



Today sees the release of February data from the Ulster Bank Northern Ireland PMI®. The latest report – produced for Ulster Bank by Markit – signalled further solid growth of output during February, despite the rate of expansion easing further from the high seen at the end of last year. Both new orders and employment rose at sharper rates, with growth of each broadly in line with the UK average. Meanwhile, inflation of both input costs and output prices remained elevated.

Whilst Northern Ireland business activity continued to expand in February, it was the second month in a row in which growth eased, following a trend in the wider UK economy. On the positive side, both new orders and employment growth quickened, with the rate of job creation hitting a five-month high. All four segments of the private sector also recorded increases in both output and employment, with construction returning to expansion after ten months of contraction, and retail – the fastest growing sector – continuing to experience buoyant demand.

However, significant inflationary pressures continue to be a key theme, with price rises evident across all sectors. The manufacturing sector saw the most marked increase in its cost-base, with input prices rising at their fastest rate on record. Where possible, manufacturers seem to be passing these increased costs onto their customers, evident in a

record rise in output prices. Escalating prices are also apparent in the retail sector, with input price inflation at a high of almost eight-and-a-half years, and the prices that retailers charge to consumers are now rising at their fastest rate since the survey began around 14 years ago.

This is driven by the weak sterling, the flip side of which is a continuing strong export performance, which is driving growth in manufacturing and cross-border retail. However, the challenge in the months ahead will be to maintain growth in the face of such strong inflationary pressures, alongside no shortage of political challenges. The danger is that the economy takes a back seat as politicians grapple with triggering Article 50 in the UK and re-establishing political stability in Northern Ireland.

The main findings of the February survey were:

- The headline seasonally adjusted Business Activity Index remained above the 50.0 no-change mark in February.
- At 53.5, the index signalled a solid monthly expansion in output, albeit one that was weaker than seen in January (54.2).
- For the first time since March 2016, all four sectors saw output increase as construction returned to growth.
- Panellists linked the rise in activity to higher new orders and marketing efforts. The rate of growth in new orders quickened in February.
- Meanwhile, new export orders continued to rise sharply amid higher new business from clients in the Republic of Ireland.
- The rate of job creation quickened to a five-month high in February as companies reacted to higher new order levels. New order growth also led to a further increase in backlogs of work, the fourth in as many months.
- February data signalled a further substantial monthly rise in input prices at Northern

Ireland companies, with the rate of inflation only marginally slower than January's 68-month high.

- Sterling weakness was again the main factor behind higher input costs. Manufacturers posted a record rise in input prices.
- Record increases in prices charged were seen in both the manufacturing and retail sectors.
- The rise across the private sector as a whole was at a near-record pace, having eased only slightly from January's eight-and-a-half year high.

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