



Today sees the release of March data from the Ulster Bank Northern Ireland PMI[®]. The latest report - produced for Ulster Bank by IHS Markit - pointed to output and new orders nearing stabilisation, while employment increased amid growing confidence for the year-ahead outlook. That said, input costs and output prices surged at record rates, while there were widespread reports of supply delays.

The main findings of the March survey were as follows:

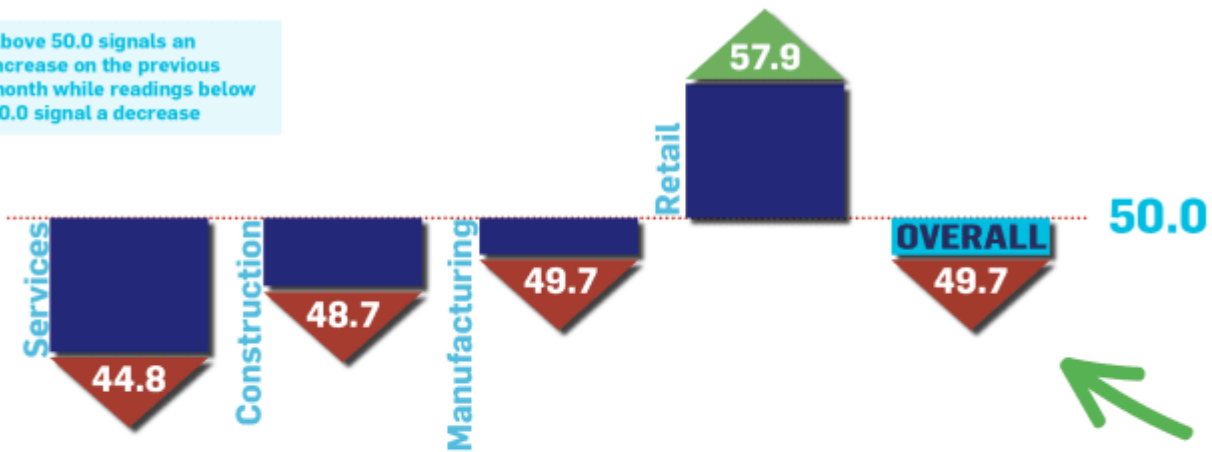
- The headline seasonally adjusted Business Activity Index rose to 49.7 in March, still below the 50.0 no-change mark but well up on the reading of 40.2 in February and indicative of a near-stabilisation of output in the private sector.
- Coronavirus disease 2019 (COVID-19) restrictions remained the main drag on activity, according to respondents, but some signs of strengthening demand and

higher spending on home improvements were reported.

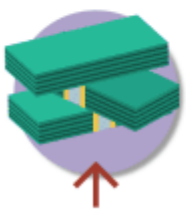
- Likewise, new orders fell at a much softer pace in March, although Northern Ireland was one of only two UK regions (alongside Scotland) to post a reduction in new business.
- Hopes of an improvement in output following the loosening of COVID-19 restrictions supported a further increase in positive sentiment, with expectations the highest since February 2020.
- This confidence, allied to signs of improving demand, led companies to raise employment for the first time in 13 months. Higher costs for raw materials, freight, Brexit issues and increasing wages all contributed to a record rise in input costs in March.
- Subsequently, output prices also increased at the fastest pace since the survey began in August 2002.
- Meanwhile, a new question on suppliers' delivery times highlighted severe delays in the receipt of purchased items.

Ulster Bank Northern Ireland **PMI** March 2021

Above 50.0 signals an increase on the previous month while readings below 50.0 signal a decrease



March's Top 5



Record rise in input costs (78.1)



Firms raise their prices at a record rate (65.9)



Employment rises for the first time in 13 months (51.7)



Business confidence hits a 13-month high (57.8)



All UK regions bar NI saw output growth in March

The NI private sector ended the first quarter of 2021 with output still falling, but only just. Northern Ireland though was the only region of the UK not to experience output growth in March. Whilst the rest of the UK has benefited from some easing of lockdown restrictions, Northern Ireland still has this activity boost ahead of it.

The local economy did see a bounce in retail activity last month, but this strong growth in both sales and new orders was coming off very weak levels. It is also encouraging to note that local firms increased their staffing levels for the first time in 13 months due to job

creation in manufacturing and services. Whilst the latter is perhaps, on the face of it, surprising given the ongoing weakness of service sector output, anecdotally we have heard of hospitality businesses gearing up for reopening.

Manufacturers will also be looking to the months ahead with more confidence given the improving conditions in key export markets. The Northern Ireland export climate index within the latest PMI improved markedly in March and this should filter through to increased demand over the next quarter.

However, the growing issue is inflation as firms grapple with significant rises in their input costs, driven by wage increases, rising freight costs and Brexit-related charges. Indeed, services was the only sector not to post record rates of cost increases. As a result, companies are increasing the prices of their goods and services at the highest rates in the survey's history. Firms also reported severe supply chain delays, which is unsurprising given Brexit-related challenges, alongside the temporary blockage of the Suez Canal.

But whilst there are still significant challenges, the 12-month outlook improved due to increased confidence in the manufacturing and services sectors. With construction and retail still relatively pessimistic, though, Northern Ireland overall lags the rest of the UK by a significant margin in terms of sentiment. And what confidence there is could be dented by the current political situation, and there is a risk that this could be a head wind for the recovery."

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