News Release: 14th July 2014

Construction activity rises sharply again in June

A further expansion in Irish construction activity was recorded in June, extending the current sequence of growth to ten months. The latest rise was supported by sharp new order growth, which also led to increases in employment and purchasing activity. Meanwhile, the rate of input cost inflation remained solid despite easing from that seen in May. The Ulster Bank Construction Purchasing Managers’ Index® (PMI®) – a seasonally adjusted index designed to track changes in total construction activity – recorded a reading of 59.9 in June, down slightly from 60.2 in May but still signalling a sharp expansion of activity in the sector. Activity has risen continuously since September 2013.

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

“The results of the June survey of the Ulster Bank Construction PMI confirm that activity trends in Irish construction firms remained robust at the end of the second quarter. The headline PMI eased back a touch last month but still remains at a very elevated level, consistent with ongoing solid improvement in the sector, albeit from the very depressed levels reached in the downturn. The June survey confirmed that housing and commercial activity remain areas of particular strength as each sub-sector registered further rapid rises in activity.

“Looking ahead to the second half of the year, near-term prospects for the Irish construction sector continue to look favourable. Of particular note is the continued buoyancy of new orders as firms again reported a sharp increase in new business during June, marking the twelfth consecutive month of rising order levels. The strong trends in activity and new business continue to underpin job creation in the sector as staffing levels were raised for the tenth month in a row in June, albeit at a less rapid pace than in recent months.”

Growth in housing activity leads overall rise

The residential sector was the best-performing of the three monitored construction categories in June, with activity on housing projects increasing at a substantial and accelerated pace. Commercial activity continued to rise markedly, albeit at a slower rate than in the previous month. Meanwhile, a solid decline in civil engineering activity was recorded, with the pace of reduction faster than that seen in May.

<table>
<thead>
<tr>
<th>Latest Construction PMI® readings</th>
<th>May’14</th>
<th>Jun’14</th>
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</thead>
<tbody>
<tr>
<td>Total Activity</td>
<td>60.2</td>
<td>59.9</td>
</tr>
<tr>
<td>Housing Activity</td>
<td>61.0</td>
<td>61.3</td>
</tr>
<tr>
<td>Commercial Activity</td>
<td>61.4</td>
<td>59.4</td>
</tr>
<tr>
<td>Civil Engineering Activity</td>
<td>47.9</td>
<td>45.1</td>
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</table>

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.
Faster rise in new orders

The rate of growth in new business ticked up slightly in June. New orders have risen in each month throughout the past year, with panellists attributing the latest increase to improvements in the housing market and higher new work from abroad.

Tenth successive monthly rise in employment

Increased workloads led construction firms to raise staffing levels again in June. Job creation has now been recorded in each of the past ten months, although the latest increase in employment was the slowest since January.

Rising new work encouraged companies to increase their purchasing activity during June. Input buying rose for the fourth month running and at a sharp pace. Data suggested that vendors struggled to adapt to rising demand for inputs as delivery times lengthened sharply during the month. The latest lengthening of lead times was the strongest since July 2013. Delivery times have now lengthened continuously throughout the past three years.

A further solid increase in input prices was recorded, although the rate of inflation slowed from the previous month. Some respondents indicated that a rise in prices charged by suppliers in order to support their margins had led to the increase in costs.

Sentiment higher than in May

The securing of new business and predictions of further improvements in market conditions contributed to optimism regarding the 12-month outlook for activity. Sentiment improved from the previous month and was among the strongest in the survey’s history.

Press information

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Calls may be recorded.

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