

12 November 2024

Ulster Bank Northern Ireland Growth Tracker

Northern Ireland continues to lead UK
growth



Ulster Bank

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by **S&P Global**

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Key findings

October 2024

Fastest rise in output of all UK regions and nations

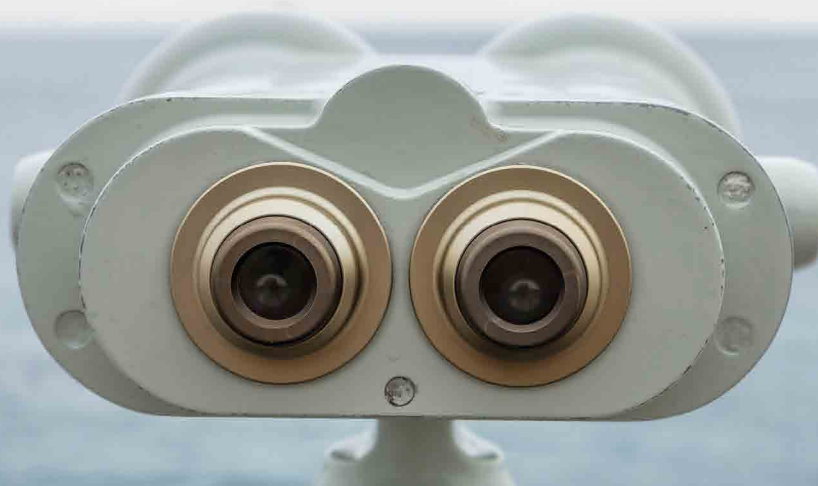
Solid increases in new orders and employment

Cost inflation at 15-month low

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 continues to lead UK growth

Latest Regional Growth Tracker data from Ulster Bank signalled that the Northern Ireland private sector continued to grow strongly at the start of the final quarter of the year.

Business activity again rose at the fastest pace of all UK regions and nations, while there were further solid increases in new orders and employment.

Rates of inflation softened during the month, with input costs rising at the slowest pace since July 2023.

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 55.8 in October, down slightly from 56.0 in September, but still pointing to a rapid monthly expansion in output in the private sector as sales volumes improved.

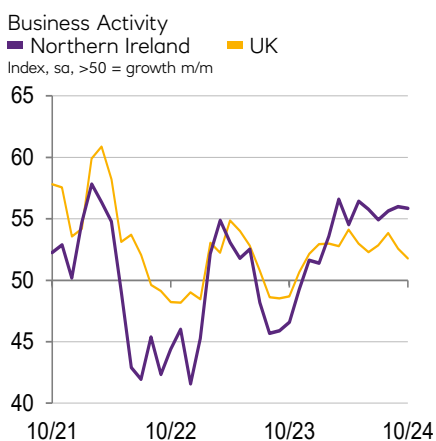
For the first time in four months, all four broad sectors posted increases in activity as retail saw a renewed expansion. The strongest rise was recorded in services, where growth hit a 40-month high.

Ulster Bank Northern Ireland Business Activity Index, October 2024

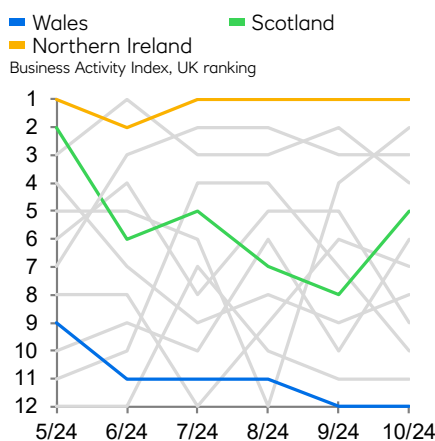
55.8

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.

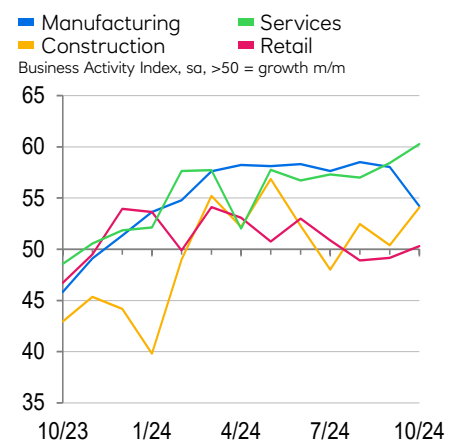
Data compiled 10-29 October



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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

Sebastian Burnside, NatWest Chief Economist, commented:

“After an impressive third quarter of the year, the Northern Ireland private sector started the final quarter in a similar vein, recording rapid growth of business activity on the back of solid increases in new orders.

