

Ulster Bank Northern Ireland PMI[®]

The Ulster Bank Northern Ireland PMI[®] (Purchasing Managers' Index[®]) 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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Growth of output eases to nine-month low

Although the Northern Ireland private sector remained in growth territory during May, the rate of expansion in business activity slowed for the second month running as new orders were broadly unchanged. Employment also increased at a weaker pace during the month.

Slowest rise in activity since last August

The headline seasonally adjusted Business Activity Index fell to 51.1 in May from 54.2 in April. The reading signalled a slight rise in activity, albeit the weakest in nine months. Growth was also slower than seen across the UK economy as a whole. Where output increased, this was linked by panellists to strengthening market conditions and favourable weather.

New business was little-changed in May, following solid growth in recent months. Some panellists reported a lack of firm orders, although new products and new business in Great Britain led to growth elsewhere. New orders increased in the manufacturing, services and retail sectors, but fell sharply at construction firms.

New export orders increased for the fourth month running, but the rate of expansion was only slight and the weakest in the current sequence of growth.

Backlogs of work decline

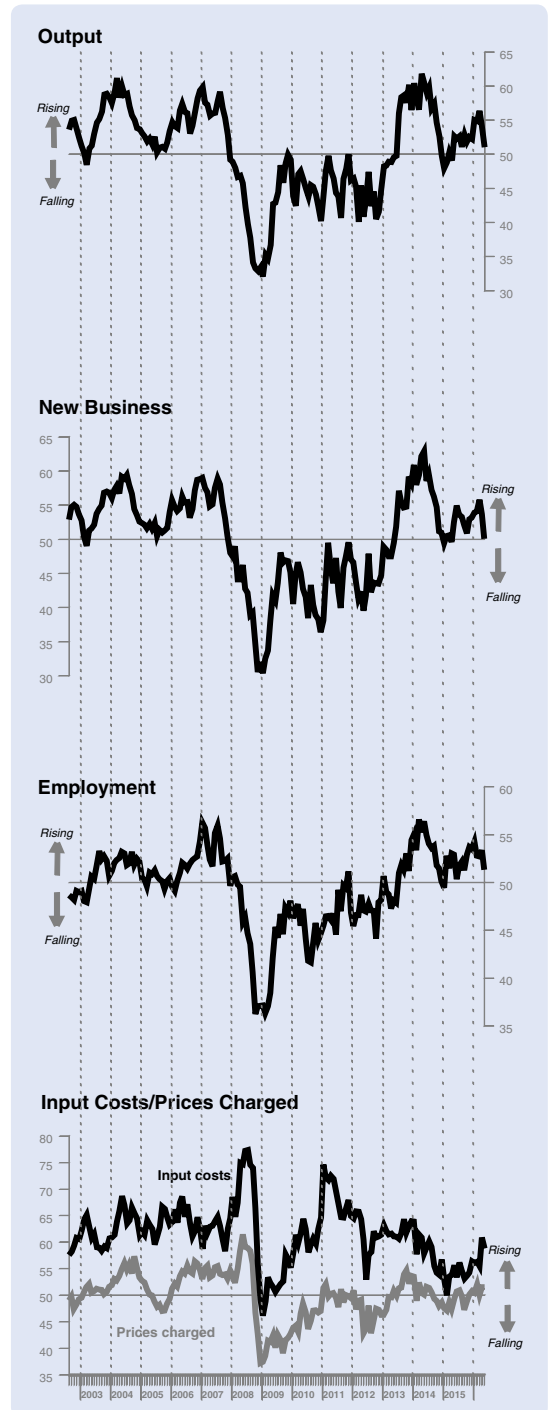
A lack of new business contributed to a first reduction in backlogs of work in seven months during May. The rate of depletion was solid and slightly faster than the UK average.

As was the case with activity, growth of employment at Northern Ireland companies eased. Although rising for the sixteenth successive month, staffing levels increased at the slowest pace since last September. Where job creation was recorded, panellists mentioned positive expectations and company expansion plans. Employment rose in the services and retail sectors, but fell in construction and manufacturing.

Cost inflation eases slightly

Input prices continued to rise sharply in May as the impact of the introduction of the National Living Wage continued to push up staff costs and some firms noted higher fuel prices. That said, the rate of inflation eased slightly from April's 24-month high. Manufacturing posted the fastest rise in input prices of the four monitored sectors.

Output prices increased for the seventh consecutive month, with the pace of inflation quickening to the fastest since February. That said, the latest rise in charges was still only modest. Where output prices did increase, this was due to the passing on of higher input costs to clients. Manufacturing, services and construction all posted charge inflation.



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.

