

10 September 2024

Ulster Bank Northern Ireland Growth Tracker

Activity rises at faster pace



Ulster Bank

PMI[®]

by S&P Global

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Key findings

August 2024

New orders up for eighth month running

Backlogs of work accumulate despite marked job creation

Cost inflation eases

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





Activity rises at faster pace

Latest Regional Growth Tracker data from Ulster Bank indicated that Northern Ireland continued to lead growth of activity across the UK.

New orders also rose markedly again and companies expanded their staffing levels at the fastest pace in 16 months in response. Firms still faced growing capacity pressures, however.

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 – rose to 55.7 in August, up from 54.9 in July and pointed to a rapid monthly increase in business activity in Northern Ireland. Output has now risen in each of the past nine months.

Companies indicated that rising workloads had been behind the latest expansion of activity.

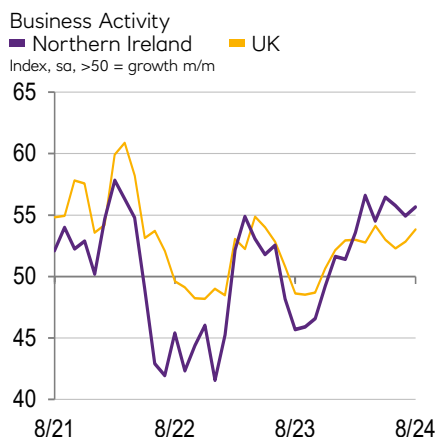
Manufacturing production increased at the fastest pace in almost two-and-a-half years, with services activity also up sharply. Retail was the only category to post a fall.

Ulster Bank Northern Ireland Business Activity Index, August 2024

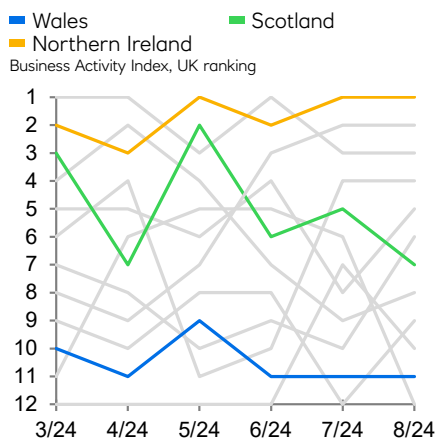
55.7

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.

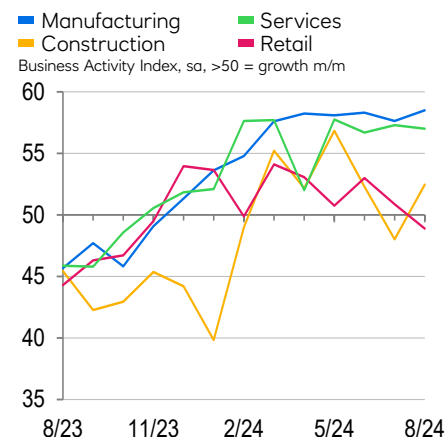
Data compiled 12-28 August



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

Comment

Sebastian Burnside, NatWest Chief Economist, commented:

“There was no sign of a let-up in the performance of the Northern Ireland private sector in August, with local firms continuing to outpace all other UK regions and nations in terms of output growth.

“The sustained spell of growth has encouraged firms to take on extra staff, and they did so to the largest degree since April 2023. Such has been the speed of the inflows of new business, however, that companies were unable to make any dent in their backlogs of work which continued to expand markedly.

“The Northern Ireland manufacturing sector performed particularly strongly in August, posting sharper increases in production, new orders, employment

and backlogs of work. Services was not far behind, but there was less positive news in the retail sector where sales moved into reverse.

“Hiring across the private sector pushed up staff costs, while salaries for existing workers were also reportedly up. This meant that input prices increased sharply again, and to the largest extent seen across the UK.

“One other thing to note was a first increase in new export orders in almost a year-and-a-half, in a sign that international sales are starting to join the party and provide a boost to overall growth.

