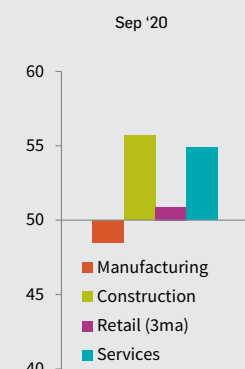
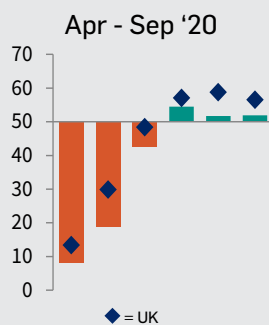


# Ulster Bank Northern Ireland PMI<sup>®</sup>

## Output continues to rise modestly at end of third quarter

### Northern Ireland Business Activity Index



### Key findings

Third successive monthly increase in activity

New orders broadly stable

Sharp job cuts continue

Business activity continued to increase in the Northern Ireland private sector during September as new orders broadly stabilised. That said, sharp reductions in employment were recorded again. On the price front, companies raised their charges for the first time in three months in response to higher input costs.

The headline seasonally adjusted Business Activity Index posted 51.9 in September, up from 51.7 in August and above the 50.0 no-change mark for the third month running. Where output increased, panellists mainly linked this to improving activity following the easing of coronavirus disease 2019 (COVID-19) lockdown restrictions. The increase in output in Northern Ireland remained softer than the UK average.

Growth of activity was led by the construction and service sectors, while

manufacturers posted a fall in production following three months of expansion.

New business was broadly stable, following a decline in August. This was despite a further substantial reduction in new export orders.

As has been the case in each of the past seven months, companies reduced staffing levels. The rate of job cuts was sharp, with respondents highlighting redundancies.

The rate of input cost inflation remained marked and was faster than the UK average. The passing on of higher input prices to customers resulted in the first increase in charges for three months.

Business sentiment rose to a seven-month high, but companies were still on balance pessimistic regarding the 12-month outlook.

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.

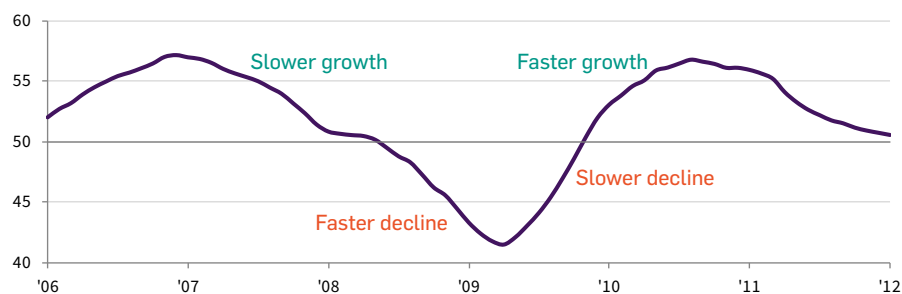
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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](mailto: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’s private sector saw a return to growth in business activity in the third quarter with all four sectors posting positive rates of expansion. This followed the record rates of decline in the second quarter. Indeed, Q3 (52.7) marked the first time since Q4 2018 that business activity exceeded the 50.0 expansion / contraction threshold. While Q3 witnessed a pick-up in the pace of growth in business activity; other indicators (new orders, export orders and employment) all continued to contract, albeit at a much slower rate than Q2’s break-neck speed. Some sectors have experienced more vigorous recoveries than others. Manufacturing, construction and retail all recorded robust rates of output growth in the third quarter. This contrasts with a more lacklustre performance within the services sector.*

*“Looking at the monthly growth trajectories, as opposed to the quarterly figures, it is noted that all of the key indicators improved in September relative to August. Business activity increased at a slightly faster rate in September but failed to match the pace set in July - the first full month after lockdown. New orders broadly stabilised last month after a notable fall in August. However, this conceals contrasting fortunes for the domestic and export markets. The former*

*has seen a pick-up in demand but order books continue to be weighed down by plunging export orders. It is noted that Northern Ireland’s most important export market – the Republic of Ireland – slipped back into contraction territory in September following two months of growth.*

*“At a sector level, there has been diverse performance across a range of sectors. Manufacturing saw its run of three consecutive months of output growth come to an end and was the only sector to report a fall in output in September. Meanwhile construction and services posted the fastest rates of growth in business activity with services (54.9) expanding at its strongest pace in 26 months. Sustaining that momentum will be tricky with new orders falling for the eighth month running. Conversely, construction reported a notable surge in demand for new work in September, with orders rising (from a very low base) at their fastest pace since February 2016. The one area where there is consistency across all sectors is employment. All four sectors continued to reduce staffing levels at a significant rate.*

