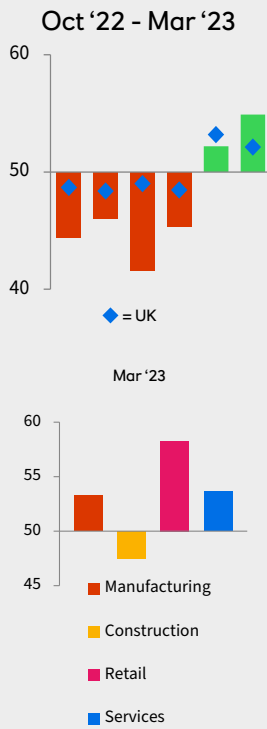


Ulster Bank Northern Ireland PMI[®]

Growth momentum builds at end of first quarter

Northern Ireland Business Activity Index



Key findings

Sharper rises in output and new orders

Joint-record increase in employment

Slower rates of input cost and output price inflation

The end of the first quarter of 2023 saw growth gain momentum in the Northern Ireland private sector. Output, new orders and employment all increased at sharper rates. Meanwhile, rates of inflation in both input costs and output prices continued to ease.

The headline seasonally adjusted Business Activity Index rose to 54.9 in March from 52.2 in February. The reading indicated a sharper expansion in output in the private sector, and one that was the fastest for a year. In fact, the rise in Northern Ireland was the second-sharpest of the 12 monitored areas of the UK, behind only London.

Panellists reported that higher sales amid improvements in customer confidence and demand had been behind the increase in output. Growth was seen in three of the four monitored sectors, the exception

being construction. Retail posted the fastest increase.

Total new orders also expanded at the fastest pace for a year in March, while new export orders ticked higher for a second month running.

Firms ramped up hiring in March, in response to higher new orders, a solid build-up in backlogs of work and confidence in the outlook. Moreover, the rate of job creation was the joint-fastest in the survey's history, and the latest increase was the fastest seen across all of the UK areas covered.

The rate of input cost inflation eased further in March, slowing to the weakest since December 2020 amid some reports of softer raw material prices. Where input prices did increase, this was largely due to higher wage costs. Selling prices increased at the softest pace in 26 months.

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.

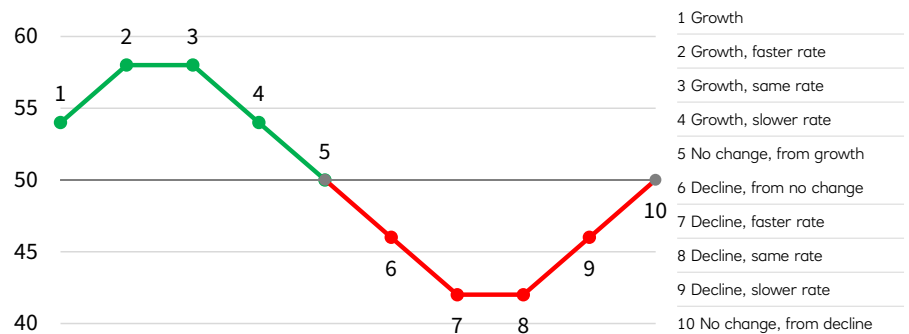
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

"Momentum in the local economy continued to build at the end of the first quarter. February's report was summed up in the word 'improvement' and March was something of a rerun of this, with almost every indicator improving further on the previous month. Business activity accelerated at its fastest pace in a year, with only London recording a sharper rate of growth. New orders posted their steepest rate of expansion in a year as well.

"Construction was the only NI sector not in expansion mode in March. Lack of a Stormont Executive and a paralysis in decision-making is being felt and will continue to be felt in this sector. This is reflected in the new orders indicator which has indicated declines for 21 months running. In the latest report, construction was the only sector not to see new orders growing, in fact recording a marked fall.

"One of the few bright spots for construction is employment, with headcounts growing as firms fill vacancies that they perhaps were unable

to fill when the labour market was tighter. Indeed, employment was strong across all sectors, growing at the joint fastest pace on record and one that exceeded all other UK regions.

"Inflationary pressures continued to ease in March and were at their weakest pace in over two years. But the pace of cost and price rises was still above the pre-pandemic long-term average. Another encouraging sign is that supplier delivery times for retail, manufacturing and construction shortened in March reflecting that global supply chains are returning to some kind of normality.

