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BNP Paribas Real Estate Ireland Construction PMI®

Construction activity nears stabilisation amid further growth of new orders

- New orders, employment and purchasing increase at quicker rates
- Decline in activity only fractional
- Rate of input price inflation eases to 33-month low

An improvement in demand conditions not only supported a softening in the Irish construction sector downturn in May but also contributed to some strengthening in trends seen elsewhere across the latest survey. Uplifts in new orders, employment and buying activity were sustained with rates of increase accelerating in all three cases. Pressures on supply and prices also eased somewhat. The extent to which lead times lengthened was the least pronounced since November 2017 and the rate of input price inflation dipped to a 33-month low.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index posted only fractionally below the crucial 50.0 mark which separates growth from contraction in May. At 49.4, up from 48.4, the latest reading was indicative of an eighth consecutive fall in total activity levels, but a reduction that was only slight overall. The improved headline reading was, in part, a reflection of the sustained and stronger uplift in commercial activity. Meanwhile, the decline in housing activity eased from April but remained solid overall.

While some firms mentioned that lower activity levels reflected slowing market conditions, others reportedly benefited from a pick-up in market demand. Indeed, the same factor reportedly supported a fourth consecutive uplift in new orders during May. The rate of increase was slightly stronger than in April but still only marginal overall.

To reflect the sustained expansion in new orders, Irish construction firms noted a further uplift in their staffing numbers midway through the second quarter of the year. Purchasing activity similarly increased for the fourth month in a row. In both cases, rates of increase strengthened on the month to reach modest paces.

Meanwhile, May data was indicative of some further easing in supply chain frictions in the Irish construction sector. Average lead times lengthened, but at a rate the least pronounced since November 2017. Anecdotal evidence suggested that while there was some improvement in the operation of supply chains, vendors faced labour shortage issues.

On the price front, input costs increased markedly but at the weakest rate since August 2020. Inflation of the rates charged by sub-contractors similarly softened, easing to a 26-month low. Nevertheless, their quality was deemed to have deteriorated and at the sharpest pace since March 2022. Greater sub-contractor usage occurred despite the most pronounced reduction in their availability in almost a year.

PMI®

by **S&P Global**



Looking to the year ahead, Irish constructors were positive in their outlook for activity over the coming 12 months. In fact, firms registered the second-strongest degree of confidence since February 2022. Opportunities for growth included hopes for a sustained pick-up in market demand, a boost in development activity, higher volumes of renewable energy projects and a payoff from new business strategies.

Comment

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

“The pattern of recent months continued in May. Onsite activity levels are broadly unchanged. However building firms are ramping-up to be busier, with new orders and input purchases increasing for the fourth month in-a-row, and employment rising for the fifth successive month. The future expectations index is now approaching its highest level since early 2022, possibly driven by two factors. As confirmed by recent Census statistics, Ireland’s population continues to rise strongly, generating a natural demand for homes and logistics buildings which serve the supply-chain needs of a growing population. Secondly, while still rising, input costs are doing so at their slowest rate since August 2020. The combination of these dynamics is giving rise to greater optimism about construction viability.”

****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	May '23
Total Activity	49.4
Housing Activity	45.4
Commercial Activity	53.7
Civil Engineering Activity	43.9



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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 11-30 May 2023.

Survey data were first collected June 2000.

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