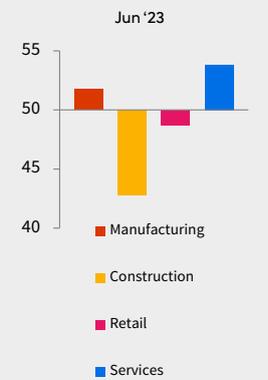
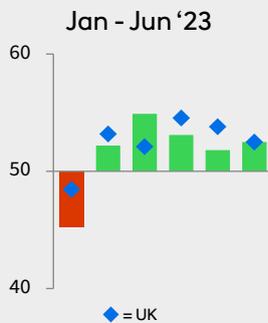


Ulster Bank Northern Ireland PMI[®]

Business activity continues to rise, but new orders decline

Northern Ireland Business Activity Index



Key findings

First reduction in new orders in five months

Output and employment continue to rise

Input cost inflation at 33-month low

Northern Ireland companies raised activity again in June, despite a first reduction in new orders since January. Employment also continued to rise. Meanwhile, the recent slowdown in inflation continued at the end of the second quarter, with softer rises in both input costs and output prices recorded.

The headline seasonally adjusted Business Activity Index rose to 52.5 in June from 51.8 in May, signalling a solid monthly expansion in output in the private sector, and one that was sharper than that seen in May. Activity has now increased in each of the past five months. Output rose in the manufacturing and service sectors, but decreased in construction and retail.

The rise in output was registered in spite of a first decline in new orders since January. New business fell amid a lack of public sector projects and a weakening

of commercial demand, plus a fall in new export orders.

More positively, employment rose solidly as long-standing vacancies were filled and candidate availability improved. A combination of job creation and lower new orders meant that firms were able to work through outstanding business.

Rates of inflation softened, with input costs and output prices rising at the slowest rates in 33 and 32 months respectively. Where input costs did increase, this was often linked to higher wages. Meanwhile, suppliers' delivery times shortened markedly.

Although companies remained optimistic in the year-ahead outlook for output, confidence slipped to a five-month low. Those respondents predicting an increase in activity often linked this to hopes for successful new product launches.

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.

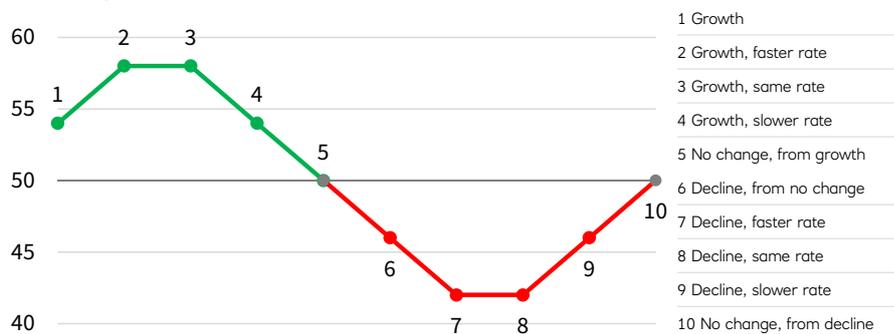
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

"NI's private sector ended the second quarter with both output and employment accelerating. June represented the fifth successive month of output growth. It was encouraging to note that inflationary pressures continued to ease with input costs and output prices rising at the slowest pace in 33 and 32 months respectively. Where input costs did rise, it was linked to wage pressures. Meanwhile, manufacturing saw its input costs fall for the first time in over three years. The easing in inflationary pressures is being accompanied by another welcome development - a marked shortening in supplier delivery times, most noticeably within retail."

"The latest survey does highlight some challenges though. New orders fell for the first time in five months with firms citing a lack of public sector contracts as a factor. A two-speed economy is becoming increasingly evident. Manufacturing and services posted rising output and orders in June. However, retail, and even more so, construction, recorded notable declines in both of these indicators. These sectors have witnessed a notable deterioration in business confidence, with construction firms expecting business activity to be significantly lower in 12 months' time, whereas retail businesses expect sales to be flat. Conversely, manufacturers and service sector firms still anticipate higher levels of activity in the middle of next year."

"It is not coincidental that the sectors most exposed to the lack of a NI Executive and the cost-of-living crisis - construction and retail respectively - are the ones that are the least optimistic. Construction firms in particular will be hoping we see a return to Stormont in the second half of this year, but there is no real prospect of the cost-of-living crisis dissipating in the remainder of 2023. Higher interest rates are also increasingly weighing on both business and consumer sentiment and this feature is expected to be with us for the foreseeable future too."



Demand and outlook

Renewed fall in new orders

New orders decreased for the first time in five months during June, albeit modestly. Respondents indicated a lack of public sector contracts, plus signs of a slowdown in commercial work, in part due to inflationary pressures. Sector data pointed to reductions in new business in the construction and retail categories, while manufacturing and services registered growth.

