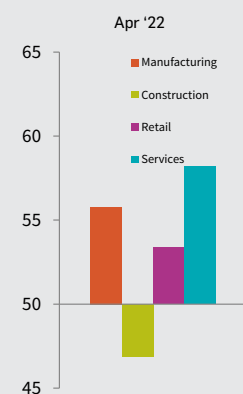
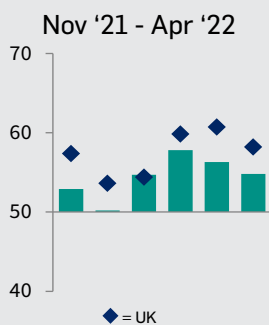


Ulster Bank Northern Ireland PMI[®]

New order growth slows amid substantial price pressures

Northern Ireland Business Activity Index



Key findings

Softest rise in new orders in year-to-date

Record increase in selling prices amid steep cost inflation

Activity and employment continue to expand

Substantial inflationary pressures acted to subdue growth of output and new orders in the Northern Ireland private sector during April, with the rate of job creation also easing at the start of the second quarter.

The headline seasonally adjusted Business Activity Index posted 54.8 in April, down from 56.3 in March and signalling the softest rise in activity since January. That said, the rate of growth remained solid, reflecting continued increases in new orders.

Three of the four monitored sectors saw output increase, the exception being construction.

A similar picture to activity was seen with regards to new orders, which increased at a softer pace in April. The rising cost of living reportedly hit demand, with shortages of materials and staff as well

as weakness in the construction sector also limiting growth.

Input costs rose substantially, and at the second-fastest pace on record. Higher energy and wage costs were the most widely reported sources of inflationary pressure. In turn, output prices increased at a fresh record pace, with new peaks registered in both the manufacturing and retail sectors.

A further modest increase in employment was recorded, while backlogs of work rose substantially. Meanwhile, delays to supplier deliveries remained widespread.

Although picking up from that seen in March, business confidence remained relatively subdued amid concerns around escalating business costs. Those firms that were optimistic regarding the outlook hope for ongoing rises in new orders.

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 S&P Global 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.

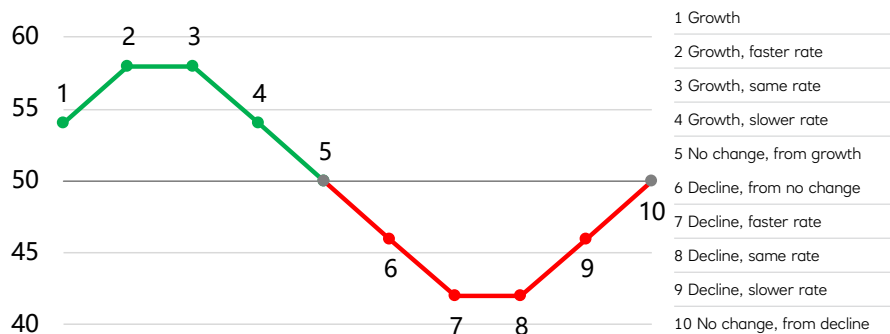
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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.

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:

“Lockdowns across China and the war in Ukraine, caused economic forecasts to be slashed around the world last month. Slower rates of growth and higher rates of inflation are par for the course across the PMI surveys in April too. Northern Ireland was no exception with firms reporting slower rates of growth in output, new orders and employment. Conversely, input costs rose at their second highest rate on record while firms raised the prices of their goods and services at the fastest pace since the survey began almost 20 years ago. Indeed, inflationary pressures continue to be more intense in Northern Ireland than in all other UK regions.

“Manufacturing continued in expansion mode in April but there was a substantial slowdown in output and new orders growth. Meanwhile, manufacturers saw the pace of employment growth slow to a 14-month low as difficulties finding suitable staff continue. Services firms bucked the wider slowdown by reporting faster rates of growth in new orders

and employment in April. Once again, construction reported a fall in output and a sharp decline in incoming orders.

“Manufacturing and services are running into capacity constraints. Skills shortages, coupled with strong demand have resulted in backlogs mounting at rapid rates. Services firms are seeing outstanding workloads rise at their fastest paces since 2013. Lengthening supplier delivery times are adding to these difficulties. These backlogs should guarantee relatively strong rates of growth in business activity in the near term but optimism for the year ahead remains relatively muted with the cost-of-living crisis making retailers the least optimistic for the year ahead. With the economy set to deteriorate in the second half of the year, the business community will be hoping for a quick formation of a Northern Ireland Executive to help deal with short term challenges and to progress much needed long-term reforms and investment.”



