

Ulster Bank Northern Ireland PMI[®]

Faster rise in activity, but new order growth remains modest

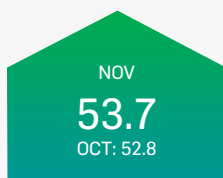
Key Findings

Activity increases solidly in November

New order growth slows

Business confidence remains muted

Northern Ireland Business Activity Index



Last six months NI / UK



By sector	Nov-18
Manufacturing	56.6
Construction	49.1
Retail (3mma)	52.0
Services	53.2

Growth was maintained in the Northern Ireland private sector in November, with activity rising at a solid pace. That said, rates of expansion in output and new orders were weaker than seen earlier in the year and business confidence remained relatively muted.

The headline seasonally adjusted Business Activity Index rose to 53.7 in November, thereby signalling a solid and accelerated monthly increase in output at companies in Northern Ireland. Up from 52.8 in October, the reading signalled the twenty-sixth successive monthly rise, and one that was much faster than the UK average.

Three of the four monitored sectors saw output rise, led by manufacturing where production increased at the sharpest pace since June. The only category to record a drop in activity was construction, where a fall was registered for the second month running.

Demand

Companies generally linked rises in output to higher sales. In turn, panellists reported that investment and marketing spend had helped them to secure new business. New orders continued to increase, albeit at a slightly reduced pace amid some suggestions that Brexit had dampened demand.

Brexit uncertainty was also mentioned as a factor restricting demand from abroad in November. Although new export orders continued to increase, the rate of expansion

eased for the sixth successive month.

Capacity

Weaker new order growth in recent months led spare resources to be used to deplete outstanding business. Backlogs of work decreased for the fourth month running, with the pace of reduction the most marked since August 2016.

Meanwhile, companies in Northern Ireland continued to expand their workforce numbers. Moreover, the rate of job creation in November was solid, having quickened to a six-month high.

Prices

The rate of input cost inflation eased to the weakest since August 2017 in November. That said, input prices continued to rise at a sharp pace amid higher staff costs and raw material price increases. Sterling weakness was again mentioned as a factor leading to higher cost burdens.

Companies responded to rising input costs by increasing their output prices accordingly. Charges rose at a marked pace. Inflationary pressures were strongest in the construction sector.

Outlook

Despite improving slightly in November, business confidence was the second-weakest since the series began in March 2017. Brexit was the foremost reason for pessimism.

Northern Ireland Business Activity Index

sa, >50 = growth since previous month



New Business Index



Modest rise in new orders

Northern Ireland companies continued to see new orders increase during November, extending the current sequence of growth to 25 months. That said, the rate of expansion was modest, having eased from that seen in October. Spending on marketing and investment reportedly bore fruit over the month, but a number of panellists indicated that Brexit acted to dampen demand. Three of the four monitored sectors posted increases in new orders, led by manufacturing. Construction new work, meanwhile, fell at the fastest pace in almost two years.

New Business Index

sa, >50 = growth since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-18	55.0	45.9	53.6	51.2

Outstanding Business Index

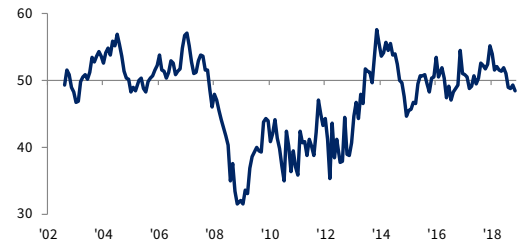


Fourth successive reduction in backlogs

As has been the case in each month since August, private sector firms in Northern Ireland registered a reduction in outstanding business in November. The latest fall in work-in-hand was modest, but the most marked since August 2016. The decline in backlogs in Northern Ireland was softer than the UK average, however. Panellists indicated that weaker new order growth led them to work on existing projects. Bucking the overall trend, manufacturers posted a rise in backlogs of work.

