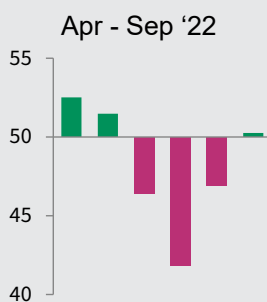


# BNP Paribas Real Estate Ireland Construction PMI<sup>®</sup>

## Activity rises for first time in four months

### Ireland Construction Total Activity Index



### Renewed increase in activity amid near-stabilisation of new orders

### Employment continues to rise

### Input cost inflation accelerates

The end of the third quarter of 2022 saw a return to growth of activity in the Irish construction sector, following three months of contraction. New orders showed signs of stabilising, while employment increased. That said, input cost inflation picked up and suppliers' delivery times continued to lengthen markedly.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index moved back above the 50.0 no-change mark in September, posting 50.2 from 46.9 in August. The increase in activity was the first in four months, but only fractional. Signs of stabilisation in new orders supported the return to growth, but there were ongoing reports of difficulties caused by rising prices and fragile demand.

Increases were seen in both commercial and housing activity in September, in

both cases ending three-month periods of contraction. Civil engineering activity continued to fall, however.

Although new orders decreased at the end of the third quarter, the rate of reduction slowed sharply from those seen in recent months and was indicative of a near-stabilisation of new orders in the sector. Where new business fell, this was again linked to inflationary pressures, with some firms also highlighting the impact of wider economic weakness.

Sustained cost pressures were signalled by the rate of input price inflation accelerating to a three-month high on the back of higher energy, raw material and transportation costs. Panellists often linked price rises to the war in Ukraine.

Signs of stabilisation in new orders encouraged companies to increase

BNP Paribas Real Estate Ireland Construction Total Activity Index

sa, >50 = growth since previous month



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their staffing levels, with employment now having risen in 17 of the past 18 months.

Purchasing activity continued to fall, extending the current sequence of decline to four months. That said, the latest reduction was only slight and the weakest in this period. Respondents indicated that a lack of new orders meant that there was little need for them to expand input buying.

Where firms did purchase inputs, they were again faced by delivery delays. Shortages of couriers and higher fuel costs were the main factors causing longer lead times. Although marked, the latest deterioration in vendor performance was the least pronounced

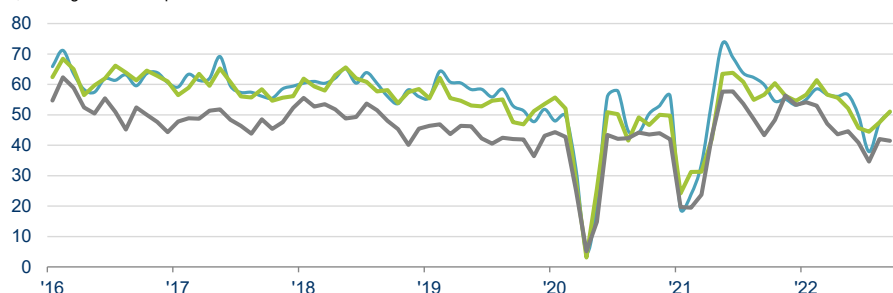
since February 2020.

A renewed increase in sub-contractor usage was recorded in September, ending a three-month period of decline. Meanwhile, the availability of sub-contractors declined to the least extent in 20 months. The rates charged by sub-contractors continued to rise rapidly.

Hopes that business conditions will start to improve over the coming year supported renewed optimism in the 12-month outlook for activity. Positive sentiment was recorded for the first time in four months, but confidence remained muted amid concerns about the potential for a wider economic downturn.

