

Ulster Bank Construction PMI® Report (RoI)

Further sharp rise in construction activity as new order growth continues

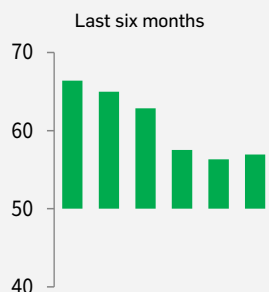
Key Findings

Marked improvements in activity and new orders

Rate of job creation accelerates

Record cost inflation amid unprecedented supply-chain delays

Ireland Construction Total Activity Index



The start of the final quarter of the year saw further marked improvements in construction activity, new orders and employment, with companies maintaining a positive outlook for the coming year. That said, severe supply-chain disruption was signalled again, with delivery times lengthening to the greatest extent on record and input cost inflation also hitting a new high.

The Ulster Bank Construction Purchasing Managers' Index (PMI) – a seasonally adjusted index designed to track changes in total construction activity – ticked up to 56.9 in October from 56.3 in September. The latest reading signalled a marked increase in construction activity, with the rate of expansion accelerating slightly. Activity has now risen in each of the past six months. According to respondents, growth reflected an improving picture for new orders, some of which continued to be linked to the release of pent-up demand following the COVID-19 pandemic.

The expansion in overall activity was led by a sharp and accelerated rise in work on commercial projects. Meanwhile, the rate of growth in housing activity continued to soften from May's record. Although civil engineering activity fell, the reduction was only slight.

The aforementioned improvements in customer demand fed through to a rise in new orders during October. New business has now increased in each of the past seven months, and the latest expansion remained sharp despite easing from that seen in September to the softest since April.

The prospects for future activity growth also

remained bright, according to respondents, with sentiment regarding the 12-month outlook ticking higher and posting above the series average. Some firms predicted the further release of pent-up demand over the coming year.

In response to rising activity requirements, constructors expanded both their staffing levels and input buying at marked rates. The rate of job creation quickened slightly, with some firms reportedly taking on new apprentices. Although the rate of increase in purchasing activity eased to a six-month low, it remained strong in the context of historical data.

Where companies did try to expand purchasing activity, however, they were faced with severe disruption to supply chains. Suppliers' delivery times lengthened to the greatest extent since the survey began in June 2000, with companies linking delays to Brexit, disruption caused by the COVID-19 pandemic, global material shortages and a lack of drivers.

Input price inflation also hit a fresh record in October as the aforementioned supply issues fed through to higher costs. Some 78% of respondents indicated that their input prices had increased over the month.

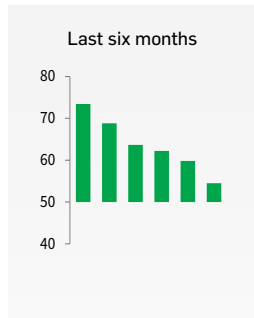
Record inflation was also registered with regards to sub-contractor charges at the start of the final quarter amid a mismatch between supply and demand. The usage of sub-contractors continued to rise, albeit only slightly and to the least extent in the current six-month sequence of growth. Meanwhile, sub-contractor availability continued to fall at one of the sharpest rates on record.

