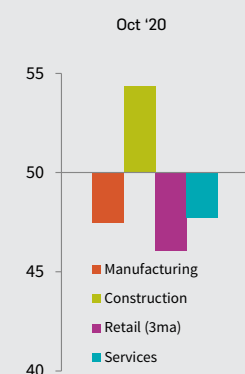
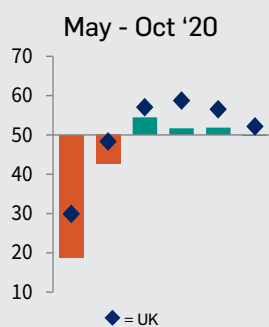


Ulster Bank Northern Ireland PMI[®]

Output stagnates as new orders continue to fall

Northern Ireland Business Activity Index



Key findings

Third successive reduction in new orders

Business activity broadly unchanged

Further decline in employment

Latest PMI data signalled a stagnation of business activity across the Northern Ireland private sector as new orders fell again. Firms also continued to scale back staffing levels. Meanwhile, rates of inflation of both input costs and output prices quickened.

The headline seasonally adjusted Business Activity Index posted broadly in line with the 50.0 no-change mark at 49.9 in October. This was down from 51.9 in September and signalled an end to a three-month sequence of rising output.

Where output fell, panellists mainly linked this to the coronavirus disease 2019 (COVID-19) pandemic. On the other hand, some firms reported strength in the housing market. In fact, construction was the only sector to see activity increase during the month.

New orders decreased for the third month

running, and to a greater extent than in September. Meanwhile, a further sharp decline in export orders was recorded.

Redundancies due to COVID-19 contributed to a further sharp reduction in employment. Despite this, there remained a lack of pressure on capacity, with companies able to deplete backlogs of work again.

Rates of inflation picked up, with both input costs and output prices rising at sharper rates in October. The increase in input costs was the fastest since February, and reflected higher prices for raw materials and transportation as well as rising staff costs.

The COVID-19 pandemic led to further pessimism regarding the 12-month outlook for activity, with sentiment more negative than in September.

Northern Ireland Business Activity Index

sa, >50 = growth since previous month



Contents

[About the report](#)

[Comment](#)

[Demand and outlook](#)

[Business capacity](#)

[Exports](#)

[Prices](#)

[UK Sector PMI](#)

[UK Regional PMI](#)

[Data summary](#)

[Contact](#)

About the Northern Ireland PMI® report

The Ulster Bank Northern Ireland PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 200 private sector companies in Northern Ireland, operating in the manufacturing, construction, retail and services sectors. The panel has been carefully selected in order to accurately reflect the true structure of the economy and therefore provide an accurate picture of business conditions.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

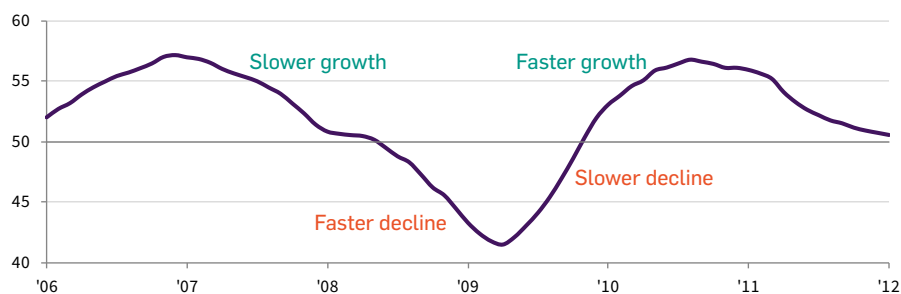
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Northern Ireland PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Index interpretation

50.0 = no change since previous month



Comment

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

“Northern Ireland’s private sector ended the third quarter with output expanding at a modest rate. What little momentum there has been lost during the start of the fourth quarter, with output growth stagnating in October. Given the reintroduction of lockdown measures for some sectors during the second half of last month, this deterioration is not unexpected. With new orders posting their third successive decline in October and restrictions to remain in place for at least the first half of November, the prospect of a pick-up in growth anytime soon looks slim. It is noted that Scotland and Wales, who also reintroduced lockdown measures ahead of England, posted even sharper falls in output last month. Meanwhile Northern Ireland’s largest export market, the Republic of Ireland posted its second successive month of contraction. Subdued demand from the Republic of Ireland is contributing to the continued marked decline in local firms’ export orders. Against this background, alongside rising inflationary pressures, local firms are continuing to reduce their staffing levels at a significant rate.

