

Ulster Bank Northern Ireland PMI[®]

Sharpest fall in business activity since end of 2012

Key Findings

Steep declines in output and new orders

Rate of job cuts accelerates

Weak demand leads to slowest rise in output prices in over three years

Northern Ireland Business Activity Index



Last six months NI / UK



By sector	Apr-19
Manufacturing	51.7
Construction	44.2
Retail (3mma)	39.1
Services	45.5

The Northern Ireland private sector moved deeper into contraction territory during April, according to the latest Ulster Bank PMI[®] report. Business activity, new orders and employment all fell to the greatest extents since the final quarter of 2012, with Brexit and a lack of government at Stormont impacting negatively on operations. Weakening demand led companies to raise their selling prices at only a modest pace during the month, despite continued sharp input cost inflation.

The headline seasonally adjusted Business Activity Index dropped to 45.8 in April from 48.0 in March. This signalled a second successive monthly reduction in private sector output in Northern Ireland, and the steepest since December 2012. The fall in activity in Northern Ireland contrasted with a rise across the UK as a whole, and was the fastest of the 12 regions covered.

Brexit was the main factor leading output to decline, but some companies also cited the lack of a Stormont Executive. The services, construction and retail sectors all saw activity decrease in April, with only manufacturing recording an expansion.

Demand

The picture regarding new orders was similar to that of activity, with new business declining to the greatest extent since the end of 2012. Some panellists indicated that the delayed Brexit date meant that customers had reduced stockpiling activity. All four monitored categories recorded

falls in new orders, led by retail. Meanwhile, Brexit worries also impacted negatively on exports. New business from abroad decreased at a substantial pace that was the fastest in almost six-and-a-half years.

Capacity

Falling new orders resulted in a further decline in outstanding business in April. Backlogs decreased for the ninth successive month, and at a considerable pace.

With workloads declining sharply, companies opted not to replace departing staff members. As a result, employment decreased for the fourth month running. The reduction in staffing levels in Northern Ireland was the most marked of the 12 UK regions.

Prices

Input prices continued to rise sharply in April, linked to higher staff costs and currency weakness. In contrast, the rate of output price inflation slowed to a 37-month low. Respondents indicated that falling customer demand reduced their pricing power. Manufacturing selling prices were broadly unchanged, with inflation easing in the three remaining sectors.

Outlook

Companies maintained a pessimistic outlook in April, mainly due to Brexit but also reflecting concerns around the lack of government at Stormont.

Northern Ireland Business Activity Index

sa, >50 = growth since previous month



New Business Index



Steep fall in new business

Northern Ireland companies recorded a third successive monthly fall in new orders during April. Moreover, the rate of contraction was substantial and the fastest since December 2012. Brexit was the principal factor leading new orders to fall, according to respondents, with some reports that customer stockpiling had reduced with the delay to the UK's leaving date. Some panellists suggested that the lack of government at Stormont impacted negatively on new business. All four broad sectors saw new orders decline, led by retail. Manufacturing new orders decreased for the first time in two-and-a-half years.

New Business Index

sa, >50 = growth since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Apr-19	49.0	43.4	40.0	46.8

Outstanding Business Index



Backlogs depleted to greatest extent since late-2012

The steep reduction in new orders during April led companies to work through existing projects. As a result, backlogs of work decreased at a sharp pace, and one that was the strongest in almost six-and-a-half years. The fall in outstanding business in Northern Ireland was much faster than the UK average. As was the case with new orders, the decline in backlogs was widespread across the four broad sectors covered.

Outstanding Business Index

sa, >50 = growth since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Apr-19	45.7	38.2	42.9	42.3

Employment Index



Fourth successive reduction in employment

As has been the case in each month of 2019 so far, employment decreased in April. Furthermore, the rate of job cuts quickened and was the sharpest since October 2012. A number of respondents cited the non-replacement of leavers, including departing EU workers. The construction sector was the only one to see a rise in employment during the month. The steepest job cuts were registered in services, where employment fell to the greatest extent since August 2012.