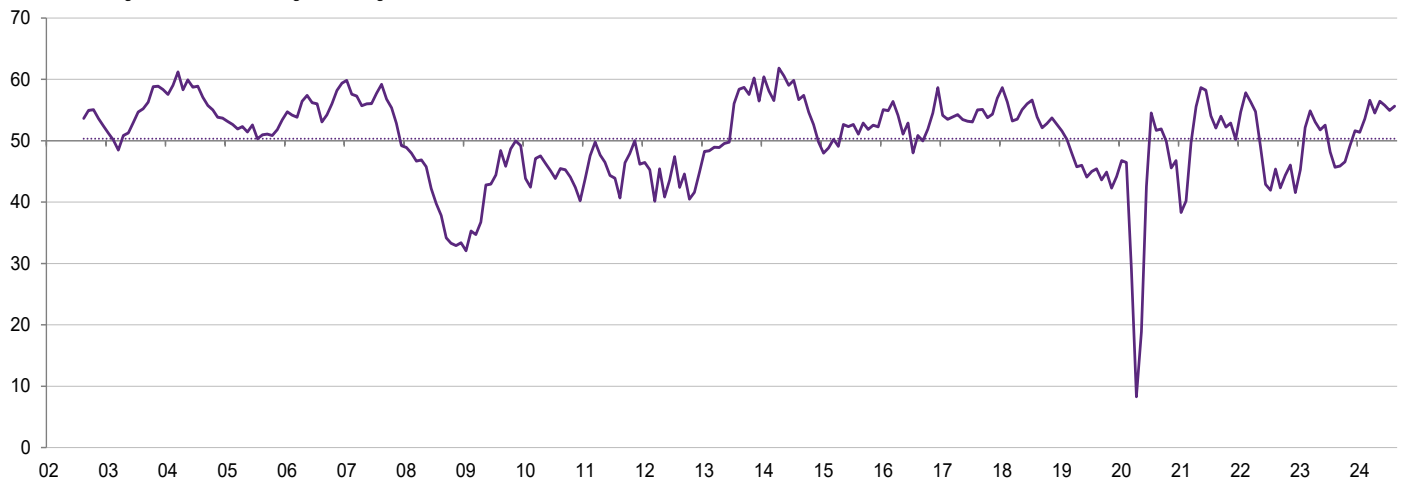
“Local firms remained optimistic about the future, and looking at this set of data it's not hard to see why.”

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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

Further marked increase in new orders during August

The latest expansion of new business continued the trend that began in the opening month of the year. Despite easing to a six-month low, the rate of growth in Northern Ireland was broadly in line with the UK average.

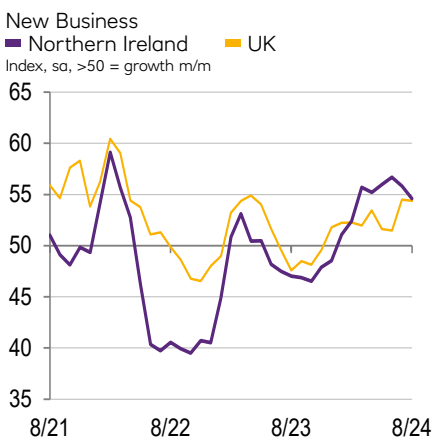
New orders rose across three of the four broad sectors, led by manufacturing. Retail was the only category to post a reduction as new business decreased for the first time

in ten months.

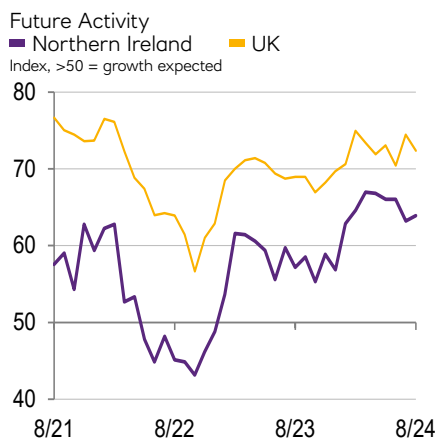
Expectations that new business will continue to rise in the months ahead supported optimism among companies that output will expand over the coming year. In some cases, activity is set to be boosted by improving operating capacity. Business sentiment strengthened slightly from July and was well above the series average.

Manufacturers were the most optimistic regarding the outlook for output in August.

