

Ulster Bank Construction PMI® Report (RoI)

Activity falls for first time in three months

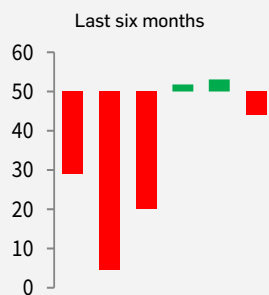
Key Findings

Market uncertainty leads to declines in output and new orders

Rate of job cuts softens to six-month low

Sentiment eases but remains positive

Ireland Construction Total Activity Index



The recovery in the Irish construction sector showed signs of stalling during August. Both total activity and new orders dipped following expansions in July. That said, the rate of job cuts continued to soften and was the slowest since the onset of the coronavirus disease 2019 (COVID-19) pandemic.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – posted 44.0 in August, down from 53.2 in July and below the 50.0 no-change mark for the first time in three months. Although the reading signalled a solid reduction in total construction activity, the pace of decline was much softer than those seen during the worst of the recent downturn.

While some companies continued to see activity levels recover following the loosening of lockdown restrictions, this was outweighed by those firms reporting that uncertainty and general economic weakness had a negative impact on workloads.

All three categories of construction saw activity fall in August. The sharpest decline was recorded on commercial projects, while housing activity decreased at the softest pace.

In line with the picture for activity, market uncertainty as a result of the COVID-19 pandemic and its aftermath led new orders to tick down midway through the third quarter. The solid reduction followed a return to growth in July.

Worries about the lasting impacts of the COVID-19 pandemic and signs of a renewed slowdown in the economy contributed to a drop

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



in confidence regarding the 12-month outlook for construction activity. That said, sentiment remained positive overall, reflecting optimism that economic conditions will return to normal over the coming year.

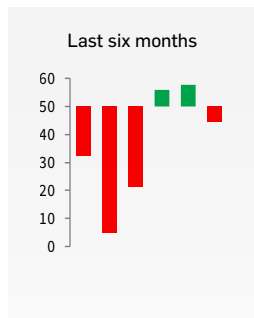
Employment in the Irish construction sector neared stabilisation during August. Although staffing levels dipped again, the rate of job cuts softened for the fourth month running and was the weakest in the current sequence of falling workforce numbers. While muted activity levels and ongoing working restrictions led some companies to lower employment, others took on extra staff following a pick-up in activity after the easing of lockdown.

Purchasing activity fell modestly in August, the first reduction in three months. Meanwhile, suppliers' delivery times continued to lengthen at a considerable rate, albeit one that was the softest since March. Panellists reported that COVID-19 continued to cause disruption to supply chains, with particular issues when sourcing inputs from abroad.

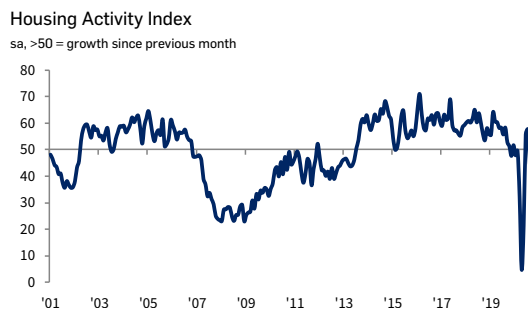
Difficulties sourcing items contributed to a rise in input costs, according to respondents. Input prices increased for the fourth consecutive month, but the rate of inflation eased and was softer than the series average.

The usage of sub-contractors decreased for the sixth time in the past seven months, albeit modestly. Meanwhile, the availability of sub-contractors declined for the first time since May. The quality of work carried out by sub-contractors was deemed to have been broadly unchanged, while their rates charged increased slightly.

