News Release: Embargoed until 01:01 (Dublin) August 10th 2020

New orders increase for first time in five months

The Ulster Bank Construction Purchasing Managers’ Index® (PMI®) – 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® readings

<table>
<thead>
<tr>
<th></th>
<th>Jun ’20</th>
<th>Jul ’20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Activity</td>
<td>51.9</td>
<td>53.2</td>
</tr>
<tr>
<td>Housing Activity</td>
<td>55.8</td>
<td>57.8</td>
</tr>
<tr>
<td>Commercial Activity</td>
<td>50.9</td>
<td>50.2</td>
</tr>
<tr>
<td>Civil Engineering Activity</td>
<td>43.4</td>
<td>42.1</td>
</tr>
</tbody>
</table>

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.

Press information
For further information please contact Simon Barry, Chief Economist Republic of Ireland, on 00 353 1 643 1553 or 00 353 86 3410142 or email simon.barry@ulsterbankcm.com

Sources: IHS Markit, Ulster Bank

Purchase 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 © 2020 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.