

Ulster Bank Construction PMI® Report (RoI)

Construction activity declines at fastest pace since June 2013

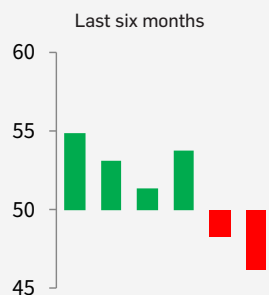
Key Findings

First decline in new business in almost six-and-a-half years

Employment growth subdued

Business confidence improves to three-month high

Ireland Construction Total Activity Index



Irish construction activity decreased for the second consecutive month during October, with the rate of contraction the fastest since June 2013. Inflows of new orders, meanwhile, fell for the first time in almost six-and-a-half years. Reduced activity and new business levels translated to a further subdued employment growth, with the rate of job creation matching September's near six-year low.

Meanwhile, business confidence picked up for the second month in a row and was at its highest level since July

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – fell to 46.2 in October from 48.3 in September. The rate of contraction was solid and the most marked since June 2013.

For the second month in a row, housing was the only monitored sub-category to observe an increase in activity during October. The rate of reduction of commercial activity quickened from September and was the fastest since June 2013. Civil engineering activity, meanwhile, declined for the fourteenth consecutive month, and at a sharper pace than in September.

In line with the fall in activity, inflows of new business placed at Irish construction firms decreased in October for the first time since June 2013. Panellists commented that Brexit uncertainty at customers had contributed to the reduction in new business.

Despite decreases in activity and new orders, Irish construction firms added to their headcounts in October. That said, the rate of job

creation was marginal and matched the almost six-year low recorded in September. Anecdotal evidence from panellists indicated that extra staff had been hired in line with investment activity.

Purchasing activity among Irish construction firms returned to growth in October. The rate of expansion was only slight, however. Anecdotal evidence from panellists indicated that they had raised their input purchases in order to mitigate any supply disruptions from Brexit.

Meanwhile, average lead times for inputs continued to lengthen during October. The latest deterioration, though solid, eased slightly from September. Panellists stated that supplier capacity issues contributed to longer lead times, with some firms stating that greater demand from firms stockpiling supplies had negatively impacted supplier performance in October.

On the price front, the rate of input cost inflation quickened to a three-month high and was sharp. Surveyed firms attributed the latest rise in cost burdens to higher raw material prices, with greater prices paid for steel, fuel and insulation.

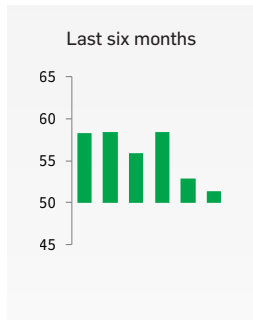
Finally, optimism among Irish construction firms picked up from September to the highest in three months during October. Just over 31% of panellists expect activity to increase over the coming year. Positive sentiment was linked to forecasts of improving economic conditions and new capital investment.

Total Activity Index

sa, >50 = growth since previous month



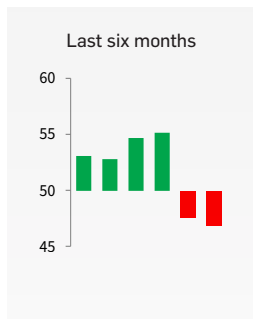
Housing Activity Index



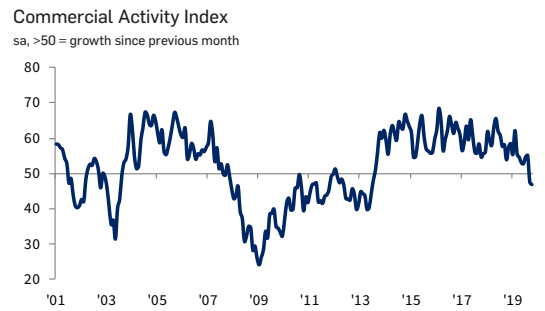
For the seventy-sixth month in a row, Irish construction firms saw an increase in residential activity during October. The housing category was the only one covered by the survey to see activity rise. That said, the rate of growth was marginal and the weakest since March 2015.



