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BNP Paribas Real Estate Ireland Construction PMI®

Activity rises for first time in four months

- Renewed increase in activity amid near-stabilisation of new orders
- Employment continues to rise
- Input cost inflation accelerates

The end of the third quarter of 2022 saw a return to growth of activity in the Irish construction sector, following three months of contraction. New orders showed signs of stabilising, while employment increased. That said, input cost inflation picked up and suppliers' delivery times continued to lengthen markedly.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index moved back above the 50.0 no-change mark in September, posting 50.2 from 46.9 in August. The increase in activity was the first in four months, but only fractional. Signs of stabilisation in new orders supported the return to growth, but there were ongoing reports of difficulties caused by rising prices and fragile demand. Increases were seen in both commercial and housing activity in September, in both cases ending three-month periods of contraction. Civil engineering activity continued to fall, however.

Although new orders decreased at the end of the third quarter, the rate of reduction slowed sharply from those seen in recent months and was indicative of a near-stabilisation of new orders in the sector. Where new business fell, this was again linked to inflationary pressures, with some firms also highlighting the impact of wider economic weakness.

Sustained cost pressures were signalled by the rate of input price inflation accelerating to a three-month high on the back of higher energy, raw material and transportation costs. Panellists often linked price rises to the war in Ukraine.

Signs of stabilisation in new orders encouraged companies to increase their staffing levels, with employment now having risen in 17 of the past 18 months.

Purchasing activity continued to fall, extending the current sequence of decline to four months. That said, the latest reduction was only slight and the weakest in this period. Respondents indicated that a lack of new orders meant that there was little need for them to expand input buying.

Where firms did purchase inputs, they were again faced by delivery delays. Shortages of couriers and higher fuel costs were the main factors causing longer lead times. Although marked, the latest deterioration in vendor performance was the least pronounced since February 2020.

PMI®

by **S&P Global**



A renewed increase in sub-contractor usage was recorded in September, ending a three-month period of decline. Meanwhile, the availability of sub-contractors declined to the least extent in 20 months. The rates charged by sub-contractors continued to rise rapidly.

Hopes that business conditions will start to improve over the coming year supported renewed optimism in the 12-month outlook for activity. Positive sentiment was recorded for the first time in four months, but confidence remained muted amid concerns about the potential for a wider economic downturn.

Comment

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

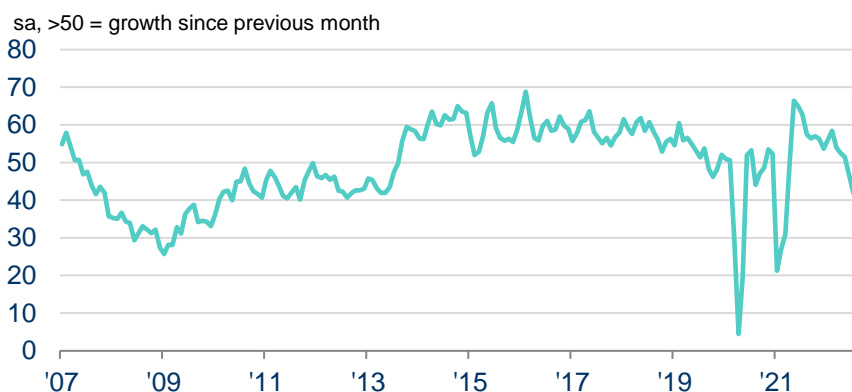
“Solid expansion between January and May gave way to quite a sharp slowdown in construction activity over the summer months. However operations now appear to have stabilised at this lower level with the September PMI reading broadly in-line with August’s figure. Current activity levels appear to be reasonably well aligned with forward-looking sub-indices of the PMI, suggesting that the sector is neither anticipating a construction boom nor a collapse in the months ahead. In the short term, order books are broadly unchanged from August and, reflecting this, input purchases are similarly stable. Looking slightly further ahead, the future expectations index indicates that marginally more firms expect to be busier in one year’s time than less busy, despite a continued increase in construction costs. Reflecting this, builders held on to their staff through the summer slowdown, and employment in the surveyed firms has actually edged-up slightly in the last two months.”

Commenting on the impact of Budget 2023 on the Construction PMI, McCartney said:

“Fieldwork for the September PMI was largely completed by 27th September, so we will have to wait until next month to see what effect, if any, the recent Budget has had on the index. However we can anticipate that construction firms may see the extension of Help-To-Buy until December 2024 as a supportive measure, while the proposed 10% levy on concrete products may be seen as a potentially unhelpful addition to costs.”

****Ends****

BNP Paribas Real Estate Ireland Construction PMI Total Activity



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



Latest Construction PMI Readings	Sep'22
Total Activity	50.2
Housing Activity	50.8
Commercial Activity	51.1
Civil Engineering Activity	41.5

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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.

Data were collected 12-29 September 2022.

Survey data were first collected June 2000.

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