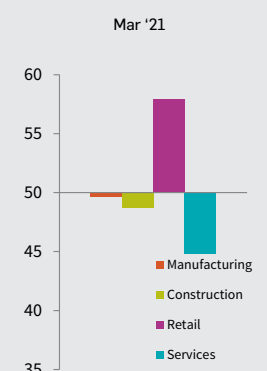
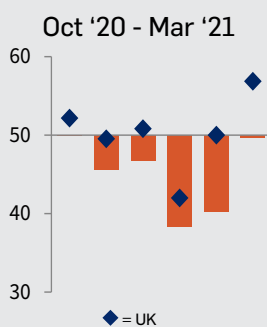


Ulster Bank Northern Ireland PMI[®]

Business activity shows signs of stabilisation in March

Northern Ireland Business Activity Index



Key findings

Marginal reduction in output

Employment increases for first time in over a year

Record price pressures

Northern Ireland saw output and new orders near stabilisation in March, while employment increased amid growing confidence for the year-ahead outlook. That said, input costs and output prices surged at record rates, while there were widespread reports of supply delays.

The headline seasonally adjusted Business Activity Index rose to 49.7 in March, still below the 50.0 no-change mark but well up on the reading of 40.2 in February and indicative of a near-stabilisation of output in the private sector. Coronavirus disease 2019 (COVID-19) restrictions remained the main drag on activity, according to respondents, but some signs of strengthening demand and higher spending on home improvements were reported.

Likewise, new orders fell at a much softer pace in March, although Northern Ireland

was one of only two UK regions (alongside Scotland) to post a reduction in new business.

Hopes of an improvement in output following the loosening of COVID-19 restrictions supported a further increase in positive sentiment, with expectations the highest since February 2020. This confidence, allied to signs of improving demand, led companies to raise employment for the first time in 13 months.

Higher costs for raw materials, freight, Brexit issues and increasing wages all contributed to a record rise in input costs in March. Subsequently, output prices also increased at the fastest pace since the survey began in August 2002. Meanwhile, a new question on suppliers' delivery times highlighted severe delays in the receipt of purchased items.

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.

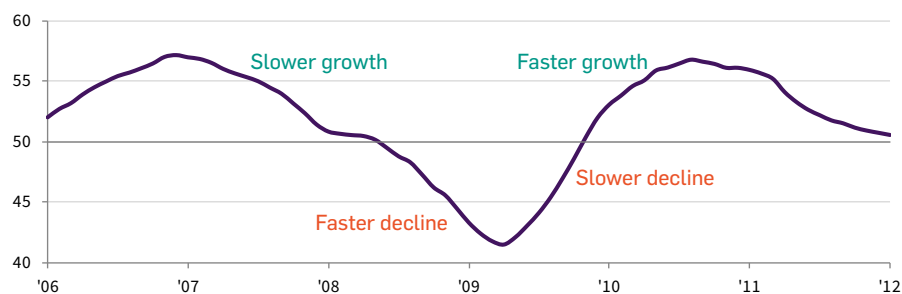
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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 ended the first quarter of 2021 with output still falling, but only just. Northern Ireland though was the only region of the UK not to experience output growth in March. Whilst the rest of the UK has benefited some easing of lockdown restrictions, Northern Ireland still has this activity boost ahead of it.

“The local economy did see a bounce in retail activity last month, but this strong growth in both sales and new orders was coming off very weak levels. It is also encouraging to note that local firms increased their staffing levels for the first time in 13 months due to job creation in manufacturing and services. Whilst the latter is perhaps on the face of it surprising given the ongoing weakness of service sector output, anecdotally we have heard of hospitality businesses gearing up for reopening.

“Manufacturers will also be looking to the months ahead with more confidence given the improving conditions in key export markets. The Northern Ireland export climate index within the latest PMI improved markedly in March and this should filter through to increased demand over the next quarter.

“However, the growing issue is inflation as firms grapple with significant rises in their input costs, driven by wage

increases, rising freight costs and Brexit-related charges. Indeed, services was the only sector not to post record rates of cost increases. As a result, companies are increasing the prices of their goods and services at the highest rates in the survey’s history. Firms also reported severe supply chain delays, which is unsurprising given Brexit-related challenges, alongside the temporary blockage of the Suez Canal.

