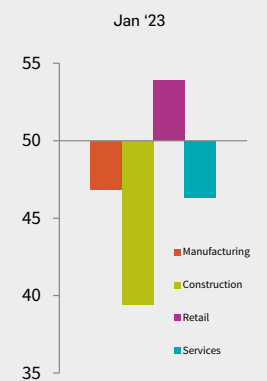
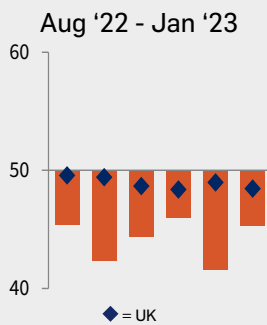


# Ulster Bank Northern Ireland PMI<sup>®</sup>

## New orders continue to fall, but at softest pace in eight months

### Northern Ireland Business Activity Index



### Key findings

Weaker reductions in output and new orders

Renewed optimism and job creation recorded

Inflationary pressures weakest in two years

Although the Northern Ireland private sector remained in contraction territory at the start of the year, there were signs of the downturn losing pace. Softer falls in output and new orders were recorded, while employment increased, and firms expressed optimism in the 12-month outlook. Rates of inflation remained elevated, but softened to two-year lows.

The headline seasonally adjusted Business Activity Index remained below the 50.0 no-change mark in January, but rose to 45.3 from 41.6 in December to signal a softer reduction in output at the start of 2023. That said, activity has now fallen in nine successive months, with the latest decline linked to the challenging demand and inflationary environment.

These factors also led to a drop in new orders, with some firms pointing to housing market weakness. Construction

posted the fastest reduction in new orders of the four monitored sectors. Overall new business declined markedly, but to the least extent since May 2022.

With output and new orders falling at softer rates, firms expressed renewed optimism in the year-ahead outlook for business activity, the first instance of positive sentiment since April last year.

Firms also signalled a solid increase in employment, following no change in December. Backlogs of work subsequently declined again.

Rates of input cost and output price inflation remained elevated, but continued to ease and were the softest in two years in both cases. Higher wage costs were mentioned by a number of respondents, but there were also some reports of raw material prices continuing to rise.

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.

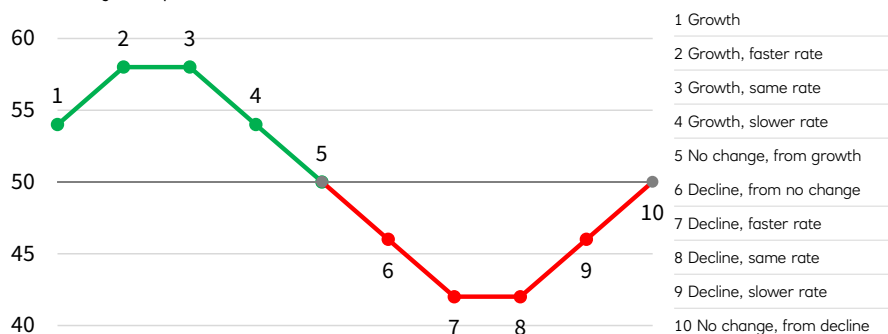
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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



PMI®

by **S&P Global**

## Comment

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

*“Northern Ireland’s private sector largely started this year the way 2022 ended, with falling levels of business activity and new orders, alongside an easing in inflationary pressures. Both business activity and incoming orders fell for their 9th successive month, although the rates of decline slowed in January. Falling demand, in terms of new orders, was evident across all four sectors.*

*However, there were also signs of improvement and pockets of optimism. Input cost and output price inflation eased to two-year lows but remain at elevated levels. Firms are still increasing their prices more than any other time prior to the pandemic.*

*Employment growth accelerated to a 6-month high with all four sectors increasing staffing levels in January. Indeed, NI firms posted the fastest rise in employment levels of all 12 UK regions. That was despite the fact local firms posted the sharpest decline in output within the UK in January.*

*This suggests that local firms are hoarding labour, given the difficulty in recruiting*

*staff and widespread skills shortages. How sustainable this approach is will be tested in the months ahead. Retail was the star performer in January with an increase in sales and retail employment rising at its fastest pace since May 2018.*

*The extreme pessimism reported in 2022 appears to have lifted. Only construction firms are expecting further falls in output in 12 months’ time. Manufacturing and retail are their most optimistic in 10 and 11 months respectively.*

*The rebound in retail sales and sentiment is perhaps surprising in the midst of a cost-of-living crisis. However, there are two key factors likely to be driving this. Unlike Northern Ireland and the UK, the Republic of Ireland is neither in nor flirting with recession and cross-border shopping is providing some valuable support. During the second half of January, the £600 energy grant also started arriving with households, and in some instances, this subsidy seems, in part at least, to have found its way into the tills of local retailers.”*



## Demand and outlook

### New orders fall, but at softer pace

Northern Ireland companies posted a reduction in new orders for the ninth month running at the start of 2023. The rate of decline was marked, albeit the softest since May last year. Challenging economic conditions and higher prices were behind the fall, with some firms mentioning particular weakness in the housing market. Indeed, the construction sector posted the sharpest decline in new business of the four broad sectors covered.

