

Ulster Bank Construction PMI® Report (RoI)

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COVID-19 lockdown leads to further decline in activity, but confidence reaches two-and-a-half year high

The **Ulster Bank Construction Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to track changes in total construction activity – posted 30.9 in March, up from February's reading of 27.0 but still signalling a sharp reduction in activity. Falls have been recorded throughout the first three months of the year amid the latest COVID-19 lockdown.

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 point to a further significant contraction in Irish construction activity in March. The headline PMI remained considerably below the 50-no change level for the third month in a row, as activity across all sub-sectors declined sharply for the third consecutive month. While the pace of decline in overall activity eased somewhat relative to the very extreme weakness registered in January and February, the March results again highlight that activity was markedly restrained by the pandemic-related restrictions throughout the first quarter.

“Despite what has undoubtedly been an exceptionally weak start to the year, survey respondents are becoming increasingly upbeat about the prospects for recovery. The future activity index jumped again in March to stand at its highest level in two and a half years as almost 60% of firms expect an expansion of activity over the next twelve months. The jump in confidence was underpinned by the expectation of improved business conditions for the sector as restrictions are eased and as pent-up demand is released. Indeed, the recent government announcement that residential and childcare-related construction can restart from this week marks an important, albeit partial, step in the sector’s recovery journey.”

Decline in housing work softens

Reductions in activity continued to be seen across each of the three categories of construction covered by the survey. The softest decrease in activity was on housing work, with the rate of contraction easing markedly at the end of the first quarter.

Latest Construction PMI® readings

	Feb '21	Mar '21
Total Activity	27.0	30.9
Housing Activity	23.8	33.8
Commercial Activity	31.2	31.3
Civil Engineering Activity	19.5	23.8

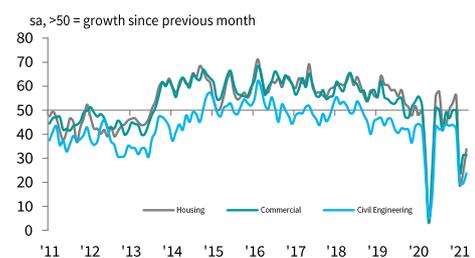
Index readings above 50 signal an increase in activity on the previous month and readings below 50 signal a decrease. All indexes given above and displayed in the charts are seasonally adjusted.

Sources: IHS Markit, Ulster Bank.

Total construction activity



Activity by sector



Sources: IHS Markit, Ulster Bank.

Slower fall in new orders

New orders also continued to decline as a result of the COVID-19 restrictions. That said, some panellists reported that new work had been scheduled for once the lockdown is eased, leading to a much softer reduction in new business than in the opening two months of the year.

Sentiment rises to two-and-a-half year high

A similar picture to new business was seen with regards to employment, with some firms taking on staff in anticipation of a loosening of restrictions. That said, employment continued to fall solidly.

There was increasing confidence among firms that the coming year will see an expansion in activity, with an end to the lockdown set to herald the reopening of sites and release of pent-up demand. Moreover, sentiment was the highest in two-and-a-half years, with 58% of respondents predicting an expansion of activity.

A lack of demand for inputs due to the COVID-19 restrictions was highlighted by a third successive reduction in purchasing activity. Input buying fell sharply, albeit at a reduced pace.

The rate of input cost inflation quickened for the third month running in March, and was the fastest since February 2018. The pandemic and Brexit were the two key factors leading to higher input prices, according to respondents, with rising costs for shipping and raw materials such as metals mentioned in particular.

The twin factors of Brexit and COVID-19 were also reportedly responsible for continued severe delays in receiving purchased items, while there were also mentions of capacity pressures at suppliers. Delivery times again lengthened at one of the sharpest rates in the survey's history.

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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