

Ulster Bank Construction PMI® Report (RoI)

First decline in construction activity since August 2013

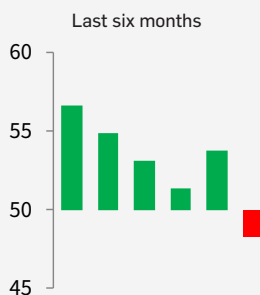
Key Findings

New business rises at slowest pace for 75 months

Employment growth at almost six-year low

Business confidence relatively subdued

Ireland Construction Total Activity Index



Irish construction activity decreased for the first time since August 2013 during September, amid the weakest expansion in new business in over six years. Lower activity levels and softer demand conditions translated to a subdued employment picture, with construction firms taking on additional staff at the slowest pace in almost six years.

Meanwhile, despite picking up slightly from August's near nine-year low, business confidence for output over the next 12 months was historically weak, amid reports of Brexit uncertainty affecting sentiment.

The Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – fell to 48.3 in September from 53.7 in August and marked the first decrease in Irish construction activity since August 2013. The rate of contraction was modest and compared unfavourably with the long-run series average of 50.9.

Residential construction was the only monitored category to observe an increase in activity during September. Civil engineering firms posted their thirteenth consecutive monthly fall in activity. Meanwhile, commercial building decreased for the first time since July 2013, and at a solid pace.

The rate of new order growth eased for the third month running and was the slowest in the current sequence of growth which began in July 2013. Construction firms highlighted the negative impact of ongoing Brexit uncertainty on overall demand conditions.

In line with the softer rise in new business, Total Activity Index

sa, >50 = growth since previous month



employment growth in the Irish construction industry eased to an almost six-year low during September. Irish construction firms expressed reluctance to take on additional staff as a result of lower activity levels.

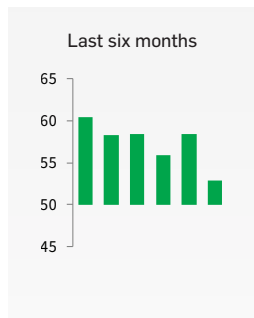
September marked the first time since February 2014 that purchasing activity among Irish construction firms decreased. That said, the rate of contraction was only modest, as some firms commented that they had brought forward their input purchases to guard against any Brexit-related supply issues.

Meanwhile, average lead times for inputs continued to lengthen in September. The latest deterioration was sharp and quickened from August. Panellists indicated that supplier stock issues contributed to the latest lengthening of lead times.

On the price front, the rate of input price inflation was little changed from August's 64-month low. Nonetheless, cost burdens rose at a sharp pace amid reports of greater prices paid for copper, steel and insulation. Input costs in the Irish construction sector have increased on a monthly basis for over six years.

Looking forward, optimism among Irish construction companies picked up slightly from August's near nine-year low during September, with around one-quarter of panellists expecting activity to increase over the coming year. That said, the overall degree of optimism was historically subdued, with Brexit uncertainty cited as the principal negative factor weighing on year-ahead outlooks. On the other hand, positive sentiment was linked to forecasts of an improvement in economic conditions over the next 12 months.

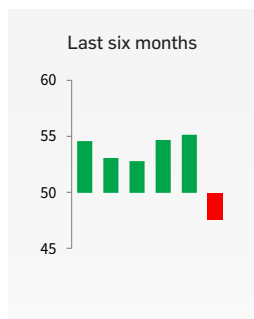
Housing Activity Index



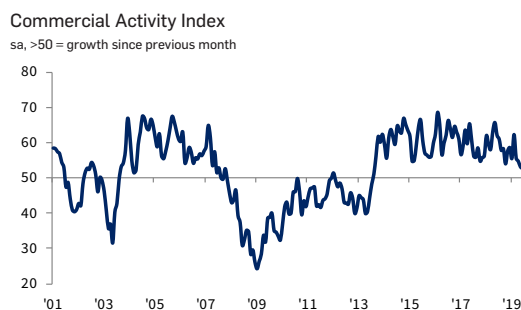
Residential construction was the only monitored category to record an increase in activity during September. Though solid, the rate of growth eased to the slowest since March 2015.



