

Ulster Bank Construction PMI® Report (RoI)

News Release: Embargoed until 01:01 (Dublin) May 11th 2020

COVID-19 lockdown leads to unprecedented fall in construction activity

The **Ulster Bank Construction Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to track changes in total construction activity – collapsed to just 4.5 in April, well down on the reading of 28.9 in March and by far the lowest since the survey began in June 2000. Index readings above 50 signal an increase in activity on the previous month and readings below 50 signal a decrease. Respondents indicated that the COVID-19 pandemic and lockdown introduced to try and prevent its spread had been behind the fall, with the shutdown of sites and businesses widely mentioned. Around 93% of panellists reported that activity had fallen during the month.

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 point to a drop in Irish construction activity of historic proportions last month. The headline PMI index fell from 28.9 in March to an unprecedentedly-low level of just 4.5 in April, easily surpassing the previous all-time record low of 25.7 reached at the height of the global financial crisis. The vast majority of survey respondents (nearly 93%) reported a reduction in business activity from March, reflecting widespread site closures in response to the Covid-19-related public health restrictive measures. Moreover, the detailed results reveal the breadth of the decline, with around 95% of respondents reporting a fall in commercial activity, while 93% of respondents reported a drop in housing activity.”

“The forward-looking elements of the PMI survey also pointed to extreme and widespread weakness in April. Notably, 83.5% of firms reported declines in incoming new business flows, with the collapse in actual and prospective activity in turn weighing on staffing levels last month. Indeed, the Employment PMI plunged to a new all-time low in April as 56% of respondents reported lower workforce levels last month. However, there are also glimmers of hope for the Irish construction sector. Confidence about the coming year rose slightly in April, an outcome which has likely been reinforced by the post-survey government announcement that a phased return to work for outdoor workers, including those in construction, will be allowed from the 18th of May which may mean that April proves to be the nadir of the current crisis for Irish construction firms.”

Widespread contractions in activity

Substantial declines in activity were recorded across the housing, commercial and civil engineering categories.

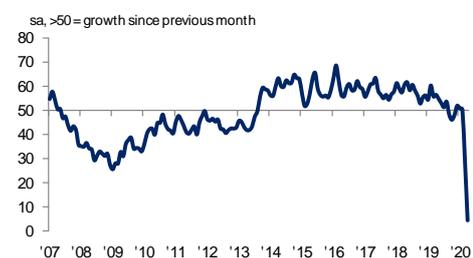
Latest Construction PMI® readings

	Mar '20	Apr '20
Total Activity	28.9	4.5
Housing Activity	32.4	4.9
Commercial Activity	28.2	3.1
Civil Engineering Activity	25.2	5.2

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 declines at record pace

Similar to the trend in construction activity, a severe reduction in new orders was recorded during April amid widespread reports of sites and businesses being closed. The fall in new work was by far the sharpest seen in the survey to-date.

Employment levels scaled back

Although employment at construction firms also decreased at a record pace in April in response to a lack of work, the rate of decline in staffing levels was softer than those seen for activity and new orders. A number of firms reported having kept workforce numbers stable, with around 44% of respondents signalling no change.

Construction firms strongly reduced their demand for inputs at the start of the second quarter, with purchasing activity decreasing for the second month running and at by far the sharpest pace since the survey began almost 20 years ago.

Meanwhile, lockdowns in Ireland and elsewhere across Europe to prevent the spread of COVID-19 meant that those companies that did order inputs found it increasingly difficult to acquire them. Suppliers' delivery times lengthened to the greatest extent in the survey's history.

Input prices decreased for the first time since August 2013 during April, and at the fastest pace in just over a decade as demand for inputs declined.

For the second month running, construction firms were pessimistic regarding the 12-month outlook for activity. Sentiment was marginally higher than in March, but more than half of all respondents predicted a reduction in activity over the coming year. Pessimism generally reflected expectations that the impact on the economy of COVID-19 would be prolonged.

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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