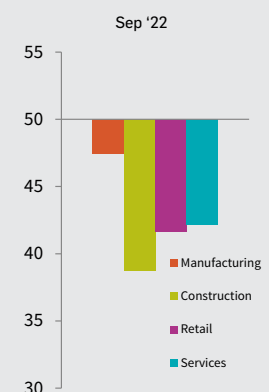
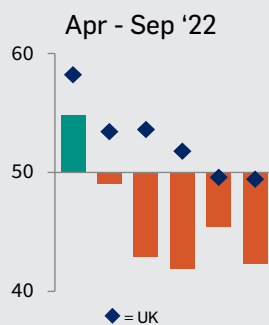
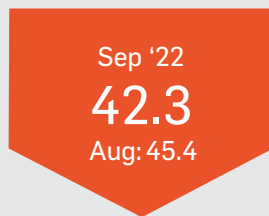


Ulster Bank Northern Ireland PMI[®]

Northern Ireland firms see sharper fall in activity in September

Northern Ireland Business Activity Index



Key findings

Rapid reductions in output and new orders

Cost inflation ticks higher

Weakest rise in employment for 19 months

The third quarter of 2022 ended with the Northern Ireland private sector remaining deep inside contraction territory. Rates of decline in output and new orders quickened in September and while employment continued to rise the latest round of job creation was only marginal.

The headline seasonally adjusted Business Activity Index dropped to 42.3 in September from 45.4 in August, signalling a sharp and accelerated reduction in output over the month. Falling new orders, sharp cost increases and deteriorating economic conditions all contributed to the latest decline.

Activity was down across all four broad sectors, led by construction. Manufacturing posted the weakest fall in output.

The rate of contraction in new orders also accelerated amid deteriorating economic

conditions. Likewise, international demand continued to fall.

Despite new orders and activity declining, employment continued to increase in September, but the latest rise was only marginal and the softest in the current 19-month sequence of growth. Spare capacity was evident as backlogs of work fell at the fastest pace since January 2021.

The rate of input cost inflation ticked higher, with rising energy prices key to the latest increase. In addition, companies reported higher costs for raw materials, staff and transportation. Output prices also increased sharply, but at the softest pace for a year-and-a-half.

Pessimism around the year-ahead outlook was the joint-strongest in almost two years amid worries about inflationary pressures and economic conditions.

Northern Ireland Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Comment](#)
- [Demand and outlook](#)
- [Business capacity](#)
- [Exports](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

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.

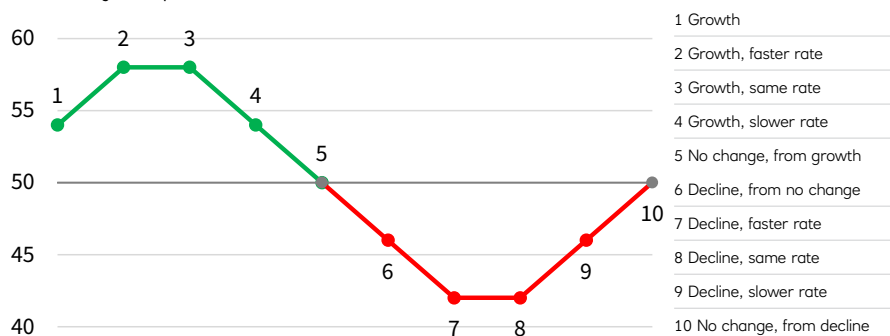
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

“Going for growth’ is the Chancellor’s new approach for his new era, but contraction was very much to the fore in the September PMIs in Northern Ireland, across the UK and indeed beyond. And this was before the turbulence that the Chancellor’s ‘mini budget’ caused, which doesn’t bode well for the rest of the year.

“Local firms saw the pace of decline in output and new orders accelerate in September, which represented the fifth successive monthly fall with all four sectors firmly in contraction mode.

“Survey respondents cited deteriorating economic conditions, falling consumer confidence and rising prices as explanatory factors behind the continuing decline.