Outstanding Business Index

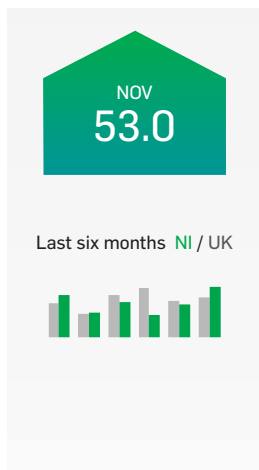
sa, >50 = growth since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-18	53.7	47.0	47.6	46.2

Employment Index



Rate of job creation at six-month high

Employment rose at a solid pace in November, with the rate of job creation quickening for the second month running to the fastest since May. Some panellists indicated that extra staff had been hired as part of business expansion plans. All four broad sectors recorded increases in employment, with sharper rises posted in the manufacturing and construction categories.

Employment Index

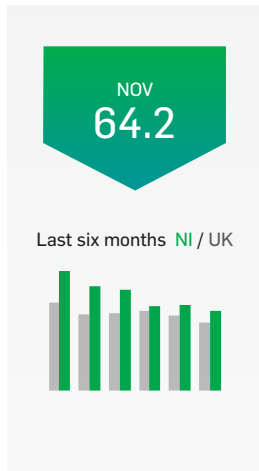
sa, >50 = growth since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-18	53.0	54.5	52.1	52.4

Input Prices Index



Slower increase in input prices

Although remaining sharp in November, the rate of input cost inflation softened and was the slowest since August 2017. Higher staff costs were widely mentioned, while firms also reported increases in raw material prices, exacerbated by sterling weakness. Construction posted the sharpest rise in input prices, followed by retail. The slowest increase was at service providers, where inflation softened to a 13-month low.

Input Prices Index

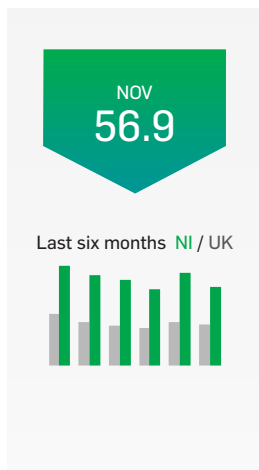
sa, >50 = inflation since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-18	65.5	69.4	68.2	61.9

Prices Charged Index



Rate of output price inflation remains elevated

Northern Ireland companies continued to raise their output prices at a sharp pace in November, and one that was much faster than the series average. The increase in charges in Northern Ireland was also a lot stronger than the UK average. Where selling prices rose, panellists generally linked this to the passing on of higher input costs to customers. As was the case with input prices, the construction sector posted the fastest inflation of output charges.

Prices Charged Index

sa, >50 = inflation since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-18	58.6	59.4	57.0	54.5

Future Output Index

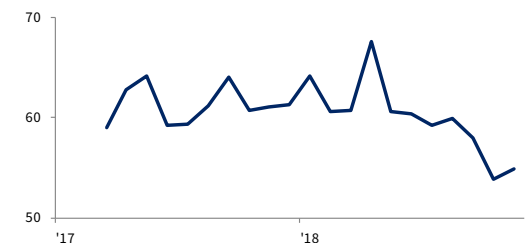


Sentiment remains historically muted

Business confidence was the second-lowest in the 21-month series so far in November, only slightly stronger than the record low posted in October. Northern Ireland companies were much less optimistic than their counterparts across the UK as a whole. Anecdotal evidence suggested that Brexit was the main factor dampening the outlook. Construction firms remained pessimistic in the latest survey period, while manufacturers and retailers both saw confidence hit new lows. Only services saw confidence improve in November.

Future Output Index

>50 = growth expected over next 12 months

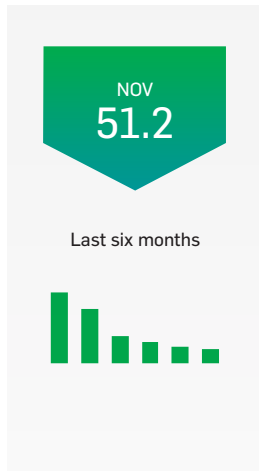


By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-18	55.6	45.0	54.7	58.0

New Export Business Index

Note: Export business is defined as from outside the UK.



