

# News Release

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

### Eurozone construction activity falls at sharpest rate since February 2021

#### Key findings

Output falls at quicker rate amid steeper drop in sales

Business confidence hits weakest since April 2020

Input price inflation cools to 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 posted 45.7 in July, down from 47.0 in June, to signal a third successive monthly reduction in overall construction activity across the eurozone. Furthermore, the rate of contraction was the steepest seen since February 2021. Underlying data showed that the decline in the headline index was largely driven by a faster drop in commercial construction activity; as fractionally softer, but still marked, falls in activity were signalled for residential and civil engineering.

Home building in the eurozone decreased for the third consecutive month in July. The rate of contraction was little-changed from June and sharp overall.

Work undertaken on commercial construction projects fell for the fourth month running during July. The rate of decrease was sharp, and the fastest seen since February 2021.

Civil engineering activity across the eurozone decreased at a softer, albeit still sharp rate during July.

New orders placed with eurozone construction companies declined for the fourth successive month in July. Furthermore, the rate of contraction quickened to the sharpest since May 2020. Panel members often attributed the drop in new work to greater economic uncertainty and soaring costs.

Latest data showed a stronger degree of pessimism among eurozone constructions companies regarding the year-ahead outlook. The degree of negative sentiment was the worst seen since the initial wave of the pandemic in April 2020. Companies that anticipate lower levels of business activity over the next 12 months commented on intense inflationary pressures, tightening financial conditions and a

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, Eurostat.  
Data were collected 11-29 July 2022.

#### Comment

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

*"July survey data pointed to a deepening downturn across the eurozone construction sector, as the quickest drop in new orders for more than two years fed through to a sharper fall in overall output. Rising costs, tighter financial conditions, and an increasingly murkier economic outlook weighed on sales and confidence. Notably, firms were the most downbeat regarding the 12-month business outlook since April 2020 when economies battled the first wave of the pandemic."*

*"Some brighter news came from the price index, which showed that although costs are still rising sharply, the rate of inflation eased further from April's recent high to its lowest for 17 months. This suggests that inflationary pressures are showing signs of easing, which will offer some relief for firms."*

PMI<sup>®</sup>

by S&P Global

challenging economic outlook.

The rate of input cost inflation cooled at the start of the third quarter, but remained substantial overall. Notably, the latest increase in average cost burdens was the softest seen in nearly a year-and-a-half. According to survey respondents, ongoing supply and demand imbalances, as well as rising energy, fuel and transport costs, pushed up expenses.

Eurozone construction firms signalled back-to-back declines in input buying during July. Notably, the rate of reduction quickened to a solid pace that was the fastest since February 2021.

As has been the case for nearly a decade, average vendor performance across the eurozone construction sector worsened in July. Though rapid, the rate at which lead times lengthened was the least marked since February 2021.

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 July. The rate of job shedding was the quickest seen for three months, albeit marginal overall.

- 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](mailto:economics@ihsmarkit.com).

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