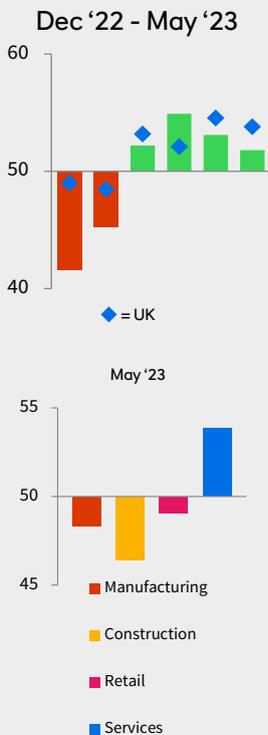


# Ulster Bank Northern Ireland PMI<sup>®</sup>

## Business activity continues to rise, but at softer rate

### Northern Ireland Business Activity Index



### Key findings

Weaker increases in output and employment

New orders up marginally

Softer rises in both input costs and output prices

PMI data for May signalled further growth in the Northern Ireland private sector midway through the second quarter of the year. Rates of expansion in output and employment showed signs of easing, however, while new orders increased at the same pace as in April. Also slowing were rates of inflation, with both input costs and output prices increasing to the least extent in around two-and-a-half years.

The headline seasonally adjusted Business Activity Index dipped to 51.8 in May from 53.1 in April, signalling a fourth successive monthly increase in business activity in Northern Ireland's private sector, but one that was the weakest in this sequence. In fact, growth in the latest survey period was centred on the service sector as output in manufacturing, construction and retail decreased.

While demand conditions generally improved amid market confidence, there were some reports of interest rate hikes and political stagnation limiting growth.

Employment continued to rise solidly, helping firms to deplete backlogs of work. As was the case with output, however, the rate of job creation softened in May.

Inflation of both input costs and output prices eased again midway through the second quarter, and in each case was the softest of the 12 monitored UK regions. Cost increases were almost solely driven by wage rises, according to respondents, while there were some reports of energy prices easing.

Business confidence remained relatively strong amid business expansion plans and good pipelines of new work, but sentiment dipped to a four-month low.

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.

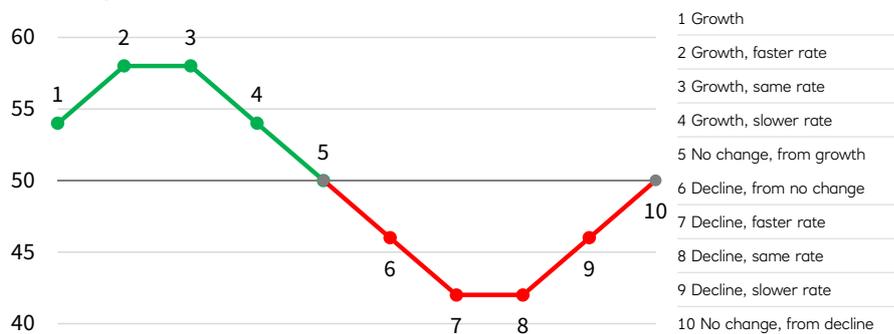
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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](mailto: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 notched up its fourth successive month of growth in business activity in May, albeit it was the slowest rate of expansion in this sequence. Employment growth also eased to a four-month low but local firms increased their staffing levels at the fastest rate of all UK regions bar Scotland. New orders maintained the same modest rate of growth as April.*

*"A welcome slowdown was also evident in inflationary pressures, with input cost and output price inflation easing to its weakest level in around two-and-a-half years. It is encouraging to note that NI's inflationary pressures are the least marked across the UK regions. There were some reports of energy prices coming down, with ongoing inflation linked to higher wages.*

*"In terms of sectors, services was the only one to record a rise in business activity in May, with construction and retail joining manufacturing in contraction territory. Services also posted the strongest rise in new orders, followed by retail. Retail's recent purple patch of growth in sales and orders appears to have passed although retail is still recruiting hard. Meanwhile the slump in construction orders continued and is approaching two years of continuous decline. But again, construction firms are increasing staffing levels to address long-standing skills gaps.*

*"Encouragingly all four sectors expect growth in business activity in 12 months' time, with manufacturing the most optimistic and retail the least. But firms said that hikes in interest rates and political stagnation have been impacting on growth and cuts in public expenditure are also a concern. None of these factors are expected to go away any time soon."*



## Demand and outlook

### Marginal increase in new business

Northern Ireland companies saw new orders rise slightly again in May, with the rate of expansion unchanged from that seen in April. Some panellists reported improved market confidence, although there were some signs that interest rate hikes and political stagnation in Northern Ireland had limited demand. New business rose in the services and retail categories, but fell in manufacturing and construction.

New Business Index  
sa, >50 = growth since previous month  
50.5  
May '23



### Business confidence remains positive

Business expansion plans and a positive pipeline of new work supported optimism in the year-ahead outlook for output. Sentiment remained above the series average, despite easing for the third month running. There was some concern about the potential impact of public sector budget cuts. The manufacturing sector expressed the strongest optimism in May, with the lowest confidence at retailers.

