

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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Fastest rise in activity in almost two-and-a-half years

The rate of growth in business activity at Northern Ireland companies quickened sharply at the end of 2016 and was the strongest in almost two-and-a-half years. The rise in output reflected a second successive marked increase in new business, with new export orders expanding substantially again. Meanwhile, input costs continued to rise sharply and output prices increased to the greatest extent since August 2008.

Output growth quickest since July 2014

The headline seasonally adjusted Business Activity Index rose to 58.7 in December from 54.5 in November, thereby signalling a sharp and accelerated increase in output in the Northern Ireland private sector. Activity has now risen in each of the past three months, with the latest expansion the sharpest in almost two-and-a-half years. Respondents linked output growth to recent improvements in new work. The rate of expansion in retail was the strongest in the 14-year series history, while manufacturing and services also posted increases in output.

Total new orders rose for the second month running in December, and at a sharp pace. A number of respondents highlighted the impact of sales to clients in the Republic of Ireland, linked to sterling weakness. New export orders increased considerably and at a pace second only to the series record posted in November.

Growth of total new work accelerated in the retail, manufacturing and service sectors, but construction new business continued to fall.

Rate of job creation picks up

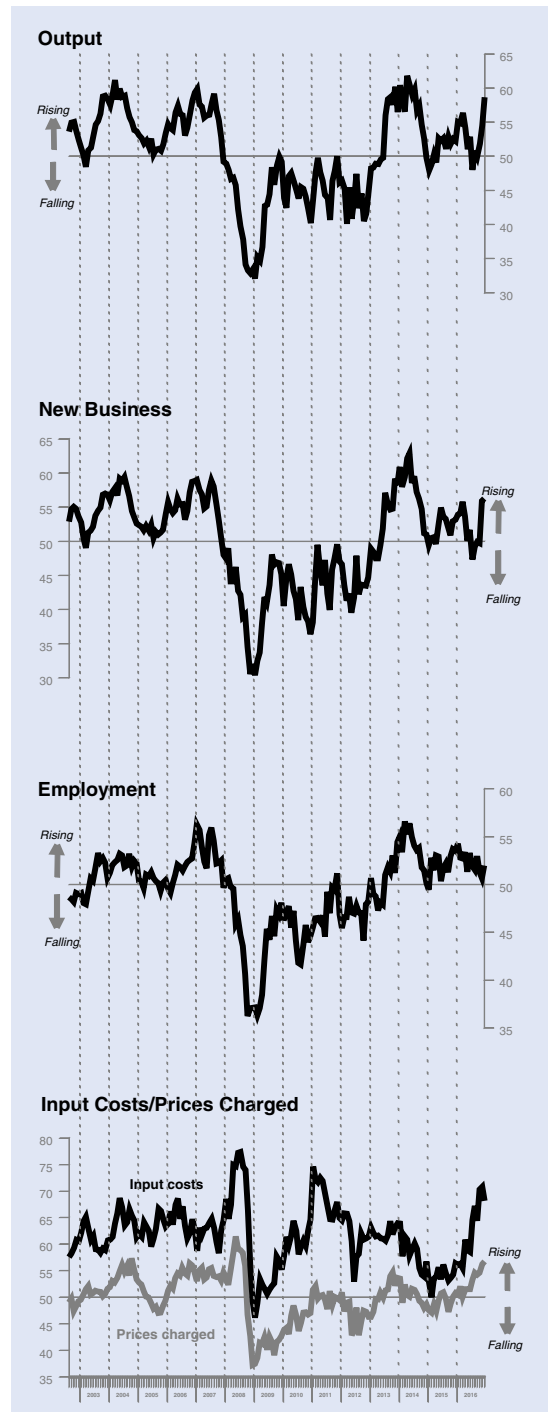
With new orders increasing, outstanding business was accumulated for the second successive month. That said, the rise in December was only slight and weaker than that seen in the previous month.

The rate of job creation, meanwhile, quickened to a three-month high at the end of 2016. Employment has now increased in each of the past 23 months, with each monitored sector seeing staffing levels rise.

