

# News Release

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

### Most pronounced fall in Eurozone construction activity since May 2020

#### Key findings

Faster reduction in activity, led by housing

New orders fall at a quicker pace

Input cost inflation eases to 23-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 dropped to 42.6 in the final month of 2022, down from 43.6 in November. Having now posted below the 50.0 no-change threshold for eight months in a row, the latest reading was indicative of a sustained contraction in eurozone construction activity levels. Each of the big-three Eurozone nations monitored by the survey registered lower activity in December, with the most pronounced drop seen in France (41.0), closely followed by Germany (41.7). Meanwhile, activity at Italian firms returned to contraction territory (47.0) following a brief upturn in November. Broken down by sector, all categories registered a fall in activity, led by housing.

December data signalled an eighth successive monthly decrease in home building across the Eurozone. The contraction was steep overall and, when excluding COVID-19, the sharpest since March 2013. The drop in activity levels at German firms was the sharpest of the three largest eurozone nations and the quickest since February 2012.

Eurozone construction firms recorded a lower level of commercial building activity in December, thereby stretching the current sequence of reduction to nine months. Moreover, the downturn was marked and the strongest in just under two years. Data broken down by country revealed that the decline was led by French companies.

As has been the case since last April, civil engineering activity across the Eurozone fell in December. Notably, the pace of decline slowed from November's 21-month record but was marked overall and remained sharper than the rates recorded over much of the past two years

Demand for new construction projects across the Eurozone

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, Eurostat.

Data were collected 6-23 December 2022.

#### Comment

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

*"The eurozone construction sector ended the year on a negative note with a sharp fall in building activity, rounding off the worst quarterly performance since the COVID-related downturn in the second quarter of 2020. In fact, when excluding the pandemic, the reductions in total activity and new orders were the sharpest since March 2013 and September 2014, respectively. Notably, all three of the largest euro economies registered a lower level of building activity in December with the quickest decline seen at French construction companies. December data suggested that firms were anticipating challenging economic conditions to continue into the future, as indicated by a downbeat outlook on output over the coming year and a further scaling back of input buying."*

*"There were, however, some positive developments within December data as evidenced by a sustained easing in both cost and supply pressures. The rate of input cost inflation was the weakest in 23 months, while the deterioration in supply performance was the softest in two years."*

PMI<sup>®</sup>

by S&P Global

decreased in the final month of the year. Notably, the fall in new orders was considerable and the fastest since September 2014, when excluding the pandemic. On a national basis, the reduction was led by a sharp drop in order book volumes received by German firms.

The level of employment at Eurozone construction firms fell for a ninth straight month in December. Overall, the rate of job shedding was modest but accelerated from November. Driving the latest round of job shedding was a strong reduction in staffing levels at German companies.

Looking ahead, Eurozone construction firms remained downbeat with regards to their future output in the final month of the year. That said, the degree of pessimism, though sharp, was the weakest since last July. Overall, negative sentiment stemmed largely from the gloomy outlook across the German construction sector.

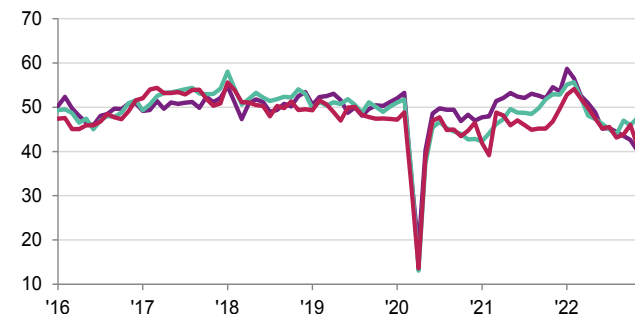
As had been the case in each of the six previous survey periods, buying activity at Eurozone construction firms declined in December. Overall, the reduction was solid and faster than the rates recorded over much of the past two-and-a-half years.

There was a further deterioration in supplier performance during December, as evidenced by the respective seasonally adjusted index recording below the 50.0 no-change mark. However, the rate of deterioration slowed for the third month in a row to the weakest for two years.

Eurozone construction firms faced another round of rising cost burdens in the final month of the year. That said, the rate of input cost inflation eased sharply from November and was the weakest in just short of two years. The latest rise in operating expenses was led by France and remained broad-based.

- 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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