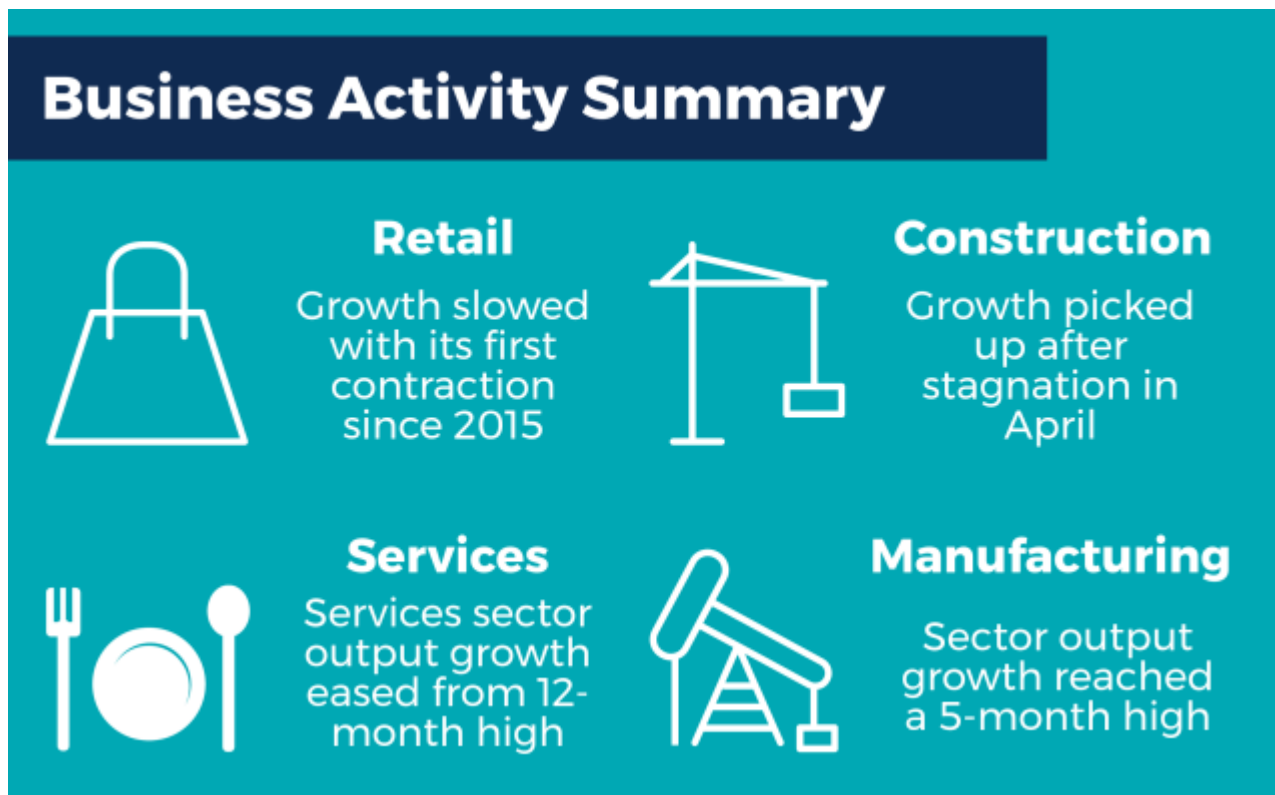




Today sees the release of May data from the Ulster Bank Northern Ireland PMI<sup>®</sup>. The latest report – produced for Ulster Bank by IHS Markit – pointed to a pick-up in new order growth during May, supporting a further solid increase in output. The rate of job creation also accelerated as firms responded to current workloads and positive expectations around future new work. Meanwhile, both input costs and output prices rose at slower rates than in April.

