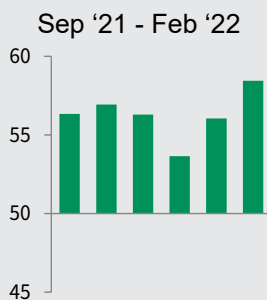


BNP Paribas Real Estate Ireland Construction PMI[®]

Rate of expansion gathers pace amid improving demand

Ireland Construction Total Activity Index



Sharper increases in activity and new orders

Difficulties sourcing staff result in softer rise in employment

Supply disruption continues, but at reduced level

Growth momentum continued to build in the Irish construction sector during February, with activity and new orders each rising sharply. The rate of job creation moderated, however, amid some reports of difficulties sourcing additional staff. Meanwhile, the rate of input cost inflation remained sharp and supply-chain disruption continued, albeit to a lesser extent.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index increased to 58.4 in February from 56.1 in January. The latest reading pointed to a tenth successive monthly expansion in construction activity, and one that was the most marked since July last year. Where activity rose, this was mainly linked by panellists to improving demand, while there were some reports of increased work due to the recent storms.

Growth was registered across the three categories of construction covered by the survey, with commercial continuing to record the sharpest expansion. Commercial activity rose at the fastest pace since last June, while growth of housing activity also accelerated, reaching a five-month high. Civil engineering activity rose solidly, albeit at a softer pace than in January.

In line with the picture for activity, new business increased at an accelerated pace in February, with growth largely reflecting rising client demand. The rate of expansion in new orders was at a six-month high.

The rate of growth in purchasing activity also quickened as companies responded to the aforementioned improvements in demand. The latest rise in input buying was the strongest since July last year.

BNP Paribas Real Estate Ireland Construction Total Activity Index

sa, >50 = growth since previous month



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In contrast to the trends seen elsewhere, the rate of job creation slowed in February and was the weakest since last April. Although firms took on extra staff in line with higher workloads, there were some reports that difficulties finding labour and cost considerations limited the pace of jobs growth.

Construction firms also continued to face difficulties securing materials amid ongoing COVID-19 disruption and increasing demand for inputs which added to pressure on suppliers. Vendor lead times lengthened substantially again in February, albeit to the least marked extent in 17 months.

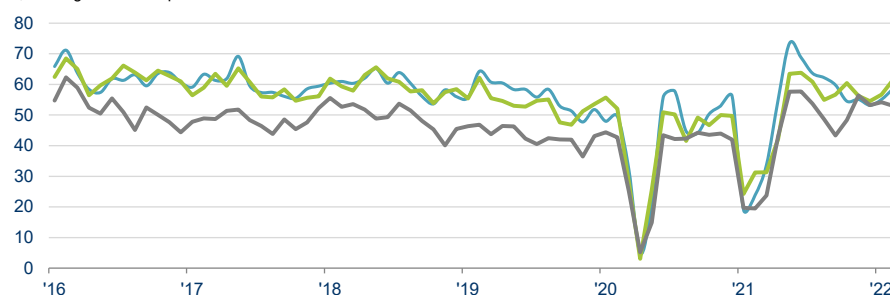
Material shortages resulted in a further steep rise in input costs, with the rate of inflation unchanged from that seen in January. Meanwhile, sub-contractor rates increased at the sharpest pace on record amid a mismatch of supply and demand.

Improvements in demand, a strong pipeline of new work and expectations of a diminished impact of the COVID-19 pandemic resulted in confidence among constructors that activity will increase over the coming year. Although softening from January's recent peak, sentiment was still above the series average.

Activity Index by sector

sa, >50 = growth since previous month

Housing / Commercial / Civil Engineering



Comment

Commenting on the latest survey results, John McCartney, Director & Head of Research at BNP Paribas Real Estate Ireland, said:

"The February PMI shows that construction activity is now increasing at its fastest pace since last summer's post-lockdown rebound. Commercial building led-out for the third straight month. This is no surprise considering that the amount of logistics space under construction in Dublin has more than doubled in the last year, and that 2022 is set to be the biggest year for office completions since 2007. However strong commercial activity

has not crowded-out residential construction. Consistent with the sharp rise in commencements over the last year, the housing activity index accelerated to 58.5 in February, well above the no-change figure of 50. This continues an 11-month run of expansion in housing activity.