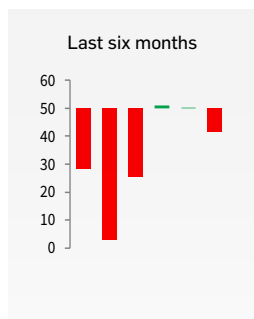
Housing Activity Index



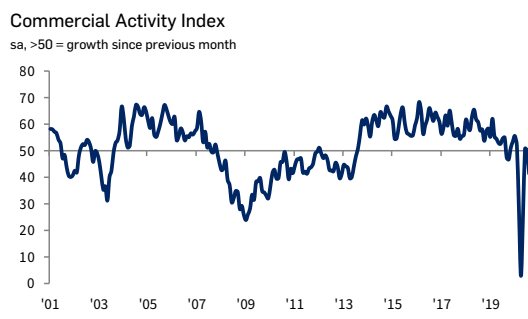
Housing activity dipped in August, following improvements in each of the previous two months. The rate of decline in activity on residential projects was much softer than seen during the worst of the COVID-19 downturn. The fall in housing activity was also the weakest of the three monitored categories of construction.



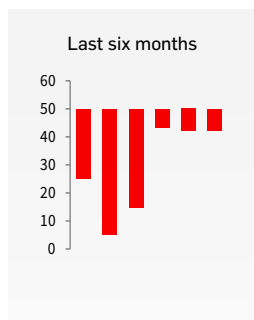
Commercial Activity Index



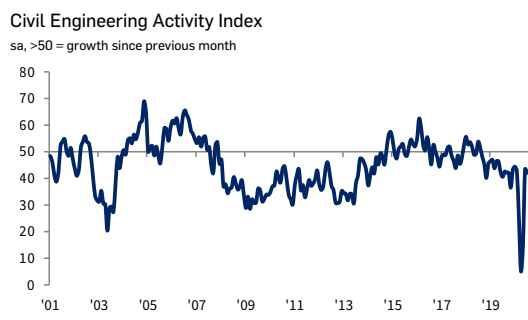
August data pointed to a sharp reduction in commercial activity at Irish construction firms, ending a two-month sequence of marginal increases. The decline in activity on commercial projects was the most marked of the three sub-categories covered. That said, the reduction was considerably slower than the series nadir posted in April.



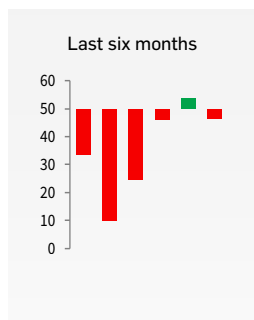
Civil Engineering Activity Index



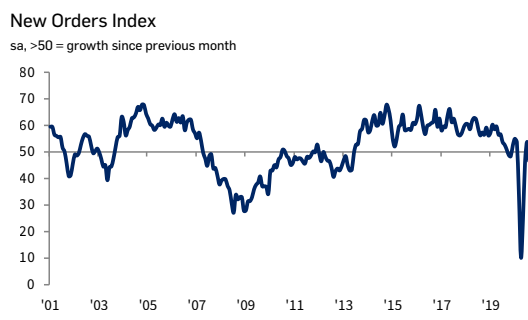
As has been the case on a monthly basis throughout the past two years, civil engineering activity decreased in August. The rate of contraction remained marked, but eased from that seen in July. Approximately twice as many respondents posted a fall in civil engineering activity as signalled a rise.



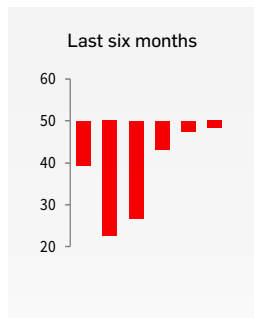
New Orders Index



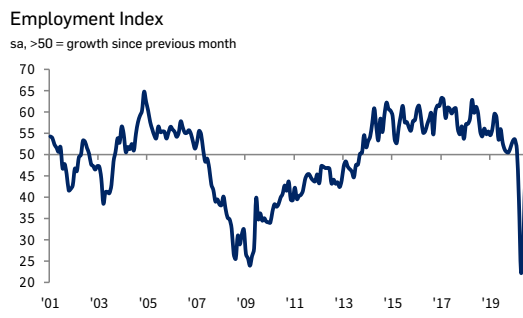
New orders decreased during August, reversing the expansion seen in the previous month. The reduction was solid, but much softer than the record decline posted in April. While some firms continued to see new work rebound following the COVID-19 lockdown, others saw new business decrease amid market uncertainty and a general economic slowdown.



