

Ulster Bank Construction PMI® Report (RoI)

COVID-19 pandemic leads to sharpest fall in construction activity for 11 years

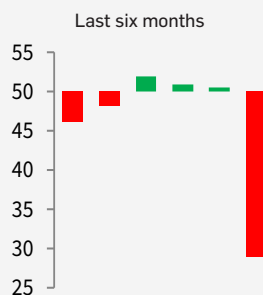
Key Findings

Output and new business fall at fastest rates since financial crisis

Employment scaled back markedly

Companies pessimistic regarding 12-month outlook

Ireland Construction Total Activity Index



The Irish construction sector fell into contraction during March as a result of the coronavirus disease 2019 (COVID-19) outbreak. Rates of decline in activity and new orders were the steepest since the global financial crisis. With workloads falling sharply, companies scaled back their staffing levels and purchasing activity. Meanwhile, the pandemic and uncertainty about how long the disruption to business will last meant that firms were pessimistic around the 12-month outlook.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – fell to 28.9 in March from 50.6 in February. The reading signalled a considerable reduction in construction activity during the month, and the strongest for 11 years. Respondents indicated that COVID-19 and associated company shutdowns led to the contraction in activity.

The virus hit all three categories of construction covered by the survey in March, with steep declines recorded in housing, commercial and civil engineering activity. Civil engineering posted the sharpest reduction.

The cancellation of projects, suspension of work and company shutdowns all contributed to a severe decline in new orders at construction firms in March. The fall ended a three-month sequence of growth and was the sharpest since April 2009.

With companies shutting down due to COVID-19, a reduction in staffing levels was recorded. The decline in employment in March ended a six-and-a-half year sequence of job creation.

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



Moreover, the pace of reduction was marked and the sharpest in over nine years.

Constructors also scaled back their purchasing activity at the end of the first quarter, in line with a reduction in requirements for items. As was the case with many of the variables covered by the survey, the decline in input buying was substantial. In this case, it was the steepest since January 2010.

Despite a marked drop in demand for inputs, disruption to supply chains both in Ireland and across the world meant that suppliers' delivery times lengthened in March. In fact, the extent to which lead times were extended was the greatest since the survey began almost 20 years ago.

As well as cutting back on staffing levels and purchasing, firms also lowered their usage of sub-contractors in March, and at the sharpest pace for seven years. Meanwhile, sub-contractors lowered their rates charged for the first time since October 2013.

Although input prices continued to rise in March, the rate of inflation eased markedly to a six-month low. Where an increase in input costs was recorded, panellists linked this to shortages of materials.

Uncertainty regarding how long the COVID-19 disruption will last contributed to a sharp decline in sentiment at Irish construction firms. Companies were pessimistic around the prospects for activity over the coming year, with expectations the lowest since January 2009. Around 45% of panellists forecast a fall in activity, with 17% remaining confident that activity would expand.

Housing Activity Index



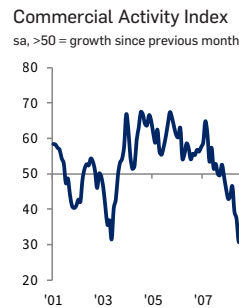
March data pointed to a substantial fall in housing activity in the Irish construction sector. In fact, the reduction was the sharpest since July 2009. That said, the residential category posted the slowest decline in activity of the three broad sectors covered by the survey.



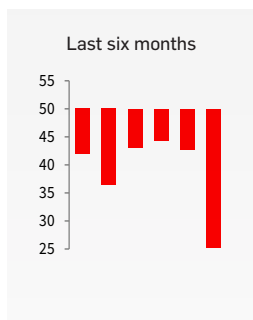
Commercial Activity Index



After having seen commercial activity rise in each of the previous four months, construction firms posted a severe decline in March. The fall was the steepest in just over 11 years and one of the strongest since the survey began in June 2000.