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:

“Solid expansion between January and May gave way to quite a sharp slowdown in construction activity over the summer months. However operations now appear to have stabilised at this lower level with the September PMI reading broadly in-line with August’s figure. Current activity levels appear to be reasonably well aligned with forward-looking sub-indices of the PMI, suggesting that the sector is neither anticipating a

*construction boom nor a collapse in the months ahead. In the short term, order books are broadly unchanged from August and, reflecting this, input purchases are similarly stable. Looking slightly further ahead, the future expectations index indicates that marginally more firms expect to be busier in one year’s time than less busy, despite a continued increase in construction costs. Reflecting this, builders held on to their staff through the summer slowdown, and employment in the surveyed firms has actually edged-up slightly in the last two months.”*

Commenting on the impact of Budget 2023 on the Construction PMI, McCartney said:

“Fieldwork for the September PMI was largely completed by 27th September, so we will have to wait until next month to see what effect, if any, the recent Budget has had on the index. However we can anticipate that construction firms may see the extension of Help-To-Buy until December 2024 as a supportive measure, while the proposed 10% levy on concrete products may be seen as a potentially unhelpful addition to costs.”

## Activity by sector

### Residential

Irish construction firms signalled a rise in activity on housing projects in September, thereby ending a three-month sequence of contraction. That said, the rate of growth was only slight.

### Housing Activity Index

sa, >50 = growth since previous month

50.8

Sep '22



### Commercial

September data pointed to a renewed expansion in commercial activity in the Irish construction sector, the first increase in four months. Although only modest, the rise was the sharpest of the three categories covered by the survey.

### Commercial Activity Index

sa, >50 = growth since previous month

51.1

Sep '22



### Civil Engineering

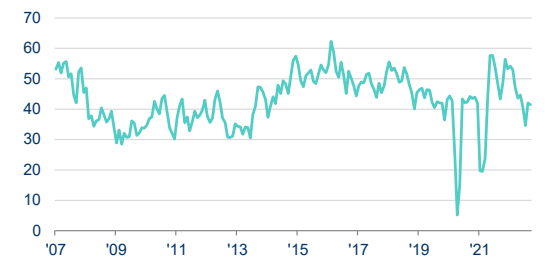
Civil engineering activity continued to fall in September, the only one of the three monitored categories to post a decline at the end of the third quarter. The pace of reduction was sharp and slightly faster than that seen in August.

### Civil Engineering Activity Index

sa, >50 = growth since previous month

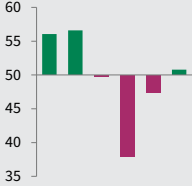
41.5

Sep '22



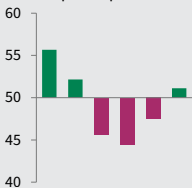
Housing Activity Index

Apr - Sep '22



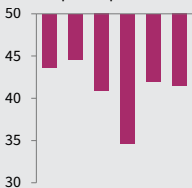
Commercial Activity Index

Apr - Sep '22



Civil Engineering Activity Index

Apr - Sep '22



## Demand and jobs

### New orders

The Irish construction sector saw a near-stabilisation of new orders during September. Although new business decreased for the sixth month running, the rate of decline slowed sharply from those seen in the preceding three months and was only marginal. Higher prices and associated budget issues, plus concerns among customers about wider economic trends were behind the latest fall.

### Employment

Irish construction firms increased their staffing levels slightly in September as demand showed signs of stabilisation. The rate of job creation was slight, but faster than that seen in the previous survey period. Employment has risen in 17 of the past 18 months.

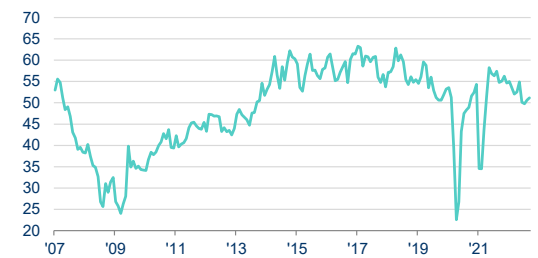
New Orders Index

sa, >50 = growth since previous month



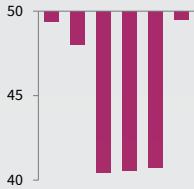
Employment Index

sa, >50 = growth since previous month



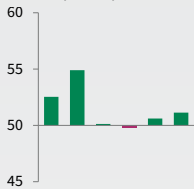
New Orders Index

Apr - Sep '22



Employment Index

Apr - Sep '22



## Business expectations

There were tentative signs of renewed optimism in the Irish construction sector in September, following three successive months of pessimism. That said, sentiment was still historically muted. Around 28% of respondents predicted a rise in activity over the coming year amid hopes that business conditions will start to improve. Meanwhile, 22% of firms were pessimistic, due to worries about the prospect of an economic downturn.