“At a sector level, construction was the best performer for the second month running and was the only sector to record both output and orders growth in October. Indeed, new orders increased

at their fastest rate in 56 months. Clearly this rapid growth has been coming off very low levels of activity. Manufacturing was the only other sector to see a pick-up in new orders growth. Services saw a rapid reversal in fortunes in October with output falling after September’s robust rate of expansion. More significantly, services orders slumped which is not surprising given the closure of the hospitality sector and other services firms due to lockdown. Manufacturing, services and retail firms all reported significant falls in employment levels while the construction sector posted a modest reduction in headcount.

“The resurgence of the COVID-19 virus and the reintroduction of lockdowns across Europe is expected to see economies contract over the course of the fourth quarter. Northern Ireland is not expected to be any different with the economy expected to end 2020 around 15% smaller than when it started the year. The longer the restrictions remain in place the deeper the contraction will be. The extension of the furlough period until the end of March 2021 will provide some much needed certainty for businesses in an abnormally uncertain world.”



Demand and outlook

Third successive fall in new orders

New business decreased for the third month running in October, with panellists linking the latest fall to the COVID-19 pandemic. The pace of decline quickened from that seen in September, but was only modest and much slower than those recorded during the worst of the downturn earlier in the year. New orders also fell across the UK economy as a whole. Services and retail posted reductions in new business, while the manufacturing and construction sectors posted expansions.

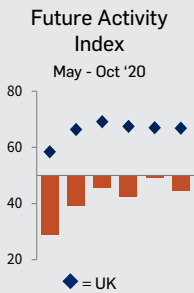
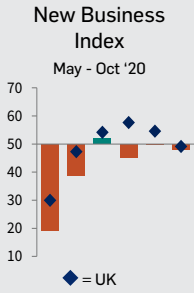
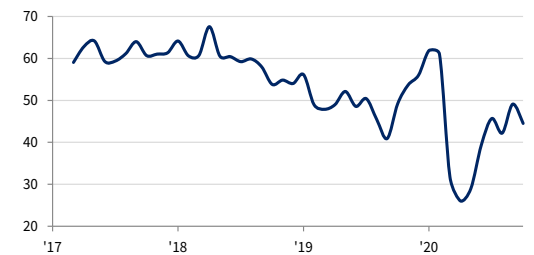
New Business Index 48.1
sa, >50 = growth since previous month
Oct '20



Pessimism grows at start of fourth quarter

October data pointed to increased pessimism in the 12-month outlook for business activity. Almost two-fifths of respondents predicted a fall in output, while 28% of firms were optimistic. The impact of the COVID-19 pandemic was the principal factor behind the negative outlook, while some firms also mentioned Brexit. Northern Ireland was the only area of the UK to predict a fall in output over the coming year.

Future Activity Index 44.5
>50 = growth expected over next 12 months
Oct '20



Business capacity

Sharp decline in employment

As has been the case in each of the past eight months, staffing levels decreased in October amid reports of redundancies. The rate of job cuts remained sharp, despite easing to a three-month low. That said, the reduction in Northern Ireland was slightly softer than the UK average. All four sectors posted falls in staffing levels, led by retail.

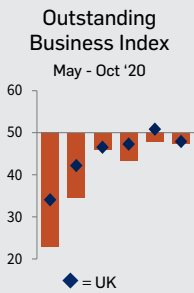
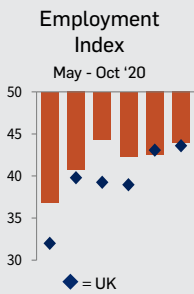
Employment Index 43.9
sa, >50 = growth since previous month
Oct '20



Further fall in backlogs of work

Despite ongoing reductions in staffing levels, companies were still able to reduce outstanding business at the start of the final quarter, largely as a result of lower new orders during the pandemic. The latest depletion was solid, and slightly sharper than that seen during the previous month. The construction sector bucked the wider trend, seeing a rise in backlogs of work.

Outstanding Business Index 47.4
sa, >50 = growth since previous month
Oct '20

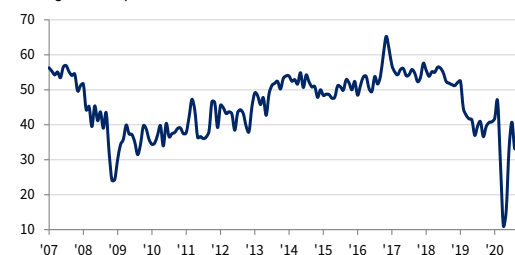


Exports

New business from abroad continues to fall sharply

The COVID-19 pandemic continued to have a negative impact on new export orders during October. New business from abroad decreased for the twenty-first successive month. The rate of contraction was substantial, despite easing to the weakest since February.

