

Ulster Bank Construction PMI® Report (RoI)

Construction firms see further sharp rises in activity and new orders

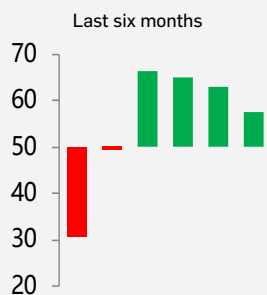
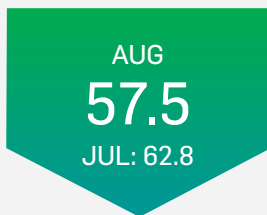
Key Findings

Rates of expansion in activity and new orders soften but remain marked

Jobs growth accelerates

Second-fastest rise in input prices on record

Ireland Construction Total Activity Index



Irish construction activity continued to rise during August amid ongoing improvements in new orders. Rates of expansion remained sharp, despite having eased slightly from those seen immediately after the reopening of the sector earlier this year. The rate of job creation remained elevated, while severe supply-chain disruption continued to lead to steep rises in input costs.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – dipped to 57.5 in August from 62.8 in July. Although the reading was the lowest since COVID-19 restrictions on the sector were lifted, the latest figure still pointed to a marked expansion in construction activity during the month. Anecdotal evidence suggested that companies continued to benefit from improvements in demand following the reopening of the sector.

Housing and commercial activity continued to rise, with the former continuing to post the faster pace of expansion. Meanwhile, the three-month sequence of growth in civil engineering activity came to an end with a modest reduction in August.

New orders increased for the fifth consecutive month, and at a rapid pace that remained well above the series average. As was the case with activity, fewer COVID-19 restrictions and stronger customer demand were behind the expansion in new business.

Rising workloads led companies to expand their staffing levels again in August, extending the current sequence of job creation to five

months. Moreover, the rate of increase was the fastest since May.

Firms also increased their purchasing activity, and at a pace that remained marked despite easing to a four-month low.

Efforts to secure materials were hampered by ongoing supply-chain disruption. Lead times lengthened to an extent unseen prior to the pandemic as a combination of global material shortages and Brexit disruption caused delays.

These supply issues contributed to a further sharp increase in input costs, with increased shipping rates also reported. The rate of inflation softened from July's record high but was still the second-fastest since the survey began in June 2000. Copper, steel and insulation were among a range of materials signalled as costing more over the month.

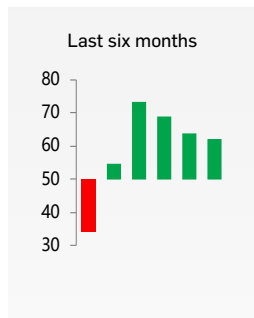
Construction companies continued to increase their usage of sub-contractors, although the rate of expansion was only slight and the weakest in four months. Sub-contractor availability deteriorated at a fresh record pace for the second month running. As a result, rates charged by sub-contractors continued to rise rapidly. Meanwhile, the quality of their work deteriorated again.

Companies remained confident that business activity will rise over the coming year. Sentiment dipped to a six-month low, but remained elevated as a number of respondents indicated that they expect the further release of pent-up demand. Close to 49% of respondents predicted a rise in output over the next 12 months, while 7% were pessimistic.

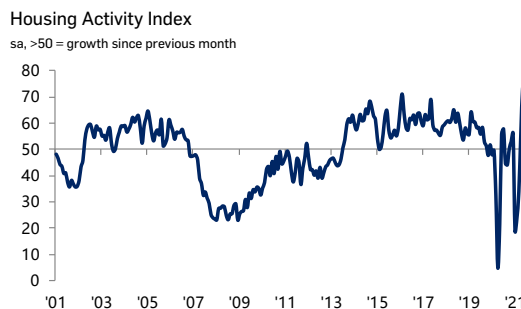
Total Activity Index
sa, >50 = growth since previous month



