

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.

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Slowest rise in activity since July 2017

The end of the first quarter of 2018 saw weaker rises in both output and new orders at Northern Ireland companies. That said, growth was sustained in March amid a stronger rise in exports, and firms increased their rate of job creation. Meanwhile, both input costs and output prices rose sharply again, albeit at slightly weaker rates than in February.

Output growth at eight-month low

The headline seasonally adjusted Business Activity Index dropped for the second month running in March, down to 53.2 from 56.3 in February. The latest reading signalled a solid monthly increase in output, albeit one that was the slowest since July 2017. Growth slowed across each of the four sectors covered by the survey. Where activity increased, panellists linked this to higher new orders. That said, there were some reports of a softening of demand.

This softening of demand was evident with regards to new orders, which increased only slightly and at the weakest pace in the current 17-month sequence of growth. Some panellists mentioned political uncertainty.

In contrast to the trend in total new orders, new export business increased at a marked and accelerated pace. According to respondents, strong growth in the Republic of Ireland was the main factor supporting rises in new export orders.

Sharper rise in employment

Staffing levels increased at a solid pace in March, and one that was faster than in February. Panellists reportedly raised workforce numbers in response to higher new orders and to help boost operating capacity. Capacity pressures were signalled by a further rise in backlogs of work.

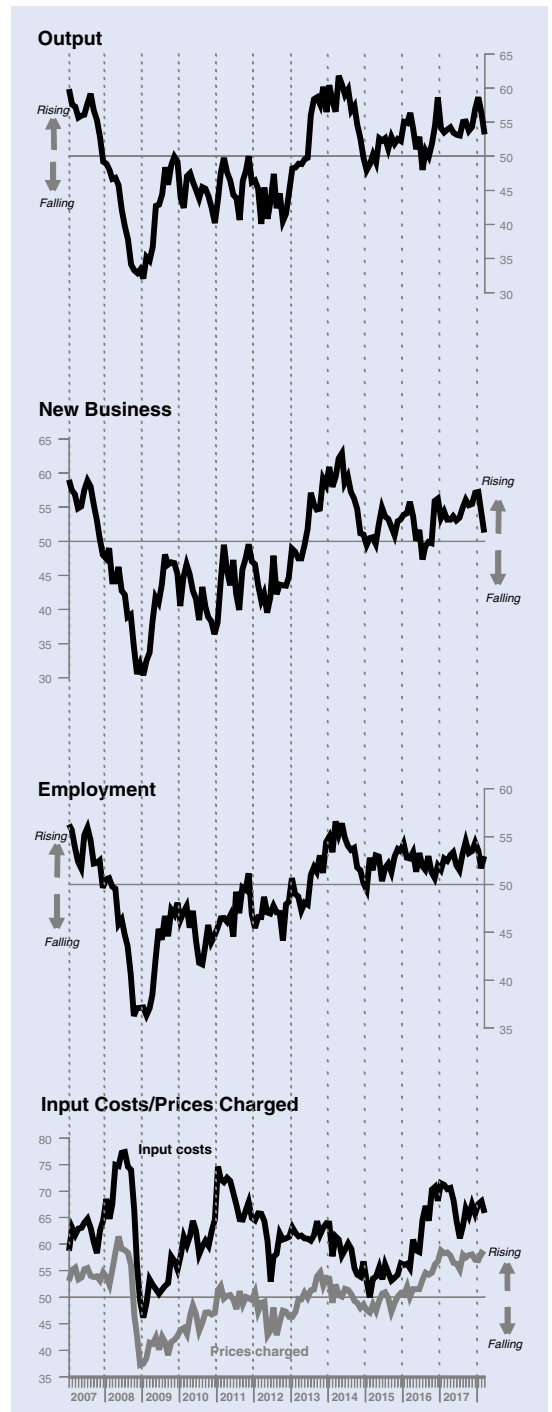
Inflationary pressures remain strong

Northern Ireland companies continued to record strong rises in input costs during March, despite the rate of inflation easing to the weakest in 2018 so far. Higher staff costs were mentioned by a number of respondents, while sterling weakness contributed to higher prices for raw materials.

