

Ulster Bank Construction PMI® Report (RoI)

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Growth of new orders at 19-month high

The **Ulster Bank Construction Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to track changes in total construction activity – rose to 53.5 in November, up from 48.6 in October, and signalled an expansion of construction activity for the first time in four months. Moreover, the rate of expansion quickened to the sharpest since August 2019. Index readings above 50 signal an increase in activity on the previous month and readings below 50 signal a decrease. Where activity rose, panellists generally linked this to higher demand.

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

“The latest results of the Ulster Bank Construction PMI survey provided encouraging signals in a number of respects. There was a welcome return to expansion in Irish construction activity in November as a sharp increase last month left the headline PMI index back at above the 50 breakeven level for the first time since July. This improvement reflected better performance across the three main sub-sectors, with a Housing PMI reading of 53 signalling a solid increase in residential activity last month, keeping its place as the strongest-performing sub-sector. Meanwhile, Commercial activity was unchanged in November, thereby ending a three-month sequence of contraction.

“Moreover, the forward-looking elements of the results pointed to further improvement ahead. Another sharp pick up in New Orders left the November reading at a nineteen-month high of 57.3, with a number of respondents linking this rise to improved demand. Gains in actual and prospective activity have also underpinned rising demand for construction workers, with the rate of job creation picking up to a 10-month high. Brexit impacts were evident in the survey results as efforts to secure inputs ahead of the end of the Brexit transition period, coupled with rising demand, saw a ramping up of input buying, with growth of purchasing accelerating to the sharpest since April 2019. Indeed, near-term downside risks to construction and the wider economy from Brexit and Coronavirus trends will continue to bear close watching in the days, weeks and months ahead. But encouragingly, the November results also showed a further sharp strengthening of optimism about the year ahead where sentiment rose to its highest level since February 2020 as confidence is being underpinned by expectations that 2021 will see activity pick-up following a year marked by significant pandemic-related disruption.”

Further rise in residential activity

Data suggested that the increase in overall activity was centred on housing work. Residential activity expanded for the second month running, and at a solid pace. Meanwhile, commercial activity was unchanged and civil engineering work decreased.

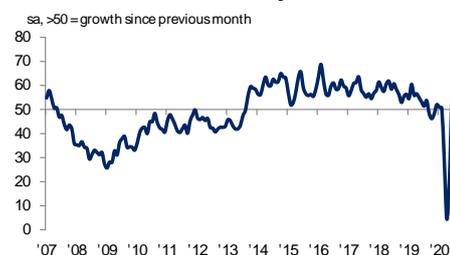
Latest Construction PMI® readings

	Oct '20	Nov '20
Total Activity	48.6	53.5
Housing Activity	50.3	53.0
Commercial Activity	46.7	50.0
Civil Engineering Activity	43.5	44.0

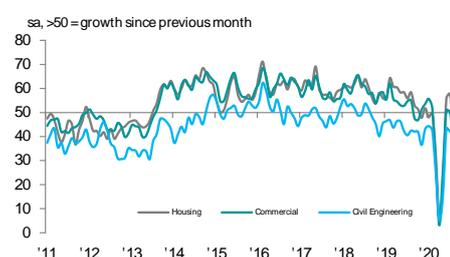
Index readings above 50 signal an increase in activity on the previous month and readings below 50 signal a decrease. All indexes given above and displayed in the charts are seasonally adjusted.

Sources: IHS Markit, Ulster Bank.

Total construction activity



Activity by sector



Sources: IHS Markit, Ulster Bank.

Sharp rise in new orders

The aforementioned strengthening of demand contributed to a sharp expansion in new orders. Furthermore, the rate of growth was the quickest since April 2019 as new business increased for the second month running.

Business confidence strengthens

Business confidence also rose sharply, with sentiment regarding the 12-month outlook for activity the strongest since before the COVID-19 outbreak in March. Optimism reflected hopes that 2021 would see an end to the pandemic and recovery in demand and activity. Around 35% of panellists predicted a rise in activity over the next 12 months.

There were further improvements in employment trends in the construction sector midway through the final quarter. Staffing levels increased for the second month running, and at the fastest pace in ten months. According to respondents, job creation was a response to greater workloads.

Companies meanwhile ramped up their purchasing activity, in line with higher customer demand but also partly reflective of efforts to secure inputs prior to the end of the Brexit transition period. Input buying increased at a substantial pace, and one that was the steepest since April 2019.

Plans to secure inputs were hampered by ongoing disruption to supply chains caused by the COVID-19 pandemic. Lead times lengthened substantially again, and to the greatest extent in four months.

Input prices continued to rise markedly, and at a faster pace than the series average. Higher prices for raw materials such as steel and timber were reported, with some firms highlighting increases in costs related to importing items.

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

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