*“Northern Ireland’s private sector has entered the fourth quarter in better shape than it started the third quarter. However, the pace of recovery remains relatively weak with the low hanging fruit on the growth front already plucked. What little momentum the economy*

*has will be tested by the headwinds of more restrictions associated with the resurgence in the number of new COVID-19 cases and Brexit. While more support measures from Westminster and Stormont will be forthcoming, the recovery will struggle to gain traction in this environment.”*



## Demand and outlook

### New orders broadly stable

Northern Ireland companies saw broadly unchanged levels of new orders during September, following a solid decline in August. While some respondents indicated that demand had improved following an easing of COVID-19 restrictions, others reported that the pandemic continued to negatively impact their volumes of new business. Rises in new orders were signalled in the construction and retail sectors, but reductions were recorded at manufacturing and services companies.

### New Business Index

sa, >50 = growth since previous month

49.7  
Sep '20



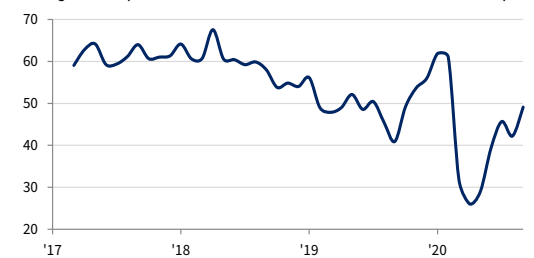
### Sentiment improves in September

Although continuing to signal a slightly pessimistic outlook for output over the next 12 months, September data saw sentiment improve to a seven-month high. Hopes that the economy will have recovered from the COVID-19 pandemic supported optimism at some firms, but others remained concerned about the impact of the pandemic and Brexit. Despite the improvement in confidence, Northern Ireland remained the most pessimistic of the 12 UK regions covered by the survey.

### Future Activity Index

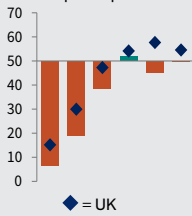
>50 = growth expected over next 12 months

49.1  
Sep '20



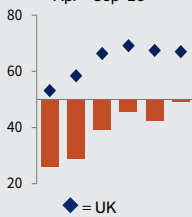
### New Business Index

Apr - Sep '20



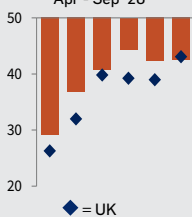
### Future Activity Index

Apr - Sep '20



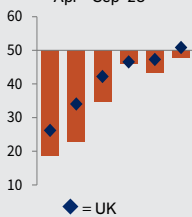
### Employment Index

Apr - Sep '20



### Outstanding Business Index

Apr - Sep '20



## Business capacity

### Staffing levels decrease again

Companies in the Northern Ireland private sector continued to lower their staffing levels at the end of the third quarter, extending the current sequence of job cuts to seven months. The pace of reduction in employment remained sharp, and eased only fractionally from that seen in August. A number of respondents indicated that they had made redundancies due to COVID-19. Falls in employment were recorded across each of the four broad sectors covered by the survey.

### Employment Index

sa, >50 = growth since previous month

42.5  
Sep '20



### Modest reduction in outstanding business

September data pointed to a further decline in backlogs of work in the Northern Ireland private sector, although the pace of depletion eased to the slowest since January 2019. The reduction in Northern Ireland contrasted with a slight increase across the UK as a whole. Panellists continued to link lower backlogs to the impacts of the COVID-19 pandemic, with cancelled orders and projects reaching completion without being replaced.

### Outstanding Business Index

sa, >50 = growth since previous month

47.8  
Sep '20

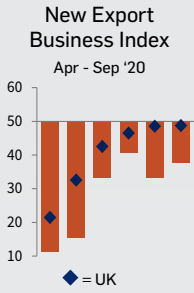
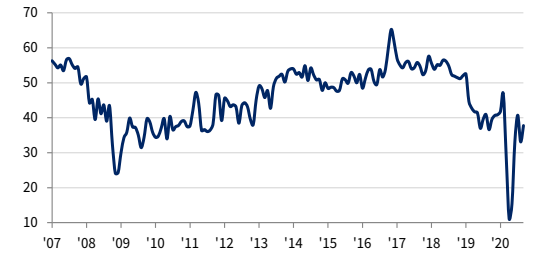


## Exports

### Ongoing contraction in new export orders

Northern Ireland firms signalled a further steep reduction in new business from abroad during September, with the COVID-19 pandemic continuing to impact demand in international markets. New export orders decreased for the twentieth successive month. The rate of contraction was softer than seen in August, but remained rapid.

