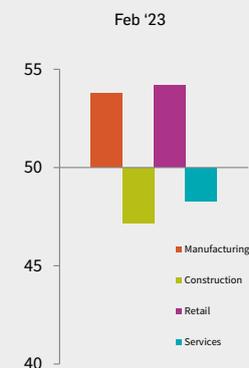


Ulster Bank Northern Ireland PMI[®]

Business activity returns to growth in February

Northern Ireland Business Activity Index



Key findings

Output rises for first time in ten months

Renewed increases in total new orders and exports

Softer cost inflation and supply-chain disruption

The Northern Ireland private sector returned to growth in February, with both output and new orders increasing amid signs of demand improving. As such, business confidence strengthened and employment growth quickened. Meanwhile, price and supply pressures continued to ease.

The headline seasonally adjusted Business Activity Index posted 52.2 in February, moving back above the 50.0 no-change mark for the first time in ten months following a reading of 45.3 in January. Output increased modestly amid an increase in new orders and signs of demand improving. The manufacturing and retail sectors posted rises in activity, while services and construction remained in decline.

New orders, meanwhile, increased for the first time in ten months. New export

orders also returned to growth, a marked turnaround following a sharp decline in January.

In line with the renewed increase in new orders, companies cited a marginal accumulation in backlogs of work, the first since April 2022. Higher new orders also boosted business confidence, which reached a one-year high.

With workloads and confidence improving, companies expanded their staffing levels at a solid pace, with the rate of job creation quickening to the highest in 15 months.

Input prices continued to rise sharply on the back of higher costs for energy, transportation and wages, but the rate of inflation was at a 25-month low. The same was true of output price inflation. Meanwhile, suppliers' delivery times lengthened to the least extent in the two-year series history.

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.

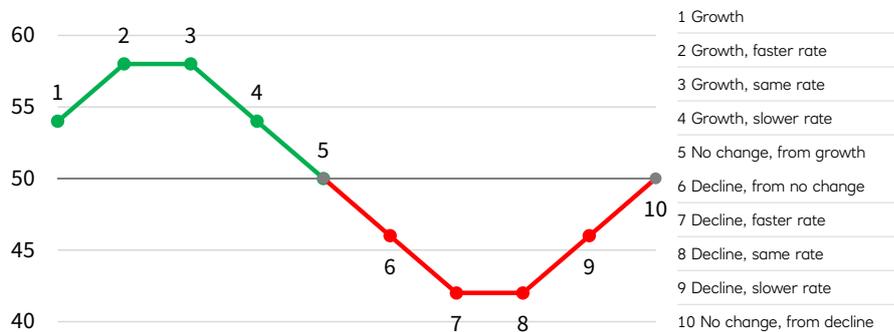
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

"The latest PMI survey could be summed up in one word - improvement. All ten indicators of local business conditions improved in February relative to the previous month. Private sector firms reported their first rise in output and new orders in 10 months. A notable improvement in the economic conditions within Northern Ireland's export markets helped lift export orders in February following four years of continuous decline.

"The recovery in international demand aided a return to growth in output and orders for manufacturers. Meanwhile, retail's recent resurgence continued. The completed rollout of the £600 energy grant, coupled with cross-border shoppers from the Republic of Ireland, continues to provide a boost for the retail sector. Conversely, construction and services posted a further fall in output last month.

"Firms continue to recruit with all four sectors increasing their staffing levels in

February. Overall, employment rose at its fastest pace in 15 months with Northern Ireland outperforming the other 11 regions in the UK. Inflationary pressures continued to ease with both input cost and output price inflation falling to 25-month lows.

"Finally, it was encouraging to see a surge in optimism last month across all four surveyed sectors. Expectations for output in 12 months' time hit a 12-month high which represents the highest level of confidence since Russia's invasion of Ukraine. This latest improvement occurred ahead of the unveiling of The Windsor Framework, so we may see further rises in sentiment in the coming months if it is accepted more universally than the NI Protocol was. Time will tell."



PMI®

by  S&P Global

Demand and outlook

Renewed rise in new orders

February data pointed to a rise in new business at Northern Ireland companies, thereby ending a nine-month sequence of contraction. Panellists reported encouraging signs of demand resulting in the increase in sales. That said, the rise was only marginal as demand remained fragile overall. New business expanded in the manufacturing, services and retail sectors, but decreased in construction.

New Business Index

sa, >50 = growth since previous month

50.9

Feb '23



Confidence builds in February

Business sentiment in Northern Ireland continued to strengthen in February, improving for the fourth month running to a one-year high. Positive sentiment often reflected signs of new orders increasing. Optimism was registered across each of the four broad sectors covered by the survey, with manufacturers expressing the greatest degree of confidence.

