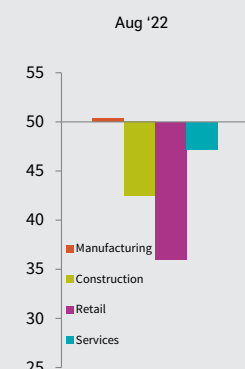
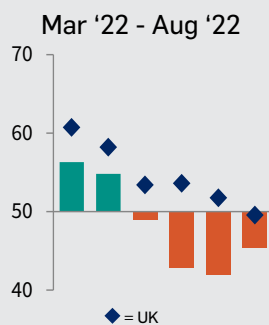


Ulster Bank Northern Ireland PMI[®]

Business activity declines for fourth month running

Northern Ireland Business Activity Index



Key findings

Price pressures lead to further reductions in output and new orders

Inflation remains elevated, but eases

Slowest rate of job creation in year-and-a-half

The Northern Ireland private sector remained in contraction during August as demand continued to be impacted by intense price pressures. That said, there were further signs of inflation softening. Meanwhile, firms remained pessimistic about the year-ahead outlook and the rate of job creation softened to an 18-month low.

The headline seasonally adjusted Business Activity Index posted 45.4 in August, up from 41.9 in July and the highest reading in three months, but one which nonetheless pointed to a marked reduction in output over the month amid cost pressures and waning demand.

The sharpest reduction in activity was seen at retailers, while manufacturing bucked the wider trend and posted a rise in production.

A strong inflationary environment led

to a further decline in new orders, the fourth in as many months. Concerns about the ongoing impact of inflation on demand meant that companies remained pessimistic regarding the year-ahead outlook for activity.

Price pressures remained elevated in August, but showed further signs of easing, with rates of increase in input costs and output prices at 16- and 17-month lows respectively. Higher energy costs were the principal driver of input price inflation.

Companies continued to increase staffing levels, but difficulties finding suitable candidates to fill positions meant that the rate of job creation eased to the softest in the current 18-month sequence of rising employment.

Waning demand meant that pressure on supply chains eased, leading to a less marked lengthening of delivery times.

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.

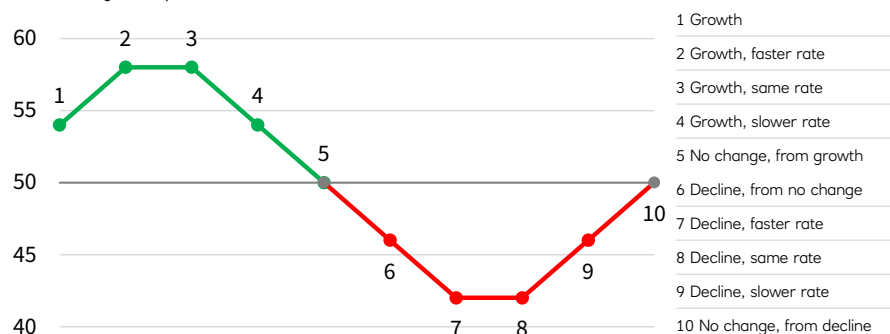
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

Index interpretation

50.0 = no change since previous month



PMI®

by **S&P Global**

Comment

Commenting on the latest survey findings, Richard Ramsey, Chief Economist Northern Ireland, Ulster Bank, said:

“NI’s private sector contraction continued last month with output / sales and new orders falling for the fourth month running. While the pace of decline in orders and output eased relative to July, the rate of contraction was still marked. Northern Ireland was one of nine of the 12 UK regions to report falling business activity.

“Once again, retailers are bearing the brunt of the downturn, posting the steepest falls in demand as the cost-of-living crisis continues to impact on consumers. Retail is also the only sector not to increase staffing levels last month. On the other hand, manufacturing bucked the wider trend as the only sector experiencing a rise in business activity, posting a marginal increase in output last month.

“Inflationary pressures continue to be cited as a key factor curbing demand. However, the rate of input price inflation eased to its weakest rate since April last year. But it is worth noting that the price increases that are now being experienced are still stronger than anything reported prior to May 2021.

“Positives were thin on the ground in the latest report. Although employment growth continued, it was the weakest pace in 18 months and many firms continued to struggle to find suitable candidates to fill vacancies. The one silver lining with the downturn in demand is that it has eased the pressures on overstretched supply chains. However, this won’t be much consolation to most companies who face an increasingly hostile economic environment and outlook.

“We are in the midst of a cost-of-living and cost-of-doing-business emergency with rising energy costs the primary driver behind the squeeze on disposable incomes and profitability. Last week, the UK government announced a range of measures to mitigate against the worst effects of the surge in energy costs and we wait to see and hear how similar measures will be applied to Northern Ireland. The clock is ticking.”



Demand and outlook

Further steep decline in new orders

Companies in Northern Ireland continued to record declines in new orders in August. The rate of contraction was substantial, despite easing slightly from July. New business has now fallen in four successive months, with respondents indicating that inflationary pressures had deterred customers. New orders decreased sharply across all four monitored sectors, with the steepest declines in construction and retail.

