

14 January 2025

Ulster Bank Northern Ireland Growth Tracker

Business activity falls for first time in just
over a year



Ulster Bank

PMI[®]

by S&P Global

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Key findings

December 2024

Renewed reduction in output amid lower new orders

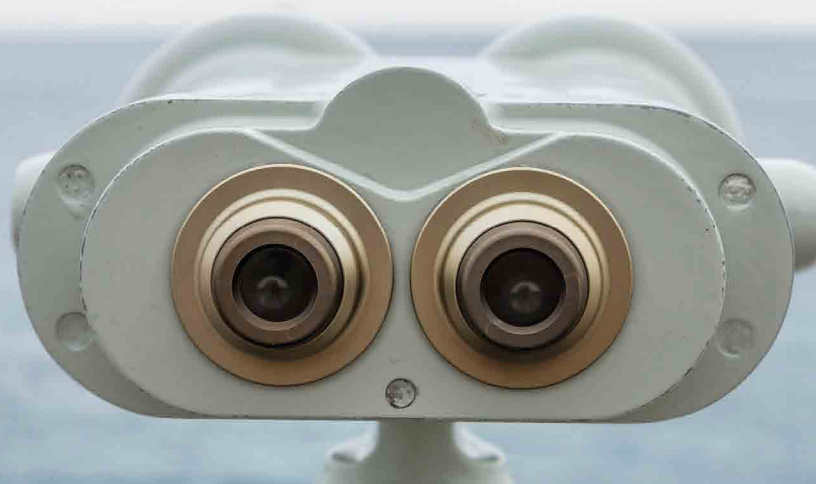
Employment continues to rise

Cost inflation at six-month high

The Ulster Bank Northern Ireland Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's UK manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit www.natwest.com/business/insights/economics





Business activity falls for first time in just over a year

Latest Regional Growth Tracker data from Ulster Bank signalled a renewed contraction in business activity at companies in Northern Ireland.

The reduction in output was in response to a further fall in new orders, although firms continued to increase employment. Meanwhile, input costs rose at a faster pace but charge inflation softened.

The headline Business Activity Index – a seasonally adjusted index that measures the month-on-month

change in the combined output of the region's private sector – dropped to 47.7 in December from 51.5 in November. The reading signalled a first reduction in business activity for 13 months, and one that was the most pronounced since October 2023.

Firms generally linked lower output to waning customer demand.

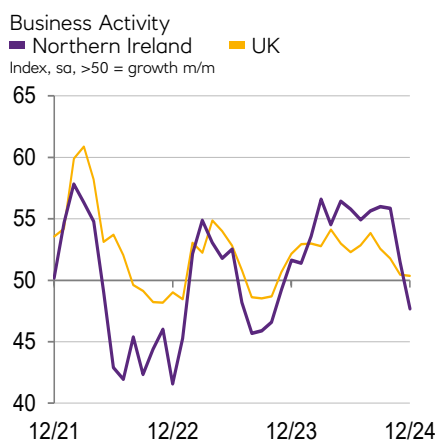
The overall reduction was driven by declines in the retail and construction sectors. On the other hand, manufacturing and services saw further increases in activity.

Ulster Bank Northern Ireland Business Activity Index, December 2024

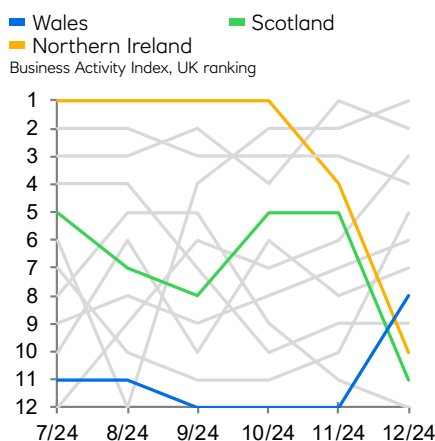
47.7

The Business Activity Index is a diffusion index calculated from companies' responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