Total Activity Index

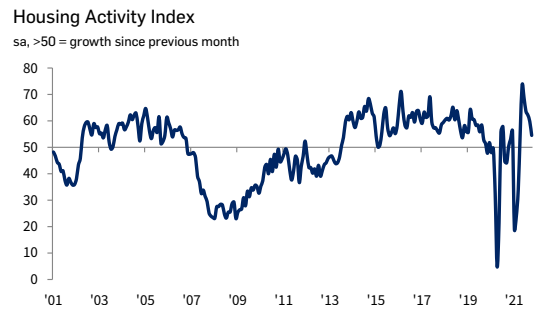
sa, >50 = growth since previous month



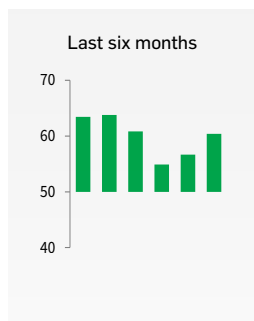
Housing Activity Index



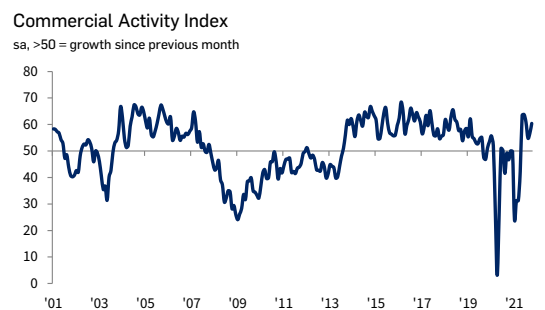
Irish construction firms increased their activity on housing projects again in October, extending the current sequence of growth to seven months. Although remaining solid, the rate of expansion softened for the fifth successive month from May's record and was the slowest in the current period of rising residential activity.



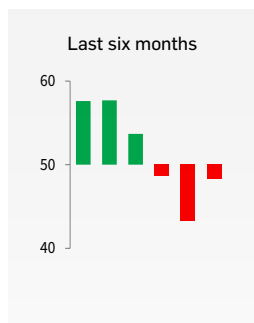
Commercial Activity Index



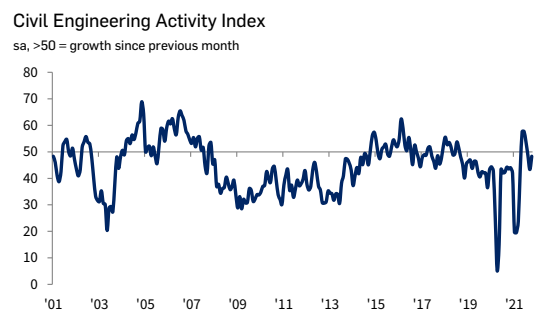
October data signalled a sharp and accelerated increase in commercial activity, with the rate of growth at a three-month high. The rise in activity on commercial projects was the fastest of the three monitored categories of construction. Higher commercial activity has now been recorded in each of the past six months.



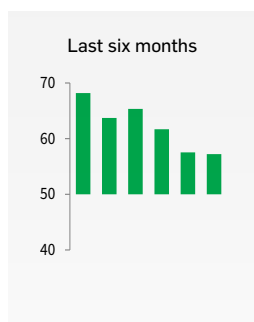
Civil Engineering Activity Index



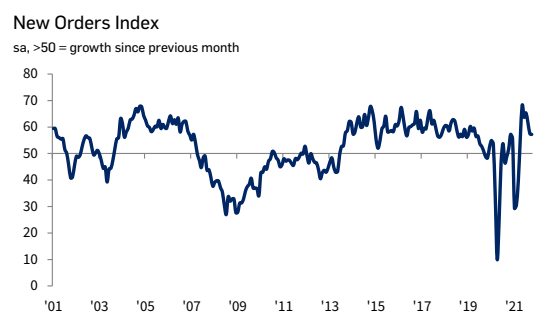
Civil engineering activity at Irish construction firms ticked down at the start of the final quarter of the year, dropping for the third month in a row. That said, the fall in October was only modest and much softer than that seen in the previous month.



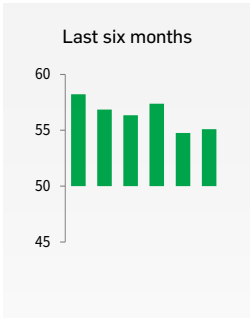
New Orders Index



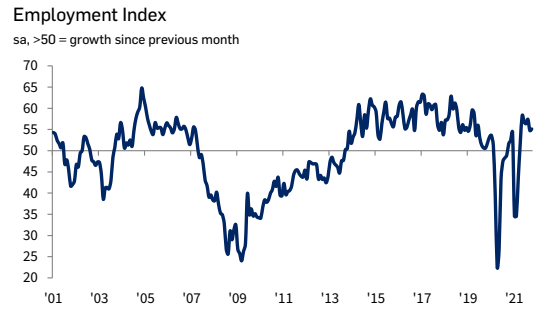
As has been the case in each of the past seven months, Irish construction firms increased their new orders in October. The rate of expansion remained sharp, but eased slightly and was the softest since April. Where new orders increased, panellists generally linked this to improving customer demand.



