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IHS MARKIT EUROZONE CONSTRUCTION PMI®

Marginal growth in construction activity during September

KEY FINDINGS

Renewed increase in eurozone construction activity

Staff numbers increase at slower rate

New orders continue to decline

September data pointed to a renewed increase in activity across the eurozone construction sector. The expansion was supported by another rise in staff numbers, although new orders continued to fall. Meanwhile, purchasing activity grew at a slightly faster rate than in August and sentiment towards the business outlook improved.

On the cost front, input prices continued to rise markedly, but the rate of inflation remained in line with August's 34-month low.

Up from 49.1 in August, at 50.5 in September, the IHS Markit Eurozone Construction PMI® signalled a slight rebound in building activity. The result was driven by further growth in France, and stable trends in Germany and Italy.

Of the three monitored sub-sectors, commercial was the strongest-performing category, posting a marginal rise. On the other hand, there were further contractions recorded at both home builders and civil engineers. Notably, the reduction in work undertaken on infrastructure projects was the quickest for four months.

Underpinning the recovery in overall activity was a further increase in staff numbers at the start of the third quarter. The result extended the current run of workforce expansion that began in February 2017. That said, the rate of job creation eased for the third month in a row and was modest overall.

Although activity increased in September, latest survey data also revealed another contraction in new orders. The rate of decline eased from August and was only marginal overall, however. At the national level, a marked reduction in Germany outweighed modest growth in both France and Italy.

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



Elsewhere, purchasing activity at eurozone construction firms continued to increase, extending the current sequence of expansion to almost three years. The pace of growth accelerated slightly from August, but remained slower than the average recorded in 2019 so far.

September data pointed to a further deterioration in vendor performance in the eurozone construction sector. However, average lead times lengthened by the least since April 2018. National data showed slower delivery times in each of the currency area's three largest economies.

Meanwhile, cost burdens faced by eurozone construction firms continued to increase. That said, the rate of inflation remained at the softest since October 2016 and historically subdued.

Finally, building companies in the eurozone were optimistic towards the 12-month business outlook in September. Moreover, the degree of positivity was stronger than in the previous survey period and historically elevated. Within the so-called 'big-three', confidence was highest among Italian firms.

COMMENT

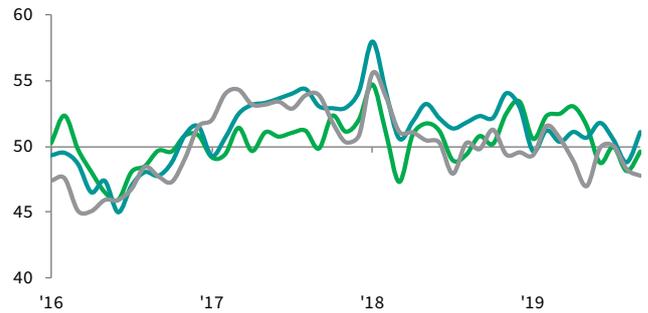
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

"Broad stability in Germany and Italy, as well as an increase in France, helped support a slight recovery in eurozone construction activity during September. However, underlying data revealed persistent downwards trends, as new orders continued to fall and the rate of job creation eased for the third month in a row.

"Across the three monitored sub-sectors, the only increase in activity was registered in commercial construction. Civil engineering firms were the worst-performing with a modest contraction in activity, while homebuilders registered a slight reduction."

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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