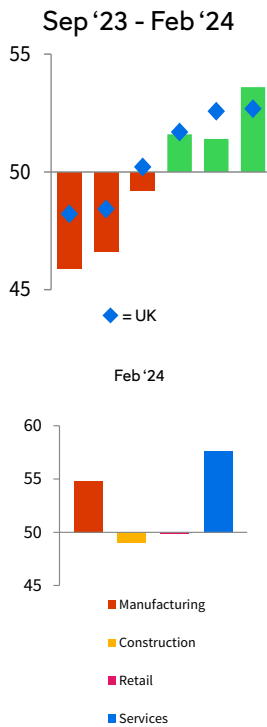
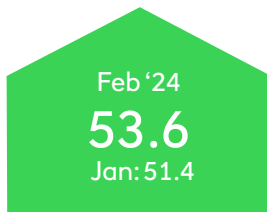


# Ulster Bank Northern Ireland PMI<sup>®</sup>

## Business activity rises at fastest pace in almost a year

### Northern Ireland Business Activity Index



### Key findings

Rates of expansion in output and new orders accelerate

Business confidence at 33-month high

Supply-chain delays caused by Red Sea crisis

Growth gathered momentum in the Northern Ireland private sector during February, with both output and new orders increasing at sharper rates. In turn, companies continued to increase their staffing levels. Meanwhile, shipping delays due to the Red Sea crisis caused longer delivery times and added to cost burdens.

The headline seasonally adjusted Business Activity Index rose to 53.6 in February from 51.4 in January, signalling a third successive monthly increase in output in the private sector. Moreover, growth was solid and the fastest since March 2023.

Rises in output were centred on the manufacturing and services sectors, while construction and retail posted reductions.

Respondents linked higher activity to rising new orders. In some cases, previously delayed projects have been released, helping to build a pipeline of new work. As

such, new orders increased for the second month running in February.

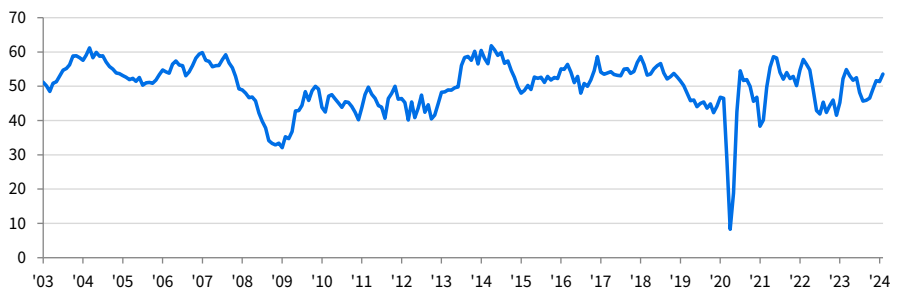
These factors also supported business confidence, which increased to a 33-month high as around 43% of respondents predicted a rise in output over the coming year.

Firms took on additional staff, although the pace of job creation was only slight. Meanwhile, there were some signs of capacity pressures returning as backlogs of work fell to the smallest extent in ten months.

Disruption to the Red Sea shipping route caused suppliers' delivery times to lengthen, while also contributing to higher input costs. Rising wages also added to business expenses, resulting in the sharpest increase in input prices since May last year.

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.

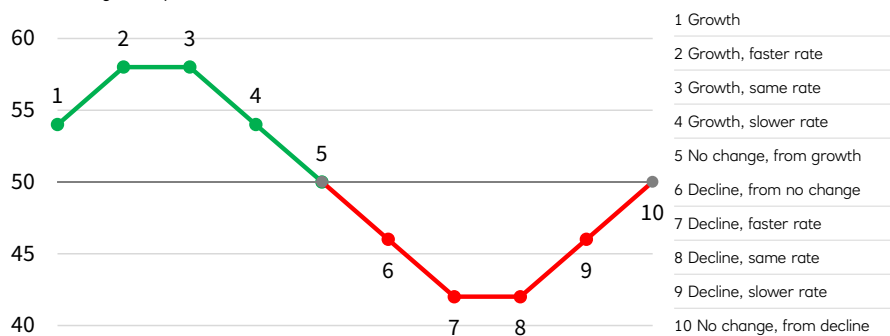
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Northern Ireland Business Activity Index is comparable to the UK Composite Output Index. It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

