

News Release

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S&P Global Eurozone Construction PMI[®]

Eurozone construction activity falls at sharpest rate since May 2020

Key findings

Marked downturn in activity, led by France

Contraction in home building activity quickest since April 2020

Sharpest decline in new orders in two-and-a-half years

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 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 fell from 44.9 in October to 43.6 in November, indicating a seventh consecutive monthly contraction in activity levels across eurozone's construction sector. Notably, the decline was the strongest since May 2020 and marked overall. France (40.7) led the downturn, followed by Germany (41.5) which had recorded the worst trend in the prior two months. By contrast, Italian construction companies registered the first increase in activity levels in five months (52.0). On a sector level, the decline in eurozone construction activity was led by housing, followed closely by civil engineering. Commercial activity, meanwhile, saw a sustained reduction but one which was the softest in seven months. New orders received by eurozone construction companies declined for the seventh consecutive month in October. The rate of contraction sharpened from September to the quickest since May 2020.

The amount of new business received by eurozone construction companies decreased midway through the final quarter of the year. Moreover, the pace of decline was the fastest in two-and-a-half years and steep overall.

Data broken down by country signalled that the latest downturn stemmed from severe drops in orders placed with German and French construction firms. Italian companies, meanwhile, registered a renewed expansion in new orders which was moderate overall.

Workforce numbers across the eurozone construction sector declined for the eighth month running in November. That said, the rate of job shedding slowed for the second month in a row to the softest since July.

On a national basis, there was a renewed increase in staffing

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, Eurostat.

Data were collected 10-30 November 2022.

Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

"The eurozone's construction sector fell deeper into contraction territory midway through the final quarter of 2022. There were marked reductions in activity levels and new orders in November, with rates of decline in both cases the strongest in two-and-a-half years. There were sustained contractions in France and Germany, while Italy bucked the wider trend and registered a renewed uptick in activity levels that was the first since June. On the same token, Italy was the only nation of the three to have recorded growth of order book volumes, employment and input buying."

"Overall business sentiment among eurozone constructors remained deeply pessimistic in the penultimate month of the year amid concerns surrounding demand weakness and the ongoing cost of living crisis. Input prices also continued to rise at a historically sharp pace in November."

PMI[®]

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levels across Italy's construction sector, as well as a softer rate of job shedding in Germany. Meanwhile, France recorded the sharpest drop in employment in 22 months.

Overall sentiment among eurozone construction companies remained strongly downbeat midway through the final quarter of 2022. The degree of pessimism, although among the strongest on record, eased to the weakest in three months. Nationally, German firms were more pessimistic than their counterparts in France, with the former seeing the Future Activity Index posting at one of its lowest levels on record. Italian construction companies, meanwhile, bucked the wider trend and registered the highest level of confidence in six months.

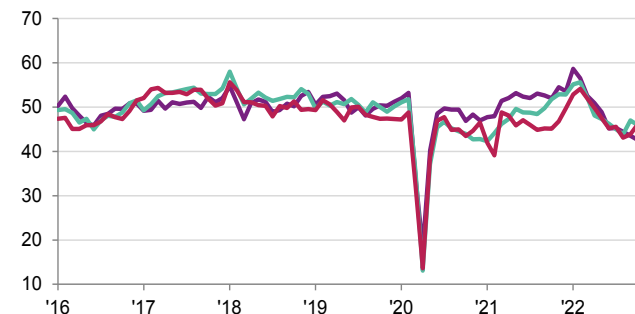
The seasonally adjusted Quantity of Purchases Index posted below the neutral 50.0 threshold in November, pointing to a sixth successive fall in buying activity at eurozone construction firms. Notably, the pace of reduction was solid overall and among the fastest over the past two years.

November data indicated a further deterioration in vendor performance across eurozone's construction sector. That said, the rate of deterioration was the weakest in three months and much softer than those recorded over much of the past two years. Longer delivery times were apparent across the three largest economies in the currency bloc, with French firms registering the most severe delays.

As has been the case since March 2016, average cost burdens faced by eurozone construction companies rose further in November. The rate of input cost inflation remained historically elevated, but slipped to a three-month low. The rise in input costs in November was broad-based, with all three monitored countries registering higher prices, led by France. That said, each nation registered slower rates of inflation than in October, with the increase in Italy the softest in 22 months.

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

sa, >50 = growth since previous month



Source: S&P Global.

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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.

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