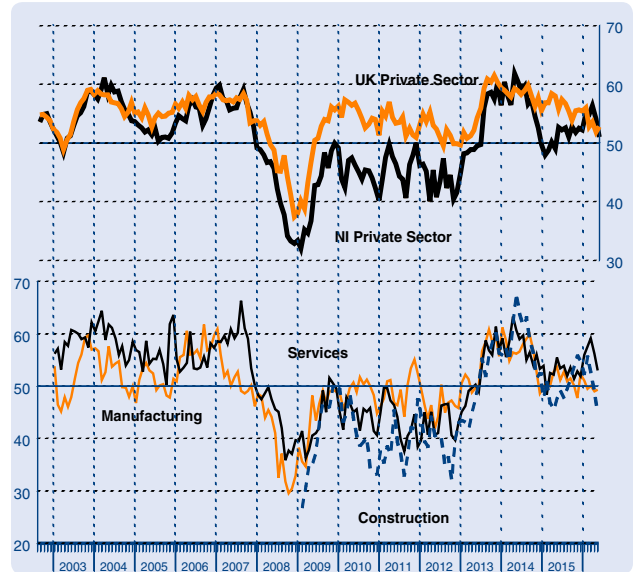
Output / Business Activity

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 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	53.6
Apr	24.0	60.9	15.1	8.9	54.4	54.2	51.9
May	17.5	66.0	16.4	1.1	50.6	51.1	52.8

Business activity in the Northern Ireland private sector continued to rise during May, extending the current sequence of expansion to 13 months. That said, the latest increase was only slight, having eased to the slowest since August last year. The rate of growth in Northern Ireland was weaker than the UK average for the first time in four months. Where higher output was recorded, this was linked by panellists to improved market conditions and favourable weather. The services and retail sectors posted higher activity, while declines were seen at manufacturers and constructors. The reduction in activity at the latter was the sharpest since March 2013.

By sector			
	Construction	Manufacturing	Services
'16 Mar	52.7	50.1	59.2
Apr	48.8	49.1	56.2
May	44.7	49.4	53.0



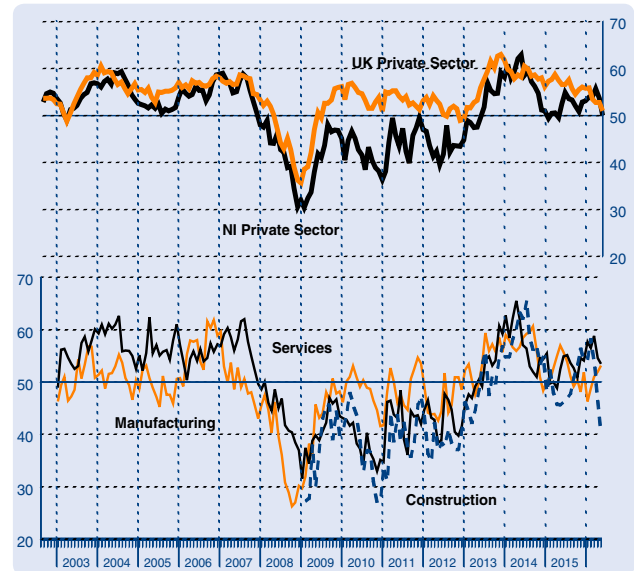
New Business

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 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	52.8
Apr	26.2	56.9	17.0	9.2	54.6	53.7	52.8
May	22.0	57.7	20.3	1.7	50.9	50.1	51.1

New orders were broadly unchanged during May, as signalled by the seasonally adjusted New Business Index posting only fractionally above the 50.0 no-change mark. This followed expansions in new work in each of the previous 12 months. Where new business increased, panellists mentioned the launch of new products and new work from Great Britain. On the other hand, some respondents signalled a lack of firm orders. New business increased in the manufacturing, services and retail sectors, with manufacturing new orders rising at the fastest pace since July 2015. Meanwhile, construction new business fell sharply.