“Northern Ireland remained a standout performer across the UK, posting the fastest increases in output and employment. The latter rose solidly, despite ongoing reports from firms of difficulties recruiting staff amid a shortage of suitable candidates.

“Candidate shortages meant that wage pressures remained an issue for companies, but overall input costs increased at the slowest pace for 15 months. The good news on inflation was also seen with regards

to selling prices, which increased at the softest pace since January.

“Despite the continued growth in the private sector, business sentiment dropped to the weakest in the year-to-date. The survey was conducted prior to the Budget and so we'll be able to see next month what impact, if any, the changes to taxation and spending have on local company confidence.

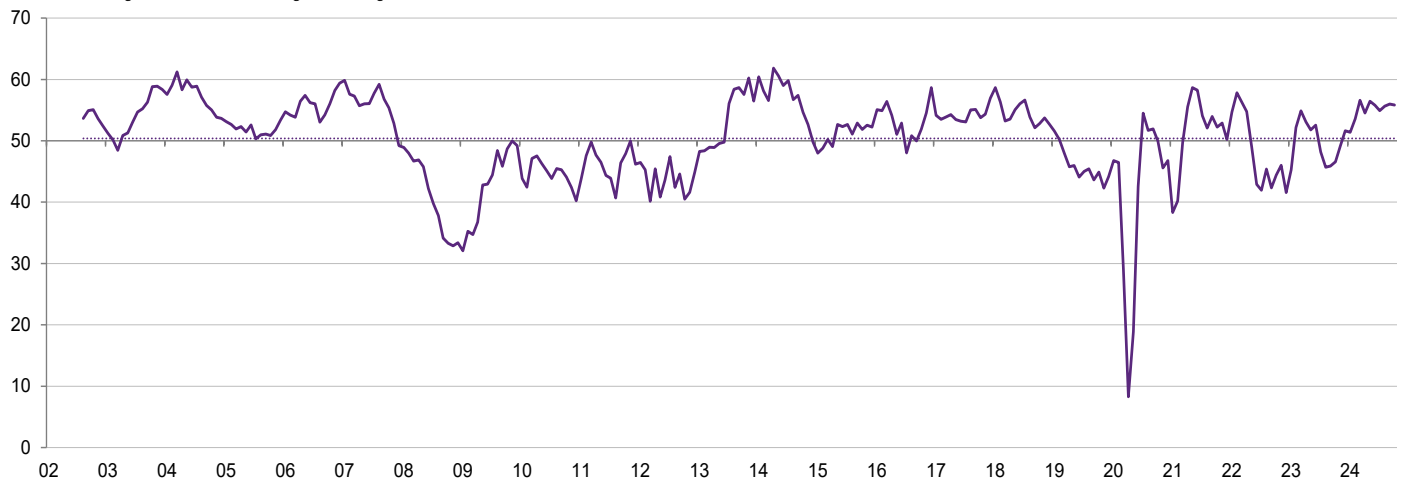
“Looking at the sector breakdowns of the latest figures, it was positive to see all four categories recording increases in output, but retailers generally remained under pressure, posting reductions in new orders and employment and expressing pessimism for the outlook, not a great position to be in heading towards the all-important festive period.”

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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

Continued expansion of new orders

As has been the case in each month of 2024 so far, new orders increased in the Northern Ireland private sector during October. The rate of expansion was solid, albeit the slowest since February. The rise in Northern Ireland was slightly stronger than the UK average.

Three of the four monitored sectors saw new business increase, led by services. Retail was the only category to post a reduction.

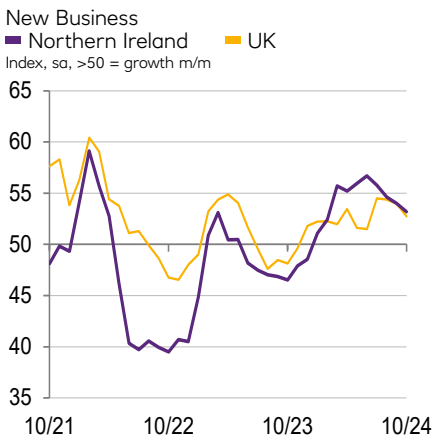
Expectations that new business will continue to rise over the coming

year supported continued optimism in the 12-month outlook for output, with one-third of respondents predicting growth.

