

Ulster Bank Northern Ireland PMI®

The Ulster Bank Northern Ireland PMI® (Purchasing Managers' Index®) 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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Output declines for first time in 15 months

July data signalled that the month following the UK's vote to leave the EU saw declines in output and new orders in Northern Ireland. The weakness of sterling following the referendum also led to a sharp acceleration of cost inflation. On a more positive note, employment continued to increase and companies were able to secure greater new export business.

Decline in output during July

The headline seasonally adjusted Business Activity Index posted below the 50.0 no-change mark at 48.0 in July, down from 52.9 in June. This signalled a modest reduction in business activity during the month, the first contraction since April 2015. Output also decreased across the UK economy as a whole. Respondents primarily attributed lower activity to uncertainty caused by the result of the EU referendum. Of the four monitored sectors, services was the worst performer as activity decreased at the fastest pace since February 2013.

New orders also contracted during July, ending a 14-month sequence of expansion. As with activity, the decline was linked by survey respondents to the result of the EU referendum. That said, Northern Ireland posted a weaker reduction than the UK economy as a whole.

In contrast to the picture for total new business, new export orders increased during the month, as the weakness of sterling helped companies to secure new work from clients in the Republic of Ireland.

Employment continues to rise

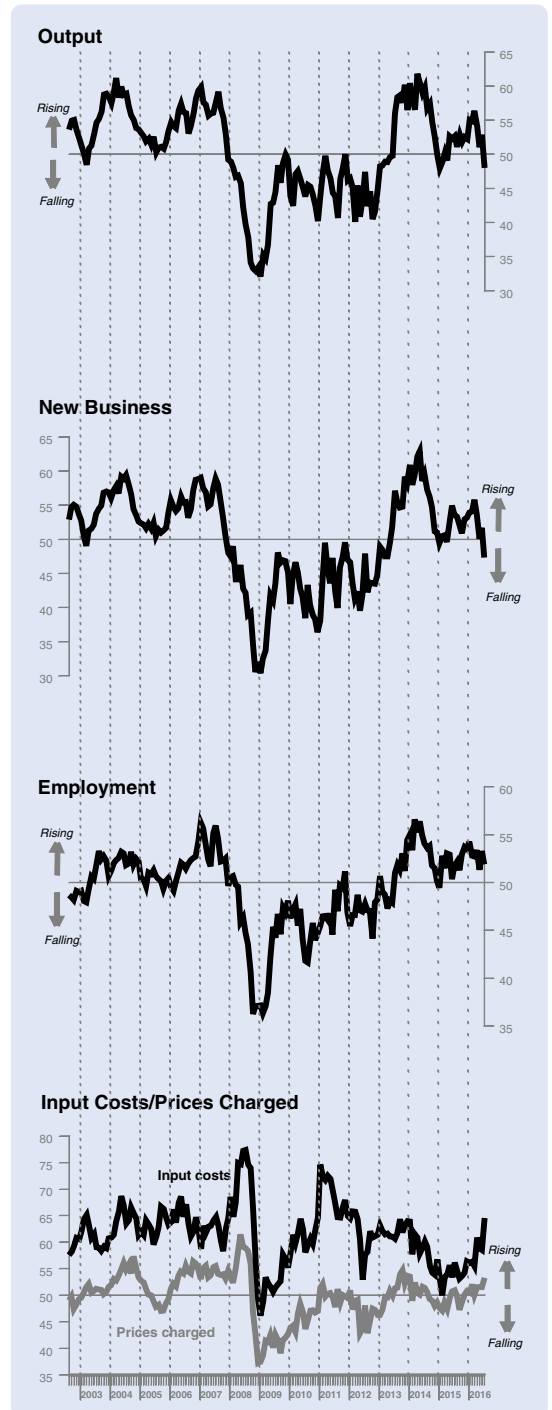
A decline in new orders contributed to a further monthly reduction in backlogs of work, the third in as many months. Moreover, the rate of depletion was the sharpest since April 2015.

