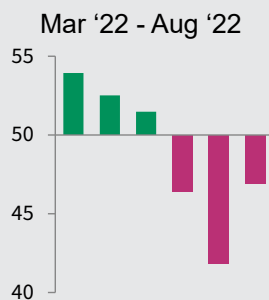


# BNP Paribas Real Estate Ireland Construction PMI<sup>®</sup>

## Further steep contraction in construction new orders

### Ireland Construction Total Activity Index



### New orders fall sharply, but rate of decline in activity softens

### Slight rise in employment

### Rate of input cost inflation slows further

Irish construction activity continued to decline midway through the third quarter of the year as new orders fell sharply again. That said, the latest reduction in activity was less marked than in July. Meanwhile, firms increased their staffing levels slightly despite muted sentiment. Inflationary pressures remained pronounced, but softened further.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index posted 46.9 in August, up from 41.8 in July. Although signalling a further solid decline in activity, the latest reading pointed to a weaker pace of reduction than in the previous month.

According to respondents, the third successive reduction in total activity generally reflected the impact of sharp price increases.

Activity decreased across each of the three categories of construction covered, although all three matched the wider trend in seeing softer reductions in activity than in July.

As well as impacting construction activity, inflationary pressures also affected the ability of firms to secure new orders. A number of companies reported that enquiries had dropped off, leading to a further steep contraction in new business. The latest decline was the fifth in as many months, and broadly similar to those in June and July.

The rate of input cost inflation remained elevated and well above the series average, despite easing for the fourth month running to the softest since March 2021. Close to half of all respondents indicated that their input prices had risen over the month.

A combination of higher input costs and

BNP Paribas Real Estate Ireland Construction Total Activity Index

sa, >50 = growth since previous month



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weakening demand led constructors to lower their purchasing activity, the third month running in which this has been the case. Moreover, the rate of decline was the sharpest in just under a year-and-a-half.

Meanwhile, suppliers' delivery times lengthened at the same pace as in July, and to the joint-least degree in two-and-a-half years. Lead times continued to lengthen markedly, however, often due to shortages of electronic chips.

Although firms lowered their input buying in August, employment returned to growth. Staffing levels were up slightly.

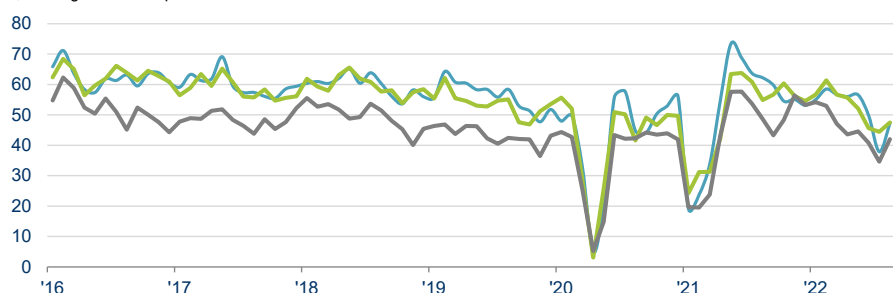
Sub-contractor usage decreased for the third month running, and at a solid

pace. The recent drop in demand for sub-contractors alleviated some pressure on their supply, with the availability of sub-contractors falling at the softest pace since January 2021. In line with the picture for costs of purchases, the rate of inflation of sub-contractor rates softened from July, with the latest rise the weakest in 16 months.

Worries about the wider economic outlook and continued price pressures meant that business sentiment remained negative in August. A modest degree of pessimism was signalled for the third month running.

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:

*“Two factors have defined the path of construction activity over the last year. Activity picked-up strongly last summer as Covid restrictions were lifted and stalled projects got the green light to resume. However, surging construction inflation and increased macro uncertainty have since begun to pull in the other direction. The PMI data for August flag a continuation of this more recent trend. Order books are down for the*

*fifth month in succession, industry expectations remain tilted towards contraction, and materials purchases are sharply lower. The Labour Force Survey revealed that construction was Ireland’s second strongest sector for employment growth in the year to June. However, this more timely PMI information suggests that the rate of construction jobs growth is now flattening-out.*

*Of particular note in the August survey is a pull-back in housing activity for the third month in a row. Pricing signals*

*from the sales and, particularly, the rental market indicate continued under supply. We believe 28,000 new dwellings can be delivered this year. However, given the sharp re-acceleration in population growth, the positive trend in housing output needs to continue.”*

## Activity by sector

### Residential

August data pointed to a third successive reduction in housing activity in the Irish construction sector. Although solid, the latest decline was much softer than that seen during July.



