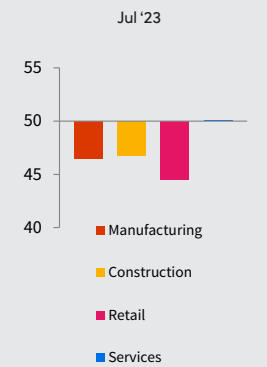
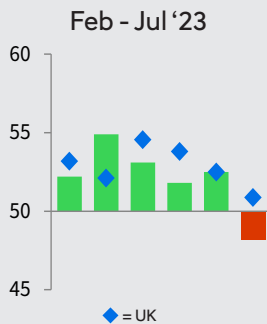


Ulster Bank Northern Ireland PMI[®]

Activity falls for first time in six months

Northern Ireland Business Activity Index



Key findings

Renewed decline in output as new orders fall again

Inflationary pressures continue to ease

Solid increase in employment

July data pointed to a renewed decline in business activity in Northern Ireland as demand continued to falter. Firms continued to increase their staffing levels, however. Meanwhile, a further softening of inflationary pressures was seen at the start of the third quarter.

The headline seasonally adjusted Business Activity Index posted 48.2 in July, falling below the 50.0 no-change mark for the first time in six months following a reading of 52.5 in June. The decline in activity signalled by the index was modest, and linked by firms to demand weakness and the impact of inflation. The fall in output in Northern Ireland compared with a marginal increase at the UK level.

Market uncertainty and price pressures resulted in a second consecutive monthly decline in new orders, with the rate of contraction accelerating from that seen in

June. Meanwhile, new export orders also fell at a sharper pace.

Companies continued to increase their staffing levels, although the rate of job creation eased to a six-month low. Panellists reported the filling of vacancies and efforts to expand capacity. Higher workforce numbers helped firms to be able to clear outstanding business more quickly than new orders were received, thereby leading to a sharp and accelerated reduction in backlogs of work.

Inflationary pressures continued to moderate in July, with rates of increase in input costs and output prices easing to the slowest in 38 and 34 months respectively.

Finally, hopes for a recovery in demand over the coming year supported optimism in the 12-month outlook for business activity. In fact, sentiment was at a three-month high.

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.

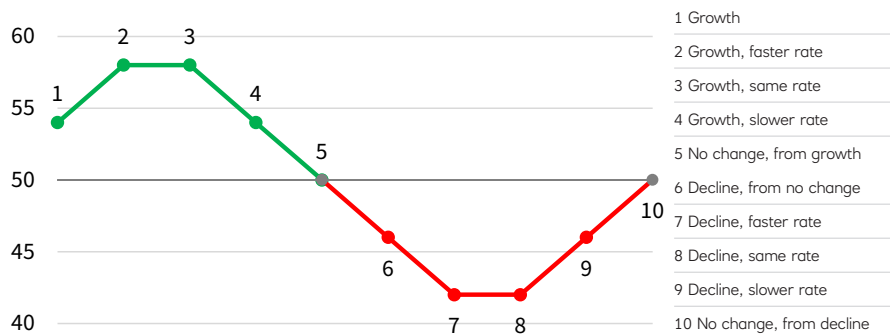
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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



Comment

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

"Just like the summer weather, business conditions took a turn for the worse in July. Following a notable softening in new orders during the second quarter, local businesses started the third quarter with activity falling for the first time in six months. The deterioration was broad-based with three of the four sectors contracting. Only services activity managed to hold up in July, albeit flatlining. The near-term outlook is for a further softening in demand with new orders declining for the second month running. All four sectors posted a fall in orders with the pace of decline the most marked within the construction and retail sectors. The falloff in new demand was most notable within export markets.

"While price pressures have hit demand in recent months, it is encouraging to note that inflationary pressures continue to moderate. Input cost inflation eased to a 38-month low with manufacturers recording their sharpest fall in their input prices since the survey began. This has led manufacturers to lower the price of their goods for the second month

running. Inflationary pressures remain more stubborn within the construction and service industries. Both these sectors, unlike retail and manufacturing, reported input cost and selling price inflation well above the average rates pre-pandemic. Firms reliant upon imports from abroad will be pleased to see the ongoing improvement in global supply chains.

"Despite a notable softening in demand, firms continued to increase their staffing levels. All four sectors boosted their headcounts last month, albeit the pace of hiring slowed relative to June.

