

Ulster Bank Construction PMI® Report (Rol)

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Construction activity growth reaches four-month high in December

At 56.3 in December, up from 55.5 in November, the Ulster Bank Construction Purchasing Managers' Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – signalled a stronger expansion of Irish construction activity. Furthermore, the rate of growth quickened to a four-month high.

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 show that Irish construction firms experienced solid, and faster, rates of expansion in December. The headline PMI picked up for the second month in a row, with a robust reading of 56.3 marking a four-month high. The Commercial PMI picked up slightly from what was already an elevated reading in November, in the process leaving commercial as the strongest performing activity category last month. Housing activity continued to grow strongly and at a pace similar to that recorded on average during the 2004-06 pre-crisis period, albeit that the pace of expansion moderated from November.

“Overall, the December survey results round off another strong year for Irish construction firms, with the PMI pointing to ongoing very healthy expansion throughout 2018. Moreover, momentum behind the sector’s recovery continues to look solid, with New Orders continuing to rise solidly in December indicating that activity trends look set to remain positive in early 2019. Furthermore, firms themselves remain optimistic about the coming year with almost half of respondents expecting further growth in activity in the coming 12 months. Positive sentiment about the year ahead is being underpinned by increased capital investments along with confidence about the prospects of the wider Irish economy more generally.”

Commercial activity leads growth

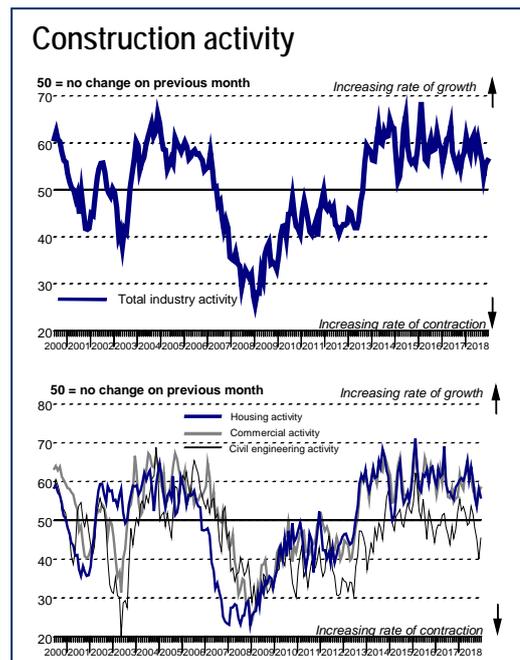
Residential and commercial construction increased again in December, but civil engineering activity declined further. Notably, commercial construction activity grew at the fastest pace in five months. Residential activity increased in sharply overall, though at a slower pace than in November.

Latest Construction PMI® readings

	Nov'18	Dec'18
Total Activity	55.5	56.3
Housing Activity	58.2	56.0
Commercial Activity	57.5	58.5
Civil Engineering Activity	40.1	45.5

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 orders rise for sixty-sixth consecutive month

Anecdotal evidence from panellists attributed the growth of activity to an upturn in new orders. Despite expanding at the joint-slowest pace in 14 months, December marked the sixty-sixth consecutive monthly rise in new business. Firms indicated that increased market activity and better weather conditions were the principal factors behind the expansion in new work.

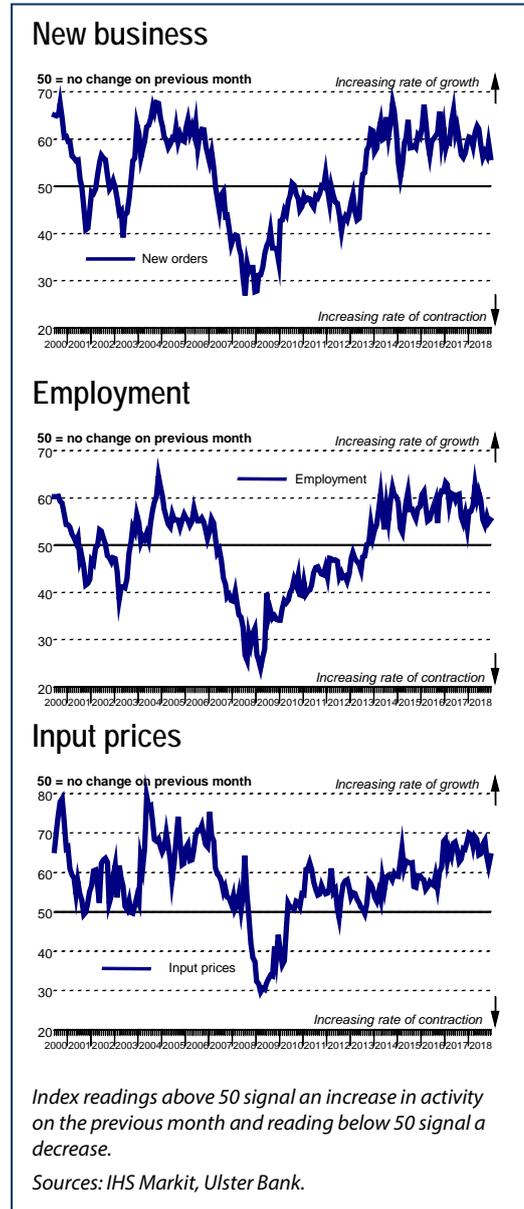
Job creation picks up in December

Employment across the Irish construction sector increased for the sixty-fourth successive month and at a quicker pace than in November. The expansion of workforce numbers was attributed to an increase in construction activity and expectations of higher new business in 2019.

Mirroring the trend for overall construction activity, purchasing activity increased at a faster pace in December. The rate of growth was marked and the fastest since July. December marked the fifty-eighth consecutive month of rising input buying among Irish construction firms. Vendor performance meanwhile deteriorated in December, and at the fastest pace in nine months. Panellists indicated that rising demand for inputs contributed to longer delivery times.

On the price front, the rate of input price inflation quickened in December and was much faster than the survey average. Rising material costs (notably for steel and insulation) were stated by panellists as being behind the rise in cost burdens.

Finally, optimism among Irish construction firms picked up from a 64-month low during December, with close to 48% of panellists expecting activity to increase over the coming year. Positive sentiment was linked to expectations of stronger economic growth and increased capital investments.



Press information

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