

Ulster Bank Construction PMI[®] Report (RoI)

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Construction activity rises sharply again

The recovery in the Irish construction sector continued in May. Although rates of expansion in activity, new orders and employment all eased from the highs seen in the previous month, they remained strong and companies were again optimistic regarding growth over the coming year. A marked acceleration in the rate of input cost inflation was recorded as suppliers took advantage of improved demand for inputs to raise their charges. The **Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – posted 60.2 in May, down from the previous month's reading of 63.5 but still pointing to a sharp increase in total construction activity. Activity has now risen in each of the past nine months, with the latest expansion linked to higher workloads and improving confidence.

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

"The latest Ulster Bank Construction PMI signals ongoing strong monthly growth of activity, with May's headline reading only slightly below April's near-record high. The recovery continued to be centred on housing and commercial activity, with both areas posting substantial rises again. However, there was some welcome news with regards to civil engineering activity, which decreased at the slowest pace since the end of 2007."

"The rate of growth in new orders also remained sharp despite easing from the previous month. Companies reported success in securing contracts for work both in Ireland and abroad and were confident that these trends would continue over the coming year, leading to further growth of activity during the next 12 months. This optimism encouraged firms to take on extra staff and raise their purchasing activity, in both cases at marked rates."

"Another notable aspect of the latest data was a sharp acceleration of cost inflation amid reports that suppliers have started to raise their charges in response to strengthening demand for inputs. Overall, the May data re-affirms the recent view of a sector on the mend."

Sharp expansion in commercial activity

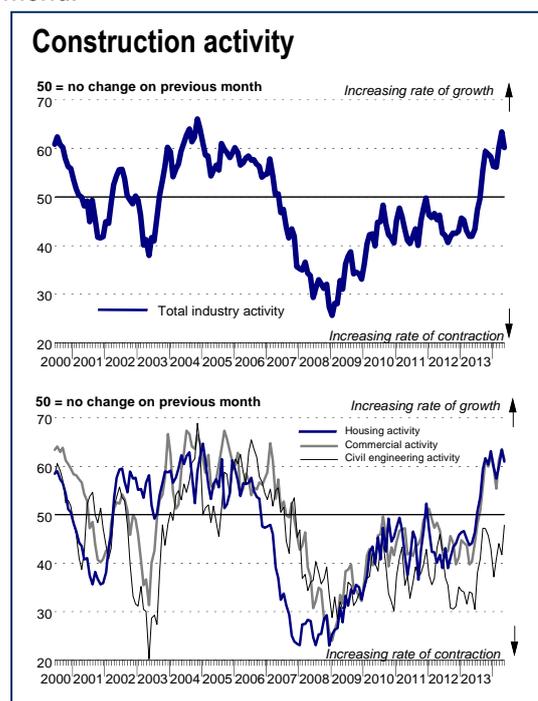
The commercial sector was the best-performing again in May, while a strong expansion in housing activity was also recorded during the month. Although activity on civil engineering projects continued to fall, the rate of decline slowed sharply to the weakest in the current sequence of contraction which began in December 2007.

Latest Construction PMI[®] readings

	Apr'14	May'14
Total Activity	63.5	60.2
Housing Activity	63.4	61.0
Commercial Activity	63.6	61.4
Civil Engineering Activity	41.8	47.9

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.

Source: Markit.



New order growth eases, but remains strong

New business continued to rise sharply during May, albeit at a weaker pace than seen in April. Panellists reported higher new work from both domestic and external markets.

Rises in purchasing and employment

Higher activity led construction firms to raise their buying activity and take on extra staff during May. Employment increased for the ninth consecutive month and the rate of job creation remained sharp despite easing from the previous month. Growth of input buying also remained strong during May, with around 30% of respondents increasing their purchasing levels.

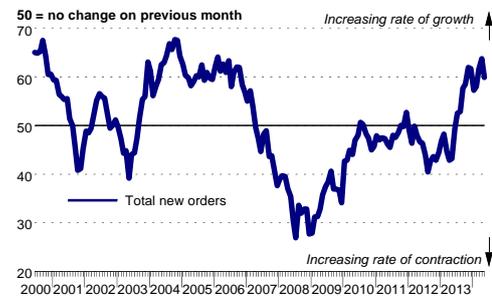
Reports from panellists suggested that suppliers had responded to higher demand for inputs by raising their charges. This contributed to a solid increase in input prices, the sharpest since March 2012.

There was evidence that suppliers had maintained a preference for low stock holdings in May, thereby leading to a further lengthening of delivery times in the sector.

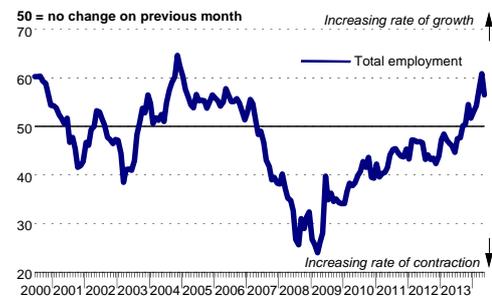
Companies remain strongly optimistic

Finally, business sentiment remained elevated in May and was again among the strongest in the history of the survey. Confidence in the sector and the wider economy supported optimism.

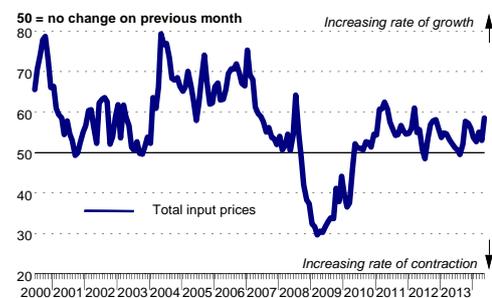
New business



Employment



Input prices



Index readings above 50 signal an increase in activity on the previous month and reading below 50 signal a decrease.

Source: Markit.

Press information

For further information please contact Simon Barry, Chief Economist Republic of Ireland, on 00 353 1 643 1553 or 00 353 86 3410142 or email simon.barry@ulsterbankcm.com
www.ulsterbank.com/economics

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