

Ulster Bank Northern Ireland PMI®

PRESS RELEASE Embargoed until: 01:01 December 9th 2019

Sharpest fall in business activity for seven years

Today sees the release of November data from the Ulster Bank Northern Ireland PMI®. The latest report – produced for Ulster Bank by IHS Markit – pointed to sharper declines in output and new orders at Northern Ireland companies, 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.

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

“One of the most striking aspects of the latest survey is the continued resilience of the labour market, with firms broadly maintaining their staffing levels despite a big fall-off in demand. Indeed, the pace of decline in business output and new orders fell to seven and seven-and-a-half-year lows respectively last month.

“All four sectors have posted falling output in six of the last seven months; however, the performance of retail and construction are of particular concern. Construction order books continued to shrink for the 15th month in a row and November marked the sharpest rate of decline in 92 months. It is a similar story for retailers with orders falling at their fastest pace since March 2009.

“In this environment, firms’ desire to maintain staffing levels comes at a cost to profit levels. The latest survey shows that input price inflation continued to rise in November, but firms are not able to pass these increased costs onto their customers and indeed discounting is widespread in an attempt to generate new business.

“Firms therefore seem willing to take a hit to their profits in the short-term in the hope that conditions will improve once there is greater certainty around the situation with Brexit. Indeed, their expectations for the year ahead are relatively upbeat overall with an expectation that business conditions will have improved marginally in 12-months’ time; albeit that this is largely confined to manufacturing and services.

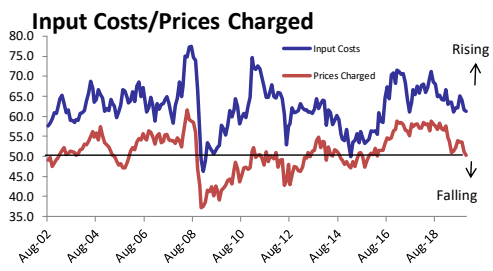
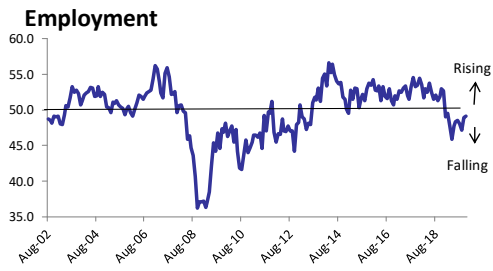
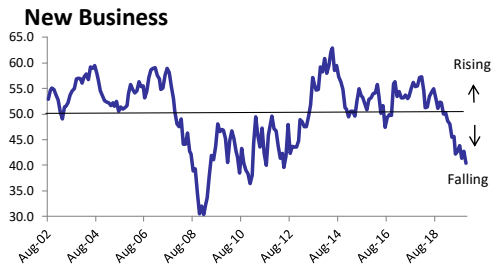
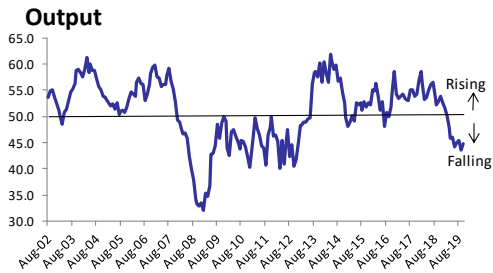
“This may well prove to be overly optimistic however as even if a Brexit deal is passed there is still much to be decided around the new relationship with the EU and how any new arrangements would work. Uncertainty will therefore continue to be very much present in 2020.”

The main findings of the November survey were as follows:

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. 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.

Falling new orders fed through to another reduction in backlogs of work in November. Employment also decreased, but the rate of job cuts was only marginal and the slowest since February.

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. 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.



Summary of data

		50 = no change on previous month				
		2017	2018	Sep'19	Oct	Nov
Output/Activity	N.Ire	54.2	54.6	43.6	44.9	42.3
	UK	54.5	53.2	48.8	49.5	48.9
New Business	N.Ire	54.5	53.0	41.3	42.7	40.4
	UK	55.0	53.1	48.1	48.4	47.8
Backlogs	N.Ire	51.2	50.7	43.5	43.8	42.5
	UK	50.4	49.8	46.8	46.9	46.7
Employment	N.Ire	53.0	52.5	47.2	49.0	49.1
	UK	52.8	52.2	47.7	48.3	49.3
Input Costs	N.Ire	67.2	67.0	64.1	61.7	61.2
	UK	65.0	62.7	60.0	57.8	57.0
Prices Charged	N.Ire	57.5	57.6	53.6	51.1	50.3
	UK	55.0	54.1	51.1	51.4	52.1

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

For further information please contact Richard Ramsey, Chief Economist Northern Ireland, on +44 (0)28 9027 6354 or +44 (0)7881 930955 or email: richard.ramsey@ulsterbankcm.com
<http://www.ulsterbankcapitalmarkets.com/>

Purchasing Managers' Index® (or 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 <https://ihsmarkit.com/products/pmi.html>.

Ulster Bank Limited Registered Number: R733 Northern Ireland.

Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and entered on the Financial Services Register (Registration Number 122315).

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

The Northern Ireland PMI® is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.

The intellectual property rights to the Northern Ireland PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Ulster Bank use the above marks under license. IHS Markit is a registered trade mark of IHS Markit Limited and/or its affiliates.