

# Ulster Bank Construction PMI® Report (RoI)

## Further steep decline in activity, but confidence hits one-year high

### Key Findings

COVID-19 lockdown leads to further sharp reduction in workloads

Optimism highest since February 2020

Input cost inflation at 23-month high

### Ireland Construction Total Activity Index



The Irish construction sector remained in a deep downturn during February as a result of the coronavirus disease 2019 (COVID-19) lockdown. Activity and new orders fell sharply, leading firms to scale back their purchasing activity and staffing levels. Meanwhile, cost pressures intensified, with input prices rising to the greatest extent in just under two years. On a more positive note, there was increasing confidence in the 12-month outlook, with sentiment the highest since the onset of the pandemic this time last year.

The Ulster Bank Construction Purchasing Managers' Index (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – remained well below the 50.0 no-change mark in February, despite rising to 27.0 from 21.2 in January, signalling a softer pace of reduction. Respondents indicated that the COVID-19 lockdown restrictions had been behind the decline in activity.

The three monitored categories of construction all continued to record sharp contractions in activity, albeit with housing and commercial work falling at softer rates than at the start of the year.

In line with the picture for construction activity, new orders continued to fall sharply during February due to the COVID-19 lockdown. More than half of all respondents signalled a reduction in new business.

While activity and new orders decreased substantially again, there was growing confidence that the coming year would see an expansion in activity amid the release of pent-up demand once the pandemic comes to

an end. In fact, optimism strengthened to the highest since February last year. Around 48% of companies predicted an expansion of activity.

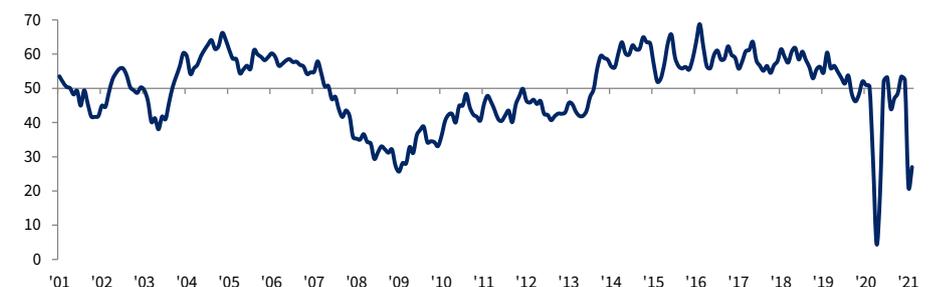
Despite confidence in the year-ahead outlook, current restrictions meant that firms required fewer inputs and staff members midway through the first quarter. Employment decreased for the second month running and at a broadly similar pace to that seen in January. This was also the case with input buying, which fell substantially.

Those firms that did purchase inputs during the month were faced with delivery delays and rising prices. Suppliers' delivery times lengthened to a slightly lesser extent than January's survey record, but one that was considerable nonetheless. Brexit was the principal factor for delivery delays, according to panellists, while there were also some mentions of supply-chain disruption due to the pandemic.

Supply issues and Brexit combined to cause a sharper increase in input costs, with the rate of inflation the fastest in 23 months. A number of firms highlighted rising metal prices. Overall, 43% of respondents signalled an increase in input costs during the month.

Construction companies reduced their usage of sub-contractors sharply again, with the pace of decline the steepest in nine months. The rate of deterioration in sub-contractor availability was also the greatest since May last year. Sub-contractor rates continued to increase at a marked pace, though the quality of their work was deemed to have declined for the fourth successive month.

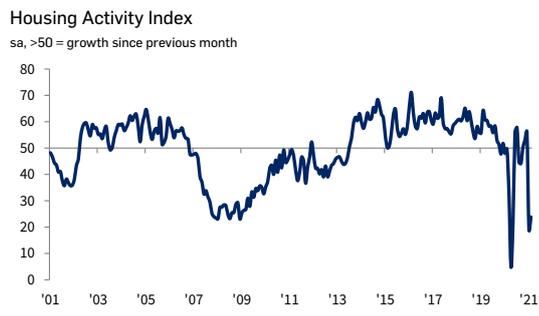
Total Activity Index  
sa, >50 = growth since previous month



## Housing Activity Index



February data pointed to a second successive reduction in housing activity in the Irish construction sector. The rate of decline remained substantial, but softened from that seen in January. Close to two-thirds of respondents reported a fall in activity on residential projects.



