

Ulster Bank Northern Ireland PMI®

Sharpest fall in business activity for seven years

Key Findings

Rates of decline in output and new orders accelerate

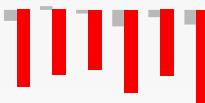
Slowest rise in output prices for 44 months

Business confidence improves

Northern Ireland Business Activity Index

NOV
42.3
OCT: 44.9

Last six months NI / UK



By sector	Nov-19
Manufacturing	48.5
Construction	35.4
Retail (3mma)	37.0
Services	45.6

November saw sharper declines in output and new orders at Northern Ireland companies, according to the latest Ulster Bank PMI® report, as Brexit uncertainty continued to weigh on activity. Employment also decreased, albeit at a relatively modest pace. Meanwhile, the rate of input cost inflation remained marked, but efforts to stimulate sales led companies to raise their selling prices at only a marginal pace.

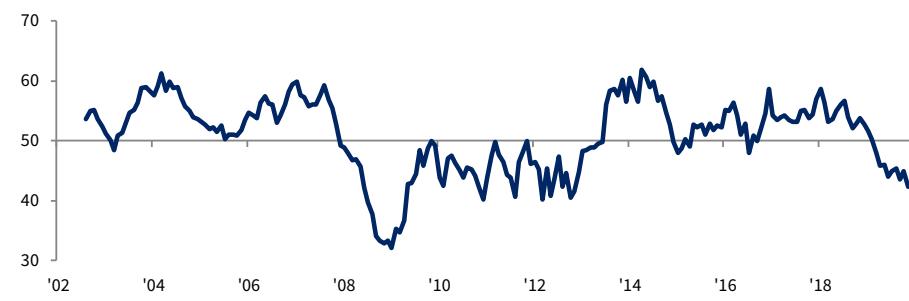
The headline seasonally adjusted Business Activity Index dropped to 42.3 in November from 44.9 in October. Output has now fallen in each of the past nine months, with the rate of contraction accelerating to the fastest for seven years. Brexit uncertainty was the main factor leading activity to decline, according to respondents.

Northern Ireland companies posted the sharpest reduction in output of the 12 monitored regions. Activity decreased across each of the four broad sectors covered by the survey, with particularly marked declines in the construction and retail categories.

Demand

Brexit uncertainty was also to the fore with regards to the latest reduction in new orders. Respondents indicated a wariness among customers to commit to new projects. In line with the picture for business activity, the rate of decline in new orders accelerated and was the sharpest since May 2012. New export orders, meanwhile, decreased for the tenth month running.

Northern Ireland Business Activity Index
sa, >50 = growth since previous month



Capacity

Falling new orders fed through to another reduction in backlogs of work in November, with the rate of depletion the fastest for five months.

Employment also decreased, but the rate of job cuts was only marginal and the slowest since February. The fall in Northern Ireland was broadly in line with the UK average. All four sectors saw staffing levels decrease, but rates of decline in manufacturing and services were relatively modest.

Prices

Companies in Northern Ireland recorded another marked monthly increase in input prices, albeit one that was the softest in six months. Wage rises and currency weakness were mentioned as factors leading input costs to increase.

Despite input costs rising markedly, the rate of output price inflation was only marginal and slowed to a 44-month low. A number of firms offered discounts as part of efforts to boost sales. Charges were lowered in the manufacturing and service sectors, but rose in construction and retail.

Outlook

Businesses were confident regarding the 12-month outlook for output for the first time in four months during November. While Brexit continued to weigh on sentiment, some firms predicted greater certainty next year and a return to new order growth.

New Business Index

NOV
40.4

Last six months NI / UK



Sharper fall in new orders

November data pointed to a steep reduction in new business at Northern Ireland companies. Moreover, the rate of contraction accelerated to the fastest since May 2012. The decline in new orders in Northern Ireland was by far the sharpest of the 12 UK regions covered by the survey. Respondents linked the fall to Brexit uncertainty and a reluctance among customers to commit to new projects. All four sectors posted reductions in new orders, with the declines particularly sharp in the construction and retail categories.

