

IHS Markit Eurozone Construction PMI®

PMI signals slower, but still steep fall in construction activity

Key findings

Order books fall sharply but at a slower rate than April's record

Employment shrinks further

Business expectations remains negative

Data were collected 12-29 May 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.

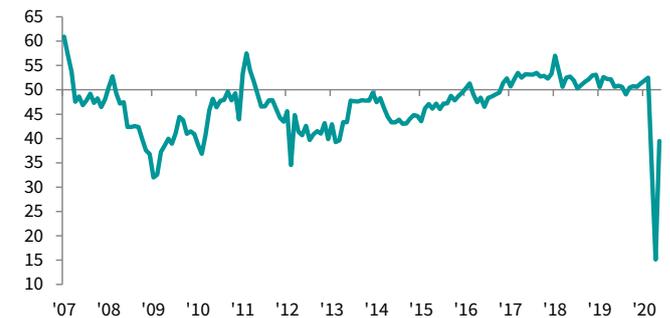
The IHS Markit Eurozone Construction Total Activity Index rose to 39.5 in May, up from a record low of 15.1 in April. The latest reading nevertheless still indicated a steep decline in construction activity across the eurozone. Survey data showed Germany and France recorded a third straight month of decreasing construction output. By contrast, Italy posted a marginal rise in construction activity.

Home building activity across the eurozone fell further in May, though the rate of decline eased considerably from April's record. The downturn in housing construction projects was led by France and Germany. By contrast, Italy posted a rise in home building activity following a two-month period of severe declines.

Work undertaken on commercial construction projects in the eurozone likewise declined further midway through the second quarter. That said, the pace of contraction slowed markedly from a record decrease in April, though still remained steep overall. The sharpest contraction was recorded in France, followed by Germany. Again, Italy registered growth following a collapse of commercial building activity in April.

Meanwhile, eurozone civil engineering activity fell further in May, extending the current sequence of contractions to ten months. Overall, the rate of decline was substantial, but notably slower than April's record. National data revealed a decline in civil engineering across the eurozone's three largest economies.

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



Source: IHS Markit.

The declines in construction output slowed markedly in Germany and France amid easing lockdown measures, though the rates of contraction remained steep. On the other hand, Italy recorded a marginal rise in construction activity following a collapse in April.

New business received by eurozone construction firms fell substantially further in May, though the rate of decline eased considerably from a survey record set in April. Anecdotal evidence suggested that delays in tenders and suspensions of construction activity amid the COVID-19 pandemic continued to dampen demand. At the national level, the downturn was across the board, led by France.

Eurozone construction firms sought to reduce capacity during May as activity requirement continued to fall. Consequently, employment shrank for a third successive month. Despite easing from April, the rate of job shedding remained among the sharpest recorded since the global financial crisis of 2008/2009.

Supply chains remained under severe pressure midway through the second quarter. Despite easing from April's survey record, delivery times still lengthened at the second-quickest rate in the series history. Anecdotal reasons suggested logistical bottlenecks, material shortages at distributors and limited supplier capacity due to social distancing rules.

Business expectations among eurozone building companies remained negative in May, as reflected by the Future Activity Index coming in below the neutral 50.0 level for a third straight month. Concerns were linked to the longer-term impact of the COVID-19 pandemic on construction activity. Germany and France both reported a negative outlook, while Italian business sentiment turned positive for the first time in three months.

Comment

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

"The eurozone construction sector remained mired in its deepest downturn ever seen during May, according to the latest PMI data. However, the rate of decline eased considerably as restrictions on business operations and workers were relaxed. In fact, Italy posted a mild rise in construction output, though Germany and France still recorded declines, albeit at much slower rates.

"New orders continued to decline, showing the extent to which demand for construction services remained deeply impacted by the COVID-19 pandemic. As a result of falling sales, firms continued to cut back purchasing activity, employment and the use of sub-contractors.

"The outlook remained gloomy, with concerns about the longer-term impact of COVID-19 weighing heavily on business sentiment."

Contact

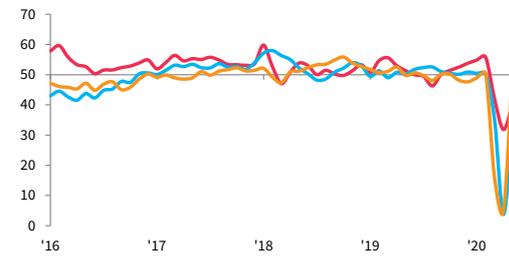
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Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

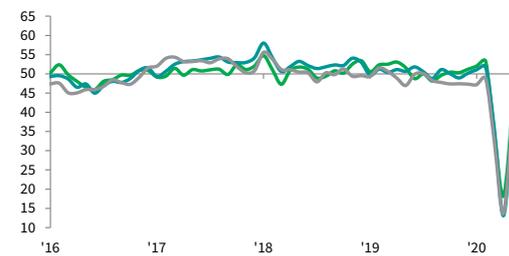


Source: IHS Markit.

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 12-29 May 2020.

Survey data were first collected January 2000.

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