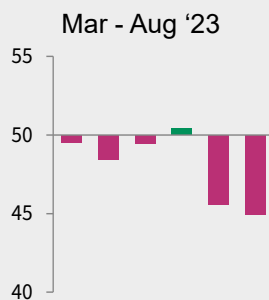


BNP Paribas Real Estate Ireland Construction PMI[®]

Dwindling demand leads to strongest downturn in activity in the year so far

Ireland Construction Total Activity Index



Marked contraction in new orders

Employment growth slows

Input price inflation strengthens to four-month high

Ongoing demand weakness continued to pose challenges to companies within the Irish construction sector and drove sharper downturns in activity and new orders in August. Purchasing activity was subsequently scaled back and the rate of employment growth eased over the course of the month. Cost pressures, meanwhile, mounted further with input price inflation hitting a four-month high.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index registered below the crucial 50.0 mark during August to signal a back-to-back reduction in activity in the Irish construction sector. Posting 44.9, down from 45.6 in July, the latest headline figure was indicative of a marked rate of decline that was the most pronounced in the year so far. The drop in activity was broad-based across all

three categories. The reduction in commercial activity was the sharpest in almost two-and-a-half years while housing activity fell at a solid rate.

According to panel members, activity levels remained constrained by demand weakness. New orders reduced for the second straight month and to the greatest extent since December last year. Panel members typically noted deteriorating demand conditions, linked to interest rate hikes and stubborn inflationary pressures.

Companies were subsequently more cautious with their approach to hiring. While still adding to their workforce numbers in August, the rate of job creation was only marginal overall and the least pronounced in four months.

Irish construction firms responded to subdued orders books by scaling back their buying activity for a third

BNP Paribas Real Estate Ireland Construction Total Activity Index

sa, >50 = growth since previous month



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consecutive month in August. Albeit easing slightly from the previous survey period, the rate of decline was solid overall.

Despite falling demand for inputs, Irish construction companies signalled a resumption in the deterioration of their suppliers' performance during August. The rate at which lead times lengthened was strong overall, albeit much weaker than the average for the last three years as a whole.

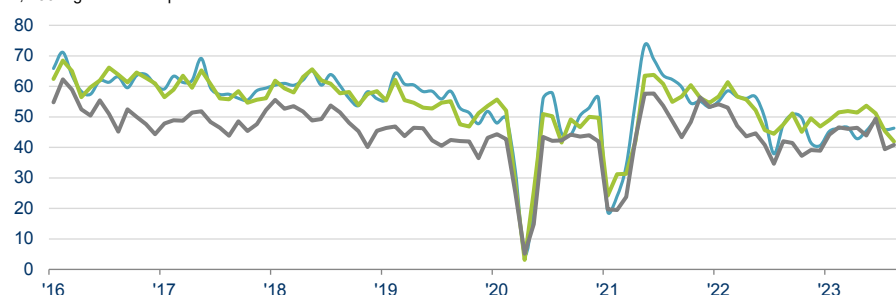
There were signs of cost pressures regaining some momentum midway through the third quarter of the year. Having accelerated for the second month in a row, the pace of input price

inflation was the most pronounced since April. Just under 31% of respondents saw their input costs rise over the course of the month, against just 4% who noted a reduction.

Irish construction firms continued to express optimism in the year-ahead outlook for activity during August. The main factors underpinning the positive assessment for the future included hopes for an improvement in market demand, the launching of new product lines and the commencement of new projects. That said, the negative trends encapsulated in the latest survey data meant that business sentiment remained historically subdued.

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 August PMI is a blend of emerging and ongoing dynamics. The most notable new trend is a very pronounced decline in commercial building activity in July and August, bucking the trend of consistent expansion over the first half of 2023. This is a welcome development as it limits the potential for oversupply in areas of commercial property, such as offices, where vacancy rates have been rising.”

“A second notable is the re-acceleration of input cost inflation in July and August after nearly two years of receding cost pressures. This jars somewhat with the latest CSO data on building materials and labour costs, but could be an early sign that re-emerging energy price increases since June are beginning to impact the sector.”

“Despite these new dynamics, key aspects of the PMI narrative remained unchanged. While materials purchases have contracted in response to the pull-back in new orders, Irish building firms appear

optimistic about the future; Surveyed firms took-on additional staff for the eighth successive month in August and 88% of panellists expected to be as busy or busier in 12 months’ time.”

Activity by sector

Residential

The seasonally adjusted Housing Activity Index registered below the crucial 50.0 mark to signal an eleventh successive decline in residential building during August. While solid overall, the rate of reduction softened since July and was the weakest of the three monitored sectors.

Housing Activity Index

46.3

sa, >50 = growth since previous month

Aug '23



Commercial

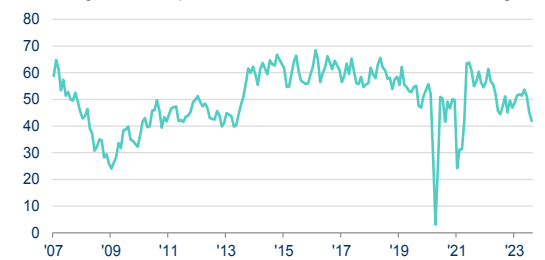
The level of commercial building work undertaken by Irish construction firms decreased for the second straight month during August. Moreover, the downturn strengthened notably from July and signalled a rapid rate of reduction that was the most pronounced since March 2021.

