

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

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## **Business activity returns to growth in July**

Today sees the release of July data from the Ulster Bank Northern Ireland PMI<sup>®</sup>. The latest report – produced for Ulster Bank by IHS Markit – showed that companies in Northern Ireland increased their output amid signs of a recovery being underway following sharp falls earlier in the year. New orders also returned to growth, but employment continued to decline and firms were often required to lower selling prices in order to secure new work.

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

*“A further easing of lockdown restrictions in July helped secure growth in private sector activity for the first time in 17 months. Last month’s expansion (54.5) was the fastest rate of growth in two years. New orders also rose, albeit modestly, for the first time since January 2019. This is driven solely by a pick-up in demand in the domestic market.*

*“The PMI data suggest that a two-speed recovery has emerged across the UK, which is closely linked to the speed at which lockdown restrictions have been lifted. All of the UK regions, bar Scotland, saw a return to growth in July. Northern Ireland’s recovery has lagged behind England. Similarly Wales and Scotland trail further behind Northern Ireland.*

*“Three of the four sectors in Northern Ireland posted very strong rates of output growth with readings around or above the 60 mark. Remember this is merely a rebound from abnormally low levels. Retail reported the fastest rate of growth in activity (sales) of all the sectors. Meanwhile manufacturing and construction saw activity expand at its fastest pace in almost six years. Perhaps surprisingly, the services sector continued to contract at a significant rate. While over one-third of services firms saw a month-on-month rise in activity in July, an even greater number (40%) reported a fall. Clearly some firms have benefited from the reopening of the economy. However, others are finding that their recently completed work is not being replaced by new business at a sufficient rate.*

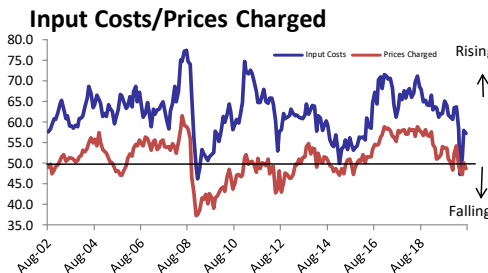
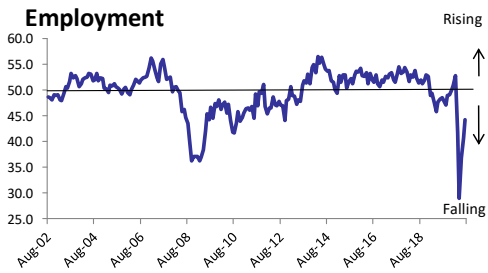
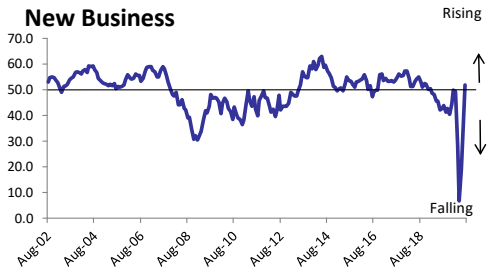
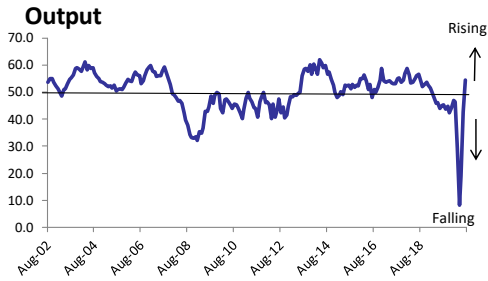
*“Demand conditions may have improved but the squeeze on profit margins has intensified. Local firms have reduced their prices for the fourth time in five months in order to secure new work. This is despite the significant rise in input costs, notably COVID-19 related expenditure such as personal protective equipment (PPE). Despite a pick-up in demand, Northern Ireland along with all the other UK regions continued to reduce their staffing levels at a rapid rate. Although the pace of job losses amongst local firms was less marked than elsewhere. The phasing out of the furlough scheme is anticipated to lead to further redundancies in the months ahead.*

*“While the return to growth is welcome news it merely marks the start of a long road to recovery. There remains a huge gap relative to pre-pandemic levels of output/activity. Bridging this gap will take years not months. And the twin challenges of COVID-19 and Brexit will have to be navigated along the way.”*

### **The main findings of the July survey were as follows:**

The headline seasonally adjusted Business Activity Index posted 54.5 in July, up from 42.6 in June and in growth territory for the first time since February 2019. An easing of lockdown restrictions was behind the improvement, with some firms restarting work on previously delayed projects. Activity increased across the manufacturing, construction and retail sectors, but continued to decline at service providers. Companies also signalled a rise in new orders during July amid signs of recovery following the severe coronavirus disease 2019 (COVID-19) downturn.

Despite an increase in new orders, the strength of the falls in previous months meant that spare capacity remained evident. As a result, firms continued to lower their staffing levels, albeit to the least extent in five months. Higher new orders were partly secured thanks to the offer of discounts to customers. Output prices decreased for the fourth time in the past five months. This was despite a further sharp rise in input prices, with higher costs for personal protective equipment (PPE) often mentioned. Business sentiment improved, but firms remained pessimistic on balance amid concerns around the impacts of COVID-19 and Brexit.



## Summary of data

		50 = no change on previous month				
		2018	2019	May'20	Jun	Jul
Output/Activity	N.Ire	54.6	45.9	18.9	42.6	54.5
	UK	53.2	49.9	29.9	48.3	57.1
New Business	N.Ire	53.0	44.7	19.1	38.7	51.9
	UK	53.1	49.2	30.0	47.3	54.2
Backlogs	N.Ire	50.7	43.9	22.9	34.6	46.0
	UK	49.8	47.2	34.0	42.2	46.6
Employment	N.Ire	52.5	48.3	36.8	40.7	44.3
	UK	52.2	49.9	32.0	39.8	39.2
Input Costs	N.Ire	67.0	62.9	51.3	57.9	57.3
	UK	62.7	59.7	49.4	50.9	55.4
Prices Charged	N.Ire	57.6	52.6	47.3	50.1	48.7
	UK	54.1	52.3	46.3	48.5	50.3

Full historical data may be obtained from IHS Markit.  
Contact [economics@ihsmarkit.com](mailto: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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