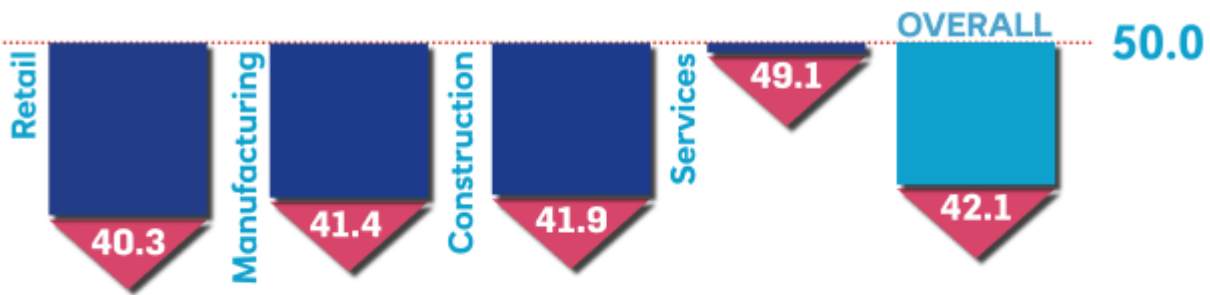


Accelerated decline in output during June as price pressures hit demand | 1

Today sees the release of June data from the Ulster Bank Northern Ireland PMI[®]. The latest report - produced for Ulster Bank by S&P Global - signalled that output and new orders both fell sharply as severe price pressures caused demand to contract. Business confidence also waned, but companies continued to expand their staffing levels.

Ulster Bank Northern Ireland PMI June 2022



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

June's Top 5



All sectors bar services post slump in new orders (40.4)



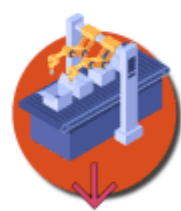
NI posts the steepest decline in output & orders of the 12 UK regions



All sectors increase staffing levels at a faster pace (54.1)



Services firms' input costs rise at a record rate (91.0)



Manufacturing (40.8) & Retail (41.2) expect falling output/sales in 12 months time

<https://videopress.com/v/a7DCeYRh?resizeToParent=true&cover=true&preloadContent=metadata&useAverageColor=true>

Northern Ireland firms reported a significant loss of momentum at the end of the first-half of

the year. Last month's survey saw May's drop in demand broaden out to encompass all four sectors. Meanwhile the slump in new orders deepened across three of the four sectors with services' performance the best amongst a bad bunch. Demand conditions in June deteriorated more significantly in Northern Ireland than elsewhere, with local firms reporting the steepest declines in output and orders of the 12 UK regions.

The cost-of-living crisis had already become increasingly evident in May with a slump in retail demand with this trend continuing in June. But the sudden reversal in fortunes of the local manufacturing sector has been particularly stark. Outside of periods of lockdown, Northern Ireland manufacturers recorded their biggest month-on-month fall in the output index since the PMI series began almost 20 years ago. The 'U-turn' in new orders has been significant too with a drop of over 20 points between April and June. Last month, local manufacturers saw orders slump at their fastest pace (outside of lockdowns) since April 2009.

Despite a notable deterioration in demand conditions, all four sectors increased their staffing levels at a faster rate in June. This highlights that skills shortages remain a capacity constraint for local firms. The cost-of-living crisis coupled with competition for staff has fuelled pay pressures and added to the cost-of-doing business crisis. Last month, input cost inflation remained close to its recent highs with services firms reporting a record rise in their cost base. Outside of employment, positive news remains in short supply in the latest survey though there are some signs that supply chain disruption could be easing. Supplier delivery times continued to lengthen in June but at the slowest pace since the question was first asked 16 months ago. Clearly, an economic slowdown, by reducing demand, should help to ease supply chain disruption further in the year ahead.

While many manufacturers have benefited from the NI Protocol, the current political impasse between the UK Government and the EU raises concerns over the durability of

these benefits and therefore how the trade agreement will evolve. This, alongside a realisation that an economic slowdown is gathering pace, helps explain why Northern Ireland manufacturing has gone from the most optimistic sector to the most pessimistic in the space of one month. Manufacturing and retail both expect a sharp fall in output / sales in 12 months' time, while their counterparts in services and construction expect activity to remain flat."

The main findings of the June survey were as follows:

The headline seasonally adjusted Business Activity Index posted 42.9 in June, down sharply from 49.0 in May and pointing to the steepest reduction in output since February 2021. Falling activity was seen across all four broad sectors. Similarly, new orders decreased at a much sharper pace at the end of the second quarter.

Although both input costs and selling prices increased at weaker rates than in May, the respective rates of inflation remained among the fastest on record. Higher costs for energy, fuel, shipping and wages were all widely reported. Meanwhile, supply-chain disruption continued, although lead times lengthened to a lesser extent amid weaker demand. Expectations that customers will continue to scale back spending plans amid rising costs led to a further drop in business sentiment. On a more positive note, employment continued to rise in June, and the rate of job creation quickened to a six-month high. Greater capacity meant that firms were able to deplete backlogs of work.

Download the PMI Report

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