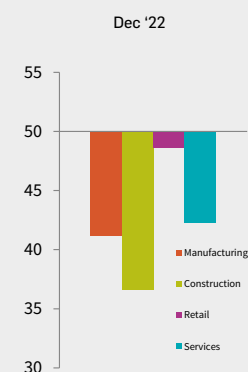
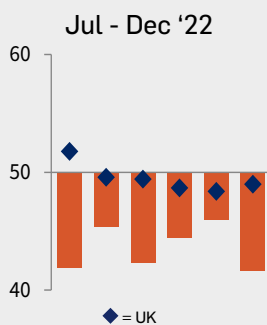
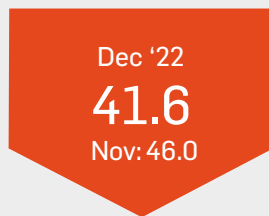


Ulster Bank Northern Ireland PMI[®]

Sharpest decline in business activity since February 2021

Northern Ireland Business Activity Index



Key findings

Cost of living crisis leads to steep reductions in output and new orders

Staffing levels unchanged

Inflationary pressures soften

The Northern Ireland private sector endured a difficult end to 2022 as new orders fell sharply again and the rate of decline in output accelerated. Employment was unchanged, following 21 months of job creation. Meanwhile, inflationary pressures moderated.

The headline seasonally adjusted Business Activity Index fell sharply to 41.6 in December from 46.0 in November, pointing to a much faster reduction in output in the private sector at the end of 2022. In fact, the decline was the steepest since February 2021. The cost of living crisis was reportedly a key factor behind the drop in activity as new orders continued to fall sharply.

Activity decreased across all four broad sectors covered by the survey, with the fastest reduction in construction.

Employment was unchanged in December,

thereby ending a 21-month sequence of job creation. While some firms were able to expand their staffing levels, others reported voluntary resignations and difficulties recruiting.

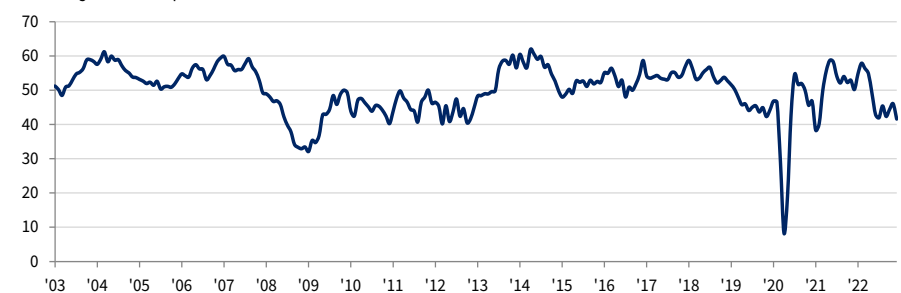
There were further signs of inflationary pressures moderating in December, with both input costs and output prices rising at the slowest rates since early-2021. That said, prices continued to increase rapidly. Where input costs were up, panellists mentioned higher costs for energy and transportation.

Suppliers' delivery times continued to lengthen, with delays linked to Brexit and postal strikes.

Although companies remained downbeat on the prospects for output growth during 2023 due to the cost of living crisis and political uncertainty, sentiment improved to an eight-month high.

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.

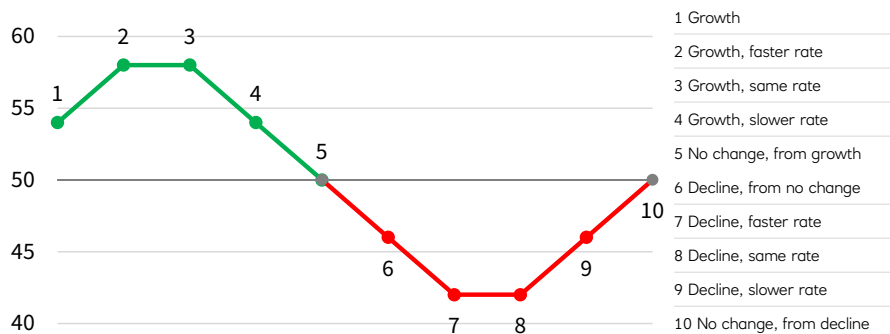
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

"Northern Ireland's private sector started last year in expansion mode as the post-pandemic economic recovery gathered pace. Last January, businesses were optimistic for the year ahead with the expectation that growth would continue. This proved not to be the case. Largely as a result of the Russian invasion of Ukraine, which added fuel to the cost-of-living crisis, growth petered out and confidence ebbed away. Northern Ireland's private

sector therefore ended the year on a much more negative note. December saw output and orders fall for the eighth successive month. The contraction in output was the steepest in a decade outside of lockdowns. All four sectors posted declines in output and orders although retail, services and construction firms did increase their staffing levels. The good news is that inflationary pressures moderated with firms reporting the weakest rise in input costs in 22 months. As a result, firms raised their prices at their slowest pace in almost two years.

