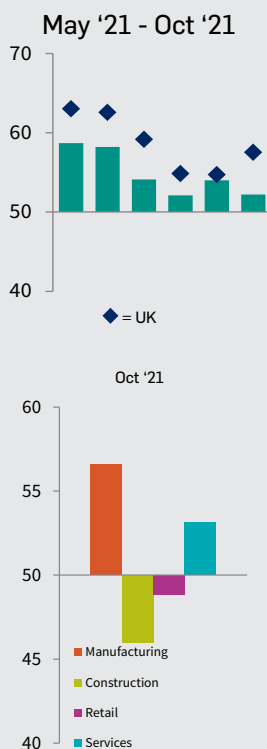


Ulster Bank Northern Ireland PMI[®]

Surging price rises lead to fall in new orders

Northern Ireland Business Activity Index



Key findings

Growth of activity slows while new orders decline

Record rises in input costs and output prices

Rate of job creation accelerates

Surging price rises acted as a brake on the Northern Ireland private sector in October, restricting growth of business activity and contributing to a decrease in new orders. Both input costs and output prices rose at new record rates. On a more positive note, companies expanded their staffing levels at a sharp and accelerated pace.

The headline seasonally adjusted Business Activity Index dipped to 52.2 in October from 54.0 in September, signalling a modest and slower expansion in private sector output as material shortages and price rises restricted growth.

Inflationary pressures had an even greater impact on new orders, which decreased for the second month running. Construction firms in particular noted that price rises had impacted their ability to secure new projects. New business also decreased in services and retail, but rose

sharply at manufacturers.

Both input costs and output prices increased at the sharpest rates on record in October as a range of factors led to inflationary pressure. In particular, firms reported higher charges for energy, freight and fuel, ongoing material price rises and increasing wage expenses. Higher costs were often passed on to customers.

A further sharp lengthening of suppliers' delivery times was signalled, with difficulties securing materials contributing to a build-up of backlogs of work.

Companies made efforts to expand their capacity, however, raising staffing levels at a marked pace that was the fastest since May.

Inflationary pressures and supply-chain disruption led to a more cautious outlook, with sentiment at a nine-month low.

Northern Ireland Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Comment](#)
- [Demand and outlook](#)
- [Business capacity](#)
- [Exports](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

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.

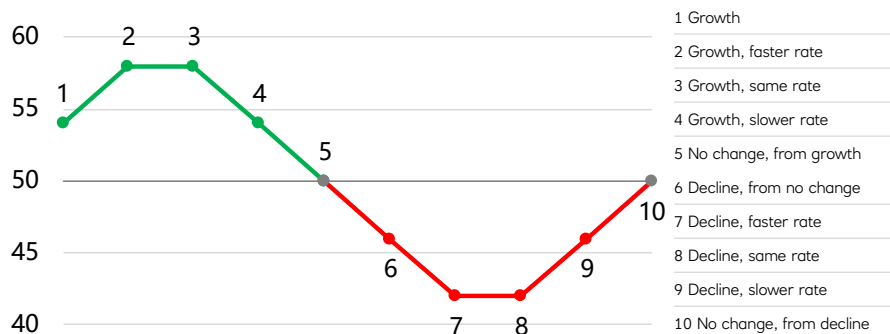
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

“The sustained period of inflation and supply chain pressure are starting to bite on business performance. The rate of growth in business activity slowed during October while input cost inflation rose at a record rate. This isn’t surprising given the incoming news flow regarding energy costs and firms are passing these costs onto their customers by raising the prices of their goods and services at a record rate. Perhaps the most telling indicator is new orders which shows that incoming business fell for the second month running with all sectors bar manufacturing posting a fall in new orders. Construction saw the steepest decline, with firms citing price increases as a factor putting off customers. The one indicator that did improve in October was employment. Firms reported one of the fastest increases in headcount in the survey’s history. Manufacturing led the way in this, with firms in the sector posting the fastest rate of job creation on record. They are recruiting at pace to increase their capacity to deal with a buoyant order book and mounting backlogs.

“The inflationary pressures and supply chain disruption aren’t just impacting on the here and now, they are also impacting on the outlook. Survey respondents’ expectations for activity

in 12 months’ time slipped to a nine-month low. Whilst manufacturing, retail and services firms still expect growth, construction businesses expect activity to fall. The latest survey’s theme of slower growth, higher inflation and supply chain disruption are expected to continue in the run-up to Christmas.”



Demand and outlook

Second successive reduction in new orders

After falling for the first time in six months during September, new orders decreased again in October. A number of firms indicated that price rises had deterred customers, with construction companies in particular highlighting this. As such, the construction sector posted the sharpest reduction in new business, while declines were also seen in the services and retail sectors. In contrast, manufacturing new orders rose at the fastest pace since the end of 2017.

Sentiment dips to nine-month low

October data signalled a drop in confidence in the Northern Ireland private sector, with optimism the lowest since January. Where output is expected to rise, companies linked this to hopes for more normal business conditions and improving demand. On the other hand, inflationary pressures and supply-chain disruption clouded the outlook. Sentiment was negative in the construction sector, but manufacturers, service providers and retailers all forecast increases in activity.

