

# 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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11-16 Donegall Square East,  
Belfast BT1 5UB.

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For further information please contact:

Richard Ramsey  
Chief Economist, Northern Ireland  
Ulster Bank Group  
Tel: +44 (0)28 9027 6354  
Mobile: +44 (0)7881 930955  
Email: richard.ramsey@ulsterbankcm.com  
Web: www.ulstereconomix.com  
Twitter: @UB\_Economics

**IHS Markit**

Henley on Thames  
Oxon RG9 1HG, UK  
Tel: +44 1491 461000  
Fax: +44 1491 461001

e-mail: [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

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## Sharpest rise in output so far in 2017

The Northern Ireland private sector posted the strongest rise in business activity of the year-to-date in April, while new orders continued to increase solidly and companies were optimistic of further output growth over the coming year. Meanwhile, the rate of job creation accelerated. On the price front, both input costs and output charges continued to rise sharply.

### Output growth at four-month high

The headline seasonally adjusted Business Activity Index increased to 54.3 in April, up from 53.9 in March and pointing to the fastest rise in output during 2017 so far. Service providers posted the sharpest expansion in activity for a year, while manufacturing production also rose at a stronger pace. Construction activity was broadly unchanged over the month.

Companies mainly linked higher output to increased new orders, which rose at a solid pace that was the same as seen in March. A number of respondents mentioned signs of improving client demand.

Total new orders were supported by a further sharp rise in new business from outside the UK, often reflecting success in the Republic of Ireland as a result of sterling weakness.

### Rate of job creation picks up

The rate of job creation picked up and was the sharpest in ten months. Job creation was widespread across the four monitored sectors.

Meanwhile, backlogs of work decreased for the second month running in April, albeit only marginally. Panellists linked the reduction in outstanding business to the completion of projects.

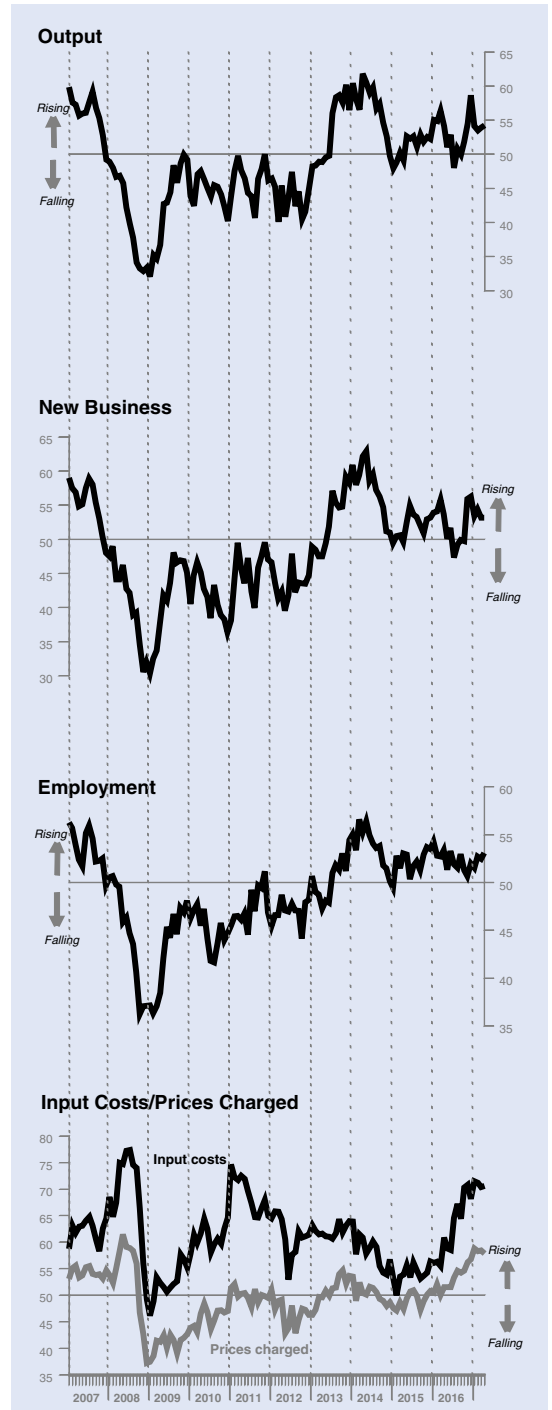
### Inflationary pressures remain strong

While helping firms to secure new export orders, the weakness of sterling also remained a main factor behind input cost inflation in April. The latest rise in input prices was substantial and slightly faster than in March. Manufacturers again posted the fastest rise, although multi-year highs were seen with regards to cost inflation for services and retail companies.