Charges rise at faster pace

While sterling weakness helped firms to secure new orders, it also continued to impact on cost burdens in December. Input prices rose sharply again, albeit at a weaker pace than in November. Cost inflation quickened in the retail and construction sectors.

A number of respondents passed on higher input costs to clients, thereby resulting in a further monthly rise in output prices. Moreover, the rate of charge inflation quickened to the fastest since August 2008. Selling prices at retailers rose at the fastest pace since the series began in January 2003.



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.

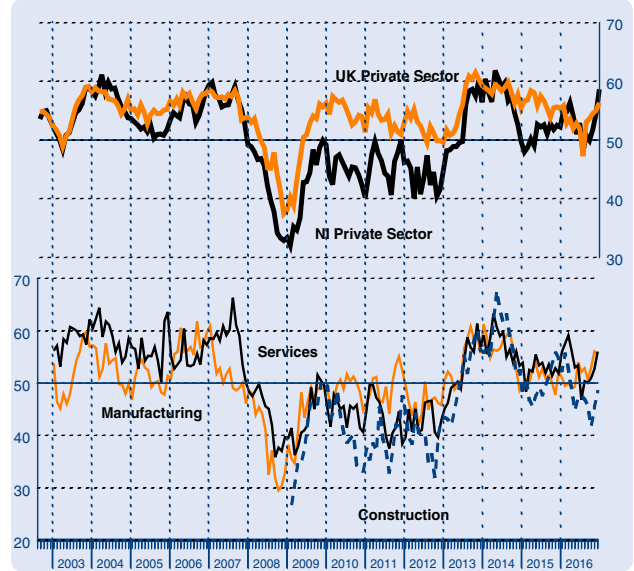
Output / Business Activity

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
2016	Jul	19.1	51.9	29.0	-9.9	45.0	48.0	47.3
	Aug	22.5	53.0	24.6	-2.1	49.0	50.8	53.1
	Sep	21.7	63.1	15.2	6.5	53.2	50.0	53.7
	Oct	22.2	58.9	18.9	3.3	51.6	51.9	54.6
	Nov	25.1	62.2	12.7	12.4	56.2	54.5	55.1
	Dec	32.0	53.5	14.5	17.5	58.8	58.7	56.4

Northern Ireland companies posted a sharp monthly increase in business activity during December, with the rate of growth quickening to the fastest since July 2014. The rise in Northern Ireland was also stronger than the UK average. Activity has now increased in each of the past three months. Higher levels of new work, in some cases reflecting the weakness of sterling, had been the main factor behind the rise. Retail continued to lead the overall expansion in activity, posting the fastest increase since the series began in January 2003. Marked growth was registered at manufacturing and services companies, while construction saw a slower pace of contraction.

By sector				
		Construction	Manufacturing	Services
'16	Oct	41.7	53.0	51.0
	Nov	45.7	56.1	52.7
	Dec	48.6	55.6	56.1



