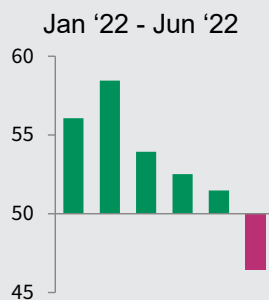


BNP Paribas Real Estate Ireland Construction PMI®

Construction activity falls for first time in 14 months

Ireland Construction Total Activity Index



Sharp and accelerated contraction in new orders

Steep cost inflation hits demand

Construction outlook turns negative for first time in 21 months

The Irish construction sector moved into contraction territory at the midway point of 2022. Continued severe price pressures led to a drop-off in enquiries, with new orders falling at a sharp and accelerated pace. As a result, total construction activity fell for the first time since early-2021 when the sector was impacted by COVID-19 restrictions. In turn, purchasing activity was scaled back and staffing levels stagnated.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index dropped below the 50.0 no-change mark in June, posting 46.4 following a reading of 51.5 in May. The latest figure signalled a solid reduction in total activity that was the first since April 2021. Respondents linked lower activity to increasing costs and subdued demand.

All three categories of construction saw

reductions in activity during June, with both commercial and housing activity posting declines for the first time since the first half of 2021. The fall in housing activity was only marginal, however.

The rate of decline in new orders accelerated sharply in June and was the fastest since March 2021. Respondents noted a lack of enquiries, with some indicating that previously agreed projects had been postponed due to price pressures. New business has now decreased in each of the past three months.

With workloads falling, construction firms scaled back their purchasing activity accordingly. Input buying fell for the first time in 15 months.

A reduction in purchasing alleviated some pressure on supply chains. Although suppliers' delivery times continued to lengthen markedly,

BNP Paribas Real Estate Ireland Construction Total Activity Index

sa, >50 = growth since previous month



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the latest deterioration in vendor performance was the least pronounced since the onset of the pandemic in early-2020. Where lead times lengthened, this was mainly due to material shortages.

Meanwhile, staffing levels were broadly unchanged overall with firms more cautious around hiring given the weaker demand environment.

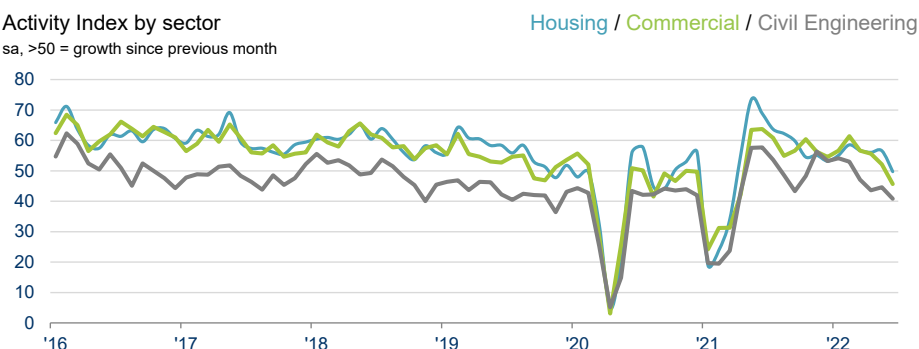
Construction companies scaled back their use of sub-contractors, but despite this their availability continued to fall and rates charged increased rapidly.

The rate of input cost inflation remained elevated at the end of the second quarter, despite easing to a 14-month low. Around 64% of respondents signalled that their input prices had increased in June.

Ongoing steep price pressures contributed to a negative outlook among construction firms, with falling new orders and signs of a wider economic slowdown adding to expectations of a fall in activity over the next 12 months. Pessimism was recorded for the first time since September 2020.

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:

"June has been a watershed month for construction activity. The post-Covid rebound has been fading since February, but the June PMI reflects the first absolute pull-back since pandemic restrictions were lifted.

A recurring theme is that costs are rising faster than the value of delivered properties, squeezing viability. Materials costs have been escalating since early 2021 and this

continued in June. But labour is now also contributing to inflationary pressures; The number of people working in construction rose by 30% in the year to March, and the resulting labour scarcity has driven construction wage growth to nearly 9% per annum. However the June PMI suggests that this is beginning to regulate itself - order books were weaker for the third month in a row and employment growth in the sector has stalled for the first time since we came out of lockdown.

