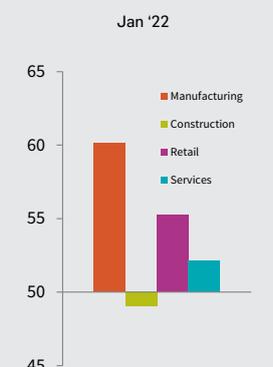
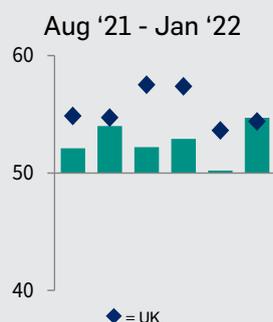


# Ulster Bank Northern Ireland PMI<sup>®</sup>

## New orders rise for first time in five months

### Northern Ireland Business Activity Index



### Key findings

Growth of activity strengthens as new orders increase

Softest rise in employment in ten months

Further steep inflation of input costs and selling prices

The Northern Ireland private sector made a positive start to 2022, seeing new orders return to growth and output rise at an accelerated rate. That said, there were some signs of job creation easing and inflationary pressures remained pronounced.

The headline seasonally adjusted Business Activity Index rose to 54.7 in January, up from 50.2 in December and signalling a marked increase in output that was the fastest since June last year. Growth was led by the manufacturing sector, while construction bucked the wider trend by posting a further fall in activity at the start of the year.

Rising activity was largely a reflection of increasing new orders, which expanded for the first time in five months. With new business rising and companies reporting a limited supply of staff and materials,

backlogs of work rose at the fastest pace since July last year.

Firms did take on additional staff again in January, but the rate of job creation eased to a ten-month low amid reports that finding new staff had been difficult. Employment rose in the manufacturing and services sectors, but fell in construction and retail.

Inflationary pressures remained elevated in January, with both input costs and output prices rising substantially. Higher cost burdens reflected increased prices for energy, freight, fuel, materials and wages. Meanwhile, suppliers' delivery times continued to lengthen, but to a lesser extent.

Business confidence strengthened amid hopes of improvements in the pandemic and supply-chain situations and confidence in the outlook for new orders.

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.

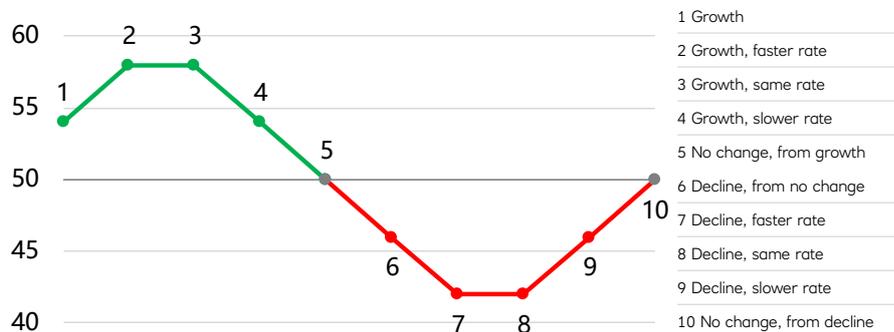
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

*“Northern Ireland’s private sector has shaken off the Omicron induced slowdown seen in December and has started 2022 on a positive note. In January, growth in business activity accelerated to a seven-month high, while new orders rose for the first time in five months. Employment also increased for the eleventh month running, but with firms finding it increasingly difficult to get the staff they want, the pace of hiring did slow to its weakest rate since March. Indeed, retail and construction actually cut their headcount. Whilst inflationary pressures have moderated from their record highs, they remain a significant challenge. Mounting wage and energy costs are leading to ongoing increases in input costs and companies are also continuing to pass this on by increasing the prices they charge.*”

*“The upturn in private sector growth was in part driven by a rebound in service sector activity, not least hospitality, as the Omicron wave faded. Services, along with retail and manufacturing reported growth while construction posted its seventh successive month of falling output. Manufacturing regained its momentum after a slight slowdown at the end of last year by posting the fastest rate of growth in output, new orders and employment of all of the sectors in*

*January. Indeed, the sector’s incoming business rose at its fastest pace since September 2014.*”

*“Overall, the January PMI is a positive report but whilst Omicron and indeed Covid as a whole are fading, skills shortages, the cost-of-living crisis, and Northern Ireland’s latest round of political instability will bring plenty of headwinds to challenge firms in 2022.”*



