

# Ulster Bank Construction PMI® Report (RoI)

## Renewed rise in construction activity in June

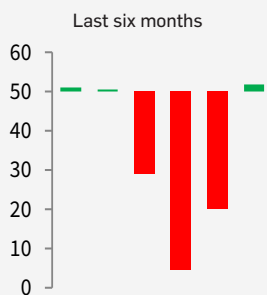
### Key Findings

Activity increases for first time in four months

New orders and employment fall, but at weaker rates

Rate of input cost inflation accelerates

### Ireland Construction Total Activity Index



The Irish construction sector ended the second quarter of the year with activity back in growth territory, a marked turnaround from the severe contractions in construction work during the worst of the coronavirus disease 2019 (COVID-19) downturn. That said, new orders and employment continued to fall, albeit at much softer rates.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – posted 51.9 in June, above the 50.0 no-change mark for the first time in four months to signal an increase in construction activity at the end of the second quarter. The reading was up substantially from 19.9 in May.

Where activity increased, firms mainly linked this to a reopening following temporary shutdowns due to the COVID-19 lockdown.

Both the housing and commercial categories saw activity return to growth during June, with the rate of expansion sharper in the former. Civil engineering activity decreased, but at a much softer pace that was the weakest since January.

The COVID-19 pandemic continued to impact negatively on new business during June, resulting in a fourth successive monthly decline. That said, the pace of reduction continued to slow sharply from the record posted in April and was the weakest in the current sequence of contraction.

Despite activity returning to growth at the end of the second quarter, firms continued to lower their staffing levels amid relatively low

workloads. Employment levels fell sharply, albeit at a reduced rate.

Construction firms did increase their usage of sub-contractors, however, ending a four-month sequence of decline. With companies across the sector reopening, an improvement in the availability of sub-contractors was recorded, with the pace of increase the sharpest since October 2011. The quality of work carried out by sub-contractors also improved, and for the first time in just over two years. Meanwhile, the rates they charged rose for the second successive month.

Latest data pointed to a stabilisation of purchasing activity, with input buying unchanged following three consecutive months of decline. The restart of projects reportedly led some firms to expand their input buying.

Efforts to secure items were hampered by ongoing issues in supply chains due to the COVID-19 pandemic. Shortages of some inputs, reduced capacity at vendors and delays from UK suppliers all contributed to a steep lengthening of delivery times, and one that was unmatched prior to the current crisis.

Input costs rose sharply, with the rate of inflation accelerating from that seen in May. The increase was the second in as many months.

Renewed optimism around the outlook for construction activity was signalled in June, thanks to an expectation that market conditions would return to normal over the coming year. That said, sentiment remained relatively weak amid concerns at some firms regarding the ongoing impact of the pandemic.

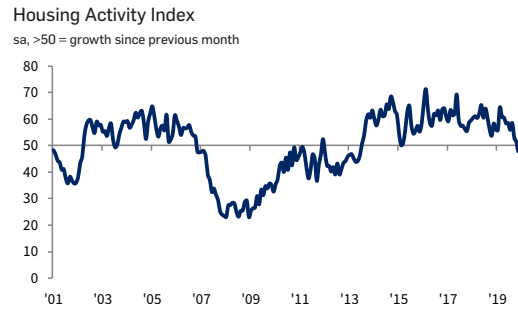
Total Activity Index  
sa, >50 = growth since previous month



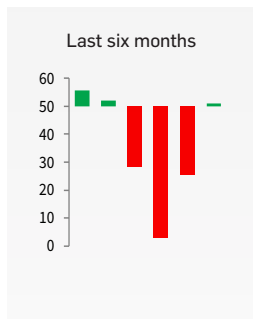
## Housing Activity Index



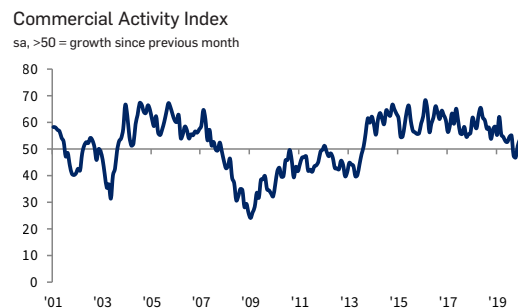
June data signalled a return to growth of housing activity at Irish construction firms, thereby ending a five-month sequence of decline and representing a marked turnaround from the severe reductions in residential activity during the COVID-19 lockdown. The increase in activity was sharp and the fastest of the three monitored categories.