Despite reductions in output and new orders, companies continued to increase staffing levels in July in line with future growth plans. That said, the rate of job creation eased as some panellists mentioned delaying hiring decisions.

Cost inflation accelerates

Input prices increased at a much faster pace in July as the weakness of sterling resulted in higher costs for imported items. The rate of inflation was the fastest since March 2012, with the manufacturing sector signalling a marked acceleration in the pace of increase in input prices. The rise in costs in Northern Ireland was much faster than the UK average.

Charges also rose at a faster pace as companies passed on higher cost burdens to clients. The overall rate of inflation was a two-and-a-half year high, with manufacturing seeing the strongest rise since December 2013.



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.

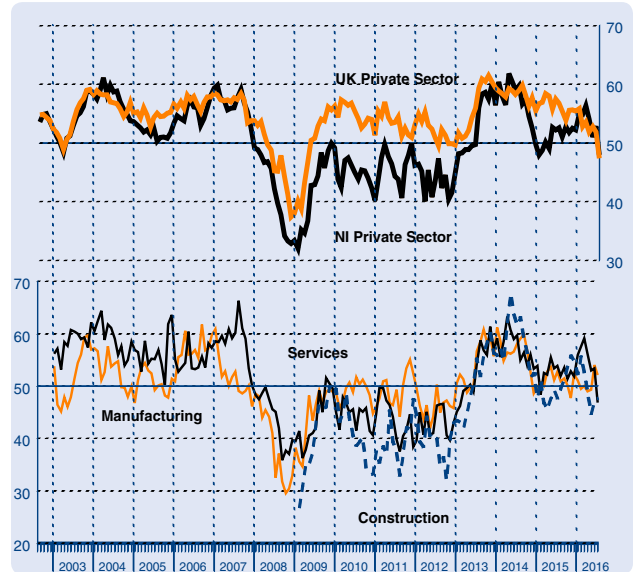
Output / Business Activity

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
2016 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	53.7
Apr	24.0	60.9	15.1	8.9	54.4	54.2	51.9
May	17.5	66.0	16.4	1.1	50.6	51.1	52.8
Jun	24.4	60.3	15.3	9.1	54.5	52.9	51.9
Jul	19.1	51.9	29.0	-9.9	45.0	48.0	47.3

Business activity in the Northern Ireland private sector decreased modestly in July, ending a 14-month sequence of expansion. According to respondents, the main factor leading output to decline was uncertainty caused by the decision to leave the EU. Activity also fell across the UK economy as a whole, and at a slightly faster pace than in Northern Ireland. The service sector posted a solid reduction in activity, the first since February 2015 and representing a marked turnaround from the previous month. Construction output also decreased, while reduced rates of growth were recorded in manufacturing and retail.

By sector				
		Construction	Manufacturing	Services
'16 May		44.7	49.4	53.0
Jun		47.3	54.0	53.5
Jul		47.7	52.1	46.9



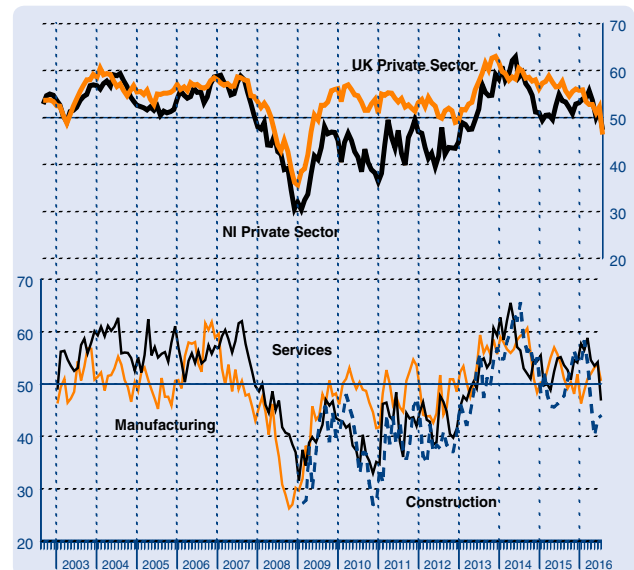
New Business

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
2016 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
May	22.0	57.7	20.3	1.7	50.9	50.1	51.0
Jun	26.3	55.3	18.5	7.8	53.9	51.7	52.3
Jul	18.0	51.5	30.5	-12.5	43.7	47.4	46.1

