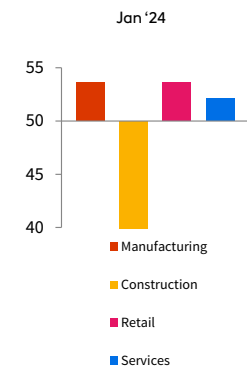
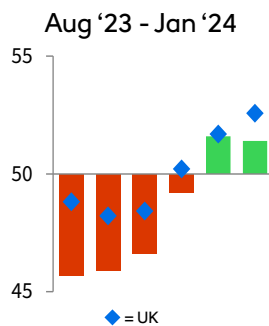


Ulster Bank Northern Ireland PMI[®]

New orders increase for first time in eight months

Northern Ireland Business Activity Index



Key findings

Second successive monthly rise in output

Strongest optimism since May 2021

Job creation sustained

The opening month of 2024 saw a renewed expansion of new orders at Northern Ireland companies, supporting a further increase in output. Meanwhile, business confidence strengthened to a 32-month high and firms took on additional staff. Rates of inflation moderated.

The headline seasonally adjusted Business Activity Index posted above the 50.0 no-change mark for the second month running in January, ticking down only slightly to 51.4 from 51.6 in December. The latest increase in output reflected a renewed expansion in new orders.

Three of the four monitored sectors registered increases in business activity, the exception being construction.

The aforementioned increase in new orders was the first in eight months, but only modest overall. The rise in total new business was recorded despite a further

reduction in new export orders.

Although spare capacity remained evident at the start of the year, the renewed increase in new orders meant that backlogs of work decreased to the least extent in seven months. Companies continued to take on additional staff, the thirteenth month running in which this has been the case. Higher employment reflected rising activity requirements and the filling of longstanding vacancies.

Rates of increase in both input costs and output prices eased in January. Where costs did rise, this was linked to higher wages and transportation costs.

The opening month of the year saw a marked improvement in business confidence, with optimism at a 32-month high. The launch of new products and predictions of higher new orders supported confidence.

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.

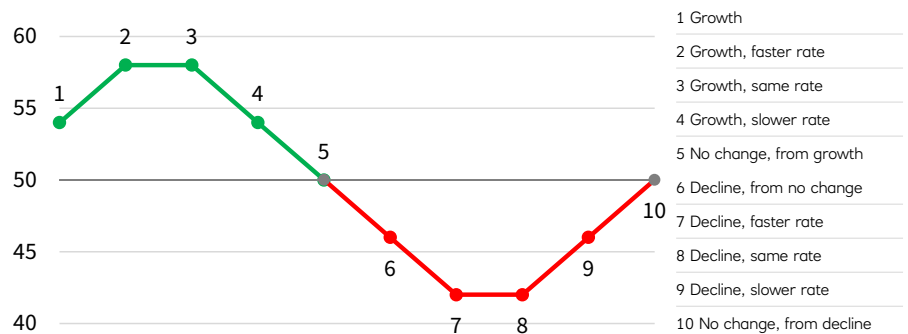
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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 started 2024 on a stronger footing with most of the indicators of business conditions improving relative to December. Output expanded for the second month running with manufacturing, services and retail all recording increased levels of business activity in January. Construction remained an outlier with activity falling at a substantial rate and at its fastest pace in 12 months.

“Despite a continued slump in export orders, a notable pick-up in domestic demand led to the first rise in new orders in eight months. A surge in retail demand and a return to growth in manufacturing orders more than offset the continued declines in services and construction.

“Inflationary pressures moderated with December’s increases reversed in January. Despite some pick-up in transportation costs, input cost inflation eased to a 6-month low. Some firms highlighted that re-routing of shipping away from the Suez Canal had caused longer delivery lead times. But there was no overall change in supplier delivery times amongst manufacturers in January. Manufacturers have been cutting their

prices for the last 8 months and reduced them in January at their fastest pace since February 2010. Services, construction and retail though all raised prices at a quicker pace.

“Staffing levels continued to rise with manufacturing (marginally), services and construction firms all increasing their headcounts. Meanwhile retailers reduced their staffing levels for the first time in 16 months.

