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Europe's construction activity collapses as lockdown hits builders

Martin Arnold in Frankfurt and Valentina Romei in London yesterday

Europe's construction industry has suffered its biggest drop in activity since the financial crisis after many building sites closed and the supply of workers, materials and safety equipment was heavily disrupted by the coronavirus pandemic.

The IHS Markit purchasing managers' survey for construction fell from 52.5 in February to 33.5 in March, figures published on Monday showed. A reading below 50 indicates a majority of businesses reported a deterioration in activity.

Bernard Aw, principal economist at IHS Markit, said: "The eurozone construction sector fell into a severe downturn in March as measures to contain the Covid-19 outbreak hit



Peso: 30-79%, 31-41%, 32-82%, 33-45%, 34-20%

activity and demand.”

Building and engineering industry groups, which employ 16m people across Europe, have [warned](#) of “extremely damaging and long-term effects” caused by the severe restrictions imposed on their work to slow the spread of the virus.

“Activity is down by about 60 to 70 per cent in southern Europe — it is an unprecedented shutdown,” said Domenico Campogrande, director-general of the European Construction Industry Federation.

The figures came as separate data showed that eurozone investor sentiment has hit a record low, as pessimism surpassed even the low point of the financial crisis more than a decade ago. The Sentix survey of investors found that sentiment about the eurozone economy was down 25.8 points month on month to minus 42.9, its lowest point since the poll started in 2001.

“Coronavirus is keeping the global economy in a stranglehold: without exception, all regions of the world are in a deep recession,” said Patrick Hussy, Sentix managing director. “Never before has the assessment of the current situation collapsed so sharply in all regions of the world within one month.”

The construction industry is appealing for help from the



European Commission and on Tuesday sector representatives will have a video call with Thierry Breton, the EU single market commissioner. Production problems and restrictions on the movement of people and goods are causing major problems in shortages of materials and workers for the industry, said Mr Campogrande.

The construction slowdown has had repercussions for employment: eurozone construction companies cut their staff numbers at the fastest pace for a decade, according to the PMI survey.

“You have a lot of self-employed workers in construction — particularly in the UK — and clearly for them everything is blocked,” said Mr Campogrande. “In most construction sites you need masks at a minimum, but many construction companies have given their equipment to hospitals because of the urgent need and now they don’t have enough. So they are now in a difficult situation.”

Italy and Spain, the two European countries hit hardest by the virus, have both ordered a halt to many non-essential business activities, forcing most building sites to close. The Italian construction sector’s PMI index hit 15.9 in March, the lowest level since the survey began in 1999.

Gabriele Buia, president of Italy’s national association of



construction companies, called last week for an injection of liquidity into the country's economy via commercial banks with state guarantees as "it's now clear that without prompt actions . . . many companies will not be able to recover" from the downturn.

UK construction activity has fallen at the fastest pace since the financial crisis as many builders ceased work and the pandemic hit demand. The PMI for UK construction dropped to 39.3 in March from 52.6 in the previous month.

The European car industry has also been badly hit,

according to separate data published on Monday. The Ifo economics institute's survey found that business expectations in the car sector had plummeted from minus 19.7 points in February to minus 33.7 points in March.

New car registrations in the UK fell 44.4 per cent last month after most showrooms closed.