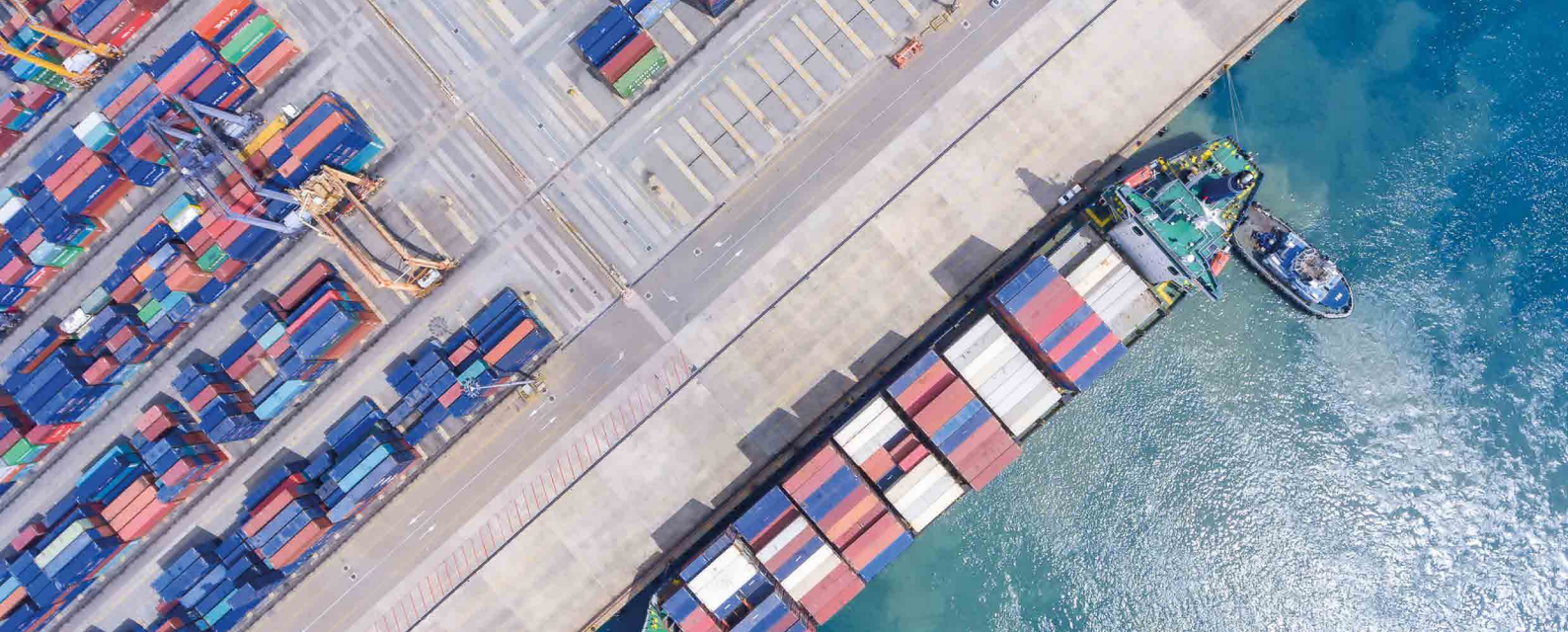
"Local firms remained optimistic about the future, and looking at this set of data it's not hard to see why"



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



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



Export markets

New export orders return to growth

New business from abroad increased for the first time in almost a year-and-a-half during August as international demand showed signs of picking up.

That said, the rate of expansion was only fractional.

According to respondents, the rise in new export orders generally reflected sales in the Republic of Ireland.

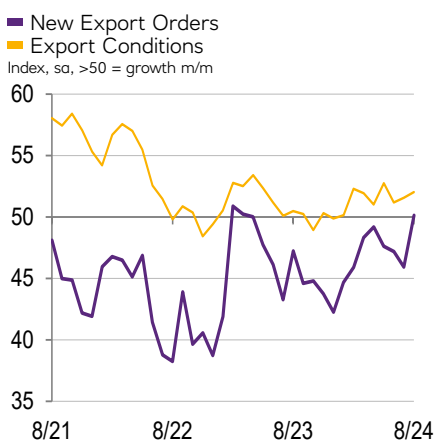
Export climate strengthens

The ECI rose for the second month running in August, ticking up to 52.0 from 51.6 in July. Export demand conditions have now strengthened in eight consecutive months.

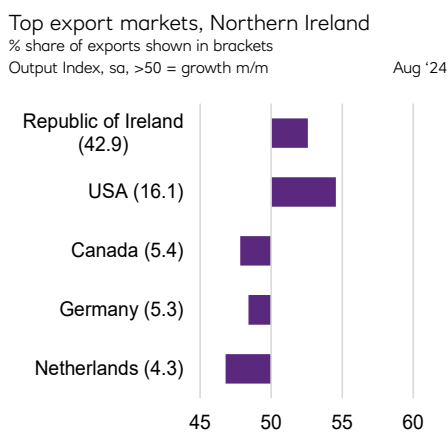
Improvements in the export climate were centred on the largest two markets for Northern Ireland firms - the Republic of Ireland and USA. In both cases, output increased more quickly than in July.

