

9 October 2024

Ulster Bank Northern Ireland Growth Tracker

Output growth strengthens to four-month
high



Ulster Bank

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by S&P Global

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Key findings

September 2024

Solid increase in new business

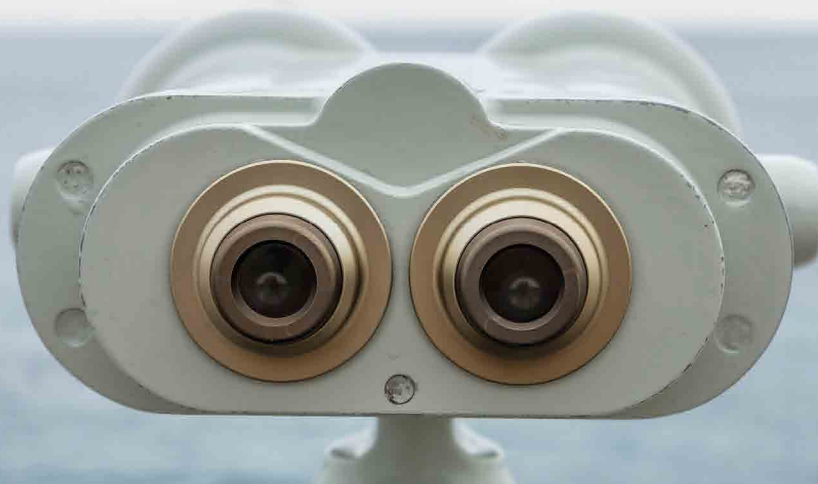
Employment rises amid further accumulation of outstanding business

Output price inflation at three-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





Output growth strengthens to four-month high

Latest Regional Growth Tracker data from Ulster Bank pointed to ongoing strong improvements in the Northern Ireland private sector in September.

Growth of business activity picked up alongside a further solid increase in new orders, while companies continued to take on extra staff. Meanwhile, input cost inflation remained marked and output prices increased at the fastest pace in three months.

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 – increased to a four-month high of 56.0 in September from 55.7 in August. The sharp expansion was also the fastest of the 12 monitored UK regions and nations.

Where output rose, this was mainly linked to higher new orders.

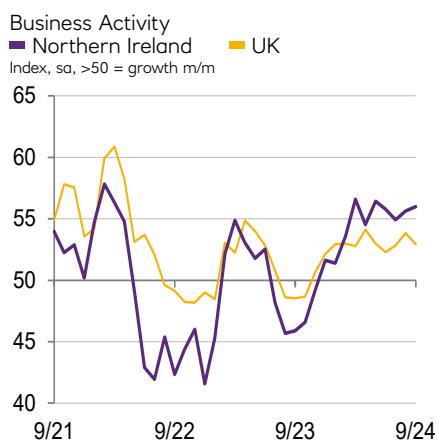
The manufacturing and services sectors posted the strongest increases in activity in September. Construction activity was also up, but retail recorded a decline.

Ulster Bank Northern Ireland Business Activity Index, September 2024

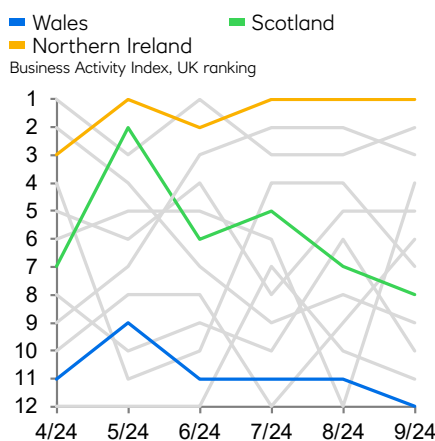
56.0

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.

