

13 August 2024

Ulster Bank Northern Ireland Growth Tracker

Northern Ireland leads UK growth in July



Ulster Bank

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by S&P Global

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Key findings

July 2024

Marked increases in output and new orders

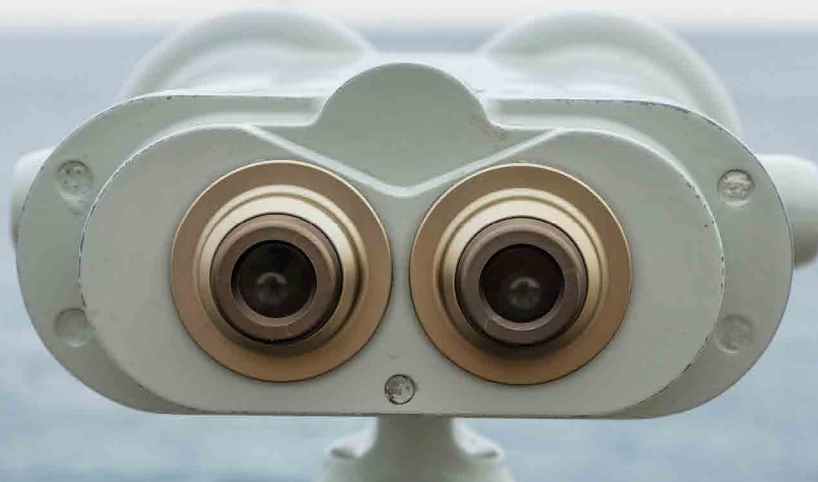
Rate of job creation at 15-month high

Slight softening of inflationary pressures

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





Northern Ireland leads UK growth in July

Latest Regional Growth Tracker data from Ulster Bank signalled a further solid expansion of business activity in July.

New orders were up markedly, while firms took on extra staff to the greatest extent since April 2023 as backlogs of work accumulated. Meanwhile, rates of inflation showed signs of easing.

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 – posted 54.9 in July to signal a further marked increase in output. This was despite the reading dropping from 55.8 in June.

The expansion in output in Northern Ireland was the sharpest of the 12 UK regions and nations covered by the report.

Where activity increased, panellists generally linked this to higher new orders.

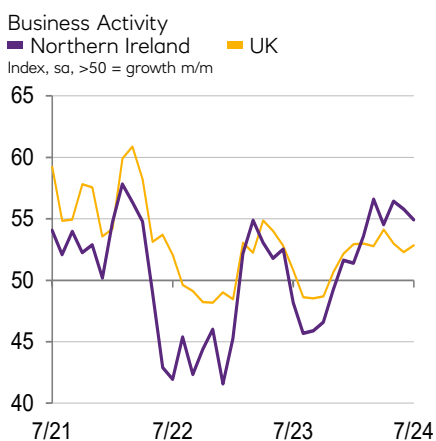
Three of the four monitored sectors saw activity rise, the only exception being construction.

Ulster Bank Northern Ireland Business Activity Index, July 2024

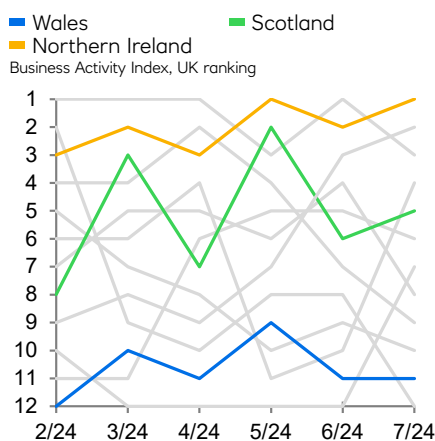
54.9

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.

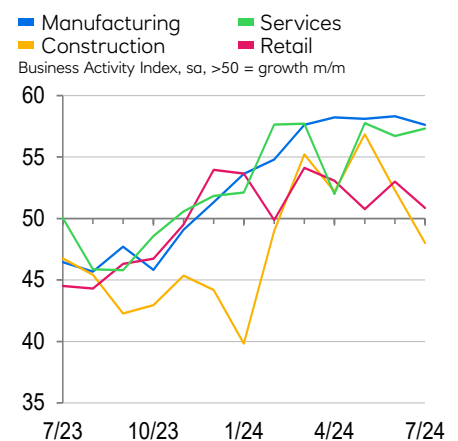
Data compiled 11-29 July



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Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.

