

Ulster Bank Construction PMI® Report (RoI)

Activity ramps up amid record rise in new orders

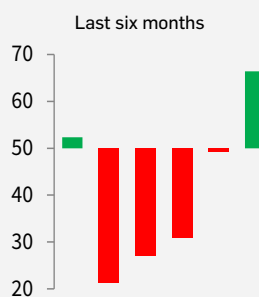
Key Findings

Activity returns to growth amid full sector reopening

Unprecedented increase in new business

Rate of input cost inflation at record high

Ireland Construction Total Activity Index



The full resumption of construction work in Ireland as lockdown measures were eased led to a ramping up of activity during May as new orders expanded at a record pace. Firms also posted a rapid increase in employment, while growth of purchasing activity also hit a new record. This increase in demand for inputs added further strain to supply chains, while the rate of cost inflation surged to hit an unprecedented level.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – posted 66.4 in May, up sharply from 49.3 in April and above the 50.0 no-change mark for the first time since the imposition of the lockdown at the start of the year. In fact, activity increased at the sharpest pace since February 2016 and was the second-fastest on record. The lifting of COVID-19 restrictions was the key factor behind the rise in activity, with the release of pent-up demand also highlighted.

All three broad categories of construction saw increases in activity during May, led by housing which posted a new record expansion. The rate of growth in commercial activity hit a three-year high, while civil engineering work increased to the greatest extent since March 2016.

The lifting of restrictions led to a surge in new orders during May, with the rate of expansion the fastest in the 21-year survey history.

Companies responded to greater workloads by ramping up employment and purchasing activity. Staffing levels increased for the second month running, and at the fastest pace since

April 2019. Meanwhile, the rise in input buying was the sharpest on record.

The marked increase in demand for inputs added to already severe pressure on supply chains midway through the second quarter. Transportation delays caused by Brexit and global shortages of materials were again factors leading to longer delivery times. The latest lengthening of lead times was the most pronounced in four months and one of the greatest on record.

The rate of input cost inflation surged to a new record high and was by far the sharpest in 21 years of data collection. Close to 73% of respondents signalled that their input prices had risen over the month with copper, plastics and steel among the items most widely mentioned as costing more.

Sub-contractor usage increased for the first time in the year-to-date, but firms were faced with a sharp decline in the availability of sub-contractors. In fact, supply fell to the greatest extent in two years. The combination of rising demand and decreasing supply led sub-contractors to raise their rates charged, and to the greatest extent on record.

The further reopening of the economy and continued release of pent-up demand supported ongoing confidence among construction firms that activity will increase over the coming year. Sentiment was little-changed from the levels seen in March and April, remaining much stronger than the series average. More than 60% of firms expressed an optimistic outlook in May, with just 13% of respondents expecting a drop in activity.

Total Activity Index

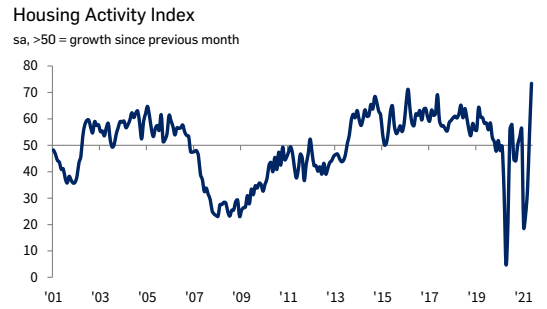
sa, >50 = growth since previous month



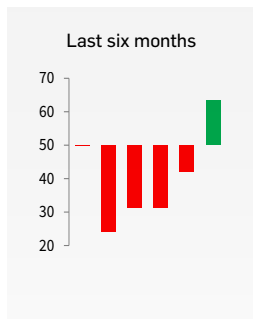
Housing Activity Index



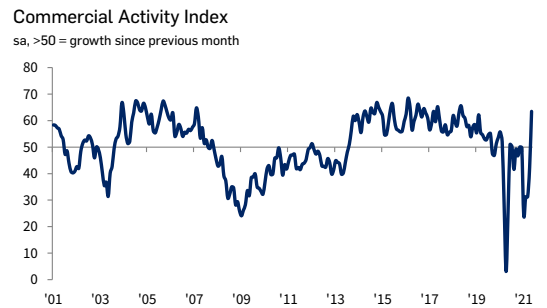
Housing activity surged higher during May, rising for the second month running. Moreover, the rate of expansion was the sharpest since the series began in June 2000, surpassing the previous record from February 2016. The expansion was the fastest of the three categories of construction covered by the survey.