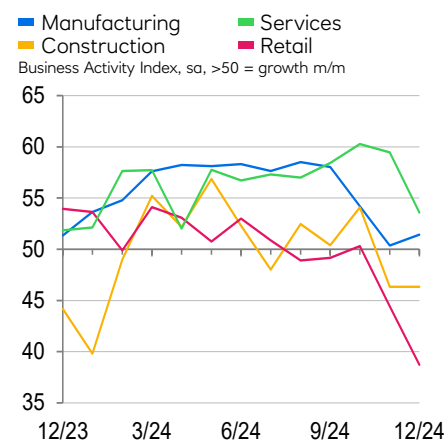
Data compiled 5-19 December



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.

Comment

Sebastian Burnside, NatWest Chief Economist, commented:

“The Northern Ireland private sector ended 2024 on a softer note, recording the first reduction in business activity for more than a year on the back of a further decline in new orders. This represented a marked turnaround in fortunes for local firms as rapid growth was recorded through much of 2024, even through to as late as October, when Northern Ireland was the strongest performer across the UK.

“The labour market remained positive with employment continuing to increase despite the reductions in output and new orders. In fact, Northern Ireland was the only part of the UK to see a rise in staffing levels.”



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.



Demand and outlook

Second successive reduction in new orders

After decreasing for the first time in almost a year in November, new orders fell again at Northern Ireland companies in December. Moreover, the rate of contraction was solid and the fastest since October 2023.

Panellists reported a drop off in customer demand during the month.

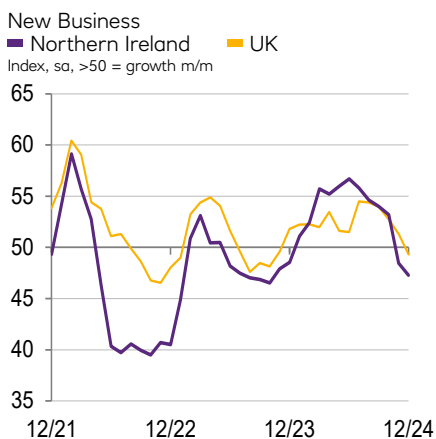
The retail sector was again the most affected by demand weakness, seeing sales decrease to the largest extent since September 2022. Manufacturing new orders also decreased, while growth

was recorded in services and construction.

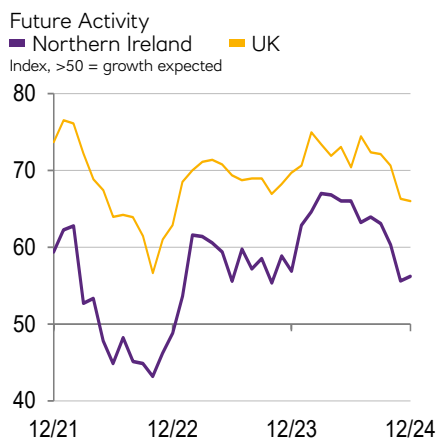
Business sentiment recovered slightly from November's 13-month low amid hopes that demand would show signs of improvement in the new year. Confidence remained much weaker than the average for the year as a whole, however, in some cases due to the UK Government Budget but also concerns about the NI water budget and associated development constraints.

Around one-third of respondents expressed an optimistic outlook.

