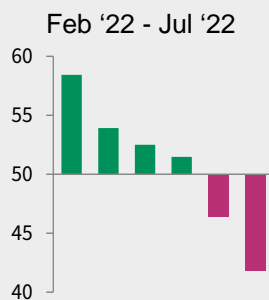


BNP Paribas Real Estate Ireland Construction PMI[®]

Contraction in activity accelerates sharply

Ireland Construction Total Activity Index



Steep drop in activity amid price pressures and falling new orders

Companies remain pessimistic for year-ahead outlook

Employment broadly unchanged

July data pointed to an accelerated decline in Irish construction activity as demand fell sharply amid strong inflationary pressures. In turn, firms scaled back their purchasing activity and took a cautious approach to hiring. Companies were pessimistic towards the 12-month outlook for activity for the second month running.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index fell to 41.8 in July from 46.4 in June, signalling a sharp and accelerated decline in Irish construction activity. The fall was the fastest since March 2021 when pandemic restrictions impacted the sector. In fact, excluding periods of COVID-19 disruption, the contraction was the most marked for a decade.

Where activity fell, firms linked this to lower demand and rising costs.

The pace of reduction in housing activity accelerated sharply over the month, with civil engineering activity also down at a rapid pace. Although commercial activity also fell, the rate of contraction was less pronounced than elsewhere.

New orders decreased for the fourth month running, with the rate of decline little-changed from the previous month. Panellists reported weak demand, with clients deterred by steep inflationary pressures.

Construction firms themselves also reined in spending amid higher prices for inputs, reducing purchasing for the second month running. The latest decline also in part reflected lower new orders.

Input costs rose sharply again amid widespread inflationary pressures. That said, there were signs that inflation has

BNP Paribas Real Estate Ireland Construction Total Activity Index

sa, >50 = growth since previous month



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peaked, with the latest rise the softest since April 2021.

There was also a further lessening in the extent of supply-chain disruption in the construction sector. Lead times lengthened markedly again, but to the smallest degree since just before the outbreak of the COVID-19 pandemic in February 2020. Where delivery times lengthened, respondents linked this to staff shortages at vendors, difficulties sourcing materials and high fuel costs.

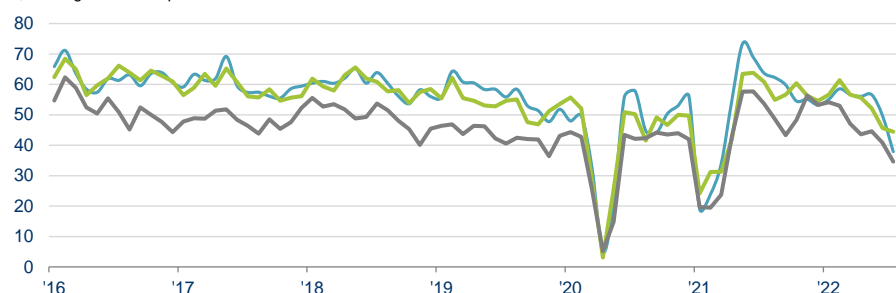
As was the case in June, constructors kept their staffing levels broadly unchanged in July. Falling workloads and efforts to limit company expenses led some firms to reduce workforce numbers.

Sub-contractor usage decreased for the third time in the past four months in July, although the latest fall was only slight. The availability of sub-contractors continued to decline, but to a lesser extent, while their rates increased rapidly again.

For the second month running, construction firms expressed a pessimistic outlook for activity over the coming year. Worries about the potential for an economic downturn, plus the impact of sharply rising costs, were behind negative sentiment. Confidence dropped to the lowest since the first wave of the COVID-19 pandemic in early-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:

“After slowing in June, construction activity experienced a sharper contraction in July. This reflects several factors. Building costs continued to rise in July, laying down a challenge to the viability of marginally profitable projects. The pull-back may also reflect strong activity in the opening half of the year. Over 130,000 sq m of new office space was added in Dublin during this time, while 13,316 new dwellings were completed – a 49%

year-on-year increase. In this context, month-on-month expansion naturally becomes harder to sustain.

“Based on projects that are already under way, we expect continued strong residential, office and logistics completions through the remainder of 2022. However continued cost inflation means that new project commencements may struggle to keep up with completions, causing a drag on activity in the longer term. Notably, for the second month in succession, the number of building firms expecting to be less busy in one year’s time exceeds the number

expecting to be busier.

“One positive note is that, while remaining elevated, input cost inflation has eased to its lowest level since April 2021, and is now well below last October’s peak.”

