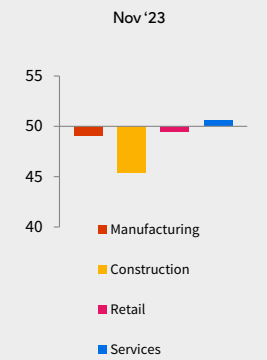
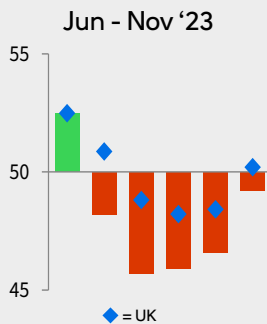


Ulster Bank Northern Ireland PMI[®]

Business activity falls, but to least extent in five months

Northern Ireland Business Activity Index



Key findings

Softer reductions in output and new orders

Business confidence at four-month high

Solid increase in employment

The Northern Ireland private sector remained in contraction mode in November, seeing further reductions in output and new orders. That said, rates of contraction eased from October and business confidence picked up.

The headline seasonally adjusted Business Activity Index posted 49.2 in November, up from 46.6 in October and signalling only a marginal monthly reduction in output midway through the final quarter. That said, activity has now decreased in five consecutive months. The service sector bucked the wider trend and posted an increase in activity.

Where output decreased, panellists reported weak demand and falling new orders. The rate of decline in new business also softened over the month, however. Total new orders were undermined by a further sharp reduction in new export

business.

Hopes that activity will rebound from current low levels supported optimism in the 12-month outlook. Business confidence rose to a four-month high.

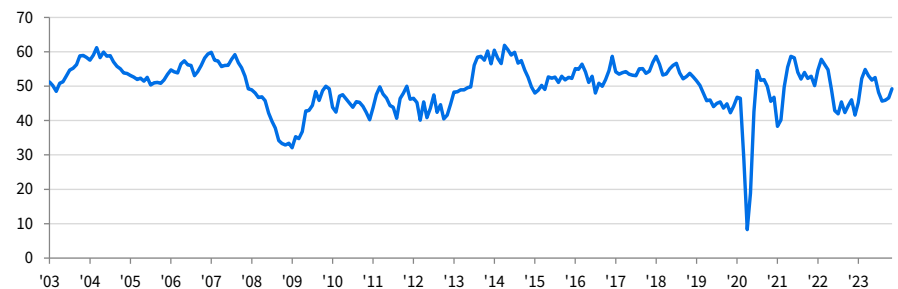
Companies continued to fill previously advertised vacancies in November, resulting in a further increase in staffing levels. Higher capacity and lower new orders meant that firms were able to deplete their backlogs of work to the greatest extent since January 2021.

Input costs increased sharply in November, often due to higher wages. The rate of inflation eased slightly from that seen in October, however.

The pace of output price inflation quickened slightly, but remained relatively muted amid reports of competitive pressures.

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.

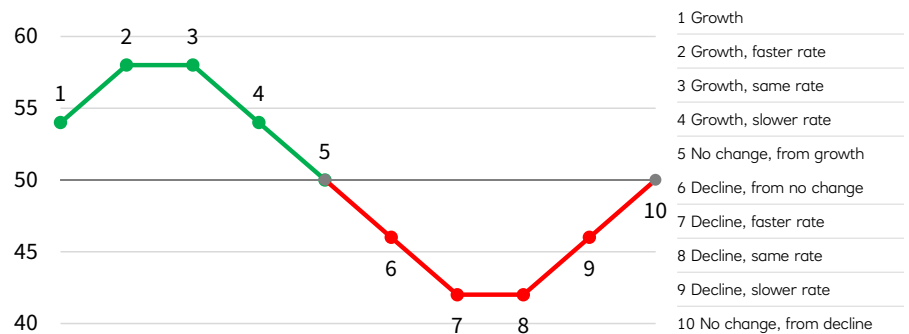
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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 private sector remained in contraction in November with business activity and new orders falling for the fifth and sixth successive months, respectively. But in common with most regions within the UK, the pace of decline eased relative to October.

Export demand weakened further with orders falling for the seventh consecutive month and at a faster pace than in October.

