

# Ulster Bank Construction PMI® Report (RoI)

## Solid rise in construction activity, but new order growth slows to four-and-a-half year low

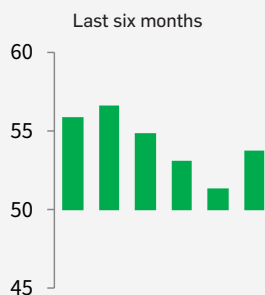
### Key Findings

Weakest rise in new orders since February 2015

Housing activity leads overall expansion

Sentiment falls sharply amid Brexit concerns

### Ireland Construction Total Activity Index



While activity in the Irish construction sector rose at a solid pace in August, other data from the latest PMI survey pointed to a slowdown in growth. New orders rose at the weakest pace in four-and-a-half years, while Brexit concerns saw sentiment drop sharply to the lowest since November 2010. As a result, rates of expansion in employment levels and purchasing activity were muted. Meanwhile, the rate of input cost inflation slowed sharply.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – rose to 53.7 in August from 51.4 in July. This marked the first pick-up in the rate of growth in four months, with construction activity increasing at a solid pace midway through the third quarter.

The housing category remained a key source of strength in August. Activity on residential projects expanded at a substantial pace, with the rate of growth rebounding from July. A marked increase in commercial activity was also recorded, while work on civil engineering projects fell at a softer pace.

Where activity increased, panellists referred to projects reaching busy stages and stronger demand from the housing sector. On the other hand, there were some reports of the market slowing.

Reflecting signs of a slowdown, the rate of growth in new orders softened to the weakest since February 2015. While some panellists indicated that underlying demand remained firm, others pointed to delayed decision making

among customers.

Recent weaker increases in new orders led to hesitancy among firms when making decisions on staffing levels and purchasing activity in August.

Employment continued to rise, but the rate of job creation was only slight and the weakest since October 2013. While the pace at which input buying rose was sharper than that seen in July, it was still the second-weakest in five-and-a-half years.

Pressure on supply chains was also shown to be less marked in August. Despite lengthening on the back of higher purchasing activity, delivery times increased to the least extent since November 2017.

August saw a sharp slowdown in the pace of input cost inflation for Irish construction firms, with anecdotal evidence linking this to weakness of sterling against the euro making imported items cheaper. The pace at which input costs rose was the slowest in 64 months, but remained solid amid reports of higher prices charged by suppliers for items such as insulation.

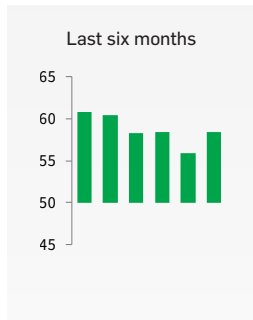
The potential impact of Brexit on the Irish construction sector contributed to a sharp drop in confidence regarding the 12-month outlook for activity. Sentiment was only just in positive territory, and the lowest since November 2010. Those companies that expect activity to increase over the coming year put this down to planned new projects and predictions of an improvement in demand in the sector.

Total Activity Index

sa, >50 = growth since previous month



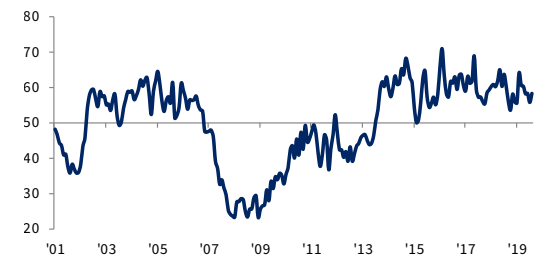
## Housing Activity Index



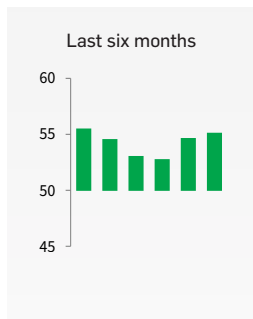
Housing activity in Ireland saw a sharp and accelerated uplift in August. Moreover, the rate of growth was the fastest of the three broad categories of construction covered by the survey. Residential activity has now risen in each of the past 74 months.

