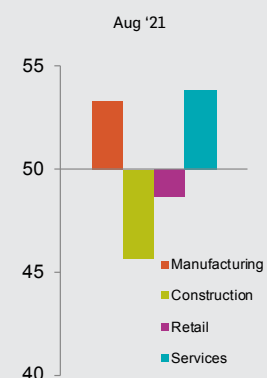
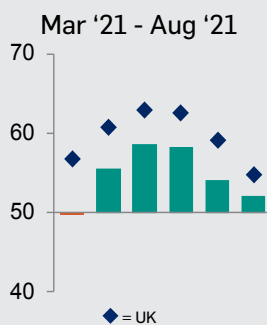


Ulster Bank Northern Ireland PMI[®]

Output growth softens to five-month low

Northern Ireland Business Activity Index



Key findings

Slower rises in output and new orders

Solid job creation continues

Inflationary pressures remain strong

There were signs of growth in the Northern Ireland private sector losing momentum in August, with both output and new orders rising at softer rates. Solid job creation continued, however. Meanwhile, near record increases in input costs and output prices were recorded.

The headline seasonally adjusted Business Activity Index dropped to 52.1 in August from 54.1 in July. Although signalling a rise in output for the fifth month running, the reading pointed to a modest increase that was the softest in the current sequence. Output expanded in the manufacturing and services sectors, but decreased in construction and retail.

Where activity increased, panellists indicated that this reflected ongoing improvements in demand conditions following the loosening of COVID-19 restrictions. This also supported growth

of new orders, but as with activity the rate of expansion softened. Meanwhile, there were signs of recovery in export orders.

Employment continued to rise at a solid pace as companies expanded workforce numbers in line with higher new orders. That said, backlogs of work continued to accumulate amid reports of staff shortages and supply-chain issues - suppliers' delivery times lengthened markedly again.

Data pointed to a near-record rise in input costs, amid higher prices for raw materials, freight, fuel and staff. In turn, companies increased their own charges at one of the strongest rates on record.

Business confidence improved slightly in August, with firms basing optimism on the likelihood of further improvements in demand following the lifting of COVID-19 restrictions.

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.

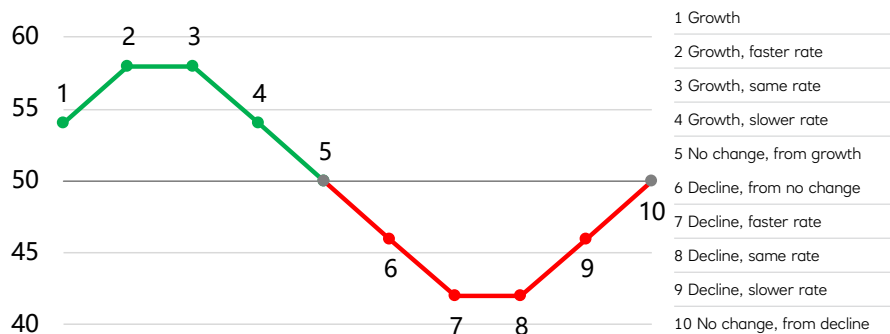
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

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:

“Most of the UK regions saw business activity grow at a slower rate in August, and Northern Ireland was no exception. Last month marked local firms’ slowest rates of growth in output, orders and employment in five months. But a two-speed recovery was on show in August at a sector level.

“Manufacturing and services firms saw some loss of momentum in August but still chalked up reasonable rates of growth in output and orders while staffing levels continued to rise at a solid pace. But retailers joined construction in contraction territory, with falling sales and orders. Hiring within retail though continued last month.

“Elsewhere, the survey revealed again an all too familiar story, with inflationary pressures and lengthening supplier delivery times. Within the UK, Northern Ireland continues to report the steepest rises in input costs, with local firms raising the prices of their goods and services at faster rates than any other region. Price pressures linked to raw materials, fuel, freight, wages and Brexit continued to be cited by survey respondents. Inflationary price pressures in August eased only marginally relative to their recent record highs, although services firms raised their prices at the fastest pace in 13 years.

“Optimism amongst local businesses for activity a year ahead improved marginally in August, largely reflecting a sharp rebound in sentiment within construction. This follows the Finance Minister’s announcement that new and existing public sector contracts will make allowances for inflationary prices and supply-chain disruption. Meanwhile, manufacturing and services firms remain very optimistic about future activity, with retail the only sector to expect sales activity to be lower in 12 months’ time.

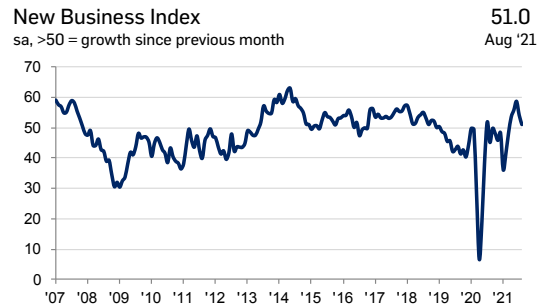
“In the meantime, firms will continue to grapple with inflationary challenges, supply chain disruption, skills shortages and adapting to Brexit. But as we saw last week, increased taxation in 2022 will further add to businesses’ mounting cost burden.”