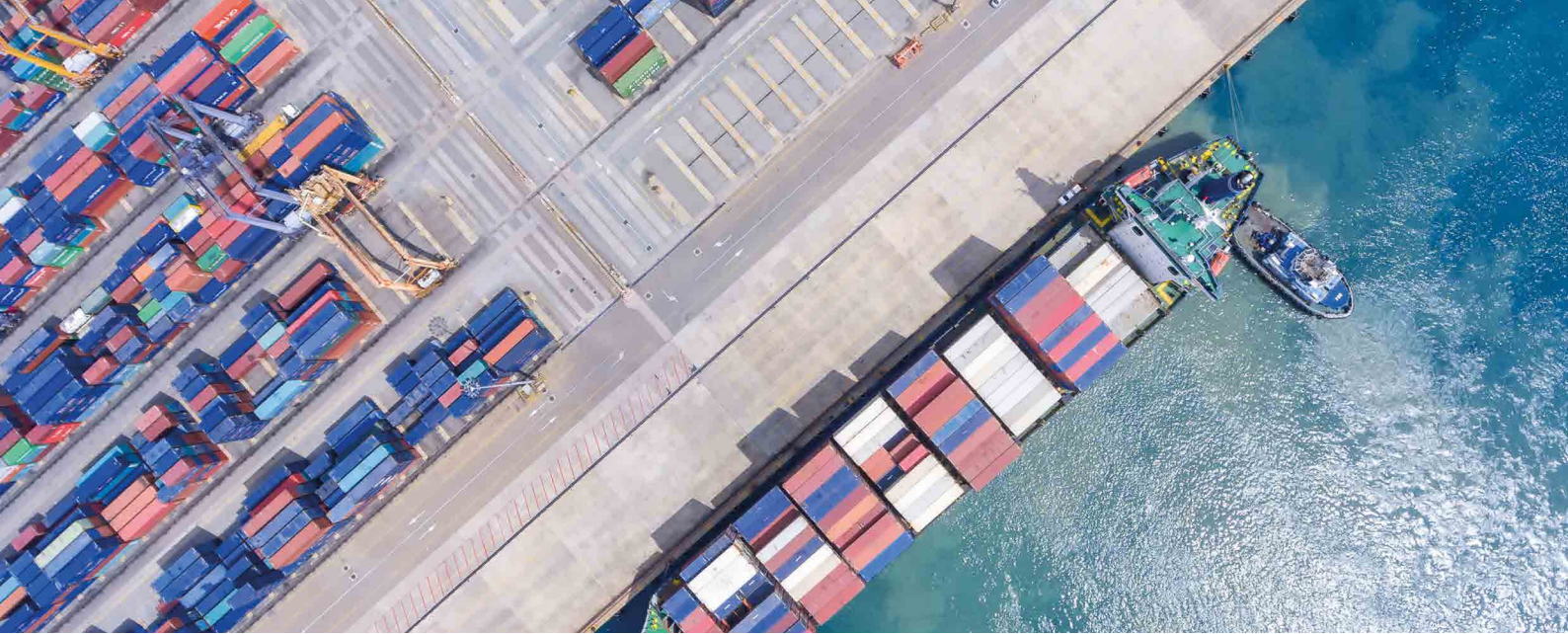
"The prospects for 2025 will in large part depend on how the UK Government Budget measures play out."



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.

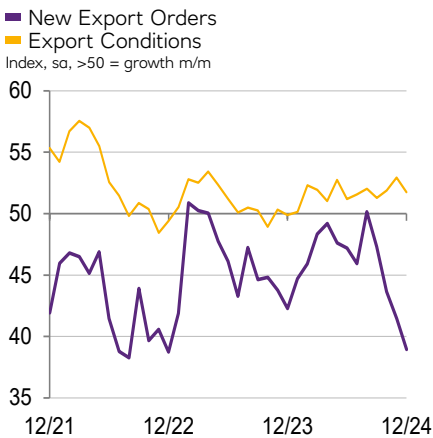


Export markets

New export orders down sharply

December data pointed to a sharp and accelerated contraction in new business from abroad, with the rate of decline the fastest for two years.

New export orders have now decreased in four consecutive months.

