

Ulster Bank Northern Ireland PMI®

PRESS RELEASE Embargoed until: 00:01 May 17th 2021

Activity returns to growth in April

Today sees the release of April data from the Ulster Bank Northern Ireland PMI®. The latest report – produced for Ulster Bank by IHS Markit – signalled a return to growth in output at the start of the second quarter, supported by a renewed expansion of new orders. In response, firms upped their rate of job creation. That said, rates of input cost and output price inflation accelerated again.

Commenting on the latest survey findings, Richard Ramsey, Chief Economist Northern Ireland, Ulster Bank, said:

“The start of the second quarter heralded a significant improvement in local business conditions. Northern Ireland’s private sector reported a return to growth in business activity and new orders in April although export orders, as opposed to domestic, posted another sizeable fall. The rebound in business activity, the first rise since September 2020, marked the fastest rate of growth in 33 months. Meanwhile employment increased for the second month running with the pace of job creation hitting a 40-month high.

“The improved business performance in April was broad based with retail, manufacturing and services all reporting an increase in both output and employment. Although services, alongside construction, posted a further contraction in new orders. Nevertheless, services firms did record the strongest rate of job creation of all four sectors with employment rising at its fastest pace since August 2007. Manufacturing firms increased their headcount at the fastest pace in almost 7 years.

“Clearly, local firms have benefited from a notable pick-up in demand. But this improvement is occurring alongside significant supply chain disruption. Adapting to the new NI Protocol is one aspect of the increasing cost of doing business. However, it isn’t the only source of disruption. Economies around the world have seen a lengthening in suppliers’ delivery times due to the pandemic and worldwide shipping issues such as a shortage of shipping containers. Linked to this, Northern Ireland firms once again reported a record rise in input costs stemming from higher prices for raw materials and fuel coupled with increased shipping costs. In turn, companies are also passing these increased costs onto their customers at a record rate. At a sector level, both retail and construction posted record rates of input cost and output price inflation.

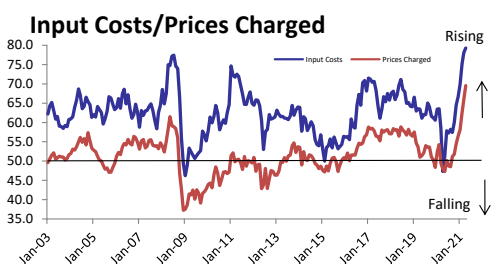
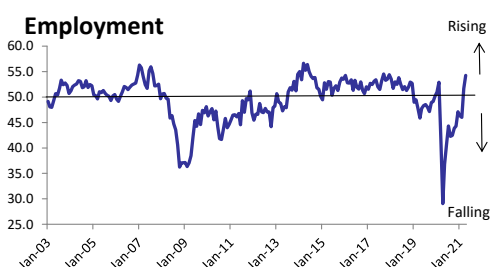
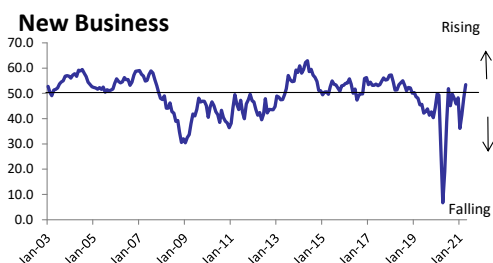
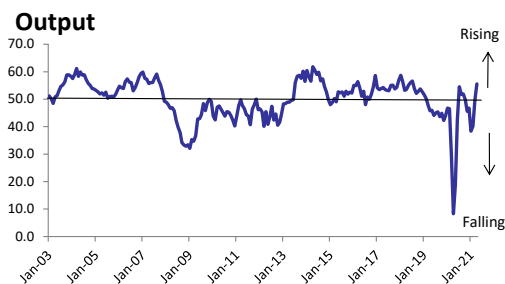
“Signs of disruption are also evident elsewhere. Outstanding business increased in April for the first time since July 2018. A surge in new orders explains part of this, but mounting backlogs are also a sign of the widespread supply chain disruption. Indeed, both manufacturing and construction firms saw their backlogs rise at a record rate, highlighting the extent of the issue.

“Supply chain disruption and intense inflationary pressures will be with us for a while. The key question is for how long? Despite these challenges local firms are the most optimistic about business activity in twelve months’ time than they have been since the pandemic began. But whilst increasing activity is one thing, increasing profitability may prove to be much more difficult. This is particularly the case in a tight labour market, something that a range of other surveys have highlighted.”

The main findings of the April survey were as follows:

The headline seasonally adjusted Business Activity Index posted 55.5 in April, up from 49.7 in March and above the 50.0 no-change mark for the first time in seven months. The reading signalled a marked increase in activity, with panellists reporting improved demand and signs of recovery as COVID-19 restrictions are eased. A similar picture was seen with regards to new orders, which increased for the first time since July last year as customers prepared for the easing of restrictions. New export business continued to fall, however, as Brexit and the COVID-19 pandemic continued to affect efforts to secure exports.

Business confidence strengthened to a 14-month high in April, while the rate of job creation quickened to the fastest since December 2017. Increased capacity wasn’t sufficient to prevent a rise in backlogs of work, however, as new order growth tested capacity. Both input costs and output prices rose at series-record rates. Respondents linked higher input costs to greater prices for raw materials, shipping, energy and fuel. Meanwhile, suppliers’ delivery times lengthened considerably again, with panellists often linking this to Brexit.



Summary of data

		50 = no change on previous month				
		2019	2020	Feb'21	Mar	Apr
Output/Activity	N.Ire	45.9	41.0	40.2	49.7	55.5
	UK	49.9	46.5	50.0	56.8	60.8
New Business	N.Ire	44.7	40.0	41.5	48.2	53.5
	UK	49.2	45.9	49.8	57.2	61.0
Backlogs	N.Ire	43.9	39.7	43.7	46.5	52.9
	UK	47.2	43.5	46.3	51.2	52.7
Employment	N.Ire	48.3	43.0	46.0	51.7	54.2
	UK	49.9	41.6	49.8	53.2	55.4
Input Costs	N.Ire	62.9	58.8	75.2	78.1	79.3
	UK	59.7	54.4	63.0	67.6	68.9
Prices Charged	N.Ire	52.6	51.1	62.5	65.9	69.6
	UK	52.3	49.6	53.4	56.5	56.8

Full historical data may be obtained from IHS Markit.
Contact economics@ihsmarkit.com.

Notes on data

The survey data are presented as index numbers, which are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration.

Reasons given by survey respondents for any changes are analysed to provide insight into the causes of movements in the indices and are also used to adjust for expected seasonal variations. The indexes are seasonally adjusted to take into consideration expected variations for the time of year, such as summer holiday shutdowns and national holidays such as Christmas.

Sector data published in the Ulster Bank Northern Ireland PMI® report are intended to give an indication of underlying trends in the manufacturing, services and construction industries within the Northern Ireland private sector economy. Data at the sector level are more volatile than the headline total private sector economy figures, and month-on-month movements in the sector data should therefore be treated with a degree of caution.

Press information

For further information please contact Richard Ramsey, Chief Economist Northern Ireland, on +44 (0)28 9027 6354 or +44 (0)7881 930955 or email: richard.ramsey@ulsterbankcm.com
<http://www.ulsterbankcapitalmarkets.com/>

Purchasing Managers' Index® (or 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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

Ulster Bank Limited Registered Number: R733 Northern Ireland.

Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB.

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).

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.

The 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 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. 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 use the above marks under license. IHS Markit is a registered trade mark of IHS Markit Limited and/or its affiliates.