"Business conditions may have taken a turn for the worse in July but sentiment amongst local firms for the year ahead has actually picked up. The interest rate outlook has improved slightly but the dark cloud of no Stormont Executive looks set to remain anchored over the economy for the foreseeable future. Whether the new rise in optimism is well founded or misplaced – time will tell."



PMI®

by **S&P Global**

Demand and outlook

New business down solidly in July

After falling for the first time in five months during June, new orders decreased again in July. Moreover, the rate of contraction was solid and the sharpest since January. Panellists linked lower new orders to market uncertainty and the impact of price increases on demand. All four monitored sectors posted reductions in new business. The sharpest fall was in construction, with the softest in manufacturing.

New Business Index 47.5
sa, >50 = growth since previous month Jul '23



Firms remain confident in year-ahead outlook

Companies in Northern Ireland continued to predict increases in output over the coming year, with sentiment improving to a three-month high in July. Around 32% of respondents predicted growth of activity, linked to hopes for a rebound in demand. On the other hand, 12% of panellists expressed a pessimistic outlook.

Future Activity Index 59.7
>50 = growth expected over next 12 months Jul '23



Business capacity

Employment up solidly

The filling of vacant positions and efforts to expand capacity meant that employment continued to rise at the start of the third quarter of the year. Staffing levels were up for the seventh month running, and at a solid pace. This was despite the rate of job creation easing to the softest since January. Employment rose across all four broad sectors covered by the survey.

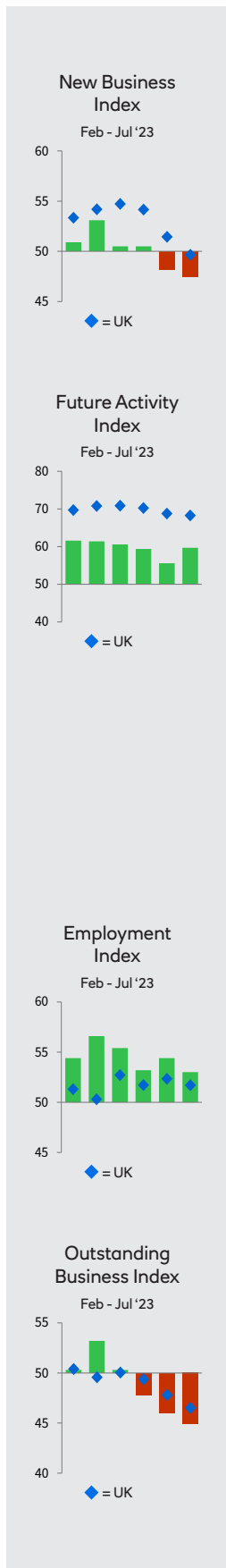
Employment Index 53.0
sa, >50 = growth since previous month Jul '23



Rate of decline in outstanding business accelerates

Backlogs of work decreased for the third month running in July. Outstanding business was down at a marked pace, and one that was the sharpest since January. Respondents indicated that they had been able to clear work more quickly than new orders were received, hence the depletion of work-in-hand.

Outstanding Business Index 44.9
sa, >50 = growth since previous month Jul '23



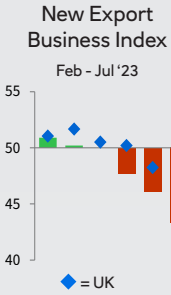
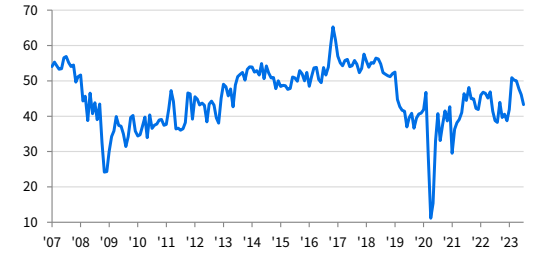
Exports

Steep decline in new export orders

New business from abroad decreased at a substantial pace in July, with the rate of contraction the most pronounced in six months. New business from abroad has fallen continuously since May. According to respondents, there was particular weakness in demand in Europe.