The pass through of higher cost burdens to clients resulted in a further sharp rise in output prices, albeit the weakest in the year-to-date.

### Firms predict further growth of activity

Newly released data on business confidence shows that firms in Northern Ireland expect growth of activity to continue over the coming year. Sentiment picked up from that seen in March, with optimism largely reflective of predictions of sustained new order growth.



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.

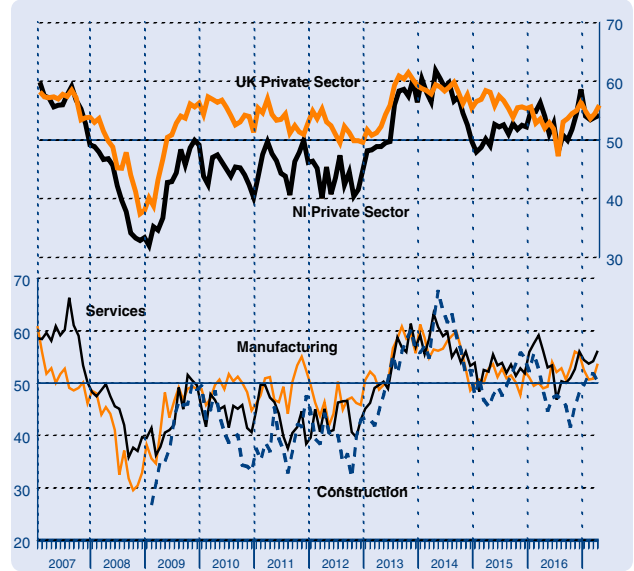
**Output / Business Activity**

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                       | 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          | 56.5          |
| 2017                       | Jan | 13.8     | 63.4   | 22.9    | -9.1    | 45.5            | 54.2          | 55.0          |
|                            | Feb | 22.4     | 63.4   | 14.2    | 8.2     | 54.1            | 53.5          | 53.7          |
|                            | Mar | 27.8     | 59.4   | 12.9    | 14.9    | 57.4            | 53.9          | 54.6          |
|                            | Apr | 26.4     | 61.8   | 11.8    | 14.7    | 57.3            | 54.3          | 56.0          |

The rate of business activity expansion in the Northern Ireland private sector quickened to the fastest in 2017 so far during April. The seventh successive monthly rise was solid, albeit remaining slightly below the UK average. Panellists indicated that increasing new orders was the main factor leading output to rise. The service sector posted the fastest increase in activity of the four monitored sectors, recording the steepest expansion for a year. Manufacturing output also rose at a faster pace, while retail posted a slowdown in growth. Construction activity was little-changed compared with the previous month.

| By sector |     |              |               |          |
|-----------|-----|--------------|---------------|----------|
|           |     | Construction | Manufacturing | Services |
| '17       | Feb | 51.9         | 50.7          | 53.7     |
|           | Mar | 51.8         | 50.9          | 54.3     |
|           | Apr | 50.1         | 53.8          | 56.2     |



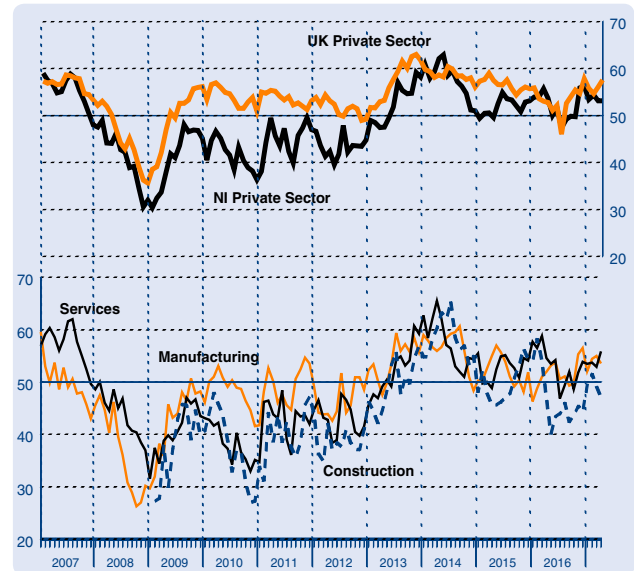
**New Business**

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 |
| 2016                       | 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          |
| 2017                       | Jan | 17.8     | 61.3   | 20.9    | -3.1    | 48.5            | 53.5          | 55.9          |
|                            | Feb | 26.8     | 59.9   | 13.3    | 13.6    | 56.8            | 54.4          | 54.7          |
|                            | Mar | 24.8     | 59.7   | 15.6    | 9.2     | 54.6            | 53.2          | 56.1          |
|                            | Apr | 23.4     | 65.1   | 11.5    | 11.9    | 55.9            | 53.2          | 57.6          |

