

Ulster Bank Construction PMI® Report (RoI)

COVID-19 lockdown leads to sharp drop in activity

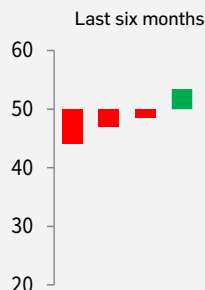
Key Findings

Steep reductions in activity, new orders and employment

Record lengthening of suppliers' lead times

Optimism regarding 12-month outlook maintained

Ireland Construction Total Activity Index



With the latest coronavirus disease 2019 (COVID-19) lockdown ending all but essential construction work in Ireland, activity fell at a substantial pace in January. New orders, employment and purchasing were all likewise down sharply, but companies remained optimistic regarding the year-ahead outlook. Meanwhile, severe disruption to supply chains meant that delivery times lengthened to the greatest extent in the survey's history.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – fell sharply to 21.1 in January, down from 52.3 in December. The reduction in activity ended a two-month sequence of growth and was the sharpest since May 2020. The COVID-19 lockdown was central to the reduction in activity.

Substantial reductions in activity were seen across each of the three monitored categories of construction in January. The steepest decline was in housing activity, after a marked expansion had been recorded in December. Meanwhile, the falls in commercial and civil engineering activity were the strongest since April and May last year respectively.

The COVID-19 lockdown also led to a severe drop in new orders, with around 60% of respondents seeing a reduction in new work during January. The fall ended a three-month sequence of expansion and was the sharpest in eight months.

Site closures meant that fewer staff were needed at the start of the year, leading to a renewed decline in employment. Staffing levels

decreased sharply, and to the greatest extent since May 2020.

Construction firms also scaled back their use of sub-contractors due to the lockdown, while their availability neared stabilisation following three months of deterioration. The quality of work carried out by sub-contractors was adjudged to have declined, while the rates they charged increased at the fastest pace since last October.

Purchasing activity fell sharply, with the rate of decline the fastest in eight months. Respondents indicated that the pausing of projects and stockbuilding in previous months meant that fewer inputs were needed.

Delays on the delivery of inputs were even more pronounced than during the first COVID-19 lockdown, with suppliers' lead times lengthening to the greatest extent in more than 20 years of data collection. The COVID-19 pandemic and delays due to Brexit contributed to longer delivery times.

The rate of input cost inflation quickened to the fastest since April 2019 in January. A number of respondents linked higher cost burdens to Brexit, while general increases in raw material prices were also mentioned.

Despite the renewed restrictions on activity at the start of the year, construction firms remained optimistic regarding the 12-month outlook, with sentiment only slightly lower than December's ten-month high. Hopes that the COVID-19 pandemic will be brought under control over the course of 2021, often linked to vaccine roll-outs, were behind confidence that workloads will improve.

Total Activity Index

sa, >50 = growth since previous month



Housing Activity Index



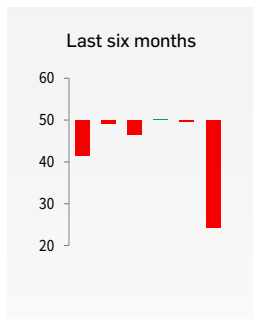
After having risen in three successive months, the COVID-19 lockdown led to a severe decline in housing activity at the start of 2021. The reduction in January has only been surpassed once since the survey began in June 2000, in April last year. The contraction was the sharpest of the three broad categories of construction covered.

Housing Activity Index

sa, >50 = growth since previous month



Commercial Activity Index



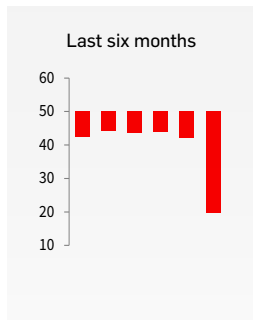
Commercial activity declined at a substantial pace during January. The rate of contraction was the third-fastest in the series history, slower only than those seen in April 2020 and January 2009. Close to two-thirds of respondents signalled a fall in commercial activity.

Commercial Activity Index

sa, >50 = growth since previous month



Civil Engineering Activity Index



The COVID-19 lockdown at the start of 2021 led to a steep reduction in civil engineering activity. The rate of decline was the sharpest since May 2020, and the third-fastest in the survey's history.

