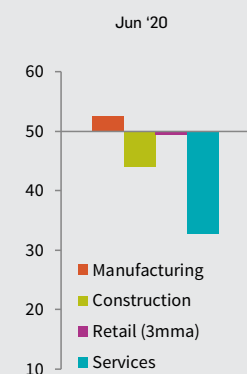
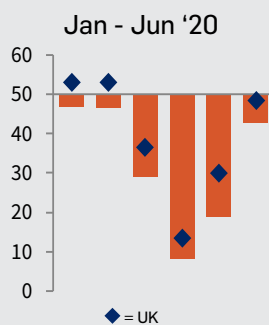


Ulster Bank Northern Ireland PMI[®]

Rate of decline in activity slows sharply in June

Northern Ireland Business Activity Index



Key findings

Slower reductions in output and new orders as lockdown eases

Input costs rise sharply

Companies remain pessimistic around 12-month outlook

The Northern Ireland private sector continued to be impacted by the coronavirus disease 2019 (COVID-19) in June, seeing further reductions in output, new orders and employment. That said, rates of decline softened amid a loosening of lockdown restrictions.

The headline seasonally adjusted Business Activity Index rose to 42.6 in June, up sharply from the reading of 18.9 in May and thereby signalling a much softer reduction in output. That said, the fall in activity in Northern Ireland was the second-sharpest of the 12 UK regions, behind only Scotland.

Manufacturing production returned to growth, while the remaining three sectors all posted softer reductions in activity. Services saw the steepest decline.

New orders continued to fall sharply, although as was the case with business

activity the rate of contraction softened further from April's survey record. The COVID-19 pandemic led to a further decline in new export orders, and one that was steeper than that seen for total new business.

Employment decreased for the fourth month running amid a lack of new work. The rate of job cuts in Northern Ireland remained softer than the UK average.

June saw a sharp and accelerated increase in input costs, with higher prices linked to items such as PPE which were required to support business reopening. Meanwhile, output prices were broadly unchanged, ending a three-month sequence of falling charges.

Companies remained pessimistic regarding the 12-month outlook for output amid concerns about the long-term impacts of COVID-19.

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.

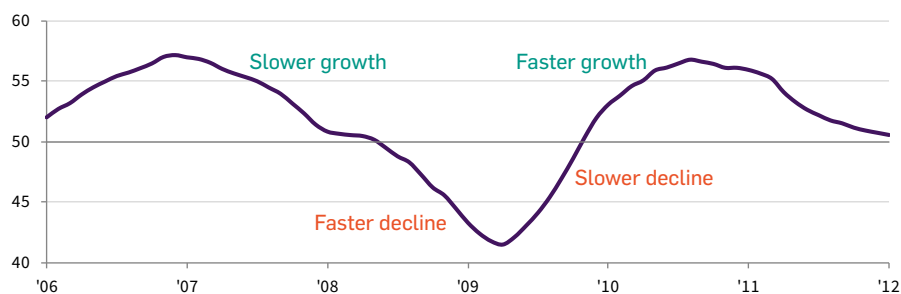
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

“June marked the end of a quarter Northern Ireland’s private sector has never seen the like of before. Unsurprisingly the latest Ulster Bank Northern Ireland PMI therefore confirms record rates of decline in output, orders, exports and employment during this period. But while the quarterly data is bleak, this conceals tentative signs of a recovery on a month-to-month basis.

“April, the first full month of lockdown, marked the all-time-low with rates of decline in output easing in May. A loosening in the lockdown restrictions in June has seen this trend continue. Indeed, last month was the first time in eight months that any sector returned to growth.

“Manufacturing was the best performer in June, reporting expansion in output and orders for the first time in eight and fifteen months respectively. 46% of local manufacturers reported an uptick in output in June. While manufacturing remains a bright spot for output and orders growth, it remains a black spot for employment though. Staffing levels continued to fall at a rapid pace in June with firms cutting staff outnumbering those increasing their headcount by four to one.

“It is a similar picture within retail, with sales activity stabilising but firms still cutting staff at a rapid rate. Retail and the hospitality sector (part of services) have been the most adversely affected by the social distancing / lockdown restrictions. Reopening of businesses has been accompanied by a surge in costs linked to personal protective equipment (PPE). Retailers saw their input costs rise at the fastest rate in 33 months.

“The continued lockdown of the hospitality industry in June weighed on the wider services sector. Last month services firms continued to report rates of contraction in output and orders not seen before COVID-19. It is noted that fewer than 1 in 4 service sector firms reported a pick-up in business activity in June. This should improve significantly in July with the reopening of bars and restaurants. Measures announced in the Chancellor’s Economic Statement such as the temporary reduction in the VAT rate from 20% to 5% will also provide a much-needed shot in the arm for the hospitality sector. It may also help boost confidence in Northern Ireland’s private sector which continues to be the most pessimistic region in the UK for output growth in 2021.”