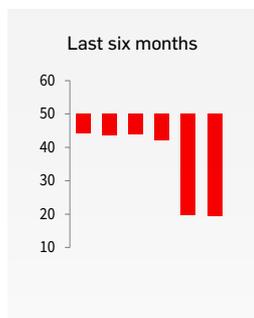
## Commercial Activity Index



Irish construction companies posted a further steep contraction in commercial activity during February. Activity on commercial projects has now decreased in six of the past seven months, the only exception being a stabilisation in November last year.



## Civil Engineering Activity Index



Civil engineering activity decreased again in February, extending the current sequence of contraction to two-and-a-half years. The rate of contraction was severe and little-changed from that seen in January, albeit still softer than the series record during the first COVID-19 lockdown.



## New Orders Index



New orders at Irish construction firms decreased for the second month running in February amid the COVID-19 lockdown. The rate of decline remained substantial, slowing only marginally from that seen in the previous month. More than half of all respondents signalled a reduction in new orders.



## Employment Index



With the COVID-19 lockdown resulting in widespread site closures, Irish construction firms reduced staffing levels in February. Some panellists indicated that job cuts were expected to be temporary in nature. The steep pace of decline in employment was broadly in line with that seen during January.

Employment Index

sa, >50 = growth since previous month



## Quantity of Purchases Index



Irish construction firms lowered their purchasing activity for the second month running midway through the first quarter of the year. The rate of decline was substantial, having slowed only slightly from January. The COVID-19 lockdown and associated reduction in workloads were behind the drop in input buying.

Quantity of Purchases Index

sa, >50 = growth since previous month



## Suppliers' Delivery Times Index



Despite a steep drop in demand for inputs, Irish construction firms signalled a further instance of severe delivery delays. The rate of deterioration in vendor performance eased only marginally from January's survey record, and was unprecedented prior to the COVID-19 pandemic. Respondents mainly associated delivery delays with Brexit, while there were also mentions that the pandemic had disrupted supply chains.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



## Input Prices Index



A combination of Brexit and supply issues caused by the COVID-19 pandemic resulted in a sharp increase in input costs during February. In fact, the rate of inflation quickened to the steepest in just under two years. Metal prices were mentioned in particular as having risen over the month. Around 43% of respondents signalled an increase in input costs, against 5% that posted a decrease.

Input Prices Index

sa, >50 = inflation since previous month



## Sub-contractor Usage Index



February data pointed to a sharp and accelerated decline in the use of sub-contractors by Irish construction firms. The rate of contraction was the quickest in nine months, but still slower than seen during the first COVID-19 lockdown.

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



## Sub-contractor Availability Index



The availability of sub-contractors decreased again in February, extending the current sequence of falling sub-contractor supply to five months. Moreover, the rate of deterioration was substantial, and the fastest since May last year.

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



## Sub-contractor Rates Index

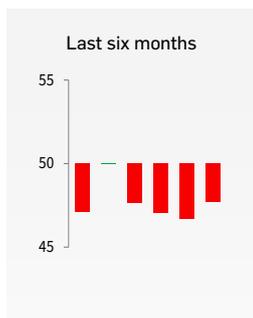


The rates charged by sub-contractors increased for the tenth successive month in February. The rate of inflation remained marked, despite easing slightly from that seen in January. The latest increase was faster than the series average.

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



## Sub-contractor Quality Index



The quality of work carried out by sub-contractors was deemed to have deteriorated in February, the fourth month running in which this has been the case. That said, the rate of decline softened and was the joint-weakest in the current sequence of worsening quality.

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



## Future Activity Index



Business sentiment strengthened to the highest for a year, with around 48% of respondents predicting an increase in activity over the coming 12 months. Positive sentiment was centred on expectations that an end to the COVID-19 pandemic would lead to a release of pent-up demand.