By sector			
	Construction	Manufacturing	Services
'16 Mar	54.2	51.1	58.8
Apr	46.8	52.0	54.6
May	40.2	53.2	53.5



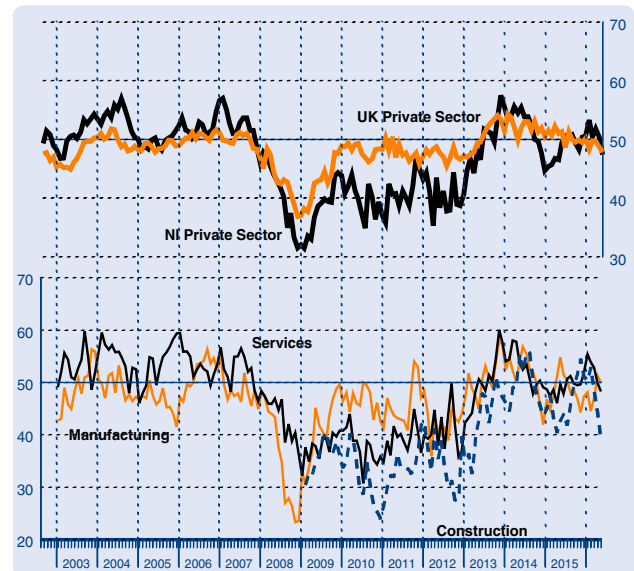
Backlogs

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 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
Apr	14.9	69.6	15.4	-0.5	49.7	50.4	48.7
May	14.8	65.0	20.1	-5.3	47.4	47.4	47.8

Northern Ireland companies posted a reduction in backlogs of work during May, ending a six-month sequence of accumulation. The rate of depletion in outstanding business was solid and slightly sharper than that seen across the UK economy as a whole. According to respondents, a lack of new orders had been the main factor leading outstanding business to fall. One-in-five panellists reported a decline in backlogs, against 15% that posted an increase. Work-in-hand fell sharply at construction firms, and to a lesser extent in the service sector. Meanwhile, manufacturing backlogs were largely unchanged.

By sector			
	Construction	Manufacturing	Services
'16 Mar	48.7	47.1	52.9
Apr	44.2	51.3	49.9
May	39.0	49.9	48.3



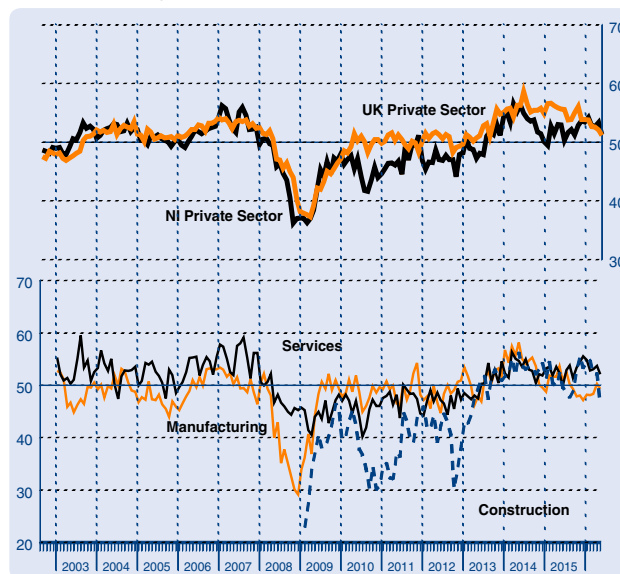
Employment

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 Dec	14.1	78.2	7.7	6.4	53.2	53.5	53.9
2016 Jan	11.9	82.4	5.7	6.2	53.1	54.3	53.8
Feb	10.6	81.2	8.2	2.3	51.2	52.8	52.7
Mar	10.9	83.0	6.1	4.9	52.4	52.7	52.6
Apr	12.4	83.8	3.8	8.6	54.3	53.4	52.1
May	11.3	79.7	9.0	2.3	51.1	51.3	51.2

As has been the case in each of the past 16 months, staffing levels in the Northern Ireland private sector increased in May. That said, the rate of job creation eased to the weakest since September last year, and was only slight overall. The rise in employment in Northern Ireland was broadly in line with the UK economy average. Some panellists reported having increased their staffing levels in line with expectations of higher future demand and as part of company expansion plans. Employment rose in the services and retail sectors, but decreased at manufacturers and construction firms.

By sector			
	Construction	Manufacturing	Services
'16 Mar	52.1	48.4	53.1
Apr	52.3	50.3	53.8
May	46.3	49.4	52.2



