

Ulster Bank Construction PMI® Report (RoI)

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Construction activity growth quickens to seven-month high

At 60.5 in February, up from 54.6 at the start of 2019, 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, the rate of growth quickened to a seven-month high. Construction activity in Ireland has now increased on a monthly basis since September 2013.

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

“Growth in Irish construction activity accelerated markedly in February according to the latest results of the Ulster Bank Construction PMI survey. The rate of overall expansion picked up to a seven-month high last month, as the headline index rose to 60.5 from 54.6 in January leaving it significantly above the 50 no-change benchmark. The strengthening performance in February was driven by particularly rapid activity growth in residential construction which was the strongest-performing category last month. The Housing PMI picked up to its highest level since May of last year pointing to a welcome strong start to 2019 for housing construction. Commercial activity also recorded a marked acceleration with its PMI also reaching a nine-month high.”

“Encouragingly, respondents reported a marked pick-up in new business, with the new orders index rising to a very elevated reading of 60.2 in February, marking an 8-month high. In turn, strong activity and order flows continue to underpin robust demand for construction workers, with the pace of job creation matching a seven-month high in February. Sentiment among firms about the sector’s prospects over the coming twelve months remained solidly positive at levels well above its historic average as firms continue to cite the supportive influence of solid trends in new orders and the ongoing improvement in economic conditions. However, confidence levels did slip back last month reflecting some concern about downside risks to customer demand – perhaps an indication that elevated levels of economic uncertainty are weighing on firm’s perceptions of the outlook.”

Housing activity leads growth again

Housing activity led the upturn during February, with growth at a nine-month high. Commercial construction activity also expanded at the quickest rate since May 2018. Meanwhile, civil engineering was the weakest performing construction sub sector, seeing activity fall for the sixth consecutive month.

Latest Construction PMI® readings

	Jan'19	Feb'19
Total Activity	54.6	60.5
Housing Activity	55.7	64.3
Commercial Activity	55.4	62.2
Civil Engineering Activity	46.4	46.9

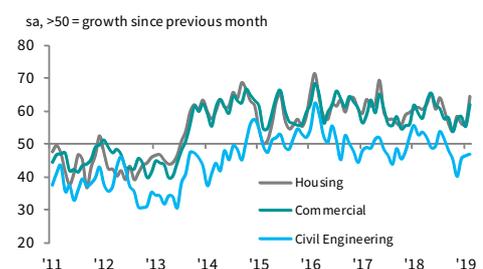
Index readings above 50 signal an increase in activity on the previous month and reading below 50 signal a decrease. All indexes given above and displayed in the charts are seasonally adjusted.

Sources: IHS Markit, Ulster Bank.

Total construction activity



Activity by sector



Sources: IHS Markit, Ulster Bank.

New order growth at eight-month high

Anecdotal evidence from panellists attributed the growth of activity to an upturn in new orders. Inflows of new business increased sharply in February and at the fastest pace since June 2018. Firms indicated that increased market activity and the commencement of new projects were the principal factors behind the expansion in new work in February.

Job creation joint-fastest in seven months

In line with the quicker rise in new business, employment growth in the Irish construction industry accelerated to a joint seven-month high in February. The expansion of workforce numbers was attributed to an increase in construction activity and work on new projects.

Purchasing activity increased at a faster pace during February. The rate of growth was sharp and the fastest since June 2018. Anecdotal evidence from panellists indicated that firms had increased input buying in response to greater customer demand. However, some firms stated that they had increased purchases to build up stocks to mitigate any supply issues resulting from Brexit. Vendor performance meanwhile deteriorated further in February. Panellists indicated that increased demand for inputs and supplier capacity issues contributed to longer lead times.

On the price front, the rate of input price inflation quickened in February and was the fastest since September 2018. Greater raw material prices (notably for steel and insulation) were stated by panellists as being behind the rise in cost burdens.

Looking forward, sentiment among Irish construction firms remained strongly positive during February. A number of panellists expect activity to rise over the coming 12 months, due to greater customer orders and improving economic conditions. Moreover, optimism remained above the series average. This was despite confidence edging down to a 67-month low, amid concerns over a potential slowdown in customer demand.

New business



Employment



Input prices



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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