

IHS Markit Eurozone Construction PMI®

Renewed expansion in eurozone construction activity

Key findings

Activity growth quickest since February 2020

Severe supply chain disruption leads to rapid rise in cost burdens

Business sentiment eases to six-month low

Data were collected 12-29 October 2021.

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.

The IHS Markit Eurozone Construction Total Activity Index rose from 50.0 in September to 51.2 in October, indicating a modest expansion in construction activity. The increase was the first recorded since June and the sharpest since the onset of the COVID-19 pandemic. Growth was commonly linked to stronger demand and increasing workloads. House building remained the strongest monitored sub-sector in the eurozone, though there was also a renewed rise in commercial construction in the latest survey period. Civil engineering work remained in contraction territory, however.

Work undertaken on housing by eurozone construction firms increased modestly in October. The expansion was the eighth in consecutive months, but the pace of growth eased to the softest since March. A sustained and robust rise in Italian homebuilding activity was partially offset by a renewed contraction in French homebuilding. German firms meanwhile signalled a third consecutive contraction at the start of the fourth quarter.

Eurozone commercial activity returned to expansion territory in the latest survey period. The increase was the first since February 2020, with the rate of growth modest overall. Both French and German firms indicated a renewed rise in commercial building, with the upturn among the former at a five-month high. This was complemented by a moderate rise in Italy, though growth eased to the softest since February.

The downturn in civil engineering activity across the eurozone continued in October, taking the current sequence of decline to 27 months. The rate of contraction was broadly unchanged

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



Source: IHS Markit.

from September and was solid overall. While firms in France registered a softer reduction in infrastructure activity, German firms pointed to the quickest contraction in eight months. Italian firms meanwhile signalled a third straight expansion.

New business received by eurozone construction companies rose for the third consecutive month in October. That said, the pace of expansion slowed and was modest overall. Panellists often commented that stronger client confidence and sustained government support for the sector had boosted order books.

Employment levels among eurozone constructors increased for the fifth month in a row in October. The pace of job creation was solid overall, and the quickest since February 2020. On a national basis, the sharpest rise was seen in Italy, where workforce numbers rose at the quickest pace since July 2001.

Supply-chain disruption remained widespread across the eurozone's largest economies in October, as supplier delivery times continued to lengthen rapidly. The latest extension in lead times was softer than that seen in September, though remained among the most severe in the history of the survey.

Average cost burdens faced by eurozone constructors increased at a substantial pace during October. The rate of cost inflation accelerated for the first time in three months and was close to record highs.

Eurozone construction companies signalled strong optimism regarding the year-ahead outlook for activity in October, though confidence eased to a six-month low. Both Italian and French firms indicated strong, yet softer confidence in October, with the former at the lowest level in 2021 so far. German constructors remained pessimistic, however.

Comment

Commenting on the latest results, Usamah Bhatti, Economist at IHS Markit, said:

"Eurozone construction companies reported a renewed uptick in activity at the start of the fourth quarter. Activity rose at the quickest pace since February 2020, as new orders expanded for the third month running. However, the rate of growth in incoming business eased amid severe price pressures and material shortages. Notably, delays in sourcing and receiving raw materials intensified price pressures among eurozone construction firms, as average operating costs rose at a substantial rate. Companies remained strongly optimistic about the year-ahead outlook for activity, with confidence underpinned by hopes that pent-up demand would boost activity once the pandemic and supply-chain pressures recede completely. However, the level of positive sentiment eased to the softest since April amid concerns that price and material pressures would remain well beyond the current outlook. By country, Italy saw a sustained and quicker rise in construction activity, while there was also a renewed increase in France. German firms noted the twentieth fall in a row, though the rate of decline was the softest recorded in 14 months."

Contact

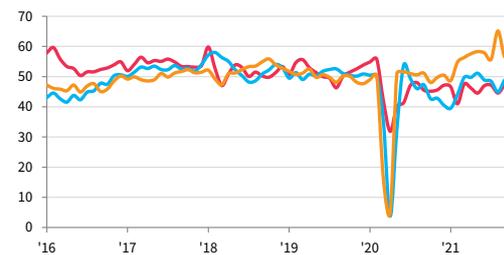
Usamah Bhatti
Economist
IHS Markit
T: +44 1344 328 370
usamah.bhatti@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

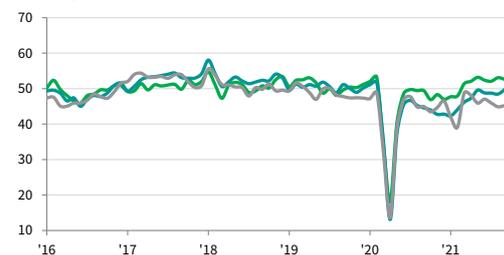


Source: IHS Markit.

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.

Survey dates and history

Data were collected 12-29 October 2021.

Survey data were first collected January 2000.

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