

Ulster Bank Construction PMI® Report (RoI)

Construction activity continues to rise, but at softest pace in eight months

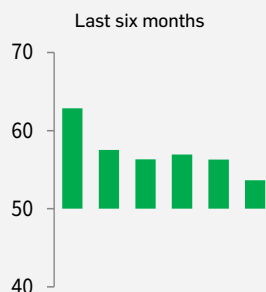
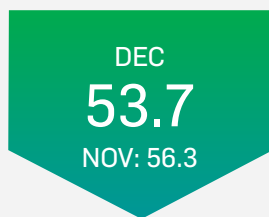
Key Findings

Softer growth of activity and new business

Business confidence remains elevated

Further strong rise in input costs

Ireland Construction Total Activity Index



While the Irish construction sector remained in growth territory at the end of 2021, the emergence of the Omicron variant of the COVID-19 pandemic acted to moderate rates of expansion in business activity and new orders. That said, confidence in the 12-month outlook remained elevated and companies continued to expand their staffing levels.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – dropped to 53.7 in December, down from 56.3 in November. The reading signalled a further solid increase in activity in the sector, albeit the softest in the current eight-month sequence of expansion. Where activity rose, panellists generally linked this to improving client demand.

Growth of activity was broad-based in December, with all three monitored categories posting expansions. The fastest rise was in commercial activity where the rate of expansion was marked, albeit the softest in eight months. Solid rises were seen in housing and civil engineering.

There were also signs of new order growth softening in December, but the rate of expansion remained sharp at the end of the year amid reports of improving demand and specific mentions of Health Service Executive (HSE) work having been secured. Where new orders eased, this was linked to the emergence of the Omicron variant of the COVID-19 pandemic.

Companies remained confident that activity will rise over the coming year, with sentiment ticking up from that seen in November. A strong

pipeline of new work is set to support further improvements in new orders, while a number of firms signalled confidence in the housing sector.

Optimism in the outlook and increases in workloads meant that constructors continued to expand their staffing levels at a marked pace. Employment has now risen in nine successive months. That said, in line with the trends in activity and new orders, the rate of job creation eased.

Meanwhile, purchasing activity also rose at a softer pace. Where growth was recorded, this was linked to increasing demand and advanced purchasing to try and mitigate price rises.

The rate of input cost inflation remained elevated and was among the sharpest on record despite easing markedly from that seen in November. Higher costs for fuel, materials and transportation were reported, with firms also linking inflationary pressures to Brexit.

Brexit was also reportedly a factor behind longer suppliers' delivery times, with shortages of materials and delivery drivers also contributing to delays. Lead times lengthened markedly again in December, albeit to the least extent since November 2020.

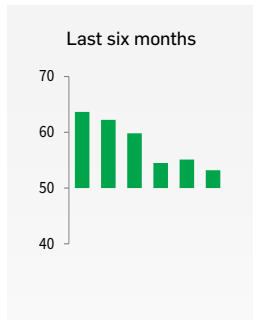
For the first time in eight months, Irish construction firms reduced their usage of sub-contractors. Despite this, the availability of sub-contractors continued to fall sharply. Along with the supply of sub-contractors, the quality of their work also deteriorated at the end of the year. Meanwhile, the rates they charged increased at a considerable pace that was the joint-second fastest in the survey's history.

Total Activity Index

sa, >50 = growth since previous month



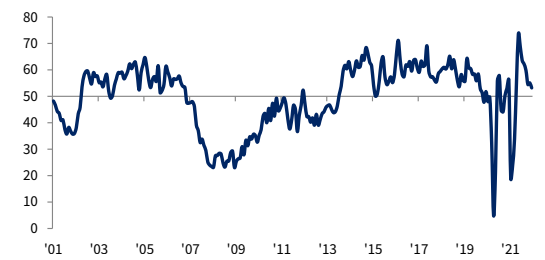
Housing Activity Index



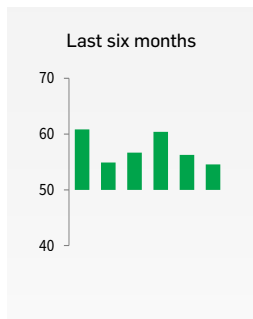
Although housing activity continued to increase at a solid pace at the end of 2021, the rate of expansion slowed to the weakest in the current nine-month sequence of growth. The rise in activity on residential projects was also the softest of the three categories of construction covered by the survey.