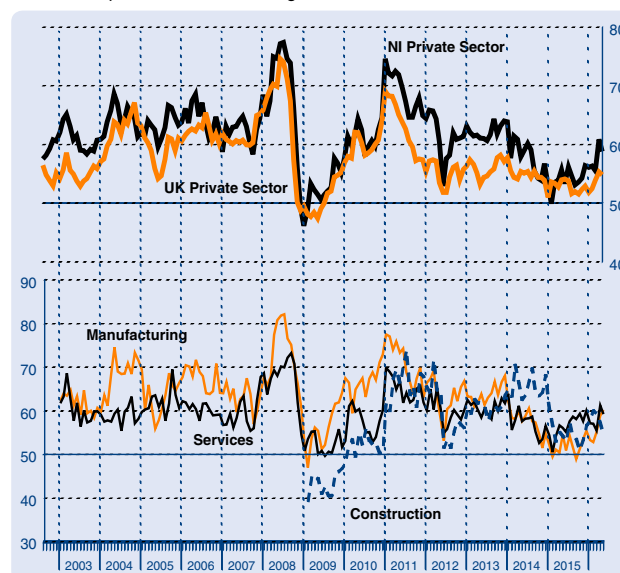
Input Costs

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 Dec	20.7	73.8	5.5	15.2	57.6	56.4	52.9
2016 Jan	16.2	78.2	5.5	10.7	55.4	56.2	51.9
Feb	19.8	73.6	6.6	13.2	56.6	56.3	52.5
Mar	18.1	78.9	3.0	15.1	57.6	55.6	54.0
Apr	29.7	68.4	1.9	27.8	63.9	60.9	55.4
May	23.7	74.4	1.9	21.9	60.9	58.9	54.9

May data signalled a further sharp monthly rise in input prices at companies in Northern Ireland, although the rate of inflation eased from the two-year high seen in April. The rise in input prices in Northern Ireland remained faster than the UK average. Ongoing effects of the introduction of the National Living Wage were mentioned by a number of those respondents that saw input costs rise, while higher fuel costs were also reported. The sharpest increase in input prices was seen at manufacturing firms, where the rate of inflation was a 22-month high. Marked rises in input prices were also seen across the other monitored sectors.

By sector			
	Construction	Manufacturing	Services
'16 Mar	59.4	55.2	55.6
Apr	57.3	58.9	61.3
May	54.4	60.3	59.3



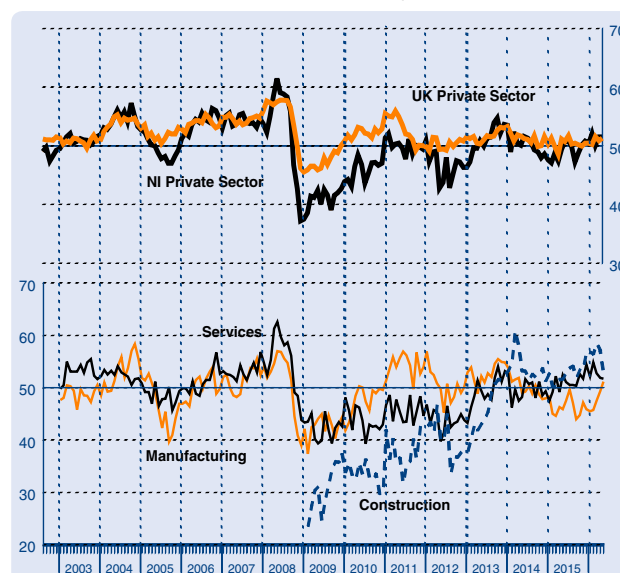
Prices Charged

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 Dec	9.2	81.7	9.0	0.2	50.1	50.9	50.5
2016 Jan	7.0	87.9	5.1	1.9	50.9	50.5	50.5
Feb	10.3	82.1	7.6	2.7	51.3	52.1	50.3
Mar	7.2	85.5	7.3	-0.1	49.9	50.1	51.6
Apr	12.4	81.8	5.8	6.6	53.3	51.5	50.9
May	11.8	83.1	5.1	6.7	53.3	51.6	51.4

Northern Ireland firms posted a modest increase in output prices during May. Although only slight, the rate of inflation picked up for the second month running and was fractionally quicker than the UK average. Prices charged have now risen in each of the past seven months. Anecdotal evidence suggested that the increase in output prices was largely reflective of higher cost burdens. Three of the four monitored sectors posted higher charges, led by construction. That said, the rise in construction charges was the slowest since last September. Services and manufacturing each posted modest rises in output prices, with retail the only sector to record a reduction.

By sector			
	Construction	Manufacturing	Services
'16 Mar	58.3	47.5	52.8
Apr	57.1	49.4	52.0
May	52.7	51.2	51.8