Output prices also increased at a sharp, but reduced pace, with companies often passing on increased input costs to their clients.

Further optimism signalled

Companies remain confident that output will increase over the coming year, with sentiment broadly unchanged from February. Confidence in March reflected expectations of new order growth and the likely impact of additional marketing activities.



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.

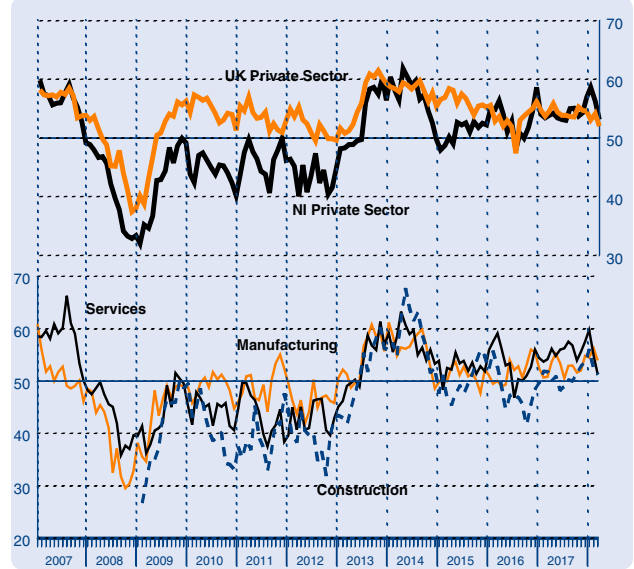
Output / Business Activity

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	Oct	24.1	57.0	18.9	5.1	52.6	53.8	55.3
	Nov	28.8	56.1	15.1	13.8	56.9	54.3	54.8
	Dec	33.0	55.1	11.9	21.0	60.5	56.9	54.6
2018	Jan	22.8	58.2	19.0	3.8	51.9	58.7	53.1
	Feb	20.9	62.5	16.6	4.3	52.2	56.3	54.2
	Mar	21.8	64.7	13.6	8.2	54.1	53.2	52.1

As has been the case throughout the past year-and-a-half, Northern Ireland companies saw an increase in business activity in March. Although remaining solid, the rate of expansion eased for the second month running and was the weakest since July last year. Anecdotal evidence linked higher output to new orders, but at the same time suggested a softening of client demand. Slower rises in activity were recorded across all four monitored sectors. Services and construction activity rose only slightly. Meanwhile, solid increases were recorded in manufacturing and retail, but rates of growth were at four- and seven-month lows respectively.

By sector				
		Construction	Manufacturing	Services
'18	Jan	56.1	54.5	59.8
	Feb	52.5	56.3	54.9
	Mar	51.3	54.0	51.4