“Input costs continued to rise at a substantial rate and are at levels not seen prior to May 2021. Services firms reported the sharpest increases in their cost base, with wages and energy costs now increasingly at the forefront of inflationary pressures.

“The one positive in the latest report is employment with firms notching up their 19th consecutive monthly rise in staffing levels. However, the pace of employment growth was the weakest in that sequence and manufacturing saw the first decline in staff numbers since February 2021. The slowdown in hiring is currently linked to difficulties finding suitable staff rather than just reflective of falling demand. However, the expected further reductions in business activity will no doubt weigh more on hiring intentions in the months ahead.

“We have started the fourth quarter of the year with heightened uncertainty, not least in financial markets and in politics. Firms may be relieved to see energy cost pressures easing, accompanied by much needed government support. But borrowing costs have now moved rapidly in the opposite direction. It’s hard to see the Chancellor’s much desired growth coming any time soon.”



PMI®

by  S&P Global

Demand and outlook

New business falls sharply again

The end of the third quarter of the year saw a further sharp reduction in new orders in the Northern Ireland private sector, with the rate of contraction accelerating slightly in September. Respondents linked lower new business to deteriorating economic conditions, weak consumer confidence, reduced customer footfall and rising prices. Falls in new orders were widespread across the four sectors covered, with construction seeing the most marked decline.

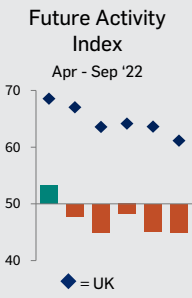
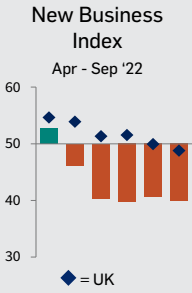
New Business Index 39.9
sa, >50 = growth since previous month
Sep '22



Firms remain pessimistic

As has been the case throughout the past five months, companies were pessimistic regarding the year-ahead outlook for business activity in September. Sentiment ticked down over the month and was the joint-lowest since October 2020. Inflationary pressures and predictions of an economic downturn were the main factors depressing confidence. Manufacturing was the only category not to foresee a fall in output, posting a neutral outlook. Retailers were the most pessimistic.

Future Activity Index 44.9
>50 = growth expected over next 12 months
Sep '22



Business capacity

Staffing levels up marginally

The rate of job creation slowed for the third successive month in September and was only marginal. In fact, the latest rise in employment was the softest in the current 19-month sequence of jobs growth. Where workforce numbers rose, this sometimes reflected the filling of long-term vacancies. That said, other firms commented that finding suitable staff remained a challenge, and some panellists lowered employment in line with falling workloads.

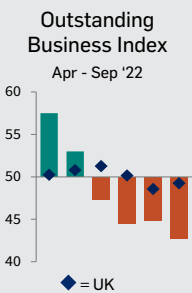
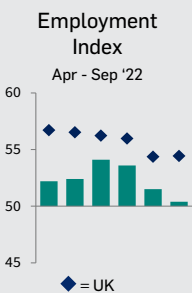
Employment Index 50.4
sa, >50 = growth since previous month
Sep '22



Step fall in backlogs of work

September data pointed to a sharp and accelerated reduction in outstanding business at companies in Northern Ireland, in line with falling new orders. Moreover, the latest decline in backlogs of work was the most pronounced since January 2021. Work-in-hand has now decreased in each of the past four months.

Outstanding Business Index 42.7
sa, >50 = growth since previous month
Sep '22



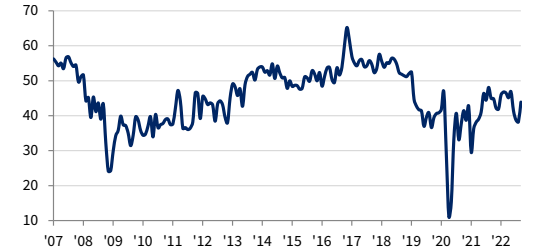
Exports

Softer fall in new business from abroad

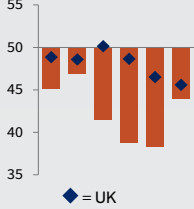
New export orders continued to fall rapidly during September, despite the rate of contraction easing to the weakest in four months. Slowing international demand and supply-chain disruption were among the factors behind the drop in new business from abroad, according to respondents.