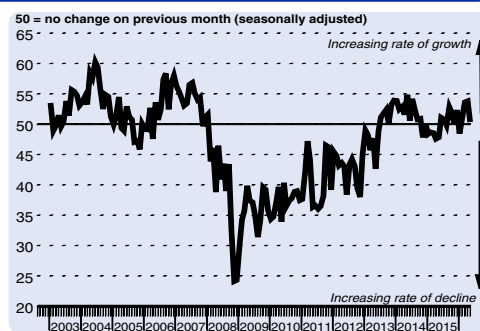
New Export Business*

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

Northern Ireland Companies

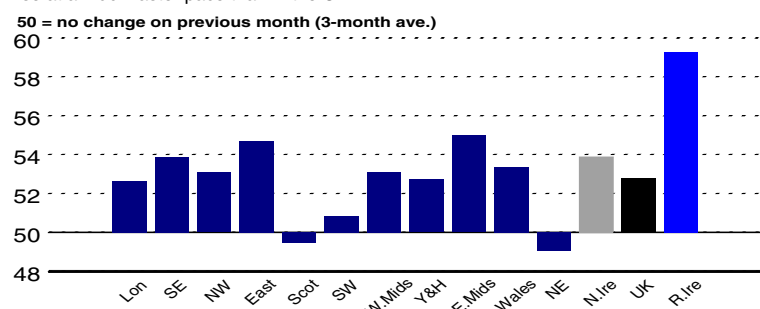
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2015 Dec	24.7	54.0	21.3	3.4	51.7	52.4
2016 Jan	18.3	56.0	25.7	-7.4	46.3	48.5
Feb	24.8	63.7	11.6	13.2	56.6	51.2
Mar	18.8	68.6	12.6	6.2	53.1	53.7
Apr	22.7	62.2	15.1	7.6	53.8	53.8
May	15.2	63.9	20.9	-5.7	47.2	50.4

New export orders increased for the fourth month running in May. However, the rate of expansion was only marginal and the weakest in this sequence. There were some mentions of higher new orders from the Republic of Ireland.



Regional Comparisons: Output / Business Activity

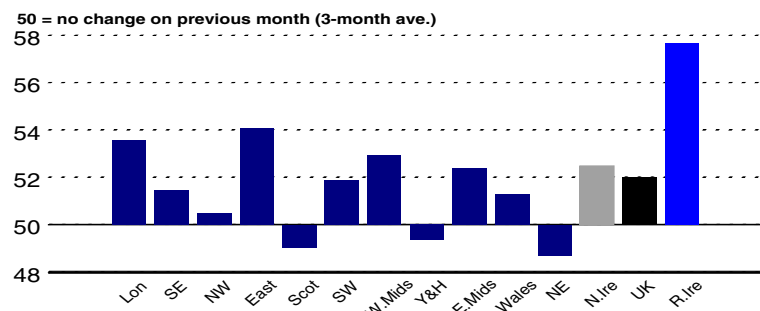
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Ten of the 12 UK regions monitored by the survey recorded growth in business activity in the three months to May, led by strong expansions in the East Midlands and the East of England. Output fell in both the North East and Scotland, albeit marginally. Meanwhile, activity in the Republic of Ireland continued to rise at a much faster pace than in the UK.



	Share of UK GVA, 2014 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.9%)	55.8	52.6	52.8
South East	(15.1%)	55.0	53.9	53.1
North West	(9.4%)	53.1	53.1	54.5
East of England	(8.7%)	56.3	54.7	54.6
Scotland	(7.8%)	50.2	49.5	49.9
South West	(7.6%)	53.4	50.9	51.5
West Midlands	(7.2%)	54.9	53.1	52.5
Yorks & Humber	(6.7%)	54.3	52.7	55.1
East Midlands	(6.0%)	56.2	55.0	55.4
Wales	(3.4%)	54.8	53.3	51.5
North East	(3.0%)	51.9	49.0	48.5
N. Ireland	(2.2%)	53.1	53.9	51.1
UK	(100.0%)	54.8	52.8	52.8
Rep. of Ireland	n/a	59.8	59.3	59.0

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). The strongest trend in job creation in the three months to May was seen in the East of England, followed by London. However, there were net decreases in employment across the North East, Scotland and Yorkshire & Humber over the same period. The rate of job creation in the Republic of Ireland was sharper 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%)	55.1	53.6	52.3
South East	(15.1%)	53.4	51.5	50.1
North West	(9.4%)	52.0	50.5	51.4
East of England	(8.7%)	56.3	54.1	53.2
Scotland	(7.8%)	49.8	49.0	49.5
South West	(7.6%)	52.7	51.9	50.4
West Midlands	(7.2%)	54.0	52.9	51.3
Yorks & Humber	(6.7%)	52.1	49.4	48.7
East Midlands	(6.0%)	53.5	52.4	52.3
Wales	(3.4%)	52.5	51.3	52.0
North East	(3.0%)	50.3	48.7	50.5
N. Ireland	(2.2%)	52.5	52.5	51.3
UK	(100.0%)	53.7	52.0	51.2
Rep. of Ireland	n/a	58.1	57.7	57.6

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.

Ulster Bank and Markit Economics

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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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