

# Ulster Bank Northern Ireland PMI<sup>®</sup>

The Ulster Bank Northern Ireland PMI<sup>®</sup> (Purchasing Managers' Index<sup>®</sup>) is produced by Markit Economics.

The report features original survey data collected from a representative panel of companies based in Northern Ireland and operating in the manufacturing, service, construction and retail/wholesale sectors.

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## Business activity rises at fastest pace for a year-and-a-half

The Northern Ireland private sector ended the first quarter of 2016 on a high, with growth of both output and new orders accelerating in March. Employment also continued to increase at a solid pace. On the price front, the rate of input cost inflation eased, while output prices were broadly unchanged.

### Growth of activity at 18-month high

The headline seasonally adjusted Business Activity Index rose to 56.4 in March from 54.9 in February, thereby signalling a sharp monthly rise in private sector output in Northern Ireland, and one that was the fastest for a year-and-a-half. Moreover, the rate of expansion in Northern Ireland was in excess of the UK average. Service providers recorded a sharp increase in activity, and the strongest since July 2014. Growth was also seen at construction and retail companies, while manufacturing output stabilised following a fall in February.

New orders also increased at a faster pace in March, the rate of growth quickening to an 18-month high. As with activity, the rise in Northern Ireland was sharper than the UK average. Services new business expanded at the sharpest pace since May 2014.

New export orders also increased, and at a faster pace than in February. The recent depreciation in sterling reportedly helped to support growth of new business from abroad.

### Employment continues to rise

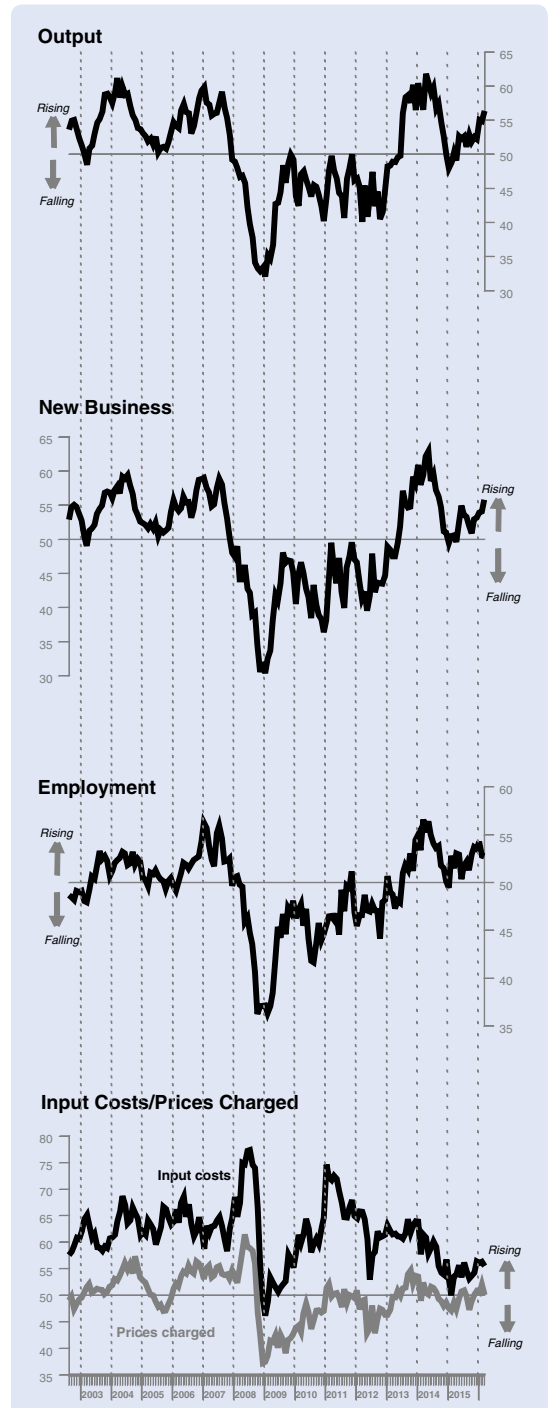
As has been the case in each of the past 14 months, Northern Ireland companies increased staffing levels in March. The rate of job creation was solid and little-changed from that seen in February. Panellists mentioned hiring extra staff in response to higher workloads, as well as in line with projected increases in demand.