Housing Activity Index



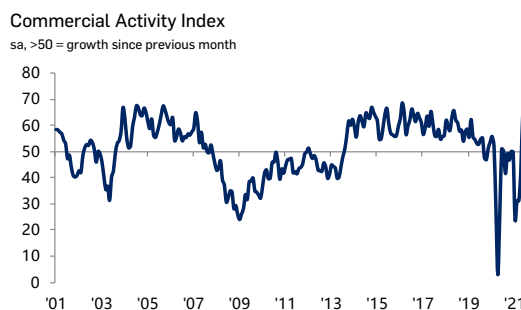
Housing activity increased in the Irish construction sector for the fifth time in as many months during August. Although the rate of expansion slowed further from May's record, it remained sharp. The residential sector remained the best-performing of the three categories covered by the survey.



Commercial Activity Index



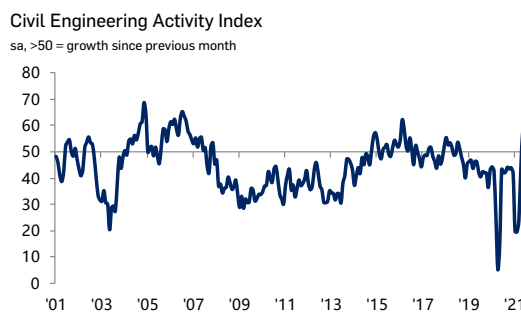
Irish construction firms continued to increase their work on commercial projects midway through the third quarter. Commercial activity was up for the fourth month in a row, although the rate of growth slowed sharply in August and was the softest in the current sequence of expansion.



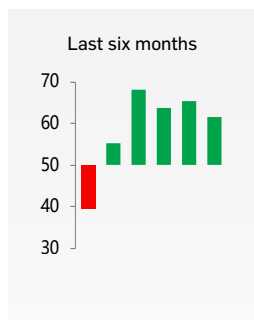
Civil Engineering Activity Index



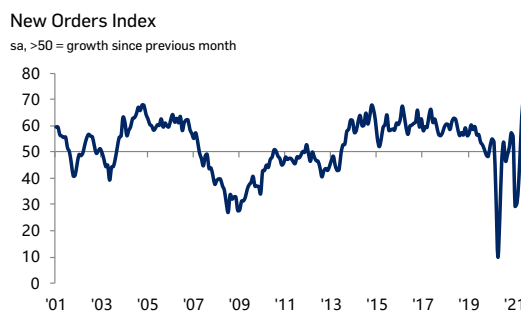
Civil engineering activity ticked down in August, thereby ending a three-month sequence of growth following the loosening of COVID-19 lockdown restrictions. Civil engineering was the only one of the three monitored sectors to post a reduction in the latest survey period.



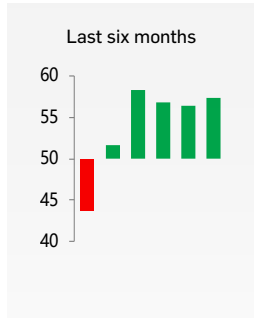
New Orders Index



The rate of expansion in new orders remained elevated during August and was much stronger than the series average despite easing to a four-month low. Increasing customer demand and fewer restrictions were the main factors leading to higher new orders, according to respondents. Close to 39% of panellists reported a rise in new business, against 18% that signalled a fall.



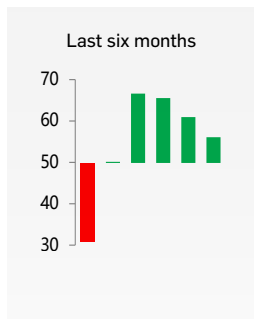
Employment Index



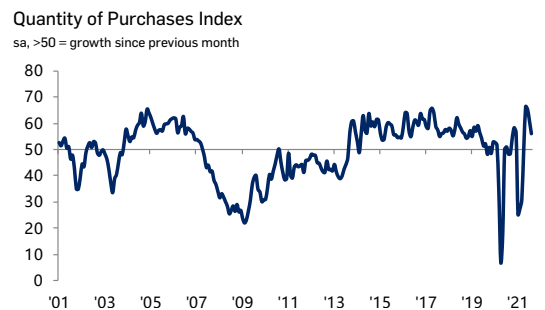
The rate of job creation in the Irish construction sector quickened in August and was the fastest in three months. Employment has increased continuously since April, with companies linking the latest rise to higher workloads. One-in-five respondents took on additional workers during the month.



