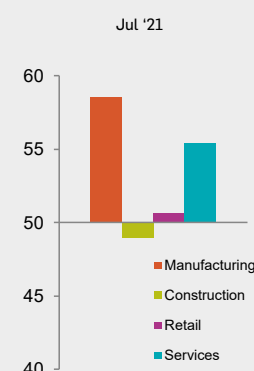
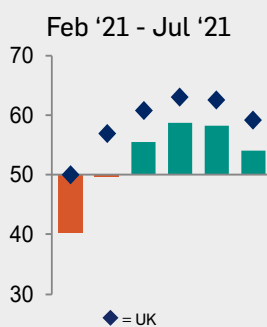


Ulster Bank Northern Ireland PMI[®]

Output continues to rise, but rate of growth eases to four-month low

Northern Ireland Business Activity Index



Key findings

Softer increases in output and new orders

Faster pace of job creation

Input costs continue to surge

Companies in Northern Ireland recorded further increases in output and new orders in July, although rates of expansion eased from June. The rate of job creation accelerated, while inflationary pressures remained elevated.

The headline seasonally adjusted Business Activity Index was above the 50.0 no-change mark for the fourth successive month in July, but fell to 54.1 from 58.2 in June to signal a softer pace of expansion. Rising new orders were reportedly behind the increase in output. Three of the four broad sectors saw activity expand, led by manufacturing. Construction was the only category to see a dip in activity.

Improving customer demand as the economy reopens supported a further increase in new orders, although the rate of growth was the softest since April. New export orders continued to fall, despite

some reports of higher new orders from the US and Ireland.

The rate of job creation ticked up as companies responded to greater workloads. Backlogs of work continued to rise, however, with difficulties securing materials contributing to the latest build-up. Data showed a further severe lengthening of suppliers' delivery times.

The rate of input cost inflation hit a fresh record high for the fifth successive month, with steep increases seen across the manufacturing, construction and retail sectors. A range of factors led to the rise in input prices, including higher costs for raw materials, staff and shipping. In turn, output prices also increased sharply.

Companies remained optimistic that output will increase over the coming year, but sentiment dipped to the lowest in five months.

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.

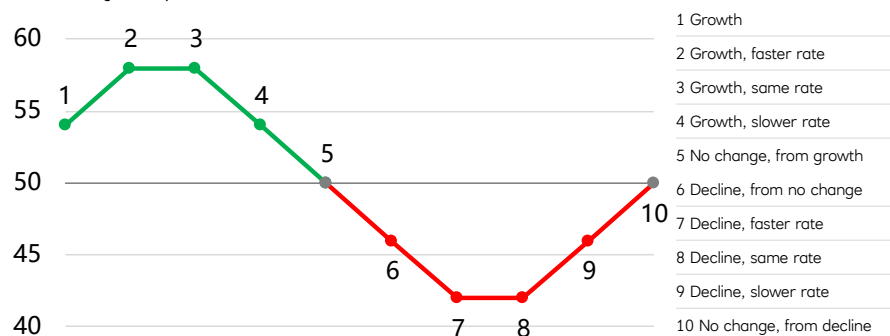
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

“Northern Ireland’s private sector started the third quarter with its fourth successive month of output growth. However, the pace of growth eased in July in common with nine other UK regions. A moderation in the rate of expansion was expected following the boost to activity in earlier months that followed an easing of lockdown restrictions. Nevertheless, Northern Ireland firms posted the slowest rate of output and new orders growth in July amongst the 12 UK regions.

“Employment was one of the few headline indicators to record an improvement last month with the pace of job creation quickening due to a pick-up in hiring within retail and manufacturing. Meanwhile inflationary pressures continued to intensify with local firms reporting a record rise in input costs for the fifth successive month. Manufacturing, construction and retail all experiencing extreme input cost inflation with PMI readings of over 90. Northern Ireland’s private sector rates of inflation were once again higher than in any other UK region. Alongside cost pressures, supply-chain disruption remains a major challenge for businesses. Bureaucracy related to Brexit was the most frequently cited reason for a further lengthening in delivery times.

