

Ulster Bank Construction PMI[®] Report (RoI)

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Weakest rise in construction output since March 2015

Construction activity in Ireland rose moderately during October, with the pace of expansion the slowest since March 2015. Growth of new business also eased, but the rate of job creation quickened to a three-month high. Meanwhile, input costs rose at the slowest pace since September 2017. At 52.9 in October, down from 56.2 in September, the Ulster Bank Construction Purchasing Managers Index[®] (PMI[®]) – a seasonally adjusted index designed to track changes in total construction activity – signalled the weakest upturn in output since March 2015. That said, total activity has now risen in each of the past 62 months. Where activity increased, panellists linked this to improving customer demand.

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

“The October results of the Ulster Bank Construction PMI survey reveal a notable loss of momentum in the growth rate of construction activity last month as the headline PMI slipped to 52.9 in October from 56.2 in September. While that still leaves the sector comfortably in expansion territory, the PMI has now fallen for three months in a row, with the October reading marking the slowest pace of growth in over three and a half years.

*“It is not wholly surprising to see some cooling in the pace of construction growth given the extremely rapid expansion recorded in the summer and the similar signs of slowdown from elsewhere in the Irish private sector of late (the October manufacturing and services PMI surveys also picked up some moderation in growth). But the headline results from the October Construction survey are certainly on the disappointing side. Nevertheless, we are not overly troubled at this stage, for several reasons. First, we think at least some of the recent slippage in the Construction PMI likely reflects the usual ebb and flow of the headline survey results. Indeed, other metrics within the survey highlight that new orders are holding up well and firms are continuing to hire at a very solid rate - features of the results which argue against concluding that a sustained weakening in activity is underway. Moreover, the **sector’s overall outlook continues to be underpinned by the housing supply shortfall and by the marked step-up in the growth of Exchequer capital spending.** So while the headline PMI results for October point to a disappointing start to the final quarter of the year for construction activity, we would be surprised if the results in the coming months don’t show signs of renewed improvement.”*

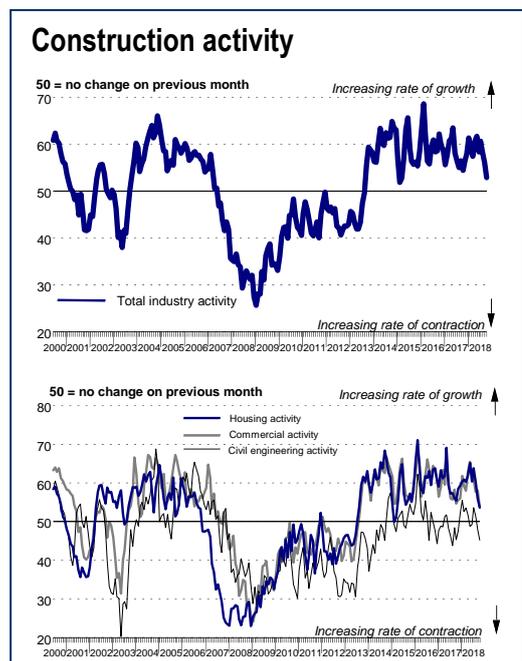
Commercial activity fastest growing sector

Of the monitored sub-categories, residential and commercial construction activity increased, albeit at slower rates than September. As was the case in September, commercial was the best-performing sector. Conversely, civil engineering construction activity declined in October, and at the fastest pace in 14 months.

Latest Construction PMI[®] readings

	Sep'18	Oct'18
Total Activity	56.2	52.9
Housing Activity	56.1	53.6
Commercial Activity	58.1	53.9
Civil Engineering Activity	48.1	45.3

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.



Sustained new order growth during October

Incoming new orders at Irish construction firms increased during October. Despite easing from the previous month, October marked the sixty-fourth successive monthly rise of new business inflows. Firms indicated that new construction projects and increased market activity were the principal factors behind the expansion in new work.

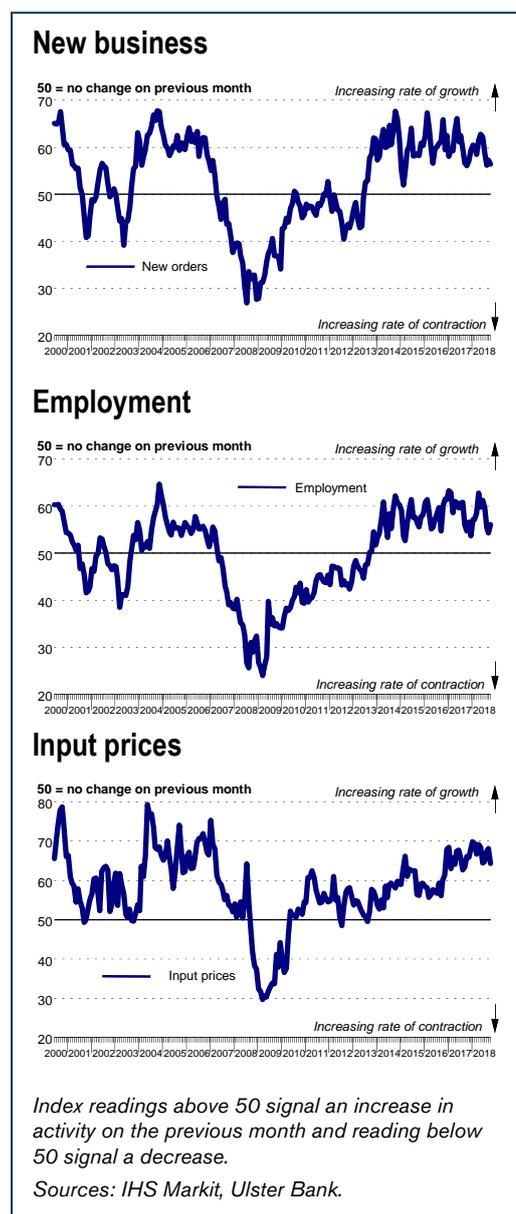
Employment growth picks up

The rate of employment growth in the Irish construction sector accelerated during October. Staffing levels increased for the sixty-second successive month and at the fastest pace in three months. The expansion of workforce numbers was attributed by panellists to an increase in construction activity.

In line with the trend in new orders, growth of purchasing activity among Irish construction firms slowed in October to the weakest pace since March 2015.

On the price front, the rate of input price inflation eased in October to the slowest in 13 months. Greater material costs (particularly metals) were stated by panellists as being behind increasing cost burdens, which still rose sharply over the month.

Finally, expectations towards the year-ahead outlook for construction output were strong. However, October's index reading signalled that firms were the least optimistic since August 2013. A number of survey respondents attributed confidence to expectations of greater customer orders.



Press information

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