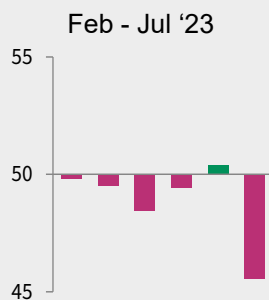


# BNP Paribas Real Estate Ireland Construction PMI<sup>®</sup>

## New orders fall for first time in six months

### Ireland Construction Total Activity Index



### Renewed decline in activity as demand falters

### Employment continues to rise solidly

### Suppliers' delivery times shorten for first time in over 12 years

After having returned to growth in June, construction activity in Ireland saw a renewed decline in July amid a first reduction in new orders since January. More positively, firms continued to take on extra staff and remained optimistic that activity will expand over the coming year.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index fell to 45.6 in July from 50.4 in June, dropping back below the 50.0 no-change mark to signal a renewed fall in total activity in the sector. Output has now decreased in nine of the past ten survey periods, and the latest reduction was the most pronounced in the year-to-date. Declines in activity were broad-based across the three monitored categories of construction as commercial posted a first fall in six months.

Those respondents that saw a drop in activity at the start of the third quarter often linked this to a renewed weakening of customer demand. This anecdotal evidence was consistent with the latest data on new orders, which signalled a first reduction in six months. Subdued customer confidence and associated delays in the approval of projects were among the factors leading to the fall in new business, which was solid overall.

Despite the drop in workloads in July, construction firms continued to expand their staffing levels. Employment increased for the seventh consecutive month. Moreover, the rate of job creation was solid and the fastest since February.

Continued hiring was consistent with confidence among construction firms that activity will expand over the coming year. Sentiment picked up

BNP Paribas Real Estate Ireland Construction Total Activity Index

sa, >50 = growth since previous month



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slightly from June, but was below the series average. Firms were optimistic that demand would show signs of improvement over the next 12 months. Approximately 30% of respondents were optimistic in the outlook for activity.

In contrast to the increase in employment, companies scaled back their purchasing activity in July. The fall was the second in as many months and most pronounced since January.

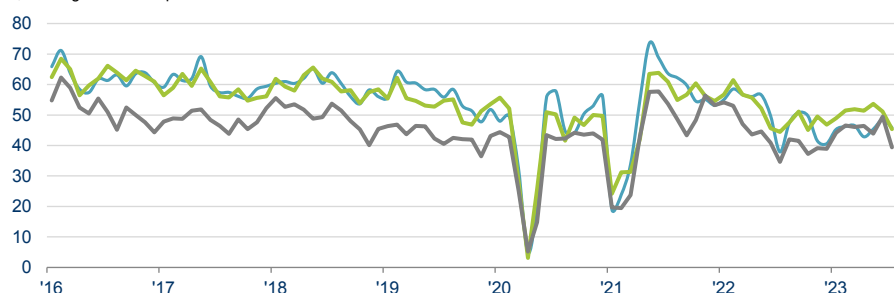
The drop in demand for inputs coincided with a first shortening of suppliers' delivery times in just over 12 years amid further evidence of supply chains returning to normal.

The rate of input cost inflation picked up in July, after having slowed to a 34-month low in June. The latest increase was still much softer than seen during 2021 and 2022, however. Around 23% of respondents saw their input costs rise at the start of the third quarter, against 3% that posted a fall.

The usage of subcontractors by construction firms increased for the sixth successive month, albeit at only a slight pace that was weaker than that seen in the previous survey period. Meanwhile, subcontractor availability declined to the least extent since February.