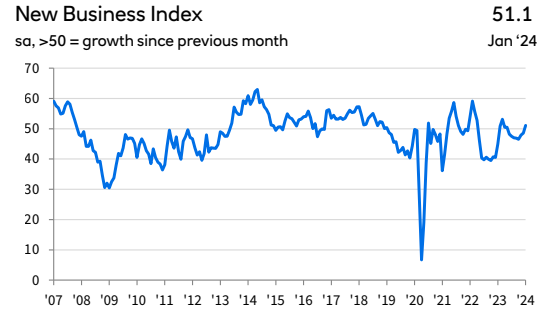
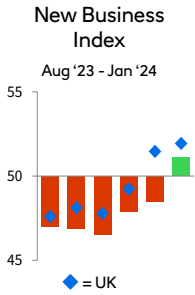
“The biggest surprise in the latest survey was the surge in business confidence. Local firms were their most optimistic about future output levels (in 12 months’ time) since May 2021. The positive sentiment was evident across all four sectors. The renewed optimism was linked to the launch of new products and higher orders. Significantly, the notable improvement in the outlook predates the restoration of Stormont. The impact on sentiment of the political developments should become apparent in February’s survey.”



Demand and outlook

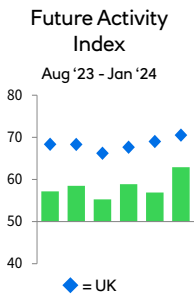
New orders return to growth

Companies in Northern Ireland recorded a renewed increase in new business in January, thereby ending a seven-month sequence of falling new work. That said, the rise was only slight. Sector data showed that the overall expansion reflected increases in the manufacturing and retail categories, while further reductions were seen in services and construction.



Optimism hits 32-month high

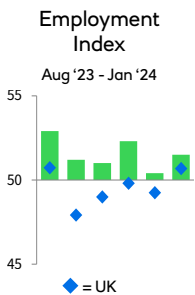
Business confidence hit its highest level in more than two-and-a-half years in January as around 39% of respondents predicted activity to grow over the coming 12 months. The launch of new products and higher new orders were among the factors supporting optimism. For the first time in six months, positive sentiment was registered across all four broad sectors.



Business capacity

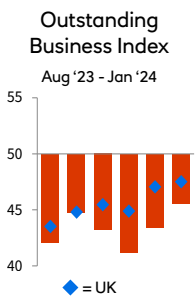
Job creation sustained

Rising activity requirements and the filling of longstanding vacancies contributed to a rise in staffing levels during January. Employment increased for the thirteenth month running, but the rate of job creation remained modest as some firms continued to report difficulties recruiting. Staffing levels rose in the services and construction sectors, were broadly unchanged in manufacturing and fell in retail.



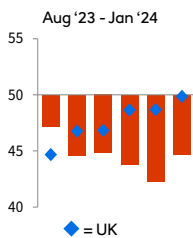
Rate of backlog depletion softens

A further solid reduction in outstanding business was recorded in January amid evidence of spare capacity in the private sector. However, the rate of depletion softened for the second month running and was the least pronounced since June last year amid a renewed expansion in new business.



Exports

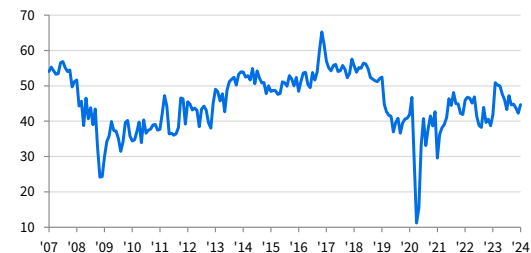
New Export Business Index



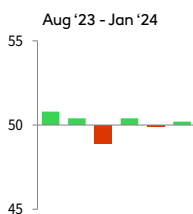
New export orders continue to fall

The expansion in total new business in the Northern Ireland private sector was recorded in spite of a further reduction in new export orders at the start of the year. New business from abroad fell markedly, albeit at the slowest pace in three months. The Red Sea crisis and cost-of-living pressures in export markets were behind the latest decline, according to respondents.

New Export Business Index



Export Climate Index



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 moved just above the 50.0 no-change mark in January, posting 50.2 from 49.9 in December. The reading signalled a marginal monthly strengthening of demand conditions in export markets.

