



Embargoed until 0101 IST (0001 UTC) 11 July 2022

BNP Paribas Real Estate Ireland Construction PMI®

Construction activity falls for first time in 14 months

- Sharp and accelerated contraction in new orders
- Steep cost inflation hits demand
- Construction outlook turns negative for first time in 21 months

The Irish construction sector moved into contraction territory at the midway point of 2022. Continued severe price pressures led to a drop-off in enquiries, with new orders falling at a sharp and accelerated pace. As a result, total construction activity fell for the first time since early-2021 when the sector was impacted by COVID-19 restrictions. In turn, purchasing activity was scaled back and staffing levels stagnated.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index dropped below the 50.0 no-change mark in June, posting 46.4 following a reading of 51.5 in May. The latest figure signalled a solid reduction in total activity that was the first since April 2021. Respondents linked lower activity to increasing costs and subdued demand.

All three categories of construction saw reductions in activity during June, with both commercial and housing activity posting declines for the first time since the first half of 2021. The fall in housing activity was only marginal, however.

The rate of decline in new orders accelerated sharply in June and was the fastest since March 2021. Respondents noted a lack of enquiries, with some indicating that previously agreed projects had been postponed due to price pressures. New business has now decreased in each of the past three months.

With workloads falling, construction firms scaled back their purchasing activity accordingly. Input buying fell for the first time in 15 months.

A reduction in purchasing alleviated some pressure on supply chains. Although suppliers' delivery times continued to lengthen markedly, the latest deterioration in vendor performance was the least pronounced since the onset of the pandemic in early-2020. Where lead times lengthened, this was mainly due to material shortages.

Meanwhile, staffing levels were broadly unchanged overall with firms more cautious around hiring given the weaker demand environment.

Construction companies scaled back their use of sub-contractors, but despite this their availability continued to fall and rates charged increased rapidly.

PMI®

by **S&P Global**



The rate of input cost inflation remained elevated at the end of the second quarter, despite easing to a 14-month low. Around 64% of respondents signalled that their input prices had increased in June.

Ongoing steep price pressures contributed to a negative outlook among construction firms, with falling new orders and signs of a wider economic slowdown adding to expectations of a fall in activity over the next 12 months. Pessimism was recorded for the first time since September 2020.

Comment

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

"June has been a watershed month for construction activity. The post-Covid rebound has been fading since February, but the June PMI reflects the first absolute pull-back since pandemic restrictions were lifted.

A recurring theme is that costs are rising faster than the value of delivered properties, squeezing viability. Materials costs have been escalating since early 2021 and this continued in June. But labour is now also contributing to inflationary pressures; The number of people working in construction rose by 30% in the year to March, and the resulting labour scarcity has driven construction wage growth to nearly 9% per annum. However the June PMI suggests that this is beginning to regulate itself - order books were weaker for the third month in a row and employment growth in the sector has stalled for the first time since we came out of lockdown.

Residential activity contracted for the first time since April 2021. However the slowdown was marginal and, considering the pipeline of homes that are currently onsite, approximately 28,000 new dwelling completions can be expected this year – a year-on-year rise of well over 30%. Commercial activity experienced a sharper contraction. This reflects cost pressures, but also a recognition that the existing pipeline of Dublin office development looks sufficient to cover near-term net absorption in the market."

****Ends****

BNP Paribas Real Estate Ireland Construction PMI Total Activity

sa, >50 = growth since previous month



Sources: BNP Paribas Real Estate Ireland, S&P Global.

Latest Construction PMI Readings	Jun'22
Total Activity	46.4
Housing Activity	49.7
Commercial Activity	45.7
Civil Engineering Activity	40.8



Contact

John McCartney

Director & Head of Research

BNP Paribas Real Estate

T: +353 (0) 1 661 1233

M: +353 87 974 8485

john.mccartney@bnpparibas.com

www.realestate.bnpparibas.ie

Ellen Browne

Business Coordinator

BNP Paribas Real Estate

T : +353 (0) 1 661 1233

M: +353 87 458 8460

ellen.browne@bnpparibas.com

www.realestate.bnpparibas.ie

Joanna Vickers

Corporate Communications

S&P Global

T: +44-207-260-2234

joanna.vickers@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@ihsmarkit.com.

Data were collected 13-29 June 2022.

Survey data were first collected June 2000.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

ihsmarkit.com/products/pmi.html



Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

About BNP Paribas Real Estate

BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: Property Development, Transaction, Consulting, Valuation, Property Management and Investment Management. With 5,000 employees, BNP Paribas Real Estate as a one stop shop company, supports owners, leaseholders, investors and communities thanks to its local expertise across 30 countries (through its facilities and its Alliance network) in Europe, the Middle-East and Asia. BNP Paribas Real Estate is a as part of the BNP Paribas Group, a global leader in financial services.