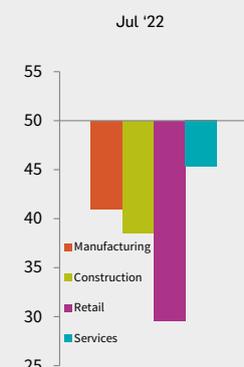
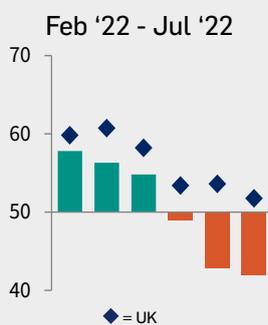


# Ulster Bank Northern Ireland PMI<sup>®</sup>

## Sharper fall in activity as price pressures hit demand

### Northern Ireland Business Activity Index



### Key findings

Steep and accelerated declines in output and new orders

Inflationary pressures remain elevated, but show signs of easing

Further solid increase in employment

Declines in customer demand amid strong inflationary pressures led to further sharp reductions in output and new orders in the Northern Ireland private sector in July. Rates of inflation remained elevated over the month, despite showing signs of easing. The main positive from the latest survey was a further rise in employment.

The headline seasonally adjusted Business Activity Index dropped to 41.9 in July, down from 42.9 in June to signal a sharp contraction in output in the Northern Ireland private sector, and one that was the steepest since February 2021.

Retail posted the fastest decline in activity, followed by construction and then manufacturing. Although marked, the reduction in services was the softest of the four broad sectors covered.

Where output decreased, respondents linked this to the impact on demand of

sharply rising prices. This also resulted in a third successive fall in new orders, with the latest decline the fastest in a year-and-a-half.

Rates of inflation in both input costs and output prices remained elevated in July, but in each case showed further signs of easing. Where costs increased, panellists reported higher fuel prices feeding through to increased transportation costs, plus wage rises.

Employment increased solidly, extending the current sequence of job creation to 17 months. A combination of falling new orders and expanded operating capacity enabled firms to deplete outstanding business at a rapid pace.

Companies were again pessimistic regarding the 12-month outlook for activity, but less so than in the previous month.

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 S&P Global 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.

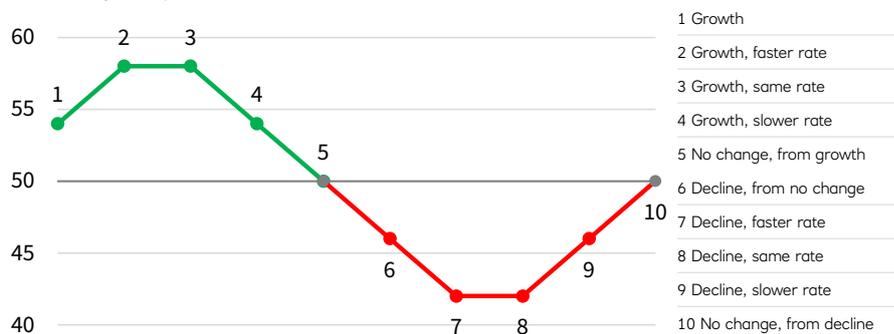
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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 households may be basking in sunshine but as far as the economy is concerned storm clouds continue to gather. Last month witnessed a further deterioration in local business conditions with business activity contracting at its fastest pace in 17 months. Outside of the Covid pandemic and lockdown restrictions, July's rate of decline in business activity was the steepest since November 2012.*

*"Declining market demand is attributed to rising prices. And while the rates of input cost and output price inflation are easing, they remain elevated. As a result, new orders fell for the third month running and,*

*when excluding the pandemic period, at the fastest pace in over a decade. Local firms cited increasing difficulties finding work in the Republic of Ireland.*

*"The drop in demand was broad based across all sectors with services experiencing the smallest declines in output and new orders. Perhaps unsurprisingly, given the cost-of-living crisis, retail recorded the steepest declines in sales and orders. Retail sales have plunged over the last three months and retailers expect sales to be broadly unchanged (i.e. at these lower levels) in twelve months' time. Firms within the services and construction industries remain pessimistic about the year ahead with both sectors anticipating lower levels of activity within the next twelve months. Despite a marked drop in orders in recent*