PMI®

by  S&P Global

Demand and outlook

New order growth slows

Although new business volumes rose for the fourth month running in April, the rate of expansion eased for the second successive month to the weakest in the current sequence of growth. While a number of firms reported having been able to secure new contracts, others indicated that the rising cost of living, shortages of staff and materials and weakness in the construction sector restricted growth. In fact, construction was the only monitored sector to record a fall in new orders, with manufacturing seeing the sharpest expansion.

Business sentiment remains muted

Although picking up from the previous month, confidence in the year-ahead outlook for output remained relatively muted in April, with concerns largely emanating from escalating costs. Where optimism was signalled, firms were hopeful that new business would continue to rise. Around 31% of respondents predicted an increase in output, while 24% were pessimistic.

New Business Index

sa, >50 = growth since previous month

52.8
Apr '22



Future Activity Index

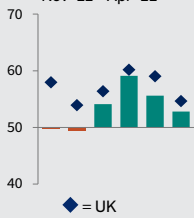
>50 = growth expected over next 12 months

53.3
Apr '22



New Business Index

Nov '21 - Apr '22



◆ = UK

Future Activity Index

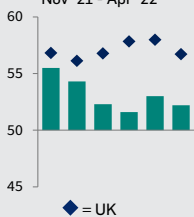
Nov '21 - Apr '22



◆ = UK

Employment Index

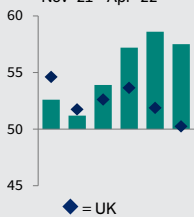
Nov '21 - Apr '22



◆ = UK

Outstanding Business Index

Nov '21 - Apr '22



◆ = UK

Business capacity

Further rise in employment

As has been the case in each of the past 14 months, staffing levels increased during April. That said, the latest rise was modest and softer than that seen in March. Those firms that expanded workforce numbers generally linked this to rising new orders. All four monitored sectors increased employment, led by services where the rate of job creation quickened to a five-month high.

Employment Index

sa, >50 = growth since previous month

52.2
Apr '22



Outstanding business up sharply again

The rate of backlog accumulation remained elevated in April and was again one of the strongest on record. The increase in Northern Ireland compared with broadly unchanged outstanding business across the UK as a whole. Rates of accumulation were particularly strong in the manufacturing and service sectors.

Outstanding Business Index

sa, >50 = growth since previous month

57.5
Apr '22



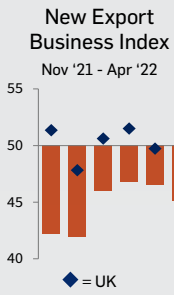
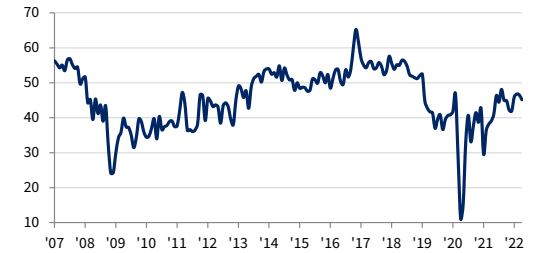
Exports

Marked reduction in new export orders

Northern Ireland companies posted a further fall in new business from abroad in April, with instability in freight and shipping and general uncertainty hampering efforts to secure export orders. New business from abroad has now decreased in each of the past 39 months, with the latest decline the most marked in 2022 so far.

New Export Business Index
 >50 = growth since previous month

45.1
 Apr '22



Marked improvement in export demand conditions

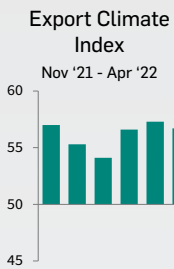
The Northern Ireland Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Northern Ireland. This produces an indicator for the economic health of the country's export markets.

The ECI posted 56.7 in April, down slightly from March's reading of 57.3 but still signalling a marked monthly improvement in the export climate.

Business activity in the Republic of Ireland continued to rise sharply at the start of the second quarter, while other European markets such as Germany and the Netherlands posted solid improvements in output. In North America, the US and Canada signalled further rises in activity, but in both cases rates of expansion eased from those seen in March.

Export Climate Index
 sa, >50 = growth since previous month

56.7
 Apr '22



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Apr'22
1	Republic of Ireland	38.6%	59.6
2	USA	12.5%	56.0
3	Canada	5.6%	54.8
4	Germany	4.3%	54.3
5	Netherlands	3.9%	55.7



Prices

Near-record rise in input costs

Input prices increased at the second-fastest pace on record in April, with the latest rise only slightly softer than that seen last October. Higher costs for energy and rising wages were the principal factors behind the increase in input prices, according to respondents. Manufacturing posted a record pace of cost inflation, while at retailers the rise was the joint-fastest in the series history.

