

Ulster Bank Northern Ireland PMI[®]

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Sharp rise in new orders supports further growth of activity

Today sees the release of October data from the Ulster Bank Northern Ireland PMI[®]. The latest report – produced for Ulster Bank by IHS Markit – indicated that the private sector remained firmly in growth territory, despite rates of expansion in output and new orders easing from the previous month. Firms continued to take on extra staff at a solid pace. Meanwhile, input costs rose sharply again and the rate of output price inflation quickened.

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

“Despite on-going inflationary pressures, Northern Ireland’s private sector continued to report expansion in activity, new orders, and employment; albeit at a slower rate. Northern Ireland mirrored the Republic of Ireland in the sense that the rate of business activity growth eased. This was in contrast to the UK picture where there was an acceleration in activity across most regions. As a result, Northern Ireland has slipped down the business activity growth table, with only Scotland now reporting a weaker rate of growth. This UK strength is reflected in the rate at which new orders are coming in at Northern Ireland firms; with overall new orders growth remaining robust, despite export orders easing back.

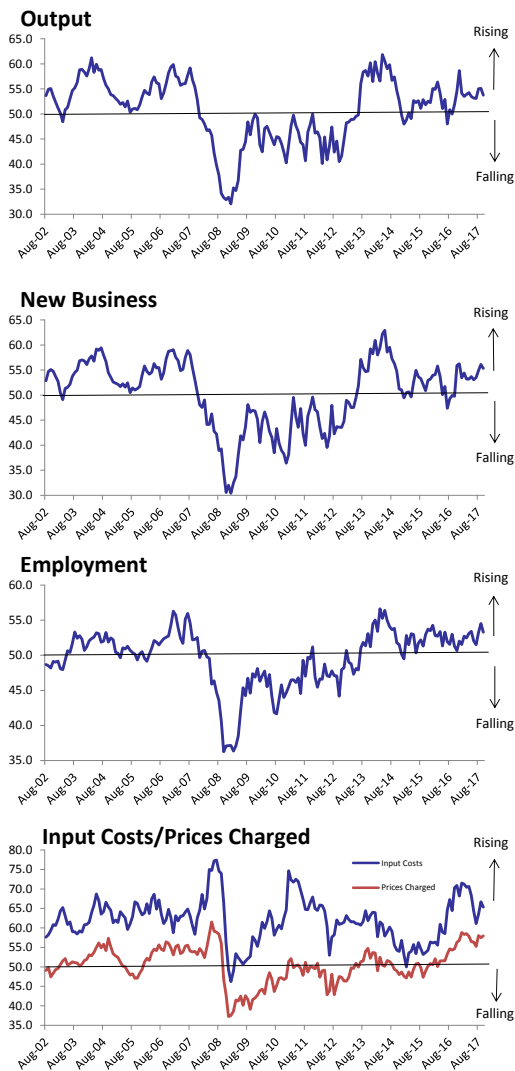
“At a sectoral level, retail was the fastest growing for the second month in a row, with the construction industry also reporting much-improved business conditions. Output, new orders and employment also grew at faster rates in the sector, with employment growing at its fastest rate in 41-months. There were also some signs of encouragement for local manufacturing, with new orders growth rising to its highest level in over three years. Cost pressures remain the key challenge, with headline inflation remaining elevated largely due to rising commodity and fuel prices. As a result, firms continued to increase their prices for the 24th month in a row, which will continue to hit consumers’ pockets in the months ahead. In this environment, some caution is being displayed by consumer-facing firms. Retail has been a key driver of employment growth over the past few years. However, the latest survey indicates that the pace of job-creation within the sector is now sluggish. Despite no shortage of challenges, particularly on the political front, local firms remain optimistic about the year ahead; albeit slightly less so than they were in September.”

The main findings of the October survey were as follows:

The headline seasonally adjusted Business Activity Index posted 53.8 in October, down from 55.1 in September but signalling a further solid monthly rise in private sector output. Activity has now increased in each of the past 13 months, though the latest expansion was the slowest since July and weaker than the UK average. Output growth was often linked by panellists to higher new orders, which have now risen on a monthly basis throughout the past year. Investment in advertising and sterling weakness reportedly contributed to new order growth. The latter factor also helped firms to secure new export orders. That said, the rate of growth eased to a 14-month low.

With workloads increasing, companies raised their staffing levels for the thirty-third successive month. The rate of job creation was solid, despite easing from that seen in September. For the first time since June, all four sectors saw employment increase.

The rate of input cost inflation remained sharp in October, with prices again increasing as a result of sterling weakness. Higher commodity and fuel costs were also mentioned. The passing on of increased input costs to clients resulted in a further sharp rise in charges, extending the current period of inflation to two years. Moreover, the latest increase was the joint-fastest in seven months. Finally, companies continued to predict growth of output over the coming 12 months, although sentiment eased to a three-month low.



Summary of data

50 = no change on previous month

| | | 2015 | 2016 | Aug '17 | Sep | Oct |
|-----------------|-------|------|------|---------|------|------|
| Output/Activity | N.Ire | 51.2 | 53.2 | 55.0 | 55.1 | 53.8 |
| | UK | 56.4 | 53.3 | 53.7 | 53.6 | 55.3 |
| New Business | N.Ire | 52.0 | 52.3 | 54.9 | 56.1 | 55.3 |
| | UK | 56.7 | 53.3 | 54.4 | 53.4 | 54.9 |
| Backlogs | N.Ire | 48.7 | 50.1 | 52.5 | 52.3 | 51.8 |
| | UK | 50.5 | 49.3 | 51.4 | 50.6 | 49.6 |
| Employment | N.Ire | 52.1 | 52.4 | 53.2 | 54.5 | 53.3 |
| | UK | 55.3 | 51.9 | 54.3 | 53.2 | 52.6 |
| Input Costs | N.Ire | 54.0 | 62.7 | 63.5 | 66.7 | 65.4 |
| | UK | 52.8 | 58.7 | 64.3 | 66.0 | 63.5 |
| Prices Charged | N.Ire | 49.1 | 53.1 | 58.0 | 57.5 | 58.0 |
| | UK | 50.5 | 52.2 | 54.2 | 54.7 | 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

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