*months, manufacturing is the only sector forecasting a pick-up in activity in that timeframe.*

*"Positives remain in short supply in the latest survey. However, employment continues to be a bright spot with all four sectors increasing their staffing levels in July. But with the Bank of England forecasting a UK recession, a softening in the labour market will be expected going into 2023. That said, the labour market is likely to be much more robust this time than in previous recessions."*



PMI®

by  S&P Global

## Demand and outlook

### New orders fall at faster pace

July data pointed to a third successive monthly fall in new orders at companies in Northern Ireland. Furthermore, the rate of contraction accelerated to the sharpest for a year-and-a-half. Anecdotal evidence pointed to declining market demand amid strong price pressures. Steep falls in new work were recorded across the retail, construction and manufacturing sectors, with services posting the weakest contraction.

### New Business Index

sa, >50 = growth since previous month

39.7

Jul '22



### Companies remain downbeat in July

As has been the case in each of the past three months, Northern Ireland companies predicted declining activity over the coming year. That said, the outlook in July was slightly less negative than seen in June. Concerns about the impact of inflation on customer demand were at the forefront of respondents' minds. Negative sentiment was centred on the services and construction sectors, while retailers offered a neutral outlook and manufacturers expressed optimism.

### Future Activity Index

>50 = growth expected over next 12 months

48.2

Jul '22



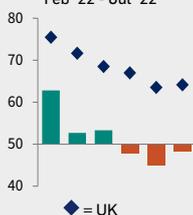
### New Business Index

Feb '22 - Jul '22



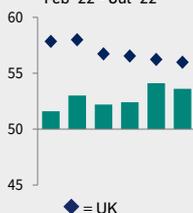
### Future Activity Index

Feb '22 - Jul '22



### Employment Index

Feb '22 - Jul '22



### Outstanding Business Index

Feb '22 - Jul '22



## Business capacity

### Staffing levels continue to increase

Despite workloads falling, companies again took on additional staff at the start of the third quarter of the year, reflecting investment in younger workers and hopes that new business would improve later in the year. The rate of job creation remained solid, but softened slightly from that seen in June. All four monitored categories saw employment increase, led by construction.

### Employment Index

sa, >50 = growth since previous month

53.6

Jul '22



### Marked reduction in backlogs of work

A combination of falling new orders and expanding workforce numbers meant that firms in Northern Ireland were able to work through outstanding business in July. Backlogs decreased for the second month running, and at a marked pace that was the fastest since February 2021. Outstanding business rose in the service sector, but fell rapidly elsewhere.

### Outstanding Business Index

sa, >50 = growth since previous month

44.5

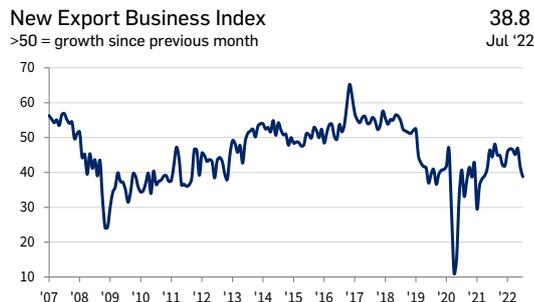
Jul '22



## Exports

### Steep drop in new business from abroad

New export orders fell sharply in July, with the rate of contraction accelerating for the second month running to the fastest in 16 months. New business from abroad has decreased continuously on a monthly basis for three-and-a-half years, with the latest decline linked to difficulties finding work in the Republic of Ireland and general market demand weakness.



### Modest strengthening of export climate

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.

The ECI fell to 51.4 in July, down from 52.6 in June but still pointing to an improvement in export demand conditions at the start of the third quarter. That said, the export climate strengthened to the least extent in almost a year-and-a-half.

