

10 December 2024

Ulster Bank Northern Ireland Growth Tracker

Output growth slows amid reduction in new orders



Ulster Bank

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by S&P Global

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Contents

Key findings

Business activity

Comment

Demand and outlook

Export markets

Jobs and capacity

Inflation

UK Regional Growth Tracker

UK sectors

Methodology and data

Further information



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Key findings

November 2024

New orders fall for first time since end of 2023

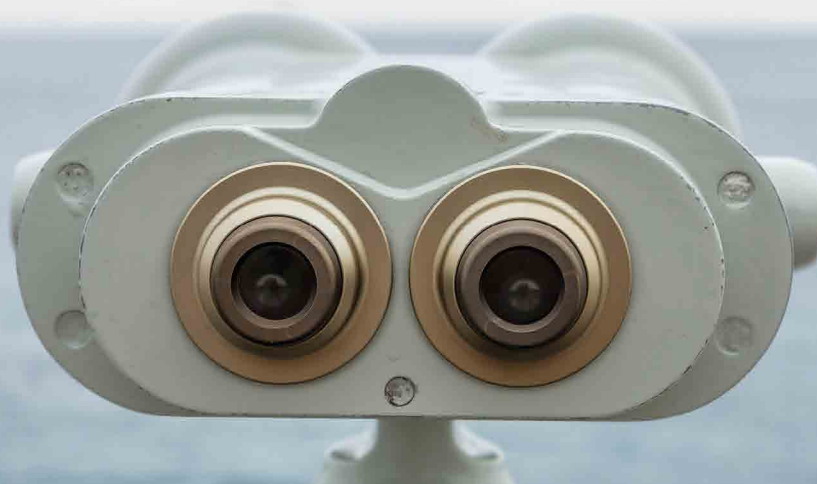
Business confidence down sharply

Sharpest rise in output prices for 18 months

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





Output growth slows amid reduction in new orders

Latest Regional Growth Tracker data from Ulster Bank pointed to a slowdown in growth in the Northern Ireland private sector in November.

Output rose modestly, while new orders decreased and business confidence waned. Meanwhile, output prices rose at the fastest pace for a year-and-a-half amid increased staff costs.

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 – remained above the 50.0 no-change mark in November to signal continued output growth in the Northern Ireland private sector.

That said, the reading was down to 51.5 from 55.8 in October, pointing to a much softer rate of expansion and one that was the weakest since January.

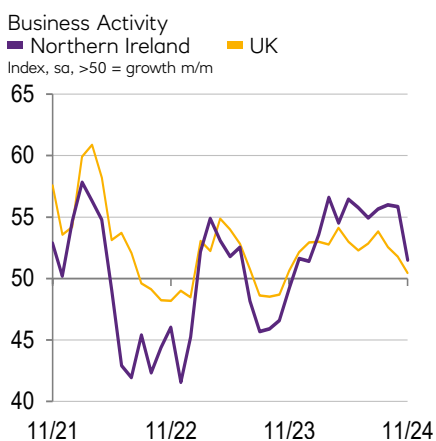
Services activity continued to rise strongly, with manufacturing production also up. Meanwhile, activity fell in the construction and retail sectors.

Ulster Bank Northern Ireland Business Activity Index, November 2024

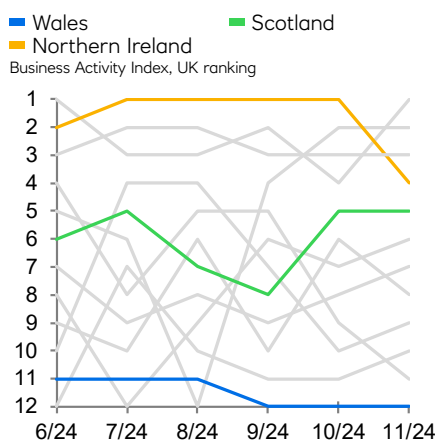
51.5

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.