Comment

Richard Ramsey, Chief Economist Northern Ireland, Ulster Bank, said:

“The Northern Ireland private sector started the second half of the year in a similar vein to how it ended the first, with marked improvements in output and new orders. In fact, the expansion in business activity in Northern Ireland was the strongest of all the UK regions and nations covered by the report.

“Delving into the different sectors however shows that the picture isn't overwhelmingly positive. Growth was driven by the manufacturing and services categories, while the retail and construction sectors were less buoyant.

“There were widespread increases in employment as companies responded to greater workloads,

with service providers ramping up staffing levels to an extent unseen for nearly 17 years. That said, companies across the private sector saw outstanding business expand again, suggesting that employment and output will need to be raised further in the months ahead to try and keep on top of workloads.

“More good news for firms in Northern Ireland was that the ramping up of demand in the private sector has not been accompanied by building inflationary pressures. On the contrary, both input costs and selling prices rose at weaker rates in July.

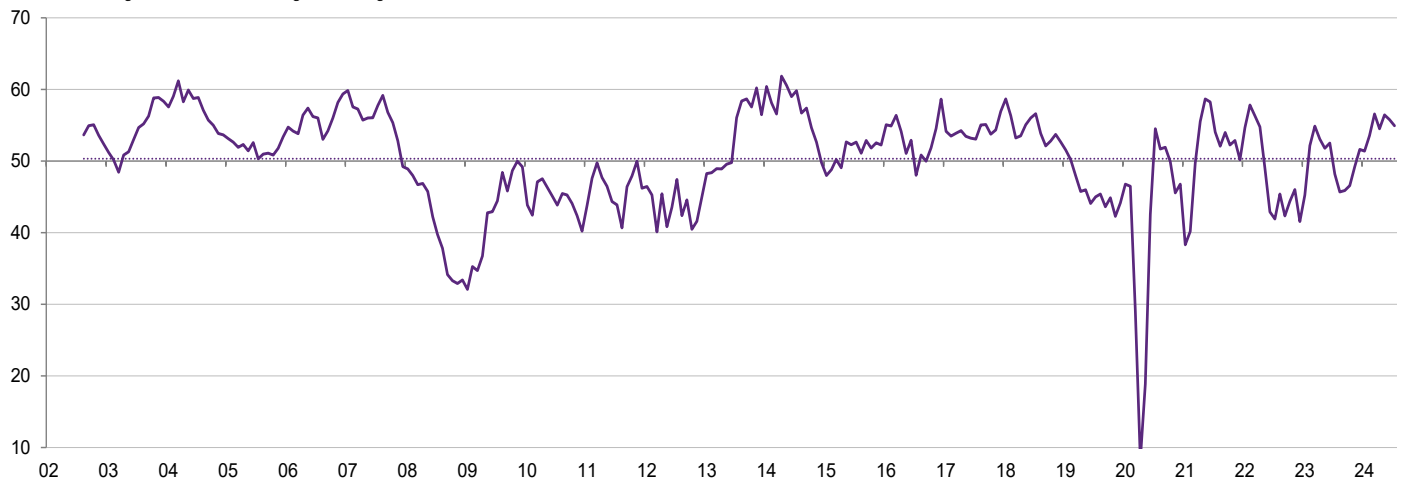
“While nothing should be taken for granted, everything seems set up for firms to have a successful second half of 2024.”

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Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



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Demand and outlook

An improving demand climate helped Northern Ireland firms secure greater volumes of new orders again in July.

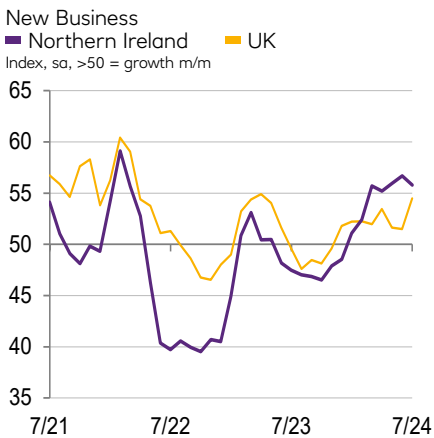
New business increased for the seventh consecutive month and at a sharp pace that was stronger than the average across the UK as a whole.

