

Ulster Bank Construction PMI® Report (RoI)

Construction activity returns to growth in December

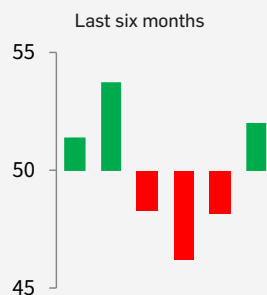
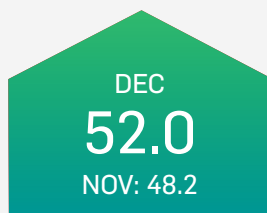
Key Findings

Activity expands amid renewed new order growth

Rate of job creation accelerates

Business confidence at six-month high

Ireland Construction Total Activity Index



The Irish construction sector ended 2019 on a positive note, with activity, new orders and input buying all returning to growth. Meanwhile, the rate of job creation accelerated and business confidence improved to a six-month high.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – posted above the 50.0 no-change mark for the first time in four months during December. At 52.0, from 48.2 in November, the rise signalled a modest increase in construction activity.

Panellists indicated that rising housing activity, growth of new business and reduced Brexit uncertainty all contributed to the increase in activity at the end of 2019.

Housing activity rebounded in December, rising modestly following a first decline in almost six-and-a-half years in November. The sharpest expansion in activity was recorded on commercial projects, however, as the rate of growth accelerated from the previous month. Civil engineering activity continued to fall, albeit at a much softer pace and one that was the weakest since last May.

In line with the picture for total construction activity, new orders returned to growth. The solid increase in new business followed two months of decline.

Irish construction firms gained confidence at the end of the year, with optimism rising to a six-month high in December. Some panellists that forecast activity to rise over the course of 2020 mentioned that they expect new projects to commence in the coming months, while

others indicated that reduced uncertainty around Brexit should help to support growth.

This confidence in the one-year outlook, coupled with rising activity in December, encouraged firms to expand their staffing levels further. Moreover, the rate of job creation was solid, having accelerated from that seen in November. Employment has now risen in each of the past 76 months.

Constructors also upped their input buying at a solid pace in December, with the increase at the end of the year following a modest decline in November.

Suppliers' delivery times lengthened in December, with the rate of deterioration in vendor performance broadly in line with those seen during October and November. Some panellists indicated that increased online shopping meant that the availability of couriers had declined, thereby leading to delivery delays.

Sub-contractor availability also worsened, albeit to the least extent in four years. This deterioration was recorded as the usage of sub-contractors increased for the first time in four months. Meanwhile, the pace of inflation of rates charged by sub-contractors continued to ease sharply and was the weakest since May 2014.

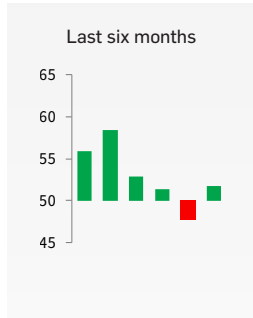
Finally, the rate of input cost inflation softened in December and was the slowest in three months. That said, input prices continued to increase at a marked overall pace. Respondents indicated that suppliers had raised their prices, with items such as oil, insulation and steel reported as increasing in cost.

