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BNP Paribas Real Estate Ireland Construction PMI®

Irish construction activity contracts, but new order growth quickens

- Sustained and stronger expansion in new orders
- Input price inflation dips to 26-month low
- Workforce numbers continue to increase

Ireland's construction activity continued to fall slightly during March. On a more positive note, growth in new orders, employment and input buying were all sustained and there were some tentative signs of cooling in terms of inflationary pressures.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index remained just below the crucial 50.0 mark separating growth from contraction in March. Posting at 49.5, down from 49.8 in February, the latest reading signalled a sixth successive reduction in total activity. Despite quickening slightly from that seen last month, the rate of reduction was only fractional. While some firms commented on still subdued market conditions, others mentioned some relative improvement in demand.

Activity was down in two of the three broad categories of construction covered by the survey. The sharpest fall was seen in civil engineering with the latest reading signalling a marked fall in activity. The downturn in housing was similarly solid and the sixth in as many months. Meanwhile, commercial continued to buck the wider trend and saw activity expand for the second month in a row.

New business expanded for a second consecutive month during March, a contrast to the reduction seen with regards to activity. Panel members had mentioned some strengthening in underlying demand conditions, with new projects currently underway and an increasing number of incoming enquiries. Furthermore, the rate of growth quickened from that seen in February.

Companies responded to higher new order intakes by adding to their headcounts again in March. Employment levels have now risen in each of the past three months with the latest uptick solid and historically elevated.

Also reportedly a reflection of expanding new business volumes was the sustained ramping up in purchasing activity during March. The increase was the most pronounced since May last year and solid overall.

Meanwhile, Irish construction firms continued to comment upon supply chain issues and delivery delays. Vendor performance subsequently worsened further but at a rate much softer than seen over much of the past three years.

Hopes for a sustained improvement in client demand led firms to be optimistic in their outlook for business activity

PMI®

by **S&P Global**



over the coming 12 months. More specifically, firms were looking to capitalise off of planned development work and upcoming renewable energy projects. That said, the overall degree of confidence did falter slightly from February and remained below its long run average.

Inflationary pressures remained a key headwind across the construction economy. Average input costs rose again and at a rate still strong by historical standards. There were, however, signs of improvement as signalled by the pace of inflation resuming its downward trajectory and dipping to a 26-month low. Sub-contractor rates also increased sharply despite their quality being deemed to have worsened. March saw the sharpest drop in availability in eight months as sub-contractor usage increased solidly.

Comment

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

“Taking stock of Q1 as a whole, three trends are evident. Firstly, overall construction activity contracted, but marginally, and at a diminishing rate through the quarter. Secondly input cost inflation slowed markedly. Thirdly, every forward-looking indicator on the PMI dashboard switched from negative to unambiguously positive. Order books strengthened progressively through the quarter. This was mirrored by increased materials purchasing and hiring of staff. Meanwhile the proportion of Irish building firms expecting to be as busy or busier in 12 months’ time has steadily risen from 82 percent last December to 87 percent in March.”

****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	Mar '23
Total Activity	49.5
Housing Activity	46.5
Commercial Activity	51.9
Civil Engineering Activity	46.1



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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 10-30 March 2023.

Survey data were first collected June 2000.

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