

Ulster Bank Construction PMI® Report (RoI)

Irish construction activity declines at softer pace

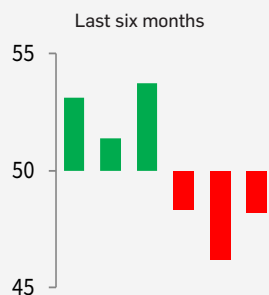
Key Findings

Second successive in new business

Employment growth at four-month high

Input cost inflation accelerates

Ireland Construction Total Activity Index



November saw the third consecutive monthly fall in Irish construction activity, amid a further decline in overall new business. That said, construction firms took on additional staff at the most marked pace in four months, reportedly as part of company expansion initiatives.

Meanwhile, business confidence among construction companies was little changed from October's figure amid reports of Brexit uncertainty weighing on sentiment but hopes of new order growth boosted confidence.

At 48.2 in November, up from 46.2 in October the Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – signalled a further contraction of Irish construction activity. That said, the rate of decline eased from October and was modest.

For the first time since June 2013, residential construction companies registered lower activity levels during November, whilst commercial activity increased for the first time in three months. Meanwhile, civil engineering activity declined for the fifteenth consecutive month and at the fastest pace in almost six-and-a-half years.

The contraction in overall activity was linked to a decline in inflows of new business. Irish construction firms recorded a second consecutive monthly decrease in new orders during November. The rate of contraction was modest, but quickened slightly from the previous month. Panellists stated that they had observed weaker overall demand conditions. Some firms noted that they had seen a decrease

in new business due to Brexit uncertainty.

In spite of declines in activity and new orders, Irish construction firms increased their workforce numbers again during November. Moreover, the rate of job creation was the fastest in four months. Anecdotal evidence from panellists indicated that greater workforce numbers sometimes stemmed from company expansion initiatives.

For the second time in the past three months, purchasing activity across the Irish construction sector declined in November. However, the rate of contraction was modest. Panellists indicated that they had decreased buying levels in response to receiving fewer customer orders.

Amid widespread reports of greater raw material prices (notably steel, insulation and fuel), input costs rose sharply during November. Moreover, the rate of inflation quickened from October to a seven-month high.

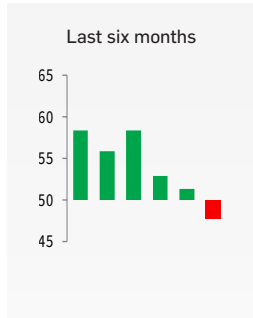
Meanwhile, average lead times lengthened again in November, though the rate of deterioration was the least marked in two years. Panellists attributed the deterioration in vendor performance to suppliers running out of key items and delays from UK vendors.

Looking ahead, business confidence was little changed from October's three-month high, with around 29% of survey respondents anticipating activity to increase over the coming 12 months. Expectations of an increase in customer orders was among the reasons for positive sentiment. That said, the degree of optimism was below the series average, amid reports of Brexit uncertainty.

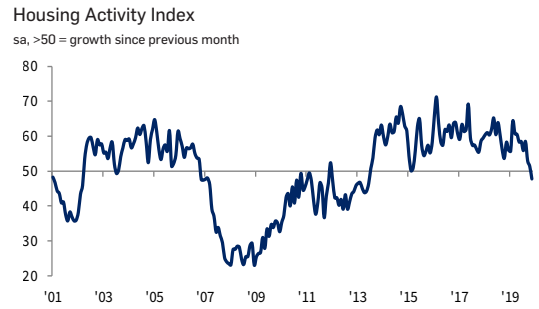
Total Activity Index
sa, >50 = growth since previous month



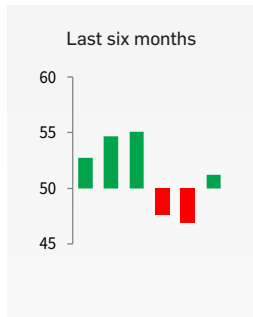
Housing Activity Index



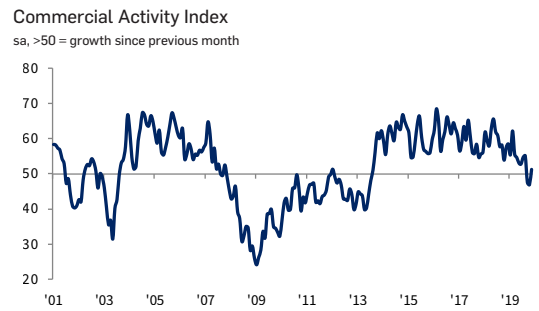
For the first time since June 2013, residential activity among Irish construction companies declined in November. Moreover, the rate of contraction was solid. Around one-in-five respondents saw housing activity decrease, against 18% that posted an increase.



