

The Ulster Bank Northern Ireland PMI for August is published this morning and shows that private sector output grew again, but the rate of expansion was only slight.

Here are some of the key points from the report (you can view and download the full document [here](#)):

- A further increase in new business was recorded and firms upped their pace of job creation
- The rate of cost inflation eased and companies left their output prices broadly unchanged
- Three of the four monitored sectors (manufacturing, services, retail, and construction) recorded an increase in activity, led by retail. The only category to post a fall in output was construction
- Additional workloads contributed to a seventh consecutive monthly rise in employment in Northern Ireland
- Although modest, the latest increase in staffing levels was the sharpest since May
- The retail and service sectors were the main drivers of overall job creation
- Backlogs of work increased for the third month running amid growth of new business.

Analysis

Last month proved to be something of a roller-coaster ride for global equity markets with China's plunging stock market grabbing the headlines. Of more concern is the mounting evidence that a global slowdown, driven by China, is in train. This was evident in the Markit PMIs with the vast majority of manufacturing surveys signalling weaker growth in August relative to July. It was also recently confirmed that global trade in the first half of 2015 expanded at its slowest rate since 2009.

Whilst Northern Ireland's trade with China is somewhat limited, the local economy is not immune from a wider global slowdown. The manufacturing sector is particularly sensitive to changes in global economic conditions. Indeed, the Ulster Bank PMI survey for Northern Ireland revealed a notable slowdown in manufacturing output, new orders and job creation. New order growth hit a six-month low in August and employment growth almost stagnated.

The slowdown in the rate of growth in new orders and business activity was also evident within the service sector. Local service sector firms reported an easing in the rate of growth in business activity to a six-month low, with order books expanding at their weakest rate in three months. It is noted that Northern Ireland's service sector slowdown mirrored the trend reported by UK firms. More encouragingly, Northern Ireland's service sector added to their staffing levels at the fastest pace in thirteen months.

Outside of manufacturing and services, Northern Ireland's construction industry remains the only sector reporting falling levels of output, orders and employment. Interestingly, the retail sector reported faster rates of growth in activity, new orders and employment in August. The return of pay rises, record low inflation and falling food, petrol and energy prices are providing something of a consumer feel-good factor.

Overall, it is encouraging that Northern Ireland's private sector is still reporting growth in output and new orders for the fourth successive month, albeit at slower rates. Furthermore, private sector employment was one of the few indicators to improve in August, with the rate of job creation accelerating. Given that the fastest growing economy in the EU - the Republic of Ireland - is on our doorstep, notwithstanding an uncompetitive sterling / euro exchange rate, offers significant opportunities for local businesses. On the downside, the current political difficulties will undoubtedly affect business confidence in the months ahead and uncertainty with public sector budgets will continue.

About the PMI

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. The PMI surveys are based on fact, not opinion, and are the first indicators of economic conditions each month. The data are collected using identical methods in all countries and regions so that accurate comparisons may be made. Questionnaires are completed in the latter half of each month and are collected and processed by economists at Markit Economics. Respondents are asked to state whether business conditions for a number of variables have improved, deteriorated or stayed the same compared with the previous month.

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