

# News Release

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

### Eurozone construction activity falls at fastest pace since January 2021

#### Key findings

Downturn extends to fourth month and gathers momentum

Steepest drop in new work since May 2020

Input cost inflation remains elevated, but below recent trend

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 was below the no-change mark of 50.0 for the fourth successive month in August, and fell to 44.2 from 45.7 in July. The latest figure signalled the fastest decline in activity in the building sector since January 2021.

The three largest euro economies all posted steeper contractions with Italy (41.2) seeing the fastest overall decline, followed by Germany (42.6) and France (48.2) respectively.

Broken down by sector, all three categories recorded faster and similar rates of contraction. Civil engineering registered the steepest decline, and housing the weakest, although the latter still posted the fastest drop in activity since May 2020.

New orders placed with eurozone construction companies declined for the fifth successive month in August. Furthermore, the rate of contraction quickened to the sharpest since May 2020. Data broken down by country showed steeper reductions in sales across France and Italy during August, partly offset by a softer – albeit still marked – decline in Germany.

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 August. Moreover, the rate of job shedding was the quickest seen since May 2020.

Employment levels fell across all three nations for the first time since the end of 2020. The steepest job cuts were at German constructors, and the weakest at their Italian counterparts.

August data revealed a worsening degree of pessimism among eurozone construction companies regarding the year-ahead outlook for business activity. Companies were at their most

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, Eurostat.

Data were collected 12-31 August 2022.

#### Comment

Commenting on the latest results, Trevor Balchin, Economics Director at S&P Global Market Intelligence, said:

*"Construction companies in the eurozone endured a deepening downturn in August, with seasonally adjusted activity dropping the most than in any month since January 2021. Whereas the previous period of decline reflected COVID-19 restrictions, the latest downturn is being driven by a darkening economic outlook amid high inflation and uncertainty caused by the ongoing war in Ukraine. All three of the largest euro economies recorded lower activity, new orders, employment and purchasing in August."*

*"There was further evidence that cost pressures may have peaked but this failed to arrest weakening confidence in the 12-month outlook, which in August was the worst since the first COVID lockdown in spring 2020."*

PMI<sup>®</sup>

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downbeat since the first COVID-19 lockdown in April 2020, reflecting the growing risk of recession in the wider economy. Confidence was notably gloomy in Germany, while French construction firms turned pessimistic for the first time since the end of 2020.

Purchasing activity at eurozone construction firms fell for the third consecutive month in August. Moreover, the rate of reduction quickened to the fastest since May 2020. The steepest fall in purchasing activity was seen in Italy, where the rate of decline accelerated to the fastest in 28 months. Germany registered the sharpest drop since February 2021, while French constructors posted the first decline in buying activity in a year.

As has been the case since late-2012, the performance of suppliers to eurozone construction firms continued to worsen in August. Pressure on lead times in the latest period was the weakest since the end of 2020, but still marked in the context of historical data. Delays were most prevalent in France, followed by Germany.

The rate of input cost inflation at eurozone construction firms was little-changed in August compared with July, when it had eased to a 17-month low. That said, cost pressures remained well above the long-run series average, reflecting persistent supply and demand imbalances and rising energy and transport costs.

The use of subcontractors at eurozone construction firms fell for the fifth month running in August. The rate of contraction was sharp, albeit slightly weaker than July's 18-month record. Rates charged by subcontractors meanwhile continued to rise sharply, despite the pace of increase softening to a 15-month low.

- 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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