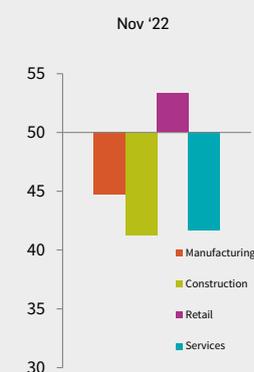
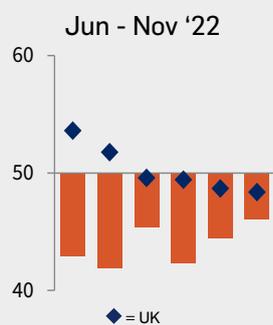


# Ulster Bank Northern Ireland PMI<sup>®</sup>

## New orders continue to fall sharply in November

### Northern Ireland Business Activity Index



### Key findings

New orders down for seventh month running

Employment broadly unchanged amid difficulties sourcing staff

Input costs rise sharply, but at softest pace in 21 months

Inflationary pressures and a wider economic slowdown led to further reductions in output and new orders in the Northern Ireland private sector during November. There were further signs, however, of inflation softening as both input costs and selling prices rose at the weakest rates in 21 months.

The headline seasonally adjusted Business Activity Index rose to 46.0 in November from 44.4 in October, but still pointed to a solid reduction in output across the Northern Ireland private sector. Activity has now decreased in seven consecutive months, although the latest fall was the softest since May.

The manufacturing, services and construction sectors saw output decline, but retail bucked the wider trend and posted a rise in activity.

Strong price pressures and signs of

a wider economic slowdown were reportedly behind the latest fall in output, and also contributed to a further sharp decline in new business.

Inflationary pressures continued to moderate, however, with both input costs and output prices rising at the softest pace since February 2021. Higher costs for energy, raw materials and staff meant that prices still increased rapidly, however. Meanwhile, supply-chain delays also moderated.

Staffing levels were broadly unchanged. Although some firms had been able to fill vacancies, others reported ongoing difficulties finding suitable staff.

Northern Ireland firms maintained a pessimistic outlook for output over the coming year, amid ongoing concerns around inflation and the risk of an economic downturn.

Northern Ireland Business Activity Index

sa, >50 = growth since previsual 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.

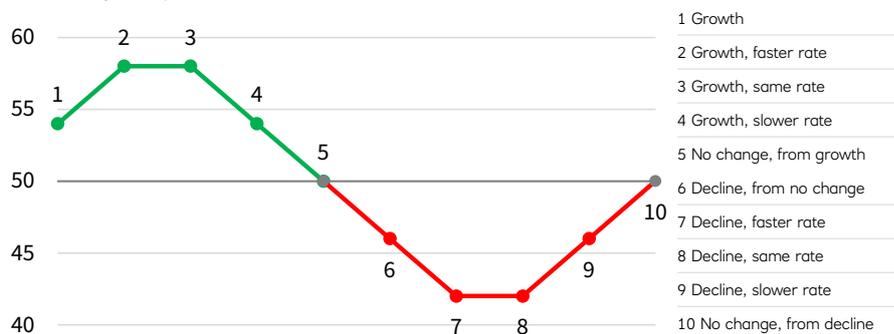
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

*"Once again, all 12 UK regions witnessed a decline in private sector activity in November. Northern Ireland notched up its seventh successive monthly fall in output, albeit the pace of decline slowed. More concerning though was that the pace of contraction in new orders was more marked, with all four sectors experiencing weakening demand. It may seem surprising to see a rebound in retail activity, but the rise in sales is coming off the back of months of declines. There is also perhaps an element of consumers enjoying a last hurrah for Christmas ahead of a challenging 2023. Indeed, when we look at the outlook, retailers are expecting their sales to be lower in 12 months. The opposite was the case for manufacturing, which experienced a sharp reduction in both output in orders during November, but manufacturers are optimistic about the outlook. This perhaps reflects the nature of the current recession with households and consumer sensitive businesses likely to experience a*

