

Irish construction firms posted a further strong rise in business activity during June. This was despite an easing in the pace of growth, which mirrored a slowdown in the rate of expansion in new orders.



Employment continued to increase at a substantial pace, while business sentiment improved to a ten month high. The Ulster Bank Construction Purchasing Managers' Index® (PMI®) - a seasonally adjusted index designed to track changes in total construction activity - dropped to 58.2 in June from 63.6 in May, posting a sharp monthly rise in activity, albeit the weakest in four months. Total activity has now expanded in each of the past 46 months. Panellists reported improving demand, with the housing and commercial sectors highlighted

as areas of growth.

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

“Irish construction firms continue to experience rapid growth in their activity levels, according to the June results of the Ulster Bank Construction PMI survey. A decline in the headline PMI index, from 63.6 to 58.2, indicates that the pace of expansion did ease somewhat last month. However, this follows a particularly strong May performance (among the strongest in the survey’s 18 -year history) and the still very-elevated level of the PMI indicates that the recovery in Irish construction continues apace.

“Respondents continue to report that Commercial and Housing activity are key drivers of the activity gains. The Commercial category was the strongest performer last month, with the pace of growth of Housing activity moderating in June from near-record levels in May. June marked the 48th consecutive month of rising Housing activity, highlighting that four full years of expansion have now been recorded by firms operating in this particularly important sub-sector. The ongoing improvement in conditions in both the construction industry itself and the wider economy continue to underpin business confidence among respondents, with sentiment picking up to the strongest level since last August. Over 60% of firms expect activity to increase over the coming year, which taken together with further sharp increases in New Orders, suggests that near-term prospects for the sector remain very favourable following a very strong first half of 2017.”

**Fastest rise in activity in commercial category**

The commercial category was the best performer in June, with growth of activity remaining substantial despite a slowdown from the previous month. The rate of expansion in housing

activity also remained strong, extending the current sequence of monthly rises to four years. On the other hand, civil engineering activity decreased modestly in June, ending a two month sequence of growth.

### **Slower rise in new business**

In line with the trend in total activity, new orders rose at a sharp, but reduced pace in June. New business has increased continuously since July 2013.

### **Rate of job creation remains marked**

Construction firms responded to higher workloads by increasing their staffing levels. Although slowing slightly from that seen in May, the rate of job creation remained substantial. Close to 28% of panellists reported an increase in employment during the month.

Purchasing activity among Irish construction firms rose strongly again in June, albeit to the least extent since February. Where input buying increased, this was mainly linked to higher new orders.

There were further signs of delays in receiving purchased items, however, with supplier lead times lengthening again. Panellists indicated that this was due to shortages of raw materials, particularly timber.

The rate of input cost inflation accelerated for the second month running and was the fastest since the opening month of the year. A number of panellists reported higher costs for insulation.

Construction firms remained strongly optimistic regarding the 12-month outlook for output, with sentiment up to the highest since August last year. Improving conditions in both the

construction industry itself and wider Irish economy supported optimism, according to respondents.

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