

Ulster Bank Construction PMI® Report (RoI)

New orders near stabilisation in September

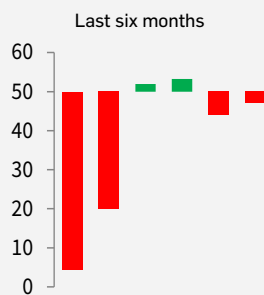
Key Findings

Softer reductions in activity and new orders

Marginal reduction in employment

Input cost inflation at 17-month high

Ireland Construction Total Activity Index



The Irish construction sector moved closer to stabilisation in September, with softer reductions in activity, new orders and employment all recorded. That said, companies were pessimistic regarding the 12-month outlook for the first time in four months. Meanwhile, the coronavirus disease 2019 (COVID-19) pandemic continued to disrupt the supply of materials, leading to delivery delays and sharper cost inflation.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – rose to 47.0 in September from 44.0 in August. Although posting below the 50.0 no-change mark for the second month running, the reading suggested a move towards stabilisation in activity. Moreover, the fall was much softer than those seen during the worst of the COVID-19 downturn earlier in the year.

While some panellists reported that activity had increased in line with signs of improving demand, a number of firms indicated that the pandemic had caused activity to decline.

Activity on commercial projects neared stabilisation at the end of the third quarter, following a sharp fall in August. Meanwhile, housing and civil engineering activity decreased at marked rates, although the latter posted its slowest reduction since January.

In line with the trend in activity, new orders moderated to a lesser extent in September. Again, the COVID-19 pandemic led to declining new work at some firms, while others reported signs of post-lockdown orders coming through.

Recent improvements in workloads led some

construction companies to take on additional staff in September. However, there remained a reluctance to hire due to the pandemic. Overall, employment ticked down slightly in the latest survey period, and at the softest pace in seven months.

Concerns around the pandemic were reflected in a first pessimistic outlook for business activity since May. Brexit was also listed as a factor dampening sentiment in September. Around 28% of respondents predicted a fall in activity over the coming year, while one-quarter of panellists forecast a rise.

Disruption caused by COVID-19 in supply chains was evident again at the end of the third quarter. A further substantial lengthening of lead times was signalled, with stock shortages at suppliers and delays from UK vendors mentioned in particular. The lengthening of delivery times in September was unprecedented prior to the pandemic's outbreak.

Supply shortages were also a factor behind a sharp increase in input costs. The rate of inflation accelerated to the fastest since April 2019 and was steeper than the series average. This was despite a modest reduction in demand for inputs as purchasing activity was scaled back for the second month running.

The usage of sub-contractors was broadly unchanged in September, while their availability improved for the third time in the past four months. The quality of work carried out by sub-contractors was deemed to have deteriorated to the greatest extent since April, but they raised their rates charged modestly during the month.

