

According to the latest Ulster Bank PMI survey, Northern Ireland's private sector has experienced a rapid recovery and a significant slowdown in less than two years. Whilst a moderation in growth was always anticipated, the speed and scale of the slowdown since the fourth quarter of last year was perhaps faster and more marked than had been expected.

The latest PMI survey shows that local firms reported a decrease in business activity in Q1 2015. This represented the first quarterly decline since Q2 2013. On a more positive note, the March report signalled the first monthly increase in business activity, albeit marginal, since November 2014. Whilst this may not represent a notable rebound in activity it suggests that private sector demand is at least stabilising.

Despite the recent slowdown, local firms have still managed to increase their staffing levels and reported an expansion in their order books in each of the last seven quarters. It should be noted, however, that the rate of growth in new orders remains very weak. Furthermore, the strength of sterling vis-à-vis the euro is cited by survey respondents as an issue affecting demand. Indeed, export orders recorded their second quarterly decline in Q1 2015. The exchange rate is likely to remain an issue affecting export price competitiveness for the foreseeable future.

Northern Ireland's private sector recovery continues to lag significantly behind that of the UK. Scotland and Northern Ireland were the only two regions within the UK to report a decrease in business activity in Q1 2015. Meanwhile the same two regions recorded the weakest rates of employment growth over the same period.

At an industry level, local firms within the services sector reported the strongest rates of growth in output, new orders and employment for Q1 2015. The service sector has recorded

growth in each of these variables for seven consecutive quarters. The latest survey for March also reported a marked pick-up in input cost inflation within the service sector. This was linked to higher wage costs as pay rises start to filter through. The manufacturing sector has also enjoyed seven successive quarters of growth in output, orders and employment. Meanwhile the retail and construction sectors both recorded falling levels of output and orders in the latest quarter and last month. While the construction sector has still managed to increase its employment levels the retail sector has continued to reduce its staffing levels for the last two quarters.

Overall, the latest survey suggests some degree of stabilisation within private sector activity following a recent soft patch. Meanwhile individuals, who have lagged behind businesses in experiencing the recovery, are now benefiting from rising wages and employment coupled with record low inflation – something of a purple patch for the cost of living. However, both businesses and individuals face challenges and uncertainty in the months ahead. Not least, in relation to what happens with tax and public spending after the forthcoming General Election.

You can download the PMI report, audio clips and the slidepack [here](#).

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