

# Ulster Bank Northern Ireland PMI®

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## Activity falls markedly in October

Today sees the release of October data from the Ulster Bank Northern Ireland PMI®. The latest report – produced for Ulster Bank by IHS Markit – indicated that the Northern Ireland private sector remained in contraction. Business activity, new orders and employment all decreased over the month, albeit at softer rates than in September. Meanwhile, inflationary pressures also moderated.

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

*“Northern Ireland’s private sector has started the fourth quarter the way it ended the third, with business conditions deteriorating. However, the pace of decline in output, new orders, employment, exports and future output expectations all eased in October relative to September. Nevertheless, the picture painted by local businesses remains a rather gloomy one. Output, exports and employment have now been falling for eight, nine and 10 months respectively. Northern Ireland remains rooted to the bottom of the regional league table for output and orders. Furthermore, local firms continue to see their input costs rise at faster rates than anywhere else in the UK.*

*“At a sector level, there was some modest improvement for manufacturing and services with a return to positive growth in some areas. For instance, manufacturing output expanded for the first time in six months and the rapid decline in orders appears to be levelling-off. Meanwhile services firms increased headcount, albeit marginally, for the first time in 10 months, with businesses more optimistic about output growth in a year’s time.*

*“Context is important here, as manufacturing’s improvement is coming off the weakest quarter (Q3) in 10½-years. Similarly, the improvements cited by service sector firms follow multi-year lows. It remains to be seen whether these latest improvements are sustained.*

*“The environment for construction and retail remains even more challenging. Both sectors saw the pace of contraction accelerate across a number of indicators, with retail reporting the fastest rates of decline amongst all sectors in terms of output/sales, orders and employment. Retailers have reported falling sales throughout 2019 with orders falling in October at their fastest pace in almost 8½-years. This is feeding through to employment with staffing levels falling at their fastest rate in seven years. These findings chime with incoming news on new car sales and demand for retail property. All of which point to subdued consumer confidence.*

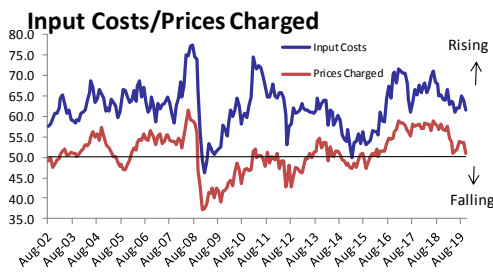
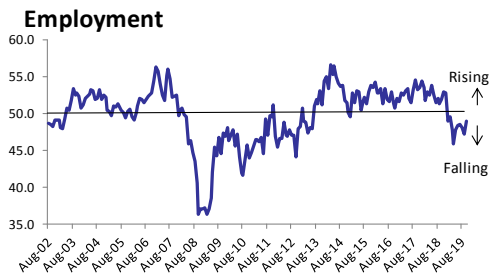
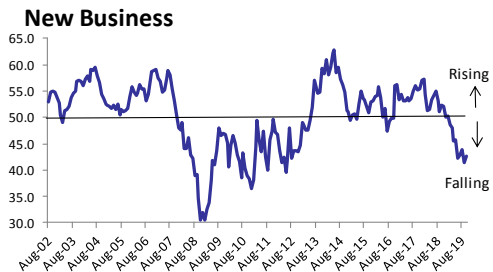
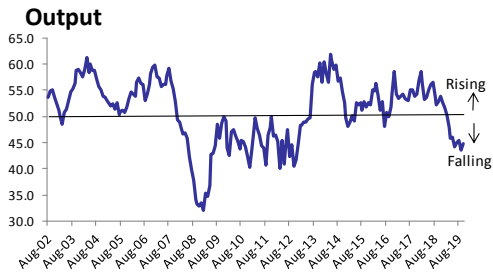
*“Looking ahead, Northern Ireland remains the only UK region where firms expect output to be lower in twelve months’ time. However, firms are significantly less pessimistic than they were in September. Last month’s Brexit deal has done little to reduce the high degree of uncertainty facing businesses. With election fever now gripping the country, political uncertainty and business uncertainty will loom large in 2020.”*

### **The main findings of the October survey were as follows:**

The headline seasonally adjusted Business Activity Index posted 44.9 in October, up from 43.6 in September but still pointing to a marked monthly reduction in output across the private sector. Activity has now decreased in each of the past eight months, with Brexit uncertainty again the most widely mentioned factor leading to the latest decline.

New orders continued to fall at a sharp pace, with clients reportedly reluctant to commit to new projects amid ongoing Brexit uncertainty. Meanwhile, the rate of contraction in new export orders remained substantial, despite softening from the more than eight-year record posted in September.

As has been the case in each month of 2019 so far, staffing levels decreased in October. That said, the rate of job cuts was slight and the weakest since February. Input prices continued to rise sharply, due to currency weakness and higher staff costs, but the rate of inflation was at a five-month low. Output prices, meanwhile, rose at the softest pace since April. On balance, firms remained pessimistic regarding the 12-month outlook for output, the only UK region for which this was the case. That said, sentiment improved from the position in September, with service providers expecting business activity to rise over the coming year.



## Summary of data

		50 = no change on previous month				
		2017	2018	Aug'19	Sep	Oct
Output/Activity	N.Ire	54.2	54.6	45.4	43.6	44.9
	UK	54.5	53.2	49.7	48.8	49.5
New Business	N.Ire	54.5	53.0	43.8	41.3	42.7
	UK	55.0	53.1	49.0	48.1	48.4
Backlogs	N.Ire	51.2	50.7	43.4	43.5	43.8
	UK	50.4	49.8	47.1	46.8	46.9
Employment	N.Ire	53.0	52.5	48.0	47.2	49.0
	UK	52.8	52.2	50.0	47.7	48.3
Input Costs	N.Ire	67.2	67.0	65.1	64.1	61.7
	UK	65.0	62.7	60.7	60.0	57.8
Prices Charged	N.Ire	57.5	57.6	53.6	53.6	51.1
	UK	55.0	54.1	51.9	51.1	51.4

Full historical data may be obtained from IHS Markit.  
Contact [economics@ihsmarkit.com](mailto: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](mailto:richard.ramsey@ulsterbankcm.com)  
<http://www.ulsterbankcapitalmarkets.com/>

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