

# 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.

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## Activity rises but orders and jobs growth slip to 7-month low

Latest PMI data signalled that the Northern Ireland private sector remained comfortably inside growth territory during February. That said, rates of expansion in output, new orders and employment all eased over the month. On the other hand, inflationary pressures intensified, with sharper rises in both input costs and prices charged.

### Weaker rise in output

The headline seasonally adjusted Business Activity Index posted 56.3 in February from 58.7 in January. The reading signalled a sharp monthly rise in output, albeit one that was the weakest in three months. Northern Ireland companies again recorded a faster increase than the UK as a whole. Where activity rose, panellists linked this to higher new business and improving client demand. All four sectors saw activity expand, led by retail.

New product launches and marketing activities helped firms to secure new business in February, extending the current sequence of growth to 16 months. That said, the rate of expansion was the slowest since July last year.

New export orders also increased at a slower pace, albeit one that was still solid.

### Rate of job creation eases

Rising new business fed through to a further accumulation of backlogs of work. That said, the latest increase was the weakest in seven months as construction backlogs decreased.

The rate of jobs growth also slowed in February and was modest. Employment has now increased in each of the past 37 months, with panellists linking the latest rise to higher workloads. Northern Ireland firms posted a weaker pace of job creation than the UK average.

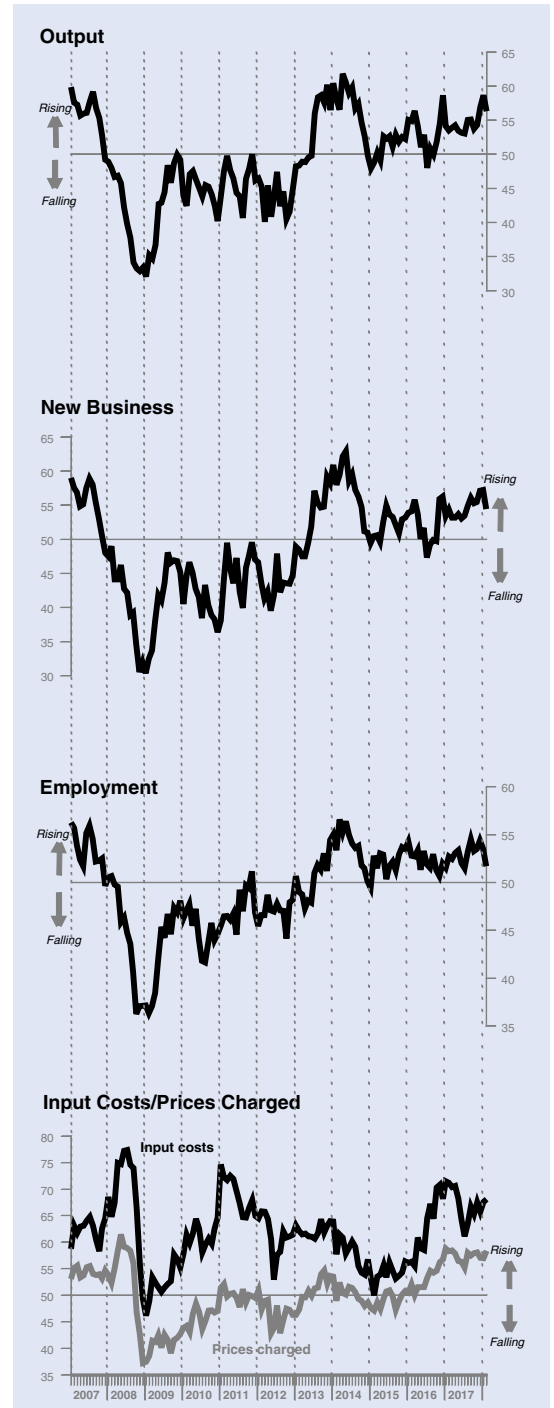
### Faster increase in input costs

Input prices rose at the fastest pace in nine months during February amid reports of higher costs for fuel, raw materials and staff. Retailers posted the sharpest increase in cost burdens, followed by manufacturing firms.

Retail also saw the sharpest rise in output prices of the four monitored sectors. Overall, charges increased at a sharp pace that was the steepest since March 2017 as firms passed on higher input costs to their customers.

### Optimism dips in February

Business confidence remained strongly positive in February as close to 31% of panellists predicted a rise in output over the coming year. That said, sentiment eased to a seven-month low.



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.

