

Ulster Bank Construction PMI® Report (RoI)

New order growth quickens to seven-month high

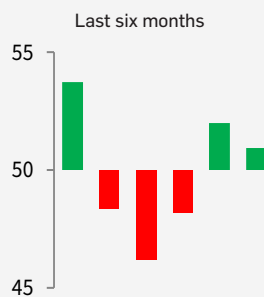
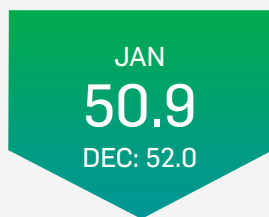
Key Findings

Second successive rises in output and new orders

Rate of job creation accelerates

Sentiment improves to 12-month high

Ireland Construction Total Activity Index



Irish construction activity continued to rise in January on the back of accelerated growth of new orders. Firms also upped their rate of hiring in response to greater workloads, while confidence around the 12-month outlook improved to the highest for a year. On the price front, input costs continued to rise sharply, albeit at a softer pace.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – posted 50.9 in January, above the 50.0 no-change mark for the second successive month to signal a rise in activity in the Irish construction sector. That said, the reading was down from 52.0 in December, pointing to a softer expansion.

Panellists reported that growth of activity had been supported by signs of improving market demand and a greater willingness on the part of clients to start on new projects.

Underlying data suggested that the overall rise in activity was centred on a strong performance in the commercial category. Activity on commercial projects increased markedly, and at the fastest pace since February 2019. Elsewhere, a modest reduction in housing activity was recorded, while civil engineering activity decreased at the slowest pace in eight months.

Improving market conditions and greater certainty surrounding Brexit helped lead to a marked increase in new orders during January. New business rose for the second month running, and to the greatest extent since June last year.

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



Business expectations data suggested that firms generally foresee activity continuing to rise over the course of 2020. Sentiment rose to a 12-month high at the start of the year, with more than 43% of panellists predicting a rise. Respondents often highlighted a good pipeline of new work.

Rising new order volumes led constructors to expand their staffing levels again in January, extending the current sequence of job creation to just shy of six-and-a-half years. Moreover, the latest rise in employment was solid and the sharpest for seven months.

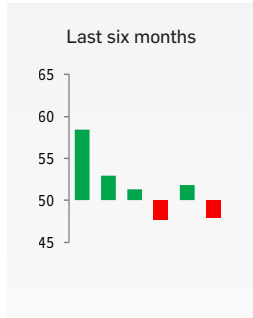
Input buying also increased at a solid pace, rising for the second consecutive month at the start of the year.

A further expansion in the use of sub-contractors was recorded, leading to a much sharper decline in their availability. This enabled sub-contractors to increase the rates they charged at a marked pace, and one that was faster than in December. Meanwhile, sub-contractor quality was deemed to have worsened.

Irish construction firms posted a further rise in input costs, with higher prices for raw materials such as cement, glass and steel mentioned by panellists. There were also some reports of higher charges from UK-based suppliers. That said, the overall rate of inflation softened to a four-month low.

Finally, suppliers' delivery times lengthened solidly again at the start of the year. The rate of deterioration in vendor performance was broadly in line with those recorded through the final quarter of 2019.

Housing Activity Index



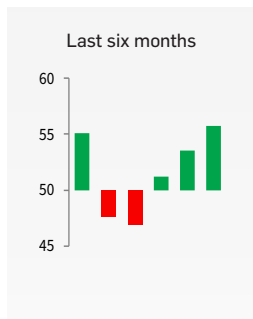
Irish construction firms posted a reduction in activity on housing projects for the second time in the past three months during January. That said, the pace of decline was only modest.

Housing Activity Index

sa, >50 = growth since previous month



Commercial Activity Index



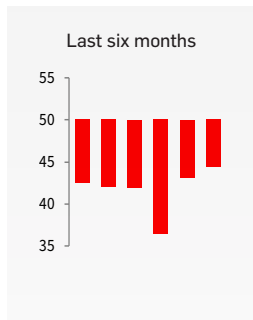
Commercial activity continued to rise in January, extending the current sequence of growth to three months. Moreover, the rate of expansion was marked, having accelerated to an 11-month high. More than 22% of respondents posted a rise in activity on commercial projects, against 15% that signalled a fall.

Commercial Activity Index

sa, >50 = growth since previous month



Civil Engineering Activity Index



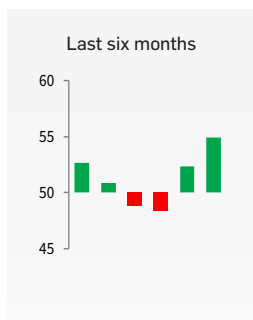
Although civil engineering activity continued to fall at the start of 2020, the rate of decline eased for the second month running and was the weakest since May 2019. Activity on civil engineering projects has now decreased in each of the past 17 months.