Housing Activity Index

sa, >50 = growth since previous month



## Commercial Activity Index



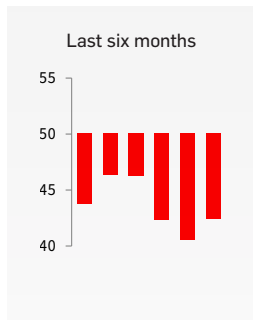
As has been the case in each month since August 2013, Irish construction firms posted a rise in commercial activity during August. The latest increase was marked, with the rate of expansion quickening for the second month running to the fastest since March.

Commercial Activity Index

sa, >50 = growth since previous month



## Civil Engineering Activity Index



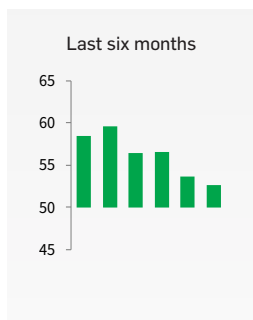
Construction firms in Ireland continued to record declines in civil engineering activity during August, extending the current downward trend to a whole year. That said, while remaining sharp, the rate of contraction eased in the latest survey period to the weakest in three months.

Civil Engineering Activity Index

sa, >50 = growth since previous month



## New Orders Index



The rate of growth in new orders weakened for the second month running during August and was the slowest in four-and-a-half years. Some panellists pointed to delayed decision making among customers, often due to Brexit uncertainty.

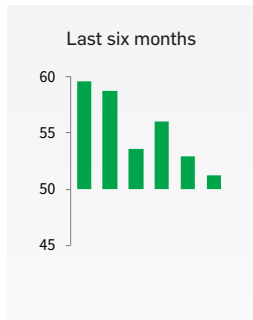
That said, new business continued to rise solidly midway through the third quarter of the year, with respondents suggesting that underlying demand continued to improve.

New Orders Index

sa, >50 = growth since previous month



## Employment Index



Efforts to meet incoming demand led construction firms in Ireland to raise their staffing levels during August. The latest increase extended the current sequence of job creation to six years.

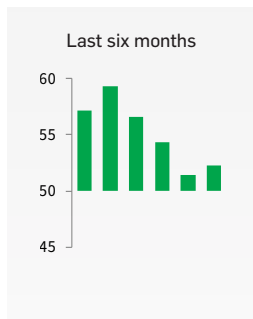
However, the rate of jobs growth was only modest, having eased for the second month in a row to the softest since October 2013. Anecdotal evidence suggested that slower new order growth had led to reluctance among some companies to raise staffing levels.

Employment Index

sa, >50 = growth since previous month



## Quantity of Purchases Index



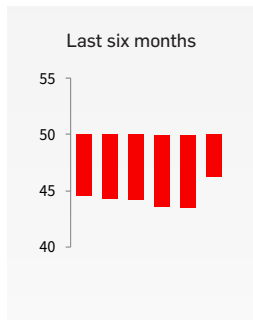
August data pointed to a solid monthly increase in purchasing activity at Irish construction firms, with the rate of growth picking up from that seen in July. That said, the rate of expansion was still the second-weakest in the past five-and-a-half years. Where input buying rose, panellists generally linked this to increasing activity.

Quantity of Purchases Index

sa, >50 = growth since previous month



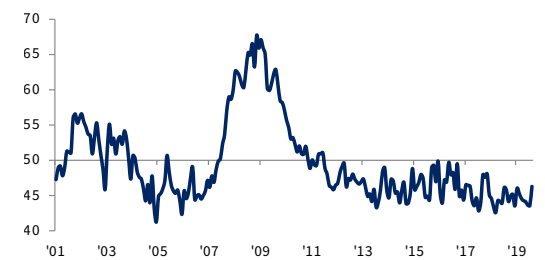
## Suppliers' Delivery Times Index



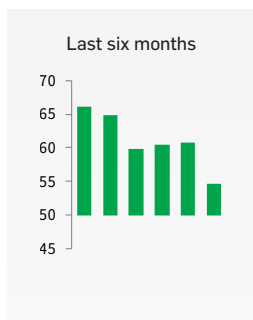
Rising demand for inputs continued to put pressure on the supply chains of Irish construction companies in August. Reflecting this, lead times on the delivery of inputs lengthened again during the month. The pace of deterioration in vendor performance was solid, but eased to the weakest since November 2017.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



## Input Prices Index



The rate of input cost inflation slowed sharply in August to the weakest since April 2014. Some panellists indicated that a drop in the value of sterling had made imported items cheaper.

