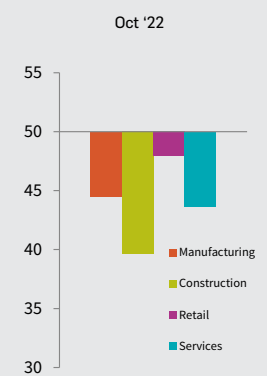
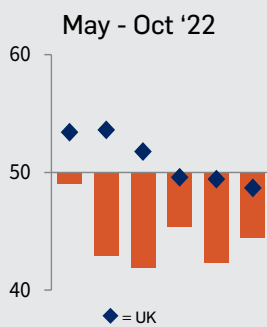


Ulster Bank Northern Ireland PMI[®]

Sharpest decline in new business since January 2021

Northern Ireland Business Activity Index



Key findings

Marked reductions in output and new orders

Business confidence at 26-month low

Employment continues to rise

The Northern Ireland private sector continued to see activity and new orders decrease in October amid ongoing cost pressures, while business confidence sank further. That said, companies continued to expand their staffing levels as part of efforts to rebuild workforce numbers following the pandemic.

The headline seasonally adjusted Business Activity Index posted 44.4 in October, up from 42.3 in September but still signalling a marked monthly reduction in output. The cost of living crisis, caution among customers and an associated drop in new orders were reportedly behind the latest fall in activity.

Each of the four broad sectors covered by the survey saw business activity decline in October.

The rate of contraction in new orders quickened slightly and was the fastest

since January 2021, while new export business was also down sharply.

Input costs continued to rise rapidly, with energy, raw materials, shipping and staff also increasing in price. In turn, output prices increased sharply, albeit at the slowest pace in 19 months.

As well as impacting activity in October, the cost of living crisis and concerns around economic conditions hit business sentiment which fell to the lowest since August 2020.

On a more positive note, employment increased for the twentieth successive month in October. Panellists linked the rise to ongoing efforts to rebuild workforces following the pandemic and a sustained period of difficulty in recruiting staff. With employment up and new orders falling sharply, backlogs of work were depleted for the fifth month running.

Northern Ireland Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Comment](#)
- [Demand and outlook](#)
- [Business capacity](#)
- [Exports](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

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.

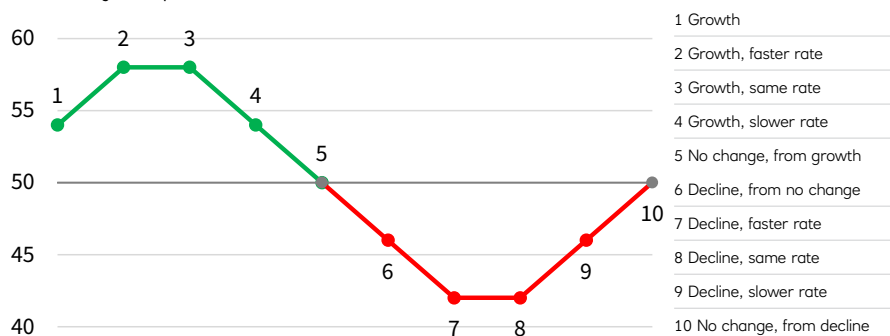
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

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:

"Last month saw all 12 UK regions fall into contraction mode as far as business activity was concerned. For Northern Ireland's private sector it was the sixth successive monthly fall in activity with all four of the sectors surveyed falling below the 50 expansion / contraction threshold.

"New orders also contracted for the sixth month running with October's rate of decline the steepest – outside of the pandemic - since January 2011. Northern Ireland firms also posted the biggest drop in incoming work last month of the 12 UK regions. Cost pressures and economic uncertainty were cited as key factors behind the fall in demand. Export orders remain particularly weak with the latest monthly decline the forty-fifth in-a-row.

"Once again positives were in short supply and largely confined to employment. Despite falling demand, all four sectors – manufacturing, services, retail and construction - increased their staffing levels in October. Firms suggest that this pick-up in hiring is linked to longstanding

recruitment difficulties and rebuilding workforces following the pandemic.