New Business Index

sa, >50 = growth since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-19	46.0	35.9	33.7	44.1

Outstanding Business Index

NOV
42.5

Last six months NI / UK

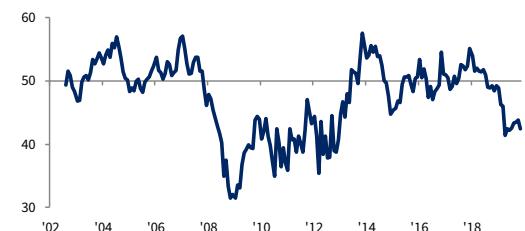


Backlogs of work continue to fall

The rate of depletion of outstanding business quickened to the fastest in five months during November. The fall was substantial and extended the current sequence of decline to 16 months. According to respondents, Brexit uncertainty and an associated reduction in new orders had been behind the fall in backlogs. In line with the picture for new business, the construction and retail sectors posted particularly sharp declines in outstanding work.

Outstanding Business Index

sa, >50 = growth since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-19	47.2	37.0	27.7	43.4

Employment Index

NOV
49.1

Last six months NI / UK



Marginal reduction in employment

Although staffing levels in the Northern Ireland private sector fell for the eleventh successive month in November, the rate of job cuts softened for the second month running and was only marginal. In fact, the latest reduction was the weakest since February and broadly in line with the UK average. Where employment decreased, panellists generally attributed this to lower new orders. Marginal falls in staffing levels were seen in manufacturing and services, with the decline in manufacturing the weakest in nine months.

Employment Index

sa, >50 = growth since previous month



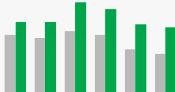
By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-19	49.7	46.4	47.9	49.3

Input Prices Index

NOV
61.2

Last six months NI / UK



Slowest rise in input costs for six months

Northern Ireland companies recorded a further increase in input prices during November. The rate of inflation was sharp, and the fastest in the UK, but softened to a six-month low. Where input prices rose, panellists reported wage increases and currency weakness. Retail posted by far the sharpest rise in input costs of the four monitored sectors, but marked inflation was also recorded elsewhere.

Input Prices Index
sa, >50 = inflation since previous month



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-19	60.0	62.2	69.0	61.4

Prices Charged Index

NOV
50.3

Last six months NI / UK



Marginal increase in output prices

Despite seeing input costs rise markedly again in November, companies increased their selling prices at only a marginal pace. The rate of inflation was the slowest since March 2016 and softer than the UK average. Some firms raised charges in line with higher input prices, but others reported offering discounts to try and generate new business. Charges increased in the retail and construction sectors, but declined in manufacturing and services.

Prices Charged Index
sa, >50 = inflation since previous month



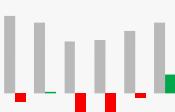
By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-19	47.3	53.6	57.1	49.0

Future Output Index

NOV
53.7

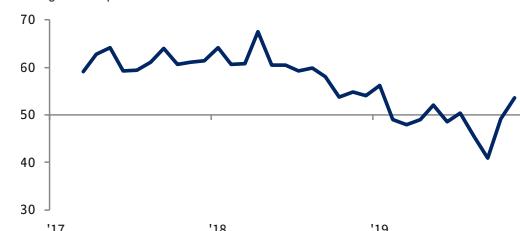
Last six months NI / UK



Firms predict rise in output over next 12 months

For the first time in four months, firms in Northern Ireland were optimistic regarding the 12-month outlook for business activity. Positive sentiment reflected expected increases in new orders and progress on Brexit. That said, Brexit is still seen as an area of uncertainty acting to reduce confidence. Positive sentiment was seen in the manufacturing and service sectors, with optimism at six- and ten-month highs respectively. On the other hand, the construction and retail sectors remained pessimistic regarding the 12-month outlook.

Future Output Index
>50 = growth expected over next 12 months



By sector

	Manufacturing	Construction	Retail (3mma)	Services
Nov-19	58.3	46.2	41.9	55.2

New Export Business Index

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



Further steep reduction in new export orders

As has been the case in each of the past ten months, new export orders decreased in November. The pace of decline remained substantial, despite softening to a three-month low. Anecdotal evidence suggested that Brexit uncertainty had been the main factor leading new business from abroad to decline.

New Export Business Index

sa, >50 = growth since previous month



Northern Ireland Export Climate Index

Note: Export markets are defined as non-UK.



