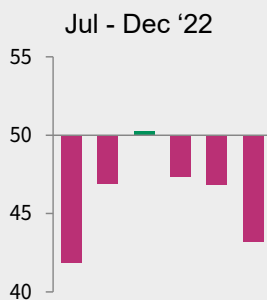


BNP Paribas Real Estate Ireland Construction PMI[®]

Activity falls for third month running at end of 2022

Ireland Construction Total Activity Index



Further declines in output and new orders

Employment scaled back

Cost inflation softest in 21 months

The end of 2022 saw the Irish construction sector remain in contraction territory as challenging economic conditions hit market demand. Falling workloads led firms to reduce their staffing levels. Meanwhile, supply-chain delays remained pronounced and input prices continued to rise sharply, albeit the rate of inflation was the softest since early-2021.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index dropped to 43.2 in December, down from 46.8 in November and below the 50.0 no-change mark for the third month running. Moreover, the latest decrease was sharp and the fastest since July 2022. Panellists reported a general market slowdown amid challenging economic conditions.

All three monitored categories of construction saw activity decrease

during December, again led by civil engineering. The softest fall in activity was seen on commercial projects, despite the rate of decline quickening from November. Meanwhile, housing activity decreased for the third month running.

The drop in total construction activity coincided with a similarly-sized reduction in new orders as market demand struggled. New business decreased for the ninth month running, and to the greatest extent since last August.

After having been broadly unchanged in November, employment decreased in December as firms responded to lower workloads. Although modest, the reduction in staffing levels was the sharpest since March 2021.

Lower input buying was also a result of reduced activity requirements,

BNP Paribas Real Estate Ireland Construction Total Activity Index

sa, >50 = growth since previous month



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with purchasing activity down for the seventh month running.

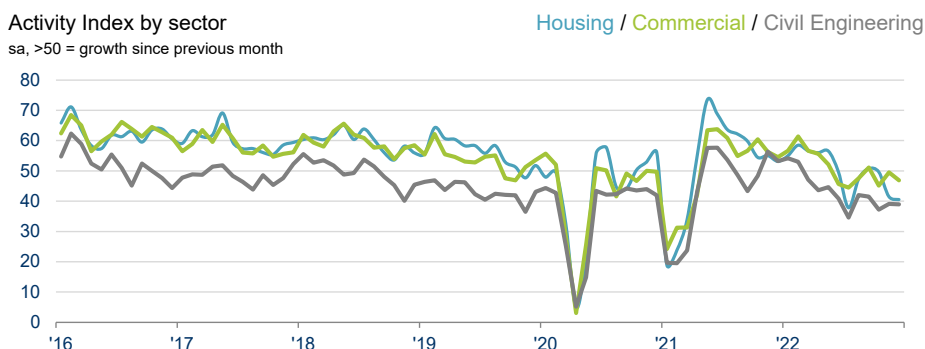
Where companies purchased inputs, they were faced with a further marked increase in prices. A number of panellists reported cost rises across the board. That said, the rate of inflation was softer than in November and the least marked in 21 months.

Suppliers' delivery times lengthened substantially again in December, and to the greatest extent in six months. Delivery delays were less pronounced than the 2022 average, however. Longer lead times reportedly reflected general issues in supply chains, but deliveries were also impacted to some

extent by poor weather conditions.

Companies scaled back their usage of sub-contractors in December, thereby ending a three-month sequence of expansion. The drop in demand for sub-contractors relieved some pressure on supply, contributing to the softest reduction in their availability in just under two years.

Hopes that demand conditions will improve over the course of 2023 supported confidence in the year-ahead outlook for activity. Sentiment improved from November but remained below the series average amid challenging economic conditions. Some firms predicted a rise in development activity.



Comment

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

“2022 was a year of two halves for construction. Strong expansion between January and May gave way to slowing activity from June, and the year petered-out with a further pronounced slowdown in December.

Some clear trends are now emerging. Firstly, the slowdown is happening across-the-board with the PMI's residential, commercial and civil engineering indicators all well below

the 50-point watershed. Secondly, building firms appear not to be expecting an immediate rebound; They initially took a wait-and-see approach to shrinking order books, maintaining their staff headcounts and continuing to purchase materials. But after nine months of new business contraction, panellists have now begun running down stocks and not replacing employees who leave.

Critically, however, Ireland's construction firms retain a positive medium-term outlook, with a solid majority expecting to be busier this time next year. This may reflect

recent developments which should assist with current viability challenges. Input price inflation has moderated to its slowest rate for 21 months. In addition, the Government's Croí Cónaithe scheme is being rolled out to subsidise apartment developments that would otherwise not be profitable to build. Further Government actions, including relaxing mortgage restrictions and raising the shared equity scheme price ceilings, may also underpin builders' confidence that they will be able to sell properties at prices that make development viable.”