Total Activity Index

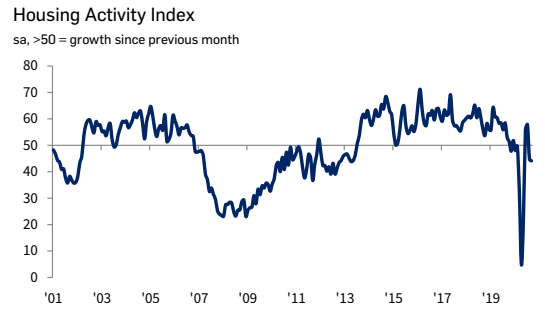
sa, >50 = growth since previous month



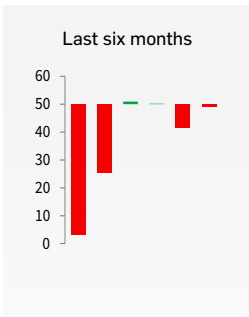
Housing Activity Index



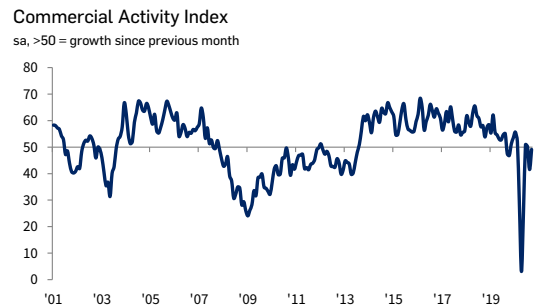
After having fallen for the first time in three months during August, activity on housing projects decreased again in September. The pace of reduction was broadly in line with that seen in the previous month. The decline in housing activity was the sharpest of the three categories of construction covered by the survey.



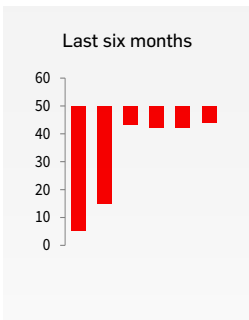
Commercial Activity Index



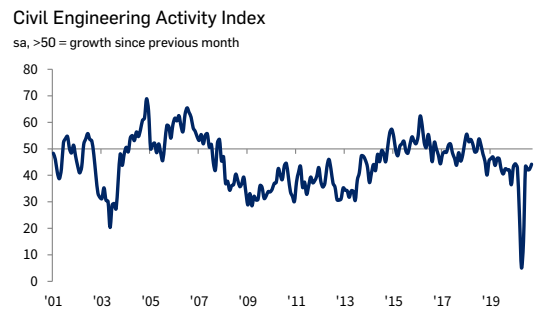
Irish construction firms recorded a much softer decrease in activity on commercial projects during September. Although down for the second month in a row, the pace of reduction was only marginal and the weakest of the three categories covered.



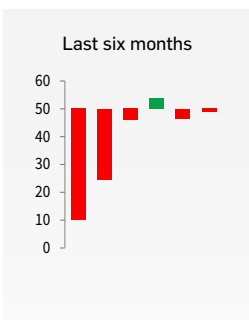
Civil Engineering Activity Index



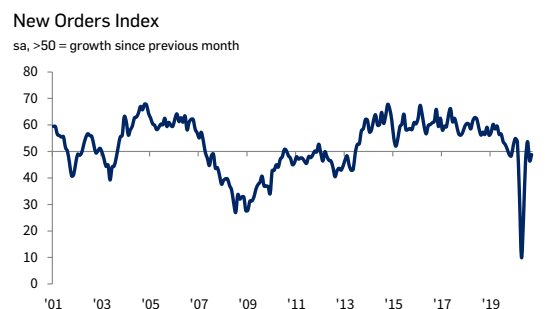
Although civil engineering activity continued to fall at a solid pace at the end of the third quarter, the rate of contraction softened to the weakest since prior to the outbreak of COVID-19. Activity on civil engineering projects has decreased in each of the past 25 months.



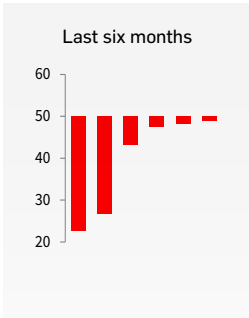
New Orders Index



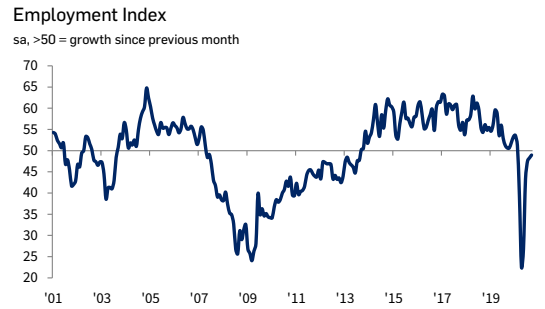
Irish construction firms posted a slight reduction in new orders during September. The fall was the second in as many months, but slower than that seen during August. Where new business declined, panellists generally linked this to the COVID-19 pandemic. On the other hand, some respondents indicated that post-lockdown orders had started to come through.