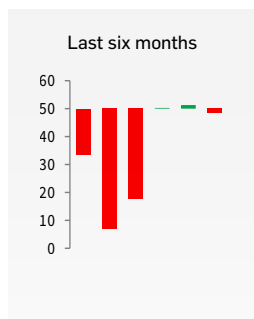
Employment Index



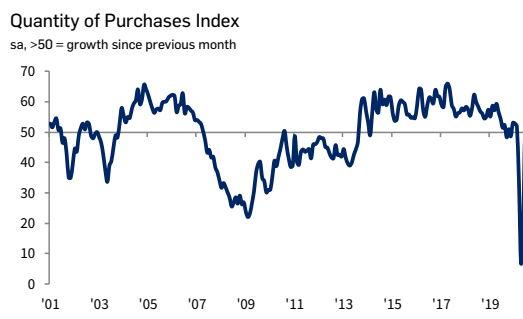
Although staffing levels continued to fall during August, the rate of job cuts eased for the fourth month running and was the slowest since the current sequence of decline began in March. Where employment increased, panellists linked this to a pick-up in workloads following the COVID-19 lockdown. In contrast, relatively muted activity levels and continued working restrictions led other companies to lower staffing levels.



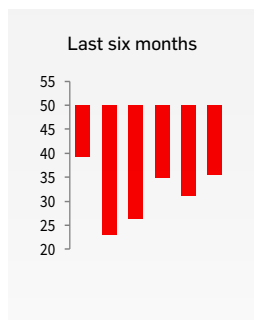
Quantity of Purchases Index



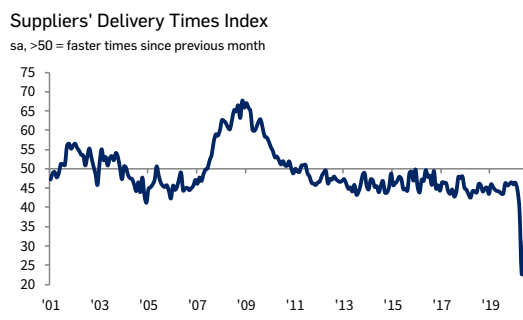
Purchasing activity dipped midway through the third quarter of the year, after having returned to growth during July. Respondents indicated that input buying had been lowered in line with a reduction in new orders and lower activity requirements.



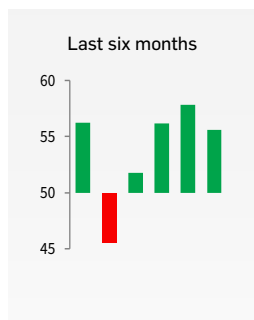
Suppliers' Delivery Times Index



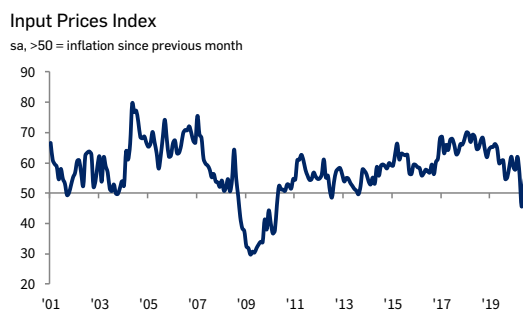
August data pointed to a further marked lengthening of suppliers' delivery times, albeit the softest since March. According to respondents, ongoing COVID-19 restrictions, staff shortages at suppliers and particular difficulties securing imported items all contributed to longer lead times.



