

# 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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## Current sequence of output growth extends to one year in April

A further solid increase in output at companies in Northern Ireland was recorded in April, supported by ongoing growth of new work. That said, rates of expansion eased from the previous month. Meanwhile, the introduction of the National Living Wage was reported to have contributed to a quicker rate of cost inflation, with firms raising their output prices modestly.

### Solid growth of output

The headline seasonally adjusted Business Activity Index posted 54.2 in April, down from 56.4 in March but still signalling a solid monthly expansion of private sector output in Northern Ireland. Activity has now risen on a monthly basis throughout the past year. As has been the case in three successive months, Northern Ireland output rose at a faster pace than seen across the UK as a whole. Activity increased in the service and retail sectors, but fell in manufacturing and construction.

New business also continued to expand at a solid pace in April, despite the rate of growth easing to the weakest in 2016 so far. New orders rose in three of the four monitored sectors, the exception being construction where a fall was recorded for the first time since August last year.

The recent spell of growth in new export business was maintained, with the rate of expansion ticking up slightly to the fastest in 21 months. Panellists mentioned that the recent weakness of sterling and new orders from the Republic of Ireland had been behind the latest increase.

### Rate of job creation quickens

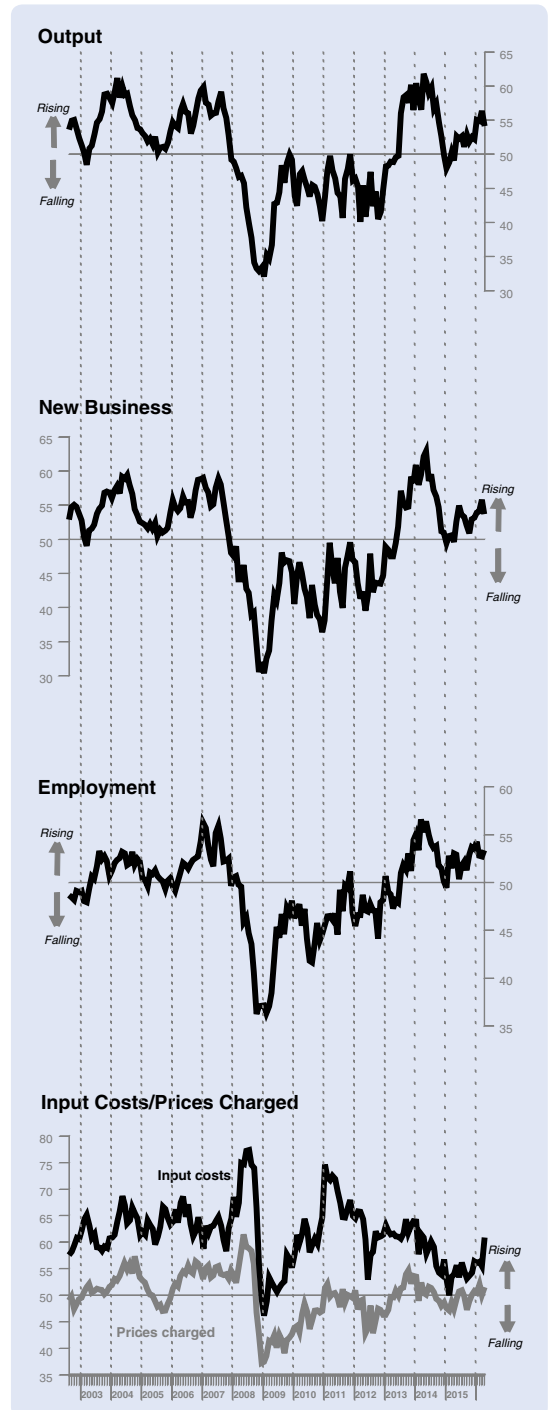
Higher output requirements led to a further increase in employment at companies in Northern Ireland, extending the current sequence of growth to 15 months. Moreover, the rate of job creation accelerated to a three-month high.

Despite greater operating capacity, backlogs of work continued to rise in April. That said, the rate of accumulation was marginal and the slowest since last November.

