Marginal increase in building activity during June

KEY FINDINGS

- Rate of growth little-changed since May
- Broad stabilisation in new orders
- Employment growth accelerates

June data pointed a further rise in construction activity across the eurozone, with the rate of growth little-changed from May. The marginal expansion was supported by a further rise in work undertaken on commercial projects and a broad stabilisation in total new orders. Meanwhile, firms increased their staff numbers at the quickest rate for three months and input buying rose for the thirty-second month in a row.

On the cost front, input prices faced by eurozone construction firms increased further in June, with the rate of inflation broadly in line with that in May.

Little-changed from 50.6 in May at 50.8 in June, the IHS Markit Eurozone Construction PMI® pointed to a marginal rise in total construction activity. Across the euro area’s three largest economies, increases were registered in both France and Italy. Meanwhile, growth stagnated in Germany, ending a seven-month sequence of expansion.

The only monitored sub-sector to see a rise in activity during June was the commercial category. The latest increase was the fifth in as many months and the quickest in 2019 so far. In contrast, home builders recorded their first decline since August 2018. The reduction was the fastest for 15 months. Meanwhile, civil engineering firms recorded roughly unchanged activity in June, following two successive monthly contractions.

New orders placed with eurozone construction firms broadly stabilised in June after the first contraction for nine months in May. At the national level, moderate increases Italy and France approximately offset a solid reduction in Germany.

Amid the ongoing rise in total construction activity, firms continued to increase their staff numbers in June. The latest reading extended the current sequence of workforce expansion to almost two-and-half years. Moreover, the rate of growth ticked up to the quickest in three months and was solid overall.

Similar to the trend in employment, firms expanded their purchasing activity in June. Input buying has now increased in each of the past 32 months, and the pace of growth accelerated in June. Of the eurozone’s so-called ‘big-three’ the quickest rise was recorded in France, followed by Germany and Italy respectively.

Meanwhile, capacity pressures remained evident at suppliers in the eurozone construction sector, with delivery times lengthening further in June. Although the extent to which vendor performance eased from May, it remained historically marked.

Finally, eurozone construction firms maintained their optimism towards the business outlook at the end of the second quarter. Although the level of positivity eased from May, it remained historically marked. Of the eurozone’s three largest economies, confidence was highest in France.
Eliot Kerr, Economist at IHS Markit, which compiles the survey:

“The eurozone construction sector posted another marginal increase in activity at the end of the second quarter, driven by the quickest expansion in France for six months. There was also a return to growth in Italy, while German firms saw a stagnation.

“The strongest performing sub-sector was the commercial category, which posted its fifth successive expansion and the quickest of 2019 so far. Meanwhile, home builders recorded their fastest decline since March 2018 and there was a broad stabilisation in civil engineering work.”

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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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