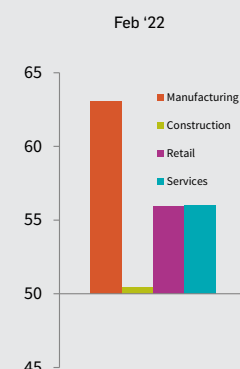
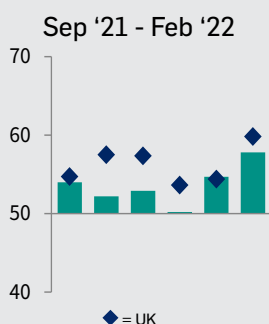


# Ulster Bank Northern Ireland PMI<sup>®</sup>

## Sharpest rise in new orders in over seven-and-a-half years

### Northern Ireland Business Activity Index



### Key findings

Rates of growth in output and new orders accelerate

Employment rises at weaker pace amid difficulties sourcing candidates

Inflationary pressures lessen but remain elevated

The Northern Ireland private sector saw improved growth momentum in February, with both new orders and business activity up sharply. Firms were only able to raise employment modestly, however, amid reports of difficulties sourcing staff. Meanwhile, rates of inflation remained elevated but showed further signs of easing.

The headline seasonally adjusted Business Activity Index posted 57.8 in February, up from 54.7 in January and signalling a marked expansion in output across the private sector. All four broad sectors saw activity increase midway through the first quarter, with the strongest expansion in manufacturing.

Firms expanded output in line with accelerated growth of new orders, with new business rising at the fastest pace since July 2014.

Despite accelerated growth of output and new orders, the rate of job creation slowed amid reports of difficulties finding candidates. The rise in employment was modest and the slowest in the current 12-month sequence of expanding workforce numbers. Subsequent staff shortages, as well as ongoing supply-chain disruption and strong new order growth meant that backlogs increased at the sharpest pace in eight months.

Rates of inflation of both input costs and output prices remained elevated, despite showing further signs of softening. Higher energy and fuel prices were widely mentioned by panellists.

Optimism in the 12-month outlook for business activity hit a three-month high in February, with firms expecting the impact of the COVID-19 pandemic to be reduced and new orders to continue expanding.

Northern Ireland Business Activity Index

sa, >50 = growth since previous month



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## About the Northern Ireland PMI® report

The Ulster Bank Northern Ireland PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 200 private sector companies in Northern Ireland, operating in the manufacturing, construction, retail and services sectors. The panel has been carefully selected in order to accurately reflect the true structure of the economy and therefore provide an accurate picture of business conditions.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

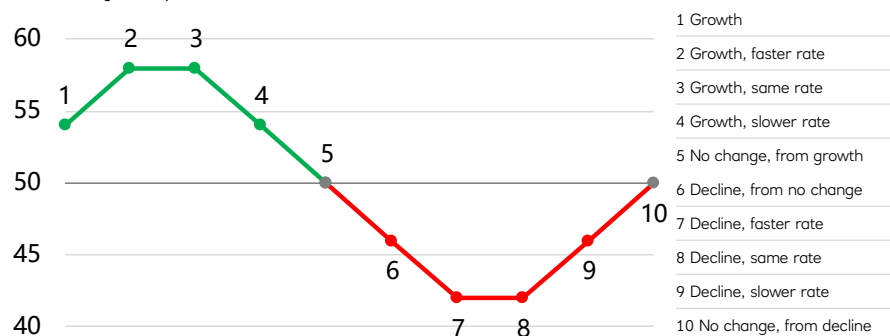
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Northern Ireland PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Index interpretation

50.0 = no change since previous month



## Comment

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

*“With concerns over Covid-19 fading fast, NI’s private sector posted a surge in activity in February. Output hit an eight-month high, with all four sectors recording growth for the first time since June last year. Meanwhile, new orders rose at their fastest pace in seven-and-a-half years. Only construction, of the four sectors monitored, failed to record an uplift in new orders last month.*

*“Despite robust demand, employment growth slowed to a 12-month low, with NI posting the slowest rate of job creation of the 12 UK regions. Clearly firms are struggling with skills shortages and are finding it difficult to get suitable candidates to help meet the demand.*

