

New report on construction industry for the Society of Chartered Surveyors Ireland forecasts no increase in construction output before 2014

Key findings of the Irish Construction Industry in 2012;

- **Value of construction output €7.5 billion this year – from €8.7 billion last year and from €39 billion at the peak of the boom**
- **Value of construction to fall to 6% of GNP this year and falls further to 5.6% of GNP next year – less than half the “normal” level for economy the size of Ireland**
- **Employment in construction and allied industries is 150,000 from 380,000 at the peak**
- **Construction of new dwellings plunges to all time low of 5,000 units this year from around 88,000 at the peak**
- **Future growth opportunities in Green sector and Foreign Direct Investment (FDI)**

Wednesday 18th April 2012. Output in the Irish construction industry is expected to fall to 6% of gross national product (GNP) in the current year and falls further to just 5.6% of GNP next year according to a new report on the sector.

Having peaked at close to €39 billion or almost 25% of GNP in 2006, output for the industry fell to €8.7 billion in 2011 or 7% of GNP, well below what would be considered ‘normal’ levels of construction output.

The report, which was prepared by DKM Economic Consultants on behalf of the Society of Chartered Surveyors Ireland in conjunction with its Quantity and Building surveying professional groups, predicts the crisis in construction will see the value of output decline to an estimated €7.5 billion this year, or by 14.5% in volume terms. The report states that it will be 2014 before output begins to recover.

Andrew Nugent, Chair of the Quantity Surveying Professional Group of the SCSI, said it was vital for the industry and the country as a whole that the sector is put on a sustainable footing for the future.

“Our report on the construction industry in 2012 does not make for pleasant reading, but we believe that it is in everybody’s interests to understand the full extent of the downturn in the construction sector and its impact on the wider economy. We do not wish to get back to the situation in 2007 when construction accounted for 25% of national economic output but currently, the industry is half the size it should be. Ireland can sustain an industry whose output is 12% of the economy, and it is important we put measures in place to put the industry and the economy back on track.

It is important that we have a healthy and diverse construction sector that is capable of delivering education, health and enterprise and logistics projects that can help restore our competitiveness internationally”, Nugent said.

The downturn in the construction industry has been most pronounced in private sector residential and non-residential construction sectors. These sectors have been particularly hit by a combination of factors, including a lack of new orders and intense competition for the limited work that is put out to tender, an overhang of property, continuing high debt levels among both consumers and suppliers, delayed payments by clients and difficulties securing project finance and working capital.

In terms of residential output the number of new dwellings built is expected to plunge to an all-time low of just 5,000 units this year, or around just 1 dwelling per 1,000 of population, compared to an average of 8 dwellings in the 1990’s and almost 15 dwellings in the 2000’s.

But despite the collapse in construction output, construction costs are down only marginally even though tender prices have plummeted, the report notes.

This is attributed to continued upward pressure on building material wholesale prices almost outweighing downward pressure on hourly earnings and the number of hours worked. The prices being bid for work are now back to where they were 13 years ago, the report states, adding that “this is part of the necessary adjustment back to a more sustainable level of construction inflation and a more competitive economy”.

Employment in the construction and allied industry, which reached 380,000 at the height of the boom, is now back to around 150,000, the same level of employment which existed 15 years ago. “The job losses in construction poses a real challenge for the economy in terms of the retraining and upskilling of unemployed construction workers to those sectors that are expected to expand in Ireland’s next phase of economic recovery,” the report states

On a more positive note, the SCSI report highlights some growth opportunities in the energy sector where semi-state companies have significant capital investment plans, the emerging green economy and the associated retrofitting of homes.

“The FDI (foreign direct investment) sector is also a key growth area as a number of companies are proceeding with expansion plans. NAMA is also likely to create development opportunities as it releases finance and working capital to developers for the completion of unfinished estates or for the development of land” the report states.

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