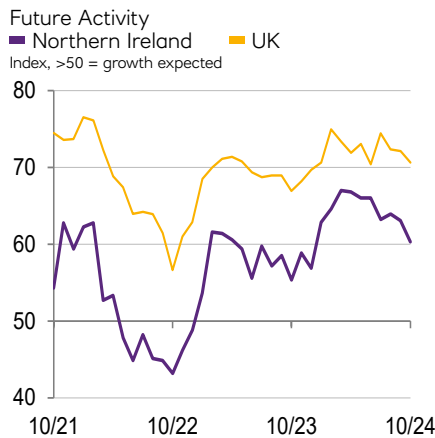
Sentiment dipped to a ten-month low and was the weakest of the 12 monitored UK regions and nations, but remained well above the nation's series average.

Manufacturing posted the strongest sentiment of the broad sectors covered. Meanwhile, in line with the picture of falling new orders, retailers expressed a pessimistic outlook, the first time in almost two years in which this has been the case.

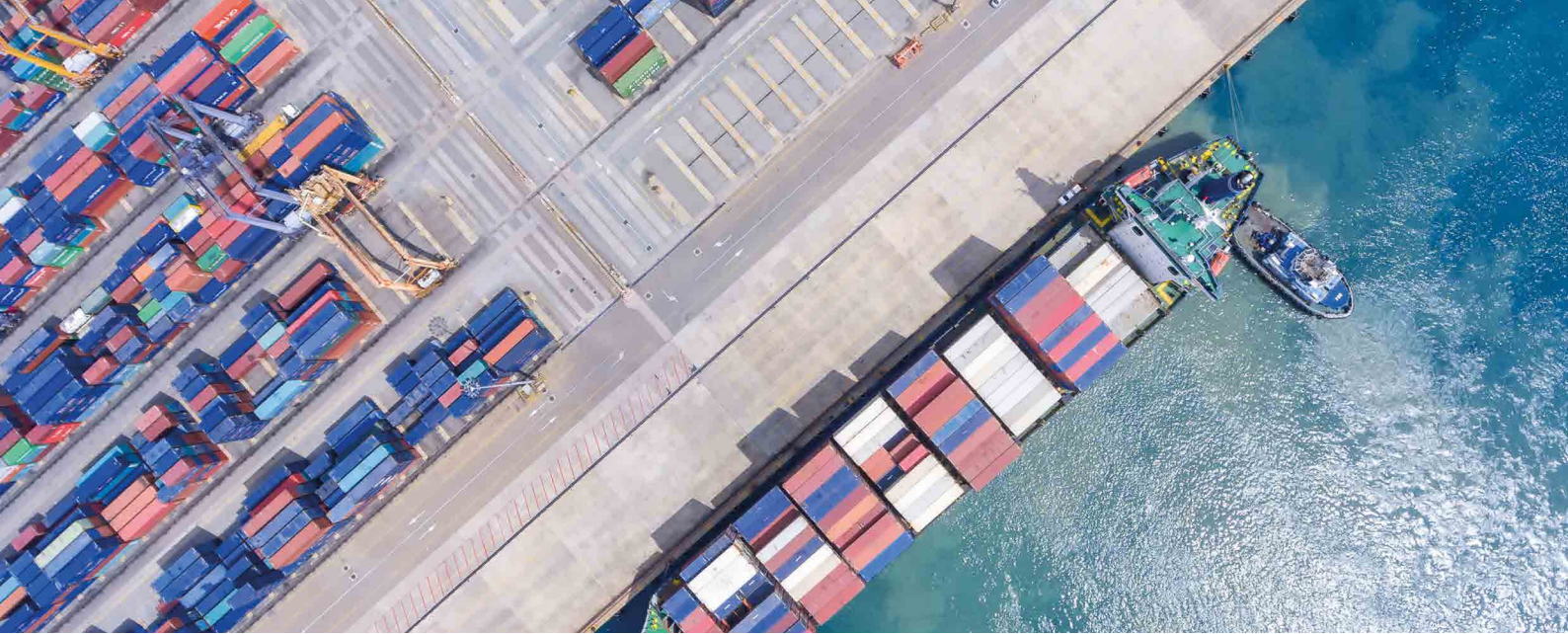
"The survey was conducted prior to the Budget and so we'll be able to see next month what impact, if any, the changes to taxation and spending have on local company confidence."



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



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Export markets

New export orders down sharply

New business from abroad decreased rapidly at the start of the final quarter of the year, contrasting with the expansion in total new orders.

