

Ulster Bank Northern Ireland PMI[®]

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Output rises but confidence continues to slide

Today sees the release of October data from the Ulster Bank Northern Ireland PMI[®]. The latest report – produced for Ulster Bank by IHS Markit – pointed to a slight pick-up in growth in October, with both output and new orders rising more quickly than in September. Rates of expansion were still weaker than seen earlier in the year, however. The rate of job creation also ticked up, but business sentiment dropped to the weakest in the 20-month series history. On the price front, both input costs and output prices increased at sharper rates amid higher costs for a range of inputs.

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

“Northern Ireland was the only region of the UK to see private sector growth pick up in October. However, this sounds much better than it actually is. The pace of expansion remained subdued, and two of the four sectors surveyed - retail and construction - actually saw a contraction last month. But perhaps the most significant finding of the survey is that Northern Ireland firms reported a large drop in confidence looking 12-months ahead. Retail, construction and services are now their least optimistic at any time in the past 20-months, when this indicator started to be tracked.

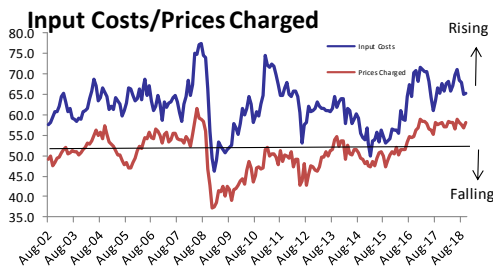
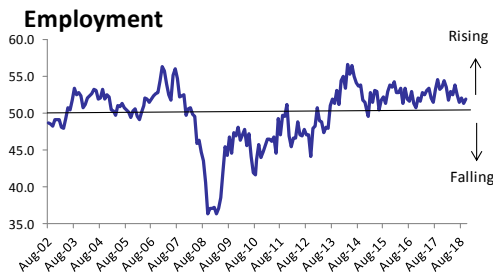
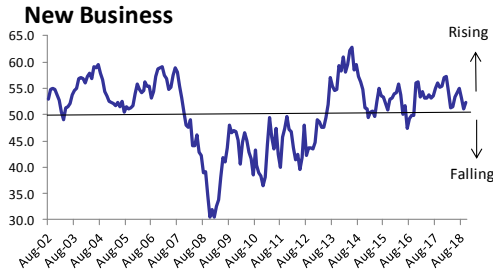
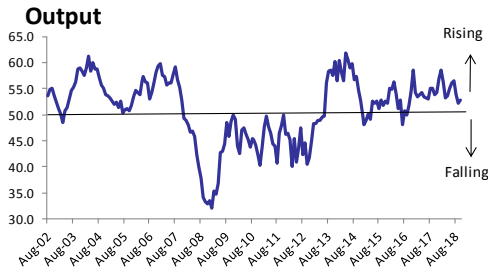
“The mounting pessimism in the latest survey largely relates to the construction sector. Last month, construction activity fell for the first time in 15-months and at the sharpest rate since November 2016. Unlike their counterparts in the UK, Northern Ireland construction businesses are also seeing their order books shrink - at the fastest rate in 22-months - and this is leading to a decline in optimism. The lack of decision-making in government in Northern Ireland and the resulting logjam in capital projects is now being acutely felt by many construction businesses.

“More positively, the manufacturing sector continues to experience strong demand, despite a slowdown in export orders. Unsurprisingly therefore, manufacturers remain the most optimistic about the year ahead. Clearly, the big factor that will determine whether this optimism is realised is how Brexit pans out. The outcome of the negotiations will determine the trajectory of private sector growth in Northern Ireland into the foreseeable future, particularly in the export-focused manufacturing sector. Today, forecasting growth means forecasting politics.”

The main findings of the October survey were as follows:

The headline seasonally adjusted Business Activity Index posted 52.8 in October, up from 52.1 in September and pointing to a solid monthly increase in private sector business activity in Northern Ireland. Output has now increased in each of the past 25 months. Where activity increased, panellists linked this to higher new orders. The manufacturing and service sectors recorded increases in output during the month, led by manufacturing. In contrast, declines were seen in construction and retail activity. In line with the trend in output, new business increased at a slightly faster pace in October as companies were able to secure new customers amid some improvements in demand.

Companies were able to work through outstanding business for the third month running, but to the least extent in this sequence. Higher staffing levels contributed to the reduction in backlogs of work, with employment increasing for the forty-fifth successive month at the start of the fourth quarter. Panellists indicated that extra staff were hired in response to increasing new orders. Input prices continued to rise sharply in October, with the rate of inflation ticking up from September. Panellists reported higher costs for transport, staff, electricity and fuel. The passing on of higher input costs to customers resulted in a marked increase in output prices. The latest rise was the sharpest in four months and much faster than the UK average. At the sector level, manufacturers posted the steepest increase in selling prices. Confidence regarding the 12-month outlook for activity waned in October and was the lowest since the series began in March 2017. Political uncertainty and Brexit were the main factors leading optimism to weaken. Sentiment was down across all four monitored sectors.



Summary of data

50 = no change on previous month

		2016	2017	Aug'18	Sep	Oct
Output/Activity	N.Ire	53.2	54.2	53.9	52.1	52.8
	UK	53.3	54.5	54.1	53.9	52.2
New Business	N.Ire	52.3	54.5	53.1	51.0	52.3
	UK	53.3	55.0	53.7	53.8	51.4
Backlogs	N.Ire	50.1	51.2	49.0	48.8	49.2
	UK	49.3	50.4	49.9	50.8	48.9
Employment	N.Ire	52.4	53.0	52.1	51.3	51.9
	UK	51.9	52.8	52.5	52.9	52.1
Input Costs	N.Ire	62.7	67.2	68.0	65.0	65.2
	UK	58.8	65.0	63.7	64.1	63.3
Prices Charged	N.Ire	53.1	57.5	57.6	56.7	58.2
	UK	52.2	55.0	53.6	53.4	53.8

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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