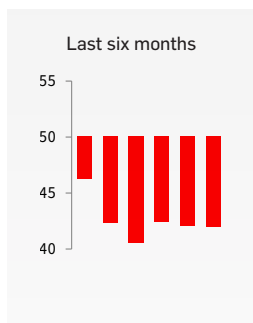
Commercial Activity Index



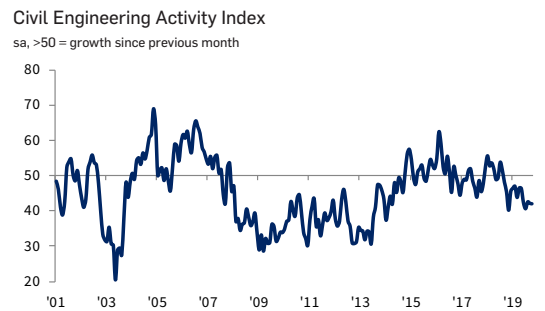
Irish construction firms signalled that commercial construction activity decreased for the second month running in October. The rate of contraction was solid and the fastest since June 2013.



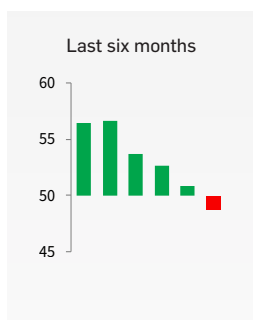
Civil Engineering Activity Index



As has been the case in each month since September 2018, civil engineering activity declined in October. Moreover, the rate of contraction was sharp and quickened to the fastest in three months.



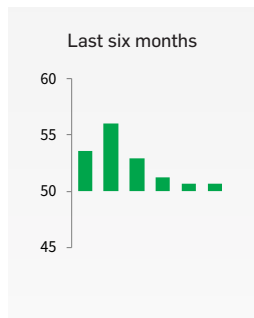
New Orders Index



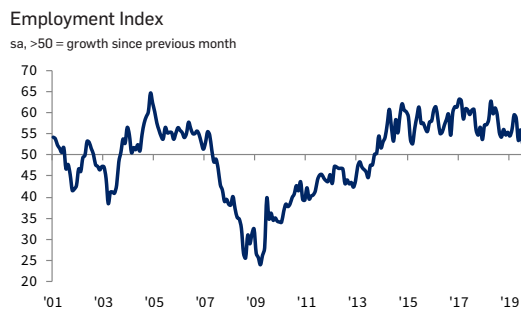
For the first time since June 2013, inflows of new business placed at Irish construction firms declined in October. The rate of contraction was only modest, however. A number of panellists commented that they had seen a reduction in orders from customers due to Brexit uncertainty.



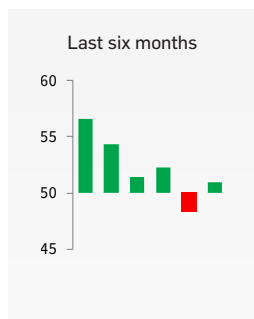
Employment Index



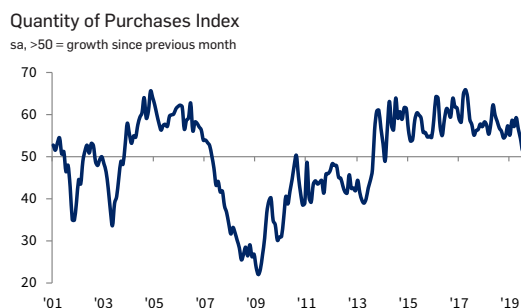
Employment growth in the Irish construction sector was sustained during October. That said, the rate of job creation was marginal and matched the near six-year low seen in September. Among firms that saw an increase in headcounts, planned investments was cited as the principal factor.



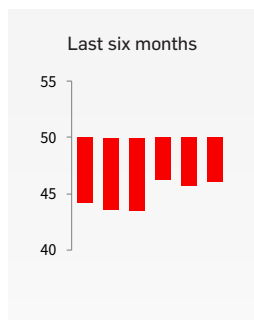
Quantity of Purchases Index



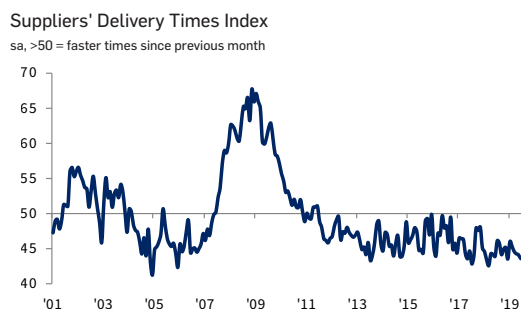
Purchasing activity among Irish construction firms returned to growth following September's fall during October. However, the rate of expansion was only slight. Anecdotal evidence from panellists indicated that they had raised their input buying in order to secure supplies in advance of the Brexit deadline.



