

Ulster Bank Construction PMI® Report (RoI)

Activity continues to fall sharply, but at softer pace than in April

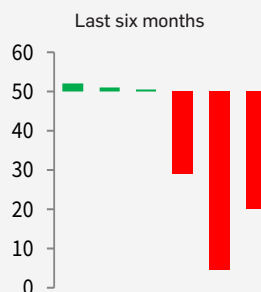
Key Findings

Further steep decline in new orders

Input prices rise slightly

Business confidence remains subdued

Ireland Construction Total Activity Index



The Irish construction sector remained in a deep contraction during May as a result of the coronavirus disease 2019 (COVID-19) and restrictions put in place to try to prevent its spread. Rates of decline in activity and new orders remained steep, but softened from the record rates posted in April. Companies also remained pessimistic regarding the 12-month outlook for construction activity, contributing to further reductions in employment and purchasing activity.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – posted 19.9 in May, up from 4.5 in April. Although weaker than the unprecedented decline seen in the previous month, the rate of contraction was still sharper than at any other time in 20 years of data collection.

A number of respondents reported site closures due to COVID-19 restrictions, but some panellists reported that an easing of the lockdown in May had enabled them to increase their activity. Around 71% of respondents noted a fall in activity, against 13% that posted a rise.

Activity decreased across all three broad categories covered by the survey, although rates of contraction eased in each case. The sharpest decline was in civil engineering activity, while commercial posted the softest reduction.

For the third month running, Irish construction companies recorded a decline in new orders amid the COVID-19 crisis. The rate of contraction remained substantial in May,

despite easing in line with a loosening of restrictions on workplace activity.

Falls in activity due to the pandemic led to further reductions in employment and purchasing activity during May, in both cases for the third months in a row. The rate of job cuts was slightly softer than those seen at the height of the global financial crisis, but input buying was down at a pace unseen prior to the COVID-19 outbreak.

Despite a steep drop in demand for inputs, suppliers' delivery times continued to lengthen. Respondents indicated that this was often due to vendors either being closed or operating at reduced capacity.

Input prices rose slightly amid shortages of certain materials. The increase followed a first reduction in more than six-and-a-half years in April, but the rate of inflation was well below the series average.

The usage of sub-contractors continued to fall sharply, but their availability was also down. Meanwhile, the rates charged by sub-contractors were broadly unchanged after having fallen in each of the previous two months. The quality of sub-contractors' work was deemed to have declined to the least extent in 2020 so far.

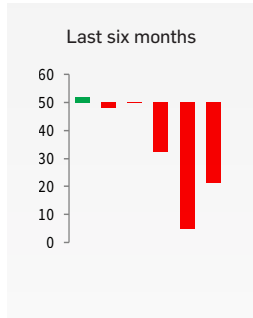
On balance, construction firms remained pessimistic regarding the 12-month outlook for activity midway through the second quarter of the year. Negative sentiment reflected concerns that the economic impacts of COVID-19 will be prolonged. That said, hopes of a return to normality among some firms meant that confidence was the highest in three months.

Total Activity Index

sa, >50 = growth since previous month



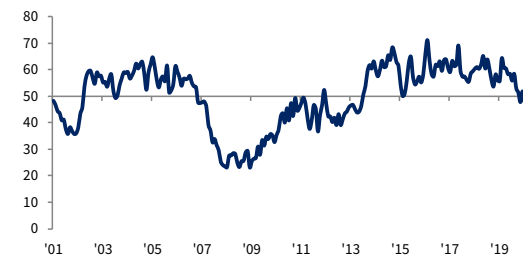
Housing Activity Index



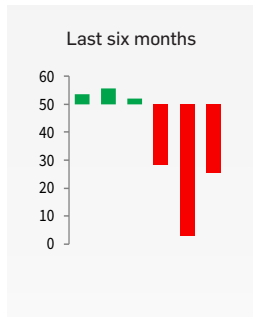
Housing activity continued to fall at a substantial pace during May. The rate of contraction softened from that seen in April, but was still sharper than any seen prior to the COVID-19 pandemic. Around 68% of respondents noted a fall in activity on residential projects, while 14% posted a rise.

Housing Activity Index

sa, >50 = growth since previous month



Commercial Activity Index



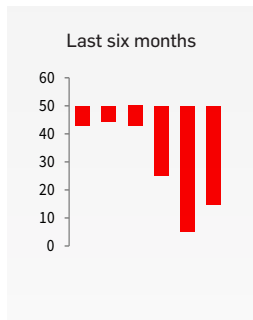
Commercial activity decreased at the slowest pace of the three monitored construction categories during May. Activity on commercial projects fell for the third month running. The rate of decline eased from April's record and was broadly in line with that seen at the worst of the global financial crisis.

Commercial Activity Index

sa, >50 = growth since previous month



Civil Engineering Activity Index



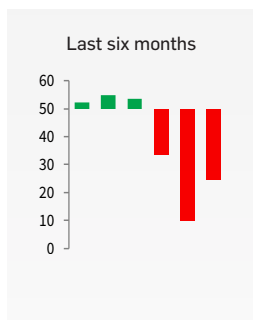
May data pointed to a further severe reduction in activity on civil engineering projects at Irish construction firms. Activity has now decreased in each of the past 21 months, with the latest fall sharper than those seen in the housing and commercial categories.

