

IHS Markit Eurozone Construction PMI®

Eurozone construction activity continues to expand

Key findings

Renewed increase in new orders underpins output growth

Record rise in input costs amid severe deterioration in supplier performance

Confidence around the 12-month outlook strengthens

Data were collected 11-28 May 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.

The IHS Markit Eurozone Construction Total Activity Index rose slightly from 50.1 in April to 50.3 in May, signalling a third consecutive expansion in activity. Though fractional overall, the rate of growth was the quickest recorded since February 2020. Companies often linked the latest rise in activity to the start of new projects as demand growth resumed amid sustained government incentives for the eurozone construction sector. Underlying data indicated that the upturn was centred on house building. There was a softer fall in commercial construction and a quicker decline in infrastructure projects.

May survey data pointed to a further expansion in home building activity across the eurozone, stretching the current period of growth to three months. The rate of increase quickened from April and was the fastest recorded since February 2020. Italian constructors led the upturn with the strongest expansion on record, while French firms noted the first rise in home building for 15 months. Meanwhile, German builders reported a further drop in activity, the fastest for three months.

Commercial building activity fell for the fifteenth consecutive month in May, although the rate of decline was the softest since this sequence began. A sharp decline in Germany was partially offset by a sustained increase in Italy and renewed growth at French commercial constructors.

Work undertaken on civil engineering projects decreased again in May. The fall stretched the current period of decline to 22 months. Notably, the pace of contraction was the quickest since February. Construction firms in France and Germany recorded marked declines in infrastructure activity, while a third consecutive rise was seen in Italy.

The rise in total eurozone construction activity was led

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



Source: IHS Markit.

by a steep increase at Italian companies, who noted the fastest expansion since January 2007. Moreover, firms in France registered growth for the first time in 11 months. German builders on the other hand indicated a further fall in construction activity, and one that was the quickest for three months.

New orders placed with eurozone construction companies returned to growth territory midway through the second quarter. Moreover, the rate of expansion was solid and the quickest since February 2019. Anecdotal evidence suggested that stronger demand and government incentives for the sector led to a rise in new order inflows. Across the three largest economies, Italian firms saw the sharpest increase since March 2001, followed by the quickest rise in France for just over three years. Conversely, new business in Germany fell for the fifteenth month in a row.

Vendor performance across the eurozone construction sector deteriorated at the sharpest pace on record in May. Average lead times lengthened rapidly in all three of the bloc's largest members, with German firms pointing to the most severe deterioration in the history of the survey. Firms overwhelmingly attributed delays to raw material shortages.

Latest data showed an accelerated rise in input costs faced by eurozone construction firms. The rate of inflation was the steepest since aggregate data became available in January 2000, with a number of panel members citing higher raw material prices due to widespread shortages among suppliers. Underlying data indicated record rises in cost burdens at German and Italian firms, while the rise in France was the third-highest on record.

Eurozone construction firms expressed optimism toward the 12-month outlook for the fifth consecutive month in May. The level of positive sentiment strengthened from April and was sharp overall. Italian builders were at their most upbeat since August 2001, while confidence across France quickened to a three-month high. Projections in Germany remained downbeat, however.

Comment

Commenting on the latest results, Usamah Bhatti, Economist at IHS Markit, said:

"The upturn in the eurozone construction sector continued in May, as businesses reported a slightly stronger expansion in activity. At the same time, new order growth resumed at a solid pace that was the strongest since February 2019. Yet, widespread reports of shortages of raw materials across the bloc and beyond placed severe pressure on supply chains, as indicated by a record lengthening in supplier delivery times. This contributed to the quickest upturn in input costs since data became available in January 2000. Nonetheless, construction firms in the bloc were increasingly optimistic regarding the outlook for activity over the coming 12 months. Confidence was positive for the fifth month running amid hopes that the end of the pandemic would boost activity and demand. At the national level, Italian and French firms reported rises in activity, with the latter recording the first expansion since June 2020. That said, German builders signalled a sustained and faster fall in construction output in May."

Contact

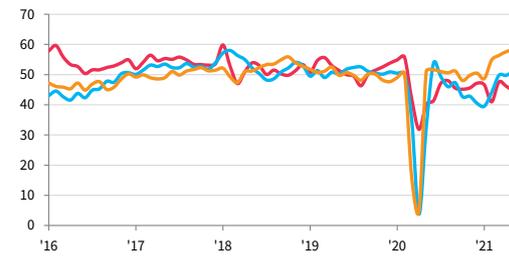
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Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

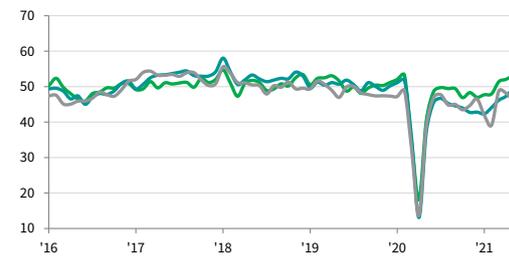


Source: IHS Markit.

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 11-28 May 2021.

Survey data were first collected January 2000.

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