Commercial Activity Index

41.9

sa, >50 = growth since previous month

Aug '23



Civil Engineering

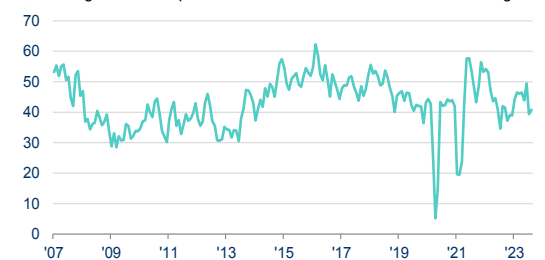
The downturn in civil engineering activity entered its eighteenth consecutive month during August. Albeit easing slightly from the previous survey period, the rate of decline was considerable and the steepest of the three monitored sectors.

Civil Engineering Activity Index

40.8

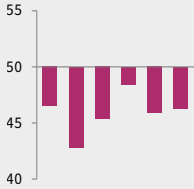
sa, >50 = growth since previous month

Aug '23



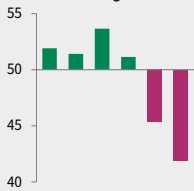
Housing Activity Index

Mar - Aug '23



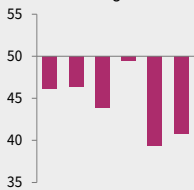
Commercial Activity Index

Mar - Aug '23



Civil Engineering Activity Index

Mar - Aug '23



Demand and jobs

New orders

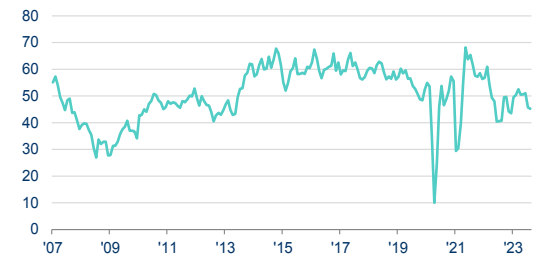
There was a back-to-back contraction in order book volumes across Ireland's construction sector midway through the third quarter of the year. Having quickened since July, the rate of reduction was solid overall and the most pronounced in the year-to-date. Anecdotal evidence suggested that demand conditions have weakened as a result of cost pressures and interest rate hikes.

Employment

Irish construction companies raised their headcounts for the eight consecutive month during August. However, the latest round of job creation was only marginal overall and the softest since April. Exactly 13% of monitored companies registered an expansion in their employment levels compared with just under 9% who noted job losses.

New Orders Index

sa, >50 = growth since previous month



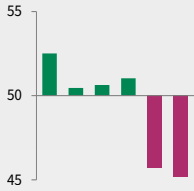
Employment Index

sa, >50 = growth since previous month



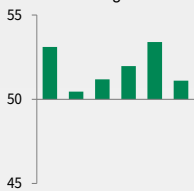
New Orders Index

Mar - Aug '23



Employment Index

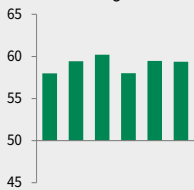
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Business expectations

Future Activity Index

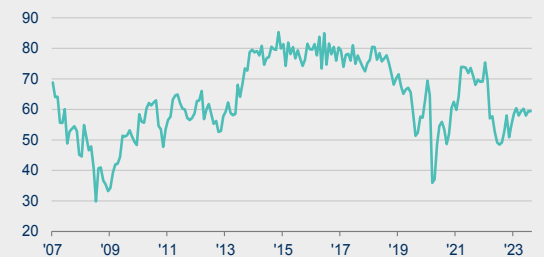
Mar - Aug '23



The Future Activity Index remained firmly above the neutral 50.0 threshold during August to signal a sustained sense of optimism amongst Irish construction firms. Opportunities for growth included a building project pipeline, hopes for an improvement in market demand and the launching of new product lines. That said, the degree of confidence was little-changed from that recorded in July and hence, continued to fall short of the historical average.

Future Activity Index

>50 = growth expected over next 12 months



Purchasing

Quantity of purchases

The amount of inputs purchased by Irish construction firms decreased for the third month in a row midway through the third quarter of the year. The rate of decline was solid overall but softer than that recorded in July. When explaining the scaling back of buying activity, a number of survey respondents commented on the deteriorating demand environment.

Suppliers' delivery times

Following a slight improvement in July, the seasonally adjusted Suppliers' Delivery Times Index returned back below the critical 50.0 mark to signal a resumption in the deterioration in the quality of suppliers to the Irish construction sector in August. The lengthening in lead times was solid overall and linked by panel members to delays further up the supply chain.