April data pointed to a further increase in new orders at Northern Ireland firms, the sixth in as many months. The rate of expansion was solid, and the same as that seen in March. Anecdotal evidence suggested that improving client demand was the main factor driving new order growth during the month. More than 23% of respondents noted a rise in new business, roughly twice the proportion signalling a fall. As was the case with activity, services posted a marked and accelerated increase in new orders. The manufacturing and retail sectors also recorded growth, but construction new orders decreased for the second month running.

| By sector |     |              |               |          |
|-----------|-----|--------------|---------------|----------|
|           |     | Construction | Manufacturing | Services |
| '17       | Feb | 51.6         | 54.5          | 53.8     |
|           | Mar | 49.3         | 55.0          | 53.0     |
|           | Apr | 47.1         | 53.6          | 55.9     |



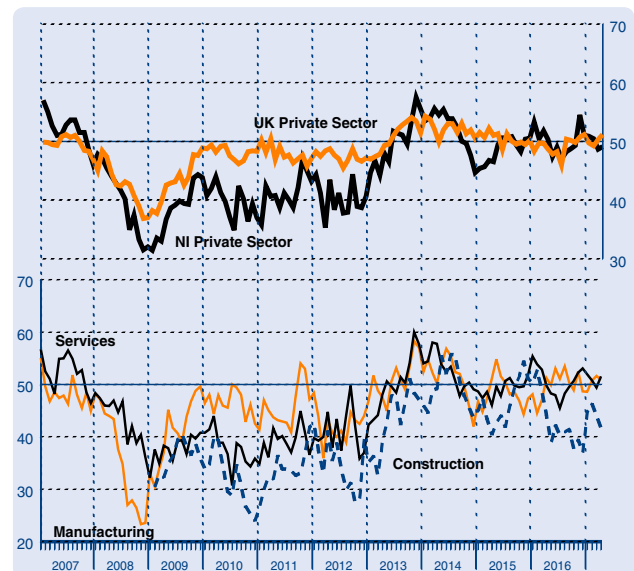
**Backlogs**

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                       | 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          |
| 2017                       | Jan | 11.0     | 75.3   | 13.7    | -2.7    | 48.6            | 50.9          | 49.8          |
|                            | Feb | 15.3     | 70.5   | 14.2    | 1.0     | 50.5            | 50.5          | 49.3          |
|                            | Mar | 14.6     | 69.3   | 16.1    | -1.5    | 49.3            | 48.7          | 50.3          |
|                            | Apr | 14.6     | 73.0   | 12.4    | 2.2     | 51.1            | 49.1          | 51.2          |

Despite a further solid increase in new work, outstanding business decreased for a second month running in April. That said, the rate of depletion was slight and weaker than seen in March. The fall in backlogs of work at companies in Northern Ireland contrasted with a rise at the UK level. According to respondents, the completion of projects had been behind the reduction in work-in-hand. Sector data suggested that the overall reduction in backlogs was centred on construction firms, where outstanding work decreased at the fastest pace in four months. Modest rises in backlogs were seen in manufacturing and services.

| By sector |     |              |               |          |
|-----------|-----|--------------|---------------|----------|
|           |     | Construction | Manufacturing | Services |
| '17       | Feb | 46.4         | 50.8          | 50.8     |
|           | Mar | 44.0         | 51.7          | 49.5     |
|           | Apr | 41.8         | 51.0          | 51.6     |



