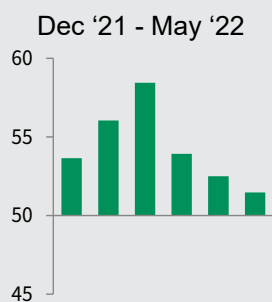


# BNP Paribas Real Estate Ireland Construction PMI<sup>®</sup>

## Growth of activity slows further amid fall in new orders

### Ireland Construction Total Activity Index



**New orders down for second month running as prices rise sharply**

**Activity up at slowest pace in 13 months**

**Business confidence weakest since October 2020**

Growth of Irish construction activity slowed further during May as substantial price pressures continued to impact the sector. New orders decreased for the second month running, while business confidence slumped.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index posted 51.5 in May, remaining above the 50.0 no-change mark but falling from 52.5 in April to signal a slower pace of expansion. In fact, the rate of growth in activity has now softened in three successive months. While some companies were able to continue raising activity, others reported that strong cost pressures had hit demand and led to lower workloads.

Sector data suggested that the main source of the slowdown in growth in May was the commercial category, where activity increased at the softest

pace in the current 13-month sequence of expansion. The housing category bucked the wider trend and posted a sharper increase in activity during May. Meanwhile, civil engineering work continued to fall, but at a softer pace.

New orders decreased for the second month in a row. The fall in May was only modest, but stronger than seen in April. According to respondents, strong cost pressures was the main reason for declining new business, with some customers postponing projects until prices begin to come down.

The rate of input price inflation remained elevated, with close to three-quarters of panellists reporting a rise in their cost burdens over the month. Among the items most widely reported as having increased in price were copper, fuel and oil. Some firms indicated that the war in Ukraine was behind price rises. Meanwhile, sub-contractor rates rose

BNP Paribas Real Estate Ireland Construction Total Activity Index

sa, >50 = growth since previous month



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at the sharpest pace on record.

As well as hitting customer demand and causing a slowdown in growth of activity, sharp price rises also led to a slump in business confidence midway through the second quarter. Sentiment was at its lowest level since October 2020, with any lingering confidence largely reflecting hopes that economic conditions will start to improve soon.

The main positive from the latest survey was a marked and accelerated increase in employment as firms made efforts to rebuild capacity. The rate of job creation quickened to the fastest

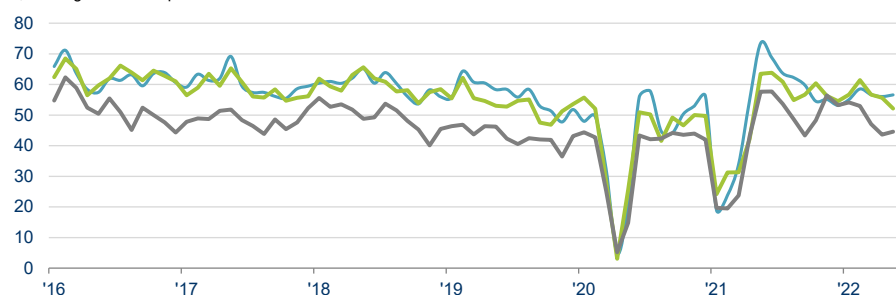
since January.

Purchasing activity also continued to rise in May, but the rate of expansion eased for the third successive month and was the weakest in the year-to-date. While some firms indicated that they were looking to rebuild inventories, others were put off from purchasing by high material prices.

Construction firms continued to face severe delivery delays due to material shortages, shipping issues, the war in Ukraine and Brexit. Lead times lengthened to a greater extent than in April.