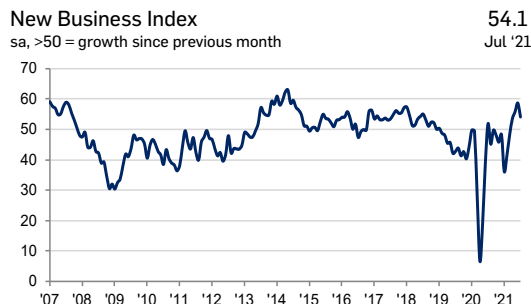
“In some respects, there is a three-speed recovery happening, with manufacturing and services continuing to record robust rates of growth in output and new orders. Retailers however, recorded slower rates of growth across these measures whilst the construction industry has seen its performance go into reverse. Output, new orders and employment within the construction industry all contracted in July with very steep rates of decline in incoming work and staffing levels. These difficulties within construction are linked to severe cost increases and supply-chain difficulties which have triggered a slump in confidence within the sector. Both construction and retail expect activity to be lower in 12 months’ time. However, services and manufacturing firms remain optimistic and expect strong growth in the year ahead.”



Demand and outlook

New orders increase at solid pace

As has been the case in each of the past four months, new orders increased in Northern Ireland during July. The reopening of the economy following the COVID-19 lockdown and improving customer demand supported growth. The rate of expansion was solid, albeit the softest since April. Sharp increases were seen in the manufacturing and service sectors, but retail growth slowed and construction new business decreased.



Business sentiment at five-month low

Northern Ireland companies remained confident that output will rise over the coming year, but sentiment dipped to the lowest since February. Optimism reflected the prospect of further reductions in COVID-19 restrictions and growth of new business. Some panellists indicated that a recovery in international travel would support activity, while others are hopeful that Brexit issues will be overcome. On the other hand, there was ongoing caution due to the COVID-19 pandemic. Firms in the manufacturing and service sectors were optimistic, but a negative outlook was signalled in construction and retail.



Business capacity

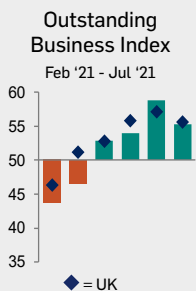
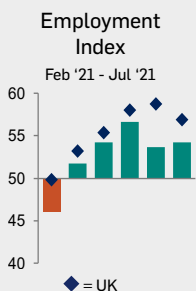
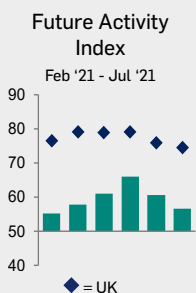
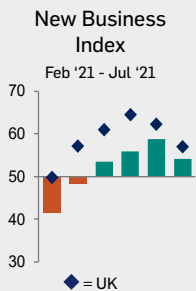
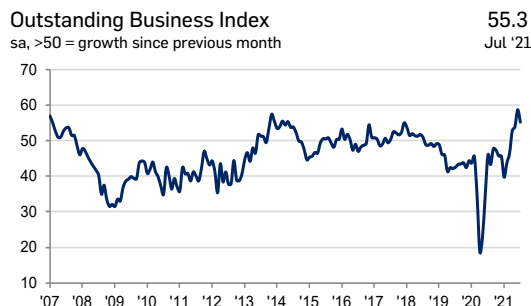
Rate of job creation quickens

July data pointed to a further rise in employment in the Northern Ireland private sector as firms responded to greater workloads. The increase was the fifth in as many months, and the pace of growth accelerated from that seen in June. The manufacturing sector posted a faster pace of job creation. Growth also quickened in the retail sector, but eased in services. Construction companies lowered employment.



Further increase in outstanding business

Although the pace of accumulation in backlogs of work softened from June's survey record, it remained marked in July. Outstanding business has now risen in each of the past four months. Difficulties securing raw materials were reportedly behind the increase, with the manufacturing sector most severely affected. The rise in backlogs in Northern Ireland was broadly in line with the UK average.



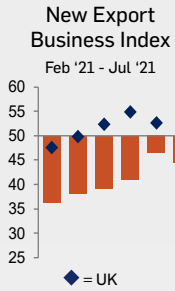
Exports

New business from abroad declines again

The COVID-19 pandemic continued to hamper efforts by Northern Ireland companies to trade internationally in July. New export orders have now decreased throughout the past two-and-a-half years. The latest reduction was marked and faster than seen in June, albeit one of the weakest since the pandemic began. Some firms reported increases in new orders from the US and Ireland.

New Export Business Index
>50 = growth since previous month

44.5
Jul '21



Export climate strengthens at near record pace

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.

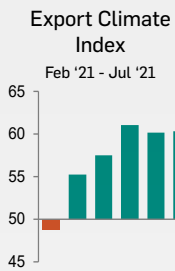
The ECI ticked up to 60.3 in July from 60.1 in June to signal a further substantial improvement in demand conditions in export markets. The climate strengthened for the fifth month running, and to an extent only just softer than May's record.