Backlogs of work rose for the fifth successive month, and at a faster pace than in February. The increase in outstanding business in Northern Ireland contrasted with a reduction at the UK level.

### Cost inflation eases

Although input prices continued to increase during March, the rate of inflation eased to the slowest since last November. A number of respondents mentioned higher staff costs. The construction sector posted the fastest rise in input prices of the four monitored sectors.

Northern Ireland companies left their output prices broadly unchanged. Some companies increased their charges in response to higher input costs, but others mentioned that competitive pressures had impacted negatively on pricing power.



The above charts plot the seasonally adjusted indicators of business conditions in Northern Ireland. Index readings above 50.0 signal an increase on the previous month while readings below 50.0 signal a decrease.

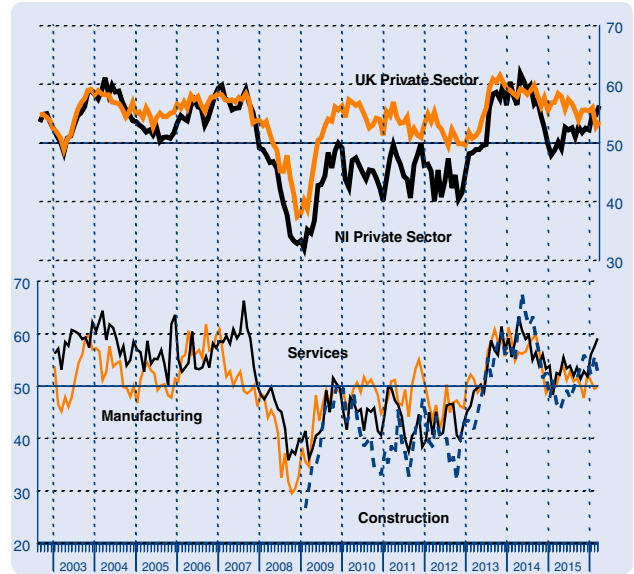
**Output / Business Activity**

Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK			
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2015	Oct	22.2	55.5	22.3	0.0	50.0	51.8	55.6
	Nov	24.8	55.8	19.4	5.4	52.7	52.6	55.7
	Dec	24.7	50.7	24.7	0.0	50.0	52.3	55.5
2016	Jan	25.6	51.9	22.4	3.2	51.6	55.1	56.1
	Feb	28.3	54.9	16.7	11.6	55.8	54.9	52.9
	Mar	29.9	58.9	11.2	18.8	59.4	56.4	53.7

Northern Ireland private sector activity increased again during March, extending the current sequence of expansion to 11 months. Furthermore, the rate of growth was sharp and the fastest since September 2014. For the second month in a row, the increase in output at Northern Ireland companies was faster than the UK average. Rising new business was reportedly the main driver of the increase in activity. Services posted the sharpest increase in activity, with the rate of growth the fastest since July 2014. Retail activity also rose at a quicker pace, while growth in construction output eased. Manufacturing production was broadly unchanged.

By sector				
		Construction	Manufacturing	Services
'16	Jan	52.3	51.1	56.0
	Feb	55.7	49.5	57.6
	Mar	52.7	50.1	59.2



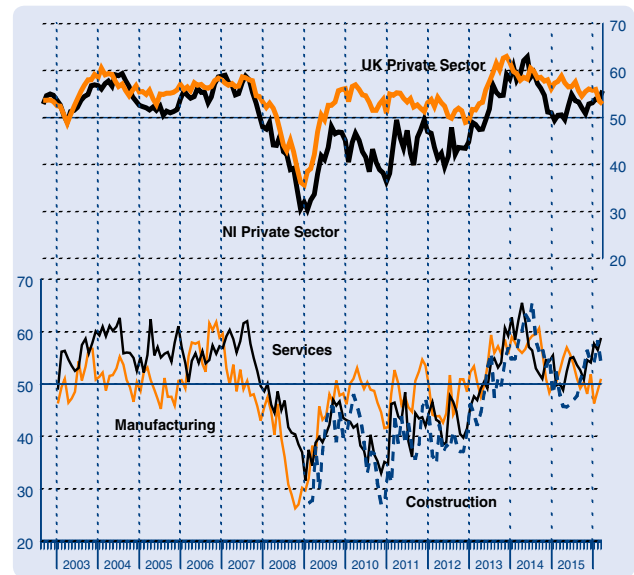
**New Business**

Q. Is the level of new orders or incoming new business at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK			
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2015	Oct	25.0	52.0	23.0	2.0	51.0	50.9	55.6
	Nov	24.8	51.8	23.4	1.4	50.7	52.9	56.1
	Dec	28.0	48.3	23.7	4.3	52.1	53.2	55.8
2016	Jan	21.1	54.8	24.1	-3.0	48.5	54.0	56.0
	Feb	27.4	55.6	17.0	10.4	55.2	54.1	53.5
	Mar	29.7	57.9	12.4	17.3	58.6	55.8	52.9

