

# Ulster Bank Construction PMI® Report (RoI)

## Activity rises sharply again, but cost inflation hits fresh record high

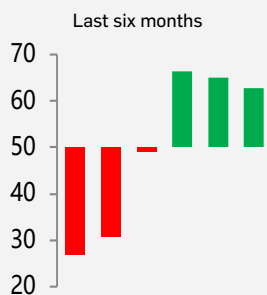
### Key Findings

Further growth of output and new orders

Considerable supply chain disruption continues

Record rise in input prices

### Ireland Construction Total Activity Index



The elevated rates of expansion in activity, new orders and employment seen since COVID-19 restrictions started to ease continued at the start of the third quarter, while business confidence also remained strongly positive. Severe disruption to supply chains was recorded again, while the rate of input cost inflation hit a fresh record high.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – posted 62.8 in July, down from 65.0 in June but still pointing to a substantial increase in construction activity. Anecdotal evidence pointed to further improvements in activity following the loosening of COVID-19 restrictions and improving customer demand.

Growth in housing activity continued to lead the overall expansion in July, despite the rate of increase easing further from May's record. Rates of expansion also softened in the commercial and civil engineering categories, but remained marked nonetheless.

The aforementioned loosening of restrictions and increase in demand supported continued growth of new orders. New business rose at a considerable pace, and one that was faster than that seen in June.

Construction firms raised staffing levels for the fourth successive month, with the rate of job creation remaining strong. Respondents indicated that improving customer demand was behind the increase in employment. This also drove a further expansion in purchasing activity, the fourth in as many months.

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



Severe supply-chain disruption remained a feature of the construction sector as the second half of the year got underway. Suppliers' delivery times lengthened to a greater extent than was the case in June, and again at a near-record pace. According to respondents, delivery delays were caused by Brexit and material shortages.

This ongoing considerable disruption to the supply of materials meant that their prices continued to increase. Furthermore, the rate of input cost inflation hit a fresh survey-record high for the third consecutive month, with more than three-quarters of all respondents indicating that their input prices had risen during July.

As well as problems with the supply of materials, the availability of sub-contractors deteriorated sharply. In fact, the rate of decline in sub-contractor availability was the most marked in the survey's history. The quality of work carried out by sub-contractors was also adjudged to have deteriorated to the greatest extent on record. Meanwhile, sub-contractor usage continued to rise markedly. This combination of increasing demand and falling availability resulted in record inflation of rates charged by sub-contractors.

Business expectations remained elevated in July, with sentiment well above the series average. Firms generally expect the ramping up of activity and new orders following the reopening of the economy to continue in the months ahead, with more pent-up demand set to be released. Over half of all respondents predicted a rise in activity over the coming year.

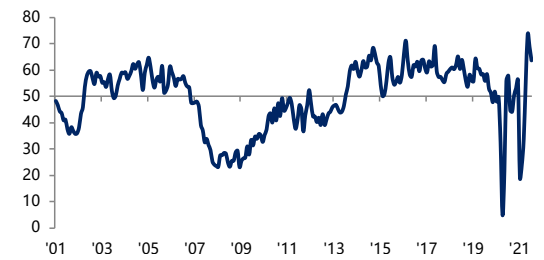
## Housing Activity Index



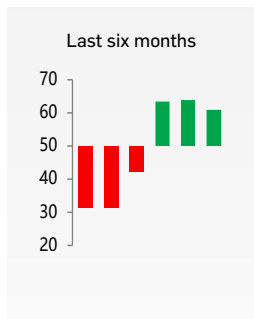
Irish construction companies continued to record growth of housing activity at the start of the second half of the year. Activity on residential projects has now expanded in each of the past four months. The rate of expansion remained sharp, despite easing for the second month running from May's series record.