But these price rises still exceed anything that occurred in the pre-pandemic era. This time last year, firms were braced for a challenging year, but it turned out much worse than anticipated. December's report suggests that negative sentiment is receding and that we may have passed peak pessimism. This year, expectations for the 12-months ahead are low but we could see the converse of last year with expectations being exceeded this time around."



PMI®

by  S&P Global

Demand and outlook

New orders down sharply again

December data pointed to an eighth consecutive monthly decline in new business in the Northern Ireland private sector. The latest reduction was sharp and broadly in line with those seen since June 2022. Respondents suggested that the cost of living crisis was a key driver of the latest fall in new business, due to its widespread impact on demand conditions. New orders were down across all four monitored sectors.

New Business Index

sa, >50 = growth since previous month

40.5
Dec '22



Business confidence nears neutral territory

Although companies remained pessimistic regarding the year-ahead outlook for business activity, sentiment improved for the second month running in December and was the highest in the current eight-month sequence of pessimism. The ongoing impacts of the cost of living crisis and political uncertainty were central to the negative outlook, but there were some hopes that new orders would start to pick up over the course of 2023.

Future Activity Index

>50 = growth expected over next 12 months

48.8
Dec '22



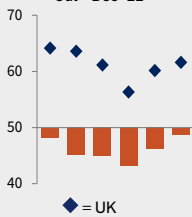
New Business Index

Jul - Dec '22



Future Activity Index

Jul - Dec '22



Business capacity

No change in employment

Northern Ireland firms kept their staffing levels unchanged in December, thereby ending a 21-month sequence of job creation. That said, the picture in Northern Ireland was more positive than that seen across the UK as a whole where employment decreased. While some firms were able to expand workforce numbers, others reported voluntary resignations and ongoing difficulties recruiting. Manufacturing was the only one of the four monitored sectors to see staffing levels decrease.

Employment Index

sa, >50 = growth since previous month

50.0
Dec '22



Outstanding business falls markedly

With new orders down again at the end of 2022, companies were again able to work through outstanding business. Backlogs of work decreased for the seventh month running. The latest fall was substantial, despite easing from the 22-month record posted in November.

Outstanding Business Index

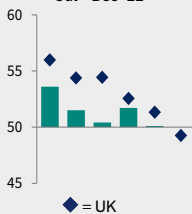
sa, >50 = growth since previous month

43.0
Dec '22



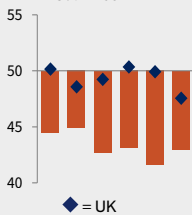
Employment Index

Jul - Dec '22



Outstanding Business Index

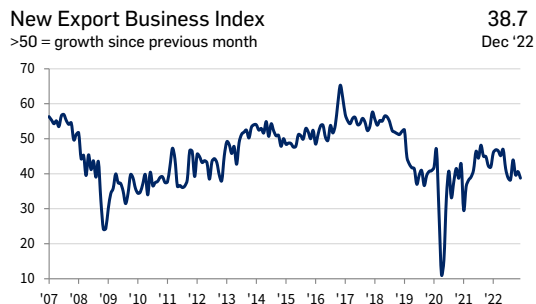
Jul - Dec '22



Exports

New business from abroad contracts sharply

As well as seeing total new business decrease in December, Northern Ireland companies also posted a reduction in new export orders. The latest fall extended the current sequence of decline to 47 months. Moreover, the rate of contraction was sharp and the fastest since August 2022.

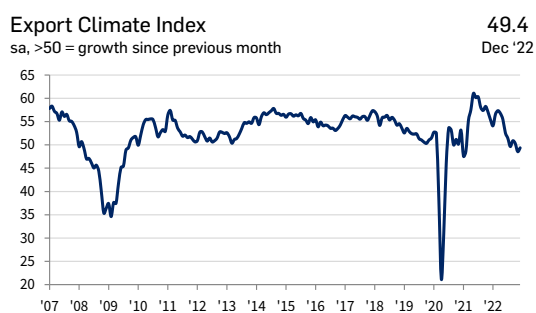


Export climate worsens again

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.