Activity Index by sector

sa, >50 = growth since previous month



## Comment

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

*"Conflict in the Ukraine and Covid restrictions in China ensured a further rise in materials costs during May. This fed into weaker demand for construction services and a fall in new orders for the second successive month. However the overall picture remains broadly positive. Construction activity continued to expand last month, particularly in the residential sector. Moreover, construction firms remain quite upbeat about the future; The business expectations index stood at 52.7, indicating that more firms expect activity to increase than contract over the next 12 months. In*

*a further sign of confidence, survey respondents hired new staff at the fastest rate since January. Taking the data as a whole, it appears that construction firms have been able to pass a proportion of higher input costs onto the consumer, and are confident that this can continue."*

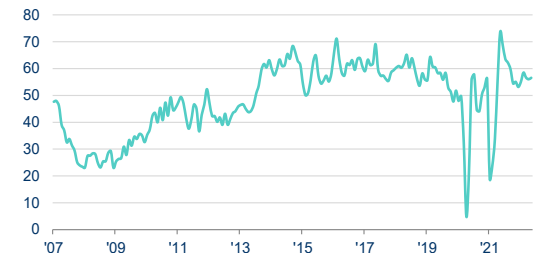
## Activity by sector

### Residential

The residential construction category was the best-performing of those covered by the survey in May. Activity in the sector continued to rise sharply, with the rate of growth ticking up from that seen in April. Housing activity has now increased in each of the past 14 months.

### Housing Activity Index

sa, >50 = growth since previous month

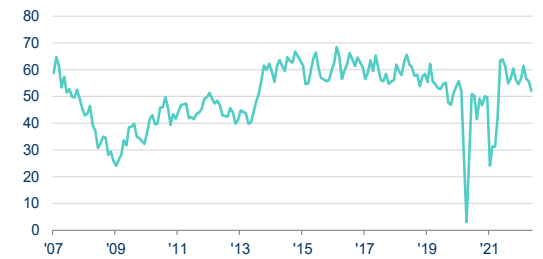


### Commercial

May data signalled a further slowdown in growth in the commercial category. Although activity continued to rise, the rate of expansion eased for the third month running and was the softest in the current 13-month sequence of growth.

### Commercial Activity Index

sa, >50 = growth since previous month

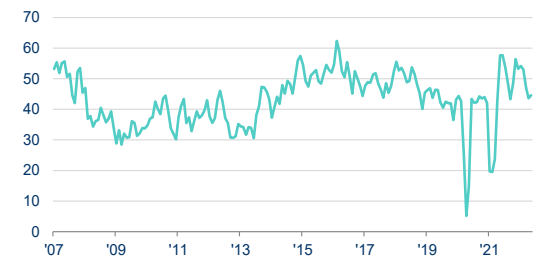


### Civil Engineering

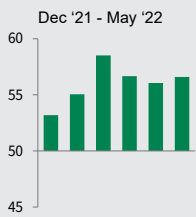
Civil engineering activity among Irish construction firms decreased again midway through the second quarter of the year, thereby extending the current sequence of decline to three months. Although marked, the latest fall was softer than seen in April.

### Civil Engineering Activity Index

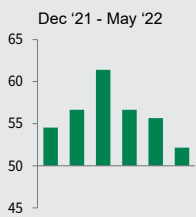
sa, >50 = growth since previous month



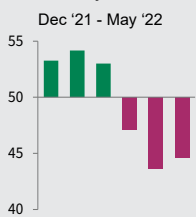
Housing Activity Index



Commercial Activity Index



Civil Engineering Activity Index



## Demand and jobs

### New orders

After having fallen for the first time in 13 months during April, new orders declined again in May. Although modest, the reduction in new business was faster than that seen in the previous month. Steep inflationary pressures was the main factor leading to the drop in new orders, with some customers reportedly postponing projects until prices begin to come down.

### Employment

May data pointed to a marked increase in employment among Irish construction firms, with the rate of job creation quickening to a four-month high. Around 14% of panellists increased staffing levels amid efforts to rebuild capacity in line with still rising activity.

