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IHS Markit Eurozone Construction PMI®

Construction downturn slows further in July

Key findings

Order books fall at softer rate

Rate of job shedding eases

Positive sentiment on balance for first time in five months

Data were collected 13-31 July 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 from 48.3 in June to 48.9 in July, indicating the weakest decline in construction activity across the eurozone in the current five-month sequence. Survey data showed Italy recorded construction output growth, while Germany and France posted declines.

The level of work undertaken on home construction projects in the eurozone was fractionally lower at the start of the third quarter. A decline in housing construction activity in France was almost offset by increases in home building activity in Germany and Italy.

Commercial building activity across the eurozone continued to fall in July. The rate of decline slowed further from April's record, but was marked overall. The decline was driven by Germany and France, with the latter doing so after an increase in June. Italy reported further growth, albeit the slowest in the current three-month sequence.

Meanwhile, eurozone civil engineering activity fell further in July, extending the current sequence of contraction to a year. The rate of decline moderated from June and was modest overall. National data revealed that only France posted growth, while Germany and Italy continued to report a decline in civil engineering.

Among the eurozone's three largest economies, only Italy

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



Source: IHS Markit.

registered growth in construction output during July, which remained modest overall. On the other hand, Germany and France registered declines in construction activity, with the former recording the steeper rate of decrease.

New business received by eurozone construction firms fell further in July, though the rate of decline eased for a third straight month and was the slowest in the current five-month sequence. Lower sales were generally connected to greater competition and reduced client demand, though there were reports among German firms that limited capacity was also a factor. The downturn was led by Germany and France, while Italy posted a further increase.

Employment in the eurozone construction sector continued to shrink in July amid reduced output requirements, extending the current sequence of decline to five months. The rate of reduction eased from June, however, and was modest overall. France posted a mild increase. Germany and Italy recorded job shedding.

Input price inflation intensified in the eurozone construction sector during July, with the rate of increase accelerating to a four-month high. There was evidence that greater prices for raw materials and shortages of transport services were factors behind inflation.

Overall sentiment among eurozone building companies turned positive in July, as indicated by the Future Activity Index rising above the neutral 50.0 level for the first time since February. Italian constructors' confidence surged to the highest for over nine years, with a number of firms citing the 110% ecobonus as a reason for optimism.

Comment

Commenting on the latest survey results, Bernard Aw, Principal Economist at IHS Markit, said:

"The downturn in eurozone construction activity continued to ease in July, adding to further signs that the sector may turn a corner in the coming months if the economy continues to recover from the COVID-19 pandemic. Business expectations about the year-ahead outlook also turned positive on balance for the first time since February."

"Disappointingly, the survey showed only Italy register further growth in construction activity, while France reported a return to decline. Germany remained in a construction downturn, albeit with a noticeably slower rate of decline."

"The prospects of a robust recovery are therefore reliant on a revival of demand which, at the moment, remained woefully subdued. Construction demand weakened further in July, albeit at the slowest pace in the current five-month sequence. Firms consequently reduced their purchasing activity and hiring, partially also in response to rising costs."

Contact

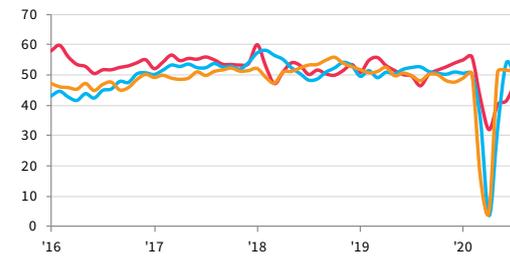
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Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

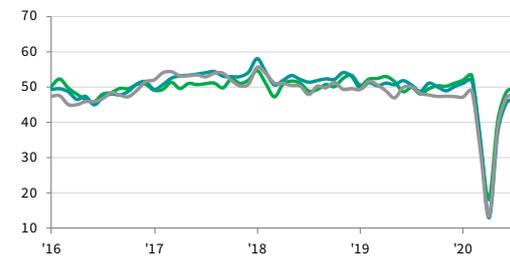


Source: IHS Markit.

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 13-31 July 2020.

Survey data were first collected January 2000.

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