A solid monthly decline in new business was also recorded during July, the first reduction since April 2015 and the sharpest in more than three-and-a-half years. As with activity, panellists mainly attributed falling new orders to the result of the EU referendum as some clients put spending on hold. That said, the decline in new business in Northern Ireland was weaker than the UK average. Three of the four monitored sectors saw new orders decrease, led by construction. Services new business fell for the first time in 15 months, while retail posted the fastest decrease since April 2015. Manufacturing new orders continued to rise, albeit only marginally.

By sector				
		Construction	Manufacturing	Services
'16 May		40.2	53.2	53.5
Jun		43.4	53.9	54.2
Jul		44.0	50.6	46.9



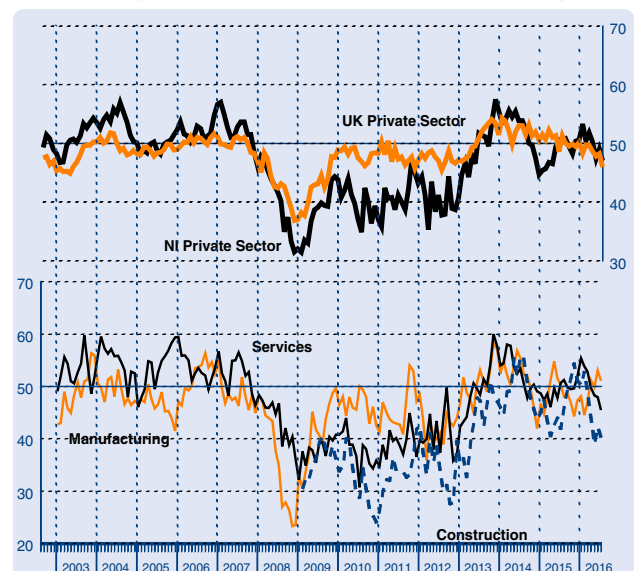
Backlogs

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
2016 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
May	14.8	65.0	20.1	-5.3	47.4	47.4	47.8
Jun	17.6	64.9	17.5	0.0	50.0	49.1	48.3
Jul	14.1	63.7	22.2	-8.1	46.0	47.1	46.0

As new orders decreased in July, companies in Northern Ireland posted a further reduction in backlogs of work. Outstanding business has now fallen in each of the past three months. Moreover, the latest solid depletion of work-in-hand was the fastest since April 2015. Outstanding business also declined across the UK as a whole, and at a stronger pace than in Northern Ireland. As with new business, manufacturing was the only sector to post a rise in backlogs, although the rate of accumulation slowed. The construction sector registered the fastest decrease, while services posted the sharpest depletion since March 2013.

By sector				
		Construction	Manufacturing	Services
'16 May		39.0	49.9	48.3
Jun		42.3	53.1	48.0
Jul		40.4	51.1	45.6



