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IHS Markit Eurozone Construction PMI®

PMI falls to all-time low in April amid COVID-19 pandemic

Key findings

Record fall in eurozone construction activity

New orders also plummet as COVID-19 hits demand

Employment shrinks at survey-record rate

Data were collected 7-27 April 2020

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 fell even further in April, following the substantial drop in March. At 15.1, the figure recorded a new record low, falling from 33.5 in March, signalling an unprecedented month-to-month decline in construction activity across the eurozone. Survey data showed Italy and France recorded extreme contractions in construction output, while Germany registered a far slower decline but one that was still marked overall.

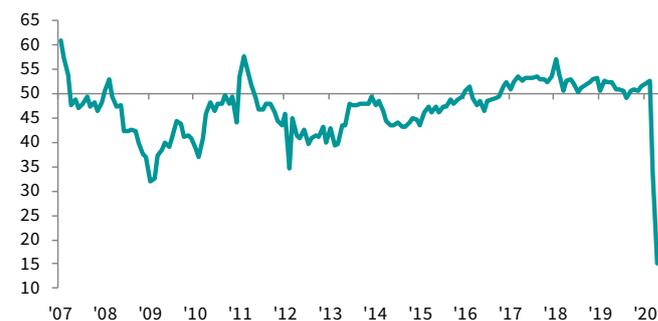
April data showed a substantial fall in home building activity across the eurozone following a marked decline in March. The rate of contraction was the fastest seen in the over 20-year survey history, led by France and Italy, which reported extreme rates of decline.

Work undertaken on commercial construction projects in the eurozone likewise contracted at a severe pace in April, as indicated by the respective seasonally adjusted index registering significantly below the no-change 50.0 level. The rate of decline was unprecedented in over 20 years of data collection. The sharpest contraction was recorded in Italy, with France not far behind, while Germany registered a comparatively slower decline, though one that was still severe overall.

Meanwhile, eurozone civil engineering activity fell further in April, extending the current sequence of contractions to nine months. Overall, the rate of decline was severe and the quickest on record, far surpassing the previous record low set in February

continued...

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



Source: IHS Markit.

2012. National data revealed a collapse of civil engineering in France, with Italy also recording an extreme decline.

The decline in construction output deepened across eurozone's three largest economies, with Italy and France recording substantial drops in activity during April. Germany registered a comparatively slower decline, but nonetheless one that was still severe overall.

Despite substantially reduced purchasing demand, supply chains remained under pressure. Delivery times lengthened to the greatest extent in the series history and at a rate that was severe overall. Firms highlighted transport issues, customs restrictions, and supply shortages at distributors as key factors for delivery delays. Each of the bloc's three biggest economies reported much slower deliveries, with France recording the most severe delays.

Cost burdens faced by eurozone construction firms rose further in April. However, the rate of inflation was the slowest for just over four years. Firms that reported reduced costs pointed to lower oil prices. Underlying data pointed to slower increases in input costs for Germany and France, while Italy recorded a decline.

Finally, eurozone building companies remained pessimistic about future activity in April, with the Future Activity Index coming in well below the neutral 50.0 level. Concerns over the economic impact of the COVID-19 pandemic on construction activity were commonly mentioned. Of the currency area's three largest economies, Germany had the most negative outlook over the next 12 months, followed by France.

Comment

Commenting on the latest survey results, Bernard Aw, Principal Economist at IHS Markit, said:

"Stricter measures to halt the spread of the COVID-19 pandemic placed restrictions on business operations, dealing a substantial blow to eurozone construction firms in April. Construction output across the euro area slumped in April, following a severe drop in March, with Italy and France especially hard hit amid reports of widespread work suspensions among construction firms.

"Demand was also severely affected by the lockdown measures, with new orders falling at the sharpest rate seen in over 20 years of data collection. In response, firms made deep cuts to their workforce numbers and purchasing activity. Business sentiment remained negative in April, with the COVID-19 crisis the predominant concern among eurozone construction firms."

Contact

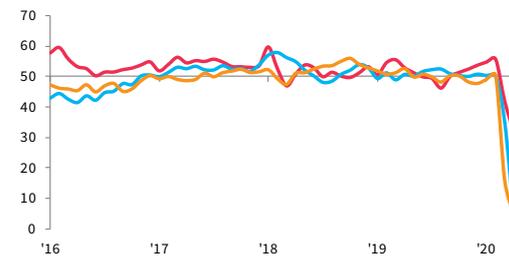
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Construction Total Activity Index

Germany / France / Italy

sa, >50 = growth since previous month

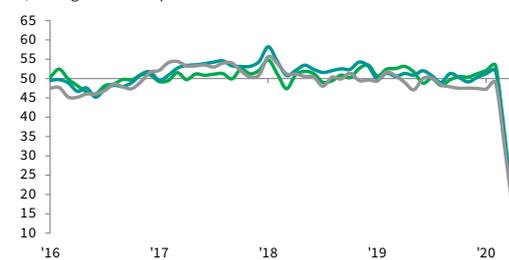


Source: IHS Markit.

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 7-27 April 2020.

Survey data were first collected January 2000.

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