

Ulster Bank Northern Ireland PMI[®]

The Ulster Bank Northern Ireland PMI[®] (Purchasing Managers' Index[®]) is produced by IHS Markit.

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.

Ulster Bank Limited.
Registered in Northern Ireland.
Registration Number R733

Registered Office:
11-16 Donegall Square East,
Belfast BT1 5UB.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and entered on the Financial Services Register (Registration Number 122315).

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

The Ulster Bank Northern Ireland PMI[®] is produced by IHS Markit, an independent research company that produces highly-regarded surveys of business conditions in nations around the world.

Ulster Bank and IHS Markit acknowledge the support of CIPS in the production of this report.



The intellectual property rights to the Northern Ireland PMI[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and PMI[®] are either registered trade marks of Market Economics Limited or licensed to Market Economics Limited. Ulster Bank use the above marks under license. IHS Markit is a registered trade mark of IHS Markit Limited.

Sharp and accelerated rise in activity at start of 2018

January saw a pick-up in growth momentum in the Northern Ireland private sector. Business activity rose at the fastest pace since December 2016 amid strong new order inflows. A sharper increase in input costs was also recorded, however, and companies continued to raise their charges at a marked pace.

Output growth at 13-month high

The headline seasonally adjusted Business Activity Index rose to a 13-month high of 58.7 in January, from 56.9 in December. The reading pointed to a substantial monthly rise in output at Northern Ireland companies, and one that was much faster than the UK average. Increases in activity were recorded across all four monitored sectors, led by retail.

Central to the latest rise in output were increases in new business and improving client demand. New orders expanded sharply, with the rate of growth little-changed from December's 40-month high.

New business from abroad also continued to rise sharply, albeit at a slightly reduced pace. Panellists often reported higher new orders from clients in the Republic of Ireland.

Solid rise in employment

Backlogs of work were accumulated again in January. Companies indicated that higher new orders and issues with the supply of materials had been behind the latest build-up of outstanding business.

Firms responded to higher workloads by taking on additional staff. The rate of job creation eased from December but was solid and faster than the UK average.