Growth was strongest in the manufacturing and service sectors. The only category not to see a rise in new orders was retail, where new business was unchanged.

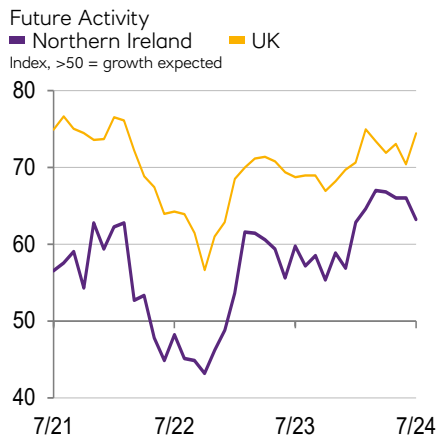
Companies expect continued increases in new orders over the coming year to support growth of output. As a result, business sentiment remained elevated, with almost 38% of respondents predicting a rise in activity over the next 12 months. In some cases, firms based optimism on an expected reduction in interest rates.

Confidence was seen across all four monitored sectors, and was most pronounced in manufacturing and retail.

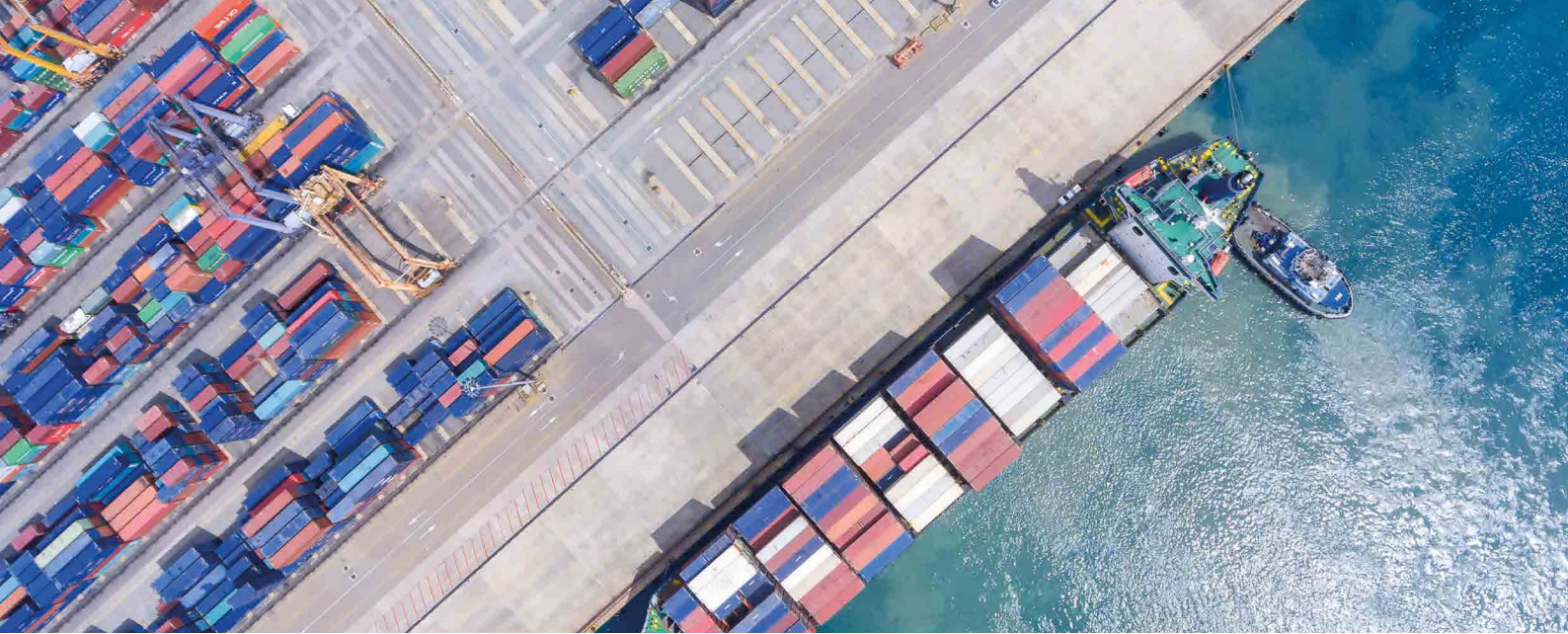
"Growth was driven by the manufacturing and services categories"



Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



Export markets

Further reduction in new export orders

The marked expansion of total new orders was recorded in spite of a further reduction in new business from abroad during July.

New export orders have decreased in 15 consecutive months, with the latest solid reduction the most marked since February.

Panellists reported client uncertainty in export markets, with some seeing a drop in new work from customers in Europe.

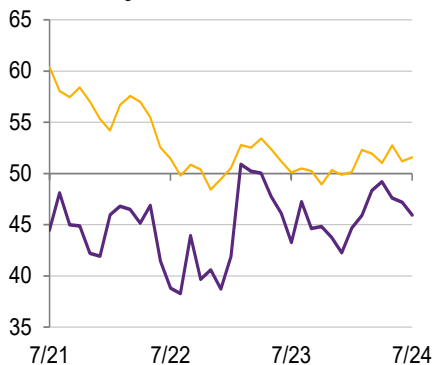
Modest improvement in export climate

The ECI remained above the 50.0 no-change mark for the seventh consecutive month in July, rising to 51.6 from 51.2 in June. The reading signalled a modest strengthening of demand conditions in export markets.

Output growth was recorded in each of the two largest export markets for Northern Ireland companies - the Republic of Ireland and the US. On the other hand, business activity decreased in Canada, Germany and the Netherlands.

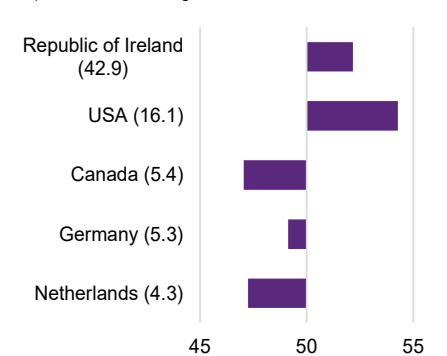
The Northern Ireland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Northern Ireland. A reading above 50 signals an improvement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

■ New Export Orders
■ Export Conditions
Index, sa, >50 = growth m/m



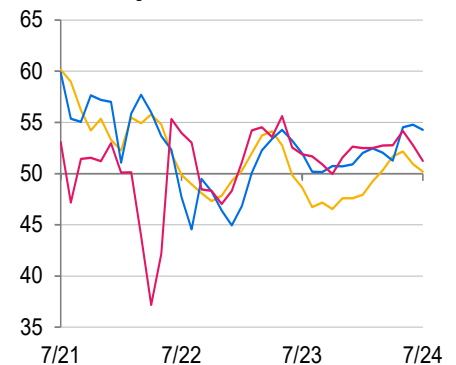
Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.

Top export markets, Northern Ireland
% share of exports shown in brackets
Output Index, sa, >50 = growth m/m



Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.

Output
■ Eurozone ■ US ■ China
Index, sa, >50 = growth m/m



Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



Jobs and capacity

Rate of job creation hits 15-month high

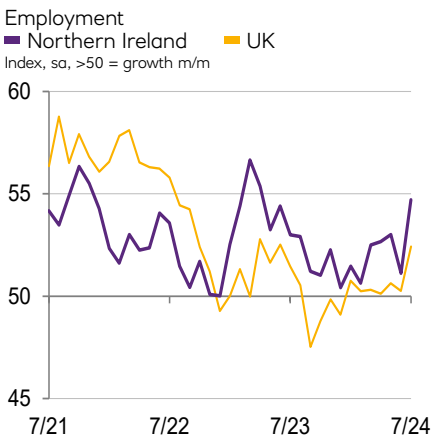
Marked increases in new orders led companies to expand employment for the nineteenth month running in July. Moreover, the rate of job creation was solid and the most marked since April 2023. The rise in staffing levels in Northern Ireland was the fastest of all UK regions and nations covered.

