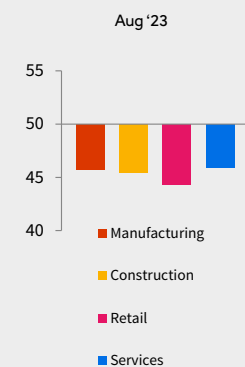
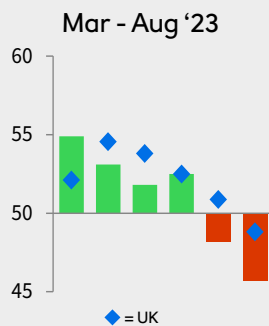


# Ulster Bank Northern Ireland PMI<sup>®</sup>

## New orders fall for third month running

### Northern Ireland Business Activity Index



### Key findings

Higher interest rates and cost of living crisis hit demand

Output falls markedly

Firms continue to increase employment

Business activity and new orders continued to fall in the Northern Ireland private sector during August as higher interest rates and the cost of living crisis took a toll on demand. On a more positive note, firms continued to take on additional staff.

The headline seasonally adjusted Business Activity Index dropped to 45.7 in August from 48.2 in July, below the 50.0 no-change mark for the second month running to signal a drop in output in Northern Ireland's private sector. Moreover, the index signalled a marked reduction in activity and one that was the sharpest since January. Each of the four broad sectors covered by the survey saw activity decrease.

Rising interest rates and the impact of the cost of living crisis on demand were reportedly behind the reduction in output,

and also led new orders to decrease. New business was down solidly, and for the third month running.

On a more positive note, companies increased their staffing levels again in August. The rate of job creation was solid, despite softening to the weakest since January.

Although the pace of input cost inflation ticked up in the latest survey period, it remained relatively muted compared to the trend over the past three years. Higher wages were the principal cause of the rise in input prices. Output charges meanwhile increased at a marked pace.

New product launches are predicted to lead to a rise in output over the coming year, with sentiment remaining relatively healthy in August. That said, confidence dipped from that seen in July.

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.

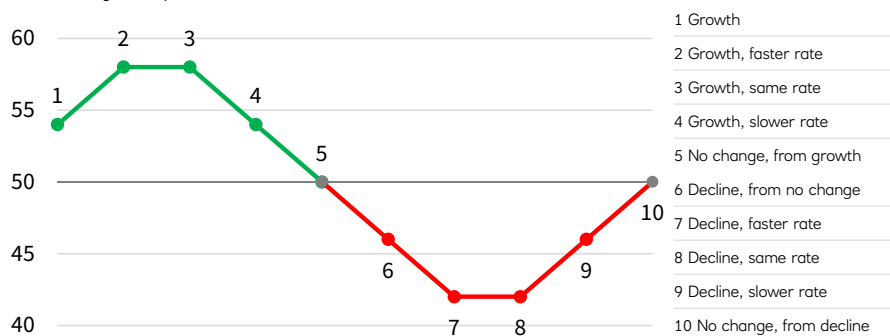
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

*"Like the weather, private sector performance in most of the UK regions took a turn for the worse during August. Indeed, only two UK regions recorded growth in output last month. And Northern Ireland is at the bottom of the list, with the sharpest rates of decline seen across the UK.*

*"There were some positive aspects of the Northern Ireland survey, including the UK's fastest rate of employment growth, and the ongoing normalisation of supply chains, with faster delivery times benefiting local firms. In addition, despite ongoing challenges, firms outside of the construction industry are expecting a pick-up in activity in 12 months' time, meaning that sentiment continues to be relatively healthy.*

*"However, these positives are outweighed by a weakening in demand and a pick-up in inflationary pressures. Business activity in Northern Ireland fell for the second month running, with output recording its fastest rate of decline in seven months and all four sectors posting a decline in*

*August.*

*"Inflationary pressures had been easing over the past 12 months or so, but faster rates of input cost inflation – which respondents attributed to higher wages – and output price inflation were reported in the latest survey. This is still well below the elevated inflation rates seen during the past three years, but is perhaps a warning to businesses that they can't be complacent about cost pressures.*

*"This survey relates to the deteriorating conditions in the private sector. However, the challenges we are seeing in the public sector at a national level, not least the emerging signs of years of underinvestment, are worrying. This is also a feature in Northern Ireland but addressing these challenges is complicated by the ongoing absence of an Executive and the mounting fiscal challenges this is creating."*



PMI®

by **S&P Global**

## Demand and outlook

### Decline in new orders gathers pace

August data pointed to a third consecutive monthly reduction in new orders at companies in Northern Ireland. The pace of decline was solid and the most pronounced since January. Panellists reported that higher interest rates and the effects of the cost of living crisis were behind the drop in new work. Manufacturing was the only monitored sector to buck the wider trend and post a rise in new orders.