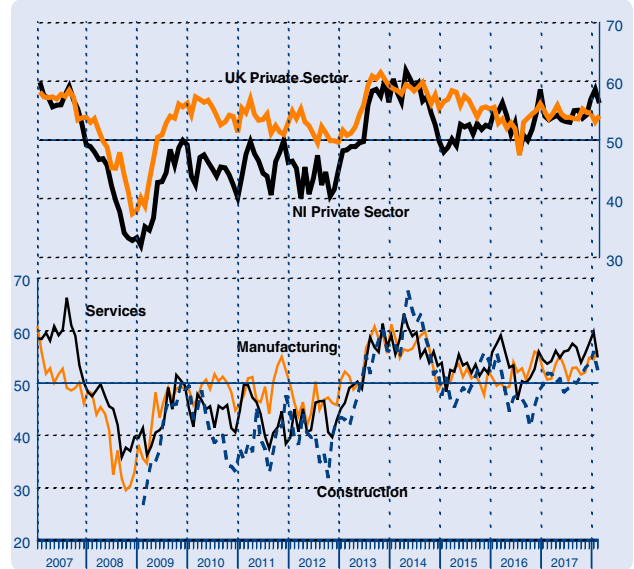
**Output / Business Activity**

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	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	55.3
	Nov	28.8	56.1	15.1	13.8	56.9	54.3	54.8
	Dec	33.0	55.1	11.9	21.0	60.5	56.9	54.6
2018	Jan	22.8	58.2	19.0	3.8	51.9	58.7	53.1
	Feb	20.9	62.5	16.6	4.3	52.2	56.3	54.2

Northern Ireland companies continued to record output growth during February. The rate of expansion remained sharp, despite easing to a three-month low. Northern Ireland continued to post a stronger increase than the UK average. Panellists reported that higher new orders amid stronger client demand had been the main driver of output growth. Retail continued to signal the fastest rise in activity of the four monitored sectors, despite the rate of expansion easing slightly. Manufacturing production rose at a substantial pace, and one that was the sharpest since October 2014. Solid, but weaker expansions were seen in services and construction.

By sector				
		Construction	Manufacturing	Services
'17	Dec	53.7	54.9	57.6
'18	Jan	56.1	54.5	59.8
	Feb	52.5	56.3	54.9



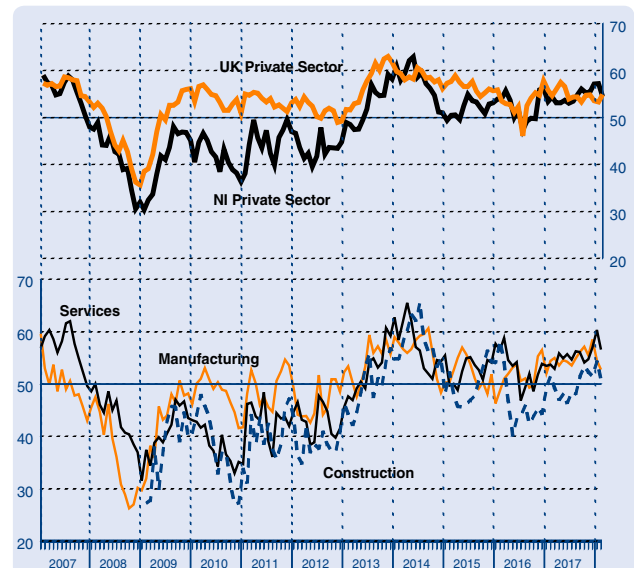
**New Business**

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	Sep	32.4	55.7	11.9	20.5	60.2	56.1	53.3
	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	53.4
	Feb	21.9	64.9	13.2	8.6	54.3	54.5	54.9

As has been the case in each of the past 16 months, new orders increased in the Northern Ireland private sector during February. The rate of growth eased to a seven-month low, but was solid. The rise in new business in Northern Ireland was slightly weaker than that seen across the UK as a whole. New product launches, marketing efforts and a greater willingness among clients to spend were all factors mentioned by those panellists that saw new orders increase. All four monitored sectors recorded increases in new work, led by retail and services. Manufacturing new orders rose at the slowest pace in 13 months, while construction new business was up only slightly.