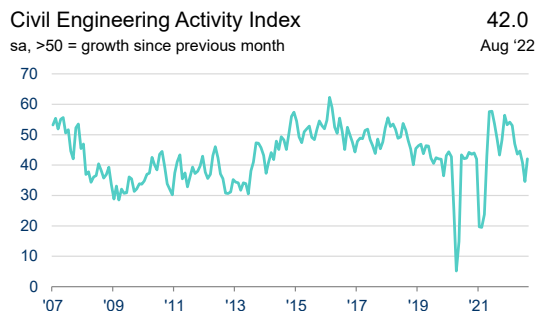
### Commercial

The latest reduction in commercial activity was at a broadly similar pace to that seen for residential, with the rate of decline having eased from the previous month. Commercial activity has now decreased in three consecutive months.

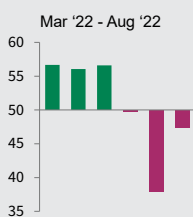


### Civil Engineering

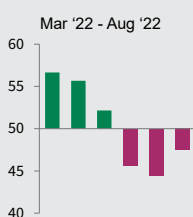
Although civil engineering activity continued to fall sharply in August, and at the fastest pace of the three monitored segments, the rate of decline softened to the weakest in three months. Activity on civil engineering projects has decreased continuously since March.



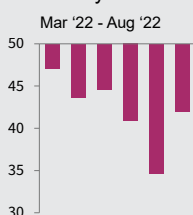
Housing Activity Index



Commercial Activity Index



Civil Engineering Activity Index



## Demand and jobs

### New orders

Irish construction firms signalled a further substantial reduction in new orders during August, with the rate of decline little-changed from those seen in June and July. Respondents indicated that enquiries had dropped off, with some customers deterred by price increases. New business has now decreased in each of the past five months.

### New Orders Index

sa, >50 = growth since previous month

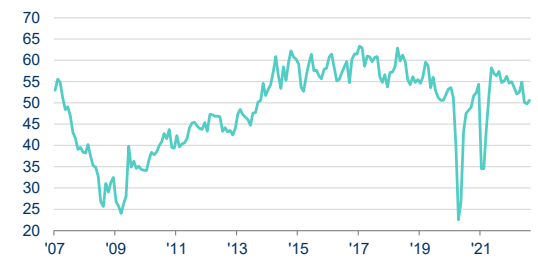


### Employment

Staffing levels increased slightly during August, after having fallen marginally in the previous month. Some companies reported having employed more staff midway through the third quarter, but others were more cautious due to decreasing workloads.

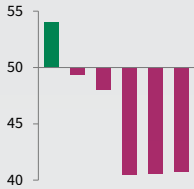
### Employment Index

sa, >50 = growth since previous month



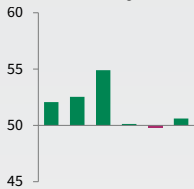
### New Orders Index

Mar '22 - Aug '22



### Employment Index

Mar '22 - Aug '22



## Business expectations

August data signalled a third successive month of pessimism among Irish construction firms, despite sentiment ticking up slightly from the previous month. Concerns around the path of the wider economy and steep price pressures were behind predictions of falling activity, although some firms were still hopeful that demand would recover in the months ahead.

