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IHS MARKIT EUROZONE CONSTRUCTION PMI®

Eurozone construction activity continues to grow in April

KEY FINDINGS

Modest rise in total activity

Slower increase in new orders

Input cost inflation at one-year low

Eurozone constructors saw a modest rise in activity during April, extending the current sequence of expansion to two-and-a-half years. The rate of growth was roughly in line with that recorded in March, as faster increases in both housing and commercial activity offset a contraction in civil engineering. Meanwhile, new order growth eased to its softest since a decline last August, and firms reported a slower rate of workforce expansion. Costs continued to rise sharply, but the pace of inflation decelerated to its softest for a year.

Falling fractionally from 52.2 in March to 52.1 in April, the IHS Markit Eurozone Construction PMI® signalled a moderate rise in total construction activity, with the rate of growth broadly consistent with that in March. Across the euro area's three largest economies, the quickest expansion was seen in Germany, followed by Italy and France respectively.

At the sub-sector level, the sharpest rise in activity was recorded in housing, as firms recorded their fastest increase in 2019 so far. Marginal growth in commercial activity also supported the rise in total activity. On the other hand, civil engineering work fell for the first time since January, reflecting declines in Germany, France and Italy.

New orders placed with eurozone builders increased for the eighth month in a row during April. However, the rate of growth eased to its softest in that period and was only marginal overall.

Meanwhile, eurozone construction firms continued to increase staff numbers during April. Builders have taken on more staff in each month since February 2017. That said, the rate of job creation eased to its slowest since January in the latest survey period. Of the 'big-three' eurozone economies, only France saw

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



a quicker rise in employment.

On the price front, cost burdens faced by builders in the currency area continued to rise at a marked pace. Nonetheless, slower increases Germany, France and Italy saw the overall rate of inflation ease to a one-year low.

Constructors in the eurozone purchased additional building materials at the start of the second quarter. The result extended the current sequence of growth to two-and-half years. However, the latest increase in input buying was the slowest recorded since January, driven by softer rises in both Germany and France.

Vendor performance faced by construction companies continued to deteriorate in April. That said, supplier delivery times lengthened to a lesser extent than in March. Although the rate of lengthening was broadly unchanged in France, there were softer deteriorations in both Germany and Italy.

Finally, firms remained optimistic for an increase in output over the coming year. Although the degree of positivity was weaker than in March, confidence levels remained stronger than the historical average.

COMMENT

Eliot Kerr, Economist at IHS Markit, which compiles the survey:

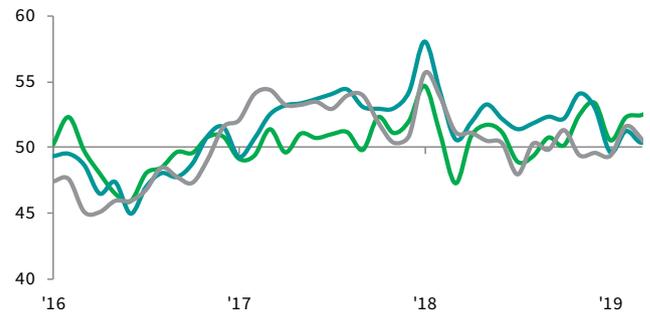
“The eurozone construction sector posted another rise in activity during April, supported by expansions in the monetary union’s three largest economies. The rate of growth was broadly consistent with March, as a rebound in France and a quicker rise in Italy offset a slower increase in Germany.

“The fastest-growing sub-sector was housing, which recorded its strongest rise in activity during 2019 so far. There was also another slight rise in commercial activity, while civil engineering work fell for the first time since January.

“Overall, the latest set of PMI results pointed to a solid performance for the construction sector, as key indices for activity and new orders remain stronger than their historical averages.”

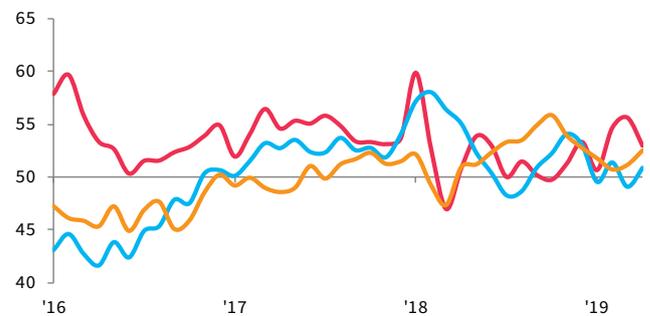
Activity Index by construction category
Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



Total Activity Index by nation
Germany / France / Italy

sa, >50 = growth since previous month



CONTACT

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Methodology

The IHS Markit Eurozone Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to around 650 construction companies in Germany, France, Italy and Ireland.

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’ but is not comparable with the headline manufacturing PMI figure.

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.

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