New Export Business Index **41.5**
 >50 = growth expected over next 12 months Oct '20



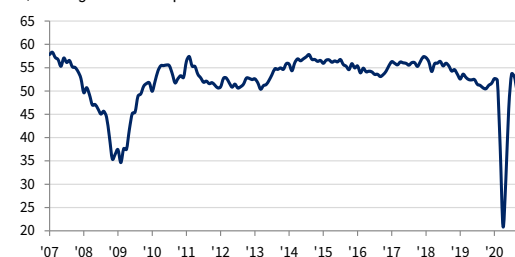
Modest improvement in export climate

The Northern Ireland Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Northern Ireland. This produces an indicator for the economic health of the country's export markets.

The Northern Ireland Export Climate Index rose to 51.2 in October, signalling a slight improvement in demand conditions in export markets. This followed a reading in line with the 50.0 no-change mark in September.

Stronger export conditions were driven by a sharp and accelerated rise in output in the US, where output rose to the greatest extent in almost two-and-a-half years. Marked improvements in output were also recorded in Canada and Germany. In contrast, other key export markets saw demand conditions deteriorate at the start of the fourth quarter. Both Ireland and France posted reductions in activity for the second month running.

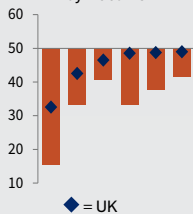
Export Climate Index **51.2**
 sa, >50 = growth since previous month Oct '20



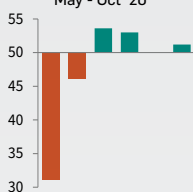
Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Oct'20
1	Republic of Ireland	36.2%	49.0
2	USA	12.2%	56.3
3	Canada	5.8%	55.2
4	Germany	5.1%	55.0
5	France	4.5%	47.5

New Export Business Index
 May - Oct '20



Export Climate Index
 May - Oct '20



Prices

Cost inflation at eight-month high

October data pointed to a sharp and accelerated rise in input prices in the Northern Ireland private sector. Moreover, the latest increase was the fastest in eight months. The construction and manufacturing sectors posted the fastest increases. Higher prices for raw materials and transportation were noted, while increased staff costs were also mentioned. The rise in input prices in Northern Ireland was the fastest of the 12 UK regions covered by the survey.

Input Prices Index

sa, >50 = inflation since previous month

60.0
Oct '20



Modest increase in output prices

Selling prices rose for the second month running in October. The rate of inflation was modest, but quickened from that seen in September to the fastest since February. Where charges increased, panellists generally linked this to the passing on of higher input costs to customers. All four broad sectors posted varying degrees of output price inflation. The fastest rise was at construction companies, with the slowest at service providers.

Prices Charged Index

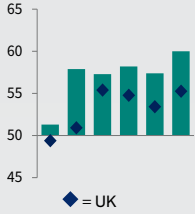
sa, >50 = inflation since previous month

51.8
Oct '20



Input Prices Index

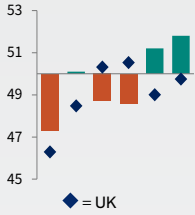
May - Oct '20



◆ = UK

Prices Charged Index

May - Oct '20



◆ = UK



UK Sector PMI

Sector specialisation: Northern Ireland

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for Northern Ireland, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

Northern Ireland specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Oct '20*
1	Food & Drink	2.10	
2	Electrical & Electronic	1.13	
3	Machinery & Equipment	1.08	
4	Textiles & Clothing	1.00	
5	Other Manufacturing	0.94	
6	Wood & Paper	0.75	
7	Metals & Metal Products	0.75	
8	Transport Equipment	0.60	
9	Chemicals, Rubber & Plastics	0.56	

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Oct '20*
1	Hotels, Restaurants & Catering	1.29	
2	Other Services	1.23	
3	Transport & Communication	1.18	
4	Business-to-business Services	0.89	
5	Computing & IT Services	0.84	
6	Financial Intermediation	0.81	

UK sector focus

Machinery & Equipment

A sharp rise in output was recorded across the UK's Machinery & Equipment sector in the three months to October. The rate of growth was third only to those recorded for Metals & Metal Products and Other Manufacturing. However, it came off the back of a record contraction in production in the spring amid the initial COVID-19 lockdowns, which itself was preceded by a prolonged downturn in the sector stretching back to mid-2019.

Makers of machinery & equipment were strongly optimistic about output rising further over the coming year. Still, with a lack of pressure on capacity – as evidenced by falling backlogs of work – they cut workforce numbers in the three months to October, continuing a trend going back almost a year-and-a-half. The rate of job shedding was solid but eased to the weakest since the opening quarter of 2020.