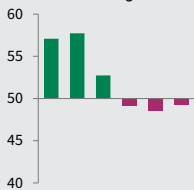
### Future Activity Index

>50 = growth expected over next 12 months



### Future Activity Index

Mar '22 - Aug '22



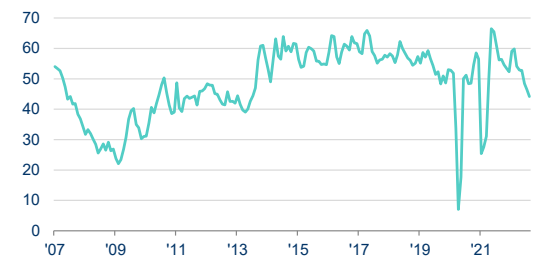
## Purchasing

### Quantity of purchases

As has been the case in each of the past three months, purchasing activity decreased in the Irish construction sector during August. Furthermore, the pace of decline was substantial, having quickened to the fastest since March 2021. Companies were reportedly deterred from making purchases due to higher costs and weak demand conditions.

### Quantity of Purchases Index

sa, >50 = growth since previous month

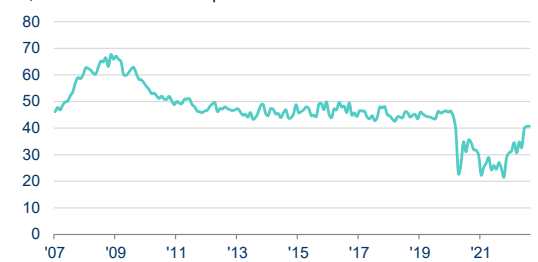


### Suppliers' delivery times

Although suppliers' delivery times continued to lengthen markedly during August, the rate of deterioration was unchanged from July and the joint-weakest in two-and-a-half years. Respondents often linked longer delivery times to shortages of electronic chips.

### Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



### Input prices

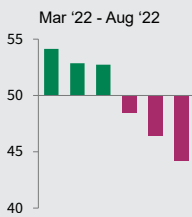
Irish construction firms continued to see input prices rise sharply during August, but the rate of inflation softened for the fourth successive month to the weakest since March 2021. Approximately 49% of respondents noted a rise in input costs over the month as some raw materials continued to increase in price.

### Input Prices Index

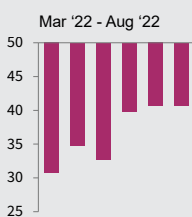
sa, >50 = inflation since previous month



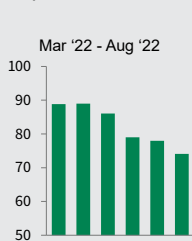
Quantity of Purchases Index  
Mar '22 - Aug '22



Suppliers' Delivery Times Index  
Mar '22 - Aug '22



Input Prices Index  
Mar '22 - Aug '22



### Items up in price

Blocks  
Cable  
Carpet Tiles  
Cement  
Concrete  
Concrete Products  
Copper  
Diesel  
Electrical Equipment  
Electricity  
Energy  
Fuel  
Gas  
Gypsum Products  
Insulation  
Logistics  
Mastics  
Mechanical Items  
Metals  
Ordnance Survey Maps

Paper  
Pipes  
Plaster  
Plasterboard  
Printer Ink  
PVC  
Plumbing Materials  
Radon Barrier  
Stationery  
Steel  
Timber  
Wood