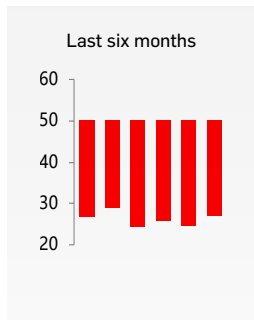
Quantity of Purchases Index



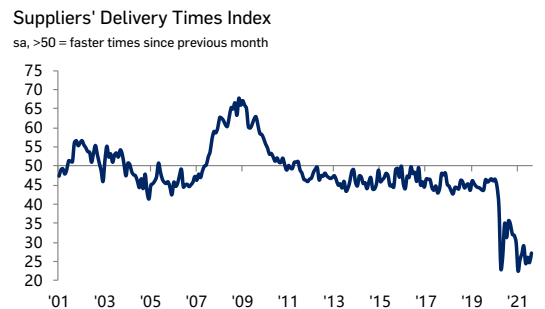
Rising demand encouraged construction companies to expand their purchasing activity again in August, thereby extending the current sequence of growth to five months. Although the pace of increase softened for the third month running from May's series record, it remained marked and strong by historical standards.



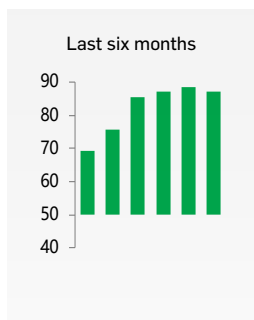
Suppliers' Delivery Times Index



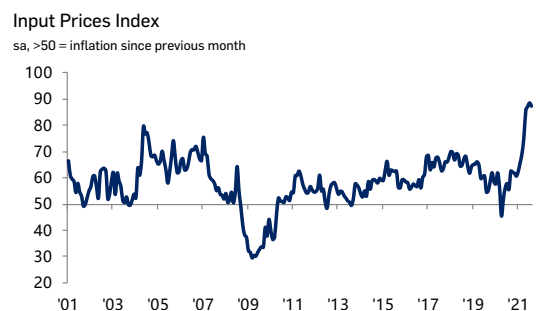
The unprecedented period of supply-chain disruption continued in August, with lead times lengthening substantially again. Global material shortages and disruption caused by Brexit were the main factors causing delivery delays, which were reported by close to 46% of respondents in the latest survey period.



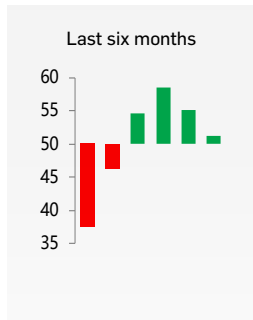
Input Prices Index



Although ticking down from the series record seen in July, the rate of input cost inflation was still the second-fastest since the survey began in June 2000. Higher prices for raw materials due to both Brexit and global supply issues were widely reported, alongside increased shipping rates. Copper, steel and insulation were among the items listed as having risen in price over the month.

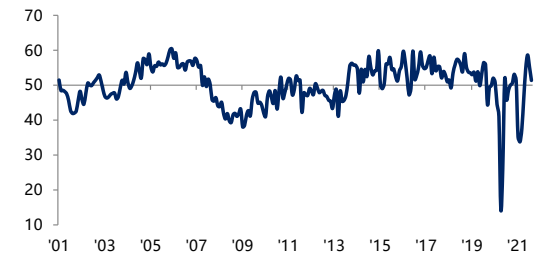


Sub-contractor Usage Index

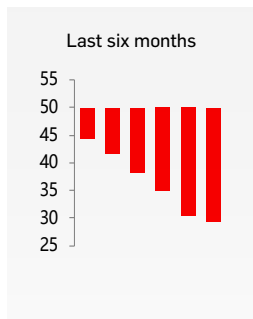


Irish construction companies continued to increase their usage of sub-contractors in August, extending the current sequence of growth to four months. That said, the rate of expansion was only slight and the softest in the current period of rising usage.