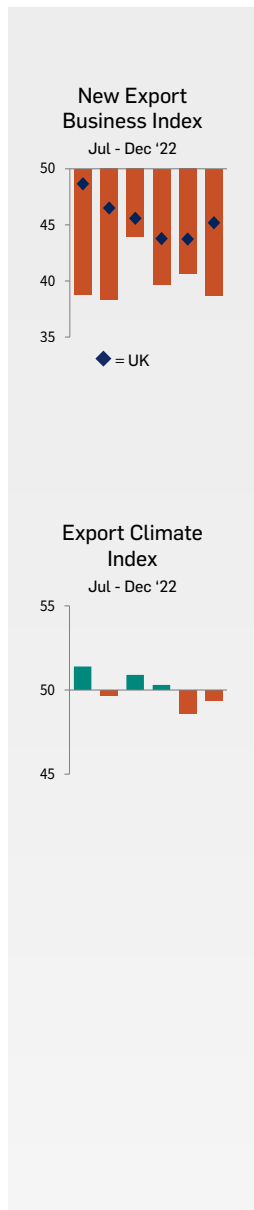
The ECI remained below the 50.0 no-change mark in December, despite rising to 49.4 from 48.6 in November. Demand conditions have now deteriorated in two successive months, although the latest worsening of the climate was only slight.

Helping to prevent a more pronounced deterioration in the export climate was a renewed expansion in output in the Republic of Ireland, albeit one that was only marginal. Other key export markets saw business activity decrease. The US and Canada saw rates of contraction accelerate in December, while Germany and the Netherlands posted softer reductions.



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Dec'22
1	Republic of Ireland	38.6%	50.5
2	USA	12.5%	45.0
3	Canada	5.6%	47.1
4	Germany	4.3%	49.0
5	Netherlands	3.9%	46.2



Prices

Input price inflation softens

Although input costs continued to increase sharply during December, the rate of inflation softened for the third successive month and was the weakest since February 2021. Higher energy bills and increased transportation costs were the main factors pushing up input prices, although there were some reports of fuel prices starting to come down. Service providers posted the fastest rise in input costs, with the softest inflation at manufacturers.

Input Prices Index

sa, >50 = inflation since previous month

76.1

Dec '22



Slowest increase in charges for almost two years

The pace of output price inflation eased to the slowest since January 2021 in the final month of 2022, though remained sharp and well above the series average. Where charges rose, panellists linked this to the passing on of higher input costs to customers. Output prices were up across all four monitored sectors, but the rate of inflation in manufacturing was notably weaker than elsewhere.

Prices Charged Index

sa, >50 = inflation since previous month

62.1

Dec '22



Suppliers' Delivery Times

Solid lengthening of delivery times

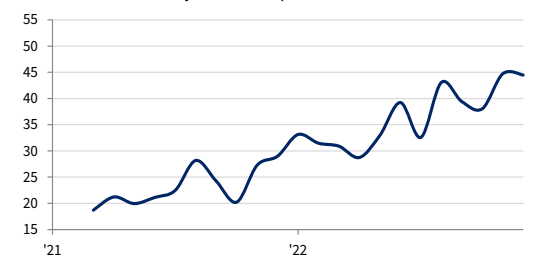
As has been the case throughout the 22 months of the series so far, suppliers' delivery times lengthened during December. Although solid, the latest deterioration in vendor performance was only slightly stronger than in November and the second-softest on record. Brexit and postal strikes were the main factors leading to longer delivery times, according to respondents.

Suppliers' Delivery Times Index

sa, >50 = shorter delivery times since previous month

44.5

Dec '22



Input Prices Index

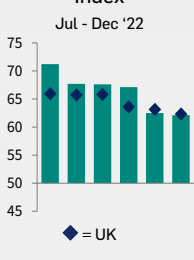
Jul - Dec '22



◆ = UK

Prices Charged Index

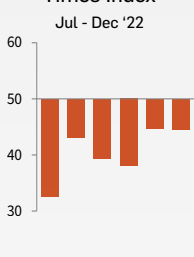
Jul - Dec '22



◆ = UK

Suppliers' Delivery Times Index

Jul - Dec '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, Dec '22 ⁺
1	Electrical & Optical	1.42	48
2	Food & Drink	1.26	52
3	Textiles & Clothing	1.19	45
4	Other Manufacturing	1.09	46
5	Basic Metals	0.98	46
6	Timber & Paper	0.92	38
7	Mechanical Engineering	0.88	51
8	Chemicals & Plastics	0.78	45
9	Transport	0.77	46