## 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 '20	47.0	44.1	49.2	44.2	48.8	48.9	48.6	34.6	62.5	49.9	51.5	52.2	47.1	48.6
10 '20	48.6	50.3	46.7	43.5	51.8	51.6	54.6	32.0	62.2	50.5	48.3	56.1	50.0	51.9
11 '20	53.5	53.0	50.0	44.0	57.3	52.4	58.5	31.7	61.7	53.1	46.0	55.0	47.7	60.5
12 '20	52.3	56.2	49.7	42.0	55.6	54.3	56.5	29.8	60.7	51.3	45.2	53.3	47.1	62.5
01 '21	21.2	19.0	24.2	19.7	29.4	34.6	25.4	22.4	62.6	35.1	49.6	55.8	46.7	59.9
02 '21	27.0	23.8	31.2	19.5	30.5	34.5	27.5	25.3	65.8	33.6	43.7	55.3	47.7	64.2

## 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

- Aluminium Extrusions
- Cable
- Concrete
- Conduit
- Diesel
- Foam Underlays for Flooring
- Galvanised Sheeting
- Glass
- Graphics Supplies
- Haulage
- Insulation
- Ironmongery
- MCB Boards
- Plumbing Items
- PPE
- Radon Barrier
- Rebar
- Steel
- Steel Hollow Section
- Stone
- Timber
- Trunking
- Waterproofing Membranes

### Items Down in Price

- Wages

### Sub-contractors in Short Supply

- Ecologists
- Geotechnical Firms
- Road Surfacing Contractors

### Products in Short Supply

- Electrical Distribution Boards
- Electrical Materials
- Fittings
- Galvanised Sheeting
- Glass
- Joinery
- PPE
- Radiators
- Sanitaryware
- Specialist Electrical
- Specialist Lighting
- Stainless Steel
- Steel
- Steel Plate
- 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)
<b>Total Activity</b>					
Sep '20	21.9	54.9	23.3	49.3	47.0
Oct '20	21.9	57.0	21.0	50.4	48.6
Nov '20	28.4	53.6	18.0	55.2	53.5
Dec '20	23.4	59.2	17.4	53.0	52.3
Jan '21	8.3	23.3	68.5	19.9	21.2
Feb '21	9.2	32.8	58.0	25.6	27.0
<b>Housing Activity</b>					
Sep '20	17.4	52.7	29.9	43.8	44.1
Oct '20	27.3	51.8	21.0	53.1	50.3
Nov '20	32.0	51.3	16.7	57.6	53.0
Dec '20	29.8	57.6	12.6	58.6	56.2
Jan '21	7.2	19.6	73.1	17.1	19.0
Feb '21	8.1	28.9	63.0	22.5	23.8
<b>Commercial Activity</b>					
Sep '20	23.8	53.1	23.1	50.3	49.2
Oct '20	16.0	59.7	24.4	45.8	46.7
Nov '20	25.7	54.0	20.3	52.7	50.0
Dec '20	21.0	58.1	20.9	50.0	49.7
Jan '21	9.6	25.7	64.7	22.5	24.2
Feb '21	13.1	32.8	54.0	29.6	31.2
<b>Civil Engineering Activity</b>					
Sep '20	17.1	54.3	28.7	44.2	44.2
Oct '20	11.2	63.9	24.9	43.2	43.5
Nov '20	10.8	58.3	31.0	39.9	44.0
Dec '20	12.0	56.5	31.4	40.3	42.0
Jan '21	2.8	29.8	67.4	17.7	19.7
Feb '21	0.0	36.2	63.8	18.1	19.5
<b>New Orders</b>					
Sep '20	28.6	43.6	27.7	50.5	48.8
Oct '20	29.7	47.6	22.7	53.5	51.8
Nov '20	40.7	40.4	18.9	60.9	57.3
Dec '20	29.4	54.7	15.9	56.8	55.6
Jan '21	13.8	26.7	59.5	27.2	29.4
Feb '21	14.2	29.0	56.8	28.7	30.5
<b>Employment</b>					
Sep '20	12.9	75.4	11.8	50.6	48.9
Oct '20	12.5	77.5	10.0	51.3	51.6
Nov '20	15.4	75.5	9.1	53.2	52.4
Dec '20	18.7	72.0	9.3	54.7	54.3
Jan '21	1.9	62.3	35.8	33.1	34.6
Feb '21	1.9	63.1	35.0	33.5	34.5
<b>Quantity of Purchases</b>					
Sep '20	18.5	60.1	21.4	48.6	48.6
Oct '20	31.1	56.0	12.9	59.1	54.6
Nov '20	34.4	52.4	13.2	60.6	58.5
Dec '20	29.0	58.8	12.2	58.4	56.5
Jan '21	7.2	29.9	62.9	22.2	25.4
Feb '21	9.0	33.6	57.4	25.8	27.5

