

Ulster Bank Northern Ireland PMI[®]

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Downturn deepens in Northern Ireland private sector

Today sees the release of June data from the Ulster Bank Northern Ireland PMI[®]. The latest report – produced for Ulster Bank by IHS Markit – signalled a deepening downturn in the Northern Ireland private sector. Brexit uncertainty led to sharper falls in output and new orders, with firms pessimistic regarding the 12-month outlook.

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

“In the early part of 2019, it was difficult to get a true handle on where the Northern Ireland private sector was. We had a range of manufacturing firms stockpiling due to Brexit, which in some respects skewed the output figures. Now that the period of intensive stockpiling has passed, we are perhaps getting a truer reflection of the real state of play. And what we are now seeing is that all of the PMI’s key indicators declined over the first half of the year, including output, employment, new orders and exports. After six years of growth, it appears that the economic cycle has turned. The severity or otherwise of that downturn will depend on a range of factors. The kind of Brexit that we see will of course be a major factor. But what is in no doubt is that the private sector overall is currently in a weaker state.

“Of particular concern are new orders and exports. Both domestic and overseas order books are contracting at a rapid rate, which suggests that activity will be subdued in the coming months. Indeed, export orders fell at their fastest pace in almost eight years. The manufacturing sector appears particularly weak at present, with output falling at its fastest pace in June for more than a decade. However, all sectors were in decline in June, with construction and retail also seeing very marked declines in activity.

“Northern Ireland is not alone in seeing a marked deterioration in business conditions in June. The UK as a whole reported a slump in manufacturing and construction activity as well, while service sector activity slowed to near stagnation. Global manufacturing is also in a downturn with US / China trade wars having a dampening effect. However, Northern Ireland’s downturn is more pronounced than the UK’s. Indeed, Northern Ireland’s private sector posted the fastest rates of decline in output, new orders and employment of all the UK regions last month.

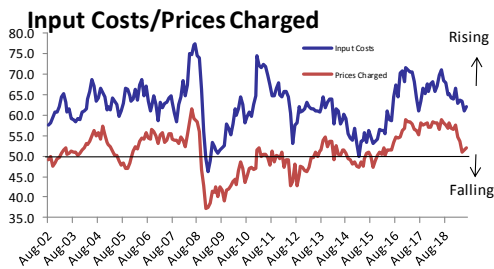
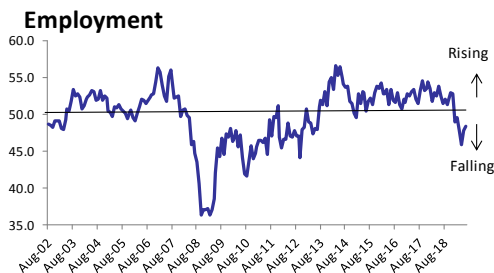
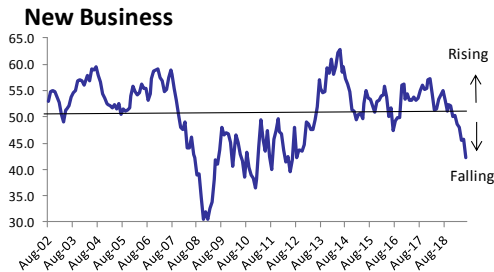
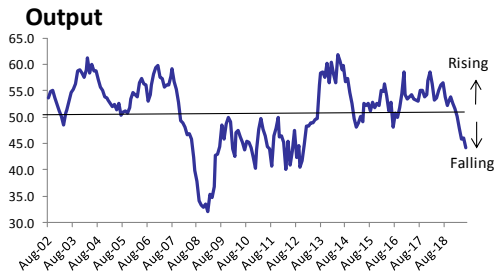
“However, it needs to be remembered that the Northern Ireland labour market is cooling from record levels, and indeed many firms who were having difficulty recruiting may not see that as entirely a bad thing. The decline in the employment figures in the latest PMI is therefore not concerning at this stage. The challenge will be whether that trend continues into the six and 12 months ahead.”

The main findings of the June survey were as follows:

The headline seasonally adjusted Business Activity Index fell to 44.1 in June from 46.0 in May. The reading signalled a marked monthly reduction in output, and one that was the strongest since November 2012. Brexit and associated market uncertainty were behind the latest fall in activity, according to respondents. The decline was the fourth in as many months, and the most pronounced of all 12 UK regions covered. Steep declines were seen in construction, retail and manufacturing. Brexit uncertainty was also reportedly the main factor behind a sharp decline in new orders. New business decreased for the fifth successive month, and to the greatest extent in seven years. New export orders also fared badly, falling at a considerable pace that was the steepest since August 2011.

Falling new orders fed through to a further reduction in backlogs of work. Employment decreased for the sixth successive month in June. That said, in contrast to a number of the other variables monitored by the survey, the rate of job shedding softened to the weakest in four months.

The rate of input cost inflation ticked up from May’s 22-month low and was broadly in line with the series average. Where input prices rose, panellists often linked this to higher staff costs. The rate of output price inflation also quickened, but remained modest. Business sentiment turned negative again in June, with companies pessimistic regarding the 12-month outlook for output for the fourth time in the past five months. Concerns around Brexit were widely mentioned, with Northern Ireland registering by far the lowest sentiment of the 12 UK regions.



Summary of data

50 = no change on previous month

		2017	2018	Apr'19	May	Jun
Output/Activity	N.Ire	54.2	54.6	45.8	46.0	44.1
	UK	54.5	53.2	50.9	50.7	49.2
New Business	N.Ire	54.5	53.0	45.5	45.7	42.2
	UK	55.0	53.1	49.3	50.1	48.8
Backlogs	N.Ire	51.2	50.7	41.4	42.5	42.2
	UK	50.4	49.8	47.4	46.7	47.3
Employment	N.Ire	53.0	52.5	45.9	47.8	48.3
	UK	52.8	52.2	49.8	51.1	52.7
Input Costs	N.Ire	67.2	67.0	63.5	61.1	62.1
	UK	65.0	62.7	61.3	59.9	60.1
Prices Charged	N.Ire	57.5	57.6	51.0	51.4	52.2
	UK	55.0	54.1	53.0	53.6	52.3

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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