New Business Index

sa, >50 = growth since previous month

48.1

Oct '21

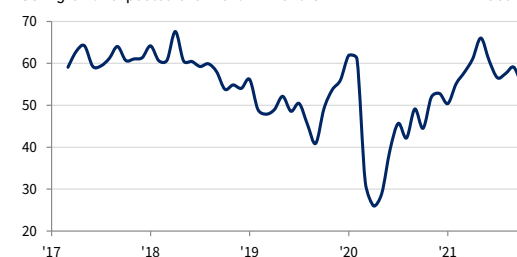


Future Activity Index

>50 = growth expected over next 12 months

54.3

Oct '21



New Business Index

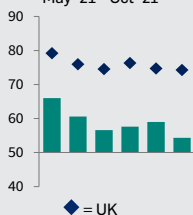
May '21 - Oct '21



◆ = UK

Future Activity Index

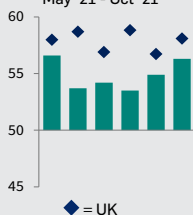
May '21 - Oct '21



◆ = UK

Employment Index

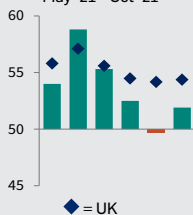
May '21 - Oct '21



◆ = UK

Outstanding Business Index

May '21 - Oct '21



◆ = UK

Business capacity

Firms ramp up staffing levels

Companies made efforts to expand their capacity during October, raising employment at a sharp pace. Staffing levels have now increased in each of the past eight months, with the rate of job creation only slightly softer than May's recent peak. The manufacturing sector drove the acceleration in jobs growth, seeing the sharpest rise in employment on record. Services staffing levels also increased, but falling workforce numbers were recorded in construction and retail.

Modest increase in backlogs of work

Outstanding business rose for the sixth time in the past seven months during October, following a fractional reduction in September. Respondents indicated that difficulties sourcing materials had caused their backlogs of work to build up. The overall accumulation of work-in-hand was centred on manufacturing where backlogs rose at a substantial pace. Outstanding business decreased across the three remaining sectors.

Employment Index

sa, >50 = growth since previous month

56.3

Oct '21



Outstanding Business Index

sa, >50 = growth since previous month

51.9

Oct '21



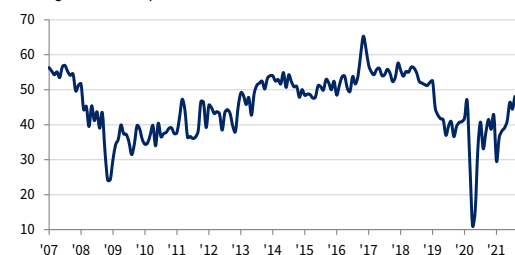
Exports

Marked reduction in new export orders

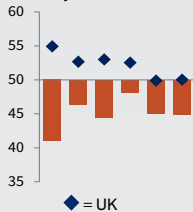
Northern Ireland firms recorded a further reduction in new business from abroad in October, extending the current sequence of decline to 33 months. The latest decrease was marked and broadly in line with that seen in the previous month.

New Export Business Index
>50 = growth since previous month

44.9
 Oct '21



New Export Business Index
 May '21 - Oct '21



Export climate strengthens further

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 posted 58.3 in October, up from 57.4 in September and signalling a further marked improvement in demand conditions in export markets. In fact, the climate strengthened to the greatest extent since July.

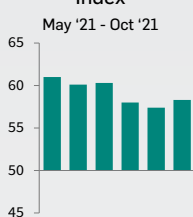
Export Climate Index

sa, >50 = growth since previous month

58.3
 Oct '21



Export Climate Index
 May '21 - Oct '21



The rate of expansion in business activity in the Republic of Ireland accelerated in October and was only slightly weaker than July's series record. Reaccelerations in growth were also seen in the US and the Netherlands. On the other hand, there were further signs of a slowdown in Germany, where the rate of expansion in business activity eased to the slowest in eight months. Canadian manufacturing output continued to increase at a solid pace.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Sep'21
1	Republic of Ireland	38.6%	62.5
2	USA	12.5%	57.6
3	Canada	5.6%	53.9
4	Germany	4.3%	52.0
5	Netherlands	3.9%	58.0



Prices

Cost inflation accelerates again in October

The rate of input price inflation hit a new record high for the second month running in October as some 78% of respondents indicated that their input costs had increased over the month. Services input price inflation hit a record high, while faster rises were seen in construction and retail. Price increases came from a range of sources, including higher charges for energy, freight and fuel, rising staff costs and material price increases due to supply shortages.