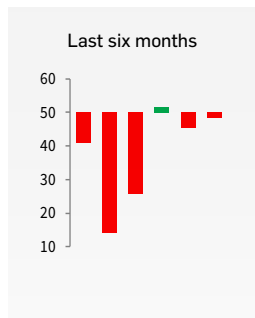
Input Prices Index



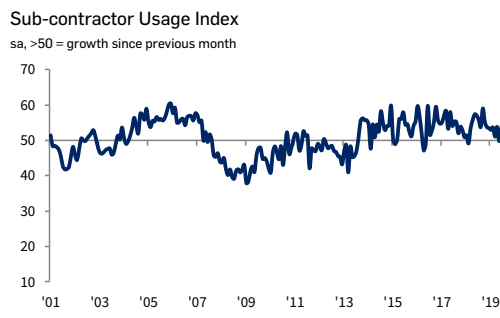
Supply-chain delays reportedly contributed to a rise in input costs during August, extending the current sequence of inflation to four months. That said, the rate of inflation softened to the weakest since May and was slower than the series average.



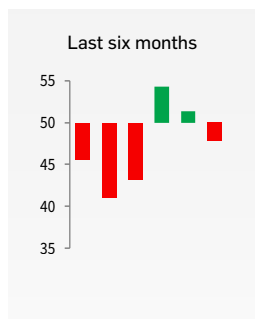
Sub-contractor Usage Index



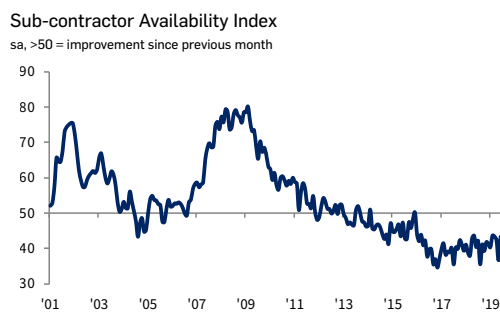
The usage of sub-contractors by Irish construction firms decreased for the sixth time in the past seven months, the exception being a modest rise in June. The reduction in August was only slight, however.



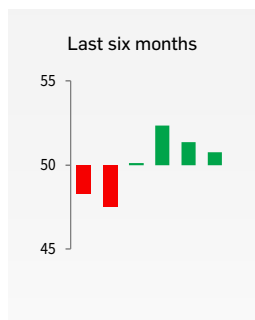
Sub-contractor Availability Index



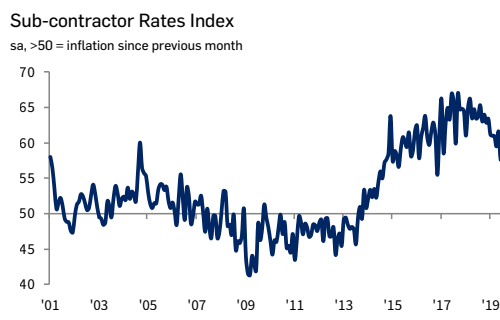
Irish construction companies posted a reduction in the availability of sub-contractors for the first time in three months during August. That said, the supply of sub-contractors declined to a much lesser extent than seen during the worst of the COVID-19 pandemic.



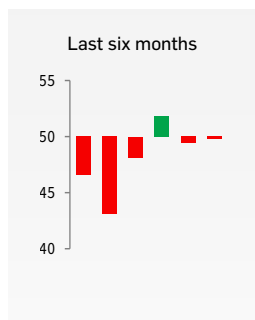
Sub-contractor Rates Index



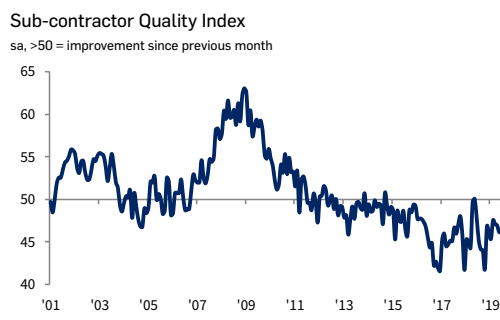
Sub-contractors increased their rates charged for the fourth consecutive month in August. The rate of inflation softened for the second survey period in a row, however, and was weaker than the series average.



