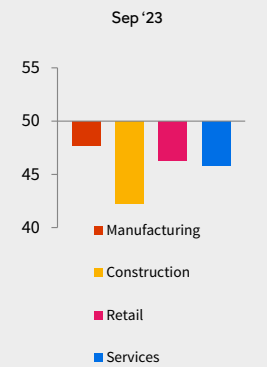
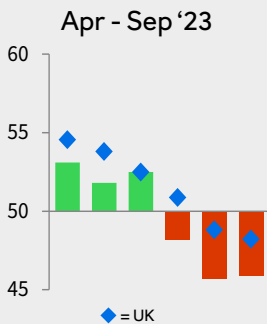


Ulster Bank Northern Ireland PMI[®]

Solid fall in business activity in September

Northern Ireland Business Activity Index



Key findings

Ongoing reductions in output and new business

Employment continues to rise

Fuel costs and wages push up input prices

The Northern Ireland private sector remained in a downturn during September as output and new orders fell again. More positively, employment continued to increase, contrasting with the UK-wide trend. Input costs and output prices continued to rise, but at rates that were much weaker than seen over the past three years.

The headline seasonally adjusted Business Activity Index remained below the 50.0 no-change mark in September, ticking up to 45.9 from 45.7 in August. The solid monthly decline in output extended the current sequence of reduction to three months. Activity fell across each of the four broad sectors covered by the survey.

According to respondents, waning customer demand was the main factor leading output to fall. This was also evident with regards to new orders, which

decreased for the fourth month running. A shortage of new work to replace completed projects meant that firms were able to deplete backlogs of work again.

Alongside Scotland, Northern Ireland was one of only two areas of the UK to increase employment in September. Firms reported efforts to expand capacity and the filling of previously vacant positions.

Companies also remained optimistic about the 12-month outlook for activity, with sentiment improving slightly from the previous survey period. Firms hope for a pick-up in demand over the year ahead.

Higher fuel costs and wages led to another marked increase in input prices during September. The rate of inflation was broadly in line with that seen in August. Meanwhile, output prices increased at a softer pace.

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.

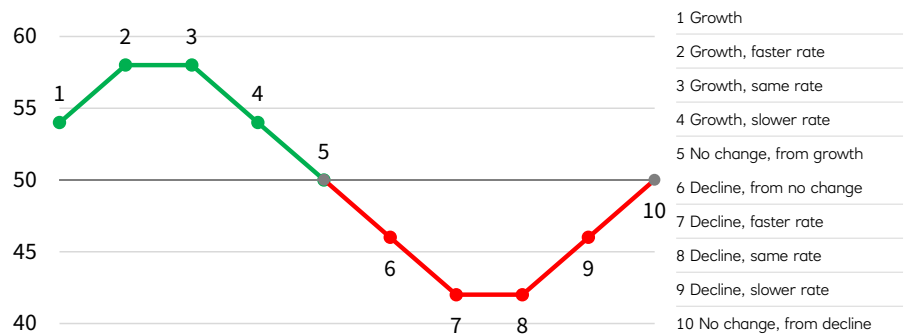
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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 economic malaise during the summer months continued into the autumn with a further loss of momentum in the local private sector during September. Whilst all but one of the UK regions saw a similar trend of falling output, Northern Ireland was near the bottom of the table with only the North East and Yorkshire & Humberside experiencing sharper rates of decline. It is a similar story with new orders, which contracted for the fourth month in succession. In September, all four sectors reported a decline but the pace of contraction was most significant within construction which posted its biggest monthly decline in orders this year. Despite the recent fall in customer demand, manufacturers, retailers and firms within the services sector remain more optimistic about prospects in 12 months' time. Conversely, construction firms are expecting demand conditions to deteriorate further over the year. On a positive note, the one silver lining with the weakening demand cloud is that supply chain delivery times eased for the

sixth month running. Employment also remains a bright spot, with Northern Ireland firms continuing to increase their staffing levels at the fastest pace in the UK. However, the pace of hiring is now the slowest it has been this year. It is worth noting that the services sector also saw a reduction of its staffing levels in September, indeed at the fastest rate since February 2021. Higher fuel and wage costs were once again cited by local firms. Manufacturing was the only sector to reduce its prices in September (for the fourth month running), reflecting a continuing reduction in its cost-base. While we may be anticipating an Indian Summer in the coming weeks weather-wise, a similar improvement in business conditions during October doesn't look likely. Similarly on the political front, there is no immediate sign of a return of the Stormont Executive."