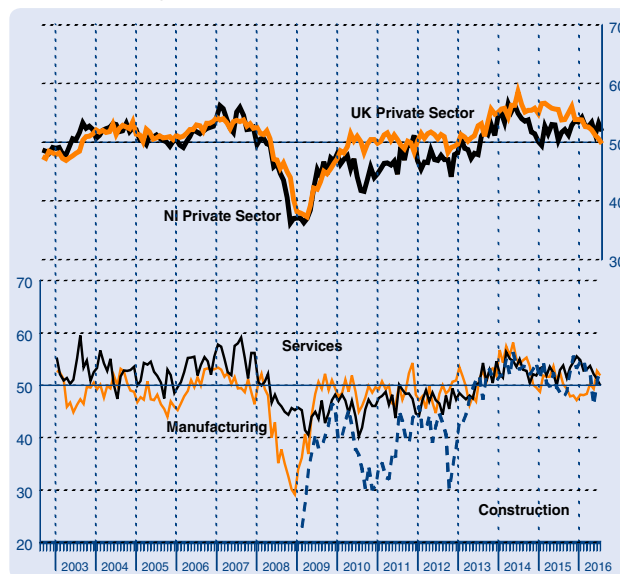
Employment

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
2016 Feb	10.6	81.2	8.2	2.3	51.2	52.8	52.7
Mar	10.9	83.0	6.1	4.9	52.4	52.7	52.6
Apr	12.4	83.8	3.8	8.6	54.3	53.4	52.1
May	11.3	79.7	9.0	2.3	51.1	51.3	51.2
Jun	14.7	78.6	6.8	7.9	54.0	53.3	50.7
Jul	9.9	84.2	5.8	4.1	52.0	51.9	49.6

Despite declines in output and new orders, Northern Ireland companies continued to take on extra staff during July, extending the current sequence of job creation to a year-and-a-half. That said, the latest rise in employment was weaker than that seen in the previous month. Job creation in Northern Ireland contrasted with a fractional decline in staffing levels across the UK as a whole. Some panellists raised employment in line with future growth plans, but others reported delaying hiring decisions. Staffing levels increased in manufacturing, construction and retail, but a stagnation was seen in services employment.

By sector			
	Construction	Manuf-acturing	Services
'16 May	46.3	49.4	52.2
Jun	50.8	52.8	51.3
Jul	53.0	51.9	50.0



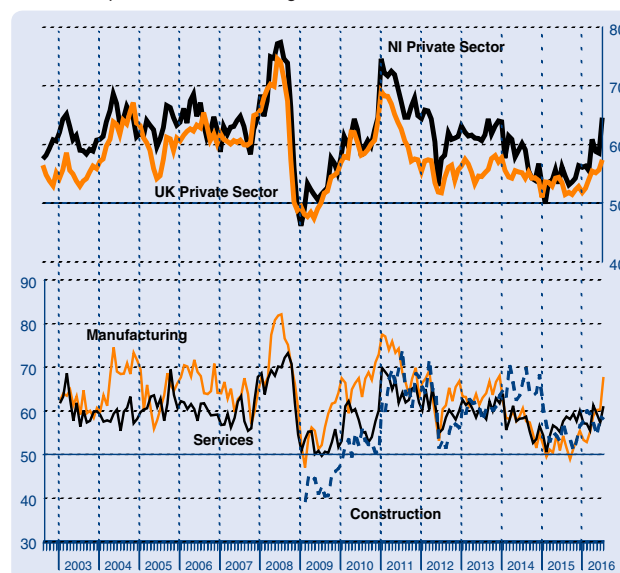
Input Costs

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
2016 Feb	19.8	73.6	6.6	13.2	56.6	56.3	52.6
Mar	18.1	78.9	3.0	15.1	57.6	55.6	54.1
Apr	29.7	68.4	1.9	27.8	63.9	60.9	55.5
May	23.7	74.4	1.9	21.9	60.9	58.9	55.2
Jun	18.7	79.7	1.6	17.1	58.5	58.5	55.7
Jul	34.6	64.2	1.2	33.3	66.7	64.6	57.4

The rate of input cost inflation accelerated sharply in July as the weakness of sterling following the result of the EU referendum led to increases in costs for imported items. The latest increase in input prices was the steepest since March 2012. There were also some reports of higher wages. The rate of inflation in Northern Ireland was much faster than the UK average. The sharpest acceleration of cost inflation was in the manufacturing sector where input prices increased at the steepest pace since December 2013. Services also posted a faster rise, with only construction posting a slower pace of inflation during the month.