By sector				
		Construction	Manufacturing	Services
'17	Dec	51.6	58.6	57.0
'18	Jan	54.4	54.6	60.3
	Feb	50.8	52.8	56.6



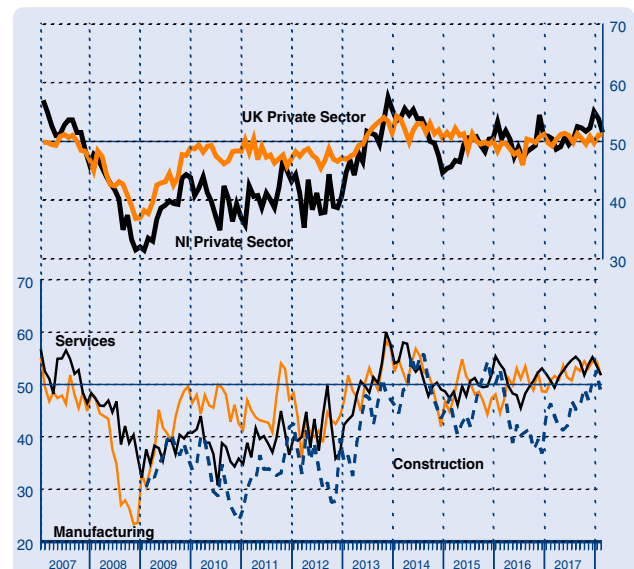
**Backlogs**

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	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
	Feb	12.3	74.9	12.8	-0.5	49.8	51.6	51.1

Backlogs of work continued to rise in February as increases in new business added to capacity pressures on private companies. Outstanding business has now risen in each of the past eight months. That said, the rate of accumulation was modest, having eased to the weakest since July 2017. Three of the four sectors covered by the survey recorded increases in backlogs, the exception being construction where a decline was registered for the first time in three months. The sharpest increase was in the retail sector, while modest accumulations were seen at manufacturers and service providers.

By sector				
		Construction	Manufacturing	Services
'17	Dec	50.9	54.4	55.2
'18	Jan	52.6	54.4	53.5
	Feb	48.0	51.7	51.8



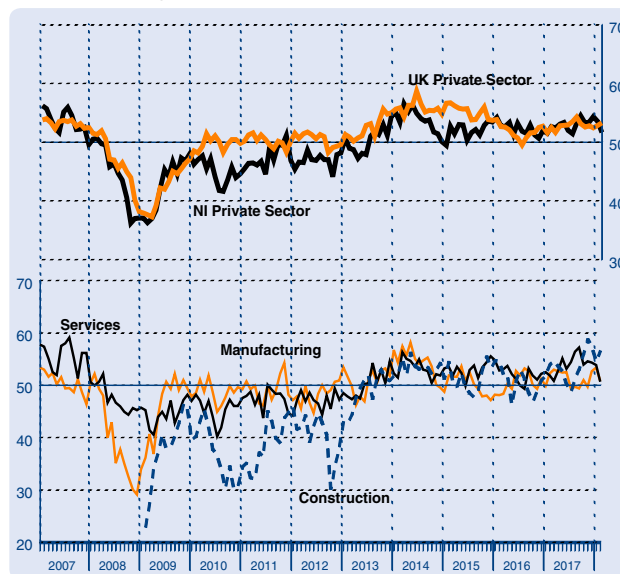
## Employment

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	Sep	17.7	76.6	5.7	12.0	56.0	54.5
	Oct	13.1	79.3	7.7	5.4	52.7	52.6
	Nov	13.0	79.9	7.1	6.0	53.0	52.8
	Dec	11.7	83.9	4.4	7.2	53.6	54.4
2018	Jan	13.2	77.4	9.4	3.8	51.9	53.6
	Feb	8.7	84.1	7.3	1.4	50.7	51.7

February data pointed to another monthly rise in employment in the Northern Ireland private sector, extending the current sequence of job creation to 37 months. Panellists mainly linked higher staffing levels to increased workloads. That said, the rate of job creation was modest, having eased for the second month in a row to the slowest since July last year. Construction firms recorded the fastest rise in employment for the fifth month running in February as the rate of job creation accelerated. Retailers posted a solid increase in staffing levels, while manufacturing and services companies saw only modest jobs growth.

