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## IHS MARKIT EUROZONE CONSTRUCTION PMI®

### Marginal rise in eurozone construction activity during July

#### KEY FINDINGS

Rate of expansion little-changed from June

New orders remain broadly stagnant

Employment and purchasing activity rise further

July data pointed to another marginal rise in activity at eurozone construction firms. The latest expansion was registered despite new orders remaining broadly unchanged for the second month in a row. Meanwhile, firms recorded solid increases in employment and purchasing activity, and capacity pressures were evident at suppliers as input delivery times lengthened.

On the cost front, input prices continued to rise at the start of the third quarter, but the rate of inflation eased to the softest since December 2016.

Little-changed from 50.8 in June at 50.6 in July, the IHS Markit Eurozone Construction PMI® pointed to a marginal rise in total construction activity. There were contrasting results across the currency area's three largest economies, with a modest expansion in France and declines in Germany and Italy. That said, those reductions were only marginal.

At the sub-sector level, growth was driven by a sixth successive monthly expansion in commercial construction activity. However, the rate of growth eased to the slowest since March and was only marginal overall. Meanwhile, there was roughly no change seen at civil engineers and home builders registered a stabilisation after June's decline.

New orders placed with construction companies in the eurozone remained roughly unchanged for the second month in a row during July. Across the currency area's three largest economies, further increases in France and Italy contrasted with a sharp contraction in Germany.

Meanwhile, eurozone building firms continued to increase their staff numbers in July, extending the current run of workforce expansion to two-and-a-half years. The rate of job creation

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



eased fractionally from June but remained solid overall. At the national level, employment rose in France, Germany and Italy.

Similar to the trend in hiring, purchasing activity at companies in the eurozone construction sector grew for the thirty-third month in a row during July. Moreover, the pace of expansion accelerated to the fastest for three months and was solid overall. Underlying data showed a marginal contraction in Italy was more than offset by increases in Germany and France.

Capacity pressures at suppliers were evident at the start of the third quarter, with average lead times lengthening further. However, the extent to which vendor performance deteriorated eased to the softest since April 2018.

On the cost front, input prices continued to rise, but the rate of inflation decelerated to the slowest since December 2016. National data revealed increasing cost burdens in each of the eurozone's three largest economies.

Finally, firms remained optimistic towards the business outlook, although the degree of positivity fell to the weakest for seven months.

COMMENT

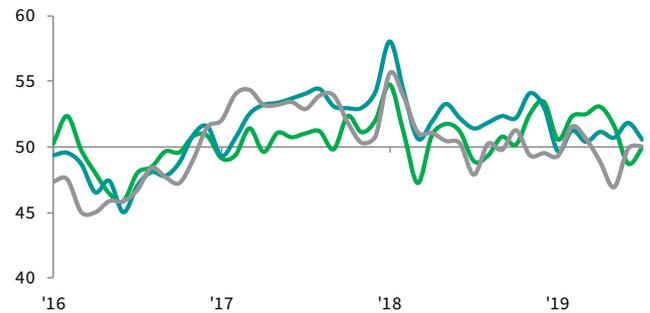
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

*“Growth remained subdued in the eurozone construction sector during July, as activity declines in Germany and Italy acted to drag on an expansion in France. New construction orders across the currency area were broadly stagnant for the second month in succession, dampened by a sharp reduction in Germany.*

*"At the sub-sector level, the only substantially positive contribution came from commercial project activity. That said, the latest increase for the category was only marginal overall and the slowest for four months."*

Activity Index by construction category  
Housing / Commercial / Civil Engineering

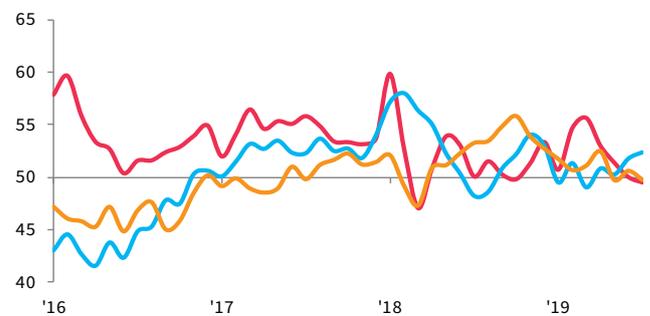
sa, >50 = growth since previous month



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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