Future Activity Index  
>50 = growth expected over next 12 months  
59.4  
May '23



## Business capacity

### Solid rise in employment

Staffing levels increased in May, thereby extending the current sequence of job creation which began at the start of the year. The latest rise was solid, albeit the softest since January. Respondents indicated that extra staff had been hired in line with greater business activity and as part of efforts to deal with backlogs of work. Three of the four monitored sectors posted increases in workforce numbers, the exception being services where employment was unchanged.

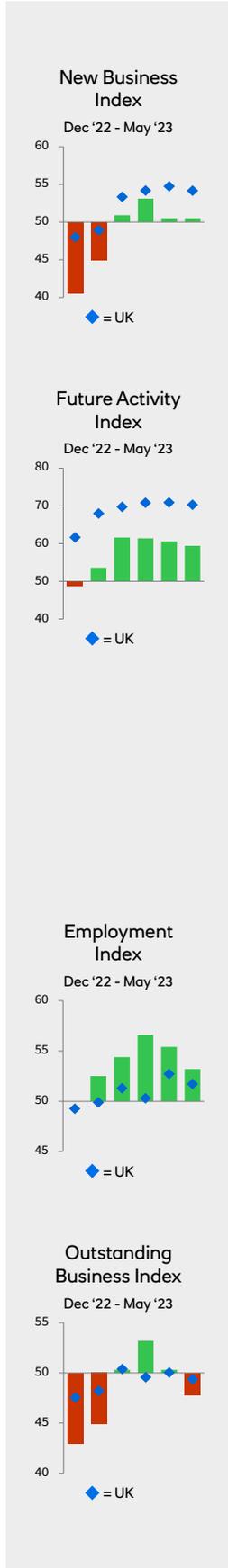
Employment Index  
sa, >50 = growth since previous month  
53.2  
May '23



### Outstanding business down for first time in four months

Employment growth and more muted recent increases in new orders meant that firms in Northern Ireland were able to deplete backlogs of work in May, the first time in four months in which this has been the case. That said, the pace of reduction was only modest.

Outstanding Business Index  
sa, >50 = growth since previous month  
47.8  
May '23



## Exports

### New export orders decline

There were some signs of international demand weakening in May as new business from abroad decreased modestly during the month. The reduction in new business from abroad was the first since January, and contrasted with continued growth of total new orders.

New Export Business Index  
 >50 = growth since previous month

47.7  
 May '23



New Export Business Index  
 Dec '22 - May '23



### Solid 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.

The ECI remained above the 50.0 no-change mark in May, posting 52.4 from 53.6 in April. The reading thereby signalled a fifth successive monthly improvement in the demand climate for exporters, and one that was solid overall despite softening from the previous month.

Northern Ireland's largest export market - the Republic of Ireland - saw output growth soften in May, a picture matched in Germany. On the other hand, the US saw business activity increase at the fastest pace in just over a year. Meanwhile, general weakness in manufacturing meant that production in the Netherlands and Canada fell.

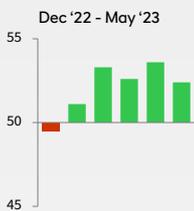
Export Climate Index

sa, >50 = growth since previous month

52.4  
 May '23

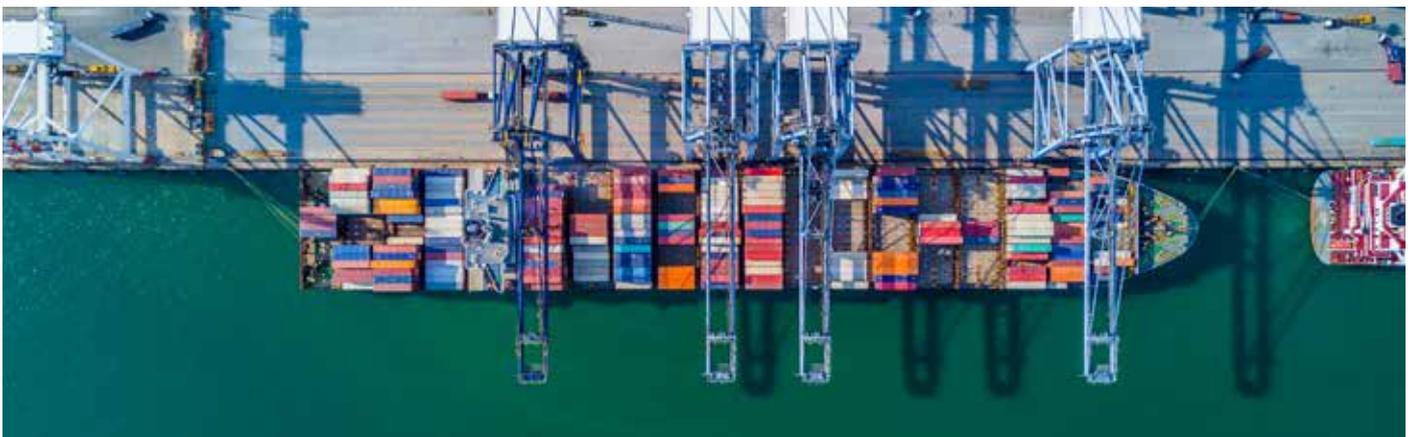


Export Climate Index  
 Dec '22 - May '23



Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, May'23
1	Republic of Ireland	46.0%	51.9
2	USA	12.2%	54.3
3	Netherlands	5.9%	44.2
4	Canada	5.0%	49.1
5	Germany	4.4%	53.9



