

Ulster Bank Construction PMI® Report (RoI)

Softer rise in construction activity amid storm disruption

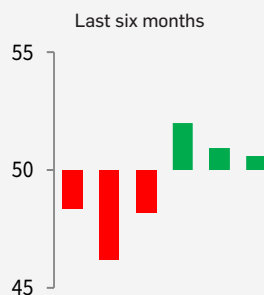
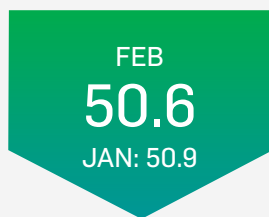
Key Findings

Activity and new orders continue to rise

Delivery times lengthen to greatest extent in seven months

Input cost inflation accelerates

Ireland Construction Total Activity Index



Stormy weather impacted the Irish construction sector during February, helping lead to a softer expansion of activity. That said, the sector remained in growth territory overall amid ongoing improvements in demand. Companies continued to expand their employment and purchasing activity accordingly. Meanwhile, the poor weather conditions caused disruption to supply chains, as did the outbreak of coronavirus in China to a lesser extent.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – posted 50.6 in February, down slightly from 50.9 in January and signalling a modest increase in total construction activity in Ireland. The expansion was the third in as many months, but the softest in this sequence.

Where activity increased, panellists linked this to rises in new orders amid improving demand. On the other hand, stormy weather during February limited the pace of expansion.

As was the case in January, the rise in total activity was driven by increased work on commercial projects as activity fell elsewhere. That said, growth in commercial activity softened. Housing activity decreased only marginally and to a lesser extent than in January, while civil engineering work fell markedly again.

New orders increased for the third month in a row during February. The rate of expansion was solid, albeit softer than that seen in January. Respondents pointed to improvements in customer demand, in some cases due to

greater clarity around the near-term path for Brexit.

With new orders increasing solidly again, companies continued to expand their staffing levels and purchasing activity. Employment has now risen in each month throughout the past six-and-a-half years, although the latest increase was the slowest since last October. The rate of growth in input buying also softened in February.

Efforts to secure new inputs were hampered by suppliers' delivery delays. Average lead times lengthened markedly, and to the greatest extent for seven months. According to respondents, longer delivery times generally reflected stormy weather during February, but there were some incidences of delays caused by the outbreak of coronavirus in China.

The rate of input cost inflation accelerated to a three-month high during February, with higher prices for raw materials such as concrete and metals mentioned. Higher insurance costs were also reported, along with unfavourable exchange rate movements.

Sub-contractor rates also increased at a sharper pace in February, despite the strongest deterioration in quality for 16 months. Companies reduced their usage of sub-contractors for the first time since last November, while the availability of sub-contractors deteriorated sharply.

The 12-month outlook for business activity remained positive, despite easing from January's one-year high. Confidence stemmed from expectations that new orders will continue to rise over the coming year.

Total Activity Index

sa, >50 = growth since previous month



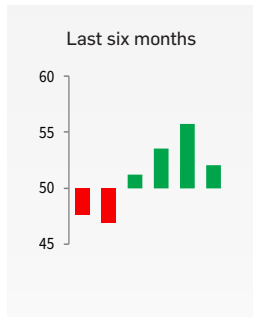
Housing Activity Index



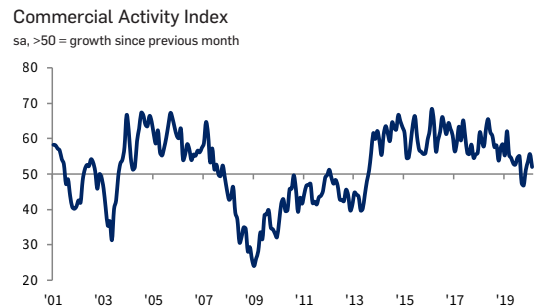
Although housing activity decreased for the third time in the past four months during February, the pace of reduction was only marginal, having slowed from that seen in January.



