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IHS Markit Eurozone Construction PMI®

Eurozone construction activity continues to fall in November

Key findings

Decline in new orders quickens

Employment levels fall at softer pace

Businesses remain pessimistic regarding future activity

Data were collected 12-30 November 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.

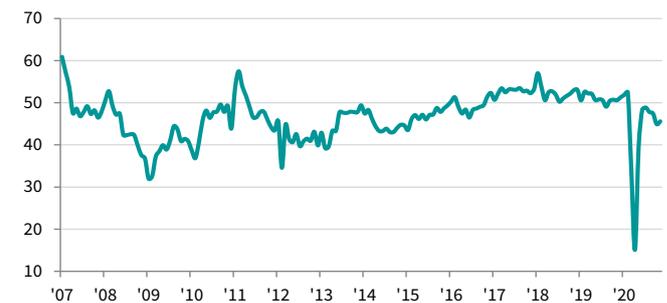
The IHS Markit Eurozone Construction Total Activity Index rose to 45.6 in November from 44.9 in October, indicating a solid, albeit softer, fall in construction activity across the eurozone. The latest data signalled that the downturn was broad-based across the three monitored sub-sectors, with the sharpest reduction in commercial construction which fell at the quickest pace since May. Moreover, declines were widespread across the three largest eurozone economies, with French construction firms recording the most marked contraction.

Work undertaken on housing by eurozone construction firms decreased further in November. The decline marked the ninth consecutive monthly fall in activity, although the pace of contraction eased from that seen in October, and was only marginal overall. A faster rise in German home building activity was offset by a further steep decline in France, while the fall in Italy was only marginal.

Meanwhile, commercial construction was the worst performing of the monitored sub-sectors in the latest survey period. The pace of the contraction accelerated and was the fastest for six months. All three monitored regions recorded a fall in activity, the sharpest being registered in France.

The downturn in eurozone civil engineering activity continued in November, the sixteenth fall in as many months, as infrastructure building contracted sharply. Rates of decline remained marked in both France and Germany. Italian civil engineering work was broadly unchanged, however.

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



Source: IHS Markit.

November data pointed to declines in activity across all three of the largest economies in the eurozone. The overall contraction in the eurozone was led by a marked decline in France as well as a strong fall in Germany. Meanwhile, output in Italy fell only fractionally in November.

New business received by eurozone construction companies continued to fall in November. Moreover, the pace of the reduction accelerated and was the fastest since May. Anecdotal evidence suggested that the contraction stemmed from reluctance among many clients towards new investments, alongside fewer public projects coming to tender across the region. French construction firms recorded a substantial fall in inflows of new work, registering the fastest decline since May. Meanwhile, German businesses saw a sharp, although slightly softer fall in demand. Firms in Italy however, indicated a increase for the sixth consecutive month.

Employment levels among eurozone constructors contracted further in the latest survey period. That said, the pace of job shedding eased and was marginal overall. At the national level, workforce numbers in France and Italy only declined at a marginal rate, while German firms signalled a modest fall in staffing levels.

Eurozone construction companies remained pessimistic regarding the outlook for activity over the coming year. On balance, firms in France and Germany expect activity to fall, with the latter the most downbeat in November. Conversely, Italian builders registered solid optimism regarding the outlook for output over the next 12 months, however, the degree of confidence softened significantly from that seen in October.

As has been the case in each month for over four-and-a-half years, average cost burdens faced by eurozone constructors increased during November. The rate of cost inflation accelerated from the previous survey period to the joint-fastest pace since February. All three monitored countries signalled a strong rise in average operating costs.

Comment

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

"The eurozone construction sector continued to report a decline in activity during November, accompanied by a quicker fall in new orders, as steep contractions in France and Germany weighed on the region's performance. Businesses in the bloc also lowered staffing levels for the ninth month in a row although the rate of job shedding eased in the latest survey period. Moreover, construction firms based in the bloc remained strongly pessimistic regarding the outlook for activity over the coming 12 months, as a resurgence of coronavirus disease 2019 (COVID-19) infections led to the introduction of tighter restrictions on the three monitored economies. This was exacerbated by concerns over the lack of projects coming to tender over the coming months, which did little to allay concerns that the downturn in activity would continue into 2021. All three monitored sub-sectors saw falls in activity, with commercial construction contracting at the fastest pace, while civil engineering work was also subdued. Home building activity saw reductions although at a less severe rate compared to October."

Contact

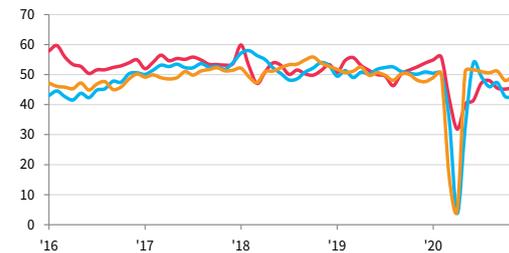
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Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

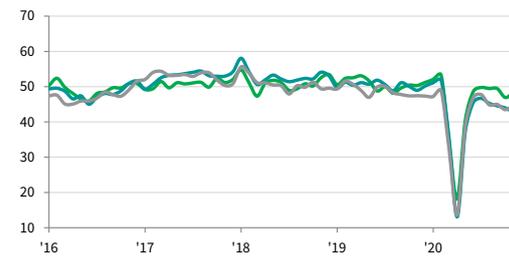


Source: IHS Markit.

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.

Survey dates and history

Data were collected 12-30 November 2020.

Survey data were first collected January 2000.

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