

# Ulster Bank Construction PMI<sup>®</sup> Report (RoI)

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## Construction activity rises at fastest pace for a year

Growth in Irish construction activity accelerated again in May as firms continued to catch up from the weather disruption seen in March. New business and input buying also rose at faster rates, while job creation remained strong. The **Ulster Bank Construction Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>)** – a seasonally adjusted index designed to track changes in total construction activity – posted 61.8 in May, up from 60.7 in April and signalled a sharp monthly expansion of activity during the month. Moreover, the rate of growth quickened for the second month running and was the fastest for a year. Activity has now risen in each of the past 57 months. A number of panellists linked increases in activity to favourable weather conditions.

**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 strong, and faster, rates of expansion in May. The headline PMI picked up for the second month in a row, with a highly elevated reading of 61.8 marking a year-high. Commercial construction recorded another acceleration in activity which took the Commercial PMI to its highest level in nearly two years, in the process leaving commercial as the strongest performing activity category last month. There was also a sharp rise in residential activity which took the Housing PMI to its highest level in a year. The results for Civil Engineering were not as favourable, with activity here registering a decline in May, ending a five-month run of expansion.”*

*“Other details from the survey also highlight the strength of the ongoing expansion in activity. Strong demand for the services of construction firms was very much evident in further substantial increases in new orders, with the New Orders index picking up to a year-high in May. In turn, the buoyancy of activity and new business trends remains a very important driver of job creation and input buying in construction, with growth in both categories remaining at very elevated rates. And survey respondents remained strongly optimistic about the year ahead with a strong pipeline of new activity and improving economic conditions cited as important sources of support.”*

### Sharp expansions in commercial and housing work

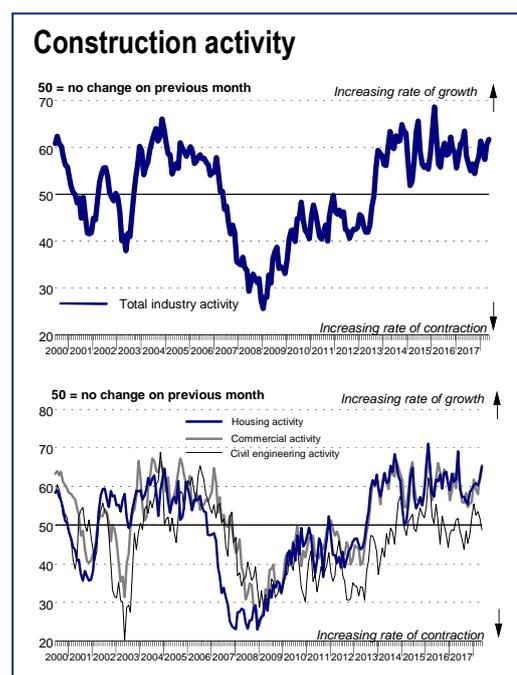
Growth in activity on both housing and commercial projects matched the overall trend in accelerating for the second successive month in May. Both sub-categories posted substantial monthly increases in activity, with the rate of expansion slightly faster for commercial work. In contrast, civil engineering activity decreased modestly in May, thereby ending a five-month sequence of growth.

#### Latest Construction PMI<sup>®</sup> readings

	Apr'18	May'18
<b>Total Activity</b>	<b>60.7</b>	<b>61.8</b>
Housing Activity	62.0	65.2
Commercial Activity	63.1	65.6
Civil Engineering Activity	51.8	48.8

*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 order growth at 12-month high

As was the case with construction activity, new orders increased sharply during May, and at the steepest pace in 12 months. Respondents indicated that improvements in both weather and business conditions helped them to secure greater volumes of new work.

## Sharp increase in employment

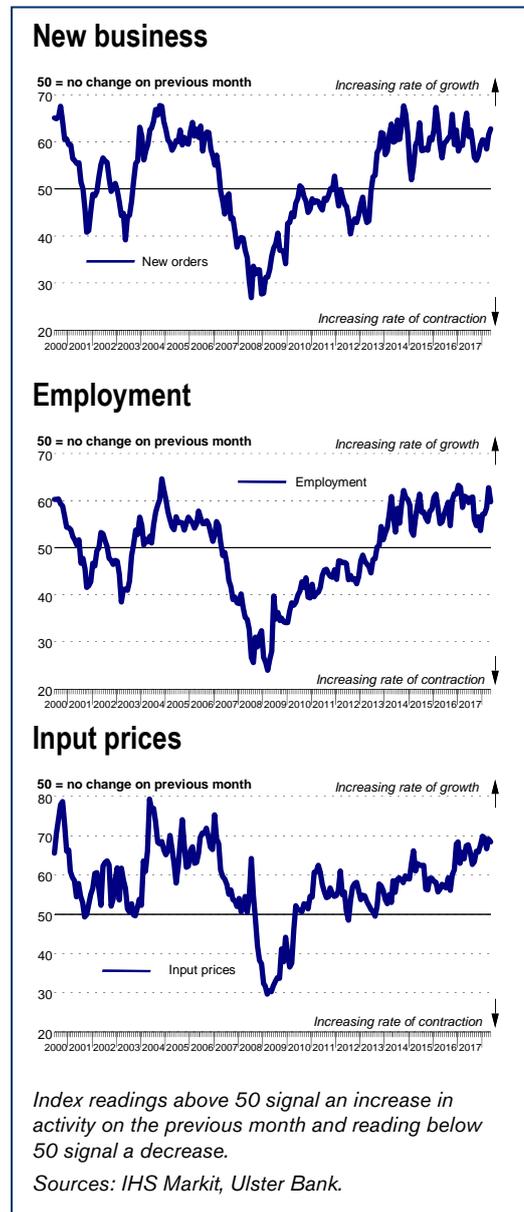
Rising demand led construction firms to increase staffing levels again during May, extending the current sequence of growth to 57 months. The rate of job creation eased from April's 14-month high, but remained sharp.

May saw a strong and accelerated monthly increase in purchasing activity among Irish construction firms, with the latest rise the fastest for a year. Panellists linked higher input buying to new order growth.

Rising demand for inputs led to further pressure on capacity at suppliers, thereby resulting in a marked lengthening of delivery times.

The rate of input cost inflation remained elevated in May, despite easing from that seen in April. Panellists reported higher prices for items including fuel, insurance and steel.

Strong pipelines of new work supported confidence that construction activity will rise over the coming year. Sentiment was strongly positive, and higher than in the previous month.



## Press information

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