Activity by sector

Residential

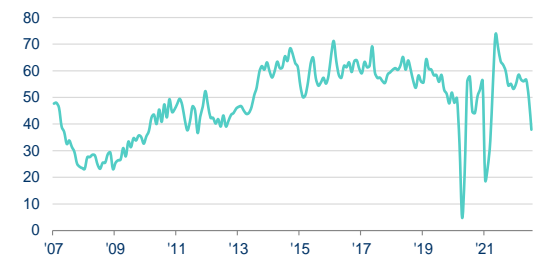
Housing activity declined substantially during July, following a marginal fall in June. The decline was the sharpest since March 2021. In fact, outside COVID-19 lockdown periods, the reduction was the steepest since September 2011. More than 41% of respondents posted a fall in residential activity

Housing Activity Index

sa, >50 = growth since previous month

37.9

Jul '22



Commercial

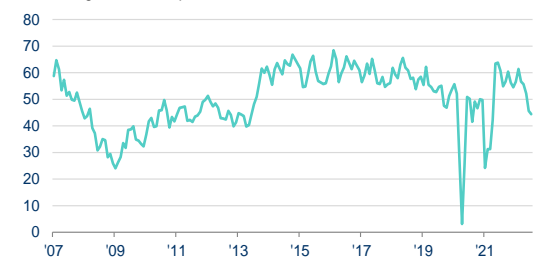
Commercial projects saw by far the slowest fall in activity of the three monitored categories in July, although the rate of contraction was still marked overall and accelerated from June to the fastest in 15 months.

Commercial Activity Index

sa, >50 = growth since previous month

44.5

Jul '22



Civil Engineering

Activity on civil engineering projects continued to decrease at the start of the third quarter of the year, extending the current sequence of contraction to five months. Moreover, the rate of decline was steep, and the most marked since March 2021.

Civil Engineering Activity Index

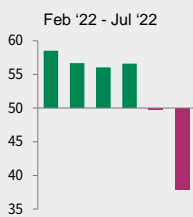
sa, >50 = growth since previous month

34.6

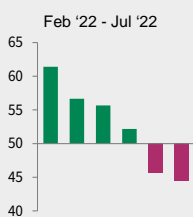
Jul '22



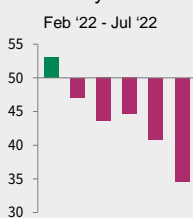
Housing Activity Index



Commercial Activity Index



Civil Engineering Activity Index



Demand and jobs

New orders

New orders continued to fall sharply in the Irish construction sector in July, with the rate of contraction broadly in line with that posted in the previous month. Anecdotal evidence pointed to weak demand, with clients often reluctant to commit to projects given inflationary pressures. New business has now decreased in each of the past four months.

New Orders Index

sa, >50 = growth since previous month



Employment

Irish construction firms continued to keep their staffing levels broadly unchanged in July, with 90% of respondents indicating stable employment over the month. Those firms that reduced workforce numbers linked this to lower workloads and cost considerations.

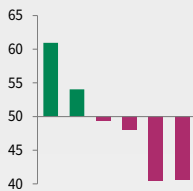
Employment Index

sa, >50 = growth since previous month



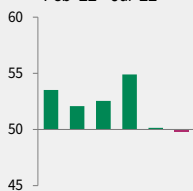
New Orders Index

Feb '22 - Jul '22



Employment Index

Feb '22 - Jul '22



Business expectations

For the second month running in July, construction firms expressed a pessimistic outlook for activity over the coming year. Sentiment dropped further and was the lowest since the initial outbreak of the COVID-19 pandemic in Spring 2020. Higher costs and concerns about a potential economic downturn were the principal factors behind the negative outlook.

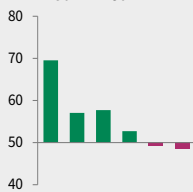
Future Activity Index

>50 = growth expected over next 12 months



Future Activity Index

Feb '22 - Jul '22



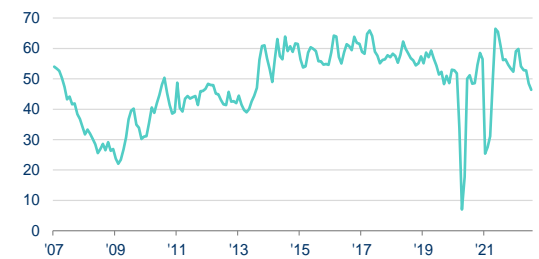
Purchasing

Quantity of purchases

Falling customer demand and high prices for inputs deterred construction companies from purchasing in July. As a result, input buying decreased for the second month in a row. The pace of decline was solid, having accelerated from June to the sharpest since the pandemic-related declines in early-2021.

Quantity of Purchases Index

sa, >50 = growth since previous month

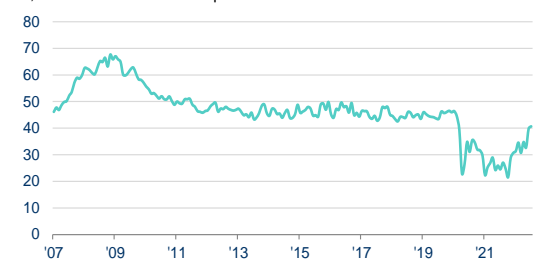


Suppliers' delivery times

There were further signs of supply-chain disruption easing in July, with lead times lengthening to the least extent since just before the outbreak of the COVID-19 pandemic in February 2020. That said, vendor performance continued to decline markedly, with the latest lengthening of delivery times linked to staff shortages, difficulties sourcing materials and higher fuel costs.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Input prices

The rate of input cost inflation eased to a 15-month low in July, but remained elevated amid general inflationary pressures. Close to 61% of respondents signalled an increase in their input prices during the month, against 5% that posted a decrease.