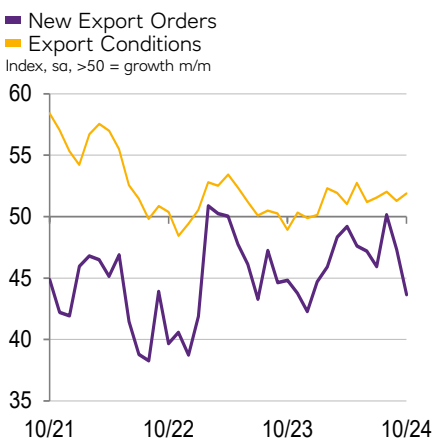
The latest fall in new export orders was the second in as many months, and most pronounced since December last year.

Export demand conditions strengthen

The ECI posted 51.9 in October, up from 51.3 in September and signalling a strengthening of the export climate for the tenth consecutive month. The latest improvement in export demand conditions was modest.

Sustained expansions in output were seen in the Republic of Ireland and USA, while Canada posted a rise for the first time in five months. Less positive were sustained contractions in Germany and the Netherlands.

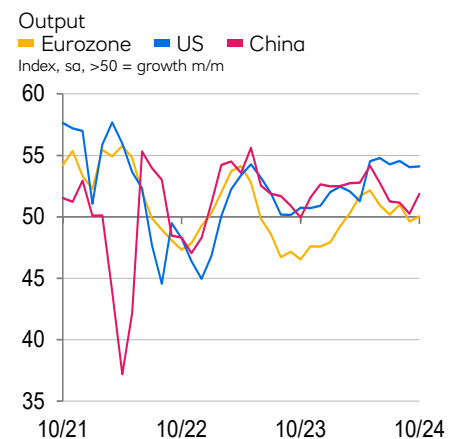
The Northern Ireland Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Northern Ireland. A reading above 50 signals an improvement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



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

Employment rises for twenty-second month running

Northern Ireland companies continued to expand their workforce numbers in October, extending the current sequence of job creation to 22 months. Although easing to a four-month low, the pace of job creation remained solid and was the sharpest of the 12 UK regions and nations covered.

Some companies indicated that recruiting staff had been challenging given candidate shortages.

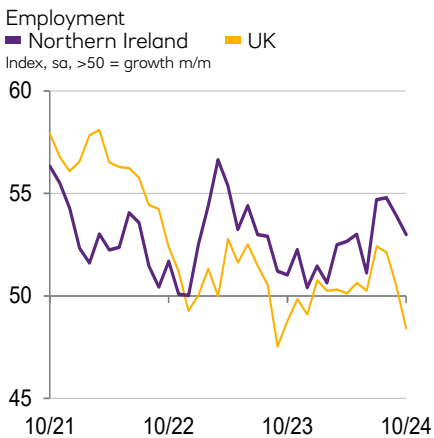
Three of the four sectors signalled a

rise in employment, with only retail posting a fall.

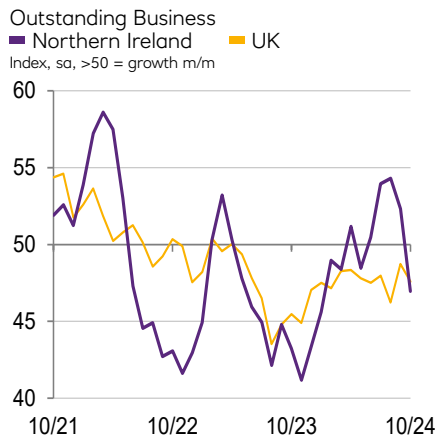
Sustained job creation helped firms to work through outstanding business in October, thereby ending a four-month sequence of accumulation. Moreover, the solid fall in backlogs was the most marked since January.

Firms signalled a further lengthening of suppliers' delivery times, and one that was the most pronounced in 21 months. Some companies reported delays in shipping from Asia.

"...ongoing reports from firms of difficulties recruiting staff amid a shortage of suitable candidates."