### New Business Index

sa, >50 = growth since previous month **47.0**  
Aug '23



### Optimism maintained in August

Although dipping from that seen in the previous survey period, business sentiment remained positive in August. Moreover, optimism was above the series average. The launch of new products was often mentioned as a factor set to support output over the coming year. That said, uncertainty in the domestic and international economies acted to limit optimism.

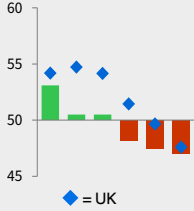
### Future Activity Index

>50 = growth expected over next 12 months **57.2**  
Aug '23



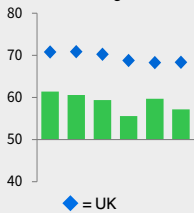
### New Business Index

Mar - Aug '23



### Future Activity Index

Mar - Aug '23



## Business capacity

### Further expansion in employment

Northern Ireland companies increased their staffing levels for the eighth consecutive month in August. The rate of job creation was solid, albeit the softest since January. Northern Ireland posted the strongest increase in employment of the 12 monitored UK areas. Staffing levels rose in three of the four monitored sectors, the exception being services.

### Employment Index

sa, >50 = growth since previous month **52.9**  
Aug '23



### Steep drop in backlogs of work

The rate of decline in outstanding business intensified for the third month running in August and was the most pronounced since last November. According to respondents, the fall reflected a drop off in new orders. All four categories covered by the survey posted a reduction in backlogs.

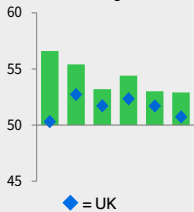
### Outstanding Business Index

sa, >50 = growth since previous month **42.1**  
Aug '23



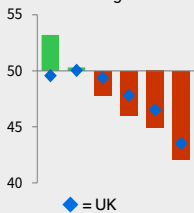
### Employment Index

Mar - Aug '23



### Outstanding Business Index

Mar - Aug '23

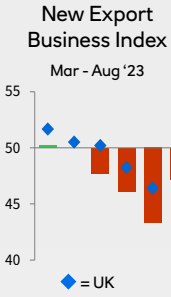
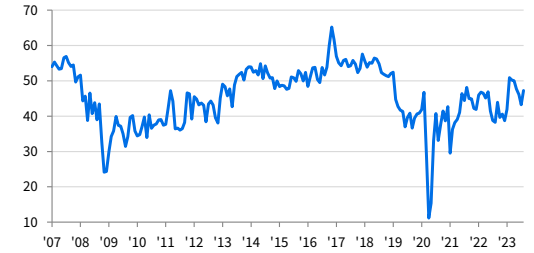


## Exports

### New business from abroad falls again

New export orders decreased for the fourth successive month in August amid reports of uncertainty in international markets. The rate of contraction was solid, but eased markedly from that seen in July to the slowest in three months.

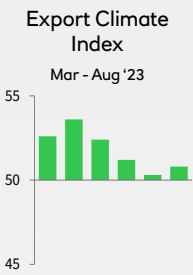
New Export Business Index **47.2**  
 >50 = growth since previous month Aug '23



### Export climate strengthens slightly

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.

Export Climate Index **50.8**  
 sa, >50 = growth since previous month Aug '23



The ECI ticked up to 50.8 in August from 50.3 in July, remaining just above the 50.0 no-change mark and therefore signalling a slight improvement in demand conditions in export markets.

