

Ulster Bank Northern Ireland PMI[®]

PRESS RELEASE Embargoed until: 01:01 June 8th 2020

Northern Ireland private sector remains in deep downturn

Today sees the release of May data from the Ulster Bank Northern Ireland PMI[®]. The latest report – produced for Ulster Bank by IHS Markit – signalled further steep declines in business activity and new orders in the Northern Ireland private sector as the coronavirus disease 2019 (COVID-19) crisis continued. Rates of contraction were softer than the records posted in April as lockdowns began to ease, but were still sharper than any seen prior to the current crisis.

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

“Northern Ireland’s private sector reported some easing in the record rates of decline witnessed in April across output, orders and employment. However, these improvements were relatively modest and perhaps weaker than anticipated. Indeed, firms reported their second lowest readings on record for business activity and new orders. And once again, Northern Ireland recorded the fastest rates of decline in output of the 12 UK regions.

“On the employment front, however, Northern Ireland’s rate of job losses compared favourably with most other regions. Nevertheless, the reduction in staffing levels reported by local firms was still on a par with the worst months of the global financial crisis. Clearly the ongoing Job Retention Scheme is preventing widespread redundancies....for now.

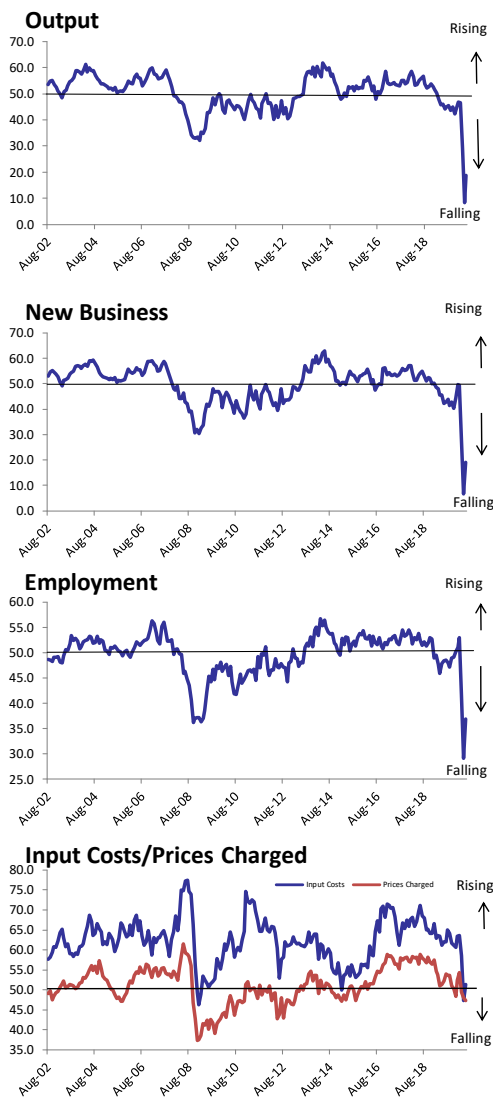
“All four sectors monitored in the survey reported severe reductions in output and order books. Manufacturing and retail managed to post readings in the twenties whereas services and construction were in the teens. On a more encouraging note, some 15% of manufacturing firms reported a rise in output in May relative to the previous month. However, these firms were outnumbered more than four-to-one by those indicating a decline in activity. Services firms are faring less well than manufacturing, with just 1 in 20 reporting an increase in activity in May. Meanwhile almost three-quarters of firms within the services industry reported a fall in activity last month, down from 90% in April.

“Not only is Northern Ireland’s private sector reporting the steepest rates of decline in output within the UK, it is also the most pessimistic about the year ahead. While the other 11 UK regions all expect business activity to be higher in 12 months’ time, local firms – across all sectors – are expecting output to be significantly lower than it is today. This is likely to be influenced by the fact that coronavirus containment measures here are being unwound at a slower rate here than in the UK, combined with our higher dependence on retail and hospitality sectors, and the fact that, coronavirus aside, there is much uncertainty about a potential no-deal Brexit. However, while local firms’ doubt surrounding a ‘V-shaped’ recovery is warranted, the scale of their pessimism concerning the 12-month outlook appears excessive.”

The main findings of the May survey were as follows:

The headline seasonally adjusted Business Activity Index posted 18.9 in May, up from 8.3 in April but still the second-lowest since the survey began in August 2002. In line with the picture for business activity, new orders continued to decline at a severe pace in May, albeit one that was slower than in the previous month as some businesses started to reopen. Substantial contractions were seen in both total new orders and new export business. Companies in Northern Ireland lowered their staffing levels for the third month in a row. That said, the rate of job cuts softened and was the third-slowest of all the UK regions.

Input costs increased slightly in May, after having decreased for the first time since the global financial crisis in April. Higher costs for freight and PPE were mentioned by respondents. That said, the rate of inflation remained well below the series average amid lower fuel and staff costs. Companies lowered their selling prices at a sharper pace, with the rate of decline the fastest since September 2015.



Summary of data

		50 = no change on previous month				
		2018	2019	Mar'20	Apr	May
Output/Activity	N.Ire	54.6	45.9	29.1	8.3	18.9
	UK	53.2	49.9	36.3	13.4	29.9
New Business	N.Ire	53.0	44.7	28.0	6.7	19.1
	UK	53.1	49.2	35.7	15.2	30.0
Backlogs	N.Ire	50.7	43.9	34.3	18.7	22.9
	UK	49.8	47.2	36.6	26.2	34.0
Employment	N.Ire	52.5	48.3	41.7	29.1	36.8
	UK	52.2	49.9	43.7	26.3	32.0
Input Costs	N.Ire	67.0	62.9	58.5	47.3	51.3
	UK	62.7	59.7	54.1	48.3	49.4
Prices Charged	N.Ire	57.6	52.6	49.5	48.0	47.3
	UK	54.1	52.3	48.6	43.9	46.3

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

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