Total Activity Index

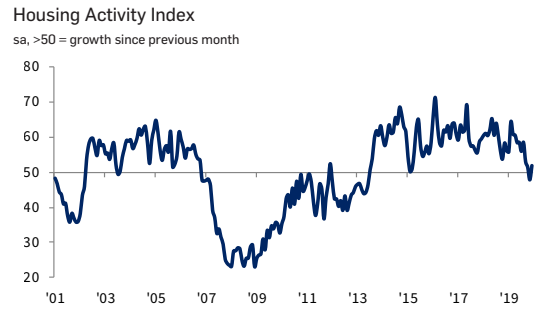
sa, >50 = growth since previous month



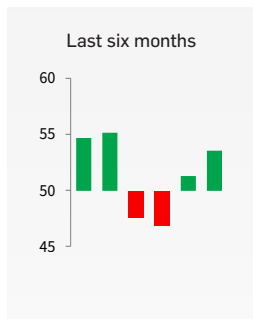
Housing Activity Index



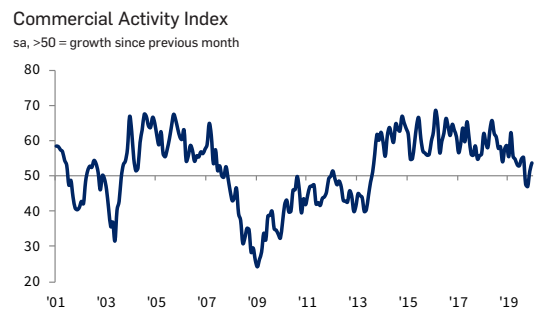
Housing activity rebounded in December, following a first fall in almost six-and-a-half years during November. The increase in activity on residential projects was still modest, however.



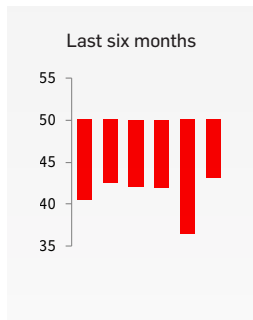
Commercial Activity Index



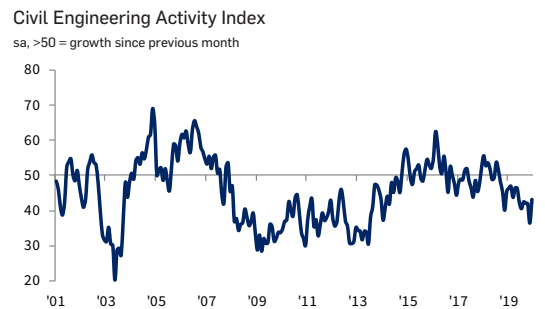
December data pointed to a second successive monthly increase in commercial activity during December. Moreover, the rate of expansion was solid, accelerating from that seen in November to the strongest since last August.



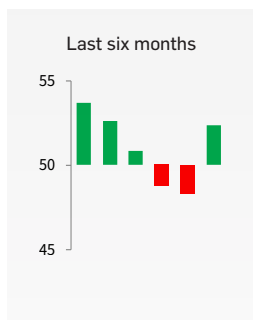
Civil Engineering Activity Index



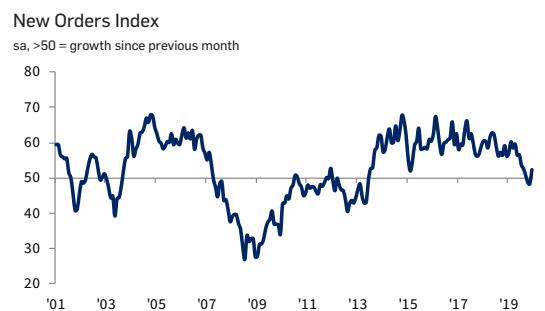
Irish construction firms continued to report falling volumes of activity on civil engineering projects during December. That said, the latest reduction was much weaker than that seen during the previous month, and the softest since May 2019.



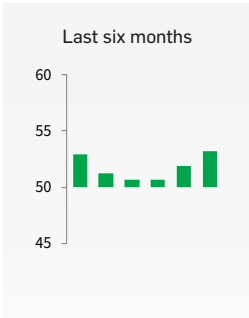
New Orders Index



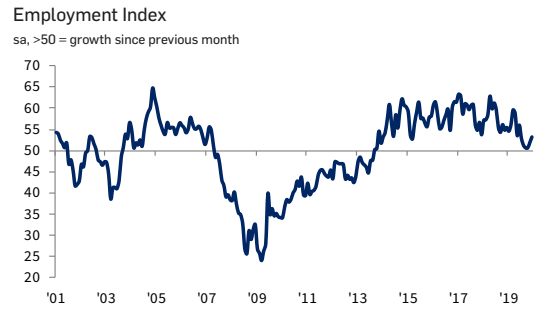
New orders returned to growth at the end of 2019, thereby ending a two-month sequence of declining new business. The rate of growth was solid, but slightly slower than the series average. Exactly 28% of respondents signalled a rise in new orders, against 18% that posted a fall.