Housing Activity Index

sa, >50 = growth since previous month



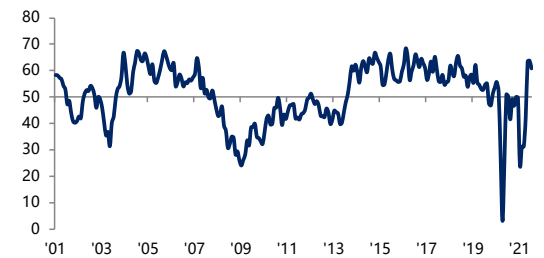
## Commercial Activity Index



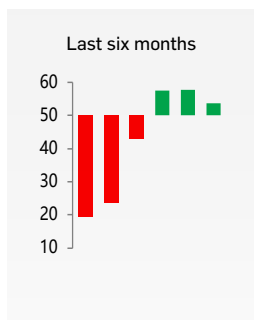
As has been the case in each of the past three months, activity on commercial projects expanded during July. Around 32% of respondents posted a rise in commercial activity, helping to support a further steep increase, albeit one that was softer than in June.

Commercial Activity Index

sa, >50 = growth since previous month



## Civil Engineering Activity Index



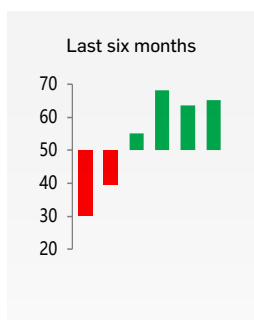
July data pointed to a rise in civil engineering activity in the Irish construction sector, extending the current sequence of growth to three months. The pace of increase was solid, albeit slower than in June and the weakest of the three monitored categories.

Civil Engineering Activity Index

sa, >50 = growth since previous month



## New Orders Index



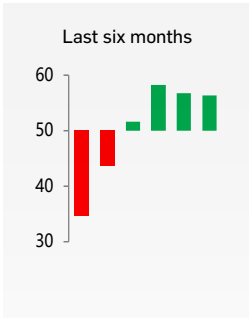
Irish construction companies posted a fourth consecutive increase in new business during July. The rate of expansion was substantial and quickened from that seen in the previous month. Respondents indicated that the rise in new work was due to a combination of the loosening of COVID-19 restrictions and improving customer demand.

New Orders Index

sa, >50 = growth since previous month



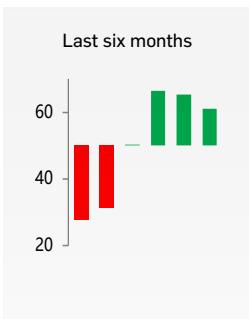
## Employment Index



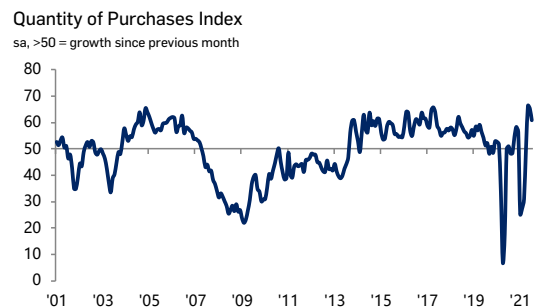
The ramping up of client demand following the loosening of COVID-19 restrictions led firms to continue expanding workforce numbers at the start of the third quarter. Employment increased for the fourth month running. The pace of job creation was sharp, despite easing for the second successive month.



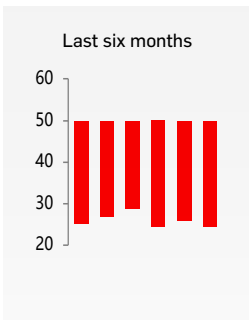
## Quantity of Purchases Index



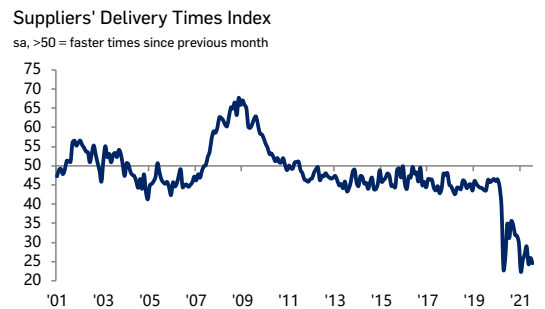
Purchasing activity increased at a marked pace in the Irish construction sector during July, although the rate of growth continued to soften from May's record high. Close to 37% of panellists reported a rise in input buying over the month, with a number of firms linking this to improving demand.