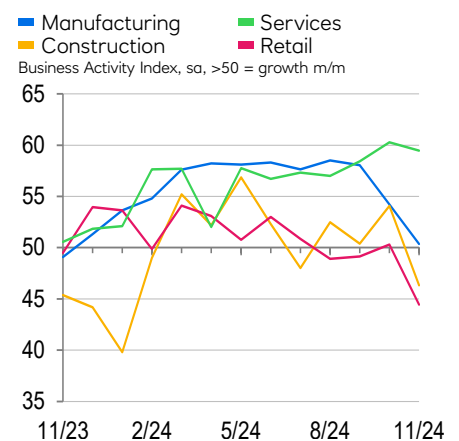
Data compiled 12-27 November



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



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Comment

Sebastian Burnside, NatWest Chief Economist, commented:

“Although output in Northern Ireland's private sector continued to rise in November, the latest data brought the first signs that the recent spell of buoyant growth may be coming to an end. Output rose at the slowest pace since the opening month of the year as firms struggled to secure new orders.

“In fact, new business decreased in November, with the sharpest fall seen in the retail sector, a gloomy sign of muted underlying demand conditions heading into the all-important festive period.

“Last month we said that the November data would give us the first insight into the impact of the UK Budget on firms, and on an initial

look the main effect has been to dampen business confidence, with overall sentiment the lowest in just over a year.

“Companies continued to hire additional staff, but the rate of job creation slowed, perhaps reflecting concerns around the impact that hiring is having on costs given that firms mainly linked inflationary pressures to staff pay. Meanwhile, the rise in selling prices in Northern Ireland was the sharpest across the UK.

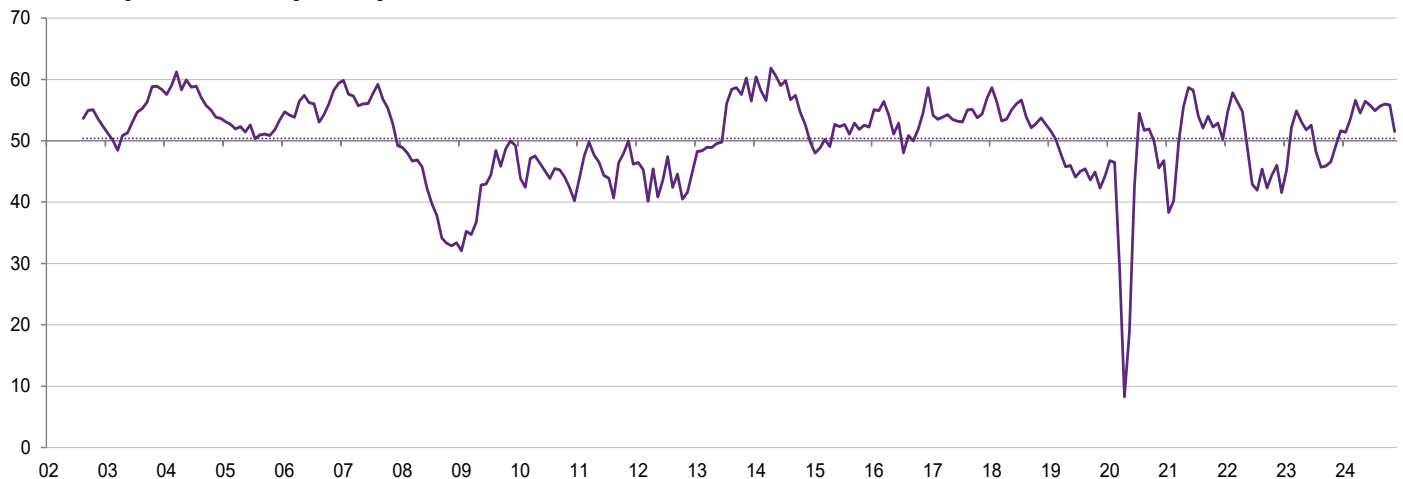
“With the private sector's performance losing some of its shine in November, the coming months will be key in determining whether we are seeing a temporary soft-patch or the start of a more worrying downturn.”

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Business Activity

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



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



Demand and outlook

New orders fall for first time in 11 months

November data pointed to a renewed decline in new business in the Northern Ireland private sector, thereby ending a period of expansion stretching back to the start of the year. The fall in new orders was only modest, but contrasted with a rise across the UK as a whole.

Where new business decreased, panellists linked this to a lack of client interest.