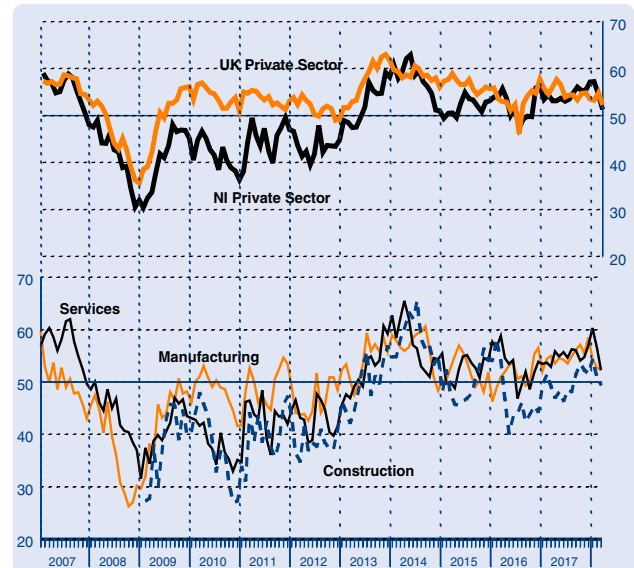
New Business

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	S.Adj'd Index
2017	Oct	23.9	58.4	17.7	6.2	53.1	55.3	54.8
	Nov	24.9	60.2	14.9	10.0	55.0	55.5	54.9
	Dec	33.3	53.0	13.7	19.5	59.8	57.2	53.6
2018	Jan	22.1	60.9	17.0	5.1	52.5	57.3	53.3
	Feb	21.9	64.9	13.2	8.6	54.3	54.5	54.9
	Mar	23.1	57.8	19.2	3.9	52.0	51.3	52.3

Northern Ireland companies saw new orders rise only slightly during March, with the rate of growth easing to the weakest in the current 17-month sequence of expansion. The increase in Northern Ireland was slower than the UK average. Panellists reported new contract wins from both domestic and external clients. On the other hand, some respondents linked lower new orders to political uncertainty. Solid, but slower, expansions in new business were registered across the manufacturing, service and retail sectors. Meanwhile, construction new business decreased, thereby ending a six-month sequence of growth.

By sector				
		Construction	Manufacturing	Services
'18	Jan	54.4	54.6	60.3
	Feb	50.8	52.8	56.6
	Mar	49.4	52.3	52.3



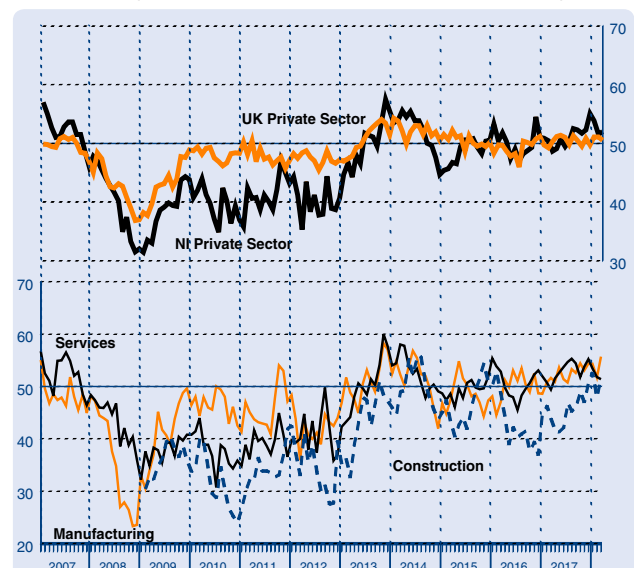
Backlogs

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	Oct	13.8	73.8	12.4	1.4	50.7	51.8	49.6
	Nov	21.7	65.9	12.4	9.3	54.6	52.4	50.9
	Dec	18.8	70.9	10.2	8.6	54.3	55.1	49.8
2018	Jan	16.0	71.0	13.1	2.9	51.5	53.9	51.1
	Feb	12.3	74.9	12.8	-0.5	49.8	51.6	51.1
	Mar	16.4	71.5	12.1	4.3	52.1	52.1	50.6

March data pointed to a rise in backlogs of work at Northern Ireland companies, extending the current period of increasing work-in-hand to nine months. Moreover, the rate of accumulation picked up from the previous month and was sharper than the average seen across the UK as a whole. According to respondents, new business, rising cost burdens and capacity constraints all contributed to the increase in backlogs of work. Three of the four monitored sectors saw outstanding business increase, led by manufacturing. The only exception was retail where a fractional decrease was recorded.