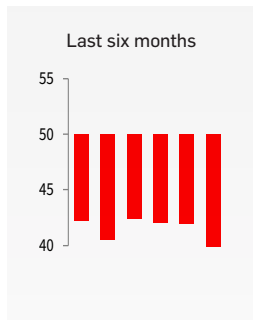
Commercial Activity Index



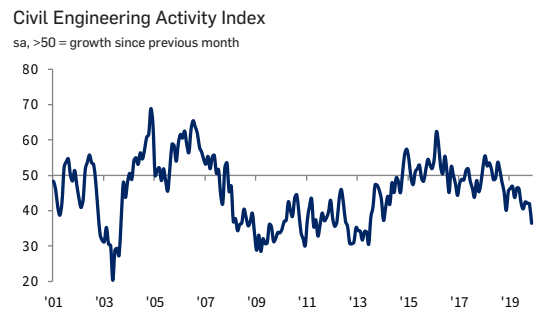
Breaking a two-month sequence of contraction, Irish commercial construction activity increased in November. That said, the rate of expansion was only slight.



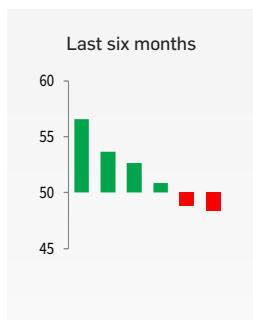
Civil Engineering Activity Index



For the fifteenth consecutive month, the seasonally adjusted Civil Engineering Activity Index posted below the 50.0 no-change threshold during November. The rate of contraction signalled was sharp and the most marked since June 2013.



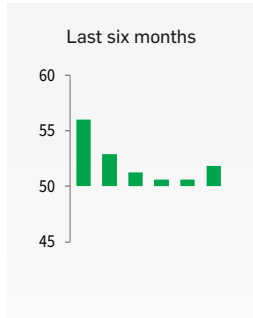
New Orders Index



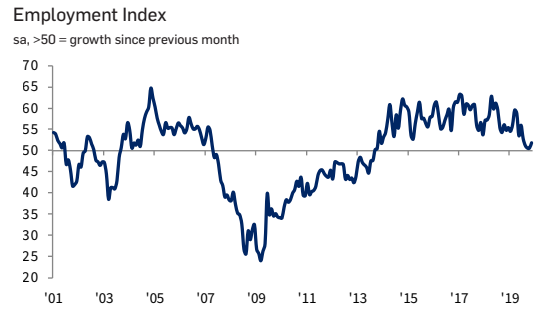
Irish construction companies recorded a decrease in new business for the second month running during November. Moreover, the rate of contraction quickened from October. Anecdotal evidence from panellists indicated that they had observed softer demand conditions during November. Some firms commented that they had seen a decrease in new orders due to Brexit uncertainty among customers.



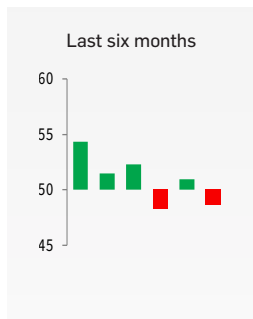
Employment Index



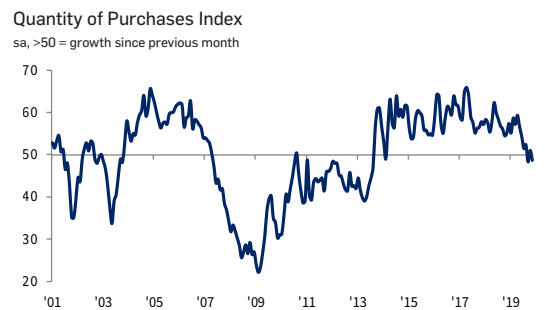
In contrast to the declines in activity and new orders, Irish construction firms increased their workforce numbers during November. Moreover, the rate of job creation, though modest, quickened from October to a four-month high. Anecdotal evidence suggested that firms took on additional staff in order to fulfil company expansion efforts for the new year.



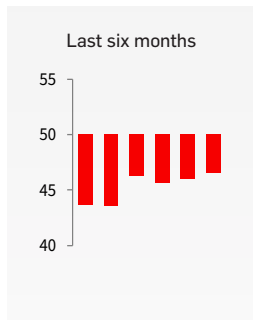
Quantity of Purchases Index



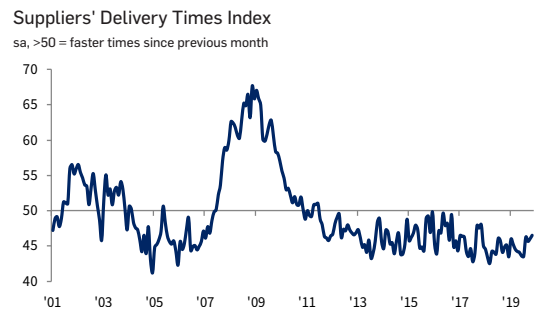
For the second time in the past three months, purchasing activity among Irish construction firms declined in November. That said, the rate of contraction was modest. Panellists reported that they had reduced input buying in response to lower customer orders.



