

Ulster Bank Construction PMI® Report (RoI)

COVID-19 lockdown leads to further decline in activity, but confidence reaches two-and-a-half year high

Key Findings

Sharp reduction in activity

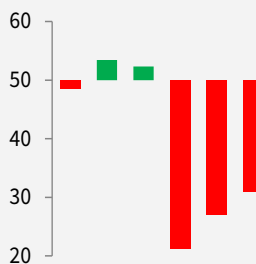
Looser restrictions set to support return to growth

Input prices rise at fastest pace since February 2018

Ireland Construction Total Activity Index



Last six months



The ongoing restrictions due to the coronavirus disease 2019 (COVID-19) pandemic meant that the Irish construction sector remained in decline during March. Activity, new orders and employment all decreased, albeit at reduced rates. Companies were meanwhile increasingly confident of growth in 12 months' time, with activity set to rise once restrictions are eased. The pandemic and Brexit combined again to cause disruption to supply chains and a sharp rise in input costs, with inflation the fastest in just over three years.

The Ulster Bank Construction Purchasing Managers' Index (PMI) – a seasonally adjusted index designed to track changes in total construction activity – posted 30.9 in March, up from February's reading of 27.0 but still signalling a sharp reduction in activity. Falls have been recorded throughout the first three months of the year amid the latest COVID-19 lockdown.

Reductions in activity continued to be seen across each of the three categories of construction covered by the survey. The softest decrease in activity was on housing work, with the rate of contraction easing markedly at the end of the first quarter.

New orders also continued to decline as a result of the COVID-19 restrictions. That said, some panellists reported that new work had been scheduled for once the lockdown is eased, leading to a much softer reduction in new business than in the opening two months of the year.

A similar picture was seen with regards to employment, with some firms taking on staff in

anticipation of a loosening of restrictions. That said, employment continued to fall solidly.

There was increasing confidence among firms that the coming year will see an expansion in activity, with an end to the lockdown set to herald the reopening of sites and release of pent-up demand. Moreover, sentiment was the highest in two-and-a-half years, with 58% of respondents predicting an expansion of activity.

A lack of demand for inputs due to the COVID-19 restrictions was highlighted by a third successive reduction in purchasing activity. Input buying fell sharply, albeit at a reduced pace.

The rate of input cost inflation quickened for the third month running in March, and was the fastest since February 2018. The pandemic and Brexit were the two key factors leading to higher input prices, according to respondents, with rising costs for shipping and raw materials such as metals mentioned in particular.

The twin factors of Brexit and COVID-19 were also reportedly responsible for continued severe delays in receiving purchased items, while there were also mentions of capacity pressures at suppliers. Delivery times again lengthened at one of the sharpest rates in the survey's history.

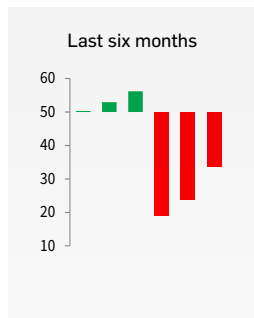
A lack of activity during the COVID-19 lockdown meant that construction firms lowered their use of sub-contractors sharply again in March, while their availability also continued to decline. The quality of work carried out by sub-contractors deteriorated to the greatest extent in 11 months, with the rates they charged rising at the weakest pace since last August.

Total Activity Index

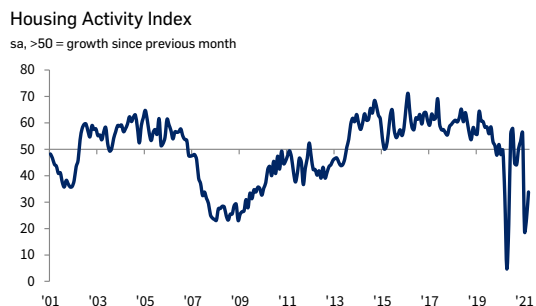
sa, >50 = growth since previous month



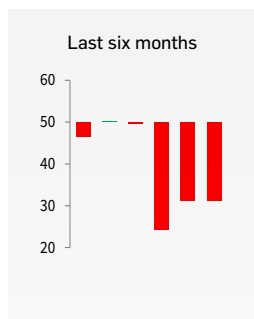
Housing Activity Index



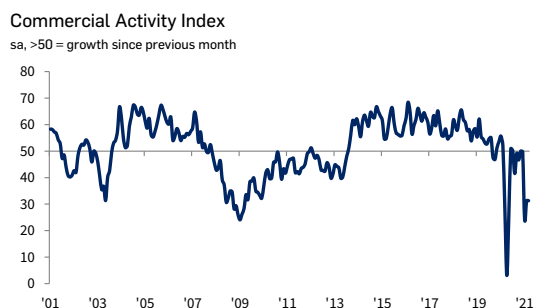
Irish construction companies continued to record lower housing activity during March, although the rate of decline continued to soften from that seen in January and was the weakest in the current three-month sequence of contraction. The fall in residential activity was also the softest of the three monitored categories.



