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## IHS MARKIT EUROZONE CONSTRUCTION PMI®

### Slowest rise in construction activity for four months

#### KEY FINDINGS

Marginal increase in total construction activity

First decline in new orders for nine months

Softest rate of input price inflation since July 2017

Eurozone construction firms recorded a further rise in activity midway through the second quarter, but the pace of growth eased to the softest for four months. A key factor behind the slowdown the first decline in new orders since last August. Meanwhile, firms continued to increase both their staff numbers and input buying, albeit at slower rates compared to April.

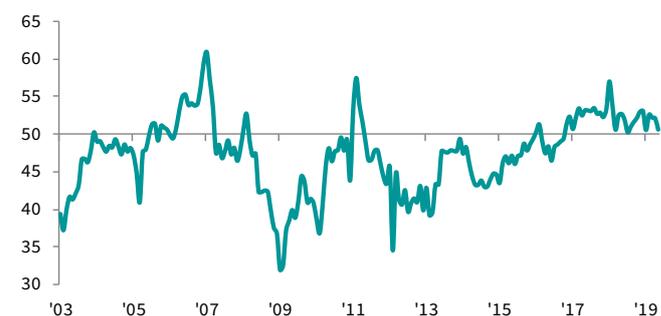
On the cost front, input prices continued to rise markedly. However, the rate of inflation decelerated to the softest for 22 months

Falling from 52.1 in April to 50.6 in May, the IHS Markit Eurozone Construction PMI® pointed to a marginal rise in total construction activity, with the rate of growth easing from April. Across the euro area's three largest economies, the quickest expansion was seen in Germany, followed by France. Meanwhile, Italian builders reported their first decline in activity since March 2018, although it was only fractional overall.

The strongest-performing sub-sector was again housing. Although the rate of growth eased and was only modest overall, home building recorded an increase in activity for the ninth month in a row. There was also a slight rise in commercial activity, with the pace of expansion decelerating from April. However, civil engineering work fell at the fastest rate since July 2016.

Contributing to the softer rise in total activity was the first decline in new orders for nine months. However, the rate of decrease was softer than the historical average and only slight overall. At the national level, the quickest reduction was recorded in Germany, although there was also a slight contraction in Italy. Conversely, French firms recorded a marginal recovery following

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



two months of decline.

Cost burdens faced by eurozone construction firms continued to increase markedly during May. However, the rate of inflation eased to the softest since July 2017. Slower rises in Germany and France contrasted with a sharpest increase for three months in Italy.

Construction firms in the euro area continued to increase their staff numbers during May, extending the current sequence of workforce expansion to 28 months. That said, the rate of job creation decelerated to the slowest for four months, driven by softer employment increases in Germany and France.

Similarly, builders continued to increase their purchasing activity, but at a slower rate than in April. In fact, the latest increase was the softest since February 2017. Contributing to the slowdown was a fractional decline in Italy and slower growth in Germany.

Finally, eurozone construction firms remained optimistic towards the business outlook in May. Moreover, the degree of confidence rose from April, reaching the strongest for just over a year. Of the currency area's three largest economies, sentiment was highest in France, followed by Italy and Germany respectively.

COMMENT

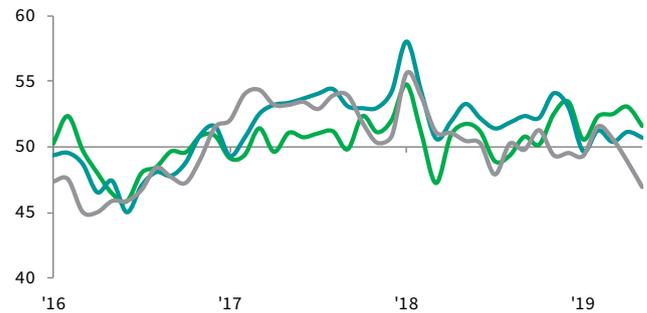
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

*“Activity growth in the eurozone construction sector softened midway through the second quarter, driven by the first decline in new work for nine months. Across the eurozone’s three largest economies, the only reduction in total activity was recorded in Italy, but there were also slower increases in both Germany and France.*

*“At the sub-sector level, housing continued to outperform both commercial construction and civil engineering. Although the rate of growth eased, home builders saw a modest rise in activity. Meanwhile, work undertaken on commercial projects increased only slightly, while civil engineers recorded the steepest decline since July 2016.”*

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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