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BNP Paribas Real Estate Ireland Construction PMI®

- **Sharper falls in construction activity and new orders**
- **Business confidence strengthens**
- **First reduction in staffing levels since December 2022**

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index posted 44.5 in November, down from 47.3 in October and pointing to the most marked reduction in construction activity in 2023 so far. Activity has now decreased in five successive months. A slowdown in the economy, the completion of projects and delays in decision making at clients were all factors leading activity to fall, according to respondents.

Firms recorded declining activity across the three different categories of construction as commercial posted a renewed reduction midway through the final quarter of the year. The sharpest fall, however, was for housing activity, which decreased to the largest extent since April.

On a more positive note, business confidence strengthened in November as 32% of respondents predicted a rise in activity over the coming year. Positive sentiment reflected hopes for an improvement in economic conditions and the start of new projects.

Lower current workloads led constructors to scale back employment for the first time in almost a year. Resignations also contributed to the reduction, which was nonetheless only slight.

Companies meanwhile experienced a sharp rise in input prices, and one that was the fastest since August. The rate of inflation remained much weaker than seen during 2021 and 2022, however.

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by **S&P Global**



Latest Construction PMI Readings	Oct '23	Nov '23
Total Activity	47.3	44.5
Housing Activity	45.2	43.5
Commercial Activity	50.9	43.8
Future Activity	53.6	57.2

Comment

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

“November saw sharp contractions in both commercial and residential activity. On the commercial side, 2023 will be a record year for Dublin warehouse completions, with significant development also occurring in Cork. However rising interest rates and construction costs have made developers more cautious, therefore the 2024 pipeline is weaker and early-stage activity is being impacted. In Dublin’s office market, developers have heeded the signals of rising vacancy and softening lease terms to turn off the supply tap. Completions will fall by 25-30% this year, and the 2024 pipeline is lower again. Indeed, with speculative commencements off the table for next year, this slowdown in office building may persist until 2027.

Continued weakness in the residential PMI is more surprising. The latest national accounts indicate that investment in new dwellings has risen by 8.4% compared with the first three quarters of 2022. Completions are up by 8.8% in the same period and, with commencements rising even faster, the longer-term trend is also positive. The most likely explanation is that activity has temporarily slowed in October and November due to projects being completed as we approach year-end. However, national accounts data also reveal that the home improvement market has contracted over the last six months as build costs continue to rise.”

****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.



Contact

John McCartney

Director & Head of Research

BNP Paribas Real Estate Ireland

T: +353 (0) 1 661 1233

M: +353 87 974 8485

john.mccartney@bnpparibas.com

www.realestate.bnpparibas.ie

Sabrina Mayeen

Corporate Communications

S&P Global Market Intelligence

T: +44 (0) 7967 447030

sabrina.mayeen@spglobal.com

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@spglobal.com.

Data were collected 09-29 November 2023.

Survey data were first collected June 2000.

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