Slowest rise in new export orders in almost two-and-a-half years

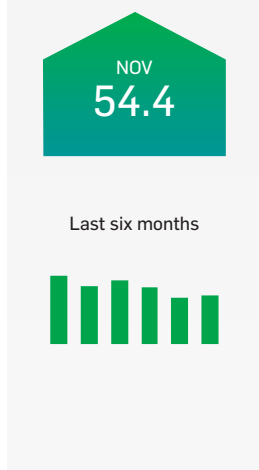
Although new export orders rose for the twenty-ninth successive month in November, the rate of expansion was the weakest in this sequence, having eased for the sixth month running. While some panellists were reportedly able to secure new business from abroad, others indicated that Brexit uncertainty had deterred customers.

New Export Business Index
sa, >50 = growth since previous month



Northern Ireland Export Climate Index

Note: Export markets are defined as non-UK.



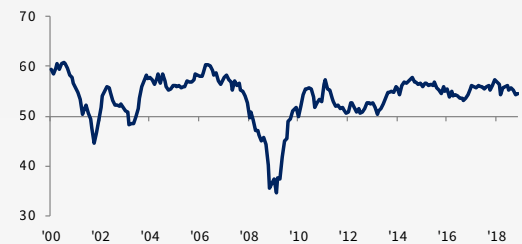
Demand in export markets improves solidly

The Northern Ireland Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Northern Ireland. This produces an indicator for the economic health of the country's export markets.

The Northern Ireland Export Climate Index ticked up to 54.4 in November from 54.2 in October, to signal a solid monthly improvement in the health of the export climate for Northern Ireland companies.

Business activity in the Republic of Ireland increased sharply again in November, and at a faster pace than in October. Solid growth continued to be recorded in the US and Canada. There were continued signs of weakness in the eurozone, however, with Germany registering the weakest increase in output for almost four years.

Export Climate Index
sa, >50 = improving export climate since previous month



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Oct-18
1	Republic of Ireland	31.7%	56.6
2	USA	17.1%	54.4*
3	Canada	5.6%	53.4
4	France	5.2%	54.2
5	Germany	4.7%	52.3

* flash data

Northern Ireland Industry Specialisation

Location quotients (LQs) are useful measures of regional economic specialisation and offer a means to identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater

than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for Northern Ireland, broken down by manufacturing and services sub-sectors. The UK Output Index for each sub-sector is also displayed.

Manufacturing specialisation: Northern Ireland

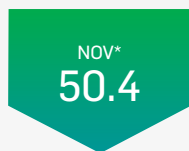
Rank	Sector	LQ	UK Output Index, Nov-18 (3mma)
1	Food & Drink	1.72	55
2	Electrical & Electronic	1.26	52
3	Machinery & Equipment	1.02	55
4	Wood & Paper	0.88	48
5	Chemicals, Rubber & Plastics	0.87	52
6	Metals & Metal Products	0.78	48
7	Other Manufacturing	0.72	55
8	Textiles & Clothing	0.72	48
9	Transport Equipment	0.72	48

Services specialisation: Northern Ireland

Rank	Sector	LQ	UK Business Activity Index, Nov-18 (3mma)
1	Hotels, Restaurants & Catering	1.38	50
2	Other personal/consumer Services	1.30	48
3	Transport & Communication Services	1.18	50
4	Computing & IT Services	0.87	52
5	Business-to-business Services	0.85	50
6	Financial Intermediation	0.70	52

UK Sector Focus: Other Personal/Consumer Services

Output Index



Last six months*



*3mma

'Other' consumer services sector edges closer to stagnation

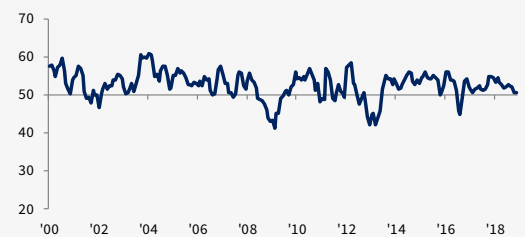
The UK's 'other' consumer service sector saw its slowest growth performance for more than two years in the three months to November, as weak confidence continued to undermine household demand.

