

# Ulster Bank Construction PMI Report (RoI)

**News Release: 14<sup>th</sup> December 2009**

## Activity continued to fall sharply as new business declined at the fastest pace since May.

November data indicated that operating conditions in the Irish construction sector deteriorated more sharply than in the previous month. Rates of decline in activity, new orders and employment all accelerated and firms were pessimistic regarding the twelve-month outlook for activity. The **Ulster Bank Construction Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to measure the overall performance of the construction economy – dropped slightly to 34.2 in November, from 34.5 in the preceding month, to signal a sharper contraction of activity. According to respondents, falling new business was the main cause of the latest reduction.

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

*“While trends in other areas of the economy are beginning to move in the right direction, the latest reading of the Ulster Bank Construction PMI highlights that the construction sector remains a clear laggard. The headline activity index edged lower last month, and has essentially been unchanged at very low levels since September. This performance is consistent with ongoing pronounced weakness across the sector. About the best that can be said is that the index is holding off the extreme lows reached at the turn of the year.”*

*“There was no indication of improvement in the employment situation, with the jobs index of the survey continuing to point to layoffs across the industry. Also, it was disappointing to see a decline in the Future Business activity index last month as confidence slipped back somewhat in November. Lingering concerns about the outlook for the overall economy as well as increased competition in the sector were the main factors at play here. While these latest results pre-date last week’s Budget announcement, cut backs in government spending in the coming year were also cited as a negative for sentiment in the November survey.”*

### Sharp contractions in activity in all three sectors

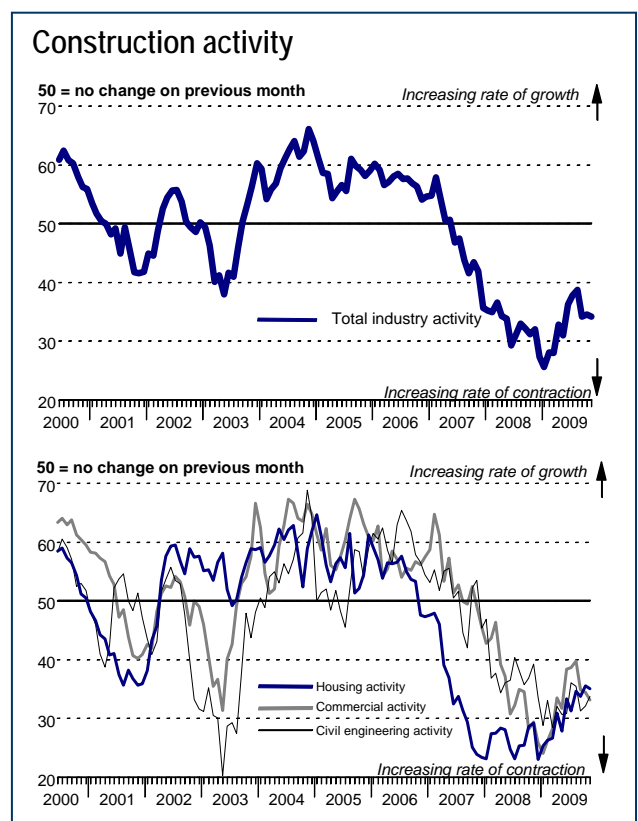
Of the three construction categories covered by the survey, the steepest decline in activity was registered in the commercial sector. Moreover, the rate of contraction accelerated to its fastest since May. Although the fall in civil engineering activity was slower than in the previous month, it was still considerable. Activity on housing projects also decreased substantially despite the category posting the weakest reduction of the three monitored sectors.

#### Latest Construction PMI readings

	Oct'09	Nov
<b>Total Activity</b>	<b>34.5</b>	<b>34.2</b>
Housing Activity	35.6	35.1
Commercial Activity	34.5	33.2
Civil Engineering Activity	32.2	33.9

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

*Source: Markit Economics.*



## Steeper decline in new orders

Consistent with the trend for activity, new business decreased in November at a sharper pace than in the previous month. Increased competition for scarce tenders was the main reason for the latest fall.

