

Ulster Bank Construction PMI® Report (RoI)

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New orders rise for first time in three months

The **Ulster Bank Construction Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to track changes in total construction activity – posted 48.6 in October, up from 47.0 in September and rising for the second month running as activity neared stabilisation. Index readings above 50 signal an increase in activity on the previous month and readings below 50 signal a decrease. A number of respondents indicated that demand had improved over the course of the month, leading them to increase their activity. That said, this was outweighed by ongoing reports of disruption caused by the COVID-19 pandemic.

Commenting on the survey, Simon Barry, Chief Economist Republic of Ireland at Ulster Bank, noted that:

“Irish construction firms continue to report that pandemic-related disruption is weighing on their activity levels, according to the latest results of the Ulster Bank Construction PMI survey. While the October results contained reports of improving demand among some firms, such reports were not widespread enough to avoid another sub-50 reading for the headline PMI which continues to indicate that more firms are reporting declining rather than increasing activity levels. The latest results also again highlight that Covid-19 continues to disrupt construction supply chains, with supplier delivery times lengthening further last month amid reports of shortages of, and higher prices for, raw materials.

“That said, the October results did provide some slightly more encouraging signals in a number of respects. First, the headline PMI did rise for the second consecutive month in October, signalling that the pace of reduction in overall activity continued to ease. At 48.6, it is significantly higher than April’s record low, and is not far from the 50 reading that would point to stabilisation. Indeed, housing activity was a relative bright spot in October as it showed a welcome return to positive growth, making it the strongest-performing sub-sector. Second, forward-looking elements of the results are pointing to possible improvement ahead. Firms posted an increase in new business for the first time in three months, with a modest improvement in orders reflecting a pick-up in client demand. In turn, more new business as well as efforts to catch-up on work delayed by the pandemic underpinned a further improvement in the employment index. Also, business confidence moved back into positive territory last month helped by reports of a healthy pipeline of work, albeit that uncertainty and concerns around the ongoing impacts of the pandemic continue to weigh on sentiment about the sector’s prospects.”

Housing activity increases

Housing activity increased for the first time in three months. Meanwhile, further reductions were seen in activity on commercial and civil engineering projects.

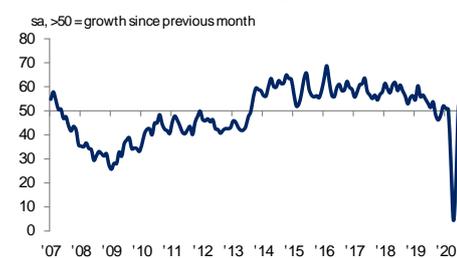
Latest Construction PMI® readings

	Sep '20	Oct '20
Total Activity	47.0	48.6
Housing Activity	44.1	50.3
Commercial Activity	49.2	46.7
Civil Engineering Activity	44.2	43.5

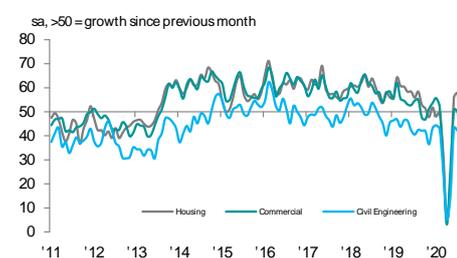
Index readings above 50 signal an increase in activity on the previous month and readings below 50 signal a decrease. All indexes given above and displayed in the charts are seasonally adjusted.

Sources: IHS Markit, Ulster Bank.

Total construction activity



Activity by sector



Sources: IHS Markit, Ulster Bank.

New orders return to growth

Strengthening customer demand resulted in an expansion of new orders, the first in three months. This was despite ongoing reports of difficulties as a result of the COVID-19 pandemic.

Firms expand employment and purchasing

Growth of new orders supported increases in both employment and purchasing activity at the start of the final quarter.

Staffing levels posted an outright expansion for the first time in eight months as the respective index rose for the sixth month running from April's nadir. As well as increasing new orders, efforts to catch up on previously delayed projects also supported employment growth, according to respondents.

The aforementioned increase in purchasing activity was the first since July. Moreover, the rate of expansion was marked and the fastest since May 2019.

Suppliers' delivery times continued to lengthen in October, and to a marked extent that was the sharpest in three months. The COVID-19 pandemic was again a key factor behind longer lead times, while material shortages were also mentioned. Timber was particularly noted as having been in short supply.

The rate of input cost inflation subsequently remained sharp and was little-changed from September's 17-month high. Panellists reported higher prices for a range of raw materials.

Business confidence improved in October, amid reports of a strong pipeline of work and hopes that the COVID-19 pandemic will come to an end. That said, sentiment remained relatively subdued amid widespread concerns about the potential for further pandemic disruption.

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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