"The sources of inflationary pressures remain broad-based encompassing wages, raw materials, energy and shipping costs. Output price inflation remained elevated but well down on the record rates posted earlier in the year. Indeed, firms raised the prices of their goods and services at their weakest rate in 19 months.

"Given the evolving 'cost of everything' crisis it is not surprising that business confidence sank to a 26-month low. All four sectors anticipate lower levels of activity in 12 months' time. Sentiment is not likely to improve anytime soon with this week's Autumn Statement expected to yield more fiscal pain rather than comfort."



Demand and outlook

Decline in new orders accelerates

As has been the case in each of the past six months, new business decreased in the Northern Ireland private sector during October. Furthermore, the rate of decline accelerated slightly and was the sharpest since January 2021. Cost pressures and economic uncertainty were key factors behind the latest fall in new orders, with customers hesitant to commit to new spending. Sharp reductions were seen across all four broad sectors, with the steepest decline in the construction category.

New Business Index 39.5
sa, >50 = growth since previous month Oct '22



Business confidence lowest in over two years

Business sentiment sank further at the start of the final quarter of the year and was down to the lowest since August 2020. More than one-third of respondents predict a fall in output over the next 12 months, with pessimism often linked to the cost of living crisis, uncertainty and an expected deterioration in economic conditions. For the first time since the initial wave of the COVID-19 pandemic, all four monitored sectors predicted a fall in activity over the year ahead.

Future Activity Index 43.2
>50 = growth expected over next 12 months Oct '22



Business capacity

Modest increase in employment

Companies in Northern Ireland continued to increase their staffing levels in October as part of efforts to rebuild workforces following the pandemic, amid ongoing difficulties sourcing suitable staff. Employment has now increased in each of the past 20 months, with the latest rise the fastest since July. Workforce numbers were up across each of the four broad sectors covered by the survey.

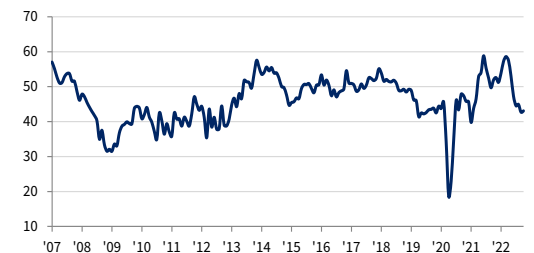
Employment Index 51.7
sa, >50 = growth since previous month Oct '22



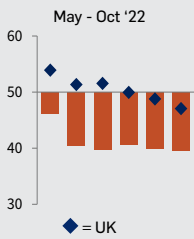
Outstanding business down markedly

Declining new business meant that companies were able to deplete backlogs of work again in October, the fifth month running in which this has been the case. The rate of decline was substantial and only slightly softer than that seen in the previous survey period.

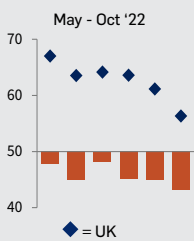
Outstanding Business Index 43.1
sa, >50 = growth since previous month Oct '22



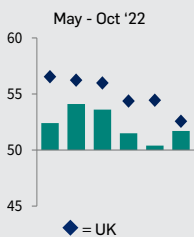
New Business Index
May - Oct '22



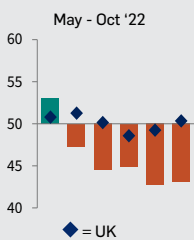
Future Activity Index
May - Oct '22



Employment Index
May - Oct '22



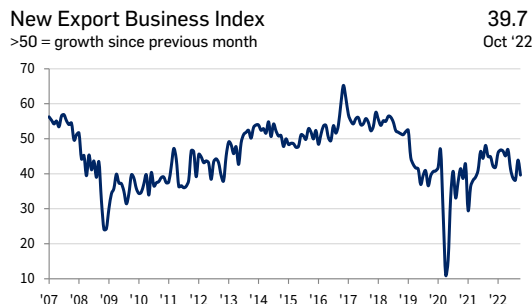
Outstanding Business Index
May - Oct '22



Exports

Sharp decline in new export orders

Widespread cost pressures and market uncertainty contributed to a further reduction in new export orders in October. Furthermore, the rate of contraction was substantial and sharper than that seen in the previous survey period.

