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IHS Markit Eurozone Construction PMI®

Eurozone construction activity stabilises in September

Key findings

Quicker upturn in new orders helps output recover

Sharpest rise in employment since February 2020

Confidence around the 12-month outlook strengthens

Data were collected 13-30 September 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 49.5 in August to 50.0 in September, signalling a stabilisation in eurozone construction activity following two successive months of decline. Where activity rose, companies often cited stronger demand growth, although this was offset by a lack of raw materials which halted work on site. Underlying data indicated that growth was centred around house building, although commercial construction work fell at the softest pace in the current 19-month sequence of decline. At the same time, the fall in infrastructure activity remained sharp.

September survey data pointed to a further expansion in home building activity across the eurozone, stretching the current period of growth to seven months. While softer than that seen in August, the rate of increase was solid overall. Italian constructors continued to lead the upturn with a sharp expansion, while French firms noted a renewed rise in home building, the first in four months. At the same time, German companies reported a second successive fall in activity, though the rate of reduction was only slight.

Commercial building activity continued to trend towards stabilisation in September, as activity dipped at the softest pace in the current 19-month sequence of decline. A marginal decline at French companies was accompanied by the softest fall in German commercial construction since March. Firms in Italy meanwhile noted an eighth consecutive increase in activity.

Work undertaken on civil engineering projects decreased at a softer pace in September. The fall stretched the current period of decline to 26 months and the rate of reduction remained sharp. Construction firms in France and Germany recorded steep

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



Source: IHS Markit.

declines in infrastructure activity, while a second successive rise was seen in Italy.

New orders placed with eurozone construction companies expanded for the second successive month in September. The pace of growth quickened from the previous survey period and was the fastest since May. Anecdotal evidence suggested that government incentives for the sector as well as a number of new projects coming to tender led to a rise in new business inflows. Italian firms saw a marked increase in new orders, however this was partially offset by further reductions in France and Germany. That said, constructors in both countries noted only marginal declines.

Latest data pointed to a further rise in staffing levels at eurozone constructors. Moreover, the rate of job creation quickened to the fastest since February 2020. All three of the bloc's largest economies recorded job creation in September, following renewed rises in France and Germany. Italian firms reported the quickest uptick in workforce numbers since February 2002.

Latest data showed a softer, albeit rapid rise in input costs face by eurozone construction firms. The rate of inflation was the slowest since March, yet remained among the steepest since aggregate data became available in January 2000. A number of panel members linked higher raw material prices to widespread shortages of items among suppliers. Underlying data indicated substantial rises in cost burdens across the three monitored eurozone economies, led by Germany.

Eurozone construction firms expressed optimism toward the 12-month outlook for the ninth consecutive month in September. The level of positive sentiment strengthened from August and was sharp overall. Italian firms were the most upbeat, while confidence across France improved to a three-month high. That said, projections in Germany remained downbeat.

Comment

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

"The eurozone construction sector returned to stabilisation at the end of the third quarter, following slight declines in activity in the prior two months of the quarter. Businesses reported an accelerated rise in new orders that was the strongest since May. Yet, widespread reports of material shortages and delivery delays dampened activity on site. Nonetheless, eurozone constructors were confident that activity would continue to recover in line with the economy, and lifted capacities for the fourth month in a row. Moreover, the rate of job creation was the sharpest recorded since February 2020. At the same time, construction firms in the bloc were increasingly optimistic regarding the outlook for activity over the coming 12 months. Confidence was positive for the ninth month running amid hopes that work on incoming orders would begin in earnest as the pandemic recedes. At the national level, Italian firms reported an eighth consecutive rise in activity. At the same time, French and German firms signalled a sustained albeit softer fall in activity."

Contact

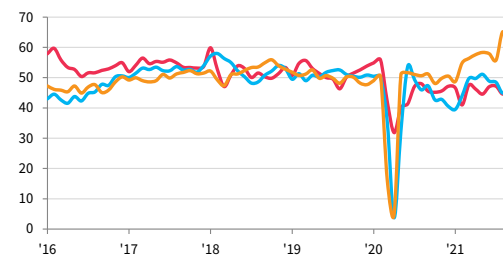
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Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

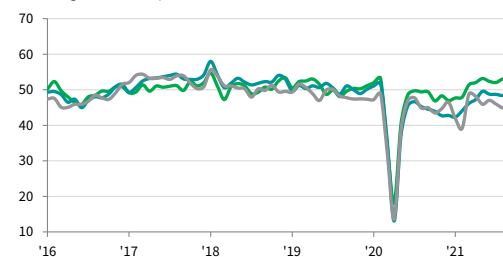


Source: IHS Markit.

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 13-30 September 2021.

Survey data were first collected January 2000.

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