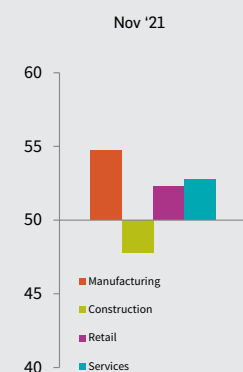
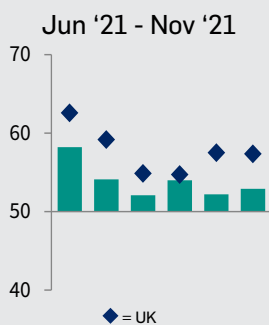


Ulster Bank Northern Ireland PMI[®]

Growth of activity quickens, but selling price inflation hits new record

Northern Ireland Business Activity Index



Key findings

Solid rise in output amid near-stabilisation of new orders

Record increase in charges as costs surge higher

Business confidence improves

Growth of business activity picked up in November amid signs of stabilisation in new orders and ongoing employment growth. That said, supply-chain problems continued to impact operations and inflationary pressures remained acute. In fact, output prices increased at the fastest pace on record.

The headline seasonally adjusted Business Activity Index posted 52.9 in November, up from 52.2 in October, pointing to a solid and accelerated expansion in output in Northern Ireland. Activity has now risen in each of the past eight months. Growth was seen in the manufacturing, services and retail categories, but construction activity decreased.

Some firms increased output in line with signs of an improvement in new orders. New business was broadly stable, following two months of decline. That

said, supply-chain disruption and higher prices continued to hamper new orders.

Suppliers' delivery times lengthened sharply again, while the rate of input cost inflation was at a near-record high. Rising costs for energy, fuel, materials, transport and wages were all reported. In turn, companies increased their own selling prices at the strongest rate on record, the third month running in which a new peak has been recorded.

Signs of demand stabilising encouraged firms to raise employment again, but backlogs of work accumulated for the second month running amid shortages of labour and materials.

Finally, hopes that the supply-chain environment will improve over the coming year supported a jump in business confidence, which rose to a six-month high.

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.

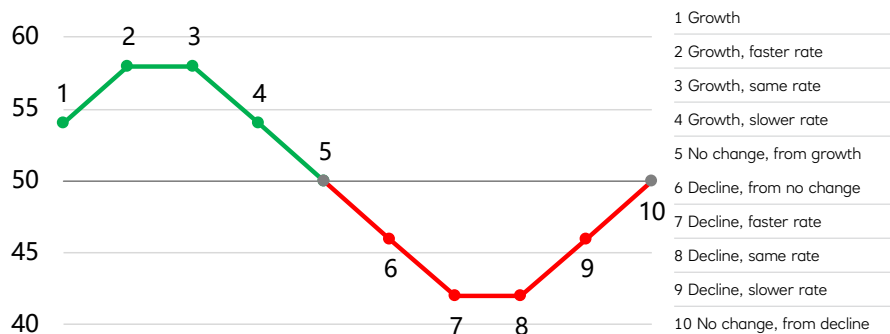
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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 saw the pace of business activity accelerate in November, but this uptick was solely down to a rebound in one sector - retail. Local retail sales rose in November for the first time in four months with the High Street Voucher Scheme undoubtedly contributing to the pick-up in demand. Overall, though, despite experiencing slower rates of growth relative to October, manufacturing remained the strongest performer of the four sectors monitored, with output, orders and employment all expanding at a healthy pace. Services firms on the other hand reported their slowest rate of expansion in business activity in eight months, and incoming orders were broadly flat, while construction firms notched up their fifth successive month of contraction in both output and orders.

“Manufacturing aside, the near-term outlook for the private sector remains challenging. Indeed, retail’s pick-up in sales in November coincides with a slump in new orders, pointing to a slowdown over the months ahead.

“The most encouraging aspect of the latest survey is the continued robust rates of growth in employment. While this is primarily a manufacturing and services story, all four sectors increased their staffing levels last month.

“At a regional level, Northern Ireland’s private sector recovery continues to lag behind its peers in the UK. After the North East of England, Northern Ireland recorded the slowest rate of growth in business activity. Furthermore, Northern Ireland was the only one of the 12 UK regions to record a fall in new orders in November. While some firms are benefiting from an increase in North-South trade, export orders overall continued to fall at a significant rate. November’s decline extended the run of falling orders to 34 months. Manufacturing is the only sector in Northern Ireland that appears to be outperforming the UK.

“Rising inflation and lengthening supplier delivery times remain two key headwinds facing businesses worldwide. But once again Northern Ireland firms are experiencing the highest rates of input cost inflation within the UK. As a result, local businesses are raising their prices at a record pace and at a faster rate than elsewhere.

