

# IHS Markit Eurozone Construction PMI®

## Eurozone construction activity falls further in September

### Key findings

Quicker declines in new work and output

Builders reduce input buying and payroll numbers

Business sentiment remains negative

Data were collected 11-29 September 2020

The IHS Markit Eurozone Construction PMI® is compiled by IHS Markit 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 47.5 in September, the IHS Markit Eurozone Construction Total Activity Index signalled a seventh consecutive monthly decline in output. Moreover, falling from 47.8 in August, the rate of reduction was the quickest since May. Home building, infrastructure work and commercial projects all contracted, with the sharpest downturn recorded for the latter. Nationally, there were falls in construction activity across Germany and France, with growth sustained in Italy.

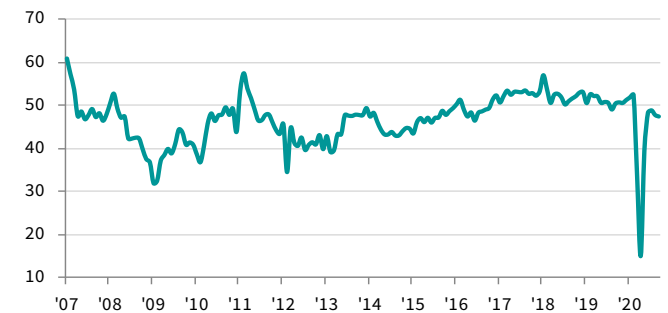
Commercial building activity fell sharply and at the fastest pace since May. The decline was also the fastest of the three types of activity tracked by the PMI survey. Germany recorded a quicker drop in commercial activity, while there was a slower reduction in France. Meanwhile, there was a renewed contraction in Italy following four consecutive months of growth.

Home building among eurozone constructors decreased only marginally, with the pace of reduction matching that seen in August. The fall was centred on France, as growth was sustained in Germany and Italy.

Civil engineering activity across the currency bloc fell markedly, with the decline being the fourteenth in as many months. Germany recorded a sharper drop than France, while infrastructure work in Italy broadly stabilised.

Eurozone builders continued to record lower demand for their services in September. As a result, the current sequence of

Eurozone Construction Total Activity Index  
sa, >50 = growth since previous month



Source: IHS Markit.

falling new orders was extended to seven months. Moreover, the rate of contraction was solid and the quickest since June. Faster reductions were evident in Germany and France, while Italy posted growth for the fourth straight month.

Faced with subdued demand conditions, eurozone constructors reduced payroll numbers for the seventh month in a row during September. Despite quickening from August, the pace of contraction was slight overall. Job shedding was recorded in Germany and Italy, with the former seeing the sharper drop. France meanwhile posted employment growth for the third straight month.

Continuing the trend that started in the aftermath of the escalation of the COVID-19 pandemic, eurozone builders reduced input buying in September. Furthermore, the decline was solid and the quickest since May. Germany saw a modest drop in quantities of purchases, while France posted a sharp contraction that was the strongest in four months. On the other hand, there were back-to-back increases among Italian builders.

Materials needed for construction work rose in price during September, marking a 55-month sequence of cost inflation. However, the rate of increase softened from August and was below the long-run survey average. Softer rates of inflation were recorded in France and Italy, three- and four-month lows respectively. In Germany the increase was the quickest since March.

Sentiment among eurozone construction companies remained negative at the end of the third quarter. Lower output was predicted (on average) by firms in Germany and France, with the former the most pessimistic towards the outlook during September. Conversely, Italian builders foresee activity growth in the year ahead, with optimism strengthening from August.

## Comment

Commenting on the latest results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

*"The PMI results for September show that the eurozone construction sector remained stuck in contraction as builders struggled to secure new work amid the COVID-19 outbreak. The survey pointed to broad-based declines across housing, infrastructure and commercial projects.*

*"With firms finding it difficult to secure new work, there were further declines in quantities of purchases and construction employment. There were fewer jobs for subcontractors too. In line with increases in coronavirus cases and the potential for stricter restrictions to be imposed, a rebound in the near-term seems unlikely. In fact, eurozone builders remained pessimistic about growth prospects."*

## Contact

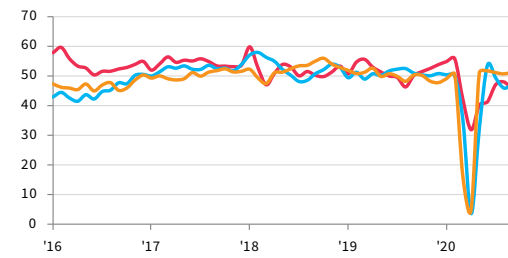
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### Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

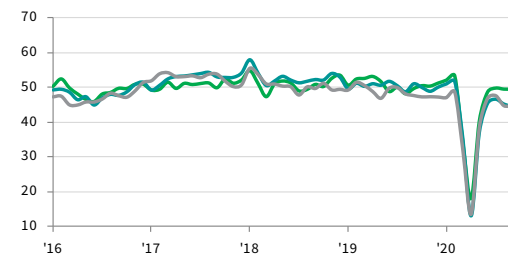


Source: IHS Markit.

### Construction Activity Index

Housing / Commercial / Civil engineering

sa, >50 = growth since previous month



Source: IHS Markit.

### Survey methodology

The IHS Markit Eurozone Construction PMI® is compiled by IHS Markit 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.

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).

### Survey dates and history

Data were collected 11-29 September 2020.

Survey data were first collected January 2000.

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