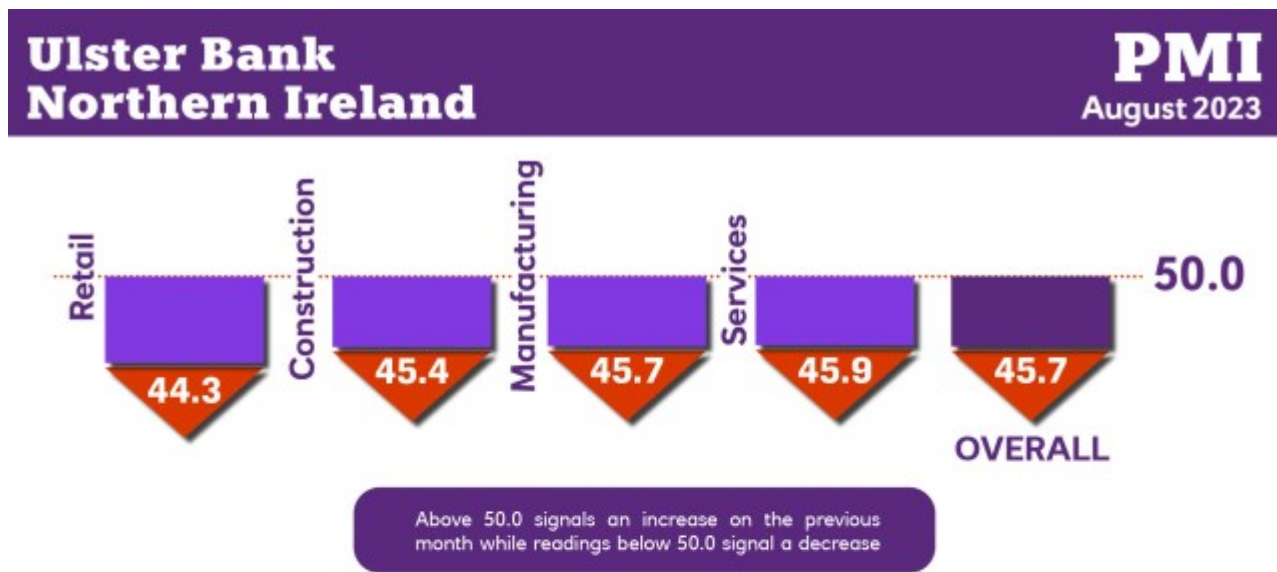


Today sees the release of August data from the Ulster Bank Northern Ireland PMI®. The latest report - produced for Ulster Bank by S&P Global - indicated that business activity and new orders continued to fall as higher interest rates and the cost of living crisis took a toll on demand. On a more positive note, firms continued to take on additional staff.



Like the weather, private sector performance in most of the UK regions took a turn for the worse during August. Indeed, only two UK regions recorded growth in output last month. And Northern Ireland is at the bottom of the list, with the sharpest rates of decline seen

across the UK.

There were some positive aspects of the Northern Ireland survey, including the UK's fastest rate of employment growth, and the ongoing normalisation of supply chains, with faster delivery times benefiting local firms. In addition, despite ongoing challenges, firms outside of the construction industry are expecting a pick-up in activity in 12 months' time, meaning that sentiment continues to be relatively healthy.

However, these positives are outweighed by a weakening in demand and a pick-up in inflationary pressures. Business activity in Northern Ireland fell for the second month running, with output recording its fastest rate of decline in seven months and all four sectors posting a decline in August.

Inflationary pressures had been easing over the past 12 months or so, but faster rates of input cost inflation - which respondents attributed to higher wages - and output price inflation were reported in the latest survey. This is still well below the elevated inflation rates seen during the past three years, but is perhaps a warning to businesses that they can't be complacent about cost pressures.

This survey relates to the deteriorating conditions in the private sector. However, the challenges we are seeing in the public sector at a national level, not least the emerging signs of years of underinvestment, are worrying. This is also a feature in Northern Ireland but addressing these challenges is complicated by the ongoing absence of an Executive and the mounting fiscal challenges this is creating."

**The main findings of the August survey were as follows:**

The headline seasonally adjusted Business Activity Index dropped to 45.7 in August from

48.2 in July, below the 50.0 no-change mark for the second month running to signal a drop in output in Northern Ireland's private sector. Moreover, the index signalled a marked reduction in activity and one that was the sharpest since January. Each of the four broad sectors covered by the survey saw activity decrease. Rising interest rates and the impact of the cost of living crisis on demand were reportedly behind the reduction in output, and also led new orders to decrease. New business was down solidly, and for the third month running.

On a more positive note, companies increased their staffing levels again in August. The rate of job creation was solid, despite softening to the weakest since January.

Although the pace of input cost inflation ticked up in the latest survey period, it remained relatively muted compared to the trend over the past three years. Higher wages were the principal cause of the rise in input prices. Output charges meanwhile increased at a marked pace. New product launches are predicted to lead to a rise in output over the coming year, with sentiment remaining relatively healthy in August. That said, confidence dipped from that seen in July.

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