PMI®

by **S&P Global**

Demand and outlook

Fourth successive reduction in new orders

Northern Ireland companies continued to see new orders decline at the end of the third quarter. New business decreased for the fourth month running. The pace of reduction was solid and the most marked since January. Where new orders fell, panellists reported lower customer numbers and a weak pipeline of work. Declines were registered across each of the four broad sectors covered by the survey.

Sentiment ticks higher

Companies were hopeful that demand would pick up over the coming year, with new product launches set to aid growth. As a result, firms again predicted a rise in output over the next 12 months, with the level of sentiment ticking up from that seen in August. Although firms in Northern Ireland were confident in the outlook, optimism was much weaker than the UK average.

New Business Index

sa, >50 = growth since previous month

46.9

Sep '23



Future Activity Index

>50 = growth expected over next 12 months

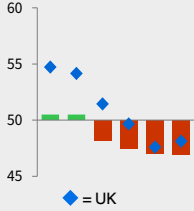
58.5

Sep '23



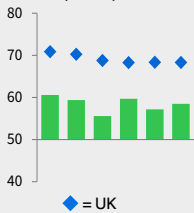
New Business Index

Apr - Sep '23



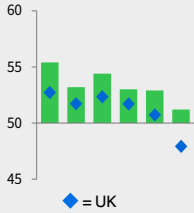
Future Activity Index

Apr - Sep '23



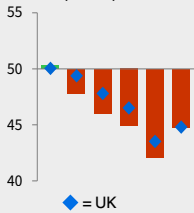
Employment Index

Apr - Sep '23



Outstanding Business Index

Apr - Sep '23



Business capacity

Rate of job creation at nine-month low

Efforts to expand capacity and fill previously vacant positions meant that employment continued to rise in September. The rate of job creation was only slight, however, and the weakest in the current sequence of increasing staffing levels which began at the start of the year. That said, Northern Ireland was one of only two parts of the UK to see jobs growth, alongside Scotland. Employment rose in manufacturing, construction and retail, but fell in services.

Outstanding business down markedly

September data pointed to a fifth consecutive monthly reduction in backlogs of work as new order inflows failed to compensate for the volume of completed projects. Although softer than that seen in August, the rate of depletion remained marked.

Employment Index

sa, >50 = growth since previous month

51.2

Sep '23



Outstanding Business Index

sa, >50 = growth since previous month

44.8

Sep '23

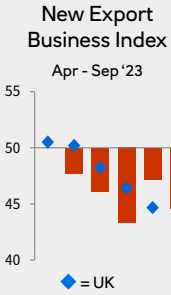
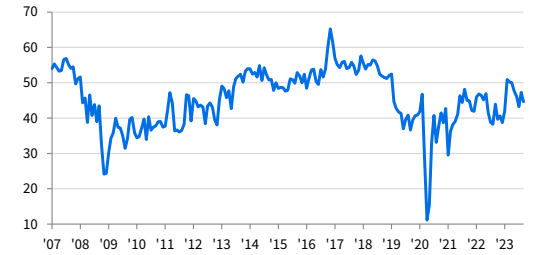


Exports

Solid decline in new export orders

Alongside a fall in total new business in September, Northern Ireland companies also posted a further reduction in new export orders. New business from abroad has now decreased in each of the past five months. The latest contraction was marked and faster than that seen in August.

