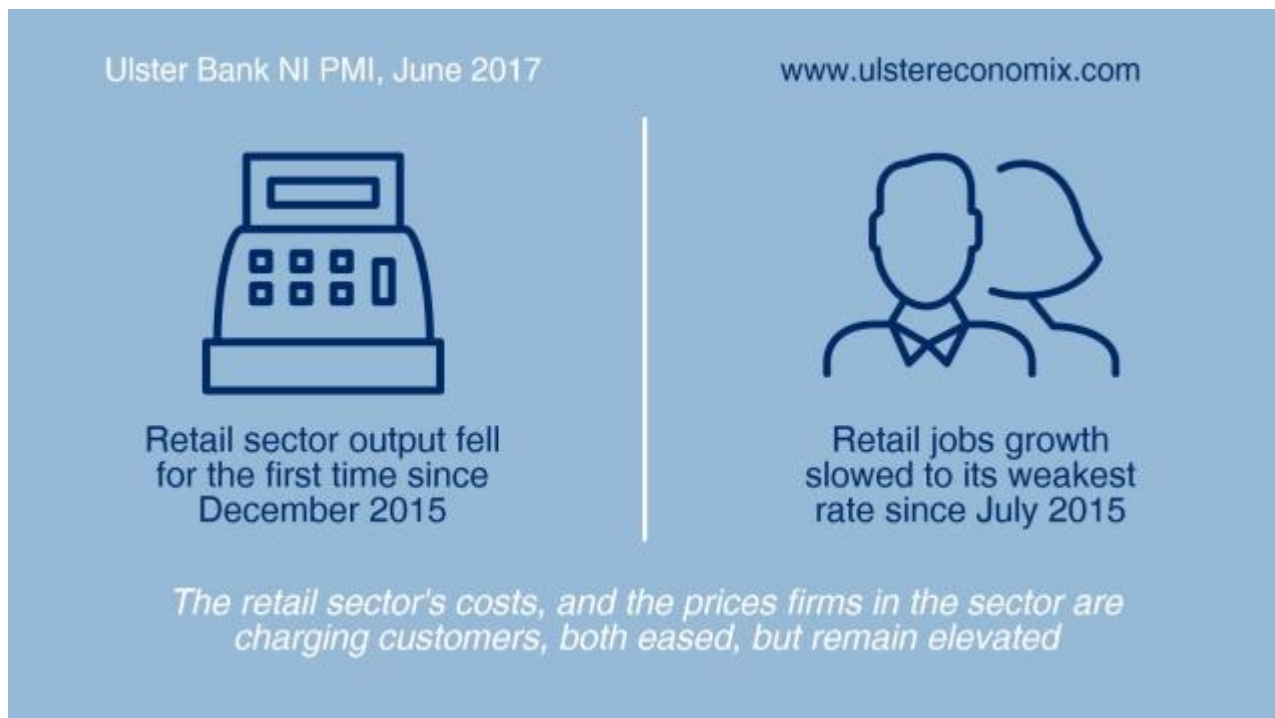


Today sees the release of June data from the Ulster Bank Northern Ireland PMI.



The latest survey brings to an end the first half of 2017, and it shows that Northern Ireland’s private sector economy enters the latter part of the year with some momentum. Indeed, business activity has performed more strongly than perhaps would have been expected, with the services sector the star performer in the past quarter.

In June, business activity continued to expand, but the rate of growth has been easing and currently sits at an eight-month low. This was due to a slowdown in retail, construction and manufacturing, with the services sector bucking the wider trend. On the positive side, employment and exports continue to rise, but the overall theme is one of easing, with these indicators expanding less robustly than in the previous month.



Inflationary pressures are also easing from very high levels, however both input and output inflation remain elevated, which is a key concern for the second half of the year. This is particularly the case for retail and other consumer-sensitive sectors, which will continue to be impacted by pressures on consumer-spending due to rising prices, subdued wage-growth, and freezes in some benefits.

Indeed, some local retailers are reporting that sales and orders both fell in June, and this is a trend that may well continue into the months ahead. Despite this, local firms remain positive about the outlook for the next 12 months. However, they are less positive than they have been, which reflects a number of factors including reduced consumer confidence, political instability, and ongoing negotiations around Brexit. None of these issues

None of these issues appears to be going away any time soon. Concerns around Northern Ireland's public finances also remain; however they will have been eased somewhat by the recent funding package agreed with Westminster.

Key findings:

- The headline seasonally adjusted Business Activity Index posted 53.2 in June, down marginally from the reading of 53.5 in May, and continuing to signal solid monthly growth of output in the Northern Ireland private sector.
- Panellists indicated that higher new work volumes was the principal factor driving the latest expansion in output.
- New business also rose solidly, albeit at the slowest pace in the current eight-month sequence of expansion.
- Some respondents reported having been able to secure new clients over the month, but others mentioned that uncertainty had dampened demand.
- As has been the case in each month since February 2015, staffing levels increased, with firms linking the latest rise to higher activity requirements.
- The rate of job creation was modest, however, and the slowest since January.
- Although input prices continued to rise sharply on the back of sterling weakness and higher staff costs, the rate of inflation eased for the second month running and was the slowest for a year.
- The rate of output price inflation was little-changed, meanwhile, with charges continuing to rise markedly as companies passed on higher cost burdens to their clients.
- Companies in Northern Ireland displayed optimism regarding the potential for output growth over the next 12 months, often reflecting business expansion plans. That said, sentiment was the lowest since March amid market uncertainty.

Ulster Bank Northern Ireland PMI

June 2017

53.2

Growth in business activity eased to an 8-month low



Employment levels at firms grew for the 29th successive month but the rate of growth eased

The Ulster Bank Northern Ireland Purchasing Managers' Index® is a monthly survey of local businesses. It gives an indication of underlying trends in the manufacturing, services and construction industries within the Northern Ireland private sector economy.



New orders growth slowed to an 8-month low, with the construction and retail sectors seeing their order books decline.

Retail orders

Fell to an 11-month low

Prices
Up for the 20th month in a row

Exports

Fell to a 9-month low



53.4

Manufacturing sector growth slowed to a 3-month low



56.1

Services sector growth accelerated and is just below April's 12-month high



48.3

Construction sector output fell at its steepest pace since November 2016



49.0

Retail sector output fell for the first time since December 2015

Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration

Download the Northern Ireland PMI report or Listen to Richard Ramsey, Chief Economist Northern Ireland, Ulster Bank summarise the findings.

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