Renewed contractions in business activity were seen in the US, Canada and Germany in July, while growth slowed in the Netherlands. The rate of expansion in the Republic of Ireland was among the weakest in the past year-and-a-half.



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Jul'22
1	Republic of Ireland	38.6%	52.9
2	USA	12.5%	47.7
3	Canada	5.6%	48.9
4	Germany	4.3%	48.1
5	Netherlands	3.9%	51.7



## Prices

### Input price inflation remains elevated

Although softening to the weakest in 15 months in July, the rate of input cost inflation remained sharper than at any point prior to the outbreak of the COVID-19 pandemic. Higher transportation costs were reported, linked to increased fuel prices. Meanwhile, a number of respondents noted higher staff costs, in part reflecting wage increases to help workers with increased living costs.

### Input Prices Index

sa, >50 = inflation since previous month

84.1  
Jul '22



### Slower rise in output charges

With input costs continuing to increase rapidly, Northern Ireland companies also raised their selling prices at a sharp pace. That said, the rate of charge inflation slowed markedly for the second month running and was the softest since August last year. The steepest increase in selling prices continued to be recorded in the retail sector.

### Prices Charged Index

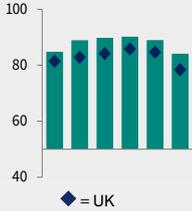
sa, >50 = inflation since previous month

71.2  
Jul '22



### Input Prices Index

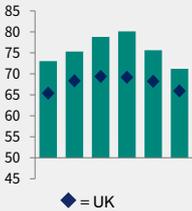
Feb '22 - Jul '22



◆ = UK

### Prices Charged Index

Feb '22 - Jul '22



◆ = UK

## Suppliers' Delivery Times

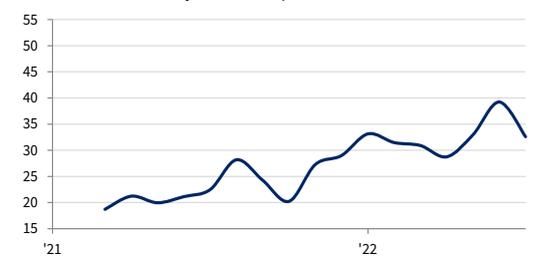
### Steep lengthening of supplier lead times

Suppliers' delivery times lengthened to the greatest extent in three months during July, with firms again facing marked delays in the receipt of inputs. Respondents indicated that Brexit, the war in Ukraine and global material shortages had been behind the latest deterioration in vendor performance.

### Suppliers' Delivery Times Index

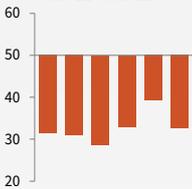
sa, >50 = shorter delivery times since previous month

32.6  
Jul '22



### Suppliers' Delivery Times Index

Feb '22 - Jul '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, Jul '22 <sup>+</sup>
1	Electrical & Optical	1.42	55
2	Food & Drink	1.26	48
3	Textiles & Clothing	1.19	48
4	Other Manufacturing	1.09	50
5	Basic Metals	0.98	52
6	Timber & Paper	0.92	45
7	Mechanical Engineering	0.88	55
8	Chemicals & Plastics	0.78	48
9	Transport	0.77	52

#### Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul '22 <sup>+</sup>
1	Hotels, Restaurants & Catering	1.34	48
2	Personal & Community Services	1.23	55
3	Transport & Communication	1.22	48
4	Business-to-business Services	0.89	50
5	Computing & IT Services	0.89	55
6	Financial Intermediation	0.66	52

### UK sector focus

#### Financial Intermediation

The UK's Financial Intermediation sector saw an increase in business activity in the three months to July. However, having been solid throughout the opening half of the year, the rate of growth slowed sharply and was among the softest seen since the current sequence of expansion began in the spring of last year.

The loss of momentum reflected a deepening decline in inflows of new work across the sector, with reports from surveyed firms highlighting the influence market and economic uncertainty, high inflation and rising interest rates. Expectations towards future activity deteriorated accordingly, dropping to their lowest in over two years.