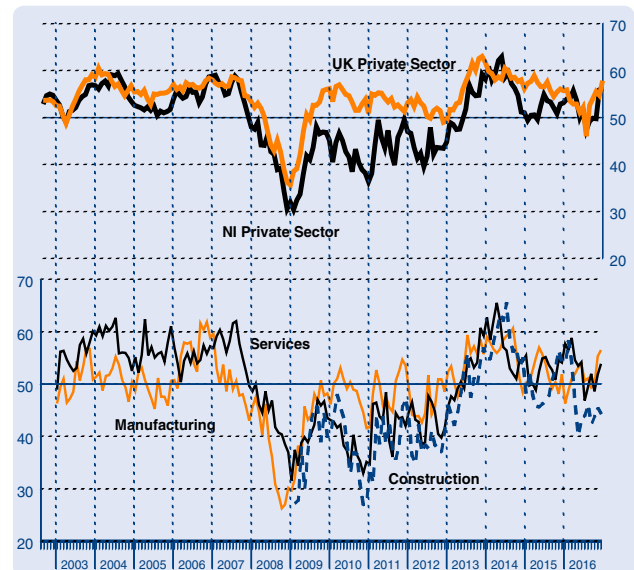
New Business

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
2016	Jul	18.0	51.5	30.5	-12.5	43.7	47.4	46.1
	Aug	24.1	48.8	27.1	-3.1	48.5	49.3	52.7
	Sep	19.9	65.6	14.5	5.4	52.7	49.9	54.1
	Oct	21.4	54.3	24.3	-3.0	48.5	49.8	55.6
	Nov	26.5	61.1	12.4	14.1	57.0	55.9	54.8
	Dec	28.0	53.2	18.8	9.3	54.6	56.3	57.9

The Northern Ireland private sector posted a second consecutive monthly rise in new business during December. Moreover, the rate of expansion quickened slightly and was the fastest in 27 months. A number of respondents mentioned that the weakness of sterling against the euro had helped them to secure new business from the Republic of Ireland, with some panellists reporting cross-border trade. Retailers posted a substantial increase in new work that was the sharpest in almost three years. Growth rates accelerated to 19- and six-month highs respectively in manufacturing and services. In contrast, construction new orders fell markedly.

By sector				
		Construction	Manufacturing	Services
'16	Oct	43.9	49.8	48.7
	Nov	45.4	55.4	51.8
	Dec	44.4	56.6	53.9



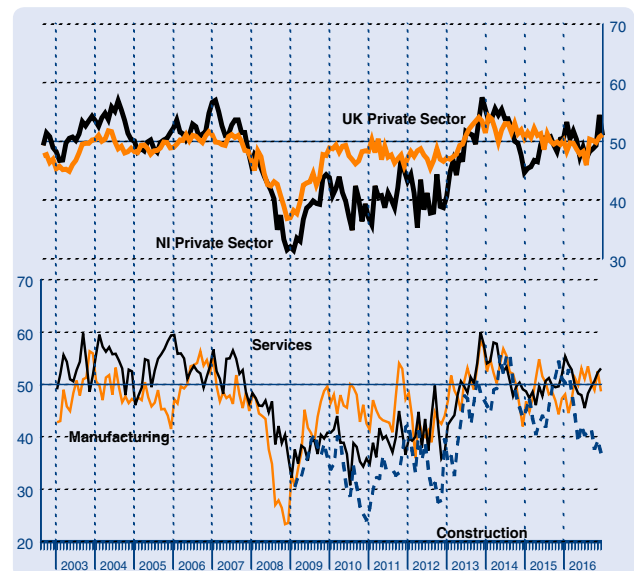
Backlogs

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
2016	Jul	14.1	63.7	22.2	-8.1	46.0	47.1	46.0
	Aug	15.6	62.9	21.5	-5.9	47.0	48.3	50.4
	Sep	16.2	67.5	16.2	0.0	50.0	48.8	50.2
	Oct	13.9	69.2	16.9	-3.0	48.5	49.3	49.9
	Nov	21.3	68.7	10.1	11.2	55.6	54.6	50.8
	Dec	14.4	69.8	15.8	-1.3	49.3	51.1	51.2

Latest data pointed to a rise in backlogs of work at Northern Ireland companies in December, the second month running in which an accumulation has been recorded. That said, the latest increase was only slight and weaker than seen in November. The rise in Northern Ireland was broadly in line with that seen at the UK level. According to respondents, increasing outstanding work largely reflected new order growth. Backlogs rose in the retail and services sectors, but declined at manufacturers and construction firms. The fall in manufacturing work-in-hand followed a rise in the previous month.

