

# Ulster Bank Construction PMI<sup>®</sup> Report (RoI)

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## New orders increase for first time in five months

The **Ulster Bank Construction Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>)** – a seasonally adjusted index designed to track changes in total construction activity – rose to 53.2 in July, up from 51.9 in June. The reading signalled a second successive monthly increase in construction activity, and one that was the fastest in just under a year. 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 show a second consecutive monthly rise in Irish construction activity in July. Moreover, the pace of expansion picked up last month as the headline PMI reached an 11-month high of 53.2 in July, up from 51.9 in June. The sub-sector detail shows that housing continues to lead the recovery in construction activity, with a Housing PMI reading of 57.8 in July signalling a very solid increase in residential activity last month. Commercial activity also remained in expansion mode, but a Commercial PMI reading of 50.2 is signalling a very modest increase in July.*”

*“Overall, the pick-up in the July PMI is an encouraging sign that the recovery in construction activity regained some further growth momentum early in the second half of the year. And other details within the survey also offered some encouragement. A welcome pick-up in New Orders left the July reading back in positive growth territory and at a six-month high of 53.8. The Employment index has also recorded further trend improvement last month, with a reading of 47.5 signalling the slowest contraction in employment since the coronavirus hit the Irish economy. Moreover, firms reported a positive year-ahead outlook for the second month in a row, with confidence about the coming year rising slightly in July as the Future Activity Index reached a five-month high last month.”*

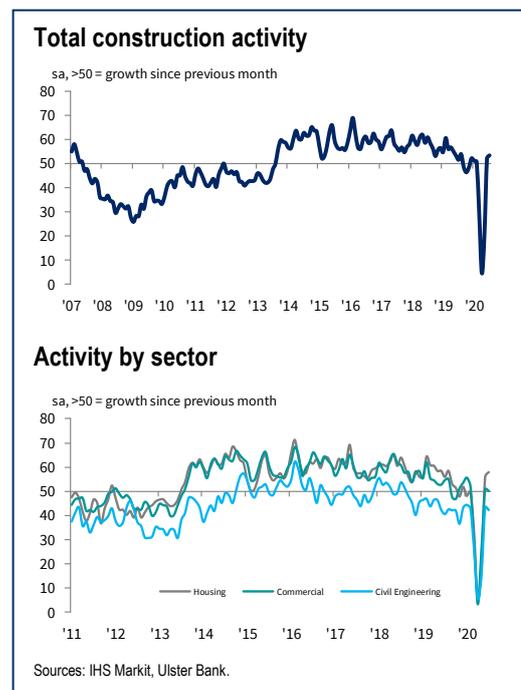
### Growth of housing activity accelerates

Rising housing activity was the main driver of growth of total construction work. Activity on residential projects increased sharply, and to the greatest extent in just under a year. Commercial activity also expanded, albeit fractionally. Meanwhile, activity on civil engineering projects continued to fall.

#### Latest Construction PMI<sup>®</sup> readings

	Jun '20	Jul '20
<b>Total Activity</b>	<b>51.9</b>	<b>53.2</b>
Housing Activity	55.8	57.8
Commercial Activity	50.9	50.2
Civil Engineering Activity	43.4	42.1

*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.



## New orders expand

The loosening of the coronavirus disease 2019 (COVID-19) lockdown was also behind a return to growth of new orders, which increased for the first time in five months.

## Employment continues to fall

Although workloads picked up, the severity of the COVID-19 downturn meant that companies remained cautious when making hiring decisions. Employment decreased again, albeit at the slowest pace in the current five-month sequence of workforce contraction as some companies took on extra staff in response to higher new orders.

Construction firms did expand their input buying, however, as part of efforts to ramp up activity to get back closer to normal levels. The modest rise in purchasing followed no change in the previous month.

Efforts to secure materials were hampered by further lengthy delays to deliveries from suppliers. Material shortages and delays in receiving imported items were mentioned by respondents.

Supply shortages had an upwards effect on the cost of inputs. Input prices increased for the third month running, and the rate of inflation quickened to the fastest since February.

Business sentiment strengthened for the fourth month running in July and was in positive territory for the second successive month. Hopes that the COVID-19 pandemic will subside and conditions return to normal supported optimism in the 12-month outlook for activity. That said, confidence was weaker than the series average.

### 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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