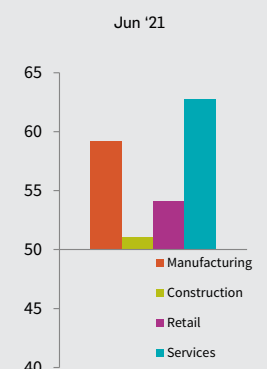
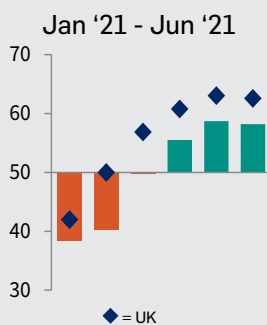


Ulster Bank Northern Ireland PMI[®]

Strongest growth of new orders for almost seven years

Northern Ireland Business Activity Index



Key findings

Expansion of new orders accelerates as COVID-19 restrictions ease

Record rise in backlogs of work

Inflationary pressures hit new heights

The end of the second quarter of the year saw further strong increases in output and new orders as the loosening of COVID-19 restrictions continued. Inflationary pressures intensified further, however, with input costs and output prices both rising at the fastest rates on record.

The headline seasonally adjusted Business Activity Index posted 58.2 in June, down marginally from 58.7 in May but still signalling a sharp monthly expansion in output in the Northern Ireland private sector. Respondents indicated that the lifting of COVID-19 restrictions and higher new orders were behind the expansion in activity. The service sector registered the fastest increase in activity, closely followed by manufacturing.

Looser COVID-19 restrictions also led to a rise in new orders, and one that was the strongest since July 2014. Substantial

increases in new work, coupled with supply issues led to a record accumulation of outstanding business.

Employment increased for the fourth month running. The rate of job creation was solid, albeit softer than the joint-record posted in May.

Both input costs and output prices increased at the sharpest rates on record in June. Higher prices for raw materials, increased shipping charges due to Brexit and global supply issues, and rising wages all added to input costs during the month. Companies in Northern Ireland raised their selling prices accordingly.

Expectations of a further loosening of COVID-19 restrictions supported confidence in the 12-month outlook, although sentiment dipped to the lowest since March.

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.

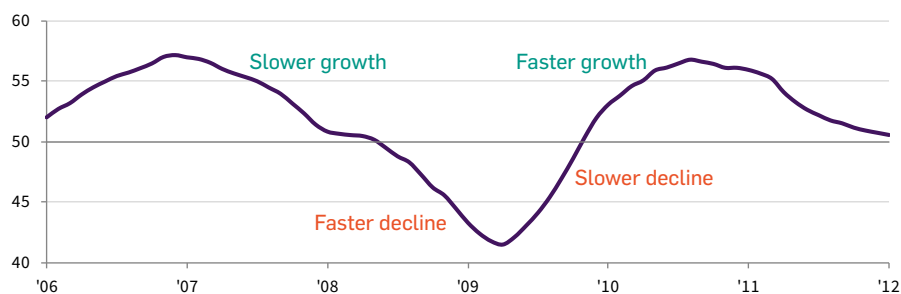
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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 has witnessed its best quarter for private sector growth – both in terms of output and orders – since Q3 2014 and the fastest rate of employment growth since Q2 2014. However, it was also the worst quarter for inflationary pressures in the PMI survey’s history.

“Looking specifically at June’s survey, firms once again recorded strong rates of growth in output and employment in the month, albeit the pace of expansion eased relative to May. All sectors saw their rates of job creation ease, with construction’s staffing levels falling. But services was the only sector to report a pick-up in business activity in June. Services firms reported their fastest rate of growth in business activity (62.8) in over seven years. This was not unexpected given that June was the first full month that the hospitality sector has been open since lockdown restrictions were eased. The robust rates of growth look set to continue in the short-term with order books filling up fast. New orders (58.7) increased at their fastest pace in almost 7 years, led by the services sector (62.1). Construction also posted its first rise in orders in seven months.