New Export Business Index
 >50 = growth since previous month

43.3
 Jul '23

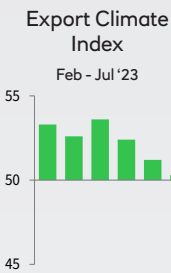


Marginal improvement in export climate

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

50.3
 Jul '23

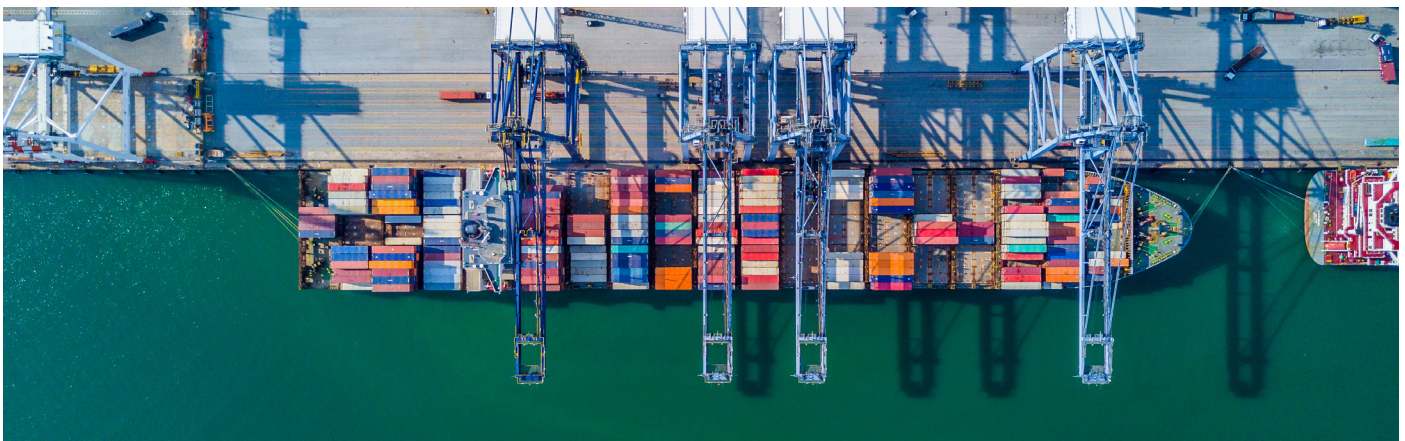


The ECI posted only just above the 50.0 no-change mark in July, thereby signalling a marginal strengthening of demand conditions in international markets. At 50.3, the latest reading was down from 51.2 in June and the lowest in the year-to-date.

Business activity in the Republic of Ireland was unchanged in July, thereby ending a seven-month sequence of growth. Meanwhile, declines in output were seen in the Netherlands and Germany. The US continued to see activity expand, while manufacturing production in Canada returned to growth for the first time in three months.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Jul'23
1	Republic of Ireland	46.0%	50.0
2	USA	12.2%	52.0
3	Netherlands	5.9%	48.3
4	Canada	5.0%	51.1
5	Germany	4.4%	48.5



Prices

Cost inflation at 38-month low

The rate of input cost inflation slowed further in the latest survey period, easing for the tenth consecutive month to the slowest since May 2020. The increase was also the weakest of the 12 monitored UK areas. Where input prices rose, firms generally linked this to higher wages. On the other hand, there were reports of falling raw material costs. Reflecting this, manufacturers posted a sharp reduction in their input prices.

Input Prices Index

sa, >50 = inflation since previous month

55.7

Jul '23



Modest increase in selling prices

Output prices rose at only a slight pace in July, with the rate of inflation the weakest in 34 months. While some panellists indicated that they had passed on higher input costs to their customers, others offered discounts to try and attract new business. Charges rose in three of the four monitored sectors, the exception being manufacturing.

Prices Charged Index

sa, >50 = inflation since previous month

51.7

Jul '23



Suppliers' Delivery Times

Supplier performance improves solidly

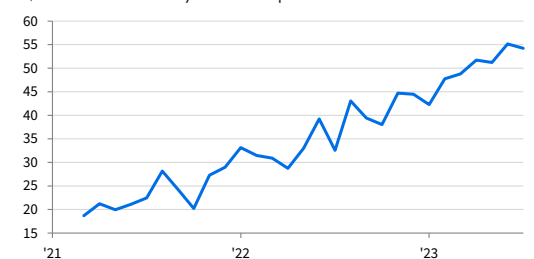
Suppliers' delivery times shortened for the fourth successive month in July amid reports of general improvements in global supply chains. Lead times shortened solidly over the month, and to only a slightly lesser degree than was seen during June.

