

(Source: Markit Economics)

Date: August 2015



The Invest Northern Ireland PMI[®] (Purchasing Managers' Index[®]) is produced by Markit Economics.

The report features original survey data collected from a representative panel of Invest Northern Ireland supported businesses operating in a range of sectors.

As the regional business development agency, Invest NI's role is to grow the local economy. We do this by helping new and existing businesses to compete internationally, and by attracting new investment to Northern Ireland. We are sponsored by the Department of Enterprise, Trade and Investment and provide strong government support for business by effectively delivering the Government's economic development strategies.

If you would like to take part in the Invest NI PMI survey, please contact: economics@markit.com



Markit

Henley on Thames
Oxon RG9 1HG, UK

Tel: +44 1491 461000
Fax: +44 1491 461001
email:

economics@markit.com

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Q2 sees further sharp rise in output

The second quarter of 2015 saw further strong improvements in operating conditions at Invest NI supported businesses, with output, new orders and employment all increasing sharply again. Companies remained optimistic that activity will continue to rise over the next 12 months. On the price front, the rate of cost inflation quickened but output prices rose only modestly.

The headline seasonally adjusted Output Index remained well above the 50.0 no-change mark in Q2, posting 62.0 from 64.2 in Q1. Although signalling a slightly weaker rise in activity than in the first three months of the year, the rate of output remained substantial. The rise in output at Invest NI supported businesses was much faster than signalled by the monthly Ulster Bank survey of Northern Ireland as a whole.

A general improvement in market conditions was mentioned by respondents as the main factor leading output to increase.

Sharp increase in new orders

Stronger economic conditions were also reportedly the principal cause of higher new business. New orders rose at a substantial pace, albeit one that was weaker than at the start of the year.

A similar trend was seen with regards to new export orders, with the rate of expansion remaining

strong despite easing.

Cost inflation quickens

Higher new business led companies to take on extra staff again in Q2 2015, with the rate of job creation substantial and much faster than seen across the Northern Ireland private sector as a whole.

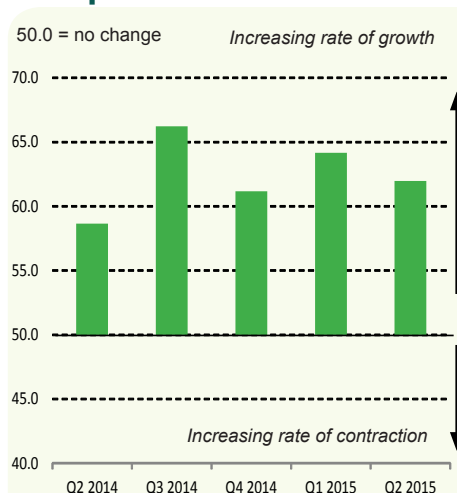
As has been the case throughout the past three quarters, the rate of input cost inflation accelerated in Q2. The latest rise in input prices was the strongest in the five-quarter survey so far. According to respondents, higher staff costs had been the main factor leading input prices to increase.

Output prices rose for the second quarter in a row as companies passed on higher input prices to clients. That said, the rate of inflation remained modest amid reports that the strength of sterling against the euro meant that a number of firms had lowered their charges in order to compete on price.

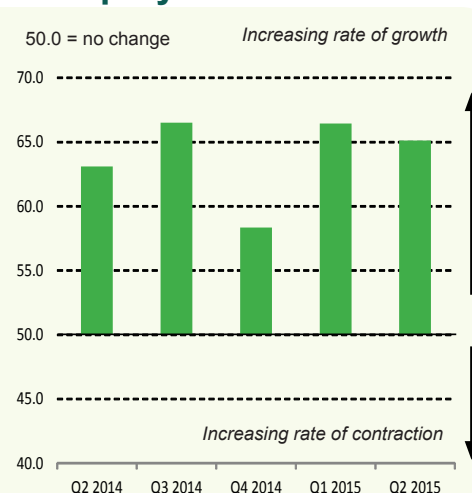
After having fallen in the previous quarter, a modest increase in stocks of finished goods was recorded in Q2.

Finally, expectations regarding the 12-month outlook for activity remained strongly positive, with further improvements in economic conditions forecast to support growth.

Output



Employment



The latest report was based on around 150 responses. Of these, 60% were manufacturers and 32% service providers. SMEs made up 84% of the companies surveyed.