By sector				
		Construction	Manufacturing	Services
'18	Jan	52.6	54.4	53.5
	Feb	48.0	51.7	51.8
	Mar	51.6	55.8	51.5



Employment

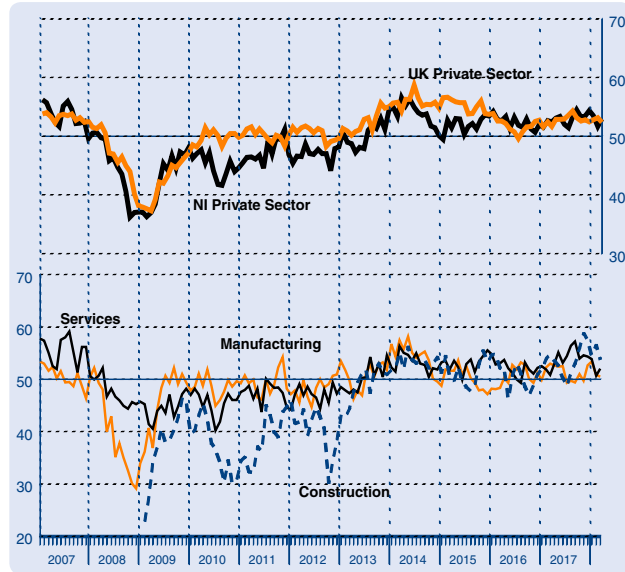
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2017 Oct	13.1	79.3	7.7	5.4	52.7	53.3	52.6
Nov	13.0	79.9	7.1	6.0	53.0	53.5	52.8
Dec	11.7	83.9	4.4	7.2	53.6	54.4	52.5
2018 Jan	13.2	77.4	9.4	3.8	51.9	53.6	52.9
Feb	8.7	84.1	7.3	1.4	50.7	51.7	53.2
Mar	13.7	79.2	7.1	6.7	53.3	53.0	52.4

In contrast to the weaker rises seen for output and new orders, Northern Ireland companies increased their staffing levels at a faster pace during March. The increase in employment was solid, with approximately twice as many respondents seeing a rise in staffing levels as posted a fall. The rate of job creation in Northern Ireland was faster than the UK average. Panellists reported increasing workforce numbers in response to higher new orders and as part of efforts to improve capacity.

All four monitored sectors saw employment increase, with the sharpest pace of job creation at retailers.

By sector			
	Construction	Manufacturing	Services
'18 Jan	54.6	53.4	53.9
Feb	56.6	50.9	50.7
Mar	53.9	50.5	52.1



Input Costs

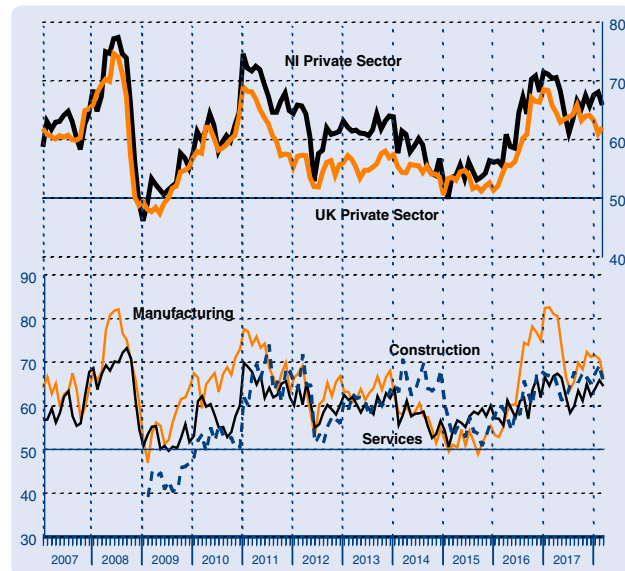
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2017 Oct	31.1	66.9	2.0	29.1	64.6	65.4	63.3
Nov	36.3	63.7	0.0	36.3	68.2	67.5	64.1
Dec	29.4	69.1	1.5	27.9	63.9	65.8	64.2
2018 Jan	37.5	61.2	1.3	36.2	68.1	67.6	63.4
Feb	38.8	60.4	0.8	38.0	69.0	68.1	61.1
Mar	34.6	65.1	0.4	34.2	67.1	65.9	62.1

Input prices continued to rise sharply in the Northern Ireland private sector during March, despite the rate of inflation easing to the weakest in 2018 so far. The latest increase was above the series average, and also sharper than that seen across the UK economy as a whole. Higher staff costs were mentioned by panellists as having led to rising input prices, while sterling weakness was again listed as a factor. There were also reports of higher costs for raw materials including steel.