In contrast, Canada, Germany and the Netherlands all saw business activity decrease midway through the third quarter.

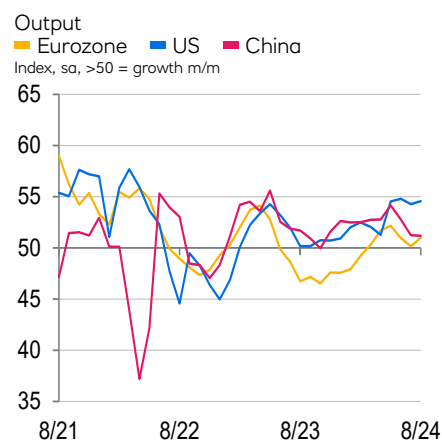
The Northern Ireland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Northern Ireland. A reading above 50 signals an improvement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



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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.



Jobs and capacity

Further marked increase in staffing levels

Efforts to expand capacity in line with higher workloads led companies in Northern Ireland to raise employment again in August.

Staffing levels have now increased in 20 consecutive months, with the latest rise the most marked since April 2023.

Solid improvements in workforce numbers were seen across all four monitored sectors.

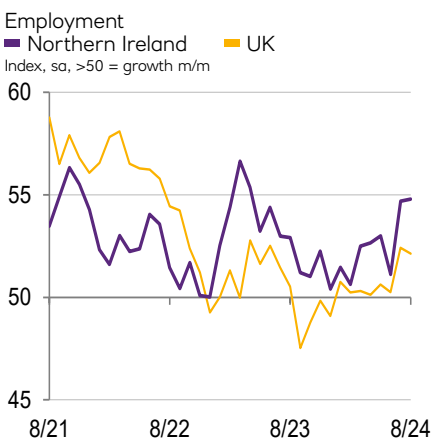
The marked increase in employment was still insufficient to prevent a

further build-up in backlogs of work, however, given sustained improvements in new orders.

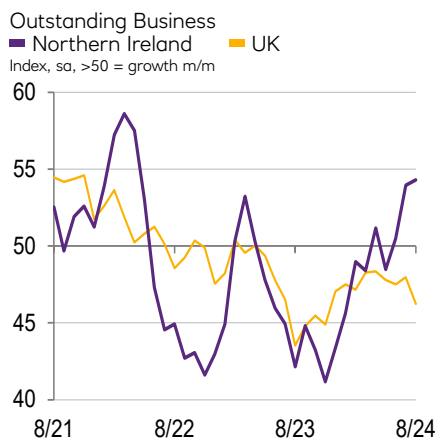
In fact, backlogs of work rose at a faster pace in August, with the rate of accumulation the strongest since April 2022.

Meanwhile, suppliers' delivery times shortened for the third time in the past four months during August, following a modest deterioration in vendor performance in July. Lead times shortened to a solid degree, and one that was the most pronounced in just over a year.

"The sustained spell of growth has encouraged firms to take on extra staff, and they did so to the largest degree since April 2023"