*longer and deeper downturn than global exporters. One key source of positivity has been the 20 consecutive months of employment growth but this almost ground to a halt in November largely due to falling staffing levels in services and manufacturing. Ongoing difficulties recruiting suitable staff though remains a factor rather than falling demand alone. That dynamic will likely continue into 2023, with firms continuing to suffer from skills shortages, however falling demand will increasingly come to the fore. Overall, the local private sector is coming to the end of 2022 in a weakened state, with 2023 likely to be a very challenging year. One silver lining is that inflationary pressures do though seem to be easing, with input costs and output price inflation rising at their lowest rates in 21 months. With energy prices falling back, easing inflation, alongside less supply chain disruption, will be amongst the few positives during 2023."*



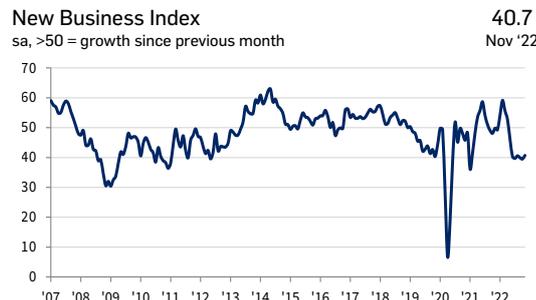
PMI®

by  S&P Global

## Demand and outlook

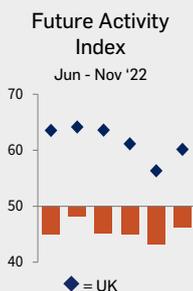
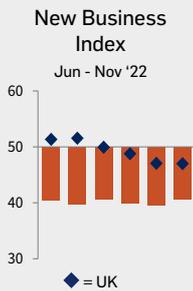
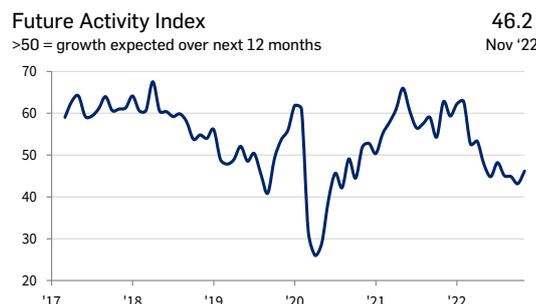
### Marked reduction in new business

Northern Ireland companies continued to see new orders decrease sharply midway through the final quarter of the year as a wider economic slowdown and inflationary pressures hit demand. New business has now decreased in each of the past seven months. Although remaining marked, the latest fall was the softest since May. Declines in new work were recorded across each of the four broad sectors covered by the survey.



### Sentiment remains negative

November data signalled a seventh successive month of pessimism among Northern Ireland companies, although the degree of negative sentiment did ease to the weakest in four months. The impact of strong cost pressures and expectations of an economic downturn were key factors behind the pessimistic outlook. Manufacturers bucked the wider trend and predicted an increase in production over the coming year.



## Business capacity

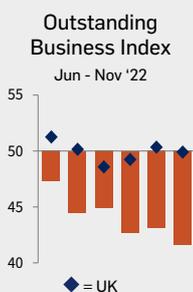
### Staffing levels broadly unchanged

Employment was little changed in the Northern Ireland private sector during November, following 20 consecutive months of growth. While some companies continued to take on extra staff, in some cases reflecting the backfill of longer-term vacancies, others continued to signal difficulties recruiting amid shortages of suitable candidates. Employment increased in the construction and retail sectors, but decreased in manufacturing and services.



### Steepest fall in backlogs for almost two years

Northern Ireland companies continued to work through outstanding business in November as sharp falls in new orders meant a degree of spare capacity at firms. Moreover, the rate of depletion was substantial and the fastest since January 2021. The steep drop in outstanding business in Northern Ireland contrasted with broadly stable backlogs across the UK economy as a whole.



## Exports

### Further marked reduction in new export orders

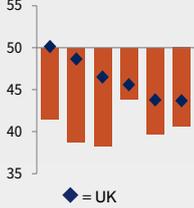
Signs of a global economic slowdown impacted the ability of firms in Northern Ireland to secure new business from abroad during November. As a result, new export orders continued to fall sharply, albeit to a slightly lesser extent than was recorded during October.

New Export Business Index  
 >50 = growth since previous month

40.6  
 Nov '22



New Export Business Index  
 Jun - Nov '22



### Modest deterioration in 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 dropped to 48.6 in November from 50.3 in October, posting below the 50.0 no-change mark for the first time in three months and signalling a decline in export demand conditions. Although modest, the deterioration was the sharpest since January 2021.

