

Ulster Bank Construction PMI[®] Report (RoI)

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Growth of activity slows but new business continues to rise sharply

There were further signs of a slowdown in growth of Irish construction output during August, but activity continued to rise sharply during the month amid sustained growth of new business. With new work rising again, companies continued to take on extra staff at a rapid pace. Meanwhile, the rate of cost inflation remained sharp amid euro weakness. The **Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – posted 56.5 in August, down from 59.1 in July but still signalling a sharp monthly rise in activity. Total output has increased continuously throughout the past two years.

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 indicate that the Irish construction sector experienced a further solid rise in activity in August, albeit that the pace of growth moderated since July. The headline PMI fell for the second month in a row in August, but these declines are from what was the second-highest reading in the survey’s history in June. At 56.5, the overall PMI remains considerably above the threshold level of 50 which signals expansion. Similarly, solid, but somewhat slower, rates of expansion were also recorded in residential and commercial activity though a second consecutive decline in civil engineering activity highlights that this sub-sector remains a relatively weak spot.

“Other notable highlights from the August survey included encouraging strength in new orders where a further sizeable increase in new business levels augurs well for the sector’s near-term prospects. Against the background of the ongoing gains in activity and orders, construction firms are continuing to expand their staffing levels at a rapid pace. The latest official jobs statistics from the CSO indicate that construction was the fastest-growing sector of the economy in terms of job creation in the year to the second quarter. The July and August readings of the employment index of the PMI survey indicate that the sector has continued to generate strong jobs growth since then.”

Commercial sector leads overall expansion

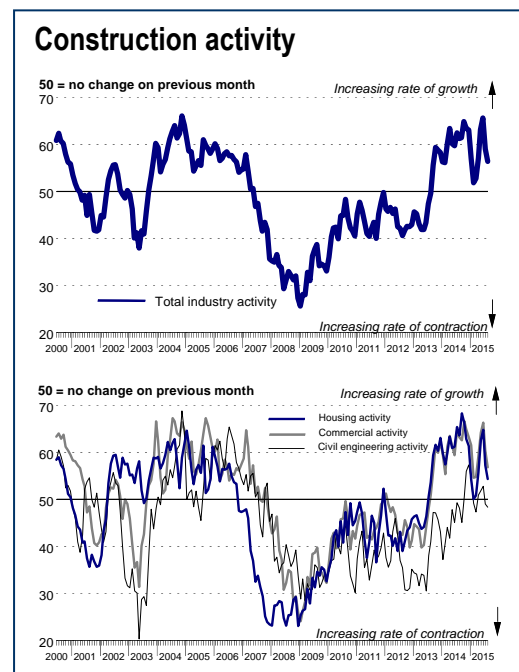
The commercial sector remained the best-performing of the three monitored categories in August, posting a substantial monthly increase, albeit the weakest since March. Growth of residential activity also eased for the second month running to the slowest in five months. Civil engineering activity decreased for the second successive month. Although modest, the rate of contraction was slightly sharper than that seen in July.

Latest Construction PMI[®] readings

	Jul'15	Aug'15
Total Activity	59.1	56.5
Housing Activity	57.3	54.4
Commercial Activity	60.5	56.9
Civil Engineering Activity	49.1	48.4

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: Markit, Ulster Bank.



Strong rise in new business

Growth of total activity was supported by a further expansion in new business. There was little sign of a slowdown in growth of new work as the rate of expansion was broadly in line with the previous month. New orders have now increased in each of the past 26 months.

Rate of job creation remains sharp

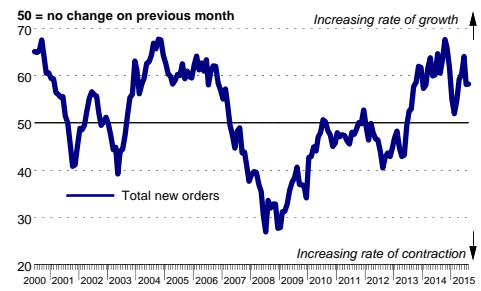
The rate of job creation was also little-changed from the previous month in August, remaining strong as around 24% of respondents took on extra staff. Panellists mainly linked higher employment to rising workloads.

Irish construction firms continued to increase their usage of sub-contractors, albeit at a reduced pace. The availability of sub-contractors deteriorated sharply again, with the rate of decline only marginally weaker than in July. This contributed to a further substantial increase in rates charged by sub-contractors, in spite of a further deterioration in their quality.

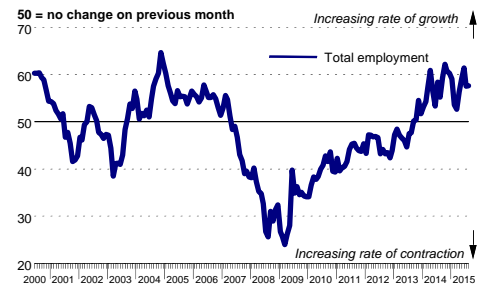
A combination of new order growth and efforts to replenish stocks led to another rise in purchasing activity during August. The rate of expansion eased for the third month running, but was still sharp. The time taken by suppliers to deliver purchased items continued to lengthen. Moreover, the rate of deterioration in vendor performance was the strongest since October last year.

August data signalled a further sharp increase in input prices, which panellists mainly attributed to the weakness of the euro against sterling having led to rises in the cost of imported items. The rate of inflation was broadly in line with that seen in July. Business sentiment remained strongly positive amid predictions of ongoing new order growth. Around 58% of panellists expected activity to increase over the coming 12 months.

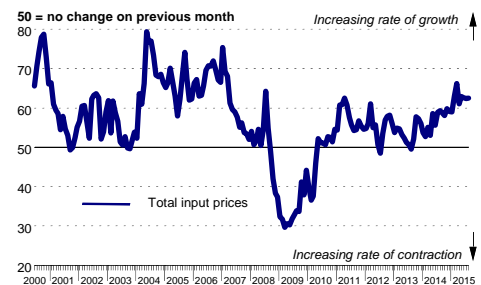
New business



Employment



Input prices



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Sources: Markit, Ulster Bank.

Press information

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