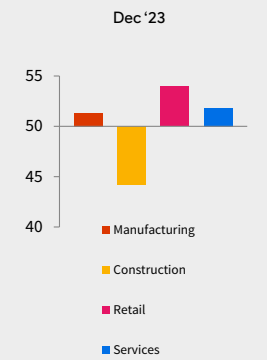
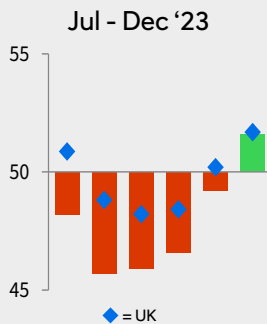


Ulster Bank Northern Ireland PMI[®]

Renewed rise in business activity, but demand remains subdued

Northern Ireland Business Activity Index



Key findings

Output rises for first time in six months

New orders continue to fall

Rate of job creation at 12-month low

Business activity returned to growth in the Northern Ireland private sector in the final month of 2023, but new orders continued to fall as demand remained subdued and the pace of job creation eased. Rates of inflation of both input costs and output prices quickened, but were softer than the averages for 2023 as a whole.

The headline seasonally adjusted Business Activity Index rose back above the 50.0 no-change mark for the first time in six months in December, posting 51.6 from 49.2 in November. Activity rose in manufacturing, services and retail, but fell in construction.

Data suggested that the rise in activity in part reflected the completion of outstanding business, levels of which decreased sharply in December. Firms worked through backlogs amid a further reduction in new orders, albeit one that

was the least marked in seven months of decline.

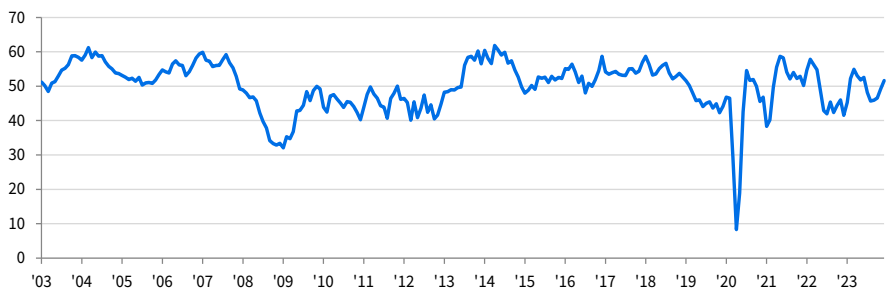
Companies in Northern Ireland raised employment again, but only marginally and to the smallest extent in the period of job creation which covered each month of 2023. Some firms highlighted difficulties finding new staff.

A marked rise in input costs was recorded, primarily due to increased wages. In turn, companies raised their own selling prices at a solid pace that was the fastest in three months. In both cases, however, rates of inflation were softer than the averages for the year as a whole.

Firms remained optimistic that output will increase over the coming year, with positive sentiment reflecting hopes for a rise in new orders and business investment plans. That said, confidence eased slightly from November.

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.

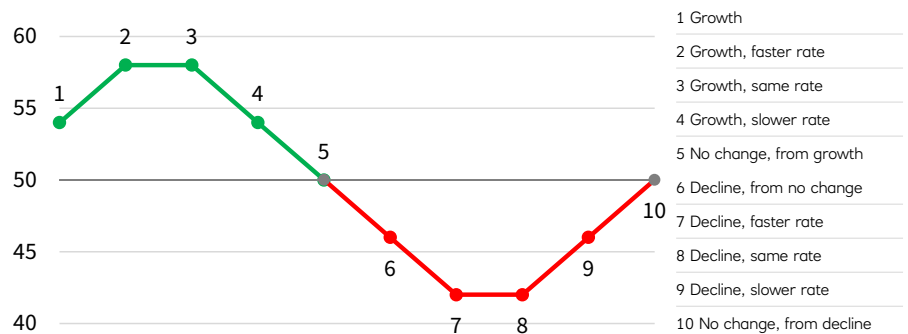
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

"Northern Ireland's private sector returned to growth for the first time in six months in December. Retail and manufacturing joined services in expansion mode. Retailers saw a sharp rise in sales following seven successive months of decline. Manufacturers and services companies recorded more modest rates of growth while construction remains mired in recession. Construction output has fallen almost continuously over the last two-and-a-half years while new construction orders have been falling almost continuously for three years.