By sector				
		Construction	Manufacturing	Services
'16	Oct	37.7	49.0	50.7
	Nov	39.4	52.5	52.4
	Dec	37.0	48.8	53.1



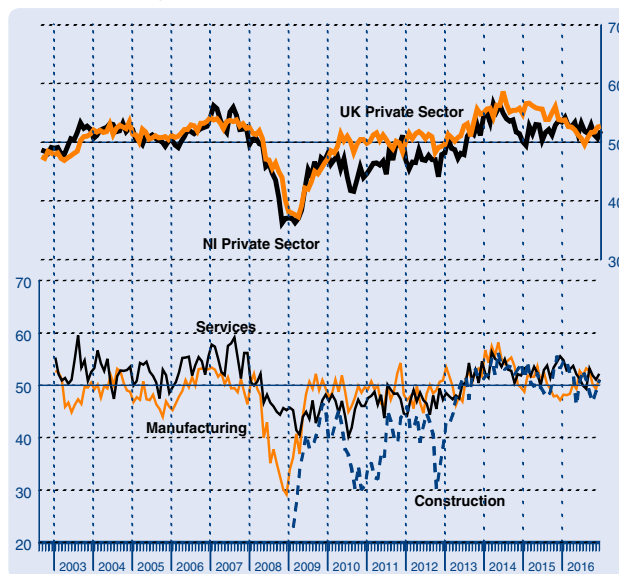
Employment

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
2016 Jul	9.9	84.2	5.8	4.1	52.0	51.9	49.6
Aug	11.8	80.3	7.8	4.0	52.0	51.6	50.8
Sep	15.4	75.4	9.1	6.3	53.2	53.0	51.7
Oct	10.1	80.6	9.3	0.8	50.4	51.3	51.8
Nov	8.6	84.0	7.4	1.2	50.6	50.7	52.6
Dec	9.5	84.7	5.7	3.8	51.9	52.0	52.8

Growth of workloads encouraged companies to take on extra staff during December, extending the current sequence of job creation to 23 months. The pace at which employment increased was modest but the sharpest since September. Staffing levels in Northern Ireland rose at a slightly slower pace than across the UK economy as a whole. Job creation was registered across all four monitored sectors. The sharpest rise was in retail. Services saw employment increase for the fourth month running, while in both manufacturing and construction staffing levels returned to growth after falling in November.

By sector			
	Construction	Manufacturing	Services
'16 Oct	46.9	50.1	51.9
Nov	49.0	49.4	51.2
Dec	51.0	51.3	52.3



Input Costs

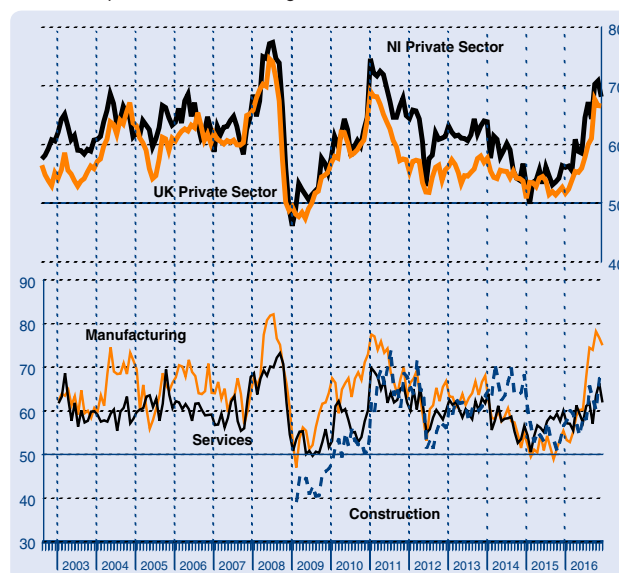
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2016 Jul	34.6	64.2	1.2	33.3	66.7	64.6	57.9
Aug	33.4	66.6	0.0	33.4	66.7	67.3	60.1
Sep	29.5	69.9	0.6	28.9	64.4	64.4	61.1
Oct	39.8	58.5	1.6	38.2	69.1	70.3	67.7
Nov	40.0	59.7	0.4	39.6	69.8	70.9	66.7
Dec	34.9	64.4	0.7	34.2	67.1	68.2	66.6

The weakness of sterling continued to push up input costs at Northern Ireland companies during December. The rate of inflation eased slightly to the weakest in three months, but remained substantial. The rise in input prices in Northern Ireland was faster than the UK average. As well as currency factors, some panellists reported higher staff costs. Retailers again registered the fastest increase in input prices, with the rate of inflation quickening to the sharpest since September 2008.