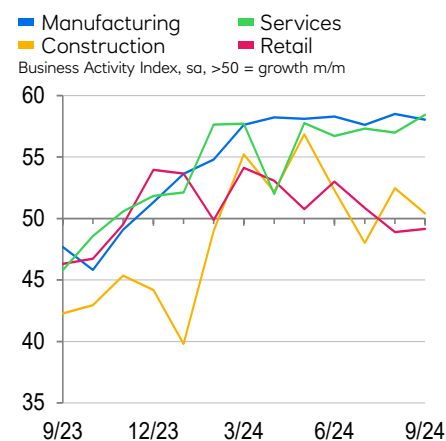
Data compiled 12-26 September



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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Comment

Sebastian Burnside, NatWest Chief Economist, commented:

“The Northern Ireland private sector completed a full quarter leading the pack in terms of output growth in September, an impressive feat for an economy that this time last year was struggling deep in contraction territory.

“Central to the rejuvenation of the private sector has been the success firms have had in securing new orders, and this continued in September, albeit with the pace of growth easing to a seven-month low.

“Companies continued to hire additional staff to try and deal with the influx of new work, but further reports from respondents of difficulties finding suitably skilled staff in the local labour market meant

that backlogs of work accumulated again. While unlikely to be a short-term fix, any efforts to help upskill the local workforce would give firms a better chance of getting work completed on time and keeping customers happy. Perhaps linked in some part to staff shortages, wage pressures were again the key factor behind a further sharp rise in firms' costs.

“Behind the generally positive story across the private sector, evidence of a two-speed economy has emerged. Growth continued to be driven by manufacturing and services, while the picture was much more muted in construction and retail.

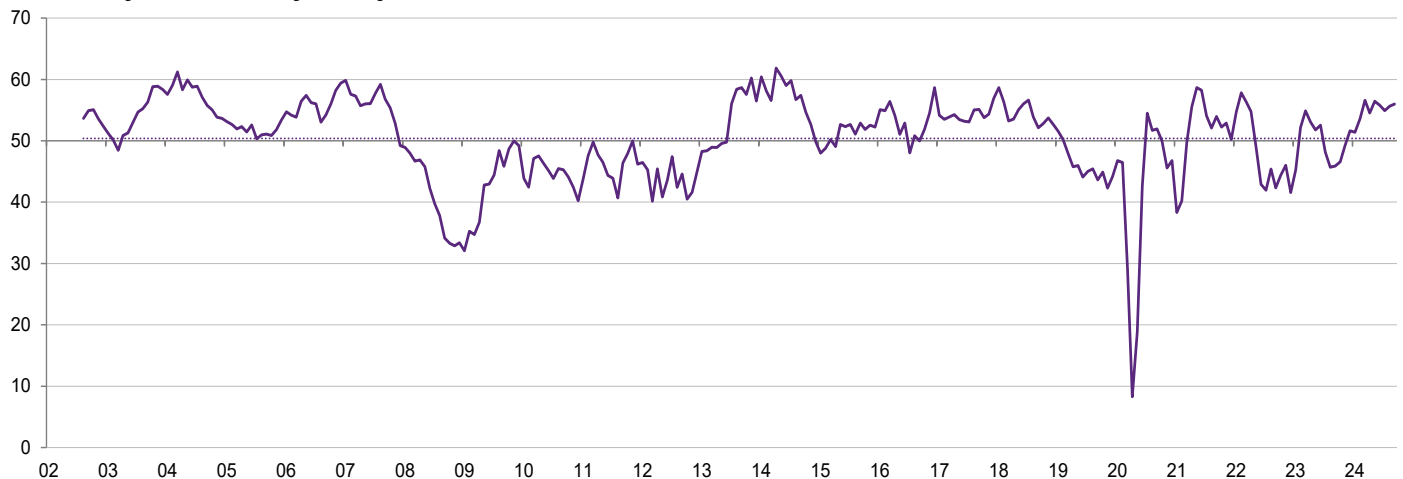
“For now, the private sector seems in a good position to finish off the year with a flourish.”

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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 rise solidly at end of third quarter

Northern Ireland companies posted a ninth consecutive monthly increase in new business during September. The rate of growth was solid, despite easing to the weakest since February.

The rate of expansion in manufacturing new orders remained substantial, while increases were also seen in services and construction. Retail was the only category to post a reduction in new work.