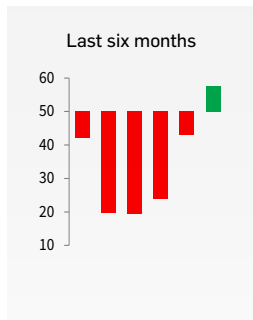
Commercial Activity Index



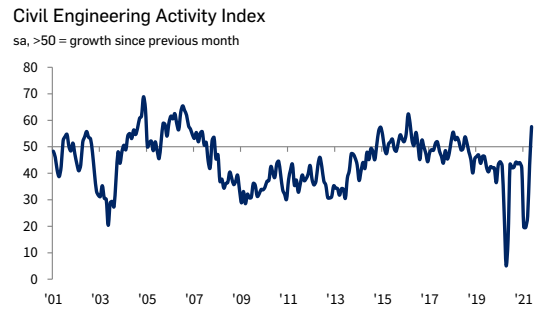
The resumption of commercial activity in May led to a first rise in work on commercial projects for ten months. Furthermore, the rate of growth was considerable and the fastest for three years. Around 41% of respondents signalled a rise in commercial activity, against just 14% that posted a fall.



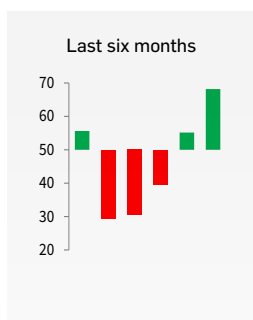
Civil Engineering Activity Index



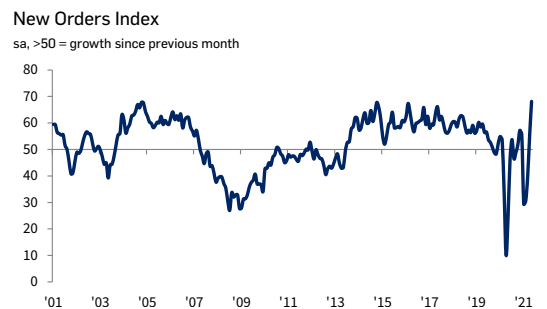
May data pointed to an increase in civil engineering activity among Irish construction firms, thereby ending a 32-month sequence of decline. The rise in activity on civil engineering projects was marked and the sharpest since March 2016.



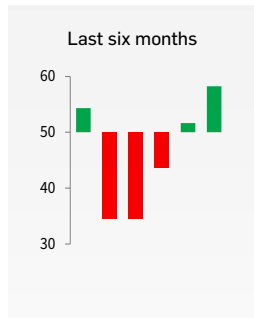
New Orders Index



Irish construction firms posted a second successive increase in new orders during May. Furthermore, the rate of expansion accelerated sharply and was the steepest in the survey's 21-year history. The lifting of COVID-19 restrictions was the principal factor leading to new order growth.



Employment Index



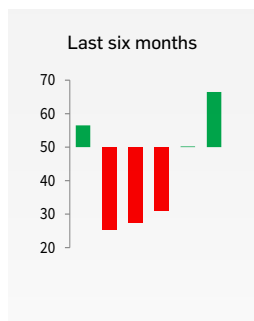
Staffing levels increased at a faster pace during May, with the rate of job creation the strongest in just over two years. Employment has now risen in two successive months, with the loosening of lockdown restrictions and improving customer demand the main factors leading firms to hire additional workers.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index



