

Ulster Bank Construction PMI® Report (RoI)

New order growth hits three-month high in November

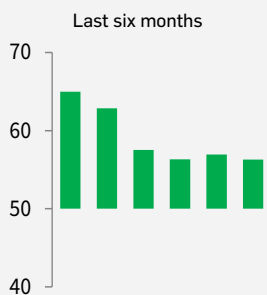
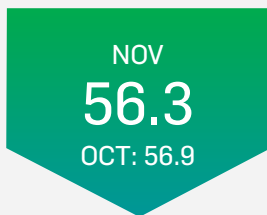
Key Findings

Sharp rise in new orders supports further increase in activity

Near-record increase in input costs

Faster pace of job creation

Ireland Construction Total Activity Index



Irish construction activity continued to increase sharply in November amid ongoing new order growth, helping lead to a further marked rise in employment. Supply-chain disruption remained severe, however, contributing to a near-record increase in input costs.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – posted 56.3 in November, down marginally from 56.9 in October but still indicative of a sharp monthly increase in total activity. The latest rise was the seventh in as many months. Where activity expanded, respondents generally attributed this to improving demand.

For the first time in four months, all three monitored categories of construction posted increases in activity as civil engineering returned to growth. In fact, civil engineering posted the fastest expansion of the three categories in November. Nonetheless, rates of growth in housing and commercial activity remained marked.

In line with the picture for activity, improving demand resulted in higher new orders midway through the final quarter of the year. In fact, the rate of growth picked up to a three-month high. Among the projects secured were those for work on housing, hospitals and renewable energy.

Construction firms responded to higher workloads by expanding their staffing levels for the eighth month running, with the marked pace of job creation the sharpest since August.

Input buying also increased. Although solid, the

rate of expansion eased for the second month in a row to the softest since April.

There was little sign of respite for firms trying to purchase inputs in terms of supply-chain disruption in the penultimate month of the year. Delivery times continued to lengthen substantially amid pressure on supplier capacity and delays caused by the COVID-19 pandemic and Brexit.

In turn, input costs continued to rise at a considerable pace in November, and one that was only slightly weaker than the series record posted in October. A range of factors reportedly added to inflationary pressures, including higher material costs, rising freight charges and Brexit. Firms also indicated that the carbon tax had contributed to higher input prices. Close to 68% of respondents indicated that their input costs had risen over the month.

Although the usage of sub-contractors continued to rise in November, the rate of expansion eased to the weakest in the current seven-month growth sequence. The rates charged by sub-contractors reached a fresh record high for the second successive month, while their availability and quality continued to decline. The reduction in availability was substantial, albeit the softest since May.

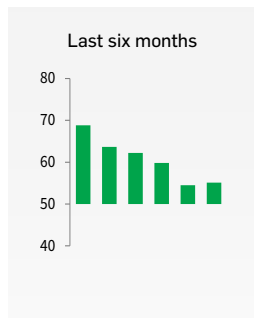
Companies remained optimistic that activity will continue to rise over the coming year. Although sentiment dipped from the previous month, it remained above the series average as close to 45% of panellists predicted an expansion in activity. Expectations of further improvements in customer demand were central to hopes for growth of activity.