### Items down in price

Fuel  
Oil  
Rebar  
Steel Hollow Section  
Steel Plate  
Timber  
Transport

### Items in short supply

Consumer Units  
Engine Parts  
RCDs

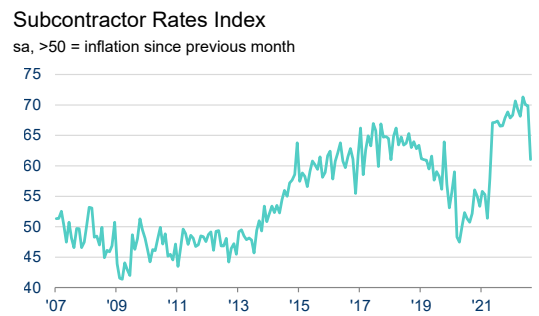
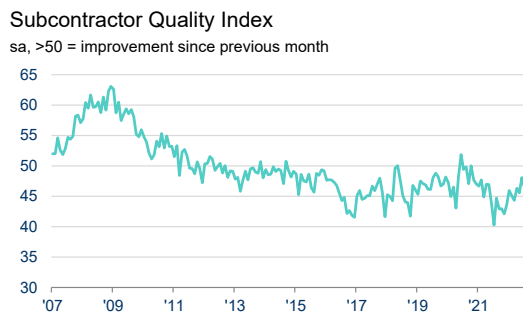
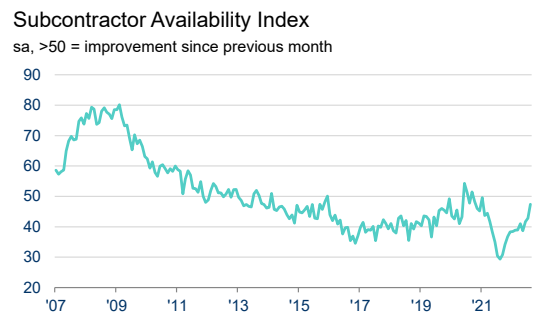
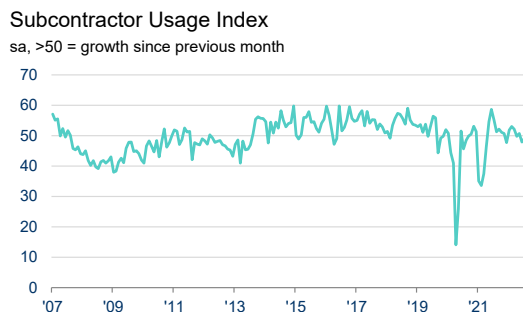
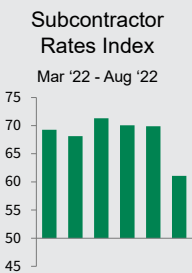
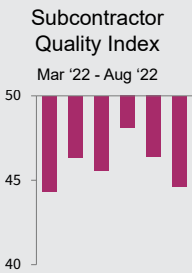
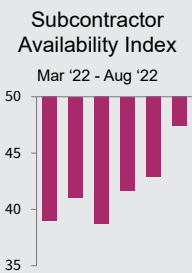
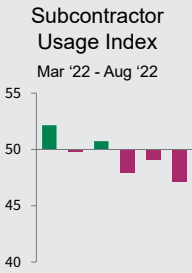
## Subcontractors

Irish construction firms lowered their sub-contractor usage for the third month running in August. The latest reduction was solid and the most marked since April 2021. With demand for sub-contractors falling, their availability decreased at a much softer pace. In fact, the latest decline in availability was the weakest in 19 months.

Inflation of sub-contractor rates also slowed sharply, but remained elevated. Meanwhile, sub-contractor quality continued to decline.

### Subcontractors in short supply

- |                 |                |
|-----------------|----------------|
| Blocklayers     | Joiners        |
| Carpenters      | Ornithologists |
| Draughtsmen     | Painters       |
| Dry Liners      | Plasterers     |
| Ecologists      | Slabbers       |
| Electricians    | Stone Masons   |
| Geohydrologists |                |



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 August 2022.

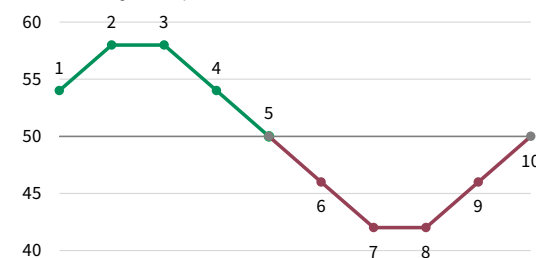
Survey data were first collected June 2000.

### 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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BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: Property Development, Transaction, Consulting, Valuation, Property Management and Investment Management. With 5,000 employees, BNP Paribas Real Estate as a one stop shop company, supports owners, leaseholders, investors and communities thanks to its local expertise across 30 countries (through its facilities and its Alliance network) in Europe, the Middle-East and Asia. BNP Paribas Real Estate is a part of the BNP Paribas Group, a global leader in financial services.

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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.

### About PMI

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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