### Faster rise in input prices

The rate of input cost inflation quickened markedly and was the sharpest for two years. According to respondents, the introduction of the National Living Wage had been the main factor behind higher input prices. Cost inflation was registered across all four monitored sectors.

Output prices also increased at a faster pace, with the rate of inflation slightly sharper than the UK average. Panellists indicated that higher charges mainly reflected the passing on of rising input costs to clients. Output prices increased at services and construction firms, but decreased in the manufacturing and retail sectors.



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.

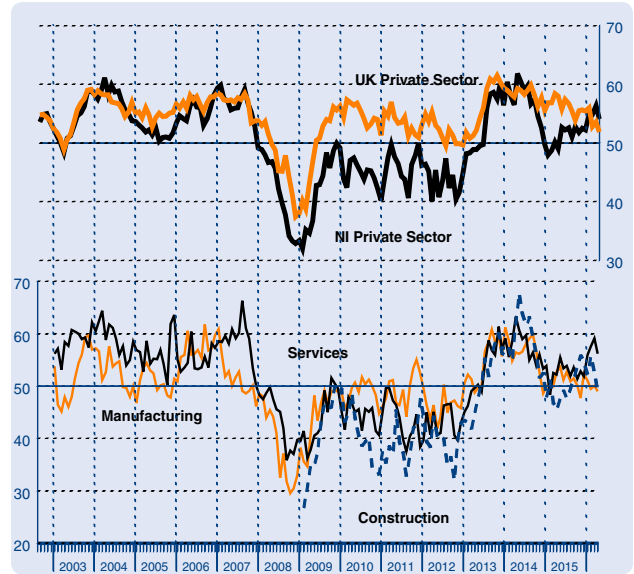
**Output / Business Activity**

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
2015	Nov	24.8	55.8	19.4	5.4	52.7	52.6	55.7
	Dec	24.7	50.7	24.7	0.0	50.0	52.3	55.5
2016	Jan	25.6	51.9	22.4	3.2	51.6	55.1	56.1
	Feb	28.3	54.9	16.7	11.6	55.8	54.9	52.9
	Mar	29.9	58.9	11.2	18.8	59.4	56.4	53.6
	Apr	24.0	60.9	15.1	8.9	54.4	54.2	51.9

A further rise in private sector activity in Northern Ireland was recorded in April, extending the current sequence of monthly increases to one year. The rate of expansion was solid, albeit the slowest in 2016 so far. Growth of output at Northern Ireland companies was faster than the UK average for the third month running. According to respondents, higher new orders and improved market conditions had been behind the rise in activity. Business activity increased at services and retail companies, but decreased in the manufacturing and construction sectors, with the fall in construction output the first since August last year.

By sector				
		Construction	Manufacturing	Services
'16	Feb	55.7	49.5	57.6
	Mar	52.7	50.1	59.2
	Apr	48.8	49.1	56.2



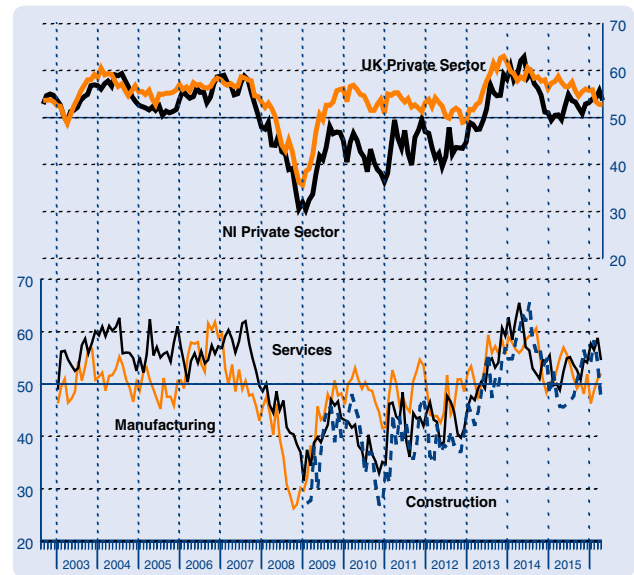
**New Business**

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
2015	Nov	24.8	51.8	23.4	1.4	50.7	52.9	56.1
	Dec	28.0	48.3	23.7	4.3	52.1	53.2	55.8
2016	Jan	21.1	54.8	24.1	-3.0	48.5	54.0	56.0
	Feb	27.4	55.6	17.0	10.4	55.2	54.1	53.5
	Mar	29.7	57.9	12.4	17.3	58.6	55.8	52.8
	Apr	26.2	56.9	17.0	9.2	54.6	53.7	52.8

