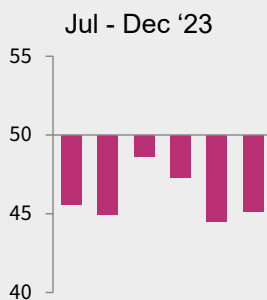


BNP Paribas Real Estate Ireland Construction PMI[®]

December sees further reduction in construction activity

Ireland Construction Total Activity Index



Activity down for sixth month running amid lower new orders

Employment returns to growth

Business confidence at seven-month high

Irish construction activity continued to fall at the end of 2023 amid a further moderation of demand in the sector. Firms scaled back their purchasing activity accordingly, but employment returned to growth amid confidence in the outlook for 2024. Meanwhile, the rate of input cost inflation eased from that seen in November.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index remained below the 50.0 no-change mark in December, but increased to 45.1 from 44.5 in November to signal a softer pace of decline in the final month of the year. That said, the rate of contraction in total construction activity remained marked and extended the current sequence of reduction to six months.

Of the three types of construction

covered by the report, the sharpest reduction was seen for commercial activity where the rate of contraction was sharp and faster than that seen in November. Activity on housing projects fell markedly, but to a lesser extent than in the previous survey period, while civil engineering posted the slowest reduction in activity of the three categories in December.

Some panellists mentioned that activity had decreased as projects reached completion, with insufficient inflows of new business to replace them. In turn, this reflected general demand weakness and delays in decision making by potential clients amid rises in costs and interest rates. As a result, new orders decreased for the sixth month running. The contraction in December was solid, albeit slightly softer than in the previous survey period.

BNP Paribas Real Estate Ireland Construction Total Activity Index

sa, >50 = growth since previous month



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Construction firms responded to demand weakness by scaling back their own purchasing activity. Some respondents indicated that they were working through existing inventories instead of buying in new items. Despite falling demand for inputs, suppliers' delivery times lengthened markedly, and to the largest extent in eight months.

On a more positive note, employment returned to growth in December, after having fallen for the first time in 11 months during November. The hiring of additional staff in part reflected confidence in the outlook for 2024.

Business sentiment rose to a seven-month high amid some hopes that new

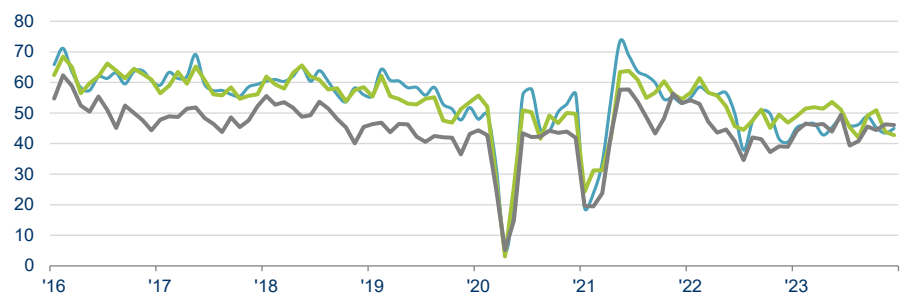
projects will be secured in the new year. More than 34% of respondents predicted a rise in activity over the coming 12 months, against 15% that were pessimistic.

Higher charges by suppliers resulted in a further sharp increase in input costs during December, although the rate of inflation eased from that seen in November and was softer than the average for 2023 as a whole.

Sub-contractors also increased their charges, and to the greatest extent since April. This rise in rates came despite a second successive monthly reduction in the use of sub-contractors. Meanwhile, their availability decreased solidly.

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 stand-out figure in December’s PMI was a continued plunge in commercial activity. Leaving aside Covid lockdowns and the decline seen last August, the latest reading was the weakest in over a decade. Commercial values have inevitably been impacted by higher interest rates, and this has been compounded by soft occupational demand in some sectors, particularly offices. At the same time, input costs have continued to rise, albeit at a declining pace. The net effect has been squeezed development margins, stemming the

flow of new project starts. Residential activity slowed again, but at a softer pace than in November. However, commencements are up by almost 18% between January and November, suggesting a positive outlook for the sector. Consistent with this, employment rose for the 11th time in 12 months in December, and reported optimism reached its highest level since last May.”