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Dec '22 ⁺
1	Hotels, Restaurants & Catering	1.34	48
2	Personal & Community Services	1.23	48
3	Transport & Communication	1.22	48
4	Business-to-business Services	0.89	49
5	Computing & IT Services	0.89	52
6	Financial Intermediation	0.66	46

UK sector focus

Chemicals & Plastics

Chemicals & Plastics manufacturing saw a sharp drop in output in the three months to December, making it one of the UK's worst-performing sectors in the final quarter of 2022.

The result reflected a deepening decline in new orders, led by rapidly falling international demand. The trend in new export orders was in fact the weakest in the entire series history stretching back to 1996.

Accordingly, businesses across the sector were firmly in retrenchment mode, scaling down not only workforce numbers but also purchasing activity and inventories. Amid easing supply bottlenecks, input price inflation was at its lowest in over two years.

Looking ahead, expectations among Chemicals & Plastics firms towards future activity were historically subdued.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Of the 12 UK regions and nations monitored, only Wales and London recorded a rise in business activity in December, while the North West saw no change. This nevertheless represented an improvement from the broad-based decline seen in November. Northern Ireland* meanwhile moved to the bottom of the rankings, having seen a sharp and accelerated fall in output.

Employment

The number of areas of the UK reporting falling employment levels increased from just two in November to seven in December. The steepest reduction in headcounts was in the North East. By contrast, the North West saw the fastest rate of job creation, with the South East, West Midlands and Wales also posting further, albeit marginal, rises in workforce numbers.

Future Activity

Business sentiment towards future activity generally remained subdued in December, with expectations in all regions and nations remaining below their respective historical series averages. That said, confidence improved in most areas. This included the South East, which topped the rankings ahead of Yorkshire & Humber. Only in Northern Ireland did pessimists outnumber optimists.

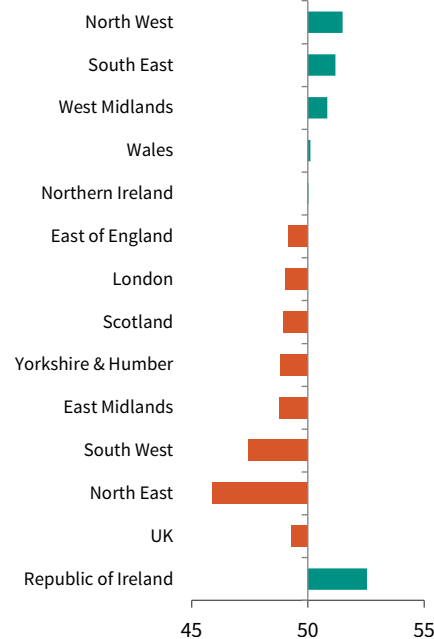
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Dec '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
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
Oct '22	44.4	39.5	43.2	51.7	43.1	39.7	50.3	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	49.4	76.1	62.1	44.5

By Sector, December '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	41.2	41.9	57.4	47.1	37.7	64.1	55.0
Construction	36.6	31.5	35.7	51.4	41.1	77.7	63.0
Retail	48.6	44.0	43.2	52.1	41.0	77.9	64.1
Services	42.2	40.5	50.0	50.8	45.9	80.0	64.0

Contact

Richard Ramsey
 Chief Economist, Northern Ireland
 T +44 (0)28 9027 6354
 M +44 (0)7881 930955
richard.ramsey@ulsterbankcm.com
 Web: www.ulstereconomix.com
 Twitter: @UB_Economics

About Ulster Bank

Ulster Bank is a member of The Royal Bank of Scotland Group. Ulster Bank acts as a full service institution to its customer base, providing an extensive range of retail banking, business banking, investment banking and capital markets services to corporate, personal and institutional clients.

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.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and entered on the Financial Services Register (Registration Number 122315).

Ulster Bank Limited. Registered in Northern Ireland. Registration Number R733. Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com

About PMI

Purchasing Managers' Index[®] (PMI[®]) 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.

ihs.com/products/pmi.html

Disclaimer

The Ulster Bank Northern Ireland PMI[®] is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and PMI[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates. Ulster Bank uses the above marks under licence.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.