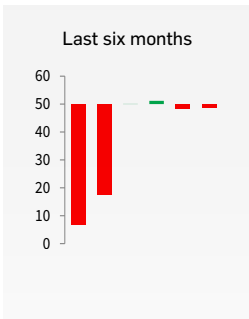
Employment Index



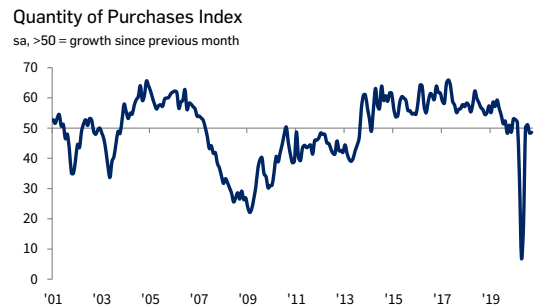
Employment neared stabilisation in September as the rate of job cuts softened for the fifth successive month following April's record. Some respondents indicated that they had taken on additional staff in response to a post-lockdown increase in activity. That said, there were still other reports that firms were reluctant to hire due to the pandemic.



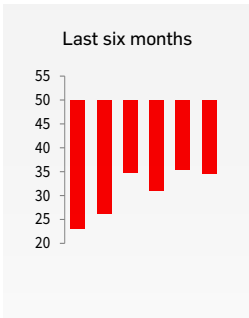
Quantity of Purchases Index



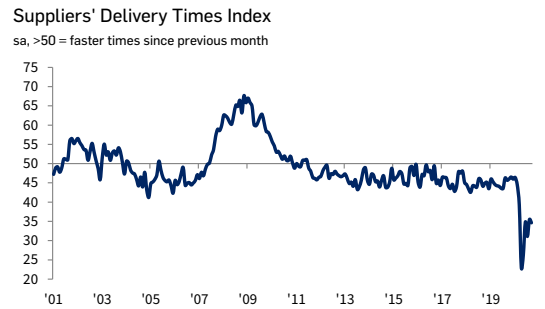
September data pointed to a modest reduction in input buying in the Irish construction sector, with the rate of decline broadly in line with that seen in August. According to respondents, demand weakness and the COVID-19 pandemic were the main factors leading to a scaling back of purchasing activity.



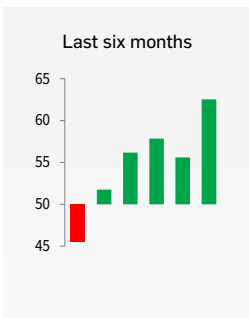
Suppliers' Delivery Times Index



The COVID-19 pandemic continued to cause disruption to supply chains in September. Stock shortages at suppliers and difficulties sourcing items from the UK were mentioned in particular. The latest lengthening of lead times was marked, and unprecedented prior to the pandemic. More than 34% of panellists reported longer lead times.



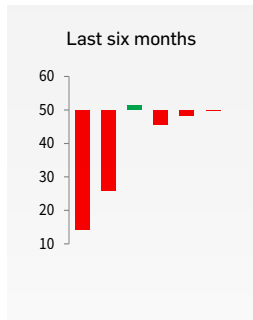
Input Prices Index



As has been the case in each of the past five months, input costs increased during September. Moreover, the rate of inflation accelerated to the fastest since April 2019 and was sharper than the series average. Anecdotal evidence suggested that supply shortages due to the COVID-19 pandemic was the main factor leading to input price inflation.