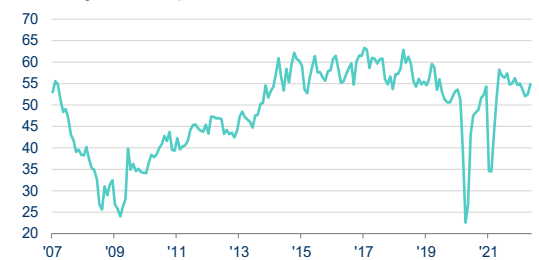
### New Orders Index

sa, >50 = growth since previous month



### Employment Index

sa, >50 = growth since previous month



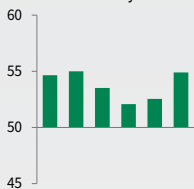
### New Orders Index

Dec '21 - May '22



### Employment Index

Dec '21 - May '22

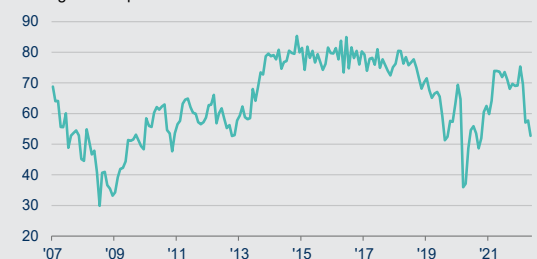


## Business expectations

Worries over the impact of inflation on the sector caused a slump in confidence during May, with sentiment the lowest since October 2020. Optimism has dropped sharply since the start of the year. Those respondents that expect activity to increase over the coming 12 months were hopeful of an improvement in economic conditions and a rise in new orders.

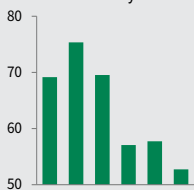
### Future Activity Index

>50 = growth expected over next 12 months



### Future Activity Index

Dec '21 - May '22



## Purchasing

### Quantity of purchases

As has been the case in each of the past 14 months, purchasing activity increased during May. The rate of growth was solid, but eased to the weakest in the year-to-date. Rising input buying often reflected the need among companies to rebuild stocks of materials. On the other hand, some firms reportedly lowered purchasing amid high prices.

Quantity of Purchases Index

sa, >50 = growth since previous month

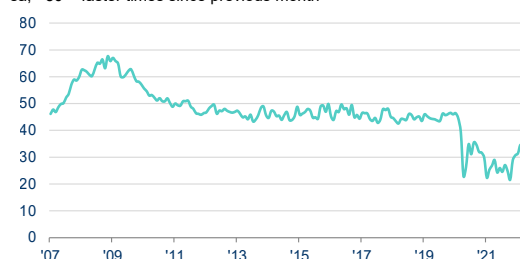


### Suppliers' delivery times

Irish construction firms continued to record sharply lengthening suppliers' delivery times midway through the second quarter, with vendor performance worsening to a greater extent than in April. According to respondents, delivery delays were due to a range of factors including material shortages, shipping issues, the war in Ukraine and Brexit.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



### Input prices

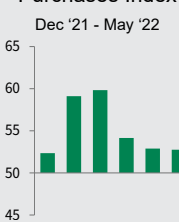
The rate of input cost inflation remained elevated in May and was faster than at any point prior to the current spike in prices. Around 74% of respondents indicated that their input costs had risen over the month. Among the items most widely reported as costing more were copper, fuel and oil. A number of firms linked higher input prices to the war in Ukraine.

Input Prices Index

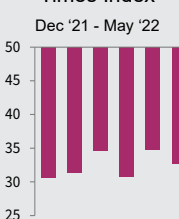
sa, >50 = inflation since previous month



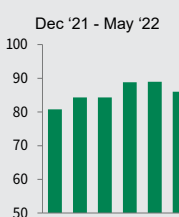
Quantity of Purchases Index



Suppliers' Delivery Times Index



Input Prices Index



#### Items up in price

- Bitumen
- Cable
- Cast Iron
- Cement Products
- Chemicals
- Cladding
- Concrete
- Concrete Products
- Construction Materials
- Containment
- Copper
- Diesel
- Dust Barrier Mats
- Electrical Items
- Electricity
- Floor Underlays
- Freight
- Fuel
- Gypsum Products
- Insulation

- Mastic
- Matting
- Oil
- Plastic
- Plumbing Materials
- PVC
- PVC Membrane
- Radiators
- Radon Barrier
- Rockwool
- Steel
- Suspended Products
- Timber

#### Items down in price

- Rebar
- Steel Plate
- Wages

#### Items in short supply

- Electrical Equipment
- Fixings
- Fuel
- Heat Pumps
- Insulation
- Membrane
- PVC
- Specialist Electrical
- Specialist Lighting
- Steel
- Timber

## Subcontractors

Inflationary pressures were not limited to materials, as the pace at which sub-contractors increased their charges hit a new record high.