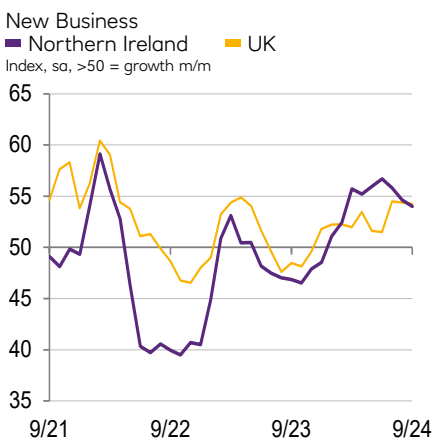
The increase in new orders in Northern Ireland was in line with the UK average.

Meanwhile, companies remained optimistic that output will increase over the coming year. Sentiment dipped to an eight-month low but was still above the series average.

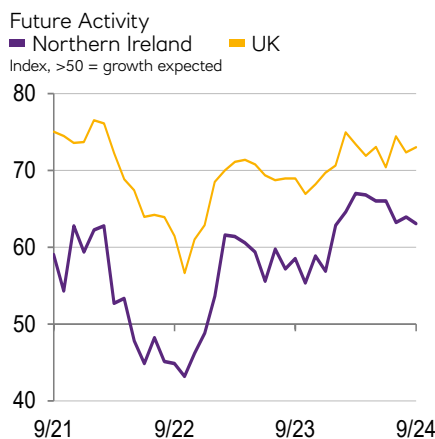
Where a rise in activity is predicted, companies linked this to increasing workloads and business expansion plans.

Manufacturing posted the strongest optimism of the four sectors covered by the report.

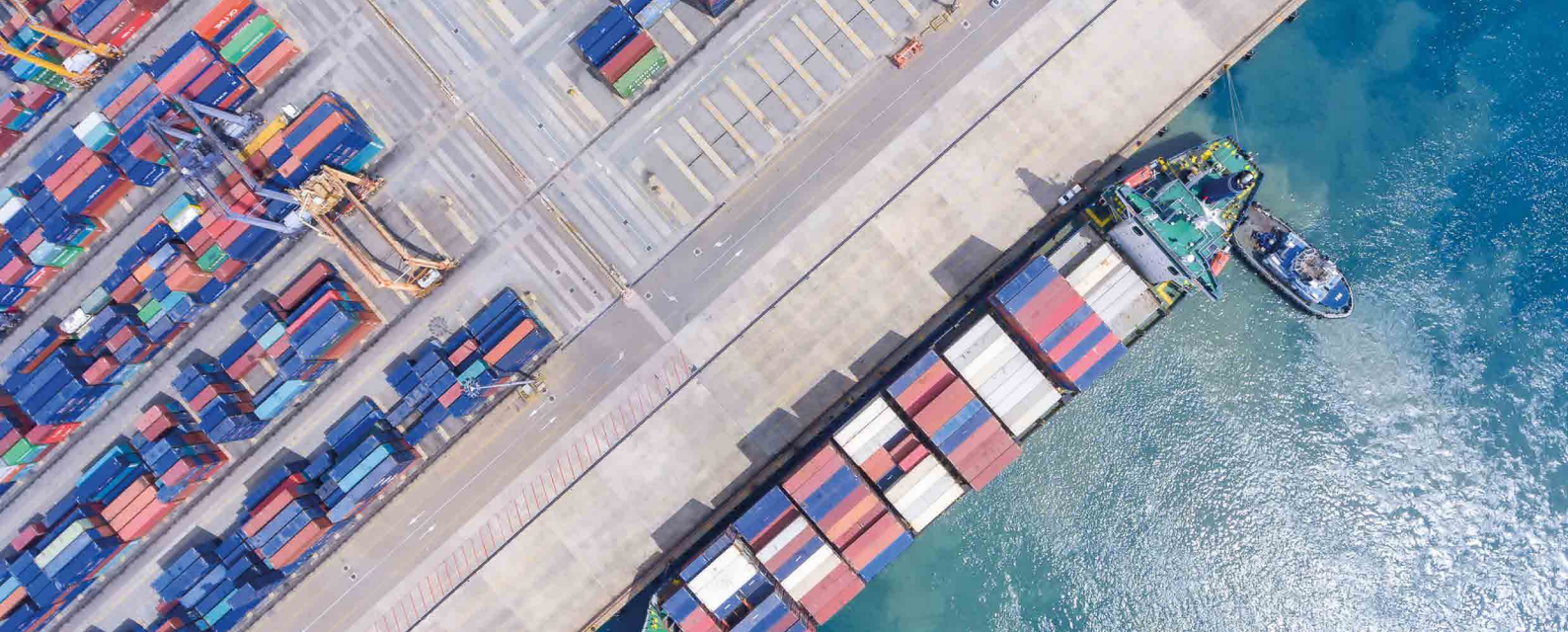
"Central to the rejuvenation of the private sector has been the success firms have had in securing new orders"