Future Activity Index

>50 = growth expected over next 12 months

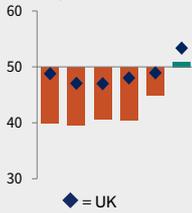
61.6

Feb '23



New Business Index

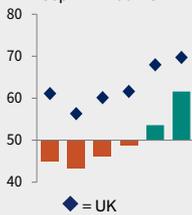
Sep '22 - Feb '23



◆ = UK

Future Activity Index

Sep '22 - Feb '23



◆ = UK

Business capacity

Employment growth hits 15-month high

Northern Ireland companies recorded a second successive month of rising staffing levels in February. Moreover, the latest increase was solid and the fastest since November 2021. The rise in Northern Ireland was also the sharpest of the 12 UK regions. Where job creation was signalled, respondents linked this to higher new orders.

Employment Index

sa, >50 = growth since previous month

54.4

Feb '23



Outstanding business accumulates

A renewed increase in new orders fed through to a rise in backlogs of work during February. The marginal accumulation of outstanding business was the first in nine months. Backlogs built up in the construction and retail categories, but continued to fall in manufacturing and services.

Outstanding Business Index

sa, >50 = growth since previous month

50.3

Feb '23



Employment Index

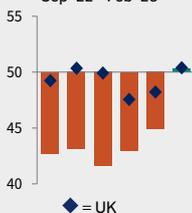
Sep '22 - Feb '23



◆ = UK

Outstanding Business Index

Sep '22 - Feb '23

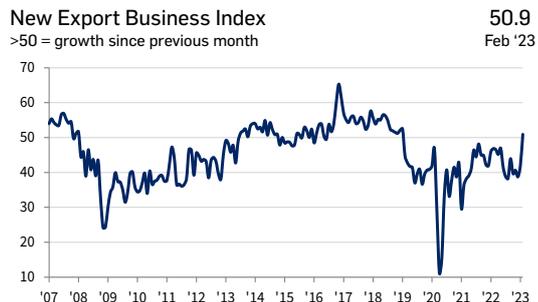


◆ = UK

Exports

New export orders return to growth

New business from abroad increased in February, thereby ending a four-year sequence of monthly declines. Although the rise was only marginal, the return to growth represented a marked turnaround from the sharp reduction seen at the start of the year. Respondents noted signs of recovery in international demand.



Export climate improves solidly

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.

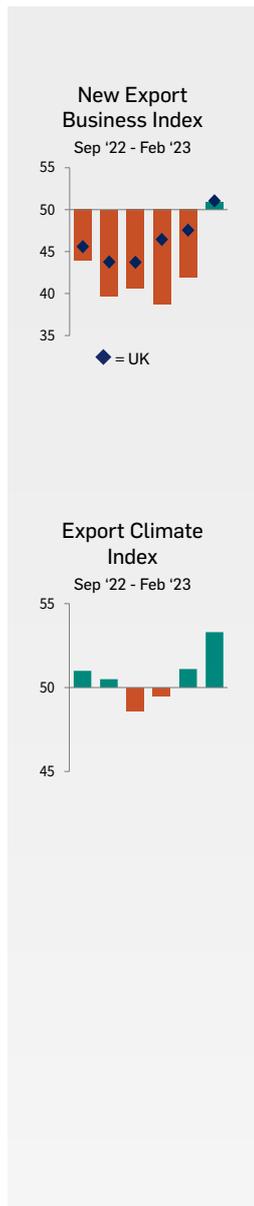
The ECI rose to 53.3 in February from 51.1 in January, above the 50.0 no-change mark for the second month running and thereby signalling an improvement in demand conditions in export markets. In fact, the export climate strengthened to the greatest degree since May 2022.



Each of the five largest export markets for Northern Ireland firms saw output expand during February, the first time this has been the case in eight months. Renewed growth was seen in Germany and the US, with rates of expansion quickening in the Republic of Ireland and Canada. Output in the Netherlands rose for the second month running.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Feb'23
1	Republic of Ireland	46.0%	54.5
2	USA	12.2%	50.1
3	Netherlands	5.9%	50.4
4	Canada	5.0%	52.2
5	Germany	4.4%	50.7



Prices

Input price inflation softens for fifth month running

The recent trend of slowing input cost inflation continued midway through the first quarter, with input prices increasing at the slowest pace since January 2021. That said, the rate of inflation was still marked and stronger than the series average. Higher prices for energy, transportation and wages were mentioned by panellists. Service providers posted the sharpest rise of the four monitored sectors.

Input Prices Index 70.8
sa, >50 = inflation since previous month Feb '23



Charges up sharply again

In response to higher input costs, Northern Ireland companies increased their own selling prices rapidly again in February. This was despite the pace of inflation ticking lower and being the slowest in just over two years. The increase in charges in Northern Ireland was slightly softer than the UK average.