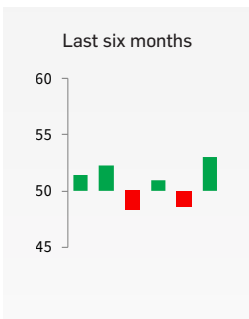
Employment Index



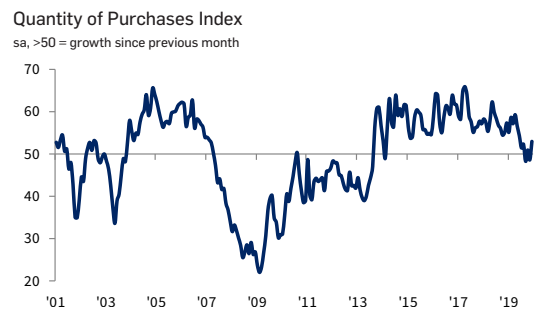
Rising construction activity in December and greater confidence in workloads during 2020 encouraged companies to expand their staffing levels. Employment has now risen in each of the past 76 months. Furthermore, the rate of job creation quickened to the fastest since last June.



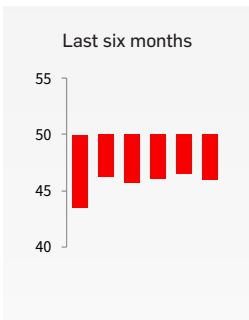
Quantity of Purchases Index



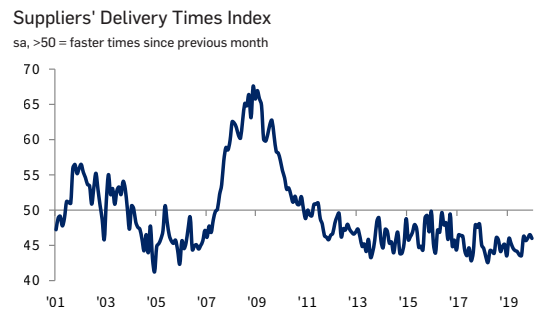
December data pointed to a solid monthly rise in purchasing activity at Irish construction companies. The increase was the second in the past three months, and solid. Anecdotal evidence indicated that firms had expanded their input buying in response to greater workloads.



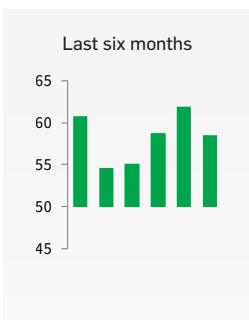
Suppliers' Delivery Times Index



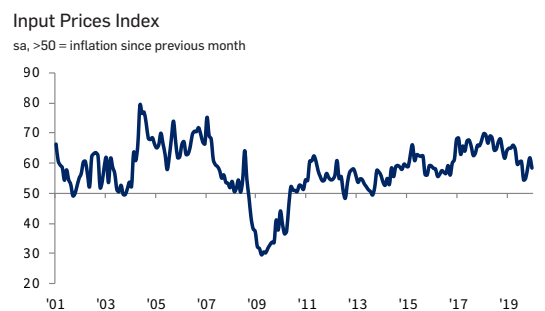
As has been the case in each month since July 2011, suppliers' delivery times lengthened in December. The rate of deterioration in vendor performance was solid, and slightly stronger than that seen in November. Some panellists indicated that the use of online shopping had meant that the supply of couriers had been stretched.



