

Ulster Bank Construction PMI® Report (RoI)

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Activity continues to fall sharply, but decline in new orders eases

Irish construction firms continued to record falling business activity in February, with the rate of decline little-changed from that seen in January. New orders and employment each fell at slower rates, however, and business sentiment improved. Meanwhile, a slight acceleration of input cost inflation was recorded. The **Ulster Bank Construction Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to track changes in total construction activity – posted 45.3 in February, slightly lower than the reading of 45.8 posted in January. This signalled a marked, and slightly quicker reduction in construction activity during the month. According to respondents, lower new work was a key factor behind the decline as inflows failed to compensate for the completion of projects.

Commenting on the survey, John Fahey, Economist Republic of Ireland at Ulster Bank, noted that:

“The February reading of the Ulster Bank Construction PMI indicates that the business environment remains challenging for Irish construction firms. The latest survey result indicates that the pace of contraction was slightly stronger last month, registering 45.3 in February, versus a reading of 45.8 in January. From a sectoral perspective, all three principal sub sectors (i.e. housing, commercial activity, civil engineering) continued to experience contraction in activity levels. It is not surprising then that survey respondents remain in job shedding mode, although the pace of contraction in employment levels did ease for the third consecutive month, and the reading of 48.3 is moving nearer the breakeven level of 50.”

“The construction sector has been severely hampered by the lack of new business opportunities. The new orders index, which is a key lead indicator, continued to contract in February. However, the rate of contraction in new orders slowed for the third month running and is now at its best level since March 2012, offering some slight encouragement that the dampening impact from the lack of new business is easing.”

Weaker reduction in housing activity

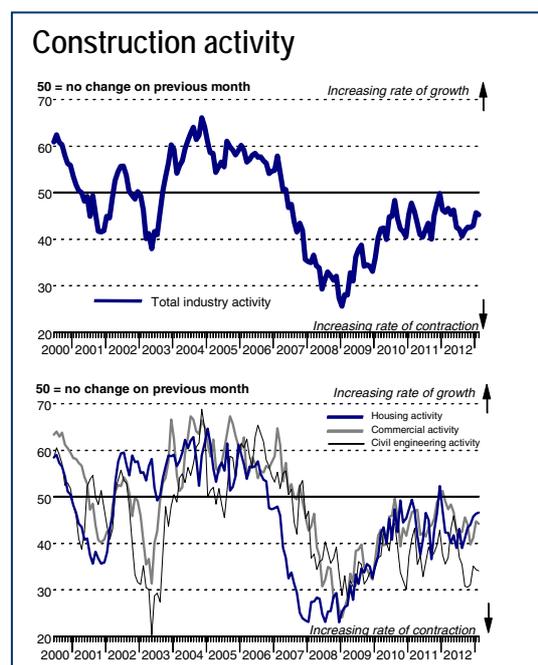
The weakest fall in activity was seen on housing projects, with the sector also the only one monitored to post a slower decline than at the start of the year. Commercial and civil engineering each saw a slightly quicker reduction in activity, with the sharper overall fall for work on civil engineering projects.

Latest Construction PMI® readings

	Jan'13	Feb'13
Total Activity	45.8	45.3
Housing Activity	46.5	46.7
Commercial Activity	44.8	44.3
Civil Engineering Activity	34.4	34.2

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.



Decline in new orders slows further

New orders at Irish construction firms decreased for the fourteenth successive month in February. However, the rate of contraction slowed for the third month running to the weakest since March 2012.

Weakest fall in employment since June 2007

The pace of reduction in employment also slowed during the month, and was the weakest in 68 months. Those panellists that lowered staffing levels mainly linked this to reduced workloads.

Decline in purchasing activity quickens

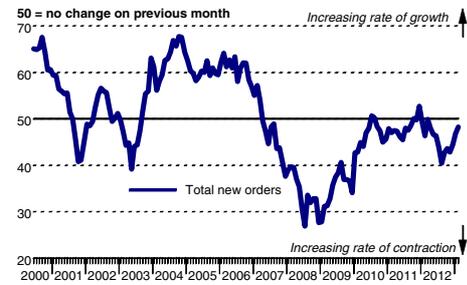
Construction firms recorded a sharp and accelerated decline in purchasing activity during February, with the latest fall the fastest since August last year. Panellists mainly linked reduced input buying to lower new orders.

According to respondents, low stock levels at suppliers was the main reason for a lengthening of lead times during the month. Suppliers' delivery times lengthened to the greatest extent in nine months. The rate of input cost inflation quickened slightly during February, with panellists reporting higher costs for raw materials including ceiling materials. Increased prices for oil-related products were also mentioned.

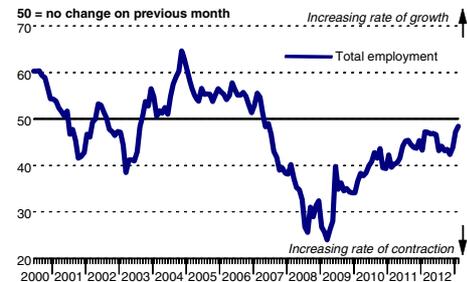
Optimism improves in February

Business sentiment strengthened for the fourth successive month, and was the highest since March 2012. Anecdotal evidence suggested that the principal cause for optimism among panellists was an expected improvement in wider economic conditions over the next 12 months.

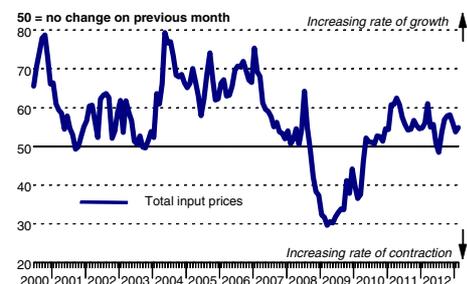
New business



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

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