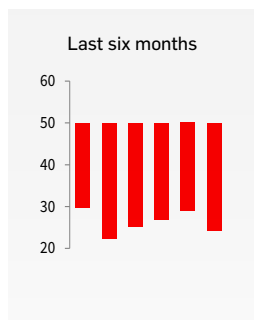
The reopening of sites following the COVID-19 lockdown and rising new business encouraged companies to expand their purchasing activity midway through the second quarter. Moreover, the rate of growth was substantial and the sharpest on record, surpassing the previous high from April 2017.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



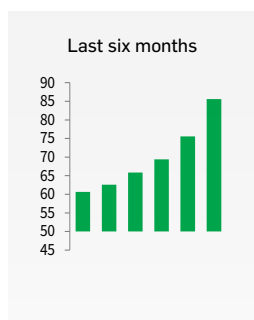
The ramping up of demand for inputs placed further pressure on already strained supply chains. As a result, May saw the most marked lengthening of suppliers' lead times in four months, and one that was the third-sharpest in the survey's history. Transportation delays due to Brexit and global material shortages were reportedly factors behind the latest deterioration in vendor performance.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Input Prices Index



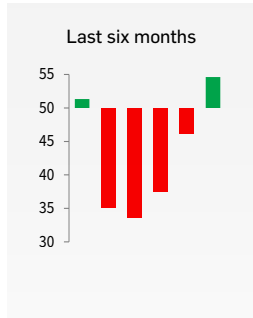
The rate of input cost inflation surged to a new record high in May, and was much faster than at any prior point in the series history. Close to 73% of respondents posted an increase in input prices over the month. Higher prices were linked to material shortages and Brexit. A range of items including copper, plastics and steel were reportedly up in price.

Input Prices Index

sa, >50 = inflation since previous month

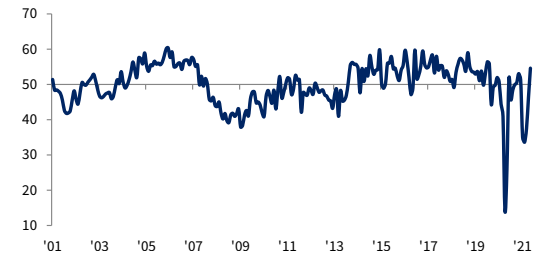


Sub-contractor Usage Index

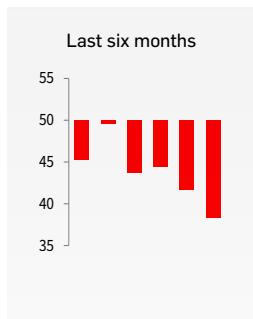


Irish construction firms increased their usage of sub-contractors during May, thereby ending a four-month sequence of decline. The rise in usage was marked, and the fastest since August 2019.

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



Sub-contractor Availability Index

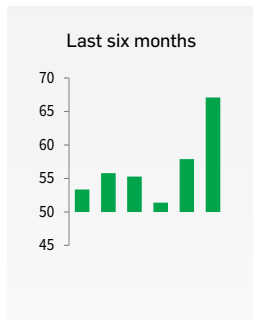


May data pointed to a substantial decline in the availability of sub-contractors, with the rate of deterioration the strongest in two years. The supply of sub-contractors has now decreased in each of the past eight months.

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

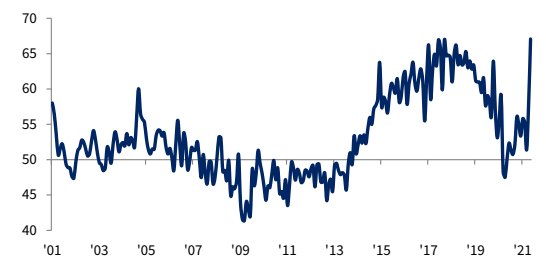


Sub-contractor Rates Index

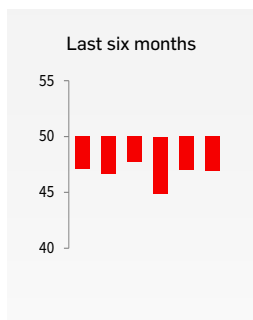


Inflationary pressures were not confined to materials in May, as sub-contractor rates also increased at the sharpest pace on record. The increase in rates was substantial, with around 36% of panellists reporting a rise.

