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## BNP Paribas Real Estate Ireland Construction PMI®

### Renewed upturn in the Irish construction sector

- First increase in construction activity since September 2022
- Sustained and quicker growth in new orders and employment
- Input cost pressures retreat to 35-month low

Resilient demand helped the Irish construction sector out of its recent soft patch as we reached the mid-point of 2023. New orders and employment continued to expand in June, and did so at their fastest rate since March. Meanwhile, inflationary pressures in the sector continued to cool, with the weakest rise in input costs since August 2020.

The BNP Paribas Real Estate Ireland Total Activity Index has moved above the neutral 50.0 threshold for the first time since September 2022, rising to 50.4 in June from 49.4 in May. Although this only signifies a slight increase in activity, it is the most pronounced in over a year. Panel members attributed this to a more favourable demand environment, which is underscored by a fifth monthly expansion in new orders. To accommodate increasing activity levels and new order growth, Irish construction companies expanded their workforce numbers for the sixth straight month. The rate of employment growth was the most pronounced since March, albeit only modest overall. Within the overall context of increased activity, growth trends across the monitored sectors of construction were somewhat uneven; Commercial activity drove the overall uplift, while housing activity edged lower, albeit at its softest pace since October 2022. In addition, firms marginally reduced their input purchases for the first time since January, with some quoting sufficient stock holdings and concerns around the potential for a market slowdown.

Reduced demand for inputs served to lower cost pressures during June. While still increasing strongly, input prices rose at one of the slowest rates in the current 38-month inflationary sequence. In contrast, however, supply chain delays continued, and were slightly worse than in May.

Irish building companies remain broadly optimistic and foresee increased activity levels over the coming year. Growth prospects centre around general hopes for a boost in demand. That said, the confidence index remained below its long-term average, and at its joint-weakest in the year so far, with firms still concerned about the inflationary environment.



**Comment**

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

*“Construction activity rose in June for the first time since last September. However, this has been coming for a while, with building firms consistently reporting increased new orders and staffing levels since the start of this year.*

*“The pick-up reflects two factors; Firstly, cost pressures have retreated to their lowest level for 35 months. Secondly, population growth, the strong economy, Government supports and increased demand for green buildings continue to underpin the value of newly constructed properties – particularly new homes and warehouses.*

*“Residential activity edged lower for the ninth successive month, but the rate of contraction continues to diminish. Viability remains challenging, particularly for apartments. However, new homes inflation of 11.1 percent per annum (compared with 3.5 percent for second-hand dwellings) is helping to offset the impact of rising costs, and we expect 30,000 completions this year.”*

**\*\*Ends\*\***

**BNP Paribas Real Estate Ireland Construction PMI Total Activity Index**

sa, >50 = growth since previous month



Sources: BNP Paribas Real Estate Ireland, S&P Global PMI.

Latest Construction PMI Readings	Jun '23
Total Activity	50.4
Housing Activity	48.4
Commercial Activity	51.1
Civil Engineering Activity	49.4



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## 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).

Data were collected 12-29 June 2023.

Survey data were first collected June 2000.

## About S&P Global

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## 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 monthly indicators of economic trends.

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