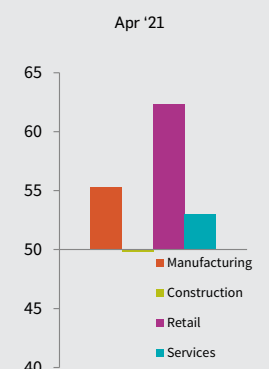
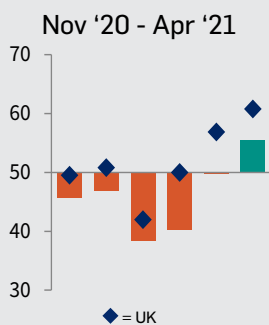


# Ulster Bank Northern Ireland PMI<sup>®</sup>

## Activity returns to growth in April

### Northern Ireland Business Activity Index



### Key findings

Renewed increases in output and new orders

Fastest rise in employment since December 2017

Inflationary pressures strengthen further

Output returned to growth in Northern Ireland's private sector at the start of the second quarter, supported by a renewed expansion of new orders. In response, firms upped their rate of job creation. That said, rates of input cost and output price inflation accelerated again.

The headline seasonally adjusted Business Activity Index posted 55.5 in April, up from 49.7 in March and above the 50.0 no-change mark for the first time in seven months. The reading signalled a marked increase in activity, with panellists reporting improved demand and signs of recovery as COVID-19 restrictions are eased. Activity rose in the manufacturing, services and retail sectors, and broadly stabilised in construction.

A similar picture was seen with regards to new orders, which increased for the first time since July last year as customers

prepared for the easing of restrictions. New export business continued to fall, however, as Brexit and the COVID-19 pandemic continued to affect efforts to secure exports.

Business confidence strengthened to a 14-month high in April, while the rate of job creation quickened to the fastest since December 2017. Increased capacity wasn't sufficient to prevent a rise in backlogs of work, however, as new order growth tested capacity.

There was no let-up in inflationary pressures during April. In fact, both input costs and output prices rose at series-record rates. Respondents linked higher input costs to greater prices for raw materials, shipping, energy and fuel. Meanwhile, suppliers' delivery times lengthened considerably again, with panellists often linking this to Brexit.

Northern Ireland Business Activity Index

sa, >50 = growth since previous month



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## 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.

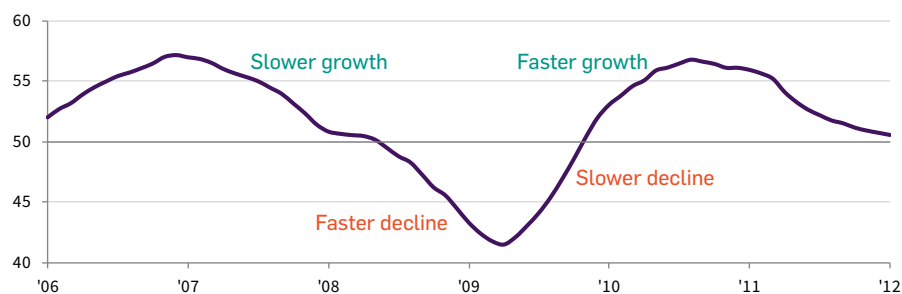
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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](mailto: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:

*“The start of the second quarter heralded a significant improvement in local business conditions. Northern Ireland’s private sector reported a return to growth in business activity and new orders in April although export orders, as opposed to domestic, posted another sizeable fall. The rebound in business activity, the first rise since September 2020, marked the fastest rate of growth in 33 months. Meanwhile employment increased for the second month running with the pace of job creation hitting a 40-month high.*

*“The improved business performance in April was broad based with retail, manufacturing and services all reporting an increase in both output and employment. Although services, alongside construction, posted a further contraction in new orders. Nevertheless, services firms did record the strongest rate of job creation of all four sectors with employment rising at its fastest pace since August 2007. Manufacturing firms increased their headcount at the fastest pace in almost 7 years.*