Future Activity Index

>50 = growth expected over next 12 months



Future Activity Index

Apr - Sep '22



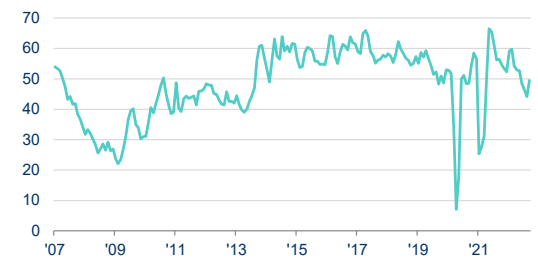
## Purchasing

### Quantity of purchases

Construction firms signalled a fourth successive monthly reduction in purchasing activity during September as a lack of new orders meant there was often little need to purchase additional inputs. The rate of decline eased, however, and was the softest in the current sequence of falling purchasing.

Quantity of Purchases Index

sa, >50 = growth since previous month

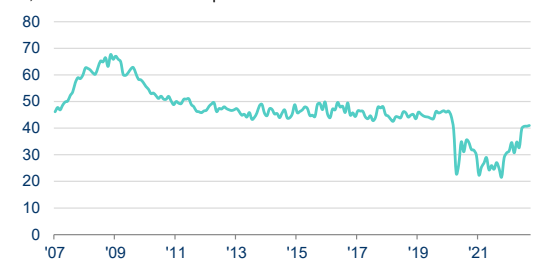


### Suppliers' delivery times

September data pointed to a further marked lengthening of suppliers' delivery times, albeit one that was the least pronounced since February 2020. Some panellists indicated that delays were caused by shortages of couriers, while others highlighted the impact of higher fuel costs.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



### Input prices

The rate of input cost inflation quickened to a three-month high in September, with prices up substantially again over the month. Inflationary pressures were often linked to the war in Ukraine, with energy, raw materials and transportation all up in price. Some panellists also reported that Brexit had caused cost increases.

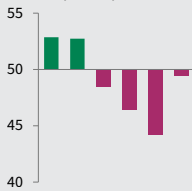
Input Prices Index

sa, >50 = inflation since previous month



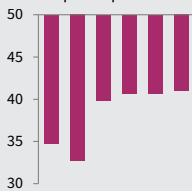
Quantity of Purchases Index

Apr - Sep '22



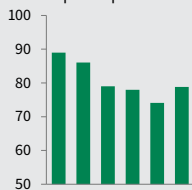
Suppliers' Delivery Times Index

Apr - Sep '22



Input Prices Index

Apr - Sep '22



### Items up in price

Cable  
Cement  
Concrete  
Concrete Products  
Copper  
Diesel  
Electrical Equipment  
Electricity  
Energy  
Fabricated Steel  
Floor Underlay  
Fuel  
Gas  
Glass  
Hardware Products  
Ink  
Insulation  
Insurance  
Ironmongery  
Mastics

### Oil

Paper  
Polyethylene Foam  
Plaster  
Radon Barrier  
Roof Tiles  
Steel  
Tools

### Items down in price

Container Transportation  
Fuel  
Joinery  
Oil  
Steel  
Timber  
Wages  
Wood

### Items in short supply

Drain Cleaning Machine  
Industrial Paint  
Insulation  
Plaster Boards  
Plumbing Materials  
Stained Glass  
Steel  
Timber  
Vans