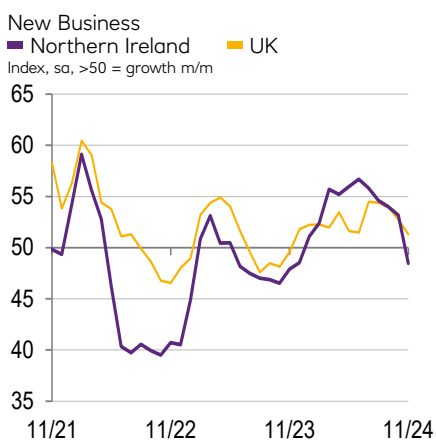
New orders were down across three of the four monitored sectors,

the exception being services. Retail posted the sharpest decline.

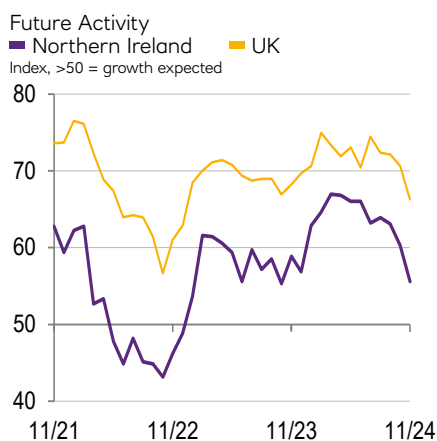
Business confidence fell sharply in November amid concerns around the impact of the UK Budget. Sentiment was at its lowest for just over a year. That said, companies remained optimistic on balance that output will rise over the coming year, linked to expected growth of new orders.

Manufacturers and service providers were confident in the outlook, while pessimism was signalled in construction and retail.

"New business decreased in November, with the sharpest fall seen in the retail sector, a gloomy sign of muted underlying demand conditions heading into the all-important festive period."



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



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



Jobs and capacity

Modest increase in employment

November data pointed to a further increase in employment at companies in Northern Ireland as firms responded to previous demand improvements. The rate of job creation slowed to a nine-month low, however, and was only slight.

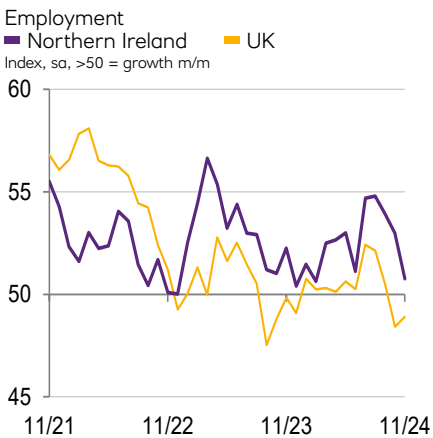
Three of the four monitored categories recorded increases in employment, while retailers cut jobs to the largest extent since February 2021.

Continued hiring at a time of falling

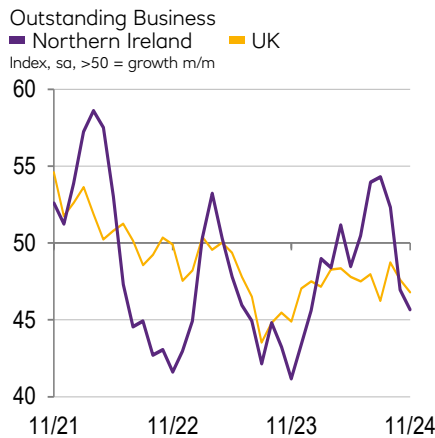
new orders meant that companies were able to deplete backlogs of work again in November. Outstanding business decreased for the second successive month, and at a marked pace that was the most pronounced since January.

Although suppliers' delivery times lengthened for the third month running in November, the rate of deterioration in vendor performance was only modest, having eased from the previous month. Some firms signalled delays in the delivery of supplies from Europe.

"Companies continued to hire additional staff, but the rate of job creation slowed, perhaps reflecting concerns around the impact that hiring is having on costs."