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



Sub-contractor Availability Index

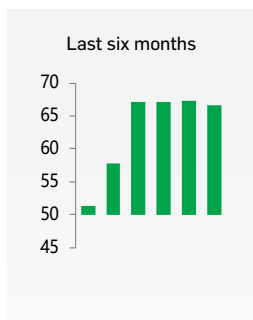


Sub-contractor availability slumped to the greatest extent on record, the second successive month in which this has been the case. More than 41% of respondents indicated that they had seen a decline in the availability of sub-contractors.

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

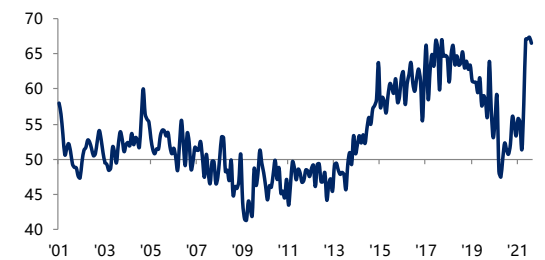


Sub-contractor Rates Index

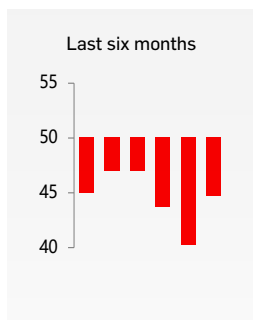


Although the rate of inflation of sub-contractor rates softened from July's series high, the increase in August was still substantial and among the fastest on record as 36% of panellists reported a rise.

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



Sub-contractor Quality Index

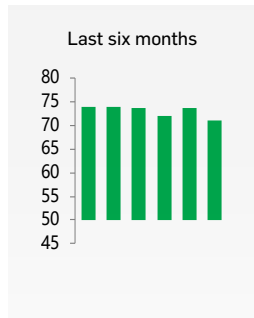


August data pointed to a tenth consecutive deterioration in the quality of work carried out by sub-contractors. The latest decline was marked, albeit softer than the record seen in the previous month.

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



Future Activity Index



Irish construction companies remained strongly optimistic that business activity will increase over the coming year. Sentiment dipped to a six-month low, but was still well above the series average. A number of respondents indicated that they were hopeful of a pick-up in activity, with some indicating that there remained a level of pent-up demand set to be released.



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 '21	30.9	33.8	31.3	23.8	39.7	43.7	31.1	26.8	69.4	37.5	44.5	51.4	44.9	73.9
04 '21	49.3	54.8	42.2	43.1	55.1	51.6	50.2	28.9	75.6	46.3	41.7	57.9	47.0	73.9
05 '21	66.4	73.4	63.5	57.6	68.2	58.2	66.5	24.3	85.6	54.6	38.3	67.1	46.9	73.6
06 '21	65.0	68.8	63.8	57.7	63.7	56.9	65.5	25.9	87.1	58.6	35.0	67.2	43.7	71.9
07 '21	62.8	63.7	60.9	53.7	65.3	56.4	61.0	24.5	88.4	55.1	30.4	67.4	40.3	73.6
08 '21	57.5	62.2	54.9	48.6	61.7	57.4	56.2	27.0	87.2	51.3	29.4	66.5	44.7	71.1

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

- Aluminium
- Cable
- Cast Iron
- Castors
- Cement
- Concrete
- Conduit
- Copper
- Fuel
- Galvanised Sheetting
- Glass
- Glass Products
- Graphics Materials
- Insulation
- Insurance
- Labour
- MCB Boards
- Oil
- Plumbing Materials
- PVC Piping
- PVC Products
- Rebar
- Reinforcement Mesh
- Silicon
- Steel
- Steel Hollow Section
- Steel Plate
- Steel Sections

