

Ulster Bank Northern Ireland PMI[®]

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Northern Ireland private sector sees solid rise in output in June

Today sees the release of June data from the Ulster Bank Northern Ireland PMI[®]. The latest report – produced for Ulster Bank by IHS Markit – signalled that growth was maintained at the end of the second quarter. Both output and new orders continued to rise solidly, albeit at softer rates. Employment rose further, but again, to a lesser extent than in May. The rate of input cost inflation also eased, slowing to the weakest for a year.

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

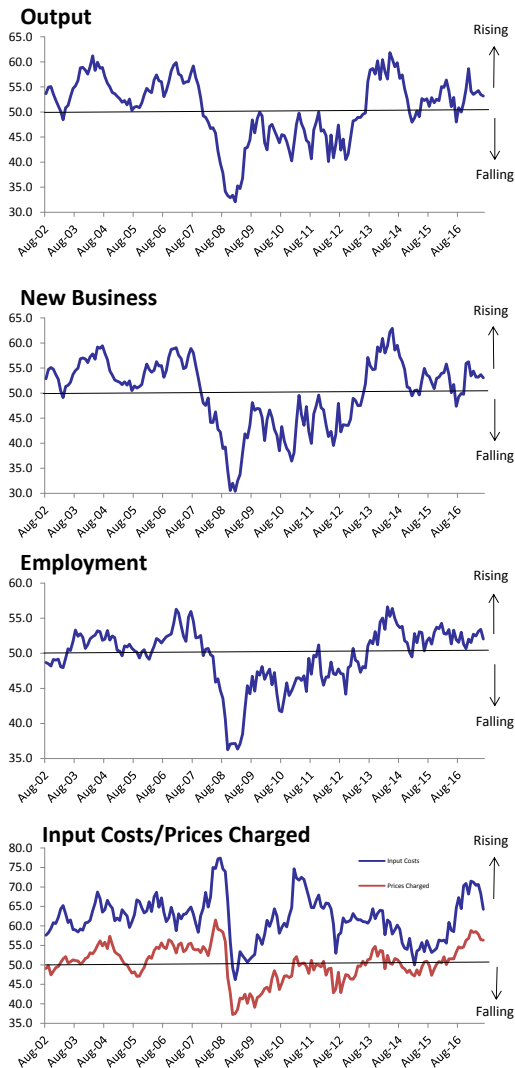
“The latest survey brings to an end the first half of 2017, and it shows that Northern Ireland’s private sector economy enters the latter part of the year with some momentum. Indeed, business activity has performed more strongly than perhaps would have been expected, with the services sector the star performer in the past quarter. In June, business activity continued to expand, but the rate of growth has been easing and currently sits at an eight-month low. This was due to a slowdown in retail, construction and manufacturing, with the services sector bucking the wider trend. On the positive side, employment and exports continue to rise, but the overall theme is one of easing, with these indicators expanding less robustly than in the previous month. Inflationary pressures are also easing from very high levels, however both input and output inflation remain elevated, which is a key concern for the second half of the year. This is particularly the case for retail and other consumer-sensitive sectors, which will continue to be impacted by pressures on consumer-spending due to rising prices, subdued wage-growth, and freezes in some benefits. Indeed, some local retailers are reporting that sales and orders both fell in June, and this is a trend that may well continue into the months ahead. Despite this, local firms remain positive about the outlook for the next 12 months. However, they are less positive than they have been, which reflects a number of factors including reduced consumer confidence, political instability, and ongoing negotiations around Brexit. None of these issues appears to be going away any time soon. Concerns around Northern Ireland’s public finances also remain; however they will have been eased somewhat by the recent funding package agreed with Westminster.”

The main findings of the June survey were as follows:

The headline seasonally adjusted Business Activity Index posted 53.2 in June, down marginally from the reading of 53.5 in May, and continuing to signal solid monthly growth of output in the Northern Ireland private sector. Panellists indicated that higher new work volumes was the principal factor driving the latest expansion in output.

New business also rose solidly, albeit at the slowest pace in the current eight-month sequence of expansion. Some respondents reported having been able to secure new clients over the month, but others mentioned that uncertainty had dampened demand. As has been the case in each month since February 2015, staffing levels increased, with firms linking the latest rise to higher activity requirements. The rate of job creation was modest, however, and the slowest since January.

Although input prices continued to rise sharply on the back of sterling weakness and higher staff costs, the rate of inflation eased for the second month running and was the slowest for a year. The rate of output price inflation was little-changed, meanwhile, with charges continuing to rise markedly as companies passed on higher cost burdens to their clients. Companies in Northern Ireland displayed optimism regarding the potential for output growth over the next 12 months, often reflecting business expansion plans. That said, sentiment was the lowest since March amid market uncertainty.



Summary of data

50 = no change on previous month

		2015	2016	Apr '17	May	Jun
Output/Activity	N.Ire	51.2	53.2	54.3	53.5	53.2
	UK	56.4	53.3	55.9	54.5	53.9
New Business	N.Ire	52.0	52.3	53.2	53.7	53.1
	UK	56.7	53.3	57.5	56.6	54.1
Backlogs	N.Ire	48.7	50.1	49.1	50.8	49.5
	UK	50.5	49.3	51.2	51.4	51.0
Employment	N.Ire	52.1	52.4	53.1	53.4	52.0
	UK	55.3	51.9	52.9	52.9	52.9
Input Costs	N.Ire	54.0	62.7	70.6	68.3	64.3
	UK	52.8	58.7	64.5	62.8	63.2
Prices Charged	N.Ire	49.1	53.1	57.9	56.5	56.4
	UK	50.5	52.2	56.5	53.9	52.8

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/>

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