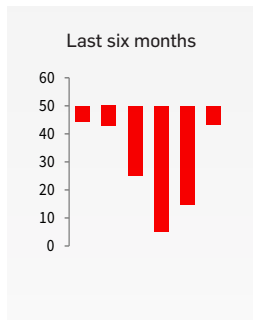
## Commercial Activity Index



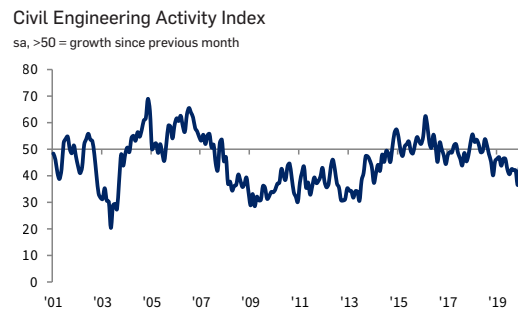
The COVID-19 related decline in commercial activity came to an end in June, with activity up marginally during the month. The expansion in work on commercial projects was the first since February.



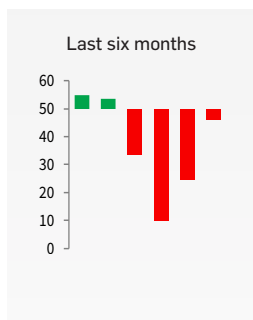
## Civil Engineering Activity Index



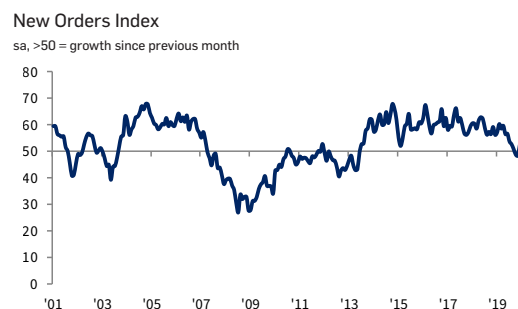
The only segment of Irish construction to post a reduction in activity during June was civil engineering. That said, the pace of decline softened sharply from that seen in May and was the slowest since January.



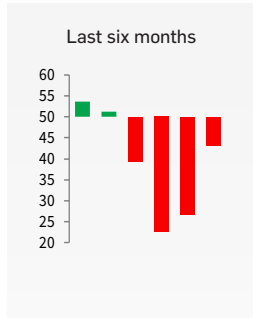
## New Orders Index



Although new orders decreased for the fourth successive month in June, the rate of decline continued to slow sharply from the survey record seen in April and was the weakest in the current period of contraction. Some panellists reported that COVID-19 continued to impact negatively on order inflows, while others indicated that a loosening of lockdown restrictions had led them to secure new projects.



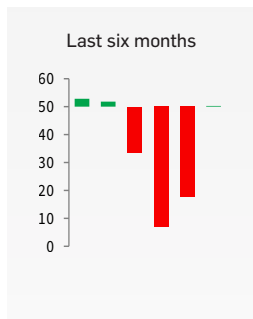
## Employment Index



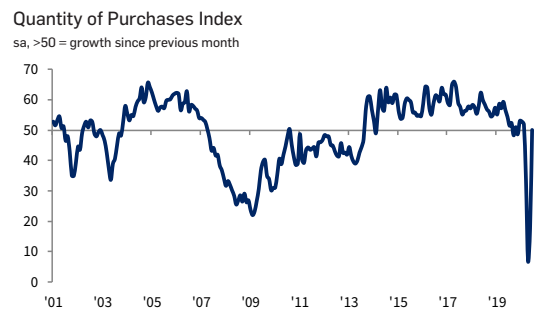
The impact of COVID-19 on workloads in the construction sector continued to influence staffing decisions at the end of the second quarter. Employment was reduced for the fourth consecutive month, albeit at a softer pace than seen at the worst of the downturn. Around 19% of respondents lowered staffing levels in June, against 12% that increased employment.



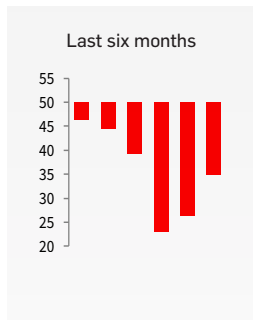
## Quantity of Purchases Index



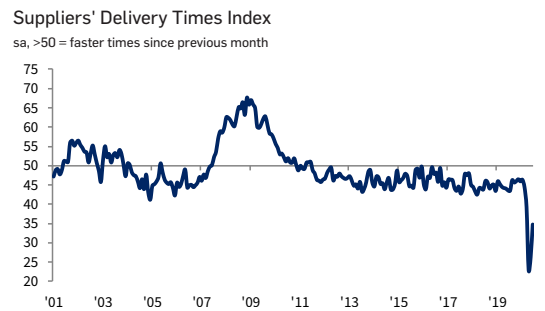
Purchasing activity stabilised in June, thereby ending a three-month period of decline. Unchanged purchasing followed severe reductions in input buying in April and May. Those panellists that raised purchasing linked this to the restarting of projects following the lockdown. On the other hand, some respondents reduced input buying in line with lower workloads.



