

Ulster Bank Construction PMI[®] Report (RoI)

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Employment growth ticks up in June

The end of the second quarter of the year saw further sharp growth of construction activity in Ireland, reflecting another month of increasing new business. Rising workloads encouraged companies to step up hiring. Meanwhile, the rate of input cost inflation eased to a nine-month low. The **Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – posted 58.4 in June, thereby signalling another sharp monthly increase in construction activity in Ireland. This was despite the index dipping from May's 61.8 to a three-month low. Total activity has now risen in each of the past 58 months.

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

“Irish construction firms continued to experience very solid, though slightly slower, growth in June according to the latest results of the Ulster Bank Construction PMI survey. The headline PMI eased back from what was an extremely elevated reading in May to stand at 58.4 in June but this is still very much a level which signals ongoing rapid gains in activity. The latest results, as well as anecdotes from survey respondents, continue to highlight that Housing and Commercial remain areas of particular strength within the sector, albeit that there was some cooling of growth momentum in June from the exceptionally rapid rates recorded in May. Other elements of the survey also painted a very positive picture, with the pace of job creation quickening further while new business also rose at a very rapid rate, barely slower than last month’s one-year high.

“Furthermore, confidence among firms about year-ahead prospects for construction remains very elevated, with 56% of respondents expecting activity to rise. Indeed, the favourable outlook for construction was also a prominent theme in separately-released (though less-timely) figures from the CSO last week. These showed that the rate of new business formation in construction more than doubled over the period 2010 to 2016, with over 4,600 construction start-ups accounting for almost a quarter of all start-ups across the Irish business sector in 2016 (the latest year available). Moreover, the start-up rate in construction is now the highest of the business economy’s three main sectors, having – unsurprisingly – been the lowest during the crisis. We estimate a 9.1% start-up rate in construction in 2016, significantly ahead of the equivalent rates in industry (7.7%) and in the broad services sector (7.3%) – a clear indication of expectations for recent construction sector outperformance to continue.”

Commercial sector posts fastest rise in activity

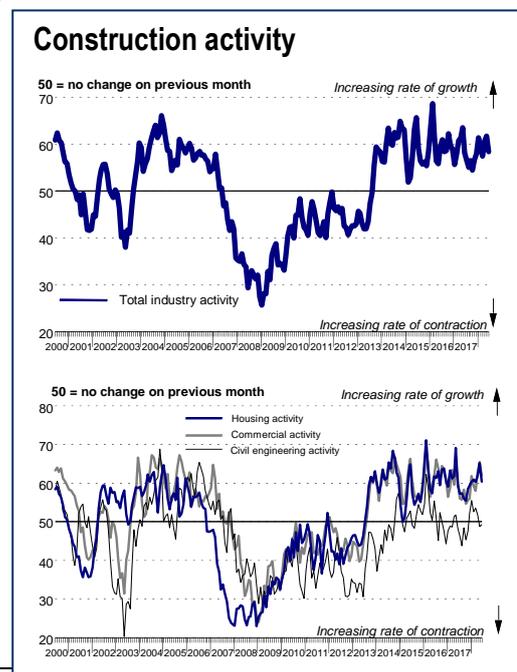
A number of respondents linked higher activity to improving economic conditions, with particular strength in the housing and commercial sectors. This anecdotal evidence was backed up by survey data, with rates of growth in both housing and commercial activity substantial at the end of the second quarter. On the other hand, activity on civil engineering projects decreased for the second month running.

Latest Construction PMI[®] readings

	May'18	Jun'18
Total Activity	61.8	58.4
Housing Activity	65.2	60.4
Commercial Activity	65.6	62.0
Civil Engineering Activity	48.8	49.3

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.



Further sharp increase in new orders

Some panellists reported that new housing projects supported growth of new orders in June. New business rose at a substantial pace, and one that was only slightly slower than May's one-year high.

Rate of job creation picks up

Employment increased again in June, extending the current sequence of job creation to 58 months. Moreover, the pace at which staffing levels rose was faster than in the previous month. Respondents indicated that increased demand led them to take on extra staff.

Rising demand also led to an expansion of purchasing activity, with input buying up sharply over the month. Higher demand for inputs contributed to longer suppliers' delivery times. Shortages of some materials and transportation issues in Europe were also reportedly behind the latest deterioration in vendor performance, which was the most marked in three months.

Although input prices at construction companies continued to rise at a steep pace in June, the rate of inflation eased to the weakest since last September. Panellists reported increases in the cost of raw materials such as steel and timber.

Confidence among construction firms regarding the 12-month outlook for activity dipped to a six-month low in June, but remained elevated. Close to 56% of respondents predict activity to rise over the coming year, reflecting expectations of improving economic conditions and new order growth.

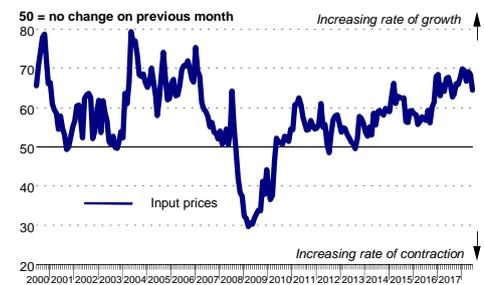
New business



Employment



Input prices



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Sources: IHS Markit, Ulster Bank.

Press information

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