*“Northern Ireland’s private sector continued to benefit from increased demand in February. Business activity and new orders both expanded last month at their fastest pace in eleven months. However, the continued decline in export orders - 10 consecutive months of contraction - indicates that the pick-up in demand is largely domestically driven.*

*“Services firms posted the steepest rise in business activity in February and alongside manufacturing, recorded its fastest rate of expansion in activity in twenty-two months. Meanwhile retail sales were broadly flat, with construction activity declining modestly in February. Construction was the only one of the four sectors not to experience a pick-up in new orders last month, extending its run of falling demand to thirty-two months.*

*“Despite the overall positive demand picture, local firms reported only a modest increase to their staffing levels. Resource constraints and recruitment difficulties were cited as factors limiting employment growth.*

*“Inflationary pressures and supply chain disruption made an unwelcome return in February’s survey. Rising wages and*

*higher shipping costs resulting from the Red Sea crisis helped propel input cost inflation to a nine-month high. This was most notable amongst manufacturers. Manufacturers and retailers reported a marked lengthening in supplier delivery times. Encouragingly, this is not the case within construction. Indeed, construction firms continued to report a shortening in their supplier delivery times and input costs within the building industry eased to their lowest rate in forty-four months.*

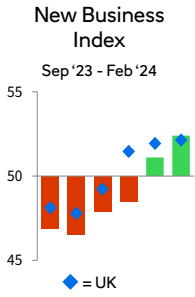
*“The return of a Stormont Executive has undoubtedly boosted business confidence, with Northern Ireland’s private sector its most optimistic about future activity in thirty-three months. Some survey respondents said that an unblocking of previously delayed work is helping to build a pipeline of new activity. Sentiment was particularly strong amongst manufacturers, with optimism about future output at a record high. Even the beleaguered construction industry is now relatively optimistic about output in 12 months’ time.”*



## Demand and outlook

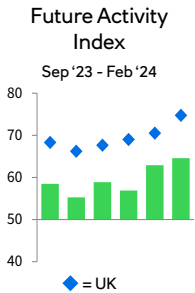
### Solid expansion in new orders

After returning to growth in January, new business increased again in February. Moreover, the rate of expansion quickened to an 11-month high and was solid. Improving demand and stronger customer confidence supported the rise in new orders. Manufacturing new work increased at the fastest pace in 22 months, while growth was also recorded in services and retail. Construction new orders declined, however.



### Confidence strengthens further

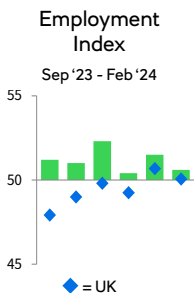
Optimism improved for the second consecutive month in February and was the highest since May 2021. Around 43% of respondents predicted that output will rise over the coming year, linked to the release of previously delayed projects and a good pipeline of new work. Sentiment was particularly strong in manufacturing, with optimism the highest on record.



## Business capacity

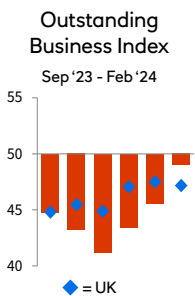
### Slight rise in employment

Northern Ireland companies continued to increase their staffing levels in February, thereby extending the current sequence of job creation to 14 months. The latest rise was only slight, however, and softer than that seen in January. Where employment increased, panellists linked this to rising workloads. Resource constraints and difficulties finding staff limited the pace of job creation, however.



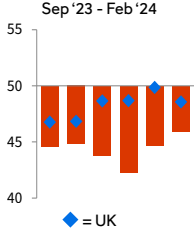
### Much slower reduction in backlogs

Outstanding business neared stabilisation midway through the first quarter as the rate of decline softened for the third month running to the weakest in the current ten-month sequence of depletion. Although companies continued to be able to work through backlogs, there were some reports that new order growth was starting to limit the extent of spare capacity.