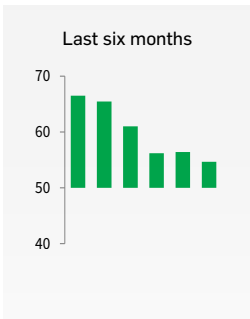
Employment Index



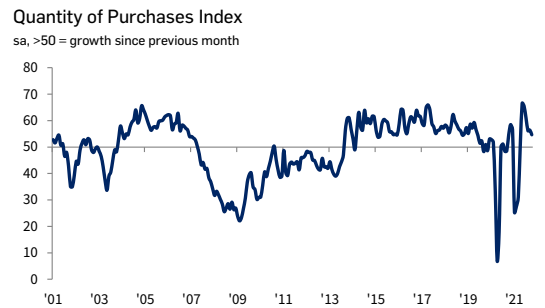
Rising activity requirements led construction companies to expand their staffing levels again in October, with some firms indicating that they had taken on new apprentices during the month. Employment has increased continuously since April, with the rate of job creation ticking up from that seen in September.



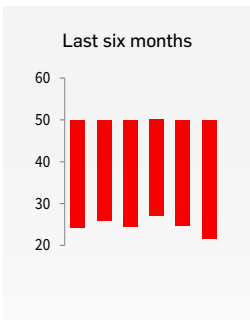
Quantity of Purchases Index



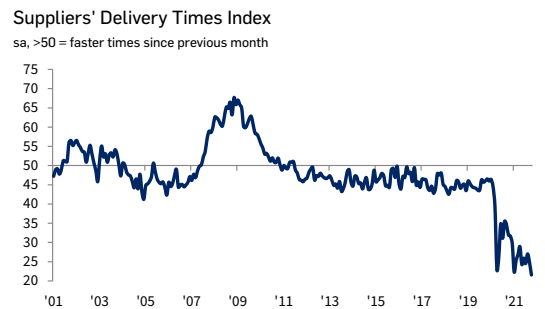
As has been the case in each of the past seven months, Irish construction firms increased their purchasing activity during October. Respondents mainly linked higher input buying to improving customer demand. That said, the rate of expansion eased to the slowest since April.



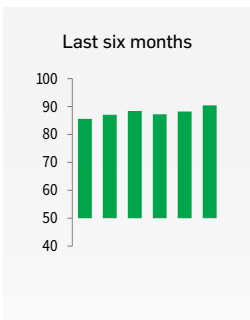
Suppliers' Delivery Times Index



Irish constructors signalled a survey record lengthening of suppliers' delivery times in October, with the latest deterioration surpassing that seen in January. More than 56% of respondents signalled longer delivery times during the month, with delays linked to a range of factors including Brexit, disruption caused by the COVID-19 pandemic, material shortages and a lack of drivers.



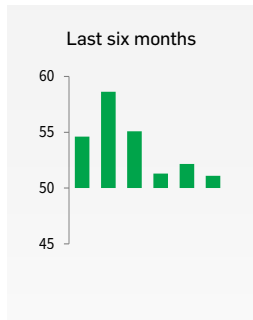
Input Prices Index



As well as leading to delivery delays, global material shortages also added to cost burdens in October. Higher freight charges and Brexit were also reportedly behind increases in input prices. Input costs increased at the sharpest pace since the survey began in June 2000 as more than 78% of respondents signalled a rise since September.

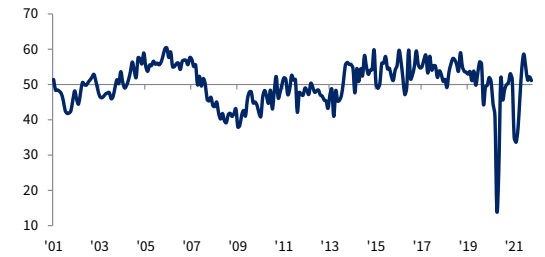


Sub-contractor Usage Index

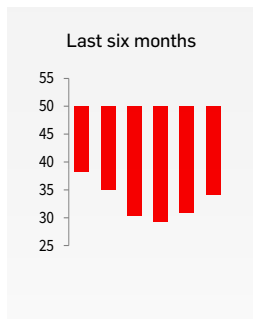


October data signalled a further increase in the use of sub-contractors, thereby extending the current sequence of expansion to six months. That said, the latest rise was only slight and the slowest in the current period of growth.

