

Ulster Bank Construction PMI[®] Report (RoI)

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Activity continues to rise sharply, but at weaker pace amid snow disruption

Irish construction activity continued to increase during March. Disruption caused by heavy snowfall at the start of the month contributed to slower expansions in activity, new orders and purchasing activity, but growth rates remained marked nonetheless. Furthermore, the rate of job creation picked up and business sentiment remained elevated. Snow disruption also caused problems with supplier deliveries, with lead times lengthening to the greatest extent since December 2005. The **Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – dropped to 57.5 in March from 59.2 in February. This signalled a weaker rise in construction activity during the month, with growth limited by heavy snowfall. That said, output continued to increase at a sharp pace amid reports of greater new projects.

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

“Despite having to contend with adverse weather during the early part of the month in particular, Irish construction activity continued to expand at a very brisk pace in March, according to the latest results of the Ulster Bank Construction PMI survey. A number of the survey’s main metrics (including the headline activity and new orders indices) did register some slippage last month reflecting weather-related difficulties. And snow disruption also proved problematic for supplier deliveries which were reported as being subject to longer lead times. However, at 57.5 in March, the headline PMI continues to point to robust growth, albeit not quite as rapid as in February when the PMI was at 59.2. In fact, we would not have been surprised to have seen a larger weather impact, particularly given the sizeable impact on factory output reported in the March Manufacturing PMI survey. So we take the March survey results as further evidence of a construction sector which continues to register very strong underlying growth performance.”

“It was also encouraging that the sector’s growth was again broad-based. Led by particularly strong growth in Housing activity, all three sub-sectors recorded expansion for the fourth month in a row. Furthermore, confidence levels among Irish construction firms clearly remain very buoyant as sentiment was little changed from February at levels that are amongst the highest on record. Over 63% of firms expect activity to increase in the coming twelve months, underpinned by confidence about the prospects for both the wider Irish economy and the construction sector itself.”

Housing again sees fastest rise in activity

Further strong rises were seen in activity on both housing and commercial projects, although in each case the rate of growth eased. The only sub-sector to see a sharper increase in activity was civil engineering, but it still posted the weakest rise overall.

Latest Construction PMI[®] readings

	Feb'18	Mar'18
Total Activity	59.2	57.5
Housing Activity	61.0	60.3
Commercial Activity	59.3	58.0
Civil Engineering Activity	52.7	53.5

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



Growth of new orders remains marked

In tandem with the picture for total activity, new orders increased at a sharp, but reduced pace during March. Panellists were reportedly able to secure new tenders amid strong market conditions.

Rate of job creation quickens

Although poor weather conditions impacted on activity in March, strong longer-term prospects led companies to raise staffing levels substantially again. Moreover, the rate of job creation quickened to a seven-month high.

As well as impacting growth of activity and new work, extreme weather caused issues for the supply of items to Irish construction firms. The pace of growth in purchasing activity eased to a seven-month low, but remained marked as companies increased input buying in response to higher new orders.

Meanwhile, suppliers' delivery times lengthened considerably during March, and to an extent not seen since the end of 2005. Delivery delays were mainly linked by panellists to Storm Emma disruption.

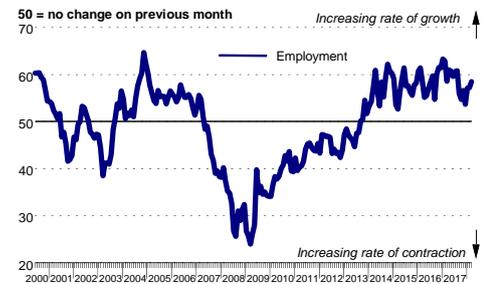
Although the rate of input cost inflation eased to a four-month low, it remained sharp and faster than the series average. Panellists reported higher costs for raw materials, including steel.

Construction companies were again strongly confident that activity will increase over the coming year. Sentiment was broadly unchanged from February's eight-month high. Improving business conditions in the construction sector itself and the wider Irish economy supported optimism in March.

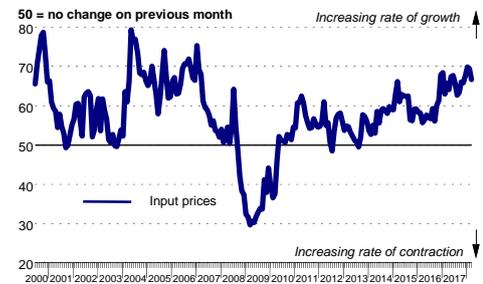
New business



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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