New Business Index

sa, >50 = growth since previous month

48.2

Jun '23



Optimism slips to five-month low

Although companies in Northern Ireland continued to predict that output will rise over the coming year, business confidence eased to the weakest since January amid concerns around the impact of rising interest rates and the potential for an economic downturn. Those respondents that were optimistic regarding the outlook often based this on hopes that new product launches will boost activity.

Future Activity Index

>50 = growth expected over next 12 months

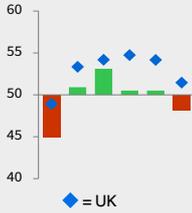
55.6

Jun '23



New Business Index

Jan - Jun '23



◆ = UK

Future Activity Index

Jan - Jun '23



◆ = UK

Business capacity

Staffing levels continue to rise

As has been the case on a monthly basis throughout 2023 so far, companies expanded employment in June. The rate of job creation was solid and faster than that seen in May. Some firms indicated that they were still filling long-standing vacancies, while others were taking advantage of some improvement in candidate numbers to expand staffing capacity for the future. Employment increased across all four monitored sectors.

Employment Index

sa, >50 = growth since previous month

54.4

Jun '23



Solid reduction in backlogs of work

A combination of falling new orders and rising employment meant that firms were able to catch up on backlogged work at the end of the second quarter. Outstanding business decreased for the second month running, and at a solid pace that was the sharpest since January.

Outstanding Business Index

sa, >50 = growth since previous month

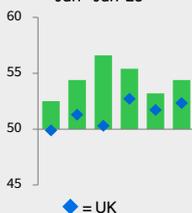
46.0

Jun '23



Employment Index

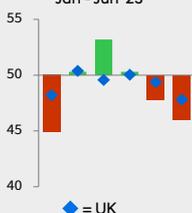
Jan - Jun '23



◆ = UK

Outstanding Business Index

Jan - Jun '23



◆ = UK

Exports

Further reduction in new business from abroad

Total new business was undermined by a second successive reduction in new export orders during June. The fall was solid, and the most pronounced in five months. Some respondents linked lower new business from abroad to Brexit.

Export conditions strengthen to lesser extent

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 continued to signal an improving export demand climate for Northern Ireland companies in June. That said, the index dipped to 51.2 from 52.4 in May, pointing to a softer strengthening of the export climate, and one that was only slight.

The Republic of Ireland registered a slight increase in business activity in June, with the rate of expansion the weakest in the year-to-date. Softer increases were also recorded in the USA and Germany. Meanwhile, both the Netherlands and Canada posted falls in manufacturing production. In each case, however, the rate of decline was softer than in May.

New Export Business Index
 >50 = growth since previous month

46.1
 Jun '23



Export Climate Index

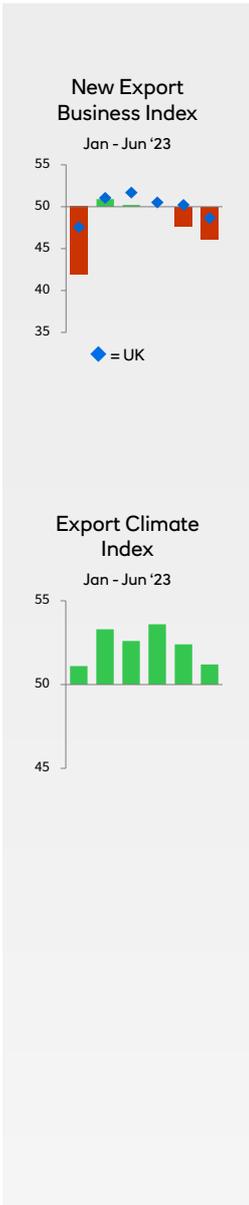
sa, >50 = growth since previous month

51.2
 Jun '23



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Jun'23
1	Republic of Ireland	46.0%	51.4
2	USA	12.2%	53.2
3	Netherlands	5.9%	45.4
4	Canada	5.0%	49.7
5	Germany	4.4%	50.6



Prices

Input price inflation slows further

The recent easing of cost pressures was sustained in June, with the pace of inflation slowing for the ninth consecutive month. The latest rise in input prices was the softest since September 2020. Where input costs continued to rise, this was mainly linked to higher wages. On the other hand, energy prices had reportedly eased. Manufacturing bucked the wider trend of rising input costs and signalled a fall for the first time in more than three years.

Input Prices Index 57.5
 sa, >50 = inflation since previous month
 Jun '23



Weakest rise in charges for 32 months

In line with the picture for input costs, output prices rose at a slower pace in June. In fact, the latest increase in selling prices was the weakest since October 2020. Construction recorded the sharpest rise in charges. Meanwhile, manufacturing was the only sector to post a reduction.