Civil Engineering Activity Index

sa, >50 = growth since previous month



New Orders Index



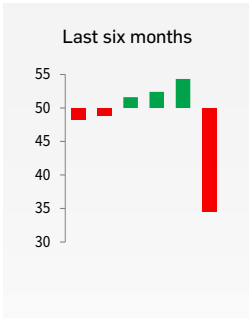
Irish construction firms recorded a decline in new orders during January, thereby ending a three-month sequence of growth. The pace of reduction was substantial and the fastest in eight months. The fall in new orders was overwhelmingly linked to the COVID-19 lockdown. Around 60% of panellists reported a drop in new business during the month.

New Orders Index

sa, >50 = growth since previous month



Employment Index



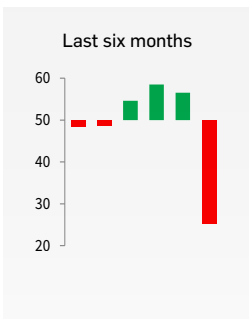
The closure of sites due to COVID-19 restrictions led construction firms to lower their staffing levels for the first time in four months during January. The rate of job cutting was severe, and the sharpest since those seen in April and May of last year during the first lockdown.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index



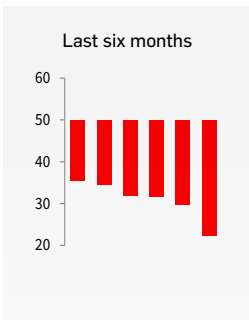
With projects put on hold due to the latest COVID-19 restrictions and stocks having been accumulated in recent months, companies lowered their purchasing activity in January. The contraction was considerable, with almost two-thirds of panellists reporting a fall in input buying over the month.

Quantity of Purchases Index

sa, >50 = growth since previous month



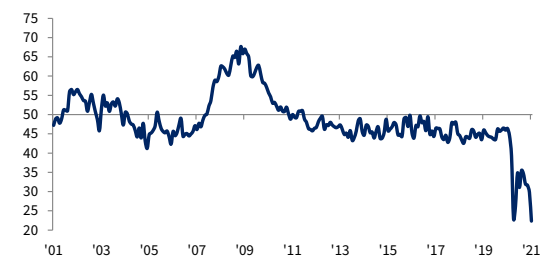
Suppliers' Delivery Times Index



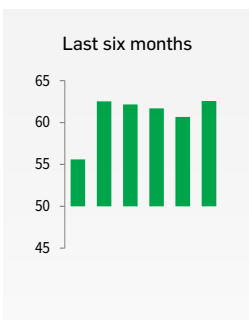
Suppliers' delivery times lengthened to the greatest extent in more than two decades of data collection at the start of 2021, with the latest instance of delays even more marked than seen during the first COVID-19 lockdown. Alongside the impact of the pandemic, panellists also indicated that Brexit had caused delays in receiving inputs.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Input Prices Index



The rate of input cost inflation quickened to a 21-month high during January and was faster than the series average. Increased costs due to Brexit and rising raw material prices were behind the rise in input costs, according to panellists.

Input Prices Index

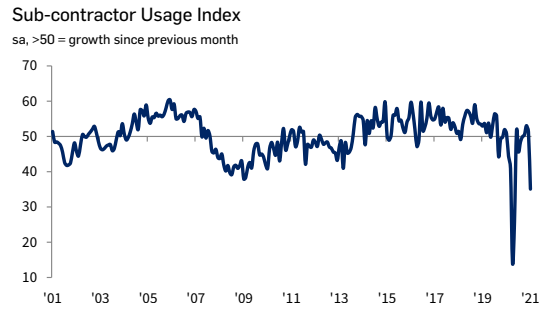
sa, >50 = inflation since previous month



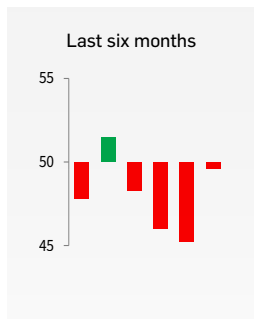
Sub-contractor Usage Index



With all but essential construction work stopped in January, firms had less need for sub-contractors at the start of the year. As a result, sub-contractor usage fell sharply, ending a three-month sequence of growth. The reduction was the most marked in eight months.