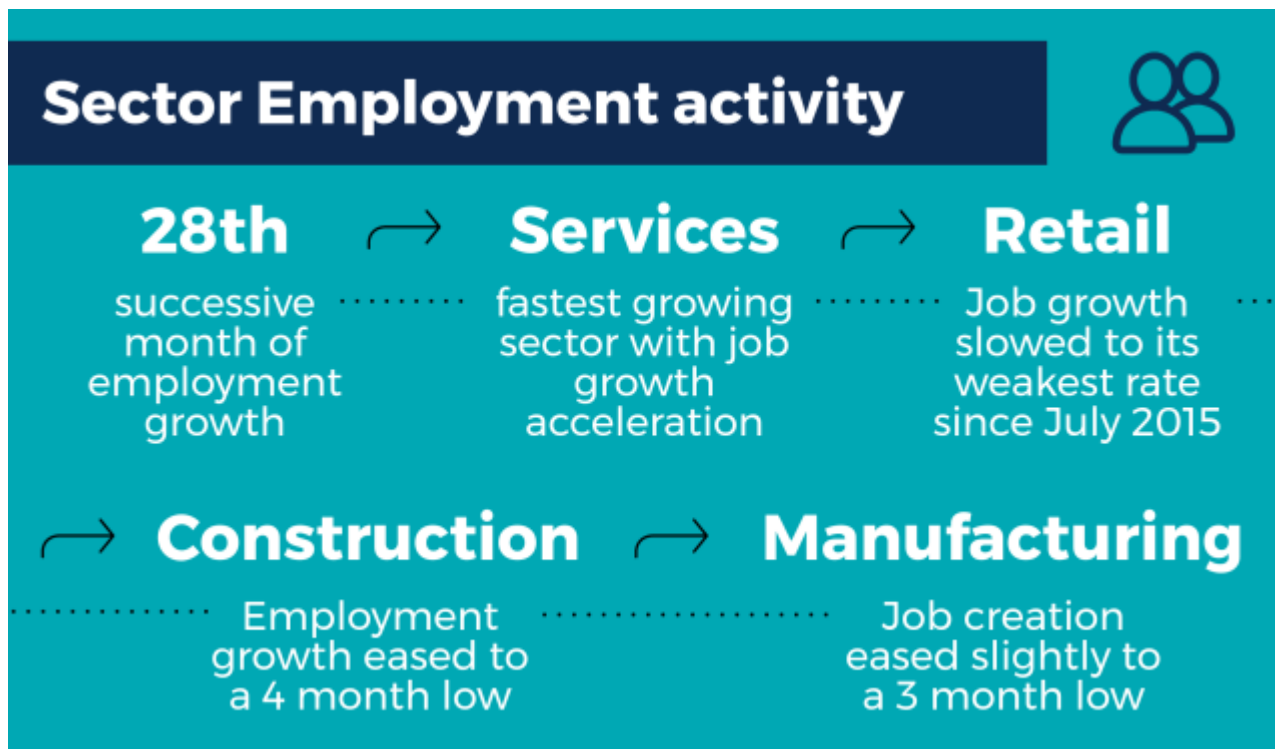
Eleven months have passed since the EU referendum. Over this period the rate of private sector growth amongst local firms has been broadly in line with the growth rate in the eleven months prior to the vote. However, in May, Northern Ireland, like most other regions of the UK, saw a slowdown.

Business activity expanded, as it has expanded in each of the last eight months, but the rate of expansion remained below the average rate that prevailed before the downturn. New orders though picked up, with demand strongest from export markets. Indeed, order books from export markets have been expanding at a faster rate than the pre-downturn long-term average in each of the last eight months.



The exchange rate has been a factor behind Northern Ireland's strong export performance since last autumn. But sterling weakness has also pushed up input costs alongside the price of goods and services. Last month, firms reported an easing in inflationary pressures, with input and output price inflation slipping to five- and six-month lows respectively. That said, inflationary pressures remain elevated by historical standards.

The most encouraging indicator in the latest survey concerned employment. Firms increased their staffing levels at their fastest rate in 13 months. The pick-up in the pace of job creation was due solely to the services industry, with all other sectors signalling a slowdown in employment growth. Service sector firms increased their staffing levels in May at the fastest rate in 17-months. This follows a sustained period of subdued growth.



