

Ulster Bank Northern Ireland PMI[®]

Severe declines in output and new orders recorded in April

Key Findings

Widespread reductions in output and new orders

Employment falls sharply, but at slower pace than UK average

First reduction in input costs since February 2009

Northern Ireland Business Activity Index



Last six months NI / UK



By sector	Apr-20
Manufacturing	9.8
Construction	8.8
Retail	6.1
Services	7.8

The impact of the coronavirus disease 2019 (COVID-19) and the lockdown imposed to try and restrict its spread resulted in a severe contraction of the Northern Ireland private sector in April, and one that was by far the worst since the survey began in August 2002. Output and new orders were particularly badly affected amid company shutdowns, while confidence around the 12-month outlook continued to fall.

The headline seasonally adjusted Business Activity Index collapsed to 8.3 in April, from 29.1 in March which itself had already signalled a record contraction in output. The latest fall was unprecedented and the fastest of all 12 UK regions covered by the survey. The COVID-19 lockdown led to company closures and a drop in customer demand, thereby leading to the decline in activity.

Each of the four broad sectors covered saw severe contractions in output. Around 87% of manufacturers saw production decline in April, with 90% of service providers recording a drop in activity. By way of comparison, the respective proportions seeing falls in the worst month of the global financial crisis (January 2009) were 44% and 48%.

Demand

The COVID-19 lockdown also led to a collapse in new business during April, with around 89% of respondents signalling a drop in new orders from the previous month. The service sector posted the steepest contraction in new business of the four monitored sectors. Meanwhile, new

export orders also declined at a severe pace.

Capacity

Company shutdowns led to a sharp fall in staffing levels in April, although more than half of respondents kept employment unchanged during the month, with a number of these reportedly making use of the government's furlough scheme. The rate of job cuts in Northern Ireland was softer than the UK average.

Meanwhile, backlogs of work declined at a substantial pace. With new orders having dried up, companies concentrated on existing projects.

Prices

Northern Ireland companies recorded a decrease in input costs for the first time since February 2009, with some firms indicating that the furloughing of employees had reduced their staff costs. Input prices continued to rise in the construction and retail sectors, however.

Output prices decreased for the second month running amid efforts to secure sales. That said, the reduction was modest and the slowest of the 12 monitored regions.

Outlook

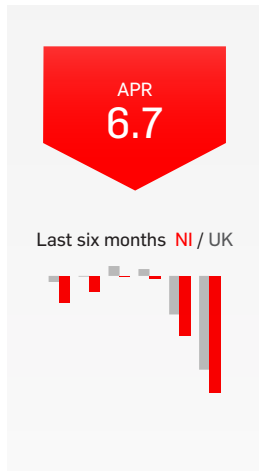
Business confidence continued to weaken in April, with companies increasingly concerned that the impacts of the COVID-19 pandemic would be prolonged. All four sectors were pessimistic, with retailers the most downbeat.

Northern Ireland Business Activity Index

sa, >50 = growth since previous month



New Business Index

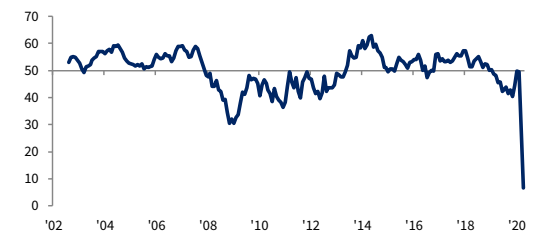


Record decline in new business

April data signalled an unprecedented decline in new orders across the Northern Ireland private sector, with the reduction the sharpest of the 12 UK regions monitored by the survey. The reduction reflected company shutdowns due to COVID-19 and a lack of demand from customers. Around 89% of respondents noted a fall in new business. Severe contractions in new work were recorded in each of the four broad sectors covered, with services posting the sharpest decline.

New Business Index

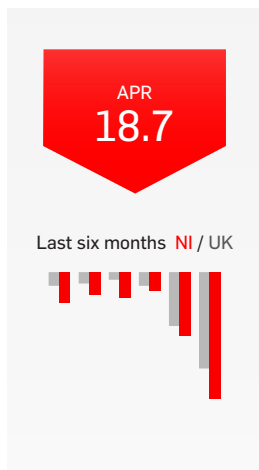
sa, >50 = growth since previous month



By sector

	Manufacturing	Construction	Retail	Services
Apr-20	10.5	15.0	8.6	3.4

Outstanding Business Index



Outstanding business down substantially

With new orders having dried up, those businesses that remained open were able to concentrate resources on the completion of outstanding business. As a result, backlogs of work decreased at a considerable pace. In fact, the rate of depletion was the fastest in the survey's history, surpassing the previous record seen in January 2009. Retailers posted the sharpest fall in outstanding work, followed by services. The weakest reduction was in the construction sector.