Input prices

August data was indicative of another round of input cost inflation across Ireland's construction sector. Moreover, having quickened for the second month in a row, the rate of increase was rapid overall and the strongest in four months. Approximately 31% of survey respondents noted a rise in overall input costs, compared to just 4% who saw input prices fall.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



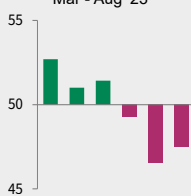
Input Prices Index

sa, >50 = inflation since previous month



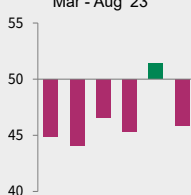
Quantity of Purchases Index

Mar - Aug '23



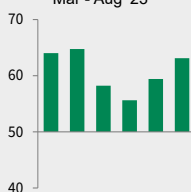
Suppliers' Delivery Times Index

Mar - Aug '23



Input Prices Index

Mar - Aug '23



Items up in price

Cast Iron
Cement
Concrete
Copper
Diesel
Doors
Electrical Items
Electrical Tool
Fascia
Fuel
Glass
Insulation
PVC Pipe
Steel
Steel Piping
Timber

Items down in price

Steel
Steel Rebar
Timber

Items in short supply

Colours
Fascia
Soffit
Specialist Hardware
Toughened Glass

Subcontractors

Sub-contractor usage increased for the seventh month in a row during August and at the strongest rate since April. This was despite a sustained deterioration in the perceived quality of work undertaken by these sub-contractors.

The availability of sub-contractors declined solidly. That said, the rate of reduction was the weakest in six months. The combination of reduced supply and higher demand for sub-contractors meant that their rates continued to rise at a rapid pace.

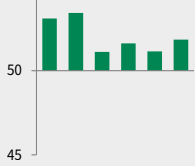
Subcontractors in short supply

Blocklayers
Carpenters
Consultants
Dryliners
Ecologists
Electricians

Flooring Fitters
Geohydrologists
Joinery
Mechanical Fitters
Plumbers

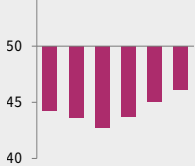
Subcontractor Usage Index

Mar - Aug '23



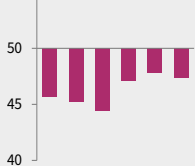
Subcontractor Availability Index

Mar - Aug '23



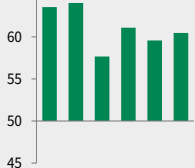
Subcontractor Quality Index

Mar - Aug '23



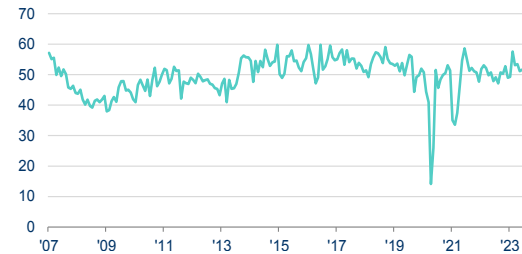
Subcontractor Rates Index

Mar - Aug '23



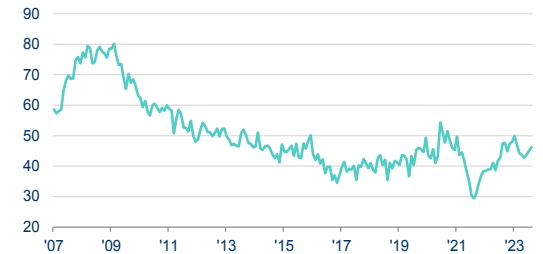
Subcontractor Usage Index

sa, >50 = growth since previous month



Subcontractor Availability Index

sa, >50 = improvement since previous month



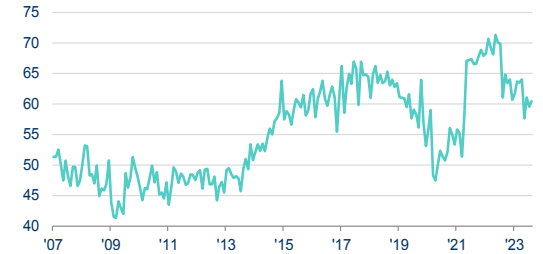
Subcontractor Quality Index

sa, >50 = improvement since previous month



Subcontractor Rates Index

sa, >50 = inflation since previous month



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 10-30 August 2023.

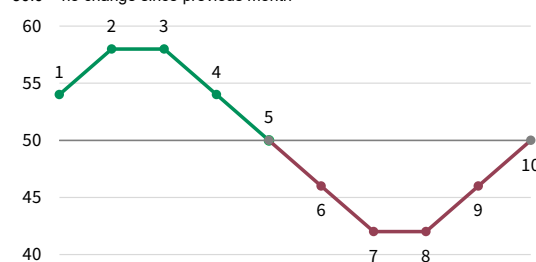
Survey data were first collected June 2000.

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	

Contact

John McCartney
Director & Head of Research
BNP Paribas Real Estate Ireland
T: +353 (0) 1 661 1233
M: +353 87 974 8485
john.mccartney@bnpparibas.com
www.realestate.bnpparibas.ie

Priya Chavva
Business & Marketing Coordinator
BNP Paribas Real Estate Ireland
T: +353 (0) 1 661 1233
M: +353 87 960 4985
priya.chavva@bnpparibas.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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