Output

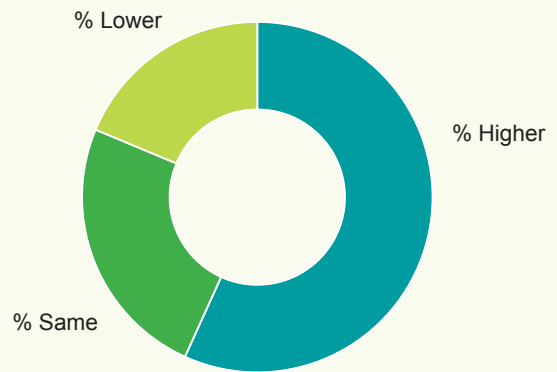
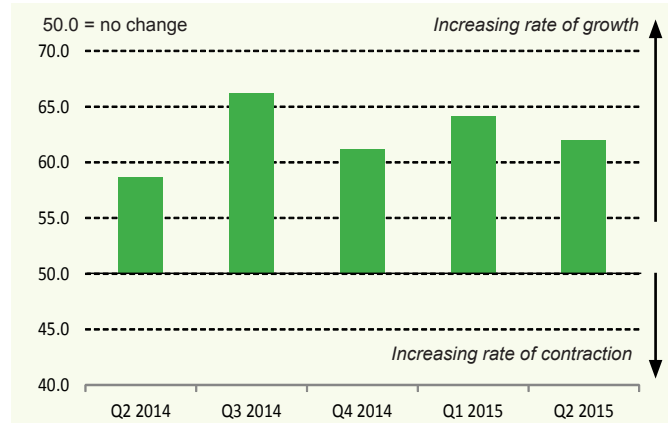
Invest NI supported businesses continued to record growth of output during the second quarter of 2015. The rate of expansion eased slightly from the first three months of the year, but remained substantial. Activity has risen throughout the five quarters of data collection to date.

Panellists reported that a general improvement in market conditions had been the key factor leading output to increase during Q2.

The performance of Invest NI supported business remained much stronger than seen across Northern Ireland as a whole. While Northern Ireland returned to growth in Q2, the rate of expansion was much weaker than that for Invest NI supported businesses.

		Invest Northern Ireland Supported Businesses			Whole NI*		
		Higher %	Same %	Lower %	Index	S.Adj. Index	S.Adj. Index
2014	Q2	39.9	43.9	16.2	61.8	58.6	59.8
2014	Q3	51.0	29.5	19.5	65.8	66.2	58.0
2014	Q4	48.7	28.2	23.1	62.8	61.2	52.4
2015	Q1	49.3	28.5	22.2	63.5	64.2	49.0
2015	Q2	56.8	24.5	18.7	69.0	62.0	51.4

* 3-month average of monthly Ulster Bank Northern Ireland PMI



New Orders

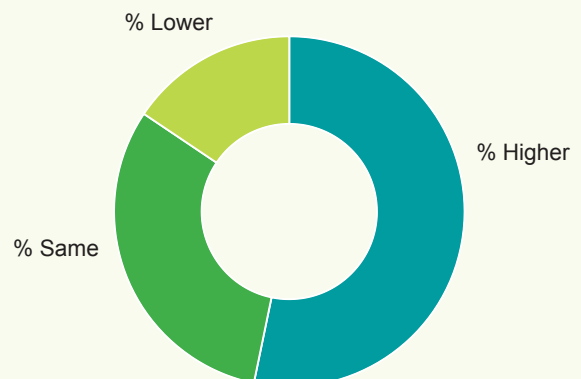
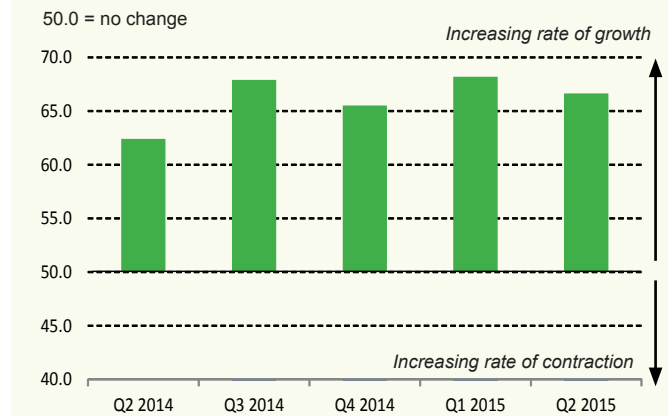
As has been the case throughout the five-quarter survey history so far, Invest NI supported businesses registered a rise in new orders during Q2. The pace of increase was considerable, albeit slightly weaker than in Q1.