April data pointed to a further monthly increase in new business at Northern Ireland companies. New orders have now expanded in each of the past 12 months. The latest rise was solid and faster than the UK average, but weaker than that seen in the previous month. More than 26% of respondents signalled growth of new business, against 17% that posted a contraction. Three of the four monitored sectors registered rises in new orders, the exception being construction where new business fell for the first time in eight months. The fastest rate of expansion was at service providers, while manufacturing new order growth was at a nine-month high.

By sector				
		Construction	Manufacturing	Services
'16	Feb	58.3	48.8	56.5
	Mar	54.2	51.1	58.8
	Apr	46.8	52.0	54.6



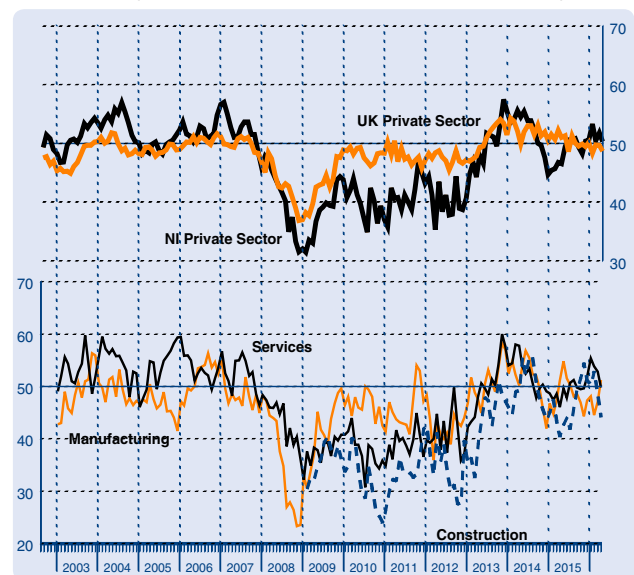
**Backlogs**

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
2015	Nov	20.0	61.8	18.2	1.8	50.9	50.4	49.5
	Dec	18.8	62.3	19.0	-0.2	49.9	50.6	50.2
2016	Jan	17.2	68.6	14.2	3.0	51.5	53.4	48.3
	Feb	16.2	67.0	16.7	-0.5	49.8	50.5	49.8
	Mar	19.8	66.1	14.1	5.8	52.9	51.9	49.7
	Apr	14.9	69.6	15.4	-0.5	49.7	50.4	48.7

As has been the case in each of the past six months, backlogs of work increased in April. This contrasted with a further depletion of outstanding business at the UK level. However, the latest accumulation of work-in-hand (either in progress or not yet started) was only slight, and the slowest since November last year. Higher new orders was the main factor leading backlogs to rise, but some panellists reported having made efforts to complete projects during the month. Outstanding business rose in the manufacturing and retail sectors, but decreased at services and construction companies.

By sector				
		Construction	Manufacturing	Services
'16	Feb	52.9	44.6	53.9
	Mar	48.7	47.1	52.9
	Apr	44.2	51.3	49.9