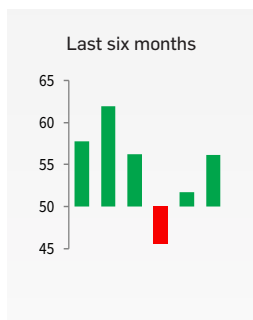
## Suppliers' Delivery Times Index



COVID-19 continued to cause disruption to supply chains for Irish construction firms in June. Lead times on the delivery of inputs lengthened to an extent not seen prior to the current crisis. Anecdotal evidence suggested that reduced capacity at suppliers, shortages of some inputs and delays from UK vendors all contributed to longer lead times.



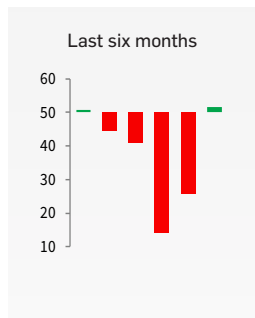
## Input Prices Index



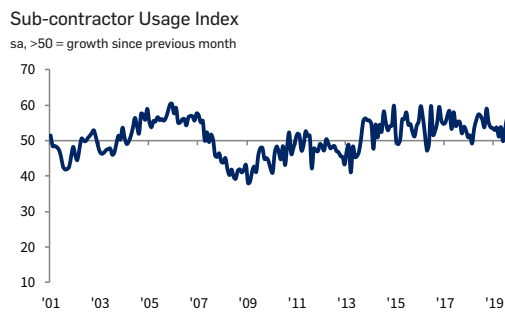
Input prices rose for the second successive month during June. The rate of inflation was sharp, having accelerated from that seen in May. That said, the increase in input costs was still slower than the average since the survey began in June 2000.



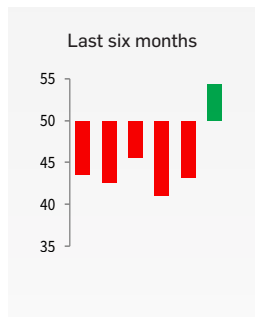
### Sub-contractor Usage Index



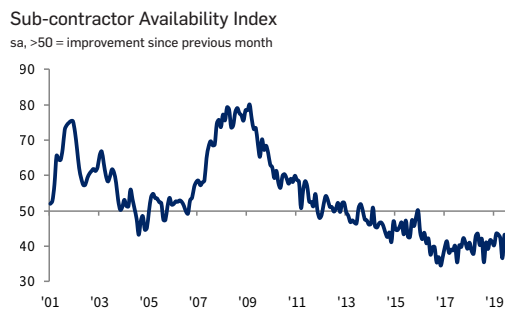
The usage of sub-contractors rose for the first time in five months during June, representing a marked turnaround from the substantial declines recorded in April and May.



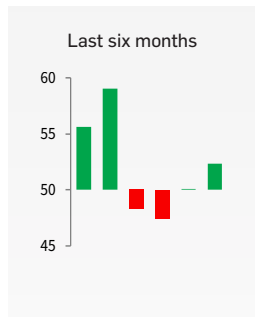
### Sub-contractor Availability Index



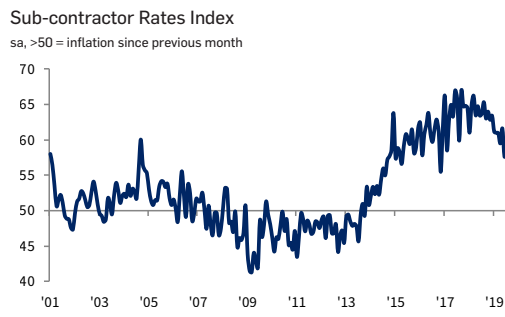
The loosening of the lockdown coincided with an improvement in the availability of sub-contractors. June saw the supply of sub-contractors increase for the first time in four-and-a-half years, with the rate of improvement the greatest since October 2011.



