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IHS MARKIT EUROZONE CONSTRUCTION PMI®

Construction activity falls at fastest rate for over 11 years

KEY FINDINGS

Slump in eurozone construction activity in March...

... as new orders plummet

Employment and purchasing activity both fall sharply

Measures to limit the spread of the coronavirus disease 2019 (COVID-19) severely impacted the eurozone construction sector in March, with construction activity falling sharply as new orders slumped. The downturn in the sector was accompanied by job shedding. Input purchases plummeted as construction work fell, with firms also facing great difficulty securing inputs due to supply chain disruptions. Delivery times lengthened at a pace not seen in the 20-year survey history. Business expectations turned negative for the first time for nearly four-and-a-half years.

The IHS Markit Eurozone Construction PMI® plunged from 52.5 in February to 33.5 in March, pointing to the steepest decline in construction activity across the currency area since February 2009 during the global financial crisis. The downturn in construction activity was broad-based across the eurozone, with Italy recording the sharpest decline. Germany registered the slowest contraction of construction output, albeit still marked overall.

At the sub-sector level, the overall decline was led by a further slump in civil engineering work, in which the rate of contraction was the fastest in eight years, while sharp decreases in home building and commercial construction projects also contributed.

With construction activity contracting sharply in March, eurozone construction firms cut their staff numbers for the first time since January 2017. Moreover, the rate of job shedding was the fastest for a decade and steep overall. Across the euro area, the drop in construction employment

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



was quickest in Italy, followed by France.

The downturn in construction activity also saw firms scaling back their purchases of raw materials and other building inputs for the first time since October 2016. Moreover, the decline in purchasing activity was the steepest recorded in the survey's 20-year history. At the national level, the result was predominantly driven by a record fall in Italy, with France also reporting a severe decline.

Despite the sharp reduction of input purchases, suppliers' delivery times in the eurozone construction sector lengthened further in March, and at a rate not seen since the survey started in January 2000.

Falling activity occurred concurrently with a slump in demand. New business plunged in March, falling at the fastest rate for over 11 years. National data showed a broad-based decline across the eurozone, led by severe falls in Italy and France.

On the cost front, input prices faced by eurozone construction firms continued to rise in March. However, the rate of inflation eased to the slowest for three-and-a-half years. National data revealed slower increases in all monitored eurozone economies, with France and Italy reporting the slowest pace of inflation.

COMMENT

Bernard Aw, Principal Economist at IHS Markit, which compiles the survey:

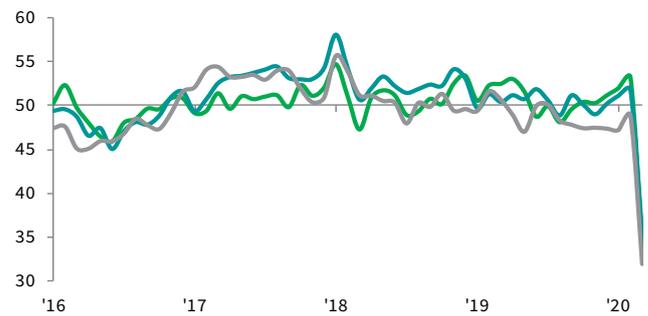
"The eurozone construction sector fell into a severe downturn in March as measures to contain the COVID-19 outbreak hit activity and demand.

"Construction activity fell sharply as firms reported slumping demand. This in turn adversely impacted hiring and purchasing activity. Construction employment shrank at a rate not seen for a decade while firms cut back on input purchases at the fastest rate recorded since the survey started just over 20 years ago.

"Unsurprisingly, business sentiment was seriously dented, with eurozone construction firms expressing pessimism for the first time in nearly four-and-a-half years, hinting at challenging times in the months ahead, especially if the anti-virus measures continue for a prolonged period."

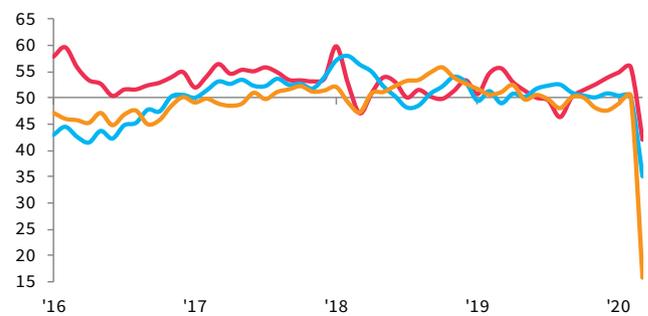
Activity Index by construction category Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



Total Activity Index by nation Germany / France / Italy

sa, >50 = growth since previous month



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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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