Last six months



Stronger improvement in export conditions

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 rose to a three-month high of 51.2 in November, from 50.5 in October. The reading signalled a slight improvement in conditions for Northern Ireland's exporters.

There were some signs of improving demand conditions in Ireland, with the rate of output growth quickening to a five-month high. The US and Canada also saw rates of expansion quicken. Business activity in France continued to rise at a solid pace. Meanwhile, the German economy remained a source of demand weakness, seeing output fall. That said, the rate of decline softened.

Export Climate Index

sa, >50 = improving export climate since previous month



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Nov-19
1	Republic of Ireland	36.2%	52.0
2	USA	12.2%	52.0
3	Canada	5.8%	51.5
4	Germany	5.1%	49.4
5	France	4.5%	52.1

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, Nov-19 (3mma)
1	Food & Drink	1.72	55
2	Machinery & Equipment	1.20	50
3	Other Manufacturing	1.16	50
4	Electrical & Electronic	1.08	50
5	Textiles & Clothing	0.92	50
6	Wood & Paper	0.89	50
7	Metals & Metal Products	0.78	50
8	Transport Equipment	0.74	50
9	Chemicals, Rubber & Plastics	0.68	50

40 45 50 55

Services specialisation: Northern Ireland

Rank	Sector	LQ	UK Business Activity Index, Nov-19 (3mma)
1	Hotels, Restaurants & Catering	1.31	50
2	Other personal/consumer Services	1.23	50
3	Transport & Communication Services	1.20	50
4	Business-to-business Services	0.85	50
5	Financial Intermediation	0.84	50
6	Computing & IT Services	0.84	55

45 50 55 60

UK Sector Focus: Computing & IT Services



Computing & IT Services continues to shine brightly despite wider economic gloom

Computing & IT Services remains one of the few bright spots in the UK economy, with the sector on course for another solid growth performance in the fourth quarter.

Business activity rose markedly in the three months to November, supported by rising inflows of new work. Of all market segments monitored by the PMI surveys across both manufacturing and services, only Food & Drink recorded a faster rate of output growth.

Rising activity, coupled with elevated business confidence towards the outlook, has led to a strong and sustained rise in employment across Computing & IT Services. However, skill shortages are an issue for the sector, with higher costs commonly linked to upward wage pressures. Input price inflation continued to run at a sharp rate in the three months to November, having hit a two-year peak in the third quarter.



*3mma



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



UK Regional Rankings

Business Activity

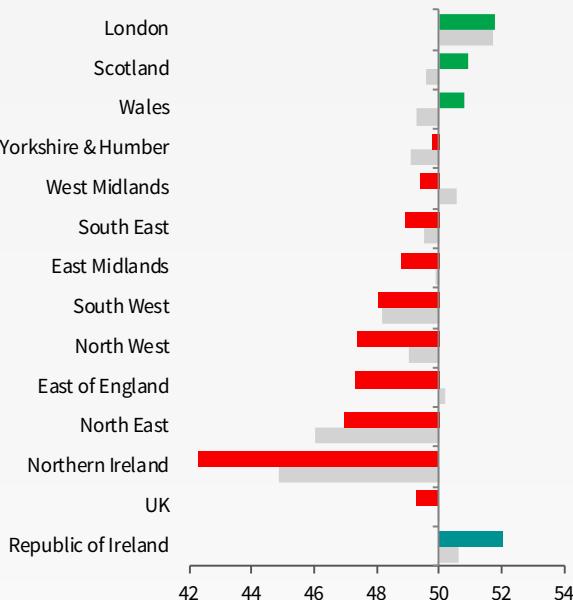
London stayed top of the regional rankings for business activity growth in November, recording another modest rise in private sector output. Resumptions in growth in Scotland and Wales saw the two climb to second and third in the rankings respectively. All remaining areas of the UK recorded a fall in business activity, with Northern Ireland again registering the sharpest rate of contraction, followed by the North East.

Employment

London was also the top-performing region for job creation in November, recording a moderate rise in employment that was the fastest for three months, and pushing the South West into second in the rankings. There were also modest increases in workforce numbers across Scotland and the East of England, which contrasted with job losses elsewhere. The North East saw the steepest staff cuts, followed by the East Midlands.

Output Index by region

sa, >50 = growth since previous month, Nov-19 (red) (Oct-19 grey)



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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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