## Demand and outlook

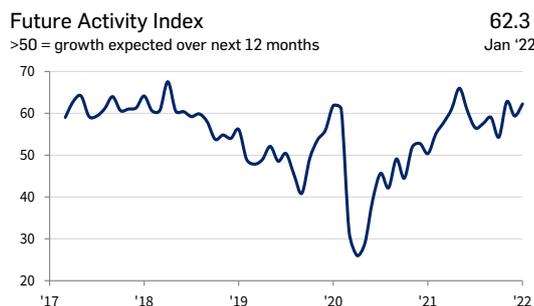
### New business returns to growth

January data signalled a positive start to the new year with regards to new orders, with companies in Northern Ireland signalling an expansion for the first time in five months. Moreover, the rate of growth was solid and the fastest since July last year. Manufacturing posted the steepest rise in new orders, while increases were also signalled in the services and retail sectors. Construction new business continued to fall, albeit at a reduced rate.



### Business confidence ticks higher

Hopes of an improvement in the pandemic situation, less disruption to supply and rising new orders all supported optimism among Northern Ireland companies that output will increase over the coming year. Confidence was stronger than that seen in December, with around 39% of respondents forecasting growth. Manufacturers posted the strongest optimism, closely followed by service providers. Meanwhile, renewed positive sentiment was seen in the construction sector.



## Business capacity

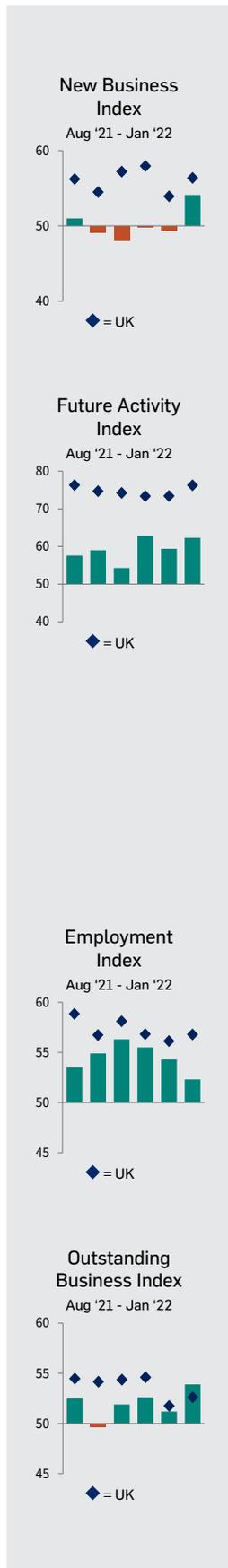
### Rate of job creation eases

Although companies in Northern Ireland increased their staffing levels for the eleventh successive month in January, the rate of job creation softened for the third month running and was the weakest since March 2021. Where employment increased, panellists linked this to higher workloads. On the other hand, a number of respondents indicated that recruiting new staff was proving difficult. Employment rose in the manufacturing and services sectors, but fell in construction and retail.



### Solid rise in outstanding business

As has been the case in each of the past four months, backlogs of work increased in January. Moreover, the rate of accumulation was solid and the most marked since last July. According to respondents, rising backlogs reflected a combination of higher new orders, staff shortages and material supply issues.





## Prices

### Further sharp rise in input costs

The rate of input cost inflation remained substantial in January. Although the slowest in five months, the latest increase was still faster than anything seen prior to the current spike in inflation since the survey began in August 2002. Respondents indicated that higher input costs reflected a range of factors, including rising prices for energy, freight, fuel and materials, as well as increased wages. Retail continued to post the fastest increase in input costs of the four monitored sectors.

### Rate of output price inflation remains elevated

Higher input costs often fed through to rises in selling prices at the start of the year. The rate of charge inflation remained elevated, despite easing to the softest since last September. The sharpest increase in selling prices was in the retail sector, followed by manufacturing.

### Input Prices Index

sa, >50 = inflation since previous month

86.1  
Jan '22



### Prices Charged Index

sa, >50 = inflation since previous month

74.2  
Jan '22



## Suppliers' Delivery Times

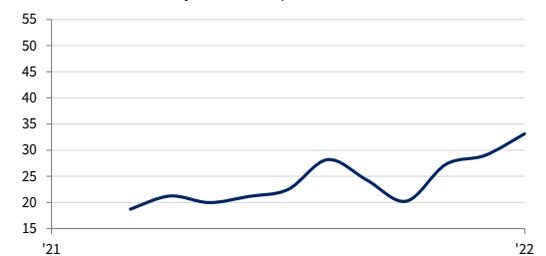
### Signs of supply-chain disruption easing

Although suppliers' delivery times lengthened considerably again in January, the rate of deterioration in vendor performance was the softest in the 11 months of data collection so far. Reports suggested that Brexit was a key factor leading to longer delivery times, while the COVID-19 pandemic and delays in shipping from China were also mentioned.

