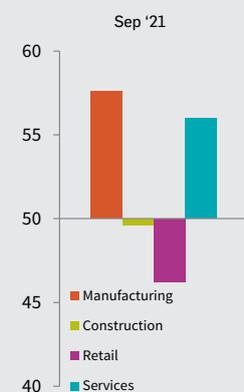
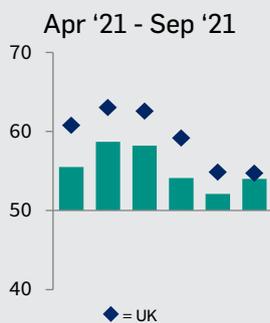


Ulster Bank Northern Ireland PMI[®]

New orders decline for first time in six months

Northern Ireland Business Activity Index



Key findings

New orders decrease, but output continues to rise

Rates of inflation hit new record highs

Job creation accelerates

Companies in Northern Ireland continued to expand their business activity during September, despite a first reduction in new orders for six months. Meanwhile, both input costs and selling prices increased at the sharpest rates on record.

The headline seasonally adjusted Business Activity Index posted 54.0 in September, up from 52.1 in August to signal a solid and accelerated rise in output at the end of the third quarter. Some firms indicated that they continued to catch up on work following the easing of COVID-19 restrictions.

Differing trends were recorded across the four broad sectors covered by the survey. Manufacturers and service providers saw activity rise sharply, but declines were signalled in construction and retail. In fact, construction and retail also posted falls in new orders and employment.

Northern Ireland Business Activity Index

sa, >50 = growth since previous month



Across the private sector as a whole, new orders decreased slightly following five successive months of expansion. This was despite a sharp rise in manufacturing new orders, with services new business unchanged.

The rate of job creation quickened to a four-month high, enabling firms to deplete backlogs of work for the first time in six months.

Both input costs and output prices increased at record rates, with inflationary pressures reportedly stemming from higher freight charges, as well as fuel and raw material costs.

Sentiment among Northern Ireland companies hit a three-month high amid hopes of improving business volumes over the year ahead. Optimism was signalled in the manufacturing and services sectors, contrasting with pessimism elsewhere.

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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.

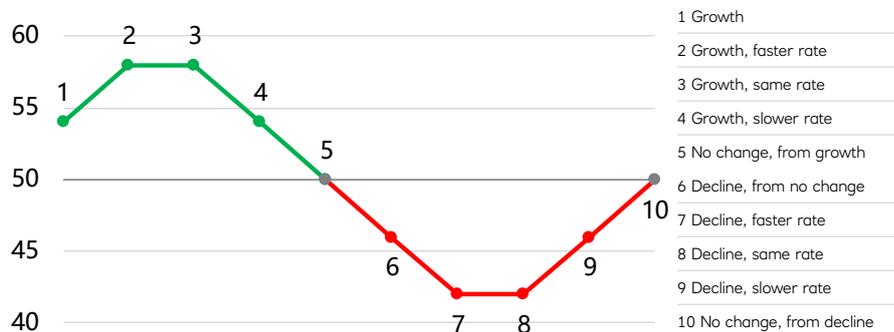
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

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 latest PMI survey presents a rather mixed picture about evolving business conditions in Northern Ireland. The rate of growth in both business activity and employment accelerated in September relative to August. Sentiment also improved, with firms now anticipating faster rates of growth in output in 12 months’ time. Once again, improvements in business conditions were sector specific, with manufacturing and services firms posting strong rates of growth in output and employment. Indeed, manufacturing employment rose at its second-fastest rate on record. Conversely, construction and retail saw activity and employment fall and both sectors remain pessimistic about output a year ahead. The outlook remains challenging on three fronts. Firstly, new orders fell for the first time in six months. Secondly, inflationary pressures are intensifying; local firms reported record rises in input costs and are also raising the prices of their goods and services at the fastest pace in the survey’s history. And this reflects the experience of businesses last month, before the more recent surge in energy prices took place. Thirdly, supply chains remain under stress, with supplier delivery times lengthening significantly in September relative to August. This is most acute within retail, and this will

present challenges for consumers and business, particularly as we approach Christmas.”