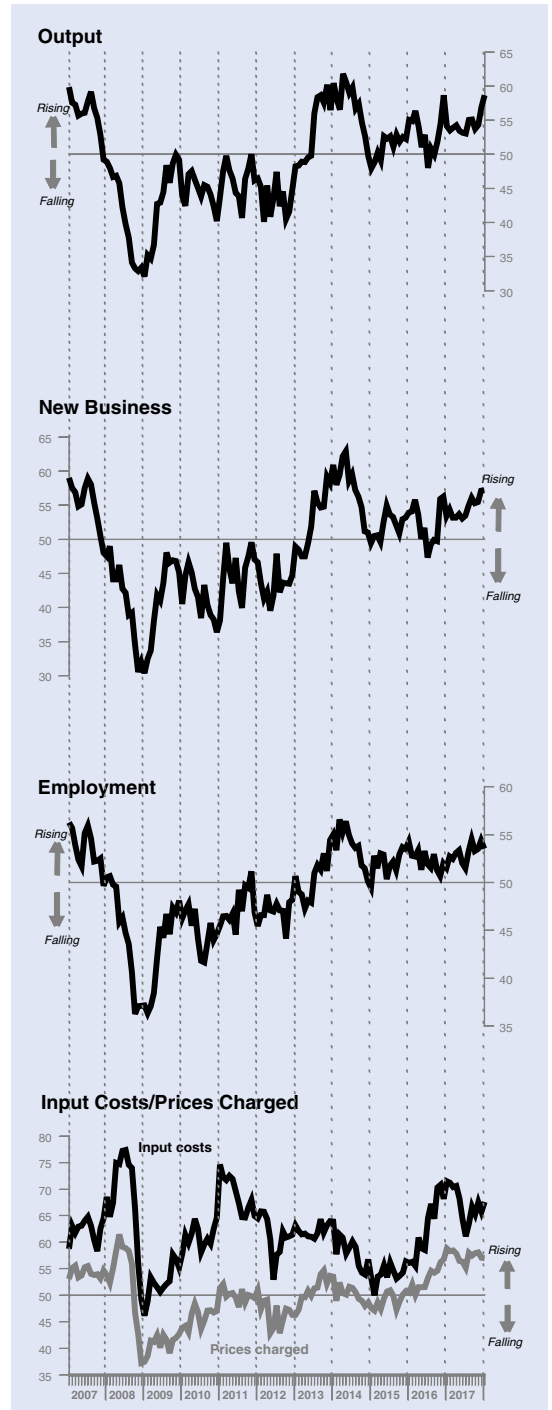
Cost inflation accelerates

Higher fuel prices and increased staff costs were the key factors behind another monthly rise in input prices at the start of the year. The rate of inflation quickened to the fastest since May 2017, with the retail and manufacturing sectors seeing the steepest increases.

Prices charged continued to rise sharply as panellists responded to higher input costs. Strong increases were recorded across the manufacturing, construction and retail sectors, but services posted a slower rise in charges.

Business sentiment improves

Further positivity was signalled by data on business confidence, with optimism among firms the strongest since May 2017. The launch of new products, further growth of new orders and a favourable exchange rate are all set to support increases in output over the coming year.



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

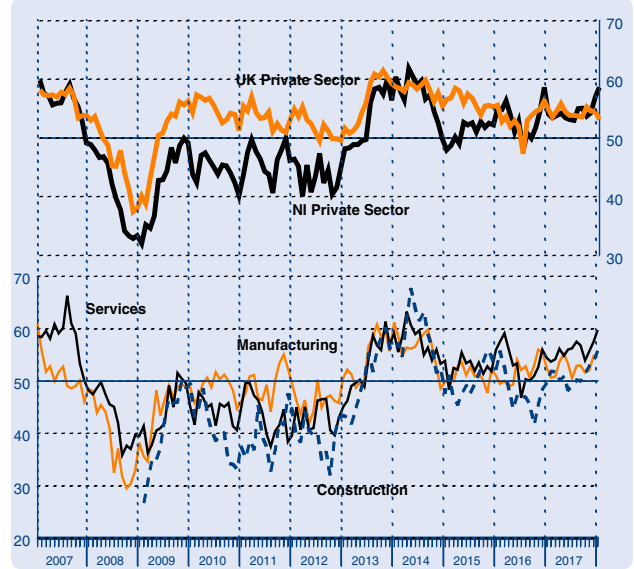
Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies					All UK			
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2017	Aug	23.4	59.4	17.1	6.3	53.1	55.0	53.7
	Sep	30.1	58.0	12.0	18.1	59.1	55.1	53.6
	Oct	24.1	57.0	18.9	5.1	52.6	53.8	55.4
	Nov	28.8	56.1	15.1	13.8	56.9	54.3	54.7
	Dec	33.0	55.1	11.9	21.0	60.5	56.9	54.7
2018	Jan	22.8	58.2	19.0	3.8	51.9	58.7	53.2

Growth of business activity in the Northern Ireland private sector gathered pace at the start of 2018. The rate of expansion in output was substantial, having quickened for the third month running to the fastest since December 2016. The increase in activity in Northern Ireland was much sharper than the UK average. Rising new business and greater client demand were the main factors behind the latest rise, which was the sixteenth in as many months. Growth continued to be led by the retail sector, while sharper expansions were recorded in services and construction.

By sector				
		Construction	Manufacturing	Services
'17	Nov	52.9	52.1	55.7
	Dec	53.7	54.9	57.6
'18	Jan	56.1	54.5	59.8

Manufacturing production rose solidly, albeit at a slightly weaker pace than in December.