## Employment

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

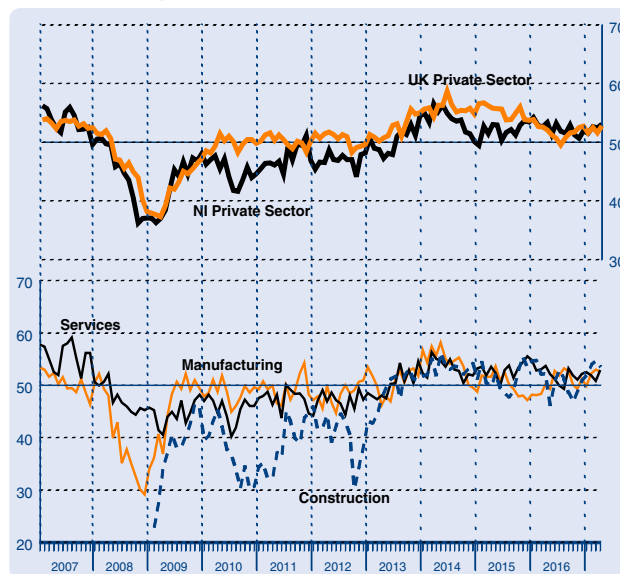
| Northern Ireland Companies |          |        |         | All UK  |                 |               |               |
|----------------------------|----------|--------|---------|---------|-----------------|---------------|---------------|
|                            | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S.Adj'd Index | S.Adj'd Index |
| 2016 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          |
| 2017 Jan                   | 11.8     | 77.9   | 10.3    | 1.5     | 50.7            | 51.5          | 51.6          |
| Feb                        | 12.9     | 80.7   | 6.4     | 6.5     | 53.3            | 52.7          | 52.6          |
| Mar                        | 11.4     | 82.2   | 6.4     | 5.0     | 52.5            | 52.5          | 51.7          |
| Apr                        | 14.0     | 80.2   | 5.7     | 8.3     | 54.2            | 53.1          | 52.8          |

Growth of new business encouraged companies in Northern Ireland to increase their staffing levels during April. Moreover, the rate of job creation was solid and the fastest since June last year. Employment has now risen in each of the past 27 months. All four broad sectors covered by the survey saw staffing levels increase solidly. The sharpest sectoral rise was at retailers, although the rate of jobs growth eased to the weakest since July 2015. The

### By sector

|         |  | Construction | Manufacturing | Services |
|---------|--|--------------|---------------|----------|
| '17 Feb |  | 54.0         | 52.3          | 51.9     |
| Mar     |  | 54.7         | 53.0          | 50.9     |
| Apr     |  | 53.6         | 52.8          | 53.0     |

only category to see a stronger rise in employment in April was services where the increase was the most marked since last September.



## Input Costs

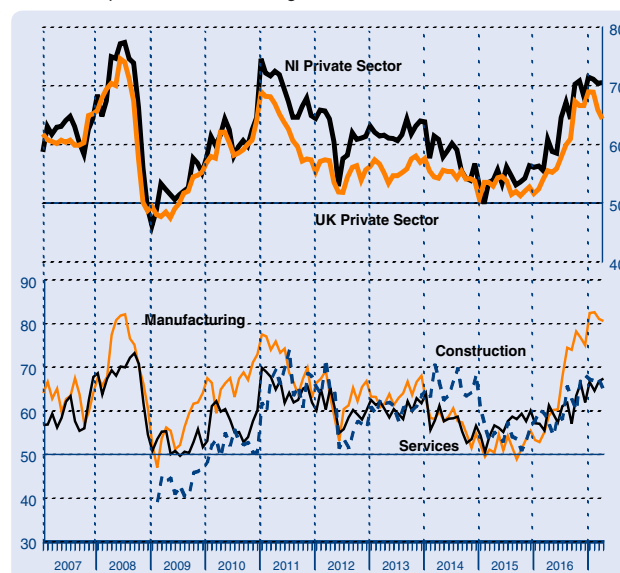
Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

| Northern Ireland Companies |          |        |         | All UK  |                 |               |               |
|----------------------------|----------|--------|---------|---------|-----------------|---------------|---------------|
|                            | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S.Adj'd Index | S.Adj'd Index |
| 2016 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          | 66.7          |
| 2017 Jan                   | 45.7     | 52.7   | 1.6     | 44.1    | 72.0            | 71.5          | 69.0          |
| Feb                        | 43.7     | 54.8   | 1.4     | 42.3    | 71.1            | 71.2          | 69.0          |
| Mar                        | 46.4     | 52.2   | 1.4     | 45.0    | 72.5            | 70.4          | 66.0          |
| Apr                        | 48.9     | 50.0   | 1.1     | 47.7    | 73.9            | 70.6          | 64.4          |

The rate of input cost inflation remained substantial in April, ticking up slightly from the previous month as close to half of all respondents signalled a rise in input prices compared with March. The increase in input costs at Northern Ireland companies was much faster than the UK average. According to respondents, the weakness of sterling was again the key factor pushing up input prices. Manufacturers continued to record the strongest pace of cost inflation, just ahead of retailers where the latest rise was the fastest in more than eight-and-a-half years. Meanwhile, services input prices increased to the greatest extent since March 2011.

