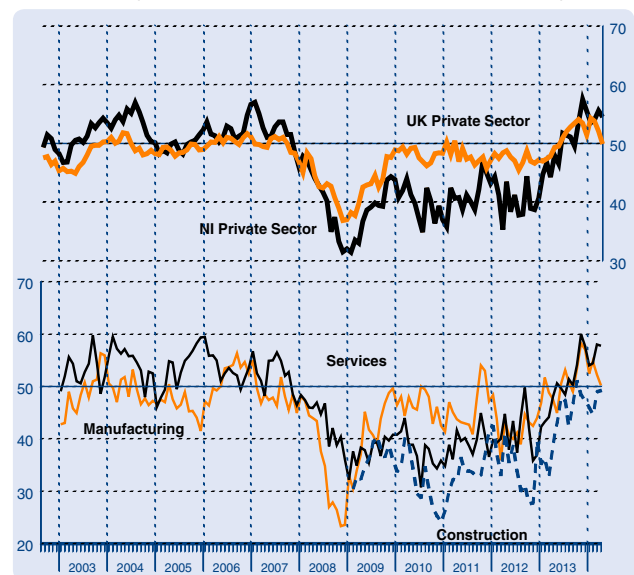
**Backlogs**

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
2013	Nov	28.6	59.0	12.5	16.1	58.0	57.5	53.5
	Dec	21.1	65.6	13.3	7.8	53.9	55.6	51.5
2014	Jan	16.5	66.0	17.4	-0.9	49.5	53.6	54.3
	Feb	22.4	64.9	12.8	9.6	54.8	54.1	53.9
	Mar	25.7	62.0	12.3	13.4	56.7	55.6	52.2
	Apr	24.4	66.3	9.3	15.2	57.6	54.5	49.9

Higher new orders led to another increase in backlogs of work during April, extending the current sequence of accumulation to seven months. The rise in Northern Ireland contrasted with a stabilisation of outstanding business across the UK as a whole. The latest increase in backlogs was solid, and only slightly weaker than March's three-month high. Three of the four monitored sectors recorded increases in outstanding business, led by services and retail. The only sector to post a reduction was construction, while manufacturing backlogs of work rose only marginally during the month.

By sector				
		Construction	Manufacturing	Services
'14	Feb	44.7	54.9	54.4
	Mar	49.0	52.3	58.1
	Apr	49.3	50.3	57.8



## Employment

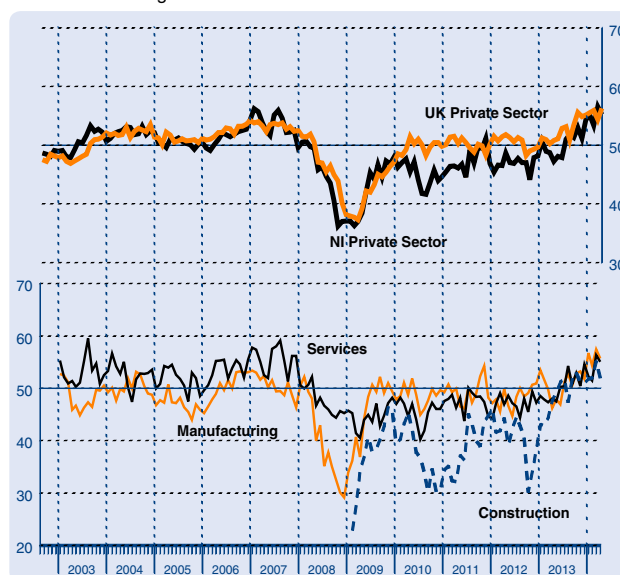
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK				
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013	Nov	11.5	78.2	10.2	1.3	50.7	51.2	54.9
	Dec	16.8	74.4	8.8	8.0	54.0	54.5	55.2
2014	Jan	18.3	72.2	9.5	8.8	54.4	55.0	55.7
	Feb	11.8	80.4	7.7	4.1	52.0	53.4	56.0
	Mar	19.4	74.2	6.4	13.1	56.5	56.6	54.4
	Apr	14.9	80.6	4.5	10.4	55.2	55.3	56.3

Northern Ireland private sector firms continued to increase their staffing levels during April in response to additional workloads. Employment has now risen in each of the past ten months. Although remaining sharp, the rate of job creation eased slightly from the previous month and was slower than the UK economy average. Close to 15% of panellists raised their staffing levels during the month, compared with 5% that posted a fall. All four sectors covered by the survey posted increases in employment, led by retail. Marked rises in staffing levels were also seen at manufacturing firms and service providers.

