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# IHS Markit Eurozone Construction PMI®

## Expansion in eurozone construction activity remains stable

### Key findings

Rate of activity growth unchanged amid slower upturn in new orders

Severe supply-chain disruption leads to new record rise in input prices

Business sentiment strongest in two years

Data were collected 11-30 June 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 was unchanged at 50.3 in June, indicating a marginal expansion in construction activity. The increase meant that eurozone construction activity has expanded in each of the latest four months. Growth was linked to work commencing on new sites although some firms highlighted concerns that raw material shortages and increasing cost burdens had dampened new work. House building remained the only monitored sub-sector to signal growth, with further declines recorded for both commercial and civil engineering work.

Work undertaken on housing by eurozone construction firms increased modestly in June. The expansion was the fourth in consecutive months, but the pace of growth eased from that seen in May. A sustained and robust rise in Italian homebuilding activity was complemented by a renewed expansion in German homebuilding. French firms meanwhile signalled a contraction at the end of the second quarter, the first since February.

Eurozone commercial construction activity declined again in the latest survey period. This extended the current sequence of contraction to 16 months, although the pace of the decrease softened from May. Italian firms indicated the sharpest rise in commercial projects since January 2007, while French firms noted a second successive rise. However, this was offset by a marked decline in Germany.

The downturn in civil engineering activity continued in June, as work undertaken on infrastructure projects declined for the twenty-third month in a row. The rate of contraction eased from May and was moderate overall. The fall was also faster than for commercial work. Declines in civil engineering projects in Germany and France remained solid, while Italian firms signalled

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



Source: IHS Markit.

a slight reduction that was the first in four months.

June data pointed to a moderate decline in German construction activity, the softest since March. Activity in France fell for the eleventh time in a year, although at a slight pace. At the same time, Italian firms pointed to a sustained and robust rise in activity.

New business received by eurozone construction companies rose for the second successive month in June. That said, the pace of expansion slowed and was only marginal. Where new orders increased, panellists often commented on new public sector work amid government support for construction. However, some firms noted that severe price pressures had dampened incoming business. Weakness was most acute in Germany, where orders fell at their fastest pace for a year. French and Italian firms reported further increases in new business, with the latter seeing the second-fastest expansion in the series history (since January 2000).

Average cost burdens faced by eurozone constructors increased at a substantial pace during June. The rate of cost inflation picked up slightly from the previous survey period to the fastest on record. The bloc's three largest economies signalled rapid rises in average operating costs, led by respective series records at German and Italian firms.

Disruptions to supply chains intensified in June, with a new record lengthening in supplier delivery times. The latest extension in lead times stretched the current sequence of deterioration to nearly nine years, with delays widespread across the eurozone's largest economies. All three monitored countries signalled the second-worst deterioration on record, with Germany the worst affected.

Eurozone construction companies signalled stronger optimism regarding the year-ahead outlook for activity, the strongest since June 2019. This marked the sixth consecutive month of positive sentiment among. Both Italian and French firms indicated strong confidence in June, with the latter at the highest level since July 2019. German builders remained pessimistic, however.

## Comment

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

"Eurozone construction companies reported a further uptick in activity at the end of the second quarter. Incoming new business also rose for a second successive month, though at a marginal pace as appetite for new construction projects were dampened by severe price pressures and material shortages. The latest data indicated a new record rise in average operating costs, while the time taken to receive raw materials extended to the greatest extent in the history of the survey. Nonetheless, eurozone constructors were increasingly optimistic about the year-ahead outlook for activity, as confidence rose to the highest level since June 2019. Positive sentiment was underpinned by hopes that supply-chain pressure would ease alongside a further recovery from pandemic-related disruptions, inducing a wider recovery in construction demand. By country, France reported a renewed decline in construction activity, while Germany noted the sixteenth fall in a row. Italian firms meanwhile signalled a softer, yet still strong, rise in construction activity."

## Contact

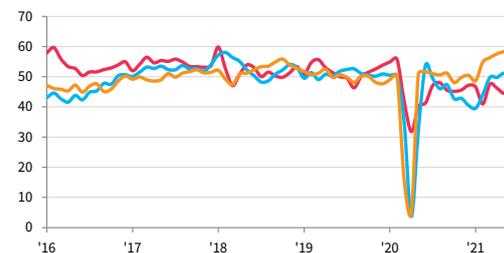
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### Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

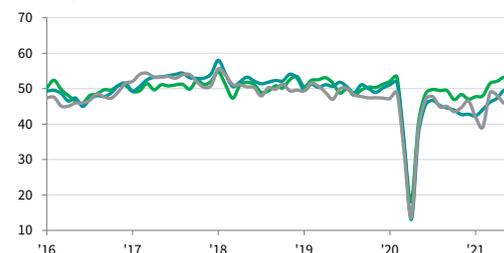


Source: IHS Markit.

### 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](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 11-30 June 2021.

Survey data were first collected January 2000.

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