The rate of growth in new business quickened for the fifth successive month in March and was the strongest for a year-and-a-half. New orders have now risen in each of the past 11 months. Close to 30% of panellists reported increased new business, with some highlighting growth in the construction sector. All four monitored sectors registered new order expansions, led by services where the increase was the strongest for 22 months. Solid rises in new business were seen in the construction and retail sectors. Manufacturing new orders returned to growth in March, ending a two-month sequence of contraction. That said, the rise was only slight.

By sector				
		Construction	Manufacturing	Services
'16	Jan	54.1	46.3	57.8
	Feb	58.3	48.8	56.5
	Mar	54.2	51.1	58.8



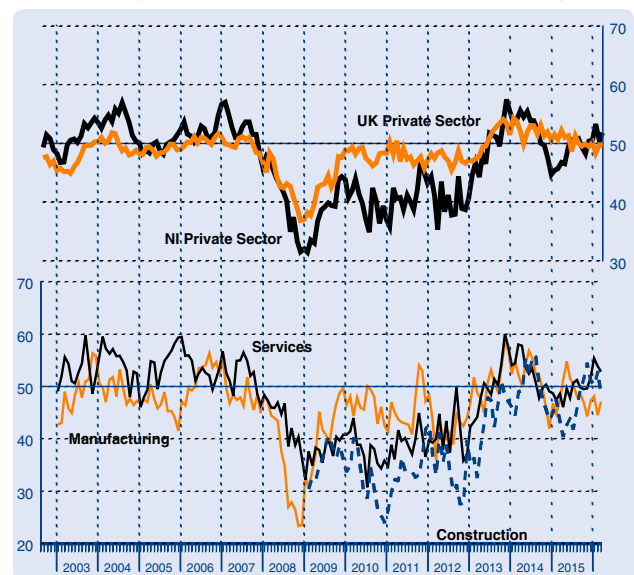
**Backlogs**

Q. Is the level of business outstanding (i.e. work not yet commenced or completed) at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK			
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2015	Oct	16.6	62.5	20.9	-4.3	47.8	48.3	49.9
	Nov	20.0	61.8	18.2	1.8	50.9	50.4	49.5
	Dec	18.8	62.3	19.0	-0.2	49.9	50.6	50.2
2016	Jan	17.2	68.6	14.2	3.0	51.5	53.4	48.3
	Feb	16.2	67.0	16.7	-0.5	49.8	50.5	49.8
	Mar	19.8	66.1	14.1	5.8	52.9	51.9	49.7

Backlogs of work increased for the fifth consecutive month in March. The rate of accumulation quickened from that seen in February, but remained modest. The rise in outstanding business at companies in Northern Ireland contrasted with a decline at the UK level. Increases in new business had been behind the latest rise in backlogs, according to respondents. Approximately one-fifth of panellists recorded higher levels of work-in-hand. Both the service and retail sectors saw outstanding work increase, while reductions were registered at manufacturers and construction firms. The fall in construction backlogs was the first since last September.

By sector				
		Construction	Manufacturing	Services
'16	Jan	50.3	48.2	55.5
	Feb	52.9	44.6	53.9
	Mar	48.7	47.1	52.9