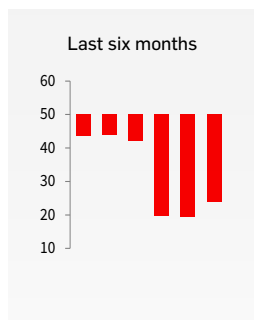
Commercial Activity Index



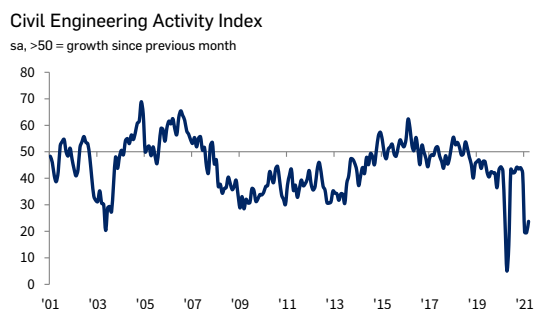
As has been the case in each of the past four months, commercial activity decreased in March as lockdown restrictions continued. The rate of decline remained sharp and was broadly in line with that posted in February.



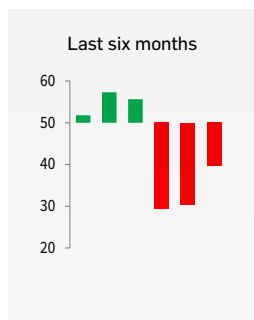
Civil Engineering Activity Index



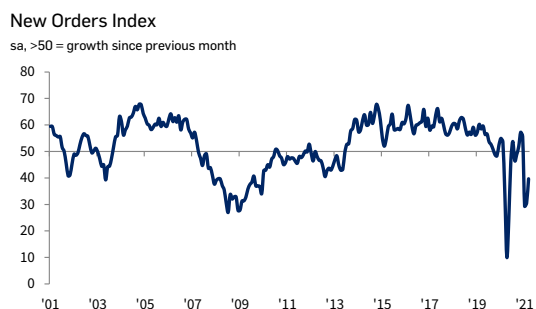
Activity on civil engineering projects decreased again at the end of the first quarter of the year. As has been the case since the imposition of the latest COVID-19 lockdown, the rate of contraction was sharp, albeit slightly softer than those seen in January and February.



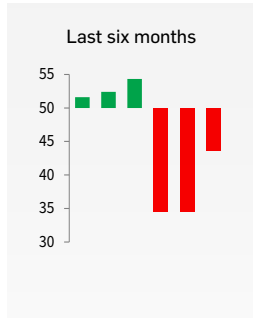
New Orders Index



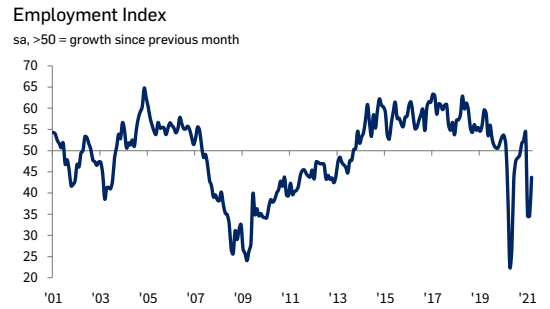
COVID-19 lockdown restrictions led to a third successive reduction in new orders during March. The rate of decline was marked, but much weaker than those in the opening two months of the year. Some respondents indicated that they had new work lined up ready for when restrictions are eased.



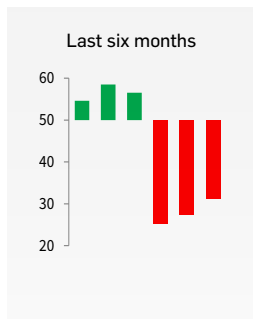
Employment Index



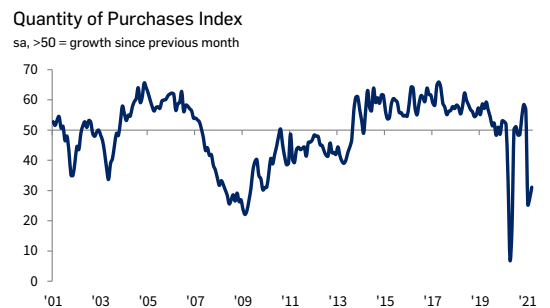
The reduction in activity caused by the latest COVID-19 lockdown meant that Irish construction firms lowered their staffing levels again in March, with employment having decreased throughout the first quarter of the year. That said, the pace of job cuts eased markedly in the latest survey period as some companies took on staff in anticipation of a rise in workloads once restrictions are loosened.



