

# Ulster Bank Construction PMI® Report (RoI)

**News Release:** Embargoed until 00:01 (Dublin) February 8th 2021

## COVID-19 lockdown leads to sharp drop in activity

The **Ulster Bank Construction Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to track changes in total construction activity – fell sharply to 21.1 in January, down from 52.3 in December. The reduction in activity ended a two-month sequence of growth and was the sharpest since May 2020. The COVID-19 lockdown was central to the reduction in activity.

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

*“The sharp tightening of coronavirus-related public health restrictions around the turn of the year, including the closure of most of the construction sector, led to a sharp drop in Irish construction activity in January, according to the latest results of the Ulster Bank Construction PMI survey. While the pace of contraction was not as severe as in April and May of last year during the first lockdown, the headline PMI index plunged from 52.3 in December to 21.2 in January, signalling a steep contraction in construction activity at the start of 2021. Moreover, the detail behind the headline reading highlighted that the large-scale declines in activity were widespread, with respondents reporting notably weaker activity patterns across all three main subsectors.*”

*“The impacts of the ongoing third lockdown are also evident in extremely weak new business flows, with the New Orders index falling to an 8-month low of 29.4 last month. The slump in actual and prospective activity has in turn weighed sharply on staffing levels last month as highlighted by a large hit to the Employment PMI in January. This clearly signals that the sector is likely to remain under significant pressure in the near-term. But more encouragingly, the January results also showed that Irish construction firms continue to express optimism in the year-ahead outlook reflecting expectations that workloads will improve again once the health picture improves and restrictions are eased.”*

### Housing category leads overall decline

Substantial reductions in activity were seen across each of the three monitored categories of construction in January. The steepest decline was in housing activity, after a marked expansion had been recorded in December. Meanwhile, the falls in commercial and civil engineering activity were the strongest since April and May last year respectively.

#### Latest Construction PMI® readings

	Dec '20	Jan '21
<b>Total Activity</b>	<b>52.3</b>	<b>21.2</b>
Housing Activity	56.2	19.0
Commercial Activity	49.7	24.2
Civil Engineering Activity	42.0	19.7

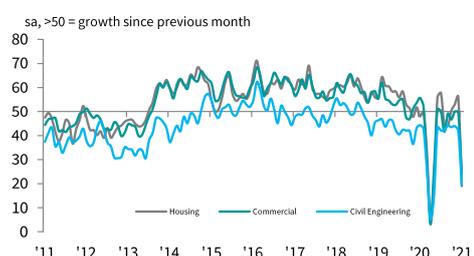
*Index readings above 50 signal an increase in activity on the previous month and readings below 50 signal a decrease. All indexes given above and displayed in the charts are seasonally adjusted.*

*Sources: IHS Markit, Ulster Bank.*

#### Total construction activity



#### Activity by sector



Sources: IHS Markit, Ulster Bank.

## Substantial fall in new orders

The COVID-19 lockdown also led to a severe drop in new orders, with around 60% of respondents seeing a reduction in new work during January. The fall ended a three-month sequence of expansion and was the sharpest in eight months.

## First decline in employment in four months

Site closures meant that fewer staff were needed at the start of the year, leading to a renewed decline in employment. Staffing levels decreased sharply, and to the greatest extent since May 2020.

Purchasing activity fell sharply, with the rate of decline the fastest in eight months. Respondents indicated that the pausing of projects and stockbuilding in previous months meant that fewer inputs were needed.

Delays on the delivery of inputs were even more pronounced than during the first COVID-19 lockdown, with suppliers' lead times lengthening to the greatest extent in more than 20 years of data collection. The COVID-19 pandemic and delays due to Brexit contributed to longer delivery times.

The rate of input cost inflation quickened to the fastest since April 2019 in January. A number of respondents linked higher cost burdens to Brexit, while general increases in raw material prices were also mentioned.

Despite the renewed restrictions on activity at the start of the year, construction firms remained optimistic regarding the 12-month outlook, with sentiment only slightly lower than December's ten-month high. Hopes that the COVID-19 pandemic will be brought under control over the course of 2021, often linked to vaccine roll-outs, were behind confidence that workloads will improve.

### 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](mailto: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 and Lombard. Registered in Republic of Ireland. Registered No.25766. Registered Office: Ulster Bank Group Centre, George's Quay, Dublin 2, D02 VR98. Member of the Royal Bank of Scotland Group. 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.