New Export Business Index
>50 = growth since previous month

43.9
Sep '22



New Export Business Index
Apr - Sep '22



Slight improvement in export climate

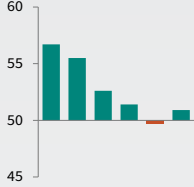
The Northern Ireland Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Northern Ireland. This produces an indicator for the economic health of the country's export markets.

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

50.9
Sep '22



Export Climate Index
Apr - Sep '22



The ECI moved back above the 50.0 no-change mark during September, posting 50.9 following a reading of 49.7 in August. This signalled a slight improvement in demand conditions in export markets at the end of the third quarter.

The Republic of Ireland was the only one of the five largest export markets for Northern Ireland companies to see output increase in September. Declines were recorded in the US, Canada, Germany and the Netherlands, with the falls in activity in Germany and the Netherlands the most pronounced since the first wave of the COVID-19 pandemic.

Top export markets, Northern Ireland

| Rank | Market | Weight | Output Index, Sep'22 |
|------|---------------------|--------|----------------------|
| 1 | Republic of Ireland | 38.6% | 52.2 |
| 2 | USA | 12.5% | 49.5 |
| 3 | Canada | 5.6% | 48.3 |
| 4 | Germany | 4.3% | 45.7 |
| 5 | Netherlands | 3.9% | 46.4 |



Prices

Cost inflation ticks higher

Input costs rose substantially again in the Northern Ireland private sector during September, with the rate of inflation reaccelerating slightly over the month. Higher energy costs were widely reported, with rising prices for raw materials and transportation, plus increased salaries also signalled. Service providers registered the fastest rise in input prices during the month.

Input Prices Index

sa, >50 = inflation since previous month

81.3

Sep '22



Slowest rise in output prices for 18 months

Although the rate of charge inflation remained elevated in September as companies passed on higher input costs to customers, the latest rise was the softest in a year-and-a-half and only just above the UK average. The slowdown in inflation mainly emanated from the construction sector, with the sharpest overall increase seen in retail.

Prices Charged Index

sa, >50 = inflation since previous month

67.6

Sep '22



Suppliers' Delivery Times

Marked lengthening of lead times

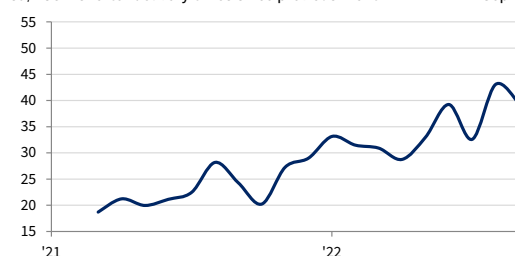
Brexit continued to impact suppliers' delivery times in September, with international shipping delays also contributing to the latest deterioration in vendor performance. Lead times have lengthened throughout the 19-month series so far, but the latest extension was the second-softest in this period.