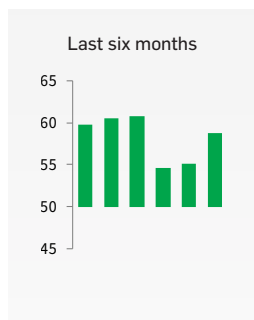
Suppliers' Delivery Times Index



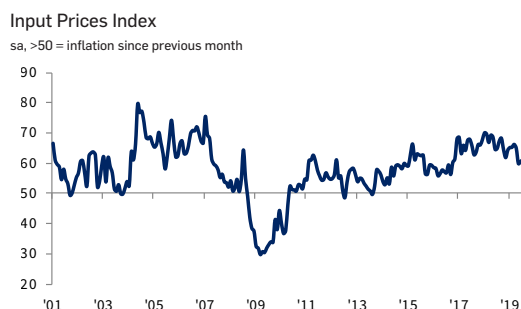
Lengthening suppliers' delivery times were recorded in the Irish construction sector again at the start of the fourth quarter of the year. Though solid, the rate of deterioration in vendor performance weakened from September. Anecdotal evidence from panellists indicated that increased demand for inputs and capacity issues among suppliers contributed to longer lead times.



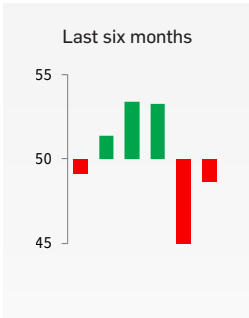
Input Prices Index



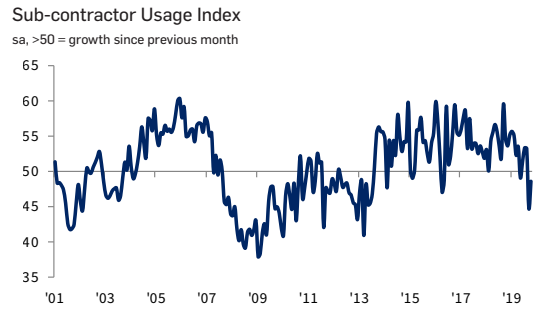
October data pointed to a further quickening of input price inflation among Irish construction firms. The rate of inflation was sharp and the quickest in three months. Anecdotal evidence indicated that greater raw material costs had been the principal factor behind the price increases. Higher fuel, steel and insulation prices were mentioned in particular, while there were also reports of greater labour costs.



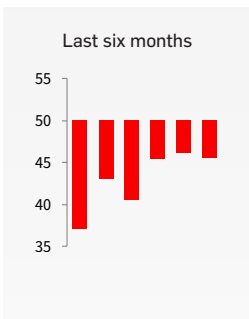
Sub-contractor Usage Index



The usage of sub-contractors decreased for the second consecutive month during October. That said, the rate of contraction was modest and weakened from September.



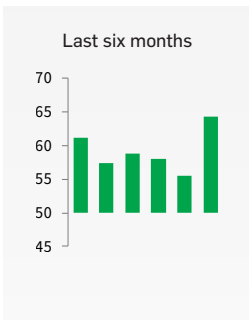
Sub-contractor Availability Index



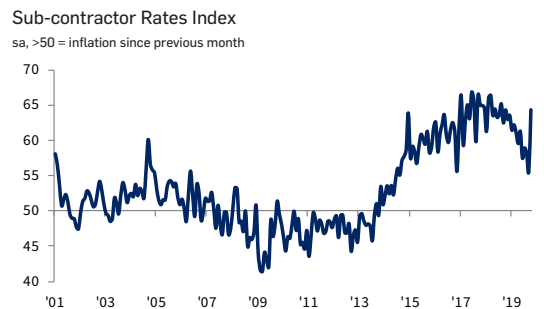
Sub-contractor availability in the Irish construction sector decreased in October, in spite of a fall in their usage. The availability of sub-contractors has now deteriorated in each month since March 2014. The rate of reduction was solid, but one of the weakest in the past four years.



