

# Ulster Bank Northern Ireland PMI<sup>®</sup>

**PRESS RELEASE Embargoed until: 01:01 August 12th 2019**

## **New orders fall sharply again in July**

Today sees the release of July data from the Ulster Bank Northern Ireland PMI<sup>®</sup>. The latest report – produced for Ulster Bank by IHS Markit – indicated that sharp falls in output and new orders were recorded again amid ongoing worries around the final Brexit outcome. Employment also continued to decrease, while sentiment remained weak. On the price front, input costs increased at a sharp pace, while output price inflation quickened to a five-month high.

**Commenting on the latest survey findings, Richard Ramsey, Chief Economist Northern Ireland, Ulster Bank, said:** *“Northern Ireland’s private sector reported a marked deterioration in business conditions in the second quarter. July’s PMI survey suggests more of the same at the start of the third quarter as output, orders, exports and employment continued to fall last month. The rate of decline across all of these indicators did ease in July relative to June. However, the pace of contraction in output, orders and exports remained significant with output and orders falling at a faster rate than in any other UK region.*

*“Firms notched up their seventh successive monthly fall in staffing levels; albeit the pace of job losses in the latest survey was relatively modest. Indeed, a number of respondents’ efforts to hire were thwarted by a lack of suitable staff. Clearly the lack of supply of workers remains a key issue in the labour market rather than simply waning demand.*

*“It won’t surprise anyone to hear that 2019 has been a year of decline for the retail sector. However, there are actually now some signs that the rapid decline in sales is stabilising. Given the further depreciation in sterling, cross-border shopping is likely to play a more prominent role in the period ahead.*

*“Manufacturing has seen a sharp reversal of fortunes in recent months with the sector posting the sharpest rates of decline in jobs, orders and output of the four sectors. Last month manufacturers reported their steepest fall in output since April 2009. The ongoing fog of Brexit uncertainty is one contributory factor alongside a global manufacturing slowdown.*

*“Elsewhere, services firms, outside of retail, recorded a deterioration in business conditions in July. Significantly, services orders have been falling at an accelerating rate in each of the last five months. Indeed, July saw orders contract at the fastest rate in over six-and-a-half years. It is a similar story for the construction industry with orders lurching lower again for the eleventh month running.*

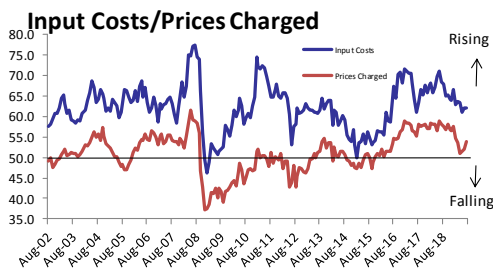
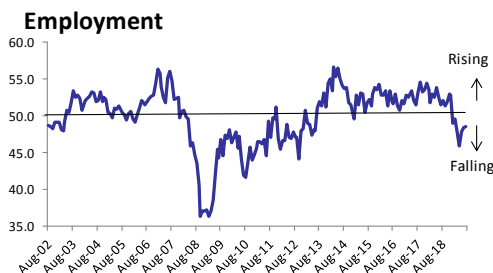
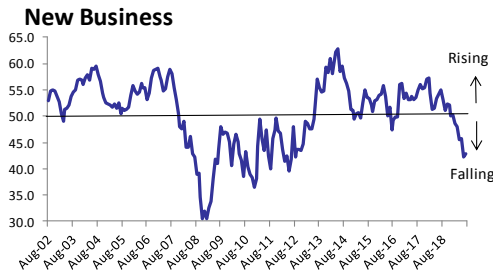
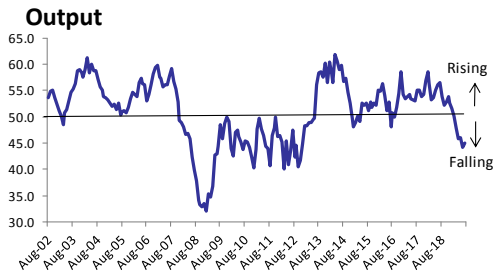
*“The employment picture remains the most positive aspect of the latest survey. But it is well known that the labour market is a lagging indicator of economic conditions. Shrinking order books, Brexit uncertainty and the ramping up of tensions between China and the US provide a formidable environment for local firms. Business conditions could well get worse before they start getting better.”*

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

The headline seasonally adjusted Business Activity Index posted 45.0 in July, up from 44.1 in June but still signalling a marked monthly reduction in output over the month. Activity has now decreased in each of the past five months, with lower new orders amid Brexit uncertainty central to the latest fall. New orders fell for the sixth successive month in July, with the rate of contraction slowing only slightly from the seven-year record posted in June. Northern Ireland firms also signalled another substantial reduction in new export business as Brexit uncertainty deterred customers.

Falling new orders led companies to work through outstanding business again in July. Signs of spare capacity were evident in spite of a seventh successive reduction in employment. Although a number of respondents lowered employment intentionally in line with falling workloads, others indicated that their efforts to hire new employees had been hindered by problems finding suitable staff.

Input costs increased at a sharp pace, and one that was broadly in line with that seen in June. Higher staff costs were widely mentioned, while there were also reports of rising material prices. While cost inflation was broadly stable over the month, the pace at which output prices increased quickened to a five-month high. Although business sentiment moved back into positive territory during July in response to expectations of improving new orders over the coming year, confidence was weak overall.



## Summary of data

50 = no change on previous month

		2017	2018	May'19	Jun	Jul
Output/Activity	N.Ire	54.2	54.6	46.0	44.1	45.0
	UK	54.5	53.2	50.7	49.2	50.3
New Business	N.Ire	54.5	53.0	45.7	42.2	42.8
	UK	55.0	53.1	50.1	48.8	51.4
Backlogs	N.Ire	51.2	50.7	42.5	42.2	42.6
	UK	50.4	49.8	46.7	47.3	47.6
Employment	N.Ire	53.0	52.5	47.8	48.3	48.5
	UK	52.8	52.2	51.1	52.7	51.5
Input Costs	N.Ire	67.2	67.0	61.1	62.1	62.0
	UK	65.0	62.7	60.0	60.1	59.7
Prices Charged	N.Ire	57.5	57.6	51.4	52.2	54.0
	UK	55.0	54.1	53.6	52.3	52.6

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<sup>®</sup> 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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Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB.

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