All of the main export markets for Northern Ireland companies saw increases in business activity. Sharp and accelerated growth was seen in the Republic of Ireland and Germany, while the US and the Netherlands continued to record marked expansions. Although posting a slower rise than the other key export destinations, Canada registered a faster increase in manufacturing output than in June.

Export Climate Index

sa, >50 = growth since previous month

60.3
Jul '21



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Jul'21
1	Republic of Ireland	38.6%	65.0
2	USA	12.5%	59.9
3	Canada	5.6%	54.4
4	Germany	4.3%	62.4
5	Netherlands	3.9%	64.2



Prices

Input prices rise at fresh record pace

Inflationary pressures showed no signs of letting up in July. In fact, the rate of input cost inflation quickened for the tenth month running to hit a fresh record high. New records have now been posted in five successive survey periods. Panellists reported higher prices for raw materials, increased shipping charges and rising wages. In some cases, higher costs were linked to the operation of the NI protocol. Manufacturing cost inflation hit a new record high, while steep increases were also seen in construction and retail.

Output prices increase sharply

The passing on of higher input costs to customers resulted in a further sharp rise in output prices, and one that was only slightly softer than the series record posted in June. Retail registered the fastest increase in selling prices, just ahead of construction and manufacturing.

Input Prices Index

sa, >50 = inflation since previous month

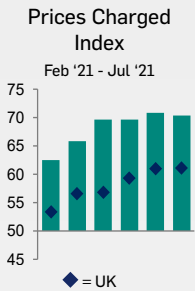
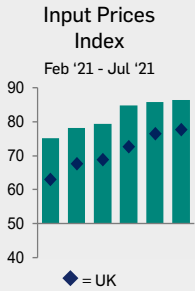
86.4
Jul '21



Prices Charged Index

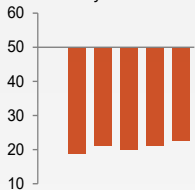
sa, >50 = inflation since previous month

70.4
Jul '21



Suppliers' Delivery Times Index

May '21



Suppliers' Delivery Times

Supply-chain disruption continues

Sustained delays in the receipt of purchased items were signalled by the latest survey data as lead times lengthened substantially again. Bureaucracy related to Brexit was the most widely mentioned reason for 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, Jul '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	

45 50 55 60 65 70

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul '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	

45 50 55 60 65

UK sector focus

Financial Intermediation

The UK's Financial Intermediation sector posted strong business activity growth in the three months to July, helped by recovering customer confidence and the easing of lockdown measures. It marked a continuation of the sector's best growth performance for 15 years.

With companies reporting a sustained build-up of backlogs of work, the rate of job creation accelerated to the quickest for over two decades and the second-fastest on record, as firms showed an increased urgency to expand staffing capacity. The upturn in employment was further supported by strong optimism towards the year-ahead outlook.

On the cost front, input prices rose sharply and at the quickest rate for more than one-and-a-half years, though the pace of inflation was the slowest among the services sub-sectors monitored by the survey data. This was also the case for prices charged.

Output Index

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



UK Regional PMI overview

Business Activity

July saw a sustained broad-based recovery in business activity across all regions and nations of the UK. Topping the growth rankings was the South West, which was one of only two regions, alongside the East Midlands (ranked sixth overall), to see a faster increase in output. Northern Ireland saw a loss of momentum and remained at the foot of the table.

Employment

The South West was the best-performing region for employment growth in July, seeing the rate of job creation accelerate to a record high. The majority of areas, however, recorded slower increases in workforce numbers than in June. The North East and Northern Ireland were two other exceptions, though the pair still registered the slowest overall rises in staffing levels.

Future Activity

Firms in all parts of the UK remained upbeat about the year-ahead outlook for activity in July. Those in the South East reported the strongest optimism, followed by Yorkshire & Humber. However, the latter, like two-thirds of the regions monitored, recorded lower expectations than in June. Sentiment was weakest in Northern Ireland, where it dipped to a five-month low.

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



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



Future Activity Index
>50 = growth expected over next 12 months Jul '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
Feb '21	40.2	41.5	55.1	46.0	43.7	36.3	48.7	75.2	62.5	
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

By Sector, July '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	58.5	57.4	61.3	58.9	60.2	90.8	73.8
Construction	48.9	45.6	38.2	45.3	49.5	92.7	80.8
Retail	50.7	54.4	47.5	53.9	54.7	91.6	84.7
Services	55.5	56.8	62.9	54.5	54.4	77.9	57.2

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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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