“But whilst there are still significant challenges, the 12-month outlook improved due to increased confidence in the manufacturing and services sectors. With construction and retail still relatively pessimistic, though, Northern Ireland overall lags the rest of the UK by a significant margin in terms of sentiment. And what confidence there is could be dented by the current political situation, and there is a risk that this could be a head wind for the recovery.”



Demand and outlook

Decline in new work softens

As has been the case in each of the past eight months, new orders decreased during March, largely as a result of ongoing COVID-19 restrictions. That said, the latest fall was much softer than that seen in February and only modest. Some firms mentioned signs of improving demand in manufacturing and for homeware products. Northern Ireland was one of only two UK regions (along with Scotland) to see a drop in new orders in March.

New Business Index

sa, >50 = growth since previous month

48.2
Mar '21



Confidence continues to improve

Firms in Northern Ireland were increasingly confident that business activity will expand over the coming year. Sentiment improved for the second month running and was the highest since February 2020. Companies generally expect output to rise following the easing of COVID-19 restrictions. Manufacturing and services posted the strongest optimism of the four monitored sectors.

Future Activity Index

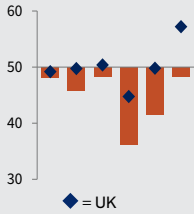
>50 = growth expected over next 12 months

57.8
Mar '21



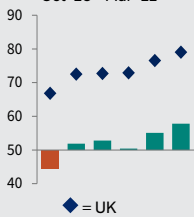
New Business Index

Oct '20 - Mar '21



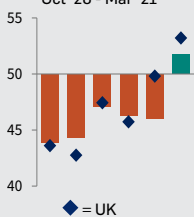
Future Activity Index

Oct '20 - Mar '21



Employment Index

Oct '20 - Mar '21



Business capacity

Renewed increase in employment

Staffing levels returned to growth in the Northern Ireland private sector, thereby ending a one-year sequence of reduction. The increase in employment chimed with job creation across the UK as a whole. According to respondents, the rise in staffing levels was a response to signs of improving demand. Sector data showed that job creation was centred on the manufacturing and service sectors, with employment continuing to fall in construction and retail.

Employment Index

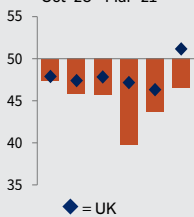
sa, >50 = growth since previous month

51.7
Mar '21



Outstanding Business Index

Oct '20 - Mar '21



Solid reduction in backlogs of work

Outstanding business decreased again during March, the thirty-second successive month in which this has been the case. Although solid, the pace of depletion was the softest since last October. Anecdotal evidence suggested that the effects of the COVID-19 pandemic meant that firms were able to deplete backlogs of work.

Outstanding Business Index

sa, >50 = growth since previous month

46.5
Mar '21



Exports

Further steep contraction in new business from abroad

As has been the case in each of the past 26 months, new export orders decreased in March. The rate of decline remained substantial, despite easing for the second month running. Respondents indicated that the fall in new export orders was due to a combination of the COVID-19 pandemic and Brexit.

New Export Business Index **38.2**
 >50 = growth expected over next 12 months
 Mar '21



Export climate improves markedly

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 ongoing decline in new export orders was recorded in spite of an improvement in demand conditions in export markets. The Northern Ireland ECI posted above the 50.0 no-change mark for the first time in three months. Moreover, at 55.2 (up from 48.7 in February) the index signalled a marked improvement in the export climate that was the strongest for two-and-a-half years.

Data showed that activity returned to growth in the Republic of Ireland, while sharp and accelerated expansions were seen in the US, Canada, Germany and the Netherlands. The rise in output in the US was the sharpest in just over six-and-a-half years.