Housing Activity Index

sa, >50 = growth since previous month



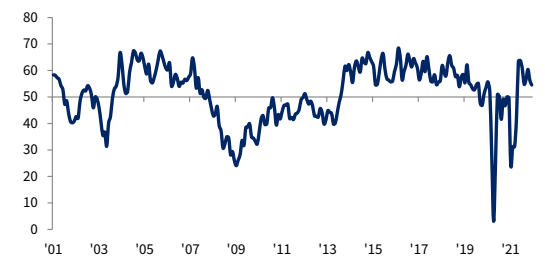
Commercial Activity Index



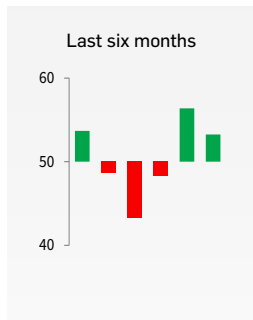
Irish construction firms signalled a marked increase in commercial activity during December, with growth outpacing those seen for housing and civil engineering activity. That said, the latest rise was the slowest in eight months.

Commercial Activity Index

sa, >50 = growth since previous month



Civil Engineering Activity Index



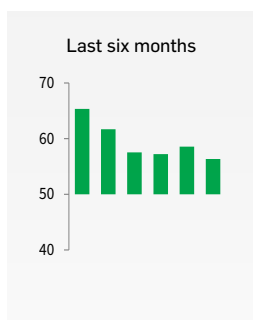
December data pointed to a second successive monthly expansion of activity on civil engineering projects in the Irish construction sector. The rate of growth was solid, but eased from that seen in November.

Civil Engineering Activity Index

sa, >50 = growth since previous month



New Orders Index



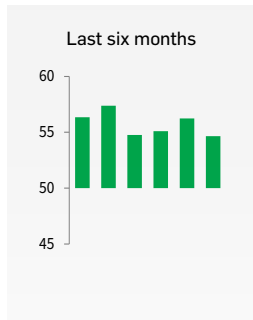
As has been the case in each of the past nine months, new orders increased during December. The rate of expansion was sharp, albeit the softest since April. Where new business rose, panellists linked this to improving demand. There were some specific mentions of HSE work being secured. That said, the emergence of the Omicron variant of the COVID-19 pandemic acted to limit growth.