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



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



Export markets

Renewed reduction in new business from abroad

After having increased for the first time in nearly a year-and-a-half in August, new export orders returned to decline in September. New business from abroad was down solidly during the month.

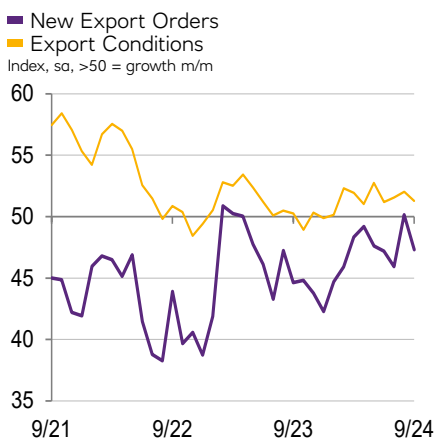
There were some suggestions from panellists that sterling strength had limited opportunities in export markets.

Modest improvement in export climate

At 51.3 in September, the ECI continued to signal strengthening demand conditions in export markets at the end of the third quarter. The latest improvement was the ninth in as many months. That said, the index was down from 52.0 in August, thus pointing to a softer upturn of the climate.

Business activity increased in the Republic of Ireland and the USA, but decreased in the rest of the top five export markets for Northern Ireland firms.

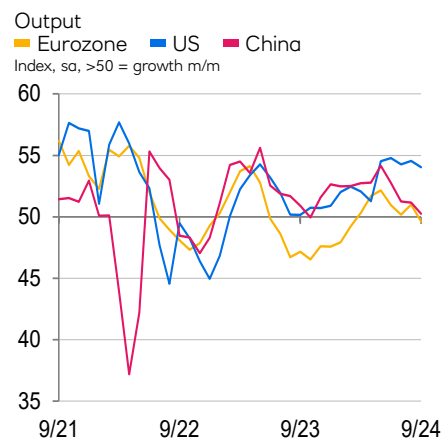
The Northern Ireland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Northern Ireland. A reading above 50 signals an improvement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



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



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



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Jobs and capacity

Backlogs of work continue to build despite rising employment

There remained evidence of pressure on capacity in the Northern Ireland private sector in September as backlogs of work increased for the fourth month running.

Solid growth of new orders was reportedly behind the latest accumulation of outstanding business.

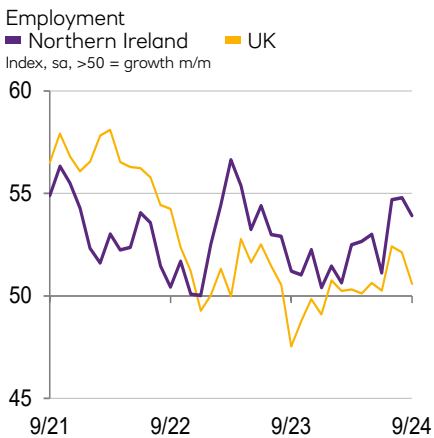
Backlogs of work and inflows of new business encouraged companies to increase staffing levels again in

September, extending the current sequence of job creation to 21 months.