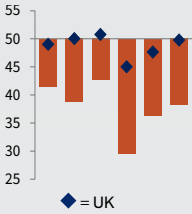
Export Climate Index **55.2**
 sa, >50 = growth since previous month
 Mar '21



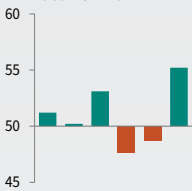
Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Mar'21
1	Republic of Ireland	38.6%	54.5
2	USA	12.5%	59.7
3	Canada	5.6%	57.7
4	Germany	4.3%	57.3
5	Netherlands	3.9%	62.3

New Export Business Index
 Oct '20 - Mar '21



Export Climate Index
 Oct '20 - Mar '21



Prices

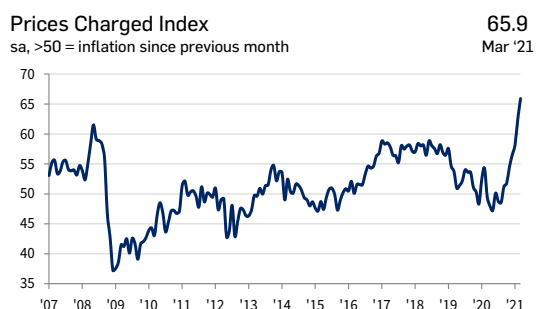
Record rise in input costs

The recent surge in input prices continued in March, with the rate of cost inflation the sharpest since the survey began in August 2002. Close to two-thirds of respondents posted an increase in input prices during the month. Higher raw material prices, increased freight costs, Brexit and rising wages all reportedly contributed to inflation. The increase in Northern Ireland was the fastest of the 12 UK regions.



Further acceleration of output price inflation

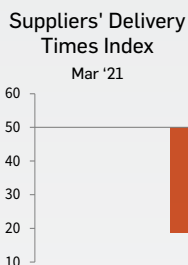
The rate of output price inflation hit a fresh record high for the second month running in March as higher input costs were passed through to customers. All four monitored sectors posted marked increases in selling prices, with the sharpest inflation seen in manufacturing and retail.



Suppliers' Delivery Times

Severe supply-chain delays

The length of time taken for companies to receive purchased inputs lengthened sharply in March, as signalled by the seasonally adjusted Suppliers' Delivery Times Index posting well below the 50.0 no-change mark. Issues related to Brexit were widely mentioned as having caused delays, with some firms also highlighting problems with global shipping.



Input Prices Index
 Oct '20 - Mar '21

Prices Charged Index
 Oct '20 - Mar '21

Suppliers' Delivery Times Index
 Mar '21



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, Mar '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, Mar '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

Hotels, Restaurants & Catering

The UK's Hotels, Restaurants & Catering sector remained in a deep downturn during the opening quarter of 2021. It was the worst performing part of the services economy for output, new business and employment. That said, the declines were less severe than during the first lockdown last spring, and some firms even reported a pick-up in activity in March due to schools reopening.

Looking ahead, businesses in the sector were generally optimistic about the outlook, buoyed by hopes of restrictions on hospitality, events and travel being lifted in the coming months. The degree of confidence was the highest recorded for almost 17 years and the second-strongest among the broad services categories monitored behind Computing & IT Services. Several firms in the latest survey reported an increase in bookings for later in the year.

Output Index

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



UK Regional PMI overview

Business Activity

Business activity rose in 11 out of the 12 UK regions in March. Northern Ireland recorded the only decline, though even here activity moved closer to stabilisation, falling only marginally and at the slowest rate for five months. Growth was led by the East of England, where it was a series record high, ahead of the West Midlands and Yorkshire & Humber respectively.

Employment

The number of regions reporting higher employment increased from just three mid-way through the opening quarter to ten in March. This was the most since January 2020. Yorkshire & Humber recorded the strongest rate of job creation for the third time in the past four months. Scotland and Wales meanwhile saw further declines in staffing levels.

Future Activity

Yorkshire & Humber topped the regional rankings for business confidence for the second month running in March. Expectations did, however, dip slightly from February's series-record high, contrasting with improvements in ten of the 11 other regions. Sentiment remained weakest overall in Northern Ireland, despite having ticked up to a 13-month high.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Mar '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
Oct '20	49.9	48.1	44.5	43.9	47.4	41.5	51.2	60.0	51.8	
Nov '20	45.6	45.8	51.9	44.3	45.8	38.7	50.2	64.6	54.5	
Dec '20	46.8	48.2	52.8	47.1	45.7	42.7	53.1	66.7	56.5	
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

By Sector, Mar '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	49.7	48.0	63.8	52.7	51.6	84.2	76.9
Construction	48.7	46.4	50.0	45.8	46.4	84.7	68.6
Retail (3ma)	57.9	56.6	44.4	44.1	30.5	87.6	73.2
Services	44.8	44.3	63.4	53.1	46.0	67.6	55.3

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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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ihs.com/products/pmi.html