

Ulster Bank Northern Ireland PMI[®]

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Modest acceleration in business activity growth in April

Today sees the release of April data from the Ulster Bank Northern Ireland PMI[®]. The latest report – produced for Ulster Bank by IHS Markit – signalled a mild acceleration in private sector business activity growth, while new orders continued to increase, albeit only marginally quicker than March's 17-month low. Nonetheless, despite subdued demand pressures, backlogs of work increased further, prompting firms to hire additional staff. In line with a strong and accelerated rate of input cost inflation, businesses reported a further marked increase selling charges.

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

"The March PMI saw a slowdown in growth resulting from factors including the Beast from East weather episode and it was anticipated that there would be a rebound in April. The latest report shows that this has indeed come to pass. However it has been a more muted one than expected in Northern Ireland and the UK as a whole, unlike the Republic of Ireland which has rebounded with vigour. This suggests that the slowdown in Northern Ireland is related to underlying issues, rather than just a weather-related blip.

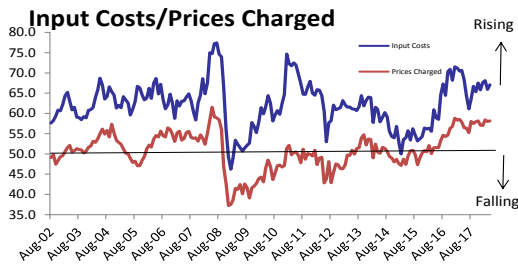
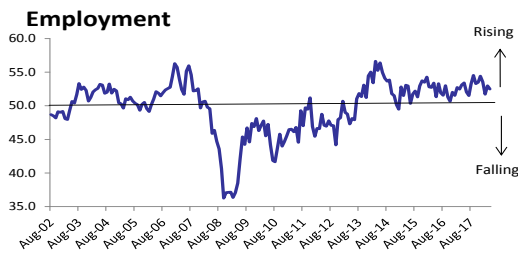
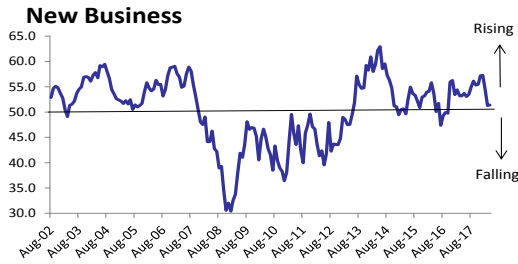
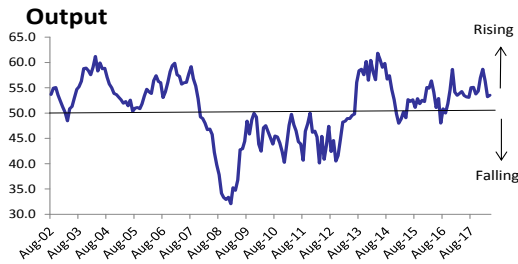
In terms of the sub-sectors, services was the fastest growing in April, but it is still growing at well-below its pre-downturn, long-term average. Manufacturing, on the other hand, is holding up well relative to its long-term average, despite slowing last month. Construction saw business activity close to stagnation and order books falling for the second month in a row. Meanwhile retail has seen a significant slowdown in activity and new orders since the turn of the year, whilst inflationary pressures have been soaring.

Despite lower than expected business activity growth, there has actually been a surge in business optimism for the year ahead, driven by rising confidence within manufacturing and services. Indeed, retail was the only sector to report a slide in business confidence for the year ahead. Linked to this is the strong export performance highlighted in the latest report, with export markets continuing to be the main source of growth, and export orders growing significantly faster than domestic orders. With manufacturers more exposed to international markets and retailers, as well as construction firms, much more reliant on the domestic market, this helps explain the differential in confidence within the sectors."

The main findings of the April survey were as follows:

The headline seasonally adjusted Business Activity Index increased to 53.5 in April, up from 53.2 in March, to signal a solid and faster pace of expansion in the Northern Ireland private sector. Furthermore, all four sectors covered by the survey recorded expansions in activity, and the rate of growth was above the UK average. Output growth was partly attributed to successful tendering for contracts. Underpinning the latest rise in activity was sustained growth of new orders. According to anecdotal evidence, new client acquisitions and advertising campaigns supported the rise in new sales. That said, the pace of expansion was only marginally quicker than March's 17-month low.

As has been the case in every month since February 2015, employment was raised by Northern Ireland businesses. Panellists noted that increased workloads had prompted them to recruit new staff. Nonetheless, capacity pressures persisted, with backlogs of work rising for a tenth straight month in April. Northern Ireland firms faced further cost rises during April. The rate of input price inflation was steep overall and accelerated on that seen in March. Panellists reported unfavourable exchange rate movements, higher energy prices and wage increases as factors driving up operating expenses. In response, selling charges were raised to partly offset higher cost burdens, continuing a run of inflation that began in November 2015.



Summary of data

		50 = no change on previous month				
		2016	2017	Feb'18	Mar	Apr
Output/Activity	N.Ire	53.2	54.2	56.3	53.2	53.5
	UK	53.3	54.5	54.2	51.9	53.2
New Business	N.Ire	52.3	54.5	54.5	51.3	51.4
	UK	53.3	55.0	54.8	52.3	53.0
Backlogs	N.Ire	50.1	51.2	51.6	52.1	51.5
	UK	49.3	50.4	51.1	50.6	49.4
Employment	N.Ire	52.4	53.0	51.7	53.0	52.5
	UK	51.9	52.8	53.2	52.4	51.6
Input Costs	N.Ire	62.7	67.2	68.1	65.9	67.1
	UK	58.7	65.0	61.1	62.1	60.1
Prices Charged	N.Ire	53.1	57.5	58.4	58.0	58.1
	UK	52.2	55.0	54.5	54.9	54.2

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

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