"December's return to growth, while welcome, could prove difficult to sustain. New demand remains weak with order books shrinking for the seventh month running. Retail was the only one of the four sectors to record a pick-up in demand last month. Despite subdued demand, Northern Ireland's private sector continued to increase staffing levels, albeit at its slowest pace in twelve months. Recruiting staff continues to present difficulties for firms. Manufacturers reduced their headcount for the second month running with December's decline the sharpest in almost three years. This suggests some manufacturing firms are adjusting their business conditions to the reduced external demand.

"Inflationary pressures ended 2023 significantly below where they started the year. But there are signs of costs

pressures ticking up again not least in terms of shipping costs with container ships being re-routed away from the Red Sea and the Suez Canal. Supply-chain disruption could once again be a feature of the global economy in the year ahead. Higher wages were widely cited as a cost pressure in the latest survey while some firms mentioned increased material costs. Outside of construction, Northern Ireland's private sector remains confident for growth in 2024. But concerns about the lack of government at Stormont remain."



Demand and outlook

Softer reduction in new orders

Although new business decreased for the seventh month running in December, the rate of growth eased to the weakest in this sequence and was only modest overall. According to respondents, market uncertainty was a key factor leading new orders to fall. Three of the four monitored categories saw a reduction in new business, the exception being retail.

New Business Index

sa, >50 = growth since previous month

48.5

Dec '23



Firms confident in 2024 outlook

Northern Ireland companies were optimistic that output will increase over the course of 2024, with the latest instance of positive sentiment completing a full calendar year of optimism. Hopes for an increase in new orders and business investment plans were behind the confident outlook. That said, sentiment eased from that seen in November amid a pessimistic outlook in construction and concerns about the impact of the lack of government at Stormont.

Future Activity Index

>50 = growth expected over next 12 months

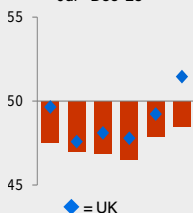
56.9

Dec '23



New Business Index

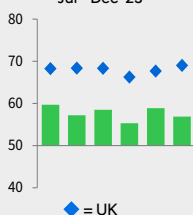
Jul - Dec '23



◆ = UK

Future Activity Index

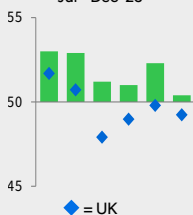
Jul - Dec '23



◆ = UK

Employment Index

Jul - Dec '23



◆ = UK

Business capacity

Marginal rise in employment

As was the case in each month in 2023, employment increased in December. That said, the rate of job creation was only marginal and the slowest in the current sequence of rising staffing levels. Some panellists increased employment as part of efforts to expand capacity and aid the completion of projects, but others reported difficulties recruiting new staff.

Employment Index

sa, >50 = growth since previous month

50.4

Dec '23



Further sharp fall in backlogs

A lack of new work to replace completed projects meant that companies in Northern Ireland worked through outstanding business in December. Backlogs fell sharply, albeit to the least extent in three months. Work-in-hand has decreased continuously since May.

Outstanding Business Index

sa, >50 = growth since previous month

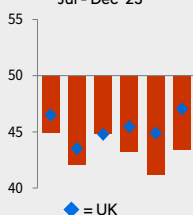
43.4

Dec '23



Outstanding Business Index

Jul - Dec '23



◆ = UK

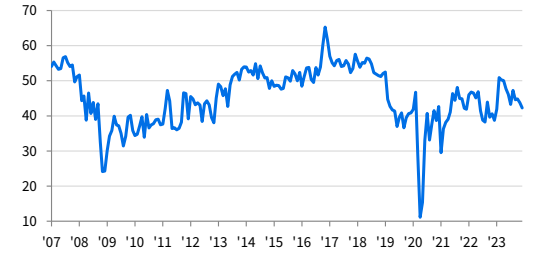
Exports

Steep fall in new business from abroad

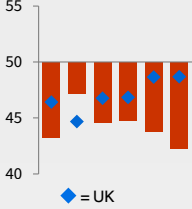
December data pointed to a sharp and accelerated reduction in new export orders at companies in Northern Ireland, thereby extending the current sequence of contraction to eight months. Moreover, the rate of decline was the fastest since January 2023.