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



Sub-contractor Quality Index

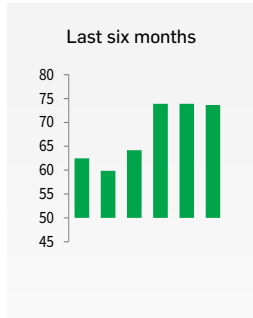


Constructors deemed the quality of work carried out by sub-contractors to have deteriorated in May, the seventh successive month in which this has been the case. The rate of decline was solid and broadly in line with that seen in April.

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



Future Activity Index



Companies remained strongly optimistic regarding the 12-month outlook for activity, with sentiment broadly in line with that seen in March and April. The prospect of a further reopening of the economy and release of pent-up demand was central to confidence. Just over three-fifths of respondents 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*
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
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

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

- All Electrical Items
- Block
- Brick
- Cable
- Cement
- Concrete
- Conduit
- Containment
- Copper
- Drainage
- Electrical Cable
- Electronics
- Engineering
- Freight
- Glass
- Glue
- Gypsum
- Hardware
- Insulation
- Ironmongery
- Labour
- MCB Boards
- Metal
- Metal Products
- Oil
- Paints
- Plastic
- Plastic Pipes

- Powder Coating
- PVC
- PVC Piping
- Rebar
- Roofing Materials
- Slabs
- Steel
- Steel Products
- Timber
- Trunking

Items Down in Price

- None

Sub-contractors in Short Supply

- Block Layers
- Carpenters
- Electricians
- Ornithologists
- Plasterers
- Plumbers

Products in Short Supply

- Electrical Equipment
- Galvanised Sheeting
- Insulation
- Lighting Equipment
- OSB
- Prestressed Strand
- Reinforcement Mesh
- Steel
- Steel Hollow Section
- Steel Mesh
- Steel Plate
- 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					
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
Apr '21	25.3	48.0	26.7	49.3	49.3
May '21	46.6	42.3	11.1	67.8	66.4
Housing Activity					
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
Apr '21	32.9	46.2	20.9	56.0	54.8
May '21	56.1	37.1	6.8	74.6	73.4
Commercial Activity					
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
Apr '21	17.1	47.9	35.0	41.1	42.2
May '21	40.5	45.4	14.1	63.2	63.5
Civil Engineering Activity					
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
Apr '21	14.3	54.9	30.8	41.8	43.1
May '21	26.3	63.8	9.9	58.2	57.6
New Orders					
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
Apr '21	36.0	42.5	21.6	57.2	55.1
May '21	50.8	37.2	12.0	69.4	68.2
Employment					
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
Apr '21	12.1	76.6	11.3	50.4	51.6
May '21	23.1	71.6	5.3	58.9	58.2
Quantity of Purchases					
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
Apr '21	24.1	50.5	25.4	49.4	50.2
May '21	41.5	48.8	9.7	65.9	66.5

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
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
Apr '21	2.7	51.3	46.0	28.3	28.9
May '21	0.9	43.3	55.8	22.5	24.3
Input Prices					
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
Apr '21	56.2	42.0	1.8	77.2	75.6
May '21	72.8	27.2	0.0	86.4	85.6
Subcontractor Usage					
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
Apr '21	10.7	72.5	16.8	46.9	46.3
May '21	16.7	70.6	12.6	52.0	54.6
Subcontractor Availability					
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
Apr '21	5.3	73.4	21.3	42.0	41.7
May '21	5.3	62.0	32.6	36.3	38.3
Subcontractor Rates					
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
Apr '21	19.8	74.9	5.3	57.2	57.9
May '21	35.5	61.8	2.7	66.4	67.1
Subcontractor Quality					
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
Apr '21	1.4	94.5	4.1	48.6	47.0
May '21	4.0	86.6	9.4	47.3	46.9
Future Activity*					
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
Apr '21	58.2	31.4	10.4	73.9	n/a
May '21	60.5	26.2	13.3	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.

May data were collected 12-28 May 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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.