

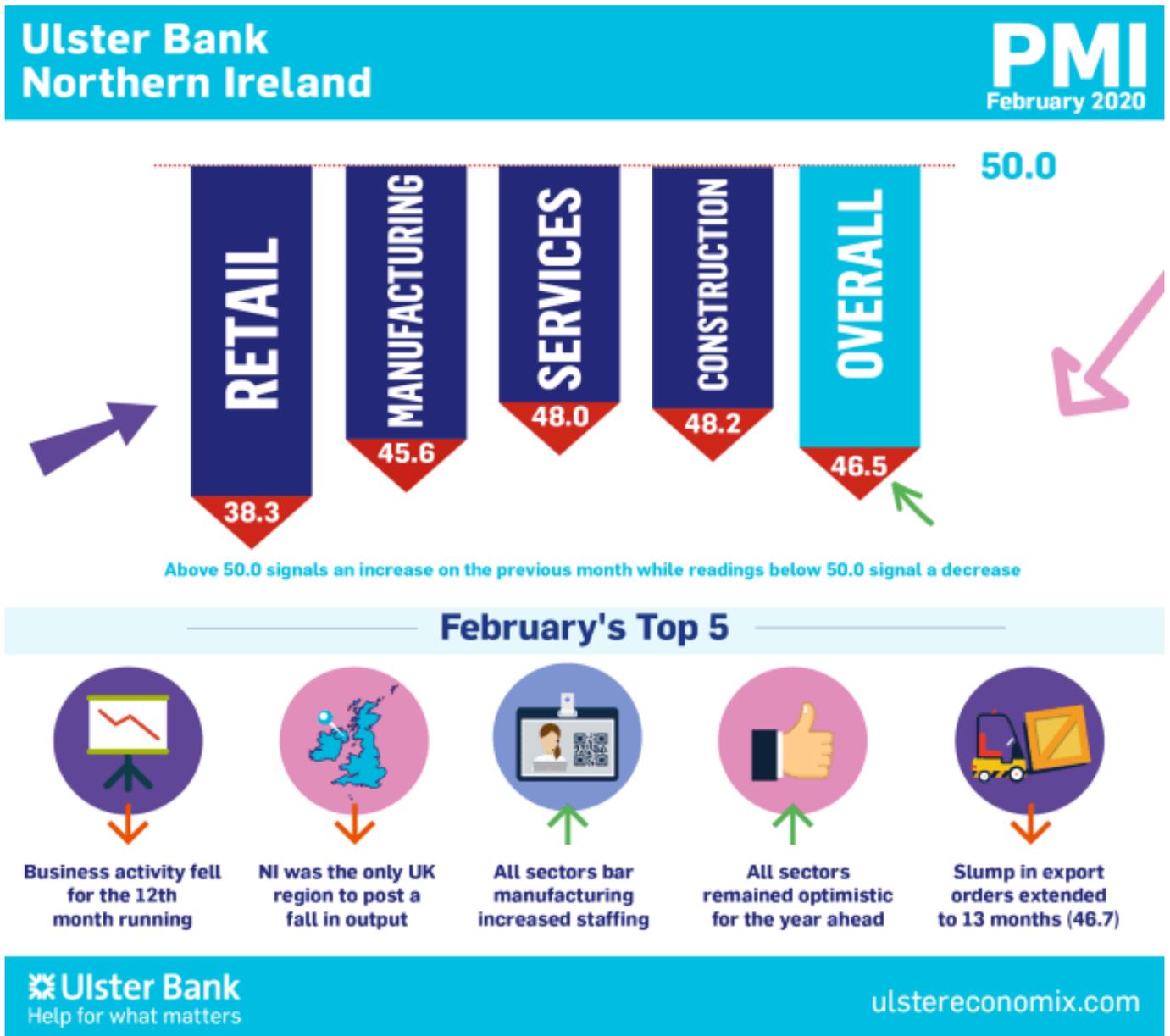
Today sees the release of February data from the Ulster Bank Northern Ireland PMI. The latest report - produced for Ulster Bank by IHS Markit - signalled that the Northern Ireland private sector remained in contraction territory, and saw rates of decline in output and new orders quicken slightly from the start of the year. Business confidence also softened. One bright spot, however, was employment which increased for the third month running and to the greatest extent since November 2018.

Northern Ireland's private sector had reported a notable improvement in business confidence in recent months. And February saw this positive outlook broadly maintained across all sectors. However, despite this, tangible signs of improved performance remain thin on the ground and confined to a pick-up in employment growth, which saw Northern Ireland firms increase their staffing levels at the joint-fastest rate (alongside London) of the UK regions.

While Northern Ireland topped the regional league table for employment though, it remained at the bottom for output and new orders. Indeed, Northern Ireland was the only UK region not to report a rise in output last month. The pace of decline in output remained significant and marked the twelfth successive month of deterioration. New orders posted a marginal decline with some firms *reporting that contracts coming to an end are not being replaced. Domestic demand is on the rise but the fall in export orders continued for a thirteenth month. Brexit uncertainty is cited as deterring some customers. That said, other firms are benefiting from increased demand from the Republic of Ireland which continues to enjoy strong economic growth.*

Since the February survey was conducted the economic headwinds facing the global, national and regional economies have intensified. The accelerated spread of the Coronavirus beyond China into Europe, the Middle-East and the Americas threatens a global recession. China's manufacturing PMI signalled its deepest contraction on record. This has severely

disrupted global supply chains with the hospitality, tourism and airline industries hit by a slump in demand. Indeed, one leading UK regional airline has gone into administration. Economic conditions for all economies, including Northern Ireland, are expected to get worse before they get better.



The main findings of the February survey were as follows:

The headline seasonally adjusted Business Activity Index dropped to 46.5 in February from 46.8 in January, with the latest reading signalling a solid monthly decline in private-sector output. Business activity has now fallen on a monthly basis throughout the past year. Northern Ireland was the only region of the UK to see a drop in output during February. Total new orders decreased at a slightly faster pace, after having neared stabilisation at the start of the year. Some panellists noted signs of demand picking up, but this was outweighed by those respondents that signalled a decline in new orders amid continued uncertainty. Meanwhile, new export orders fell again, but at a much softer pace that was the weakest in the current 13-month sequence of contraction.

The ending of contracts and a lack of new orders to replace them meant that companies in Northern Ireland were again able to reduce their backlogs of work. In contrast to the picture for activity and new orders, employment increased for the third month running. Moreover, the rate of job creation was solid and the fastest since November 2018. Staffing levels increased in the services, construction and retail sectors, but fell at manufacturers.

Input costs continued to rise markedly, with respondents generally attributing the latest increase to higher salaries. Construction firms posted the sharpest increase in cost burdens. In turn, constructors also raised their charges to the greatest extent of the four monitored sectors. Overall, output prices increased at the fastest pace for a year. After hitting a 21-month high in January, business confidence ticked down in February as concerns around the final outcome of Brexit remained. Predictions of higher new orders over the coming year supported confidence in the outlook for output.

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