“Rising demand coupled with ongoing supply chain disruption led firms to increase their backlogs of work at the fastest pace in the survey’s 19-year

history. Suppliers’ delivery times lengthened significantly in June with Brexit invariably cited for these delays. Meanwhile inflationary pressures continued to intensify with firms’ input costs – raw materials, wages, shipping costs etc – rising at a record rate. This has been an all too familiar story during 2021. Firms in the construction industry posted the steepest rates of input cost inflation with the index hitting 97.5! Businesses are passing these increased costs onto their customers at record rates. Once again, construction firms, followed by retailers, are posting the steepest price hikes. It is expected that supply chain disruption and significant inflationary pressures will be a feature of the business environment for the rest of the year and well into 2022.”



Demand and outlook

Sharp expansion in new business

New orders increased for the third month running during June. Moreover, the rate of expansion was sharp, having quickened to the fastest since July 2014. Respondents mainly linked higher new business to the easing of COVID-19 lockdown restrictions. Service providers posted the strongest rise in new business, just ahead of retail and then manufacturing. Meanwhile, construction new orders increased for the first time in seven months.

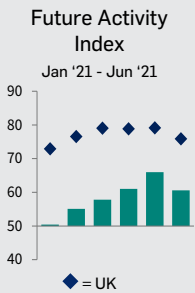
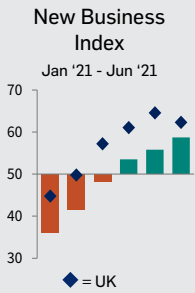
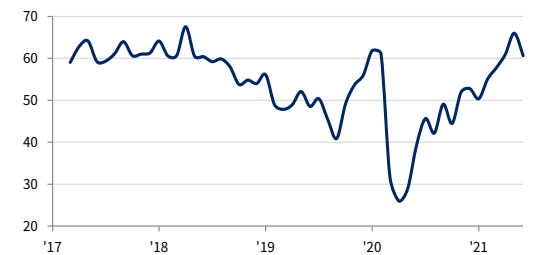
New Business Index 58.7
sa, >50 = growth since previous month Jun '21



Firms remain optimistic regarding 12-month outlook

Although business sentiment dipped to a three-month low in June, firms remained strongly optimistic that output will rise over the coming year. The further reopening of the economy and expected end of the COVID-19 pandemic supported confidence. Manufacturers were the most optimistic, with the lowest sentiment at construction firms.

Future Activity Index 60.6
>50 = growth expected over next 12 months Jun '21



Business capacity

Solid increase in staffing levels

The loosening of lockdown restrictions and improving demand led companies in Northern Ireland to expand their workforce numbers again in June. The rate of job creation was solid, despite easing from the joint-record pace seen in May. The rise in employment in Northern Ireland was slower than the UK average, however. Manufacturing posted the fastest job creation, while construction was the only sector to see staffing levels decrease.

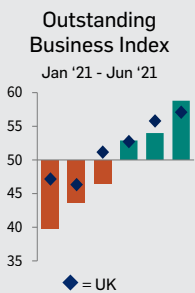
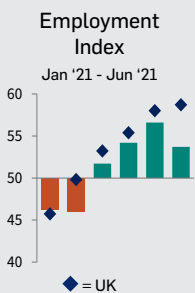
Employment Index 53.7
sa, >50 = growth since previous month Jun '21



Backlogs rise at record pace

Outstanding business increased at the fastest pace since the survey began almost 19 years ago, surpassing the previous record posted in November 2013. Respondents indicated that the ramping up of new orders coupled with difficulties securing materials had been behind the rise in backlogs. Capacity pressures continued to be most acute in the manufacturing sector.

