9 June 2025

Ulster Bank Northern Ireland Growth Tracker

Output returns to growth in May driving optimism for local business

Ulster Bank

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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

First rise in activity for six months

Business confidence picks up

Slower reductions in new orders and employment

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

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Output returns to growth in May driving optimism for local business

The latest Ulster Bank Regional Growth Tracker pointed to a renewed increase in business activity midway through the second quarter.

Panellists reported signs of demand improving, while better weather conditions helped to boost activity in some cases.

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 50.9 in May from 47.0 in April, back above the 50.0 no-change mark for the first time in six months and signalling a slight increase in output across the private sector.

Three of the four broad sectors covered by the report saw activity increase in May, led by construction where output rose for the first time in seven months. A renewed expansion of services activity was also recorded, while manufacturing production continued to grow. Retail activity decreased, but to a much lesser extent than in the previous survey period.

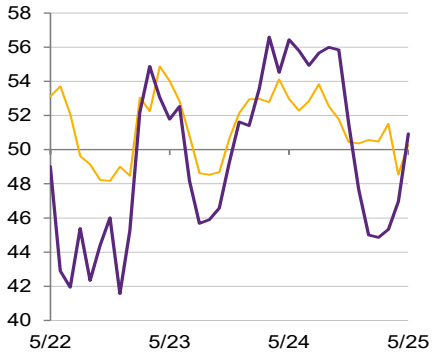
Ulster Bank Northern Ireland Business Activity Index,

50.9

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 May

Business Activity
Northern Ireland UK
Index, sa, >50 = growth m/m



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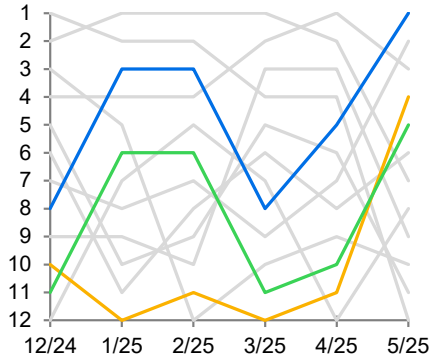
Wales Scotland
Northern Ireland
Business Activity Index, UK ranking



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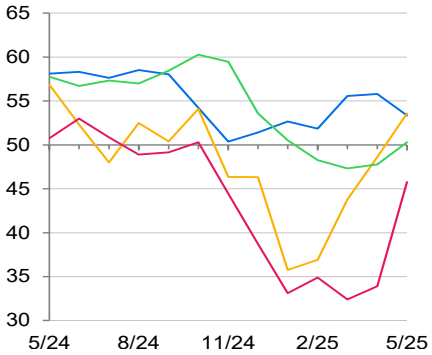
Manufacturing Services
Construction Retail
Business Activity Index, sa, >50 = growth m/m



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Comment

Sebastian Burnside, Chief Economist for Ulster Bank, commented:

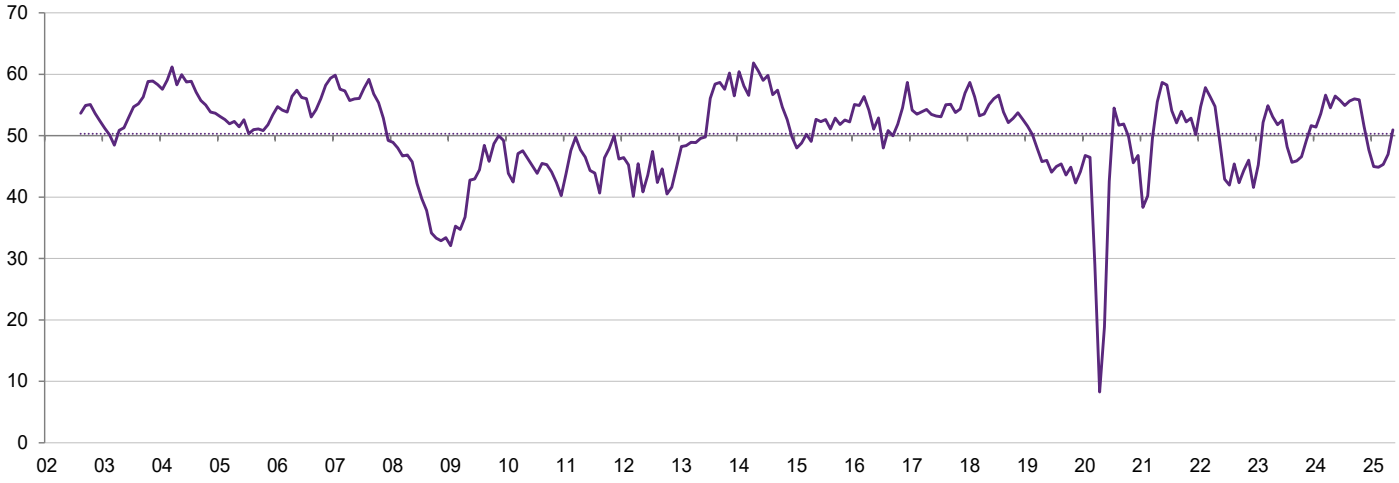
"We can take a lot of encouragement from the latest Ulster Bank Northern Ireland Growth Tracker data, with the index readings for business activity and new orders the highest since late-2024. Output even returned to expansion territory, suggesting that the worst of the recent soft-patch is behind us.

