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IHS Markit Eurozone Construction PMI®

Modest drop in construction activity in June as COVID-19 measures ease

Key findings

Order books fall at noticeably slower rate

Job shedding persists

Input price inflation intensifies

Data were collected 12-30 June 2020

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.

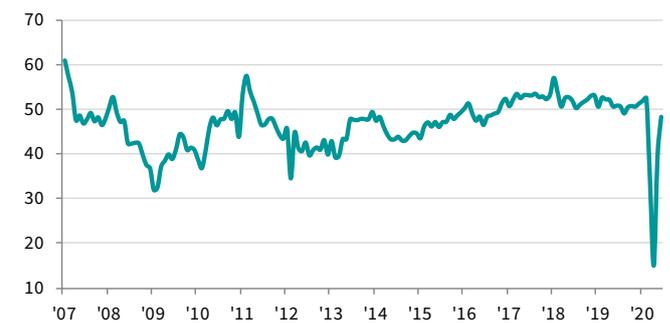
The IHS Markit Eurozone Construction Total Activity Index rose sharply from 39.5 in May to 48.3 in June, indicating the weakest decline in construction activity across the eurozone since February amid a relaxation of measures designed to control the coronavirus disease 2019 (COVID-19) pandemic. Survey data showed France and Italy recorded construction output growth, while Germany posted a further marked decline.

Work undertaken on home construction projects in the eurozone declined further at the end of the second quarter. That said, the pace of contraction eased markedly from May and was only modest overall. The downturn in housing construction activity was led by Germany and France. By contrast, Italy posted a second monthly rise in home building activity.

Commercial building activity across the eurozone fell further in June. The rate of decline slowed further from April's record, but was marked overall. The decline was driven by Germany, while France and Italy registered growth, with the former doing so after three consecutive months of decline.

Meanwhile, eurozone civil engineering activity likewise fell further in June, extending the current sequence of contraction to 11 months. The rate of decline was noticeably slower than May but remained steep overall. National data revealed a decline in civil engineering in Germany and Italy, while France posted growth.

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



Source: IHS Markit.

New business received by eurozone construction firms fell further in June, though the rate of decline eased noticeably from May. While lower sales were linked to weak client demand, there were reports that the easing of COVID-19 restrictions boosted orders at some firms.

Amid reduced activity requirements, eurozone construction firms continued to reduce capacity. Consequently, employment shrank for a fourth successive month. However, the rate of reduction eased noticeably from May, and was modest overall.

June data pointed to a further decline in purchasing activity at eurozone construction firms. However, the rate of contraction slowed markedly from May and was modest overall.

Supply chains remained under pressure at the end of the second quarter. Despite easing from May, delivery times still lengthened at a marked pace. There was evidence that material shortages at distributors were a key reason for delivery delays.

Input price inflation intensified in the eurozone construction sector during June, with the rate of increase accelerating to a three-month high. Increased costs were linked to greater prices for raw materials.

Overall sentiment among eurozone building companies remained negative in June. This was reflected by the Future Activity Index remaining below the neutral 50.0 level despite rising to a four-month high. Firms remained concerned about the impact of COVID-19 measures on investment. Germany and France both reported a negative construction outlook, while Italian constructors' confidence surged to the highest for just over a year.

Comment

Commenting on the latest survey results, Bernard Aw, Principal Economist at IHS Markit, said:

"Amid an easing of COVID-19 measures, the downturn in eurozone construction activity eased markedly in June. The Total Activity Index recovered further ground, thanks to increased construction output in France and Italy."

"That said, construction demand remained weak, with new orders falling at a sharp pace in June despite easing further from April's collapse. Firms also cut back purchasing activity and reduced staff numbers, though the rates of decline in both were not as severe as in previous months."

"Therefore, a further recovery is by no means assured, and could easily reverse direction. Business expectations about the 12-month outlook remained pessimistic, partially reflecting the ongoing impact of COVID-19 pandemic on demand and investment."

Contact

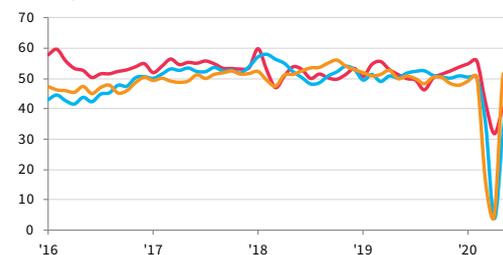
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Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

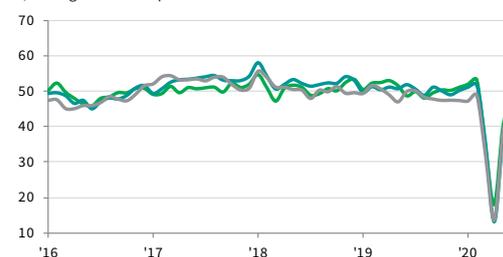


Source: IHS Markit.

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.

Survey dates and history

Data were collected 12-30 June 2020.

Survey data were first collected January 2000.

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