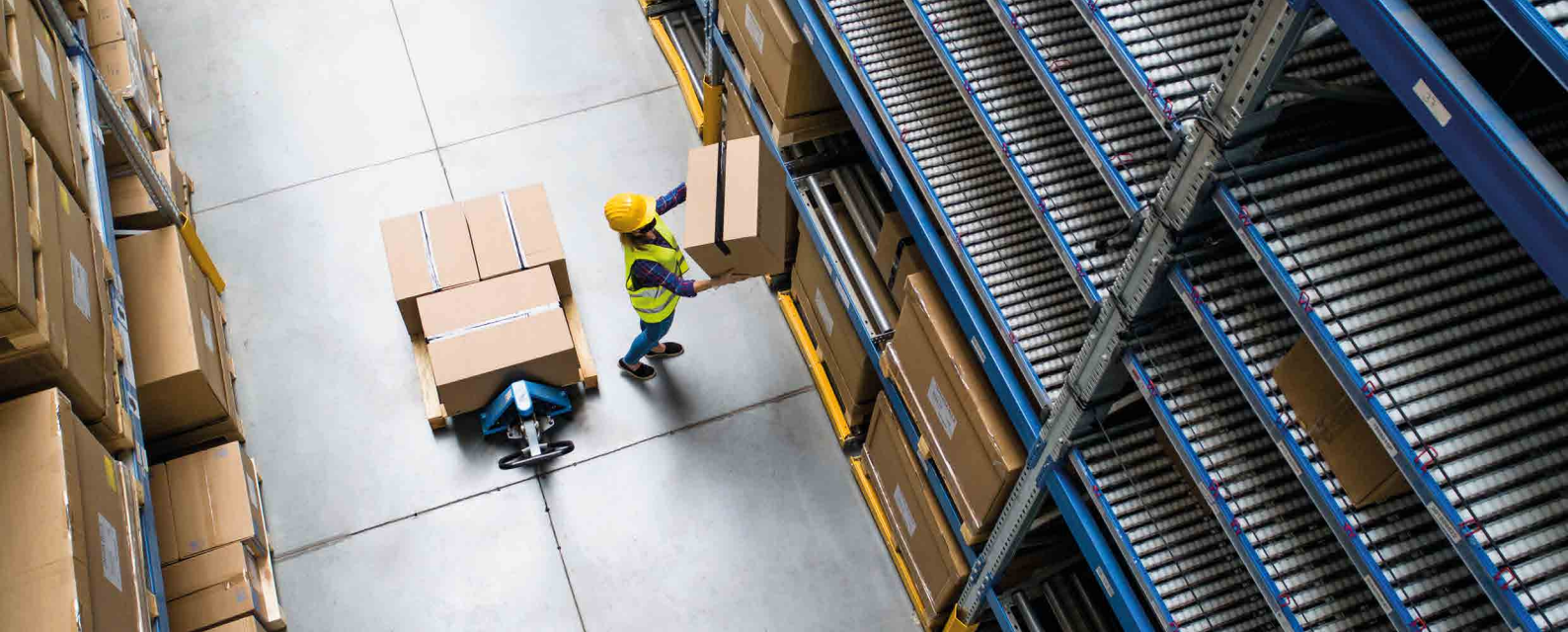
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Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



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Inflation

Input cost inflation at six-month low

Northern Ireland companies continued to register a sharp rise in input prices during August, despite the rate of inflation easing to a six-month low. The rise in Northern Ireland was the steepest of the UK regions and nations covered by the report.

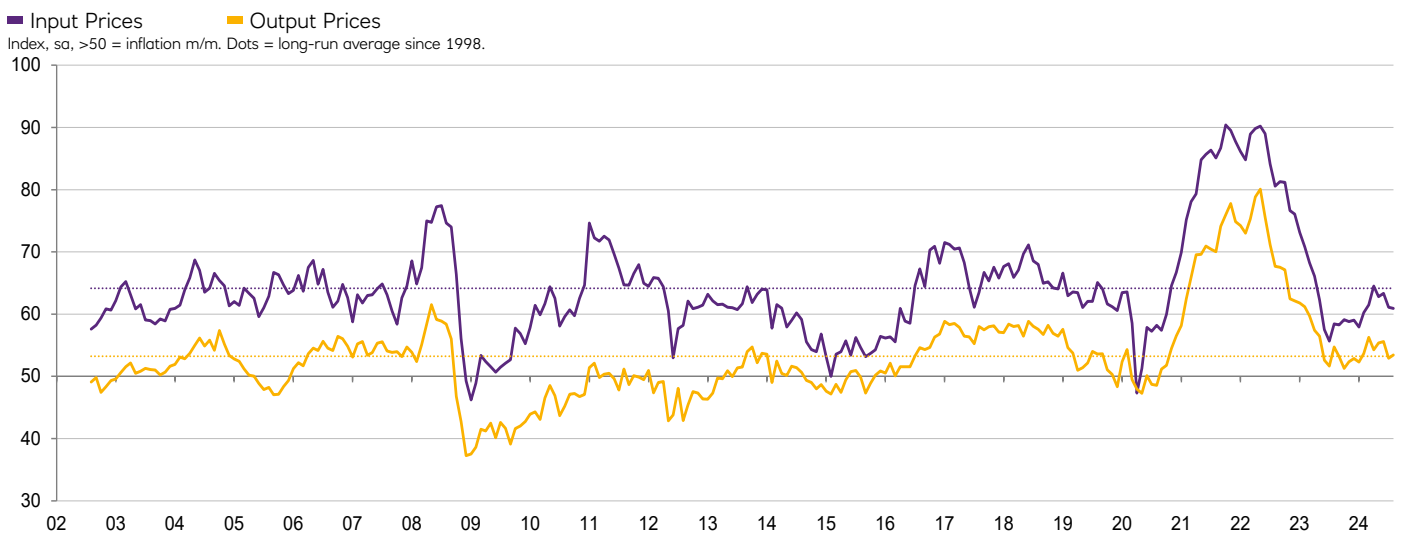
Respondents indicated that rising staff costs had been the main driver of increased input prices. Sharp