Business activity across the sector – which includes recreation and sporting activities as well as personal care – rose only slightly, registering the smallest increase since the current upturn began in late-2016. The sector was the weakest performing across the UK services economy, closely followed hotels & restaurants.

With activity barely rising and business confidence at an eight-year low, data revealed cutbacks to staffing numbers in the sector. With the exception of the months immediately after the Brexit vote, the job losses were the most marked in over five years.

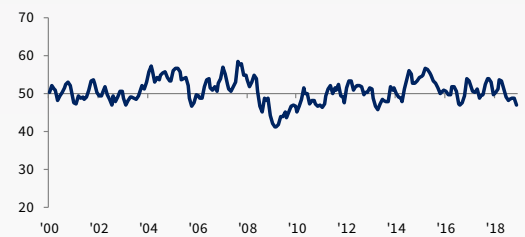
Output Index

sa, >50 = growth since previous month (3mma)



Employment Index

sa, >50 = growth since previous month (3mma)



UK Regional Rankings

Business Activity

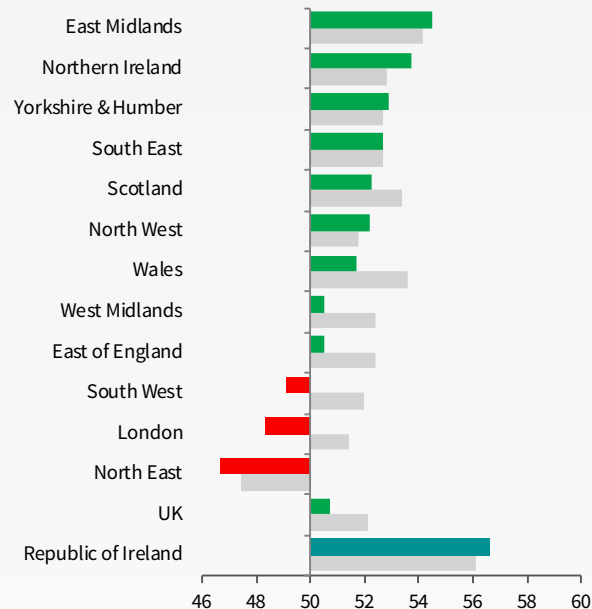
There were contrasting trends across UK regions in terms of business activity in November. The top three ranked regions – the East Midlands, Northern Ireland and Yorkshire & Humber – all saw faster growth, while in the South East (ranked fourth overall) the rate of expansion was unchanged. The remainder, however, most recorded either a loss of growth momentum or outright falls in output. The North East (46.6) – which saw output fall for the third month running and at a quicker pace – was joined in contraction by London (48.3) and the South West (49.1). In both cases, it was the first fall in output since July 2016.

Employment

The North West was the top-performing region for employment growth in November, having seen job creation re-accelerate to the second-quickest since February. Wales, which was ranked second overall, also enjoyed a pick-up in the pace of hiring, to the quickest in over a year. The North East saw the only decrease in private sector employment, though the rate of decline was the slowest since August.

Output Index by region

sa, >50 = growth since previous month, Nov-18 (Oct-18)



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Methodology

The Ulster Bank Northern Ireland PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 200 private sector companies in Northern Ireland, operating in the manufacturing, construction, retail and services sectors. The panel has been carefully selected in order to accurately reflect the true structure of the economy and therefore provide an accurate picture of business conditions.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Northern Ireland PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers' Index® (PMI®) surveys are 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 ihsmarkit.com/products/pmi.html.

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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.

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