### By sector

		Construction	Manufacturing	Services
'14	Feb	52.1	54.4	51.5
	Mar	55.2	57.5	56.4
	Apr	51.9	55.8	55.1



## Input Costs

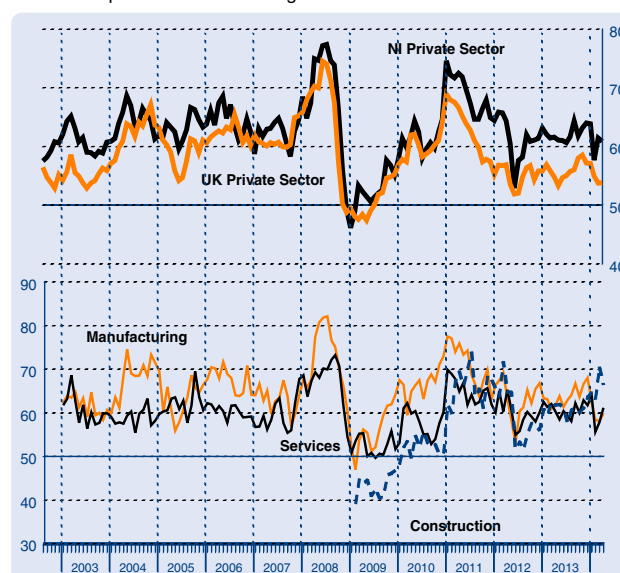
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK				
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013	Nov	26.4	70.3	3.3	23.1	61.5	63.2	58.6
	Dec	23.8	74.0	2.3	21.5	60.8	64.0	57.3
2014	Jan	31.4	64.4	4.1	27.3	63.6	63.9	57.2
	Feb	16.9	80.2	2.9	14.0	57.0	57.7	55.0
	Mar	31.3	67.1	1.6	29.7	64.8	61.5	53.8
	Apr	26.8	72.1	1.1	25.6	62.8	60.9	53.9

Input prices at Northern Ireland companies continued to increase at a sharp pace during April, with the rate of inflation much stronger than the UK average. The latest rise in input costs was only slightly slower than that recorded in March. According to respondents, a key factor leading to higher input prices was increasing salary payments. Construction firms posted the fastest rise in input prices, although the rate of inflation slowed from March's two-year high. Both the manufacturing and service sectors recorded faster increases in input costs than in the previous month, while retailers registered the slowest rate of price inflation.

### By sector

		Construction	Manufacturing	Services
'14	Feb	63.3	58.5	55.7
	Mar	70.7	58.1	57.8
	Apr	66.4	60.0	61.2



## Prices Charged

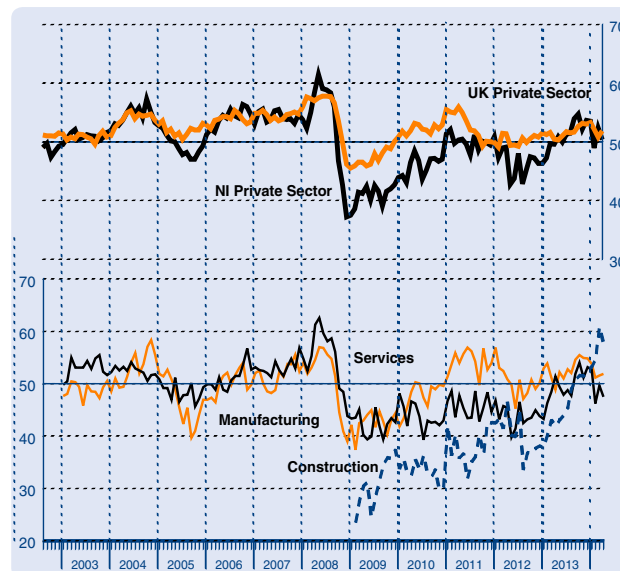
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK				
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2013	Nov	7.6	86.1	6.4	1.2	50.6	52.2	53.2
	Dec	9.7	85.6	4.7	5.1	52.5	53.7	53.1
2014	Jan	15.5	77.6	6.9	8.7	54.3	53.6	53.3
	Feb	7.6	83.0	9.4	-1.8	49.1	49.0	52.2
	Mar	14.1	78.1	7.8	6.3	53.1	52.4	50.8
	Apr	11.3	81.7	7.0	4.3	52.1	50.4	51.9

Higher cost burdens led to a rise in output prices during April as companies passed increased prices on to clients. That said, the rate of inflation was only marginal amid attempts by firms to boost new business. Prices charged in Northern Ireland have risen in all but one month since July 2013, with the latest increase slower than that recorded across the UK economy as a whole. The construction sector posted a sharp rise in output prices during April, with inflation only slightly slower than March's record high. Increased selling prices were also recorded in the manufacturing and retail sectors, but service providers lowered output prices for the third month running.