cost inflation was seen across each monitored sector, led by construction.

Meanwhile, the pace of output price inflation picked up slightly as increased input costs were passed through to customers. Charges have risen on a monthly basis throughout the past four years.

The pace of output price inflation was strongest in the service sector, and weakest in manufacturing.

"Hiring across the private sector pushed up staff costs, while salaries for existing workers were also reportedly up"



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

UK Regional Growth Tracker

Business Activity

Business activity rose across all 12 nations and regions for the first time in three months in August. Northern Ireland topped the growth rankings for the third time in the past four months. It was followed closely by the South West. The North East saw the slowest rise in output and was one of just two areas (alongside London) that saw a softer pace of expansion than in July.

Employment

The strongest rate of job creation in August was recorded again in Northern Ireland, where it reached the fastest since April 2023. The North East also recorded a solid and accelerated increase in employment. In a repeat of the situation in July, the only decreases in workforce numbers were seen in the East Midlands and West Midlands, although in the case of the latter the rate of decline remained marginal.

Future Activity

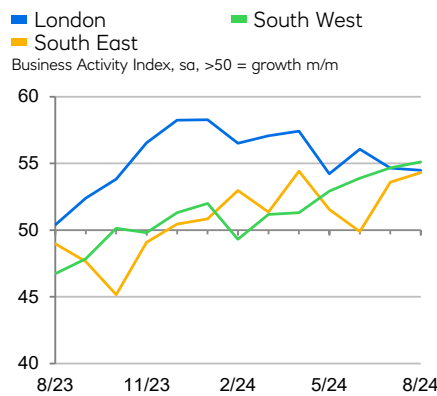
Although expectations towards activity growth remained universally positive in August, the degree of optimism weakened in most nations and regions compared to the month before. The greatest loss of confidence was in the North East, which also recorded the weakest overall sentiment. Firms in the South East remained the most upbeat about future activity.



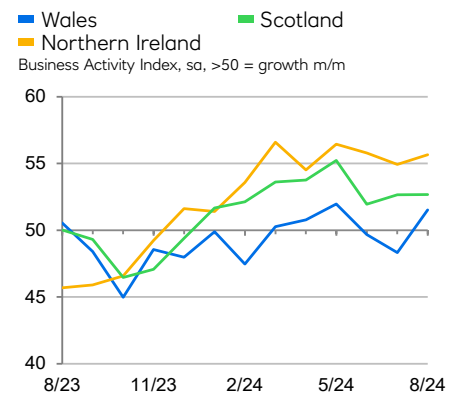
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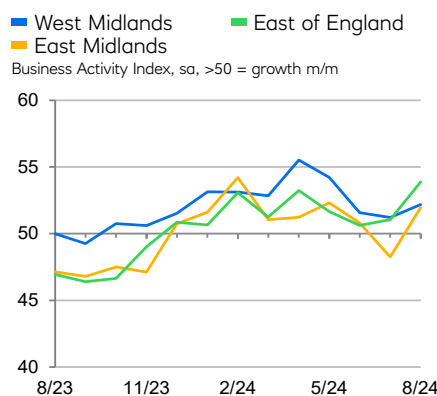
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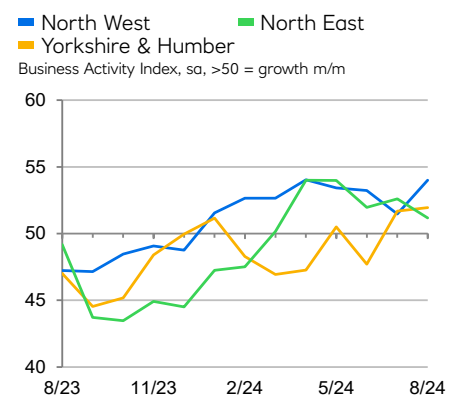
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UK sectors

