

Ulster Bank Construction PMI[®] Report (RoI)

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Construction activity growth eases but new orders rise at faster pace

At 54.6 in January, down from 56.3 in December, the Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®]) – a seasonally adjusted index designed to track changes in total construction activity – signalled a weaker expansion of Irish construction activity. Moreover, the rate of growth eased to a three-month low. That said, overall Irish construction activity has increased on a monthly basis since September 2013.

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

“Irish construction firms continued to experience solid, though slower, growth in January according to the latest results of the Ulster Bank Construction PMI survey. The headline PMI eased to a 3-month low last month, but at 54.6 it remains well above the 50 breakeven level and indicates that firms continue to report solid gains in activity. Housing was the fastest-growing category in January, with this important sub-sector recording ongoing solid expansion, albeit at a somewhat less rapid pace than earlier in the recovery. Last week’s completions data from the CSO showed that new home construction rose by 25% last year, with the full-year total of ca. 18,100 units completed representing a 9-year high. Early-year trends in the housing PMI – as well as the signals from other indicators - are consistent with further improvements in housing supply in the coming year.

“Elsewhere in the survey, new orders continued to rise sharply with firms reporting an encouraging improvement in client demand at the beginning of the year. In turn, the ongoing expansion in actual and prospective activity is continuing to underpin employment in construction. Firms have continued to add to staffing levels in response to the buoyancy of demand, though the pace of hiring has moderated in recent months from the exceptionally rapid growth reported last summer.”

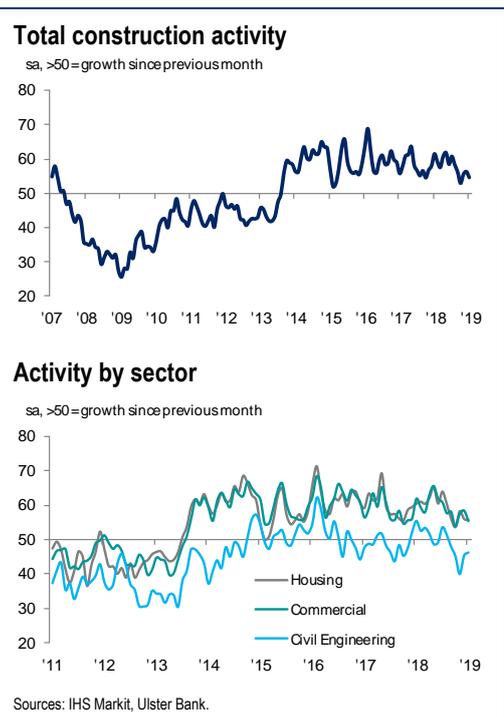
Housing activity leads growth

The housing sub-category recorded the fastest rise in activity of the three monitored sub-sectors at the start of 2019. Commercial activity also increased solidly over the month, while civil engineering activity declined again, albeit at a reduced pace.

Latest Construction PMI[®] readings

	Dec'18	Jan'19
Total Activity	56.3	54.6
Housing Activity	56.0	55.7
Commercial Activity	58.5	55.4
Civil Engineering Activity	45.5	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 orders rise at quicker pace in January

New orders continued to rise sharply amid reports of improving customer demand at the start of 2019. New business has now increased in each of the past 67 months, with the rate of growth quickening from December.

Employment growth at four-month low

In contrast to the quicker rise in new business, employment growth in the Irish construction industry eased to a four-month low during January. Despite this, the pace of expansion was solid amid reports from firms that extra staff had been hired in order to keep up with customer demand. Payrolls have now increased on a monthly basis since September 2013.

January marked the fifty-ninth consecutive month of rising input buying among Irish construction companies. The pace at which purchasing activity increased was solid but slowed from December.

A further lengthening of suppliers' delivery times was noted at the start of 2019. That said, the latest deterioration in vendor performance was the weakest since July 2018. Panellists indicated that increased demand for inputs and capacity issues among suppliers contributed to longer lead times.

Input price inflation quickened to a four-month high during January. The pace of increase was sharp, amid reports by panellists of greater raw material costs (notably for steel and insulation).

Finally, business sentiment improved to a three-month high during January and was strongly positive. Around 49% of panellists predicted a rise in activity over the coming year against 6% that expected a fall. Panellists linked optimism to expected improvements in economic conditions.

New business

sa, >50=growth since previous month



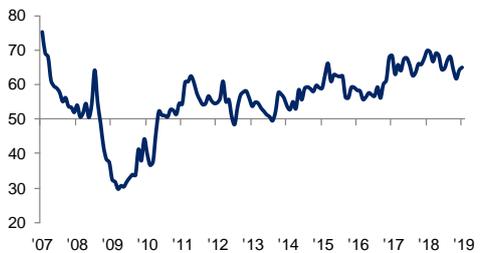
Employment

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

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