## Exports

New Export Business Index  
Sep '23 - Feb '24



### Softer fall in new business from abroad

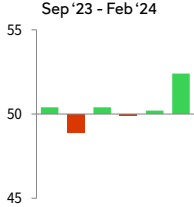
Although new export orders continued to decrease in February, and at a marked pace, the rate of contraction eased to the slowest in six months. New business from abroad has decreased continuously since May 2023.

New Export Business Index  
>50 = growth since previous month

45.9  
Feb '24



Export Climate Index  
Sep '23 - Feb '24



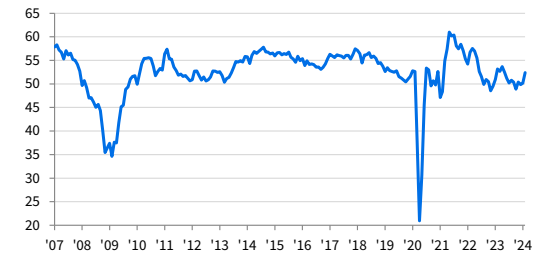
### Export climate improves again

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 52.4 in February from 50.2 in January, signalling a second consecutive monthly improvement in demand conditions for Northern Ireland exporters. In fact, the rate at which the export climate strengthened was the most pronounced since May 2023.

Export Climate Index  
sa, >50 = growth since previous month

52.4  
Feb '24



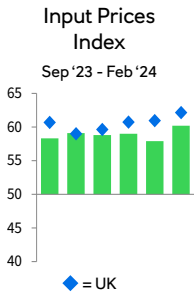
Output growth was signalled in the two largest export markets for Northern Ireland firms, the Republic of Ireland and USA. In both cases rates of expansion quickened from January and were at 12- and eight-month highs, respectively. Less positive were continued reductions in activity in the Netherlands, Canada and Germany, although Germany was the only economy to post a sharper reduction in output than at the start of the year.

Top export markets, Northern Ireland

Rank	Market	Weight	Output Index, Feb '24
1	Republic of Ireland	46.0%	54.4
2	USA	12.2%	52.5
3	Netherlands	5.9%	49.7
4	Canada	5.0%	47.1
5	Germany	4.4%	46.3

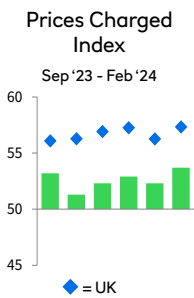


## Prices



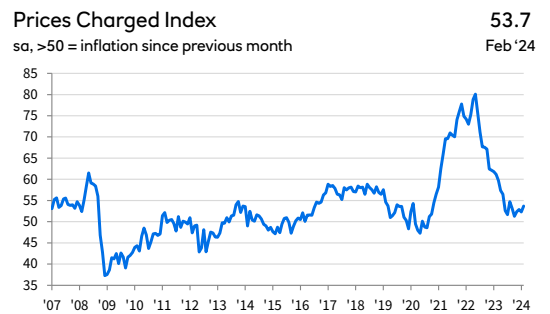
### Sharp rise in input prices

Rising wages and higher shipping costs as a result of the Red Sea crisis caused a further marked increase in input prices during February. The rate of inflation accelerated to a nine-month high, but was still much softer than seen during 2021 and 2022. Services posted the fastest rise in input prices of the broad sectors covered, while the rate of inflation in manufacturing accelerated sharply.

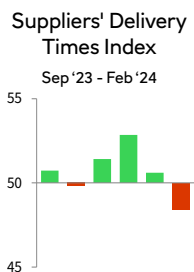


### Selling prices continue to increase

The rate of output price inflation quickened to a six-month high in February, with charges up solidly during the month. Companies often passed on higher input costs to customers, but some were reluctant to do so given competitive pressures. Charges rose across three of the four monitored sectors, with only manufacturing seeing a fall. Here though, the pace of reduction eased sharply over the month.

