

# News Release

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## S&P Global Eurozone Construction PMI<sup>®</sup>

### Downturn in eurozone construction activity extends to fifth month in September

#### Key findings

Fastest decline in new work since May 2020

Weakest 12-month outlook since April 2020

Input price inflation accelerates further from July's 17-month low

The S&P Global Eurozone Construction PMI<sup>®</sup> is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 650 construction firms in the eurozone. The headline figure is the Total Activity Index, which tracks changes in the total volume of construction activity compared with one month previously.

The S&P Global Eurozone Construction Total Activity Index was below the no-change mark of 50.0 for the fifth successive month in September, at 45.3, signalling a sharp decline that was nonetheless slightly softer than in August (44.2). Germany (41.8) posted a steeper contraction, while rates of decline eased in both Italy (46.7) and France (49.1).

Broken down by sector, housing activity fell at the fastest rate since May 2020. Civil engineering posted a slightly softer fall than August's 18-month record, while commercial activity registered the slowest decline in four months.

New orders placed with eurozone construction companies declined for the sixth successive month in September. Furthermore, the rate of contraction quickened for the fifth month running to the sharpest since May 2020. Data broken down by country showed that a much a steeper reduction in Germany drove the overall acceleration, offsetting softer falls in both France and Italy.

Eurozone construction companies cut workforce numbers for the sixth successive month in September. Moreover, the rate of job shedding was the quickest since May 2020.

Employment levels fell across all three nations for the second month running. The steepest pace of reduction was recorded at German constructors, and the weakest at their French counterparts.

September data revealed a worsening degree of pessimism among eurozone construction companies regarding the year-ahead outlook for business activity. Companies were at their most downbeat since the first COVID-19 lockdown in April 2020, reflecting the growing risk of recession in the

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, Eurostat.

Data were collected 12-30 September 2022.

#### Comment

Commenting on the latest results, Trevor Balchin, Economics Director at S&P Global Market Intelligence, said:

"September data rounded off a very weak third quarter for the eurozone construction sector. Outside of the pandemic, the rate of decline in activity in the third quarter was the strongest since the fourth quarter of 2014. Activity fell sharply again in September, with Germany posting a notably steep rate of contraction. The overall pace of decline eased due to slower falls in France and Italy, although this masked a worsening outlook as both new orders and firms' 12-month expectations sank deeper into negative territory.

"The weak demand environment was accompanied by stronger cost pressures in September, as the rate of input price inflation accelerated to a three-month high and remained among the sharpest in the series history."

PMI<sup>®</sup>

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wider economy. German construction firms were at their most pessimistic since March 2020, while their French counterparts were less downbeat than in August and Italian firms were modestly optimistic.

Purchasing activity at eurozone construction firms fell for the fourth consecutive month in September. The rate of reduction eased from August's 27-month record, but was solid nonetheless. Input buying fell in Germany and Italy, with the former posting the steeper decline. French construction firms raised their purchases following a brief fall in August.

As has been the case since late-2012, the performance of suppliers to eurozone construction firms continued to worsen in September. Pressure on lead times in the latest period was greater than in August but the second-weakest since February 2021. Delays were most prevalent in Italy, followed by France.

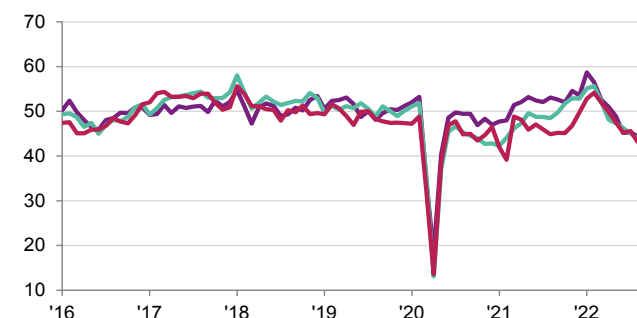
The rate of input cost inflation at eurozone construction firms accelerated further from July's 17-month low to a three-month high in September. Cost pressures remained well above the long-run series average, reflecting persistent supply shortages and rising energy and transport costs.

French construction firms again registered the fastest rate of input price inflation, followed by Germany and Italy respectively.

The use of subcontractors at eurozone construction firms fell for the sixth month running in September. Moreover, the rate of decline was the sharpest since January 2021. There was a notably marked fall in Germany, contrasting with no change in Italy. Meanwhile, subcontractor availability deteriorated markedly. Rates charged by subcontractors increased at a faster rate than in August, albeit the second-weakest in 16 months.

- Housing Activity Index
- Commercial Activity Index
- Civil Engineering Index

sa, >50 = growth since previous month



Source: S&P Global.

## Contact

Trevor Balchin  
 Economics Director  
 S&P Global Market Intelligence  
 T: +44-1491-461-065  
[trevor.balchin@spglobal.com](mailto:trevor.balchin@spglobal.com)

Sabrina Mayeen  
 Corporate Communications  
 S&P Global Market Intelligence  
 T: +44 (0) 7967 447030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

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### Survey methodology

The S&P Global Eurozone Construction PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 650 construction firms in Germany, France, Italy and Ireland. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data were first collected January 2000.

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, at the country level. 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. Eurozone level indices are calculated by weighting together the national indices. Weights are calculated from national construction value added.

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'.

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).

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