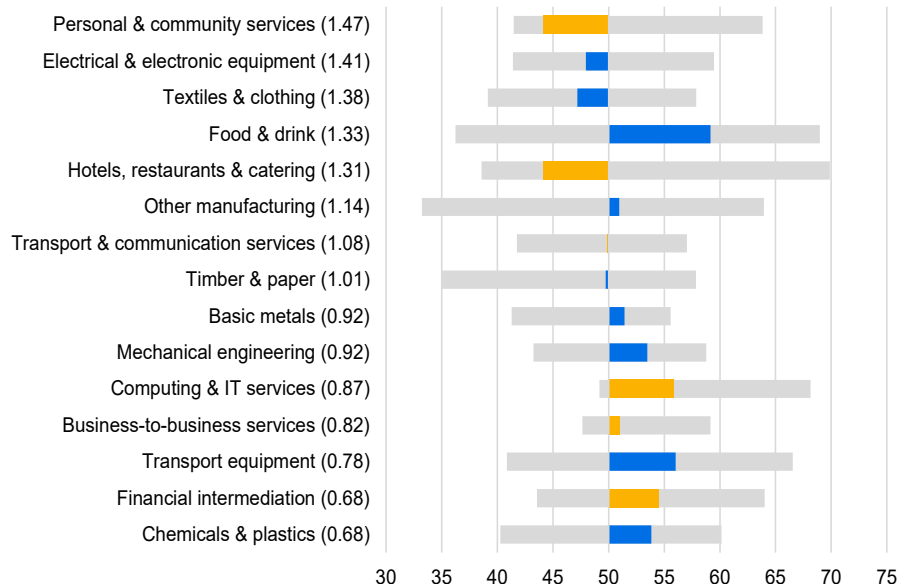
Sector specialisation: Northern Ireland

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 Aug '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: Food & drink

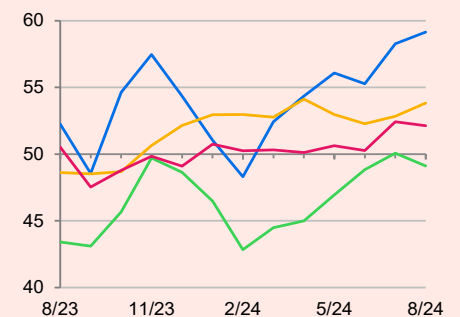
Producers of food & drink recorded stronger output growth than any other manufacturing or service sub-sector in the three months to August. The performance was the best seen since Q2 2023 and driven by a sharp increase in inflows of new work. Data indicated the upturn in demand was domestic-led, with new export orders falling in the latest three-month period.

Output growth was achieved despite employment decreasing slightly. Firms in the sector were also able to navigate supply delays, which were

the worst seen for more than two years, with stocks of inputs being utilised. Growth expectations for the coming year remained strong.

On the price front, latest data showed a solid and accelerated increase in factory gate charges across the food & drink sector. This partly reflected strong cost pressures, with input price inflation at its highest for almost a year-and-a-half.

Output / Employment
■/■ Food & drink*
■/■ 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.

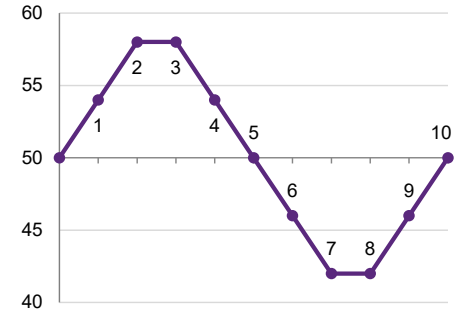
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously.

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
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
8/24	55.7	54.6	50.1	52.0	54.8	54.3	53.2	63.9	60.9	53.5

		Business Activity	New Business	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
Manufacturing	8/24	58.5	59.5	54.3	60.1	67.1	61.0	50.6
Construction	8/24	52.5	51.6	55.7	49.1	59.1	62.5	53.9
Retail	8/24	48.9	47.3	55.1	47.4	54.8	60.5	55.0
Services	8/24	57.0	56.4	54.7	54.5	65.4	60.4	55.2

Further information

Ulster Bank

Ulster Bank is a member of NatWest Group. Ulster Bank acts as a full service institution to its customer base, providing an extensive range of retail banking, business banking, investment banking and capital markets services to corporate, personal and institutional clients.

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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