

Ulster Bank Construction PMI® Report (RoI)

COVID-19 lockdown leads to unprecedented fall in construction activity

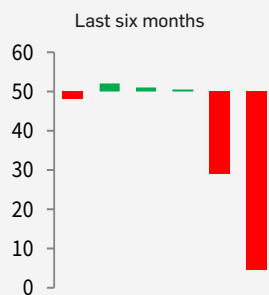
Key Findings

Sharpest decline in activity in survey's history

Unprecedented fall in new orders

Steep reduction in staffing levels

Ireland Construction Total Activity Index



The impact of the coronavirus disease 2019 (COVID-19) pandemic on the Irish construction sector intensified in April as a lockdown in Ireland led to company closures and a collapse in demand. Both output and new orders decreased at severe rates which were unprecedented in almost 20 years of data collection. Employment also fell rapidly, despite some firms maintaining staffing levels. Constructors remained pessimistic regarding the 12-month outlook for activity.

The Ulster Bank Construction Purchasing Managers' Index (PMI) – a seasonally adjusted index designed to track changes in total construction activity – collapsed to just 4.5 in April, well down on the reading of 28.9 in March and by far the lowest since the survey began in June 2000. Prior to April, the worst monthly decline in the sector had been recorded in January 2009 during the global financial crisis.

Respondents indicated that the COVID-19 pandemic and lockdown introduced to try and prevent its spread had been behind the fall, with the shutdown of companies widely mentioned. Around 93% of panellists reported that activity had fallen during the month.

Substantial declines in activity were recorded across the housing, commercial and civil engineering categories.

Similar to the trend in construction activity, a severe reduction in new orders was recorded during April amid widespread reports of companies being closed. The fall in new work was by far the sharpest seen in the survey to-date.

Although employment at construction firms

Total Activity Index
sa, >50 = growth since previous month



also decreased at a record pace in April in response to a lack of work, the rate of decline in staffing levels was softer than those seen for activity and new orders. A number of firms reported having kept workforce numbers stable, with around 44% of respondents signalling no change.

The usage of sub-contractors also fell substantially. In order to try to secure work, sub-contractors reduced their rates at the fastest pace since July 2013.

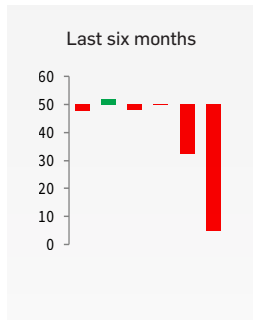
Construction firms strongly reduced their demand for inputs at the start of the second quarter, with purchasing activity decreasing for the second month running and at by far the sharpest pace since the survey began almost 20 years ago.

Meanwhile, lockdowns in Ireland and elsewhere across Europe to prevent the spread of COVID-19 meant that those companies that did order inputs found it increasingly difficult to acquire them. Suppliers' delivery times lengthened to the greatest extent in the survey's history.

Input prices decreased for the first time since August 2013 during April, and at the fastest pace in just over a decade as demand for inputs declined.

For the second month running, construction firms were pessimistic regarding the 12-month outlook for activity. Sentiment was marginally higher than in March, but more than half of all respondents predicted a reduction in activity over the coming year. Pessimism generally reflected expectations that the impact on the economy of COVID-19 would be prolonged.

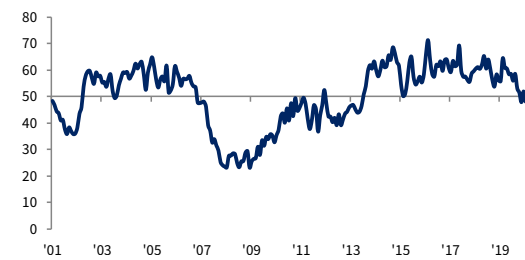
Housing Activity Index



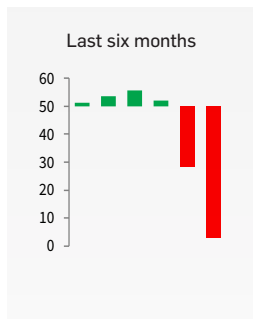
The COVID-19 pandemic had a severe impact on housing activity at Irish construction companies in April. Work on residential projects decreased at a new record pace, comfortably surpassing the previous steepest fall which was registered in December 2008.