Each of the four monitored sectors posted sharp increases in input prices. The fastest rise was in the retail sector, followed by manufacturing.

By sector			
	Construction	Manufacturing	Services
'18 Jan	67.5	71.7	63.9
Feb	69.3	70.8	65.9
Mar	65.1	66.7	64.5



Prices Charged

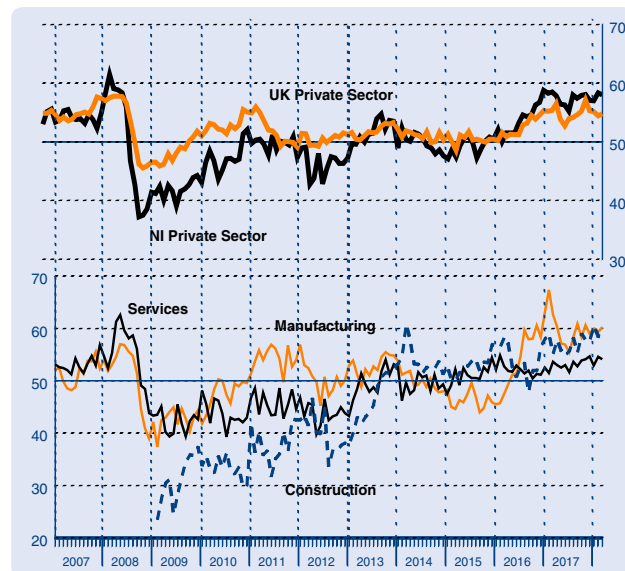
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2017 Oct	18.1	77.6	4.3	13.8	56.9	58.0	55.2
Nov	17.1	79.9	3.0	14.0	57.0	58.1	57.2
Dec	14.9	82.6	2.5	12.4	56.2	57.1	55.4
2018 Jan	19.5	77.2	3.3	16.2	58.1	57.0	55.2
Feb	21.9	74.4	3.7	18.1	59.1	58.4	54.5
Mar	21.3	76.3	2.4	18.9	59.5	58.0	54.9

Rising input costs were often passed on to clients by way of higher charges in March. The rate of output price inflation ticked down from February, but it remained sharp and was well above the UK average. Charges have now increased in each of the past 29 months. More than 21% of panellists reported a rise in output prices, compared with just 2% that lowered charges. As was the case with input costs, the sharpest increases in output prices were in the retail and manufacturing sectors.

Manufacturing charge inflation hit a four-month high. The weakest rise was in services, but charges were still up solidly over the month.

By sector			
	Construction	Manufacturing	Services
'18 Jan	60.4	60.0	53.0
Feb	58.5	59.4	54.6
Mar	58.6	60.3	54.1



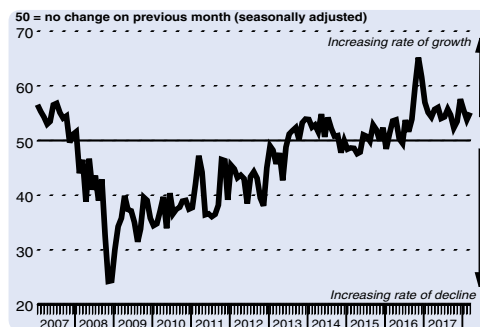
New Export Business*

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	Oct	10.5	73.7	15.7	-5.2	47.4	52.3
	Nov	19.1	71.2	9.7	9.3	54.7	53.5
	Dec	36.6	56.6	6.8	29.8	64.9	57.6
2018	Jan	13.3	73.7	13.0	0.4	50.2	55.6
	Feb	18.9	69.7	11.4	7.5	53.7	53.9
	Mar	23.1	65.3	11.6	11.5	55.7	55.2

Companies in Northern Ireland recorded an increase in new export orders again in March, extending the current sequence of growth to 21 months. Moreover, the rate of expansion was marked, having quickened from that seen in February. Companies mainly linked rising new export orders to strong demand from the Republic of Ireland.



