

AIB Ireland Construction PMI®

Stormy weather causes drop in construction activity in January

Key findings

Total activity falls, but housing output continues to rise

New orders down for first time in three months

Employment increases amid optimistic outlook

January saw a renewed reduction in Irish construction activity as work was hampered by stormy weather during the month. New orders also dipped and companies lowered their purchasing activity accordingly, but employment continued to rise amid confidence in the outlook for activity. Meanwhile, input costs increased sharply again and firms were faced with supply-chain delays.

The headline seasonally adjusted AIB Ireland Construction Total Activity Index posted 48.2 in January, down from 51.6 in December and back below the 50.0 no-change mark. As such, the index pointed to a fourth reduction in total construction activity in the past five months.

The poor weather conditions seen in January - particularly Storm Éowyn - contributed to the overall reduction in construction activity. This was despite some firms reporting that they had taken on new work to help fix storm damage during the month.

Housing bucked the wider trend and posted a rise in activity in January, the fifth month running in which this has been the case. Although solid, the pace of expansion eased from that seen in December. Meanwhile, companies reported a renewed fall in commercial activity and a sustained contraction in work on civil engineering projects.

As was the case with total construction activity, new orders returned to contraction territory in January as new business inflows were similarly affected by the stormy weather. The reduction in new business was the first in three months.

Purchasing activity was also down, falling for the second consecutive month and to the largest degree for two years.

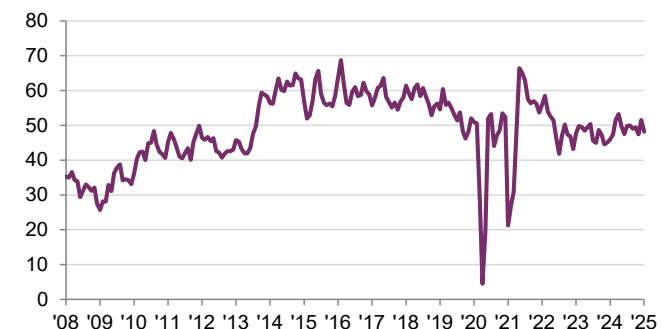
Where firms purchased inputs, they were faced with a further lengthening of suppliers' delivery times, in part linked to disruption from Storm Éowyn, but also due to staff shortages and stock issues at suppliers.

Meanwhile, input costs increased sharply, with the rate of inflation remaining marked despite easing from that seen in December.

More positively, employment continued to rise, extending the current sequence of job creation to five months. The latest increase was only modest, however, and the joint-weakest in this period, equal with September 2024. Sub-contractor usage also rose for the fifth successive month in January.

AIB Ireland Construction PMI Total Activity Index

sa, >50 = growth since previous month



Sources: AIB, S&P Global PMI.

Data were collected 09-30 January 2025.

Comment

Commenting on the survey results, John Fahey, AIB Senior Economist, said:

"The AIB Irish Construction PMI survey for January showed a weak start to the year for the sector. The headline index fell back into contractionary territory, with a reading of 48.2 in January, down from 51.6 in December. This is the fourth time in five months that the index has been below 50, highlighting the subdued backdrop for building activity. However, adverse weather conditions in the month, especially Storm Éowyn had a dampening impact on overall construction levels.

"From a sectoral perspective, for the fifth consecutive month, housing was the best performing of the three sub sectors. Indeed, it managed to register a solid pace of expansion. In contrast, both commercial and civil engineering activity contracted, with the latter retaining its position as the weakest of the three.

"The weather effect was also evident across other areas of the PMI construction survey. Noticeably, the new orders index, which is a key leading indicator, moved into contraction mode for the first time in three months. Meanwhile, purchasing activity and supplier delivery times were also negatively impacted by the weather.

"In terms of positives from the survey, the construction sector continued to add jobs, albeit at a more modest pace compared to December. Survey respondents noted positive demand expectations as a factor behind the increase in employment levels. This optimism regarding the outlook was reflected in the Future Activity index remaining above its long run average in January."

Hiring activity often reflected confidence in the outlook for demand and activity. Although easing from the 34-month high seen in December, sentiment remained strongly positive in January and was above the series average. Confidence regarding construction activity generally reflected optimism in the ability of firms to secure new business in the months ahead.

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Survey methodology

The AIB 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.

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