## Prices

### Further easing of cost pressures

The rate of input price inflation softened for the eighth successive month in May amid weaker increases across each of the four broad sectors covered by the survey. The latest rise in costs was the softest since October 2020 and the weakest of the 12 monitored UK regions. Where the cost of inputs did increase, this was widely linked to higher wages. On the other hand, there were some reports of energy prices coming down.

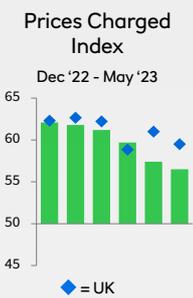
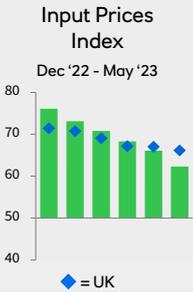
Input Prices Index 62.3  
sa, >50 = inflation since previous month May '23



### Softer increase in selling prices

As was the case with input costs, the increase in selling prices in Northern Ireland was the weakest of the 12 monitored UK regions in May. The pace of charge inflation has softened in each month since peaking in May last year, with the latest rise the joint-slowest in two-and-a-half years. While higher costs led a number of companies to increase their charges, others lowered selling prices amid competitive pressures.

Prices Charged Index 56.5  
sa, >50 = inflation since previous month May '23

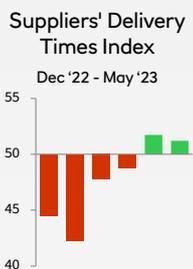


## Suppliers' Delivery Times

### Second successive improvement in supplier performance

Suppliers' delivery times shortened for the second month running in May as companies reported a reduction in capacity pressure at vendors. The modest shortening of lead times was slightly less pronounced than that seen in April, which was the first improvement in supply-chain performance since the question was added to the survey in March 2021.

Suppliers' Delivery Times Index 51.2  
sa, >50 = shorter delivery times since previous month May '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, May '23 <sup>+</sup>
1	Electrical & Optical	1.42	52
2	Food & Drink	1.26	50
3	Textiles & Clothing	1.19	48
4	Other Manufacturing	1.09	50
5	Basic Metals	0.98	48
6	Timber & Paper	0.92	42
7	Mechanical Engineering	0.88	48
8	Chemicals & Plastics	0.78	48
9	Transport	0.77	55

#### Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May '23 <sup>+</sup>
1	Hotels, Restaurants & Catering	1.34	52
2	Personal & Community Services	1.23	50
3	Transport & Communication	1.22	48
4	Business-to-business Services	0.89	52
5	Computing & IT Services	0.89	58
6	Financial Intermediation	0.66	55

## UK sector focus

### Transport & Communication

Almost all areas of the UK services economy saw growth in business activity in the three months to May, the only exception being the Transport & Communications sector. Here, activity fell - albeit only slightly - in the latest three-month period, thereby resuming a downward trend after a brief return to growth in Q1.

The survey data pointed to weakness in underlying demand, with inflows of new work in decline. Businesses in the sector reacted to falling workloads by reducing workforce numbers, in line with the trend seen since the end of last year. That said, the latest round of job cuts was only marginal as firms showed greater confidence towards the outlook.

Cost pressures remained historically elevated, although they did at least ease further from the record highs seen in 2022. This was reflected in a slower rise in prices charged, the weakest for almost two-and-a-half years.

#### Output Index

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



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

Almost all UK nations and regions saw a rise in business activity in May, the only exception being Wales where output fell marginally and for the first time in four months. London once again recorded by far the strongest growth rate, albeit one that was slightly slower than in April. In fact, only the West Midlands saw an acceleration in the rate of expansion in business activity.

### Employment

The vast majority of areas monitored by the survey recorded an increase in private sector employment in May. Scotland topped the rankings for job creation for the first time since June 2018, pushing Northern Ireland\* into second position. Only the North East and Wales saw decreases in staffing levels, and even there the declines were modest and marginal respectively.

### Future Activity

Business expectations remained positive across the board in May, although they weakened in three-quarters of the areas monitored. The West Midlands went against the trend and recorded the strongest overall optimism for the fifth month running. At the other end of the scale, firms in Northern Ireland were the least upbeat towards the outlook.

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



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



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

### By Sector, May '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	48.3	48.3	63.8	52.1	41.1	55.1	52.9
Construction	46.4	45.7	57.5	60.7	47.6	60.7	62.3
Retail	49.1	51.6	54.5	61.5	53.1	60.4	55.1
Services	53.9	51.9	58.6	50.0	50.7	66.1	58.1

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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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