By sector				
		Construction	Manuf-acturing	Services
'17	Dec	57.4	52.7	54.4
'18	Jan	54.6	53.4	53.9
	Feb	56.6	50.9	50.7



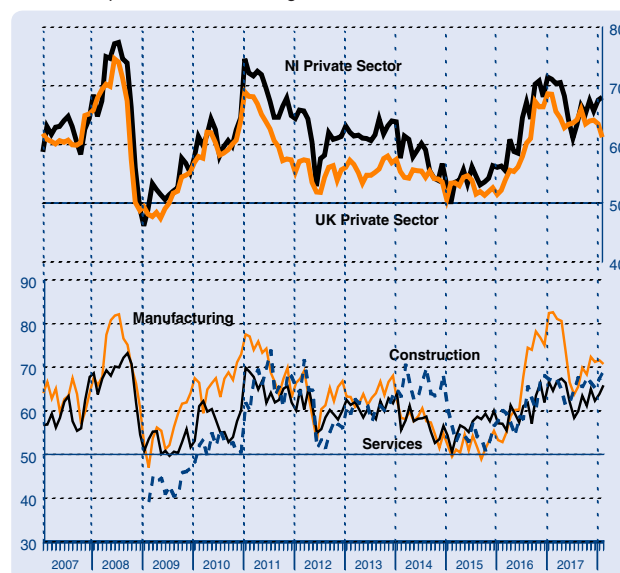
## Input Costs

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	Sep	37.6	62.1	0.3	37.3	68.7	66.7
	Oct	31.1	66.9	2.0	29.1	64.6	65.4
	Nov	36.3	63.7	0.0	36.3	68.2	67.5
	Dec	29.4	69.1	1.5	27.9	63.9	65.8
2018	Jan	37.5	61.2	1.3	36.2	68.1	67.6
	Feb	38.8	60.4	0.8	38.0	69.0	68.1

The rate of input cost inflation gathered pace again in February, the second month running in which the rate of increase has accelerated. The latest rise in input prices was the fastest in nine months and well above the average across the UK economy as a whole. Higher prices for fuel and raw materials led to increased input costs at a number of firms, while others mentioned rising salary payments. There remained some indications of sterling weakness adding to inflationary pressures. Retail posted the fastest rise in input costs, followed by manufacturing. Both services and construction saw steeper price inflation than in January.

By sector				
		Construction	Manuf-acturing	Services
'17	Dec	65.2	71.3	62.3
'18	Jan	67.5	71.7	63.9
	Feb	69.3	70.8	65.9



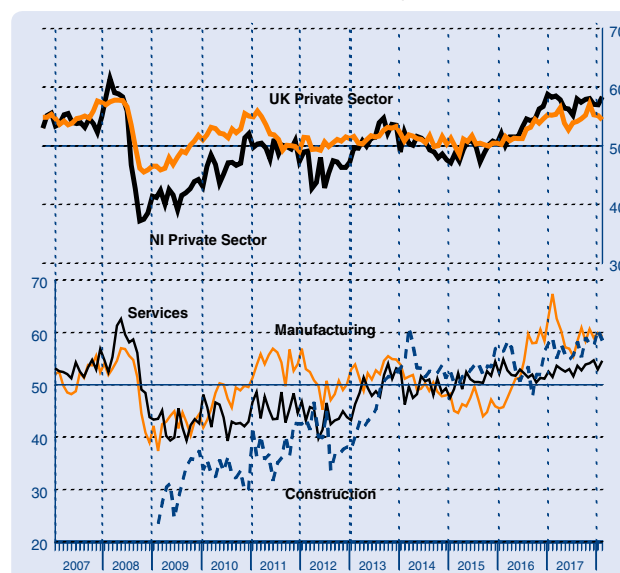
## Prices Charged

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	Sep	18.3	76.7	5.0	13.3	56.7	57.5
	Oct	18.1	77.6	4.3	13.8	56.9	58.0
	Nov	17.1	79.9	3.0	14.0	57.0	58.1
	Dec	14.9	82.6	2.5	12.4	56.2	57.1
2018	Jan	19.5	77.2	3.3	16.2	58.1	57.0
	Feb	21.9	74.4	3.7	18.1	59.1	58.4

Northern Ireland companies increased their output prices in February. The rate of inflation was substantial and the steepest in 11 months. Firms have raised their charges continuously since November 2015. The increase in output prices in Northern Ireland remained well above the UK average. According to panellists, the rise in output prices reflected the passing on of higher input costs to clients, with stronger customer demand helping to improve pricing power. As was the case with input prices, retail posted the fastest rise in charges. Marked increases in output prices were also recorded in the construction, manufacturing and service sectors.