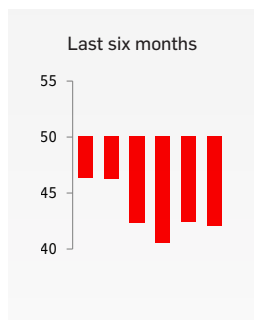
Commercial Activity Index



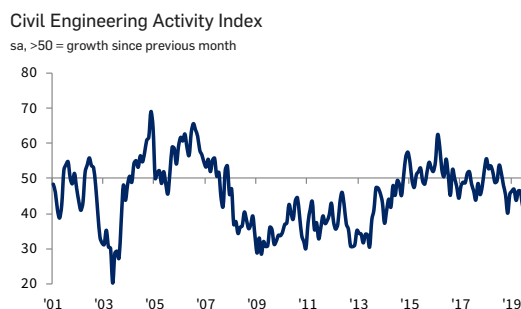
For the first time since July 2013, Irish construction firms posted a decrease in commercial activity during September. The rate of contraction was solid, as around 24% of panellists signalled a decline.



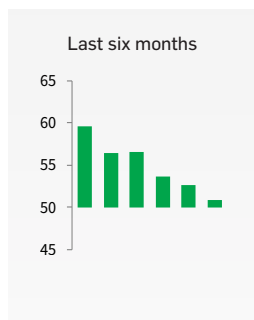
Civil Engineering Activity Index



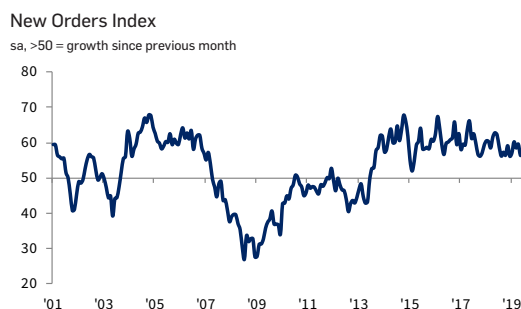
For the thirteenth consecutive month, civil engineering activity decreased in September. The latest contraction was marked and quickened from August. Civil engineering was the worst performing of the three observed construction sub-sectors in September.



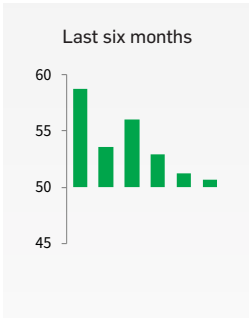
New Orders Index



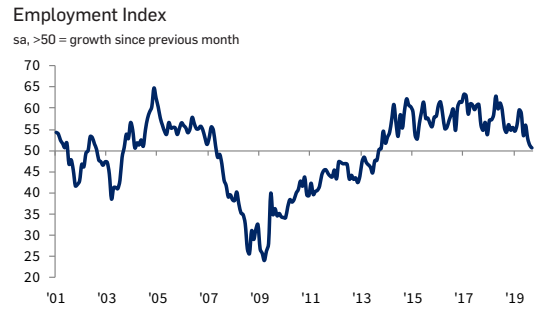
New business placed at Irish construction companies increased in September. That said, the latest expansion in new work was marginal and the softest in the current sequence of growth which began in July 2013. There were many reports from panellists of ongoing Brexit uncertainty negatively weighing on customer demand.



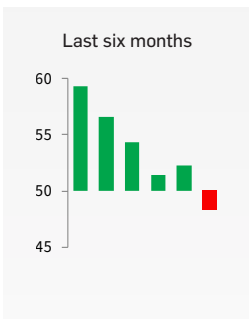
Employment Index



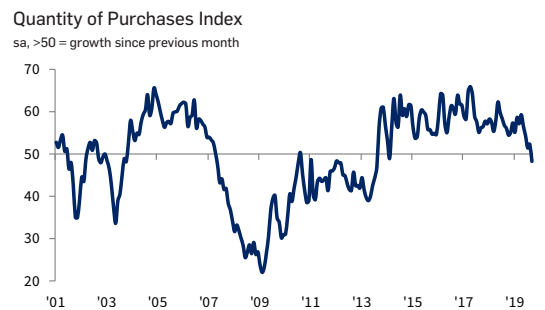
In line with slower new order growth, construction firms expanded their workforce numbers at a softer pace in September. The rate of job creation was marginal and eased for the third month in a row to the weakest in almost six years. Where staffing levels rose, panellists linked this to a modest improvement in new orders.



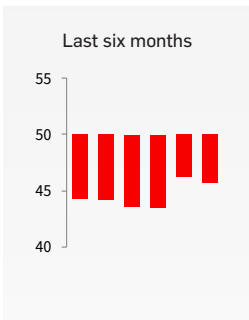
Quantity of Purchases Index



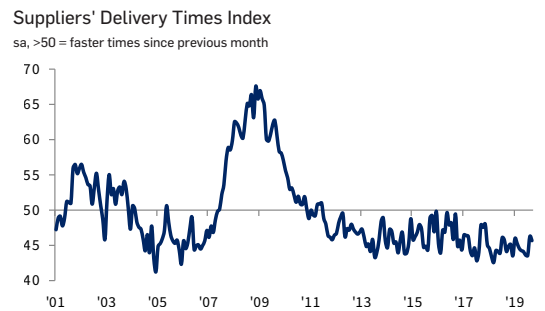
Purchasing activity among Irish construction firms decreased for the first time since February 2014 in September. That said, the rate of contraction was only modest. Many panellists commented that they had reduced their input buying in line with lower activity requirements. On the other hand, some respondents raised purchasing to mitigate any potential negative impact of Brexit on their purchasing plans.