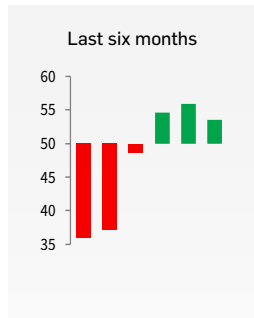
Sub-contractor Quality Index



August data signalled broadly unchanged sub-contractor quality, following a modest decline in the previous month. The vast majority of respondents (94%) signalled no change in the quality of work carried out by sub-contractors.



Future Activity Index



As has been the case in each of the past three months, Irish construction companies expressed optimism in the year-ahead outlook for activity. Expectations of a return to normality and economic recovery from COVID-19 were central to positive expectations. Sentiment was the lowest in three months, however, reflecting concerns around signs of an economic slowdown and the ongoing impact of COVID-19.



Index Summary

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

	Total Activity	Housing Activity	Commercial Activity	Civil Engineering Activity	New Orders	Employment	Quantity of Purchases	Suppliers' Delivery Times	Input Prices	Sub-contractor Usage	Sub-contractor Availability	Sub-contractor Rates	Sub-contractor Quality	Future Activity*
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
05 '20	19.9	21.4	25.6	14.9	24.6	26.7	17.7	26.3	51.8	25.9	43.3	50.1	48.2	48.6
06 '20	51.9	55.8	50.9	43.4	46.0	43.3	50.0	34.8	56.2	51.5	54.3	52.3	51.9	54.6
07 '20	53.2	57.8	50.2	42.1	53.8	47.5	51.2	31.1	57.8	45.6	51.3	51.4	49.4	55.9
08 '20	44.0	44.7	41.6	42.3	46.5	48.3	48.4	35.5	55.6	48.4	47.8	50.7	49.8	53.5

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

- Bolts
- Brass
- Copper
- Fuel
- Insulation
- Insurance
- Nuts
- Office Supplies
- PIR
- Steel

Items Down in Price

- Reinforcement

Sub-contractors in Short Supply

- Blocklayers
- Carpenters
- Formworkers

Products in Short Supply

- AC Units
- Blue Overshoes
- Cable Tray
- Electrical Conduit
- Garage Doors
- Gas Boilers
- Locks
- Metal Hardware Products
- Perishable Construction Goods

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					
Mar '20	7.4	41.3	51.3	28.0	28.9
Apr '20	1.6	5.7	92.7	4.5	4.5
May '20	12.5	16.4	71.1	20.7	19.9
Jun '20	35.9	34.4	29.7	53.1	51.9
Jul '20	32.8	45.4	21.9	55.5	53.2
Aug '20	21.5	47.1	31.4	45.0	44.0
Housing Activity					
Mar '20	10.0	41.8	48.3	30.9	32.4
Apr '20	3.2	3.8	93.0	5.1	4.9
May '20	13.5	18.2	68.4	22.5	21.4
Jun '20	37.3	36.6	26.1	55.6	55.8
Jul '20	37.7	47.6	14.7	61.5	57.8
Aug '20	20.8	44.3	34.9	43.0	44.7
Commercial Activity					
Mar '20	5.6	41.8	52.6	26.5	28.2
Apr '20	1.0	4.2	94.8	3.1	3.1
May '20	18.3	15.2	66.5	25.9	25.6
Jun '20	38.0	31.0	31.1	53.5	50.9
Jul '20	29.9	43.5	26.6	51.7	50.2
Aug '20	20.0	44.4	35.6	42.2	41.6
Civil Engineering Activity					
Mar '20	4.9	38.3	56.8	24.0	25.2
Apr '20	0.0	9.2	90.8	4.6	5.2
May '20	6.5	17.0	76.5	15.0	14.9
Jun '20	20.3	45.4	34.3	43.0	43.4
Jul '20	14.8	59.0	26.2	44.3	42.1
Aug '20	15.1	54.3	30.5	42.3	42.3
New Orders					
Mar '20	14.0	38.3	47.8	33.1	33.9
Apr '20	4.1	12.4	83.5	10.3	10.1
May '20	14.4	22.3	63.2	25.6	24.6
Jun '20	32.2	33.4	34.4	48.9	46.0
Jul '20	38.4	34.1	27.5	55.4	53.8
Aug '20	19.8	55.3	24.9	47.5	46.5
Employment					
Mar '20	3.6	70.5	25.9	38.9	39.4
Apr '20	0.0	44.2	55.8	22.1	22.6
May '20	4.6	44.2	51.2	26.7	26.7
Jun '20	11.9	68.7	19.4	46.2	43.3
Jul '20	13.1	73.2	13.7	49.7	47.5
Aug '20	12.3	74.0	13.7	49.3	48.3
Quantity of Purchases					
Mar '20	8.5	48.9	42.7	32.9	33.7
Apr '20	4.5	5.4	90.1	7.2	7.0
May '20	10.6	14.4	75.0	17.8	17.7
Jun '20	39.3	28.1	32.6	53.3	50.0
Jul '20	30.4	46.1	23.6	53.4	51.2
Aug '20	24.2	51.0	24.8	49.7	48.4

