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IHS MARKIT EUROZONE CONSTRUCTION PMI®

Quicker rise in construction activity during February

KEY FINDINGS

Solid increase in total building activity

Employment growth accelerates

Fastest rise in input costs for nearly seven years

February data pointed a faster rise in eurozone construction activity following January's slowdown. The solid increase was driven by upturns in commercial and infrastructure activity, as well as a stronger expansion in housing activity. Accordingly, there were quicker increases in both employment and purchasing activity. Meanwhile, input price inflation accelerated to its fastest since March 2012.

Rising from 50.6 in January to 52.6 in February, the IHS Markit Eurozone Construction PMI® signalled an acceleration in activity growth at eurozone construction firms. At the national level, this was supported by a sharp rise in Germany and a return to expansion in France. Italian firms, however, saw the rate of increase ease for the fourth month in a row.

The improved performance was underpinned by broad-based expansion at the sub-sector level. Both commercial and civil engineering activity rebounded in February, ending a run of three consecutive contractions for the latter. Moreover, following a three-month low in January, there was a faster expansion in house building.

Inflows of new business also increased at a quicker rate during February. In fact, the solid rise was the fastest for nearly a year. At the national level, there were expansions in each of the 'big-three' economies, with the fastest recorded in Germany.

Greater workloads in turn had a positive impact on hiring. Employment rose at the fastest pace for a year and extended the current run of workforce expansion to just over two years. Concurrently, there was renewed increase in constructors' use of sub-contractors, after the broad stagnation in January. The stronger showing also extended to purchasing activity, as

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



construction companies reported the strongest increase since last June.

Meanwhile, constructors continued to face sharply rising costs in February. Input price inflation accelerated to the fastest for almost seven years, driven by widespread increases across the monitored countries. Sub-contractor rates also increased at the quickest pace for over ten-and-a-half years in the latest survey period.

February data showed a softening of capacity pressures across the eurozone construction sector. Although supplier delivery times lengthened for the seventy-eighth month in a row, the rate of deterioration in vendor performance was the softest recorded since last May.

Finally, construction businesses in the common currency area maintained positivity towards the business outlook during February. Moreover, the degree of optimism was at its highest for eight months, as boosted confidence in Germany and Italy offset weaker sentiment in France.

COMMENT

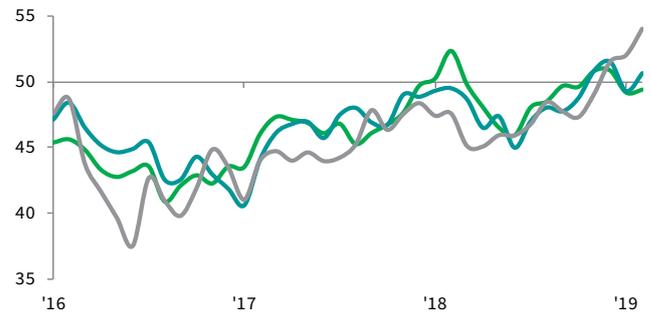
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

“The eurozone construction sector posted a stronger set of numbers in February. The accelerations in activity and new order growth will be a welcomed boost for builders after January’s slowdown. The only negative was the continued acceleration in input price inflation, which reached its fastest pace since March 2012 in the latest survey period. Upward cost pressures will continue to squeeze margins and could hinder profitability.

“That said, the improvement in activity is even more impressive due to its broad base. All three monitored sub-sectors registered a rise in output, with the most notable coming in civil engineering. It was the first increase in infrastructure construction since last October and the fastest for a year.”

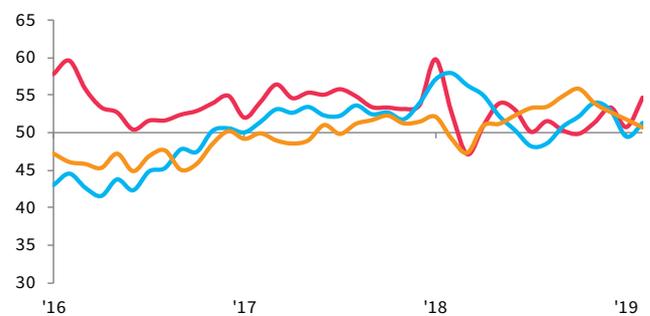
Activity Index by construction category
Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



Total Activity Index by nation
Germany / France / Italy

sa, >50 = growth since previous month



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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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