

Ulster Bank Construction PMI[®] Report (RoI)

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Growth of construction activity picks up in February

Rates of growth in total activity and new orders accelerated in the Irish construction sector during February, while job creation remained at a near-record pace. Companies remained optimistic regarding the prospects for growth of activity over the coming year, with optimism supported by improving economic conditions and predictions of further rises in new business. The **Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – rose to 57.9 in February from 55.7 in January, thereby signalling a sharp and accelerated expansion of activity. Growth has now been recorded on a monthly basis throughout the past three-and-a-half years, with higher new business and improvements in market conditions linked to the latest increase.

Commenting on the survey, Simon Barry, Chief Economist Republic of Ireland at Ulster Bank, noted that:

“Irish construction activity continues to grow at a robust pace according to the latest results of the Ulster Bank Construction PMI. The pace of activity growth picked up last month as the headline PMI rose to 57.9 in February from 55.7 in January, consistent with further rapid expansion and interrupting a three-month sequence in which growth had eased modestly. There was a very encouraging acceleration in residential activity which took the Housing PMI back to levels last seen in November, in the process keeping housing as the strongest performing activity category last month. The pace of growth in Commercial activity also accelerated in February and remains sharp. Civil Engineering continues to lag behind the other sectors, with respondents reporting a fourth consecutive monthly decline in activity.”

“Survey respondents mentioned that improving economic conditions continue to underpin strong client demand with the New Orders Index edging higher in February from already-elevated levels. In turn, this solid growth in new business continues to underpin increased demand for construction workers. Indeed, the Employment Index remains close to record levels, with this month’s reading representing the third-fastest rate of job creation in the survey’s 16 ½ year history. Last week’s National Accounts figures showed that construction was not only the fastest growing broad sector of the economy in 2016, but recorded its fastest year of output growth in over 20 years. The PMI survey results so far this year suggest that the sector is sustaining strong growth momentum through the early months of 2017.”

Housing category leads growth in February

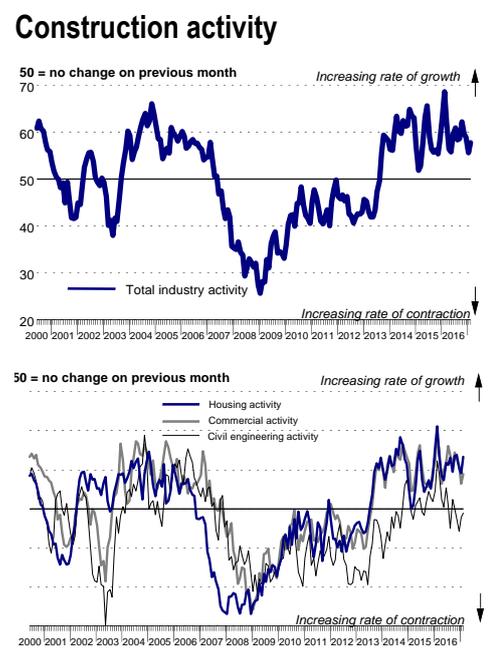
Both the housing and commercial construction categories posted stronger rises in activity during the month, while civil engineering activity decreased at a slower pace that was the weakest in the current four-month sequence of decline. The sharpest increase in activity was on residential projects, for the second month in a row.

Latest Construction PMI[®] readings

| | Jan'17 | Feb'17 |
|----------------------------|-------------|-------------|
| Total Activity | 55.7 | 57.9 |
| Housing Activity | 59.1 | 63.3 |
| Commercial Activity | 56.5 | 58.9 |
| Civil Engineering Activity | 47.8 | 48.9 |

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 orders increase at faster pace

In line with the trend in total activity, new business rose at a faster pace in February. Panellists mentioned that improving economic conditions had helped them to secure new orders.

Further near-record rise in employment

Constructors responded to increased workloads by taking on extra staff. There were also reports that employment had been raised in order to support business growth. As a result, the rate of job creation remained considerable and was the third-fastest in the survey's history.

Higher new orders encouraged firms to raise their purchasing activity. Although easing for the fourth consecutive month, the rate of expansion remained sharp. This increase in demand for inputs imparted capacity pressure on suppliers to the Irish construction sector. As a result, delivery times lengthened at a solid pace that was broadly in line with that seen at the start of the year.

The rate of input cost inflation eased markedly in February, but remained sharp amid reports of higher costs for raw materials including metals.

Although dipping from the previous month, optimism remained elevated in February as more than 54% of respondents predicted activity to rise over the coming year. Positive sentiment reflected improvements in the Irish economy and forecasts of further new order growth.

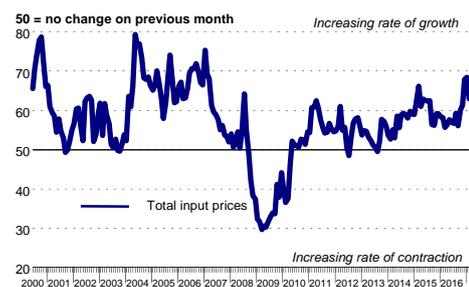
New business



Employment



Input prices



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Sources: IHS Markit, Ulster Bank.

Press information

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