Housing Activity Index

sa, >50 = growth since previous month



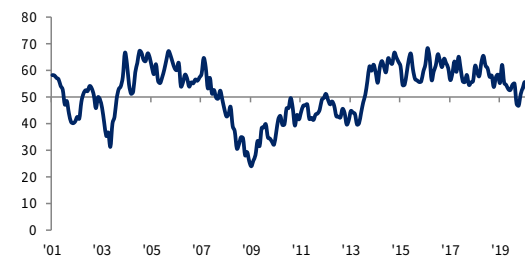
Commercial Activity Index



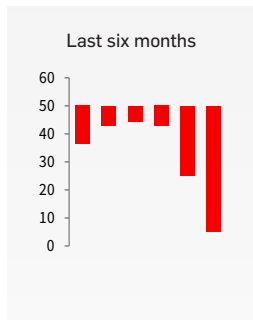
Commercial activity decreased for the second month running in April, with the rate of contraction accelerating sharply to a new record. Around 95% of respondents signalled a fall in activity on commercial projects during the month.

Commercial Activity Index

sa, >50 = growth since previous month



Civil Engineering Activity Index



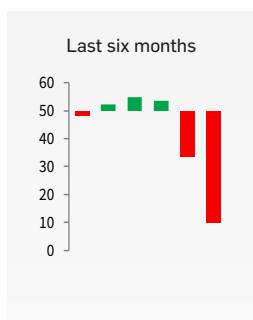
As was the case with the housing and commercial components, civil engineering posted a substantial and accelerated decline in activity during April. The rate of contraction far outweighed the previous record seen in May 2003.

Civil Engineering Activity Index

sa, >50 = growth since previous month



New Orders Index



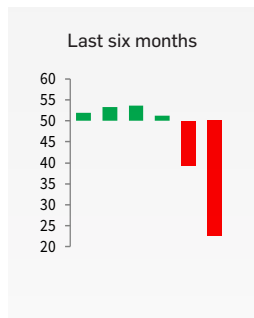
Irish construction companies signalled a considerable decline in new orders during April, with the rate of contraction accelerating to the fastest since the survey began in June 2000. Company shutdowns amid the COVID-19 lockdown were widely reported. Around 84% of panellists reported a decrease in new orders.

New Orders Index

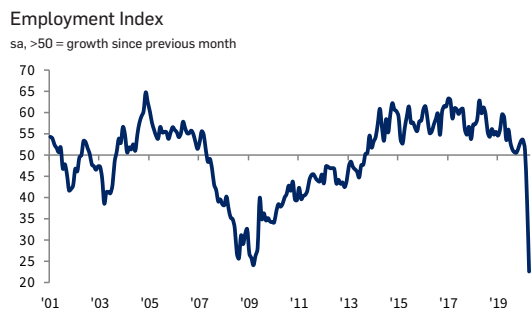
sa, >50 = growth since previous month



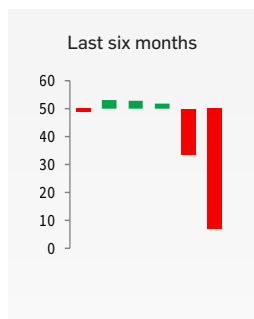
Employment Index



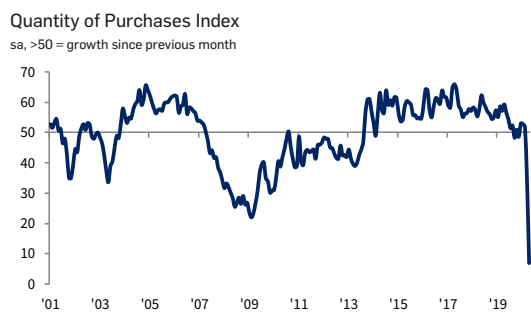
Restrictions on activity amid the COVID-19 pandemic led a number of construction firms to reduce staffing levels during April. In fact, the rate of job cuts was the sharpest in the survey's history. That said, the fall witnessed in employment was less marked than those seen for activity and new orders as some constructors reported having kept workforce numbers unchanged.



