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IHS Markit Eurozone Construction PMI®

Renewed fall in eurozone construction activity in July

Key findings

Activity falls for first time in five months, albeit only slightly

Input cost inflation hits fresh series record amid ongoing supply chain delays

Business confidence holds close to two-year high

Data were collected 12-30 July 2021.

The IHS Markit Eurozone Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 650 construction firms in the eurozone. The headline figure is the Total Activity Index, which tracks changes in the total volume of construction activity compared with one month previously.

At 49.8 in July, the IHS Markit Eurozone Construction Total Activity Index fell from 50.3 in June and pointed to a marginal reduction in overall construction activity. This marked the first fall in activity since February, with companies often linking the decline to rising costs and raw material shortages. Sub-sector data showed slightly quicker falls in both commercial and civil engineering activity in July, while home building activity expanded at the softest rate for three months.

Home building in the eurozone increased for the fifth successive month in July. That said, the rate of expansion eased to a modest pace that was the softest recorded since April. At the national level, the upturn was predominantly driven by a substantial increase in Italy, as housing construction activity rose only slightly in Germany and fell again in France.

Work undertaken on commercial construction projects in the eurozone fell again in July, thereby stretching the current sequence of decline to 17 months. Though modest, the rate of reduction was the quickest seen since April. Commercial building activity rose at a slower, albeit solid, rate in Italy. France recorded a decline for the first time in three months, while commercial projects continued to fall at a marked pace in Germany.

As has been the case since August 2019, civil engineering activity fell across the eurozone at the start of the third quarter. The pace of reduction quickened slightly since June, and was solid overall. All of the eurozone's three largest economies saw civil engineering activity contract in July, with Germany noting the fastest rate of decline, and Italy the softest.

Latest data showed that construction activity fell modestly in Germany during July, with the rate of contraction little-changed

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



from June. In France, activity fell for the second month in a row, albeit mildly. In contrast, activity continued to expand sharply in Italy, despite the rate of growth easing to its weakest since February.

Eurozone construction companies signalled a renewed fall in new business during July. Though only slight, it was the first time that new orders had declined since February. Lower amounts of new work were generally attributed to rising costs, raw material shortages and the inability to accept more orders due to stretched capacities. The decline was partially driven by a renewed drop in new orders in France, the first fall since February. In Germany, sales fell sharply overall, despite the rate of contraction softening since June. Italy continued to buck the overall trend and saw a further marked increase in new work.

The seasonally adjusted Input Prices Index pointed to a sharp and accelerated rise in costs faced by eurozone construction firms in July. Notably, the rate of inflation hit a fresh series record high for the fourth month in a row. On a national level, cost burdens rose rapidly across all three of the eurozone's largest nations. In Germany and France, the latest upturns in costs were the quickest on record, while Italian firms saw a slightly slower (but still marked) rise in expenses.

Suppliers' delivery times continued to lengthen rapidly at the start of the second half of the year. The extent to which vendor performance deteriorated was not quite as severe as that seen in June, but still among the fastest on record. Lead times increased sharply across all three of the bloc's largest economies, though Germany continued to see the most widespread delays overall.

Eurozone construction firms were confident in July that activity will increase over the next year. Notably, the degree of positive sentiment was little-changed from June's two-year peak. Italian companies were by far the most optimistic out of the three largest eurozone nations, while sentiment softened in France. German firms continued to express pessimism towards the outlook, though were the least downbeat for four months.

Comment

Commenting on the latest results, Annabel Fiddes, Economics Associate Director at IHS Markit, said:

“Latest PMI data indicated that the eurozone construction sector slipped back into contraction territory in July, with both activity and new orders falling slightly on the month. Rising costs, material shortages and limited capacity all reportedly weighed on construction sector performance at the start of the second half of 2021. Notably, input costs increased at the quickest rate seen in over two decades of data collection amid severe supply chain disruption.

“On a brighter note, firms remained confident that activity will increase over the next 12 months amid forecasts of strengthening economic conditions, improved supplier performance and new projects.”

Contact

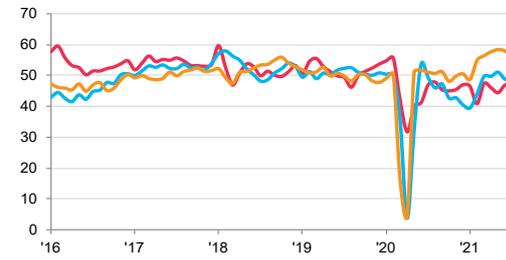
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Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

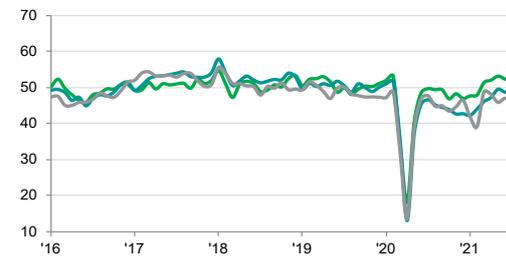


Source: IHS Markit.

Construction Activity Index

Housing / Commercial / Civil engineering

sa, >50 = growth since previous month



Source: IHS Markit.

Survey methodology

The IHS Markit Eurozone Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 650 construction firms in Germany, France, Italy and Ireland. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

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'.

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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 12-30 July 2021.

Survey data were first collected January 2000.

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