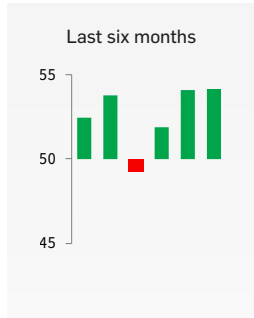
Where input prices increased, respondents indicated that suppliers had raised their charges, with insulation among the items mentioned as being up in price.

Input Prices Index

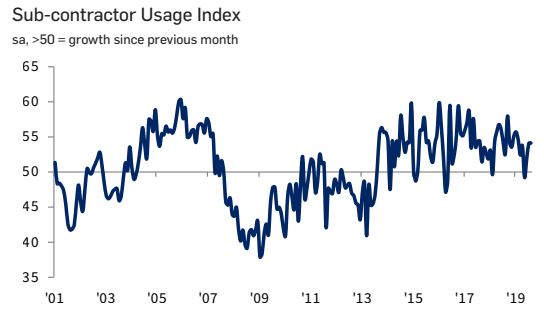
sa, >50 = inflation since previous month



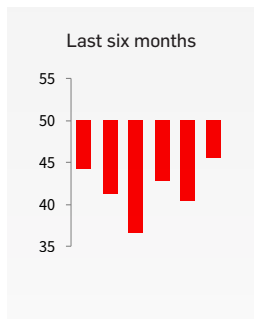
### Sub-contractor Usage Index



August data pointed to a solid monthly rise in the usage of sub-contractors by Irish construction companies, extending the current period of growth to three months. The rate of expansion was broadly in line with that seen in July.



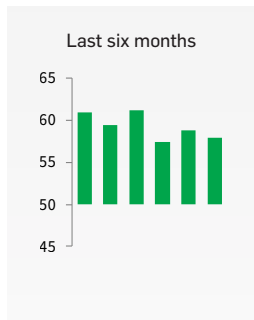
### Sub-contractor Availability Index



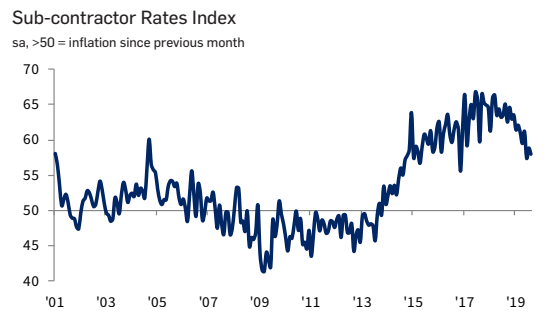
The availability of sub-contractors continued to decrease during August. The pace of deterioration was marked, but eased to the weakest in the current 44-month period of falling availability.



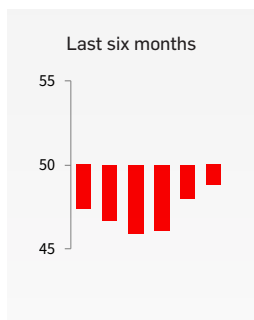
### Sub-contractor Rates Index



Irish construction firms recorded a further increase in rates charged by sub-contractors in August. Although easing from that seen in July, the rate of inflation remained sharp and was above the series average.