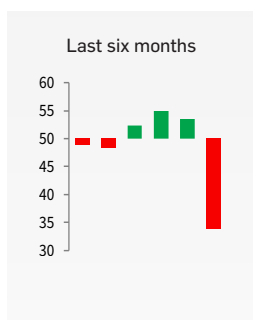
Civil Engineering Activity Index



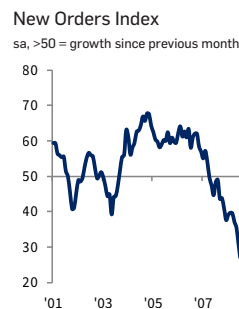
Civil engineering activity continued to fall in March, extending the current sequence of contraction to 19 months. Furthermore, the pace of reduction accelerated sharply and was the fastest since May 2003. The decrease in activity on civil engineering projects was the sharpest of the three monitored categories.



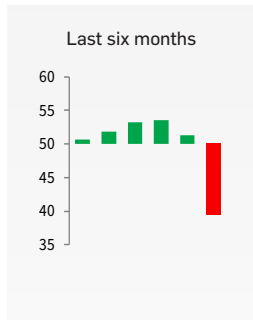
New Orders Index



The COVID-19 pandemic had a severe impact on new orders at Irish construction firms in March. The cancellation of projects and company shutdowns were mentioned by panellists. The fall in new business was the first in four months, and steepest in just under 11 years.

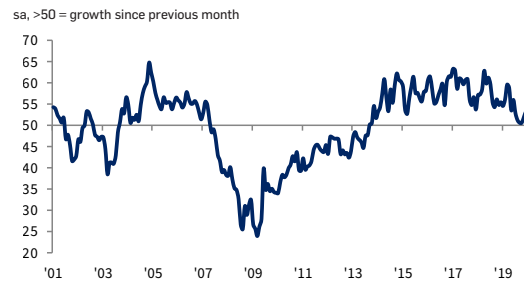


Employment Index



Irish construction companies cut workforce numbers sharply at the end of the first quarter of the year, thereby ending a six-and-a-half year sequence of job creation. Moreover, the fall in employment was the fastest since December 2010. Company shutdowns and layoffs as a result of COVID-19 were reported by panellists. More than one-quarter of respondents lowered employment during the month.

Employment Index

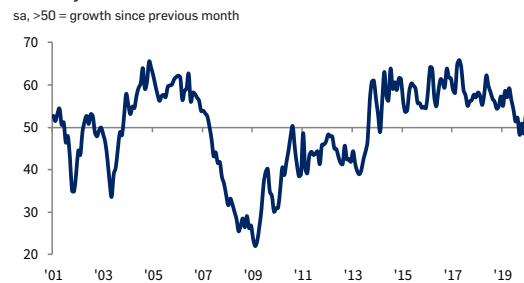


Quantity of Purchases Index

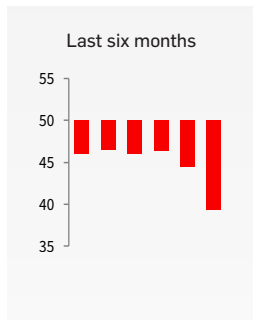


The postponement of projects and the suspension of work led constructors in Ireland to lower their input buying during March. The steep fall in purchasing was the first in four months and sharpest in just over a decade.

Quantity of Purchases Index



Suppliers' Delivery Times Index

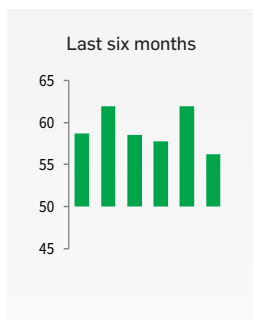


The COVID-19 pandemic also impacted negatively on supply chains during March. Delays in receiving goods from abroad (including other parts of Europe and China) were mentioned as a factor leading to a substantial lengthening of suppliers' delivery times. In fact, the deterioration in vendor performance was the greatest in the near 20-year survey history.

Suppliers' Delivery Times Index



Input Prices Index



March data pointed to an easing in the pace of input cost inflation in the Irish construction sector. The latest increase in input prices was marked, but the slowest since last September and softer than the series average. Where input costs rose, panellists linked this to shortages in the supply of materials.