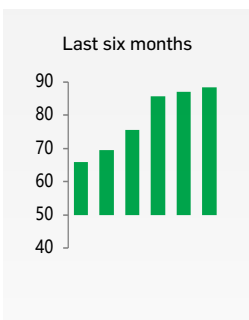
## Suppliers' Delivery Times Index



July data pointed to continued severe supply chain disruption for Irish construction firms. Delivery times lengthened at one of the sharpest rates on record, with the rate of deterioration more pronounced than that seen in June. A number of respondents indicated that Brexit had been the main source of delivery delays, while others mentioned material shortages.



## Input Prices Index



Irish construction firms continued to report surging input costs during July. The rate of inflation posted a new survey record, with more than three-quarters of respondents signalling a rise in input prices over the course of the month. The supply-chain disruption caused by the COVID-19 pandemic and Brexit led to higher raw material costs.

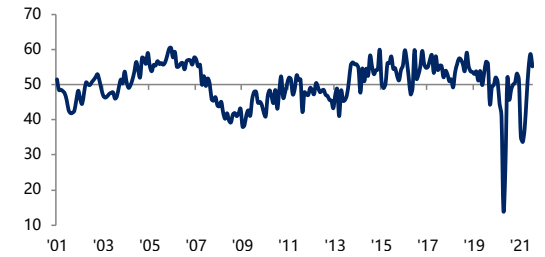


## Sub-contractor Usage Index

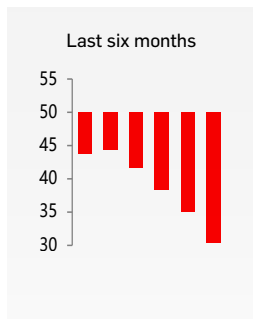


The usage of sub-contractors increased for the third consecutive month in July. The rate of expansion remained marked, but was slower than the near-record pace registered in June.

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



## Sub-contractor Availability Index

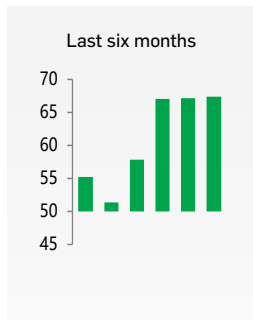


The pace of deterioration in sub-contractor availability was the most marked in the series history in July, surpassing the previous record posted in June 2000. Approximately 44% of respondents noted a drop in sub-contractor availability, with the remainder seeing no change.

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



## Sub-contractor Rates Index

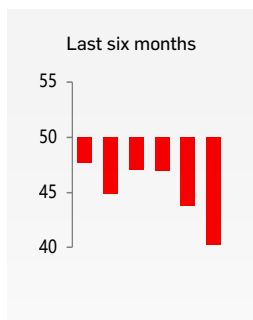


July data pointed to a fresh record pace of inflation of sub-contractor rates in the Irish construction sector, the third successive month in which this has been the case. The considerable increase was the fifteenth in as many months.

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



## Sub-contractor Quality Index

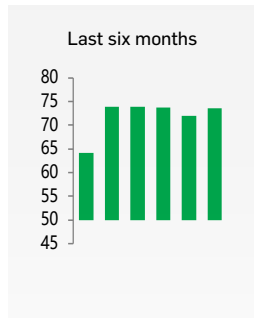


Irish construction firms signalled a steep drop in the quality of sub-contractors in July. Furthermore, the rate of deterioration intensified and was the most marked on record, surpassing that seen in the final month of 2016.

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



## Future Activity Index



Business confidence picked up from June and was well above the series average. Hopes of a pick-up in activity amid the reopening of the economy and release of pent-up demand supported positive expectations. Around 55% of panellists predicted a rise in activity over the coming year.



