

News Release

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S&P Global Eurozone Construction PMI®

Eurozone construction activity falls for first time in nine months

Key findings

Fastest reductions in output and new orders since February 2021

Price and supply-chain pressures ease, but remain marked overall

Business confidence weakens to 19-month low

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 50.4 in April to 49.2 in May, signalling a renewed reduction in construction activity midway through the second quarter of the year. The contraction was the sharpest recorded for 15 months and was largely attributed to higher raw material prices and supply-chain disruptions dampening output and demand. Underlying data indicated that all three monitored sub-sectors posted declines in May, with house building work falling for the first time since February 2021. Commercial work decreased at the sharpest pace since April 2021, while the downturn in civil engineering work was the strongest for six months.

May data pointed to a renewed decline in home building activity in the eurozone, the first since February 2021. That said, the rate of decrease was only mild.

Commercial building activity fell at a quicker pace during May, one that was the fastest since April 2021.

Work undertaken on civil engineering projects was in contraction territory for the second successive month in the latest survey period. The decline was the quickest for six months but moderate overall.

New orders placed with eurozone construction companies contracted for the second month running in May. The pace of decline accelerated from the previous survey period and was the quickest since February 2021. Anecdotal evidence suggested that rising raw material prices amid shortages had weighed on demand and delayed new project starts.

Eurozone construction firms expressed pessimism toward

Construction Total Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-31 May 2022.

Comment

Commenting on the latest results, Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"The eurozone construction sector contracted at a mild rate during May, marking the first reduction in activity since last August. The rate of contraction was the strongest since February 2021, and was largely linked to stalled demand and activity amid raw material shortages and higher prices. This was despite tentative indications that delivery delays and rising cost burdens had reached their peaks and began to ease. Nonetheless, this is from series record, therefore the impact of supply chain disruptions are likely to remain a hinderance to demand, especially as the war in Ukraine continues. Construction firms in the bloc were increasingly pessimistic regarding the outlook for activity over the coming year, with confidence at its lowest level since October 2020. At the national level, German firms reported the strongest decline in output for nine months, while Italian constructors signalled a further expansion in May that was nonetheless the softest in the current 16-month growth sequence. Businesses in France saw a mild increase that was the fastest since January."

PMI®

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the 12-month outlook for the third consecutive month in May. The Future Activity Index slipped to its lowest mark in 19 months.

Vendor performance across the eurozone construction sector deteriorated at the softest rate for three months in May. That said, average lead times lengthened rapidly in all three of the bloc's largest members.

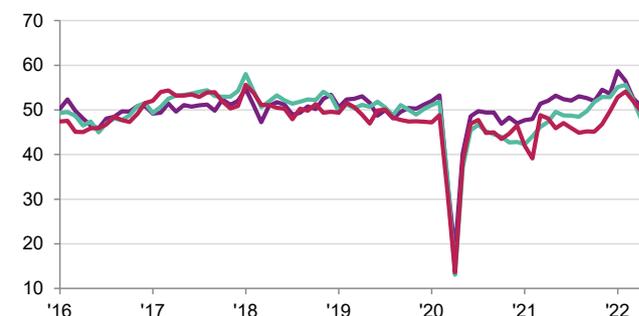
Latest data showed a softer, albeit still rapid, rise in input costs faced by eurozone construction firms. The rate of inflation was the slowest since February, yet faster than any seen prior to May 2021. A number of panel members linked higher raw material prices to supplier shortages that were exacerbated by the Ukraine war.

Purchasing activity undertaken by eurozone constructors rose for the fifteenth time in as many months during May. The pace of increase eased from April and was the softest since March 2021 however.

May data pointed to a broad stabilisation in staffing levels at eurozone constructors, as the respective seasonally adjusted index was only fractionally below the 50.0 no-change mark.

- 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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