New Export Business Index
 >50 = growth since previous month

42.3
 Dec '23



New Export Business Index
 Jul - Dec '23

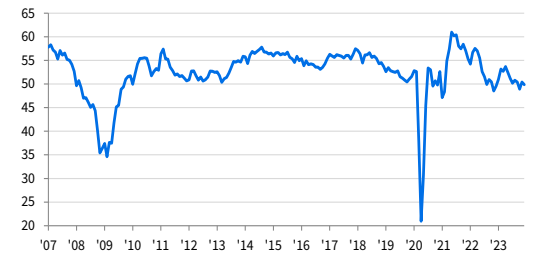


Export climate broadly stable in December

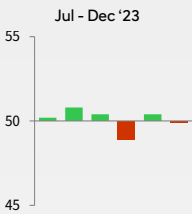
The Northern Ireland Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Northern Ireland. This produces an indicator for the economic health of the country's export markets.

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

49.9
 Dec '23



Export Climate Index
 Jul - Dec '23



The ECI posted only fractionally below the 50.0 no-change mark in December, with a reading of 49.9 signalling broadly unchanged demand conditions in export markets. The index was down from 50.4 in November.

The two largest export markets for Northern Ireland companies - the Republic of Ireland and the USA - saw increases in business activity in the final month of 2023, although rates of expansion were only modest. On the other hand, reductions in output were signalled in the Netherlands, Canada and Germany, with Canada posting the fastest decline in three-and-a-half years.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Dec '23
1	Republic of Ireland	46.0%	51.5
2	USA	12.2%	50.9
3	Netherlands	5.9%	44.7
4	Canada	5.0%	44.7
5	Germany	4.4%	47.4



Prices

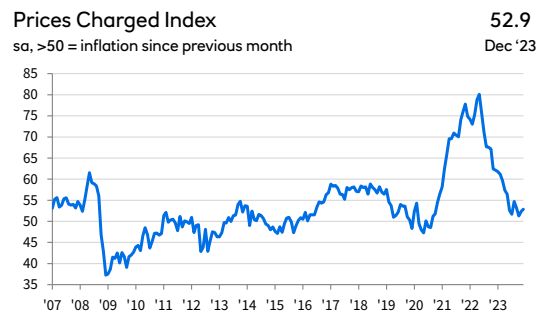
Marked increase in input costs

Firms in Northern Ireland recorded a further increase in input prices in December. The rate of inflation was sharp and slightly faster than in November, but still softer than the average for 2023 as a whole. Higher wages were widely mentioned, while some firms also reported increasing material costs. Services registered the fastest rise in input prices, followed by construction.



Output prices up solidly

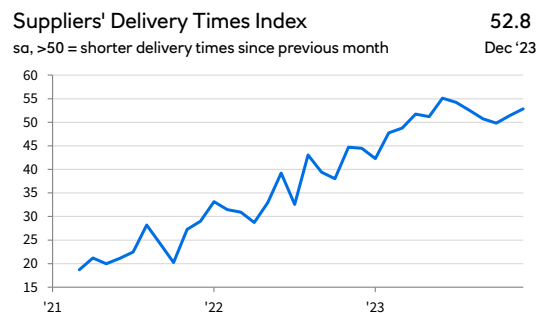
The passing on of higher input costs to customers resulted in a further increase in output prices in December. The rate of inflation quickened for the second month running and was solid, but still softer than the series average. Manufacturing bucked the wider trend and posted a reduction in selling prices.



Suppliers' Delivery Times

Lead times improve

December data pointed to a second consecutive monthly improvement in vendor performance. Lead times shortened solidly, and to the largest extent since July. Respondents suggested that suppliers had been able to speed up deliveries amid subdued demand.



Input Prices Index
Jul - Dec '23

Prices Charged Index
Jul - Dec '23

Suppliers' Delivery Times Index
Jul - Dec '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, Dec '23 ⁺
1	Electrical & Optical	1.42	48
2	Food & Drink	1.26	52
3	Textiles & Clothing	1.19	50
4	Other Manufacturing	1.09	42
5	Basic Metals	0.98	45
6	Timber & Paper	0.92	42
7	Mechanical Engineering	0.88	48
8	Chemicals & Plastics	0.78	45
9	Transport	0.77	55

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Dec '23 ⁺
1	Hotels, Restaurants & Catering	1.34	52
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	52

UK sector focus

Textiles & Clothing

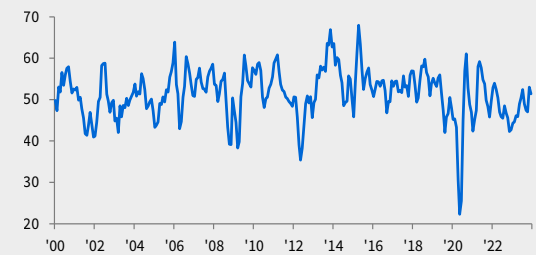
The UK's Textiles & Clothing sector saw a slight increase in production volumes in the three months to December. It was one of only three manufacturing sub-sectors monitored by PMI data to record growth, alongside Food & Drink and Transport. The result represented a marked turnaround from the solid rate of contraction seen in the opening quarter of 2023.