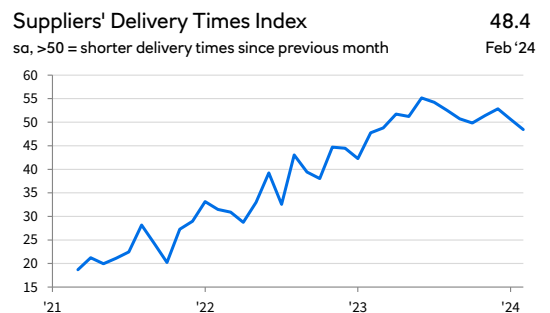


## Suppliers' Delivery Times



### Delivery times lengthen in February

Shipping delays as a result of the Red Sea crisis caused a lengthening of suppliers' delivery times in February, the first in four months. The manufacturing and retail sectors were particularly affected, seeing lead times lengthen markedly. Meanwhile, construction and services saw vendor performance improve.



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

#### Northern Ireland specialisation: Services

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

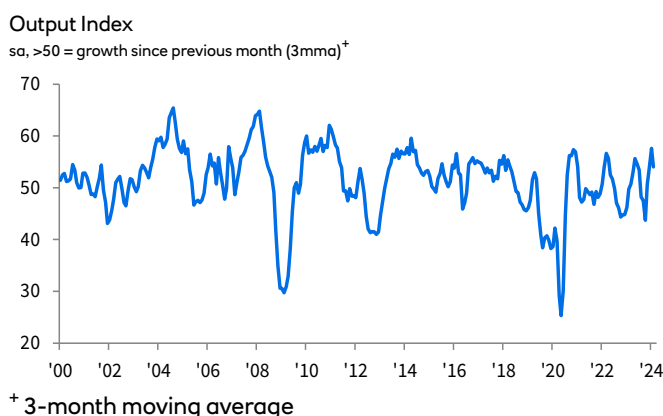
## UK sector focus

### Transport Manufacturing

Transport manufacturers recorded solid output growth in the three months to February. This was in contrast to the sustained downturn in overall UK goods production over the same period.

That said, the upturn in Transport output merely represented a rebound from the decline seen last autumn, and underlying demand in the sector remained weak. New orders continued falling in line with the trend throughout the second half of last year, albeit with the rate of decline easing. Lower sales from abroad were a factor. The disparity between rising output and shrinking order books contributed to a marked rise in stocks of finished goods in the three months to February.

Production expectations in the Transport manufacturing sector were close to the lowest seen over the past three years. Latest data meanwhile showed employment falling – albeit marginally – for the first time since the first quarter of 2023, with firms also cutting back on purchasing activity.



# UK Regional PMI overview

## Business Activity

Two-thirds of the monitored UK nations and regions recorded business activity growth in February. London remained out in front despite seeing its pace expansion ease to a three-month low. At the other end of the scale, Wales posted a solid and accelerated fall in output, while declines were also seen in the North East, Yorkshire & Humber and South West.

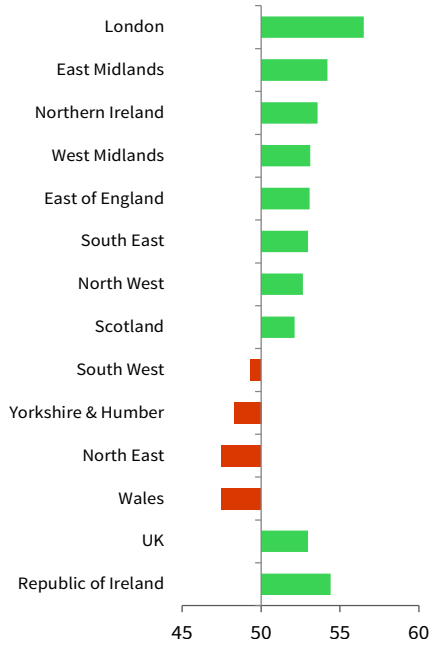
## Employment

Scotland topped the rankings for employment growth for the fourth time in the past five months in February, pushing London back down into second place. The East of England, Northern Ireland\*, South West and South East all saw slight increases in workforce numbers, while the North West recorded no change. Job cuts were seen everywhere else.

