

IHS MARKIT EUROZONE CONSTRUCTION PMI®

First decline in construction activity since October 2016

KEY FINDINGS

Marginal decline in total activity

Fastest reduction in new business since October 2016

Input price inflation eases to near three-year low

Eurozone construction companies registered their first reduction in activity since October 2016 in August. The result came amid a faster decline in new orders and the softest rise in employment for three months. Similarly, purchasing activity increased at the slowest pace for just over two-and-a-half years, and supplier delivery times lengthened to a lesser extent.

On the cost front, input prices continued to rise sharply, but the rate of inflation eased to the softest in close to three years.

Down from 50.6 in July at 49.1 in August, the IHS Markit Eurozone Construction PMI® signalled the first contraction in eurozone construction activity for close to three years. The marginal reduction was driven by a solid reduction in Germany and a modest fall in Italy. Meanwhile, activity in France grew at the fastest pace since December 2018.

Sub-sector data revealed a broad-based decline midway through the third quarter. Homebuilding fell at the quickest rate, followed by civil engineering work and commercial activity respectively. Each of the contractions were modest overall, however.

Similar to the trend in total activity, new orders placed with construction firms in the eurozone fell during August. The rate of decline was the quickest since October 2016. A sharp contraction in Germany contrasted with growth in both France and Italy.

Meanwhile, firms in the eurozone construction sector continued to increase their staff numbers in August, extending the current sequence of workforce expansion to just over two-and-a-half years. The rate of job creation eased to the weakest in three months, however, and was modest overall.

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



On the cost front, input prices paid by eurozone construction firms rose sharply midway through the third quarter. That said, the rate of inflation eased to the softest for close to three years. National data revealed a slower rise in cost burdens in each of the currency area's three largest economies.

Purchasing activity at building firms in the eurozone increased further in August, but the rate of growth eased to the slowest since January 2017. National data signalled a softer rise in France and reductions in both Germany and Italy.

Capacity pressures remained evident at suppliers in the eurozone construction sector, as average lead times lengthened further in August. That said, vendor performance deteriorated to the least extent for 16 months.

Finally, eurozone building companies maintained their optimism towards the one-year business outlook in August, but the degree of positivity eased to the weakest for almost three years. Sentiment was lower in each of the eurozone's so-called 'big three'.

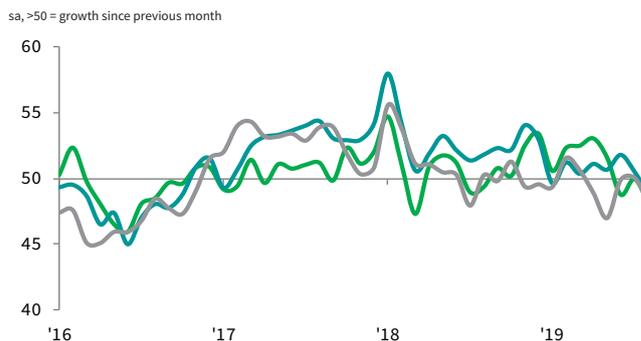
COMMENT

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

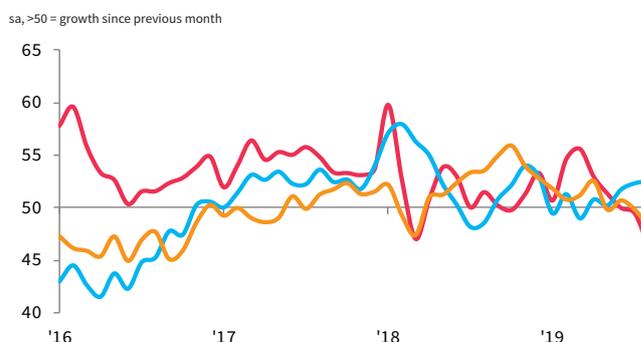
"The eurozone construction sector posted its first decline in activity for nearly three years in August. The contraction came despite the fastest rise in France during 2019 so far, which was more than offset by a sharp fall in Germany as well as a modest reduction in Italy.

"At the sub-sector level, the contraction was broad-based with all three monitored groups registering moderate decreases in activity. The sharpest decline was recorded by home builders, while work undertaken on commercial projects fell for the first time since January. Civil engineering firms saw a fourth reduction in the past five months."

Activity Index by construction category
Housing / Commercial / Civil Engineering



Total Activity Index by nation
Germany / France / Italy



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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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