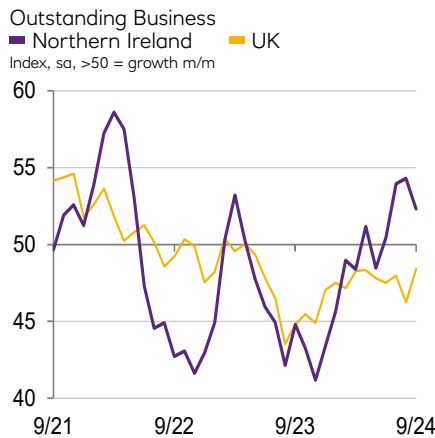
The pace of job creation in Northern Ireland was the sharpest of the UK nations and regions covered. This was despite some reports from companies signalling that they had found recruitment difficult due to shortages of suitably skilled candidates.

Suppliers' delivery times lengthened for the second time in the past three months during September as global shipping issues caused delays in supply chains.

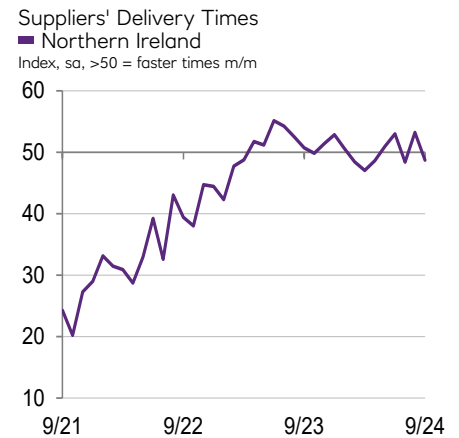
"...difficulties finding suitably skilled staff in the local labour market meant that backlogs of work accumulated again."



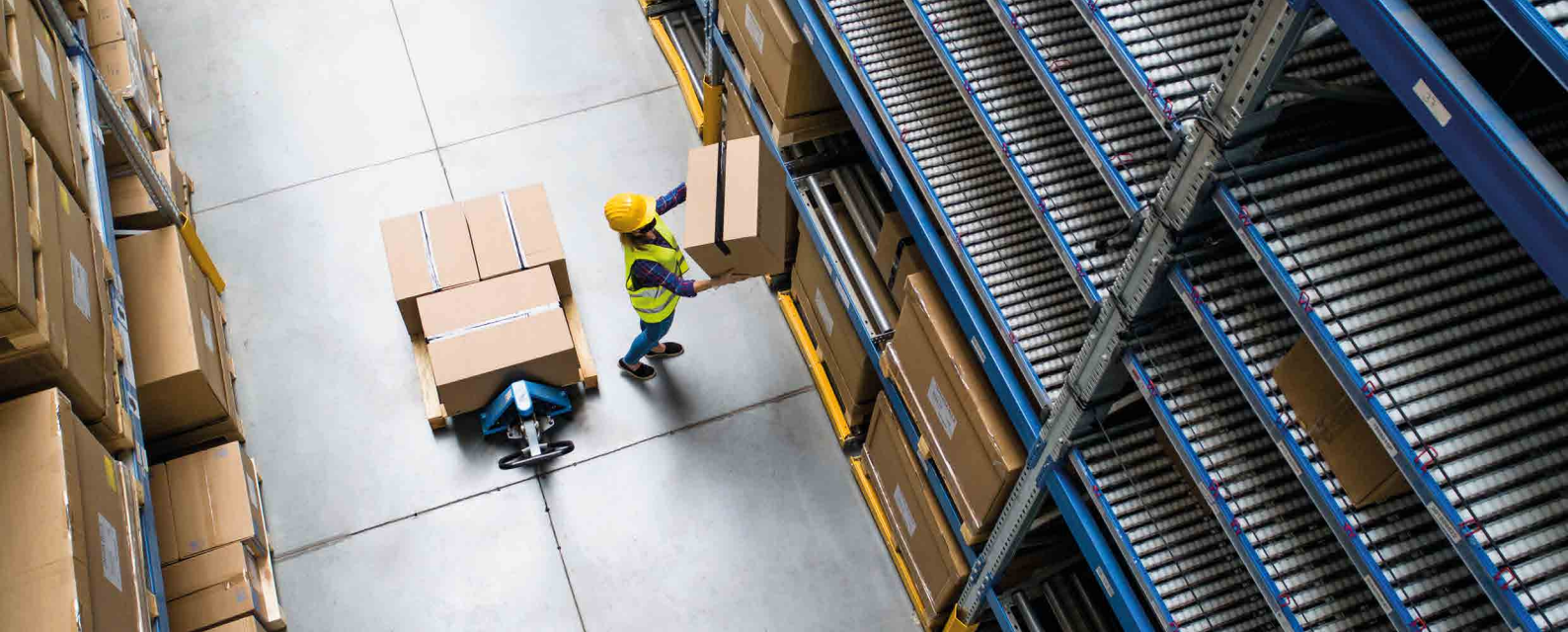
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Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