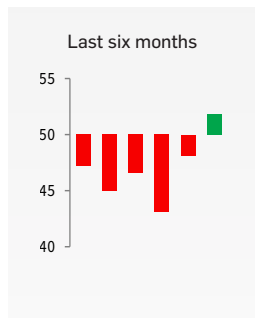
### Sub-contractor Rates Index



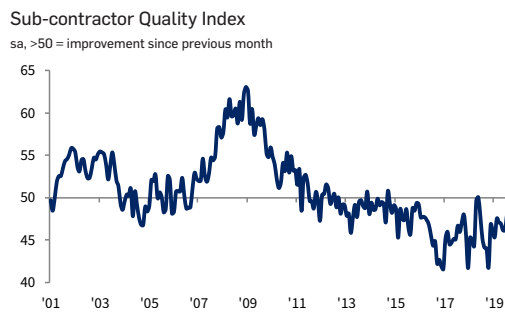
The rates charged by sub-contractors increased for the second month running in June, following back-to-back declines in March and April. Although quickening from that seen in May, the rate of inflation remained modest and slower than the series average.



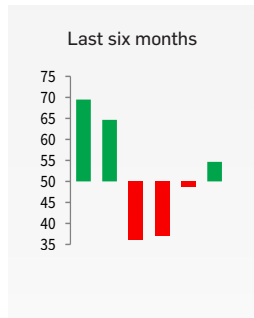
### Sub-contractor Quality Index



Irish construction companies indicated that the quality of work carried out by sub-contractors improved in June, the first time this has been the case in just over two years. The improvement was only modest, but the most marked since May 2011.



## Future Activity Index



Construction firms expressed a positive outlook for activity over the coming year for the first time in four months. More than 39% of panellists predicted a rise in output over the next 12 months amid an expectation that conditions will return to normal. On the other hand, 30% of respondents were pessimistic, reflecting concerns around the potential longer-term economic impacts of the pandemic.



## 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*
01 '20	50.9	48.0	55.7	44.4	54.9	53.6	52.8	46.4	57.7	50.8	43.6	55.7	47.2	69.4
02 '20	50.6	49.7	52.1	42.7	53.6	51.3	51.8	44.5	61.9	44.4	42.6	59.0	45.0	64.7
03 '20	28.9	32.4	28.2	25.2	33.9	39.4	33.7	39.3	56.2	41.0	45.5	48.3	46.5	36.0
04 '20	4.5	4.9	3.1	5.2	10.1	22.6	7.0	23.1	45.6	14.1	41.0	47.5	43.1	37.1
05 '20	19.9	21.4	25.6	14.9	24.6	26.7	17.7	26.3	51.8	25.9	43.3	50.1	48.2	48.6
06 '20	51.9	55.8	50.9	43.4	46.0	43.3	50.0	34.8	56.2	51.5	54.3	52.3	51.9	54.6

## 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

- Building Materials
- Copper
- Fuel
- GGBS
- Hard Plastics
- Insulation
- Insurance
- Paint
- PPE
- Stationery
- Timber
- Titanium

### Items Down in Price

- Steel

### Sub-contractors in Short Supply

- None

### Products in Short Supply

- Concrete
- Decking
- Electrical Equipment
- Electrical Goods
- GGBS
- Hardware Supplies
- Insulation
- Paint
- Power Tools
- PPE
- Roofing Products
- 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>					
Jan '20	16.9	60.7	22.4	47.2	50.9
Feb '20	18.6	57.6	23.8	47.4	50.6
Mar '20	7.4	41.3	51.3	28.0	28.9
Apr '20	1.6	5.7	92.7	4.5	4.5
May '20	12.5	16.4	71.1	20.7	19.9
Jun '20	35.9	34.4	29.7	53.1	51.9
<b>Housing Activity</b>					
Jan '20	12.3	60.0	27.7	42.3	48.0
Feb '20	19.2	55.9	24.9	47.2	49.7
Mar '20	10.0	41.8	48.3	30.9	32.4
Apr '20	3.2	3.8	93.0	5.1	4.9
May '20	13.5	18.2	68.4	22.5	21.4
Jun '20	37.3	36.6	26.1	55.6	55.8
<b>Commercial Activity</b>					
Jan '20	22.1	62.6	15.3	53.4	55.7
Feb '20	22.0	53.4	24.6	48.7	52.1
Mar '20	5.6	41.8	52.6	26.5	28.2
Apr '20	1.0	4.2	94.8	3.1	3.1
May '20	18.3	15.2	66.5	25.9	25.6
Jun '20	38.0	31.0	31.1	53.5	50.9
<b>Civil Engineering Activity</b>					
Jan '20	5.2	67.6	27.2	39.0	44.4
Feb '20	9.3	59.8	30.9	39.2	42.7
Mar '20	4.9	38.3	56.8	24.0	25.2
Apr '20	0.0	9.2	90.8	4.6	5.2
May '20	6.5	17.0	76.5	15.0	14.9
Jun '20	20.3	45.4	34.3	43.0	43.4
<b>New Orders</b>					
Jan '20	30.6	45.5	23.9	53.4	54.9
Feb '20	25.7	49.8	24.5	50.6	53.6
Mar '20	14.0	38.3	47.8	33.1	33.9
Apr '20	4.1	12.4	83.5	10.3	10.1
May '20	14.4	22.3	63.2	25.6	24.6
Jun '20	32.2	33.4	34.4	48.9	46.0
<b>Employment</b>					
Jan '20	12.8	77.8	9.4	51.7	53.6
Feb '20	10.2	79.0	10.8	49.7	51.3
Mar '20	3.6	70.5	25.9	38.9	39.4
Apr '20	0.0	44.2	55.8	22.1	22.6
May '20	4.6	44.2	51.2	26.7	26.7
Jun '20	11.9	68.7	19.4	46.2	43.3
<b>Quantity of Purchases</b>					
Jan '20	18.7	56.7	24.6	47.0	52.8
Feb '20	18.7	59.6	21.7	48.5	51.8
Mar '20	8.5	48.9	42.7	32.9	33.7
Apr '20	4.5	5.4	90.1	7.2	7.0
May '20	10.6	14.4	75.0	17.8	17.7
Jun '20	39.3	28.1	32.6	53.3	50.0