Residential activity contracted for the first time since April 2021. However

the slowdown was marginal and, considering the pipeline of homes that are currently onsite, approximately 28,000 new dwelling completions can be expected this year – a year-on-year rise of well over 30%. Commercial activity experienced a sharper contraction. This reflects cost pressures, but also a recognition that the existing pipeline of Dublin office development looks sufficient to cover near-term net absorption in the market."

Activity by sector

Residential

Activity on residential projects decreased marginally in the Irish construction sector in June, thereby ending a 14-month period of expansion. That said, the fall in housing activity was the least pronounced of the three categories of construction covered by the survey.

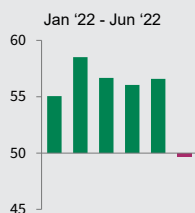
Commercial

Irish construction firms posted a marked reduction in activity on commercial projects during June. The decline was the first since April 2021 when activity was impacted by COVID-19 restrictions.

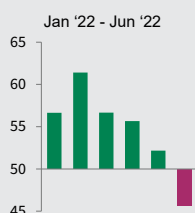
Civil Engineering

As has been the case in each of the past four months, construction firms posted a decrease in civil engineering activity at the end of the second quarter. Moreover, the rate of contraction was the sharpest since March 2021.

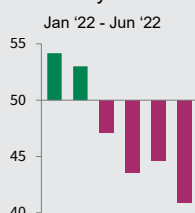
Housing Activity Index



Commercial Activity Index



Civil Engineering Activity Index



Housing Activity Index

sa, >50 = growth since previous month

49.7

Jun '22

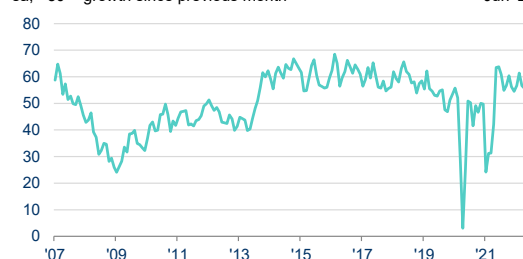


Commercial Activity Index

sa, >50 = growth since previous month

45.7

Jun '22

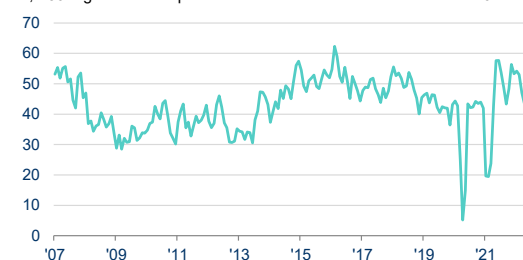


Civil Engineering Activity Index

sa, >50 = growth since previous month

40.8

Jun '22



Demand and jobs

New orders

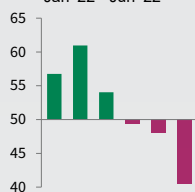
June data pointed to a sharp and accelerated reduction in new orders at Irish construction firms. New business decreased for the third month running, and to the greatest extent since the COVID-19 affected spell in the first quarter of 2021. A number of panellists reported a drop-off in enquiries, with others indicating that previously agreed projects had been halted due to escalating costs.

Employment

Employment was broadly unchanged in June, representing a marked turnaround from the solid expansion seen in the previous month. A lack of work reportedly led some firms to scale back their staffing levels, with the vast majority (88%) keeping workforce numbers unchanged.

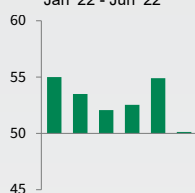
New Orders Index

Jan '22 - Jun '22



Employment Index

Jan '22 - Jun '22



New Orders Index

sa, >50 = growth since previous month



Employment Index

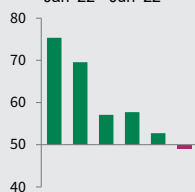
sa, >50 = growth since previous month



Business expectations

Future Activity Index

Jan '22 - Jun '22



Concerns about a slowdown in the wider economy and drop off in new business amid steep price pressures led companies to express a pessimistic outlook for activity over the coming year. June saw the first negative sentiment since September 2020.

Future Activity Index

>50 = growth expected over next 12 months



Purchasing

Quantity of purchases

Irish construction firms scaled back their purchasing activity midway through the year as they adjusted to signs of a slowdown in demand. The fall in input buying was the first in 15 months, but only modest.

Suppliers' delivery times

Although suppliers' delivery times continued to lengthen in June, the rate of deterioration in vendor performance was the least pronounced since the onset of the pandemic. Where lead times lengthened, respondents linked this to material shortages. On the other hand, lower demand for inputs meant that pressure on suppliers was reduced in some cases.