## Employment

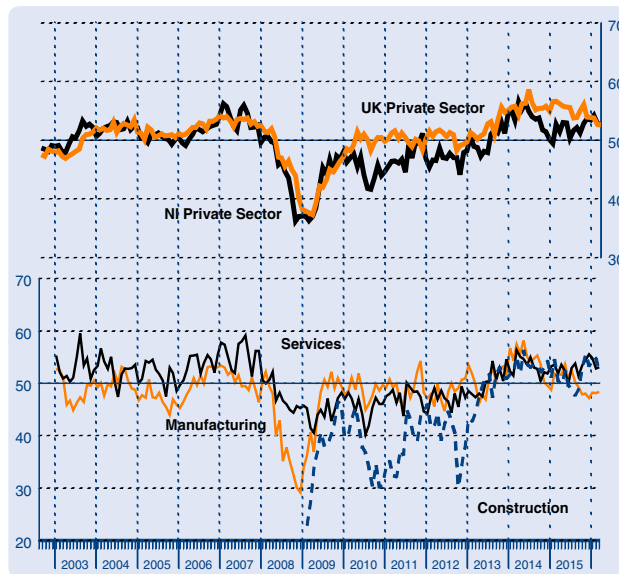
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2015	Oct	15.5	76.4	8.1	7.5	53.7	56.1
	Nov	18.0	74.7	7.3	10.6	55.3	54.0
	Dec	14.1	78.2	7.7	6.4	53.2	53.9
2016	Jan	11.9	82.4	5.7	6.2	53.1	53.9
	Feb	10.6	81.2	8.2	2.3	51.2	52.7
	Mar	10.9	83.0	6.1	4.9	52.4	52.6

As has been the case in each month since February 2015, employment in the Northern Ireland private sector increased in March. The rate of job creation was solid, and little-changed from February. The rise in Northern Ireland was also broadly in line with the UK average. Panellists reported that extra staff were taken on both in response to higher new orders and in order to meet expected future demand. Three of the four sectors covered by the survey

saw increased employment, the exception being manufacturing where modest job cuts were recorded. The fastest rise in staffing levels was in retail.

By sector			
	Construction	Manufacturing	Services
'16 Jan	54.7	48.2	54.9
Feb	54.8	48.2	52.9
Mar	52.1	48.4	53.1



## Input Costs

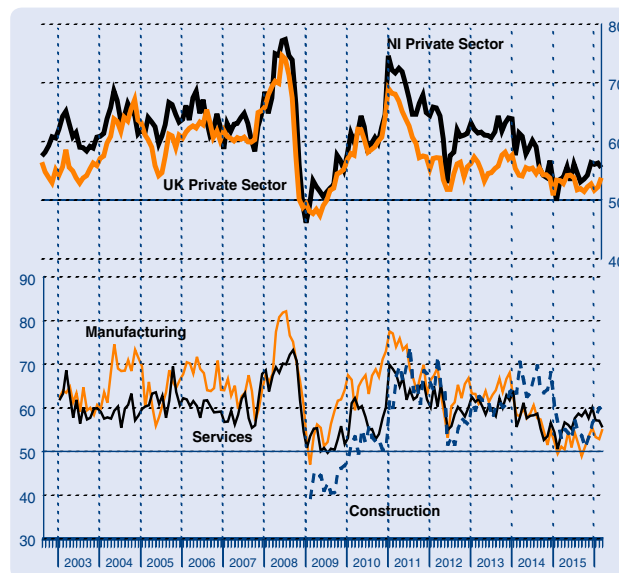
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2015	Oct	12.2	80.6	7.2	5.0	52.5	51.6
	Nov	14.0	78.9	7.1	7.0	53.5	52.3
	Dec	20.7	73.8	5.5	15.2	57.6	52.8
2016	Jan	16.2	78.2	5.5	10.7	55.4	51.7
	Feb	19.8	73.6	6.6	13.2	56.6	52.3
	Mar	18.1	78.9	3.0	15.1	57.6	53.9

Although input prices continued to rise in March, the rate of inflation eased to the weakest in four months. That said, Northern Ireland continued to record a sharper increase in cost burdens than the UK as a whole. Anecdotal evidence suggested that rising wages was the principal driver of cost inflation. Construction posted the sharpest rate of cost inflation, despite the latest increase being slightly slower than seen in February.

Services input prices also rose at a weaker pace, the slowest since June last year. In contrast, manufacturing input costs increased at the fastest pace in three months, while retail input prices were largely unchanged.