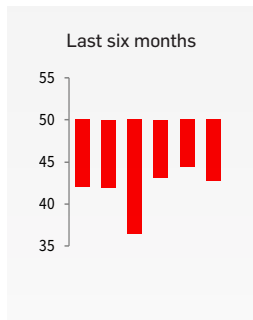
Commercial Activity Index



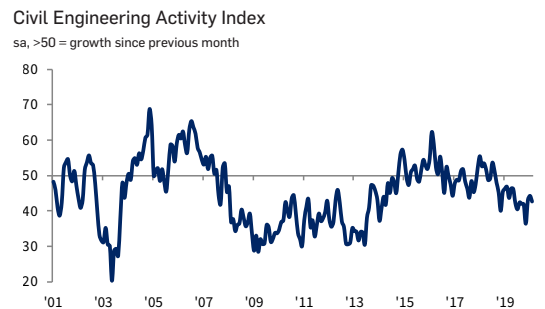
The commercial construction category was again the only one of the three covered by the survey to register a rise in activity during February. Activity increased for the fourth successive month, albeit at a modest pace that was the softest since last November.



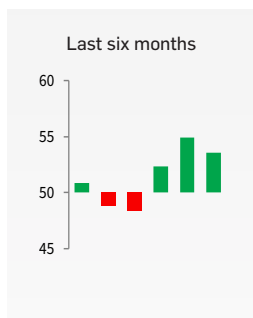
Civil Engineering Activity Index



As has been the case on a monthly basis throughout the past year-and-a-half, activity on civil engineering projects decreased in February. Moreover, the pace of reduction was sharp and the fastest in three months.



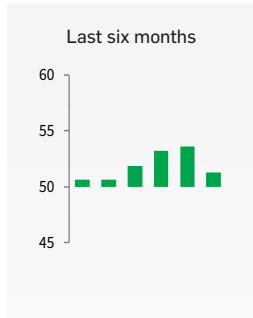
New Orders Index



Irish construction companies recorded an increase in new orders for the third month in a row during February. The rate of expansion was solid, despite easing slightly from that seen during January. Respondents linked higher new orders to signs of demand improving, in some cases reflecting greater clarity around Brexit at the start of the year.



Employment Index



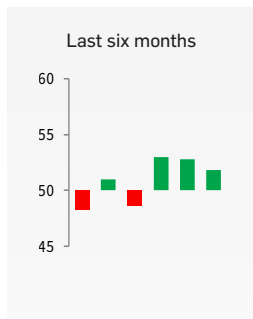
As has been the case on a monthly basis throughout the past six-and-a-half years, employment increased in the Irish construction sector during February. Respondents generally linked hiring to rises in new orders. That said, the rate of job creation eased to a four-month low and was only slight.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index



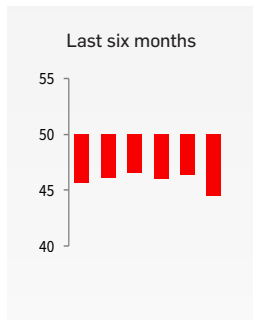
As well as supporting ongoing job creation, rising workloads also encouraged construction firms to expand their purchasing activity again midway through the first quarter of the year. Input buying has now increased in each of the past three months, although the latest rise was the slowest in this sequence.

Quantity of Purchases Index

sa, >50 = growth since previous month



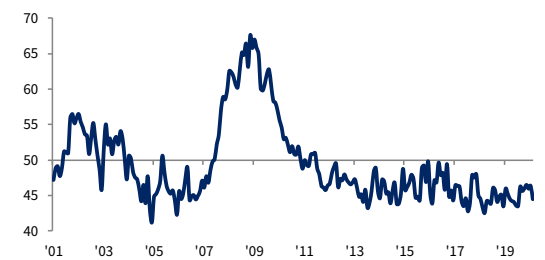
Suppliers' Delivery Times Index



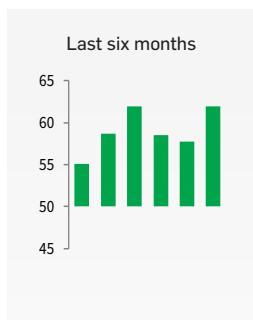
February data pointed to the most marked deterioration in supplier performance for seven months, with lead times lengthening markedly. Anecdotal evidence suggested that bad weather had been the main factor leading to longer delivery times, but there were also some mentions of delays caused by the coronavirus outbreak in China.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Input Prices Index