Employment Index

sa, >50 = growth since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Apr-19	46.7	50.9	49.1	44.8

Input Prices Index



Further sharp rise in input costs

Northern Ireland companies continued to record increases in input prices during April, with the rate of inflation little-changed from that seen in March. The rise in input costs in Northern Ireland remained faster than the UK average. According to respondents, higher staff costs and currency weakness were the principal factors driving input price rises. Sharp increases were recorded across all four monitored sectors, led by retail.

Input Prices Index

sa, >50 = inflation since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Apr-19	62.4	63.9	68.5	63.6

Prices Charged Index



Modest increase in output prices

The rate of output price inflation softened for the third consecutive month in April. The latest increase in charges was only slight and the weakest in just over three years. While some respondents raised their selling prices in line with higher input costs, others reported that falling demand meant intense competition for orders. Inflation softened in the services, construction and retail sectors, while manufacturing selling prices were broadly unchanged from March.

Prices Charged Index

sa, >50 = inflation since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Apr-19	49.9	52.6	56.0	52.1

Future Output Index

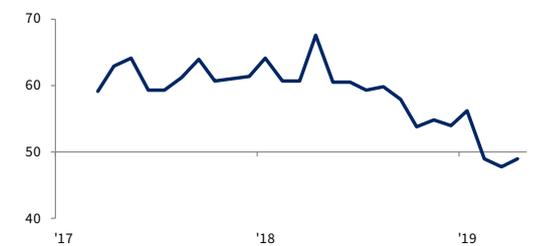


Companies remain pessimistic at start of Q2

Negative sentiment was signalled again in April, extending the current sequence of pessimism to three months. Northern Ireland was again the only monitored region to predict a fall in activity over the coming year. Uncertainty around Brexit was the key factor depressing sentiment, while the lack of a Stormont Executive was also forecast to impact negatively on activity. Retailers signalled the lowest sentiment, while construction firms expect activity to be unchanged over the next 12 months. Optimism was registered in manufacturing and services, but the former posted the lowest confidence in the 26-month series history.

Future Output Index

>50 = growth expected over next 12 months



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Apr-19	54.7	50.0	36.1	51.5

New Export Business Index

Note: Export business is defined as from outside the UK.



New export orders contract sharply

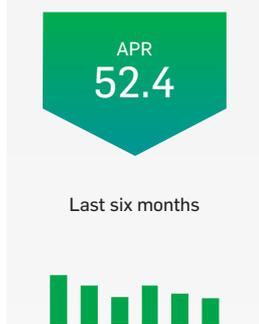
April data pointed to another steep monthly decline in new export orders at Northern Ireland companies, with the rate of contraction the sharpest since November 2012. Panellists indicated that uncertainty around Brexit was the main reason for the latest decrease in new business from abroad.

New Export Business Index
sa, >50 = growth since previous month



Northern Ireland Export Climate Index

Note: Export markets are defined as non-UK.



Export Climate Index at 70-month low

The Northern Ireland Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Northern Ireland. This produces an indicator for the economic health of the country's export markets.

The Northern Ireland Export Climate Index recorded 52.4 in April, down from 52.9 in March and signalling the weakest improvement in the climate for exporters since June 2013.

By far the largest single export market for Northern Ireland companies is the Republic of Ireland, where output growth was one of the softest in six years in April. The rate of expansion also slowed in the US, while Canada saw manufacturing production fall for the first time in two-and-a-half years. On a more positive note, the eurozone's largest two economies – Germany and France – saw an improved performance in April.

Export Climate Index
sa, >50 = improving export climate since previous month



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Apr-19
1	Republic of Ireland	41.0%	53.4
2	USA	13.8%	53.0
3	Canada	6.6%	48.9
4	Germany	5.8%	52.2
5	France	5.1%	50.1

Northern Ireland Industry Specialisation

Location quotients (LQs) are useful measures of regional economic specialisation and offer a means to identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater

than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for Northern Ireland, broken down by manufacturing and services sub-sectors. The UK Output Index for each sub-sector is also displayed.