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Inflation

Cost inflation continues to ease, but charges rise at faster pace

September data indicated that the pace of input cost inflation eased for the third month running and was the softest since January. That said, input prices continued to increase sharply, often reflective of higher wage costs.

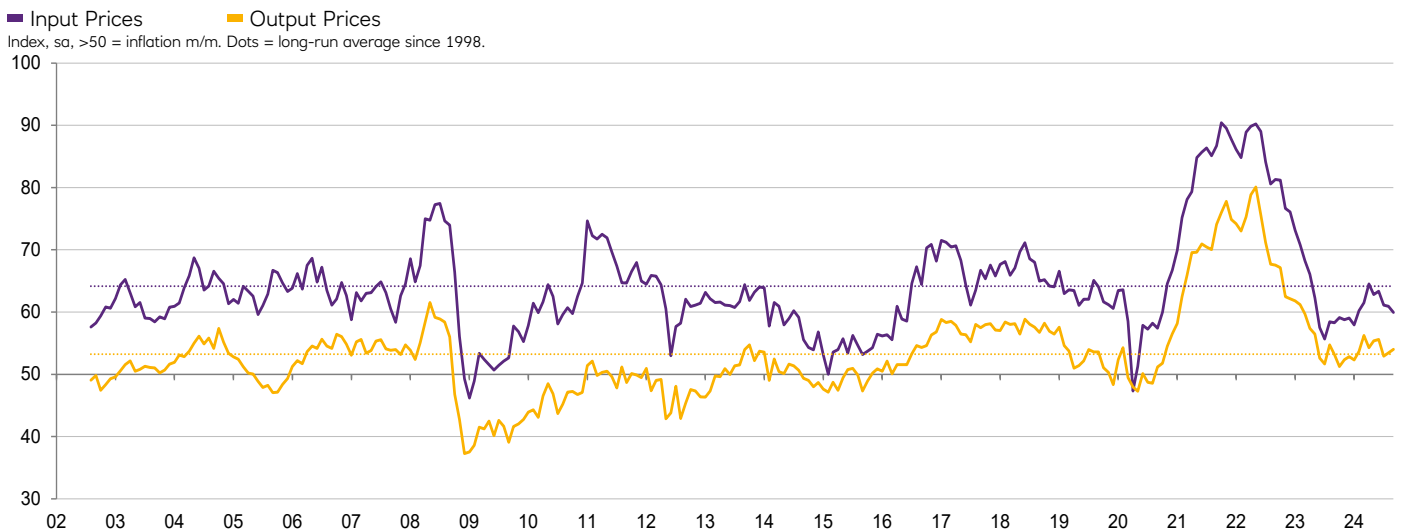
The fastest increase in input prices was in the construction sector, with

the slowest in retail.

In contrast to the picture for input costs, the rate of output price inflation quickened to a three-month high in September. That said, only the North East of England posted a softer rise in charges than Northern Ireland.

Where selling prices were raised, this was generally linked to the pass-through of increased wage costs to customers.

"...wage pressures were again the key factor behind a further sharp rise in firms' costs."