Future Output

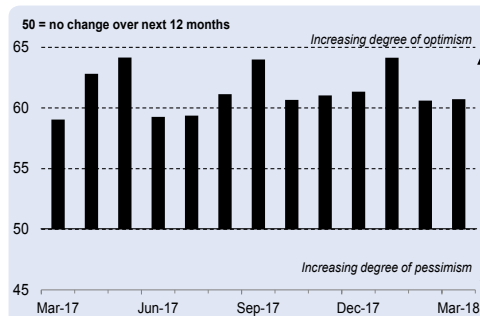
In 12 months' time do you expect the overall volume of output to be higher, the same or lower than now?

Northern Ireland Companies

All UK

		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	Index
2017	Oct	32.3	56.7	11.0	21.3	60.7	n/a	64.8
	Nov	32.6	56.9	10.5	22.1	61.0	n/a	66.2
	Dec	34.6	53.4	12.0	22.7	61.3	n/a	67.3
2018	Jan	37.1	54.2	8.8	28.3	64.1	n/a	69.9
	Feb	30.8	59.6	9.6	21.2	60.6	n/a	68.5
	Mar	31.8	57.8	10.4	21.5	60.7	n/a	65.6

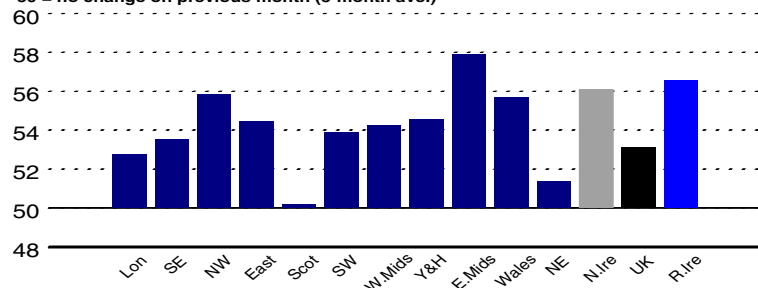
Business confidence was little changed in March, remaining elevated as close to 32% of panellists predicted a rise in output over the coming year. New order growth is expected to lead to increases in output, with marketing activities likely to support new business. That said, confidence in Northern Ireland is below the UK average.



Regional Comparisons: Output / Business Activity

The graph below shows the regional PMI Output Indexes for the UK and Ireland. An average of the latest three months is used (see also the table to the right). The first quarter of 2018 saw broad-based growth in output by region. The East Midlands recorded the strongest pace of expansion, with Northern Ireland and the North West also seeing robust growth. The increase in activity in Scotland, however, was only marginal. Output continued to rise sharply in the Republic of Ireland.

50 = no change on previous month (3-month ave.)



	Share of UK GVA, 2016 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.9%)	54.1	52.7	52.4
South East	(14.9%)	54.4	53.5	53.2
North West	(9.6%)	56.2	55.8	53.2
East of England	(8.7%)	55.5	54.4	52.7
Scotland	(7.8%)	51.2	50.2	50.8
South West	(7.5%)	53.7	53.9	54.3
West Midlands	(7.4%)	56.1	54.3	53.0
Yorks & Humber	(6.7%)	56.2	54.5	53.1
East Midlands	(5.9%)	56.8	57.9	55.2
Wales	(3.5%)	56.1	55.7	55.0
North East	(3.0%)	51.5	51.4	48.5
N. Ireland	(2.2%)	54.8	56.1	53.2
UK	(100.0%)	54.1	53.1	52.1
Rep. of Ireland	n/a	57.6	56.6	53.8

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 <https://ihsmarkit.com/products/pmi.html>.

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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