Of the five largest export destinations for Northern Ireland firms, the Republic of Ireland and the US posted increases in activity, the former seeing a return to growth following stable output in July. Meanwhile, the Netherlands, Canada and Germany all saw activity decrease. The fall in Germany was the most pronounced since May 2020.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Aug'23
1	Republic of Ireland	46.0%	52.6
2	USA	12.2%	50.2
3	Netherlands	5.9%	48.8
4	Canada	5.0%	47.7
5	Germany	4.4%	44.6





## Prices

### Sharp rise in input prices

Input costs increased markedly in August. Although slightly stronger than seen in July, the rate of inflation was still much slower than seen over most of the past three years. The rise in input costs was mainly linked to higher wages. Sharper increases in input prices were recorded in the services, construction and retail sectors, with manufacturing posting a further reduction in input costs.

### Input Prices Index

sa, >50 = inflation since previous month

58.4

Aug '23



### Output prices continue to increase

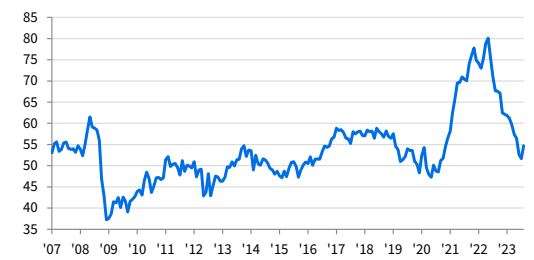
The pass-through of higher input costs to customers resulted in a further rise in output prices in the Northern Ireland private sector. The rate of inflation was marked and the fastest in three months, but still much weaker than the survey peak during 2022. As was the case with input costs, a fall in charges in manufacturing contrasted with increases elsewhere.

### Prices Charged Index

sa, >50 = inflation since previous month

54.7

Aug '23



## Suppliers' Delivery Times

### Further shortening of vendor lead times

Weaker demand conditions helped suppliers to speed up their deliveries in August. As a result, lead times shortened for the fifth month running. The rate of improvement in vendor performance was solid, albeit the least pronounced in three months.

### Suppliers' Delivery Times Index

sa, >50 = shorter delivery times since previous month

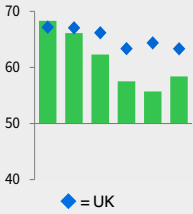
52.5

Aug '23



### Input Prices Index

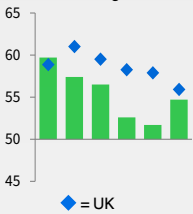
Mar - Aug '23



◆ = UK

### Prices Charged Index

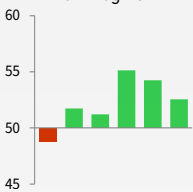
Mar - Aug '23



◆ = UK

### Suppliers' Delivery Times Index

Mar - Aug '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, Aug '23 <sup>+</sup>
1	Electrical & Optical	1.42	
2	Food & Drink	1.26	
3	Textiles & Clothing	1.19	
4	Other Manufacturing	1.09	
5	Basic Metals	0.98	
6	Timber & Paper	0.92	
7	Mechanical Engineering	0.88	
8	Chemicals & Plastics	0.78	
9	Transport	0.77	

40 45 50 55

#### Northern Ireland specialisation: Services

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

40 45 50 55 60

## UK sector focus

### Electrical & Optical

There was a sharp decrease in output across the UK's Electrical & Optical sector in the three months to August. The rate of contraction was the quickest seen since the initial pandemic-related shutdowns in spring 2020 and by far the fastest among the nine manufacturing sectors monitored.

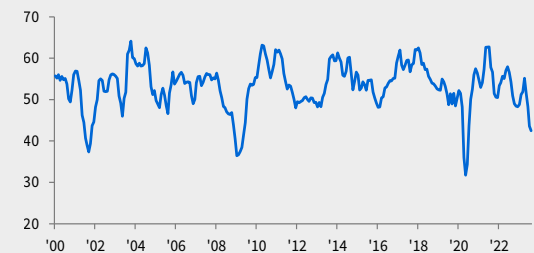
The downturn was driven by a deepening decline in new orders, with export sales falling particularly sharply. With firms reporting a rapid depletion of backlogs of work, job creation in the sector eased to the slowest for over two-and-a-half years.

On the supply side, firms faced a sustained shortening of delivery times on purchases, albeit with the rate of improvement easing. Input cost inflation meanwhile ticked up slightly, but it remained close to its recent three-year low. Output price inflation exhibited an almost identical trend.

