

Ulster Bank Northern Ireland PMI®

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Slower fall in activity amid stabilisation in new orders

Today sees the release of January data from the Ulster Bank Northern Ireland PMI®. The latest report – produced for Ulster Bank by IHS Markit – saw the Northern Ireland private sector move towards stabilisation amid a reduction in near-term uncertainty. Business activity fell at a softer pace thanks to broadly unchanged new order volumes. Meanwhile, firms raised their staffing levels for the second month running and business confidence was the highest since April 2018.

Commenting on the latest survey findings, Richard Ramsey, Chief Economist Northern Ireland, Ulster Bank, said:

“Brexit and political uncertainty blighted the UK private sector in December, resulting in only one region, London, managing to record growth in output. January was a different story though, with nine of the 12 regions posting an increase in business activity last month and only one recording a fall in employment. Clearly the decisive General Election result and the passing of the Withdrawal Bill in Parliament provided a much-needed boost to business confidence.

“Unfortunately, Northern Ireland wasn’t one of the nine UK regions to record business activity growth last month. However, the rate of decline did ease. And following 12 months of contraction, the fall in new orders appears to have bottomed out. This reflects, a notable pick-up in domestic demand, but concerning the export orders slump continues.

“Despite the overall weak demand in Northern Ireland’s private sector, the pace of hiring has picked up, driven by the services and construction sector. The services sector’s improvement can also be seen in a return to growth in new orders.

“The resurrection of Stormont has clearly provided a boost to business sentiment, and indeed all sectors now expect growth in business activity in a year’s time. Construction firms are their most optimistic about the year ahead than at any time since the series began in March 2017. What is of course key though is the extent to which this increasing business confidence translates into rising business activity.

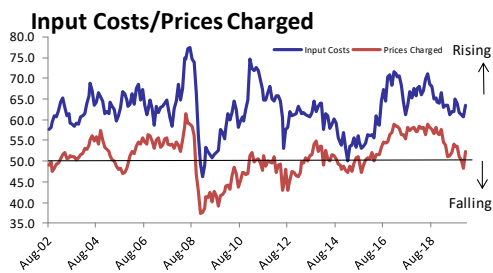
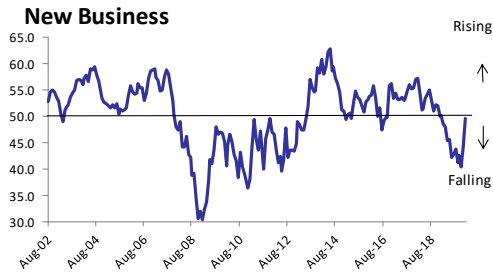
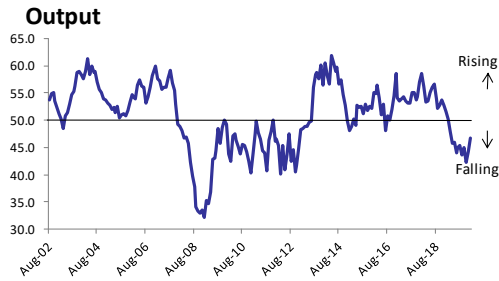
“Brexit uncertainty continues to be cited as the main factor behind the decline in new business from abroad. This issue is likely to remain until at least there is clarity on what the future trading agreement with the EU will be.”

The main findings of the January survey were as follows:

The headline seasonally adjusted Business Activity Index posted 46.8 in January, up from 44.2 in December but still below the 50.0 no-change mark. The fall in output signalled by the index was the softest since March 2019. Brexit and associated uncertainty continued to impact negatively on activity, albeit to a lesser extent following the result of the general election. New orders fell only fractionally in January, with the pace of reduction slowing sharply from that seen in December. The broad stabilisation in new business reflected a return to growth in the service sector and softer declines in manufacturing, construction and retail. Although total new business was broadly stable, new export orders continued to fall at a marked pace amid Brexit uncertainty.

Northern Ireland companies raised employment for the second month running. Greater workforce numbers meant that companies continued to work through backlogs of work at a rapid pace at the start of the year. In fact, the rate of depletion of outstanding business was faster than that seen in December.

Input prices increased at the fastest pace in four months during January, with higher costs for fuel and staff most widely mentioned by respondents. Companies responded to higher cost burdens by raising their output prices. The increase followed a first decline in over four years in December. Business confidence continued to climb in January and was the highest since April 2018. Anecdotal evidence suggested that the re-establishment of the government at Stormont was the main reason for optimism, while predictions of rising new orders were also mentioned.



Summary of data

		50 = no change on previous month				
		2018	2019	Nov'19	Dec	Jan'20
Output/Activity	N.Ire	54.6	45.9	42.3	44.2	46.8
	UK	53.2	49.9	48.9	48.9	52.8
New Business	N.Ire	53.0	44.7	40.4	44.3	49.8
	UK	53.1	49.2	47.8	49.9	53.7
Backlogs	N.Ire	50.7	43.9	42.5	44.4	43.7
	UK	49.8	47.2	46.7	47.3	48.3
Employment	N.Ire	52.5	48.3	49.1	50.2	51.0
	UK	52.2	49.9	49.3	50.5	51.5
Input Costs	N.Ire	67.0	62.9	61.2	60.6	63.5
	UK	62.7	59.7	57.1	57.4	58.7
Prices Charged	N.Ire	57.6	52.6	50.3	48.3	52.3
	UK	54.1	52.3	52.1	51.2	53.6

Full historical data may be obtained from IHS Markit.
Contact economics@ihsmarkit.com.

Notes on data

The survey data are presented as index numbers, which are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration.

Reasons given by survey respondents for any changes are analysed to provide insight into the causes of movements in the indices and are also used to adjust for expected seasonal variations. The indexes are seasonally adjusted to take into consideration expected variations for the time of year, such as summer holiday shutdowns and national holidays such as Christmas.

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.

Press information

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