Input Prices Index



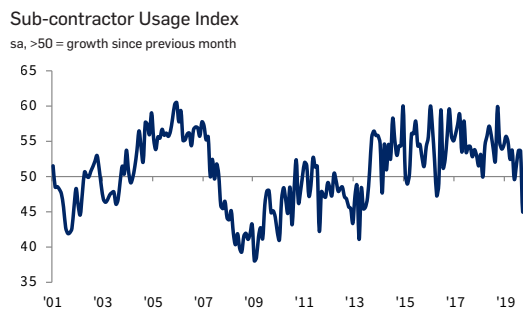
The rate of input cost inflation softened to a three-month low in December. That said, input prices continued to rise sharply, and at a broadly similar pace to the series average. Panellists reported higher charges from suppliers, with oil, insulation and steel among the items mentioned as costing more during the month.



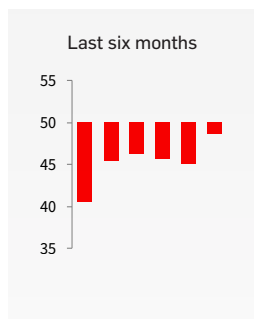
Sub-contractor Usage Index



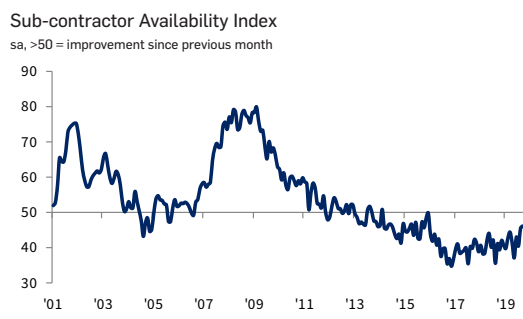
The usage of sub-contractors by Irish constructors increased for the first time in four months during December, following no change in the previous month. The rise in usage was solid, and stronger than the series average.



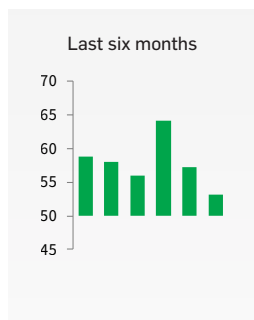
Sub-contractor Availability Index



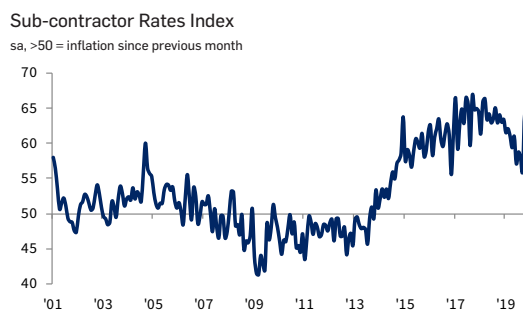
Although the availability of sub-contractors continued to fall in December, the latest deterioration in supply was relatively modest and the least marked for four years. Sub-contractor availability has declined continuously since March 2014.



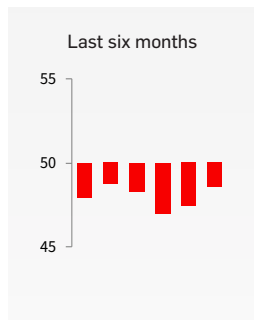
Sub-contractor Rates Index



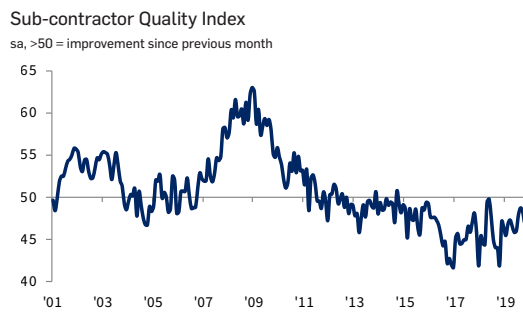
The rate of inflation of sub-contractor rates continued to ease during December, slowing for the second month running to the weakest since May 2014. Around 8% of respondents noted a rise in rates charged by sub-contractors, with 1% seeing a fall.