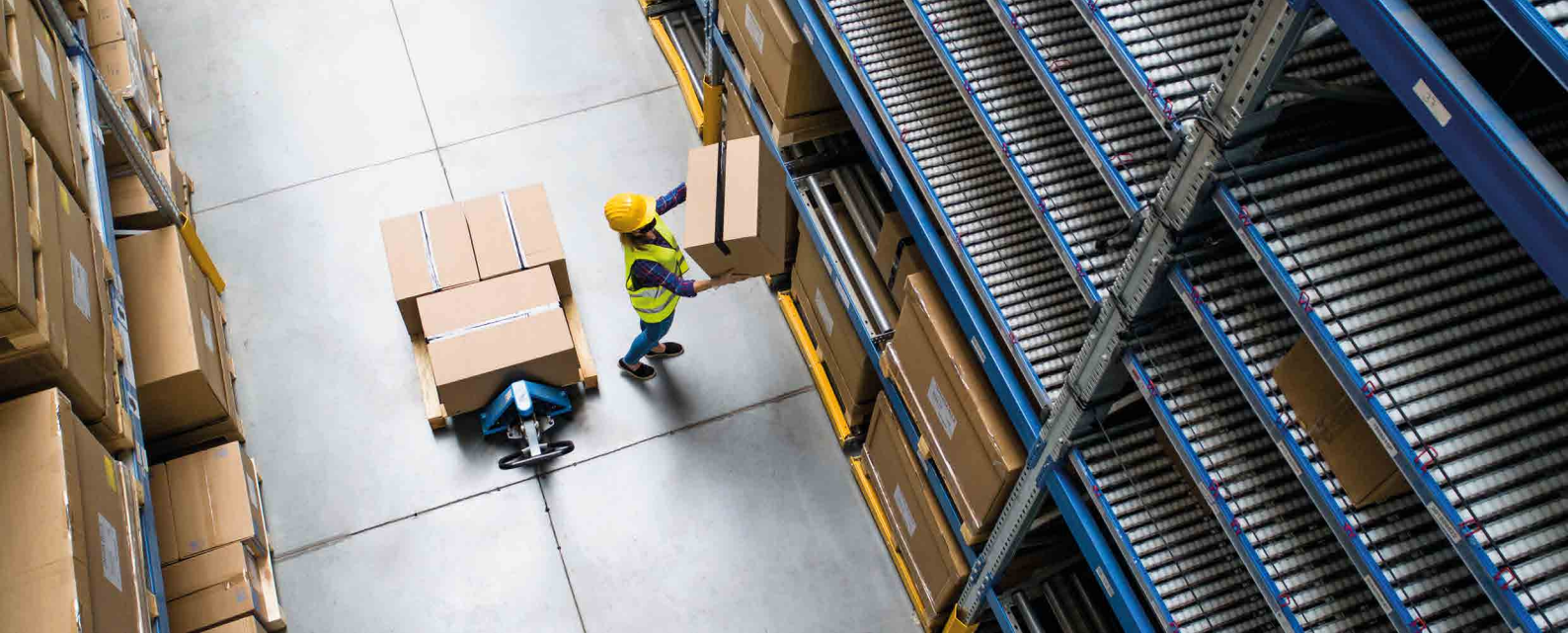
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Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



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Inflation

Sharpest rise in selling prices for year-and-a-half

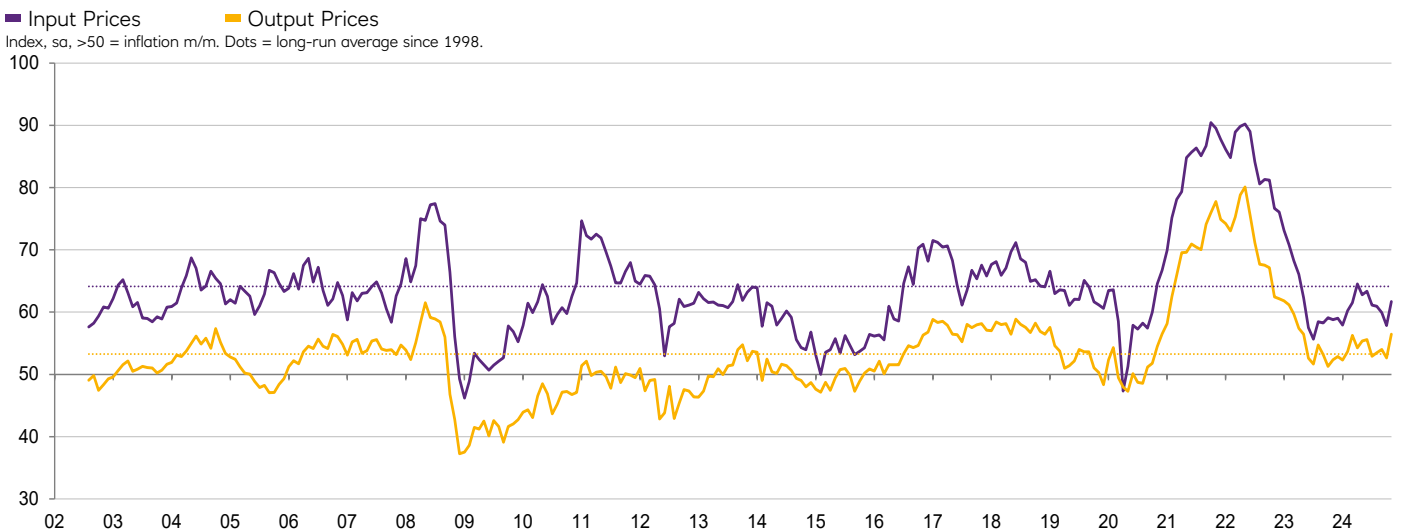
Northern Ireland companies increased their output prices at a marked pace in November, with the rate of expansion the sharpest since May 2023.