Outstanding Business Index 58.8
sa, >50 = growth since previous month Jun '21

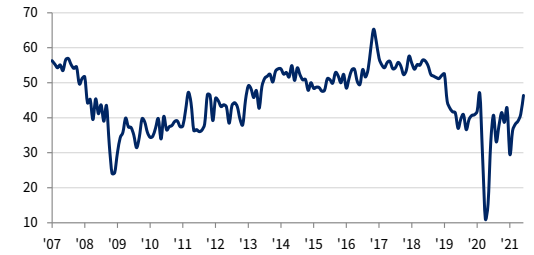


Exports

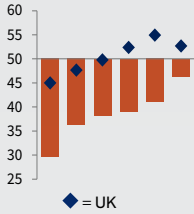
Decline in new export orders softens

Although new business from abroad decreased for the twenty-ninth successive month in June, the rate of decline slowed sharply from that seen in May and was the weakest since February 2020. While disruption caused by the COVID-19 pandemic and Brexit led to the reduction in new export orders, some panellists reported increasing new business from customers in the Republic of Ireland.

New Export Business Index 46.4
 >50 = growth since previous month Jun '21



New Export Business Index
 Jan '21 - Jun '21



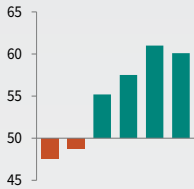
Export demand conditions improve strongly

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.

Export Climate Index 60.1
 sa, >50 = growth since previous month Jun '21



Export Climate Index
 Jan '21 - Jun '21



Although the ECI dipped from May's record high of 61.0, at 60.1 the reading for June signalled a further substantial improvement in demand conditions in export markets.

Further strong increases in business activity were recorded in the Republic of Ireland and US, two markets that combined account for half of all Northern Ireland's exports. Growth also remained marked in the Netherlands, while Germany posted the fastest rise in activity for just over a decade. The rate of expansion in Canadian manufacturing production softened, however, and was at a four-month low.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Jun'21
1	Republic of Ireland	38.6%	63.4
2	USA	12.5%	63.7
3	Canada	5.6%	53.8
4	Germany	4.3%	60.1
5	Netherlands	3.9%	64.4



Prices

Input price inflation accelerates again

June data pointed to a further substantial increase in input costs, with the rate of inflation accelerating for the ninth successive month and hitting a new record. The rise in input prices in Northern Ireland was faster than all other UK regions. Higher raw material prices were widely reported, while shipping costs were also mentioned, reflecting both global supply issues and Brexit. Meanwhile, some firms indicated that wage pressures had risen.

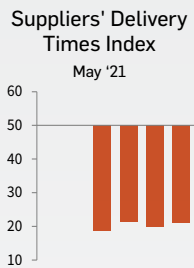
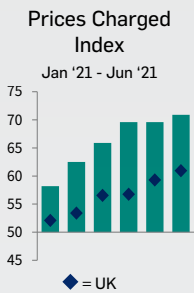
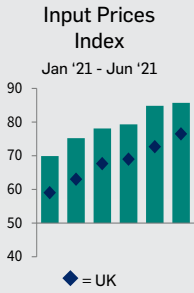
Record rise in charges

With input costs increasing sharply, companies raised their selling prices accordingly. The rate of output price inflation quickened to a new record high. Construction posted the fastest rise in charges, just ahead of retail. Strong inflation was also recorded at manufacturers, with the service sector seeing the softest increase in charges.

Input Prices Index 85.7
sa, >50 = inflation since previous month Jun '21



Prices Charged Index 70.9
sa, >50 = inflation since previous month Jun '21



Suppliers' Delivery Times

Lead times continue to lengthen

As has been the case throughout the four months since the question on suppliers' delivery times was added to the survey, lead times lengthened substantially in June. A number of respondents indicated that Brexit had caused delivery delays, while global shipping issues were also mentioned.



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 '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, Jun '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

Chemicals, Rubber & Plastics

The second quarter saw a strong rebound in output levels across the UK's Chemicals, Rubber and Plastics sector following a slowdown at the start of the year. The pace of growth was the quickest for more than four years, supported by rising domestic demand and recovering export sales.

