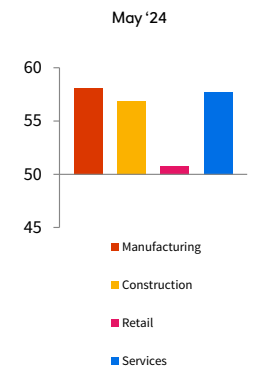
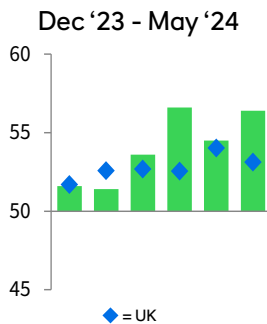


Ulster Bank Northern Ireland PMI[®]

Sharpest rise in new orders since February 2022

Northern Ireland Business Activity Index



Key findings

Steep and accelerated rise in new orders

Faster increases in output and employment

Northern Ireland the fastest growing UK area in May

The Northern Ireland private sector continued to record strong growth midway through the second quarter, with output, new orders and employment all increasing at sharper rates in May. Meanwhile, higher wages pushed up input costs, feeding through to a marked rise in selling prices.

The headline seasonally adjusted Business Activity Index rose to 56.4 in May, up from 54.5 in April and signalling a marked expansion in output in Northern Ireland's private sector. Activity has now risen in each of the past six months. Moreover, the increase in output in Northern Ireland was the strongest of the UK regions and nations covered by the report.

Growth was recorded across all four broad sectors, led by manufacturing. Meanwhile, construction output increased at the fastest pace in almost four years.

A steep rise in new orders was also recorded in May, with the rate of expansion quickening to the fastest since February 2022.

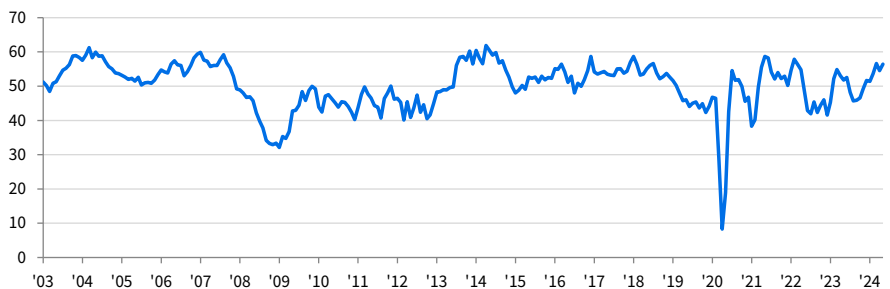
Companies responded to higher new orders by taking on extra staff at a solid pace, with the rate of job creation at a ten-month high. Some firms also raised employment to prepare for future expansion.

Business sentiment remained strongly positive amid expectations that current new order growth will be sustained. Confidence eased to a three-month low, but was still well above the series average.

Input costs continued to increase sharply, often as a result of rising wages. As a result, companies increased their own selling prices at a marked pace that was sharper than seen in April.

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.

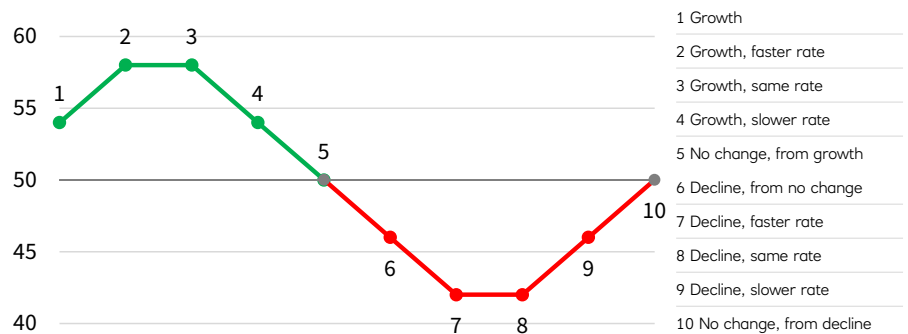
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It 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:

“The four months since the return of the Northern Ireland Executive have witnessed a strong private sector performance, and this shows no signs of slowing, indeed quite the opposite, with the pace of output, new orders and employment all accelerating in May. New orders growth rose at its fastest pace in 27 months and firms added to their staffing levels for the 17th successive month. Northern Ireland’s performance compared favourably with other UK regions, with NI topping the league table for output and employment.