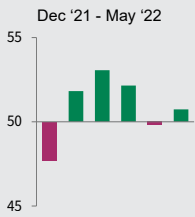
Meanwhile, firms raised their usage of sub-contractors in May, reversing April's slight fall. Increases have now been recorded in four of the past five months. The availability of sub-contractors continued to fall sharply, with the rate of decline the fastest since January.

A further reduction in sub-contractor quality was signalled.

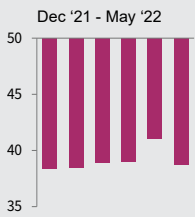
### Subcontractors in short supply

- |                 |                           |
|-----------------|---------------------------|
| Ecologists      | Plumbers                  |
| Electricians    | Roofers                   |
| Geohydrologists | Steelworkers              |
| Hauliers        | Visual Impact Specialists |
| Ornithologists  | Wet Trades                |
| Metalworkers    |                           |

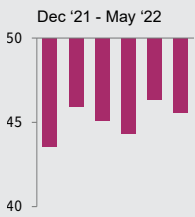
Subcontractor Usage Index  
Dec '21 - May '22



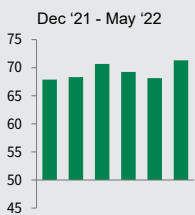
Subcontractor Availability Index  
Dec '21 - May '22



Subcontractor Quality Index  
Dec '21 - May '22

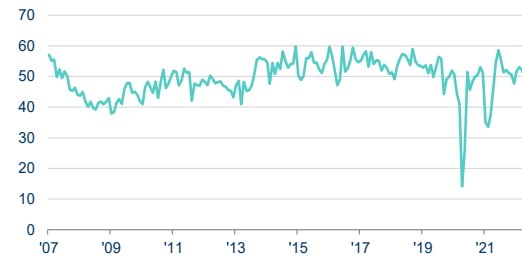


Subcontractor Rates Index  
Dec '21 - May '22



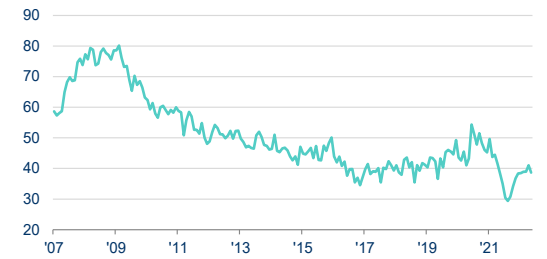
Subcontractor Usage Index

sa, >50 = growth since previous month



Subcontractor Availability Index

sa, >50 = improvement since previous month



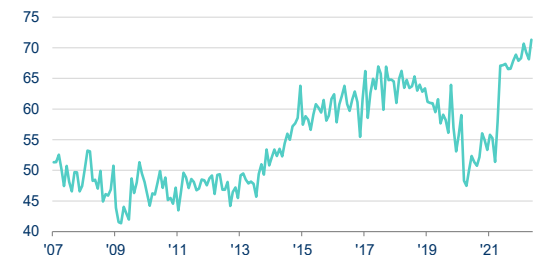
Subcontractor Quality Index

sa, >50 = improvement since previous month



Subcontractor Rates Index

sa, >50 = inflation since previous month



Survey panel size

**150**

construction firms

Index calculation

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

## Survey methodology

The BNP Paribas Real Estate Ireland Construction PMI® is compiled by S&P Global 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](mailto:economics@ihsmarkit.com).

## Survey dates and history

Data were collected 12-30 May 2022.

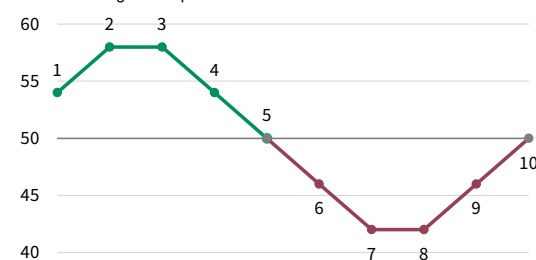
Survey data were first collected June 2000.

### 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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).

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