

Ulster Bank Northern Ireland PMI®

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Output falls at faster pace amid COVID-19 restrictions

Today sees the release of November data from the Ulster Bank Northern Ireland PMI®. The latest report – produced for Ulster Bank by IHS Markit – indicated that lockdown restrictions in order to contain the spread of the coronavirus disease 2019 (COVID-19) pandemic resulted in declines in output and new orders. Employment also decreased, while inflationary pressures strengthened.

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

“2020 has been characterised by imposing and lifting lockdown restrictions. As a result, private sector activity has been switched off and on to a greater or lesser degree. Not surprisingly, renewed containment measures in November saw local private sector output contract at a significant rate, albeit not on the scale witnessed between March and June. New orders are signalling that no meaningful improvement in activity is anticipated in the near-term, with the pace of decline accelerating in November. Most of the UK regions reported a fall in both output and new orders last month with all 12 regions reducing their staffing levels for the ninth month running. Northern Ireland’s rate of decline in employment levels was not as steep as the UK average. However, output and orders amongst local firms fell at the fastest and joint-fastest rates of all the UK regions. Demand from export markets (notably the Republic of Ireland) continues to weaken at a much faster pace than the domestic market. Meanwhile mounting cost pressures is another challenge facing the business community. Rising wage, raw material and shipping costs saw input cost inflation accelerate to a 15-month high.

“The deterioration in business conditions was most marked within services and retail. Both sectors were particularly impacted by COVID-19 restrictions and recorded rapid rates of decline in output, orders and employment. Once again construction posted the fastest rate of output growth of all the sectors, marginally ahead of manufacturing. However, the rates of expansion were modest and represented a marked slowing from construction’s recent spurt of activity. Local construction firms continue to experience the steepest rises in input costs and as a result are raising prices at their fastest pace since January 2019.

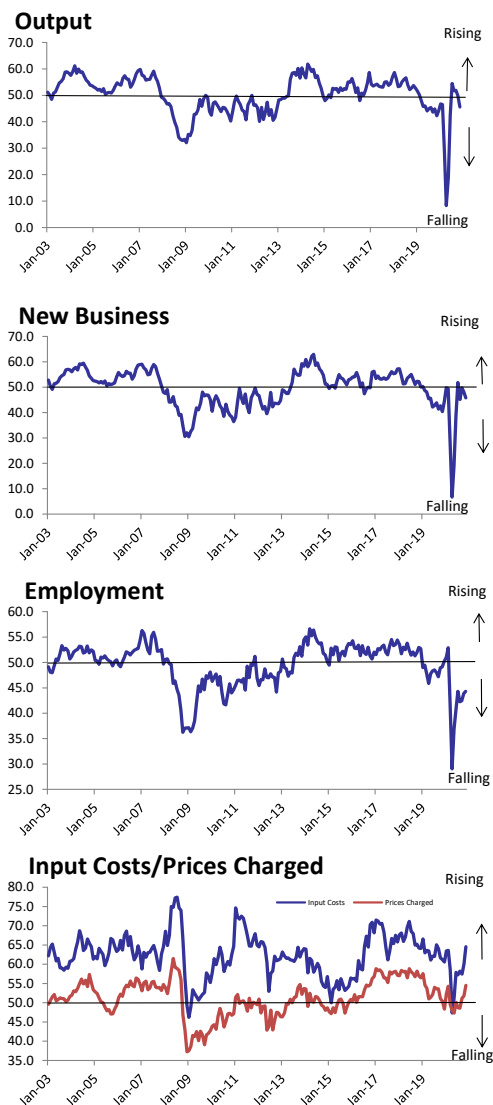
“While business conditions remain challenging, the latest survey highlighted that there is some optimism returning. The arrival of a range of vaccines, which are now being rolled out, suggests that there is some light at the end of the tunnel. Indeed, business sentiment turned positive for the first time since February. Manufacturing firms are the most bullish about output growth in 12 months’ time, followed by construction. However, services and retail remain pessimistic about the year ahead. With the end of the Brexit transition rapidly approaching, the implications of a UK-EU deal / no-deal will have a major bearing on business performance and confidence in 2021 and beyond.

“Meanwhile lockdowns aren’t yet consigned to the past and will impact on economic growth next year as well. A successful roll out of vaccines though could make 2021 a year of two very different halves for those sectors that have been most impacted by the restrictions.”

The main findings of the November survey were as follows:

The headline seasonally adjusted Business Activity Index fell to 45.6 in November, down from 49.9 in October and pointing to a marked reduction in output in the Northern Ireland private sector. The overall decline was driven by falls in the services and retail sectors, which were particularly impacted by COVID-19 restrictions. Slight increases in activity were seen in manufacturing and construction. COVID-19 restrictions also impacted new orders in November, with total new business down to the greatest degree in three months and new export orders falling sharply.

A lack of new orders meant that firms were able to work through outstanding business. Staffing levels were also reduced. Higher prices for raw materials, transportation and staff contributed to a sharp and accelerated increase in input costs. Output price inflation also quickened and was the fastest since February 2019. In both cases, the rises in Northern Ireland were faster than in any other area of the UK. Hopes of an improvement to the COVID-19 situation, particularly with regards to a vaccine, supported modest optimism in the outlook for activity. Sentiment was positive for the first time in nine months.



Summary of data

		50 = no change on previous month				
		2018	2019	Sep'20	Oct	Nov
Output/Activity	N.Ire	54.6	45.9	51.9	49.9	45.6
	UK	53.2	49.9	56.6	52.2	49.5
New Business	N.Ire	53.0	44.7	49.7	48.1	45.8
	UK	53.1	49.2	54.6	49.2	49.7
Backlogs	N.Ire	50.7	43.9	47.8	47.4	45.8
	UK	49.8	47.2	50.8	47.9	47.4
Employment	N.Ire	52.5	48.3	42.5	43.9	44.3
	UK	52.2	49.9	43.1	43.6	42.8
Input Costs	N.Ire	67.0	62.9	57.4	60.0	64.6
	UK	62.7	59.7	53.4	55.3	54.8
Prices Charged	N.Ire	57.6	52.6	51.2	51.8	54.5
	UK	54.1	52.3	49.0	49.7	49.9

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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