

Ulster Bank Construction PMI[®] Report (RoI)

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Total construction activity rises at a marked rate in April

Total activity across the Irish construction sector continued to increase in April, with the rate of expansion accelerating to a three-month high. Greater output was also reflected in faster growth in new orders, input purchasing and employment. That said, rises in demand fed through to increased pressure on supply chains and a marked increase in input prices. Although robust overall, confidence at construction firms dipped to a three-month low. The **Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – rose from 57.5 in March to 60.7 in April. The latest reading signalled a sharp expansion across the Irish construction sector, the second-fastest since May 2017. The overall upturn was driven by an increase in new projects following poor weather in the first few months of the year.

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 April. Following a weather-related slowdown in March, the headline PMI picked back up to a very elevated reading of 60.7 in April, in the process reaching a three-month high. There was a very sharp acceleration in commercial activity which took the Commercial PMI to its highest level since last May, in the process leaving commercial as the strongest performing activity category last month. But the improvement was broadly-based, with the pace of growth in Housing activity also picking up to an eleven-month high, while Civil Engineering recorded a fifth consecutive month of expansion, albeit at a somewhat slower pace in April.”

“Respondents also reported a marked pick-up in new business flows reflecting stronger client demand, with the new orders index rising to a very elevated reading - and nine-month high - of 61.6 in April. And the buoyancy in activity and new orders continues to underpin very strong and accelerated rates of job creation with the Employment Index picking up last month to its highest level since early 2017. Sentiment among firms about the sector’s prospects over the coming twelve months moderate d slightly in April but remains at elevated levels. 58% of respondents anticipate higher output levels over the year ahead, reflecting expectations for healthy construction demand in general and within the residential sector in particular.”

Commercial activity growth accelerates

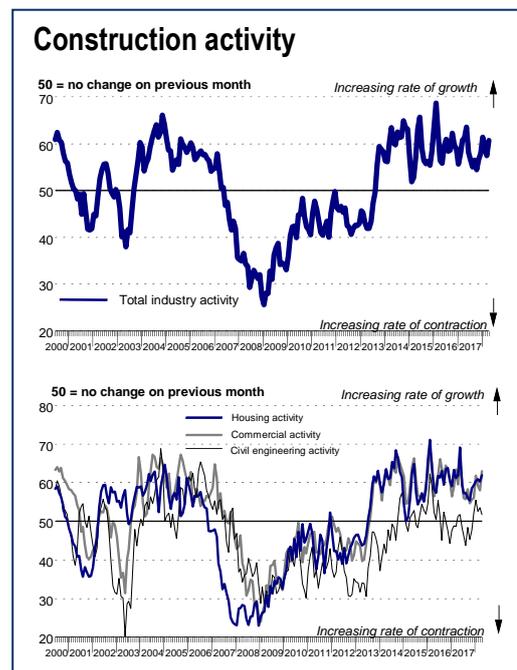
Total activity growth was supported by sharper rises in housing and commercial activity, each of which reported marked increases that were the fastest in 11 months. Meanwhile, growth in civil engineering activity softened and was the weakest of the three monitored sub-sectors.

Latest Construction PMI[®] readings

| | Mar'18 | Apr'18 |
|----------------------------|-------------|-------------|
| Total Activity | 57.5 | 60.7 |
| Housing Activity | 60.3 | 62.0 |
| Commercial Activity | 58.0 | 63.1 |
| Civil Engineering Activity | 53.5 | 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.



Growth of new orders fastest since July 2017

Similarly, new orders received increased at a marked pace in April. Greater client demand and wider success in tender applications were largely linked to the latest rise in new business. Moreover, the rate of expansion was the quickest in nine months.

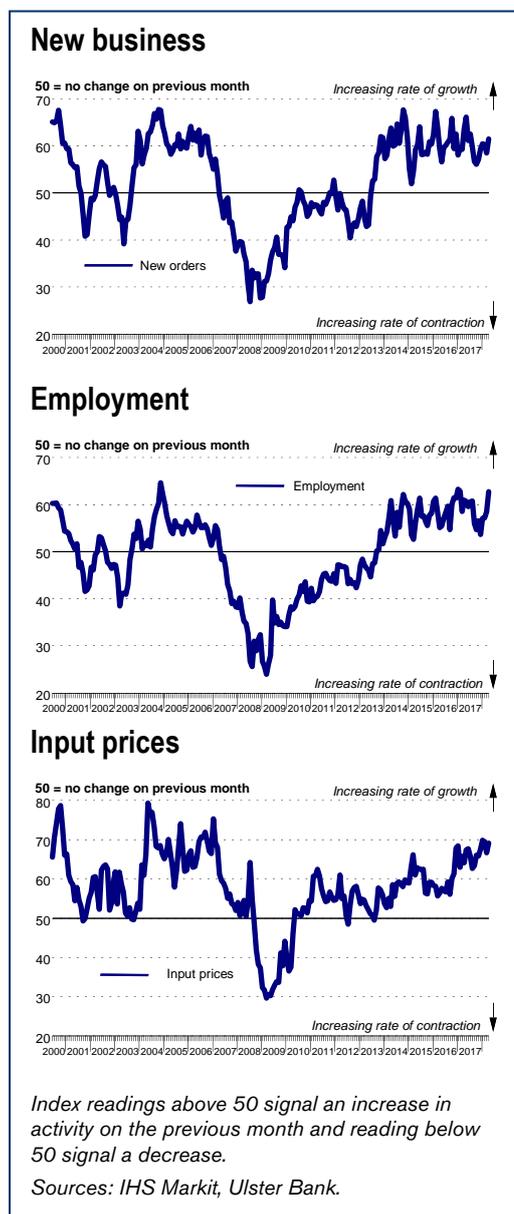
Rate of job creation quickens

Construction firms increased their workforce numbers at a marked pace in April. Greater workloads drove the fastest rise in employment since February 2017.

In line with larger workloads and new order growth, panellists reported a faster rise in input quantities purchased. The sharp increase was largely attributed to the sustained upturn in new orders and anticipations of increased future output levels.

Greater global demand for construction inputs placed pressure on supply chains, with vendor performance deteriorating further in April. Strains on capacities reportedly led to many suppliers increasing their prices. Anecdotal evidence stated that the marked rise in cost burdens was due to higher raw material prices, especially steel and insulation.

Finally, business confidence towards output over the coming 12 months was robust in April. Although dipping to a three-month low, widespread optimism stemmed from increased client demand and greater requests for housebuilding.



Press information

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