

# News Release

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

### Eurozone construction activity declines at faster rate

#### Key findings

Sharp decline in activity, led by housing sector

Quickest downturn in new orders since May 2020

Business sentiment among the lowest on record

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 44.9 in October, down from 45.3 in September, signalling a sixth consecutive monthly contraction in output. The decline was led by Germany (43.8), closely followed by France (44.3). Italian construction firms saw the weakest reduction in the current four-month period of downturn.

The eurozone housing sector experienced the most pronounced fall in activity levels, with the rate of decline accelerating to the fastest since May 2020. Commercial projects registered a sharper fall than in September, while the downturn at civil engineering firms weakened to the slowest in five 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.

German constructors continued to lead the downturn and recorded a steep contraction that was among the strongest on record. France also registered a sharp drop in new work intakes, while Italy saw the weakest decline since June.

The seasonally adjusted Employment Index posted below the neutral 50.0 level in October, to signal a further fall in workforce numbers at eurozone construction companies. The latest round of job shedding was the seventh in as many months but the slowest since July.

Data broken down by country indicated a widespread fall in staffing levels across all three monitored nations. That said, rates of decline at Italian and German constructors eased since September, while the reduction in France remained marginal.

Eurozone construction firms expressed strong negative

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, Eurostat.

Data were collected 12-31 October 2022.

#### Comment

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

"October survey data painted a bleak picture as to the overall health of the eurozone construction sector. Activity declined for a sixth consecutive month, dampened by the sharpest fall in new orders since May 2020. Little respite was offered in terms of price pressures, with the latest survey data pointing to a rate of input price inflation that was the sharpest in four months."

"Forward-looking indicators suggest that the current trends would likely continue into the future. The 12-month outlook for activity sank to a level that was among the lowest on record and firms continued to trim buying activity in line with current and anticipated demand weakness. As we head into the winter months, it will be interesting to see how eurozone's construction sector fares in the face of the current economic landscape."

PMI<sup>®</sup>

by S&P Global

sentiment towards the 12-month outlook for activity in October. Moreover, the degree of pessimism was significant and among the strongest on record.

Construction firms were most downbeat in Germany where the degree of pessimism was the second-strongest on record. Italy, on the other hand, was the only monitored nation where constructors were upbeat, with the degree of confidence the strongest since June.

Latest data pointed to a further reduction in buying activity at eurozone construction companies at the start of the final quarter of 2022. The decrease extended the current sequence of contraction to five months and was solid despite being broadly in line with that recorded in September.

Supply-chain disruptions remained widespread across the eurozone's largest economies in October, with average lead times continuing to lengthen rapidly. That said, pressures softened slightly from September, with vendor performance deteriorating to a much weaker extent than most of those seen over the past 20 months.

Average cost pressures faced by eurozone construction firms remained severe in October, with the rate of inflation accelerating for the third month running and remaining well above its long-run average.

Input cost inflation across France and Germany quickened to four-month highs. Meanwhile, inflation across Italy's construction sector softened from September and was the lowest of the three monitored nations.

- 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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