Input Prices Index

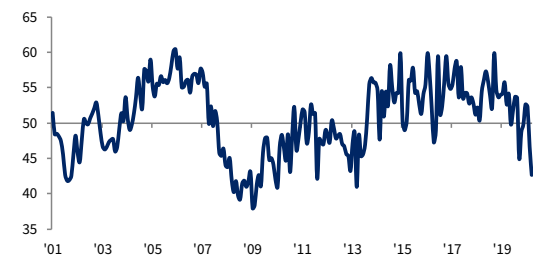


Sub-contractor Usage Index

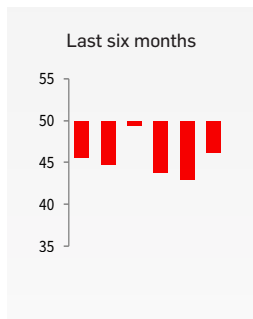


The usage of sub-contractors by construction companies decreased for the second month running in March. Furthermore, the latest reduction was marked and the sharpest for seven years.

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

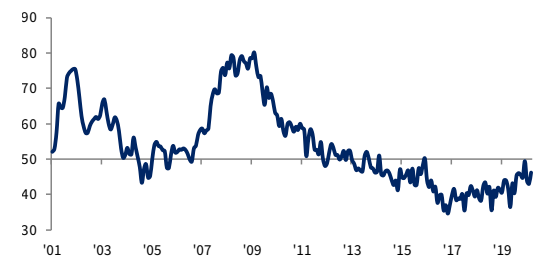


Sub-contractor Availability Index

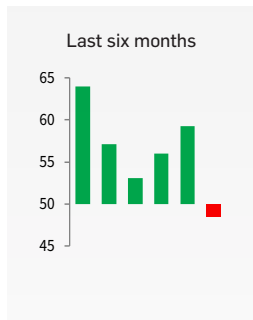


Despite a steep drop in the usage of sub-contractors in the latest survey period, their availability continued to decrease. The pace at which the supply of sub-contractors fell was solid, but eased to a three-month low.

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



Sub-contractor Rates Index

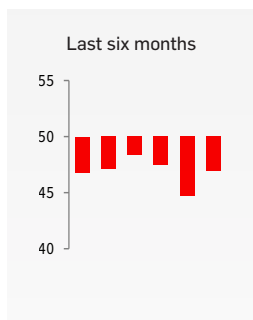


The rates charged by sub-contractors fell during March in a marked turnaround from a sharp rise posted in February. The reduction in rates was the first for almost six-and-a-half years.

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

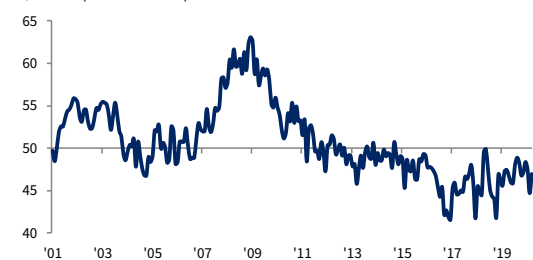


Sub-contractor Quality Index

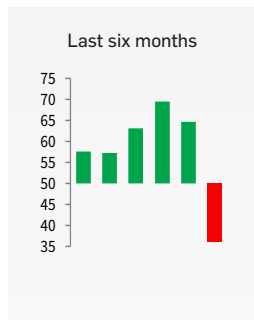


Irish construction firms indicated that the quality of work carried out by sub-contractors deteriorated again in March, extending the current sequence of decline to 66 months.

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



Future Activity Index



The COVID-19 outbreak and uncertainty about how long it will last led to a marked drop in sentiment regarding the 12-month outlook for construction activity. Firms were pessimistic for the first time since November 2010, with sentiment in March the lowest in more than 11 years. Around 45% of respondents predicted a fall in activity over the coming year, with 17% forecasting a rise.