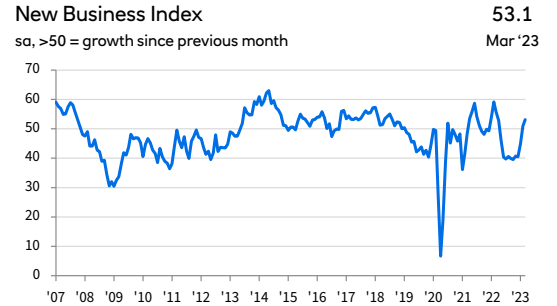
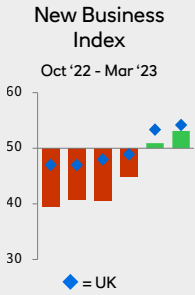
"Whilst we are seeing notable short-term improvements, and firms are relatively optimistic for the year ahead, there are lots of challenges that will impact on future growth. The slowdown in the global economy is one factor, but the outlook for the public finances is also bleak and this is compounded by the ongoing lack of a functioning Stormont Executive. Meanwhile, households will continue to battle with a cost-of-living crisis."



Demand and outlook

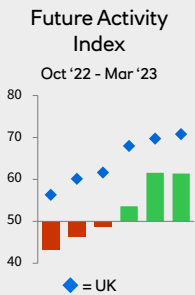
Growth of new business quickens

After returning to growth for the first time in ten months during February, new orders increased at a faster pace in March. The rate of expansion was solid and the sharpest for a year. Respondents indicated that demand had improved amid stronger customer confidence. Retail signalled the steepest rise in new business, while only construction posted a fall.



Firms remain optimistic

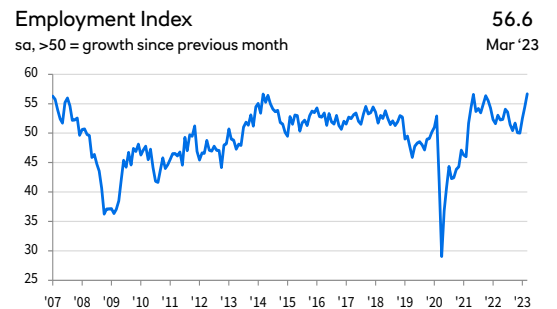
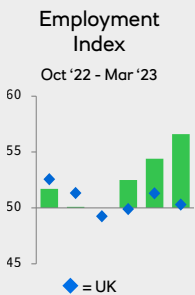
Northern Ireland companies remained confident that output will increase over the coming year, with sentiment little changed from the previous survey period. The recent improvements in economic conditions are expected to be sustained. Optimism was seen across each of the four broad sectors covered by the survey, with manufacturers the most confident in the year-ahead outlook.



Business capacity

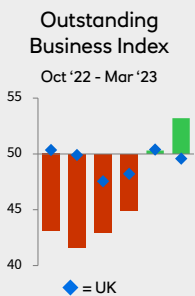
Joint-record rise in employment

March data pointed to a substantial increase in employment in the Northern Ireland private sector. Moreover, the rate of job creation was the joint-fastest on record, equal with those seen in May 2021 and March 2014. The rise in staffing levels in Northern Ireland was also comfortably the strongest of the 12 areas of the UK covered by the survey. Respondents indicated that new staff had been hired in line with higher new orders, efforts to deal with backlogs and positive expectations for output over the coming year. Some panellists indicated that they had been able to fill positions that had been vacant for some time due to difficulties finding suitable staff.



Backlogs of work continue to increase

Despite recruitment efforts, backlogs of work accumulated for the second month running in March, and at a solid pace that was the sharpest since April last year. Increases in outstanding business generally reflected higher new orders.



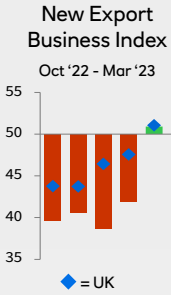
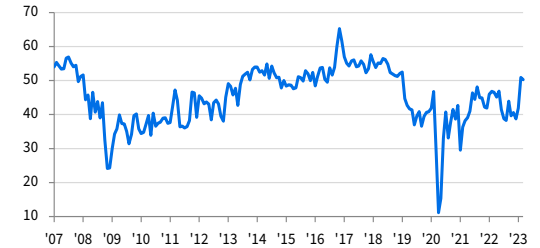
Exports

Marginal increase in new export orders

New export orders increased for the second month running at the end of the opening quarter of the year. That said, the rate of expansion was only marginal and softer than that seen in February. Panellists reported higher new orders to customers both in the Republic of Ireland and outside the EU.