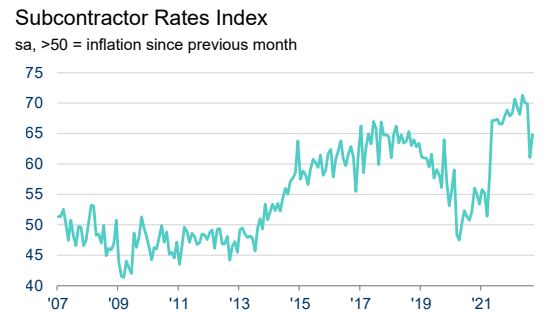
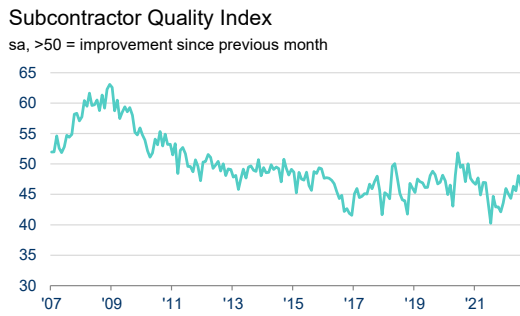
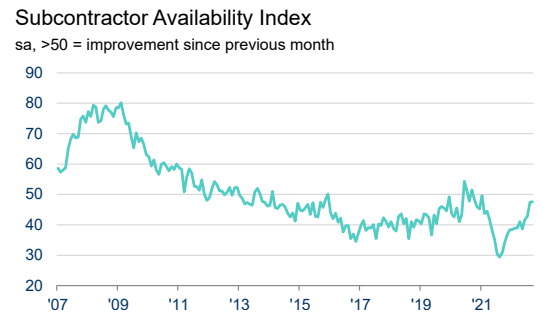
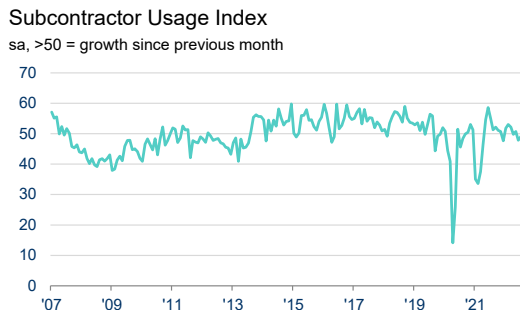
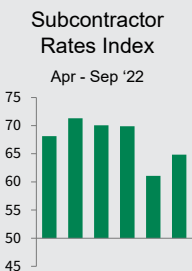
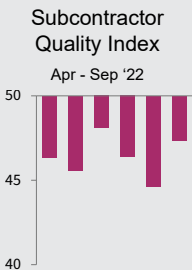
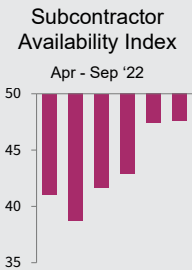
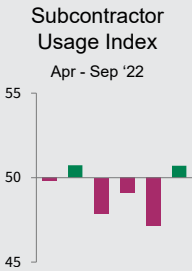
## Subcontractors

September data signalled a renewed rise in the usage of sub-contractors by Irish construction companies, thereby ending a three-month sequence of decline. The availability of sub-contractors continued to decrease, but the latest fall was the softest in 20 months.

The rates charged by sub-contractors increased sharply again, and to a greater extent than in August. Meanwhile, the quality of their work was deemed to have deteriorated over the month.

### Subcontractors in short supply

- |                     |                           |
|---------------------|---------------------------|
| Blocklayers         | Fitters                   |
| Bricklayers         | Geohydrologists           |
| Carpenters          | Ornithologists            |
| Concrete & Formwork | Plasterers                |
| Dry Liners          | Tilers                    |
| Ecologists          | Visual Impact Specialists |
| Electricians        |                           |





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 12-29 September 2022.

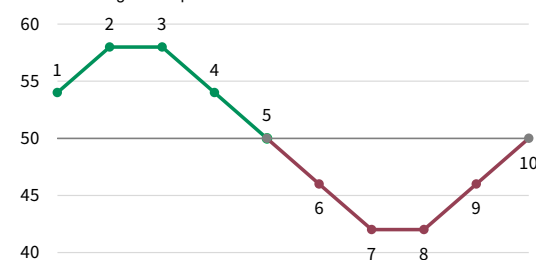
Survey data were first collected June 2000.

### 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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