Growth was led by the service sector, where the pace of job creation was the fastest since August 2007.

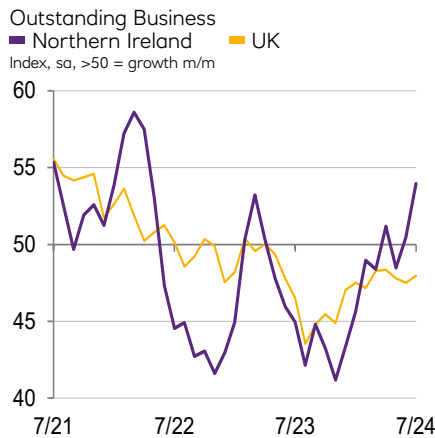
Despite this expansion in operating capacity, the strength of new order growth meant that backlogs of work continued to build at the start of the third quarter. Outstanding business rose for the second month running, and at a solid pace that was the sharpest in 27 months.

Suppliers' delivery times lengthened for the first time in three months, with a number of panellists reporting delays in receiving goods from the Far East.

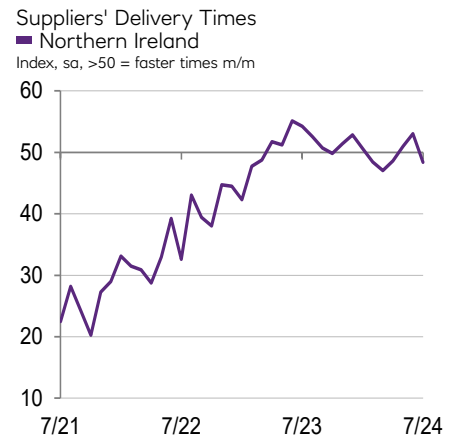
"There were widespread increases in employment as companies responded to greater workloads"



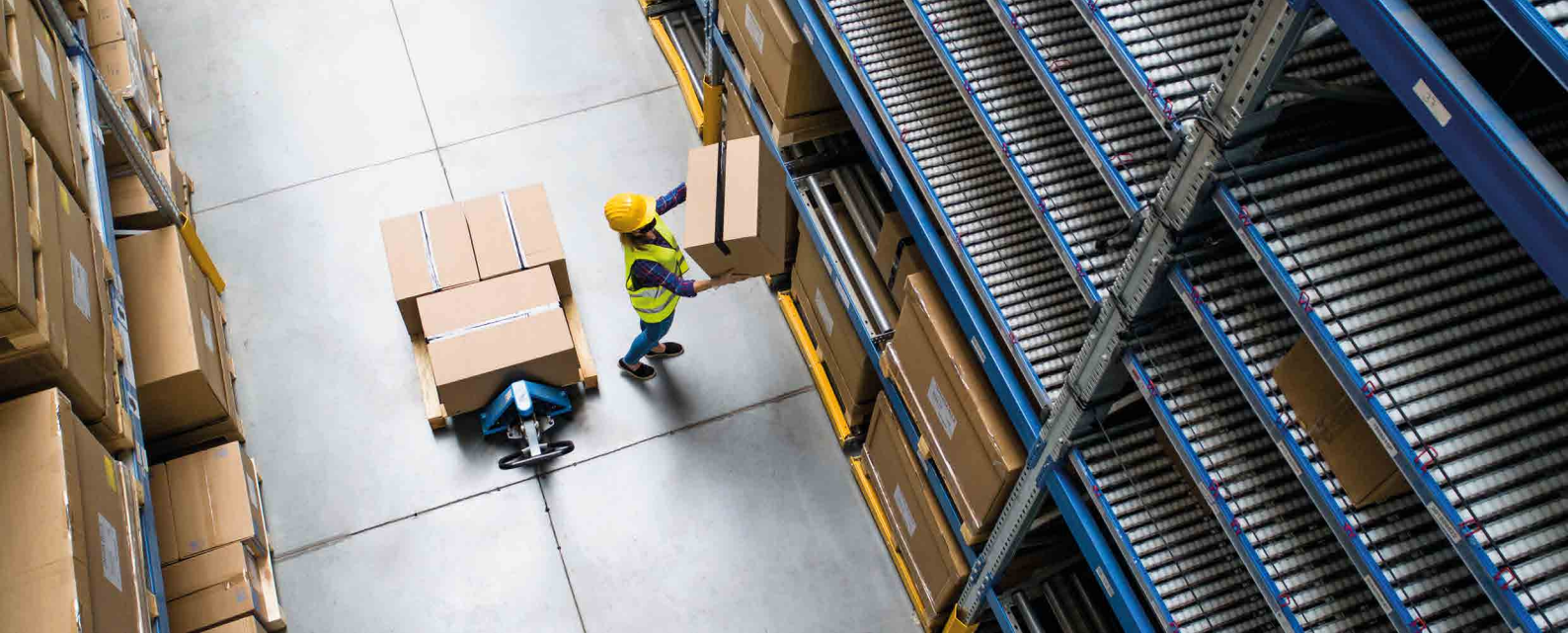
Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