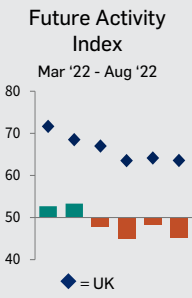
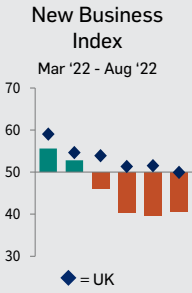
New Business Index 40.6
sa, >50 = growth since previous month Aug '22



Output expected to fall

August data signalled pessimism regarding the year-ahead outlook for business activity, the fourth month running in which that has been the case. Sentiment dropped from that seen in July, with concerns around the impact of inflation central to negative forecasts. Northern Ireland and North East England were the only regions to signal a pessimistic outlook in August. The only sector not to predict a fall in activity over the coming year was manufacturing, but here the outlook was neutral.

Future Activity Index 45.1
>50 = growth expected over next 12 months Aug '22



Business capacity

Softer rise in employment

Although staffing levels continued to increase during August, the rate of job creation slowed to a modest pace that was the softest in the current 18-month sequence of rising employment. While some companies were able to hire additional staff, others continued to find this a challenge amid difficulties finding suitable candidates. Three of the four monitored sectors saw employment increase, the exception being retail.

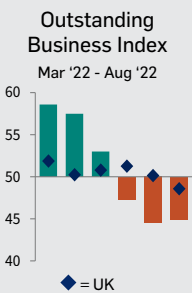
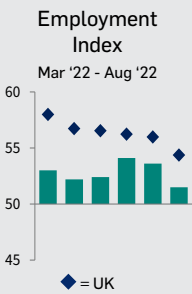
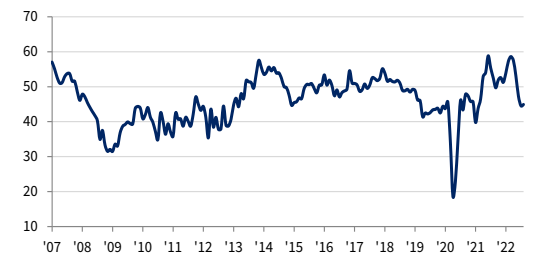
Employment Index 51.5
sa, >50 = growth since previous month Aug '22



Outstanding business down for third month running

Falls in new orders meant that firms had sufficient capacity to work through outstanding business midway through the third quarter. Backlogs of work have now decreased in each of the past three months. The latest fall was marked, with the construction and retail sectors posting particularly steep declines.

Outstanding Business Index 44.9
sa, >50 = growth since previous month Aug '22



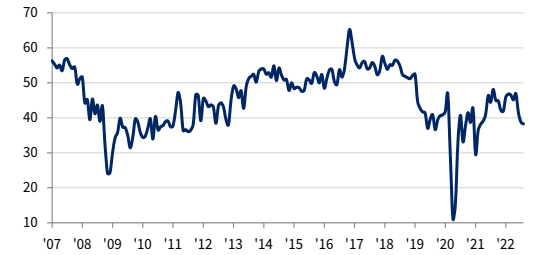
Exports

New export orders down sharply

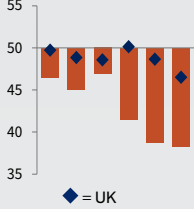
August data pointed to a further considerable decline in new business from abroad, with the rate of contraction quickening to the fastest since March 2021. Anecdotal evidence suggested that demand had deteriorated in other European countries.

New Export Business Index
 >50 = growth since previous month

38.3
 Aug '22



New Export Business Index
 Mar '22 - Aug '22



Export climate deteriorates

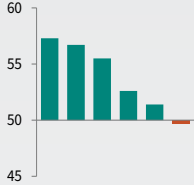
The Northern Ireland Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Northern Ireland. This produces an indicator for the economic health of the country's export markets.

Export Climate Index
 sa, >50 = growth since previous month

49.7
 Aug '22



Export Climate Index
 Mar '22 - Aug '22



At 49.7 in August, the ECI was down from 51.4 in July and below the 50.0 no-change mark for the first time in a year-and-a-half. The reading signalled a marginal decline in demand conditions in export markets.

Of the five largest export destinations for Northern Ireland companies, only the Republic of Ireland saw output rise during August. The US posted a sharp decline in activity, and one that was the fastest since the initial outbreak of the COVID-19 pandemic. Canada and Germany registered deepening contractions, while manufacturing production in the Netherlands fell for the first time in just over two years.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Aug '22
1	Republic of Ireland	38.6%	51.0
2	USA	12.5%	44.6
3	Canada	5.6%	45.5
4	Germany	4.3%	46.9
5	Netherlands	3.9%	49.4



Prices

Softer rise in input costs

The rate of input price inflation softened for the third month running in August and was the weakest since April 2021. That said, the latest increase was still sharper than any seen prior to May 2021. Reports of higher energy prices were widespread and the principal driver of rising cost burdens. All four monitored sectors posted increases in input prices, led by services.

