

IHS MARKIT EUROZONE CONSTRUCTION PMI®

Construction activity increases for second month in row

KEY FINDINGS

Return to growth of new orders

Input cost inflation at three-year low

Business confidence lowest since September 2016

Eurozone construction activity increased for the second consecutive month and at the fastest pace in four months during October, driven by a return to growth of new orders. On the price front, the rate of input cost inflation, though sharp, eased to a three-year low.

Meanwhile, business confidence towards year ahead output weakened to the lowest since September 2016.

Increasing to 50.7 in October from 50.5 in September, the IHS Markit Eurozone Construction PMI® signalled a second consecutive monthly increase in eurozone construction activity. Moreover, despite being modest overall, the rate of expansion was the fastest since June.

At the sector level, the pick-up in activity growth was driven by a return to growth of residential construction. Commercial building activity, meanwhile, was unchanged from September, while civil engineering firms recorded a third successive monthly fall in output. Furthermore, the rate of contraction in civil engineering activity was the most marked in five months.

Underpinning the pick-up in construction activity was a return to growth of new business, which expanded for the first time since June. Though marginal, the rate of increase in new work was the fastest in six months.

Although new business grew at a faster rate, employment growth in the eurozone construction sector was modest and eased to the slowest since February 2017 during October. At the national level, this was driven by a slower rise in workforce numbers in Germany.

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



In line with overall activity, input buying at eurozone construction firms increased at a faster pace in October. The rate of input buying accelerated for the second month in a row to reach its quickest in three months. Faster increases in both Germany and France outweighed a stagnation in Italy.

On the price front, input costs faced by construction firms rose markedly at the start of the fourth quarter. The result extended the current run of increases to 44 months, although the rate of inflation eased to the slowest since October 2016.

Meanwhile, vendor performance deteriorated in the eurozone construction sector during October. That said, suppliers' delivery times lengthened to the least extent since the start of 2018, driven by an easing of capacity pressures in Germany and France.

Finally, eurozone construction firms remained confident of a rise in activity over the coming year. That said, the degree of optimism was the lowest since September 2016. Sentiment was supported by positivity in France and Italy, whilst German construction optimism was negative for the fourth consecutive month.

COMMENT

Amritpal Virdee, Economist at IHS Markit, which compiles the survey:

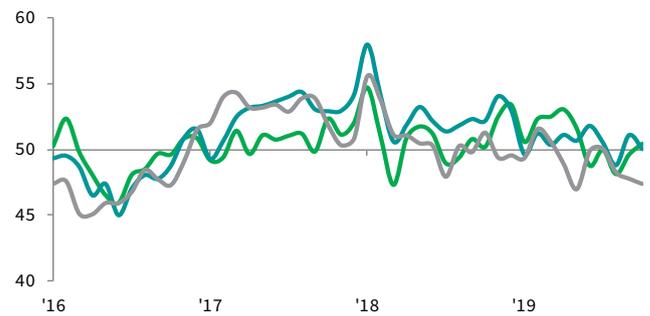
"The eurozone construction sector posted another rise in activity during October, supported by expansions across the 'big-three' eurozone economies. Moreover, the rate of activity growth quickened and was the fastest since June, as a quicker rise in Germany offset slower expansions in France and Italy.

"Of the three monitored sub-sectors, housing was the only category to observe an increase in activity during October. Commercial building was unchanged from September, while civil engineering output declined for the third month in a row.

"Overall, the latest set of PMI results point to a slightly positive start to the fourth quarter of this year, as key indices for employment and new orders remain stronger than their historical averages."

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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