Panellists reported that improved economic conditions had supported growth of new business. Some respondents noted that company expansions had been behind the latest expansion. More than 53% of panellists registered a rise in new business.

Higher new orders were also seen across the Northern Ireland economy as a whole, but the rate of growth was much faster among Invest NI supported businesses.

		Invest Northern Ireland Supported Businesses			Whole NI*		
		Higher %	Same %	Lower %	Index	S.Adj. Index	S.Adj. Index
2014	Q2	51.7	36.2	12.1	69.8	62.4	60.4
2014	Q3	54.7	32.4	12.8	70.9	67.9	57.7
2014	Q4	53.8	28.8	17.3	68.3	65.5	52.3
2015	Q1	59.0	27.1	13.9	72.6	68.2	50.2
2015	Q2	53.2	31.2	15.6	68.8	66.7	52.4

* 3-month average of monthly Ulster Bank Northern Ireland PMI



New Export Orders

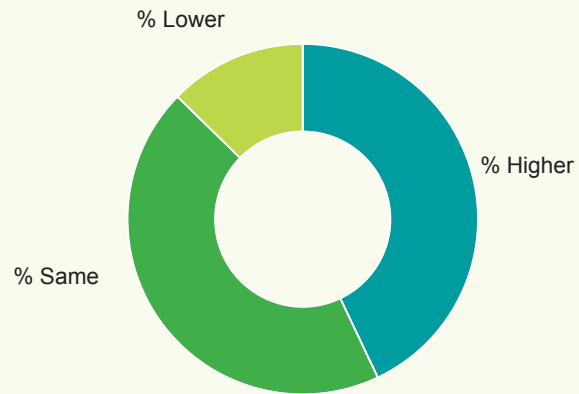
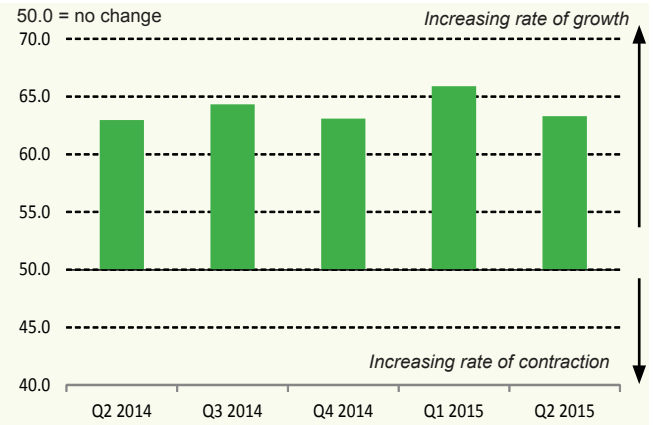
New export orders increased further during Q2, with the rate of expansion remaining sharp despite easing from the first quarter's record high.

Panellists reported having secured new customers in export markets during the quarter. However, some respondents indicated that the recent strength of sterling against the euro had led to reduced new export business.

The Northern Ireland private sector as a whole signalled a slight decline in new export orders, in marked contrast to the strong growth at Invest NI supported businesses.

		Invest Northern Ireland Supported Businesses			Whole NI*		
		Higher %	Same %	Lower %	Index	S.Adj. Index	S. Adj. Index
2014	Q2	40.5	53.2	6.3	67.1	63.0	53.3
2014	Q3	43.2	43.2	13.6	64.8	64.3	52.4
2014	Q4	45.4	40.4	14.2	65.6	63.1	49.6
2015	Q1	45.6	38.2	16.2	64.7	65.9	48.6
2015	Q2	43.0	44.4	12.7	65.1	63.3	48.9

