

News Release

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S&P Global Eurozone Construction PMI®

Solid contraction in eurozone construction activity

Key findings

Both output and new orders fall at fastest rates for 16 months

Supply chain disruption eases and curb inflationary pressures

Businesses pessimistic about outlook for fourth month running

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 49.2 in May to 47.0 in June, indicating a solid contraction in construction activity that was the strongest since February 2021. The reduction was commonly linked to weaker demand amid acute price pressures and economic uncertainty. House building fell at the sharpest pace since May 2020, when the sector was shuttered by the initial wave of the COVID-19 pandemic. Commercial and civil engineering activity fell at quicker rates, the steepest for 15 and eight months respectively.

Work undertaken on housing by eurozone construction firms decreased at a sharp pace in June. The contraction was the second in successive months and the quickest since May 2020.

Eurozone commercial activity fell for the third month running in the latest survey period. The decrease accelerated from the previous survey period and was the sharpest since March 2021.

The downturn in civil engineering activity across the eurozone continued for the third month in a row in June. The rate of decline quickened from May and was the steepest since October 2021.

New business received by eurozone construction companies fell for the third consecutive month in June. The rate of contraction quickened from May and was the quickest since February 2021. Panellists often commented that demand was dampened by higher costs and a challenging economic outlook, which in turn reduced new project tenders.

Supply chain disruptions remained widespread across the

Construction Total Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 13-30 June 2022.

Comment

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

"Eurozone construction companies reported a sustained downturn in activity halfway through 2022. Construction activity fell at a solid pace that was the quickest for 16 months amid a steep deterioration in new orders. Firms commonly attributed the weakness to higher prices and economic uncertainty, which held back new project tenders. Positively, there were tentative signs that price and supply pressures were continued to ease from earlier in the year, as delivery times lengthened to the least extent since January, albeit one that was still severe. This somewhat curbed input price inflation for the second month running, with the rate of increase the slowest for five months. Yet, inflation remained elevated overall. Price and supply concerns continued to dampen the outlook for the year ahead, with firms signalling pessimism for the fourth consecutive month.

"By country, Germany saw the sharpest fall in overall activity, though the rate of decline softened from that seen in May, while French firms saw a renewed contraction that was the steepest since last August. Growth at Italian firms meanwhile softened to the weakest in the current 17-month sequence, heading closer to stagnation."

PMI®

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eurozone's largest economies in June, yet delivery times lengthened at a softer rate. The overall extension in lead times was the least severe for five months.

Average cost burdens faced by eurozone constructors increased at a substantial pace during June. The rate of inflation decelerated for the second successive month to the softest since January.

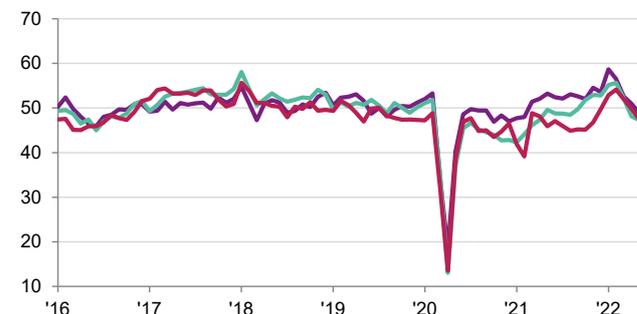
Eurozone construction companies signalled solid pessimism regarding the year-ahead outlook for activity, though the level of negative sentiment eased from that seen in May.

Employment levels among eurozone constructors decreased for the third month in a row during June. The rate of job shedding was little-changed from the previous survey period and was only marginal however.

Latest data indicated a renewed fall in buying activity among eurozone construction companies at the end of the second quarter. Input purchases fell for the first time in 16 months, albeit only fractionally.

- 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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