- Timber
- Transportation
- Trunking

Items Down in Price

- None

Sub-contractors in Short Supply

- Block Layers
- Ecologists
- Electricians
- Fire Consultants
- Glazers
- Plumbers
- Roofers

Products in Short Supply

- Electrical Equipment
- Electronic Components
- Fittings
- Glass
- Insulation
- Internal Doors
- Pumps
- Radiators
- Reinforcement Mesh
- Sanitaryware
- Spare Parts
- Stainless Steel
- Steel
- Structural Beams
- Timber

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 '21	7.8	43.7	48.5	29.7	30.9
Apr '21	25.3	48.0	26.7	49.3	49.3
May '21	46.6	42.3	11.1	67.8	66.4
Jun '21	44.3	44.9	10.8	66.8	65.0
Jul '21	36.7	53.1	10.1	63.3	62.8
Aug '21	27.8	55.8	16.5	55.6	57.5
Housing Activity					
Mar '21	10.2	44.4	45.4	32.4	33.8
Apr '21	32.9	46.2	20.9	56.0	54.8
May '21	56.1	37.1	6.8	74.6	73.4
Jun '21	43.4	48.6	7.9	67.8	68.8
Jul '21	39.8	48.0	12.2	63.8	63.7
Aug '21	37.7	48.4	13.9	61.9	62.2
Commercial Activity					
Mar '21	4.6	47.1	48.2	28.2	31.3
Apr '21	17.1	47.9	35.0	41.1	42.2
May '21	40.5	45.4	14.1	63.2	63.5
Jun '21	45.0	44.3	10.7	67.1	63.8
Jul '21	31.7	60.5	7.7	62.0	60.9
Aug '21	25.5	58.8	15.7	54.9	54.9
Civil Engineering Activity					
Mar '21	2.3	40.2	57.4	22.5	23.8
Apr '21	14.3	54.9	30.8	41.8	43.1
May '21	26.3	63.8	9.9	58.2	57.6
Jun '21	30.5	51.3	18.2	56.2	57.7
Jul '21	27.6	58.1	14.3	56.6	53.7
Aug '21	15.3	66.7	18.0	48.6	48.6
New Orders					
Mar '21	18.0	41.3	40.7	38.6	39.7
Apr '21	36.0	42.5	21.6	57.2	55.1
May '21	50.8	37.2	12.0	69.4	68.2
Jun '21	50.6	33.7	15.7	67.5	63.7
Jul '21	43.1	47.8	9.1	67.0	65.3
Aug '21	38.6	43.9	17.5	60.5	61.7
Employment					
Mar '21	7.4	70.4	22.2	42.6	43.7
Apr '21	12.1	76.6	11.3	50.4	51.6
May '21	23.1	71.6	5.3	58.9	58.2
Jun '21	23.4	72.8	3.8	59.8	56.9
Jul '21	19.7	76.4	3.9	57.9	56.4
Aug '21	20.2	76.3	3.6	58.3	57.4
Quantity of Purchases					
Mar '21	4.1	53.0	42.9	30.6	31.1
Apr '21	24.1	50.5	25.4	49.4	50.2
May '21	41.5	48.8	9.7	65.9	66.5
Jun '21	46.6	43.5	9.9	68.4	65.5
Jul '21	36.8	53.8	9.4	63.7	61.0
Aug '21	27.1	56.8	16.1	55.5	56.2