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
Mar '20	3.4	70.7	25.9	38.7	39.3
Apr '20	2.6	40.1	57.3	22.6	23.1
May '20	4.9	41.7	53.4	25.8	26.3
Jun '20	4.0	60.1	35.9	34.1	34.8
Jul '20	1.9	58.3	39.8	31.1	31.1
Aug '20	1.9	66.1	32.0	34.9	35.5
Input Prices					
Mar '20	17.3	79.1	3.6	56.8	56.2
Apr '20	8.8	75.2	16.0	46.4	45.6
May '20	13.8	78.1	8.1	52.8	51.8
Jun '20	14.3	81.9	3.9	55.2	56.2
Jul '20	17.3	79.5	3.2	57.1	57.8
Aug '20	16.2	79.8	4.0	56.1	55.6
Subcontractor Usage					
Mar '20	6.3	70.9	22.8	41.7	41.0
Apr '20	0.0	28.1	71.9	14.1	14.1
May '20	8.7	33.5	57.9	25.4	25.9
Jun '20	11.9	76.6	11.5	50.2	51.5
Jul '20	10.7	72.8	16.5	47.1	45.6
Aug '20	15.0	73.1	11.9	51.6	48.4
Subcontractor Availability					
Mar '20	9.8	80.5	9.7	50.0	45.5
Apr '20	16.2	50.8	32.9	41.6	41.0
May '20	15.4	62.9	21.7	46.9	43.3
Jun '20	12.3	83.6	4.0	54.2	54.3
Jul '20	7.4	81.5	11.2	48.1	51.3
Aug '20	2.3	89.2	8.5	46.9	47.8
Subcontractor Rates					
Mar '20	4.8	88.8	6.4	49.2	48.3
Apr '20	6.0	81.4	12.6	46.7	47.5
May '20	5.8	88.1	6.1	49.9	50.1
Jun '20	5.2	93.6	1.2	52.0	52.3
Jul '20	6.9	90.3	2.8	52.1	51.4
Aug '20	8.7	86.6	4.7	52.0	50.7
Subcontractor Quality					
Mar '20	1.6	93.5	4.9	48.3	46.5
Apr '20	1.8	83.5	14.7	43.5	43.1
May '20	3.8	89.8	6.4	48.7	48.2
Jun '20	2.7	97.3	0.0	51.4	51.9
Jul '20	4.4	91.6	4.1	50.1	49.4
Aug '20	2.3	93.9	3.8	49.2	49.8
Future Activity*					
Mar '20	16.6	38.7	44.7	36.0	n/a
Apr '20	29.6	15.0	55.4	37.1	n/a
May '20	37.2	22.9	39.9	48.6	n/a
Jun '20	39.2	30.8	30.0	54.6	n/a
Jul '20	34.6	42.6	22.8	55.9	n/a
Aug '20	31.7	43.5	24.7	53.5	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 data were collected 12-28 August 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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