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IHS Markit Eurozone Construction PMI®

Eurozone construction activity continues to fall in February

Key findings

Decline in new orders quickens

Employment levels fall at marginal pace

Business sentiment improves for fourth consecutive month

Data were collected 11-26 February 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 ticked up from 44.1 in January to 45.0 in February, indicating a softer, albeit solid decline in construction activity. The latest contraction meant that eurozone construction activity has now declined for a full year, as companies continued to note the impact of the coronavirus disease 2019 (COVID-19) pandemic on construction projects as well as reduced order volumes. The downturn was broad-based across the three monitored sub-sectors, with the sharpest decline recorded in civil engineering activity, followed by commercial construction.

Work undertaken on housing by eurozone construction firms decreased further in February. The decline marked the twelfth consecutive monthly fall in activity although the pace of contraction eased slightly from that seen in January. That said, the reduction remained solid. A robust improvement in Italian home building activity was offset by marked contractions in France and Germany, with the latter falling at the sharpest pace since May 2020.

Meanwhile, commercial construction activity contracted again in the latest survey period. Yet, the pace of the decrease eased slightly from January, and the softest recorded since September 2020. A rapid fall in commercial activity in Germany and a solid decline in France contributed to the contraction in the bloc as a whole. However, firms in Italy signalled a renewed expansion in commercial building.

The downturn in eurozone civil engineering activity continued in February, as work undertaken on infrastructure projects contracted sharply. The rate of decline was the quickest since

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



Source: IHS Markit.

May 2020, and the fastest among the monitored sub-sectors. The pace of decline in both France and Germany remained marked, while the rate of decrease in Italian civil engineering work was broadly in line with the historical average.

February data pointed to a rapid fall in German construction activity, the fastest recorded since last May. Activity in France also reduced further although the pace of decline was the softest for five months. On the other hand, Italian firms signalled the sharpest expansion in activity since October 2018.

New business received by eurozone construction companies continued to fall in February. Moreover, the pace of the contraction accelerated and was the fastest since November. Panellists often attributed weaknesses to the ongoing impact the COVID-19 pandemic had on calls for tender. This weakness was most acute in France where orders fell at their fastest pace for three months. At the same time, German firms reported the quickest fall since last October. Meanwhile, Italian firms reported the strongest rise in order book volumes since January 2007.

Employment levels among eurozone constructors decreased further in the latest survey period. That said, the pace of job shedding eased and was marginal overall. On a national basis, workforce numbers in France and Italy increased at a marginal pace, but German firms indicated a modest fall in staffing levels.

Despite activity and order books remaining subdued, eurozone construction companies signalled stronger optimism regarding the outlook for activity over the coming 12 months. This marked the second successive month of positive sentiment among the bloc's constructors, and was the strongest recorded since February 2020. Both Italian and French firms indicated stronger confidence in February, with the former at the highest level since August 2001. Projections in Germany remained subdued, however.

Comment

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

"Eurozone construction firms reported a sustained downturn in activity during February. Meanwhile, incoming business fell at the fastest pace since November as appetite for new construction projects remained subdued. With activity and sales falling further, firms across the bloc reduced employment levels once again, extending the current period of job shedding to 12 months. That said, the pace of decline was only marginal and the softest in the current sequence. Moreover, eurozone constructors were increasingly optimistic about the year-ahead outlook for activity, as confidence rose to its highest level since February 2020. Positive sentiment was underpinned by hopes that the pandemic would recede further and induce a wider recovery in both private and public sector construction. By country, France and Germany continued to report further declines in construction activity, with the latter signalling the steepest fall since May 2020. Meanwhile, Italian firms registered the strongest rate of activity growth since October 2018."

Contact

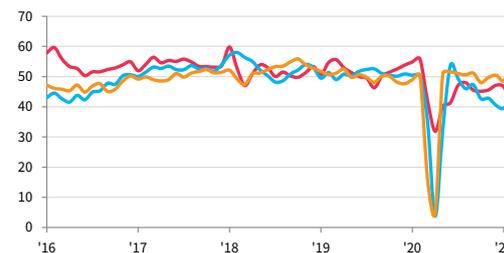
Usamah Bhatti
Economist
IHS Markit
T: +44 1344 328 370
usamah.bhatti@ihsmarkit.com

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

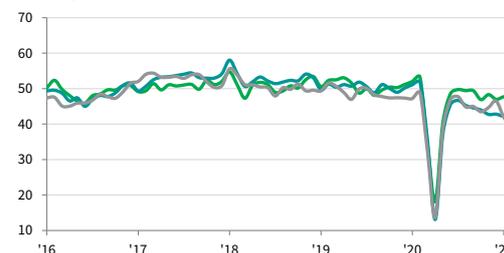


Source: IHS Markit.

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 11-26 February 2021.

Survey data were first collected January 2000.

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