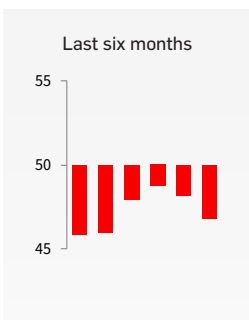
Sub-contractor Rates Index



Rates charged by sub-contractors continued to rise in October, extending the current sequence of increases to six years. Moreover, the rate of inflation accelerated sharply, and was the fastest since August 2018.



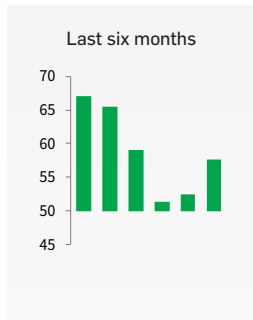
Sub-contractor Quality Index



Sub-contractor quality declined for the sixty-first month in a row during October, as shown by the seasonally adjusted Sub-Contractor Quality Index posting below the no-change 50.0 mark. Furthermore, the rate of deterioration was solid and the strongest since June.



Future Activity Index



Optimism at Irish construction firms picked up from September's subdued reading in October. The overall degree of optimism was the highest in three months. Just over 31% of panellists expect activity to increase over the coming year, compared to 16% that anticipate a contraction. Optimism was linked to expectations of stronger economic growth and increased capital investment. Brexit uncertainty continued to weigh on sentiment, however.



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*
05 '19	54.9	58.3	53.1	46.3	56.4	53.5	56.6	44.1	59.8	49.1	37.1	61.2	45.9	67.1
06 '19	53.1	58.4	52.8	42.3	56.6	56.0	54.4	43.6	60.5	51.4	43.0	57.4	46.0	65.5
07 '19	51.4	55.9	54.7	40.5	53.7	52.9	51.5	43.5	60.7	53.4	40.5	58.8	47.9	59.0
08 '19	53.7	58.4	55.1	42.5	52.6	51.2	52.3	46.3	54.6	53.3	45.5	58.0	48.7	51.3
09 '19	48.3	52.9	47.6	42.1	50.8	50.6	48.3	45.7	55.1	44.8	46.1	55.5	48.2	52.4
10 '19	46.2	51.3	46.9	41.9	48.8	50.6	51.0	46.0	58.7	48.6	45.6	64.3	46.8	57.6

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
- Cast Iron Ore
- Copper
- Diesel
- Electrical Cable
- Fire Cable
- Fittings
- Fuel
- Insulation
- Insurance
- IT
- Labour
- Stainless Steel
- Waste Disposal

Items Down in Price

- Granite
- Steel

Sub-contractors in Short Supply

- Blocklayers
- Ecologists
- Electricians
- Geo-technical Contractors
- Plasterers
- Plumbers
- Tilers

Products in Short Supply

Nothing reported this month.