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*
10 '19	46.2	51.3	46.9	41.9	48.8	50.6	51.0	46.0	58.7	48.7	45.5	64.0	46.8	57.6
11 '19	48.2	47.7	51.2	36.4	48.3	51.9	48.6	46.5	61.9	49.8	44.8	57.1	47.1	57.3
12 '19	52.0	51.8	53.6	43.1	52.4	53.2	53.0	46.0	58.5	52.6	49.4	53.0	48.4	63.1
01 '20	50.9	48.0	55.7	44.4	54.9	53.6	52.8	46.4	57.7	52.2	43.9	56.0	47.5	69.4
02 '20	50.6	49.7	52.1	42.7	53.6	51.3	51.8	44.5	61.9	46.6	43.0	59.3	44.7	64.7
03 '20	28.9	32.4	28.2	25.2	33.9	39.4	33.7	39.3	56.2	42.6	46.2	48.4	46.9	36.0

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
Engineering Fittings
Insurance
Pipe Fittings
Safety Items
Sundries

Items Down in Price

Fuel

Sub-contractors in Short Supply

General Operatives

Products in Short Supply

Conduit
Metal Tray
Mobile Phones
Sanitisers
Sterilisation Equipment

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					
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
02 '20	18.6	57.6	23.8	47.4	50.6
03 '20	7.4	41.3	51.3	28.0	28.9
Housing Activity					
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
02 '20	19.2	55.9	24.9	47.2	49.7
03 '20	10.0	41.8	48.3	30.9	32.4
Commercial Activity					
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
02 '20	22.0	53.4	24.6	48.7	52.1
03 '20	5.6	41.8	52.6	26.5	28.2
Civil Engineering Activity					
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
02 '20	9.3	59.8	30.9	39.2	42.7
03 '20	4.9	38.3	56.8	24.0	25.2
New Orders					
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
02 '20	25.7	49.8	24.5	50.6	53.6
03 '20	14.0	38.3	47.8	33.1	33.9
Employment					
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
02 '20	10.2	79.0	10.8	49.7	51.3
03 '20	3.6	70.5	25.9	38.9	39.4
Quantity of Purchases					
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
02 '20	18.7	59.6	21.7	48.5	51.8
03 '20	8.5	48.9	42.7	32.9	33.7

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
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
02 '20	2.7	86.3	11.0	45.9	44.5
03 '20	3.4	70.7	25.9	38.7	39.3
Input Prices					
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
02 '20	32.7	65.4	1.8	65.5	61.9
03 '20	17.3	79.1	3.6	56.8	56.2
Subcontractor Usage					
10 '19	9.9	78.9	11.2	49.4	48.7
11 '19	11.4	76.1	12.5	49.5	49.8
12 '19	17.5	73.8	8.7	54.4	52.6
01 '20	13.2	77.7	9.1	52.1	52.2
02 '20	4.1	78.9	17.0	43.5	46.6
03 '20	6.3	70.9	22.8	41.7	42.6
Subcontractor Availability					
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	49.4
01 '20	2.8	83.4	13.8	44.5	43.9
02 '20	1.3	84.7	14.0	43.7	43.0
03 '20	9.8	80.5	9.7	50.0	46.2
Subcontractor Rates					
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	53.0
01 '20	12.6	87.4	0.0	56.3	56.0
02 '20	22.9	71.8	5.3	58.8	59.3
03 '20	4.8	88.8	6.4	49.2	48.4
Subcontractor Quality					
10 '19	0.0	88.7	11.3	44.3	46.8
11 '19	1.4	90.8	7.9	46.7	47.1
12 '19	3.8	91.0	5.1	49.3	48.4
01 '20	1.5	93.1	5.4	48.0	47.5
02 '20	1.3	89.4	9.3	46.0	44.7
03 '20	1.6	93.5	4.9	48.3	46.9
Future Activity*					
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
02 '20	38.3	52.7	9.0	64.7	n/a
03 '20	16.6	38.7	44.7	36.0	n/a

Contact

Ulster Bank

Simon Barry
Chief Economist, Republic of Ireland
T: 00 353 1 643 1553
M: 00 353 86 3410142
simon.barry@ulsterbankcm.com

IHS Markit

Andrew Harker
Economics Director
T: +44 1491 461 016
andrew.harker@ihsmarkit.com

Katherine Smith
Public Relations
T: +1 (781) 301-9311
katherine.smith@ihsmarkit.com

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.

March data were collected 12-31 March 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.

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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