

AIB Ireland Construction PMI®

New orders return to growth in February

Key findings

Total activity falls despite slight improvement in new orders

Housing and commercial activity increase

Staffing levels down for first time in six months

There were mixed trends signalled by the AIB Ireland Construction PMI in February. New orders returned to growth, and there were positive signs in terms of work on housing and commercial projects. That said, total construction activity continued to moderate amid economic uncertainty. Rising new orders resulted in a first increase in purchasing activity for three months, but employment was scaled back midway through the opening quarter of the year.

The headline seasonally adjusted AIB Ireland Construction Total Activity Index was below the 50.0 no-change mark for the second consecutive month in February, although the implied pace of decline eased as the index rose to 48.7 from 48.2 in January.

According to respondents, economic uncertainty played a part in the latest reduction in activity, which was recorded in spite of improvements at some companies as a result of an expansion in new orders.

There were varied trends across the three categories of construction covered by the report. Housing remained the best performer, seeing activity increase for the sixth successive month, and at a solid pace that was sharper than in January. Meanwhile, commercial activity rose modestly following a fall in the previous month. Work on civil engineering projects continued to decline.

New orders increased for the third time in the past four months, albeit only marginally in February. Where new business rose, panellists generally linked this to demand improvements.

The rise in new orders fed through to an expansion of purchasing activity, which returned to growth following a weather-related decline in January.

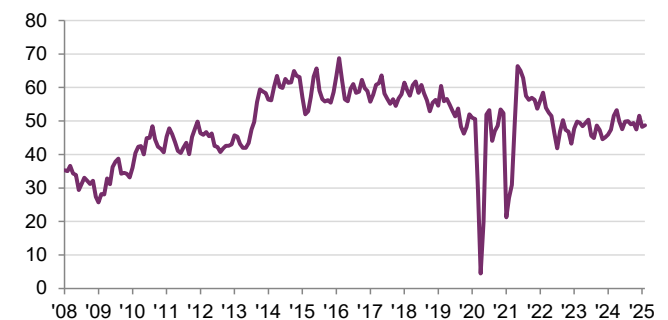
On the other hand, employment decreased in February, thereby ending a five-month sequence of job creation. Some panellists reported that workers had moved on following the completion of projects. Constructors continued to increase their usage of sub-contractors modestly.

Meanwhile, there was a drop in confidence regarding the year-ahead outlook for construction activity, with sentiment at a ten-month low in February. Optimism was supported by confidence in the future path of demand for housing, but there was some caution expressed given uncertainty around plans for tariffs.

Input costs rose at the fastest pace in almost two years as suppliers

AIB Ireland Construction PMI Total Activity Index

sa, >50 = growth since previous month



Sources: AIB, S&P Global PMI.

Data were collected 10-27 February 2025.

Comment

Commenting on the survey results, John Fahey, AIB Senior Economist, said:

"The AIB Irish Construction PMI survey for February showed that the sector remained in contractionary territory. The headline index printed at 48.7 last month. However, this was a slight improvement on the January reading of 48.2, which implies that the pace of decline in activity eased slightly in February. This is the fifth time in six months that the index has been below 50, highlighting the muted operating environment for building activity.

"Assessing activity levels from a sectoral perspective, residential was the best performing of the three sub sectors. This outperformance has been in place for six months now. Commercial activity returned to expansionary territory after falling in January. Meanwhile, civil engineering retained its position as the weakest of the three sectors, continuing to contract.

"There were some encouraging signs emanating from the new orders index, which is regarded as a key leading indicator. The index moved back up into growth territory having declined during a weather impacted January. Survey respondents noted improved demand and greater capacity as factors in the return to expansion in new orders. However, employment fell in the construction sector last month, ending a five-month period of jobs growth.

"Firms in the construction sector remained optimistic on activity over the coming 12 months. Although, outlook expectations, as measured by the Future Activity index, weakened for a second month in-a-row and is now below its long run average. Some firms referenced uncertainty in relation to tariffs as a reason for the more cautious mood."

hiked their charges. One-third of respondents signalled a rise in input prices during the month. Sub-contractor rates also increased at a sharper pace in February.

Finally, shortages of staff and materials at suppliers caused a build-up in their backlogs of work, in turn resulting in lengthening delivery times for construction firms. Lead times lengthened sharply, and to the greatest extent since January 2023.

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Survey methodology

The AIB 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.

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