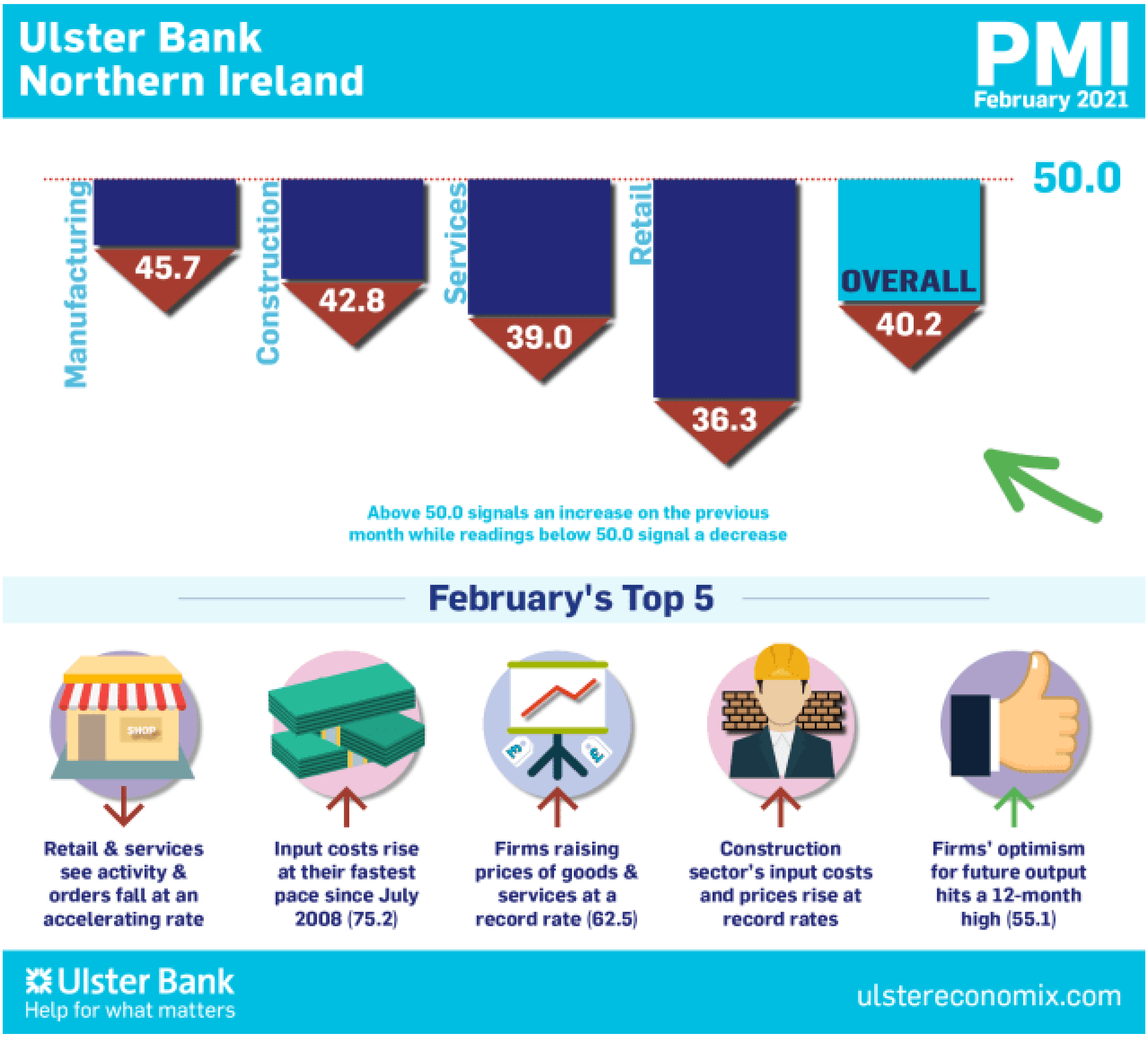
Today sees the release of February data from the Ulster Bank Northern Ireland PMI. The latest report – produced for Ulster Bank by IHS Markit – signalled further sharp falls in output and new orders in the Northern Ireland private sector amid the continuing coronavirus disease 2019 (COVID-19) lockdown. Meanwhile, prices surged higher, with selling prices raised to the greatest extent since the survey began in August 2002.



The one real positive in the latest Ulster Bank NI PMI is that Northern Ireland businesses are more optimistic about business activity in 12 months' time than they have been since the pandemic began.

Whilst this is encouraging, it doesn’t change the fact that business conditions now are challenging to say the least.

*N*orthern Ireland was at the bottom of the UK regional table as far as output, orders and employment were concerned. Meanwhile it was ranked at the top when it comes to input costs and output price inflation.

Manufacturing, services and retail all saw their rates of contraction in business activity accelerate in February with services also recording faster rates of decline in new orders and employment levels.

Significantly, Northern Ireland’s private sector saw input costs rise at their fastest pace since July 2008. Once again, shipping costs, raw materials and Brexit-related costs were cited as factors. Manufacturing was the sector that posted the highest rate of cost inflation, but it was evident in all sectors. Due to these costs, firms raised their own prices at the sharpest rate in the survey’s history (almost 19 years). The rate at which construction firms’ costs and prices charged are also both rising at the fastest rates on record.

Looking to the months ahead, whilst conditions will remain challenging for some time, confidence will likely continue to build as the vaccine roll-out continues. But the key trigger for a recovery in some sectors, particularly retail and services, is going to be when the current restrictions are lifted.

The main findings of the February survey were as follows:

The headline seasonally adjusted Business Activity Index remained well below the 50.0 nochange mark in February, despite rising to 40.2 from 38.3 in January. Anecdotal evidence indicated that the COVID-19 lockdown was the principal cause of the latest decline in output, which was the most marked of all 12 UK regions. Each monitored sector saw activity fall, led by retail. Manufacturing posted the softest contraction. A similar picture was seen with regards to new orders, which decreased sharply but at a softer pace than in January.

Rates of inflation of both input costs and output prices were substantial, having accelerated further in February. Respondents indicated that higher shipping costs were a key driver of input price inflation, with increases in costs for raw materials also mentioned. The rise was the steepest since July 2008. In turn, output charges were increased to the greatest extent since the survey began in August 2002. A solid decrease in employment was recorded, with the pace of job cuts quickening slightly from January. Hopes of an easing of COVID-19 restrictions later in the year supported growing confidence in the 12-month outlook for activity. Sentiment was the highest since the onset of the pandemic.

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