New Orders Index

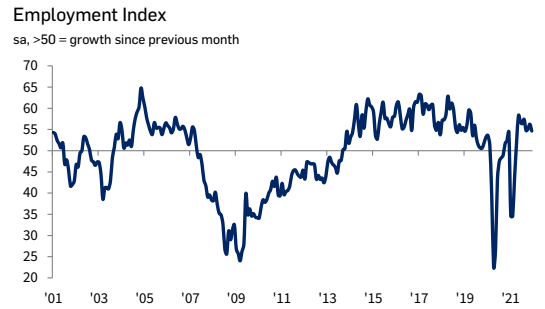
sa, >50 = growth since previous month



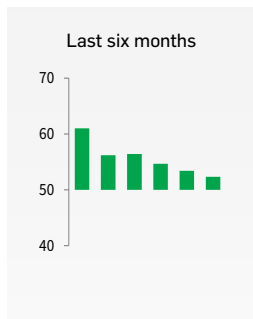
Employment Index



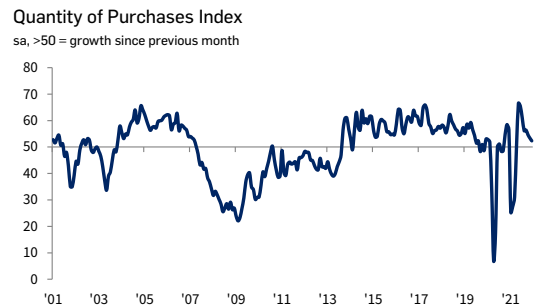
Rising workloads encouraged construction firms to expand their workforce numbers again in the final month of 2021. Employment increased for the ninth successive month and the rate of job creation remained marked despite easing to the softest since April. Around 12% of respondents signalled a rise in staffing levels, against 5% that noted a fall.



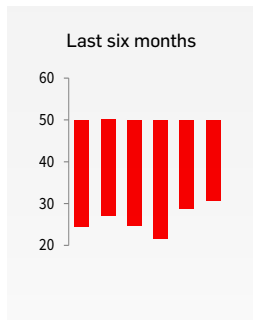
Quantity of Purchases Index



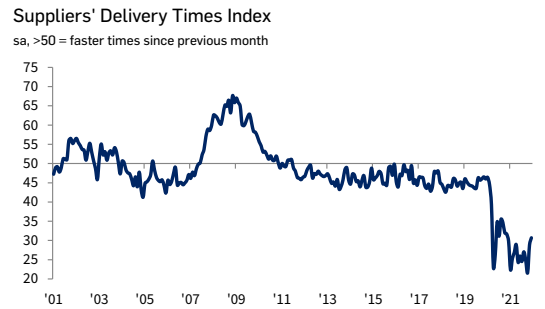
The rate of expansion in purchasing activity slowed for the third month running in December and was the weakest since April. That said, input buying still increased at a solid pace. Where purchasing rose, companies indicated that this reflected both a response to rising workloads and stockpiling to mitigate price increases.



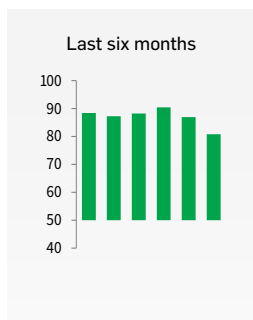
Suppliers' Delivery Times Index



December data pointed to a further marked lengthening of suppliers' delivery times in the Irish construction sector. This was despite the rate of deterioration in vendor performance easing to a 13-month low. According to respondents, longer lead times reflected shortages of both materials and delivery drivers, as well as disruption caused by Brexit.



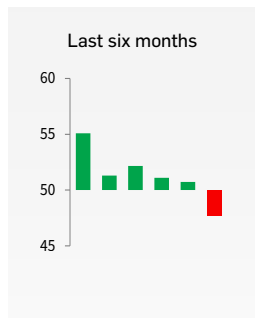
Input Prices Index



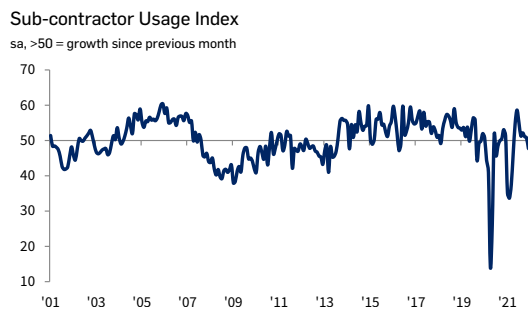
Although the rate of input cost inflation slowed sharply during December, it remained substantial and among the fastest since the survey began in June 2000. Approximately 58% of respondents indicated that their input prices had risen over the month, linked to higher costs for fuel, materials and transportation. Some firms also reported that Brexit had added to their cost burdens.