### Suppliers' Delivery Times Index

sa, >50 = shorter delivery times since previous month

33.1  
Jan '22



### Input Prices Index

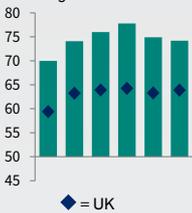
Aug '21 - Jan '22



◆ = UK

### Prices Charged Index

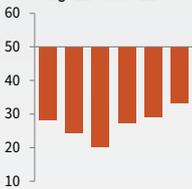
Aug '21 - Jan '22



◆ = UK

### Suppliers' Delivery Times Index

Aug '21 - Jan '22



## 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, Jan '22
1	Electrical & Optical	1.42	
2	Food & Drink	1.26	
3	Textiles & Clothing	1.19	
4	Other Manufacturing	1.09	
5	Basic Metals	0.98	
6	Timber & Paper	0.92	
7	Mechanical Engineering	0.88	
8	Chemicals & Plastics	0.78	
9	Transport	0.77	

#### Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jan '22
1	Hotels, Restaurants & Catering	1.34	
2	Personal & Community Services	1.23	
3	Transport & Communication	1.22	
4	Business-to-business Services	0.89	
5	Computing & IT Services	0.89	
6	Financial Intermediation	0.66	



### UK sector focus

#### Other Personal & Community Services

The resurgence in COVID cases linked to the Omicron variant and renewed virus containment measures acted as a break on growth in the UK's Other Personal & Community Services sector - which includes private healthcare and education, alongside leisure and recreation and other personal services - in the three months to January.

Activity growth moderated to the slowest since last spring and was below the average for the services economy as a whole over the same period.

Staff shortages were another headwind to the sector, as firms reported difficulty retaining employees and finding replacements. Employment fell against the wider trend in the UK economy, with the rate of decline even gathering pace.

Latest data meanwhile pointed to further challenges on the cost front, as input prices rose at a near-record rate in the three months to January.

#### Output Index

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



## UK Regional PMI overview

### Business Activity

Business activity rose across almost all UK regions in January, and at a faster rate in most cases. London continued to lead growth despite being one of the few areas to have lost momentum. Northern Ireland\* saw the greatest upswing in performance, rising six places in the rankings to fifth overall. The North East recorded the only fall in output, its third in as many months.

### Employment

All 12 monitored regions recorded a rise in private sector employment in January, the ninth month in a row in which this has been the case. The East Midlands topped the rankings for job creation for the first time since March 2018, ahead of the East of England and North West respectively. The slowest increase in employment was in the North East, where workforce growth eased to near-stagnation.

### Future Activity

Businesses operating in London showed the greatest optimism towards the 12-month outlook for activity, followed closely by their counterparts in Yorkshire & Humber. Expectations improved in nine out of the 12 monitored regions, most notably in the North West. Northern Ireland remained at the foot of the rankings despite also seeing business confidence strengthen since December.

**Business Activity Index**  
sa, >50 = growth since previous month, Jan '22



**Employment Index**  
sa, >50 = growth since previous month, Jan '22



**Future Activity Index**  
>50 = growth expected over next 12 months Jan '22



\*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
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
Oct '21	52.2	48.1	54.3	56.3	51.9	44.9	58.3	90.4	76.0	20.2
Nov '21	52.9	49.8	62.8	55.5	52.6	42.2	57.0	89.5	77.8	27.3
Dec '21	50.2	49.3	59.4	54.3	51.2	41.9	55.3	87.7	74.9	29.0
Jan '22	54.7	54.1	62.3	52.3	53.9	46.0	54.1	86.1	74.2	33.1

### By Sector, January '22

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	60.1	60.5	65.4	58.2	61.6	86.6	78.3
Construction	49.0	40.9	52.6	48.0	45.2	82.2	75.7
Retail	55.3	54.6	61.8	47.5	53.7	96.5	88.4
Services	52.1	53.0	63.0	52.9	50.0	83.8	62.9

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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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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.

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