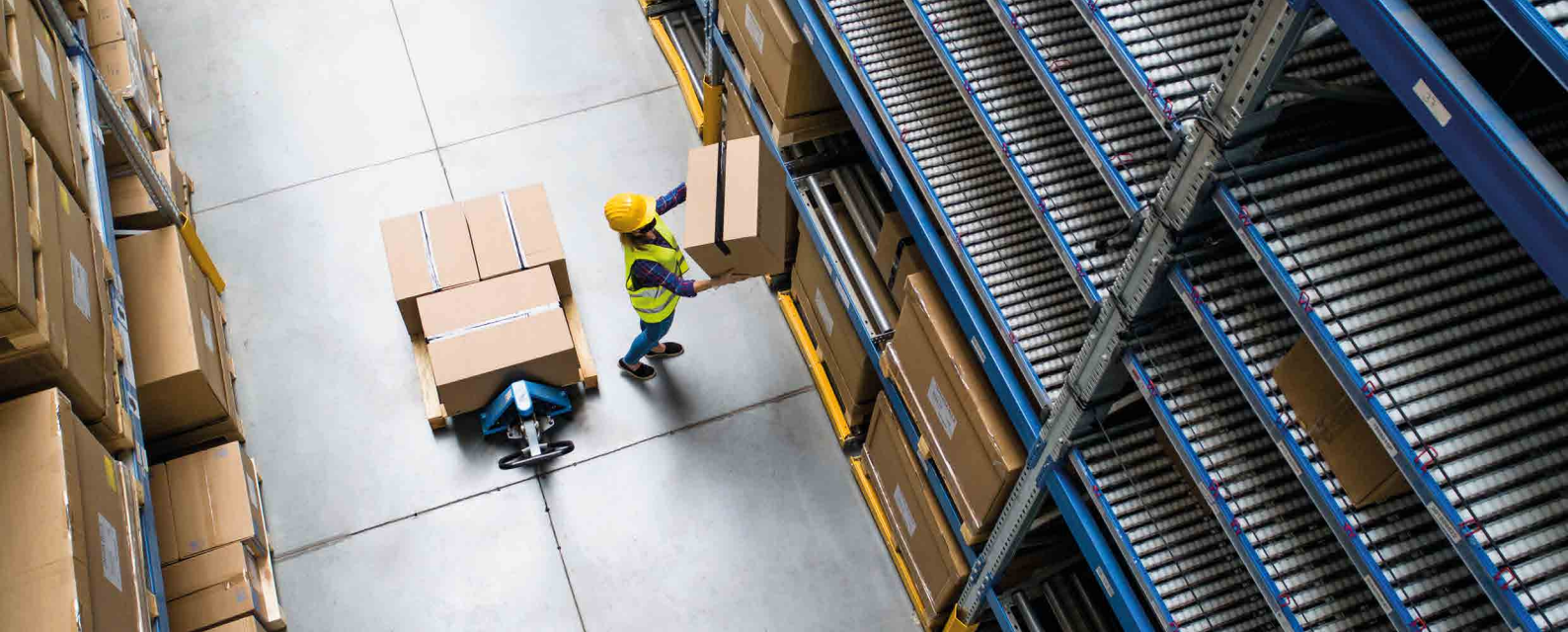
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Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



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Inflation

Inflationary pressures soften at start of final quarter

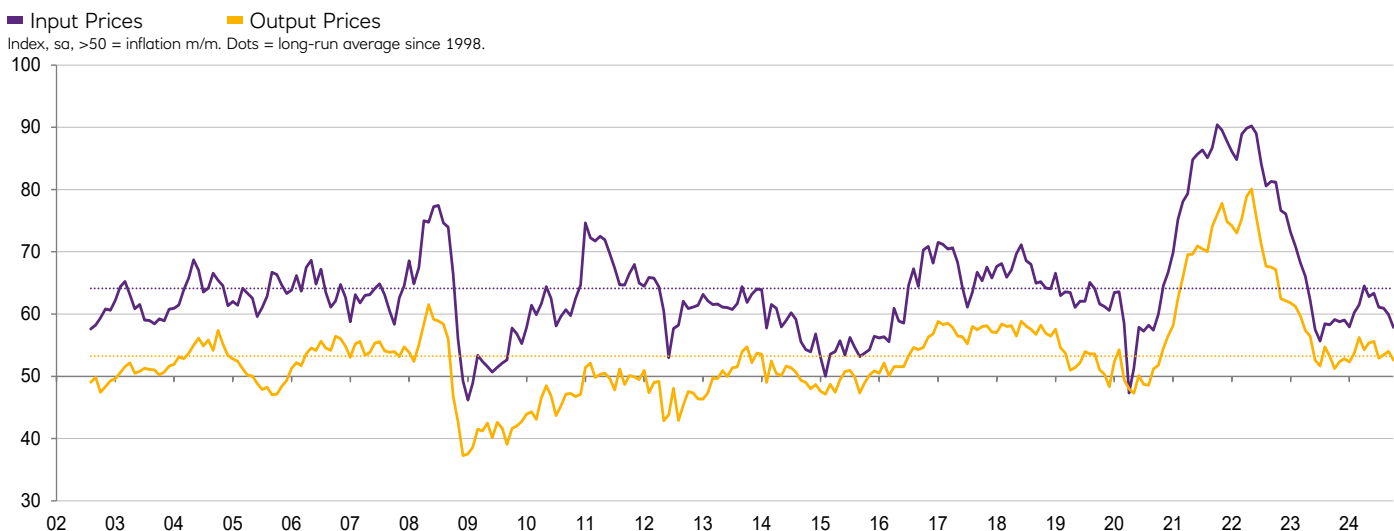
Although input costs continued to rise sharply during October, the pace of inflation eased for the fourth consecutive month to the slowest since July 2023.