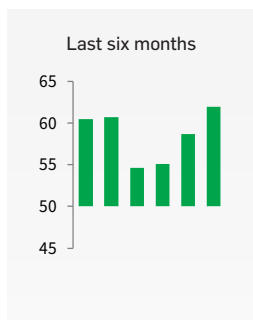
Suppliers' Delivery Times Index



Pressures on supply chains were evident during November as the seasonally adjusted Suppliers' Delivery Times Index posted a reading below the 50.0 no-change threshold. The rate at which delivery times worsened was solid, albeit the softest in two years. Construction firms stated that vendor performance had deteriorated due to suppliers running out of key items and delays from UK-based companies.



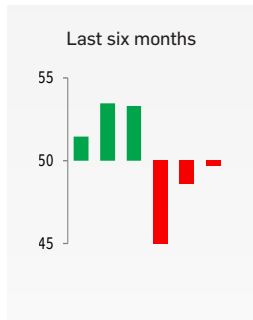
Input Prices Index



The rate of input cost inflation among construction firms quickened for the third month running during November. The latest increase in cost burdens was steep and the fastest since April. Surveyed firms cited higher raw material prices (notably steel, insulation and fuel) as the principal factor behind greater input costs.

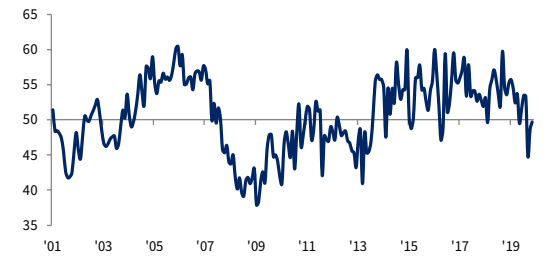


Sub-contractor Usage Index

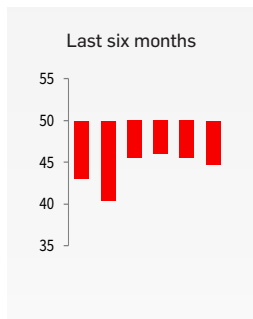


Sub-contractor usage declined for the third successive month during November, as shown by the seasonally adjusted Sub-Contractor Usage Index posting a reading below the 50.0 no-change threshold. However, the rate of contraction was only marginal.

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



Sub-contractor Availability Index

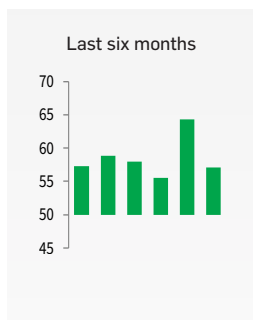


For the sixty-ninth month in a row, sub-contractor availability in Ireland's construction sector declined in November. Moreover, the rate of contraction was solid and the fastest in four months.

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



Sub-contractor Rates Index

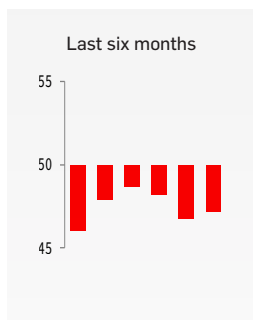


For the seventy-third consecutive month, the seasonally adjusted Sub-Contractor Rates Index posted above the 50.0 no-change threshold in November. That said, the rate of inflation eased markedly from October.

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



Sub-contractor Quality Index

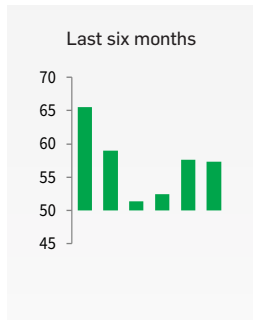


Sub-contractor quality deteriorated in November, as shown by the seasonally adjusted Sub-Contractor Quality Index posting below the 50.0 no-change threshold. The decline was solid, though slower than October's decrease.

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



Future Activity Index



Optimism among Irish construction firms was little changed from October's reading in November, amid reports of Brexit uncertainty weighing on sentiment. Despite this, output was still predicted to increase in the next 12 months on average, with just over 29% of panellists expecting greater activity levels over the coming year. Panellists cited expectations of improved customer orders as well as a subsidence of Brexit uncertainty as reasons to be optimistic.



