

Ulster Bank Northern Ireland PMI[®]

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New order growth picks up in July

Today sees the release of July data from the Ulster Bank Northern Ireland PMI[®]. The latest report – produced for Ulster Bank by IHS Markit – indicated that solid growth of new orders fed through to a further increase in business activity. There were reports of success in securing new work from the Republic of Ireland amid sterling weakness, helping to boost total new business. Job creation was sustained, albeit at a more moderate pace, while inflationary pressures continued to ease.

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

“The Ulster Bank Northern Ireland PMI for July reveals that the private sector notched up another month of growth in output, orders and employment. However, whilst growth is to be welcomed, we can’t escape the fact that rates of expansion lag behind the UK averages for all of these indicators. Indeed, Northern Ireland’s private sector firms recorded the weakest performance in business activity, after the North East of England where output fell.”

“The reality is that the overall tone of the latest survey is characterised by slower rates of growth. Firms reported a slight slowdown in the rate of growth in business activity, with July’s figure at a nine-month low. Meanwhile, new orders and exports saw their growth rates quicken. The private sector has been increasing its staffing levels for the last two-and-a-half years. Last month, however, the pace of job creation slipped to a six-month low.”

“Softer inflationary pressures are to be welcomed. Following the recent record highs, firms reported the weakest rate of input cost inflation in July in 13 months.”

“The theme of easing is becoming evident in some sectors more than others. Manufacturing output growth eased to a 14-month low, while employment fell for the first time in six months. But context is important here, with manufacturing firms experiencing a period of rapid expansion over the last 6-9 months. A slowdown is relative to these strong rates of growth. Furthermore, order books are growing at a rapid rate by historical standards.”

“Meanwhile, firms within the construction industry are reporting a more marked easing. Output, new orders and employment all fell in July. Retailers have been reporting a weakening in demand in recent months. Retail sales stabilised last month following June’s decline. There was also a slight pick-up in orders with employment growth continuing albeit at its weakest rate in two years. The wider services industry (excluding retail) was the sector to buck the easing trend. Business activity growth accelerated to a 16-month high, with job creation picking up too.”

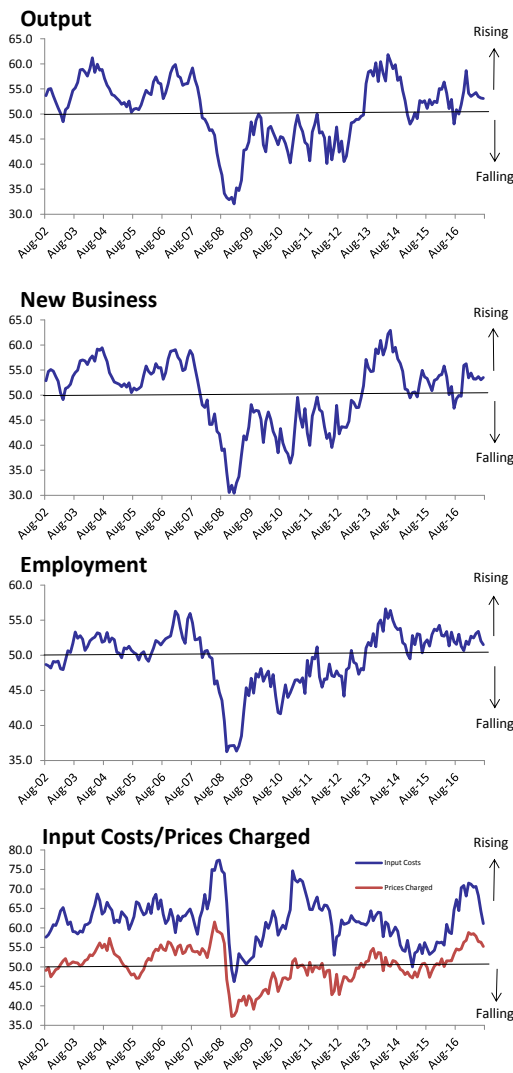
“Despite the ongoing political and Brexit related uncertainty, Northern Ireland’s private sector remains relatively upbeat. Almost one-third of firms expect to have more work in 12 months’ time than they do currently. Indeed, optimists currently outnumber pessimists by more than two to one on this front.”

The main findings of the July survey were as follows:

The headline seasonally adjusted Business Activity Index posted 53.1 in July, down fractionally from 53.2 in June but still signalling a solid monthly expansion of output across the Northern Ireland private sector. Central to the latest increase in output was a further rise in new orders. Moreover, the rate of expansion quickened from that seen in June. A number of respondents mentioned that overall new order levels were boosted by new business from clients in the Republic of Ireland as sterling weakness helped them to secure new work.

Increased workloads led Northern Ireland companies to take on extra staff in July, as has been the case throughout the past two-and-a-half years. That said, the rate of job creation moderated and was the slowest since January.

The rate of input cost inflation eased in July and was slower than the UK average for the first time in more than two years. That said, input prices still rose sharply, due to currency weakness and higher staff costs. In line with the trend in input prices, the pace at which firms increased their charges eased to a nine-month low. Companies in Northern Ireland remained confident that output would increase over the next 12 months, largely due to positive expectations regarding new orders. Close to 32% of panellists predict activity to rise, against 13% forecasting a fall.



Summary of data

50 = no change on previous month

		2015	2016	May '17	Jun	Jul
Output/Activity	N.Ire	51.2	53.2	53.5	53.2	53.1
	UK	56.4	53.3	54.5	53.9	53.9
New Business	N.Ire	52.0	52.3	53.7	53.1	53.5
	UK	56.7	53.3	56.6	54.0	54.4
Backlogs	N.Ire	48.7	50.1	50.8	49.5	50.4
	UK	50.5	49.3	51.4	51.0	49.9
Employment	N.Ire	52.1	52.4	53.4	52.0	51.5
	UK	55.3	51.9	52.9	53.0	53.6
Input Costs	N.Ire	54.0	62.7	68.3	64.3	61.1
	UK	52.8	58.7	62.8	63.3	63.5
Prices Charged	N.Ire	49.1	53.1	56.5	56.4	55.2
	UK	50.5	52.2	53.9	52.8	54.0

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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