

Ulster Bank Construction PMI[®] Report (RoI)

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Near-record rise in employment in January

Activity in the Irish construction sector continued to rise sharply in January on the back of higher new orders. The key highlight from the latest survey was a near-record rise in employment as companies responded to greater workloads. On the price front, the rate of input cost inflation quickened to the sharpest since February 2007. The **Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – posted 55.7 in January to signal a further marked monthly increase. That said, down from 58.9 in the previous month, the index signalled a slower pace of expansion for the third month running.

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

“Irish construction activity continues to grow at a healthy pace according to the latest results of the Ulster Bank Construction PMI. The headline PMI index remained comfortably in expansion territory in January, albeit that the pace of growth eased for the third month running consistent with a modest loss of momentum early in 2017 after a robust end to last year. Very encouragingly, Residential activity remains a particular bright spot with Housing activity continuing to rise at a rapid pace, while Commercial activity also very much remains in expansion mode, though the pace of growth has eased in recent months. Civil Engineering continues to lag behind the other sectors, with respondents reporting a third consecutive monthly decline in activity.

“Respondents continue to judge the Irish construction outlook to be very favourable. Confidence about future activity prospects remained strongly positive in January amid further solid gains in New Orders, despite some easing in the rate of increase. Indeed, buoyed by the ongoing increase in work volumes, last month saw a substantial and accelerated rise in staffing levels with the rate of job creation picking up to its second-fastest in the survey’s 16 ½ year history. One note of caution stems from further evidence of building cost pressures with the rate of input cost inflation picking up to its quickest in almost 10 years. Respondents reported higher prices for oil-related products and for items sourced from UK suppliers, the latter effect consistent with growing signs of Brexit-related price and costs increases in the UK economy.”

Growth of activity continues in housing and commercial categories

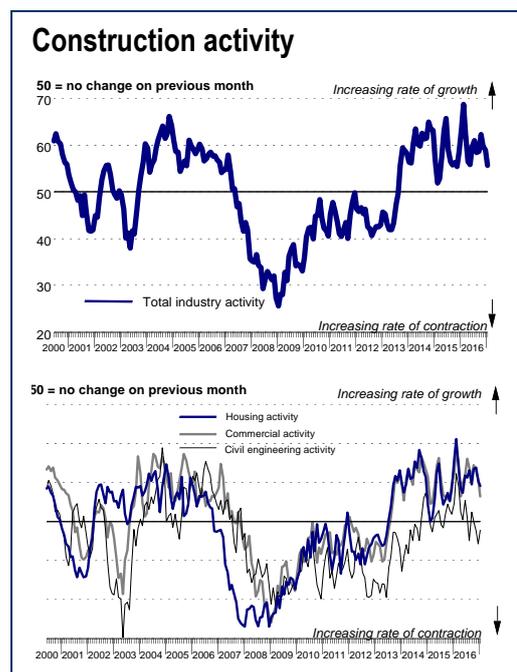
The rise in total activity continued to reflect growth in both the commercial and housing categories. The stronger rise at the start of the year was recorded on housing projects. Meanwhile, civil engineering activity continued to fall, extending the current sequence of decline to three months.

Latest Construction PMI[®] readings

	Dec'16	Jan'17
Total Activity	58.9	55.7
Housing Activity	60.6	59.1
Commercial Activity	61.0	56.5
Civil Engineering Activity	44.3	47.8

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.



Further sharp rise in new orders

Similar to the picture for activity, new orders rose at a sharp, but reduced pace in January. Where new business increased, this was linked to improving client demand amid stronger confidence.

Staffing levels increase at second-fastest pace on record

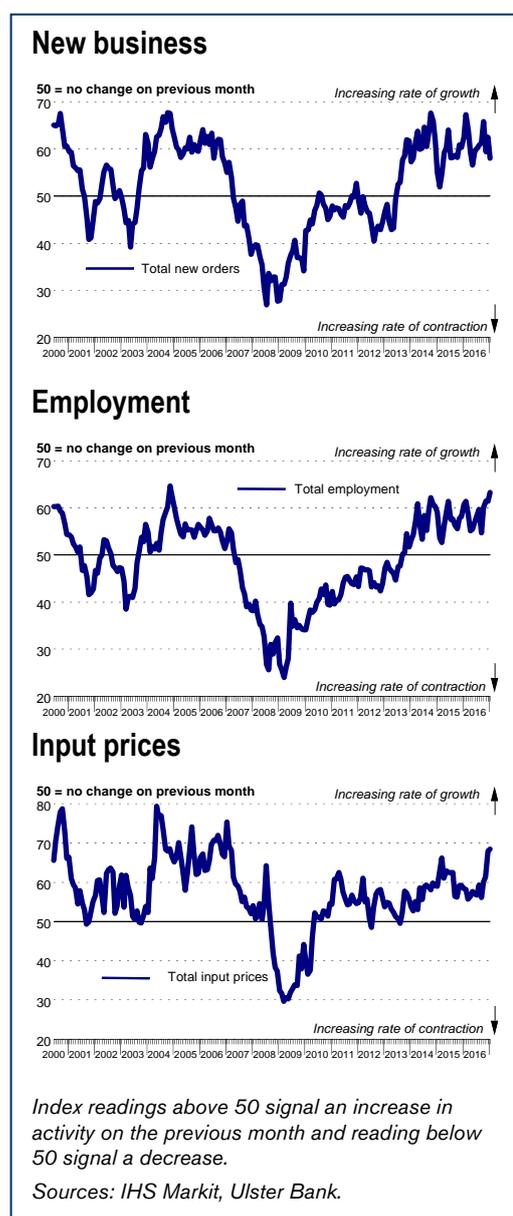
Rising workloads drove a further increase in employment at the start of the year. Furthermore, the rate of job creation was the second-fastest in the survey's history, just behind the record seen in November 2004. Approximately 27% of respondents signalled a rise in staffing levels during the month.

Companies also increased their purchasing activity sharply again at the start of the year, largely reflecting higher new orders. This was despite the rate of growth easing from December to the slowest since last June.

Increased demand for inputs contributed to another lengthening of suppliers' delivery times, although the rate of deterioration in vendor performance was the weakest in four months.

There was further evidence of mounting cost pressures in the sector during January, with the rate of input cost inflation quickening to the fastest since February 2007. According to respondents, higher prices for oil-related products and rising costs for items from UK suppliers had been behind the latest increase.

Construction firms remained strongly optimistic that activity would increase over the coming 12 months, with close to 60% of panellists forecasting an expansion. Positive sentiment was linked to confidence in the wider Irish economy and predictions of future new order growth.



Press information

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