Suppliers' Delivery Times Index

sa, >50 = shorter delivery times since previous month

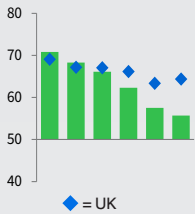
54.2

Jul '23



Input Prices Index

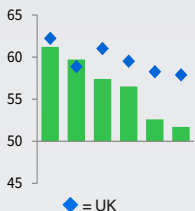
Feb - Jul '23



◆ = UK

Prices Charged Index

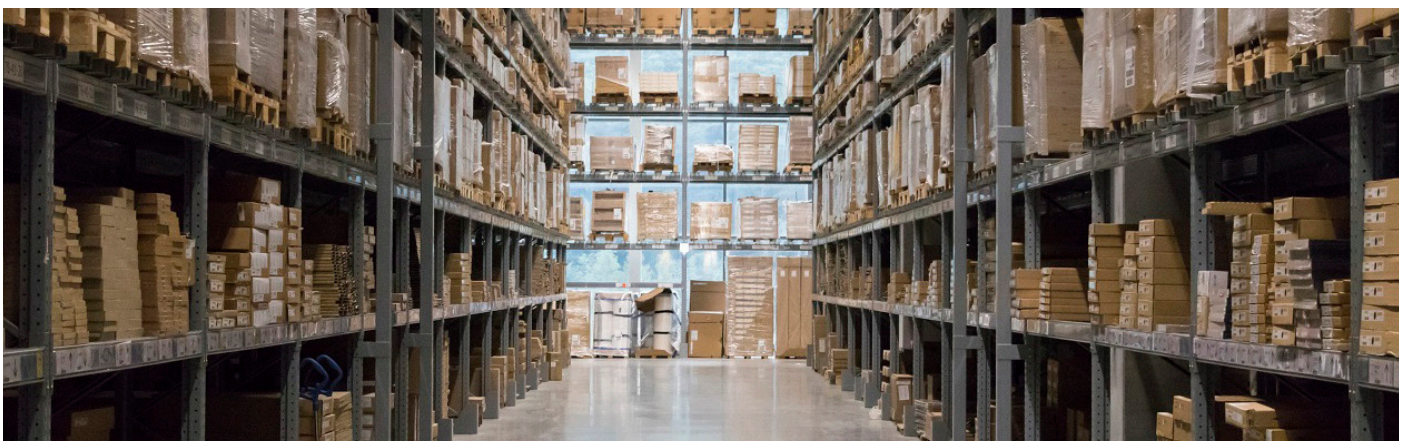
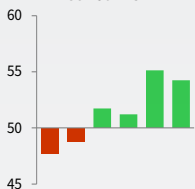
Feb - Jul '23



◆ = UK

Suppliers' Delivery Times Index

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

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul '23 ⁺
1	Hotels, Restaurants & Catering	1.34	48
2	Personal & Community Services	1.23	50
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	60

UK sector focus

Financial Intermediation

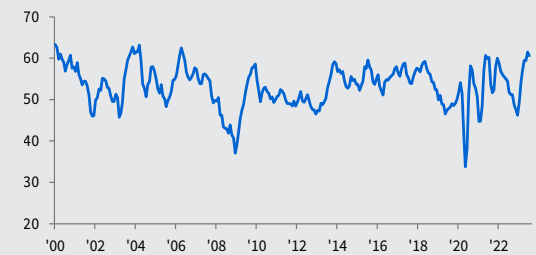
The UK's Financial Intermediation sector displayed strong growth in the three months to July, recording one of the fastest rates of increase in business activity since the global financial crisis. The upturn in performance followed a notable slowdown in the second half of 2022.

Growth was the strongest among the six services sub-sectors monitored by the survey and fuelled by a steep increase in inflows of new business in recent months. With firms' backlogs of work increasing, they continued to take on staff at a historically strong rate and were optimistic about the year-ahead outlook for activity.

Input costs in the sector continued to rise steeply, however, growing at the fastest rate in 2023 so far. This in turn led to a sharp and accelerated increase in prices charged. The rate of output price inflation was surpassed only by that seen in the Hotels, Restaurants and Catering sector.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Only half of the 12 monitored regions and nations recorded growth in business activity in July. London posted the strongest rate of expansion but saw a notable loss of momentum as growth slowed to a six-month low. The South East and Northern Ireland* fell the joint-most places in the rankings as both returned to contraction territory, though the steepest overall decline in activity was recorded in the North East.

