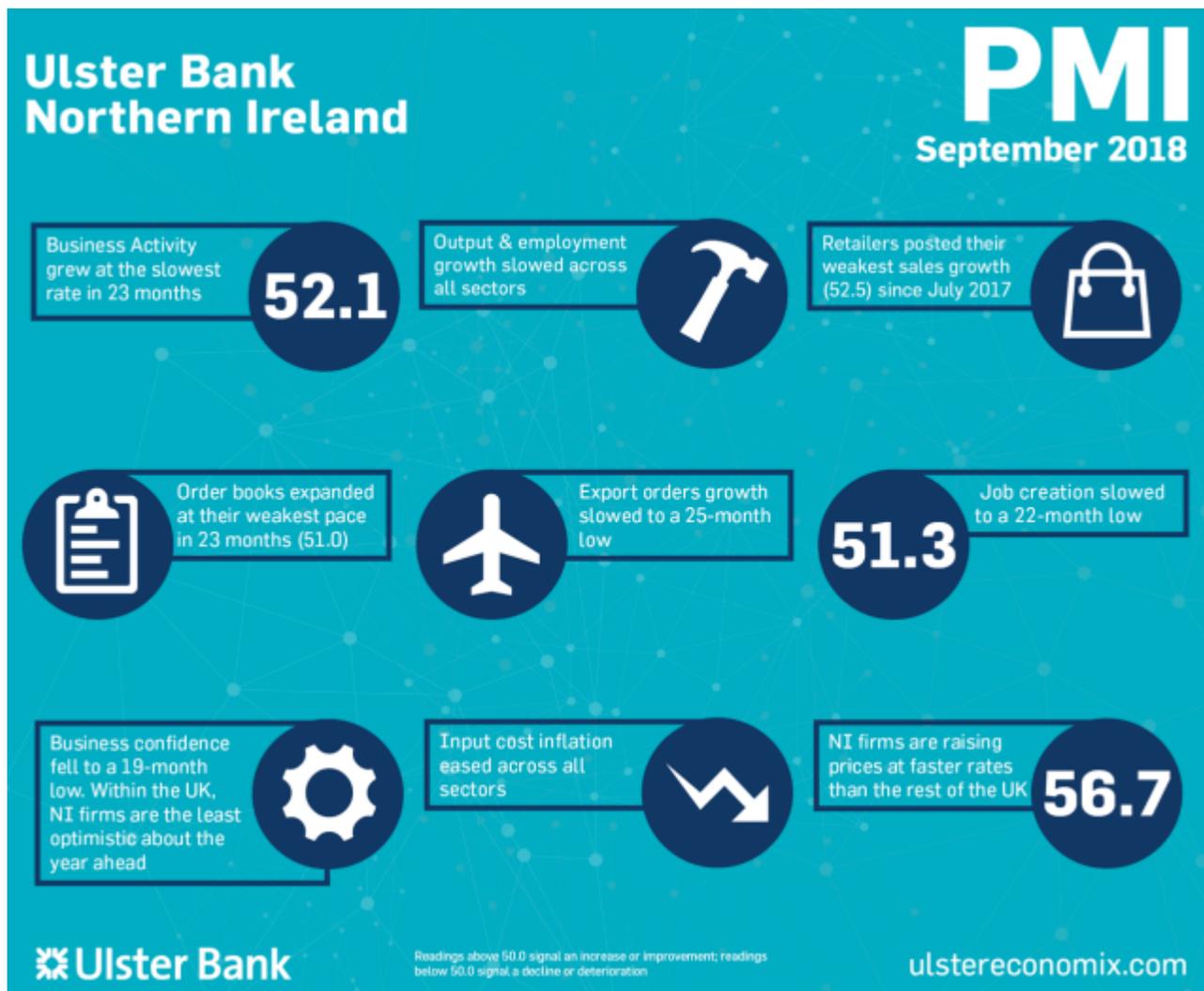


Today sees the release of September data from the Ulster Bank Northern Ireland PMI®. The latest report - produced for Ulster Bank by IHS Markit - signalled a further loss of growth momentum across the local private sector. Business activity, new orders and employment all rose at weaker rates, while sentiment dropped to the lowest in the 19-month series history. Rates of both input cost and output price inflation remained elevated, but continued to ease at the end of the third quarter.



September marked Northern Ireland’s slowest rate of private sector growth in 23-months, considerably behind that recorded at the beginning of the third quarter. This meant that

Northern Ireland slipped down the UK rankings from being the fastest growing private sector in the UK in July to being second from bottom in September.

This slowdown isn't entirely unexpected, given that July received a significant weather-related boost, and taking the quarter as a whole, the deceleration looks more modest. However, the July-September period still marks the slowest quarterly rate of private sector growth that Northern Ireland has seen in five quarters. In addition, Northern Ireland's poorer performance at the end of the quarter relative to the rest of the UK can't be explained solely by the weather, given that July's sunshine was a UK-wide phenomenon.

Indeed, Northern Ireland firms are now the least optimistic in the UK, and their most pessimistic since this indicator began 19-months ago, with Brexit a major concern for respondents. Notably, the construction sector, which had been experiencing something of a relative purple patch, is seeing expectations fall. Firms in this sector now expect their workloads to be lower in 12-months' time than they are currently, with major public sector infrastructure projects being put on hold.

Concerningly, all sectors experienced a slowdown in September in terms of activity, orders and job creation. However, all sectors are still in growth mode, for now at least, and manufacturing is still outperforming relative to its long-term average. Inflationary pressures have also shown signs of easing. However, what does or doesn't happen regarding Brexit will exercise Northern Ireland businesses in the quarters ahead and looks set to continue to impact on both confidence and activity.



The main findings of the September survey were as follows:

The headline seasonally adjusted Business Activity Index dropped to 52.1 in September. Although still signalling an increase in business activity over the month, the reading was down from 53.9 in August and pointed to the weakest rate of expansion since October 2016. The rise in output in Northern Ireland was below the UK average. Increased sales activity reportedly contributed to the latest rise in output. New orders expanded at a slight pace during September, with the rate of growth the slowest in the current 23-month sequence of expansion. Growth of new export orders also softened at the end of the third quarter, with the latest rise the weakest since August 2016. Where new business from abroad expanded, this was largely reflective of new work from the Republic of Ireland.

Weaker growth of new orders resulted in a second successive monthly reduction in backlogs of work. The latest fall was modest, but quickened marginally to the sharpest in a year-and-

a-half. Consistent with the trends in output and new orders, employment increased at a slower pace in September. Some firms took on extra staff in order to help expand capacity, but others indicated that candidate shortages had limited the extent to which they could increase employment. Both input costs and output prices continued to increase sharply, albeit at weaker rates than seen in the previous month. Respondents indicated that sterling weakness and higher costs for fuel and staff had been behind the latest increase in input prices. Meanwhile, the passing on of rising cost burdens to customers was the main factor leading to higher prices charged. Although companies were, on balance, optimistic that output will increase over the coming year, sentiment dropped to the weakest since this series began in March 2017 amid Brexit concerns.

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