On a positive note, the services sector recorded its first increase in business activity in five months. Both services firms and retailers posted a modest pick-up in new orders last month while the construction industry experienced another sharp fall in new business.

Conditions in the labour market remain tight with firms reporting increased wage costs and struggled to fill vacancies with suitable candidates. Nevertheless, the pace of hiring quickened in November due to services firms with construction and retail also adding to their headcount. Manufacturing was the exception, reducing employment for the first time in 11 months.

Optimism amongst local firms for the year ahead improved across all four sectors with overall confidence hitting a four-month high. Services and manufacturing are the most confident about business activity in 12-months' time. Sentiment amongst services

firms hit a 22-month high. Given the ongoing cost-of-living squeeze and rising mortgage costs it is perhaps not surprising that retailers remain relatively subdued about prospects for the year ahead. Meanwhile the construction sector, which has reported falling orders for the last twenty-nine months, expects business activity to be flat (at very low levels) by November next year. Given the slowdown in housebuilding coupled with the dire outlook for the public finances in the short-to medium term, this is perhaps not surprising."



Demand and outlook

New business falls for sixth month running

Companies in Northern Ireland continued to see new orders decrease in November, thereby extending the current sequence of decline to six months. That said, the latest fall was the softest since June. Anecdotal evidence suggested that demand remained weak, particularly in the construction sector. Underlying data reinforced this point, with construction posting a sharp contraction in new orders. New business also decreased in manufacturing, but increased in services and retail.

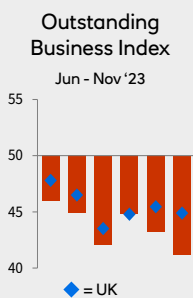
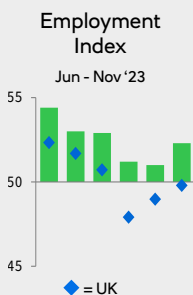
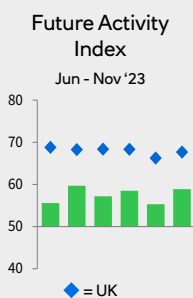
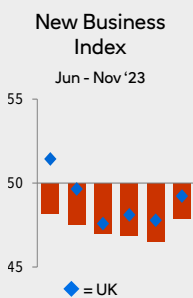
Business confidence picks up

Optimism in the year-ahead outlook for business activity strengthened to a four-month high in November as 35% of respondents predicted a rise. To some extent, confidence reflected hopes for a rebound from current low levels of activity, but there were also some predictions that new product launches will support growth.

New Business Index
sa, >50 = growth since previous month
Nov '23 47.9



Future Activity Index
>50 = growth expected over next 12 months
Nov '23 58.9



Business capacity

Solid increase in staffing levels

Employment continued to rise in November, the eleventh month running in which this has been the case. The rate of job creation was solid and the fastest in three months. Some firms indicated that higher workforce numbers reflected the filling of long-term vacancies, while there were continued reports of difficulties finding candidates to hire. Manufacturing was the only one of the four monitored sectors to see employment fall.

Outstanding business reduced to largest degree in 34 months

November data pointed to a substantial reduction in backlogs of work, with the rate of depletion the most marked since January 2021. The fall in Northern Ireland was also stronger than the UK average. Respondents indicated that reductions in backlogs of work reflected lower new orders.

Employment Index
sa, >50 = growth since previous month
Nov '23 52.3



Outstanding Business Index
sa, >50 = growth since previous month
Nov '23 41.2



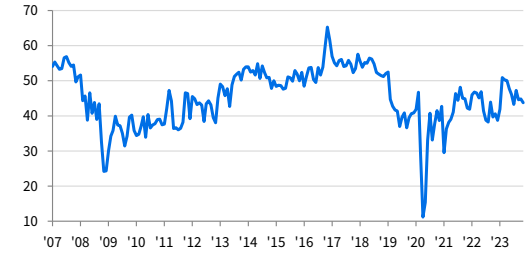
Exports

Sharper reduction in new export orders

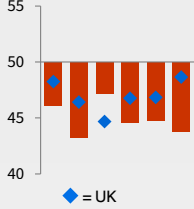
Firms in Northern Ireland registered a further reduction in new business from abroad midway through the final quarter of the year. New export orders have now fallen in seven successive months, with the latest contraction the most pronounced since July.

