

Ulster Bank NI PMI, June 2016

52.9

The headline seasonally adjusted Business Activity Index rose to 52.9 in June from 51.1 in May



Activity has now increased in each of the past 14 months, and sharper than the UK average in June



The rate of expansion in new orders also picked up last month, but remained modest



New export orders decreased in June. This ended a four-month sequence of expansion



Staffing levels increased for the 17th successive month in June and at the fastest rate in the UK



Backlogs of work decreased for the second successive month, albeit only slightly



The rate of cost input inflation remained marked in June and was faster than the UK average



Higher staff costs and weaker sterling were mentioned by respondents as the reason for input inflation



All four monitored sectors posted increased selling prices, led by services and retail

Sectoral performance - Business Activity

Construction



47.3 ↓

Manufacturing



54.0 ↑

Services



53.5 ↑

Retail



52.5 ↑

50.0 represents the threshold between expansion and contraction. The higher the number above 50, the faster the rate of growth. The lower the number below 50, the faster the rate of contraction.

Today sees the release of June data from the Ulster Bank Northern Ireland PMI®. The latest report – produced for Ulster Bank by Markit – signalled that growth was maintained at the end of the second quarter, with sharper expansions of output, new orders and employment recorded.

Improvement

Northern Ireland firms reported an improvement in business conditions last month across most of the key indicators. The rate of growth in business activity, new orders and employment all accelerated in June. However, this improvement in private sector activity is measured against subdued rates of expansion in May.

Furthermore, the rates of growth in output and new orders are still much weaker than those recorded earlier in the year and remain well below the long-term average before 2009. It is also worth noting that the majority of survey responses were received prior to the UK referendum result.

Growth forecasts now being slashed

Since then, economists have slashed their growth forecasts for the UK economy. The consensus opinion is for marginal rates of growth next year, with an increasing number of economists expecting the UK economy to enter recession. Given its reliance on GB, Northern Ireland would be very likely to follow suit.

The most positive aspect of the latest survey concerns employment. Private sector firms reported a pick-up in hiring in June, with the rate of job creation the fastest of all the UK regions. All sectors increased their staffing levels in June and retail continues to generate

the fastest rate of employment growth.

Manufacturing jobs rebound

Manufacturing firms reported a strong rebound in job creation following a sustained period of job losses. This follows a marked reversal in fortunes for manufacturing output and orders, with the former hitting a 20-month high. No doubt the exchange rate is providing a much needed boost. Perhaps of more concern is the slowdown in service sector employment growth which slowed in June to a 12-month low.

New era of uncertainty

Following the referendum result, the business community has entered a new era of uncertainty. This has already had an impact on investment intentions. Given that Northern Ireland shares a land-border with the EU, the referendum result will most likely have even greater economic significance for us. What happens to our Single Market access – both in terms of trade and accessing a pool of skilled and unskilled labour – will be closely watched by our manufacturing, agriculture and hospitality sectors in particular.

The most notable reaction to date has been the sharp fall in Sterling. The pound recently hit a 31-year low against the dollar and has depreciated by 10% against the euro. While this will impact negatively on consumer price inflation and the cost of imports, it also has some advantages.

Manufacturing export price competitiveness has increased, and so too has the cost competitiveness of US service sector firms operating in Northern Ireland. Our tourism offering is also more attractive in both European and North American markets. Meanwhile our retailers, particularly those in border areas can expect an influx of shoppers from the

Republic of Ireland.

The main findings of the June survey were as follows:

- The headline seasonally adjusted Business Activity Index rose to 52.9 in June from 51.1 in the previous month. This pointed to a solid monthly expansion in output that was faster than that seen in May.
- Activity has now increased in each of the past 14 months, with the latest expansion sharper than the UK economy average. The rate of expansion in new orders also picked up, but remained modest. Both the manufacturing and service sectors saw new business increase, while declines were recorded in construction and retail.
- Staffing levels increased for the seventeenth successive month in June, with panellists linking the rise to higher output requirements.
- The rate of job creation was solid and sharper than seen in May. Backlogs of work decreased for the second successive month, albeit only slightly and to a lesser extent than in May.
- Despite easing slightly for the second month running, the rate of input cost inflation remained marked in June and was faster than the UK economy average.
- A number of respondents mentioned higher staff costs, while there were also reports that a weaker sterling had led the prices of imported items to rise.
- The manufacturing sector posted the fastest increase in input costs as the rate of inflation quickened to a 23-month high.
- The passing on of higher input prices to clients led to another monthly rise in charges at Northern Ireland companies. The rate of inflation was modest and little-changed from the previous month amid reports of competitive pressures.

Listen to a podcast about the latest PMI

<https://ulstereconomix.com/wp-content/uploads/2016/07/richard-ramsey-ulster-bank-ni-pni-june-2016.mp3>

View the slidepack

Share this:

- [Twitter](#)
- [Facebook](#)
- [LinkedIn](#)
- [Email](#)