Civil Engineering Activity Index

sa, >50 = growth since previous month



New Orders Index



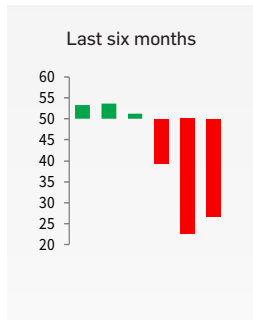
The COVID-19 pandemic resulted in a further steep decline in new orders at Irish construction companies, extending the current sequence of reduction to three months. That said, the rate of contraction eased from that seen in the previous month amid a loosening of restrictions on activity.

New Orders Index

sa, >50 = growth since previous month



Employment Index



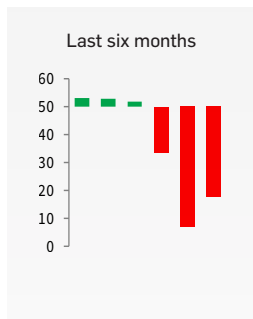
Irish construction companies continued to scale back their staffing levels during May. The fall was the third in as many months and generally reflected layoffs due to COVID-19. A number of firms kept their workforce numbers unchanged, however. The rate of job cuts softened slightly, and was weaker than those seen at the height of the global financial crisis.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index



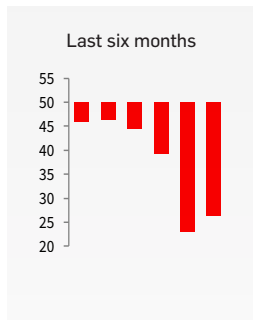
May data pointed to a further considerable reduction in purchasing activity by Irish construction firms due to the COVID-19 pandemic. This was despite the rate of decline easing from April's record amid fewer restrictions on activity. Exactly three-quarters of respondents signalled a fall in input buying, against 11% that posted a rise.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



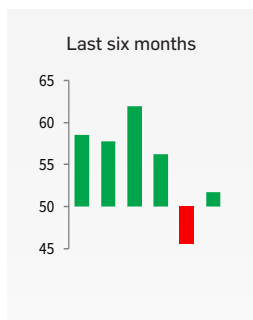
Suppliers' delivery times continued to lengthen to an extent unprecedented prior to the COVID-19 crisis. Lockdown measures to prevent the spread of the disease meant that some suppliers were either closed or operating below capacity. More than half of respondents indicated that lead times had lengthened.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Input Prices Index



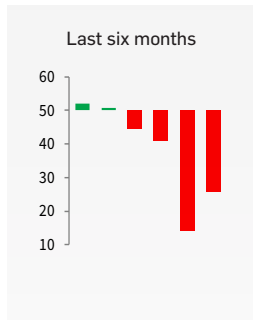
Input prices increased in May, after having fallen for the first time in over six-and-a-half years during April. Respondents indicated that material shortages had contributed to inflationary pressure. That said, the pace at which input costs rose was much slower than the series average.

Input Prices Index

sa, >50 = inflation since previous month



Sub-contractor Usage Index

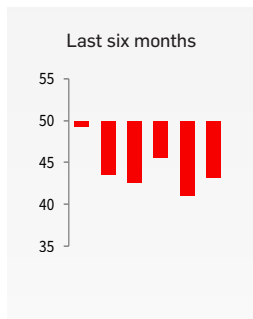


Irish construction firms lowered their usage of sub-contractors for the fourth successive month in May. Although the pace of decline slowed from that seen in April, it was still severe and the second-fastest in the 20-year survey history.

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



Sub-contractor Availability Index

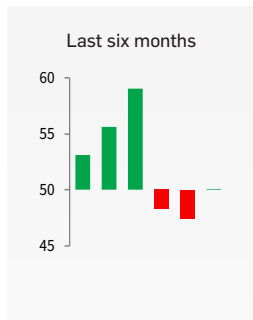


Despite a steep drop in usage of sub-contractors, their availability continued to decline in May. Sub-contractor availability has now fallen in each of the past 53 months, albeit the pace of reduction in the latest survey period was softer than that seen in April.

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

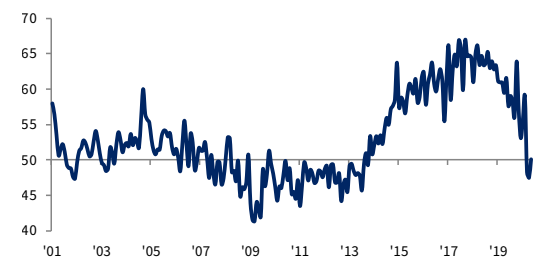


Sub-contractor Rates Index

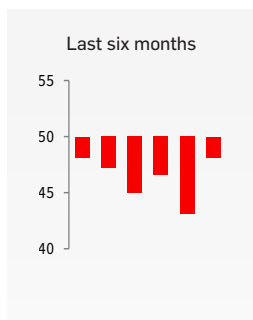


Sub-contractor rates stabilised during May, thereby ending a two-month sequence of falling charges. The vast majority of respondents (88%) registered no change in sub-contractor rates during the month.