By sector			
	Construction	Manufacturing	Services
'16 Jan	57.9	53.3	57.2
Feb	60.2	52.9	57.1
Mar	59.4	55.2	55.6



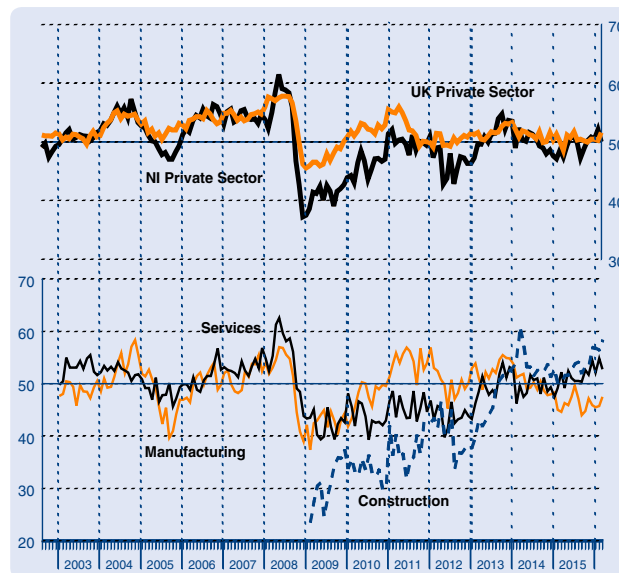
## Prices Charged

Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2015	Oct	5.6	88.0	6.4	-0.8	49.6	50.2
	Nov	6.7	85.8	7.6	-0.9	49.6	50.0
	Dec	9.2	81.7	9.0	0.2	50.1	50.5
2016	Jan	7.0	87.9	5.1	1.9	50.9	50.5
	Feb	10.3	82.1	7.6	2.7	51.3	50.3
	Mar	7.2	85.5	7.3	-0.1	49.9	51.6

Output prices were broadly unchanged in March following a modest increase in the previous month. While some panellists indicated that they had raised charges in response to higher input costs, others mentioned that competitive pressures led them to lower output prices. Both the service and construction sectors increased output prices during March. The sharper rate of inflation was at construction companies, where the rise in charges was the strongest since March 2014. Manufacturers continued to lower their selling prices, albeit to the least extent in eight months, while retail charges fell markedly again.

By sector			
	Construction	Manufacturing	Services
'16 Jan	56.8	45.5	52.1
Feb	56.4	45.8	54.9
Mar	58.3	47.5	52.8



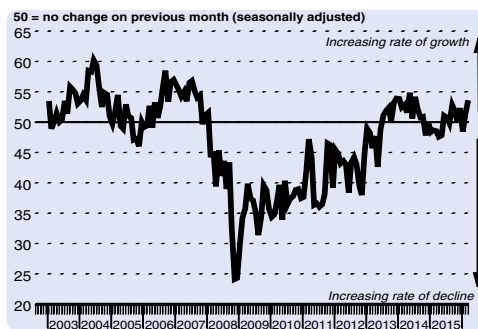
**New Export Business\***

*Is the level of new export business at your company higher, the same or lower this month than one month ago?*

**Northern Ireland Companies**

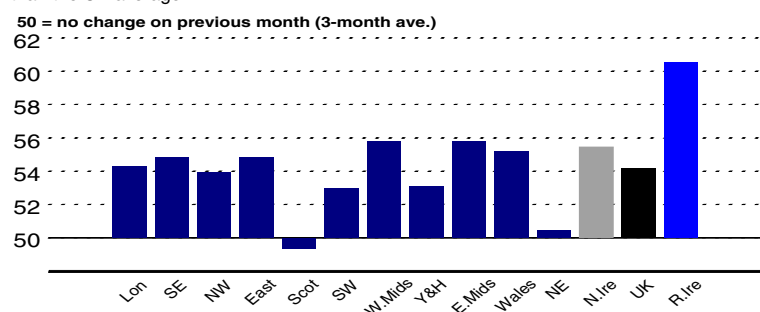
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2015	Oct	14.4	68.0	17.5	-3.1	48.4	52.0
	Nov	12.3	67.6	20.1	-7.8	46.1	50.0
	Dec	24.7	54.0	21.3	3.4	51.7	52.4
2016	Jan	18.3	56.0	25.7	-7.4	46.3	48.5
	Feb	24.8	63.7	11.6	13.2	56.6	51.2
	Mar	18.8	68.6	12.6	6.2	53.1	53.7

March data signalled a second successive monthly rise in new export orders, with the rate of expansion quickening to a 20-month high. The recent weakening of sterling reportedly helped firms to secure new business from abroad.