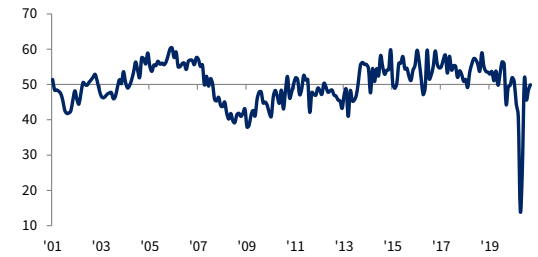


Sub-contractor Usage Index

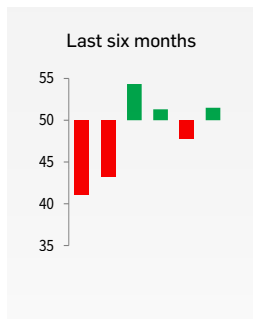


Sub-contractor usage was broadly unchanged in September, as signalled by the respective seasonally adjusted index posting fractionally below the 50.0 no-change mark. This followed two consecutive months of declining usage.

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

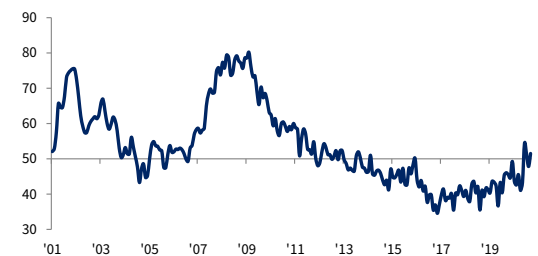


Sub-contractor Availability Index

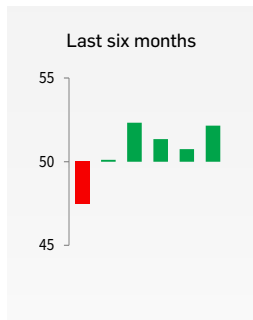


September data pointed to an increase in the availability of sub-contractors in the Irish construction sector, the third time in the past four months in which this has been the case. That said, the improvement in supply of sub-contractors was only modest.

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

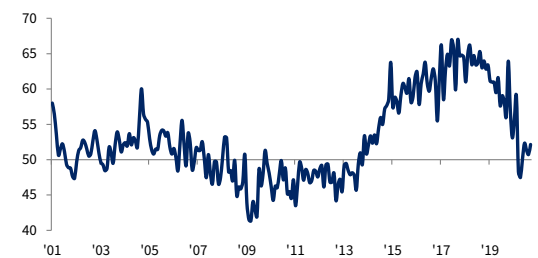


Sub-contractor Rates Index

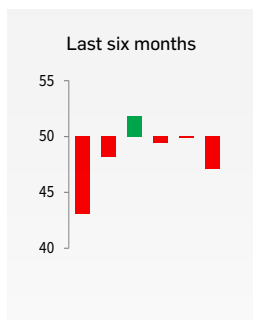


The rates charged by sub-contractors increased for the fifth consecutive month at the end of the third quarter of the year. The rate of inflation was modest and weaker than the series average, but quickened to the fastest since June.

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

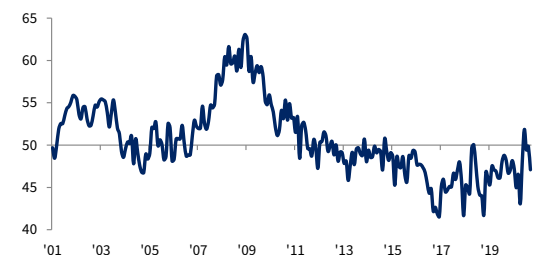


Sub-contractor Quality Index

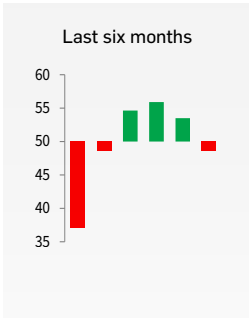


Irish construction companies registered a deterioration in the quality of work carried out by sub-contractors during September. The decline in quality was the third in as many months. Moreover, the rate of deterioration strengthened to the greatest since April.