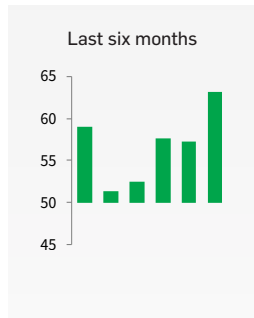
Sub-contractor Quality Index



The quality of work carried out by sub-contractors deteriorated again in December, extending the current sequence of decline to 63 months. That said, the latest reduction in quality was only modest and the weakest since August.



Future Activity Index



Confidence around the 12-month outlook for construction activity improved to the highest since last June in December. Some panellists indicated that they expect new projects to begin in early-2020, while others forecast business to pick-up as a result of reduced uncertainty around Brexit. More than 37% of panellists predict activity to rise over the course of the year.



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*
07 '19	51.4	55.9	54.7	40.5	53.7	52.9	51.5	43.5	60.7	53.6	40.5	58.8	48.0	59.0
08 '19	53.7	58.4	55.1	42.5	52.6	51.2	52.3	46.3	54.6	53.5	45.5	58.0	48.8	51.3
09 '19	48.3	52.9	47.6	42.1	50.8	50.6	48.3	45.7	55.1	44.9	46.2	56.0	48.3	52.4
10 '19	46.2	51.3	46.9	41.9	48.8	50.6	51.0	46.0	58.7	48.8	45.8	64.1	47.0	57.6
11 '19	48.2	47.7	51.2	36.4	48.3	51.9	48.6	46.5	61.9	50.0	45.1	57.2	47.4	57.3
12 '19	52.0	51.8	53.6	43.1	52.4	53.2	53.0	46.0	58.5	53.0	48.6	53.1	48.6	63.1

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

Cast Iron
Concrete
Copper
Fittings
Fuel
Insulation
Insurance
Piping
Steel

Items Down in Price

None

Sub-contractors in Short Supply

Blocklayers
Ecologists
Electricians
Plasterers
Plumbers

Products in Short Supply

Glazing
Roofing

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					
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
12 '19	28.3	57.7	14.0	57.1	52.0
Housing Activity					
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
12 '19	27.5	57.0	15.5	56.0	51.8
Commercial Activity					
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
12 '19	26.4	62.1	11.6	57.4	53.6
Civil Engineering Activity					
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
12 '19	24.4	59.8	15.9	54.3	43.1
New Orders					
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
12 '19	28.0	53.9	18.1	55.0	52.4
Employment					
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
12 '19	12.3	80.6	7.1	52.6	53.2
Quantity of Purchases					
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
12 '19	25.0	63.6	11.5	56.7	53.0

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
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
12 '19	2.8	84.1	13.2	44.8	46.0
Input Prices					
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
12 '19	16.6	82.6	0.9	57.9	58.5
Subcontractor Usage					
07 '19	19.9	69.8	10.3	54.8	53.6
08 '19	21.2	68.6	10.2	55.5	53.5
09 '19	8.9	71.9	19.2	44.8	44.9
10 '19	9.9	78.9	11.2	49.4	48.8
11 '19	11.4	76.1	12.5	49.5	50.0
12 '19	17.5	73.8	8.7	54.4	53.0
Subcontractor Availability					
07 '19	4.9	66.7	28.4	38.2	40.5
08 '19	4.9	78.9	16.2	44.4	45.5
09 '19	5.9	77.6	16.5	44.7	46.2
10 '19	6.3	74.7	19.0	43.6	45.8
11 '19	2.7	81.4	15.9	43.4	45.1
12 '19	5.1	84.8	10.1	47.5	48.6
Subcontractor Rates					
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	56.0
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
Subcontractor Quality					
07 '19	4.0	89.1	6.9	48.5	48.0
08 '19	3.3	90.5	6.3	48.5	48.8
09 '19	2.7	88.8	8.5	47.1	48.3
10 '19	0.0	88.7	11.3	44.3	47.0
11 '19	1.4	90.8	7.9	46.7	47.4
12 '19	3.8	91.0	5.1	49.3	48.6
Future Activity*					
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
12 '19	37.2	51.9	10.9	63.1	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.

December 2019 data were collected 05 December 2019 - 2 January 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. 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.

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