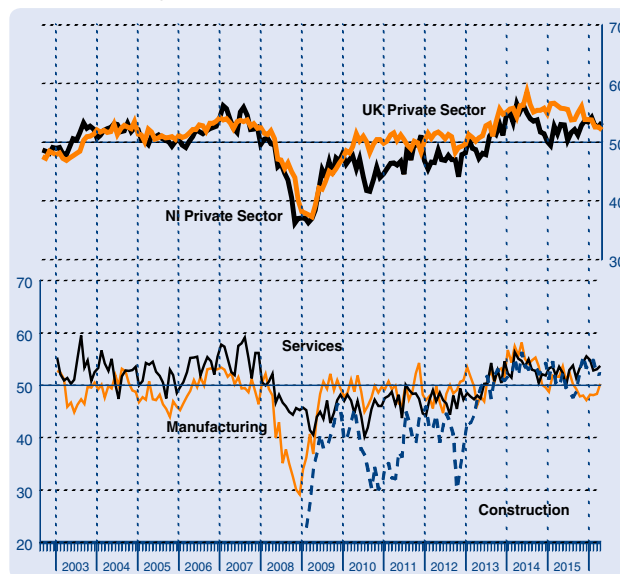
## Employment

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
2015 Nov	18.0	74.7	7.3	10.6	55.3	53.7	53.9
2015 Dec	14.1	78.2	7.7	6.4	53.2	53.5	53.9
2016 Jan	11.9	82.4	5.7	6.2	53.1	54.3	53.8
2016 Feb	10.6	81.2	8.2	2.3	51.2	52.8	52.7
2016 Mar	10.9	83.0	6.1	4.9	52.4	52.7	52.6
2016 Apr	12.4	83.8	3.8	8.6	54.3	53.4	52.1

Employment in the Northern Ireland private sector continued to increase during April. Moreover, the rate of job creation picked up from that seen in March and was solid overall. The rise in staffing levels in Northern Ireland was also faster than the average for the UK as a whole. Panellists reported that higher output requirements had been the main driver of job creation. Each of the four sectors covered by the survey recorded higher staffing levels, led by retail. Services and construction each saw faster rates of job creation than in March, while manufacturing employment rose for the first time since August 2015.

By sector			
	Construction	Manufacturing	Services
'16 Feb	54.8	48.2	52.9
Mar	52.1	48.4	53.1
Apr	52.3	50.3	53.8



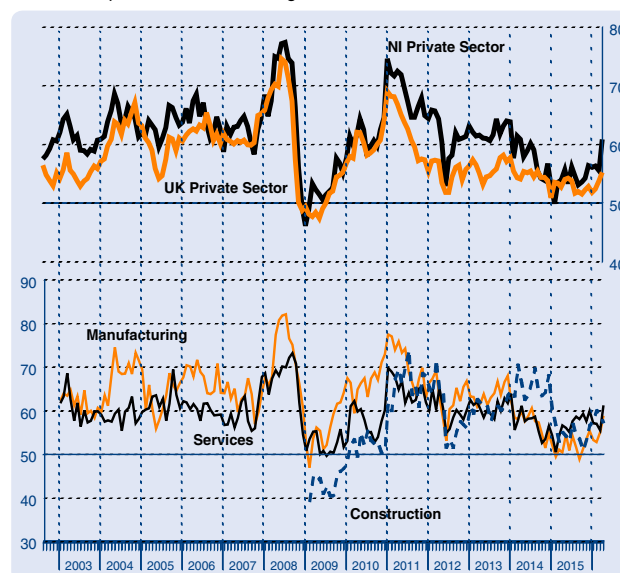
## Input Costs

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
2015 Nov	14.0	78.9	7.1	7.0	53.5	54.3	52.3
2015 Dec	20.7	73.8	5.5	15.2	57.6	56.4	52.9
2016 Jan	16.2	78.2	5.5	10.7	55.4	56.2	51.9
2016 Feb	19.8	73.6	6.6	13.2	56.6	56.3	52.5
2016 Mar	18.1	78.9	3.0	15.1	57.6	55.6	53.9
2016 Apr	29.7	68.4	1.9	27.8	63.9	60.9	55.3

The rate of input cost inflation at companies in Northern Ireland quickened markedly during April and was the fastest in two years. The rise in Northern Ireland was also sharper than the UK average. Anecdotal evidence suggested that the principal factor leading input prices to rise was the introduction of the National Living Wage. There were also mentions of higher fuel costs, and currency weakness pushing up the cost of imported items. The service sector posted the strongest increase in input costs, with the rate of inflation at a 27-month high. Meanwhile, manufacturing input prices rose at the fastest pace since July 2014.