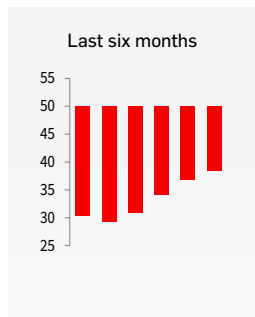
Sub-contractor Usage Index



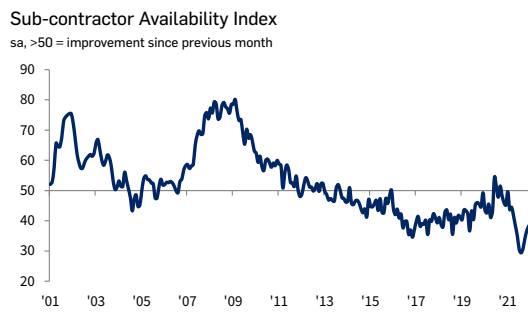
Irish construction firms reduced their usage of sub-contractors for the first time in eight months during December. The pace of decline was solid.



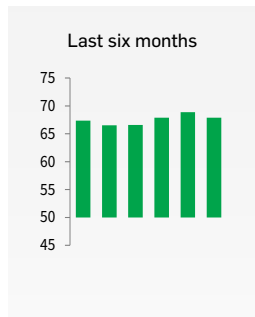
Sub-contractor Availability Index



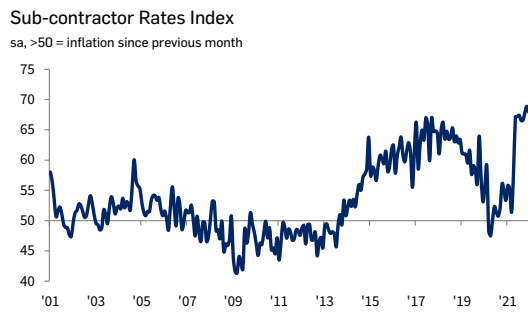
Despite sub-contractor usage decreasing at the end of the year, their availability continued to decline. The supply of sub-contractors worsened substantially again in December, albeit to the least extent since May.



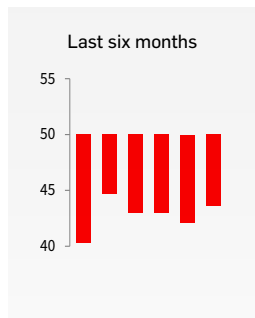
Sub-contractor Rates Index



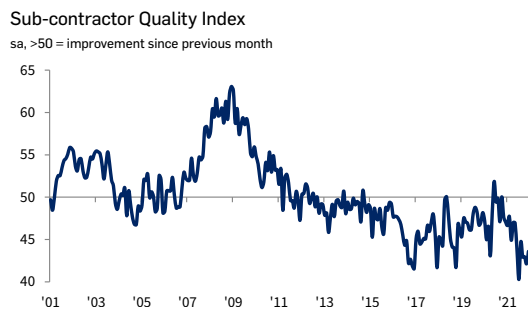
Rates charged by sub-contractors continued to increase at a substantial pace in December. The rate of inflation slowed only slightly from November's record and was the joint-second fastest in the series history, equal with that seen in October.



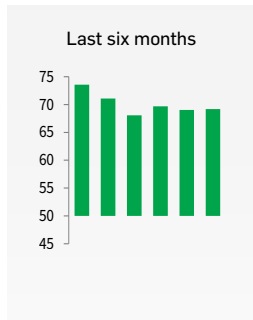
Sub-contractor Quality Index



Irish construction firms continued to report a decline in the quality of work carried out by sub-contractors in December, extending the current sequence of deterioration to 14 months. The latest reduction in quality was marked, but the softest since August.



Future Activity Index



Sentiment regarding the 12-month outlook for activity remained elevated in December, ticking up fractionally from November and posting well above the series average. Strong pipelines of new work, expectations of further improvements in demand and specific confidence in the prospects for the housing market supported optimism.