Construction also saw a faster rise in input costs, while inflation in both manufacturing and services remained sharp despite easing from November.

By sector			
	Construction	Manufacturing	Services
'16 Oct	60.3	78.2	63.5
Nov	67.4	76.8	66.4
Dec	68.1	75.1	62.0



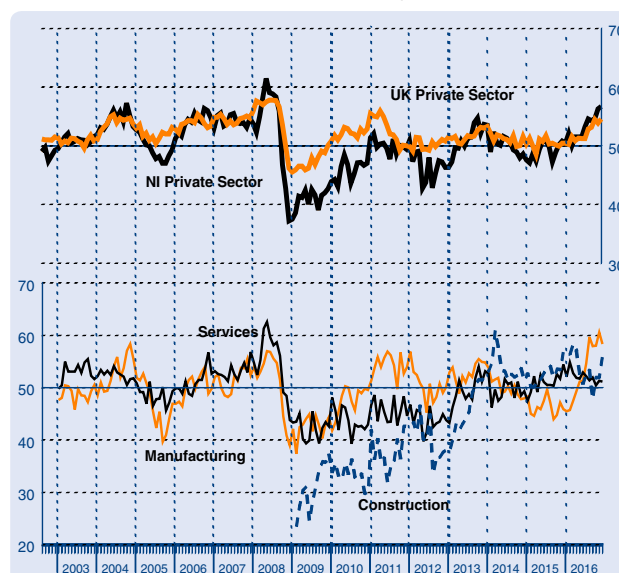
Prices Charged

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
2016 Jul	16.1	75.7	8.2	7.8	53.9	53.3	51.3
Aug	14.8	78.9	6.3	8.4	54.2	54.6	52.9
Sep	11.1	85.3	3.6	7.5	53.7	54.3	53.2
Oct	11.3	84.7	4.0	7.2	53.6	54.6	54.5
Nov	17.0	77.1	5.9	11.1	55.6	56.3	53.9
Dec	17.1	78.0	4.9	12.2	56.1	56.8	54.7

Companies in Northern Ireland raised their output prices in December, the fourteenth successive month in which that has been the case. Moreover, the rate of inflation accelerated for the third consecutive month and was the strongest since August 2008. The increase in charges in Northern Ireland also remained faster than the average across the UK as a whole. Panellists mainly linked higher output prices to the passing on of increased input costs. Retail saw the strongest rise in charges since the series began in January 2003. Output price inflation also quickened in the construction sector, but it eased at manufacturing and services companies.

By sector			
	Construction	Manufacturing	Services
'16 Oct	52.0	58.1	50.5
Nov	52.0	60.6	51.3
Dec	56.5	58.4	51.2



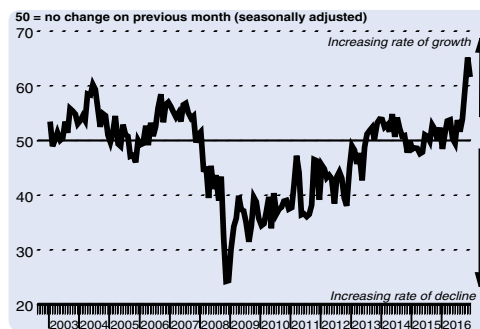
New Export Business*

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

Northern Ireland Companies

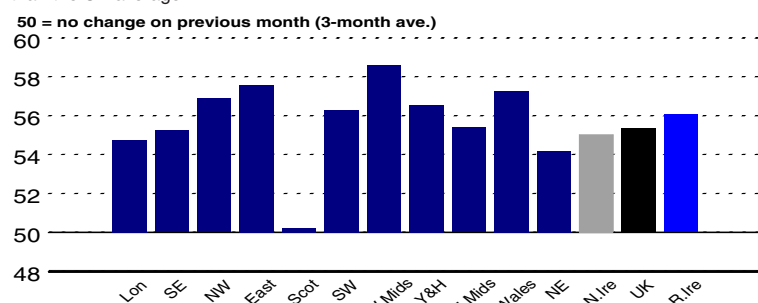
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index
2016	Jul	26.0	58.7	15.3	10.6	55.3	53.8
	Aug	20.5	58.5	21.0	-0.5	49.8	51.6
	Sep	22.1	70.3	7.6	14.4	57.2	53.9
	Oct	31.2	60.5	8.3	22.9	61.4	60.0
	Nov	33.0	62.0	5.0	28.0	64.0	65.2
	Dec	22.3	66.4	11.3	11.0	55.5	61.6