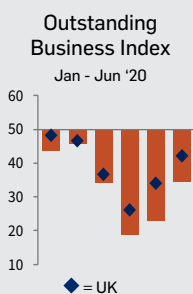
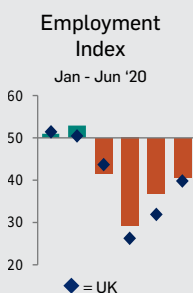
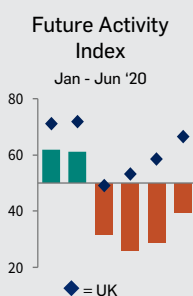
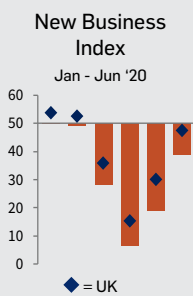
Demand and outlook

New business continues to fall sharply

Companies in Northern Ireland signalled ongoing reductions in new orders during June amid the continued impact of the COVID-19 pandemic. Some panellists indicated that they remained closed. That said, the rate of decline in new orders softened sharply and was the weakest for four months as some lockdown restrictions were loosened. Manufacturing new orders increased for the first time in 15 months, but further falls were recorded elsewhere, led by services.

Companies pessimistic regarding 12-month outlook

As has been the case in each of the past four months, firms were pessimistic regarding the prospects for output growth over the coming year. Northern Ireland was the only monitored UK region to post a negative outlook. Respondents linked pessimism to the COVID-19 pandemic and the longer-lasting impacts expected on customer demand. On the other hand, some panellists were confident of a return to normality amid a loosening of lockdown measures. Retailers were the most pessimistic of the four broad sectors covered.



Business capacity

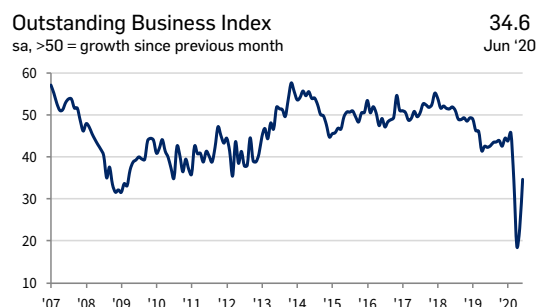
Slower decline in employment

Employment decreased for the fourth month running at the end of the second quarter, with firms reacting to falling workloads. The rate of job cuts was marked, but continued to soften from April's record and was slightly weaker than the UK average. More than 26% of respondents signalled a reduction in staffing levels, with 9% increasing workforce numbers.



Outstanding business down sharply

June data pointed to a further reduction in backlogs of work in the Northern Ireland private sector, extending the current sequence of decline to 23 months. The rate of depletion was sharp, albeit the weakest since February. The fall in Northern Ireland was steeper than the UK average. Panellists reported that a lack of new orders and the cancellation of contracts due to COVID-19 had been behind the reduction in outstanding business.

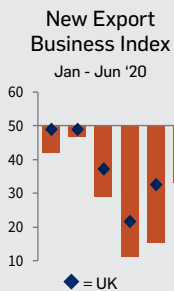
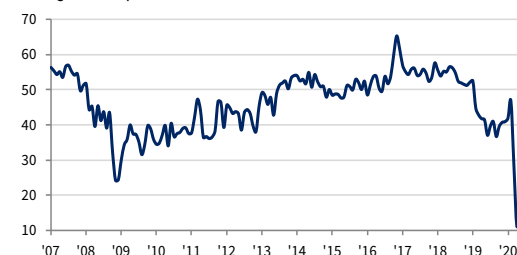


Exports

Rate of decline in exports remains substantial

Northern Ireland companies continued to record a severe reduction in new business from abroad during June, with the rate of decline sharper than that seen for total new orders. Panellists overwhelmingly attributed the latest reduction in new export orders to the COVID-19 pandemic. New business from abroad has now decreased in each of the past 17 months.

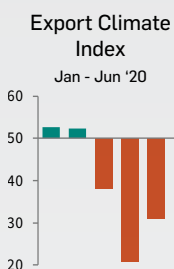
New Export Business Index **33.1**
 >50 = growth expected over next 12 months Jun '20



Softer 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.

Export Climate Index **46.1**
 sa, >50 = growth since previous month Jun '20



Although the Northern Ireland Export Climate Index remained below the 50.0 no-change mark in June, at 46.1 it was up sharply from 31.1 in May and thereby signalled a much weaker deterioration in export conditions for Northern Ireland firms.

Of the five largest markets for Northern Ireland exporters, only France posted an outright increase in output during June, ending a three-month sequence of contraction. Elsewhere, rates of reduction softened. The Republic of Ireland posted the slowest fall in activity in the current four-month sequence of decline.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Jun'20
1	Republic of Ireland	36.2%	44.3
2	USA	12.2%	47.9
3	Canada	5.8%	45.5
4	Germany	5.1%	47.0
5	France	4.5%	51.7



Prices

Rate of cost inflation accelerates

Input prices rose for the second month running in June. Moreover, the rate of inflation accelerated to a sharp pace that was by far the fastest of the 12 monitored UK regions. Respondents often linked higher cost burdens to the reopening of businesses and the need for items such as PPE. Retail posted the fastest increase in input costs, with the rate of inflation in the sector the steepest since September 2017.