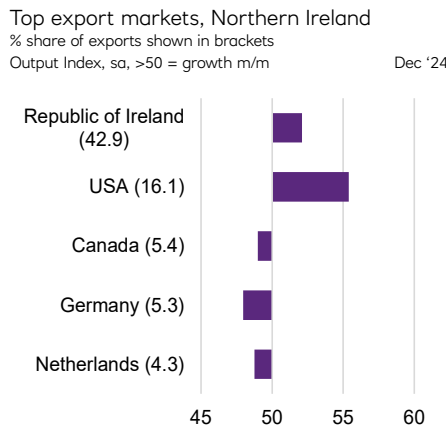


Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.

Export demand conditions improve to smaller degree

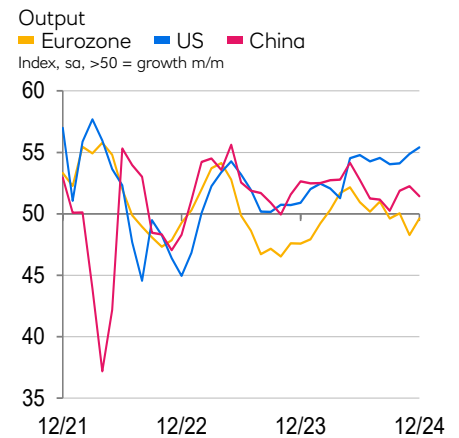
The ECI completed a full calendar year of above 50.0 readings in December, signalling sustained improvements in demand conditions in international markets. That said, the index was down to 51.7 from 52.9 in November, pointing to a more muted strengthening of the climate for exports.

Rising output was again seen in the Republic of Ireland and USA. On the other hand, declines were recorded in Canada, Germany and the Netherlands.



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.

The Northern Ireland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Northern Ireland. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.



Jobs and capacity

Staffing levels continue to rise

Despite the reductions in output and new orders, companies in Northern Ireland expanded their workforce numbers again in December, extending the current sequence of job creation to 24 months. Northern Ireland was the only one of the 12 UK regions and nations to see employment rise.

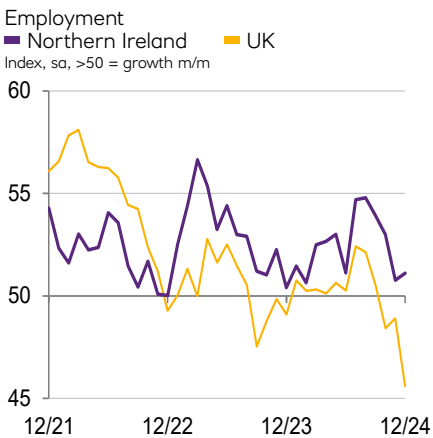
The latest increase in staffing levels was modest, but slightly stronger than in November. Job creation was centred on the services and construction sectors, with reductions

in employment in manufacturing and retail.

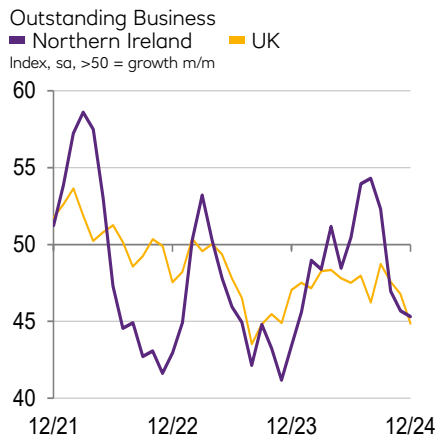
Additional staff were often used to help deplete backlogs of work, which decreased for the third month running. Moreover, the marked decline was the sharpest for a year.

Suppliers' delivery times lengthened for the fourth consecutive month and to a marked degree that was the most pronounced in almost two years. Panellists reported delivery delays, capacity issues at suppliers and disruption caused by the closure of the Holyhead port.

"One ray of light, however, is provided by the labour market, with employment continuing to increase despite the reductions in output and new orders."