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

UK Regional Growth Tracker

Business Activity

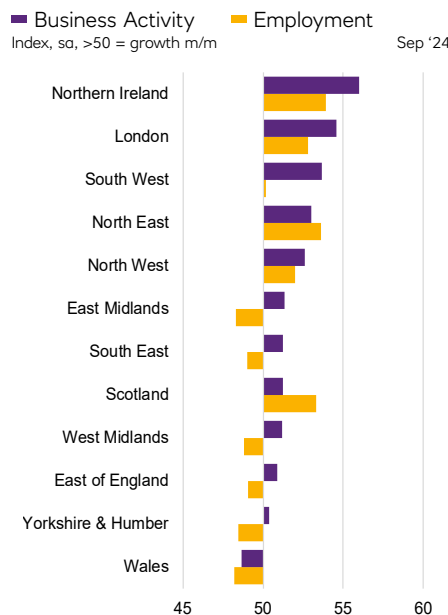
A renewed – albeit only slight – decrease in business activity in Wales in September prevented a second successive month of universal growth across the UK. Notably, rates of expansion generally eased compared to those seen in August. Northern Ireland was one of the exceptions, cementing its position at the top of the growth rankings with its fastest rise in output since May.

Employment

Employment growth in September was also led by Northern Ireland, as was the case throughout the third quarter. Only half of the 12 UK nations and regions monitored reported a rise in workforce numbers, down from ten in August. Wales saw the steepest drop in staffing levels, although the decline was only modest overall.

Future Activity

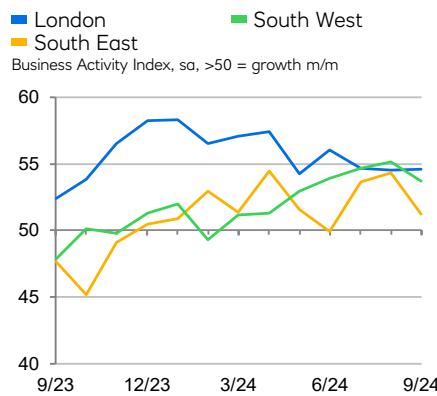
Trends in business expectations varied in September. Just over half of the monitored nations and regions reported a reduction in business confidence, but sentiment nevertheless remained positive across the board. Firms in the South East recorded not only the strongest overall growth expectation, but also the biggest upswing in optimism.



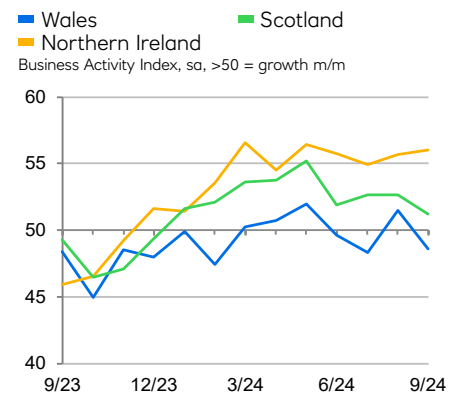
Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



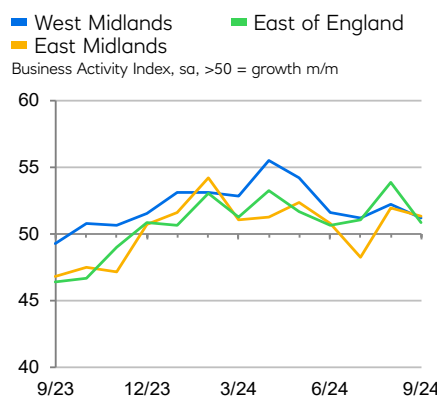
Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