Demand and outlook

New orders fall for first time in six months

New business decreased slightly in September, thereby ending a five-month sequence of expansion. Panellists reported a lack of new orders amid price rises and supply shortages. Both the retail and construction sectors posted reductions in new business, while no change was seen at service providers. In contrast, manufacturers posted a sharp and accelerated expansion of new orders.

New Business Index

sa, >50 = growth since previous month

49.1
Sep '21



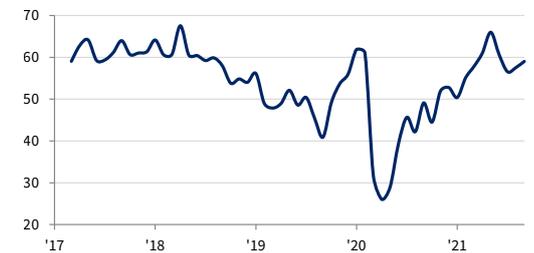
Business confidence at three-month high

Companies in Northern Ireland remained optimistic that business activity will rise over the coming year, with positive sentiment often reflecting hopes of improved business volumes as COVID-19 restrictions are eased further. The easing of rules relating to travel was mentioned in particular. Strong confidence was signalled in the manufacturing and service sectors, while downbeat sentiment was seen at construction and retail companies.

Future Activity Index

>50 = growth expected over next 12 months

59.0
Sep '21



Business capacity

Solid increase in staffing levels

Positive growth expectations encouraged companies in Northern Ireland to expand their workforce numbers at the end of the third quarter. Employment increased for the seventh month running, and at a marked pace that was the sharpest since May. Strong job creation was registered in the manufacturing and service sectors, outweighing the impact of job losses in construction and retail.

Employment Index

sa, >50 = growth since previous month

54.9
Sep '21



Outstanding business down marginally

Backlogs of work decreased marginally in September, the first reduction in six months. Where outstanding business fell, panellists linked this to a lack of new work to replace completed projects. On the other hand, capacity constraints meant that some firms continued to see backlogs increase. The overall decline in work-in-hand was centred on the construction and retail categories.

Outstanding Business Index

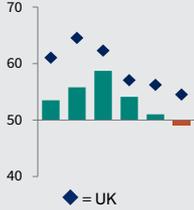
sa, >50 = growth since previous month

49.7
Sep '21



New Business Index

Apr '21 - Sep '21



Future Activity Index

Apr '21 - Sep '21



Employment Index

Apr '21 - Sep '21



Outstanding Business Index

Apr '21 - Sep '21



Exports

New business from abroad falls again

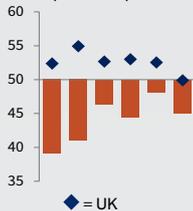
As has been the case in each of the past 32 months, new export orders decreased in the Northern Ireland private sector during September. The pace of reduction was solid and sharper than that seen in August. Respondents indicated that Brexit and the COVID-19 pandemic continued to hamper efforts to sell abroad.

New Export Business Index
>50 = growth since previous month

45.0
Sep '21



New Export Business Index
Apr '21 - Sep '21



Export demand conditions improve sharply

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.

At 57.4 in September, down from 58.0 in August, the ECI signalled a further marked improvement in demand conditions in export markets, albeit one that was the softest since March.

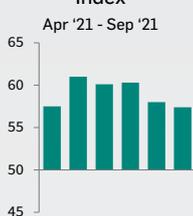
Export Climate Index

sa, >50 = growth since previous month

57.4
Sep '21



Export Climate Index
Apr '21 - Sep '21



The main export market for Northern Ireland companies - the Republic of Ireland - continued to record strong growth of business activity at the end of the third quarter. The rate of expansion did ease, however, as was the case in the other key export destinations. Output growth in the US slipped to a one-year low, while the rise in Germany was the softest since February. The Netherlands posted the weakest increase in business activity in the year-to-date.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Sep'21
1	Republic of Ireland	38.6%	61.5
2	USA	12.5%	55.0
3	Canada	5.6%	53.9
4	Germany	4.3%	55.5
5	Netherlands	3.9%	57.5



Prices

Input prices rise at fresh record pace

After having eased slightly in August, the rate of input cost inflation reaccelerated in September and was the strongest since the survey began in August 2002, just surpassing the previous record seen in July. Higher freight charges were widely mentioned, with panellists also reporting increases in costs for fuel and raw materials. Construction posted the fastest rise in input prices, just ahead of retail. Although posting the softest inflation of the four broad sectors, services signalled a series-record increase in input costs.