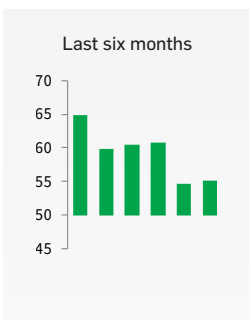
Suppliers' Delivery Times Index



Suppliers' delivery times lengthened in the Irish construction sector again during September. The latest deterioration was sharp and quickened from August. Anecdotal evidence from panellists indicated that difficulty in obtaining stocks had contributed to the latest lengthening of delivery times.



Input Prices Index



Input costs in the Irish construction industry increased during September, stretching the current sequence of inflation to 73 months. Despite this, the rate of input price inflation was little changed from August's 64-month low. Firms attributed the increase in operating expenses to higher raw material prices, with steel, insulation and copper noted in particular. Some panellists also observed a pick-up in labour costs.

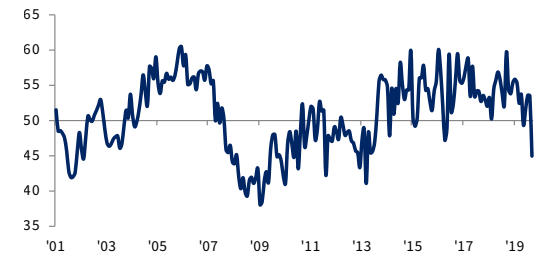


Sub-contractor Usage Index

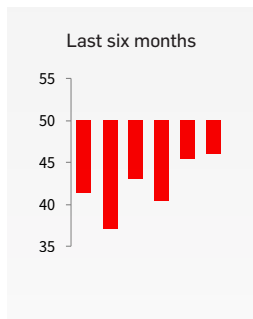


For the second time in the past five months, the usage of sub-contractors in the Irish construction industry declined in September. Moreover, the pace of reduction was steep and the fastest since March 2013.

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

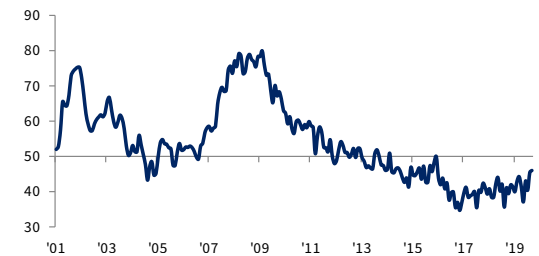


Sub-contractor Availability Index

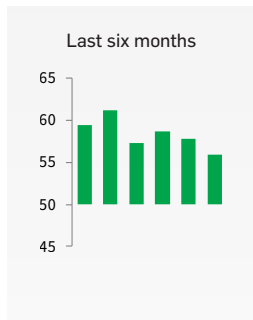


Despite a fall in their usage, the availability of sub-contractors also decreased in September. Despite being solid, the rate of reduction was the weakest in 45 months. The availability of sub-contractors has now deteriorated in each month since March 2014.

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

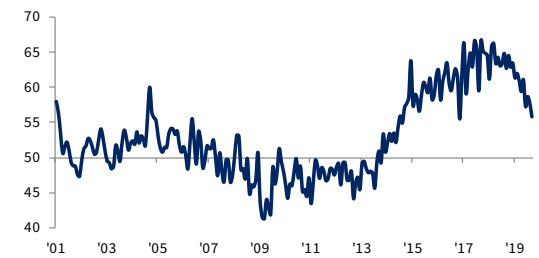


Sub-contractor Rates Index

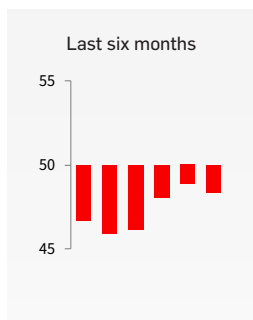


For the seventy-first consecutive month, rates charged by sub-contractors increased during September. That said, the rate of inflation eased to a 34-month low.