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Inflation

Inflationary pressures show signs of softening

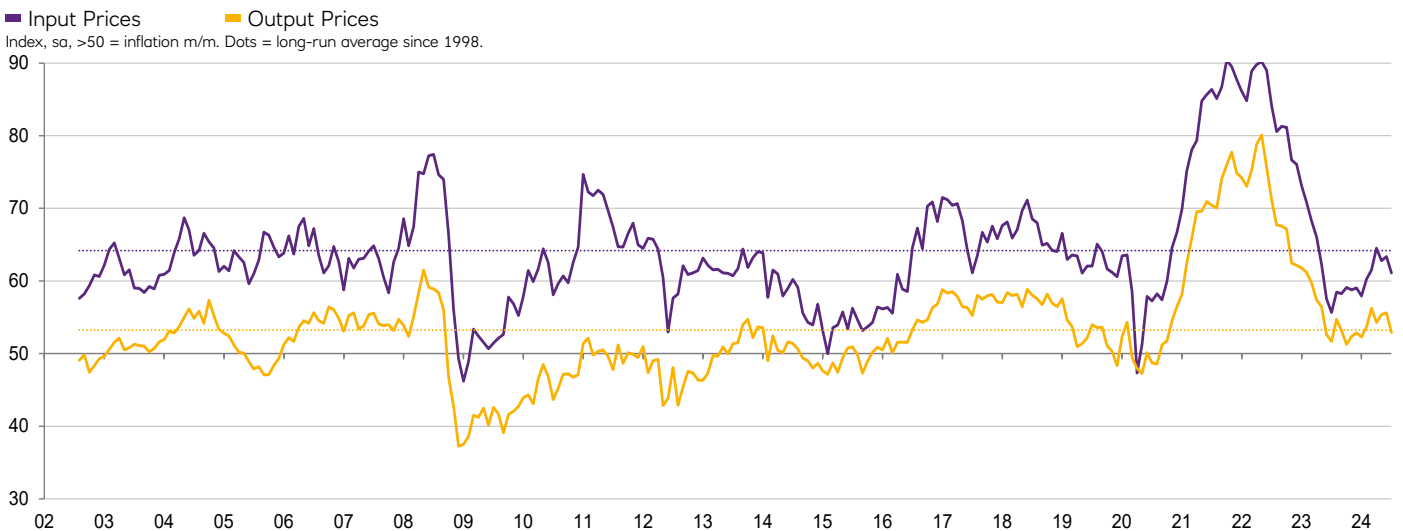
Input prices continued to rise sharply as the second half of the year got underway, although the pace of inflation eased to a five-month low and was softer than the series average.

Higher labour costs were widely reported. Retail saw the fastest increase in input prices, closely followed by services.

In a similar vein to that seen for input costs, output prices increased at a softer pace in July. Charges rose solidly, albeit at the slowest pace since January. Output price inflation has been recorded in each month since September 2020.

All four broad sectors saw output prices increase, with the sharpest inflation at retailers.

"Input costs and selling prices rose at weaker rates in July"



Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.

UK Regional Growth Tracker

Business Activity

Business activity growth was led by Northern Ireland for the second time in the past three months in July. Just behind was the South West, which continued to gain momentum and recorded its steepest rise in output for more than two years. At the other end of the scale, Wales and the East Midlands both recorded modest reductions in business activity.