“Retail was the most subdued sector during the month of May, recording only a modest rise in sales, whilst the three other sectors all recorded robust growth. Manufacturing was the strongest performer, posting the fastest rate of expansion in output and new orders, and is the most positive about output levels in 12 months’ time. Indeed, manufacturers are their most optimistic since this question was added to the survey back in 2017. Conversely, whilst manufacturing

firms are seeing output increase, they are reducing their headcount. This is an indication that manufacturers are increasing productivity through investment in capital equipment and perhaps the much talked about automation and AI.

“Whilst there are many positives in the report, there are still considerable challenges. Firstly, exports are still falling. But the most significant is the ongoing increase in input costs, with Northern Ireland topping the UK league table. Wage pressures continue to be felt strongly in this respect. Retailers are recording the highest rates of cost inflation, in part linked to the rise in the National Living Wage, which is feeding into the prices that consumers pay. However, on the other hand, construction costs are rising at their weakest pace in 45 months, perhaps an indication that material cost inflation is continuing to come back from record highs.

“Despite the challenges, Northern Ireland’s private sector firms remain optimistic about the outlook, particularly manufacturers and services firms. The big question though is how long the

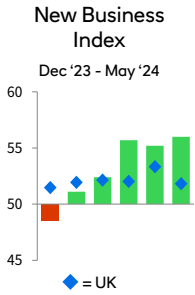
current growth spurt can continue. With a UK General Election looming, whoever comes into power after July 4th will have to grasp the nettle that is the UK public finances. More tax and less spending are inevitable and whatever form this takes, it will be a headwind for private sector growth.”



Demand and outlook

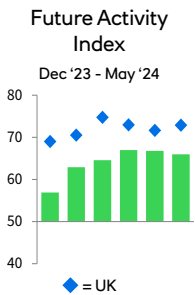
New order growth accelerates

Companies in Northern Ireland recorded a further steep expansion of new orders in May, extending the current sequence of growth to five months. Moreover, the pace of increase was the fastest in 27 months and comfortably the strongest of the UK regions and nations. Some panellists reported having received new orders from existing customers, while others cited new business in the construction sector. That said, manufacturing posted the fastest rise in new business of the four broad categories covered.



Strong optimism maintained

Business confidence remained elevated in May, despite slipping for the second consecutive month. Around 40% of respondents predicted a rise in output over the coming year, often linked to expectations that new order growth will be sustained. Some panellists also predict that capacity expansion will help them to increase their output.



New Business Index 56.0
sa, >50 = growth since previous month May '24



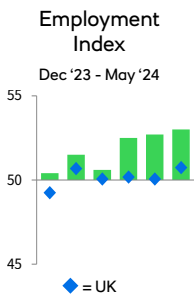
Future Activity Index 66.0
>50 = growth expected over next 12 months May '24



Business capacity

Rate of job creation at ten-month high

As has now been the case in each of the past 17 months, employment increased in May. Moreover, the rate of job creation was solid and the fastest since July 2023. In line with the picture for new orders, the rise in staffing levels in Northern Ireland was the strongest in the UK. Panellists reported having taken on extra workers in response to rising new business, but also to plan for future expansion. Manufacturing was the only sector to buck the wider trend and post a reduction in employment.

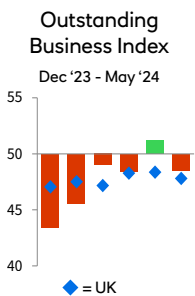


Employment Index 53.0
sa, >50 = growth since previous month May '24



Modest fall in outstanding business

After rising for the first time in a year during April, backlogs of work saw a renewed decline during May as firms reported having made efforts to clear outstanding business during the month. That said, the fall in backlogs was only modest.