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*
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
09 '21	56.3	59.8	56.7	43.3	57.5	54.8	56.4	24.8	88.2	52.2	30.8	66.6	42.9	68.1
10 '21	56.9	54.5	60.4	48.3	57.2	55.1	54.7	21.6	90.5	51.1	34.2	67.9	42.9	69.7
11 '21	56.3	55.1	56.3	56.4	58.6	56.2	53.4	28.8	87.0	50.7	36.8	68.9	42.1	69.0
12 '21	53.7	53.2	54.5	53.3	56.3	54.6	52.3	30.7	80.8	47.7	38.3	67.9	43.6	69.2

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

- Cable
- Cement
- Concrete
- Conduit
- Copper
- Diesel
- Door Locks
- Electrical Equipment
- Engineering Products
- Fuel
- Gases
- Glass
- Insulation
- Insurance
- MCB Boards
- Metal Products
- Mirrors
- Paint
- Plasterboard
- Plastic Products
- Plumbing Materials
- PVC Products
- Radon Barrier
- Refrigeration Equipment
- Salt
- Stainless Steel
- Steel
- Timber

- Trunking
- Window Locks

Items Down in Price

- Steel
- Timber

Sub-contractors in Short Supply

- Block Layers
- Concrete Finishers
- Ecologists
- Electricians
- Groundworkers
- Mechanical Sub-contractors
- Metalworkers
- Ornithologists
- Plasterers

Products in Short Supply

- Air Conditioning Systems
- Consumer Units
- Doors
- Drainage
- Electrical Switches
- Electronic Components
- Engineering Products
- Glass
- Insulation
- Mesh
- Plasterboard
- Pumps
- PVC
- Sockets
- Specialist Building Hardware
- Stainless Steel
- Steel
- Timber
- Window Products

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					
Jul '21	36.7	53.1	10.1	63.3	62.8
Aug '21	27.8	55.8	16.5	55.6	57.5
Sep '21	25.6	62.3	12.1	56.8	56.3
Oct '21	27.7	60.3	12.1	57.8	56.9
Nov '21	29.0	59.4	11.6	58.7	56.3
Dec '21	22.0	61.5	16.5	52.8	53.7

	% Higher	% Same	% Lower	Index	Index (SA)
Housing Activity					
Jul '21	39.8	48.0	12.2	63.8	63.7
Aug '21	37.7	48.4	13.9	61.9	62.2
Sep '21	27.2	61.9	10.9	58.2	59.8
Oct '21	26.9	60.5	12.5	57.2	54.5
Nov '21	33.7	52.8	13.5	60.1	55.1
Dec '21	22.1	61.8	16.1	53.0	53.2

	% Higher	% Same	% Lower	Index	Index (SA)
Commercial Activity					
Jul '21	31.7	60.5	7.7	62.0	60.9
Aug '21	25.5	58.8	15.7	54.9	54.9
Sep '21	25.2	65.3	9.5	57.8	56.7
Oct '21	32.0	59.9	8.2	61.9	60.4
Nov '21	29.3	57.1	13.5	57.9	56.3
Dec '21	24.1	63.1	12.8	55.7	54.5

	% Higher	% Same	% Lower	Index	Index (SA)
Civil Engineering Activity					
Jul '21	27.6	58.1	14.3	56.6	53.7
Aug '21	15.3	66.7	18.0	48.6	48.6
Sep '21	11.9	59.5	28.6	41.7	43.3
Oct '21	18.0	65.4	16.6	50.7	48.3
Nov '21	27.3	69.6	3.1	62.1	56.4
Dec '21	18.2	66.3	15.5	51.3	53.3

	% Higher	% Same	% Lower	Index	Index (SA)
New Orders					
Jul '21	43.1	47.8	9.1	67.0	65.3
Aug '21	38.6	43.9	17.5	60.5	61.7
Sep '21	29.8	55.7	14.6	57.6	57.5
Oct '21	29.5	59.4	11.1	59.2	57.2
Nov '21	33.2	55.4	11.4	60.9	58.6
Dec '21	30.2	52.0	17.8	56.2	56.3

