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IHS MARKIT EUROZONE CONSTRUCTION PMI®

Quickest expansion in eurozone construction activity for eight months

KEY FINDINGS

Faster activity growth driven by home building

New order growth maintained in December

Employment continues to increase

The latest PMI® data pointed to the fastest increase in eurozone construction activity for eight months in December. Growth was supported by another rise in new orders and a further workforce expansion. Similarly, input buying increased at a quicker rate and supplier delivery times lengthened amid elevated demand.

Meanwhile, input prices rose at the softest rate for over three years.

Up from 50.6 in November, at 51.3 in December, the IHS Markit Eurozone Construction PMI pointed to a faster expansion in construction activity across the currency area. In fact, the latest rise was the quickest for eight months amid accelerated growth in both Germany and France. Across the euro area's three largest economies, only Italy registered a reduction in construction activity.

At the sub-sector level, faster growth was primarily driven by home building, where the rate of activity expansion was the fastest since May. The rise in total activity was also supported by a fractional increase in commercial sub-sector. Meanwhile, work undertaken on infrastructure projects continued to fall, with the rate of decline little-changed from October and solid overall.

A key factor behind the increase in total construction activity was a further rise in new orders in the final month of 2019. Moreover, the rate of growth was the quickest since last February and historically marked.

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



Strong sales growth led firms to continue increasing their staff numbers during December. The latest workforce expansion extended the current sequence to nearly three years. The rate of job creation was slightly softer than that registered in November, but remained solid overall.

Similarly, construction firms in the eurozone continued to increase their purchasing activity in December. Although it remained modest overall, the rate of growth accelerated from November. At the national level, greater input buying in Germany and France more than offset a reduction in Italy.

Meanwhile, amid improved demand conditions supplier delivery times faced by eurozone construction firms continued to lengthen. Vendor performance deteriorated to a lesser extent than in November, but at a historically marked rate. Underlying data pointed to slower deliveries in each of the euro area's three largest economies.

On the cost front, input prices in the eurozone construction sector rose further in December. However, the rate of inflation was the softest for over three years. Of the currency area's three largest economies, the slowest increase was registered in Italy.

Finally, sentiment towards the one-year business outlook was neutral in December. National data suggested that pessimism in Germany was offset by confidence in France and Italy.

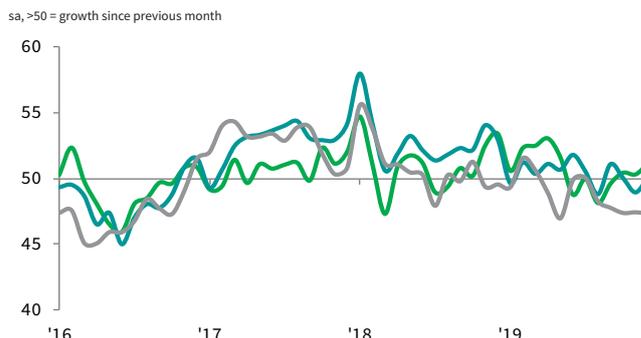
COMMENT

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

"The final month of 2019 brought the quickest rise in eurozone construction activity for eight months. The positive result was primarily driven by faster growth in both Germany and France, while a contraction in Italy weighed on the overall expansion.

"At the sub-sector level, the rise in total activity was supported by both home building and commercial construction. The former saw the fastest increase since last May, while the latter posted a fractional expansion. On the other hand, civil engineering activity continued to fall, with the pace of decline accelerating to the fastest for seven 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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