

# Ulster Bank Construction PMI™ Report (RoI)

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## Construction firms cut jobs and purchasing in April amid falling workloads.

Irish construction activity continued to decline during April as new business decreased further. In turn, firms lowered their input buying and employment levels during the month. Meanwhile, input cost inflation accelerated for the third successive month. The **Ulster Bank Construction Purchasing Managers' Index™ (PMI™)** – a seasonally adjusted index designed to track changes in total construction activity – fell for the second month running to 43.7 in April from 46.1 in March. The reading signalled a substantial reduction in activity that was the strongest in 2011 so far. Activity at construction firms in Ireland has now decreased in each of the past forty-seven months.

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

*“The April reading of the Ulster Bank Construction PMI showed yet another decline in activity last month. This marked the 47th consecutive month of contraction for what is the Irish economy’s weakest sector. The ongoing declines in construction stand in marked contrast to the improving trends which have become evident in the internationally-traded sectors of the economy. The manufacturing and services PMIs have been above the key expansion threshold of 50 for most of the past year, buoyed by strong gains in export orders. In contrast, the largely domestic-focussed Construction PMI is mired in contraction territory; the latest survey showed an acceleration in the pace of decline, with the April reading of 43.7 marking the weakest performance since December of last year.*

*“At a sectoral level, there was a pronounced further weakening in home-building where the index fell back to its lowest level since July 2010, while activity also fell at a faster pace in civil engineering. Poor demand in the sector resulted in further declines in both new orders as well as employment. Staffing levels at Irish construction firms have now consistently fallen for the duration of the past four years – again, leaving construction a distance behind manufacturing and services where the PMIs have begun to point to signs of job creation in recent months. But despite the clear ongoing weakness in construction, firms in the sector remain hopeful that stability in the broader economy will lead to an improvement in activity over the coming year, with confidence reaching its highest level since January 2007.”*

### Residential activity fell at much faster pace

Each of the three monitored sub-sectors posted a fall in activity, led by civil engineering. The reduction in that sector was sharp, and the steepest since December 2010. Housing activity also contracted substantially, and at a much faster pace than in the previous month. By far the weakest reduction was in the commercial sector – the slowest in eight months.

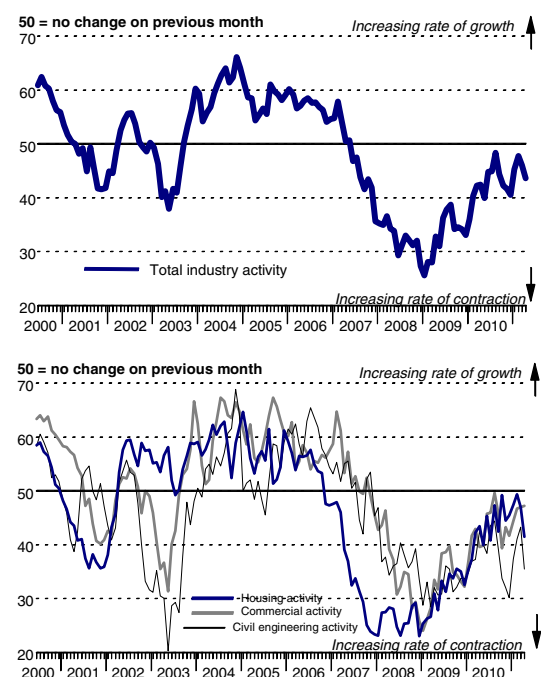
#### Latest Construction PMI™ readings

	Mar'11	Apr'11
<b>Total Activity</b>	<b>46.1</b>	<b>43.7</b>
Housing Activity	47.0	41.5
Commercial Activity	47.0	47.3
Civil Engineering Activity	43.3	35.5

*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.*

#### Construction activity



## Further reduction in new business

New orders continued to fall, mainly due to fragile demand at clients. The eighth successive monthly decline in new business broadly matched the pace seen during the first three months of the year.

## Staffing levels have now fallen throughout the past four years

As workloads decreased further, construction firms lowered employment again in April, and at a sharp rate. Job shedding in the sector has now been recorded throughout the past four years.

## Input cost inflation accelerated

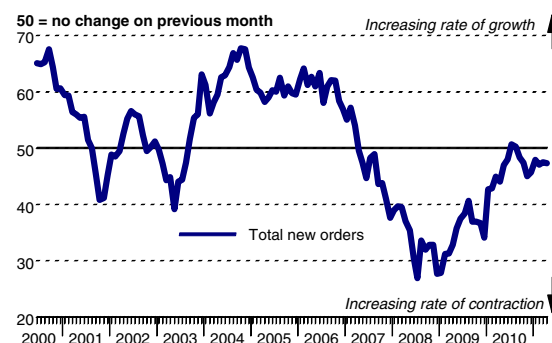
Also reflecting the latest drop in workloads, Irish constructors lowered their input buying during April. Despite easing, the latest decline in purchasing was still marked.

Input prices rose sharply again in April, extending the current sequence of inflation to one year. Furthermore, the rate of increase in input prices accelerated for the second consecutive month, and was the sharpest since July 2008. Anecdotal evidence indicated that higher prices for oil and raw materials had been the key factors behind inflation. Suppliers' delivery times shortened for the first time in three months, although the rate of improvement was only slight. Reports from panellists pointed to a contrast between declining workloads at suppliers and low stock levels.

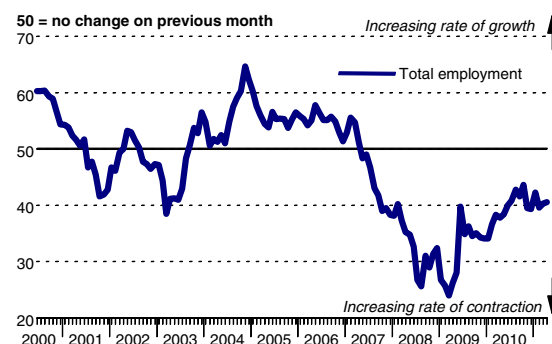
## Companies expected rise in activity

Irish constructors were optimistic that activity will increase over the coming year from the current low levels. Optimism largely reflected hopes for economic stability.

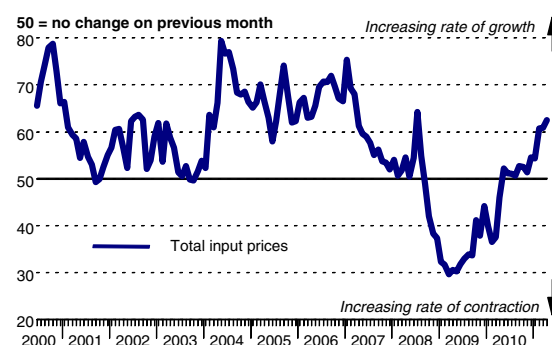
## New business



## 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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