"If these trends continue in the months ahead, we will hopefully see firms looking to take on additional staff, although the twin pressures of rising overheads and difficulties finding suitable staff were reported again in May.

"While higher staff costs continued to push up overall input prices, inflationary pressures softened since April, again painting a brighter picture as we head towards the mid-point of the year."

Business Activity

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



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Demand and outlook

New orders decrease at much weaker pace in May

Although new orders decreased for the seventh successive month midway through the second quarter of the year, the pace of contraction eased markedly and was only modest. In fact, the fall was the least pronounced since last November.

While demand and customer confidence remained muted, some firms were able to secure new contracts during the month.

Manufacturers posted a rise in new orders again in May. Construction new business stabilised, while services and retail posted slower reductions.

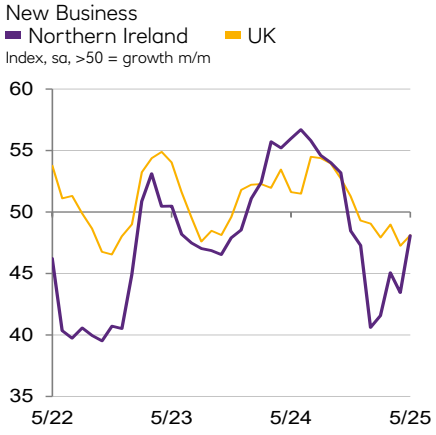
Hopes for an improvement in market demand feeding through to higher new orders resulted in a pick-up in sentiment regarding the year-ahead outlook for business activity in May.

Optimism was much stronger than seen in April and broadly in line with the series average. That said, confidence in Northern Ireland was the lowest seen across the UK.

Sentiment was positive in manufacturing and services, but negative in construction and retail.

"Output returned to expansion territory, suggesting that the worst of the recent soft-patch is behind us."

New Business



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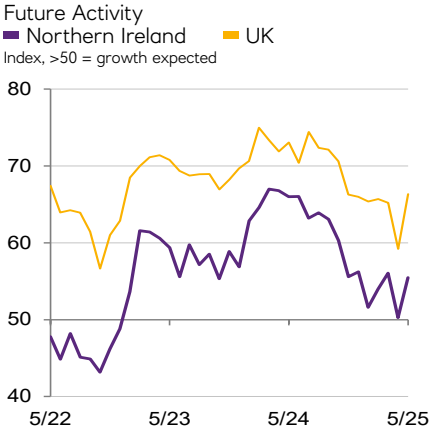
Future Activity



