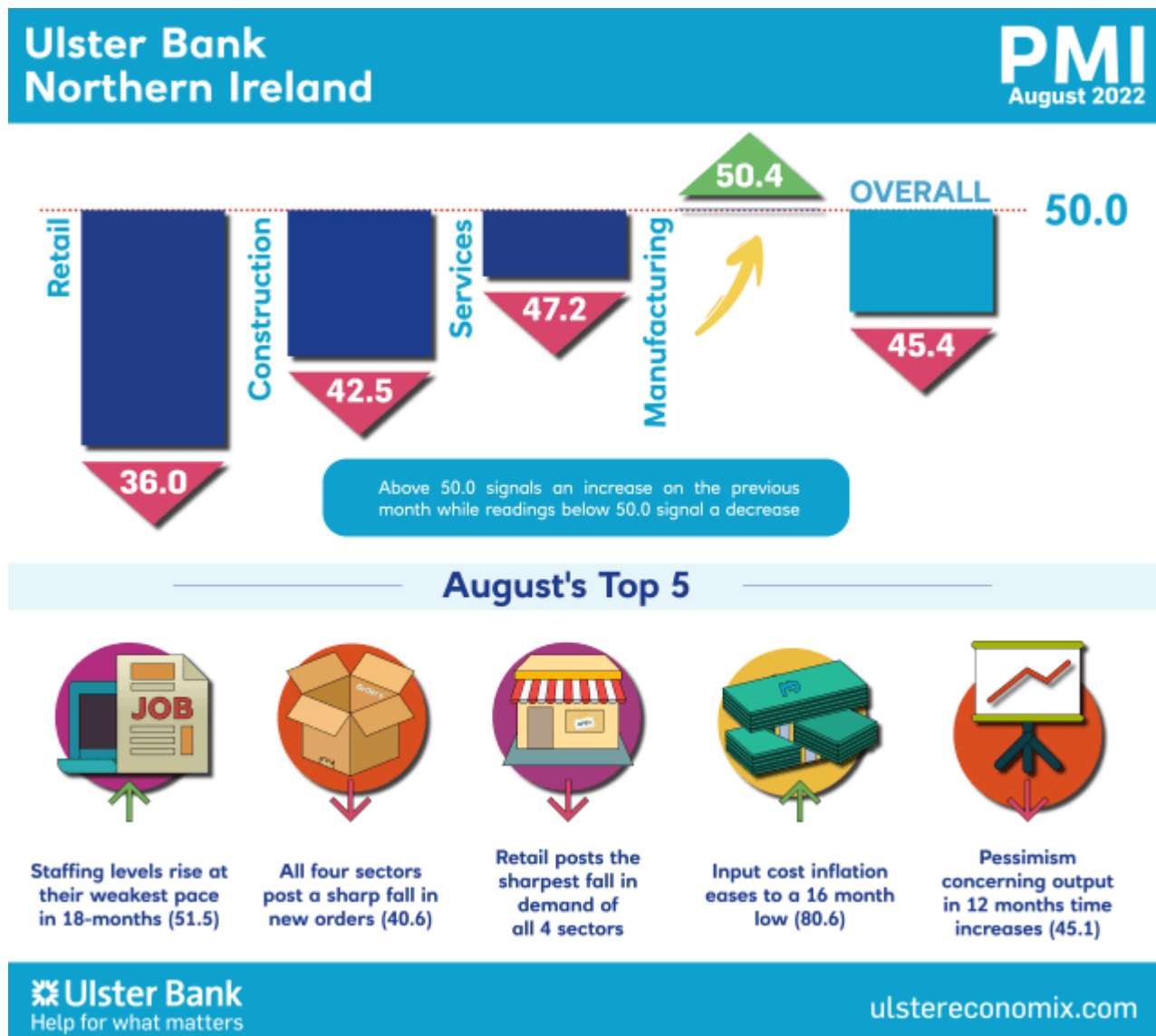


Today sees the release of August data from the Ulster Bank Northern Ireland PMI®. The latest report – produced for Ulster Bank by S&P Global – indicated that the Northern Ireland private sector remained in contraction as demand continued to be impacted by intense price pressures. That said, there were further signs of inflation softening. Meanwhile, firms remained pessimistic about the year-ahead outlook and the rate of job creation softened to an 18-month low.



NI's private sector contraction continued last month with output / sales and new orders

falling for the fourth month running. While the pace of decline in orders and output eased relative to July, the rate of contraction was still marked. Northern Ireland was one of nine of the 12 UK regions to report falling business activity.

Once again, retailers are bearing the brunt of the downturn, posting the steepest falls in demand as the cost-of-living crisis continues to impact on consumers. Retail is also the only sector not to increase staffing levels last month. On the other hand, manufacturing bucked the wider trend as the only sector experiencing a rise in business activity, posting a marginal increase in output last month.

Inflationary pressures continue to be cited as a key factor curbing demand. However, the rate of input price inflation eased to its weakest rate since April last year. But it is worth noting that the price increases that are now being experienced are still stronger than anything reported prior to May 2021.

Positives were thin on the ground in the latest report. Although employment growth continued, it was the weakest pace in 18 months and many firms continued to struggle to find suitable candidates to fill vacancies. The one silver lining with the downturn in demand is that it has eased the pressures on overstretched supply chains. However, this won't be much consolation to most companies who face an increasingly hostile economic environment and outlook.

We are in the midst of a cost-of-living and cost-of-doing-business emergency with rising energy costs the primary driver behind the squeeze on disposable incomes and profitability. Last week, the UK government announced a range of measures to mitigate against the worst effects of the surge in energy costs and we wait to see and hear how similar measures will be applied to Northern Ireland. The clock is ticking."

The main findings of the August survey were as follows:

The headline seasonally adjusted Business Activity Index posted 45.4 in August, up from 41.9 in July and the highest reading in three months, but one which nonetheless pointed to a marked reduction in output over the month amid cost pressures and waning demand. The sharpest reduction in activity was seen at retailers, while manufacturing bucked the wider trend and posted a rise in production. A strong inflationary environment led to a further decline in new orders, the fourth in as many months. Concerns about the ongoing impact of inflation on demand meant that companies remained pessimistic regarding the year-ahead outlook for activity.

Price pressures remained elevated in August, but showed further signs of easing, with rates of increase in input costs and output prices at 16- and 17-month lows respectively. Higher energy costs were the principal driver of input price inflation. Companies continued to increase staffing levels, but difficulties finding suitable candidates to fill positions meant that the rate of job creation eased to the softest in the current 18-month sequence of rising employment. Waning demand meant that pressure on supply chains eased, leading to a less marked lengthening of delivery times.

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