Building companies have reported increasing costs for nearly two years, and the input price index remained elevated in February. Unfortunately things may get worse before they get better; In addition to the impact of Brexit, Covid and the Ukraine conflict on materials costs, labour

costs may also be set to rise. Official statistics show that wage pressures in the sector have remained well contained so far, despite 23,300 more construction workers being hired last year. However the February PMI shows that the pace of recruitment has slowed and some firms are now reporting difficulties in finding staff. This could ultimately flow-through to wage inflation which would exacerbate existing cost pressures and have knock-on implications for viability."

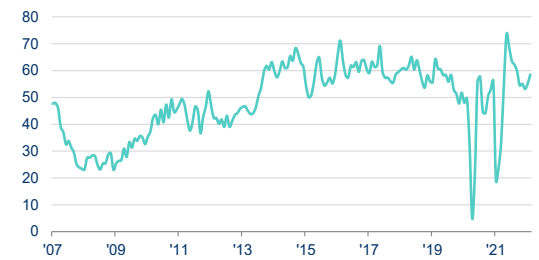
Activity by sector

Residential

The rate of growth in activity on residential projects accelerated for the second month running in February and was the fastest since last September. Housing activity has now increased in each of the past 11 months.

Housing Activity Index

sa, >50 = growth since previous month



Commercial

February data pointed to a sharp expansion of activity on commercial construction projects in Ireland. The rise was the fastest since June last year and the strongest of the three categories covered by the survey.

Commercial Activity Index

sa, >50 = growth since previous month

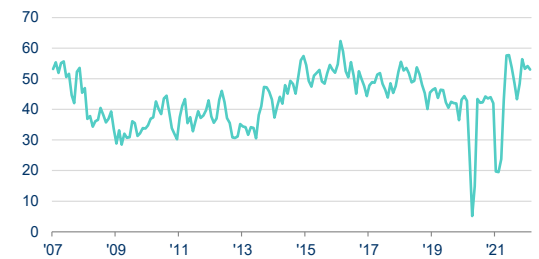


Civil Engineering

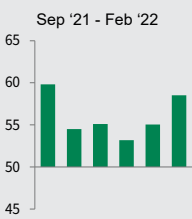
As has been the case in each of the past four months, Irish construction firms raised their activity on civil engineering projects during February. Although solid, the rate of expansion eased to the softest in the current sequence of growth.

Civil Engineering Activity Index

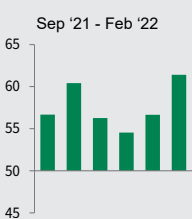
sa, >50 = growth since previous month



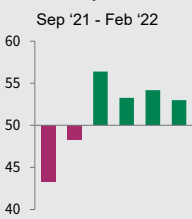
Housing Activity Index



Commercial Activity Index



Civil Engineering Activity Index



Demand and jobs

New orders

The rate of expansion in new orders accelerated sharply in February and was the strongest since August last year. Where new business increased, panellists generally linked this to improving demand conditions. There were some specific mentions of new housing work having been received, while other respondents reported that the recent storms had led to new business coming in.

Employment

Irish construction firms continued to increase their staffing levels during February, thereby extending the current sequence of job creation to 11 months. Those respondents that took on extra staff linked this to higher workloads. Some other firms, however, indicated that they had been unable to raise employment due to difficulties sourcing staff and cost considerations. As a result, the rate of jobs growth softened to a ten-month low.

New Orders Index

sa, >50 = growth since previous month



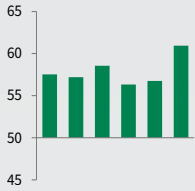
Employment Index

sa, >50 = growth since previous month



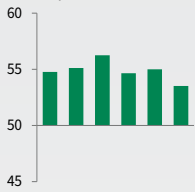
New Orders Index

Sep '21 - Feb '22



Employment Index

Sep '21 - Feb '22

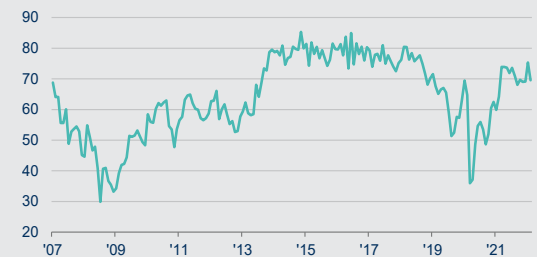


Business expectations

Although dipping from January's recent peak, business confidence remained positive in the Irish construction sector in February. Around 45% of respondents predict a rise in activity over the coming year, linked to improving demand, a strong pipeline of new work and the end of the COVID-19 pandemic.