Activity by sector

Residential

The final month of 2022 saw a further reduction in residential activity in the Irish construction sector, extending the current sequence of decline to three months. Moreover, the rate of contraction quickened from that seen in November and was the fastest since July.

Housing Activity Index

sa, >50 = growth since previous month

40.6

Dec '22



Commercial

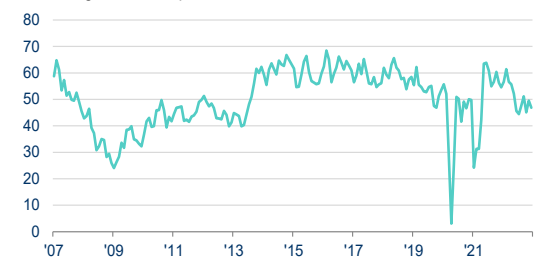
December data pointed to a third successive monthly reduction in activity on commercial projects. The pace of decline quickened from that seen in November but was still the softest of the three categories of construction covered by the survey.

Commercial Activity Index

sa, >50 = growth since previous month

46.9

Dec '22



Civil Engineering

Civil engineering activity continued to fall during December, with the pace of reduction quickening marginally from the preceding month. Activity on civil engineering projects has now decreased in each of the past ten months.

Civil Engineering Activity Index

sa, >50 = growth since previous month

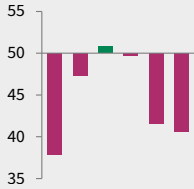
38.9

Dec '22



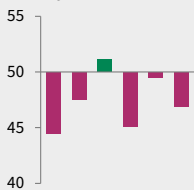
Housing Activity Index

Jul - Dec '22



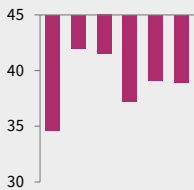
Commercial Activity Index

Jul - Dec '22



Civil Engineering Activity Index

Jul - Dec '22



Demand and jobs

New orders

As has been the case in each of the past nine months, new orders decreased in the Irish construction sector during December. The pace of decline was sharp and slightly more pronounced than recorded in November. Anecdotal evidence suggested that weaker demand amid a general market slowdown had been behind the latest drop in new business.

New Orders Index

sa, >50 = growth since previous month



Employment

After having been broadly unchanged in November, employment decreased in December. Although modest, the reduction in staffing levels was the sharpest since March 2021. Respondents indicated that the drop in employment was an adjustment to lower workloads, with the non-replacement of leavers reported in some cases.

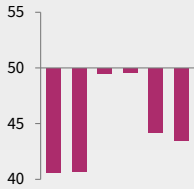
Employment Index

sa, >50 = growth since previous month



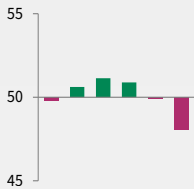
New Orders Index

Jul - Dec '22



Employment Index

Jul - Dec '22



Business expectations

Construction firms remained optimistic that activity will increase over the coming year, with sentiment picking up from that seen in November. Positive sentiment was largely based on hopes that demand conditions will improve over the course of 2023, with a number of respondents predicting a rise in development activity. That said, confidence was still below the series average given challenging economic conditions.

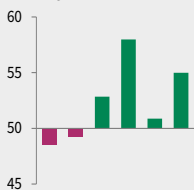
Future Activity Index

>50 = growth expected over next 12 months



Future Activity Index

Jul - Dec '22



Purchasing

Quantity of purchases

Purchasing activity continued to decrease in the final month of 2022, extending the current sequence of contraction to seven months. The pace of reduction was marked and broadly in line with that seen in November. Panellists linked the drop in input buying to lower new orders and activity requirements.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' delivery times

Ongoing issues in supply chains led to a further lengthening of suppliers' delivery times in December. In some cases, firms indicated that delivery delays were weather-related. Lead times lengthened to the most marked extent since June 2022, but one that was still softer than the average for the year as a whole.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Input prices

Although input costs continued to increase sharply during December, the rate of inflation softened to the slowest since March 2021. There were widespread reports from panellists of prices rising across the board. Close to 41% of respondents signalled a rise in input prices, against 4% that saw a fall.