“For the first time since the pandemic, though, Northern Ireland’s private sector was not the most pessimistic about output looking 12 months ahead within the UK. Local firms’ optimism for output jumped to a six-month high with sentiment improving across all sectors. Only the North East of England was less optimistic. That said, since the survey was undertaken, the emergence of the Omicron variant has reintroduced more

uncertainty and darkened the outlook for firms operating in the hospitality sector. Covid confidence clearly trumps consumer confidence and in turn this will affect economic growth.”



Demand and outlook

New business broadly stable

New orders moved towards stabilisation in November, following reductions in September and October. While there were some signs of client demand improving, efforts to secure new business were hampered by supply-chain disruption and price rises. New orders increased in the manufacturing and services sectors, but fell in construction and retail.

New Business Index

sa, >50 = growth since previous month

49.8

Nov '21



Business confidence improves sharply

Northern Ireland companies expressed greater confidence in the year-ahead outlook for output in November, with sentiment up sharply to a six-month high. Firms were optimistic that a combination of higher new orders and improvements to the supply situation would support growth. All four sectors expressed a positive outlook, with the strongest sentiment at manufacturers.

Future Activity Index

>50 = growth expected over next 12 months

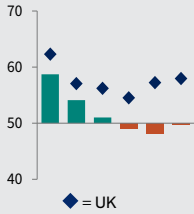
62.8

Nov '21



New Business Index

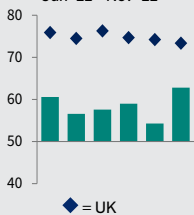
Jun '21 - Nov '21



◆ = UK

Future Activity Index

Jun '21 - Nov '21



◆ = UK

Business capacity

Employment up markedly

As has been the case in each of the past nine months, firms in Northern Ireland expanded their staffing levels in the penultimate month of the year. The rate of growth remained marked, despite easing from October. According to respondents, employment rose in response to signs of improving customer demand. Marked increases in workforce numbers were seen in the manufacturing and services sectors, while modest job creation was recorded at construction and retail companies.

Employment Index

sa, >50 = growth since previous month

55.5

Nov '21



Outstanding business rises again

Despite ongoing employment growth, backlogs of work rose for the second month running in November as companies reported shortages of labour and materials. The rate of accumulation was solid and quickened from that seen in October to the strongest since July. Construction was the only sector to buck the wider trend and record a reduction in outstanding business.

Outstanding Business Index

sa, >50 = growth since previous month

52.6

Nov '21



Employment Index

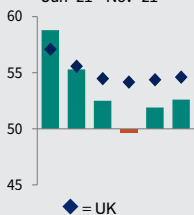
Jun '21 - Nov '21



◆ = UK

Outstanding Business Index

Jun '21 - Nov '21



◆ = UK

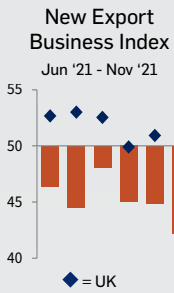
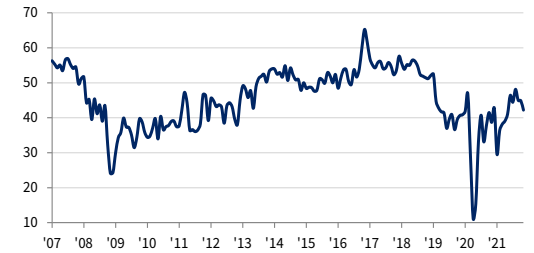
Exports

New business from abroad falls sharply

Difficulties caused by the COVID-19 pandemic and Brexit, as well as labour and material shortages, continued to impact negatively on new export orders during November. New business from abroad fell sharply, and at the fastest pace since May. The latest decline extended the current sequence of falling exports to 34 months.

New Export Business Index
 >50 = growth since previous month

42.2
 Nov '21



Demand conditions in export markets improve

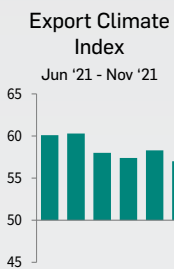
The Northern Ireland Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Northern Ireland. This produces an indicator for the economic health of the country's export markets.

Although ticking down to 57.0 in November from 58.3 in October, the ECI continued to signal a marked improvement in demand conditions for exporters in Northern Ireland.

Output growth remained strong in the Republic of Ireland, although the rate of expansion eased to a seven-month low. Similar trends were seen in the US and Netherlands, where activity rose sharply, but at slightly softer rates. Canadian manufacturing output increased at the fastest pace in three months, while in Germany activity growth ticked higher, after having eased to an eight-month low in October.