## 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*
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
03 '21	30.9	33.8	31.3	23.8	39.7	43.7	31.1	26.8	69.4	37.5	44.5	51.4	44.9	73.9
04 '21	49.3	54.8	42.2	43.1	55.1	51.6	50.2	28.9	75.6	46.3	41.7	57.9	47.0	73.9
05 '21	66.4	73.4	63.5	57.6	68.2	58.2	66.5	24.3	85.6	54.6	38.3	67.1	46.9	73.6
06 '21	65.0	68.8	63.8	57.7	63.7	56.9	65.5	25.9	87.1	58.6	35.0	67.2	43.7	71.9
07 '21	62.8	63.7	60.9	53.7	65.3	56.4	61.0	24.5	88.4	55.1	30.4	67.4	40.3	73.6

## 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

- Accessories
- Air Conditioning Units
- Aluminium
- Black Wrap
- Block
- Brick
- Bulk Salt
- Cable
- Cement
- Concrete
- Conduit
- Containment
- Copper
- Diesel
- Drainage Goods
- Electrical Equipment
- Epoxy Resin
- Fittings
- Fixings
- Fuel
- Galvanised Sheetting
- Glass Products
- Heat Pumps
- Insulation
- Iron
- Ironmongery
- Labour
- MCB Boards

- MDF
- MDF Boards
- Metal Products
- Paint
- Pipes
- Plastic
- Plumbing Goods
- Postage
- Powder Coating
- PVC
- PVC Piping
- Radiators
- Radon Barrier
- Rebar
- Reinforcement Mesh
- Sanitaryware
- Screws
- Steel
- Steel Hollow Section
- Steel Plate
- Steel Products
- Steel Sections
- Timber
- Transportation
- Trunking
- Water
- Wheelbarrows
- Wood

### Items Down in Price

- None

### Sub-contractors in Short Supply

- Block Layers
- Carpenters
- Ecologists
- Electricians
- Lorry Drivers
- Ornithologists
- Plasterers

### Products in Short Supply

- Air Conditioning Units
- Coil
- Drainage Goods
- Electrical Equipment
- Epoxy Resin
- Heat Pumps
- Insulation
- Lighting Equipment
- MDF
- Motors
- Paint
- Plastic Pipe
- Reinforcement Mesh
- 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)
<b>Total Activity</b>					
Feb '21	9.2	32.8	58.0	25.6	27.0
Mar '21	7.8	43.7	48.5	29.7	30.9
Apr '21	25.3	48.0	26.7	49.3	49.3
May '21	46.6	42.3	11.1	67.8	66.4
Jun '21	44.3	44.9	10.8	66.8	65.0
Jul '21	36.7	53.1	10.1	63.3	62.8
<b>Housing Activity</b>					
Feb '21	8.1	28.9	63.0	22.5	23.8
Mar '21	10.2	44.4	45.4	32.4	33.8
Apr '21	32.9	46.2	20.9	56.0	54.8
May '21	56.1	37.1	6.8	74.6	73.4
Jun '21	43.4	48.6	7.9	67.8	68.8
Jul '21	39.8	48.0	12.2	63.8	63.7
<b>Commercial Activity</b>					
Feb '21	13.1	32.8	54.0	29.6	31.2
Mar '21	4.6	47.1	48.2	28.2	31.3
Apr '21	17.1	47.9	35.0	41.1	42.2
May '21	40.5	45.4	14.1	63.2	63.5
Jun '21	45.0	44.3	10.7	67.1	63.8
Jul '21	31.7	60.5	7.7	62.0	60.9
<b>Civil Engineering Activity</b>					
Feb '21	0.0	36.2	63.8	18.1	19.5
Mar '21	2.3	40.2	57.4	22.5	23.8
Apr '21	14.3	54.9	30.8	41.8	43.1
May '21	26.3	63.8	9.9	58.2	57.6
Jun '21	30.5	51.3	18.2	56.2	57.7
Jul '21	27.6	58.1	14.3	56.6	53.7
<b>New Orders</b>					
Feb '21	14.2	29.0	56.8	28.7	30.5
Mar '21	18.0	41.3	40.7	38.6	39.7
Apr '21	36.0	42.5	21.6	57.2	55.1
May '21	50.8	37.2	12.0	69.4	68.2
Jun '21	50.6	33.7	15.7	67.5	63.7
Jul '21	43.1	47.8	9.1	67.0	65.3
<b>Employment</b>					
Feb '21	1.9	63.1	35.0	33.5	34.5
Mar '21	7.4	70.4	22.2	42.6	43.7
Apr '21	12.1	76.6	11.3	50.4	51.6
May '21	23.1	71.6	5.3	58.9	58.2
Jun '21	23.4	72.8	3.8	59.8	56.9
Jul '21	19.7	76.4	3.9	57.9	56.4
<b>Quantity of Purchases</b>					
Feb '21	9.0	33.6	57.4	25.8	27.5
Mar '21	4.1	53.0	42.9	30.6	31.1
Apr '21	24.1	50.5	25.4	49.4	50.2
May '21	41.5	48.8	9.7	65.9	66.5
Jun '21	46.6	43.5	9.9	68.4	65.5
Jul '21	36.8	53.8	9.4	63.7	61.0