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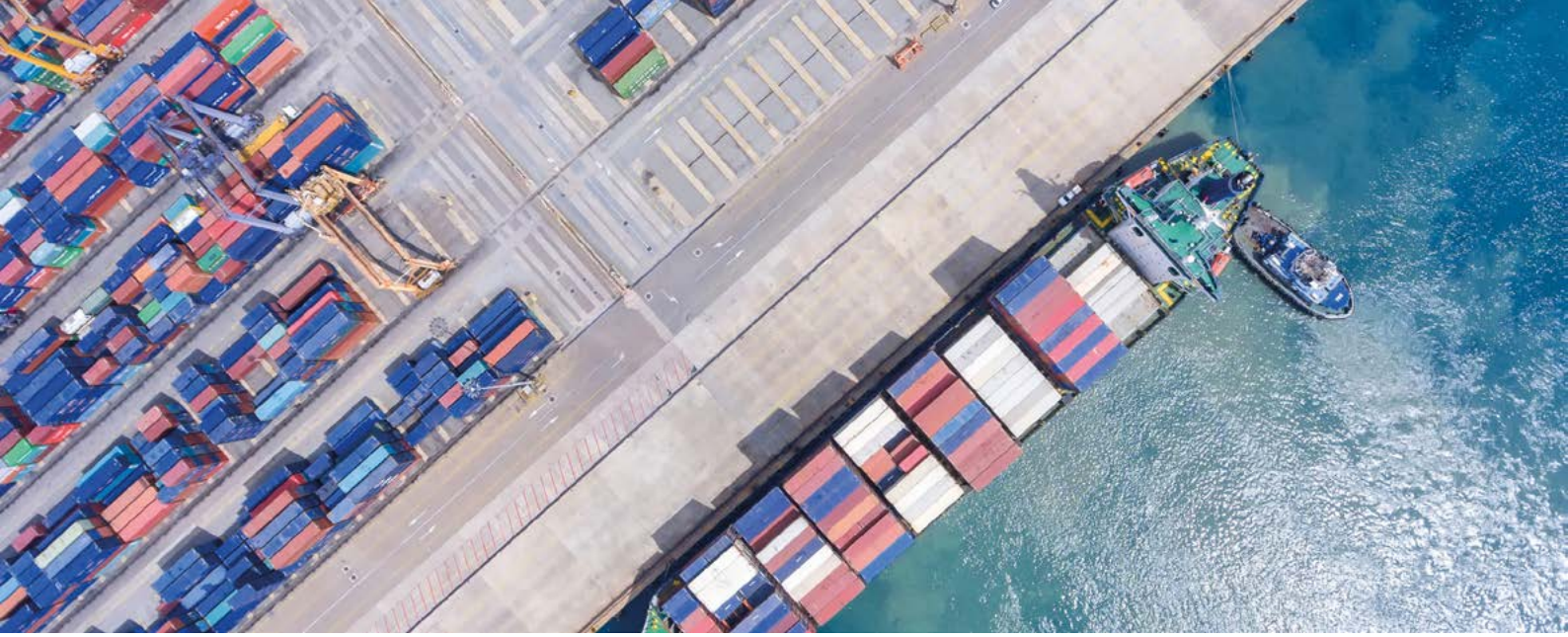


Export markets

Renewed increase in new export orders

New business from abroad returned to growth in May, representing a marked turnaround from the rapid contractions in exports seen earlier in the year. The rise in new business from abroad ended an eight-month sequence of decline. Although modest, the rate of expansion was the most pronounced since January 2019. Where new export orders rose, panellists often mentioned higher new orders from the Republic of Ireland.

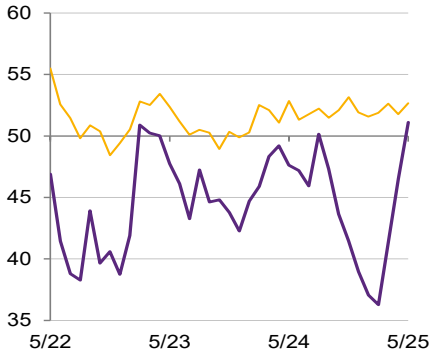
Solid strengthening of export demand conditions

The ECI rose to 52.7 in May from 51.8 in April, signalling a solid monthly improvement in the export climate for Northern Ireland companies midway through the second quarter. Moreover, export demand conditions improved to the largest extent since last November.

Business activity rose in the Republic of Ireland at the fastest pace in six months, with the USA also seeing growth accelerate. In contrast, output decreased in Canada, Germany and France.

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.