The rise in Northern Ireland was the strongest of the 12 monitored UK nations and regions.

Panellists often linked higher output prices to increases in staff costs, and this was also a factor behind a further month of input cost inflation, with the latest rise the most pronounced in five months.

Rates of cost inflation quickened across each of the four broad sectors, with the sharpest increase in construction.

"The rise in selling prices in Northern Ireland was the sharpest across the UK."



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

UK Regional Growth Tracker

Business Activity

Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.

Employment

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

Future Activity

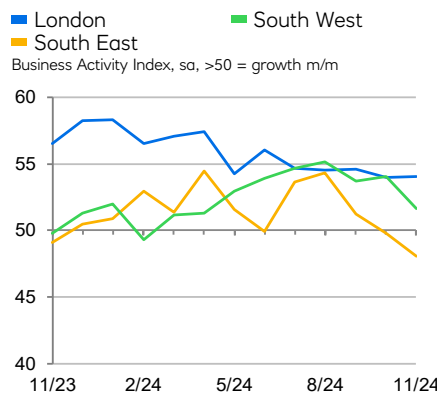
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.



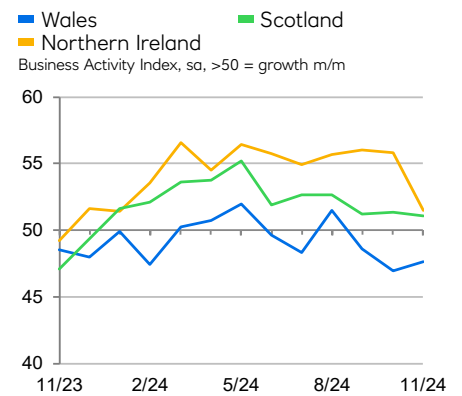
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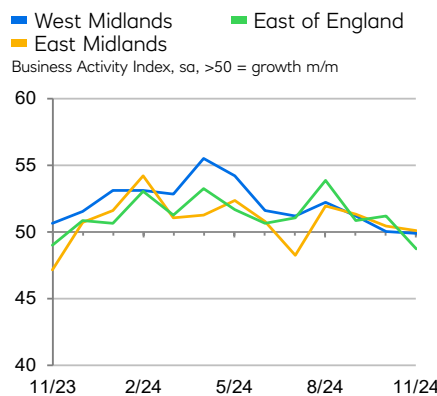
Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



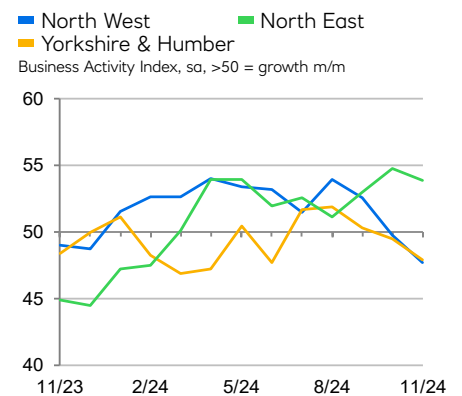
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Growth Tracker heat map