*“Clearly, local firms have benefited from a notable pick-up in demand. But this improvement is occurring alongside significant supply chain disruption. Adapting to the new NI Protocol is one aspect of the increasing cost of doing business. However, it isn’t the only*

*source of disruption. Economies around the world have seen a lengthening in suppliers’ delivery times due to the pandemic and worldwide shipping issues such as a shortage of shipping containers. Linked to this, Northern Ireland firms once again reported a record rise in input costs stemming from higher prices for raw materials and fuel coupled with increased shipping costs. In turn, companies are also passing these increased costs onto their customers at a record rate. At a sector level, both retail and construction posted record rates of input cost and output price inflation.*

*“Signs of disruption are also evident elsewhere. Outstanding business increased in April for the first time since July 2018. A surge in new orders explains part of this, but mounting backlogs are also a sign of the widespread supply chain disruption. Indeed, both manufacturing and construction firms saw their backlogs rise at a record rate, highlighting the extent of the issue.*

*“Supply chain disruption and intense inflationary pressures will be with us for a while. The key question is for how long? Despite these challenges local firms are the most optimistic about business activity in twelve months’ time than they have been since the pandemic began. But whilst increasing activity is one thing, increasing profitability may prove to be much more difficult. This is particularly the case in a tight labour market,*

*something that a range of other surveys have highlighted.”*



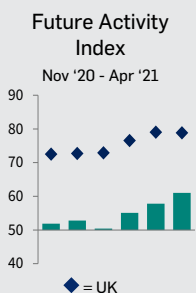
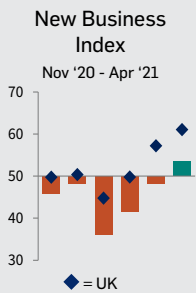
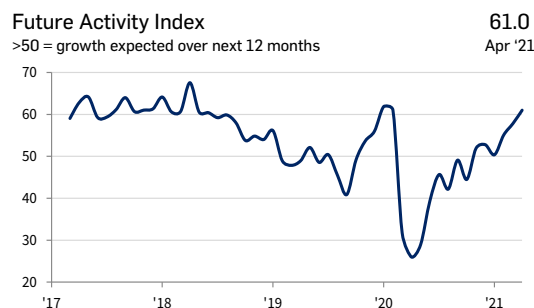
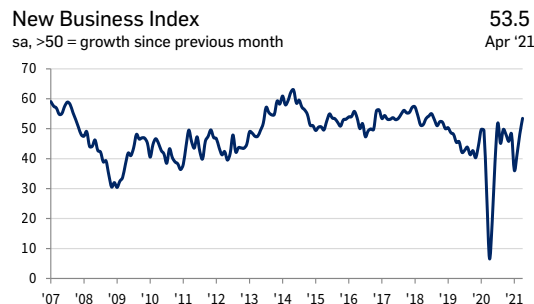
## Demand and outlook

### New business returns to growth

Companies in Northern Ireland recorded a rise in new business during April, thereby ending an eight-month sequence of decline. The rate of expansion was solid, albeit softer than the UK average. Respondents indicated that the rise in new orders reflected customer preparations for the lifting of COVID-19 lockdown measures and growing confidence due to the success of the vaccine roll-out. Retailers and manufacturers posted expansions, while rates of decline eased in the services and construction sectors.

### Business sentiment at 14-month high

Rising for the third month running in April, business confidence was the highest since February 2020. That said, firms in Northern Ireland were still the least optimistic across the UK as a whole. The easing of lockdown restrictions was central to positive expectations, with a number of firms predicting new order growth. Optimism was signalled in the manufacturing, services and construction sectors, while retailers expressed a neutral outlook.



