

Ulster Bank Northern Ireland PMI®

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Output growth softens to five-month low

Today sees the release of August data from the Ulster Bank Northern Ireland PMI®. The latest report – produced for Ulster Bank by IHS Markit – showed signs of growth in the Northern Ireland private sector losing momentum, with both output and new orders rising at softer rates. Solid job creation continued, however. Meanwhile, near record increases in input costs and output prices were recorded.

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

“Most of the UK regions saw business activity grow at a slower rate in August, and Northern Ireland was no exception. Last month marked local firms’ slowest rates of growth in output, orders and employment in five months. But a two-speed recovery was on show in August at a sector level.

“Manufacturing and services firms saw some loss of momentum in August but still chalked up reasonable rates of growth in output and orders while staffing levels continued to rise at a solid pace. But retailers joined construction in contraction territory, with falling sales and orders. Hiring within retail though continued last month.

“Elsewhere, the survey revealed again an all too familiar story, with inflationary pressures and lengthening supplier delivery times. Within the UK, Northern Ireland continues to report the steepest rises in input costs, with local firms raising the prices of their goods and services at faster rates than any other region. Price pressures linked to raw materials, fuel, freight, wages and Brexit continued to be cited by survey respondents. Inflationary price pressures in August eased only marginally relative to their recent record highs, although services firms raised their prices at the fastest pace in 13 years.

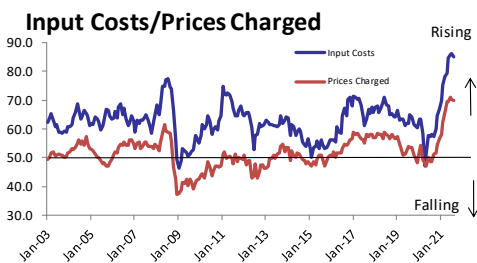
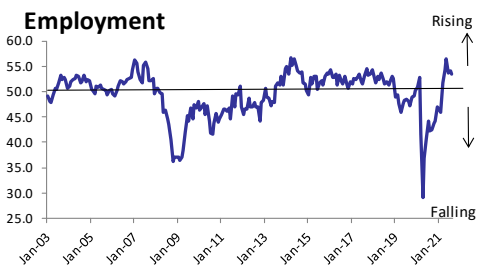
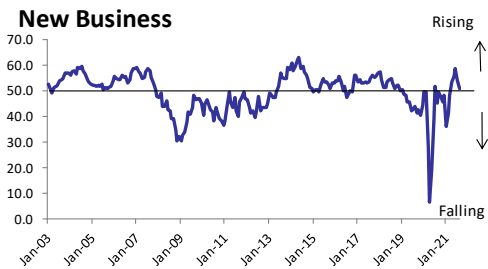
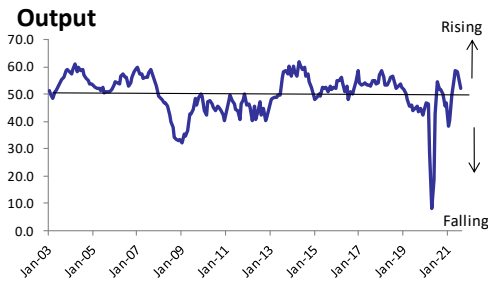
“Optimism amongst local businesses for activity a year ahead improved marginally in August, largely reflecting a sharp rebound in sentiment within construction. This follows the Finance Minister’s announcement that new and existing public sector contracts will make allowances for inflationary prices and supply-chain disruption. Meanwhile, manufacturing and services firms remain very optimistic about future activity, with retail the only sector to expect sales activity to be lower in 12 months’ time.

“In the meantime, firms will continue to grapple with inflationary challenges, supply chain disruption, skills shortages and adapting to Brexit. But as we saw last week, increased taxation in 2022 will further add to businesses’ mounting cost burden.”

The main findings of the August survey were as follows:

The headline seasonally adjusted Business Activity Index dropped to 52.1 in August from 54.1 in July. Although signalling a rise in output for the fifth month running, the reading pointed to a modest increase that was the softest in the current sequence. Output expanded in the manufacturing and services sectors, but decreased in construction and retail. Where activity increased, panellists indicated that this reflected ongoing improvements in demand conditions following the loosening of COVID-19 restrictions. This also supported growth of new orders, but as with activity the rate of expansion softened. Meanwhile, there were signs of recovery in export orders.

Employment continued to rise at a solid pace as companies expanded workforce numbers in line with higher new orders. That said, backlogs of work continued to accumulate amid reports of staff shortages and supply-chain issues - suppliers’ delivery times lengthened markedly again. Data pointed to a near-record rise in input costs, amid higher prices for raw materials, freight, fuel and staff. In turn, companies increased their own charges at one of the strongest rates on record. Business confidence improved slightly in August, with firms basing optimism on the likelihood of further improvements in demand following the lifting of COVID-19 restrictions.



Summary of data

		50 = no change on previous month				
		2019	2020	Jun'21	Jul	Aug
Output/Activity	N.Ire	45.9	41.0	58.2	54.1	52.1
	UK	49.9	46.5	62.6	59.2	54.9
New Business	N.Ire	44.7	40.0	58.7	54.1	51.0
	UK	49.2	45.9	62.3	57.1	56.2
Backlogs	N.Ire	43.9	39.7	58.8	55.3	52.5
	UK	47.2	43.5	57.1	55.6	54.5
Employment	N.Ire	48.3	43.0	53.7	54.2	53.5
	UK	49.9	41.6	58.7	56.9	58.8
Input Costs	N.Ire	62.9	58.8	85.7	86.4	85.1
	UK	59.7	54.4	76.5	77.7	76.4
Prices Charged	N.Ire	52.6	51.1	70.9	70.4	70.0
	UK	52.3	49.6	60.9	61.1	59.4

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

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