By sector			
	Construction	Manufacturing	Services
'16 Feb	60.2	52.9	57.1
Mar	59.4	55.2	55.6
Apr	57.3	58.9	61.3



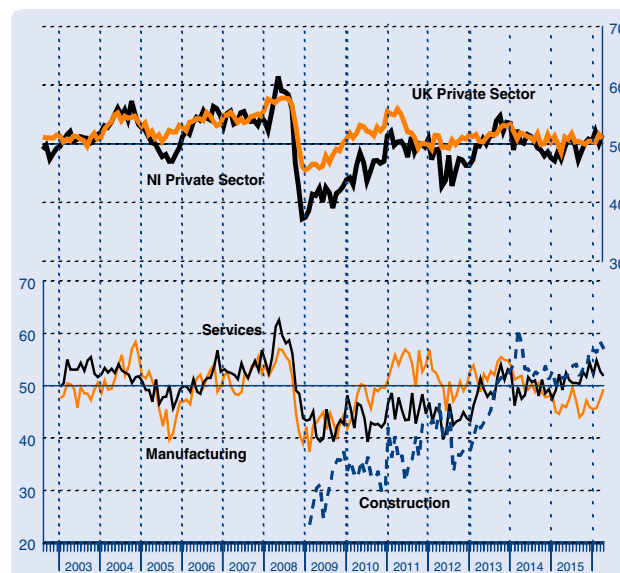
## Prices Charged

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
2015 Nov	6.7	85.8	7.6	-0.9	49.6	50.2	50.0
2015 Dec	9.2	81.7	9.0	0.2	50.1	50.9	50.5
2016 Jan	7.0	87.9	5.1	1.9	50.9	50.5	50.5
2016 Feb	10.3	82.1	7.6	2.7	51.3	52.1	50.3
2016 Mar	7.2	85.5	7.3	-0.1	49.9	50.1	51.6
2016 Apr	12.4	81.8	5.8	6.6	53.3	51.5	50.9

Higher input costs were passed on to clients by some companies in Northern Ireland during April, resulting in a modest increase in output prices overall. Although slight, the rate of inflation was faster than that seen in March and marginally quicker than the UK average. More than 12% of respondents signalled an increase in charges, twice the proportion that recorded a decrease. The fastest rise in output prices was at construction companies, while service providers also increased tariffs. Meanwhile, falling selling prices were recorded in both the manufacturing and retail sectors, albeit at reduced rates.

By sector			
	Construction	Manufacturing	Services
'16 Feb	56.4	45.8	54.9
Mar	58.3	47.5	52.8
Apr	57.1	49.4	52.0



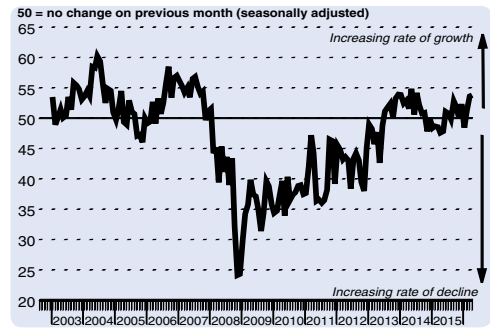
**New Export Business\***

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

**Northern Ireland Companies**

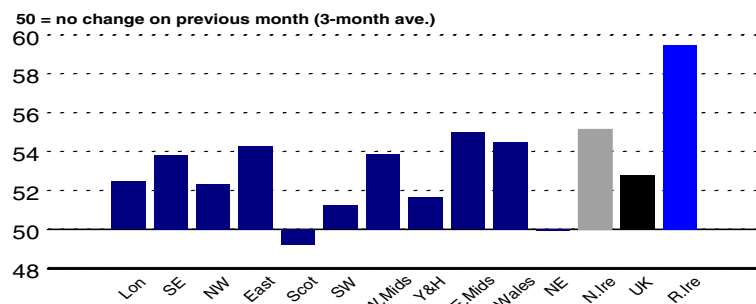
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2015	Nov	12.3	67.6	20.1	-7.8	46.1	50.0
	Dec	24.7	54.0	21.3	3.4	51.7	52.4
2016	Jan	18.3	56.0	25.7	-7.4	46.3	48.5
	Feb	24.8	63.7	11.6	13.2	56.6	51.2
	Mar	18.8	68.6	12.6	6.2	53.1	53.7
	Apr	22.7	62.2	15.1	7.6	53.8	53.8