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



Sub-contractor Availability Index

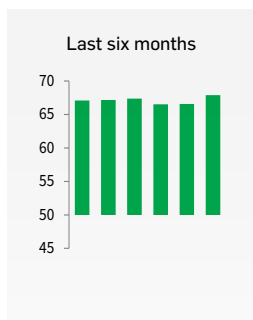


Construction firms reported a further marked deterioration in the supply of sub-contractors in October. Sub-contractor availability fell for the thirteenth successive month, and at one of the strongest rates on record. This was despite the pace of deterioration easing to the softest since June.

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

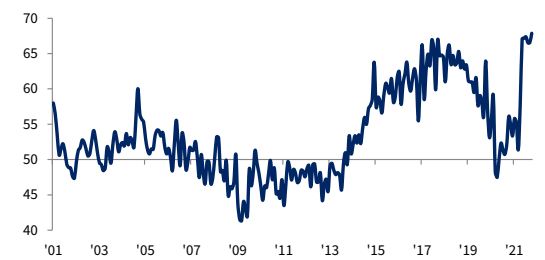


Sub-contractor Rates Index

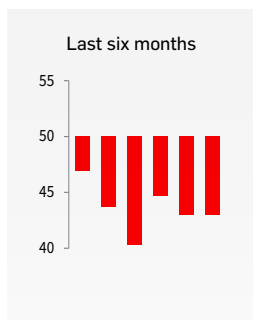


The rate of inflation of sub-contractor rates hit a new survey record in October, surpassing the previous high set in July. Close to 40% of panellists reported that sub-contractor rates had increased during the month.

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



Sub-contractor Quality Index

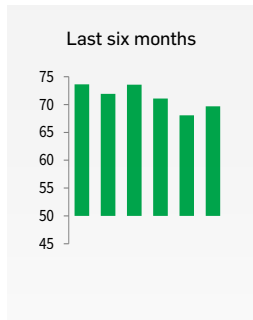


As has been the case in each month over the past year, the quality of work carried out by sub-contractors was deemed to have worsened in October. The rate of deterioration was unchanged from that seen in September, and remained sharp.

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



Future Activity Index



Optimism in the 12-month outlook for construction activity was recorded again in October, with sentiment ticking up from September and remaining above the series average. The ongoing release of pent-up demand supported hopes of continued growth in activity. Close to 43% of respondents expressed optimism, against 3% that were pessimistic.



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 '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
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

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

- Air Conditioning Units
- Aluminium
- Copper
- Diesel
- Electrical Cable
- Electrical Equipment
- Fuel
- Glass
- Glass Products
- Heat Pumps
- Insulation
- Mastics
- Plastic
- Plumbing Materials
- PVC
- PVC Membranes
- Steel
- Timber
- Timber Products

Items Down in Price

- Wages

Sub-contractors in Short Supply

- Block Layers
- Brick Layers
- Carpenters
- Electricians
- Plumbers

Products in Short Supply

- Air Conditioning Equipment
- Heat Pumps
- Insulation
- Metal
- Steel
- Steel Cladding
- Steel Mesh
- Timber
- Wood

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					
May '21	46.6	42.3	11.1	67.8	66.4
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
Housing Activity					
May '21	56.1	37.1	6.8	74.6	73.4
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
Commercial Activity					
May '21	40.5	45.4	14.1	63.2	63.5
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
Civil Engineering Activity					
May '21	26.3	63.8	9.9	58.2	57.6
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
New Orders					
May '21	50.8	37.2	12.0	69.4	68.2
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
Employment					
May '21	23.1	71.6	5.3	58.9	58.2
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
Quantity of Purchases					
May '21	41.5	48.8	9.7	65.9	66.5
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

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
May '21	0.9	43.3	55.8	22.5	24.3
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
Input Prices					
May '21	72.8	27.2	0.0	86.4	85.6
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
Subcontractor Usage					
May '21	16.7	70.6	12.6	52.0	54.6
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
Subcontractor Availability					
May '21	5.3	62.0	32.6	36.3	38.3
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
Subcontractor Rates					
May '21	35.5	61.8	2.7	66.4	67.1
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
Subcontractor Quality					
May '21	4.0	86.6	9.4	47.3	46.9
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
Future Activity*					
May '21	60.5	26.2	13.3	73.6	n/a
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

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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 data were collected 12-29 October 2021.

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

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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.