New Export Business Index **44.6**
 >50 = growth since previous month Sep '23



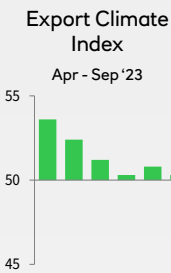
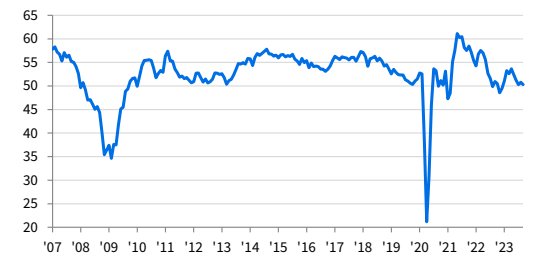
Marginal improvement in export demand conditions

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 remained just above the 50.0 no-change mark in September, dipping to 50.3 from 50.8 in August. The reading signalled a marginal monthly improvement in demand conditions in export markets.

The overall strengthening of the climate reflected growth in the two largest markets for NI exporters - the Republic of Ireland and the USA, albeit only fractional for the latter. On the other hand, reductions in output were seen in the Netherlands, Canada and Germany, with both the Netherlands and Canada seeing rates of contraction accelerate from the previous month.

Export Climate Index **50.3**
 sa, >50 = growth since previous month Sep '23



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Sep'23
1	Republic of Ireland	46.0%	52.1
2	USA	12.2%	50.2
3	Netherlands	5.9%	44.8
4	Canada	5.0%	45.6
5	Germany	4.4%	46.4



Prices

Input costs continue to rise

Northern Ireland companies again saw a marked increase in input prices during September. That said, remaining broadly in line with that seen in August, the rate of inflation was still softer than the series average. Panellists linked higher costs to a combination of increasing fuel prices and rising wages. Manufacturing bucked the wider trend and posted a reduction in input prices.

Input Prices Index

sa, >50 = inflation since previous month

58.3

Sep '23



Solid pace of charge inflation

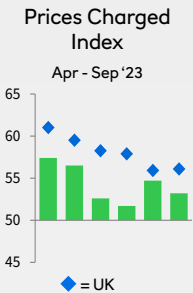
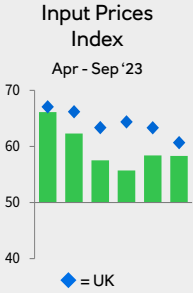
Output prices increased at the end of the third quarter, as has been the case in each month since September 2020. The pace of inflation was solid, but eased from August and was one of the slowest in the current period of inflation. Some panellists reported having lowered their prices as part of efforts to attract customers.

Prices Charged Index

sa, >50 = inflation since previous month

53.2

Sep '23



Suppliers' Delivery Times

Marginal improvement in supplier performance

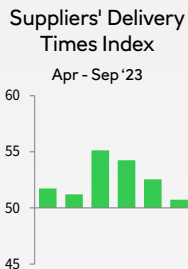
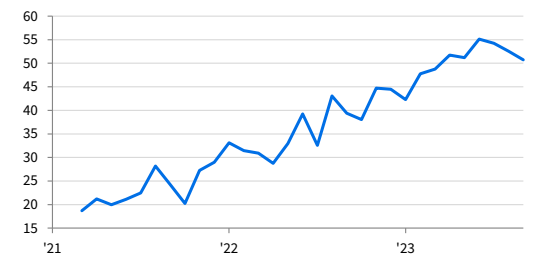
September data pointed to a sixth successive shortening of suppliers' delivery times, although the latest improvement was only marginal and the least pronounced in this sequence. Where lead times shortened, panellists attributed this to weaker demand for inputs.