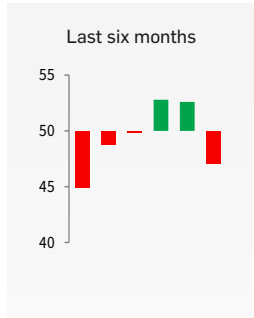
The rate of input cost inflation quickened to a three-month high in February and was faster than the series average. Panellists reported higher raw material costs, with some indicating that unfavourable exchange rate fluctuations had added to inflationary pressures. A number of respondents signalled higher prices for concrete, with metals and insurance costs also highlighted.

Input Prices Index

sa, >50 = inflation since previous month

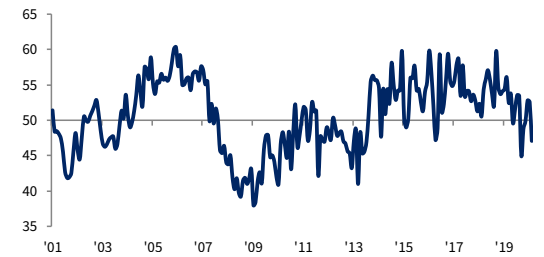


Sub-contractor Usage Index

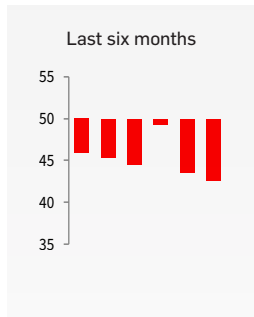


Irish construction firms reduced their usage of sub-contractors for the first time in three months during February. Moreover, the rate of decline was solid and the fastest since last September.

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



Sub-contractor Availability Index

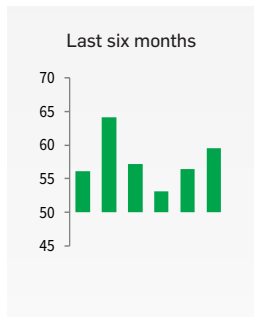


The availability of sub-contractors continued to decrease during February, extending the current sequence of deterioration to 50 months. Furthermore, the latest decline was the sharpest since July 2019.

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



Sub-contractor Rates Index

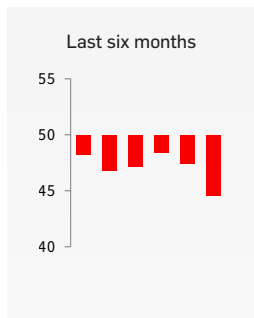


February data pointed to a marked monthly increase in the rates charged by sub-contractors. In fact, the rate of inflation quickened for the second month running and was the fastest since last October. The latest rise was also much sharper than the series average.

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



Sub-contractor Quality Index

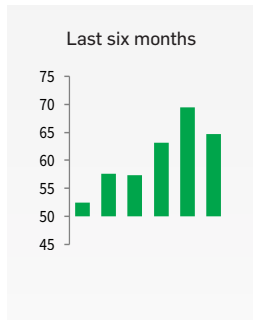


The sharp increase in rates charged by sub-contractors was recorded in spite of a further deterioration in the quality of their work. In fact, sub-contractor quality was deemed to have declined markedly in February, and to the greatest extent since October 2018.

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



Future Activity Index



Business confidence remained strongly positive in February, despite softening from January's one-year high. Firms indicated that they were confident that new business would improve over the next 12 months, thereby supporting growth of activity. More than 38% of respondents predicted a rise in output, against 9% that forecast a fall.



