

Ulster Bank Northern Ireland PMI[®]

PRESS RELEASE Embargoed until: 01:01 February 12th 2018

Sharp and accelerated rise in activity at start of 2018

Today sees the release of January data from the Ulster Bank Northern Ireland PMI[®]. The latest report – produced for Ulster Bank by IHS Markit – pointed to a pick-up in growth momentum in the Northern Ireland private sector. Business activity rose at the fastest pace since December 2016 amid strong new order inflows. A sharper increase in input costs was also recorded, however, and companies continued to raise their charges at a marked pace.

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

“Moving into 2018 the external economic environment has continued to strengthen. Global output growth hit a 40-month high in January. Meanwhile firms in the Eurozone posted their fastest rate of growth in almost 11½ years. This positive backdrop jars with the latest UK PMIs with the pace of growth decelerating across all sectors. The overall UK PMI eased to a 17-month low in January.”

“According to the latest Ulster Bank PMI, Northern Ireland’s private sector is following the trajectory of its global and Eurozone peers rather than the UK. Private sector growth amongst local firms accelerated to a 13-month high in January.”

“Northern Ireland’s rate of private sector expansion in January was the second fastest of all the UK regions. Retail remains the fastest growing sector. But the marked acceleration in private sector output amongst Northern Ireland firms was due largely to construction and services. Output growth in these sectors hit 39-month and 44-month highs respectively. Meanwhile retail sales growth increased at its fastest rate in almost 4-years.”

“Despite this strong demand, employment growth in retailing was very modest. Manufacturing was the one sector to report a slowdown in output growth in January. That said, manufacturing activity remains robust and above its historical long-term average. Indeed, manufacturers increased their staffing levels at their fastest rate in 32-months. Service and construction sector firms reported faster rates of jobs growth than manufacturing but both saw hiring ease relative to December.”

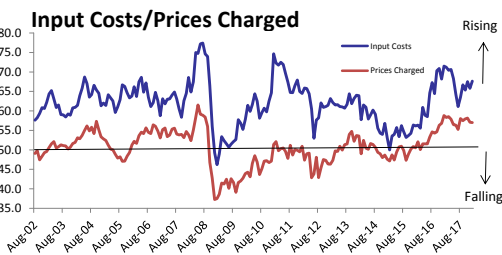
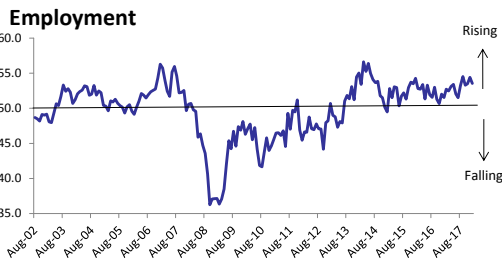
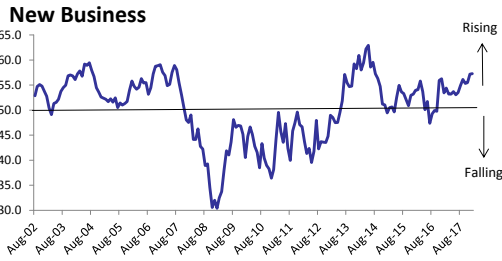
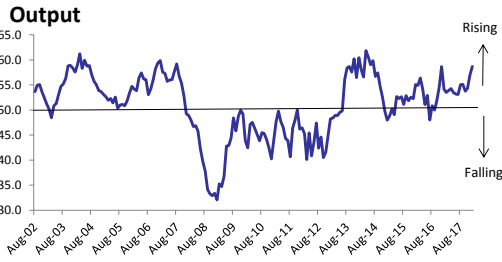
“Alongside a pick-up in demand, Northern Ireland firms also report a pick-up in the rate of input cost inflation. January’s reading marked an 8-month high and remains well above the inflation rates in the UK and its historical average. Higher fuel and wage costs were cited as factors with these most prevalent amongst manufacturers and retailers. Inflation pressures are expected to ease, but interest rate rises will be required.”

“According to the PMI, January represented the best start to a year amongst Northern Ireland’s private sector since 2007. Back then, the challenges that lay ahead were largely unseen and unknown. In contrast today, the geopolitical risks, fiscal challenges and ongoing Brexit uncertainty have certainly been well flagged. Despite these challenges, firms remain upbeat about the year ahead and the most optimistic since May 2017. What does or doesn’t happen with Brexit will have a large bearing on whether this optimism is realised.”

The main findings of the January survey were as follows:

The headline seasonally adjusted Business Activity Index rose to a 13-month high of 58.7 in January, from 56.9 in December. The reading pointed to a substantial monthly rise in output at Northern Ireland companies, and one that was much faster than the UK average. Central to the latest rise in output were increases in new business and improving client demand. New orders expanded sharply, with the rate of growth little-changed from December’s 40-month high. Backlogs of work were accumulated again in January. Companies indicated that higher new orders and issues with the supply of materials had been behind the latest build-up of outstanding business. Firms responded to higher workloads by taking on additional staff. The rate of job creation eased from December but was solid and faster than the UK average.

Higher fuel prices and increased staff costs were the key factors behind another monthly rise in input prices at the start of the year. The rate of inflation quickened to the fastest since May 2017, with the retail and manufacturing sectors seeing the steepest increases. Prices charged continued to rise sharply as panellists responded to higher input costs. Further positivity was signalled by data on business confidence, with optimism among firms the strongest since May 2017. The launch of new products, further growth of new orders and a favourable exchange rate are all set to support increases in output over the coming year.



Summary of data

50 = no change on previous month

		2016	2017	Nov '17	Dec	Jan '18
Output/Activity	N.Ire	53.2	54.2	54.3	56.9	58.7
	UK	53.3	54.5	54.7	54.7	53.2
New Business	N.Ire	52.3	54.5	55.5	57.2	57.3
	UK	53.3	55.0	54.9	53.6	53.3
Backlogs	N.Ire	50.1	51.2	52.4	55.1	53.9
	UK	49.3	50.4	50.9	49.8	51.1
Employment	N.Ire	52.4	53.0	53.5	54.4	53.6
	UK	51.9	52.8	52.8	52.5	52.9
Input Costs	N.Ire	62.7	67.2	67.5	65.8	67.6
	UK	58.7	65.0	64.0	64.1	63.8
Prices Charged	N.Ire	53.1	57.5	58.1	57.1	57.0
	UK	52.2	55.0	57.2	55.4	55.2

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 (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2018 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.