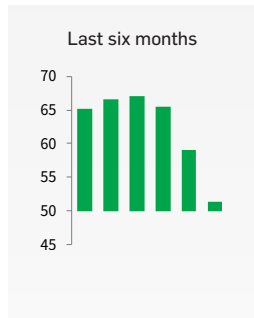
### Sub-contractor Quality Index



The rate of decline in the quality of work carried out by sub-contractors softened for the third consecutive month in August, and was the least marked since May 2018. The latest deterioration extended the current sequence of worsening performance to almost five years.



## Future Activity Index



Confidence among Irish construction companies fell sharply during August, largely reflecting worries about the impact of Brexit. In fact, sentiment was the lowest since November 2010, with the Future Activity Index only just above the 50.0 neutral mark. Those companies that expect activity to rise over the coming year linked this to planned new projects and predictions of improvements in demand within the construction sector.



## 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*
03 '19	55.9	60.8	55.5	43.7	58.5	59.6	57.2	44.6	66.1	52.5	44.3	61.0	47.4	65.1
04 '19	56.6	60.5	54.6	46.4	59.6	58.8	59.3	44.3	64.9	53.8	41.3	59.4	46.7	66.5
05 '19	54.9	58.3	53.1	46.3	56.4	53.5	56.6	44.1	59.8	49.3	36.6	61.1	45.9	67.1
06 '19	53.1	58.4	52.8	42.3	56.6	56.0	54.4	43.6	60.5	51.9	42.9	57.4	46.1	65.5
07 '19	51.4	55.9	54.7	40.5	53.7	52.9	51.5	43.5	60.7	54.1	40.4	58.8	48.0	59.0
08 '19	53.7	58.4	55.1	42.5	52.6	51.2	52.3	46.3	54.6	54.2	45.6	57.9	48.8	51.3

## 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

Copper Wire  
Fuel  
Garage Doors  
Heating Apparatus  
Insurance  
Paper  
Radon Barrier  
Waterproofing Membrane

### Items Down in Price

Timber

### Sub-contractors in Short Supply

Blocklayers  
Carpenters  
Ecologists  
Electricians  
Glazers  
Plasterers  
Plumbers  
Roofers  
Steel Fabricators  
Wet Trades Sub-contractors

### Products in Short Supply

Garage Doors  
Steel

## 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)
<b>Total Activity</b>					
03 '19	28.1	48.3	23.6	52.3	55.9
04 '19	32.9	51.8	15.4	58.8	56.6
05 '19	29.1	55.2	15.7	56.7	54.9
06 '19	26.2	56.5	17.2	54.5	53.1
07 '19	21.9	60.6	17.4	52.3	51.4
08 '19	27.3	54.2	18.5	54.4	53.7
<b>Housing Activity</b>					
03 '19	32.5	49.2	18.3	57.1	60.8
04 '19	39.6	47.0	13.4	63.1	60.5
05 '19	28.5	62.9	8.6	60.0	58.3
06 '19	27.2	59.7	13.0	57.1	58.4
07 '19	28.1	55.8	16.1	56.0	55.9
08 '19	30.2	52.4	17.4	56.4	58.4
<b>Commercial Activity</b>					
03 '19	25.3	48.4	26.4	49.5	55.5
04 '19	29.6	53.1	17.3	56.2	54.6
05 '19	28.0	52.6	19.4	54.3	53.1
06 '19	26.5	56.8	16.8	54.8	52.8
07 '19	25.6	61.9	12.5	56.5	54.7
08 '19	30.6	51.5	18.0	56.3	55.1
<b>Civil Engineering Activity</b>					
03 '19	13.9	51.6	34.6	39.7	43.7
04 '19	25.7	50.8	23.6	51.1	46.4
05 '19	20.1	56.7	23.2	48.4	46.3
06 '19	15.0	52.0	33.0	41.0	42.3
07 '19	5.5	69.3	25.2	40.2	40.5
08 '19	12.2	62.1	25.7	43.2	42.5
<b>New Orders</b>					
03 '19	33.0	47.1	19.9	56.6	58.5
04 '19	39.1	46.7	14.2	62.5	59.6
05 '19	30.7	52.9	16.3	57.2	56.4
06 '19	34.9	50.7	14.4	60.2	56.6
07 '19	29.1	51.8	19.0	55.0	53.7
08 '19	27.5	48.5	24.0	51.7	52.6
<b>Employment</b>					
03 '19	23.0	72.6	4.4	59.3	59.6
04 '19	21.8	72.6	5.6	58.1	58.8
05 '19	15.5	75.2	9.2	53.2	53.5
06 '19	22.8	73.4	3.8	59.5	56.0
07 '19	17.8	72.6	9.6	54.1	52.9
08 '19	15.2	73.0	11.8	51.7	51.2
<b>Quantity of Purchases</b>					
03 '19	30.1	50.5	19.5	55.3	57.2
04 '19	39.0	45.5	15.5	61.8	59.3
05 '19	28.9	54.5	16.6	56.1	56.6
06 '19	31.3	52.7	16.0	57.7	54.4
07 '19	23.6	59.8	16.6	53.5	51.5
08 '19	27.2	55.4	17.4	54.9	52.3