Input Prices Index

sa, >50 = inflation since previous month

80.6
Aug '22



Charge inflation moderates

In line with the trend in input costs, output prices increased at a sharp but softer pace during August. The latest rise was the weakest in 17 months and only slightly faster than the UK average. Construction registered the steepest increase in selling prices, with the softest rise seen in the manufacturing sector.

Prices Charged Index

sa, >50 = inflation since previous month

67.7
Aug '22



Suppliers' Delivery Times

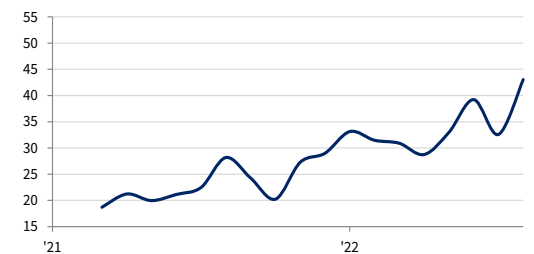
Lead times lengthen to lesser degree

Supply-chain disruption was the least pronounced since the question was added to the survey a year-and-a-half ago. This was despite lead times lengthening markedly again in August. A number of firms linked longer delivery times to Brexit issues. On the other hand, there were some suggestions that weaker demand had lifted some pressure on suppliers.

Suppliers' Delivery Times Index

sa, >50 = shorter delivery times since previous month

43.1
Aug '22



Input Prices Index

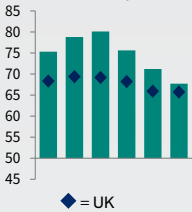
Mar '22 - Aug '22



◆ = UK

Prices Charged Index

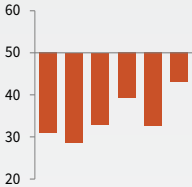
Mar '22 - Aug '22



◆ = UK

Suppliers' Delivery Times Index

Mar '22 - Aug '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, Aug '22 ⁺
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	

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Aug '22 ⁺
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	

UK sector focus

Timber & Paper

Latest UK PMI data showed a sustained downturn in activity across the Timber & Paper sector. Output levels fell sharply in the three months to August, maintaining a period of contraction stretching back a year.

Inflows of new orders decreased at an even faster rate, thereby leading to markedly reduced levels of outstanding business and a near-record build-up of finished goods. By contrast, pre-production inventories returned to contraction.

Positively, delays in the receipt of inputs were the lowest in almost two-and-a-half years. The easing of supply-chain pressures was further reflected in a moderation in the rate of input price inflation, down the lowest since the start of 2021, although it still remained elevated by historical standards. Similarly, there was a further sharp, albeit notably slower, rise in output prices across the sector.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Just three out of the 12 monitored UK regions recorded a rise in business activity in August. Growth in London was solid but eased notably since July, whilst both the North West and Yorkshire & Humber recorded only modest rates of expansion. Activity fell elsewhere, with the steepest declines registered in the North East and East of England.

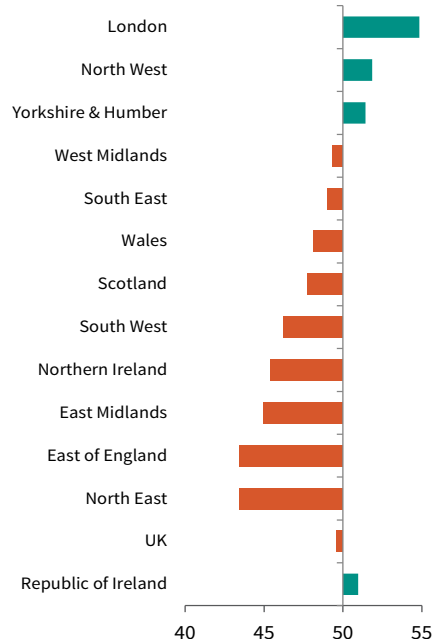
Employment

Despite signs of weakness in activity and demand, almost all regions recorded a rise in employment in August. The only exception was the North East, where workforce numbers fell for the third month running. Rates of job creation not only slowed, however, but they varied widely, with a further steep rise in workforce numbers in London contrasting with only marginal growth in the South West.

Future Activity

The majority of regions recorded a drop in business confidence towards the outlook in August. The three highest-ranked areas, Yorkshire & Humber, the South East and London, went against the broader trend and recorded improved sentiment, as did the East Midlands (ranked eighth). Expectations turned negative in the North East, while firms in Northern Ireland* grew more pessimistic.

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



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



Future Activity Index
>50 = growth expected over next 12 months Aug '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
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
Aug '22	45.4	40.6	45.1	51.5	44.9	38.3	49.7	80.6	67.7	43.1

By Sector, August '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	50.4	43.2	50.0	51.3	42.7	78.0	62.1
Construction	42.5	37.8	48.0	56.8	36.5	80.7	80.9
Retail	36.0	37.3	37.5	46.0	38.0	74.7	76.1
Services	47.2	43.3	46.9	52.5	48.6	82.3	65.7

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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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ihs.com/products/pmi.html