On the price front, Financial Intermediation firms raised charges at a near-record rate in the three months to July, with underlying cost pressures close to the highest seen in over 25 years of data collection.

#### Output Index

sa, >50 = growth since previous month (3mma)<sup>+</sup>



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

Eight of the 12 monitored UK regions recorded higher business activity in July, the lowest number since February 2021 (four). London saw by far the strongest growth, but even here the rate of expansion slowed, as was the case in six other areas. Northern Ireland\* remained at the bottom of the rankings, while lower output was also seen in the North East, East of England and East Midlands.

### Employment

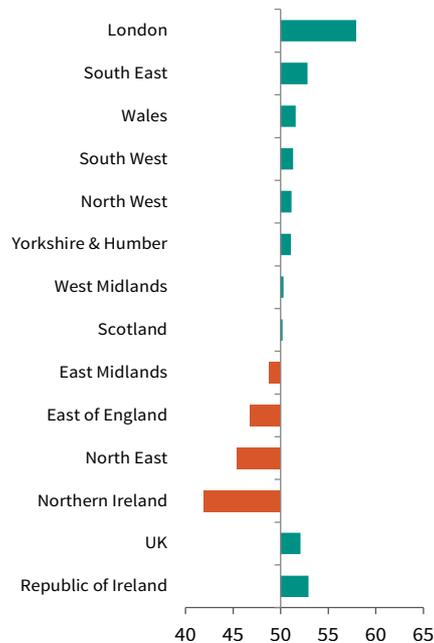
Rates of job creation generally remained robust across the UK in July. In fact, four regions even saw slightly faster increases in employment than the month before, including the South East which moved to the top of the rankings. The North East once again went against the broader trend, registering another marginal decline in workforce numbers, its third in the past four months.

### Future Activity

Firms' expectations for future activity remained positive for the most part in July, with only those in Northern Ireland anticipating a decline in output over the next 12 months. Businesses in Yorkshire & Humber were the most optimistic about the outlook, despite confidence in the region have weakened from the previous month. Expectations also fell in the West Midlands, South East, East Midlands and South West.

**Business Activity Index**

sa, >50 = growth since previous month, Jul '22



**Employment Index**

sa, >50 = growth since previous month, Jul '22



**Future Activity Index**

>50 = growth expected over next 12 months Jul '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
Feb '22	57.8	59.1	62.8	51.6	57.2	46.8	56.6	84.8	73.0	31.5
Mar '22	56.3	55.6	52.7	53.0	58.6	46.5	57.3	88.9	75.3	30.9
Apr '22	54.8	52.8	53.3	52.2	57.5	45.1	56.7	89.8	78.8	28.7
May '22	49.0	46.2	47.8	52.4	53.0	46.9	55.5	90.2	80.1	33.0
Jun '22	42.9	40.4	44.9	54.1	47.3	41.5	52.6	89.0	75.6	39.2
Jul '22	41.9	39.7	48.2	53.6	44.5	38.8	51.4	84.1	71.2	32.6

### By Sector, July '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	41.0	36.6	53.0	52.1	38.6	76.3	68.8
Construction	38.5	34.8	45.5	59.0	33.7	78.5	80.6
Retail	29.6	32.3	50.0	50.7	31.3	88.6	83.9
Services	45.3	46.5	47.7	53.4	50.9	87.5	65.8

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Ulster Bank is a member of The Royal Bank of Scotland Group. Ulster Bank acts as a full service institution to its customer base, providing an extensive range of retail banking, business banking, investment banking and capital markets services to corporate, personal and institutional clients.

Our focus is firmly centred on our customers. Every business customer benefits from access to a dedicated, professional and highly trained relationship manager. Their role is to gain a genuine understanding of our customers' business needs and provide dedicated financial information and assistance.

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.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and entered on the Financial Services Register (Registration Number 122315).

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### About PMI

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.

[ihsmarket.com/products/pmi.html](https://ihsmarket.com/products/pmi.html)

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