### New Business Index

sa, >50 = growth since previous month

44.9

Jan '23



### Renewed optimism in year-ahead outlook

January data signalled an optimistic outlook among Northern Ireland companies, thereby ending an eight-month sequence of pessimism. New product launches, slower inflation and hopes that previously delayed projects will get the go-ahead supported the positive outlook for business activity. Positive expectations were signalled in the manufacturing, services and retail categories, but construction firms maintained a pessimistic outlook.

### Future Activity Index

>50 = growth expected over next 12 months

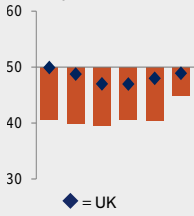
53.6

Jan '23



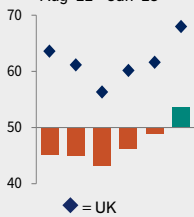
### New Business Index

Aug '22 - Jan '23



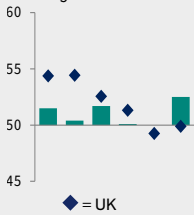
### Future Activity Index

Aug '22 - Jan '23



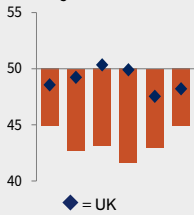
### Employment Index

Aug '22 - Jan '23



### Outstanding Business Index

Aug '22 - Jan '23



## Business capacity

### Staffing levels up solidly

Tentative signs of improvement in new orders encouraged companies to increase their staffing levels in January, following no change in employment in the previous survey period. Workforce numbers have now risen in 22 of the past 23 months. The pace of job creation in January was solid and the fastest since July 2022. The increase in staffing levels in Northern Ireland compared with broadly unchanged employment across the UK as a whole.

### Employment Index

sa, >50 = growth since previous month

52.5

Jan '23



### Marked reduction in backlogs

As has been the case in each of the past eight months, outstanding business decreased in January as new orders continued to fall. That said, the pace of decline in backlogs of work softened for the second month running and was the weakest since last August.

### Outstanding Business Index

sa, >50 = growth since previous month

44.9

Jan '23



## Exports

### Further sharp reduction in new export orders

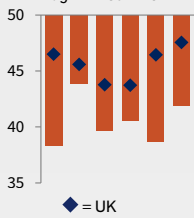
The seasonally adjusted New Export Business Index remained well below the 50.0 no-change mark in January to signal another sharp decline in new business from abroad in the Northern Ireland private sector. This was despite the rate of contraction easing to a four-month low.

New Export Business Index  
>50 = growth since previous month

41.9  
Jan '23



New Export Business Index  
Aug '22 - Jan '23



### Renewed improvement in export demand conditions

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 moved back above the 50.0 no-change mark in January, posting 51.1 from 49.5 in December. The index signalled a modest improvement in the export climate, and the first enhancement in three months.

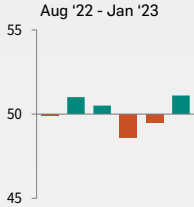
Three of the five largest export destinations for Northern Ireland firms saw business activity expand in January, including the biggest - Republic of Ireland. Manufacturing production returned to growth in Canada and the Netherlands, while business activity in Germany was broadly stable. The US continued to see output decline, albeit at a softer pace.

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

51.1  
Jan '23



Export Climate Index  
Aug '22 - Jan '23



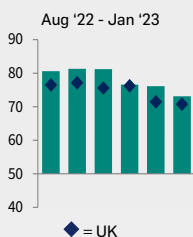
Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Jan'23
1	Republic of Ireland	46.0%	52.0
2	USA	12.2%	46.8
3	Netherlands	5.9%	50.7
4	Canada	5.0%	51.0
5	Germany	4.4%	49.9



## Prices

Input Prices Index



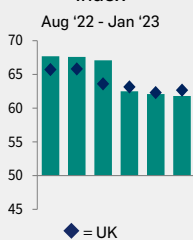
### Further moderation in cost inflation

The rate of input cost inflation eased for the fourth consecutive month during January and was the weakest in two years. That said, the latest increase was still much faster than the series average. A number of respondents signalled higher wage costs, while raw material prices were also up. Services posted the fastest rise in input costs, closely followed by retail.