New Export Business Index **37.7**  
 >50 = growth expected over next 12 months  
 Sep '20

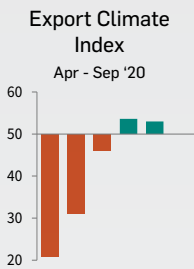


### Export climate unchanged

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.

At 50.0, the Northern Ireland Export Climate Index indicated no change in demand conditions in export markets during September. The stabilisation of the climate for exporters followed improvements in each of the previous two months.

Export Climate Index **50.0**  
 sa, >50 = growth since previous month  
 Sep '20



There were signs of output falling back in some key export markets, including the Republic of Ireland and France. Meanwhile, other export destinations remained in growth territory at the end of the third quarter. Solid expansions in output were recorded in the US, Canada and Germany, with rates of increase broadly in line with those seen in the previous month.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Aug '20
1	Republic of Ireland	36.2%	46.9
2	USA	12.2%	54.3
3	Canada	5.8%	54.9
4	Germany	5.1%	54.7
5	France	4.5%	48.5



## Prices

### Marked increase in input prices

The rate of input cost inflation remained sharp in September, slowing only slightly from that seen in August. The increase in input prices in Northern Ireland was the second-fastest of the 12 UK regions, just behind the East of England. Where inflation of input costs was signalled, panellists linked this to pay increases for some staff and higher raw material costs. All four sectors posted rising input prices, led by manufacturing.

### Input Prices Index

sa, >50 = inflation since previous month

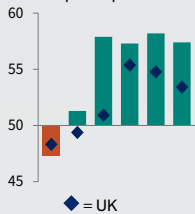
57.4

Sep '20



### Input Prices Index

Apr - Sep '20



### First rise in output prices for three months

Charges increased modestly in September, rising for the first time in three months. Output price inflation in Northern Ireland contrasted with a fall in charges at the UK level. Those respondents that raised selling prices indicated that this was in response to higher input costs. On the other hand, there were a number of reports that competitive pressures had led to discounting. The construction, manufacturing and retail sectors all saw output prices increase, while service providers posted a fall in charges.

### Prices Charged Index

sa, >50 = inflation since previous month

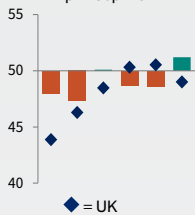
51.2

Sep '20



### Prices Charged Index

Apr - Sep '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, Sep '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, Sep '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

#### Business-to-business services

The UK's business-to-business services sector saw a solid rebound in activity during the third quarter, buoyed by an uplift in new work as demand started to recover from the most severe impacts of the pandemic in the spring. Latest data showed activity growth accelerating to the quickest for over three-and-a-half years.

Though business-to-business service providers reported strong optimism towards the outlook for activity in a year's time, the absence of any real capacity pressures and an immediate need to cut costs led to further job losses across the sector in the three months to September. That said, the rate of staff cuts showed signs of easing and was weaker than seen in most other service sectors.

Prices charged by business-to-business service providers were meanwhile closer to stabilising, having shown an unprecedented decline earlier in the year.

#### Output Index

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



## UK Regional PMI overview

### Business Activity

Business activity rose across all areas of the UK in September, albeit at varying speeds. The best performance was seen in the North East where output rose sharply over the month. At the other end of the spectrum, Scotland moved to the bottom of the rankings having seen growth slow sharply since August. In fact, nine of the 12 monitored regions saw rates of increase in business activity lose momentum.

### Employment

The picture for employment contrasted with that of output, with payroll numbers continuing to fall on a broad-based basis in September. Though rates of job shedding generally eased since August, data still showed sharp decreases in staffing levels in some regions such as the West Midlands and Yorkshire & Humber. The slowest fall in employment was seen in the North East.

### Future Activity

Business confidence towards future output remained positive in all regions except Northern Ireland. Even here, however, the degree of pessimism receded sharply to the weakest for seven months. Yorkshire & Humber was the most optimistic region. That was despite expectations softening since August, as was the case in five other areas, namely London, East of England, North West, Scotland and Wales.

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



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



**Future Activity Index**  
>50 = growth expected over next 12 months, Sep '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
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
Jul '20	54.5	51.9	45.7	44.3	46.0	40.7	53.6	57.3	48.7
Aug '20	51.7	45.1	42.2	42.3	43.3	33.1	53.0	58.2	48.6
Sep '20	51.9	49.7	49.1	42.5	47.8	37.7	50.0	57.4	51.2

### By Sector, Sep '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	48.5	49.0	48.8	43.8	44.4	60.2	51.6
Construction	55.7	55.4	52.5	44.7	52.0	59.4	56.3
Retail (3ma)	50.9	52.4	40.7	37.0	48.3	57.7	51.1
Services	54.9	48.1	53.6	45.2	48.2	55.8	49.2

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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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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.

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