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BNP Paribas Real Estate Ireland Construction PMI®

**Near-stabilisation in activity amid fresh new order growth**

- First upturn in new orders since last March
- Strong employment growth
- Rate of cost inflation picks up on the month

The downturn across Ireland's construction sector moderated during February amid a broad stabilisation in activity levels and fresh growth in new orders. As such, firms registered strong employment growth and the first uptick in input buying since May last year. There was some less positive news on the pricing front. Input costs and sub-contractor rates increased at faster paces than in January.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index remained below the neutral 50.0 threshold in February, posting at 49.8 from 47.7 in January. The reading was indicative of a fifth successive reduction in total activity, but having slowed to the weakest over this period the decline was only fractional. Panel members who registered a fall in output often still linked this to relatively subdued market conditions.

Decreases were seen in both housing and civil engineering activity in February though rates of reduction eased to four- and 11-month lows, respectively. Bucking the wider trend, commercial activity increased modestly and for the first time since last September.

Alongside the softer downturn in activity, a renewed expansion in new business volumes provided further signs of market improvement. The latest upturn, albeit only slight, was the first registered since last March and linked by panel members to strengthening project pipelines and better underlying demand conditions.

Irish construction firms responded to expanding order book volumes by adding to their staffing levels and increasing their purchasing activity in February. Irish construction firms registered a second successive month of employment growth midway through the first quarter of 2023 with the latest upturn strong overall and the most pronounced since last May. February data was also indicative of a renewed uptick in input buying, breaking the prior eight-month sequence of decline.

Where firms did purchase inputs, they were again faced by delivery delays. Supply chain disruption remained the main factor causing longer lead times. However, while marked, the latest deterioration in vendor performance was the least pronounced since January 2020.

Meanwhile, growth forecasts across Ireland's construction sector were positive for the sixth month in a row and

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the degree of optimism was the brightest in a year amid reports of improving project pipelines and increased client engagement. Some hesitancy did, however, remain in the fact that overall sentiment remained below its long-run average.

On a more negative note, cost pressures faced by Irish construction companies worsened in February. Following two months of easing, the rate of cost inflation re-accelerated from January. The same was the case for sub-contractor rates which increased at the fastest pace in three months. The quality and availability of sub-contractors, however, deteriorated but there was renewed and marked growth in usage.

### Comment

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

*“The ‘green shoots’ in our last PMI strengthened further in February. The pace of contraction continued to slow leaving construction effectively unchanged in the month. More importantly, the forward-looking data are pointing in a distinctly positive direction. New order books are expanding and, through their words and actions, building firms appear to be confident that this will be sustained. The proportion of construction companies saying that they expect to be busier in 12 months’ time it at its highest level since Feb 2022 – a trend that is also evident in the manufacturing and services PMIs. Consistent with this, materials purchases have picked-up markedly and builders are taking-on additional staff at the fastest pace in a year.*

*“Although residential activity eased slightly, the pace of contraction has softened considerably. This aligns with other positive indicators in the sector. The Dublin Housing Supply Coordination Task Force counted 18,600 new dwellings under construction in the capital at the end of September 2022, and further 3,488 have been commenced in the capital since then – a 42% year-on-year increase. Meanwhile 2023 is set to be the biggest ever year of warehouse construction in Dublin, and potentially the biggest year for office building since 2008.”*

**\*\*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	Feb '23
Total Activity	49.8
Housing Activity	46.2
Commercial Activity	51.5
Civil Engineering Activity	46.5

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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](mailto:economics@ihsmarkit.com).

Data were collected 10-27 February 2023.

Survey data were first collected June 2000.

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