Export Climate Index
 sa, >50 = growth since previous month

57.0
 Nov '21



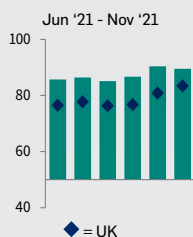
Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Nov'21
1	Republic of Ireland	38.6%	59.3
2	USA	12.5%	57.2
3	Canada	5.6%	54.1
4	Germany	4.3%	52.2
5	Netherlands	3.9%	56.0



Prices

Input Prices Index



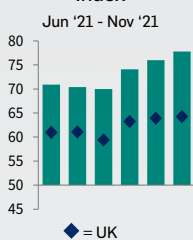
Near-record rise in input costs

Input prices continued to increase at a rapid pace in November, with the rate of inflation ticking down only marginally from October's record high as more than three-quarters of firms signalled an increase in their costs during the month. Higher energy charges were widely reported, while increases in costs for fuel, materials, transport and wages were also mentioned. Construction posted the sharpest rise in input prices of the four monitored sectors, closely followed by retail.

Input Prices Index



Prices Charged Index



Rate of output price inflation hits new high

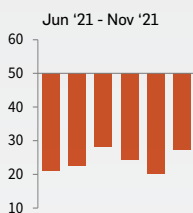
The rate of increase in selling prices hit a fresh survey record for the third successive month in November as companies passed higher input costs on to their customers. Retail signalled the fastest rise in selling prices, with only manufacturing seeing a softer increase in charges than in October.

Prices Charged Index



Suppliers' Delivery Times

Suppliers' Delivery Times Index



Delivery delays continue

As has been the case since the series was added to the survey in March, suppliers' delivery times lengthened sharply in November. Supply shortages, delays in deliveries from the Far East and complications around Brexit and the COVID-19 pandemic all contributed to longer lead times. Delays were most pronounced among retailers and construction firms.



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, Nov '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

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '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

UK sector focus

IT & Computing Services

IT & Computing Services saw a notable rise in activity in the three months to November. That said, the pace of expansion was the weakest among the monitored services sub-sectors and softer than those recorded in the second and third quarters.

Inflows of new business showed a loss of momentum compared to the strong growth rates earlier in the year. Alongside an easing of the post-lockdown boom in demand, higher prices charged were also a factor, having risen at a near-record rate in the three months to November as firms came under pressure from an unprecedented surge in costs.

Computer & IT Services firms nevertheless recorded an above-average rate of employment growth. This partly reflected strong business expectations, which were the highest of all the monitored services sub-sectors.

Output Index

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



UK Regional PMI overview

Business Activity

Almost all regions of the UK recorded further increases in business activity in November. The fastest growth by far was registered in London, which was one of four areas (out of the 12 monitored) to see a quicker rate of expansion than in October. The North East saw the only fall in output, its first since February.

Employment

November saw another broad-based rise in regional private sector employment. London was the best performing area for job creation, overtaking the North West which ranked second overall. The slowest rise in workforce numbers was seen in the North East, though even here the pace of hiring was historically strong.

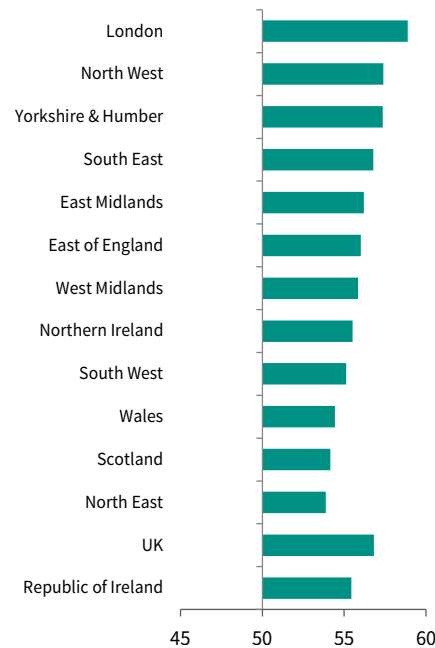
Future Activity

Regional business expectations data showed varying degrees of optimism towards future activity. Firms in Yorkshire & Humber were the most upbeat, as was the case in October. Wales ranked second overall and saw the greatest uptick in confidence. The biggest fall in optimism was in the North East, which moved to the bottom of the rankings.

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



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



Future Activity Index
>50 = growth expected over next 12 months Nov '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
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
Sep '21	54.0	49.1	59.0	54.9	49.7	45.0	57.4	86.7	74.1	24.3
Oct '21	52.2	48.1	54.3	56.3	51.9	44.9	58.3	90.4	76.0	20.2
Nov '21	52.9	49.8	62.8	55.5	52.6	42.2	57.0	89.5	77.8	27.3

By Sector, November '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	54.7	55.9	68.8	59.2	57.3	85.3	78.2
Construction	47.8	43.7	52.3	50.4	41.4	96.2	83.5
Retail	52.3	43.5	60.5	50.9	50.4	93.6	91.6
Services	52.8	50.3	62.7	55.2	51.4	86.8	68.4

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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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