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IHS MARKIT EUROZONE CONSTRUCTION PMI®

Eurozone construction activity continues to grow in November

KEY FINDINGS

Marginal rise in total activity

New order growth fastest in nine months

Input cost rise at weakest pace since October 2016

Eurozone construction companies saw a marginal rise in activity during November, extending the current sequence of expansion to three months. The weak rate of growth was roughly in line with that recorded in October, as an increase in housing activity offset falls among commercial and civil engineering firms. Meanwhile, new order growth quickened to its fastest in nine months and firms reported the sharpest rise in headcounts for five months.

Construction input costs continued to rise solidly, but the pace of inflation was the slowest since October 2016.

Little-changed at 50.6 in November from 50.7 in October, the IHS Markit Eurozone Construction PMI® signalled a marginal rise in total construction activity, with the rate of growth broadly consistent with that in October. Germany posted a moderate increase, whilst activity in France was broadly flat and Italian constructors recorded a decline.

At the sub-sector level, the residential sector was the only monitored category to observe an increase in activity during November. Commercial building firms saw a marginal decrease in activity, while civil engineering companies signalled a further sharp fall.

New orders placed with eurozone builders increased for the second consecutive month during November. Moreover, the rate of growth, though modest, was the fastest since February.

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



Meanwhile, eurozone construction firms continued to increase staff numbers during November. Firms have taken on more staff in each month since February 2017. Furthermore, the rate of job creation quickened to the fastest in five months. Of the 'big-three' eurozone economies, the fastest rise in payroll numbers was seen in France.

On the price front, cost burdens faced by construction firms in the currency area continued to rise at a solid pace in November. Nonetheless a quicker rate of inflation in Italy failed to offset slower increases in Germany and France, with the overall rate of inflation easing to the softest since October 2016.

Constructors in the eurozone purchased additional building materials midway through the fourth quarter of the year. The result extended the current sequence of growth to just over three years. However, the latest increase in input buying was slower than in October, reflecting weaker rises in Germany and France as well as a renewed fall in Italy.

Vendor performance faced by construction companies continued to deteriorate in November. Moreover, supplier delivery times lengthened to the greatest extent since June. This mainly reflected the trend in Germany.

Finally, firms remained optimistic of an increase in activity over the coming year, on balance. Although the degree of positivity weakened from October to the lowest since September 2016.

COMMENT

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

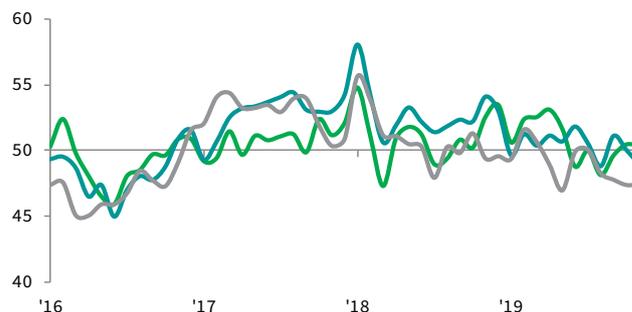
"Eurozone construction growth remained subdued during November, as a renewed drop in Italian activity almost offset growth in Germany while French construction activity was broadly unchanged."

"At the sub-sector level, the only positive contribution came from residential activity, as civil engineering and commercial building firms saw lower activity levels in November."

"There were some bright spots, however: overall new order growth was the fastest in nine months, whilst workforce numbers increased at a solid pace."

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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