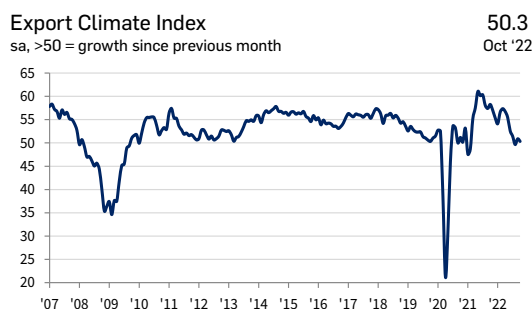


Export climate strengthens marginally

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.

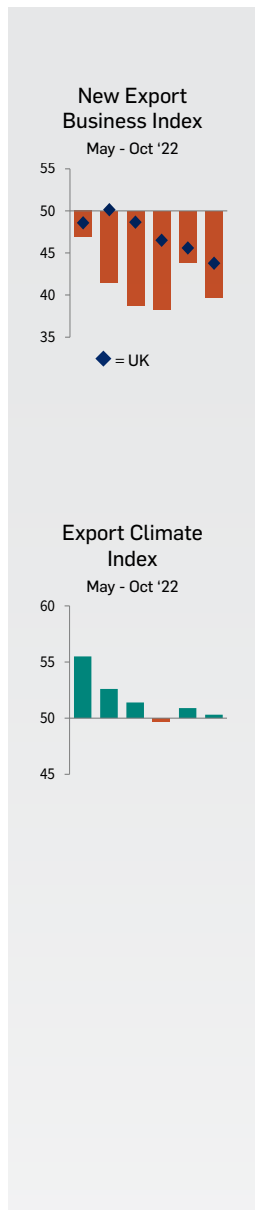
At 50.3 in October, down from 50.9 in September, the ECI signalled a second successive modest improvement in demand conditions in export markets for firms in Northern Ireland.

The strengthening of the export climate was in large part due to ongoing output growth in the Republic of Ireland, where the modest expansion was broadly in line with that seen in September. The other main export markets for Northern Ireland firms all saw output decrease in October. Activity in the US, Canada and Germany fell for the fourth month running, while the decline in the Netherlands was the third in as many months.



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Oct'22
1	Republic of Ireland	38.6%	52.1
2	USA	12.5%	48.2
3	Canada	5.6%	47.4
4	Germany	4.3%	45.1
5	Netherlands	3.9%	45.6



Prices

Steep rise in input costs

The rate of input cost inflation remained elevated in October and was little changed from that seen in September. Energy, raw materials, shipping and staff all reportedly cost more during the month. Retail posted the fastest rise in input prices and was the only sector to see the rate of inflation accelerate.

Input Prices Index 81.2
sa, >50 = inflation since previous month Oct '22



Further moderation in selling price inflation

The passing on of higher input costs to customers resulted in a further increase in selling prices in the Northern Ireland private sector during October. The rate of inflation remained marked, but softened for the fifth successive month to the weakest since March 2021. In line with the picture for input costs, retail posted the fastest rise in selling prices.

Prices Charged Index 67.1
sa, >50 = inflation since previous month Oct '22

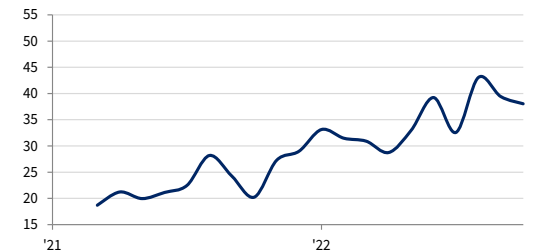


Suppliers' Delivery Times

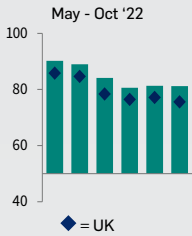
Suppliers' delivery times lengthen sharply again

Northern Ireland companies continued to face severe delays in receiving purchased items at the start of the fourth quarter, with the latest lengthening of suppliers' delivery times the most pronounced in three months. Brexit and the Northern Ireland Protocol were the main factors leading to delivery delays, according to respondents.