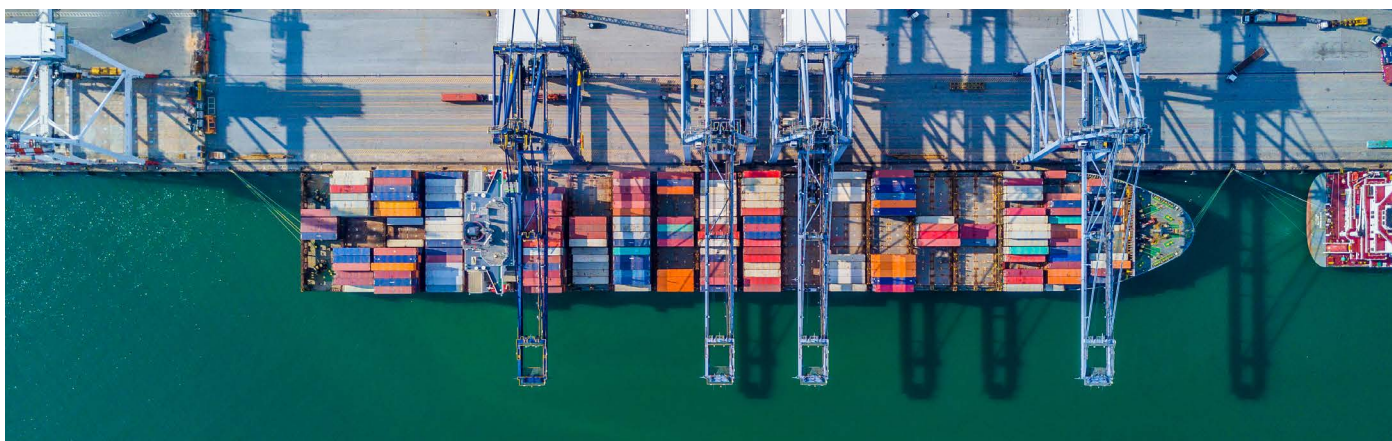
The USA saw output growth hit a six-month high in January. Rising activity was also recorded in the Republic of Ireland, though here the rate of expansion eased. Other key export markets were a drag on the export climate, with the Netherlands, Canada and Germany all seeing output fall. Of these, Germany was the only one not to record a softer pace of contraction at the start of the year, however.

Export Climate Index

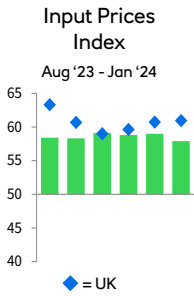


Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Jan '24
1	Republic of Ireland	46.0%	50.7
2	USA	12.2%	52.0
3	Netherlands	5.9%	48.2
4	Canada	5.0%	46.3
5	Germany	4.4%	47.0

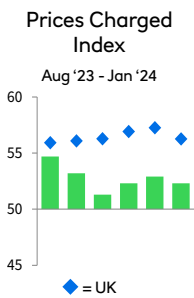


Prices



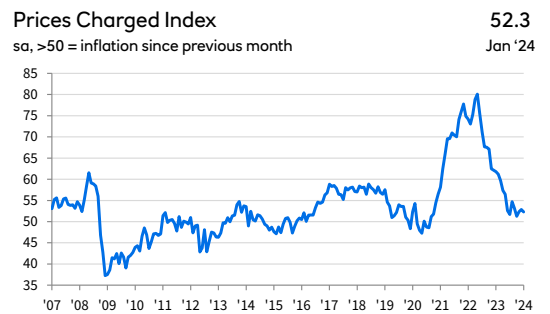
Cost inflation eases to six-month low

Input prices increased again in January, but the rate of inflation was the softest since July last year. Rising wages were mentioned by a number of firms, while there were also reports of higher transportation costs. Sharp increases in input prices were seen in three of the four monitored sectors, the exception being manufacturing where input costs were broadly unchanged.

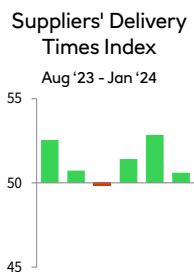


Softer rise in output prices

In line with the picture for input costs, the rate of output price inflation eased in the opening month of 2024. While some respondents indicated that they had passed on higher input costs to their customers, others felt the need to price competitively in order to help attract customers. Selling prices fell in the manufacturing sector, contrasting with rises elsewhere.