Activity by sector

Residential

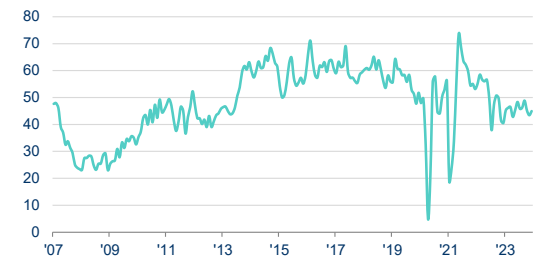
Irish construction firms signalled a marked monthly reduction in housing activity in December, albeit one that was softer than that seen in November. Activity on residential projects has now fallen in each of the past 15 months.

Housing Activity Index

45.0

sa, >50 = growth since previous month

Dec '23



Commercial

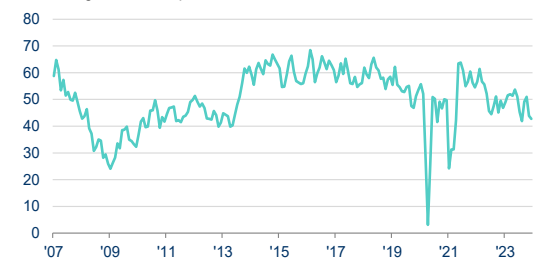
December data pointed to a sharp and accelerated fall in commercial activity at Irish construction firms. The decline was the second in successive months and the most pronounced since August. The reduction in commercial activity was the sharpest of the three monitored categories of construction.

Commercial Activity Index

42.8

sa, >50 = growth since previous month

Dec '23



Civil Engineering

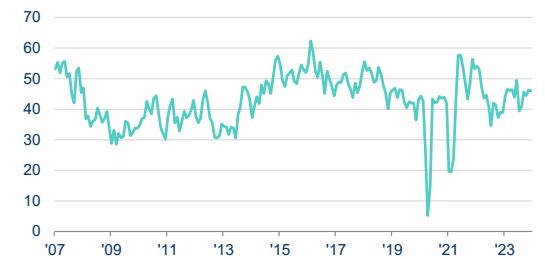
Civil engineering activity decreased for the twenty-second consecutive month at the end of 2023. The rate of contraction was solid, but little changed from that seen in November and the weakest of the categories covered by the survey.

Civil Engineering Activity Index

46.1

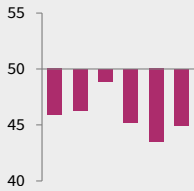
sa, >50 = growth since previous month

Dec '23



Housing Activity Index

Jul - Dec '23



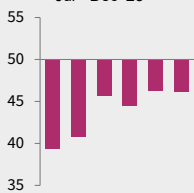
Commercial Activity Index

Jul - Dec '23



Civil Engineering Activity Index

Jul - Dec '23



Demand and jobs

New orders

New orders continued to fall in December, thereby extending the current sequence of decline to six months. The pace of reduction was solid, but eased slightly from that seen in November. Demand weakness and delays in decision making by potential clients amid price rises and higher interest rates contributed to the fall in new business, according to respondents.

New Orders Index

sa, >50 = growth since previous month

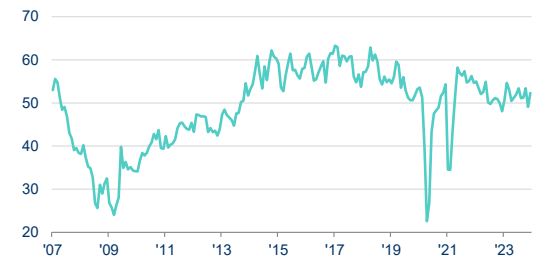


Employment

Irish construction firms registered a renewed increase in employment in December, following a first reduction in 11 months during November. A number of respondents indicated that additional full-time staff had been hired, in some cases reflecting confidence in the outlook for 2024.