November 2024

Darker colour = higher business growth



Northern Ireland

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

51.5



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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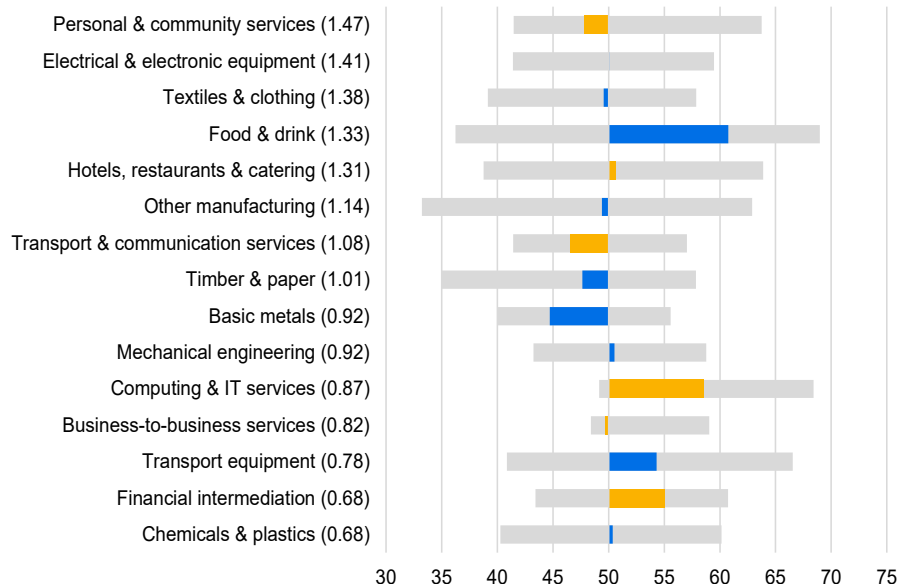
UK sectors

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 Nov '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).

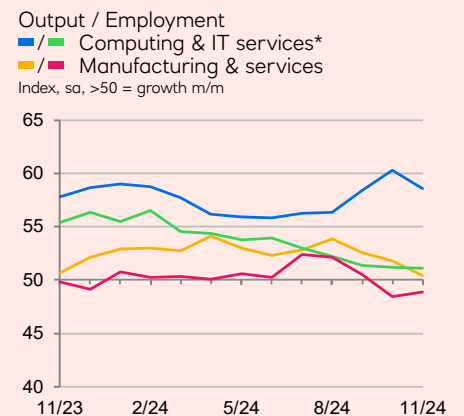
Sector in focus: Computing & IT services

Computing & IT services was one of the UK’s fastest-growing sectors in the three months to November, according to latest PMI data. Its steep rise in output was second only to that recorded in the food & drink category.

Employment in Computing & IT services has risen continuously since Q3 2020. However, the pace of job creation has slowed in recent months to is lowest in around four years. This has in turn led to growing backlogs of work as firms have struggled to keep up with

sustained sharp growth in new business, which has continued to run at one of the quickest rates seen in over 28 years of data collection.

Alongside the slowdown in the pace of hiring, there has been a softening of cost pressures in the sector. Input price inflation in the three months to November was well below the average since the pandemic and by far the weakest among the six broad services categories monitored by the PMI data.



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.

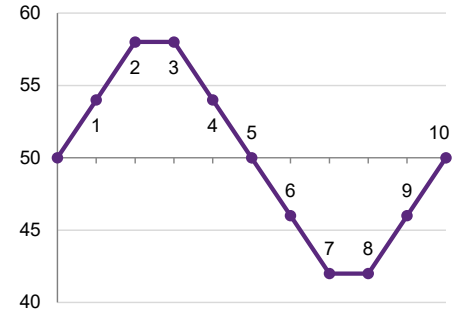
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously.

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
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
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

		Business Activity	New Business	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
Manufacturing	11/24	50.4	47.9	51.0	43.7	63.9	55.9	52.9
Construction	11/24	46.3	48.7	53.6	50.6	42.9	71.5	69.3
Retail	11/24	44.4	41.4	43.5	34.4	44.7	63.4	54.6
Services	11/24	59.5	53.7	53.2	53.2	61.2	61.5	54.2

Further information

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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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