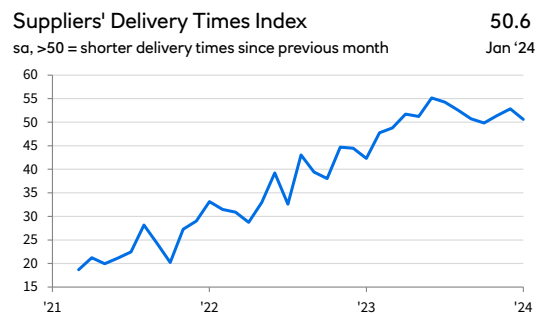


Suppliers' Delivery Times



Slight shortening of lead times

Suppliers' delivery times shortened for the third month running in January, but the rate of improvement was only marginal and the softest in this sequence. A number of firms indicated that the re-routing of shipping away from the Suez Canal had caused longer lead times.



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, Jan '24 ⁺
1	Electrical & Optical	1.41	48
2	Textiles & Clothing	1.38	48
3	Food & Drink	1.33	50
4	Other Manufacturing	1.14	45
5	Timber & Paper	1.01	48
6	Basic Metals	0.92	48
7	Mechanical Engineering	0.92	50
8	Transport	0.78	55
9	Chemicals & Plastics	0.68	48

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jan '24 ⁺
1	Personal & Community Services	1.47	48
2	Hotels, Restaurants & Catering	1.31	55
3	Transport & Communication	1.08	50
4	Computing & IT Services	0.87	55
5	Business-to-business Services	0.82	50
6	Financial Intermediation	0.68	55

UK sector focus

Personal & Community Services

Activity across the UK's Personal & Community Services sector fell in the three months to January. It was in fact the only broad category within the UK service sector to record a reduction in activity over that period.

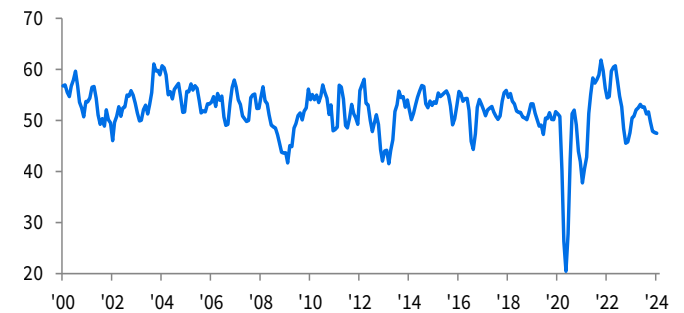
The downturn reflected falling demand, with the decline in new business that began in late-2023 extending into the new year. A lack of pressure on business capacity – as evidenced by falling backlogs of work – led firms in the sector to cut workforce numbers. It continued a run of job losses seen since the middle of last year.

Cost pressures among Personal & Community Services firms meanwhile remained elevated, due in large part to growing wages. Although below the averages in 2022 and 2023, the rate of input price inflation was still above its long-run trend. The increase in prices charged was more subdued by comparison, registering one of the slowest rises in the past two-and-a-half years.

Lastly, latest data showed business expectations in the sector slipping to the lowest for almost a year.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

The majority of UK regions and nations saw a rise in business activity in January. London once again recorded the strongest growth, followed by the West Midlands. Output fell further in the North East, but the rate of contraction slowed notably to the weakest since last August. Activity in Wales was broadly unchanged, following a four-month sequence of decline.

Employment

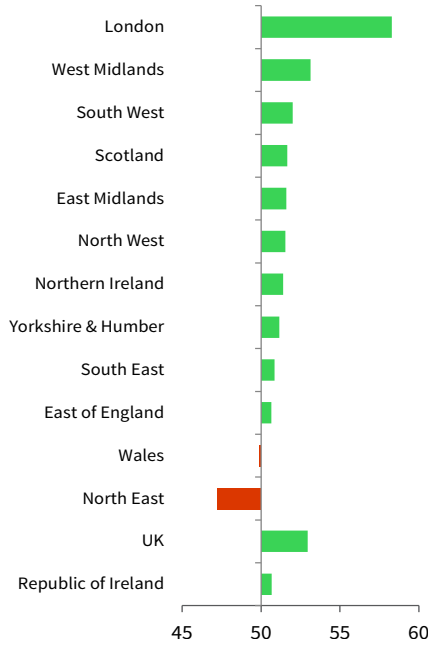
January saw a general improvement in labour market trends, with employment either rising more quickly or falling at a reduced rate in almost all cases. London topped the rankings, recording its fastest rate of job creation for six months. Wales recorded the most marked drop in workforce numbers, but the pace of staff shedding did at least ease to the weakest since last October.