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*
06 '19	53.1	58.4	52.8	42.3	56.6	56.0	54.4	43.6	60.5	51.5	43.1	57.3	46.0	65.5
07 '19	51.4	55.9	54.7	40.5	53.7	52.9	51.5	43.5	60.7	53.5	40.4	58.8	47.9	59.0
08 '19	53.7	58.4	55.1	42.5	52.6	51.2	52.3	46.3	54.6	53.3	45.4	58.0	48.7	51.3
09 '19	48.3	52.9	47.6	42.1	50.8	50.6	48.3	45.7	55.1	44.8	46.0	55.5	48.2	52.4
10 '19	46.2	51.3	46.9	41.9	48.8	50.6	51.0	46.0	58.7	48.6	45.5	64.3	46.8	57.6
11 '19	48.2	47.7	51.2	36.4	48.3	51.9	48.6	46.5	61.9	49.7	44.7	57.1	47.2	57.3

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

Building Materials
Cast Iron
Copper
Diesel
Fuel
Insurance
Paint
Plasterboards
Sanitary Ware
Vinyls
Waste Removal

Items Down in Price

PIR Insulation
Steel
Timber

Sub-contractors in Short Supply

Blocklayers
Carpenters
Ecologists
Electricians
Plasterers
Plumbers

Products in Short Supply

Building Materials
Heat Pumps

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					
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
09 '19	14.7	65.3	20.0	47.3	48.3
10 '19	18.3	58.5	23.2	47.5	46.2
11 '19	19.4	59.9	20.8	49.3	48.2
Housing Activity					
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
09 '19	18.1	65.9	16.0	51.1	52.9
10 '19	20.9	59.6	19.5	50.7	51.3
11 '19	18.2	62.3	19.5	49.4	47.7
Commercial Activity					
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
09 '19	14.2	62.2	23.6	45.3	47.6
10 '19	16.2	59.6	24.2	46.0	46.9
11 '19	21.8	60.6	17.5	52.1	51.2
Civil Engineering Activity					
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
09 '19	7.7	68.2	24.2	41.7	42.1
10 '19	10.2	58.9	30.9	39.7	41.9
11 '19	6.2	51.4	42.4	31.9	36.4
New Orders					
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
09 '19	21.9	55.4	22.6	49.7	50.8
10 '19	25.6	45.6	28.8	48.4	48.8
11 '19	21.2	53.5	25.4	47.9	48.3
Employment					
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
09 '19	10.5	75.2	14.3	48.1	50.6
10 '19	12.1	74.9	13.0	49.6	50.6
11 '19	13.1	78.9	8.0	52.5	51.9
Quantity of Purchases					
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
09 '19	18.5	58.7	22.8	47.9	48.3
10 '19	20.1	65.6	14.3	52.9	51.0
11 '19	15.1	67.0	18.0	48.6	48.6

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
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
09 '19	2.6	87.9	9.5	46.5	45.7
10 '19	3.9	84.8	11.3	46.3	46.0
11 '19	5.9	81.7	12.4	46.8	46.5
Input Prices					
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
09 '19	13.1	82.6	4.3	54.4	55.1
10 '19	18.8	78.5	2.8	58.0	58.7
11 '19	20.2	78.0	1.8	59.2	61.9
Subcontractor Usage					
06 '19	14.4	73.8	11.8	51.3	51.5
07 '19	19.9	69.8	10.3	54.8	53.5
08 '19	21.2	68.6	10.2	55.5	53.3
09 '19	8.9	71.9	19.2	44.8	44.8
10 '19	9.9	78.9	11.2	49.4	48.6
11 '19	11.4	76.1	12.5	49.5	49.7
Subcontractor Availability					
06 '19	2.6	80.4	17.0	42.8	43.1
07 '19	4.9	66.7	28.4	38.2	40.4
08 '19	4.9	78.9	16.2	44.4	45.4
09 '19	5.9	77.6	16.5	44.7	46.0
10 '19	6.3	74.7	19.0	43.6	45.5
11 '19	2.7	81.4	15.9	43.4	44.7
Subcontractor Rates					
06 '19	16.2	81.2	2.5	56.9	57.3
07 '19	21.0	76.8	2.2	59.4	58.8
08 '19	20.1	78.6	1.3	59.4	58.0
09 '19	14.5	83.2	2.3	56.1	55.5
10 '19	30.3	68.6	1.1	64.6	64.3
11 '19	16.0	80.0	3.9	56.1	57.1
Subcontractor Quality					
06 '19	0.0	90.6	9.4	45.3	46.0
07 '19	4.0	89.1	6.9	48.5	47.9
08 '19	3.3	90.5	6.3	48.5	48.7
09 '19	2.7	88.8	8.5	47.1	48.2
10 '19	0.0	88.7	11.3	44.3	46.8
11 '19	1.4	90.8	7.9	46.7	47.2
Future Activity*					
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
09 '19	24.0	56.8	19.2	52.4	n/a
10 '19	31.2	52.9	15.9	57.6	n/a
11 '19	29.1	56.4	14.5	57.3	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.

November 2019 data were collected 12 November - 2 December 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.

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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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