



# The British Constructional Steelwork Association Limited

Unit 4 Hayfield Business Park, Field Lane, Auckley, Doncaster DN9 3FL

Telephone: 020 7839 8566

Email: [postroom@steelconstruction.org](mailto:postroom@steelconstruction.org)

Website: [www.steelconstruction.org](http://www.steelconstruction.org)

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15 March 2022

**ALL MEMBERS MEMORANDUM No 56 - 22**

## **REPUBLIC OF IRELAND CONSTRUCTION PMI – FEBRUARY 2022**

### *Rate of expansion gathers pace amid improving demand*

Growth momentum continued to build in the Irish construction sector during February, with activity and new orders each rising sharply. The rate of job creation moderated, however, amid some reports of difficulties sourcing additional staff. Meanwhile, the rate of input cost inflation remained sharp and supply-chain disruption continued, albeit to a lesser extent.

The headline seasonally adjusted **BNP Paribas Real Estate Ireland Construction Total Activity Index** increased to 58.4 in February from 56.1 in January. The latest reading pointed to a tenth successive monthly expansion in construction activity, and one that was the most marked since July last year. Where activity rose, this was mainly linked by panellists to improving demand, while there were some reports of increased work due to the recent storms.

The full Republic of Ireland **BNP Paribas Real Estate Ireland Construction PMI® Report** is attached.

**Lorraine MacKinder**  
**BCSA Membership Manager**



**Embargoed until 0101 GMT (0101 UTC) 14 March 2022**

### BNP Paribas Real Estate Ireland Construction PMI®

#### **Rate of expansion gathers pace amid improving demand**

- Sharper increases in activity and new orders
- Difficulties sourcing staff result in softer rise in employment
- Supply disruption continues, but at reduced level

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Growth was registered across the three categories of construction covered by the survey, with commercial continuing to record the sharpest expansion. Commercial activity rose at the fastest pace since last June, while growth of housing activity also accelerated, reaching a five-month high. Civil engineering activity rose solidly, albeit at a softer pace than in January.

In line with the picture for activity, new business increased at an accelerated pace in February, with growth largely reflecting rising client demand. The rate of expansion in new orders was at a six-month high.

The rate of growth in purchasing activity also quickened as companies responded to the aforementioned improvements in demand. The latest rise in input buying was the strongest since July last year.

In contrast to the trends seen elsewhere, the rate of job creation slowed in February and was the weakest since last April. Although firms took on extra staff in line with higher workloads, there were some reports that difficulties finding labour and cost considerations limited the pace of jobs growth.

Construction firms also continued to face difficulties securing materials amid ongoing COVID-19 disruption and increasing demand for inputs which added to pressure on suppliers. Vendor lead times lengthened substantially again in February, albeit to the least marked extent in 17 months.

Material shortages resulted in a further steep rise in input costs, with the rate of inflation unchanged from



that seen in January. Meanwhile, sub-contractor rates increased at the sharpest pace on record amid a mismatch of supply and demand.

Improvements in demand, a strong pipeline of new work and expectations of a diminished impact of the COVID-19 pandemic resulted in confidence among constructors that activity will increase over the coming year. Although softening from January's recent peak, sentiment was still above the series average.

### Comment

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

*"The February PMI shows that construction activity is now increasing at its fastest pace since last summer's post-lockdown rebound. Commercial building led-out for the third straight month. This is no surprise considering that the amount of logistics space under construction in Dublin has more than doubled in the last year, and that 2022 is set to be the biggest year for office completions since 2007. However strong commercial activity has not crowded-out residential construction. Consistent with the sharp rise in commencements over the last year, the housing activity index accelerated to 58.5 in February, well above the no-change figure of 50. This continues an 11-month run of expansion in housing activity.*

*Building companies have reported increasing costs for nearly two years, and the input price index remained elevated in February. Unfortunately things may get worse before they get better; In addition to the impact of Brexit, Covid and the Ukraine conflict on materials costs, labour costs may also be set to rise. Official statistics show that wage pressures in the sector have remained well contained so far, despite 23,300 more construction workers being hired last year. However the February PMI shows that the pace of recruitment has slowed and some firms are now reporting difficulties in finding staff. This could ultimately flow-through to wage inflation which would exacerbate existing cost pressures and have knock-on implications for viability."*

**\*\*Ends\*\***

### BNP Paribas Real Estate Ireland Construction PMI Total Activity Index

sa, >50 = growth since previous month



Sources: BNP Paribas Real Estate Ireland, IHS Markit.



Latest Construction PMI Readings	Feb'22
Total Activity	58.4
Housing Activity	58.5
Commercial Activity	61.4
Civil Engineering Activity	53.0

#### 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](mailto:john.mccartney@bnpparibas.com)

[www.realestate.bnpparibas.ie](http://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](mailto:ellen.browne@bnpparibas.com)

[www.realestate.bnpparibas.ie](http://www.realestate.bnpparibas.ie)

Joanna Vickers

Corporate Communications

IHS Markit

T: +44-207-260-2234

[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

#### Survey Methodology

The BNP Paribas Real Estate Ireland Construction PMI® is compiled by IHS Markit 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](mailto:economics@ihsmarkit.com).

Data were collected 10-28 February 2022.

Survey data were first collected June 2000.

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