

# Ulster Bank Construction PMI® Report (RoI)

**News Release:** Embargoed until 01:01 (Dublin) June 8th 2020

## Activity continues to fall sharply, but at softer pace than in April

The **Ulster Bank Construction Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to track changes in total construction activity – posted 19.9 in May, up from 4.5 in April. Index readings above 50 signal an increase in activity on the previous month and readings below 50 signal a decrease. Although weaker than the unprecedented decline seen in the previous month, the rate of contraction was still sharper than at any other time in 20 years of data collection.

**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 further steep contraction in Irish construction activity last month as the headline PMI index remained significantly below the 50 no-change level for a 3rd month in a row. However, there are also indications that the pace of deterioration is easing as the headline PMI index rose from an all-time low of 4.5 in April to 19.9 in May reflecting the easing of restrictions on activity that took effect from the 18th of last month. Mirroring the pattern of the headline PMI, the sectoral sub-indices also point to a slower pace of contraction (particularly so in the case of commercial and housing), consistent with April having been the point of peak stress for Irish construction activity during the current crisis.”*

*“Other key indicators from the survey paint a similar picture, with the New Orders and Employment indices remaining firmly in contraction territory but respondents reporting a less negative picture compared to April’s record declines. Indications that at least the pace of deterioration eased last month following the easing of restrictions does lay the groundwork for clearer signs of outright recovery in the months ahead, depending of course on developments in relation to the virus itself. Indeed, confidence among construction firms about the coming year picked up last month, leaving the Future Activity Index at a 3-month high as over 37% of respondents anticipate an increase in activity over the coming year (vs. 29.6% in April and 16.6% in March).”*

### Commercial activity sees slowest fall in May

Activity decreased across all three broad categories covered by the survey, although rates of contraction eased in each case. The sharpest decline was in civil engineering activity, while commercial posted the softest reduction.

#### Latest Construction PMI® readings

|                            | Apr '20    | May '20     |
|----------------------------|------------|-------------|
| <b>Total Activity</b>      | <b>4.5</b> | <b>19.9</b> |
| Housing Activity           | 4.9        | 21.4        |
| Commercial Activity        | 3.1        | 25.6        |
| Civil Engineering Activity | 5.2        | 14.9        |

*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

For the third month running, Irish construction companies recorded a decline in new orders amid the COVID-19 crisis. The rate of contraction remained substantial in May, despite easing in line with a loosening of restrictions on workplace activity.

## Employment continues to decline

Falls in activity due to the pandemic led to further reductions in employment and purchasing activity during May, in both cases for the third months in a row. The rate of job cuts was slightly softer than those seen at the height of the global financial crisis, but input buying was down at a pace unseen prior to the COVID-19 outbreak.

Despite a steep drop in demand for inputs, suppliers' delivery times continued to lengthen. Respondents indicated that this was often due to vendors either being closed or operating at reduced capacity.

Input prices rose slightly amid shortages of certain materials. The increase followed a first reduction in more than six-and-a-half years in April, but the rate of inflation was well below the series average.

On balance, construction firms remained pessimistic regarding the 12-month outlook for activity midway through the second quarter of the year. Negative sentiment reflected concerns that the economic impacts of COVID-19 will be prolonged. That said, hopes of a return to normality among some firms meant that confidence was the highest in three months.

### 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 1 643 1553 or 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 © 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.