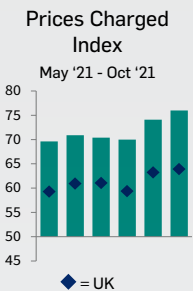
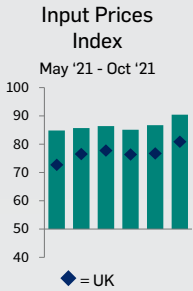
Charges up at record pace

Output prices continued to rise rapidly in October, hitting a fresh survey record as companies passed higher costs on to their customers. As was the case with input prices, the sharpest increase in charges was in the retail sector. Meanwhile, record increases in selling prices were seen at manufacturers and service providers.

Input Prices Index 90.4
sa, >50 = inflation since previous month Oct '21



Prices Charged Index 76.0
sa, >50 = inflation since previous month Oct '21



Suppliers' Delivery Times

Sharpest lengthening of delivery times since May

Global material shortages, widespread problems with shipping and Brexit all contributed to longer suppliers' delivery times in October. Moreover, the deterioration in vendor performance was the most severe in five months. The construction sector signalled the most marked delivery delays.



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, Oct '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, Oct '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 70

UK sector focus

Food & Drink

The UK's Food & Drink manufacturers recorded a sustained strong upturn in new orders in the three months to October, following near-record growth in order books in the second quarter. Key to this was stronger domestic demand, with new export orders falling slightly over the period.

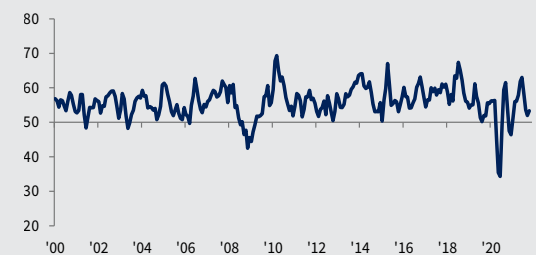
However, data pointed to an unprecedented build-up of backlogs across the sector as inflows of new work rose at a far quicker rate than production levels, which were constrained by a combination of staff shortages and supply bottlenecks.

Employment fell slightly in the three months to October owing to difficulties retaining and recruiting staff, while lead times on inputs lengthened to the greatest extent on record.

The tightness in supply chains was further reflected in a near-record increase in input costs. In turn, this pushed output price inflation to an all-time high.

Output Index

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



UK Regional PMI overview

Business Activity

Business activity rose across all regions and nations monitored by the survey in October. Moreover, rates of growth accelerated in the majority of cases. This included Wales, which topped the rankings for the second month running ahead of London. The North East recorded only a marginal rate of expansion and was once again the weakest-performing area.

Employment

Latest data showed another broad-based rise in employment in October. Rates of job creation were fastest overall in the North West and London respectively, and even reached a series-record high in the case of the former. Most areas in fact recorded faster increases in employment than in September, including the lowest ranked region, the North East.

Future Activity

Businesses all across the UK remained upbeat about the outlook for activity over the coming year. The strongest optimism was recorded in Yorkshire & Humber, where confidence even picked up slightly in October. In most areas, however, growth expectations moderated from the previous month, falling sharpest in the North West and Northern Ireland.

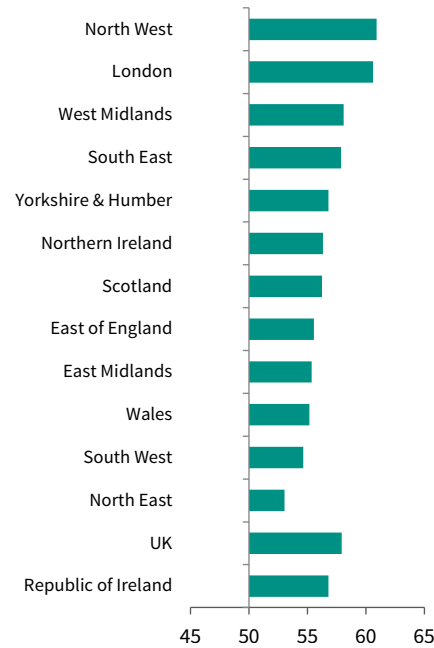
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Oct '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
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
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

By Sector, October '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	56.6	58.6	60.3	64.9	62.2	86.5	80.4
Construction	46.0	42.6	44.4	48.8	43.1	94.6	80.7
Retail	48.9	45.1	55.9	48.3	49.6	97.1	89.3
Services	53.2	47.6	53.6	55.4	47.8	86.4	63.0

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

About Ulster Bank

Ulster Bank is a member of The Royal Bank of Scotland Group. Ulster Bank acts as a full service institution to its customer base, providing an extensive range of retail banking, business banking, investment banking and capital markets services to corporate, personal and institutional clients.

Our focus is firmly centred on our customers. Every business customer benefits from access to a dedicated, professional and highly trained relationship manager. Their role is to gain a genuine understanding of our customers' business needs and provide dedicated financial information and assistance.

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.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and entered on the Financial Services Register (Registration Number 122315).

Ulster Bank Limited. Registered in Northern Ireland. Registration Number R733. Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB.

Disclaimer

The Ulster Bank Northern Ireland PMI® is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.

The intellectual property rights to the Ulster Bank Northern Ireland PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Ulster Bank uses the above marks under licence. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

ihsmarkit.com/products/pmi.html