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:

*“The July PMI was a mixed bag. Last year’s construction slowdown gave way to a progressively less severe contraction through the opening half of 2023, culminating in a return to growth in June. In this context, and given the continued pick-up in housing starts, the back-slide into contraction in July was unexpected. The acceleration in input cost inflation also bucked a slowing trend that has been in place since April 2022, and is at odds with the latest Wholesale Price Index data. It remains to be seen if the more timely PMI is picking-up early signs of renewed inflationary*

*pressures or whether this is just a blip. On a positive note, construction firms reported increased employment for the seventh successive month, and for the tenth time in the last 12 months. This demonstrates that building firms are still able to recruit staff despite the tight labour market, and suggests an underlying confidence about the future. This confidence was replicated in the future expectations indicator which remains positive, and which shows a slight increase in sector optimism between June and July.”*

## Activity by sector

### Residential

Irish construction firms continued to signal a downturn in housing activity during July, as signalled by the respective seasonally adjusted index positing below the neutral 50.0 threshold for the tenth month in a row. Moreover, the rate of contraction picked back up from June's eight-month low to reach a solid pace overall.

### Housing Activity Index

45.9

sa, >50 = growth since previous month

Jul '23



### Commercial

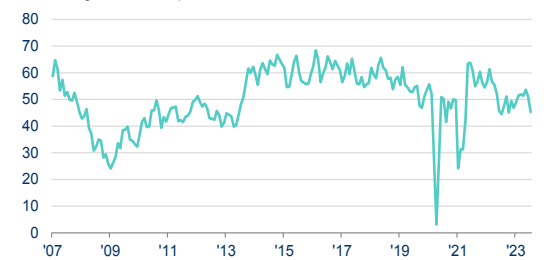
July survey data pointed towards a renewed decline in commercial construction work at the start of the third quarter of the year. The decrease was strong overall and a contrast to the sustained period of expansion registered over the previous five months.

### Commercial Activity Index

45.3

sa, >50 = growth since previous month

Jul '23



### Civil Engineering

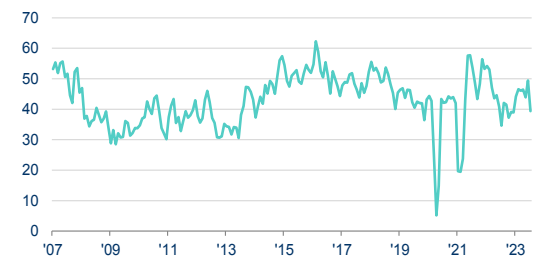
Activity on civil engineering projects continued to fall during July, thereby extending the current sequence of decrease dating back to March 2022. The rate of decline accelerated to a substantial pace that was the most pronounced in the year-to-date.

### Civil Engineering Activity Index

39.4

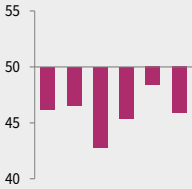
sa, >50 = growth since previous month

Jul '23



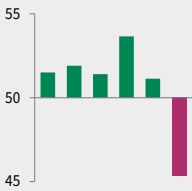
Housing Activity Index

Feb - Jul '23



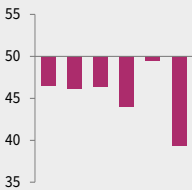
Commercial Activity Index

Feb - Jul '23



Civil Engineering Activity Index

Feb - Jul '23



## Demand and jobs

### New orders

Inflows of new orders placed at companies within Ireland's construction sector contracted for the first time since January during July. The rate of reduction was marked overall and the quickest in 2023 so far. Companies attributed falling order book volumes to a combination of demand fragility, a loss of customer confidence, and associated delays in project approvals.

### New Orders Index

sa, >50 = growth since previous month



### Employment

The upturn in employment entered its seventh consecutive month, as signalled by the respective seasonally adjusted index posting above the critical 50.0 mark during July. Notably, having now quickened for the third month in a row, the rate of job creation was solid overall and the second-strongest over the aforementioned period.