By sector			
	Construction	Manuf-acturing	Services
'16 May	54.4	60.3	59.3
Jun	58.9	60.4	57.4
Jul	58.2	67.8	61.1



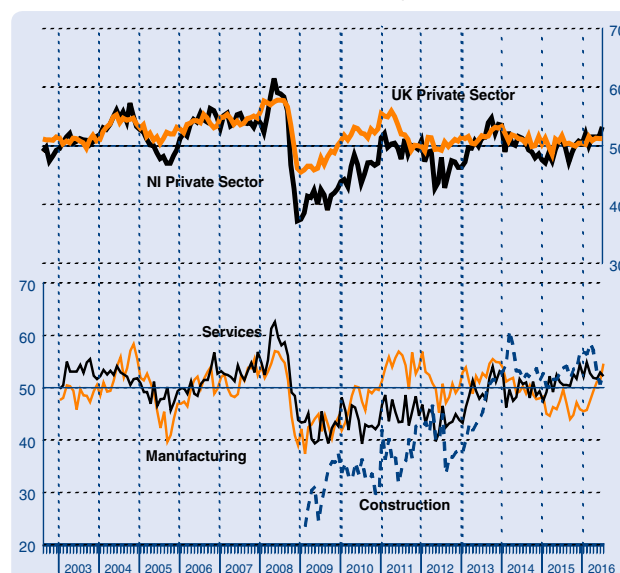
Prices Charged

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
2016 Feb	10.3	82.1	7.6	2.7	51.3	52.1	50.3
Mar	7.2	85.5	7.3	-0.1	49.9	50.1	51.6
Apr	12.4	81.8	5.8	6.6	53.3	51.5	50.9
May	11.8	83.1	5.1	6.7	53.3	51.6	51.4
Jun	11.5	82.3	6.2	5.2	52.6	51.5	51.3
Jul	16.1	75.7	8.2	7.8	53.9	53.3	51.3

Output prices also increased at a faster pace during July, with the latest rise the sharpest since January 2014. Charge inflation has now been registered in each of the past nine months, with the increase in Northern Ireland sharper than the UK average. Anecdotal evidence suggested that steeper cost inflation had been behind the rise in output prices. Retail, construction and manufacturing all recorded faster increases in charges, with output price inflation in the manufacturing sector the fastest since December 2013. Services charges increased at a slightly weaker pace than in June, and at the slowest rate of the four monitored sectors.

By sector			
	Construction	Manuf-acturing	Services
'16 May	52.7	51.2	51.8
Jun	50.8	51.3	52.9
Jul	52.7	54.6	52.3



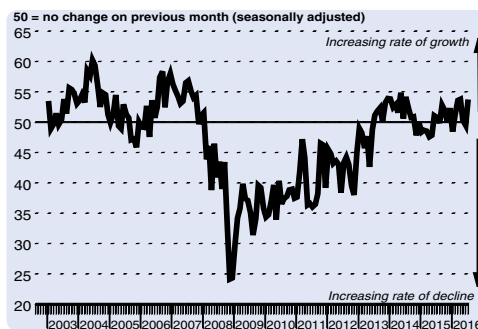
New Export Business*

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

Northern Ireland Companies

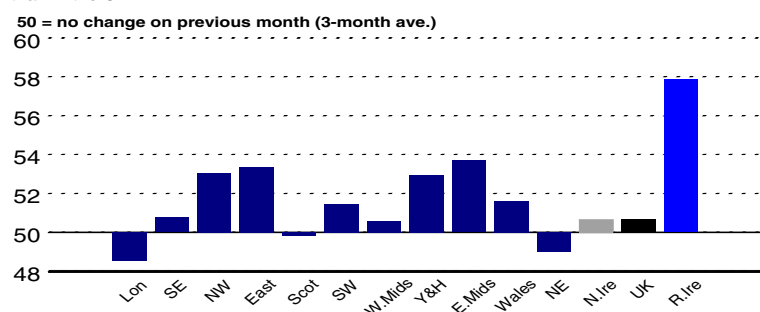
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2016	Feb	24.8	63.7	11.6	13.2	56.6	51.2
	Mar	18.8	68.6	12.6	6.2	53.1	53.7
	Apr	22.7	62.2	15.1	7.6	53.8	53.8
	May	15.2	63.9	20.9	-5.7	47.2	50.4
	Jun	14.3	73.5	12.2	2.1	51.1	49.5
	Jul	26.0	58.7	15.3	10.6	55.3	53.8

