

AIB Ireland Construction PMI®

Activity falls for second month running, but new orders rise

Key findings

Modest fall in total construction activity

Marginal growth in new orders, employment and purchasing

Input cost inflation at five-month low

Business conditions in the Irish construction sector remained subdued as the first half of 2025 drew to a close. Total activity decreased slightly again, despite growth in commercial activity. Meanwhile, new orders, employment and input buying continued to rise, albeit at modest rates. Input costs increased sharply, but at the slowest pace in five months. Looking to the future, constructors maintained a generally optimistic outlook regarding activity over the coming year.

The headline seasonally adjusted AIB Ireland Construction Total Activity Index posted below the 50.0 no-change mark for the second month running in June. Moreover, at 48.6 the latest reading was down from 49.2 in May and therefore pointed to a sharper reduction in total construction activity, albeit one that was modest overall.

In line with the picture for total construction activity, work on housing projects decreased for the second successive month in June. The rate of decline was modest, but the fastest in almost a year-and-a-half. Civil engineering activity was also down, leaving commercial as the sole source of growth during the month. Commercial activity increased for the fifth month running, and at the same solid pace as in May.

Where total activity decreased, panellists linked this to economic uncertainty and muted demand conditions. On the other hand, some firms noted that new contracts had been secured.

Indeed, new orders increased for the fifth consecutive month at the end of the second quarter. The rate of expansion was only modest, however, and broadly in line with that seen in the previous month.

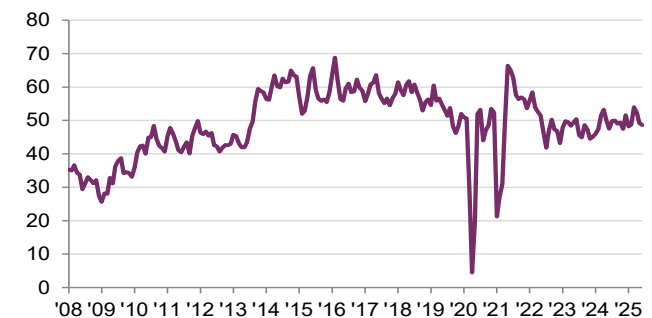
Employment also rose slightly in June, and at the slowest pace in the current four-month sequence of job creation. According to respondents, new staff were hired in order to help fulfil orders and work on future projects.

Companies remained optimistic that activity will increase over the coming year, with confidence reflecting expected improvements in demand, particularly related to housing. That said, concerns around geopolitical issues and economic uncertainty meant that optimism eased to a three-month low.

As well as raising employment, firms also expanded their purchasing activity and increased their usage of sub-contractors.

AIB Ireland Construction PMI Total Activity Index

sa, >50 = growth since previous month



Sources: AIB, S&P Global PMI.

Data were collected 12-27 June 2025.

Comment

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

"The AIB Irish Construction PMI survey for June indicated a muted performance for the sector heading into the second half of the year. The headline index was below the key breakeven level of 50 for a second consecutive month. The June reading of 48.6 was lower than the 49.2 level registered in May, implying a quicker pace of contraction in construction activity at the end of the second quarter.

"From a sectoral viewpoint, commercial activity remained the best performing of the three sub-sectors. Indeed, it was the only sector that experienced growth in the month. The pace of growth was unchanged from May. In contrast, residential construction activity contracted for a second successive month. The pace of reduction was modest, but it did contract at a faster rate compared to May. Meanwhile, civil engineering was, once again, the weakest of the three sub-sectors, with activity contracting for the second month in-a-row also.

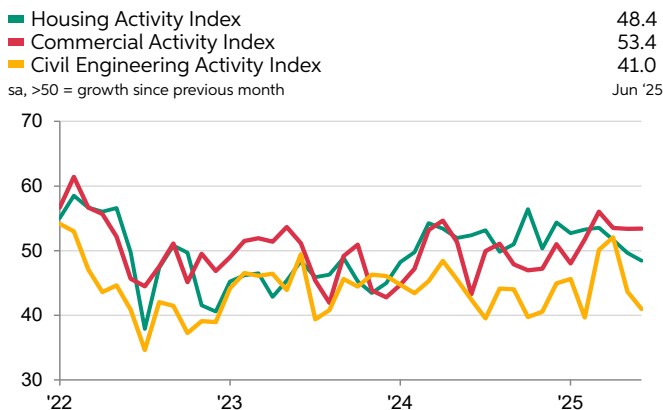
"Looking at some of the other key indices in the report, the new orders component, which is regarded as a leading indicator, expanded for the fifth month in-a-row, with the pace of growth broadly similar to the previous month. The continued growth in new orders saw construction firms increase their staffing levels. Employment rose for a fourth straight month, albeit at a slower pace compared to May.

"Construction sector firms retained an optimistic outlook that activity levels would increase over the coming 12 months. An expected improvement in housing activity was cited as one of the reasons underpinning this perspective."

Here too, however, rates of expansion eased since May.

Inflationary pressures softened in June. Input costs continued to rise sharply, but the latest increase was the slowest since January, coming in broadly in line with the series average. Meanwhile, the rates charged by sub-contractors rose at the weakest pace in four months.

Finally, suppliers' delivery times lengthened further amid reports of staff shortages at vendors.



Sources: AIB, S&P Global PMI.

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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