*“Manufacturing was the best performer at a sector level by a significant margin. Output and orders in the sector expanded at record rates while manufacturing firms continued to increase their headcounts to cope with burgeoning order books and mounting backlogs.*

*“February’s PMI report was therefore very encouraging across a number of levels.*

*“However, the economic outlook has changed drastically with Russia’s invasion of Ukraine. Commodity prices have rocketed, and an unprecedented array of sanctions have been imposed on Russia. Businesses therefore face a new source of supply chain disruption. Clearly the primary concern is with the people of*

*Ukraine and the severe situation they face. But businesses and households here in NI are also set to be impacted by the situation too, most particularly through the rampant inflation in energy and food prices, as well as the general uncertainty.”*



## Demand and outlook

### Sharp rise in new orders

After having returned to growth in January, new orders increased sharply at Northern Ireland companies during February. Furthermore, the rate of growth was the fastest since July 2014. Respondents linked the rise to a range of factors, including pent-up demand from the COVID-19 pandemic, greater confidence, the securing of new customers and competitive pricing. Manufacturing posted the sharpest rise in new orders of the four monitored sectors, with only construction signalling a fall.

### New Business Index

sa, >50 = growth since previous month

59.1

Feb '22



### Firms remain confident in 12-month outlook

Business confidence ticked up to a three-month high in February as more than 38% of respondents predicted a rise in output over the next 12 months. A diminished impact from the COVID-19 pandemic and expected increases in new orders were the main factors supporting optimism. All four broad sectors expressed confidence in the year-ahead outlook, with manufacturers the most confident.

### Future Activity Index

>50 = growth expected over next 12 months

62.8

Feb '22



## Business capacity

### Modest increase in employment

In contrast to the acceleration in growth of output and new orders, employment increased at a softer pace in February, with the latest rise the weakest in the current one-year sequence of job creation. Where staffing numbers grew, panellists linked this to rising output requirements and efforts to battle backlogs of work. That said, some firms indicated that they would have hired more, but these efforts were stymied by a lack of suitable candidates. Other respondents saw staffing levels decline, also due to difficulties finding staff.

### Employment Index

sa, >50 = growth since previous month

51.6

Feb '22



### Capacity comes under pressure

A combination of sharply rising new orders, staff shortages and supply-chain delays led to a substantial accumulation of outstanding business during February. Furthermore, the rate of expansion in backlogs of work was the steepest since June last year and stronger than the UK average. Manufacturers posted the fastest rise in work-in-hand of the four sectors covered.

### Outstanding Business Index

sa, >50 = growth since previous month

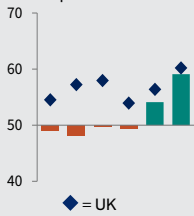
57.2

Feb '22



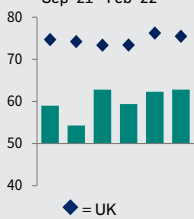
### New Business Index

Sep '21 - Feb '22



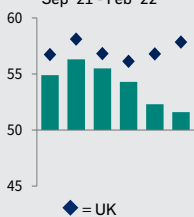
### Future Activity Index

Sep '21 - Feb '22



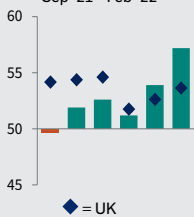
### Employment Index

Sep '21 - Feb '22



### Outstanding Business Index

Sep '21 - Feb '22



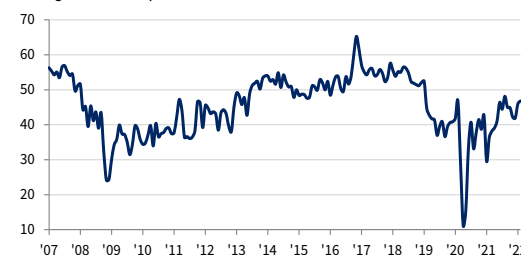
## Exports

### Rate of decline in new export orders softens

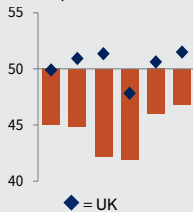
Although new business from abroad continued to decrease in February, the rate of contraction softened for the second month running and was the slowest since last August. The ongoing disruption to international trade caused by the pandemic was behind weaker new export orders, although some companies reported having secured new business from the Republic of Ireland.