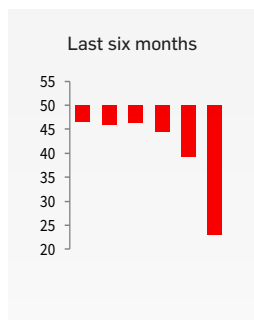
Quantity of Purchases Index



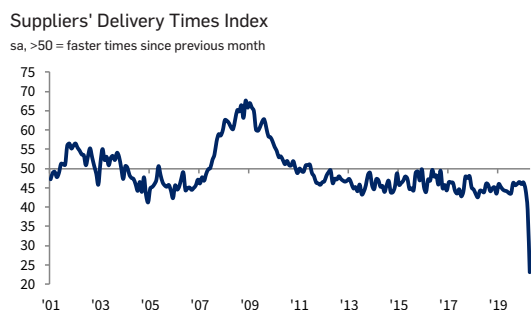
Purchasing activity sank at the steepest rate in almost 20 years of data collection during April. Anecdotal evidence indicated that companies had a reduced requirement for inputs during the lockdown. The fall marked the second reduction in as many months.



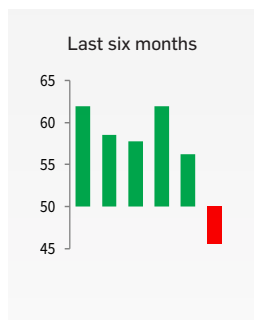
Suppliers' Delivery Times Index



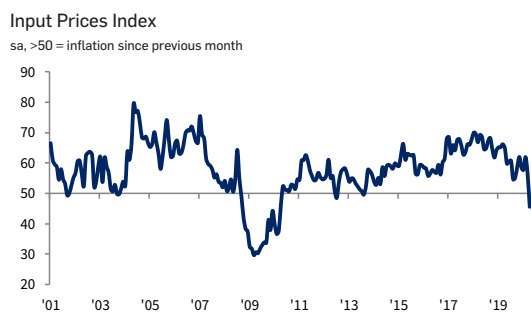
The impact of COVID-19, and measures to prevent its spread, on supply chains was highlighted by a substantial lengthening of delivery times in April. Some panellists reported that suppliers in other European countries were closed as a result of lockdown measures there. Lead times lengthened to the greatest extent since the survey began, the second month running in which a new record has been posted.



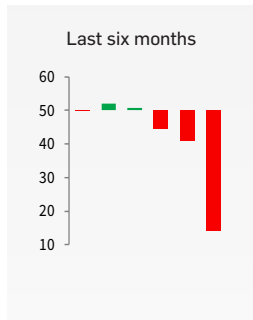
Input Prices Index



Input prices decreased in the Irish construction sector at the start of the second quarter, thereby ending a 79-month sequence of inflation. Moreover, the fall in input costs was the sharpest in just over a decade. Anecdotal evidence suggested that a lack of demand for inputs amid site closures led suppliers to reduce their charges.



Sub-contractor Usage Index

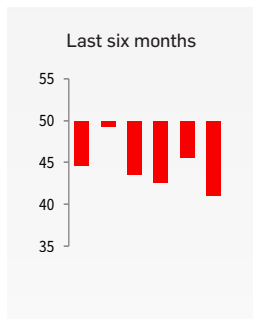


Irish construction firms reduced their usage of sub-contractors during April, and at by far the sharpest pace since the survey began. Around 72% of respondents lowered sub-contractor usage over the month, with the remainder reporting no change.

Sub-contractor Usage Index
sa, >50 = growth since previous month



Sub-contractor Availability Index

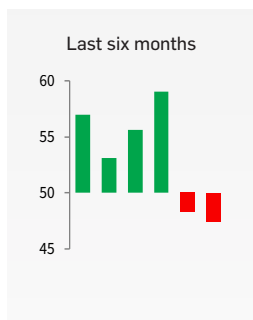


The availability of sub-contractors decreased again during April, and at a sharp pace that was the greatest since July 2019. Availability has now fallen in each of the past 52 months.

Sub-contractor Availability Index
sa, >50 = improvement since previous month



Sub-contractor Rates Index

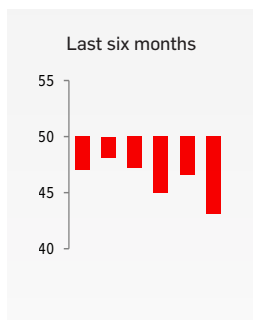


Sub-contractor rates decreased for the second month running in April. The pace of reduction was solid and accelerated from the previous month to the fastest since July 2013. Prior to March, sub-contractor rates had fallen in 76 successive months.