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

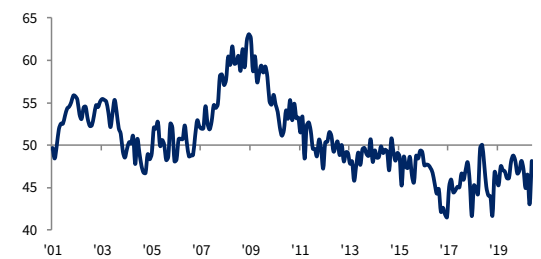


Sub-contractor Quality Index

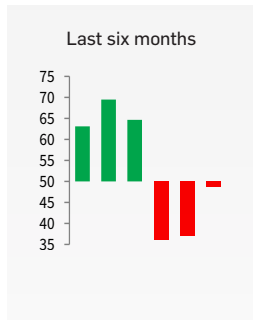


As has been the case on a monthly basis throughout the past two years, the quality of work carried out by sub-contractors was deemed to have deteriorated during May. That said, the latest decline was modest and the weakest in 2020 so far.

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



Future Activity Index



Irish construction firms remained pessimistic regarding the 12-month outlook for activity during May amid concerns around the duration of the COVID-19 pandemic and potential economic impact. Sentiment was less negative than in the previous month, however, with some firms expecting a pick-up in activity once the situation returns to normal.

Future Activity Index
 >50 = growth expected over next 12 months



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*
12 '19	52.0	51.8	53.6	43.1	52.4	53.2	53.0	46.0	58.5	52.0	49.3	53.1	48.2	63.1
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

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

Cement
 Copper
 PPE
 Raw Materials
 Safety Equipment
 Titanium

Items Down in Price

Diesel
 Steel Products

Sub-contractors in Short Supply

None

Products in Short Supply

Decking
 Imported Items
 Paint
 PPE

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					
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
04 '20	1.6	5.7	92.7	4.5	4.5
05 '20	12.5	16.4	71.1	20.7	19.9
Housing Activity					
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
04 '20	3.2	3.8	93.0	5.1	4.9
05 '20	13.5	18.2	68.4	22.5	21.4
Commercial Activity					
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
04 '20	1.0	4.2	94.8	3.1	3.1
05 '20	18.3	15.2	66.5	25.9	25.6
Civil Engineering Activity					
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
04 '20	0.0	9.2	90.8	4.6	5.2
05 '20	6.5	17.0	76.5	15.0	14.9
New Orders					
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
04 '20	4.1	12.4	83.5	10.3	10.1
05 '20	14.4	22.3	63.2	25.6	24.6
Employment					
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
04 '20	0.0	44.2	55.8	22.1	22.6
05 '20	4.6	44.2	51.2	26.7	26.7
Quantity of Purchases					
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
04 '20	4.5	5.4	90.1	7.2	7.0
05 '20	10.6	14.4	75.0	17.8	17.7

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
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
04 '20	2.6	40.1	57.3	22.6	23.1
05 '20	4.9	41.7	53.4	25.8	26.3
Input Prices					
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
04 '20	8.8	75.2	16.0	46.4	45.6
05 '20	13.8	78.1	8.1	52.8	51.8
Subcontractor Usage					
12 '19	17.5	73.8	8.7	54.4	52.0
01 '20	13.2	77.7	9.1	52.1	50.8
02 '20	4.1	78.9	17.0	43.5	44.4
03 '20	6.3	70.9	22.8	41.7	41.0
04 '20	0.0	28.1	71.9	14.1	14.1
05 '20	8.7	33.5	57.9	25.4	25.9
Subcontractor Availability					
12 '19	5.1	84.8	10.1	47.5	49.3
01 '20	2.8	83.4	13.8	44.5	43.6
02 '20	1.3	84.7	14.0	43.7	42.6
03 '20	9.8	80.5	9.7	50.0	45.5
04 '20	16.2	50.8	32.9	41.6	41.0
05 '20	15.4	62.9	21.7	46.9	43.3
Subcontractor Rates					
12 '19	7.7	91.0	1.3	53.2	53.1
01 '20	12.6	87.4	0.0	56.3	55.7
02 '20	22.9	71.8	5.3	58.8	59.0
03 '20	4.8	88.8	6.4	49.2	48.3
04 '20	6.0	81.4	12.6	46.7	47.5
05 '20	5.8	88.1	6.1	49.9	50.1
Subcontractor Quality					
12 '19	3.8	91.0	5.1	49.3	48.2
01 '20	1.5	93.1	5.4	48.0	47.2
02 '20	1.3	89.4	9.3	46.0	45.0
03 '20	1.6	93.5	4.9	48.3	46.5
04 '20	1.8	83.5	14.7	43.5	43.1
05 '20	3.8	89.8	6.4	48.7	48.2
Future Activity*					
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
04 '20	29.6	15.0	55.4	37.1	n/a
05 '20	37.2	22.9	39.9	48.6	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.

May data were collected 12-29 May 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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