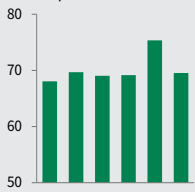
Future Activity Index

>50 = growth expected over next 12 months



Future Activity Index

Sep '21 - Feb '22



Purchasing

Quantity of purchases

February data pointed to a further increase in purchasing activity in the Irish construction sector. Moreover, the rate of expansion was sharp and quickened slightly to the fastest in seven months. Input buying has risen continuously since April last year, with the latest increase linked to improving customer demand.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' delivery times

There were further signs of supply-chain disruption easing in February as the rate at which lead times lengthened softened for the fourth successive month to the least marked since September 2020. Delivery times continued to lengthen substantially, however, linked to rising demand for inputs and ongoing disruption caused by the COVID-19 pandemic.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Input prices

Input costs continued to rise sharply midway through the first quarter, with the rate of inflation unchanged from that seen in January. General increases in material costs were reported, with global shortages and Brexit contributing to inflationary pressures. Higher transport costs were also mentioned.

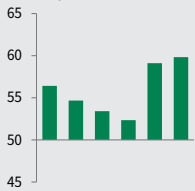
Input Prices Index

sa, >50 = inflation since previous month



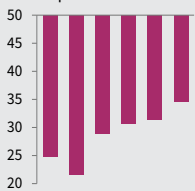
Quantity of Purchases Index

Sep '21 - Feb '22



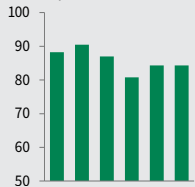
Suppliers' Delivery Times Index

Sep '21 - Feb '22



Input Prices Index

Sep '21 - Feb '22



Items up in price

Aggregates
Aluminium
Building Products
Cable
Cement
Concrete
Concrete Products
Conduit
Copper
Diesel
Electrical Equipment
Electricity
Fuel
Glass
Insulation
Labour
Light Fittings
Mastics
MCB Boards
Metal

Paint
Pipes
Plastic
Plumbing Fittings
Plumbing Materials
PVC
Radiators
Rockwool
Steel
Steel Fixings
Steel Sheeting
Timber
Timber Products
Trunking
Window Mastic

Items down in price

None

Items in short supply

Cleaning Machines

Doors
Electrical Equipment
Glazing
Insulation
Paint
Plasterboard
PVC Products
Steel
Timber
Windows

Subcontractors

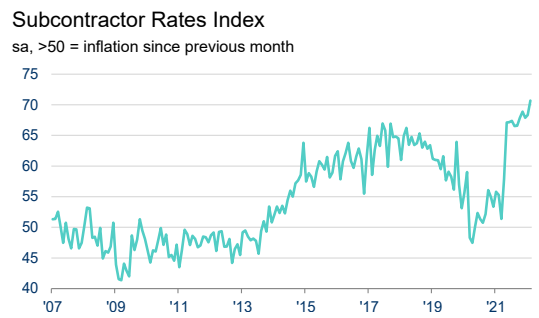
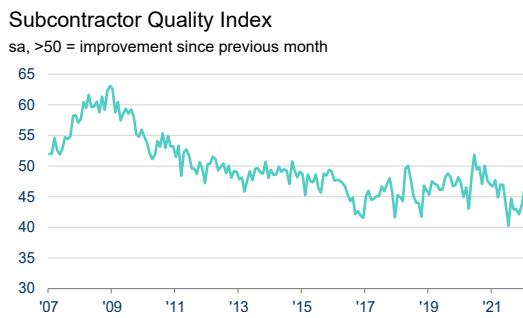
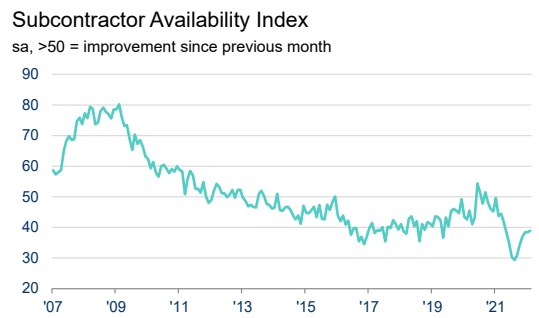
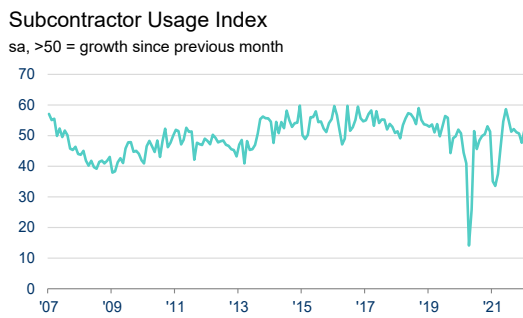
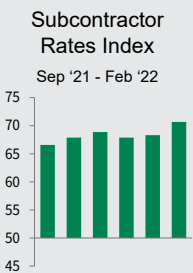
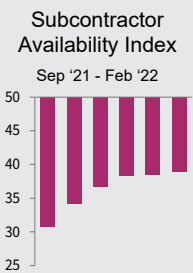
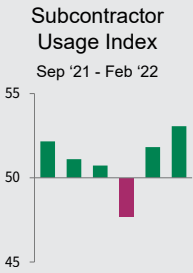
The rates charged by sub-contractors used by the Irish construction sector rose at the fastest pace in nearly 22 years of data collection in February amid a supply and demand mismatch.