New Export Business Index
 >50 = growth since previous month

43.8
 Nov '23



New Export Business Index
 Jun - Nov '23



Slight improvement in export demand conditions

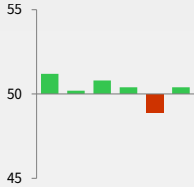
The Northern Ireland Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Northern Ireland. This produces an indicator for the economic health of the country's export markets.

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

50.4
 Nov '23



Export Climate Index
 Jun - Nov '23



The ECI rose back above the 50.0 no-change mark in November, posting 50.4 from 48.9 in October and signalling a marginal strengthening of overall demand in export markets. The export climate has now improved in ten of the past 11 months.

The renewed strengthening of export demand conditions reflected a return to growth of output in the Republic of Ireland. The US meanwhile continued to see activity rise marginally. Elsewhere, reductions in output were seen in the Netherlands, Canada and Germany. The fall in Canada was the sharpest since June 2020.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Nov'23
1	Republic of Ireland	46.0%	52.3
2	USA	12.2%	50.7
3	Netherlands	5.9%	45.5
4	Canada	5.0%	44.8
5	Germany	4.4%	47.8



Prices

Input prices continue to rise sharply

Rising staff costs were a key factor leading to a further increase in input prices during November. The rate of inflation was sharp, but eased slightly from the previous survey period and remained much weaker than seen in 2021 and 2022. Services posted the fastest increase in input costs of the four broad sectors, with the slowest rise in manufacturing.

Input Prices Index **58.8**
sa, >50 = inflation since previous month Nov '23



Rate of charge inflation remains modest

The pace of output price inflation remained modest in November, despite ticking up from that seen in October. While some firms increased charges in response to higher input costs, competitive pressures reportedly limited the pace of inflation. Three of the four monitored sectors posted increases in charges, led by construction. Manufacturing selling prices continued to fall.

Prices Charged Index **52.3**
sa, >50 = inflation since previous month Nov '23

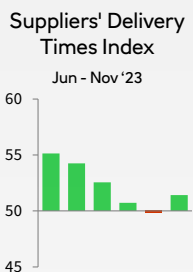
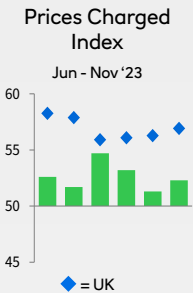
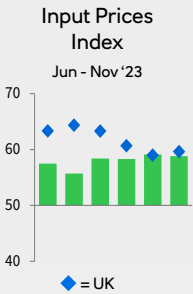


Suppliers' Delivery Times

Suppliers' delivery times shorten in November

The Northern Ireland private sector saw supplier performance improve for the seventh time in the past eight months during November, as lead times shortened slightly. According to respondents, quicker deliveries reflected weaker demand for inputs.

Suppliers' Delivery Times Index **51.4**
sa, >50 = shorter delivery times since previous month Nov '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, Nov '23 ⁺
1	Electrical & Optical	1.42	48
2	Food & Drink	1.26	55
3	Textiles & Clothing	1.19	52
4	Other Manufacturing	1.09	45
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	50

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '23 ⁺
1	Hotels, Restaurants & Catering	1.34	52
2	Personal & Community Services	1.23	48
3	Transport & Communication	1.22	45
4	Business-to-business Services	0.89	48
5	Computing & IT Services	0.89	55
6	Financial Intermediation	0.66	52

UK sector focus

Computing & IT Services

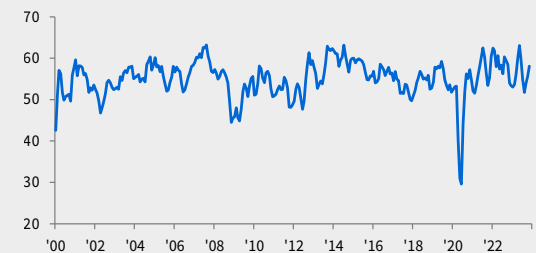
Computing & IT Services was one of the UK economy's brightest spots in the three months to November. The sector, which has generally seen robust growth in the post-pandemic years, recorded a sharp and accelerated rise in output that was second only to that recorded by Food & Drink manufacturers.

