

Ulster Bank Construction PMI[®] Report (RoI)

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Activity rises at fastest pace in eight months during January

The Irish construction sector made a strong start to 2018, posting faster increases in activity, new orders and employment, as well as seeing confidence improve again. Meanwhile, input costs rose to the greatest extent in 11 years. The **Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – rose to 61.4 in January from 58.0 in December. The latest reading signalled a substantial monthly increase in total activity, and the fastest since May 2017. Activity has risen continuously since September 2013, with panellists mainly linking the latest expansion to the securing of new contracts.

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 paint a very encouraging picture of early-year activity trends in Irish construction. The headline PMI picked up for the third month in a row, with a highly elevated reading of 61.4 representing an eight-month high. There was a particularly notable acceleration in Commercial activity making it the fastest growing sector last month. However, the improvement was broadly-based, with the Housing PMI also rising to an eight-month high, consistent with ongoing very rapid activity growth. In addition, there were further welcome signs of improvement in Civil Engineering which logged a second consecutive month of expansion, with a 55.6 reading marking the best performance for that sub-sector in almost two years.

“Other detail within the report confirms the positive signals from the headline indicator. Notably, the New Orders index picked up again leaving it in line with the robust average pace of increase recorded to date in the recovery. And the strength of trends in current and prospective activity continues to underpin solid labour demand, with the Employment index rising to a five-month high. Overall, the January PMI indicates that, like their services and manufacturing counterparts, Irish construction firms have made a strong start to 2018. Moreover, construction firms are looking to the year ahead with high levels of confidence, with sentiment around future prospects buoyed by expected further improvements in the wider economy and in the construction industry itself.”

Commercial sector leads growth in January

For the second month running, activity rose across all three monitored categories of construction as civil engineering continued its recent recovery. In fact, activity on civil engineering projects increased sharply in January. Steep expansions in activity were recorded again in the housing and commercial sub-sectors, with commercial posting the strongest growth at the start of 2018.

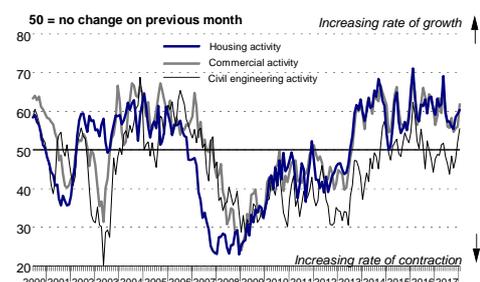
Latest Construction PMI[®] readings

	Dec'17	Jan'18
Total Activity	58.0	61.4
Housing Activity	59.4	60.4
Commercial Activity	56.1	61.9
Civil Engineering Activity	52.3	55.6

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.

Construction activity



New order growth at six-month high

Confidence among clients regarding economic conditions resulted in further growth of new orders in January. Moreover, the rate of expansion quickened to a six-month high.

Further sharp rise in employment

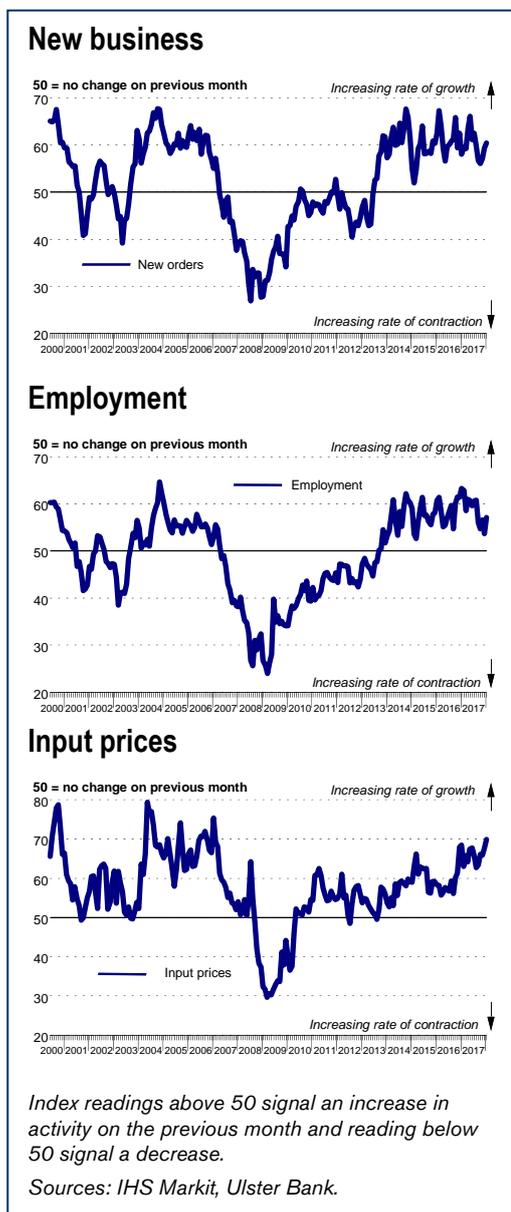
Rising workloads led construction firms to increase their staffing levels again, the fifty-third consecutive month in which that has been the case. The rate of job creation was sharp and the fastest since last August.

In line with the trends in activity, new orders and employment, the rate of expansion in input buying accelerated at the start of the year.

The increase in demand for inputs imparted pressure on suppliers. This, combined with a shortage of materials caused a further lengthening of delivery times. The latest deterioration in vendor performance was the sharpest in five months.

January data pointed to a sharp and accelerated monthly increase in input costs, with the latest increase the fastest since January 2007. A number of panellists mentioned that suppliers had raised their prices, while higher costs for fuel and labour were also reported.

Business sentiment strengthened for the second consecutive month. Confidence reflected expected improvements in conditions both in the wider economy and construction industry itself, as well as the prospect of further increases in new contracts. More than 53% of panellists forecast a rise in activity over the coming year.



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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