Higher wages were mentioned by a number of firms, while there were also reports of fuel costs having increased.

In line with the picture for input costs, the pace of output price inflation also eased and was at a nine-month low. In fact, the rise in charges in Northern Ireland was the slowest of the 12 monitored UK regions and nations.

Construction posted the fastest increase in selling prices during the month, while manufacturers cut their selling prices for the first time since February.

"The good news on inflation was also seen with regards to selling prices, which increased at the softest pace since January."



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

UK Regional Growth Tracker

Business Activity

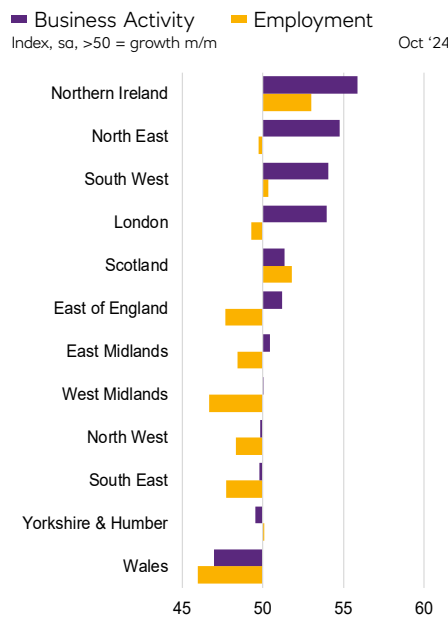
Just over half of the 12 UK nations and regions saw a rise in business activity in October, down from 11 in September. Northern Ireland continued to see the strongest growth, while there were also solid increases in output across the North East, South West and London. Wales recorded the steepest drop in activity and was joined in contraction by Yorkshire & Humber, the South East and North West.

Employment

Most areas of the UK recorded a reduction in employment as the final quarter of the year got underway. As was the case with business activity, Wales recorded the most marked decline – its sharpest for nine months. Other notable decreases were seen in the West Midlands, East of England and South East. For the fourth month running, the strongest rate of job creation was registered in Northern Ireland.

Future Activity

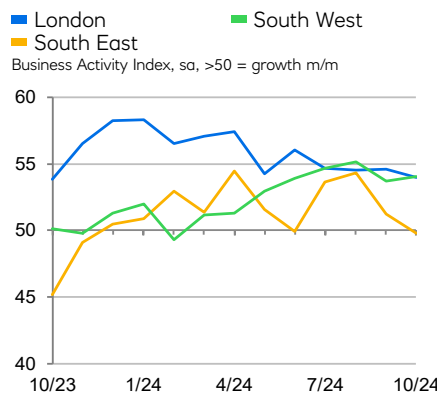
Business expectations remained positive across the board, but in just over half of cases there was a decrease in optimism from the month before. This included Northern Ireland, which saw sentiment weaken to a ten-month low and recorded the lowest degree of business confidence UK-wide. At the other end of the scale, the North West saw expectations improve notably to the highest since July.



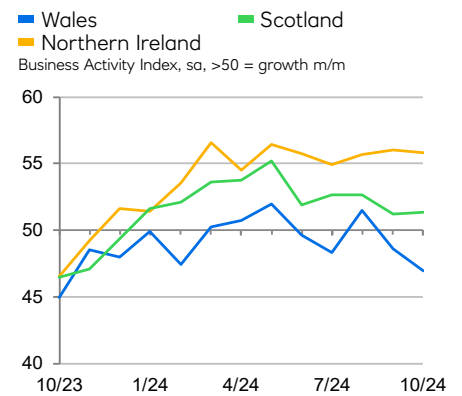
Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



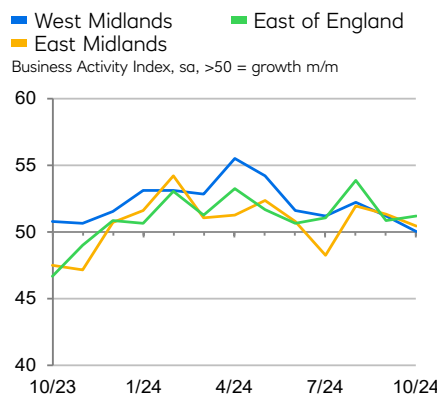
Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