July data pointed to a solid increase in new export orders following a marginal reduction in the previous month. The weakness of sterling following the EU referendum reportedly helped firms to secure new work from the Republic of Ireland.



Regional Comparisons: Output / Business Activity

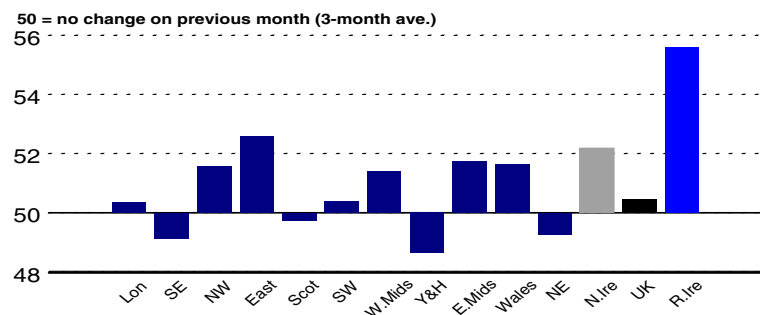
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Only nine out of the 12 regions monitored by the survey saw rises in business activity in the three months to July, the lowest count since April 2013. The strongest growth was seen in the East Midlands, while London recorded the steepest fall. The rate of expansion in the Republic of Ireland 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%)	53.6	48.5	44.4
South East	(15.1%)	54.0	50.8	45.5
North West	(9.4%)	52.9	53.1	49.2
East of England	(8.7%)	55.3	53.4	51.0
Scotland	(7.8%)	49.9	49.8	49.2
South West	(7.6%)	52.5	51.5	49.5
West Midlands	(7.2%)	53.9	50.6	47.4
Yorks & Humber	(6.7%)	53.4	53.0	49.8
East Midlands	(6.0%)	55.5	53.7	50.9
Wales	(3.4%)	53.9	51.6	49.9
North East	(3.0%)	50.8	49.0	46.0
N. Ireland	(2.2%)	52.8	50.7	48.0
UK	(100.0%)	53.5	50.7	47.3
Rep. of Ireland	n/a	59.1	57.9	55.4

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 East of England led employment growth in the three months to July, ahead of Northern Ireland. Four regions recorded overall decreases in workforce numbers, the most marked being in Yorkshire & Humber. Job creation in the Republic of Ireland outpaced all UK regions.



	Share of UK GVA, 2014 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.9%)	54.1	50.4	48.0
South East	(15.1%)	52.4	49.1	47.9
North West	(9.4%)	51.7	51.6	50.5
East of England	(8.7%)	55.2	52.6	53.6
Scotland	(7.8%)	49.9	49.8	50.0
South West	(7.6%)	52.0	50.4	50.9
West Midlands	(7.2%)	53.6	51.4	50.6
Yorks & Humber	(6.7%)	51.2	48.6	47.9
East Midlands	(6.0%)	53.0	51.8	50.3
Wales	(3.4%)	51.9	51.6	50.4
North East	(3.0%)	49.5	49.3	48.3
N. Ireland	(2.2%)	52.8	52.2	51.9
UK	(100.0%)	53.0	50.5	49.6
Rep. of Ireland	n/a	57.4	55.6	53.1

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 30 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.

Ulster Bank and IHS Markit

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