Civil Engineering Activity Index

sa, >50 = growth since previous month



New Orders Index



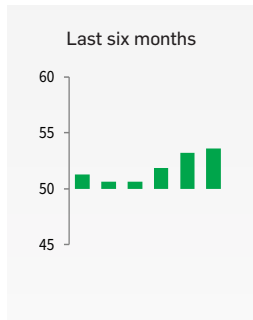
Growth of new business gathered momentum in January. New orders rose for the second successive month, with the rate of expansion quickening to a marked pace that was the fastest since last June. Some panellists reported an improvement in market conditions, partly due to a more certain near-term outlook with regards to Brexit.

New Orders Index

sa, >50 = growth since previous month



Employment Index

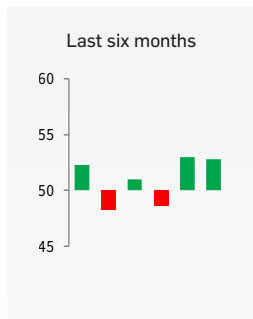


January data pointed to a further increase in employment at Irish construction firms, continuing the current sequence of job creation which stretches back for just under six-and-a-half years. Moreover, the pace of jobs growth quickened to the fastest since June 2019. Respondents indicated that higher new orders was the main factor leading to hiring.

Employment Index



Quantity of Purchases Index

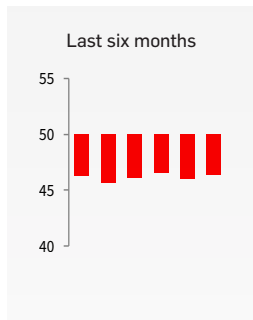


Rising new orders led construction companies to increase their purchasing activity during January. Input buying has now expanded in two successive months, with the rate of growth at the start of the year broadly in line with that seen in December.

Quantity of Purchases Index



Suppliers' Delivery Times Index

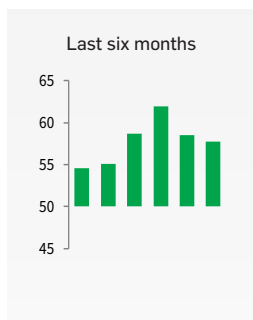


Irish construction firms again signalled a lengthening of suppliers' delivery times during January, with the solid deterioration in vendor performance broadly in line with those seen during the final quarter of 2019. A lack of stock at vendors was cited as a cause of longer lead times.

Suppliers' Delivery Times Index



Input Prices Index

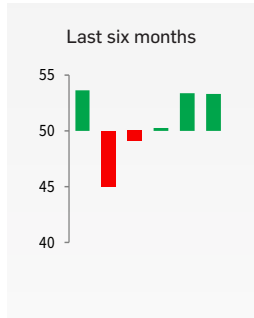


Higher input prices were registered again in January. Input costs rose sharply, but at the softest pace in four months and one that was also slower than the series average. Those panellists that saw input prices increase often mentioned higher costs for raw materials including cement, glass and steel. Meanwhile, there were some reports of higher prices charged by UK suppliers.

Input Prices Index

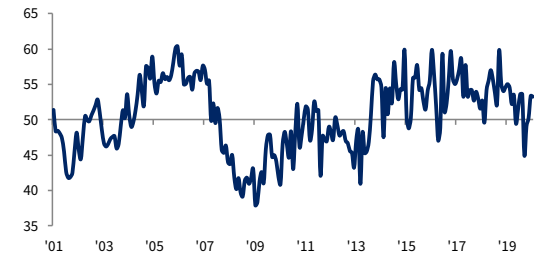


Sub-contractor Usage Index

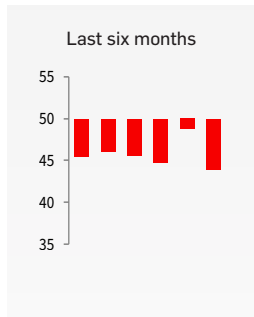


January data pointed to a third successive monthly increase in the usage of sub-contractors by Irish construction firms. The rate of expansion was solid, and broadly in line with that seen in the previous month. Prior to November, sub-contractor usage had fallen for two months running.

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



Sub-contractor Availability Index

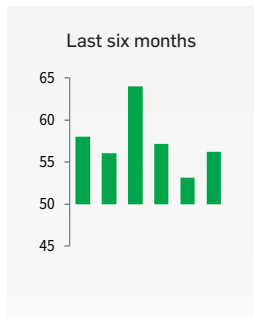


The rate of decline in the availability of sub-contractors strengthened in January, after having eased to the weakest in four years during December. The latest deterioration in supply of sub-contractors was sharp, and the greatest in six months.

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



Sub-contractor Rates Index

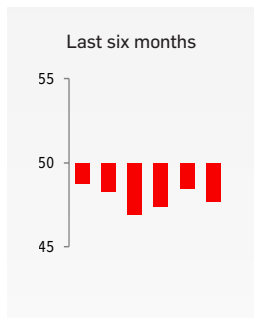


The rate of inflation of sub-contractor rates rebounded in January from the 67-month low recorded at the end of 2019. It was marked overall and stronger than the average since the survey began almost 20 years ago.