**Regional Comparisons: Output / Business Activity**

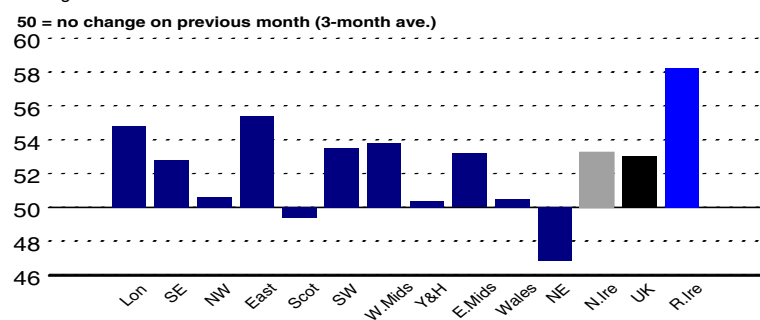
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The East and West Midlands recorded the joint-strongest growth rates for business activity in the first quarter of 2016, closely followed by Northern Ireland. Scotland was the only region where business activity decreased, albeit modestly. The rate of expansion in the Republic of Ireland was much faster than the UK average.



	Share of UK GVA, 2014 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.9%)	56.9	54.3	54.2
South East	(15.1%)	55.7	54.8	55.1
North West	(9.4%)	53.7	53.9	53.8
East of England	(8.7%)	56.8	54.9	54.5
Scotland	(7.8%)	50.4	49.3	48.5
South West	(7.6%)	54.2	53.0	51.2
West Midlands	(7.2%)	55.6	55.8	54.0
Yorks & Humber	(6.7%)	54.7	53.1	52.3
East Midlands	(6.0%)	56.0	55.8	53.9
Wales	(3.4%)	55.9	55.2	55.4
North East	(3.0%)	53.9	50.5	49.5
N. Ireland	(2.2%)	52.8	55.5	56.4
<b>UK</b>	<b>(100.0%)</b>	<b>55.6</b>	<b>54.2</b>	<b>53.7</b>
Rep. of Ireland	n/a	60.1	60.5	60.7

**Regional Comparisons: Employment**

The graph below shows the regional PMI Employment Indexes for the UK. An average of the latest three months is used (see also the table to the right). Employment growth in the three months to March was led by the East of England, ahead of London and then the West Midlands. North East England and Scotland both saw net job losses, the former at the faster rate. Employment growth in the Republic of Ireland was stronger than all UK regions.



	Share of UK GVA, 2014 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.9%)	55.5	54.8	54.6
South East	(15.1%)	53.9	52.8	53.3
North West	(9.4%)	52.9	50.6	50.1
East of England	(8.7%)	57.2	55.4	54.8
Scotland	(7.8%)	50.3	49.4	49.4
South West	(7.6%)	53.4	53.5	52.7
West Midlands	(7.2%)	54.5	53.8	53.3
Yorks & Humber	(6.7%)	53.1	50.4	49.6
East Midlands	(6.0%)	53.9	53.2	52.6
Wales	(3.4%)	53.3	50.5	50.8
North East	(3.0%)	50.9	46.8	46.6
N. Ireland	(2.2%)	52.6	53.3	52.7
<b>UK</b>	<b>(100.0%)</b>	<b>54.4</b>	<b>53.1</b>	<b>52.6</b>
Rep. of Ireland	n/a	58.3	58.2	58.2

**PMI® Survey Methodology**

The Purchasing Managers' Index® (or PMI®) surveys are monthly surveys of carefully selected companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices across both manufacturing and service sectors. Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline on the previous month. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration. The greater the divergence from 50.0, the greater the rate of change (expansion or contraction) signalled. The indices are

seasonally adjusted to take into consideration expected variations for the time of year, such as summer shutdowns and national holidays. Sector data published in the Ulster Bank Northern Ireland PMI report are intended to give an indication of underlying trends in the manufacturing, services and construction industries within the Northern Ireland private sector economy. Data at the sector level are more volatile than the headline total private sector economy figures, and month-on-month movements in the sector data should therefore be treated with a degree of caution.

\*Exports are defined as sales outside of the United Kingdom.

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Our focus is firmly centred on our customers. Every business customer benefits from access to a dedicated, professional and highly trained relationship manager. Their role is to gain a genuine understanding of our customers' business needs and provide dedicated financial information and assistance.

We work together to achieve business success, no matter how simple or complex our customers' requirements. A combination of size, financial strength

and wide ranging capability means we can deliver for our customers, whatever their business may be.

**Markit Economics** is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI) series, which is now available for over 30 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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