Lengthening input lead times remained a key feature, with latest data showing the continuation of the worse spell of supplier delivery delays in almost three decades of data collection. Severe material shortages were in turn reflected in record increases in input costs and factory gate charges.

More positively, manufacturers of Chemicals, Rubber and Plastics recorded an unprecedented rate of job creation in the three months to June, amid rising backlogs of work and strong growth expectations for the coming year.

Output Index

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



UK Regional PMI overview

Business Activity

As has been the case throughout the second quarter, all regions and nations of the UK saw a rise in business activity in June. Rates of growth remained strong across the board but eased in the majority of cases. The North West topped the rankings ahead of Wales, while Northern Ireland and Scotland were at the foot of the table.

Employment

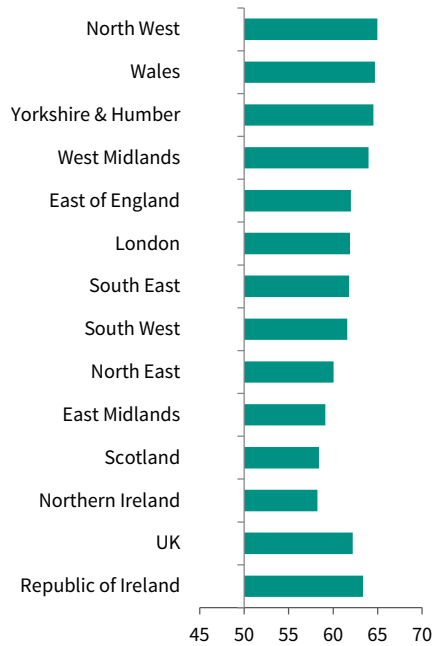
The West Midlands led a broad-based rise in regional employment in June. Rates of job creation accelerated in five out of 12 cases and were unchanged in three others. Wales saw the greatest acceleration in the pace of workforce growth, although still ranked only ninth overall, ahead of Scotland, Northern Ireland and the North East.

Future Activity

Sentiment towards future activity was generally positive in June. However, only Wales (ranked third overall) and the South West (fifth) saw expectations improve since May. Firms in Yorkshire & Humber recorded the highest degree of optimism, as has been the case in five of the past six months, while those in Northern Ireland were the least upbeat.

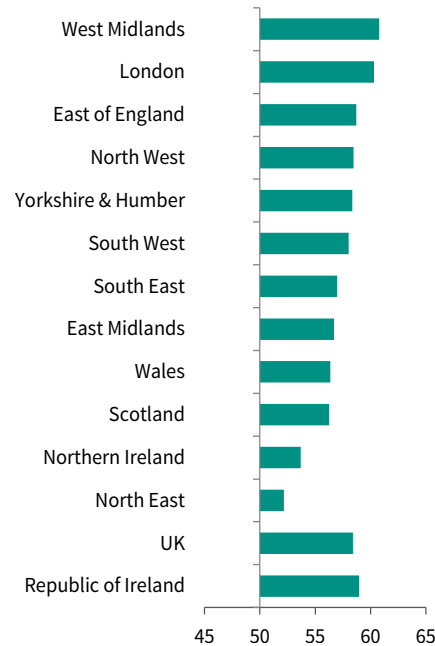
Business Activity Index

sa, >50 = growth since previous month, Jun '21



Employment Index

sa, >50 = growth since previous month, Jun '21



Future Activity Index

>50 = growth expected over next 12 months Jun '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
Jan '21	38.3	36.2	50.4	46.3	39.8	29.6	47.6	69.9	58.2	
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

By Sector, June '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	59.2	57.0	69.0	56.3	63.2	88.3	75.8
Construction	51.1	53.0	52.6	48.1	53.6	97.5	85.1
Retail	54.1	59.0	55.6	51.2	55.4	92.4	84.5
Services	62.8	62.1	62.0	55.0	58.2	75.0	57.5

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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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