

News Release

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S&P Global Eurozone Construction PMI[®]

Softer fall in eurozone construction activity in February

Key findings

Output and new orders both decline at weaker rates

Renewed upturn in employment

Input cost inflation dips to 26-month low

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.

At 47.6 in February, the S&P Global Eurozone Construction Total Activity Index increased from 46.1 in January to signal a reduction in overall construction activity for the tenth successive month. That said, the pace of decline was the weakest seen since May 2022 and modest overall. The relative improvement in the headline index was supported by softer drops in both residential and civil engineering activity, as commercial construction projects decreased at a fractionally quicker pace.

As has been the case since May 2022, home building activity declined across the eurozone in February. The rate of contraction was solid overall, albeit the weakest recorded in seven months. Construction firms in France registered the softest fall since last August, while those in Germany registered the slowest decline in eight months. Home building activity also fell at a weaker pace in Italy, where the drop was only mild and the softest in three months.

Commercial building activity across the eurozone fell for the eleventh straight month midway through the first quarter. The pace of reduction was little-changed from that seen at the start of the year and modest, however. A weaker reduction in commercial building activity in Italy was largely offset by steeper falls in France and Germany. The latter saw the quickest rate of decline of all three nations.

February survey data indicated that the downturn in civil engineering activity across the eurozone eased further in February. Notably, the latest drop was the softest in ten months and mild overall. Fresh falls in infrastructure activity in France and Italy were partially countered by a renewed upturn in Germany.

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global.

Data were collected 10-28 February 2023.

Comment

Commenting on the latest results, Annabel Fiddes, Economics Associate Director at S&P Global Market Intelligence, said:

"The latest PMI data showed that the eurozone construction sector moved closer to stabilisation in February, with firms signalling the softest reduction in overall activity for nine months. This was underpinned by weaker falls in construction output across Germany and Italy, which offset a more marked decline in France. The downturn in new business also continued to ease, though sales still dropped considerably overall, which contributed to a sustained fall in purchasing activity."

"On a more positive note, there was a fresh rise in staffing levels in February, supported by job creation across France and Italy. The overall rate of employment growth was marginal, however, as companies retained a cautious stance when assessing the outlook. While business confidence regarding the 12-month outlook for activity was the least downbeat since June 2022, firms often expressed concerns that rising interest rates, higher operating costs and a weaker economic climate could dampen performance in the months ahead."

The amount of new business received by eurozone construction firms fell again in February, thereby stretching the current period of decline to 11 months. The rate of reduction slowed to the weakest since last June, but remained sharp overall. Lower volumes of new work were often linked by panellists to intense cost pressures at clients and lingering uncertainty around the outlook.

Employment at eurozone construction companies increased during February. Though only marginal, the upturn in staffing levels ended a ten-month sequence of job shedding. Data broken down by country showed that workforce numbers rose in Italy and France, with growth accelerating in the former but slowing in the latter. These upturns offset a further reduction in headcounts at construction firms in Germany.

February survey data signalled a further easing in the rate of input cost inflation faced by construction companies in the eurozone. Though sharp, the latest increase in expenses was the softest recorded since December 2020. Weaker increases in costs were registered at construction firms in Germany and Italy, while the rate of inflation ticked up in France.

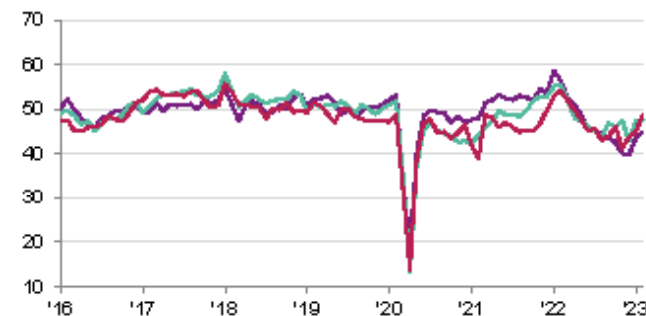
Purchasing activity undertaken by eurozone construction companies fell for the ninth successive month in February. The rate of contraction was solid, having accelerated slightly since January.

Supply chains remained under pressure in February, as highlighted by a further marked lengthening of average delivery times. Although the latest deterioration in vendor performance was the least severe since November 2020, it remained sharp in the context of historical data.

The Future Activity Index moved closer to the neutral 50.0 level in February, to signal a weaker degree of pessimism among eurozone construction firms. Although remaining in negative territory, the index posted its highest reading for eight months.

- 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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