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**BNP Paribas Real Estate Ireland Construction PMI®**

**Sustained but softer declines in activity and new business at the start of 2023**

- Fresh employment growth
- Input cost inflation drops to two-year low
- Year-ahead outlook strengthens to 11-month high

The Irish construction sector registered a sustained contraction in activity in the first month of 2023 with subdued market conditions reportedly remaining a key constraint in overall sector performance. That said, rates of reduction for both output and new orders softened notably from December and there was a fresh increase in staffing numbers. Cost and supply pressures displayed signs of easing. In fact, the rate of input cost inflation eased to a two-year low while lead times lengthened to the least extent since February 2020.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index posted at 47.7 in January, up from 43.2 in December and indicative of a fourth successive monthly reduction in Irish construction output at the aggregate level. Where falling output was reported, panellists often mentioned subdued market conditions. That said, the latest decrease was notably weaker than in December and the softest since the current downturn first began last October.

Broken down by sector, the contraction was broad-based but softer across all three monitored categories. As has been the case in each of the past 11 months, civil engineering firms recorded the strongest decline. Commercial activity saw the softest fall and one which was only mild while housing activity declined for the fourth month in a row.

Faced with challenging economic conditions, firms reportedly struggled to secure new orders and registered another contraction in January. That said, there were tentative signs of improvement in the fact that the latest reduction was the joint-weakest in the current ten-month sequence of decline.

The sustained drop in output and demand led firms to decrease input buying for an eighth month in a row. The rate of reduction remained solid but was the softest since last October.

Meanwhile, Irish construction firms added to their workforces for the first time in three months, albeit only marginally.

Irish construction firms faced another round of sharp input cost inflation as prices reportedly continued to rise across a broad range of products. In some more positive news, the rate of inflation softened for a second month in a row and was the least pronounced in two years. Staying on prices, sub-contractor rates increased at an

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accelerated and marked pace.

Supply pressures eased in January, highlighted by the softest lengthening in lead times since February 2020. January data pointed to sustained falls in sub-contractor availability, usage, and quality. That said, in all three cases rates of decrease softened from December. In fact, the rate of decline in availability was the weakest in 28 months.

The outlook for activity over the coming 12 months brightened in the first month of 2023, with confidence strengthening to an 11-month high. Optimism reportedly stemmed from hopes that demand conditions would improve in the future, with new projects set to begin in the coming months.

**Comment**

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

“Construction slowed slightly in January, but this month’s PMI is distinctly more upbeat than those of recent months. Although input costs are still rising, the rate of increase is at its slowest for two years. Meanwhile supply chain delays have eased somewhat, perhaps reflecting the reopening of the Chinese economy. Moreover there are positive signs for the year ahead. The relaxation of bank and local authority mortgage rules, and the raising of price caps in the Government’s shared equity scheme will give builders greater confidence in future selling prices. Meanwhile the new Renter Tax Credit and a widening of the net for social housing support will help underpin the rental market. With confidence at an 11 month high, housing commencements have picked-up strongly in recent months, construction firms have resumed hiring, and 85% of builders now expect to be as busy or busier in one year’s time.”

**\*\*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.



Latest Construction PMI Readings	Jan'23
Total Activity	47.7
Housing Activity	45.2
Commercial Activity	49.0
Civil Engineering Activity	44.2

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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 12-30 January 2023.

Survey data were first collected June 2000.

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