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



Sub-contractor Quality Index

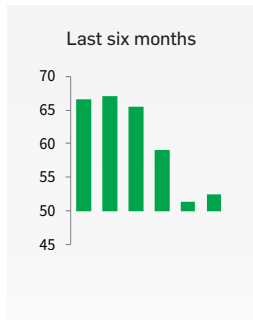


Continuing the trend established in October 2014, the quality of work carried out by sub-contractors was deemed to have declined in September. Moreover, the rate of contraction in work quality quickened from August.

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



Future Activity Index



Despite improving slightly, optimism among Irish construction firms was little changed from August's near nine-year low during September. As has been the case in recent months, concerns over the negative impact of Brexit were cited by panellists as the principal factor weighing on sentiment. Panellists that forecast greater activity indicated that they expect stronger economic conditions to support increases in customer demand over the coming year.



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 '19	56.6	60.5	54.6	46.4	59.6	58.8	59.3	44.3	64.9	53.6	41.4	59.4	46.7	66.5
05 '19	54.9	58.3	53.1	46.3	56.4	53.5	56.6	44.1	59.8	49.2	37.1	61.1	46.0	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	57.3	46.2	65.5
07 '19	51.4	55.9	54.7	40.5	53.7	52.9	51.5	43.5	60.7	53.5	40.4	58.7	48.0	59.0
08 '19	53.7	58.4	55.1	42.5	52.6	51.2	52.3	46.3	54.6	53.4	45.5	57.8	48.9	51.3
09 '19	48.3	52.9	47.6	42.1	50.8	50.6	48.3	45.7	55.1	44.8	46.0	55.8	48.4	52.4

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

- Blocks
- Building Materials
- Composite Doors
- Concrete
- Copper
- Diesel
- Doors
- Fuel
- Insurance
- IT
- Labour
- Lime Plaster
- Oil
- Plasterboard
- Power
- Steel

Items Down in Price

- Photovoltaic Panels
- Rebar Mesh

Sub-contractors in Short Supply

- Blocklayers
- Carpenters
- Concrete Contractors
- Ecologists
- Flooring Installers
- Groundworkers
- Painters
- Plasterers
- Steel Fabricators
- Tilers
- Wet Trades Sub-contractors

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					
04 '19	32.9	51.8	15.4	58.8	56.6
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
Housing Activity					
04 '19	39.6	47.0	13.4	63.1	60.5
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
Commercial Activity					
04 '19	29.6	53.1	17.3	56.2	54.6
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
Civil Engineering Activity					
04 '19	25.7	50.8	23.6	51.1	46.4
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
New Orders					
04 '19	39.1	46.7	14.2	62.5	59.6
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
Employment					
04 '19	21.8	72.6	5.6	58.1	58.8
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
Quantity of Purchases					
04 '19	39.0	45.5	15.5	61.8	59.3
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

	% Higher	% Same	% Lower	Index	Index (SA)
Suppliers' Delivery Times					
04 '19	2.8	83.1	14.0	44.4	44.3
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
Input Prices					
04 '19	31.9	67.2	0.9	65.5	64.9
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
Subcontractor Usage					
04 '19	15.2	77.1	7.7	53.7	53.6
05 '19	10.6	78.8	10.5	50.0	49.2
06 '19	14.4	73.8	11.8	51.3	51.4
07 '19	19.9	69.8	10.3	54.8	53.5
08 '19	21.2	68.6	10.2	55.5	53.4
09 '19	8.9	71.9	19.2	44.8	44.8
Subcontractor Availability					
04 '19	7.5	71.2	21.3	43.1	41.4
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	40.4
08 '19	4.9	78.9	16.2	44.4	45.5
09 '19	5.9	77.6	16.5	44.7	46.0
Subcontractor Rates					
04 '19	19.7	77.8	2.5	58.6	59.4
05 '19	22.6	76.2	1.3	60.6	61.1
06 '19	16.2	81.2	2.5	56.9	57.3
07 '19	21.0	76.8	2.2	59.4	58.7
08 '19	20.1	78.6	1.3	59.4	57.8
09 '19	14.5	83.2	2.3	56.1	55.8
Subcontractor Quality					
04 '19	1.3	92.4	6.3	47.5	46.7
05 '19	1.3	88.0	10.7	45.3	46.0
06 '19	0.0	90.6	9.4	45.3	46.2
07 '19	4.0	89.1	6.9	48.5	48.0
08 '19	3.3	90.5	6.3	48.5	48.9
09 '19	2.7	88.8	8.5	47.1	48.4
Future Activity*					
04 '19	40.4	52.3	7.3	66.5	n/a
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

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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.

September 2019 data were collected 12 September - 1 October 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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