The rate of expansion in new export orders remained elevated in December, despite easing from November's record. Panellists continued to link the rise in new business from abroad to the weakness of sterling against the euro, with new orders from the Republic of Ireland mentioned in particular.



Regional Comparisons: Output / Business Activity

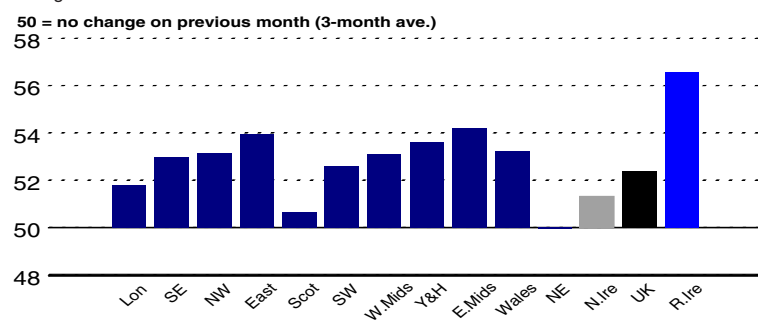
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The West Midlands recorded the strongest average growth in business activity in the final quarter of 2016, followed by the East of England and Wales respectively. Scotland was by far the weakest performer, seeing only a slight rise in output. Activity rose solidly in the Republic of Ireland, and at a faster pace 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%)	52.5	54.7	56.1
South East	(15.1%)	53.5	55.2	56.8
North West	(9.4%)	54.3	56.9	56.6
East of England	(8.7%)	55.1	57.6	59.8
Scotland	(7.8%)	49.9	50.2	50.7
South West	(7.6%)	53.5	56.3	58.7
West Midlands	(7.2%)	54.7	58.6	58.7
Yorks & Humber	(6.7%)	54.0	56.5	57.7
East Midlands	(6.0%)	54.9	55.4	56.0
Wales	(3.4%)	54.7	57.3	57.4
North East	(3.0%)	51.2	54.2	56.6
N. Ireland	(2.2%)	53.2	55.0	58.7
UK	(100.0%)	53.3	55.3	56.4
Rep. of Ireland	n/a	57.9	56.1	58.4

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 three months to December saw an increase in employment in all regions except the North East, where staffing numbers were broadly unchanged. The fastest rate of job creation was recorded in the East Midlands. Job creation in the Republic of Ireland was much sharper than in all regions of the UK.



	Share of UK GVA, 2014 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
London	(22.9%)	52.3	51.8	52.3
South East	(15.1%)	51.5	53.0	53.7
North West	(9.4%)	51.1	53.2	54.0
East of England	(8.7%)	54.2	53.9	54.2
Scotland	(7.8%)	50.0	50.7	51.6
South West	(7.6%)	52.0	52.6	53.1
West Midlands	(7.2%)	52.7	53.1	52.5
Yorks & Humber	(6.7%)	50.7	53.6	54.3
East Midlands	(6.0%)	52.6	54.2	54.1
Wales	(3.4%)	52.0	53.2	53.0
North East	(3.0%)	48.6	49.9	51.0
N. Ireland	(2.2%)	52.4	51.3	52.0
UK	(100.0%)	51.9	52.4	52.8
Rep. of Ireland	n/a	56.7	56.6	59.4

PMI® Survey Methodology

The Purchasing Managers' Index® (or PMI®) surveys are monthly surveys of carefully selected companies which provide an advance 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. To learn more go to www.markit.com/product/pmi.

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 IHS Markit

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