Employment

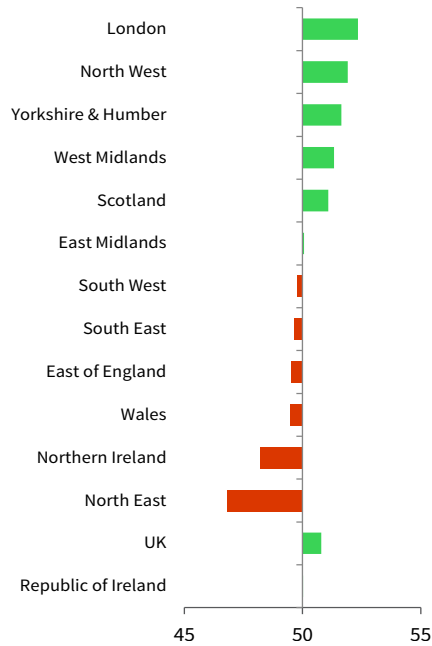
The strongest rate of job creation in July was seen in the South West, followed by the East of England and then London. Northern Ireland also posted a solid rise in workforce numbers. At the other end of the scale, there were renewed declines in staffing levels in both the East Midlands and North East, while no change in employment in the West Midlands ended a 28-month sequence of growth in the region.

Future Activity

Trends in business confidence were mixed, with half of the 12 monitored areas registering an improvement in sentiment and the rest seeing a decline. The West Midlands, South East and Yorkshire & Humber topped the rankings and were among those that saw expectations rise since June. Firms in Scotland were the least optimistic about the year-ahead outlook, with sentiment there hitting a six-month low.

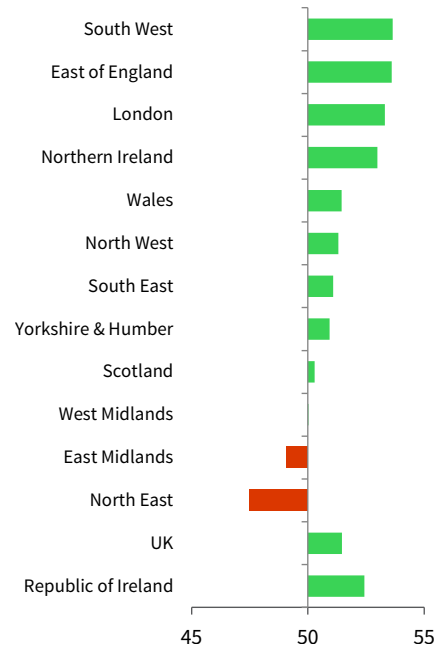
Business Activity Index

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



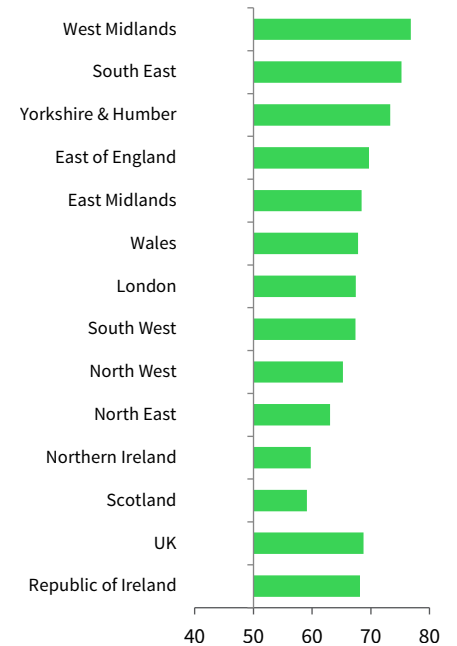
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Jul '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
Feb '23	52.2	50.9	61.6	54.4	50.3	50.9	53.3	70.8	61.2	47.7
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

By Sector, July '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	46.4	49.6	59.7	52.8	44.3	42.0	47.9
Construction	46.7	40.9	54.8	61.7	45.0	63.8	60.4
Retail	44.5	42.2	55.0	55.8	43.0	52.5	51.5
Services	50.0	48.4	61.1	50.6	47.2	66.1	54.7

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