Total Activity Index

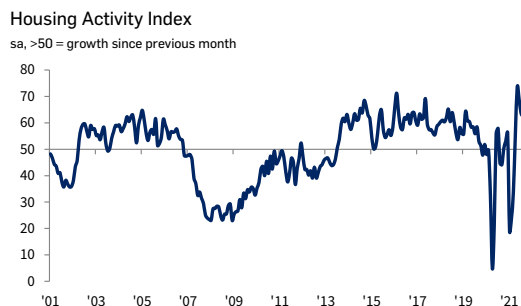
sa, >50 = growth since previous month



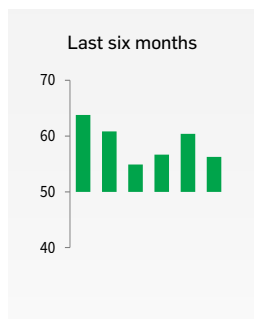
Housing Activity Index



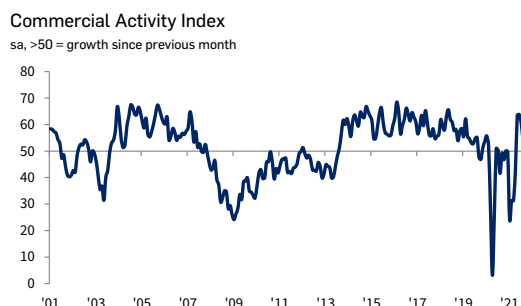
November data pointed to a continued expansion of housing activity at Irish construction firms, with the latest rise the eighth in as many months. The rate of growth was marked, and ticked up slightly from that seen in October.



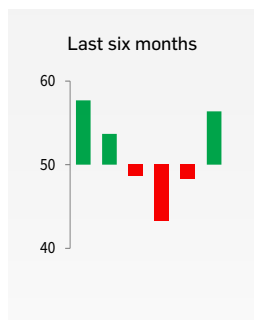
Commercial Activity Index



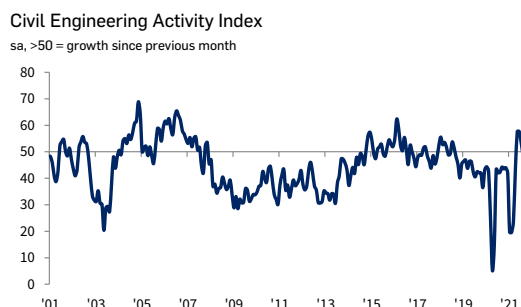
As has been the case in each of the past seven months, commercial activity increased during November. Although remaining sharp, the rate of expansion eased from the previous month and was the softest since August.



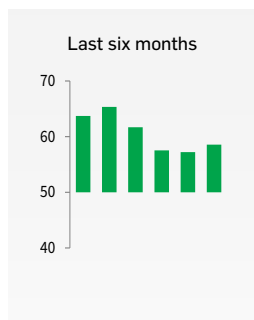
Civil Engineering Activity Index



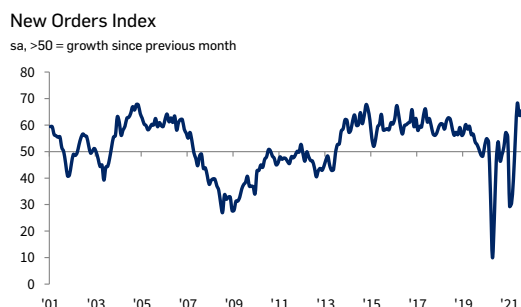
Irish construction firms signalled a return to growth of civil engineering activity during November, thereby ending a three-month sequence of decline. Furthermore, the rate of growth was substantial and the fastest of the three categories covered by the survey.



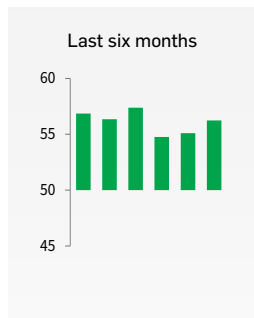
New Orders Index



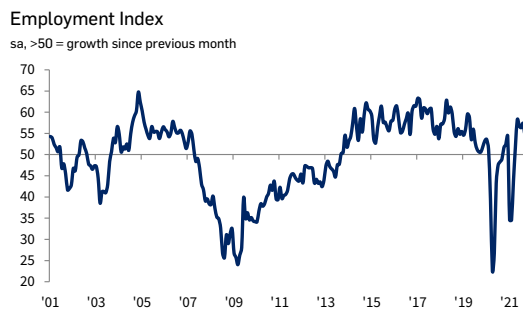
New orders increased for the eighth successive month in November, with the rate of expansion ticking up to the fastest since August. Respondents generally attributed the latest increase to improving customer demand, with new projects related to housing, hospitals and renewable energy mentioned.