* 3-month average of monthly Ulster Bank Northern Ireland PMI

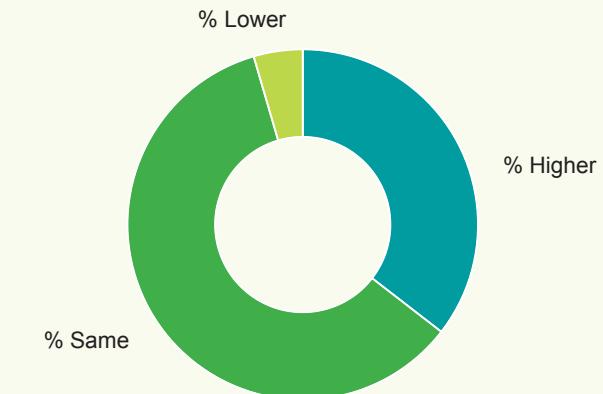
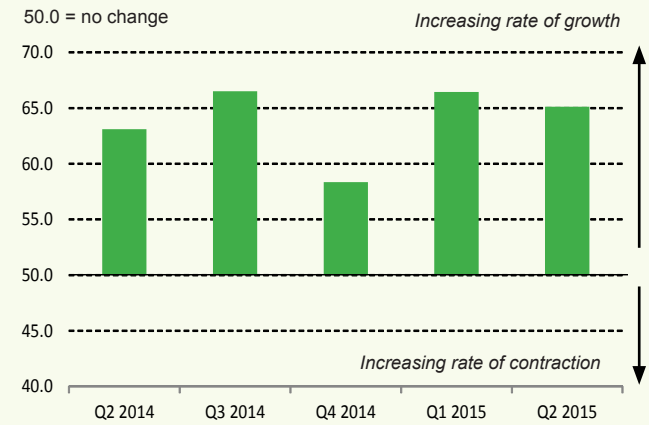


Employment

Invest NI supported businesses continued to take on staff at a considerable pace during the second three months of the year. That said, the rate of growth was slightly weaker than recorded in the previous quarter.

Higher inflows of new work was the main factor leading companies to increase their staffing levels during the latest three-month period. Around 36% of respondents raised employment, against 5% that posted a fall.

Although employment also increased across the Northern Ireland economy as a whole, the rate of job creation was much weaker than seen at Invest NI supported businesses.



		Invest Northern Ireland Supported Businesses			Whole NI*		
		Higher %	Same %	Lower %	Index	S.Adj. Index	S. Adj. Index
2014	Q2	40.7	50.0	9.3	65.7	63.1	55.2
2014	Q3	42.3	51.0	6.7	67.8	66.5	53.9
2014	Q4	34.0	53.8	12.2	60.9	58.3	51.2
2015	Q1	37.5	55.6	6.9	65.3	66.4	51.3
2015	Q2	35.5	60.0	4.5	65.5	65.1	52.1

* 3-month average of monthly Ulster Bank Northern Ireland PMI

Input Prices

Invest NI supported businesses continued to record increases in input costs during Q2 2015. Furthermore, the rate of inflation quickened for the third survey running and was the sharpest in the five-quarter series history.

Higher staff costs was the main reason mentioned by respondents as having led to increased input prices. Around one-third of panellists recorded a rise in input costs.

The rate of cost inflation also quickened across the Northern Ireland economy as a whole. However, Invest NI supported businesses continued to register the faster increase.

		Invest Northern Ireland Supported Businesses			Whole NI*		
		Higher %	Same %	Lower %	Index	S.Adj. Index	S. Adj. Index
2014	Q2	19.9	72.6	7.5	56.2	55.1	59.0
2014	Q3	15.1	76.7	8.2	53.4	53.4	58.3
2014	Q4	24.7	65.6	9.7	57.5	56.8	55.0
2015	Q1	28.4	57.4	14.2	57.1	57.5	52.2
2015	Q2	33.1	53.2	19.5	59.7	59.4	54.4