Demand for Computing & IT Services remained strong, leading to a sustained build-up of backlogs of work. This in turn fuelled continued hiring across the sector. Although having slowed from the highs over the past three years, the rate of job creation remained robust.

Driven in part by rising salaries, input prices in the sector continued to grow at an above-trend rate in the three months to November. Cost inflation was, however, at its lowest in around two-and-a-half years, with the rate of increase in prices charged by firms also well down from last year's peak (although still elevated by historical standards).

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

London continued to outperform the rest of the UK regions in November, recording a sharp and accelerated rise in business activity. The only other area to see growth was the West Midlands. The North East once again recorded the steepest fall in output. However, like in most places, the rate of contraction eased from the month before.

Employment

Just over half of the 12 monitored regions and nations recorded a fall in employment in November, the same result as seen in October. Firms in Wales registered the most marked drop in workforce numbers, followed by those in the North East and East Midlands, respectively. Scotland once again topped the rankings for job creation, ahead of the West Midlands.

Future Activity

A small majority of areas saw an improvement in business expectations in November. This included the West Midlands, which continued to record the highest overall degree of optimism. The greatest upswing in confidence was in Yorkshire & Humber. Sentiment was weakest in the North East, where it slipped to an 11-month low.

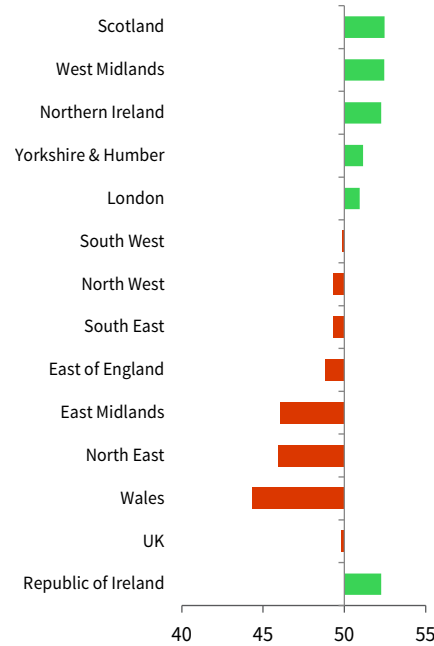
Business Activity Index

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



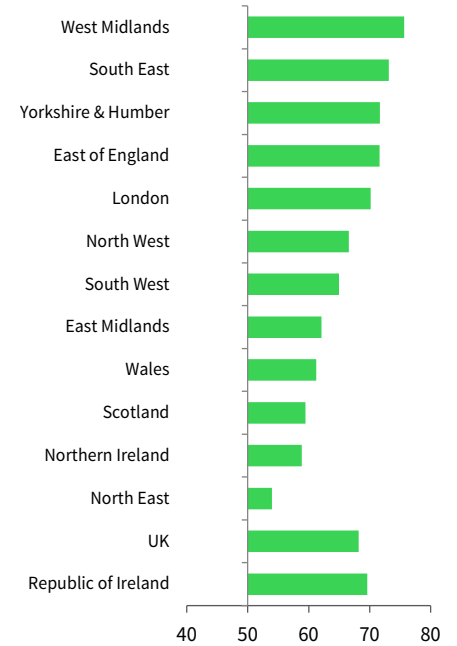
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Nov '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
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	50.2	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	50.4	58.3	53.2	50.7
Oct '23	46.6	46.5	55.3	51.0	43.2	44.8	48.9	59.1	51.3	49.8
Nov '23	49.2	47.9	58.9	52.3	41.2	43.8	50.4	58.8	52.3	51.4

By Sector, November '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	49.1	49.3	61.5	48.3	39.5	54.6	47.1
Construction	45.4	38.8	50.0	53.3	41.7	58.7	57.2
Retail	49.5	50.9	54.8	52.7	36.7	57.5	51.3
Services	50.6	50.5	62.7	53.1	46.2	61.3	55.3

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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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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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