	% Higher	% Same	% Lower	Index	Index (SA)
<b>Suppliers' Delivery Times</b>					
03 '19	3.6	82.0	14.4	44.6	44.6
04 '19	2.8	83.1	14.0	44.4	44.3
05 '19	2.8	80.2	17.0	42.9	44.1
06 '19	1.8	80.3	17.9	42.0	43.6
07 '19	0.9	83.3	15.8	42.6	43.5
08 '19	2.7	85.4	11.9	45.4	46.3
<b>Input Prices</b>					
03 '19	37.3	61.0	1.7	67.8	66.1
04 '19	31.9	67.2	0.9	65.5	64.9
05 '19	20.3	79.7	0.0	60.2	59.8
06 '19	20.9	76.4	2.7	59.1	60.5
07 '19	20.8	77.4	1.7	59.6	60.7
08 '19	15.6	79.0	5.5	55.1	54.6
<b>Subcontractor Usage</b>					
03 '19	15.7	72.0	12.3	51.7	52.5
04 '19	15.2	77.1	7.7	53.7	53.8
05 '19	10.6	78.8	10.5	50.0	49.3
06 '19	14.4	73.8	11.8	51.3	51.9
07 '19	19.9	69.8	10.3	54.8	54.1
08 '19	21.2	68.6	10.2	55.5	54.2
<b>Subcontractor Availability</b>					
03 '19	6.6	81.6	11.8	47.4	44.3
04 '19	7.5	71.2	21.3	43.1	41.3
05 '19	5.5	66.4	28.0	38.7	36.6
06 '19	2.6	80.4	17.0	42.8	42.9
07 '19	4.9	66.7	28.4	38.2	40.4
08 '19	4.9	78.9	16.2	44.4	45.6
<b>Subcontractor Rates</b>					
03 '19	26.7	70.5	2.8	62.0	61.0
04 '19	19.7	77.8	2.5	58.6	59.4
05 '19	22.6	76.2	1.3	60.6	61.1
06 '19	16.2	81.2	2.5	56.9	57.4
07 '19	21.0	76.8	2.2	59.4	58.8
08 '19	20.1	78.6	1.3	59.4	57.9
<b>Subcontractor Quality</b>					
03 '19	1.4	94.8	3.8	48.8	47.4
04 '19	1.3	92.4	6.3	47.5	46.7
05 '19	1.3	88.0	10.7	45.3	45.9
06 '19	0.0	90.6	9.4	45.3	46.1
07 '19	4.0	89.1	6.9	48.5	48.0
08 '19	3.3	90.5	6.3	48.5	48.8
<b>Future Activity*</b>					
03 '19	43.0	44.1	12.9	65.1	n/a
04 '19	40.4	52.3	7.3	66.5	n/a
05 '19	39.0	56.2	4.9	67.1	n/a
06 '19	39.3	52.5	8.2	65.5	n/a
07 '19	30.6	56.9	12.5	59.0	n/a
08 '19	23.3	56.1	20.6	51.3	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.

August 2019 data were collected 12 August - 2 September 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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. To learn more go to [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).

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Ulster Bank is a member of The Royal Bank of Scotland 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.

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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