Decreasing activity was seen across each of the five largest export markets for Northern Irish firms. The Republic of Ireland posted a reduction for the first time in 21 months, while accelerated declines were recorded in the US and the Netherlands. Canada and Germany posted ongoing falls in output, albeit to lesser extents than in October.

Export Climate Index

sa, >50 = growth since previous month

48.6  
 Nov '22



Export Climate Index  
 Jun - Nov '22



Top export markets, Northern Ireland

| Rank | Market              | Weight | Output Index, Nov'22 |
|------|---------------------|--------|----------------------|
| 1    | Republic of Ireland | 38.6%  | 48.8                 |
| 2    | USA                 | 12.5%  | 46.4                 |
| 3    | Canada              | 5.6%   | 49.0                 |
| 4    | Germany             | 4.3%   | 46.3                 |
| 5    | Netherlands         | 3.9%   | 43.2                 |



## Prices

### Cost inflation eases to 21-month low

Input prices continued to rise sharply during November, with the rate of inflation remaining above the series average. This was despite the latest increase being the softest since February 2021. Energy continued to be the main source of inflationary pressures, but higher raw material costs and salaries were also reported. Sharp, but softer, increases in input costs were seen across all four broad sectors covered by the survey.

### Softer rise in output prices

In line with the picture for input costs, selling prices increased at a rapid but reduced rate during November. The latest rise in charges was the softest in 21 months. The increase in selling prices in Northern Ireland was slightly softer than the UK average.

### Input Prices Index

sa, >50 = inflation since previous month

76.6  
Nov '22



### Prices Charged Index

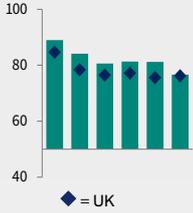
sa, >50 = inflation since previous month

62.5  
Nov '22



### Input Prices Index

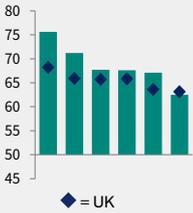
Jun - Nov '22



◆ = UK

### Prices Charged Index

Jun - Nov '22



◆ = UK

## Suppliers' Delivery Times

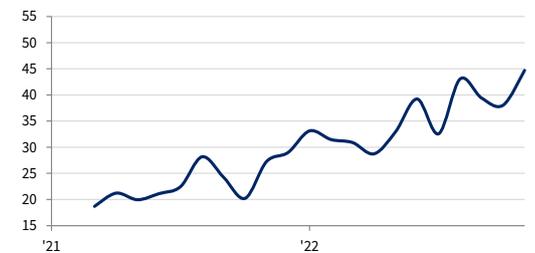
### Pressure on supply chains eases

Although suppliers' delivery times lengthened again in November, the latest deterioration in vendor performance was the least pronounced since the question was added to the survey in March 2021. Anecdotal evidence suggested that Brexit was the main factor behind longer lead times. Meanwhile, softer demand for inputs reportedly eased pressure on suppliers.

### Suppliers' Delivery Times Index

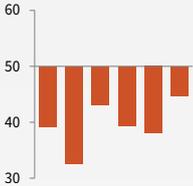
sa, >50 = shorter delivery times since previous month

44.7  
Nov '22



### Suppliers' Delivery Times Index

Jun - Nov '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, Nov '22 <sup>+</sup> |
|------|------------------------|------|---------------------------------------|
| 1    | Electrical & Optical   | 1.42 | 48                                    |
| 2    | Food & Drink           | 1.26 | 52                                    |
| 3    | Textiles & Clothing    | 1.19 | 45                                    |
| 4    | Other Manufacturing    | 1.09 | 48                                    |
| 5    | Basic Metals           | 0.98 | 42                                    |
| 6    | Timber & Paper         | 0.92 | 38                                    |
| 7    | Mechanical Engineering | 0.88 | 48                                    |
| 8    | Chemicals & Plastics   | 0.78 | 42                                    |
| 9    | Transport              | 0.77 | 45                                    |

#### Northern Ireland specialisation: Services

| Rank | Sector                         | LQ   | UK Business Activity Index, Nov '22 <sup>+</sup> |
|------|--------------------------------|------|--|
| 1    | Hotels, Restaurants & Catering | 1.34 | 48   |
| 2    | Personal & Community Services  | 1.23 | 45   |
| 3    | Transport & Communication      | 1.22 | 48   |
| 4    | Business-to-business Services  | 0.89 | 48   |
| 5    | Computing & IT Services        | 0.89 | 52   |
| 6    | Financial Intermediation       | 0.66 | 45   |

### UK sector focus

#### Computing & IT Services

Computing & IT Services was the UK's top-performing sector by far in the three months to November. In fact, it was the only part of the services economy to see a rise in business activity.