New Export Business Index
 >50 = growth since previous month

50.2
 Mar '23



Export climate improves solidly

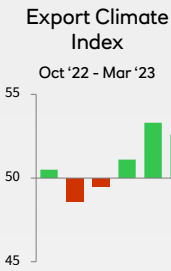
The Northern Ireland Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Northern Ireland. This produces an indicator for the economic health of the country's export markets.

The ECI posted 52.6 in March, down from 53.3 in February but still above the 50.0 no-change mark to signal a third successive monthly improvement in export demand conditions for Northern Ireland firms.

The largest single market for Northern Ireland exports - the Republic of Ireland - saw business activity increase again in March, but at a softer pace. Rates of expansion in the US and Germany quickened, to the fastest in nine and ten months respectively. Less positively, manufacturing production in both the Netherlands and Canada returned to contraction territory having increased in the opening two months of the year.

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

52.6
 Mar '23



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Mar'23
1	Republic of Ireland	46.0%	52.8
2	USA	12.2%	52.3
3	Netherlands	5.9%	48.2
4	Canada	5.0%	48.1
5	Germany	4.4%	52.6



Prices

Further slowdown in input cost inflation

The rate of input cost inflation slowed for the sixth successive month in March and was the weakest since December 2020. That said, input prices continued to rise sharply, with firms widely reporting higher wage costs. On the other hand, there were some reports of falling prices for raw materials and shipping. The service sector posted the fastest rise in input prices, with the slowest increase in manufacturing.

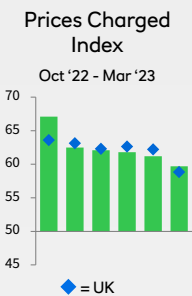
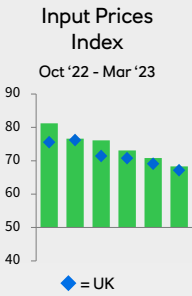
Softer rise in selling prices

With input costs continuing to rise, Northern Ireland companies increased their selling prices accordingly in March. The rate of inflation remained sharp, but eased to a 26-month low. The fastest increase in selling prices was seen in the retail sector, with the slowest in manufacturing.

Input Prices Index **68.3**
sa, >50 = inflation since previous month **Mar '23**



Prices Charged Index **59.7**
sa, >50 = inflation since previous month **Mar '23**

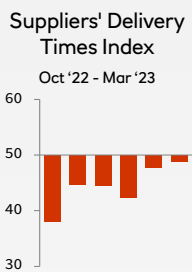


Suppliers' Delivery Times

Slight lengthening of suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index rose to its highest level since the question was added to the survey in March 2021. The latest reading was indicative of only a marginal lengthening of lead times during the month. Sector data suggested that the overall deterioration in supplier performance was centred on the service sector as shorter delivery times were seen elsewhere.

Suppliers' Delivery Times Index **48.8**
sa, >50 = shorter delivery times since previous month **Mar '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, Mar '23 ⁺
1	Electrical & Optical	1.42	55
2	Food & Drink	1.26	52
3	Textiles & Clothing	1.19	45
4	Other Manufacturing	1.09	58
5	Basic Metals	0.98	52
6	Timber & Paper	0.92	40
7	Mechanical Engineering	0.88	52
8	Chemicals & Plastics	0.78	45
9	Transport	0.77	50

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '23 ⁺
1	Hotels, Restaurants & Catering	1.34	65
2	Personal & Community Services	1.23	52
3	Transport & Communication	1.22	50
4	Business-to-business Services	0.89	55
5	Computing & IT Services	0.89	58
6	Financial Intermediation	0.66	60

