

Ulster Bank Construction PMI[®] Report (RoI)

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Construction activity rises at weakest pace in 31 months

October data signalled slower growth in the Irish construction sector, with weaker rises in total activity, new orders and employment all recorded. Meanwhile, the rate of input cost inflation quickened to a four-month high amid reports that material shortages had led to price rises. The **Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – posted 54.5 in October, down from 56.5 in September. The reading signalled a solid monthly increase in activity, albeit one that was the slowest in over two-and-a-half years. Activity has now expanded in 50 successive months.

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 continue to report healthy rates of expansion. The headline PMI did ease in October, consistent with some cooling in momentum following a very strong first half of 2017, in the process reaching its lowest level since March 2015. However, at 54.5, last month’s reading remains comfortably in expansion territory. Mirroring the pattern of the headline PMI, the sectoral sub-indices also painted a picture of moderating growth in October, though the Housing and Commercial indices both remain at elevated levels, and very much consistent with ongoing solid expansion. Civil Engineering continued to underperform, recording a fifth consecutive monthly decline in activity.”

“In line with the trends in total activity, employment and new business levels continued to rise solidly in October. But a further easing last month has left the pace of growth in both categories some way below the very rapid rates recorded over the summer months. While the overall story very much remains one of continuing construction sector improvement, both in absolute terms and relative to other European countries, the evidence of some recent cooling in momentum bears close watching in the months ahead.”

Marked rise in housing activity

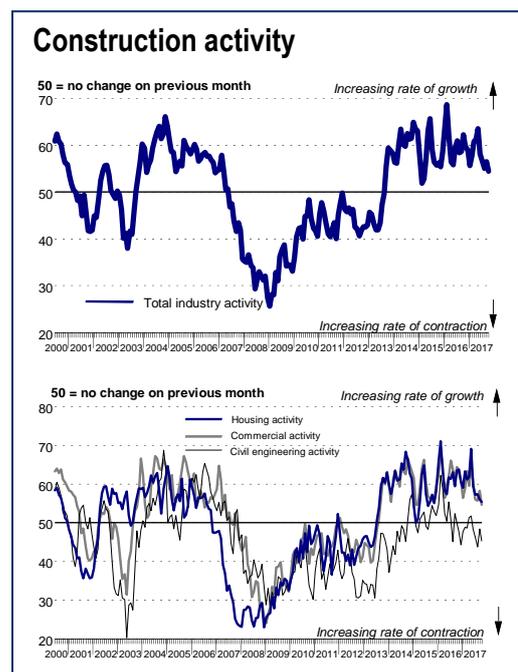
Slower rises in activity were recorded on both housing and commercial projects during the month, although both continued to see marked expansions. The faster increase was registered for housing activity. Meanwhile, civil engineering work continued to fall, and at a stronger pace than in September.

Latest Construction PMI[®] readings

	Sep'17	Oct'17
Total Activity	56.5	54.5
Housing Activity	56.1	55.5
Commercial Activity	58.4	54.7
Civil Engineering Activity	48.5	45.4

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.



Weaker increase in new business

Where activity increased, panellists linked this to higher new orders. On the other hand, there were some reports that new projects were less prevalent than in previous months.

New business increased at a sharp pace amid improving client demand. That said, the rate of expansion eased to a 31-month low.

New order growth leads to further hiring

The rate of job creation also eased in October, the second month running in which this has been the case. Employment continued to rise at a solid pace, however, with hiring mainly in response to new contracts.

Increasing workloads encouraged companies to raise their purchasing activity, with the rate of expansion quickening to a three-month high. This increase in demand for inputs imparted pressure on supply chains, leading to a further lengthening of delivery times.

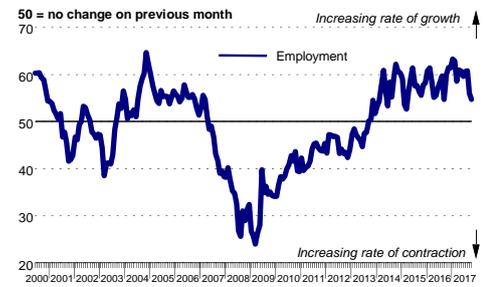
There were also reports of raw material supply shortages in October, which added to inflationary pressures. The rate of input cost inflation quickened to a four-month high. Some panellists indicated that cable prices had risen due to recent changes to regulations.

Construction firms remained strongly confident that output will increase over the coming year. Optimism was largely based on positive expectations regarding new business. That said, business sentiment dipped to an eight-month low.

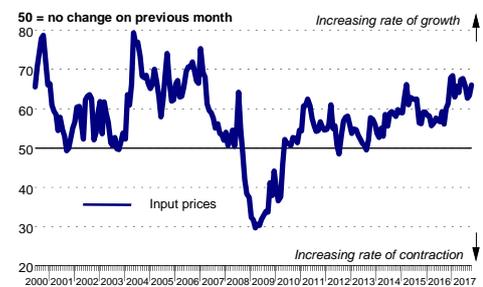
New business



Employment



Input prices



Index readings above 50 signal an increase in activity on the previous month and reading below 50 signal a decrease.

Sources: IHS Markit, Ulster Bank.

Press information

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