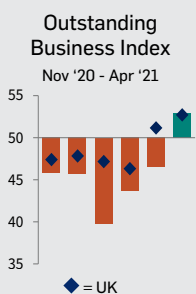
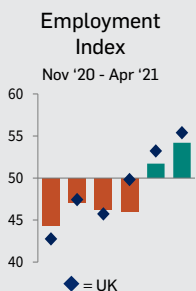
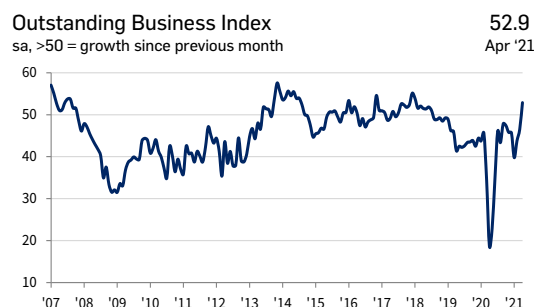
## Business capacity

### Rate of job creation accelerates

Companies responded to higher demand by making efforts to expand operating capacity at the start of the second quarter. Employment rose for the second month running, and at a solid pace that was the sharpest since December 2017. Job creation was led by the service sector, with increases in staffing levels also registered in manufacturing and retail.

### First rise in backlogs since mid-2018

April data signalled an accumulation of backlogs of work in the private sector, thereby ending a 32-month sequence of decline. Respondents indicated that renewed increases in new orders had imparted pressure on capacity. The rise in outstanding business in Northern Ireland was broadly in line with the UK average.

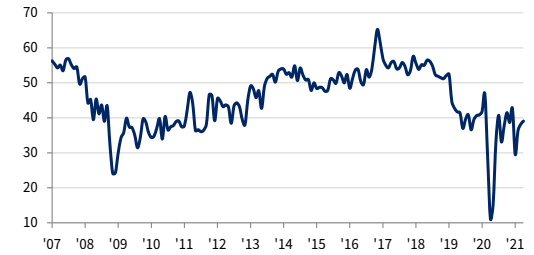


## Exports

### New export orders fall sharply again

In contrast to the picture for total new orders, new business from abroad continued to fall in April. The rate of contraction remained substantial, despite easing to the softest in the year-to-date. According to panellists, a combination of the COVID-19 pandemic and Brexit acted to depress opportunities for export business.

**New Export Business Index** 39.1  
 >50 = growth expected over next 12 months  
 Apr '21



### Strong improvement in export climate

The Northern Ireland Export Climate Index (ECI) 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 ECI posted a strengthening of demand conditions in export markets for the second month running in April. Moreover, the rate of improvement was sharp and the most marked since August 2014.

**Export Climate Index** 57.5  
 sa, >50 = growth since previous month  
 Apr '21

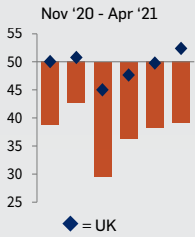


Output ramped up in the Republic of Ireland during April, with the rate of expansion the fastest in just over two-and-a-half years. An even stronger pace of growth was recorded in the US. In Europe, growth was particularly sharp in manufacturing, helping lead to a marked overall increase in output in Germany and the steepest rise in Netherlands manufacturing production on record. Manufacturing output in Canada grew markedly, but at a slower pace than in March.

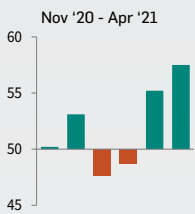
#### Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Apr'21
1	Republic of Ireland	38.6%	58.1
2	USA	12.5%	63.5
3	Canada	5.6%	55.0
4	Germany	4.3%	55.8
5	Netherlands	3.9%	65.0

New Export Business Index  
 Nov '20 - Apr '21



Export Climate Index  
 Nov '20 - Apr '21



## Prices

### Input price inflation accelerates again

Input prices increased substantially again in April, with the rate of inflation hitting a fresh survey record for the second month running. Nearly two-thirds of respondents saw their input costs increase during the month, with Northern Ireland posting the sharpest rate of inflation of the 12 UK regions. Higher prices for raw materials, increased shipping costs and rises in charges for energy and fuel all contributed to greater input costs.