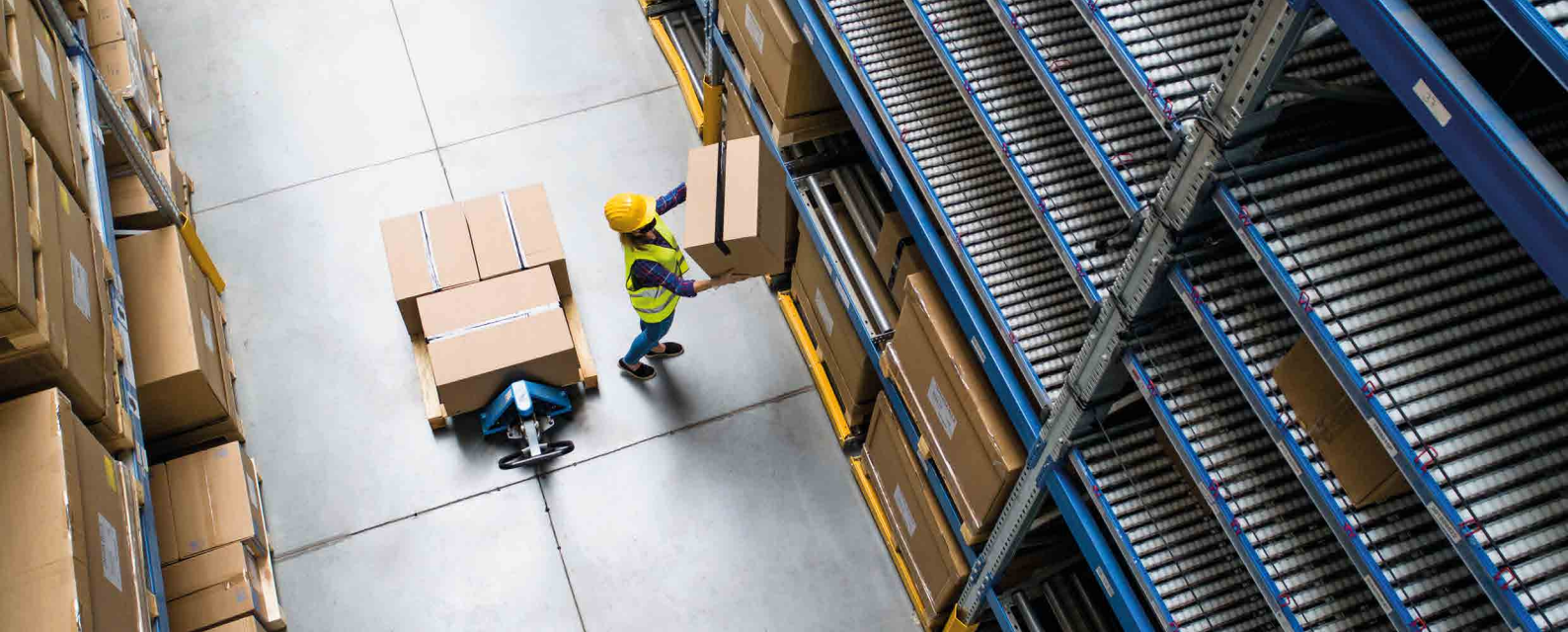
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Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.



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Inflation

Pace of cost inflation accelerates further

The rate of input price inflation quickened for the second consecutive month in December and was the fastest since June.

