

News Release

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S&P Global Eurozone Construction PMI[®]

Eurozone construction activity falls at softest rate since June 2022

Key findings

All three monitored sub-sectors see slower falls in output

Input price inflation cools to two-year low

Constructors least downbeat since June

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 posted 46.1 in January, up from 42.6 in the final month of 2022, to signal the softest monthly reduction in overall construction activity for seven months. That said, the rate of contraction was still solid and extended the current sequence of decline to nine months. Underlying data showed a broad-based softening of contraction rates across the three monitored sub-sectors, with commercial construction projects falling at the slowest rate. Concurrently, softer but still sharp falls in activity were signalled for residential and civil engineering.

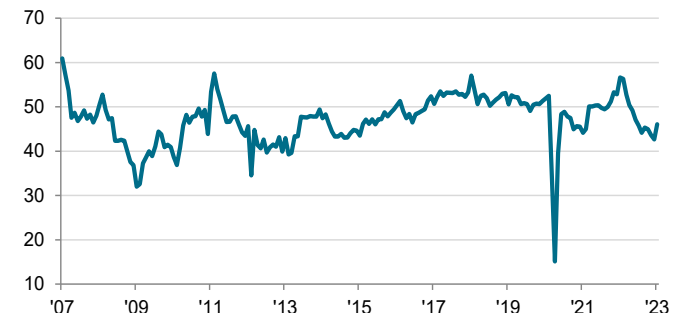
Home building activity in the eurozone decreased for the ninth consecutive month in January. The rate of contraction eased from December to the softest since last August. German constructors recorded the slowest fall since last July, while firms in France recorded the softest reduction for four months. Italian companies meanwhile reported a second successive contraction that was solid but the slowest of the three monitored nations.

Work undertaken on commercial construction projects fell for the tenth month running during January. The rate of decrease eased from the previous survey period, however, and was moderate overall. French companies recorded a marginal reduction that was the slowest in the current four-month sequence of downturn, while German firms signalled the softest decline since last March. Commercial building activity in Italy fell for the second month in a row, though the rate of contraction eased from that seen in December.

Civil engineering activity decreased at a sharp, albeit softer rate in January. There was a further fall among German

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, Eurostat.

Data were collected 12-31 January 2023.

Comment

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

"January survey data pointed to a softer downturn across the eurozone construction sector, as a softer reduction in new orders contributed to the slowest decline in activity levels since last June. Companies commented that a number of projects had been put on hold due to a downbeat economic outlook and the impact of high cost inflation and interest rates, which were detrimental to sources of credit. That said, firms were increasingly confident that price pressures would gradually ease over the coming year, which contributed to the softest degree of pessimism regarding the outlook for activity for seven months. This came amid better news from the Input Price Index, which showed that although costs were still rising markedly, the rate of inflation eased to the lowest in two years."

"By country, the steepest reduction in activity continued to be in Germany, though the rate of decline softened to the slowest in three months. Similarly, French and Italian firms also saw respective rates of contraction ease from those seen at the end of last year."

PMI[®]

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companies, and one that was the fastest since February 2021. Conversely, firms in France recorded a renewed rise in infrastructure activity, while constructors in Italy registered the quickest expansion for ten months.

New orders placed with eurozone construction companies declined for the tenth consecutive month at the start of 2023, yet the rate of contraction eased to the softest since last June. Panel members often attributed the drop in new work to high economic uncertainty, though some firms noted a slow resumption of demand.

The rate of input cost inflation cooled further at the start of 2023, but remained marked overall. Notably, the latest increase was the softest seen in two years.

The seasonally adjusted Employment Index posted below the neutral 50.0 level to signal a further fall in workforce numbers at eurozone construction companies in January. The rate of job shedding was only marginal and the slowest seen since last June. A number of firms mentioned the non-replacement of temporary staff, though some firms began to cautiously take on additional staff to complete orders in the new year.

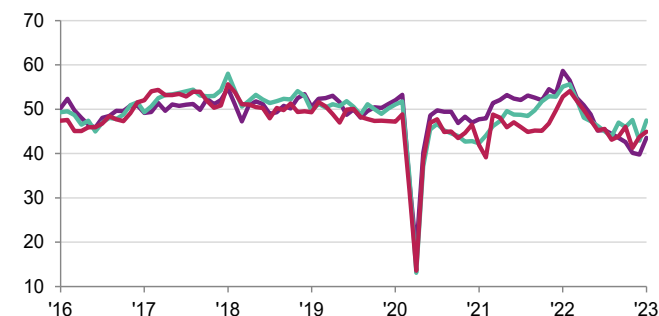
Latest data showed a softer degree of pessimism among eurozone construction companies regarding the year-ahead outlook. The degree of negative sentiment was the softest since June 2022. Companies that anticipate lower levels of business activity over the next 12 months commented on the impact of economic uncertainty, cost inflation and rising interest rates.

Eurozone construction firms signalled an eighth successive decline in input buying during January. Notably, the rate of reduction eased to a moderate pace that was the slowest since last July.

Average vendor performance across the eurozone construction sector worsened further in January. Though marked, the rate at which lead times lengthened was the least marked since November 2020.

■ Housing Activity Index
 ■ Commercial Activity Index
 ■ Civil Engineering Index

sa, >50 = growth since previous month



Source: S&P Global.

Contact

Usamah Bhatti
 Economist
 S&P Global Market Intelligence
 T: +44-134-432-8370
usamah.bhatti@spglobal.com

Sabrina Mayeen
 Corporate Communications
 S&P Global Market Intelligence
 T: +44 (0) 7967 447030
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.

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