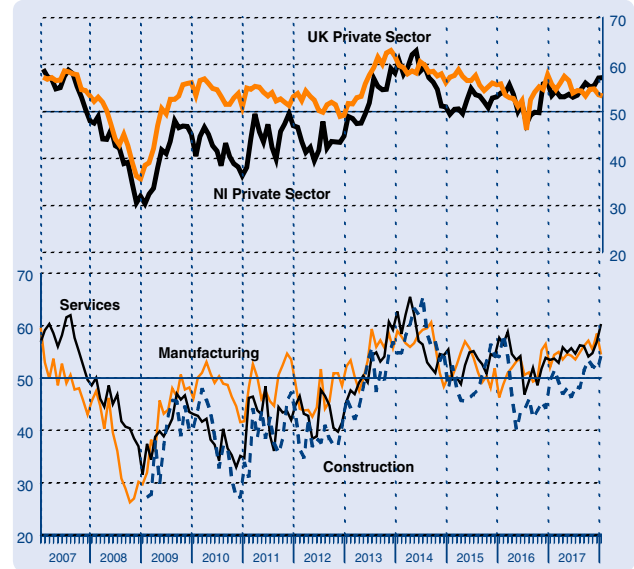
New Business

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
2017	Aug	25.6	55.6	18.8	6.9	53.4	54.9	54.4
	Sep	32.4	55.7	11.9	20.5	60.2	56.1	53.4
	Oct	23.9	58.4	17.7	6.2	53.1	55.3	54.8
	Nov	24.9	60.2	14.9	10.0	55.0	55.5	54.9
	Dec	33.3	53.0	13.7	19.5	59.8	57.2	53.6
2018	Jan	22.1	60.9	17.0	5.1	52.5	57.3	53.3

Northern Ireland firms continued to secure new business at a rapid pace in January, with the rate of growth little-changed from the previous month. New orders have now increased in each of the past 15 months. The rise in new business in Northern Ireland continued to outpace the UK as a whole. Some panellists reported that greater opportunities for new work had become available, while others highlighted the impact of marketing activities. Services new business increased at the fastest pace in 44 months, with growth just edging ahead of the retail sector. Solid growth of new work was recorded in the manufacturing and construction categories.

By sector				
		Construction	Manufacturing	Services
'17	Nov	52.3	55.5	54.8
	Dec	51.6	58.6	57.0
'18	Jan	54.4	54.6	60.3



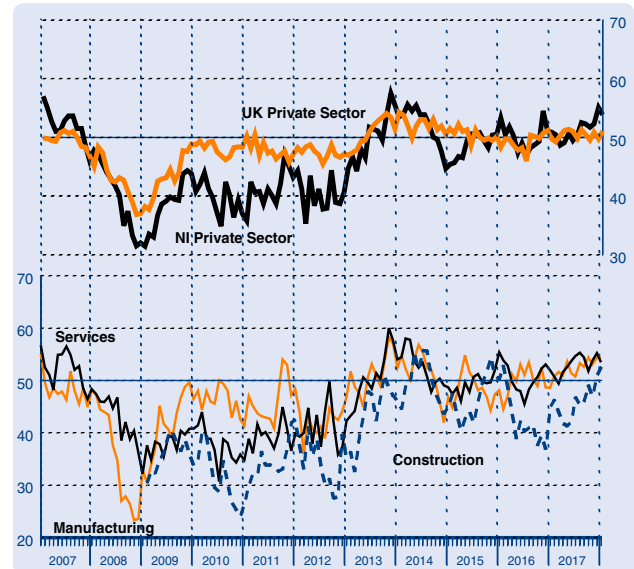
Backlogs

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
2017	Aug	18.3	69.9	11.8	6.5	53.3	52.5	51.4
	Sep	19.8	66.3	13.9	5.8	52.9	52.3	50.6
	Oct	13.8	73.8	12.4	1.4	50.7	51.8	49.6
	Nov	21.7	65.9	12.4	9.3	54.6	52.4	50.9
	Dec	18.8	70.9	10.2	8.6	54.3	55.1	49.8
2018	Jan	16.0	71.0	13.1	2.9	51.5	53.9	51.1

January data pointed to an increase in backlogs of work, extending the current sequence of accumulation to seven months. The pace at which outstanding business rose was solid, despite easing from that seen in December. Northern Ireland companies registered a more marked increase in backlogs than the average seen across the UK as a whole. Panellists linked higher levels of work-in-hand to a number of factors, including rising new orders, supplier price increases and delays in receiving purchased items. Each of the four monitored sectors saw backlogs rise during the month.