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



Future Activity Index



Irish constructors were pessimistic regarding the 12-month outlook for activity in September, the first time this has been the case in four months. Around 28% of panellists predicted a fall in activity, linked to concerns around the COVID-19 pandemic and Brexit. On the other hand, one-quarter of respondents signalled an optimistic outlook, reflecting expectations of a recovery in activity following the pandemic.



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*
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
06 '20	51.9	55.8	50.9	43.4	46.0	43.3	50.0	34.8	56.2	51.5	54.3	52.3	51.9	54.6
07 '20	53.2	57.8	50.2	42.1	53.8	47.5	51.2	31.1	57.8	45.6	51.3	51.4	49.4	55.9
08 '20	44.0	44.7	41.6	42.3	46.5	48.3	48.4	35.5	55.6	48.4	47.8	50.7	49.8	53.5
09 '20	47.0	44.1	49.2	44.2	48.8	48.9	48.6	34.6	62.5	49.9	51.5	52.2	47.1	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

- Fittings
- Floor Products
- Glass
- Heat Pumps
- Insulation
- PIR Insulation
- Pumps
- Radiators
- Raw Materials
- Steel
- Timber

Items Down in Price

- Diesel

Sub-contractors in Short Supply

- Plasterers
- Steel Erectors
- Stonemasons
- Window Installers

Products in Short Supply

- MDF
- Perishable Construction Goods
- Specialist Electrical
- Specialist Lighting
- Steel Plate
- Storage Containers
- Timber
- Wood Flooring

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					
Apr '20	1.6	5.7	92.7	4.5	4.5
May '20	12.5	16.4	71.1	20.7	19.9
Jun '20	35.9	34.4	29.7	53.1	51.9
Jul '20	32.8	45.4	21.9	55.5	53.2
Aug '20	21.5	47.1	31.4	45.0	44.0
Sep '20	21.9	54.9	23.3	49.3	47.0

	% Higher	% Same	% Lower	Index	Index (SA)
Housing Activity					
Apr '20	3.2	3.8	93.0	5.1	4.9
May '20	13.5	18.2	68.4	22.5	21.4
Jun '20	37.3	36.6	26.1	55.6	55.8
Jul '20	37.7	47.6	14.7	61.5	57.8
Aug '20	20.8	44.3	34.9	43.0	44.7
Sep '20	17.4	52.7	29.9	43.8	44.1

	% Higher	% Same	% Lower	Index	Index (SA)
Commercial Activity					
Apr '20	1.0	4.2	94.8	3.1	3.1
May '20	18.3	15.2	66.5	25.9	25.6
Jun '20	38.0	31.0	31.1	53.5	50.9
Jul '20	29.9	43.5	26.6	51.7	50.2
Aug '20	20.0	44.4	35.6	42.2	41.6
Sep '20	23.8	53.1	23.1	50.3	49.2

	% Higher	% Same	% Lower	Index	Index (SA)
Civil Engineering Activity					
Apr '20	0.0	9.2	90.8	4.6	5.2
May '20	6.5	17.0	76.5	15.0	14.9
Jun '20	20.3	45.4	34.3	43.0	43.4
Jul '20	14.8	59.0	26.2	44.3	42.1
Aug '20	15.1	54.3	30.5	42.3	42.3
Sep '20	17.1	54.3	28.7	44.2	44.2

	% Higher	% Same	% Lower	Index	Index (SA)
New Orders					
Apr '20	4.1	12.4	83.5	10.3	10.1
May '20	14.4	22.3	63.2	25.6	24.6
Jun '20	32.2	33.4	34.4	48.9	46.0
Jul '20	38.4	34.1	27.5	55.4	53.8
Aug '20	19.8	55.3	24.9	47.5	46.5
Sep '20	28.6	43.6	27.7	50.5	48.8

