

Ulster Bank Northern Ireland PMI[®]

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Output growth quickens to three-month high

Today sees the release of May data from the Ulster Bank Northern Ireland PMI[®]. The latest report – produced for Ulster Bank by IHS Markit – signalled that growth in the Northern Ireland private sector picked up, with faster increases in output, new orders and employment recorded. Meanwhile, higher fuel costs contributed to a pick-up in the rate of input price inflation and output prices continued to rise sharply.

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

“Faster growth is the main theme of the latest Northern Ireland PMI, with business activity, new orders, and employment all seeing their respective indices rising at increased rates in May. This is particularly the case for the services sector, which was the biggest riser for the second month in a row.

“Perhaps the most positive aspect of the May survey is the continuing increase in export orders, which are growing at their fastest rate this year and, significantly, well above their long-term average. Clearly, firms are capitalising on buoyant export markets, most notably the Republic of Ireland and the US, as well as the favourable exchange rate.

“On the other hand, the UK is one of the slowest growing economies in Europe, which means that those Northern Ireland firms focused on the domestic market are faring less well. Construction orders, for instance, saw just marginal increases, while retailers saw new orders stagnate. Indeed, firms in these two sectors are the least optimistic with regard to the 12-month outlook, and retail confidence is at a 13-month low.

“With regard to construction, Northern Ireland’s political situation and the lack of decision-making will likely have a bearing on sentiment for the foreseeable future. Meanwhile, strong rates of inflation are a key factor in dampening the retail sector’s performance, squeezing firms’ profitability as well as consumers’ ability to spend.

“More broadly, inflation remains a key challenge across the board, with service sector firms seeing input cost inflation rising at the fastest rate in more than seven years, driven by wage pressures. As a consequence, they are increasing their prices / fees more quickly than at any time since 2008.

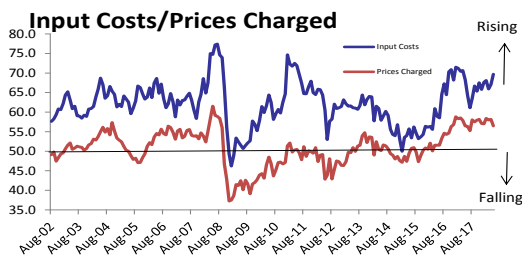
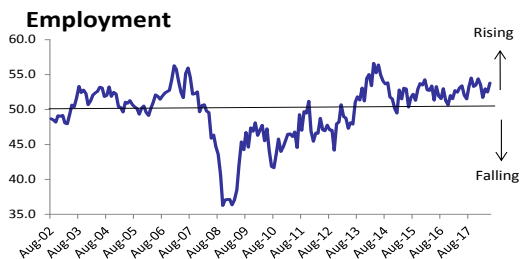
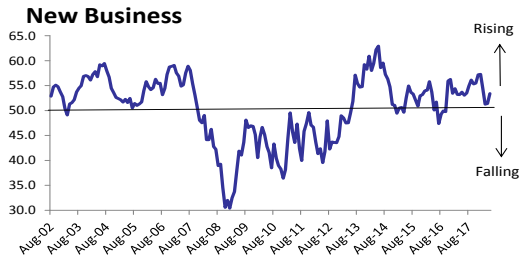
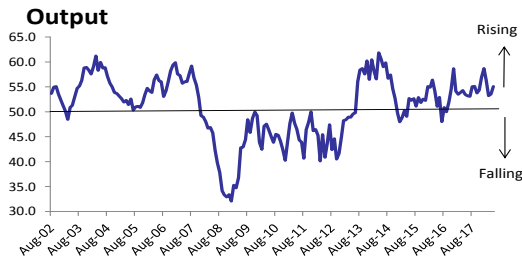
“Whilst construction and retail are less upbeat than other sectors - and there is no shortage of uncertainty on the horizon for Northern Ireland’s private sector - overall optimism is still relatively strong. Almost a third of firms surveyed expect to expand their business in the year ahead; three times more than the number expecting a decline.”

The main findings of the May survey were as follows:

The headline seasonally adjusted Business Activity Index posted 55.1 in May, up from 53.5 in April and signalling the fastest increase in output for three months. The rise in Northern Ireland was also sharper than the UK economy average. All four monitored sectors saw activity increase, with growth led by services where the rise was the fastest since January. In line with the sharper rise in business activity, new order growth also accelerated in May. Some panellists indicated that marketing activity had aided their efforts to secure new work. Meanwhile, new export orders rose strongly, with panellists reporting improved demand from other European countries, in particular Ireland.

Higher new orders fed through to a further increase in backlogs of work, albeit one that was modest. Companies in Northern Ireland responded to greater workloads and improved customer demand by taking on extra staff during May. Moreover the rate of job creation quickened and was the fastest in the year-to-date.

The rate of input cost inflation accelerated in May and was the sharpest since April 2017. Higher fuel costs were widely mentioned, with sterling weakness again reportedly contributing to increases in raw material costs. Manufacturers posted the sharpest rise in input prices as inflation hit a one-year high. Companies responded to higher cost burdens by increasing their prices charged during the month. The rate of inflation remained marked, despite easing to a ten-month low. Despite dipping from April’s record high, optimism regarding the 12-month outlook for activity remained strong in May. New product launches, marketing and subsequent new order growth are all expected to support increases in activity.



Summary of data

		50 = no change on previous month				
		2016	2017	Mar'18	Apr	May
Output/Activity	N.Ire	53.2	54.2	53.2	53.5	55.1
	UK	53.3	54.5	51.9	53.2	54.3
New Business	N.Ire	52.3	54.5	51.3	51.4	53.4
	UK	53.3	55.0	52.3	53.0	53.0
Backlogs	N.Ire	50.1	51.2	52.1	51.5	51.4
	UK	49.3	50.4	50.6	49.4	49.5
Employment	N.Ire	52.4	53.0	53.0	52.5	53.8
	UK	51.9	52.8	52.3	51.6	51.6
Input Costs	N.Ire	62.7	67.2	65.9	67.1	69.7
	UK	58.8	65.0	62.2	60.2	61.6
Prices Charged	N.Ire	53.1	57.5	58.0	58.1	56.5
	UK	52.2	55.0	54.9	54.2	53.2

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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