Prices Charged Index 61.2
sa, >50 = inflation since previous month Feb '23

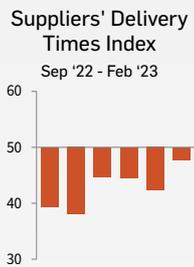
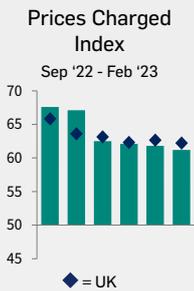
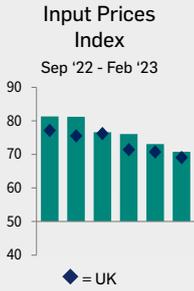
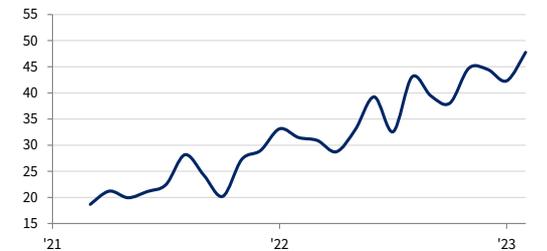


Suppliers' Delivery Times

Supplier performance nears stabilisation

Although suppliers' delivery times lengthened again during February, the latest instance of deteriorating vendor performance was the least pronounced since this question was added to the survey two years ago. Where lead times did lengthen, panellists linked this to goods shortages and Brexit.

Suppliers' Delivery Times Index 47.7
sa, >50 = shorter delivery times since previous month Feb '23



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, Feb '23 ⁺
1	Electrical & Optical	1.42	50
2	Food & Drink	1.26	55
3	Textiles & Clothing	1.19	45
4	Other Manufacturing	1.09	50
5	Basic Metals	0.98	50
6	Timber & Paper	0.92	40
7	Mechanical Engineering	0.88	50
8	Chemicals & Plastics	0.78	45
9	Transport	0.77	45

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Feb '23 ⁺
1	Hotels, Restaurants & Catering	1.34	55
2	Personal & Community Services	1.23	50
3	Transport & Communication	1.22	45
4	Business-to-business Services	0.89	50
5	Computing & IT Services	0.89	50
6	Financial Intermediation	0.66	50

UK sector focus

Other Manufacturing

The UK's 'Other Manufacturing' sector - which comprises mainly consumer goods such as furniture, jewellery, sports items and household ceramics - saw a rise in production levels in the three months to February, following several months of declining output. Production was supported by easing supply constraints - the incidence of delivery delays having fallen sharply compared to the situation a year ago - which enabled businesses to catch up on backlogs of work.

Underlying demand continued to exhibit a weak trend, however, as underscored by a sustained decrease in new orders. That said, the rate of decline slowed in the three months to February and firms became more optimistic about the outlook.

Cost pressures in the sector meanwhile eased from the record high levels observed over the previous two years. Selling price inflation nevertheless remained historically elevated.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

February saw a rise in business activity across all but one of the regions and nations monitored by the survey. The North East was the only exception, although output there did at least stabilise after a seven-month sequence of contraction. London recorded by far the strongest activity growth, registering its best performance since last July, with the South East a distant second place.

Employment

The number of areas recording an increase in employment rose from seven in January to ten in February, with the South West, East of England and Scotland each seeing renewed job creation. Northern Ireland was at the top of the rankings for workforce growth for a second straight month. Further decreases in employment were meanwhile recorded in both Wales and the North East.

Future Activity

There was an improvement in business confidence in two-thirds of areas in February. The most marked upswings in sentiment were in Northern Ireland and Scotland, although these two remained towards the bottom end of the scale for overall levels of optimism. Expectations were highest in the West Midlands, as was the case in January, and lowest in the North East, which saw confidence wane slightly.

Business Activity Index
sa, >50 = growth since previous month, Feb '23



Employment Index
sa, >50 = growth since previous month, Feb '23



Future Activity Index
>50 = growth expected over next 12 months Feb '23



*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
Sep '22	42.3	39.9	44.9	50.4	42.7	43.9	51.0	81.3	67.6	39.4
Oct '22	44.4	39.5	43.2	51.7	43.1	39.7	50.5	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
Dec '22	41.6	40.5	48.8	50.0	43.0	38.7	49.5	76.1	62.1	44.5
Jan '23	45.3	44.9	53.6	52.5	44.9	41.9	51.1	73.1	61.8	42.3
Feb '23	52.2	50.9	61.6	54.4	50.3	50.9	53.3	70.8	61.2	47.7

By Sector, February '23

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	53.8	51.5	68.3	53.8	47.1	64.6	60.9
Construction	47.2	45.9	65.9	57.0	51.3	67.7	62.0
Retail	54.2	56.1	65.9	57.9	53.3	73.3	62.8
Services	48.3	50.7	57.7	53.4	48.9	74.8	60.3

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

About Ulster Bank

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).

Ulster Bank Limited. Registered in Northern Ireland. Registration Number R733. Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com

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

Disclaimer

The Ulster Bank Northern Ireland PMI® is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates. Ulster Bank uses the above marks under licence.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.