Input Prices Index 79.3  
sa, >50 = inflation since previous month Apr '21



### Record rise in selling prices

In line with the trend in input costs, selling price inflation hit a new record high during April as companies passed on cost increases to their customers. The rate of inflation quickened for the seventh month running. Retailers posted the fastest rise in selling prices, just ahead of manufacturers and construction firms.

Prices Charged Index 69.6  
sa, >50 = inflation since previous month Apr '21

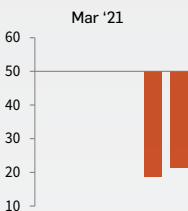


## Suppliers' Delivery Times

### Lead times lengthen at marked pace

As was the case in March, suppliers' delivery times lengthened considerably during April. Firms indicated that Brexit was the main factor leading to longer lead times, with added complexity and processes causing delays. There were also reports that the COVID-19 pandemic and general shipping issues worldwide had added to disruption.

Suppliers' Delivery Times Index



**Input Prices Index**  
Nov '20 - Apr '21

◆ = UK

**Prices Charged Index**  
Nov '20 - Apr '21

◆ = UK

**Suppliers' Delivery Times Index**  
Mar '21



## 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, Apr '21
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, Apr '21
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

#### Timber & Paper Manufacturing

PMI data for the three months to April showed strong output growth at manufacturers of timber & paper products. This marked a rebound from a downturn at the turn of the year, when the sector was hit by a combination of a resurgence in COVID-19 infections, tightened lockdown measures, post-Brexit disruption and supply-chain issues.

The recent improved performance has been driven largely by increasing domestic demand, with new export orders falling in the three months to April. Employment levels in the sector have meanwhile stabilised, having been in almost continuous decline since mid-2019.

Supply-side conditions, on the other hand, remain challenging, with latest data showing the continuation of the sector's worst spell of input delivery delays in almost three decades of data collection. In turn, cost pressures have reached a record high.

#### Output Index

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



## UK Regional PMI overview

### Business Activity

A return to growth in Northern Ireland meant that higher output was recorded across all 12 regions of the UK for the first time in seven months in April. Overall, growth was led by the West Midlands, closely followed by Yorkshire & Humber. The weakest performances were seen in the North East and Scotland, though even here the rates of expansion were historically strong.

### Employment

There was a general improvement in labour market trends in April, with 11 out of the 12 monitored regions recorded higher employment, up from ten in March. Furthermore, almost all areas saw a faster rate of job creation, including the two standout performers, the North West and Yorkshire & Humber. Staffing numbers fell in Wales, albeit only marginally.

### Future Activity

Businesses across all parts of the UK were strongly confident about the outlook for activity over the next 12 months in April. Firms in Yorkshire & Humber showed the greatest optimism for the fourth month running, with the South East and London close behind. Expectations in Northern Ireland were the highest for 14 months, but still lower than in any other region.

**Business Activity Index**  
sa, >50 = growth since previous month, Apr '21



**Employment Index**  
sa, >50 = growth since previous month, Apr '21



**Future Activity Index**  
>50 = growth expected over next 12 months Apr '21



\*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	Suppliers' Delivery Times
Nov '20	45.6	45.8	51.9	44.3	45.8	38.7	50.2	64.6	54.5	
Dec '20	46.8	48.2	52.8	47.1	45.7	42.7	53.1	66.7	56.5	
Jan '21	38.3	36.2	50.4	46.3	39.8	29.6	47.6	69.9	58.2	
Feb '21	40.2	41.5	55.1	46.0	43.7	36.3	48.7	75.2	62.5	
Mar '21	49.7	48.2	57.8	51.7	46.5	38.2	55.2	78.1	65.9	18.7
Apr '21	55.5	53.5	61.0	54.2	52.9	39.1	57.5	79.3	69.6	21.2

### By Sector, Apr '21

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	55.3	55.7	68.9	56.7	59.5	83.2	75.1
Construction	49.8	46.7	52.5	46.1	56.2	90.7	72.6
Retail	62.3	65.7	50.0	53.2	59.7	96.0	82.8
Services	53.0	49.4	63.8	58.0	45.6	66.3	58.0

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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.

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