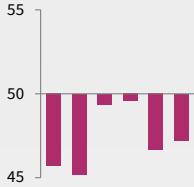
Employment Index

sa, >50 = growth since previous month



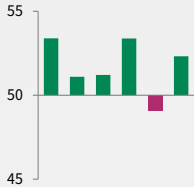
New Orders Index

Jul - Dec '23



Employment Index

Jul - Dec '23

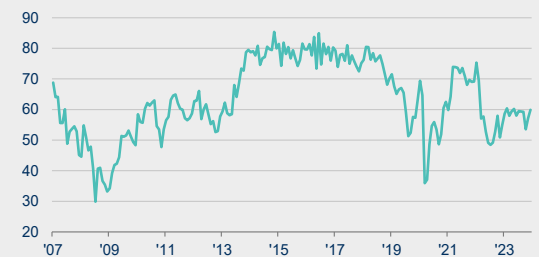


Business expectations

Business confidence strengthened to a seven-month high in December amid optimism that new projects will be secured in the new year. Sentiment was still softer than the series average, however. More than 34% of respondents predicted an increase in activity over the course of 2024, against 15% that were pessimistic.

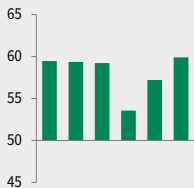
Future Activity Index

>50 = growth expected over next 12 months



Future Activity Index

Jul - Dec '23



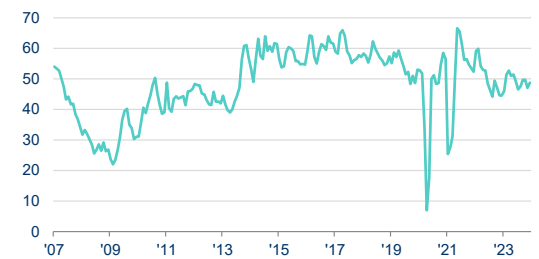
Purchasing

Quantity of purchases

Purchasing activity decreased modestly in the final month of 2023, and to a lesser extent than in November. Panellists reported that they were working through existing stocks and therefore didn't need to purchase additional inputs. On the other hand, some firms had raised their input buying in response to signs of improving demand.

Quantity of Purchases Index

sa, >50 = growth since previous month

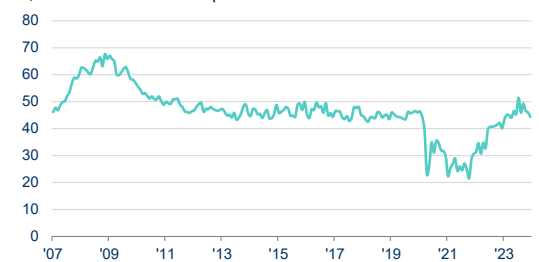


Suppliers' delivery times

December data pointed to a further lengthening of suppliers' delivery times in the Irish construction sector, with the latest deterioration in vendor performance the most pronounced since April. Lead times have now lengthened in each of the past five months.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Input prices

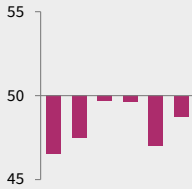
Supplier price increases reportedly resulted in a further rise in input costs in December. The rate of inflation was sharp, but eased from that seen in November and was softer than the average for 2023 as a whole. Around 19% of respondents signalled a rise in input costs, against 6% that posted a fall.

Input Prices Index

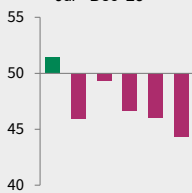
sa, >50 = inflation since previous month



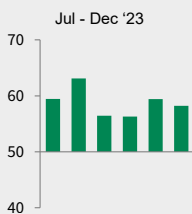
Quantity of Purchases Index
Jul - Dec '23



Suppliers' Delivery Times Index
Jul - Dec '23



Input Prices Index
Jul - Dec '23



Items up in price

Commercial Insurance
Concrete
Copper Fittings
Electrical Components
Fascia
Glass
Graphic Materials
Insulation
Insurance
Office Supplies
Paper
Plastic Piping
Stainless Steel

Items down in price

Diesel
Fuel
Insulation
Steel
Timber

Items in short supply

Certain Colours
Fascia
Soffit

Subcontractors

The usage of sub-contractors decreased for the second month running in December. The pace of reduction was solid, but softer than that seen in the previous survey period. Despite the fall in sub-contractor usage, their availability continued to decrease.