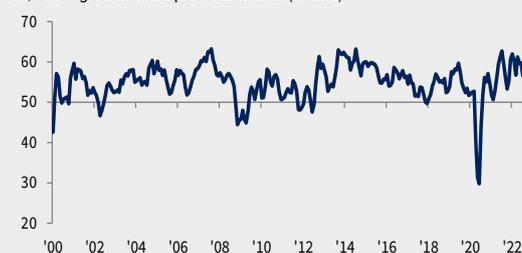
The sector did, however, exhibit a loss of momentum, with the rate of business activity growth slowing to its weakest since the opening quarter of 2021. This reflected a softening trend in new business.

Computing & IT Services firms remained optimistic about the year-ahead outlook, and more so than any other services sector, which in turn helped drive a sustained rise in employment. That said, both expectations and the pace of job creation eased to the lowest since late-2020.

Cost pressures remained much higher than normal, according to latest data. However, they were relatively subdued compared to other parts of the services economy, with the rate of input cost inflation the lowest among the six monitored sectors.

#### Output Index

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



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



## UK Regional PMI overview

### Business Activity

All 12 monitored regions recorded a further fall in business activity in November. However, rates of contraction slowed in just over half of cases, including Wales and the North East, the two top-ranked areas, where activity came close to stabilising. Scotland recorded the most marked fall in output, followed by the South West.

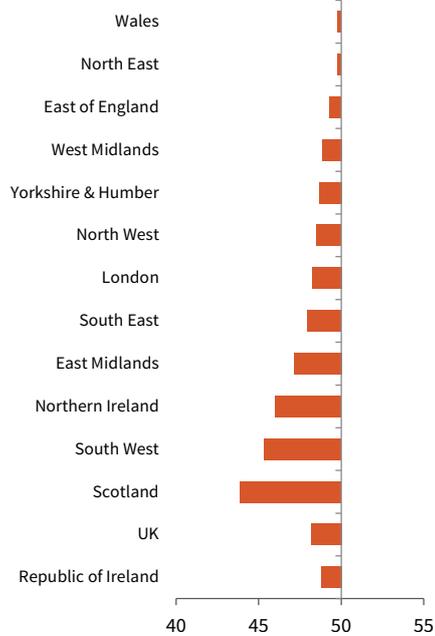
### Employment

Workforce numbers rose across the majority of regions and nations in November, albeit more slowly in most instances. The West Midlands saw the fastest pace of job creation, moving ahead of the South East in the rankings. The East Midlands and North East went against the trend and recorded lower employment.

### Future Activity

Business expectations improved almost universally in November. Yorkshire & Humber was the most optimistic region and saw the joint-sharpest increase in sentiment from the previous month, with Wales. Firms in Northern Ireland and the North East remained pessimistic, albeit less so than in October.

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



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



**Future Activity Index**  
>50 = growth expected over next 12 months Nov '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 |
|---------|-------------------|--------------|------------------|------------|----------------------|---------------------|----------------|--------------|----------------|---------------------------|
| 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                      |
| Nov '22 | 46.0              | 40.7         | 46.2             | 50.1       | 41.6                 | 40.6                | 48.6           | 76.6         | 62.5           | 44.7                      |

### By Sector, November '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 | 44.7              | 39.3         | 55.1             | 47.4       | 38.2                 | 72.7         | 64.2           |
| Construction  | 41.3              | 35.3         | 39.1             | 52.0       | 35.9                 | 72.7         | 63.7           |
| Retail        | 53.3              | 47.0         | 47.5             | 53.4       | 44.9                 | 77.4         | 63.8           |
| Services      | 41.7              | 40.9         | 43.5             | 49.0       | 42.3                 | 76.9         | 58.3           |

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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.

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