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* |
|--------|----------------|------------------|----------------------|-----------------------------|------------|-------------|-----------------------|---------------------------|--------------|----------------------|-----------------------------|----------------------|------------------------|------------------|
| 09 '19 | 48.3 | 52.9 | 47.6 | 42.1 | 50.8 | 50.6 | 48.3 | 45.7 | 55.1 | 45.0 | 45.9 | 56.1 | 48.3 | 52.4 |
| 10 '19 | 46.2 | 51.3 | 46.9 | 41.9 | 48.8 | 50.6 | 51.0 | 46.0 | 58.7 | 48.7 | 45.4 | 64.1 | 46.8 | 57.6 |
| 11 '19 | 48.2 | 47.7 | 51.2 | 36.4 | 48.3 | 51.9 | 48.6 | 46.5 | 61.9 | 49.9 | 44.5 | 57.2 | 47.1 | 57.3 |
| 12 '19 | 52.0 | 51.8 | 53.6 | 43.1 | 52.4 | 53.2 | 53.0 | 46.0 | 58.5 | 52.8 | 49.2 | 53.1 | 48.3 | 63.1 |
| 01 '20 | 50.9 | 48.0 | 55.7 | 44.4 | 54.9 | 53.6 | 52.8 | 46.4 | 57.7 | 52.6 | 43.6 | 56.5 | 47.4 | 69.4 |
| 02 '20 | 50.6 | 49.7 | 52.1 | 42.7 | 53.6 | 51.3 | 51.8 | 44.5 | 61.9 | 47.1 | 42.7 | 59.5 | 44.6 | 64.7 |

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

- Aggregates
- Airsealing Products
- Bricks
- Cast Iron
- Cement
- Concrete
- Copper
- Diesel
- Fuel
- Insulation
- Insurance
- Machinery Parts
- Paint
- Plumbing Materials
- Power
- Radon Barrier
- Raw Materials
- Titanium
- Transport
- Waterproofing Membrane

Items Down in Price

- None

Sub-contractors in Short Supply

- Architects
- Blocklayers
- Ecologists
- Engineers
- Geotechnical sub-contractors
- Glazers
- Ornithologists
- Planners
- Quantity Surveyors
- Roofers
- Wet Trades sub-contractors

Products in Short Supply

- Spoil Disposal Tips

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 | | | | | |
| 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 |
| 12 '19 | 28.3 | 57.7 | 14.0 | 57.1 | 52.0 |
| 01 '20 | 16.9 | 60.7 | 22.4 | 47.2 | 50.9 |
| 02 '20 | 18.6 | 57.6 | 23.8 | 47.4 | 50.6 |
| Housing Activity | | | | | |
| 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 |
| 12 '19 | 27.5 | 57.0 | 15.5 | 56.0 | 51.8 |
| 01 '20 | 12.3 | 60.0 | 27.7 | 42.3 | 48.0 |
| 02 '20 | 19.2 | 55.9 | 24.9 | 47.2 | 49.7 |
| Commercial Activity | | | | | |
| 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 |
| 12 '19 | 26.4 | 62.1 | 11.6 | 57.4 | 53.6 |
| 01 '20 | 22.1 | 62.6 | 15.3 | 53.4 | 55.7 |
| 02 '20 | 22.0 | 53.4 | 24.6 | 48.7 | 52.1 |
| Civil Engineering Activity | | | | | |
| 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 |
| 12 '19 | 24.4 | 59.8 | 15.9 | 54.3 | 43.1 |
| 01 '20 | 5.2 | 67.6 | 27.2 | 39.0 | 44.4 |
| 02 '20 | 9.3 | 59.8 | 30.9 | 39.2 | 42.7 |
| New Orders | | | | | |
| 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 |
| 12 '19 | 28.0 | 53.9 | 18.1 | 55.0 | 52.4 |
| 01 '20 | 30.6 | 45.5 | 23.9 | 53.4 | 54.9 |
| 02 '20 | 25.7 | 49.8 | 24.5 | 50.6 | 53.6 |
| Employment | | | | | |
| 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 |
| 12 '19 | 12.3 | 80.6 | 7.1 | 52.6 | 53.2 |
| 01 '20 | 12.8 | 77.8 | 9.4 | 51.7 | 53.6 |
| 02 '20 | 10.2 | 79.0 | 10.8 | 49.7 | 51.3 |
| Quantity of Purchases | | | | | |
| 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 |
| 12 '19 | 25.0 | 63.6 | 11.5 | 56.7 | 53.0 |
| 01 '20 | 18.7 | 56.7 | 24.6 | 47.0 | 52.8 |
| 02 '20 | 18.7 | 59.6 | 21.7 | 48.5 | 51.8 |