UK sector focus

Hotels, Restaurants & Catering

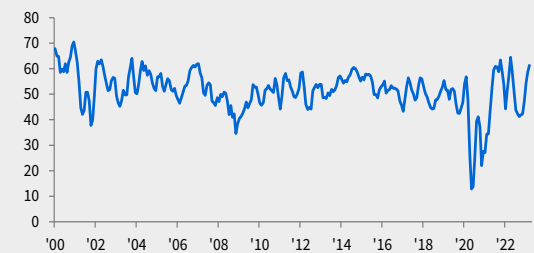
Latest data showed a sharp rebound in business activity across the UK's Hotels, Restaurants & Catering sector in the opening quarter, following a sustained downturn in the second half of last year. The rise in activity was the steepest among the services sub-sectors monitored by the survey and supported by a robust rise in new business.

Prices pressures in the sector meanwhile remained elevated. Although input cost inflation was down from its record peak in 2022, it remained higher than at any time before the pandemic and drove a sustained sharp (and even slightly accelerated) rise in output prices.

Business confidence among Hotels, Restaurants & Catering firms perked up in the three months to March, reaching its highest for almost a year. Nevertheless, data showed a continued fall in sector workforce numbers, in line with the trend since the middle of last year.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Nearly all areas of the UK recorded a rise in business activity in March, the only exception being the East of England where output was unchanged. However, growth slowed in the majority of cases, including the top-ranked region, London. The most notable upswing in momentum was in Northern Ireland, where business activity rose at the quickest rate for a year.

Employment

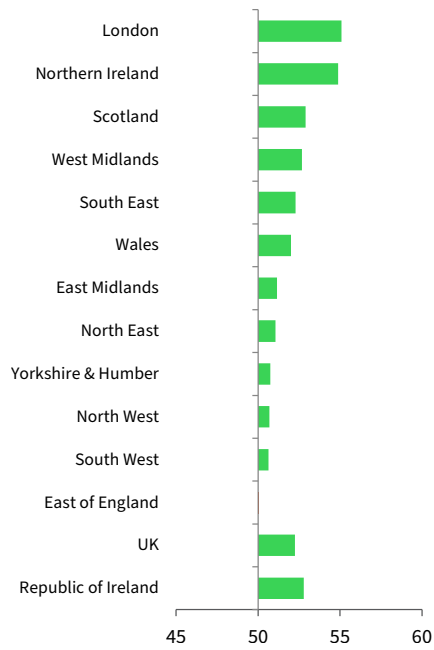
March data showed divergent trends in regional employment. Northern Ireland saw a steep and accelerated rise in workforce numbers and was one of only two areas where the pace of job creation quickened, alongside Scotland. At the other end of the scale, the North East and Wales both saw deepening declines in staffing levels. In most other areas, employment was little-changed.

Future Activity

Business expectations were optimistic across the board in March. Furthermore, confidence improved in just over half of the monitored areas, rising sharpest in the North East (although it remained at the foot of the rankings). Firms in the West Midlands were the most upbeat about the outlook, as was the case in both January and February, followed by those in Yorkshire & Humber.

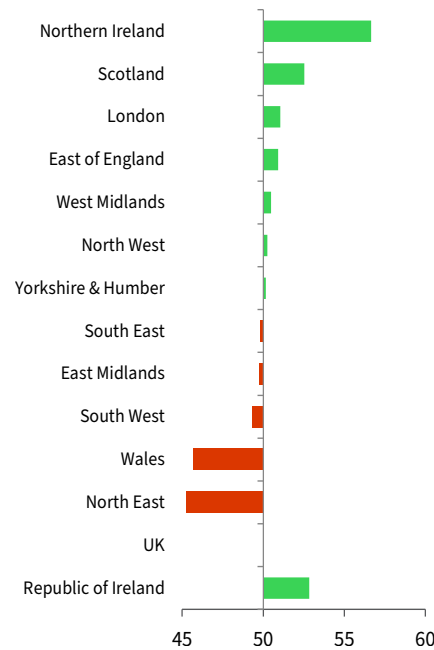
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Mar '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
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
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

By Sector, March '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	53.3	52.8	66.3	52.2	48.4	57.7	55.1
Construction	47.5	42.8	57.5	58.9	50.3	61.8	61.3
Retail	58.3	60.4	56.5	62.4	58.2	68.3	63.3
Services	53.7	56.0	61.6	55.9	53.9	74.0	58.7

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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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