April data pointed to a third successive monthly increase in new export business. Moreover, the rate of growth was solid and the fastest since July 2014. Panellists reported new business from the Republic of Ireland, with a weakening of sterling against the euro helping to improve competitiveness.



**Regional Comparisons: Output / Business Activity**

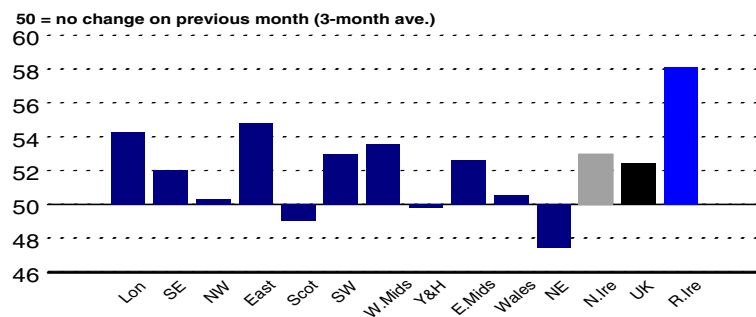
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Northern Ireland recorded the sharpest increase in business activity of the 12 monitored regions in the three months to April, closely followed by the East Midlands. The only notable decrease in business activity was in Scotland. The Republic of Ireland continued to record strong growth that was much faster than in the UK.



	Share of UK GVA, 2014 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.9%)	56.2	52.5	51.0
South East	(15.1%)	55.2	53.8	53.4
North West	(9.4%)	53.2	52.3	51.0
East of England	(8.7%)	56.6	54.3	55.0
Scotland	(7.8%)	50.3	49.2	50.0
South West	(7.6%)	53.7	51.2	49.9
West Midlands	(7.2%)	55.1	53.9	52.9
Yorks & Humber	(6.7%)	54.2	51.6	50.8
East Midlands	(6.0%)	56.0	55.0	55.7
Wales	(3.4%)	55.4	54.5	53.1
North East	(3.0%)	52.8	49.9	49.0
N. Ireland	(2.2%)	53.2	55.2	54.2
<b>UK</b>	<b>(100.0%)</b>	<b>55.1</b>	<b>52.8</b>	<b>51.9</b>
Rep. of Ireland	n/a	59.9	59.5	58.1

**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). The three months to April saw increases in employment in nine out of the 12 monitored regions, led by strong jobs growth in the East of England. North East England saw a solid drop in staff numbers, while slight falls were noted in Scotland and Yorkshire & Humber. Meanwhile, employment in the Republic of Ireland rose more quickly than in all UK regions.



	Share of UK GVA, 2014 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.9%)	55.4	54.3	53.9
South East	(15.1%)	53.6	52.1	51.0
North West	(9.4%)	52.4	50.3	50.0
East of England	(8.7%)	56.8	54.8	54.3
Scotland	(7.8%)	50.0	49.0	48.2
South West	(7.6%)	53.2	53.0	52.6
West Midlands	(7.2%)	54.4	53.6	54.1
Yorks & Humber	(6.7%)	52.6	49.8	49.8
East Midlands	(6.0%)	53.7	52.6	52.3
Wales	(3.4%)	52.9	50.5	51.1
North East	(3.0%)	50.5	47.4	49.0
N. Ireland	(2.2%)	52.7	53.0	53.4
<b>UK</b>	<b>(100.0%)</b>	<b>54.1</b>	<b>52.5</b>	<b>52.1</b>
Rep. of Ireland	n/a	58.3	58.2	57.2

**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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and wide ranging capability means we can deliver for our customers, whatever their business may be.

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.

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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

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