### By sector

		Construction	Manufacturing	Services
'14	Feb	54.8	51.2	46.3
	Mar	60.8	51.6	49.7
	Apr	57.9	51.9	47.5



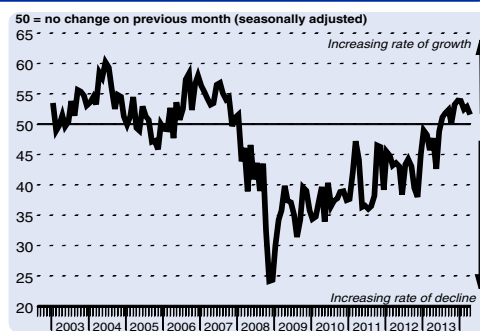
## New Export Business\*

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

## Northern Ireland Companies

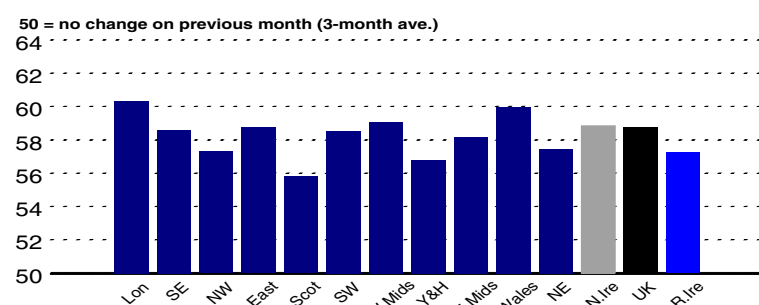
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2013	Nov	23.6	62.1	14.3	9.3	54.6	53.3
	Dec	22.3	60.8	16.9	5.4	52.7	54.0
2014	Jan	18.6	69.9	11.6	7.0	53.5	53.9
	Feb	19.2	69.9	10.9	8.3	54.1	52.5
	Mar	19.4	64.6	16.0	3.4	51.7	52.9
	Apr	14.2	76.6	9.2	5.1	52.5	51.6

Although Northern Ireland companies continued to record growth of new export orders during April, the rate of expansion was only slight and the weakest since October last year. New export business has now increased in each of the past ten months.



## Regional Comparisons: Output / Business Activity

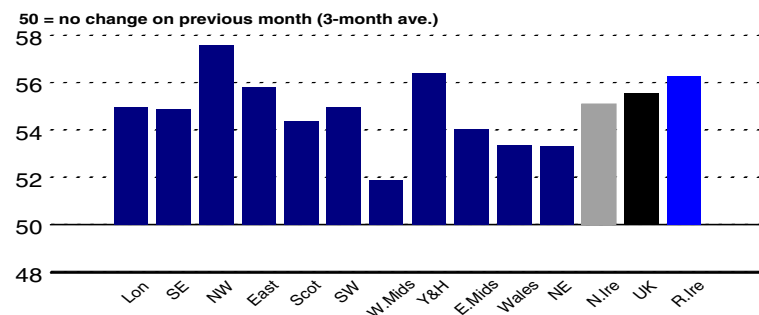
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). London was the best performing region on average during the three months to April, with Wales and the West Midlands close behind. Growth of business activity was slowest in Scotland. Strong growth of output was recorded in the Republic of Ireland.



	Share of UK GVA, 2012 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.8%)	60.6	60.3	62.0
South East	(14.9%)	59.6	58.6	57.8
North West	(9.6%)	59.4	57.3	58.7
East of England	(8.6%)	58.3	58.8	59.9
Scotland	(7.8%)	56.4	55.8	54.8
South West	(7.5%)	59.5	58.5	57.8
West Midlands	(7.2%)	58.7	59.1	56.9
Yorks & Humber	(6.9%)	57.5	56.8	56.4
East Midlands	(5.9%)	58.5	58.2	60.6
Wales	(3.5%)	58.4	60.0	60.2
North East	(3.1%)	56.2	57.5	59.2
N.Ireland	(2.2%)	57.0	58.8	61.9
<b>UK</b>	<b>(100.0%)</b>	<b>58.9</b>	<b>58.8</b>	<b>59.4</b>
Rep. of Ireland	n/a	56.4	58.4	60.9

## 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). All 12 UK regions recorded an increase in private sector payroll numbers. Job creation remained strongest in the North West on average during the three months to April, while the West Midlands posted the weakest rise in staffing levels. The Republic of Ireland posted a faster increase in employment than the UK.



	Share of UK GVA, 2012 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.8%)	54.9	55.0	55.1
South East	(14.9%)	53.9	54.9	56.6
North West	(9.6%)	55.0	57.6	58.5
East of England	(8.6%)	54.4	55.8	57.0
Scotland	(7.8%)	53.1	54.4	53.3
South West	(7.5%)	55.1	55.0	55.0
West Midlands	(7.2%)	53.8	51.9	52.2
Yorks & Humber	(6.9%)	52.8	56.4	58.5
East Midlands	(5.9%)	51.9	54.1	56.6
Wales	(3.5%)	52.6	53.4	53.3
North East	(3.1%)	51.7	53.3	52.0
N.Ireland	(2.2%)	52.4	55.1	55.3
<b>UK</b>	<b>(100.0%)</b>	<b>54.1</b>	<b>55.6</b>	<b>56.3</b>
Rep. of Ireland	n/a	55.2	57.3	57.8

## PMI® Survey Methodology

The Purchasing Managers' Index® (or PMI®) surveys 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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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.

**Markit Economics** is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI) series, which is now available for 32 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.

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