Output Index

sa, >50 = growth since previous month (3mma)*



UK Regional PMI overview

Business Activity

Eight out of the nine monitored English regions recorded a rise in business activity in October, though growth slowed in all cases. The South East recorded the steepest increase, followed by the East of England. The South West was the only exception, registering a marginal fall in output after three months of growth. This was also the case for Northern Ireland. Scotland and Wales both saw notable falls in activity.

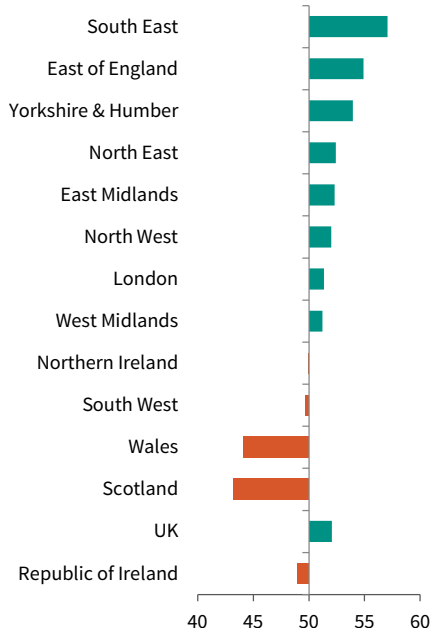
Employment

Employment fell across all parts of the UK in October, the eighth month in a row in which this has been the case. For the second month running, the sharpest drop in payroll numbers was in the West Midlands. The next-steepest decreases were seen in Scotland, Wales and London, respectively. At the other end of the rankings, the East of England recorded the least marked fall in workforce numbers.

Future Activity

The majority of regions recorded a drop in business confidence towards future output in October. For Northern Ireland, expectations turned more pessimistic. Elsewhere, firms generally remained hopeful of a rise in activity over the next 12 months. Yorkshire & Humber registered the strongest optimism, followed by the South West. London, which was ranked third overall, saw the biggest improvement since September.

Business Activity Index
sa, >50 = growth since previous month, Oct '20



Employment Index
sa, >50 = growth since previous month, Oct '20



Future Activity Index
>50 = growth expected over next 12 months, Oct '20



*Coverage in England, Wales, Scotland and Republic of Ireland only includes manufacturing and services. Northern Ireland also includes retail and construction.



Index summary

Northern Ireland

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	New Export Business	Export Climate	Input Prices	Prices Charged
May '20	18.9	19.1	29.0	36.8	22.9	15.4	31.1	51.3	47.3
Jun '20	42.6	38.7	39.3	40.7	34.6	33.1	46.1	57.9	50.1
Jul '20	54.5	51.9	45.7	44.3	46.0	40.7	53.6	57.3	48.7
Aug '20	51.7	45.1	42.2	42.3	43.3	33.1	53.0	58.2	48.6
Sep '20	51.9	49.7	49.1	42.5	47.8	37.7	50.0	57.4	51.2
Oct '20	49.9	48.1	44.5	43.9	47.4	41.5	51.2	60.0	51.8

By Sector, Oct '20

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Manufacturing	47.4	52.0	52.4	41.9	48.8	60.1	50.7
Construction	54.4	56.9	46.0	49.4	55.3	64.7	57.1
Retail (3ma)	46.0	47.8	38.0	39.4	45.9	56.5	51.8
Services	47.7	41.4	42.3	42.9	42.0	58.7	50.4

Contact

Richard Ramsey
 Chief Economist, Northern Ireland
 T +44 (0)28 9027 6354
 M +44 (0)7881 930955
richard.ramsey@ulsterbankcm.com
 Web: www.ulstereconomix.com
 Twitter: @UB_Economics

About Ulster Bank

Ulster Bank is a member of The Royal Bank of Scotland Group. Ulster Bank acts as a full service institution to its customer base, providing an extensive range of retail banking, business banking, investment banking and capital markets services to corporate, personal and institutional clients.

Our focus is firmly centred on our customers. Every business customer benefits from access to a dedicated, professional and highly trained relationship manager. Their role is to gain a genuine understanding of our customers' business needs and provide dedicated financial information and assistance.

We work together to achieve business success, no matter how simple or complex our customers' requirements. A combination of size, financial strength and wide ranging capability means we can deliver for our customers, whatever their business may be.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and entered on the Financial Services Register (Registration Number 122315).

Ulster Bank Limited. Registered in Northern Ireland. Registration Number R733. Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB.

Disclaimer

The Ulster Bank Northern Ireland PMI® is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.

The intellectual property rights to the Ulster Bank Northern Ireland PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Ulster Bank uses the above marks under licence. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

ihsmarkit.com/products/pmi.html