New Export Orders
Export Conditions
Index, sa, >50 = growth m/m



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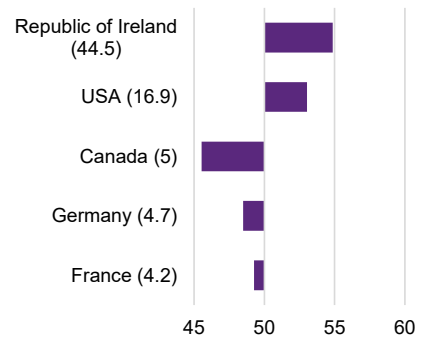
Top export markets, Northern Ireland
% share of exports shown in brackets
Output Index, sa, >50 = growth m/m
May '25



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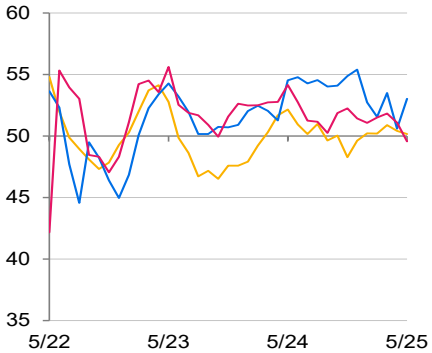
Output
Eurozone US China
Index, sa, >50 = growth m/m



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Jobs and capacity

Companies continue to scale back workforce numbers

May data pointed to a fourth consecutive monthly reduction in staffing levels in the Northern Ireland private sector. The rate of job cuts remained solid, but eased from that seen in April. Some panellists reportedly lowered employment in order to limit overheads, but others linked the drop in staffing levels to difficulties recruiting.

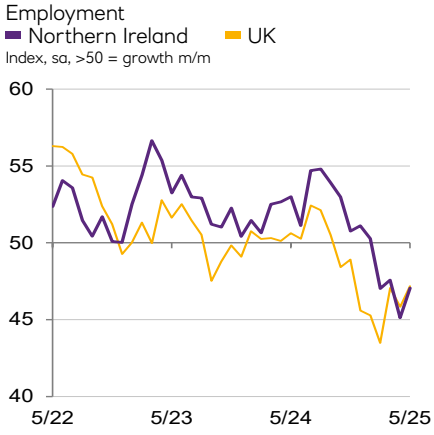
Construction registered an increase in workforce numbers, but reductions were seen elsewhere.

Despite the drop in staffing levels, backlogs of work were depleted again as total new orders continued to fall. Outstanding business decreased markedly and at the fastest pace in three months.

Suppliers' delivery times lengthened for the first time in three months during May. Respondents linked delivery delays to difficulties sourcing materials and Brexit-related issues. The deterioration in vendor performance was solid and the most marked in 2025 so far.

"If these trends continue in the months ahead, we will hopefully see firms looking to take on additional staff."

Employment



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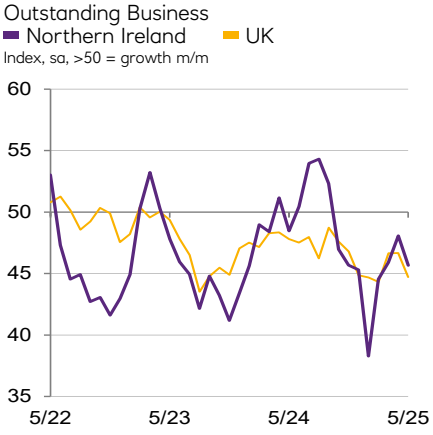
Outstanding Business



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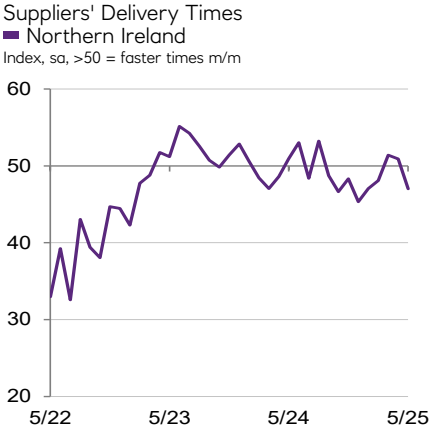
Suppliers' Delivery Times