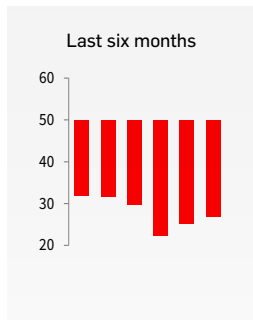
Quantity of Purchases Index



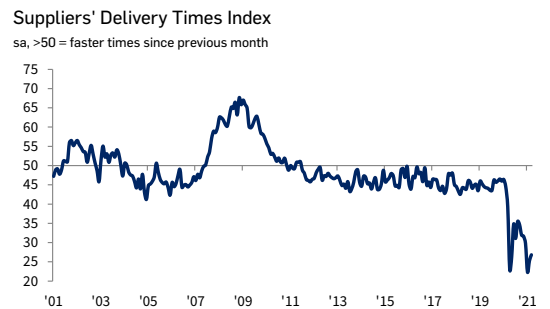
Irish construction firms lowered their purchasing activity for the third successive month in March as falling workloads amid the COVID-19 lockdown reduced the need for inputs. The pace of decline was sharp, but eased for the second month running.



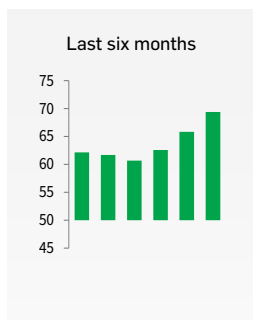
Suppliers' Delivery Times Index



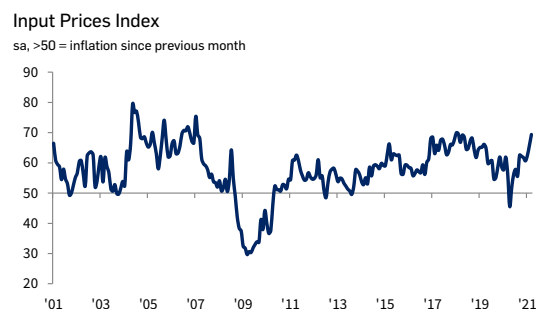
Suppliers' delivery times lengthened substantially again at the end of the first quarter of the year, with the rate of deterioration among the most marked in the survey's history. A combination of Brexit, COVID-19 restrictions and capacity pressures at suppliers was reportedly behind delivery delays.



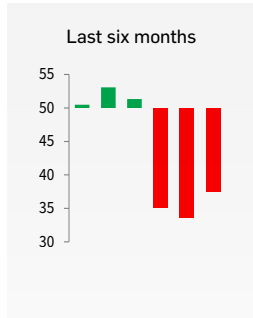
Input Prices Index



Irish construction firms registered a further acceleration in the pace of input cost inflation during March. The pace of increase quickened for the third month running and was the fastest since February 2018. As was the case with delivery times, higher input prices were often linked to Brexit and COVID-19. Higher costs for shipping and metals were also mentioned.

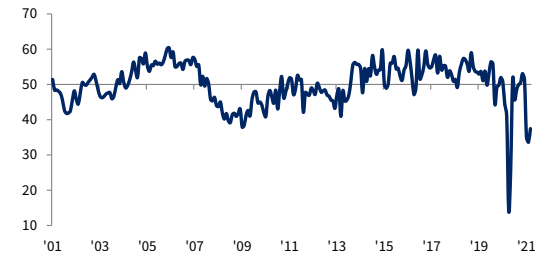


Sub-contractor Usage Index

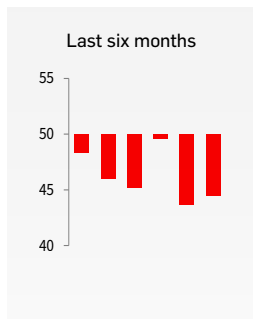


With workloads declining, construction firms also scaled back their use of sub-contractors at the end of the first quarter. The rate of contraction was substantial, despite easing to the weakest in the current three-month sequence of falling sub-contractor usage.

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



Sub-contractor Availability Index

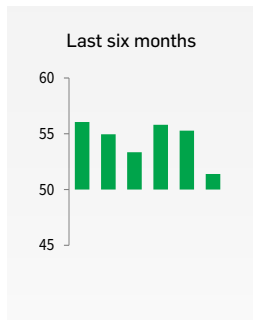


Sub-contractor availability decreased in March, the sixth month running in which that has been the case. The latest decline in the supply of sub-contractors was marked, and only slightly softer than that recorded in February.