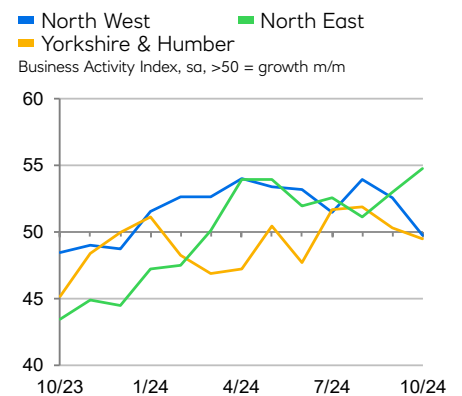
Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



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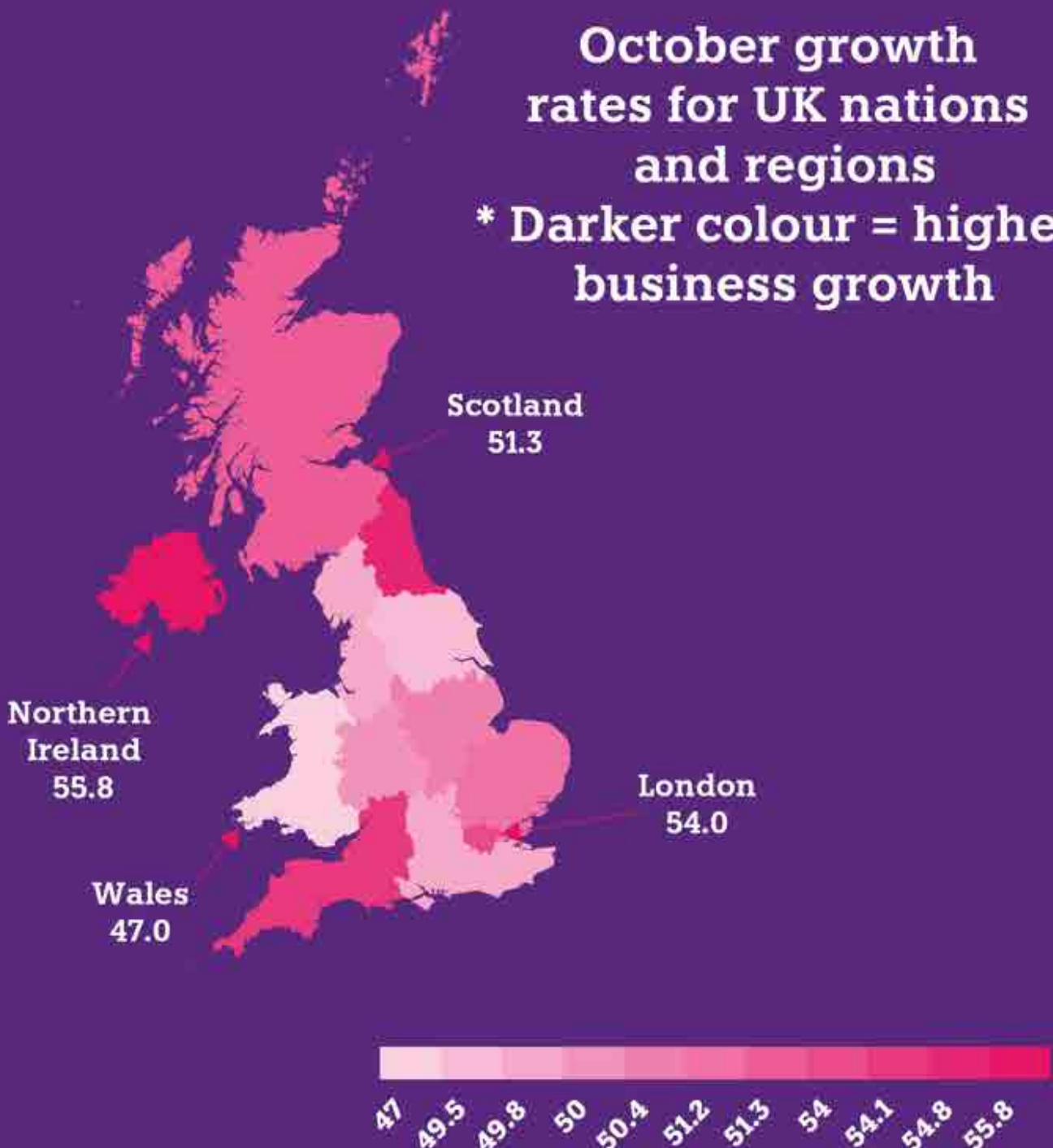
Sources: Ulster Bank, S&P Global PMI. ©2024 S&P Global.