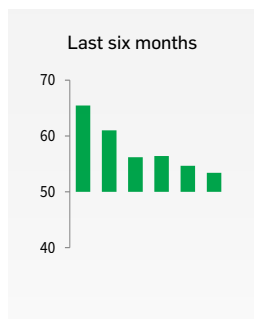
Employment Index



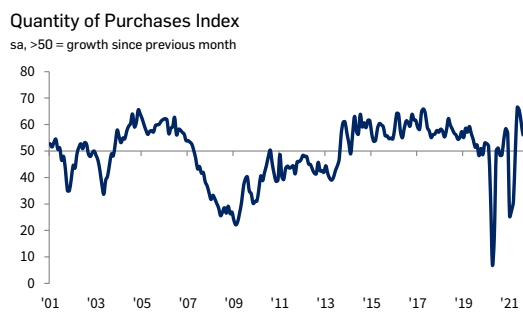
Irish construction firms continued to expand their staffing levels in the penultimate month of the year, thereby extending the current period of rising employment to eight months. The rate of job creation quickened to a three-month high as companies responded to improving demand.



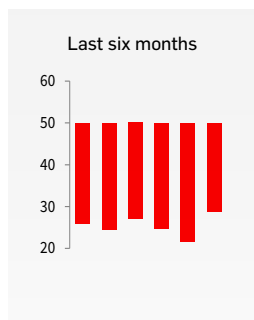
Quantity of Purchases Index



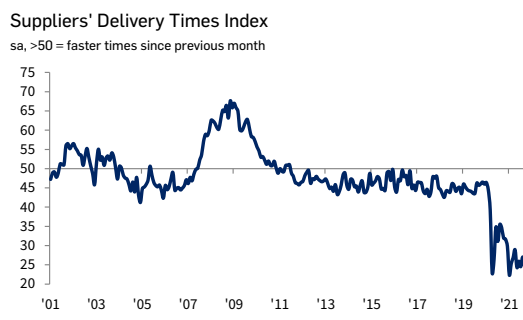
Higher demand also encouraged construction companies to increase their purchasing activity in November. Input buying rose for the eighth successive month. That said, the rate of expansion eased for the second month in a row and was the slowest since April.



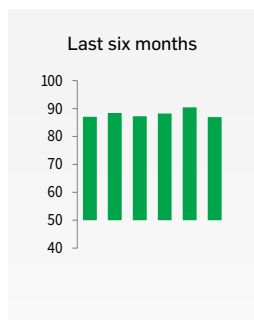
Suppliers' Delivery Times Index



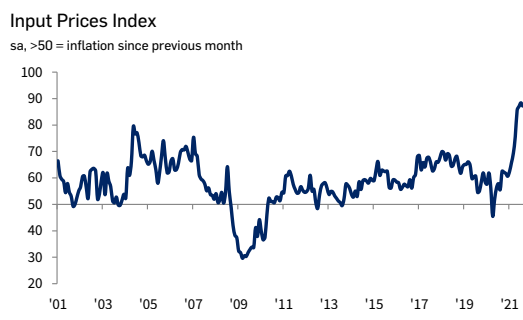
Irish construction firms continued to experience severe delays in the receipt of purchased items midway through the final quarter of the year. This was despite the rate at which lead times lengthened easing to the weakest in seven months. The twin impacts of COVID-19 and Brexit were often mentioned as being behind delivery delays, while pressure on supplier capacity was also reported.



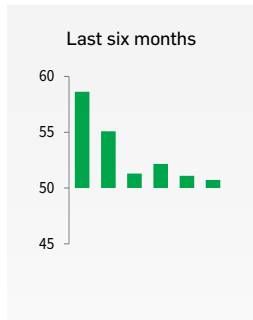
Input Prices Index



The rate of input cost inflation remained elevated in November, slowing only slightly from the survey record posted in October. Close to 68% of respondents signalled a rise in their input prices. Higher prices globally for a range of materials were reported, with fuel and metals often mentioned. Panellists also cited rising freight charges, while Brexit continued to contribute to inflationary pressures. Some firms also indicated that the carbon tax was behind higher input prices.