	% Higher	% Same	% Lower	Index	Index (SA)
<b>Suppliers' Delivery Times</b>					
Jan '20	2.7	90.4	6.9	47.9	46.4
Feb '20	2.7	86.3	11.0	45.9	44.5
Mar '20	3.4	70.7	25.9	38.7	39.3
Apr '20	2.6	40.1	57.3	22.6	23.1
May '20	4.9	41.7	53.4	25.8	26.3
Jun '20	4.0	60.1	35.9	34.1	34.8
<b>Input Prices</b>					
Jan '20	24.3	72.9	2.8	60.8	57.7
Feb '20	32.7	65.4	1.8	65.5	61.9
Mar '20	17.3	79.1	3.6	56.8	56.2
Apr '20	8.8	75.2	16.0	46.4	45.6
May '20	13.8	78.1	8.1	52.8	51.8
Jun '20	14.3	81.9	3.9	55.2	56.2
<b>Subcontractor Usage</b>					
Jan '20	13.2	77.7	9.1	52.1	50.8
Feb '20	4.1	78.9	17.0	43.5	44.4
Mar '20	6.3	70.9	22.8	41.7	41.0
Apr '20	0.0	28.1	71.9	14.1	14.1
May '20	8.7	33.5	57.9	25.4	25.9
Jun '20	11.9	76.6	11.5	50.2	51.5
<b>Subcontractor Availability</b>					
Jan '20	2.8	83.4	13.8	44.5	43.6
Feb '20	1.3	84.7	14.0	43.7	42.6
Mar '20	9.8	80.5	9.7	50.0	45.5
Apr '20	16.2	50.8	32.9	41.6	41.0
May '20	15.4	62.9	21.7	46.9	43.3
Jun '20	12.3	83.6	4.0	54.2	54.3
<b>Subcontractor Rates</b>					
Jan '20	12.6	87.4	0.0	56.3	55.7
Feb '20	22.9	71.8	5.3	58.8	59.0
Mar '20	4.8	88.8	6.4	49.2	48.3
Apr '20	6.0	81.4	12.6	46.7	47.5
May '20	5.8	88.1	6.1	49.9	50.1
Jun '20	5.2	93.6	1.2	52.0	52.3
<b>Subcontractor Quality</b>					
Jan '20	1.5	93.1	5.4	48.0	47.2
Feb '20	1.3	89.4	9.3	46.0	45.0
Mar '20	1.6	93.5	4.9	48.3	46.5
Apr '20	1.8	83.5	14.7	43.5	43.1
May '20	3.8	89.8	6.4	48.7	48.2
Jun '20	2.7	97.3	0.0	51.4	51.9
<b>Future Activity*</b>					
Jan '20	43.3	52.2	4.5	69.4	n/a
Feb '20	38.3	52.7	9.0	64.7	n/a
Mar '20	16.6	38.7	44.7	36.0	n/a
Apr '20	29.6	15.0	55.4	37.1	n/a
May '20	37.2	22.9	39.9	48.6	n/a
Jun '20	39.2	30.8	30.0	54.6	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.

June data were collected 12-30 June 2020.

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).

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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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