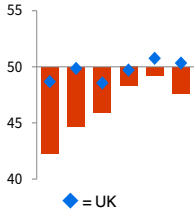


Outstanding Business Index 48.5
sa, >50 = growth since previous month May '24



Exports

New Export Business Index
Dec '23 - May '24

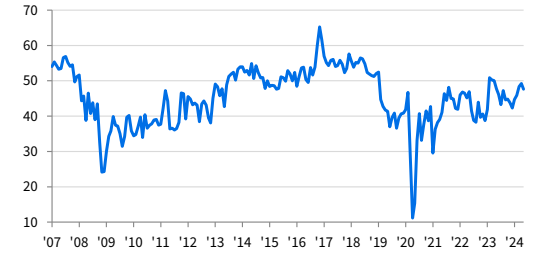


Further reduction in new business from abroad

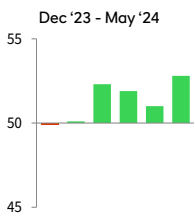
In stark contrast to the strong rise in total new business recorded during May, new export orders continued to decrease in the Northern Ireland private sector midway through the second quarter. The pace of reduction was solid, but still softer than the average over the current 13-month sequence of contraction.

New Export Business Index
>50 = growth since previous month

47.6
May '24



Export Climate Index
Dec '23 - May '24



Solid improvement in international 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.

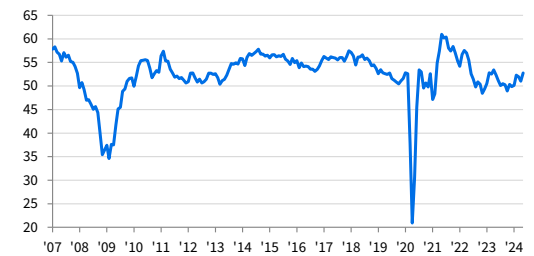
The ECI rose to a 13-month high of 52.8 in May from 51.0 in April, to signal a solid improvement in demand conditions in export markets. The export climate has strengthened on a monthly basis throughout 2024 so far.

Each of the five largest export destinations for Northern Ireland products saw output expand in May as Canada posted a return to growth for the first time in a year. Meanwhile, the Republic of Ireland, USA, Germany and the Netherlands all saw rates of expansion gather pace midway through the second quarter of the year.