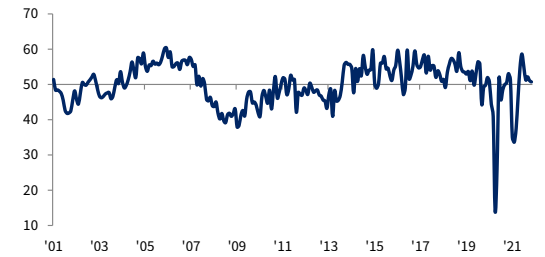


Sub-contractor Usage Index

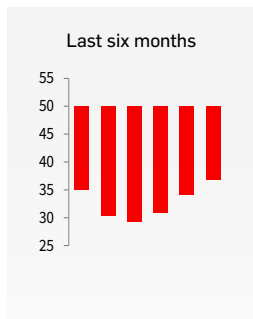


November data pointed to a slight increase in the usage of sub-contractors by Irish construction firms, with the rate of expansion the weakest in the current seven-month sequence of growth.

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



Sub-contractor Availability Index

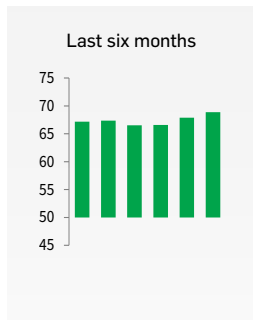


The availability of sub-contractors continued to worsen midway through the fourth quarter, extending the current period of deterioration to 14 months. The latest reduction in availability was sharp, albeit the softest since May.

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

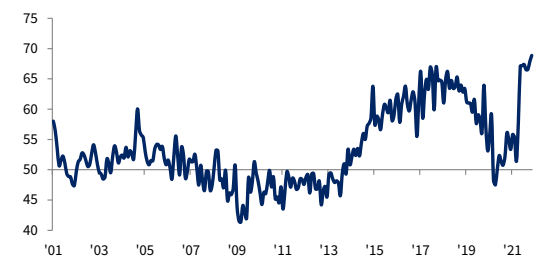


Sub-contractor Rates Index

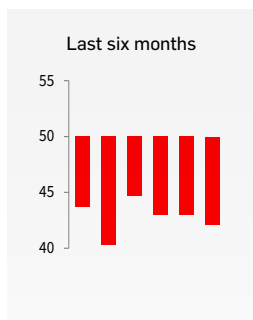


The rate of inflation in sub-contractor rates hit a fresh series record for the second successive month during November. Around 40% of respondents indicated that the rates charged by sub-contractors had increased over the month.

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



Sub-contractor Quality Index

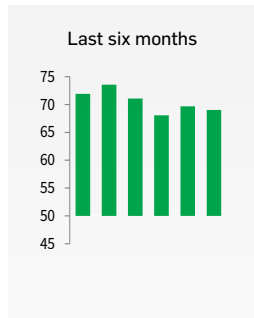


As has been the case for just over a year, the quality of work carried out by sub-contractors was deemed to have declined in November. Moreover, the latest deterioration was the most marked in four months.

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



Future Activity Index



Irish construction firms remained optimistic that activity will rise over the coming year. Although sentiment ticked down from October, it remained stronger than the series average. Respondents hope for a pick-up in activity next year amid expectations of further improvements in customer demand.



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*
06 '21	65.0	68.8	63.8	57.7	63.7	56.9	65.5	25.9	87.1	58.6	35.0	67.2	43.7	71.9
07 '21	62.8	63.7	60.9	53.7	65.3	56.4	61.0	24.5	88.4	55.1	30.4	67.4	40.3	73.6
08 '21	57.5	62.2	54.9	48.6	61.7	57.4	56.2	27.0	87.2	51.3	29.4	66.5	44.7	71.1
09 '21	56.3	59.8	56.7	43.3	57.5	54.8	56.4	24.8	88.2	52.2	30.8	66.6	42.9	68.1
10 '21	56.9	54.5	60.4	48.3	57.2	55.1	54.7	21.6	90.5	51.1	34.2	67.9	42.9	69.7
11 '21	56.3	55.1	56.3	56.4	58.6	56.2	53.4	28.8	87.0	50.7	36.8	68.9	42.1	69.0