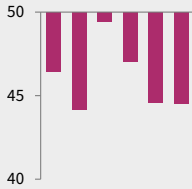
Input Prices Index

sa, >50 = inflation since previous month



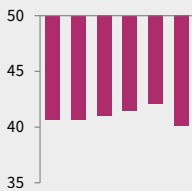
Quantity of Purchases Index

Jul - Dec '22



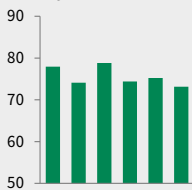
Suppliers' Delivery Times Index

Jul - Dec '22



Input Prices Index

Jul - Dec '22



Items up in price

Air Sealing Materials
Concrete
Electricity
Energy
Fuel
Heating Costs
Insulation
Plaster
Plastics
Plumbing Materials
Slates
Steel
Stone
Timber

Items down in price

Rough Timber
Timber
Wages

Items in short supply

Components
Electrical Items
Electronic Controls
Fitted Furniture
Joinery
PPE
Pumps
Steel
Timber

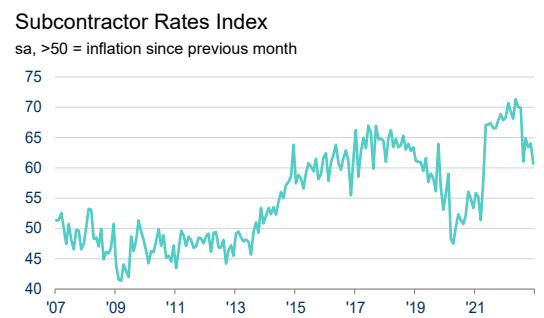
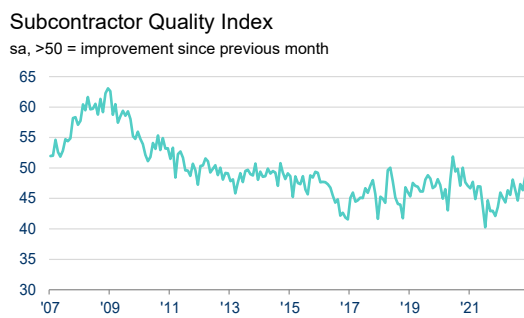
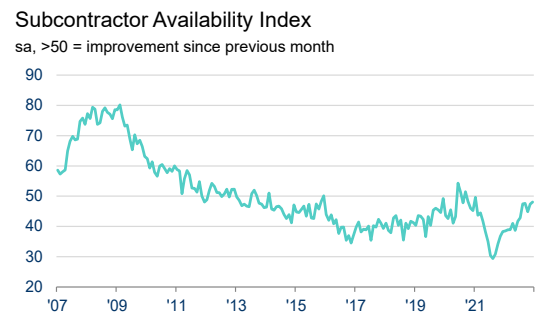
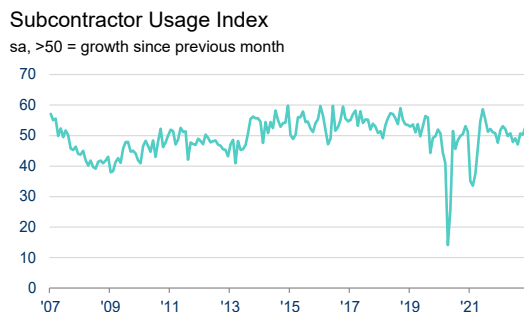
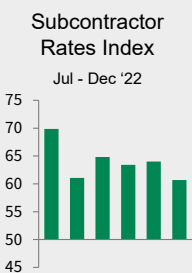
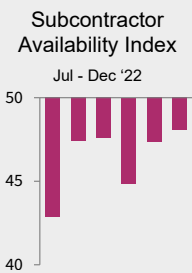
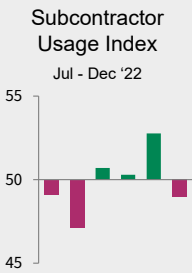
Subcontractors

The usage of sub-contractors decreased in December, thereby ending a three-month sequence of expansion. That said, the fall was only slight. The drop in usage contributed to a less pronounced fall in the availability of sub-contractors, with the latest modest reduction the least marked in almost two years.

The pace of inflation in sub-contractor rates slowed to the weakest since April 2021 but remained sharp nonetheless. Meanwhile, sub-contractor quality decreased solidly.

Subcontractors in short supply

- | | |
|----------------------------|-------------------------------|
| Architectural Metalworkers | Joiners |
| Blocklayers | Ornithologists |
| Carpenters | Painters |
| Ecologists | Plasterers |
| Electricians | Plumbers |
| Geohydrologists | Specialist Resident Engineers |
| Glaziers | Visual Impact Specialists |
| Groundworkers | |



Survey methodology

Survey panel size

150

construction firms

Index calculation

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

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 06-22 December 2022.

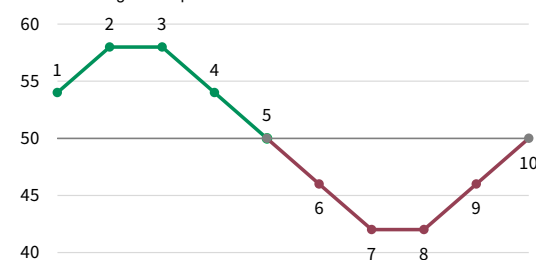
Survey data were first collected June 2000.

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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