New Export Business Index  
 >50 = growth since previous month

46.8  
 Feb '22



New Export Business Index  
 Sep '21 - Feb '22



### Export climate improves sharply

The Northern Ireland Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Northern Ireland. This produces an indicator for the economic health of the country's export markets.

The ECI rose to a three-month high of 56.6 in February from 54.1 in January. The reading signalled a marked improvement in export demand conditions for Northern Ireland firms, and one that was the twelfth in as many months.

A stronger improvement in the health of export markets largely reflected the easing of Omicron waves of the COVID-19 pandemic in Europe and North America. The Republic of Ireland saw growth of activity accelerate to a three-month high, while German output continued to recover from the slight reduction seen in December. In the US, the rate of increase in activity accelerated from the 18-month low posted in January.

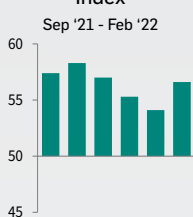
Export Climate Index

sa, >50 = growth since previous month

56.6  
 Feb '22



Export Climate Index  
 Sep '21 - Feb '22



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Feb'22
1	Republic of Ireland	38.6%	59.1
2	USA	12.5%	55.9
3	Canada	5.6%	53.2
4	Germany	4.3%	55.6
5	Netherlands	3.9%	56.3



## Prices

### Input prices up steeply again

Input costs continued to rise at one of the sharpest rates on record midway through the first quarter of the year. This was despite the rate of inflation easing for the fourth month running to the slowest in nine months. Higher energy and fuel costs were widely reported, with increases in staff pay, shipping and raw material costs also signalled. Retail continued to register the sharpest rise in input prices, but rates of inflation remained elevated across the board.

### Input Prices Index

sa, >50 = inflation since previous month

84.8

Feb '22



### Slowest rise in charges in six months

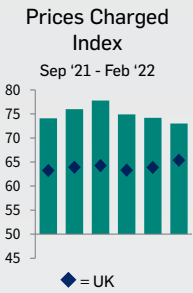
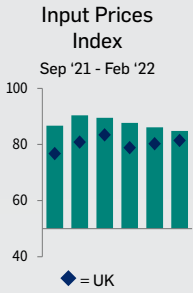
Efforts to cover cost increases by raising selling prices led to a further sharp increase in output prices during February. The rate of inflation remained elevated but eased to the softest in six months. The sharpest increase in charges was seen in the retail sector, closely followed by construction.

### Prices Charged Index

sa, >50 = inflation since previous month

73.0

Feb '22



## Suppliers' Delivery Times

### Further marked lengthening of lead times

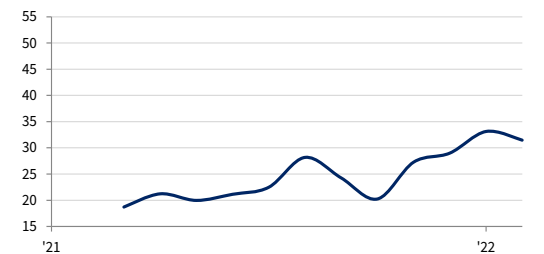
Global material shortages, delays in shipping from the Far East and Brexit all combined to cause a further lengthening of suppliers' delivery times in February. Vendor performance deteriorated sharply, and to a slightly greater extent than was the case in January.

### Suppliers' Delivery Times Index

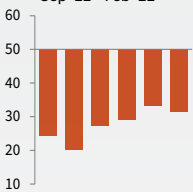
sa, >50 = shorter delivery times since previous month

31.5

Feb '22



### Suppliers' Delivery Times Index



## UK Sector PMI

### Sector specialisation: Northern Ireland

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for Northern Ireland, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

#### Northern Ireland specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Feb '22 <sup>+</sup>
1	Electrical & Optical	1.42	55
2	Food & Drink	1.26	55
3	Textiles & Clothing	1.19	55
4	Other Manufacturing	1.09	60
5	Basic Metals	0.98	50
6	Timber & Paper	0.92	45
7	Mechanical Engineering	0.88	55
8	Chemicals & Plastics	0.78	55
9	Transport	0.77	55

#### Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Feb '22 <sup>+</sup>
1	Hotels, Restaurants & Catering	1.34	50
2	Personal & Community Services	1.23	55
3	Transport & Communication	1.22	50
4	Business-to-business Services	0.89	55
5	Computing & IT Services	0.89	60
6	Financial Intermediation	0.66	55

### UK sector focus

#### Electrical & Optical

Latest PMI data showed output levels across the UK's Electrical & Optical sector rebounding in the three months to February, following a downturn at the end of last year. The upturn coincided with tentative signs of supply disruptions easing, with the incidence of delays falling from the record high observed in late-2021.

However, the near-term outlook was less rosy, as growth in new orders across the sector slowed to near-stagnation, weighed down in part by a sustained decline in export sales. Although remaining strongly positive, expectations towards future output were the lowest for 11 months.

Average prices charged by makers of Electrical & Optical goods rose at a record rate in the three months to February. Sharply rising costs were a key factor, although the rate of input price inflation did at least ease further from the all-time high recorded towards the end of 2021.

#### Output Index

sa, >50 = growth since previous month (3mma)<sup>+</sup>



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

February data showed improved regional performances across the board in terms of business activity. Output in the North East returned to growth, while all other areas saw faster rates of expansion than in January. The steepest increase in business activity was recorded in Yorkshire & Humber, followed by London, with the former also seeing the strongest monthly gain in momentum.

### Employment

Not only did employment rise across all areas in February, but rates of job creation quickened in most cases. As was the case in November and December 2021, employment growth was led by London. At the other end of the scale, Northern Ireland\* recorded the slowest rise in workforce numbers, having seen its rate of job creation slow to the weakest in the current 12-month sequence.

### Future Activity

Expectations towards future output remained positive across all regions in February. Firms in London were the most optimistic, followed closely by those in Yorkshire & Humber and the South East respectively. However, whereas Northern Ireland, Scotland and Wales all saw sentiment improve since January, most English regions (except the South East and East of England) registered a weaker level of confidence.

**Business Activity Index**  
sa, >50 = growth since previous month, Feb '22



**Employment Index**  
sa, >50 = growth since previous month, Feb '22



**Future Activity Index**  
>50 = growth expected over next 12 months Feb '22



\*Coverage in England, Wales, Scotland and Republic of Ireland only includes manufacturing and services. Northern Ireland also includes retail and construction.





## Index summary

### Northern Ireland

sa, 50 = no change over previous month. \*50 = no change over next 12 months.

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	New Export Business	Export Climate	Input Prices	Prices Charged	Suppliers' Delivery Times
Sep '21	54.0	49.1	59.0	54.9	49.7	45.0	57.4	86.7	74.1	24.3
Oct '21	52.2	48.1	54.3	56.3	51.9	44.9	58.3	90.4	76.0	20.2
Nov '21	52.9	49.8	62.8	55.5	52.6	42.2	57.0	89.5	77.8	27.3
Dec '21	50.2	49.3	59.4	54.3	51.2	41.9	55.3	87.7	74.9	29.0
Jan '22	54.7	54.1	62.3	52.3	53.9	46.0	54.1	86.1	74.2	33.1
Feb '22	57.8	59.1	62.8	51.6	57.2	46.8	56.6	84.8	73.0	31.5

### By Sector, February '22

sa, 50 = no change over previous month. \*50 = no change over next 12 months.

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Manufacturing	63.0	65.3	67.1	55.2	63.1	83.7	75.9
Construction	50.5	46.1	54.8	51.7	47.0	83.5	79.0
Retail	55.9	56.9	64.7	48.8	54.0	91.5	79.9
Services	56.0	58.4	62.3	50.6	55.8	85.5	65.8

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Our focus is firmly centred on our customers. Every business customer benefits from access to a dedicated, professional and highly trained relationship manager. Their role is to gain a genuine understanding of our customers' business needs and provide dedicated financial information and assistance.

We work together to achieve business success, no matter how simple or complex our customers' requirements. A combination of size, financial strength and wide ranging capability means we can deliver for our customers, whatever their business may be.

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Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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