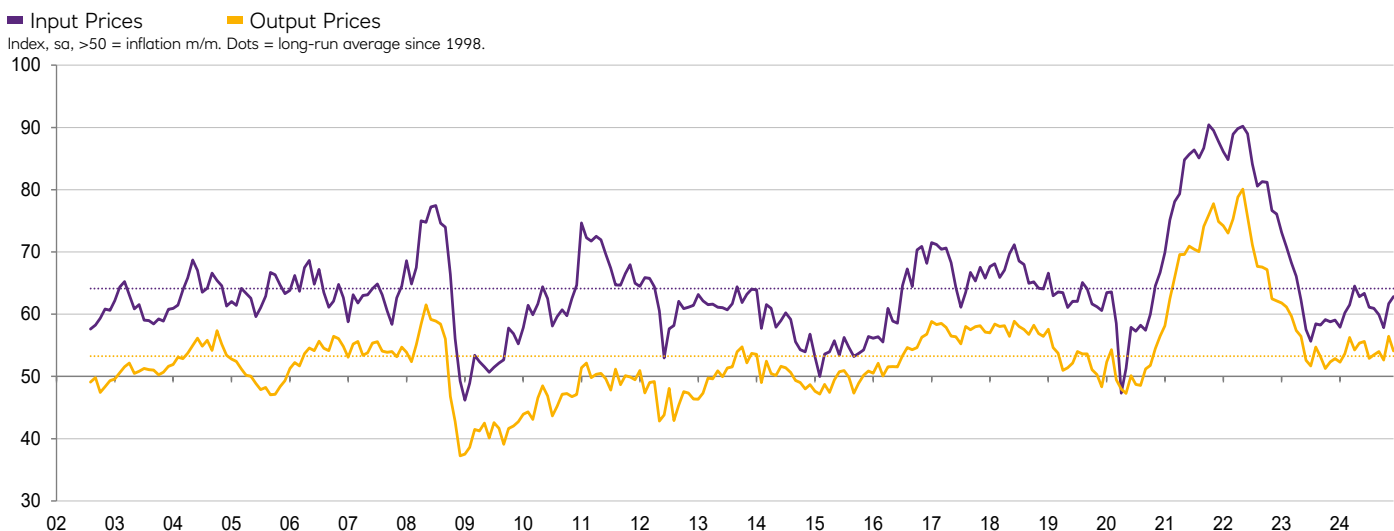
Companies mainly attributed higher input prices to rising staff costs, with energy prices also contributing to inflation. Construction posted the fastest increase in input costs, just

ahead of retail.

In turn, firms increased their own selling prices again in the final month of the year. Here though, the rate of inflation eased from the previous survey period and was slower than the UK average.

In line with the picture for input costs, the construction and retail categories posted the fastest rises in charges.

"How long job creation will continue, especially at a time when wages are contributing to stronger cost inflation, remains to be seen."



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.

UK Regional Growth Tracker

Business Activity

The North East and London were the two standout performers in terms of regional business activity growth in December. The only other area to see an increase in output was the East Midlands, although the rise there was modest. At the other end of the scale, the North West and Scotland recorded the joint-steepest falls in business activity, followed by Northern Ireland.

Employment

Employment growth in December was confined to just Northern Ireland. Workforce numbers fell in the remaining 11 nations and regions covered by the survey, marking the broadest decline in almost four years. For the fourth month running, companies in Wales recorded the sharpest drop in staffing levels.

Future Activity

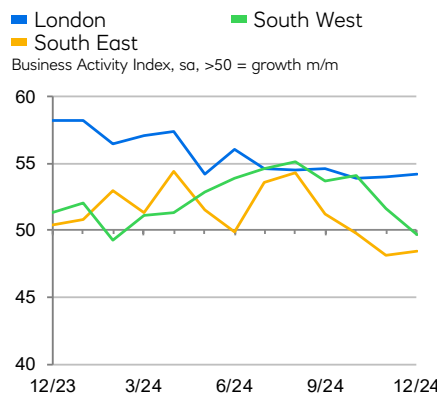
There were varying degrees of optimism towards future activity across the UK's nations and regions in December. Firms in the East Midlands were the most upbeat about the year-ahead outlook, having seen a notable rebound in confidence from the month before. Expectations deteriorated in the majority of areas, however, including Scotland which saw the weakest overall sentiment.



