

Ulster Bank Northern Ireland PMI[®]

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Sharpest rise in activity in 2017 so far

Today sees the release of August data from the Ulster Bank Northern Ireland PMI[®]. The latest report – produced for Ulster Bank by IHS Markit – pointed to faster rises in output and new orders, supporting further job creation. Sterling weakness played an important role in the local economy, helping firms to secure new export orders but also adding to inflationary pressures.

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

“In August, Northern Ireland firms reported faster rates of growth in business activity than the UK average for the first time this year. Whilst Northern Ireland saw an 8-month high in the rate of business growth, UK firms posted the slowest rate of expansion in six months. The fact that London and the South East are not acting as the traditional dynamo of the wider economy is a major factor.”

“It would appear that Northern Ireland is benefiting from the robust recovery in the Eurozone. Indeed, the latter is currently growing at twice the rate of the UK. Northern Ireland firms are taking advantage of having one of the fastest growing economies in Europe – the Republic of Ireland - on its doorstep. Throw a weak currency into the mix and the conditions are ideal for local firms selling into the Republic of Ireland / Eurozone market.”

“All sectors saw their rates of business activity rising in August. Services though was the stand-out performer. Indeed, its output and employment hit 17-month and 41-month highs respectively. Although activity in the construction sector grew, it was only marginally so. Meanwhile manufacturing and retail both rebounded from their recent lows, with sterling’s weakness acting as a tailwind in both sectors, for now.”

“A major challenge remains inflation. Indeed, construction saw the fastest rise in input cost inflation in eight months. Firms appear to be passing their rising costs onto their customers with the price of goods and services rising across all sectors.”

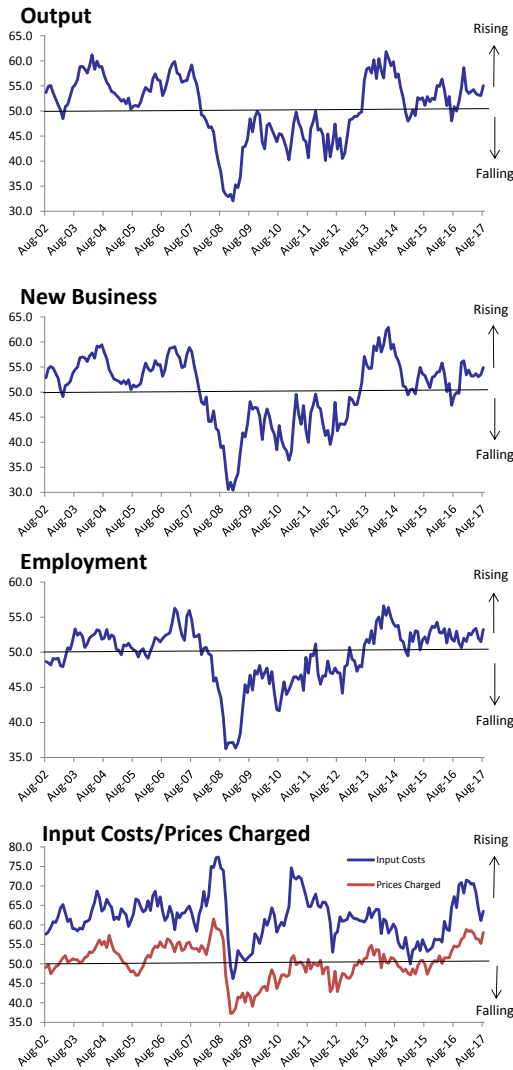
“Looking ahead, the robust rates of growth in new orders across most sectors bodes well for activity in the months ahead. However, inflationary pressures will act as a break on consumer spending in the domestic market. And longer-term economic prospects are clouded political uncertainty on a number of levels.”

The main findings of the August survey were as follows:

The headline seasonally adjusted Business Activity Index rose to 55.0 in August from 53.1 in July. This signalled a marked monthly increase in private sector output, and the strongest in the year-to-date. The rise in activity in Northern Ireland was also faster than the UK average, the first time this has been the case since December. All four monitored sectors saw output increase, led by services which posted the fastest expansion in 17 months. Where activity increased, panellists mentioned higher new orders, with exports to the Republic of Ireland reportedly supporting rises in workloads.

Marked increases in new orders resulted in pressure on operating capacity at companies in Northern Ireland, with backlogs of work rising solidly. Higher workloads, as well as confidence regarding future projects, encouraged companies to take on extra staff in August.

The rate of input price inflation accelerated for the first time in four months, with panellists mainly linking higher cost burdens to sterling weakness. The passing on of increased input prices resulted in a sharp rise in output charges, with inflation accelerating to a five-month high. Meanwhile, business sentiment improved for the second month running and was the highest since May.



Summary of data

50 = no change on previous month

| | | 2015 | 2016 | Jun '17 | Jul | Aug |
|-----------------|-------|------|------|---------|------|------|
| Output/Activity | N.Ire | 51.2 | 53.2 | 53.2 | 53.1 | 55.0 |
| | UK | 56.4 | 53.3 | 53.9 | 53.9 | 53.8 |
| New Business | N.Ire | 52.0 | 52.3 | 53.1 | 53.5 | 54.9 |
| | UK | 56.7 | 53.3 | 54.0 | 54.5 | 54.4 |
| Backlogs | N.Ire | 48.7 | 50.1 | 49.5 | 50.4 | 52.5 |
| | UK | 50.5 | 49.3 | 51.0 | 49.9 | 51.4 |
| Employment | N.Ire | 52.1 | 52.4 | 52.0 | 51.5 | 53.2 |
| | UK | 55.3 | 51.9 | 53.0 | 53.6 | 54.3 |
| Input Costs | N.Ire | 54.0 | 62.7 | 64.3 | 61.1 | 63.5 |
| | UK | 52.8 | 58.7 | 63.4 | 63.6 | 64.1 |
| Prices Charged | N.Ire | 49.1 | 53.1 | 56.4 | 55.2 | 58.0 |
| | UK | 50.5 | 52.2 | 52.8 | 54.0 | 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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