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Output Prices

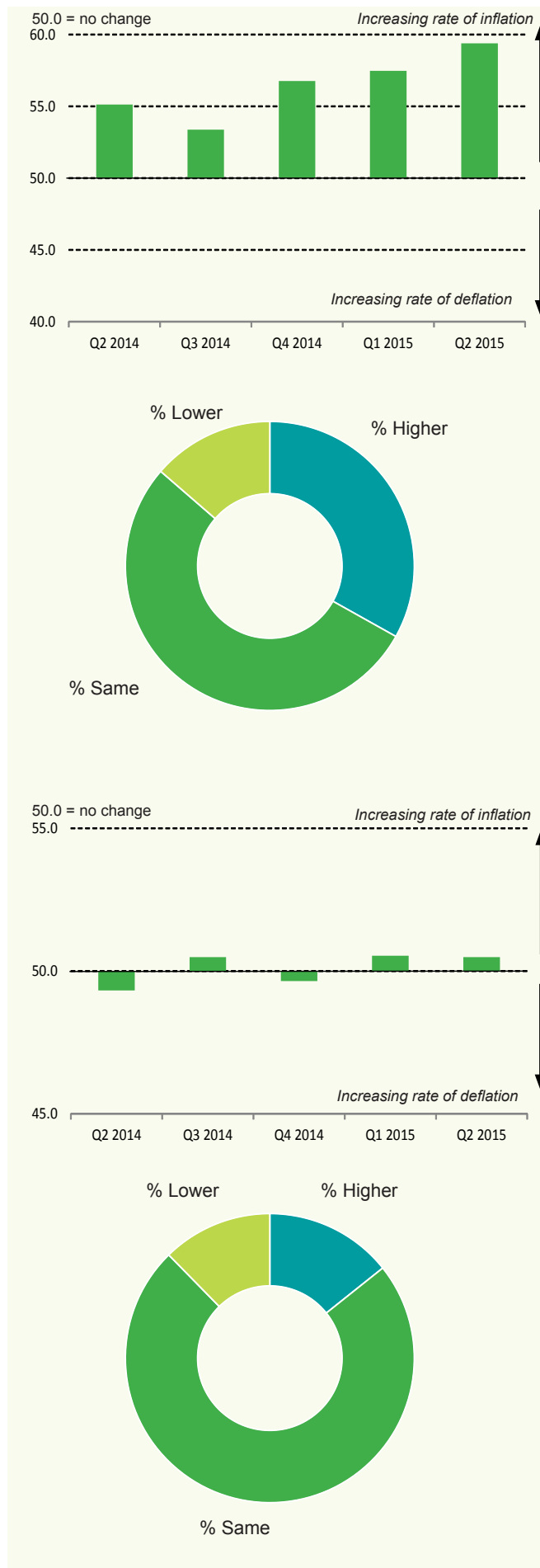
As was the case in the first three months of the year, output prices increased during Q2. That said, the rate of inflation remained slight, and much weaker than that seen for input costs.

Where output prices rose, this was linked to increased input costs and greater pricing power. On the other hand, the recent strength of sterling against the euro resulted in a number of firms lowering their charges in order to compete.

In contrast, a slight decline in output prices was recorded across the Northern Ireland economy as a whole.

		Invest Northern Ireland Supported Businesses			Whole NI*		
		Higher %	Same %	Lower %	Index	S.Adj. Index	S. Adj. Index
2014	Q2	11.5	74.3	14.2	48.6	48.6	50.7
2014	Q3	13.6	75.5	10.9	51.4	51.0	50.5
2014	Q4	9.1	81.8	9.1	50.0	49.3	48.6
2015	Q1	11.4	78.6	10.0	50.7	51.1	47.8
2015	Q2	14.3	73.4	12.3	51.0	51.0	49.2

* 3-month average of monthly Ulster Bank Northern Ireland PMI



Stocks of Finished Goods

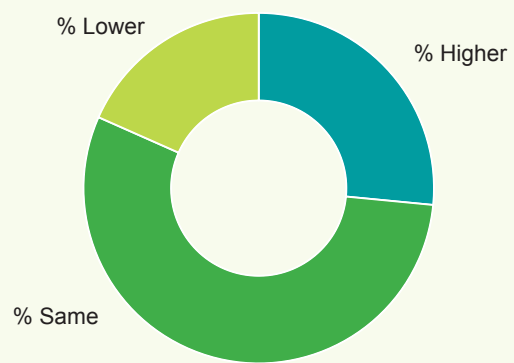
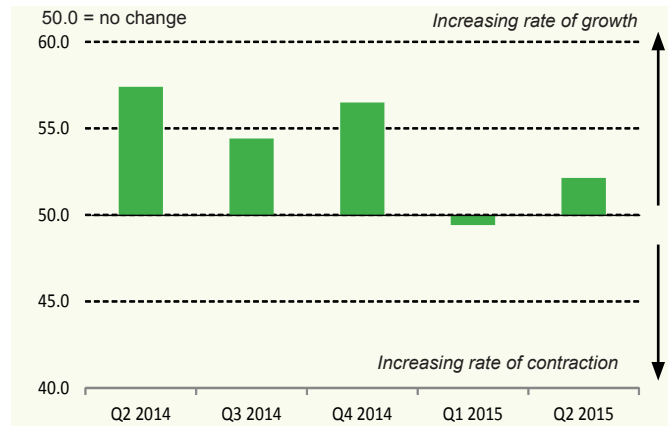
After having fallen during the first quarter of 2015, stocks of finished goods increased in Q2. That said, the rate of accumulation was only modest.