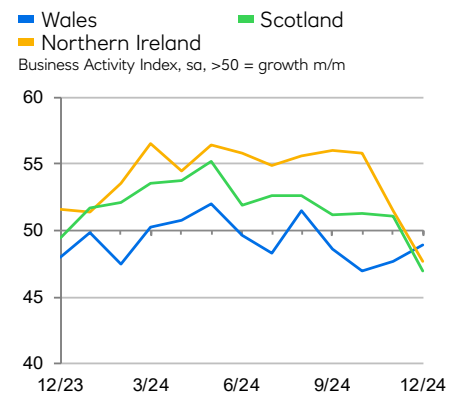
Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.



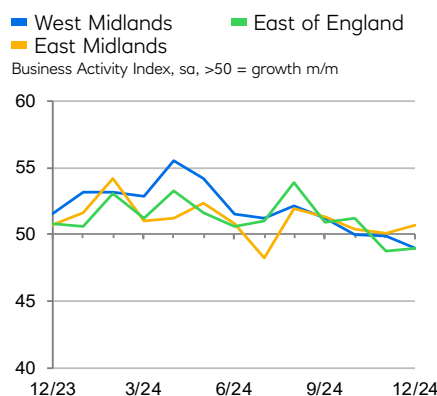
Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.



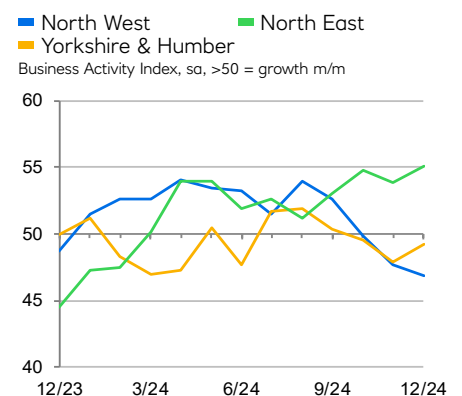
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Growth Tracker heat map

December 2024

Darker colour = higher business growth

Northern Ireland

Business Activity Index
sa, >50 = growth m/m

47.7



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Ulster Bank

UK sectors

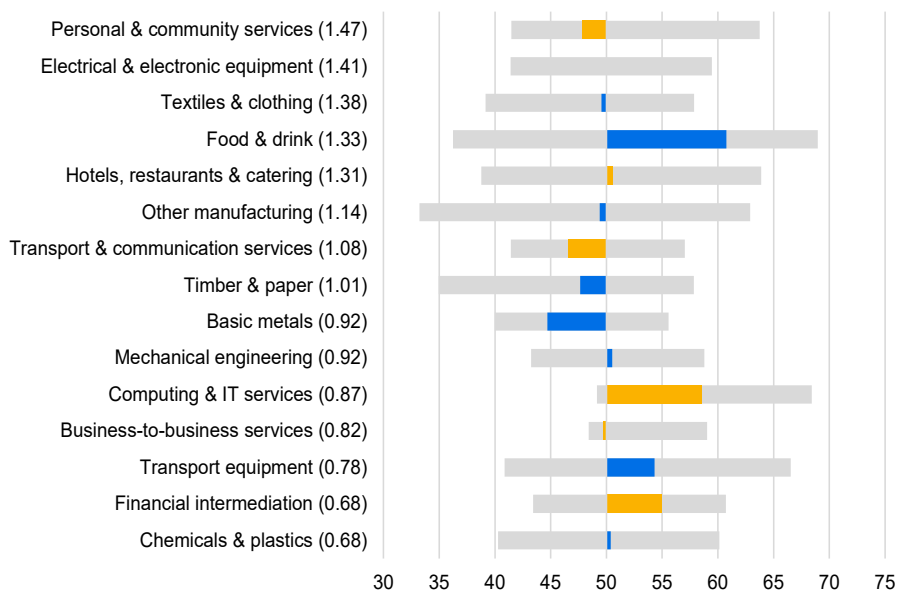
Sector specialisation: Northern Ireland

The chart shows UK output indices by sector, ranked by location quotients for Northern Ireland. Location quotients (LQs) 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.