Sub-contractor Rates Index
sa, >50 = inflation since previous month



Sub-contractor Quality Index

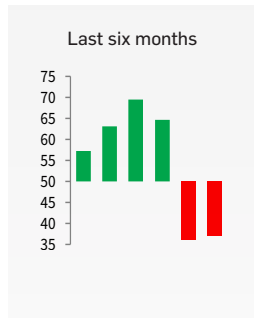


Sub-contractor quality was deemed to have deteriorated for the twenty-third successive month in April. Moreover, quality worsened markedly, and to the greatest extent for a year-and-a-half.

Sub-contractor Quality Index
sa, >50 = improvement since previous month



Future Activity Index



As was the case in March, constructors were pessimistic regarding the 12-month outlook for activity, although sentiment was marginally higher than in the previous survey period. Those panellists that reported negative expectations for the coming year signalled that they forecast COVID-19 disruption and the impact on the economy to be prolonged.



Index Summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Total Activity	Housing Activity	Com-mercial Activity	Civil En-gineering Activity	New Orders	Employ-ment	Quantity of Purchases	Suppliers' Delivery Times	Input Prices	Sub-contractor Usage	Sub-contractor Availability	Sub-contractor Rates	Sub-contractor Quality	Future Activity*
11 '19	48.2	47.7	51.2	36.4	48.3	51.9	48.6	46.5	61.9	49.8	44.6	57.0	47.0	57.3
12 '19	52.0	51.8	53.6	43.1	52.4	53.2	53.0	46.0	58.5	52.0	49.3	53.1	48.2	63.1
01 '20	50.9	48.0	55.7	44.4	54.9	53.6	52.8	46.4	57.7	50.8	43.6	55.7	47.2	69.4
02 '20	50.6	49.7	52.1	42.7	53.6	51.3	51.8	44.5	61.9	44.4	42.6	59.0	45.0	64.7
03 '20	28.9	32.4	28.2	25.2	33.9	39.4	33.7	39.3	56.2	41.0	45.5	48.3	46.5	36.0
04 '20	4.5	4.9	3.1	5.2	10.1	22.6	7.0	23.1	45.6	14.1	41.0	47.5	43.1	37.1

Reported Items and Sub-contractors

The following lists show items reported as being up in price, down in price or in short supply, and sub-contractors in short supply during the latest survey period. Items may be listed as having both risen and fallen in price. This may reflect alternative supply sources (e.g. domestic versus imported), or differences in unit prices due to differing volumes ordered.

Items Up in Price

Dust Masks
Hand Sanitiser
Merchant Bar
Steel Plate

Items Down in Price

Fuel
Steel

Sub-contractors in Short Supply

Electricians
Welders

Products in Short Supply

Machinery Stock

Detailed Index Summary

Index reading of 50 = no change over previous month. *50 = no change over next 12 months.

	% Higher	% Same	% Lower	Index	Index (SA)
Total Activity					
11 '19	19.4	59.9	20.8	49.3	48.2
12 '19	28.3	57.7	14.0	57.1	52.0
01 '20	16.9	60.7	22.4	47.2	50.9
02 '20	18.6	57.6	23.8	47.4	50.6
03 '20	7.4	41.3	51.3	28.0	28.9
04 '20	1.6	5.7	92.7	4.5	4.5
Housing Activity					
11 '19	18.2	62.3	19.5	49.4	47.7
12 '19	27.5	57.0	15.5	56.0	51.8
01 '20	12.3	60.0	27.7	42.3	48.0
02 '20	19.2	55.9	24.9	47.2	49.7
03 '20	10.0	41.8	48.3	30.9	32.4
04 '20	3.2	3.8	93.0	5.1	4.9
Commercial Activity					
11 '19	21.8	60.6	17.5	52.1	51.2
12 '19	26.4	62.1	11.6	57.4	53.6
01 '20	22.1	62.6	15.3	53.4	55.7
02 '20	22.0	53.4	24.6	48.7	52.1
03 '20	5.6	41.8	52.6	26.5	28.2
04 '20	1.0	4.2	94.8	3.1	3.1
Civil Engineering Activity					
11 '19	6.2	51.4	42.4	31.9	36.4
12 '19	24.4	59.8	15.9	54.3	43.1
01 '20	5.2	67.6	27.2	39.0	44.4
02 '20	9.3	59.8	30.9	39.2	42.7
03 '20	4.9	38.3	56.8	24.0	25.2
04 '20	0.0	9.2	90.8	4.6	5.2
New Orders					
11 '19	21.2	53.5	25.4	47.9	48.3
12 '19	28.0	53.9	18.1	55.0	52.4
01 '20	30.6	45.5	23.9	53.4	54.9
02 '20	25.7	49.8	24.5	50.6	53.6
03 '20	14.0	38.3	47.8	33.1	33.9
04 '20	4.1	12.4	83.5	10.3	10.1
Employment					
11 '19	13.1	78.9	8.0	52.5	51.9
12 '19	12.3	80.6	7.1	52.6	53.2
01 '20	12.8	77.8	9.4	51.7	53.6
02 '20	10.2	79.0	10.8	49.7	51.3
03 '20	3.6	70.5	25.9	38.9	39.4
04 '20	0.0	44.2	55.8	22.1	22.6
Quantity of Purchases					
11 '19	15.1	67.0	18.0	48.6	48.6
12 '19	25.0	63.6	11.5	56.7	53.0
01 '20	18.7	56.7	24.6	47.0	52.8
02 '20	18.7	59.6	21.7	48.5	51.8
03 '20	8.5	48.9	42.7	32.9	33.7
04 '20	4.5	5.4	90.1	7.2	7.0