Future Activity

Eight of the 12 monitored regions and nations registered improved business expectations in January. Confidence was highest in the West Midlands, followed by the South East. The greatest upswing in sentiment was seen in Northern Ireland*. Scotland was one of the areas that went against the trend and recorded the lowest overall degree of optimism.

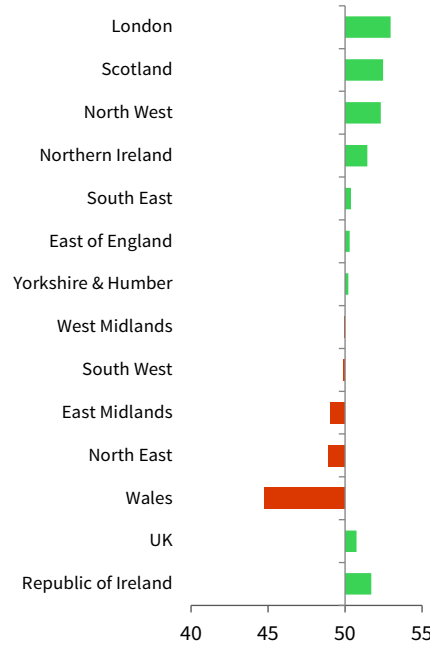
Business Activity Index

sa, >50 = growth since previous month, Jan '24



Employment Index

sa, >50 = growth since previous month, Jan '24

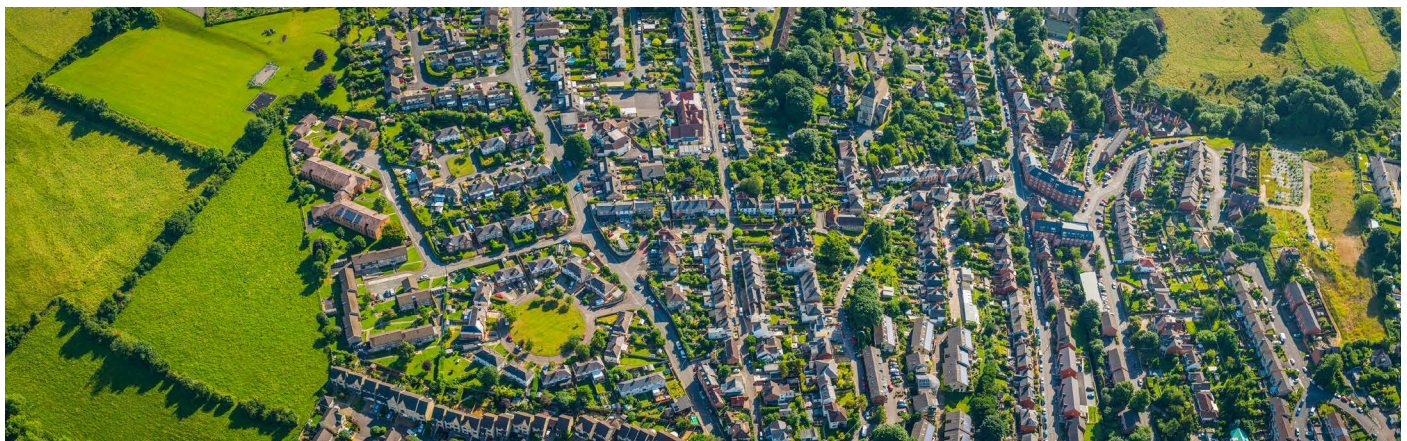


Future Activity Index

>50 = growth expected over next 12 months Jan '24



*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
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
Dec '23	51.6	48.5	56.9	50.4	43.4	42.3	49.9	59.0	52.9	52.8
Jan '24	51.4	51.1	62.9	51.5	45.6	44.7	50.2	57.9	52.3	50.6

By Sector, January '24

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	53.6	52.7	65.3	50.1	42.3	50.1	43.4
Construction	39.8	42.6	58.3	54.0	46.3	60.5	59.4
Retail	53.6	56.8	64.3	48.2	42.0	59.7	54.7
Services	52.1	49.4	61.0	52.5	48.6	60.9	57.6

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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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