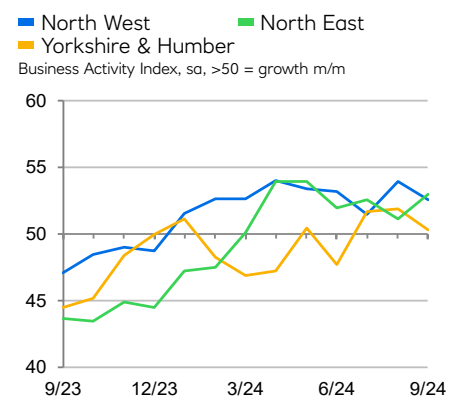
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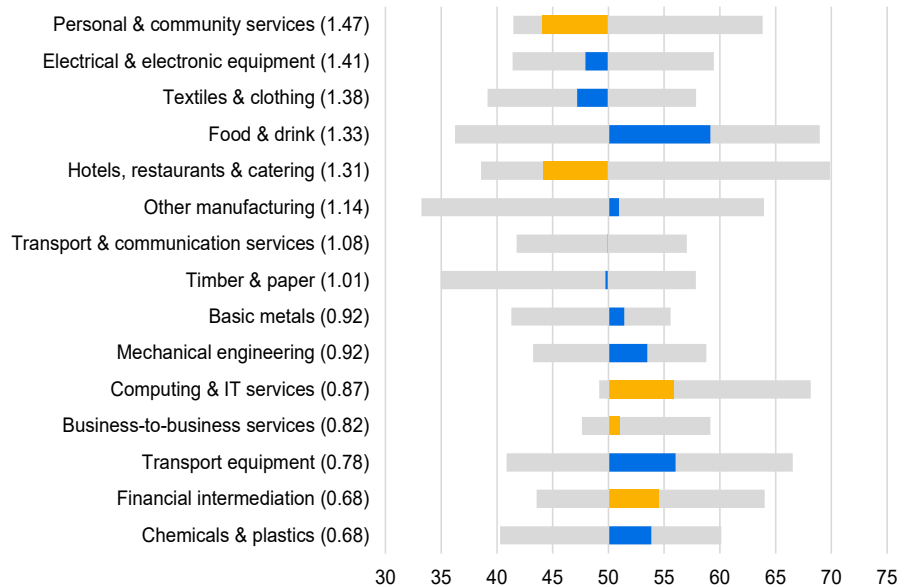
UK sectors

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 Sep '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: Business-to-business services

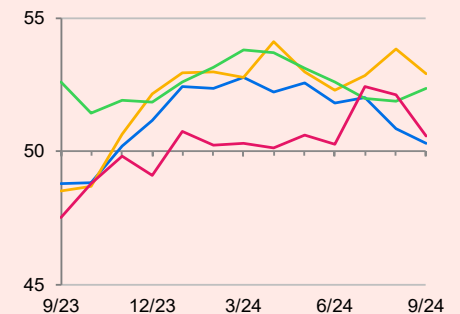
Growth in the UK's Business-to-business services sector came close to stalling in the third quarter. Activity rose only marginally and at the weakest rate for almost a year, with the lack of growth momentum reflecting only modest gains in new business in recent months. Firms in the sector increasingly turned to backlogged work to support growth, with outstanding business falling at a faster rate in the three months to September.

Latest data nevertheless showed sustained job creation across

business-to-business services, continuing a sequence of rising employment that stretches back to early 2021. The rate at which staffing levels rose even ticked up slightly and exceeded the average across the UK private sector as a whole.

As for prices, rates of inflation in both input costs and output charges remained among the lowest seen over the past three-and-a-half years, although they were still above their respective pre-pandemic long-run averages.

Output / Employment
 ■/■ Business-to-business services*
 ■/■ 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.

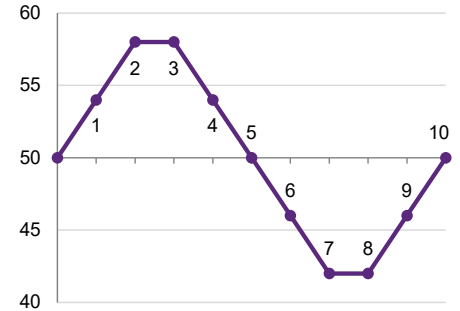
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously.

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
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
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

		Business Activity	New Business	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
Manufacturing	9/24	58.0	59.5	51.3	55.3	71.4	61.3	52.1
Construction	9/24	50.4	50.3	57.3	47.3	63.6	64.3	60.3
Retail	9/24	49.2	49.7	52.8	44.1	52.3	54.8	53.2
Services	9/24	58.4	53.9	56.6	54.7	62.3	60.2	54.3

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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