### By sector

|         |  | Construction | Manufacturing | Services |
|---------|--|--------------|---------------|----------|
| '17 Feb |  | 67.0         | 82.7          | 64.7     |
| Mar     |  | 67.5         | 81.2          | 66.9     |
| Apr     |  | 64.7         | 80.6          | 67.4     |



## Prices Charged

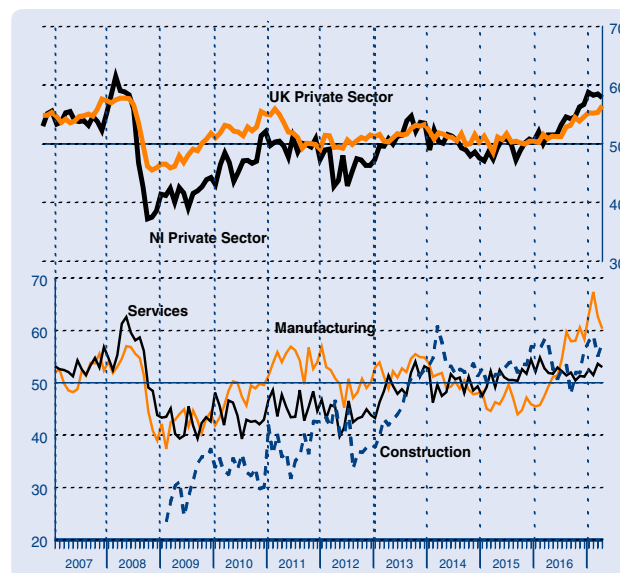
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

| Northern Ireland Companies |          |        |         | All UK  |                 |               |               |
|----------------------------|----------|--------|---------|---------|-----------------|---------------|---------------|
|                            | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S.Adj'd Index | S.Adj'd Index |
| 2016 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          |
| 2017 Jan                   | 25.1     | 69.4   | 5.4     | 19.7    | 59.9            | 58.8          | 55.3          |
| Feb                        | 19.1     | 76.0   | 4.8     | 14.3    | 57.1            | 58.3          | 55.3          |
| Mar                        | 22.9     | 73.6   | 3.5     | 19.4    | 59.7            | 58.5          | 55.4          |
| Apr                        | 22.1     | 74.3   | 3.6     | 18.5    | 59.2            | 57.9          | 56.5          |

Continued strong increases in cost burdens led companies in Northern Ireland to raise their output prices again during April. The rate of inflation was sharp, despite easing to the weakest in 2017 so far. As has been the case in each of the past 13 months, the rate of charge inflation in Northern Ireland was quicker than the UK average. Selling prices rose across all four monitored sectors. The sharpest increase was in retail, just ahead of manufacturing. The only category to post a faster increase in charges in April was construction, while the rate of inflation in the service sector was comfortably the weakest of the areas of the economy covered by the survey.

### By sector

|         |  | Construction | Manufacturing | Services |
|---------|--|--------------|---------------|----------|
| '17 Feb |  | 59.0         | 67.4          | 51.5     |
| Mar     |  | 55.2         | 62.7          | 53.7     |
| Apr     |  | 57.7         | 60.4          | 53.0     |



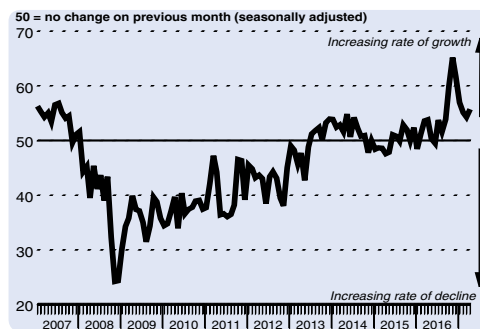
**New Export Business\***

*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 | Nov | 33.0     | 62.0   | 5.0     | 28.0    | 64.0            | <b>65.2</b>   |
|      | Dec | 22.3     | 66.4   | 11.3    | 11.0    | 55.5            | <b>61.6</b>   |
| 2017 | Jan | 10.6     | 75.8   | 13.6    | -3.0    | 48.5            | <b>57.0</b>   |
|      | Feb | 22.0     | 65.3   | 12.6    | 9.4     | 54.7            | <b>55.1</b>   |
|      | Mar | 19.3     | 69.9   | 10.8    | 8.5     | 54.3            | <b>54.3</b>   |
|      | Apr | 24.9     | 68.3   | 6.8     | 18.2    | 59.1            | <b>55.8</b>   |

The rate of expansion in new export orders accelerated to a three-month high in April, but remained softer than the peak seen in late-2016. Panellists indicated that sterling weakness had helped them to secure new orders from the Republic of Ireland.