Outstanding Business Index

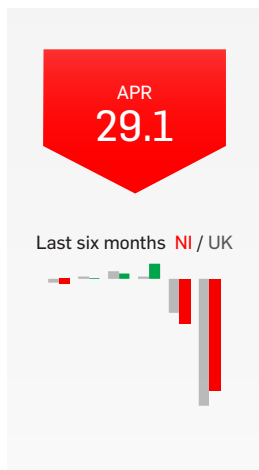
sa, >50 = growth since previous month



By sector

	Manufacturing	Construction	Retail	Services
Apr-20	24.9	29.7	12.9	14.8

Employment Index



Step reduction in staffing levels

Company shutdowns as a result of the COVID-19 lockdown resulted in a marked fall in staffing levels in the Northern Ireland private sector. Around 45% of respondents lowered employment, but 52% left workforce numbers unchanged, with a number of these reportedly having made use of the government's furlough scheme. The fall in employment in Northern Ireland was slightly softer than the UK average. The retail and construction sectors posted the steepest reductions in staffing levels.

Employment Index

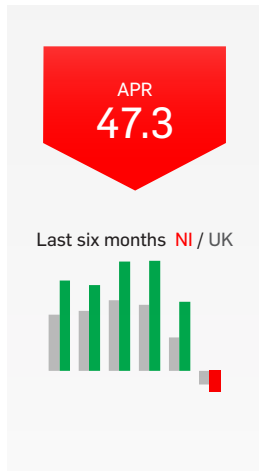
sa, >50 = growth since previous month



By sector

	Manufacturing	Construction	Retail	Services
Apr-20	32.7	26.4	26.1	32.0

Input Prices Index



Input costs decrease

Input prices decreased at Northern Ireland companies in April, the first reduction since February 2009. Input costs also fell across the UK economy as a whole, and at a broadly similar pace to that seen in Northern Ireland. A number of respondents indicated that the furloughing of staff had reduced their operating costs. On the other hand, some panellists signalled that the strength of the US dollar against sterling had led to increases in purchasing prices. Input costs decreased in the manufacturing and service sectors, but increased in construction and retail.

Input Prices Index

sa, >50 = inflation since previous month



By sector

	Manufacturing	Construction	Retail	Services
Apr-20	45.8	52.8	56.0	42.4

Prices Charged Index



Modest reduction in output prices

Northern Ireland companies lowered their output prices for the second successive month in April, with respondents indicating that they had lowered charges in an attempt to secure sales. Although accelerating since the previous month, the rate of decline in selling prices was still only modest and the weakest of the 12 monitored UK regions. Manufacturers posted the sharpest fall in output prices, with selling prices also down in the service and retail sectors. In contrast, construction firms recorded an increase in charges.

Prices Charged Index

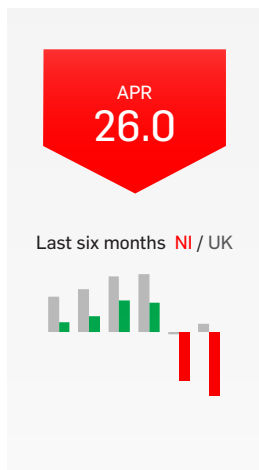
sa, >50 = inflation since previous month



By sector

	Manufacturing	Construction	Retail	Services
Apr-20	45.0	52.5	47.3	48.7

Future Output Index

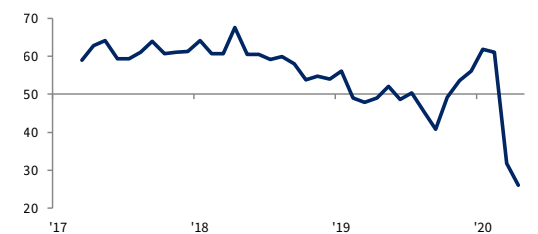


Business sentiment sinks to new low

Companies remained pessimistic around the outlook for business activity over the coming 12 months. In fact, sentiment dropped further from that seen in March to a new record low in April. Pessimism in Northern Ireland contrasted with modest optimism across the UK as a whole. More than two-thirds of respondents predicted activity to decrease over the coming year, with a prolonged impact of the COVID-19 expected. Retail companies were the most pessimistic, followed by construction firms.

Future Output Index

>50 = growth expected over next 12 months



By sector

	Manufacturing	Construction	Retail	Services
Apr-20	33.3	22.7	16.7	27.3

New Export Business Index

Note: Export business is defined as from outside the UK.