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
11 '19	5.9	81.7	12.4	46.8	46.5
12 '19	2.8	84.1	13.2	44.8	46.0
01 '20	2.7	90.4	6.9	47.9	46.4
02 '20	2.7	86.3	11.0	45.9	44.5
03 '20	3.4	70.7	25.9	38.7	39.3
04 '20	2.6	40.1	57.3	22.6	23.1
Input Prices					
11 '19	20.2	78.0	1.8	59.2	61.9
12 '19	16.6	82.6	0.9	57.9	58.5
01 '20	24.3	72.9	2.8	60.8	57.7
02 '20	32.7	65.4	1.8	65.5	61.9
03 '20	17.3	79.1	3.6	56.8	56.2
04 '20	8.8	75.2	16.0	46.4	45.6
Subcontractor Usage					
11 '19	11.4	76.1	12.5	49.5	49.8
12 '19	17.5	73.8	8.7	54.4	52.0
01 '20	13.2	77.7	9.1	52.1	50.8
02 '20	4.1	78.9	17.0	43.5	44.4
03 '20	6.3	70.9	22.8	41.7	41.0
04 '20	0.0	28.1	71.9	14.1	14.1
Subcontractor Availability					
11 '19	2.7	81.4	15.9	43.4	44.6
12 '19	5.1	84.8	10.1	47.5	49.3
01 '20	2.8	83.4	13.8	44.5	43.6
02 '20	1.3	84.7	14.0	43.7	42.6
03 '20	9.8	80.5	9.7	50.0	45.5
04 '20	16.2	50.8	32.9	41.6	41.0
Subcontractor Rates					
11 '19	16.0	80.0	3.9	56.1	57.0
12 '19	7.7	91.0	1.3	53.2	53.1
01 '20	12.6	87.4	0.0	56.3	55.7
02 '20	22.9	71.8	5.3	58.8	59.0
03 '20	4.8	88.8	6.4	49.2	48.3
04 '20	6.0	81.4	12.6	46.7	47.5
Subcontractor Quality					
11 '19	1.4	90.8	7.9	46.7	47.0
12 '19	3.8	91.0	5.1	49.3	48.2
01 '20	1.5	93.1	5.4	48.0	47.2
02 '20	1.3	89.4	9.3	46.0	45.0
03 '20	1.6	93.5	4.9	48.3	46.5
04 '20	1.8	83.5	14.7	43.5	43.1
Future Activity*					
11 '19	29.1	56.4	14.5	57.3	n/a
12 '19	37.2	51.9	10.9	63.1	n/a
01 '20	43.3	52.2	4.5	69.4	n/a
02 '20	38.3	52.7	9.0	64.7	n/a
03 '20	16.6	38.7	44.7	36.0	n/a
04 '20	29.6	15.0	55.4	37.1	n/a

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Methodology

The Ulster Bank Construction PMI® Report (RoI) is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 150 construction companies in the Republic of Ireland. The panel is stratified by company workforce size, based on contributions to GDP.

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 Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI' but is not comparable with the headline 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.

April data were collected 07-30 April 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers' Index® (PMI®) 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.

ihsmarkit.com/products/pmi.

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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.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and entered on the Financial Services Register (Registration Number 122315).

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