

Ulster Bank Construction PMI® Report (RoI)

News Release: Embargoed until 01:01 (Dublin) July 13th 2020

Renewed rise in construction activity in June

The **Ulster Bank Construction Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to track changes in total construction activity – posted 51.9 in June, above the 50.0 no-change mark for the first time in four months to signal an increase in construction activity at the end of the second quarter. The reading was up substantially from 19.9 in May. 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 latest results of the Ulster Bank Construction PMI survey signalled a welcome return to expansion in Irish construction activity in June. Notably, the headline PMI index rose sharply last month to get back to above the 50 breakeven level for the first time since the coronavirus hit the Irish economy. Mirroring the pattern of the headline PMI, all three sectoral sub-indices recorded sharp gains last month. This was particularly so in the case of housing as its PMI rose from 21.4 in May to a ten-month high of 55.8 in June, signalling a fast expansion in activity following the extreme weakness reported in recent months. Commercial activity has also returned to positive growth in June as a marked improvement in survey responses left the Commercial PMI reading at a four-month high of 50.9.

“Overall, the June PMI is an encouraging sign that the construction sector is now more clearly in recovery mode following the easing of restrictions which took hold during May. Furthermore, a headline reading of 51.9 also signals construction outperformance relative to both the services and manufacturing equivalents (which stand at 39.7 and 51 respectively). And other details within the survey also offered some encouragement, with the New Orders and Employment indices both recording sharp trajectory improvement last month to stand at 46 and 43.3 in June, respectively. So while new business and employment both remained in contraction territory in June, we wouldn't be surprised if these indicators return to outright expansion in the months ahead as confidence among construction firms about the coming year also continues to rise. Indeed, firms reported a positive year-ahead outlook for the first time in four months as over 39% of respondents anticipate higher output levels in the coming 12 months – a notable improvement from the recent low point in March when activity expansion was expected by fewer than 17% of firms.”

Housing and commercial activity increase

Both the housing and commercial categories saw activity return to growth during June, with the rate of expansion sharper in the former. Civil engineering activity decreased, but at a much softer pace that was the weakest since January.

Latest Construction PMI® readings

	May '20	Jun '20
Total Activity	19.9	51.9
Housing Activity	21.4	55.8
Commercial Activity	25.6	50.9
Civil Engineering Activity	14.9	43.4

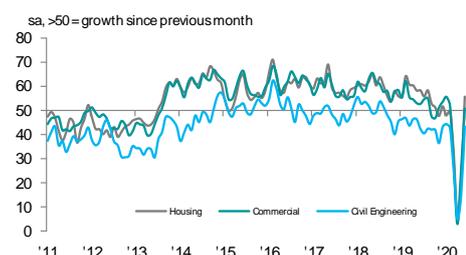
Index readings above 50 signal an increase in activity on the previous month and readings below 50 signal a decrease. All indexes given above and displayed in the charts are seasonally adjusted.

Sources: IHS Markit, Ulster Bank.

Total construction activity



Activity by sector



Sources: IHS Markit, Ulster Bank.

New business continues to fall

The COVID-19 pandemic continued to impact negatively on new business during June, resulting in a fourth successive monthly decline. That said, the pace of reduction continued to slow sharply from the record posted in April and was the weakest in the current sequence of contraction.

Further reduction in staffing levels

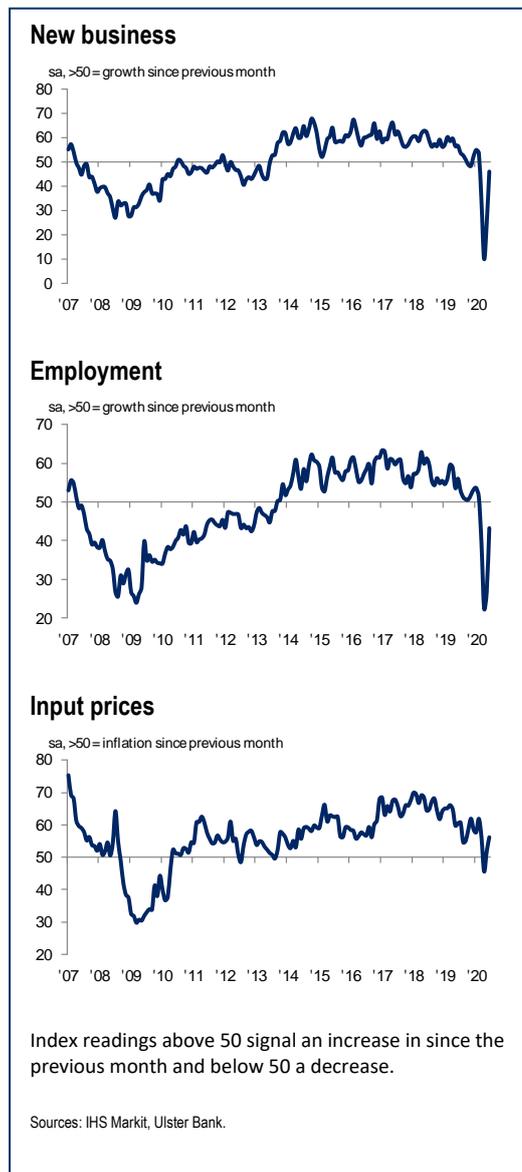
Despite activity returning to growth at the end of the second quarter, firms continued to lower their staffing levels amid relatively low workloads. Employment levels fell sharply, albeit at a reduced rate.

Latest data pointed to a stabilisation of purchasing activity, with input buying unchanged following three consecutive months of decline. The restart of projects reportedly led some firms to expand their input buying.

Efforts to secure items were hampered by ongoing issues in supply chains due to the COVID-19 pandemic. Shortages of some inputs, reduced capacity at vendors and delays from UK suppliers all contributed to a steep lengthening of delivery times, and one that was unmatched prior to the current crisis.

Input costs rose sharply, with the rate of inflation accelerating from that seen in May. The increase was the second in as many months.

Renewed optimism around the outlook for construction activity was signalled in June, thanks to an expectation that market conditions would return to normal over the coming year. That said, sentiment remained relatively weak amid concerns at some firms regarding the ongoing impact of the pandemic.



Press information

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