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					
05 '19	29.1	55.2	15.7	56.7	54.9
06 '19	26.2	56.5	17.2	54.5	53.1
07 '19	21.9	60.6	17.4	52.3	51.4
08 '19	27.3	54.2	18.5	54.4	53.7
09 '19	14.7	65.3	20.0	47.3	48.3
10 '19	18.3	58.5	23.2	47.5	46.2
Housing Activity					
05 '19	28.5	62.9	8.6	60.0	58.3
06 '19	27.2	59.7	13.0	57.1	58.4
07 '19	28.1	55.8	16.1	56.0	55.9
08 '19	30.2	52.4	17.4	56.4	58.4
09 '19	18.1	65.9	16.0	51.1	52.9
10 '19	20.9	59.6	19.5	50.7	51.3
Commercial Activity					
05 '19	28.0	52.6	19.4	54.3	53.1
06 '19	26.5	56.8	16.8	54.8	52.8
07 '19	25.6	61.9	12.5	56.5	54.7
08 '19	30.6	51.5	18.0	56.3	55.1
09 '19	14.2	62.2	23.6	45.3	47.6
10 '19	16.2	59.6	24.2	46.0	46.9
Civil Engineering Activity					
05 '19	20.1	56.7	23.2	48.4	46.3
06 '19	15.0	52.0	33.0	41.0	42.3
07 '19	5.5	69.3	25.2	40.2	40.5
08 '19	12.2	62.1	25.7	43.2	42.5
09 '19	7.7	68.2	24.2	41.7	42.1
10 '19	10.2	58.9	30.9	39.7	41.9
New Orders					
05 '19	30.7	52.9	16.3	57.2	56.4
06 '19	34.9	50.7	14.4	60.2	56.6
07 '19	29.1	51.8	19.0	55.0	53.7
08 '19	27.5	48.5	24.0	51.7	52.6
09 '19	21.9	55.4	22.6	49.7	50.8
10 '19	25.6	45.6	28.8	48.4	48.8
Employment					
05 '19	15.5	75.2	9.2	53.2	53.5
06 '19	22.8	73.4	3.8	59.5	56.0
07 '19	17.8	72.6	9.6	54.1	52.9
08 '19	15.2	73.0	11.8	51.7	51.2
09 '19	10.5	75.2	14.3	48.1	50.6
10 '19	12.1	74.9	13.0	49.6	50.6
Quantity of Purchases					
05 '19	28.9	54.5	16.6	56.1	56.6
06 '19	31.3	52.7	16.0	57.7	54.4
07 '19	23.6	59.8	16.6	53.5	51.5
08 '19	27.2	55.4	17.4	54.9	52.3
09 '19	18.5	58.7	22.8	47.9	48.3
10 '19	20.1	65.6	14.3	52.9	51.0

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
05 '19	2.8	80.2	17.0	42.9	44.1
06 '19	1.8	80.3	17.9	42.0	43.6
07 '19	0.9	83.3	15.8	42.6	43.5
08 '19	2.7	85.4	11.9	45.4	46.3
09 '19	2.6	87.9	9.5	46.5	45.7
10 '19	3.9	84.8	11.3	46.3	46.0
Input Prices					
05 '19	20.3	79.7	0.0	60.2	59.8
06 '19	20.9	76.4	2.7	59.1	60.5
07 '19	20.8	77.4	1.7	59.6	60.7
08 '19	15.6	79.0	5.5	55.1	54.6
09 '19	13.1	82.6	4.3	54.4	55.1
10 '19	18.8	78.5	2.8	58.0	58.7
Subcontractor Usage					
05 '19	10.6	78.8	10.5	50.0	49.1
06 '19	14.4	73.8	11.8	51.3	51.4
07 '19	19.9	69.8	10.3	54.8	53.4
08 '19	21.2	68.6	10.2	55.5	53.3
09 '19	8.9	71.9	19.2	44.8	44.8
10 '19	9.9	78.9	11.2	49.4	48.6
Subcontractor Availability					
05 '19	5.5	66.4	28.0	38.7	37.1
06 '19	2.6	80.4	17.0	42.8	43.0
07 '19	4.9	66.7	28.4	38.2	40.5
08 '19	4.9	78.9	16.2	44.4	45.5
09 '19	5.9	77.6	16.5	44.7	46.1
10 '19	6.3	74.7	19.0	43.6	45.6
Subcontractor Rates					
05 '19	22.6	76.2	1.3	60.6	61.2
06 '19	16.2	81.2	2.5	56.9	57.4
07 '19	21.0	76.8	2.2	59.4	58.8
08 '19	20.1	78.6	1.3	59.4	58.0
09 '19	14.5	83.2	2.3	56.1	55.5
10 '19	30.3	68.6	1.1	64.6	64.3
Subcontractor Quality					
05 '19	1.3	88.0	10.7	45.3	45.9
06 '19	0.0	90.6	9.4	45.3	46.0
07 '19	4.0	89.1	6.9	48.5	47.9
08 '19	3.3	90.5	6.3	48.5	48.7
09 '19	2.7	88.8	8.5	47.1	48.2
10 '19	0.0	88.7	11.3	44.3	46.8
Future Activity*					
05 '19	39.0	56.2	4.9	67.1	n/a
06 '19	39.3	52.5	8.2	65.5	n/a
07 '19	30.6	56.9	12.5	59.0	n/a
08 '19	23.3	56.1	20.6	51.3	n/a
09 '19	24.0	56.8	19.2	52.4	n/a
10 '19	31.2	52.9	15.9	57.6	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.

October 2019 data were collected 11 October - 1 November 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.

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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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