	% Higher	% Same	% Lower	Index	Index (SA)
Employment					
Jul '21	19.7	76.4	3.9	57.9	56.4
Aug '21	20.2	76.3	3.6	58.3	57.4
Sep '21	15.5	76.5	8.0	53.8	54.8
Oct '21	14.9	81.8	3.2	55.9	55.1
Nov '21	19.3	75.8	4.9	57.2	56.2
Dec '21	12.4	82.6	5.0	53.7	54.6

	% Higher	% Same	% Lower	Index	Index (SA)
Quantity of Purchases					
Jul '21	36.8	53.8	9.4	63.7	61.0
Aug '21	27.1	56.8	16.1	55.5	56.2
Sep '21	21.7	69.2	9.1	56.3	56.4
Oct '21	23.3	68.5	8.2	57.6	54.7
Nov '21	22.7	67.8	9.4	56.6	53.4
Dec '21	19.0	70.1	10.9	54.0	52.3

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
Jul '21	1.8	43.0	55.2	23.3	24.5
Aug '21	0.0	54.2	45.8	27.1	27.0
Sep '21	0.9	48.3	50.8	25.1	24.8
Oct '21	0.0	43.6	56.4	21.8	21.6
Nov '21	0.0	60.5	39.5	30.2	28.8
Dec '21	0.9	60.2	38.9	31.0	30.7

	% Higher	% Same	% Lower	Index	Index (SA)
Input Prices					
Jul '21	76.4	22.7	0.9	87.8	88.4
Aug '21	72.4	27.6	0.0	86.2	87.2
Sep '21	75.3	22.8	1.9	86.7	88.2
Oct '21	78.4	20.8	0.8	88.8	90.5
Nov '21	67.8	32.2	0.0	83.9	87.0
Dec '21	57.7	41.5	0.9	78.4	80.8

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Usage					
Jul '21	19.6	74.0	6.4	56.6	55.1
Aug '21	20.5	64.8	14.7	52.9	51.3
Sep '21	16.5	69.7	13.8	51.3	52.2
Oct '21	16.9	70.5	12.5	52.2	51.1
Nov '21	10.0	84.3	5.7	52.2	50.7
Dec '21	8.8	82.3	8.9	49.9	47.7

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Availability					
Jul '21	0.0	56.3	43.7	28.2	30.4
Aug '21	0.0	58.8	41.2	29.4	29.4
Sep '21	0.0	64.0	36.0	32.0	30.8
Oct '21	0.0	65.6	34.4	32.8	34.2
Nov '21	2.8	65.7	31.4	35.7	36.8
Dec '21	4.4	67.1	28.5	38.0	38.3

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Rates					
Jul '21	40.7	56.3	3.0	68.9	67.4
Aug '21	36.1	62.4	1.5	67.3	66.5
Sep '21	37.3	59.5	3.3	67.0	66.6
Oct '21	39.3	60.7	0.0	69.7	67.9
Nov '21	39.8	58.9	1.3	69.2	68.9
Dec '21	36.6	60.4	3.0	66.8	67.9

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Quality					
Jul '21	0.0	82.0	18.0	41.0	40.3
Aug '21	1.5	87.2	11.3	45.1	44.7
Sep '21	3.0	75.8	21.2	40.9	42.9
Oct '21	0.0	82.3	17.7	41.2	42.9
Nov '21	1.4	79.9	18.6	41.4	42.1
Dec '21	1.5	87.2	11.4	45.1	43.6

	% Higher	% Same	% Lower	Index	Index (SA)
Future Activity*					
Jul '21	54.8	37.6	7.6	73.6	n/a
Aug '21	48.8	44.5	6.7	71.1	n/a
Sep '21	46.0	44.1	9.9	68.1	n/a
Oct '21	42.7	54.1	3.3	69.7	n/a
Nov '21	44.8	48.5	6.7	69.0	n/a
Dec '21	46.4	45.6	8.1	69.2	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.

December data were collected 06-23 December 2021.

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

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