	% Higher	% Same	% Lower	Index	Index (SA)
<b>Suppliers' Delivery Times</b>					
Feb '21	4.1	43.9	52.0	26.1	25.3
Mar '21	3.0	47.6	49.4	26.8	26.8
Apr '21	2.7	51.3	46.0	28.3	28.9
May '21	0.9	43.3	55.8	22.5	24.3
Jun '21	3.0	45.1	52.0	25.5	25.9
Jul '21	1.8	43.0	55.2	23.3	24.5
<b>Input Prices</b>					
Feb '21	43.1	52.4	4.5	69.3	65.8
Mar '21	48.2	47.8	4.0	72.1	69.4
Apr '21	56.2	42.0	1.8	77.2	75.6
May '21	72.8	27.2	0.0	86.4	85.6
Jun '21	75.1	22.9	2.0	86.6	87.1
Jul '21	76.4	22.7	0.9	87.8	88.4
<b>Subcontractor Usage</b>					
Feb '21	4.5	53.7	41.8	31.4	33.6
Mar '21	3.0	65.7	31.3	35.9	37.5
Apr '21	10.7	72.5	16.8	46.9	46.3
May '21	16.7	70.6	12.6	52.0	54.6
Jun '21	25.8	64.1	10.0	57.9	58.6
Jul '21	19.6	74.0	6.4	56.6	55.1
<b>Subcontractor Availability</b>					
Feb '21	7.5	73.2	19.3	44.1	43.7
Mar '21	9.5	77.9	12.6	48.5	44.5
Apr '21	5.3	73.4	21.3	42.0	41.7
May '21	5.3	62.0	32.6	36.3	38.3
Jun '21	1.3	66.8	32.0	34.7	35.0
Jul '21	0.0	56.3	43.7	28.2	30.4
<b>Subcontractor Rates</b>					
Feb '21	12.0	85.1	2.9	54.5	55.3
Mar '21	8.2	85.6	6.2	51.0	51.4
Apr '21	19.8	74.9	5.3	57.2	57.9
May '21	35.5	61.8	2.7	66.4	67.1
Jun '21	36.3	62.4	1.3	67.5	67.2
Jul '21	40.7	56.3	3.0	68.9	67.4
<b>Subcontractor Quality</b>					
Feb '21	1.5	93.9	4.6	48.5	47.7
Mar '21	1.5	87.6	10.9	45.3	44.9
Apr '21	1.4	94.5	4.1	48.6	47.0
May '21	4.0	86.6	9.4	47.3	46.9
Jun '21	1.3	82.7	16.0	42.6	43.7
Jul '21	0.0	82.0	18.0	41.0	40.3
<b>Future Activity*</b>					
Feb '21	47.6	33.1	19.3	64.2	n/a
Mar '21	58.0	31.9	10.2	73.9	n/a
Apr '21	58.2	31.4	10.4	73.9	n/a
May '21	60.5	26.2	13.3	73.6	n/a
Jun '21	54.8	34.2	11.0	71.9	n/a
Jul '21	54.8	37.6	7.6	73.6	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.

July data were collected 12-30 July 2021.

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

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### 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.html](https://ihsmarkit.com/products/pmi.html).