Export Climate Index

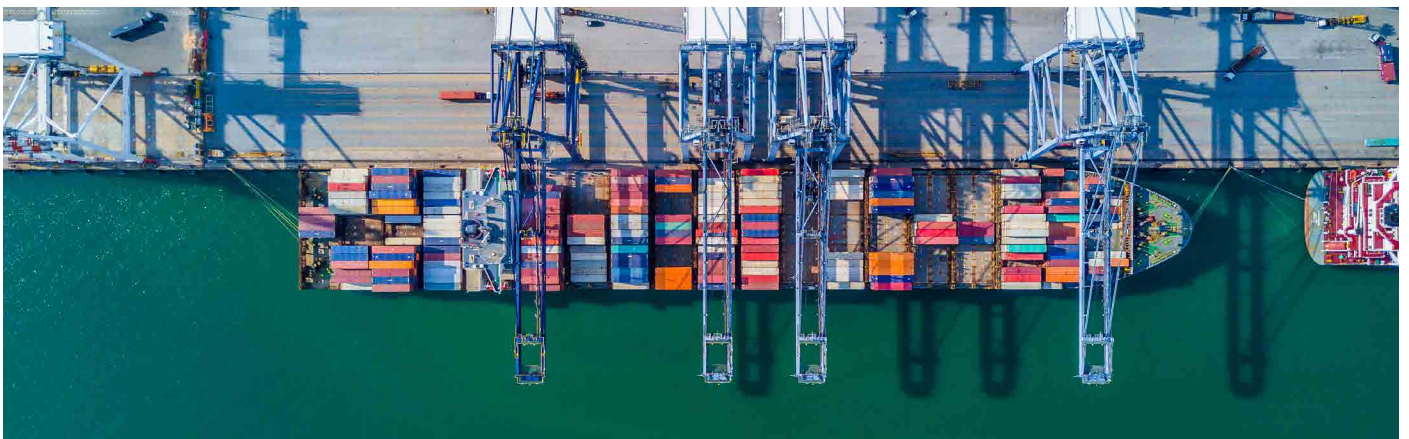
sa, >50 = growth since previous month

52.8
May '24

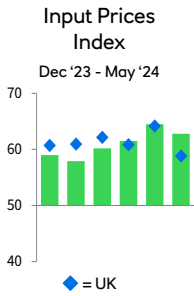


Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, May '24
1	Republic of Ireland	42.9%	52.5
2	USA	16.1%	54.5
3	Canada	5.4%	50.6
4	Germany	5.3%	52.4
5	Netherlands	4.3%	55.1

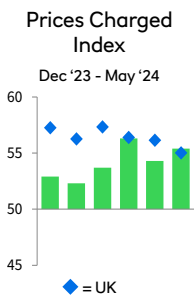


Prices



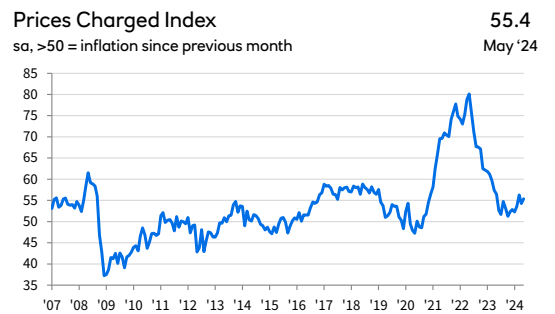
Wage increases push up input costs

May data pointed to a further sharp monthly increase in input prices in the Northern Ireland private sector, despite the rate of inflation easing slightly from that seen in April. More than 31% of companies reported higher input costs, often linked to rising wages. Of the four broad sectors monitored, retail posted the sharpest increase in input costs, followed by construction.

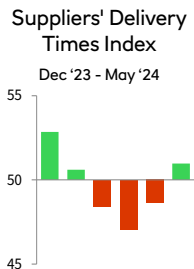


Marked rise in output prices

The passing on of higher input costs to customers resulted in a further marked increase in selling prices in May. Moreover, the rate of inflation quickened and was above the series average. In line with the picture for input costs, retail saw the most marked rise in selling prices.

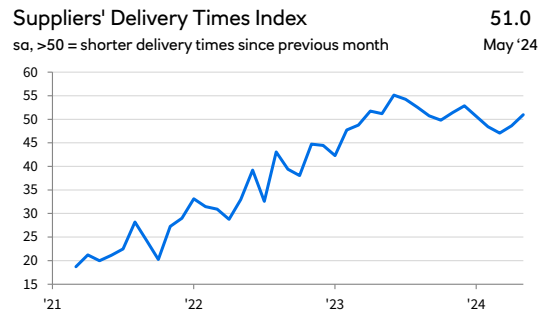


Suppliers' Delivery Times



Suppliers' delivery times shorten

May data signalled a first improvement in vendor performance in four months, although the shortening of suppliers' delivery times was only slight. Some firms indicated that their suppliers had been less busy over the month and therefore able to speed up deliveries.