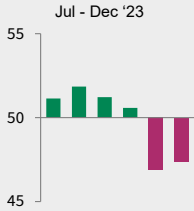
Sub-contractor rates increased sharply, with the rate of inflation accelerating for the third consecutive month to the fastest since April. The quality of work carried out by sub-contractors declined, however, and to the largest extent in four months.

Subcontractors in short supply

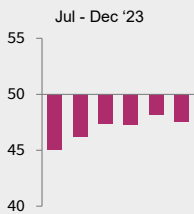
Blocklayers
Carpenters
Ecologists
Geohydrologists
Groundworkers

Ornithologists
Plasterers
Visual Impact Specialists

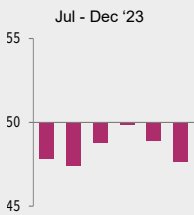
Subcontractor Usage Index



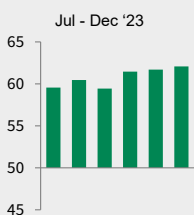
Subcontractor Availability Index



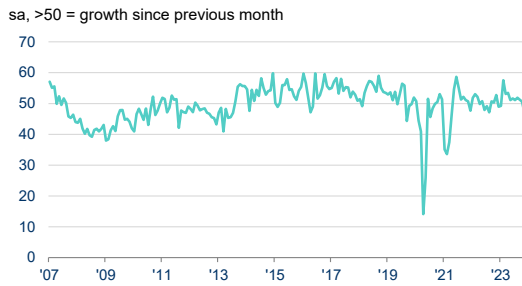
Subcontractor Quality Index



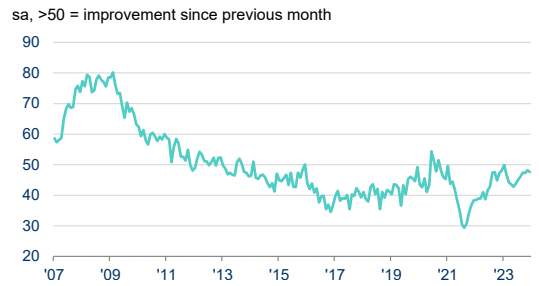
Subcontractor Rates Index



Subcontractor Usage Index



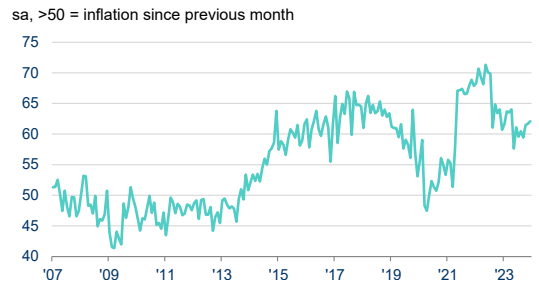
Subcontractor Availability Index



Subcontractor Quality Index



Subcontractor Rates Index



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@spglobal.com.

Survey dates and history

Data were collected 06-21 December 2023.

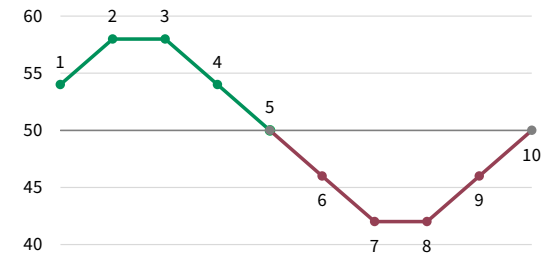
Survey data were first collected June 2000.

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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