By sector				
		Construction	Manufacturing	Services
'17	Nov	47.1	53.1	53.9
	Dec	50.9	54.4	55.2
'18	Jan	52.6	54.4	53.5



Employment

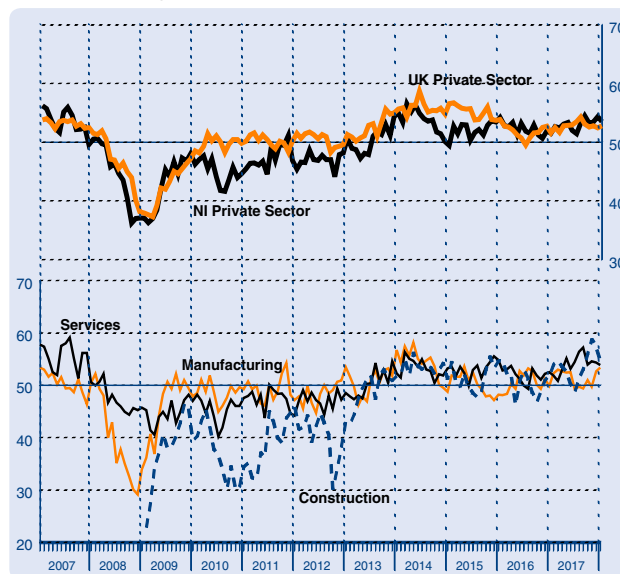
Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2017 Aug	13.3	82.6	4.1	9.1	54.6	53.2	54.3
Sep	17.7	76.6	5.7	12.0	56.0	54.5	53.2
Oct	13.1	79.3	7.7	5.4	52.7	53.3	52.6
Nov	13.0	79.9	7.1	6.0	53.0	53.5	52.8
Dec	11.7	83.9	4.4	7.2	53.6	54.4	52.5
2018 Jan	13.2	77.4	9.4	3.8	51.9	53.6	52.9

Rising workloads encouraged companies in Northern Ireland to increase their staffing levels again in January. Job creation has now been recorded on a monthly basis throughout the past three years. Although easing slightly from the end of 2017, the pace of increase was still solid and faster than the UK average. More than 13% of panellists reported a rise in employment, against 9% that signalled a fall. The construction sector posted the fastest increase in staffing levels, closely followed by services and manufacturing.

Meanwhile, retail employment rose slightly following a stagnation in December.

By sector				
		Construction	Manuf-acturing	Services
'17 Nov	58.8	49.7	54.6	
Dec	57.4	52.7	54.4	
'18 Jan	54.6	53.4	53.9	



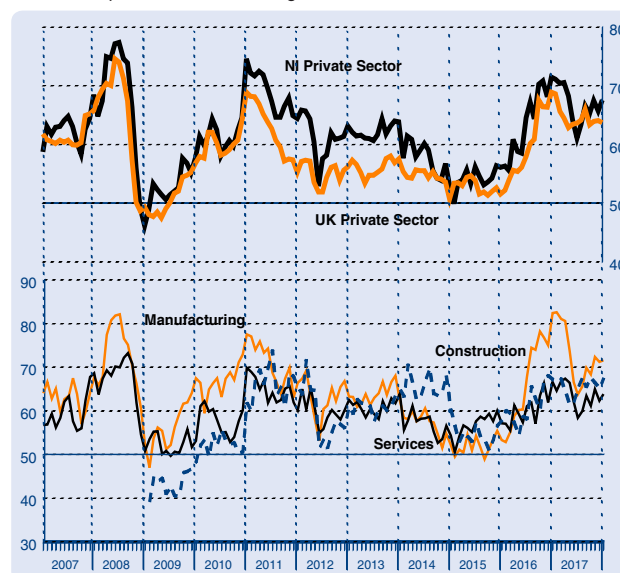
Input Costs

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
2017 Aug	30.1	68.7	1.2	28.9	64.4	63.5	64.2
Sep	37.6	62.1	0.3	37.3	68.7	66.7	66.0
Oct	31.1	66.9	2.0	29.1	64.6	65.4	63.4
Nov	36.3	63.7	0.0	36.3	68.2	67.5	64.0
Dec	29.4	69.1	1.5	27.9	63.9	65.8	64.1
2018 Jan	37.5	61.2	1.3	36.2	68.1	67.6	63.8

