

Ulster Bank Construction PMI[®] Report (RoI)

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Growth of construction activity accelerates for third month running

Growth momentum picked up in the Irish construction sector in April with output, new orders and employment all expanding at sharper rates during the month. Moreover, rising activity requirements led constructors to increase their own purchasing at the fastest pace on record. Sentiment regarding the 12-month outlook for output also improved. The **Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – rose for the third successive month in April posting 61.3, up from 60.8 in March. The reading signalled a sharp increase in total construction activity, and the most marked since last October. Panellists reported improving demand, with the housing sector mentioned in particular.

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. Indeed, the pace of expansion quickened for the third month running in April, in the process taking the PMI to a six-month high. The positive messages from the headline index were reinforced by a further strong increase in new business, with the New Orders index also rising to its highest level since October. Strong demand for the services of construction firms was also very much evident in further substantial increases in employment and input buying last month.”

“The April results also included evidence of broad-based expansion in the sector as all three sub-sectors posted increases in activity. Civil Engineering saw a welcome return to growth last month, interrupting a five-month sequence of declines in activity. Commercial activity also expanded at a very rapid rate, albeit that the pace of growth slightly eased in April. Residential construction remains an area of particular strength with Housing activity accelerating further to become the strongest activity category in April. Survey respondents reported that strong momentum in the housing sector along with improving economic conditions more generally are likely to sustain favourable dynamics in construction activity over the coming twelve months.”

Activity rises across all three categories

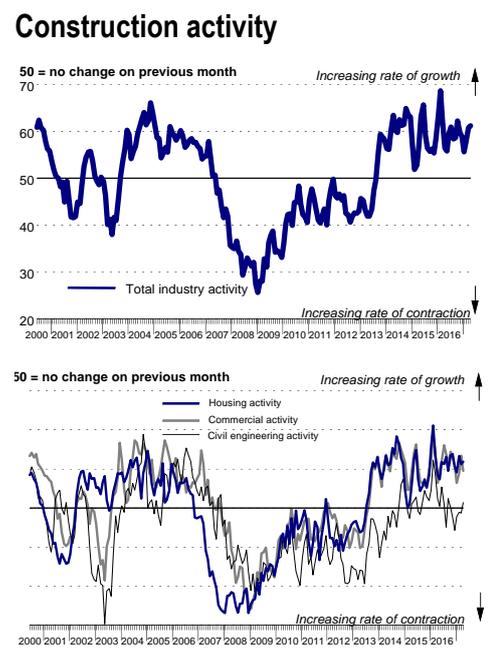
The housing category posted the fastest expansion of the three monitored areas of construction in April as the rate of growth ticked up. Commercial activity also increased sharply, while civil engineering posted a first expansion in activity since September last year. That said, the rise was only slight.

Latest Construction PMI[®] readings

	Mar'17	Apr'17
Total Activity	60.8	61.3
Housing Activity	61.3	61.9
Commercial Activity	63.5	59.6
Civil Engineering Activity	48.7	51.4

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.



Faster expansion of new orders

Stronger demand was also reportedly a key factor behind a further increase in new orders. The rate of expansion quickened markedly from that seen in March and was the strongest in six months.

The rate of job creation in the Irish construction sector also picked up at the start of the second quarter as increases in both current workloads and future activity requirements encouraged firms to take on extra staff. Employment has now risen in 44 successive months.

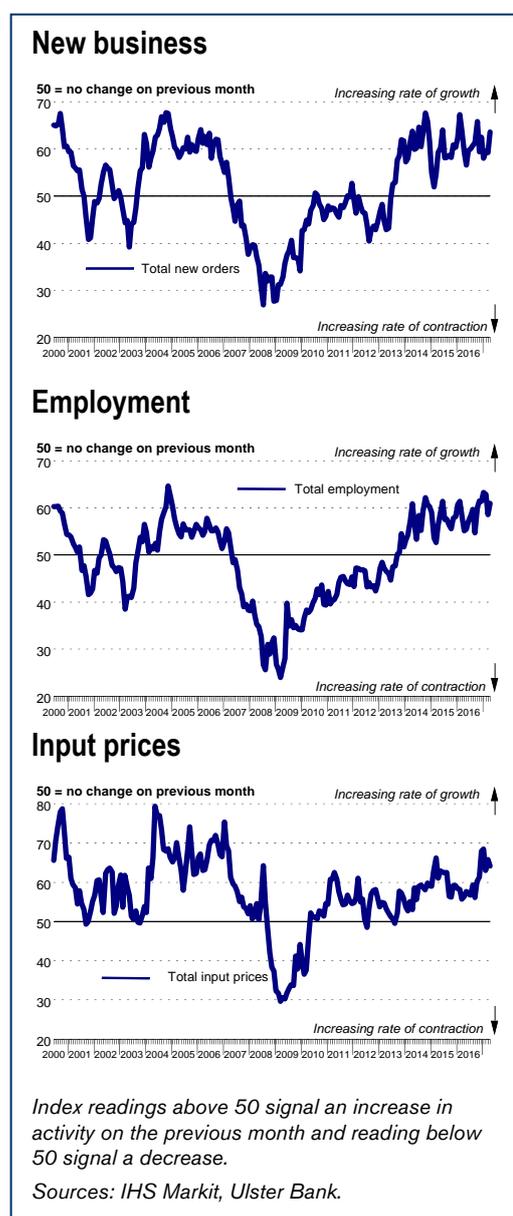
Record rise in input buying

Increased demand and a subsequent rise in workloads led to a record rise in purchasing activity among Irish construction firms in April, surpassing the previous record seen in November 2004.

This strong demand for inputs placed pressure on suppliers to the construction sector, resulting in a marked lengthening of delivery times. In fact, the deterioration in vendor performance was the strongest since February 2016.

The rate of input cost inflation in the construction sector eased slightly during April, but remained substantial and above the series average. A number of panellists reported higher prices for metals such as aluminium, copper and steel.

Confidence remained elevated, with nearly 60% of respondents predicting a rise in construction activity over the coming year. Improving economic conditions and particular strength in the housing sector were seen as being the main reasons for optimism.



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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