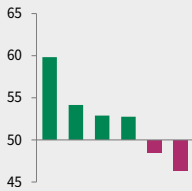
Input Prices Index

sa, >50 = inflation since previous month



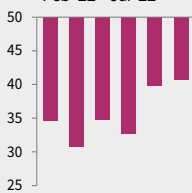
Quantity of Purchases Index

Feb '22 - Jul '22



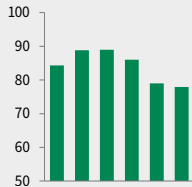
Suppliers' Delivery Times Index

Feb '22 - Jul '22



Input Prices Index

Feb '22 - Jul '22



Items up in price

- Bulk Salt
- Concrete
- Concrete Products
- Copper
- Diesel
- Electric Accessories
- Electric Cable
- Fixings
- Fuel
- Glass
- Graphics Supplies
- Heating
- Ink
- Insulation
- Lighting
- Office Supplies
- Oil
- Paint
- Paper
- Pipes

Items up in price

- Plasterboard
- Plastic
- PVC Goods
- Plumbing Materials
- Radon Barrier
- Stationery
- Steel
- Stone
- Timber

Items down in price

- Container Transport
- Rebar
- Reinforcement
- Steel
- Steel Plate
- Structural Steel
- Timber

Items in short supply

- Fixings
- Glazing
- Insulation
- Screws
- Steel
- Timber
- Vinyl Rolls
- Window Tints
- Windows

Subcontractors

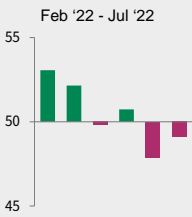
Sub-contractor usage decreased for the third time in the past four months during July, although the latest reduction was only slight and softer than seen in June. Meanwhile, the rate of decline in sub-contractor availability remained marked, but was the weakest since March 2021.

The quality of sub-contractor work was judged to have deteriorated, but the rates they charged continued to increase at one of the sharpest rates on record.

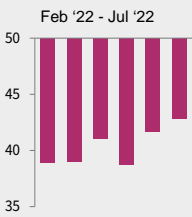
Subcontractors in short supply

- Blocklayers
- Concrete Layers
- Dryliners
- Electricians
- Metalworkers
- Plasterers
- Reinforcement Fixers

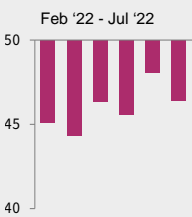
Subcontractor Usage Index



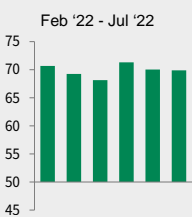
Subcontractor Availability Index



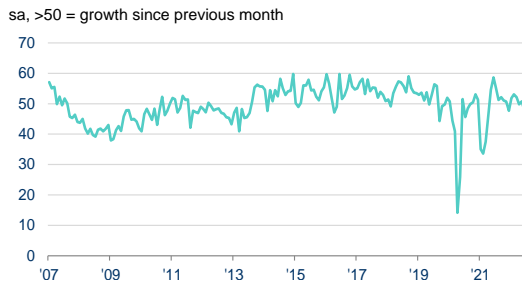
Subcontractor Quality Index



Subcontractor Rates Index



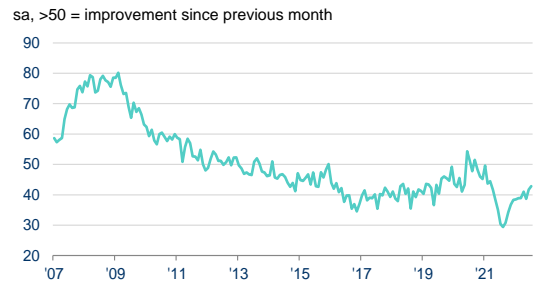
Subcontractor Usage Index



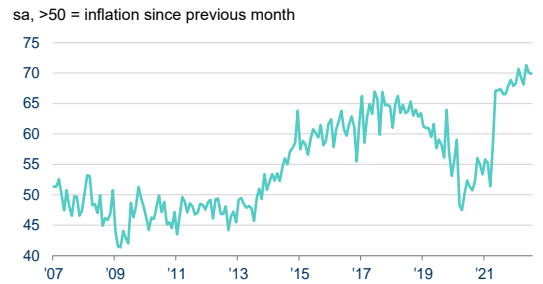
Subcontractor Quality Index



Subcontractor Availability Index



Subcontractor Rates Index



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.

Survey dates and history

Data were collected 12-28 July 2022.

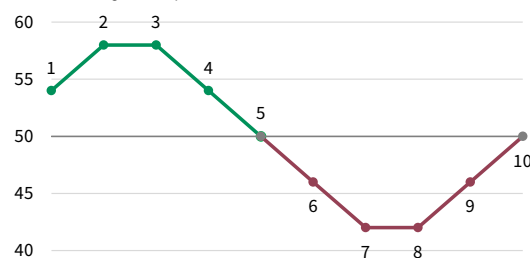
Survey data were first collected June 2000.

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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