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Inflation

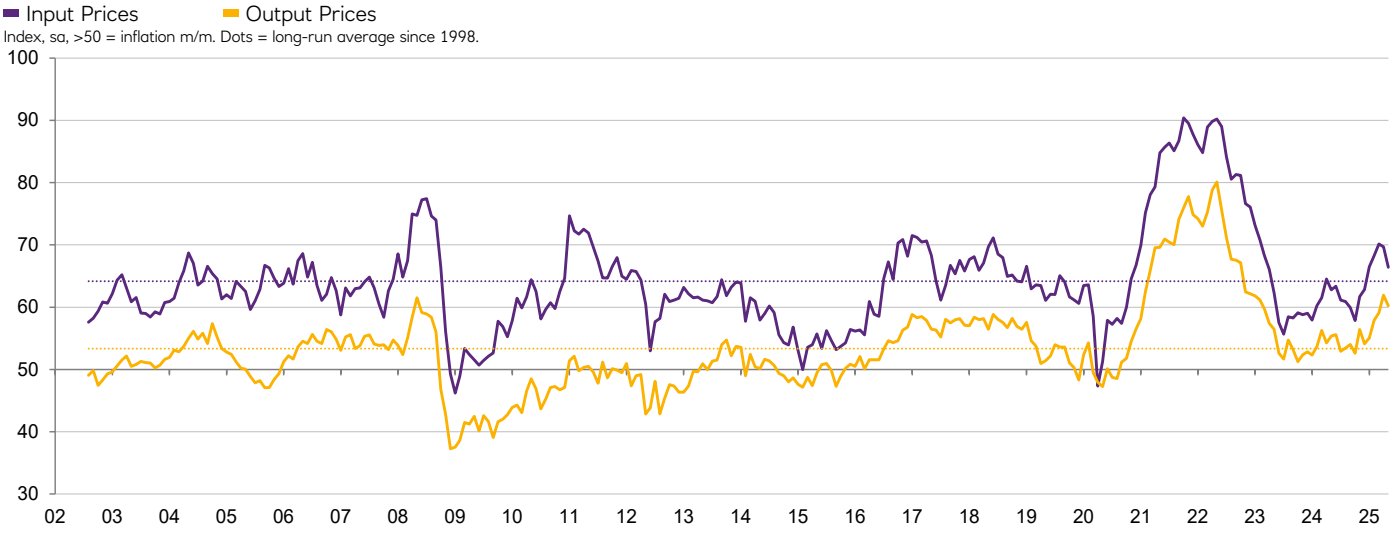
Inflationary pressures show signs of softening in May

Northern Ireland companies continued to face steep increases in input costs during May, again mainly linked to the recent rises in the National Minimum Wage and employer National Insurance contributions. That said, the pace of inflation softened for the second month running and was the weakest in the year-to-date.

Selling prices also rose at a slower pace in May, albeit one that was still sharp and much faster than the series average. In fact, the increase in charges was the steepest of the 12 UK regions and nations.

All four monitored sectors recorded sharp increases in output prices, led by retail.

"While higher staff costs continued to push up overall input prices, inflationary pressures softened since April, again painting a brighter picture as we head towards the mid-point of the year."



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UK Regional Growth Tracker

Business Activity

Half of the 12 UK nations and regions covered by the report saw a rise in business activity in May. Rates of expansion were generally only modest, however, including in the month's fastest-growing area, Wales. Where output of goods and services declined, it fell only slightly and more slowly than in April in most cases.

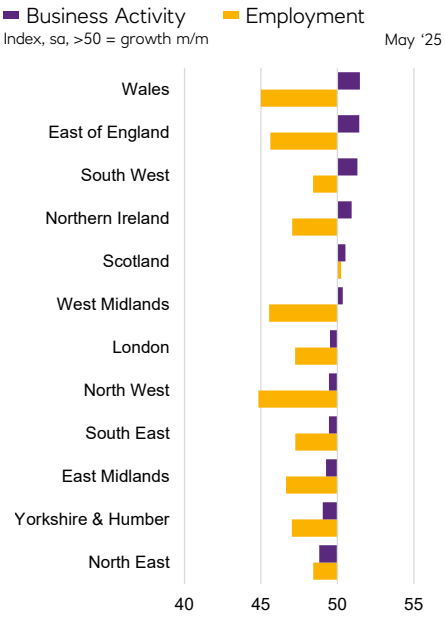
Employment

The majority of areas saw a decrease in employment in May. The steepest decline was seen in the North West, where workforces have now fallen for eight months in a row, although the pace of job shedding there slowed compared to April. Scotland went against the trend and recorded a fractional uptick in staffing levels, its first for six months.

