

Ulster Bank Construction PMI[®] Report (RoI)

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Growth of construction activity hits 15-month high

Irish construction activity rose at a sharp and accelerated pace in May as new business expanded at one of the fastest rates in the survey’s history. Rises in workloads encouraged further job creation, while sentiment regarding the 12-month outlook remained elevated. The **Ulster Bank Construction Purchasing Managers’ Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – rose to 63.6 in May from 61.3 in April. The reading signalled a substantial monthly increase in construction activity, and the fastest since February 2016. Activity has now risen in each of the past 45 months. The latest expansion was linked to improving market conditions and higher new orders, with some panellists highlighting particular strength in housing.

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 another sharp increase in Irish construction activity, with the pace of expansion accelerating for the fourth month running. The headline PMI index rose to 63.6 in May from 61.3 in April, in the process reaching a fifteen-month high last month and signalling very robust expansion of activity. Residential construction recorded a marked acceleration in activity, with this month’s Housing activity index representing the second-fastest rate of expansion in the survey’s seventeen year history. There was also a sharp acceleration in commercial activity which took the Commercial PMI to its highest level in ten months. Civil engineering, despite that it continued to lag behind the other sectors, also edged higher in May to record a second consecutive month of positive growth.”

“Other details from the survey also highlight the strength of the ongoing expansion in activity. Strong market 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 fifteen-month 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 again at elevated rates. Survey respondents remained strongly optimistic about the year ahead with companies predicting that further rises in new orders should sustain favourable dynamics in construction activity over the near-term.”

Housing category drives growth

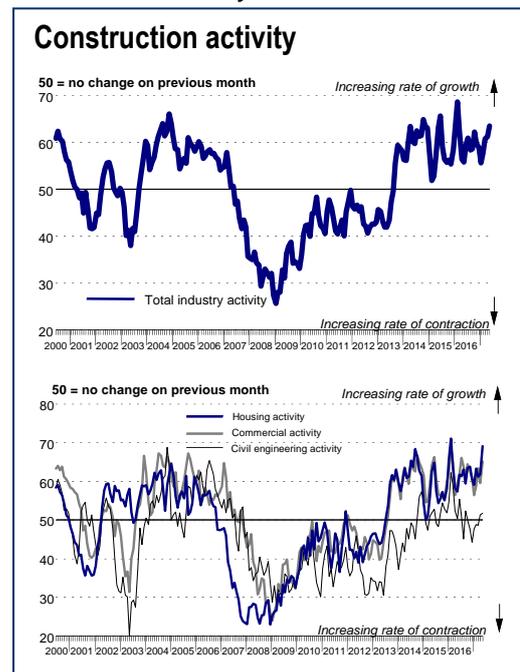
Activity on housing projects rose at the fastest pace of the three monitored categories as the rate of growth surged to a 15-month high. Commercial activity also increased substantially during May, with the latest rise the fastest since July 2016. Civil engineering activity expanded for the second month running. The rate of growth picked up from the previous month, but remained modest.

Latest Construction PMI[®] readings

	Apr'17	May'17
Total Activity	61.3	63.6
Housing Activity	61.9	69.2
Commercial Activity	59.6	65.2
Civil Engineering Activity	51.4	51.8

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 accelerates

New orders increased at one of the sharpest rates since the survey began in June 2000 as the pace of growth accelerated in May. New business has now risen on a monthly basis for almost four years.

Further strong rise in employment

Increased workloads led construction firms to raise their staffing levels, with more than one-quarter of respondents taking on extra staff. The rate of job creation was broadly in line with that seen in the previous month.

The rate of expansion in purchasing activity by Irish construction firms eased only slightly from April's record high and therefore remained considerable. Panellists reported having raised their input buying in response to higher new orders.

There was further evidence of suppliers struggling to keep up with demand for inputs in May, with delivery times lengthening to the greatest extent in almost four years.

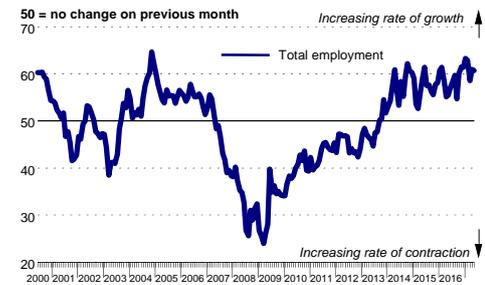
Meanwhile, the rate of input cost inflation quickened to a four-month high. Panellists reported higher raw material prices, with insulation mentioned in particular.

Business sentiment remained strong, with companies predicting that higher new orders will result in further growth of construction activity over the coming year. Close to 55% of respondents forecast a rise in activity, with just 3% expecting a fall.

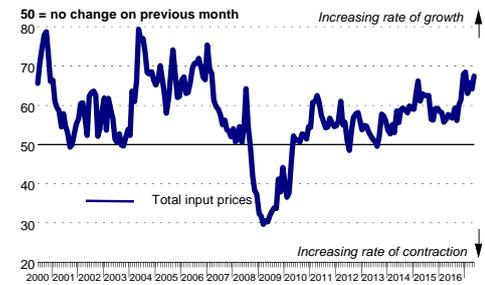
New business



Employment



Input prices



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Sources: IHS Markit, Ulster Bank.

Press information

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