Demand and outlook

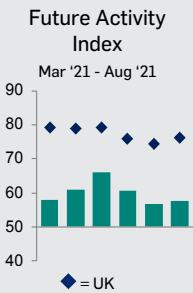
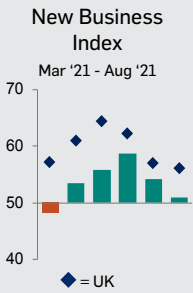
Softer expansion in new business

New orders increased only slightly at Northern Ireland companies during August as the rate of expansion softened for the second month running. A number of companies continued to see new orders rise following the loosening of COVID-19 restrictions, but issues related to the pandemic limited the pace of growth. Rises in new orders were sustained in the manufacturing and services sectors, but reductions were seen in construction and retail.



Optimism improves slightly

Business confidence ticked up in August, having eased to a five-month low in July. As a result, sentiment remained stronger than the series average. Where optimism was signalled, this often reflected expectations that the end of the COVID-19 pandemic and removal of restrictions will lead to ongoing improvements in demand. Confidence was seen in the manufacturing, services and construction sectors, but retailers were again pessimistic regarding the year-ahead outlook for activity.



Business capacity

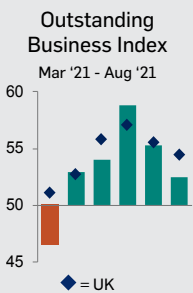
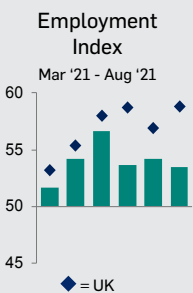
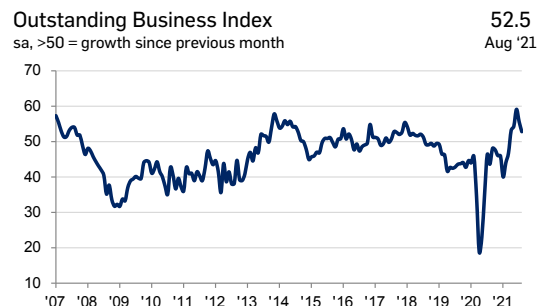
Employment rises for sixth month running

As has been the case in each of the past six months, Northern Ireland companies increased their staffing levels in August. The rate of job creation was solid and only slightly softer than that seen in July. The rise in Northern Ireland was much softer than the UK average, however. Panellists reported that extra staff had been hired in line with increases in new orders. Manufacturing posted the fastest rate of job creation, followed by services and then retail. Meanwhile, construction employment decreased.



Backlogs of work increase again

Labour shortages and problems in supply chains often prevented the completion of orders in August, thereby leading to a further increase in backlogs of work. Outstanding business rose for the fifth successive month and at a solid pace, albeit one that was the softest in the current sequence of accumulation. All four sectors posted an increase, led by manufacturing.



Exports

Near-stabilisation of new export orders

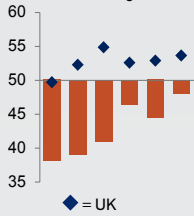
Although new business from abroad continued to fall midway through the third quarter, the latest decline was only modest and the weakest in the current 31-month sequence of contraction. While some panellists pointed to ongoing weakness of international demand, others signalled improvements amid fewer COVID-19 restrictions. The Republic of Ireland and the US were highlighted as the main sources of new orders.

New Export Business Index
>50 = growth since previous month

48.1
Aug '21



New Export Business Index
Mar '21 - Aug '21



Further marked improvement in export climate

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.

Despite easing to 58.0 in August from 60.3 in July, the ECI remained well above the 50.0 no-change mark, thus implying a marked improvement in demand conditions in export markets.

Rates of expansion were close to record highs in both the Republic of Ireland and Germany, while growth of Canadian manufacturing production quickened to a four-month high. The rate of expansion in activity in France continued to moderate, but the most marked slowdown of the main export markets was in the US, where the latest rise was the softest in the year-to-date.

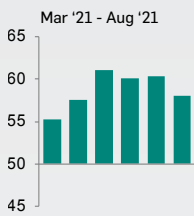
Export Climate Index

sa, >50 = growth since previous month

58.0
Aug '21



Export Climate Index
Mar '21 - Aug '21



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Aug'21
1	Republic of Ireland	38.6%	62.6
2	USA	12.5%	55.4
3	Canada	5.6%	54.9
4	Germany	4.3%	60.0
5	Netherlands	3.9%	60.8



Prices

Rate of cost inflation remains elevated

Companies in Northern Ireland registered another substantial increase in input prices during August, with the rate of inflation only slightly softer than the record posted in July. Higher prices for raw materials were widely reported, linked to supply shortages and Brexit. Rises in freight charges, fuel costs and staff pay were also mentioned. Retail registered the fastest increase in input costs, closely followed by construction and manufacturing. A sharp rise was also signalled at service providers.