The rate of input cost inflation picked up pace at the start of 2018, accelerating to the fastest since May 2017. The rate of increase was sharp and steeper than the series average. Northern Ireland companies saw cost burdens rise to a greater extent than across the UK as a whole. Higher fuel prices were widely mentioned by respondents, with increases in staff costs also cited. Around 38% of panellists noted an increase in input prices, with just 1% seeing a decrease. Retailers signalled the fastest rise in cost burdens, just ahead of manufacturing. Meanwhile, stronger increases were registered in both services and construction.

By sector				
		Construction	Manuf-acturing	Services
'17 Nov	66.5	72.4	65.1	
Dec	65.2	71.3	62.3	
'18 Jan	67.5	71.7	63.9	



Prices Charged

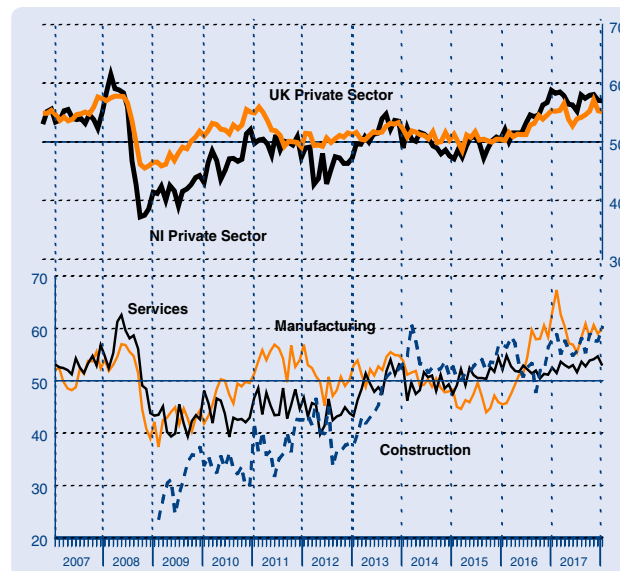
Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

Northern Ireland Companies				All UK			
	Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	S.Adj'd Index
2017 Aug	19.0	77.7	3.3	15.7	57.8	58.0	54.2
Sep	18.3	76.7	5.0	13.3	56.7	57.5	54.7
Oct	18.1	77.6	4.3	13.8	56.9	58.0	55.2
Nov	17.1	79.9	3.0	14.0	57.0	58.1	57.2
Dec	14.9	82.6	2.5	12.4	56.2	57.1	55.4
2018 Jan	19.5	77.2	3.3	16.2	58.1	57.0	55.2

Increases in input costs led companies to raise their output prices accordingly in January. Charges increased sharply, and at a pace that was broadly in line with that recorded in December. The rate of inflation in Northern Ireland remained sharper than that seen across the UK economy as a whole. Three of the four monitored sectors registered steep rises in output prices. The exception was services where charges increased at a solid pace, but one that was the weakest since last September.

Both the manufacturing and construction categories saw selling prices rise more quickly than in the previous month.

By sector				
		Construction	Manuf-acturing	Services
'17 Nov	57.7	60.7	54.1	
Dec	57.6	59.0	54.7	
'18 Jan	60.4	60.0	53.0	



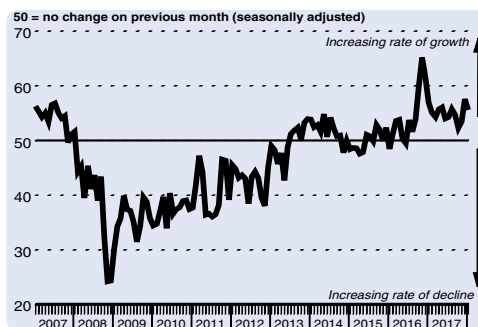
New Export Business*

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
2017	Aug	25.7	63.2	11.2	14.5	57.2	55.8
	Sep	22.2	68.9	9.0	13.2	56.6	54.7
	Oct	10.5	73.7	15.7	-5.2	47.4	52.3
	Nov	19.1	71.2	9.7	9.3	54.7	53.5
	Dec	36.6	56.6	6.8	29.8	64.9	57.6
2018	Jan	13.3	73.7	13.0	0.4	50.2	55.6

Strong demand from the Republic of Ireland drove another monthly rise in new export orders during January. New business from abroad increased sharply, albeit at a slightly reduced pace.