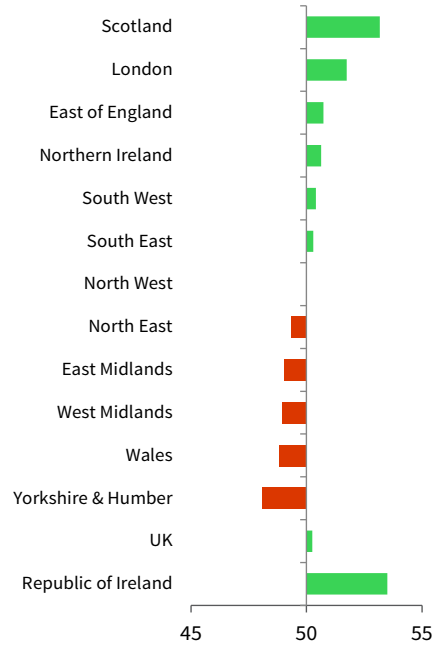
## Future Activity

Business expectations improved in the majority of areas midway through the opening quarter. The South East recorded the highest degree of optimism, the first time this has been the case for eight months. Confidence was lowest in the North East, which was one of just two areas where sentiment weakened from the month before (along with the West Midlands).

**Business Activity Index**  
sa, >50 = growth since previous month, Feb '24



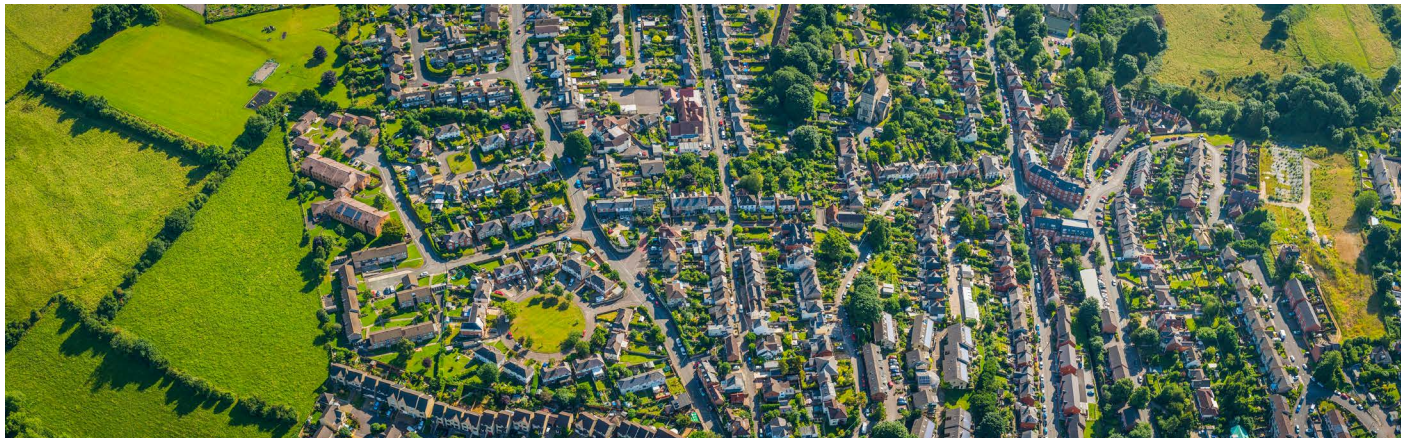
**Employment Index**  
sa, >50 = growth since previous month, Feb '24



**Future Activity Index**  
>50 = growth expected over next 12 months Feb '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
Sep '23	45.9	46.9	58.5	51.2	44.8	44.6	50.4	58.3	53.2	50.7
Oct '23	46.6	46.5	55.3	51.0	43.2	44.8	48.9	59.1	51.3	49.8
Nov '23	49.2	47.9	58.9	52.3	41.2	43.8	50.4	58.8	52.3	51.4
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	50.2	57.9	52.3	50.6
Feb '24	53.6	52.4	64.6	50.6	49.0	45.9	52.4	60.2	53.7	48.4

### By Sector, February '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	54.8	53.6	72.1	50.1	45.8	56.3	49.1
Construction	49.0	42.7	63.0	53.0	47.2	56.8	54.8
Retail	49.9	52.3	66.7	49.6	47.7	60.8	53.3
Services	57.6	51.2	59.8	51.7	50.9	62.2	55.1

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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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Purchasing Managers' Index™ (PMI<sup>®</sup>) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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