Record contraction in new export orders

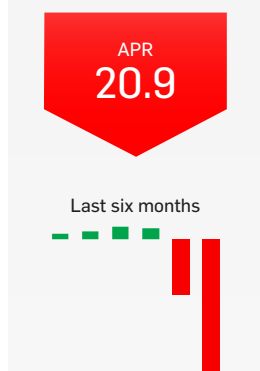
April data pointed to a severe contraction in new business from abroad during April, with the rate of decline far outpacing the previous record seen at the height of the global financial crisis in November 2008. More than three-quarters of respondents reported a fall in new export orders as the COVID-19 pandemic affected export markets all around the world.

New Export Business Index
sa, >50 = growth since previous month



Northern Ireland Export Climate Index

Note: Export markets are defined as non-UK.



Severe deterioration in export climate

The Northern Ireland Export Climate Index 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 Northern Ireland Export Climate Index posted 20.9 in April, well down on the reading of 38.0 seen in March and by far the worst figure since the series began in January 2000. The severe deterioration in the export climate reflected the worldwide spread of the COVID-19 pandemic and lockdowns within countries to try and prevent its spread.

A number of PMI surveys signalled unprecedented declines in economic activity during April, including all of the five largest export destinations for Northern Ireland products, as detailed in the table on the right.

Export Climate Index
sa, >50 = improving export climate since previous month



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Apr-20
1	Republic of Ireland	36.2%	17.3
2	USA	12.2%	27.0
3	Canada	5.8%	22.6
4	Germany	5.1%	17.4
5	France	4.5%	11.1

Northern Ireland Industry Specialisation

Location quotients (LQs) are useful measures of regional economic specialisation and offer a means to 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 sub-sectors. The UK Output Index for each sub-sector is also displayed.

Manufacturing specialisation: Northern Ireland

Rank	Sector	LQ	UK Output Index, Apr-20 (3mma)
1	Food & Drink	2.10	
2	Electrical & Electronic	1.13	
3	Machinery & Equipment	1.08	
4	Textiles & Clothing	1.00	
5	Other Manufacturing	0.94	
6	Wood & Paper	0.75	
7	Metals & Metal Products	0.75	
8	Transport Equipment	0.60	
9	Chemicals, Rubber & Plastics	0.56	

25 30 35 40 45 50 55

Services specialisation: Northern Ireland

Rank	Sector	LQ	UK Business Activity Index, Apr-20 (3mma)
1	Hotels, Restaurants & Catering	1.29	
2	Other personal/consumer Services	1.23	
3	Transport & Communication Services	1.18	
4	Business-to-business Services	0.89	
5	Computing & IT Services	0.84	
6	Financial Intermediation	0.81	

25 30 35 40 45 50 55

UK Sector Focus: Chemicals, Plastics & Rubber

Output Index



UK's Chemicals, Plastics & Rubber sector sees steepest contraction since global financial crisis

Data for the three months to April showed the UK's Chemicals, Plastics and Rubber sector suffering its worst performance for more than a decade, with April alone seeing a decline in output second only to that at the very depths of the global financial crisis. That said, alongside Food & Drink, the sector showed the shallowest collapse in activity among the 15 detailed industries monitored across manufacturing and services, reflecting a surge in the production of medical products.

Sector employment fell sharply as firms faced up to the prospect of a protracted slump in demand due to the COVID-19 outbreak, with purchasing activity and stock levels also pared back. However, despite drastically reduced demand for inputs across the sector as a whole, data showed a sharp lengthening of delivery times on purchases due to widespread supplier closures and logistical issues, including border delays and a lack of available drivers.

Output Index



Suppliers' Delivery Times Index



UK Regional Rankings

Business Activity

All 12 monitored regions saw record decreases in business activity in April. The decline continued to be led by Northern Ireland*, which recorded a Business Activity Index of 8.3. The North East and Scotland saw the next-steepest decreases in output, followed closely by the West Midlands. At the other end of the scale, the slowest fall in business activity was registered in the North West, albeit with the rate of decline still considerably faster than even at the depths of the global financial crisis.

Employment

As was the case for output, April data showed unprecedented falls in employment across the board. The fastest rate of decline was in the North East, which fell 11 places in the rankings since March. Neighbouring North West, by contrast, saw the least marked decrease in workforce numbers, while Scotland and Northern Ireland were two of the other remaining areas where employment fell slower than the national rate.

* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.

Output Index by region

sa, >50 = growth since previous month, Apr-20 (Mar-20)



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Methodology

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.

About PMI

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.

ihsmarkit.com/products/pmi.

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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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