

Ulster Bank Construction PMI® Report (RoI)

News Release: Embargoed until 01:01 (Dublin) December 13th 2021

New order growth hits three-month high in November

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. Index readings above 50 signal an increase in activity on the previous month and readings below 50 signal a decrease.

Commenting on the survey, Simon Barry, Chief Economist Republic of Ireland at Ulster Bank, noted that:

“The recent Quarterly National Accounts from the Central Statistics Office indicated that construction was one of the fastest-growing sectors of the Irish economy in the third quarter of this year. The latest results of the Ulster Bank Construction PMI survey highlight that construction firms have continued to experience strong growth through the middle of the fourth quarter. The headline PMI eased slightly in November, but at 56.3 remains at elevated levels consistent with a strong pace of activity expansion, albeit one which has decelerated from the exceptional, post-lockdown snap-back growth registered earlier in the year. The pace of growth moderated somewhat from a very rapid pace in Commercial activity, while Housing and Civil Engineering both registered improvement last month to leave all three sub-sectors in expansion territory.

“The overall sector’s ongoing recovery momentum was again evident in very healthy readings in Employment and New Orders, both of which recorded accelerating growth in November which resulted in a 3-month high in each case. Growth in new business was partly linked to opportunities across the housing, healthcare and renewable energy areas. However, the November results again make clear that the sector continues to face highly testing supply-chain challenges linked to a variety of factors which continue to result in delivery delays and marked input cost pressures, including the pandemic, Brexit, higher global and domestic prices for energy and other materials and rising freight charges. And yet there was just a hint that the intensity of supply-chain disruptions may be easing a little as input price inflation and the pace of lengthening of supplier lead times eased to the weakest in six and seven months respectively.”

Broad-based expansion in activity

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.

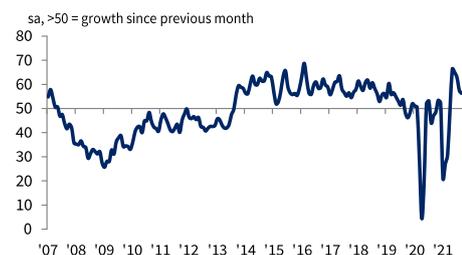
Latest Construction PMI® readings

	Oct '21	Nov '21
Total Activity	56.9	56.3
Housing Activity	54.5	55.1
Commercial Activity	60.4	56.3
Civil Engineering Activity	48.3	56.4

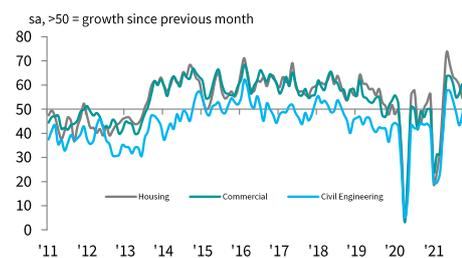
Index readings above 50 signal an increase in activity on the previous month and readings below 50 signal a decrease. All indexes given above and displayed in the charts are seasonally adjusted.

Sources: IHS Markit, Ulster Bank.

Total construction activity



Activity by sector



Sources: IHS Markit, Ulster Bank.

New order growth quickens

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.

Near-record rise in input costs

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.

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.

New business



Employment



Input prices



Index readings above 50 signal an increase in since the previous month and below 50 a decrease.

Sources: IHS Markit, Ulster Bank.

Press information

For further information please contact Simon Barry, Chief Economist Republic of Ireland, on 00 353 86 3410142 or email simon.barry@ulsterbankcm.com

Purchasing Managers' Index® (or 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 <https://ihsmarkit.com/products/pmi.html>.

Ulster Bank Ireland DAC. 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.

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.

The Ulster Bank Construction PMI is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.

The intellectual property rights to the Ulster Bank Construction PMI® 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. 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 trade mark of IHS Markit Limited and/or its affiliates.