Employment

Northern Ireland also topped the rankings for employment growth at the start of the third quarter, recording its fastest rate of job creation since April 2023. The North East posted the next-steepest rise in employment, followed by Wales. As was the case for business activity, the East Midlands was one of just two areas to see a decrease in employment, this time alongside the West Midlands.

Future Activity

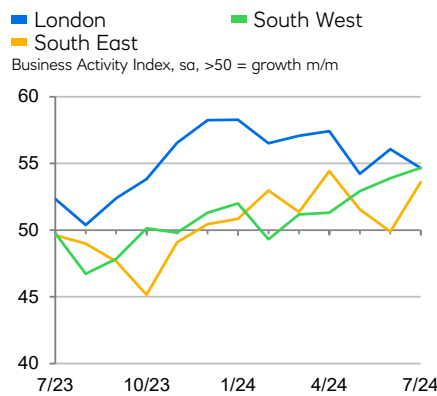
Growth expectations generally improved across the UK in July. The only exception was Northern Ireland, which saw business confidence slip to a six-month low. Firms in the South East were the most upbeat about the outlook, as has been the case in three of the past four months, followed by those in South West. The biggest upswing in optimism was recorded in Yorkshire & Humber.



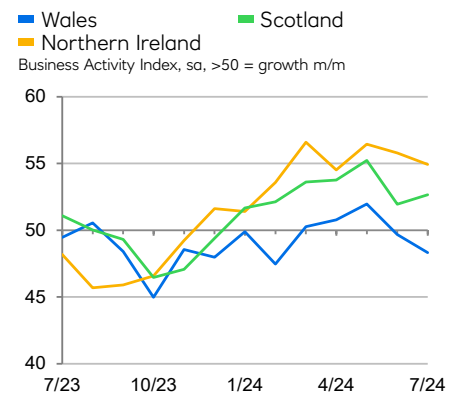
Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



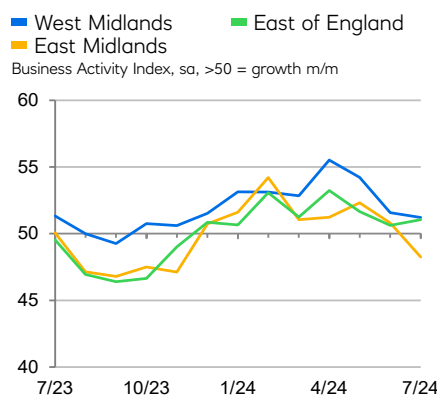
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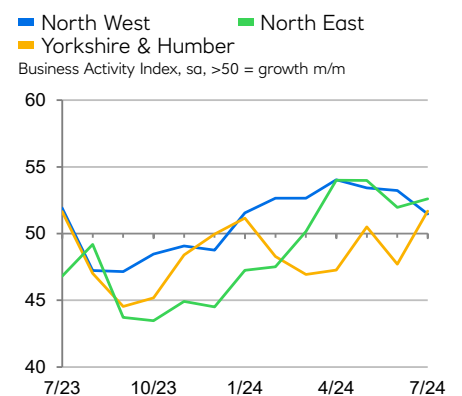
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UK sectors