**Future Output**

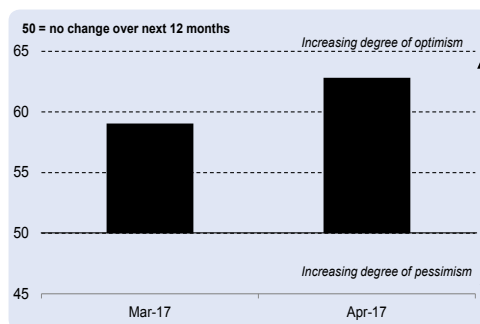
*In 12 months' time do you expect the overall volume of output to be higher, the same or lower than now?*

**Northern Ireland Companies**

**All UK**

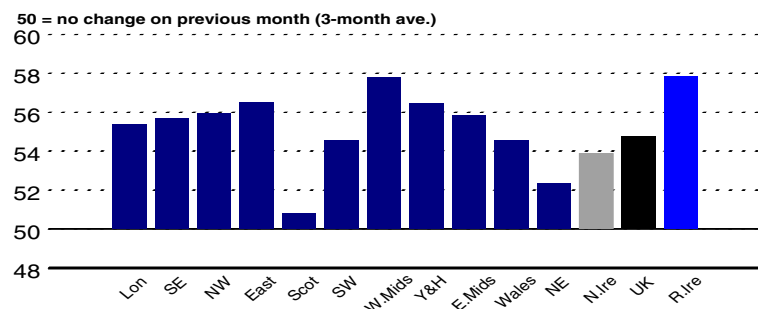
|      |     | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S.Adj'd Index | Index |
|------|-----|----------|--------|---------|---------|-----------------|---------------|-------|
| 2017 | Mar | 29.9     | 58.3   | 11.8    | 18.1    | 59.0            | n/a           | 70.6  |
|      | Apr | 34.7     | 56.3   | 9.0     | 25.6    | 62.8            | n/a           | 68.3  |

Companies in Northern Ireland are optimistic that business activity will increase over the next 12 months, with optimism in April slightly stronger than that seen in March. Panellists generally link positive expectations to predictions of further growth of new business.



**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). All 12 regions monitored by the survey saw a rise in business activity in the three months to April, led by a sharp increase in the West Midlands. The weakest growth was recorded in Scotland, followed by the North East. The rise in activity in the Republic of Ireland was much faster than in the UK.



|                 | Share of UK GVA, 2015 (National Statistics) | Last 12 months | PMI Output Index Latest 3 months | Latest month |
|-----------------|---|----------------|----------------------------------|--------------|
| London          | (22.9%)                                     | 53.1           | 55.4                             | 56.9         |
| South East      | (15.1%)                                     | 53.9           | 55.7                             | 57.1         |
| North West      | (9.5%)                                      | 55.4           | 55.9                             | 56.5         |
| East of England | (8.8%)                                      | 55.6           | 56.5                             | 57.3         |
| Scotland        | (7.7%)                                      | 50.3           | 50.8                             | 50.6         |
| South West      | (7.6%)                                      | 54.3           | 54.5                             | 56.7         |
| West Midlands   | (7.3%)                                      | 55.8           | 57.8                             | 60.3         |
| Yorks & Humber  | (6.6%)                                      | 55.4           | 56.5                             | 56.8         |
| East Midlands   | (5.9%)                                      | 54.7           | 55.9                             | 57.8         |
| Wales           | (3.4%)                                      | 55.1           | 54.5                             | 53.6         |
| North East      | (3.0%)                                      | 52.0           | 52.3                             | 52.0         |
| N. Ireland      | (2.1%)                                      | 52.8           | 53.9                             | 54.3         |
| UK              | (100.0%)                                    | 53.7           | 54.7                             | 56.0         |
| Rep. of Ireland | n/a   | 57.3           | 57.8                             | 58.7         |

**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](http://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.

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