

Ulster Bank Northern Ireland PMI[®]

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Export orders fall at their fastest pace in 69 months

Today sees the release of February data from the Ulster Bank Northern Ireland PMI[®]. The latest report – produced for Ulster Bank by IHS Markit – signalled that business activity in Northern Ireland rose only fractionally in February. The near-stagnation in output reflected Brexit worries, with total new orders falling for the first time in 28 months, new export business down sharply and business sentiment turning negative. Meanwhile, companies lowered their staffing levels for the second month running.

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

“February’s PMI marked the final survey before the Brexit withdrawal date, and last month was perhaps the point of peak uncertainty and fear regarding a potential ‘no-deal exit’ from the EU. This uncertainty is very much reflected in the latest report.

“Private sector firms saw a marked deterioration in business conditions, with output growth almost grinding to halt, employment falling, new orders decreasing, and export orders falling at their fastest pace in 69 months.

“In terms of output, private sector growth eased to a 29-month-low, with services being the only sector to remain in expansion mode. Manufacturing output stagnated but both construction and retail saw rapid rates of decline.

“Indeed, retail sales fell at their fastest rate in almost four years and this trend looks set to continue with orders falling at their fastest rate in 49-months. And, as with output, services was the only sector to record a rise in new orders, albeit the pace of growth remains relatively modest.

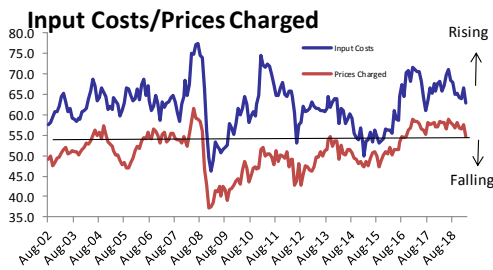
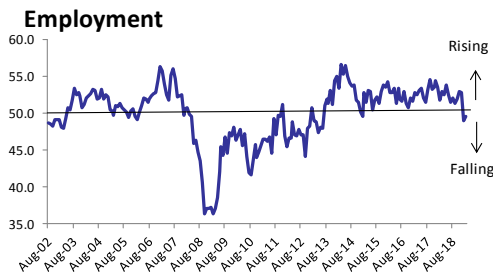
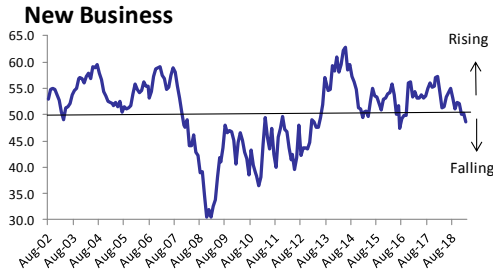
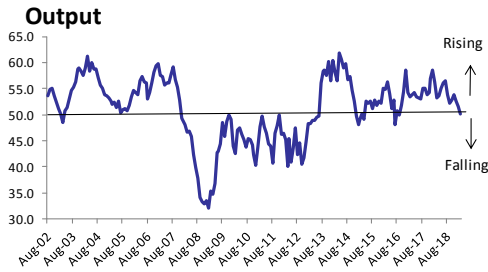
“Whilst Brexit uncertainty is clearly a factor in all of this, it should be remembered that there are other factors at play, including the wider economic slowdown across Europe, concerns over global trade, and the ongoing restructuring of the retail sector.”

The main findings of the February survey were as follows:

The headline seasonally adjusted Business Activity Index dropped to 50.2 in February from 51.6 in January. The latest reading signalled only a fractional monthly increase in private sector output, and one that was the weakest in the current 29-month sequence of growth. While some panellists saw output rise due to work on backlogs and as part of Brexit contingencies, others signalled that Brexit uncertainty had led to falls in activity. Brexit uncertainty also had a negative impact on new orders during the month, with some customers holding off committing to new projects. As a result, new business decreased for the first time since October 2016. New export orders, meanwhile, decreased sharply, ending a 31-month sequence of growth. The rate of contraction was the fastest since May 2013.

Declining new orders led to another monthly reduction in backlogs of work in February. Moreover, the rate of depletion was the sharpest in four years. Companies lowered their staffing levels for the second successive month. That said, the rate of job cuts softened from January and was only marginal.

The rate of input cost inflation eased to a 19-month low in February, but remained marked amid reports of currency weakness and supplier price increases. Output prices also increased at a weaker pace midway through the first quarter. The latest rise in charges was the slowest since October 2016. Businesses were pessimistic regarding the 12-month outlook for output for the first time in the two-year series history. Negative sentiment generally reflected Brexit and associated uncertainty, which is expected to limit new order inflows.



Summary of data

50 = no change on previous month

		2017	2018	Dec'18	Jan'19	Feb
Output/Activity	N.Ire	54.2	54.6	52.7	51.6	50.2
	UK	54.5	53.2	51.6	50.3	51.4
New Business	N.Ire	54.5	53.0	50.0	50.3	48.7
	UK	55.0	53.1	51.8	48.9	49.8
Backlogs	N.Ire	51.2	50.7	49.2	48.9	46.2
	UK	50.4	49.8	47.8	46.8	47.8
Employment	N.Ire	53.0	52.5	52.7	49.0	49.5
	UK	52.8	52.2	50.8	49.4	48.3
Input Costs	N.Ire	67.2	67.0	64.1	66.6	63.0
	UK	65.0	62.7	61.5	61.6	60.3
Prices Charged	N.Ire	57.5	57.6	56.5	57.6	54.6
	UK	55.0	54.1	54.1	53.3	53.0

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/>

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