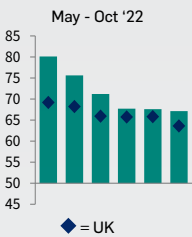
Suppliers' Delivery Times Index 38.0
sa, >50 = shorter delivery times since previous month Oct '22



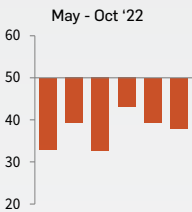
Input Prices Index
May - Oct '22



Prices Charged Index
May - Oct '22



Suppliers' Delivery Times Index
May - Oct '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, Oct '22 ⁺
1	Electrical & Optical	1.42	50
2	Food & Drink	1.26	48
3	Textiles & Clothing	1.19	47
4	Other Manufacturing	1.09	50
5	Basic Metals	0.98	45
6	Timber & Paper	0.92	43
7	Mechanical Engineering	0.88	50
8	Chemicals & Plastics	0.78	43
9	Transport	0.77	45

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Oct '22 ⁺
1	Hotels, Restaurants & Catering	1.34	48
2	Personal & Community Services	1.23	48
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	50

UK sector focus

Transport

UK Transport manufacturers reported a steep and accelerated reduction in output levels in the three months to October, latest PMI data showed. The sector's performance was its worst since the initial COVID-related shutdowns in early-2020.

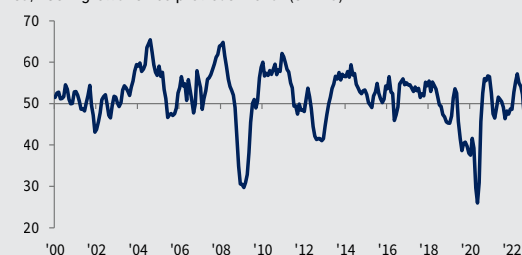
Alongside a softening of demand, which was evidenced by a fall in inflows of new orders, the reduction in production reflected shortages of materials and parts. Surveyed firms continued to report longer lead times on inputs, albeit with the incidence of delays having shown some improvement from the record levels a year earlier.

Cost pressures remained historically high, and even intensified slightly in the three months to October.

Despite these challenges, producers of Transport goods were more upbeat about the outlook for output than those in any other manufacturing sector. As such, they continued to add to workforce numbers.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

October saw a fall in business activity across all 12 monitored regions, the first time this has been the case since the third national lockdown in January 2021. The South West posted the steepest decline, followed by Northern Ireland* and the North East respectively. London's fall in activity was only marginal, but nonetheless its first for over a year-and-a-half.

Employment

Employment continued to rise across almost every region during October, the only exception being the North East where workforce numbers fell for a fifth straight month. However, in most cases, rates of job creation slowed. This included the South East - the region at the top of the rankings for employment growth.

Future Activity

Business expectations, although often still positive, weakened in most cases in October. Firms in Northern Ireland and the North East even noted increased pessimism towards the outlook. Business confidence in the South West was unchanged from September's record low, while Scotland went against the broader trend and registered the strongest optimism for three months.

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



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



Future Activity Index
>50 = growth expected over next 12 months Oct '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
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
Aug '22	45.4	40.6	45.1	51.5	44.9	38.3	49.7	80.6	67.7	43.1
Sep '22	42.3	39.9	44.9	50.4	42.7	43.9	50.9	81.3	67.6	39.4
Oct '22	44.4	39.5	43.2	51.7	43.1	39.7	50.3	81.2	67.1	38.0

By Sector, October '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	44.5	40.7	42.5	50.9	36.4	73.2	63.4
Construction	39.6	27.7	40.9	56.7	45.5	77.9	71.6
Retail	47.9	38.7	47.6	50.4	42.4	92.0	78.6
Services	43.7	43.2	41.4	51.6	46.2	85.0	64.0

Contact

Richard Ramsey
 Chief Economist, Northern Ireland
 T +44 (0)28 9027 6354
 M +44 (0)7881 930955
richard.ramsey@ulsterbankcm.com
 Web: www.ulstereconomix.com
 Twitter: @UB_Economics

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