

Ulster Bank Construction PMI® Report (RoI)

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Construction activity growth quickens in April

At 56.6 in April, up from 55.9 in March, the **Ulster Bank Construction Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to track changes in total construction activity – signalled a sharp expansion of Irish construction activity. Moreover, April marked the sixty-eighth consecutive month of greater construction activity in Ireland.

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

“Irish construction firms have made a strong start to the second quarter of the year, according to the April results of the Ulster Bank Construction PMI. The headline PMI index rose modestly last month, consistent with an acceleration in the pace of overall activity growth from what was already a very solid pace in March. Furthermore, Housing activity was again (and for the fourth month in a row) the strongest performing sub-sector as growth in residential activity continues to show welcome signs of rapid expansion, at similar rates to those reported in 2018.

“The latest results also point to a reacceleration in New Orders growth, with new business levels continuing to rise sharply, underpinned by ongoing increases in the demand for construction work. That said, negative Brexit uncertainty effects on customers were identified by some firms who noted lower demand in the April survey. Moreover, Brexit was also cited as a factor behind the sharpest rise in purchasing activity since last June, as some firms stated that they had brought forward input purchases in order to mitigate any potential supply issues resulting from Brexit. Nevertheless, the April PMIs indicate that construction remains the fastest-growing major sector of the economy, with growth continuing to outpace that reported in both manufacturing and services where international risks and headwinds, including those linked to Brexit, represent more of a challenge.”

Growth led by housing again

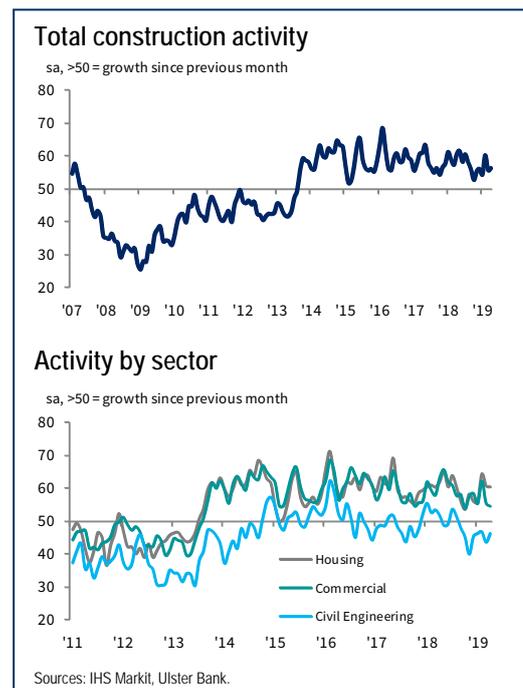
The housing sub-category recorded the fastest rise in activity of the three monitored sub-sectors for the fourth successive month during April. Commercial activity also increased solidly, though at the slowest pace in six months. For the eighth successive month, civil engineering activity declined, though at a softer pace than in March.

Latest Construction PMI® readings

	Mar'19	Apr'19
Total Activity	55.9	56.6
Housing Activity	60.8	60.5
Commercial Activity	55.5	54.6
Civil Engineering Activity	43.7	46.4

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.

Sources: IHS Markit, Ulster Bank.



New order growth quickens in April

New orders continued to rise sharply amid reports from panellists of improving demand conditions in April. Despite this, there were some reports that ongoing Brexit uncertainty was weighing negatively on customers. Inflows of new business have now increased on a monthly basis since July 2013, with the rate of growth quickening from March.

Business confidence picks up from March

In contrast to the faster rise in new business, employment growth in the Irish construction industry eased slightly during April. Despite this, the rate of job creation was sharp and quicker than the long-run series average. Anecdotal evidence from panellists indicated that extra staff had been hired in order to keep up with customer demand.

The expansion in purchasing activity among Irish construction firms accelerated during April. The rate of growth was sharp and the fastest since June 2018. Anecdotal evidence from panellists indicated that firms had increased their orders of inputs in response to greater customer demand. Some firms stated that they had raised their input purchases in order to mitigate any supply disruptions resulting from Brexit.

On the price front, the rate of input cost inflation slowed to a four-month low. Nonetheless, cost burdens rose at a sharp pace amid reports of greater prices paid for steel, insulation and transport.

Finally, optimism among Irish construction firms picked up from a 68-month low during April, with just over 40% of panellists expecting activity to increase over the coming year. Positive sentiment was linked to forecasts of increased sales activity, new capital investments and the subsidence of Brexit uncertainty over the next 12 months.

New business

sa, >50 = growth since previous month



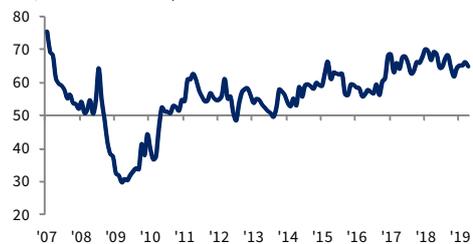
Employment

sa, >50 = growth since previous month



Input prices

sa, >50 = inflation since previous month



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 https://twitter.com/UB_Economics

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