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

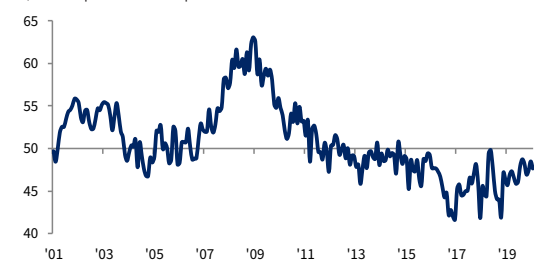


Sub-contractor Quality Index

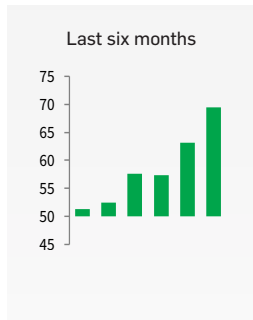


Irish construction firms signalled a further deterioration in the quality of work carried out by sub-contractors in January, extending the current period of decline to 64 months. The latest worsening of sub-contractor quality was solid and more marked than recorded in December.

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



Future Activity Index



Optimism continued to build among Irish construction firms in January, strengthening for the second month running to the highest for a year. More than 43% of respondents predicted a rise in activity over the coming year, with just 5% of firms pessimistic regarding the outlook. According to panellists, strong pipelines of new work supported confidence that output will expand.



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*
08 '19	53.7	58.4	55.1	42.5	52.6	51.2	52.3	46.3	54.6	53.6	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	45.0	46.0	56.0	48.2	52.4
10 '19	46.2	51.3	46.9	41.9	48.8	50.6	51.0	46.0	58.7	49.1	45.5	64.0	46.9	57.6
11 '19	48.2	47.7	51.2	36.4	48.3	51.9	48.6	46.5	61.9	50.2	44.8	57.1	47.4	57.3
12 '19	52.0	51.8	53.6	43.1	52.4	53.2	53.0	46.0	58.5	53.4	48.8	53.1	48.5	63.1
01 '20	50.9	48.0	55.7	44.4	54.9	53.6	52.8	46.4	57.7	53.3	43.9	56.2	47.6	69.4

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

- Airsealing Products
- Boilers
- Bricks
- Building Materials
- Cast Iron
- Concrete
- Diesel
- Fuel
- Glass
- Grid Wire
- Hand Tools
- Heating Units
- Insulation
- Insurance
- Machinery
- Paint
- Piping
- Plasterboard
- Plumbing Materials
- Radon Barrier
- Steel
- Tools
- Waterproofing Membrane

Items Down in Price

None

Sub-contractors in Short Supply

- Blocklayers
- Electricians
- Metal Fabricators
- Ornithologists
- Wet Trades sub-contractors

Products in Short Supply

None

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					
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
01 '20	16.9	60.7	22.4	47.2	50.9
Housing Activity					
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
01 '20	12.3	60.0	27.7	42.3	48.0
Commercial Activity					
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
01 '20	22.1	62.6	15.3	53.4	55.7
Civil Engineering Activity					
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
01 '20	5.2	67.6	27.2	39.0	44.4
New Orders					
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
01 '20	30.6	45.5	23.9	53.4	54.9
Employment					
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
01 '20	12.8	77.8	9.4	51.7	53.6
Quantity of Purchases					
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
01 '20	18.7	56.7	24.6	47.0	52.8

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
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
01 '20	2.7	90.4	6.9	47.9	46.4
Input Prices					
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
01 '20	24.3	72.9	2.8	60.8	57.7
Subcontractor Usage					
08 '19	21.2	68.6	10.2	55.5	53.6
09 '19	8.9	71.9	19.2	44.8	45.0
10 '19	9.9	78.9	11.2	49.4	49.1
11 '19	11.4	76.1	12.5	49.5	50.2
12 '19	17.5	73.8	8.7	54.4	53.4
01 '20	13.2	77.7	9.1	52.1	53.3
Subcontractor Availability					
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	44.8
12 '19	5.1	84.8	10.1	47.5	48.8
01 '20	2.8	83.4	13.8	44.5	43.9
Subcontractor Rates					
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	64.0
11 '19	16.0	80.0	3.9	56.1	57.1
12 '19	7.7	91.0	1.3	53.2	53.1
01 '20	12.6	87.4	0.0	56.3	56.2
Subcontractor Quality					
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	46.9
11 '19	1.4	90.8	7.9	46.7	47.4
12 '19	3.8	91.0	5.1	49.3	48.5
01 '20	1.5	93.1	5.4	48.0	47.6
Future Activity*					
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
01 '20	43.3	52.2	4.5	69.4	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.

January data were collected 13-31 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.

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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