Future Activity

Business confidence towards future activity improved across the board in May. The North West saw the greatest increase in expectations since April, followed closely by London. The highest overall degree of optimism was recorded in the West Midlands, while the lowest was in Northern Ireland*.

*As well as manufacturing and services, coverage in Northern Ireland also includes construction and wholesale & retail.



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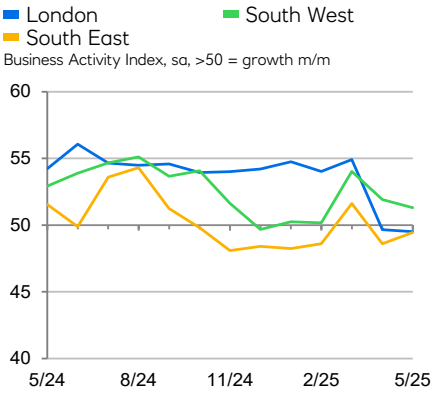

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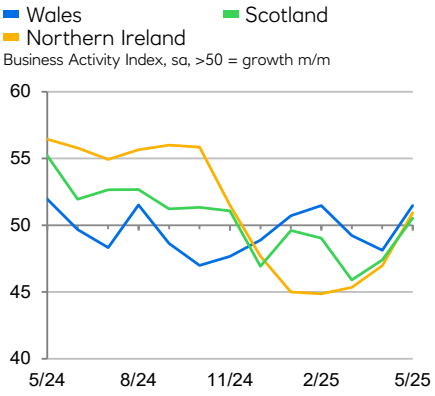

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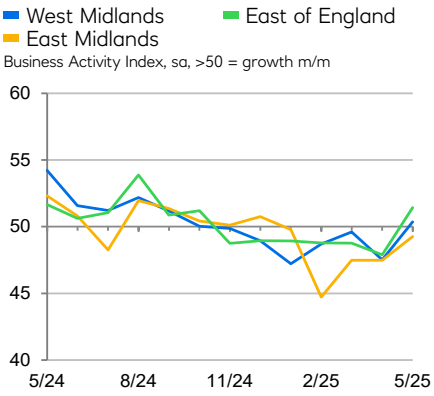

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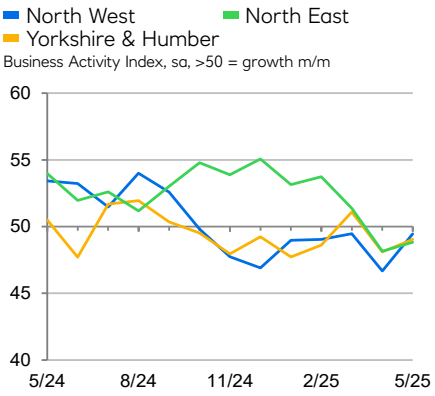

Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.

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Growth Tracker heat map

May 2025

Darker colour = higher business growth

Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Ulster Bank

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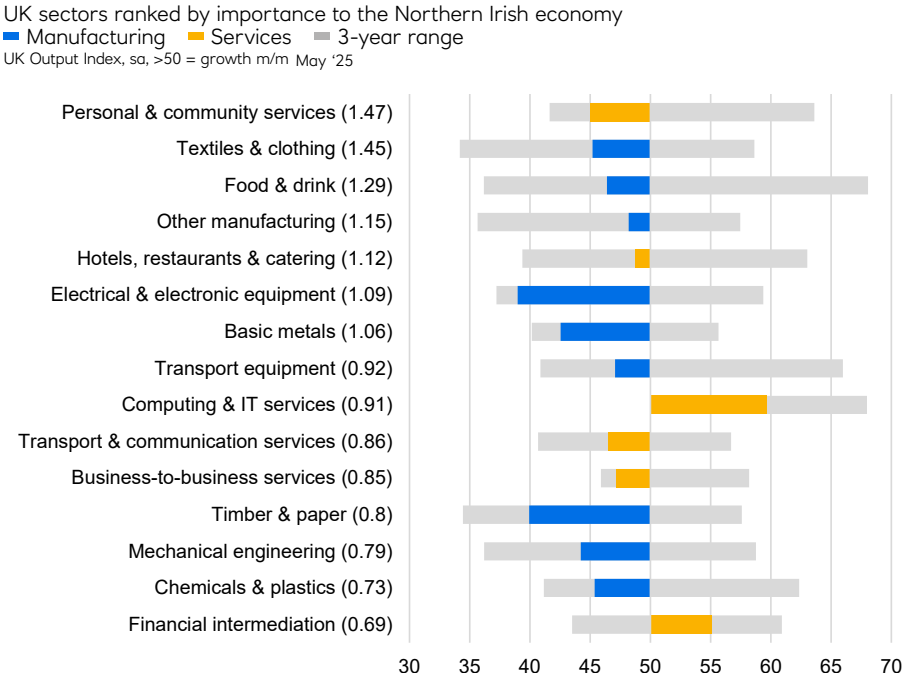
UK sectors

