

IHS Markit Eurozone Construction PMI®

Downturn in eurozone construction continues in December

Key findings

Solid declines in both activity and new business

Pace of job shedding quickens

Business sentiment remains negative

Data were collected 4-23 December 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.

The IHS Markit Eurozone Construction Total Activity Index slipped to 45.5 in December from 45.6 in November, signifying a further solid contraction in eurozone construction activity. The latest fall extended the current sequence of decline to ten months, although the rate of reduction remained far softer than at the nadir of the downturn caused by the coronavirus disease 2019 (COVID-19) pandemic in April. Latest data showed a broad-based downturn in output across the three monitored sub-sectors, with the sharpest decline recorded in commercial construction, followed by civil engineering activity. Meanwhile, housing activity fell once again in December.

Home building among eurozone constructors was scaled back further in December. The result indicated the tenth consecutive fall in housing activity, with the pace of decline quickening from the previous survey period. The reduction was driven by a further, marked fall in France, while German and Italian firms signalled marginal expansions in home building activity.

Meanwhile, commercial building activity was the worst performing sub-sector monitored for the second successive month. The fall in December extended the current sequence of decline to 10 months and was strong overall. Construction firms in each of the three largest eurozone economies recorded contractions, the sharpest of which was in France.

Work undertaken on civil engineering projects continued to reduce in December. Despite the decline softening slightly from November, the fall in infrastructure activity was solid overall and was the seventeenth in as many months. A return to growth among Italian builders was more than offset by

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



Source: IHS Markit.

contractions in Germany and France, with the latter falling at the fastest pace since May.

Of the three largest economies in the eurozone, firms in Italy registered a return to expansion territory in December, the first in three months. At the same time, German firms signalled a further, albeit softer reduction in activity. However, constructors in France reported a marked fall in construction activity, with the latest fall the sharpest since May.

New orders received by eurozone construction firms fell further in December. That said, the pace of contraction eased and was the softest fall recorded since August. Reports of a volatile market hindered new projects being bought to tender in both the public and private sector, particularly in France and Germany. Italian firms, meanwhile, signalled a marginal increase in new business in the latest survey period, extending the current sequence of expansion to seven months.

December data pointed to slightly quicker fall in employment levels at eurozone construction firms. Although modest overall, the reduction in workforce numbers was the tenth in as many months, with anecdotal evidence suggesting that fixed term contracts were not renewed amid a lack of demand. Businesses in all of the monetary union's three largest countries pointed to further job shedding, with the sharpest occurring in France and Italy. German firms only recorded a fractional fall in employment levels, however.

Overall sentiment among eurozone building companies remained negative in December, as indicated by the Future Activity Index staying below the neutral 50.0 threshold for the fifth consecutive month. Both French and German firms anticipated a fall in activity over the next 12 months. On the other hand, companies in Italy remained confident, with the degree of optimism strong overall. Pessimism was linked to concerns of the longer-term impact of the pandemic on construction.

Comment

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

"Eurozone construction companies reported a continued downturn in activity during December, while incoming business also fell at a solid, albeit softer pace. With appetite for new construction projects remaining subdued, firms across the bloc reduced workforce numbers at a slightly quicker pace in the latest survey period. Concerns surrounding the longer term impact that the pandemic will have on the wider construction sector, alongside a lack of new projects in both the public and private sector being bought to tender resulted in an extension to the pessimistic outlook held by eurozone-based builders for a fifth month in a row. By country, France and Germany continued to report further declines in construction activity, with the former signalling the steepest fall since May. Italian firms on the other hand registered marginal growth for the first time since September."

Contact

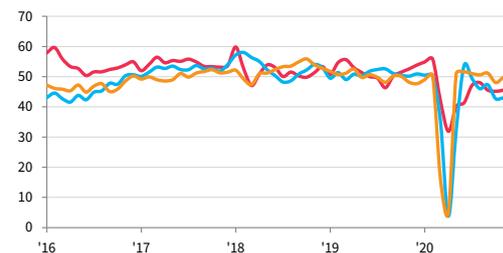
Usamah Bhatti
Economist
IHS Markit
T: +44 1344 328 370
usamah.bhatti@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@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 4-23 December 2020.

Survey data were first collected January 2000.

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