By sector				
		Construction	Manuf-acturing	Services
'17	Dec	57.6	59.0	54.7
'18	Jan	60.4	60.0	53.0
	Feb	58.5	59.4	54.6



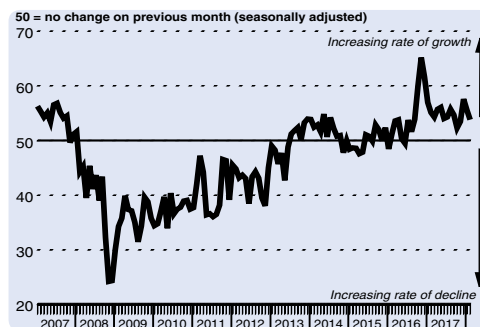
**New Export Business\***

*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	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
	Feb	18.9	69.7	11.4	7.5	53.7	53.9

New export orders continued to rise in February, with close to 19% of respondents signalling an expansion over the month. The rate of growth was solid, but eased to a three-month low.



**Future Output**

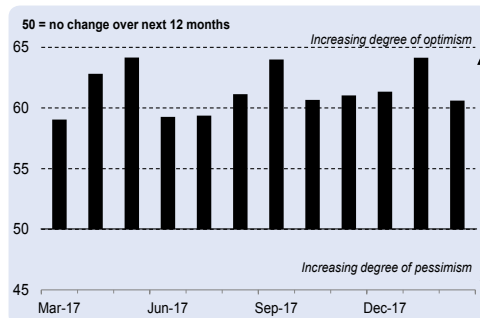
*In 12 months' time do you expect the overall volume of output to be higher, the same or lower than now?*

**Northern Ireland Companies**

**All UK**

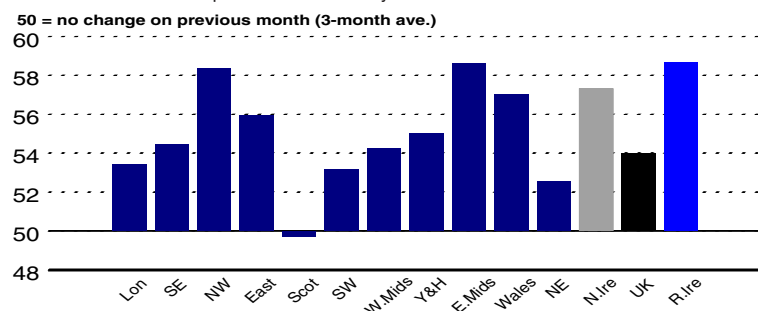
		Higher %	Same %	Lower %	Net +/-	Index 50=no chg	S.Adj'd Index	Index
2017	Sep	35.5	57.0	7.5	28.0	64.0	n/a	65.2
	Oct	32.3	56.7	11.0	21.3	60.7	n/a	64.8
	Nov	32.6	56.9	10.5	22.1	61.0	n/a	66.2
	Dec	34.6	53.4	12.0	22.7	61.3	n/a	67.3
2018	Jan	37.1	54.2	8.8	28.3	64.1	n/a	69.9
	Feb	30.8	59.6	9.6	21.2	60.6	n/a	68.5

Firms based in Northern Ireland remained confident that business activity would increase over the coming 12 months. That said, sentiment eased to a seven-month low. While new products and marketing activity were expected to support growth, Brexit uncertainty weighed on sentiment in February.



**Regional Comparisons: Output / Business Activity**

The graph below shows the regional PMI Output Indexes for the UK and Ireland. An average of the latest three months is used (see also the table to the right). With the exception of Scotland where private output fell slightly, business activity rose in all regions in the three months to February, led by a strong expansion in the East Midlands. Other standout growth areas were the North West and Northern Ireland. Meanwhile, the Republic of Ireland continued to record sharp increases in activity.



	Share of UK GVA, 2016 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.9%)	54.5	53.4	54.0
South East	(14.9%)	54.5	54.4	54.1
North West	(9.6%)	56.6	58.3	56.9
East of England	(8.7%)	55.9	55.9	56.4
Scotland	(7.8%)	51.1	49.7	49.5
South West	(7.5%)	53.7	53.2	52.9
West Midlands	(7.4%)	56.3	54.3	56.6
Yorks & Humber	(6.7%)	56.5	55.0	55.6
East Midlands	(5.9%)	56.8	58.6	59.6
Wales	(3.5%)	56.0	57.0	55.8
North East	(3.0%)	51.6	52.5	51.4
N. Ireland	(2.2%)	54.8	57.3	56.3
UK	(100.0%)	54.4	54.0	54.2
Rep. of Ireland	n/a	57.9	58.7	56.8

**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.

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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.

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