Future Output

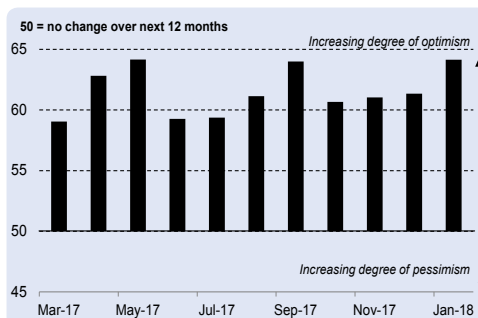
In 12 months' time do you expect the overall volume of output to be higher, the same or lower than now?

Northern Ireland Companies

All UK

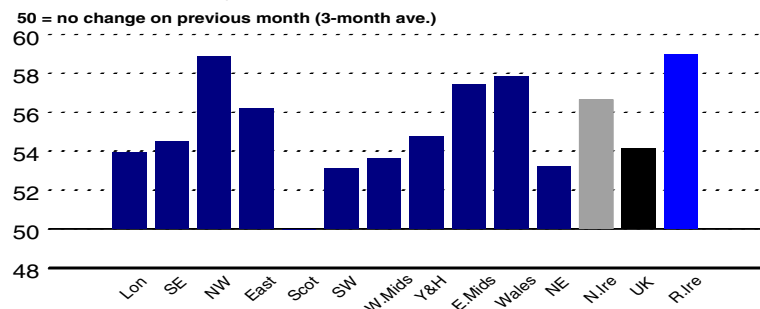
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	Index
2017	Aug	32.8	56.6	10.5	22.3	61.1	n/a	66.9
	Sep	35.5	57.0	7.5	28.0	64.0	n/a	65.2
	Oct	32.3	56.7	11.0	21.3	60.7	n/a	64.8
	Nov	32.6	56.9	10.5	22.1	61.0	n/a	66.2
	Dec	34.6	53.4	12.0	22.7	61.3	n/a	67.3
2018	Jan	37.1	54.2	8.8	28.3	64.1	n/a	69.9

January data pointed to increasing confidence among companies regarding the prospects for output growth over the coming year. Moreover, sentiment improved to the highest since May 2017. The launch of new products, rising new business and a favourable exchange rate were among the factors set to support increases in activity.



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 North West recorded the strongest growth in business activity in the three months to January, followed by Wales and the East Midlands respectively. Output in fact rose in all areas of the UK except Scotland, where it was unchanged (on average). The Republic of Ireland saw business activity rise much more quickly than the UK average.



	Share of UK GVA, 2016 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(22.9%)	54.4	53.9	51.8
South East	(14.9%)	54.7	54.5	53.2
North West	(9.6%)	56.3	58.9	57.4
East of England	(8.7%)	55.7	56.2	54.2
Scotland	(7.8%)	51.3	50.0	50.3
South West	(7.5%)	53.7	53.1	54.3
West Midlands	(7.4%)	56.4	53.6	53.2
Yorks & Humber	(6.7%)	56.5	54.8	54.9
East Midlands	(5.9%)	56.4	57.4	58.8
Wales	(3.5%)	56.1	57.8	56.3
North East	(3.0%)	51.9	53.2	54.2
N. Ireland	(2.2%)	54.6	56.7	58.7
UK	(100.0%)	54.3	54.2	53.2
Rep. of Ireland	n/a	58.0	59.0	59.0

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 40 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 <https://ihsmarkit.com/products/pmi.html>.

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

Ulster Bank is a member of The Royal Bank of Scotland Group. Ulster Bank acts as a full service institution to its customer base, providing an extensive range of retail banking, business banking, investment banking and capital markets services to corporate, personal and institutional clients.

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.

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

Disclaimer

The Northern Ireland PMI® is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the

preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.