The usage of sub-contractors increased for the second month running, and at the sharpest pace since July 2021. Meanwhile, sub-contractor availability continued to decline substantially. That said, the rate of reduction softened to a ten-month low. Meanwhile, the quality of work carried out by sub-contractors was deemed to have deteriorated.

Subcontractors in short supply

Blocklayers
Carpenters
Ecologists
Electrical & Mechanical
Fire Consultants

Ornithologists
Plasterers
Visual Impact Specialists
Wet Trades



Survey methodology

Survey panel size

150

construction firms

Index calculation

$$\begin{aligned} & \% \text{ 'Higher' } \\ & + \\ & \frac{(\% \text{ 'No change'})}{2} \\ & + \\ & (\% \text{ 'Lower'}) \times 0 \end{aligned}$$

The BNP Paribas Real Estate Ireland Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 10-28 February 2022.

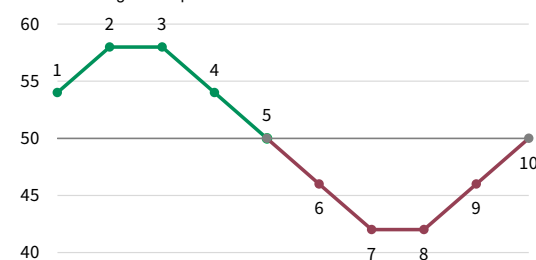
Survey data were first collected June 2000.

Survey questions

Total activity	Quantity of purchases
Housing activity	Suppliers' delivery times
Commercial activity	Input prices
Civil engineering activity	Subcontractor usage
New orders	Subcontractor availability
Employment	Subcontractor quality
Future activity	Subcontractor rates

Index interpretation

50.0 = no change since previous month



1 Growth	6 Decline, from no change
2 Growth, faster rate	7 Decline, faster rate
3 Growth, same rate	8 Decline, same rate
4 Growth, slower rate	9 Decline, slower rate
5 No change, from growth	10 No change, from decline

Sector coverage

Construction PMI data include responses from companies operating in the entire construction sector, including the following ISIC Rev.4 codes:

41 Construction of buildings	electricity and telecommunications	43.29 Other construction installation
41.10 Development of building projects	42.91 Construction of water projects	43.31 Plastering
41.20 Construction of residential and non-residential buildings	42.99 Construction of other civil engineering projects n.e.c.	43.32 Joinery installation
42 Civil engineering	43 Specialised construction activities	43.33 Floor and wall covering
42.11 Construction of roads and motorways	43.11 Demolition	43.34 Painting and glazing
42.12 Construction of railways and underground railways	43.12 Site preparation	43.39 Other building completion and finishing
42.13 Construction of bridges and tunnels	43.13 Test drilling and boring	43.91 Roofing activities
42.21 Construction of utility projects for fluids	43.21 Electrical installation	43.99 Other specialised construction activities n.e.c.
42.22 Construction of utility projects for	43.22 Plumbing, heat and air-conditioning installation	

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