Other encouraging signs were evident within manufacturing. Output and new orders amongst manufacturing firms picked up markedly in May. Meanwhile the opposite trend was evident within retailing. Following its recent purple patch, retail activity has slowed markedly. Both retail sales and orders dropped marginally in May with sales growth at its weakest since December 2015. Construction firms reported lacklustre growth, with new orders falling for the third month in a row. The construction sector firms also signalled that they expected activity to be broadly unchanged over the next 12 months. Conversely, business confidence for the year ahead amongst all other sectors improved in May. It remains to be seen whether this optimism is justified. Political developments at home and abroad will have a significant bearing on this going forward.

## Top 3



The best performer in May was Manufacturing - the worst was retail



Export orders and employment accelerated



Inflation pressures eased however firms continue to raise prices

### The main findings of the May survey were as follows:

The headline seasonally adjusted Business Activity Index posted 53.5 in May, down slightly from 54.3 in April but still pointing to a solid monthly rise in output. Three of the four monitored sectors registered rises in output, led by manufacturing. The exception was retail, where activity stagnated. Higher activity was largely reflective of new order growth. The rate of expansion in new business quickened to a three-month high, with investment in sales teams and marketing helping firms take advantage of improving client demand. The rate of growth in new export orders also accelerated. Firms again linked improving new export business to sterling weakness.

## New Business Activity/Orders



### 3-month high



New orders  
growth  
accelerated

### 3rd



successive  
month of decline  
in Construction  
orders

### 2-month high

Manufacturing  
orders growth  
picked up

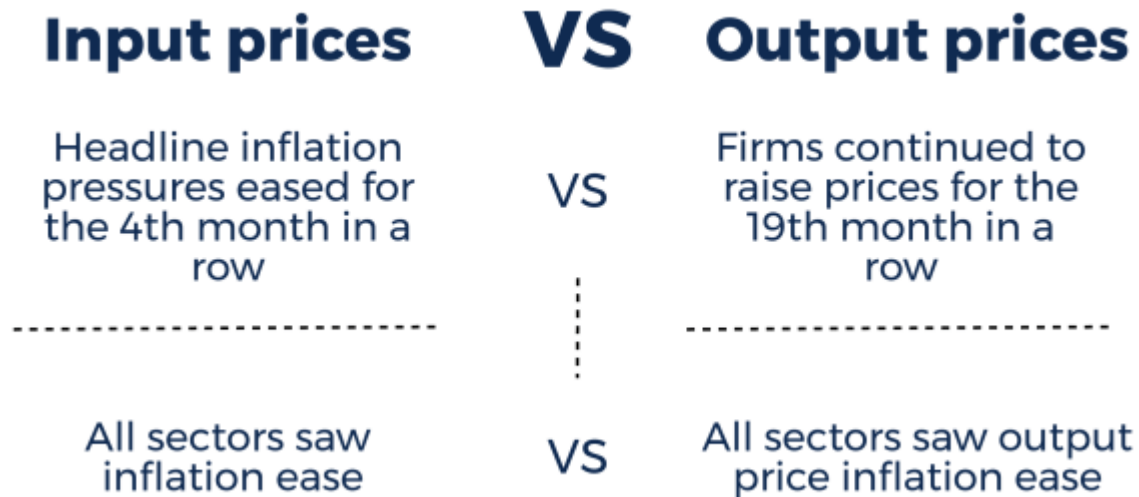


### 1st



decline in  
10 months  
for Retail  
sector

Employment rose at the fastest pace since April 2016. As well as to work on current projects, companies took on extra staff in anticipation of further rises in workloads in future months and as part of business investment. Backlogs of work, meanwhile, increased for the first time in three months.



Although remaining sharp in May, the rate of input cost inflation eased to the weakest in the year-to-date. Output prices also rose at a slower pace, with the rate of inflation at a six-month low. Where charges increased, this was mainly a reflection of the passing on of higher input costs. Confidence among companies improved in May. Optimism around the prospects for output growth reflected expected rises in new orders and marketing activities bearing fruit.

To view the full UlsterEconomix May PMI Infographic: click [here](#).

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