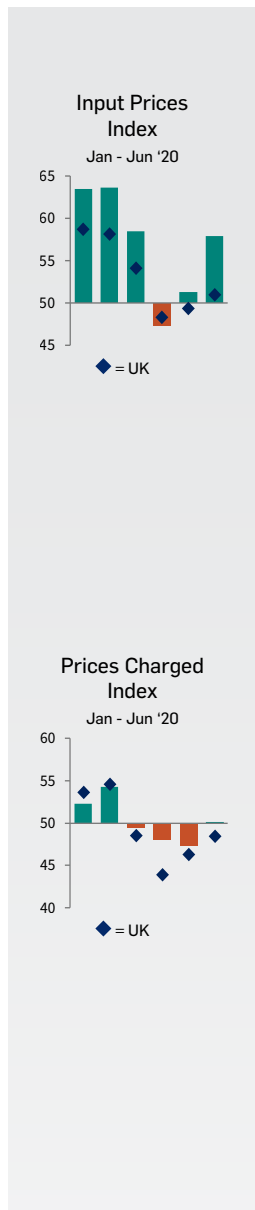
Input Prices Index 57.9
 sa, >50 = inflation since previous month Jun '20



Selling prices broadly unchanged

Output prices were little-changed in the Northern Ireland private sector during June. The stabilisation of charges ended a three-month sequence of decline. Some panellists raised selling prices in response to higher input costs, but others reported offering discounts to customers amid weak demand. In line with the picture for input costs, retail posted the fastest increase in output prices. Meanwhile, only services registered a fall in charges.

Prices Charged Index 50.1
 sa, >50 = inflation since previous month Jun '20



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, Jun ' 20*
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, Jun' 20*
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

Metals & Metal Products

The easing of lockdown measures led to a boost in activity across several manufacturing sectors in June as more firms resumed operations and staff returned to work. Among these was the Metals & Metal Products sector which, after seeing a sharp downturn in the previous three months, ended the second quarter with a strong increase in production.

The return to growth was led by a domestic demand-driven rise in new orders, with export sales remaining weak. The immediate outlook for production also showed promise, with the sector's order: inventory ratio at the highest for more than a decade, and business confidence also picking up.

However, a further fall in backlogs of work suggested firms still operated below capacity. As such, data showed a further decline in sector employment, with the government's job retention scheme having helped limit staff cuts earlier in the lockdown.

Output Index

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



*A Data shown for March-June 2020 are unsmoothed.



UK Regional PMI overview

Business Activity

The East and West Midlands recorded the strongest trends in business activity in June, with both seeing a first – albeit marginal – increase in output for four months. In all other areas, business activity fell at a much slower rate than in May. Scotland was the worst-performer having been overtaken by Northern Ireland, which saw the steepest monthly rise in the Business Activity Index of all regions.

Employment

Employment fell in all regions for the fourth month in a row in June, albeit at a slower rate in each case. The slowest decline in private sector workforce numbers was in the East Midlands, followed by the North West and South East. At the other end of the scale, businesses in the North East and London recorded the most marked rates of job losses.

Future Activity

Business confidence towards future output improved in almost all regions in June. The only exception was Yorkshire & Humber, which had topped the rankings in May and saw a fractional decline. Wales moved back to the top of the table, a position it has held in three of the past four months. Only firms in Northern Ireland remained downbeat about the outlook, though the degree of pessimism here receded further from April's nadir.

Business Activity Index
sa, >50 = growth since previous month, Jun '20



Employment Index
sa, >50 = growth since previous month, Jun '20



Future Activity Index
>50 = growth expected over next 12 months, Jun '20



*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
Jan '20	46.8	49.8	61.9	51.0	43.7	41.9	52.7	63.5	52.3
Feb '20	46.5	49.4	61.0	52.9	45.6	46.7	52.3	63.6	54.3
Mar '20	29.1	28.0	31.7	41.7	34.3	28.8	38.0	58.5	49.5
Apr '20	8.3	6.7	26.0	29.1	18.7	11.2	20.9	47.3	48.0
May '20	18.9	19.1	29.0	36.8	22.9	15.4	31.1	51.3	47.3
Jun '20	42.6	38.7	39.3	40.7	34.6	33.1	46.1	57.9	50.1

By Sector, Jun '20

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	24.3	27.7	41.3	35.3	31.9	54.0	48.9
Construction	16.3	13.8	25.0	38.2	35.5	51.0	45.4
Retail (3mma)	21.5	19.6	25.0	33.4	13.6	56.6	55.7
Services	16.2	15.8	26.5	38.6	17.7	48.9	45.2

Contact

Richard Ramsey
 Chief Economist, Northern Ireland
 T +44 (0)28 9027 6354
 M +44 (0)7881 930955
richard.ramsey@ulsterbankcm.com
 Web: www.ulstereconomix.com
 Twitter: @UB_Economics

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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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