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

October growth rates for UK nations and regions

* Darker colour = higher business growth



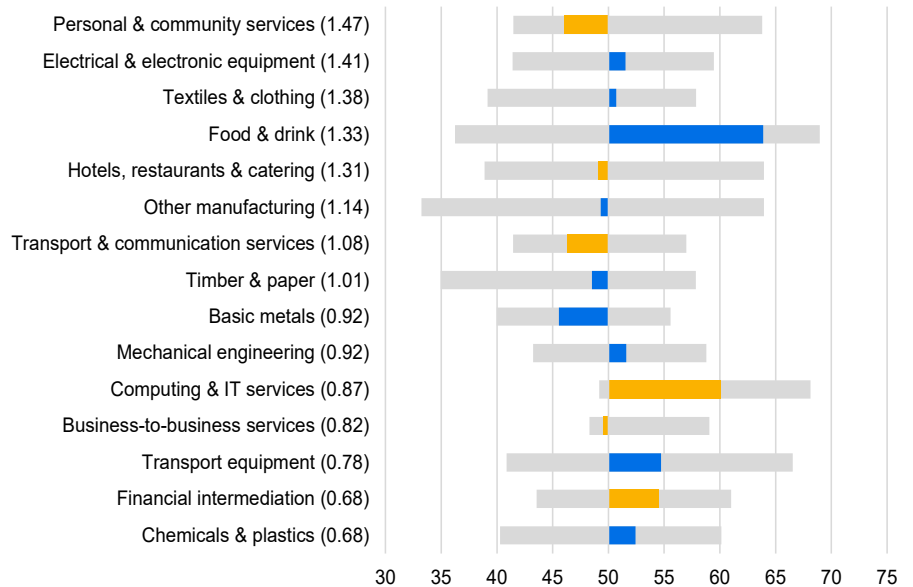
UK sectors

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 Oct '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: Basic metals

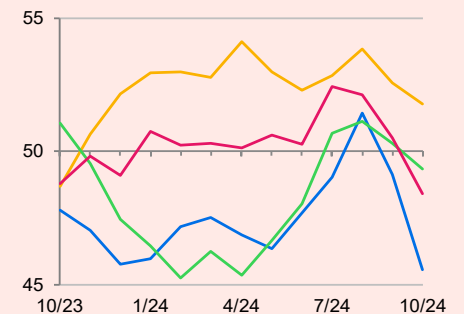
The basic metals sector acted as a notable drag on overall UK economic growth in the three months to October. It recorded the steepest drop in output since Q2 2023 and was the worst-performing sector of those monitored across manufacturing and services.

Basic metals producers reported persistent weakness in demand, with new orders having been in decline for almost two-and-a-half years. A lack of export sales was a contributing factor, underlying data showed.

Employment was also down in the three months to October, following a brief spell of job creation over the summer months. This reversal in recruitment activity coincided with a dip in optimism towards the outlook.

Turning to prices, the basic metals sector saw muted inflationary pressures, with both input costs and output prices rising at rates well below their respective historical averages. Supply-side conditions were relatively stable, as highlighted by only a fractional increase in average lead times on inputs.

Output / Employment
 ■/■ Basic metals*
 ■/■ 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.

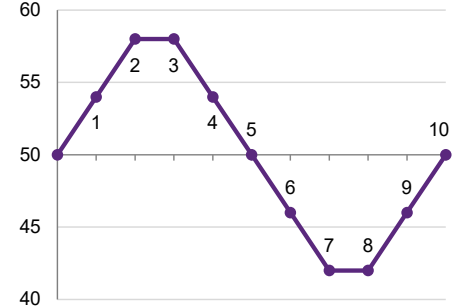
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously.

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
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
10/24	55.8	53.2	43.7	51.9	53.0	47.0	46.6	60.3	57.8	52.6

	Business Activity	New Business	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
Manufacturing 10/24	54.2	53.7	51.4	48.6	68.4	54.8	47.8
Construction 10/24	54.1	54.6	56.8	46.8	54.3	65.1	64.5
Retail 10/24	50.3	48.0	46.7	37.4	45.5	54.2	50.3
Services 10/24	60.3	55.5	55.3	54.5	62.3	59.1	54.3

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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