UK sectors ranked by importance to the Northern Irish economy

■ Manufacturing ■ Services ■ 3-year range
UK Output Index, sa, >50 = growth m/m Dec '24



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global. Location quotients for Northern Ireland are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

Sector in focus: Electrical & electronic equipment

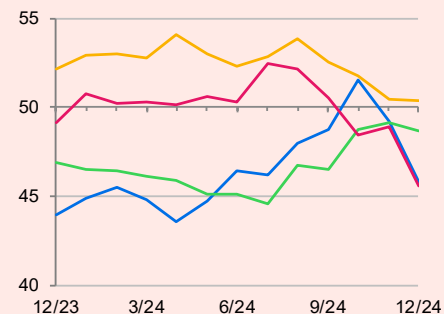
Business conditions deteriorated across the UK's electrical & electronic equipment sector in the final quarter of 2024. After a brief upturn in the autumn, production fell markedly amid a sustained downturn in new orders. Underlying data showed particular weakness in export sales.

With backlogs of work decreasing sharply, firms in the sector once again trimmed workforce numbers, to extend a sequence of staff retrenchment stretching back to September 2023. Job cuts also

coincided with a deterioration in businesses' growth forecasts to the weakest in almost four-and-a-half years.

Turning to prices, latest data showed average output charges across the UK's electrical & electronic equipment sector increasing at an above-trend rate, and one that was the quickest since Q2 2024. Firms raised selling prices in response to sustained strong growth in average input costs.

Output / Employment
■/■ Electrical & electronic equipment*
■/■ Manufacturing & services
Index, sa, >50 = growth m/m



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global. *Data are smoothed as three-month moving average (3mma).

Methodology

The Ulster Bank Northern Ireland Growth Tracker 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.

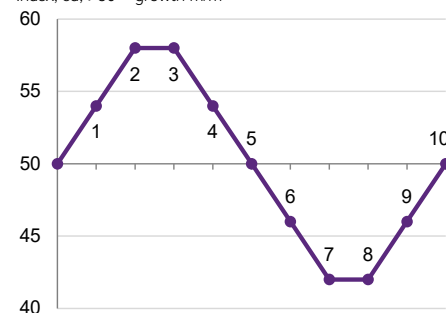
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously.

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 survey methodology, please contact economics@spglobal.com.

Index interpretation

Index, sa, >50 = growth m/m



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.

Key

1	Growth, from no change	6	Decline, from no change
2	Growth, faster rate	7	Decline, faster rate
3	Growth, same rate	8	Decline, same rate
4	Growth, slower rate	9	Decline, slower rate
5	No change, from growth	10	No change, from decline

Data

Northern Ireland

Index, sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	New Export Business	Export Climate Index	Employment	Outstanding Business	Suppliers' Delivery Times	Future Activity*	Input Prices	Output Prices
7/24	54.9	55.8	45.9	51.6	54.7	54.0	48.4	63.2	61.1	52.9
8/24	55.7	54.6	50.1	52.0	54.8	54.3	53.2	63.9	60.9	53.5
9/24	56.0	54.0	47.3	51.3	53.9	52.3	48.7	63.1	59.9	54.0
10/24	55.8	53.2	43.7	51.9	53.0	47.0	46.6	60.3	57.8	52.6
11/24	51.5	48.5	41.5	52.9	50.8	45.7	48.3	55.6	61.7	56.4
12/24	47.7	47.3	39.0	51.7	51.1	45.3	45.3	56.2	62.8	54.1

	Business Activity	New Business	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
Manufacturing 12/24	51.4	48.2	48.7	42.1	64.7	61.2	53.6
Construction 12/24	46.3	50.3	55.0	49.3	52.4	66.8	58.5
Retail 12/24	38.7	38.1	46.0	38.1	47.5	65.7	57.2
Services 12/24	53.6	51.2	53.5	52.4	57.9	62.0	52.8

Further information

Ulster Bank

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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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