Suppliers' Delivery Times Index

sa, >50 = shorter delivery times since previous month

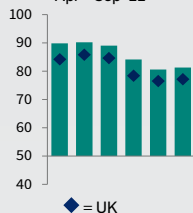
39.4

Sep '22



Input Prices Index

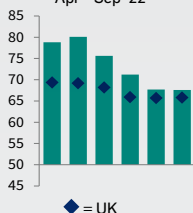
Apr - Sep '22



◆ = UK

Prices Charged Index

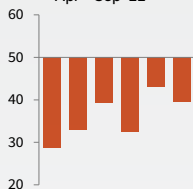
Apr - Sep '22



◆ = UK

Suppliers' Delivery Times Index

Apr - Sep '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, Sep '22 ⁺ |
|------|------------------------|------|---------------------------------------|
| 1 | Electrical & Optical | 1.42 | 52 |
| 2 | Food & Drink | 1.26 | 48 |
| 3 | Textiles & Clothing | 1.19 | 48 |
| 4 | Other Manufacturing | 1.09 | 50 |
| 5 | Basic Metals | 0.98 | 46 |
| 6 | Timber & Paper | 0.92 | 46 |
| 7 | Mechanical Engineering | 0.88 | 48 |
| 8 | Chemicals & Plastics | 0.78 | 44 |
| 9 | Transport | 0.77 | 46 |

Northern Ireland specialisation: Services

| Rank | Sector | LQ | UK Business Activity Index, Sep '22 ⁺ |
|------|--------------------------------|------|--------------------------------------------------|
| 1 | Hotels, Restaurants & Catering | 1.34 | 46 |
| 2 | Personal & Community Services | 1.23 | 48 |
| 3 | Transport & Communication | 1.22 | 46 |
| 4 | Business-to-business Services | 0.89 | 48 |
| 5 | Computing & IT Services | 0.89 | 54 |
| 6 | Financial Intermediation | 0.66 | 50 |



UK sector focus

Business-to-Business Services

The UK's large Business-to-Business Services sector suffered a downturn in activity in the three months to September, latest PMI data showed. Output levels fell, albeit only slightly, for the first time since the third national lockdown at the start of 2021.

High inflation and waning confidence among customers acted as headwinds to growth, according to surveyed businesses. With rising interest rates forecast to further dampen demand, firms' expectations towards future activity fell to the lowest for almost two-and-a-half years.

Employment continued to rise across the sector. However, whilst still solid by historical standards, the pace of job creation slowed to the weakest since early-2021.

On the price front, rates of both input cost and output charge inflation remained elevated but maintained a steady decline from their recent record highs in Q2.

Output Index

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



⁺ 3-month moving average

UK Regional PMI overview

Business Activity

Nine of the 12 monitored regions recorded lower levels of business activity in September. The fastest rates of contraction were seen in Northern Ireland* and the South West. London was the best-performing region, despite seeing growth slow to a 20-month low, ahead of Yorkshire & Humber. Business activity in the South East was unchanged on the month, after having fallen slightly in August.

Employment

Although employment rose in most regions in September, rates of job creation slowed in the majority of cases. This included the East of England, which nevertheless topped the rankings ahead of the South East. Workforce numbers fell in the North East for the fourth month running, whilst the South West recorded its first decline since February 2021.

Future Activity

Business confidence towards future output fell across three-quarters of the surveyed regions in September. Yorkshire & Humber recorded the strongest optimism, despite seeing the greatest reduction in expectations from the previous month. Business sentiment was generally positive, with the exception of Northern Ireland and the North East.

Business Activity Index

sa, >50 = growth since previous month, Sep '22



Employment Index

sa, >50 = growth since previous month, Sep '22



Future Activity Index

>50 = growth expected over next 12 months Sep '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 |
|---------|-------------------|--------------|------------------|------------|----------------------|---------------------|----------------|--------------|----------------|---------------------------|
| 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 |
| Sep '22 | 42.3 | 39.9 | 44.9 | 50.4 | 42.7 | 43.9 | 50.9 | 81.3 | 67.6 | 39.4 |

By Sector, September '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 | 47.4 | 40.0 | 50.0 | 46.7 | 38.4 | 78.6 | 62.6 |
| Construction | 38.7 | 30.9 | 46.0 | 58.1 | 36.1 | 80.5 | 73.0 |
| Retail | 41.6 | 36.9 | 38.1 | 46.9 | 39.4 | 80.4 | 76.8 |
| Services | 42.2 | 44.0 | 45.5 | 50.4 | 49.0 | 85.0 | 65.8 |

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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