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

- Bitumen
- Boilers
- Cable
- Cement
- Coil
- Concrete
- Concrete Products
- Conduit
- Copper
- Electrical Products
- Fixings
- Fuel
- Insulation
- Ironmongery
- MCB Boards
- Metals
- Mixing Valves
- Oil
- Plumbing Materials
- PVC
- Reinforcement
- Sanitary Ware
- Steel
- Steel Products
- Timber
- Trunking

Items Down in Price

- Steel Plate
- Wages

Sub-contractors in Short Supply

- Block Layers
- Brick Layers
- Carpenters
- Ecologists
- Metalworkers
- Roofers

Products in Short Supply

- Aluminium Products
- Concrete
- Electric Motors
- Electrical Goods
- Insulation
- Lighting Equipment
- New Vehicles
- Rebar
- Refrigeration Compressors
- Stainless Steel
- Steel
- Steel Products
- Timber
- Window Products

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					
Jun '21	44.3	44.9	10.8	66.8	65.0
Jul '21	36.7	53.1	10.1	63.3	62.8
Aug '21	27.8	55.8	16.5	55.6	57.5
Sep '21	25.6	62.3	12.1	56.8	56.3
Oct '21	27.7	60.3	12.1	57.8	56.9
Nov '21	29.0	59.4	11.6	58.7	56.3
Housing Activity					
Jun '21	43.4	48.6	7.9	67.8	68.8
Jul '21	39.8	48.0	12.2	63.8	63.7
Aug '21	37.7	48.4	13.9	61.9	62.2
Sep '21	27.2	61.9	10.9	58.2	59.8
Oct '21	26.9	60.5	12.5	57.2	54.5
Nov '21	33.7	52.8	13.5	60.1	55.1
Commercial Activity					
Jun '21	45.0	44.3	10.7	67.1	63.8
Jul '21	31.7	60.5	7.7	62.0	60.9
Aug '21	25.5	58.8	15.7	54.9	54.9
Sep '21	25.2	65.3	9.5	57.8	56.7
Oct '21	32.0	59.9	8.2	61.9	60.4
Nov '21	29.3	57.1	13.5	57.9	56.3
Civil Engineering Activity					
Jun '21	30.5	51.3	18.2	56.2	57.7
Jul '21	27.6	58.1	14.3	56.6	53.7
Aug '21	15.3	66.7	18.0	48.6	48.6
Sep '21	11.9	59.5	28.6	41.7	43.3
Oct '21	18.0	65.4	16.6	50.7	48.3
Nov '21	27.3	69.6	3.1	62.1	56.4
New Orders					
Jun '21	50.6	33.7	15.7	67.5	63.7
Jul '21	43.1	47.8	9.1	67.0	65.3
Aug '21	38.6	43.9	17.5	60.5	61.7
Sep '21	29.8	55.7	14.6	57.6	57.5
Oct '21	29.5	59.4	11.1	59.2	57.2
Nov '21	33.2	55.4	11.4	60.9	58.6
Employment					
Jun '21	23.4	72.8	3.8	59.8	56.9
Jul '21	19.7	76.4	3.9	57.9	56.4
Aug '21	20.2	76.3	3.6	58.3	57.4
Sep '21	15.5	76.5	8.0	53.8	54.8
Oct '21	14.9	81.8	3.2	55.9	55.1
Nov '21	19.3	75.8	4.9	57.2	56.2
Quantity of Purchases					
Jun '21	46.6	43.5	9.9	68.4	65.5
Jul '21	36.8	53.8	9.4	63.7	61.0
Aug '21	27.1	56.8	16.1	55.5	56.2
Sep '21	21.7	69.2	9.1	56.3	56.4
Oct '21	23.3	68.5	8.2	57.6	54.7
Nov '21	22.7	67.8	9.4	56.6	53.4