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

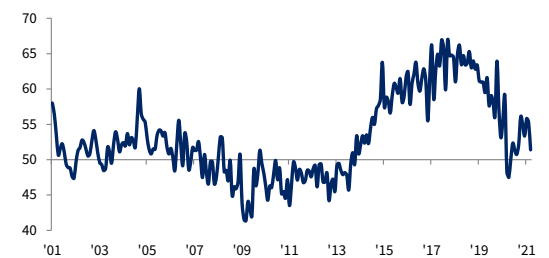


Sub-contractor Rates Index

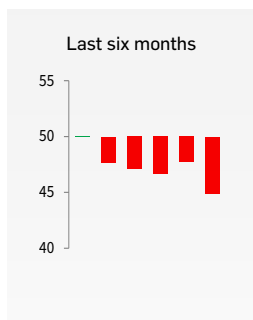


The rates charged by sub-contractors continued to rise in March, extending the current sequence of inflation to 11 months. The pace of inflation slowed sharply, however, and was the slowest since August last year. The increase was also softer than the series average.

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



Sub-contractor Quality Index

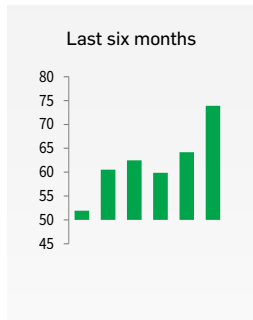


March data pointed to a marked deterioration in the quality of work carried out by sub-contractors in the Irish construction sector. Moreover, the rate of decline strengthened from February and was the greatest in just under a year.

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



Future Activity Index



Despite the ongoing lockdown, construction firms were at their most optimistic regarding the 12-month outlook for activity in two-and-a-half years. Some 58% of respondents predicted a rise in activity over the coming year, with just 10% pessimistic. The reopening of sites once COVID-19 restrictions are eased and release of pent-up demand drove optimism, with some firms hoping that vaccinations would reduce the need for further lockdowns in future.



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*
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
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

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

- Aluminium
- Brick/Block
- Cable
- Cladding
- Concrete
- Conduit
- Copper
- Diesel
- Engineering
- Floor Underlays
- Galvanised Sheeting
- Insulation
- Lights
- MCB Boards
- MDF Wood
- Metal Products
- Plasterboard
- Radon Barrier
- Rebar
- Steel
- Steel Hollow Section
- Steel Plate
- Storage Products
- Timber
- Trunking
- Waterproofing Membranes
- Windows

Items Down in Price

None

Sub-contractors in Short Supply

- CCTV Survey Companies
- Pipefitters
- Plumbers
- Sheetmetal Workers
- Site Investigators

Products in Short Supply

- Fire Door Frames
- Galvanised Sheeting
- Paint
- Steel
- Steel Hollow Section
- Steel Plate
- Steel 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)
Total Activity					
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
Feb '21	9.2	32.8	58.0	25.6	27.0
Mar '21	7.8	43.7	48.5	29.7	30.9
Housing Activity					
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
Feb '21	8.1	28.9	63.0	22.5	23.8
Mar '21	10.2	44.4	45.4	32.4	33.8
Commercial Activity					
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
Feb '21	13.1	32.8	54.0	29.6	31.2
Mar '21	4.6	47.1	48.2	28.2	31.3
Civil Engineering Activity					
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
Feb '21	0.0	36.2	63.8	18.1	19.5
Mar '21	2.3	40.2	57.4	22.5	23.8
New Orders					
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
Feb '21	14.2	29.0	56.8	28.7	30.5
Mar '21	18.0	41.3	40.7	38.6	39.7
Employment					
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
Feb '21	1.9	63.1	35.0	33.5	34.5
Mar '21	7.4	70.4	22.2	42.6	43.7
Quantity of Purchases					
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
Feb '21	9.0	33.6	57.4	25.8	27.5
Mar '21	4.1	53.0	42.9	30.6	31.1

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
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
Feb '21	4.1	43.9	52.0	26.1	25.3
Mar '21	3.0	47.6	49.4	26.8	26.8
Input Prices					
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
Feb '21	43.1	52.4	4.5	69.3	65.8
Mar '21	48.2	47.8	4.0	72.1	69.4
Subcontractor Usage					
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
Feb '21	4.5	53.7	41.8	31.4	33.6
Mar '21	3.0	65.7	31.3	35.9	37.5
Subcontractor Availability					
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
Feb '21	7.5	73.2	19.3	44.1	43.7
Mar '21	9.5	77.9	12.6	48.5	44.5
Subcontractor Rates					
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
Feb '21	12.0	85.1	2.9	54.5	55.3
Mar '21	8.2	85.6	6.2	51.0	51.4
Subcontractor Quality					
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
Feb '21	1.5	93.9	4.6	48.5	47.7
Mar '21	1.5	87.6	10.9	45.3	44.9
Future Activity*					
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
Feb '21	47.6	33.1	19.3	64.2	n/a
Mar '21	58.0	31.9	10.2	73.9	n/a

Contact

Ulster Bank

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

IHS Markit

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

Joanna Vickers
Corporate Communications
T: +44 207 260 2234
joanna.vickers@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 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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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.

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