	% Higher	% Same	% Lower	Index	Index (SA)
Employment					
Apr '20	0.0	44.2	55.8	22.1	22.6
May '20	4.6	44.2	51.2	26.7	26.7
Jun '20	11.9	68.7	19.4	46.2	43.3
Jul '20	13.1	73.2	13.7	49.7	47.5
Aug '20	12.3	74.0	13.7	49.3	48.3
Sep '20	12.9	75.4	11.8	50.6	48.9

	% Higher	% Same	% Lower	Index	Index (SA)
Quantity of Purchases					
Apr '20	4.5	5.4	90.1	7.2	7.0
May '20	10.6	14.4	75.0	17.8	17.7
Jun '20	39.3	28.1	32.6	53.3	50.0
Jul '20	30.4	46.1	23.6	53.4	51.2
Aug '20	24.2	51.0	24.8	49.7	48.4
Sep '20	18.5	60.1	21.4	48.6	48.6

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
Apr '20	2.6	40.1	57.3	22.6	23.1
May '20	4.9	41.7	53.4	25.8	26.3
Jun '20	4.0	60.1	35.9	34.1	34.8
Jul '20	1.9	58.3	39.8	31.1	31.1
Aug '20	1.9	66.1	32.0	34.9	35.5
Sep '20	3.7	61.9	34.4	34.6	34.6

	% Higher	% Same	% Lower	Index	Index (SA)
Input Prices					
Apr '20	8.8	75.2	16.0	46.4	45.6
May '20	13.8	78.1	8.1	52.8	51.8
Jun '20	14.3	81.9	3.9	55.2	56.2
Jul '20	17.3	79.5	3.2	57.1	57.8
Aug '20	16.2	79.8	4.0	56.1	55.6
Sep '20	26.5	70.7	2.9	61.8	62.5

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Usage					
Apr '20	0.0	28.1	71.9	14.1	14.1
May '20	8.7	33.5	57.9	25.4	25.9
Jun '20	11.9	76.6	11.5	50.2	51.5
Jul '20	10.7	72.8	16.5	47.1	45.6
Aug '20	15.0	73.1	11.9	51.6	48.4
Sep '20	10.1	76.6	13.2	48.4	49.9

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Availability					
Apr '20	16.2	50.8	32.9	41.6	41.0
May '20	15.4	62.9	21.7	46.9	43.3
Jun '20	12.3	83.6	4.0	54.2	54.3
Jul '20	7.4	81.5	11.2	48.1	51.3
Aug '20	2.3	89.2	8.5	46.9	47.8
Sep '20	13.4	74.6	11.9	50.7	51.5

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Rates					
Apr '20	6.0	81.4	12.6	46.7	47.5
May '20	5.8	88.1	6.1	49.9	50.1
Jun '20	5.2	93.6	1.2	52.0	52.3
Jul '20	6.9	90.3	2.8	52.1	51.4
Aug '20	8.7	86.6	4.7	52.0	50.7
Sep '20	8.7	89.8	1.4	53.7	52.2

	% Higher	% Same	% Lower	Index	Index (SA)
Subcontractor Quality					
Apr '20	1.8	83.5	14.7	43.5	43.1
May '20	3.8	89.8	6.4	48.7	48.2
Jun '20	2.7	97.3	0.0	51.4	51.9
Jul '20	4.4	91.6	4.1	50.1	49.4
Aug '20	2.3	93.9	3.8	49.2	49.8
Sep '20	1.6	88.1	10.4	45.6	47.1

	% Higher	% Same	% Lower	Index	Index (SA)
Future Activity*					
Apr '20	29.6	15.0	55.4	37.1	n/a
May '20	37.2	22.9	39.9	48.6	n/a
Jun '20	39.2	30.8	30.0	54.6	n/a
Jul '20	34.6	42.6	22.8	55.9	n/a
Aug '20	31.7	43.5	24.7	53.5	n/a
Sep '20	25.0	47.3	27.7	48.6	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

Katherine Smith
Public Relations
T: +1 (781) 301-9311
katherine.smith@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.

September data were collected 11-30 September 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.

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