

Today sees the release of October data from the Ulster Bank Northern Ireland PMI®. The latest report pointed to a further drop in business activity in the Northern Ireland private sector. New orders declined at a faster pace despite efforts by firms to limit hikes in selling prices. Meanwhile, the rate of job creation continued to moderate.



**October's Top 5**

-  New orders decline for 5th successive month
-  Employment rises albeit at weakest pace in 10 months
-  Firms' prices rise at their weakest rate since Sept 2020
-  Retailers cut prices for the first time since April 2020
-  Business optimism falls to a 9-month low

Northern Ireland's private sector started the final quarter of the year with a further loss in momentum. Business activity fell for the fourth successive month, with all sectors posting a decline. It was a similar story regarding order books, which recorded their fifth consecutive

month of contraction. This waning demand was in spite of firms doing their best to limit price rises; indeed in the manufacturing and retail sectors, businesses were actually cutting their prices during October. Overall, prices charged by businesses rose at their weakest pace in around three years.

As a result of falling demand and challenging conditions, firms in the manufacturing and retail sectors are scaling back their optimism and construction firms expect to still be mired in recession in a year's time. The higher interest rate environment and the ongoing political stalemate at Stormont were cited by businesses as key reasons behind their challenges.

Positives were few and far between in the latest survey. Nevertheless, Northern Ireland's private sector once again increased staffing levels; albeit at the slowest rate in 10 months. But the month of October was bookended with two unwanted developments; the outbreak of war between Israel and Gaza and localised flooding in Northern Ireland. Both of these developments add to a growing list of economic headwinds. Looking ahead, we have the Chancellor's autumn statement on November 22. However expectations that he will provide a fiscal boost to businesses or households are extremely low."

### **The main findings of the October survey were as follows:**

The headline seasonally adjusted Business Activity Index rose to 46.6 in October from 45.9 in September, but still signalled a drop in output for the fourth successive month. Although softer than in the previous survey period, the rate of contraction was still solid. Output decreased across all four monitored sectors. Panellists reported that higher interest rates and a lack of government at Stormont had impacted negatively on both business activity and new orders in October. New orders decreased solidly, and to the greatest extent since January.

Companies continued to take on additional staff, but the rate of job creation eased to the weakest in the year-to-date and was only slight. The rate of input price inflation quickened to a five-month high amid rising fuel and wage costs. The extent to which firms were able to pass higher costs through to customers was limited by demand weakness, however. As a result, output prices increased only slightly and at the slowest pace in just over three years. Rising charges in services and construction contrasted with reductions in manufacturing and retail. Political stalemate and weak demand, particularly in the construction market, meant that business confidence eased to a nine-month low in October. Some firms remained hopeful that demand will recover over the coming year, however.

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