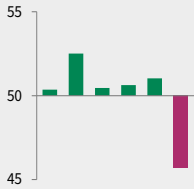
### Employment Index

sa, >50 = growth since previous month



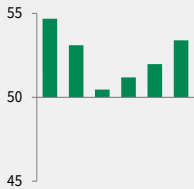
### New Orders Index

Feb - Jul '23



### Employment Index

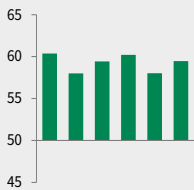
Feb - Jul '23



## Business expectations

### Future Activity Index

Feb - Jul '23



Hopes for an improvement in market demand and a building project pipeline supported a strengthening in the overall sense of optimism among Irish construction firms during July. Other opportunities for growth included the transition towards renewable energy and planned business expansions. That said, amid ongoing inflationary concerns, the degree of confidence continued to fall short of the series long-run average.

### Future Activity Index

>50 = growth expected over next 12 months



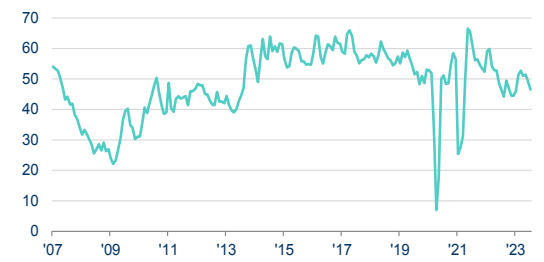
## Purchasing

### Quantity of purchases

There was a back-to-back decrease in the amount of inputs purchased by Irish construction firms at the start of the third quarter of the year. Moreover, the rate at which companies pared back their input buying strengthened notably from June to a solid pace overall. According to anecdotal evidence, panel members who lowered their purchasing activity did so in line with the drop in new orders.

Quantity of Purchases Index

sa, >50 = growth since previous month

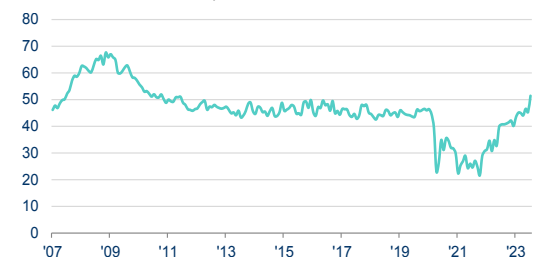


### Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index posted above the neutral 50.0 threshold in July to signal a renewed improvement in the quality of suppliers to the Irish construction sector. Albeit only marginal overall, the shortening in lead times was the first since June 2011 and a contrast to the severe disruptions seen since the pandemic.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



### Input prices

Average input prices paid by Irish construction companies increased considerably during July. In fact, the rate of cost inflation accelerated to a three-month high, reversing the recent trend of softening price pressures. More than 23% of respondents signalled a rise in input prices during the month, against 3% that posted a fall.

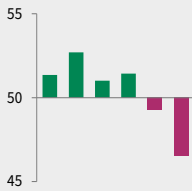
Input Prices Index

sa, >50 = inflation since previous month



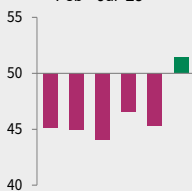
Quantity of Purchases Index

Feb - Jul '23



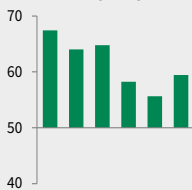
Suppliers' Delivery Times Index

Feb - Jul '23



Input Prices Index

Feb - Jul '23



#### Items up in price

Boilers  
Cement  
Concrete  
Copper  
Drainage Systems  
Electrical Cable  
Fascia  
Fuel  
Glass  
Graphic Supplies  
Insulation  
Plumbing Materials  
Power Tools  
Propane Gas  
Raw Materials  
Steel  
Timber