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
Mar '21	3.0	47.6	49.4	26.8	26.8
Apr '21	2.7	51.3	46.0	28.3	28.9
May '21	0.9	43.3	55.8	22.5	24.3
Jun '21	3.0	45.1	52.0	25.5	25.9
Jul '21	1.8	43.0	55.2	23.3	24.5
Aug '21	0.0	54.2	45.8	27.1	27.0
Input Prices					
Mar '21	48.2	47.8	4.0	72.1	69.4
Apr '21	56.2	42.0	1.8	77.2	75.6
May '21	72.8	27.2	0.0	86.4	85.6
Jun '21	75.1	22.9	2.0	86.6	87.1
Jul '21	76.4	22.7	0.9	87.8	88.4
Aug '21	72.4	27.6	0.0	86.2	87.2
Subcontractor Usage					
Mar '21	3.0	65.7	31.3	35.9	37.5
Apr '21	10.7	72.5	16.8	46.9	46.3
May '21	16.7	70.6	12.6	52.0	54.6
Jun '21	25.8	64.1	10.0	57.9	58.6
Jul '21	19.6	74.0	6.4	56.6	55.1
Aug '21	20.5	64.8	14.7	52.9	51.3
Subcontractor Availability					
Mar '21	9.5	77.9	12.6	48.5	44.5
Apr '21	5.3	73.4	21.3	42.0	41.7
May '21	5.3	62.0	32.6	36.3	38.3
Jun '21	1.3	66.8	32.0	34.7	35.0
Jul '21	0.0	56.3	43.7	28.2	30.4
Aug '21	0.0	58.8	41.2	29.4	29.4
Subcontractor Rates					
Mar '21	8.2	85.6	6.2	51.0	51.4
Apr '21	19.8	74.9	5.3	57.2	57.9
May '21	35.5	61.8	2.7	66.4	67.1
Jun '21	36.3	62.4	1.3	67.5	67.2
Jul '21	40.7	56.3	3.0	68.9	67.4
Aug '21	36.1	62.4	1.5	67.3	66.5
Subcontractor Quality					
Mar '21	1.5	87.6	10.9	45.3	44.9
Apr '21	1.4	94.5	4.1	48.6	47.0
May '21	4.0	86.6	9.4	47.3	46.9
Jun '21	1.3	82.7	16.0	42.6	43.7
Jul '21	0.0	82.0	18.0	41.0	40.3
Aug '21	1.5	87.2	11.3	45.1	44.7
Future Activity*					
Mar '21	58.0	31.9	10.2	73.9	n/a
Apr '21	58.2	31.4	10.4	73.9	n/a
May '21	60.5	26.2	13.3	73.6	n/a
Jun '21	54.8	34.2	11.0	71.9	n/a
Jul '21	54.8	37.6	7.6	73.6	n/a
Aug '21	48.8	44.5	6.7	71.1	n/a

Contact

Ulster Bank

Simon Barry
Chief Economist, Republic of Ireland
T: 00 353 86 3410142
simon.barry@ulsterbankcm.com

IHS Markit

Andrew Harker
Economics Director
T: +44 1491 461 016
andrew.harker@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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 12-31 August 2021.

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

Disclaimer

This document is intended for clients or potential clients of Ulster Bank Limited and Ulster Bank Ireland DAC (together and separately, "Ulster Bank") and is not intended for any other person. It does not constitute an offer or invitation to purchase or sell any instrument or to provide any service in any jurisdiction where the required authorisation is not held. Ulster Bank and/or its associates and/or its employees may have a position or engage in transactions in any instruments mentioned.

The information including any opinions expressed is indicative and may constitute our judgement at time of publication and are subject to change without notice. The information contained herein should not be construed as advice, and is not intended to be construed as such.

This publication provides only a brief review of the complex issues discussed and recipients should not rely on information contained here without seeking specific advice on matters that concern them. Ulster Bank make no representations or warranties with respect to the information and disclaim all liability for use the recipient or their advisors make of the information.

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About Ulster Bank

Ulster Bank Ireland DAC. A private company limited by shares, trading as Ulster Bank, Ulster Bank Group, Banc Uladh, Lombard and Ulster Bank Invoice Finance. Registered in Republic of Ireland. Registered No 25766. Registered Office: Ulster Bank Head Office, Block B, Central Park, Leopardstown, Dublin 18, D18 N153. Ulster Bank Ireland DAC is regulated by the Central Bank of Ireland. Calls may be recorded.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

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.html.