## Job shedding intensified

In line with falling workloads, Irish constructors cut jobs again in November. Moreover, the latest round of redundancies was the strongest in six months. Employment has declined in each month since May 2007.

## Fastest reduction in purchasing activity since April

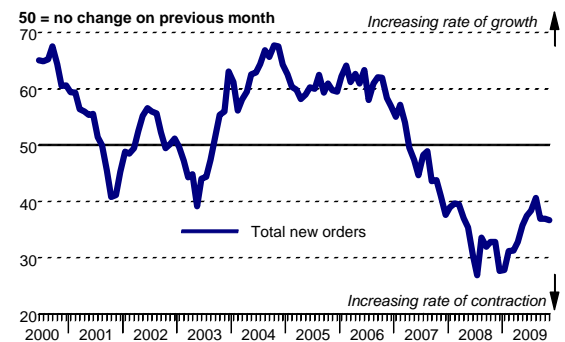
Further adjustments to decreasing demand were signalled by a sharp reduction in purchasing activity in November. Furthermore, the pace of decline accelerated to its steepest since April.

Weak demand for inputs were a key factor behind another shortening of lead times in November. Panellists also indicated that suppliers had improved their performance in response to increased competition. Average vendor performance improved markedly, albeit to the smallest extent since September 2007. Competition amongst suppliers was also behind November's fall in input costs at Irish construction firms. The latest decline was sharp, and steeper than that seen in the preceding month.

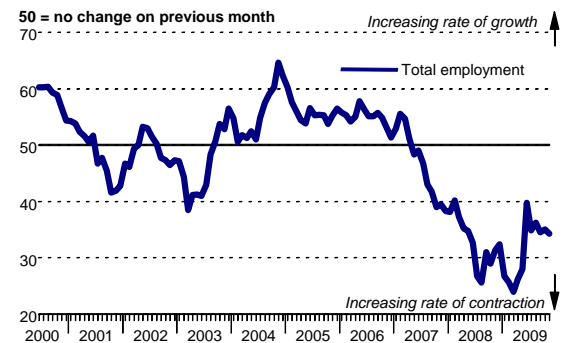
## Pessimism recorded in November

After posting mild optimism in each of the previous five months, constructors were pessimistic regarding future activity levels in November. Negativity was largely due to the fragility of the wider Irish economy, and increased competition in the sector.

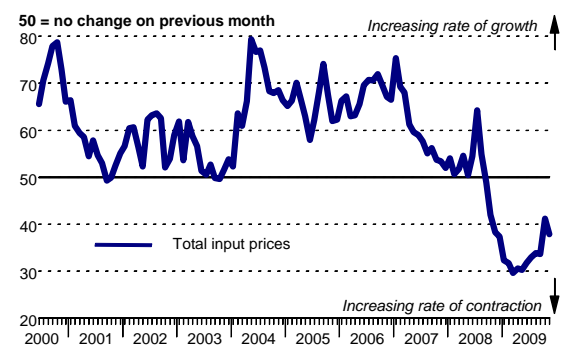
## New business



## Employment



## Input prices



Index readings above 50 signal an increase in activity on the previous month and reading below 50 signal a decrease.

Source: Markit Economics.

## Press information

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**Purchasing Managers' Indexes** (or PMIs) are monthly surveys of carefully selected companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices across both manufacturing and service sectors. The PMI surveys are based on fact, not opinion, and are the first indicators of economic conditions each month. The data are collected using identical methods in all countries and regions so that accurate comparisons may be made. Questionnaires are completed in the latter half of each month and are collected and processed by economists at Markit Economics. Respondents are asked to state whether business conditions for a number of variables have improved, deteriorated or stayed the same compared with the previous month.

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