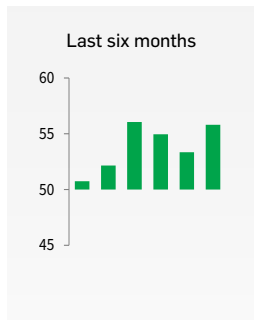
Sub-contractor Availability Index



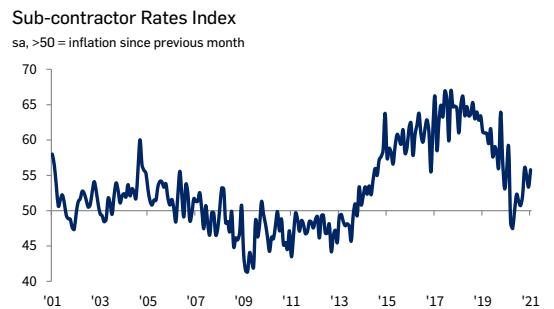
The availability of sub-contractors was broadly unchanged at the start of 2021. The fractional reduction followed three successive months of falling availability during the final quarter of 2020, with December seeing the sharpest decline in seven months.



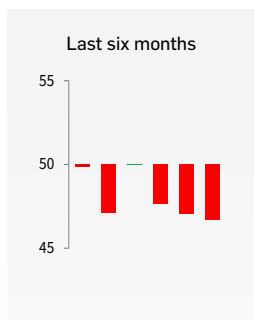
Sub-contractor Rates Index



January data pointed to a ninth successive increase in the rates charged by sub-contractors in the Irish construction sector. Moreover, the rate of inflation was marked, having quickened to the fastest since last October.



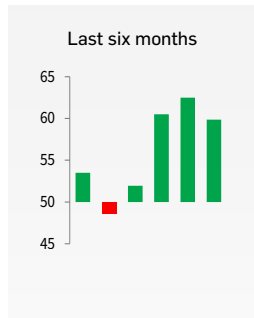
Sub-contractor Quality Index



As has been the case in each of the past three months, sub-contractor quality was deemed to have deteriorated during January. Furthermore, the rate of decline was the greatest in nine months.



Future Activity Index



Optimism that workloads will pick up once the COVID-19 pandemic is brought to an end supported confidence that construction activity will increase over the coming year. Sentiment was only slightly weaker than December's ten-month high, with just over 40% of respondents expressing confidence in January.



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*
08 '20	44.0	44.7	41.6	42.3	46.5	48.3	48.4	35.5	55.6	48.4	47.8	50.7	49.8	53.5
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

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

- Concrete
- Copper
- Insulation
- Radon Barrier
- Rebar
- Steel
- Stone
- Timber
- Waterproofing Membranes

Items Down in Price

None

Sub-contractors in Short Supply

None

Products in Short Supply

- AC Equipment
- Bulk Salt
- Electronic Components
- Heat Pumps
- PVC
- Stainless Steel
- Steel
- 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)
Total Activity					
Aug '20	21.5	47.1	31.4	45.0	44.0
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

	% Higher	% Same	% Lower	Index	Index (SA)
Housing Activity					
Aug '20	20.8	44.3	34.9	43.0	44.7
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

	% Higher	% Same	% Lower	Index	Index (SA)
Commercial Activity					
Aug '20	20.0	44.4	35.6	42.2	41.6
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

	% Higher	% Same	% Lower	Index	Index (SA)
Civil Engineering Activity					
Aug '20	15.1	54.3	30.5	42.3	42.3
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

	% Higher	% Same	% Lower	Index	Index (SA)
New Orders					
Aug '20	19.8	55.3	24.9	47.5	46.5
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

	% Higher	% Same	% Lower	Index	Index (SA)
Employment					
Aug '20	12.3	74.0	13.7	49.3	48.3
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

	% Higher	% Same	% Lower	Index	Index (SA)
Quantity of Purchases					
Aug '20	24.2	51.0	24.8	49.7	48.4
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

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
Aug '20	1.9	66.1	32.0	34.9	35.5
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

	% Higher	% Same	% Lower	Index	Index (SA)
Input Prices					
Aug '20	16.2	79.8	4.0	56.1	55.6
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

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Usage					
Aug '20	15.0	73.1	11.9	51.6	48.4
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

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Availability					
Aug '20	2.3	89.2	8.5	46.9	47.8
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

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Rates					
Aug '20	8.7	86.6	4.7	52.0	50.7
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

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Quality					
Aug '20	2.3	93.9	3.8	49.2	49.8
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

	% Higher	% Same	% Lower	Index	Index (SA)
Future Activity*					
Aug '20	31.7	43.5	24.7	53.5	n/a
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

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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 12-29 January 2021.

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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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).

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