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 '24 ⁺
1	Electrical & Optical	1.41	48
2	Textiles & Clothing	1.38	50
3	Food & Drink	1.33	52
4	Other Manufacturing	1.14	52
5	Timber & Paper	1.01	50
6	Basic Metals	0.92	48
7	Mechanical Engineering	0.92	52
8	Transport	0.78	50
9	Chemicals & Plastics	0.68	52

Northern Ireland specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May '24 ⁺
1	Personal & Community Services	1.47	50
2	Hotels, Restaurants & Catering	1.31	48
3	Transport & Communication	1.08	48
4	Computing & IT Services	0.87	52
5	Business-to-business Services	0.82	52
6	Financial Intermediation	0.68	52

UK sector focus

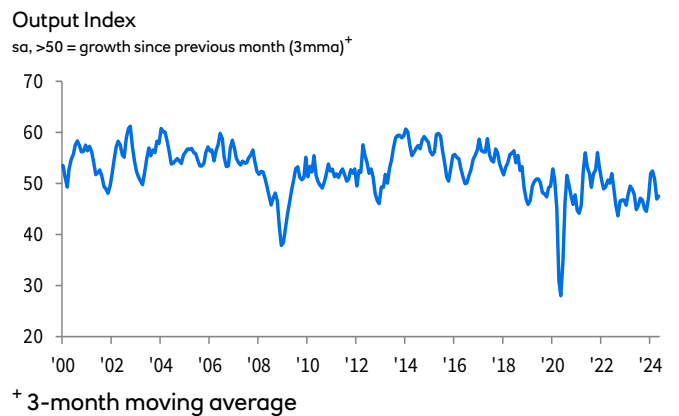
Transport & Communication

The UK's Transport & Communication services sector saw a fall in business activity in the three months to May. Over that period, it was the worst performing of the six broad services sub-sectors monitored by PMI data.

Amid a lack of incoming new work and shrinking backlogs, workforce numbers were scaled back. Employment has in fact fallen continuously in the sector since the end of 2022.

On the cost front, businesses reported pressures from shipping rates, fuel prices and wages. Input cost inflation in the three months to May was the fastest seen since last autumn. Prices charged also increased in the latest three-month period, though the rate of inflation ticked down due in part to competition for new work.

Looking ahead, Transport & Communication firms expected activity to pick up over the next 12 months. Expectations were close to the long-run average stretching back to 1996.



UK Regional PMI overview

Business Activity

For the first time in more than a year, all 12 nations and regions monitored by the survey recorded a rise in business activity. Growth was led by Northern Ireland*, where output expanded at a sharp and accelerated rate, followed by Scotland. At the other end of the scale, Yorkshire & Humber saw activity increase for the first time since January, albeit marginally.

Employment

Labour market performances continued to vary across the UK, with just over half of the monitored nations and regions recording a rise in employment. Job creation was led by Northern Ireland for the third month in a row, with the North West and Scotland close behind. The South West meanwhile posted the steepest fall in workforce numbers – its largest for over three years.

Future Activity

The West Midlands recorded the highest overall degree of optimism towards future activity for the ninth time in the past 11 months. It was one of seven areas where sentiment strengthened since April. Despite also seeing confidence improve from the month before, Scotland registered at the bottom of the rankings for the second month running.