Input prices

Input prices continued to increase sharply at the end of the second quarter. The rate of inflation eased to the softest since April 2021, but was still elevated as around 64% of respondents noted a rise over the month. Firms signalled general inflationary pressures on their purchases.

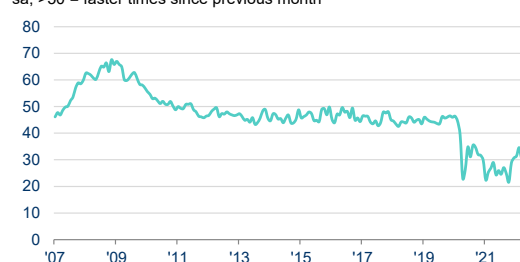
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Input Prices Index

sa, >50 = inflation since previous month



Items up in price

Cast Iron
Concrete
Concrete Products
Construction Materials
Construction Tools
Copper
Foam Floor Underlays
Freight
Fuel
Hangers
Hardware Items
Insulation
Labour
Metal Storage Hooks
Paint
Pipes
Radon Barrier
Sealants
Steel
Stone

Tiles
Timber
Transport
Waterproofing Membranes

Items down in price

Rebar
Steel Plate

Items in short supply

Glazing
Handles
Insulation
Locks
Sanitary Ware
Steel
Timber

Subcontractors

The use of sub-contractors by Irish construction firms decreased in line with lower workloads in June, reversing a slight rise seen in the previous month. Meanwhile, the availability of sub-contractors continued to decline, albeit to the least extent since April 2021.

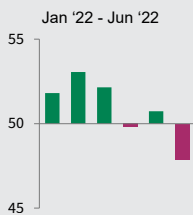
Despite a lower usage of sub-contractors and a further decline in their quality, rates continued to increase sharply. Although softening from May's series peak, the rate of inflation was still the third-fastest on record.

Subcontractors in short supply

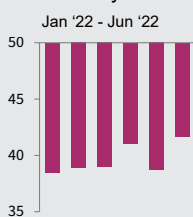
Blocklayers
Ecologists
Electricians
Fabricators
Geohydrologists
Groundworkers
Ornithologists

Metalworkers
Plumbers
Steelworkers
Visual Impact Specialists
Wet Trades

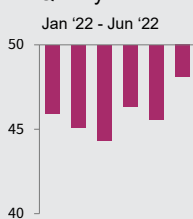
Subcontractor Usage Index



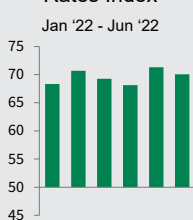
Subcontractor Availability Index



Subcontractor Quality Index



Subcontractor Rates Index



Subcontractor Usage Index

sa, >50 = growth since previous month



Subcontractor Quality Index

sa, >50 = improvement since previous month



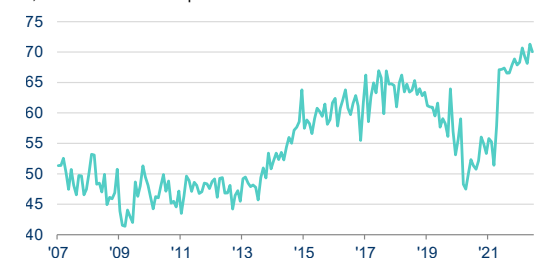
Subcontractor Availability Index

sa, >50 = improvement since previous month



Subcontractor Rates Index

sa, >50 = inflation since previous month



Survey methodology

Survey panel size

150

construction firms

Index calculation

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

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.

Survey dates and history

Data were collected 13-29 June 2022.

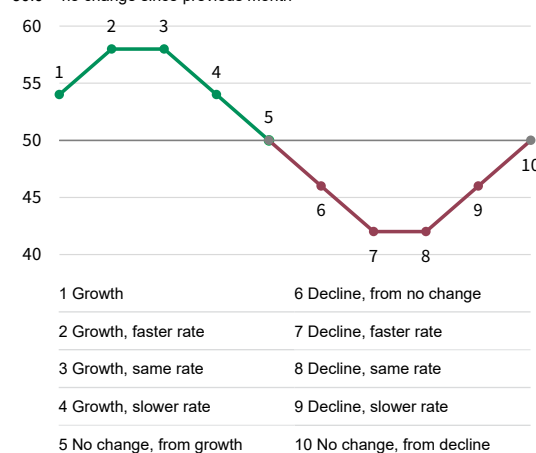
Survey data were first collected June 2000.

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



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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