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IHS Markit Eurozone Construction PMI®

Construction downturn quickens in August

Key findings

Decline in new orders continues

Job culling persists

Business expectations weaken

Data were collected 12-28 August 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 fell from 48.9 in July to 47.8 in August, indicating the sharpest decline in construction activity across the eurozone for three months. Survey data showed a broad-based downturn in output across the three sectors, with the sharpest decline recorded in civil engineering activity, followed by commercial building output.

The level of work undertaken on home construction projects in the eurozone was marginally lower during August. Mild growth in housing construction activity in Germany and Italy was insufficient to offset a solid decline in home building activity in France.

Commercial building activity across the eurozone continued to fall in the middle of the third quarter. The rate of decline quickened from July and was marked overall. The reduction was driven by further declines in Germany and France, with the latter recording a noticeably sharper rate of contraction. Italy reported further growth, albeit the slowest in the current four-month sequence and one that was fractional overall.

Meanwhile, eurozone civil engineering activity fell further in August, extending the current sequence of contraction to just over a year. The rate of decline accelerated from July and was marked overall. National data revealed a broad-based decline in civil engineering across eurozone's three largest economies,

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



with France reporting a drop after registering two months of strong growth. Among the eurozone's three largest economies, only Italy registered growth in construction output during August, which was marginal overall. Germany and France registered further declines in construction activity, with the latter recording the steeper rate of decrease.

New business received by eurozone construction firms fell further in August, though the rate of decline eased again and was the slowest in the current six-month sequence. Greater competition was cited as a reason for lower sales. The downturn was led again by Germany and France, while Italy posted a further increase, albeit one that was noticeably slower.

Employment in the eurozone construction sector was reduced further in August amid lower activity. The rate of reduction eased from July, however, and was the softest in the current six-month period of decline. Germany and Italy recorded job shedding. France posted an accelerated rise in workforce numbers.

Input price inflation intensified in the eurozone construction sector during August, with the rate of increase accelerating to a six-month high. Underlying data pointed to France again reporting the sharpest rise.

Overall sentiment among eurozone building companies turned negative again in August. German and French construction firms, on balance, anticipated a fall in activity over the next 12 months. On the other hand, Italian constructors' remained confident, though the degree of optimism was not as high as in July. Pessimism was generally linked to concerns over the longer-term impact of the pandemic on the construction sector.

Comment

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

"The eurozone construction sector continued to report a decline in activity midway through the third quarter, accompanied by a further drop in new orders. Business expectations about the year-ahead outlook weakened in August, highlighting the challenges facing the sector in the coming months as the economy toils to get back on its feet after being adversely impacted earlier in the year by the coronavirus outbreak.

"With the outlook still looking subdued and signs of rising new COVID-19 cases in some European countries, firms remained cautious regarding employment and inventories, which both suffered further falls during August amid rising costs.

"By country, Germany and France continued to report further declines in their construction activity, while Italy registered only slower and marginal growth."

Contact

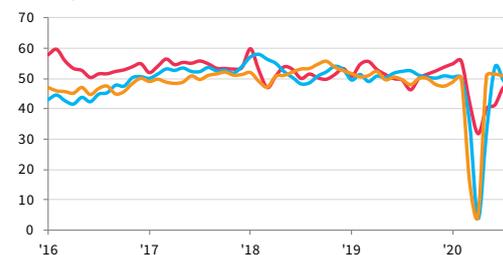
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Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

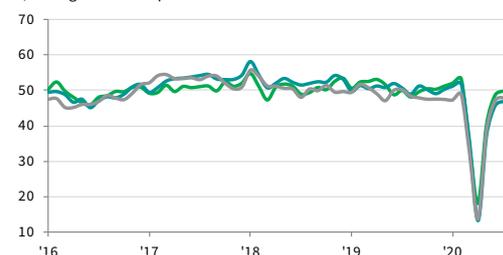


Source: IHS Markit.

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 12-28 August 2020.

Survey data were first collected January 2000.

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