Manufacturing specialisation: Northern Ireland

Rank	Sector	LQ	UK Output Index, Apr-19 (3mma)
1	Food & Drink	1.72	
2	Machinery & Equipment	1.20	
3	Other Manufacturing	1.16	
4	Electrical & Electronic	1.08	
5	Textiles & Clothing	0.92	
6	Wood & Paper	0.89	
7	Metals & Metal Products	0.78	
8	Transport Equipment	0.74	
9	Chemicals, Rubber & Plastics	0.68	

40 45 50 55 60

Services specialisation: Northern Ireland

Rank	Sector	LQ	UK Business Activity Index, Apr-19 (3mma)
1	Hotels, Restaurants & Catering	1.31	
2	Other personal/consumer Services	1.23	
3	Transport & Communication Services	1.20	
4	Business-to-business Services	0.85	
5	Financial Intermediation	0.84	
6	Computing & IT Services	0.84	

45 50 55 60

UK Sector Focus: Electronics & Electrical Equipment

Output Index



Last six months*



*3mma

PMI hints at potential slowdown in UK tech equipment sector in Q2

Latest PMI data highlighted the risk of a potential slowdown in the UK's electronics & electrical equipment sector after a solid opening quarter of the year.

Production in the sector continued to rise at a healthy rate in the three months to April, in part reflecting recent efforts by firms to stockpile goods in advance of the UK's expected exit from the EU. However, this masked a weaker underlying trend in demand, with inflows of new work falling for the first time in over three years amid a deepening decline in export sales that stretches back to last autumn.

With backlogs being depleted, firms reported the lowest optimism towards future output for six-and-a-half years. They also displayed an increasing reluctance to take on new staff, with the sector seeing its first net job losses since late-2009.

Output Index

sa, >50 = growth since previous month (3mma)



New Orders Index

sa, >50 = growth since previous month (3mma)



UK Regional Rankings

Business Activity

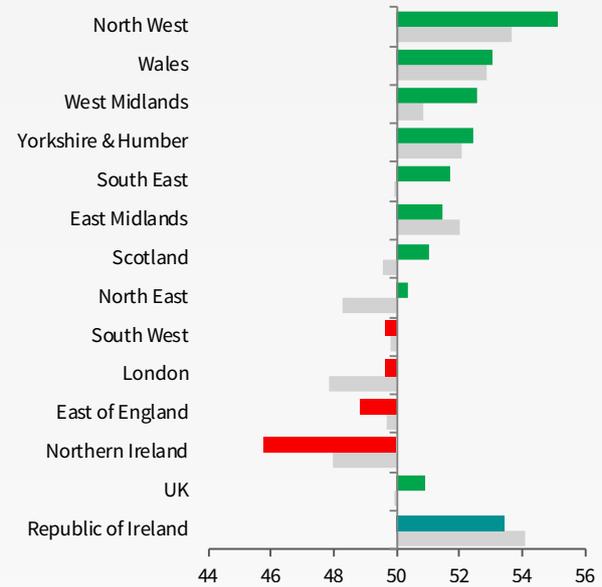
The North West continued to lead growth in business activity in April, with the region seeing its strongest pace of expansion for seven months. There were also faster increases in output in Wales, the West Midlands and Yorkshire & Humber, ranked second, third and fourth respectively, while the South East returned to growth after stagnating in March. The East Midlands, Scotland and the North East each saw modest rises in business activity, the latter ending a seven-month sequence of contraction. April saw marginal decreases in output across the South West and London. In the East of England and Northern Ireland, rates of contraction accelerated to the quickest since 2012.

Employment

The West Midlands topped the rankings for job creation in April, ahead of Scotland. The North West, Yorkshire & Humber and the South East meanwhile saw only modest increases in employment, and Wales broadly no change. Workforce numbers fell in all remaining areas, with Northern Ireland recording the steepest decline – its sharpest in six-and-a-half years.

Output Index by region

sa, >50 = growth since previous month, Apr-19 ■ (Mar-19 ■)



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Methodology

The Ulster Bank Northern Ireland PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 200 private sector companies in Northern Ireland, operating in the manufacturing, construction, retail and services sectors. The panel has been carefully selected in order to accurately reflect the true structure of the economy and therefore provide an accurate picture of business conditions.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Northern Ireland PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers' Index® (PMI®) surveys are 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 ihsmarkit.com/products/pmi.html.

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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.

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