Input Prices Index 86.7
sa, >50 = inflation since previous month Sep '21



Unprecedented rise in charges

The rate of selling price inflation surged to a new record high in September as companies passed on sharply rising input costs to their customers. Each of the four broad sectors signalled sharper increases than in August, with retailers recording the most marked rise in charges.

Prices Charged Index 74.1
sa, >50 = inflation since previous month Sep '21

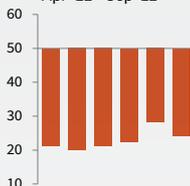


Suppliers' Delivery Times

Delivery delays continue

Suppliers' delivery times lengthened substantially again in September, with firms linking delays to Brexit, global supply-chain issues and problems securing items from the Far East. Retailers signalled particularly severe delays in receiving purchased items.

Suppliers' Delivery Times Index
Apr '21 - Sep '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, Sep '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, Sep '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

Business-to-business Services

The third quarter of 2021 saw robust growth in activity across the UK's Business-to-business Services sector. The pace of recovery did, however, slow compared to the second quarter.

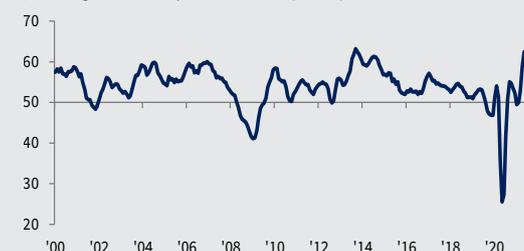
The sector's continued upturn was supported by strong inflows of new business, the rate of growth of which was second only to that recorded in Hotels, restaurants & catering. Backlogs of work accumulated as a result.

Latest data indicated another period of rapid job creation at Business-to-business service providers in the three months to September. The rate of employment growth remained close to the fastest seen in 25 years of data collection.

Rising personnel costs were meanwhile a factor behind near-record inflation in both input prices and output charges during the third quarter of 2021. Increases in the cost of raw materials, freight and fuel were also widely reported.

Output Index

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



UK Regional PMI overview

Business Activity

There were pockets of strong business activity growth in September, with Wales, the West Midlands, Scotland and London seeing the fastest increases respectively. A number of areas continued to see a loss of momentum, however, including the North East, which remained at the foot of the rankings and saw only a marginal rise in activity on the month.

Employment

Rates of job creation generally eased in September. Still, employment rose notably across the majority of nations and regions, the only exception being the North East, where the level was little-changed since August. The fastest rate of workforce growth was once again recorded in London, with Wales and Scotland ranked second and third respectively.

Future Activity

Expectations towards activity over the coming year remained strongly positive in all areas in September. For the third time in the past five months, firms in the South East showed the strongest optimism, followed by their counterparts in Yorkshire & Humber. Confidence eased in the majority of areas, however. Northern Ireland was one of the exceptions but still recorded the weakest sentiment overall.

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



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



Future Activity Index
>50 = growth expected over next 12 months Sep '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
Apr '21	55.5	53.5	61.0	54.2	52.9	39.1	57.5	79.3	69.6	21.2
May '21	58.7	55.8	66.0	56.6	54.0	41.0	61.0	84.8	69.6	20.0
Jun '21	58.2	58.7	60.6	53.7	58.8	46.4	60.1	85.7	70.9	21.1
Jul '21	54.1	54.1	56.6	54.2	55.3	44.5	60.3	86.4	70.4	22.5
Aug '21	52.1	51.0	57.6	53.5	52.5	48.1	58.0	85.1	70.0	28.2
Sep '21	54.0	49.1	59.0	54.9	49.7	45.0	57.4	86.7	74.1	24.3

By Sector, September '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	57.6	56.6	63.1	61.2	54.6	86.9	76.8
Construction	49.6	47.4	44.4	49.7	48.5	98.3	81.6
Retail	46.2	41.6	47.1	46.5	43.8	90.2	90.0
Services	56.0	50.0	65.4	56.2	50.9	80.7	61.6

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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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ihs.com/products/pmi.html