Prices Charged Index 52.6
 sa, >50 = inflation since previous month
 Jun '23

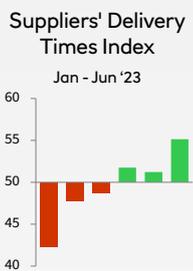
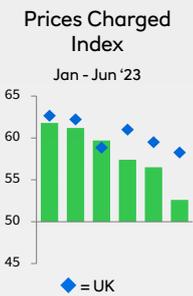
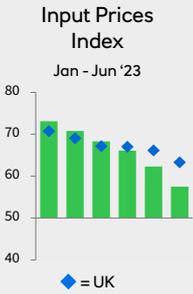
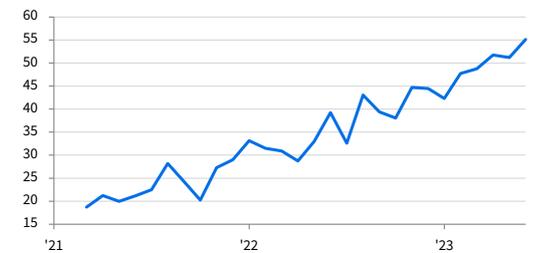


Suppliers' Delivery Times

Marked shortening of suppliers' delivery times

Improvements in global supply chains and reduced demand meant that suppliers' delivery times shortened again in June. The latest improvement in vendor performance was marked, and the most pronounced since this question was added to the survey in March 2021.

Suppliers' Delivery Times Index 55.1
 sa, >50 = shorter delivery times since previous month
 Jun '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, Jun '23 ⁺
1	Electrical & Optical	1.42	50
2	Food & Drink	1.26	50
3	Textiles & Clothing	1.19	50
4	Other Manufacturing	1.09	50
5	Basic Metals	0.98	50
6	Timber & Paper	0.92	40
7	Mechanical Engineering	0.88	50
8	Chemicals & Plastics	0.78	50
9	Transport	0.77	55

Northern Ireland specialisation: Services

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

UK sector focus

Food & Drink

The UK's Food & Drink sector enjoyed a strong second quarter, posting its fastest rise in output for two years. It saw the quickest rate of expansion of the nine manufacturing sectors monitored.

Growth of Food & Drink production in the three months to June was driven by a sharp upturn in demand. This was underscored by a steep and accelerated rise in inflows of new work across the sector.

On the price front, latest data showed a considerable slowdown in the rate of input cost inflation to the lowest for over seven years. This is turn contributed to a slower rise in prices charged, the weakest since Q2 2020.

With firms reporting declining backlogs of work, they showed a reluctance to hire as employment in the sector fell slightly in the three months to June. This was despite strong optimism towards the year-ahead outlook.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Just seven out of the 12 monitored regions and nations recorded growth in business activity in June, the fewest since January. London was once again the best performer but posted its slowest rise in output for three months. Only Scotland (ranked third), Northern Ireland* (fifth) and the East of England (sixth) saw growth accelerate. The steepest drop in activity was in Wales.

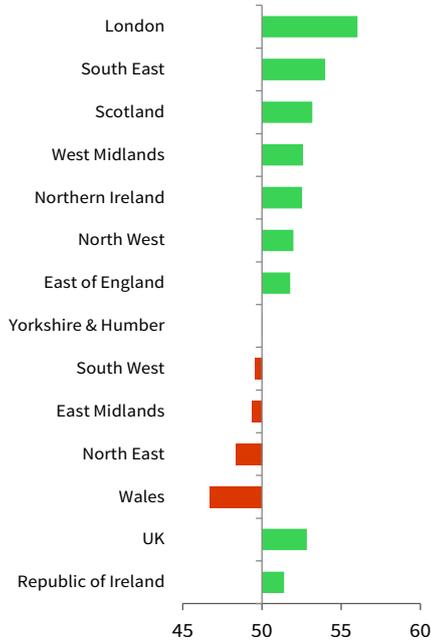
Employment

A rise in employment was recorded in all areas except Wales, where workforce numbers were unchanged following a five-month sequence of job losses. London recorded the steepest rise in staffing levels, its sharpest since August last year, followed by Northern Ireland and the East of England. Last month's leader for job creation, Scotland, moved down to eighth in the rankings.

Future Activity

Business confidence weakened in the majority of regions and nations in June. The biggest drop in expectations was in the North East, which slipped to the bottom of the rankings. The South East recorded the greatest optimism and was one of the few areas where sentiment improved, along with the South West, East Midlands and North West.

Business Activity Index
sa, >50 = growth since previous month, Jun '23



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



Future Activity Index
>50 = growth expected over next 12 months Jun '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
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
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

By Sector, June '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	51.7	50.4	64.1	54.5	45.1	47.9	46.3
Construction	42.8	39.4	45.2	62.7	47.8	65.9	66.0
Retail	48.7	46.4	50.0	58.1	49.3	55.5	51.8
Services	53.8	50.9	57.9	50.7	48.1	62.7	55.3

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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.

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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.

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