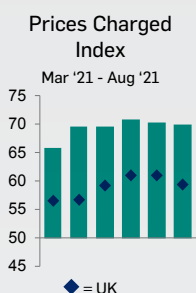
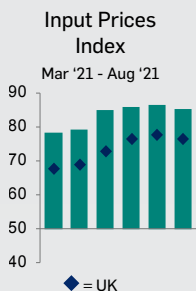
Near-record rise in selling prices

In response to higher input costs, companies raised their output prices at a pace that was among the sharpest on record. The increase in selling prices in Northern Ireland was the fastest of the 12 UK regions. As was the case with input costs, the retail sector posted the fastest rise in charges of the four monitored categories.

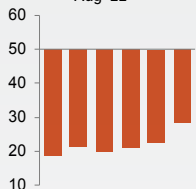
Input Prices Index 85.1
Aug '21
sa, >50 = inflation since previous month



Prices Charged Index 70.0
Aug '21
sa, >50 = inflation since previous month



Suppliers' Delivery Times Index
Aug '21



Suppliers' Delivery Times

Lead times lengthen sharply

Despite rising to the highest in the six-month series so far, the seasonally adjusted Suppliers' Delivery Times Index continued to signal a severe lengthening of lead times on the delivery of inputs in August. Shipping delays from the Far East, the impact of Brexit, shortages of shipping containers and a lack of raw materials all contributed to longer delivery times.



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, Aug '21
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	

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Aug '21
1	Hotels, Restaurants & Catering	1.29	
2	Other Services	1.23	
3	Transport & Communication	1.18	
4	Business-to-business Services	0.89	
5	Computing & IT Services	0.84	
6	Financial Intermediation	0.81	

UK sector focus

Other Manufacturing

The UK's 'Other Manufacturing' sector - which comprises mostly consumer goods categories, including jewellery, sports equipment, toys and games - recorded a sharp slowdown in production growth in the three months to August, following a near-record performance in Q2. New order growth also eased, but far less so than output, with firms reporting an additional drag on production from material and staff shortages.

Latest data pointed to the greatest lengthening of supplier delivery times in more than 25 years of data collection. The severe pressure on supply chains was further underscored by a record increase in average purchase prices for inputs.

Firms in the sector showed urgent efforts to expand capacity, with the rate of job creation staying close to an all-time high in the three months to August. The increase in employment was the steepest of the nine manufacturing categories monitored.

Output Index

sa, >50 = growth since previous month (3mma)



UK Regional PMI overview

Business Activity

Business activity growth eased across the majority of regions for the third month in a row in August. Only Scotland, which topped the rankings narrowly ahead of Wales, saw a faster rate of expansion than in July. The weakest increases in output were recorded in the North East, East Midlands and Northern Ireland respectively.

Employment

Rates of job creation accelerated in eight of the 12 monitored regions in August. This included London, which recorded its steepest rise in workforce numbers on record and led employment growth for the first time since the pandemic began. Firms in the North East recorded the slowest rate of hiring, and one that was unchanged from the previous month.

Future Activity

Most areas in August saw an improvement in firms' expectations towards future activity. The strongest increases in confidence were recorded in Wales and the South West respectively. Yorkshire & Humber also saw a notable improvement and regained the top spot in the rankings from the South East, which was second overall.

Business Activity Index
sa, >50 = growth since previous month, Aug '21



Employment Index
sa, >50 = growth since previous month, Aug '21



Future Activity Index
>50 = growth expected over next 12 months Aug '21



*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
Mar '21	49.7	48.2	57.8	51.7	46.5	38.2	55.2	78.1	65.9	18.7
Apr '21	55.5	53.5	61.0	54.2	52.9	39.1	57.5	79.3	69.6	21.2
May '21	58.7	55.8	66.0	56.6	54.0	41.0	61.0	84.8	69.6	20.0
Jun '21	58.2	58.7	60.6	53.7	58.8	46.4	60.1	85.7	70.9	21.1
Jul '21	54.1	54.1	56.6	54.2	55.3	44.5	60.3	86.4	70.4	22.5
Aug '21	52.1	51.0	57.6	53.5	52.5	48.1	58.0	85.1	70.0	28.2

By Sector, August '21

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	53.3	52.8	61.9	55.4	55.0	88.0	73.0
Construction	45.7	47.1	55.9	48.7	52.3	91.4	76.1
Retail	48.6	49.2	44.1	52.3	52.6	92.3	83.4
Services	53.9	54.0	62.3	54.3	51.6	77.7	58.1

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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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