Suppliers' Delivery Times Index

sa, >50 = shorter delivery times since previous month

50.7

Sep '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, Sep '23 ⁺
1	Electrical & Optical	1.42	48
2	Food & Drink	1.26	49
3	Textiles & Clothing	1.19	49
4	Other Manufacturing	1.09	49
5	Basic Metals	0.98	49
6	Timber & Paper	0.92	44
7	Mechanical Engineering	0.88	50
8	Chemicals & Plastics	0.78	49
9	Transport	0.77	49

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Sep '23 ⁺
1	Hotels, Restaurants & Catering	1.34	48
2	Personal & Community Services	1.23	51
3	Transport & Communication	1.22	48
4	Business-to-business Services	0.89	48
5	Computing & IT Services	0.89	51
6	Financial Intermediation	0.66	51

UK sector focus

Business-to-business services

The UK's large Business-to-business services sector contracted during the third quarter. Activity fell at a solid rate that was the fastest for over three years.

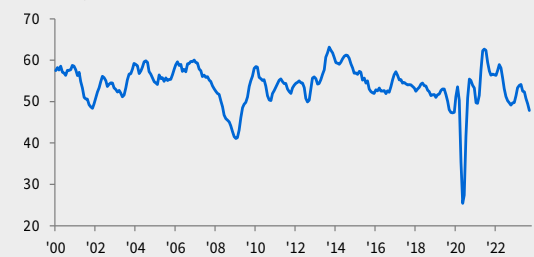
The downturn reflected a softening of demand across the sector, with firms recording a notable decline in inflows of new work in the three months to September. Business confidence towards the outlook was at its lowest since the start of the year and subdued by historical standards.

Although employment in the sector continued to rise, the rate of job creation slowed to the weakest in the year-to-date as firms made increasingly rapid inroads into their backlogs of work.

On the price front, input cost inflation remained historically elevated, driven by rising salaries and fuel prices, but it slowed to a two-and-a-half year low. It was a similar story for prices charged.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Business activity fell across all but one of the 12 monitored UK regions and nations, the exception being London. Furthermore, output in the capital increased at an accelerated rate. The North East recorded the sharpest drop in business, its quickest for more than a year, followed by neighbouring Yorkshire & Humber.

Employment

Employment growth was confined to just Northern Ireland* and Scotland in September, albeit with the rates of job creation there slowing to a crawl. Ten of the 12 monitored areas recorded a reduction in staffing levels, the highest number since January 2021. For the third month running, the deepest job cuts were seen in the North East.

Future Activity

As was the case throughout the third quarter, firms in the West Midlands were the most optimistic about future activity in September. Next in the rankings was the South East, which was one of seven regions where confidence improved. The most marked increase in sentiment was in the East of England. Expectations were lowest in the North East.

Business Activity Index

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



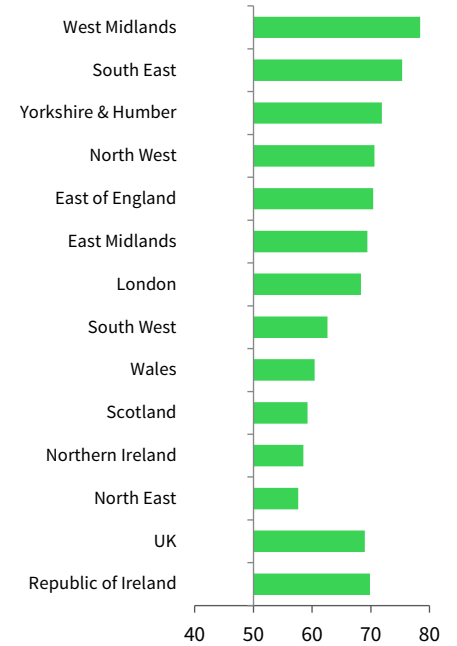
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Sep '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
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
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	50.3	58.3	53.2	50.7

By Sector, September '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	47.7	48.0	63.2	53.9	41.1	47.9	45.4
Construction	42.3	35.1	43.2	58.2	39.6	62.8	61.6
Retail	46.3	48.4	63.2	53.8	40.1	60.6	53.2
Services	45.8	48.1	58.7	47.0	48.8	65.3	57.5

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