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## IHS Markit Eurozone Construction PMI®

# Eurozone construction activity contracts at steepest rate since May 2020

### Key findings

Activity and new work decline at sharper rates

Substantial rise in input costs amid rapid deterioration in supply chains

Confidence around the 12-month outlook turns positive

Data were collected 12-29 January 2021.

The IHS Markit Eurozone Construction PMI® is compiled by IHS Markit 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 IHS Markit Eurozone Construction Total Activity Index fell from 45.5 in December to 44.1 in January, to signal a sharp and accelerated decline in eurozone construction activity. Notably, the rate of contraction was the quickest recorded since last May, and stretched the current sequence of reduction to 11 months. Companies frequently linked the latest drop in activity to the coronavirus disease 2019 (COVID-19) pandemic and weaker sales. Underlying data signalled reduced construction output across each of the three monitored sub-sectors, with civil engineering seeing the sharpest fall.

January survey data revealed a further decline in home building activity across the eurozone, thereby stretching the current period of reduction to 11 months. That said, the rate of decline eased to a modest pace. A weaker, but still rapid, fall in housing construction activity in France more than offset marginal expansions in Germany and Italy.

Commercial building activity fell for the eleventh successive month in January, and at the sharpest rate since last May. Marked declines were recorded across all three of the largest eurozone economies, with France noting the steepest rate of contraction for the fourth month running.

Work undertaken on civil engineering projects decreased again in January. The fall stretched the current period of decline to 18 months. Notably, the pace of contraction was the quickest since last May. Construction firms in France recorded a marked fall in infrastructure activity, while only mild reductions were seen in Germany and Italy.

Eurozone Construction Total Activity Index  
sa, >50 = growth since previous month



The decline in construction output across the eurozone was driven by falls in each of the three largest economies in the region. France posted the steepest rate of contraction, followed by Germany, with both countries seeing rates of contraction quicken since December. Italy meanwhile recorded a drop in construction activity for the third time in the past four months, albeit one that was only mild.

New business placed with eurozone construction companies decreased for the eleventh month in a row at the start of 2021. Moreover, the rate of decline quickened from December and was solid. According to anecdotal evidence, restrictions to curb the spread of COVID-19 and relatively weak market conditions had restricted sales and led to delays in the sign-off of projects. Across the three largest economies, France saw by far the steepest reduction in new work, following by Germany. Meanwhile, new business stagnated in Italy, after a seven-month period of expansion.

The sustained drops in activity and new work drove a further decline in employment at eurozone construction companies during January. Job cuts have now been recorded in each of the past 11 months. Though modest, the rate of job shedding was the fastest for three months. French constructors recorded the fastest reduction in employment out of the three largest eurozone economies, while a modest drop was seen in Italy. Meanwhile, staff numbers broadly stabilised in Germany.

Although activity and sales trends remained weak, eurozone construction firms expressed optimism towards the 12-month outlook amid positive vaccine news. This was the first time that firms had forecast growth of activity since July 2020. Italy registered a strong rebound in sentiment (118-month high), while there was confidence across France for the first time in six months. Projections remained downbeat in Germany, however.

## Comment

Commenting on the latest results, Usamah Bhatti, Economist at IHS Markit, said:

*"The downturn in the eurozone construction sector accelerated at the start of 2021, as businesses reported sharper falls in both activity and new orders in the wake of a resurgence in COVID-19 cases in the bloc. Restrictions introduced to help curb rising infection rates resulted in a marked deterioration in supply chains. With additional pressure on supply chains, average cost burdens faced by eurozone construction companies increased substantially amid higher costs of raw materials energy. That said, construction firms in the bloc appeared optimistic regarding the outlook for activity over the coming 12 months. Confidence turned positive for the first time since July 2020, as hopes for a broad recovery in the construction sector were underpinned by positive vaccine news. At the national level, German and French firms reported further declines in activity, with the latter recording the sharpest contraction since last May. Moreover, Italian firms signalled a renewed, albeit marginal decline in activity in January."*

## Contact

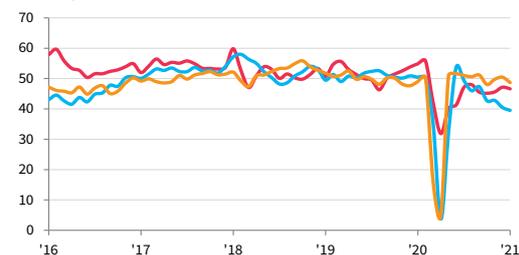
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### Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

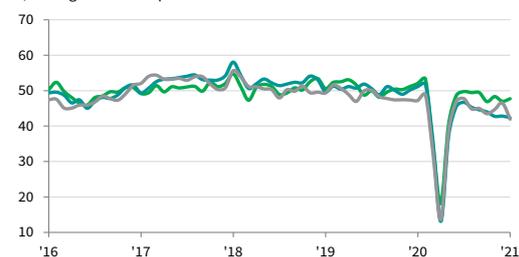


Source: IHS Markit.

### Construction Activity Index

Housing / Commercial / Civil engineering

sa, >50 = growth since previous month



Source: IHS Markit.

### Survey methodology

The IHS Markit Eurozone Construction PMI® is compiled by IHS Markit 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.

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).

### Survey dates and history

Data were collected 12-29 January 2021.

Survey data were first collected January 2000.

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