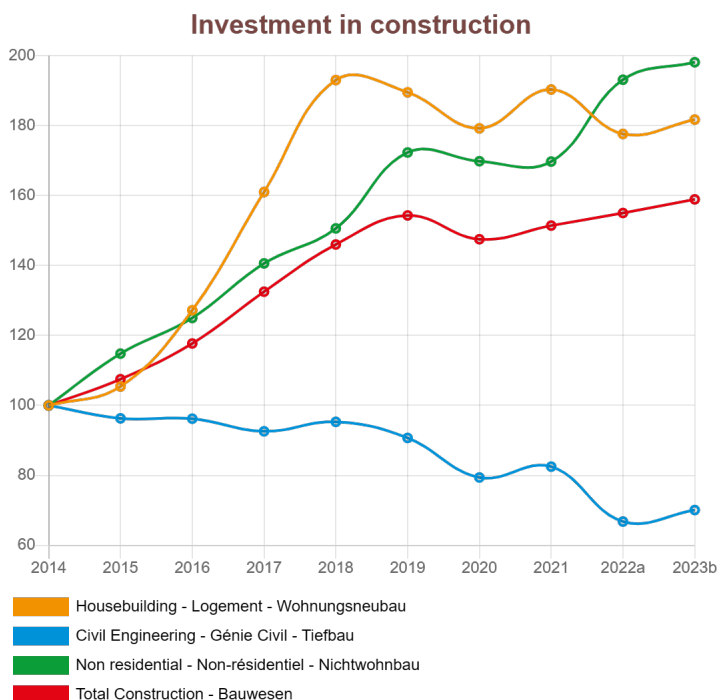


GDP 2021
€ 422
BILLION

POPULATION 2021
5,011,777

Total investment in construction in 2021
€ 27
BILLION



Overall construction activity

The construction industry in Ireland believes that sustainable future growth can be achieved by financing productivity-enhancing investment in human and physical capital.

The construction industry faced a new set of challenges in a post pandemic world with a significant rebound in demand, which produced a 2022 bounce in output, combined with a worldwide shortage of raw materials and the highest level of inflation experienced in Ireland in almost 50 years.

During the pandemic, sectors focused on the domestic market experienced significantly lower levels of economic activity in 2020 and 2021, with construction contracting by -12,5% in 2020 and by a further -3,2% in 2021. GVA for the sector was €7 922m in 2021 before rebounding to €8 310m in 2022.

National accounts show that the official measure of construction investment, Gross Fixed Capital Formation (GFCF) in Building and Construction was valued by the Department of Finance at approximately €31,8 billion (in current prices) in 2022. The EY / Euroconstruct Winter 2022 Report estimates that construction investment increased by 9% in 2022, before growth slows to 2,5% in 2023 and 4,1% in 2024.

Most recent data shows that the number of persons in employment increased across most economic sectors in the year to the end of Quarter 4 2022. Construction employment increased by 5 000 to 163 300 persons by the end of Q4 2022 compared to Q4 2021.

While labour market capacity tends to be quite elastic in construction, it is important that short-term policy supports are considered in the current geopolitical and economic environment that may minimise labour market exits, and support the employer and employee, by investing in skills and by maximising firm survival rate through business supports.

With an unemployment rate of 4,2% a unified approach which focuses on migration policy, labour activation policy and education and training policy will help to ensure continued productivity in the construction industry into the future.

Housebuilding

A total of 29 851 new housing units were completed in 2022, and 26 957 new housing units were commenced. However, the total number of housing units granted planning permission in 2022 fell by 20,5% to 34 177 units from 42 991 units in 2021, which is concerning. GFCF in residential construction was estimated at almost €8,5 billion in 2022.

The housebuilding sector is facing high costs and an unstable funding market. Government policy measures are urgently needed to address cost issues, along with a proper resourcing of the planning system. New completions are forecast to be constrained by labour and material shortages, as well as continued increases in construction input costs.

House completions are forecast to number approximately 27 000 in 2023, increasing to 29 500 and 32 500 in 2024 and 2025, respectively. A continued deficit in the planning and development of new housing units will perpetuate supply issues and an inability to meet the housing needs of a growing population as well as the targets set out in Housing for All – the national plan on housing to 2030.

Prices of construction materials

It is important to highlight the trade, supply chain and contractual challenges that will continue to impact on the competitiveness of the construction sector in 2023 and beyond.

Wholesale prices for construction products increased by 14,7% in the 12 months since February 2022. Double digit growth figures feature in nearly all categories of construction materials, with record levels of inflation in cement (+24%), steel (structural steel +73%), bituminous materials (+16.6%) and pipes and fittings (+18%).

Supply chain and viability challenges will continue because of global volatility and the duration of inflation and rising prices remains uncertain. Slow economic growth and diverging levels of inflation across European Member States is a growing matter of concern.

In addition, the fiscal challenges facing budgetary policy over the medium-term as Ireland faces the costs of an ageing population and climate change will continue to deepen and exert cost pressures.

Civil engineering

It took over five years of economic expansion for the growth rate in infrastructure investment to turn positive with the launch of the €165 billion National Development Plan (NDP) in 2018. Investment pre the pandemic was still well below the level seen in many countries before the global financial crisis. The resurgence was due to increased investment from both the private sector and the Government.

However, there has been a significant degree of capital carryover since the NDP was launched and this is concerning to the construction industry in Ireland. The capital carryover into 2022 was €819 million. This points to administrative and procurement capacity issues within procurement bodies. Frontloading of investment is now needed to create a pipeline of infrastructure projects to address this underspend on capital projects, which has resulted in the civil engineering sector remaining in contraction year on year since 2018. Despite early growth in 2022 the volume of production in civil engineering fell during each consecutive quarter to the end of the year.

More and more Irish civil engineering contractors are disproportionately increasing their turnover in foreign markets. The NDP should be better delivered to ensure the civil engineering contracting sector continues investing in and delivering on the pipeline of planned infrastructure investment in Ireland.

To achieve this, it is a priority that contract conditions continue to attract the industry to bid for public projects. This will require investing in the resources necessary to bring the public procurement process and the Public Works Contract (PWC) in line with international norms, including fair and effective price variation mechanisms.

Per cent variation of investment in real terms on previous year

investment Mln. € fixed prices							
	Sectors	2022a	2019	2020	2021	2022a	2023b
1.	Building	21.487	8,0	-2,9	2,5	6,0	2,5
	1.1. Housebuilding	6.850	-1,8	-5,4	7,2	-7,5	2,3
	1.1.1. New	3.996	12,3	-3,6	9,1	-15,5	3,6
	1.1.2. Renovation	2.854	-18,3	-8,4	4,0	6,6	0,5
	1.2. Non residential (c)	14637	14,4	-1,5	-0,1	13,8	2,6
2.	Civil Engineering	2.854	-4,8	-12,5	3,8	-18,9	4,9
(1 + 2)	Total Construction	24.341	5,7	-4,4	2,7	2,3	2,5

a: estimate - b: forecast - c: incl. R&M

Number of building permits in residential construction

	2019	2020	2021	2022a	2023b
single dwelling	5.622	5.292	7.499	6.924	n/a
collective dwelling	18.898	24.662	26.272	16.723	n/a
other types of dwelling	13.941	12.417	9.220	10.530	n/a
Total	38.461	42.371	42.991	34.177	n/a

(Collective dwellings and other types of buildings: in number of flats)

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