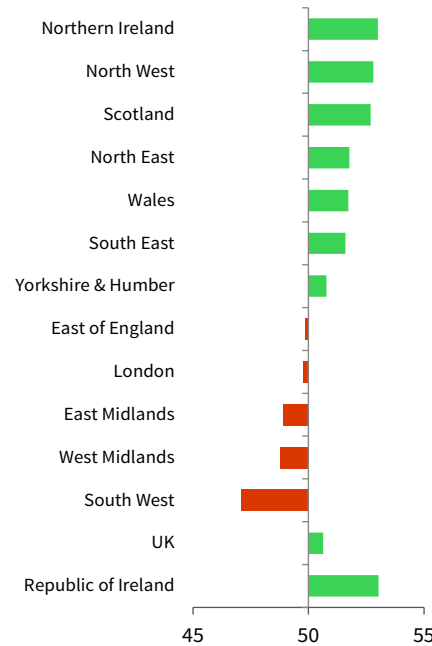
Business Activity Index

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



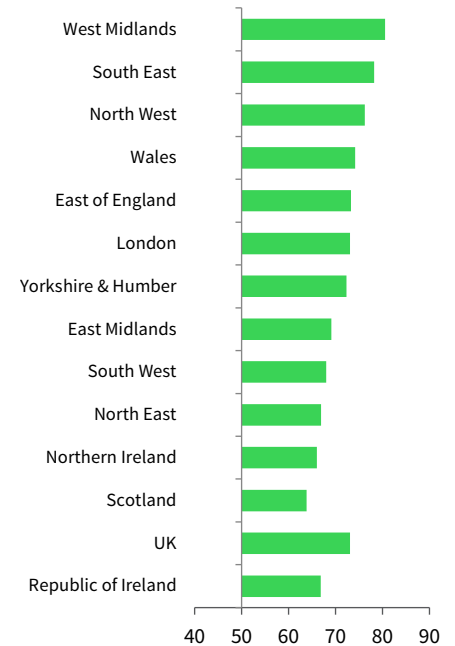
Employment Index

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

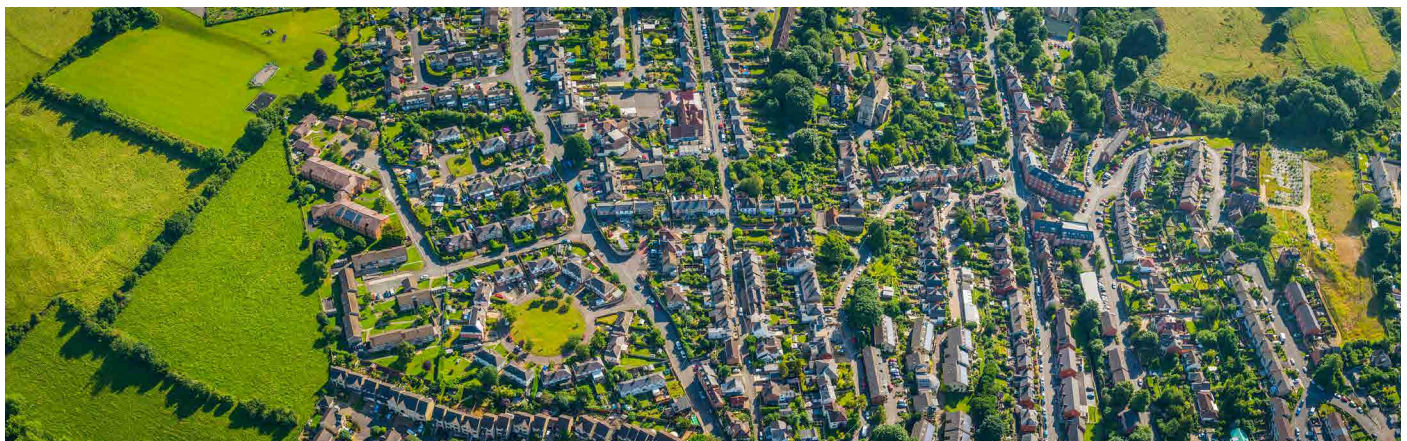


Future Activity Index

>50 = growth expected over next 12 months May '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
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	50.1	57.9	52.3	50.6
Feb '24	53.6	52.4	64.6	50.6	49.0	45.9	52.3	60.2	53.7	48.4
Mar '24	56.6	55.7	67.0	52.5	48.4	48.3	51.9	61.5	56.3	47.1
Apr '24	54.5	55.2	66.8	52.7	51.2	49.2	51.0	64.5	54.3	48.6
May '24	56.4	56.0	66.0	53.0	48.5	47.6	52.8	62.8	55.4	51.0

By Sector, May '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	58.1	58.9	74.3	48.1	53.2	58.4	51.4
Construction	56.9	52.3	60.0	55.6	41.5	66.8	52.5
Retail	50.8	52.4	56.3	55.9	46.0	71.8	59.0
Services	57.8	56.4	66.7	53.8	48.7	61.1	57.6

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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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