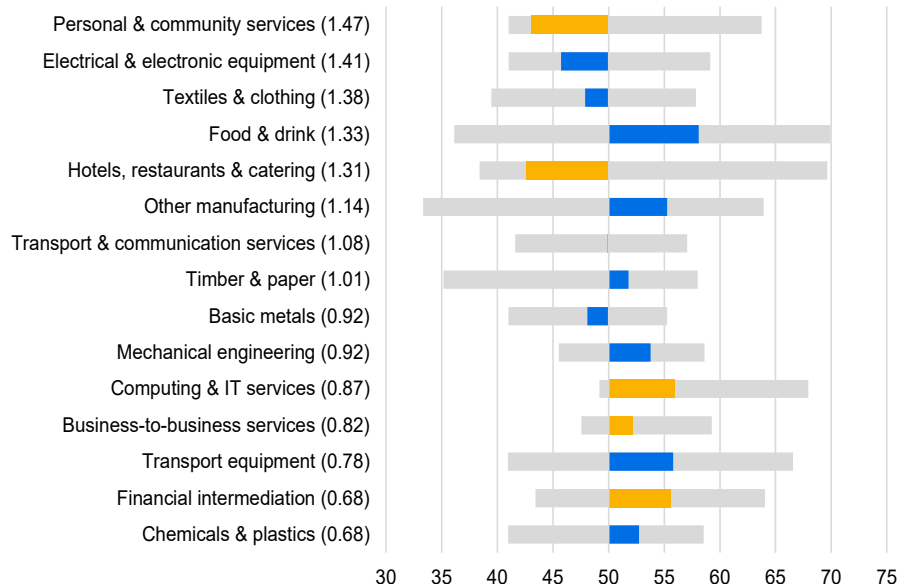
Sector specialisation: Northern Ireland

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 Jul '24



Sources: Ulster Bank, S&P Global PMI. ©2024 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: Financial intermediation

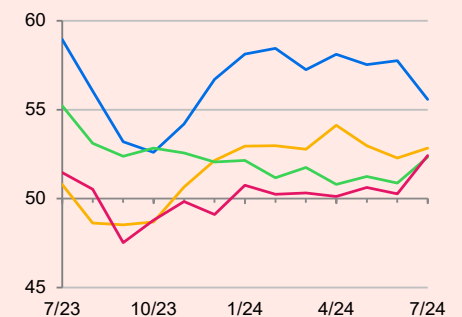
The Financial Intermediation sector was a key growth engine for the UK economy in the three months to July. Business activity rose markedly and at one of the quickest rates recorded among the detailed sectors covered by PMI data. This was despite a loss of momentum that saw growth ease to the weakest since late last year.

Buoyed by strong inflows of new work and high expectations for growth in the coming year, financial intermediation firms upped the rate of job creation in the three months

to July. Employment has risen continuously in the sector since early 2021.

Input prices faced by financial intermediation firms meanwhile rose at the slowest rate for just over three years. Cost pressures were still elevated by historical standards, however, which contributed to another steep rise in average prices charged by businesses in the sector. The rate of output price inflation remained well above the average over the series history stretching back to 1996.

Output / Employment
■/■ Financial intermediation*
■/■ Manufacturing & services
Index, sa, >50 = growth m/m



Sources: Ulster Bank, S&P Global PMI. ©2024 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.

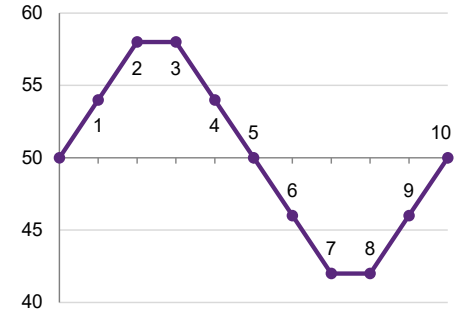
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously.

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. ©2024 S&P Global.

Key

- 1 Growth, from no change
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 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
2/24	53.6	52.4	45.9	52.3	50.6	49.0	48.4	64.6	60.2	53.7
3/24	56.6	55.7	48.3	51.9	52.5	48.4	47.1	67.0	61.5	56.3
4/24	54.5	55.2	49.2	51.0	52.7	51.2	48.6	66.8	64.5	54.3
5/24	56.4	56.0	47.6	52.8	53.0	48.5	51.0	66.0	62.8	55.4
6/24	55.8	56.7	47.2	51.2	51.1	50.5	53.0	66.0	63.3	55.6
7/24	54.9	55.8	45.9	51.6	54.7	54.0	48.4	63.2	61.1	52.9

		Business Activity	New Business	Employment	Outstanding Business	Future Activity	Input Prices	Output Prices
Manufacturing	7/24	57.6	58.8	53.0	60.0	65.3	60.3	52.3
Construction	7/24	48.0	51.2	54.7	49.9	52.3	58.5	54.9
Retail	7/24	50.9	50.0	52.8	45.1	65.2	64.5	55.7
Services	7/24	57.3	56.7	59.1	52.8	64.4	61.3	52.5

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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