Expectations towards future output remained subdued by historical standards despite inching up.

#### Output Index

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



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



## UK Regional PMI overview

### Business Activity

Of the 12 monitored regions and nations, only Wales and London recorded growth in business activity in August. Even here, however, the rates of expansion were marginal. Output was unchanged in Scotland and the West Midlands, while all remaining areas recorded contractions. The steepest decline in activity was seen in Northern Ireland\*, followed by the South West.

### Employment

The majority of areas recorded a rise in employment in August, although rates of job creation often slowed. Northern Ireland recorded the most marked rise in workforce numbers despite the pace of hiring there slowing to a seven-month low. The North East saw a notable drop in staffing levels, while there were more modest declines in the East Midlands, Wales and West Midlands.

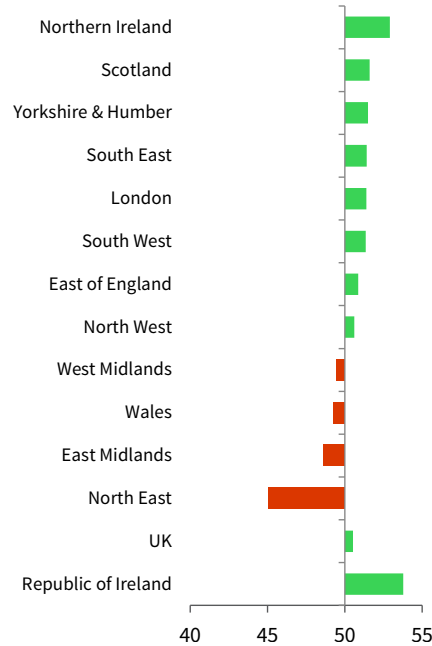
### Future Activity

There were varying trends in business expectations, with confidence towards future activity rising in just under half of cases in August. The West Midlands topped the rankings for a second month running and saw sentiment improve to the joint-highest since January 2022. By contrast, the North East recorded the greatest loss of confidence as well as the lowest overall degree of optimism.

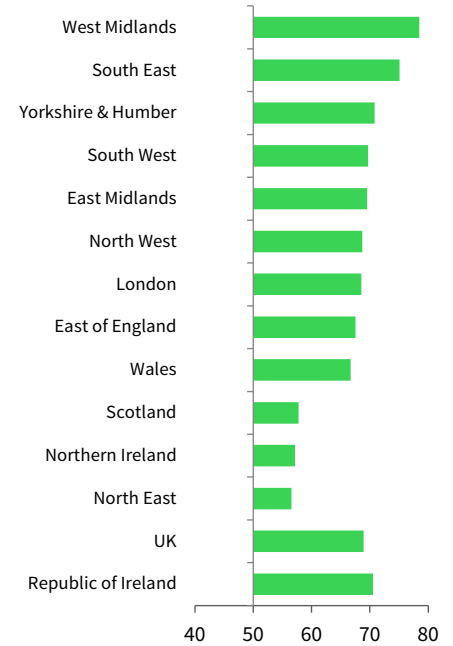
**Business Activity Index**  
sa, >50 = growth since previous month, Aug '23



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



**Future Activity Index**  
>50 = growth expected over next 12 months Aug '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
Mar '23	54.9	53.1	61.4	56.6	53.2	50.2	52.6	68.3	59.7	48.8
Apr '23	53.1	50.5	60.6	55.4	50.3	50.0	53.6	66.1	57.4	51.7
May '23	51.8	50.5	59.4	53.2	47.8	47.7	52.4	62.3	56.5	51.2
Jun '23	52.5	48.2	55.6	54.4	46.0	46.1	51.2	57.5	52.6	55.1
Jul '23	48.2	47.5	59.7	53.0	44.9	43.3	50.3	55.7	51.7	54.2
Aug '23	45.7	47.0	57.2	52.9	42.1	47.2	50.8	58.4	54.7	52.5

### By Sector, August '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	45.7	50.6	63.2	53.8	39.4	47.8	47.7
Construction	45.4	40.1	47.8	62.3	41.9	66.7	60.7
Retail	44.3	46.1	60.5	51.3	43.6	55.5	56.5
Services	45.9	46.3	54.5	49.7	45.2	67.1	57.7

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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.

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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.

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

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