| | % Higher | % Same | % Lower | Index | Index (SA) |
|-----------------------------------|----------|--------|---------|-------|------------|
| Suppliers' Delivery Times | | | | | |
| 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 |
| 12 '19 | 2.8 | 84.1 | 13.2 | 44.8 | 46.0 |
| 01 '20 | 2.7 | 90.4 | 6.9 | 47.9 | 46.4 |
| 02 '20 | 2.7 | 86.3 | 11.0 | 45.9 | 44.5 |
| Input Prices | | | | | |
| 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 |
| 12 '19 | 16.6 | 82.6 | 0.9 | 57.9 | 58.5 |
| 01 '20 | 24.3 | 72.9 | 2.8 | 60.8 | 57.7 |
| 02 '20 | 32.7 | 65.4 | 1.8 | 65.5 | 61.9 |
| Subcontractor Usage | | | | | |
| 09 '19 | 8.9 | 71.9 | 19.2 | 44.8 | 45.0 |
| 10 '19 | 9.9 | 78.9 | 11.2 | 49.4 | 48.7 |
| 11 '19 | 11.4 | 76.1 | 12.5 | 49.5 | 49.9 |
| 12 '19 | 17.5 | 73.8 | 8.7 | 54.4 | 52.8 |
| 01 '20 | 13.2 | 77.7 | 9.1 | 52.1 | 52.6 |
| 02 '20 | 4.1 | 78.9 | 17.0 | 43.5 | 47.1 |
| Subcontractor Availability | | | | | |
| 09 '19 | 5.9 | 77.6 | 16.5 | 44.7 | 45.9 |
| 10 '19 | 6.3 | 74.7 | 19.0 | 43.6 | 45.4 |
| 11 '19 | 2.7 | 81.4 | 15.9 | 43.4 | 44.5 |
| 12 '19 | 5.1 | 84.8 | 10.1 | 47.5 | 49.2 |
| 01 '20 | 2.8 | 83.4 | 13.8 | 44.5 | 43.6 |
| 02 '20 | 1.3 | 84.7 | 14.0 | 43.7 | 42.7 |
| Subcontractor Rates | | | | | |
| 09 '19 | 14.5 | 83.2 | 2.3 | 56.1 | 56.1 |
| 10 '19 | 30.3 | 68.6 | 1.1 | 64.6 | 64.1 |
| 11 '19 | 16.0 | 80.0 | 3.9 | 56.1 | 57.2 |
| 12 '19 | 7.7 | 91.0 | 1.3 | 53.2 | 53.1 |
| 01 '20 | 12.6 | 87.4 | 0.0 | 56.3 | 56.5 |
| 02 '20 | 22.9 | 71.8 | 5.3 | 58.8 | 59.5 |
| Subcontractor Quality | | | | | |
| 09 '19 | 2.7 | 88.8 | 8.5 | 47.1 | 48.3 |
| 10 '19 | 0.0 | 88.7 | 11.3 | 44.3 | 46.8 |
| 11 '19 | 1.4 | 90.8 | 7.9 | 46.7 | 47.1 |
| 12 '19 | 3.8 | 91.0 | 5.1 | 49.3 | 48.3 |
| 01 '20 | 1.5 | 93.1 | 5.4 | 48.0 | 47.4 |
| 02 '20 | 1.3 | 89.4 | 9.3 | 46.0 | 44.6 |
| Future Activity* | | | | | |
| 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 |
| 12 '19 | 37.2 | 51.9 | 10.9 | 63.1 | n/a |
| 01 '20 | 43.3 | 52.2 | 4.5 | 69.4 | n/a |
| 02 '20 | 38.3 | 52.7 | 9.0 | 64.7 | 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.

February data were collected 12-28 February 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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