# Eurozone & UK Construction and Car Sales Update



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In recent industry developments, eurozone construction activity continues to contract while UK construction sees expansion despite challenges in housing. Additionally, UK car sales experience significant growth, with notable increases in electric vehicle registrations.

#### Eurozone Construction Sector

A survey by Hamburg Commercial Bank indicates that construction activity in the eurozone shrank more rapidly in June, with the PMI falling to 41.8 from 42.9 in May. Germany experienced the largest decline, though its rate of contraction was the least severe since August 2023. French and Italian sectors also saw sharp declines, with Italy recording its biggest drop in nearly two years. Subsector-wise, residential construction remained the weakest, while civil engineering saw the most significant reduction.

Tariq Kamal Chaudhry from Hamburg Commercial Bank noted the absence of clear recovery indicators, despite easing inflationary pressures. Interest rate cuts from the European Central Bank could be necessary, yet only one more cut is anticipated by 2025.

#### UK Construction Sector

The UK Purchasing Managers' Index (PMI) for construction fell to 52.2 in June from 54.7 in May but remained above the threshold for growth for the fourth consecutive month. Commercial activity drove the sector, albeit at a slower pace, while housing output continued to decline. Employment saw the largest increase in ten months, despite a slower rise in new orders attributed to election uncertainty. Input cost inflation accelerated but remained manageable.

#### UK Car Sales

UK new car sales surpassed one million in the first half of 2024 for the first time since 2019. June saw a modest 1.1% increase in new car registrations, largely driven by a 14.2% rise in fleet sector demand, while private sales fell by 15.3%. Sales of electric vehicles grew significantly, with plug-in hybrid and hybrid electric vehicles increasing by 30% and 27.2% respectively. Battery electric vehicle sales rose by 7.4%, accounting for 19% of all new registrations.

Mike Hawes, CEO of the Society of Motor Manufacturers and Traders (SMMT), highlighted continued fleet sector growth, while private buyer demand remains weak amid economic challenges. He also noted that electric vehicle prices are unlikely to align with traditional vehicles without significant policy support.

#### Conclusion

The construction and automotive sectors in Europe exhibit contrasting trends, with eurozone construction facing significant challenges, while the UK shows mixed results in construction and notable growth in the automotive sector, particularly in electric vehicles.