Driving the upturn was a strong increase in new orders, which in part reflected improved demand from abroad in recent months. Firms reacted by upping the pace of job creation to one of the quickest rates in the past five years. They also continued to build up stocks of both purchases and finished goods.

On the price front, latest data showed a sustained rebound in input costs following a decline during the middle part of 2023. Average factory gate charges meanwhile rose modestly, and at one of the slowest rates in the past three years.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Seven of the 12 monitored regions and nations recorded higher business activity in December, the most since last June. Growth was once again led by London, where output rose sharply during the month. At the other end of the scale, the North East recorded the most marked fall in output, followed by Wales.

Employment

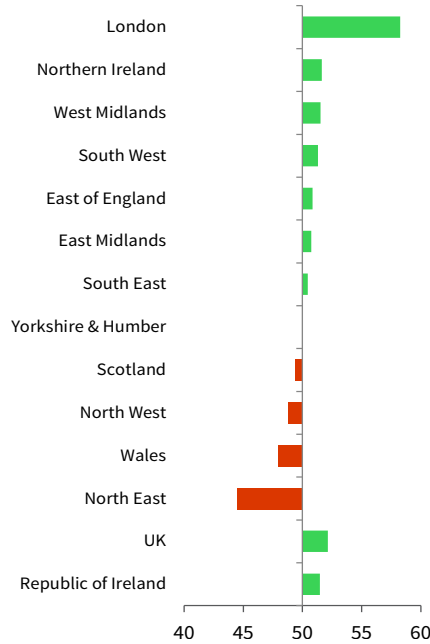
Labour market trends worsened in most cases in December. Just three areas saw employment rise, the fewest since last September, with rates of growth slowing in both Scotland and Northern Ireland*. For the second month running, Wales posted the sharpest drop in workforce numbers – its fastest since January 2021.

Future Activity

Business expectations improved in the majority of cases as 2023 drew to a close. This included the West Midlands, which topped the rankings ahead of the South East. The most marked upswing in confidence was in Wales, followed by the North East. Firms in Northern Ireland were the least optimistic about the year-ahead outlook.

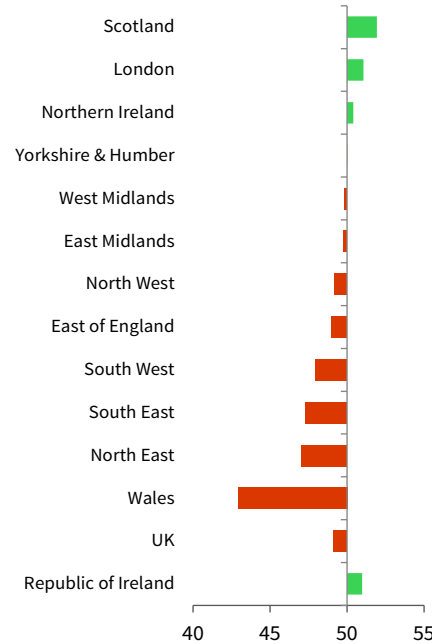
Business Activity Index

sa, >50 = growth since previous month, Dec '23



Employment Index

sa, >50 = growth since previous month, Dec '23



Future Activity Index

>50 = growth expected over next 12 months Dec '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
Jul '23	48.2	47.5	59.7	53.0	44.9	43.3	50.2	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
Sep '23	45.9	46.9	58.5	51.2	44.8	44.6	50.4	58.3	53.2	50.7
Oct '23	46.6	46.5	55.3	51.0	43.2	44.8	48.9	59.1	51.3	49.8
Nov '23	49.2	47.9	58.9	52.3	41.2	43.8	50.4	58.8	52.3	51.4
Dec '23	51.6	48.5	56.9	50.4	43.4	42.3	49.9	59.0	52.9	52.8

By Sector, December '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	51.3	47.0	62.5	46.4	39.0	53.2	45.6
Construction	44.2	45.0	47.7	51.7	48.6	61.4	58.4
Retail	54.0	55.2	56.8	50.8	38.6	57.8	52.4
Services	51.8	46.4	56.3	52.9	45.5	63.9	56.3

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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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