	% Higher	% Same	% Lower	Index	Index (SA)
<b>Suppliers' Delivery Times</b>					
Sep '20	3.7	61.9	34.4	34.6	34.6
Oct '20	0.0	64.0	36.0	32.0	32.0
Nov '20	2.7	57.5	39.8	31.5	31.7
Dec '20	3.6	51.5	44.9	29.4	29.8
Jan '21	2.0	41.8	56.2	22.9	22.4
Feb '21	4.1	43.9	52.0	26.1	25.3
<b>Input Prices</b>					
Sep '20	26.5	70.7	2.9	61.8	62.5
Oct '20	22.3	75.7	2.0	60.2	62.2
Nov '20	22.1	75.3	2.6	59.7	61.7
Dec '20	20.7	78.4	0.9	59.9	60.7
Jan '21	36.2	59.9	3.9	66.1	62.6
Feb '21	43.1	52.4	4.5	69.3	65.8
<b>Subcontractor Usage</b>					
Sep '20	10.1	76.6	13.2	48.4	49.9
Oct '20	15.4	72.4	12.2	51.6	50.5
Nov '20	19.6	69.1	11.3	54.1	53.1
Dec '20	16.7	75.0	8.3	54.2	51.3
Jan '21	9.4	49.9	40.8	34.3	35.1
Feb '21	4.5	53.7	41.8	31.4	33.6
<b>Subcontractor Availability</b>					
Sep '20	13.4	74.6	11.9	50.7	51.5
Oct '20	10.3	70.0	19.7	45.3	48.3
Nov '20	8.5	71.5	20.0	44.3	46.0
Dec '20	1.3	83.5	15.1	43.1	45.2
Jan '21	20.8	60.1	19.1	50.8	49.6
Feb '21	7.5	73.2	19.3	44.1	43.7
<b>Subcontractor Rates</b>					
Sep '20	8.7	89.8	1.4	53.7	52.2
Oct '20	15.1	84.9	0.0	57.5	56.1
Nov '20	12.7	84.5	2.8	55.0	55.0
Dec '20	10.1	85.8	4.1	53.0	53.3
Jan '21	15.4	81.5	3.0	56.2	55.8
Feb '21	12.0	85.1	2.9	54.5	55.3
<b>Subcontractor Quality</b>					
Sep '20	1.6	88.1	10.4	45.6	47.1
Oct '20	0.0	95.6	4.4	47.8	50.0
Nov '20	1.6	90.1	8.4	46.6	47.7
Dec '20	0.0	95.6	4.4	47.8	47.1
Jan '21	1.4	90.5	8.1	46.7	46.7
Feb '21	1.5	93.9	4.6	48.5	47.7
<b>Future Activity*</b>					
Sep '20	25.0	47.3	27.7	48.6	n/a
Oct '20	26.1	51.8	22.2	51.9	n/a
Nov '20	34.7	51.7	13.6	60.5	n/a
Dec '20	33.5	58.1	8.5	62.5	n/a
Jan '21	40.5	38.6	20.8	59.9	n/a
Feb '21	47.6	33.1	19.3	64.2	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.

February data were collected 11-26 February 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](https://ihsmarkit.com/products/pmi).

### Disclaimer

The Ulster Bank Construction PMI® Report (RoI) is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.

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 is a member of The Royal Bank of Scotland Group. Ulster Bank acts as a full service institution to its customer base, providing an extensive range of retail banking, business banking, investment banking and capital markets services to corporate, personal and institutional clients.

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).

Ulster Bank Limited. Registered in Northern Ireland. Registration Number R733. Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB.

### 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.