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# IHS Markit Eurozone Construction PMI®

## Construction activity falls further in October

### Key findings

New orders fall at sharper pace

Rate of job shedding accelerates

Business expectations remain downbeat

Data were collected 12-30 October 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 44.9 in October, the IHS Markit Eurozone Construction Total Activity Index, down from 47.5 in September, signalled an eighth consecutive monthly decline in output. Moreover, the rate of reduction was the quickest since May. The latest survey data indicated that activity declined across all three monitored construction sectors, with the sharpest fall seen in civil engineering, followed by the commercial sector. Furthermore, contractions were seen across the three largest eurozone economies, with France registering the most severe downturn.

Home building among eurozone construction firms was reduced at a quicker pace in October. The sharper decline brought to an end a three-month sequence of broadly similar, marginal contractions, and signalled renewed downward momentum in housing activity. The slight rise in residential construction in Germany, was offset by a marked decline in France and a renewed fall in Italy.

Work undertaken on commercial construction projects continued to contract during the latest survey period. The pace of decline quickened and was the fastest since May. On a national basis, all monitored countries registered contractions, with France and Germany recording sharp falls.

Meanwhile, civil engineering was the worst performing of the monitored sub-sectors in October, as infrastructure activity continued to decline sharply. The latest data signalled a further extension to the current sequence of contraction, with

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



Source: IHS Markit.

output falling for 15 successive months. The downturn was predominantly driven by a marked contraction in Germany, although reductions were also sustained in France and Italy.

New orders received by eurozone construction firms fell further in October. Moreover, the pace of contraction quickened and was the fastest since June. Reports of a reluctance among clients to take projects to tender were common, particularly in France and Germany which broadly drove the overall decline in October. Italian construction firms, however, signalled a marginal, albeit slower, rise in new business in October.

Employment levels in the eurozone construction sector continued to shrink in the latest survey period. The rate of reduction was the sharpest for five months amid reduced output requirements. At the national level, German firms reported further job losses in October, while French companies recorded the first reduction in staffing levels since June. Italian companies meanwhile, reported an increase in employment for the first time in four months.

There was a further increase in input prices at eurozone construction firms in October, thereby stretching the current sequence of rising costs to over four-and-a-half years. Although the pace of inflation slowed marginally from September, it remained sharp overall. All countries monitored signalled steep increases in operating costs.

Eurozone construction companies were increasingly pessimistic regarding the year-ahead outlook for activity, as signalled by the Future Activity Index remaining below the neutral 50.0 threshold for the third month running. German and French firms anticipated a fall in activity, while Italian companies, in stark contrast, were strongly positive in their outlook.

## Comment

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

"The downturn in eurozone construction extended into October, as the sector continued to report falling activity, alongside a sharper fall in incoming business. Employment levels also dropped at a solid pace as construction companies reduced headcounts amid lower output requirements. As a result, construction firms in the eurozone were increasingly pessimistic regarding the year-ahead outlook, as the adverse impact of the coronavirus disease 2019 (COVID-19) hampered activity in the construction sector and wider eurozone economy. This was exacerbated by increasing COVID-19 cases, and reimposed stringent measures to stem transmission across the eurozone. Within the bloc's construction sector, there were marked declines in both commercial and civil engineering activity, as well as renewed weakness in home building activity, which fell at the fastest rate since May."

## Contact

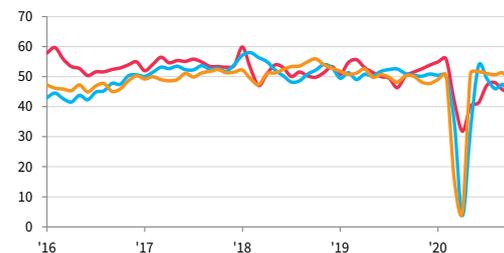
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### Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

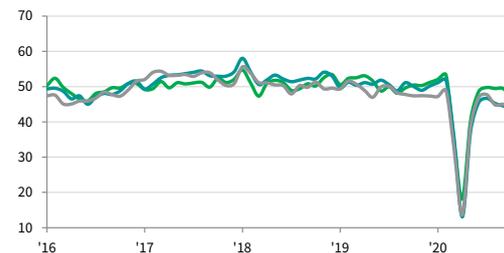


Source: IHS Markit.

### 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 12-30 October 2020.

Survey data were first collected January 2000.

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