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
Jun '21	3.0	45.1	52.0	25.5	25.9
Jul '21	1.8	43.0	55.2	23.3	24.5
Aug '21	0.0	54.2	45.8	27.1	27.0
Sep '21	0.9	48.3	50.8	25.1	24.8
Oct '21	0.0	43.6	56.4	21.8	21.6
Nov '21	0.0	60.5	39.5	30.2	28.8
Input Prices					
Jun '21	75.1	22.9	2.0	86.6	87.1
Jul '21	76.4	22.7	0.9	87.8	88.4
Aug '21	72.4	27.6	0.0	86.2	87.2
Sep '21	75.3	22.8	1.9	86.7	88.2
Oct '21	78.4	20.8	0.8	88.8	90.5
Nov '21	67.8	32.2	0.0	83.9	87.0
Subcontractor Usage					
Jun '21	25.8	64.1	10.0	57.9	58.6
Jul '21	19.6	74.0	6.4	56.6	55.1
Aug '21	20.5	64.8	14.7	52.9	51.3
Sep '21	16.5	69.7	13.8	51.3	52.2
Oct '21	16.9	70.5	12.5	52.2	51.1
Nov '21	10.0	84.3	5.7	52.2	50.7
Subcontractor Availability					
Jun '21	1.3	66.8	32.0	34.7	35.0
Jul '21	0.0	56.3	43.7	28.2	30.4
Aug '21	0.0	58.8	41.2	29.4	29.4
Sep '21	0.0	64.0	36.0	32.0	30.8
Oct '21	0.0	65.6	34.4	32.8	34.2
Nov '21	2.8	65.7	31.4	35.7	36.8
Subcontractor Rates					
Jun '21	36.3	62.4	1.3	67.5	67.2
Jul '21	40.7	56.3	3.0	68.9	67.4
Aug '21	36.1	62.4	1.5	67.3	66.5
Sep '21	37.3	59.5	3.3	67.0	66.6
Oct '21	39.3	60.7	0.0	69.7	67.9
Nov '21	39.8	58.9	1.3	69.2	68.9
Subcontractor Quality					
Jun '21	1.3	82.7	16.0	42.6	43.7
Jul '21	0.0	82.0	18.0	41.0	40.3
Aug '21	1.5	87.2	11.3	45.1	44.7
Sep '21	3.0	75.8	21.2	40.9	42.9
Oct '21	0.0	82.3	17.7	41.2	42.9
Nov '21	1.4	79.9	18.6	41.4	42.1
Future Activity*					
Jun '21	54.8	34.2	11.0	71.9	n/a
Jul '21	54.8	37.6	7.6	73.6	n/a
Aug '21	48.8	44.5	6.7	71.1	n/a
Sep '21	46.0	44.1	9.9	68.1	n/a
Oct '21	42.7	54.1	3.3	69.7	n/a
Nov '21	44.8	48.5	6.7	69.0	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.

November data were collected 12-30 November 2021.

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

Disclaimer

This document is intended for clients or potential clients of Ulster Bank Limited and Ulster Bank Ireland DAC (together and separately, "Ulster Bank") and is not intended for any other person. It does not constitute an offer or invitation to purchase or sell any instrument or to provide any service in any jurisdiction where the required authorisation is not held. Ulster Bank and/or its associates and/or its employees may have a position or engage in transactions in any instruments mentioned.

The information including any opinions expressed is indicative and may constitute our judgement at time of publication and are subject to change without notice. The information contained herein should not be construed as advice, and is not intended to be construed as such.

This publication provides only a brief review of the complex issues discussed and recipients should not rely on information contained here without seeking specific advice on matters that concern them. Ulster Bank make no representations or warranties with respect to the information and disclaim all liability for use the recipient or their advisors make of the information.

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About Ulster Bank

Ulster Bank Ireland DAC. A private company limited by shares, trading as Ulster Bank, Ulster Bank Group, Banc Uladh, Lombard and Ulster Bank Invoice Finance. Registered in Republic of Ireland. Registered No 25766. Registered Office: Ulster Bank Head Office, Block B, Central Park, Leopardstown, Dublin 18, D18 N153. Ulster Bank Ireland DAC is regulated by the Central Bank of Ireland. Calls may be recorded.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

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.html.