Input Prices Index



Prices Charged Index



### Output prices rise at slightly softer pace

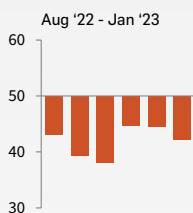
In line with the picture for input costs, output prices rose at a sharp but reduced pace at the start of the year. The increase in charges was the softest since January 2021. Selling prices in Northern Ireland rose at a slightly softer pace than the UK average. On a sectoral basis, the sharpest increase in charges was in retail.

Prices Charged Index



## Suppliers' Delivery Times

Suppliers' Delivery Times Index



### Lead times continue to lengthen

Suppliers' delivery times lengthened again in January, with Brexit and delivery delays from Mainland China among the factors causing a decline in vendor performance. Lead times lengthened substantially, and to the greatest extent in three months.

Suppliers' Delivery Times Index



## 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, Jan '23 <sup>+</sup>
1	Electrical & Optical	1.42	48
2	Food & Drink	1.26	52
3	Textiles & Clothing	1.19	46
4	Other Manufacturing	1.09	48
5	Basic Metals	0.98	48
6	Timber & Paper	0.92	40
7	Mechanical Engineering	0.88	50
8	Chemicals & Plastics	0.78	46
9	Transport	0.77	46

#### Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jan '23 <sup>+</sup>
1	Hotels, Restaurants & Catering	1.34	52
2	Personal & Community Services	1.23	49
3	Transport & Communication	1.22	46
4	Business-to-business Services	0.89	50
5	Computing & IT Services	0.89	52
6	Financial Intermediation	0.66	46

### UK sector focus

#### Personal & Community Services

After seeing activity levels decline in the latter stages of last year, the UK's Personal & Community Services sector started 2023 on a more stable footing. Key to this was a renewed, albeit marginal, upturn in inflows of new businesses in the three months to January.

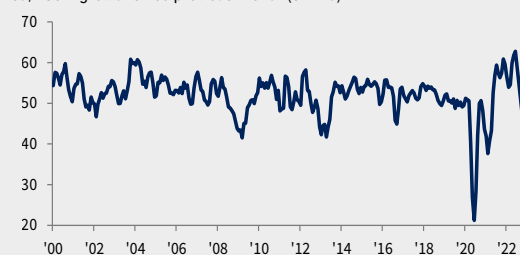
However, with survey data showing a lack of pressure on operating capacity, as evidenced by a marked and accelerated reduction in backlogs of work, firms reduced workforce numbers.

On the cost front, the rate of input price inflation eased only slightly and remained close to the record highs seen in 2022. Of the services sub-sectors motioned, it was second only to that recorded by Hotels, Restaurants & Catering. Prices charged by Personal & Community Services firms meanwhile rose to the greatest extent since mid-2022.

Positively, expectations towards the year ahead improved, although they remained subdued by historical standards.

#### Output Index

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



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



## UK Regional PMI overview

### Business Activity

London was alone among the 12 UK regions monitored by the survey in recording higher activity in January. The rate of growth in the capital remained only marginal, however. There were renewed downturns in output in both Wales and the North West, while the steepest decrease in activity was once again recorded in Northern Ireland.

### Employment

Seven of the 12 regions and nations monitored posted a rise in employment in January, up from just four in December. Northern Ireland topped the rankings, registering its steepest rise in workforce numbers for six months, ahead of the West Midlands. The most marked fall in employment was in the North East, as had been the case in the previous survey period.

### Future Activity

January data showed a broad-based improvement in business expectations. The greatest increase in confidence was recorded in the West Midlands, which also saw the strongest overall optimism. Sentiment in Northern Ireland turned positive for the first time in nine months, although it remained lower than in any other region or nation.

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



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



**Future Activity Index**  
>50 = growth expected over next 12 months Jan '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
Aug '22	45.4	40.6	45.1	51.5	44.9	38.3	49.9	80.6	67.7	43.1
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

### By Sector, January '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	46.8	45.3	58.5	52.2	42.0	66.3	62.0
Construction	39.4	40.6	47.6	52.3	39.4	67.5	59.7
Retail	53.9	49.6	58.3	56.3	47.3	76.2	64.1
Services	46.3	46.2	51.4	53.2	46.5	77.6	61.2

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 Twitter: @UB\_Economics

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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<sup>®</sup> (PMI<sup>®</sup>) 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](https://ihsmarket.com/products/pmi.html)

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