#### Items down in price

Beams  
Diesel  
Metals  
Plywood  
Steel Plate  
Steel Products  
Steel Rebar

#### Items in short supply

Insulation

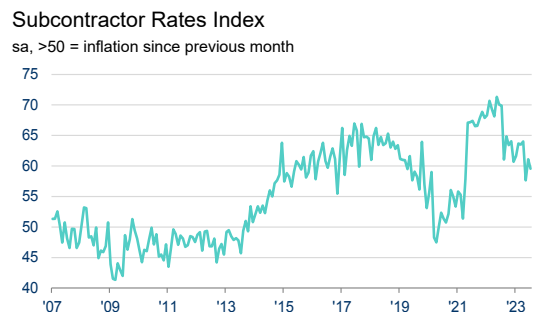
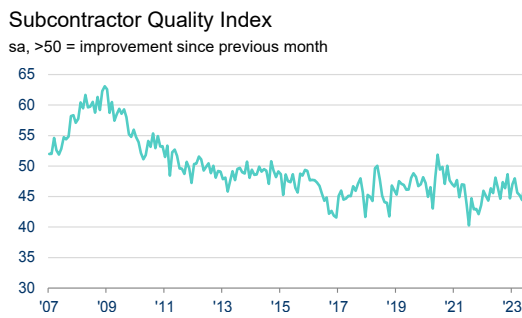
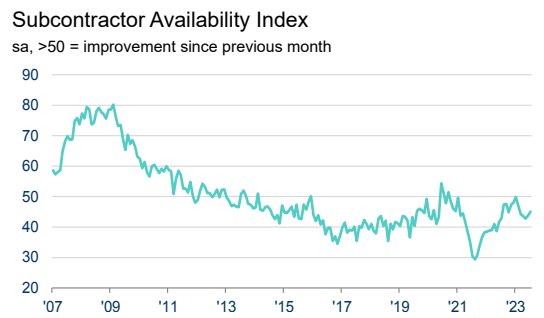
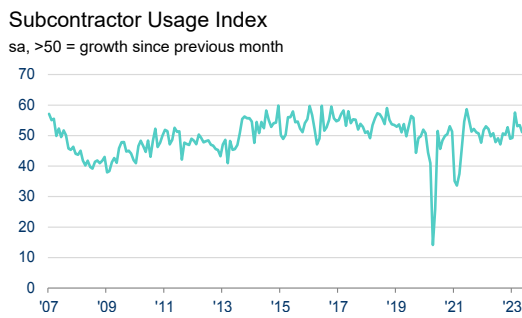
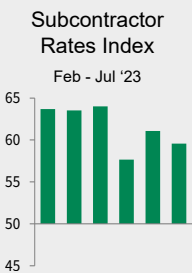
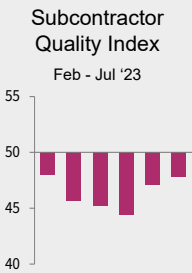
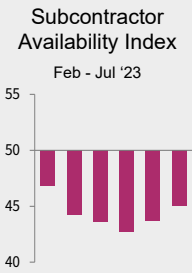
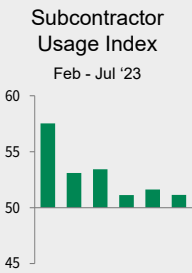
## Subcontractors

Irish construction companies increased their usage of sub-contractors for the sixth month running during July, albeit at the joint-weakest rate over this period. Meanwhile, the availability of subcontractors declined solidly.

The subsequent imbalance between the demand and supply of subcontractors meant that they were able to make another considerable hike in their rates during July. This was despite their quality being deemed to have once again worsened.

### Subcontractors in short supply

- |                      |                        |
|----------------------|------------------------|
| Blocklayers          | Geohydrologists        |
| Carpenters           | Plumbers               |
| Dryliners            | Roofers                |
| Ecologists           | Structural Specialists |
| Flooring Specialists |                        |



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 12-28 July 2023.

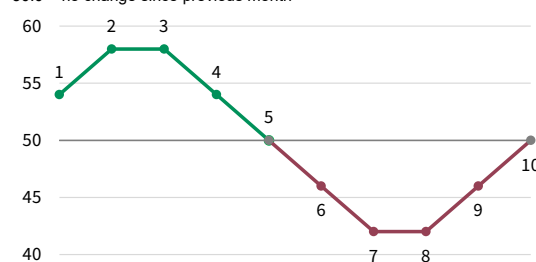
Survey data were first collected June 2000.

### 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.

### 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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