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



Sources: Ulster Bank, S&P Global PMI. ©2025 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: Transport & communication services

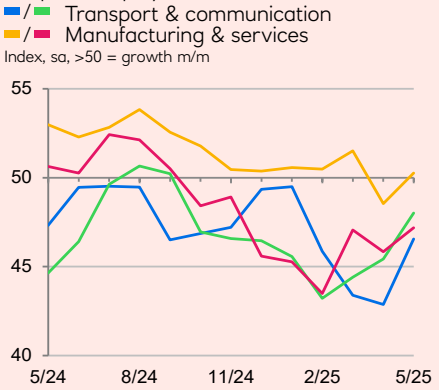
Latest data indicated an easing of the downturn in the UK's transport & communication services sector, after figures for the three months to April had shown business activity falling at the quickest rate since the initial pandemic disruption in the first half of 2020.

A slower decrease in new business was seen alongside a softening of the rate of job shedding in the sector, with employment posting its smallest decline since the current sequence of staff retrenchment began in the three months to October 2024.

Business confidence meanwhile ticked up, although it continued to run at one of the lowest levels over the past two years and well below the long-run average.

On the inflation front, rates of increase in both input costs and output prices quickened on a three-month-moving-average basis. That said, the rise in prices charged was the weakest among the six broad services sub-sectors monitored by the PMI data.

Output / Employment



Sources: Ulster Bank, S&P Global PMI. ©2025 S&P Global.
*Data are smoothed as three-month moving average (3mma).

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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.

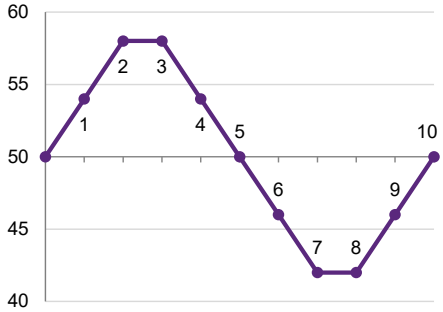
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously.

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



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Key

1	Growth, from no change	6	Decline, from no change
2	Growth, faster rate	7	Decline, faster rate
3	Growth, same rate	8	Decline, same rate
4	Growth, slower rate	9	Decline, slower rate
5	No change, from growth	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
12/24	47.7	47.3	39.0	51.9	51.1	45.3	45.3	56.2	62.8	54.1
1/25	45.0	40.6	37.1	51.6	50.3	38.3	47.1	51.6	66.5	55.1
2/25	44.9	41.6	36.3	51.9	47.0	44.5	48.1	54.0	68.3	57.9
3/25	45.3	45.1	41.4	52.6	47.6	45.9	51.4	56.1	70.2	59.1
4/25	47.0	43.4	46.5	51.8	45.1	48.1	50.9	50.3	69.7	61.9
5/25	50.9	48.1	51.1	52.7	47.0	45.7	47.0	55.5	66.4	60.2

		Business Activity	New Business	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
Manufacturing	5/25	53.3	53.0	48.8	51.7	72.7	66.4	60.7
Construction	5/25	53.6	50.0	56.8	47.4	47.4	66.4	58.5
Retail	5/25	45.8	40.5	39.1	37.4	44.1	65.3	63.5
Services	5/25	50.3	48.6	48.8	48.6	56.2	66.8	59.0

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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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https://www.ulsterbank.co.uk/business/insights/economics.html

https://www.linkedin.com/company/ulster-bank-northern-ireland-business/

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