Input Prices Index

sa, >50 = inflation since previous month

89.8
Apr '22



Output prices up at record pace

Northern Ireland companies increased their selling prices at the sharpest pace in almost 20 years of data collection during April, with the rate of inflation the fastest of the 12 monitored regions. According to respondents, the increase reflected efforts to recoup higher input costs. Record rises in charges were seen in the manufacturing and retail categories, with inflation also picking up at services and construction companies.

Prices Charged Index

sa, >50 = inflation since previous month

78.8
Apr '22



Suppliers' Delivery Times

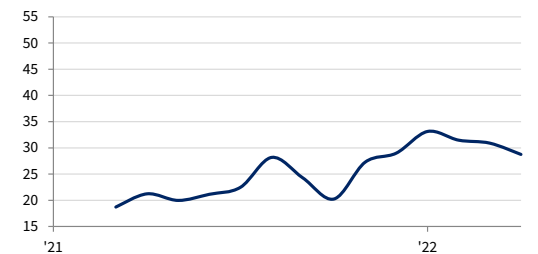
Lead times lengthen to greater extent

Suppliers' delivery times continued to lengthen sharply in April, with raw material shortages and Brexit complications behind the latest deterioration in vendor performance. In fact, lead times lengthened to the greatest extent in five months.

Suppliers' Delivery Times Index

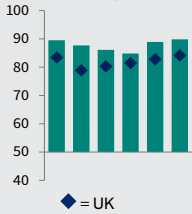
sa, >50 = shorter delivery times since previous month

28.7
Apr '22



Input Prices Index

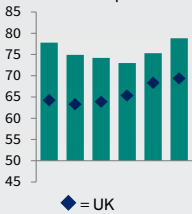
Nov '21 - Apr '22



◆ = UK

Prices Charged Index

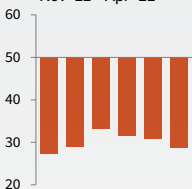
Nov '21 - Apr '22



◆ = UK

Suppliers' Delivery Times Index

Nov '21 - Apr '22



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, Apr '22 ⁺
1	Electrical & Optical	1.42	
2	Food & Drink	1.26	
3	Textiles & Clothing	1.19	
4	Other Manufacturing	1.09	
5	Basic Metals	0.98	
6	Timber & Paper	0.92	
7	Mechanical Engineering	0.88	
8	Chemicals & Plastics	0.78	
9	Transport	0.77	

Northern Ireland specialisation: Services

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

UK sector focus

Mechanical Engineering

The UK's Mechanical Engineering sector saw sustained growth in output levels in the three months to April, albeit at a relatively subdued pace that was below the average for manufacturing as whole. The upturn was supported by rising inflows of new work.

Although easing from the record levels seen last year, supply chain bottlenecks remained a key issue facing businesses in the sector, leading to longer lead times on inputs, whilst also helping to fuel a continued surge in purchase prices. Higher costs were increasingly passed on to customers, with factory gate charge inflation reaching a survey-record high.

Still, Mechanical Engineering companies maintained a strongly positive outlook for output in the coming year and, as such, continued to add to workforce numbers at a rapid pace.

Output Index



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

In terms of business activity, April saw a general loss of momentum across the UK, with nine regions recording slower growth and the North East seeing a renewed contraction. London recorded the fastest overall rate of expansion, followed by the South West, while only the North West and Scotland registered quicker increases in business activity than the month before.

Employment

A rise in employment was recorded in 11 of the 12 regions monitored by the survey in April. The only exception was the North East, where workforce numbers fell for the first time in 14 months, albeit only slightly. Elsewhere, rates of job creation generally remained solid, although they eased in all cases bar the West Midlands. London recorded the strongest growth ahead of Yorkshire & Humber.

Future Activity

Although firms in all areas remained optimistic about the year-ahead outlook for activity in April, expectations eased in the majority of cases. Only Wales (ranked third out of 12), the South West (sixth), East of England (seventh) and Northern Ireland (twelfth and last) recorded improved confidence. Overall, businesses in the South East were the most upbeat, followed by those in Yorkshire & Humber.

Business Activity Index

sa, >50 = growth since previous month, Apr '22



Employment Index

sa, >50 = growth since previous month, Apr '22



Future Activity Index

>50 = growth expected over next 12 months Apr '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
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
Mar '22	56.3	55.6	52.7	53.0	58.6	46.5	57.3	88.9	75.3	30.9
Apr '22	54.8	52.8	53.3	52.2	57.5	45.1	56.7	89.8	78.8	28.7

By Sector, April '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	55.8	56.9	54.1	51.1	59.4	94.3	84.8
Construction	46.9	42.8	52.1	52.8	50.1	90.5	84.8
Retail	53.4	51.7	50.0	51.1	52.5	97.4	97.7
Services	58.2	55.4	57.7	54.6	59.3	86.9	66.9

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