Those respondents that saw post-production inventories rise over the quarter indicated that this was primarily because of higher new business levels.

Around 27% of panellists signalled an increase in stocks of finished goods, compared with 18% that posted a decrease.

Invest Northern Ireland Supported Businesses

		Higher	Same	Lower	Index	S.Adj.
		%	%	%	Index	Index
2014	Q2	27.3	62.6	10.1	58.6	57.4
2014	Q3	23.5	60.8	15.7	53.9	54.4
2014	Q4	25.0	60.9	14.1	55.4	56.5
2015	Q1	21.2	52.9	25.9	47.6	49.4
2015	Q2	26.5	55.1	18.4	54.1	52.1



Future Activity

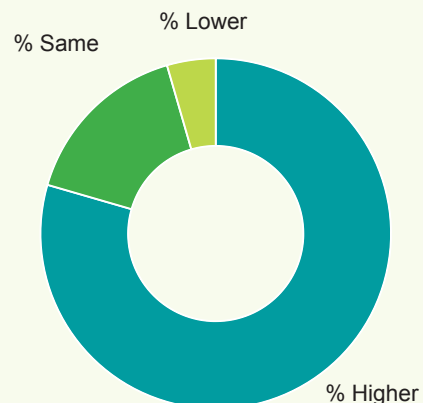
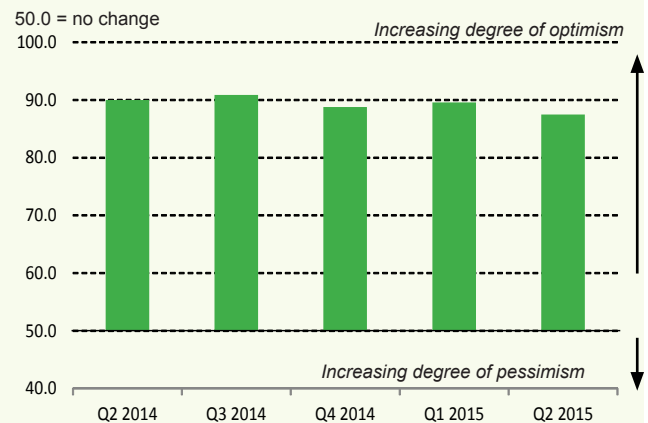
Positive sentiment was recorded again at Invest NI supported businesses in Q2. Despite easing to the lowest recorded in the survey so far, optimism was still considerable.

Approximately four-fifths of panellists forecast activity to increase over the coming year, against just 5% that predicted a decrease.

Further improvements in market conditions are expected to help lead activity to increase, with marketing activities and work on new products also predicted to support output growth over the coming year.

Invest Northern Ireland Supported Businesses

		Higher	Same	Lower	Index	S.Adj.
		%	%	%	Index	Index
2014	Q2	82.7	14.7	2.7	90.0	n/a
2014	Q3	86.5	8.8	4.7	90.9	n/a
2014	Q4	82.1	13.5	4.5	88.8	n/a
2015	Q1	83.3	12.5	4.2	89.6	n/a
2015	Q2	79.5	16.0	4.5	87.5	n/a



Methodology and Information

PMI Surveys

The Purchasing Managers' Index[®] (or PMI[®]) surveys are mostly monthly surveys of carefully selected companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices. Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline on the previous month. 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. The greater the divergence from 50.0, the greater the rate of change (expansion or contraction) signalled. The indices are seasonally adjusted to take into consideration expected variations for the time of year, such as summer shutdowns and national holidays.

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